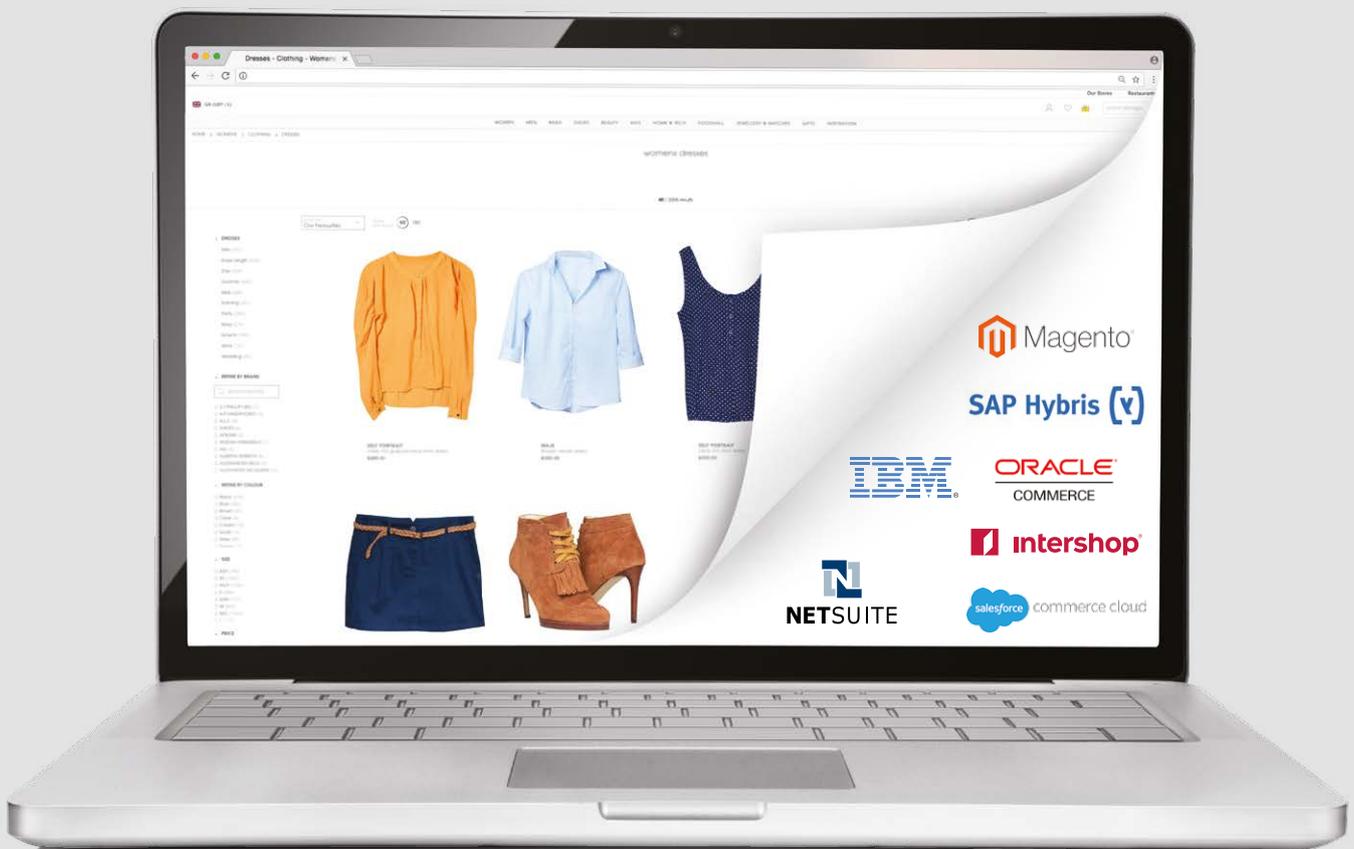

2017 ECOMMERCE PLATFORMS RESEARCH REPORT



An international study into ecommerce platform selection, assessing the drivers, technologies, challenges and trends

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FOREWORD



Patrick Munden
Global Head of Marketing
and Retail

When Jeff Bezos began selling books online from his garage back in 1995, he had two major concerns: getting people to his website and having them make a purchase when they got there.

Today that end goal hasn't changed, but the proliferation of social media and other online channels means the journey is not so linear.

The number of customer touch points is vast and constantly growing. Ecommerce retailers, manufacturers and wholesalers need to ensure they can get the most out of each channel while providing the seamless experience customers have come to expect.

Data, too, has exploded in recent years, not only in volume but also in its ability to provide powerful insight for those who know how to collect and interpret it properly.

To manage such complexity requires more than just top talent – to keep up with customers and competitors now and in the future requires the right blend of expertise and technology.

But how do you get the balance right? Salmon helps shape and deliver some of the world's largest online stores on a

range of platforms including Intershop, SAP Hybris, Magento and IBM. We commissioned independent research company Censuswide to survey senior professionals responsible for enterprise-level ecommerce across a range of large B2C and B2B companies throughout Northern Europe. We wanted to learn what drives them to choose one particular platform over another and what they look for in a technology partner.

Our research also uncovered a number of challenges that ecommerce decision makers have faced, along with some genuine fears they have about the future.

More than a quarter (29%) told us they don't have the technology they need to cope with emerging trends in the next five years, while a fifth are concerned about competing with new niche players for the same reason.

This is worrying, but certainly not unsolvable.

The question for ecommerce brands is this:

Are you aware of – and do you have – the platform capabilities needed to future-proof your business?

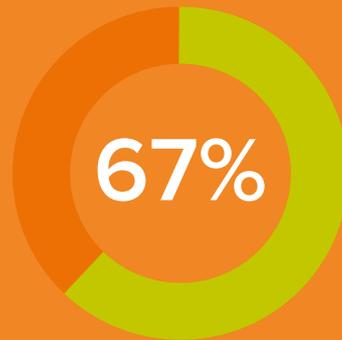


ECOMMERCE PLATFORMS

THE STORY SO FAR

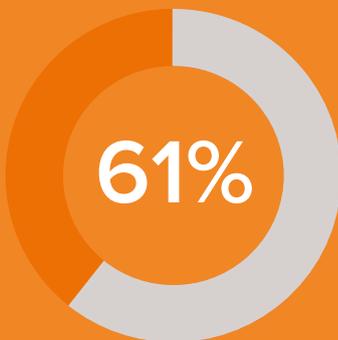


claim ecommerce platform selection is the most important decision in establishing a multichannel offering

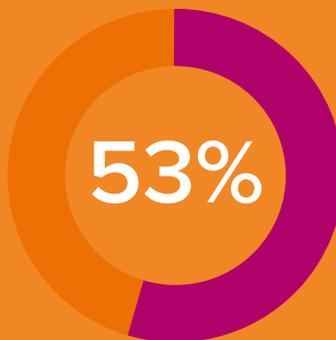


use an external partner to support with platform selection and delivery

TOP TECHNOLOGIES ECOMMERCE FIRMS ARE CURRENTLY INVESTING IN:



IoT enablement



Purchasing



Personalised targeting (e.g. geolocation)

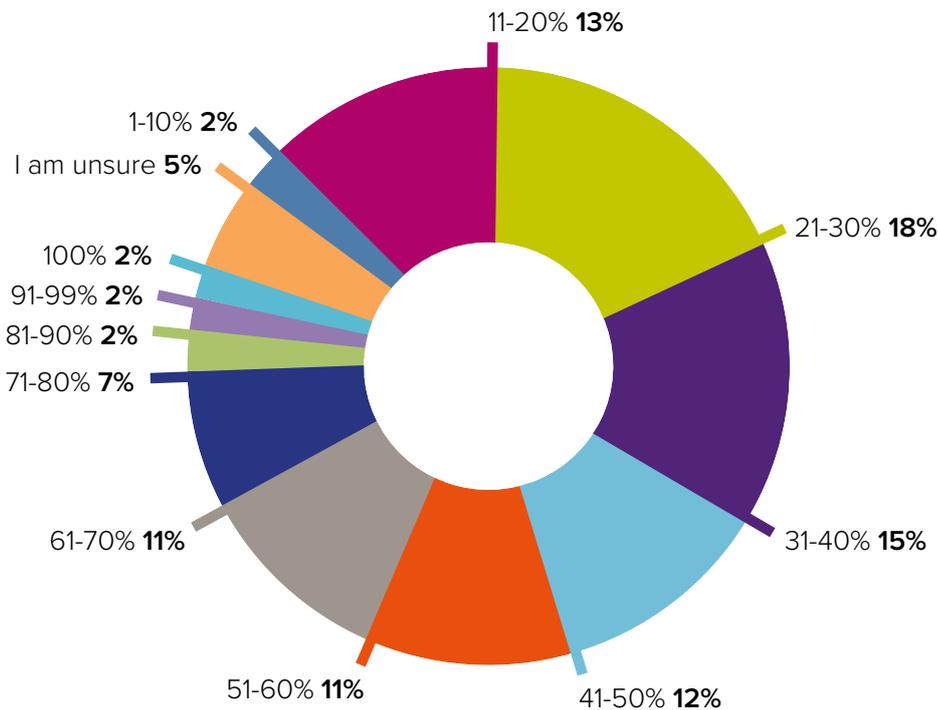
It's fair to say ecommerce decision makers across Europe don't need to be educated on the power of technology. 87% of them regularly invest in it and firmly believe it has been beneficial to their business.

88% say selling online has been the key to their company's success, and

ecommerce platforms have played a huge part in that – 90% of respondents told us that choosing one is the most important decision you have to make when establishing a multichannel offering, and 35% stated that ecommerce currently accounts for more than half of total sales.

88%
say selling online has been the key to their company's success.

PERCENTAGE OF ANNUAL SALES BEING MADE THROUGH THEIR ECOMMERCE PLATFORM



With that in mind, how do businesses decide on a particular enterprise-level platform?

Growth and improvement are key adoption drivers

A desire to scale and expand is by far the biggest driver behind platform

adoption, with 46% of respondents citing overall market growth as the key reason behind their decision.

But digging further into the numbers we can start to see the specific areas where organisations want their ecommerce platform to support growth.

More than a third (36%) said they want to grow the online market for their products or services, while 31% cited international expansion as a driver, and a quarter pointed to expansion of their product range.

Benelux differed slightly to Germany and the UK here, with international expansion being of higher importance (40%) than overall market growth (32%).

But while growth is clearly a major driver for platform adoption, so is the desire for companies to improve upon their existing platforms.

More than one in five (22%) said they adopted their current platform because they needed B2B features, while the same number said the running costs of the previous platform were too high.

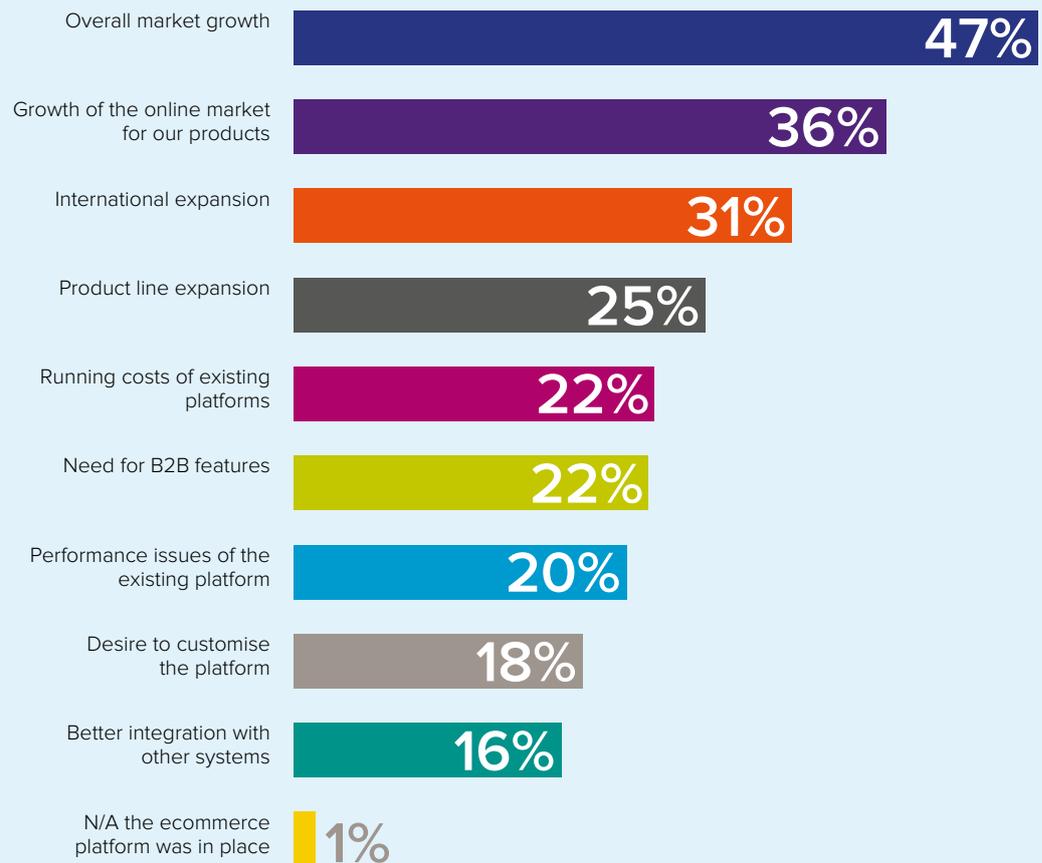
Reliability and integration, which we'll explore further on in this report, also impact the buying decision.

A fifth of retailers switched platforms because of performance issues, while 16% did so because they wanted better integration with other systems.

22%

said they adopted their current platform because they needed B2B features – the same number said the running costs of the previous platform were too high.

WHAT WERE THE MAIN BUSINESS DRIVERS BEHIND YOUR DECISION TO CHOOSE YOUR ECOMMERCE PLATFORM/S?



Technology partnerships are seen as vital

Success in ecommerce – or almost any line of business in a digital-first world – depends upon technology. But without the right people to support you on that journey, your chances of success are significantly diminished.

This is certainly the message our respondents put across – more than two-thirds of them used an external partner to help select and deliver their ecommerce platform.

It seems the majority of ecommerce brands are keen to enjoy the benefits a technology partner can bring – not just a fresh pair of eyes that can see problems from a different perspective, but also a wider source of people and ideas.

While half assessed requirements themselves before approaching vendors, 35% brought in an external agency to help identify those needs.

And while 39% set their own digital vision, more than a quarter (26%) sought the services of an external team to help set it for them.

Let's break down what we mean by 'external agency'.

In terms of consulting before choosing an ecommerce platform, two-fifths of retailers use a general IT consultancy, while two-fifths, again, use a dedicated digital change consultancy.

Businesses tend to use the more specialist providers like systems integrators (36%) or platform selection specialists (32%) less often, while 30% consulted with analysts or research houses such as Gartner in some way.

As for implementation, general IT consultancies performed well again, with 41% of respondents choosing these.

But one specialist option performed equally well here – 41% of organisations used a systems integrator to implement their ecommerce platform, while only a quarter used a digital change consultancy.

One thing is clear from this research: the appetite for external partnerships when choosing and implementing ecommerce platforms is high. Just 4% do not consult with an external partner at all before choosing a platform, and only 5% fail to work with one for implementation.

“Select a partner that is most likely to take your vision and implement it in all its vivid detail. Choosing a partner with prior experience of implementation of your scale, and in your market, is extremely important.”

Top areas for technology investment

We've talked about ecommerce platforms generally, but how are retailers investing in specific technologies?

The internet of things (IoT) has been the biggest target for growth, with over three-fifths (61%) of respondents currently investing in this technology.

Automation and personalised targeting also scored highly, with 53% of retailers currently prioritising spend in both these areas, while 47% are focusing on voice interface technology such as Amazon Echo, and 51% are investing in new payment methods like Bitcoin.

Interestingly, only 41% of retailers are currently investing in virtual and augmented reality, despite predictions from some that it will have a big impact on ecommerce.

Similarly, only two-fifths are investing in artificial intelligence (AI) and machine learning and only 31% in robots, another two areas that have been tipped for massive growth.

61%

of respondents are currently investing in IoT technology.

“Start with a vision that articulates the strategic direction of your ecommerce plan. You should craft this with involvement and feedback from your customers. Select a platform that fits best with your vision and business processes. Evaluate it against these, not just against other ecommerce platforms.”

24% said the impact of integration on business processes was more significant than expected.



FIGHTING AGAINST THE TIDE

THE BIGGEST CHALLENGES:

30%

say resistance
to change



29%

believe too many
stakeholders
want a say in
front-end design

29%

believe customers'
needs are consulted
too late in the
project



84%

experienced some
kind of pain point
in the platform
delivery process

With all areas of digital technology, there have been – and continue to be – a number of hurdles causing headaches for those trying to keep up with the pace of digital evolution.

One issue in particular stands out amongst the rest: businesses' resistance to change.

Almost one-third (30%) of retailers say this is a major pain point when implementing an ecommerce platform.

This hurdle isn't exclusive to the adoption of ecommerce platforms, of course. Trying to achieve buy-in for major shifts in the status quo has always been a burden for businesses, particularly larger organisations already bound by the politics and processes that come with being an established enterprise.

Overcoming this issue requires strong digital leadership, but it also means taking a different approach to risk and failure.

Almost half (47%) of respondents said they have invested in technology that ended up being a waste of money, but this is the reality of ecommerce in 2017 and beyond; you must be prepared to test, fail and test again in order to succeed.

Promisingly, 82% are open to investing in new technology despite appreciating that some tools will turn out to be fads. And only 36% find it difficult to commit to new tech through fear of investing in the wrong area.

Less than one in five (18%) have no interest in investing in tech until it has been proven to the market. Those in Germany seem to be more risk averse, where nearly a quarter (24%) feel this way compared to just 13% in the UK. Benelux represents the average at 18%.

B2B brands are generally more open to trying new technology than their B2C counterparts, although they do tend to be more frightened of investing in the wrong area.

In any case, these numbers do offer some reassurance that many companies are taking steps in the right direction in terms of attitudes to digital adoption.

And Germany seems to be leading the way, with only 20% of respondents reporting resistance to change as a problem, compared to the UK (34%) and Benelux (36%).

Overcoming this issue will pose a real challenge for ecommerce brands in the coming years, and could be the key to gaining a competitive edge.

30%

say resistance to change is a major pain point when implementing an ecommerce platform.

B2B brands are generally more open to trying new technology than their B2C counterparts, although they do tend to be more frightened of investing in the wrong area.



Another big challenge is too many stakeholders taking an interest in the front-end design of an ecommerce platform, with 29% of respondents highlighting this as a pain point.

The expression ‘too many cooks spoil the broth’ certainly springs to mind in the design and implementation of ecommerce platforms.

22%

believe it's less important to invest in front-end technology like web design to impress customers than in back-end technology.

This is particularly interesting when you consider that 22% believe it's less important to invest in front-end technology like web design to impress customers than in back-end technology.

Another big pain point for businesses is something many will be able to relate to: requirements changing halfway through platform implementation, effectively moving the goal posts.

“Whilst it’s always good to invite opinion and feedback – particularly to mitigate against resistance to change – the ongoing inputs, influence and approvals of stakeholders should ideally be limited to their areas of responsibility and expertise, and, ultimately, accountability for their actionable feedback should lie with the project owner. This is something to agree on upfront with the client.”

Almost one-third (29%) of respondents say customers being consulted too late in a project is a major issue, while 26% cited important requirements emerging late into the process.

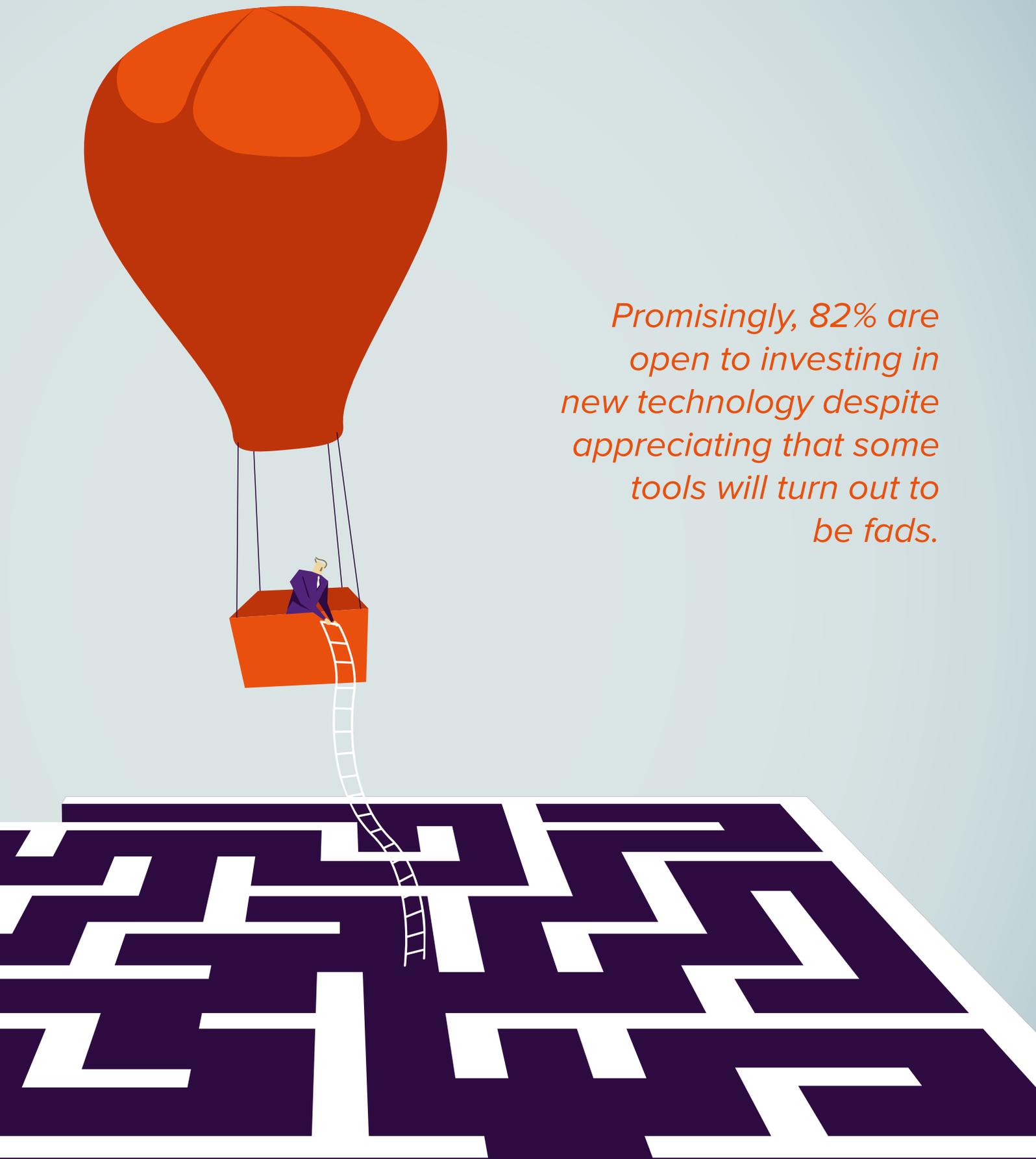
Perhaps a more encouraging finding is that only 14% cited linking business applications to one seamless omnichannel experience as a pain point, suggesting retailers are beginning to make some progress in this once-foggy area.

Integration has unsurprisingly caused some headaches too. 28% said back-end data could not easily be integrated into their platform, while 24% said the impact on business processes was more significant than expected.

One thing is for certain, however: ecommerce platform implementation is rife with challenges; just 16% of respondents carried it out without any pain points. In Benelux, this figure was 2%.

“All too often people start with the functionalities of a platform before considering what it really means for overall customer experience. Consider reversing the order and starting with a vision about what process you want your customers to go through. Then you can focus on the finer details.

“Often the best ideas come from your customers, so listen to their feedback. You will have anecdotal feedback from conversations with them, from customer support and also more official marketing-led surveys. All this feedback is invaluable when it comes to innovation, so ensure you capture it all and implement where possible.”



Promisingly, 82% are open to investing in new technology despite appreciating that some tools will turn out to be fads.

THE SEARCH FOR SECURITY AND DEPENDABILITY

WHAT ORGANISATIONS WANT

FROM THEIR COMMERCE PLATFORM:

95%

Flexible pricing

92%

Security

92%

Scalability

90%

Alignment with
overall vision

FROM THEIR TECHNOLOGY PARTNER:

97%

Experience

94%

Understand our
business vision

92%

Support post-
implementation

91%

Challenge our
thinking

Now that we understand what drives organisations to adopt ecommerce platforms, what technology they're investing in and the challenges they're up against, we can start to explore what they look for in an ecommerce platform and technology partner.

As for the platform itself, security is by far the biggest issue. 92% of businesses cited the level of platform security as a deciding factor when choosing an ecommerce platform, with three-fifths calling it extremely important.

This shouldn't come as too much of a surprise when you consider the number of high-profile cybersecurity attacks we've seen in recent years, and the financial and reputational impact on those involved.

Latest figures from internet service provider, Beaming, suggest 52% of UK businesses fell victim to cyber attacks last year, resulting in almost £30 billion in total losses.

“A data breach of your customer data, or payment capture infrastructure, can be extremely costly and devastating to your brand. To guard against this, question the vendor and implementation partner on their history of security patching, their efforts to detect and mitigate zero day vulnerabilities, their experience seeing and remediating security issues, and their ability to mitigate DDOS attacks.”

Security matters, then, and we can only expect this trend to continue as we move closer to the EU General Data Protection Regulation act (GDPR)

“If you take less than 200 orders per month, then buying a platform that is high performance is overkill. If you take 200 orders per hour, with peaks of 1000 orders per hour during peak sales periods, then being able to scale and perform are key factors to consider.”

coming into play. This will inevitably add a further layer of legal and financial penalties to an already risky landscape.

While security is a huge determining factor for businesses when choosing an ecommerce platform, it is certainly not the only one.

Scalability, too, is seen as incredibly important. Earlier in the report we highlighted a desire for growth as a key driver for platform adoption – in order to support that, the technology needs to be flexible to adjust as an organisation evolves and not slow them down at a critical time.

92% of respondents said the ability to scale with growth is important, with 53% calling it extremely important. And pricing plays a part in that too – 95% want flexible pricing to support growth, with 47% saying it's extremely important.

But the third most important trait of an ecommerce platform, according to those we surveyed, is that it aligns with their overall vision – 90% believe this is important (51% extremely so).

Technology is just one part of the ecommerce platform equation, however – who you work with to help implement that platform can have a huge impact on its overall success.

When choosing an ecommerce technology partner it seems most businesses are more interested in a supplier's pedigree than anything else.

Almost all of them (97%) cited level of experience as important, with 70% calling it extremely important – by far the most sought-after trait.

92%

of respondents said the ability to scale with growth is important, with 53% calling it extremely important.

“Working with an experienced team will help to mitigate risk and manage project cost effectively by foreseeing issues and being able to respond to them in a way which reduces impact on the overall project timelines. An inexperienced delivery team will miss key design and implementation issues that are inherent to major implementations. This can have huge knock-on effects on future rollout and integrations if not managed upfront.

“Ask the vendor to provide details on the team they will provide, and interview those people to get a sense of their experience. Ask them for specific examples of work that apply to your industry.”

As with the technology itself, alignment with strategic goals came through strongly on the partner side. 94% cited the ability to understand their vision and help them develop it as important, with half calling it extremely important, whilst 86% want a partner to collaborate with them to jointly define a return on investment.

But while companies want a strategic partner that is aligned with their overall vision, they don't want one that simply

says 'yes' all the time. Instead, they want a partner that can challenge their thinking – 91% said this is important, with 38% saying it is extremely important.

There's also a broader story around quality of service here – 92% of respondents reported the ability to support the platform after implementation as important, with 49% calling it extremely important.

“A true partner is one that will challenge you, encouraging outcomes that help you move from good to great. Be wary of vendors who ask you what you want – and focus solely on that; seek out those partners that already have a vision for what they think you need. There's a key difference between a partner that will just implement what you tell them to, and one that will align their work and cost to achieving the results of your vision.”

“Before you think about selecting a platform vendor, think about what your vision and business objective is. Let that decision shape the evaluation of the platforms. What platform works best for the way you work today, and the way you want to work tomorrow. Try not to force-fit a platform into your current business processes – let your processes bend and blend into the way the platform works.”



A true partner is one that will challenge you, encouraging outcomes that help you move from good to great.



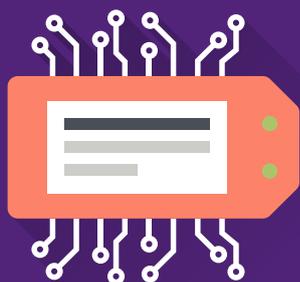
WHAT HAPPENS NEXT? PLANNING FOR THE FUTURE

87%



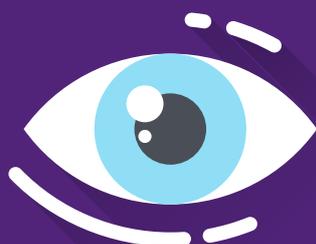
Believe ecommerce will be the fastest-growing area in the next five years

TOP TECHNOLOGIES FOR INVESTMENT OVER THE NEXT FIVE YEARS



69%

Robots



59%

Virtual/mixed reality



60%

AI/machine learning

The story for ecommerce platforms so far has been an exciting one, and we can only expect the pace of innovation to increase as the world of online opportunities expands – 87% of respondents believe ecommerce will be the fastest-growing area in the next five years.

But with that growth comes a wave of new threats and challenges, and to overcome them requires a different approach to technology.

Cloud will become the king of ecommerce, with 95% saying it will become more important in the future and 49% strongly agreeing that this will be the case. It seems those in the UK are most likely to make the shift, with almost all (99%) saying this, compared to 86% in Benelux. Germany fell between the two at 96%.

And with more tools moving into the cloud, the amount of associated data will inevitably increase.

92% of organisations agree they need to be able to better analyse consumer data in order to improve their service and ability to personalise, with 43% strongly agreeing. And machine intelligence will play an important role in helping organisations achieve that, as 85% of them agree.

Agility, too, will become increasingly important to retain a competitive edge in ecommerce, and 48% of respondents believe organising their business to be able to react quickly to market changes will be a major challenge in the future.

Companies would do well to adopt a ‘DevOps’ approach – testing and tweaking technology as they go. This was highlighted in our report by 96%

of respondents who said they need the flexibility to make changes to their ecommerce platform based on customer feedback or market movements without IT intervention (43% said it is extremely important), which would ultimately create another layer of process and slow any innovation down.

Similarly, 83% don’t want to be locked into a long-term agreement with a platform vendor, with 30% strongly agreeing that this would be an issue in the future.

Where will ecommerce brands invest next?

Earlier we explored where organisations have been investing so far when it comes to ecommerce technology – now let’s look at their plans for the coming years.

More than two-thirds (69%) plan to invest in robots in the next five years – the biggest area of investment by far for our respondents. We’ve already seen big names like Amazon begin to use robots for tasks like picking and packing. It’s going to be really exciting to see how this area develops in the coming years as more ecommerce brands get involved.

Three-fifths said AI and machine learning will be a big focus area for investment, while 59% cited virtual and augmented reality, although in the UK the focus on the latter is particularly strong (67%).

The figures on future investment are particularly interesting when compared to where organisations are already investing.

69%

plan to invest in robots in the next five years – the biggest area of investment by far for our respondents.

22%

say AI and machine learning will be key to driving sales and improving CX.

Only 31% are already investing in robots, for example, suggesting most are only just coming around to the impact this technology could have.

Similarly, only 41% have already been putting their money into VR and AR and only 40% into AI and machine learning.

Again, this suggests that while lots of ecommerce businesses are beginning to invest heavily in these areas now, many have only recently made that decision despite the technologies having been around for some time.

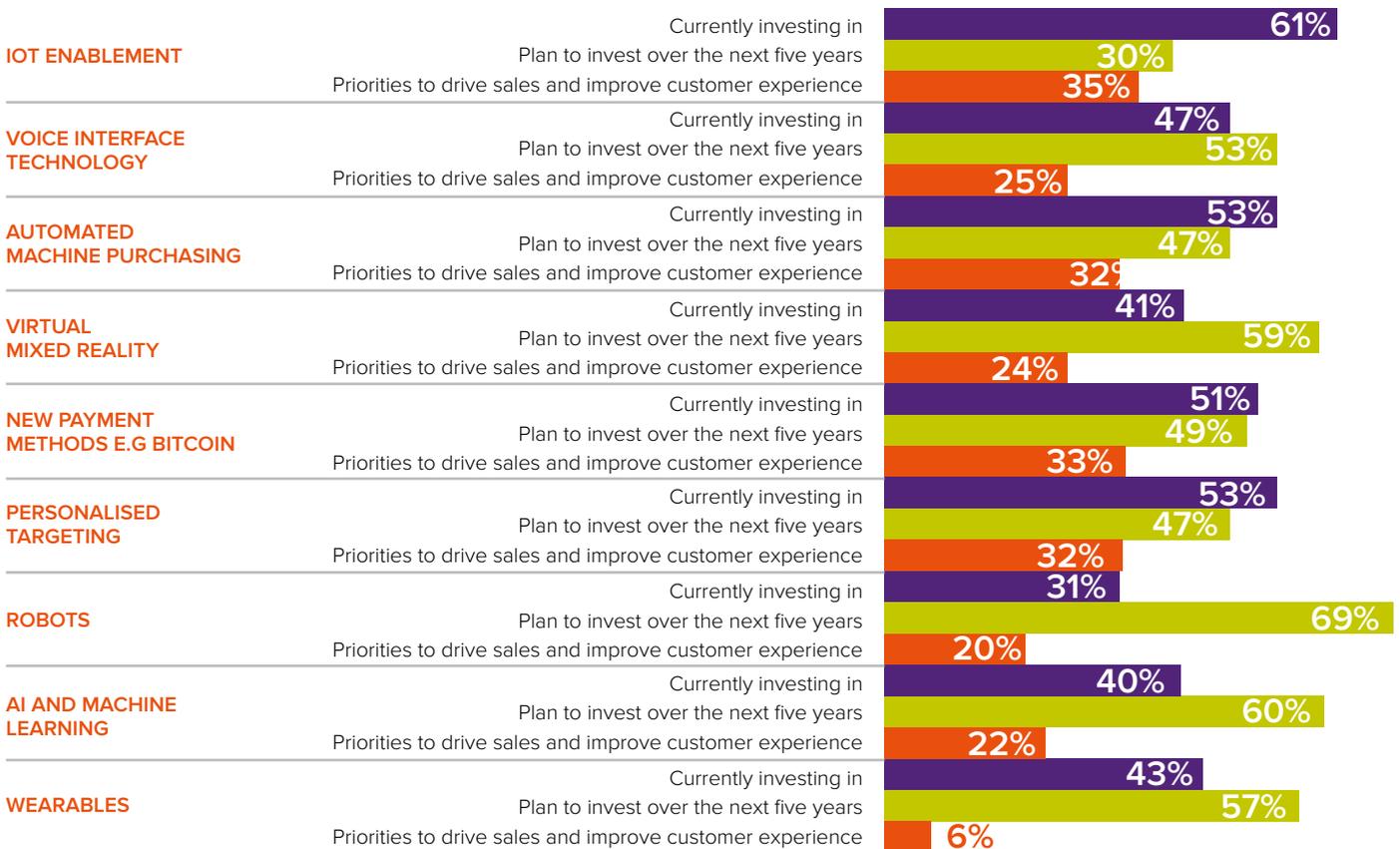
And only a fifth say robots are important for driving sales and improving the customer experience (CX), despite this being the top focus area for future investment. Notably B2B organisations feel robotics will have a bigger impact (23%) than B2C (12%).

This discrepancy could be due to other perceived benefits of this technology – increasing efficiency and freeing up people’s time for more thinking, for example.

On a similar note, just 22% say AI and machine learning will be key to driving sales and improving CX, while only 24% say the same about virtual and augmented reality.

Again, these are both big targets for future investment, so at first glance these numbers seem confusing. As with robots, however, these technologies have other potential benefits such as lowering costs and improving collaboration between colleagues.

CURRENT AND FUTURE TECHNOLOGY PRIORITIES



92% of organisations agree they need to be able to better analyse consumer data in order to improve their service and ability to personalise.



CLOSING THOUGHTS

DO ECOMMERCE BUSINESSES HAVE THE PLATFORMS IN PLACE FOR THE FUTURE?



don't have the technology in place
to cope with emerging trends in
the next five years



don't have the technology
in place to keep up with new
niche players

Despite what many experts may claim to the contrary, none of us can really predict what is yet to happen, particularly when it comes to something as fast-moving as the technology sector, and certainly not with a high degree of confidence.

For businesses this can mean feelings of uncertainty, and many of the responses to our survey seem to reflect that.

Almost one in three respondents (29%) told us they don't currently have the technology in place to cope with emerging trends in the next five years, while 55% state keeping up with new technology to satisfy customer demand as a key concern.

A fifth said they'll struggle to compete with new niche players for the same reason.

This ties in with the fact that 87% feel they need to invest in the ability to personalise interactions – something many disruptive ecommerce brands have already excelled at – in order to remain competitive.

But more than just competing, many are genuinely concerned about whether they'll have a future at all.

Two-fifths said ensuring new digital disruptors don't appear overnight to kill their business will be a major challenge for the future, while the threat of ecommerce giants like Amazon is a concern for 38% of respondents. Perhaps unsurprisingly, B2C organisations are far more concerned about this (42%) than B2B organisations (28%).

74% of organisations say they plan to switch ecommerce platforms in the next 12-18 months. They clearly recognise the importance of a platform that is ready to meet the future needs of the business and its customers.

Methodology

This survey was carried out by Censuswide, an independent and respected research company. Respondents were gathered from B2B and B2C enterprise-level ecommerce decision makers across the UK (100), Germany (76) and Belgium & Netherlands (50).

Organisations were filtered by employee size and revenue, with respondents falling into the following categories:

Company size breakdown:

500-999 employees: 88

1000-2999 employees: 63

3000-4999 employees: 27

5000+ employees: 48

Turnover breakdown:

£100,000 – £999,999: 5

£1m – £9.9m: 23

£10m - £49.9m: 34

£50m – £99.9m: 44

£100m - £499.9m: 61

>£500m: 48

Don't know or prefer not to say: 11

The online survey was carried out in April 2017.

Top 10 things to do to excel at platform implementations

1. Reverse the order of things. Start with a vision, select your implementation partner, move to an architecture, get your data and interfaces right. Only then pick a platform.

2. Consider non-functional aspects alongside features and functions, not afterwards.

3. Ensure you have real data to populate your ecommerce system under development before you start a project.

4. Document and test your interfaces to data before you start developing ecommerce features.

5. Pick a partner that has ideas that shape your vision, not one that simply wants to build what you have asked for.

6. Work with a partner to select the right platform for your vision – is it cloud-based, a per order line model, or an upfront investment that is recouped over time?

7. Ask experiential questions of your platform and implementation partners, not just feature/function ones.

8. Keep RFPs simple, or dispense with them altogether and interview and work with potential partners to get to know them.

9. Look for platforms that have open interfaces, or break their components up into microservices.

10. Look for infrastructure automation and DevOps principles in your implementation partners or cloud hosting.

ABOUT SALMON

With more than 700 multichannel commerce experts, we're driving €7.4 billion in revenue annually through client ecommerce platforms, including Argos, Audi UK, DFS, Halfords, Selfridges and Sainsbury's.

With global coverage, we are the largest digital commerce consultancy in WPP's network of companies.

Over many years, we've helped shape the ecommerce landscape...

- We built the first £1m site in the UK, partnering Jungle
- With Argos, we helped revolutionise UK shopping with Click and Collect
- We developed the world's largest online grocery re-platform for Sainsbury's
- We created the world's biggest B2B platform for Premier Farnell
- We're building some of the world's largest online stores across luxury, fashion and automotive today

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