Predictions 2016: The eCommerce Gap Widens

How Winning B2B And B2C Firms Will Pull Ahead For Good

by Andy Hoar and Sucharita Mulpuru

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WHY READ THIS REPORT

2016 presents B2C and B2B professionals with a now-or-never choice: Either outpace the pack by responding effectively to six important trends — or fall permanently behind in the customer obsession race. This brief outlines our six key predictions for 2016 and what you should do about them, from responding to Amazon's surging growth to incorporating self-service in B2B. It also debunks five widespread claims about what 2016 will bring that it actually won't.

Key Takeaways

Amazon And Mobile Will Continue To Change The Game In Retail
As Yogi Berra famously said, "It's déjà vu all over again." Amazon will continue driving the retail agenda, and mobile will continue to change how consumers research and buy both online and offline.

Get Ready To Take Your Engagement Models Up A Level
eBusiness leaders will need to combine the best of high technology with the best of human interaction to delight increasingly demanding customers. For many, that will mean revisiting how they go to market and with whom.

Old Realities Will Persist While New Realities Mature
In 2016, brick-and-mortar stores will not die and omnichannel will not be solved. Meanwhile, buy buttons and B2B marketplaces will not change eCommerce . . . yet.

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BETTER DIGITAL ENGAGEMENT MODELS PROPEL COMMERCE

As anyone who has ever developed or marketed a website knows, the Internet can be either a very rewarding venue to do business in or a very cruel place to pursue a dream. For the preponderance of B2C retailers that are relatively more mature in the commerce space, the Web is about stealing share from competitors. For the majority of B2B companies that are still fairly new to eCommerce, digital is not a channel but rather a goal to which they aspire.

2016 will be the year that some companies in both spaces advance well beyond their peers while others fall irretrievably behind.

What Will Happen: High Tech And Humans Combine To Serve More Demanding Customers

To win, serve, and retain customers, B2C eBusiness professionals will need to keep one eye on Amazon and the other eye on mobile. In parallel, customer-obsessed B2B organizations must focus on operationalizing self-service eCommerce models and reallocating internal resources to provide effective buyer engagement across all key customer touchpoints. Here are our predictions for 2016:

- Amazon keeps gaining share. In 2014, Amazon's revenues topped $88 billion, of which 61% was transacted in North America.[1] Because a significant percentage of Amazon's business is tied to its third-party marketplace, those revenue figures are deceptive. We estimate that Amazon's gross merchandise value in the US will top $100 billion in 2015, which will make it the third-biggest retailer in the US.[2] Furthermore, the majority of the company's growth is coming from its US eCommerce business in core categories like books. We expect Amazon's retail growth in the US to outpace overall retail through 2016.[3]

  Action: Seek unique merchandise, develop onsite programs, and expand assortments. Merchants and brands have discovered the hard way that partnering with Amazon is often difficult and dangerous, as Amazon has disintermediated retailers and launched private-label versions of bestsellers. eBusiness executives need to look hard for unique merchandise to stay ahead of trends; they must also engage onsite programs like owned marketplaces to expand assortments and drive margins. Those at companies with cash on hand should look for pockets of retail that are more profitable than commoditized mass-merchandise sectors that drive volume but have low margins.

- Mobile becomes the primary computing device for many. As more consumers have smartphones than ever before, they spend much of their Internet time on these phones. Retailers now see 30% of their sessions coming from phones, and some retailers are even seeing more than half of their web sales from smartphones.[4] As phone screens become larger and more people consume video content through mobile devices, we expect smartphones to displace tablet and desktop time.

  Action: Think mobile-first for your site content and expect screen switching. Embrace mobile-first thinking by constantly obsessing over how key pages, content, and transaction information renders on any type of small screen. This doesn't necessarily mean hiring a bevy of mobile developers or investing millions more in technology; rather, it means ensuring that site content can scale across all the devices on which consumers access your content. This will also inoculate you against consumer device and screen switching.

- Digital assistants make a splash. As voice recognition technology becomes more sophisticated than ever and voice-activated web browsing becomes more common, look for digital assistants to also grow. Unlike virtual agents that companies control, digital assistants are consumer-owned devices. Amazon Echo and Fetch are examples, but look for offerings from startups like Viv Labs, started by engineers who worked on the original iteration of Siri. These solutions will take voice-based search a step farther and actually complete a transaction or find a solution on behalf of a user. Already, these tools can purchase products and conduct web searches based on a question that a shopper says or types.

  Action: Track best practices for using digital assistants — pilot early use cases. Monitor these solutions closely as, over time, they will change how content is discovered and showcased. Have your innovation labs take meetings with these firms, and watch how others are working with solutions. Consider if there are ways to support customers, employees, or partners with tools like these, and experiment with devices like the Amazon Dash Button.[5]

- Self-service B2B eCommerce rivals full-service B2B commerce in importance. B2B buyers expect to see a range of buying options today — from self-service to assisted service to full service. However, just a minority of B2B companies have actually implemented the full spectrum of purchase options. B2B C-suites are now seeing gaps in their customer engagement strategies and realizing that those gaps are opening up space for customer-obsessed pure plays and other competitors to steal share. Look for B2B execs to actively rebalance their assets — currently weighted too heavily in favor of offline resources like salespeople — toward online resources capable of supporting digital options. In addition, expect far more B2B companies to offer self-service eCommerce as a freestanding solution that targets infrequent and low-volume purchasers.

  Action: Incorporate self-service into a broad suite of buying options. Study your B2B buyers and see where and how they spend their time researching and buying (in channel, out of channel, etc.) so that you know where to allocate your content, sales, and service resources. Make the qualitative and quantitative case for self-service to complement legacy options. Bring the sales team onboard early for self-service and hybrid sales options to help them understand that such options serve as incubators for full-service leads.

- Inside sales and customer service fill gaps created by internal B2B channel conflict. B2B execs will increasingly complement, and in some cases replace, outside sales reps with inside sales agents and customer service representatives. As Forrester has previously discussed, B2B execs are actively upskilling new classes of personnel to take on selling duties previously reserved exclusively for field sales representatives.[6] In a distributed B2B buying environment where B2B buyers expect 24x7x365 access to quality information and frictionless commerce, B2B companies will continue redeploying resources to persuasively inform and sell at all customer interaction points.

  Action: Tap these deeper relationships to grow more business. A very large B2B manufacturer shared an internal study that found that B2B buyers preferred interacting with their inside sales reps over outside sales reps in several key buying scenarios, such as "to hear about the (seller's) company strategy" and "to understand their business."[7] Another Forrester B2B client said that her customer call center agents have had unprecedented success upselling existing customers to higher-margin products and new lines of business because of an "intimacy" they developed with the company's clients based on frequent contact.[8] B2B leaders should use technology to identify and use those highly evolved customer relationships that inside sales and call center reps manage to create incremental value-added sales opportunities.

- B2B software vendors reposition eCommerce as "customer engagement." With B2B buyers demanding continuous and real-time engagement across the entire customer journey, B2B eCommerce software vendors will stretch their eCommerce platforms to serve a more expansive "customer engagement" purpose. Rolling bits of back-office, middleware, and front-office functionality into one integrated stack, software vendors will offer much deeper marketing, analytics, configure, price, quote (CPQ), and CRM capabilities. One current large eCommerce outsider, Salesforce, has indicated that it will be watching the eCommerce space closely in 2016 to determine how it can extend its own CRM-centric solution into the commerce space.

  Action: Steer clear of vendors pitching more than they've got. B2B eCommerce professionals who already think about B2B eCommerce as a companywide digital transformation effort will like that more vendors are going to be offering beefed-up point solutions and more integrated full-stack solutions. However, they must be wary of vendors bearing augmented platforms. Not all platforms will offer best-of-breed capabilities, and practitioners must do their homework to separate the good from the great.[9]

What Won't Happen: Old Realities Are Not Dead Yet, And New Ones Are Still Half-Baked

Forrester believes that five common prophecies for 2016 won't come to pass:

- Stores still aren't displaced. While retail shopping is changing, the truth is that stores are very much alive. How can that be, especially given the endless reports of declining foot traffic in stores? The fact is that while stores generate less per store than they did in the past, there are nearly a million more new physical stores now than there were in 2002.[10] The vast majority of transactions still happen in stores, and the physical retail landscape remains vibrant.

Action: Split metrics but recognize that physical and digital boost each other's sales. Take a page from stores like Nordstrom that have separate metrics for store sales and companywide sales. Traditional comparable store sales are called "4-wall sales," while new metrics blend the Web and physical stores — an acknowledgment that the channels depend on one another. Remember that even if store sales are soft, good stores are still powerful branding vehicles and immersive ways for consumers to engage with products and get service.

› Buy buttons are too early to be transformational. While the idea of major sites like Pinterest and Google capturing sales on mobile devices is enticing, the truth is that the user interfaces necessary to easily facilitate those transactions aren't here yet. We expect these companies and others like Facebook and Twitter to keep tinkering with eCommerce capabilities as they attempt to capture more retailer marketing dollars.

Action: Invest little or no effort for now — let others work out the kinks. Be open to experiments that don't cost you anything, but recognize that there is little benefit to being a first mover because these solutions are often imperfect and in the early stages. Let others kick the tires and work out all the glitches. Provide your requirements, such as sales tax compliance or loyalty program integration, but let these firms build all the necessary functionality for you before you jump onboard.

› The startup bubble doesn't burst, despite high-profile failures. More startups have billion-dollar valuations than ever before. The largest among them, particularly Uber, are losing hundreds of millions of dollars. Already, companies that were once the darlings of the investment community — like Groupon, Zulily, and, more recently, Quirky — have severely retrenched or gone under altogether. Yet the euphoria surrounding commerce startups won't die as investors continue to do what they have done successfully for years: create a narrative around the supposed "next big thing."

Action: Obsess about your customers — not startup sizzle. eBusiness executives need to recognize that startups generate hype that is often misplaced. Many new businesses that have services for merchants either deliver modest value or are unlikely to survive long term; the same-day-delivery startups fall into this bucket. Others are disruptive businesses that may capture market share in the short term but are unable to generate profit in the long term. Focus on what you can do to better serve your customers, not on solutions that get media attention but deliver little value to your customers.

› B2B marketplaces take hold but don't break out. Third-party marketplaces will not disrupt B2B commerce in 2016. Amazon Business is still in a "test and learn" mode and needs more time to settle on and hone its B2B marketplace model. Alibaba will continue to struggle to find its footing in the US B2B market: Still largely focused on B2C and on bringing US businesses to China, it continues to head in no clear direction in the US — as evidenced by the recent sale of its beachhead US property main11.com to OpenSky.[11] In addition, eBay (the parent company of eBay marketplace) recently divested eBay Enterprise and spun off PayPal to become a freestanding company. Like Amazon and Alibaba, eBay is also searching for a clear direction in the B2B marketplace space.

Action: Don't commit — just get acquainted and run trials, with help. B2B marketplaces won't affect B2B eCommerce meaningfully until after 2016. B2B execs should prepare for a marketplace-influenced world by meeting with the major third-party marketplaces and own-site marketplace vendors to explore marketplace channel options. B2B leaders should run trials with several third-party marketplaces and compare the results to determine the partners with which they will go forward. Companies like Channel Advisor can guide first-timers through the process.

› B2B leaders still fail to accurately measure their omnichannel progress. According to a recent Forrester survey, one-third of B2B sellers said that they did not know their website cart abandonment rate, average customer service cost per order, or average Net Promoter Score.[12] Many B2B pros are not logging or capturing this data, much less analyzing or incorporating it into their critical decision-making. They are also failing to systematically integrate their offline and online metrics into one cross-channel view of the customer. B2B pros will continue to operate on partial information as they spend 2016 determining the critical key performance indicators (KPIs) that will guide their efforts and how to effectively track customer behavior at scale.

  Action: Buck the tide and do it — it's a critical investment in your future. Plan for and prioritize implementing a robust measurement framework that acts on important information gathered from across all major customer touchpoints — online, offline, and mobile. Hire developers and analysts who are fluent in tracking and deriving insights from business intelligence tools and logged customer activity.

ENDNOTES

[1] Source: "Form 10-K," United States Securities And Exchange Commission (http://www.sec.gov/Archives/edgar/data/1018724/000101872415000006/amzn-20141231x10k.htm).

[2] Only Wal-Mart and Costco are larger in total revenue, although we estimate Amazon's domestic gross merchandise value is larger than Costco's US revenue. Gross merchandise value is the total amount that consumers spend at Amazon. This is substantially higher than the revenue share that Amazon books as sales.

[3] Amazon grew $14.6 billion from 2013 to 2014. Approximately $9 billion of that growth came from its North American eCommerce businesses — media, electronics, and general merchandise. Source: "Form 10-K," United States Securities And Exchange Commission (http://www.sec.gov/Archives/edgar/data/1018724/000101872415000006/amzn-20141231x10k.htm).

[4] Forrester partners with Shop.org, a division of the National Retail Federation, to survey retailers annually about their eCommerce businesses and key initiatives for the coming year. This latest survey also incorporates benchmarks and insights about the mobile performance and investment levels of retailers. See the "The State Of Retailing Online 2015: Key Metrics, Initiatives, And Mobile Benchmarks" Forrester report.

[5] Amazon's instant-buy Dash Buttons are now officially available to all Amazon Prime members in the US. Each button automatically orders products from specific replenishable brands like Cottonelle, Huggies, or Tide. See the "Brief: Amazon Dash Buttons Are The Best Bad Idea Of 2015" Forrester report.

[6] Forrester forecasts that 1 million US B2B salespeople will lose their jobs to self-service eCommerce by the year 2020. While B2B buyers overwhelmingly prefer to research, and increasingly buy, products and services via a self-service website, B2B sellers still force buyers to interact with their salespeople as part of the purchase process. See the "Death Of A (B2B) Salesman" Forrester report.

[7] Source: Interview with large, global omnichannel B2B seller, Q2 2015.

[8] Source: Interview with large, global omnichannel B2B seller, Q2 2015.

[9] In Forrester's 29-criteria evaluation of digital experience delivery providers, we identified the 13 most significant software vendors — Acquia, Adobe, Demandware, Digital River, HP Autonomy, hybris, IBM, Intershop, OpenText, Oracle, Salesforce, SDL, and Sitecore — in the category and researched, analyzed, and scored them. See the "The Forrester Wave™: Digital Experience Delivery Platforms, Q3 2014" Forrester report.

[10] The retail industry is more complex than ever. Every year, startups release new technologies that promise to help consumers shop more easily or aim to help retailers improve their businesses. At the same time, consumers are changing. See the "The Future Of Shopping" Forrester report.

[11] Source: Ina Steiner, "No Plans to Close 11 Main after Alibaba Sale," eCommerce Bytes, September 29, 2015 (http://www.ecommercebytes.com/cab/abn/y15/m09/i29/s01).

[12] Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Satmetrix Systems, and Fred Reichheld. Source: Forrester/Internet Retailer Q2 2015 Global B2B eCommerce Online Survey.

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