

SAP Customer Experience | PUBLIC

Marketing in the era of **Digital Commerce**

A Marketer's Perspective

THE BEST RUN





Responding to crises and changing consumer shopping behavior

Consumers are changing their shopping behaviors during this uncertain times – what they’re buying, when, and how. As consumers avoid physical stores and non-essential businesses are being ordered to close, online groceries and other essentials have seen significant upward trends in both revenue and conversion. Limiting shopping for all but necessary essentials is becoming a new normal. Brands are having to adapt and be flexible to meet changing needs.

Key consumer behavior thresholds

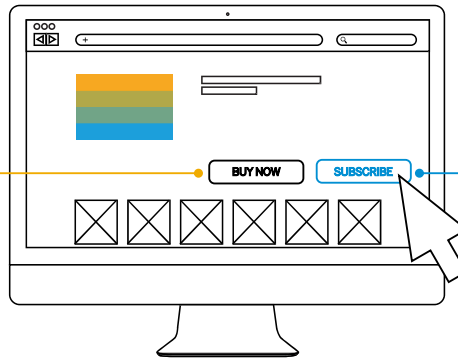
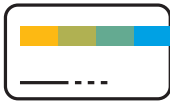
#1: proactive health-minded buying	#2: reactive health management	#3: pantry preparation	#4: quarantined living preparation	#5: restricted living	#6: living a new normal
Interest rises in products that support overall maintenance of health and wellness.	Prioritize products essential to virus containment, health, and public safety – for example, face masks.	Pantry stockpiling of shelf-stable foods and a broader assortment of health-safety products; spike in store visits; growing basket sizes.	Increased online shopping, a decline in store visits, rising out-of-stocks, strains on the supply chain.	Severely restricted shopping trips, online fulfillment is limited, price concerns rise as limited stock availability impact pricing in some cases.	People return to daily routines (work, school, et cetera) but operate with a renewed cautiousness about health. Permanent shifts in supply chain, the use of e-commerce, and hygiene practices.

Source: [Nielsen](#), March 2020



THEN

Transaction focused



NOW

Relationship focused



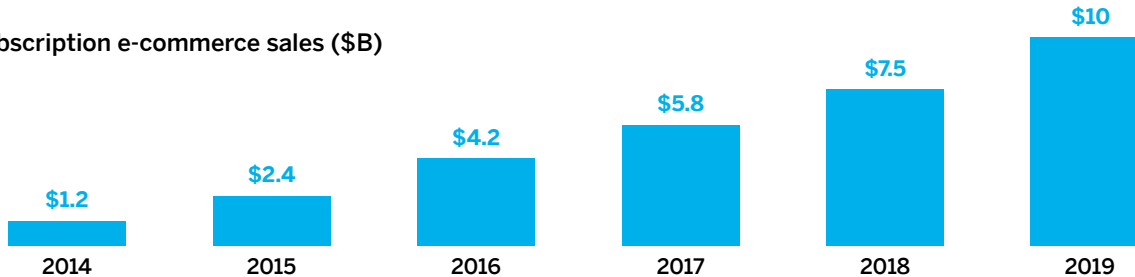


Growth of the e-commerce subscription model

E-commerce subscriptions were on the rise even before the COVID-19 pandemic began. The pandemic is accelerating that rise as customers seek long-term subscription based relationships rather than one-off transactions with brands in the face of uncertainty and supply chain disruption. From automating the purchase of commodity items (replenishment subscription) to providing new items or highly personalized experiences in categories such as apparel, beauty, and food (curation subscription), and paying a monthly fee to obtain lower prices or members-only perks (access subscription), primarily in the apparel and food categories.

Subscription e-commerce, led by digital disruptors such as Lpsy (beauty), Stitch Fix (apparel), Blue Apron (meal kits), and HelloFresh (meal kits), is a fast-growing new way of buying online. The subscription e-commerce market has grown by [more than 100 percent](#) a year over the past five years. The largest of these retailers generated more than \$10 billion in sales in 2019, up from \$8.8 billion in 2014.

Subscription e-commerce sales (\$B)





Customers are **expecting great experiences**, not great subscriptions

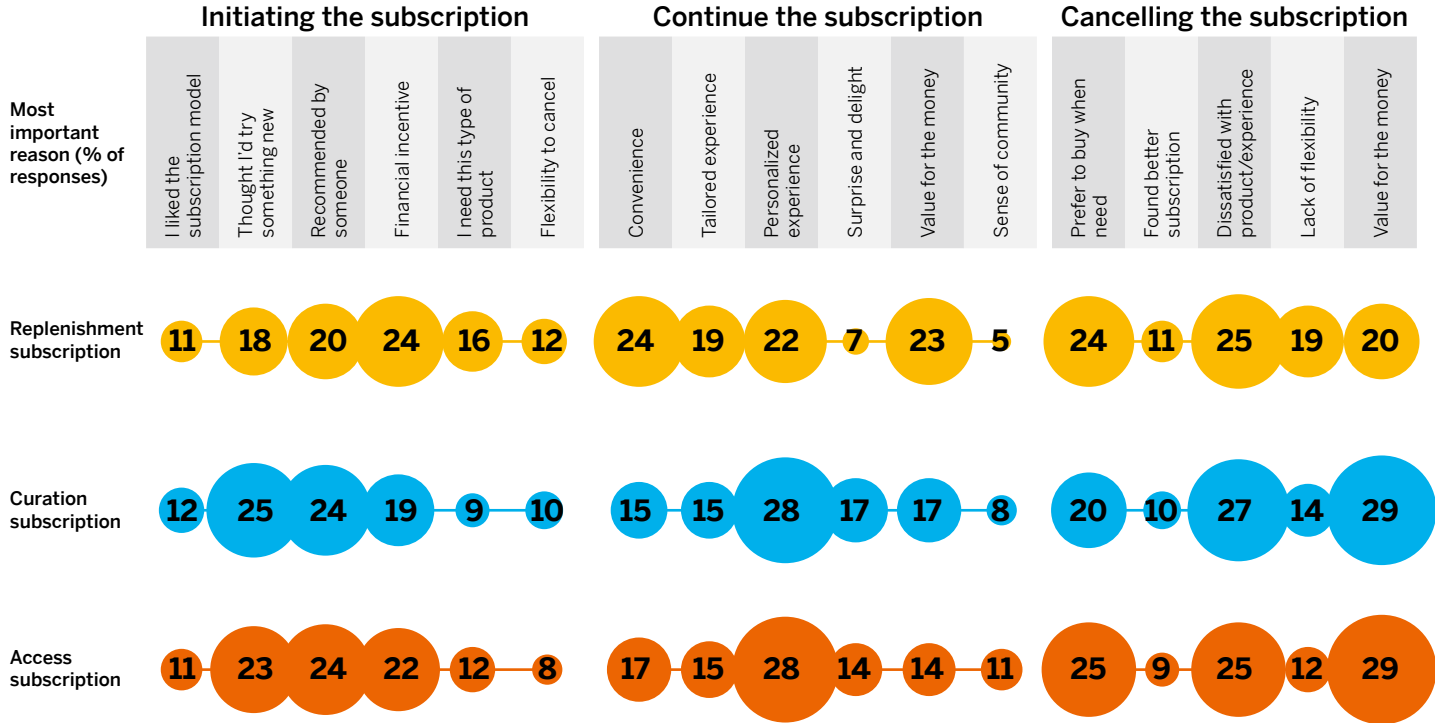
For consumers, subscription products or boxes offer a convenient, personalized, and often lower-cost way to buy. However it can be difficult for retailers to acquire and then retain customers because consumers do not inherently love subscriptions. They want a great end-to-end experience and are willing to subscribe only where automated purchasing gives them tangible benefits, such as [lower costs or increased personalization](#). To continue subscribing, consumers expect personalized subscriptions to become more tailored over time.

The bigger challenge facing retailers is churn as the subscription e-commerce business model depend on their long-term relationships to provide predictable revenue growth and deep insights into customer behavior to personalize the experience. Churn can dramatically undermine their viability, since the cost of replacing lost subscribers could make it difficult to meet their growth objectives.

Retailers in the space must develop great experiences to avoid high churn rates and to accelerate both growth and profitability.



of curation and access subscribers said that a personalized experience was the most important reason for continuing to subscribe.



NOTE: In response to questions: thinking back to when you first started thinking about subscribing to [brand], what are the 3 main reasons you subscribed to [brand]? Which of the following is the most important reason you first started thinking about subscribing to [brand]?



It's time for retailers to prioritize **digital commerce**

As more of people's lives move online, it is prompting a shift from e-commerce to digital commerce. In particular, those who have viewed digital commerce as a secondary channel now need to reorient every aspect of their business towards a digital commerce mindset.

Retailers see it as a more holistic way of doing business online while allowing them to generate demand, control supply chains, and enhance consumer experiences.

It also enables them to exploit social media and new consumer-facing technologies while providing actionable insights for effective and integrated marketing.

'Everywhere commerce' is the next step for e-commerce. In the future of commerce, the customer journeys won't be limited to the websites and mobile apps we know today, nor will they focus on conventional devices like laptops and smartphones.

Instead, touchpoints will be embedded in the physical world, shifting to online, mobile, and conversational commerce and also to the changing consumption models.





Drive revenue and market growth through digital sales channels

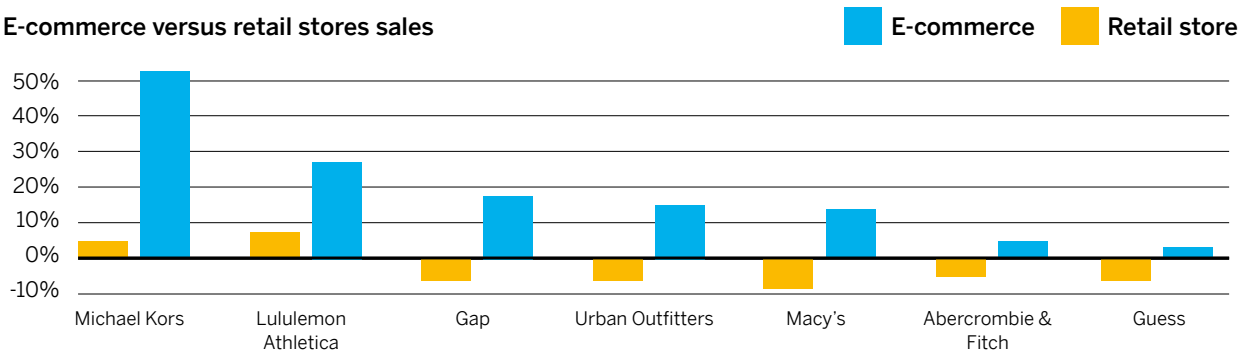
As consumers are social distancing and working from home, they're spending even more time online than ever before and adapting to digitally-enabled shopping experiences. More purchases than ever before are influenced by digital touchpoints on the path to purchase.

Housebound consumers are turning to online groceries for their daily food supply: average daily downloads for popular [digital grocery apps Instacart, Walmart Grocery and Shipt](#) have surged since February. Fashion shoppers are turning to social media to find out about the latest trends while [Instagram and Facebook Live views](#) have doubled in March.

Fashion retailers are taking actions to navigate the new normal, plan for the recovery, and strategize for the future following online and omnichannel strategies. They are accelerating the investment to enhance their digital presence and shift media spending to online channels, with a focus on customer activation rather than brand building.

Fashion retailers whose online sales were on the rise are now finding new opportunities amid the pandemic by turning to mobile as the [new salesfloor](#) and using [guerrilla marketing](#) tactics with social media to expand their reach.

E-commerce versus retail stores sales



Source: [Riskified](#), March 2019



Digital commerce **marketing strategy**

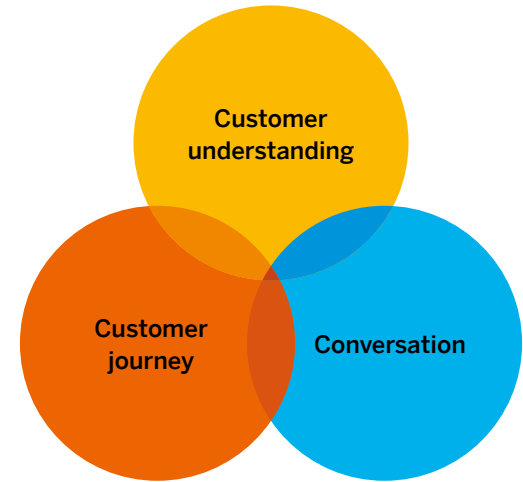
With growing competition, increasingly empowered customers and the continued growth of commerce everywhere, it is no longer enough to focus on pricing or product to drive profitable growth.

As CMOs are increasingly accountable for growth, they are adopting a new approach towards customer experience to foster a new growth trajectory in digital commerce. It is enabling them to build a strategy to drive online acquisition, conversion, and revenue growth. It's also giving them actionable insights to design and optimize digital commerce experiences to grow customer profitability.

Grounded in customer data, digital commerce marketing connects customer interactions across channels to deliver delightful shopping experiences — one that results in higher sales, consistent engagement, and increased loyalty. This includes all interactions such as marketing, shopping, and services experience.

To provide a unified experience throughout the customer's journey, achieve profitable growth, and set themselves apart from the competition, marketers need to build up their digital commerce marketing strategy.

Specifically, they must focus on customer understanding, conversation, and customer journey to strike the right balance in the customer relationship to create trust, engagement, affinity, desire, and delight.





Customer understanding

Before retailers can deliver the relevant, personalized experiences customers crave, they have to truly understand their customers – from what customers choose to why customers choose. That means keeping pace with rapidly changing customer behaviors and building an understanding of preferences, interests, and intentions.





Customer sentiment and needs are rapidly evolving in this uncertain times. Expectations of brands are constantly changing, becoming more sophisticated and demanding as customers become more digitally connected and highly informed.

To keep up with the change, marketers are shifting to a new approach to develop a better understanding of customer – from what they choose to why they choose – to build an understanding of preferences, interests, and intentions.

To truly understand customers requires three things to work together effectively:

- Build a unified view of customers by bringing together data generated from every touchpoint along the purchase journey to understand individual and contextual customer needs and what motivates their purchase decisions
- Establish trust and relevance with new customers and extend the brand affinity that has been earned with existing customers. In a time of crisis, [trust is paramount](#) for both individuals and organizations. Trust = transparency + relationship + experience
- Be current and transparent in communicating any business or product availability updates to create a strong relationship with customers. Greater transparency is also required as customers now expect to be able to control what data is shared with whom. According to [Accenture's 2019 Consumer Pulse Check](#), 73 percent of consumers are willing to share more if brands are transparent



Source: [Qualtrics](#), 2019



Drive **effective** acquisition, personalization, and measurement

To get to a level of understanding of preferences, interests, and intentions and drive effective acquisition, personalization, and measurement, marketers need to focus on these insights:

- **The retail context and category:** understand how to market each category to meet the needs of customers and drive customer satisfaction
- **The type of customer:** understand key audience characteristics that can be aligned to a customer, prospect or market and describe what people are, do and think
- **The shopping mission:** understand the customer motivation or goal to shop, for example, discount seekers, wandering customers impulse buyers, need-based shoppers, and loyal customers
- **The path to purchase:** understand all digital interactions that are comprised of descriptive and insightful attributes such as purchasing or browsing products



Source: [Accenture](#), 2019



Conversation

Redesign experiences that allow customers to control and tailor their own brand journeys. Navigate digital congestion to connect with customers and maintain a continuous conversation.





Conversation is all about getting to know customers in a genuine and meaningful way. According to [Accenture's 2018 Personalization Pulse Check](#), consumers don't want brands to define their journeys, they want brands to offer experiences that help them carve their own paths. They welcome experiences that allow them to control and tailor their own brand journeys.

Retailers can meet this new expectation by [listening for changes in customer sentiment and behavior](#), [speaking authentically](#), and responding empathically with an authentic, human-centered purpose. In this way they can meet the needs of customers to create meaningful and emotionally-connecting digital engagement. For example, they can re-create the intimacy of in-person shopping with online conversations and combine the convenience of shopping whenever they want with digital commerce.

Digital creates new relationship potential for brands to interact differently, more conversationally, and without interruptions with customers. Digital commerce is enabling this by creating individualized conversations to optimize the personalization and warmth in the shopping experience.

To break the pattern of one-off marketing communications and shift instead to [two-way dialogues](#), marketers need to fix their conversational basics – starting with listening to their customers, incorporating feedback into their marketing strategy, and communicating back to them in the context of that moment.



of commerce conversations will be outside of traditional commerce by 2020.

Source: [Retail Customer Experience](#), August 2019



Turning customer feedback into **conversations**

From a customer's perspective, feedback they give at any point in their experience should be seen as part of a longer and more complete conversation with the brand. Here are the steps to help marketers optimize their conversations with customers:

- Gather in-the-moment feedback from customers through conversational surveys across [direct, indirect, and inferred channels](#). Make it easy and prioritize the preferred channels for customers to give feedback on specific experience
- Amplify the authentic voice of the customers by encouraging them to share feedback on popular [online review](#) sites and social channels
- Integrate feedback with [customer behavior](#) captured through social and other digital channels, and insights from employees. The combination of the 'what' (behavior) and the 'why' (comments) leads brands to deeper insights than either source would reveal on its own
- Analyse conversations and get actionable insights into individual and segment motivation. Quantitative feedback like [NPS](#) and [CSAT](#) can provide a general pulse of the brand performance while qualitative feedback in the form of text can provide insight into how people actually feel about the brand
- Activate segmentation and orchestrate personalized messaging and offers, and respond on the channel of choice, so customers get a consistent experience and the response is visibly coordinated with their original comment

- 1 Listen** - hear and understand every customer, at every touchpoint.
- 2 Amplify** - encourage customers to tell others about their experience.
- 3 Connect** - integrate feedback with customer behavior data.
- 4 Understand** - analyse conversations and customer sentiment.
- 5 Act** - respond and follow up on feedback to influence experiences in-the-moment.



Customer **journey**

Take a new approach to connect better with customers and create new marketing opportunities by focusing on the end-to-end experience customers have with the brand — instead of touchpoint interactions.





Against the backdrop of near-term uncertainty, marketers should adapt their marketing plans to address changing customer behaviors, media consumption, and social and digital commerce platforms.

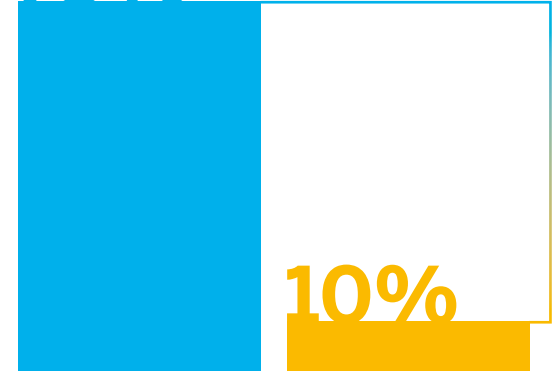
As more customers [embrace digital commerce](#) as the frictionless way to shop, marketers need to move fast and optimize digital commerce, customer and channel strategy to seize the opportunity. Digital commerce has become a crucial channel for keeping sales up, communicating with customers, and forging a sense of community around a brand.

The digital commerce buying journey spans multiple channels and devices. To make the connections with customers across the buying journey, marketers need to understand and outline the channels, content, and interactions that influence the buying decision:

- What are digital commerce purchase triggers?
- How do customers discover products and services, research their choices, and complete their transaction?
- When, where, and how do they make repurchase decisions?

This insight helps marketers to identify points of engagement along the buying journey and across marketing channels where marketing can enhance the experience and influence their decision, from targeting to converting buyers.

75%



of retailers believe it is important to deliver a value-adding, relevant, and personalized customer experience unique to the customer.

10%

are able to provide a personalized shopping experience meaningfully and seamlessly across channels.

Source: [Qualtrics](#), 2019



Create marketing **opportunities** through better **insights** and **measurement**

[According to Accenture's research](#), retail businesses' omnichannel customers deliver 3.2 times the sales and 2.6 times the margin of store-only customer. While digital commerce presents tremendous opportunities, the proliferation of channels and devices and the touchpoints consumers are exposed to are always on and, as a result, have made it increasingly complex for marketers to drive higher satisfaction and revenues. Marketers looking to optimize the digital commerce experience and drive profitable growth need to change their approach to omnichannel:

- **Turning touchpoints to journeys:** orchestrate omnichannel conversations and marketing campaigns as a single brand and channel, across all touch points. Even if brands execute well on individual touchpoint interactions, the overall experience can still disappoint. More important, [McKinsey research](#) finds that customer journeys are significantly more strongly correlated with business outcomes than are touchpoints
- **Journey-centric measurement:** [Define customer experience metrics](#) based on customer journey and [align operational metrics](#) with customers' expectations. Focus the measurement and optimization of multichannel marketing campaigns on three different categories of metrics around marketing opportunities across the journey (engagement behaviors, actions behaviors, and perception)
- **Journey-centric feedback:** Tap into the [voice of the customer](#) and the voice of the customer through the employee. [Listen, understand, and act](#) on feedback about customer journeys across engagement behaviors such as the overall purchase journey, not just a shopping cart checkout, or for the in-store pickup journey

3.2x
sales

2.6x
margin

Multi-channel customers are responsible for 3.2x the sales and 2.6x the margin of store-only customers.

- 1 Turning touchpoints to journeys
- 2 Journey-centric measurement
- 3 Journey-centric feedback

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