Pivotree Guide

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2023 Commerce Trends

Economic downturns are transformational, often giving rise to new leaders. To help you come out on top, experts from Pivotree share the top commerce trends for 2023, and best practices to maximize on these opportunities.

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Commerce Businesses Feel the Squeeze

Thanks to a volatile 2022, warning lights are flashing in the global economy. High inflation, drastic rate hikes, and the war in Ukraine continue to take their toll.[1]

Recent numbers hint that the U.S. could make a narrow escape, thanks to a more resilient job market.[2] However, the Bank of England forecasts a "very challenging" two-year recession in the U.K. that's likely already in motion.[3]

Recession or not, consumers feel the heat of high prices. Recent signs show a modest cooling, though household staples such as shelter, food, and energy have risen at a historically fast pace.[4]

All this pressure means that commerce businesses need ways to become leaner and more fiscally responsible organizations.

Ironically, labor is an area where most companies run lean, though not by choice. Labor shortages continue to cause problems as vital roles remain hard to fill. And it's not just for blue-collar jobs. A study by Gartner shows that 47% of CFOs say it's difficult to find and hire valuable enterprise talent.[5]

> It might seem prudent to wait and see the full impact of these headwinds, but worsening economic conditions will make actions more important, not less.[6]
> - Gartner

Consumer expectations keep accelerating — and Gen Z is the driving force. As digital natives, Gen Zers are more likely to do their research online, have strong values and opinions, and recognize the power of social media when making purchasing decisions and holding companies accountable.

> With an estimated buying power of $140 billion, Gen Z is a driving force of change.[7]

To respond, brands and retailers must provide a consistent customer experience across every channel. It's also essential to keep your brand promises, which makes aspects such as reliable delivery and frictionless shopping critical.

Considering all this complexity, how can you provide the experiences and channels your customers want, while facing labor constraints and a possible recession?

That's the key question to answer in 2023.

> Get ahead of the curve by preparing your business for digital natives and conscious consumers.
> - Elizabeth Scott

6 Trends Shaping Commerce in 2023

Our experts predict the biggest commerce trends of 2023, with tangible actions you can take to drive improvements in the year ahead.

Keep pace with a plug-and-play approach.
- Wayne Tiegen

1 Consumers may surprise you by choosing experience over low price.

Worried about slashing prices during a recession? Here's some good news: You'll likely win more customers with a frictionless experience.

A recent study by Canam Research found that 70% of customers would pay more if they knew they would receive a convenient experience. And 75% would switch to a competitor for more convenience.[8]

Amazon is a great example of how you can increase revenue by prioritizing the customer experience. While the site initially went to market with the lowest prices, that's no longer always the case. Now, they win customers with a frictionless experience, including easy search and ordering, rich product details, reliable delivery, and convenient returns. These are strategies that other commerce businesses can and should replicate.

According to Forbes, in 2023, business survival will favor the frictionless. A recent article notes:

"The past several years have tested the best business leaders. Survival during the pandemic, through supply-chain issues, and now a recession proves that the best companies can survive with the right strategies. A frictionless experience is more important than ever."[9]

In a survey of commerce business leaders, only 39% say their commerce strategy and tactics are definitely keeping pace with changes in customer behavior.[10]

The year ahead won't be a race to the bottom on price. Instead, you'll need to determine what's causing friction for your customers — and swap the problem area out for a better experience.

An explosion of marketing technology means you have a wide array of choices. Niche solutions solve specific needs across the front end (e.g., payments, search, or promotions) and in areas such as supply chain and data.

Most companies, however, aren't set up to easily plug in the solutions they need. Monolithic platforms are notoriously rigid and slowly coming to end of life. And, in this economy, a big bang investment is off the table.

Instead, we recommend incremental innovation — moving over time to a composable commerce model. When you have a need, you can "strangle" or decompose that functionality; then reconnect within a new environment.

Everything in your system becomes building blocks, like the Legos® you loved as a child. You use these blocks to create a composable commerce ecosystem, providing the flexibility you need to keep pace with changes in customer preferences.

2 Personalization plays a significant role – because a recession isn't the same for all

Start with good data — and apply artificial intelligence (AI).
- Derek Corrick

The role of personalization is more important than ever. Not just because customers want it, but because it makes good business sense during economic downturns. In 2023, you'll need to work harder to close the expectation gap:

Most consumers expect personalization: A Salesforce study found that 73% of respondents expect companies to understand their unique needs and expectations.[11]

But commerce businesses still struggle to deliver: A survey by Pivotree and SAP shows that only 3% of respondents have fully implemented personalization. And 33% haven't started at all.[12]

How can you deliver personalization when budgets are tight? Remember that the recession won't affect everyone in the same way. So, it's important to get to the bottom of what motivates each customer. Is it price? Excitement? Fear of missing out? Get to know your customer and tap into those triggers.

You'll also get a bigger return strengthening existing customer relationships. Estimates show that customer acquisition costs have skyrocketed by 60% over the last five years.[13] Personalization helps target loyal customers with promotions that increase their order frequency and value.

What's holding you back from delivering personalization? The root problem is likely your data — and the slow, manual processes required to manage dozens of customer profiles.

That's where AI, applied in the right places, can be very powerful. AI can help you automate data analysis, and initiate actions based on those findings.

For example, there's no reason to give away your marketing dollars in places where it doesn't make sense — e.g., for a customer who already plans to purchase. AI can help automate the process of matching promotions to the right customer profiles — at scale and at a lower cost than human labor.

You can also leverage AI for tone analysis to guide how you tailor content creation. By merging customer responses with existing data, AI can provide recommendations around which tones are most likely to trigger actions with specific customers.

3 Retailers and manufacturers face a reckoning with returns

> Apply a layer of intelligence to your supply chain operations.
> - James Brochu

Returns behavior is off the charts, with at least 30% of all products ordered online being returned.[14]

The returns problem adds even more chaos to the supply chain, which already has an overload of inventory sitting in warehouses from pandemic days. Add labor shortages and the spiking costs of transportation, and a reckoning has arrived.

Many retailers take a blanket strategy to manage returns — and it's costing them millions. They assume returns are inevitable, so the goal should be to make them as easy and cost-effective as possible.

In 2023, however, we predict a paradigm shift gaining momentum, where retailers get serious about asking a different question: How can we prevent returns in the first place?

Commerce businesses will need to supplement and scale decision-making. This type of augmentation will take hold of specific functions across supply chains, and returns optimization is the perfect example.

Many retailers promote products with a high likelihood of returns — and do so blindly. But by leveraging analytics, you can get to the root cause and shift your strategy based on insights. You might nudge a specific customer to a different product choice, or dynamically increase your return fees or shipping costs.

This type of intelligence will be more accessible than ever in 2023. Why? Because of new models that remove common roadblocks, which will be explored in the next trend.

> "It's important for supply chain leaders to consult with robotics experts to identify fulfillment solutions that will aid in solving their specific challenges, such as labor shortages, volatile lead times, global supply chain disturbances, and rising costs."
>
> "With much of the labor force not returning to warehouse jobs, industry leaders should closely analyze their specific needs in order to enable humans and robots to work in concert to retain essential personnel, enhance productivity while reducing effort, and create career paths for associates."[15]
>
> - Samay Kohli
> Co-Founder & CEO
> GreyOrange a Pivotree Partner
>
> GreyOrange

4 Automation addresses supply chain woes

Combine augmentation with automation — with quick deployment.
- James Brochu

The shortage and unpredictability of delivery and warehouse labor will likely persist into 2023. Meanwhile, consumers want their items faster than ever — and you need to keep those promises. A survey conducted by Fluent Commerce found that 56% of U.S. consumers and 41% of U.K. consumers are likely to not shop with a retailer in the future if their order is delayed.[16]

Considering all these pressures, how can you accomplish more — with less manual intervention — while still saving costs?

For many, the answer is leveraging autonomous mobile robot (AMR) technology. As a recent Bloomberg article points out, “The pandemic has kicked orders for robots into high gear as companies deal with a labor shortage, rising wages, and a surge in demand for their products.”[17]

Historically, automating an entire warehouse with robots would cost millions. And putting an AI engine across the entire business could take years. In the current market, that’s simply not feasible that’s simply not feasible.

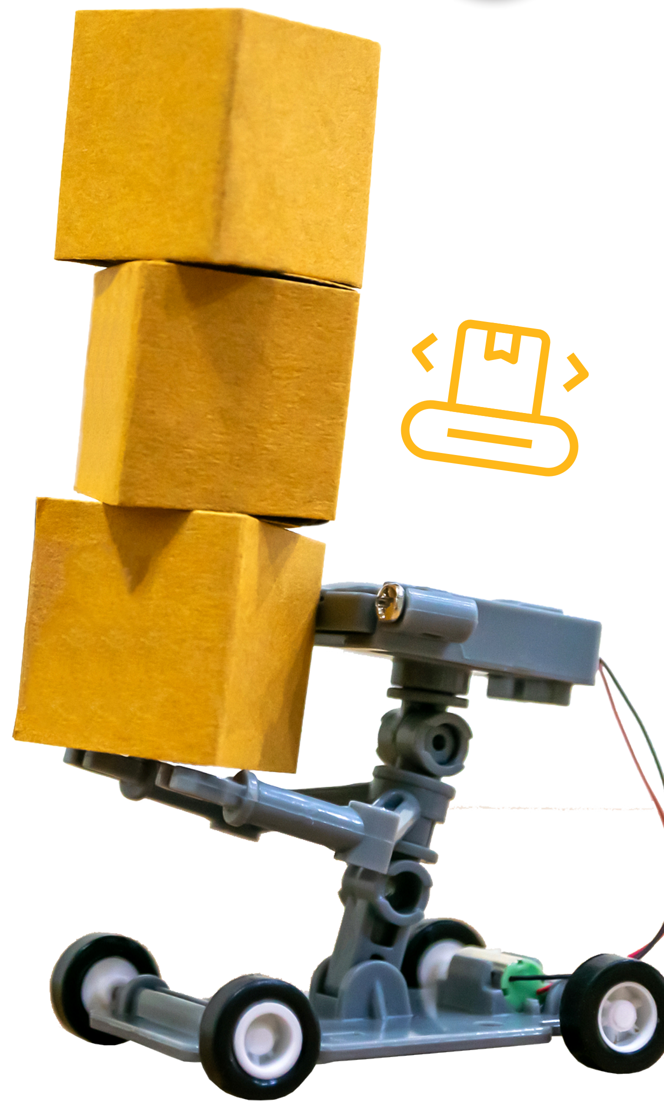
However, there is a way to bring together augmentation and automation, with quick and cost-effective deployment. A composable model allows you to take a base warehouse or order management system, then layer AI or robotics on top.

Consider this example of how augmentation and automation work together:

Let’s say you are a fashion retailer. Your marketing team does its job, and a summer shirt starts flying off the shelves. Traditionally, an inventory rack would constantly move back and forth — delaying orders and draining your labor resources.

But with AI, you can respond in real time to the uptick in orders. The rack could move automatically to the front of your warehouse. Furthermore, you could automate the pick-and-pack process through robotics, which can result in 2x productivity gains, especially during volume peaks.[18]

What does this mean in tangible results? When you shorten the time to pick-and-pack, you shorten the delivery cycle. This increases the likelihood of offering same-day or next-day shipping, which converts more orders. And even though you have more orders to process, you’ll do so at a faster pace and lower cost, which improves your margins.



5 Technical debt will snowball for some — but those who find the root cause will be more agile than ever

Start with a common data framework.
- Derek Corrick

As organizations make changes to respond to trends, it's easy for technical debt to build. As you add on more systems and silos, interoperability — i.e., seamless integration between systems — also becomes a bigger problem. Do your teams have access to the information they need? Are there internal disputes over who owns the data and how it's used?

The traditional mentality is that when something goes wrong, you instantly look at adding technology or adjusting processes. But in nearly every case, the problem (and solution) points back to your data.

For example, do you struggle with disjointed enterprise resource planning (ERP) systems? Have you inherited multiple systems thanks to acquisitions? In most cases, the actual technology is fine. The trouble is that the systems don't speak to each other. That's a data problem — and you won't solve it by adding on more software.

When you drill down any issue, the root cause is almost always data — including its quality, how it's connected, and how easily the people within your organization can access it to drive results.

The goal is to provide that data, along with the capability you need, without saddling your organization with more silos and systems that will soon become outdated.

One way to accomplish this is to establish a Data Center of Excellence (DCoE) — a group that provides an agnostic view of how your organization will approach, maintain, and leverage data.

Often, teams or business units implement technology in silos, which ultimately clash. The DCoE provides an objective perspective on what you may be able to fix or accelerate without adding more systems or tech tools. They can also bring down walls between teams, aligning your business with a common framework that has executive sponsorship and support.

6 Profitability will drive innovation

Spread the investment out over time for rapid profitability.
- Joseph Lee

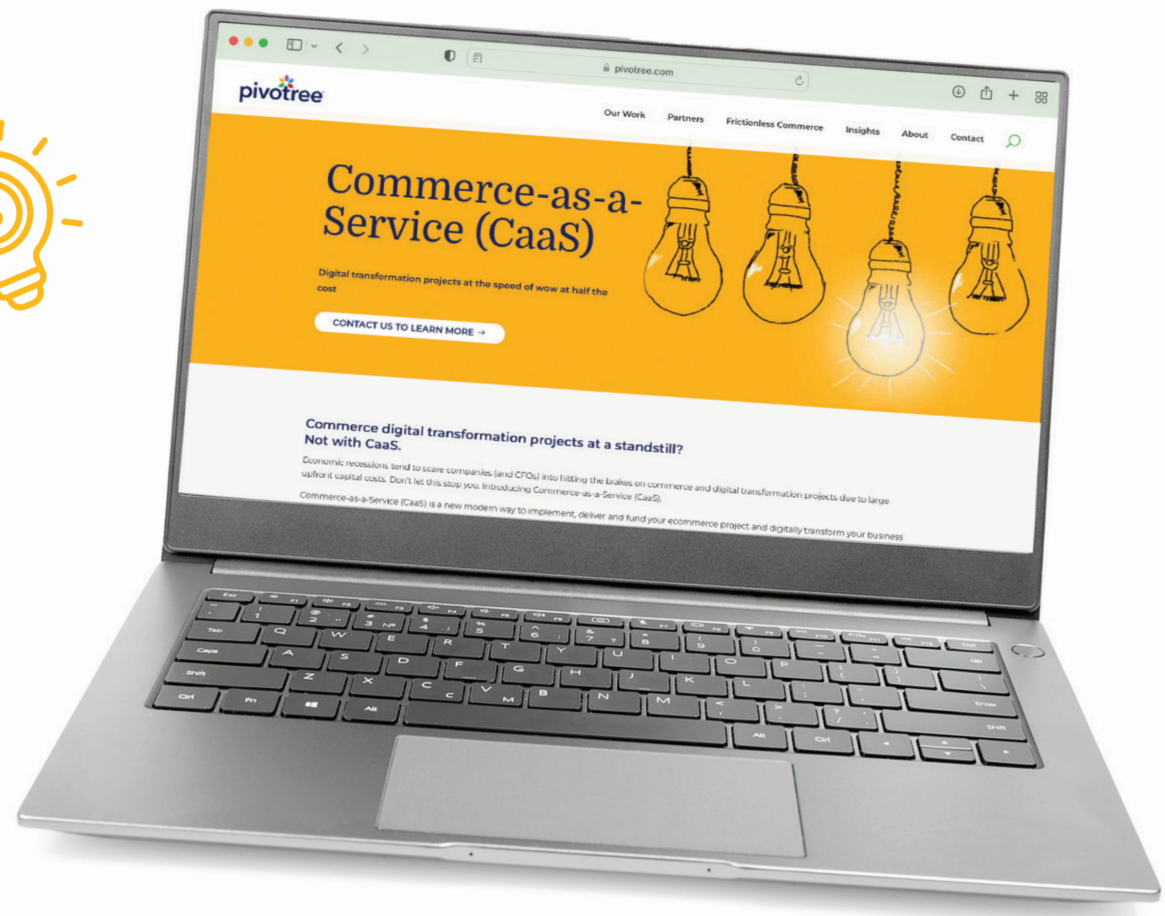
Most business leaders share the same anxieties, whether from big or small companies. They're worried about rising costs, high customer demands, and the need for automation.

But more than anything, in 2023, commerce teams will be expected to get the biggest bang for their buck. Economic recessions tend to scare companies (and CFOs) into hitting the brakes on commerce and digital transformation projects. Executives want to see profitability — and that's difficult when you only have a small amount of revenue to show for the millions you've spent.

If you're looking at what you can accomplish in 2023, your initial response might be… not much. However, a new model called Commerce-as-a-Service (CaaS) makes incremental innovation possible.

CaaS is a subscription-based model from Pivotree that's highly predictable. Pivotree helps you focus on whatever service will drive the best results for your company — whether that's in commerce, supply chain, or data management.

With CaaS, you can add innovation incrementally and spread the cost out over time. Your ROI starts rolling in while the initial investment remains low.



Where Should You Focus in 2023?

There's a lot to navigate in 2023. But the biggest risk for commerce businesses? Standing still.

Digital commerce continues to evolve. And as technology evolves, so do the expectations of your customers. Remember that your customer is just one click away from the competition. And once you lose that customer (along with market and wallet share), it's more difficult and costly than ever to recover.

The year ahead might be marked by inflation or recession. But don't let that become your only story. Narrow in on your pain points — the friction getting in the way — and focus on incremental innovation that gets you closer to your goals.

Relentlessly Focused on Frictionless Commerce

At Pivotree, we understand how commerce works, and we know how to leverage strategy and technology to help you stay ahead.

We create frictionless customer experiences by weaving together digital products with data management, commerce, and supply chain expertise. Our revolutionary new models — like CaaS — are changing the digital transformation game.

Pivotree is a leader in frictionless commerce with expertise in eCommerce, MDM, Cloud, Cybersecurity, and Supply Chain solutions. Supporting clients from strategy, platform selection, deployment, and hosting through to ongoing support. Leading and innovative clients rely on Pivotree's deep expertise to choose enterprise-proven solutions and design, build, and connect critical systems to run smoothly at defining moments in a commerce business. Pivotree serves as a trusted partner to over 170 market-leading brands and forward-thinking B2C and B2B companies, including many companies in the Fortune 1000.

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or visit www.pivotree.com to learn more

Resources

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