

10 Things COVID-19 Will Change in Digital Commerce

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Initiatives: [Digital Commerce Technologies and 2 more](#)

COVID-19 has changed customers' buying behavior and accelerated digital investment for many organizations. Some changes will sustain postpandemic and have profound impacts on digital commerce. Application leaders must understand these long-term impacts as they reprioritize digital investment.

Overview

Key Findings

- Despite revenue shocks, organizations are increasing investment in digital channels and technologies. This will help to mitigate revenue impacts, retain customers and adapt product offerings for the postpandemic world.
- The 10 areas where changes will be sustained are: contactless commerce, visual configuration, live commerce, experience commerce, B2B consumerization, lights-off commerce, enterprise marketplace, unified commerce, modular architecture and configurable business experience.
- Improvements in flexibility and agility, enabling new business models, and technical functionality will set organizations on a better recovery path, and help them adapt to the new normal.

Recommendations

Application leaders responsible for digital commerce technologies should:

- Work with business stakeholders to prioritize areas of improvements. Consider the impact of the 10 changes and determine how relevant they are to your organization.
- Set up a business-IT fusion task force within the digital commerce team to support the move to a more modular architecture.
- Identify gaps in the commerce application portfolio that can be filled by applications from the commerce ecosystem.
- Establish metrics and target value early on – allowing the organization to monitor performance and customer experience, and to adjust its course of action to ensure business results.

Strategic Planning Assumptions

- By 2024, 80% of ordering and replenishment will be touchless for most organizations.
- By 2023, 75% of organizations selling direct to consumers will offer subscription services, but only 20% will succeed in increasing customer retention.
- By 2023, organizations that have operated enterprise marketplaces for more than one year will see at least 10% increase in digital revenue.
- By 2024, 30% of digital commerce organizations will use packaged business capabilities (PBCs) to construct their application experiences.
- Through 2022, 50% of large organizations will have failed to unify engagement channels, resulting in a disjointed and siloed customer experience that lacks context.

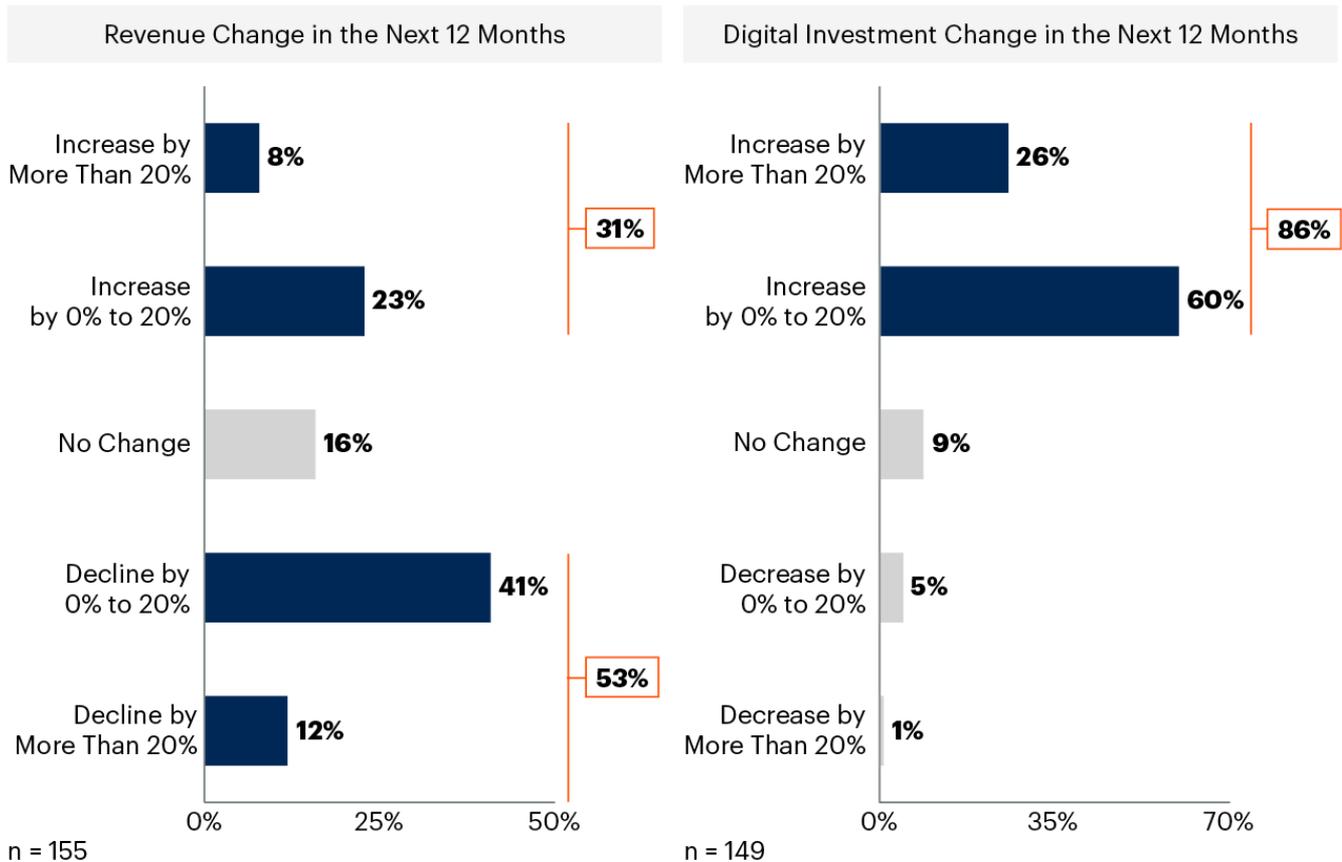
Analysis

The COVID-19 pandemic is an unusual and unexpected event that has disrupted many business plans and forecast models, and changed the growth trajectory for a number of industries. In response to the pandemic, customers and organizations adapted their behavior and ways of doing business. For example, customers flooded to online grocery platforms and switched brands and stores based on stock availability and delivery timelines. Organizations used videoconferencing and social chat apps to maintain selling activities. IT budgets have been reallocated to and increased for digital channels and technologies in order to boost digital presence and capabilities.

Polling results from a Gartner webinar conducted in July 2020 showed that while 53% of the respondents expected a revenue decline in the next 12 months, 86% planned to increase their digital investment in the same period (see Figure 1).¹

Figure 1: Organizations Increase Digital Investment Despite Revenue Shocks

Organizations Increase Digital Investment Despite Revenue Shocks



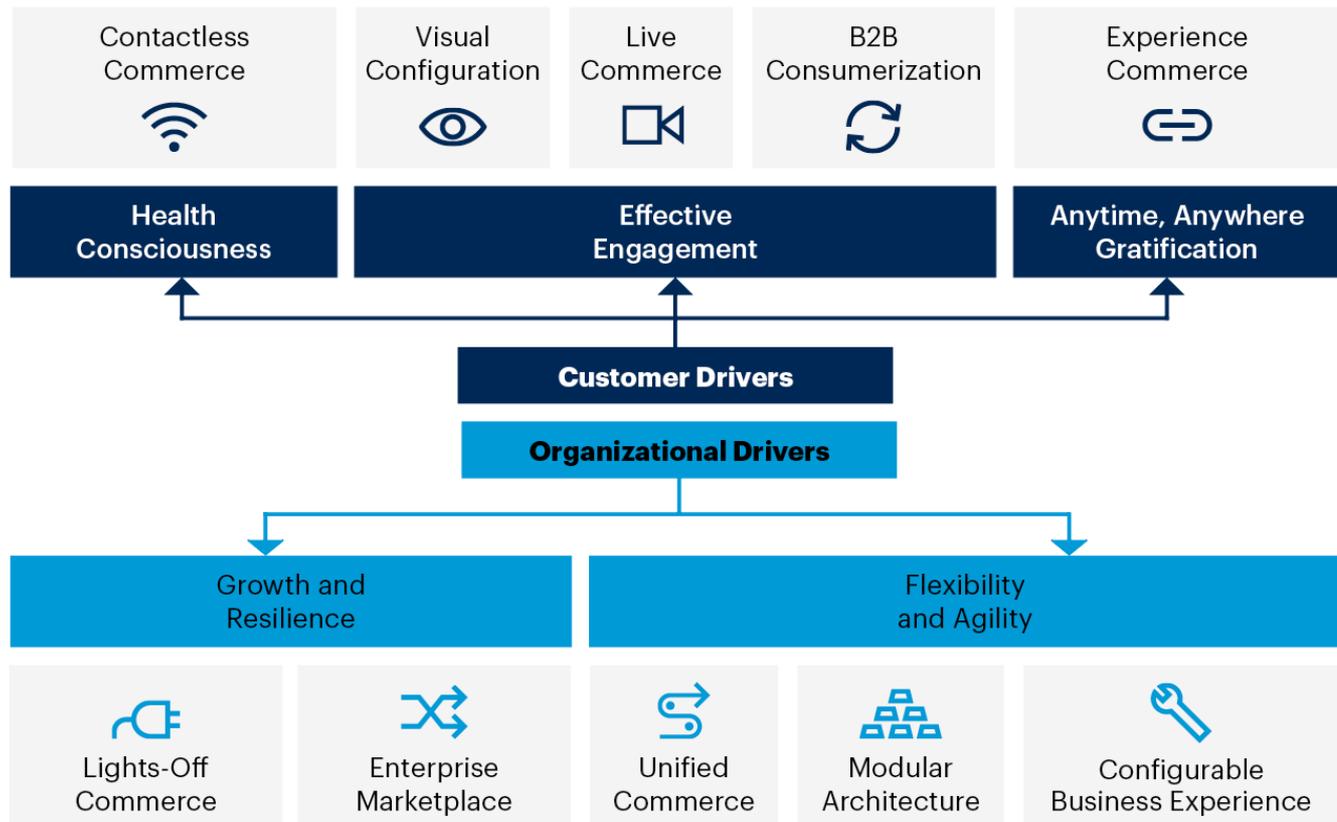
Source: Gartner “Strengthen Your Resilience With Digital Business” Webinar Poll (August 2020)
 Note: Due to rounding, percentages may not add up to 100%
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COVID-19 triggered an urgent requirement for organizations – causing them to move deeper into digital channels and use digital technologies to increase revenue and engage customers. Gartner’s “The Postpandemic Planning Framework” explains five scenarios for recovery. The actions that organizations take during the recovery stage will impact how they perform when the new normal is established.

Digital commerce played an important role during the pandemic by enabling organizations to stay in business. Organizations should not assume that things will return to the precrisis state. Some customer behavioral changes such as shopping online and becoming more health- and safety-conscious will be long term. Measures implemented by organizations during the pandemic, such as enabling new go-to-market models and new types of customer engagement are likely to remain. Organizations must understand the long-term impacts brought about by COVID-19 as they plan for digital commerce investment (see Figure 2).

Figure 2: 10 Things COVID-19 Will Change in Digital Commerce

10 Things COVID-19 Will Change in Digital Commerce



Source: Gartner
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There are five underlying drivers for customers and organizations that have led to these changes.

Customer drivers include:

- **Health consciousness:** Customers have become more conscious about their health and safety, leading to changes in their consumption behavior in both their personal life and their work. One obvious change is the increasing popularity of contactless commerce, which enables end-to-end contactless self-service.
- **Effective engagement:** Customers want to have more effective communications with products and service providers (where in-person meetings may not be possible) – enabling productive and efficient buying processes and decisions. This has led to the emergence of live commerce, where live video streaming is used to demonstrate products and interact with customers in real time. It has also led to a resurgence of visual configuration and B2B consumerization – supporting more effective selling over digital channels.
- **Anytime, anywhere gratification:** Customers want to enjoy life’s experiences even when they cannot visit a destination in person. They want to have similar experiences from the comfort of their homes. This desire has driven the emergence of experience commerce, where there is a

convergence of the physical and digital worlds to deliver a specified experience. Such experiences may be used for education, hospitality, tourism or entertainment and can take place at the customer's chosen location.

Organizational drivers include:

- **Growth and resilience:** Organizations want to grow digital revenue and be more resistant to future disruptions with some customer lock-in effect. Lights-off commerce allows organizations or consumers to automate purchases using subscription and autoreplenishment. Organizations can also move into enterprise marketplaces and generate revenue by facilitating transactions among third-party sellers.
- **Flexibility and agility:** Organizations need to have unified commerce to sell to, fulfill from, deliver to and serve across all channels. This increases business agility and resilience. They also need a more modular architecture that allows them the flexibility to incorporate new customer experiences and technical capabilities. They also need configurable business experience to enable efficient commerce operations.

Application leaders should stay informed as to the details of these happenings and upcoming changes. They should adjust investment plans and technology platforms to keep their digital commerce offerings competitive in the coming years.

Contactless Commerce

Analysis by Dayna Ford and Jason Daigler

Contactless commerce allows customers to conduct buying activities without touching public structures or hardware, and without getting in close contact with another person. Contactless commerce can be done digitally or physically for both online and in-person shopping, and covers the entire buying process from researching and ordering, to payment and delivery.

Digital commerce has been contactless for the most part. Customers browse, add to cart and check out digitally in a contactless manner. Still, there are processes where they may come in close or indirect contact with other people (for example, in the delivery stage). Many retail stores that are going online during COVID-19 are blending the in-store experience with digital shopping and offering an end-to-end contactless experience to alleviate shopper's health concerns. For example, to specifically address these concerns, restaurants are providing QR codes on the table, allowing for self-service ordering and payment. Of respondents to the Gartner Consumer Pandemic Attitudes and Behaviors Survey, 40% agreed with the statement "I'm more willing to do business with stores or other commercial premises that offer contactless payment options."²

Organizations also need contactless technologies for employees involved in commerce operations. For example, retailers have a lot of in-store operations where digital solutions can be used to protect employees (for example, customer service, replenishment, store pickup and warehousing).

Retailers such as Walmart, Schnucks Markets and Giant Eagle are using robots to scan in-store inventory and product shelves to assist with inventory management, replenishment, product placement and promotion decisions. ³

Changes and Impacts

Contactless commerce is likely to take place in the following ways:

- **Contactless check-out for in-store shopping:** Contactless check-out can be achieved in checkoutless stores (for example, Amazon Go), which works best for small to midsize stores. Large stores with more items can investigate smart cart technologies, ⁴ which use cameras and AI to recognize products in the shopping cart and enable self-check-out using mobile apps. Retailers such as Sam's Club and ALDI have included scan-and-go functionality in mobile apps, enabling customers to scan product bar codes and self-check-out. While it was previously largely seen as a novelty, contactless check-out is likely to become a major offering and differentiator, at least in the grocery sector.
- **Contactless payment:** This includes digital payment using mobile apps for in-store shopping, and contactless card payment at point of sale and kiosks. Digital apps can offer a more thorough contactless experience, enabling customers to avoid touching any public equipment such as kiosks or payment terminals. Thus, digital apps are likely to become the preferred method moving forward, potentially driving the adoption of digital wallets. In cases where PIN and signature is required, organizations can consider increasing the minimum payment amount to reduce the volume of these transactions. Organizations offering public payment equipment will need to sanitize shared surfaces more often (including touch displays, keypads and buttons). Besides commerce organizations, other verticals are also likely to adopt contactless or digital payment. Such verticals include public transportation, parking, healthcare institutions, travel and hospitality.
- **Contactless pickup and delivery:** The COVID-19 pandemic has driven a popularity increase in new store pickup methods, such as curbside and drive-through pickups. These methods were available before COVID-19 from major retailers such as Walmart, Target and Kroger, but now, some midsize retailers and food and beverage businesses are offering these services. Other contactless pickup and delivery options will continue to emerge to suit various use cases. Such options include trunk delivery, self-service lockboxes, neighborhood pickup stations, IoT equipment supporting autoreplenishment and even robot and drone delivery. For complex and high-value products such as cars, a combination of remote control, location and user authentication methods will be used for contactless pickup. Some car manufacturers and rental companies already offer self-service car pickups. ⁵
- **Contactless commerce operations:** Organizations can use robotics, artificial intelligence (AI) and computer vision to assist employees in making better decisions and improving operational efficiency. Examples of areas where these technologies can help include store-level

merchandising, pricing, promotions, product assortment and replenishment, and pick-and-pack at warehouses.

Recommendations

- Design end-to-end contactless customer journeys – whether initiated online or in store – and offer multiple payment, delivery and pickup options catering to various customer preferences.
- Scale up to support increasing digital commerce volumes for the foreseeable future, optimizing for customer service, supply chain, staffing and platform stability.
- Remove unnecessary points of contact from in-store and hybrid experiences. Eliminate signatures, shared keypads, styluses, screens and pens whenever and wherever possible.
- Optimize digital payment experiences to encourage and empower customers to make transactions entirely from their device, using simple, secure and preferred methods of payment.
- Evaluate the use of robotics to improve efficiency for commerce operations such as warehouse, delivery processes and stocking shelves.

Visual Configuration

Analysis by Mark Lewis

Visual configuration tools enable sales representatives and end customers to see a 2D or 3D visual representation of the product they want to order, with the options and features that they have selected – without having to visit a physical showroom. It is even possible to display the configured product in its intended location using mixed reality. These tools are usually deployed as part of an overall configure, price and quote (CPQ) or digital commerce project. The best technologies enable the user to interact directly and in real time with the visual representation (for example, by entering the cab of an excavator and using the controls). Visual configuration tools can be used to sell a wide range of configurable products – anything from coffee mugs to specialty vehicles to kitchens. Visual configurators can be customer-facing, forming part of a digital commerce experience, or can be driven by a salesperson and (in the context of social distancing) shared with the customer via standard web conferencing tools.

Visual configuration is currently lightly adopted with less than 1,500 deployments globally. Visual configuration software vendors have reported a significant uptick in business because of the COVID-19 lockdown. Manufacturers are investing in visual configuration to enable them to sell their more complex offerings online or remotely.

Changes and Impacts

Visual configuration is likely to change digital commerce in the following ways:

- Reducing the need for samples and showrooms: Showrooms for kitchens, furniture and specialty vehicles have either been closed or seriously curtailed in response to COVID-19. Visual configuration technology is a low-cost substitute for a showroom. An online configurator can display many more product variants than a physical showroom can possibly stock, without the need to sell off outdated sample stock when a product gets a design refresh. Organizations coming out of the COVID-19 crisis will have to reevaluate the viability of expensive satellite showrooms – with the alternative being to keep just a few hub showrooms, augmenting them with visual configuration technology.
- Shifting the selling of moderately complex products from direct sales channels to self-service: Costing up to 20% of revenue, direct sales is an expensive method for selling products. Enabling self-service digital commerce using visual configuration will significantly improve margins and likely shorten the sales cycle. An online store works 24/7, 365 days of the year, and it won't get sick or go to a competitor.
- Replacing dealerships with direct sales by the manufacturer: Visual configuration tools can be deployed for use by resellers or might eliminate the need for some resellers altogether. A visual configurator is open 24/7, 365 days of the year. It eliminates the training costs associated with launching new products and features, thus enabling rapid product innovation at lower cost. Tesla successfully sells vehicles through a combination of manufacturer-owned demo centers and online sales using visual configurators.
- Enabling the selling of novel custom products: Visual configurators combined with advanced manufacturing techniques today enable mass customization of consumer products (for example, Nike sports shoes). While there is some additional cost in manufacturing these custom items, they are sold online directly by the manufacturer at a premium price, thus achieving higher margins than standard SKUs sold through a distributor, reseller or retail store.

Recommendations

- Deploy a 3D visual configurator in the self-service channel for relatively simple configurable products for which there are a lot of combinations of options, and for which the final look of the product is important (for example, a specialty vehicle or a custom sofa).
- Ensure that the tooling delivers sufficient photorealism to enhance sales, and not hinder them.
- Equip your direct sales team and channel partners with 3D or mixed reality (MR) configurators to demonstrate your products remotely. Ensure the sales team is fully trained and comfortable with the tools.
- Consider replacing loss-making and marginal showroom locations and dealerships with online visual configurators.

Live Commerce

Analysis by Sandy Shen

Live commerce uses live video streaming to demonstrate products and interact with shoppers in real time to encourage purchases. It is typically delivered through mobile apps. The livestream function can be embedded in commerce platforms or offered by online marketplaces and social networks with purchase links or check-out functions.

Many organizations saw sales plummet during COVID-19. In China, organizations turned to livestream platforms such as Douyin and Kuaishou to connect with customers. Live commerce had been around for a few years, but was mostly used by the younger generations for fashion and beauty products. The COVID-19 pandemic has seen many traditional organizations flooding to these platforms after their offline businesses were completely shut down. Taobao Live reported 88% year-on-year growth in daily active merchants in 1Q20 as more merchants went online.⁶ Intime, a department store in China (which is majority-owned by Alibaba), reported the same amount of visitors in a three-hour streaming session as they would have had in six months in the store.⁷

Outside China, live commerce is in an early stage where there are few livestream platforms or vendor solutions. Most social and video streaming platforms offer recorded video for replay, but do not broadcast live. Facebook has launched Live Shopping along with Facebook Shops,⁸ but the feature won't be available for the next few months. Google also released a video shopping offering, Shoploop, that links the video to product sites.⁹ Amazon Live has been around for a while with limited visibility or merchant participation. On the other hand, brands that have integrated livestreaming on their commerce sites are seeing early success. Bobbi Brown launched live commerce in the U.S. in May 2020, and saw a 5% conversion rate for those watching livestream sessions, compared to an average conversion rate of 2%.¹⁰ Retailers are offering personalized shopping experience using live chat to help customers find the right products in the shop,^{11,12} though viewership and sales are still lagging at this stage.

Changes and Impacts

As a new shopping behavior, live commerce is likely to be a new way to engage shoppers and will impact digital commerce in the following ways:

- **New channels to grow commerce:** Organizations can use live commerce to entice shoppers, generating traffic and creating brand awareness. They need to be aware of the local customer behavior, as not all customers are familiar with using livestream for purchases. They also need to budget enough for the activity as they may need to partner with influencers and offer deep discounts to attract shoppers. On the technical front, they need to create a frictionless experience from livestream to check-out, whether through redirects or on-site check-out. Organizations can use livestream platforms and social networks with integrated check-out functions, and can also embed livestream solutions in their commerce platforms or customer-facing interface (for example, customer service chat sessions).

- **Personalized experience:** Employees can use live commerce to directly engage customers in one-to-one or one-to-few sessions to answer questions and help find the right products. Organizations can add these human-assisted personalized shopping experiences to the personalization capabilities that they already have in the commerce platform to further increase customer satisfaction and repeat purchases.
- **Unified experience:** Organizations with a physical presence can use livestreaming to bridge the physical and digital experience. Besides the retail industry, real estate, travel, events, automotive, fitness and healthcare can benefit from moving some sales processes and service delivery to the streaming platform.
- **Shortened sales cycle:** B2B organizations can enable sales to show product demos over live videoconferencing sessions. Organizations can integrate technologies such as visual configuration, request for quotation (RFQ) and CPQ to not only demo products, but also to show how various configurations impact the price. Although this doesn't necessarily lead to on-the-spot order placement, it is an effective way to gauge customer interest and address their questions. This will help shorten the sales cycle.

Recommendations

- Identify livestreaming platforms and technology providers that can offer seamless shopping experiences integrated with livestreaming.
- Work with marketing, merchandising and supply chain to design scripts, curate products and forecast supplies – ensuring optimal outcomes from the session.
- Design mechanisms to retain shoppers and encourage upsell, cross-sell and repeat purchases, since live commerce often attracts shoppers looking for deep discounts. Examples include encouraging customers to sign up for memberships for ongoing discounts, promoting member-only events and free trials, and using personalized product recommendations to increase the order value.
- Identify more use cases for which livestreaming can be used to improve sales efficiency and customer experience (for example, product demo, personalized customer support, consultation and negotiation).
- Provide training to employees to prepare them for live commerce, and align incentives to encourage active participation.

Experience Commerce

Analysis by Penny Gillespie

Experience commerce is the convergence of the physical and digital worlds to deliver a specified experience at a customer's desired location. Instead of customers traveling to a destination for an

experience, the experience comes to the customer. Experience becomes the item purchased through digital commerce, rather than being the wrapper surrounding the digital commerce interaction.

COVID-19 has negatively impacted many industries. Those taking the hardest hit are destination venues such as education, hospitality, tourism and entertainment, which typically have required customers to go to a specific location where the product or service is offered. Even as economies start to open, customers may not quickly engage or flock to destination venues. Demographic factors like income, region and generation influence customers' attitudes on what they are willing to do and where they are willing to congregate. These attitudes have impacted their usual shopping routines during the pandemic, which may sustain postpandemic. For example, consumers may be reluctant to travel by air or go to locations where crowds gather (such as movie theatres, live performances or the mall) without some safety measures. While the "new normal" is yet to be determined, it will not mirror pre-COVID-19 normalcy and is likely to make some of the old ways of doing business more challenging.

As a result, organizations are experimenting with experience commerce. The following are examples of companies' initial endeavors in this field. These newly created virtual experiences are often sold out and rated favorably by participants. Examples of new experience commerce events include:

- Wine blending class (offered by [Barnett Vineyards](#)) where the ingredients and equipment for the class were shipped prior to the class and participants enjoyed engaging with the wine expert via Zoom, with the vineyard view in the background.
- Cooking classes where the recommended shopping list is provided prior to the event. Examples include a virtual Sri Lankan curry class offered by Tripadvisor, and "Guac and Talk" offered by United Card Events from Chase.
- AppDirect, a commerce vendor, sponsored a virtual team morale event enabled by Merrymint, an experience aggregator. Employees and their families watched a professional magic show, and were instructed on how to replicate tricks using "magical aids" sent prior to the event. They also received digital how-to guides for later reference.
- A Greek dance and history lesson with an Athens local (offered by Tripadvisor), which combined a dance workshop and dance history lesson.
- A virtual tour of ancient Rome (offered by GetYourGuide), which combined photos, videos, polls, and a fully interactive chat function — including a licensed Colosseum guide for one hour.
- Immersive cardio training offered by Peloton via its mobile app — enabling customers to bring the energy of an instructor-led studio bike ride into their homes.

Changes and Impacts

Experience commerce will bring the following changes to digital commerce:

- **Experiences become products:** New products will emerge as organizations start to create and bundle digitally delivered content (such as scenery and music) with physical goods to create a sense of being in a destination from within the comfort of home. In addition to selling traditional products and services, organizations will sell experiences (that is, experience commerce).
- **Experiences create new customer segments:** Whereas physical locations are not very scalable, digital interactions are. As experiences become more sophisticated and realistic, destination-based industries are likely to find new customer segments stemming from those who have previously been unable to afford or travel to the destination experience. Likewise, existing customers may find appeal in augmenting their physical visits with experiences due to convenience, time constraints or health issues.
- **Experiences create new roles:** Inside the organization, experience creators will be responsible for creating the organization's powerful digital content, identifying multiple levels of experiences with accompanying physical goods, and sourcing the required physical goods. Outside the organization, experience brokers will emerge as independent orchestrators to assist the sourcing and delivery of the moving parts in experience commerce across digital and physical realms.

Recommendations

- Identify the experience customers value the most. Identify your unique value proposition and the feelings it provokes in customers. What is the objective behind a typical visit or engagement? What do customers do on location? With whom do they interact? What experience is most gratifying to them? Is it a view, an event or an excursion?
- Assess the opportunity. Conduct research to see if existing customers would value a hybrid digital/physical experience. Identify the interest of potential new customers who can be acquired with the new offering.
- Determine tasks that will be fulfilled via partnership. Determine what can be done virtually and what is needed physically to improve the experience. When thinking about the physical component, start small but think big. Identify the things that you can source yourself and those that will require a partner.
- Find physical goods partners. Identify the primary markets in which your customer base resides. Determine the availability of suppliers and the supplies required to fulfill the physical aspect of the experience. Create appropriate partnerships to get started. As experience is gained, assess whether becoming an independent experience broker could be financially rewarding.
- Solicit feedback from customers and make it easy to comment. Grow confidence and build trust through customer testimonials by encouraging customer-posted social media reviews.

B2B Consumerization

Analysis by Sandy Shen and Mark Lewis

The COVID-19 pandemic disrupted sales processes for many B2B organizations that relied heavily on offline and face-to-face interactions, prompting them to shift their go-to-market (GTM) models to digital channels and remote selling. According to McKinsey, 96% of the B2B organizations changed their GTM models during COVID-19 to prioritize the digital channel (such as using online/web support and digital commerce), and 80% are likely to sustain these models for at least 12 months after COVID-19. Global B2B commerce sales also increased by 24% during the COVID-19 pandemic compared with the precrisis level.¹³ While the adoption of B2B commerce has been relatively low compared with B2C commerce, COVID-19 accelerated the process as digital commerce has become an important way, if not the only way to keep sales going.

As younger generations are entering the workforce and taking buying positions within organizations, they demand compelling customer experience similar to what they get from B2C shopping as a consumer. This includes better availability and user experience (UX) of mobile, web and apps for buying functions, and use of consumer chat apps to communicate with sales teams. The UX needs to be intuitive enough that customers can use without much training. Organizations can benefit from B2B commerce as it improves efficiency by reducing errors in order taking and processing. It also shortens the sales cycle by enabling customer self-service, and the use of digital technologies can make simple sales processes more effective. Admittedly, some complex sales processes are more effective in a face-to-face setting. Digital selling is an interim solution when in-person meetings are not possible.

Changes and Impacts

With the expectation that digital and remote selling will be used by more B2B organizations, the following technologies will facilitate B2B consumerization:

- **Live chat and video streaming:** These technologies are being used for sales meetings and product demos. They are the most apt replacement for in-person meetings and sales can engage customers in a one-to-one or one-to-many model. When used in combination with visual configuration technologies, sales can effectively show various product options in the live demo to make the sales process more effective. They can address customer questions and see their responses to gauge buying interest. When integrated with commerce functions, customers can move further to the buying process (for example, adding a product to their cart or requesting a quote).
- **Social chat apps:** Salespeople may have already directly engaged with customers using social chat apps such as Facebook Messenger, WhatsApp, WeChat or LinkedIn. As most customers already use these apps on a regular basis, they make customers more accessible than the chat function embedded in corporate websites or mobile apps. B2B organizations can develop functions to support sales activities in these apps such as to share product brochures or name

cards, redirect customers to commerce sites, and send calendar invites. These functions help with customer communication and improve sales effectiveness.

- **Mobile apps:** Mobile apps are the norm in B2C commerce, but they are less common in B2B commerce, which still heavily uses websites. As younger generation buyers come into the decision chain, they will expect to be able to access a wide range of buying functions from mobile. This includes not only repeat and quick orders, but also product comparison, RFQ, negotiation, configuration, and reporting. In addition, mobile UX should be as intuitive as the best in class, and younger buyers are likely to benchmark this with Amazon and Tmall.

Organizations with complex selling processes may not be able to digitize the entire process all at once. They should prioritize the steps that have the most impact on customer engagement and conversion, and design them to be user-friendly and intuitive. This will encourage adoption by both customers and the sales team.

Recommendations

- Identify consumer technologies such as video streaming and social chat that can create a great B2B buying/selling experience. Find ways to align those technologies with your security and compliance requirements.
- Use customer journey mapping to understand customer frustrations and pain points in the buying process. Solve these issues with a combination of technology, process and policy changes.
- Apply the “principle of least surprise” by challenging every deviation from the standard B2C shopping experience. Ask yourself: “Does it work for consumers?” and “Can a new customer complete the transaction without training?”
- Adopt configuration technologies for configurable and complex products, to guide the user through the product selection process.
- Prioritize steps in the buying processes that can offer good value for sales teams and customers, and which can be digitized with less efforts (such as product demos, RFPs and inquiries). Design the experience to be frictionless and at least as effective as the face-to-face experience, if not more so.

Lights-Off Commerce

Analysis by Sandy Shen

Lights-off commerce refers to automated purchases using subscription and autoreplenishment to deliver goods to customers on a regular schedule or an as-needed basis. There has been a surge in subscription program enrollment since the initial COVID-19 outbreak, as consumers look to protect themselves from stock-out situations and avoid physically shopping in the store. Many consumers

are placing online subscription orders for the first time. For example in the U.S., for the week of 17 April, of those who ordered online subscriptions for fresh food and beverage, meal kits and alcohol, 55%, 47% and 46%, respectively, were doing so for the first time.¹⁴ Subscription brings not only convenience and safety to consumers, but also cost savings in times of financial pressures and uncertainty. Vendors selling through a subscription model have a more predictable, contracted revenue stream that is more resilient to economic disruptions.

Organizations offering autoreplenishment services via smart devices or vending machines can be more resilient to market disruptions, assuming they can maintain the supply chain. Fastenal, a supplier to industrial manufacturing and construction businesses, saw its vending devices installed base increase by more than 10% in 1Q20.¹⁵ Although these services can suffer from softening demand, they are likely to be the first to recover once the demand is up as they provide customers with a more accessible way to order supplies.

Changes and Impacts

Lights-off commerce enables organizations to maintain customer relations and sales activities during uncertain times. The following changes are likely to happen postpandemic:

- **Subscription expands to more categories and organizations:** Essentials, such as household supplies, cleaning and sanitary, personal care, online grocery and home entertainment are likely to see higher penetrations with strong growth. Discretionary items such as fashion and beauty may take a hit in the immediate term as consumers become more budget-conscious and are more likely to buy as needed. B2B organizations will also increase the use of subscriptions to lock in customers for recurring revenue. When the pandemic recedes and people are more willing to shop for discretionary items, organizations can use subscriptions to offer customers more product choices or reach segments that were previously unattainable. For example, Rent the Runway allows customers to wear various clothes at affordable prices, and Volkswagen-Drover gives customers more car choices with monthly subscriptions. Affordable products with more choices can appeal to consumers who, in a postpandemic world, may become more value-conscious.¹⁶
- **IoT-enabled autoreplenishment becomes popular:** Online and mobile have been the mainstream channels for digital commerce for years, and IoT-based commerce (that is, thing commerce) is mostly viewed as emerging and complementary. This is due to the complexity involved in implementing IoT technologies and designing the right ordering experience. COVID-19 will accelerate the adoption of thing commerce, as customers will have higher expectations for product availability and home delivery. Organizations will also focus more on alternative channels, as they build resilience into their business strategies by increasing the number of channels and strengthening customer relations. While there are more complex use cases for thing commerce, autoreplenishment is the low-hanging fruit with clear business value and more straightforward technology implementation.

Recommendations

- Work with business leaders to identify products that can be offered via subscription, recurring events or autoreplenishment. Consumables, high-value durable goods and services are a good fit.
- Work with product development to retrofit existing products to make them suited for subscription or recurring offers. Consider integrating IoT technologies with the commerce platform to enable autoreplenishment.
- Design multitier subscription plans to cater to different customer preferences and price points. Consider allowing free trials and free cancellations to encourage risk-free enrollment.
- Include substitute products and multiple configuration options in replenishment choices to put customers in control.

Enterprise Marketplaces

Analysis by Jason Daigler, Dayna Ford and Penny Gillespie

Enterprise marketplaces are online marketplaces operated by organizations that invite third-party sellers to sell directly to end customers, in either B2C or B2B sales models. Enterprise marketplaces represent not only a new set of technologies for driving digital commerce revenue, but also a fundamental business model change for online sellers, propelling them toward digital business. This contributes to improved experiences for buyers and sellers, better efficiency in the buying and selling processes, more efficient supply chains and new revenue sources.

During the COVID-19 pandemic, many organizations have encountered problems associated with selling only their own, “first-party” products online. Issues include:

- Reduced demand for their core product offering.
- Disrupted supply chains due to closed manufacturing facilities.
- Reduced sales for complex or configurable products due to lack of travel and in-person sales opportunities.

Enterprise marketplaces alleviate risks associated with disruption and provide new opportunities for participants, including:

- Increased revenue from commissions or fees charged to third-party sellers.
- Moderated traffic fluctuations with products of declining demand offset by those with surging demand.

- Better product availability as there are more sellers with their own stock for existing product categories.

Organizations that deployed enterprise marketplaces prior to the onset of the pandemic were less disrupted by the scenarios above than those who only sold first-party products. Walmart, for example, saw growth in marketplace sales outpace the overall business. ¹⁷

Changes and Impacts

Enterprise marketplaces are likely to change digital commerce in the following ways:

- **New go-to-market channels:** Growth in enterprise marketplaces makes them an appealing channel for brands, manufacturers, and distributors that are positioning their products online. In addition to selling through a standard set of retailers and existing marketplaces (such as Amazon or Tmall), they will need to consider a growing set of new enterprise marketplaces, including some that will be vertical-specific or solution-oriented. Channel integration applications, such as ChannelAdvisor, Productsup and Syndigo, could see growth in usage if they can keep pace with the growing number of marketplaces that they integrate with.
- **Digital revenue from marketplace operations:** Organizations operating the marketplace will develop new revenue streams from operator fees and commissions. This is different from product sales revenue in the traditional commerce model, and positions organizations on a path to becoming a digital business as they develop digital products and ecosystems. Those organizations that are particularly successful could switch to a majority third-party model over time, where they are less reliant on their own first-party products and instead focus on acquiring more sellers and relying on the sale of third-party products.
- **Some technologies and practices become critical:** SEO best practices, ad buying and digital shelf analytics will become more critical to successful marketplace operation. As the number of marketplaces increases, so too does competition among online shopping destinations for consumers and business buyers. Therefore, product findability becomes far more important, with increased investment in tools that contribute to findability.
- **Marketplaces become an important offering from commerce vendors:** More digital commerce platforms will either build enterprise marketplace operation functionality into their core offering or seek partnerships with vendors that are focused on this area.

Recommendations

- Consider layering a marketplace operation application on top of existing digital commerce sites instead of building the functionality internally to allow quick launches. Use Gartner's "[11 Imperatives When Building an Enterprise Marketplace](#)" for guidance.

- Organizations without current digital commerce endeavors should evaluate commerce platforms that either offer marketplace operation functionality natively or have strong integrations to marketplace operation application vendors.
- Develop internal processes for vendor recruiting and onboarding, and vendor tools for monitoring, reporting and product category change management. Refine search algorithms.
- Plan for organization changes, especially adaptations to the role of account executives, who will need to interface with third-party sellers. The number of account executives needed is typically a function of the number of third-party sellers, coupled with the number of SKUs offered on the marketplace. Companies may also need employees who recruit sellers and assist with onboarding.

Unified Commerce

Analysis by Sandy Shen

Unified commerce offers consistent and personalized experience across channels throughout the customer journey. It allows organizations to not only provide customers with more options for purchases and delivery, but also to quickly switch channels in case of channel disruption.

Organizations less impacted by COVID-19 are those that quickly shifted selling activities to the less impacted channels to recover sales. For example, after all its physical stores in China were closed, Louis Vuitton launched Valentine's Day pop-up stores via WeChat. Its store staff promoted the WeChat store to customers and used live chat for presale and postsale support. As a result, the company doubled its Valentine's Day sales in 2020 compared to the same period last year.¹⁸ In the U.S., Walmart converted 2,500 of its stores into fulfillment centers to keep up with the demand spikes from digital commerce. The company accelerated investment in multichannel fulfillment capabilities (including curbside pickup and delivery from the store) to keep up with the triple-digital sales growth.¹⁹ The ability to unify channels for customers and operations is critical to ensuring great customer experience while maintaining operational flexibility.

Changes and Impacts

While unified commerce experience is important, most organizations have taken a half-hearted approach and only traveled the most familiar paths, such as selling through websites and mobile and enabling buy online, pick up in store (BOPIS) or click and collect. Unified commerce needs to go beyond BOPIS and enable a truly seamless experience for selling, serving, fulfilling and delivering.

- **Sell across any channel:** Besides websites and mobile, organizations should consider social networks, kiosks, IoT devices, contact centers, video streaming and TVs. Organizations should enable multiple ways of ordering even from the same channel. For example, when using mobile, enable ordering via the mobile storefront, text messages, QR code, voice command and chatbot. Organizations should also consider including third-party channels, such as online marketplaces,

and commerce platforms provided by partners, trade associations or governments to maximize the reach to customers.

- **Serve across any channel:** The service experience should be integrated to enable continuous experience when customers switch channels. This includes not only continuous browsing and transacting between channels, but also continuous conversation between social networks, chatbots, contact centers and store visits. This requires seamless integration of the service capability and the sharing of customer context across channels. In addition, organizations should consider combining multiple customer interfaces into a single one when making sense. For example, Walmart combined two apps – Walmart Grocery and Walmart App into a single app so that customers can manage pickups and order goods using the same app. ¹⁹ This helps reduce customer confusion as to which app to use for different tasks.
- **Fulfill from any channel:** Organizations using distributed order management (DOM) have been able to access inventory from multiple channels, including those they own themselves and those owned by channel partners. This brings flexibility in fulfillment and delivery options, ensures stock availability under unusual circumstances, and engages channel partners. Better stock availability during COVID-19 has seen some retailers winning customers from the competition, as availability is a key consideration in the customer's new shopping behavior. ²⁰
- **Deliver to any channel:** As contactless delivery options become popular, organizations will need to consider emerging delivery methods. These include curbside pickup, drive-through, trunk delivery, self-service lockboxes, neighborhood pickup stations, IoT equipment supporting autoreplenishment and even robot and drone delivery when feasible.

Recommendations

- Use customer journey mapping and analytics to understand customer channel preferences on the path to purchasing.
- Define and implement event streams for continuous browsing, conversing and transacting across channels by closely integrating commerce with customer service solutions.
- Work with supply chain leaders to implement DOM and integrate it with the commerce platform to enable fulfillment from any channel and improve stock availability.
- Invest in API-based commerce architecture to decouple the front end from the back end to increase flexibility in adding new channels and user interface (UI) technologies.

Modular Architecture

Analysis by Mike Lowndes

COVID-19 forced many businesses to switch to digital channels as their physical channels were shut down. Businesses that were able to quickly make the switch and enable new functions (such

as curbside pickup) either had been testing these capabilities for a while or had a modern architecture that allowed them to quickly deploy new functions. For example, Best Buy had spent months testing curbside pickup at a handful of stores and was able to roll it out to every store in just two days.²¹ For those that weren't able to quickly deploy new functions in a short time, this exposed the underinvestment in digital channels and the limitations of monolithic platforms. There was already an emerging trend toward modular architectures for digitally mature businesses before the pandemic. This trend will accelerate as more businesses understand the advantages that come with having a modular architecture, including better scalability, flexibility and agility:

- **Scalability:** Some businesses (such as grocery and food delivery businesses) saw “Black Friday every day” for online transactions during COVID-19, and expect digital commerce to remain highly utilized postpandemic. The ability to flexibly scale up and down in keeping with demand will increase business resilience when faced with a rapidly changing environment. It also avoids delays or cost surprises caused by expensive scaling projects, or reliance on temporary fixes such as with content delivery networks (CDNs) – including “waiting rooms” and other means of throttling customer access to cope with load.
- **Flexibility and agility in deploying new functions:** While many retailers had been offering BOPIS or click and collect, enabling curbside pickup isn't as easy as turning on a switch. It requires new features such as communication from the customer of their arrival and their car plate or model, and it requires employees to identify customers and confirm delivery. This could be a major project for a monolithic platform, and resolution can be lengthy and expensive. Modular platforms that follow Gartner's composable commerce model are open to extension via simpler processes and over a shorter time frame (see [“Composable Commerce Must Be Adopted for the Future of Applications”](#)). Vendors selling modular, composable platforms can also release new capabilities to deal with emerging requirements very rapidly.

Changes and Impacts

- **Collaboration between business and IT:** When the business and IT work in silos, it slows the communication of business value and the definition of functional modules that will make sense for business users. Having a single digital strategy across both, and maintaining business-IT fusion teams, will support faster decision making required to take advantage of modular architectures.
- **Independent scaling:** Different components such as search, shopping cart and check-out can be scaled independently to deal with different demand scenarios and buying behaviors.
- **Independent development, testing and deployment:** New (or simply better) capabilities can be made available sooner via this architectural approach, allowing the organization to be responsive to changing market conditions.
- **Quick channel expansion and new business model enablement:** Organizations can add new channels such as IoT, social media selling, and online marketplace integration more quickly, and

are able to easily switch between them. They can also enable new business models such as subscription, thing commerce or enterprise marketplaces with greater flexibility. They can enable these new business capabilities within a composable commerce architecture rather than deploy new end-to-end solutions for each.

Recommendations

- Set up a business-IT fusion task force within the digital commerce team to support the move to composable commerce architectures.
- Invest in the skills and resources required to develop and maintain a modular architecture. These include product management, API development, event/stream integration, DevOps and continuous integration/continuous delivery (CI/CD). These skills can be made available via in-house teams, trusted service partners or hybrid teams.
- Adopt modular, composable architectures by using a combination of API-based SaaS solutions, microservices, integration tools and the incremental decomposition of existing monolithic applications.

Configurable Business Experience

Analysis by Penny Gillespie and Sandy Shen

Configurable business experience enables business users to construct the platform experience to their needs without involving IT, so they can increase efficiency in commerce operations.

Historically, business users in sales, marketing, merchandising or customer service had to endure the limitations of the administration UI/UX defined by the commerce platform, with little flexibility to configure it. COVID-19 has made this an acute pain point. Companies need to be able to make quick changes to policies or workflows such as in pricing, availability and delivery to respond to customer needs. The ability to enable business users to make such changes without involving IT will be critical to achieving agility in the postpandemic world, and to ensuring success in digital commerce.

Consequently, vendors that enable business user efficiency are starting to gain traction. Zobrist Software's Smart Merchandiser enables employees to easily manage merchandising by combining inventory, product attributes and analytics in a visual experience – increasing efficiency in digital merchandising by reducing the amount of employee time required for a task from eight hours to one hour. Liferay, using its digital experience platform (DXP) and modular capabilities, allows operational staff to configure the management UI to their preference by dragging and dropping widgets.

While digital commerce has been focused on improving customer experience, when buying digital commerce solutions, reducing digital friction for employees will be a key decision factor. Digital

friction refers to unnecessary effort by employees when using or producing data or technology solutions for work. Gartner 2020 Digital Friction Survey found that: ²²

- 47% of employees outside of IT experience high digital friction when using technology for work.
- 41% of employees outside of IT who have moved beyond tech “end users” to become technology producers experience high digital friction when producing technology for work.

Companies that invest in employee experience outperform those that do not invest, and see gains in both revenue and profitability. ²³

Changes and Impacts

Technology advancements that promote employee speed and efficiency will impact digital commerce in the following ways:

- **Accelerate the move to modular architecture and composable commerce:** The ability to support self-assembled experience relies on the availability of underlying modules (or packaged business capabilities [PBCs]), which can be available from the commerce platform itself or custom-built by the commerce organization. These modules include the data and business logic to enable configuration of the new UI/UX, workflows and policy changes.
- **Increase low-code/no-code tooling in digital commerce platforms:** More digital commerce vendors will focus on improving experience for operational staff by including low-code/no-code tools in their solutions so employees can configure their own experience without involving IT. This also includes low-code/no-code integration tools for business IT, which allow them to quickly build capabilities for business users.
- **More commerce vendors will embrace API-centric SaaS:** API-centric SaaS improves extensibility of platform capabilities. It also improves application leaders’ ease of use and flexibility in building PBC modules that can be consumed by business users. This will be key to supporting a configurable and self-service business experience. Vendors will either organically build API-centric SaaS platforms or acquire these solutions and integrate them into their existing products.
- **Preintegrated ecosystem applications become a vendor selection priority:** Preintegrated ecosystem applications offer greater flexibility for platform extensions, making it easier for business IT to add functionality. The network of preintegrated ecosystem applications will become a higher priority in vendor selection.

Recommendations

- Include business user efficiency as a criterion for commerce platform and ecosystem application selection. Make sure key users are present for product demos and understand the

level of effort for key functions such as merchandising, setting up promotions and creating new stores.

- Understand commerce vendor’s product architecture to see whether it enables modular development. Examine the number of functional modules, integration tools, API documentation, functions and quality, and the ability to customize administrative workflows and logic.
- Scrutinize ecosystem applications and elevate their priority when selecting a vendor. Examine the vendor’s network of application partners and available preintegrations.

Acronym Key and Glossary Terms

AI	artificial intelligence
CPQ	configure, price and quote
DOM	distributed order management
DXP	digital experience platform
IoT	Internet of Things
PBC	packaged business capability
RFQ	request for quotation
UI	user interface
UX	user experience

Evidence

¹ The webinar [“Strengthen Your Resilience With Digital Business”](#) was conducted on 14 July 2020 with a total attendance of 393. Polling questions were included to understand the impacts of COVID-19 on the revenue of respondents’ organizations, and their digital investments over the next 12 months.

² The Gartner Consumer Pandemic Attitudes and Behaviors Survey was fielded among U.S. consumers ages 18 and older. Quotas were set for age, gender, employment, ethnicity and region. The survey was conducted online among 1,505 respondents. Data was collected from 8 May through 18 May 2020. The survey was developed collaboratively by a team of Gartner researchers

who follow marketing, and was reviewed, tested and administered by Gartner's Research Data and Analytics team. See ["Survey Analysis: Take Advantage of Burgeoning Consumer Adoption of Digital Shopping Channels."](#)

- ³ ["How Robots Are Helping Grocery Stores During the Coronavirus Outbreak,"](#) Forbes
- ⁴ ["Amazon to Test Dash Cart, a Smart Grocery Shopping Cart That Sees What You Buy,"](#) TechCrunch
- ⁵ ["Support – Delivery Option,"](#) Tesla
- ⁶ ["Alibaba Group Reports March Quarter and FY2020 Earnings,"](#) Alizila
- ⁷ ["China's Thriving Livestream Sector – And How Small Retailers Can Use the Format,"](#) OMR
- ⁸ ["Introducing Facebook Shops: Helping Small Businesses Sell Online,"](#) Facebook
- ⁹ ["Shoploop: An Entertaining New Way to Shop Online,"](#) Google Keyword
- ¹⁰ ["Beauty Brands Adopt Shoppable Livestreaming in the U.S.,"](#) Glossy
- ¹¹ ["Ask an Expert,"](#) Harvey Nichols
- ¹² ["Harrods Set to Dispatch Team of Staff Into Knightsbridge Store to Carry Out Personal Shopping for Prized Customers,"](#) DailyMail
- ¹³ ["Survey: Global B2B Decision-Maker Response to COVID-19 Crisis,"](#) McKinsey
- ¹⁴ ["Acosta Analyzes New Consumer Behaviors as COVID-19 Concern Levels,"](#) Acosta
- ¹⁵ ["Fastenal Earnings Are a Bellwether for How Coronavirus Will Affect Industrial Stocks,"](#) The Motley Fool
- ¹⁶ ["Consumer Sentiment and Behavior Continue to Reflect the Uncertainty of the COVID-19 Crisis,"](#) McKinsey
- ¹⁷ ["Walmart.com Inks Deal to Add 1,200 New Marketplace Sellers From Shopify,"](#) Talk Business & Politics
- ¹⁸ ["Luxury Brands' Three Best Practices in Coping With COVID-19,"](#) CDOTrends
- ¹⁹ ["How Walmart Adapted to Meet a Spike in COVID-Related Online Demand in the U.S.,"](#) MediaNama
- ²⁰ ["Consumer Sentiment and Behavior Continue to Reflect the Uncertainty of the COVID-19 Crisis,"](#) McKinsey
- ²¹ ["The CEO Moment: Leadership for a New Era,"](#) McKinsey

²² The 2020 Gartner Digital Friction Survey was conducted in January 2020 of 4,977 corporate employees from various functions, seniority levels and industries on the factors that contribute to their experience in using workplace technologies. Ninety-two percent of (n = 4,582) employees included in the survey used technology as a core part of their day-to-day work. Gartner defines digital friction as the unnecessary effort an employee has to exert to use data or technology for work. The data did not yield substantial variation between midsize enterprises and large enterprises.

²³ Jacob Morgan, "The Employee Experience Advantage," Wiley, 2017.

Recommended by the Authors

[Mitigate Coronavirus \(COVID-19\) Business Impacts With Digital Commerce](#)

[How to Improve Customer Experiences in Digital Commerce Payments](#)

[3 Ways to Jump Start Digital Commerce](#)

[5 Actions to Take Immediately to Drive Revenue in Digital Commerce](#)

[Composable Commerce Must Be Adopted for the Future of Applications](#)

[What Western Brands Can Learn From the China Explosion in Livestreaming During COVID-19](#)

[Adapt to a New Shopping Reality: Demographics Affect Changes to Buying Channel Behavior](#)

[Survey Analysis: Heed Complex Consumer Safety Expectations for a Reopened Economy](#)

[Redefining Customer Engagement to Drive Revenue Growth](#)

[Presentation: Minimizing Digital Friction to Preserve Employee Productivity and Engagement](#)

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[Ignition Guide to Defining End-to-End IT Services](#)

[Ignition Guide to Creating a Scorecard for IT](#)

[Business Capability Investment Model \(RBC\)](#)

[Ignition Guide to Creating a Vendor Onboarding Plan](#)

[Ignition Guide to Strategic Planning for IT](#)

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