

SAP Customer Experience

Commerce 2020: SAP CX Insights

Charting a Path from Recovery to Resilience

THE BEST RUN



Build resiliency into your e-commerce business

By Moritz Zimmerman, Head of SAP Commerce, SAP Customer Experience

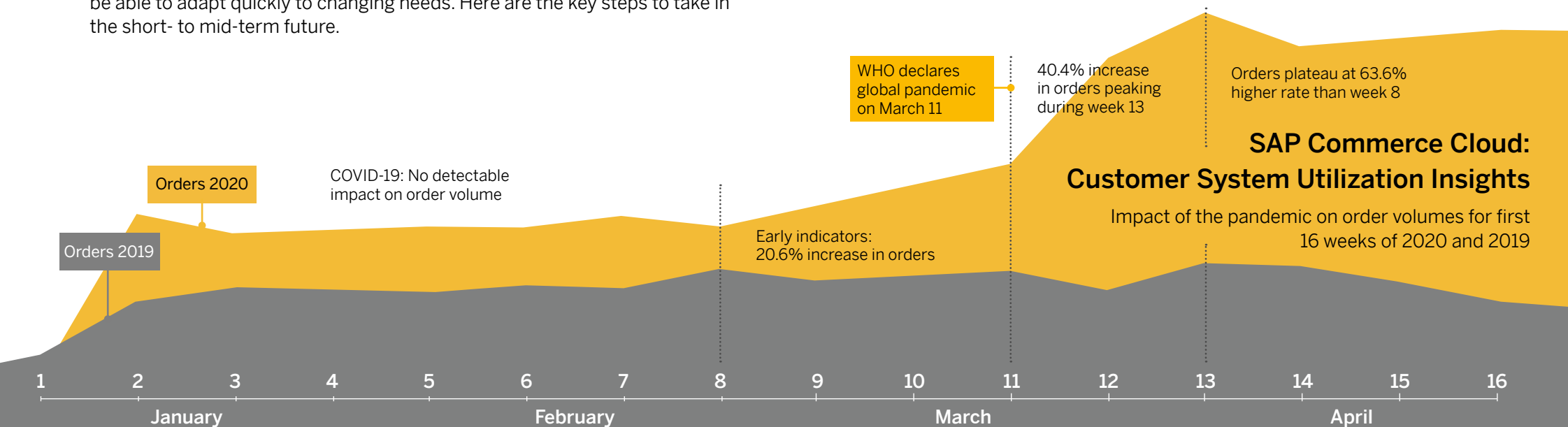
The pandemic clearly shifted customer behavior to online buying for a growing range of goods and products. So how can organizations build a resilient e-commerce business as the world moves forward in the “new normal?”

When the World Health Organization declared COVID-19 a global pandemic on March 11, e-commerce orders increased by 40%. Within two weeks, order volume reached a plateau – 63.6% higher than in February. In many organizations, the pandemic has raised the strategic importance of e-commerce almost overnight. How can your organization make the most of this shift to online buying?

Brands and retailers recognize that they need to accelerate their digital transformation journey and focus on building greater agility and flexibility in their e-commerce business. By making the right moves now, organizations will be able to adapt quickly to changing needs. Here are the key steps to take in the short- to mid-term future.

Make online buying simple

Building a robust e-commerce business is a priority. B2B organizations can simplify complex buying processes – including finding, comparing, configuring, quoting, pricing, and ordering products – using self-service portals. Many businesses are realizing the significance of providing an e-commerce channel that emulates offline buying experiences. Invest in the adoption of relevant touchpoints to deliver new buying experiences for your customers, and address the gaps and areas of friction in the buying process.



Go direct to consumers

As many business-to-business and consumer goods companies find that they are unable to sell goods through their traditional wholesale and retail partners, direct-to-consumer models are becoming more mainstream. By quickly standing up Webstores directly for end consumers, some firms are making up for lost revenues and broadening their client base. Going direct to consumers allows you to control the brand experience, build direct customer relationships, and increase brand loyalty.

Design with flexibility in mind

In today's dynamic business environment, businesses need an e-commerce platform that offers the agility and flexibility to run at the speed of their businesses. Prioritizing agility helps companies quickly pivot from old approaches to deliver what customers want now. API-driven headless commerce can help you adopt new touchpoints – such as progressive Web applications, chatbots and messengers, and IoT – and launch new experiences quickly. Adopting e-commerce platforms designed with server-less microservices helps teams work more independently, resulting in faster, more efficient delivery of new features and prototypes.

Prioritize the supply chain

Mitigate the risk of supply chain disruption by focusing on vertical integration – sourcing more components and raw materials locally and taking greater ownership of supply. Some brands are also focusing more intently on inventory management. With physical locations, warehouses, and stores closed, firms need greater transparency into where products are located. They also need to ensure that goods are strategically located near demand, so they can be delivered on time.

Maintain business continuity on the cloud

Companies should be able to anticipate unplanned demand that can cripple operations. SAP regularly monitors our customers' utilization of their e-commerce systems. During the early stages of the pandemic, we recognized early indicators of the demand increases. We proactively reached out to customers to work with them, ensuring they had enough capacity and the right capabilities to handle the oncoming demand.

Companies with a head start on digital transformation were better able to adapt, even as the economic

ground shifted beneath them. Yet it's never too late for change. Cloud-native platforms help businesses adjust rapidly and maintain business continuity with quicker go-live times and automatic upgrades. New cloud solutions can also lower total cost of ownership and help pave a foundation for innovation.

Act decisively

Commerce executives are facing many uncertainties:

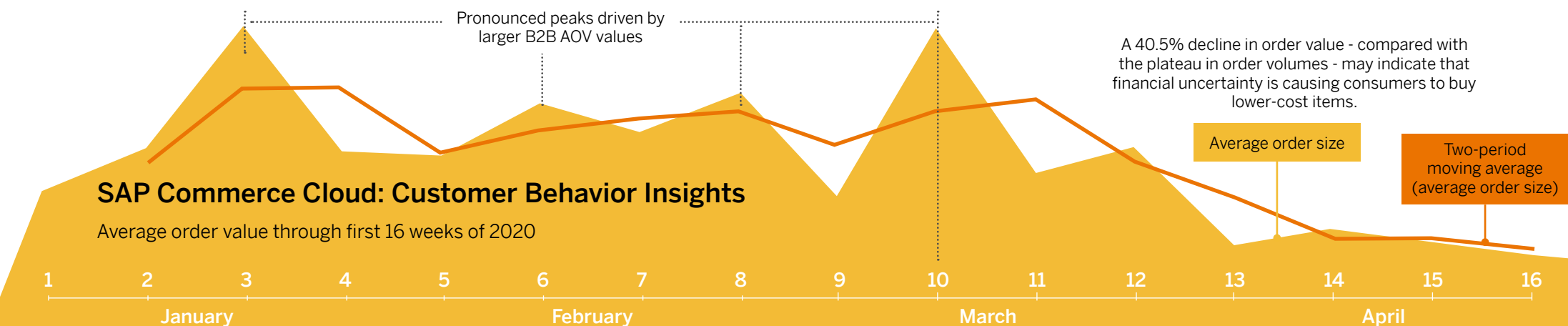
- How will customers behave when the stay-at-home orders are lifted?
- Will customer behavior change permanently, revert to pre-pandemic patterns, or evolve into some “new normal?”
- If a second wave of the virus emerges, what impact will it have on e-commerce? How will it affect the economy and businesses?

Some of the year's major shopping seasons lie directly ahead. Will you be able to rethink risk, redesign services, rescale operations, and recover in time?

The path forward is filled with uncertainties and the challenges to e-commerce organizations are significant. But our data suggests that tomorrow's success is achievable with the right steps today.

SAP Commerce Cloud: Customer Behavior Insights

Average order value through first 16 weeks of 2020



B2B commerce: Fearless growth with no limits

The SAP Commerce Cloud solution is a cloud-native, headless commerce platform that helps your business innovate and drive digital transformation. The solution makes buying and selling a simple, straightforward process. It provides an agile platform to build what you need at the speed of your business – while delivering experiences that turn customers into advocates. With SAP Commerce Cloud's proven scalability and reliability, you can grow fearlessly with no limits.

Objectives

Provide a compelling buying experience to drive conversions

Solution

- Headless commerce architecture with open APIs
- Serverless microservices to support rapid innovation
- Cloud-native platform with seamless upgrades
- Self-service portals available anytime, anywhere with options for high-or low-touch engagement
- Support for multiple languages, currencies, and flexible multi-site capabilities
- A 360-degree view of all relevant commerce transactions for customers and employees
- Accurate definitions of products and catalogs with rich content and descriptions

Benefits

- Simplify the entire buying process with integrated demand and supply chain.
- Make it easy for customers to find, configure, and buy complex products.
- Transform your business and introduce new business models, marketplaces, service subscriptions, and other digital add-on services
- Quickly adopt new touchpoints and extend your business
- Innovate at the speed of your business
- Enable multinational rollouts
- Deliver customer-centric experiences across marketing, commerce, and service
- Offer best-in-class service by empowering customers, sales teams, and service reps with information on transactions and related insights
- Be ready for unplanned demand spikes with proven scalability and reliability

1.7 million
Orders processed annually

5 months
From project start to go live

[Watch the video](#)

dōTERRA®

> 500%
Online revenue growth

100,000
Transactions per hour at peak capacity

> 5,000
Pages of information managed

[Watch the video](#)

Office DEPOT

> 1,500,000
Monthly website visits

40%
Increase in mobile website use

80%
Of all transactions now happen online

[Read the study](#)

Industry Snapshot: **Consumer Products**

Facing unprecedented demand, healthy supply chains determine CP success

Mixed news on orders

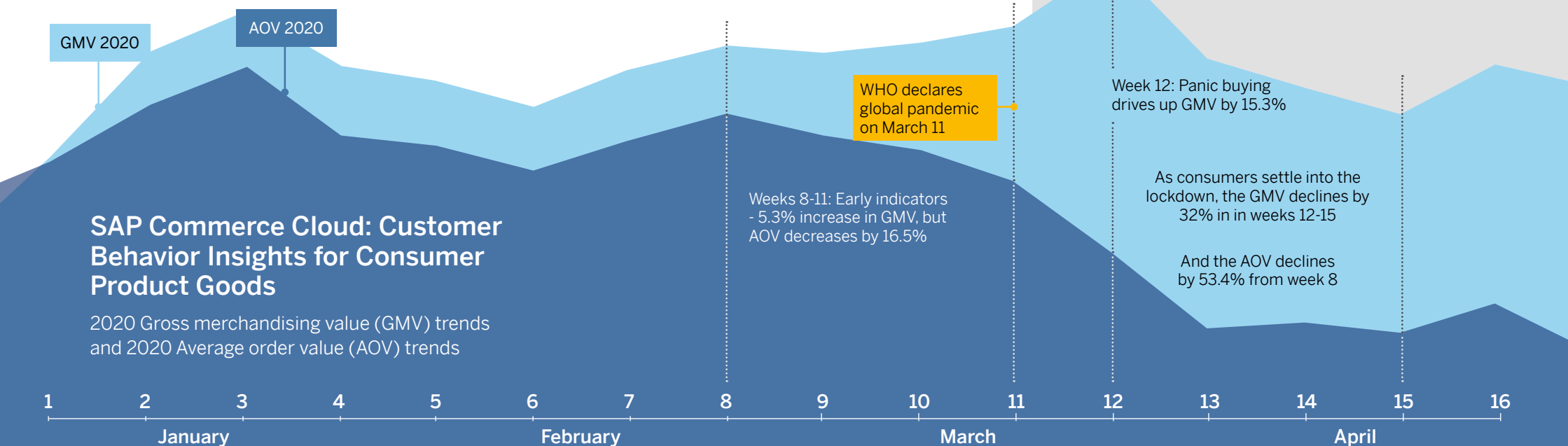
As lockdowns closed physical retail outlets, consumers were driven to online channels to buy goods. Order volumes increased, although gross merchandising value (GMV) and average order value (AOV) have both dropped since their March peak. Consumers have more items in their shopping basket, but they are spending less per item. As stay-at-home orders are lifted, will shoppers return to stores or continue to make purchases online?

Initial Industry Factors:

- Increased demand for essential goods (food, safety)
- Stability of supply and delivery chains
- Sharp demand drop for most non-essential consumer spend items
- Ability to meet increased demand with direct-to-consumer capabilities

Recovery Considerations:

- Ongoing supply disruptions for selected high-demand items
- Suppressed demand for consumer non-discretionary and luxury goods
- Potential logistical challenges of borders in lockdown
- Ability to meet increased demand with direct-to-consumer capabilities



Industry Snapshot: **Retail**

Accelerated shifts to online purchasing change consumer buying patterns

Retailers with solid digitalization strategies can reduce losses or even maximize competitive opportunities.

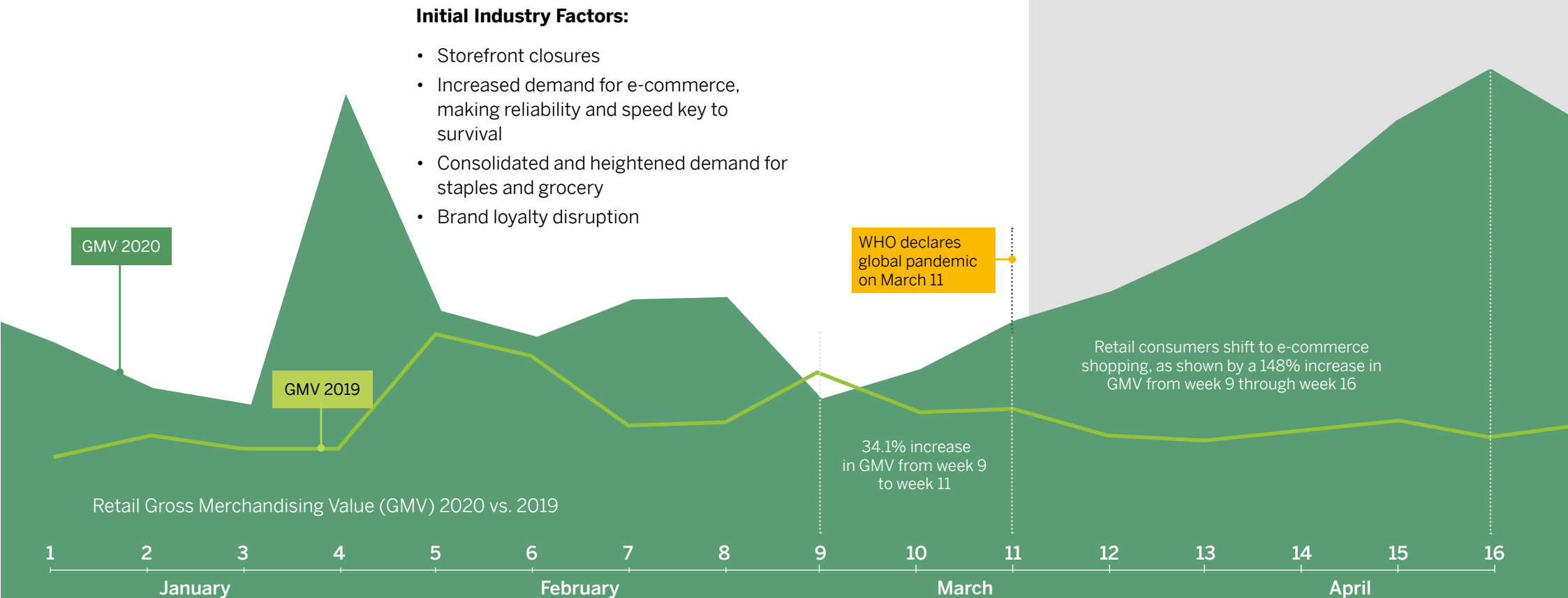
Retail consumers - including both grocery and big box shoppers - adopted digital channels to cope with impediments to in-person shopping. Rising order volumes with relative smaller increases in AOV may indicate the predominance of lower-cost grocery purchases in consumers' baskets. Convenient, intuitive online systems, omnichannel options, and inventory visibility will help retailers serve customers easily and reliably with increasingly popular pickup-at-curb, contactless in-store checkout, and ship-to-home options.

Initial Industry Factors:

- Storefront closures
- Increased demand for e-commerce, making reliability and speed key to survival
- Consolidated and heightened demand for staples and grocery
- Brand loyalty disruption

Recovery Considerations:

- Many retailers facing bankruptcy, potentially affecting customer sentiment and confidence in brands
- Workforce rebuilding as the industry works out how to adapt
- Supply chain and inventory intelligence



Industry Snapshot: **Industrial Machines and Components**

The pandemic has changed society's definition of "normal"

Manufacturers can use this knowledge to transform their approach to sales, customers, and products.

The developments of 2020 will shape manufacturing for the rest of the year and beyond. Some factories are closed until their local governments deem them "essential" enough to reopen, while others with a surplus of raw materials are unable to produce finished goods or sell them in a market characterized by falling demand. Many companies were already turning to online channels as a means of increasing sales. For the majority of manufacturers, however, it is not a question of how to sell, but who to sell to and what if anything to sell.

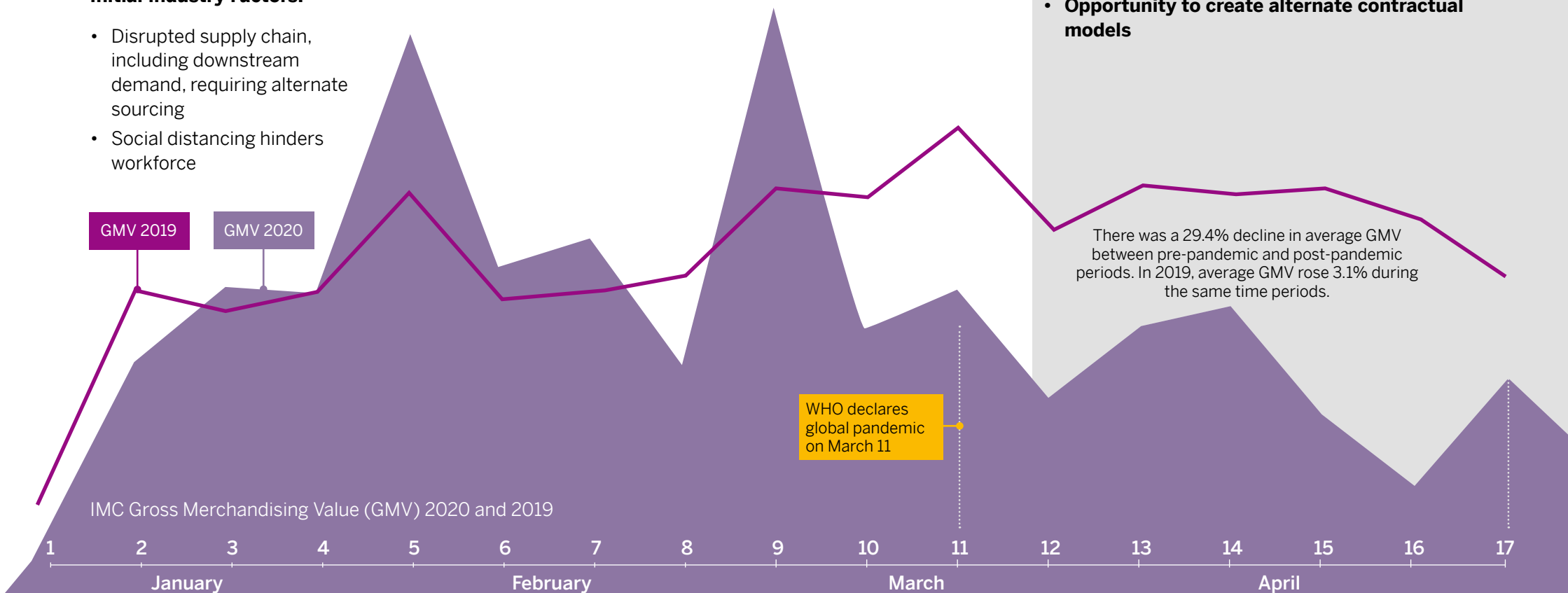
Initial Industry Factors:

- Disrupted supply chain, including downstream demand, requiring alternate sourcing
- Social distancing hinders workforce

GMV 2019

GMV 2020

IMC Gross Merchandising Value (GMV) 2020 and 2019



Recovery Considerations:

- **Correlated to macroeconomics for demand side recovery**
- **Speed of China's economic recovery**
- **Opportunity to create alternate contractual models**

There was a 29.4% decline in average GMV between pre-pandemic and post-pandemic periods. In 2019, average GMV rose 3.1% during the same time periods.

Insights from influencers

Are just-in-time supply chains too close for comfort?

"With manufacturing concerns at the forefront, the companies best able to respond will be those with sound inventory control capabilities or the ability to pre-emptively carry excess inventory. Brand manufacturers that provide core products but few seasonal items will more readily support such efforts. More critically, those companies with multiple consumer distribution touchpoints will be able to react to shifts in fulfillment challenges."

– **Alexandra Wood**, Director of Client Solutions for LiveArea, a provider of business-to-business and business-to-consumer e-commerce and fulfillment technology and services.

Continuous engagement is key to resilience and recovery

"Finding ways to reimagine a business-as-usual environment that minimizes disruptions for the organization requires a fine balance... Organizations that operate with transparency and open communication have inherent advantages when events require quick actions to react and reshape."

– **Christopher Mack**, EY Asia-Pacific Reshaping Results and EY Japan Restructuring Leader

Beyond the path to recovery, executives need a vision for the future

"The actions that leaders take during the recovery period will help them safely navigate these turbulent times and set them up for long-term success. Focus on your people, on risk management, and on cash flows. Plan for a return of demand and take a holistic view of supply chains – the value chain needs to remain intact."

– **Jim Kilpatrick**, Deloitte Global Supply Chain & Network Operations Leader

Be a force for good by creating unexpected positive customer experiences

"I firmly believe there is a time and place for bots. But when a customer is looking at making a costly adjustment or change based on fear, they don't only want the facts. They want the facts with empathy. I had the privilege recently of sitting in on several calls in a contact center for a life insurance company. I was reminded of how the death of a loved one is a crisis in a person's life. Kind words and extra time to listen from an agent is an experience that is like salve for a wound. The last thing we need in today's fear-based world is more horrible customer experiences that make the wound even bigger."

– **Michelle Morris**, CCXP, Customer Experience Design Partner at Verizon and Member, Board of Directors at CXPA.

Top 5 ways SAP Commerce Cloud helps brands navigate through uncertainty

1. Be agile to grow and extend your business reach

Adopt new touch points quickly with headless commerce. Consistently deliver experiences that address the varied customer and dealer needs without back-end platform constraints.

2. Innovate at the speed of your business

Deliver new experiences and offerings faster and future-proof your business with serverless microservices. Gain the ability to scale, innovate, and meet future business requirements.

3. Simplify the buying process

Deliver a self-service portal that hides complex B2B buying processes. Create simple, intuitive experiences for your customers with an integrated, customer-centric approach across marketing, commerce, and service.

4. Go direct to consumer

Quickly stand up Web shops that offer highly personalized, rich experiences while enabling multiple channels as storefronts.

5. Engage meaningfully with buyers

Understand individual buyer's roles, intentions, and sentiments at each touch point, and connect those insights across the entire value chain to support meaningful engagements with more buyers.

Find out how **SAP Commerce Cloud** can help you chart a path to resilience.

What's next?

Further reading and actions you can take to build the best digital commerce platform for your business:

- » **Get the report: How to drive a best-in-class e-commerce strategy**
- » **Video: Watch the SAP Commerce Cloud overview**
- » **Request a demo**
- » **Visit the Website**

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