Reimagining Retail Commerce in a New Normal World

Why your strategic plan needs to start with modern technology

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# Prologue

In 2017, commercetools published "Reimagining Retail Commerce...with the Right Tools."
The paper was meant to inspire traditional retailers to forget about trying to compete with
Amazon – and start focusing on building their own business by "using innovation to support
customer engagement and make your brand experience inviting, authentic, distinctive and
personal." The key takeaways? #1: Embracing modern technology is the key to generating
loyalty and, thus, sales. And #2: by using APIs, retailers can add features gradually, revamping
their platform over time to alleviate fear and push back within their organization.[1]

The piece was downloaded a multitude of times – and five years later, people still download
it. While most of the content – the challenges of monolithic platforms, the comparison of APIs
to LEGO bricks, the list of benefits of headless commerce and how modern commerce starts
with MACH – is still relevant, customer expectations have changed radically since the first
COVID-19 lockdown. This necessitated our second iteration of the paper: "Reimagining Retail
Commerce in a Post-COVID World" in 2021.

Now, in a world where time seems to be divided between lockdowns and re-openings,
commerce is still evolving – and fast. New methods of shopping have emerged and mixing
physical and digital touchpoints is more essential than ever. With so many dramatic shifts in
the retail world, we've needed to update this white paper again in less than a year to give you
the most up-to-date insights. In addition to gathering data and information about the status
quo and future of retail from experts within commercetools, we've also turned to our partner
Capgemini for their own observations in the industry.

Welcome to "Reimagining Retail Commerce in a New Normal World."
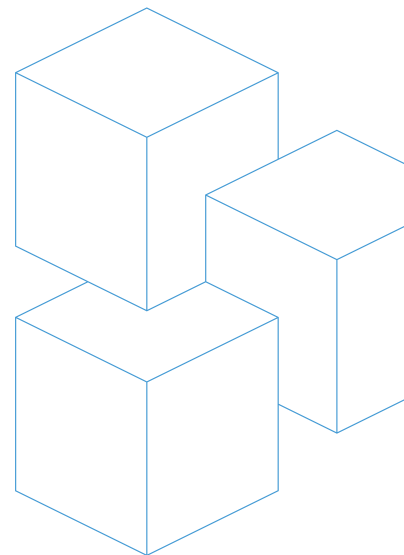
Commerce in a COVID-19 Context

> **Man never made any material as resilient as the human spirit.**
> **BERNARD WILLIAMS,** (ENGLISH PHILOSOPHER)

In 2020, the retail industry was hard hit by COVID-19. The pandemic forced retailers to close hundreds of stores and lay off thousands of employees. Some retailers, those with robust eCommerce sites built on modern technology, were able to quickly make changes to pivot their operations to adapt to restrictions, meet new customer needs and generate sales. Others with more antiquated systems or no eCommerce platform at all lost revenue and customers while having to deal with huge inventory surpluses. As a result, just about every country reported decreased retail sales by 5.7%.[2]

When lockdown lifted in early 2021, the "Great Re-Opening" occurred and people flocked back to restaurants, bars and entertainment venues in droves, and shoppers eagerly returned to brick-and-mortar stores. In fact, many of the people who were converted to shopping online during store closures returned to in-store shopping – so much so that in the US, May sales surpassed pre-pandemic levels.[3] However, there was still a generally sustained higher level of eCommerce customers than before, resulting in a new generation of omnichannel shoppers. But by Autumn, COVID-19 numbers were again spiking globally, galvanizing many countries to reintroduce strict restrictions, and even some to reinstate lockdowns.

Despite everything, people around the world proved Williams right – humans are nothing if not resilient. In the retail industry, businesses are not giving up and are continually looking for commerce solutions to get them through these tumultuous times. The year 2020 may have been a year of online shopping, but 2021 resulted in shoppers that need both online and offline.

In this paper, we'll take a deep dive into how retail has, again, changed during another year of living in a pandemic with continuous retail re-openings and closings, and how retailers can adapt – specifically by replicating physical shopping in a digital environment, as well as which integrated physical and digital experiences cross-channel customers now expect. We will outline the modern technology required to provide the functionality retailers need to deliver seamless, engaging, personalized customer experiences across all channels with speed, flexibility and agility – so you and your commerce platform will be ready for whatever the future may bring.

How Brands Succeeded During Lockdown

If the retail success stories during 2020 and early 2021 lockdowns share a common trait, it's that brands that had already gone through digital transformation and transitioned their technology foundation from a traditional, monolithic, legacy platform to a modern, API-driven, cloud-native system, were the ones to come out on top.


Source: multichannelmerchant.com

Best Buy is a perfect example. The company began its journey in 2011 and by 2014 had become one of the first brands to offer BOPIS (buy online, pickup in store). When COVID-19 hit, the retailer was met with an onslaught of orders for home office equipment, virtual learning products and kitchen appliances. Not only was their open, scalable system easily able to handle the increased volume, it also allowed them to deploy a contactless curbside pickup ordering solution within weeks.[4] While other retailers were shutting down across the country, Best Buy was serving the new needs of consumers via bestbuy.com and the Best Buy app, driving revenue.[5]

Some retailers that weren't as well prepared for the pandemic took a leap of faith – making a smart decision to immediately transition to a headless eCommerce platform – and quickly discovering the risk was worth the reward. Case in point: Cincinnati-based Tire Discounters. The regional retailer and service shop started their transformation in 2019, upgrading to a modern POS system that helped streamline operations and improve customer service. At the time, they were also exploring how to adapt their technology to address all the new channels consumers have access to connect with retailers and make purchases.[6] They were preparing to transition over to the commercetools eCommerce platform when COVID-19 forced them to shutter their stores. Leadership fast-tracked the implementation plan and within three weeks launched an app that enables customers to buy tires as well as book contactless services from their mobile devices. Customers can choose options including curbside replacement/repair of their tires at their local store and even white glove concierge services – which include home pick up and drop off after services are completed. By pivoting quickly to meet consumers' new needs, Tire Discounters has actually expanded during the pandemic – opening five new locations since May 2020.

"Physicalizing" Digital Experiences

Even though consumers were quick to adapt to the changes brought on by COVID-19 – and many eCommerce-resistant consumers discovered the joys of online shopping – there is no doubt, brick-and-mortar stores will always have a place in the retail landscape. The simple fact is: people enjoy shopping. There's the social aspect of going to a shopping center with family or friends, grabbing a coffee or a bite to eat, and getting the opinion of who they're with if they should buy an item that's caught their eye. It's an experience that cannot be replicated from shopping on a screen. But many retailers are trying to simulate the social element shoppers crave with their digital offerings – the kind modern eCommerce platforms are primed to offer.
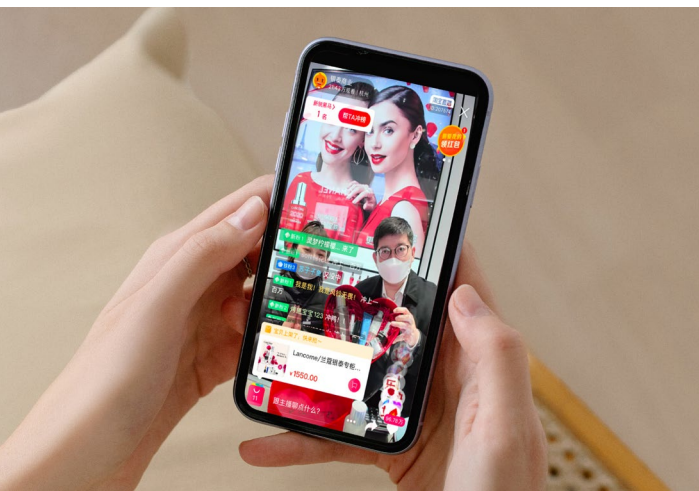
Source: medium.com

Consider live streaming selling. It's been popular in China – pushed by retail giants like Alibaba.com and Taobao Marketplace – and parts of APAC since 2016, but has really taken off in these markets in the two years since the pandemic started.[7] Live streaming has been successful because it solves one of the pain points of eCommerce – that customers don't have any personal interaction with the product. But this is resolved with a real person showing you the product and answering your questions in real time. Also on the rise is one-to-one selling or one-to-many selling, particularly in areas like cosmetics. Brand advocates help brands engage with consumers in a uniquely personal way through social channels or apps. Different to influencers, brand advocates engage with consumers differently for the brands they are representing, putting people who love the brand and know the products and services well, in front of the customer directly.

Many brands and retailers are also looking into developing solutions in a way that replicates the experience of shopping with friends through devices, like squad shopping and group buying. Squad shopping first rose to prominence when retailers noticed that during lockdown, 1 in 5 people would video call their friends while shopping online.[8] To make it easier for shoppers to interact with their friends, retailers create a platform with video and screen-sharing technology where the shopper can invite their friends to share wishlists, share advice, create outfits and give opinions on the latest trends. Group buying, on the other hand, is aimed at people who want to come together and collectively purchase items at a significantly reduced price. This is both a fast way for retailers to gain visibility and enter new markets, and for customers to bond over a shared purchase by pooling together ideas, opinions and content. Different from Groupon, this form of selling focuses on the social aspects of shopping and is taking off in India and China.

What the Future of Retail Holds

> **"** Many bricks-and-mortar retailers have complex legacy estates powering their businesses. This can act as a break on innovation and growth, as well as costing a significant amount of money and resources to maintain. A headless approach to commerce introduces the concept of a detached customer experience layer which allows businesses to build multiple experiences across all channels and touchpoints without being restricted by the legacy or backend estate.
>
> **MATT BRADBEER,** HEAD OF COMMERCE, CAPGEMINI UK

Before COVID-19 lockdowns, most people had participated in some form of online shopping. But it was always category dependent. Some products, especially higher-end items, people wanted to see and touch, in-person – products like groceries, consumer electronics or luxury clothing. And then COVID-19 came and knocked down all those perceptions. People who thought that they would never buy a certain item online realized that, actually, they would. Because of this, shoppers are now used to certain conveniences that, at the moment, only online shopping offers – things like one-click shopping, seamless payment, detailed information about products and more. As we've explored above, people are not likely to stop shopping in-store either. So, how can retailers offer the convenience of online shopping in their brick-and-mortar stores?

Source: cincinnaty.com

Point-of-sales (POS) is a space that's primed for change. Self-checkout kiosks have been around for a while but are a perfect example of how technology can make the purchasing experience quicker and more efficient. Now, POS systems are taking advantage of cloud-based technologies to do away with the checkout counter entirely. Sales associates can check you out anywhere in the store with portable POS devices, so stores can make sales anywhere. To take this idea further, imagine a store with no lines or checkout at all. With the help of a smartphone app, cameras and sensors, customers can simply walk in, take what they want and leave – this is exactly what future-driven companies like Amazon are working toward. There are expected to be 85.6 million mobile POS users in the US by 2025.[9]

Personalization is undoubtedly crucial for brands to attract and retain customers, and a big talking point is how to bring personalization into a physical world. In-store augmentation is gearing up to play a big role in retail spaces in the next few years and provide that personal touch. For example, if a customer wants to collect extra information about a product that is applicable to them, they can use their device to scan the food, clothing or cosmetics item they are interested in to gather comprehensive information about allergens, contents and traceability. Many big brands are also getting ready for the suspected resurgence of AR glasses or phone apps in the upcoming year, which will overlay augmented information on spaces to reshape the store experience, further fusing the digital commerce world with the physical one.

Clienteling is also an in-store service that is ready to digitize certain aspects and there's a lot of opportunity of selling outside the traditional four walls of brick-and-mortar stores. Generally, clienteling is offered by higher-end brands for customers that want a fully curated, one-on-one experience. When a customer walks into a store, they expect an associate to really work for them, bringing them a certain selection of clothing that matches their tastes and offering suggestions on complementary pieces. Shifting over to digital, customers can make use of texting and video calling features to directly contact an associate requesting a new item. The associate can then pull up that customer's entire virtual closet and suggest, say, shoes or a shirt that will match what they have. The associate sends a link and the customer clicks and purchases. In moving clienteling to a digital space, retailers can more easily and quickly interact with customers without sacrificing that curated, one-on-one experience.

Headless technology is primed to enable these types of experiences because it's simply leveraging the same backend and putting different UI interfaces on top of it. And brick-and-mortar retailers can easily set up an online approach – from launching microsites to invite customers to in-store sales to setting up virtual reality shopping in-stores so customers can try different hair colors or makeup items hygienically. In other words, headless enhances the typical brick-and-mortar retail channel by making it easier for retailers to implement the digital experiences that wow their customers. Plus, MACH principles seamlessly provide frontend capabilities for an eCommerce setup.

CornerShop:
An Experimental Space for Retailers

Dreamt up by Capgemini, along with their partners The Drum and SharpEnd, CornerShop is like stepping into the store of tomorrow. Located in London, CornerShop is a place for food, drink and fashion retailers to test out emerging technologies to enable new ways to evolve the customer experience.
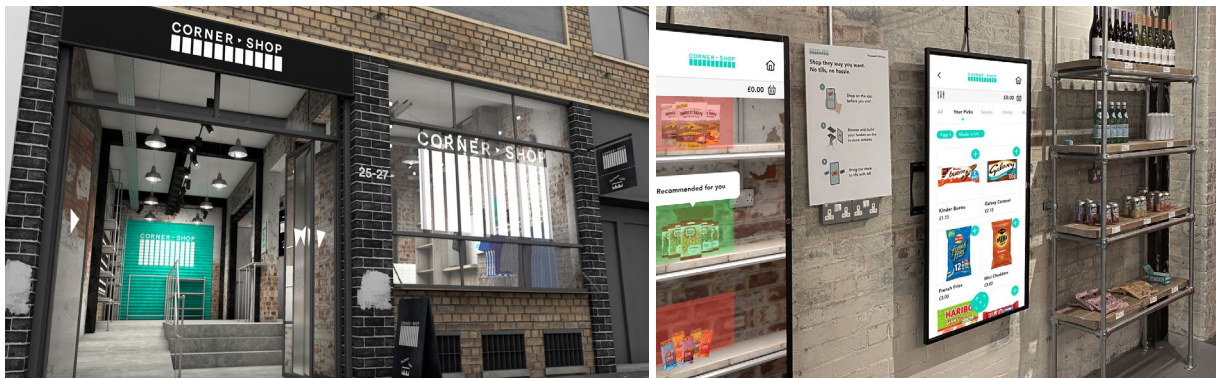
CornerShop is divided into four stores – automated, augmented, purposeful and personalized – with each exploring how that particular area of digital innovation can reignite customer enjoyment of in-person retail. It utilizes real-world data to combine products and latest technologies to curate tailored experiences for each customer to suit their ever evolving needs in a fast-paced market.
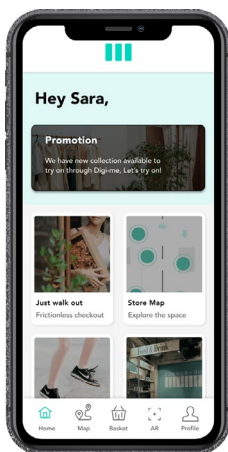
The visitor's mobile phone serves as their retail remote control, and allows them to engage with new shopping technologies, such as machine learning, augmented reality and photogrammetry, to experience exciting concepts like virtual try-on, purposeful shopping and customizing physical spaces. Visitors can even interact with a fully contactless barista serving fresh coffee.

As a constantly evolving space, CornerShop is ready to help retailers, brands and consumers test and experience what the future of retail holds.

About Capgemini:

Capgemini is a global leader in consulting, digital transformation, technology and engineering services. The Group is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms.

2021 Retail Winners

Offspring

Offspring is a sneaker retailer that was able to bring interactivity back to product launches and limited edition launches with their app, sparking interest in the wider organization. The app enabled sneaker fans to participate in community events, so they were able to engage with the brand and other brand followers, reproducing the excitement of in-store launches and substituting the social environment that many people felt they did not have during the pandemic.

Harry Rosen

As a high-end men's clothing retailer with a high customer touch, Harry Rosen is a leader in clienteling. With lockdown, they were able to replicate the highly curated shopping experience they are known for by offering personalized consultation digitally. Advisors have the ability to create custom web pages with specific recommendations for each client.
They select the item, the size and the color – which can be based on a conversation or the client's last in-store visit – to provide items to pair with something they've recently bought.

Currys

Currys, an electrical retailer, successfully implemented a Shop Live feature in which a potential shopper can call a Currys expert via video call when shopping online. This expert will answer all of the caller's questions, and once satisfied, the customer hangs up and completes the purchase on the online shop as usual. This Shop Live feature has been such a hit that Currys are now scaling it even though their brick-and-mortar stores have opened.

The New Customer Mindset

56% of shoppers still like to **visit a store** before making a purchase online (Retail Dive)

66% of customers use **social media** as part of their shopping strategy (Forbes Survey 2021)

73% of retail eCommerce sales were made on **mobile** (Statista 2021)

87% of luxury consumers still need to **touch and feel** products (Deloitte)

The Monolithic Platform Roadblock

What prevents many retailers from updating their physical and digital environments to meet the new needs of consumers is that they are often repeatedly told they can just build on top of their existing technology platform. Of course, this option looks like the easier, more economical solution. Unfortunately, these antiquated, all-in-one systems were designed with tightly coupled frontends and backends. They only speak a single programming language, only run with compatible features and hold all their data on servers that are already overtaxed.

Regardless of promises made by IT or outside consultants, these factors combined make it almost impossible to add new features or integrate upgrades without causing glitches and downtime. Small projects that seem simple often fail completely. As a result, the idea of green-lighting a major project like transitioning to a new, unknown platform is met with resistance – usually dismissed as too risky, too time-consuming, too expensive and unlikely to quickly deliver tangible ROI.

While many retailers have worked around the restrictions placed by their technology for years, it appears the post-COVID-19 consumer may not be as forgiving. In the process of having to dismiss old habits and forgo any loyalty to specific retailers, they've become used to seeking, and finding, new alternatives. In the future, if they're not getting an experience that meets their expectations, they're likely to take their business elsewhere.

Catching Technology's Next Wave

While "headless" has been a buzzword in IT for a while, Dirk Hoerig, CEO and Co-founder of commercetools, believes it is now being extended to "MACH" – an acronym the commercetools team created to describe Microservices-driven, API-first, Cloud-native, Headless architecture systems. Hoerig feels MACH offers a better description of the product than simply headless architecture. "Our industry lacks definitions, and this one is really genius because universally the word is used to describe speed – everyone understands it."

> **The key benefit MACH delivers is an open, composable, and scalable platform that allows for agile development. It gives IT teams the freedom to build, test, and implement tools and features quickly and easily. Speed is truly the key to business survival today – and COVID has only reinforced its importance.**
> **KELLY GOETSCH,** CHIEF PRODUCT OFFICER, COMMERCETOOLS

While commercetools could have trademarked the term and kept it for themselves, they chose to turn it over to the industry. In June 2020, like-minded software vendors and integrators launched The MACH Alliance, a non-profit co-operation dedicated to advocating for, and promoting, a future driven by an architecture that enables speed and a best-of-breed approach.

> **Ultimately, moving a brick-and-mortar retail operation to a full MACH approach, adopting a composable strategy and introducing CI/CD as a delivery approach, can help reap the benefits that have historically only been available to pure play retailers who are less than 20 years old.**
> **MATT BRADBEER,** HEAD OF COMMERCE, CAPGEMINI UK

The organization's mission is to help enterprises navigate the complexity of modern technology by offering support, education and resources. Its certification program, created to provide a way to identify companies that embrace MACH technology, is generating strong buzz in the industry. Hoerig says he envisions MACH as a movement that can extend far beyond commerce. "Ultimately, it will benefit us more if MACH becomes a global standard."

MACH enables organizations to deliver innovation faster

Microservices

Loosely coupling services in an application enables each feature to have its own release cycle to speed up iterations.

API-First

Pluggable, scalable, and replaceable, APIs simplify programming and accelerate speed to market.

Cloud-Native

Provides on-demand availability and instant scalability to support A/B testing, while offering high security and faster content delivery.

Headless

Decoupling the front-end eCommerce platform from the backend allows each side to iterate independently while ensuring no disruption in the UX.

A World of Possibilities

> **Brands love doing things big, and traditional platforms put so many restrictions on what developers could and couldn't do.**
> **BRAD SOO,** PRODUCT MARKETING MANAGER, COMMERCETOOLS

Agility

As a cloud-based eCommerce platform, commercetools solution is ready to use...immediately. Retailers don't have to do any maintenance – everything is automatically and seamlessly updated several times a week, Your solution is always running, scaling and delivering security. All retail functions – from sales and marketing to operations and accounting have the ability to implement smart functions, ideas, and campaigns easily and safely. No longer do you need 6 months to a year of advance planning to launch promotions, new products, or campaigns – changes and updates can be made

in a day and features can be tested, modified, or discontinued without risk. commercetools customers report 4 to up to 8x velocity in releasing updates to their commerce system.

Scalability

Another benefit of true cloud-based solutions is they automatically accommodate increases in traffic. With solutions like commercetools, you can add thousands of new SKUs, 10 new stores, launch a flash sale, or pivot your entire business to online only – no matter what impact your traffic or sales volume, whether it's planned or unexpected, the system has the power to scale and adapt. With no site downtime or slow performance, you can focus on ways to create unique commerce experiences and give your team the power to implement new ideas within days – not months.

Speed

Speed has been key to attracting and retaining customers since Amazon launched one-click payment. It's been all about how fast you can provide information, process transactions, and deliver products, as well as adapt to new technology and trends. With COVID, retailers learned it's also about how fast you can shift operations and processes to ensure customer and employee safety. With MACH's open, composable systems, you can plug in new features quickly and seamlessly, without relying on IT.

Flexibility

A modern commerce architecture puts the control back into the capable hands of you and your marketing team - allowing you to pick and choose exactly what your company needs to be successful in digital commerce. Develop customized integrations with a wide range of ERP, CRM, and CMS solutions to continually import and export products, customer information, orders and more. And with adaptable APIs, you can keep designing great experiences for new and existing channels – making every last one of them shoppable. From kiosks to social shopping from in-car dashboards to IoT devices, you'll have limitless possibilities to grow your online business.

About commercetools

commercetools is a next generation software technology company that offers a true cloud commerce platform, providing the building blocks for the new digital commerce age. Our leading-edge API approach helps retailers create brand value by empowering commerce teams to design unique and engaging digital commerce experiences everywhere – today and in the future. Our agile, componentized architecture improves profitability by significantly reducing development time and resources required to migrate to modern commerce technology and meet new customer demands.

The innovative platform design enables commerce possibilities for the future by offering the option to either use the platform's entire set of features or deploy individual services, à la carte over time. This state-of-the-art architecture is the perfect starting point for customized microservices, enabling retailers to significantly reduce time-to-market for innovative commerce functionalities.

commercetools has offices across the US, Europe, and Asia Pacific, with headquarters in Germany. Since its foundation in 2006 the commercetools platform has experienced hyper growth from a small start-up company to one praised by global brands, including Audi, AT&T and LEGO. It's been recognized by Gartner, Forrester, and IDC as a globally significant platform – and contributed to the company being named a Leader in the 2021 Gartner Magic Quadrant for Digital Commerce for the second year in a row.

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