# COMPOSABLE COMMERCE

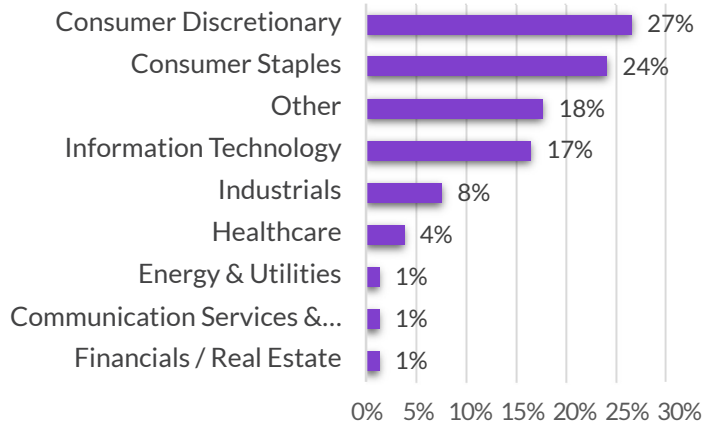Trends, Challenges, and Opportunities

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**Our survey of 79 decision-making professionals found that eCommerce platform selection has gained significant focus in the past 12-24 months, becoming a "high" or "strategic" priority for 71% of respondents. Organizations are also noting a shift in preferences that favor best or breed or composable commerce stacks.**

- The adoption of modern eCommerce solutions is still young, and a majority of respondents indicated that they are still using first or second generation systems. Only 9% have adopted third generation composable ecosystems, though 43% of respondents currently intend to move in this direction.

- Today, 70% of respondents view composable, best-of-breed toolsets favorably, up from 45% only two years ago. The rapid change is attributable to new challenges faced during the pandemic, and an increasing rate of change. Organizations want to avoid "lock-in" with outdated systems and are looking for top solutions that can augment productivity in an era of tight staffing and limited resources.

- The #1 inhibitor of greater composable adoption is the availability of integration resources. Respondents are cognizant of the long-term payoffs for composable solutions, but they lack the resources to undergo these transformations immediately. The long-term trend favoring composable ecosystems looks to have durability as these headwinds clear.

- The acceleration of eCommerce refreshes accompanies multiple "sister-trends" in the wake of the pandemic, including the rapid rise of cloud infrastructure and SaaS adoption. These compressed trends are causing organizations to revisit their eCommerce stacks and avoid the mistakes of the prior decade. Respondents seek interchangeable solutions that mitigate vendor lock-in or the downsides of rapid industry change.

- Improved functionality and reliability are top two reasons that organizations are increasingly in favor of composable solution sets, according to our survey.

- Results show how immature organizations are in deploying modern content management and analytics solutions – executives in our survey see these two areas as key areas of improvement and modernization for enterprises of all sizes.

- While composable commerce requires a modest increase in resources, feedback from our survey indicates that the gains in productivity and business outcomes more than offset the needs of maintaining best of breed systems.
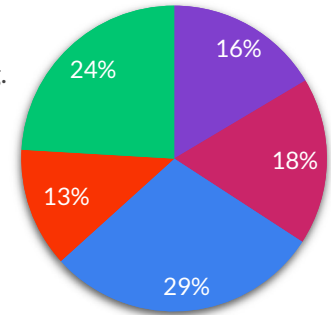
# \ METHODOLOGY

BWG Connect surveyed **79 professionals** for their perspectives on eCommerce platform trends. Survey takers who did not indicate that they had direct experience in selecting or evaluating their firm's eCommerce stack were screened out.

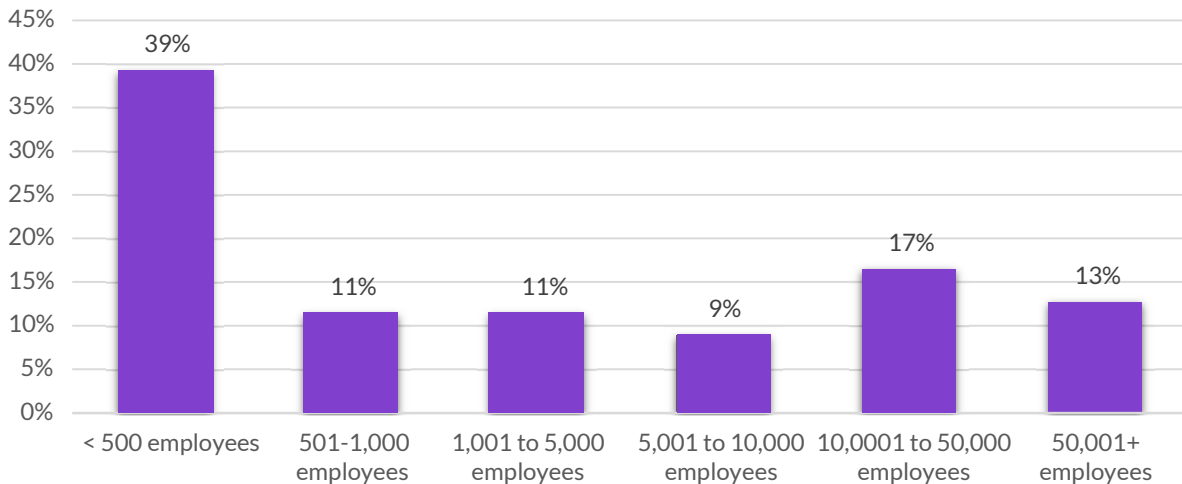## Please select your firm's primary line of business.

| Line of business | % |
|---|---|
| Consumer Discretionary | 27% |
| Consumer Staples | 24% |
| Other | 18% |
| Information Technology | 17% |
| Industrials | 8% |
| Healthcare | 4% |
| Energy & Utilities | 1% |
| Communication Services &… | 1% |
| Financials / Real Estate | 1% |

## Respondents' Titles/Roles

- Executive (e.g. CEO, VP) — 16%
- Technical Executive (e.g. CTO) — 18%
- Director — 29%
- Manager — 13%
- Other — 24%

## Size of Respondents' Organizations

| Size | % |
|---|---|
| < 500 employees | 39% |
| 501-1,000 employees | 11% |
| 1,001 to 5,000 employees | 11% |
| 5,001 to 10,000 employees | 9% |
| 10,0001 to 50,000 employees | 17% |
| 50,001+ employees | 13% |

We incorporated feedback from senior leadership at organizations of all sizes. Our survey focused on how decision makers are approaching tool selection, and their affinities for composable vs all-in-one technology stacks. What are the trade-offs and considerations in a post-COVID operating environment?

## Are you using an external team for your web/eCommerce needs?

- None, self managed

- We use an independent contractor

- We're using a boutique agency

- We have a full service agency

- Our agency is fully integrated and provides most everything we need, including branding, advertising, design, and digital.

- We're partnered with a top-notch global agency.

(Pie chart: 44%, 15%, 15%, 9%, 5%, 11%)
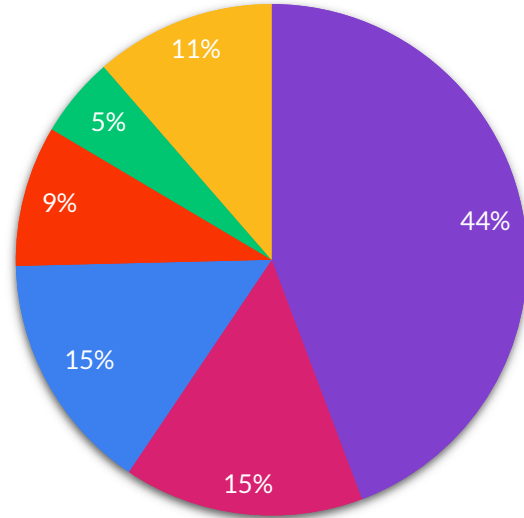
**Nearly half of respondents still selfmanage their web/eCommerce needs**

**90%+ of our sample remains on prior-generation systems**

## What is your current eCommerce platform?
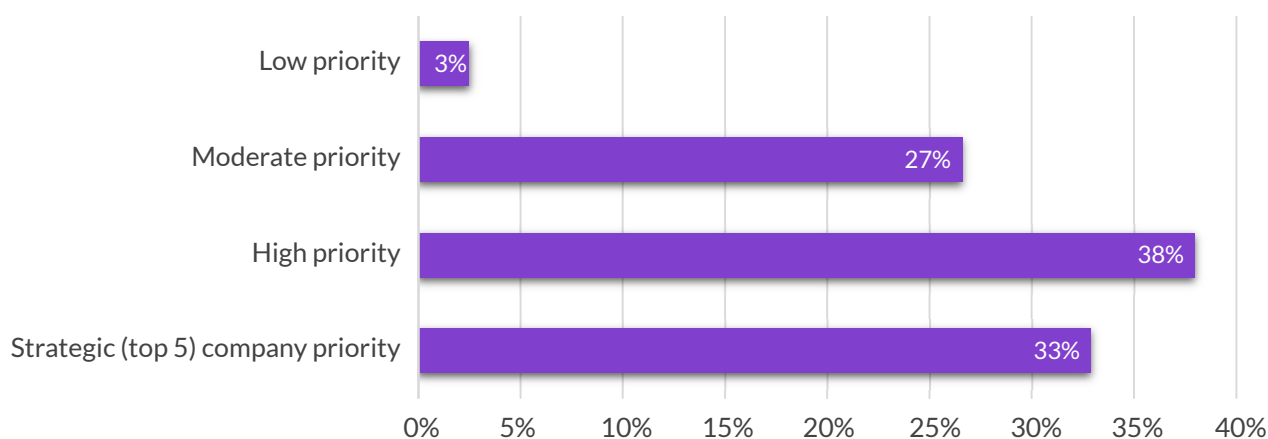
- We don't have one

- First generation, ERP-focused platforms (SAP Hybris, IBM Websphere, etc.)

- Second generation, Features in Shop platforms (e.g. Adobe Commerce Cloud/Magento, Salesforce Commerce Cloud, Sitecore)

- Commerce Bolt-on Systems (e.g. WooCommerce, Shopify)

- Third generation, composable ecosystems (e.g. Commercetools, Spryker, Elasticpath)

(Pie chart: 8%, 15%, 33%, 35%, 9%)
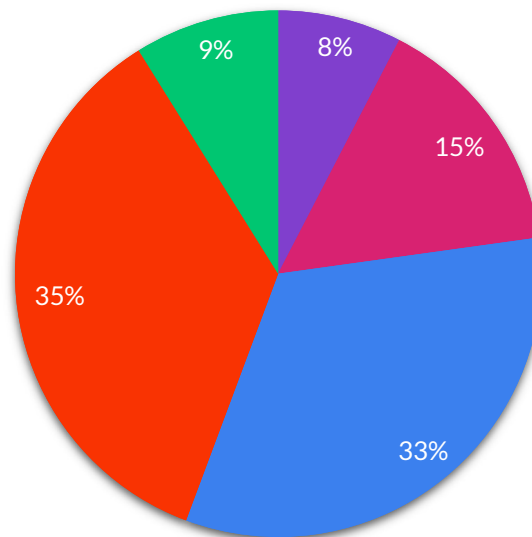
Throughout 2021, executives attending BWG live forums have expressed a heightened sense of urgency in upgrading eCommerce systems. Many organizations, from large to small players, were caught flat-footed during the pandemic with prior generation solutions in place. These include traditional ERP-based solutions and early iterations of SaaS products introduced up to a decade ago. These offerings were not optimized for the rapid shift to cloud infrastructure and online selling that has taken place in the past 18 months. It was not surprising to encounter brands and retailers that doubled, tripled, or quadrupled eCommerce sales YoY. While many ERP projects were put on hold in 2020, executives shared feedback that they felt "off guard" during the initial pandemic months with their existing toolsets. This helps explain the clear acceleration of refreshes and replatforming in 2021. ERP refreshes have been a catalyst for rethinking eCommerce stacks. The environment has shifted from patchwork upgrades that were instituted during the pandemic, to more thoughtful and strategic eCommerce tooling, with the flexibility to evolve over the long term.

Our survey results indicate that over 90% of respondents have not yet migrated to 3rd generation systems, which are defined as composable ecosystems that allow for best of breed feature swapping over time. The executive feedback over the past 18 months indicates strong demand for these systems, and we expect to see a further pickup in activity in the year ahead. Many executives are thinking of their cloud and eCommerce transformations as 5–10-year journeys, but we've already seen signs that post-pandemic planning has accelerated in earnest.
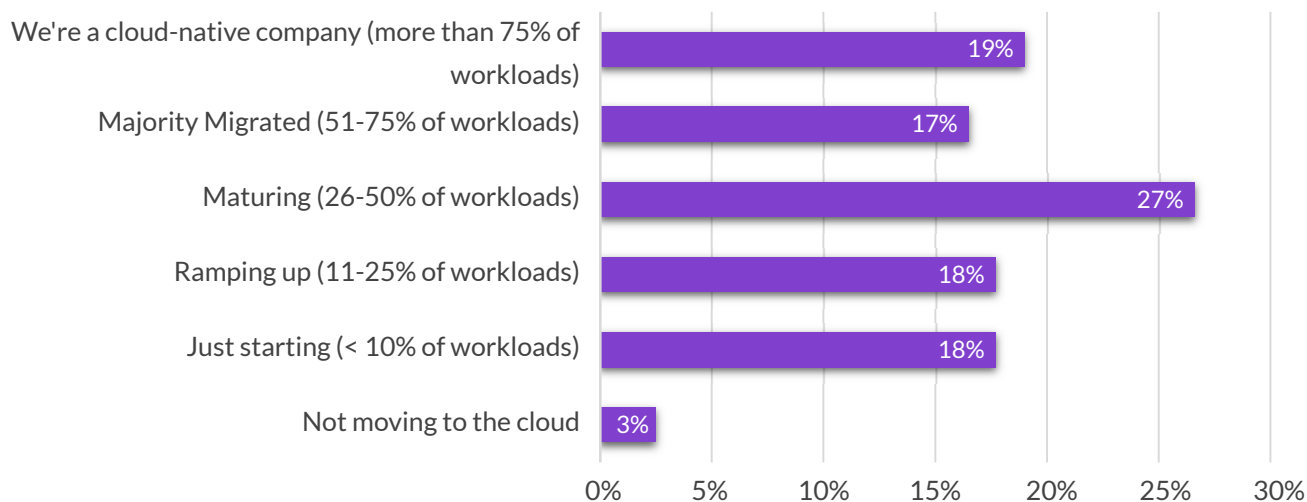
## Where does your eCommerce solution strategy rank among other firmwide priorities?

| Priority | Percentage |
|---|---|
| Low priority | 3% |
| Moderate priority | 27% |
| High priority | 38% |
| Strategic (top 5) company priority | 33% |

eCommerce solutions strategies considered high/top 5 priority for 71% of organizations

Only 3% are not considering adopting cloud infrastructure and applications, and 37% are majority or 100% cloud organizations today.

## Where are you in your adoption of cloud infrastructure and applications?

| Adoption stage | Percentage |
|---|---|
| We're a cloud-native company (more than 75% of workloads) | 19% |
| Majority Migrated (51-75% of workloads) | 17% |
| Maturing (26-50% of workloads) | 27% |
| Ramping up (11-25% of workloads) | 18% |
| Just starting (< 10% of workloads) | 18% |
| Not moving to the cloud | 3% |

**Broadly speaking, how prepared do you think organizations (like yours) are to migrate to cloud commerce solutions?**

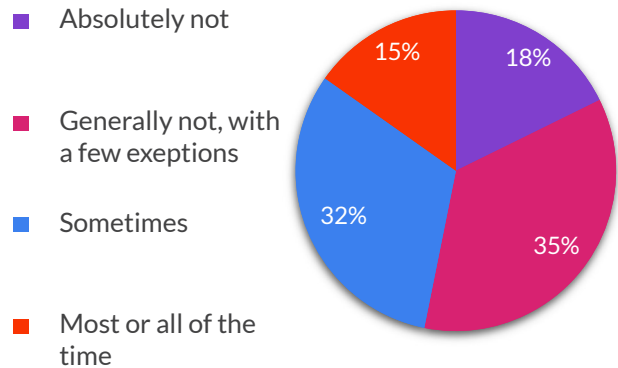- Very underprepared
- Somewhat underprepared
- Somewhat prepared
- Very prepared

9%
20%
33%
39%
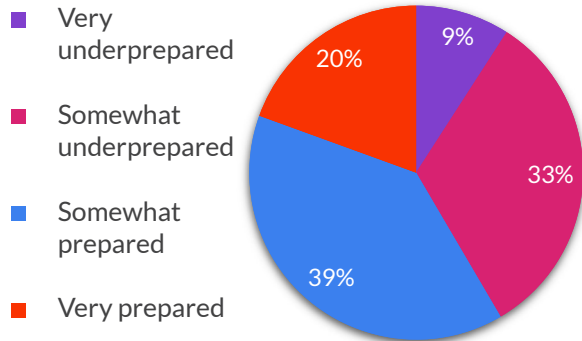
Only **29%** consider their peer organizations very/somewhat unprepared for cloud commerce solutions

**Is it still important to have an onprem solution, or to manage a multi-cloud commerce solution within your company architecture?**

- Absolutely not
- Generally not, with a few exeptions
- Sometimes
- Most or all of the time

15%
18%
32%
35%

Over **67%**, however, consider onprem or multi-cloud solutions to be important at least some of the time

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## What CMS is your digital storefront currently on?

- CMS as part of Commerce Solution (e.g. Magento CMS, Shopify)
- Headless CMS (e.g. Contentstack, Contentful)

17%

83%
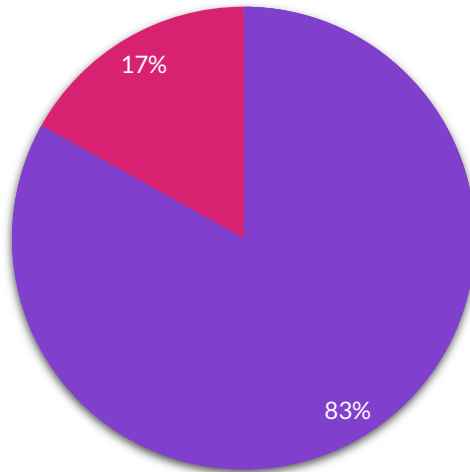
**83%** of respondents use CMS within their commerce solutions today

**62%** of respondents use analytics for descriptive or diagnostic purposes only. We are still early

## How do you use analytics?

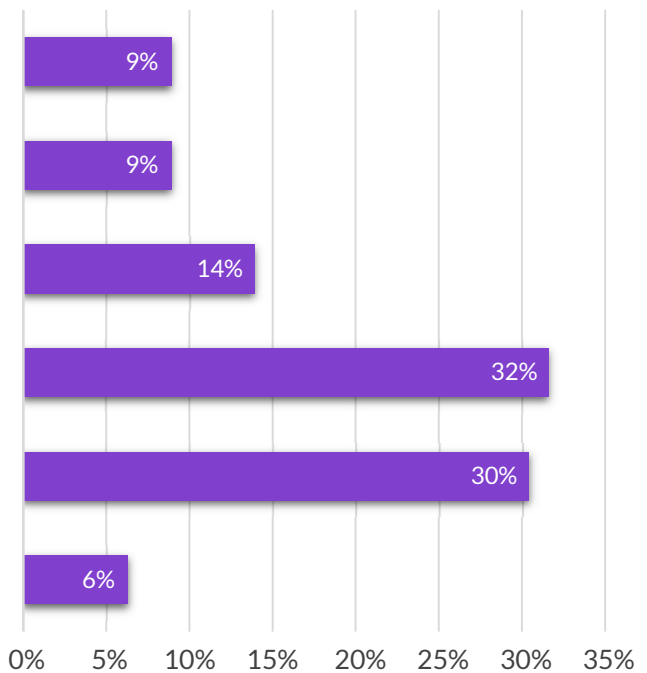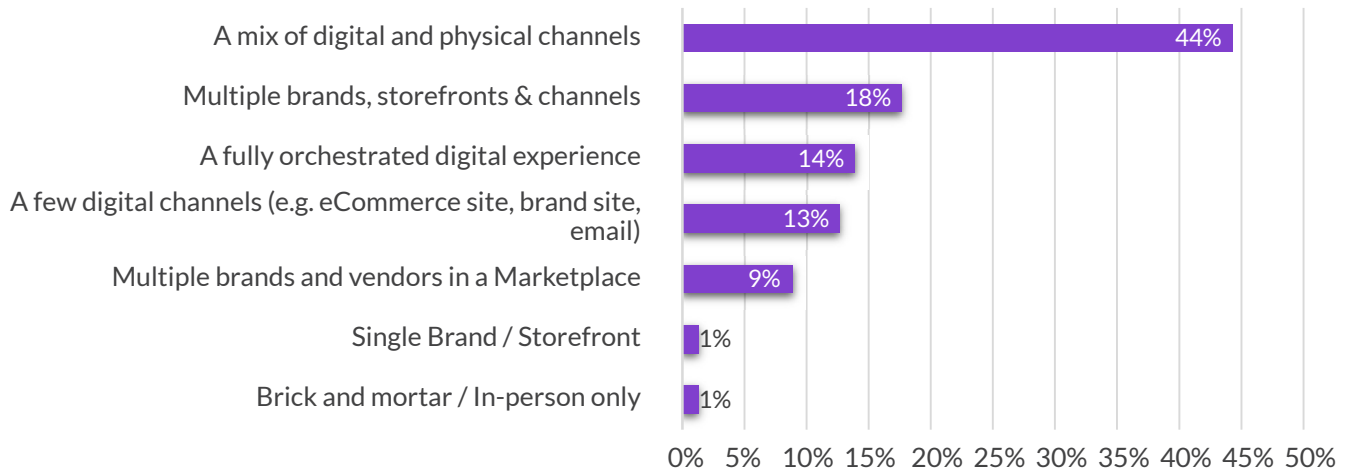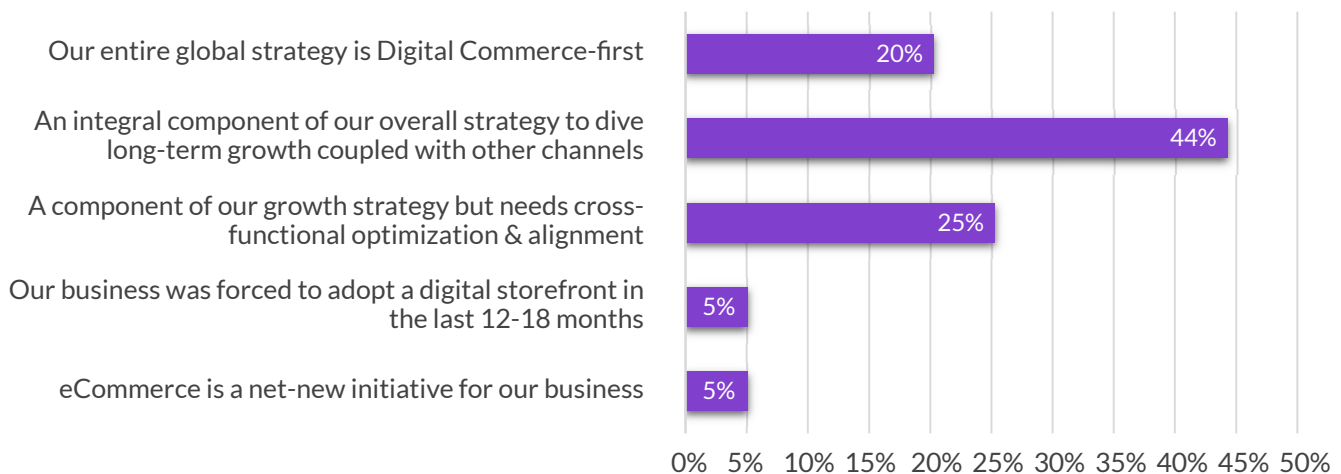| Category | Value |
|---|---|
| AI analytics -- I know how to make it happen automagically using a suite of multiplatform touchpoints (ex. using AI bots and services) | 9% |
| Prescriptive analytics -- I know how we can make it happen (ex. using algorithms to optimize such things as Revenue Optimization, pricing optimization, routing, utilization) | 9% |
| Predictive analytics -- I know what will happen (ex. using algorithms and data to predict which most customers are most likely to use a particular marketing offer.) | 14% |
| Diagnostic analytics -- I know why it happened (ex. mining data to determine what caused a spike in web traffic over the past month.) | 32% |
| Descriptive analytics -- I know what happened (ex. using basic analytics to track website traffic, such as page views and number of visitors) | 30% |
| Not utilized | 6% |

0%   5%   10%   15%   20%   25%   30%   35%

## Describe how many channels your business operates today.

| Category | Percentage |
|---|---|
| A mix of digital and physical channels | 44% |
| Multiple brands, storefronts & channels | 18% |
| A fully orchestrated digital experience | 14% |
| A few digital channels (e.g. eCommerce site, brand site, email) | 13% |
| Multiple brands and vendors in a Marketplace | 9% |
| Single Brand / Storefront | 1% |
| Brick and mortar / In-person only | 1% |

**44%** of respondents indicate to utilize a mixture of digital and physical business fronts

**44%** view their eCommerce strategy as an integral component of their longterm growth strategies

## Please characterize your organization's eCommerce strategy.

| Category | Percentage |
|---|---|
| Our entire global strategy is Digital Commerce-first | 20% |
| An integral component of our overall strategy to dive long-term growth coupled with other channels | 44% |
| A component of our growth strategy but needs cross-functional optimization & alignment | 25% |
| Our business was forced to adopt a digital storefront in the last 12-18 months | 5% |
| eCommerce is a net-new initiative for our business | 5% |

eCommerce has emerged as a clear and leading priority for organizations. 71% of respondents now consider their eCommerce solution strategy to be a high or strategic priority, which has undoubtedly risen in the past 18 months. The rise of importance accompanies the cloud migration trend discussed earlier. 37% of respondents are now majority cloud or cloud-native, also propelled by the current pandemic environment. With more than a year under

the belt of respondents since the onset of COVID-19, 59% of organizations feel somewhat or very prepared to migrate to cloud commerce solutions. We suspect that a large share of remaining organizations is in industries or product areas (often regulated) that will continue to lag in eCommerce adoption. Despite the ascendence of cloud, organizations continue to hedge their bets and are keen to avoid vendor lock-in with a cloud infrastructure or SaaS player. This is likely due in part to lessons learned in the prior decade from "marrying" an ERP system or foundation eCommerce suite. Two-thirds of respondents continue to believe it is appropriate to maintain concurrent on-prem deployments, or redundancy across multiple clouds "at least some of the time".

Survey results for content and analytics within eCommerce stacks demonstrate how early we are in the current shift to modern tooling. More than 80% of respondents are using CMS merged within their existing eCommerce platform. These decisions were frequently made in reaction to practical constraints but were often not the preferred approach. Content management has become increasingly important for several reasons during the pandemic. (1) the rapid shift to eCommerce has caused SKU counts to balloon for organizations and increased the need for more dynamic and customized content updates. Most organizations are not adequately staffed to work with inflexible or sub-par content tooling. (2) the incoming "cookie-less" revolution will heighten the need for better content and web experience tracking by brands and retailers. With diminished usage of 3rd party cookies, organizations will rely much more heavily on their internal ability to understand content preferences and user habits online. eCommerce and marketing are "tied at the hip" in response to these changes. (3) managing items, sales, and listings across an ever-growing list of channels presents new challenges for organizations, requiring modern solutions.

We are equally early in the use of analytics by eCommerce players. 68% of respondents are using analytics for basic purposes – descriptive analysis or diagnostic – or aren't using analytics at all. There is plenty of headspace for organizations to improve usage and ingestion of data for sales, targeting, and customer satisfaction. 25% of respondents have moved onto prescriptive and predictive uses of analytics (key points of differentiation for the elite marketplaces and brands), and 9% have adopted holistic analytic frameworks that incorporate AI, robotic process automation, and other modern practices. Based on BWG forum feedback, organizations have been hesitant to "lock-in" with major analytics overhauls, and they've continued to rely on their sub-optimal toolsets out of risk aversion. They have commented that the rapid rate of change in data processes and tools, could cause solutions to become obsolete over shorter and shorter time horizons.
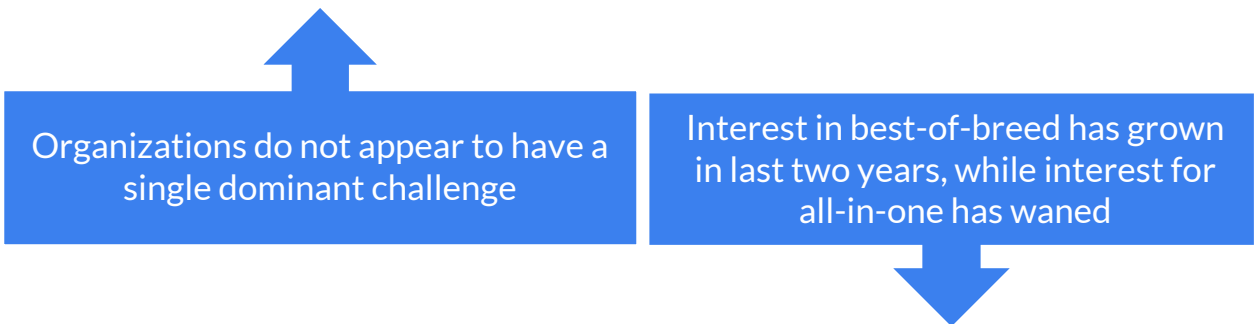
The comments support the relevance of open and composable systems where new frameworks and tools become increasingly interchangeable.

Organizations in our survey have made much more progress venturing into multiple channels, a mix of online marketplaces, storefronts, and digital journeys. This was a key area of focus for most brands prior to the pandemic, and these changes have matured and crystalized over the past half decade. The successful expansion into multiple channels (with DTC being the least mature) is allowing senior management teams to reprioritize tool modernization and upgrades in the years ahead. Most hesitations regarding the importance of online sales channels have been put to rest since the onset of the pandemic. 44% of respondents consider their eCommerce strategies to be "an integral component of their overall strategies to drive long-term growth coupled with other channels", while 20% of respondents are now adopting a 100% digital commerce-first strategy. Nearly all respondents have "moved off of zero" and begun to roll out modern eCommerce strategies as of 2021.
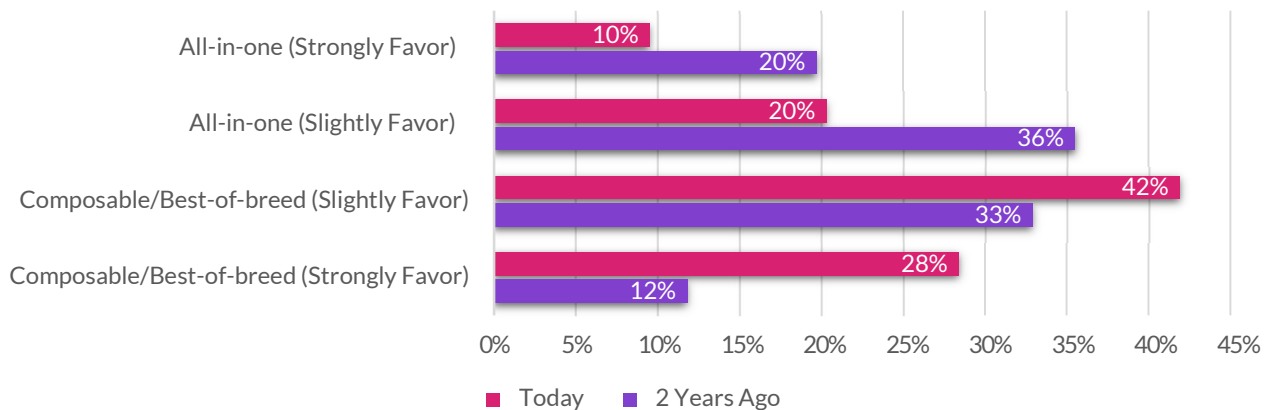
Out of the following statements, which most closely applies to the biggest challenge your organization currently faces when trying to execute on a digital commerce strategy.
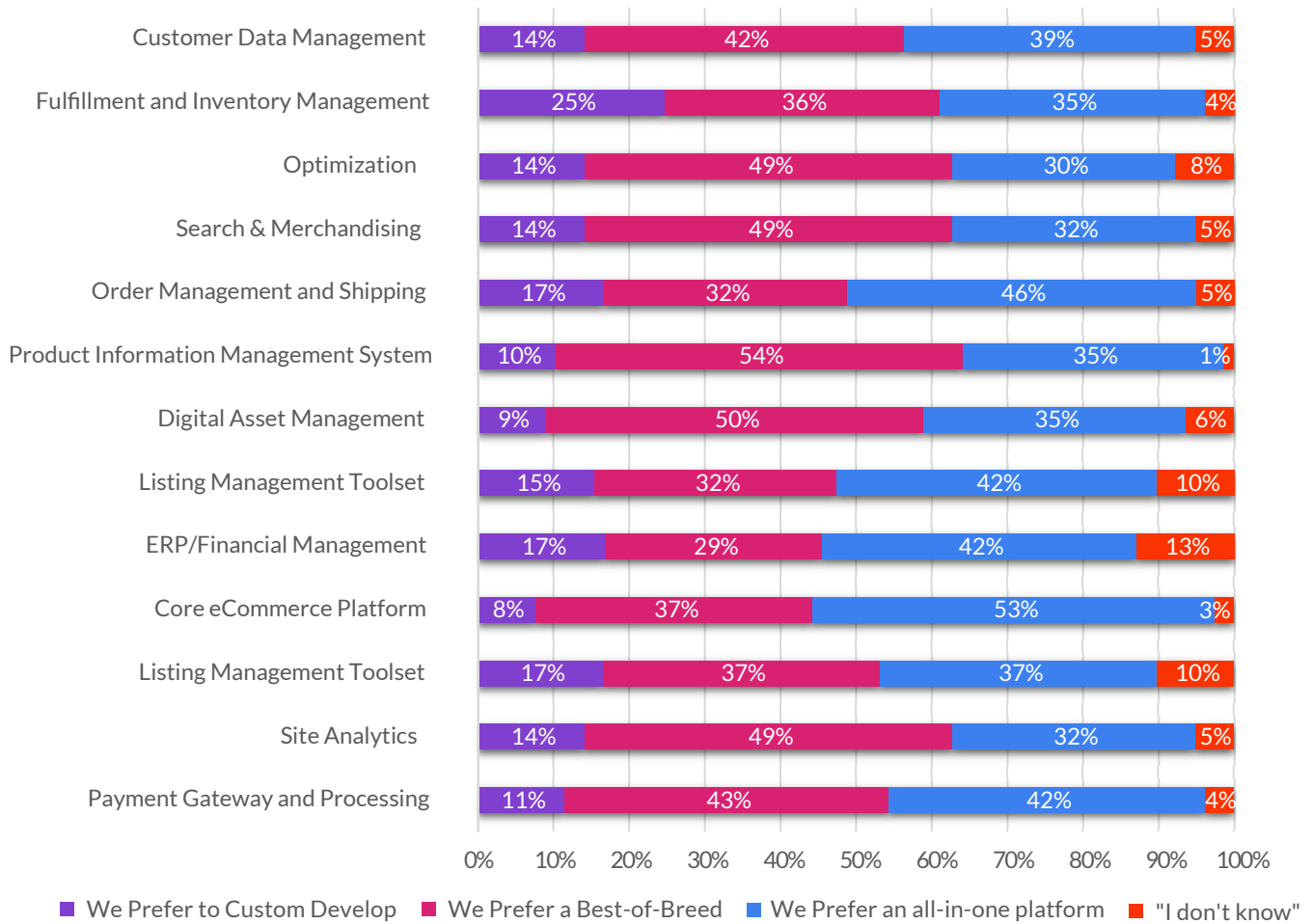


- 22%
- 18%
- 11%
- 18%
- 22%
- 10%
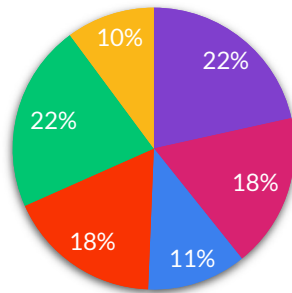
■ We can't move fast enough. Lacking resources to ideate, test, iterate and deploy delightful experiences at scale to differentiate and compete.

■ We lack internal alignment across key stakeholders (e.g. Commerce, Marketing, IT, and Security teams) to effectively execute a global strategy

■ We have multiple siloed systems powering different storefronts for different teams with different objectives

■ Flexibility and scalability of our solution. We cannot easily integrate the services needed to execute our strategy.

■ Budget. We have a grand vision but it is difficult to find the resources to build teams and execute our strategy.

■ Insight. Our digital storefront looks great but we have very limited visibility into who our customers are to better optimize the experience.

Organizations do not appear to have a single dominant challenge

Interest in best-of-breed has grown in last two years, while interest for all-in-one has waned

Please describe your approach to delivering digital commerce experiences. Are you favoring a best of breed (composable) or monolithic approach as time goes on?



| | Today | 2 Years Ago |
|---|---|---|
| All-in-one (Strongly Favor) | 10% | 20% |
| All-in-one (Slightly Favor) | 20% | 36% |
| Composable/Best-of-breed (Slightly Favor) | 42% | 33% |
| Composable/Best-of-breed (Strongly Favor) | 28% | 12% |

■ Today   ■ 2 Years Ago

## For your eCommerce stack, what are your organizational preferences today?

| Category | We Prefer to Custom Develop | We Prefer a Best-of-Breed | We Prefer an all-in-one platform | "I don't know" |
|---|---|---|---|---|
| Customer Data Management | 14% | 42% | 39% | 5% |
| Fulfillment and Inventory Management | 25% | 36% | 35% | 4% |
| Optimization | 14% | 49% | 30% | 8% |
| Search & Merchandising | 14% | 49% | 32% | 5% |
| Order Management and Shipping | 17% | 32% | 46% | 5% |
| Product Information Management System | 10% | 54% | 35% | 1% |
| Digital Asset Management | 9% | 50% | 35% | 6% |
| Listing Management Toolset | 15% | 32% | 42% | 10% |
| ERP/Financial Management | 17% | 29% | 42% | 13% |
| Core eCommerce Platform | 8% | 37% | 53% | 3% |
| Listing Management Toolset | 17% | 37% | 37% | 10% |
| Site Analytics | 14% | 49% | 32% | 5% |
| Payment Gateway and Processing | 11% | 43% | 42% | 4% |

- ■ We Prefer to Custom Develop
- ■ We Prefer a Best-of-Breed
- ■ We Prefer an all-in-one platform
- ■ "I don't know"

We are seeing a clear shift in favor of composable, best of breed eCommerce stacks, as was foreshadowed in our previous comments. 70% of respondents now prefer and seek composable tooling, up from 45% just two years ago. Organizations are keen to find the most competent solutions available to them. The top three pain points expressed in this survey include (1) an inability to modernize quickly enough for today's environment, (2) Budget constraints which often "force the hands" of organizations to select suboptimal all-in-one systems, and (3) limits in the flexibility of current solutions. The results support the adoption of composable commerce or help to explain why more organizations have not moved in this direction already.

Across solutions, composable/best of breed is gaining slight favor, though the panel remains split in many domain areas. Composable is most preferred for optimization, search & merchandising, PIMS, DAM, and site analytics. All-in-one is still preferred for core or backbone commerce platforms, OMS, ERP, and listing management – traditional and "heavier" tools.

Nearly half of respondents are moving in the direction of composable commerce stacks, which aligns with the pain points, and feedback throughout the survey. A third of the market appears to remain in favor of all-in-one solutions, and a quarter of respondents have not formally evaluated yet. Implementation challenges are the chief inhibitor of composable commerce adoption, and labor dynamics remain extremely tight in 2021.

Headless commerce refers to the separation of front-end and back-end functionality, while composable commerce refers to a broader, modular approach to eCommerce systems architecture. Has your organization considered moving beyond a headless commerce strat
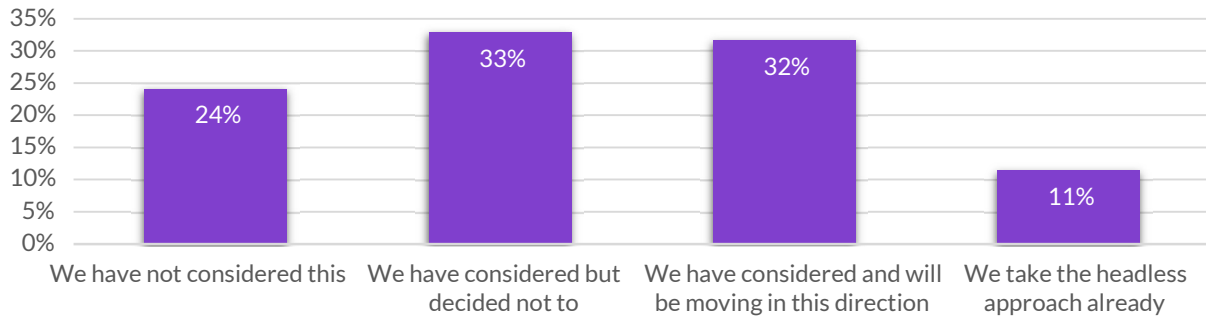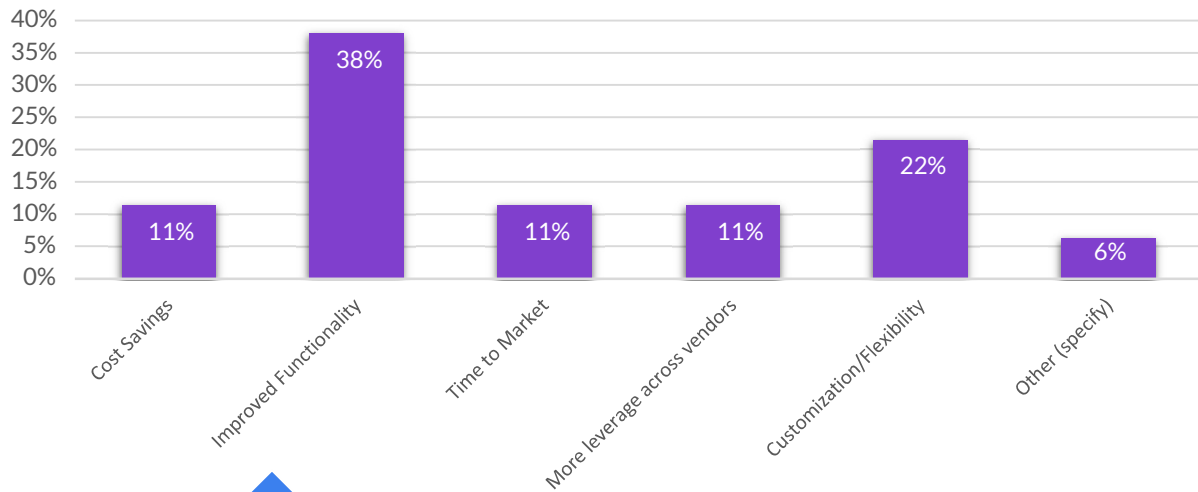


Only 24% of respondents indicated to not have considered adopting a full best-of-breed stack at this time, and close to half are moving in this direction

Challenges with implementation have emerged as the #1 reason to adopting a composable commerce framework

What do you see as the greatest challenges in moving to a composable commerce framework?
(Percentage ranked "1st")
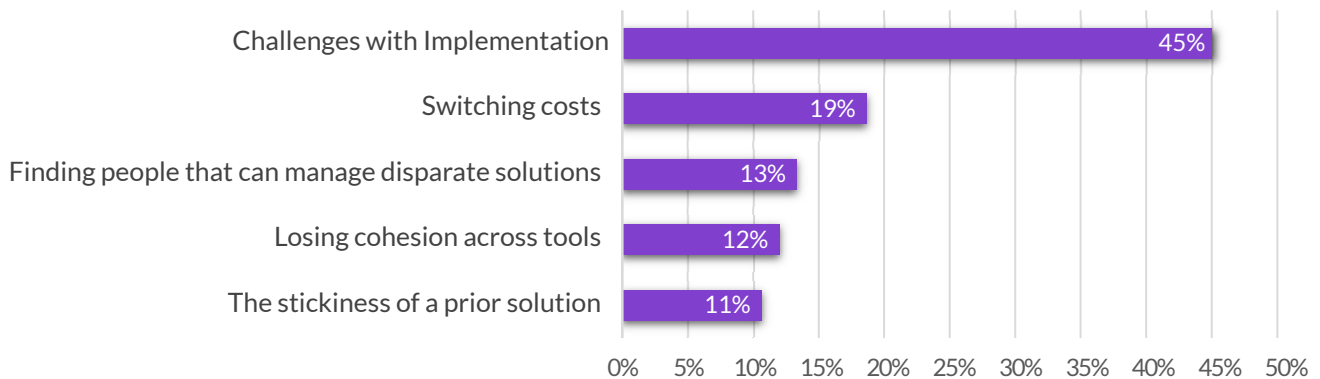
## What do organizations see as the greatest advantages of moving from an all-in-one system to a composable, best-of-breed approach? Please explain any benefits you've considered or realized.

| Category | Value |
|---|---|
| Cost Savings | 11% |
| Improved Functionality | 38% |
| Time to Market | 11% |
| More leverage across vendors | 11% |
| Customization/Flexibility | 22% |
| Other (specify) | 6% |

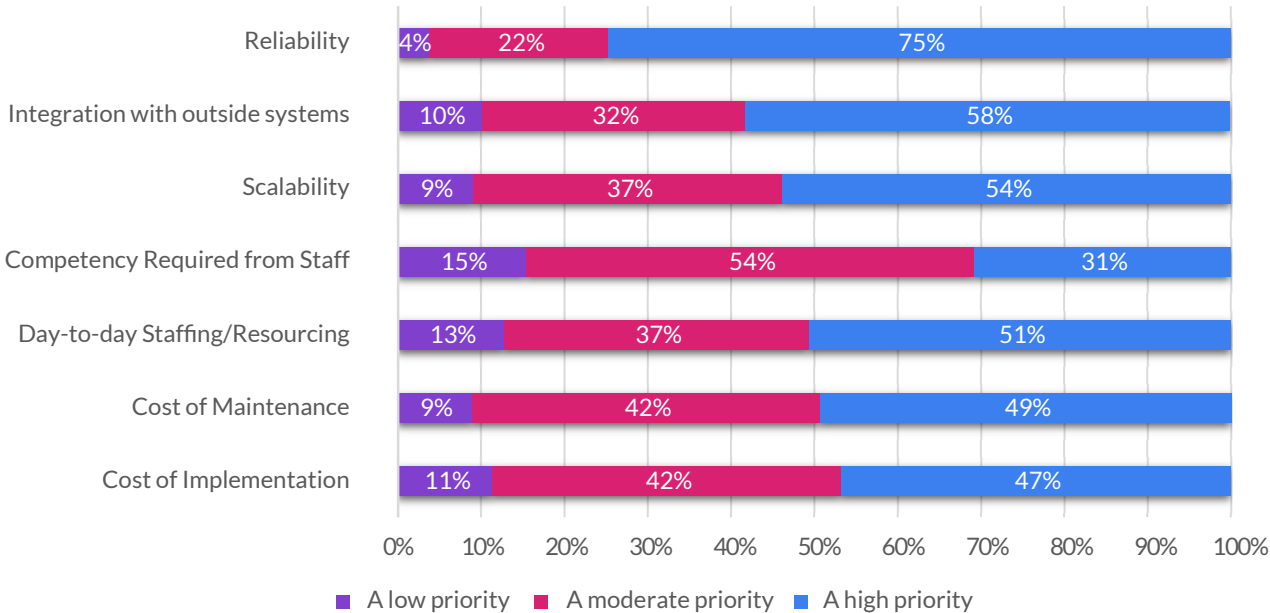**Improved functionality is the major reason for moving toward composable commerce**

**Composable commerce requires limited additional resources on balance, but the trade-offs are appropriate**

## How do the resource requirements for a composable approach to eCommerce compare to an all-in-one approach?
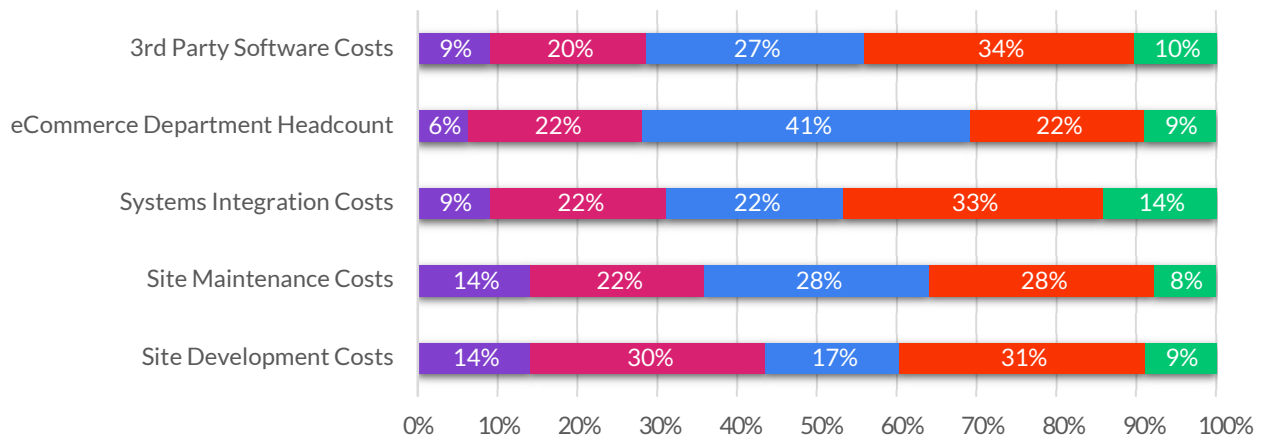
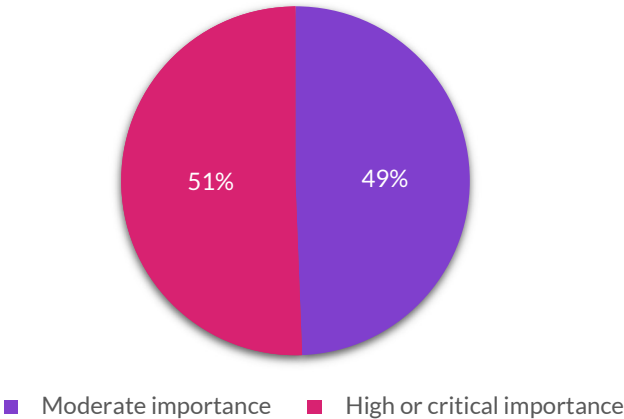| | Saves Significant Resources | Saves Limited Resources | No Difference | Requires Limited Additional Resources | Requires Major Additional Resources |
|---|---|---|---|---|---|
| 3rd Party Software Costs | 9% | 20% | 27% | 34% | 10% |
| eCommerce Department Headcount | 6% | 22% | 41% | 22% | 9% |
| Systems Integration Costs | 9% | 22% | 22% | 33% | 14% |
| Site Maintenance Costs | 14% | 22% | 28% | 28% | 8% |
| Site Development Costs | 14% | 30% | 17% | 31% | 9% |

- Saves Significant Resources
- Saves Limited Resources
- No Difference
- Requires Limited Additional Resources
- Requires Major Additional Resources

# How would you classify the following factors in deciding on a composable vs a monolithic solution?

| Factor | A low priority | A moderate priority | A high priority |
|---|---|---|---|
| Reliability | 4% | 22% | 75% |
| Integration with outside systems | 10% | 32% | 58% |
| Scalability | 9% | 37% | 54% |
| Competency Required from Staff | 15% | 54% | 31% |
| Day-to-day Staffing/Resourcing | 13% | 37% | 51% |
| Cost of Maintenance | 9% | 42% | 49% |
| Cost of Implementation | 11% | 42% | 47% |

Legend: ■ A low priority  ■ A moderate priority  ■ A high priority

**Reliability appears as a dominant priority for moving toward composable commerce**

## Please explain how important scalability and flexibility are to your organization's digital transformation plans.

- 51% — High or critical importance
- 49% — Moderate importance

Legend: ■ Moderate importance  ■ High or critical importance

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Not surprisingly, respondents consider improved functionality and customization to be the key benefits of deploying composable stacks. Composable tooling frees up organizations to select the most reliable and competent solutions on the market. Reliability, integrations, scalability, and staffing are the top four factors considered in adopting a composable vs a monolithic eCommerce stack – each of these is considered a high priority by 50%+ of our sample. Best of breed has historically come at the expense of cost and time to market, but respondents indicated that these trade-offs are manageable in the current environment. On balance, respondents reported that best of breed is only requires modest additional resources, or in up to 45% of cases (for site development), offers a net savings of resources. With today's tight labor market, organizations are learning to do more with less, and many are discovering that modern tooling is one of the few levers to pull for increasing the productivity of existing staff. Organizations have also learned the limits of outsourcing, as BWG has heard throughout this year that service providers are struggling to keep up with fulfilment or to take on new clients.

## \ COMMERCE FACTORY CASE STUDY

### FUTURE PROOF COMMERCE: BUILD A BEST-IN-BREED COMPOSABLE COMMERCE SITE IN 90 DAYS



**500%**
Increase in conversions

**2,000%**
Increase in revenue

**50%**
Increase in mobile sales

A global manufacturer needed to enhance the online commerce experience of its U.S. website and launch similar commerce websites in other countries around the world (Canada, Mexico, Brazil and Germany). The company wanted to utilize the same architecture and platform for all sites with minimal customization.

# The Challenges

The company needed to launch the sites quickly, each with a different payment gateway to accommodate different methods, services and processing partners. The legacy U.S. site also had the following issues:

- Costly, underperforming and unsupported monolithic commerce platform
- Complicated user experience for single-purchase registration
- Low conversions due to high website and cart abandonment
- No ability for customers to transact via multiple devices and browsers
- Slow page loads
- Inability to integrate modern search techniques
- Complex multisystem integration
- Non-compliance to WCAG

# The Solution

To achieve these goals TA Digital utilized their proprietary commerce solution, CommerceFactory, a ready-to-deploy, best-fit, composable solution to launch sites in the U.S., Mexico (in English and Spanixh) and Canada (in English and French), each within a 90-day timeframe. (Followed closely by Brazil and Germany.) They were able to meet this timeline in large part because CommerceFactory enables rapid, one-stroke auto-import of product content and easy integration with third-party APIs. The team of strategists and designers devised a user-centric approach to all sites by:

- Simplifying user registration and quick guest-user checkout for one-time purchases
- Reducing the number of clicks to reach a page or screen
- Optimizing page-load performance
- Personalizing content on subscription, registration and checkout pages
- Creating a mobile- and tablet-friendly website experience
- Localizing subscription screens and payment gateway content with language, currency and time elements
- Complying with WCAG guidelines

> "
> *"I found the engagement to be highly collaborative, with TA Digital resources always putting their best partner-oriented foot forward. Of the 15-plus launches I've been part of during my career, this was one of the best!"*
> *- CIO*

## Key Results

While several sites involved in the project have only recently launched or will soon, the U.S. site, on which they are all based, has realized significant ROI. As the coronavirus pandemic changed the landscape and online demand surged, the company saw a threefold increase in traffic, with no down or slow time during spikes. The revamped experience and improved scalability and performance enabled a 500% increase in conversions, sending revenue soaring by 2000%. Other key results included a 30% increase in margins, thanks to identifying the right individual discount level, and more than 50% of sales occurring on mobile, supported by a fast, strong platform.

### Get Started Today

Contact TA Digital to launch a CommerceFactory, afully-managed, pre-integrated solution, that reduces IT headcounts and delights customers with intuitive and engaging D2C experiences across channels.

**CONTACT US**

# \ SURVEY COMPLIANCE

BWG surveys and interviews independent sources to gather insights on a particular industry, company, or set of products. The survey questions are based on individual opinions of what professionals are seeing in the market. We do not seek or solicit, confidential or material non-public information in any of our surveys. Were BWG to be confronted with such information, any such content would be removed before the marketing and distribution of the survey. BWG abides by privacy and compliance standards relating to the sharing of material non-public information. We ask for responses in the form of directional percentage changes or discursive commentary- views on the industries, markets, products, companies.

BWG combines the information provided by respondents to create industry intelligence reports that provide a snapshot of a particular industry, company, or product. These survey and interview reports are made available to financial clients, which include institutional investors, management consultants, and commercial organizations. In all cases of bespoke, or custom surveys, BWG will hold its results in confidence with the client. "Off the shelf" surveys are marketed and distributed to multiple potential clients. BWG offers respondents a complimentary summary of the survey report in return for their time completing the survey. Surveys typically take less than 10 minutes to complete.

All responses are anonymous and aggregated. Respondent identities are treated in confidence. We request respondent's contact information to share a summary of the report in applicable cases, and respondents are not obligated to provide such information. Respondents are made aware that BWG has no affiliation with any companies discussed in our topical industry surveys, and that their responses will not be shared with such parties. BWG verifies the independence of all our sources and makes sure the participants are not employed by the target company (where applicable) in any way.

BWG complies with all data protection legislation and has procedures in place to ensure the security of the personal data we have on file, including the anonymity of clients and panel participants.