



# THE NEW RISE OF ECOMMERCE



# INTRODUCTION

*The global lockdown has driven demand for electronic commerce and now requires organizations to perform an organic upgrade of their strategy and technology. Starting with the implementation of an IT platform that meets their needs. Four different strategies await companies classed as “Seeders”, “Amplifiers”, “Explorers” or “Boosters”.*

THE GROWTH OF ECOMMERCE ON A GLOBAL SCALE and in all sectors was a foreseeable phenomenon and was confirmed by trends even before the advent

of Covid-19; according to an eMarketer research in June 2019, the average increase expected from 2019 to 2022 amounted to 17%.

HOWEVER, THE CONSEQUENCES OF THE CURRENT PANDEMIC on consumer habits have turned all the statistics upside-down, leading to an exponential acceleration in the demand for distance-selling channels in all sectors and dictating that the strategic scope of a functional and profitable eCommerce channel take first place among the priorities for development of a business.

In this sense, the Coronavirus epidemic has confirmed the relationship that has always linked the large-scale spread of diseases to the disruption of traditional retail trade models and, more specifically in the last twenty years, to steps for the growth of the eCommerce market (**Figure 1**):

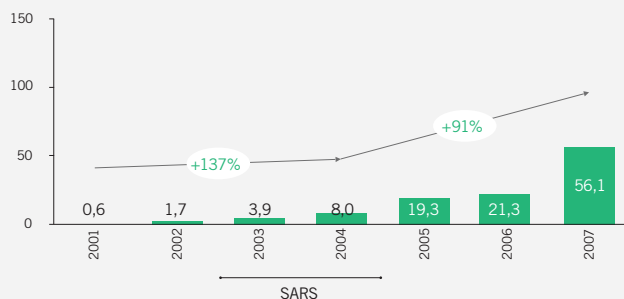
the same thing happened 20 years ago in China, when the SARS emergency fostered the creation of some of the current leaders of e-commerce, such as Alibaba and JD, as well as 15 years later in South Korea, when MERS accelerated the spread of eCommerce among the population.

FIGURE 1

## Historical role of pandemics as a catalyst for the disruption of the traditional in-store commerce model

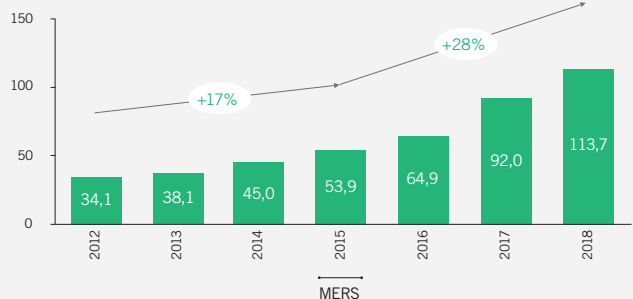
The SARS outbreak in 2003 is credited with being one of the accelerators for the adoption of eCommerce in China and the rise of Alibaba and JD

Online Shopping in China  
(RMB, bn)



The MERS outbreak in South Korea during 2015 kick started the surge of eCommerce

Online Shopping in South Korea  
(KWR, tn)



Note: MERS = Middle East Respiratory Syndrome; SARS = Severe Acute Respiratory Syndrome  
Source: BCG Henderson Institute, UNIDO eCommerce Report China WP 17/2017; Statistics Korea April 2019



IT'S EASY TO IMAGINE THAT THE 17% GROWTH TREND hypothesized in the pre-Covid era is destined to become much higher very quickly. This is confirmed

by recent forecast analyzes, as well as by three secondary signs, in particular, which we have identified and isolated in the current landscape:

### » 1.

**Latecomers are also turning to digital.** 10% of US consumers purchased online for the first time in 2020. A percentage that rises to 26% when the focus is restricted to Grocery customers only. Broadening the research to other countries, there is a significant general shift in the number of customers who, during the lockdown, started buying online that which they previously bought in stores: 31% in Italy, 50% in China and 54% in India. (Figure 2)

### » 2.

**In physical stores, shopping is an obstacle race.** Indeed, regulatory restrictions and fears of possible conta-

mination still stop many consumers from going to stores, to the point that 70% expect to increase the frequency of online purchases in the medium/long term, while a similar percentage declares that they will decrease purchases at stores.

### » 3.

**Resilience requires diversification.** The experience of those who, such as Nike, have been able to enhance their eCommerce channel in China during lockdown, provided confirmation to all the retail players that there is a need to create alternative channels to traditional means in order to be more successful when facing crises.

FIGURE 2

## COVID-19 enabled millions of people to experience eCommerce for the first time

U.S. consumers shopping online for the first-time in 2020<sup>1</sup>



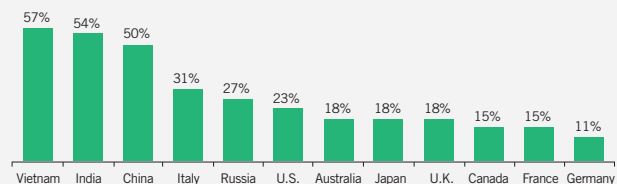
...of U.S. consumers in the U.S. bought something online for the first time in March due to Covid-19

U.S. consumers shopping groceries online for the first time in 2020<sup>2</sup>



...of U.S. consumers doing online grocery shopping bought food online for the first time due to Covid-19

Consumers shift to online for products they were used to buying in-store due to Covid-19<sup>3</sup>



Percentage of consumers that shifted to online shopping due to lockdown for products they used to buy in-store

1. Source: Morning Consult Consumer Survey , n=2200, 24<sup>th</sup> to 26<sup>th</sup> March 2020

2. Source: Brick meets Click Consumer Survey , n=1601, 23<sup>rd</sup> to 25<sup>th</sup> March 2020

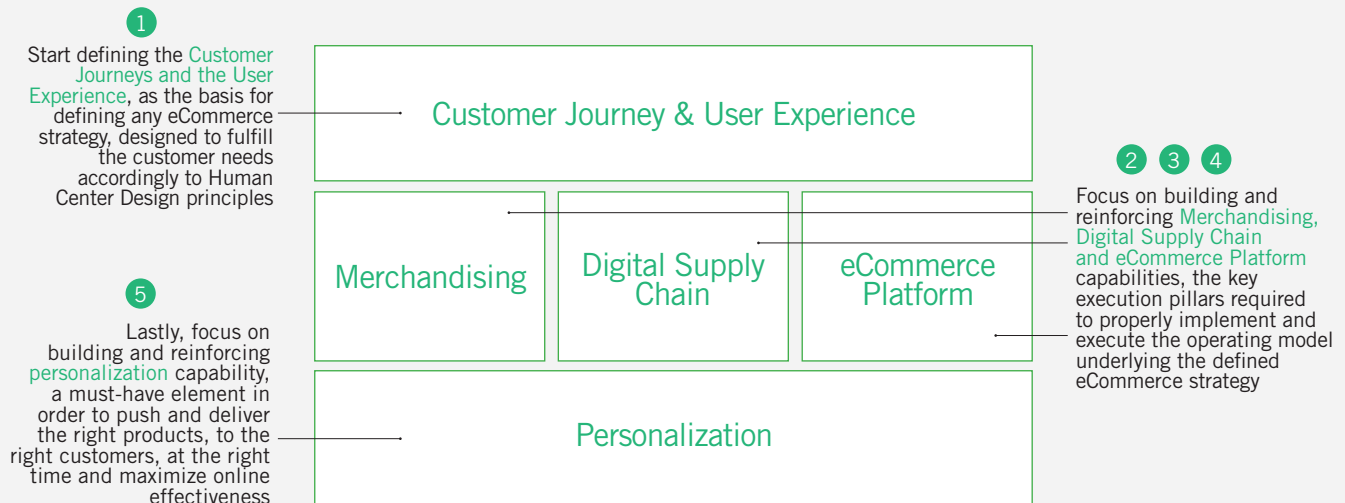
3. Source: Ipsos Tracking the Coronavirus Survey n=1,000 per market, 12<sup>th</sup> to 14<sup>th</sup> March 2020

THE NEW ERA OF ECOMMERCE IS UPON US. In order to avoid being caught unprepared, there are 5 elements around which each organization should model its onli-

ne strategy, five ingredients of a metaphorical “Bento box” that can guide correct managerial practices in this context (**Figure 3**).

**FIGURE 3**

## The «bento box» for eCommerce



Source: BCG Platinion

### » 1.

The starting point must necessarily involve defining the **Customer Journey** and the **User Experience** that will be offered to the customer, based upon Human Center Design and focusing on satisfying the needs of the types of Customer of the company.

TO GIVE SOME SUBSTANCE TO THIS OBJECTIVE, it's necessary to focus on strengthening the three operational pillars that make an eCommerce strategy effective:

### » 2.

Define and implement dedicated and reasoned **Merchandise** logics for the digital channel that are, nevertheless, integrated from an omnichannel perspective.

### » 3.

Possess an effective digital **Supply Chain** capable of integrated and end-2-end management from supply to distribution.

### » 4.

Ensure the support of a suitable eCommerce **IT platform** capable of supporting the business strategy and expected volumes properly.

### » 5.

Lastly, as an element capable of rendering the whole process complete, there's a need to develop the ability to **customize** in order to get the right product, to the right customer, at the right time, thereby maximizing all the efforts made (see the article *Excellence in customization accelerates profits*).

ON THIS OCCASION, WE WISH TO CONCENTRATE on the development and evolution strategies of the eCommerce IT platform that we recommend to our Customers, beginning by observing the existence of very heterogeneous starting points in the market, which depend on the digital maturity of the sector and the characteristics of companies. Consequently, we've identified four different archetypes of companies and tried to provide each of them with a road map and the right levers to face the present and prepare effectively for digital growth in the near future.

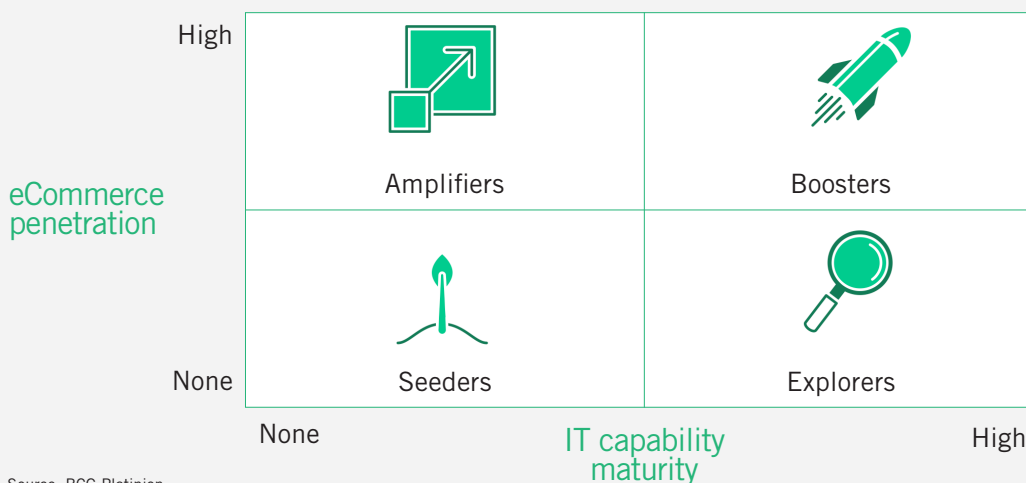
# FOUR STRATEGIES FOR FOUR IDENTIKITS

REFLECT ON WHO YOU ARE AND I'LL TELL YOU WHAT TO DO. Taking into consideration two characteristic parameters of the organization, namely an assessment of the maturity of IT skills and the

level of penetration in digital markets, we've identified four strategic quadrants which correspond to four archetypes of companies and organizations in the digital environment (**Figure 4**).

**FIGURE 4**

## The four client archetypes of the eCommerce Matrix



Source: BCG Platinion

### » 1.

**SEEDERS** (no or limited penetration and little technological capability), meaning companies that need to grow as soon as possible on the eCommerce market, but haven't yet developed an ad hoc strategy, nor have structured IT capabilities that can enable this ambition.

### » 2.

**AMPLIFIERS** (penetration in the digital market considered satisfactory, but with IT capabilities that have shown limits), meaning companies that are already positioned and have a strategy on the digital market, but need to revamp their technological architecture since they are no longer able to manage new volumes, the type of service requested by customers or the ambition defined by their digital division.

### » 3.

**EXPLORERS** (no or limited penetration in the digital market, but high capability available in their IT departments), meaning companies that have never implemented/never pursued an eCommerce channel in a systematic manner, but that have the technological skills to enter the digital arena effectively.

### » 4.

**BOOSTERS** (good market penetration and digital skills deemed satisfactory or excellent), meaning companies/organizations that are currently leaders on the digital commerce market and will have to focus on carrying out a check-up on current capacities and strategies with respect to consolidated and emerging trends as a priority, in order to remain at the top and try to reach "the next level" to confirm their leadership.

BCG PLATINION'S RESEARCH OFFERS a different strategic solution to each of these profiles for the definition or evolution of their eCommerce technological platforms, making it possible for companies to grasp opportunities provided by the new growth in the digital market.

# SEEDERS, ALL-IN ON THE TIME FACTOR

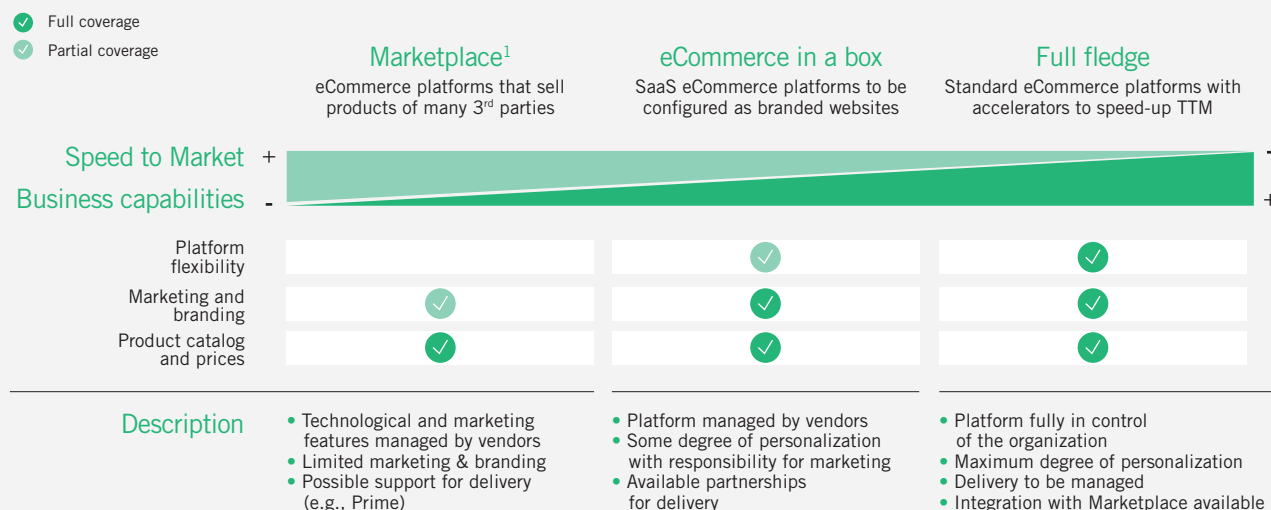
FOR THOSE WHO HAVE NOT YET TAKEN THE RUN UP to jump onto the upward trend of the eCommerce market, the time factor is currently the main variable to be reckoned with.

WE HAVE IDENTIFIED THREE POSSIBLE IT STRATEGIES

that stand out in terms of speed of implementation and functionalities available to the business through which companies that see themselves fitting this identikit can quickly acquire a technological platform and thereby enable their first e-commerce channel (**Figure 5**):

FIGURE 5

«Seeders» have to focus on entering quickly into the digital market, 3 options available



Note: TTM = Time to Market

1. Option often combined and seamless integrated with other eCommerce channels

Source: BCG Platinion

## » 1.

Using the platforms offered by Marketplace suppliers to set up their own digital display window in a very short time at the cost of limited levels of customization.

## » 2.

Adopting software platforms of external vendors accessible in the Cloud (“eCommerce-in-a-box”), often available in the form of SaaS services, which allow the quick activation of a new eCommerce channel while ensuring an appropriate level of control and the customization of the sales experience by the business.

## » 3.

Designing a new eCommerce platform from scratch, using one of the full-fledged technological platforms available on the market as a tool to accelerate the Go-to-market, thereby enabling both full control of the channel by the company’s business department, as well as the ample scope for customization that this option offers despite longer implementation times.

FOR COMPANIES THAT SEE THEMSELVES FITTING THE IDENTIKIT OF A SEEDER, it’s therefore important to act as quickly as possible to understand corporate priorities (timing, costs, degree of customization of the digital service, etc.) and define the necessary strategy to grasp the opportunities provided by eCommerce.

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# AMPLIFIERS, IT'S TIME TO GROW

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IN ORGANIZATIONS WE DEFINE AS “AMPLIFIERS” the objectives identified by the business department for a structured presence online are not supported by technological capabilities in line with needs. This is due to several reasons, first of all because IT resources are probably concentrated on other channels, but the

result is that legacy platforms and processes prove no longer sufficient to support new volumes and the achievement of new objectives. Typically, this genetic defect manifests itself in the form of certain macro problems generated by a technological platform that is no longer suitable:

## » 1.

Excessive **Tight couple IT Architecture** that, for example, leads to a fragmentation of the user experience and a limited level of multichanneling.

## » 2.

The inability to **scale easily** as volumes increase due to the monolithic and no longer technologically adequate set up of commerce capabilities.

## » 3.

The existence of **duplicated** or strongly coupled **functionalities** (a classic case is that of separate inventories for physical and digital channels) that complicate the evolution of services and the opportunities for integration.

## » 4.

A **fragmented** and inefficient **management of master data**, in particular the product catalog, the main cause of inconsistent user experience (e.g. the same products under different names on the various channels) and the source of supply chain management inefficiencies.

THE SOLUTION THAT WE RECOMMEND for customers who see themselves fitting this identikit consists of a radical redesign of their architecture along four main lines:

## » I.

Adopt an agile “commerce” layer that is common and transversal to the various channels, decoupled from core systems and designed to be modern and scalable.

## » II.

Adopt a headless approach, in order to guarantee uniformity of experience and omnichanneling.

## » III.

Work on Product Information Management capability as an enabler to obtain Supply Chain operational efficiency and be more effective in sales activities.

## » IV.

Plan for native integration with the company “Data Platform” to enable the future creation of advanced services (e.g. next purchase recommendations).

WHAT'S IMPORTANT FOR AMPLIFIERS IS THE WILL to invest in strengthening their IT capabilities and, in particular, in the development of a modern and flexible platform on which to build a strategy that effectively exploits their current presence on the digital market, the solidity of which is at risk due to obsolete technological infrastructure that is unable to support the evolutions taking place.



# EXPLORERS, LET YOURSELF BE GUIDED BY IT

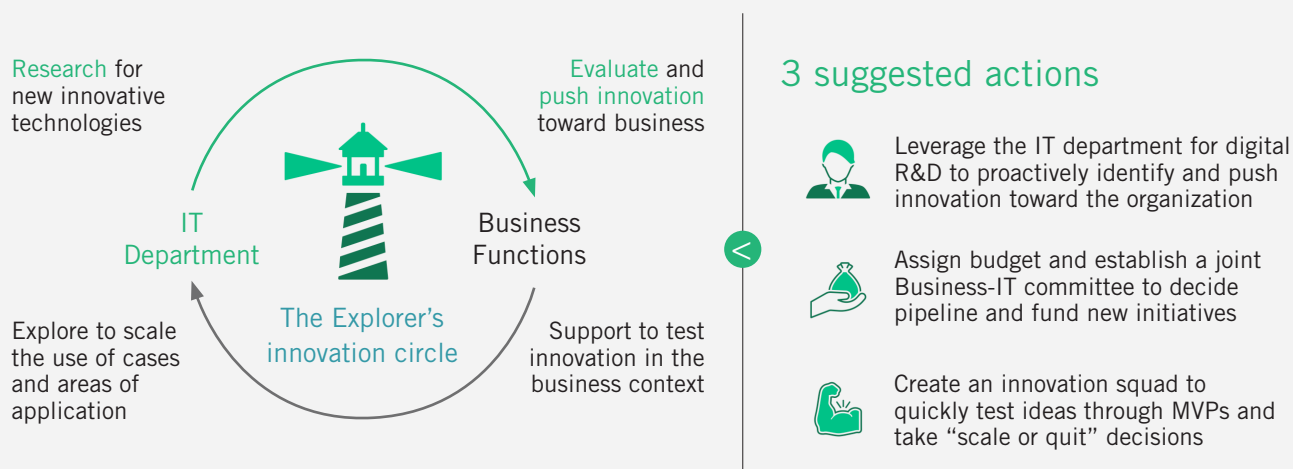
IN CONTRAST TO THE SITUATIONS DESCRIBED ABOVE, “Explorers” are companies or organizations that have a mature IT side, with significant digital design and transformation capabilities, but a business side without a strong vision for the development of the eCommerce channel and oriented towards traditional in-store distribution (this cluster often includes companies in the CPG - Consumer Packaged Goods - sector). For this type of organization, the recommendation is to invest in its own IT, elevating the function to the role of promoting innovation, fostering a habitat in which

to create a strong relationship between IT and business functions for the growth of digital channels.

THERE'S A NEED TO TRIGGER A VIRTUOUS CIRCLE in which the IT department promotes a pipeline of innovations that should be assessed jointly with the company's business functions, which can decide whether to authorize implementation, as well as provide an increasingly focused strategic course of action, which can take place in three steps (**Figure 6**):

FIGURE 6

## «Explorers» have to leverage their IT to activate an innovation circle focused on digital commerce



Source: BCG Platinion

### » 1.

Hand the responsibility for digital R&D to your IT department in order to identify opportunities for innovation that can then be pushed toward the organization

### » 2.

Make funds co-managed by the business and IT departmen-

ts available, allocating a budget to this type of innovation which should be used to promote the most promising initiatives

### » 3.

Implement innovation teams that use an MVP-based approach to test the validity of the innovations selected and assess their scalability quickly

THE TIME HAS COME FOR THESE COMPANIES to exploit their IT potential without hesitation, by immediately assessing the organizational options that can be set up using internal resources and that can ramp up their ability to identify and implement the best opportunities for innovation in digital channels.

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# BOOSTERS, CURRENTLY TOP, BUT FOR HOW LONG?

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BOOSTERS CONSIST OF companies that understand the importance of digital technology and have already made e-commerce a pillar of their strategy. However, changing consumer habits and the continuous introduction of more or less “smart” technologies require continuous checking and upgrades. That’s why BCG

Platinion has identified a check-up list of 6 key elements that “booster” customers are invited to look over in order to validate the current effectiveness of their eCommerce platforms with an eye on the future and to identify where growth will occur starting from right now.

## » 1.

**Mobile First.** The mobile channel is becoming dominant in online shopping. US market estimates for 2024 set the percentage of total sales that will be made by smartphones and tablets at 45% (Rise of M-Commerce: Mobile eCommerce Shopping Stats & Trends in 2020, Dec. 2019, Business Insider Intelligence Estimates). It therefore becomes a priority for the User Experience to be optimized for mobile devices under every aspect, including the range of mobile friendly payment methods.

## » 2.

**Omnichannel Fulfillment.** The new needs of consumers require the setting up of shipping, collection and return services that seamlessly integrate all types of channels. In the US in 2020, sales using Click & Collect, for example, will reach 60.4%, representing 58.52 billion dollars (eMarketer May 2020).

## » 3.

**AI Driven Experiences.** Artificial intelligence and data-driven marketing offer hyper-optimized experiences to customers (see article The Excellence of personalization accelerates profits). The use of Artificial Intelligence to interpret big data is the premise to rapidly and fre-

quently implement personalized and updated contents and consultancy, thereby increasing buyer satisfaction.

## » 4.

**Loyalty & Subscription Models.** According to research by Gartner, by 2023 75% of B2C companies will offer a type of subscription-based services. Companies must be able to offer customized loyalty programs, fast repurchase formulas or flexible subscriptions in order to retain customers and make them advocates for their values and brands.

## » 5.

**Virtual one-to-one conversations.** Services such as video chats and one-to-one chatbots are an effective tool to provide online customers with relevant feedback quickly and similar or better personal assistance than they would receive in-store.

## » 6.

**New Shopping Services.** The availability of new immersive technologies (Augmented reality, Virtual reality) gives retailers the opportunity to explore new ways of shopping that they can offer customers, such as the opportunity to “try” a service or product virtually before purchasing it, a trend that it is estimated could create a global market of 160 billion dollars by 2023 (Statista, April 2020).

COMPANIES THAT IDENTIFY WITH THIS PROFILE must aim to achieve levels of excellence in these six key aspects of eCommerce in order to consolidate their position as leaders, but even more so to create the best conditions for the future evolution of services.

# READY, PLAYER ONE

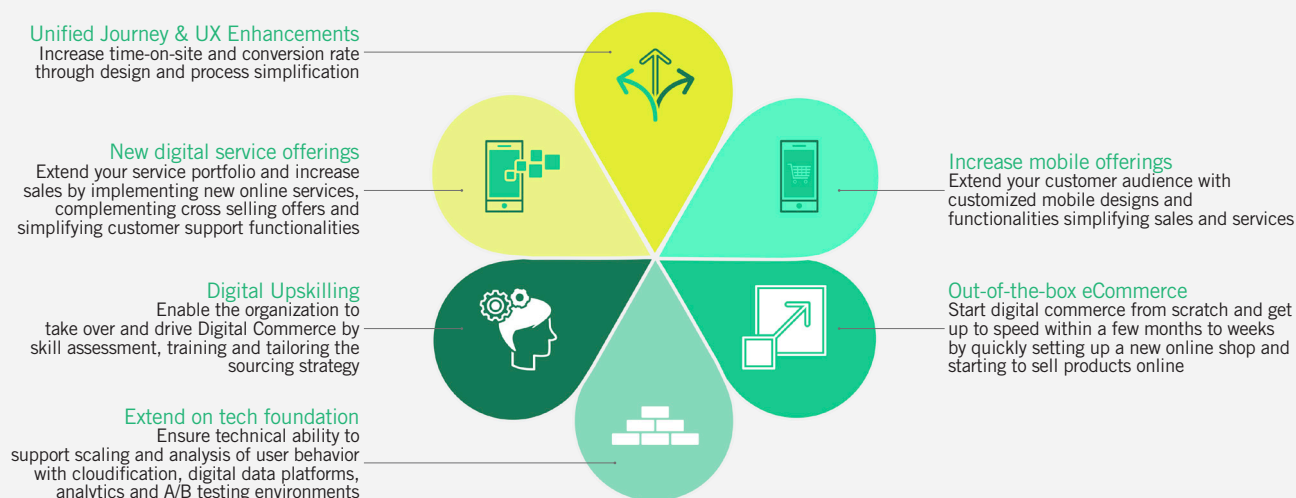
AS SEEN, whatever the current level of a company or organization in terms of IT capabilities and penetration in online markets, BCG Platinion's research is able to provide the tools to quickly identify which gaps need to be filled and develop the potential required to make the all-important quantum leap.

BCG Platinion is able to assist any organization in the correct implementation of the IT capabilities of its di-

gital commerce “bento-box”, providing specific support whatever the organization's degree of maturity. Within this metaphorical “bento-box”, representing a complete set of processes and functions that feed and drive company growth in the eCommerce sector, over time BCG Platinion has developed a “daisy pack” of specific skills (Figure 7) relating to the IT platform around which to design the most suitable technological strategy for each customer, starting from their identikit.

FIGURE 7

## BCG Platinion «daisy-Pack» for eCommerce Platform



Source: BCG Platinion

Associated to the correct strategy, time is a crucial factor during this period because eCommerce's evolution towards the “next level” is not around the doorstep, it's already begun! That's why we believe that for those who continue to delay, the risk of their business being “Game

Over” is becoming increasingly real. The first to act will be the ones who will benefit the most.

THE TIME TO GET IN THE GAME IS NOW. READY, PLAYER ONE.

## ABOUT THE AUTHORS



**Ivano Ortis** is the Managing Director at BCG Platinion. Ivano has a long history of success supporting Consumer, Industrial Goods and Pharma customers undertake complex IT transformations, including the definition and implementation of roadmaps and digital platforms. His experience includes defining a vision of leadership enabled by technology, the design of specific IT architecture for industrial sectors, the selection of software vendors and system integrators and the management of large-scale IT implementation programs.



**Carmine Calò** is a Senior Manager at BCG Platinion. Boasting over 15 years of experience in the design and management of Digital Transformation, Enterprise Architecture and Post Merge Acquisition projects in the CX, Commerce, Operations and various industrial sectors, he has led numerous business and technological transformations, such as the design and implementation of digital solutions for the Customer Experience, the granting of Retail Credit and architecture to support new digital operating models, with particular focus on the Travel, Automotive, Banking and Energy sectors.

AS A SEAMLESSLY INTEGRATED PART OF THE BCG NETWORK, at BCG Platinion we empower clients on their digital journey with focus on transforming technology & data platforms and IT capabilities. We leverage the best possible IT and technology solutions to help companies improve margins, optimize future products and amplify business value. Our areas of expertise range from IT architecture design to digital transformation and implementation management. We create technology platforms and deliver exceptionally customized solutions of the future for our clients, from data strategies to next-generation customer journey solutions and transformational business models. We solve the most daunting challenges that companies face today and envision for tomorrow. Our style is entrepreneurial – nimble and innovative, with

multifaceted, cross-functional teams and completely vendor-independent. Our unique selling proposition is technology expertise and delivery excellence. Our mission is to support our clients' digital transformation with short-term and sustained solutions to the most complex and time-sensitive challenges; while collaborating with clients to transform visionary strategies into leading-edge technology platforms and impact at scale.

BCG Platinion was founded in 2000. Since then, we have grown continuously and successfully. Today we have offices in Europe, North and South America, South Africa as well as Asia Pacific. Working organically across disciplines and across BCG, we offer a unified and unrivaled package that combines strategy work with hands-on expertise



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