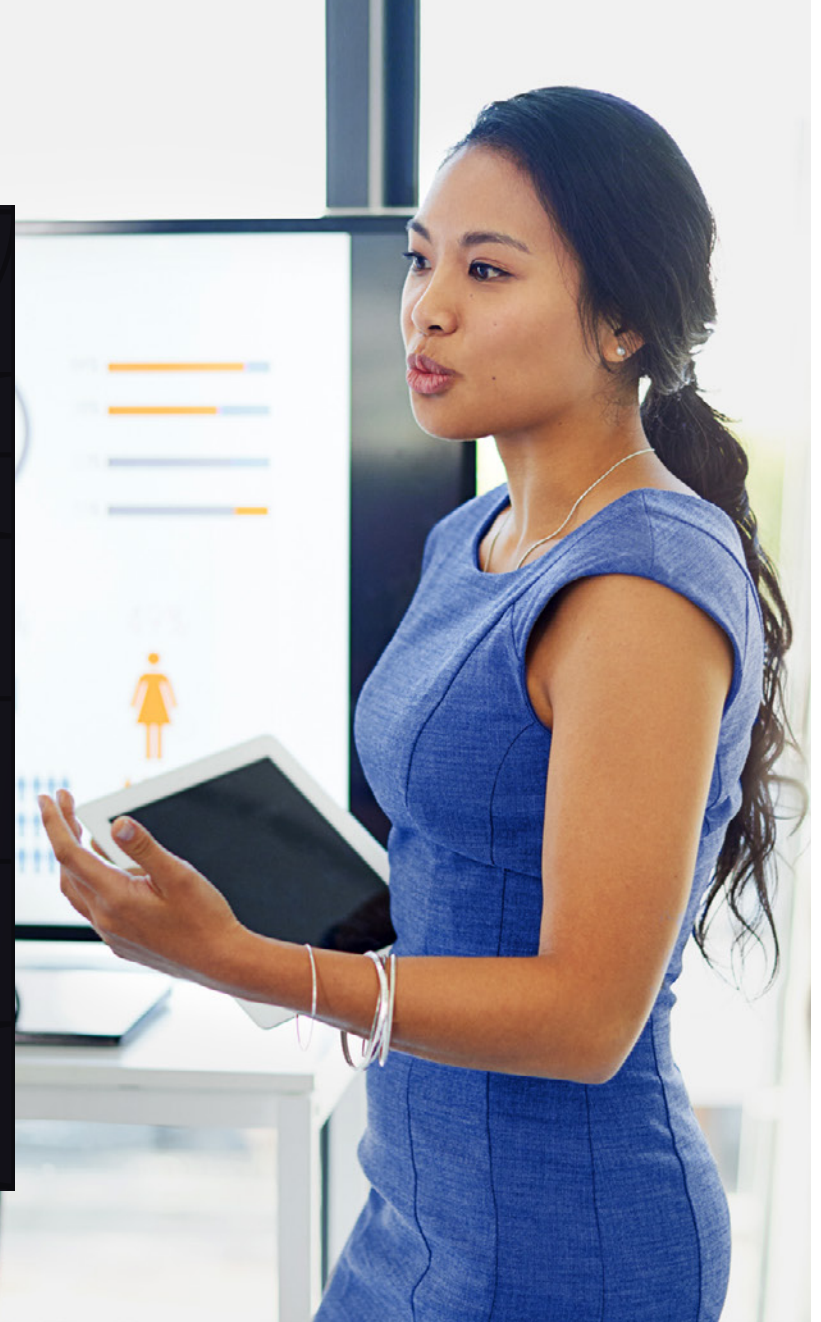


RETAIL INVESTMENT PLAYBOOK:

STRATEGIC MOVES FOR
THE NEW ECOMMERCE
LANDSCAPE



Custom content for BigCommerce
by **Retail Dive's Brand Studio**



Consumer shopping patterns have always ebbed and flowed throughout the year. But in 2020, something incredibly unlikely happened: a worldwide pandemic shifted consumer sentiment about physical stores.¹

Practically overnight, non-essential retailers had to shut down their brick-and-mortar operations and move most, if not all, customer engagement and sales online.

Paired with sky-high consumer expectations for digital commerce² and incredible demand for online order fulfillment,³ it's no surprise ecommerce retailers

have turned their attention to how to strategically invest in ecommerce.

"If you are over-invested in any one channel to sell your goods or products, and that channel goes away for any reason, you'll be in a tight spot, and that's what many retailers are experiencing today with the COVID-19 pandemic," said Sharon Gee, Sr. Director, GM of Omnichannel at BigCommerce. "But the reassuring strength of an omnichannel sales approach is that it's a risk mitigation strategy at its core. It allows retailers to ask, 'Where are my shoppers and how can I be where they are?' and make changes accordingly."

COVID-19's influence is bigger than the massive fluctuations in revenue or even spiking demand for particular products. The true impact of this pandemic is that it has fundamentally oriented consumer behavior towards ecommerce and created an enormous demand for brands and retailers to meet consumer needs online.

To better understand the impact of COVID-19 on ecommerce retailers' investments and strategies, BigCommerce partnered with Retail Dive's Brand Studio to survey 140 retail executives about their investment behavior before and after the pandemic. The findings reveal several interesting observations about the state of ecommerce today, as well as a clear increase in investment by a majority of ecommerce executives in website experience, marketing and advertising, and logistics and fulfillment.

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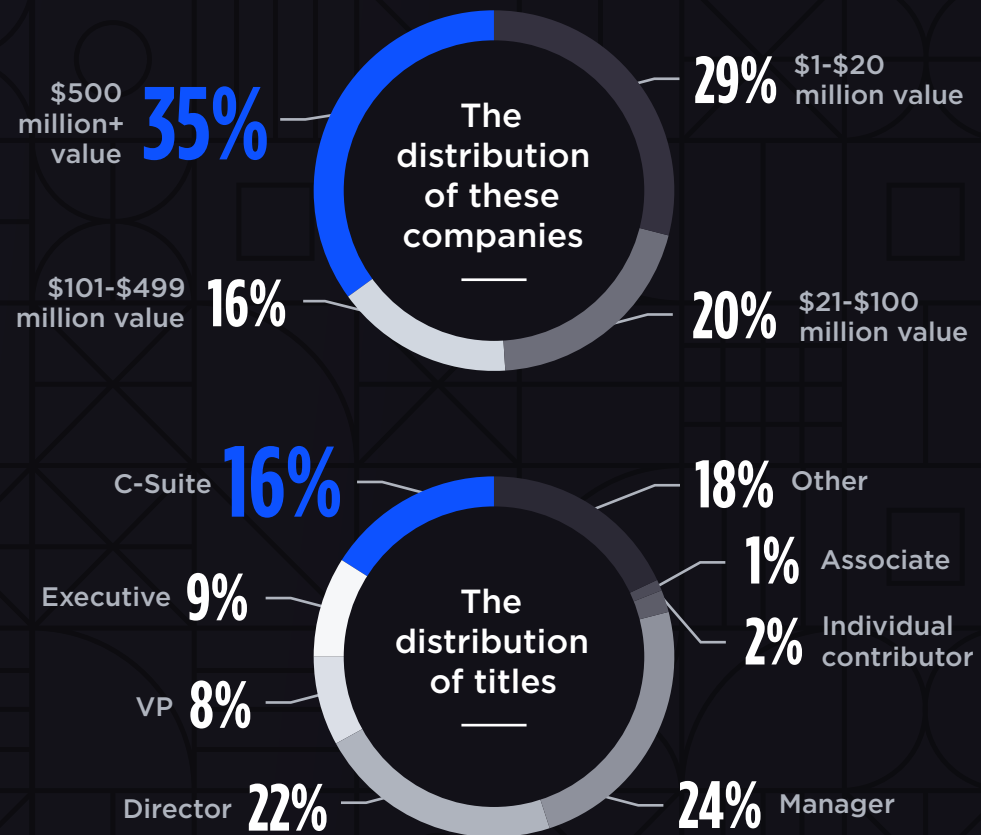
Shoppers want the logistics of their lives to be as simple as possible. A strong omnichannel strategy is sensitive to changing consumer behavior and puts the technology and operations in place to meet customers where they are — and where they want you to be.”

SHARON GEE, SR. DIRECTOR, GM OF
OMNICHANNEL, BIGCOMMERCE

About the Research

In June and July of 2020, BigCommerce partnered with Retail Dive's Brand Studio to conduct an online survey of 140 executives and marketing managers globally with a focus on the future of ecommerce.

Executives represent a wide range of ecommerce companies all with over \$1 million in 2019 Gross Merchandise Value.



Some retailers were not prepared for this level of digital transformation, still approaching ecommerce as a secondary channel. Others may have laid the groundwork for a strong ecommerce foundation, but weren't prepared to handle the sudden surge of interest.

In this playbook, we'll explore strategic investments in three areas that can help retailers recover from the effect of the pandemic and grow and thrive in the new ecommerce landscape.

COVID-19 Retailer Snapshot

The COVID-19 pandemic has had a positive impact on ecommerce.

Two out of three

ecommerce executives say that COVID-19 has had a very positive impact or a slightly positive impact on their businesses. **Fewer than one-third** report that COVID-19 has had a slightly negative or very negative impact on their businesses.

Website traffic, revenue and number of transactions are the three business metrics cited by most as having been positively impacted by the COVID-19 pandemic.

74% of executives saw positive impact in website traffic, **54%** in revenue, and **54%** in number of transactions.

Ecommerce executives believe that their ecommerce technology capabilities have prepared them to manage the circumstances of 2020 so far.

79% of executives say they were prepared or slightly prepared for the circumstances of 2020. **21%** feel they were not prepared.

SHIFTING PRIORITIES: THEN AND NOW



Ecommerce Retailers in 2019

Prior to COVID-19, the majority of executives were increasing investments in these two areas:

- **66%** Website experience
- **58%** Marketing and advertising

The next areas for increased investments in 2019 were:

- **49%** Internal operations (e.g., corporate infrastructure and efficiencies)
- **43%** Omnichannel selling
- **41%** Employee engagement
- **40%** Logistics and supply chain

Ecommerce Retailers in 2020

Going forward, the majority of executives say they will be increasing investments in these three areas:

- **67%** Website experience
- **53%** Marketing and advertising
- **51%** Logistics and supply chain

Other business areas that are most likely to see increased investments going forward will be:

- **46%** Omnichannel selling
- **43%** Customer service (e.g., returns policy)
- **41%** Inventory management
- **41%** Employee engagement

Ecommerce Retailers in 2019

Prior to COVID-19, areas cited least often as having increased investment in 2019 were:

- **36%** Third-party relationships
- **36%** Point of sale (POS) integrations
- **34%** Hiring (e.g., people, talent)
- **33%** Inventory management
- **31%** Buy online pickup in-store (BOPIS) or curbside
- **23%** Headless commerce (e.g., progressive web apps)

Ecommerce Retailers in 2020

Going forward, business areas least likely to be seeing increased investments will be:

- **39%** Internal operations (e.g., corporate infrastructure and efficiencies)
- **34%** Buy online pickup in-store (BOPIS) or curbside
- **32%** Point of sale (POS) integrations
- **31%** Hiring (e.g., people, talent)
- **29%** Third-party relationships
- **29%** Headless commerce (e.g., progressive web apps)

Executives most frequently reported hiring as the area having decreased investment in 2019 **(19%)** and moving forward **(26%)**. While marketing and advertising remains a top area of investment **(53%)** for a majority of executives in 2020 and future plans, it also saw a rise among executives as an area of decreasing investment in 2019 **(10%)** and moving forward **(20%)**.

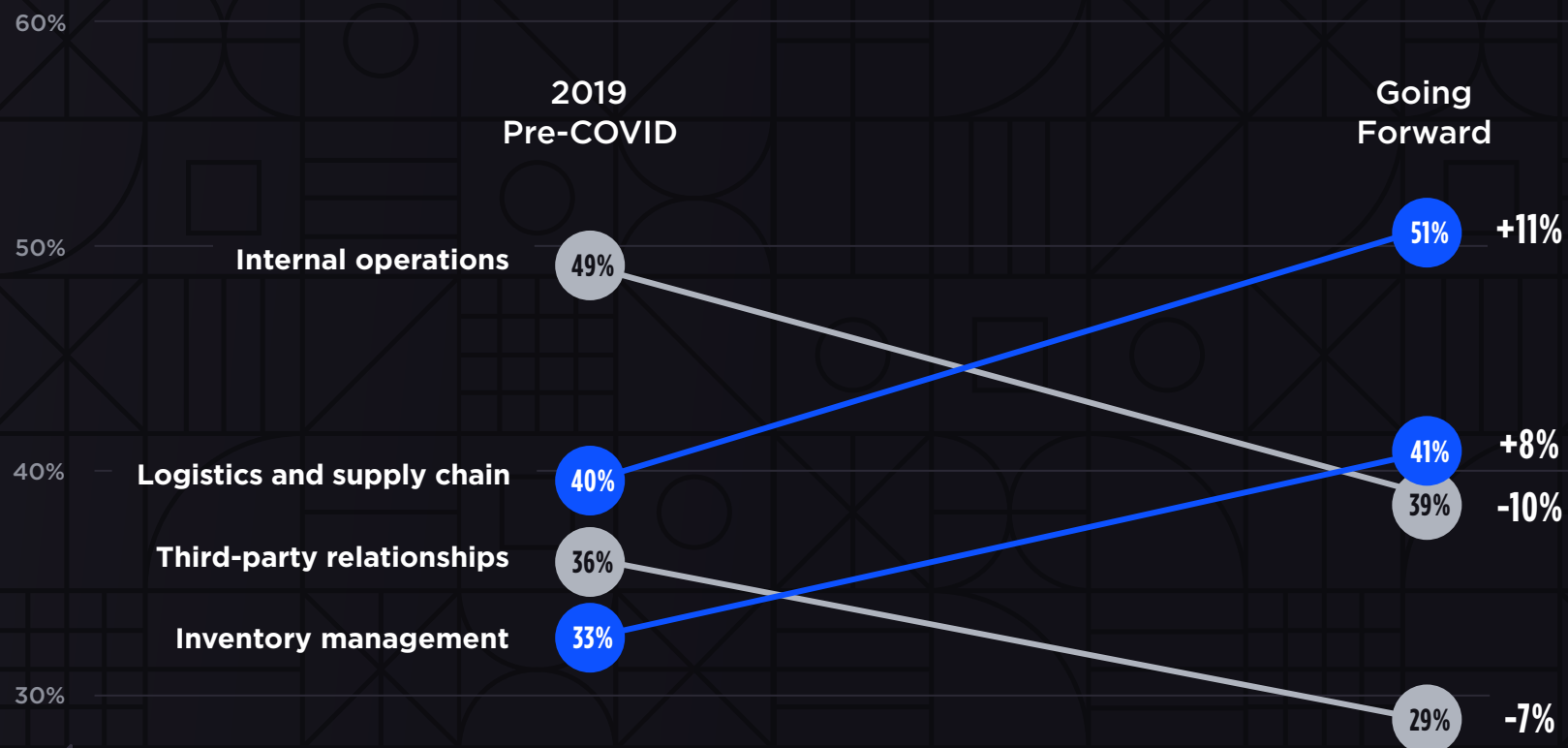


Areas of Investment

Compared to investments in 2019, there will be some shifts in how ecommerce professionals will be spending moving forward. More executives will be investing in logistics and supply chain (+11 percentage points) and

inventory management (+8). Fewer executives will be investing in internal operations (-10) and third-party relationships (-7).

Note: Because of the sample size, +/-7 was used to determine meaningful differences.





When asked about possible ecommerce changes as a result of COVID-19, there was executive consensus around investments such as:

- Migrating to a new platform
- Not migrating to a new platform/staying the course
- Discussing changes or tweaking current processes
- Freezing wages, streamlining headcount or other savings strategies
- Omnichannel
- New delivery modalities
- More social media use
- Changing in-store/online mix



MOVING FORWARD WITH WEBSITE EXPERIENCE

Among ecommerce executives, website traffic was the number one most positively impacted metric for retailers during COVID-19. In the context of increased traffic, it makes sense that website experience would continue to be an important priority for retailers that want to continue to develop customer relationships.

Website experience was reported to be the number one priority for ecommerce retailers in both 2019 and 2020. But in today's digital-first shopping environment, a retailer's website is no longer just a calling card or purely brand-building effort. It's a powerful vehicle for providing

a compelling customer experience, meeting demand and moving products.

"There are three fundamental parts of a retailer's value chain: capturing traffic effectively, converting prospects into buyers, and maximizing the post-purchase experience," says Russ Klein, Chief Commercial Officer at BigCommerce. "All three of these critical points of customer experience take place on or in relation to a retailer's online experience. As such, any investment in that experience should enable a retailer to sell or attract prospective buyers everywhere that those prospective buyers want to be."

As ecommerce retailers continue to explore website experience investments, here are a few considerations to take into account:

- **Monitor the marketplace.**

Retailers and brands typically have less control over the customer experience with products listed and fulfilled on marketplaces like Amazon, Walmart, eBay, etc. Retailers may need to plan for more oversight and investment in product packaging design and brand-building inserts to influence customer experience in these channels.

- **Replatform to capture efficiencies.**

For many ecommerce executives, the increased pressure on the website experience is the perfect opportunity to replatform. Moving from a high-touch legacy platform to a turnkey one can deliver a better website experience with less time and fewer resources on the retailer's behalf.

- **Carefully evaluate first impressions.**

As customers spend more time online, onsite presentation becomes more important. Retailers need to evaluate and optimize product images, video, copy, payment integrations and everything to do with the online customer experience to ensure they're making the best possible first impression.

- **Flexible and customizable technology is key.**

One of the most pressing concerns for founders and retail leaders is the need to be on top of all of the details of the technical side of their business. But the right technology is built on flexible solutions, such as APIs, which help retailers to update, customize, change and add apps and platforms as needed. This allows a retailer to keep the same core technology or platform and swap in and out features and apps as their needs change or their business grows.



Website traffic, revenue and number of transactions are the three business metrics cited by most as having been positively impacted by the COVID-19 pandemic.

These top-tier areas are seen as being very positively or slightly positively impacted by more than half of executives:

74%

WEBSITE TRAFFIC

56%

REVENUE

54%

OF TRANSACTIONS

In the middle tier of business metrics positively impacted by COVID-19 are:

49%

AVERAGE ORDER VALUE

45%

CUSTOMER RETENTION

44%

EMPLOYEE ENGAGEMENT

Business metrics least often reported as having been positively impacted by COVID-19 are:

28%

SPEED OF SHIPPING AND FULFILLMENT

21%

LOGISTICS AND SUPPLY CHAIN

19%

CART ABANDONMENT



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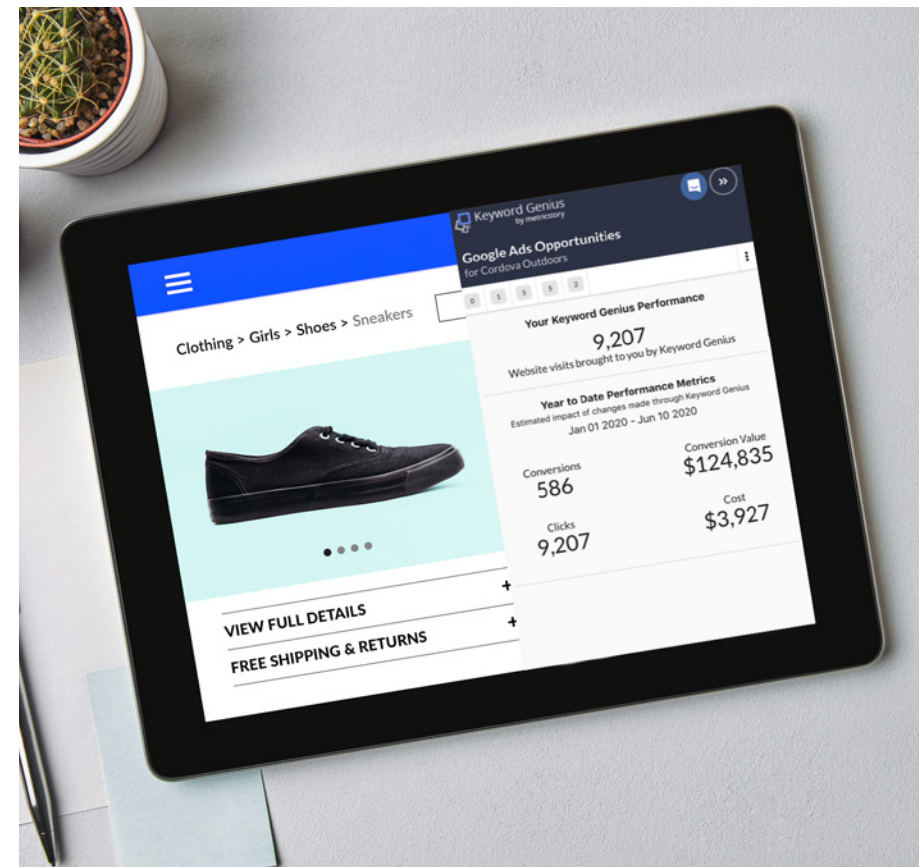
COVID-19 has forced everyone to operate at a much higher level of digital maturity, and some retailers were more prepared for that than others. To succeed today, retailers need to put a stake in the ground and define a unified channel strategy from a digital and physical perspective. That's the only way they'll be able to meet their customers' needs at scale and across channels.”

SHARON GEE, SR. DIRECTOR, GM OF OMNICHANNEL, BIGCOMMERCE

MOVING FORWARD WITH MARKETING AND ADVERTISING

As much as 70% of buyers adjusted or paused their advertising efforts as an initial reaction to COVID-19.⁴ But some retailers kept investing and quickly found that the cost for advertising on many platforms was going down while conversion rates were going up. For example, cost per click (CPC) Google Ads fell about 7% lower than average⁵ and Facebook cost-per-mille about 25-30% lower than average,⁶ while in some categories conversion rates increased 6-41%.⁵

“Many of the merchants who leaned into the lower cost of advertising and increased their budgets are seeing remarkable results, such as [Cordova Outdoors](#), who saw a 3,500% return on ad spend,” said Gee. “If you have the ability to invest and you can identify the opportunity, it makes sense to jump on those channels where you can draw a direct return on ad spend.”



Going forward, the business areas that will be seeing investment increases by a majority of ecommerce executives are:

67% WEBSITE EXPERIENCE

53% MARKETING AND ADVERTISING

51% LOGISTICS AND SUPPLY CHAIN

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We put a lot more investment in social media campaigns pointing toward our ecommerce product pages. Since most of our brick-and-mortar stores were closed, and many of our B2B customers did not have ecommerce platforms, we took a much more direct-to-consumer approach with our ecomm/online strategy.”

RETAIL EXECUTIVE



This provides useful context for the survey results, where executives rated marketing and advertising as the second most important priority following website experience. Based on this data, here are a few more considerations for retailers moving forward with strategic investments in marketing and advertising:

- **Hiring and partnerships on hold put pressure on other opportunities.**

Hiring was the least likely investment for retailers both in 2019 and 2020. With hiring deprioritized, there's more pressure than ever on the partnerships retailers use to optimize and grow traffic, revenue and transactions. And yet only 7% of retailers plan to invest in third-party relationships with providers. This creates a critical gap to be filled with initiatives like SEO and organic content to attract new customers, as well as optimizing the go-to-market (GTM) strategy to enable these areas.

- **Efficient growth strategies require experimentation.**

There's no one-size-fits-all secret to omnichannel growth with marketing and advertising — different strategies, platforms and marketplaces work differently for each category and brand. Rigorously testing and assessing marketing and advertising channels and optimizing spend for the best performing options is the best path forward, which has an added benefit of increasing risk mitigation for any new revenue channels that are added.





A lot of future-proofing is about ensuring your technology partner stack is best-in-class. Are your partners actively updating the tools you rely on, in a way that's flexible and proactive about what you might need in the future? You shouldn't have to solve every problem — your partners should be making the technical side of what you do as easy for you as possible. This is at the core of BigCommerce's Open SaaS philosophy."

SHARON GEE, SR. DIRECTOR, GM OF
OMNICHANNEL, BIGCOMMERCE

- **Opening sales channels is a top priority.**

Retailers that funnel all sales into their website or a handful of store partners are missing out on revenue, not to mention increasing risk of potential blockages due to logistics and fulfillment obstacles a retailer may not have oversight into. Retailers must analyze the audience and open new sales channels to enable selling everywhere customers want to be.

- **Ecommerce technology can take on some of the work.**

Advanced ecommerce platforms can take on some of the work of marketing and advertising a brand, such as solutions with creative automation. Retailers can pull product data out of the platform to create automated ad creative based on the imagery and copy already on the site and push it directly into advertising platforms like Instagram, Facebook and more. Then retailers can build on this type of creative with more advanced personalization, giving potential customers a unique and on-brand experience.



MOVING FORWARD WITH LOGISTICS AND FULFILLMENT

The 146% year-over-year increase in ecommerce orders³ put unprecedented pressure on retailers' supply chain, logistics and fulfillment operations. It's no wonder that many product categories saw an increase in outages, and transit delays for major carriers.⁷

But much like the COVID-19 pandemic had an impact on customer behavior, the impact of logistics and fulfillment challenges goes deeper. It's not just about the delayed packages—it's about damage to the customer experience.

"Most people see logistics and fulfillment as the technical side of ecommerce, but it's actually another extension of the customer experience," said

Matt Crawford, General Manager of Shipping at BigCommerce. "When a customer makes a purchase and doesn't have a good experience — when they don't see a lot of delivery options, aren't sure when the product will arrive, and don't hear from the brand afterwards — the relationship feels like it ended there. It doesn't leave a customer with a lot of desire to go back and have another experience there."

"The real goal of logistics and fulfillment technology is to get logistics and fulfillment out of the way," continued Crawford. "To make that part of the process seamless for both the retailer and the customer so that there's no obstacle to building a valuable lifelong relationship."

Retailers looking to make strategic investments in logistics and fulfillment might consider some or all of the following:

- **Test your fulfillment experience.**

One of the simplest ways for retailers to assess the post-purchase customer experience is to make a test purchase and see how it compares to the ideal customer experience. Retailers need to spend some time on their storefront, buy their own products and ask themselves if the experience would inspire them to return to the brand.

- **Clarify contingency planning.**

The COVID-19 pandemic has made any gaps in risk management clear. For many retailers, this should inspire changes in contingency planning such as establishing variable purchase orders with suppliers, developing more nuanced crisis planning, and making choices that can offer a little more flexibility in fulfillment and variable distribution costs, such as 3PL vendors.

- **Update forecasting methods.**

Before COVID-19, merchandise forecasting was based heavily on year-over-year metrics. But retailers can no longer place orders with their manufacturers based on what was popular six months ago. Both in volume and in product selection, consumer demand is shifting too quickly. Retailers need to update their forecasting methods to build a more flexible, responsive approach to inventory management and product sourcing.



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The technology gaps resulting from COVID-19 don't involve traditional problems like a retailer's website going down. Today's problems are more about whether or not retailers have processes in place that can meet the needs of a sudden influx of customers. COVID-19 revealed opportunities to streamline and improve the supply chain and shipping and logistics, and retailers must move quickly to address those gaps to remain competitive.”

**MATT CRAWFORD, GENERAL MANAGER
OF SHIPPING AT BIGCOMMERCE**



CHARTING A NEW PATH FORWARD

While COVID-19 has had an enormous impact on the way retailers look at their sales channels, the goal of online and offline commerce remains the same: serve the best possible product to as many customers as possible, and make sure they have an extraordinary experience in the process.

The pandemic has not introduced any new themes into the ecommerce space; it simply accelerated the timeline of consumer demand and highlighted gaps and oversights in many retailers' ecommerce operations. Retailers today must ask themselves if they're making investments that support the best possible performance of their website experience, marketing and advertising, and logistics and fulfillment — and, if not, bravely change course to chart this new path forward.



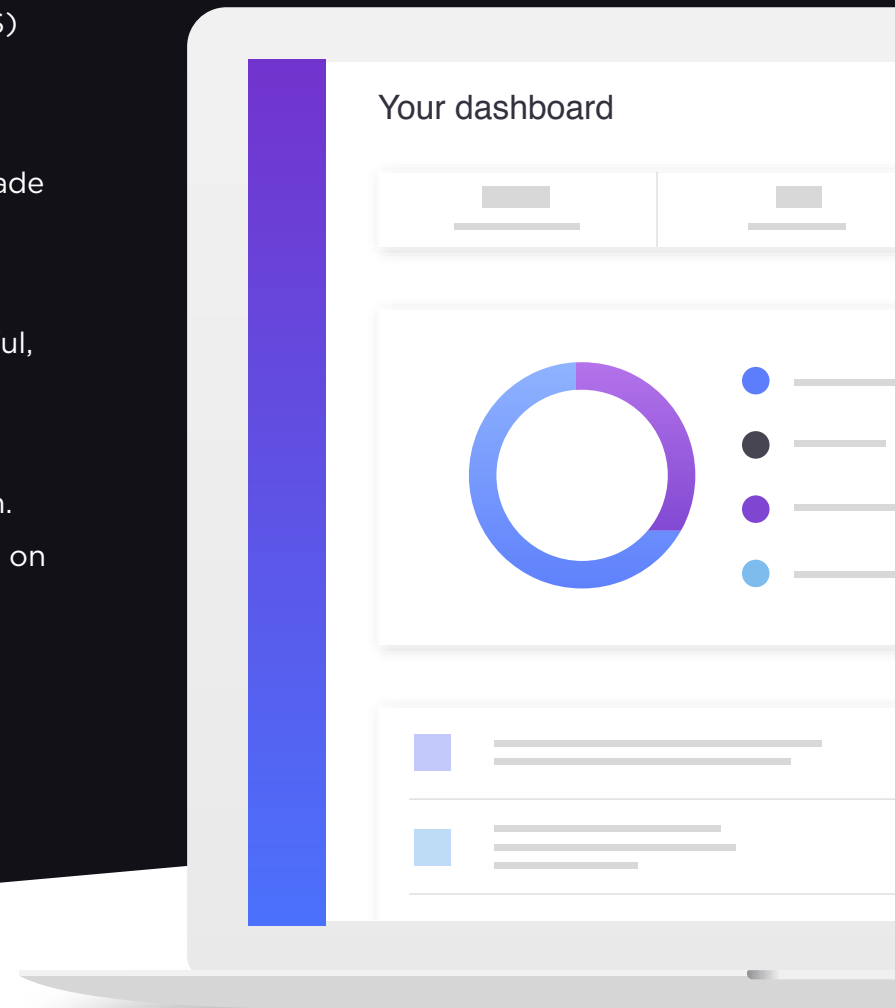
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