The Growth of E-Commerce, Disruptive Technologies and Marketers’ Conversational Strategy

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Abstract

There are significant options for retailers if they are wishing a position of advantage while considering consumers’ ongoing shifts in their purchasing and consumption patterns, and raising including their better mobile-first experience. It is very important to implement an effective always on conversational commerce strategy, and to consider the hybrid AI shopper journey, e-commerce growth driven by the digital evolution, and the stages on a valuable e-commerce maturity spectrum. Without doubt, e-commerce sales are supported by the forward-thinking consumer-product companies, which need to also take into account the increased uncertainty around shopper behavior putting more pressure on retail category managers. There is also no doubt that e-commerce is both necessity, and viability, being imperative to consider the impact of the implicit capabilities behind e-commerce on change, and to make the effort to build the organization of the future, a data organization.

Keywords: E-Commerce; Disruptive Technologies; Marketers’ Conversational Strategy; Hybrid AI shopper journey; Omni channel; Data organization

JEL Classification: D83; L21; M21; M31; M37; O31; O33

Retailers’ options if they are wishing a position of advantage while considering consumers’ ongoing shifts in their purchasing and consumption patterns, and raising including their better mobile-first experience

In our latest RDC Magazine issue we showed how e-commerce has accelerated growth and adoption within the context of the current pandemic, retailers needing to challenge their imagination while investing in the future of retail, taking into account digital consumers’ increased expectations, and the synergy between e-commerce and e-marketplaces, mobile/app commerce, and social media marketing, getting the maximum advantage from new digital technology (Purcarea, 2021). Very new research from McKinsey revealed the competitive advantage of the retailers with tech-forward business models (already before the new coronavirus crisis), the huge shift of value to online been now obvious (in USA, more than 80% of all value created in retail have been generated by only 5 retailers in McKinsey retail index, nearly 60% of those gains being ensured by Amazon alone; 98% of gains in retail market capitalization in China have been generated by only four players), and the so-called Super 25 retailers (without including Amazon whose valuation multiples are beyond those of traditional retailers, being comparable with those of technologies companies) being classified into four categories (home-economy players, value retailers, online specialists, and platform players), and being expected ongoing shifts (influenced consumers' gained value from adopting the new channels or behaviors, consumers' enjoyable experiences, and consumers' material investments involved by the adoption of new ways of consuming) in purchasing and consumption patterns. In the opinion of McKinsey' s representatives retailers' options are clear if they are wishing a position of advantage: assuming the challenge of the great acceleration, preparing to compete with plentifully capitalized mega platforms (considering the fact that platform players, from Walmart and Home Depot to Alibaba and JD.com, are not only expanding their offerings, but also deepening relationships with both consumers, and businesses, obviously changing this way the retail's competitive landscape), starting dealing with channels, rethinking portfolios in accordance with the performance appraisal and measurement, fundamentally changing the direction of a business if a wind blowing from behind can move growth, and taking full advantage of the opportunities whenever and wherever they present themselves (Bradley, et al., 2021).

As more technologies and channels were emerging for shoppers to engage with retailers, consumer behavior was constantly evolving, consumers' adoption of digital channels increasing and revealing the coincidence with the growth of e-commerce, and services like BOPIS (Buy Online, Pickup in Store), curbside pickup (an order online order placed online and driving then to the store to pick it up), ship from store or Last Mile Delivery (delivering items to the to the doorstep of the end-customer as fast as possible) , and BORIS (Buy Online, Return In-Store) addressing convenience and customer experience (CX) helped by enhanced data analytics (the increasingly used AI-powered data analytics systems allowing both managing all of data, and extracting useful insights from it so as to optimize omnichannel programs) confirming the acceleration of the omnichannel shopping behavior during the COVID-19 pandemic (Zebra, 2021). In the same time, retailers must pay attention to consumers continuously seeking of not only convenient, but also frictionless, contactless and personalized shopping experiences, and also to raise consumers' mobile experience considering the increasing online traffic coming via mobile and apps, connecting with them at each stage of their lifecycle, and, for instance, ensuring consumers' engagement and education with convenient and connected cross-channel journeys, showing them (and keeping on showing at every touchpoint) the value, and sending them the right messages so as to build the right relations with them (Airship, 2021).

Implementing an effective always on conversational commerce strategy. The hybrid AI shopper journey. E-commerce growth driven by the digital evolution, and the stages on a valuable e-commerce maturity spectrum

An InMoment White Paper (2021) brought to our attention the importance of better learning from customers' journeys (motivations for purchasing, consideration process, emotions, way of arrival at the point of purchasing, valorizing of course the customer feedback), the customers' broad perspective (channel experiences, product experiences, marketing communications, moments of truth etc.) driving a fundamental part of building customer loyalty, by predicting customers' concerns and behaviors (going beyond only identifying silent customers who may be dissatisfied or upset) and achieving dynamic offers and personalized incentives. In their opinion (taking the example of the well-known "You may also like" recommendations pioneered by e-commerce giant Amazon), there is a great opportunity to manage to predict and proactively meet the needs of an organization's customers. And in order to listen and understand their customers' needs every organization (either its goal is focused on cross-sell, upsell, retention, or acquisition opportunities), must have not only its proper systems, data, and human expertise, but also the data and its findings to transform customer experiences (CX), as well as both processes, and greater strategies enabling organization to make the necessary changes for present and future customers.

According to Q2 2021 CPC Report from Pacvue (based on data sourced from Pacvue's proprietary Amazon keyword tracking database), in response to the increase in eCommerce spending in U.S. the most brands increase their investment in Amazon advertising, advertisers continuing to move budgets into Amazon advertising (Pacvue, 2021).

As argued by Spectrm (2021), consumers can be engaged and converted 24/7 both on their preferred channels, and at their preferred time) with the help of the ecommerce marketing bots which offer the opportunity not only to personalize one to one messaging with consumers at scale, but also in real time, this conversational marketing (as a feedback-driven process) enables marketers to identify consumers' needs, wants and desires, taking into account their expectations of having personalized, instant and effortless online shopping experiences, as shown in the figure below:

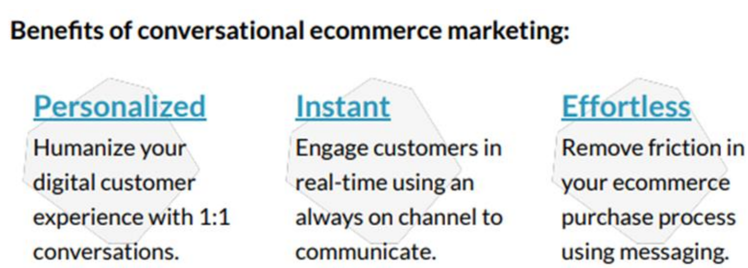

Figure no. 1: Benefits of conversational ecommerce marketing

Source: Spectrm, 2021. The D2C Conversational Marketing Playbook For Ecommerce. [pdf] Spectrm, eCOMMERCE BEST PRACTICES, p. 4 (work cited)

Spectrm’s expertise and inspiration made possible the necessary clarifications with regard to the involvement of different parts of a ecommerce marketing technology stack at each customer journey’s steps, by coining the so-called A-B-C framework, which defines chatbot marketing components (as shown in the figure below), allowing to create and implement on this basis an effective always on conversational commerce strategy. The full funnel solution offered this way by the ecommerce marketing bots (so as to capture all kinds of customer insights based on declared data) ensures the desired customers’ engagement and conversion, valorizing new messaging channels and opportunities, and continuously optimizing the high-performance bots.

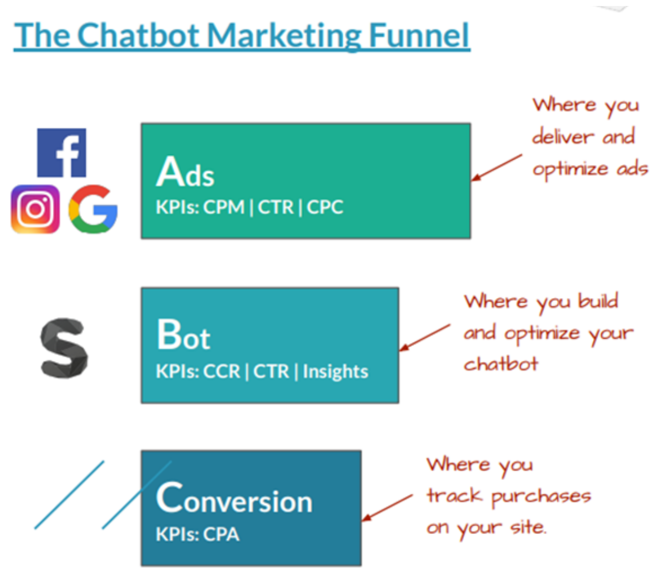

Figure no. 2: The Chatbot Marketing Funnel
Source: Spectrm, 2021. The D2C Conversational Marketing Playbook For Ecommerce. [pdf] Spectrm, eCOMMERCE BEST PRACTICES, p. 5 (work cited)

A McKinsey’s executive editor in the New York office Monica Toriello, underlined (on the occasion of a conversation with McKinsey partners Bryan Hancock (the global leader of McKinsey’s work on talent) and Ashish Kothari about the future of work) that: *“Technology is, of course, a huge factor affecting the future of work: e-commerce and digital channels, contactless solutions, automation and robotics in both stores and warehouses—all of these are having and will continue to have a major impact on what work looks like in the consumer sector”*(Hancock, Kothari and Toriello, 2021). According to Rethink Retail (2021), there is a continuous move in directions like (not only) *increased remote work*, (but also) *online shopping and food delivery*, and *the accelerated movement toward reducing direct personal contact*. They highlighted the example of AiFi, the leader in autonomous stores (by using artificial intelligence software and other emerging technologies these autonomous stores can run almost independently), that is able to compete with the e-commerce giant which introduced in 2018 the first truly large-scale automated store Amazon Go (and it has already an advantage over

Amazon, AiFi has launched in the U.S. the largest camera-only store as opposed to sensor fusion combining cameras with weighted shelves still used by Amazon Go, as the original design of autonomous shopping). They also showed that: AiFi's Co-founder and CEO argued that the next step to revolutionize the market will be AI commerce (see the hybrid AI shopper journey in the figure below); OASIS, the AiFi's platform, can be customized to fit all sizes, either an international giant or an aspiring to growth modest mid-sized store.

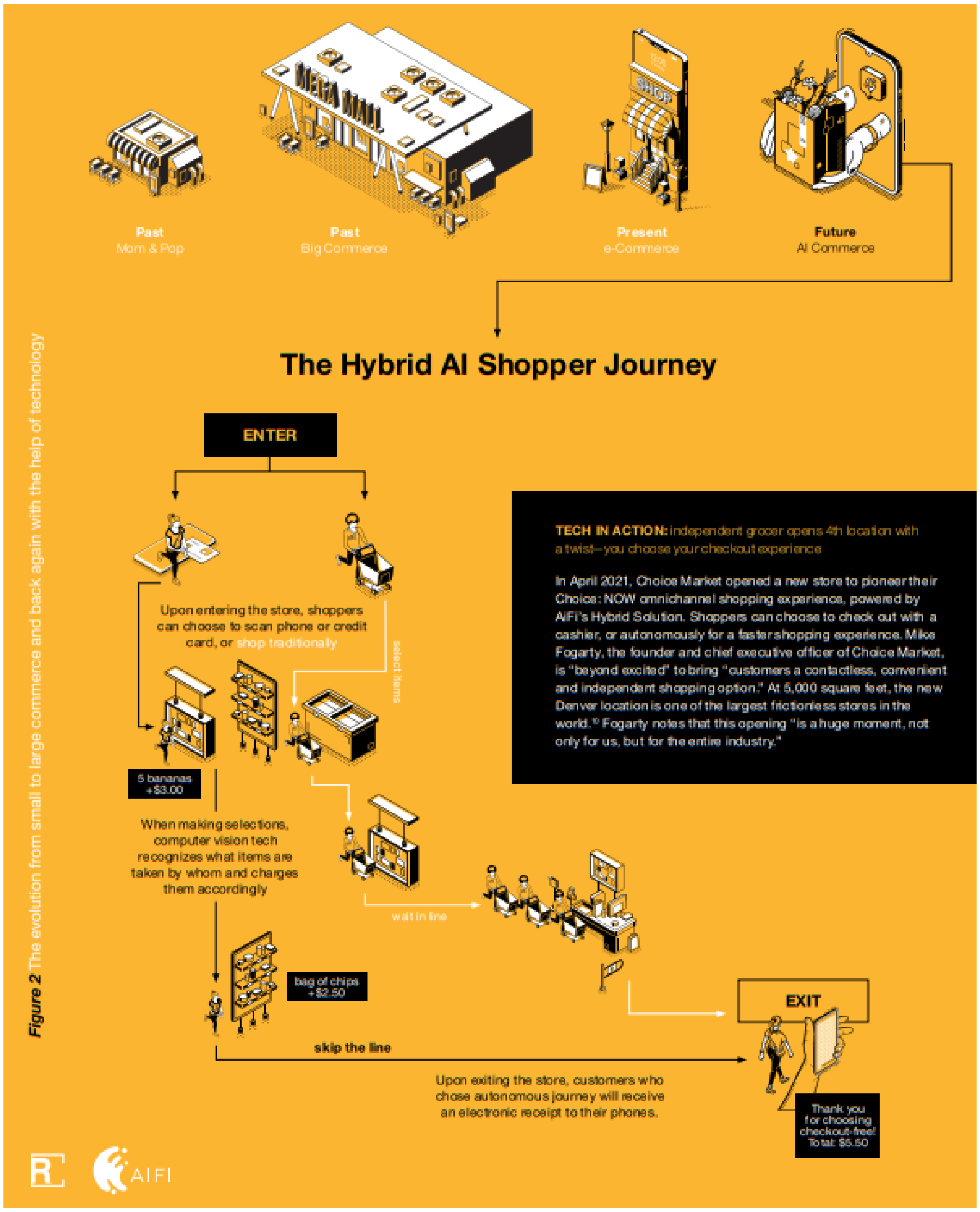

Figure no. 3: The Hybrid AI Shopper Journey
Source: Rethink Retail, 2021. Rethinking Grocery: Why Smart Grocers Are "Checking Out" Autonomous Stores. [pdf] Rethink Retail, p. 6 (work cited)

Allow us to remember within this context that:

• At the beginning of this year, during the presentations on the occasion of the US National Retail Federation's 2021 virtual-only show (where the most presentations approached marketing technology and the future of retail after COVID-19) many of the talks had as topics of main interest digital transformation, personalized CX, and using customers' data to understand what they want and how they want to buy it (Treasure Data, 2021). It is also interesting to note that within this framework it was discussed (by Nicole Leinbach Reyhle, the Founder of RetailMinded, and Treasure Data's Thomas Kurian), for instance, the rise of call centers as a critical selling channel (retailers' solutions to close sales without physical contact, by giving the associate call centers full customer profiles and personalized recommendations, as shown by Kurian) due to the COVID-19 pandemic;

• As Nielsen already in February this year showed (NielsenIQ, 2021), the COVID-19 pandemic made possible the transformation of digital transitions into digital revolutions across industries, in the case of CPG industry: disruption's magnitude being *"unlike anything since perhaps the birth of category management"*; this industry being placed on top of a digital critical point by the quick growth of online commerce; companies making an effort to optimize their customers' digital experience, spending in this regard a lot of money into new technologies (becoming fundamental expectations and increasing digital transformation), assets, and personnel. According to Nielsen, e-commerce growth is driven by the digital evolution, being identified five stages on a valuable *e-commerce maturity spectrum* (Brochureware, Single-party selling, Multichannel, Omnichannel, Headless), and merchants, brands, and markets being categorized into these above-mentioned stages.

E-commerce sales supported by the forward-thinking consumer-product companies. The increased uncertainty around shopper behavior putting more pressure on retail category managers

There is no doubt about businesses' need of being truly consumer centric, and shifting under this significant pressure to the new normal today which is omnichannel (whose end-to-end planning is requiring changes to forecasting, inventory, and information flow), what involves forcing consumer-product companies to rethink their supply chain ecosystem (Graf et al., 2021). As revealed by McKinsey' representatives the stores are being used by the forward-thinking consumer-product companies not only to reinforce their brands' positioning, but also both educate consumers on product offerings, and support e-commerce sales. This kind of approach take into account different aspects such as: companies' supply chain ecosystem should be an end-to-end collaboration (which involves all stakeholders, from suppliers to consumers); information must be shared along the entire value chain (all network assets and capabilities being fully valorized) so as companies to be able to deliver on ever-changing consumer requirements; key enablers of an omnichannel supply chain are technology and effective data-and-analytics strategies which incorporate the right partners; a starting point for the consumer-product companies' omnichannel transformation presupposes a structured maturity assessment on the building blocks (shown in the figure below) which combine best practices with digital innovation.

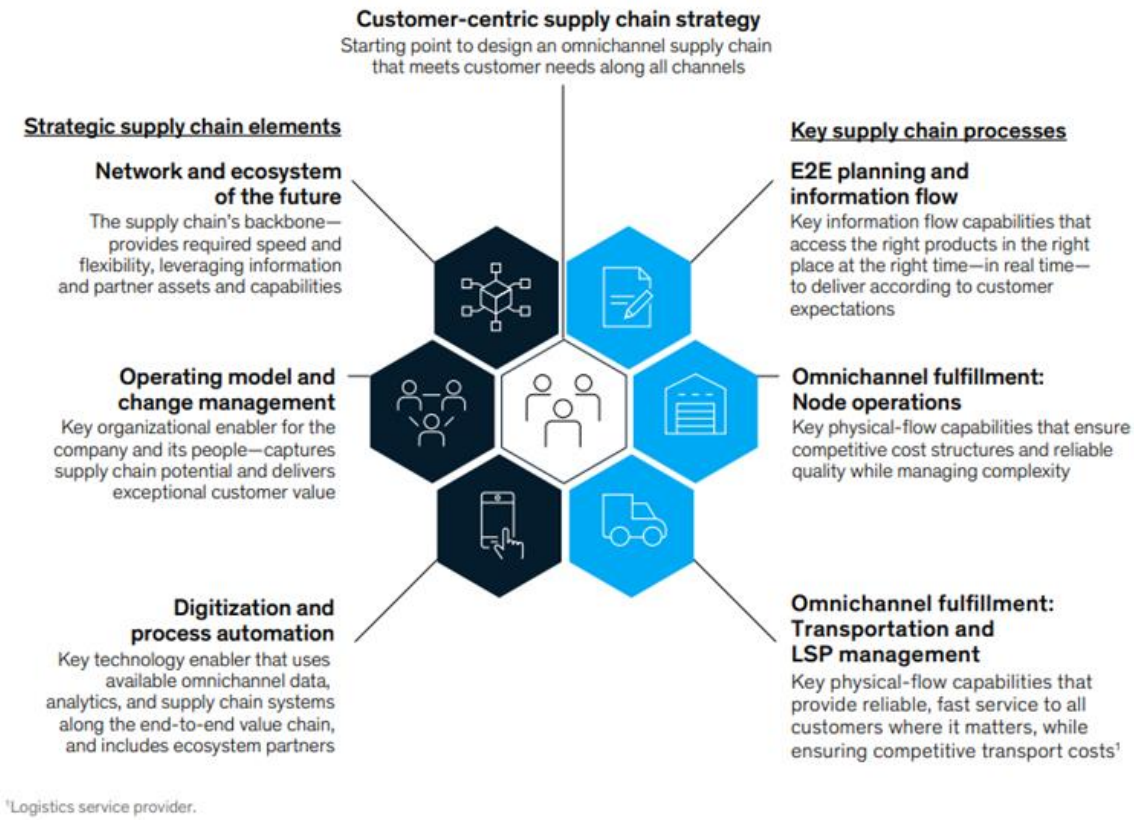

Figure no. 4: The seven key building blocks of future omnichannel supply chains combine best practices with digital innovation
Source: Graf, C., Lange, T., Seyfert, A. and Van der Wijden, Noortje., 2021. Into the fast lane: How to master the omnichannel supply chain. [pdf] McKinsey & Company, Consumer & Retail Practice, July, p. 3 (work cited)

It is worth mentioning here that as argued by a Coresight Research report (2021), a critical role in determining the long-term success of grocery retailers and Consumer Packaged Goods (CPG) companies will be played by shopper-centricity, being imperative for these companies to remain fully informed about how their products perform across stores by rapidly adapting to changing consumer habits, and avoid this way risk losing their category share to more digitally adept competitors, taking into account, of course, the impact of COVID-19 pandemic on both the increased uncertainty around shopper behavior (putting more pressure on retail category managers), and the increased need of having flexible and responsive supply chains. They expressed within this framework their belief in the dependence of: the success in category management not just on advanced technologies but on their effective usage; the future of retail category management on technology, data and analytics (see the figure below).

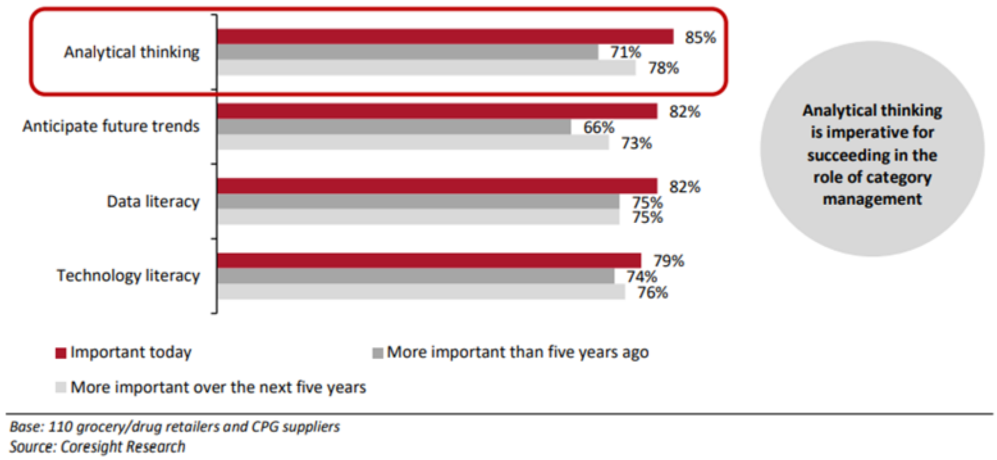

Figure no. 5: Skills for Succeeding in Retail Category Management: Level of Importance Today, Perceived Change in Importance over the Past Five Years and Expected Change in Importance over the Next Five Years (% of Respondents)
Source: Coresight Research, 2021. The Age of Precision Category Management: Hyper-Localized Assortment Optimization Using Advanced Technologies. [pdf] Coresight Research Report, p. 7 (work cited)

This new Coresight Research report also underlined that a pre-requisite for good retailer-supplier (n CPG companies) collaboration is represented by the speed in decision-making, better understanding the importance of delivering optimal customer experience. The report is recommending HIVERY, as a provider of AI-driven solutions for optimizing category management processes (like rapid category simulation, assortment planning, promotion, pricing, space planning and planogram generation), HIVERY's solutions' benefits extending to both retailers and CPG companies. An analysis of the HIVERY's market positioning, current opportunities in the market, its key growth drivers and unique attributes, has been made by Coresight Research (see the figure below: HIVERY: Competitive Advantage Matrix).

Positioning	Opportunities
• HIVERY allows retailers and CPG companies to ensure shopper-centricity and build extremely responsive supply chains to meet dynamic shopper demand. • With HIVERY's solutions, retailers can fully optimize limited shelf space and ensure they capture incremental revenue opportunities across stores.	• Retailers testing new small-format stores (e.g., Walmart Neighborhood Market) has increased the importance of localization in assortment planning. • Retailers and CPG companies can test new product innovation: HIVERY allows its users to understand where—retailer or store—products would be most successful or generate the most in incremental sales.

Growth Drivers	Unique Attributes
• An increased focus on enhancing the shopper experience is expected to fuel demand for AI-based category management solutions. • Almost eight in 10 grocery/drug retailers and CPG suppliers believe that product availability will grow the most in importance among all other skills for succeeding in category management, according to a recent Coresight Research survey.	• HIVERY's software does not require any installation and can generate assortment and planogram updates in minutes. • HIVERY's highly flexible simulation method allows retailers and CPG companies to test multiple scenarios before implementation.

Source: Coresight Research

Figure no. 6: HIVERY: Competitive Advantage Matrix
Source: Coresight Research, 2021. The Age of Precision Category Management: Hyper-Localized Assortment Optimization Using Advanced Technologies. [pdf] Coresight Research Report, p. 14 (work cited)

Conclusions: ***E-commerce, necessity and viability. The impact of the implicit capabilities behind e-commerce on change. Building the organization of the future, a data organization***

In our latest RDC Magazine issue we also showed: how e-commerce is getting the maximum advantage from new digital technology, making also reference to both CPG companies' turning movement to DTC, and to retail's digital critical point; with regard to Romania, how research findings from Statista (being cited as source: GPeC; eMAG; ID 1129945; Conducted by: eMAG; GPeC; Survey period: 2018 to 2020; Published by: GPeC; Publication date: February 2021) revealed that on the eMAG marketplace platform (ranked as the third most popular store for FMCG products in Romania, after Carrefour and Kaufland, in October 2020) there were over 23 thousand online sellers last year.

A recent analysis by Nielsen (2021), entitled *"Europe's next step in e-commerce growth"*, revealed: Europe's entering an e-commerce (which was always destined to transform retail) period that is just beginning, accelerated by the COVID-19 pandemic; the necessity and viability of e-commerce proved by the year 2020 (beyond the digital access expansion and business models' testing in the past years), one hand, and its chances to grow significantly (particularly in food); retailers' and manufacturers' ways to prepare for the next phase of e-commerce growth, better understanding both the playing field, and e-commerce maturity stage (and how to engage in the pursuit of the next level), making the omnichannel experience simpler and more effective to win both online and offline, fighting for shoppers' attention (and increasing sales and loyalty), and last mile fulfillment frenzy (within customers' growing expectation for convenience and fast delivery).

According to eMarketer, the top five 5 countries, ranked by retail ecommerce sales growth (see the figure below), is this year as follows: India, 27.0%; Brazil, 26.8%; Russia, 26.1%; Argentina, 26.0, and Mexico, 21.1% (Ceurvels, 2021). Latin America will continue to be in 2021 the number one world's fastest-growing regional retail ecommerce market (25.6%), but next year the Middle East and Africa will be ranked as No. 1.

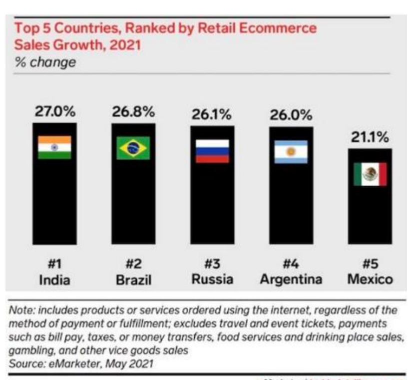

Figure no. 7: Top 5 Countries, Ranked by Retail Ecommerce Sales Growth, 2021
Source: Coresight Research, 2021. The Age of Precision Category Management: Hyper-Localized Assortment Optimization Using Advanced Technologies. [pdf] Coresight Research Report, p. 14 (work cited)

Bryan Pearson (2021), an internationally recognized expert, author and speaker on customer loyalty and marketing, stated: *"Retailers thought digital shopping would forever alter consumer behavior, but actually, it's the implicit capabilities behind e-commerce that are feeding more widespread, and potentially daunting, change. The power of shared information from everyday consumers via social media, the ability to buy with digital money, the resulting awareness of how our data is being used – these offspring of digital commerce are now encircling it, reshaping it and requiring fluid change"* (Pearson, 2021). Pearson highlighted five gradually developing trends (all of them are being the result of by technology made possible events): "*Innovation Will Deliver These Predicted Trends*; *More retail rewards programs will switch from points to cryptocurrency*; *Fragmentation is generating a new influencer industry*; *A new network effect will take effect* ("Virtual data sharing" or McKinsey's "data ecosystems"); *Social responsibility is growing on par with price, product and people*". We have referred in part to these trends in our last RDCM issues.

The above-mentioned McKinsey's executive editor in the New York office Monica Toriello had another conversation (on the occasion of an episode of the McKinsey on Consumer and Retail podcast), this time (June 2021) with John Straw (seen as a "technonomist", a technologist and economist), a senior adviser to McKinsey based in London, and about how technology will revolutionize retail (Straw and Toriello, 2021). From the very beginning, the edited transcript of their conversation underlined the following aspects: *"The retailer of the future will harness the power of data, quantum computing, artificial intelligence, and augmented reality, says serial entrepreneur and technology expert John Straw"*. And it ends as follows: *"... I am expecting* (John Straw) *to have a smart bot that is very reactive and that can triage what my problem is. The technology is there. A lot of organizations struggle with it because they don't have the data for the machine-learning algorithms to learn from… So it comes back to that data-compatibility issue all over again… Because data is going to become product. Data turns into product. And I've seen so many organizations that think they've got great amounts of data and then realize they can't format that data and extract it to put it into a data lake where it becomes usable. For me, that's where investment should be going right now. Because then you're building the organization of the future, which is a data organization"*. **Do you have a strong argument to change this Expert's Point of View?**

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