WHITEPAPER

Five pitfalls that make leading enterprise e-commerce want to replatform

A white paper to discuss the common pitalls leading enterprise e-commerce projects to replatform with real-life use cases.

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Introduction

Over twenty years ago, the first e-commerce site was launched. Since then, both technology and customer expectations have evolved dramatically. Digital commerce is no longer just a matter for the retail industry, but is now critical for any business-to-business success. In fact, every industry is investing in digital commerce to improve customer engagement, self-service capabilities, and loyalty. This surge in demand has led to an increase in digital commerce technology options and solution providers. And that leads to the challenge of how to select the right solution for your business and avoid the five most common pitfalls associated with this process.

Choosing a licensing model based only on current needs

Enterprises embarking on an e-commerce journey tend to choose a revenue sharing licensing model based on their current requirements. They often fail to consider future growth into new channels. At the start, only the implementation costs are considered in the licensing agreement. These costs are fairly straightforward and therefore easy to manage, unlike ongoing costs. When enterprises overlook ongoing costs, it results in an unsustainable revenue model. When this happens with their revenue sharing licensing model, there is no other option than to replatform.

Micro-Case: Inflexible revenue sharing licensing model

A large book seller provides services both in the B2B and B2C space. They want to improve their B2C user experience by building a digital commerce site. The company signs an e-commerce platform with a revenue sharing licensing model that satisfies their B2C requirements. When the B2C site is showing success, they decide to digitize their B2B channel as well. This requires creating an additional site on their platform.

However, the terms of the licensing agreement are not designed for the B2B reality. This makes the license too expensive considering the higher average order value in the B2B sector. Rounds of negotiation to amend the license are unfruitful. Eventually, the book seller has to switch to another vendor's software. Only through replatforming are they able to support both channels in a single platform.

Learnings

- Have a clear go-to-market strategy. Create a concrete plan for your digital commerce before choosing an e-commerce platform vendor.
- Assess business models. Consider the implications of different business models when negotiating the terms of the revenue sharing model.
- Ensure flexibility. Secure a flexible re-negotiation clause so you will not be constrained when it comes to necessary future amendments.

Building costly foundation before proofing the concept

Many enterprises pay much attention to infrastructure. They make heavy investments, believing that bigger – and more expensive – infrastructure leads to better outcomes. Except, this doesn't always happen.

Solid infrastructure is indeed critical to the success of an e-commerce project. But investing heavily in building a costly infrastructure isn't always a practical approach. Enterprises must consider how the industry changes. Without futureproofing, these investments result in required replatforming and heavy financial losses instead of success.

Micro-case: A manufacturer's costly mistake

A multinational machinery and equipment parts manufacturer wants to grow their market shares within key accounts across specific macro-regions. They decide to present themselves as an innovative and agile partner. To meet this goal, they invest heavily in their digital transformation. Aside from building a digital commerce site, they invest in expensive infrastructure to boost their digital services. For this, they have to hire additional IT staff and incur more expenses.

Soon after, the company undergoes a leadership turnover. The new leadership's vision is built around creating a digital ecosystem. This requires complex integrations across various technology vendors. Unfortunately, the current platform being developed is not designed for this, so they abandon it. The manufacturer has to start from scratch and completely replatform.

Learnings

- Test quickly. Focus on delivering value within the first three months. Roll out features right away to receive market feedback and user adoption rather than making sure everything is perfect.
- Start small. Proof the concept of any given initiative in a micro-region before rolling out to other regions.
- Platform flexibility makes it possible to mitigate risks by running a sequence of small projects. A customizable and extensible platform makes it possible to start implementation with small projects, that are focused on adding new functions, processes, regions and then continue by step-by-step extension of the solution with fast release cycles.

" The way a solution is implemented impacts its longevity, stability, and performance. An implementation partner must provide agile solutions to address the changes that challenge long-term strategies."

Choosing the wrong implementation partner

The right implementation partner is crucial for any e-commerce project. The way a solution is implemented impacts its longevity, stability, and performance. An implementation partner must provide agile solutions to address the changes that go with long-term strategies.

Businesses that are new to e-commerce tend to choose the wrong partner. This happens when they make their choice based on costs and not on performance. While some providers offer services at incredibly low prices, they do not always provide quality services.

Micro-case: Lower costs turn to substantial expenses

A food and beverage distributor enters a highly competitive but relatively bigger market. Here, competitors are rushing towards digital transformation. To penetrate the market, the distributor needs to boost their digital presence. Digital commerce is a new concept to them so they do not want to invest a huge amount in it. To minimize costs, they opt to work with a software solution startup that offers lower rates.

A few years after, the e-commerce landscape evolves. Creating omnichannel experiences becomes essential for business success. However, the distributor is unable to expand their existing platform because it is not crafted for e-commerce cases at all. The digital agencies they signed up with lack the experience and the expertise to evaluate the needs of e-commerce businesses. As a result, they provided the wrong platform to the distributor. Consequently, this affects their competitive advantage and renders their initial investment in a software solution useless. Eventually, they have to replatform to get back to business. They end up investing even more than they would have to, had they chosen a proven agency initially.

Learnings

- Assess your team. Have a detailed understanding of the capabilities and advantages you already have within your team. Search for the ones you need among implementation partners to empower your teams.
- Build a trusted and mutual beneficial relationship with your implementation partners. Define responsibilities for your staff: at the one hand assign staff who tracks and negotiates with potential partners and at the other hand define a team dedicated to manage the chosen partners and follow-up on the deliverables.
- Choose a partner that will deliver a (open source) platform that is also supported by a number of other implementation parties. If you enhance your digital capacity by relying on open source software, these can be customized to your needs whenever you want to and you are not dependent on the partner that originally created it.

Neglecting scalability

E-commerce has an infinite number of emerging touchpoints. It is no longer just about transaction records organized in a database. It now entails a much broader definition of scalability. Thus, new dimensions must be considered. This will ensure that the delivery of services and goods is frictionless, social, and global. Some solutions can be effective in the short run and in small scales. But the landscape of e-commerce is constantly changing. Hence, enterprises must always consider a solution's scalability before implementing it.

Micro-case: Employing unscalable solutions

A regional office of a global industry leader decides to digitize its B2B channel. Another regional office soon announces the launch of its own B2B channel. Both regions achieve great success in a relatively short time. Seeing the success, the global team decides to implement a B2B e-commerce solution for all other regions.

The global team takes charge of the global transformation. They do not risk the chances of having other offices implement their own solutions. If they use different platforms, it will pose a challenge in unification.

Unfortunately, this is exactly what they are facing. They discover that the solutions implemented by the two regional offices are clearly different. They are addressing very region-specific issues on entirely different platforms. Thus, they are barely scalable globally and deemed useless.

The global team has to invest in a completely new platform. They make sure that it scales globally while still addressing region-specific needs.

Learnings

- Act locally, think globally, and help your regions do the same. Adopt the implementation of digital initiatives locally, while tapping into global challenges to develop strategies.
- Standardize infrastructure. Make sure your regional offices have common technological and architectural capabilities to integrate and scale experiences and technical capabilities globally.
- Have a clear vision. Align regional stakeholders with a global agenda. Enforce digital transformation go-to-market strategy enterprise-wide.

Overlooking changing customer demand

In today's rapidly developing market, business enterprises must focus on being customer-oriented. They must continue to evolve to meet changing consumer needs and requirements. Even B2B customers expect a B2C experience when purchasing products and services. They look for higher levels of services, more diverse product ranges, and more convenient ways to transact with businesses.

Customers' changing needs are inevitable in any market. Thus, businesses must achieve the agility to always seek and implement new solutions to ensure their continued growth and future success.

Micro-case: Not keeping up with customer needs

A business in launching a 'digital concierge' with the goal of helping customers find exactly what they're looking for—the best gift for their family and friends. With customers highly satisfied with their buying experience, the business is soon growing.

However, there is a limited number of products in the catalogue. Soon, the customer retention rates start hitting low results month after month. They then decide to introduce new products by integrating different supplier catalogues to their storefront. This new feature could have been launched immediately had it not been for incompatibility issues with their platform. The limitations of their existing platform do not allow to seamlessly integrate with third-party catalogues in real-time. It becomes a challenge to use tons of resources just to maintain the price and stock manually. This soon results in the digital concierge replatforming to be able to keep the business afloat.

Learnings

- Start with a flexible platform and anticipate change. Make sure your platform of choice can satisfy changing customer demands and business needs. It should support a wide variety of business implications.
- Adopting an agile digital strategy using application programming interfaces (APIs) will help your business to innovate faster and more cost-effectively, leverage partnerships, and create the best customer experience. By using APIs, you invest considerably less time and resources in developing the functionalities you and your customers want and can adapt quickly to new customer needs.

" Changing customer needs is inevitable in any market. Thus, businesses must always seek to implement more agile solutions to ensure their continued growth and future success."

Conclusion

The micro cases in this paper show that business enterprises encounter many issues with their digital commerce solutions. These issues are mostly the result of poor planning, improper implementation of strategies, and unreliable implementation partners. Often, they result in replatforming due to lack of scalability, integration issues, and other problems.

Through this paper, we strive to help business enterprises avoid such pitfalls. We highlighted the importance for enterprises to be wiser in choosing their e-commerce platform vendors. The right platform will enable them to adapt to the changing landscape of digital commerce without needlessly making solid investments into infrastructure.

About Virto Commerce

Virto Commerce is a worldwide leader in B2B digital commerce software and was founded in 2011 by industry experts with decades of e-commerce experience. Virto Commerce provides robust digital commerce technology, services, and expertise to over 100 companies worldwide. Customers of Virto Commerce strategically use the open source Virto Commerce platform to build stronger customer relationships and rapidly increase global online sales.

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