BEYOND OMNICHANNEL TO CONVERGENT COMMERCE ECOSYSTEMS

Integrating retail into consumers' everyday lives

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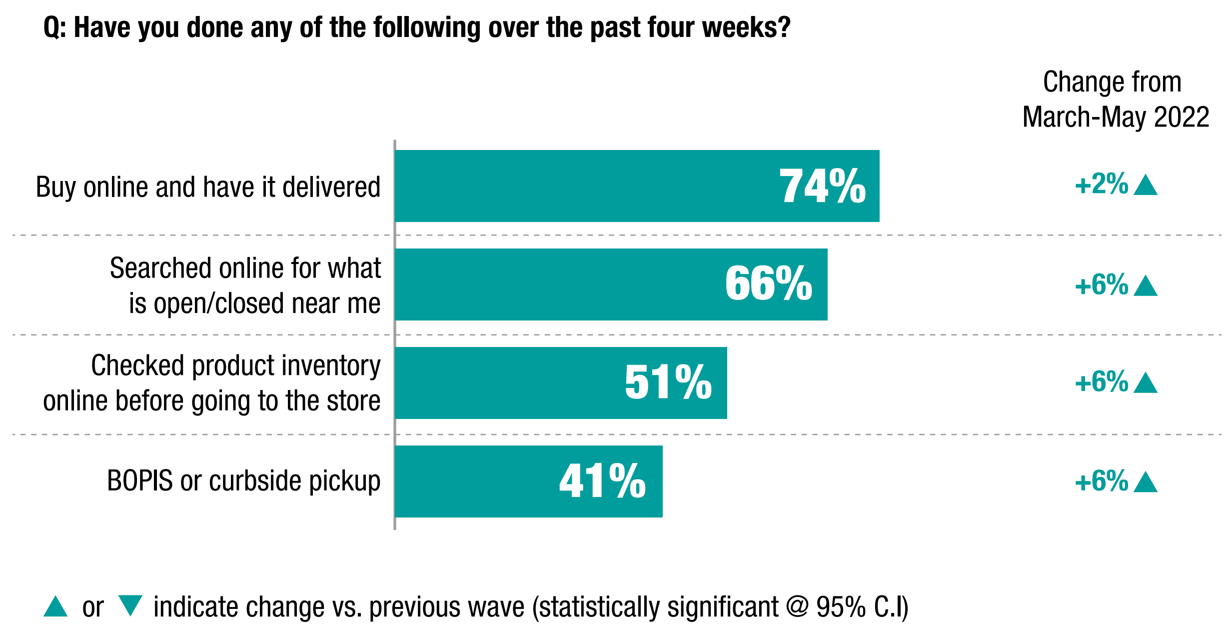
TO SAY RETAIL IS EVOLVING RAPIDLY IS AN UNDERSTATEMENT

In the past few years there has been a shift from multichannel to omnichannel, and now to convergent commerce. Shopping is no longer a place nor a linear journey, but a fluid set of activities across touchpoints and channels. Consumers now have entire ecosystems of go-to touchpoints, channels, brands and retailers.

At the same time, internet and technology-based companies - and some retailers and brands - have developed centralised solution platforms and their own ecosystems, providing consumers with multiple interconnected, synergistic products and services enabling better integration into consumers' everyday lives.

This paper discusses the evolution of consumer, retailer and brand commerce ecosystems; explores some means of developing them and the opportunities they provide; and reflects on the implications for organisations in order to play successfully and build meaningful customer relationships.

Figure 1 Online-to-offline ('O2O') behaviour participation past four weeks



Source: Ipsos Essentials Wave 60, May 2022. Base 10,018 across 16 countries.

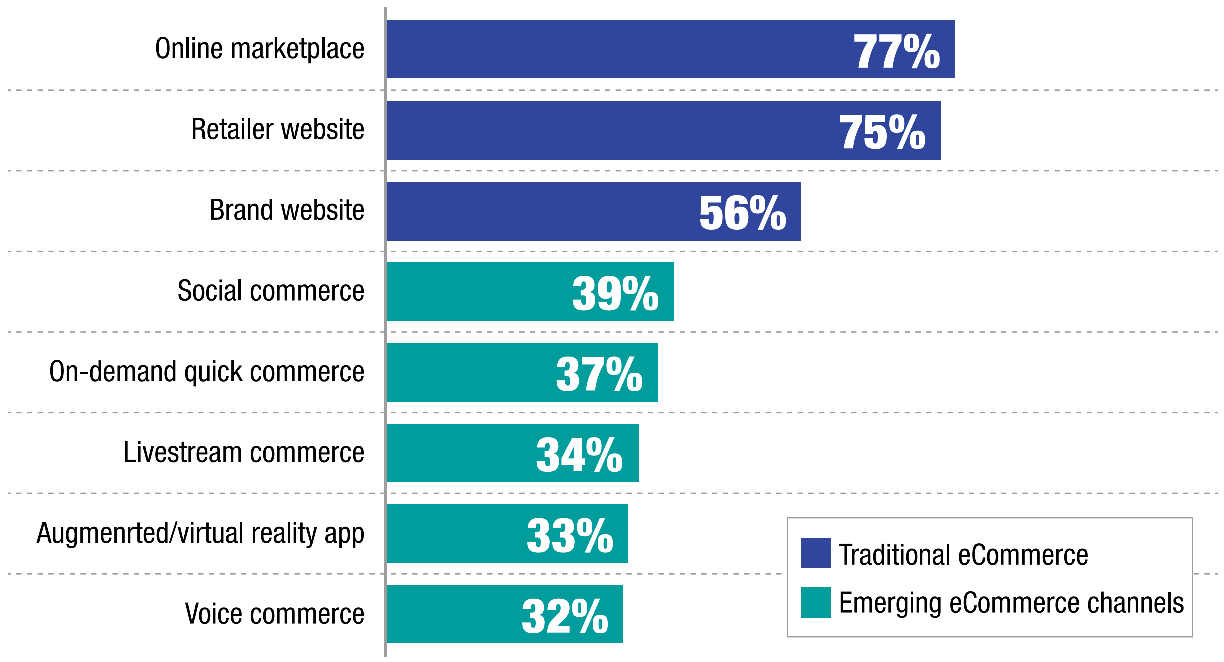
FROM MULTICHANNEL AND OMNICHANNEL TO CONVERGENT COMMERCE

In the multichannel world, organisations operate in a binary online vs offline siloed fashion, often with separate departments and divisions per channel. Consumers initiate the retail relationship, whether going to physical stores or searching online. Communications between organisations and their customers are typically mostly transaction oriented.

In the omnichannel world, the goal is 'seamless' handoffs from one channel and touchpoint to another to enable a 'frictionless' customer experience (see Figure 1). Theoretically the consumer and customer are at the heart of the organisation, but the focus is still a primarily functional one. However, the acknowledgement of the links between channels and touchpoints enables relationship building with customers over time.

Now we are in the world of convergent commerce. With the mushrooming of retail commerce types, and the acceleration of emerging and scaling commerce channels driven by technology (see Figure 2), digital and physical environments are converging.

Figure 2 Use of digital commerce channels past six months



Source: Ipsos Essentials Wave 56, January 2022. Base 10,515 across 16 countries. Note that usage of emerging and scaling channels is currently increasing between one and four percentage points every three months.

A shopper may be using both digital and physical touchpoints at once. Touchpoints themselves are also converging; a single touchpoint may simultaneously fulfil multiple roles including awareness, education, and conversion. Social media, or social commerce, is an example of this where shoppers may go straight from discovery to purchase in one click, with zero lag between inspiration and purchase or consumption. Depending on the category, more than one in ten online purchases are being made direct from social media (see Figure 3). Two-thirds (64%) of US consumers have purchased something on impulse via digital means in the past three months, including functional categories such as food and beverage.[1] So the world of convergent commerce is increasingly one of not only personalisation but of discovery and inspiration.

Despite all this talk of channels, consumers don't think in channels. They don't necessarily think of it as 'going shopping' either, as they don't necessarily have to 'go' anywhere. They're simply shopping; buying or ordering things, often based on whichever means is most convenient at the time. Consumers want to be able to buy anytime, anywhere, from anyone via any means, for delivery to wherever they require it whether that be home, locker, car, or picnic spot. Accordingly, shopping journeys are becoming less linear, and therefore less predictable or controllable.

Enter the commerce ecosystem.

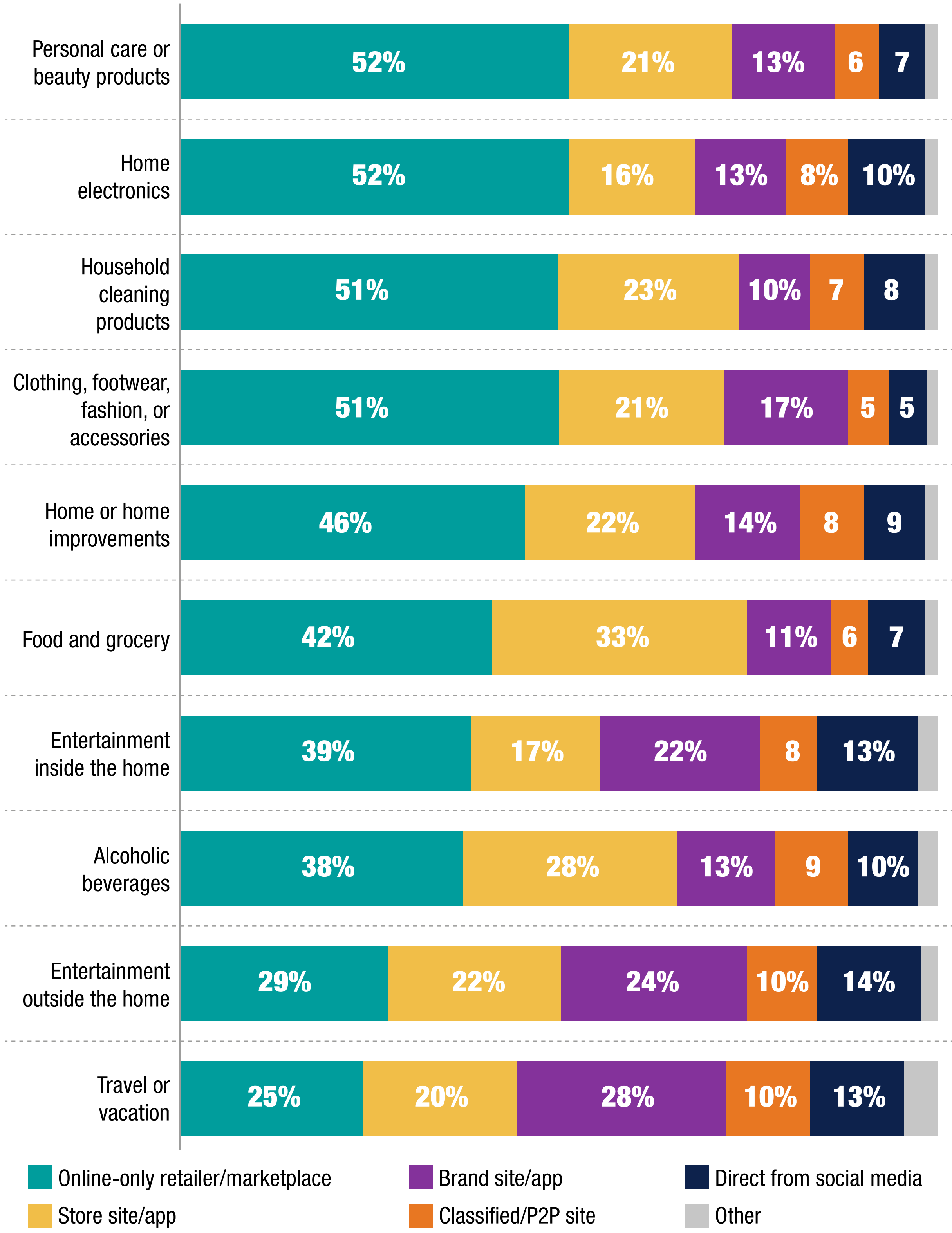
WHAT IS CONVERGENT COMMERCE?

Convergent Commerce is the blending of physical and digital environments for retail, where a shopper may be using digital and physical touchpoints simultaneously. It is also the converging roles of touchpoints where a single touchpoint may simultaneously fulfil multiple shopper journey stage roles including awareness, education, and conversion.

Read the paper, which includes a roundup of emerging and scaling commerce types and a discussion of changing shopper journeys.

Figure 3 Use of digital commerce channels for most recent purchase

Q: Thinking about the most recent purchase you made online and had delivered, what type of website/app did you buy from?



Source: Ipsos Essentials Wave 60, May 2022. Base 10,017 across 16 countries.
Note the scale of Direct from Social Commerce at 10%+ for some categories.

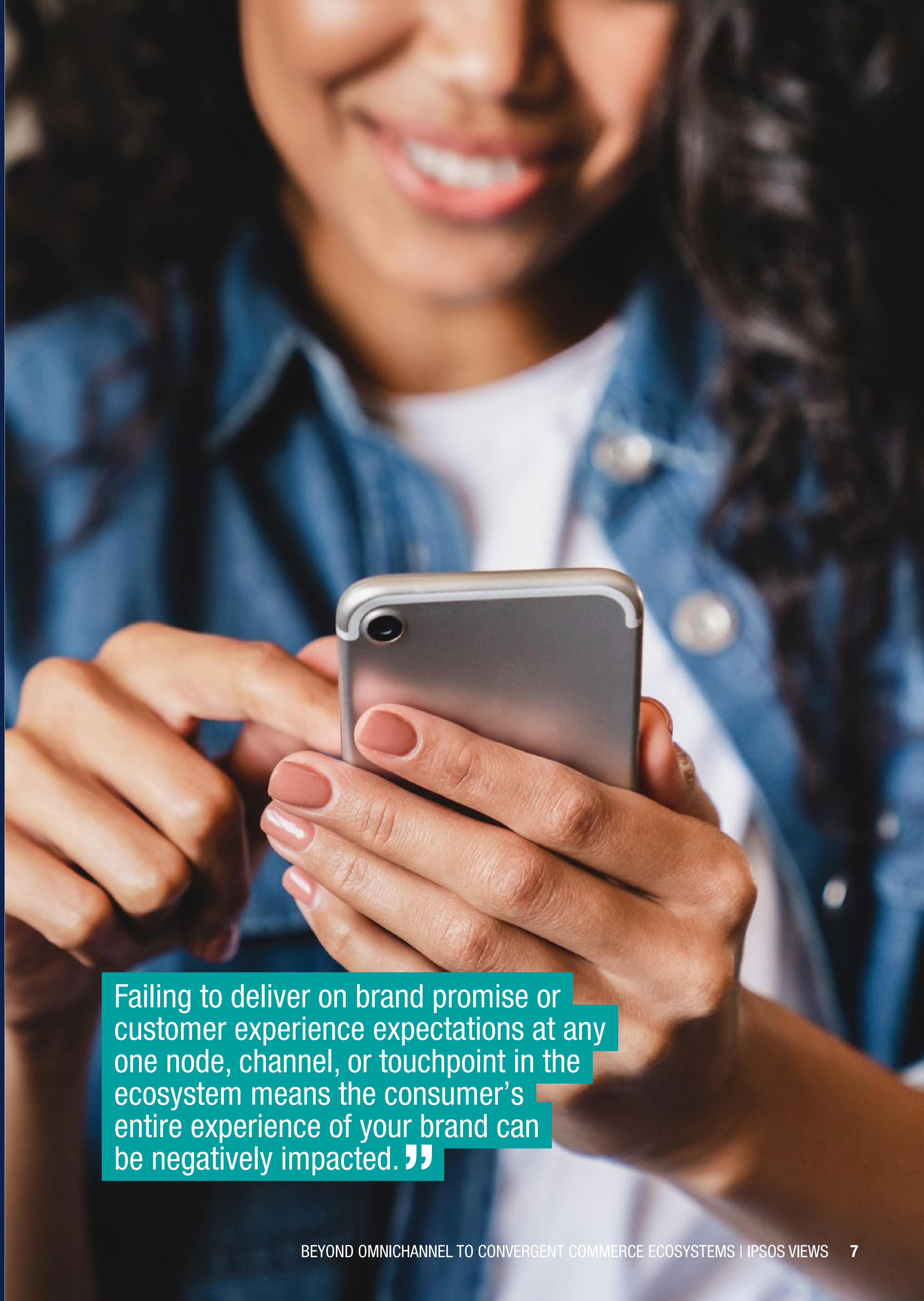
ECOSYSTEMS MEAN BEING WHERE CONSUMERS ARE, 24/7

Because shopping journeys are becoming less linear and predictable, you need to be wherever the consumer is, 24/7, for whenever they need you, in a way that ensures their human experience is optimal. In other words, you need to be present across their ecosystem.

The consumer's ecosystem is a network of nodes that forms their default set of go-to touchpoints, channels, brands and retailers. 'Pull' nodes if you will. A consumer's commerce ecosystem doesn't naturally include 'push' nodes and marketing touchpoints. For example, a consumer doesn't typically actively go looking for TVCs or banner ads.

So the job for brands and retailers becomes about developing and aligning their own ecosystems' push and pull nodes – marketing, products, and services - with those of consumers, and adjusting their brand promise and experience to the expected customer experience at each node. Failing to deliver on brand promise or customer experience expectations at any one node, channel, or touchpoint in the ecosystem means the consumer's entire experience of your brand can be negatively impacted.

By integrating into consumers' ecosystems and thus their lives by becoming their default go-tos, customer lifetime value is becoming both more important and more achievable for brands and retailers.



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ECOSYSTEM SYNERGIES AND THE VIRTUOUS CIRCLE

Successful ecosystems typically forge a strong customer connection via a network of products and services delivered by the organisation and/or through partnerships. These compound in value the larger the ecosystem, via personalized data-enabled experiences, and through frequent customer engagement beyond pure commerce transactions.

A key way in which organisations can develop ecosystems is through entering new B2C industry verticals. For example, a supermarket's expansion into pharmacy, financial services, and hospitality such as meal kit deliveries and use of 'ghost kitchens'. Walmart, Ahold, Delhaize and Loblaws all provide examples of such expansion.

Consumer electronics manufacturers such as Apple and Samsung have product ecosystems which link product sets such as phones, tablets, laptops, and watches whilst also enabling content including music and entertainment, including delivery through their own proprietary streaming channels. They may also have platforms. Apple's iOS provides a platform for people to generate content, and then use the content generated to serve a broader audience.

China's Alibaba and Tencent have built one-stop shops for consumers by combining a set of services including eCommerce, chat, streaming, gaming, information, entertainment, booking services and payments into a single app. Using Tencent's ubiquitous WeChat, consumers can message a friend to go to the movies, check the time of the movie, buy the tickets, order a taxi, buy popcorn, split the cost with the friend and reserve a restaurant table for the after-dinner movie - all within the same app. Many of these services are also provided by partners, effectively making Alibaba and Tencent service platforms.

The value to consumers in these expanded portfolio ecosystems is not only in the product variety itself. Rather, the value to consumers lies in the links between the products and services; the synergies that create greater convenience that no other brand or product can provide on their own. And the more products and services to which a consumer subscribes in a brand's ecosystem, not only the greater the likelihood of customer retention, but the better the brand can understand the consumer and provide more personalised product and service offerings, anticipate their needs, and enhance customer satisfaction. The virtuous circle in action (see Figure 4).

For brands and retailers, the benefits of an ecosystem sit with the augmented reach of additional products and services, greater customer loyalty, better return on advertising spend, and an enhanced brand image created by product extensions and linkages using the mother brand and brand promise. Lego's arsenal of movies, video games, social networks, amusement parks and instore experiences all centre around its core brand promise of play. Nike has moved into consumer technology and equipment, and athletics apparel retailer Lululemon, famous for yoga studios above its flagship stores, is now selling home gyms. Both of these brands are expanding their products and services based around a core wellness proposition.

Overlaid with the products and services ecosystem is then the brand marketing ecosystem of experiences created through communications messages and channels; the 'push' touchpoints.

Companies can also create revenue streams by externalizing and monetizing their internal capabilities to offer them as part of other businesses' ecosystems. Amazon's AWS service and Just Walk Out technology are examples of this. Technology manufacturers can commercialise the Internet of Things (IoT) as it becomes yet another commerce channel.

Figure 4 Commerce Ecosystem Virtuous Circle

Source: Ipsos

IMPLICATIONS FOR RETAILERS AND BRANDS

BUILDING ECOSYSTEMS – A STARTER CHECKLIST

As a starting point:

- ✓ Identifying the customer's needs to find ways to enrich their life through the brand's current and potential products and services in a way that marries technology with greater convenience
- ✓ Understand the consumer's commerce ecosystem and shopper journeys, and how and where the brand can play a role to define your own ecosystem: *"People are not looking for a dress at the same moment they buy their groceries"* (CEO ICA, Sweden)
- ✓ Develop a means of connecting consumers with various parts of the ecosystem and linking channels and touchpoints
- ✓ Build an understanding of the most important ecosystem touchpoint nodes for the customer experience, if your organisation's resources are limited to activating only a few
- ✓ Create a substantial, rich customer data library and analytics capability
- ✓ Design a holistic means of measurement and tracking compounded and connected channels and touchpoints. Not measuring each channel's profit or role in isolation, but as part of the ecosystem and a whole-of-customer measurement.

This may require redefining the business model and identifying new partnerships. Options for participating in ecosystems include building a proprietary ecosystem, becoming an open source platform ecosystem, aspects of which are sold to others, or participating in someone else's open ecosystem. This last can provide access to hard-to-build capabilities such as data analytics, logistics networks, payment and financial services, and cloud services.

Brands, retailers and service providers need to redefine their strategies based on new consumer journeys, experience expectations, and behaviours across ecosystems. No longer just a generic 'eCommerce' approach, brands need a strategy for each channel, including those emerging and scaling, across a consumer's ecosystem.

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HOW TO KEEP HUMANS AT THE CENTRE OF THE ECOSYSTEM

Build your commerce ecosystem around consumer needs, journeys, aspirations and experiences. Start with the human and the problem to be solved. Technology is the enabler or means, rather than the purpose or destination.

Co-create with consumers to create optimal brand experiences and channel activations.

Humanise commerce to improve the experience. Be tangible, sensorial, immersive, and personal. Use all five senses whenever possible, not just sight and sound.

Emphasise the more human touchpoints: physical store, call centres, social commerce, livestream.

Use real people and tell real stories.

Be empathetic to consumers' needs, values, and commerce ecosystems by understanding not only what they say and do, but what they think and feel.

IN SUMMARY

New digital channels and touchpoints are scaling rapidly around the world. Leading brands are evolving from multichannel to omnichannel to convergent commerce. Convergent commerce is leading to the development of retailer and brand ecosystems to better service channel-agnostic customers, who have their own commerce ecosystems. And these ecosystems will continue to morph as technology develops.

Retailers and brands need to understand and integrate within consumers' commerce ecosystems and lives to develop their own seamless, personalised ecosystems in order to become the customer's default go-to.

Companies must ensure that humans are front and centre of their experience and ecosystem design. New consumer journeys and ecosystems mean organisations need to redefine their strategies and partnerships and expand their product and services offering.

By operating across a synergistic ecosystem aligned with the consumer's commerce ecosystem, companies can enjoy a virtuous cycle of growth driven by improved customer convenience, experience, satisfaction and loyalty.

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IPSOS CAN GUIDE YOUR CONVERGENT COMMERCE AND ECOSYSTEM STRATEGY

Wherever you are on the multichannel > omnichannel > convergent commerce and ecosystem commerce journey spectrum, we are happy to advise and help optimise current and next steps including

MARKET STRATEGY & UNDERSTANDING > BRAND > SHOPPER > CX > UX > CHANNEL PERFORMANCE.

The key question that Ipsos can help clients answer is: how can we evolve our channel strategy to incorporate the convergent commerce world of ecosystems that consumers are moving towards? We focus on four steps: Diagnose, Innovate, Communicate, Activate.

DIAGNOSE

- What is my consumer's ecosystem and purchase journey? How can we better align with the key ecosystem nodes, channels and touchpoints?
- How well is my brand delivering against consumer expectations and customer experience requirements?
- Are there certain purchase steps/moments/needs that are better suited for one node/channel versus another?

INNOVATE

- What new digital services and models are required to meet consumer needs and expectations? How should we build, evaluate and optimize these?
- Are there any channels that we need to change, improve or eliminate?

COMMUNICATE

- How well does my brand deliver consistent experiences and messages across our ecosystem?
- How can we tap into humanisation to optimize my spending across the marketing mix?

ACTIVATE

- How do I evaluate and maximise my brand's experience across and within all the nodes of our and consumers' ecosystems?
- How to measure consumer satisfaction across our ecosystem and theirs?

FURTHER READING AND INFORMATION ON RELATED TOPICS

- https://www.ipsos.com/en/omnichannel
- https://www.ipsos.com/en/bridging-brand-experience-gap
- https://www.ipsos.com/en/forces-customer-experience

REFERENCES

1. Ipsos Omnibus 18-22 February 2022, Base n=1005 US Adults

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