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A 7 Step Solution for Successful E-Commerce Strategy Development

Executive Summary

Over the recent years, internet has gained significant momentum and enabled lot of businesses of various scale on both B2C and B2B fronts to compete aggressively in this tough business environment. Some are just trying to catch a glimpse of the future, while others ponder if this model is really the retail scenario of tomorrow. E-commerce technologies have helped several brands and manufacturers to get into the business of retailing, online. Retailers specifically, have been embarking on their business journey and are quite quick to en-cash the existing business opportunities, all using latest rich internet applications (RIA). While it is a new reality that certain business ventures have created a niche space for themselves by joining the e-commerce bandwagon, several traditional retailers have shut shop – all because of them not being able to reinvent themselves to the ever changing business realities. The new business realities are harsh with the entry of new breed of competitors, large number of traditional players, pressure on margins, aggressive advertisement spends, few returning customers, end-customers seeking the rich and personalized experience and yet these 'new breed of competitors' or 'e-competition' have sustained and survived these grueling tough times. While it cannot be denied that every

successful business requires understanding the core needs of the target customers, there are several other parameters that need to be addressed to stay abreast and ahead of the competitors. And, one of the key ingredients for retailers to survive and sustain the onslaught of the existing online web stores is to quickly adopt the latest technologies that will help them leverage their core strengths and at the same time minimize their weakness – an investment in bricks-and-mortar modern chains (Since they are constrained by high cost and acute shortage of suitable real estate at strategic locations). These 'new breed of competitors' (e-tailers) are hungry – be in terms of grabbing market share, identifying unexploited business opportunities, creating disruptive business models or for that matter creating a new market altogether leaving several traditional century old brands, manufactures and retailers at complete risk. The risks are so high that these 'new breed of competitors' force the century old brands, retailers and manufacturers to exit their business altogether. While we were trying to understand what made these 'new age competitors' what they are today, we realized they were principle led and process driven in their approach to executing a compelling e-commerce strategy.

Although there are plenty of potential opportunities for extensive growth of e-commerce in India and abroad, clearly, the future belongs to those retailers and brands that understand the current business environment, are ready to adopt the new trends that emerge dynamically and realize the importance of principles and processes. They bring about differentiation in the product/service offerings (when compared to those of traditional offline retailers/brands), deliver superior business performance, empower the customers with the right features and functionality that enables them to engage and transact with the brands and retailers. Such retailers integrate the customer touch points into a cohesive customer experience that provides best in class user experience across several different devices and dimensions (app and web site), provide support and post-purchase support to end customers.

This white paper presents an overview of 'how' and 'what' retailers, brands and manufacturers (who want to move up in the value chain and use e-commerce to disrupt a market with their innovative offerings) should do to get themselves equipped for successfully rolling out a full-fledged power play e-commerce strategy to take on either their competitors online or launch a new e-commerce channel to complement their business objectives. Moreover, this white paper also sheds light on key challenges that many retailers encounter for not getting the best mileage even after implementing an e-commerce channel.

Key challenges faced by retailers

There are many instances where retailers have joined the e-commerce bandwagon but are not able to get the best out of their e-commerce implementation. Broadly, a large chunk of retailers fall into the trap of assuming that having a basic version of an e-commerce website will help them acquire customers, generate sales and revenues. The reality is that e-commerce is not just about having a website with a payment gateway integrated to it – it's all about creating best in class retail experience for end consumers using internet based technologies and reaching tech savvy consumers using digital media tools and techniques, to let the consumers know about the unique value proposition offered by their company.

Retailers would previously limit themselves to core retailing activities only and focus on sourcing and merchandizing, store formats and layout assessment, analyzing key performing categories etc. With the advent of e-commerce technologies, the 'new breed of competitors' have equipped themselves with the 4 fundamental core acts together that have helped them to succeed online – retail, e-commerce technologies, logistics and digital marketing, all in strict coherence.

Retail – Retail is the sale of goods and services from individuals or businesses to the end-user. A retailer purchases goods or products in large quantities from manufacturers directly or through a wholesale, and then sells smaller quantities to the consumer for a profit [1].

E-Commerce Technology - Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, online transaction processing, inventory management systems, and automated data collection systems [2].

Logistics – Logistics is the management of the flow of goods between the point of origin and the point of consumption in order to meet certain requirements - for example, this may be for customers or corporations [3]. Due of lack of physical presence for pure play e-commerce businesses, logistics is critical to their business. However, in recent years, there are large numbers of international logistics service providers who have started offering logistics service to e-commerce companies [4] [5]. In addition to this, there are also a large numbers of last mile delivery service providers who are contributing to the growth story of the e-commerce industry.

Digital marketing – Digital marketing is marketing that makes use of electronic devices such as personal computers, smart phones, cell phones, tablets and consoles to

engage with stakeholders [6]. Digital marketing applies technologies or platforms such as websites, e-mail, apps (classic and mobile) and social networks. Social media marketing is a component of digital marketing.

By definition and strictly in a practical sense, these 4 different functions require different skills and capabilities. However, the challenge lies not in identifying these 4 core areas together, instead it is the skills and competence required in each of these core activities, that impacts the e-commerce strategy. Each of these 4 core pillars mentioned above consists of several micro areas that needs to be implemented by skilled professionals.

For example, e-commerce technology is a very broad area and requires an expert technology team to evaluate various technology platforms that are available in the market to make sure that the technology platform is capable of delivering the required features and functionality. Furthermore, analysis needs to be done as to whether it is capable of being customized to the business requirement or not. Factors that need to be assessed include the server capacity required to handle the traffic effectively, location to host the server (considering the security and associated risk with the customer's data), web site layout, search and navigation, optimizing shop flows and check-out features among other facets of e-commerce technologies. This process ensures that customers are empowered with the best discovery and shopping experience. From a technology stand point, the technology should be able to support, map and customize the website based on best in class offline retail experience to online customers, thereby empowering them with features and functionalities that will help them save time, money and energy. Similarly, an expert retail team is required to offer best in class products, source and merchandize products are per the latest trends to fulfill the needs of the consumers, articulate the importance of e-commerce channel as a part of their business strategy, identify and evaluate the various competing players in the market and identify a defensible position in the industry to remain competitive, understand the implications of the prepared business plan on top and bottom lines, etc. Another crucial area for any business is to identify various means and ways of informing consumers about the products and services that are being offered by their company. One of the biggest advantages of offline/physical presence of any retailer is the credibility that it offers in the consumers mind, not to forget the visibility, with which comes an opportunity to sell their products to the right targeted consumers. However, with consumers being easily accessible over the internet, several online marketing tools and techniques have played a critical role in reaching consumers who are online and this is where the expertise of a digital expert comes into picture and for no reason can be neglected.

To overcome the above stated fundamental challenges, retailers pursuing e-commerce channel as a part of their business strategy should consider the strategies mentioned below to get the 4 fundamental core acts together.

a. **Develop strong in-house capabilities** – Nothing can beat a diversified team of experts who are well versed with retail, technology, logistics and digital marketing.

b. **Outsource to 3rd party service provider** – Not having the right resource to complete the task is never an excuse to not deliver timely results. Identify a capable e-commerce consulting service provider with expertise in the technology and one that understands the business aspect as well. Such a service provider can be expected to take up the concept to commissioning project and deliver to mutually agreed standards.

c. **Hybrid** – Quite often, there may be a possibility of having one or more areas that can be managed in-house while the other tasks may need to be outsourced. In such a case, it is better to identify a 3rd party service provider who can partner in delivering services based on your business objectives.

Successful E-Commerce Implementation Framework

Business Analysis & Customer Insights
- Category Assessment
- Customer Segmentation
- Customer Analysis
- Marketing Spend Analysis

Optimize Key Metrics
- Revenues
- Conversion Rates
- Customer Loyalty and Retention Rates
- Abandoned Cart
- Payment Gateway
- Page Load Speed
- Shopping Cart
- Check -Out
- Web -page Optimization
- A/B and Multivariate Testing

Pie chart segments:
- Business Analysis and Customer Insights
- Strategic Business Plan and Roadmaps
- Technology Selection/ Website Audit and Analysis
- Customer Acquisition
- Customer Engagement
- Customer Retention
- Optimize Key Metrics

Strategic Business Plan & Roadmap
- Articulate the role of e-commerce in your overall business
- Identify a unique defensible positioning in the industry vis-à-vis competitors
- Leverage the effect of other channels on e-commerce
- Financial impact of business plan on top and bottom line

Customer Retention
- Email Campaigns
- New Product Updates
- SMS Campaigns
- Special Deals/Offers
- Website Personalization
- Exclusive Promotions
- Content Marketing

Technology Selection/Website Audit & Analysis
- Identify and shortlist technology (Based on the business requirement)
- Store front and user flow
- Benchmark competing websites
- Analyze areas of improvement
- Identify and implement solutions for performance improvements
- Monitor and measure the progress
- Features/Functionality enhancements

Customer Engagement
- Google +
- Facebook
- Twitter
- Pinterest
- LinkedIn
- Re-targeting
- Request for reviews and rating
- Reward/loyalty programs

Customer Acquisition
- Local Search Engine Optimization
- Search Engine Optimization (SEO)
- Google Adwords (CPC and CPM)
- Social Media (CPC and CPM)
- Online Ad Networks
- Email Campaigns
- Affiliate Networks
- Referral Programs
- Re-targeting

A successful implementation of any e-commerce initiative is dependent on implementing or adopting the seven key steps below: Planning for e-commerce business, technology selection/website audit and analysis, customer acquisition, customer engagement, customer retention, optimizing key metrics and business analysis and customer insights. Each of the steps mentioned above has a positive and cascading effect on the other steps and hence implementing these steps in the right priority and in a phased manner is of utmost importance. For example, adhering to steps 1 and 2 and not implementing the remaining steps will not help the e-commerce venture get the maximum benefit of the e-commerce business. Similarly, directly implementing from step number 3 onwards and by-passing steps 1 and 2 will not help e-commerce venture get the best return on investment. For an e-commerce business to get the maximum ROI, holistic integration of 4 core pillars along with the execution of the 7 steps around these core pillars mentioned in this white paper is of critical importance.

1. Strategic business planning and roadmaps

– Strategy is about making the right choices that will help achieve the desired business objectives. Like any other business, there needs to be a clear cut vision, mission and objectives about what needs be achieved, within what duration of time, within what budget, identification of necessary resource constraints and addressing them, identification of the right resources for executing the strategy mentioned in the business plan and elements that need to be considered for the roadmap. While it is not new for existing offline retailers and brands to plan their business strategically, the process remains somewhat similar for planning online business venture, except that it requires some knowledge and deeper understanding of the digital marketing tools and techniques that will help in reaching and finally acquiring the customers. Previously the offline retail business would use print media to reach out to the target audience and now, it is about reaching customers who are online and at the same time reaching them across multiple dimensions and devices. This is where certain care should be taken to make sure the assumptions considered in preparing the strategic business plan is in

alignment with the e-commerce industry's norms and trends.

2. Technology selection/ website audit and analysis

– There are 2 parts in this section. The 1st part (Technology selection) is applicable for retailers who want to get into the booming e-commerce race and the 2nd part (Website audit and analysis) is applicable for retailers who have the basic infrastructure in place, in terms of technology and some customers visiting their web store but have not yet experienced the results that were expected from the e-commerce initiative. While there are plenty of e-commerce technology platforms that are available worldwide across various price ranges, features and capabilities it should be ensured that the chosen e-commerce technology is fully capable of being customizable and should be able to complement their business model as well as adhere to existing best practices in offline retailing. The core idea should be to bring about an online web store that provides maximum benefits to the end customers, be in terms of the web store structure, navigation and search, multi dimension filtering and sorting options, display in depth product details and product information, a well streamlined checkout process, multiple payment options including credit card, internet banking, debit card, itz cash and cash on delivery too. In fact, each of these various functionalities on the e-commerce web sites should be carefully thought over based on the industry, audience that are targeted, various customer segments who may be buying the offered products and services. For example, in case of an online grocery store, it is a general offline tendency of customers to make a list of products that they want to buy during a specific period. It is these customizations that will help customers save lot of time, the prime reason why customers purchase products and service online.

With respect to retailers who have implemented an e-commerce strategy and have not yet received the rewards of the e-commerce systems and technologies, there needs be a complete assessment of how the website can perform better by assessing the store front and customer flow, complete analysis of competing websites within the industries in which they

operate and identification and implementation of solutions based on the gap analysis carried out ('as-is' and 'to-be'). Further, it is equally important to measure and monitor the process that was affected because of the implementation of the suggested changes.

3. Customer acquisition – One of the key initiatives any e-commerce business venture should consider a top priority is to understand the various channels through which the customers can be reached and later, acquired. Not all customers marketed to, buy the products. Acquisition costs arise as there is gap between reaching the customers and the number of customers who actually buy the products. Online marketing or popular digital marketing encompasses multiple tools for reaching out to the new generation of customers who are actively engaged in using multiple devices through search engine optimization, search engine marketing (paid advertisement that includes both cost per click and cost per thousand impressions), social media marketing that includes both cost per click and cost per thousand impressions), email campaigns, display advertisements using various ad networks, referral programs and re-targeting campaigns. While preparing a digital marketing strategy, one should not forget to keep the sales principles in mind – awareness, interest, desire and action. Going by these principles, it is important to note that the cost of customer acquisition will be very high for brands and retailers that are newly establishing their product offerings exclusively online. However, for brands that are well established offline and are pursuing e-commerce strategy, the cost of customer acquisition is lesser compared to the new entrants.

4. Customer engagement - Typically, the customer engagement cycle starts with involvement, interaction, intimacy and end with influence. Customers, these days are actively seeking to get engaged with brands in terms of understanding the core benefits and the unique value proposition that the brand has to offer. Discounts and offers during special seasons and robust support mechanism for customers who want to seek queries/clarification regarding the products displayed helps to drive engagement levels. Customers may choose to interact with

customer support executives socially, to know more about policies on returns and exchange, etc. In addition, it is also seen that engaging customers through various social media channels instills superior trust in the minds of customers.

5. Customer retention – During the evolution of retail formats, the clear cut formula for customer retention was to provide standardization in terms of store format, merchandise mix and marketing efforts in order to take advantage of economies of scale. Later, the offline retailers moved towards localization - customizing the stores and their offerings to the local customer base, inferred from analyzing differences in the regional customer base. But with the advent of sophisticated e-commerce technologies, new age technology oriented retailers can differentiate themselves with the existing retailers by offering personalized offerings to their customers. And the biggest advantage that these new age retailers will be able to leverage is providing an almost one to one customer experience to the customers and that's the best a customer can really expect. However, it should be noted that to fully leverage best in class technology, there needs to be a constant effort to look out for features and functionalities that will enhance the customer experience.

6. Optimize based on key metrics – The most important aspect that any e-commerce company must take into account is in defining the key metrics on which the health of the e-commerce venture will be measured. As a thumb rule, the key metrics that any e-commerce company needs to track are: total revenue generated, cost of customer acquisition, % of customers converted and % of customers entering the website through various channels. However, what needs to be kept in mind is the fact that these key metrics may vary significantly based on the business objectives and hence, needs a fully customized approach for defining the key metrics and further analysis is warranted. In any case, the basic key metrics mentioned above will remain the same for all e-commerce business ventures. Further, once the key metrics are defined, if there are substantial customers visiting the website, a deeper level of

optimization is required at 2 levels – one on the technology and the other on the business front.

a. **Technology** – This generally includes optimizing the page load speed, shopping cart, check-out and other web pages, a/b and multivariate testing, etc.

b. **Business** – Optimization here includes analyzing the total revenues generated, total spend for running the e-commerce operations, optimizing the gross net margins, conversions rates from each of the various channels, customer loyalty and retention rates, rate of repeat purchase, frequency of repeat customers (across multiple dimensions), % of carts abandoned. There are quite a lot of features and functionality that are helping online retailers to reduce the cart abandonment cart, increasing the conversion rates, increasing the average order value (AOV), increasing the time spent on the website and thereby reducing the bounce rate, so on and so forth. There is a large set of research material which confirms that incorporating features like reviews and ratings, displaying the right products either through up-sell or cross-sell has boosted online retailers to a large extent. Based on the statistics, 47% of shoppers read product reviews prior to their online purchases and 63% are more likely to buy from websites with online reviews or ratings [7]. Similarly, online companies that leverage recommendation systems can increase sales by 8% to 10%. These kinds of features, wherever appropriate, should be integrated into the e-commerce website because these features influence buyers to make a 'buy' decision quickly.

7. Business analysis and customer insights
– The final step in the entire process is about fine-tuning and understanding the product categories that have performed well compared to other products displayed on the web store. Assessing this is crucial (just like it is done in offline retail formats), as each of these categories and products within those categories

occupy the prime real estate in the online world – the web store. In addition, it should consist of understanding the customer segments, customer demographics, profitable customers, source of channels through which the profitable customers came to the web store, % of revenue each of the profitable customer contribute and the subsequent marketing spends that has gone into acquiring these customers. No business owner, serious about their online business should neglect the importance of having the right features and functionality on their web stores. The metrics mentioned here are only small subsets of a large comprehensive list of metrics that can be optimized further. These metrics vary based on the business needs and hence requires a customized approach for defining, monitoring and optimizing key metrics.

Conclusion

Sustaining and surviving in any business has become tough day by day. Gone are those days when the retailers and brands had the luxury of not being proactive in their approach to reaching customers who were looking for products or services from distant places. The current business environment is extremely challenging making businesses across various industries to stand up on their toes due to increased competition from several new entrants across multiple dimensions. The rules of the game are very clear, either survive the competition and thrive or perish. In this frantic effort to survive the competition and gain competitive advantage, a holistic e-commerce strategy, if well planned and executed can be an important means of bolstering revenues, increasing brand awareness, providing best in class support and shopping experience to the new generation of customers.

In this paper, we have suggested ways and means regarding 'what' and 'how' brands, retailers and manufacturers ought to do to roll out a full-fledged e-commerce strategy. The successful implementation of an e-commerce strategy helps in gaining a competitive edge over the existing competition, no matter whether they are online or offline. As Charles Darwin once said, "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most

adaptable to change." Sometimes in addition to adapting to change, taking the right approach in implementing the change matters even more.

E-commerce is about putting cutting edge internet technology at the center of innovation, logistics and digital marketing along with best in class retail practice, no matter what industry the company belongs too. It's straight; clearly a winner in the game of e-commerce power play will be one who understands the role of deep integration of these 4 core pillars along with an understanding of the importance of executing a 7 step approach around these pillars.

Footnotes/References

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Embitel Technologies is a young, entrepreneurial company providing cutting-edge, innovative ecommerce website development, Magento & hybris ecommerce solutions and consulting services. With our deep industry experience and unparalleled technological expertise in hybris and Magento ecommerce solutions, we help leading retailers, brands and manufacturers reach their business objectives using e-commerce technologies.

Embitel's Magento & hybris ecommerce solutions and consulting services are laser focused on delivering exceptional end to end capabilities in helping retailers, brands and manufacturers achieve enterprise agility to succeed online. We work with clients to deliver actionable plans to help them thrive in their business, online. Headquartered in Bangalore, India with 180+ employees (including several certified Magento developers in India), we have representatives in Sweden, France and USA. A silver ecommerce solution partner of Magneto and hybris e-commerce platforms, Embitel Technologies is a recipient of **Deloitte Technology Fast50 India** awards and is ranked among the top **100 Most Innovative** IT Companies by **NASSCOM**.

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