Digital Commerce Primer for 2016

Jake Sorofman
Research Vice President

Jennifer Polk
Research Director

Newbold-Knipp
Research Director
Digital commerce is a significant portion of total revenue and is poised for double-digit growth. It touches every industry, company and function. Marketing is no exception. Whether or not digital commerce is in your title or you own the P&L, every marketer is a digital commerce marketer.

Scope
Marketer leaders are on the hook to deliver measurable business impact. Digital commerce drives directly attributable revenue and also collects valuable customer insight. Our research will help you:

- Build a strategy that reflects marketing’s evolving role in digital commerce and enables marketing to achieve short- and long-term digital commerce goals.
- Use customer journey analytics to align multichannel marketing to the buying journey and personalize tactics, content and offers.
- Structure marketing teams and incentives, and select and manage technology and service providers to deliver and improve digital commerce results.
- Understand and take advantage of digital commerce innovation, including emerging business models, sales channels and next-generation commerce experiences.
In the past, digital commerce strategies were often managed and executed in isolation from digital marketing. This never made sense — but, today, it’s unacceptable because marketing is the fuel that drives customer engagement and customer buying journeys. As marketing budgets grow, so do senior management’s expectations of the marketing function. According to Gartner’s recent CMO Spend Survey, expectations are particularly on the rise in the area of digital commerce. It ranked third in terms of increased CEO expectations, where CMOs can bridge the gap between their efforts and investments and the measurable revenue CEOs expect.

Digital commerce impacts every industry, company and function, but perhaps none more so than marketing. In a sense, all marketing is about driving revenue. By extension, all digital marketing is about digital commerce — and all marketing leaders, whether they know it or not, are digital commerce marketers. Marketing’s heightened role in digital commerce isn’t the only thing that has changed. There was a time when digital commerce meant static storefronts and shopping carts. Today, digital commerce spans an integrated set of personalized digital experiences, from customer acquisition through retention, which are often owned and managed by marketing.

Marketers need to know where to invest — tactics, talent and/or technology — and how to use that investment to make an impact on top- and bottom-line metrics, like revenue and profit, as well as long-term measures of success, like lifetime customer value. For some, this means shifting strategy toward digital commerce goals. For others, it means new ways of measuring marketing impact in terms of digital commerce results.
Top Challenges and How Gartner Can Help

As internal and external digital commerce pressure mounts and marketing’s role in digital commerce expands and evolves, there are four key questions that marketing leaders need to answer.

What is marketing’s role in digital commerce?

Seventy-three percent of marketers own or share a digital commerce profit and loss (P&L) as a way to link marketing expenses to digital commerce revenue and profitability. However, even marketers who do not own the P&L must show how their campaigns and programs contribute to profitable business growth. Leaders respond to this change by managing marketing like a profit center, tracking marketing budget and expenses, and measuring marketing’s impact on revenue, profit, acquisition, retention, lead to sales conversion and lifetime customer value. They use customer analytics to align multichannel marketing to the customer buying journey and digital technology to keep pace with customer behavior and expectations — for example, understanding how customers use mobile devices to inform mobile commerce strategies.

Planned Research

- **The CMO as a Digital Commerce Executive** profiles CMOs who lead digital commerce, their common traits and advice for marketing leaders taking on commerce leadership responsibility.
- **The Evolving Role of Marketing in Digital Commerce** examines changes in marketing’s role and responsibility and how marketers, at all levels, should adapt their strategies and tactics.
- **Maturity Model for Digital Commerce Marketing** offers a tool to assess how well your marketing contributes to digital commerce, and identify gaps and steps for improvement and impact.

What marketing channels and tactics should we use to reach digital commerce goals?

Customers don’t rely on a single channel to research, evaluate and make a purchase. The customer buying journey includes multiple channels and touchpoints. This translates into an explosion in the number of marketing channels and tactics, and creates confusion among marketers about which channels and tactics to use and how they should be sequenced to optimize digital commerce results. The fact that each buyer and buying journey is unique exacerbates the problem.

Marketers invest in five areas — segmentation, customer journey analytics, event-triggered marketing, personalization and distributed commerce — to align marketing to the buying journey and deliver digital commerce results. Segmentation groups customers into categories; customer journey analytics track their behavior; event-triggered marketing directs orchestration and timing based on buyer behavior; personalization customizes content to buyers; and distributed commerce turns digital experiences anywhere into sales channels.
Planned Research

- **Use Customer Journey Analytics to Align Marketing and Digital Commerce** shows how to apply customer analytics to plan and orchestrate marketing for digital commerce results.

- **Use Five Multichannel Marketing Techniques to Drive Digital Commerce Conversion** examines the ways exemplars connect marketing across channels for greater impact.

- **Develop a Connected Commerce Strategy With Mobile and Social Commerce** offers advice to incorporate mobile and social commerce into your digital commerce strategy.

How do we personalize digital marketing and digital commerce?

Customers are as unique as their buying journeys. They expect personalized engagement and digital commerce experience, requiring marketers to know who customers are and where they are in the buying journey. Marketers struggle to achieve this goal because customer behavior changes rapidly and spans channels and devices. Systems designed to track behavior are built around single channels. Connecting data from disparate systems and organizational silos can prove costly, time consuming and ineffective.

Marketing leaders overcome these data challenges and pursue personalization by investing in data management platforms, digital marketing hubs, multichannel campaign management systems and personalization engines. Data management platforms enable marketers to gather, aggregate and analyze data from various internal and external sources to develop segments and data-driven buyer personas. Digital marketing hubs and multichannel campaign management systems apply segmentation to marketing orchestration and execution. Personalization engines customize content and offers in campaigns and digital commerce channels, in real time.

Planned Research

- **Use Data-Driven Personalization to Grow Digital Commerce** explains how to use different types and sources of data to develop customer segments and buyer personas.

- **Use Personalization to Drive Three Types of Customer Engagement in Digital Commerce** shows examples of how marketers can apply personalization to improve customer engagement along the path to purchase to increase revenue, profitability and lifetime customer value.

- **Customer Analytics and Product Information Converge to Personalize Digital Commerce Experiences** explains how marketers can apply both customer journey analytics and digital merchandising techniques to customize digital commerce across sites and apps for better results.

How do we organize marketing teams to support digital commerce?

As marketing leaders look for ways to contribute to digital commerce results, they need to break down organizational siloes within marketing, better connect marketing to the rest of the business, identify and fill skill gaps in their teams, and align incentives to business outcomes. Organizational siloes prevent marketers from efficiently sharing data and insight and measuring results.
Disconnects between marketing, IT, sales and customer service can undermine the customer experience.

Digital commerce teams fall into different organizational archetypes, depending on variables such as their industry, business model and P&L ownership. Marketing leaders looking to reorganize to support digital commerce should know there's no single, right answer. Each archetype has its own pros and cons, which marketing must weigh to maximize results.

**Planned Research**

- **Archetypes of Digital Commerce Organizations** will offer examples of the most common organizational patterns as well as the pros and cons of each approach.

- **How to Build a Hierarchy of Digital Commerce Metrics** offers steps to select and align strategic and operational metrics to tie the marketing team's efforts to digital commerce results.

How are changing customer behavior and expectations shaping digital commerce innovation?

Marketers need to be aware of behavior changes and anticipate the impact on digital commerce, from major innovations to minor step changes. Marketers need to know where to place their bets — which technologies and techniques to invest in and divest from and when to proceed with caution. They also need to know how investments are likely to pay off — whether they're keeping pace with current expectations or preparing for what's next.

Changing customer behavior and expectations are impacting digital commerce by leading to emergence and expansion of new and different revenue models, such as the sharing economy, and distributed commerce channels, like wearables and connected devices. Along with these innovations come new providers and expanded functionality from existing vendors. Marketers need help determining critical capabilities for new areas, and evaluating and selecting providers based on their support of innovation.

Leading marketers set aside an innovation budget and take a pace-layered approach to selecting and managing systems of record, systems of differentiation and systems of innovation. They also set and manage expectations for what innovation can deliver to the bottom line based on the rate of adoption, level of differentiation and anticipated return on investment. Most importantly, they pursue innovation with a focus on commercialization and monetization that aligns to current and anticipated customer behavior.

**Planned Research**

- **Cool Vendors in Digital Commerce Marketing** will profile vendors that offer innovative products and services to marketers to drive differentiation and improvement in digital commerce results.

- **What’s Hot in Digital Commerce Marketing** describes leading marketing trends and techniques that deliver digital commerce goals.
Emerging Digital Commerce Business Models explores recent commerce model innovations from subscriptions to social commerce and evaluates future possibilities for digital commerce.

Related Priorities

Table 1. Related Priorities

<table>
<thead>
<tr>
<th>Priority</th>
<th>Focus</th>
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<tbody>
<tr>
<td>Data-Driven Marketing</td>
<td>Data-driven marketing (DDM) applies data and analytics to planning and execution processes in order to increase marketing’s efficiency and effectiveness.</td>
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<tr>
<td>Multichannel Marketing</td>
<td>Multichannel marketing represents orchestrated interaction across digital and traditional customer touchpoints to acquire, grow and retain customers, engaging audiences and extending relationships.</td>
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<td>Customer Experience</td>
<td>Today, 89% of marketers compete primarily on the basis of customer experience — discrete moments that, together, strengthen or weaken a customer’s preference, loyalty and advocacy.</td>
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<tr>
<td>Mobile Marketing</td>
<td>Mobile marketing involves using information about people’s context (location, identity, relationships and intentions) to tailor information and products that increase customer engagement and sales.</td>
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<tr>
<td>Social Marketing</td>
<td>Social marketing listens to and engages customers, distributes content, and cultivates brand advocates. Successful social marketing can increase awareness, consideration, conversion and advocacy.</td>
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<tr>
<td>Marketing Management</td>
<td>Marketing management involves the sourcing, alignment and continuous optimization of people, processes, enabling technology and data to help deliver on business goals in a digitally led world.</td>
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Source: Gartner (January 2016)

Suggested First Steps

- "The Evolving Role of Marketing in Digital Commerce"
- "How to Build a Digital Commerce Marketing Strategy"
- "Maturity Model for Marketing’s Role in Digital Commerce"
- "Align Marketing KPIs With Strategic Goals for Digital Commerce Impact"
- "Digital Commerce: How Marketers Strategize and Organize for Success" (Webinar)

Essential Reading

- "Market Guide for Digital Commerce Marketing Providers"
"Digital Commerce Spending and Expectations Are on the Rise"

"Take Five Steps to Build Mobile Into Your Digital Commerce"

"Use Data-Driven Personalization to Grow Digital Commerce"

"Digital Commerce Is Prime Candidate for Innovation in 2016"

Tools and Toolkits

"Toolkit: Is Your Commerce Experience Social Enough?"

Acronym Key and Glossary Terms

| Distributed CommerceDigital Commerce | Distributed commerce is the enablement of digital sales transactions outside a digital commerce site, such as through a mobile application, social network, wearable device, digital media, shoppable content or the Internet of Things. Digital commerce means selling through Web, mobile and social as part of an integrated commerce experience — not as independent channels. |

Analyst Profiles

Jake Sorofman

Jennifer Polk

Kirsten Newbold-Knipp

Evidence

"CMO Spend Survey 2015-2016: Digital Marketing Comes of Age"

More on This Topic

This is part of an in-depth collection of research. See the collection:

- Gartner for Marketing Leaders' Research Overview for 2016
GARTNER HEADQUARTERS

Corporate Headquarters
56 Top Gallant Road
Stamford, CT 06902-7700
USA
+1 203 964 0096

Regional Headquarters
AUSTRALIA
BRAZIL
JAPAN
UNITED KINGDOM

For a complete list of worldwide locations,
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Digital has redefined the role of marketing, adding new players and creating bigger complexities.

Gartner for Marketers helps you get up to speed on and stay smarter in the eight marketing areas that matter most: social, mobile, multichannel and data-driven marketing, digital commerce, customer experience, marketing management, and emerging marketing technology & trends.

Our clients say that they use our real-time, expert advice and objective research, data and tools to:

• Target the right audiences
• Choose the right channels
• Quickly shortlist marketing and technology providers
• Stay informed on market and competitors
• Save time and avoid costly mistakes

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