SIMPLY COMMERCE

CHALLENGES & OPPORTUNITIES ACROSS DIGITAL COMMERCE

Quarter Three | 2024

AI is probably the most overhyped technology in recent memory. Clearly, it could completely change the way we do work, but many businesses are still dealing with legacy re-platforming issues, and simply aren't in the position to leverage this yet.

Boards need to understand that use of public AI is also a liability. That said, GenAI will really take off as big software companies embed the technology in their products.

Gareth Nutt | Digital Commerce Specialist

Snapshot

In the ever-evolving world of digital commerce, rapid technological advancements and shifting consumer behaviours continue to redefine the landscape of global business. The intersection of e-commerce, digital marketing, and technological innovation has not only transformed how businesses operate but also revolutionised how consumers discover, engage with, and purchase products and services.

Today, digital commerce encompasses a diverse spectrum of activities —from online retail platforms and digital marketplaces to mobile commerce solutions and cloud-based e-commerce ecosystems. This expansive sector is characterised by its agility, where businesses must continually adapt to emerging technologies, regulatory landscapes, and evolving consumer expectations to remain competitive.

As businesses navigate this complex terrain, understanding the challenges and opportunities inherent in the digital commerce ecosystem becomes paramount, and as a supplier to the wider digital commerce sector, it's vital that we understand current sentiment (and how we can offer support or flex our services as necessary).

Here we explore the multifaceted dynamics at play, shedding light on the critical factors influencing industry trends, strategic decision-making, and the pursuit of sustainable growth in a digitally driven economy.
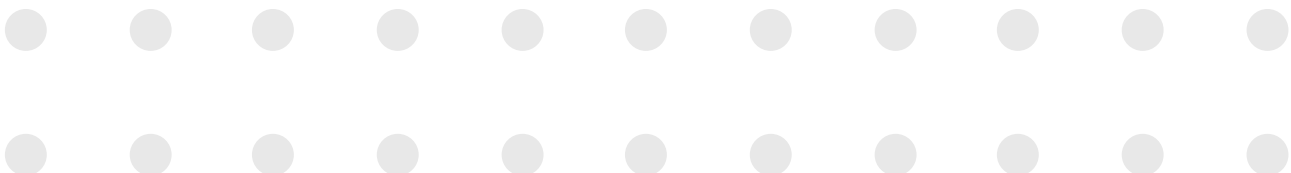
Taking Stock

Over the last quarter, the team at [Simply Commerce](#) has undertaken an extensive research initiative focused on the digital commerce sector. Our approach encompassed both quantitative surveys and qualitative discussions, strategically conducted at prominent industry events such as IRX and Retail Tech Show, plus conversations with leading digital experts within our network,

These discussions provided a deeper, nuanced understanding of the underlying issues faced by businesses across various sectors of digital commerce. Through open-ended questions and focused dialogues, we were able to capture qualitative data that enriched our analysis and provided context to quantitative findings.

A huge thanks once again to everyone that gave up their time to speak to us or completed the survey online.

What are the biggest challenges facing digital commerce businesses at the moment?
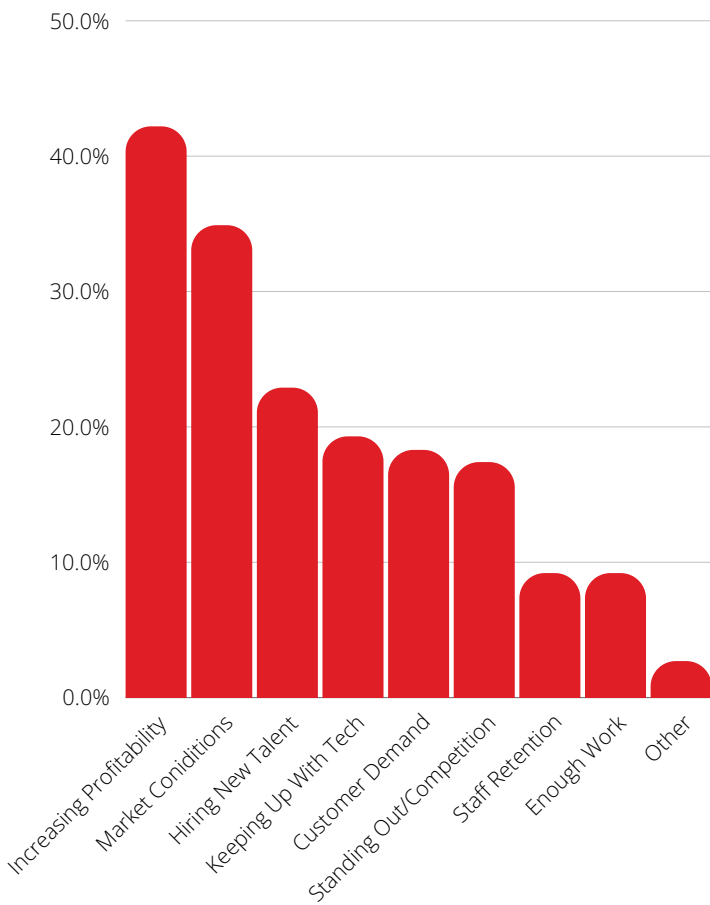
Increasing Profitability

This was consistently identified as the most prevalent challenge across the sector – and the biggest challenge faced by nearly 50% of the business we spoke to. Perhaps a product or result of the other 'challenges' combined, many voiced deep-seated concerns around relentless competitive pressures and having to navigate through uncertain economic landscapes.

Market Conditions Impacting Operations:

34.9% of respondents cited external market dynamics as a critical factor affecting their business operations. This includes factors such as economic fluctuations, regulatory changes, and shifts in consumer behaviour, which were noted frequently across different segments of the digital commerce landscape. The political changes afoot in the UK were also referenced – although the jury is out as to the specifics of what will change and how businesses in the sector will be impacted by a possible new government.

Hiring/Attracting New Talent:

Finding (and successfully hiring) skilled professionals emerged as a recurring challenge for 22.9% of businesses aiming for sustained growth and innovation in the digital commerce sector. The demand for specialised digital skills and strategic expertise was underscored by a substantial number of respondents, reflecting the critical importance of talent acquisition in driving competitive advantage.

As businesses strive to adapt and innovate, the competition for top talent intensifies, amplifying the urgency to cultivate a workforce capable of propelling organisational objectives forward. But wanting to hire, and being able to are still two quite difference challenges in the current market.

Keeping Up with Technology:

The rapid pace of technological advancement, a cornerstone of sector activity, posed a challenge for 19.3% of businesses, especially in terms of maintaining a competitive edge. A substantial number of respondents emphasised the daunting task of swiftly adopting and seamlessly integrating new technologies - a crucial as it directly impacts operational efficiency and the ability to enhance customer engagement, pivotal factors in today's fiercely competitive digital landscape.

Customer Demand

Meeting evolving customer expectations and demands emerged as a pivotal issue influencing strategic decisions across various sectors within the digital commerce landscape. Respondents highlighted the critical challenge of delivering personalised, seamless customer experiences that not only meet but exceed expectations – with recognition that this is imperative for fostering loyalty and driving sustainable sales growth in an increasingly competitive market environment.

Retention of Staff

Concerns regarding employee turnover and talent retention were expressed by 10% of respondents although wider research conducted by HR specialists, Ciphr, argues that this is actually a much bigger area of concern for business across the UK. This reflects broader human resource challenges and the importance of effective retention strategies in maintaining organisational stability and continuity – with remuneration, work-life balance, and initiatives focused on mental health and well-being top of the list.
In addition, Digital Commerce Specialist, Gareth Nutt, added that retaining staff in small and medium business has become significantly more difficult since COVID, with the rise of Hybrid and remote working meaning that 'even in what used to be cheaper local resource markets, you are now competing with London wages'.

Struggles With Online Visibility & Inventory Management

Enhancing online visibility and managing inventory and fulfilment logistics were both recurring themes in our research, although only 8.3% of businesses we spoke to cited specific struggles with online visibility as a primary challenge. That being said, many acknowledged the difficulty of effectively promoting their brand amidst fierce online competition and changing consumer behaviour.
Simultaneously, another 8.3% of respondents highlighted the critical importance of operational efficiency in inventory management and fulfilment processes. While not the most frequently cited challenge, these respondents emphasised its fundamental role in ensuring smooth customer experiences and optimising supply chain operations, demonstrating its strategic importance despite being less prominently mentioned.

Whilst there are multi-faceted challenges being faced by businesses working in and around the digital commerce sector, business leaders we spoke to are acutely aware of the necessity to prioritise resilience, customer-centricity, and operational excellence if they are to thrive amidst competitive pressures and try and ride out the current (and ongoing) economic uncertainties.

For those intent on growth, hiring challenges are common and far-reaching – not least when it comes to acquiring talent with specialised digital skills and strategic acumen.

> *The state of the retail market is characterised by stagnant growth, leading to a loss of sales revenue that restricts companies' ability to invest in technology and people. This creates an economic straightjacket, especially for small and medium-sized businesses, hindering their capacity to drive change and efficiencies.*
>
> Gareth Nutt

*One of the biggest potential user-cases for GenAI chatbots within the conversational commerce space is to use the tech to assist customers as part of their sales journey rather than just focussing on customer support.*

This can often result in a significantly increased Average Order Value (AOV) than an unassisted sale through product recommendations and upsell / outfit builder opportunities.

Ian Mahoney | CTO
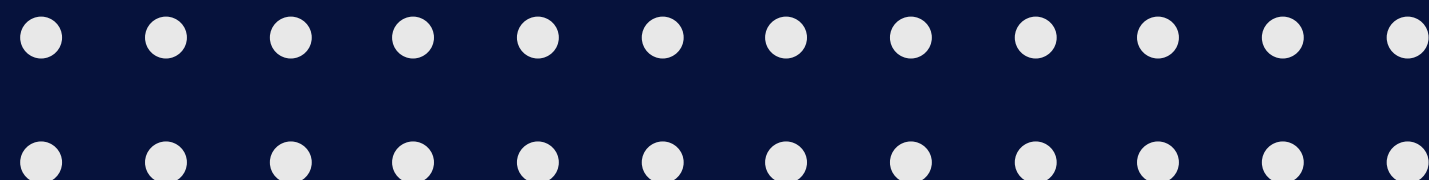
Navigating talent acquisition in the digital commerce landscape

In today's competitive business landscape, effective talent acquisition is crucial for organisations aiming to thrive, innovate, and in some cases, simply survive. It was reassuring to find out that over 61% of businesses we spoke to were looking to hire in 2024. Although it has to be said - even when businesses have overcome financial challenges and budget cuts, having the intent to hire is not enough to automatically attract, secure, and keep talented individuals within the sector.

The latest Labour Market Outlook Report from the CIPD shows that despite the labour market reverting to somewhat of a post-COVID normality, there continues to be a high level of vacancies by historic standards. Whilst this could be attributed to healthy levels of recruitment activity and a focus on business growth, in reality it also points to the fact that hard-to-fill vacancies remain prevalent.
We therefore did a deep-dive on hiring-relating challenges in this round of research:
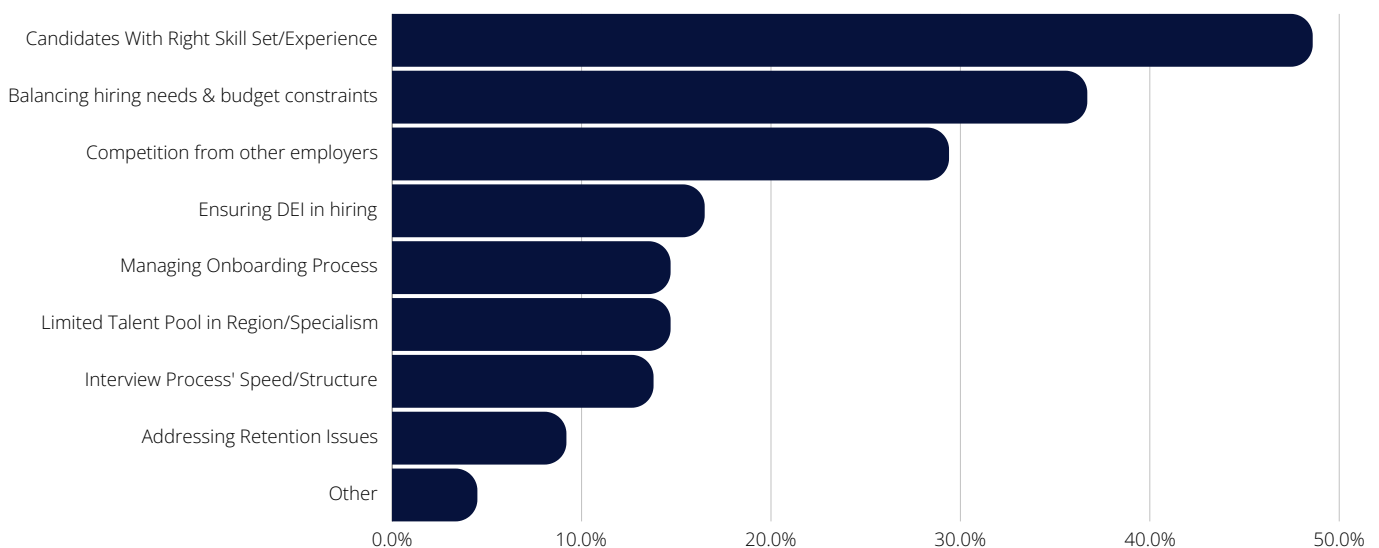
Finding Candidates With The Right Skills

The most frequently cited challenge across respondents is the difficulty in finding candidates who possess the necessary skills and experience.
Organisations struggle with aligning candidate qualifications with job requirements, reflecting a persistent gap in the talent market. Strategies discussed include targeted recruitment efforts, skill-specific training programmes, and leveraging professional networks to identify suitable candidates.

It's also where specialist recruitment agencies come into their own, especially if they have a ready-network of digital commerce specialists who know, like, and trust them.

Competition from Others Offering Better Incentives or Salary

Competitive pressures, particularly in terms of incentives and salary offerings, emerge as a significant hurdle with almost 30% of businesses we spoke to. Organisations must navigate these challenges by enhancing their value proposition beyond monetary benefits, emphasising career growth opportunities, workplace culture, and non-monetary perks to attract top talent. Being acutely aware of the threat of counteroffers is also a challenge as businesses are equally focussed on keeping hold of their talent.

Balancing Hiring Needs With Budget Constraints

Budgetary constraints pose a continual challenge in talent acquisition effort, and nearly 40% of respondents said that this hugely impacted their hiring strategy. As ever, organisations face the age-old dilemma of fulfilling hiring needs while adhering to financial limitations, but the current economic climate has made this particularly strained on both parts.

To tackle this head on, strategies could include optimising recruitment processes, leveraging cost-effective sourcing channels, and exploring flexible staffing solutions such as outsourcing or contract arrangements.

Managing the Onboarding Process Effectively for New Hires

Effective onboarding is critical for ensuring new hires integrate smoothly into any business – although 14.7% of those we spoke to felt that this was often a challenge in itself, even after all the effort of securing an individual for the role in the first place.
Challenges identified include minimising time-to-productivity, fostering early engagement, and providing comprehensive training and support.

With the advancement of AI into every conceivable area of business operations, it will be interesting to see how this will impact onboarding specifically. According to an article in Forbes, AI is already being used by HR teams to automate processes such as paperwork generation, compliance tracking, and initial training management, allowing individuals to focus on strategic initiatives and the human elements of getting an individual settled in to their role.

Ensuring Diversity and Inclusion in the Workforce

Diversity and inclusion initiatives are increasingly recognised as essential components of successful talent acquisition strategies. 16.5% of business we spoke to said that, whilst the importance of this was not in dispute, they did face challenges in creating inclusive recruitment practices, eliminating biases, and cultivating a diverse talent pipeline more generally.

The strategies focused solely on fostering diversity, equity, and inclusion (DEI) within the workplace are essential and it is clear that there is some way to go to ensure business feel they can fully deliver on their intentions here. In brief this includes implementing robust training programmes to educate and empower employees, as well as establishing inclusive hiring practices to ensure that the recruitment process is fair and accessible to candidates from diverse backgrounds.

Optimising the Interview Process

Whilst only seen as a real headache by 14% of responses, we know firsthand that efficiency and structure throughout the whole of the recruitment process are critical for attracting and evaluating top talent – especially where competition for that particular role or skill-set remains fierce. Challenges include managing interview logistics, maintaining consistency in evaluation criteria, and providing timely feedback – all understandable perhaps, but non-excusable if the candidates in question have other options on the table.

Strategies involve streamlining interview procedures, utilising technology for virtual interviews, and training interviewers on effective questioning techniques.
Using the services of a recruitment specialist here will also pay dividends, particularly when it comes to the time saved by outsourcing the initial screening and evaluation.

The recruitment landscape for all sectors has been fraught with challenges since the COVID pandemic, and the ongoing impact of economic uncertainty and skills shortages means that businesses still operate in decidedly choppy waters.

There is no one 'magic formula' to tackle all of the challenges head-on, although differentiation of value propositions, agile hiring strategies, structured onboarding and expanding sourcing efforts are some of the areas where incremental gains can be made.

The technology trends that present the most significant opportunity for growth in digital commerce

Whilst there are undoubtedly operational challenges facing businesses in the digital commerce sector on a global scale, the sector remains a hotbed of innovation, opportunities, and potential for growth.

In the rapidly evolving landscape of digital commerce, identifying and leveraging emerging technology trends are pivotal for organisations aiming to achieve sustained growth and competitive advantage.

And, whilst it's fair to say there are a vast array of technologies and methodologies transforming the digital commerce landscape today, certain trends stand out for their potential to redefine business strategies and consumer experiences alike.

As businesses (and business leaders) navigate an increasingly complex marketplace, understanding these trends becomes imperative for staying competitive and driving growth. But which 'trend' came out on top as the most likely to have an impact in this regard?
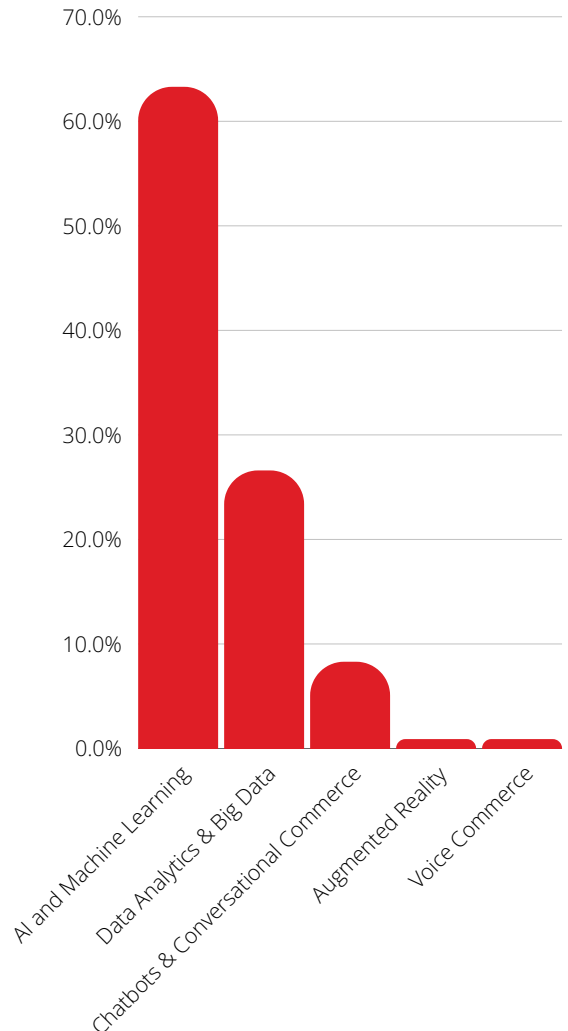
Artificial Intelligence and Machine Learning

It's perhaps no surprise that Artificial Intelligence (AI) and Machine Learning (ML) emerged as the likely most transformative forces in digital commerce – a resounding 63.3% of all respondents recognising their pivotal role. These technologies have continued to revolutionise how businesses understand, interact with, and cater to their customers, and it's clear that the future of digital commerce is deeply intertwined with advancements in AI and ML.

It's not hyperbole to say that such technologies are poised to reshape every facet of the customer journey, from discovery and engagement to purchase and support, with enhanced personalisation capabilities that will allow businesses to create bespoke experiences tailored to individual preferences, fostering deeper customer loyalty and satisfaction. Moreover, AI-driven automation is already helping to streamline operations; reducing costs and accelerating response times, thereby enabling businesses to scale more efficiently in a globalised marketplace.

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There are three key technology areas in this space; Robotic Process Automation (RPA), Predictive AI and Generative AI. Whilst much of the hype around AI recently has been in the GenAI space, it is not always the right tool for the job. Understanding the problem in detail before simply automating a process around it is critical.

Ian Mahoney | CTO

Data Analytics and Big Data

Data analytics and Big Data continue to be fundamental drivers of digital commerce strategy, with 26.6% of respondents signalling that this is an area which will in turn create huge opportunities for businesses in the future. Data is one of the most valuable commodities on the planet, and organisations that master it and use it in the right way will be the winners in this round of technology revolution.

In the context of digital commerce, Big Data translates into optimising customer experiences, predicting consumer preferences, and personalising marketing strategies, and by harnessing analytics, the ability to gain deeper insights into customer behaviour, preferences, and trends. Whilst undoubtedly an area of much opportunity, Big Data does pose a number of challenges too such as data security risks, integration complexities, and the need for specialised tools and expertise.

Chatbots and Conversational Commerce

Chatbots and conversational AI technologies are revolutionising customer interactions and service delivery in digital commerce, although only 8.3% of respondents thought that this in itself was THE tech most likely to drive change and growth in the sector.

Nevertheless, these intelligent systems which simulate human conversation to provide instant responses, product recommendations, and personalised assistance to consumers, will undoubtedly reshape the way businesses engage with their customers.

In addition to customer service enhancements, this tech is cited to contribute to operational efficiencies by automating routine tasks such as order tracking, booking appointments, and processing payments. This allows human resources to focus on more complex issues and strategic initiatives, ultimately driving productivity and business growth.

Voice Commerce, Augmented Reality (AR) and Virtual Reality (VR)

While not the predominant choice among respondents, chatbots, conversational AI, voice commerce, augmented reality (AR), and virtual reality (VR) collectively represent significant technological advancements shaping the future of digital commerce.

Though each technology garnered varying levels of recognition in driving change within the digital commerce sector, their combined impact underscores a broader trend towards enhancing customer experiences, optimising operational efficiencies, and leveraging advanced analytics for business growth.

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Understanding what your customers want and when is critical to building and running an efficient supply-chain as well as allowing discounts to be targeted towards customers who were otherwise not planning to purchase rather than more traditional blanket-style discounts which are often used by customers who would have otherwise purchased at full-price.

Ian Mahoney | CTO

To Sum It Up

The current landscape of digital commerce presents a dynamic mix of challenges and opportunities driven by rapid technological advancements, evolving consumer behaviours, and market conditions that are sometimes out of our control but impactful nevertheless.

Businesses operating in this sector are grappling with pressing issues such as profitability amidst intense competition, navigating volatile market conditions, and integrating new technologies effectively. Moreover, the imperative to attract and retain top digital talent remains a critical priority for sustained growth and innovation.

Digital Commerce Specialist, Gareth Nutt, also comments that re-platforming choices will also significantly impact businesses. Balancing the cost and complexity of re-platforming is a crucial decision, with many firms, including major retailers, failing in their attempts to implement composable commerce successfully. In addition, rising software costs add another layer of complexity. The per-unit costs of SaaS software for example have increased 2-3 times since many of the early deals of 3-4 years ago; significantly impacting IT budgets, (now nearly all Opex), and directly hitting the bottom line.

This cost inflation necessitates a strategic reassessment of software investments and budget allocations. And, in this challenging environment, businesses must navigate these multifaceted issues with agility and foresight.

Success in digital commerce will depend on a nuanced approach that balances technological innovation, cost management, and the effective utilisation of human capital to drive sustained growth and competitive advantage.

At Simply Commerce, we are dedicated to understanding these complexities and leveraging our expertise to help businesses overcome these challenges. Whether it's navigating the complexities of talent acquisition in a competitive market, optimising operational efficiencies through emerging technologies like AI and ML, or enhancing customer experiences through data-driven strategies, our tailored solutions are designed to empower businesses in achieving their strategic objectives.

If you're keen to explore how Simply Commerce can assist your business in navigating these trends and challenges within the digital commerce sector, please do get in touch.

Let's discuss how strategic hiring and our specialised services can propel your business forward in this fast-evolving landscape. Contact us today to book in a no-pressure, free consultation.

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