

Spryker

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Guide

Speed is the New Cash Cow in Digital Commerce

The Value of Fast Adaptation
and how to Accelerate Your Business



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Chapter 01

Introduction

Gartner estimates that by 2023, organizations that have adopted a composable approach will outpace their competition by 80% in the speed of new feature implementation.”¹
Mike Lowndes, Senior Analyst at Gartner

One of the most evident impacts of digitalization has been the change in the pace of technological development. Entrepreneurs and businesses have been used to some level of constant change for some years now. Prompt response and adaptation to changing conditions have been crucial for success. The ever-increasing complexity of the possibilities that new technologies bring, the pervasiveness of technology in the most various aspects of our lives, and our interconnectedness gives unique advantages to businesses that can smoothly accommodate and respond to new situations.

Topics like the urgency of needed transformation due to climate change and the perceived volatility in international affairs gave a sense that big changes were coming soon. However, 2020 came to disrupt a reality that already felt full of dynamism. In just a couple of weeks, the crisis generated by COVID-19 managed to question some of the core assumptions of big parts of the economy at a global scale. In the professional realm, the way a lot of people work and their interactions with companies changed from day to night. This extreme state of affairs has served as an inflection point, a catalyst for long predicted changes, and as an ultimate test for many business strategies. It came as a sudden storm that shook the foundational structures of companies. For some players, digitalization became the only way to survive. One thing became clear, quick adaptation and resilience are the biggest assets that companies have to weather uncertainty and turn them into new opportunities.

The unprecedented socioeconomic challenges of 2020 demand the organizational plasticity to transform and compose the future.”²

Brian Burke Research Vice President Gartner



Chapter 02

What is the Current E-Commerce Landscape?

“Why is this digitalization different from digital prior to COVID-19?”, Chris Howard from Gartner³ explained that the core change they see is “the pace of adoption. [...] The digital part isn’t new, but the acceleration part is crucial.” E-commerce was one of the areas of the economy that was more intensely impacted by the pandemic. According to ZDNET,⁴ “E-commerce innovation in 2021 will look like what was projected for 2025”.

Some statistics help comprehend the magnitude of the change that occurred in just a few months:



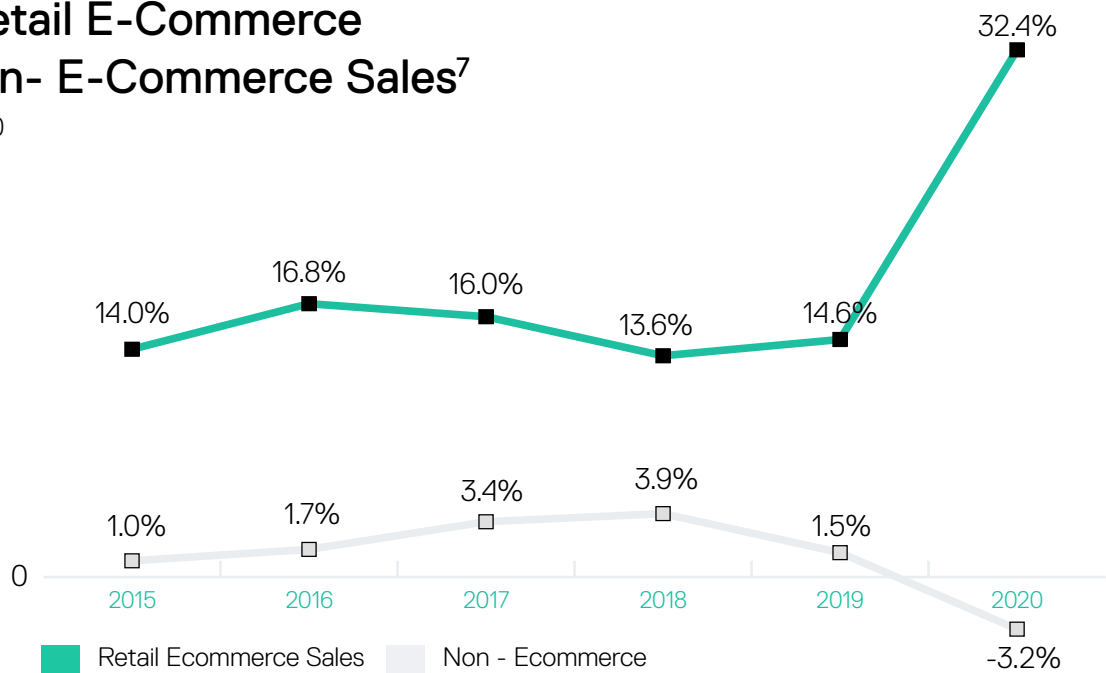
In the United States in 2020, retail e-commerce was estimated to grow **32.4%** compared to the previous year. As a contrast, brick-and-mortar sales are estimated to have fallen **3.2%**.⁵



62% of consumers reported shopping more online than before the COVID-19 outbreak.⁶

US Retail E-Commerce vs Non- E-Commerce Sales⁷

2015 -2020



In 2020, Amazon reported a

39.1 %

YoY sales growth.⁸

In the United States, big players saw record levels of YoY sales growth.⁹

105.5 %

Best Buy

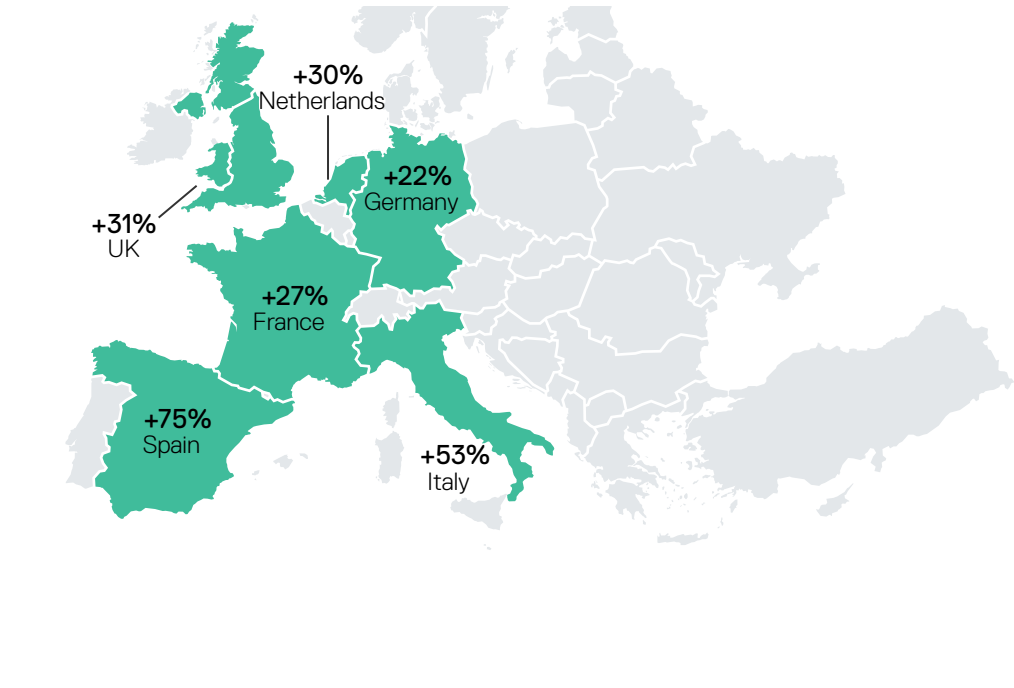
103.5 %

Target

79.2 %

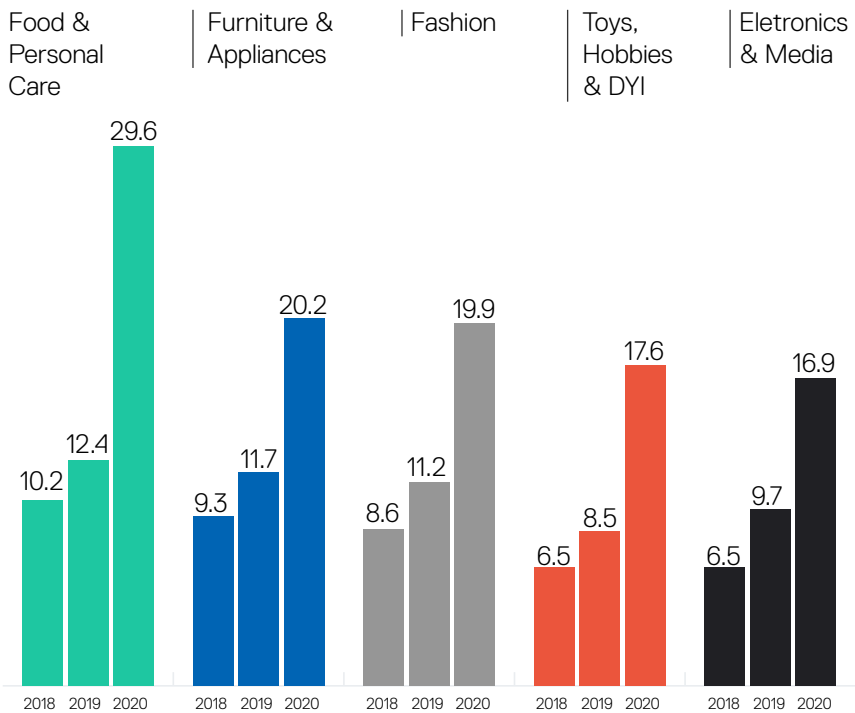
Kroger

As for the **European market**, for 2020 Statista estimates an average **31% year-over-year (YoY)** increase in B2C e-commerce sales in Europe. The growth estimates for some of the most important markets are:¹⁰



Revenue Growth - E-Commerce Sales in European Market¹¹

In %
2018 - 2019



The Forecast for 2021 of Total Revenue from E-Commerce for the 5 Top Economies¹²

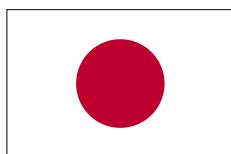
In USD



China
1,260,539 m



USA
469,245 m



Japan
112,465 m



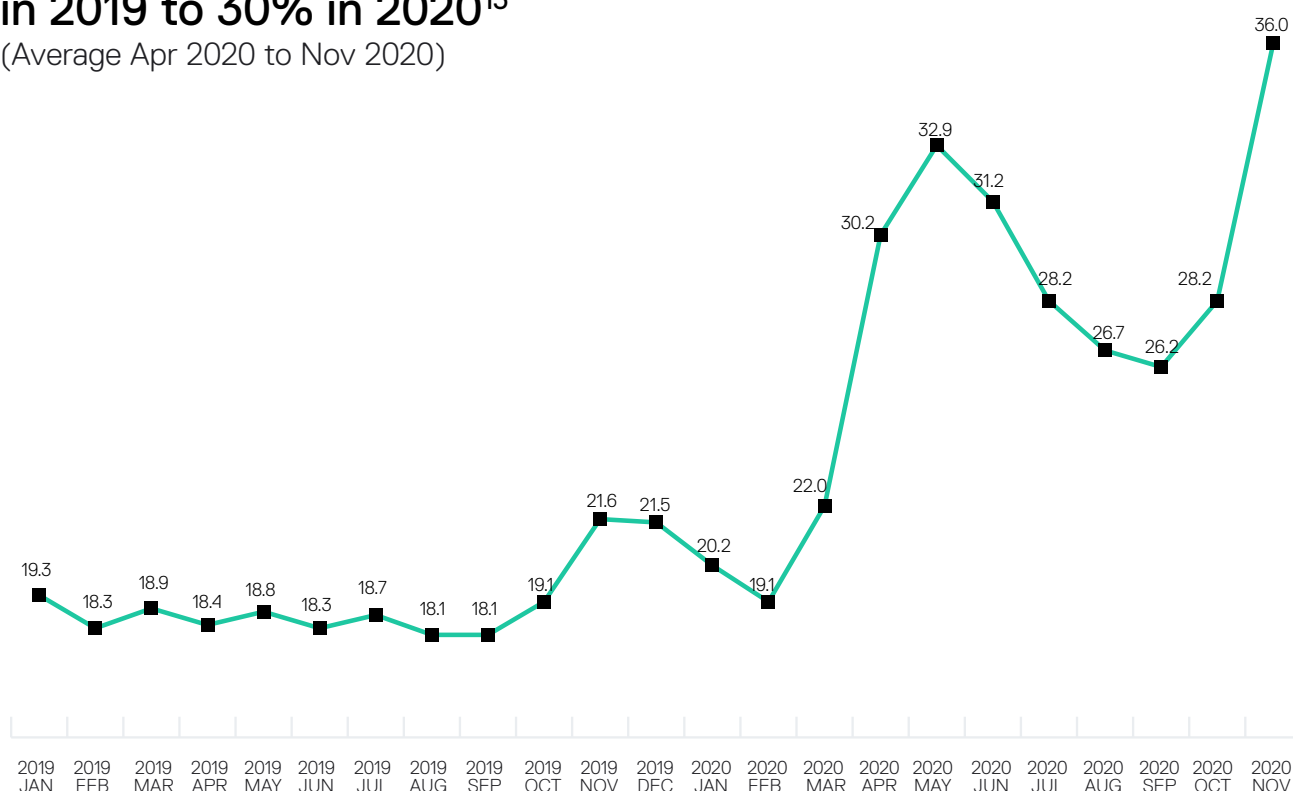
UK
103,916 m



Germany
94,998 m

Internet Sales as Percentage of Total Sales in the UK Jumped from Average of 19% in 2019 to 30% in 2020¹³

(Average Apr 2020 to Nov 2020)





Chapter 03

Why is Speed in Development so Important?

Already before 2020, the notion of an online shop as a simple interface between retailer and customer had been outdated. For some years now, e-commerce has posed much more complex requirements that give unique advantages to shops that allow them to quickly accommodate new developments in technology, emerging customer touchpoints, and unexpected situations.

A successful strategy requires understanding an online shop as the new standard and a dynamic platform whose functions are continuously developing, therefore remaining flexible.

The idea of implementing a finished platform planned to the finest detail has been proven detrimental. This approach leads to rigidity and exposes companies to a higher risk of pursuing false or outdated models and losing crucial opportunities. Instead, staying close to customers at all points of development and having the mindset of experimentation ensures capturing right away disparities between customers' demands or expectations and your business model as well as promptly discovering unforeseeable potential.

Moreover, 2020 has come to show that only companies that have flexible structures to swiftly react to the most unexpected situations can flourish. However, harvesting these possibilities requires a resilient technological architecture that supports this mindset. In Spryker, we have been at the forefront of this mindset and have developed the most agile commerce system that allows the most diverse companies to quickly react and smoothly implement any change without risking the stability or user experience.



An example from one of our clients helps elucidate the importance that quick response and development can have in a very fast-changing environment. In 2020, Toyota quickly realized that the pandemic posed a big threat to car dealers in Germany. Due to the restrictions, their shops were forced to close and there was no way to keep business running. **After approaching Spryker, Toyota managed to quickly pivot the situation and in just 3 weeks they launched a B2B2C platform to support their car dealers.** In this simple but very effective solution, customers can browse brand-new Toyota cars online. This first version of their platform became an ideal foundation, first launched only with the most important functionalities. Now it continuously developed to promptly react to the needs of customers and dealers as well as to accommodate any new changes in the state of affairs.

“

Spryker doesn't start with the pure product offer, but first wants to understand our business, needs and expectations. This enabled us to form a good set up for the creation and realisation of the offer even before the start.”

Jens Brech

*Director Customer Experience
& Network Quality Toyota
Deutschland GmbH*

Important E-Commerce Market Trends that Bring Potential to Online Shops

To understand which type of opportunities can be grabbed by companies, given they have a technological structure to quickly experiment with them, it is useful to look at some of the most recent trends in e-commerce. Some of them have been foreseen to come for some time and the pandemic has served as a catalyst to bring them in full swing.



Influx of new consumers and openness to try new shops for consumption

Due to restrictions imposed by governments around the globe, fewer people went to physical stores and moved to online channels for their necessities. Globally there was a 40% increase in unique customers just in the first half of 2020.¹⁴ Moreover, people were more willing to try new retailers to fulfill their needs. For example, according to Narvar,¹⁵ in the United States, 56% of consumers reported having tried at least one new retailer during the COVID-19 time. Gartner¹⁶ predicts that “by 2022, organizations using multiple go-to-market approaches for digital commerce will outperform non commerce organizations by 30 percentage points in sales growth.” Now that new segments of the population are recurring to online shopping, companies need to make sure that they can gain their loyalty through differentiation from the competition and an excellent purchasing experience.



Multifaceted changes in shopping habits and experience

During 2020 a constant preoccupation was the minimization of contact to ensure security for customers and employers. This became the perfect scenario for digital solutions that allowed contactless shopping like mobile self-checkout and curbside pickup. In the US, 18% of consumers motivated by the pandemic, tried curbside pickup for the first time.¹⁷ Digitalization also accelerated a trend of cashless forms of payment. A recent study from Visa¹⁸ found that “78% of global consumers have adjusted the way they pay for items in the wake of intensified safety concerns.” Gartner¹⁹ predicts that by 2023, at least five countries will set up initiatives to eliminate cash from circulation. These changes are deemed to have a long-lasting effect on people’s expectations for (online) shops. Shops that can quickly make use of new technological features that increase the safety and satisfaction of both customers and employees. Being able to quickly include them in the shopping experience will provide a decisive advantage over competitors.



Specific changes in Business-to-Business (B2B) commerce

The pre COVID-19 B2B commerce experience still relied heavily on non-digital interactions, for example, with sales representatives. Now, with millennial shoppers being more open to online purchases and being more used to online interactions, B2B businesses will profit from accommodating these new attitudes and permanently incorporating them in their purchasing channels.



Direct-to-Consumer (D2C) commerce

A very important trend in 2020 was the increase of D2C commerce. This means that more manufacturers are relying less (or not at all) on traditional stores that act as intermediaries between them and the customers. This does not only allow to offer products at lower prices but also empowers manufacturers to take more control over the marketing and distribution of their products.



Beavertown Brewery is a very good example of a manufacturer that experienced an 85% drop in sales after the COVID-19 restrictions and that, by responding with the quick setup of an online shop, achieved a 1000% increase in sales.”²⁰



Diversified revenue sources

The online shopping experience is evolving into a more complex phenomenon than the simple acquisition of products or services. Companies are finding new ways to provide added value to their customers by offering additional services related to the purchased good. For example, Amazon Dash Buttons offered an automatic replenishment system²¹ and Tesla's smart maintenance system²² uses remote diagnosis to provide added value. Gartner predicts that “by 2024, leading commerce organizations will generate 10% of online revenue from services attached to physical products”.²³ Adapting a headless commerce approach will allow companies to embed these services seamlessly.



Hyperautomation of the e-commerce sector

Companies will have big gains from increasing the application of tools like Artificial Intelligence, robotic automation, event-driven software, and tools for decision process and task automation. If implemented properly, they give a unique value proposition to companies. According to Gartner,²⁴ “organizational debt” caused by one or more factors (architecture, technical, data, processes) drags companies and usually leads to “extensive and expensive set of business processes underpinned by a patchwork of technologies that are often not optimized, lean, connected or consistent”. Having reliable systems that are compatible with the newest tools is the condition of possibility to profit from these trends.

These trends bring great potential for those companies that are prepared to exploit them. However, the degree to which each company can profit will heavily depend on how easy it is for companies to experiment and implement new features on their sites.



Chapter 05

What are the Benefits of Faster Technological Development?

With the Spryker Cloud Commerce OS, companies get the exact commerce solution they need for their long-term business strategy. Being able to quickly react to changes will translate into the following measurable benefits:



Faster Time-to-Market

Our clients have everything they need to launch a shop in 100 days or less. The separation of front- and back-end ensures even faster implementation that reduces costs.



Higher Return on Investment

Our modular system ensures faster implementation, testing, and better optimization– all for less internal cost. This means that our clients win on all fronts: they can develop solutions tailored to their specific applications using the best technology on the market, all of this with easy and fast implementation. This translates into a higher return on investment compared to any other solution in the market.




Lower Total Cost of Ownership

With the Spryker Cloud Commerce OS our clients profit from lower costs of ownership, giving companies total freedom and flexibility in their implementations. This enables enhancing user experience in exactly the way that your company requires. For example, being in control of the technological development of its platform will give your company the possibility of building various business cases and front-ends with unique tech USP while customer acquisition costs remain low.

...and Who Benefits from it in the E-Commerce Sector?

The short answer is everyone. There is a growing tendency of analyzing technological development and applications according to the concept of “**Total Experience.**” This concept merges disciplines that have been normally kept separate like **Multi Experience (MX)**, **Employee Experience (EX)**, **Customer Experience (CX)**, and **User Experience (UX)**. Gartner names this as one of the top strategic trends that will dominate the technological landscape in 2021.²⁵ This holistic approach recognizes that companies’ actions have an impact on different players.

The Spryker Cloud Commerce OS provides the best conditions and tools to optimize the experiences of all participants. Through a process of close and reiterative contact with customers, companies make sure that they feel listened to and that their needs are heard. This view also provides big benefits to managers that will not have to take decisions and act in darkness but rather based on constant measurement of real performance that allows for changes before it is too late. Employees and team members will enjoy working in an environment that is created to promote experimentation and that is backed by the best tools in the market. Everyone wins.



So, Fast Technological Development Can Make All the Difference... And now what?

After this succinct description of the vibrant state of affairs in the e-commerce sector, it becomes clear why quick response, resilience, and flexibility are key to long-term success in the e-commerce sector. Choosing a technological solution that is tailored to your specific needs and that can be easily adapted to meet unexpected trends is the way to go. In the rest of this guide, we will explore how Spryker Cloud Commerce OS technological solutions are structured to help companies grab the opportunities when they present themselves.

“

Spryker shops save an average of 80% of development time due to clean code and architecture.”



Chapter 06

Agile Mindset: The Spryker Approach

Throughout history, great leaders have faced turmoil and turned it into inspiration. [...] Composing: being flexible, fluid, continuous, even improvisational is how we will move forward.”²⁶

Don Scheibenreif, Distinguished VP Analyst, Gartner

Any project starts with the worldview that sets up the assumptions about reality within which decisions will be made. In Spryker, we embrace newness and uncertainty. User trends and expectations change constantly. It may seem that this poses insurmountable challenges because they make planning very difficult. But if tackled with the right mindset, variability allows for differentiation and greater opportunity. The key is developing an agile mindset that is guided by constant experimentation and that focuses on continuously listening to target audiences. **Spryker offers a platform optimized to test and experiment with a very short development time. Our worldview is future-first.** This means that we work to provide all the features and tools to allow for expansion and growth through a wide selection of APIs.

In contrast, standard monolithic solutions are developed to repeat what has worked in the past. Business models that do not fit the traditional schemes and quick adaptation are impossible. Off-the-shelf systems lead to slow updates and lag time. Companies are tied to the business objectives of the platform providers and cannot respond to sudden changes in their particular markets or environments. They will have no opportunity to make any gains from differentiating from competition because these off-the-shelf solutions are, per definition, standardized. There is simply nothing exceptional to attract or retain customers.

Two common misperceptions still cause companies to opt for off-the-shelf solutions: price and time. In terms of price, companies just take into consideration the initial price tag from launching a shop. However, this is very short-sighted. Companies oversee the added costs from choosing off-the-shelf solutions that come from necessary software adaptations and maintenance, company adaptations to software that is not made to be specially tailored to its needs, and the opportunity costs of not having a better system.

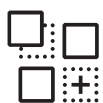
In terms of launching time, there is still the common misconception that the only alternative to an off-the-shelf platform is starting a system from scratch. This is wrong. Thanks to the modular system developed by Spryker and with modules available for customization, the development time can be shortened without sacrificing customization. In Spryker, we offer solutions to launch online shops in fewer than 100 days. Spryker Now is even designed to go online in a few days.





Chapter 07

Technical Superiority



1. Modularity

Spryker's modularity is one of the core components of the Spryker Cloud Commerce OS. It is a tested solution based on clean code principles and acts as the first access point to start the development of any functionality. Modularity means that our clients can choose, at any point in time, among our repertoire of decoupled modules to add a multiplicity of functionalities. Without any hassle in the implementation, they allow testing whether a particular feature or business channel brings positive results.



2. Separation of Front-End and Back-End

The Spryker Cloud Commerce OS offers a modular, high performing, and scalable architecture that forms the perfect foundation for executing innovative projects. By separating front-end and back-end, developers can work simultaneously considerably reducing the time needed to launch or expand a shop.

Nowadays, having a flexible back-end is crucial. With off-the-shelf functionality, it is almost impossible or extremely costly to customize shops to tailor them to individual needs and preferences. New touchpoints and interfaces are emerging at even shorter cycles. Thanks to the Spryker GLUE API, experimenting with different touchpoints is easy.

This API-first structure means that there is no conventional web shop with an inseparable front-end and back-end standing in the foreground. Various selected front-ends and systems can be flexibly linked to the modular back-end through the API. Trade is rather headless and can be equipped with a myriad of customer interfaces. This separation also has the added benefit of making your system much more resilient and quicker to fix or update. Any bug, update, or change to your back-end or front-end will not take down the whole system.



3. Agile Development

Spryker is built for performance and scalability through its fully modular architecture. Using the newest versions of PHP and adds a state-of-the-art environment based on Elasticsearch, Redis, and SQL, and the two-level architecture gives it improved flexibility, performance, scalability, and security.

Moreover, Spryker is based on a LAMP stack, or Linux, Apache (or nginx), MySQL (or PostgreSQL), PHP (7.2+). This technological backbone enables an uncomplicated transition to Spryker from the majority of shop systems in the marketplace.

Whichever functionality your company seeks to implement, be it ERP, CMS system, or PIM, all interfaces to third party systems are efficiently linked to the Spryker Cloud Commerce OS. The linear data transfer makes communication among systems smooth and ensures a smart and efficient transfer of large volumes of data. Our systems are stable even in the most extreme situations (for example, no crashes happened to any of our clients during Black Friday).



4. State Machine

Spryker offers an out-of-the-box State Machine that provides an invaluable tool to efficiently tackle complex journeys and automate processes. The concept comes from the realm of mathematics. It is a method that dissects a process (for example a customer journey) in a fixed number of states, transitions, and events. Only an event can trigger a transition from one state to the other. Using State Machines greatly increases productivity since developers focus on each state, always following the same language and rules avoiding complicated 'if... else' conditions.

With State Machines, companies can orderly implement even the most complicated processes in an automated order flow. Spryker has captured all the potential of State Machines in its Order Management System (OMS). The entire order cycle –starting when an order is placed, through the authorization of payment, and sending an email with the purchase confirmation– is fully described in states and transitions. This State Machine can also be a blueprint to quickly develop additional State Machines that map other processes.

From the development side, your team can edit and modify each portion of the process as much as needed. Only State Machines allow this kind of flexibility as traditional approaches only allow modification in fixed extension points. New action points, containing new states and transitions, can always be added and smaller State Machines can be easily used or reused.



Chapter 08

The Spryker Solution

















The MVP Approach.

For the development of shops, Spryker follows the “**Minimum Viable Product**” (MVP) approach. In the development of a new product (or an extension of it) a preliminary but completely functional version is made. Before investing heavily in a too complex version of a product, each idea is tested to ensure that it complies with the wishes and expectations of the customers. If the idea or feature is judged successful, the process of development continues. If not, resources are freed to refocus the strategy on more lucrative initiatives. Two goals need to be met for an MVP launch:

- 1 - The first version will be as simple as possible to ensure the fastest possible launch.
- 2 - This first version should be mature and comprehensive enough to truly generate value for an average customer.

The approach is simple:

Imagine you are planning to build a vehicle. How do you proceed?

How not to build a minimum viable product	 ○ 1	 ○—○ 2	  3	  4	
How to build a minimum viable product	  1	  2	  3	  4	  5

This approach is very different from classical product development that results from a very long process, based on market analysis, different incubation phases, long lists of requirements, and the strive for perfection. **This classical type of development takes an average of 18 to 24 months. In contrast, development with the MVP approach should not take more than 100 days.** The MVP will result in much faster developing times, helping your company take advantage of pressing conditions.

Spryker Now

Spryker Now is Spryker's response to the Covid-19 pandemic. When the magnitude of the situation became clear, Spryker felt compelled to support brands and manufacturers that needed to accelerate their digitalization process. Spryker Now focuses on the D2C trend that exponentially grew in 2020.

Spryker Now is a product that allows our clients to take advantage of all the core functionalities right away:

1

Possible to launch an online shop in less than a week

2

Scalable cloud hosting

3

No limits in the functionality since it includes all enterprise features of the B2C Spryker Cloud Commerce OS

4

24X7 support and GDPR compliant

5

Monthly payments with a minimum contractual term.

A gazelle with long, spiraling horns is the central focus of the image, looking directly at the viewer. It is positioned in a desert landscape with dry, yellowish-brown grass and shrubs in the foreground. In the background, there are rolling sand dunes under a clear, bright sky. The overall tone is warm and natural.

Chapter 09

Conclusion

From the very beginning, we have made a bet on embracing uncertainty. Our Spryker Cloud Commerce OS solution disrupted the traditional way of planning that focused on what worked in the past. Our mindset encourages experimentation and flexibility to tackle whatever conditions markets and environments present. The extreme situation experienced throughout 2020 became the ultimate test that a flexible architecture is the only way to flourish. The exciting trends in e-commerce indicate that more change is on its way and promptness to adapt is the biggest asset that companies can have.

Whether you are at the very beginning of the building process or are looking to transition an existing shop to a new environment, our system ensures quick implementation. Your company can make use of all the tools that ensure technical superiority and that enable scalability whenever it is needed. Our system can be tailored to any business strategy without having to make any compromises.

Now is the perfect time.



About Spryker

Spryker enables companies to create winning commerce experiences in B2B, B2C, and marketplaces. It is the most modern platform-as-a-service solution with over 900 API-based modules, cloud-enabled, enterprise-ready, and loved by developers and business users worldwide. Extend sales reach and grow revenue with a system that allows you to increase your operational efficiency and lower your total cost of ownership. Expand to new markets and business models without technical limitations. Spryker solutions have empowered 150+ companies to manage transactions in over 200 countries worldwide and is trusted by brands such as Toyota, Hilti, Lekkerland, Hero, Rose Bikes, and Pym.

Do you want to learn more about e-commerce best practices and innovative digital solutions?

Visit

spryker.com

Contact

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**Do you have feedback for us?
Please feel free to contact us!**

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