



# Reimagining Retail Commerce in a Post-COVID World

Why your strategic plan needs to start with modern technology

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*“Man never made any material as resilient as the human spirit.”*

– Bernard Williams

## Prologue

In 2017, commercetools published *“Reimagining Retail Commerce...with the Right Tools.”* The paper was meant to inspire traditional retailers to forget about trying to compete with Amazon – and start focusing on building their own business by *“using innovation to support customer engagement and make your brand experience inviting, authentic, distinctive, and personal.”* The key takeaways? (1) Embracing modern technology is the key to generating sales and loyalty, and (2) by using APIs, retailers can add features gradually, revamping their platform over time to alleviate fear and push back within their organization.<sup>1</sup>

The piece was downloaded a multitude of times -- and four years later, people still download it. While most of the content – the challenges of monolithic platforms, the comparison of APIs to Legos, the list of benefits of headless commerce – is still relevant, one of the key messages no longer applies. Today, retailers no longer have the luxury of time. Speed has become a competitive advantage.



# The Year that Changed Everything

If there's one thing everyone on our planet can agree on, it's that 2020 hasn't been a good year. Filled with major health and economic challenges brought on by COVID-19, civil unrest – and in the US, a heated presidential election -- 2020 disrupted individuals and families as well as businesses and economies. Despite everything, around the world people proved Williams right – humans are nothing if not resilient. Across the board, new solutions have emerged, new habits created, new routines implemented – all as part of a collaborative effort to adapt to a “new,” albeit different, “normal” way of life.

The retail industry was hard hit by COVID. The pandemic forced retailers to close hundreds of stores and lay off thousands of employees. Some retailers, those with robust eCommerce sites built on modern technology were able to quickly make changes to pivot their operations to adapt to restrictions, meet new customer needs, and generate sales. Others with more antiquated systems or no eCommerce platform at all lost revenue and customers while having to deal with huge inventory surpluses. As a result, just about every country has been reporting decreased retail sales, which spurred The Business Insider to predict a global drop of 5.7% for the year.<sup>2</sup>

After months and months of grim statistics – with restrictions being put in place, lifted, and put back in place again -- there are finally signs of recovery. Consumers are embracing the new options – from curbside pickup and contactless delivery, to buy online pickup in-store (BOPIS) – that many retailers now offer. Malls are reopening with social distancing protocol in place and many retailers are hiring again. The US reported sales growth in both August and September and the latest McKinsey Global Survey showed a shift towards optimism.<sup>4</sup>

With this tumultuous year coming to a close, it seemed like a good time to update our original story. Right about now, many retail executives are sitting at their desks, (probably in their home offices...possibly wearing pajamas) contemplating strategies and exploring initiatives that can take them through the next year. To help, we took a deep dive into how 2020 forever changed the retail landscape, exploring how some retailers were able to thrive while others failed and more importantly, providing information to ensure you can be prepared in the future, no matter what it brings.

We dismiss the notion that retail is dead, that an apocalypse is looming. We've found plenty of evidence to the contrary. *“Reimagining Retail Commerce In a Post-COVID World”* offers a positive and encouraging perspective – one in which modern technology provides retailers with the functionality they need to deliver seamless, engaging, personalized customer experiences across all channels – in-store, online and mobile -- and the flexibility to make changes quickly to adapt to changing needs, new trends, economic shifts – and even a global pandemic.



# Commerce in the time of COVID:

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If the retail success stories of 2020 share a common trait, it's that the brand had already gone through "*digital transformation*" and transitioned their technology foundation from a traditional, monolithic, legacy platform to a modern, API-driven, cloud-based system. Best Buy is a perfect example. The company began its journey in 2011 and by 2014 had become one of the first brands to offer BOPIS. When COVID hit, the retailer was met with an onslaught of orders for home office equipment, virtual learning products, and kitchen appliances. Not only was their open, scalable system easily able to handle the increased volume, it also allowed them to deploy a contactless curbside pickup ordering solution within weeks.<sup>5</sup> While other retailers were shutting down across the country, Best Buy was serving the new needs of consumers via bestbuy.com and the Best Buy app, driving revenue, and supporting the U.S. economy.

Some retailers that weren't as well prepared for the pandemic took a leap of faith -- making a smart decision to immediately transition to a headless eCommerce platform -- and quickly discovering the risk was worth the reward. Case in point: Cincinnati-based Tire Discounters. The regional retailer and service shop started their transformation in 2019, upgrading to a modern POS system that helped streamline operations and improve customer service. At the time, they were also exploring how to adapt their technology to address all the new channels consumers have access to to connect with retailers and make purchases.<sup>9</sup> They were preparing to transition over to commercetools eCommerce platform when COVID forced them to shutter their stores. Leadership fast-tracked the implementation plan and within three weeks launched an app that enables customers to buy tires as well as book contactless services from their mobile devices. Customers can choose options including curbside replacement/repair of their tires at their local store and even white glove concierge services -- which include home pick up and drop off after services are completed. By pivoting quickly to meet consumers new needs Tire Discounters has actually expanded during the pandemic -- opening 5 new locations since May 2020.



# 2020 Success Stories: Technology-based Resilience

## City Furniture

With consumers having plenty of time for home improvements during the COVID lockdowns, the retailer, which owns **20** branded showrooms and **13** Ashley Home Stores, quickly saw increases in their eCommerce sales. Thanks to the headless, microservices platform they had transitioned to over 2018 and 2019, the retailer was able to quickly add new features – including virtual appointments, private in-store appointments, and live online sales support via chat and phone – and meet government restrictions, provide customers with options, and drive sales.<sup>7</sup>

## Walgreens

As the biggest pharmacy chain in the U.S. began its digital transformation and cloud migration in 2019, they already had a lot of projects in progress. COVID created the need to speed things up. By July they had rolled out curbside pickup, free delivery for online purchases, order-ahead digital drive-thru, and an online real-time “Ask a Pharmacist” program to answer consumer questions about COVID.<sup>8</sup>

## VistaPrint

The online print marketing company started their headless journey with commercetools in the spring of 2019, as a result they were able to react very quickly when the pandemic hit. Jim Sokoloff, Vice President, Logistics, Optimization and Operations for Cimpress, VistaPrint’s parent company feels the biggest benefit is projects that used to take months -- like integrating a new payment method -- now take mere weeks. In early April they pivoted their business focus to producing and selling face masks. They were able to seamlessly integrate the new SKUs and launch by mid-May. At a recent roundtable discussion, Sokoloff explained, “We were able to launch a product, which is very relevant to our customers, very relevant to the world, in a time frame that was very relevant to our customers and to the world--- all from this more flexible approach to our commerce and design experience.”<sup>10</sup>

# Retail's New "New Normal" ALT: A Better Brick-and-Mortar Future

Even though consumers were quick to adapt to the changes brought on by COVID – and many eCommerce-resistant consumers discovered the joys of online shopping --- there is no doubt, brick-and-mortar stores will always have a place in the retail landscape. As Kirk Goldman, Vice President, Business Strategy at Toshiba Global Commerce Solutions told Retail Dive before the COVID Crisis, *"The physical store, and being able to see, smell, touch things, is still vitally important to the majority of the economy. Retailer's challenge lies in enabling shoppers to transition their online shopping behaviors into stores while also deploying in-store technology that captures more nuanced data and insights about that shopping behavior."*<sup>11</sup>

Prior to COVID, Toshiba contracted Retail Dive to conduct a study for Toshiba to better understand how retailers were upgrading their in-store experiences to better deliver to consumer expectations. At that time, a third of U.S. retail executives were already well aware they needed to embrace technology to heighten the in-store experience for shoppers and felt they needed to change a lot about their current retail strategy and investments.<sup>12</sup>

Retail Dive's report boldly proclaimed, *"mediocre retail has no future"* – stressing that retailers can prepare for the future by, *"creating an in-store experience as seamless as the one their customers get online so that customers can focus on what they came for: the satisfying experience of making an in-store purchase."*

Some retailers were already experimenting with in-store technology pre-COVID. In the U.S., Sephora, Nordstrom, and Sam's Club are among the retailers who put in-store mPOS systems in place, while globally Zara and Nike integrated self-checkout. In China, two grocery store chains are using technology to educate and engage. At Hema, customers scan information-filled QR codes on all products and pay via the store's app, while at 7Fresh, they get product information via motion sensor-driven magic mirrors and autonomous shopping carts that follow them around the store.

In the post COVID world – it will become even more imperative for retailers to embed technology into their brick-and-mortar environment. Consumers have adopted new habits and learned a whole new vernacular – from contactless and curbside to click and collect/BOPIS – and their expectations are higher than ever. They've embraced the convenience and predictability that comes with buying online and being able to pick-up, or have their purchases delivered on the same day. While the lock-downs and shortages forced them to shop differently and with different retailers – the chance that they'll go back to their old ways – at least any time soon – is slim.



# The New Consumer Mindset

- **56%** of consumers have tried a new retailer during the pandemic (Narvar. 2020 State of Returns Survey)
- **10%** of consumers have tried grocery delivery, **10%** tried curbside pickup, and **6%** tried BOPIS FOR THE FIRST TIME (McKinsey UK Consumer Sentiment Survey, April/May 2020)
- **40%** of customers said they're buying more things than they normally do online (Forrester Analytics Consumer Technographics® COVID-19 Survey)
- **33%** don't plan to resume normal shopping habits immediately, **55%** say they plan to slowly return to shopping in stores. (Forrester Analytics Consumer Technographics® COVID-19 Survey)

## The Monolithic Platform Roadblock

What prevents many retailers from updating their physical and digital environments to meet the new needs of consumers is that leadership usually believes -- and is often repeatedly told -- they can just build on top of their existing technology platform. Of course, this option looks like the easier, more economical solution. Unfortunately, these antiquated, all-in-one systems were designed with tightly coupled front-end and back-ends. They only speak a single programming language, only run with compatible features, and hold all their data on servers that are already overtaxed. Regardless of promises made by IT or outside consultants, these factors combined make it almost impossible to add new features or integrate upgrades without causing glitches and downtime. Small projects that seem simple often fail completely. As a result, the idea of green-lighting a major project like transitioning to a new, unknown platform is met with resistance – usually dismissed as too risky, too time-consuming, too expensive. and unlikely to quickly deliver tangible ROI.

While many retailers have worked around the restrictions placed by their technology for years, it appears the post-COVID consumer may not be as forgiving. In the process of having to dismiss old habits and forgo any loyalty to specific retailers, they've become used to seeking, and finding, new alternatives. In the future, if they're not getting an experience that meets their expectations, they're likely to take their business elsewhere.



# The Brave New World of Commerce

In early July 2020, Patrick McLean, senior vice president, and chief marketing officer of Walgreens told *TheDrum.com* that COVID was a wake-up call. He explained that all the panic buying of consumers initially created a feeling of “*euphoria*” within the organization – pointing out in-store sales surged 26% in the first three weeks of March. Then the lock-downs were put in place and everything changed. The company immediately realized they had to make changes quickly – thankfully they were able to do it because had already transitioned to a modern technology system.<sup>13</sup>

Retailers may not have had choices in the early days of eCommerce, but today headless architecture offers a powerful foundation that can capitalize on microservices, APIs, and the cloud to deliver the flexibility they need to continually deliver innovative features, respond to changes, and achieve business goals. Headless architecture is at the core of why Walgreens, along with multiple other retailers, was able to pivot its business model to meet customer needs and COVID restrictions head-on.

While commonly referred to as “*modern*” technology, headless commerce was actually born in 2011 when Dirk Hoerig, CEO, and founder of commercetools, inc., launched the first eCommerce platform that delivered back-end functionality only. He explains that at the time, “*customer touchpoints were increasing, digitally native competition was growing, and expectations were skyrocketing.*” He saw major enterprises struggling to keep up -- and felt traditional commerce platforms with their rigid structure, were holding them back. He opened shop in Berlin, hired a team, and directed them to build a flexible architecture focused solely on back-end functionality – one that could easily work in tandem with a front-end platform. His novel approach has since evolved into what is now known as [Headless Commerce](#).

Over the past 10 years, the commercetools platform has grown from a product no investor wanted to fund, to one used by global brands including Audi, AT&T, and Express as well as Tottus (Falabella), Carhartt and Lego. It’s now recognized by Gartner, Forrester, and IDC as a globally relevant platform – and contributed to the company being named a [Leader in the 2020 Gartner Magic Quadrant for Digital Commerce](#).



# Catching Technology's Next Wave

While “headless” is a buzzword in IT today, Hoerig predicts it will be replaced soon with **MACH** – an acronym the commercetools marketing team created to describe **M**icroservices-driven, **A**PI-first, **C**loud-native, **H**eadless architecture systems. Hoerig feels MACH offers a better description of the product than simply headless architecture. *“Our industry lacks definitions, and this one is really genius because universally the word is used to describe speed – everyone understands it.”*

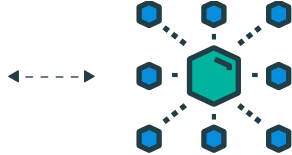
Kelly Goetsch, Chief Product Officer at commercetools, explains the key benefit MACH delivers is an open, composable, and scalable platform that allows for agile development. *“It gives IT teams the freedom to build, test, and implement tools and features quickly and easily,”* he says, pointing out that, *“Speed is truly the key to business survival today – and COVID has only reinforced its importance.”*

While commercetools could have trademarked the term and kept it for themselves, they chose to turn it over to the industry. In June, the company recruited 14 other like-minded software vendors and integrators to launch The MACH Alliance, a non-profit co-operation dedicated to advocating for, and promoting, a future driven by an architecture that enables speed and a best-of-breed approach. The organization’s mission is to help enterprises navigate the complexity of modern technology by offering support, education, and resources. Its certification program, created to provide a way to identify companies that embrace MACH technology, is generating strong buzz in the industry. Hoerig says he envisions MACH as a movement that can extend far beyond commerce. *“Ultimately, it will benefit us more if MACH becomes a global standard.”*



# MACH enables organizations to deliver innovation faster:

M



**Microservices**

Loosely coupling services in an application enables each feature to have its own release cycle to speed up iterations.

A



**API-First**

Pluggable, scalable, and replaceable, APIs simplify programming and accelerate speed to market.

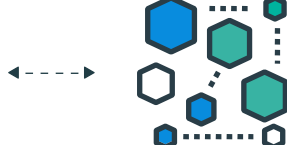
C



**Cloud-Native**

Provides on-demand availability and instant scalability to support A/B testing, while offering high security and faster content delivery.

H



**Headless**

Decoupling the front-end eCommerce platform from the backend allows each side to iterate independently while ensuring no disruption in the UX.

## A World of Possibilities

*“Brands love doing things big, and traditional platforms put so many restrictions on what developers could and couldn’t do.”*  
– Brad Soo, product manager, commercetools



# Agility

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As a cloud-based eCommerce platform, commercetools solution is ready to use... immediately. Retailers don't have to do any maintenance – everything is automatically and seamlessly updated several times a week. Your solution is always running, scaling and delivering security. All retail functions – from sales and marketing to operations and accounting have the ability to implement smart functions, ideas, and campaigns easily and safely. No longer do you need 6 months to a year of advance planning to launch promotions, new products, or campaigns -- changes and updates can be made in a day and features can be tested, modified, or discontinued without risk. commercetools customers report 4 to up to 8x velocity in releasing updates to their commerce system.

# Scalability

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Another benefit of true cloud-based solutions is they automatically accommodate increases in traffic. With solutions like commercetools, you can add thousands of new SKUs, 10 new stores, launch a flash sale, or pivot your entire business to online only -- no matter what impact your traffic or sales volume, whether it's planned or unexpected, the system has the power to scale and adapt. With no site downtime or slow performance, you can focus on ways to create unique commerce experiences and give your team the power to implement new ideas within days—not months.

# Speed

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Speed has been key to attracting and retaining customers since Amazon launched one-click payment. It's been all about how fast you can provide information, process transactions, and deliver products, as well as adapt to new technology and trends. With COVID, retailers learned it's also about how fast you can shift operations and processes to ensure customer and employee safety. With MACH's open, composable systems, you can plug in new features quickly and seamlessly, without relying on IT.

# Flexibility

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A modern commerce architecture puts the control back into the capable hands of you and your marketing team—allowing you to pick and choose exactly what your company needs to be successful in digital commerce. Develop customized integrations with a wide range of ERP, CRM, and CMS solutions to continually import and export products, customer information, orders and more. And with adaptable APIs, you can keep designing great experiences for new and existing channels—making every last one of them shoppable. From kiosks to social shopping from in-car dashboards to IoT devices, you'll have limitless possibilities to grow your online business.

## Modern Commerce Architecture™ Makes All The Difference

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In the past, most discussions of eCommerce replatforming were usually met with a groan from enterprise leadership -- followed by a story about a painful project delivered over-budget, past deadline, with disappointing results. Matt Alberts, Vice President of Professional Services for commercetools says they understand retailers can't afford downtime caused by transitions, upgrades or changes -- operations have to keep moving. *"We provide a path to modern technology while protecting what they have in place. And, we provide new ways for them to go live quicker and safer."*

At this point, there's really no other option for retailers who want to remain relevant. And, while it's difficult to understand how MACH technologies work together, because the individual pieces are not tangible -- you can see -- and measure the results that a true MACH-driven system delivers. *"The rewards offered far outweigh any risk -- the value transformation delivers across the board is immediately recognizable."* Says Alberts. *"No longer will retailers have to deal with exceptions, glitches or downtime. No longer do they have to hear, "No, you can't do that." With headless, they get to hear "Yes" a lot more."*

# SOURCES

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# About commercetools

commercetools is a next generation software technology company that offers a true cloud commerce platform, providing the building blocks for the new digital commerce age. Our leading-edge API approach helps retailers create brand value by empowering commerce teams to design unique and engaging digital commerce experiences everywhere – today and in the future. Our agile, componentized architecture improves profitability by significantly reducing development time and resources required to migrate to modern commerce technology and meet new customer demands.

The innovative platform design enables commerce possibilities for the future by offering the option to either use the platform's entire set of features or deploy individual services, á la carte over time. This state-of-the-art architecture is the perfect starting point for customized microservices, enabling retailers to significantly reduce time-to-market for innovative commerce functionalities.

commercetools has offices across the US, Europe, and Asia Pacific, with headquarters in Germany. Since its founding in 2006, commercetools software has been implemented by Fortune 500 companies across industries, from retail to manufacturing and from telecommunications to fashion. Visit [www.commercetools.com](http://www.commercetools.com) for more information.

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