VTEX

Three investments to drive ecommerce growth

Actions every brand and retailer should take now for profitable growth

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Jordan Jewell, Analyst in Residence at VTEX

Introduction

The retail rollercoaster ride shows no signs of slowing down. Are you enjoying the ride?

Retailers and brands have gone through a lot over the past couple of years. Customer acquisition costs shot through the roof, supply chain challenges caused inventory chaos, and now inflation is squeezing merchants' margins. Many firms question where to invest their dollars to generate a profit.

VTEX's Analyst in Residence, Jordan Jewell, spoke with dozens of leading VTEX merchants, ecommerce experts (geeks), and industry analysts (also geeks) to answer the question, "If you could only make three strategic bets to drive long-term growth in an ecommerce business, what would they be?" This paper talks about what we learned, with minimal buzzwords.

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We have just gone through three of the most unpredictable years in the history of retail. When will the retail roller-coaster ride end?

That's the question ecommerce leaders of retailers and brands are asking themselves right now, as they recover from whiplash. Despite more online sales and greater digital tool availability, ecommerce has become more difficult over the past five years. Since the beginning of COVID-19, the rules of commerce have been completely rewritten, and we have entered a new era of commerce no longer focused on growth but on profitability. However, a recent study by Publicis Sapient showed that 37% of retailers say ecommerce isn't meeting their profitability targets.[1]

This problem is rooted in customer acquisition costs skyrocketing, inventory chaos, and lackluster conversion rates (especially on mobile). Many firms question where to invest their dollars to generate a profit.

1. Publicis Sapient, 2022

Double down on existing customers

Retailers and brands spend most of their marketing dollars on acquiring new customers. Meanwhile, **80%** of profits come from relationships with **20%** of the most loyal customers. Under this bet, initiatives should focus on customer retention, collecting first-party data, and cross-channel communication.

Make inventory and fulfillment your strength

According to our research, **55%** of brands are still in the early stages of the omnichannel maturity curve. While not considered a "sexy" part of ecommerce, top brands are investing in omnichannel (inventory management, order management, and supply chain) to improve customer satisfaction. Under this bet, initiatives should focus on treating fulfillment like a product, unifying inventory, and harnessing marketplace models.

Engage with customers in new ways

Today, there are more ecommerce sites than ever before. But unfortunately, they all look the same. Brands and retailers are stepping outside the traditional ecommerce "experience box" with new engagement models like video commerce and immersive product pages, differentiating themselves and resulting in a **40%+** improvement in conversion rates.

Whether you focus on one or all three, every retailer and brand should act now. A period of economic hardship is proven to be the best time to invest and get ahead of the competition.

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Introduction: The new rules of commerce

The job description of the typical head of ecommerce at a brand or retailer increasingly sounds like the digital equivalent of an American Ninja Warrior. Like a “ninja” contestant, who faces an obstacle course requiring world-class strength, agility, coordination, and patience, executives running digital commerce operations are up against an obstacle course of changing consumer demands, shifting digital ecosystems, and economic fluctuations.

With **less than a quarter** of all worldwide retail happening online,[2] ecommerce is still in its infancy—and it shows. Consumers have sky-high expectations from social media and ecommerce giants like Amazon.com, Alibaba, and Mercado Libre, but very few merchants meet those expectations.

And the bar is rising. Fulfillment times have shrunk, algorithms are being refined, competition is increasing, and website user experiences continue to improve.

Many retailers and brands are finding themselves in the middle of the ecommerce obstacle course unprepared. They are experts in traditional retail functions like product assortment, merchandising, promotions, customer service, and/or sales, but those skills are no longer enough. Now, merchants are tasked with driving traffic and improving SEO; optimizing product pages; unifying inventory; reducing returns; making customers repeat buyers; and much more.

Oh, and they are expected to do so profitably.

2. Statista, 2022

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Why is ecommerce so damn hard?

Every Head of ecommerce (ever)

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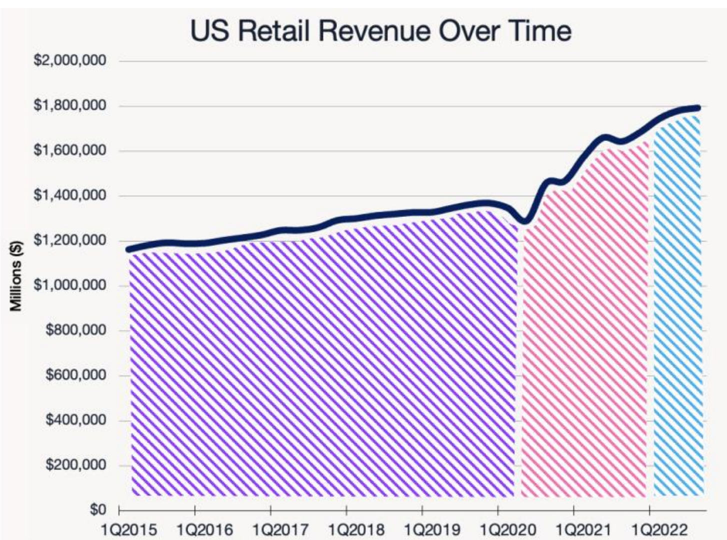
Welcome to the era of profitability

In addition to the social and technological changes influencing commerce, the COVID-19 crisis unleashed an earthquake on the retail landscape. We now know a good chunk of the ecommerce growth seen in 2020 was temporary, but the pandemic sparked other fundamental changes. For the first two decades of ecommerce, brands and retailers saw relatively steady growth from their online stores. This all changed with the pandemic (see image).



Source: U.S. Census Bureau, Advance Monthly Retail Trade Survey, November, 2022

Era of The Old Normal
- Predictable growth
- Balance growth & profits
- Measured investments
- Ecommerce viewed as side project

Era of Growth at All Costs
- Every category growing
- Grow at all costs
- Moonshot investments
- Ecommerce viewed as the savior

Era of Profitability
- Inflation defines growth
- Focus on profitability
- Select investments
- Ecommerce viewed as a necessity

> **“Our ecommerce was, for lack of a better word, considered a leech to the stores. The stores believed we were there just utilizing their inventory, some of their space, and that was kind of it.**
>
> Riley Reeder, Director of IT,
> Al’s Sporting Goods

As the chart shows, three distinct eras of ecommerce have occurred, all in less than five years. Note that this chart represents all retail (not just online). The three eras apply to both online and offline. Those three eras are:

Era of the old normal

Before COVID-19, ecommerce was predictable but often overlooked. Many retail and brand executives treated ecommerce like a side project with minimal funding and staff. Riley Reeder, the director of IT at Al's Sporting Goods, a US-based sporting goods retailer, characterized this by saying, "Our ecommerce was, for lack of a better word, **considered a leech to the stores**. The stores believed we were there just utilizing their inventory, some of their space, and that was kind of it."

Era of growth at all costs

This era began in the middle of 2020. Despite unfortunate circumstances, the COVID-19 pandemic was a boon for ecommerce. In the U.S., ecommerce sales grew **68.5%**[3] when comparing full year 2021 to 2019. During this time, brick-and-mortar retail saw a **15.9%**[4] growth rate, which is about 5x greater than what retailers see in a typical year. Most merchants, regardless of category, performed well during this period, and all emphasis turned to growth, even if it meant making a few wacky investments in areas like the metaverse.

Era of profitability

This is where we find ourselves now—in a hangover after the ecommerce growth party ended. Ecommerce leaders are between a rock and a hard place: they are expected to improve on record-breaking 2021 and 2022 sales while inflation has significantly tightened margins and consumer demand has dwindled and shifted. Seeing threatened margins, profitability has become **the most crucial consideration** for merchants.

Despite the industry-wide refocus on profitability in ecommerce, most companies are having a hard time. A recent study by Publicis Sapient showed that 37% of retailers say ecommerce isn't meeting their profitability targets. What's more, the organizations we spoke with that are launching new direct-to-consumer (DTC) channels admitted that they are not sure whether ecommerce is profitable. Needless to say, this is bad: it is tough to improve something if you can't measure it.

At decades-high levels, inflation dominated the retail discourse in 2022. Regardless of what happens with the global economy and inflation, we expect the era of profitability to persist through 2024 as the market corrects (overcomes the hangover) and ecommerce growth normalizes. Thus, ecommerce leaders must review every strategic bet they make under a profitability microscope.

> **"37% of retailers say ecommerce isn't meeting their profitability targets.[5]**

3. U.S. Census Bureau, Retail Indicators Branch, August 2022

4. U.S. Census Bureau, Retail Indicators Branch, August 2022

5. Publicis Sapient, 2022

Three harsh realities of modern-day ecommerce

Much progress has been made since the inception of ecommerce over two decades ago, but many retailers and brands still face colossal challenges. User experience, returns, payments—we could easily fill a 110-page holiday catalog with all of the areas ecommerce needs to improve. Instead, here are the top three challenges that were mentioned over and over by merchants we interviewed.

38% reduction in digital ad effectiveness following iOS 14.5 update[6]

The old mantra for ecommerce was that merchants could sell to customers cheaply by avoiding expensive physical infrastructure (store) costs. However, the online retail landscape has become crowded, and merchants are having an increasingly difficult time driving traffic to their digital stores. One key cause is a steep increase in the cost per click (CPC) from Facebook and Google as ad prices rise relative to sales.[7] Adding insult to injury, Apple's recent privacy changes made ad targeting less effective and Google has plans to deprecate the 3rd party cookie on Chrome by the end of 2024.

22.5% growth in retailer inventory levels in 2022, despite falling demand[8]

Since the beginning of the COVID-19 pandemic, brands and retailers have been in a state of inventory chaos. Manufacturing and supply chain disruptions and record consumer demand brought retailer inventory levels to alarmingly low levels in 2021. Those supply chain issues have largely been resolved, but retailers and brands are now seeing slowing (and shifting) demand. Retailers we spoke with repeatedly cited this inventory chaos as an ongoing struggle, and there is no clear resolution in sight.

Shoppers abandon 69.8% of all ecommerce shopping carts[9]

The dirty secret of ecommerce is that conversion rates are dreadful. Even if (and it is a big if) you can get a customer to view your ad, click on it, browse your website, and add a product to their shopping cart, odds are they still won't check out. With nearly 7 out of 10 digital shopping carts being abandoned (and that number jumps to **85%** on mobile[10]), merchants are leaving a lot of money on the table.

Three bets for success

So how can online merchants overcome these challenges?

Based on discussions with leading brands and retailers, we propose they focus their investments on the following simple but underrated areas, which we will dive deeper into over the following sections:

1. Double down on existing customers

2. Make inventory fulfillment your strength

3. Engage with customers in new ways

6. Forbes, 2022

7 Forbes, 2022

8. U.S. Census Bureau, Manufacturing and Trade Inventories and Sales, October 2022

9. Statista, 2021

10 Oberlo, 2022

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I think we've always focused on getting new customers; obviously, that's how we keep growing our business. But this year, we're really looking at how we turn those first-time customers into loyal lifetime customers.

Graeme Bloor, VP of Digital & IT,
ERIK'S Bike – Board – Ski

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Investment #1:
Double down on existing customers

Customer acquisition is broken for online merchants. The rise of digital advertising channels and DTC business models turned ecommerce into a competition of customer acquisition. Ecommerce upstarts like Casper, Warby Parker, and Allbirds built billion-dollar businesses largely by buying highly targeted Facebook and Instagram ads, pumping money into these channels to essentially buy new customers. With digital advertising costs skyrocketing relative to sales over the past five years,[11] this business model has become less appealing. Moreover, Apple's iOS 14.5 data privacy changes flipped the equation for many brands and retailers; targeting and overall efficacy was cut nearly in half overnight.

Any way you slice it, acquiring new customers is expensive. This gets more expensive as your brand grows and higher propensity consumers become increasingly aware of your brand. As we enter an economic cycle where profitability is the no. 1 goal over growth, industry-leading brands and retailers are reinvesting in their customers. In fact, a recent analysis by SimplicityDX showed that sales among net-new customers lose **$29** on average per order; these sales have become about 3x less profitable over the past decade,[12] Meanwhile, sales among return customers gain **$38** on average per order and have become 36% more profitable over the past decade.[13] The main reason for this dichotomy is the aforementioned rising customer acquisition costs.

11. Forbes, 2021
12. SimplicityDX, 2022
13. SimplicityDX, 2022

Repeat customers drive profits

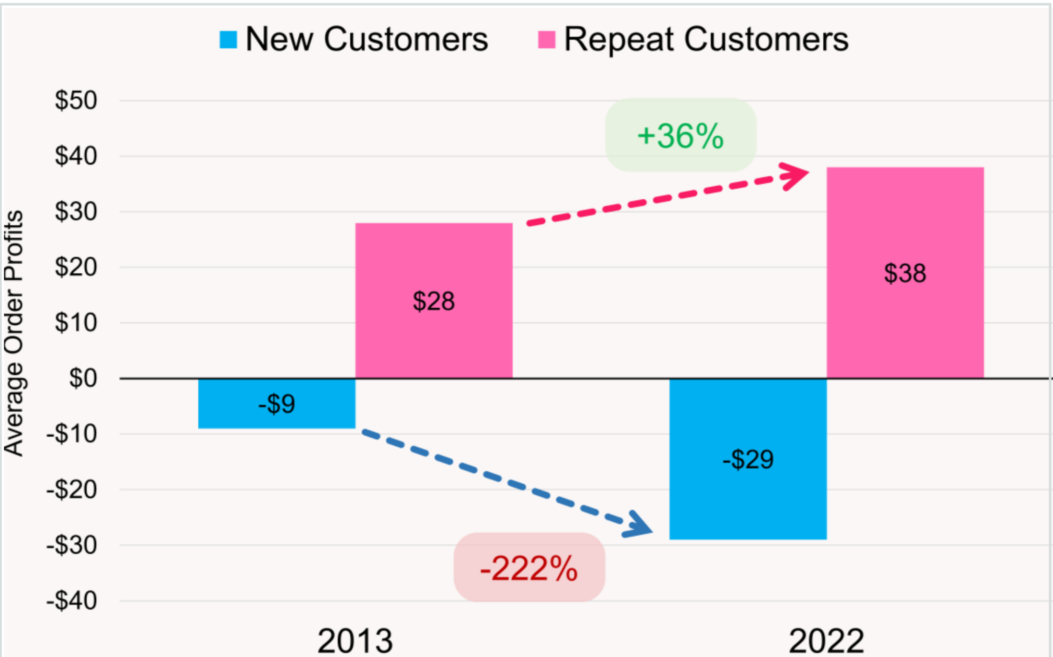
Taking this concept a step further, we analyzed VTEX merchants' orders to demonstrate where they should focus on generating greater profits. The most helpful metrics to gauge the value of existing customers are:

- **Direct and Organic Recurring Orders (DORO):** Meaning organic repeat purchases that are not originated from paid media. At VTEX, we have found DORO to be a great indicator for identifying customer profitability.
- **Average Order Value (AOV):** A customer's average cart/order amount.

Using one retailer as an example, we have divided its customers into four quadrants based on DORO and AOV. The retailer sees an average of **2.27** direct and organic orders. For that same retailer, the AOV the retailer sees is about **$70**.[14] Thus, you can plot its customer base into four quadrants divided by those two values (see below).

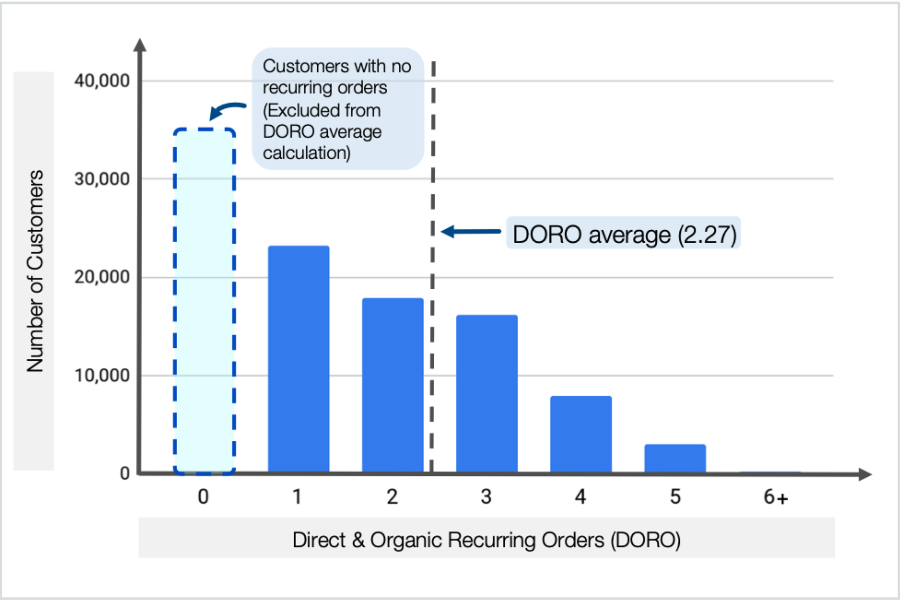
14. VTEX, 2023

Profits on new and repeat customers: 2013 and 2022



Source: SimplicityDX, 2022

The customer profitability matrix



Source: VTEX customer data, 2022

We have characterized the four quadrants of this matrix as the following:

Necessity shoppers

Merchants lose money on these customers, who place few orders and for a low amount. These customers should not be considered a priority.

Impulse buyers

These customers place few orders but for an above-average AOV. Merchants make money off of these customers but at a lower volume. Merchants should focus on retaining these customers and launch loyalty campaigns for those customers with the highest AOV.

Discount shoppers

These customers place orders frequently but at a below-average AOV, resulting in low profit levels per customer. Merchants should focus on retaining these customers and launch campaigns to grow cart sizes.

Brand champions

While they represent a small minority of all customers, merchants make most of their profits from these customers, who shop frequently and at a high AOV. Merchants must keep these customers happy at all costs.

To better understand the makeup of its customer base, every brand and retailer should create a customer profitability matrix, which differs based on the merchant's category and price point. For example, retailers and brands in the luxury industry have a different situation than highly commoditized goods. Still, both types of merchants can benefit significantly by converting customers to the "Brand Champions" quadrant.

This bet is as intuitive as it gets, but most merchants still struggle and instead chase growth among new customers. We challenge you to develop your own customer profitability matrix and whiteboard on how to migrate customers to more profitable quadrants. Doing so is a quick path to improve profits.

Recommendations

To successfully **double down on their existing customers**, leading brands and retailers are placing their bets in the following three areas:

Seek loyalty over acquisition

Merchants are calibrating their marketing efforts to improve existing customer relationships instead of creating new ones.

One VTEX customer, Motorola, increased engagement by **700%** with customers by personalizing messages to specific users.

Compensate customer service reps for moving customers from the "Impulse Buyers" to the "Brand Champions" category.

Action plan

- Have staff communicate with consumers post-purchase.
- Personalize messages to existing customers.
- Write better email copy to existing customers.

Collect first-party data

Merchants must reevaluate their marketing plans to respond to Apple and Google's privacy changes.

Savvy merchants are establishing a first-party cookie strategy to collect personal and intent data. Value must be provided to customers in exchange for their valuable data.

Leverage new engagement methods like SMS marketing and conversational commerce to build more complete customer profiles.

Action plan

- Invest in a customer data platform or something similar.
- Launch initiative to gather first-party data.
- Ensure value is provided in exchange for customer data.

Be channel agnostic

It's one thing to drive loyalty on a single digital channel, but the most successful merchants are doing so across every channel their customers are using.

Although not efficient, merchants should shift from a channel-specific approach to a customer-specific one for their Brand Champions.

Heather Hershey, IDC's lead commerce analyst, says, "The customer is the channel. You need to focus on them."

Action plan

- Conduct a customer loyalty audit across channels to identify gaps.
- Establish KPIs tied to moving customers to the "Brand Champions" quadrant.

Summary: There can be no business without customers (duh), so it only makes sense to invest in preexisting customer relationships. Doing so mitigates rising customer acquisition costs and makes digital commerce operations more profitable. We propose that merchants bet on getting more out of existing customers by prioritizing loyalty over acquisition, collecting first-party data, and being channel agnostic.

> “Merchants should treat inventory and fulfillment like a product that they are selling to customers, instead of simply a responsibility that gets passed on.

Jordan Speer, Research Director, IDC

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Investment #2:
Make inventory and fulfillment your strength

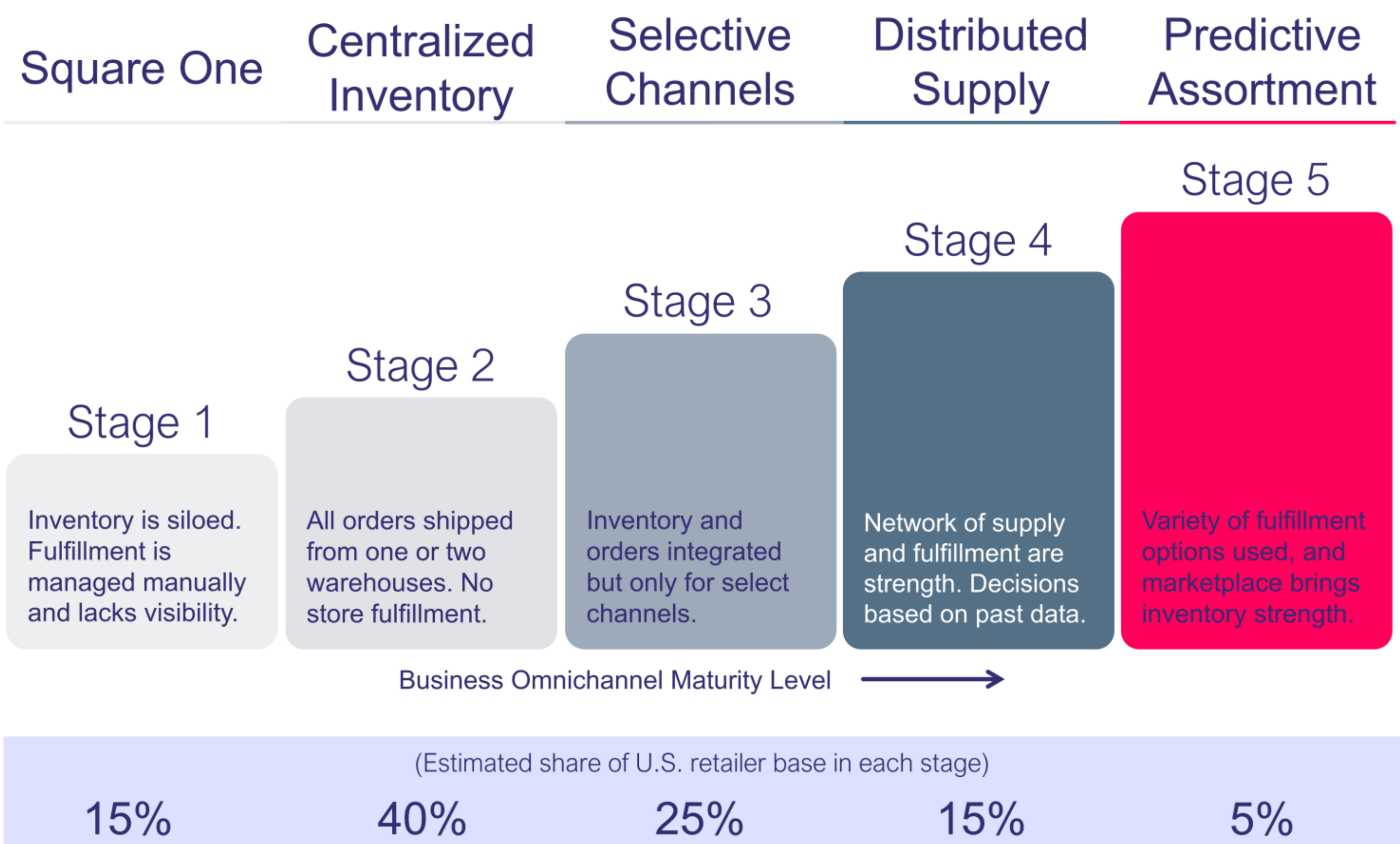
If a room of ecommerce executives are polled about their biggest pain points, you’re guaranteed to see **shipping, inventory management, and order management** among the top answers. And it makes sense—getting products to consumers is much harder online than in physical stores.

While flashy websites and beautiful content get much attention, inventory and fulfillment are where the rubber meets the road for customer experiences. After all, if a customer doesn’t get a product when promised, it does not matter how cool your website looks or how personalized your email marketing campaigns are. Paul Horvath, CTO of Beautycounter, an omnichannel clean beauty brand, put this best, “Order management systems aren’t considered sexy unless you don’t have one.”

In addition to impacting the customer experience, fulfillment and inventory can make or break a brand’s profit margins. Failures like stockouts, shipping the wrong orders, long delivery times, poor inventory visibility, and inability to process returns can quickly put retailers out of business. On the other hand, by syncing physical locations with ecommerce, retailers can drive profits. Julia Ferreira, head of digital at Grupo SOMA, a high-end fashion group, highlighted this by saying, “30% of everything we sell on our website is being shipped from our stores. If I didn’t have these capabilities turned on in our commerce system, I would lose 30% of my revenue.”

We estimate that most merchants have a long way to go before they can claim inventory and fulfillment are genuinely a “strength.” To show this, we developed an omnichannel maturity model representing the five main stages of maturity based on an informal survey of retailers across the industry. This research found that **over half of all merchants are in the early stages of omnichannel maturity**.

The omnichannel maturity model



Source: VTEX, 2023

The omnichannel maturity model

To progress along the curve, we make the following suggestions:

Stage 1 to 2
Mastering centralized inventory

Investments in inventory and fulfillment have the most significant upside at this stage. Investments should go toward physical infrastructure like warehouses and associated systems (warehouse management, order management) to process and fulfill online orders.

Stage 2 to 3
Crossing the chasm

To reach stage 3, merchants typically select between two and four key channels (the ones generating the most profit), such as key marketplaces, retailers, and social media providers. They invest in systems/processes so that inventory, orders, shipping, and returns can be managed across them interchangeably.

Stage 3 to 4
Harnessing a marketplace

The jump from stage 3 to 4 is about decentralizing inventory geographically across many stores, fulfillment centers, dark stores, and micro fulfillment centers to get products to consumers more quickly. Notably, this is the stage where merchants establish repeatable cross-border inventory and fulfillment strategies. Merchants we spoke with reached stage 4 by operating a fulfillment marketplace that leveraged third-party inventory and fulfillment.

Stage 4 to 5
Omnichannel domination

Progressing to the final stage requires significant investments, usually millions or billions of dollars. Merchants reaching stage 5 have invested heavily in inventory, fulfillment, and demand planning, including tools to forecast demand and proactively move inventory closer to where future orders will take place.

Recommendations

To successfully **make assortment and fulfillment their strength**, leading brands and retailers are placing their bets in the following three areas:

Treat fulfillment like a product

All too often, fulfillment is an afterthought in ecommerce, which is regarded as a necessary expense of doing business.

Instead, merchants in the first two stages of maturity must shift focus and treat fulfillment as a core component of their offering. This means product management, constant iteration, and product marketing around fulfillment. Additionally, merchants should merchandise their various fulfillment options, including speed, method, and sustainability.

Action plan

- Diagnose the problem: what percentage of abandoned carts are due to fulfillment gaps?
- Put your fulfillment options front and center on PDPs (product detail pages).
- Transform returns into a re-engagement opportunity.

Unify inventory

The most essential factor for advancing on the omnichannel maturity model is having visibility into and management of your inventory. Achieving this is first and foremost about integrating commerce, supply chain, and ERP systems.

To successfully advance, physical and digital tools should be a focus area for investment, including inventory, warehouse management, distributed order management, picking, and robotics technologies.

Action plan

- Integrate live inventory across commerce platforms.
- Expose inventory availability on product pages and search.
- Train employees to use these tools.

Harness marketplaces

It's wise for every brand and retailer to experiment with leveraging multisided supply, distribution, or fulfillment to drive profitable growth.

Do so whether it's from a sourcing, shipping, or fulfilling capacity.

AB InBev developed a four-sided marketplace on-demand service to deliver beer to consumers in under 30 minutes.

Action plan

- Determine the necessary talent to operate a marketplace.
- Procure a software solution that integrates with your tech stack.
- Contact suppliers/fulfillment providers before launch.

Summary: Facing persistent supply chain challenges and inventory chaos, most merchants are just trying to fulfill orders. What if they instead doubled down and made fulfillment their differentiator? Merchants we spoke with are overcoming inventory chaos and transforming inventory and fulfillment into a profit generator. We propose that merchants achieve this by treating fulfillment like a product, unifying inventories across channels and harnessing a marketplace model.

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As a consumer, you have been put in a shopping experience box. Retailers need to put more effort in the experience of shopping and tailoring it to the specific shopper mission and the unique ways consumers shop a particular category.

Mike Black, CMO, Profitero

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Investment #3:
Engage with customers in new ways

In a world where any digital customer journey is possible, why do most digital commerce stores look and feel the same? That's the question innovative retailers and brands are asking themselves as they reimagine how online shopping works and invest in **new engagement models** to overcome dismal ecommerce conversion rates.

By “new engagement models,” we are including things like permeating your online store with video, making product pages more interactive, and creating virtual stores that emulate physical stores (to name a few). Browser- and app-based commerce make up the vast majority of traffic today. Still, we expect innovative engagement models to account for a larger share of all shopping, similar to how video commerce made up **23%**[15] of all ecommerce in China in 2022.

Jon Panella, Group Vice President at digital consulting firm Publicis Sapient, described how merchants should think about investments in new engagement models, “In today's environment, when 20% of your customers drive 80% of your repeat business, it's critical to enable more interactions with those consumers through new touchpoints, whether it be live shopping, AR/VR interactions, or any other innovative channel. Doing so enables you to make an extra contact with your customers and get that one additional purchase per month or per year, which is much easier than the acquisition of a new customer.”

On the next page, we have spotlighted six new engagement models that brands and retailers are experimenting with today. All these models are being brought to market in a mobile-first fashion.

15. Forbes, 2022

New customer engagement models

Here is a breakdown of the six categories and the argument for each:

Live shopping

Consumers engage with video more than any other media, and digital commerce should be no different. Consumers who play videos on an online store are **2x** more likely to convert as those who don't.[16] Samsung, the global electronics manufacturer, saw a **129%** increase in add-to-cart rates while hosting a live shopping event with VTEX.[17]

Personal shopper

Personal shoppers are sales associates who advise and accompany customers in their purchasing process online over video. The main intention of personal shoppers is to generate a positive customer experience through in-depth knowledge of products, markets, and trends to drive revenue.

Conversational

Conversational commerce includes chat- or messaging-based methods for brands to interact with consumers directly. VTEX customer C&A, a Dutch multinational retailer, offers catalog navigation and an assortment of services **within WhatsApp** to provide an improved customer experience. Conversation commerce is also an excellent way to collect first-party customer data.

16. Frictionless Commerce, 2022

17. VTEX, 2022

Conditional content

Digital commerce presents the opportunity to provide customers with unique, personalized online stores and product pages based on a customer's profile and preferences. For instance, two versions of product pages can be built and presented based on whether a customer wants to see less or more information about a product.

Virtual store walkthroughs

To emulate the experience of brick-and-mortar commerce, retailers and brands are experimenting with virtual store walkthroughs. VTEX customer FARM Rio, a high-end fashion retailer, achieved this by filming its store with a Matterport and letting customers virtually browse the store on its website with products on display that can be added to their cart. About **20%** of all FARM Rio customers have tried this experience, and the company has seen a **3x** improvement in conversion for the virtual store compared to the regular website.

Immersive PDPs

Every merchant we spoke with mentioned that their product page content needed improvement. Rishi Rawat, the founder of Frictionless Commerce, said, "When determining where to invest, brands should follow the money. If 80% of their paid traffic is landing on PDPs, 80% of their optimization efforts need to be on PDPs." VTEX customer Motorola saw consumer time spent on its website double following improvements to PDPs.

New customer engagement models

Live Shopping

1-to-many live events to drive conversion. Video content can be reused to enhance content.

Personal Shopper

1-to-1 live events to walk customers through the purchasing journey.

Conversational

Chat-based commerce where customers can interact with a human or bot to place orders.

Conditional Content

Tailor the shopping experience based on customers' stated preferences, such as time.

Virtual Store Walkthrough

Visual walkthrough of physical stores with seasonal catalog and ability to add to cart.

Immersive PDPs

Product pages featuring video, lifestyle imagery, configurable products, and social proof.

Source: VTEX, 2022

Investing in new engagement models is the least sure investment outlined in this paper and should be regarded as a long-term project to boost conversion. Merchants we interviewed saw strong results by having a "test and learn" approach, where new engagement models—such as live shopping events—could be quickly added to existing systems, and conversion improvements could be measured.

Recommendations

To successfully **engage with customers in new ways**, leading brands and retailers are placing their bets in the following three areas:

Lead with video

Merchants we interviewed found that video content on their website, product pages, and social channels leads to higher conversions.

Video should be a key investment area to boost conversion, whether the format is live, embedded on pages, one-to-one, one-to-many, or something else.

Action plan

- Position video prominently across your website.
- Experiment with product, brand, and user-generated videos.
- Explore how your brand can leverage live video events.

Prioritize product pages

Merchants spend heavily on their websites, only to have crappy product pages with missing information, poor copy, and lackluster content.

This makes no sense considering a majority of customers' first impressions of a brand, after a Google search or clicking an ad, come from viewing the product page.

Thus, product pages are an excellent area to boost conversion.

Action plan

- Focus efforts on your top 5 performing PDPs.
- Put your most important content/copy "above the fold."
- Spend more time improving PDPs vs. the homepage.

Go API-first

Most of the examples above are only possible thanks to API-first applications.

API-first or headless commerce systems enable merchants to quickly roll out new business models using commerce APIs.

Action plan

- Make sure to only procure commerce technologies with an API-first architecture.
- Build proofs of concept when experimenting with new engagement models.

Summary: Every retailer and brand wants to stand out from their competition, but few do. Instead of spending millions of dollars on fancy website designs and graphics, leading merchants must differentiate themselves by reinventing how they engage with customers online. We propose that merchants boost conversion rates and improve profit margins by leading with video, prioritizing product pages, and going API-first.

Conclusion:
Bet on ecommerce profitability

Whether you realize it or not, every ecommerce leader is approaching a fork in the road. One path is familiar and feels safe, a beaten path you have taken dozens of times. The downside is that this path might lead to a dead end. The other path is brand new and unfinished—you'll be on your own if you take this path, but you'll also control your destiny. So which path will you take?

In case that metaphor didn't get the point across, we'll spell it out: the next 12–24 months are going to be challenging, and you have an important decision to make: Do you invest in "the old way of doing business" or place strategic bets to reinvent your ecommerce business.

Whether this paper convinced you to bet the farm or 10% of your budget on any of the "three investments" we outlined, the most important message is to make some bets because your competition certainly will.

"One of the things we know from the past two economic downturns is that companies who invest during recessions see outsized results. It helps you differentiate.

Jason Goldberg,
Chief Commerce Strategy Officer
at Publicis

VTEX

Want to chat about the ecommerce investments your organization should be making?

Speak with **Jordan Jewell, author of this report and VTEX Analyst in Residence** about how VTEX can help you achieve ecommerce profitability.

Connect with Jordan today »

Contact VTEX »

The content of this whitepaper was developed through both primary and secondary research methods. Primary research included analysis of VTEX enterprise customer data and interviews with more than a dozen retailers, brands, VTEX partners, consultants, and industry analysts. Secondary research included analysis of public sources like monthly and quarterly reports from the U.S. Census Bureau.

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