

# Pivoting to Ecommerce During COVID-19 With SAP Commerce Cloud

It is undeniable that in recent times, the characteristics of modern organizations, including their roles and methods of operation, have changed drastically. Enterprises in disparate industry sectors are beginning to interact with each other on the trading level, and even competitors are seeing lucrative opportunities to take business-to-business (B2B) operations to a new level of cross-collaboration. Whereas internal processes were once strictly shielded from the external environment, insights and connectivity are now deliberately introduced into processes to strengthen them and to explore potential new avenues for expansion that may not have been apparent before. B2B interaction in ecommerce is a combination of interoperation and integration of applications and processes, both internal and external.<sup>1</sup> Business process integration, a concept that has been around for some time,<sup>2</sup> gained relevance as the COVID-19 pandemic exploded and has since become a new dynamic. In 2020, B2B website traffic across some of the biggest European countries grew by 32 percent compared with the previous year.<sup>3</sup> In the long term, approximately two-thirds of decision makers see their customers expecting digital-enabled sales interactions rather than pure traditional in-person interactions.<sup>4</sup> The way enterprises—or more precisely, people—now interact and will continue to interact in the future has been turned upside down.

It is important to clearly define what ecommerce in B2B is today. If the Internet is the starting point, then all processes associated with the sale of goods and services online are part of ecommerce. It is not just the transaction itself that contributes to ecommerce in B2B, but also the surrounding processes involving structural, marketing and sales activities. Overall, it is clear that the world's high-profile technology leaders are contributing to worldwide growth and have possibly dampened the negative impact of the COVID-19 pandemic on B2B sales, and even translated it into a positive trend. For example, research on the SAP Commerce Cloud demonstrates how a major global software vendor provided new, long-term business value to many industries during the pandemic and will continue to do so after it subsides.

## Trends in B2B Triggered by the COVID-19 Pandemic

After more than two years of intensive, crisis-driven management in an insecure economy, decision makers need to repatriate their organizations to normal day-to-day operations apart from executing recovery plans. However, it would be naive to think that organizations can simply jump back into the environment of 2019. Rather, they must deal with what the next normal will be and act accordingly.<sup>5</sup> To do so, enterprises must be aware of the various trends that have emerged or the existing trends that have accelerated into megatrends.<sup>6</sup>

## Raison D'être of B2B Ecommerce and Intelligent Technologies

Social distancing became an established concept during the COVID-19 pandemic. To accommodate it, organizations needed to find specific alternatives for their daily business operations. How could an organization sell its services effectively without direct contact with customers? It is important that the migration to another sales channel should generate as little idle time (i.e., discontinuity) as possible, and it is even more important to avoid complexity on the customer side.

It is no wonder that incredible leaps occurred across the B2B ecommerce landscape during 2020.<sup>7</sup> Remote collaboration tools became essential—and gradually became irreplaceable—because, no matter how stringent restrictions became due to lockdowns and social distancing, collaboration tools could be used for both internal and external communications (e.g., with staff and customers). New ecommerce solutions and collaboration tools sparked a sharp

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increase in use cases for many well-known, intelligent Fourth Industrial Revolution (4IR) technologies.<sup>8</sup>

### **Significance of Efficient, Integrated Supply Chains**

As appealing as the new business opportunities may have seemed, not every industry was ready to undertake the required digital transformation at the beginning of the COVID-19 pandemic.<sup>9</sup> The technology sector has undoubtedly been the beneficiary and driver of the change, but physical supply chains around the world showed how important it is to address outdated internal structures and supply chain mismanagement. From every corner of the world, there were reports of delays in delivery, which, naturally, had far-reaching consequences. In many cases, there were chain reactions among the many B2B suppliers struggling to meet demand.<sup>10</sup>

Even the technology sector has been indirectly affected by the impacts on its struggling customers.<sup>11</sup> Integration and interoperation—or more precisely, interoperability—have assumed different levels of importance, both technically (through application programming interfaces [APIs]) and conceptually.<sup>12</sup> It became clear that these structures were outdated due to their lack of transparency, the inadequacy of substitute chains and serious risk distribution problems.

There are countless factors involved, but it should be emphasized that during the last several years, transaction risk has moved away from the customer and toward the supplier.<sup>13</sup> Unfortunately, it took a global crisis to make the problems clear in practice. The resulting market shakeout caused weak organizations with few prospects to begin to crumble.

### **Shift in Customer Engagement and Sales Management**

Independent of the pandemic, many organizations have been asking themselves how they can maintain customer relationships in digital settings.

In light of their recent experiences with remote selling models, customers want to choose whether selling takes place in-person or through remote or low-touch (ecommerce) channels in the future.<sup>14</sup> Research indicates that approximately two-thirds of enterprises prefer a digital form of purchasing over the traditional methods.<sup>15</sup>

A facilitating approach, especially important during such a period in flux, has been to involve the customer more than ever. This can be done through constant interaction, feedback sessions, improving the ecommerce presence, and most important, treating the customer relationship as the cornerstone of business operations.<sup>16</sup>

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### **How the Technology Sector Drives Value Throughout Global Industries**

In general, COVID-19 is said to have necessitated various types of innovation at every level. The know-how and the required resources for execution came from the technology sector. So, it is no wonder that the stocks of the major technology enterprises, including the five biggest entities, delivered significant annual growth in 2020.<sup>17</sup> By becoming the value driver for other industries that were severely affected by the crisis, the Big Five technology enterprises managed not only to reach pre-COVID-19 pandemic levels, but surpass them. Although large enterprises

from negatively impacted industries had to postpone investment projects including certain technology implementations,<sup>18</sup> the willingness to execute definitely existed.

The increasing relevance of technology in various industries has allowed some software solutions to achieve importance for ensuring continuity in business more so than previously established,<sup>19</sup> and all have contributed to the trends identified in B2B ecommerce during the COVID-19 pandemic. Well-known case studies can be used to understand those solutions.

It is important to note that hardware solutions are also needed for business continuity, but they are out of scope for this discussion.<sup>20</sup>

## Solution

SAP, a multinational IT services enterprise and market leader for enterprise resource planning (ERP) solutions, is a cloud solutions provider that fully focused its strategy on getting its customer base onto the cloud as quickly as possible, at the expense of its own medium-term profit goals.<sup>21</sup> To achieve this, in 2020, SAP prepared an offering called “RISE with SAP” to reduce the complexity of the cloud transformation journey and to ensure that its customers would continue to be positioned in the best possible way in their respective industries going forward.<sup>22</sup>

This demonstrates why cloud technology is viewed as a key enabler and how it provides a competitive advantage for enterprises as they undertake digital transformation.<sup>23, 24</sup>

Many factors have come together—not necessarily caused by, but intensified by the COVID-19 pandemic—to drive growth in the digital commerce market. Limitations and restrictions in the day-to-day operations of many organizations have highlighted the value of digital fallback options, first as temporary solutions and, over time, as long-term alternatives.

For example, SAP recognized that commerce eventually would make the change with all the other digital innovations and transformations. The SAP Commerce Cloud solution is designed to deliver omnichannel content and order management for customers with its scalable platform, offering intuitive operation and customization options in line with the

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rapidly changing technology environment.<sup>25</sup> Tools in the customer experience portfolio bring customers closer to enterprises, enabling staff to respond better to customer needs, which can lead to increased sales and profit.<sup>26</sup> All of this is based on cloud technologies, which are essential to stay up to date in competitive markets.

With regard to SAP Commerce Cloud for eCommerce and Omnichannel Commerce Solutions, slightly more than 60 percent of SAP customers are from the retail and manufacturing industries. Globally, its customer base is concentrated in Europe, the United Kingdom and the United States.<sup>27</sup>

Organizations of all sizes are represented, but it is striking that more than two-thirds of SAP Commerce Cloud customers have more than 1,000 employees, and nearly 46 percent have revenues of at least US\$1 billion. This is an indication of the importance of online commerce not only to business-to-customer (B2C), but also to B2B enterprises, which tend to account for large order volumes.

Several trends led SAP to accelerate the development of the SAP Commerce Cloud to make it available early in the COVID-19 pandemic. In 2019, change was already in full swing. For example, in global B2B ecommerce, the gross merchandise volume (GMV), or volume of goods sold via ecommerce channels,<sup>28</sup> increased from US\$5,826 billion in 2013 to a staggering US\$12,216 billion in 2019, an increase of nearly 210 percent.<sup>29</sup> Traditional selling has not grown nearly as rapidly by comparison.<sup>30</sup>

Ultimately, in addition to analyzing the numbers, it is important to listen to those who must implement and take responsibility for ecommerce in their organization (sellers) and those who must switch to and use it (buyers). Based on a survey conducted at the end of 2020, more than 70 percent of buyers would prefer to experience the same buying journey via an online



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source (such as remote-buying or digital self-service) over the traditional approach. Sellers also value the online sales process, with more than 75 percent finding it as effective as the traditional process.<sup>31</sup>

These are the high-level factors that led SAP to put more resources into optimizing its commerce solution to guide customers through the adaptations necessitated by the pandemic while still uplifting them.

In addition to offering the actual product solution, the SAP Commerce Cloud, SAP assumed responsibility for sharing the framework conditions and providing guidance to alleviate the uncertainty the COVID-19 pandemic created for many customers. SAP works to share best practices in technology with its customers' customers in a simple and easily understood way.<sup>32</sup> In the first quarter of 2020, SAP increased its order intake compared with the same quarter the previous year, which was made public to customers as part of its commitment to transparency.

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## Benefits/Results

A full-year comparison of 2020 to 2019 indicates that the SAP Commerce Cloud was accepted and ordered by customers across many industries. The increasing growth and clear upward trend predict healthy prospects for ecommerce.<sup>33</sup> The strength and importance of the solution became apparent in the middle of 2020, when the COVID-19 pandemic had hit every industry, supply chains were faltering and demand for alternatives to maintain business continuity was strong.

The fact that the pandemic was predicted to last at least for months suggested there would be no foreseeable departure from ecommerce. The more time that elapsed, the more the value of the solution became apparent. Current thinking is focused on how ecommerce solutions can be further integrated into organizations.

A total economic impact study by Forrester found that revenue and savings have been significantly increasing due to a variety of factors, including scalability.<sup>34</sup> The three-year time span made it possible to experience a large part of the transformation. The longer implementation projects with SAP progressed, the more valuable the customers became, allowing them to increase their engagement with SAP and, in turn, achieve a greater portfolio benefit.

## Conclusion

It is critical for organizations to be prepared for unexpected crises. The COVID-19 pandemic is an example that required technological innovations. It not only increased the prevalence and acceptance of B2B interactions in the market but, in general, made the market more open to allowing organizations to leverage technology for their processes and ways of operating.

Trends that had already been predicted were further propelled by developments during the pandemic, and organizations have been adapting their product lines and processes accordingly. For an organization to be successful in its business and become a leader in the market, it needs to be willing to use technology to initiate an effective digital transformation.

The example of the SAP Commerce Cloud reinforces previous findings about the importance of the technology sector as a problem solver or cushion, no matter how big the crisis. B2B commerce is being radically transformed. This was already apparent prior to the COVID-19 pandemic and has now been effectively demonstrated and confirmed. As a matter of fact, ERP suites have become the post-pandemic reinforcement and accelerator for enterprises. Demand for precise, intelligent data for more intelligent decision-making is higher than ever, and flexibility has become the core principle of every innovation. This leads ERP technology vendors to focus on the sustained principles that their customers have learned to value during the pandemic and improve scalability and security measures.

It seems likely that SAP and its competitors have triggered a change in global commerce business operations that will endure.

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