Litmus7 C-Commerce

A Blueprint for Next-Gen Retail

Briefing Notes | July 2021

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Maximizing Retail

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Summary and Key Takeaway

With the rapid pace of technological developments and evolving consumer expectations, the current yet dated e-commerce consumer journey paradigm – path to purchase and beyond – will soon cease to exist. Today brands and retailers have limited scope for consultative sales and the innate awareness of consumers' purchase needs and goals is missing. As things stand, the burden of product and pricing research is on the consumer, thereby swaying the consumer towards price comparison and the market towards commoditization. This current system well serves behemoths like Amazon that offer a 300-million SKU marketplace but is a letdown for category specialists. Forward-looking retailers must rework and revamp their current channels and modes of consumer engagement to stay in the business. Litmus7 has envisaged a new retail paradigm that it calls Consumer Commerce, or C-Commerce, — a value-based experiential commerce approach that goes beyond traditional transaction-based consumer-retailer relationships. This Briefing Note tries to understand and explain the business case for C-Commerce.

Briefing Notes and Perspective

Litmus7's C-Commerce professes to move from a static unidirectional product-catalog-based approach to a dynamic bidirectional wish-fulfillment regime. According to Litmus7 founder and CEO Venu Gopalakrishnan, e-commerce, as it exists now, is highly limiting in nature. To elaborate, the current e-commerce workflow of "Homepage → Category Page → Product Listing Page → Product Description Page → Cart → Checkout" was developed more than 20 years ago with limited possibilities. There was bandwidth crunch, social media was absent, front-end technologies were in their infancy, the influencer economy was inconspicuous, and smartphones were a decade away.

As the world progressed, retailers and brands that were bound by existing consumer habits and structures played safe, and integrated new user experience patterns into the existing e-commerce workflow. However, the biggest shortcoming of such a model is that it doesn't replicate real-world buying patterns. Consumers don't browse hundreds of products, read product descriptions and buy entirely solo. Instead, they navigate through information sources that are intuitive and pleasing, consult knowledgeable friends and experts, browse and shop together with people they love, and try to narrow their choices down to a useful subset. Sometimes the consumer search begins with a goal or problem definition, such as striving for a bodyweight target or trying to make the kitchen look classier, and then the consumer works backward to find products that will help meet the objective. In a utopian world, the consumer would want to express wishes, goals and objectives, and in return want product or service recommendations meeting these expectations. The business case for C-Commerce originates from this innate need of the consumer to be understood and desire to be catered to.

The discussion with the company founder and CEO revolved around three key aspects: First, examining some recent developments in the retail space; second, analyzing the key tenets that are likely to dictate future consumer interactions with brands and retailers; third, defining Litmus7's role in accomplishing this future retail state through C-Commerce.

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Technological developments and changing buying patterns are prepping retail for its next leg of growth

While trying to envisage the future retail paradigm, Litmus7 has taken into account the following developments in the retail space:

1. **Increasing data transfer rates**. From 2G to 4G, the rapidly increasing data transfer rates have been pivotal to physical and digital consumer experiences. The much-anticipated upgrade to 5G, and the impact on latency, are expected to make experiments with new e-commerce experiences all but inevitable.

2. **Rise of social commerce.** Social media is emerging as a direct commerce channel. Now, in-app checkout from shopping posts is possible through Instagram's "checkout" feature. There are more than 20 leading brands and retailers already on board, including Uniqlo, Nike and H&M. The modern-day consumer has developed a degree of familiarity with shopping on social media and uses it as a source of information and inspiration. Not coincidentally, some of the most successful category specialists have social experiences deeply integrated into the e-commerce consumer journey. A great example is Sephora boasting arguably the largest and most engaged community of beauty enthusiasts on the web.

3. **The Generation Z consumer is more cause- and privacy-conscious**. Reducing carbon footprint, promoting natural and vegan qualities, transparency and social disclosures are some of the distinct traits of Gen Z, warranting a revamp in policies and the operating procedure among brands and retailers.

4. **Brands to focus on creating and tapping into micro-influencers.** The influencer category is no longer confined to movie stars or fashion journalists but includes communities and product users that have established credibility in an industry. Brands are making their platforms more conducive for these influencers to get and stay connected, express their opinions, and attract potential consumers.

5. **Increasing digital adoption.** The COVID-19 pandemic propelled the digital consumer population. This puts pressure on retailers to reimagine the entire value proposition of the store and start integrating their physical stores with their digital spaces.

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Retail is moving toward a value-based, value-induced regime

The Litmus7 leadership has also spent significant time with renowned academicians and industry influencers to create a thesis on future consumer-brand and consumer-retailer interactions. During our conversation, the ISG analyst and Litmus7 leadership agreed that the future of retail will be driven by the following consumer expectations and values.

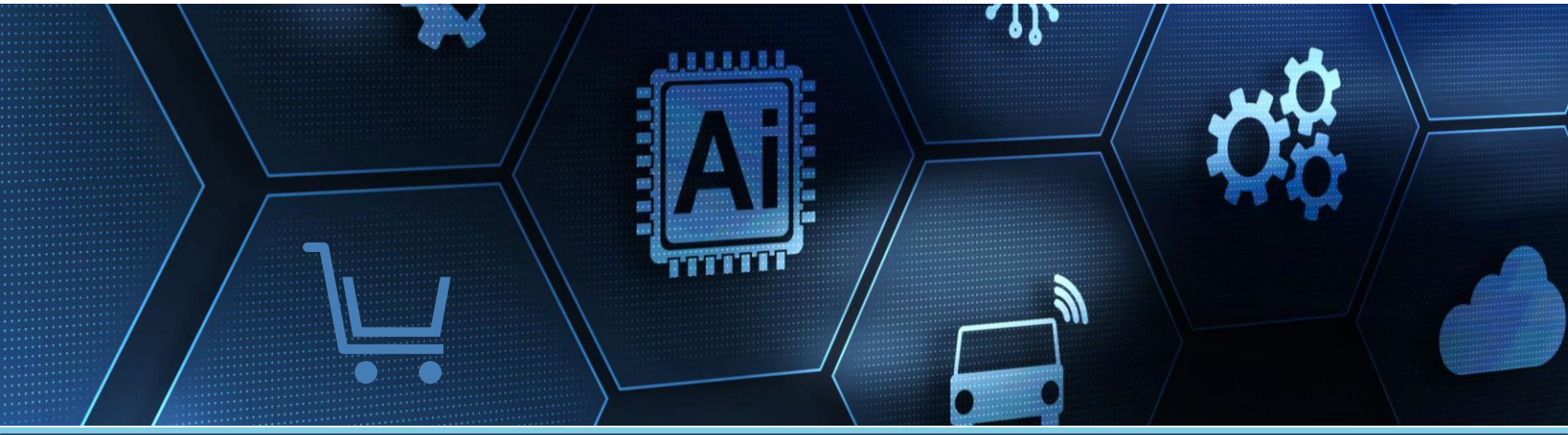
1. **Minimal navigation**. Rather than consumers trying to search through hundreds and sometimes thousands of products, the retailer would do the heavy lifting on narrowing the field down to the most relevant products. For example, if the consumer is looking to renovate a living room, rather than searching through a bewildering list of SKUs and categories, a user interface and a workflow will be created to let the consumer state a query to renovate a room, specify the dimensions and provide deep contextual information such as budget, lifestyle, preferred decor and the architecture. In the future, retailers will carve out separate innovation teams for different business categories and explore new tools and ways to meet consumer wishes.

2. **Understanding the micro-impulsive moments of a consumer.** Thus far, attempts at better understanding the consumer's context in the e-commerce sphere have been along the lines of algorithmic brute force, or intuition, and A/B testing-based experimentation. Yet, there have been few attempts at encapsulating the journey at the data model level. For example, if the breed and the age of a newly adopted dog are known to the pet parent, requirements over the next decade can be predicted with a reasonable degree of accuracy.

3. **Instant gratification.** There can be multiple routes to a shorter path between the inception of a wish and its fulfillment. First, the future e-commerce experience would create enough intuitive, interactive, visual options that save the consumer much product research time. Second, the consumer gets timely updates on previously bought products to unlock their true potential, such as warranty extensions, service notifications and accessory suggestions.

4. **The consumer becomes the merchandiser, with curation tools.** The "one website fits all" approach will change. Consumers will have the option of choosing their own widgets, designing their own homepage and creating their own shopping space. For example, there will be an ensemble creator for fashionistas, configurable spaces for someone looking for kitchen remodeling, and a diet chart for somebody setting up a grocery delivery subscription.

5. **Community-based discovery**. The existing archaic review-based recommendation system will give way to a much advanced and sophisticated discovery mechanism. Consumers are going to discover and compile their wish lists based on knowledge shared among various social communities, friends, families and influencers. Therefore, list generation will move beyond the rudimentary token-based search approach to visual and knowledge-based discovery.



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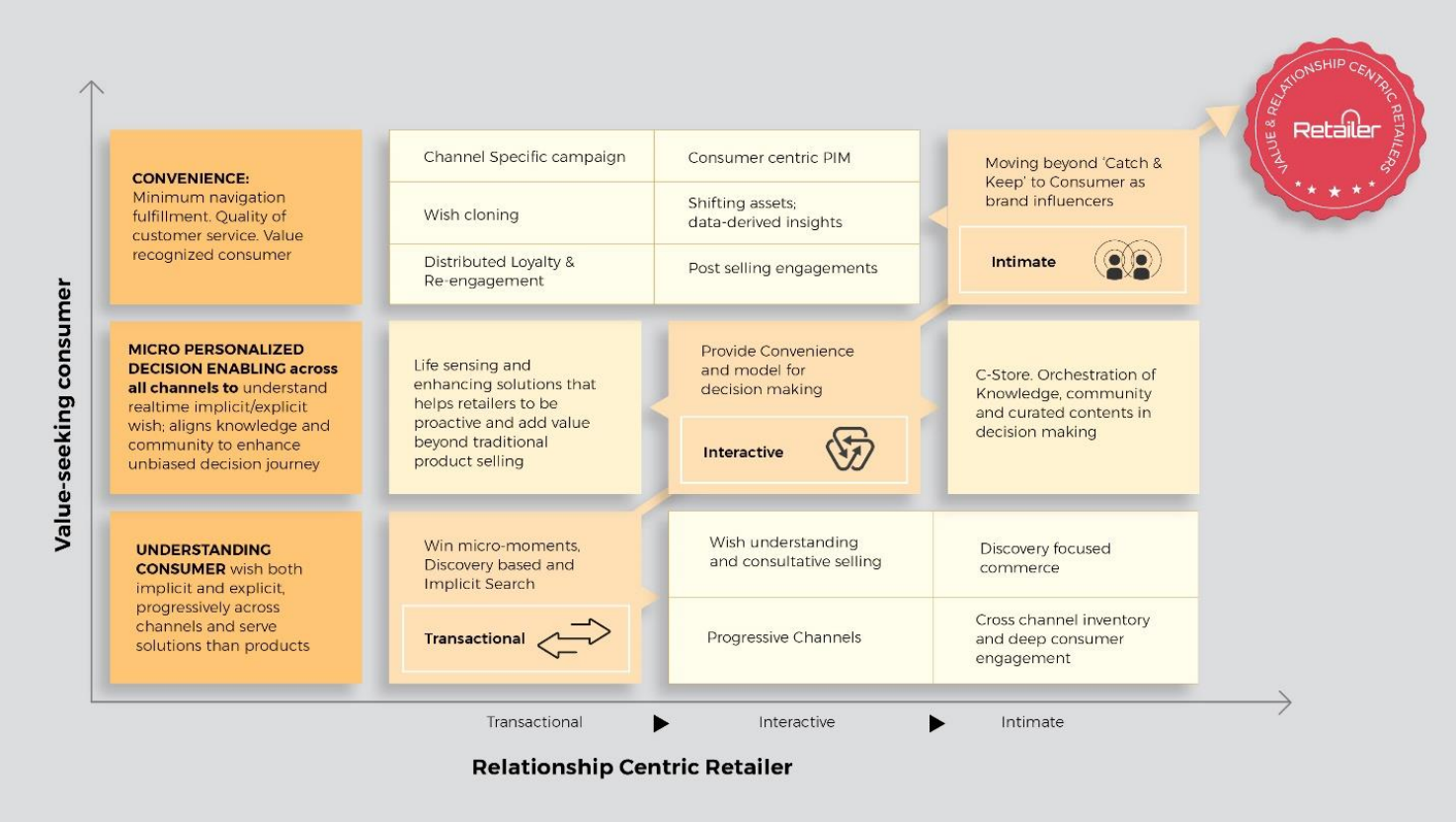
Litmus7 C-Commerce paradigm lays down the future rules of engagement

The present-day e-commerce user experience goes scarcely beyond capturing the order, with very little shopping assistance for the consumer. Intending to move beyond order capturing and enhancing consumers' lives, the C-Commerce paradigm begins with defining the future mode of interactions between value-seeking consumers and relationship-centric retailers/brands.

Figure 1 depicts the key elements, imperatives and progression curve of future consumer-retailer engagements.

Figure 1: C-Commerce Engagement Metric



Source: Litmus7

Litmus7's C-Store acts as the enabler of the C-Commerce paradigm

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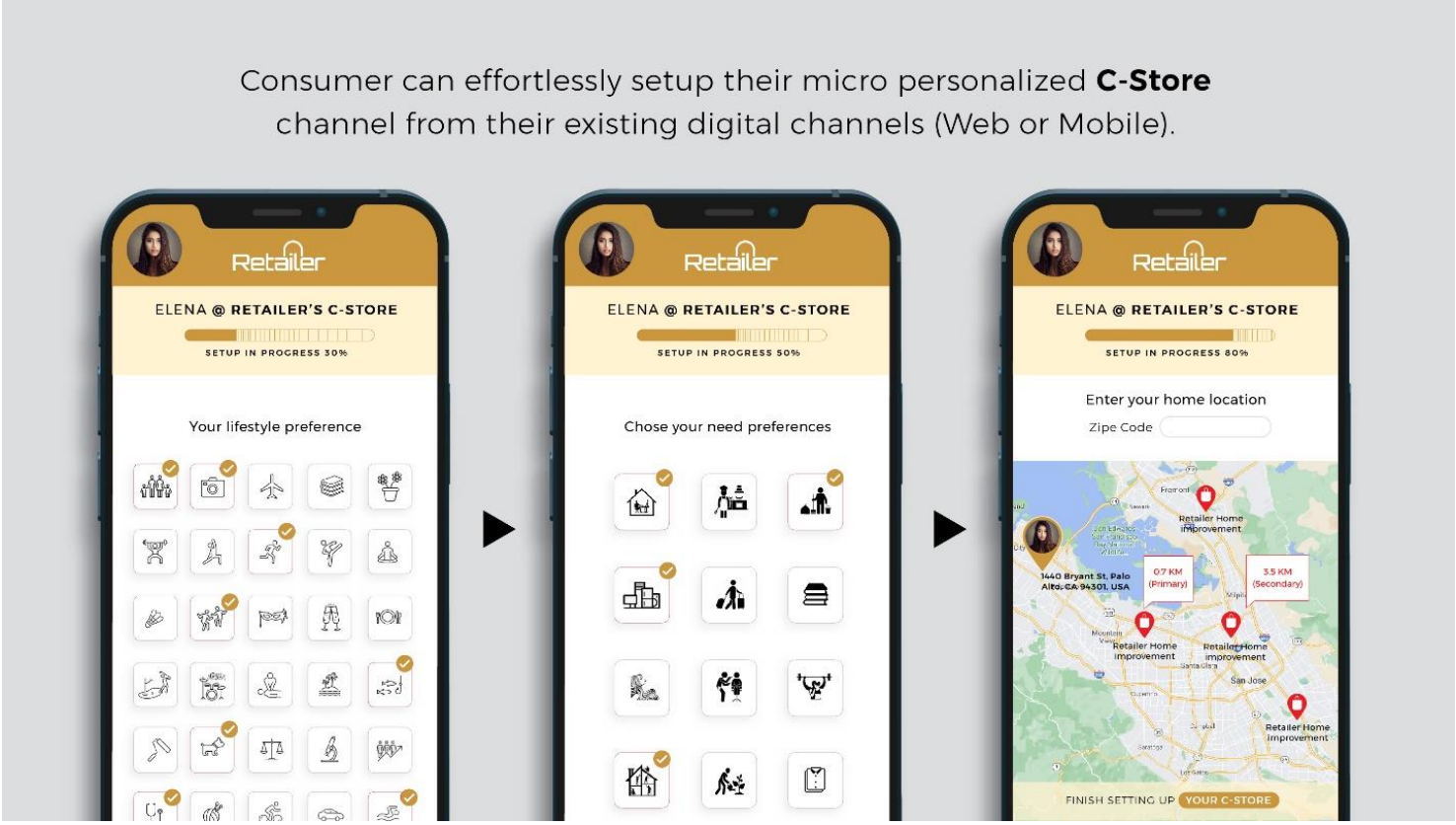
C-Commerce is powered by a context-sensing personalized store called the C-Store. The C-Store provides the necessary functionalities, to consumers and retailers, to enable C-Commerce. For a consumer, C-Store offers customized widgets, allowing users to create personalized catalogs resonating with their lifestyle. It also channels unstructured consumer intent into implicit product discoveries. For the brand and retailer, C-Store enables advanced Clienteling, captures micro-impulsive consumer moments, undertakes interactive curation of products and provides a community-enabled purchase channel.

It needs to be noted that C-Store is a continuously evolving platform with retailer-specific value widgets, and the current version of the store is still somewhat away from the perceived end state.

In its current avatar, C-Store can be implemented, in the form of a widget, to a retailer's or brand's existing digital channel, which is followed by setting up a user profile for a hyper-personalized consumer experience.

The implementation process is showcased in Figure 2.

Figure 2: C-Store Implementation Process



Source: Litmus7

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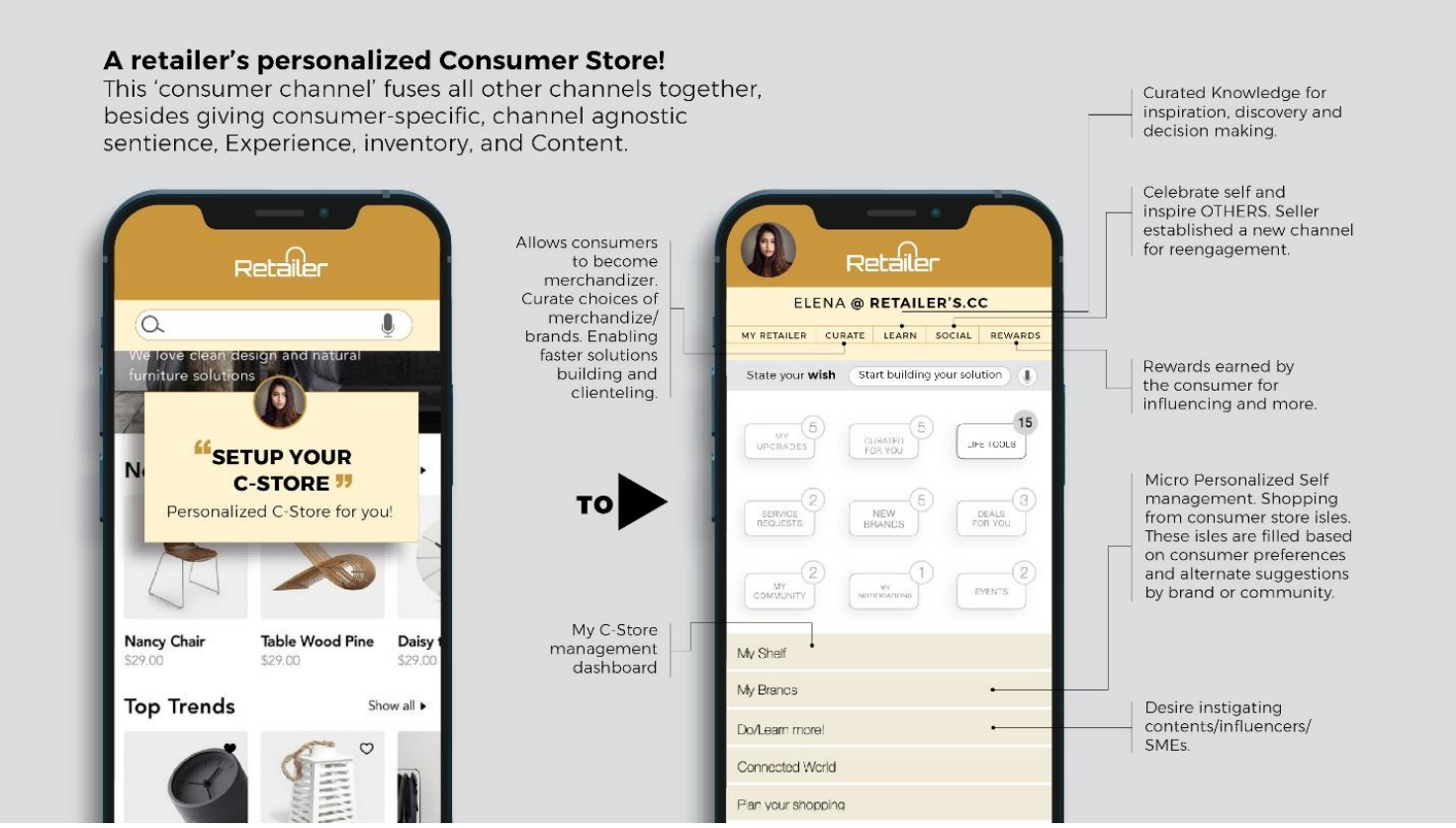
A single widget can significantly enhance the overall value proposition of a retail website, adding several new capabilities. Figure 3 illustrates the difference between a website before and after C-Store installation — a site gets interwoven with new and distinct personalization, customization and social elements, thereby elevating the overall consumer experience. C-Store is impressive in its current form; however, the envisaged end state has the potential to be the real game-changer.

Figure 3: A Normal Site vs. C-Store Enabled-Site



Source: Litmus7

The future C-Store would be a combination of four key functionalities.

The Litmus7 team is working on four different tracks that are expected to merge and form the core of future iterations of C-Store.

1. **Progressive Wish Assimilation:** It is a wish-sensing tool that works across channels to help consumers quickly discover products related to their requirements. It utilizes domain knowledge, clickstream behavior, a brand's social and consumer reviews and previous channel interactions such as clienteling done in a brick-and-mortar store, and an optional implanted real-time conversion interceptor to navigate consumers to the required products with minimum time spent on the product listing page.

2. **Retail Sentient Cloud:** It is a more evolved form of the consumer data platform (CDP) that aims at deriving consumer insights beyond the conventional realm of a CDP. It takes a present-day CDP to what Litmus7 calls as RiDP (Retail-live-state intelligent data platform). By looking at a plethora of data points on both the seller and the buyer, it creates a micro dynamic persona of a consumer that evolves over time.

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3. **Brand's own SocialChatter:** It allows consumers within an ecosystem and beyond to interact meaningfully, thus creating a new channel for creative re-engagement and enhanced shopability. Through SocialChatter, consumers can also share their product buying and usage experiences that, in turn, are intelligently structured to support rapid purchase decisions. This can become a completely new channel for consumer re-engagement.

4. **Distributed Loyalty System:** It is a type of affiliate consumer program where consumers become brand advocates. The system recognizes any consumer-to-consumer interaction, via social media or a direct channel, that aids a purchase decision, and rewards such consumers. The difference between this and a regular affiliate program is that it would be a lot more intuitive, usage-based and conversation-driven.

Litmus7 believes that these tracks should be treated as a working list – current dimensions will evolve, and new dimensions will get added. The company is open to partnerships with other IT providers, retailers, consulting firms and academicians to further shape the C-Commerce (and C-Store) offering. In essence, what Amazon Go is to a brick-and-mortar store, C-Commerce aims to be for omnichannel commerce.

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Net Impact and Guidance

C-Commerce and C-Store are Litmus7's big bets for the future. On the surface, the entire C-Commerce proposition might sound speculative, but as we delve deeper, it is underpinned by strong reasoning and evidence justifying Litmus7's take on the future of retail. The company is already in talks with some of its top retail clients to implement an elementary version of the C-Store. However, it would be difficult for Litmus7 to take further strides alone. The company would require support at various levels, namely, technology, funding, personnel and the backing of top retailers. If Litmus7 can garner this much-needed support, C-Commerce and C-Store can become the single source of truth for the industry.

Summary Facts

LITMUS7
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Litmus7 is headquartered in **San Francisco, California, U.S.**

Litmus7 has more than **400 employees** and **six offices** located across the U.S., India, Canada, Israel, the U.K. and UAE

Litmus7 is a provider of **IT services** to the **retail industry**

Litmus7 competes with system integrators, providers and consulting firms supporting the **retail industry**

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Ashish Chaturvedi brings more than 11 years of experience spanning digital advisory, IT sourcing, technology and industry research. He is responsible for authoring thought leadership papers and service provider intelligence reports in application outsourcing and enterprise retail. Ashish's remit includes advising senior executives on digital strategy, product planning, emerging tech, and IT procurement. He is also responsible to further grow and manage ISG's custom research business. Ashish has authored 50+ research reports in the realm of retail technologies, digital benchmarking, enterprise applications, analytics, and IT outsourcing. Ashish is a member of the IDG influencer network (cio.com).

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