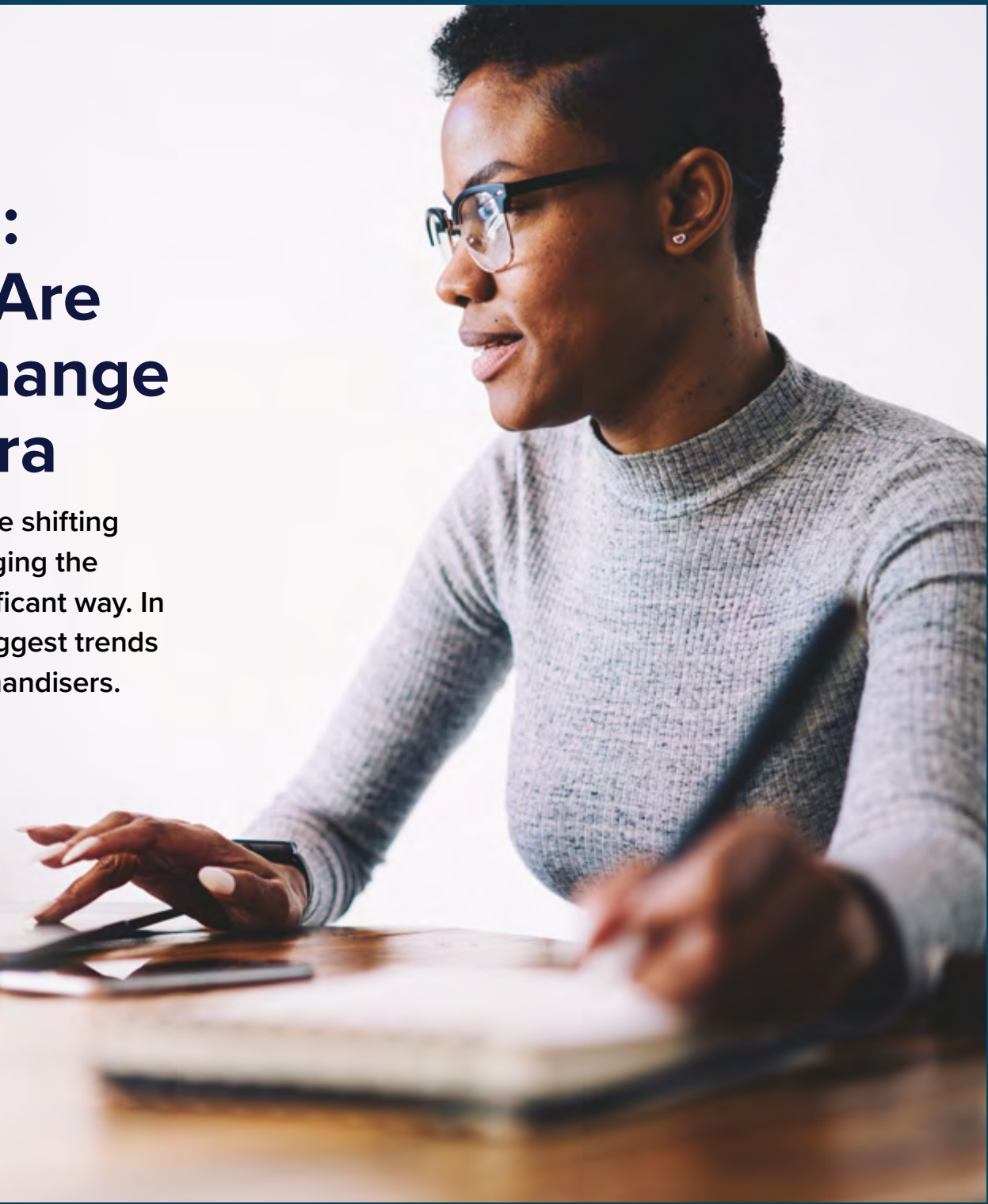


The State of Merchandising: How Retailers Are Adapting to Change in the Digital Era

The rise of digital commerce and the shifting preferences of customers are changing the merchandising landscape in a significant way. In this report, you'll learn about the biggest trends and opportunities for today's merchandisers.

Presented by



Introduction

As customers' behaviors and expectations shift, so does the role of the merchandiser. Knowing where to meet customers and how to sell a product to them becomes that much more complicated. The past several years have seen many major national and global events impact marketing, including the increasing pace of change in the world and the rise of digital commerce. Now, merchandisers must learn to keep pace with these changes.

With this broader context in mind, Elastic Path, in partnership with CMSWire Research, surveyed 475 merchandisers to understand how they have been impacted by these changes and trends. All of the respondents are at manager level and above, working in organizations with more than 500 employees and an annual revenue of more than \$10 million. Most of these merchandisers work in manufacturing, retail or consumer products.

Using these findings, Elastic Path explores merchandiser sentiments and experiences, the roadblocks retailers are facing today, and the tools and strategies that are becoming increasingly key to retail success.



Key Findings

- Most merchandisers are using a composable commerce approach (72%) or planning to adopt one within the next year (21%). This is a very high adoption rate for composable commerce, which speaks to the prevalence of composable in digital commerce and the decline of all-in-one platforms.
- Almost all merchandisers create unique buying experiences for all channels (62%) or most/several channels (37%). Creating unique buying experiences by channel is increasingly the norm.



Inside Today's Toolbox — And Tomorrow's

Merchandisers identified many industry trends that influence what they must do to keep their merchandising team effective. Customer experience expectations are perhaps the most important, as understanding them allows teams to properly redirect their plans and rethink their objectives and key results as necessary.

When asked about changes in customer behavior that have impacted their merchandising strategy, many merchandisers said that they believe customers expect more data security (47%), more sales and deals (46%) and quicker response times from support agents (45%) (**Figure 1**).

These trends suggest meaningful ways merchandisers can shift their approach and update their toolbox. For example, organizations could respond by updating their security tools and practices. This could also influence how organizations choose to manage their call centers, such as by hiring more call center agents or relying more on intelligent chatbots to handle customer concerns. To maintain loyalty and deter customers from switching brands, merchandisers could create a loyalty program that gives loyal customers more deals on products.

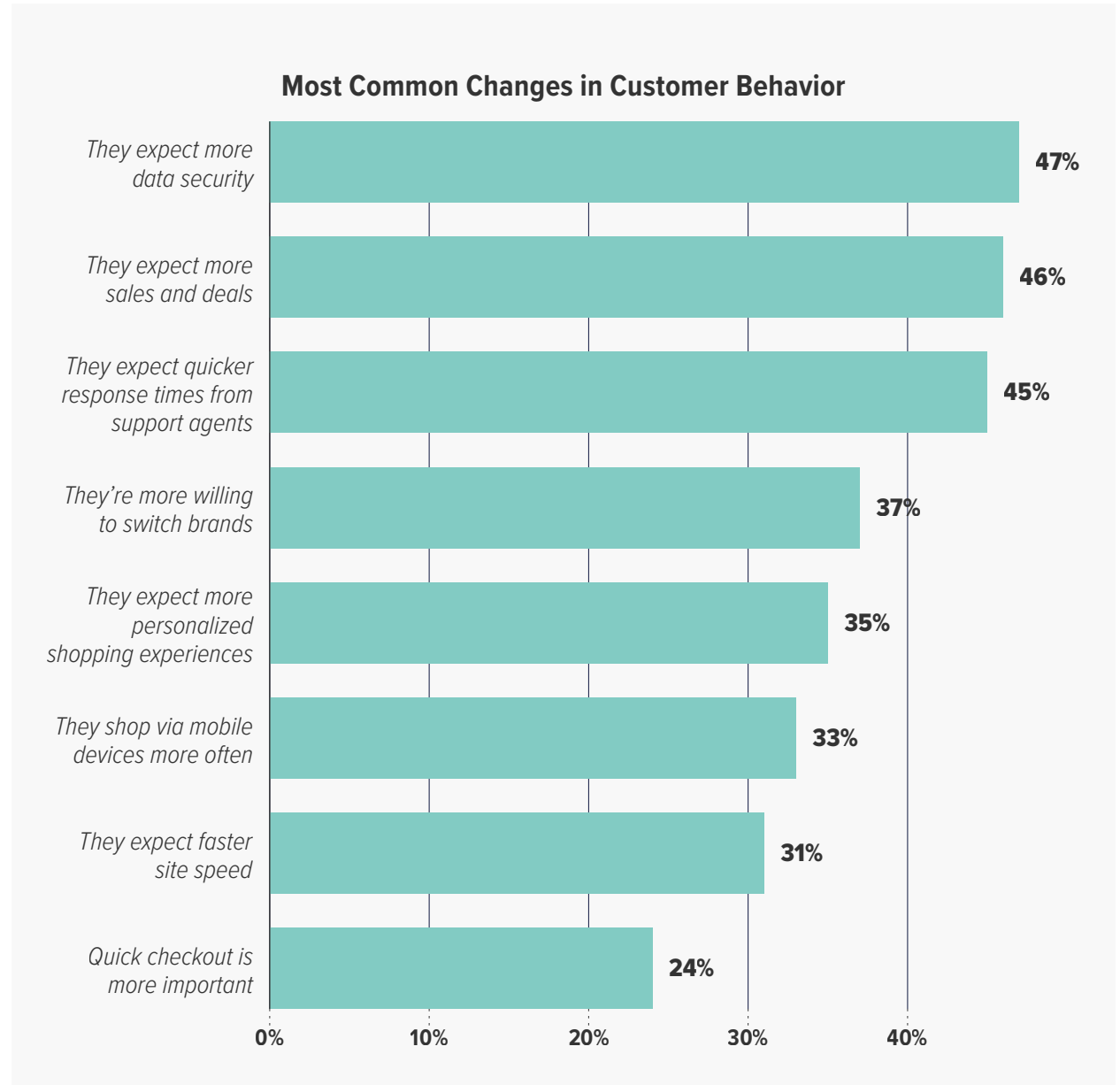


Figure 1: Most Common Changes in Customer Behavior

More than a third of merchandisers (35%) said they believe customers want more personalization. Comprehensive data collection and data security practices are vital to make sure that merchandisers can safely store and strategically use the customer data they collect. The survey found that the most common types of data used to personalize CX are customer purchase history (74%) and customer browsing history (68%) (Figure 2). While they use demographic data as well, it's much less common.

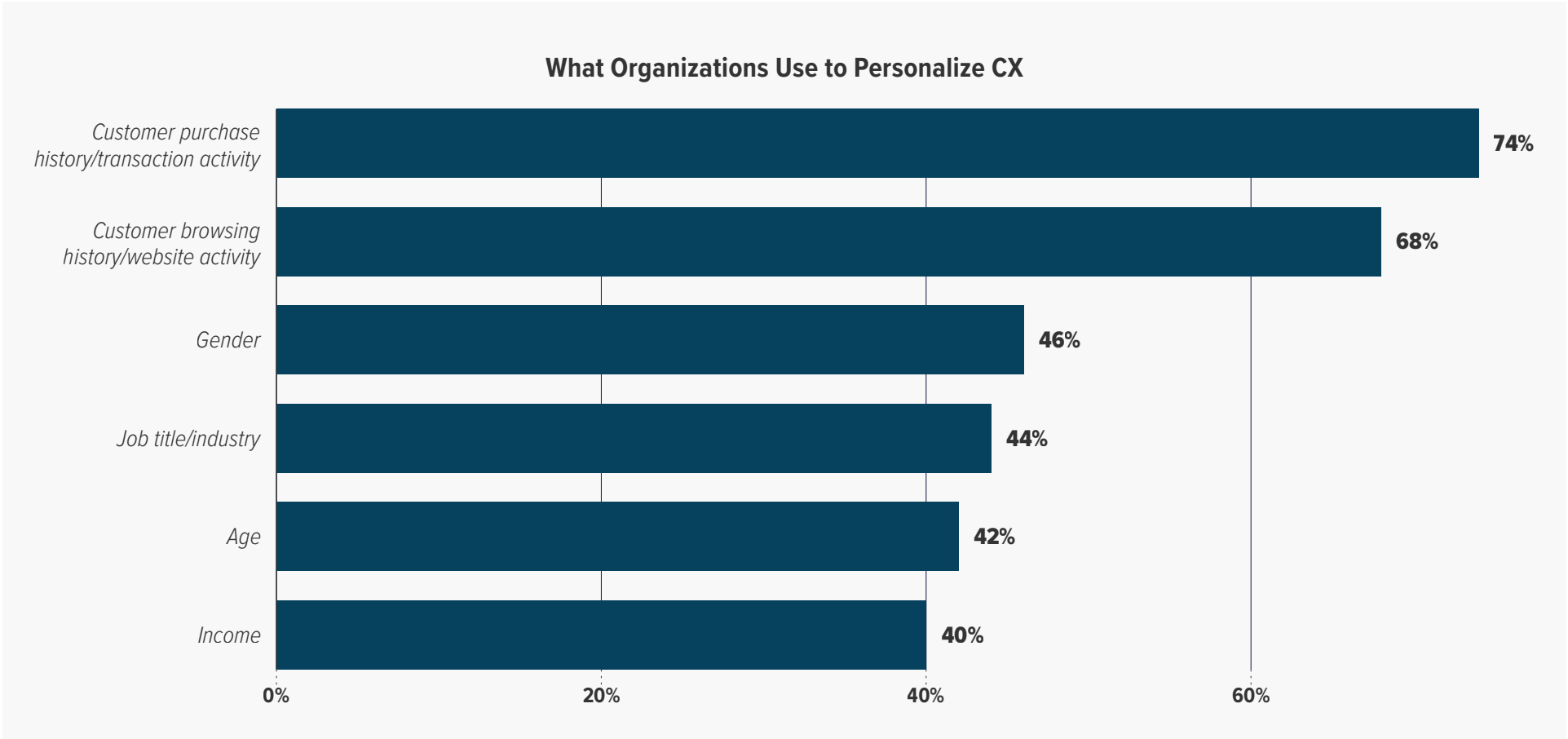
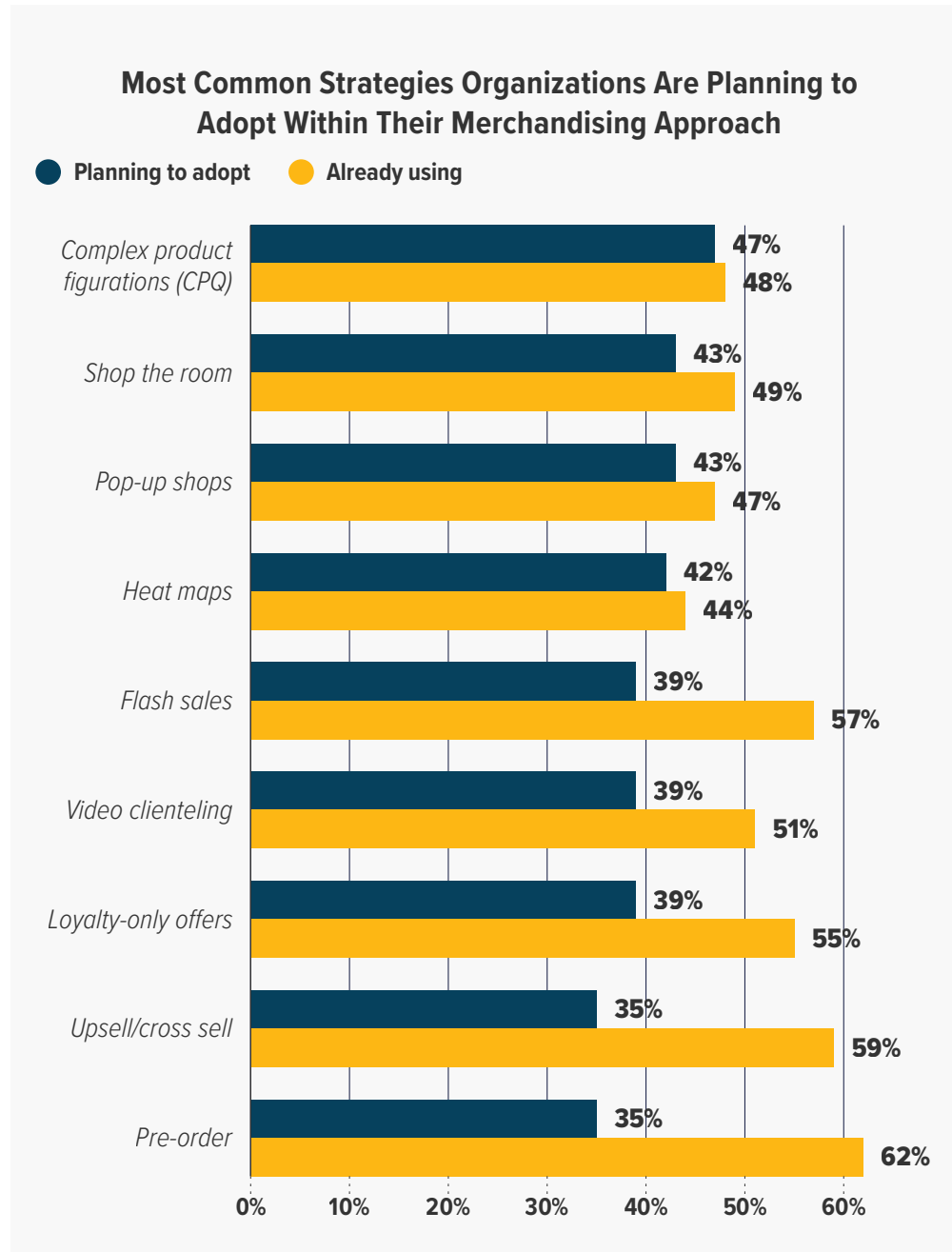


Figure 2: What Organizations Use to Personalize CX



Exploring the Most Important Tools

The survey also revealed information on the tools that merchandisers are planning to adopt to keep up with these customer expectations. The most common tools they're planning to adopt include complex product figurations (47%), shop the room (43%), pop-up shops (43%) and heat maps (42%) (*Figure 3*). In fact, the growth of some of these is almost doubling, signifying that these tools are becoming especially important for teams.

Figure 3: Most Common Strategies Organizations Are Planning to Adopt Within Their Merchandising Approach

More broadly, the data shows that organizations are generally in the process of adoption when it comes to merchandising strategies. More than a third of merchandisers are planning on adopting most of the strategies they were asked about. Amid the dynamic change going on in the world, there's a frenzy to update the toolbox.

Underlying this push is a similar trend in merchandisers' use of technologies that support these strategies. Organizations already have many core parts of their technology toolboxes in place, such as payment processing systems, data analytics tools and customer data platforms (CDPs) (Figure 4). They're also expecting growth in a whole new wave of technologies that will help them address new and future trends. For example, experiences powered by virtual reality, like virtual dressing rooms and virtual tours, give potential customers a more immersive brand experience in an increasingly digital world. Additionally, chatbots are becoming more important in a time when customers expect quicker response times.

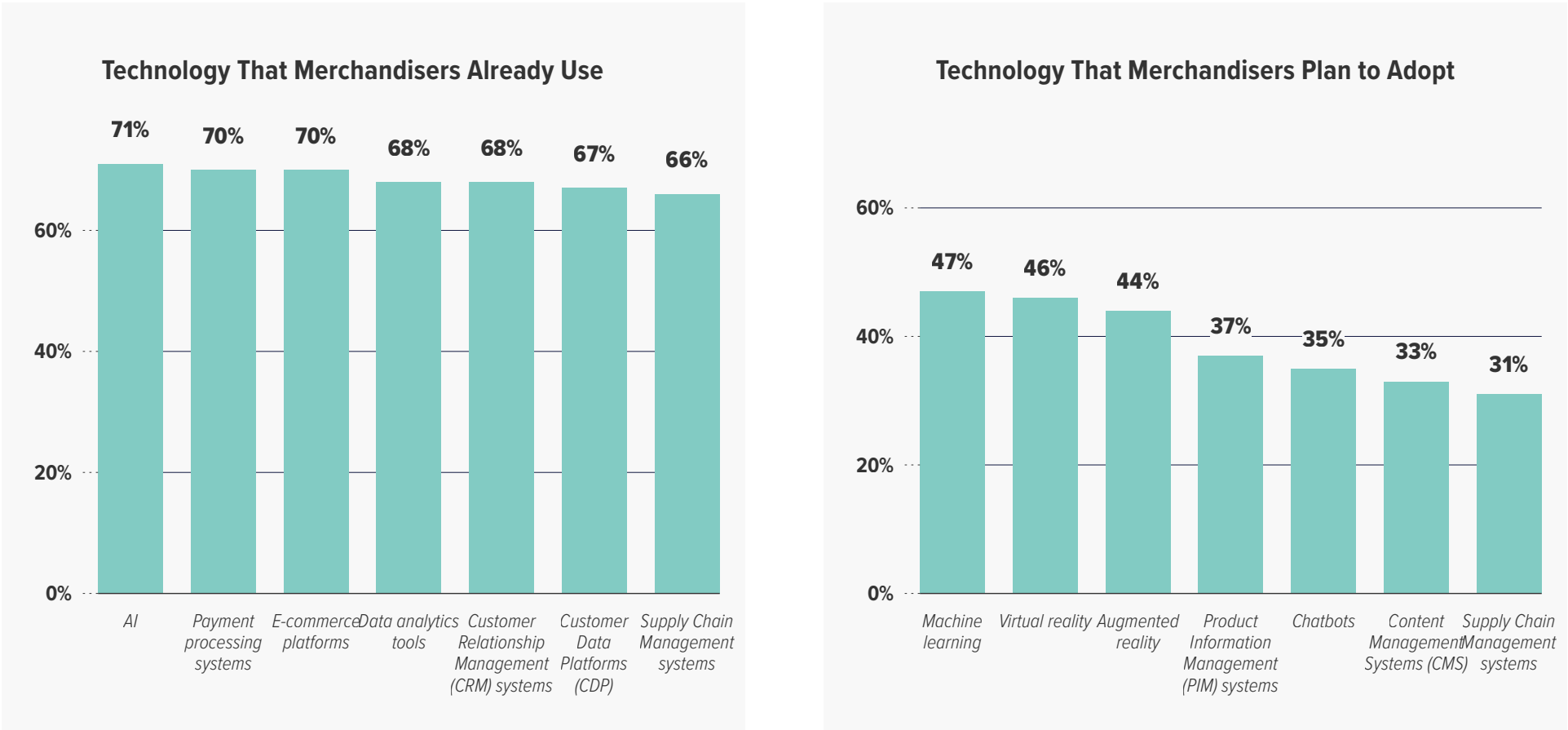


Figure 4: Top Technologies That Merchandisers Are Using or Planning to Use

All About Composable

Composable commerce is an approach that enables business and tech teams to bring their brand's unique digital vision to life. These solutions let teams launch and optimize digital commerce experiences that leverage multiple best-of-breed vendors.

Most merchandisers are using a composable commerce approach (72%) or planning to adopt one within the next year (21%) (**Figure 5**). Gartner calls this strategy “the innovation strategy of leading digital business organizations.” While traditional commerce platforms require organizations to use the same rigid architecture no matter what complex, changing needs they have, composable commerce allows for more flexibility — which is especially valuable in a rapidly changing world. By combining multiple best-of-breed solutions, companies can create experiences that fit their specific needs.

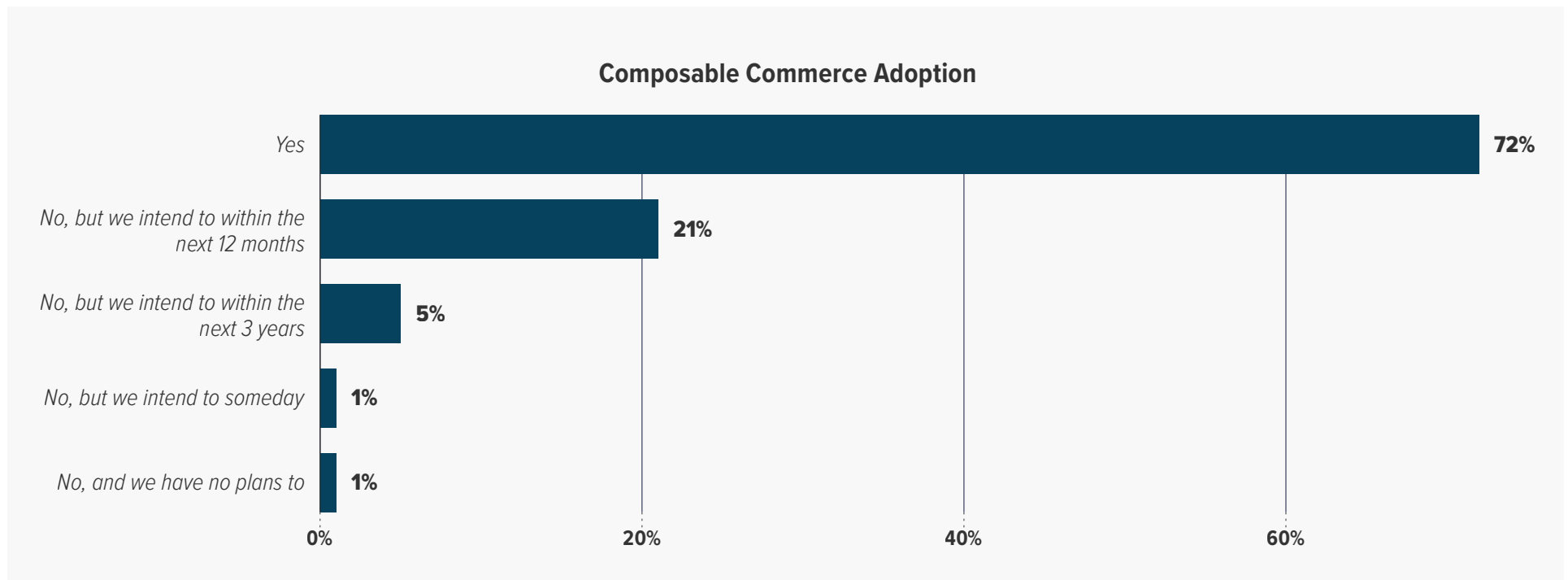


Figure 5: Composable Commerce Adoption

This adoption rate is no surprise given the increasing awareness of the benefits that composable commerce offers merchandisers, including flexibility to respond to quickly changing customer preferences. Every company has specific needs depending on its industry, company size and other factors. The ability to pick their own best-of-breed vendors instead of relying on a rigid set of predetermined solutions is ultimately much more effective.

Growth and Diversification Across Sales Channels

When we asked merchandisers what sales channels they use, the use of social media channels has grown and is still growing (*Figure 6*). Compared to 53% of merchandisers who already use Instagram as a sales channel, 41% are planning to adopt it, and compared to 49% of merchandisers who already use TikTok, 40% are planning to. As more consumers use social media platforms to follow and engage with brands and influencers, merchandisers are using this to their advantage by investing in social commerce.

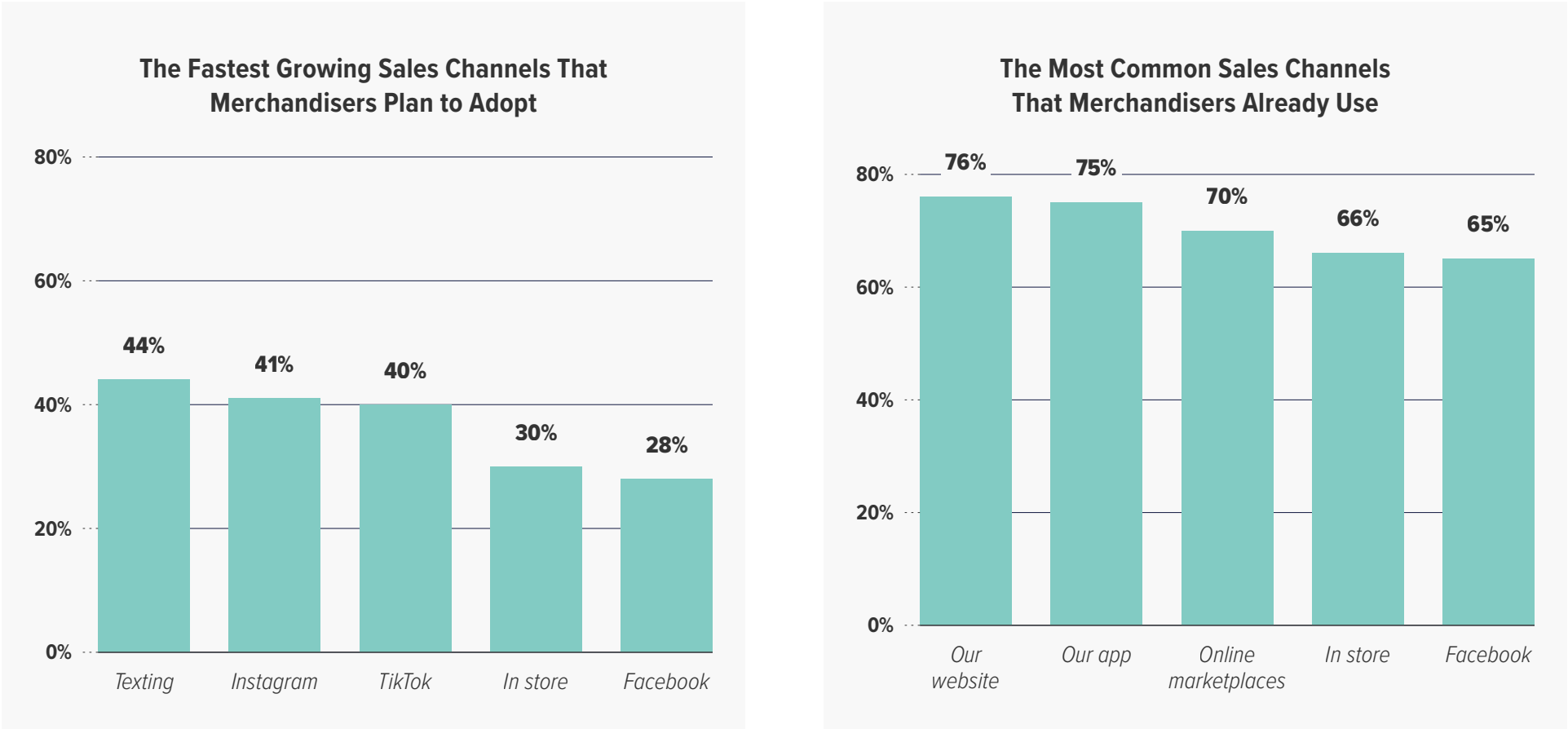


Figure 6: Top Sales Channels That Merchandisers Use or Are Planning to Use

Beyond that, texting is becoming increasingly more significant and is the fastest growing channel for sales. This shows that merchandisers are trying to meet people where they are: increasingly digital, increasingly mobile.

According to the survey, merchandisers are already using more traditional commerce channels, such as their websites or apps. Combined with the growth in social and texting commerce, this shows that organizations are aware of the importance of meeting consumers where they are and creating a seamless omnichannel experience across channels. They're also interested in personalizing the experience based on the channel. Significantly, almost all respondents create unique buying experiences for all channels (62%) or most/several channels (37%) (*Figure 7*). Creating unique buying experiences by channel is the norm.

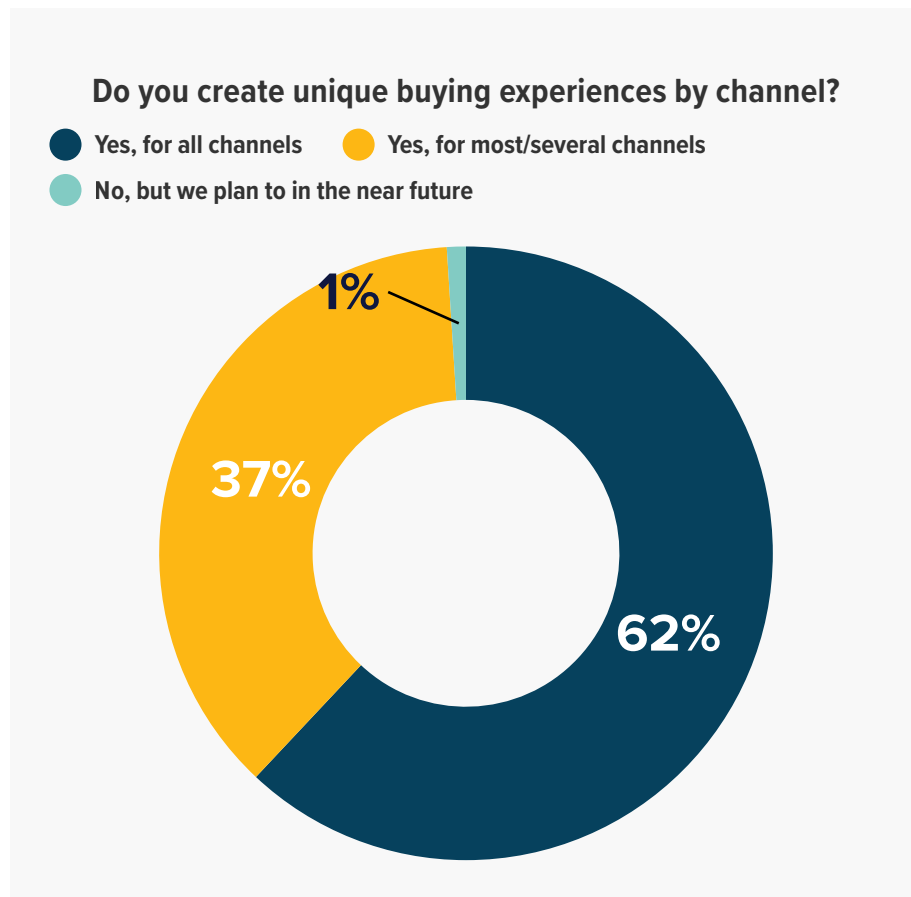


Figure 7: Do you create unique buying experiences by channel?



You're Not Alone: Why Almost Every Merchandiser Relies on IT

Ideally, merchandisers have the freedom to do what they need to do with their strategy without relying too heavily on IT. The ability to make changes with agility and on their own time can help them optimize their strategy and react quickly to market shifts. Unfortunately, merchandisers are still woefully dependent on their partnership with IT to carry out their plans.

Currently, very few merchandisers feel they are able to do their job without the help of IT. According to the survey, only 9% of merchandisers currently have the freedom, agility and technical capabilities to do their job on their own, and 41% said that they want more freedom (Figure 8). Still, they're reliant on the schedule and bandwidth of IT to get things done.

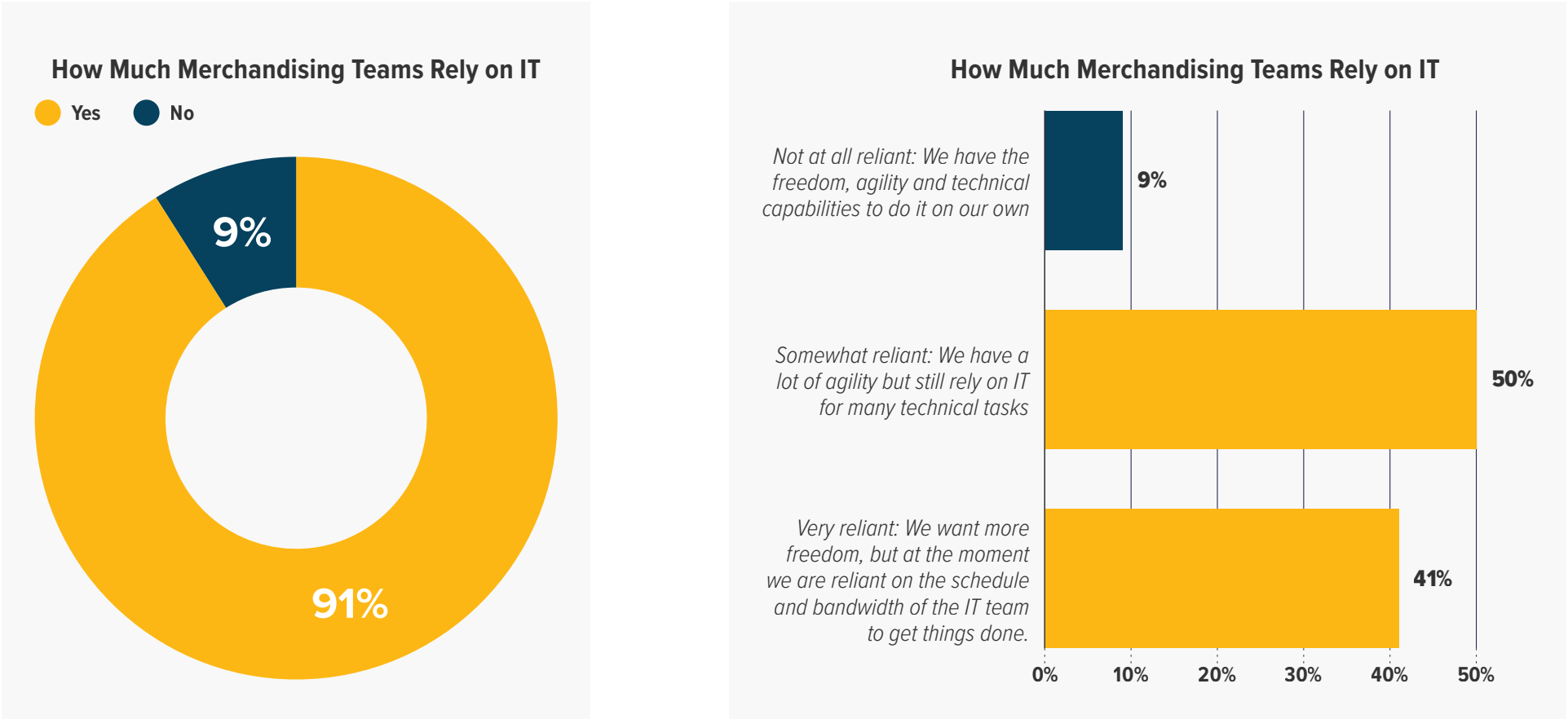


Figure 8: How Much Merchandising Teams Rely on IT

To further understand the pressures and opportunities of these groups, we compared the most reliant merchandisers to everyone else to see what sets them apart. Interestingly, the organizations trying to adopt the most innovative strategies and technologies are the ones most likely to rely on IT for assistance. **Here lies a key gap that needs to be filled in the market – there needs to be a way for organizations to try new methods and tools in a way that is effective and intuitive without extensive reliance on IT.**

Merchandisers who say they are very reliant on IT are more likely to use a composable commerce approach and are more likely to create unique buying experiences by channel (Figures 9 and 10). This potentially suggests that while some organizations have implemented an approach branded as composable, they haven’t found a solution that truly makes them independent in the way that effective composable commerce should.

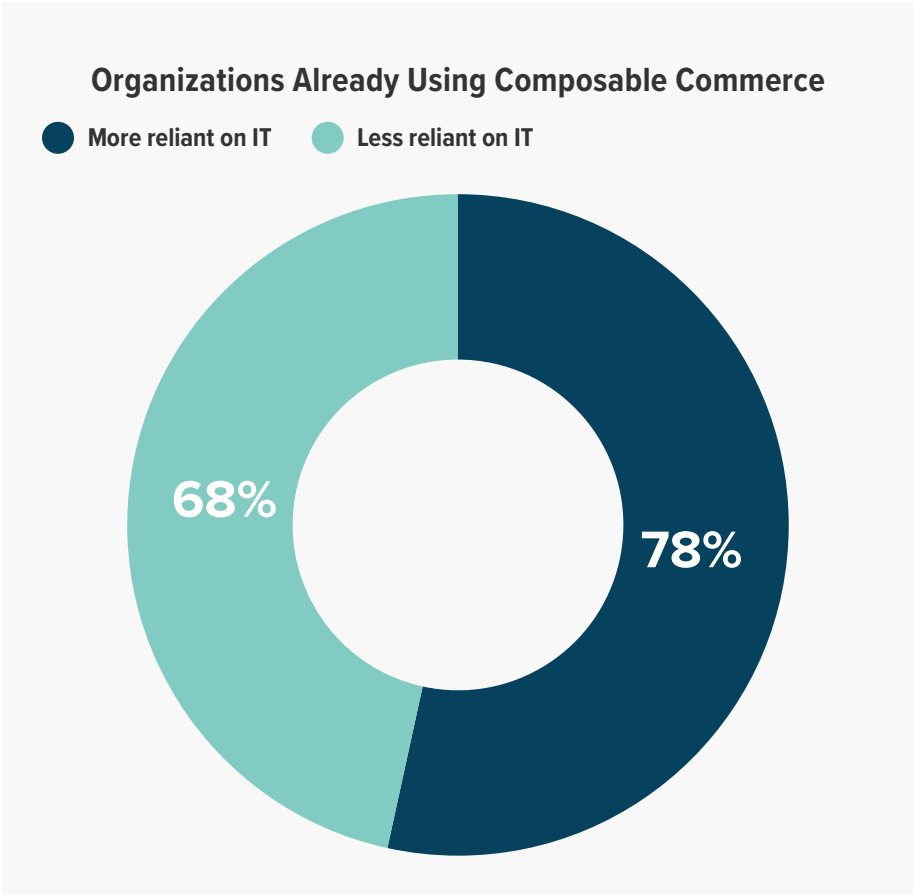


Figure 9: Organizations Already Using Composable Commerce

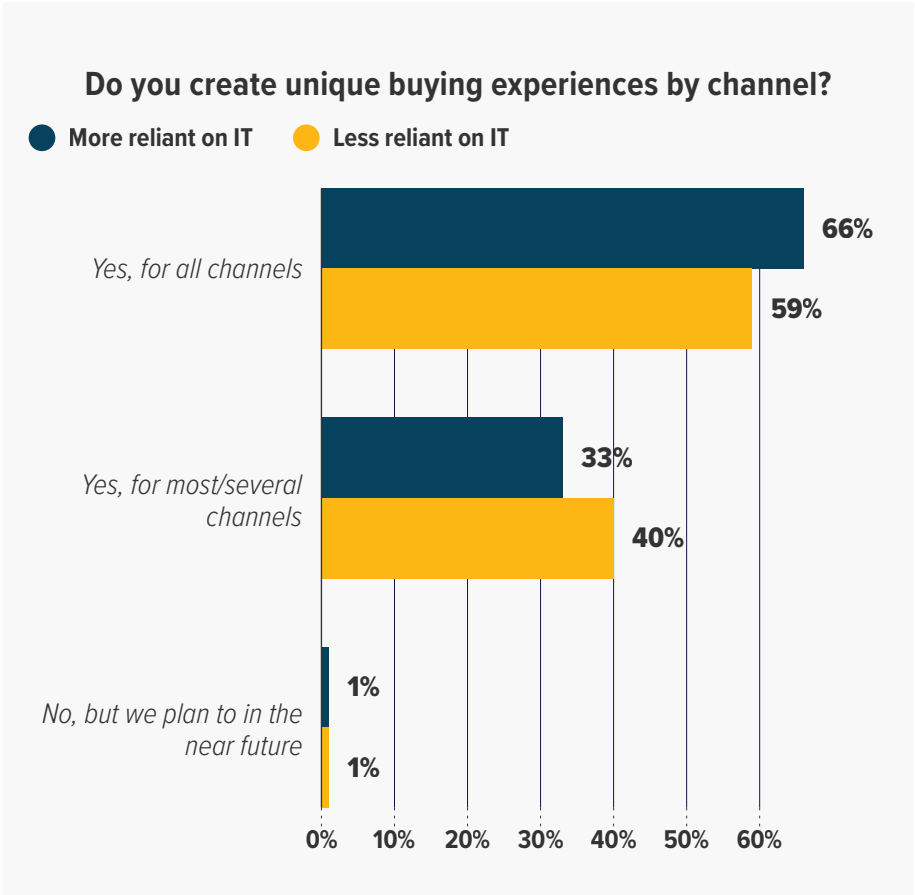


Figure 10: Do you create unique buying experiences by channel?

Addressing the Challenges

This research identified many challenges that modern merchandisers are facing. One of the largest challenges is that organizations trying to adopt forward-thinking solutions and strategies end up extremely reliant on the IT department. As we saw above, this does not mean that those very reliant groups are falling behind. Rather, they're especially interested in being innovative and trying the latest technologies are held back from experimenting even more because they have already hit a limit on IT use.

Meanwhile, half of merchandisers say their manual workload is either a little too heavy (40%) or much too heavy (10%) (**Figure 11**). Only half (50%) say it's about right. 50% of merchandisers are still doing more manual work than they need to.

One way to address both of these challenges is to explore tools that do not require heavy IT customization. These low-code or no-code solutions help merchandisers innovate and launch projects without relying on custom development work. The right solution can also drastically reduce the amount of manual work required by merchandisers. These solutions offer a simple, streamlined way to get work done, with as little fussy, manual work as possible.

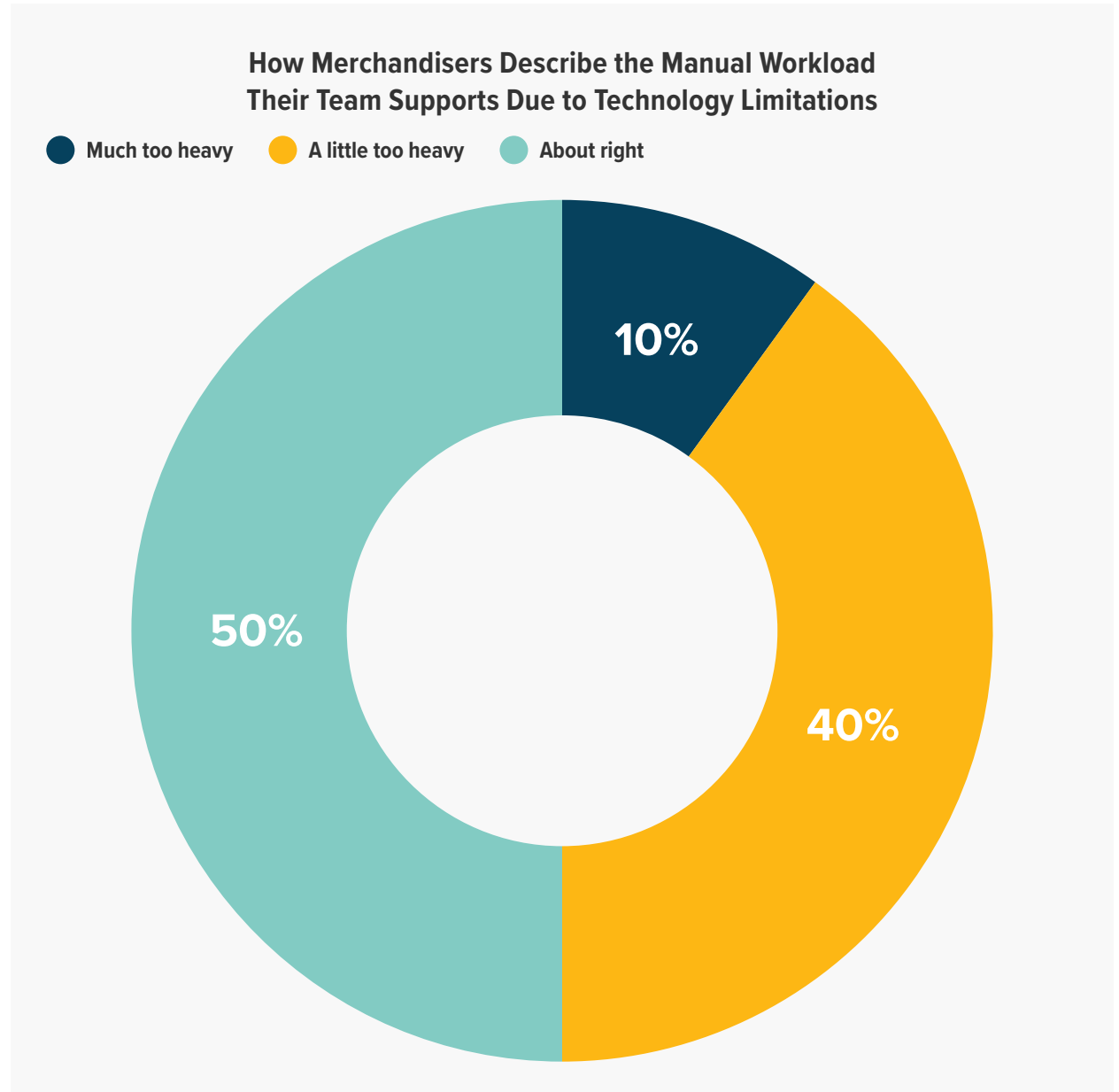
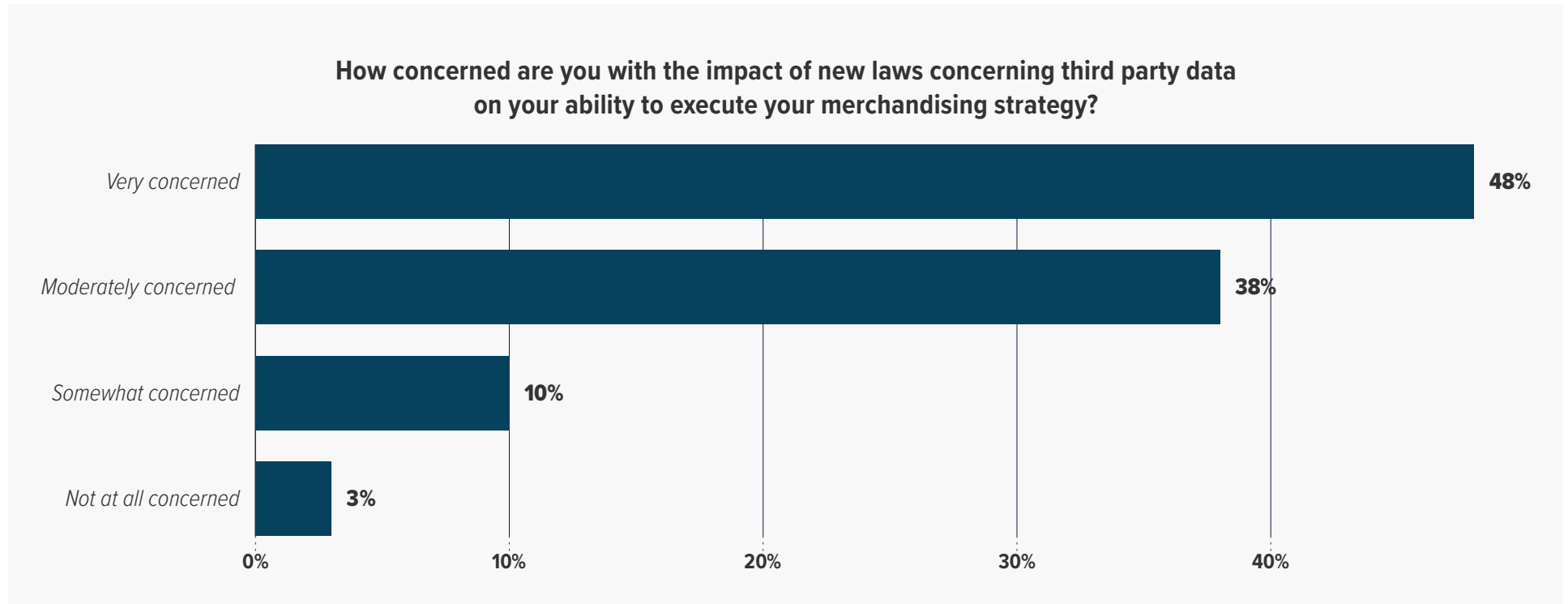


Figure 11: How Merchandisers Describe the Manual Workload Their Team Supports Due to Technology Limitations

Better Data Security Solutions Needed

Data security is a big issue for customers, and building customer trust when it comes to personal data is imperative for merchandisers to ensure customer satisfaction and retention. Retailers need certain customer data to build a personalized customer experience. Most merchandisers are worried about laws concerning third party data (*Figure 12*).



There are many ways in which organizations can create a better data strategy that complements the current legal landscape. These strategies include changing their merchandising plan to rely on first party data or zero party data and improving the partnership between the marketing team and the legal/compliance team.

What's also key here is choosing a trustworthy partner for the merchandising platform. For example, compared to other solutions, Elastic Path is the only Composable/MACH solution to adhere to some of the highest security standards. Doing the research and finding the solutions with the best security standard will greatly benefit merchandisers.

Improvements Needed in Mobile Shopping

Customers are increasingly reliant on their mobile devices to shop, but brands still need to keep up with customer expectations. While more than half of merchandisers are mostly satisfied (56%) with their mobile shopping experience, 40% are only somewhat satisfied (40%) (*Figure 13*). These results tell us that there is still room for improvement in the mobile shopping experience.

There are many ways in which these companies can begin improving the mobile experience for customers. Increased personalization, supported by effective data security, can help merchandisers improve their mobile shopping experience and get better results.

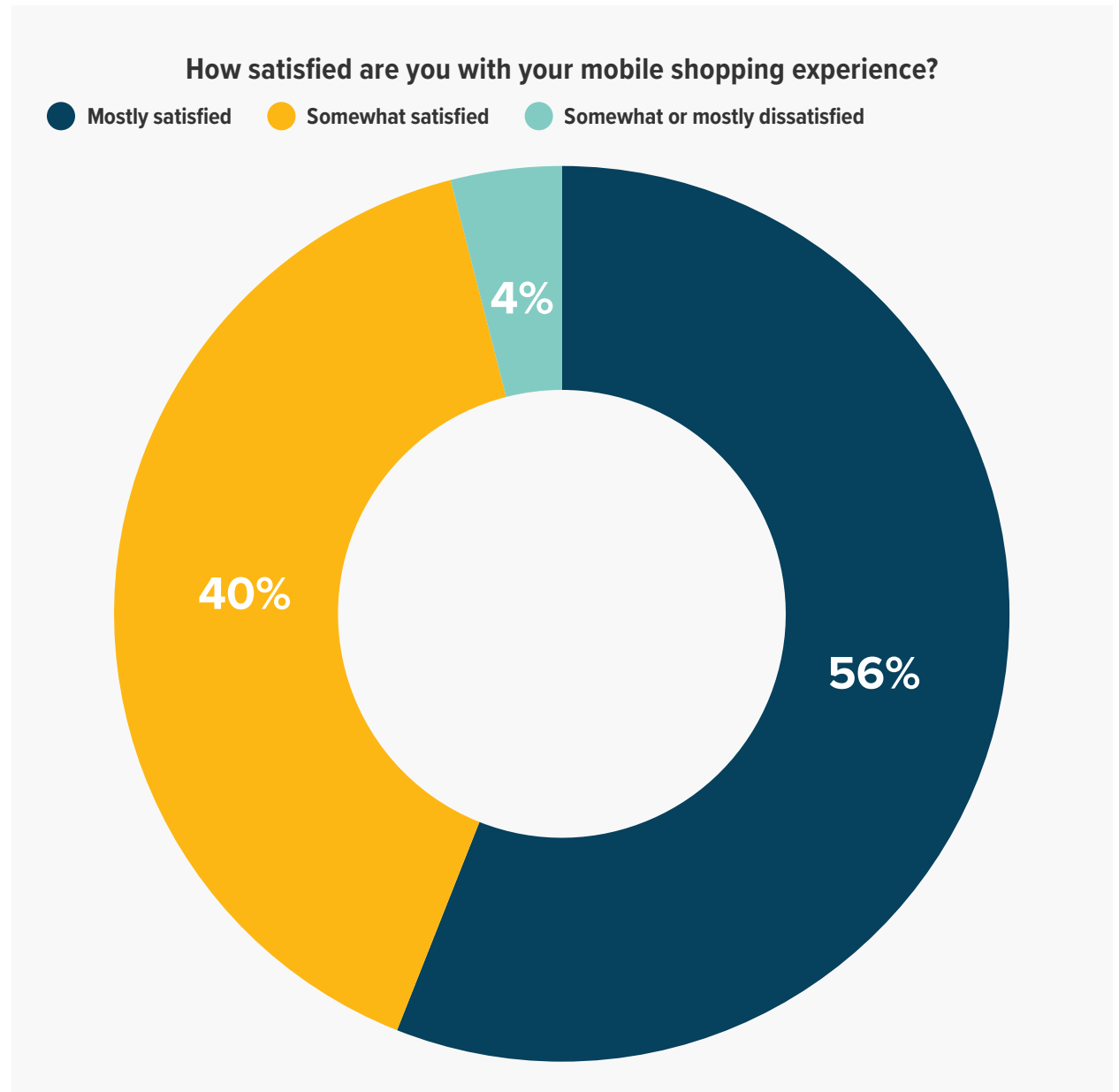


Figure 13: How satisfied are you with your mobile shopping experience?

Conclusion

In a rapidly changing world, merchandisers have been adopting many exciting new tools and strategies — from expanding their use of social commerce to adopting composable commerce. But changing customer behaviors and a shifting regulatory environment makes the role of a merchandiser anything but static.

That's why merchandisers need to invest in various tools and strategies that streamline the customer experience and increase the capability of the merchandising team. For example, using Elastic Path simplifies the lives of merchandisers by giving them the necessary tools to create new experiences and strategies without elaborate development work or excessive IT assistance. When merchandisers finally have the control and freedom they need, they can innovate much more quickly and create the experiences customers want.





Appendix

Demographics

“State of Merchandising Survey”

Survey dates

February-March 2023

Respondents

475

Organizational size

500-999 employees: 11%

1,000-4,999 employees: 74%

5,000+ employees: 15%

Career Level

Manager: 25%

Senior manager: 14%

Director: 16%

Vice president: 30%

Senior Vice President: 8%

C-Suite, Owner, Partner: 7%

Annual Revenue

\$10M-\$50M: 48%

More than \$50M: 52%

Industry

Consumer products: 12%

Fashion: 2%

Manufacturing: 17%

Retail: 68%

Statistics may not total 100% due to rounding.

About

Elastic Path

Elastic Path is the company powering mission-critical digital commerce for the world's leading brands, such as Intuit, Pella, Deckers Brands, T-Mobile, and over 250 other leading brands. As relentless innovators, Elastic Path pioneered the Headless Commerce space in 2011 and spearheaded Composable Commerce in 2020. Elastic Path provides industry-leading headless commerce solutions for digitally-driven brands to rapidly build, deploy, and continuously optimize highly differentiated commerce experiences. Elastic Path is a global company with offices in Boston, Newcastle, Reading, Toronto, and Vancouver. Learn more at www.elasticpath.com

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