The State of Composable Commerce 2023:

ARE YOU UNLOCKING THE OPPORTUNITIES?

Elastic Path | RETAIL**DIVE** |

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Today's consumers are looking for personalized, consistent experiences across all touchpoints where they interact with a brand. Meeting these expectations demands agility, and brands are seeking new digital solutions that can surpass the limits of inflexible, monolithic legacy technology. But which technologies do brands prefer, and why?

This report, based on a recent survey of 200 retail executives at companies with $100 million to $3.5 billion in annual revenue conducted by Retail Dive's studioID on behalf of Elastic Path, takes a deep dive into this question as it pertains to composable commerce.
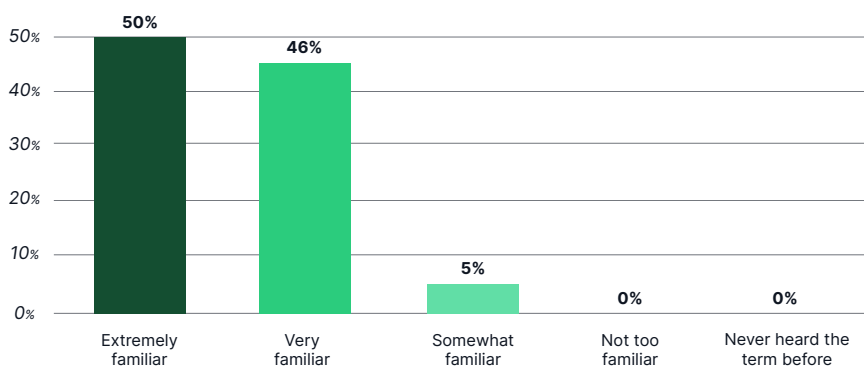
What is composable commerce? Here are some of the ways respondents describe this approach:

- "A way for businesses to build a unique ecommerce experience by combining the technologies that most perfectly align with their organizational mission and goals."

- "A modular digital business method based on a combined architecture. Composable commerce provides a 'Lego Block Box' to meet the best solutions for various business needs, and then can be assembled as a customized agile technology stack."

- Or quite simply: "It allows companies to put together a genius idea with another genius idea."

To establish a baseline, the research defined composable commerce as "an approach that empowers brands to build commerce solutions from multiple best-of-breed vendors. it enables brands to bring their unique vision to life."
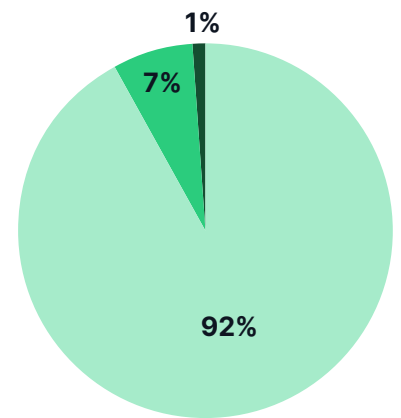
These perspectives align with high rates of adoption: 96% of respondents say they are very or extremely familiar with composable commerce, and 92% of respondents say they have implemented a composable solution.

How familiar are you with the term "composable commerce?"

Familiarity	Percentage
Extremely familiar	50%
Very familiar	46%
Somewhat familiar	5%
Not too familiar	0%
Never heard the term before	0%

Has your company adopted a composable commerce approach?

1%

7%

92%

Yes   No   Not Sure

Respondents agree that composable commerce is here to stay. In fact, a mere 4% of retail leaders say they believe composable commerce solutions will be eclipsed by new technological solutions in the next five years.

However, the survey found that even those who have embraced a composable commerce approach are hindered by the time it can take to implement third-party integrations that are essential to composable success. While users praise the agility of composable commerce, the data shows that 60% of respondents believe it would take more than six months to add new technology to their commerce solution. This delay could hinder their ability to swiftly react and pivot as the market changes.
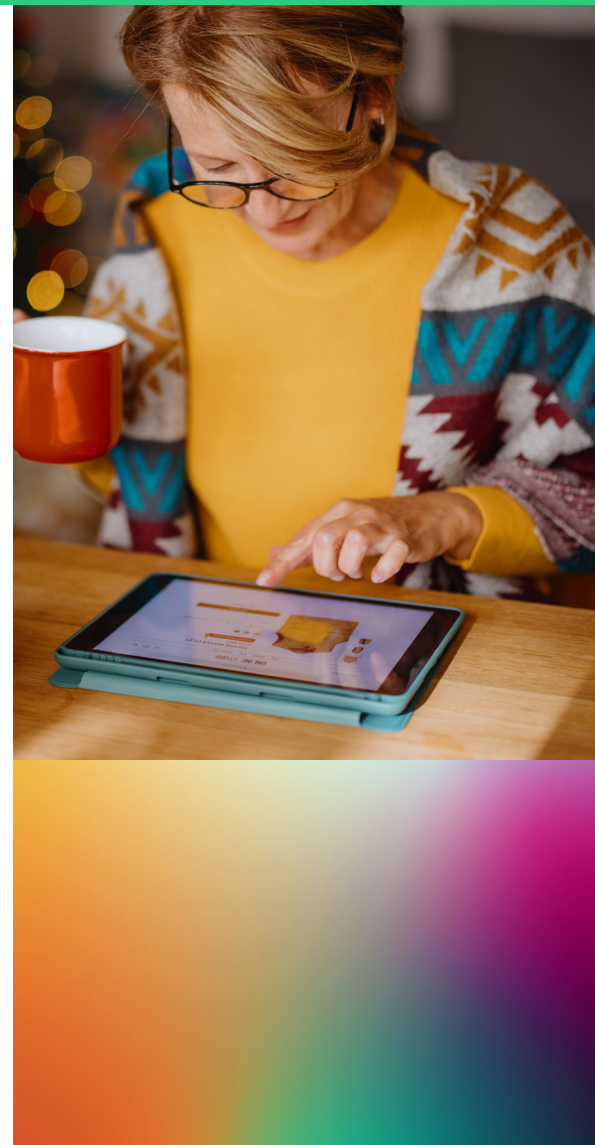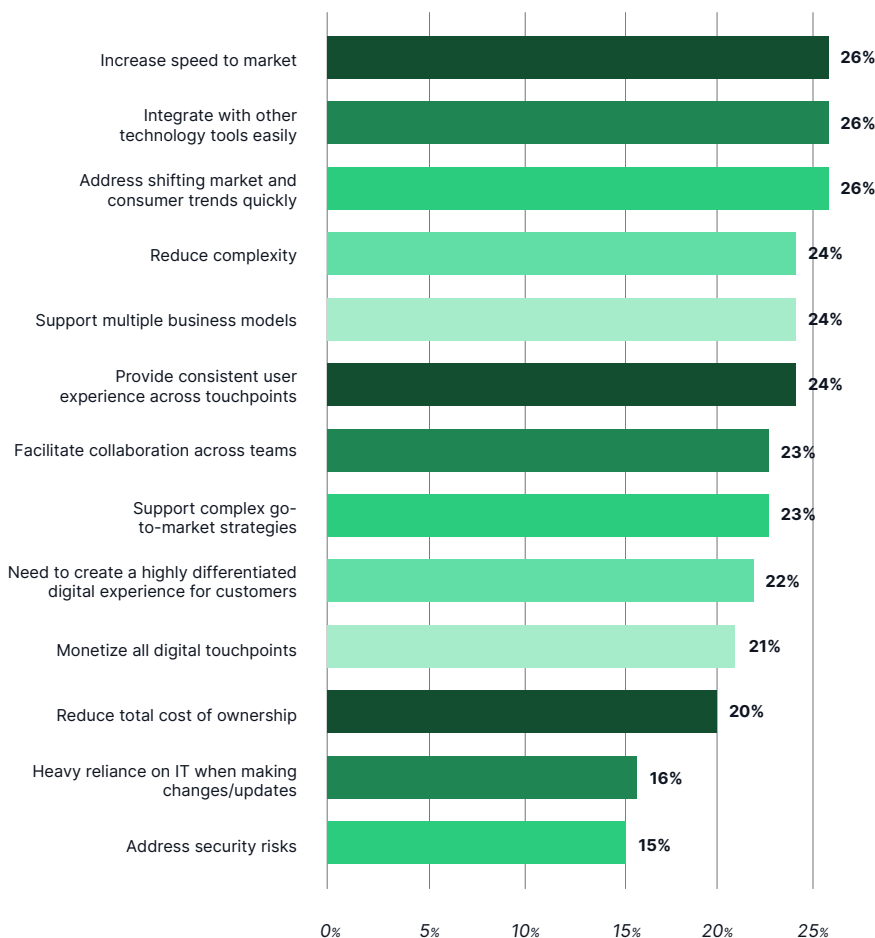
This report contains insights that can help inform your company's strategic decision-making around composable solutions.

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Why brands are adopting composable commerce and their selection criteria

Retail executives reported that there were a wide range of challenges they hoped to overcome by adopting composable commerce. The research found that the benefits they expected to achieve with a composable approach were distributed relatively evenly across a broad spectrum of functions:

What challenges or requirements led you to adopt a composable commerce approach?

Challenge	Percentage
Increase speed to market	26%
Integrate with other technology tools easily	26%
Address shifting market and consumer trends quickly	26%
Reduce complexity	24%
Support multiple business models	24%
Provide consistent user experience across touchpoints	24%
Facilitate collaboration across teams	23%
Support complex go-to-market strategies	23%
Need to create a highly differentiated digital experience for customers	22%
Monetize all digital touchpoints	21%
Reduce total cost of ownership	20%
Heavy reliance on IT when making changes/updates	16%
Address security risks	15%

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Once retail executives had identified composable as the best approach to address their needs, they considered available solutions based on a number of criteria. Ease of making changes was the top priority for companies choosing a solution. The second most referenced criteria was data security. The structure of composable commerce can make data privacy especially tricky, as companies rely on multiple systems and must ensure they are all compliant as they transfer data among them. The third most referenced criteria was the availability of pre-built integrations.

What were the most important criteria you considered when evaluating a composable commerce solution for your brand?

| Criteria	Percentage
Ease of making changes	46%
Data security	44%
Availability of pre-built integrations	36%
Low total cost of ownership of system	35%
Centralized support	33%
Time to launch	30%
Out-of-the-box functionality	30%
Underlying architecture	27%
None of these	1%
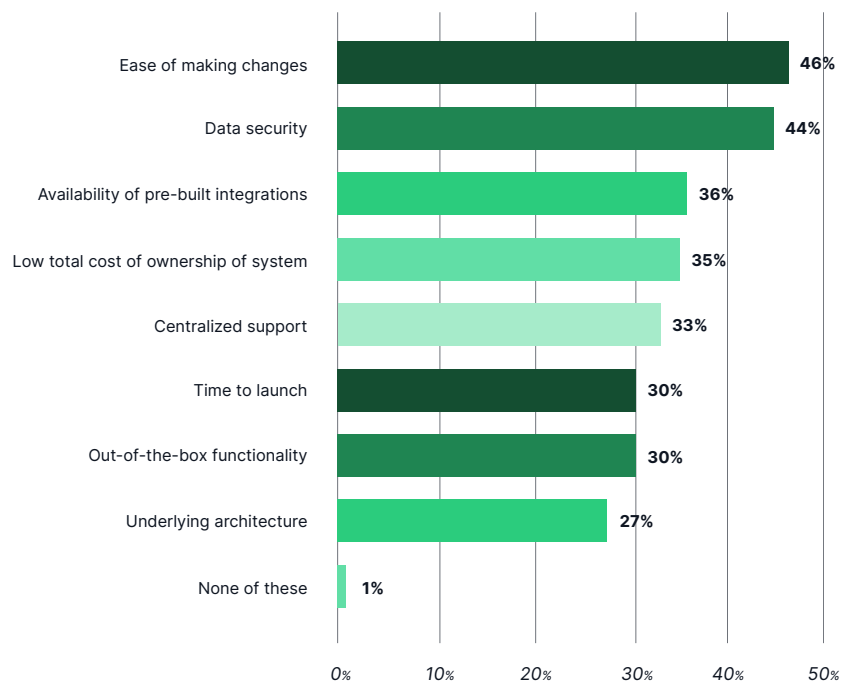
KEY TAKEAWAY:

Brands consistently seek composable commerce partners that prioritize security, ease of making changes and availability of pre-built integrations.

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Duration and top challenges

The survey revealed that implementing a composable commerce solution took more than six months for 69% of respondents and a staggering 27% of respondents experienced an implementation time of over a year.
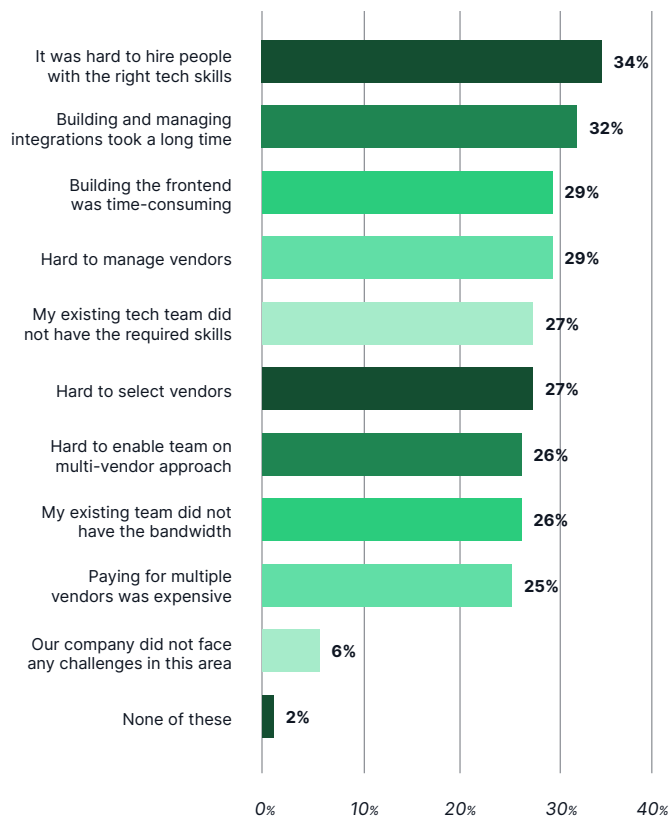
How long did it take to implement your composable commerce solution?

- 🟩 < 12 months
- ⬛ < 6 months
- 🟩 < 18 months
- 🟩 > 2 years
- 🟩 < 24 months
- 🟩 < 3 months

42%
26%
13%
7%
7%
5%
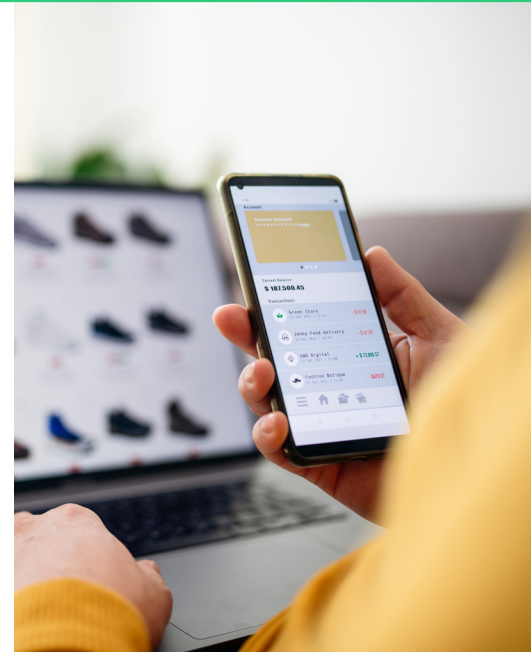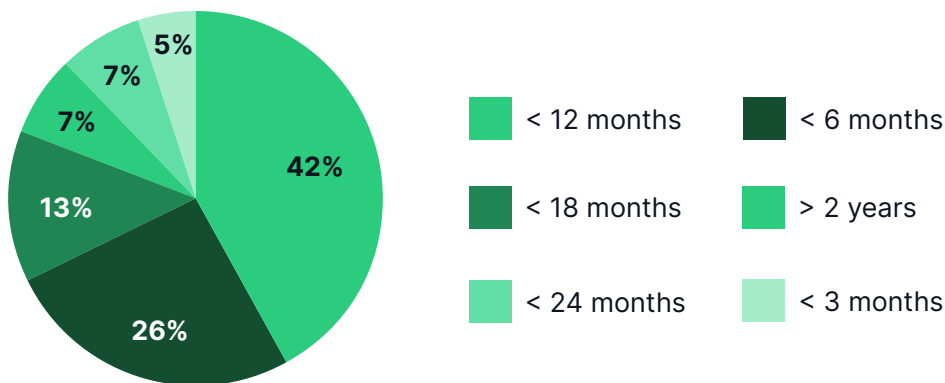
The data shows the top challenges companies faced implementing this approach were widely varied, with a very small differential of respondents between the top nine challenges. It's worth noting respondents were able to select "all that applied." The research revealed a top challenge was the fact that "building and managing integrations took a long time" so it's understandable why availability of pre-built integrations is a top criteria considered when evaluating a composable solution, as seen above. The research revealed that respondents also struggled to hire people with the right tech skills to build and manage integrations.
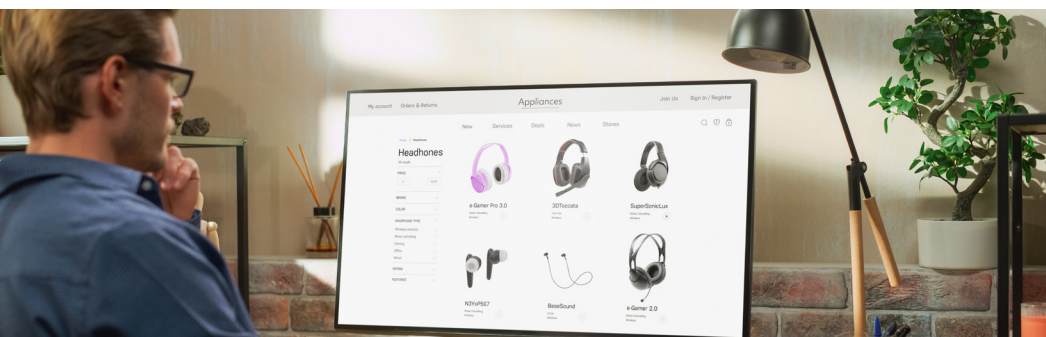
What were the challenges your company faced implementing your composable commerce solution?

Challenge	Percentage
It was hard to hire people with the right tech skills	34%
Building and managing integrations took a long time	32%
Building the frontend was time-consuming	29%
Hard to manage vendors	29%
My existing tech team did not have the required skills	27%
Hard to select vendors	27%
Hard to enable team on multi-vendor approach	26%
My existing team did not have the bandwidth	26%
Paying for multiple vendors was expensive	25%
Our company did not face any challenges in this area	6%
None of these	2%

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When the 8% of respondents not yet using a composable solution were asked why, they cited concerns about a lengthy implementation and the required time to maintain a multi-vendor approach. While this sample size lacked statistical significance, it's still noteworthy that more than half of these respondents cited the perceived implementation time as the top obstacle to adoption.

Why haven't you implemented a composable commerce approach?

Bar chart values:
- Implementation time too long: 57%
- Maintaining a multi-vendor approach will be too time intensive: 50%
- Current platform meets our needs: 50%
- I won't know who to call if something goes wrong with my solution: 29%
- Budget constraints: 21%
- Won't address our key pain points: 21%
- Don't want the team working in multiple tools: 7%
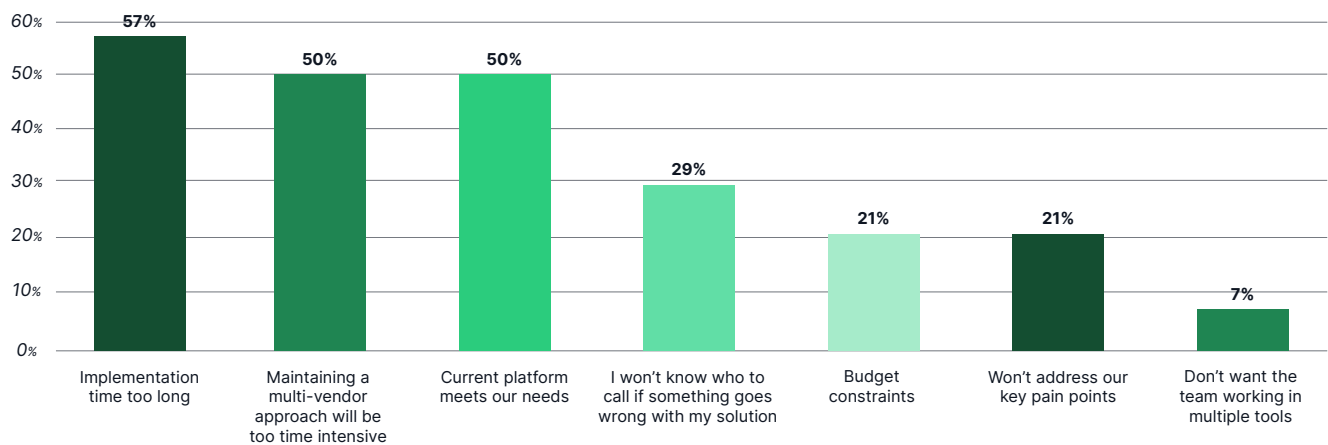
KEY TAKEAWAY:

The top challenges companies faced when implementing composable commerce solutions were difficulty hiring people with the right tech skills and the time it took to build/manage integrations.

Brands choose a customized path, aligning with individual needs

The best place to begin the composable journey is dependent on the needs of the business. Brands are using composable tools in multiple ways to achieve their unique goals, and harnessing a wide variety of components in their composable commerce tech stacks.

The tools that have been deployed were quite evenly distributed, showcasing the variability of solutions available to companies:

- Content management systems (CMS) (31%)

- Enterprise resource planning (ERP) (30%)

- Customer data platforms (CDP) (29%)

- Order management systems (OMS) (28%)

- Digital asset management (DAM) (27%)

- Product information management (PIM) (27%)

- Inventory management (26%)

- Personalization (26%)

- Loyalty programs (22%)

- Payment service providers (21%)

- Promotions (21%)

- Ratings/reviews (21%)

- Search (20%)

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Which tools are currently part of your composable commerce tech stack?

| Tool	Percentage
Content management systems (CMS)	31%
Enterprise resource planning (ERP)	30%
Customer data platforms (CDP)	29%
Order management systems (OMS)	28%
Digital asset management (DAM)	27%
Product information management (PIM)	27%
Personalization	26%
Inventory management	26%
Loyalty programs	22%
Ratings/reviews	21%
Payment service providers	21%
Promotions	21%
Search	20%

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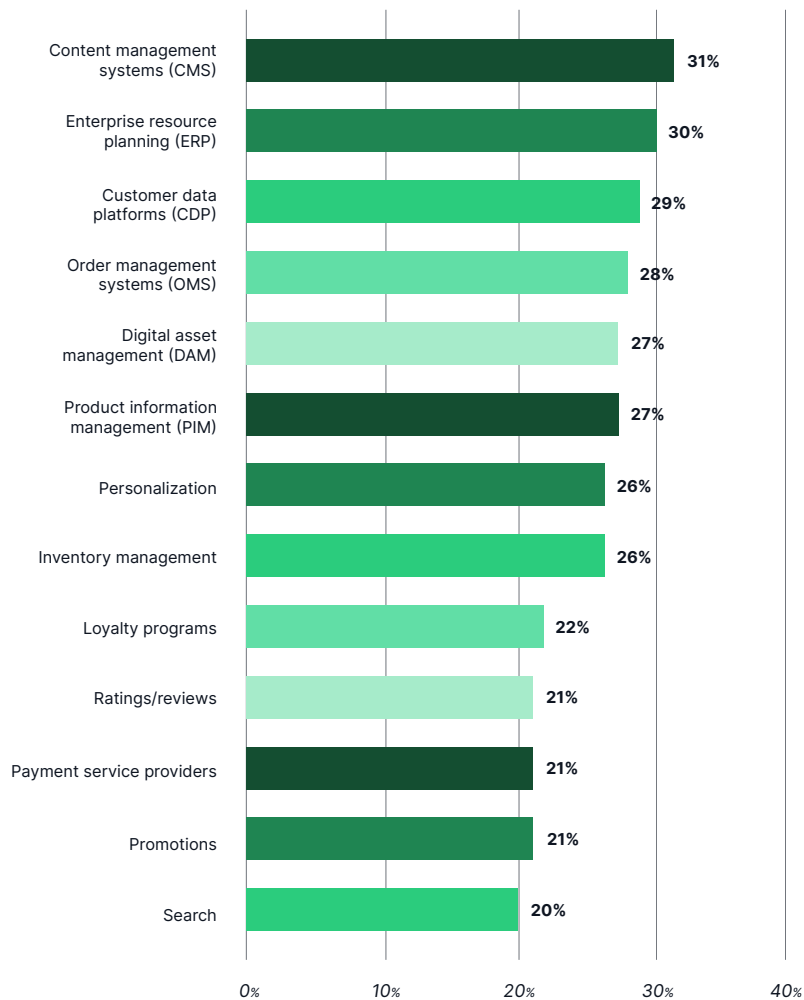
These findings reflect how the underlying architecture of composable allows brands to embrace the functions that make the most sense for their current business objectives, and continue scaling and shifting their approach to address new challenges at a pace that works for them.

However, implementation speed remains a barrier, as 60% of respondents estimate that adding a third-party technology to their commerce solutions would take more than six months.

So while it's possible for brands to start small and choose the integrations they need, this lengthy implementation means that it's not quite as agile as they would expect to truly reap the benefits of composable commerce.

If you wanted to add a third-party technology to your commerce solution, how long do you think it would take?

Less than 1 month	1-6 months	6-12 months	More than 1 year	Not sure
3%	37%	49%	11%	2%
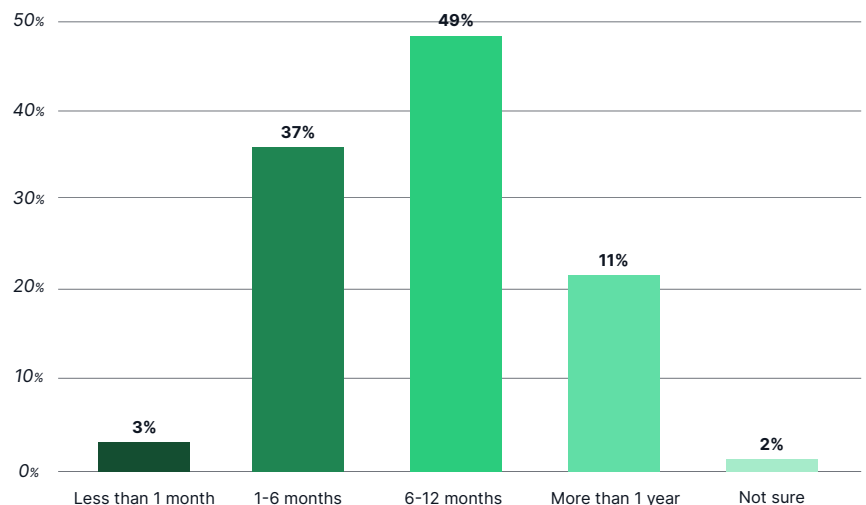
KEY TAKEAWAY:
Composable commerce is highly customizable, allowing brands to hone in on their specific needs and adopt the tools that will help address them. Brands are taking advantage of this functionality by building specific, customized tech stacks.
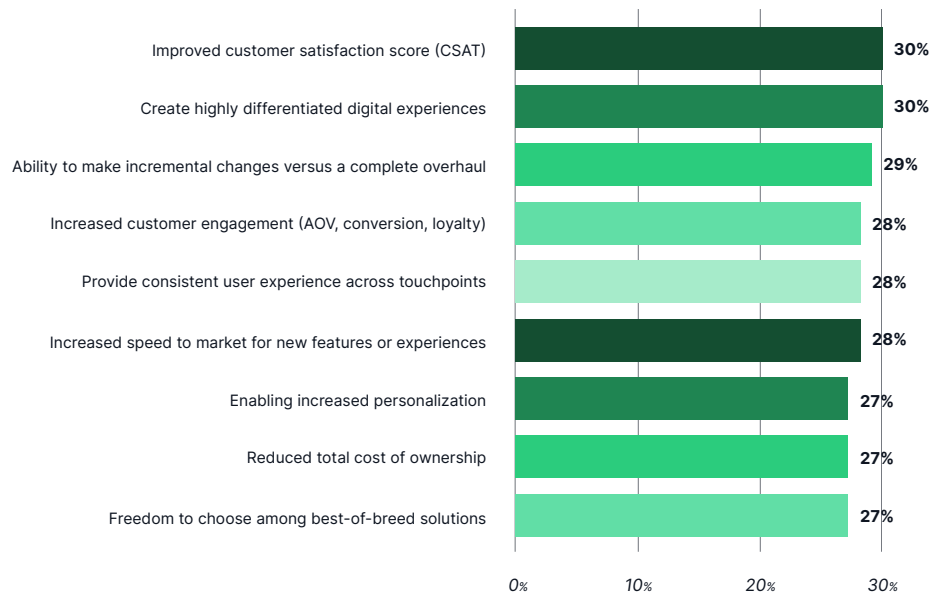
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Composable commerce is the solution of choice for today AND the future

Retail executives say they have derived a bevy of benefits from their composable commerce solutions. In the survey, respondents most frequently mentioned:

- Ability to create highly differentiated digital experiences (30%)

- Improved customer satisfaction (30%)

- Ability to make incremental changes rather than undergoing a complete overhaul (29%)

- Consistent user experience across touchpoints (28%)

- Increased customer engagement (28%)

- Increased speed to market for new features or experiences (28%)

- Freedom to choose among best-of-breed solutions (27%)

- Reduced total cost of ownership (27%)

From the list below, please select the top benefits your company is achieving with your composable commerce solution.

Benefit	Percentage
Improved customer satisfaction score (CSAT)	30%
Create highly differentiated digital experiences	30%
Ability to make incremental changes versus a complete overhaul	29%
Increased customer engagement (AOV, conversion, loyalty)	28%
Provide consistent user experience across touchpoints	28%
Increased speed to market for new features or experiences	28%
Enabling increased personalization	27%
Reduced total cost of ownership	27%
Freedom to choose among best-of-breed solutions	27%

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Respondents shared some of these benefits in their own words:

> "[Composable commerce] reduces the time it takes to bring products to market, allowing companies to stay ahead of their competition."
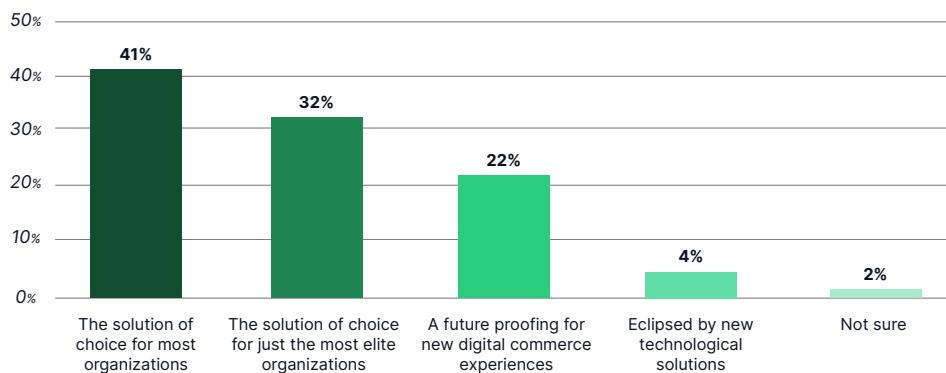
> "With composable commerce solutions, we can provide consistent product information, prices and offers across different channels, ensuring consumers have the same brand experience no matter which channel they shop on. This helps build consumer trust and loyalty."

> "Our business can save money by selecting and paying for exactly the components we use, removing extraneous features and capabilities."

They also predict longevity: 96% of respondents believe composable commerce will continue to be a prominent tool over the next five years (while 4% believe it will be eclipsed by new technological solutions).

What do you see as the five-year outlook for composable commerce solutions?

41%	32%	22%	4%	2%
The solution of choice for most organizations	The solution of choice for just the most elite organizations	A future proofing for new digital commerce experiences	Eclipsed by new technological solutions	Not sure

Retail executives cited the following features of composable commerce as evidence for their belief in its continued relevance:

- Flexibility, adaptability, and agility in a changing retail environment

- Cost reductions

- Ability to better deliver personalized customer experiences

- Clearer avenues to business growth

- Better data for decision-making

- Improved efficiency, scalability, and speed

Respondents also shared a variety of candid responses, including:

> "The adoption of combined business solutions can enhance a company's competitive advantage and provide more opportunities and potential for business growth."

> "Composable commerce's modular approach offers the flexibility to mix and match components, enabling businesses to respond quickly to market demands."

> "Choosing the very best components to support your critical business processes is one of the main reasons for a composable approach. With a composable ecosystem, you can choose what you need instead of being limited by what's already integrated into a monolithic platform."

> "Technical hazards are reduced through simpler replacements and upgrades."

> "Adoption is fueled by market demand, which is growing for scalable and adaptable e-commerce solutions."

Our research confirms that retail leaders consider composable commerce an essential tool for meeting rising consumer expectations and intensifying market competition. As one respondent said, "Composable commerce is definitely a hot topic these days. Without a doubt, this phenomenon will be the future of e-commerce, and it will probably change the way we create commerce systems forever."

Learn more about composable commerce from research sponsor Elastic Path.

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Elastic Path is on a mission to break through the barriers that prevent commerce leaders from delivering extraordinary shopping experiences. Today, that means making Composable Commerce accessible to all brands by reducing the cost, time, and overall risk of implementing and managing a multi-vendor approach. With Elastic Path, both business and tech teams are able to innovate on their own terms, fully embrace composability, and in turn, never compromise on what's possible.

Learn More

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