White Paper

Streamline Your Digital Ecosystem

Get What You Need and Reduce Your Costs

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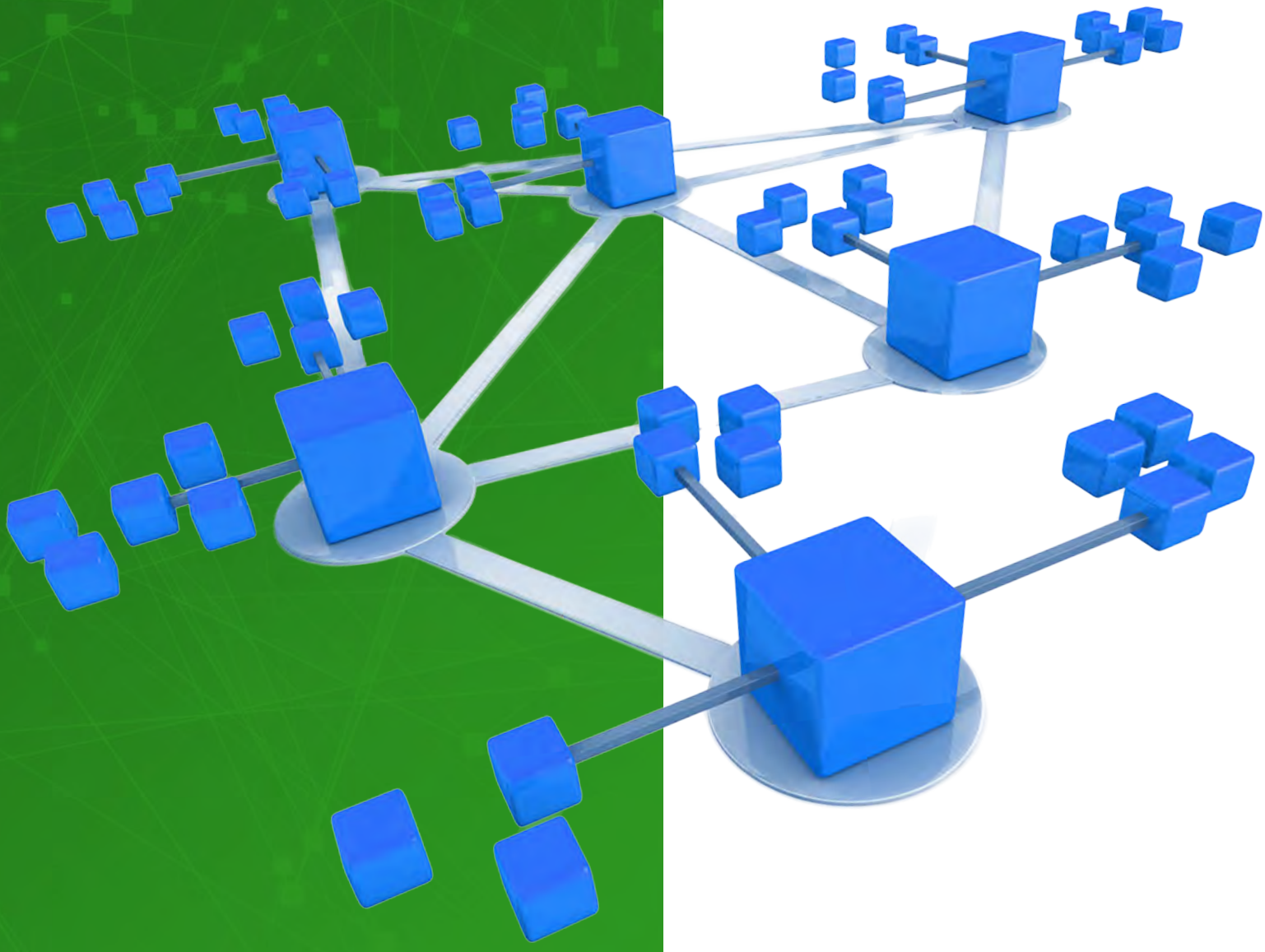
Introduction

Large enterprises often face the challenge of managing intricate digital ecosystems. The concept of composability offers promising solutions to meet the evolving demands of customers. However, implementing this approach in the Commerce sector can be expensive and complicated. Organizations are reluctant to let go of their highly customized legacy systems while understanding the implicit need for modernization, as well as being concerned about the inefficiencies and high costs associated with maintaining a sophisticated ecosystem. CEOs and CFOs are looking for a clear return on the investment.



The High Costs of Commerce Complexity

The hidden costs of managing complex digital ecosystems — such as integration, maintenance, security, and operational inefficiencies — can significantly hinder growth and profitability. Integrating multiple digital platforms demands substantial resources for customization, ongoing maintenance, and troubleshooting, leading to possible downtimes and data inconsistencies that disrupt operations. Businesses in the retail and distribution sectors must continually update and upgrade systems to ensure security, adding to the cost burden. Ensuring robust cybersecurity measures across various platforms incurs significant costs due to risks from data breaches, regulatory fines, and compliance with regulations like PCI and GDPR, which require continuous investment in technology and staff training. Managing and synchronizing data across disparate systems also incurs high costs, as poor data quality and fragmented management can lead to flawed business insights and decision-making, affecting inventory management and customer service.

According to Deloitte, the average IT department invests more than half (55%) of its technology budget on maintaining business operations and only 19% on building innovative new capabilities that drive growth, such as new product development, market expansion, or customer experience improvements.

In addition, scaling a complex digital ecosystem can require substantial investments in infrastructure and integration, which can be unpredictable and costly. Difficulty in scaling can limit a company's ability to grow quickly and respond to market demands, potentially leading to lost market share and reduced profitability.

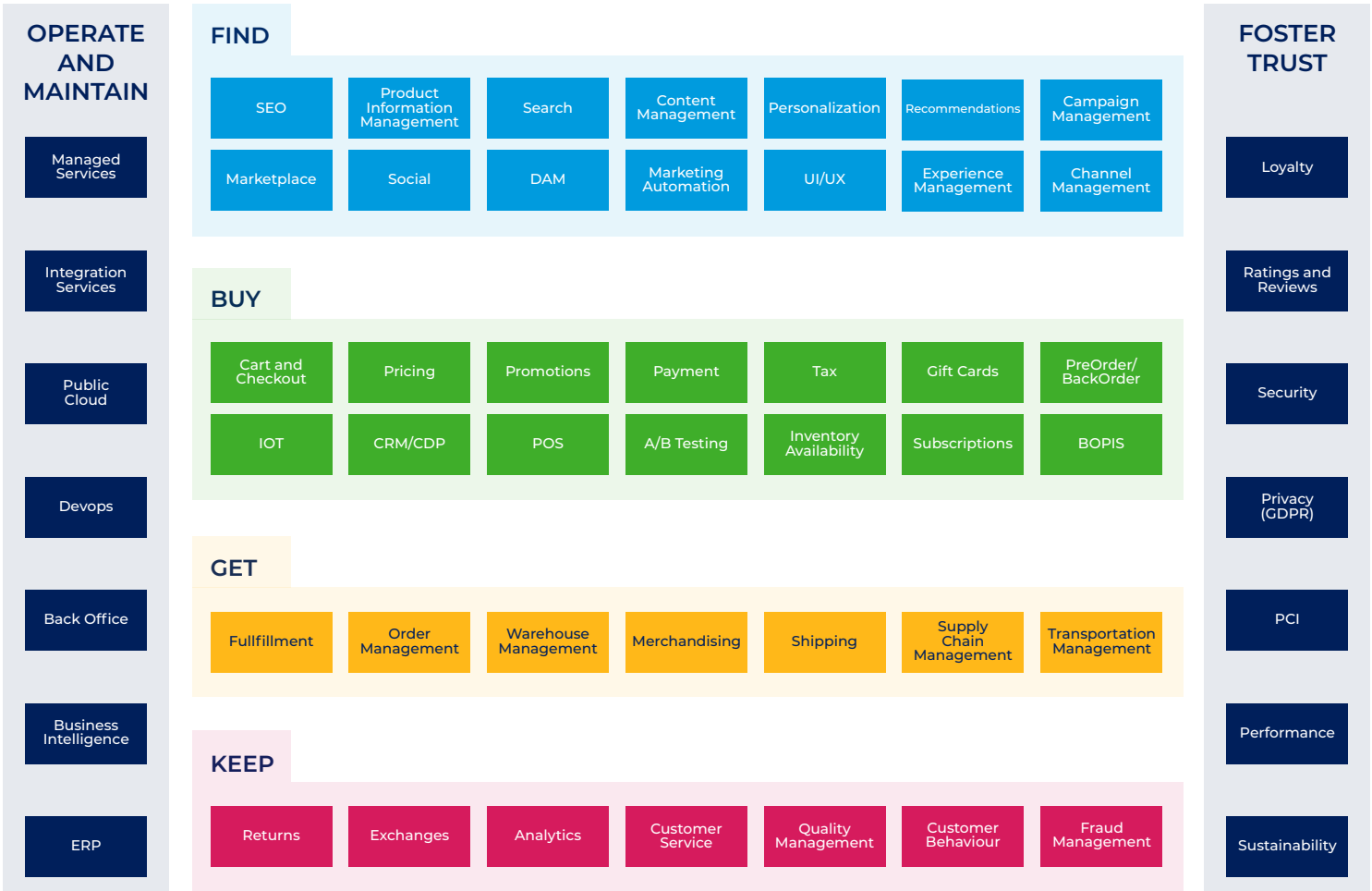
The hidden costs of maintaining a complex digital ecosystem can significantly hinder a company's growth and profitability by draining financial resources, reducing operational efficiency, increasing risk exposure, and diverting focus from strategic initiatives.

Can You Have Too Many Technologies?

The short answer to that question is yes. Enterprises often use multiple digital platforms and technologies, each serving different capabilities from search, to content management, to marketplace, and more. However, this proliferation leads to increased complexity, a duplication of functionality, and numerous potential points of failure. Companies have often invested in the best solutions with extensive feature sets. This may be like owning several Ferraris but only driving a few of them 20% of the time. They are enticed by the promised ROI and impressive capabilities of expensive features they continue to pay for and support but aren't fully utilizing.

Your Commerce ecosystem can have multiple systems performing various functions and capabilities to ensure every stage of the customer journey is executed flawlessly. The problem is new systems are proliferating and adding to the complexity, but are they necessary?

END-TO-END COMMERCE ECOSYSTEM



The C-Suite is Looking for a Clear ROI

Modern CEOs and CFOs are expected to play a strategic role in guiding their organizations through digital transformation. This involves not just overseeing financial health but also championing technology initiatives that drive long-term growth. Clear ROI calculations are crucial in this expanded role to ensure that technology investments align with and support strategic business objectives.

The financial and operational impact of platform complexity is significant. Multiple platforms lead to inefficiencies, wasted resources, and difficulties in achieving a clear ROI.

According to Deloitte Insights this trend is driven by three key factors:

1

NEED FOR CLEAR FINANCIAL JUSTIFICATION

CFOs are under pressure to ensure that every investment, especially in technology, directly contributes to the company's financial health. They require precise ROI metrics to justify expenditures and secure funding for technology initiatives. This scrutiny is essential to avoid overspending and to align technology investments with the broader business strategy.

2

ENHANCED FOCUS ON VALUE MEASUREMENT

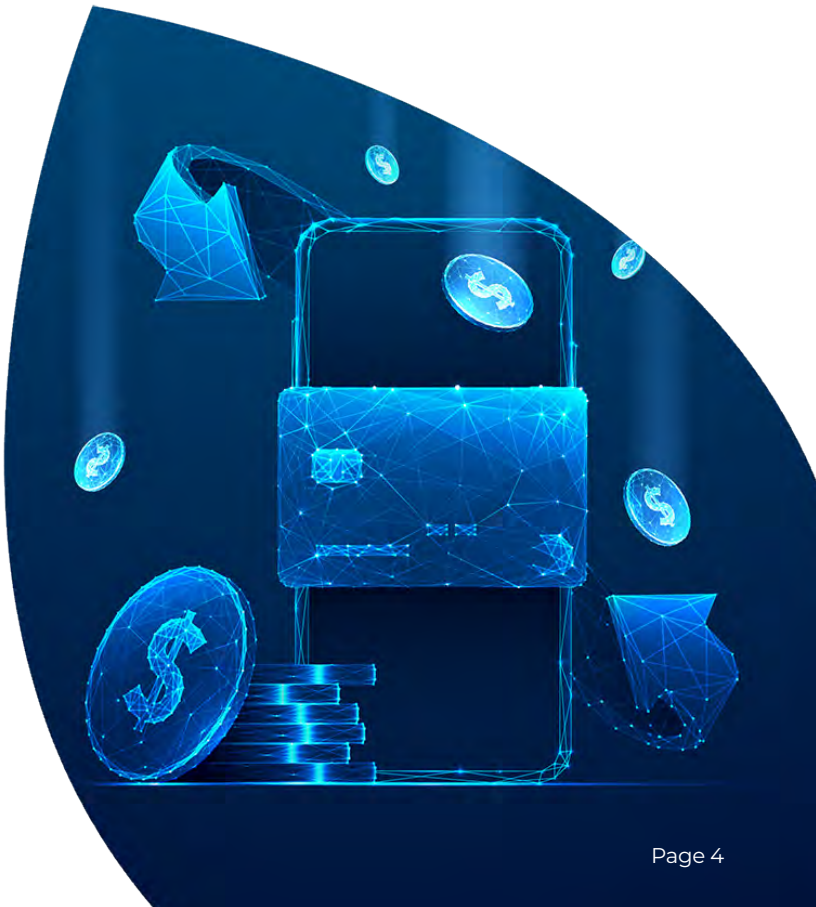
As technology budgets grow, CFOs emphasize the need for comprehensive value measurement beyond traditional financial metrics. They seek to capture a broader impact of technology investments, including productivity improvements, customer satisfaction, and even societal impacts. This holistic approach to measuring ROI helps in making more informed and justified investment decisions.

3

COMPLEXITY OF TECHNOLOGY SYSTEMS

The complexity of managing multiple technology platforms and the associated risks of system failures and integration issues further drive the need for clear ROI calculations. CFOs must evaluate whether maintaining or modernizing existing systems provides the best return, balancing cost, risk, and value.

This highlights the growing demand for clear, data-driven justification for technology investments, shaping how CFOs approach decision-making in today's rapidly evolving business landscape.



Costs and Considerations: A Quick Guide

The costs of maintaining a complex digital ecosystem can significantly hinder a company's growth and profitability by draining financial resources, reducing operational efficiency, increasing risk exposure, and diverting focus from strategic initiatives. Addressing these issues involves simplifying the digital landscape, investing in integrated solutions, and continuously evaluating the ROI of technology investments.

Consideration	Cost	Consequence
Integration and Compatibility Issues	Integrating disparate systems and ensuring they work seamlessly together can be both time-consuming and expensive. This often involves custom development, extensive testing, and frequent troubleshooting.	Persistent integration challenges can lead to system downtimes, data inconsistencies, and reduced operational efficiency, negatively affecting productivity and customer satisfaction.
Maintenance and Upgrades	Ongoing maintenance, including regular updates and upgrades to keep systems secure and efficient, requires significant resources. This includes software licenses, hardware replacements, and professional services.	High maintenance costs can drain financial resources that could otherwise be invested in innovation and growth initiatives. Additionally, delayed or inadequate maintenance can lead to system failures and security vulnerabilities
Security and Compliance	Ensuring robust cybersecurity across multiple platforms involves investments in security technologies, regular audits, and compliance with regulations such as GDPR, HIPAA, etc.	Security breaches can result in substantial financial losses, legal penalties, and damage to the company's reputation. Maintaining compliance is costly and resource-intensive, diverting focus from core business activities.
Data Management and Quality	Managing vast amounts of data from various sources requires sophisticated data management tools and skilled personnel to ensure data accuracy and accessibility.	Poor data quality can lead to flawed business insights and decision-making, while inefficient data management processes can slow down operations and innovation.
User Training and Support	Training employees to use multiple systems effectively and providing ongoing support to address issues can be costly and time-consuming.	Inadequate training can lead to low user adoption rates, reduced productivity, and higher error rates. Continuous support requirements can strain IT resources.
Vendor Management	Coordinating with multiple vendors, managing contracts, and ensuring service level agreements (SLAs) are met involves significant administrative effort and cost.	Complex vendor management can lead to inefficiencies, increased costs, and dependency on external parties, which may affect the company's agility and responsiveness to market changes.

Sources: NetSuite, Deloitte United States, McKinsey & Company

Streamline Your Digital Landscape

The key to overcoming cost and complexity challenges is to simplify your digital ecosystem. Before investing in new technology solutions, enterprises should focus on optimizing existing systems or migrating to a less-costly alternative. This involves identifying redundant platforms, consolidating functions, and improving data management within current systems. Simplifying the digital environment enhances visibility and control over operations, leading to better efficiency and ROI.

Pivotree's strategy with Lorex serves as an example of successful digital ecosystem simplification. A Canadian-founded and privately-owned company, Lorex specializes in crafting smart home security and business monitoring solutions. With groundbreaking products such as integrated monitors and 4K resolution cameras, the company has been at the helm of customer-centric DIY security solutions for over three decades. When Lorex found itself at the forefront of evolving customer expectations and market demands, they made a decision to shift from their previous platform, Oracle ATG Web Commerce 10, to Shopify Plus for its speed, agility, and optimized operating costs.

The transition included solutions like ERP systems connections with diverse sales channels, including eBay and social media platforms. By moving away from a monolithic platform to one that is modern and agile, Lorex was able to simplify their business processes and achieve greater efficiencies, reducing operating costs by 8%, and achieving record-breaking sales during peak seasons.

LOREX'S STORY

- ✓ Reduced operating costs by 8%
- ✓ Achieved record-breaking peak-season sales
- ✓ Simplified business processes
- ✓ Achieved greater efficiencies
- ✓ Enabled smooth market expansion

The flexibility and agility of the Shopify Plus platform will continue to provide us with cost-effective capabilities over the long term.

– Denys Posokhov
Director of eCommerce
and Web Development, Lorex

READ THE CASE STUDY

The Path to Simplification

To achieve a streamlined digital environment, businesses should conduct comprehensive assessments and continuously optimize their systems. Pivotree's partnership-based approach ensures tailored solutions that fit specific business needs, facilitating the simplification process.

Identify Redundant Systems

Overlap Analysis:
Identify platforms that perform similar functions and determine if they can be consolidated or replaced with a single system.

Functional Assessment:
Assess whether all features of each platform are necessary and if some can be eliminated or merged.

Choose Integrated Solutions

Unified Commerce Platforms:
Use unified commerce platforms that combine e-commerce, in-store sales, inventory management, and customer relationship management.

Centralized Data Management

Single Source of Truth:
Implement a centralized data management system to ensure that all data is stored, accessed, and analyzed from a single platform.

Data Integration:
Use data integration tools to consolidate data from different sources into a unified system.

Vendor Consolidation

Strategic Partnerships:
Develop strategic partnerships with fewer technology vendors to streamline support, reduce costs, and improve service quality.

Contract Negotiations:
Negotiate contracts to include comprehensive solutions rather than piecemeal services.

Conduct a Technology Audit

Inventory Platforms:
Create a comprehensive inventory of all technology platforms currently in use across the organization.

Assess Usage:
Evaluate the utilization and performance of each platform to identify redundancies, overlaps, and underused systems.

Standardize Processes

Unified Processes:
Standardize business processes across departments to ensure consistency and compatibility with a reduced number of platforms.

Best Practices:
Implement best practices for technology use to ensure that all departments are aligned and efficient.

Cloud-Based Solutions

Scalability and Flexibility:
Shift to cloud-based platforms that offer scalability, flexibility, and the ability to integrate various business functions.

Reduced Maintenance:
Cloud solutions often reduce the need for extensive in-house IT maintenance and upgrades.

Employee Training and Change Management

Training Programs:
Provide comprehensive training programs to ensure employees are proficient with the new, consolidated platforms.

Change Management:
Implement a change management plan to facilitate a smooth transition and adoption of new systems.

Conclusion

Simplifying your digital ecosystem is essential for improving efficiency and achieving a better ROI. By optimizing existing systems and reducing complexities, enterprises can enhance their operational efficiency and profitability. Engaging in a conversation about simplifying digital ecosystems can help businesses identify and implement the most effective strategies for their specific needs.

Pivotree has worked with many organizations to streamline operations, while ensuring modern capabilities and cost efficiencies are achieved. With a wealth of experience, a platform-agnostic approach, and a proven track record, Pivotree, the Commerce experts, can guide you through an assessment of your ecosystem. Our expertise in seamless integrations, scalable solutions, flexibility to adapt to our clients' needs, and our commitment to client success position us as the catalyst for transforming your vision into reality and taking your online business to new levels of success.

About the Author

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Pivotree

Joel, a seasoned leader with over 25 years of technical strategy experience, specializes in driving successful large-scale digital transformation initiatives. His focus on B2C and B2B eCommerce solutions for North America's leading brands showcases his deep understanding of the digital commerce landscape. As a pivotal member of the Pivotree leadership team, Joel manages and evolves Pivotree's Commerce business, aligning technology decisions with business outcomes. With an Honours degree in computer science and a BA in Psychology from Carleton University, Joel's expertise lies in bridging the gap between technology and commerce to propel business growth. He has been with the company since its early founding.

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CONTACT US TODAY FOR A PERSONALIZED ASSESSMENT OF YOUR DIGITAL ECOSYSTEM.

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