2024 eCommerce Predictions

Presented by Master B2B

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MASTER B2B

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We have a combined 50+ years of eCommerce experience between us, but in all those years we haven't seen anything resembling the hype we've heard around generative AI.

If you've attended a conference in the past year, the topic was undoubtedly the subject of several panels, keynotes, breakout sessions, lunch topics, happy hours, dinners and late night cocktails. Not since the early days of the Internet have we heard anything presented as a panacea for everything that ails your business.

You may sense from that description that we have a prediction about whether all the chatter is warranted. And as we peer into our crystal ball, we also have predictions about the future of the Chief Digital Officer, Amazon Business, headless commerce platforms, how we'll measure ROI, and how we'll hire digital talent.

If history is any guide, we'll be correct about 4 of our 6 predictions...if only we could predict which 4.

Andy Hoar + Brian Beck

2024 eCommerce Predictions:

Prediction 1

AI/Generative AI: The hype is real, and the overhype is real

When we sat down to discuss our predictions for 2024, within 10 seconds we started talking about the impact that AI (and, specifically, Generative AI tools like ChatGPT) has had on B2B eCommerce.

Brian Beck was firm:

"AI isn't overhyped. It deserves the hype."

Andy Hoar concurred:

"It's every bit as revolutionary as promised."

But when we dug into our collective memory to find examples in 2023 of where the technology has actually been transformational within companies in the Master B2B community, we stood as silent as ChatGPT when you ask it whether your mom loved you or your sibling more. This is not to say that AI won't cause fundamental change, it will. It's just that the fundamental change hasn't happened yet because it requires overcoming significant organizational constraints.

We believe 2024 will be the year where the possibilities offered by generative AI bump up against the reality of what's possible now. Don't get us wrong - the impact of these tools on how individuals do their jobs has been significant; many of us use ChatGPT on a near-daily basis to handle writing emails, basic contracts, administrative work, and other time-consuming tasks.

However, each time we've heard about a company testing the reaches of what's possible, we've also heard about how they uncover operational challenges with rolling out the test to a wider audience.

Given that, perhaps it's not surprising that we're already seeing a decreasing number of visitors to the ChatGPT website. *Reuters reported* that the tool saw 10% drops in visitors in June and July, with another 3% decrease in August compared to the previous month.

Our friends at Gartner are also seeing cracks in the hype, saying in August of 2023 that generative AI is positioned at the Peak of Inflated Expectations in their *Hype Cycle for Emerging Technologies.*

All of which is to say that while we expect to hear lots more chatter about this technology in 2024, we won't see the tangible and transformational impact in B2B until the second half of 2025.

Prediction 2

Say goodbye to the CDO, say hello to the CDO

2024 will be the year when we see that the role of the Chief Digital Officer has run its course and is displaced by the rise of the Chief Data Officer, leading to a focus on data ownership and a significant amount of confusion for anyone reading an article about CDOs.

Consultancy PwC has been tracking the hiring of Chief Digital Officers in both B2B and B2C organizations, noting in 2019 that hiring for the role had peaked a few years earlier. In fact, PwC last published a Chief Digital Officers study back in 2019, switching to *writing about the state of Chief Data Officers* in 2022, suggesting the decline of one CDO and the rise of the other.

> *We saw this decline with our own eyes, as only 5% of the attendees at our Master B2B Summit had a Chief Digital Officer title.*

We believe the Chief Digital Officer role has struggled to gain traction because in most cases those executives never had full P&L responsibility. They existed to get the team excited about the possibility of digital. As a 2020 *article* published by Swiss business school IMD put it, people in these roles became the "Chief Dazzling Officer" and will eventually become the Chief Departed Officer, as Master B2B believes these roles are not sustainable.

Without the operational oversight, Chief Digital Officers could give a great presentation and make a great case for digital, but they weren't able to implement the tools and cultural changes necessary to make an impact. And we see over and over (including with new AI projects), that companies underestimate the change management challenges associated with making real change happen in the organization. That type of widespread change can only be led from the top.

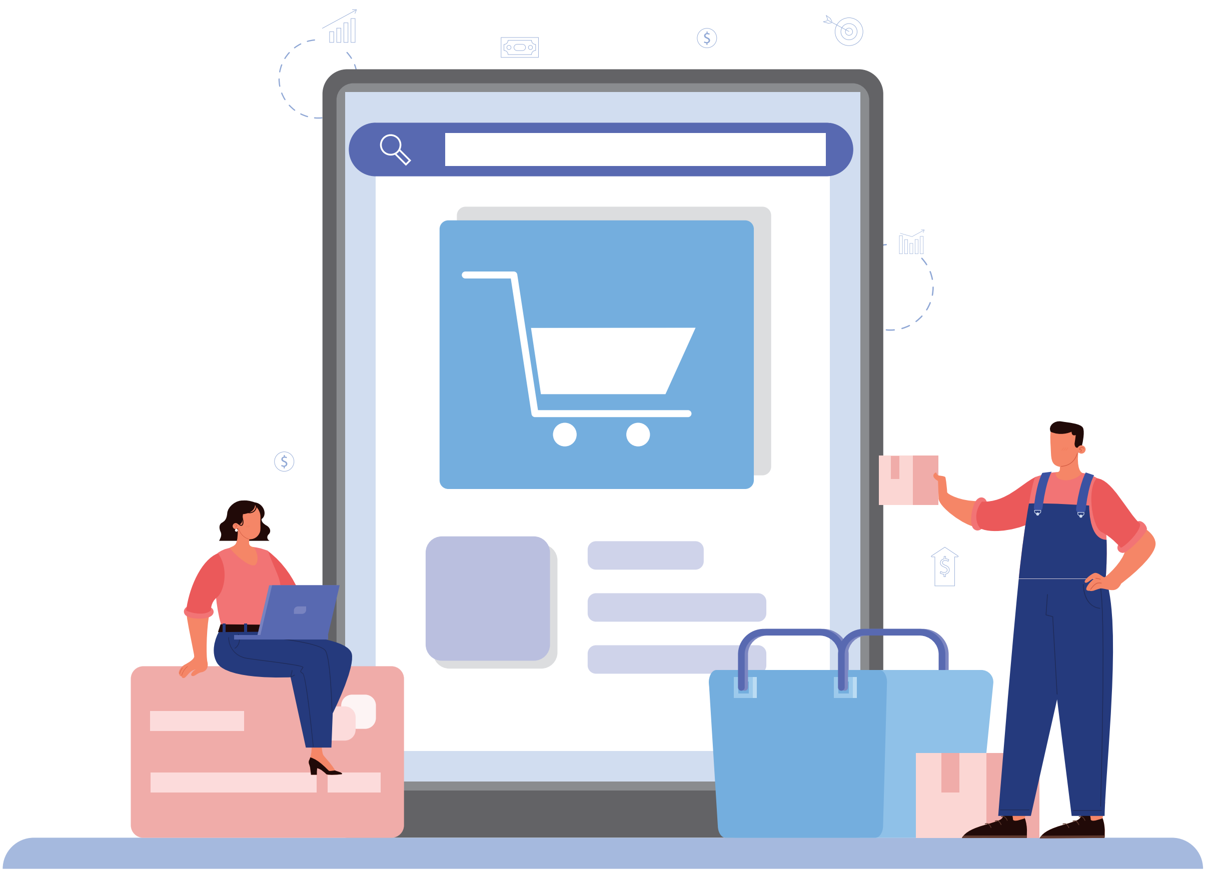
Which is why in our view the CEO needs to be the Chief Digital Officer. This is a CEO function, not a separate "cheerleader" role with no real power in the organization. Resources and budget matter, and the C 'Digital' O has been given neither resource in most organizations, leading to the decline of the role.

The Chief Data Officer role, on the other hand, finally puts a senior executive in charge of the company's most valuable asset - its data (we're using "data" broadly to include product information, unstructured content, customer data, and order data.)

PwC's [study] found that in 2021, roughly 7% of the 2500 largest public companies worldwide hired Chief Data Officers, with that number expected to grow by roughly 20% each year.

Moreover, these hires were concentrated in banking and insurance, where the security of data is highly regulated. B2B companies have been slower to address data governance than their B2C counterparts, but based on the results of our *Maturity Model*, we're seeing a growing number of companies move from Stage 1, where data is highly siloed and mostly unusable by business teams, to Stage 2 where data is a tool used by business teams to make better decisions.

We expect in 2024 to see a growing number of manufacturers and distributors adopting this new data-centric CDO role. And as we saw with the Chief Digital Officer, this role will fail unless it reports directly to the CEO, with the understanding that data governance work is never "done." It's an ongoing process that will change as new data comes into the organization. Our conversations over the past 18 months have included countless references to how the success of most digital initiatives rests on clear, accurate data. At this point, most B2B companies need a senior executive focused on the less well-understood value of leveraging data more than they need someone to evangelize the well-known virtues of digital.



Prediction 3

Amazon Business will begin to steal the midmarket

How long has Amazon been thinking about B2B?

Maybe since way back in 2005 when they bought smallparts.com. Perhaps it was when Amazon changed the name of the product to “Amazon Supply” in 2012. It could also have been when they rebranded the service as “Amazon Business” in 2015.

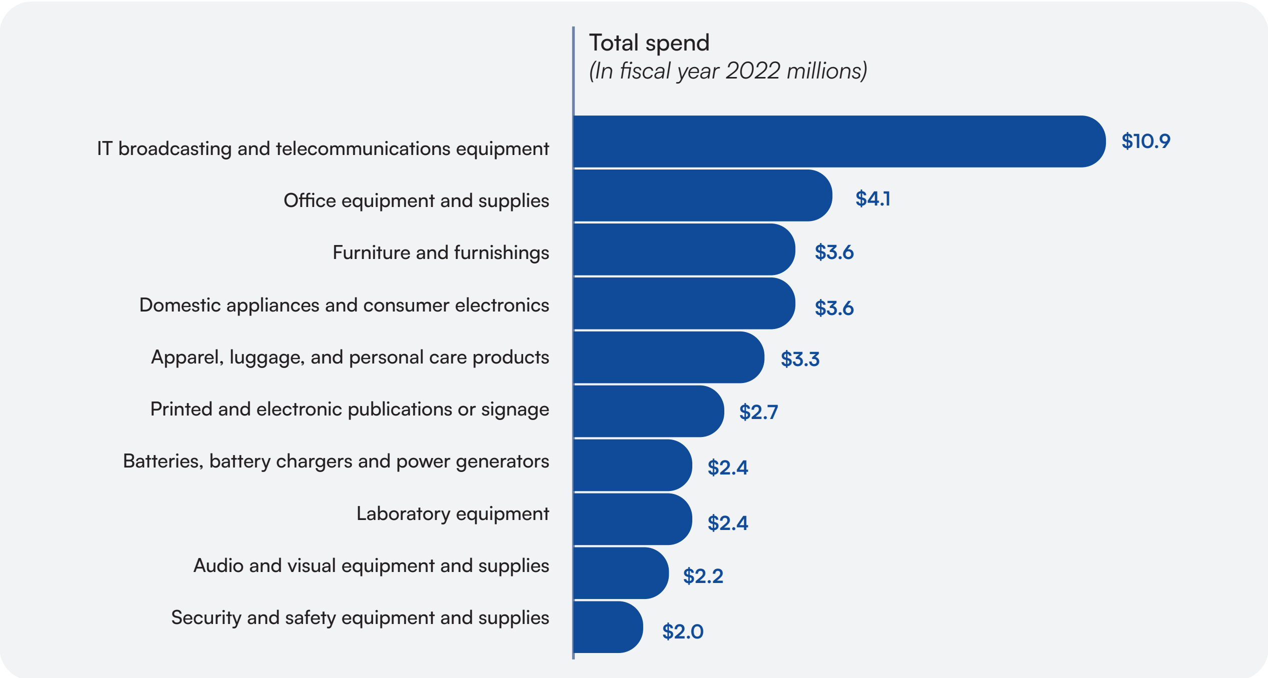
But it likely wasn’t until 2017 or so when it became obvious that Amazon was doing to distributors what it had done to so many sectors before - stealing market share. In that year, CNBC reported Amazon Business quietly generated $1 billion in sales.

Fast forward another 5 years, and Amazon CEO Andy Jassy said in mid-2022 that Amazon Business is on a $35 billion annual run rate (and that they’ve only scratched the surface).

Insider Intelligence forecasts that Amazon Business will hit $66 billion in sales by 2026.

To be sure, the B2B eCommerce market is highly fragmented - that $66 billion only represents 2.7% of the total market.

But we’ve seen over and over (and over), that when Amazon enters a market, it quickly becomes number 1.



Top 10 Categories by Spend in GA's Commercial Platforms Program, Fiscal Years 2021 and 2022 Combined

Source: GAO analysis of General Services Administration’s (GSA) Commercial Platforms Program data. | GAO-23-106128

To prove the point, let's take a look at the US government's Commercial Platforms Initiative, a program that allows government employees to use their purchasing card at a variety of online suppliers (including Fisher Scientific and Overstock Government).

Although the total spend through the program is currently only about $40 million, a whopping 96% of that spend goes to Amazon, with an average order value of $270. We see that 96% as a sign that when procurement teams are given the option to buy at Amazon, they'll buy at Amazon.

And when you consider that the total addressable online market for B2B is massive, that only means that Amazon has tremendous room to grow.

So why do we see the midmarket as particularly vulnerable? In our view, it is because the midmarket has been slower to adopt eCommerce than 1) its enterprise counterparts (who have the funds to invest in digital in a significant way), and 2) small businesses (who view digital as a way to grow their footprint in a way they never could just using traditional means). Many midmarket firms only differentiate on product availability and price, which is exactly the use case that Amazon does better than anyone else.

Prediction 4

The future of the platform won't be headless, but it will be composable (mostly)

Over the past 5 years, we've had countless conversations with practitioners who are considering switching eCommerce platforms, and nearly all those conversations have involved a discussion of whether they should move to one with a headless architecture.

Or should we say "headless," because although that term originally meant separating the front end presentation layer from the back end, it is now used by many companies to simply mean "modern."

We added ourselves to the legions of headless-confused when we saw not one, but two (two!) different companies refer to their platforms as "headless with-a-head." It left our head(less) brains spinning. And the spinning has continued with the idea of "composable" commerce, which we've heard many people use interchangeably with "headless." (We see being "composable" as one of the benefits of being "headless," but they're not the same. Composable is the concept that you can build your tech stack by seamlessly connecting different technologies.)

To be clear, we believe the concept of headless architecture, which brought a level of flexibility to websites that simply wasn't possible for most companies 10 years ago, has been transformational. **But we now see that purely headless platforms have transformed into a gray zone somewhere between all-in-one and fully composable.**

We think this move toward a hybrid architecture is a step in the right direction. People in the Master B2B community are typically not looking to completely compose their own platform with dozens or hundreds of microservices. They want full flexibility where it adds value, and they want the ease of pre-composed functionality where they want speed and ease-of-use.

Platforms that provide the promise of flexibility offered by composable architectures coupled with an array of optional fully-composed products are going to be in the driver's seat over the coming years.

Pure headless is over. Some companies will want headless, some will want heads. But few companies are going to want to build and maintain a vast array of microservices just to keep their websites running.

Prediction 5

ROI cases shift from incremental to existential

If you've ever been to a conference - literally, any conference, on any topic, ever - you've seen a panel where someone moderating a panel will ask, "So, how do you measure ROI?"

And what you hear at those events is that most people measure the "R" in similar ways (e.g., revenue comes through the channel) and that the variation occurs in the "I" (e.g., what costs should we include?) The problem with this approach is that the "R" is a zero sum game - meaning that if the digital channel gets credit for revenue another team (e.g., outside sales) does not get credit.

This leads, in part, to years of infighting and pushback between teams. We've seen this maniacal focus on "incrementality" of revenue prevent investments in digital channels. We believe this approach is misguided and takes management's eye off of the customer. And its days are over. Companies that have focused here are now in an existential crisis - they will lose relevance with their customers, starting now.

> We believe that 2024 will be the year that manufacturers, distributors and brands embrace a more omnichannel approach to ROI. Companies will focus less on incremental revenue and more on driving sales to channels that offer the lowest cost to serve, and the least friction for buyers.

We see repeatedly that when given the chance, customers will choose the frictionless path over what we call "the traditional loyalty experience." The traditional loyalty experience is where a sales rep builds rapport with customers to win their continued business. And while that certainly still matters to a degree, customers are increasingly making the decision to buy wherever they get the fastest result - convenience matters more than traditional loyalty.

This change will require a more customer-centric approach to measurement, where companies focus on what their customers actually want, and then build investment cases to meet those requirements.

That may mean that for some organizations investing in digital is more of a defense - it's about preventing people from leaving, not necessarily about attracting new customers. But if you don't evolve and change your customers will go away. It's about fighting a fundamental risk to your business.

Companies must also go on offense and score, not just play defense and hope to not lose (not to take the sports metaphor too far). It has to be about both preventing defections to competitors with better digital experiences AND attracting new digital-only customers who are likely not already loyal.

Prediction 6

The talent shortage won’t end in 2024

Let’s start with the good news: The worst of the hiring challenges are over. As we predicted last year, the power dynamic has shifted back in favor of companies, as they’ve largely been able to lure workers out of their home offices and back into the company office.

Plus, salaries in tech have come down significantly from their post-COVID highs. A recent *Wall Street Journal article* reported that tech salaries are down nearly 20% compared to the 2021 and 2022 highs.

While this is true broadly, however, the hiring challenges in digital are hardly over. IDC reports that 90% of companies will suffer from digital transformation-related IT skills shortages by 2025.

It’s still going to be difficult to hire talented digital people at all levels. Companies will have to train people into the job, overpay, and upskill the people they have. Given the challenges of hiring people with digital expertise, it may be easier to up-skill current teams than it would be to hire from outside.

We also do not believe that some of the panaceas that have been suggested (e.g., a shift to low- or no-code technologies, generative AI tools) will actually alleviate the challenges of finding enough skilled workers to meet the growing needs of digital teams.

Even if the payoff from AI is another year or two away, companies will need to train current engineering teams to become more proficient building AI models into their business processes.

2024

About Master B2B

Master B2B publishes industry-leading thought leadership research and operates an elite community of B2B eCommerce executives who network and share best practices through peer-to-peer dinners, roundtables, and summits.

Andy Hoar

Brian Beck

In partnership with coveo™

Coveo, a leading provider of enterprise AI platforms that enable individualized, connected, and trusted digital experiences at scale with semantic search, AI recommendations, and GenAI answering.

In partnership with pivotree

Pivotree works with large brands, retailers and manufacturers around the world enabling their digital transformation. Each one of our 250+ clients works with us because they want their customers to trust that they can find, buy and get the products they want, where they want them delivered, every time they make a purchase.

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