



Gartner for Marketers

The State of Digital Commerce

Big growth means big expectations and a challenging outlook for CMOs

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Gartner's Digital Commerce Survey captures organizations' digital commerce performance, maturity and strategic priorities after significant digital acceleration. CMOs can use these findings to understand the current landscape and make informed decisions to improve their maturity and performance.



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Overview

Key findings

- Rapid acceleration of digital commerce growth has created a challenging outlook for year-over-year (YoY) performance in 2022 as the pandemic wanes. Despite 79% of organizations outperforming targets, only 27% of digital commerce leaders exceeded their senior leaders' performance expectations for revenue and profitability this year.
- Digital commerce's strategic importance continues to grow as a near-universally-recognized priority. Organizations with advanced digital commerce maturity are more likely to beat performance targets and are better equipped to drive sustainable, long-term growth.
- Recognizing the need to evolve digital commerce capabilities, 90% of surveyed marketing leaders are aggressively expanding their investments with a particular focus on digital-first value creation and customer experience.

Data Insights

Digital commerce's strategic importance continues to grow: looking forward, it's set to dominate CMOs' growth priorities, with 86% of surveyed leaders reporting that digital commerce will be the most important route to market in the next two years.

While digital commerce was a recognized priority before the COVID-19 pandemic, recent shifts in customer purchase behaviors have dramatically accelerated companies' progress. Most CMOs report that they met or exceeded digital commerce revenue and profitability targets last year, which reflects an unusually favorable operating environment.

This creates a challenging outlook for CMOs. There will be pressure to sustain performance and deliver incremental results, even as customer preferences and behaviors continue to evolve in the direction of a "hybrid" mix of digital self-service and in-person experiences.

Gartner conducted an inaugural 2021 Digital Commerce Survey, asking marketing leaders key questions about their performance, capability maturity and strategic priorities. The objective of the survey was to understand the digital commerce state of play by answering the following key questions:

1. How important is digital commerce as a strategic growth driver for organizations, and are their investments delivering tangible business results?
2. Where are organizations on their digital commerce journey, and what is the perceived level of digital commerce maturity?
3. Do organizations have the necessary digital commerce capabilities (people, partners, processes and technology) to succeed, where do they have gaps and how are gaps being addressed?

CMOs can use this research in combination with Gartner's Digital Commerce Maturity Model for Marketing to help shape forward-looking plans in terms of go-to-market strategy and execution plus investment areas to drive capability growth (see Figure 1).

Figure 1: Gartner's Digital Commerce Maturity Framework

	Nascent	Developing	Intermediate	Advanced	Mastery
Strategy	No strategy, but DC is considered an opportunity.	Short-term (1 year) strategic vision, KPIs and short-term roadmap in place.	Medium-term (1-2 years) strategy to scale existing plus explore new digital value.	Long-term (3-5 years) strategy and roadmap to drive current portfolio plus new digital value.	DC is a key pillar of the overall business strategy.
Culture	Fixed mindset impacting belief in DC opportunity.	Leadership belief building through T&L and cross-functional projects.	Leadership championing DC, T&L established, digital-first opportunities explored.	DC has driven growth mindset to explore new digital-first growth opportunities.	Everyone is a DC champion responsible for digital success.
Organization	No formalized DC structure or recognized leader.	Leader assigned to head up DC COE supported by external partners and business functions.	Start to establish hybrid DC model between COE and business.	Organization has fully shifted to a hybrid DC operating model.	No digital COE. DC roles and responsibilities integrated into core business functions.
Execution	Little DC execution in place with minimal investment or is happening in silos.	Execution is ad hoc/unstructured, performance is inconsistent and no P&L.	Structured execution across core channels that deliver consistent ROI.	Established multichannel plan with clear KPIs and P&L. Selective innovation activities executed.	Best-in-class execution delivering commercial goals with aggressive investment.
Operations	Little or no DC operational capabilities in place.	Developing critical best practices/key processes. Critical tech capability gaps exist.	Critical best practices/key processes embedded. Critical tech/analytics in place.	All DC operational capabilities in place but still being embedded.	All DC capabilities operational and fully embedded.

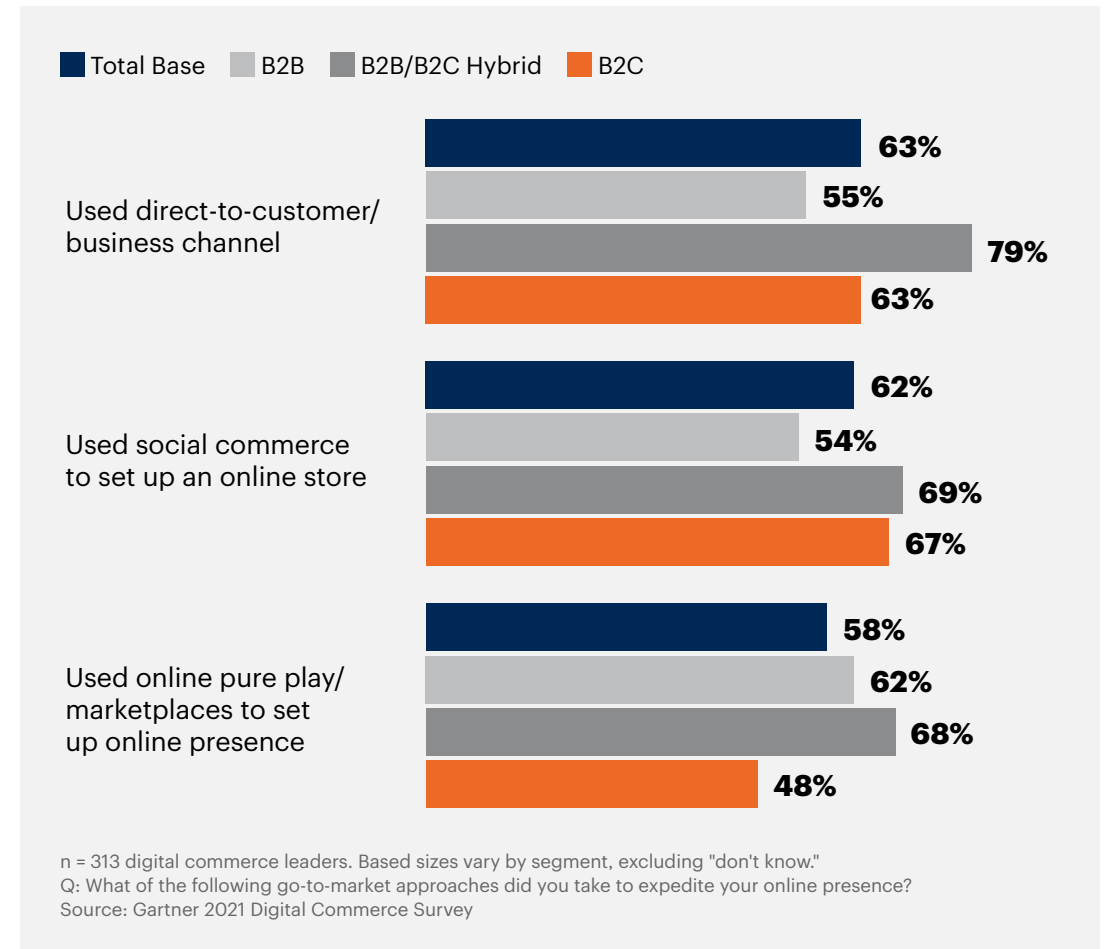
DC = digital commerce; T&L = test and learn
Source: Gartner

Digital Commerce Acceleration Drives High Expectations for the Future

The past year or so has seen a significant period of change and disruption to customer purchase journeys, behaviors and expectations. This has resulted in significant digital commerce growth on a global scale at an accelerated pace. Seventy-seven percent of leaders surveyed agreed that the COVID-19 pandemic forced their organizations to set up an online presence and launch digital commerce in a short amount of time. Across business models, organizations are most commonly leveraging digital-first innovations and direct-to-customer platforms to meet customers' needs for digital commerce (see Figure 2).

Figure 2: Go-to-Market Approaches Used to Expedite Digital Commerce Presence

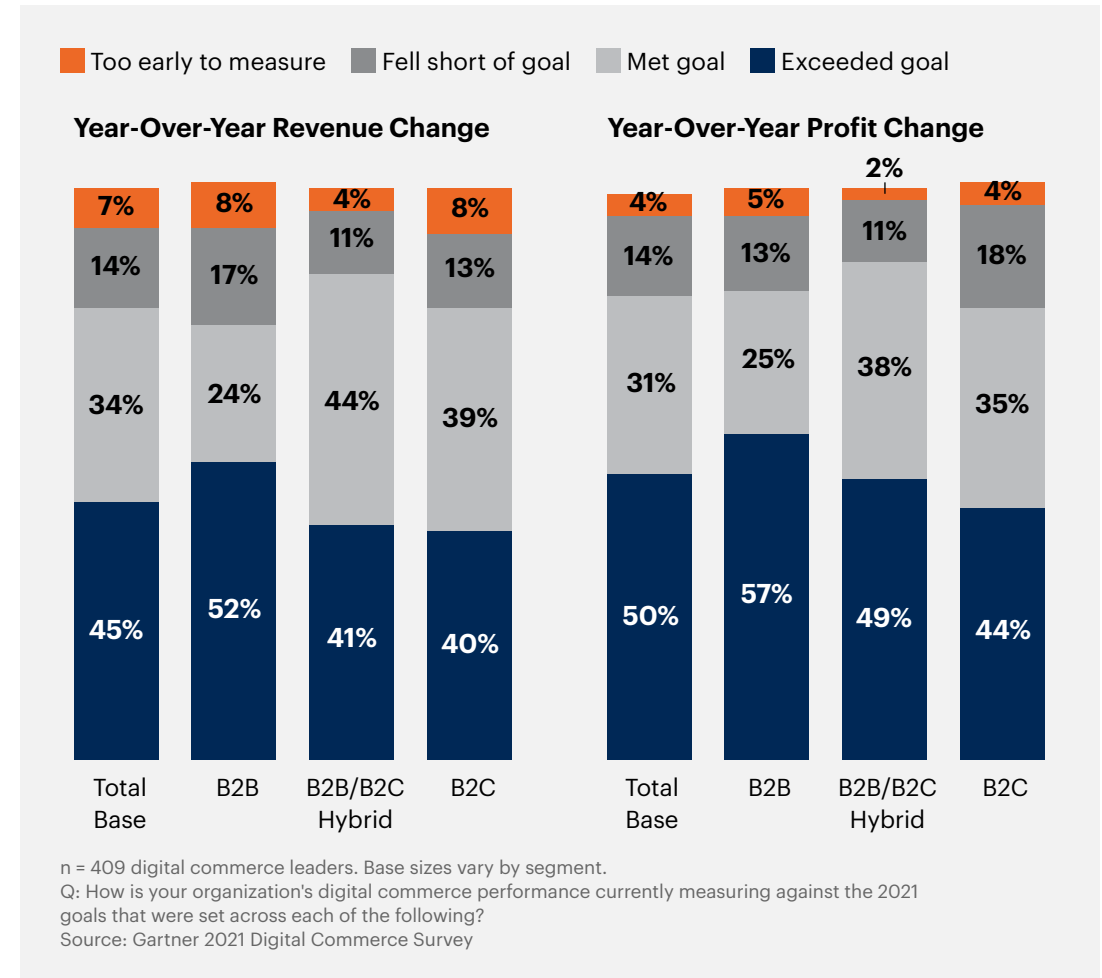
Percentage of Respondents



When companies adapted their go-to-market approach and launched new channels, they benefited from strong tailwinds in customer behavior. Consumers rapidly adopted new behaviors such as mobile phone orders; buy online, pickup in store (BOPIS); and curbside pickup. Organizations in laggard industries also benefited from unprecedented executive leadership support for digital customer engagement. As a result, the vast majority of surveyed digital marketing leaders either met or exceeded their 2021 revenue and profitability targets (see Figure 3).

Figure 3: Organizations' Digital Commerce Commercial Performance Relative to 2021 Targets

Percentage of Respondents



The Digital Commerce Outlook Will Be Challenging for CMOs

While consumers anticipate that many of their new habits will outlast the pandemic, they are also eager to return to a “hybrid” mode of engaging with brands both digitally and offline. Consumers miss various aspects of the in-store experience, such as casually browsing products, exploring and trying out products in person and finding deals (see Infographic: New Digital Consumer Habits Will Outlast the Pandemic).

It’s safe to assume that customer purchase habits will continue to evolve, with customers shifting back to previous sales channels, causing a dip in digital commerce sales channel penetration. This will vary depending on the customer and the industry. Nonetheless, it creates a challenging budgeting and planning situation for CMOs:

- B2C organizations have a challenging outlook, as an already extremely crowded and competitive space will become more intense. Leaders surveyed expect this to continue as they compete for customers’ attention and share of wallet.
- B2B organizations are mostly in a phase of digitizing preexisting routes to market, and their challenge is to stay ahead of competitors who are also evolving their digital commerce strategies. They also need to think about how they leverage demand generation and marketing tactics to drive more value from new and existing customers.

Executive leaders are well aware of the shifting digital commerce customer and market dynamics in 2021. They recognize that this growth and performance was a given based on the customer shift from traditional to digital commerce channels. In fact, despite largely meeting or exceeding commercial targets, only 27% of surveyed marketing leaders reported that they exceeded their senior leaders’ performance expectations for revenue and profitability.

Surveyed leaders agree that they haven’t future-proofed their organization: only 37% believe they have the necessary digital commerce capabilities to be successful in the future in terms of talent, partners, process and operations (best practices, technology and analytics). Specifically, respondents reported that they need to evolve their digital commerce capabilities to produce more tangible digital commerce results. In doing so, they will also need to wrestle with the transformational aspects of digital commerce.

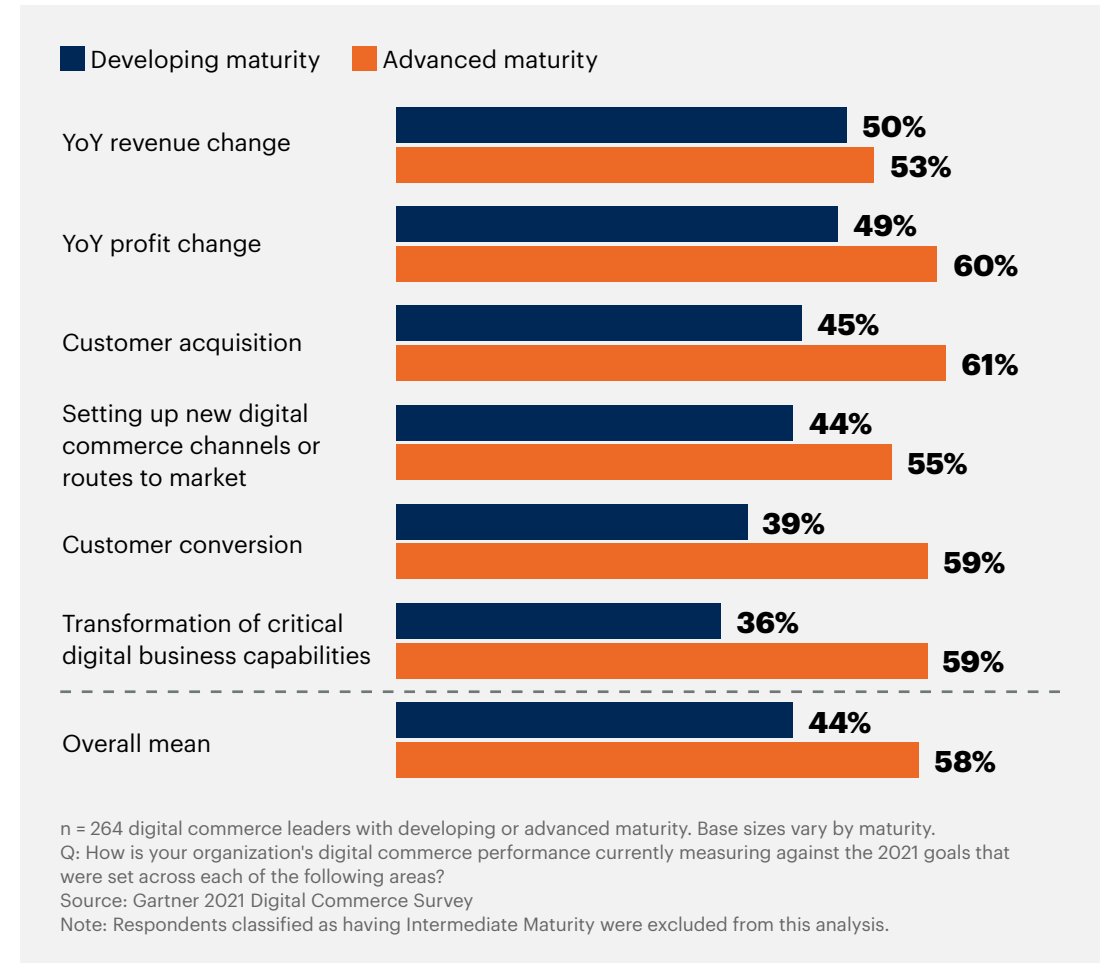
To close the gap between high expectations and future performance, CMOs need to socialize the challenging commercial outlook with other senior leaders. By jointly setting expectations through robust commercial scenario planning and creating a roadmap to evolve digital commerce capabilities, the target expectation-perception gap can be closed.

Digital Commerce Maturity Drives Performance but Varies by Business Model

While many organizations hit or exceeded their commercial targets in 2020-21, those with high levels of digital commerce maturity led the pack and were 32% more likely to exceed their 2021 performance goals (see Figure 4). That’s because advanced digital commerce organizations had the capability to scale up existing or set up new digital commerce routes to market, while operating in a sustainable way that did not compromise on other goals. Organizations with a lower level of maturity must now take this as a catalyst to change and invest in foundational capabilities that will translate into greater digital commerce performance.

Figure 4: Percentage of Organizations That Exceeded 2021 Performance Targets by Digital Commerce Maturity

Percentage Citing "Exceeded Goal"



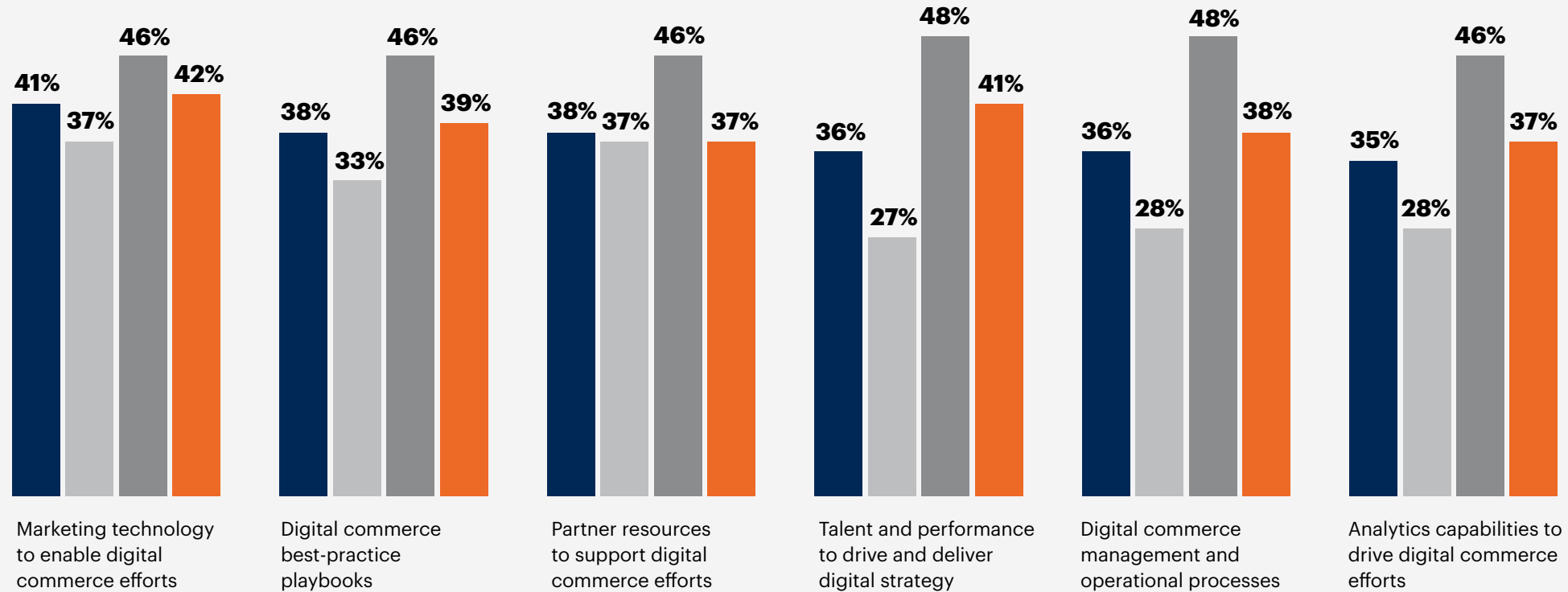
Organizations are at different levels of digital commerce maturity, with B2B organizations lagging in comparison to B2C organizations. This can be attributed to B2B customers' buying behaviors and expectations changing at a slower pace prior to the pandemic, such that there was less urgency or business benefit to shift to digital commerce. Many B2B executives may also have underestimated the generational shift underway among purchase decision makers, with younger generations expecting a self-service capability with sales teams supporting processes where necessary (see [How to Adapt to B2B Customers' Evolving Digital Buying Preferences](#)).

Recent events acted as a significant wakeup call for B2B organizations. Surveyed leaders at B2B organizations are more likely to report capability gaps in the areas of talent, operations and analytics in comparison to B2C organizations, who have arguably been on their respective digital commerce journeys for a much longer time. For example, while 41% of leaders at B2C organizations agree they have the talent and performance to drive and deliver on their digital commerce strategy, only 27% of leaders at B2B organizations say the same (see [Figure 5](#)).

Figure 5: Capabilities Where Digital Commerce Leaders Feel That They Have What They Need to Be Successful

Percentage of Respondents

■ Total Base ■ B2B ■ B2B/B2C Hybrid ■ B2C



n = 409 digital commerce leaders. Base sizes vary by segment, excluding "don't know."

Q: To date, how does your current operation align with what your organization requires to successfully execute its digital commerce strategy over the next two years?

Source: Gartner 2021 Digital Commerce Survey

Regardless of business model, all CMOs recognize the positive link between maturity and commercial performance. CMOs are taking stock of their current capabilities and maturity to determine a path to greater maturity that will deliver tangible performance. Less-mature organizations can learn from the steps that advanced organizations have already put in place.

Digital Commerce Leaders Are Investing Aggressively to Deliver Sustainable Revenue Growth

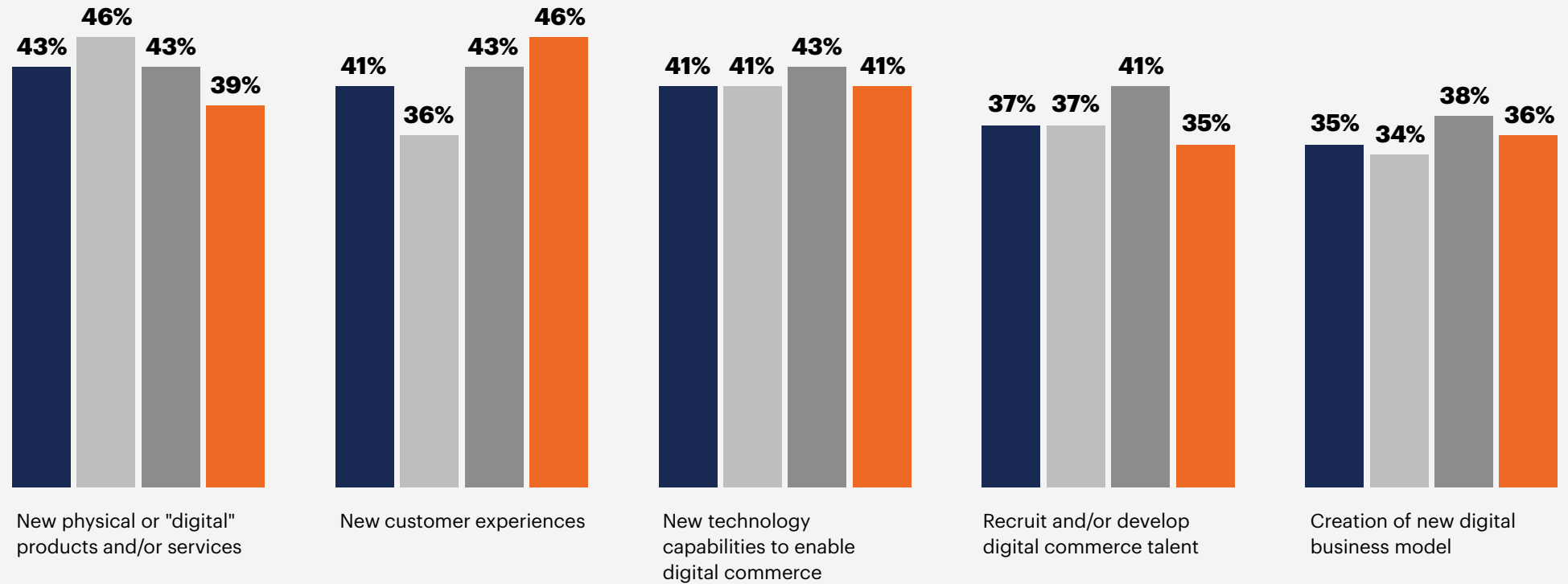
Across all maturity levels, 90% of surveyed leaders agreed that they are investing in additional capabilities to drive digital commerce growth. However, CMOs are in a challenging position where budgets are being cut, so they need to ensure that their investments work hard and deliver value across multiple time horizons (see *The State of Marketing Budgets in 2021: Insights From Gartner's Annual CMO Spend Survey*).

In the short term, many surveyed leaders are prioritizing investment in digital commerce CX to meet customers' expectations for a seamless purchase experience. Looking further ahead, they are turning their attention to digital-first value creation by investing in digital commerce products/services that will be distributed through new digital business models (see Figure 6).

Figure 6: Investment Approach to Support Execution of Digital Commerce Strategy

Percentage Citing "Exceeded Goal"

■ Total Base ■ B2B ■ B2B/B2C Hybrid ■ B2C



n = 409 digital commerce leaders. Base sizes vary by segment, excluding "don't know."

Q: How would you characterize your organization's approach to investments in each area to support the execution of your digital commerce strategy?

Source: Gartner 2021 Digital Commerce Survey

The right balance of short- and long-term investments will depend on current digital commerce maturity. CMOs in less-mature digital commerce organizations may need to focus on short-term tactics as a proof of concept to drive performance and secure additional investments. On the other hand, CMOs of advanced digital commerce organizations need to balance the short- and long-term investments, carefully selecting opportunities and setting expectations with stakeholders that these investments are necessary for future growth.

There are two lessons from advanced organizations that suggest ways to future-proof digital commerce investments:

- **Establish a test and learn culture** — CMOs play a leading role in setting the digital commerce vision. However, they face a challenge in balancing an organization's risk appetite versus willingness to further disrupt the status quo. To address this, 69% of surveyed leaders have adopted a test and learn approach to increase the organization's risk appetite and belief in digital commerce. Organizations with advanced test and learn maturity report a greater risk appetite to allocate resources. They also have a greater appetite to operate outside of established boundaries, in comparison to less-mature organizations. To develop a test and learn culture, CMOs must be visible not only in celebrating successes but also sharing failures and lessons as a way to encourage curiosity and courage to try new things.

- **Address talent challenges** — The challenge for digital commerce leaders is retaining their top digital commerce talent, especially when the level of competition to acquire top talent is incredibly high. As a result, leaders must keep the focus on nurturing and developing talent to keep them engaged, challenged, compensated and rewarded accordingly.

To assess and increase your organization's digital commerce maturity, use Gartner's Digital Commerce Maturity Model for Marketing.

Evidence

Gartner 2021 Digital Commerce Survey: The purpose of this survey was to identify top trends around digital commerce with regard to budgeting, staffing, org design, acquisition strategy, media strategy, tools and third-party providers. The research was conducted online from August through September 2021 among 409 respondents in the U.S. (30%), Canada (10%), France (12%), Germany (13%) and the U.K. (35%).

Respondents were required to have involvement in decisions pertaining to digital commerce strategy and/or execution of this strategy. Seventy-nine percent of the respondents came from organizations with \$1 billion or more in annual revenue. The respondents came from a variety of industries (number of respondents in parentheses): financial services (41), tech products (39), manufacturing (41), consumer products (46), media (37), retail (42), healthcare providers (43), IT and business services (39), travel and hospitality (45), and wholesale (36).

For the purpose of this analysis, we used the following method to determine digital commerce maturity levels:


1. Overall maturity level was computed as an average composite of three key maturity indicators (strategy, culture, execution). See Digital Commerce Maturity Model for Marketing for more details.
2. Developing Maturity reflects Levels 1 & 2 and Advanced Maturity reflects Levels 4 & 5 based on overall digital commerce maturity scoring.

The survey was developed collaboratively by a team of Gartner analysts and was reviewed, tested and administered by Gartner's Research Data and Analytics (RDA) team.

Disclaimer: Results of this survey do not represent global findings or the market as a whole, but do reflect the sentiments of the respondents and companies surveyed.

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