ON THE PLATFORM
GLOBAL COMMERCE TRENDS

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Georgia: Hello and welcome to On the Platform where we are talking to the most influential and innovative thinkers in platform technology on the hottest topics and trends. My name is Georgia Costa and I am a senior manager on our Software & Platforms industry team at Accenture and today we are going to explore how platform companies are expanding into commerce, and how they are competing differently in this industry. Commerce is a huge space that encompasses all aspects of buying and selling products in retail. It is an area that is constantly evolving and how platform companies are entering this space changes daily. Today, I am speaking to Kevin Collins, a managing director on the Software & Platforms industry team to talk about these trends we are seeing in commerce and how platform companies are competing in this space. Hi Kevin. Welcome to On the Platform.

Kevin: Hi Georgia, thanks for the invite.
Georgia: Yeah, definitely! So, first off, to get us started Kevin. What are platform companies, who are we talking about, and what are they doing differently in commerce?

Kevin: A fair opening question. The platform business model has been disrupting commerce since basically the beginning of the web. Amazon and eBay launched way back in 1995, competing with traditional retailers. PayPal launched about three years later, shaking up the way we transact; and even now, what, 20 years later, we don’t have a perfect definition of what a platform is. There are a lot of different ones floating around, but I think there are a few critical elements. First of all, a platform doesn’t control the producer or the consumer of the product or service. It doesn’t own the product or service, and generally it never takes possession of any inventory. What the platform does, is it focuses on enabling matching supply and demand, and enabling secure transactions. That’s where it focuses.

Georgia: Can you give us an example of that?

Kevin: I guess the easy example is eBay. Right? The sellers are independent, the buyers are independent, eBay never takes possession of the product. What it does is help the buyers and sellers find each other and transact safely.

Georgia: So, does this just apply to consumers? It is a consumer thing?

Kevin: Well, a lot of the platforms that we hear about, that we think about as consumers ourselves are consumer platforms, but there’s lots of B2B platforms. For example, Uber Freight matches companies needing to ship goods with independent commercial shippers. No consumers, but clearly a platform.

Georgia: So, talk to me a little bit about physical retail with these platform companies. You talked about ecommerce, and buying goods online, but how are platform companies looking to expand into physical retail, into stores, – what’s different about the way that they are doing exploring this space?

Kevin: It’s a whole new world, isn’t it? ecommerce, one of the things about ecommerce is that it’s not
constrained by physical space. I think Amazon carries something like 600 million different products. The challenge for them is about how to narrow things down and provide a curated customer journey. Fortunately for them, in the digital world behavior and preferences are much more easily tracked and predicted; but now as they start to go into offline, and a lot of the online players are thinking about or actually moving in that direction, what they’re trying to figure out is “how do we move that knowledge and that experience to the offline world?” Because they’re so able to personalize, online retailers have started to think about merchandizing. In the physical world, it’s just about who do you give the prime shelf space to, what do you put on your end cap, how do you think about getting the right product in front of the consumers’ eyes, a general consumer. But, in the digital world it’s been about collaborative filtering. Right? People who bought this, have also bought that. If you’re looking for suits, I’m going to show you some dress shirts. It’s about linking the products to each other. But some platforms are now rethinking that. They’re saying, “wait a minute. I know so much about you, that even though you’re looking for shirts, I’m going to show you a TV, because I just happen to know from all of our interactions, that you’re also shopping for TVs right now.” When you shift to physical shopping, one obvious problem pops up: how can I get you to identify yourself when you walk into the store so I can take advantage of all the information that I know about you?

Georgia: Can you give me some examples of how companies are doing that?

Kevin: Well, the cool thing, if you’ve followed the roll-out of Amazon Go Stores or Alibaba’s version, the Hema Store, what they’ve done is they have attacked one of the biggest friction points in retailing, which is the checkout. Right? The line, standing in the line, getting your card out, going through this whole process. And so what they do is they offer you if you let us know who you are, so that we can connect to your online presence that we have, we’ll just get rid of that whole friction point for you. Walk in, get what you want, walk out. It’s fantastic. They’re having to struggle with all of the stuff around security and fixed costs and logistics, but at
the same time, they’re going through those one by one by one and saying, “how would we solve this, knowing what we’re learned from ecommerce?”

**Georgia:** Yeah, that’s great. But I’m curious as they expand into physical brick and mortar stores, will they still be affected by the retail apocalypse that we’ve seen so many retailers be affected by?

**Kevin:** Yeah, that’s going to be a really interesting thing to watch. Ecommerce players feel like they can avoid the retail apocalypse because they can give a vastly superior consumer experience, because of all the things we talked about here today. They feel like they can make shopping personal and fun again, even offline. But let’s sanity check the retail apocalypse a little bit. It’s true that we’ve watched a lot of retailers struggle and even go under, but offline retailers are adapting. And, just putting things in perspective, the last numbers that I saw showed that US ecommerce was just shy of about 15% of total retail sales, and Amazon was, like, 40% of that. I think, globally, ecommerce is somewhere under 9% of total retail. So, while we’ve seen and gotten a lot of press coverage on retail apocalypse, I think the apocalypse is a little bit overblown. There’s still a lot of offline retail out there.

**Georgia:** That’s a great point. Let’s talk about ecommerce a little bit more because that is evolving in and of itself. The actual commerce experience and where we are making purchases has changed - it isn’t necessarily always going straight to a site to make a purchase. Can you talk about how we are being influenced to buy products and how commerce is evolving on social platforms? That’s an area that seems to be evolving.

**Kevin:** Yeah, social platforms are a really interesting thing and I’d break it into two pieces. Right? The first thing is sites designed specifically for social selling, and they’ve really taken off in China and Southeast Asia. Sites like Pinduoduo, which I call PDD because my Chinese colleagues are always telling me that I’m misaccenting it. With these, you basically form shopping teams with friends, and you go win discounts from retailers. It’s become a really big deal in Southeast Asia. But, the second type is traditional, social media sites that are
going beyond ad models to let you complete the transaction right then and there. Commerce has become so easy to technically enable, that now you can pop up commerce opportunities right next to any interactions you’re having, whether that’s content consumption or social or advertising. The ability to source and purchase and structure a commerce transaction from anywhere your interest wanders is, I think, a real game-changer.

**Georgia:** Right, one of the examples that we are seeing is social influencers where they are promoting certain products and consumers have the ability to transact right then and there, which in turn allows the social influencer to get a cut of the profits. It’s very interesting.

**Kevin:** Yeah, influencers are an interesting thing. Right? I saw this at Tencent with what they’re doing with WeChat Mini Programs. They allowed their influencers to stand up, kind of, pop-up stores, to allow their followers to transact on whatever it is that they were promoting. So, really, instead of going to be an ad model, where I build awareness with you and then you go somewhere else to transact, what WeChat did is they said *let’s just transact right here and right now.*

**Georgia:** That’s great, and we’re seeing with Instagram Checkout as well—where they are also doing something similar—where you can transact right there.

**Kevin:** Yeah, I think that launched just in, like, March or something. That’s going to be a really interesting one because we haven’t seen it as big here in the US, but obviously Instagram, with its reach and clout, it going to be a fantastic test case.

**Georgia:** Ok, so we’ve talked a lot about what they are doing, but what challenges are platform companies facing as they expand in commerce?

**Kevin:** Well, this is going to vary a lot depending on the individual companies’ strategy, but I’ve got to tell you, if I’m an ecommerce player and I’m expanding into physical retail, there’s a whole lot of new stuff that’s going to come my way. I’ve got to start worrying about shelf space and logistics and face-to-face consumer behavior and all the stuff that I’ve never really had to worry about before. For social and content
platforms that are expanding into ecommerce, they’ve got all the trust and privacy issues, they’ve got to build a payments and checkout capability that’s, you know, that’s world class. And, I think there’s a question about whether they have the brand permission from consumers to actually sell. It seems like that’s going OK so far, but consumers in general still tend to dislike content players mixing up their incentives with commerce. So, I think that’s something still to watch for the social guys.

(09:26) Georgia: That will be interesting to see how ecommerce players and platform companies change the way they do things based on user trust. Ok, now we’re going to move to predictions - What should we expect to see from platform companies in the future related to commerce? What’s going to come out?

Kevin: Oh boy, prediction time. OK, so, look, I think that the first thing we’re going to see is a move to comparative advantage. Right? In-person retail is better for browsing, it’s more of an experience and I think that’s part of it. And you also get to walk out with the product right then and there. Online is much better at research and comparison and pricing and all that kind of stuff. But we’ve had this hard boundary between online and offline and it’s rapidly disappearing. So, I think people are going to start to use both. You see it in car shopping, right? We do all of our research online, but then the majority of the transactions are done offline. I think as the platform players go into physical space, that boundary is going to completely go away. We’re going to forget what it was like to have one and then the other. I think another thing that’s going to happen is, these platform players are really serious about exporting their digital experience into the real world and they want all of the friction points to be attacked and replaced by technology and censors and scanners and robotics as much as possible so that it is as easy as it is online for you to find and purchase. I think we’ll also see them competing on frictionless commerce, I think we’ll see them really try to fight to capture and own the customer experience and own the customer relationship, that’s going to be a big battle between online and offline, even more so as the platforms come into physical space. And I think
one interesting thing that could happen is they’re going to start to bundle differently, draw the lines differently around what a category is. So, you know, for example, let’s say you could bundle some climbing equipment, some online and offline instruction, airfare, hotel and a guided climbing tour in Yosemite, and in the offline world today, that would be 10 different places. But you can bundle it all together with an online experience and sell it as one package and really change the way we think about discovery and purchase.

Georgia: And that would be super convenient for the consumer as well, right?

Kevin: And just more interesting, right? It’s just a more interesting purchase.

Georgia: Any other things you think are emerging in commerce?

Kevin: Well, Georgia, as you and I have talked about in the past, one of the largest battlefields that we’re going to see is around payments. PayPal and its competitors showed the tip of the iceberg here, but with regulatory changes like PSD2 in Europe, new vehicles like cryptocurrencies, easy and always-on peer-to-peer payments, blockchain enabled trust, all this stuff...I think that the way we transact and pay is due for a really big disruption. I think the idea right now, that there’s, you put in your credit card and get it validated and go through payment gateways. All of the things that we have kind of gotten used to, there’s a much cleaner, easier, more simplistic way coming soon to a commerce site near you.

(12:34) Georgia: Absolutely, I know we are going to spend some more time on payments in particular, and a lot of the other topics you mentioned today in future podcasts. Well unfortunately, that’s all we’ve got time for today, but Kevin thank you so much for taking part in today’s conversation.

Kevin: It was a pleasure. Thank you for inviting me. Always good to talk to you.

Georgia: We hope you enjoyed this episode. Please help us get the word out and be sure to subscribe, share, and leave a review of our podcast. We’d love to hear from you and hope
you tune in again for the next episode of *On the Platform.*