# Is ‘Headless Commerce’ what digital transformation might soon become?

*If you’re not aware of headless commerce, you could be missing a trick. It’s quietly revolutionising the way brands can not just survive, but thrive, explains Alexander Graf, cofounder and Co-CEO of e-commerce marketplace software leader Spryker and co-author of The E-Commerce Book.*

Temps de lecture : minute

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In the old world of business-to-business (B2B), the only goal was to sell a product, then extend that sale with maintenance and spare parts. But in the new world, we have to do things differently and move to a consumption-based model.

After all, a Far East manufacturer can always enter the market with a cheaper version - and you will never win that race! However, if you can switch your customers to another way of working with you, you could make it much harder for third parties to enter the market by selling just on price.

In comes headless commerce which is effectively a way to make the physical world as easy to work in as the cloud.

## A move to subscription pricing and

## consumption

At its most basic, headless commerce means a decoupling of back-end e-commerce functionality from the front end (in B2B terms, think of a portal you can easily procure products and services from). This is the dawn of the age of headless commerce, and it’s an option thanks to the Internet of Things (IoT). We’re at the level of granularity where big farming machine makers can offer pricing models so sophisticated that sensors in the fields can detect if the machine, for instance a tractor, is being used or not, down to the level of knowing how many individual watts were used in the process.

This means personalised, pay-per-use, highly atomic subscription models for all sorts of use cases. The model emulates the commercial model of mobile phone billing and the best forms of other cloud consumptions. It’s also a virtuous circle, as you build customer loyalty, but also get mutually-beneficial data about the customer, equipment and plant usage. It’s a genuine win-win.

## That’s a little abstract, so let’s get concrete

There is a customer with a great manufacturing solution, marketing high-end metal fabrication machines for a $40,000 price tag.

That ticket price is not a barrier to large corporations, but it is obviously way out of scope for small to medium sized enterprises. But what if such an SME wants to utilize the great functionality of that $40,000 worth of equipment? It's a difficult situation. The CEO can’t justify that level of capital outlay for very light workloads, it’s simply not economically viable. At the same time, the maker of that machine is missing out on business from a potential addressable market.

The economically rational solution is for the client to offer the piece of machinery on a subscription basis: rent out its machinery at, say, $200 a month, with a cap on the number of uses. Conceivably, if there’s enough volume, that could go down to a pay-per-use ration of maybe even $1 a cycle. That’s not a substantial income, but if the machine makers can secure enough small users and build up some momentum, then the commercial model becomes viable. In addition, expensive equipment that might just have been lying idle in a showroom between big-ticket purchases makes you money. The equipment also helps smaller firms fulfil orders and create employment.

So headless, and decoupling the front and back ends of commerce, can help organisations gain flexibility. Large companies are less interested in a headless model, because they would rather buy the machine now and amortise the cost over time, as it’s more tax-efficient for them. SMEs don't have the liquidity upfront. They have customers they are losing and would be interested in a pay-per-use model.

# Might the cell phone billing model become ubiquitous?

You can probably notice the parallel with cloud. And the fact is, more and more B2B companies want to expand their portfolio by adding this mid-market customer opportunity into their sales model. This is what headless enables in B2B, and it's only possible with modern B2B marketplace technology. Before now, it was simply inconceivable to think about, as the interfaces were not controlled by humans, and the technology being relied upon was likely a monolithic ERP (Enterprise Resource Planning). ERP systems are not able to handle lots of variables such as checks on availability, updating pricing, and real-time inputs such as the data from IoT sensors.

The bottom line is headless commerce is real. It’s out there creating genuinely new, innovative and exciting business models - and it’s something you need to be investigating. Getting set to benefit from the next stage of the e-commerce evolution should be high on your to-do list.

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