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4 ECOMMERCE TRENDS FOR RETAILERS IN 2023

Customers are increasingly prioritizing convenience and an easy shopping experience, and the eCommerce market is growing significantly as a result. Not only has this shift allowed companies to enhance purchasing efficiency and meet customers' growing demand to shop with ease, but it has also opened a much wider customer market.

The global eCommerce market is approximately $6.3 trillion as of 2023, and the U.S. eCommerce market alone is projected to reach over $1.1 trillion in sales in 2023. A lot of this growth can be attributed to the pandemic and the widespread transition to a more hybrid workplace and lifestyle. Customers are working more from home, and the convenience of ordering products and services online caters to that change. It's estimated that 16.4% of U.S. retail purchases are expected to take place online in 2023.

In this piece, we outline some of the key trends in the growing eCommerce market and how changing customer demands and expectations are coming into play for 2023 and into 2024.

BALANCING THE NEED FOR PERSONALIZATION WITH PRIVACY CONCERNS

IMPROVING AND PIVOTING SOCIAL COMMERCE STRATEGIES

ENCOURAGING A RENEWED EMPHASIS ON CUSTOMER LOYALTY

EXPERIMENTING WITH "RECOMMERCE"

1 BALANCING THE NEED FOR PERSONALIZATION WITH PRIVACY CONCERNS

The use of eCommerce platforms offers retailers an opportunity for personalization. Retailers can provide a shopping experience that caters to individual wants and needs and that a customer can relate to. Customer demand for a personalized experience is growing as it establishes individualization, from product suggestions catered to the customer's specific interests to brands, like ASOS diving into visual search capabilities, giving customers the ability to find style matches to clothes they may already own.

Personalization of a retail experience is no longer just a bonus; it's an expectation, with 45% of customers saying that without personalization, they'll most likely take their business elsewhere. Retailers must provide individualization to maintain their customer base, and customized eCommerce can aid in building brand loyalty.

> **In a data privacy study, 80% of shoppers noted that protecting data and maintaining online privacy is "very important."**
> SOURCE

However, a balance needs to be struck between achieving personalization and maintaining customer privacy. In tandem with growing expectation for personalization is the growing customer demand for data transparency and privacy. In a data privacy study, 80% of shoppers noted that protecting data and maintaining online privacy is "very important." Many participants also mentioned that they will abandon online purchases when they have concerns about privacy.

That said, customers aren't fully opposed, however, to sharing data with retailers. In fact, many customers are willing to share a greater amount of personal information if sites allow customers to update their own information and better communicate what data was being collected.

Retailers should also keep in mind that a personalized shopping experience can still be provided without over-collecting customer data. For example, it's usually unnecessary to collect personal identifiable information (PII) or track exactly what customers do on your site. Data that seeks to understand what the customer's purpose is in visiting the retailer online, as well as what they want out of the company, is usually less invasive and still proves beneficial to personalization. Retailers can use this information to suggest products and provide special deals related to exactly what the individual customer desires. This can encourage customers to feel welcomed by the company and further develop brand loyalty.

As customers and retailers alike become more familiar with eCommerce, there's an expectation of data safety and customer privacy. Simultaneously, there is an assumption that retailers will be able to anticipate needs and personalize products and offers at a greater rate. Striking the right balance will ensure that retailers stay in touch with their customer base in this growing market.

2 IMPROVING AND PIVOTING SOCIAL COMMERCE STRATEGIES

With the rise of eCommerce, as well as the growing usage of digital social media platforms, social commerce has become increasingly prominent as a means of accessing online retailers. Social commerce is the concept of using social media to purchase from eCommerce businesses from start to finish. Often this entails customers viewing product advertisements on social media and clicking a link that takes them directly to the purchasing page. This creates an incredibly convenient purchasing experience, as customers can discover and buy products without leaving the platform.

However, social commerce has been less successful in 2022 than projected. While the ability to purchase products on social media is convenient, customers often have less trust in purchases made off the original retailer's site. As a result, major platforms such as Instagram, Facebook, and TikTok are reducing their investment in growing social commerce.

To improve existing social commerce strategies, companies will need to increase transparency with purchase elements, such as product refunds and replacements, order tracking, and reviews from other customers. 48% of surveyed customers were concerned that purchases made off social media wouldn't be protected or refunded. An increase in transparency can help to prove the legitimacy of companies and orders as well as boost trust in the use of these platforms.

Social commerce is predicted to grow 3x faster than eCommerce in the following years, with its estimated value being $1.2 trillion by 2025.

SOURCE

Retailers must also focus on their target market and cater to the trends and culture that will draw customers in. Offering personalized suggestions on social media can help customers feel more comfortable with social commerce and feel as though they're still in touch with retailers. Despite social commerce coming into play in the early 2000s, it wasn't until post-pandemic that usage really accelerated. Within the last three years, platforms such as Instagram, TikTok, and Pinterest introduced features that established virtual storefronts as customers were stuck at home and making most purchases online.

As familiarity with and transparency of the purchasing process grows, customers will likely gain more trust in social commerce, which could lead to industry growth in the future. Social commerce is predicted to grow three times faster than eCommerce in the following years, with its estimated value being $1.2 trillion by 2025. And with the growing purchasing power of millennials and Gen Z, two groups that utilize social media very often, social commerce still holds immense potential for profitability.

Retailers should continue invest in growth in eCommerce outside of social media platforms to ensure maintenance of their online presence. Apps specific to companies should continue to be revised and revamped, as it's a more familiar process that customers are more likely to use. This keeps the customer base still present in the eCommerce market but provides an alternative to social commerce purchases.

3 ENCOURAGING A RENEWED EMPHASIS ON CUSTOMER LOYALTY

Customer loyalty is critical to a retailer's success, as it ensures repeat purchases from a large shopper base. However, as concerns over inflation and a recession grow, customer price sensitivity is increasing, and eCommerce brands will need to adapt their strategies for customer retention to compensate for their rising prices. Certain retailers may no longer be the cheapest option, so there's an emphasis on finding ways to still bring customers back to an eCommerce site other than low-price points.

Loyalty programs are a popular strategy for drawing shoppers back after a first-time purchase. Over 50% of global respondents said that the use of a loyalty program would make them continue to purchase from a specific brand, even with changing prices. Many eCommerce sites will provide customers with virtual points that, when added up over time, can be redeemed for coupons, free products, and other bonuses. These rewards not only address the growing price sensitivity by giving opportunities for discounts and offers but can also draw customers back to the site as they want to gain points.

The North Face loyalty program has long been praised as one of the best in the industry and is a great example of a customer loyalty scheme. Outside of traditional purchases, customers can earn points by attending events, using reusable bags, or downloading the store's app. The North Face uses their loyalty program to not only keep customers coming back, but to also further their mission and brand values. Apps and customer loyalty programs focus on a personalized customer experience, something that is critical to retailer success in maintaining consistent loyalty.

Retailers are expected to provide a seamless, hassle-free eCommerce experience to make rising price points worth it. Customers will often pay more for and remain loyal to companies who can provide a positive online shopping experience, and this is something that retailers must prioritize in the evolving eCommerce landscape.

4 EXPERIMENTING WITH "RECOMMERCE"

Another growing aspect of eCommerce is the concept of reCommerce, which is the process of using a digital storefront to buy used or overstocked products (essentially digital secondhand shopping). The reCommerce market reached $178 billion in 2022 and is expected to grow as retail prices continue to rise. The number of retailers utilizing reCommerce is also growing, with a growth rate that is 20x faster than the broader retail market.

Shifting customer demands are driving the growth of this market. An increasing number of customers are prioritizing purchases they consider to be sustainable and ethical, from start to finish of the product cycle. This is especially reflected in the purchasing decisions of younger generations. 75% of Gen Z shoppers will base their purchases on sustainability over brand name, which is significant as their purchasing power grows. There is also a demand for cheaper retail options due to the current state of the economy, so an increasing number of shoppers are turning to resold items to minimize costs.

Existing retailers are also inserting themselves into the reCommerce market. Many companies, such as H&M, use in-house reCommerce, where they incorporate secondhand products in with the regular offerings. This is expanding brand reach and creating a positive brand reputation through the display of sustainable practices as well as an effort to provide cheaper options to customers. reCommerce is growing quickly as a segment of eCommerce and can help to further expand a brand's customer base.

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LOOKING AHEAD TO 2024

The eCommerce market is witnessing significant growth driven by changing customer preferences and the increasing demand for convenience. This shift has not only enhanced purchasing efficiency but has also expanded the customer market beyond traditional geographical boundaries.

As the eCommerce market continues to expand and evolve, retailers need to adapt their strategies to align and follow suit. By embracing personalization, transparency, loyalty programs, and reCommerce, retailers can position themselves for success in this thriving and increasingly digital landscape.

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