CommerceIQ

9 Ecommerce Trends and Predictions for 2023

Current and future market changes to inspire your strategic investments and initiatives.

Introduction

2022 was a tumultuous year for ecommerce. Behaviors and trends that began during the COVID-19 pandemic matured and contributed to the uneasy state that shoppers, brands, and retailers find themselves in today. In light of high inflation, a pessimistic shopper, and defensive brands, the big question remains: What ecommerce trends will develop in the next year?

Read on to discover our 9 ecommerce predictions for 2023. There are 3 each for shoppers, retailers, and brands.

Throughout this report, we leverage CommerceIQ's own data taken from our 1P vendor customers on Amazon

Table of Contents

Shoppers

Shoppers

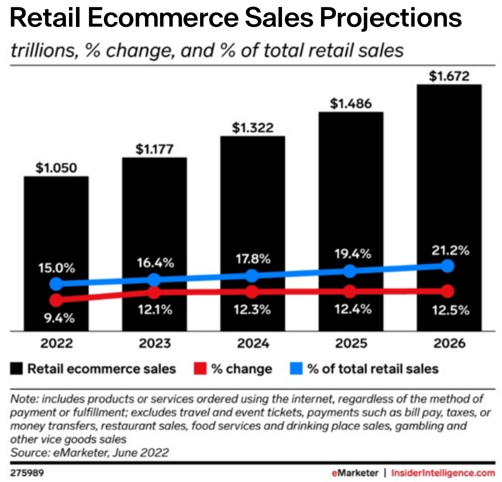
ECOMMERCE PREDICTION #1

Ecommerce will rebound even as broader retail struggles

Ecommerce growth in 2022 was precarious. Shoppers returned to stores, traveled, and prioritized in-person experiences. Ecommerce growth flagged as large players like Amazon, Walmart, and Target saw their shoppers pull back on discretionary purchases leading to excess inventory on big ticket items.[1]

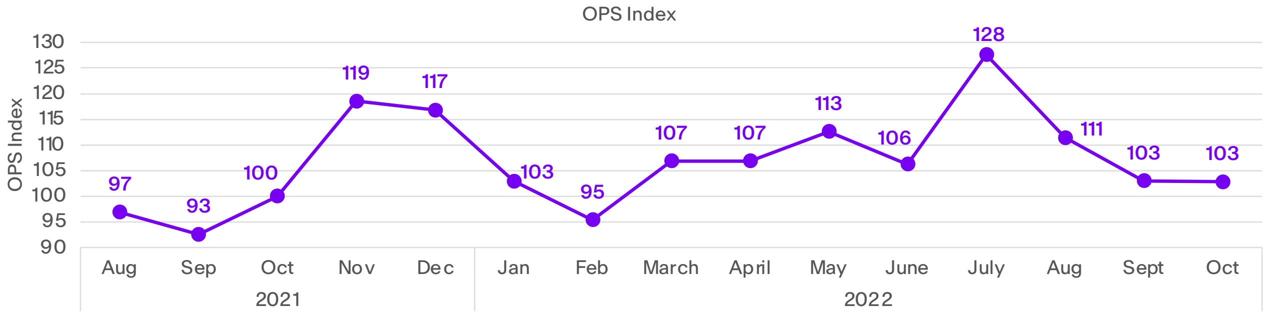
Yet there are reasons for optimism in 2023. The ecommerce drop-off is not the "new normal." It is a reactionary effect that has its origins in the wild swings in shopper behavior caused by the pandemic. After the industry anniversaries the return to in-store shopping, ecommerce growth will resume a healthy, double-digit upward trajectory. At its core, the ecommerce industry is not yet mature. It will continue to siphon off in-store sales as shoppers shift their chore-based, routine shopping trips online over time.

This shift back to growth has already begun. CommerceIQ's 2022 mid-year analysis across retail ecommerce channels showed ecommerce growth recovery from early lows.[2] In particular, CommerceIQ data shows that 1P brands on Amazon have maintained high Ordered Product Sales (OPS, meaning revenue for the vendor) through October that can keep up with inflation.



Source: Insider Intelligence: Retail Ecommerce Sales Worldwide (2022)

Revenue Growth on Amazon Is Strong Year over Year for Most Months



Note: OPS index set to 100 for October 2021 to create simpler comparisons for October 2022
All data taken from CommerceIQ 1P vendor customers in aggregate on Amazon

1. CNN: Stores have too much stuff. Get ready for discounts (2022)
2. CommerceIQ: October Analysis (2022)

Even as shoppers remain concerned about high prices, there are ecommerce attributes driving its relevancy:

48%

Convenience

48% of shoppers say that convenience is a factor that would get them to switch retailers, second only to price[3]

80%

Speed

80% of global consumers want to get from inspiration to purchase as quickly as possible[4]

However, a prolonged recession could dampen all consumer spending, whether in-store or online. In this scenario, ecommerce is caught between opposing forces. On one hand, ecommerce is a still maturing industry on the cusp of having more favorable year-over-year growth comparisons in 2023. On the other hand, price-conscious shoppers may choose to frequent store-focused discounters and clubs like Dollar General and Costco to avoid fees associated with ecommerce. Even in a recession, the former is likely to outweigh the latter, leading the ecommerce industry to growth.

Brands need to prepare by planning for multiple recession or growth scenarios. Being able to switch between these plans is important to growing sales or maintaining profit in 2023. Ecommerce will require ongoing investment from vendors. Vendors also need to support retailers' omnichannel aspirations to be available to shoppers however they choose to shop.

3. Chicory: Omnichannel Grocery Shopper Report (2022)
4. Wunderman Thompson: The Future Shopper Report 2022 (2022)

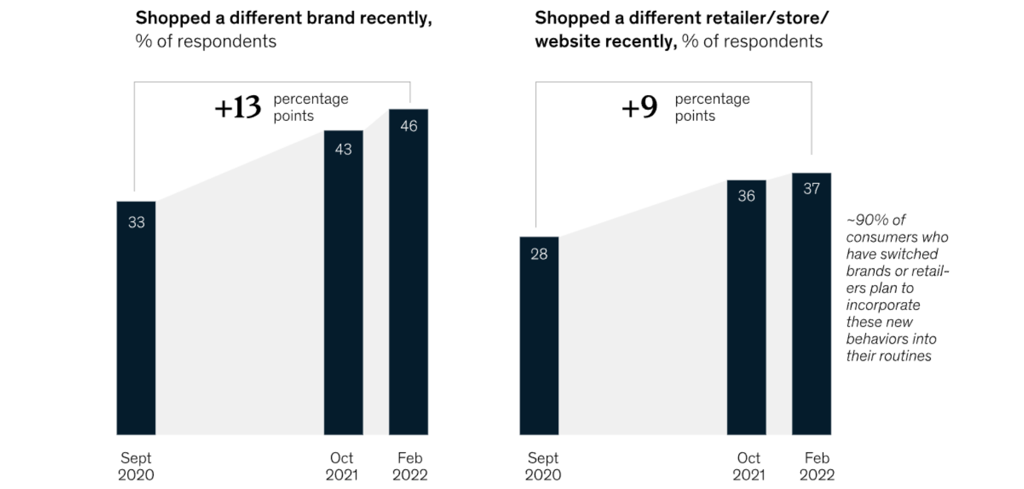
ECOMMERCE PREDICTION #2

Shoppers will become the ultimate opportunists

Don't expect shopper loyalty to make a triumphant return in 2023. According to McKinsey in 2022, shoppers purchased from different brands and retailers at rates even higher than at the start of the pandemic.[5] The current state of retail indicates that shopper loyalty will sink further still.

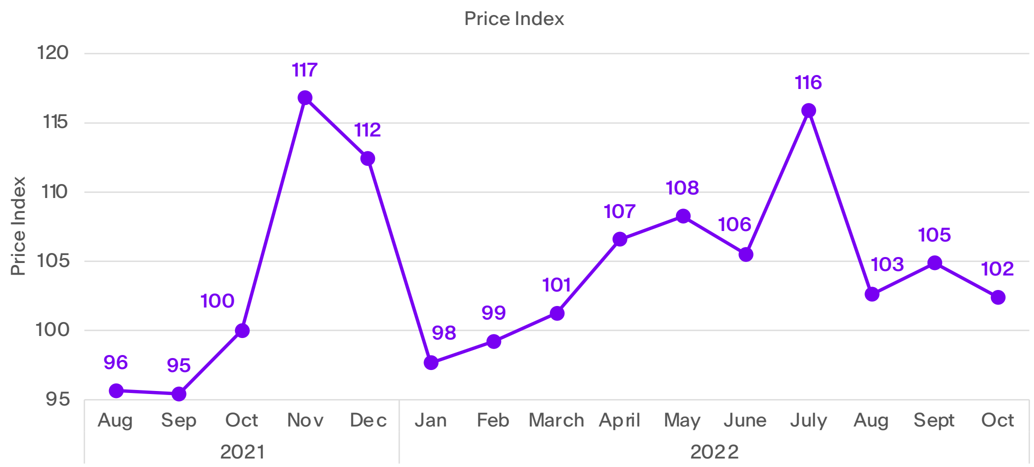
CommerceIQ data reveals that ecommerce prices have risen rapidly in 2022 just as they have risen elsewhere. Consumer spending across retail is likely to slow as shoppers tighten their budgets. Brand loyalty and familiarity will matter less than value-based pricing and promotions.

Shoppers Are More Disloyal Now than at Any Time since the Start of the Pandemic



Source: McKinsey COVID-19 US Consumer Pulse Surveys: Feb 25-Mar 1, 2022, n = 2,160; Oct 9-15, 2021, n = 2,095; Sept 18-24, 2020, n = 1,026; sampled and weighted to match the US general population aged 18 years and older

Price Levels Remain High Year over Year but Down in Recent Months



Note: Price index set to 100 for October 2021 to create simpler comparisons for October 2022; the price index is calculated as the average price of all goods sold in a month. Its value is affected by factors like merchandise mix as well as cost-per item.
All data taken from CommerceIQ 1P vendor customers in aggregate on Amazon

5. McKinsey and Company: How US Consumers are feeling, shopping and spending - and what it means for companies (2022)

In 2023, shoppers will be laser-focused on which brands and retailers can meet their needs. Brands and retailers have to be actively better than the competition whenever the shopper is at the point of purchase.

For this reason, there are a few outcomes:

1. **Private label options will flourish as low-cost alternatives** to established brands.[6] Supplying private labels as a manufacturer is one way brands can adapt to low shopper loyalty.

2. **Retail Media Network (RMN) spend will continue to grow** as it offers robust audience targeting with placements at the point of purchase. According to McKinsey, 85% of CPG survey respondents will increase RMN spend through the summer.[7]

When loyalty is scarce, those brands and retailers that succeed in sustaining it stand to benefit. To drive loyalty, organizations must constantly evaluate their value proposition, even when there are no competitor offers snapping at their heels. The philosophy of constant, iterative improvement in the product offer, is, in part, why retailers like Costco have been able to drive growth every month well above the industry average regardless of the macroeconomic environment.

6. Winsight Grocery Business: "Private Label Brands are becoming an increasingly big deal" (2022)
7. McKinsey and Company: "Busted! Five Myths about Retail Media" (2022)

ECOMMERCE PREDICTION #3

Shoppers will search for connection

Although shoppers may be especially disloyal heading into 2023, they are also more open to purchasing from brands that consistently connect with their core values. According to Harris Poll research:

84% of shoppers want a consumer brand's values to align with their own

¾ of shoppers will part ways if values do not align[8]

This point may seem like a paradox. If shoppers are disloyal because they are looking for low prices, why does authenticity matter? But it's precisely because so many brands are falling short of being truly authentic that shoppers are disloyal. 'Greenwashing' from brands, retailers, and governments can be common, but shoppers often see through it.[9] Being inauthentic in mission commitment can blow back on brands.[10]

Health and wellness and sustainability have become core values that shoppers prioritize. Companies that focus on these initiatives in an authentic way stand to benefit:

65% of consumers have prioritized wellness, an increase from three years prior[11]

63% of dollar volume growth in CPG is for health and wellness products, despite only 25% in market share[12]

8. Harris Poll Research/Google Cloud: "What it will take from CEOs to fund a sustainable transformation" (2022)
9. Reuters: COP27 - Corporate climate pledges rife with greenwashing - U.N. expert group (2022)
10. Native Advertising Institute: A tale of two campaigns (2022)
11. McKinsey and Company: "Feeling Good: The future of the $1.5 Trillion Wellness Market" (2022)
12. SPINS: "The Pursuit of Wellness: How Shoppers are Approaching Trips to the Store" (2022)

Brands can align with shoppers by rearticulating their core mission. Finding points of intersection between shopper values and a brand's history, community involvement, sustainability initiatives, business practices, or charitable efforts is a crucial exercise. Once priorities are aligned, brands need to communicate these values personally. Ecommerce platforms can help.

Brands can use their product detail pages to help drive forward their values. Video content, either on social media, DTC, or marketplace retail, can be an excellent way to engage consumers. According to Oberlo, 54% of consumers want to see more video content from the businesses and brands they support.

Brands

DTC growth will slow as retail ecommerce grows

According to Insider Intelligence, Direct-To-Consumer (DTC) grew 17% in 2022.[13] Yet DTC growth may slow in 2023. DTC has traditionally been associated with high-quality, discretionary goods. As consumers tighten their budgets in 2023, some shoppers will turn away from DTC brands in favor of lower-priced alternatives. For instance, much of Walmart's current growth is from higher-income shoppers who are opting to trade down to a cheaper retailer.[14] The same principle applies to ecommerce.

DTC growth will also slow as consumers turn to comparison shopping. DTC offers a limited assortment from one brand, frustrating shoppers eager to evaluate their options. Instead of shopping several DTC sites, they will want to compare prices on marketplaces like Amazon or Walmart to get better deals.

In fact, **64% of global consumers** are excited by the prospect of buying everything through one retailer.[15]

However, even as DTC growth decelerates, it will still act as an important avenue for driving customer loyalty, especially when the category economics are favorable. DTC excels at shipping big-ticket, low-weight items, where rising costs can be covered by strong margins and relatively low fulfillment costs, which is why brands like Nike have a lot of flexibility in overcoming economic downturns. DTC should drive engagement with a brand's most loyal shoppers, who can drive growth across the entire business.

Consider Peloton's move to marketplace

The high-flying DTC brand saw its sales fall off a cliff as shoppers returned to in-person gyms, challenging the economics of its growth model. Despite being a native DTC brand, Peloton decided to open shop on Amazon where it would sell a lower-end bike and gain access to millions of shoppers.[16] Most telling? 500K shoppers a month searched for Peloton on Amazon despite the brand not being available there. Instead, bikes from competing brands were offered. By selling on Amazon, Peloton is capturing a big opportunity. Expect more DTC brands to align with marketplaces in 2023.

Brands should repurpose their DTC platforms to be focused on driving engagement rather than being a source of incremental growth alone. DTC platforms should act as a central hub of information and content for shoppers. It can be promoted at other points of sale indirectly to consumer retail ecommerce channels to create greater connectivity for brands across platforms.

13. Insider Intelligence: "How D2C brands are diversifying consumer experience to disrupt the retail industry" (2022)
14. Business Insider: "Americans with over $100k are flocking to walmart to save money..." (2022)
15. Wunderman Thompson: The Future Shopper Report 2022 (2022)
16. CNBC: "Peloton strikes a deal to sell fitness equipment and apparel on Amazon" (2022)

Data integration will yield improved efficiency and shopper engagement

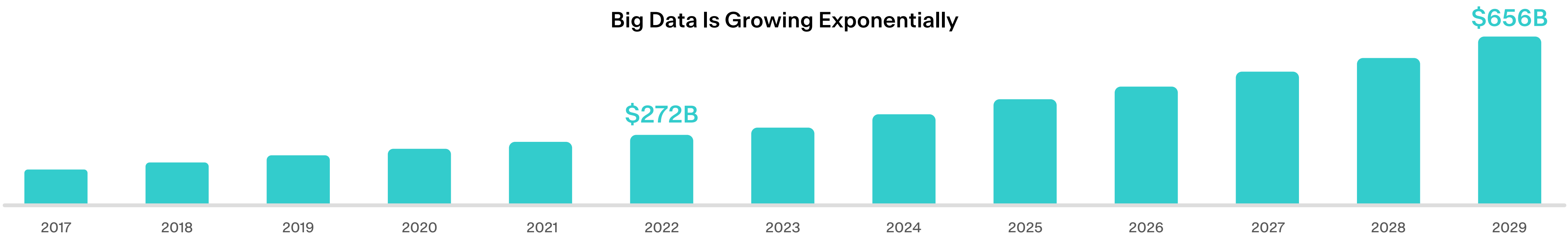
If the ongoing turmoil in retail has taught brands anything, it is that investing in data analytics is crucial. Brands need profitable ways to reduce waste and pursue incremental opportunities at scale. Proper data analytics can do both.

Fortune Business Insights estimates that the big data industry will grow from $272 billion in 2022 to $656 billion in 2029, an increase of 140% over the remainder of the decade.[17]

As data becomes more important, brands are beginning to unlock its full potential. In 2023, brands will push to consolidate their data into one central "control tower" that can be accessed by all relevant stakeholders. This is what's known as a digital shelf analytics (DSA) application.

Investing in data increases organizations' efficiency. Currently, brand data is often stored in disconnected platforms. Expect brands to pursue a single source of truth that connects these data centers in real time, enabling managers to analyze all aspects of their ecommerce business at once. For instance, advertising spend has a powerful impact on inventory. The greater the ad spend, the faster a brand can draw down on inventory. Business decisions regarding either will not be made in isolation in the future.

Big Data Is Growing Exponentially



Source: www.fortunebusinessinsights.com

17. Fortune Business Insights: Big Data Analytics Market Size (2022)

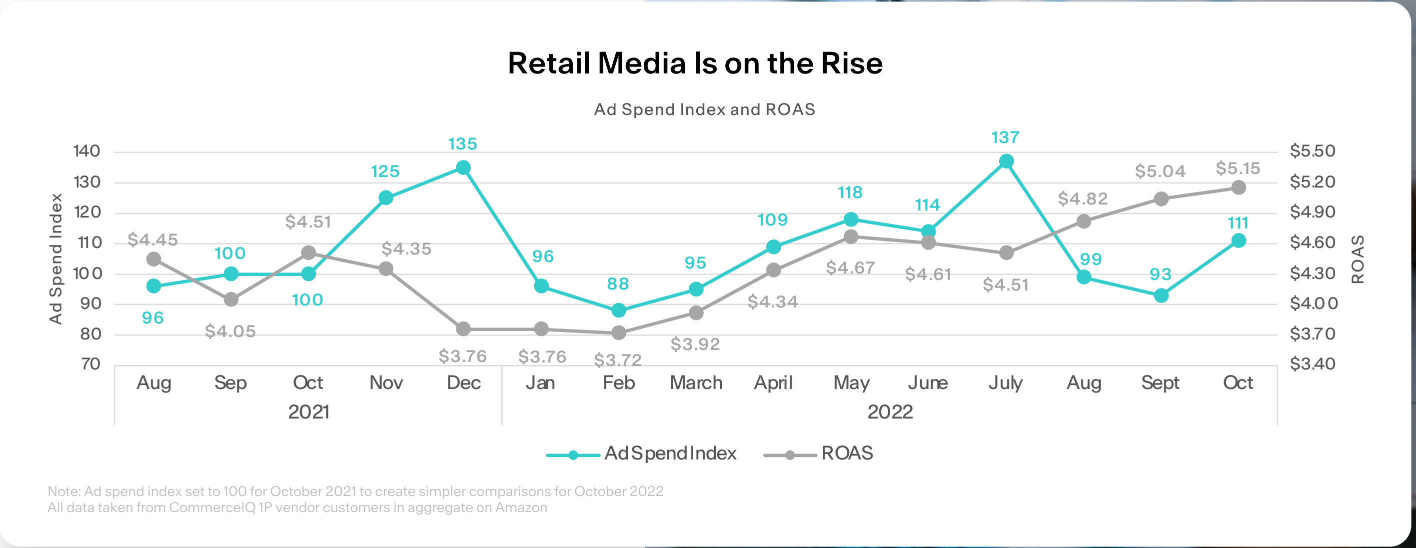
Our CommerceIQ data shows ad spend has been trending up at Amazon over time. As brands boost their ad spend, they need data to determine what types of ads to engage and for which products. They will also need to determine how to budget for other retail media platforms as they mature.

Brands will also connect their data across retailer accounts into one platform. Resource allocation between Amazon.com and Walmart.com should not be two separate discussions.

Linking shopper data to a central "command center" means more personalized offers for shoppers based on interests and buying patterns. Cross-referencing this data with retailer inventory can also create efficiencies in the supply chain. Data integration allows for more informed decision-making, more accurate forecasting, more relevant search results, and fewer out of stocks. An enhanced shopper experience can thrive in 2023.

According to Gartner®, organizations that invest in digital shelf analytics applications to replace manual data-gathering techniques will see their costs reduced by 30%.[18]

To avoid being left behind, brands must pursue these initiatives. They must invest in accurately tracking their ecommerce business and connecting all their data to a central hub. The days of manual reporting or reporting across multiple-point solutions to handle far-flung aspects of an ecommerce organization are limited. Instead, comprehensive software platforms that enable advanced data will be the norm.

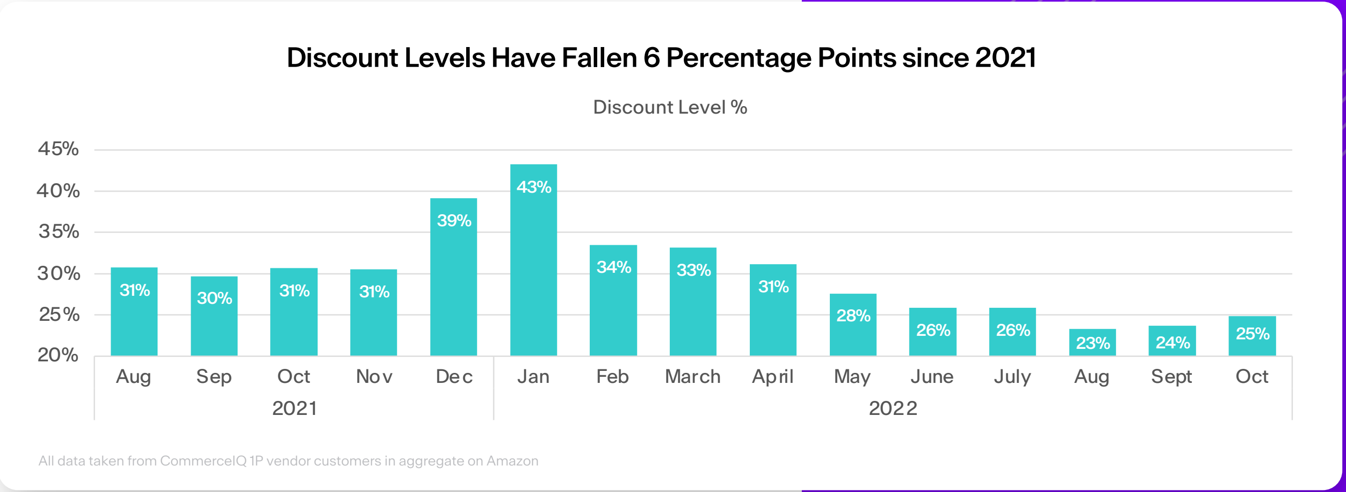


18. Gartner®: "Market Guide for Digital Shelf Analytics," Kason Daigler, Helen Grimster, Nov. 15 2022. GARTNER is a registered trademark and service mark of Gartner, Inc. and/or its affiliates in the U.S. and internationally and used herein with permission. All rights reserved.

Discounts will return en masse

Discounts have been scarce for much of 2022. Our CommerceIQ data reveals that steep discounts have been declining in popularity since 2021. Though health and personal care categories have seen some of the largest declines, two years of high demand have eroded discounts across most categories.

Now the pendulum is swinging the other way. Discounts have returned in some categories with excess inventory caused by overly optimistic forecasts.[19] Our CommerceIQ data has revealed that both Prime Day in July 2022 and Amazon's Early Access Sale in October 2022 saw a rise in discounting for those specific days.[20] More discounts are on the way.



There may be some initial resistance from brands to raising discounts. Rising costs have meant that many brands opted to forego discounting to protect their margins. Using discounts once again will be a costly lever to pull in the pursuit of maintaining demand. Yet shoppers are increasingly seeking out discounts as they remain concerned about their finances.[21] According to data from Numerator, a majority of shoppers, especially low-income, have started to make changes to their buying habits in response to sustained inflation.[22] Brands will have no choice but to use more discounts in 2023.

19. Washington Post: Retailers Stockpile steep holiday discounts (2022)
20. CommerceIQ: Prime Day 2022 highlights (2022); CommerceIQ: LinkedIn (2022)
21. US News & World Report: Inflation Shopping Habits Survey 2022 (2022)
22. Numerator: "The Inflation Factor: Consumers Prepare for Rising Prices" (2022)

Discounting can be a popular tactic by brands to encourage consumer spending during a recession. Retail saw a surge in discounting and couponing alongside the growth of price-focused retailers like Dollar General in the period after the Great Recession of 2008-09.[23] Today's challenges are no exception.

Online shopping in particular is susceptible to consumers who believe they can find better deals in-store at discounters or clubs that bypass any fees associated with ecommerce. At the same time, the inherent transparency of ecommerce also enables easy price comparisons and discount-hunting across sites. Ecommerce could leverage heavier discounting than in-store retail formats.[24]

To use discounts effectively in a high-cost environment, brands must ruthlessly prioritize efficiency and cost mitigation across their ecommerce business. Price cuts must be funded. If margins are squeezed, businesses must minimize their costs even more. Automating tasks like filing tickets for unavailable items or the removal of unauthorized 3P sellers that could be stealing your sales is crucial.

23. Vericast: "Learning from a Great Recession: The Power of a Coupon Marketing Strategy" (2022)
24. Wildfire Systems Press Release (2022)

Shoppers Are Returning to Discounting

76% have **searched for digital coupons** while grocery shopping

58% look for coupons at least **once a week**

51% follow couponing blogs and social media accounts – of that group, **87% have used couponing advice** from those platforms

25% look for coupons at least **once a month**

Source: Inflation Shopping Habits Survey 2022

Retailers

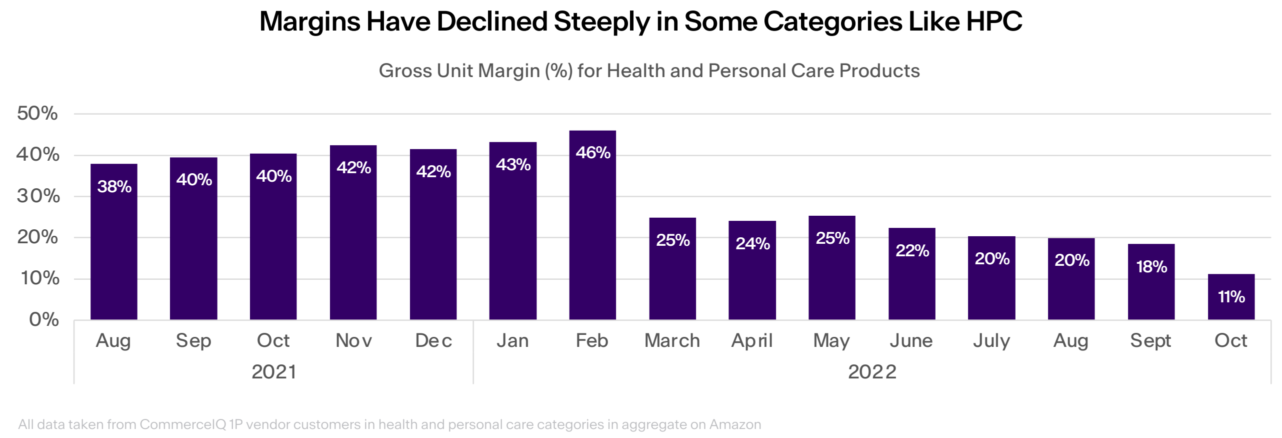
ECOMMERCE PREDICTION #7

Retail ecommerce will consolidate

Although 2022 was a weak year for mergers and acquisitions, The ecommerce industry will consolidate in 2023.[25] Businesses will be eager to find desirable acquisition targets amid recessionary forces.

High interest rates mean raising capital for an ecommerce business is not as easy as it used to be. Consider the struggling ultrafast delivery market. Buyk, Fridge No More, and Jokr have all shuttered US operations in 2022.[26] Expect more players in this sector to either be acquired or go under once they lack the borrowing capacity to continue operations.

Brands and retailers are eager to protect profitability. Some brand categories like Health and Personal Care have seen their margins shrink considerably according to our data at CommerceIQ.[27] Smaller players and brands will be incentivized to acquire or merge with other businesses to scale and bring down costs. Even larger retailer players are looking for M&A opportunities that improve the efficiency of the combined entity. Kroger and Albertson's merger agreement in 2022 helps both achieve more scale.[28] It is a forerunner of more consolidation that will occur in 2023 in retail and ecommerce alike.



25. White & Case: Retail M&A is out of favor for now, but quality consumer brands stand strong (2022)
26. CNN:Two ultra-fast delivery startups shut down in one week (2022); TechCrunch: JOKR leaving US, 'for now' to focus on LatAm (2022)
27. CommerceIQ internal data (2022)
28. Kroger Press Release (2022)

Retail media may consolidate as well. We have seen strong increases in ad spend on Amazon as brands seek to increase visibility and drive shopper engagement. Yet Amazon, and even Walmart, have online reach that many other ecommerce platforms do not. Many newer retail media platforms that mid-sized retailers launched in 2021 and 2022 will not scale as quickly as those retailers had hoped. These new platforms are unlikely to be shuttered, but they will also not challenge Amazon's dominance in retail media anytime soon. Expect many of them to primarily remain as managed services under a 3P umbrella organization like Citrus or Criteo.

Finally, macroeconomic forces mean shoppers will opt to shop at only a few large online retailers where they can more easily compare prices across brands. Despite their profitability struggles, Amazon, Walmart, and Target still managed to grow their ecommerce businesses at a strong pace for much of 2022 according to our data.

To navigate shifting retailer relationships in 2023, brands need to ensure that their own lines of communication between retailer accounts are open and used regularly. As consolidation occurs at the retailer level, changes in online offers and pricing should evolve in step with these mergers, not after the fact.

Retailer's supply chains will diversify

There are several reasons retailer supply chains will diversify in 2023. First, many of the supply and demand shocks from the past two years are receding. COVID rarely causes industry-wide shutdowns in the US, and shopper demand has moderated after a pandemic-fueled retail bonanza. Our CommerceIQ data reveals unit out-of-stocks have declined in late 2022 since last year and vendors are receiving fewer orders from retailers.

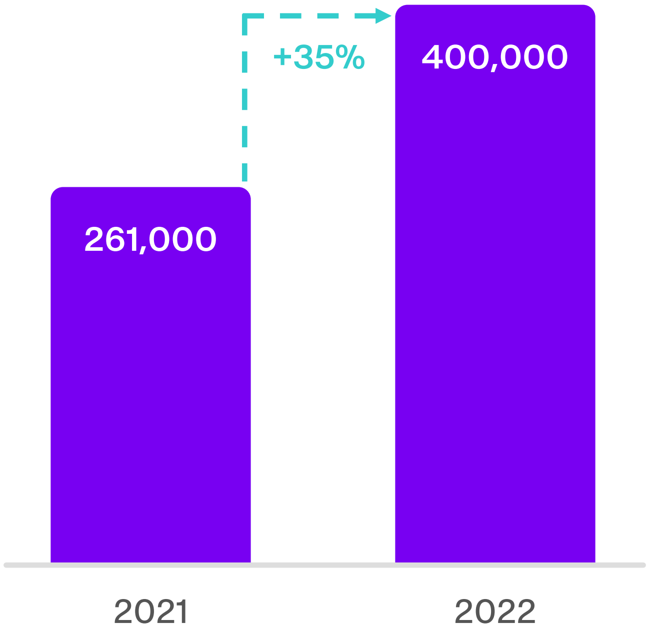
Yet short-term changes are not enough. Serious problems still persist today. Russia's war with Ukraine rages on, and China has maintained its commitment to a zero-COVID policy even in the face of persistent manufacturing shutdowns. The future is equally uncertain. The geopolitical landscape is unstable between major economies, and climate change means extreme weather events will only get worse.

Why then will 2023 be less volatile? Because retailers are now better prepared for tomorrow's surprises.

1. Retailers have more experience swapping out new products and brands during supply chain crises.
2. Retailers and brands are adopting a "China plus one" strategy that places productions in at least two countries to soften the risk of localized supply problems.[29]
3. Manufacturing is relocating to be closer to its end-consumer. In 2022, 400,000 manufacturing jobs were created in the US due to "reshoring," or relocating overseas production back to the US.[30]
4. 3P logistics providers are offering more pop-up storage to flexibly handle inventory as demand waxes and wanes.[31]
5. Better software tools mean organizations will be able to better predict and control exactly when they are expected to go out of stock and take precautionary measures. Better tech means shorter lead times.

Reshoring Is Becoming More Popular

US manufacturing jobs created from "Reshoring"

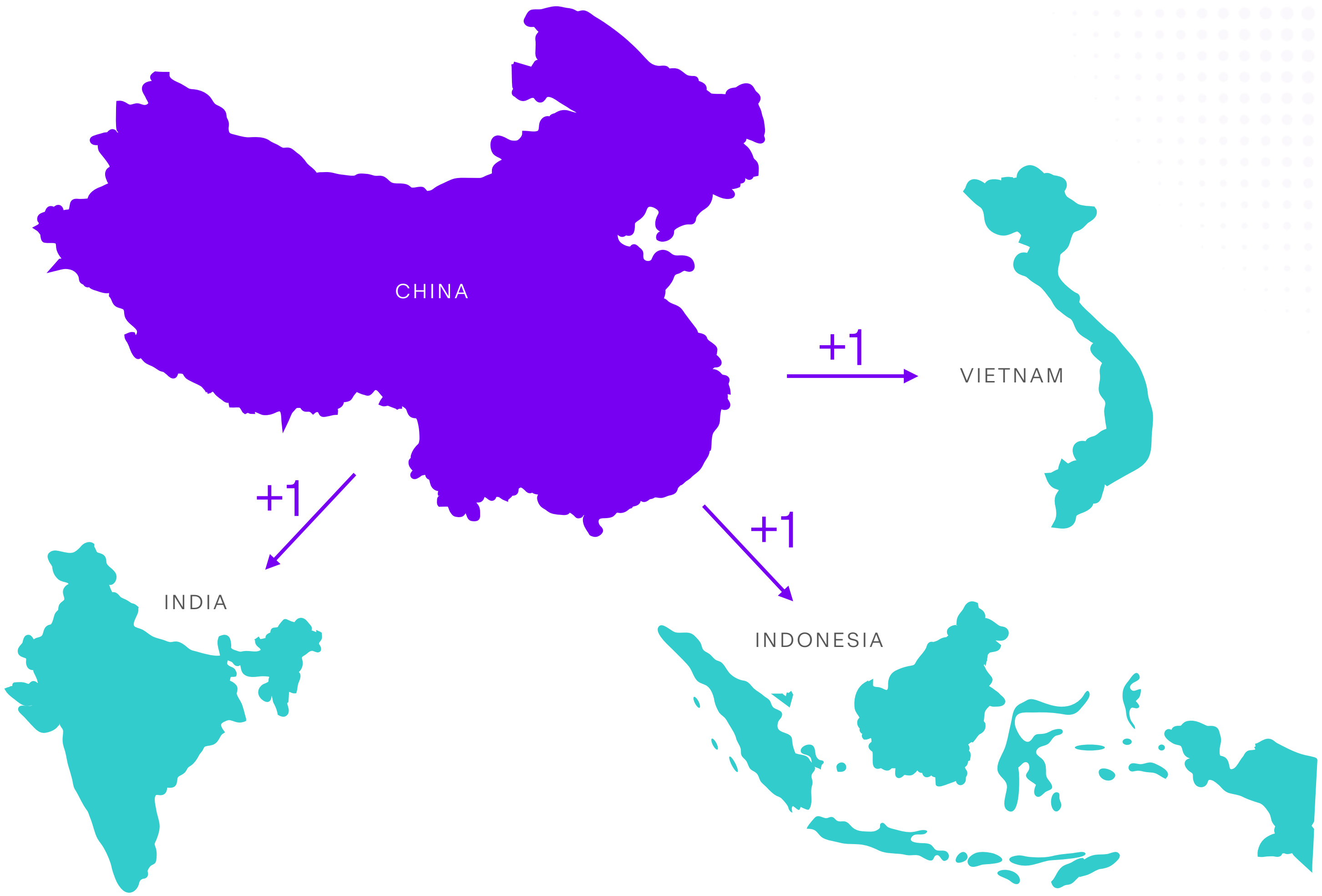


Source: Globest: Reshoring bringing 400K manufacturing jobs to US in 2022 (2022)

29. CNBC: China's covid controls are pushing companies to diversify away from a 'start-stop economy' (2022)
30. Globest: Reshoring bringing 400K manufacturing jobs to US in 2022 (2022)
31. Supply Chain Dive: California's new pop-up yards could house 20,000 containers (2022)

Production Will Diversify beyond from China

Brands can align with retailers' diversified retailer supply chains. Sourcing manufacturing from two geographically diverse locations rather than one makes retail more resistant to unexpected events. It can also keep retailers from switching out one brand for another when there's a supply crunch. Supply chain resiliency often comes at the expense of efficiency. But insights enabled by granular data and technology solutions, especially within the "always-on" environment of ecommerce, can make these decisions less expensive for the company and the consumer.



ECOMMERCE PREDICTION #9

Interest in the Metaverse will sputter

Don't expect the metaverse to become a retail destination in 2023. According to an Axios Momentive poll, only 7% of shoppers are "more excited than scared" about the metaverse, while the overwhelming majority are indifferent.[32]

But what is the Metaverse in regard to retail? In the glitzy world of product demos, the Metaverse is a virtual commons, frequently tied to VR, where users can hang out the same way they might spend time at a friend's house or a coffee shop – sans coffee. They are spaces created by tech companies acting as nouveau retailer marketplaces where brands can sell to consumers virtually.

In some ways this already exists, multiplayer games like Roblox allow users to make in-game purchases and play together with their created avatars. But for the Metaverse to be relevant to mainstream retail, established brands must either sell their existing products in a virtual shopping environment or sell new, branded, virtual goods for use in the Metaverse. The latter could be more lucrative but doing so could be linked to NFTs to prevent digital counterfeiting. According to Dune Analytics, NFT trading volumes have fallen 97% since the beginning of 2022.[33] Beyond NFTs, research from Zappi in April 2022 revealed that 85% of consumers don't currently have the desire to interact with their favorite brands or communities virtually.[34] That sounds like a vote of no confidence.

The Metaverse Has Not Garnered Much Excitement

		Total	Age		
Questions	Answer options	Total	18 - 34	35 - 64	65 and up
Does the idea of a 'metaverse' make you more excited or scared about the future, or neither?	More excited	7%	14%	5%	3%
	More scared	32%	30%	34%	31%
	Neither	58%	53%	58%	65%
	No answer	2%	2%	2%	1%

Source: Axios: Momentive poll: What's next 2022 (2022)

ENGAGEMENT AND UNDERSTANDING OF THE METAVERSE IS LOW

69% of consumers **have heard** of Metaverse

55% **don't understand** what it means

85% of consumers **don't have a desire** to interact with their favorite brands or communities

32. Axios: Momentive poll: What's next 2022 (2022)
33. Bloomberg: NFT Trading volumes collapse 97% from January peak (2022)
34. Zappi Press Release: (2022)

It is impossible to separate the Metaverse from Mark Zuckerberg's vision. Horizon Worlds, Meta's flagship Metaverse product, reportedly has abysmal usage rates.[35] In fact, there is no single metaverse. It is a bunch of disconnected, pre-existing spaces (primarily online games) that have co-opted the metaverse terminology since it has become popular. There is very little new on offer. In the months since Meta rebranded itself from Facebook, the company's stock has tanked 70%, far greater than the roughly 20% decline in the NASDAQ over the same period. The metaverse plays well as a futuristic concept immortalized in works like *Ready Player One*, but it is not a practical platform shoppers actually want.

So if the Metaverse isn't taking off, what is? There are promising applications for AR in retail right now that deserve more attention. Consider how IKEA can project a 3D render of its furniture into your home via your phone camera and mobile app, or how virtual dressing rooms allow you to evaluate a new look before your purchase clothes online. Brands can use AR to enhance both online and physical shopping platforms. These tools will become commonplace long before the metaverse is relevant to most brands.

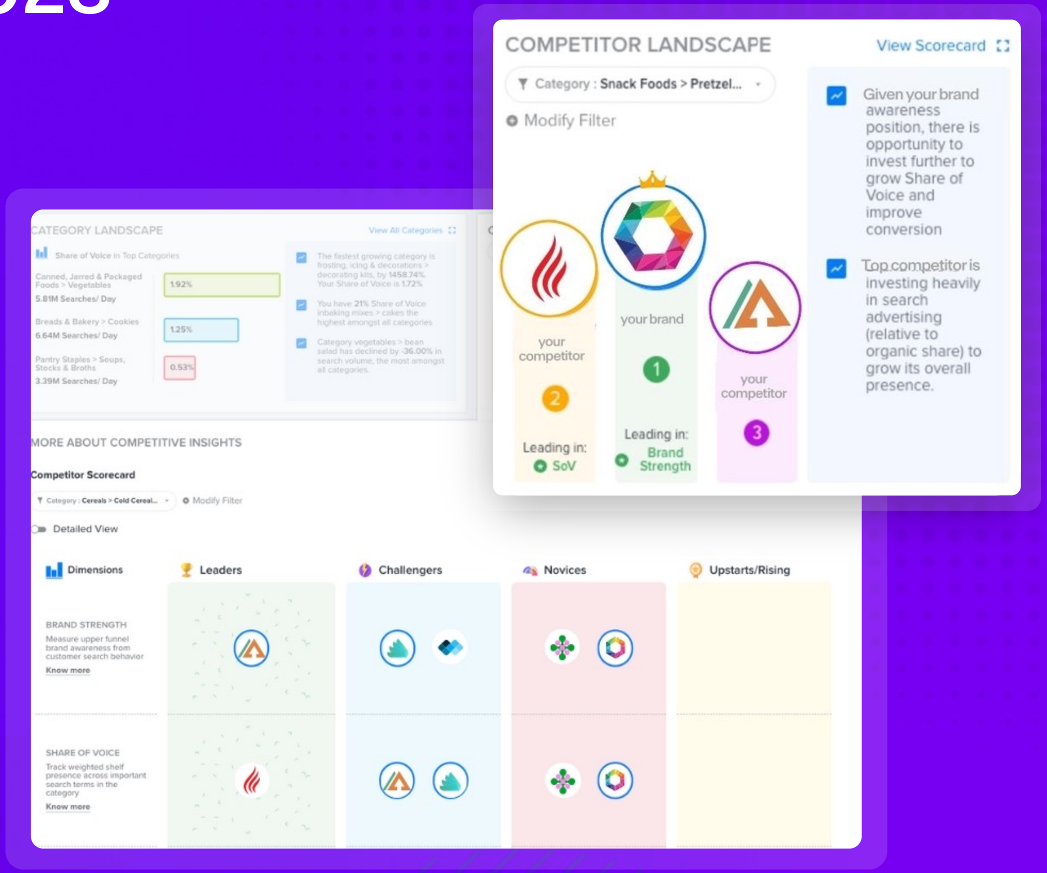
35. Forbes: Meta's 'Horizon Worlds' has somehow lost 100,000 players in eight months (2022)

Turn challenges into opportunity in 2023

2023 promises to be a unique year in retail ecommerce. As the world adapts to a post COVID landscape, new challenges are looming. Brands must be equipped with the right data, tools, and insights to take advantage of every incremental opportunity to boost their business and increase efficiency. No matter what 2023 throws your way, you can be prepared. To help you succeed, we're offering a no-cost, no-subscription tool.

CommerceIQ Category Leaderboard offers an instant comparative performance analysis of your brand's category performance across the 8 critical dimensions brands need to win. And just because it's free doesn't mean it's shabby. This analysis is based on 5-million data points from across 50,000 brands' ecommerce performance.

Get Access Now



About CommerceIQ

CommerceIQ is the leading Retail Ecommerce Management Platform, powering profitable market share growth for consumer brands across 450 global online retailers in 41 countries. CommerceIQ's all-in-one platform applies machine learning across sales, supply chain, and retail media automations, along with digital shelf analytics, to create a single source of truth that empowers brands to boost share-of-voice (SOV), minimize out-of-stock (OOS), optimize assortment and inventory, and prevent revenue leakage. More than 2,200 brands globally, including Nestle, Colgate, and Whirlpool, trust CommerceIQ to manage and grow their retail ecommerce businesses across global retailers including Amazon, Walmart, and Instacart. CommerceIQ has raised $200 million from venture investors including Softbank, Insight Partners, and Madrona Venture Group. For more information, visit https://www.commerceiq.ai/

CommerceIQ