

Accelerated E-Commerce

21+ FORCES SHAPING THE ONLINE SHOPPING INDUSTRY IN 2021



INTRODUCTION

Remember when consumers regularly walked aisles for essentials like toilet paper and toothpaste — or when shopping was something people still did in shops? Had the e-commerce experts predicted a year ago that these and other activities would be largely conducted online, brands and retailers may have brushed aside those forecasts as something to consider for the distant future.

Yet here we are, mere months after some of the industry's most sweeping changes, and sellers have had to restructure everything — from where they advertise to how they manage inventory.

After years of steady momentum — a new online sales channel here, another payment method there — the global pandemic has accelerated many e-commerce trends at an extraordinarily rapid rate. Retailers have adopted new brick-to-click strategies, consumers have discovered new channels and many in-store purchases have been replaced by contactless options.

Looking ahead, the question is: How long will that momentum last?



What's next for e-commerce remains to be seen, but one forecast is foolproof:

The industry will continue to stay in a constant state of evolution.

There's no doubt about it: The way people shop has changed. Significantly, swiftly and in ways that were once practically impossible to anticipate. Around the world, online sales have blown past previous forecasts as a result of shifting behaviours. **E-commerce growth in the US** soared past 30% in 2020, with online sales reaching a level not previously expected until 2022. In the UK, **e-commerce accounted for more than 30%** of total retail sales for the first time. And in western Europe, where overall retail declined by 9.9%, **online sales jumped by 16.9%**.

These figures reflect the massive move toward online shopping — an overarching trend that will continue to play out in 2021 and beyond. After being forced to spend more time online out of necessity, many consumers are now branching out to discover new channels as their confidence in e-commerce continues to increase.

Any brand or retailer that wants to survive and thrive in this ever-changing landscape will need to be ready to pivot at a moment's notice. At ChannelAdvisor, we've seen brands and retailers **increase gross merchandise value (GMV)** and **year-over-year revenue** even in the midst of uncertainty, simply by being prepared to pivot strategies based on the latest trends.

In other words...

It's never been more important to understand where consumers are spending their time and money, and which trends are influencing their purchasing decisions. Moving forward, sellers will need to stay future-focused as the e-commerce evolution continues.

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CONTINUING FORCES OF CHANGE

Throughout all of the recent industry shifts and changes, Amazon, Google and Facebook continue to offer tremendous reach for brands and retailers. These three giants have each played a central role in shaping the e-commerce industry as we know it. And for years, they tended to stay in their own lanes. But as the lines that once separated these online channels continue to blur, there are bound to be implications for brands and retailers.



THE ASCENDANCY OF AMAZON

Once known solely as a marketplace, Amazon is now the **third largest advertiser** and it's anticipated that Amazon's worldwide net ad revenues will approach **\$30 billion in 2022**. After some initial bumps due to unanticipated demand early in the pandemic, the online giant emerged with more reminders of why the platform will continue to play an essential role in every successful online strategy.

When worldwide lockdowns and stay-home orders were first issued, a ChannelAdvisor survey showed that **39% of consumers were spending more time on Amazon**. Several months later, **that number had increased to 45%**. Half of online shoppers now rely on the channel more frequently than they did before, with good reason: Amazon is taking numerous steps to ensure its order and fulfillment processes will continue to rival the convenience of in-store shopping experiences.

From **drone deliveries** to an **expanding air fleet** to an **enormous network of delivery vans**, Amazon is taking steps to get deliveries on doorsteps in record time. And it's **placing new demands on third-party sellers**, too.

At a time when consumers are coming to expect same-day, no-cost deliveries on everything from household essentials to big-ticket items, yet another round of advancements are reshaping how and when sellers fulfil orders.



THE GROWING GOOGLE ECOSYSTEM

After a few bumps and dips in 2020, **Google is back on the upswing** — and will continue to be one of the most important channels for reaching consumers online.

Ever since Shopping Actions first offered a way to surface products across the entire Google ecosystem — Google Search, Google Shopping and Google Assistant — the search engine has become remarkably good at showing consumers who has the best product at the best price, and where it's in stock. But here again, the evolution is far from over.

Heading into 2021, a series of strategic steps will continue to inch consumers further away from "I found it on Google" toward "I bought it on Google."

As shoppers become increasingly comfortable purchasing products through one seamless "add to cart" Google experience, sellers will need to take note. If Google continues to surface more purchasable products on its search results pages, there will be even less screen space for brands that don't take advantage of options like Shopping Actions and Smart Shopping.

THE FORWARD MOMENTUM OF FACEBOOK

Consumers spent a lot of time at home in 2020, and many turned to social media. Within a matter of months, **51% were devoting more time to social sites** than they had pre-pandemic. And they've been doing more than just scrolling: A ChannelAdvisor survey of 1,000 online shoppers, for instance, found that **34% now use Facebook to research products**.

With a global base of **2.7 billion active users**, Facebook will continue to be a major force in the industry — and an important component of every successful strategy. From **dynamic ads to shoppable stories**, Facebook has been giving online sellers an expanding array of options for getting the right products in front of the right people. And while the growth of e-commerce advertising on Facebook may be more of a steady incline than a sudden surge, it's clearly having an impact.

More than half of surveyed consumers say they've bought more online as a result of seeing Facebook ads, and 18% are using the platform to make purchases. As consumers continue to adopt new options such as Facebook Shops and Facebook Pay, the opportunities for brands and retailers will continue to rise.

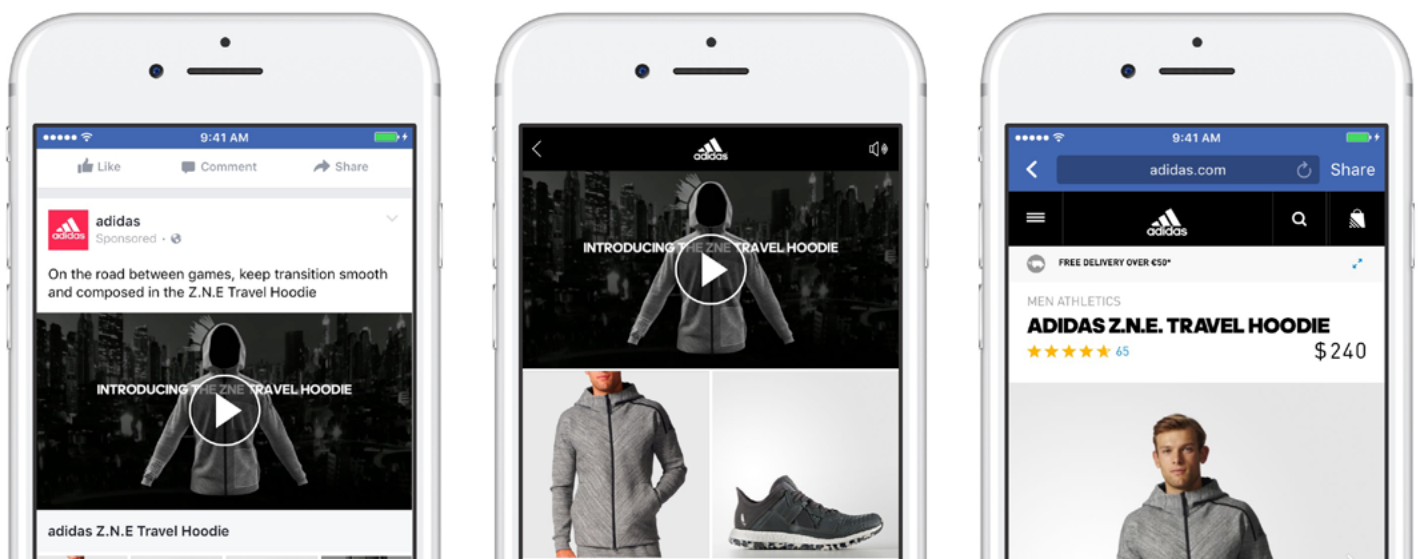
THE INCREASING INFLUENCE OF INSTAGRAM

Facebook's influence isn't contained within the sphere of Facebook feeds alone, of course. Much of its real power is in subsidiary Instagram, where **serious spikes in usage** led the platform to blow past pre-pandemic growth projections.

Widely regarded as one of the most effective social platforms for brands and retailers, Instagram is the site 70% of shopping enthusiasts **turn to for product discovery**. An estimated 84% of users are eager **to discover new products on Instagram**, and many are regularly influenced to make purchases.

Looking ahead to 2021, Checkout on Instagram is likely to push these numbers even higher. As confidence in online buying continues to increase, many brands and retailers may see more people buying products right from within the social media app itself.

With more than 130 million people tapping to reveal a shoppable tag every month, Checkout on Instagram is expected to be yet another game-changer for the industry.



BEYOND AMAZON, GOOGLE AND FACEBOOK: THE GROWING WEB OF GLOBAL MARKETPLACES

A few years ago, sellers had a handful of online sales channels to choose from. Then came the explosion of e-commerce marketplaces, and the options available to consumers suddenly expanded far beyond the likes of Amazon. Online shoppers now have well over 100 channels to choose from — and 35% of consumers are *spending more time than ever on non-Amazon marketplaces* such as eBay, Zalando and La Redoute.

It's little wonder, then, that 80% of retailers worldwide agree that *cross-border trade has been profitable* — or that sellers have successfully *increased sales as much as 1,000%* after expanding their marketplace presence.

However, to survive and thrive in this expanding environment, there's one method in particular that brands and retailers will need to have in place. And thankfully, it mirrors where the industry is heading.

The sheer volume of options means it's no longer enough to focus on listing across as many marketplaces as possible — at least, not all in one fell swoop. Instead, brands and retailers are discovering the importance of focusing first on identifying the best match between marketplaces and product catalogues. The platforms themselves recognise this trend, and are starting to become more specialised.

Fashion-focused consumers can spend time on sites like Zalando and Secret Sales. Some marketplaces are dedicated to deals; others appeal to high-spenders' desires for exclusivity. And still more are becoming laser-focused on specific categories such as consumer electronics or interior design and decorating.

As niche marketplaces continue to emerge, sellers will need to fine-tune expansion strategies for reaching the right consumers based on where, when and how they want to shop.



UNFOLDING TRENDS OF INFLUENCE

As major players continue to transform what it means to get products in front of purchase-ready shoppers, brands and retailers will need to sharpen their views of several critical trends as they continue to unfold.



THE ACCELERATION OF ONLINE SHOPPING

The path to purchase is changing a lot, with more products being purchased online than at any other time in retail history. According to research firm eMarketer, nearly 150 million consumers worldwide became **first-time e-commerce buyers** in 2020. More than one-third **purchased items they'd never bought online before**, and 32% bought products from retailers they hadn't shopped with before. Looking ahead, over half of surveyed UK consumers plan to shop online even more in the future.

Not surprisingly, the accelerated shift toward online shopping is leading to new consumer expectations. Recent research shows a growing number of consumers are **willing to pay more or switch retailers** in favour of those that offer speedy deliveries, free returns and multiple payment options. That means it's no longer enough to simply have an online presence. In 2021, brands and retailers will need to increase efforts to ensure each step of the consumer journey is as seamless as possible.



HEIGHTENED ADVERTISING

As consumers devote more time to online shopping channels, brands and retailers are upping their advertising. **Recent research** shows that 39% of sellers plan to increase ad spend on Facebook. The same is true of 28% who plan to increase Instagram ad spend and 21% who will be devoting more resources to marketing on Google. Even on Amazon, where many brands and retailers have already allocated large shares of ad budgets, an estimated 16% will be spending even more in 2021.

That means there will be more competition for sellers and less visibility for products. Which is why strategic digital marketing will be especially critical in the year ahead. As more brands and retailers compete for the attention of consumers across more channels, advertising campaigns will need to become laser-focused and highly targeted.

WHERE SHOULD YOU FOCUS YOUR ADVERTISING?

While the answer will look different for each company based on its product catalogue and target audience, it helps to see what others are doing to stay ahead. For example, consider what transpired at The Candleberry® Candle Co. After changing up its approach to Google advertising, the brand was able to increase revenues 95% year-over-year.

"It was unbelievable what happened. Our business exploded...because we were positioned perfectly."

— Lisa Clark, Creative Director, The Candleberry® Candle Co.

See how they did it: [Read the success story](#)



CONTACTLESS SHOPPING

Lockdown has accelerated the adoption of click and collect as a delivery preference for the UK. Barclaycard reports that 30% of consumers have used click and collect services more often in 2020.

Since 2020, at least 80% of retail shops offered click and collect, (up 32% on 2019). The click-and-collect market in the UK is forecast to reach £9.6 billion in 2022, accounting for 13.9% of online sales.

Retailers have joined forces to expand their reach and make it easier for consumers to access their products. The end result is a multichannel approach for brands and increased consumer satisfaction.



FRICTION-FREE COMMERCE

Mobile commerce, social commerce, conversational commerce, voice-assisted shopping, augmented reality...these and other trends have been at the forefront of sellers' strategies for years. And now, they're emerging into one overarching reality: Friction-free commerce is here to stay.

With a global pandemic accelerating the **uptake of voice-assisted commerce** and **preferences for contactless options**, the implications are clear. The entire shopping experience will need to become continually easier and more effortless as consumers become increasingly accustomed to making purchases that are fast and furious, without roadblocks or delays.



THE RISE OF SUBSCRIPTION SERVICES

Amid the increasing complexity of e-commerce channels, brands and retailers have discovered a new method for remaining relevant — one that appeals to consumers' innate desires for ease, convenience and, more recently, safety. Rather than simply expanding to additional channels, they're turning to subscription-style buying that removes the mystery from price-comparing and puts repeat purchases on autopilot.

More than half of subscribers in the US are now taking advantage of subscription services to try new products, while one in five use them to ensure products are available to them during the pandemic. And close to 40% say they find subscription boxes to be "easier than shopping." In the UK, almost half of online shoppers **now pay some kind of subscription box service** — up from 34% last year — and receive three deliveries in an average month.

By 2023, **75% of direct-to-consumer sellers** will be offering subscription boxes as a way to tap into the power of personalization. As subscription services continue to swell, so will their influence on consumer expectations for ease, convenience and personalization.



ONE-HANDED COMMERCE

As the industry inches ever closer to more friction-free experiences in 2021, consumers will start to see more of their needs met within the same single mobile apps. With the average smartphone consumer **using just nine of 80+ installed apps** on a daily basis, it may be hard to imagine the mobile commerce experience being consolidated even further. Yet that's exactly where things are headed. Universal shopping carts and "tap to buy" buttons will free shoppers to make fast buying decisions while navigating shopping apps with one hand. Google Shopping, Facebook Marketplace and Checkout on Instagram are already accelerating this trend, and additional advancements will no doubt follow.



DIRECT-TO-CONSUMER SELLING

It's already a well-known fact that today's empowered consumers want to buy directly from their favourite brands. As early as 2017, more than half were **purchasing products from manufacturers** when given the option. And while that was the same year Nike initially made waves by agreeing to sell on Amazon, the watershed moment was short-lived. The behemoth brand was **pulling its products from the platform** within two years, stirring up longstanding concerns about unauthorised sellers and **brand registry battles to protect products** from erosion.

Moving into 2021, direct-to-consumer selling will remain a highly influential trend worth watching. **Direct online sales saw strong growth** last year, increasing 24.3% to \$17.75 billion in the US alone. Nike's **D2C sales now account for an estimated 33%** of the company's revenues, and many other forward-looking brands are following suit. As consumers continue to shift their buying back to brand apps and websites, we expect to see more advancements on the direct-to-consumer front.



SHIFTING DEMOGRAPHICS

As ease and convenience permeate bigger shares of the e-commerce environment, sellers will need to pay attention to not just how purchases are made but who they're going to. While just **six in 10 baby boomers** were buying products online a couple of years ago, recent events have influenced more than half of this demographic to **shop online more frequently**. And those numbers increase significantly with each subsequent generation: An estimated 63% of millennials have **increased their digital spending** since the start of the COVID-19 pandemic, as have 65% of Gen Z consumers.

Those who have never known a world without the internet and mobile apps are increasing both their purchasing power and their influence over unfolding trends. At the same time, older cohorts are moving toward the convenience and ease of e-commerce at levels not previously seen. These shifts will no doubt continue to reshape how and where brands and retailers will need to focus efforts in the months to come.



FULFILMENT OF THE FUTURE

Fast, free shipping is officially old news. Moving forward, the focus will be on resourceful and inventive methods for fulfilling orders faster than ever while keeping costs manageable. According to **Forrester's latest predictions**, 2021 will be the year for brands and retailers to increase investments in everything from drop shipping to micro-fulfilment centres. Some omnichannel retailers are leveraging physical stores to **fulfil more e-commerce orders**, while others are using the dark store model to **turn low-traffic locations into high-volume fulfilment hubs**. As these and other innovative approaches continue to gain momentum, they're likely to have a big impact on consumer expectations.

ESSENTIAL STRATEGIES, TOOLS AND TECHNOLOGY

Let's face it: Your company has already faced a lot of changes, and there are still some big transitions in store for 2021. Now more than ever, it's imperative to stay ahead of big trends and changes as they continue to unfold. And that means having the right methods in place. Several key strategies, tools and technologies can help ensure your business will remain prepared throughout the year ahead.



BENCHMARKING

Which categories are growing the fastest, and how do those trends compare to the industry at large? Are products performing as well as they could be, or are average order value and spend per visit trending low? These are the kinds of questions e-commerce companies will need to be asking throughout 2021. By **matching internal growth metrics** to those of competitors and marketplaces, it will become easier to identify where to focus efforts for future growth.



MEASURING

What new measurements and KPIs will companies need to watch as the landscape continues to evolve? For years, brands and retailers have treated advertising and transactional teams as two separate units. Moving forward, this siloed approach will no longer work. Optimising in a world where advertising reigns on Amazon and transactions can happen on Google will require new ways of thinking. Whether it's internal departments or external agencies and partners, uniting these divisions will be essential. Together, they'll determine which metrics to measure and what processes to change.



ANALYSING

As brands continue to expand their reach across an ever-growing array of retail channels, it's more imperative than ever to identify and address issues as they occur. From tracking prices and promotions across retailers to monitoring customer reviews, there's a lot to manage. And since each of these areas can have a direct impact on your brand equity, it's essential to keep a close eye on data — and recognise when it's time to take action. This is where **e-commerce intelligence** comes in. With the right mix of actionable insights, it's much easier to manage online distribution and boost sales, all while protecting the brand's reputation.



SHOPPABLE MEDIA

In just two years, “near me” mobile searches containing a variant of “can I buy” or “to buy” **grew over 500%**. Whether consumers start spending even more time on brand sites or want to know which retailers carry desired items, the implications are the same: Telling consumers not just how to find products but also **where to buy them** will be key to reducing friction. As one-handed commerce continues to take hold, shoppers will be even less inclined to spend time searching for that information themselves.



INTELLIGENT PRICING

Competitive pricing is one of the most important differentiators when it comes to landing sales. But rather than approaching pricing as a delicate balance between peak seasons and promotions, sellers need to be prepared to take a more data-driven approach. For a product catalogue to stand out on Google, Amazon, Facebook and Instagram — not to mention the fast-growing array of global marketplaces — sellers will need to move away from the outdated software-and-spreadsheet mix to embrace dynamic solutions. The more a product price can be automatically adjusted to match sales velocity and the current competitive climate, the better positioned each listing will be across channels.



OPTIMISED ADVERTISING

If there's one certainty that won't change in 2021, it's this: Consumers will continue to drive where, when and how product discoveries are made. As shoppers drive further down the path of "always on" browsing and buying, sellers will need to fine-tune advertising strategies to make sure they're laser focused on getting the right products in front of the right people — at all the right times. Whether it's [optimising product data feeds](#) or [conducting an in-depth advertising audit](#), finding the right mix of paid search, social media and marketplace advertising will be essential.



FULFILMENT AUTOMATION

At a time when fast, free shipping has given way to instantaneous and data-driven deliveries, sellers will need to rethink the ways they fulfil. Few, if any, sellers will be able to take on the speed of automated drones and Amazon air fleets without experiencing deep cuts to profits. To remain relevant in this new landscape, brands and retailers will need to think beyond the basics of carrier diversification. Sellers that have not previously [partnered with a third-party logistics provider](#) or experimented with [intelligent order routing](#) will likely need to start taking steps in these directions.



STREAMLINED DATA FEEDS

Having high-quality product data will remain central to every strategy and expansion, across all e-commerce channels. From creating strong titles and descriptions to [ensuring feeds are destination compliant](#), having the right product data in place impacts virtually every aspect of e-commerce success. As complexity within the industry increases further, it will become even more important to centralise inventory management, digital marketing and more through optimised data feeds.

SOLVING FOR COMPLEXITY

Above all, it's important to recognise that the e-commerce landscape will continue to evolve. Many of the consumer behaviours detailed above are likely here to stay, and others will continue to surface. With the rising number of new online shoppers and increased frequency of online buying, the e-commerce industry will remain in a constant state of evolution to meet ever-changing needs and expectations.

So where does that leave brands and retailers?

Many sellers are being forced to expand their strategies across dozens of e-commerce channels. At the same time, internal teams — IT, sales, manufacturing, marketing, operations and more — are getting more and more bogged down by product and customer data. And for many companies, this is all happening as they're pursuing a wide range of goals and objectives.

As a result, today's brands and retailers seek:

- **Operation Agility**

To manage all selling, marketing and fulfilment efforts in a single, unified, centralised platform — aligning internal teams and eliminating the need for wasteful internal processes.

- **Ease of Expansion**

To meet consumer demand by easily expanding to net new channels without having to expend IT and development resources trying to keep up with compliance.

- **Optimisation**

Connecting to new channels is just one part of the equation: Sellers need cutting-edge technology to rise above the competition once they're there.

- **A Trusted and Proven Solution**

Niche solutions come and go. Brands and retailers need to know their partners are tested and proven and will be able to scale with their business.

That's why the world's largest brands turn to ChannelAdvisor — the industry's most trusted e-commerce solution that helps brands and retailers solve their digital marketing, direct-to-consumer, marketplace, first-party retail and fulfilment needs — all in a single, centralised platform.

Connect and optimise the world's commerce

ChannelAdvisor is a leading provider of cloud-based e-commerce solutions that enable retailers and branded manufacturers to integrate, manage and optimise their merchandise sales across hundreds of online channels including Amazon, Google, eBay, Walmart, Facebook and more.



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