

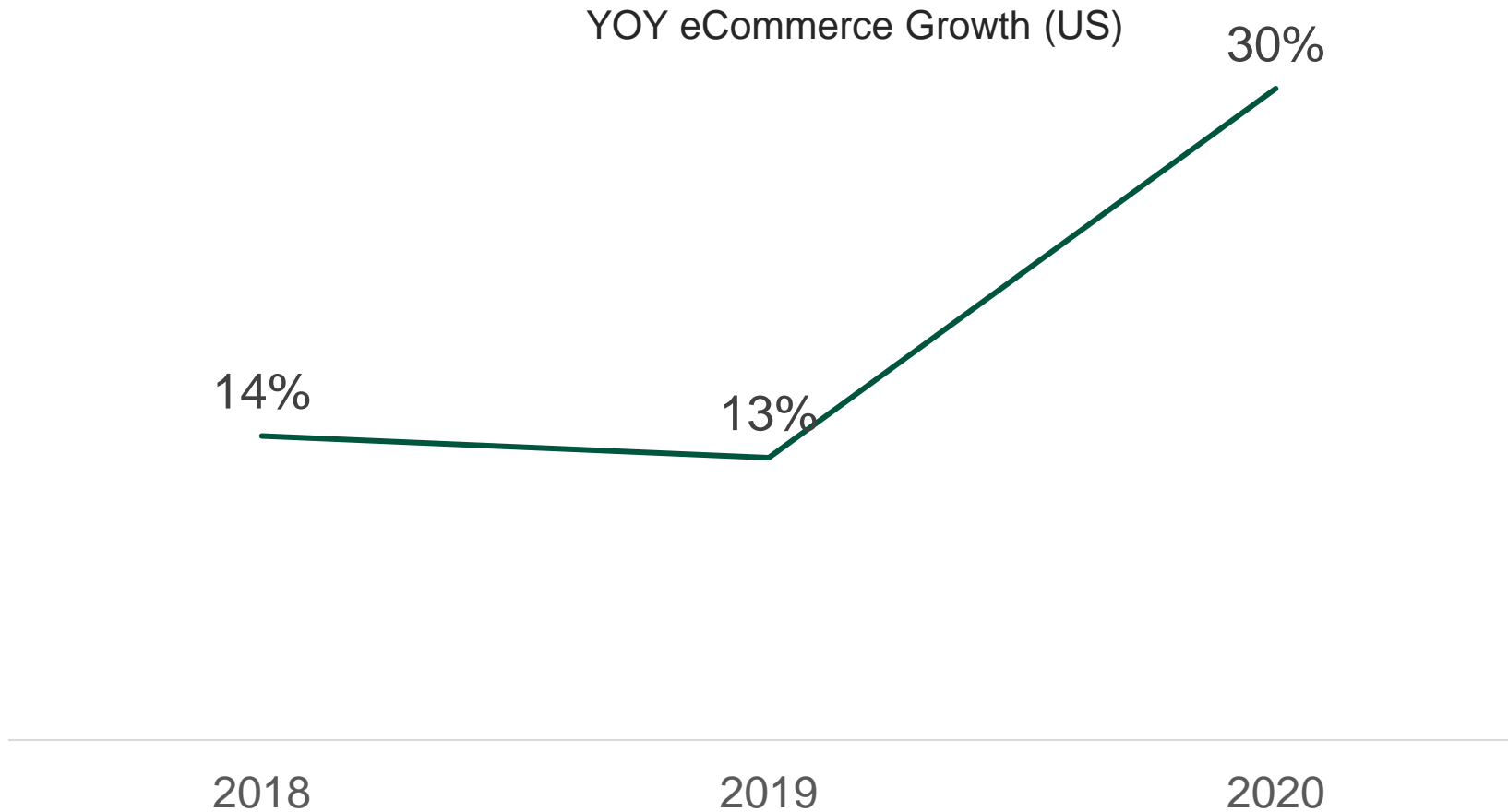
AI, Elections, Inflation and Omnichannel: What Will and Won't Drive E-Commerce in the Next Year

Sucharita Kodali
Retail Analyst

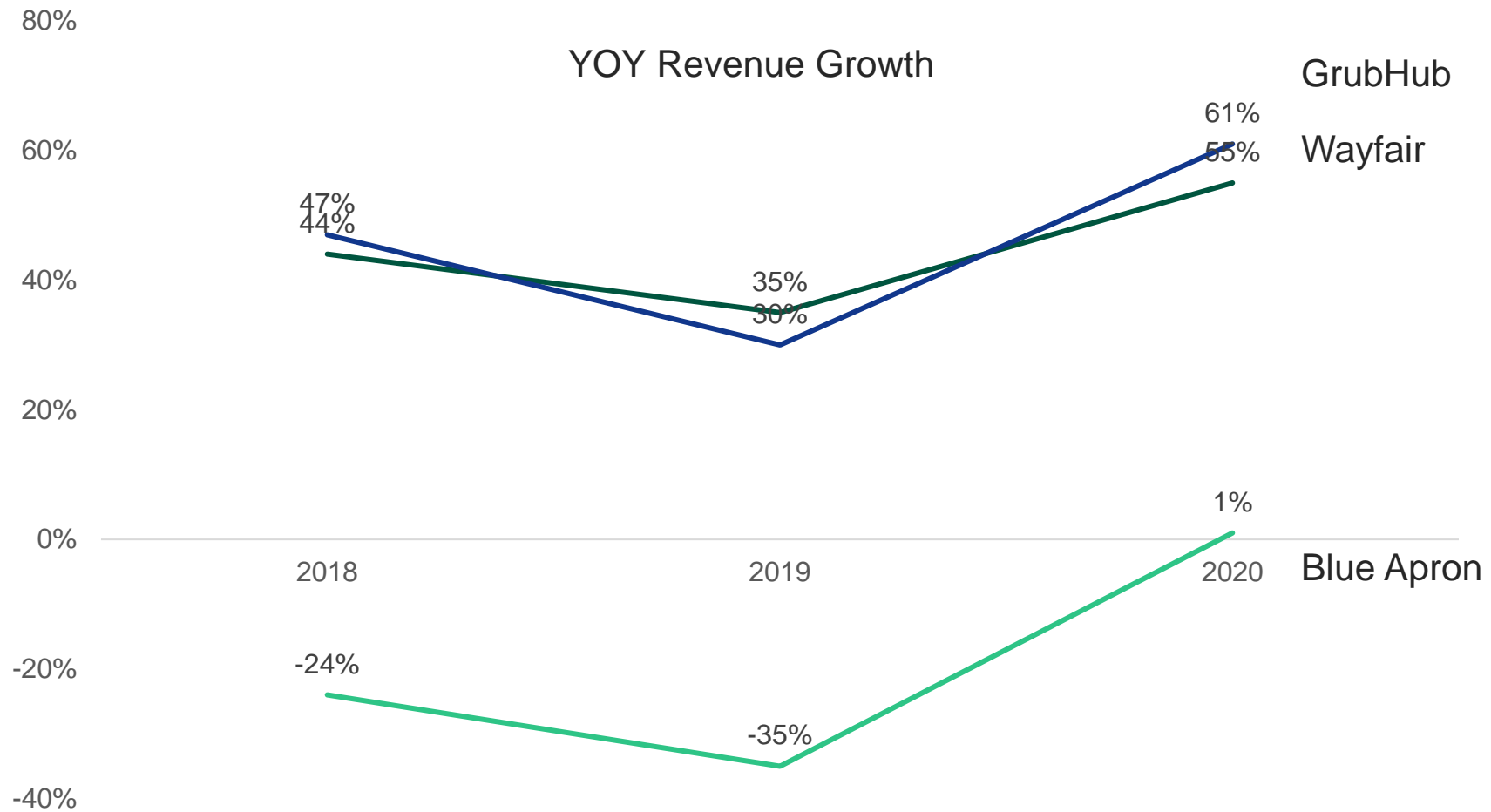
E-commerce was a hockey stick early in the pandemic



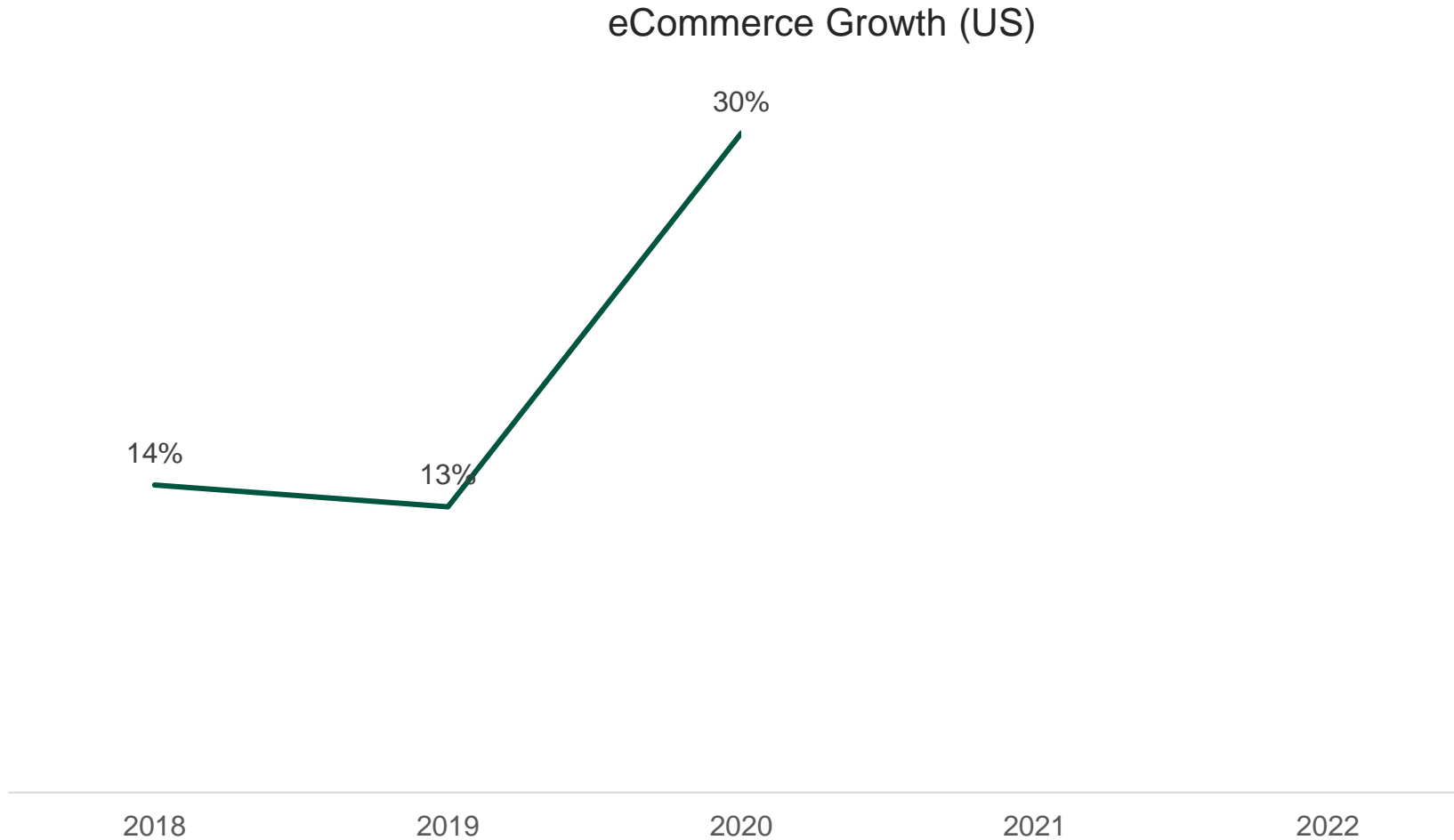
E-commerce was a hockey stick early in the pandemic



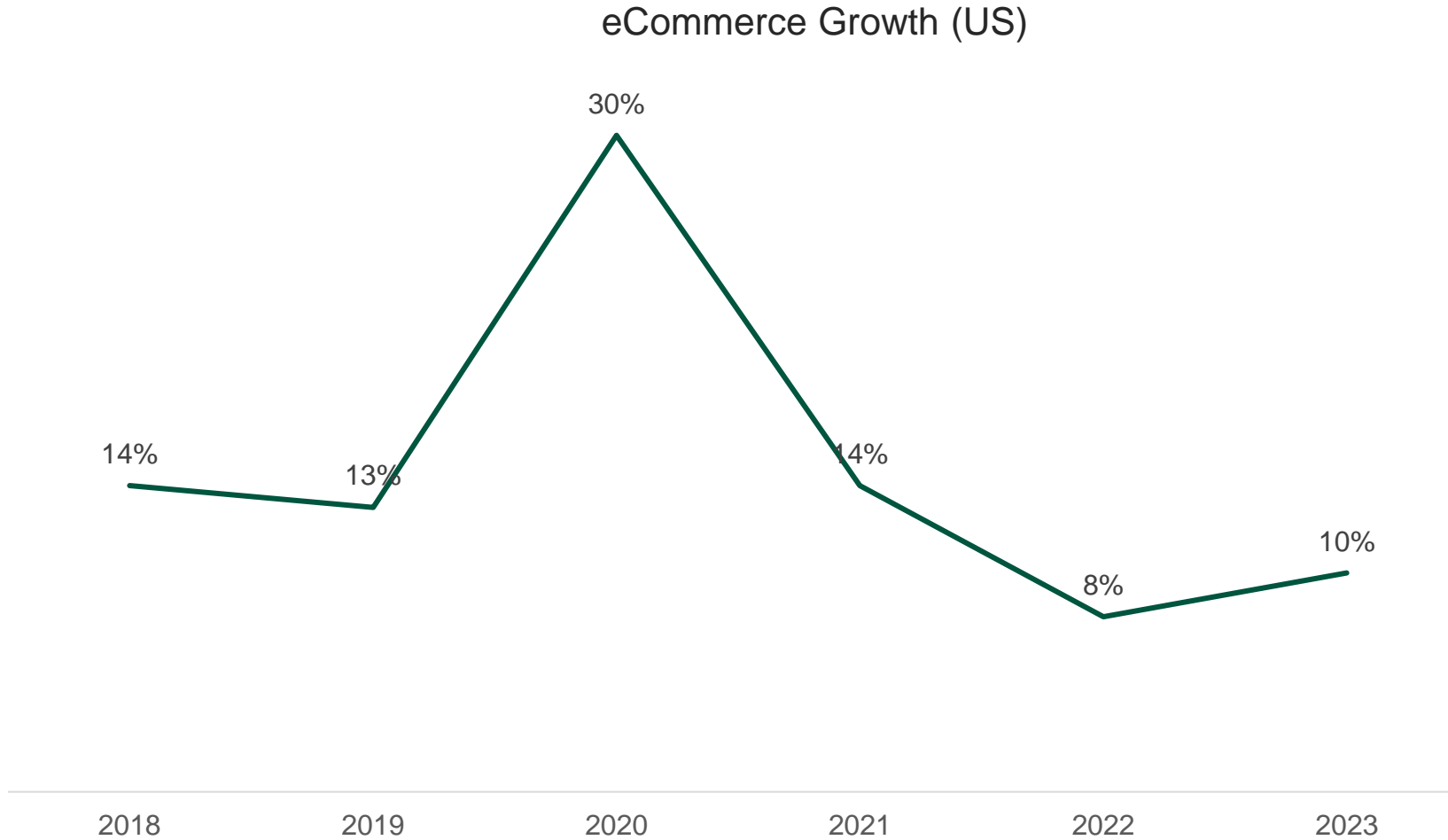
This also held true for many companies



Here's what has happened since

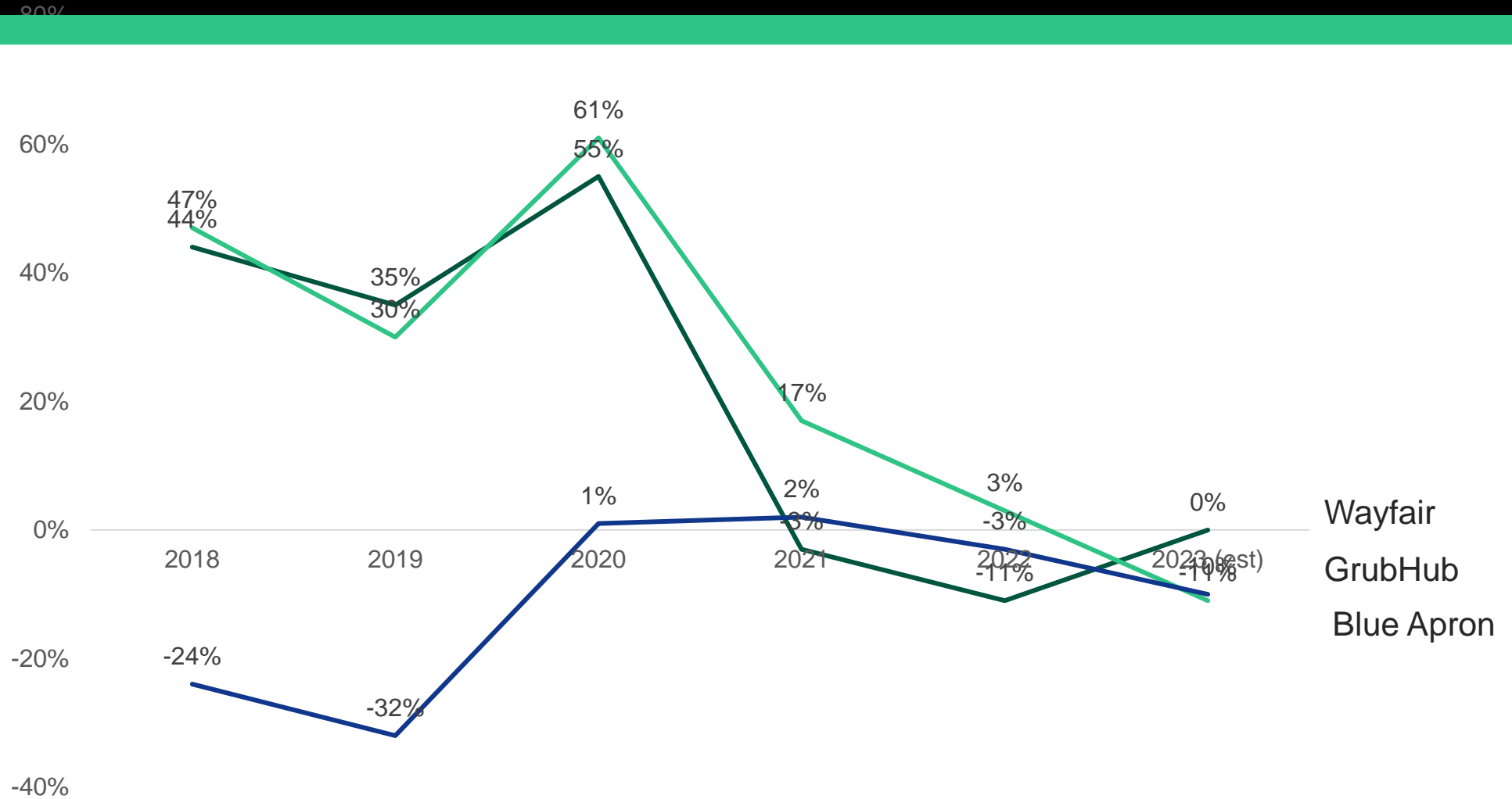


Here's what has happened since

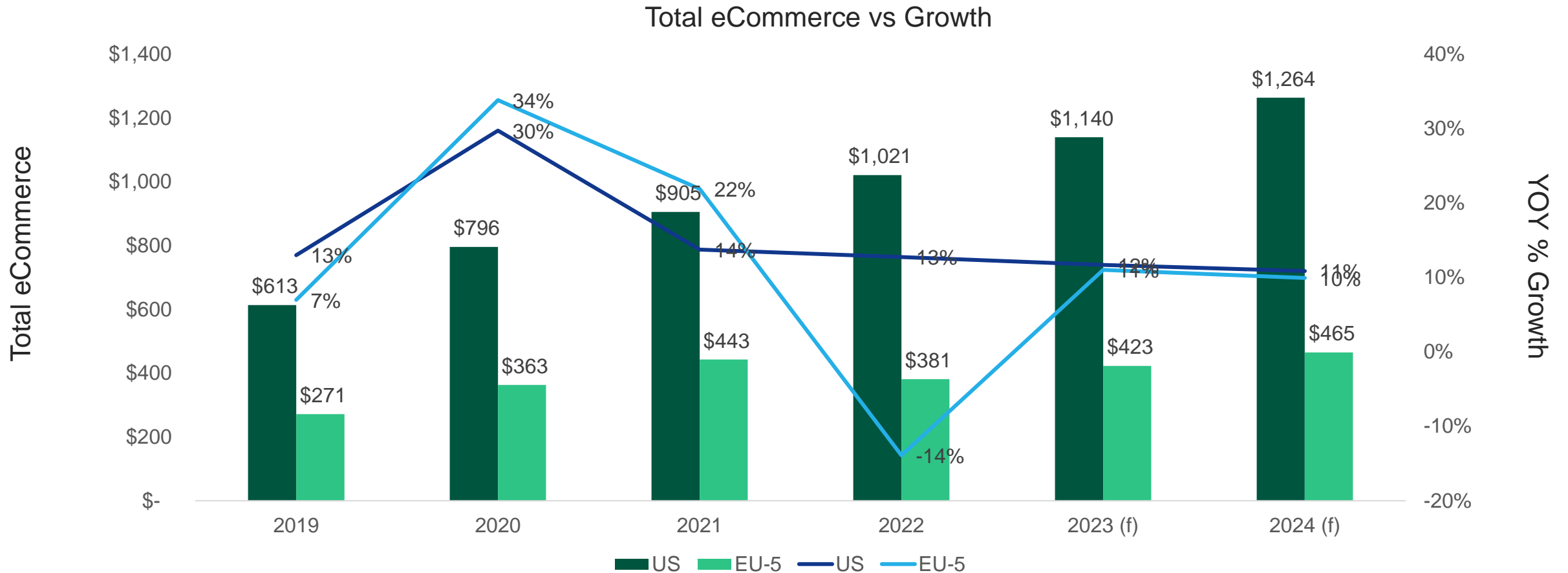


“Sugar High”

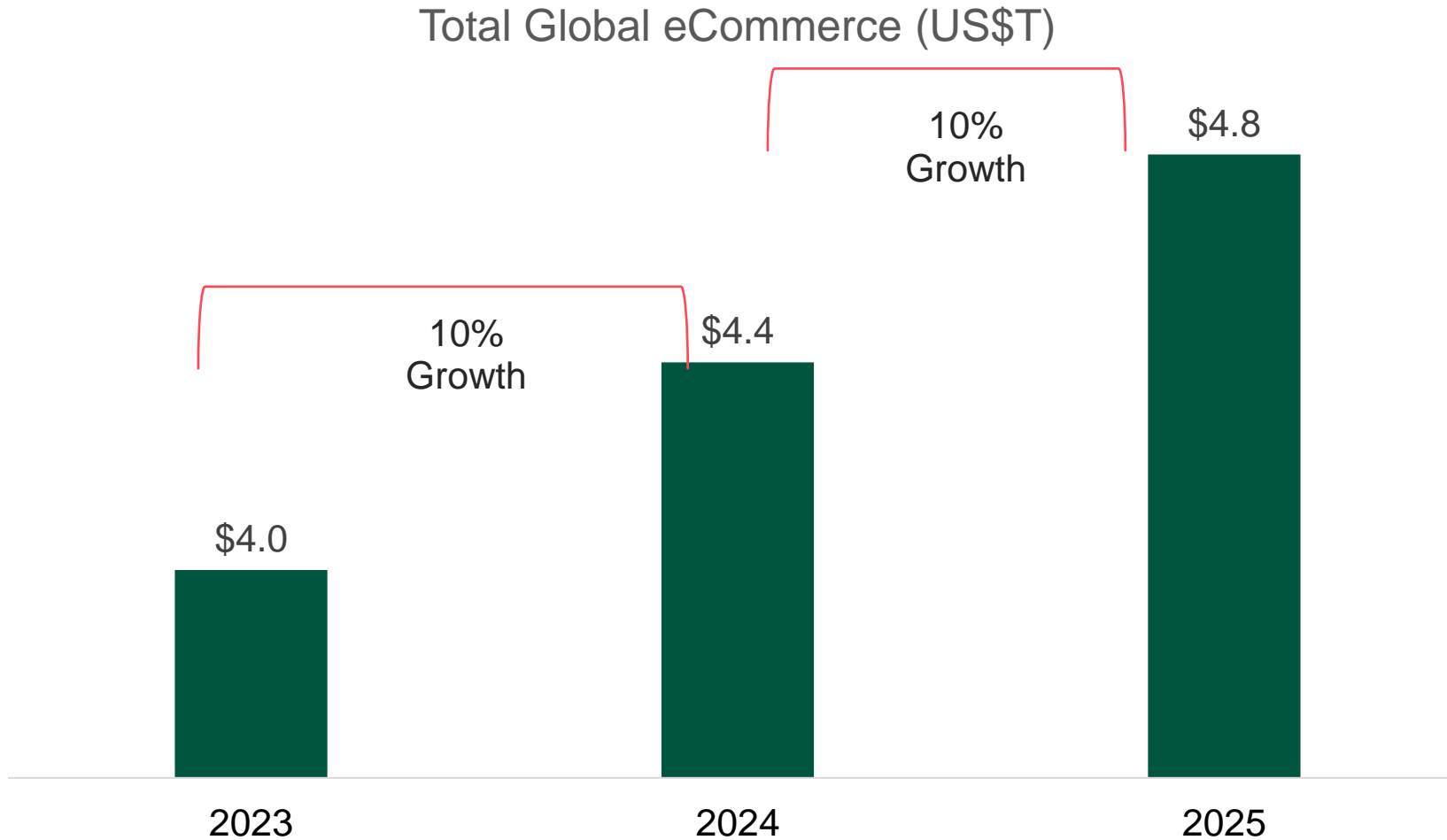
It was a similar story for many companies



Following the pandemic, things returned “back to normal”



That said, double-digit global online retail growth is strong



Unemployment levels around the world are single digits

% unemployed as a % of the labor force

North America

US	4%
Canada	6.3%
Mexico	2.8%

Latin America

Brazil	8%
Chile	8.7%
Argentina	8%

Europe

Germany	3.3%
France	7.4%
UK	4.2%

Asia-Pacific

China	5%
Japan	2.5%
India	4.7%

GDP growth around the world is positive

Real GDP, estimated % for 2024

North America

US	2.7%
Canada	1.2%
Mexico	2.4%

Emerging Markets

Brazil	2.2%
Russia	3.2%
Nigeria	3.3%

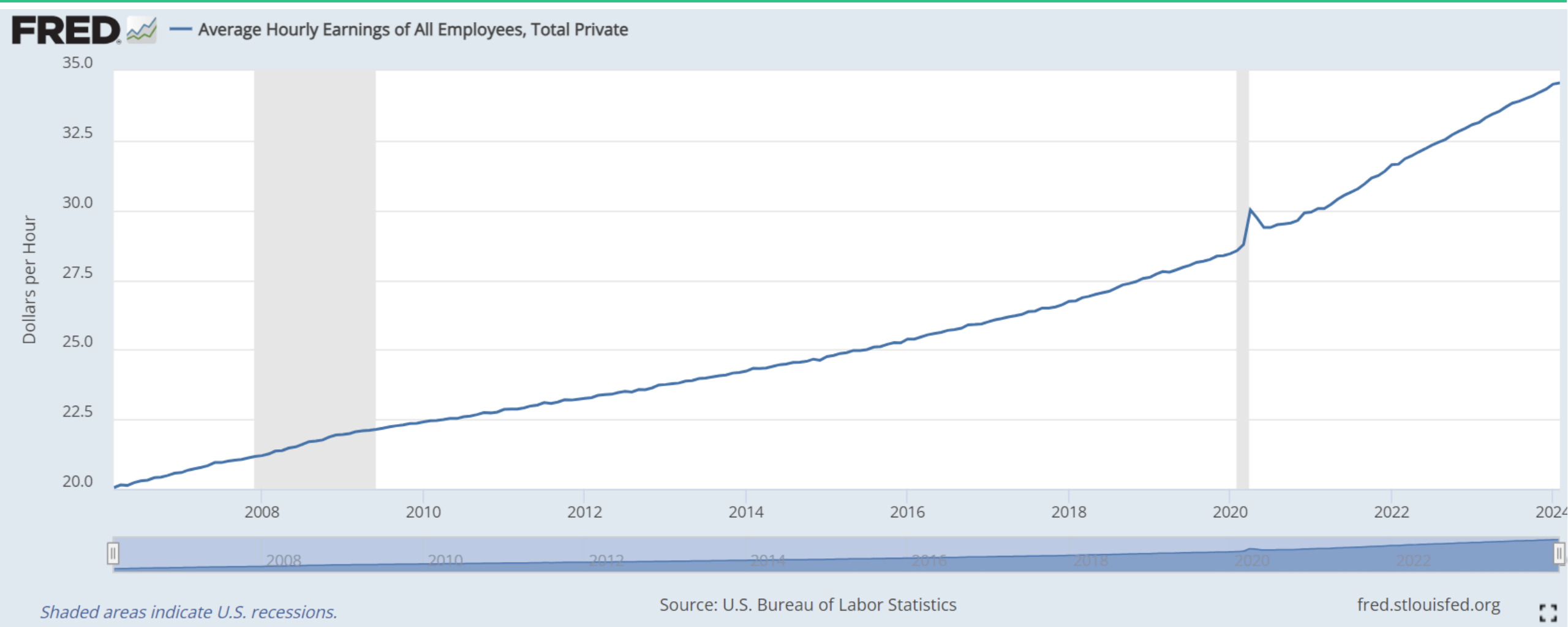
Europe

Germany	0.2%
France	0.7%
UK	0.5%

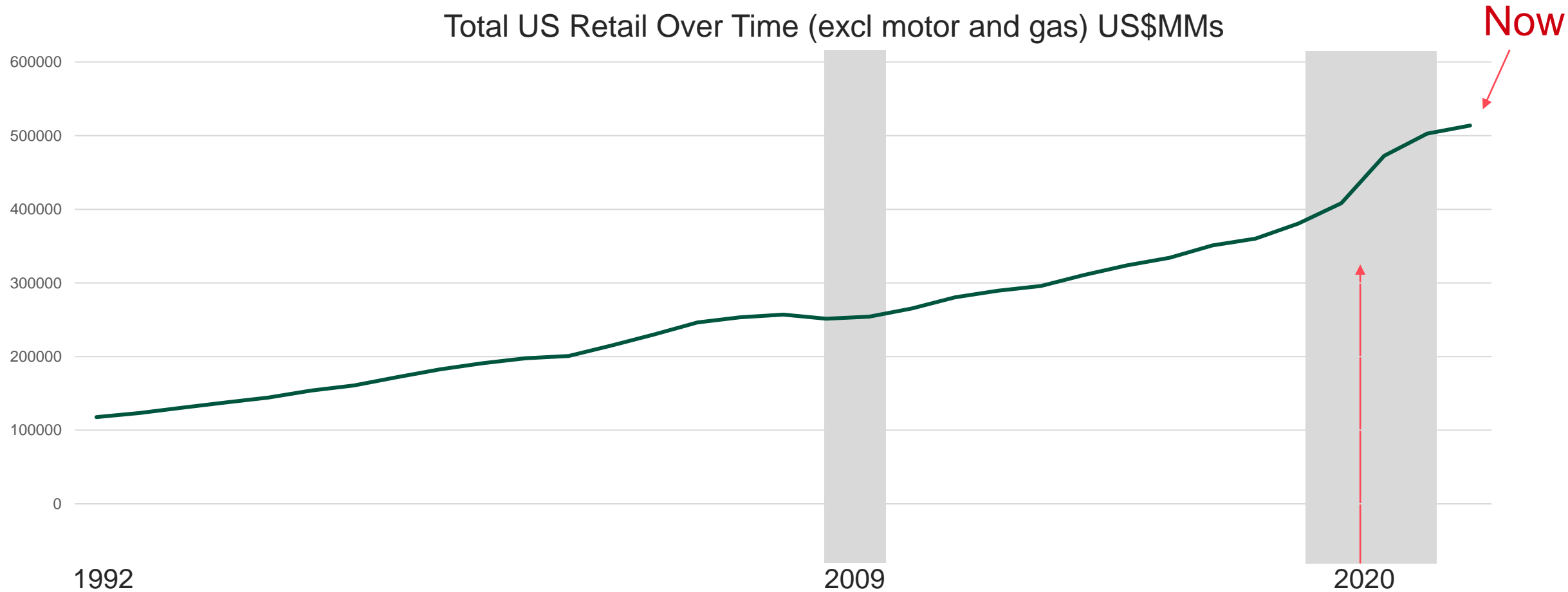
Asia-Pacific

China	4.6%
Japan	0.9%
India	6.8%

Wages are high



Retail spend is higher than ever



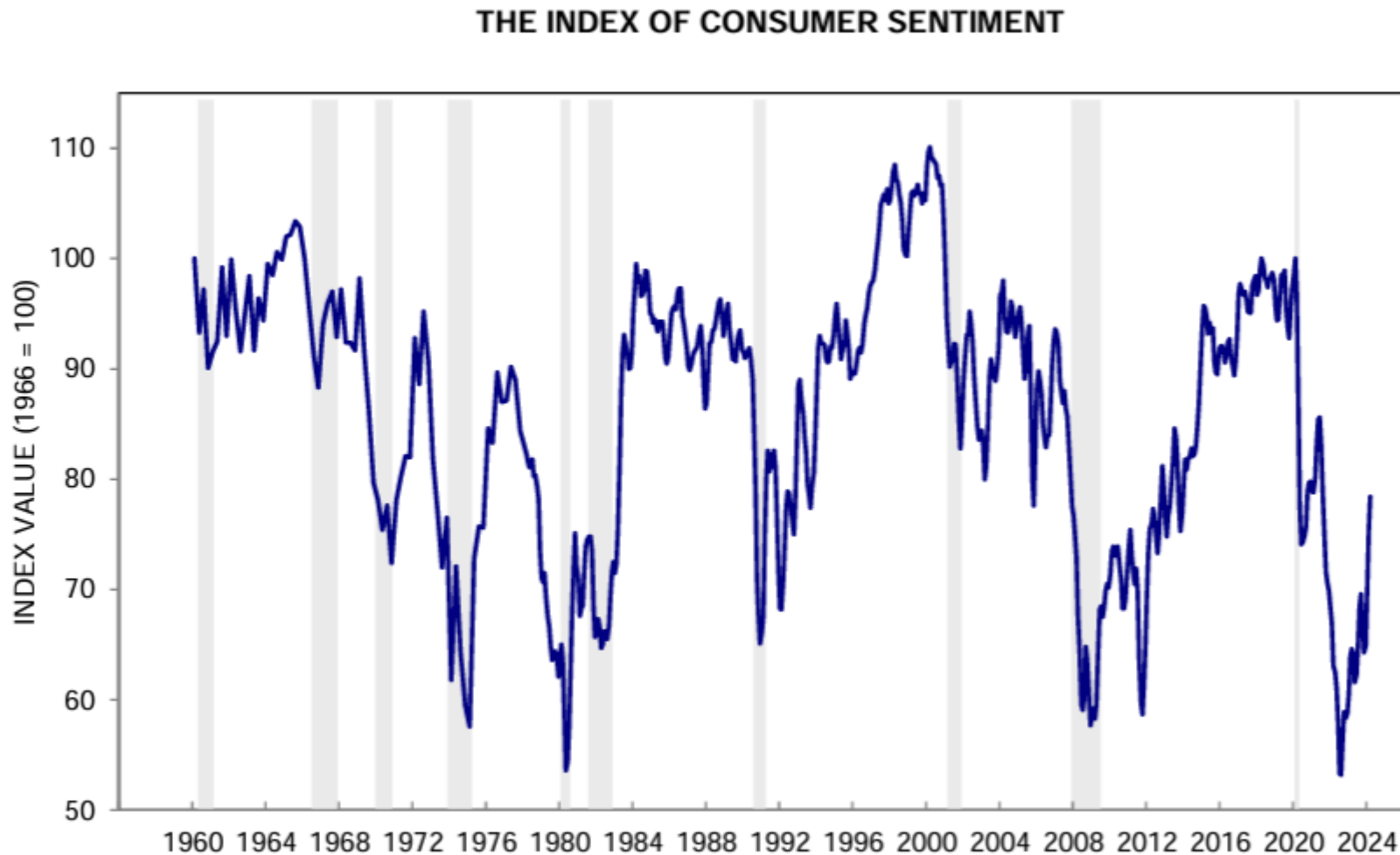
Source: US Census Monthly Retail Sales (monthly February data)

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“How do we address the economic
downturn?”

HUH????

What is down is consumer sentiment



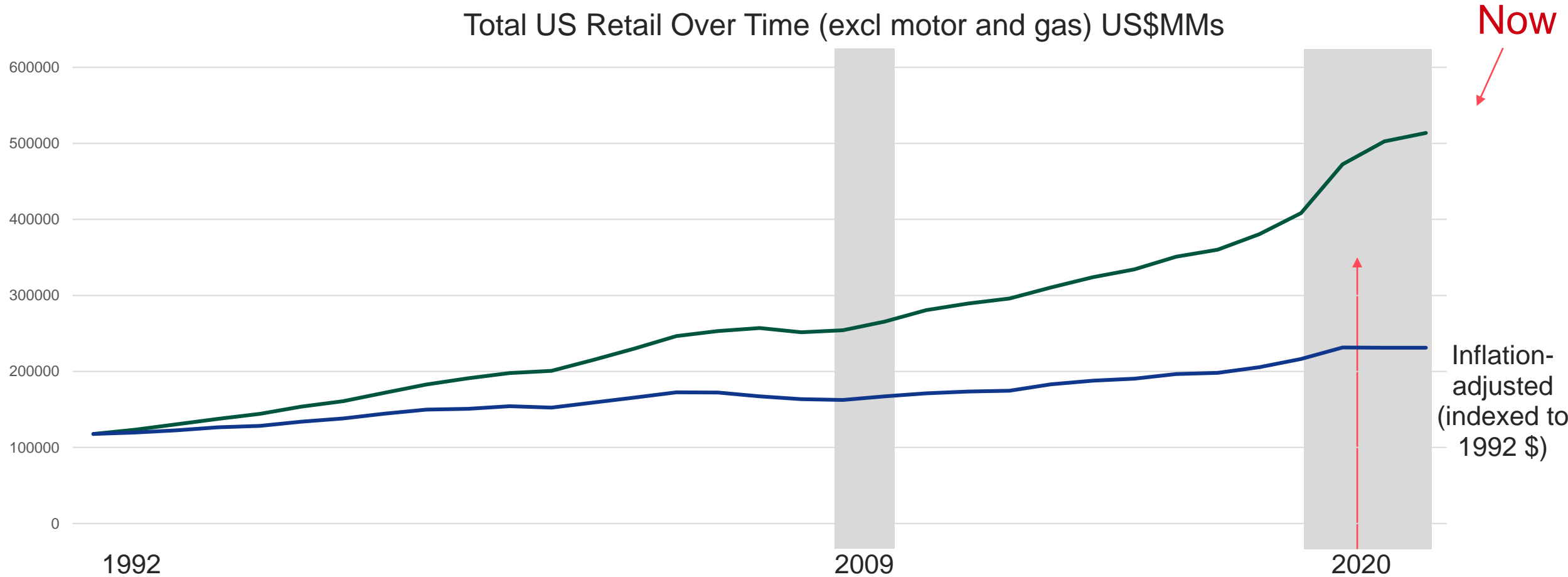
“Vibecession”



**Inflation
actually is a
problem ...**

**Prices are 20%
more now than
in January 2020**

With inflation adjusted, spend is slightly higher

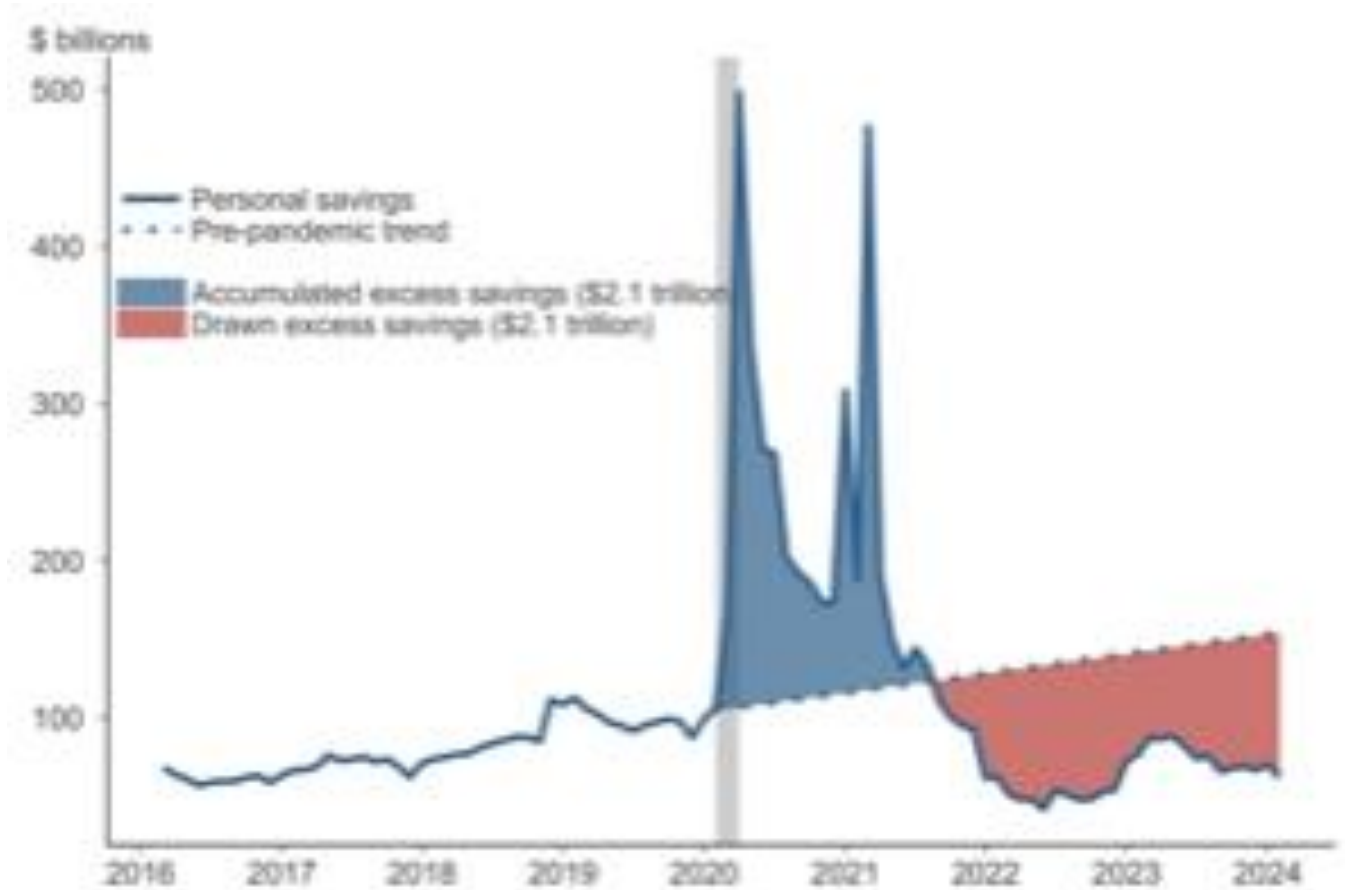


Source: US Census Monthly Retail Sales (monthly February data)

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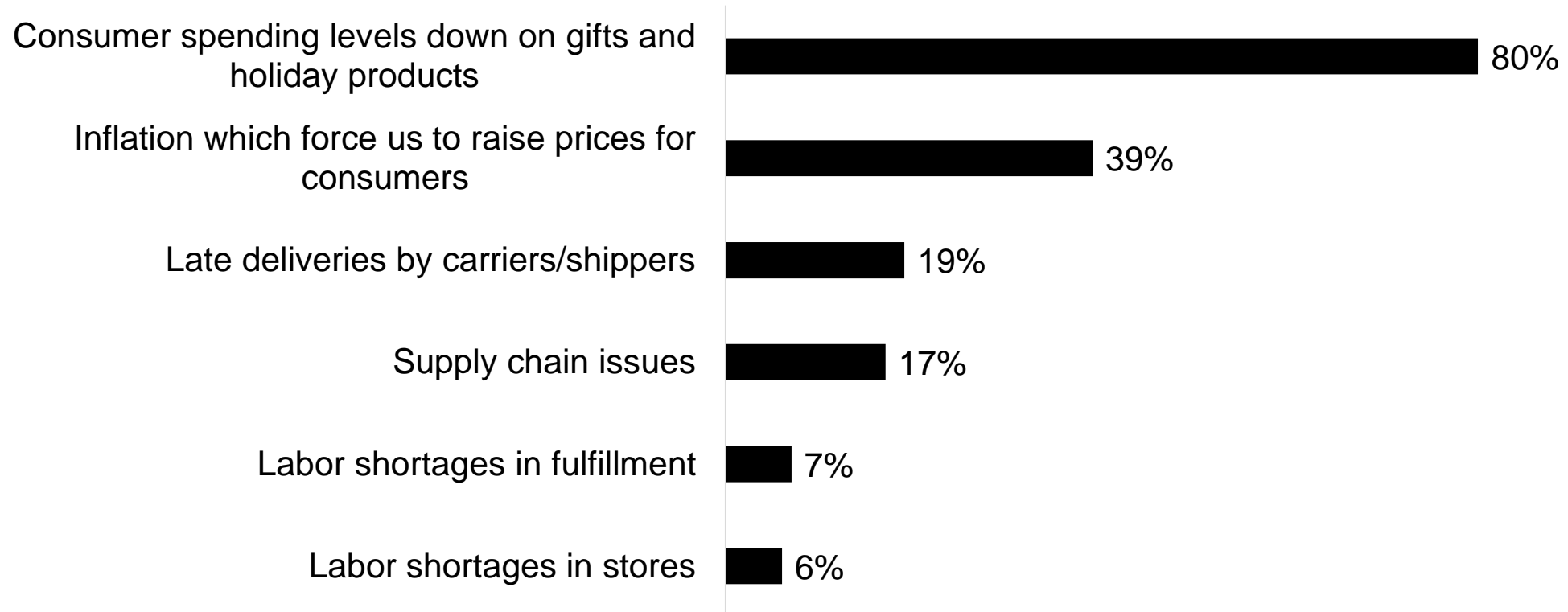
Pandemic savings help consumers spend, which has driven prices up

\$30B in “pandemic excess savings” left



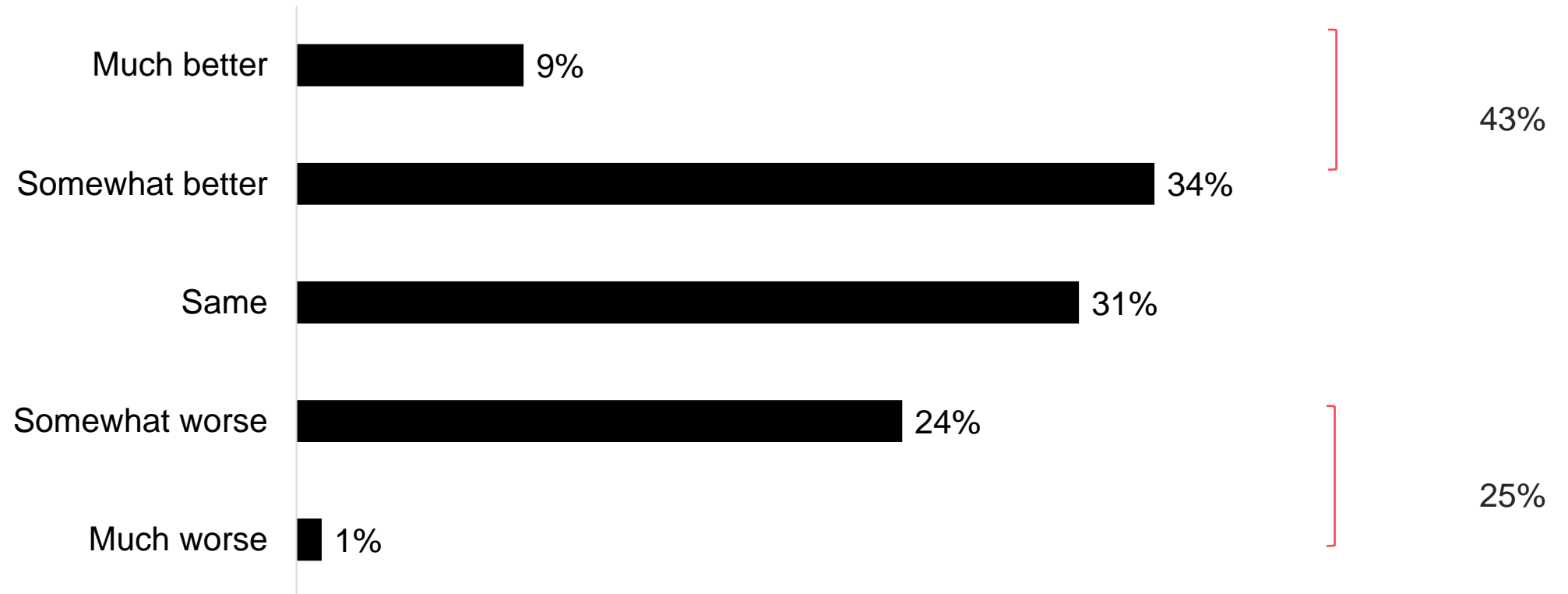
Retailers are worried about consumer sentiment

Which of the following concerns you for the 2024 holiday season? (select all that apply)



But they are optimistic about online sales

Considering both your company's situation and the macro environment, how do you expect online holiday sales in 2024 will do compared to 2023?



SoLoMo is still alive and kicking ... but not always delivering revenue or profit

Last mile has been a huge investment area

Top 10 Most-Funded Retail Startups



Quick commerce was a fast bust

Getir, the \$12B instant delivery startup, plans to axe 14% of staff globally and cut aggressive expansion plans

Ingrid Lunden @ingridlunden / 11:00 AM EDT • May 25, 2022



Daily Crunch: 7 months after raising \$1B, grocery delivery Gorillas exits four countries and lays off 300

Christine Hall, Haje Jan Kamps / 6:15 PM EDT • May 24, 2022

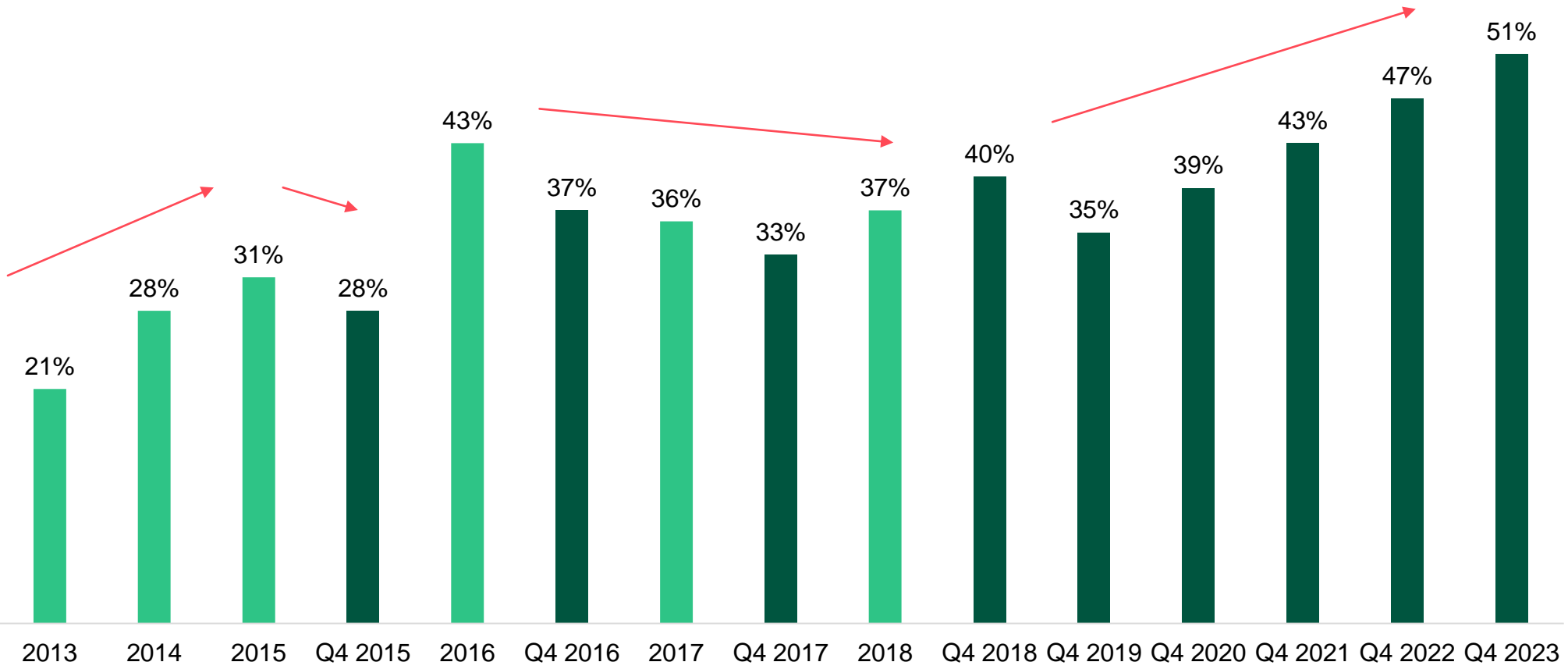


Jul. 12, 2022 12:53 pm

Gopuff is laying off 10% of its workforce in second major round of layoffs of 2022

Mobile commerce has had fits and starts

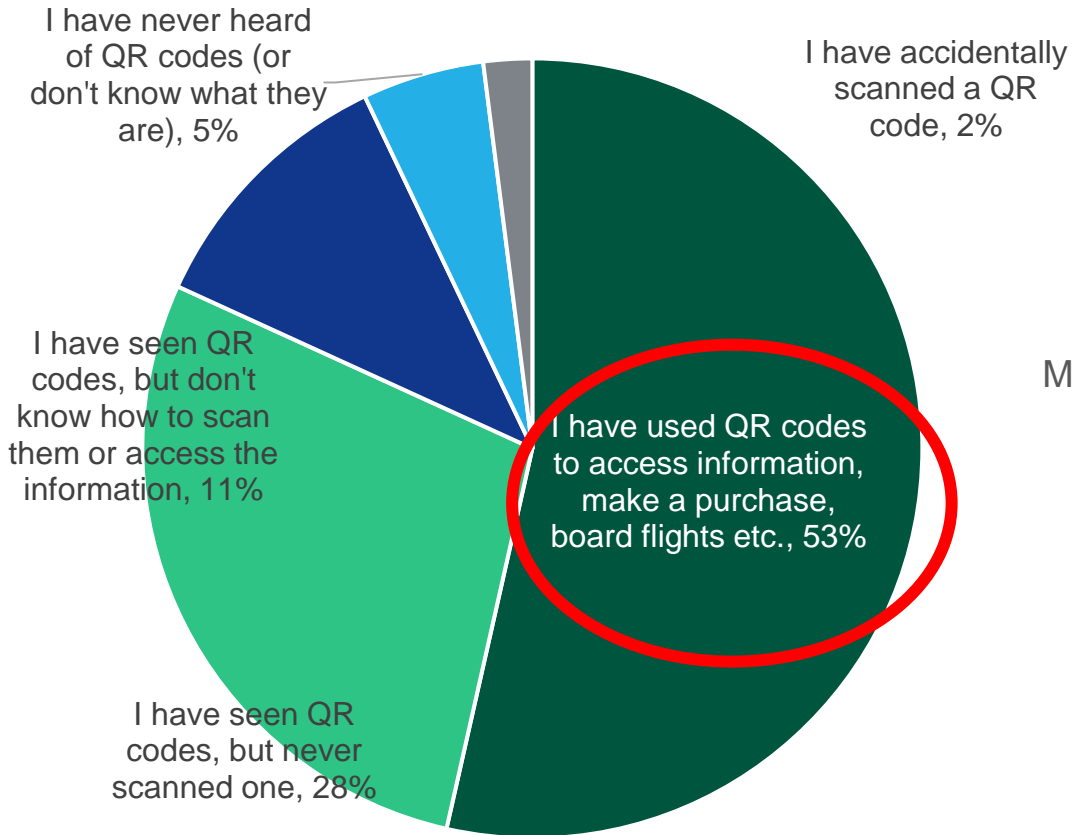
% of total online retail sales revenue that were purchased on mobile devices (phones and tablets)



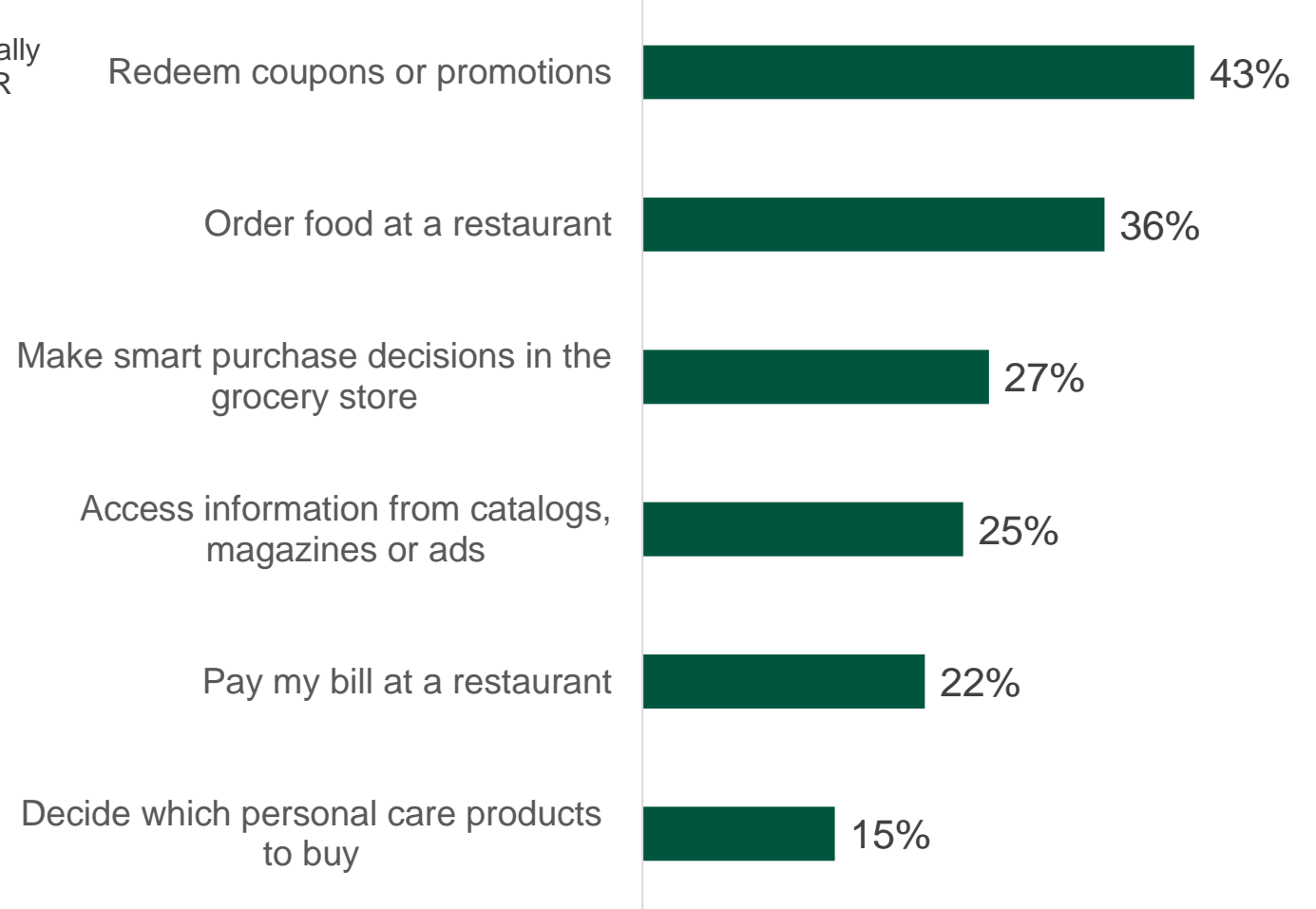
Source: Forrester/Shop.org State of Retailing Online Studies; Adobe Holiday Digital Index; Forrester mCommerce forecast

QR code usage is now fairly common

QR code usage and familiarity

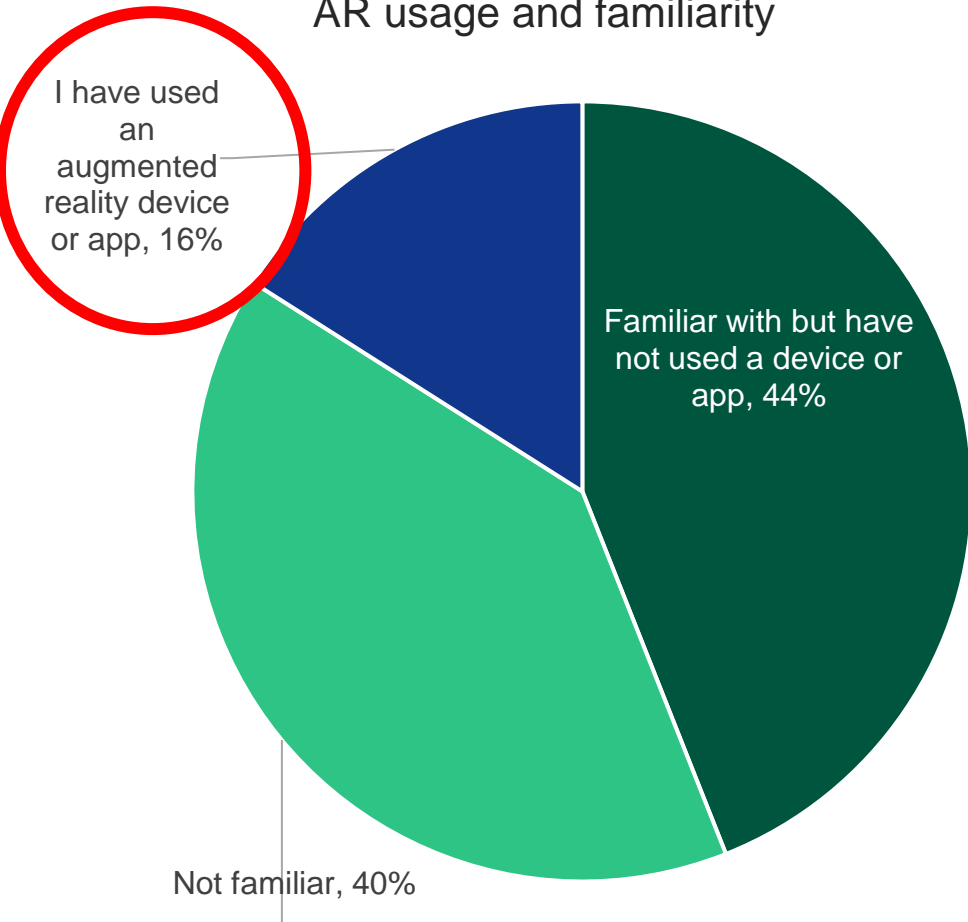


Common QR code use cases

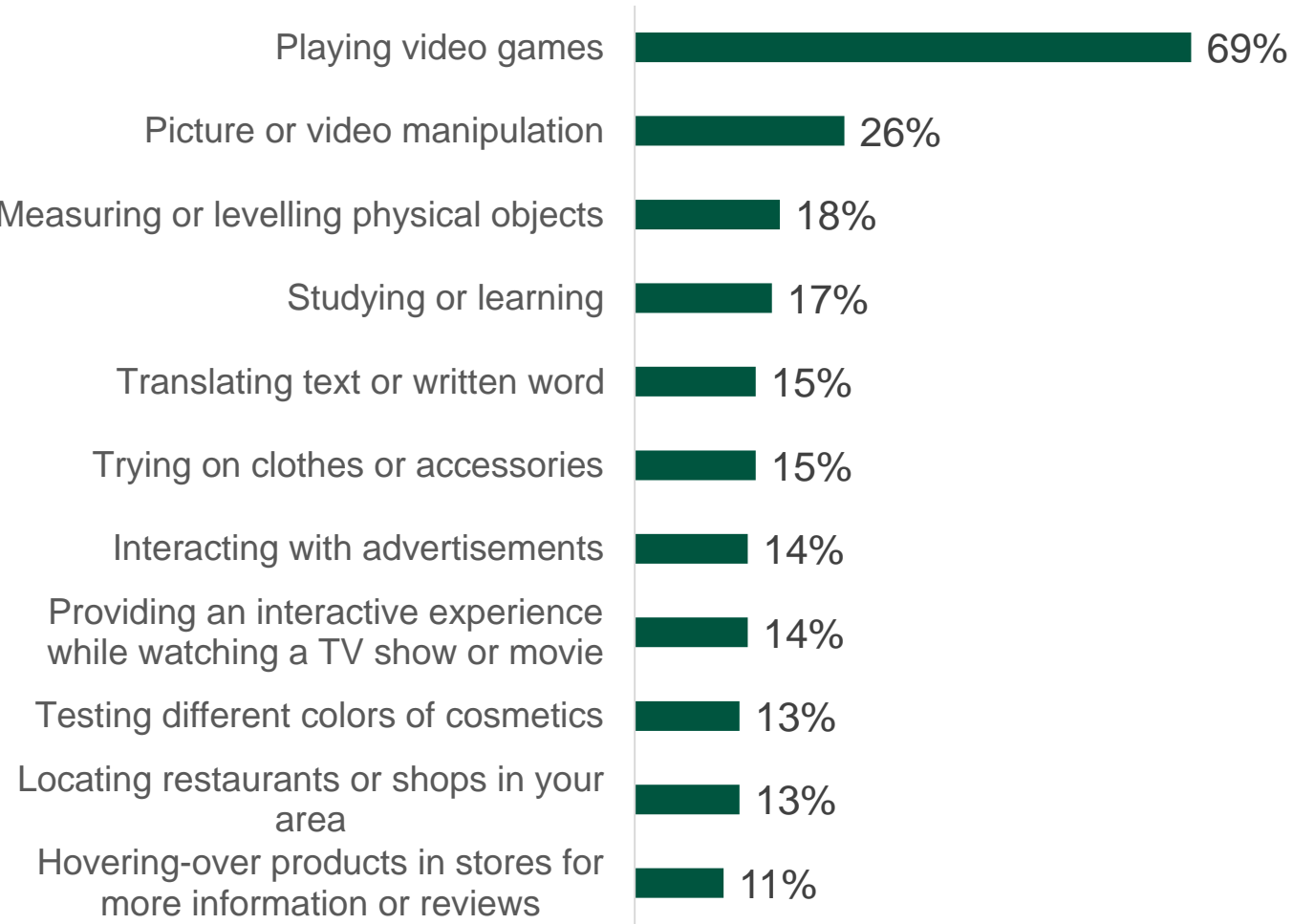


Even AR has double-digit penetration now

AR usage and familiarity

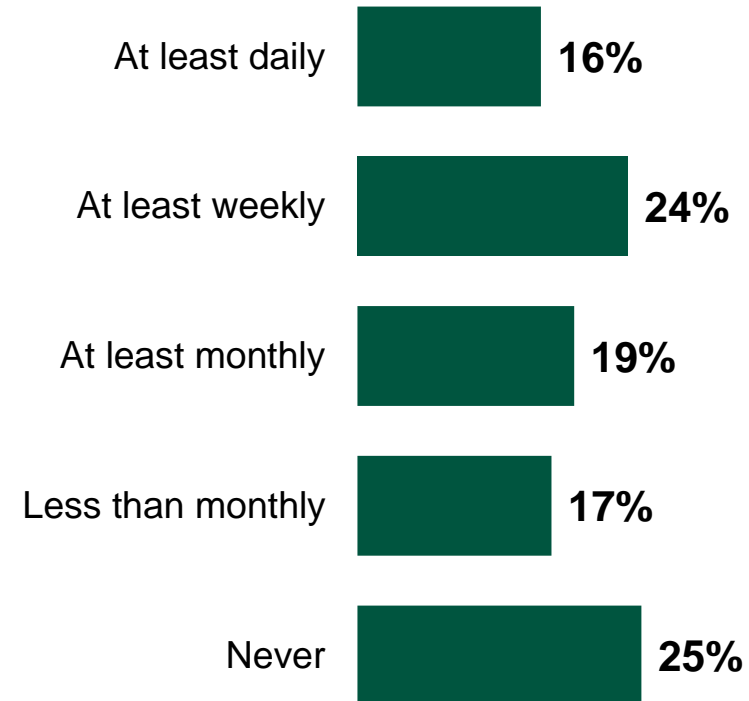


Common AR use cases





Shoppers do discover products via social media

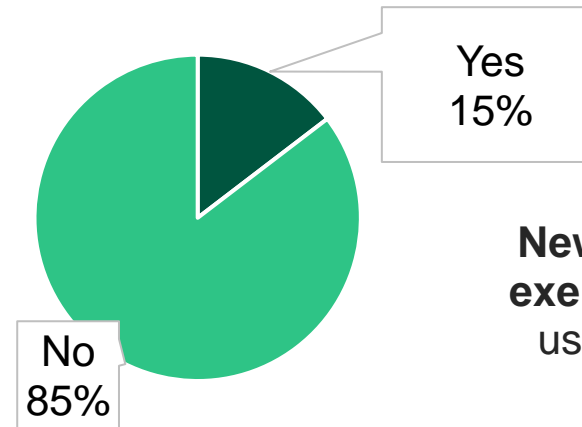


Base: 4808 US online adults
Source: Forrester's Retail Topic Insights Survey, 2023

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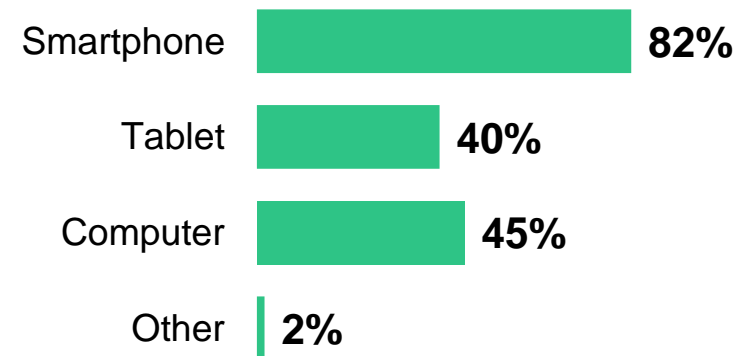


“Have you done any live online shopping?”



News, gaming and exercise are the top use cases for live streams

On which of the following devices have you participated in live online shopping?



U.S. live online shopping adoption remains low

Base: 4808 US online adults; 703 who have participated in live stream shopping
Source: Forrester's Retail Topic Insights Survey, 2023

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Instagram closes live shopping


Commerce

Instagram is killing live shopping in March, will focus on ads instead

Sarah Perez @sarahpereztc / 11:59 AM EST • February 14, 2023

 Comment

The Verge

Menu 

TIKTOK / CREATORS / TECH

The TikTok Shop rolls out in the US / TikTok's new online marketplace means you can now buy things right in the app, and TikTok itself will ship them to you.

Pinterest has a new press release about commerce seemingly annually

Pinterest Pushes Online Shop

BY PYMNTS | NOVEMBER 4, 2015



PINTEREST INTRODUCES SHOPPING BAG: HAS IT LEARNED FROM THE FAILURE OF OTHER SOCIAL NETWORKS?



Pinterest is moving beyond being an eye-candy with its new Shopping bag feature and a host of other updates.



NAINA KHEDEKAR JUN 29, 2016 12:41:01 IST

By Sarah Roach | March 10, 2022

FASHION

How Pinterest's newest shopping features are stacking up

BY KATIE RICHARDS | APR 24, 2020

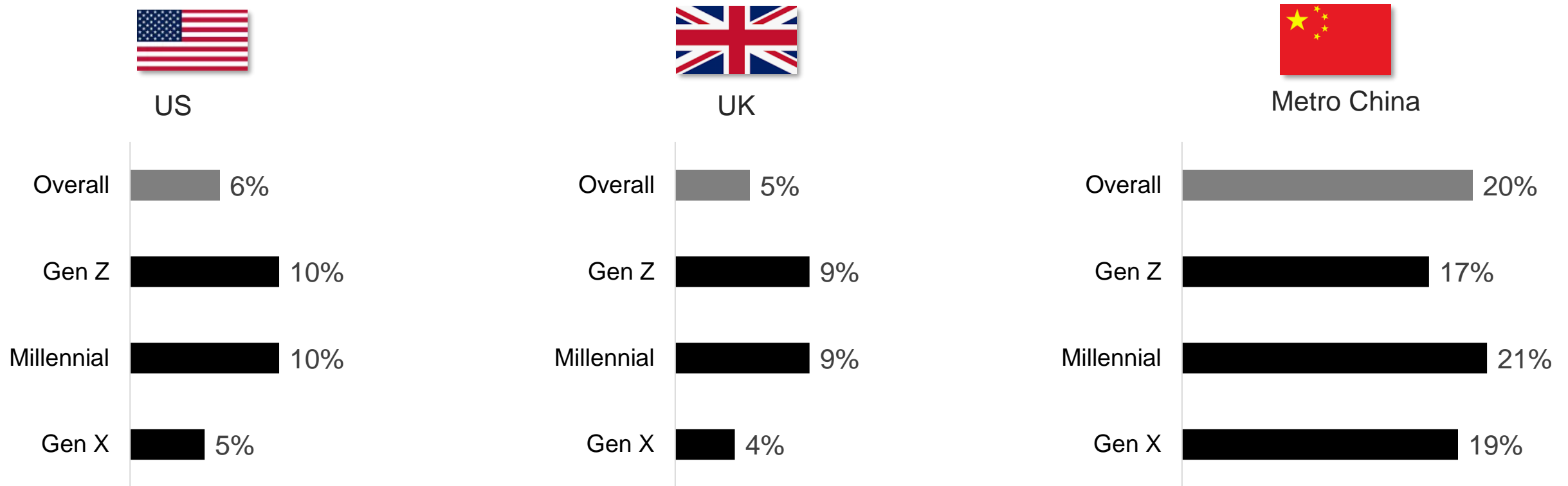


People want to buy stuff on Pinterest. Now they finally can.

The platform is rolling out several new features to let users shop.

Social commerce is fine for discovery, less so for purchasing by US and UK shoppers

“I like to purchase products through social media platforms” (strongly agree, 5 of 5)



Source: Forrester consumer surveys (Retail Benchmark Recontact 2022)

We're in a new cold war ... with China

Why Germany Can't Just Pull the Plug on Russian Energy

Under increasing pressure to sever the country's reliance on Russian energy, German officials must contend with deeply rooted economic ties.

Analysis: Fearing Russian cutoff, German industry braces for gas rations race

By John O'Donnell and Christoph Steitz

The US has no interest in a similar scenario

SECURITY MAY 12, 2022

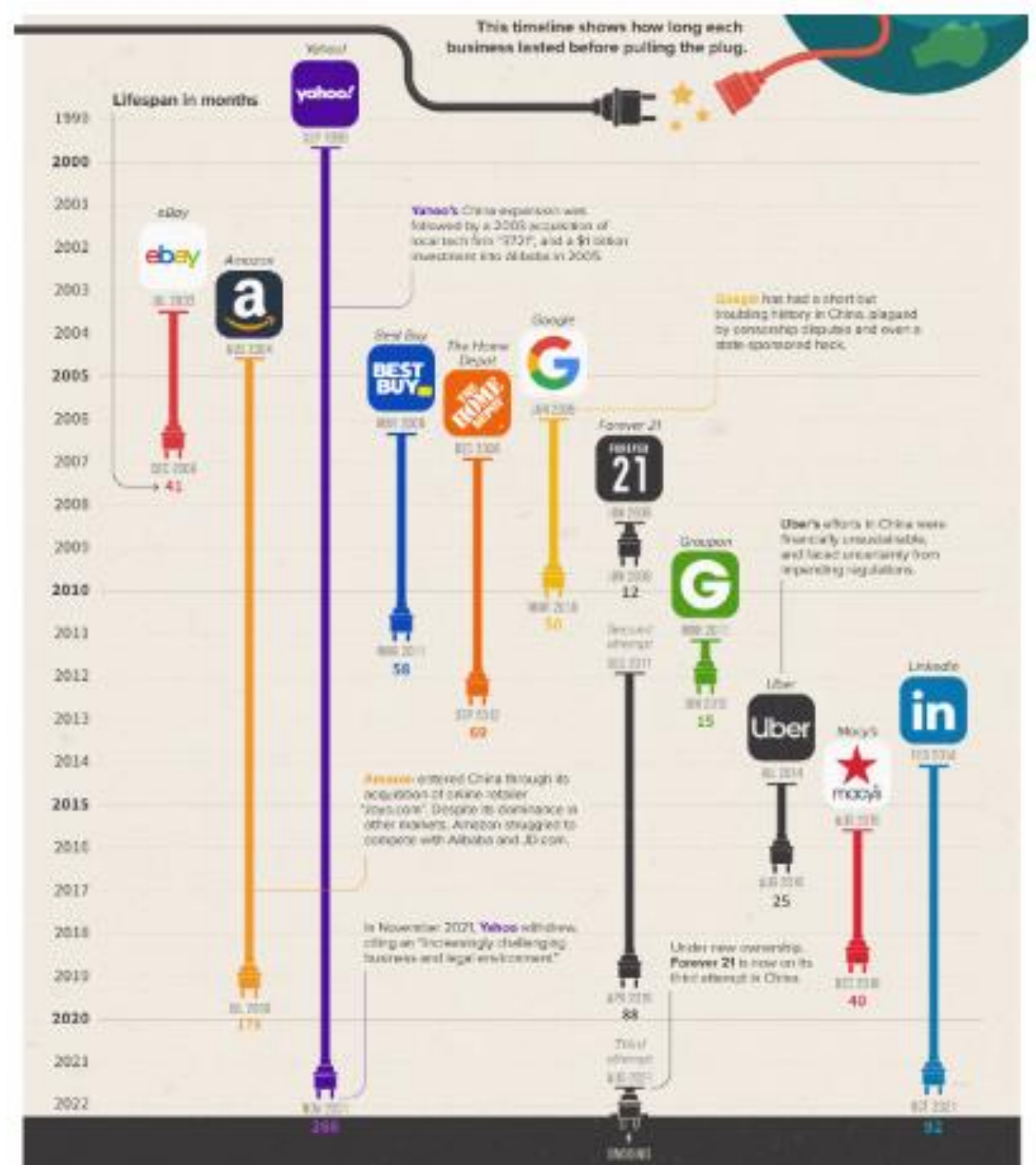
Taiwan: Scenarios for an invasion from China

ENRICO COLOMBATTO

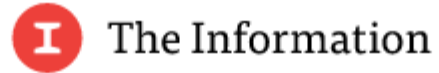
Russia's failures in Ukraine could make China cautious about its designs for Taiwan's "reunification." However, Beijing may see reasons to press ahead.

China isn't easy for most US firms

...



... unless they have paid a king's ransom



Inside Tim Cook's Secret \$275 Billion Deal with Chinese Authorities

\$275B = GDP of Chile

These crucial questions haven't been answered about Shein and Temu

1. How big are they really? (Audited by a credible third party, not sources planted by the firms.)
2. How much of their success is due to CCP support?
3. Where is the funding coming from to support the enormous marketing spend?

Big American Tech Profits From Chinese Ad Spending Spree

Temu, Shein, and streaming and gaming apps looking to break into the U.S. market are spending huge sums to get their wares in front of American consumers.

Temu's Push Into America Pays Off Big Time for Meta and Google

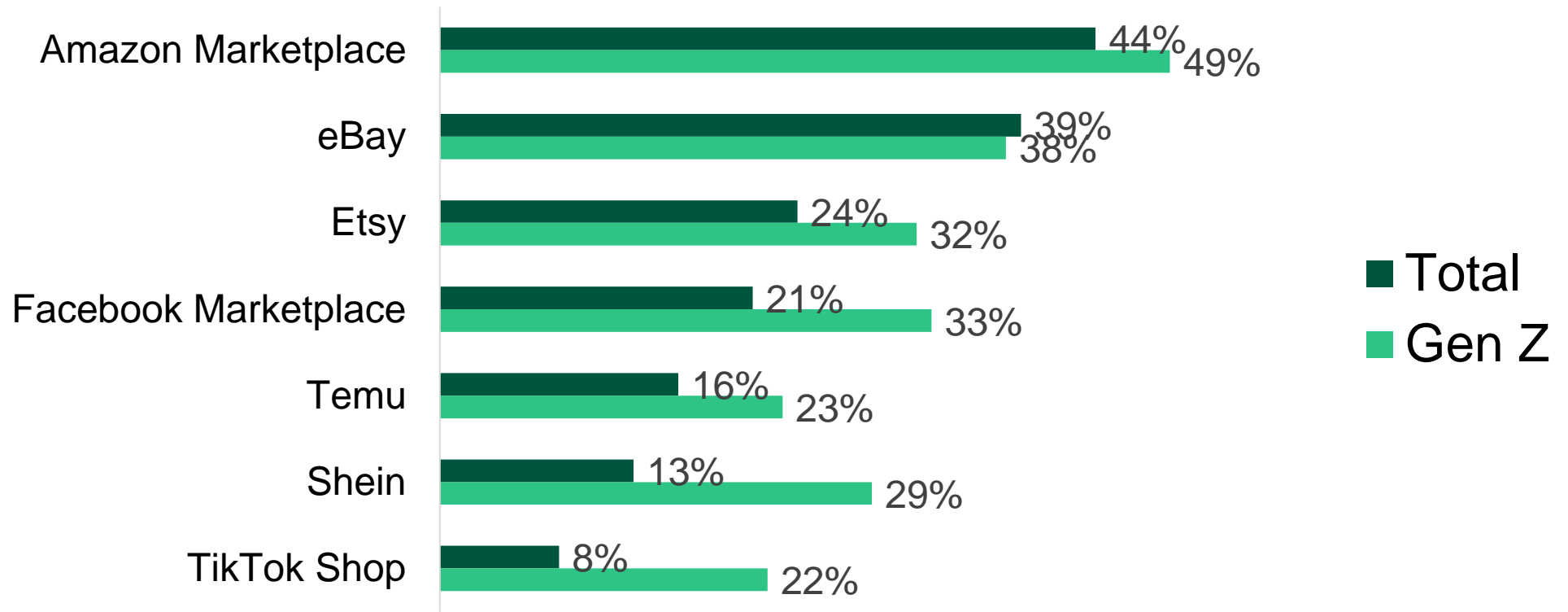
The e-commerce platform's parent company spent nearly \$2 billion at Meta last year and it was a top advertiser at Google

By [Dana Mattioli](#) [Follow](#), [Suzanne Vranica](#) [Follow](#) and [Miles Kruppa](#) [Follow](#)

Updated March 7, 2024 12:03 am ET

The major players are still larger

Which of the following online marketplaces do you buy products from?



Alibaba Group Holding Ltd - ADR

\$81.57 ↓ 13.12% -12.32 MAX

Sep 6, 2:17:41 PM UTC-4 · USD · NYSE · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



As Alibaba slumped, PDD rose



These crucial questions have not been answered about Shein and Temu

1. How big are they really? (Audited by a credible third party, not sources planted by the firms)
2. How much of their success is due to CCP support?
3. Where is the funding coming from to support the enormous marketing spend?
4. How much longer is the UPU and de minimis runway which favor their shipping?
5. How do they actually price goods so inexpensively when even Walmart, H&M and others can't?

Small batch, high quality and speed are a tough combo



A First-Timer's Guide to Tailor-Made Clothing in Hoi An

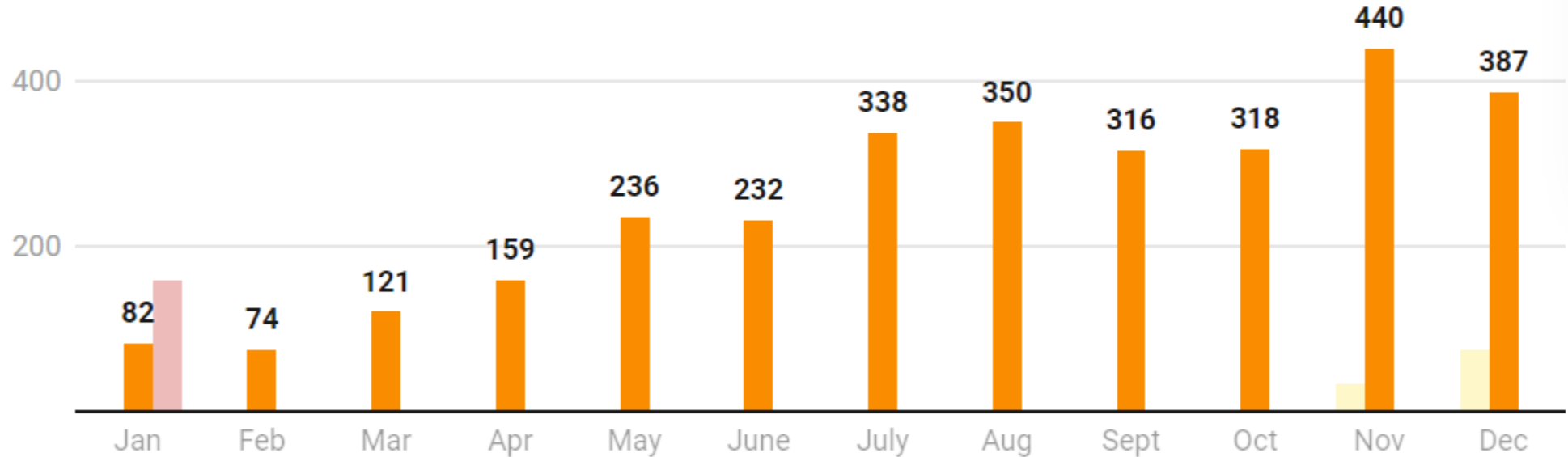
DECEMBER 9, 2019 | AFFORDABLE TRAVEL, ART & CULTURE, TRAVEL FASHION + STYLE, VIETNAM



Temu Complaints

Received by the FTC between October 2022 and January 2024

2022 2023 2024



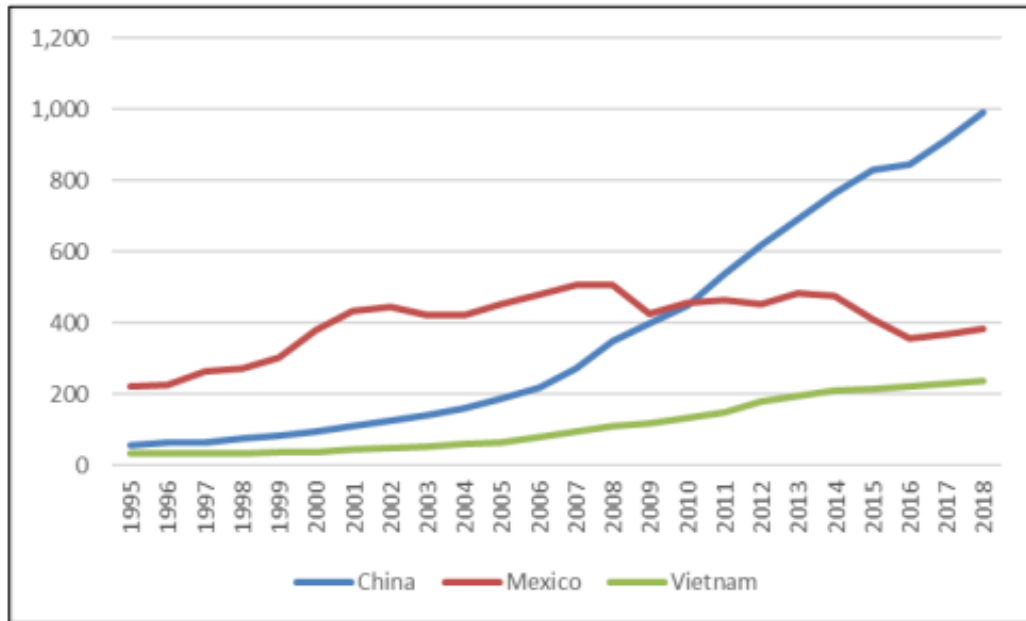
3,323 complaints received since Temu began operating in Sept 2022

Chart: Carol Thompson/CBS Chicago • Source: Federal Trade Commission (FTC) • Created with [Datawrapper](#)

Production in Mexico may offset some of the changes to policy with China

Average monthly wages

(nominal U.S. dollars)

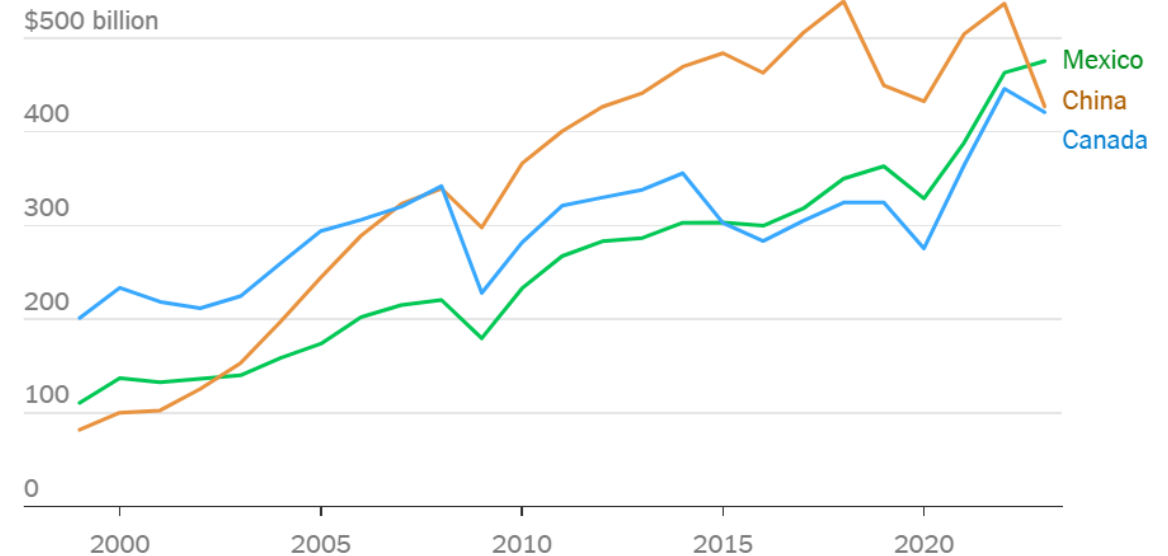


Source: Economist Intelligence Unit.

Notes: Because data are listed in U.S. dollars rather than local currency, changes to wages may also partially reflect changes to exchange rates with the U.S. dollar. However, such data may reflect average labor costs in dollars that U.S.-invested firms might face in their overseas operations.

Imports from China fell last year

U.S. imports of goods by origin



Sources: U.S. Census Bureau; U.S. Bureau of Economic Analysis • By The New York Times

Source: China's Economic Rise: History, Trends, Challenges, and Implications for the United States, Congressional Research Service

Watch out for “greenwashing”

Forrester's green consumer segmentation

Note: Percentages may not total 100 because of rounding.
 Base: 77,489 Europe-5; 73,073 US; and 5,257 Australian online adults

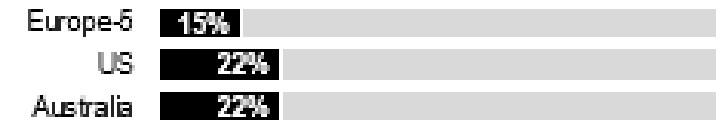
Source: Forrester's Consumer Benchmark Survey, 2023

Unconcerned about the environment



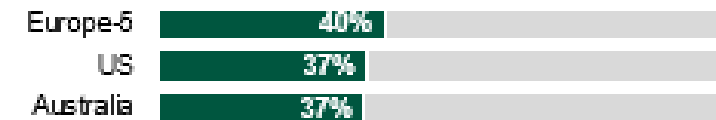
Non-Greens

Non-Greens don't consider themselves environmentally conscious: Low prices always come first.



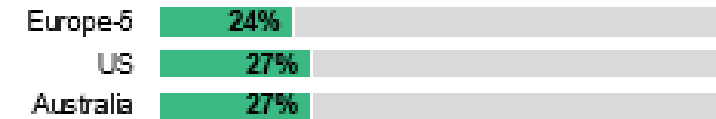
Dormant Greens

Dormant Greens don't actively look for environmental information but are most likely to be persuaded once they become aware.



Convenient Greens

Convenient Greens value convenience over the environment: Lower prices take precedence over being eco-friendly.



Concerned about the environment



Active Greens


Active Greens see themselves as environmentally conscious, choose eco-friendly items over low-cost or convenient items, and pay attention to how companies impact the environment.




Green consumer segmentation

Base: 786 to 77,489 online adults in the US, Australia, and Europe-5; base sizes vary by region and segment
 Source: Forrester's Consumer Benchmark Survey, 2023


Non-Greens

			Average age	Gender split (% female)
 <p>Roughly half are high school/secondary school graduates (45% Europe, 53% US); they're least likely to have young children.</p>	Europe-5	15%	49	45%
	US	22%	51	48%
	Australia	22%	49	45%


Dormant Greens

 <p>Half of respondents are employed full or part time; they're most likely to be high school graduates; a quarter or fewer are parents of minors.</p>	Europe-5	40%	49	51%
	US	37%	47	54%
	Australia	37%	46	51%

Convenient Greens

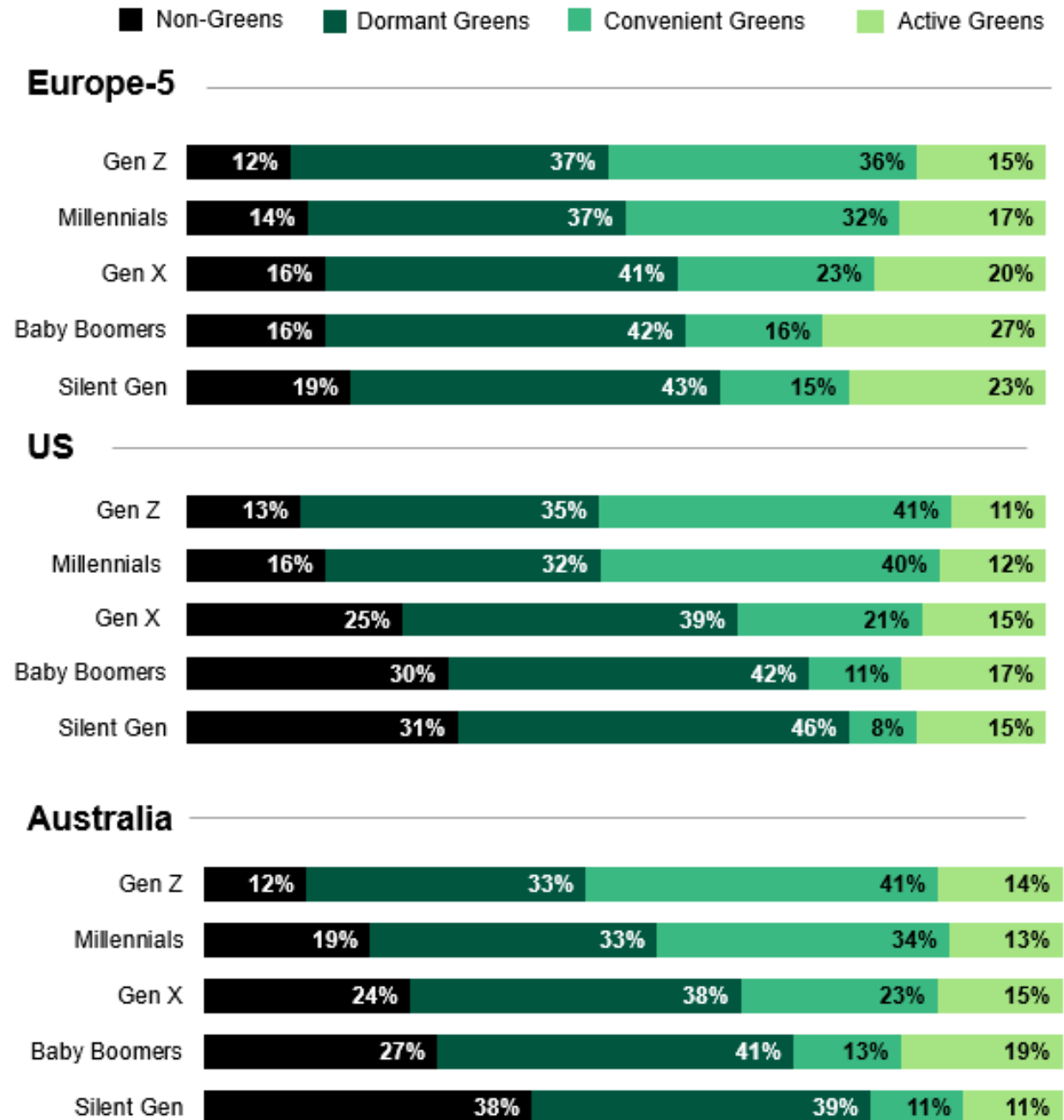
 <p>They are the highest proportion employed full or part time and with young children; they're most likely to have a college degree or higher.</p>	Europe-5	24%	42	47%
	US	27%	37	43%
	Australia	27%	38	46%

Active Greens

 <p>They are the most educated group in the US, which ties Europe-5 for high/secondary school and college or higher education; half are employed full or part time.</p>	Europe-5	21%	51	59%
	US	14%	48	58%
	Australia	15%	46	58%

Green consumer segmentation

Note: Percentages may not total 100 because of rounding.
 Base: 123 to 24,003 online adults in the US, Australia, and Europe-5; base sizes vary by region and generation
 Source: Forrester's Consumer Benchmark Survey, 2023



ESG claims help sales regardless of whether they are true

Environmental, social, and governance-related claims can help boost growth for a variety of brand types.

Share of categories with outsize growth for products with ESG¹-related claims by brand type, US,² %



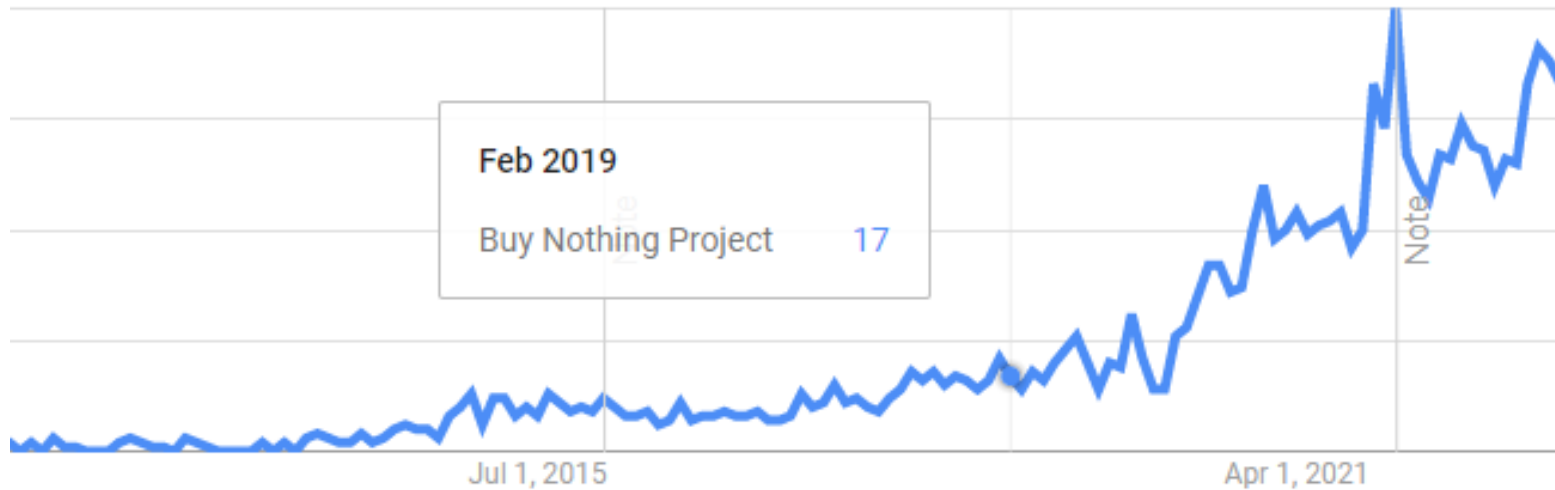
Note: Among national brands, large brands comprise the top 60% of sales, medium brands are the next 20%, small brands are the next 15%, and smallest brands are the bottom 5%.

¹Environmental, social, and governance.

²Outsize growth indicates categories in which the growth rate of products with sustainable claims exceeds that of products without sustainable claims.

Source: NielsenIQ

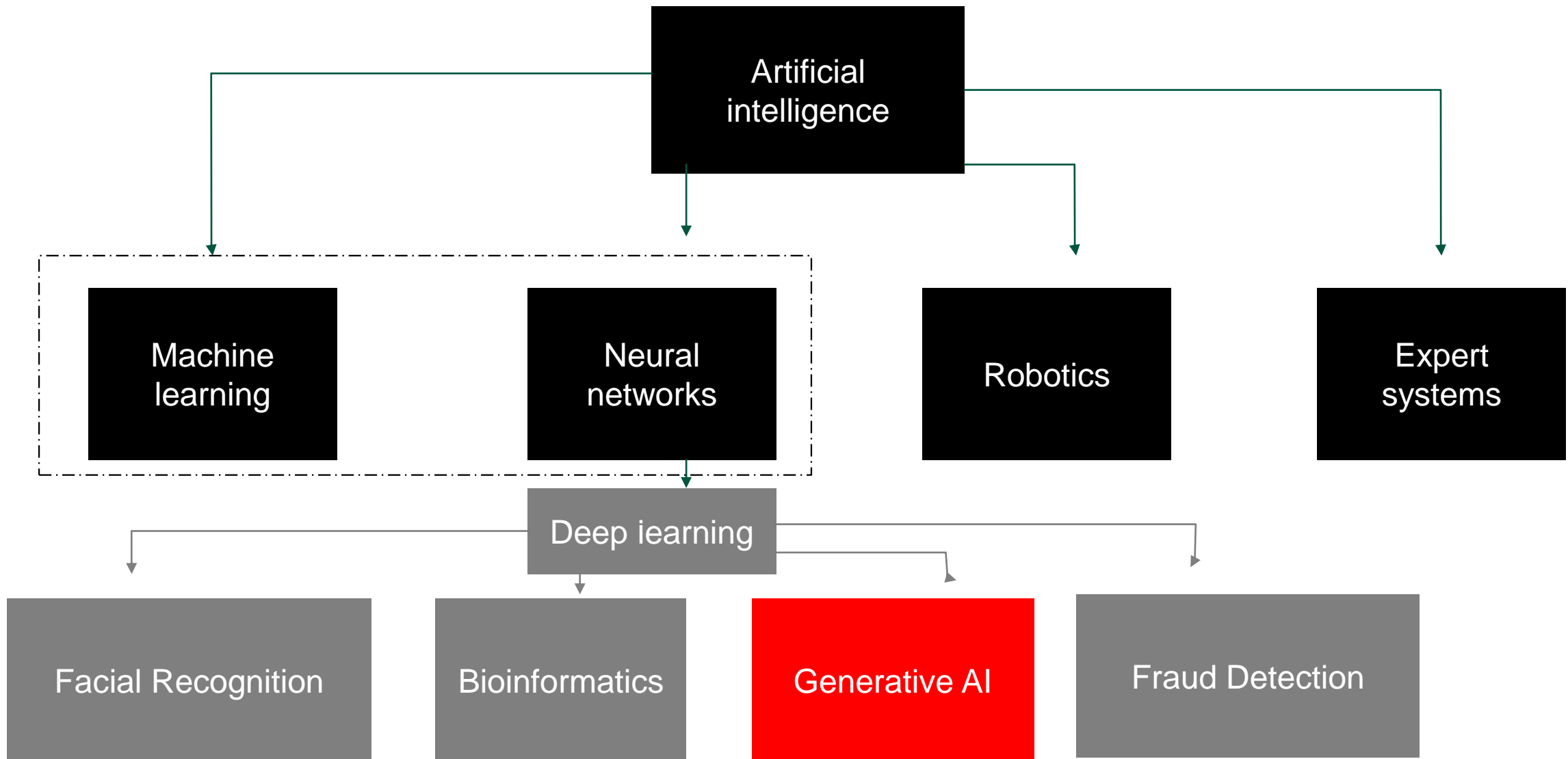
Many consumers are opting out of purchasing altogether



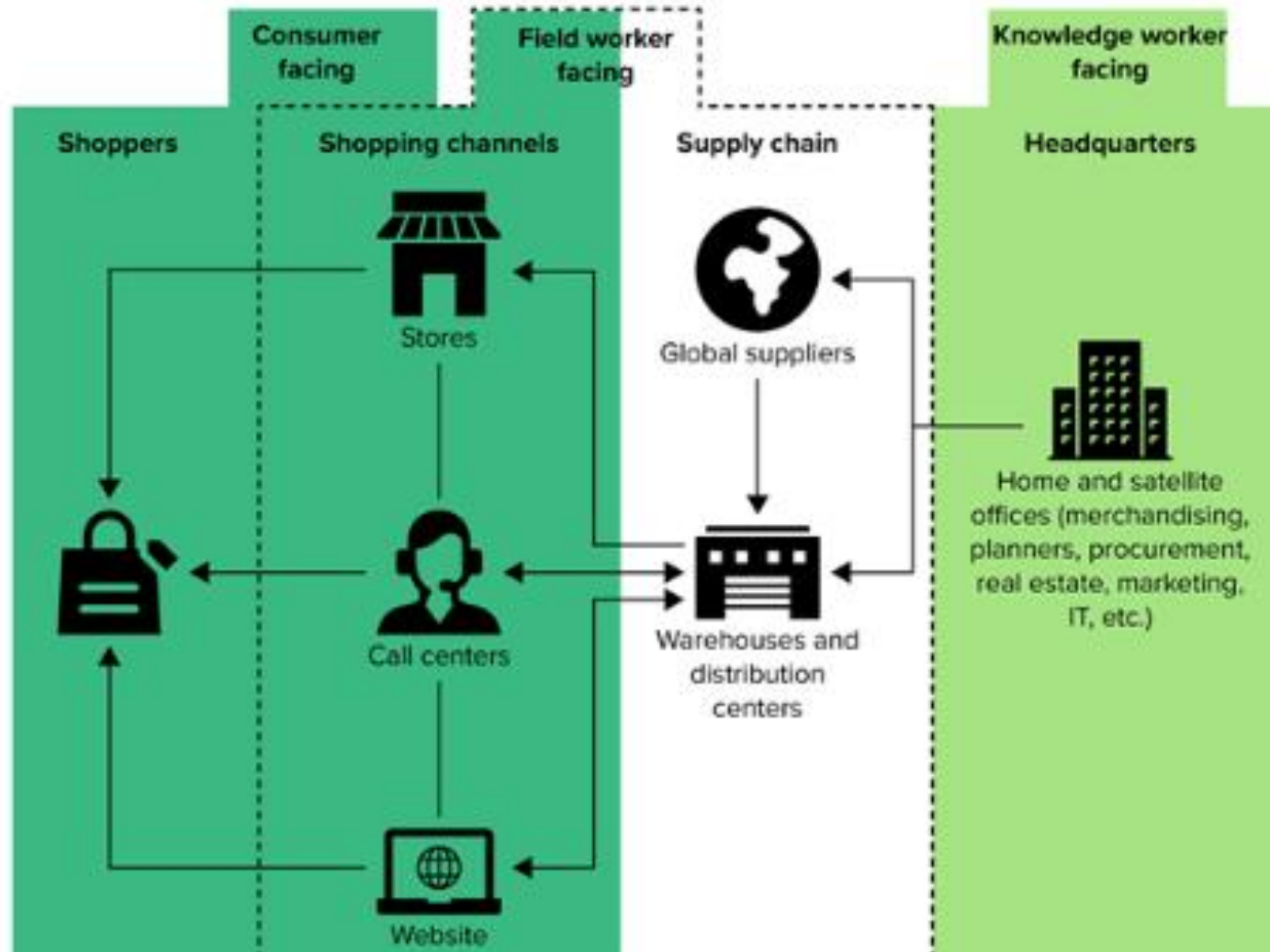
Source: Google Trends

If you're tired of "AI Talk," brace yourself for more because it won't stop

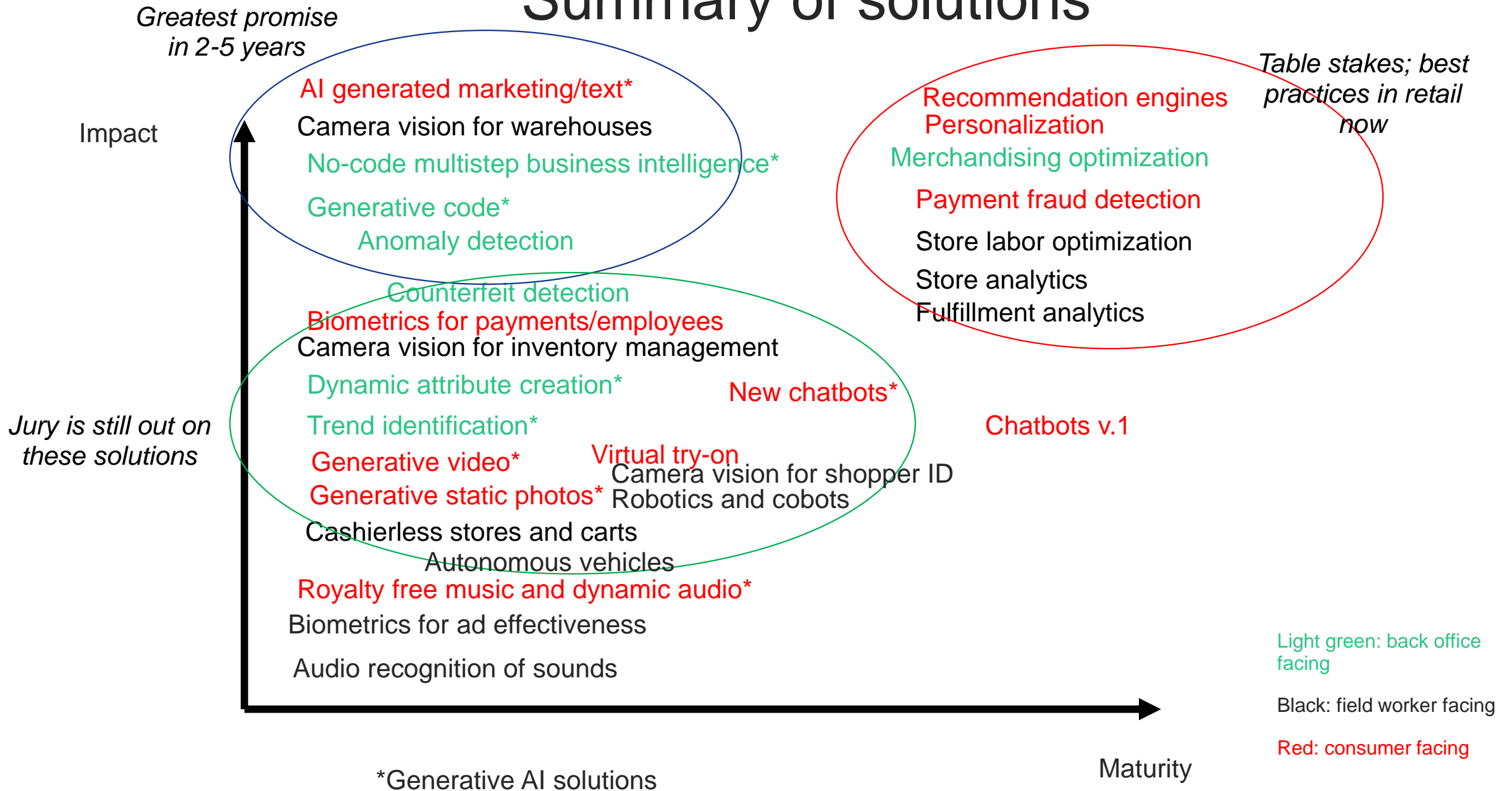
Generative AI is one application of deep learning



There are 3 areas of retail to consider

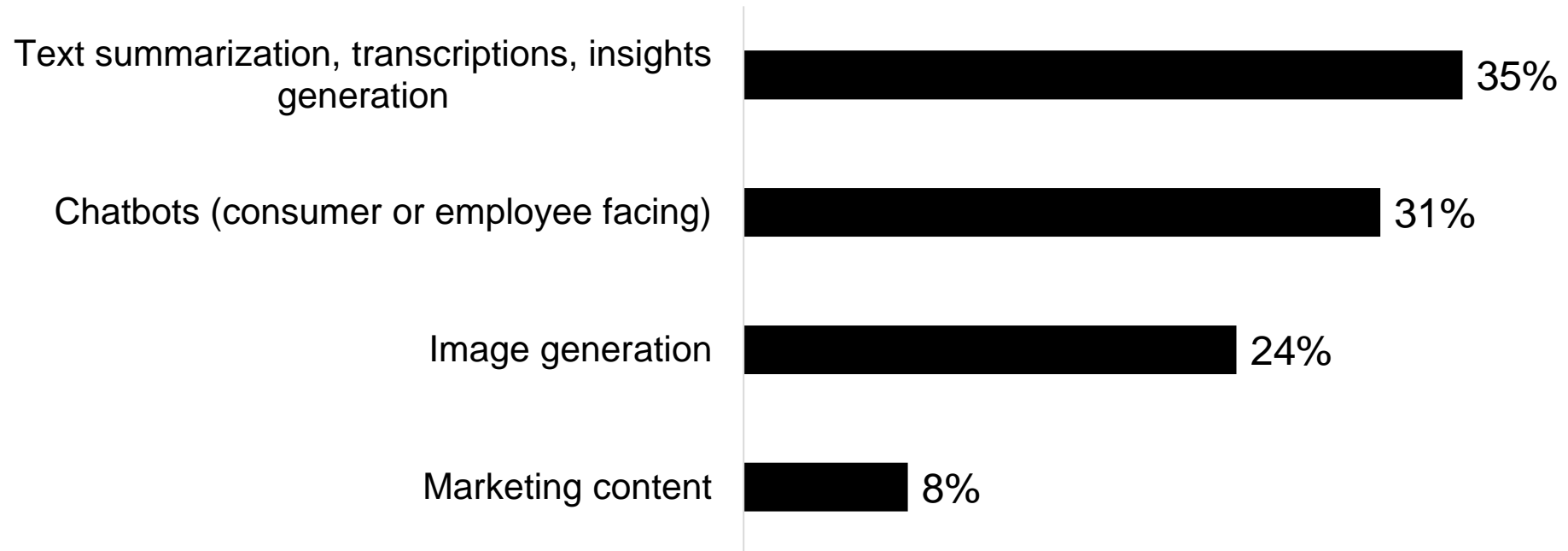


Summary of solutions



Here are the generative AI solutions that retailers are deploying now

% of retailers using different types of generative AI solutions

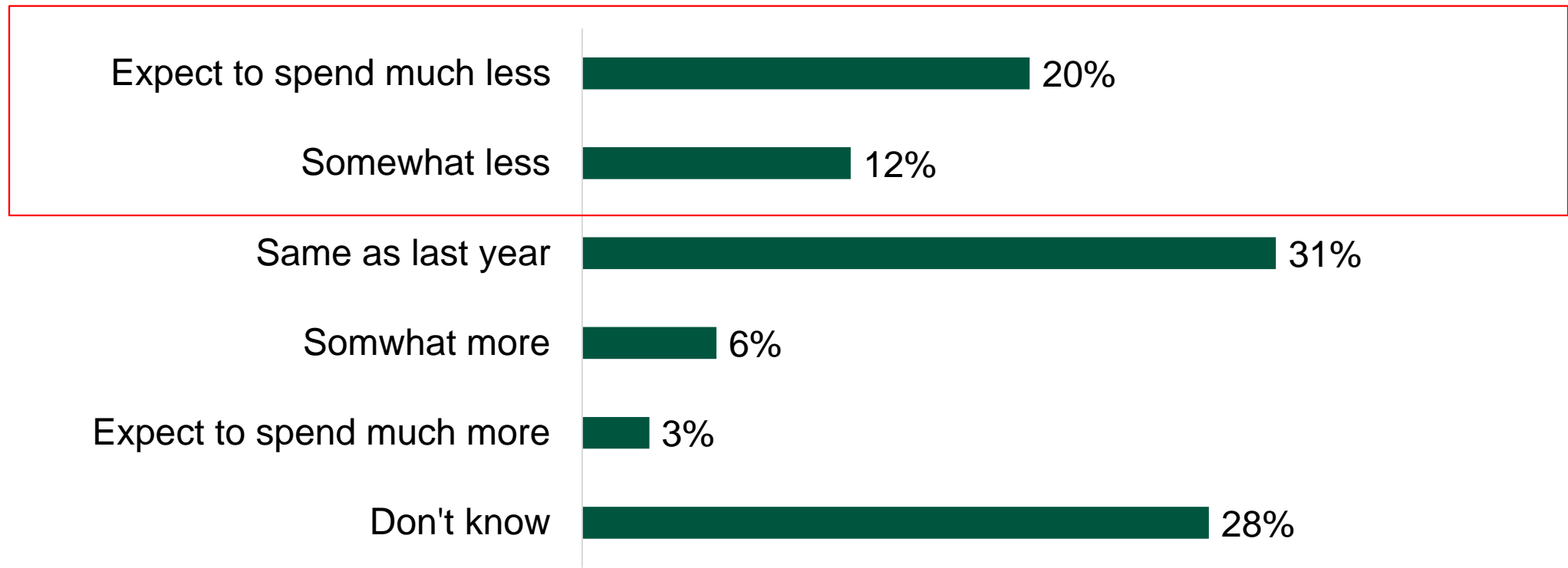


Source: Forrester analysis of 51 retailer use cases

Don't be panicked about the 2024 U.S.
presidential election

We have seen this movie before, and even then retail persevered

Compared to last year, how do you expect your holiday shopping spend in November and December 2016 to change as a result of the 2016 presidential election?



Base: 1,012 online consumers

Source: Google Surveys (November 12-14, 2016)

This was holiday spend in 2016



Source: U.S. Census. Non-seasonally adjusted retail sales

NRF holiday spending is defined as the months of November and December. NRF's forecast excludes automobile dealers, gasoline stations and restaurants.



In summary ...

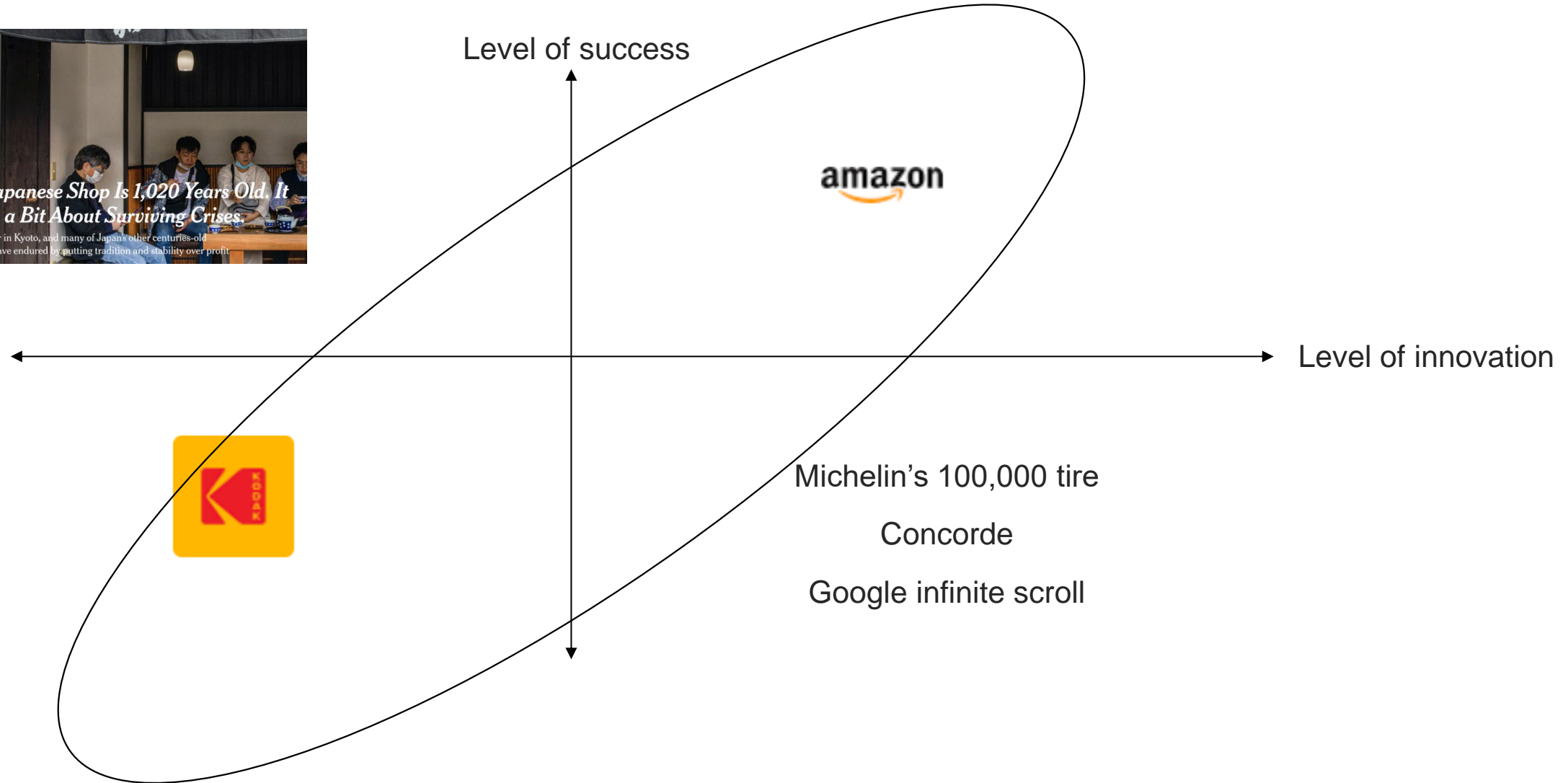
- E-commerce is growing but at its slowest rate ever
- Retailers remain optimistic because consumers are still spending and promotional levels are rising again
- It finally is the year of mobile, but we've been preparing for this for a decade
- Sustainability matters, but retailers will fictionalize claims until regulation is introduced
- GenAI hype and experiments will continue; more mature and established AI (e.g., fraud and risk management) will continue to deliver value
- The election won't impact consumption, but long term it may impact supply chain and manufacturing in Asia
- Don't be distracted by hype; focus on great customer experiences for your best shoppers

Innovate or die, right?

Top US Retailers

1955	1985	2015	2023
A&P	Sears	Walmart	Walmart
Sears	Kmart	CVS	Amazon
Safeway	Safeway	Costco	Costco
JCPenney	Kroger	Kroger	Kroger
Kroger	American Stores	Amazon	The Home Depot

Here is a framework to think about






“... the spoon, scissors, the hammer, the wheel.
Once invented, it cannot be improved.”

Author Umberto Eco



Free shipping continues to drive success for online retailers

Which of the following factors are typically most influential in determining which retailer you will purchase a product from online?

Attribute	US 	UK 	France 
Free shipping	75%	73%	68%
Final price	46%	46%	33%
Free, no hassle returns	45%	44%	50%
Order tracking service	28%	27%	32%
Widest selection of products	27%	22%	34%
Easy to find if products are in stock	22%	23%	20%
Previous relationship with the retailer	22%	25%	15%
Trustworthy reviews of the retailer	21%	26%	19%
Easy to navigate website or app	20%	25%	15%
Next day/same day delivery	20%	23%	18%
Convenient store location to return the product to the store if needed	18%	16%	12%
Option to buy online and pick up in store	13%	17%	17%
Fast checkout	13%	10%	7%
Ability to link loyalty benefits and reward points to online purchases	12%	15%	14%
Delivery/pickup capabilities	11%	9%	15%
Extensive product information available	9%	7%	7%

Thank You.

Sucharita Kodali

skodali@forrester.com

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AT

WORK