



# MARKET & INNOVATION REVIEW

Q1 2019 EDITION

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# Q1 2019 INDEX

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David Power

## Welcome

**Thank you for downloading this latest edition of the eShopWorld Market and Innovation Review.**

2019 has already seen sweeping change in the world of retail, much of which is being driven by innovation across the eCommerce value chain. Brands and retailers are racing to meet the evolving demands of an always-on customer base, and those that are connecting online and offline shopper journeys via quality experiences are winning – and winning big.

The global opportunity continues to grow at an astounding pace. New markets are emerging, bringing with them a host of new challenges in adapting to meet local shopper preferences. All the while technologies are evolving to both anticipate and, in some cases, catch up with shopper behaviours.

I hope you enjoy the insights in this edition of the Market Innovation report, and that they provide you with some guidance in terms of the direction in which we feel the industry is going. No doubt, the pace of change is unlikely to slow down, and 2020 will bring with it a host of new innovation and opportunity for the industry at large.

Onwards



# Global ecommerce and cross border ecommerce sales are forecasted to grow steadily

## Ecommerce

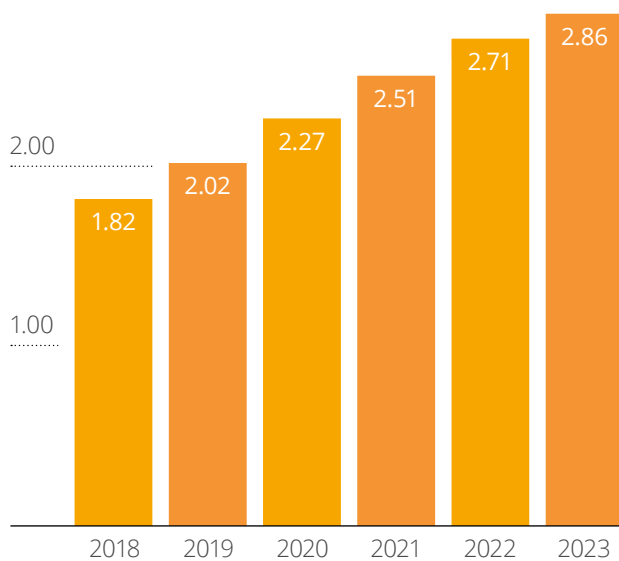
- Global physical ecommerce sales are valued at \$2.03 trillion in 2019 and are predicted to grow to \$2.85 trillion by 2023 (*Statista*)
- The market's largest segment is fashion with global revenue of \$600.99 billion in 2018 and is predicted to grow to \$825.55 billion in 2022 (*Statista*).
- The average revenue per ecommerce user (ARPU) amounted to US\$539.90 in 2018 and is predicted to grow to \$628.00 in 2022 (*Statista*).
- China is the largest global retail ecommerce market with sales valued at \$740.42 billion in 2019 which is 22% of global ecommerce sales (*Statista*).
- Ecommerce digital buyer penetration worldwide sits at 63% in 2019 and is predicted to grow to 65.2% in 2021 (*Statista*).

## Cross-border ecommerce

- Global cross-border ecommerce sales are valued at \$826 billion in 2019 and are predicted to grow to \$994 billion by 2020 (*AliResearch*).
- Fashion is the most popular category for cross-border purchases followed by consumer electronics (*PayPal*).
- Cross-border shopping is most popular in the Middle East and least popular in North America and Asia Pacific (*PayPal*).
- Real-time payments have emerged as a mature global trend paving the way for instant cross-border payment schemes (*Capgemini*)

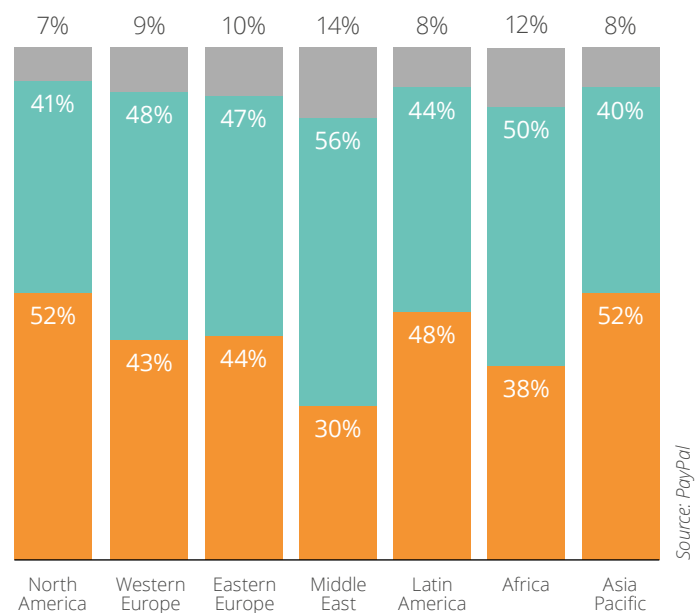
## Global physical ecommerce sales worldwide

(In trillion U.S. dollars)



## Incidence of online cross-border shopping

■ % Shop domestically only  
 ■ % Shop domestic and x-border  
 ■ % Shop x-border only





# Fashion ecommerce 2018 statistics and figures

## Customer Purchase Journey

### PRE-PURCHASE



#### Black Friday and Cyber Monday

- Between Q1 and Q4 2018 – 33% increase in revenue on desktop and 38% on mobile
- Black Friday and Cyber Monday are driving this increase in revenue per visit



#### Cart abandonment rate

- Desktop – 74% (globally)
- Mobile – 80% (globally)

### PURCHASE



#### Revenue per visit

- Desktop – €2.39
- Mobile – €1.25



#### Average basket size

- Desktop – 2.45
- Mobile – 2.13



#### Conversion rates

- Desktop – 2.44%
- Mobile – 1.32%
- 21% increase seen over 2018



#### Average order value

- Desktop – €104 (globally)
- Mobile – €90 (globally)



#### Time spent per visit

- Desktop – 239 seconds
- Mobile – 164 seconds

### POST PURCHASE



#### Returns

- Clothing and accessories are the most popular category for online returns.
- 75% of shoppers reported returning clothing and accessory items in the previous year (*Optoro Survey*)
- Electronics came in second with 33% of shoppers
- Germany averages the highest share of population (53%) that returns online purchases
- A primary reason for this is that German regulations protect consumers and allow them to easily return unwanted items

# 2019 trends and early



**Growth of B2B ecommerce:** B2B ecommerce is growing steadily with B2B ecommerce portals starting to eclipse their B2C counterparts in terms of both gross merchandise value and revenues. In 2018 the global B2B ecommerce market is valued at \$10.6 trillion in 2018, compared to \$1.8 trillion for the B2C ecommerce market. Interestingly, Asia Pacific contributes almost 80% of the total B2B ecommerce market (*Statista*).



**Growth of Luxury ecommerce:** In 2019 12% (\$39 billion) of total revenue from the luxury goods market will be generated through online sales, while this is predicted to grow to 17% (\$58 billion) by 2022 (*Statista*).



**Holiday season:** Ecommerce brands saw 12% growth in online revenue during the 2018 holiday season. Mobile took a 48% share, which is a 19% increase from holiday 2017 (*Mobify*).

General



**Ecommerce growth in Southeast Asia to continue but still underpenetrated:** Ecommerce in Southeast Asia has grown by more than 62% CAGR since 2016, with the value of the ecommerce market expected to exceed \$100 billion by 2025 (\$23 billion in 2018). All this growth will be achieved with only 2-3% of total retail sales (*Bloomberg*).



**Indian ecommerce market continues to grow:** The Indian ecommerce market will touch \$84 billion in 2021 from \$24 billion in 2017, according to a Deloitte report (*Bloomberg*).

Markets

# market updates

## Technology

**Voice search driven SEO:** As voice searches become more common place retailers will have to take this into account while optimising their sites for search engines. Voice searches mimic real life conversations when compared to text based search queries, so the text used on sites may want to reflect this.



**Progressive Web Apps (PWAs) transform the UX:** PWAs are changing how ecommerce and mobile coexist. Retailers have begun moving from the traditional sites and apps to a new standard in PWAs which are a hybrid between sites and apps. Benefits of PWAs include: load times that are 2 to 10 times faster than mobile sites, have offline capability and allow push notifications.



**Headless Commerce:** Headless Commerce is predicted to find increased popularity in 2019.



## Customer Experience

**Point of sale purchase financing:** Companies are allowing shoppers to buy a product on a given day and pay it off in instalments. One reason for the rise in popularity of this point of sale purchase financing is that millennials and generation Z are using credit cards less than previous generations.



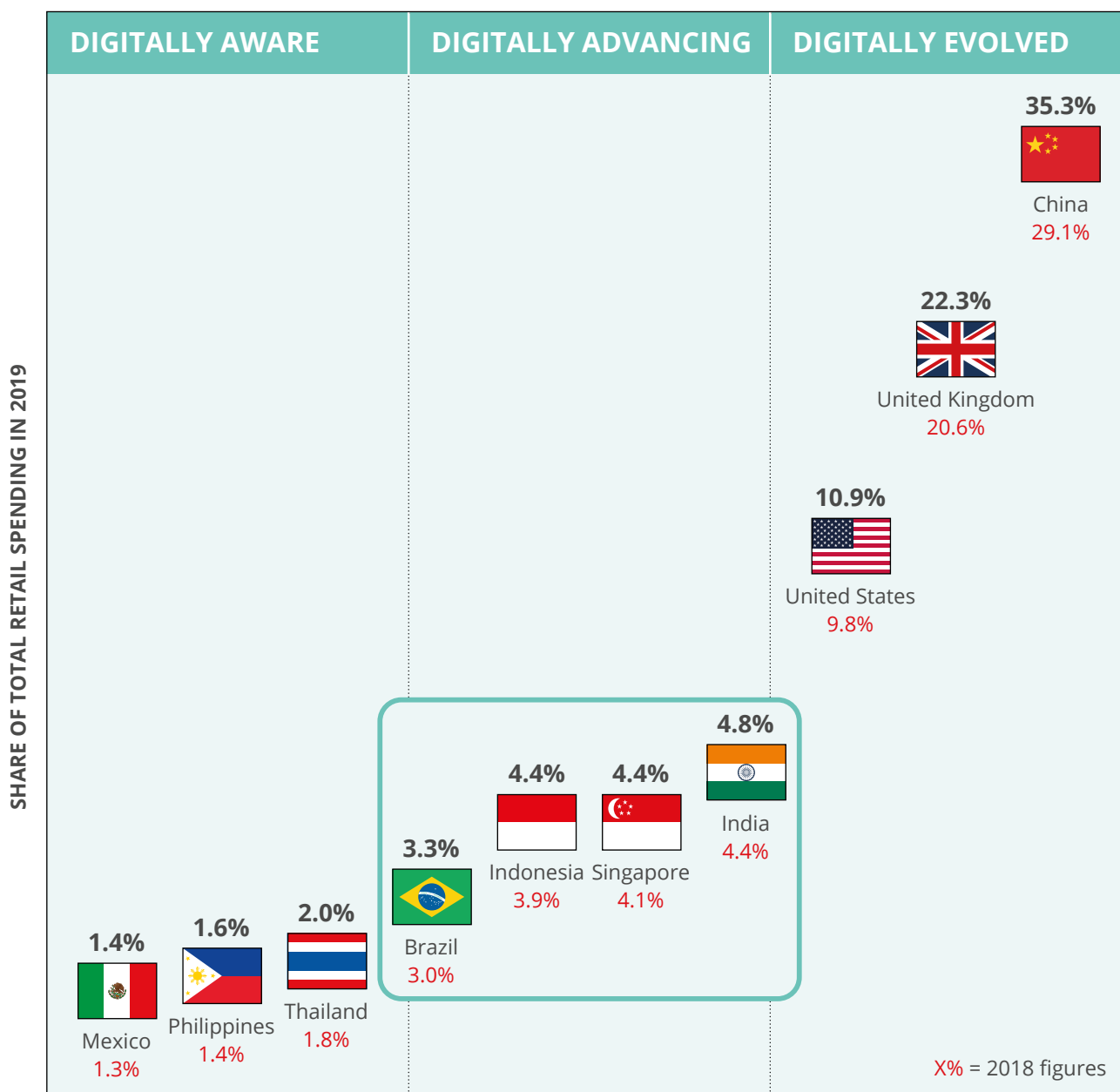
**Social media gets transactional:** Social commerce has gained little traction over the years, but several developments in 2018 point toward a larger role for the social platforms in not only driving interest in products, but also purchases, in 2019.



**Unboxing experience:** It is predicted that more retailers will enhance the unboxing experience in 2019. Businesses are turning to the unboxing experience to differentiate because it is the first direct contact customers have with an ecommerce brand and their product.



# India, Singapore, Indonesia and Brazil are markets to watch as they move towards becoming digitally evolved



## Digitally Aware

E-retail accounts for less than 2% of total retail sales (BCG).

## Digitally Advancing

E-retail accounts for 3% to 5% of total retail (BCG).

## Digitally Evolved

E-retail accounts for 10% or more of total retail (BCG).



## India



- E-retail accounted for 4.8% of total Indian retail spending in 2019 (*Statista*). Total Indian retail spending will amount to \$1,264.50 billion in 2019 (*eMarketer*).
- Indian physical ecommerce sales are predicted to grow at a CAGR of 17.80% to \$62.28 billion in 2023 (*Statista*).
- Fashion is the largest ecommerce segment in India (\$12,546 million) (*Statista*).
- Of \$30bn ecommerce revenue in 2017, \$9.1bn related to cross-border ecommerce (*Payvision*).

ARPU = \$62.95

Population = 1.358 billion

## Singapore



- E-retail will account for 4.4% of total Singapore retail spending in 2019 (*eMarketer*). Total Singapore retail spending will amount to \$50.43 billion in 2019 (*eMarketer*).
- Singapore physical ecommerce sales are predicted to grow at a CAGR of 14.71% to \$8.64 billion in 2023 (*Statista*).
- Electronics and media is the largest ecommerce segment in Singapore (\$1,232.5 million), with fashion second (\$1,209.7 million) (*Statista*).
- Of \$3.2bn ecommerce revenue in 2017, \$1.2bn related to cross-border ecommerce (*Payvision*).

ARPU = \$1,222.40

Population = 5.612 million

## Indonesia



- E-retail will account for 4.4% of total Indonesian retail spending in 2019 (*Statista*). Total Indonesian retail spending will amount to \$302.03 billion in 2019 (*eMarketer*).
- Indonesian physical ecommerce sales are predicted to grow at a CAGR of 10.28% to \$16.46 billion in 2023 (*Statista*). Recent estimates even predict an expansion to \$60bn by 2020 (*Amplitude*).
- Electronics and media is the largest ecommerce segment in Indonesia (\$3,068 million), with fashion second (\$2,630 million) (*Statista*).
- Indonesians are the world's top online shoppers with 86% of internet users having made a recent purchase on a web device (*Business Times*).

ARPU = \$81.33

Population = 267.7 million

## Brazil



- E-retail will account for 3.3% of total Brazilian retail spending in 2019 (*Statista*). Total Brazilian retail spending amounted to \$650.08 billion in 2019 (*eMarketer*).
- Brazilian physical ecommerce sales are predicted to grow at a CAGR of 2.03% to \$17.29 billion in 2023 (*Statista*).
- Fashion is the largest ecommerce segment in Brazil (\$5,514 million) (*Statista*).
- Of \$15.85bn ecommerce revenue in 2017, 5.6bn related to cross-border ecommerce (*Payvision*).

ARPU = \$113.14

Population = 211.4 million

# Ten key trends are affecting the global ecommerce market at present

## Five ecommerce technology trends

### Artificial Intelligence

Visual search, use of machine learning to classify products, and AI powered search recommendation engines are some key innovations in ecommerce in the area of Artificial Intelligence.

### Blockchain technology

Blockchain technology is allowing ecommerce companies to achieve a connected supply chain and offer payments without intermediaries to consumers in the form of cryptocurrencies. Although not mainstream at present, retailers such as Overstock.com and Newegg.com are accepting cryptocurrency payments.

### Online Payment Methods

In the world of online payments, various alternative payment methods (APMs) are rising to meet the needs of consumers online, led by eWallets, bank transfer payment solutions, and point of sale purchase financing.

### Augmented Reality and Virtual Reality

AR and VR have the potential to reduce online returns by allowing shoppers to visualise products and modify and customise their selections. Current innovations here include Ikea's AR catalog and Topshop's virtual dressing room.

### Voice Commerce

Has the potential to revolutionise the ecommerce shopping journey and change how consumers interact with online retailers through voice search and purchase.

## Five general ecommerce trends

### Customer experience

A seamless checkout process which may involve simplifying the checkout by implementing a one step checkout and loyalty and membership programmes are proving popular among online retailers to improve customer experience.

### Omnichannel

Click and collect and checking store availability online are two key omnichannel capabilities that shoppers are demanding.

### Delivery optimisation, last mile fulfilment & returns

Parcel delivery boxes, smart return labels, and import consolidation are some current innovations in this area while innovations such as drones, autonomous vehicles, and delivery robots are picking up pace.

### Changes in product finding and discovery

Visual image search and voice search are opening up new methods of product finding and discovery, while social media is enabling more efficient product finding and discovery.

### Customer segmentation and personalisation

Big data allows retailers to segment and analyse consumers based on their habits and shopping behaviour which is driving the move towards and informs personalisation.

# Ecommerce Technology Trends



Artificial Intelligence



Blockchain



Online payment methods

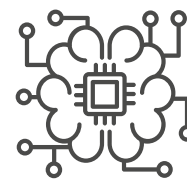


Augmented Reality / Virtual Reality



Voice Commerce

# Artificial Intelligence and Machine Learning



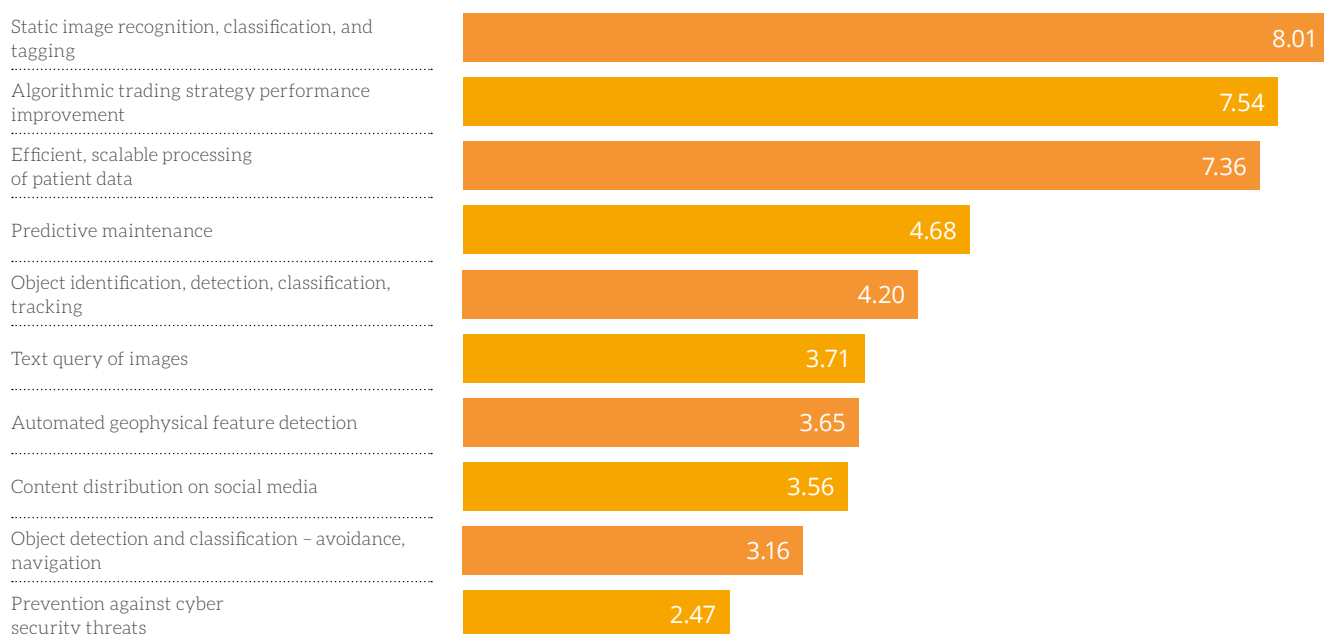
## General

AI is a collective term for computer systems that can sense their environment, think, learn and act in response to what they are sensing and their objectives. Machine Learning is an application of AI that provides systems the ability to automatically learn and improve from experience without being explicitly programmed.

## Key statistics

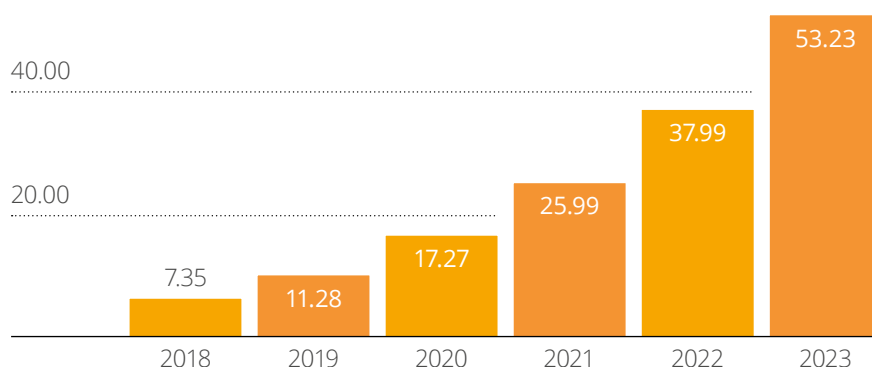
### The future of AI

Forecasted cumulative global AI revenue 2016 – 2025, by use case (in billion U.S. dollars)



### AI market revenue worldwide 2018-2023

(in billion U.S. dollars)



35% of what consumers purchase on Amazon come from product recommendations from their AI powered recommendation engine (McKinsey).



Only 7% of consumers stated they would prefer to interact with a chatbot over a person when using online chat (Statista).

Note: Updated content is signalled throughout the analysis by a **red icon**.

## Opportunities



**AI powered recommendation engines:** AI based product recommendation engines aim to narrow what could become a complex decision for consumers to just a few recommendations. AI platforms such as Salesforce Einstein allow retailers to incorporate recommendation engines into their online stores.



**Visual search:** AI can use image recognition to find similar products. A photo can be uploaded, and from there, AI can identify similar brands, colours, patterns, cuts, lengths, and occasion formality. Pinterest currently have an operational image search.



**Use of machine learning to classify products:** Product image recognition and other machine learning techniques are being used to classify items and generate HS codes, to instantly calculate duties and taxes.



**Fraud Management:** Machine-learning technology provides new insight and assistance to fraud prevention teams by identifying fraud as it happens and acting quickly to stifle any activity before damage can be done. Along with preventing fraudulent transaction machine learning technology can limit the number of false positive transactions.



**Price optimisation:** Using Machine Learning for price optimisation has many advantages including automation and speed. These Machine Learning models can consider a large number of products and optimise prices globally based on patterns from previous data.



**Clothing fit assistant:** Companies such as Fit Analytics are using Machine Learning to power their clothing fit assistants which provide accurate product size recommendations for online shoppers.

## Challenges



**Access to data:** For companies looking to apply AI to any number of areas, access to data is going to be one of the biggest challenges. Massive, clean data sets, with minimum biases are required to train machine learning algorithms. One issue for retailers to keep in mind is data privacy issues when it comes to harvesting personal data.



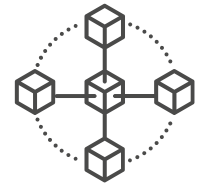
**Lack of emotional intelligence:** AI applications lack emotional intelligence, and are unable to demonstrate empathy. This is a huge barrier to AI success in customer service applications such as chatbots.



**Specialised AI:** Most AI implementations in use today are highly specialised. Specialised AI, often referred to as applied AI, is created to carry out one specific task and learn to become better and better at it. Generalised AI is still some time away from becoming a reality.

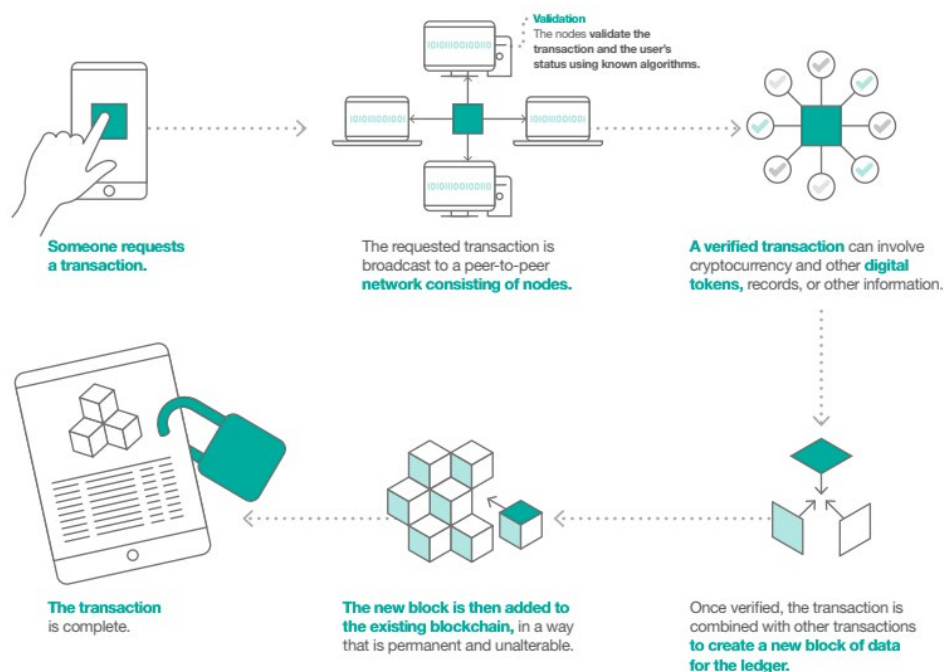


# Blockchain



## General

A blockchain allows untrusted parties to reach consensus on a shared digital history, without a middleman. Blockchain technology decentralizes control and ensures that trust is achieved without the need for a centralized power. It can also result in greater transparency and power to the consumer. Overstock.com and Newegg.com are examples of retailers that are already accepting cryptocurrency payments.

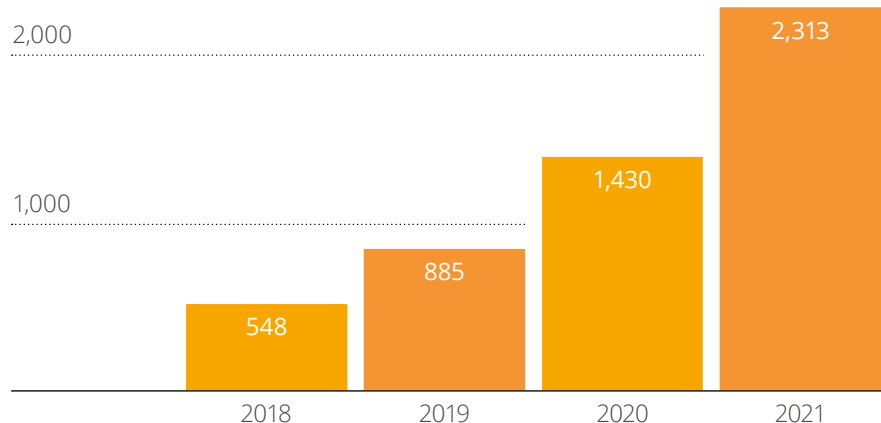


Source: PWC Blockchain Survey

## Key statistics

### Blockchain technology market size worldwide

(in million U.S. dollars)



Source: Statista



The global cryptocurrency market was valued at \$6 billion at the end of 2017 (CNN).



53% of respondents stated their companies were working on a supply chain blockchain use case while 30% were working on a blockchain based payments use case (Statista).

Note: Updated content is signalled throughout the analysis by a **red icon**.

## Opportunities



**Connected supply chain:** Blockchain can provide an end to end supply chain solution to enable manufacturers to seamlessly order, sell or trace and pay for goods once they arrive at their destination. Documentation would be created, updated, viewed or verified by parties on the blockchain who would confirm receipt of goods once received (e.g. port authorities) enabling manufactures to track shipment.



**Cross retailer loyalty programmes:** Blockchain can allow customers to share their shopping history with multiple brands and benefit from personalised offers. It opens up the possibility of loyalty programs that can be used across retailers.



**Generating legitimate reviews:** Blockchain assures the transparency in terms of honest shopping. Shoppers will be able to leave a review only after receiving ordered goods, it means no fake reviews and feedback.



**Smart contract based shopping:** Smart contracts transfer money to a seller's account only when an ordered item has reached its destination. So, a customer pays only after receiving the product, it increases his or her confidence in a service and makes online shopping more attractive.



**Cryptocurrency payments:** Cryptocurrencies such as Bitcoin, Ethereum and Ripple are predicted to become more popular in the future as they cut out the middle man in transactions.

## Challenges



**Lack of understanding:** The principal challenge associated with blockchain is a lack of understanding of the technology.

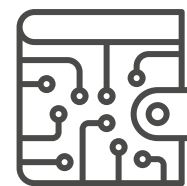


**Regulation and governance:** There is a strong argument for blockchain applications to work within existing regulatory structures not outside of them.



**Significant cost:** Users perceive that blockchain requires high capital and operational costs and this is the primary barrier to mainstream adoption.

# Online payment methods



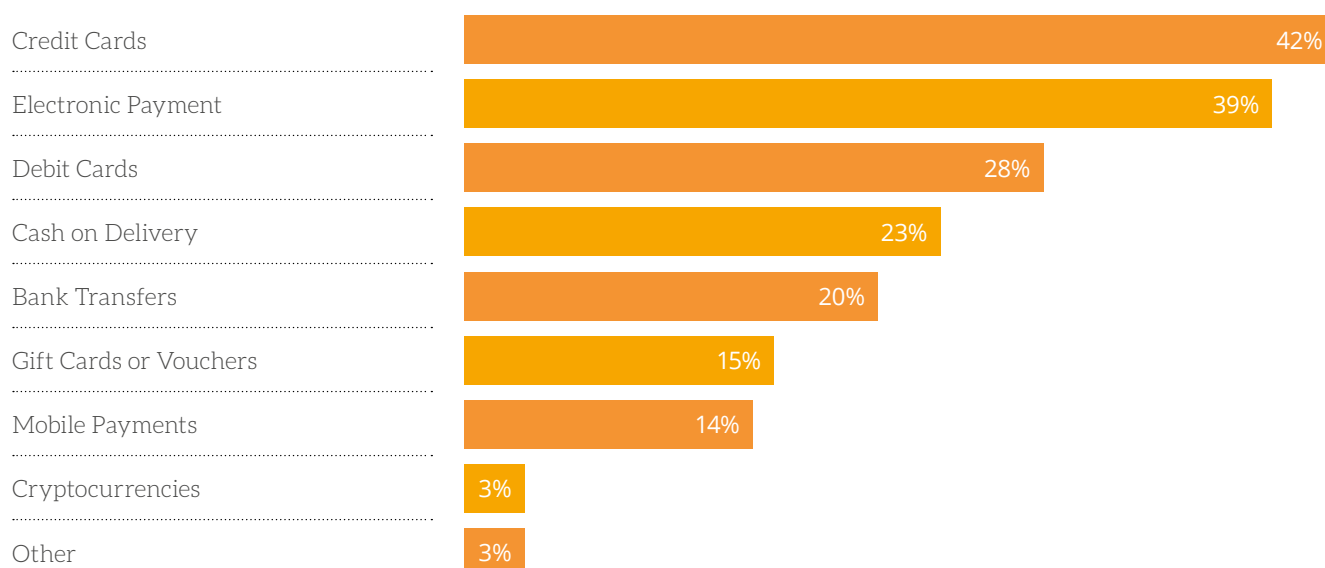
## General

In the world of online payments, various alternative payment methods (APMs) (defined as any non-card payment method) are rising to meet the needs of consumers online, led by e-wallets, bank transfer payment solutions, and point of sale purchase financing, while cryptocurrency payments are also increasing in popularity.

## Key statistics

### Preferred payment methods of online shoppers worldwide

As of March 2017



Source: Statista



Alternative payment methods are expected to comprise nearly 55% of global ecommerce payments in 2019 (ACI)



61% of consumers in the UK and 60% in Germany have used e-wallets in the last month (2017), compared to 39% in the US (PaySafe)

Note: Updated content is signalled throughout the analysis by a red icon.

## Opportunities



**Point of sale purchase financing:** More and more online retailers are offering point of sale purchase financing options to their customers, this allows shoppers to buy a product now and pay it off in instalments over a given time period.



**Aggregate PSP for APMS in Asia:** Payment service provider which allows retailers to accept Asian alternative payment methods such as WeChat Pay and other e-wallets.



**SaaS bank transfer payment solution:** Allows retailers to accept direct bank transfers as payment while the SaaS approach means a fixed fee for this service as opposed to a transaction based fee model.



**E-wallets:** An e-wallet is a system that securely stores users' payment information and passwords for numerous payment methods and websites. Popular e-wallets include PayPal, GooglePay, ApplePay, WeChat Pay and AliPay.



**Cryptocurrency payments (also included in Blockchain trend):** Cryptocurrencies such as Bitcoin, Ethereum and Ripple are predicted to become more popular in the future as they cut out the middle man in transactions.

## Challenges



**Supporting APMs:** Retailers may struggle to offer all APMs which their customers desire. It is common to use payment service providers (PSPs) which have the necessary infrastructure in place to accept APMs.

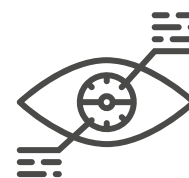


**Technical integration:** It can be difficult for payment service providers (PSP) to link with other systems, resulting in processing and payment delays, lost transactions, and high fees.



**Customer experience (CX) issues:** Late fees charged by point of sale purchase financing companies could lead to CX issues, with shoppers assuming retailers are charging these fees instead of the company.

# Augmented Reality/Virtual Reality (AR/VR)

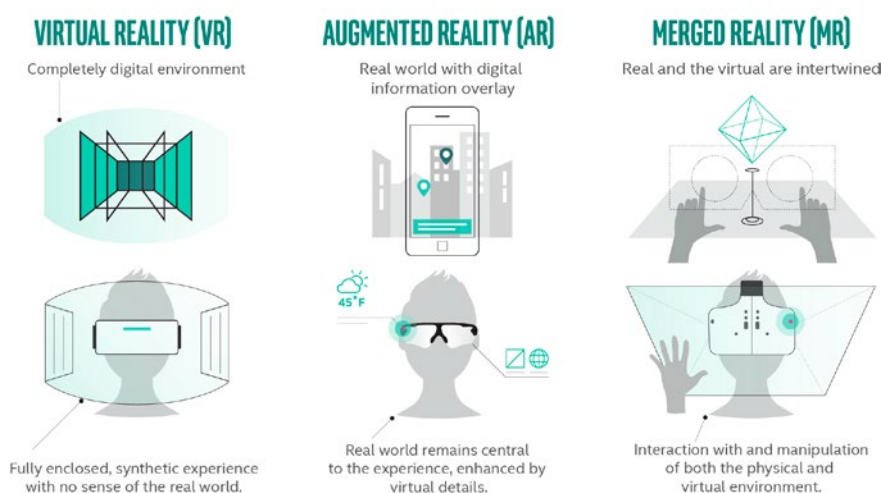


## General

**Augmented Reality (AR)** refers to the overlaying of physical environments with digital content and images to provide users an enhanced (or augmented) experience of reality.

**Virtual Reality (VR)** offers an immersive experience, taking users into a purely virtual world, and can incorporate 3D audio to deepen the sense of realism.

**Merged Reality (MR)** is a blend of VR and AR creating an environment in which digital and physical objects can interact.

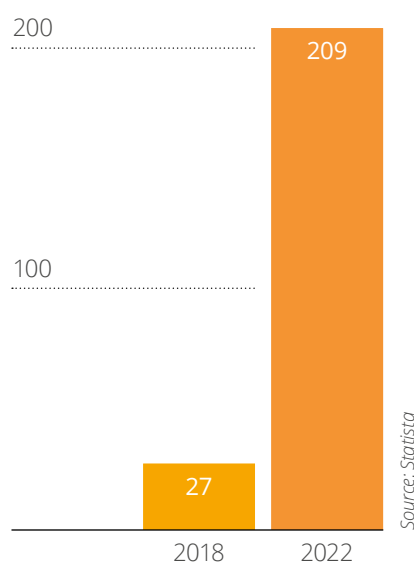


Source: Extreme Tech

## Key statistics

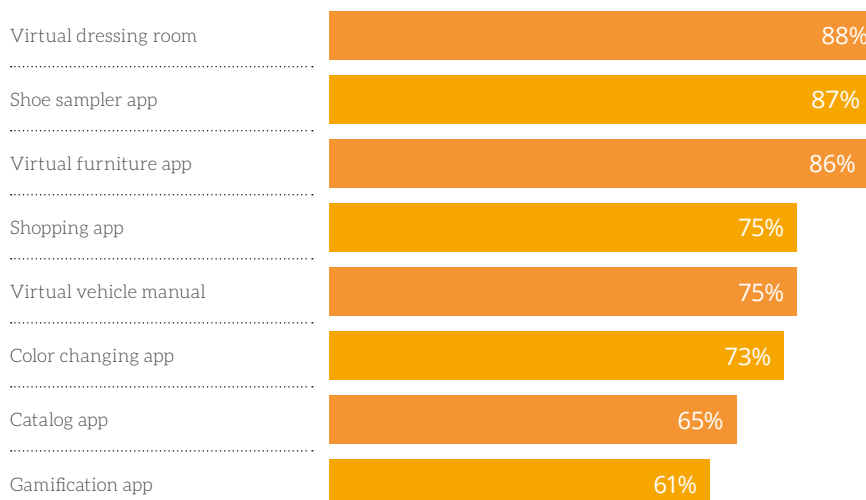
### AR and VR market size worldwide 2018 and 2022

(in billion U.S. dollars)



### What AR use case would increase your likelihood of purchasing the product

Forecasted cumulative global AI revenue 2016 – 2025, by use case (in billion U.S. dollars)





Note: Updated content is signalled throughout the analysis by a **red icon**.

## Opportunities



**Visualisation of products:** A combination of AR and VR can be used to help customers visualise how certain products will look in their homes e.g. Ikea's AR catalogue helps customers visualise how certain pieces of furniture would fit and look in their own homes.

While several fashion retailers, including Topshop, De Beers and Converse are using augmented reality to enable their customers to 'try on' clothes, jewellery or shoes virtually which has the potential to reduce online returns.

Beauty is one industry where augmented reality applications have already been a success. L'Oréal's acquisition of Modiface in May 2018 has helped the company launch a variety of AR-powered beauty experiences for L'Oréal's beauty brands.



**AR Holograms:** Expected to be one of the next big trends in retail technology, experiments are ongoing with using high-definition human holograms powered by AR. In November 2017, HoloMe partnered with womenswear label Rixo London to display an 'AR fashion show'. The technology allows consumers to view 3D video footage of models in their own rooms.

## Challenges



**3D modelling:** Without high-quality 3D product models, the consumer experience may be subpar; the virtual product consumers are seeing will be less likely to resonate with them, and the experience ultimately won't provide as much value.



**User experience issues:** Feedback on the user experience from those who own or have tried VR headsets has been mixed (Parks Associates).



**Consumer electronics provide a limited experience:** Many consumer devices on the market today with AR/VR features are fraught with display and power consumption issues.



**Field of view limitations:** At present AR/VR devices have a field of view (FOV) up to 90 degrees compared to the 190 degrees horizontal and 120 degrees vertical for normal human vision.

## Q1 2019 update



**Mobile AR will become commonplace:** At present not all phones can handle the capabilities of AR developer platforms such as ARKit from Apple and ARCore from Google. In 2019, over 2 billion smartphones worldwide will have the power, and combined with more marketers integrating AR features into their apps we will see mobile AR become more commonplace.

# Voice Commerce

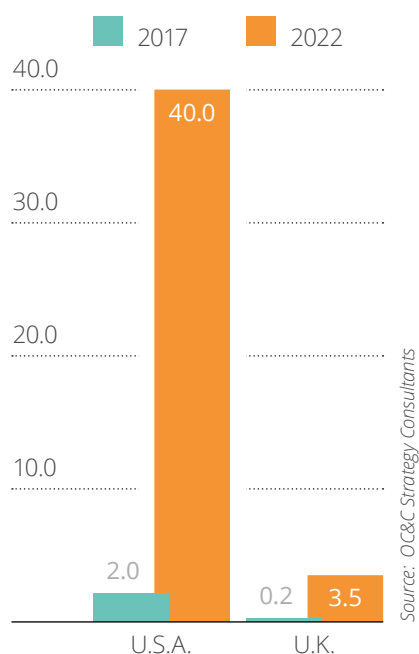


## General

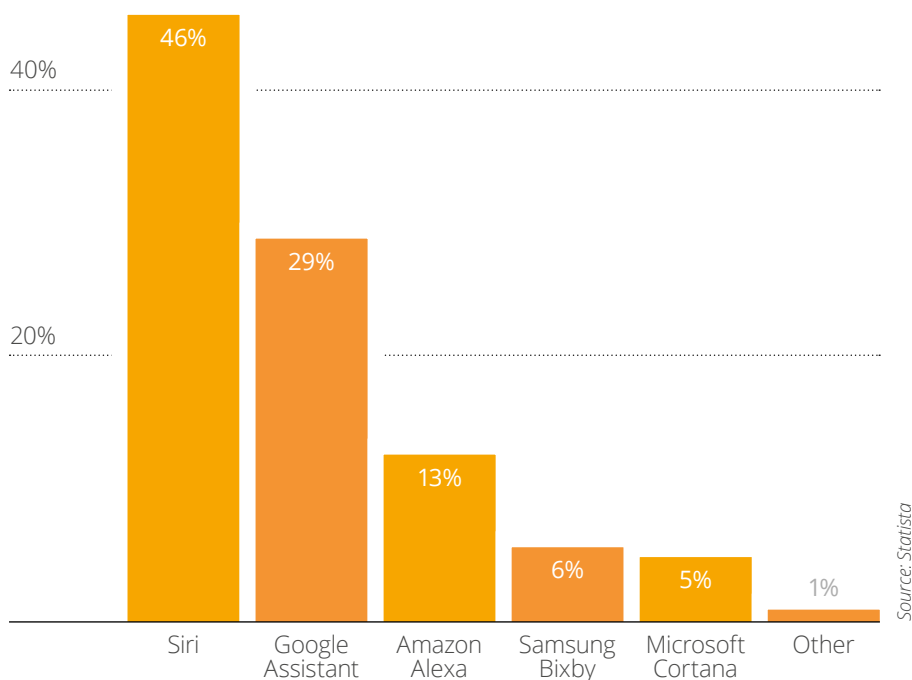
Voice Commerce refers to the processing of voice orders by voice assistants such as Siri and Alexa.

## Key statistics

### Value of voice transactions (in billion U.S. dollars)



### Siri remains the most popular voice assistant Market share of voice assistants in U.S. (May 2018)



Three years from now 40% of consumers will use a voice assistant instead of a mobile app or a website (Capgemini).



Capgemini conducted a survey on 2,558 users in the US, UK, France, and Germany and found a 86% level of satisfaction for users who use voice assistants to buy products (Capgemini).

## Q1 2019 update



**Voice assistants will move beyond smart speakers into everyday devices:** With smart speakers having led the way for voice-activated functionality, technology firms are now incorporating voice assistants in a wider array of IoT devices – from computers to door locks to refrigerators to cars. A September 2018 survey of US internet users by Voicebot.ai found that nearly three in ten US internet users had used voice assistants in gadgets other than smartphones or smart speakers.

Note: Updated content is signalled throughout the analysis by a red icon.

## Opportunities



**Voice search:** Retailers can allow consumers to search for their products using just their voice by partnering with companies such as Google to utilize Google Express (*Tech Crunch*).



**Voice purchasing:** Asos has launched voice shopping on Google with its shopping assistant 'Enki', becoming one of the first fashion retailers to do so (*Retail Week*).



**Checking delivery:** Companies such as Tesco, Morrisons, Ocado and UPS have launched Alexa skills. Think of skills as the apps of the voice world. UPS use skills to allow consumers to check their delivery status by saying 'Alexa, ask UPS if I have any packages coming?'.



**Voice re-ordering:** Voice Commerce is very convenient for re-ordering products. Alexa has the ability to re-order products based on a user's purchase history. Re-ordering products presents a more natural transition from online to voice because there is no need to see the product or comparison shop.



**Customer service:** A combination of Voice and Conversational Commerce can be used to deliver customer service in a new manner. Voice assistants such as Amazon Alexa will be able to deliver real time customer service to users.

## Challenges



**Optimising channel of communication:** Optimising the channel of communication to fit the context of the interaction can be challenging for Voice Commerce. This challenge may include managing complex scenarios such as where a user begins shopping on a voice assistant, then browses options on a screen, engages with a chatbot for more details, before finishing off with an email to confirm payment.



**Retailers run risk of losing human touch in customer service:** Use of Virtual Assistants may result in retailers losing human touch in customer service.



**Experience can fall short:** At present users feel that the Voice Commerce can fall short in some common real-world scenarios, e.g. obtaining product information using voice commands may be less efficient than using a mobile app.



**Relies on single communication:** Users can ask just one question at a time and receive an answer to that question only.



**Improving voice commerce penetration:** A major challenge for Voice Commerce will be to improve voice buyer penetration. eMarketer estimate that 28.2% of US voice assistant users will make at least one purchase using a voice assistant in 2018 (*eMarketer*).



**Difficult to incorporate into existing transactional offer:** Voice Commerce is proving difficult to incorporate into the existing transactional offer due to the absence of visuals on certain virtual assistants along with the inability to respond to complex requests (*Retail Week*; *CNET*).



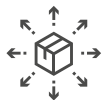
# General Ecommerce Trends



Customer experience



Omnichannel



Delivery optimisation in last mile fulfilment



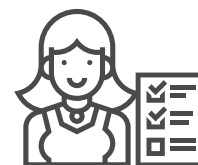
Changes in product finding and discovery



Customer segmentation and personalisation



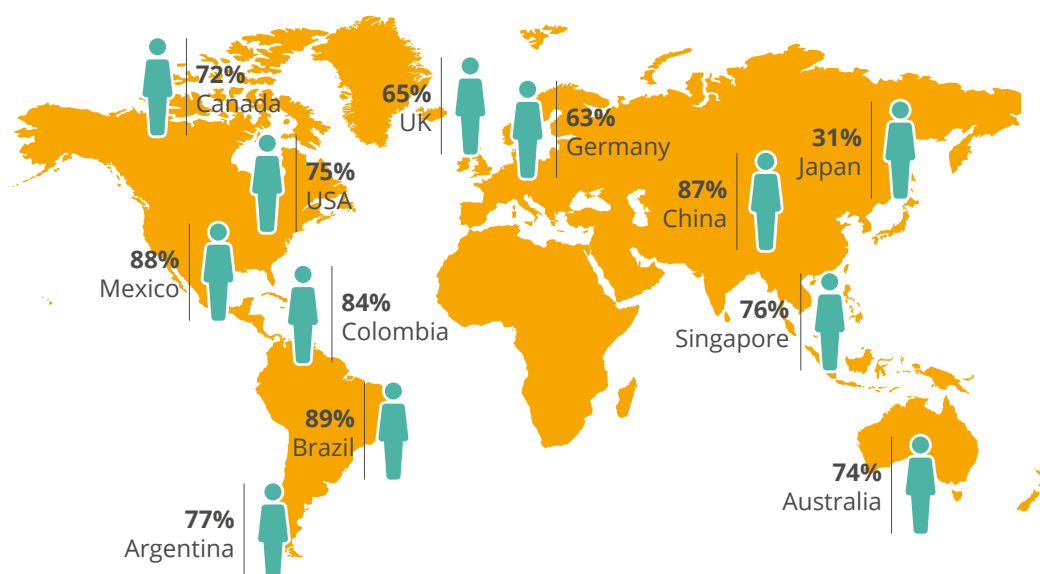
# Customer experience (CX)



## General

Retailers are striving to differentiate themselves in a challenging and crowded market using customer experience. Customer experience will overtake price and product as the key brand differentiator by 2020 (*Walker*).

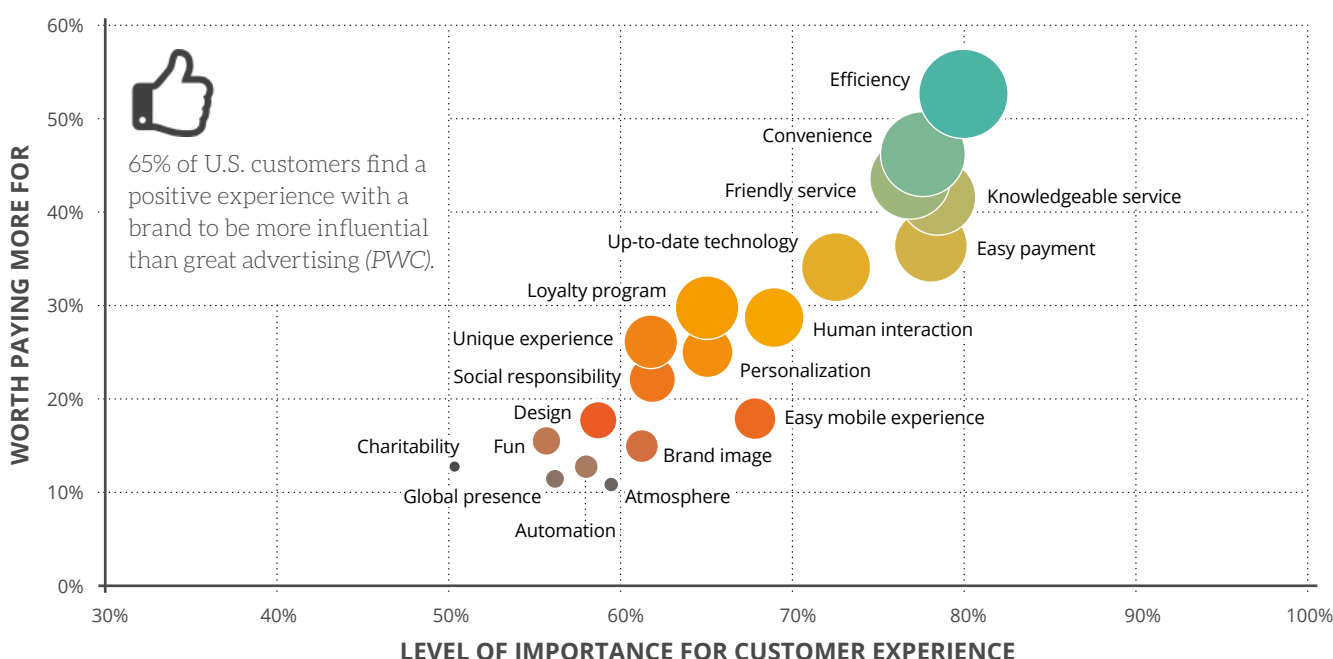
## Importance of customer experience in choosing between buying options



Source: PWC

## Key statistics

### What people value most in their customer experience



Note: Updated content is signalled throughout the analysis by a red icon.

## Opportunities to improve CX



**Loyalty and membership:** Retailers are using membership programmes and other initiatives to improve CX and build strong and loyal customer relations. Amazon Prime is a leading example of a successful membership programme offering additional advantages to its members.



**Simplified checkout process:** 21% of U.S. digital shoppers stated that they abandoned their shopping cart between 2016 and 2017 because the checkout process was too long (*Statista*). Implementing steps such as a one step checkout, a postcode lookup tool, and auto-detect of country and city using GeoIP are proving successful in simplifying and shortening the checkout process.



**Localised experience:** By adapting their online stores to local languages and cultural norms retailers can improve the CX for many customers while also targeting a larger customer base. Localisation involves many different components including – Language, content layout, local payment methods, photos and visuals, privacy policies, and more.

## Challenges



**Getting the balance between people and technology right:** To deliver a successful customer experience retailers must find the correct balance between technology and people. The challenge is delivering an improved customer experience using new technology with purpose, to make the experience feel more human – without creating frustrations for customers.



**Getting the customer experience right:** 32% of customer say they will walk away from a brand they love after just one bad experience (*PWC*). The challenge here is for retailers to consistently get the customer experience right.

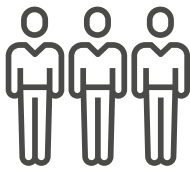


**Measuring customer experience:** Measuring CX can be difficult as many different departments impact CX and each department may use different metrics and KPIs.



**Improving conversion rates on mobile devices:** A major challenge for retailers is to improve customer experience on mobile devices and in turn conversion rates. According to Statista, only 1.56% of mobile ecommerce website visits were converted into purchases compared to 4.07% on desktops (*Statista*).

# Omnichannel



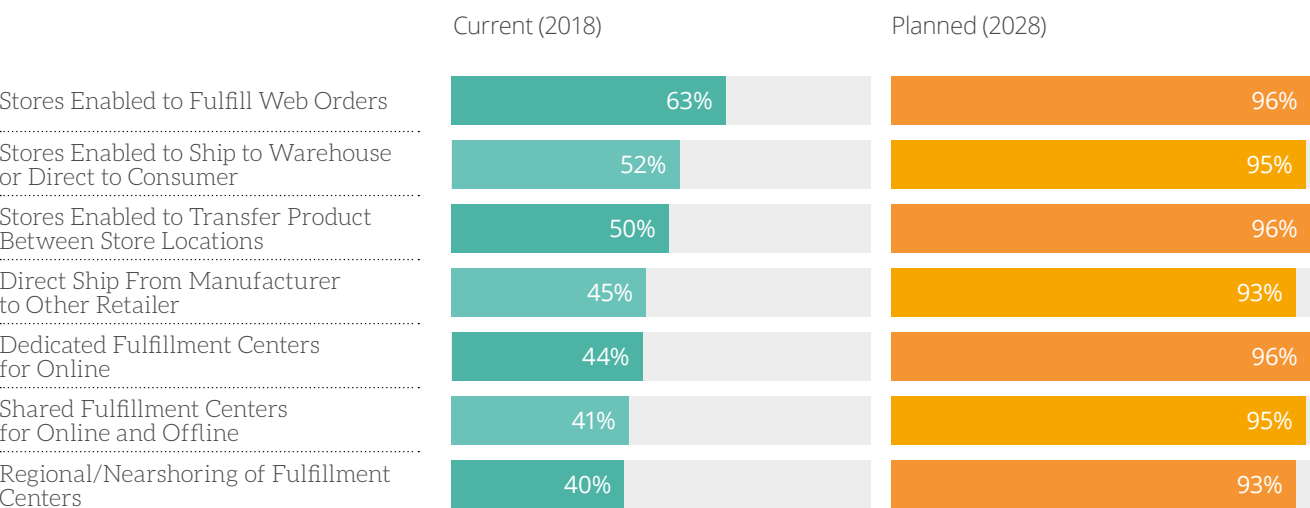
## General

Omnichannel is the evolution from multichannel retailing, it is the practice of using all available shopping channels to buy or sell goods or services.

## Key statistics

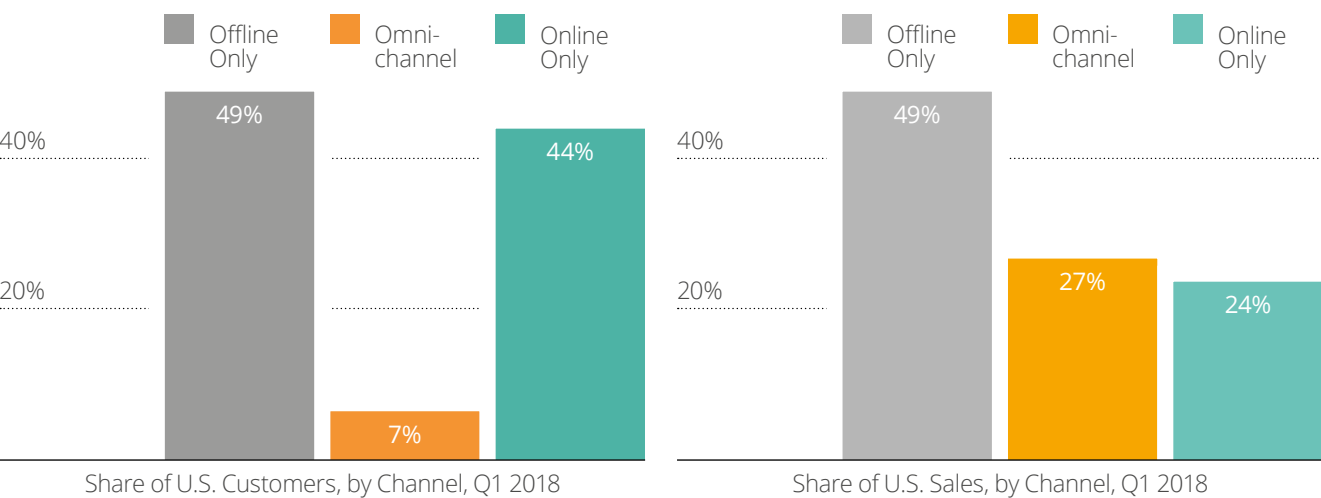
### Current vs planned omnichannel fulfilment capabilities

According to logistics professionals (% of respondents)



Source: eMarketer

### Omnichannel shoppers generate higher lifetime value in terms of sales



Source: eMarketer



58% of retailers say that their omnichannel e-business is profitable, up from 45% in 2016 (eMarketer).



The UK's click and collect market is set to rise by 48.5% over the next five years to reach £9.8bn by 2023 (The Industry).

Note: Updated content is signalled throughout the analysis by a **red icon**.

## Relevant omnichannel opportunities



**Click and collect:** For many shoppers, click and collect combines the convenience of online shopping with the trusted physical experience of shopping in-store. For retailers, it provides a method to get online shoppers in-store, where they might complement their online purchases with in store purchases.



**Real time store availability:** Three out of four consumers would find it useful if they could check product availability before visiting a store (*Capgemini*). Companies such as Debenhams, Ikea and Home Store + More are implementing this service successfully.



**Reserve online, try on in store:** Nordstrom announced plans to expand its 'reserve online, try on in store' feature to 40% of stores by end of 2017. 80% of customers who tried this feature used it again (*eMarketer*).



**Shopping cart saved when moving between devices:** A number of companies are adopting this functionality successfully, e.g. Crate & Barrel recognise that many shoppers switch from eCommerce site to desktop/tablet when conducting research or completing purchases. When customers are signed in, the Crate & Barrel app saves their shopping cart so they can access their information across multiple mobile devices and browsers.



**Try on before you buy:** This method comes in two primary forms; 1- Delivery driver waits after delivery to allow customer to try on products before deciding to buy, or 2- Products are delivered and customer can send back / retailer will collect what they don't want after trying them on, the customer only pays for what they keep. Net-a-Porter has recently launched a try before you buy service for their VIP customers (*Evening Standard*)

## Challenges



**Budget pressure and margin compression** was stated as a challenge of enhancing an omnichannel strategy for 61% of retailers globally (*eMarketer*).

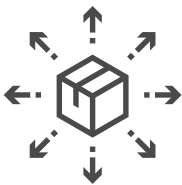


**Usable insights:** Turning data into usable insights was presented as a challenge for 58% of retailers globally (*eMarketer*). Although data is being collected at every customer touchpoint, retailers are struggling to tap into these insights and learn about shopping patterns, preferences and user behaviour across customer touchpoints.



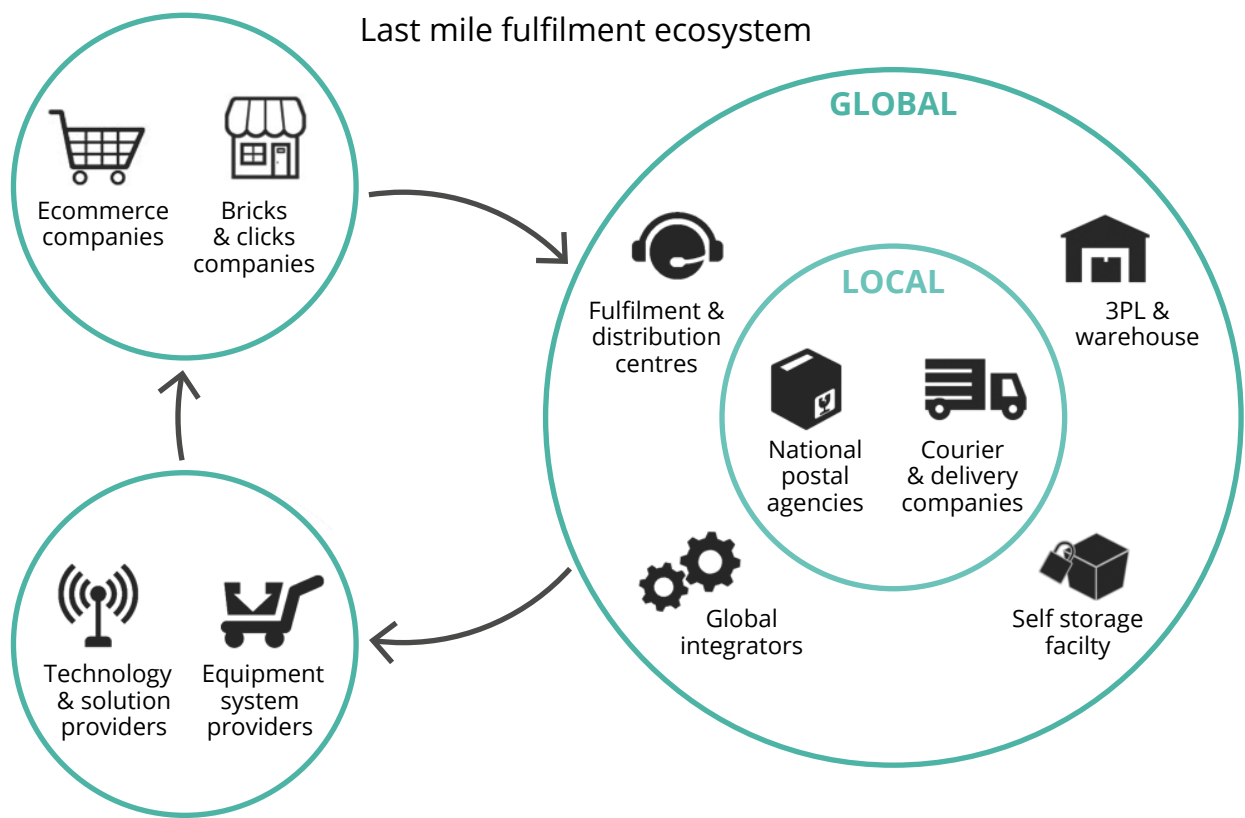
**Consistent buying journey:** Ensuring consistent buying journeys across customer touchpoints is proving difficult for retailers. This involves consistent branding, pricing, customer service and many more components.

# Delivery optimisation, last mile fulfilment & returns



## General

Last-mile fulfilment is the final stage in the network of courier, express, and parcel companies (CEP). It is an entire ecosystem that brings a variety of goods to consumers’ doorsteps (or very close).

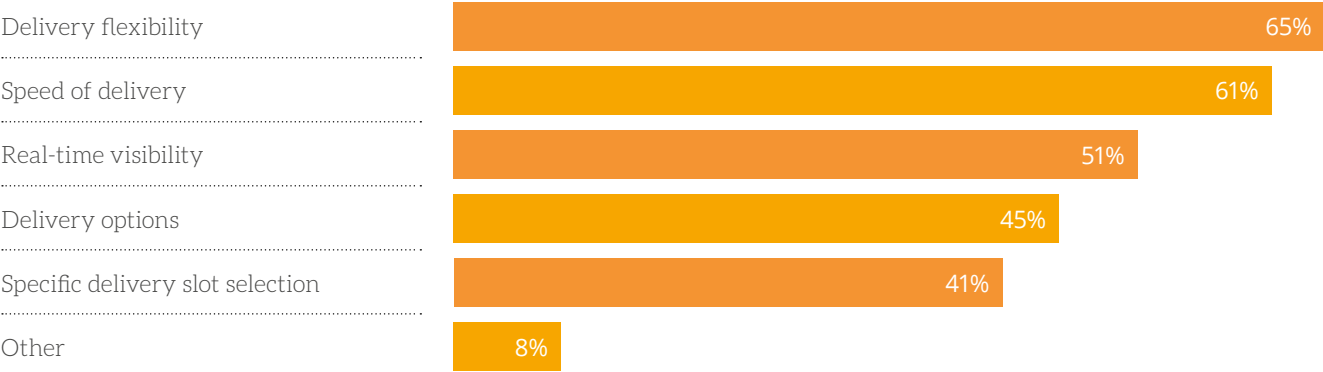


Source: LMF Asia

## Key statistics

### What are customers demanding from last mile services?

(% of respondents)



Source: Statista



Note: Updated content is signalled throughout the analysis by a **red icon**.

## Opportunities



**Drop off goods inside home:** Advances in smart lock technology have enabled in-home delivery e.g. Amazon has enabled secure in-home delivery through Amazon Key.



**Parcel delivery boxes/ secure lockers:** Parcel delivery boxes / secure lockers are becoming increasingly desired for working people. For example, Amazon hub and DHL Packstation have delivery lockers in numerous locations such as shopping centres, apartment buildings and offices.



**Chosen delivery timeslot and same day delivery:** Chosen delivery timeslots and same day delivery services are becoming commonplace and popular with shoppers.



**Import consolidation:** A major challenge of cross-border ecommerce is the high shipping costs. Services are emerging that help reduce these costs by consolidating deliveries in the country where the online retailer is located, then the consolidated delivery is transported cross-border to the customer's country of residence.



**Smart labels for returns:** Customers are increasingly expecting and demanding free returns and smart labels are helping to facilitate this. Smart labels are pre-paid, pre-addressed return labels available to a customer with their order summary or to print online. When the barcode on a smart label is scanned by the carrier the retailer is notified that a return is incoming.



**Premium delivery:** Premium delivery options such as nominated day delivery, hotel delivery, and returns pick-up are becoming increasingly popular with luxury ecommerce brands



**Micro fulfilment centres:** Micro-fulfilment focuses on leveraging software, AI, and robotics to operate small urban warehouses and fulfil online orders

## Future opportunities



**Autonomous vehicle delivery, delivery robots and drone technology:** Innovation is currently under way in these areas. E.g. Amazon Prime Air is conducting drone delivery trials in the U.K.

## Challenges



**Delivering flexibility of delivery options:** Challenging to offer premium options such as same day delivery and to allow customers to change delivery options once ordered.



**Improving tracking:** Poor tracking, especially across multiple carriers, can have a major impact upon perceived quality of service.



**Resolving inefficiencies:** The last mile is beset by inefficiency from failed deliveries, lost and damaged parcels, and late deliveries. A citizens advice survey of more than 2000 online shoppers found that 69% of respondents have had parcels lost, damaged, or delivered late in the last year (*Citizens Advice*)

# Changes in product finding and discovery

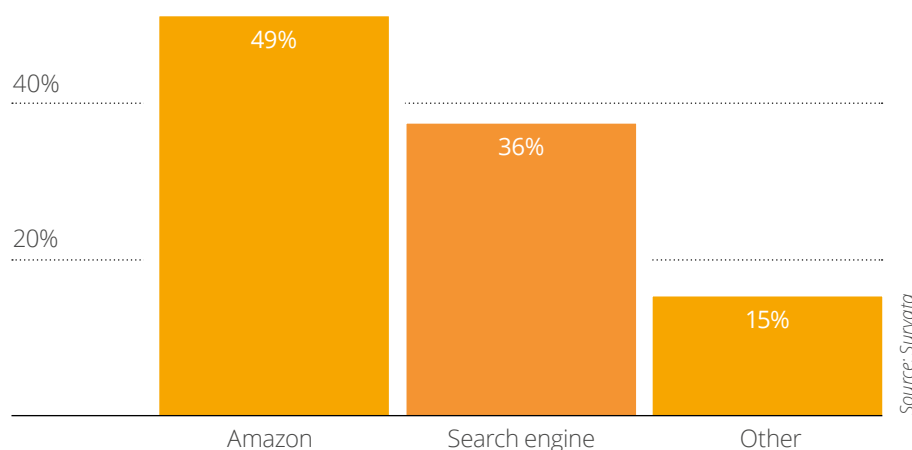


## General

Online product finding is getting more data driven, personalised and competitive. Social media is enabling more efficient product discovery. Facebook, Instagram and Pinterest are leading the way here. New methods of product finding and discovery are arising such as Visual Image Search and Voice Search.

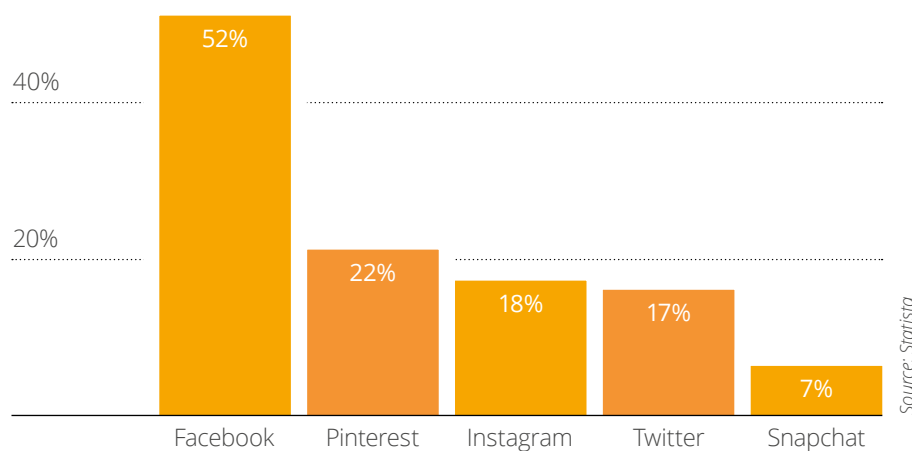
## Key statistics

### Where consumers begin their product search



### Discovering products via social media

% of respondents who have discovered retail products they were interested in buying on each social media channel



Gartner predicts that by 2021, early adopter brands that redesign their websites to support visual and voice search will increase digital commerce revenue by 30% (Gartner).



62% of millennials want visual search over any new technology (ViSense).

Note: Updated content is signalled throughout the analysis by a **red icon**.

## Opportunities



**Visual image search and voice search:** Both visual image search and voice search are opening up new methods for consumers to discover products.



**Social media discovery:** A lot of products are now found through Facebook, Instagram and other social media platforms. Instagram are rumoured to be releasing a shopping app, while Amazon have developed a social network for product discovery – Amazon Spark. These social media platforms are functioning as discovery platforms and driving consumer encounters with interesting styles, trends and brands.

## Challenges



**Irrelevant results:** Risk of overloading shopper with irrelevant results if visual search and voice search are not properly developed.



**Large datasets needed:** In order to develop a working visual search large databases of images are required.



**Discovery on mobile phones needs to be improved:** Mobile discovery is causing issues for customers with 56% of Americans stating they would buy more on mobile if discovery was easier (*Qubit*). Given the limitations of product visibility on mobile devices, maximizing the precious amount of consumer attention for greater conversion requires intelligent personalisation of both product selection and context experiences.

## Gucci mobile case study



**Mobile:** Gucci focus on continuous improvement to deliver a best in class experience to their customers. As part of this they worked on creating a fully mobile optimised website which now captures 73% of total traffic.

# Customer segmentation and personalisation



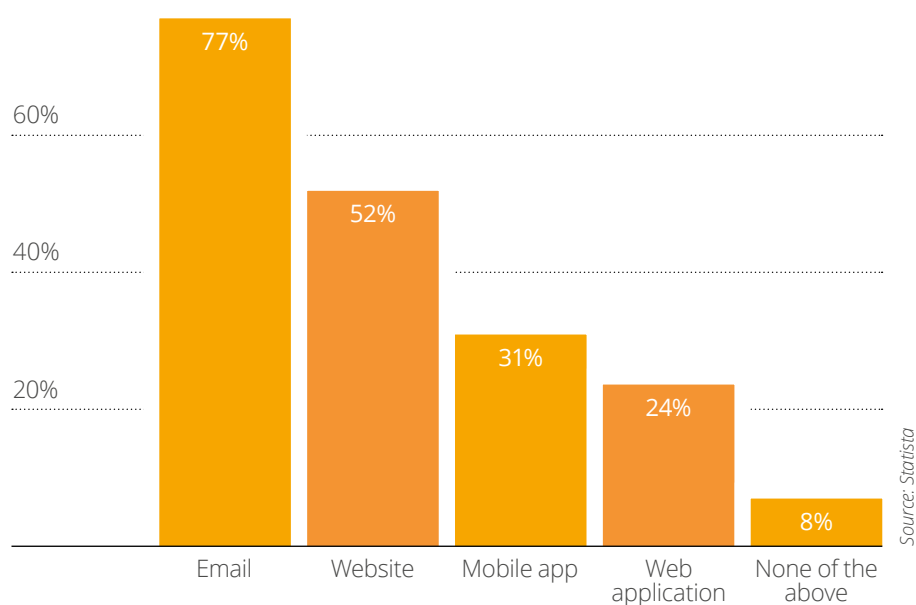
## General

Big Data is allowing consumers to be analysed and placed into segments based on their habits and shopping behaviour. This is resulting in more tailored discounts, offers and information about products and a move towards personalisation.

## Key statistics

### Digital channels in which personalised communication is used worldwide

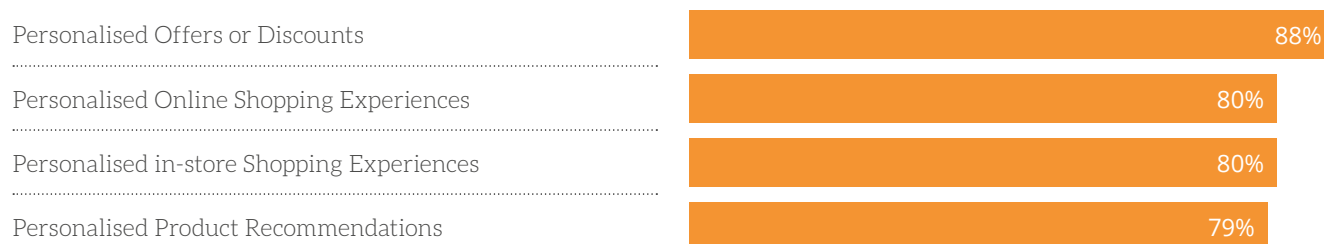
(as of March 2018)



### Customers will swap data for a better experience

% of customers who are willing to share relevant information about themselves for the following

#### Before They Buy



48% of consumers said they would be willing to wait longer to receive a personalised product or service (Deloitte).



28% of consumers say a brand's website is the most important digital channel for personalisation, while 49% rank it in their top two (Segment).

Note: Updated content is signalled throughout the analysis by a **red icon**.

## Opportunities



**Personalised experience:** Consumers are fully in charge today and they are demanding personalisation of services which makes personalisation the future of shopping. Big data is important here and retailers should try understand what individual consumers buy and what they want. They should cater to consumers as individuals. This includes personalised promotions and offers.



**Personalised products:** Retailers are offering personalised products to customers for a number of reasons e.g. By offering personalised products retailers can apply a price premium to the products, retailers can also learn more about what their customers want based on the customisations they request for their personalised products.



**Customer segmentation:** The companies that are able to identify and segment their target customers and develop product offerings along with online strategies that are distinctly tailored for each unique market will be poised to succeed online. Big Data allows consumers to be analysed and placed into segments based on their habits and shopping behaviour.



**Hyper-targeted advertising:** Is concerned with harnessing data to serve more relevant and personalised advertisements. This can involve many different types of advertisements including personalised display, search, and social media advertisements.



**Co-creation technology:** The consumer is set to become even more powerful and play a greater role in the creation of product. According to Accenture, co-creation technology, which allows the consumer to design product, could be in the offing. This is already happening in a limited scale with Nike iD which allows consumers to design their own trainers.



**Regional based personalisation:** Platforms such as BounceX, a people based marketing platform are allowing for regional based personalisation/marketing.

## Challenges



**Collecting and leveraging data:** To deliver a truly personalised experience poses a challenge for retailers.



**Cross channel delivery:** To offer customers a consistent experience, personalisation needs to be delivered across all relevant channels – offline and online.



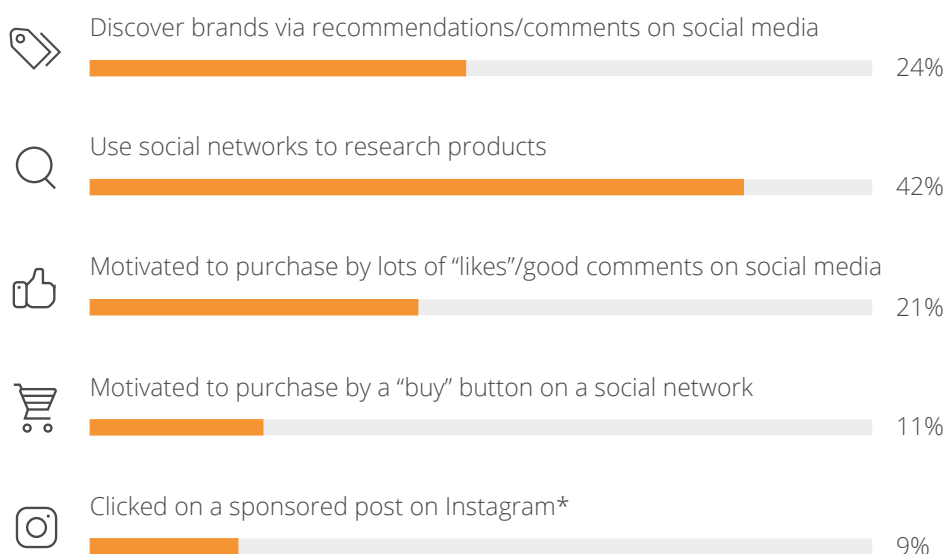
**Moving beyond demographic and consumer targeting:** A behaviour-based segmentation model helps retailers explain complex purchasing behaviour allowing retailers to understand why customers behave the way they do.

## Emerging trend spotlight – social commerce

### The rise of social commerce

Social commerce has gained little traction over the years, but several developments in 2018 point toward a larger role for the social platforms in not only driving interest in products, but also purchases, in 2019

#### Social media's impact across the purchase journey



Source: Global Web Index

### Key platforms



**Snapchat** recently announced a partnership with Amazon to test a visual search tool; it has also introduced several shopping-related ad types.



**Instagram** debuted shopping features in the Explore tab & in stories in 2019 along with an in-app checkout.



**Facebook** have added a 'Shop Now' button which drives traffic to a brands website and also hosts shoppable pages which allow users to buy directly on the social media platform.



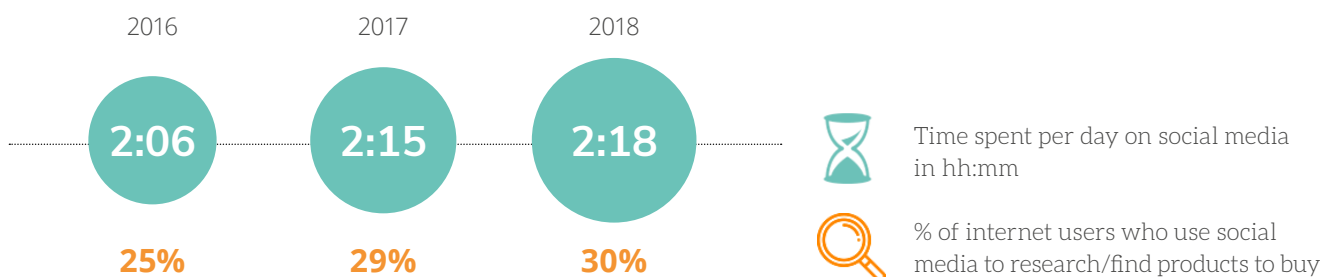
**Pinterest** have added buyable pins which allow users to shop and securely checkout with the products they find on Pinterest. Interestingly Pinterest also drives the highest AOV on mobile (\$140). When compared to other social networks.



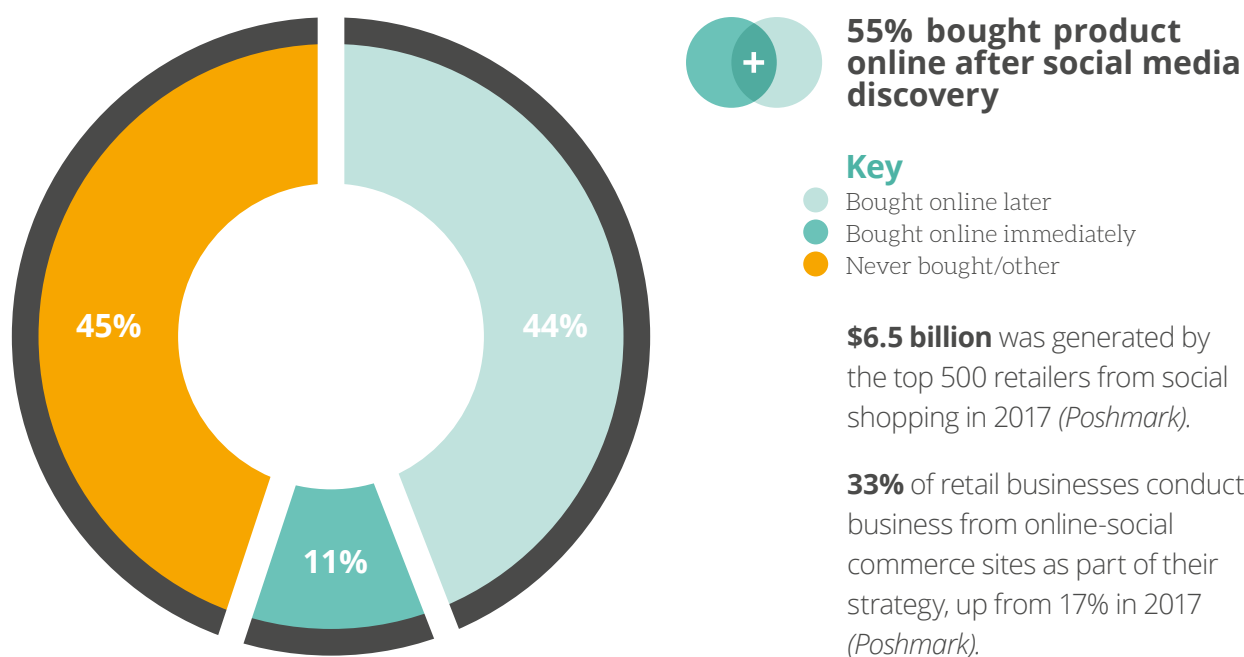
**WeChat**'s mini-program function is crucial to social commerce in China, it allows users to make direct purchases and share products and promotions with friends and family without leaving the WeChat app.

# Social commerce developments

## Social media engagement is growing over time



## Social media discovery is driving purchases



## Social media engagement in some emerging markets is up to twice as much as traditional eCommerce markets (2018)

(Avg. daily time spent using social media via any device in hh:mm)

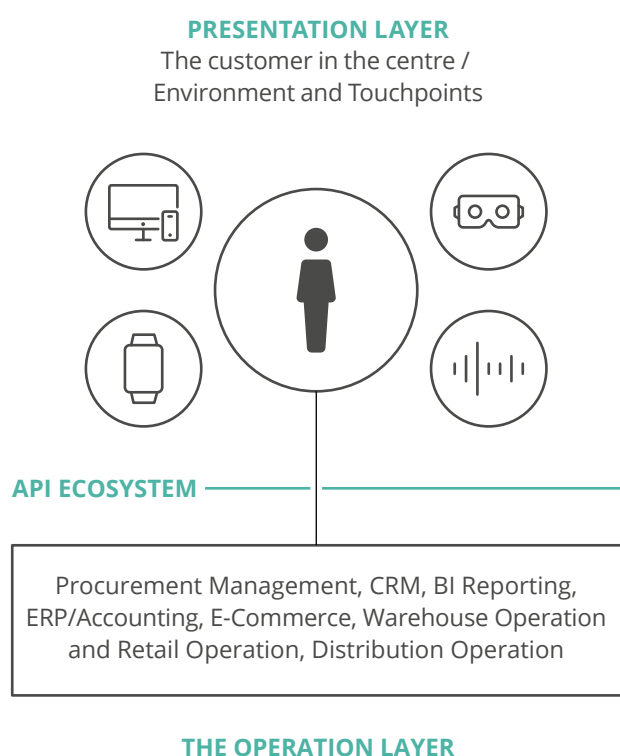




# Emerging trend spotlight – headless commerce

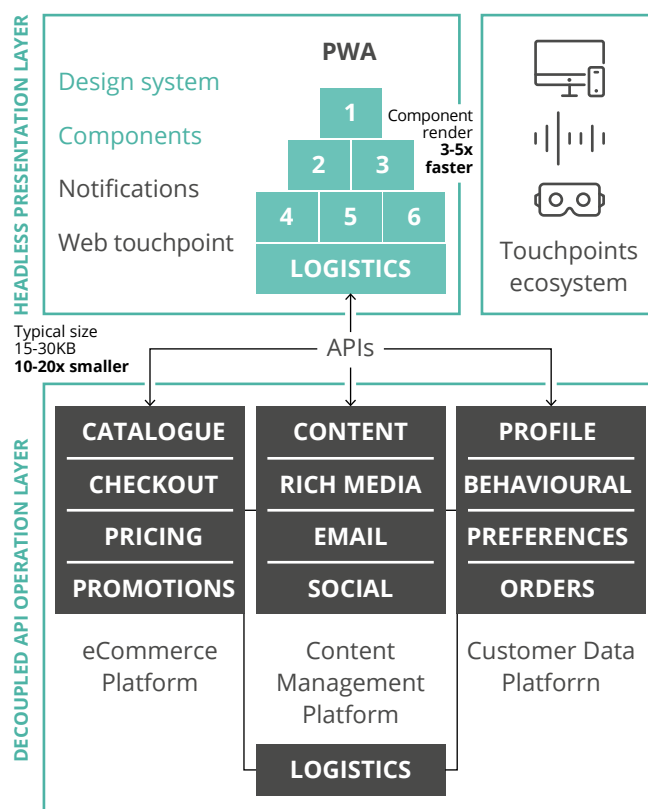
Headless commerce refers to using a headless architecture when developing ecommerce sites. A headless approach separates the UI or presentation layer from the underlying backend services, and connects the two through a set of web services.

## An illustration of the headless commerce model



Source: Isobar

## Headless commerce decoupled architecture



Source: Isobar

- **Presentation Layer:** The touch point where the customer engages with the brand, and relationships are built.
- **API Ecosystem:** The technical definition of the communication channels between a brand's business applications and touch points.
- **Operation Layer:** The business applications that support the customer experience and business operation

## The benefits of headless commerce



**Flexibility:** As the front-end and back-end of a headless system are decoupled, it is possible to make updates to the content layer without disrupting the business.

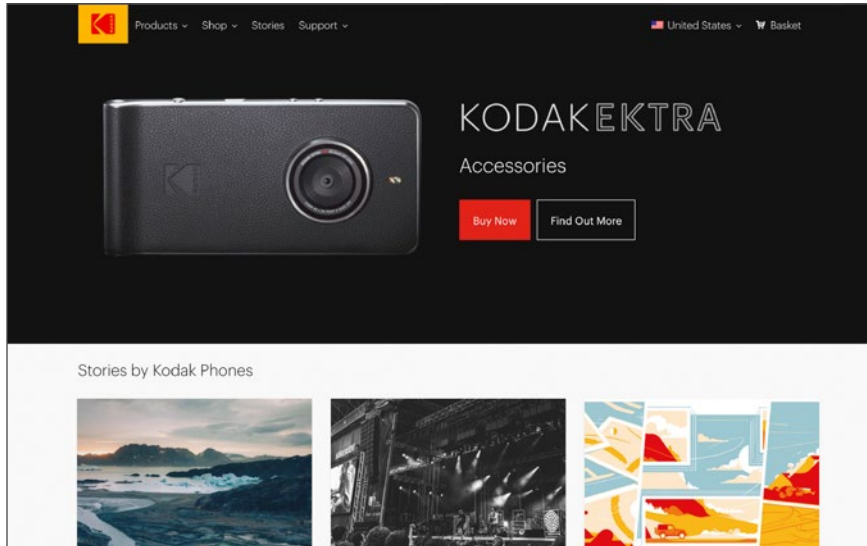


**Speed:** A headless architecture allows users to make rapid changes without disturbing the back end and vice versa.



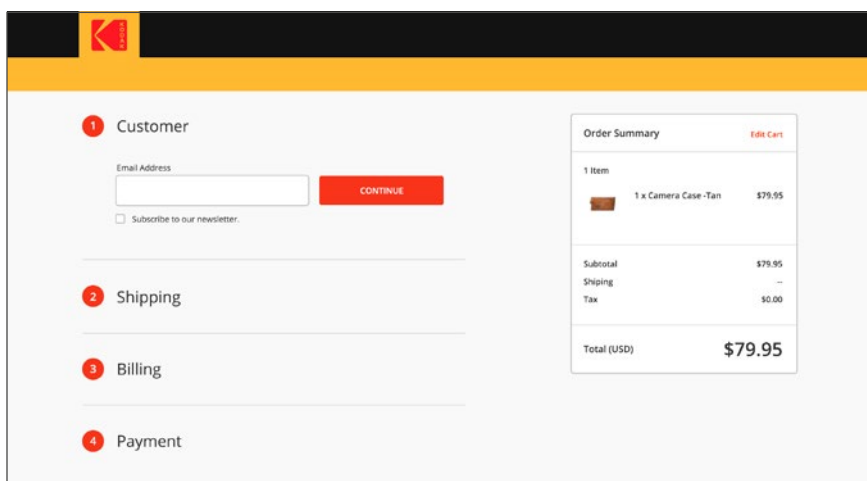
**Customisation:** Customisation and integration of other systems are much easier with a headless architecture, as these architecture integrations are no longer a package deal and don't have to be bought in bulk.

# Headless commerce examples

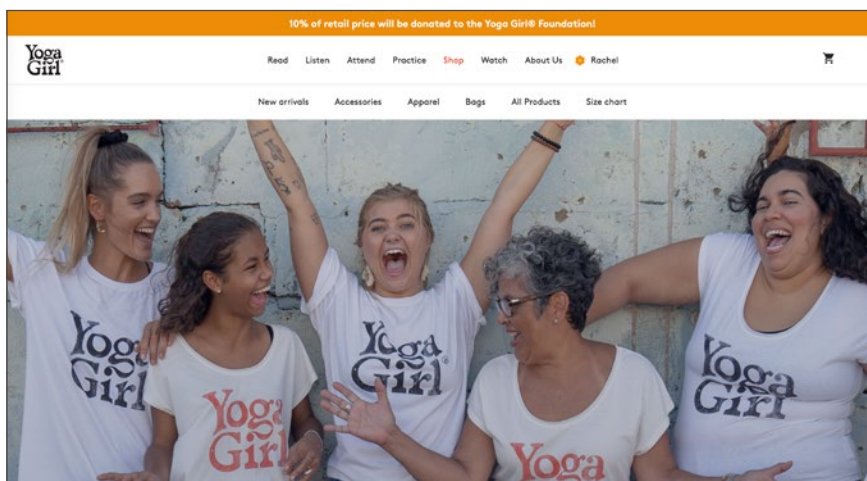


## 1. Kodak

Kodak uses WordPress on the front-end of their site to host their products, blog content, and merchandising.



For checkout, they outsource PCI compliance, checkout uptime and security to BigCommerce.



## 2. Yoga Girl

The Yoga Girl site features a front-end built with Nuxt.js and Contentful CMS and Shopify on the backend.

## In Summary

- A broad market scan was undertaken to look at growth projections for global ecommerce as well as cross-border ecommerce and key trends affecting the ecommerce industry
- 2019 trends and early market updates were explored, looking back at the fashion ecommerce market in 2018
- Singapore was added as an emerging market to watch due its high growth in ecommerce revenue (+22% YOY) and market potential (14.71% CAGR to 2023)
- Online payment methods replaced the Internet of Things as a top five technology trend
- Social Commerce and Headless Commerce surfaced as emerging trends

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