

Salesfire



The State of eCommerce in 2022



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The State of eCommerce in 2022

We have just lived through the single-largest migration to eCommerce in history. In 2020, eCommerce growth in the UK increased 4.5x.¹ eCommerce has never been more competitive, and it's no longer good enough to just be online. You need to stand out and do more with less.

In fact, retailers have already seen a decline in profits.² Advertising costs continue to increase and consumers have higher expectations for personalised experiences. What's more, brick-and-mortar stores are back on the rise. Retailers need to reconsider how they can connect with the following.



Gen Z consumers who want more sustainable and considered products, requiring brands to pull away from the old rhetoric of fast, trendy and cheap items.



Consumers squeezed by the cost of living crisis who are on the lookout for returns, BNPL schemes and other money-saving systems.



Customers who have lost brand loyalty due to the huge range of offerings easily available online.

eCommerce businesses need to think strategically about how they can achieve sustainable, profitable growth. That starts with understanding the state of the industry and where it goes next.

What's in this report?

This industry report explores trends of the past year that we've identified as critical for eCommerce businesses to recognise. Each one poses value in helping eCommerce businesses understand how the space has developed up to this point and where things are likely to go from here.

As we look back on 2022, this report also comes at a critical time for eCommerce businesses to think about how they can approach the new trends and challenges they're facing in 2023.

We've called out specific trends, including what they mean, why they're happening, and how your business should respond, either to move past the issue identified or capitalise on its potential value.



Trend 1 In-person retail is still a threat

Trend 2 The rise of social commerce

Trend 3 Increasing customer acquisition costs

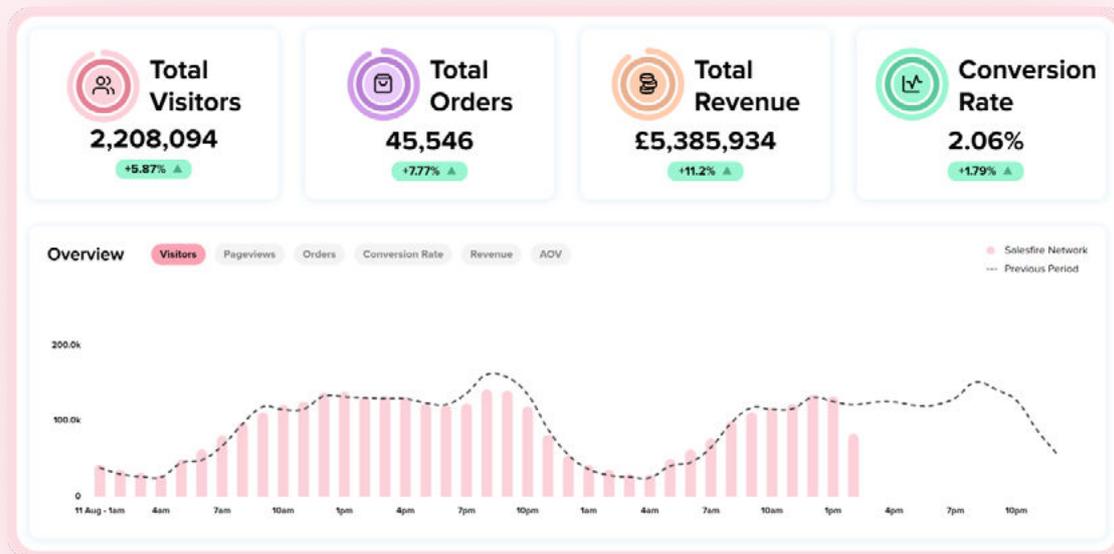
Trend 4 The cost of living fallout

Trend 5 Shifting consumer values

Putting our data dashboard to the test

We at Salesfire help online retailers reach new heights through our leading eCommerce solutions and state-of-the-art software, with a priority focus on conversion rate optimisation (CRO.)

The data we used to create this report was collected through a combination of our own expert-led knowledge of the industry and with the benchmarking platform, Salesfire Trends.



KEY STATS

Tracking real-time data across:

28 major eCommerce industries

570,000,000+ user journeys

£1.5 billion in eCommerce revenue

Salesfire Trends is just one part of the Salesfire suite: a collection of tools designed to empower eCommerce businesses to gain control over their customer acquisition and retention strategies.

But we know that implementing the right software isn't enough. The success-minded online retailer needs to understand the current state of the industry in order to devise how they can deliver more value to their customers, and see that value come back to them.

With that covered, let's dive right into the state of the eCommerce space in 2022 — and beyond.



TREND 1

In-person retail is still a threat

Online retail is dropping as consumers are getting back into physical stores.³

This trend is affecting most eCommerce businesses, but it's especially important for those operating in industries with strong in-person shopping traditions, such as the Clothing & Accessories and the Gifts, Gadgets & Toys industries.

Visitors in the Clothing & Accessories industry



From January to July 2022, the total number of visitors in the Clothing & Accessories industry decreased by 15%, and the total number of orders decreased by 12.1% compared to the same period in 2021.

Visitors in the Gifts, Gadgets & Toys industry



The Gifts, Gadgets & Toys industry fared even worse, losing 16.7% of its visitors and 33.5% of its total number of orders.

Why are we still shopping in-person?

Shoppers are excited to rekindle the in-person interactions they missed out on due to legally-enforced social distancing rules. They're eager to get back into brick-and-mortar stores and benefit from the personability they offer.

While customers get real value from eCommerce stores in terms of ease of access and convenience, the majority of online businesses cannot match up to the engagement that comes from shopping in-person. Factors like interacting with shopping assistants and getting to check the quality of products before purchasing have a positive impact on the customer experience.

Plus, the large number of eCommerce stores operating across all industries — not just the ones we've flagged here — make shoppers more likely to switch between websites in an endless pursuit of value for money. In-person stores benefit from already having the customer physically present.

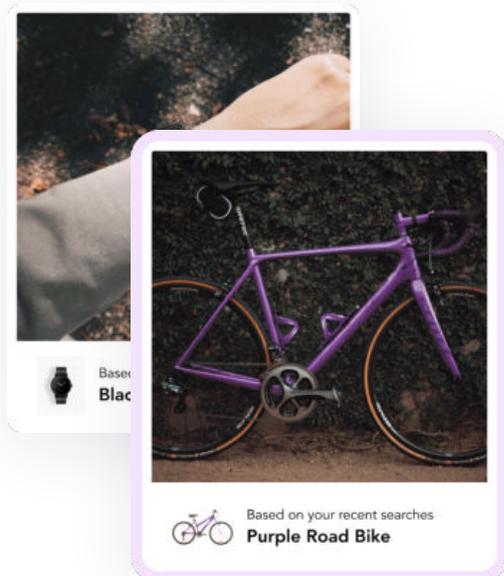
Adding to that, intense competition means more promotions to choose from. The average customer is now savvy enough to recognise standard eCommerce tactics, almost to the point of oversaturation.



How to stay ahead of brick-and-mortars

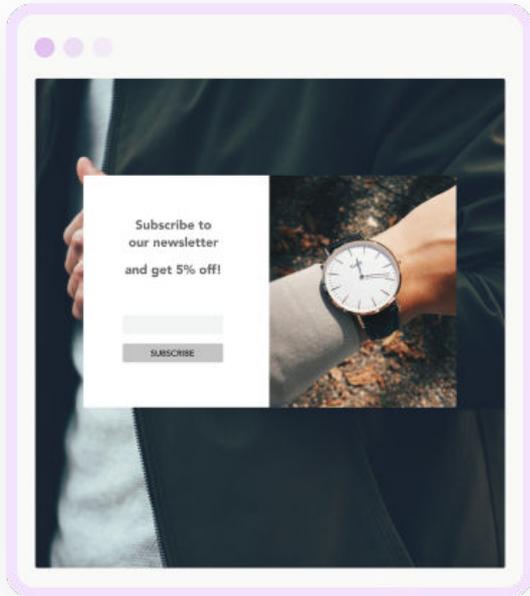
The above issues ultimately come down to lacklustre customer engagement. So online retailers can best progress by improving the purchasing experience they offer on their site. **Key tactics to keep in mind for this include:**

- 1 Enhancing established promotional strategies by personalising the customer journey.
- 2 Taking advantage of operating in a digital space by utilising email marketing to stay in touch with customers, send promotional offers, and just keep them engaged with your brand.
- 3 Recognising the value of improving your conversion rate — this stat is what ultimately tells you how effective your business is in engaging with prospective customers.



A digital solution poses a lot of value here as well. Salesfire's Recommendations feature acts as an online in-store sales assistant with all the added benefits of online shopping.

The tool makes personalised recommendations based on your customer's on-site behaviour, increasing their in-store times and reducing drop-offs.



Our Overlays intelligently use mouse-tracking to discern customer behaviour and predict the best time to present an overlay — usually involving a promotion — to keep them on the page.

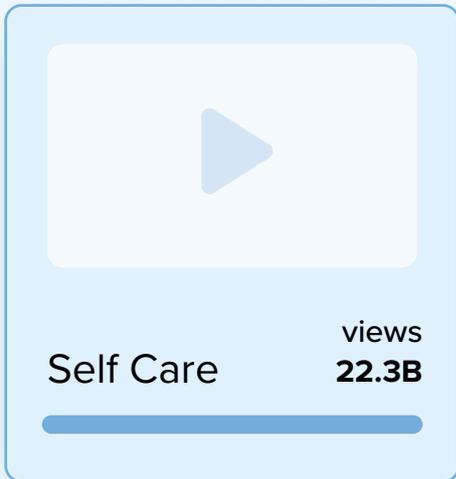


TREND 2

The rise of social commerce

Social trends influence spending habits. And self-care is the major trend that took social platforms by storm this year.





Self-care content has reached a total of 22.3 billion views, with Sunday being the most popular day for self-care activities, as the hashtag #selfcaresunday boasts a total of 90.2 million views on TikTok alone.⁴



Self-care and mindfulness practices ranging from positive affirmations to aromatherapy are popular among eCommerce shoppers and that trend is visible in their online spending habits. According to findings from Salesfire Trends, the Health and Beauty industry saw an uplift of 8.75% more visitors in Q2 of 2022 and registered a 9.31% increase in total number of orders.



What's driving the social media boom?

Social media is now the primary engine for product discovery.

Influencer marketing online has a strong impact on customer decisions, with 80% of consumers having purchased products as a result of their interaction with social media content.⁵

Hashtags create a community effect that consumers are buying into, allowing them to segment their social media feeds and connect with like-minded peers. Community-oriented chats based on hashtags have higher engagement rates even if they don't have a relatively large volume.⁶

User-generated content also influences buying decisions, and with 54% of Gen Z and Millennials admitting that they would become an influencer if given the opportunity, that content is more abundant than ever before.⁷

80%

SOCIAL MEDIA RISE

of consumers having purchased products as a result of their interaction with social media content.

54%

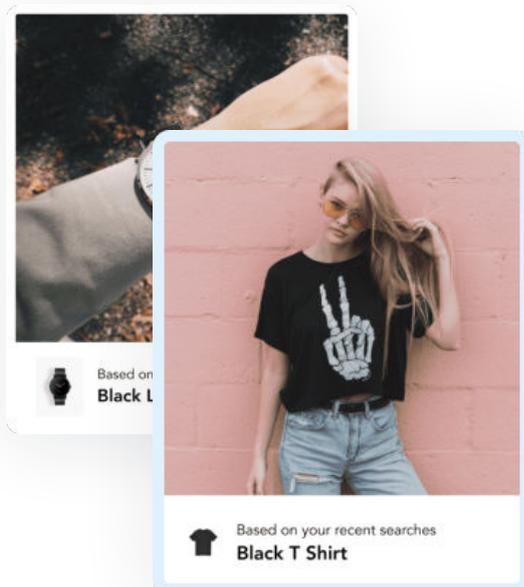
INFLUENCER DREAMS

of Gen Z and Millennials admit that they would become an influencer if given the opportunity.

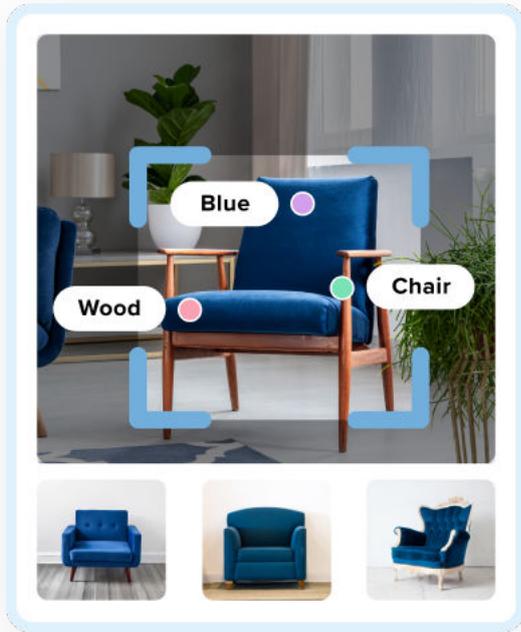
Making the most of social media

The major goal to keep in mind is to have your business be present and active on popular social media platforms. **You can do this by:**

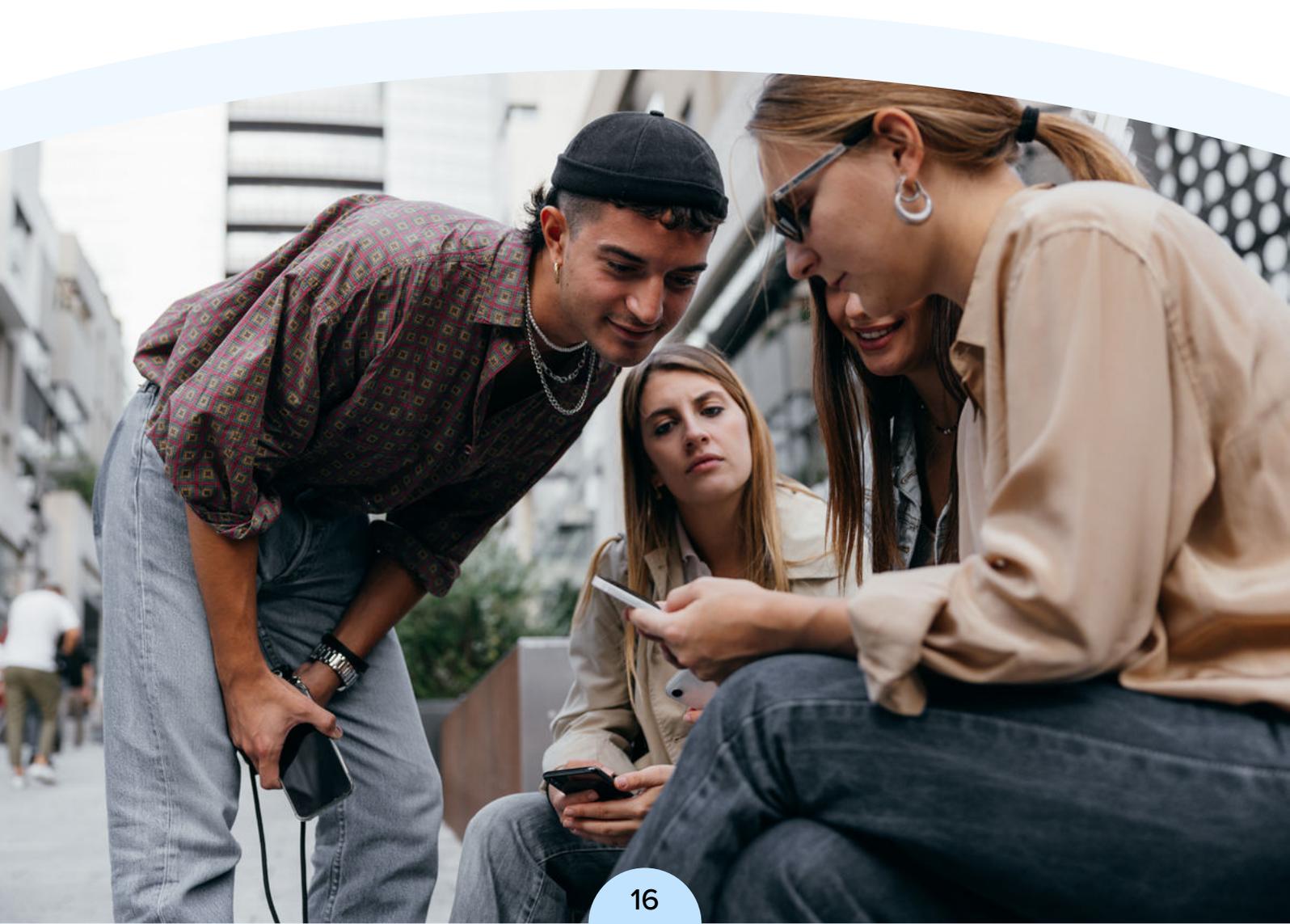
- 1** Using empowerment hashtags to build a relationship with your social media followers and become a valued member of the communities you're interested in.
- 2** Engaging with your followers and other brands to increase your profiles' visibility, from responding to comments/direct messages to offering exclusive promotional codes.
- 3** Creating reactive strategies and responding to trends in order to capitalise on demand.



Salesfire's Recommendations feature helps engage social media users on your website using an algorithm that enhances product discovery and drives users to relevant products or product categories based on their behaviour.



Additionally, Visually Similar Search helps to replicate the social media experience by giving customers the ability to discover products in a similar way to how they would on social media. This improves the customer experience as they get the personalised journey they've grown so used to.



TREND 3

Increasing customer acquisition costs

Customer acquisition costs are rising. Paid social KPIs are on the decline, which means that advertising costs are increasing but becoming less efficient and leading to overall poor ROAS.

Retailers saw a cost-per-click price hike of over

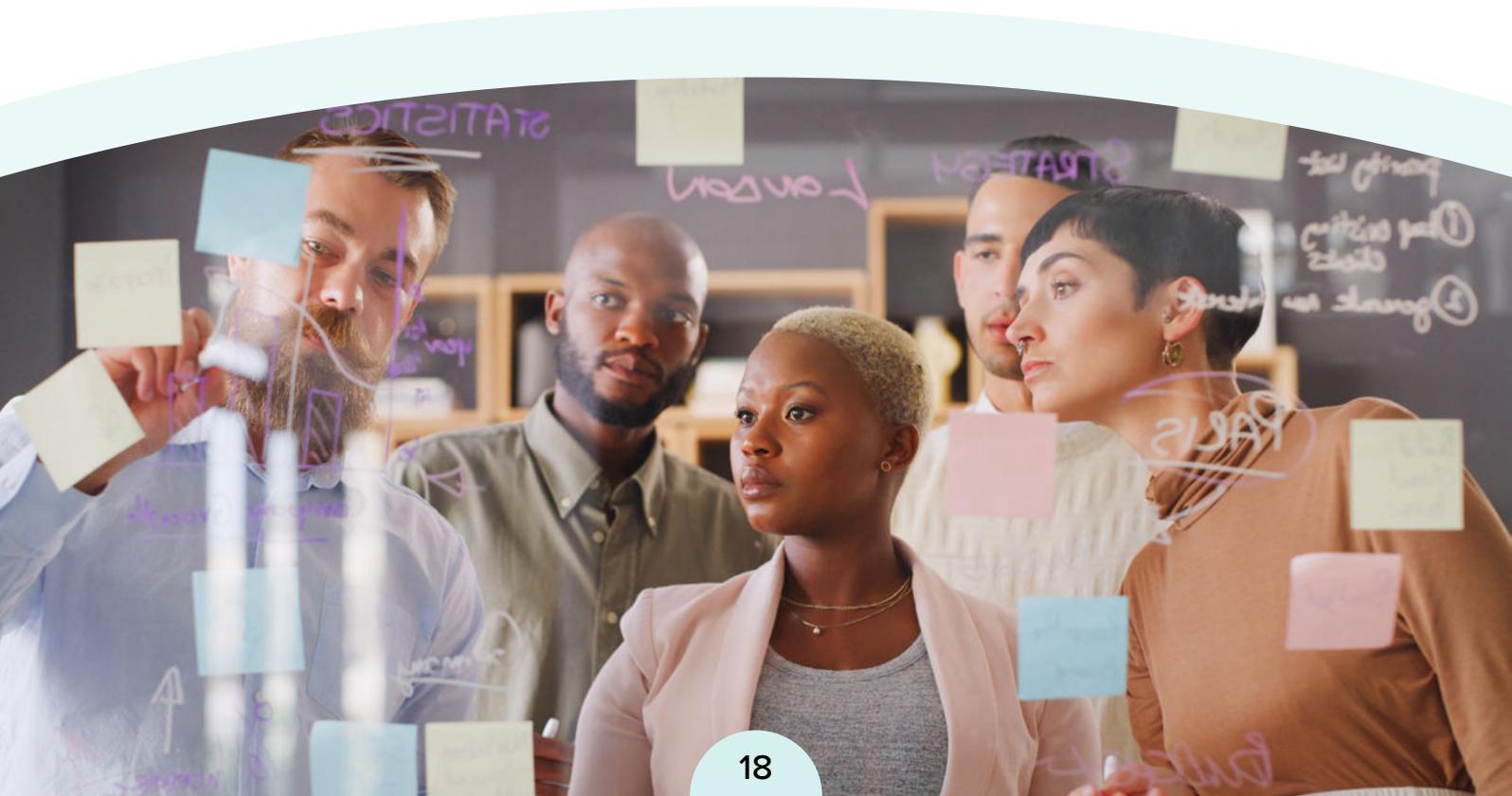
↑ **40%**



The steep competition in the eCommerce industry during the peak pandemic period increased the digital advertising spending of online shops by an average of 12.2%.⁸

Some retailers saw a cost-per-click price hike of over 40% in just four months, so their marketing spend is taking up huge portions of their entire budget.⁹

Online retailers must optimise how their customer acquisition is achieved to see substantial profits and growth.



Where is this cost spike coming from?

There are several factors that drive customer acquisition costs up.

The growing number of online retailers has led to increased competition, which, in turn, drove up PPC and advertising costs. This made it harder and more expensive to drive traffic to a website and acquire new customers.

Access to customer data is another influential factor. Apple updated its privacy restrictions for their new operating systems, enabling users to opt out of in-app data collection. 96% of users opted out of data tracking, making it more difficult for businesses to target them with social media retargeting ads on their Apple devices.^{10 11}

Three quarters of online retailers reported the effectiveness of their social media advertising efforts declined after the major changes driven by privacy restrictions in iOS 14/15.¹²

96%

DATA TRACKING BLIND SPOT

of users opted out of data tracking, making it more difficult for businesses to target them with social media retargeting ads on their Apple devices.

75%

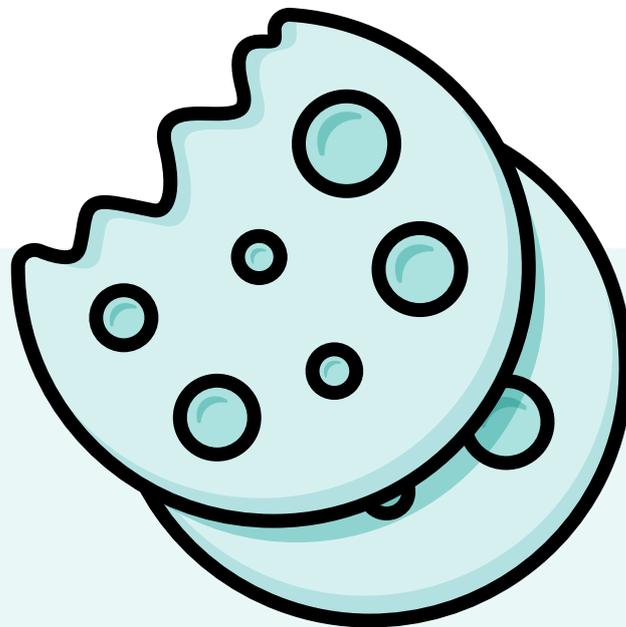
PRIVACY PROBLEMS

of online retailers reported the effectiveness of their social media advertising efforts declined after the major changes driven by privacy restrictions in iOS 14/15.

Customer acquisition costs are likely to increase in the coming period as well, as Google has decided in 2023 to phase out its investments in user tracking technologies, such as third-party cookies.¹³

Third-party cookies are the primary mechanism behind building and measuring ad campaigns. They help businesses create marketing campaigns that are tailored to their users, so attracting the right prospects is likely to be more expensive without them.

While the pandemic did assist in growing the eCommerce space like never before, the increase in businesses it has brought about means that online retailers need to think smarter about how they convert visitors to customers.



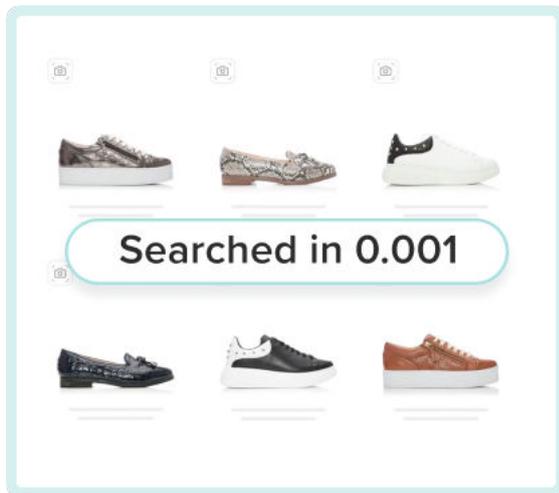
How to combat rising costs

Any experienced marketer will tell you that the best customers are the ones you already have. **To see their value realised, look towards:**

- 1** Investing in customer retention strategies to re-engage previous shoppers and increase their customer lifetime value.
- 2** Building brand loyalty by creating a clear brand identity and making it more likely for your audience to promote your business via word-of-mouth.
- 3** Focusing on your other marketing channels, such as social platforms and owned media, instead of investing in poor ROI social media advertising campaigns.
- 4** Using data to segment and target your audience with personalised, highly relevant content.

Since acquiring new customers is expensive, CRO strategies are key to helping you make the most out of your existing website traffic. The Salesfire suite helps you boost on-site engagement with AI, personalisation and data enrichment.





Salesfire improves the quality of your website's search function, showing relevant results in less than 0.001 seconds and increasing the specificity of the results with every keystroke.

Our AI analyses pictures uploaded by your customers and returns similar items or exact matches, no matter if the shopper is looking for a product, a specific colour, or a particular style.

Based on behavioural analysis, Salesfire targets shoppers who have a strong intent to purchase with personalised promotions, improving their shopping experience and increasing their basket values.



TREND 4

The cost of living fallout

Rampant inflation, rising interest rates, strikes, and the global supply chain shortage have driven up consumer prices. It's also growing increasingly likely, according to experts, that UK households will enter a recession before the end of 2023.¹⁵ This is having an unfortunate impact on business optimism, and making customers less loyal to any one business.

As expected, the cost of living crisis is also affecting eCommerce businesses. After all, people are less inclined to spend money on non-essential items in periods of financial instability.

Clothing industry

Conversion rates



Revenue



Food and Drink industry

Visitors



Revenue



During the first half of 2022, the Clothing industry registered fewer visitors and fewer orders when compared to the same period of the previous year. This indicates less browsing and fewer impulse purchases.

However, this industry also registered a 1.29% increase in revenue and a 3.94% increase in conversion rates, indicating more intentional and purposeful purchases. During the same period, the Food and Drink industry registered a 27.5% decrease in visitors, a 27.2% decrease in orders, and 15% less revenue.

This indicates that consumers are more reluctant to support the industry's increasing costs, making fewer online purchases.

What is the crisis doing to eCommerce?

Although there are solutions to these problems, it's important to first understand the reasons why they're happening.

The increasing cost of living means that consumers have to prioritise their spending and are diverting more funds into areas such as gas, electricity, and fuel — especially since all of them became more expensive in recent months.

Meanwhile, the amount of money consumers spend on food increased, on average, by 5% compared to the previous year and 13% compared to 2020, so people have less money to spend.¹⁶



Consumers are also returning to brick-and-mortar stores, which means that they're less likely to spend money online.

So, while the pandemic period created a perfect environment for eCommerce businesses to grow, experts are now raising concerns that the growth of the sector may be coming to a halt. So, how do we prevent that from happening?

Showcasing the value of your business

Appealing to the customer plays a very important role in responding to this trend to showcase your value as a business. **This can be done by:**

- 1** Nurturing your existing customer base with value-driven content that's not only focused on promotions, but also on bringing your brand to the front of their mind.
- 2** Using special discount codes or offers to guide your customers throughout their purchasing journey.
- 3** Engaging and incentivising previous customers to return to your website using personalised messaging and relevant promotions.

The umbrella goal for the above tactics comes down to improving your customer service to positively impact customer experiences.

Encourage customers to leave positive reviews and reassure them they made the right choice with your product. At the same time, you're engaging with them and proving you care about their journey with your business even after a purchase has been made.

Investing in a solution that reliably mirrors and enhances customer service is key to offering optimal customer experiences, increasing retention rates, and improving customer lifetime values.

TREND 5

Shifting consumer values

Consumers are becoming more conscious of sustainability and environmental concerns, factoring into a call for second-hand shopping, greater sustainability, and renewed eco-consciousness.



Only one in ten UK consumers say that they aren't concerned about environmental sustainability when choosing a product.

And nearly nine in ten consumers admit that they've changed their purchasing habits and have become greener over the course of the last five years.

36%

of UK consumers say that they're often or always choosing sustainable brands over those that don't have good sustainability credentials, while 44% say that they regularly choose products and brands that use recycled or compostable packaging.¹⁸

50%

of shoppers admit that they spend more time researching brands and products than before the pandemic because they want to purchase from businesses that "give back" to the community.¹⁹



of consumers aged **18 to 34**
have second-hand clothes in
their wardrobe



of consumers aged **over-55**
have second-hand clothes in
their wardrobe

In the last year, searches on eBay for 'preloved clothes' have multiplied eightfold, with Gen Z in particular driving the recommerce trend, as 80% confirm that they have recently bought second-hand goods.

The sustainability trend is so popular that it made it into mainstream media. ITV partnered with eBay so that Love Island contestants would wear second-hand clothes during the show's eighth season. ²⁰



Why has this shift come about?

Gen Z consumers are driving the recommerce trend. They represent a generation preoccupied with global warming and its negative impact.²¹

Gen Z accounts for 40% of the world's total consumers and has an estimated spending power of \$360 billion (about £301 billion).^{22 23} These shoppers make up the target audiences for most brands. They are active on social media platforms, so they have a strong influence over trends and customer behaviour.

With sustainability moving from a niche consideration to a mainstream concern, household names like Zara and Nike launched sustainability initiatives in order to satisfy environmentally-conscious customers.²⁴ These brands offer free returns or 'drop-off' locations where customers can exchange items they no longer want for discount codes or vouchers.

The changing attitude towards second-hand clothes also made reselling apps, such as Depop or Vinted, hugely popular for this consumer segment.

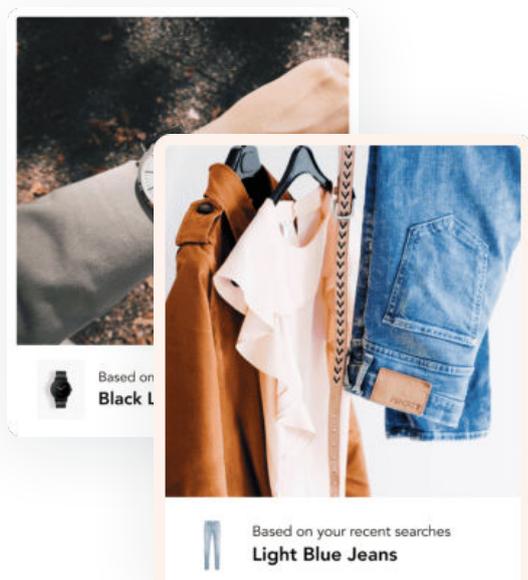


How to navigate this new consumer focus

eCommerce retailers, especially those operating in the Fashion industry, can appeal to this segment by investing in recommerce opportunities, **such as:**

- 1 Creating reselling opportunities, being present on marketplaces, and offering discounts in exchange for used items.
- 2 Promoting sustainable practices and tailoring brand messaging to reflect a clear, positive stance on environmental issues.

Aligning your messaging and practices to what customers are looking for is best achieved with a complete CRO solution. Salesfire helps you connect your customers with their ideal purchases quickly and efficiently.



Our tools enable you to offer recommendations throughout a browsing session in order to minimise the steps between a prospect and their conversion, providing opportunities to link or cross-sell products.

In addition, you can refine your focus and reach out to your customers with personalised emails, re-injecting them into your website.

Conversion rate optimisation will take you forward

Online shopping is here to stay, but eCommerce businesses will find it difficult to reach pandemic heights in the coming months. The trends identified over the last year only prove this as.

Consumers are excited to shop from brick-and-mortar stores and benefit from the experiences they missed out on during the pandemic period.

Social commerce and changing consumer values influence spending.

Increasing customer acquisition costs due to steep competition and new privacy restrictions for advertising platforms make it more difficult to acquire and retain customers.

The cost of living crisis resulting from the combined effects of inflation, high interest rates, strikes, the global supply chain shortage, and increasing essential expenses make customers less likely to spend money on non-essential purchases.

Gen Z shoppers, representing 40% of global consumers, spend more time researching brands and products because they want to purchase from businesses that reflect their sustainability and environmental concerns.

Influencer marketing and user-generated content have a strong impact on buying decisions, and hashtags make customers feel like they're part of a community with shared values.

eCommerce businesses that want to grow in the following months should reassess their strategies in order to keep up with the latest trends and drive results. They should focus on engaging their customer base with content that focuses on adding value to the customer journey, building brand loyalty and driving the customer lifetime values up.

This is where Salesfire comes in.



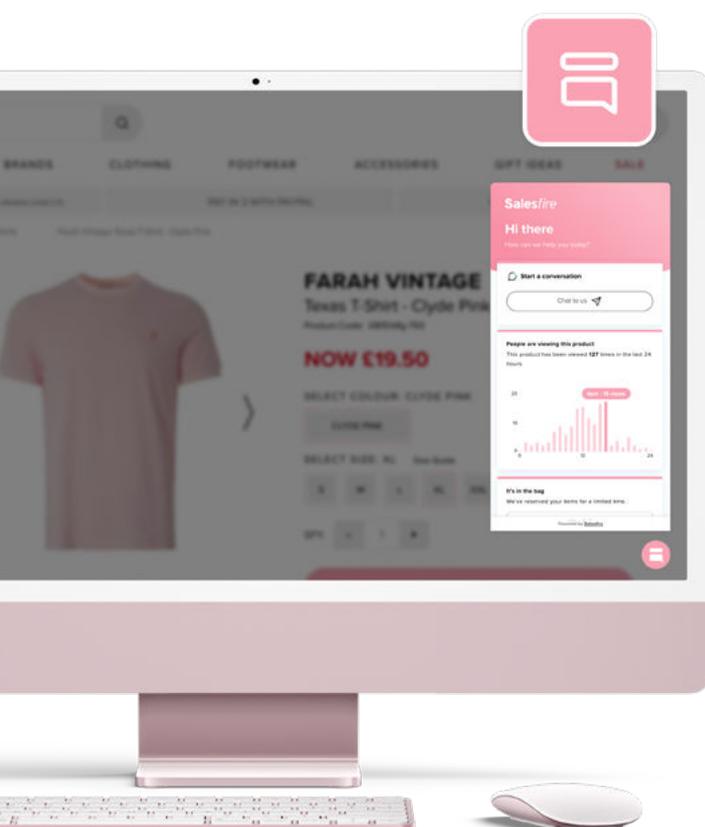
Salesfire makes eCommerce success stories come true

The Salesfire suite helps you with intelligent personalisation, on-site search solutions, and conversion rate optimisation. Salesfire integrates with any eCommerce platform and works alongside your existing app ecosystem, so you can keep using your favourite tools.

Salesfire Trends tracks data across 28 eCommerce industries, representing over 570,000,000 user journeys and £1.5 billion in revenue. It allows you to benchmark your data against industry averages and previous points from past Salesfire Trends reports.

In 2023, conversion rate optimisation is more important than ever. The trends we've outlined in our report will play into how the eCommerce landscape shifts over the course of the year, but the new year also holds new challenges. Salesfire Trends offers insights and predictions that will enable you to prepare your business for whatever the future holds.

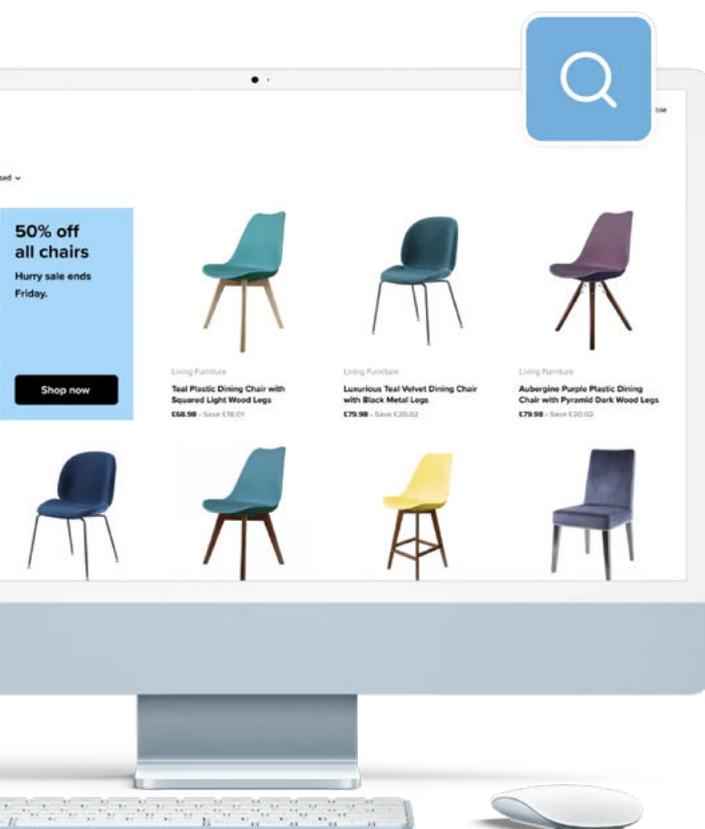
Check out our full list of growth-enabling features.



Digital Assistant

Digital Assistant is a single hub for all your conversion rate tools.

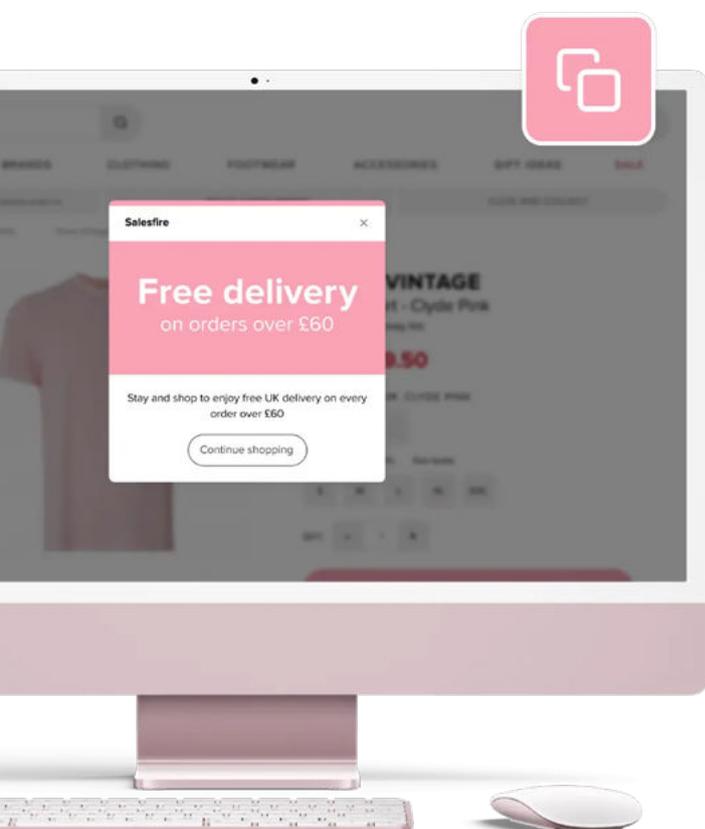
It supports the most influential areas of the customer journey, and Salesfire campaigns aim to drive sales, increase AOV and prompt more conversions, faster.



Search

Search is an AI-driven tool that empowers your visitors to find what they're looking for, eliminating the friction of unsuccessful searches.

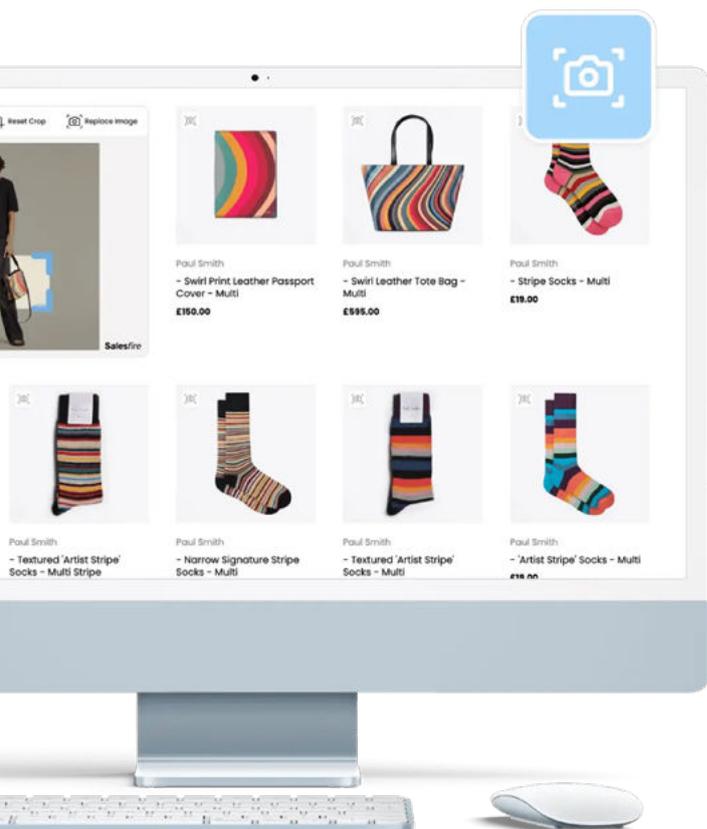
It produces results in less than 0.001 seconds, increasing their specificity with every keystroke and helps you optimise every step of the customer journey to improve retention and reduce drop-offs.



Overlays

Overlays target your website visitors with behaviour-specific overlays, including tactics such as a timed incentive or targeted messaging.

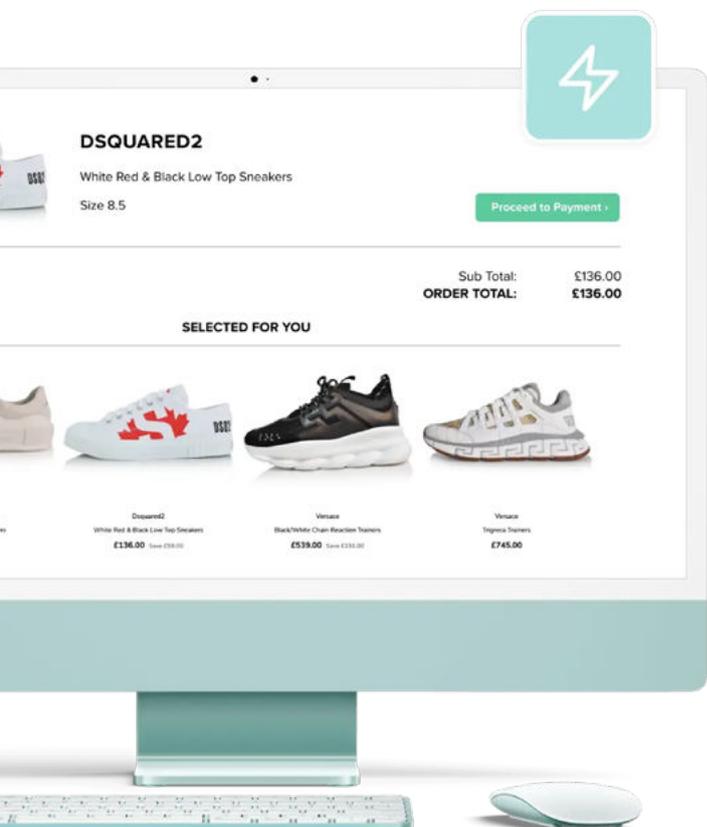
The tool reintroduces prospects into the purchasing funnel, reducing basket abandonment, minimising bounce rates, and increasing conversion rates.



Visually Similar Search

Visually Similar Search allows your customers to browse similar items to the product they're currently viewing to drive purchases and reduce bounce rates.

It also uses AI to examine the images your customers upload, displaying similar products in your collection. It enhances your store's search process, empowering customers to look for exactly what they want and improving their shopping experience.



Recommendations

Recommendations create personalised customer journeys for your shoppers.

It connects your customers to their purchases quickly and efficiently, offering tailored recommendations based on their on-site behaviour throughout their browsing session to reduce drop-offs, inspire upsells, influence cross-sells and increase AOV.



Salesfire is a complete CRO solution. It helps you create urgency with a CRO strategy that drives sales and supports your customers through their purchasing journeys.

The Salesfire suite personalises each customer journey with recommendations and conversion-focused messaging, **enabling you to maximise sales, boost AOV and drive revenue.**

Our suite of tools was designed to improve the customer experience you offer, whether they work alone or alongside each other.

If you want to stay on top of the latest trends, see where your business stands, and get ahead of the competition, sign up for Salesfire Trends today — the UK's leading eCommerce benchmarking platform.

[Sign up to Salesfire Trends](#)



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