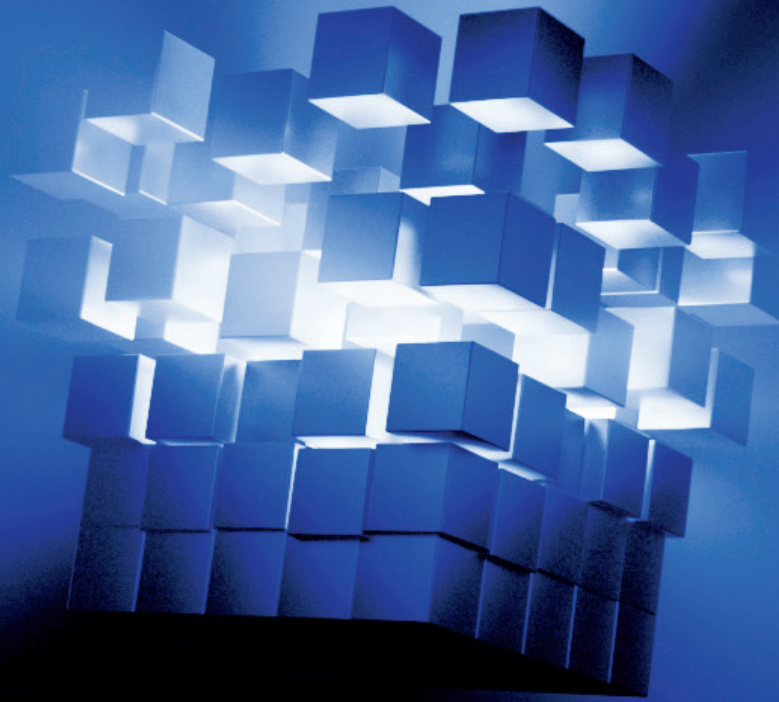INGENUITY
COMMERCE

Navigating Consumer
Paradoxes to Transform
the Future of Commerce

Executive summary

The Future of Commerce report is designed to equip businesses with insight into the dynamic shifts occurring within the commerce landscape and to provide actionable strategies to navigate these changes.

This report examines consumer paradoxes shaping our digital era, forecasts upcoming trends, and explores innovative solutions uniquely across the 360 of a business: marketing, technology and operations. As businesses grapple with a rapidly changing environment, having customers more critical.

Contents

Welcome to The Future of Commerce report - a dive into the evolving paradigms of the modern business landscape.
As we stand on the cusp of a new era in commerce, one defined by rapid technological advances, shifting consumer expectations, and an ever-growing digital economy, it's paramount for businesses to stay informed, agile, and prepared.

Drawing on the lessons of the past decade, we've witnessed ecommerce **sales increase globally by 20%** CAGR which more than quadrupled in under a decade, **amounting to $5.8 trillion in 2023**[1] a clear indication of the digital revolution transforming traditional commerce.

We are in an age of consumer paradoxes.

The digital era brings consumers who are demanding personalization yet craving privacy, seeking human connections whilst existing in a digital realm, and who are connected on a global scale yet yearning for authentic local experiences. Understanding these paradoxes is not just about grasping the present—it's about preparing for the future.

This report is not a mere observation of the present, but a visionary guide to what lies ahead. It looks into the core of consumer paradoxes, deciphers the signals to predict the imminent trends, and delves deep into strategies across marketing, technology, and operations that are reshaping the way businesses operate.

The landscape of commerce is not just about transactions; it's about connections.

Connecting to the desires, aspirations, and needs of the consumer, ensuring their experience is at the forefront of every business strategy. In this volatile and dynamic environment, being equipped with knowledge is not just an advantage— it's a necessity.
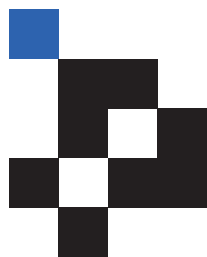
As you journey through this report, we urge you to keep one fundamental truth in mind: the consumer should always be at the center of every decision.

Planning for the future is not about predicting their moves, but about shaping a world around their evolving needs and desires.

The Future of Commerce awaits—*let's navigate it together.*

Decoding today's dynamics

Consumer paradoxes: Complexities of modern buyer behavior

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Instagram Launched	Groupon Challenged new business model	Alibaba Launched	Bitcoin Launched	Rise of mobile commerce	Amazon Day Launch	Pokemon Go mass AR	Amazon x Wholefoods	GDPR Go live	Rise of Social Commerce	Covid accelerates ecommerce	NFTs/digital collectibles	Metaverse launched, virtual commerce Cookie Law	ChatGPT launch

As the digital world continues to evolve and accelerate, commerce is undergoing its fastest transformation ever.

Evolving from the days of market stalls to the digital age, the progression took centuries. But the leap from online shopping carts to AI-powered predictive shopping have been realized in just a matter of years. This pace means businesses must not only adapt but anticipate and drive these changes.

Today's consumer is more informed than ever. With easy access to product information, reviews, and peer opinions, they're making more educated decisions. Businesses can no longer just sell; they must leverage data to educate, simplify the decision-making process, and add value to stay relevant.

As consumers take charge, they not only know what they want but also have platforms to voice their opinions, both positive and negative. Brands must see this as an opportunity for open dialogue, transparency, and relationship-building, rather than a challenge.

In today's world, retailers and brands are grappling with an intricate array of challenges. These are not mere operational hurdles; they are profound dilemmas stemming from the complex behaviors of today's consumers. This age of paradoxes presents challenges that demand not just understanding but innovation.

i. The privacy-personalization puzzle

In a world swamped with data, the tug-of-war between personalization and privacy is real.

The untraceable source of ecommerce revenue – as opposed to revenue that can be attributed to a certain media channel – has been up steadily from **9% in 2021 to 13% within a mere two years[2],** which can be attributed to customers declining optional cookies. This highlights the growing apprehensions surrounding digital privacy.

Yet, in what may seem a contradiction, there's been a **2.5x surge in loyalty program sign-ups from 2021-2022[3].** This reveals an intriguing consumer psyche: while wary of unsolicited data collection, they are willing to share personal information when they discern clear benefits through a personalized experience. Brands must walk this tightrope delicately, balancing between offering value through tailored experiences whilst safeguarding consumer privacy.

ii. The dual desire for digital convenience and human interaction

In the digital fast lane, mobile traffic, when compared to desktop and tablet, made up **58% of all traffic in 2022[4]** - and has **remained over 50% for the past few years,** showcasing the rapid rise of on-the-go commerce.

Yet, this ascent of digital doesn't eclipse the allure of the traditional. Consumers, while embracing the convenience of fingertip shopping, still yearn for the tangibility of in-store experiences, placing staff expertise high on their reasons for in-store visits **(second to discounts and promos).[5]**

Retailers are at a crossroads; how can they marry the immediacy and convenience of digital shopping with the authentic human touch that brick-and-mortar stores offer? Balancing digital prowess with genuine human experience has become a difficult act that every brand must master.

iii. Global presence meets authentic local experience

As the boundaries of commerce expand, consumers are gaining a global marketplace right at their fingertips. THG has found a striking **54% of online shoppers have made purchases from international sites in 2023[6],** a clear sign of the allure of global brands and diverse product assortments.

Yet, nestled within this globalized appetite lies a deep-rooted desire for localized experiences. There's a pull towards the nuances of local logistics, tapping into region-specific supply chains, and meeting the unique delivery expectations of each locale.

While **64% of these global shoppers[7] acknowledge the importance of localized content in making purchase decisions,** many also appreciate the logistical intricacies of receiving an international product delivered as if it was sourced from their own neighborhood.

It's this dichotomy that paints the modern consumer's paradox: a hunger for global accessibility but a preference for intimate, local execution.

Brands are now tasked with not only crafting narratives that ring true universally but also perfecting the operational finesse to make global shopping feel local.

Navigating these paradoxical consumer behaviors demands more than just tactical adjustments; it necessitates a fundamental reimagining of business strategies.

As brands and retailers strive to adapt, innovate, and stay relevant, they must remember the importance of placing consumers at the heart of their decisions. It serves as a reminder and a guide: to not just react to these paradoxes but to actively shape a future where businesses and consumers thrive together.

As the core of commerce becomes more digital and intertwined with technology, the metrics of business success are also shifting. The allure of a global digital marketplace presents a tantalizing vision of unlimited potential, but it also comes with a unique set of challenges.

Achieving profitability in this complex digital commerce landscape demands an integrated approach that aligns consumer paradoxes with strategic business imperatives.

[2]THG
[3]THG
[4]Statista

[5]THG
[6]THG
[7]Forrester

The digital commerce challenge:
Striking profitability

The shift towards online platforms has brought unprecedented opportunities for brands and retailers to reach global audiences, streamline operations, and engage customers in innovative ways.

The number of online shoppers has demonstrated continuous growth since 2020 and is projected to reach **2.77 billion individuals by 2025[8], encompassing roughly a third of the global population.** This statistic creates an enticing incentive for businesses to embrace online channels and tap into these expansive opportunities.

However, the journey through the digital commerce realm is not without its intricacies as businesses grapple with multifaceted obstacles in pursuit of profitability. Companies engaged in their digital business have experienced a surge in online sales, but this upswing has been accompanied by amplified expenses.

McKinsey notes that **growth of online sales fuels a rise in variable costs across digital marketing, technology and fulfilment[9],** which exert pressure on profit margins, rendering profitability an elusive goal.

Despite complexities, the digital commerce landscape remains ripe with commercial opportunities. Brands look to harness data-driven insights to tailor their offerings to specific consumer preferences, thereby enhancing customer engagement and loyalty.

The digital sphere allows for seamless integration of multimedia content, providing brands with a dynamic platform to showcase products and engage with customers on multiple levels.

But how can businesses make the most of digital commerce channels without compromising profitability?

The answer lies in addressing the challenges through a three-way approach, focusing on the 360 of a business: Marketing, Technology and Operations.

Let's delve into the profitability challenges inherent within these three foundational business pillars.

!i MARKETING

The historical benefits for retailers to operate in the digital space is the swift and cost-effective way of reaching consumers, unlike traditional media. However, this efficiency has its pitfalls.

Customer Acquisition Costs (CAC) have surged 2.2x compared to 2013[10]

with cost per thousand impressions (CPM) across major social channels rising by as much as **92% from 2021[11].** At the same time, the battle for customer loyalty intensifies. With the influx of thousands of new digital players every year, **70% of online consumers do not return to purchase[12],** emphasizing the transitory nature of consumer loyalty in this space.

!i TECHNOLOGY

The quest for a seamless omnichannel experience often demands significant technological investment, putting brand profitability to the test.

While enhancing customer engagement, the upfront and continuous expenses of a performance-driven technology framework can strain budgets. **In 2023, 76% of retailers plan to increase their investment in technology to attract and retain loyal customers.[13]**

Add to this the operational challenges of integrating myriad touchpoints, **considering 73% of consumers[14]** engage with multiple shopping channels and that **average customer engagement rates are 3.5x higher when a campaign uses three or more channels.[15]**

Brands must continue to innovate, ensuring platforms and physical offerings optimize conversions, but without compromising their financial stance.

!i OPERATIONS

The linchpin of digital commerce's appeal is the promise of swift, seamless service. Yet, this expedience doesn't come without financial friction.

Fulfilment expenses have experienced a significant increase, primarily due to the challenge presented by return logistics. **The current online return rate stands at approximately 17%, 6% higher than the 11%[16] recorded in 2020.** This rate varies across industries, reaching as high as **30% in the fashion industry[17],** for example.

Rapid delivery expectations necessitate expansive, strategically located warehouses, driving real estate and inventory expenses upward. Simultaneously, as businesses aim for global reach, they grapple with the intricacies of international supply chains and tariffs.

With the evolving demand for sustainable operations, there's a premium on ethical sourcing and eco-friendly packaging. While digital commerce offers the potential for vast horizons, it demands astute navigation to ensure profitability in the realm of operations and fulfilment.

In essence, the three-pronged approach of addressing Marketing, Technology, and Operations acts as a bridge between consumer paradoxes and the profitability challenge.

By tailoring marketing strategies to enhance personalization while safeguarding privacy, strategically investing in technology to offer seamless experiences across digital and physical realms, and optimizing operations to resonate both globally and locally,

businesses can navigate the intricate landscape of modern commerce.

This comprehensive strategy aligns profitability with consumer expectations, fostering a harmonious relationship that resonates with the modern consumer's paradoxical nature. Those who successfully address these intertwined challenges will not only stand out in the market but also define the trajectory of commerce in the years to come.

[8]eMarketer
[9]McKinsey
[10]Digital Information World

[11]Forbes
[12]Omniconvert
[13]Digital Commerce 360

[14]Harvard Business Review

Commerce Evolution:
Developing the building blocks for future success

In the current commerce landscape, the essence of 'connection' has evolved, transitioning from transactional ties to profound, integrated relationships. Whether it's the depths of emotion, connecting to the intricacies of our daily lives, or the broad spectrum of experiences that consumers crave, connecting across these various dimensions, through AI and innovation is pivotal for success in Marketing, Technology and Operations.

"Consumers are looking for a sense of community and authenticity in the Brands they purchase from. Through creative storytelling and personalization Brands can generate an emotional connection with the consumer. These connections are more likely to drive repeat purchases and strong brand advocacy. Consumers with emotional connections will also be less sensitive to pricing."

Melissa Labelle
Managing Director, Digital,
Ingenuity Commerce

!i MARKETING

Forging the emotional connection

Today, products and services alone no longer determine success; it's about the narratives brands craft and the emotional connections they cultivate.

As retailers and brands march ahead, they need to harness the potency of emotional marketing to foster lasting bonds.

This involves three intertwined facets: content, insights, and performance.

Brands that cultivate these connections realize both short-term returns and long-term loyalty, with statistics suggesting that **selling to existing consumers has a success rate of 60-70%, compared to 5-20% for new prospects.**[18]

Crafting authentic narratives

Brands need to focus on telling stories that evoke feelings, highlight shared values, and foster genuine connections. Rather than product-focused advertisements, the emphasis should be on creating narratives that resonate with consumers' personal experiences and aspirations. **70% of emotionally engaged customers spend up to 2x more on brands they're loyal to, compared to 49% of consumers with low engagement.**[19]

Understanding the modern consumer

Personalization is paramount: **companies that excel at personalized experiences generate 40% more revenue than those without.** [20] Leveraging AI to create those personalized experiences is crucial as it allows businesses to process large amounts of data quickly and suggest the most effective combination of content, product and offer.[21]

Transparency is vital; how brands use data should prioritize the user experience, always granting consumers the choice of what they share. **94% of customers say it's important to have control over the information they share and how businesses use it.**[21]

Mapping the consumer's journey reveals moments prime for emotional engagement, guiding brands to create meaningful touchpoints.

Measuring the impact of emotions

The rapid growth of online retail engagement during the Covid era, peaking **beyond 35% in the UK in 2021**[23]**,** brought both opportunities and challenges. While customer acquisition soared, the associated costs spiraled upwards due to rising CPC rates and macroeconomic challenges, such as the Consumer Price Index's upswing.

These economic realities mean the Customer Acquisition Cost (CAC) to Customer Lifetime Revenue (LTR) ratio has increased, signifying each new customer's reduced profitability.

However, there's a noticeable trend towards organic channels, especially brand-owned mobile apps, which jumped from **78% traffic in 2022 to 83%**[24] in 2023 as of August. Brands eyeing sustainable growth are re-engaging their existing customers, anticipating a rise in average order value and improved retention in 2023.[25]

Innovative channels like influencer marketing are gaining traction. Unlike traditional paid media, influencers can hone in on a receptive audience. **For some brands, influencers have driven 25% of revenue**[26]**,** even enabling localized branding with regional influencers.

The strength of apps and influencers lies in their ability to deepen emotional ties: apps through tailored notifications and influencers through relatability. This dual approach potentially reduces acquisition costs while fortifying customer loyalty.

[18]Invesp
[19]CapGemini
[20]McKinsey
[21]Adobe

[22]Adobe
[23]THG
[24]THG
[25]THG

[26]THG

Beauty's resilient strategy amidst market turbulence

Starting in November 2021, a prominent haircare brand encountered difficulties on LOOKFANTASTIC. The brand saw a decrease in new customers, mainly due to a significant 38% increase in brand-specific Cost Per Click (CPC) in 2023 compared to 2021. The lifting of Covid restrictions also shifted consumer preferences back to in-store shopping.

Amidst these challenges, there was a positive aspect: the brand's customer retention strategy remained largely effective, with only a slight decline. Even more notably, the order frequency among the brand's existing customers increased.

Customer Acquisition
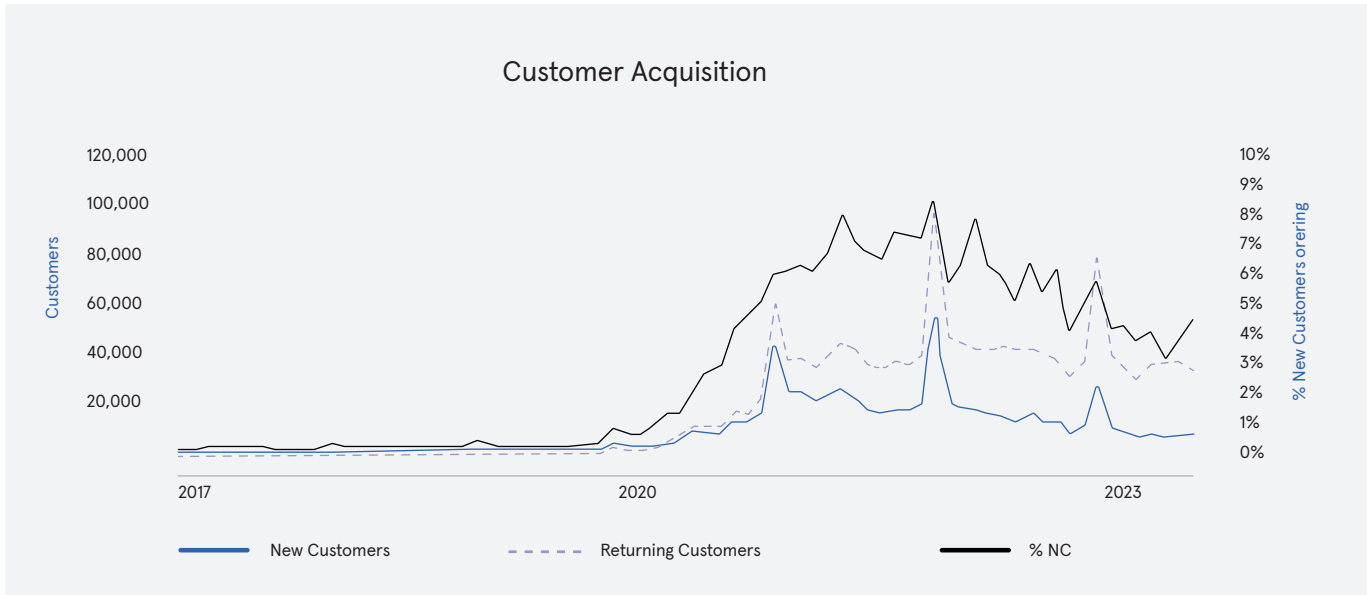
Key takeaway

Rather than solely focusing on the influx of new customers, which faced challenges due to escalating brand-specific CPC and shifts back to in-person shopping, the brand underscored the importance of retention.

Their strategy emphasized not just attracting new customers but truly engaging and nurturing their existing base.

Harnessing digital personalization, transparency, and understanding of the modern consumer's journey, the brand managed to keep a firm grip on its loyal customer base, even enhancing order frequency. The brand demonstrates the significance of tracing consumer paths and identifying moments ripe for emotional connection. By blending authentic narratives with consumer insights, brands can navigate the complexities of today's marketplace.

"Our focus is not just about selling, but creating meaningful experiences. By seamlessly merging online and offline channels, and harnessing innovations like AI, we're setting new industry standards. Our focus is on optimizing the human connection through integration and innovation, guiding us to the future of commerce."

Schalk Van Der Merwe
CTO, THG

!i TECHNOLOGY

Connecting consumers' lives

The digital era has redefined the landscape for the retail industry, balancing the imperatives of addressing evolving consumer demands and ensuring that human interactions remain at the core of transactions. This journey revolves around three pivotal elements: integration, innovation, and optimization.

Bridging shopping channels

Connecting shopping channels enables organizations to gain better visibility across their entire ecosystem whilst maximizing the customer experience.

47% of businesses claim a core benefit of unified commerce is improved customer experience, however Gartner has also predicted that **by 2025, businesses adopting unified commerce strategies will see a revenue uplift of 20%.**[27]

This integrated approach not only satisfies evolving consumer demands but underscores the need for genuine human interactions in transactions, preserving the essence of retail.

Leveraging innovation

By harnessing emerging technologies, proactive retailers can anticipate a revenue boost between 3–15%.[28]

Innovations such as augmented reality and generative AI are gaining traction, with around 45% of S&P 500 companies discussing AI in their 2023

earnings calls.[29] McKinsey also envisions AI's **potential to add up to \$1 trillion in annual value**[30]**,** majorly via enhanced customer services.

Retailers turning devices into immersive shopping arenas not only drive sales but also ensure swift returns on their tech investments.

The evolution of integrated commerce within the retail sector, combining online and offline inventories, is yet another testament to the agility of the industry. Research shows that **58% of customers make an additional purchase when collecting an online order in-store,** bringing retailers an extra boost of revenue.[31]

The fusion of these two worlds not only offers consumers convenience but also propels sales conversions, with returns on tech investments becoming increasingly tangible (10-20%).[32]

Optimizing performance

Performance-driven platforms are becoming a cornerstone for success in the digital retail space.

Insights suggest that **retailers who prioritize agility, real-time data analytics, and mobile optimization can expect up to a 70% increase in product sales.**[33]

Such platforms not only cater to ever-changing consumer needs but also refine operational strategies, maximizing resource allocation and profitability.

---

[27]Adyen
[28]McKinsey

[29]Morgan Stanley
[30]McKinsey
[31]Insider Retail

[32]McKinsey
[33]Lambdatest

Case Study

Optifast: Upholding genuine human connections in a multichannel landscape

In the realm of long-standing brand presence within the Australian market, predominantly through the physical presence of brick-and-mortar pharmacies, Optifast boldly navigated a new trajectory in 2023 with the launch of its DTC.

This strategic move marked the initiation of a comprehensive digital transformation, underscoring Optifast's unwavering commitment to realizing a digital-first vision for the brand. In collaboration with Ingenuity Commerce, Optifast is strategically focusing on omnichannel integration to ensure seamless interactions across all consumer touchpoints.

The Optifast diet tracking app - a pre-existing success story predating the DTC launch - played a pivotal role in the brand's digital evolution. Recognizing the critical importance of integrating DTC and the app for the success of its next phase, Optifast articulated a clear vision: to maintain relevance to customers and fortify human connections amidst their digital transformation.

Key initiatives

· **Enhanced Customer Experience:**
The Optifast app transcended the boundaries of conventional product-centric experiences, seamlessly blending into customers' lives. With the DTC launch, Optifast introduced a curated CRM workflow for app users, concurrently leveraging the app to drive traffic to the DTC platform.

· **Flexible Purchasing and Delivery:**
Historically confined to physical channels, shopping flexibility reached new heights with the introduction of free standard and express delivery and end-to-end delivery tracking. This initiative aimed to provide the next level of convenience to consumers, breaking down barriers to accessibility.

· **Advanced Digital Interactions:**
Elevating customer touchpoints, Optifast integrated live chat functionalities, and enabled users to communicate with dietitians from the comfort of their homes. Moreover, Optifast offers tailored recipes and personalized goal plans based on user-inputted data, fostering a more personalized and responsive user experience.

The results were significant – a 33% revenue uplift in six months post-launch and a 35% improvement in conversion rate (CVR) as a result of an optimized customer experience and digital interactions.

These solutions seamlessly married convenience with a human touch, ensuring that consumers not only felt valued but also understood.
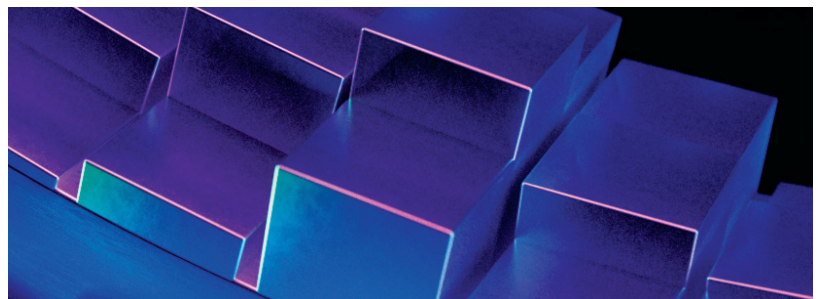
Key takeaway

Optifast's strategic pivot to DTC,
coupled with the plan to integrate
its app seamlessly into the digital
ecosystem, signifies a commitment
to leading in the digital age while
upholding the brand's foundational
values of fostering genuine customer
connections.

This bold move not only ensures
adaptability to evolving market dynamics
but also underscores Optifast's dedication
to providing personalized, convenient, and
empathetic experiences for consumers
navigating the digital landscape.
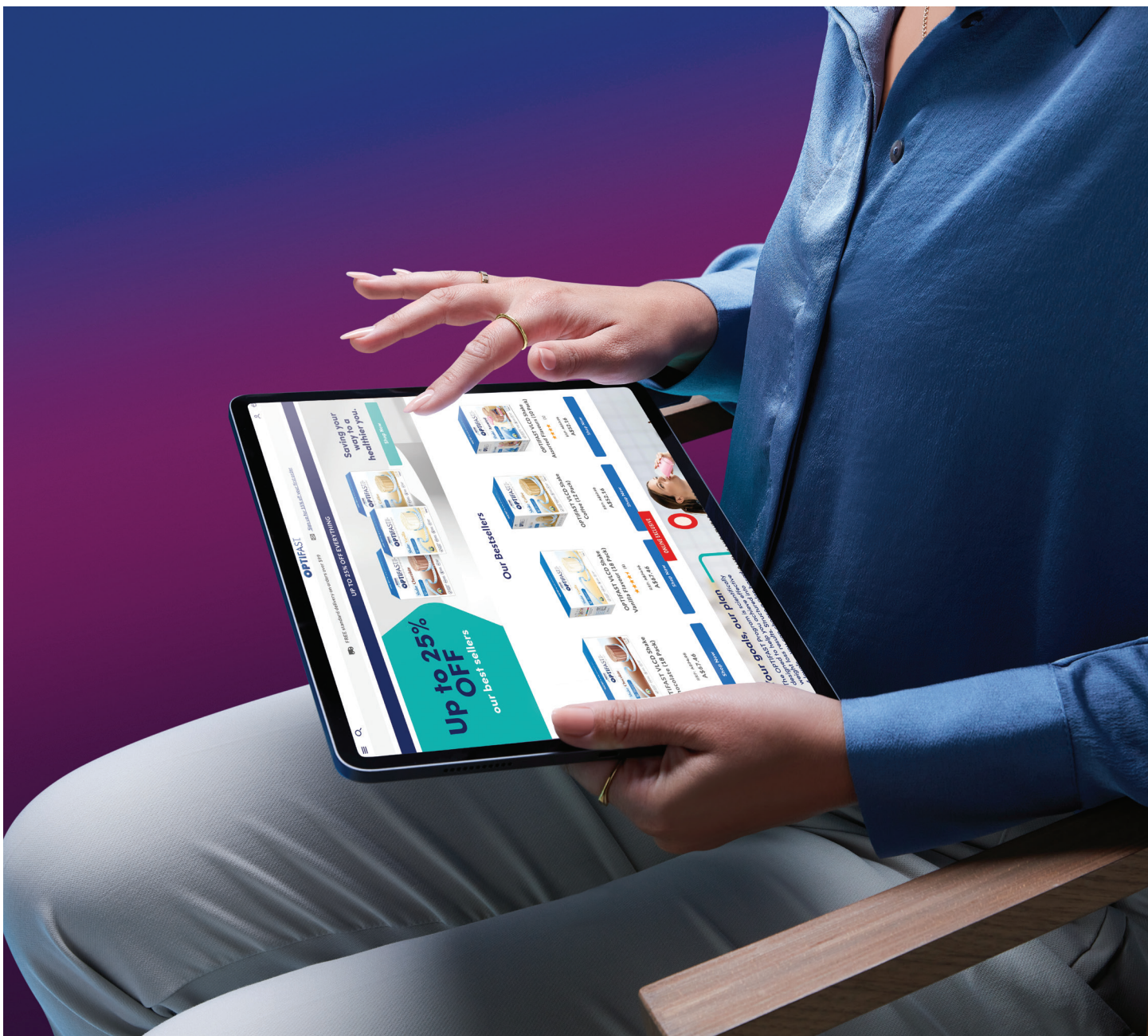
"Operations is arguably the most important part of the customer journey, but is often overlooked. It's complicated, can be expensive, and a challenge to manage. But it's also the largest lever for cost control and customer trust. That's why we tackled it head-on. This means we can control every customer touch point, globally."

Tom Killeen
COO, THG

!i OPERATIONS

Connecting and enhancing the experience

In today's digital commerce ecosystem, simply having a functional system is not enough; it's about optimizing operations to meet and exceed consumer expectations. As retailers expand their horizons, they need to tap into the power of operational finesse to ensure seamless experiences.

This involves three core elements: fulfilment excellence, strategic localization,

and harnessing innovations. Retailers focusing on these operational strategies not only ensure swift deliveries but also build robust customer relationships, with data indicating that a significant

62% of consumers now expect next-day delivery, compared to 44% in 2020.[34]

Fulfilment excellence

Retailers must concentrate on streamlining their supply chains for swift and precise deliveries. Rather than merely managing stock, the focus is shifting towards dynamically adjusting to real-time demand fluctuations.

Brands adept in this area are harnessing the power of dynamic warehousing strategies, resulting in expedited deliveries and compressed manufacturing-to-consumer timelines. **Logistics costs currently represent 12-20%**[35] **of ecommerce revenues,** prompting brands to intertwine physical and online channels to optimize fulfilment expenses.

The retail sector is also seeing a surge in dynamic warehousing strategies. Here, inventory management becomes

agile, adjusting in real-time to demand fluctuations.

Brands adopting this approach are harnessing localized manufacturing, positioning facilities closer to major consumer hubs, which results in rapid product modifications and expedited deliveries, thus compressing traditional manufacturing-to-consumer timelines.

Another pivotal change is evident in how retailers handle product returns. Those who've streamlined their return policies and instituted efficient reverse logistics processes are not only bolstering consumer trust but are also adeptly handling resalable inventory, mitigating potential financial setbacks.

Strategic localization

In an era dominated by global operations, localization becomes paramount, demanding retailers to finely tune their services for diverse local consumer bases.

Brands adopting a localization approach are emphasizing localized manufacturing, positioning facilities near major consumer hubs. This results in not only quicker product modifications but also resonates with local consumer sentiments.

Embracing localization enables brands to respond to specific market needs and preferences, enhancing the overall consumer experience. However, global operations come with inherent complexities. The balancing act between centralized stock and decentralized distribution remains a critical concern for retailers.

Innovative retailers are addressing this by creating efficient supply chains, which allows them to cater to local preferences swiftly. Efficiency in the supply chain has some brands going from concept to in-store availability in a time span significantly below industry averages.

Harnessing innovation

Data's role in these global operations cannot be overstated. It guides inventory decisions, demand predictions, and delivery route planning. Retailers tapping into real-time data analytics can stay a step ahead, predicting demand surges and ensuring swift inventory availability and order completion.

Equally vital are automated operations like warehouses and delivery allocation. Robotic and AI-driven warehouses streamline packing and shipping, minimizing errors and **processing duration, with orders able to be fulfilled in under three minutes.**[36]

Operational automation propels businesses through the complex global commerce landscape, seamlessly blending technology and customer-centric approaches.

Coping with these intricacies might appear daunting. Therefore, retailers and brands should explore the "build, borrow, buy"[37] approach and contemplate partnering with a dependable ally that delivers end-to-end solutions, including warehousing, merchant of record services, and data analytics, if required. This way, companies can streamline their operations and swiftly extend their presence into desired markets while maintaining a more hands-off approach.

While global expansion for retailers is an ambitious endeavor, the mastery of local fulfilment operations remains a sustained effort. It's this blend of **speed and precision** that the industry's leading players are navigating with unparalleled agility.

---

[34]Charged Retail
[35]McKinsey
[36]Autostore

[37]Harvard Business Review

Case Study

Achieving global expansion with a local focus on consumers

Upon its acquisition in 2011, this wellness brand initiated its journey with five European website locales, with a substantial **95% of its revenue stemming from the UK market.**[38]

The initial three-year expansion strategy focused on Europe, leveraging the brand's higher awareness in this region. From 2014 onward, the company shifted its focus towards international markets, investing significantly in streamlined operational processes encompassing product development, production, and fulfilment. Collaborations with third-party retailers and warehouses facilitated the brand's penetration into diverse continents.

In tandem with its expansion efforts, the company adopted a localized approach to resonate with distinct consumer segments in various regions. This adaptation encompassed tailored trading strategies, marketing approaches, and multilingual content. The rapid expansion was intricately linked with the localization of operations, which included the following aspects:

Localized product development and manufacturing:

A commitment to localization was evident through initiatives like the exclusive brand box launched in India. This box, designed in the tricolor pattern of India's flag, was introduced during the Independence Day campaign. It featured the two most popular products in India, presented in bespoke limited-edition packaging to align with the campaign theme.

This innovative approach led to the bespoke box driving **53% of new customer acquisitions.**[39] For some of the product manufacturing, the brand partnered with Indian manufacturers to be able to reduce shipping time and cost, as well as bypass custom duties.
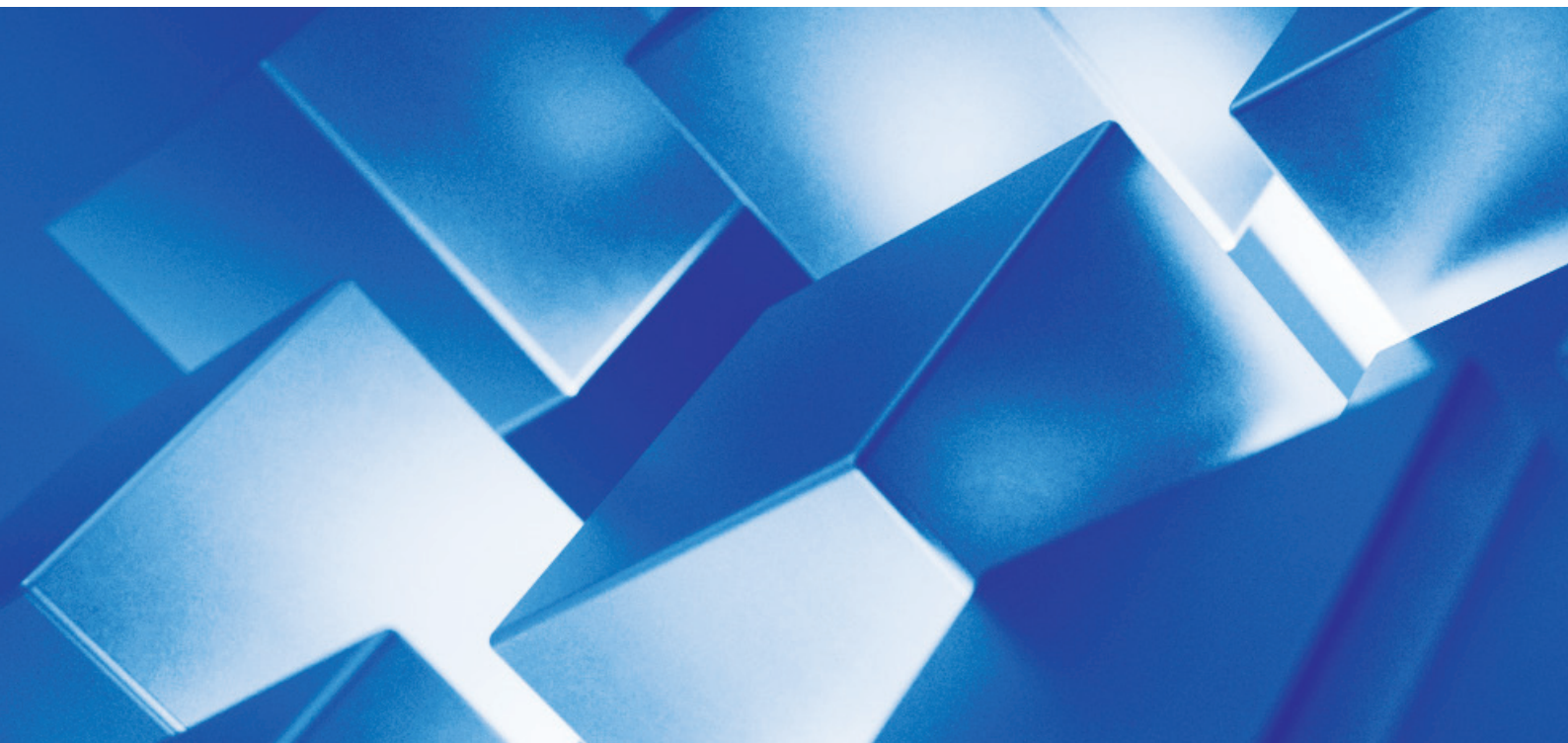
Enhanced fulfilment:

The expansion included the establishment of expanded warehousing facilities and the ability to deliver to 169 countries with fast or next day delivery accessible in majority of the countries.

Recognizing that unfamiliar payment options often led to abandoned shopping carts, the brand proactively addressed this concern by incorporating a comprehensive selection of more than 50 local and global payment methods.

This strategic move was aimed at simplifying the final phase of conversion and securing successful transactions.

This concerted effort in growing its international market resulted in an **40% compound annual growth rate (CAGR)** in sales between 2011 and 2021.[40] Currently **66% of the brand's sales** are generated from international markets.[41]

This success is further underpinned by the investment in 10 major distribution centers across multiple continents. This strategic alignment between international expansion and localized adaptation not only fueled sales growth but also solidified the brand's connection with a diverse array of global customers.

Key takeaway

There is power in combining global ambitions with localized strategies.

For this wellness brand their seamless blend of dynamic warehousing, data analytics, and understanding of local preferences serves as a blueprint for others. From exclusive regional product launches to optimizing logistics, these retailers acknowledge the nuances of each market even as they expand their horizons.

Backed by innovative fulfilment processes, they ensure that their entire spectrum—from supply chains to consumers—moves in unison.

The outcome? A marked rise in sales, fortified brand trust, and a prime example of navigating the intricate dance between global reach and local resonance in modern commerce.

The threads of connection form the intricate patterns of success. Brands and retailers attuned to these nuanced connections—be it emotional, daily integration, or experience-centric—stand at the forefront, shaping and leading the future of commerce.

As we navigate this dynamic terrain, the concept of connection remains our compass, guiding every strategy and decision.

[38]THG
[39]THG
[40]THG

[41]THG

Commerce reimagined:
Seizing the moment,
shaping the future

We aim to spotlight trends that carry
the potential to revolutionize how we
engage with customers.

The theme of connection continues to
be at the forefront of our journey into
the future.

**A year on from The Future of Commerce
2022 report, what do last year's
spotlighted trends look like today?**

*"In a world of rapidly changing AI, the human touch is still vital in
consistently and effectively aligning your brand to consumer values.
When it comes to customer experience a balance between the two will
ensure an innovative approach whilst retaining human connections."*

Danny Berry
Chief Experience Office, THG

Phase one: On the horizon:
The conscious behind commerce

The digital age's rapid expansion has also led to the emergence of Ethical Algorithms, serving as the conscience behind modern commerce.

Research shows that in 2023, 40% of global consumers will have at least one digital interaction influenced by AI and machine learning,

marking a rise from 25% in 2020.[42] But in this vast sea of AI-driven transactions, ensuring the ethical integrity of such algorithms becomes paramount.

Consumers are evolving; **87% of consumers would purchase a product solely because a company advocated for an issue they care about.**[43] It's no longer just about the product; it's about the company's principles. Ethical algorithms play a crucial role in ensuring that AI recommendations align with consumers' values and ethics.

Deloitte's Global Marketing Trends report highlighted the direct correlation between ethical practices and enhanced brand trust. Thus, businesses that integrate these ethical algorithms indicate their commitment to a commerce environment that prioritizes transparency, justice, and consumer rights.

An evolution of Neo-collective Consumerism

The concept of Neo-collective Consumerism has evolved into a more data-driven and interconnected landscape in 2023. While community engagement and alignment with values remain important, businesses are now leveraging advanced technologies and data analytics to better understand consumer preferences.

This goes hand in hand with the evolution of ethical algorithms, where AI and machine learning are not just aligning with ethics but also adapting to the nuances of individual preferences. This evolution signifies a shift from broad community alignment to hyper-personalization, where businesses engage with consumers on a more individualized level while still staying connected to broader societal values.

An evolution of empathy schemes

Empathy has transformed into a dynamic and proactive approach in 2023. Beyond understanding consumer emotions, businesses are using predictive analytics to anticipate consumer needs and provide empathetic responses in real-time.

This evolution aligns with the development of ethical algorithms, as businesses are using data-driven insights to ethically cater to individual consumers. The focus has shifted from reacting to emotions to actively engaging in emotionally intelligent interactions, fostering a deeper sense of trust and loyalty.

[42]Gartner & Super Office
[43]Cone Communications
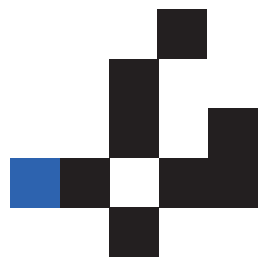
Phase two: Foreseeable future: Blurring boundaries in retail

Siloed shopping channels are becoming a relic of the past. The future points to a holistic, integrated retail experience.

By 2025 leading brands will have melded their offline and online experiences, capitalising on the 'channel-less' approach.[44]

By eliminating traditional commerce distinctions, companies can curate a holistic consumer experience. **Businesses that employ omnichannel customer engagement strategies manage to maintain an average customer retention rate of 89%, whereas companies with limited dedication to omnichannel approaches experience a customer retention rate of only 33%.[45]**

When the barriers between online shopping, physical stores, and mobile commerce disappear, brands can position themselves precisely where the consumer is, adapting to their intent and preference. Such a tailored ecosystem transforms the commerce landscape, allowing brands to foster a continuous and personalized relationship with their consumers.

An evolution of metachannel immersion

Metachannel immersion has evolved into a highly fluid and context-aware approach in 2023. With the emergence of technologies like IoT (Internet of Things) and AI-driven context recognition, businesses are seamlessly transitioning between various touchpoints based on real-time consumer behavior.

This evolution aligns with the blurring boundaries in retail, where the distinction between online and offline experiences is almost invisible. The focus now goes beyond providing a unified experience to creating an anticipatory ecosystem that predicts where consumers are headed next and meets them there, creating a truly channel-less experience.

Phase three: Next era: Embodied shopping experiences:

Sensory commerce stands poised to revolutionize the online shopping experience. Moving beyond conventional two-dimensional browsing, Sensory commerce promises to cater to all human senses.

By leveraging advancements in AR, VR, and haptic technology, online shopping can morph into a deeply immersive experience. **71% of consumers would shop more often if they can use AR**[46]**,** because such an evolution will allow consumers to virtually 'feel' the fabric of a shirt or 'smell' a perfume before making a purchase decision. This not only heightens the level of personalization but also fosters a deeper emotional connection between the brand and the consumer.

As commerce continues to innovate in this direction, brands will transition from being product providers to experience curators, resonating more deeply with their audiences.

Further evolutions of metachannel immersion

Metachannel immersion has paved the way for the evolution of embodied shopping experiences in 2023. The integration of AR, VR, and haptic technology has become more seamless and immersive. Consumers can not only interact with products virtually but also sense them in ways previously unimaginable.

This evolution aligns with the concept of sensory commerce, where businesses are not just curating experiences but allowing consumers to engage with products using all their senses. This transformation takes brands from being curators of content to creators of multi-sensory narratives that deeply resonate with consumers.

The trends from 2022 have evolved from their initial concepts into more sophisticated and technologically advanced strategies in the 2023 perspective. The core principles of community alignment, empathy, and immersive experiences remain integral but are now intertwined with cutting-edge technologies, data-driven insights, and hyper-personalization.

The commerce landscape of 2023 is characterized by an ecosystem where businesses are not just present at every touchpoint but are actively shaping consumer experiences through a dynamic interplay of data, technology, and human values. This evolution underscores the importance of adaptability and innovation as businesses navigate this ever-changing terrain.

[44]Gartner
[45]Softtek
[46]ThinkMobiles
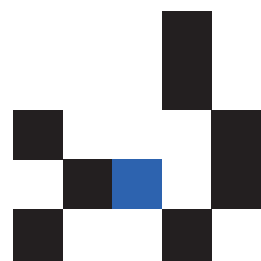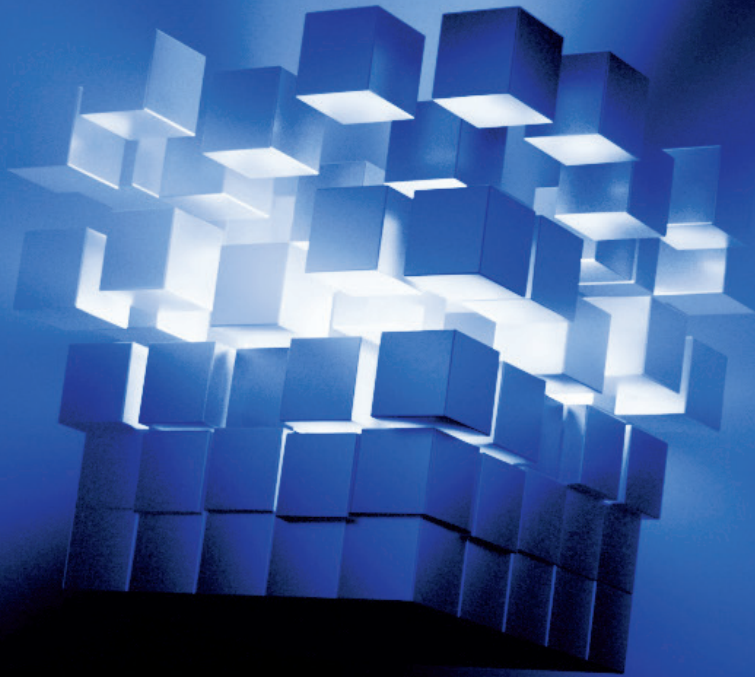
Embracing the
future head-on

The rapid pace of change in commerce is both exhilarating and daunting. With empowered consumers at the helm, businesses need to become willing to adopt more of a test and learn culture as opposed to a 'one size fits all' model, anticipating consumer needs and addressing paradoxical behaviors.
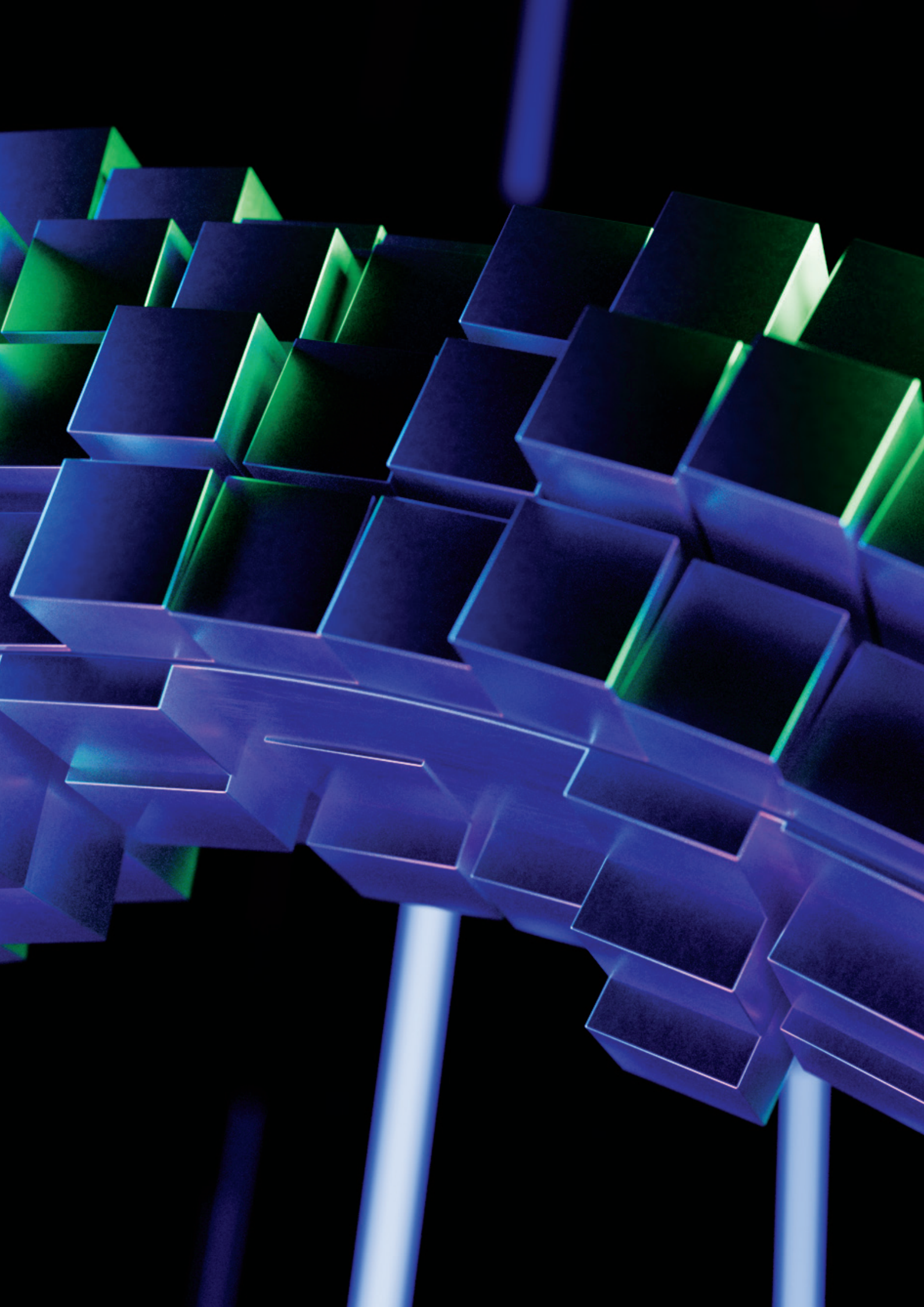
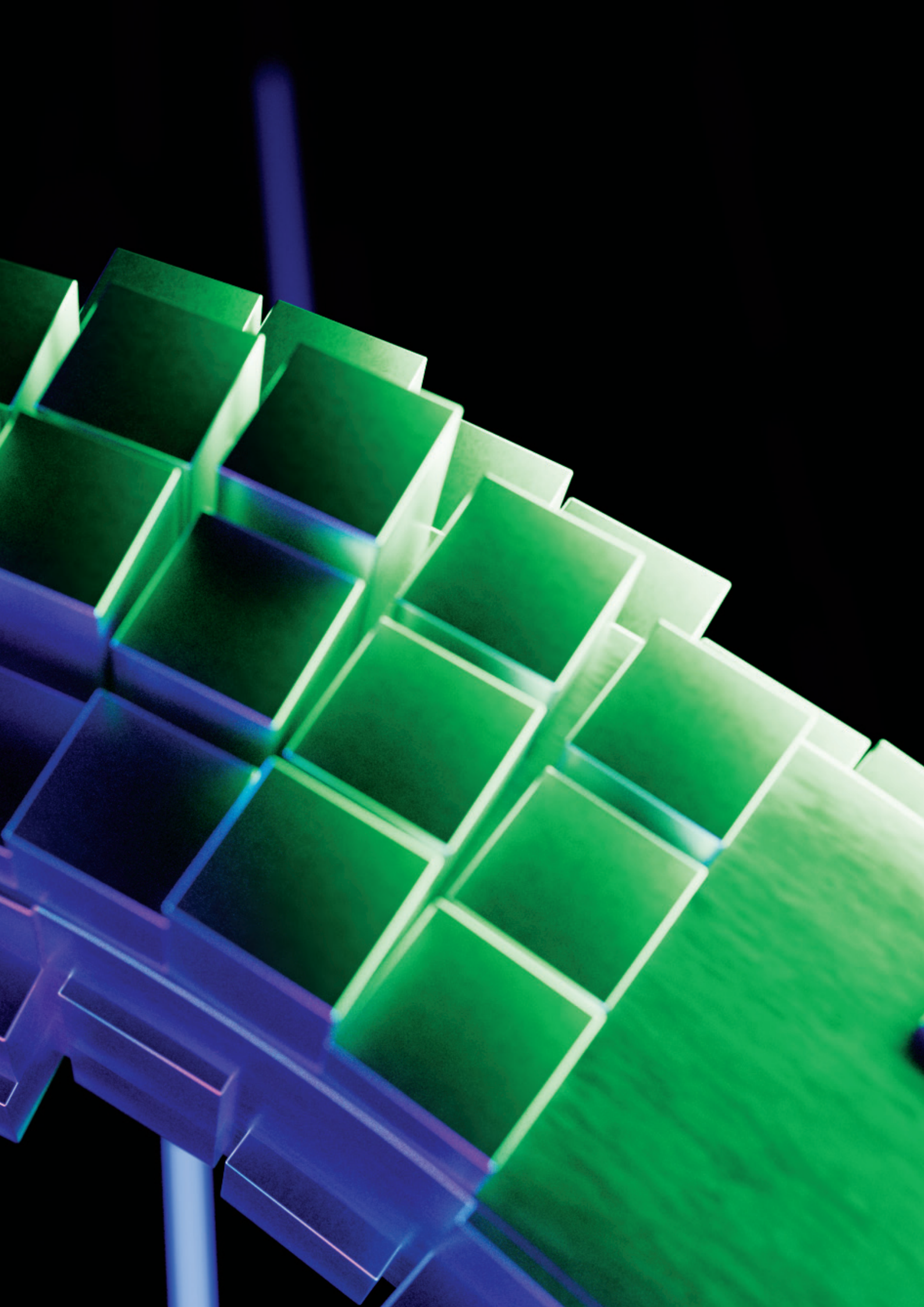With challenge comes increased opportunity for retail brands; the future promises a world where businesses can forge deeper and more meaningful connections with consumers, blending the best of technology with the irreplaceable human interaction.

As we chart this future together, let's remember that at the heart of all commerce, past, present, or future, is human connection. It's this connection that brands must come to cherish, nurture, and elevate as they navigate the exciting terrain of the future of commerce.

Having armed yourself with this information, the next step is to implement these strategies within your own business. Now is the *time to act*.

+ !NGENUITY
COMMERCE

2023/2024 Report
thgIngenuity.com

!NGENUITY
COMMERCE

Navigating Consumer Paradoxes
to Transform the Future of
Commerce

The Future OF
COMMERCE

2023/2024 Report
thgIngenuity.com