



The Future of eCommerce: Shifting to a Digital-First Approach



The background is a solid teal color. In the top-left corner, there are several overlapping geometric shapes: a dark blue parallelogram, a yellow parallelogram, and a thin yellow line extending diagonally. In the bottom-right corner, there are more geometric shapes: a yellow parallelogram, a dark blue parallelogram, and a white parallelogram, all overlapping and extending towards the edge.

As shoppers begin to fully
embrace their role as
“digital-first consumers,”
how can retailers and
brands prepare?



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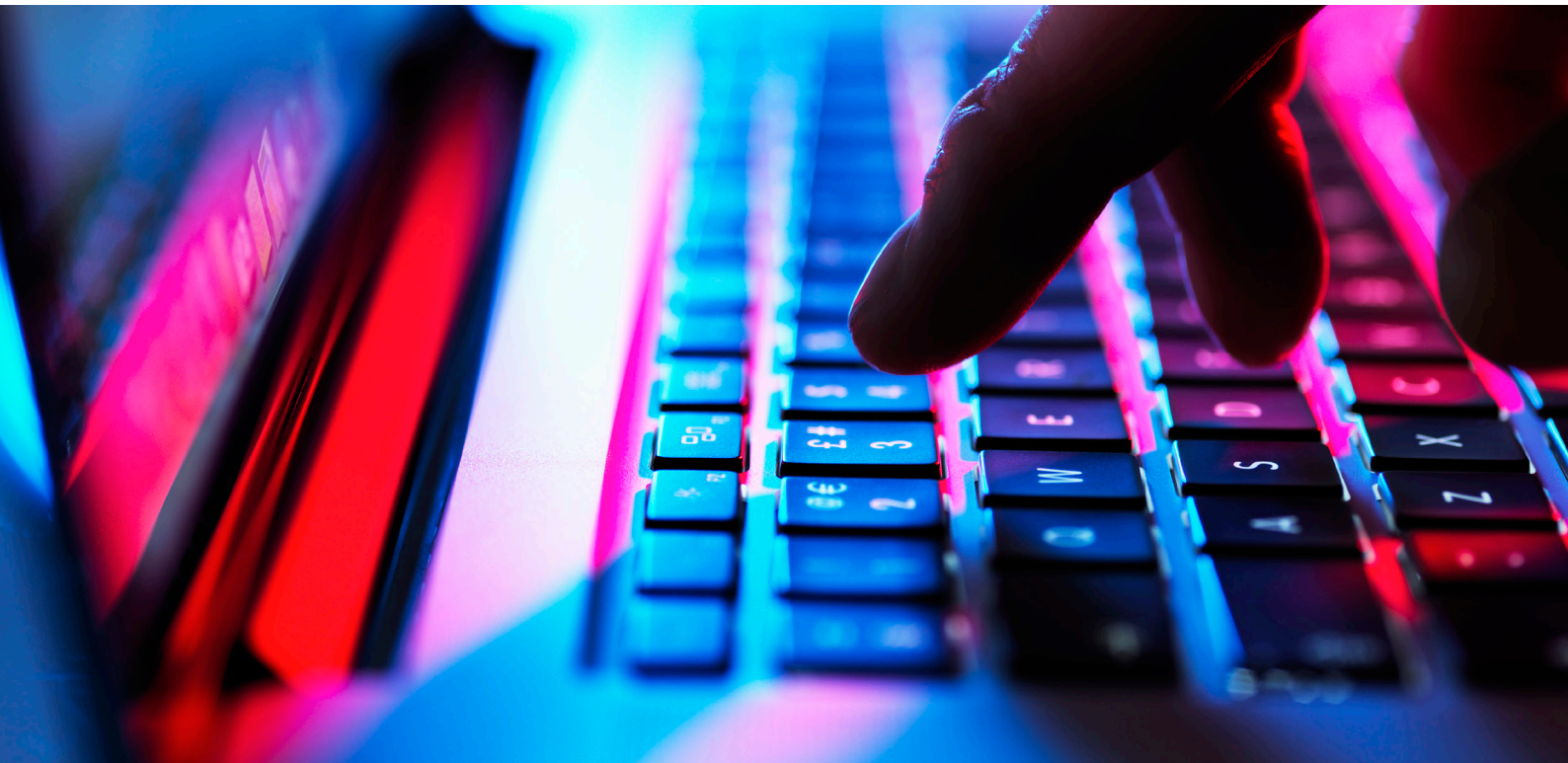


The new
digital-first world

Shortly after eMarketer's February 2020 forecast predicted a growth of 2.8% to \$5.621 trillion in total U.S. retail sales, the coronavirus pandemic bulldozed its way through the landscape.

In the months that followed, brands large and small battled for their survival. Of late, customers and businesses alike have embraced this new age of retailing and decided to make the inevitable offline to online pivot.

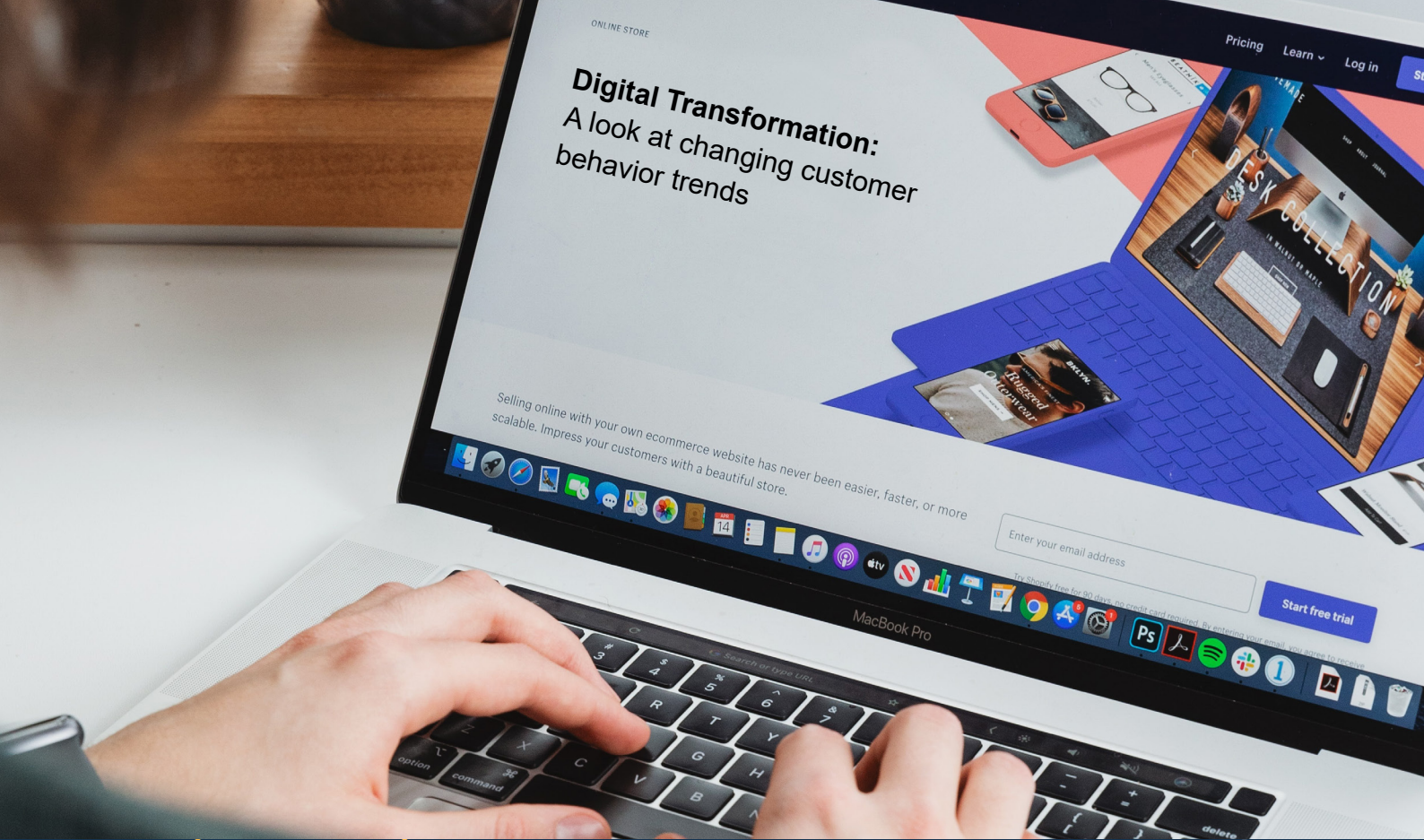
However, this change does not come as a complete surprise. According to new data from IBM's U.S. Retail Index, the pandemic has accelerated the shift away from physical stores to digital shopping by roughly five years.



COVID-19 has fast-tracked a few fundamental trends that were already beginning to influence the retail sector, including:

- **The acceleration of digital commerce** - The eCommerce market has transformed from a supplement to brick and mortar retail into a major channel for digital consumers, with experts expecting that eCommerce will reach 14.5% of total U.S. retail sales in 2020, an all-time high.
- **The rising importance of speed and transparency** – According to [PwC](#), nearly 80 percent of American consumers say that speed, convenience, knowledgeable help, and friendly service are the most important elements of a positive customer experience.
- **The age of the “digital consumer”**- Today’s customers have had to learn new ways to live, eat, communicate, and shop in the face of pandemic-born restrictions. To keep up with higher expectations and capricious customer buying habits, brands will need to provide a greater sense of security, accessibility, and convenience than ever before.

These significant themes have become strong drivers for the way today’s retailers strive to understand, connect, and engage with their customers. As technology becomes intrinsic to daily life, we expect an even greater surge in eCommerce.



eCommerce trends & traffic

Consumer expectations have been erratic since the onset of the COVID-19 outbreak.

Between panic buys for groceries and toilet paper to a surge in at-home work-out equipment, it seems almost impossible to predict the next eCommerce category to surge.

As purchasing trends continue to fluctuate, Loqate looks at what our proprietary data, from the analysis of thousands of global Loqate retailers, reveals about the current state of eCommerce.

Our experience providing address verification technology in the checkout experience of over 15,000 online businesses gives us a unique point of view on evolving digital trends and customer behavior – what can we learn from the global online traffic patterns of the last six months?

Consider a digital-first strategy

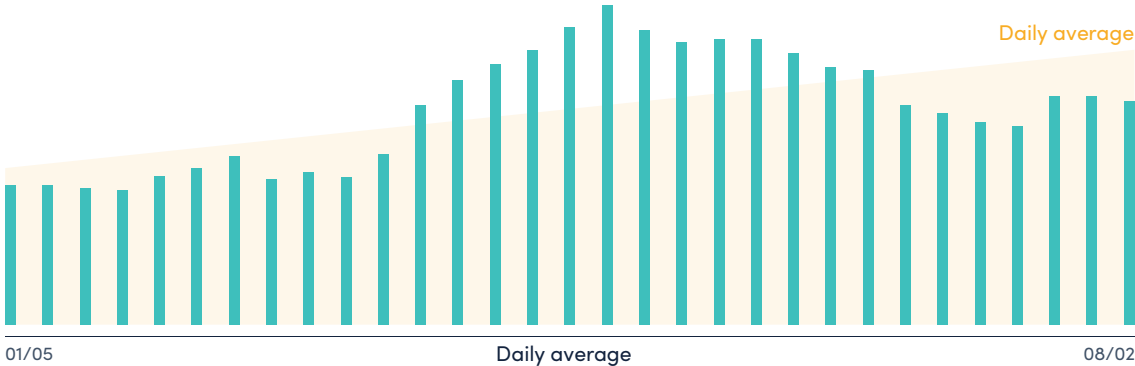
The outbreak of the pandemic has changed our world forever in more ways than one. For the retail industry, confined populations, fear of contamination, and the closing of non-essential businesses caused a decline in global trade and an almost full halt to brick-and-mortar operations. On the other hand, it also caused countries worldwide to travel full speed towards a digital-first world.

The World Health Organization (WHO) formally declared an official pandemic in the U.S. on March 11. Within just a few months, retailers took their operations online while consumers, some of whom had never shopped online before, became dependent on online delivery. This surge is reflected in our Global Loqate data as weekly retail traffic on our platform was up by 115% by the end of April 2020.

Online traffic levels began to drop off when retailers began announcing re-opening plans. However, traffic levels are still above pre-pandemic levels even after brick and mortar stores re-opened in several locations.

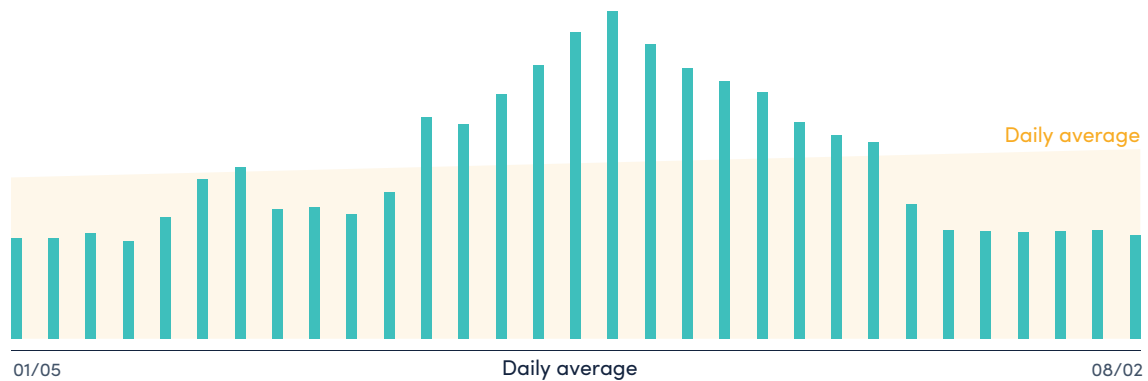
CCinsight, an [Emarsys](#) initiative, in cooperation with [GoodData](#), reports that as of August 23, 2020, [online retail revenue](#) in North America was up 71%, Europe up 41%, and APAC up 114%.

Comparing the last week of July to the last week of April, global shopping via e-commerce platforms has only fallen by 28%, indicating that many consumers have adapted to their current situations.

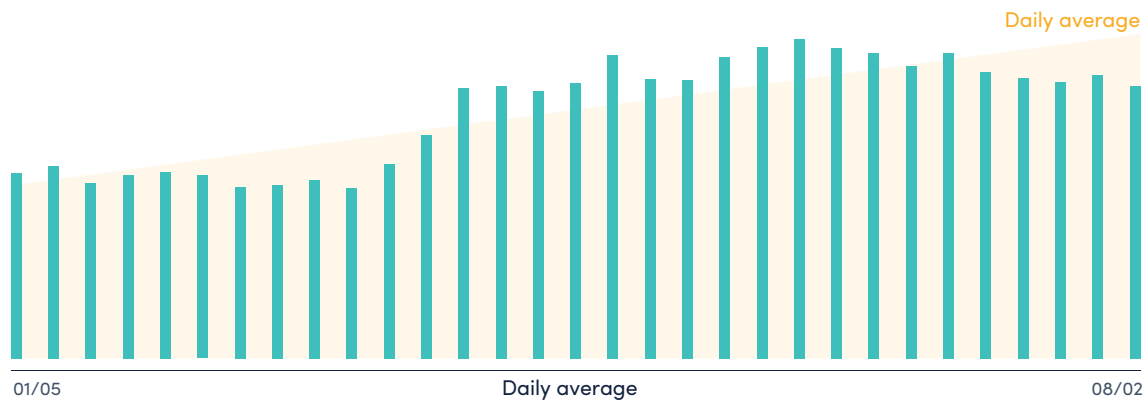


Loqate Global Platform Traffic by week for 2020

UK eCommerce traffic grew by 87% from mid-March until the end of May and shows little sign of returning to pre COVID-19 levels, dropping only by 11% between the end of May's peak and the end of July. However, this pattern differs from the U.S., where we saw a much more significant increase in traffic from mid-March up to the peak at the end of April (162%), followed by a much more significant decline from the end of April to the end of July (-66%).



Loqate US Platform Traffic by week for 2020



Loqate UK Platform Traffic by week for 2020

Differences by location may have something to do with the variances in consumer shopping intent.

[Around 40 percent of U.S. consumers](#) have reduced spending in general – a reflection of the poor state of the economy and the surge in unemployment being seen around the globe.

Official figures for the [Office of National Statistics \(ONS\)](#) suggested similar losses; around 650,000 UK workers have lost their job during the pandemic.

The numbers have only recently begun to decrease - maybe due to news confirming the arrival of [Britain's economic recession](#).

Expand into international markets to diversify and reduce risk.

While the shift to digital has been a common thread universally, differences in geographical and economic standards mean that the impact on eCommerce retail spending has not quite been felt evenly across the world.

Top destinations for cross-border commerce such as Germany, France, and China are experiencing the lowest growth rates seen in the last 40 years. But rather than view the

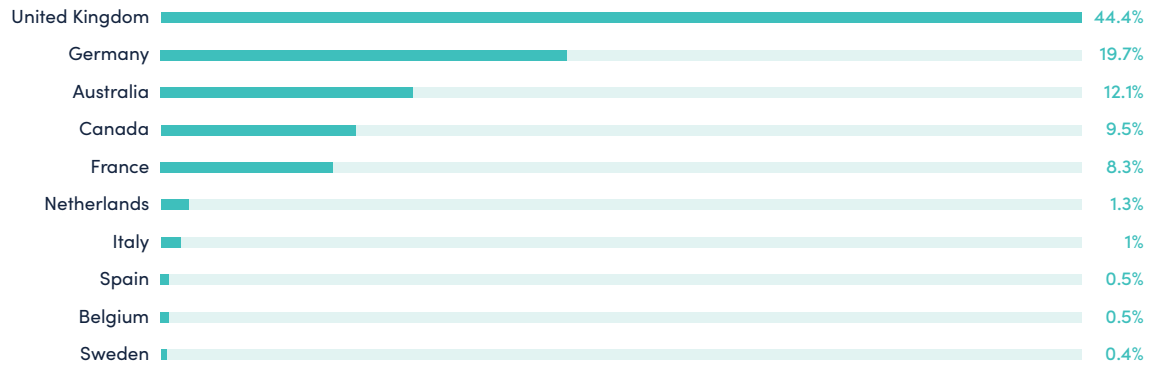
current state of affairs with feelings of trepidation, retailers who seek to participate in cross-border commerce should consider this an opportunity for expansion into new markets.

Variance in economic recovery is opening up space for countries that are traditionally considered harder to reach due to complexities like customs clearance and shipping regulations to fulfill the growing demand.

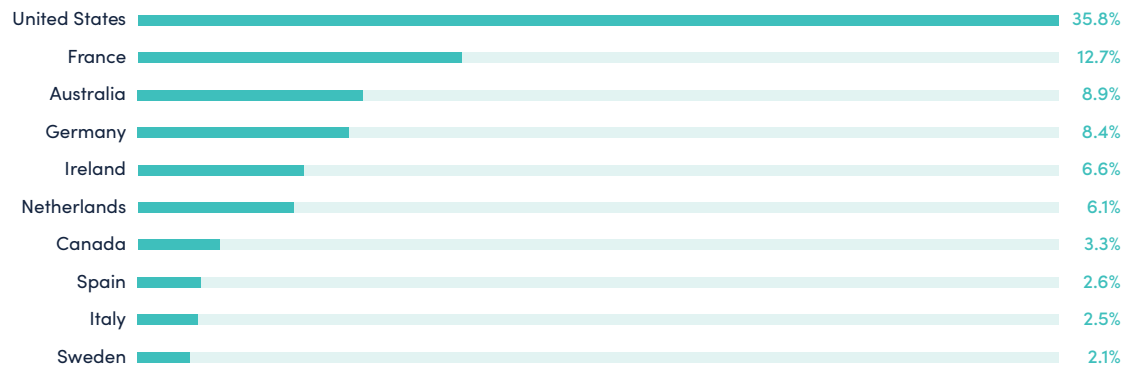
For instance, In March 2020, the [total extra-EU trade](#) (imports + exports) fell from €252 billion to €228 billion compared with January 2020.

This is in line with Loqate's observed decline in cross-border traffic shown in the charts below.

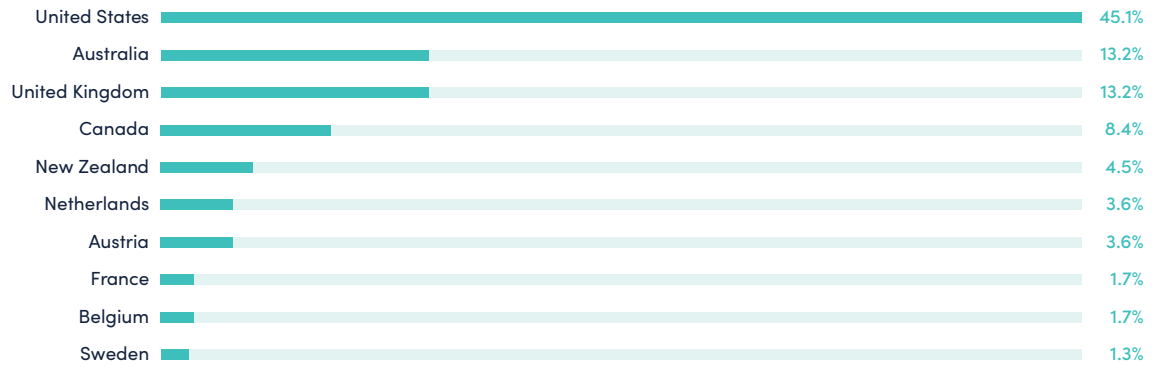
According to our data, 44.4% of international deliveries from U.S. retailers went to the UK this year. But less than 5% of international orders from U.S. businesses came from countries like Italy, Spain, and the Netherlands.



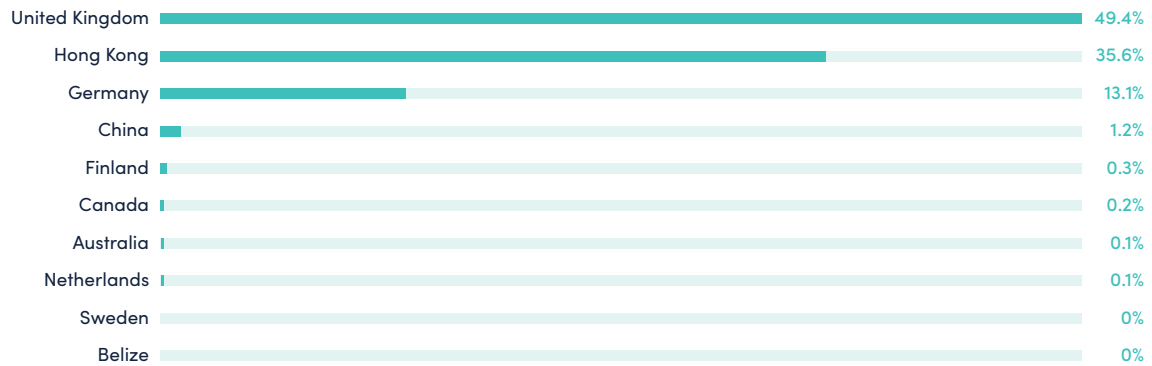
Top 10 countries for international deliveries from the U.S.



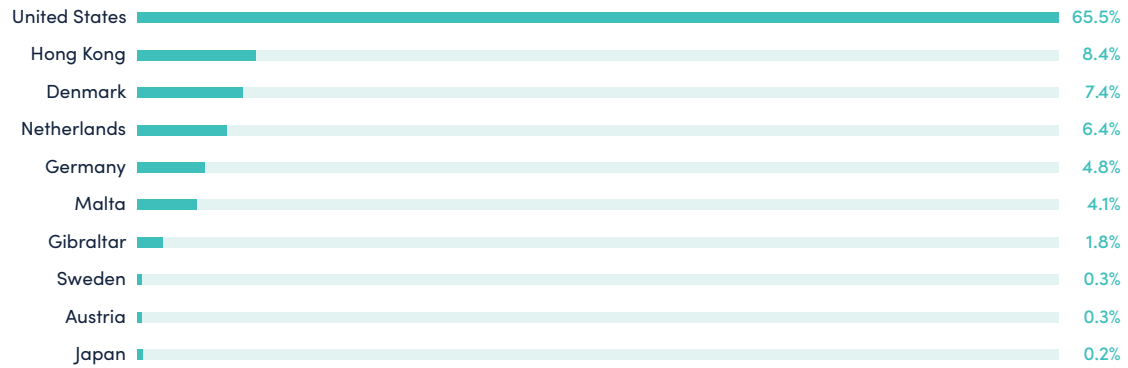
Top 10 countries for international deliveries from the UK



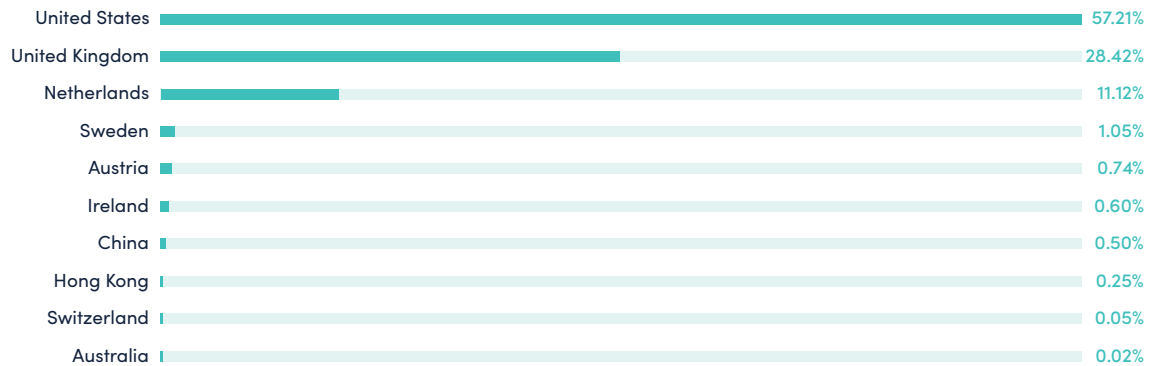
Top 10 countries for international deliveries from Germany



Top 10 countries for international orders from the U.S.



Top 10 countries for international orders from the UK



Top 10 countries for international orders from Germany

However, with daily numbers of infections dropping 30-40%, online cross-border spending in Italy has actually jumped back up since the beginning of April, with international sales increasing by over 40% from March. Congruently, Sweden, which instituted light restrictions on commerce and social interactions during the peak of the Covid-19 pandemic, only saw a slight [8.6% economic shrink](#) between April and June. Better circumstances than countries like Spain, who saw its economy shrink 18.5% in the same period, or France who saw a 13.8% contraction.

If tough conditions are causing slow growth in your home market, this could be the right time to expand your customer base internationally. Want to learn more about how to extend your business globally?

In episode four of our new podcast: [Connected Commerce - Business Beyond Borders](#), experts Spencer McLain, VP & General Manager, EMEA at Ekata, and Matthew Furneaux, Director of Location Intelligence, GBG, share insights on how to become a truly borderless business.

[Listen to the full episode here.](#)



Moving forward:

What to do in the next phase of growth

We expect that an even more permanent adoption of eCommerce is to come.

In fact, more consumers have shopped online since physical stores started re-opening than at the onset of the pandemic.

A recent survey from [PYMNTS](#) found that nearly 36% of U.S. consumers are now buying retail goods online, compared to 29% doing so in mid-April when most brick-and-mortar stores were closed. The same survey found that the average consumer doesn't expect the pandemic to end until February 2021.

We've officially gone past the threshold and entered into a new era of retail where the consumers want things better, faster, and more convenient - and they expect brands to deliver... or else.

Using our data, we have identified four lessons for adopting a digital-first strategy:

Lesson 1: Deliver a simple, seamless online experience for customers of any age.

Digital commerce and online delivery have become essential for customers confined at home. However, while this trend may be close to second nature for the younger generation of digital natives, we cannot neglect the impact that digitalization has had on older generations.

Since the pandemic, your online customer base has undoubtedly gotten broader as the last few months have seen more Boomers and Generation Xers try their hand at living a contactless, digital-first lifestyle.

Many people are logging onto digital platforms like Zoom, mobile shopping apps, and social channels for the first time.

According to PayPal, there has been a 65% increase in online shopping by the over 50's since March. A stark difference to even two years ago, where only about [30% of Baby Boomers](#) admitted to purchasing from an online brand store.

Older generations may be slow to adopt new technologies, but history shows that once they pick it up, they're addicted.

But, as you welcome them with open arms, don't forget that these newbies require a gentle touch.

This means delivering a simple, seamless online purchase journey, from checkout to order completion.

A [well-designed UX](#) and an easy to navigate checkout page are surefire ways to usher these consumers across the finish line.

Lesson 2: Prepare for high volume traffic over extended time periods

In 2019, holiday season retail eCommerce spending in the U.S. amounted to [135.35 billion U.S. dollars](#), with the most money being spent online on Cyber Monday. Earlier this year, the [Census Bureau of the Department of Commerce](#) announced that the estimate of U.S. retail eCommerce sales for the first quarter of 2020 alone was \$160.3 billion.

For most, the holiday shopping season is a joyous time filled with family, celebrations, and gift-giving. For retailers, this season is filled with pressure to handle large online traffic surges. Can you imagine the stress of keeping up with these volumes for just a few months? Right – now imagine that this was your everyday.

The COVID-19 pandemic isn't only changing consumers' spending habits. It has also put pressure on retailers already struggling to keep pace with growing e-commerce demands.

eCommerce sales are flooding retail platforms, delivering numbers that give the holiday season a run for its money. Even at Loqate, transactions on our platform have been running at Cyber Monday levels almost consistently since March.

According to the Q2 2020 [report](#) from the U.S. Census Bureau, eCommerce accounted for 16.1% of total retail sales in Q2, up from 11.8% in the first quarter of 2020.

Traffic to retailers' online and mobile platforms are expected to reach unmatched levels during the rest of the year; any scalability issues can result in millions of dollars in lost sales.

If your goal is to offer reliable uptime while also avoiding stressed IT teams and frustrated shoppers, improve CX with faster checkouts that get people on and off the site without delay.

Lesson 3: Successful delivery is more important than ever.

Due to the pandemic, merchandising, fulfillment, and shipping have been concerns for retailers, from startup to enterprise.

Most heavily affected are your supply chain and third-party logistics providers.

Take UPS and FedEx, for example. The impact on these carriers has been substantial as they've had to operate at virtually Black Friday, Cyber Monday levels day after day.

With fulfillment center teammates working day and night to make sure your order goes out as fast as possible, the 30-40 cents per package surcharge introduced earlier this year seems like a small price to pay.

According to UPS, “These surcharges help protect our network and ensure UPS is compensated appropriately for additional costs incurred to maintain our high-quality service.”

However, FedEx and UPS’s gain is the retail industry’s loss, and the consequences are particularly steep, especially for large organizations, like Amazon, that ship close to 40,000 parcels a week. If that increase wasn’t enough, retailers can expect an even larger bump in expenses for the coming holiday season.

New surcharges for big customers could reach \$3 a package for ground shipments, \$4 for air, putting an even higher stake on packages being delivered right the first time.

[USPS is following suit](#), introducing their first holiday surcharge from October 18 through December 27, ranging from \$0.24 to \$1.50 per package.

When failed deliveries occur, someone always carries the cost. A \$17 cost per package correction, to be precise.

[Loqate’s address verification](#) makes sure that 100% of customer addresses are accurate by making it easy for a customer to correctly enter their address.

“By helping consumers input an accurate address at the point of entry during checkout, retailers affected by these new surcharges can manage and maintain some degree of control over any ongoing, extra costs incurred by failed deliveries,” says Matthew Furneaux, Global Commercial Director at Loqate, a GBG Solution.

Lesson 4: Make the mobile customer purchase journey as easy as possible by eliminating pinch points and friction

Even pre-pandemic, mobile shopping trends were pointing to m-commerce as the next frontier future for shoppers.

This was only accelerated thanks to the pandemic-driven surge in online shopping and the technological advancements that make it easier for people to communicate, search, shop (and do everything else) via their mobile devices. According to PwC, after the COVID-19 outbreak, mobile shopping grew in popularity by 45%.

Knowing this is an avenue for high gain (By 2022, the global mobile payments market will [grow by 33%](#).), retailers are flocking to offer mobile solutions to their consumers.

Yet, not every business can boast an optimized m-commerce experience. Forbes predicts that “companies with clunky interfaces or unintuitive online options will pale in comparison to more digitally savvy brands.”

With consumers more reliant on digital devices today, retailers looking to cash in on this m-commerce growth must first solve a historic issue – low conversion rates caused by customers struggling to check out on small smartphone screens.

Mobile shoppers are inherently impatient creatures, with 50% expecting your mobile experience to be easier than it is on a desktop.

Our “Fabulous forms for fat fingers” guide gives you [30 ways to optimize your mobile UX](#), but I’ll share our top 3 points here:

1 Minimize the need to input text

Lessening the number of steps in each process by cutting out form fields you probably don’t need will have a considerable impact on your conversion rate. This will also make forms quicker for shoppers to complete.

2 Label your fields

When everything is two sizes smaller, it can double the chances for customers to make mistakes while entering data. Form field labels are essential to telling the user what to put in each field and ensures the right data goes into the right place.

3 Don’t make customers type their address

Customers often have to supply multiple addresses, some of which may be international, complex, or just plain unfamiliar. Reduce the amount of typing involved with address lookup and autocomplete. A side-benefit of this is quality, valid addresses.

Follow our tips for improving forms for fat fingers, and you’ll be well on your way to increasing mobile conversion rates.



A new standard

A ccording to Forbes, and supported by our data, “just because brick-and-mortar stores and restaurants are starting to re-open doesn’t mean online ordering is declining.”

In fact, the opposite is true as the pandemic provides more openings for advancements in [m-commerce](#), [adoption of omnichannel strategies](#), and [new chances to engage with your digital consumer base](#).

We hope our data and insights have helped equip you with the tools necessary to face current uncertainties and thrive in the post-pandemic future of retail.





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