



# Future of eCommerce Report:

9 Trends That Will Improve Your Digital  
Customer Experience, Boost Revenues &  
**Secure Your Future!**



# Introduction

If the past few years have taught us nothing else, they've shown that the retail industry is constantly transforming. Driven by a combination of consumer behavior and technological innovation, eCommerce [sales exceeded \\$1 trillion in 2022](#). That's roughly 7% higher than in 2021!

Forrester analysts expect this trend to continue, predicting that eCommerce sales will reach [\\$1.1 trillion by the end of 2023](#), and a [whopping \\$1.6 trillion by 2027](#).

Despite this upwards trend, the eCommerce landscape is challenging. As the online market grows, so does competition. Customer acquisition costs are at an all-time high, cutting into profit margins. When combined with the high online return rates, costs of shipping, and never-ending promotions to win new customers, retailers' profits are being squeezed on all sides.

And that doesn't even mention the shifts and changes in technology needed to provide a stellar customer experience! With everything from site speed to search to checkout process affecting sales, how can retailers navigate this fiercely competitive landscape and see real returns on their investments to win and keep customers?

9 key trends have emerged as major factors that are allowing brands to not just survive in this landscape, but to thrive. These are the specific innovations and areas that eCommerce companies will need to double down on in order to maintain market share, increase profits and continue to grow.

## \$1.6 TRILLION

Forrester analysts sales forecast for 2027



## 9. Increased Focus on Customer Loyalty

In an increasingly competitive marketplace, customer loyalty is more important than ever. According to a 2022 Forrester survey, loyal customers are [83% more likely](#) to spend more with a favorite brand and 87% will advocate on behalf of that brand. Which is why many large companies are [overhauling their loyalty programs](#) and upgrading their online shopping experience to retain customers.

In fact, we're already seeing eCommerce brands branch out from traditional loyalty measures in efforts to keep their existing customers happy.

The rise of flexible payment programs such as Klarna and Afterpay can be directly attributed to customer loyalty incentives. By splitting up payments on larger items, eCommerce brands make it easier for customers to purchase the items they desire.

Solutions like Afterpay even integrate with digital wallets like Apple Pay, which fully automate and digitize the eCommerce shopping experience. These kinds of super-smooth buying experiences regularly win over today's digital-savvy online shoppers.

Promotions are also a tried-and-true method for encouraging customers to return. According to McKinsey, [40% of consumers have changed brands](#) in recent years, with value being the primary driver. Now, more than ever, loyal customers expect to be rewarded for their loyalty. Promotions and flexible payments are just two of the emerging strategies retailers will need to lean on.

## 8. Marketplaces Will Continue to Grow

Of [the four key forces that Forrester has identified as shaping B2C buying habits](#), the first one – price and convenience – is best embodied through marketplaces. A whopping [70% percent of customers](#) will buy an item on a marketplace if they believe they're paying the same or less than they would purchasing it directly. Given the increased value-consciousness of today's customers, this is not surprising.

Marketplaces like Amazon and Alibaba have become giants in the global eCommerce landscape. Over [one-third of global online shopping orders in 2022](#) were placed through marketplaces, according to Statista.

For many customers, marketplaces give consistent access to products they are not able to find elsewhere, and at prices that are significantly lower than other venues. This makes marketplaces poised to continue growing, potentially replacing retail destinations – especially for commoditized goods and low-cost items that require broad reach and large volumes of sales.

The convenience and perceived cost savings of marketplaces go far with today's consumers and smart brands will evaluate marketplaces as a potential alternate revenue stream and part of their overall brand strategy.

Of course, marketplaces are not suitable for all brands. Exclusive and sought-after brands will thrive outside of marketplaces, especially if they can leverage private-label or unique items to drive customers and demand. However, even if they prohibit marketplaces from selling their goods, customer experience will still be a highly influential factor. To thrive, brands who eschew marketplaces will still need strong eCommerce fundamentals, including solid websites, excellent product discovery, and actionable insights from customer data in order to thrive.

# 7. Composable Commerce

[Composable commerce](#) is the latest emerging trend when it comes to retailers' backend architecture. Most brands have already started to or are currently planning to move from a monolithic structure to a headless system that allows them to seamlessly switch out components as new innovations are released. This modular approach eliminates the need to invest in a complete overhaul of an eCommerce platform every time a modification is required. New functionality can be added in a matter of weeks, allowing retailers to better keep up with changing consumer trends and implement new software.

This flexibility results in lower overall tech costs, improved time to market, easier integrations and improved customer experiences. With tech stacks that are customizable to their needs, retailers can more easily create the hyper-personalized experiences their customers have come to expect.

When shifting from a monolithic structure to a composable one, here are some tips to keep in mind:

- 1. Define your needs and goals first.** Determining your needs ahead of time can help you select the right components, as well as which ones you should implement first.
- 2. Keep integrations in mind.** Integrating with legacy systems is important while in transition, and all of the pieces in your new, composable tech stack will need to integrate with each other for maximum efficiency.
- 3. Choose an implementation model that suits your organization's needs.** Whether you decide to first decouple your monolithic platform, go for a phased implementation, or replatform all at once, the replatforming should happen at a pace of your choosing.
- 4. Choose best-of-breed solutions outside of your core expertise.** By selecting vendors for highly specialized or hard to replicate functions, you can improve both customer experience and team performance, by allowing your team to focus on their areas of expertise.

For example, [next-generation search solutions leverage AI](#) technology that can boost revenue through improved customer experiences and increase key Commerce website metrics such as clickthrough rate, conversion rate, and average order value. With a composable architecture, retailers can leverage this technology without needing to become a tech company or hire a team of AI developers and engineers.

Thanks to its scalability, flexibility and agility, composable commerce is the future of retail tech stacks. Given how composable architectures empower retailers to meet customers' needs, migrating is well worth the effort and time involved.



## 6. Phygital Experiences

Phygital retail is the blending of physical and digital experiences, to create an immersive, engaging and interactive customer experience. It's a holistic approach that considers online and in-store extensions of one another and seeks to create instant, connected and engaged retail experiences for all customers.

Some of the best known phygital tactics include:



### **BOPIS (Buy Online, Pick Up In Store)**

A cross-channel delivery method that lets shoppers skip waiting in-store to purchase items.



**Digital coupons and offers** can be presented to shoppers in-store based on their online search history through a number of avenues: mobile apps, kiosks, and even at checkout.



**Interactive mobile app experiences** can make shopping more personalized, both in and out of the store.



### **Augmented reality (AR) and virtual reality (VR)**

AR & VR are becoming more and more popular to smooth the transition between online and offline shopping. AR and VR technology can be used to allow customers to virtually “try on” items or to see purchases in their home, allowing customers to interact with products online as if they were in-store.

Phygital tactics help to create [immersive eCommerce experiences](#) that improve the shopping experience, increase sales and differentiate brands from other eCommerce sites that are not integrating modern technology. In an eCommerce landscape that is only getting more competitive, and where customer expectations continue to rise, crafting phygital experiences will become an essential part of retailers' strategy.

When looking to phygital experiences, as always, retailers need to center the customer. While AR and VR solutions are wonderful to see how that new dining table fits in your dining room, an interactive service kiosk may be more helpful for other applications. The key is to understand what will bring the most value to your customers, and to start designing experiences with them in mind.

## 5. Inventory Accuracy and Delivery Expectations

In recent years, many brands have faced challenges with their supply chain, whether it was product shortages due to shipping delays or an abundance of inventory due to over ordering. With customers' increasing expectations of instant gratification, finding the right balance can be a challenge. As a result, brands are evaluating everything from delivery times and shipping methods to real-time inventory display to warehousing.

Why is inventory balance so important? It comes down to that all-important metric: customer loyalty. [53% of consumers are willing](#) to abandon cart entirely and go shop elsewhere if there is even a single item they cannot find, exacerbating inventory struggles.

In [an expert panel discussion](#) tackling consumer shopping concerns, SADA's Manufacturing & Supply Chain Industry Advisor, Chris Hyatt, said "Customer delivery expectations have been reset by the large players in the market over the past several years. Consumers don't feel like they should have to wait for the goods and products to arrive at their doorsteps – many have come to expect same-day and next-day [delivery]. Shoppers will search other sites when they don't have inventory. But also, if the shipping time is too long, they'll search other sites, will abandon carts and move their business elsewhere."

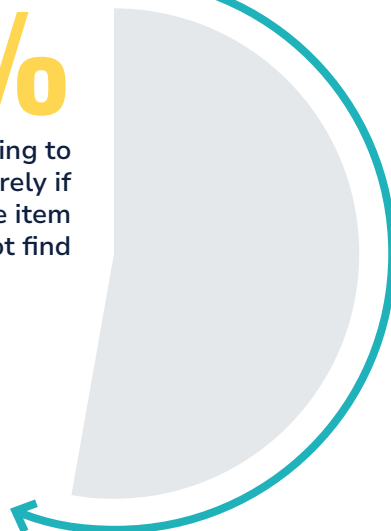
The demand for faster and more convenient delivery options also puts significant pressure on the final mile of the supply chain. Today's delivery expectations are pushing product manufacturers and retailers to increase their geographical footprint, adding warehouses closer to where consumers are located to improve lead time by shortening distance traveled for delivery.

However, adding warehouses is only part of the challenge. Allocating appropriate inventory levels to those warehouses becomes increasingly difficult to manage – especially with the general variation in demand that is rising through different shopping behaviors. And moving inventory between these different warehouses, or cross-shipping from a location that is not as close to the consumer can be costly.

So how can retailers preserve customer experience in the face of such high expectations and supply chain struggles? Leveraging next-generation search AI can help retailers account for variations in inventory, and tell the customer when stocks of a given product are low. It can also remove out-of-stock products from the search results, instead providing smart replacement recommendations that still fulfill the customer's search goals.

**53%**

of consumers are willing to abandon their cart entirely if there is even a single item they cannot find



## 4. Omnichannel will Give Way to Unified Commerce

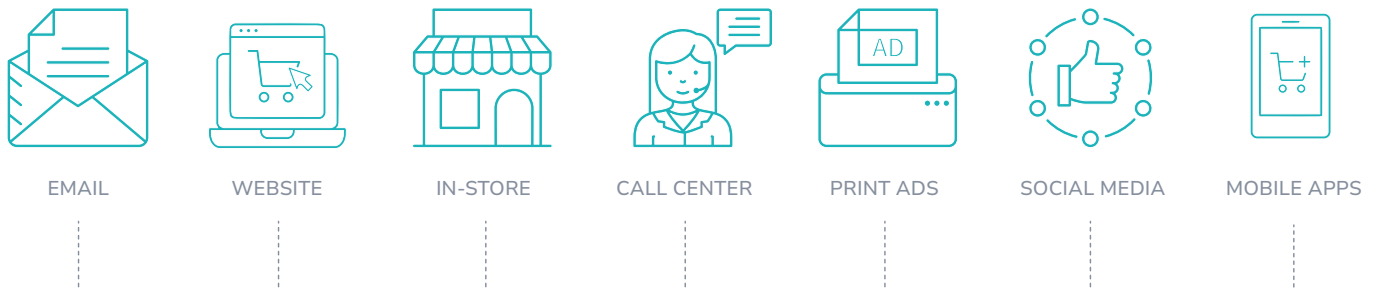
Omnichannel and unified commerce are two methods for delivering a seamless shopping experience across various channels, including online, mobile, and in-store. While they may seem similar, there are some key differences.

Omnichannel focuses on creating a consistent and seamless customer experience across all touchpoints, and often involves multiple platforms to manage different channels. Unified commerce, however, seeks to connect customer-facing channels to back-end systems through a single platform. The goal is to create a single source of truth for the entire organization's customer data. This way, customer data can be more effectively utilized throughout the organization, creating a superior customer experience.

Unified commerce is emerging as the future of customer engagement for the following reasons:

- As customer loyalty decreases, retailers are competing on customer experience. By creating a single source of truth, **unified commerce facilitates a seamless customer experience from the back-end.**
- Unifying and simplifying the commerce tech stack allows retailers to **access real-time customer data** and create richer customer experiences.
- The single source of truth approach also makes **processes more efficient and improves data integrity**, both of which are key elements in helping retailers create outstanding customer experiences.
- A unified commerce approach directly impacts annual revenue growth. Research from Google Cloud found that [unified commerce leaders realize 3-6 times higher annual revenue growth.](#)

For these reasons, implementing a unified commerce approach and platform is one of the most important technological pieces to continued retail success. And while technological considerations and limitations can hamper unified commerce efforts, approaches such as composable commerce can help ease tech stack frustrations and simplify the implementation process.



### 3. eCommerce Search Hyper-Personalization

Customers are looking for Google-quality, hyper-personalized experiences when they shop. In fact, data shows that customers are [80% more likely to purchase from a company that provides a personalized shopping experience](#). But what actually is hyper-personalization? And how is it different from personalization?

When we talk about eCommerce personalization we refer to developing custom promotions and offers for customers. For example, in simple personalization, a customer's name may be displayed on site, their favorites may be displayed in a product carousel, or they may automatically see shipping options based on their postal or zip code.

Search hyper-personalization, however, focuses on offering on-site shopping experiences that are informed by a customer's preferences and purchase history and updated in real-time. This goes beyond regular personalization, leveraging artificial intelligence to provide truly one-of-a-kind shopping experiences customized to an individual. For example, by combining real-time updates and user data, AI & ML can order products in search results so that a customer's preferred brands show at the top of search.

This enhances the customer experience by ensuring that customers receive relevant information. In [a panel on consumer shopping concerns](#), GroupBy's CEO Roland Gossage noted that "as retailers, there's some dos and don'ts. In the dos, we're seeing a lot of retailers focus on product discovery, on what are the hot brands, where are people going to spend the money, in what categories and on what brands based on previous behavior and current trends. On the side of wrong things to do, it's not serving customers with relevant content."

For example, if someone recently purchased a vacuum and then receives an email pushing vacuums to them, then your marketing is seen as irrelevant and annoying – even if it is "personalized" according to their recent purchase history. Once they receive two or three of these emails, their patience decreases and they're more likely to unsubscribe.

In this example, a hyper-personalized approach that uses real-time data and artificial intelligence would look more like this: after a customer adds a vacuum to their cart, the [recommendations carousel](#) on the confirmation page updates to show vacuum accessories or carpet cleaning products. Leveraging a machine learning model that offers products that "Others Also Bought" not only makes the customer feel seen, it creates upsell opportunities that may not have existed before.



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**80%**

more likely to purchase from a company that provides a personalized shopping experience.

**Overall, retailers need to lessen the amount of direct marketing they do and instead focus on making their marketing highly personalized.** It's about doing less and making it more relevant to create a deeper, longer lasting impression on the customer and improve the customer experience.

In order to deliver true hyper-personalization, you need to go beyond personalizing for cohort and segment and start delivering individual results. For example, with personalization, two customers who both search for blazers might see men's blazers vs women's blazers. However, with hyper-personalized search, one customer may see a specific fit, color and brand of blazer first, whereas the other customer would see a completely different set of blazers based on differing preferences. After the initial search results, a "complete the look" carousel on the product page can suggest more items, displaying products aligned to the customer's individual preferences, enticing them to purchase a whole outfit rather than just one or two pieces.

Hyper-personalization is about creating truly 1-on-1 shopping experiences and leveraging personalized search and recommendations, powered by AI, is essential to help eCommerce brands deliver those experiences.

## 2. Generative AI and eCommerce Product Discovery

Generative AI is a subset of Artificial Intelligence that is extremely good at recognizing patterns within data and using those patterns to create content. Forward-thinking retailers and wholesalers are already leveraging generative AI within customer service chatbots, but with applications spanning from text and graphics to music and code, generative AI has dozens of potential use cases throughout the customer journey.

On a technical level, Generative AI applications like ChatGPT, Bard and more, are built on Large Language Models (LLMs). These models ingest vast amounts of untagged text and learn to predict the next word in a sentence. With enough training, these models become exceptional at parsing queries phrased in conversational language. This allows generative AI chatbots to essentially function as a customer service agent, a key application retailers are already buzzing about.

However, the LLMs that underpin most generative AI are already being used in eCommerce search and product discovery technology. Next-generation search technology already leverages LLMs to understand natural language and customer intent in order to return relevant search results and improve customer experience. LLMs facilitate Natural Language Processing (NLP), allowing eCommerce search applications to deliver relevant, personalized search results that match the user's true intent.

Ultimately, retailers hope that generative AI, in conjunction with next-generation search AI, can continue to impact the customer journey, fully personalizing the shopping experience.

For example, generative AI could draft product descriptions for the merchandising team in a matter of seconds, while also adding the proper attributes to product data for search. When a customer inputs a query, such as “date night dress”, next-generation search AI parses “date night” as an event, and, based on previous shopping data and pattern recognition, returns the classic “little black dress” the customer is truly searching for. Next-generation search technology will then order search results to show little black dresses that align to the customer’s preferences. If a customer abandons their cart, generative AI could then automatically generate custom banners and retargeting ads for the customer, as well as create and send follow up emails.

Retailers utilizing this next-generation search and product discovery technology are already leveraging the power of LLMs, and improving both customer experience and revenue in the process. As generative AI continues to develop, retailers will want to seek out generative AI SaaS providers who understand the unique challenges and applications of generative AI in eCommerce. Integrations with major eCommerce platforms and the ability to both improve the customer experience while decreasing the amount of low-value manual tasks the merchandising team has to complete should be key decision making factors.

## 1. Product Discovery Powered by Next-Generation Google-Quality Search

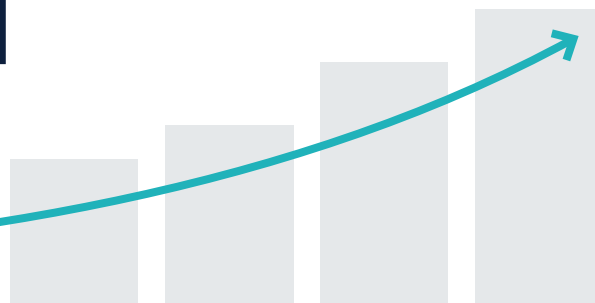
When searching on a retailer’s website, consumers expect the same experience when searching they get when searching on Google. However, keyword-based legacy search engines still dominate the eCommerce landscape, which is directly impacting customer experience and hindering product findability.

In fact, data shows that **\$2 trillion is lost each year** globally as a result of search abandonment, and **82% of consumers** will avoid websites where they’ve experienced a poor search experience in the past. To combat these staggering losses, brands must invest in product discovery solutions powered by next-generation search technologies that leverage AI to understand true user intent.

Built on keyword-matching technology, legacy search engines routinely struggle to generate relevant search results – especially for broad or long-tail queries. For example, a customer searching for “date night dress” on a legacy search solution could easily see dresses with date palm leaves on them in their results. Legacy search solutions have no way to understand which one a customer is looking for, and will use simple keyword density or frequency metrics to pull results. In this scenario especially, the likelihood of a customer getting irrelevant results is very high.

# \$2 TRILLION

lost each year globally



Next generation search engines, however, like Google Cloud's Retail Search engine, use customer data, context cues, and a deep understanding of user intent to determine what a customer means when they enter "date night dress" and deliver accurate search results for the query. This allows retailers to go beyond relevance and deliver hyper-personalized search results that are optimized for revenue.

When next generation search is placed at the heart of a best-in-class merchandising solution, like [GroupBy's Product Discovery Platform, powered by Google Cloud Vertex AI Search for Retail](#), the benefits for customers and retailers start to compound. In addition to Google-quality search results, GroupBy's platform provides advanced [merchandising controls](#) and [built-in analytics and reporting features](#). This allows merchandising teams to easily create impactful customer campaigns, get actionable insights and optimize the customer experience to boost sales, revenue per visitor and average order value.

Both GroupBy's platform and the Google engine that powers it are built specifically for eCommerce use cases. Retailers can optimize their search results for revenue, displaying products in order of buyability. All of this is done while dramatically reducing the number of search rules required. Next-generation search routinely takes retailers from having thousands of search rules, all requiring manual tuning, to as few as 5 rules – or even one. This frees up merchandisers to work on more valuable business initiatives.

To enhance the search and product discovery experience, GroupBy's platform (which is composable) also includes [data enrichment capabilities](#). Data enrichment augments, normalizes and classifies product catalog data, solving the "garbage in, garbage out" problem that has plagued search since its inception. In short, bad data creates bad search; good data dramatically improves the search product discovery experience by enhancing product findability. Useful, contextual product attributes also help increase customer satisfaction by delivering the exact products customers are looking for, and can even [improve SEO](#) to boost revenue and sales.

In today's competitive retail landscape, customers expect a Google-quality search experience. They expect to see relevant and personalized results for long-tail queries, and savvy shoppers are shifting their queries to be more descriptive and generate higher quality results. However, discovering the right products extends beyond the search bar and touches all points of the customer journey. GroupBy's Product Discovery Platform, powered by Vertex AI Search for Retail enables retailers to leverage the power of next-generation search and provide an outstanding customer experience – all while providing all of the tools needed to optimize the entire product discovery process for **revenue**.

[Click here to discover the power of next-generation search and product discovery.](#)

# Conclusion

If recent years and the current economic climate have taught us anything, it's that innovation and adaptation are the keys to keeping up with ever-changing consumer expectations while also maintaining sustainable growth. Technology is your differentiator, and retailers must keep up in order to deliver high-quality customer experiences at a time when consumer expectations are lofty and customer loyalty is low.

However, not all trends or innovations are created the same. Some burn out before making an impact, while others continue on to become industry staples. As the retail industry continues to evolve, brands that embrace the 9 trends outlined above will be best positioned to thrive in the years to come.

**Want to learn more about GroupBy's Search & Product Discovery?**

[www.groupbyinc.com](http://www.groupbyinc.com)

**Speak to one of our eCommerce experts today!**

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