RED SKY THINKING

THE FUTURE OF E-COMMERCE

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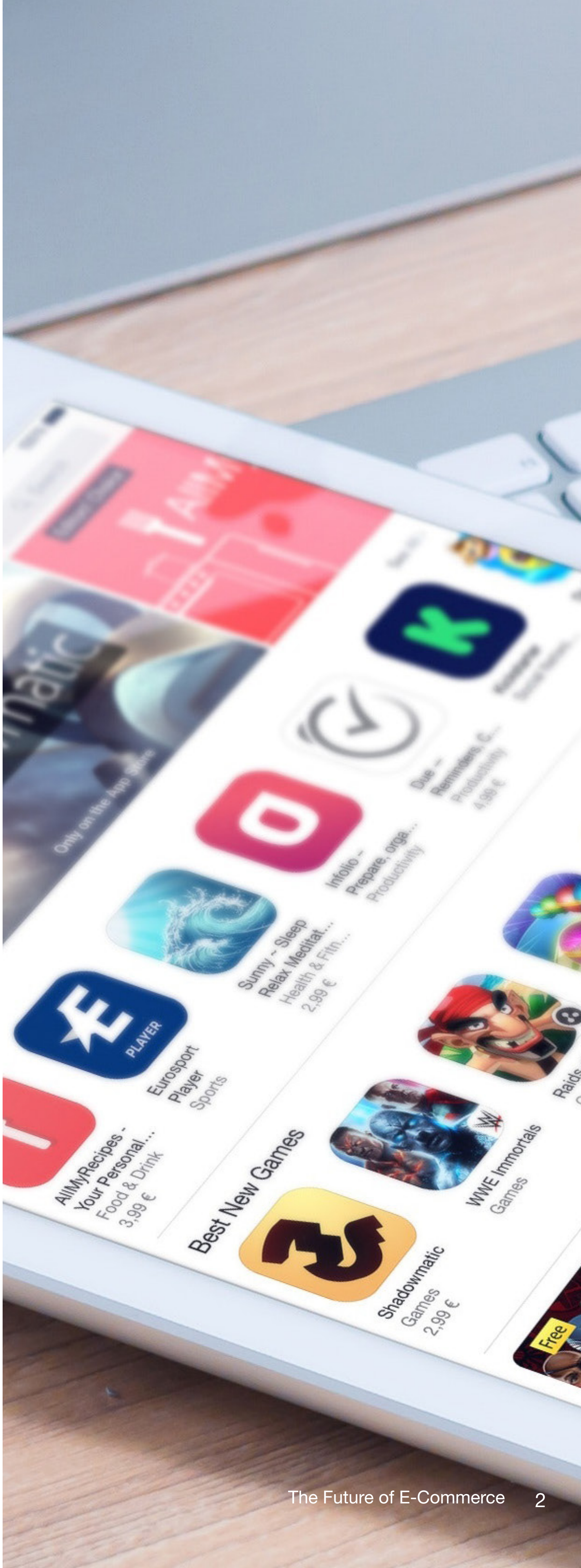
Introduction

As the COVID-19 pandemic forced people to alter their regular routines, e-commerce growth has been exponential to the point where it has established itself as the new retail norm. More than eight in 10 Prosumers (the leading-edge 15 to 20% of consumers who are first to market, forward thinking, influential and proactive) say they prefer the online shopping experience to traditional forms of purchasing. As things gradually return to normal post COVID, this e-commerce trend is likely to remain the same, especially across categories like clothing, electronic products and devices, and beauty products.

However, as e-commerce continues to grow and evolve, it also risks losing its original luster, with one-third of Prosumers acknowledging the convenience, but claiming most of their e-commerce experiences are "really boring" —a feeling particularly prevalent among Gen Z (44% versus 26% of Boomers). E-commerce has become so mainstream it is effectively a homogeneous shopping experience across platforms, where one experience is a digital clone of the other. The fact is, we have not seen innovation in e-commerce experiences in a long time.

As a global micro-network specializing in Merged Media (earned, social and experiential storytelling with purpose-driven content and data at the heart), on the following pages we present our view on how e-commerce can shine again. These findings are based on a Prosumer report by the **same title**, the latest in our Red Sky white paper series.



The new rules of e-commerce

COVID-19's impact has placed enormous pressure on e-tailers to upgrade their services to meet a minimum expected standard. Things like free shipping and returns (93% of Prosumers expect this), fast delivery (91%), and easily accessed customer ratings (93%) have become part of the new normal and a basic cost of entry. Seamlessness of ordering is another expectation, with some brands taking this to a new level. KFC, for example, knowing how valuable gaming time is to gamers, pioneered a cheat code for ordering in game and getting fried chicken delivered to your door—Shift + K + F + C.

To make a difference beyond this minimum expectation, we see clear 'nice-to-haves' emerging, including loyalty discounts for ordering on your website (87% of Prosumers consider them important), Amazon-style recommendations based on past purchases (77%), and offering a variety of payment options (43%)—for example, the 'buy now, pay later' market is expected to grow 181% by 2024, according to the **2021 Global Payments Report** by Worldpay from FIS. Where innovative brands can really make a difference to the e-commerce experience, beyond convenience and flexibility, is inspiration and experience. Nearly half of Prosumers (47%) would like to be able to create "inspiration boards on-site." H&M's #monkistyle is built around inspiration coming from their community and influencers who actually wear the products. In terms of experience, mimicking the in-store world by making the online experience as fun and enjoyable is important to 33% of Prosumers. This was in fact the goal for brands at the outset of e-commerce. However, new standards set by **Amazon and Alibaba**, that were completely structured around seamlessness and minimum clicks to transactions, erased the idea of bringing the in-store world online—until now.

35%
of Prosumers want to be provided with information that helps them shop mindfully

Brands can also make a difference by helping consumers make a difference: 35% of Prosumers want to be provided with information that helps them shop mindfully (e.g., product sourcing, environmental impact). Everlane, for example, really leaned into this with their commitment to building a 'radically transparent' brand.

Purpose beyond clicks

E-commerce has been around for a long time and expectations of what it should be have evolved, with consumers now expecting more than transactional efficiency; it's now about customer empowerment to do what is right for society. Just over seven in 10 Prosumers (71%) "expect tech companies like Alibaba and Amazon to inform and empower shoppers "to make the right choices," while 58% expect them to ban products and services that have a negative impact on society.

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Purpose expectations can be categorized in three ways: the planet, the people and the product. To help make the planet a better place, there is an expectation on e-commerce to become sustainable from beginning to end, with over eight in 10 Prosumers (83%) wanting more eco-friendly packaging, while around half (51%) expect delivery services to be as green as possible. There is also a demand for shipping to be done in a more sustainable fashion, such as local deliveries, delivery by bike, etc.

Conditions for employees have come to the fore in recent years, with over half of Prosumers expecting brands to look after their people and for the person who delivers their good to be paid well. In terms of product, re-commerce is emerging as the future of e-commerce: 33% of Prosumers want platforms that focus on secondhand products, reflected in the projection that the global secondhand market is expected to grow by 15 to 20% over the next five years, according to **Boston Consulting Group** x Vestiaire Collective.

Operating on the right side of data privacy

At some point, there will be a trial between brands who have used data carefully and responsibly, and those who have abused it. Privacy is really gaining momentum and is a top priority for 94% of Prosumers, not only for themselves but for their children. Almost nine in 10 Prosumers indicated they are "vigilant with their children so they avoid sharing their data on the internet".

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of Prosumers are prepared to boycott brands that are overly intrusive with their data

This could evolve into making data education a mandatory lesson in schools.

Concerns about data usage are becoming so prevalent that 76% of Prosumers are prepared to boycott brands that are overly intrusive with their data, something that could be very detrimental to brands, which have behaved in the wrong way. **Apple** have tried to get ahead of this by rolling out major new privacy protections for iPhones and iPads earlier this year.

However, there is a trade-off when it comes to data privacy. Prosumers are willing to share their data with brands provided they get something in return, such as better customer service (45% agreed) or financial compensation (53%). Aetna have leaned into this via its personalized well-being program '**Attain by Aetna**', which could end up paying for your Apple Watch.

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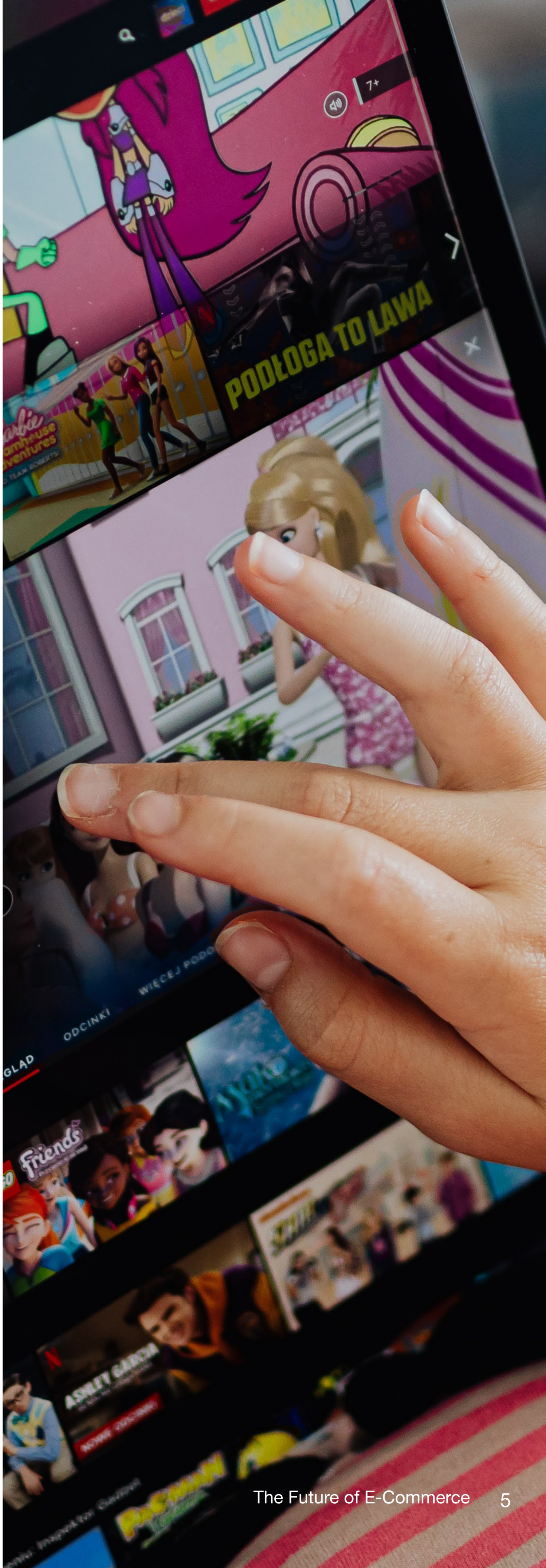

From a place to buy to a place to socialize

While e-commerce has exploded because of its convenience, the experience is starting to feel somewhat cold. Making e-commerce more human by increasing opportunities for interaction should be a focus for brands moving forward. Platforms need to move from a place where we only buy things to a place where we socialize, and there are two main ways in which this can happen.

Firstly, the e-commerce experience itself needs to become more sociable and human. Half of Prosumers (51%) think "brands could make the e-commerce experience more fun by enabling people to shop together," while 52% think "the future of e-commerce will be platforms that allow shoppers to interact with one another." The key will be mimicking the shopping sprees we can do in-store with friends and family by enabling people to give advice directly on the platform.

Almost six in 10 Prosumers (57%) agreed that being able to shop directly on social media will make the experience more fun

The second way is the advancement of e-commerce directly on social media. Almost six in 10 Prosumers (57%) agreed that "being able to shop directly on social media will make the experience more fun." China leads the way here, with social commerce sales projected to reach $363 billion by the end of 2021. However, if e-commerce is truly to become social commerce, influencers will need to rebuild trust. Although 60% of Prosumers enjoy discovering and buying new products recommended by the influencers they follow, nearly three in four feel influencers on social media have become "sales machines." Most Prosumers (84%) "want influencers to be held responsible for the products/services they recommend," such as providing guarantees or as much information as the traditional experience would.

Live shopping has a promising future, with 10% of e-commerce sales in China being made via live video. **Walmart** is also a big advocate of this, having partnered with TikTok in December on the first livestreamed shopping experience in the U.S. on the video platform. Three-quarters of Prosumers think live shopping sessions are a good way to make the e-commerce experience more fun and entertaining, but, again, much will depend on a trustworthy relationship with influencers and their recommendations.

The future

Ultimately, the battle for e-commerce supremacy will come down to a showdown between the Empires and the Rebels. Empires are those goliath platforms where you can access everything quickly—think Amazon and Alibaba—and 70% of Prosumers see this as the future of e-commerce. Their success is built on value, convenience and the fact that you can find almost anything you need. Via harnessing personalization, they can tailor to your needs and desires through AI before you even express them, something 61% of Prosumers say they expect.

The Rebels, on the other hand, offer an alternative view of the category. They are smaller and have become more specialist, allowing them to survive and potentially thrive. Glossier founder Emily Weiss, for example, believes that while mass e-commerce platforms simplified buying, they killed shopping in the process. Rebels stand for the pleasure and beauty of the shopping experience. Almost half (48%) of Prosumers feel that the future of ecommerce will be websites that promote local producers, while 33% see it as platforms that focus on secondhand products.

There is a strong divide between the model of the Empires versus the Rebels, who propose an alternative vison for the future of e-commerce. So the concluding question is, which one are you?

UNDENIABLE PASSION. FEARLESS AMBITION. INCREDIBLE IDEAS.

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