

Ecommerce Leaders' Opinions on Growth Strategies for 2023



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Meet The Experts

IMRG

"We are thrilled to present you with our 'Ecommerce Leaders' Opinions On Growth Strategies For 2023' report, supported by Glocal, Scurri, and Increff. This research provides a comprehensive look at the mindset and ambitions of 95 ecommerce leaders from top UK brands to help reveal the areas where growth efforts are most concentrated or subdued for 2023. In turn, you will gain invaluable insight on where to focus your strategy."

About IMRG:

We help our members understand and improve their online retail performance through a busy programme of performance benchmarking, data analysis, insight, best practice-sharing, and events. We have been tracking online sales since 2000 – and now measure over 120 individual metrics in a series of indexes, providing in-depth intelligence on online and mobile sales, delivery trends, marketing ROI, and channel performance.



Andy Mulcahy, Strategy & Insight Director at **IMRG**



Ellie-Rose Davies, Content Executive at **IMRG**

Glocal

Glocal simplifies global expansion for retailers and global brands. The company's end-to-end SaaS platform offers merchants a modular approach to expand into new international markets or scale growth in existing ones. Glocal enables e-commerce stores to consistently achieve 3X growth in international sales through its proprietary AI-driven international marketing, conversion optimization, duty and tax and logistics modules. The company helps global brands navigate the complexities of international expansion while enabling them to deliver exceptional customer experiences through its native omnichannel capabilities.



Sarmad Faraz, VP of Marketing at **Glocal**

Scurri

Scurri is customisable next generation delivery management software that puts you back in control of your business by cutting costs, coordinating carriers, scaling your capabilities, and enhancing your offer. Scurri technology now manages in excess of 150 million parcel deliveries annually for online retailers including Vision Direct, Bulk Powders, and Gousto. Scurri offers 97% UK carrier coverage and 1,000+ services through integrations with delivery partners such as UPS, Royal Mail, An Post, DHL, TNT, DPD, Yodel, Evri, HIVED, Amazon Shipping, and many more.



Gavin Murphy, CMO at **Scurri**

Methodology

After a turbulent 2022 for most retailers, IMRG surveyed 95 ecommerce leaders in the UK to understand their growth strategies for 2023. Among the survey respondents were 14 C-Suite, 40 Directors, 36 Heads of Department, and 5 Founders from a wide range of household-named brands.

Those surveyed were from a variety of product categories, predominately clothing, home & garden (H&G), and health & beauty, but also including gifts, multi-department, and electricals categories, and 12 were from other product areas.

Please note: Some charts present the findings in percentages, and others present the findings through the number of retailers or scores. In the event that the answers total more than 100% or 95 retailers, the respondents were asked to 'select all options that apply.'

This survey was conducted in March 2023.

Introduction

In the fast-paced, ever-changing complexity of operating a retail store online, and with the ongoing cost-of-living crisis saturating the scene, it has become integral for retailers to navigate setbacks by taking an opportunistic approach to growth.

The 95 retailers surveyed in this report have laid out their expectations, considered the various activities that they believe will bring growth to their business, including their technology investments and sustainability efforts, and reflected upon their greatest concerns for 2023.

The UK has experienced a prolonged period of inflation, which has, for the most part, made growth for all product sectors difficult, as seen by many tracking online retail growth on IMRG's Digital Dashboard. However, all is not lost when processes become finely tuned to reflect and cater to changes in customer behaviour, such as thinking of ways to inspire loyalty around intensifying competition.

Read on to learn about growth trends and perceptions for 2023.

Online Retail Growth Predictions For 2023

IMRG's Online Retail Growth Forecast

Each year, IMRG investigates historic and current trends in the market, looking at both internal and external data, to create a total market and product sector online revenue forecast.

Considering the rising cost of living in the UK, devastating wars, strikes, and the reduced impact of COVID-19, IMRG expect Year-on-Year (YoY) total market growth, meaning how revenue performance this year will compare to last year, of -3% in 2023. In the best case, we predict the market will achieve -1%, and in the worst case -7% YoY.

For the clothing sector, we expect 0% YoY growth as the IMRG Sales Index has reported consistent weekly declines in this category since Q4 2022. For both home & garden and electricals, we expect a -5% YoY decline in revenue; both have seen sharp YoY declines against the negative growth recorded in 2022. Health & beauty, a turbulent category which experiences highs, but many lows, is anticipated to achieve -4%, and gifts, mostly falling below total market averages, is expected a YoY result of -7%.

IMRG's Year-on-Year Forecast, 2023



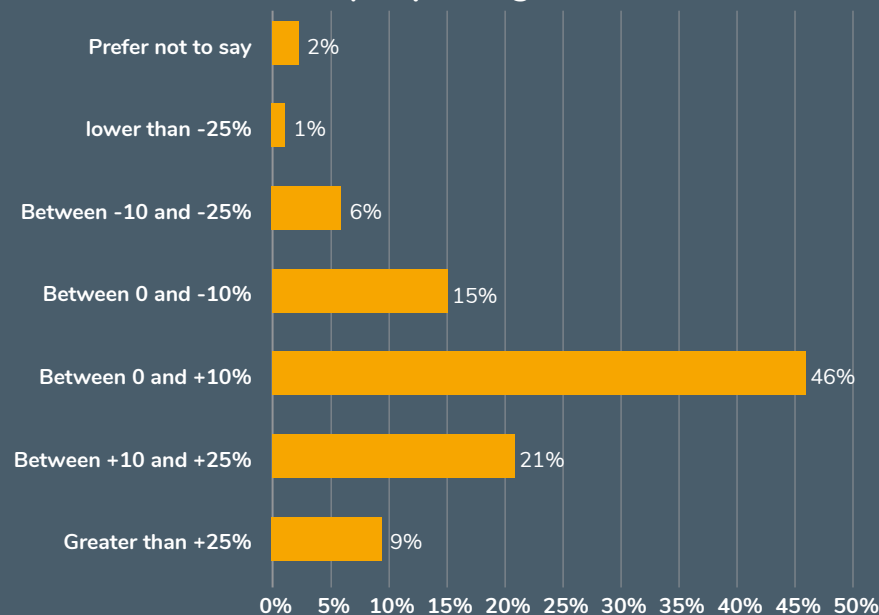
Retailers Anticipate Year-on-Year Growth For 2023

In starting our project concerning online retail growth, it only made sense to begin our survey by asking the 95 ecommerce leaders what level of Year-on-Year (YoY) growth their company is currently expecting for 2023.

A significant 22% of respondents shared that they predict negative YoY growth for 2023. Of those, there was a fairly even split between home & garden (H&G) (27% of H&G respondents) and clothing (19%) retailers. Yet, despite IMRG's Sales Index, which is representative of £26bn in UK online spend, that has reported periods of negative YoY growth for all of the retail categories surveyed, the majority of respondents demonstrate good faith as they predict single-digit growth for their company in 2023. Of this selection, the most confident are multi-dept (67% of multi-dept respondents) and gift leaders (57%).

The second most popular level of growth is between +10% and +25%, representing 21% of the respondents. This answer was most favoured by electrical retailers (67% choosing this option), and noticeably, every respondent in this category predicts positive YoY growth for 2023.

What level of Year-on-Year growth is your company currently expecting for 2023?



Category-specific forecasts for Year-on-Year (YoY) revenue growth in 2023

	Clothing	Gifts	Home & Garden	Other	Multi	Electricals	Health & Beauty
Greater than +25%	8%	14%	9%	8%	0%	0%	0%
Between +10 and +25%	23%	14%	14%	17%	0%	67%	40%
Between 0 and +10%	50%	57%	45%	42%	67%	33%	50%
Between 0 and -10%	15%	14%	18%	8%	17%	0%	10%
Between -10 and -25%	4%	0%	9%	17%	0%	0%	0%
Lower than -25%	0%	0%	5%	0%	0%	0%	0%
Prefer not to say	0%	0%	0%	8%	17%	0%	0%

Global comments (Rest of the world):

As retailers continue to experience the headwinds of inflation and a post-pandemic world, high-end luxury retailers continue to post stellar results on the back of strong demand, especially from the 1% of wealthiest customers.

The lion's share of this demand is coming from Japan followed by Europe and Asia (excluding Japan). After seeing a 20% YoY growth for two consecutive years, the US market has seen a slowdown in luxury demand.

Most companies operating in the luxury vertical expect strong double-digit growth for the rest of the year.

Scurri comments:

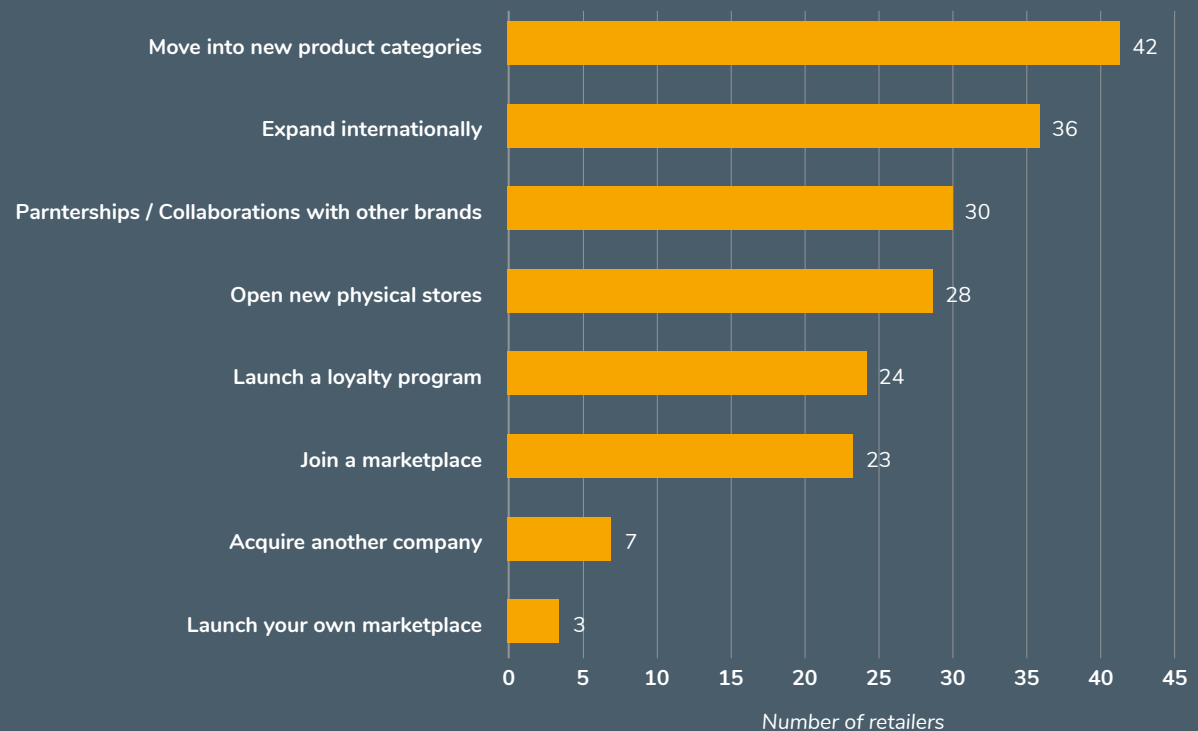
As inflation starts to recede in the second half of the year, retailers are becoming more bullish on overall 2023 growth, but with the majority still seeing sub-10%.

Great Expectations: The Strategies Expected To Inspire Growth This Year

We surveyed the ecommerce leaders on what activities they expect will generate growth for their business, and moving into new product categories was the most popular answer, chosen by 42 retailers. This was mostly driven by home & garden (H&G) retailers (55% of all H&G respondents), who made up 12 of the respondents. 10 clothing retailers see new product categories as a growth opportunity, but they represent only 38% of all clothing retailers, while half of the health & beauty retailers surveyed view this strategy as influential.

36 retailers think that international expansion will inspire growth in 2023, particularly dominated by 57% of all gifts, 42% of clothing, and 40% of health & beauty retailers surveyed. Unsurprisingly, fewer home & garden retailers (23%) believe international expansion will have a positive impact given that the items they sell are more difficult to ship and store, such as furniture.

What activities do you see generating growth for your business in 2023?



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Partnerships and collaborations with other brands is the third most popular choice, ticked by 30 retailers. Comparatively, only seven retailers see acquiring another company as valuable, and the launch of their own marketplace is the least anticipated activity to generate growth in 2023, with only three respondents seeing this as a catalyst.

In the 'other' thread, retailers exclaimed optimising channel performance, focussing on affiliate and social, will prompt growth.

Scurri comments:

Despite Brexit implications retailers are now looking again to international markets to fuel revenue growth. A key success factor here is connectivity to last mile delivery partners in each local market with a suitable range of carrier services combined with customs documentation.

Glopal comments:

The survey results, unsurprisingly, show that the majority of brands are setting their sights on international expansion as a key strategy for growth. International expansion offers retailers an array of advantages, most notably, the opportunity to tap into new markets, thus creating additional revenue streams.

In domestic markets, it's typical for merchants to reach a point of saturation, where consumer demand plateaus due to increased competition. This market saturation signals a peak in product volume and often leads to a stagnation of growth, accompanied by a significant increase in acquisition costs.

By venturing into international markets, merchants can explore new growth possibilities, often characterised by reduced competition and lower acquisition costs. In today's global economy, the cost of refraining from international expansion is considerable for merchants.

Given that global ecommerce sales are experiencing a remarkable compound annual growth rate (CAGR) of 26.2%—twice that of domestic ecommerce—it's crucial for retailers to prioritise an international direct-to-consumer (D2C) approach to fully capitalise on this expansive growth.

Great Concerns: The Areas Retailers Are Concerned About In 2023

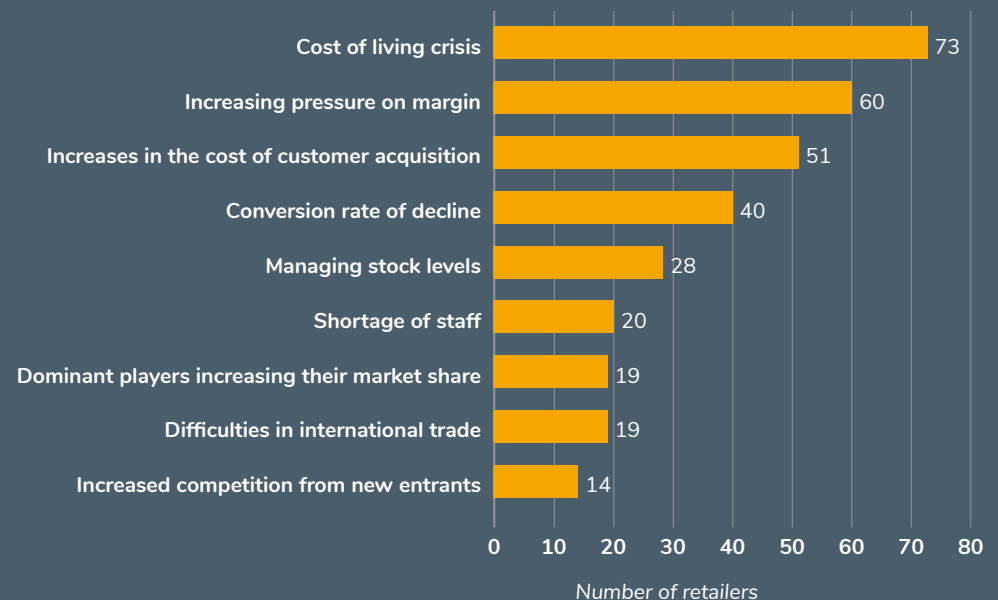
While most retailers have shown good sentiment towards growth opportunities in 2023, the effects of the cost of living crisis, which was strongly felt in the UK throughout 2022, is still a high concern for retailers. 73 out of the 95 retailers surveyed marked it as one of the biggest areas for concern in 2023 for their business.

It is therefore not coincidental that one of the consequences of the crisis, increased pressure on margin, ranked the second highest concern, chosen by 60 retailers. If retailers decide to hand down their costs to their customers, inspiring purchases and loyalty might prove difficult, and increases in the cost of acquisition perpetuate the issue further, markedly a concern for 51 retailers.

Surprisingly, less than half of the respondents pointed to conversion rate declines as a big area for concern in 2023. The IMRG's Sales Index has reported slow declines in this metric since 2022. While many retailers are expecting international expansion to bring growth to their company in 2023, 19 respondents describe difficulties in international trade as one of their big concerns this year.

Fewer retailers are concerned about increased competition from new entrants, suggesting heightened morale. Nonetheless, the data reveals that managing stock levels and staff shortages has reduced confidence in many ecommerce leaders.

What do you think are the biggest areas for concern in 2023 for your business?



Scurri comments:

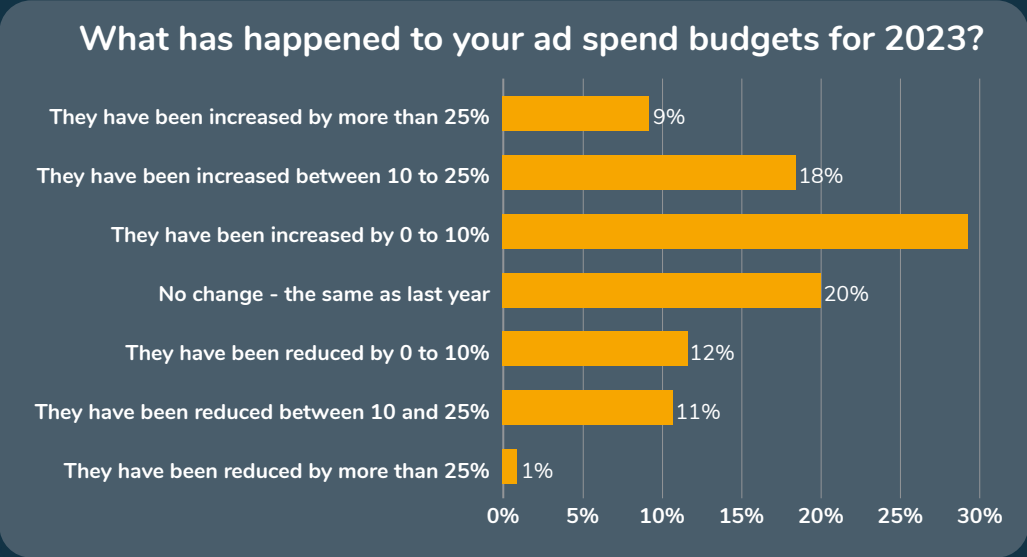
Offering the right delivery options to consumers at checkout can directly impact conversion rate, and using powerful delivery management software can optimise this process for retailers.

The Changes In Advertisement Spending Budgets

We have uncovered that increases in expenditure is a pressing concern for online retailers in 2023, yet only 24% of leaders surveyed said their ad spend budgets for 2023 have reduced. Over half (56%) shared that they have increased their budgets, and by 0 to +10% is the most popular answer.

There is almost an equal divide between those who have chosen to increase their ad spend budgets between +10 to +25% and those who have chosen to keep their budget the same (18% for the former and 20% for the latter).

Of those who have planned to tighten their purses this year and look for alternative methods to inspire customer acquisition, most have reduced their budgets by 0 to 10% and 10 to 25%. Only one clothing retailer has reduced their budgets by more than 25%.



The number and types of retailers reporting a budget increase of more than 25%:

2x

- Gifts
- Clothing
- Other

1x

- Sports & Outdoors
- Home & Garden

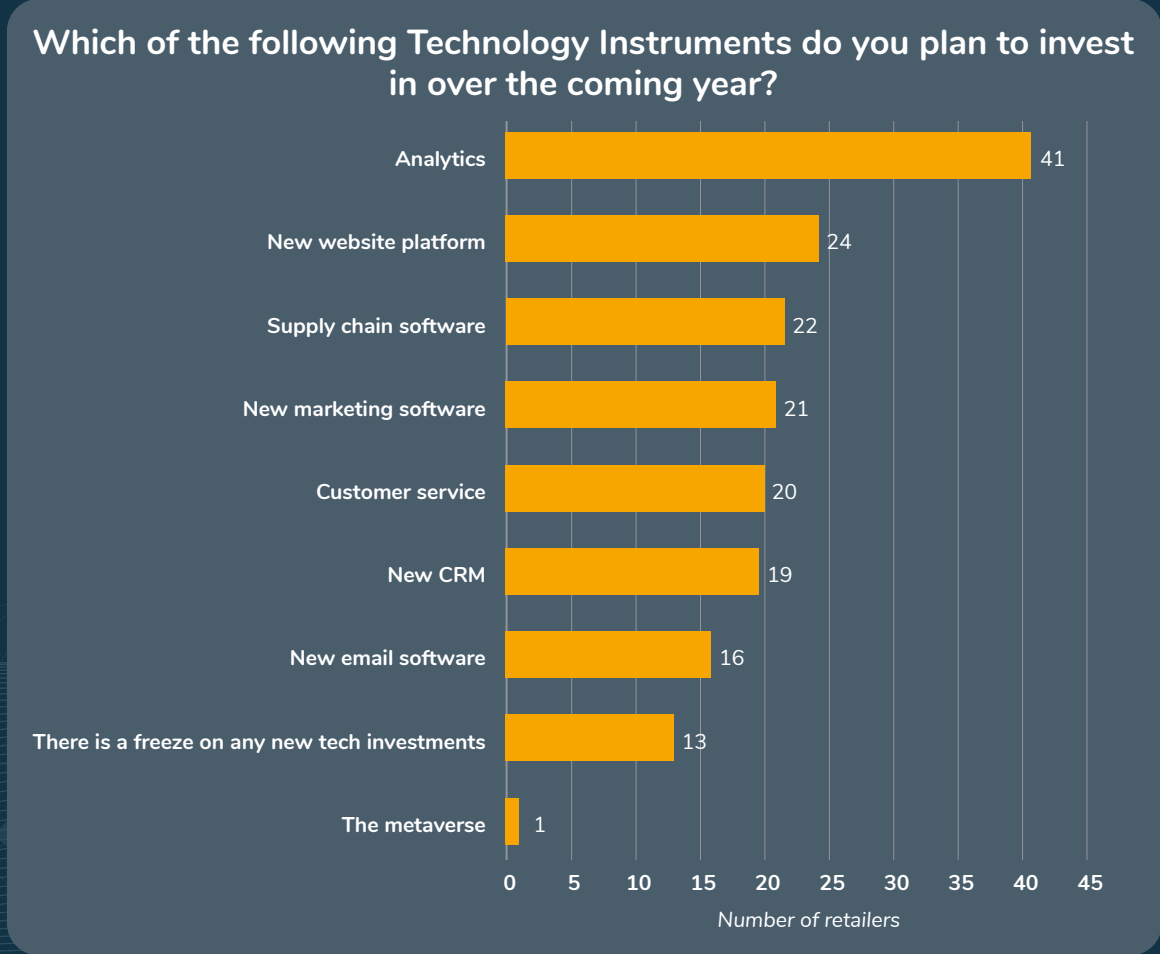
Analytics, The Top Technology Investment This Year

Most retailers in our survey are investing in technology this year. Only 13 have put a freeze on this, suggesting that leaders are welcoming to the never-ending landscape of new and advanced technologies.

Six out of the eight technologies presented to the retailers have a similar amount of investment against them, from 16 at the lower and 24 at the higher end. This concentrated pattern demonstrates that priorities are largely dispersed among retailers, which likely owes to them being at different cycle stages with their individual existing technology stacks.

Analytics is a stand-out winner, chosen by 41 retailers. A generous amount of ecommerce leaders this year have witnessed the effects of changes in consumer behaviour throughout the cost of living crisis. By analysing data, retailers can better understand these changes and determine what strategies are effective for growth during challenging periods.

In contrast to analytics, just one retailer plans to invest in the metaverse over the coming year. There doesn't appear to be much investment appetite as the use-case for the metaverse in retail contexts appears yet to be proven.



Activities To Hit Online Retail Growth Targets

We asked the ecommerce leaders to rank a wide selection of activities in order of importance to reveal what they expect will enable them to hit their growth targets this year. The respondents awarded 9 points to the activity they ranked as the most important, 8 points to the second activity, 7 points to the third activity, and so on.

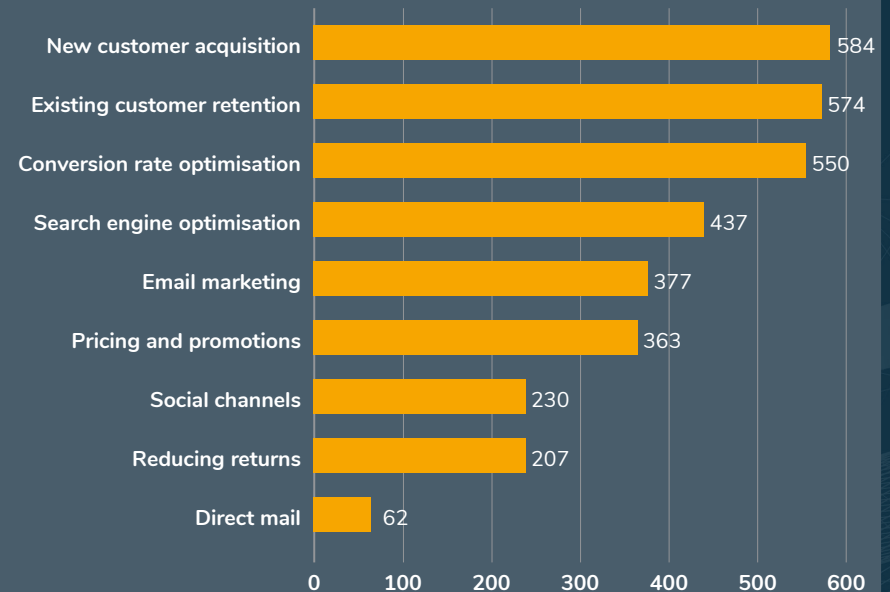
As you can see in the chart, the results are highly customer-centric, with 'new customer acquisition', 'existing customer retention', and 'conversion rate optimisation' ranked as the top three most important activities. 'New customer acquisition' is a likely leader, receiving 584 points out of the possible 846 available, given that respondents marked the cost of living crisis, which has made acquisition more difficult, as their biggest concern for 2023.

In inflationary times, customers' loyalty to brands often decreases, and they are inclined to seek more affordable alternatives to their discretionary and necessary purchases. Therefore, beyond enticing potential new customers, retailers have revealed that existing customer retention is of (almost) equal importance to them, scoring 574.

Both conversion rate optimisation and search engine optimisation are rated highly by retailers. Conversion rate declines are a key prohibitor of growth, so finding ways to optimise the customer funnel, from the 'view a product page' to 'complete checkout', is beneficial. Optimising the search engine is a good starting point, as this can ensure higher conversions from hyper-relevant products in every search.

Few retailers will rely on direct mail to achieve their growth targets in 2023, suggesting that the digital space takes pre-eminence in attracting new customers.

Rank the following activities in order of importance for your business to achieve its growth targets in 2023



Scurri comments:

It is no surprise that retailers are looking to invest in analytics as they seek to get to know their customers' behaviour better. Proactive retailers are now looking at the whole customer journey, including customer delivery experience (CdX), to take more control and gain valuable insights with post purchase experience software.

Why Retailers Are Prioritising Some Activities Over Others

We asked our respondents an open-ended question to gain qualitative data on the reasons behind their favourite activities. The question read, 'Please give some detail about your answer to the previous question that was ranked most important - Why is your business leading with that particular approach?'

A retailer that chose 'new customer acquisition' as the most important activity revealed, 'Once a customer has bought with us, they're likely to stay. We just need more customers coming in at the top.' Another, who then marked retention as the second most important, shared, 'new customers, together with strong retention = a loyal base for profitability and stable future investment decisions.'

One retailer explained why they ranked retention higher than acquisition; 'New customer acquisition is still important but costs on Meta have meant that we've had to be very careful about scaling campaigns.' On the topic of monetary concerns, a retailer that ranked pricing and promotions the most important did so because, in their words, 'the cost of living crisis means we need to manage this very closely to retain customers.'

While social channels are the third to last popular choice, with one retailer exclaiming that it is 'Better to optimise existing strategies and solutions first rather than just adding new functionality and channels', some retailers are using this activity alongside acquisition to generate growth in 2023. A retailer explained the value of 'influencers across Instagram' and described TikTok as a 'key channel when it comes to how our customers educate themselves and decide what to buy.'

Here's more of what retailers had to say:

"With our increase in ad spend and more top of the funnel traffic arriving on site we want to ensure we are capitalising on this traffic by ensuring our user experience is as strong as possible."

"The cost of media inflation is highlighting the opportunity that we have to drive customers via a free/earned channel pathway through retention activities to reduce reliance on costly acquisition methods."

"SEO is an area we have not worked particularly hard on and is an opportunity. It's also a customer acquisition play."

"Growing customers on an international level is an additional natural hedge to a challenging macro environment in the UK."

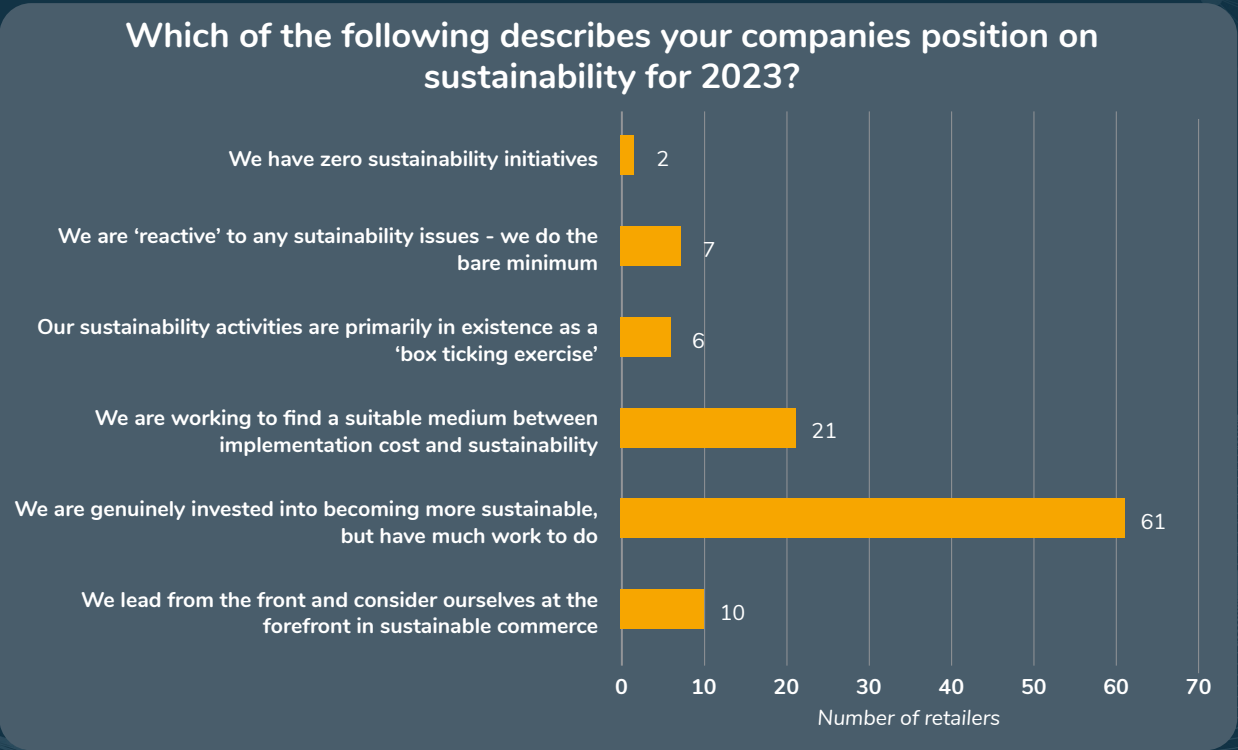
"If we can get conversion rate to work 5-10% harder this will have the greatest compounding results on top line revenue growth."

"We believe in tapping into our current customers through loyalty and personalisation, and retaining recently acquired customers into other/new product categories or seasonal purchases."

Retailers' Stance On Sustainability In 2023

Sustainability is considered by most retailers surveyed, with only two out of 95 not planning any initiatives for 2023. 13 respondents stated that they only do the minimum or view it as a mere box-ticking exercise; this is a higher number than those who consider themselves at the forefront of sustainable ecommerce (10 retailers), suggesting that there is room for improvement.

61 retailers are genuinely invested in becoming sustainable, and they are aware that they have much work to do to get there. A considerable number of retailers (21) are working to find a suitable medium between implementation cost and sustainability, which reveals that these retailers are considering the workability of their sustainable efforts.



Scurri comments:
 Consumers want more sustainable delivery options as part of the overall delivery mix. They are willing to pay a slightly higher delivery price and wait slightly longer if the delivery is more sustainable - but there are limits. With more sustainable delivery partners now available, retailers should look to add a sustainable delivery option.

Glopal comments:
 As consumers become more conscious of their environmental impact, retailers should consider incorporating sustainability into their business model. This could include eco-friendly packaging, carbon offset shipping, or sourcing products ethically.

A Reflection On Trading So Far And Strategies For 2023

We asked the leaders for their opinions on strategies and trading in 2023 and discovered the widespread feelings of pressure to achieve growth this year. Many retailers emphasised the importance of profitability, sustainable ROI, and enhancing the customer experience to inspire loyalty.

The cost of living crisis is one of the pain points that seems to have rattled many ecommerce leaders. One of the respondents who reflected on this alongside post-Brexit international trading difficulties closed their statement with, 'Will it be the bold who survive or the cautious?'

A retailer has decided to test any innovative ideas with smaller budgets first to protect profits, with another reinforcing the need for 'tight cost control' and 'being strategic for where large investments go.' One retailer failed to experience the growth they desired after hefty money investments. Therefore, they have decided to scale back their targets this year, 'becoming laser-focussed on getting to a breakeven, profitable position.' They intend to 'harness the power' of loyal customers to boost profits.

'It is going to be a challenging year', says a retailer, and their words, 'We believe we have to improve on all levels; trading, on-site experience, convenience, marketing, and range', rings true for many.



Industry Experts Provide Their Conclusions On Growth Strategies For 2023:

Global conclusions:

1. *Invest in International Expansion.* Research promising markets where there is demand for their products and services, but less competition, and plan a strategic entry.
2. *Adopt a Direct-to-Consumer (D2C) Approach.* This model can improve profit margins, offer a better understanding of customer behaviour, and provide a more personalised customer experience.
3. *Leverage Data and Analytics.* With an international customer base, it's critical to understand the varying preferences, behaviours, and needs of different customer segments. With data analytics tools, retailers can tailor offerings to each market.
4. *Prioritise Mobile Commerce.* With the increasing usage of smartphones worldwide, optimising for mobile commerce is no longer optional. Ensure that your website is mobile-friendly and consider developing an app to provide a seamless shopping experience.
5. *Focus on Localised Customer Experience.* Each market has its unique characteristics, language, culture, and consumer preferences. Localising can enhance the customer experience and increase customer loyalty.

Scurri conclusions:

Three key areas for retailers to focus on to drive growth in 2023:

1. *Look to international markets for growth but ensure you have a compelling delivery proposition for each market.*
2. *Support conversion rate by enhancing the delivery options offered at checkout including a sustainable choice.*
3. *Take control of the customer delivery experience (CdX) with post purchase experience software to drive repeat revenue.*



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