

2023 ecommerce trends and predictions

How the economic downturn is shaping **customer loyalty**, **user-generated content**, **visual AI** and **more**



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Introduction

As ecommerce experiences continue to develop in response to consumer behavior, 2023 will push brands to further innovate and create more relevant and fun onsite experiences for shoppers.

With the additional challenge of continuous economic downturn this year, one of the primary motivators for brands is the need to maximize profitable conversions. So what sorts of things in the realm of personalization and UGC do we foresee retailers employing more and more to stay ahead of the game?

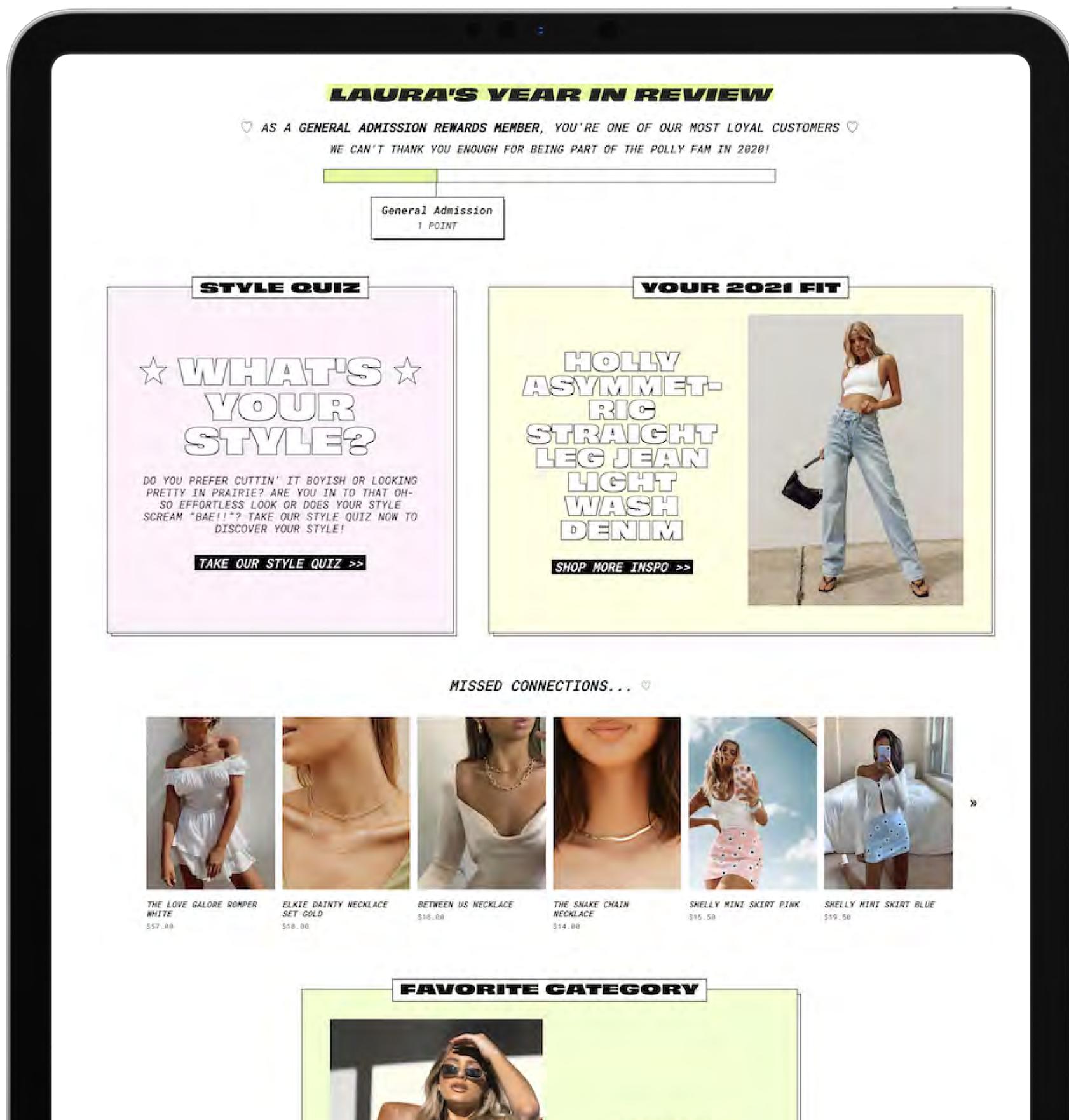
Here are a few of the major trends we can expect to accelerate:

Investing in experiences that support loyalty, retention, and VIP programs

As the economic slump peaks globally and customer acquisition becomes more and more costly, we're starting to notice that retailers are prioritizing their efforts on increasing customer loyalty, retention, and repeat purchases. When it comes to personalization, using artificial intelligence (AI) and machine learning to segment shoppers based on predicted customer lifetime value means retailers can build

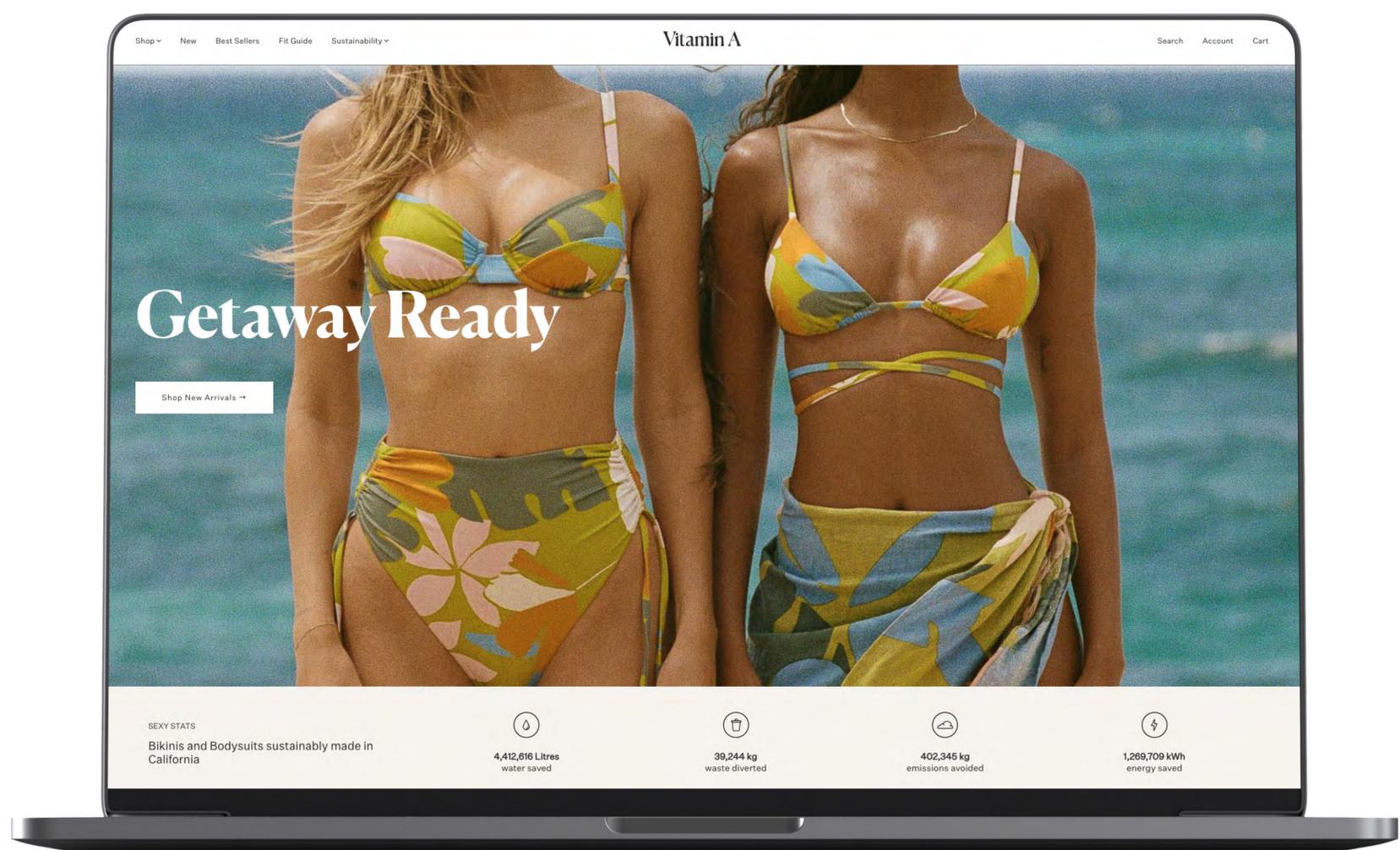
dedicated experiences for their most valuable and loyal customers

We're seeing these custom experiences being delivered through 'VIP' or 'Insider' programs, where retailers' most loyal customers are automatically recognized and shown dedicated content such as early access to sales, exclusive launches, and limited product runs.



Aligning with shoppers' values

On top of fostering loyalty, this year it'll be important that retailers are able to identify and align with customers' values. These remain a critical factor in purchase decisions, especially as shoppers have even easier access to brands and begin to increasingly compare offerings from different merchants before hitting buy. Showing you align with their values might just tip them towards buying from you vs. your competitor.



That's why brands are becoming better at using behavioral data to identify when shoppers have an affinity to specific social causes—whether that's shopping sustainably, buying organic, or supporting certain charities.

From there, brands can automatically show them relevant products or content, or they can have shoppers self-select their values from socially-conscious filters to customize their experience.

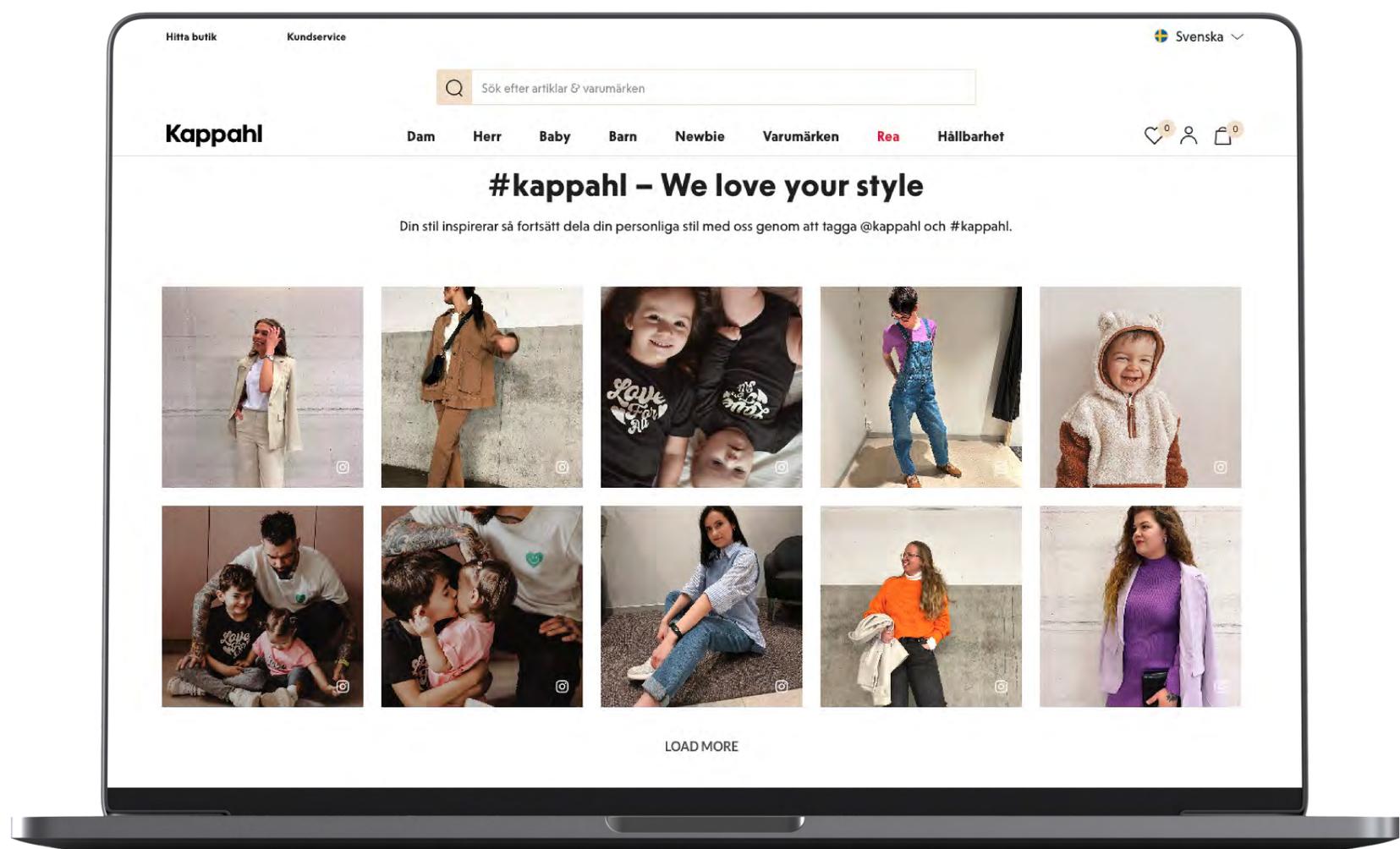
We're also seeing retail brands offer lists of causes that allow shoppers to choose the ones they want to support. Coupled with socially conscious badging, retailers now show shoppers how much difference their actions will make to a specific cause, like "how much will be donated?" or "how many trees will be planted if I buy this product?"

Using UGC to drive conversions and cost savings

In 2023, visual user-generated content (UGC) is also set to become more accessible and noticeable. It'll appear on more parts of the website and channels, and feature widely on homepages, personalized product recommendations, ads, social, and, of course, email campaigns.

One of the biggest factors that is driving up use of visual UGC is the potential savings it delivers in content production. The more retailers are able to use customer generated imagery, the less they need to spend on expensive professional photography. Instead, they simply tap into their network for brand ambassadors and work with them.

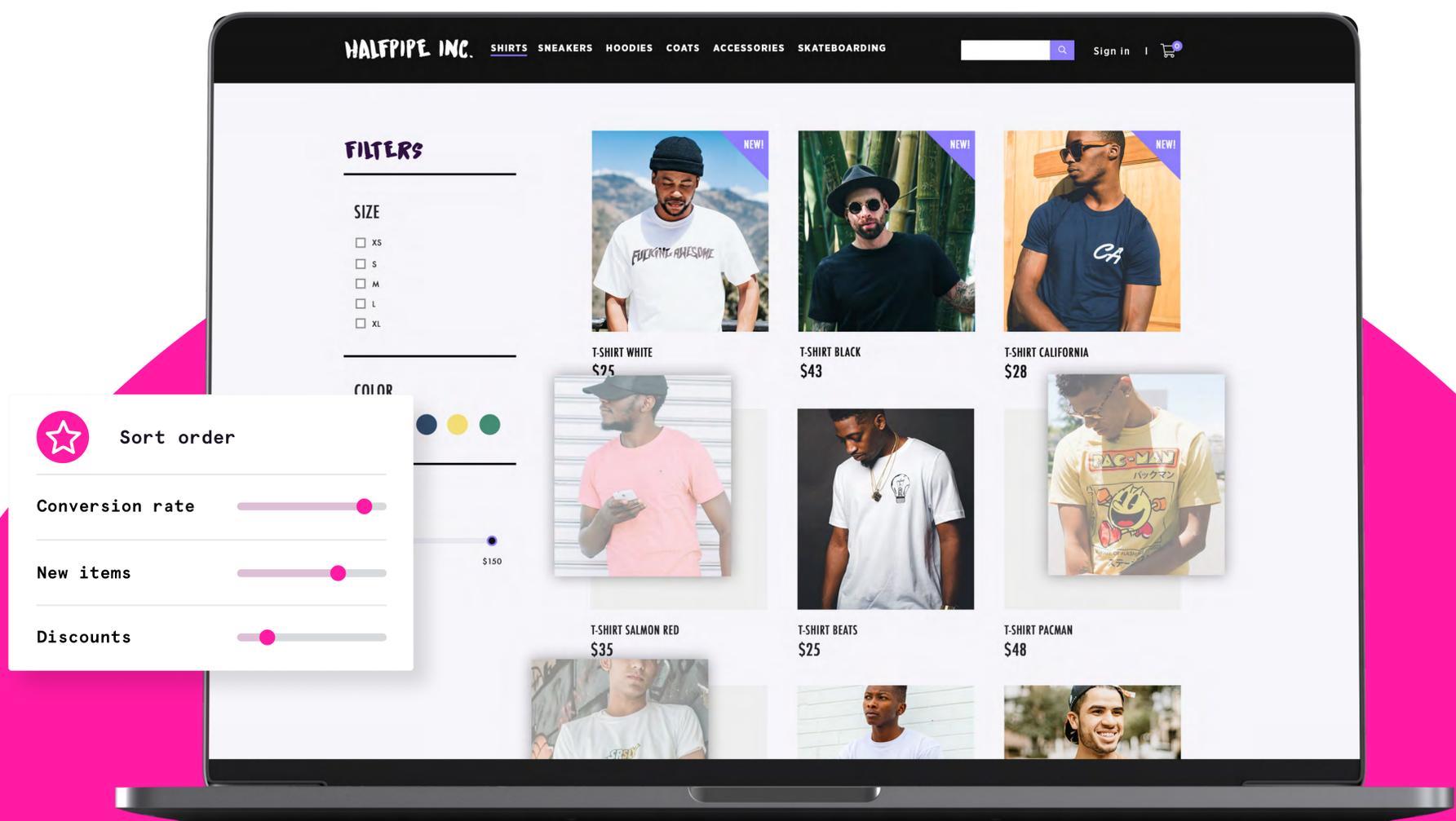
And not only does UGC increase conversion rates by giving potential consumers the reassurance and confidence to go through with purchases, but there's also evidence that return rates will decrease if customers can see how clothing fits "real" people rather than just models. Now more than ever, consumers want authenticity and are looking to their friends and peers for this—which means brands should be looking to their most loyal advocates.



Increased emphasis on dynamic ranking and merchandising

The pressure to maximize profitable conversions will encourage merchants to more closely track behavioral data around how products are performing. This data will affect how they adjust the ranking of products within search results and how visible they are to shoppers. Every product will need to fight for its

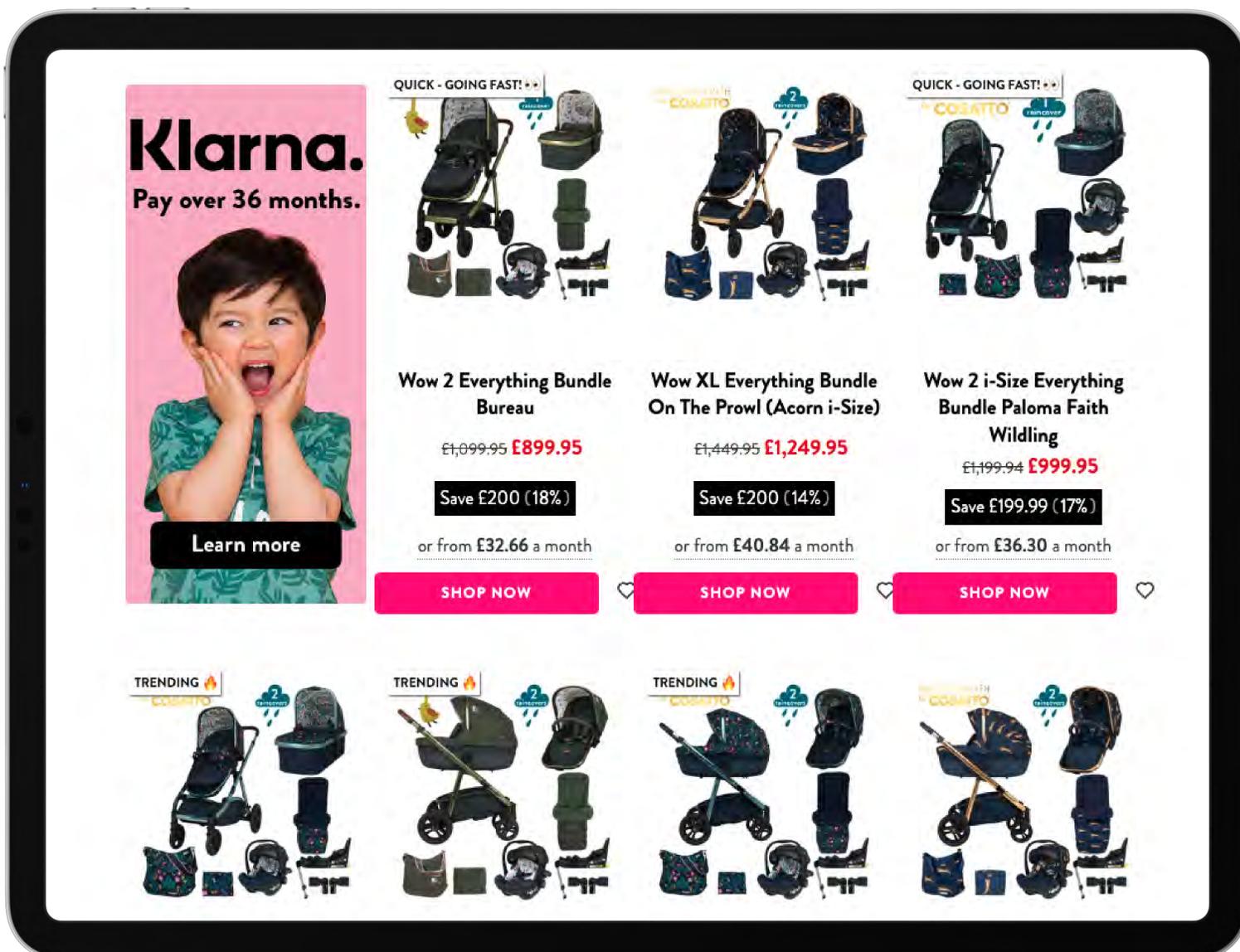
space, similar to the way in which online marketplaces operate. Any item that can't stand on its own will become less visible. But, by using personalization and segmentation, merchants can still ensure that less visible products are recommended to those that show a strong affinity, and are therefore more likely to convert on them.



More editorializing and branding on category pages

Most ecommerce marketing revolves around channeling traffic directly to category or landing pages. So, if visitors aren't tempted by anything they see there, they'll often leave without ever exploring the brand or product. Unfortunately, this means they'll probably miss out on any promotional messaging on the homepage or elsewhere.

In an effort to address this missed opportunity, ecommerce businesses are adding more individualized editorial and branding to category pages—a trend we expect to see more of this year. This markets the brand and helps give shoppers more information about sales, discounts, and wider inventory.



The goal is to maximize the potential of every visit, lower bounce rates, and encourage visitors to browse more thoroughly to drive more conversions.

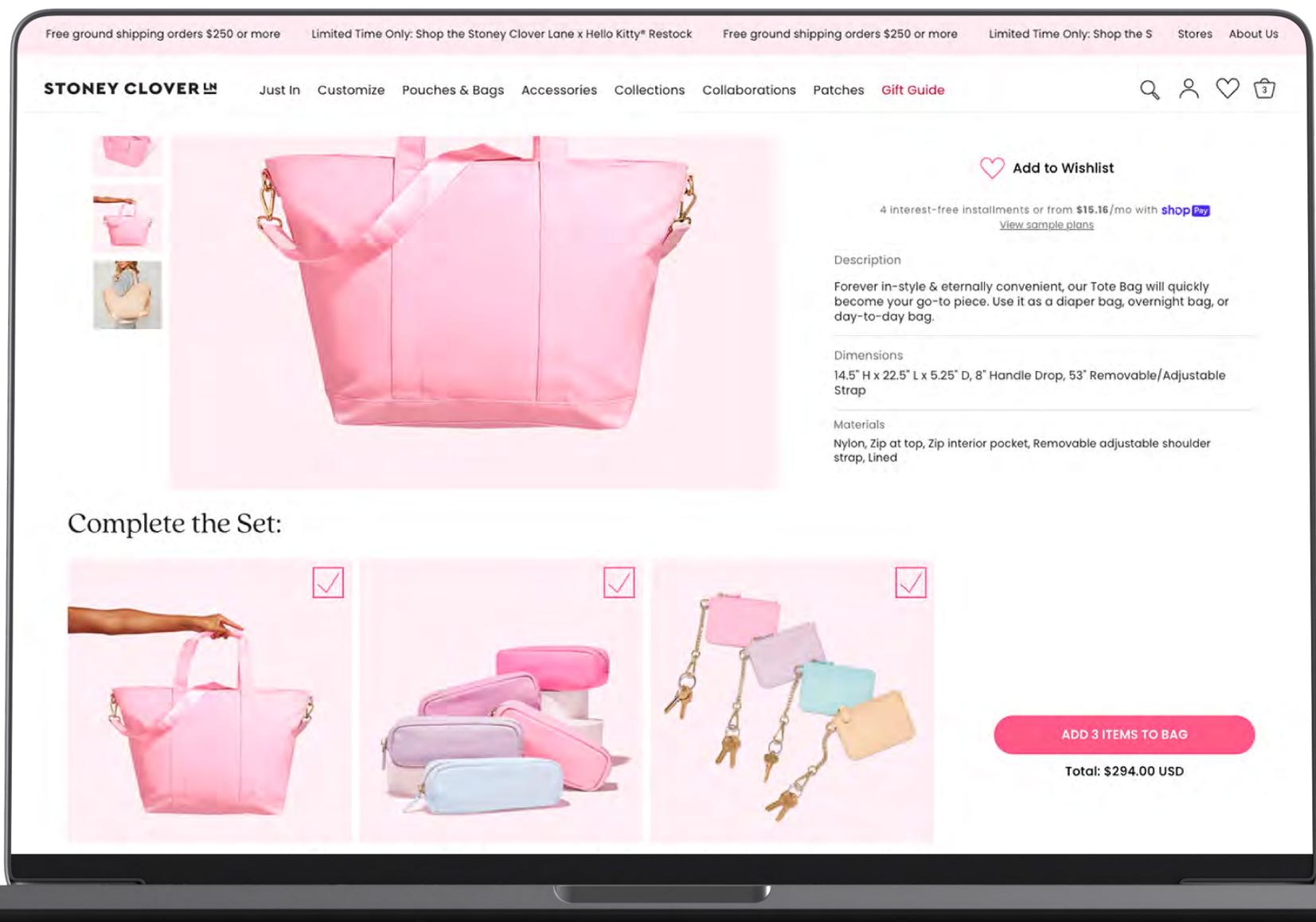
As a result, category pages will no longer consist of row upon row of products, but instead give a range of offerings that may catch a shoppers' interest.

Upselling through more advanced ‘Outfitting’ / ‘Shop-the-Look’

To increase average basket size, merchants are developing new ways to identify and showcase complementary and related products, especially in sectors such as fashion and home goods. The traditional ‘shop the look’ recommendations are based on behavioral signals such as: ‘most shoppers who purchased this winter coat, go on to buy this scarf or these boots’.

But they’re becoming more sophisticated. We’re seeing more retailers configure Shop-the-look (or ‘outfitting’, if you’re in fashion) use visual

AI technology, for instance, to analyze the images that shoppers are browsing—such as the outfits and accessories the models are wearing within these—to create bespoke collages of visually similar (or contrasting) complementary products. All the items shown are pulled on-the-fly from retailers’ in-stock inventory and filtered to match the size and fit of individual shoppers. This added layer to ‘Shop-the-look’ and ‘outfitting’ demonstrates retailers’ efforts towards maximizing profitable conversions in the new year.



Conclusion

Overall, marketing tactics are becoming more scientific and KPI driven. That is: it's vital to reduce waste and increase efficiency.

A/B testing will be used more widely for everything—not just across on-site campaigns like banners and messaging, but through off-site efforts like ad channels as well. Brand reputation and initiatives take priority as well, with sustainability and authenticity at the forefront.

At the same time, we see brands becoming less willing to test things out for long periods of time. Instead, non-performing elements are getting the boot. With efficiency at the top of everyone's minds, every marketing tactic and strategy will be under more pressure to prove value quicker.

The start of every new year has a lot of moving parts—from trends to forecasts to figuring out what's next for your brand—and it's also a new opportunity for innovation and collaboration. We hope these insights start you off on the right foot, and we're wishing you all the success in 2023!

Nosto works with over 2600 brands to launch new experiences in minutes. We can help you stay ahead of the game this new year to deliver authentic, relevant, and personalized experiences at every touchpoint. Let's tackle 2023 together.

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