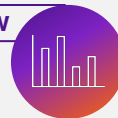


2022 E-Commerce Trends to Watch

The top trends that will impact your business in the year ahead.





About this report

To create this report, we observed the e-commerce landscape and analyzed industry data to share the top trends that will impact your business in 2022.

E-commerce has been an area of major growth over the past few years, as many businesses relied on online sales to survive through 2020 and 2021. And a growing number of consumers are adopting online shopping habits that will continue as the experience becomes more and more convenient. This shift has created new opportunities for a business to build connections with consumers and reach more people. It's a space that's quickly evolving, as new technology and services make online shopping easier for your businesses and your customers. Use the information on the following pages to help inform your strategy and decisions.

For more information about how FedEx can support your businesses efforts, visit our E-Commerce Centre at <https://www.fedex.ca/ecommerce>



Forces that are driving trends in 2022



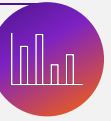
- **Online shopping growth:** Canadian e-commerce sales are estimated to increase by 10.4% in 2022, reaching \$79.80 billion CAD.
- **Convenience of digital services:** Not just stopgaps for COVID-19 challenges, consumers have adapted to fast delivery, buy online/pick up in-store, and curbside services.
- **Inflation and rising costs:** Canada's headline inflation rate accelerated to 5.1% in January of 2022, remaining the highest since September 1991 and significantly above market expectations of 4.8%.
- **Supply chain issues:** The supply chain disruption caused by the pandemic made it difficult for retailers to meet customer demands. This disruption is expected to continue well into 2022.

- **Sustainability in action:** Public concern for environmental protection has risen to its highest levels, forcing businesses to rethink practices such as packaging and more efficient shipping solutions.
- **Growing focus on purpose:** Conscious consumerism is growing, as more shoppers are being mindful about purchases and aligning them with their values.
- **The pandemic pendulum:** The uncertainty that comes with a global pandemic may require businesses to pivot on a moment's notice.

"Canada's e-commerce sales to reach nearly \$80 billion in 2022," eMarketer, Feb. 2022

"Canada Inflation Rate," Trading Economics, 2022

"Supply Chain and Other Issues to Impact Retailers in Canada in 2022: RCC," Retail Insider, 2022
We Mean Business Coalition



Trends expected to impact e-commerce in 2022

1

Returns will continue to grow, with an increased focus on customer experience.

2

Consumers will demand more control and transparency over delivery information.

3

Rise in cross-border e-commerce will spark the need for expanded global logistics.

4

More business will adopt resale or reuse practices to be more sustainable.

5

More shoppers and merchants will use buy now, pay later (BNPL) services.

6

Use of digital payments will increase as consumers demand seamless online shopping.

7

Businesses will rely on first-party data to build loyalty and personalize experiences for their customers.

8

Text messaging will continue to grow as a marketing tool and a customer service vehicle.

9

Social media shopping will increase, shortening the path from discovery to purchase.

10

The increasing role of mobile shopping will give e-commerce-only businesses more opportunities to reach more customers, more often.



Returns will continue to grow, with an increased focus on customer experience



In 2021, the total returns rate in the U.S. increased to 16.6%, up from 6% in 2020. And as global e-commerce continues to grow, returns will increase as well, resulting in extra costs for retailers.

Approximately
\$218 billion USD
worth of online purchases made
in the U.S. were returned in 2021.

A sound returns strategy is important for gaining customer loyalty.

96% of shoppers say they would buy again from a business that offered an easy return policy.

65% of shoppers said they would not buy from a retailer if they had to pay for return shipping. However, **62% of Canadian shoppers** are willing to pay for shipping to support a small, local, and/or independent retailer.

44% of consumers said they were more careful about what they buy so they wouldn't have to think about returns.



Take Action: Returns

Balance customer experience with costs for your business by exploring the right returns solutions.

- ✓ Consider whether free shipping is feasible and offer a flexible time window for returns.
- ✓ Provide customers the convenience of pre-printed return labels included with purchased items, or a QR code that can be used at shipping locations where a label can be printed for them.
- ✓ Make it easy for customers to find a fast, convenient drop off location near them.
- ✓ Provide timely refunds and keep customers up to date on the status of them with a tracking number.

Understanding why shoppers are sending back items in the first place will help you identify and correct issues to reduce unnecessary returns. Are product descriptions unclear? Is there an issue with packaging that's causing items to arrive damaged?



Consumers will continue to expect transparent delivery information as they demand more control

SHIPPING



Consumers have become used to real-time information to manage their daily lives, including how they send and receive packages.

Clear communications is a must for retailers as **47% of customers will not order** from a brand with poor delivery visibility and 68% of customers are influenced by estimated time of delivery.



In 2020:

91%

OF CUSTOMERS

said they want full visibility into expected shipping timelines and costs before making purchases.

— and —

70%

OF CANADIAN CUSTOMERS

said they would be less likely to shop with a retailer that didn't communicate delayed deliveries.



Take Action: Consumer Control

- ✓ Set clear expectations of delivery times that account for fulfillment and shipping.
- ✓ Ensure customers have a way to check package status on demand.
- ✓ Leverage tools like FedEx® Delivery Manager to give customers control over when and where their packages are delivered, including convenient retail locations in their area.
- ✓ Use tech solutions to integrate tools and provide accurate, timely information to customers.



The rise in cross-border e-commerce will create the need for increased global logistics

SHIPPING



Many businesses are expanding internationally to reach a new customer base and grow their business.



To succeed in international markets, providing the same seamless transaction experiences you provide to domestic customers is key. Full transparency into costs such as duties and taxes up front is also expected.

51% of global consumers consider expensive shipping costs or slow delivery top barriers to cross-border shipping.



Approximately two-thirds of U.S. shoppers buy from outside the country, with Canada third among the U.S.'s most purchased-from cross-border countries after China and the U.K. This is a 4% decrease from 2019 to 2021 despite the lower Canadian Dollar.



Take Action: Cross-Border E-Commerce

- ✓ If you're considering expanding internationally, research the global demand for your product, your target countries' regulations, and potential local competitors.
- ✓ Ask your shipping provider about options that can balance fast delivery with affordability for you and your customers.
- ✓ Find tools that accurately calculate duties and taxes on cross-border shipments.
- ✓ Take small steps when you first expand. Consider selling to customers in the U.S. for its proximity and favourable trade agreements.
- ✓ Be sure to set realistic expectations about delivery times and rates for customers.



More businesses will adopt sustainable practices



With sustainability as a primary brand consideration for Millennial and Gen Z consumers, reuse and resale could play a critical role in retailers' sustainability strategy.

Second-hand apparel is growing 11 times faster than traditional retail, partly because of consumer desire for sustainability and individualism. It's estimated **that the resale market will be worth \$84 million by 2030 globally**, more than double that of fast fashion.

With the resale industry booming, the infrastructure that supports it is also developing quickly—some businesses are using resale platforms like Depop to sell their products.

"Top 10 Trends in 2022," Insider Intelligence and eMarketer, November 2021

"Retail Trends 2022," Accenture, 2021

"Secondhand clothing market set to be twice the size of fast fashion by 2030," Harpers Bazaar, June 2021

Global Sustainability Study 2021, Simon-Kucher & Partners, July 2021

"69% of Canadian consumers expect companies to solve sustainability issues," EY 2021

85%

of consumers globally say they have become more sustainable in their purchasing behaviour in the past few years.

69%

of Canadian consumers expect companies to solve sustainability issues.



Take Action: Sustainability

- ✓ Introduce resale, reuse, or even rental practices into your business model and consider existing platforms to make connecting with shoppers easier.
- ✓ Explore how you can incorporate recycled materials into your packaging.



More shoppers and merchants will use buy now, pay later services

SPENDING



The appeal of spreading out and avoiding interest payments has led many consumers, especially Gen Zers, to embrace buy now, pay later (BNPL) options at checkout.

63.5%

expected growth of BNPL payments in Canada to total \$5.956 billion USD in 2022

36.1%

BNPL adoption is expected in Canada between 2022 and 2028

Many retailers are embracing these benefits of BNPL:

Customer loyalty: The availability of this flexible option at checkout lowers cart abandonment rates and contributes to higher repeat business.

Higher conversion rate: BNPL keeps shoppers from bearing the total cost at checkout, turns prospective customers into paying customers, and encourages impulse purchases.



"Canada Buy Now Pay Later Market Report 2021: BNPL Trends by End-Use Sectors, Operational KPIs, Retail Product Dynamics, and Consumer Demographics 2019-2028," Research and Markets, 2021

"Buy now, pay later – Is it here to stay?," Payments Canada, 2022



Take Action: Buy Now, Pay Later

Plan the details before diving into BNPL services.

- ✓ Know how you'll manage returns, since most BNPL providers do not manage shipping and logistics.
- ✓ Understand provider policies to protect your business, as these services are not currently regulated to the same standards as credit card services.



Digital payments will increase as consumers demand seamless online shopping



**Online payments rose in 2020 as a safe, contactless option.
Now they continue to increase as a fast, easy way to shop online.**

💰 **Canadians charged \$67.74 billion to credit and debit cards** for online purchases—a number that's expected to grow 8.1% in 2022.

💰 During the pandemic **64% of Millennials and 58% of Gen Z adults** in Canada increased their use of digital payments.

💰 When shopping online, **35% of consumers globally said they preferred to use digital wallets**. In 2020, digital wallets like Apple Pay and PayPal were used more than debit cards, bank transfers, and buy now, pay later options combined.

💰 The use of e-wallets is expected to make up **27% of online payments** in Canada by 2025. Globally they're anticipated to take a 23% share of payments by 2024.

"Digital Payment Card Transaction Value, Canada, 2019-2023," eMarketer, July 2021

"New Report from BigCommerce and PayPal Sheds Light on Consumer Spending Habits Post-Covid," BigCommerce, June 2021

"Global Mobile Wallet Market to Hit USD 350 Bn by 2026," Global Market Insights, PR Wire, November 2020

"Global e-commerce trends report," JP Morgan Industry Report, 2021

"Half of Gen Z and Millennial Canadians are more concerned about managing their finances amid COVID-19," CISION, 2021

Country Commercial Guide: Canada E-commerce, International Trade Administration, last published August 2021





Take Action: Digital Payments

Use payments to deliver convenience and win customer loyalty.

- ✓ Check with your platform management provider for options and assess which ones best support your goals.
- ✓ Consider mobile wallets or direct pay platforms to avoid missing out on sales from digital shoppers.



Businesses will put a stronger focus on first-party data to build loyalty and personalized experiences



With limitations on the use of third-party data to target customers, companies can earn trust and loyalty by taking control over how they collect and manage customers' first-party data.



Canadians have nearly **130 million loyalty memberships averaging more than four per person**, and 67% of consumers are staunchly brand loyal.

74% of Canadian consumers are protective of their personal data and have taken at least one action to secure it. They're also reluctant to share it.



"Loyalty moving from points to experience," PwC, 2017

"IAB Canada Business of Digital: The Importance of Consented First-Party Data in a Cookie-less World," Quantcast.com, 2021

"Willingness of adults in Canada to share personal data with select parties in exchange for better products or services," e-Marketer, March 2021



Take Action: Putting Data to Use

Consider implementing a loyalty program to help personalize communications and build brand favourability. This type of program can create a way to connect with customers and capture data in the form of:

- ✓ **Surveys**
- ✓ **Feedback forms**
- ✓ **Questionnaires**
- ✓ **Customer profiles**

Make sure your rewards are worth the effort for customers. Shoppers are more open to sharing personal information if they believe the rewards are enticing.



Text messages continue to grow as a marketing and customer service tool



Because of their proven effectiveness, more businesses are using text messages to reach customers. **SMS has a 45% response rate from consumers in Canada**, and can increase customer loyalty and revenue.

Small businesses have an implied trust with their customers that they can use to collect opt-ins for text messages for well-timed, personalized promotions.

SMS is an important way for businesses to provide critical shipping and tracking information to customers for a better customer experience.

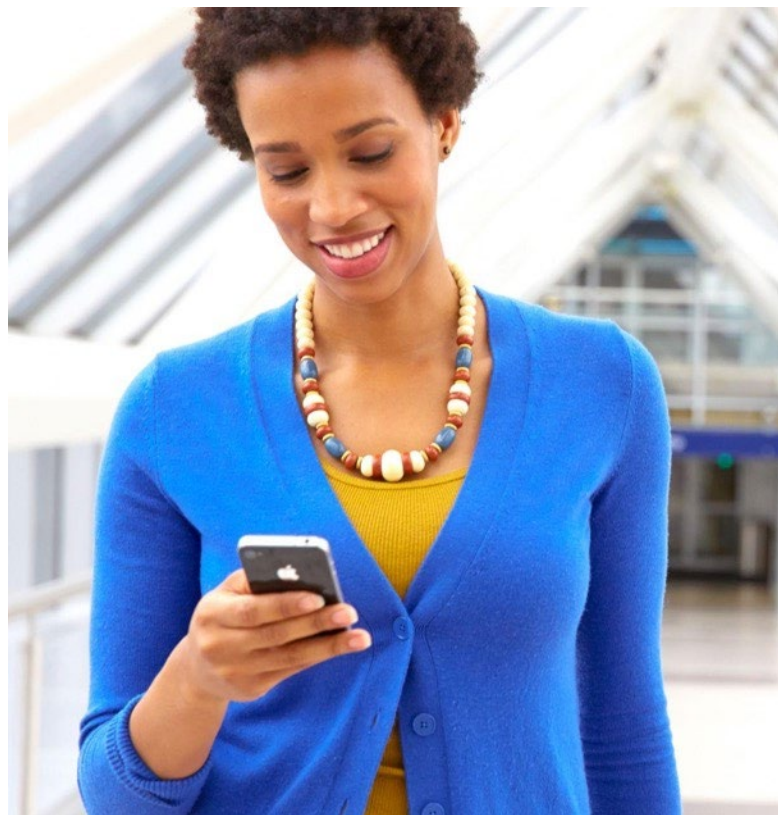




Take Action: Text Messages

Consider investing in a marketing service to automate text messages. This can reduce the time or cost to manage customer service issues and improve customer satisfaction.

- ✓ Use SMS for tracking packages and delivery confirmation to enhance the experience and reduce post-sale follow-up.
- ✓ Send customer incentives like coupons, discounts, and “back in stock” notifications using SMS.
- ✓ Incorporate online sign-up pages/forms, website banners/prompts/pop-ups, website chat, and point-of-sale transaction reviews as potential SMS opt-in touchpoints.



Social media shopping will shorten the path from discovery to purchase

SPENDING



Social commerce has grown significantly, with **new shopping features available on social media** platforms like Instagram that **are helping brands convert consumers**.

These emerging features will soon replace targeted ads, with organic content from brands and influencers opening even more avenues for social commerce.

47%

of social media users in Canada completed purchases on social media, spending an average of \$924 each year, according to a pre-pandemic study.



Social media ad spending in Canada in **2020 totaled \$2.35 billion USD, and by 2026 this figure is estimated to reach \$3.3 billion.**

24.5% of adults were most likely to make purchases from Facebook, 17.1% from Instagram, and 16.5% from YouTube in 2021.

The most influential content on social media is shoppable images and videos.

Fashion is the most considered purchase category on social media at 54%. 26% of consumers also consider electronics, followed by games, home décor, and event tickets.



Take Action: Social Media

- ✓ Establish your presence on social media to engage with shoppers and build your brand. Consider which platforms would best support your goals:
 - > **Instagram:** Connecting with influencers and fans to share love for your brand.
 - > **Facebook and Pinterest:** Building and interacting with a community.
 - > **YouTube:** Using video to share detailed information.
- ✓ Lean into customers' willingness to make impulse purchases by exploring emerging social media shopping features as they become available.



Technology enhancements will encourage more mobile shopping

SPENDING



Consumers are finding it easier and more engaging to shop on mobile devices, thanks to brands adopting social commerce, mobile payments, SMS communications, and other mobile interactions.

Canada retail m-commerce sales reached

\$25 BILLION USD

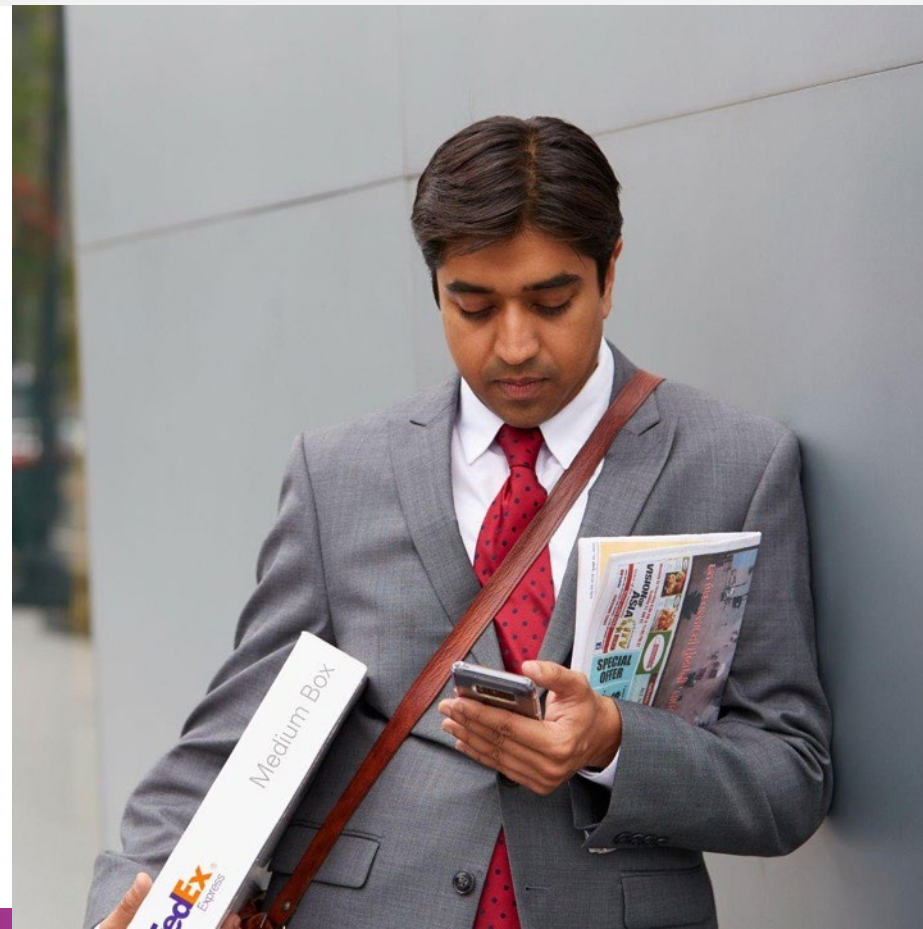
in 2021, and are expected to grow to \$37.93 billion by 2025—growing faster than overall e-commerce sales.

58%

OF CONSUMERS SURVEYED

said mobile apps are more convenient
than other channels for shopping.

"Retail Mcommerce Sales, Canada, 2021-2025," eMarketer, December 2021
"New Data Shows 57% of Shoppers Prefer Mobile Apps to Other Channels," Heady, May 2021





Take Action: M-Commerce

There are many ways you can make mobile a part of your retail and digital strategy:

- ✓ **Search:** Optimize your customers' search experience for mobile. If you use a platform management provider, check the features they have available to help your web experience and SEO, so consumers can find you online.
- ✓ **Checkout:** Provide a seamless checkout option for mobile shoppers with services like one-click checkout.
- ✓ **Apps:** Leverage features like in-app push notifications to alert customers of special offers and other reminders.



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