



2023 e-commerce trends to watch

How the top trends and insights can impact your business



What you'll find in this report and why it matters

Like other developed countries, Canada has become an online culture. In recent years, e-commerce has experienced significant growth as consumers have turned to online sales to weather challenges posed by the pandemic—and now they're firmly committed to online shopping.

- **Over 94%** are internet users and **99%** use a mobile device to go online¹
- By 2025, **78%** of Canadian consumers are expected to shop online¹
- The e-commerce space is also evolving rapidly, driven by advancements in technology and services that make **online shopping even easier**

We regularly monitor the landscape for the top trends that could impact your business in the coming year. This report is based on our analysis of the e-commerce landscape and third-party industry data.



Forces driving e-commerce trends in 2023

Here's a snapshot of what's impacting shopping for consumers and businesses.



Price sensitivity

Inflation and (global) recession-driven considerations are affecting consumers and retailers.²



Return of pre-COVID, in-person activities

More consumers are shopping in-store compared to the past year or two, making the management of both online and in-store shopping more challenging for retailers.³



Retailers looking for ways to reduce the rate of returns

Strategies for moderating growth rate of online shopping and returns could include tactics such as shortening return windows.⁴



A desire for more transparency in cross-border commerce

Shoppers struggle with barriers like delivery costs, duties, and taxes when shopping internationally.⁵



Shoppers continue to desire more convenience

Consumers want retail flexibility for more convenience while shopping.⁶



Growing preference for sustainability and supporting domestic businesses

Consumers cite supporting Canadian businesses and sustainability as important considerations for where to shop.⁷



Supply chain challenges continue to frustrate shoppers

Consumers are shopping at multiple retailers to deal with their preferred products being out of stock and to find preferred delivery options.⁸



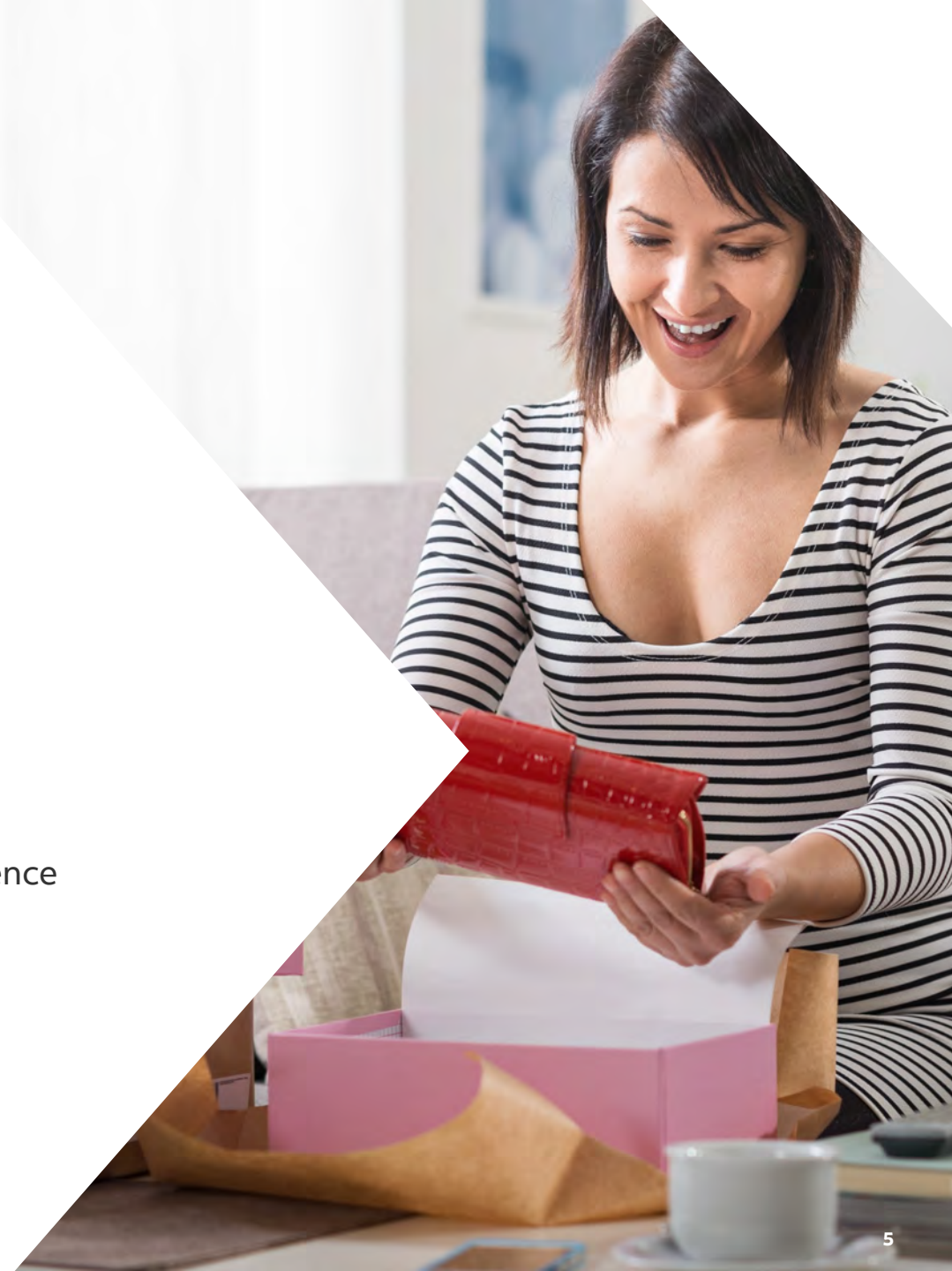
Purchase power shifting to millennials and Gen Z

These two groups are leading the adoption of digital wallets and Buy Now, Pay Later.⁹

2023 e-commerce trends to watch

Click on a topic below to jump to that section.

- 1 Economic uncertainty is turning customers into **intentional shoppers**
- 2 **Social commerce** is playing a larger role, including as a point of sale
- 3 **Cross-border e-commerce** is expected to keep growing
- 4 Consumers want **sustainability** and to shop local
- 5 **Automated customer service** increasingly offers convenience and speed
- 6 Customers want **flexibility and visibility** throughout their shopping experience
- 7 Retailers consider ways to **reduce the number of returns**
- 8 Retailers are becoming more comfortable with **shipping larger items**
- 9 AI automation **offers a more personalized e-commerce experience**



1

Economic uncertainty is turning customers into intentional shoppers

INTENTIONAL SHOPPING



In 2023, consumers continue to take more control over their finances.

73% of consumers are focused on budget when they shop⁷

46% are prioritizing products that will allow them to spend more time with family and friends¹⁰

17% of consumers are aware of but haven't used Buy Now, Pay Later, compared to 14% of consumers who have¹¹

**\$23B
CAD** is the projected growth of Buy Now, Pay Later by 2026, a 55% increase since 2020¹¹

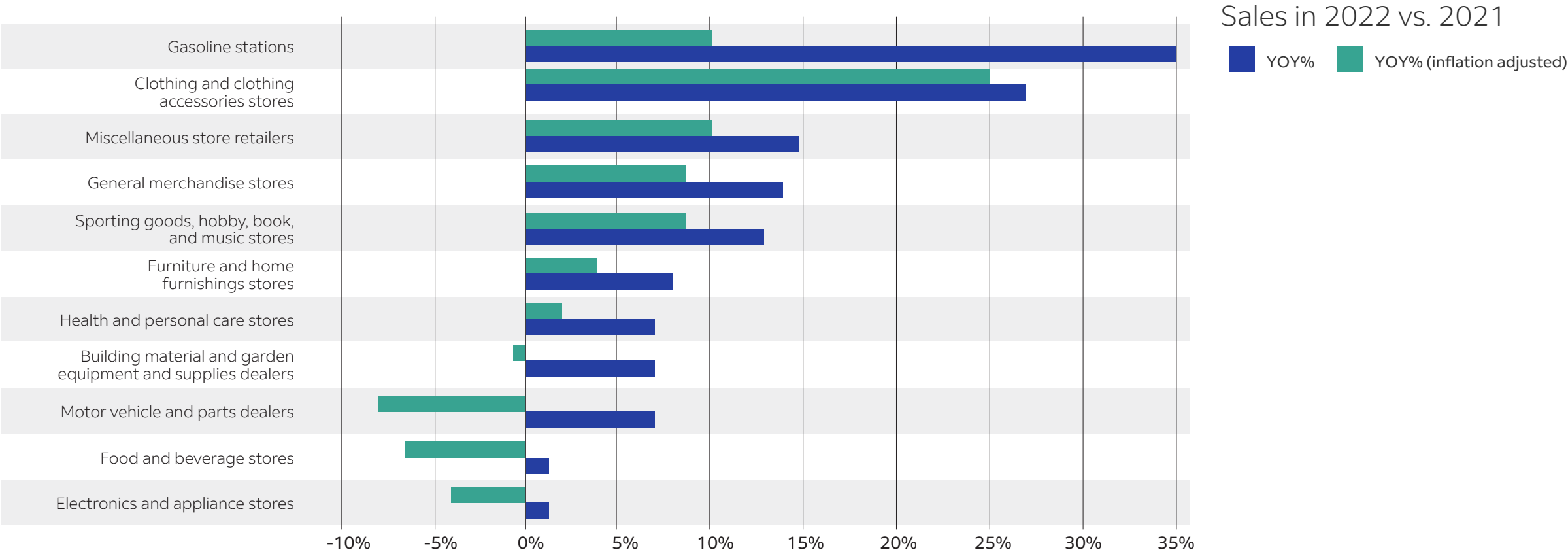
70% of consumers bought from their go-to brand's competitors between May 2021 and May 2022, reflecting their search for more favorable pricing and deals¹²

Consumer confidence is falling—the metric has declined over the past few months, drawing parallels to the lack of confidence felt in 2008 during the Great Recession.¹³



How sales are impacted by inflation

Inflation is having an impact on sales, but it's not affecting all retail sales equally. Gas and food are among the most impacted, with less necessary items such as apparel the least impacted.¹⁴



Key takeaways for intentional shopping

INTENTIONAL SHOPPING



PUT THESE INSIGHTS TO USE

- Create a product description that highlights the appearance, texture, and value of your item to make its worth more tangible and real.
- Incorporate **unique selling points** into your messaging that highlight sustainability or domestic sourcing.
- Consider amplifying **product validation** such as ratings, testimonials, media attention, certifications, and other forms of recognition.
- Consider offering an option for shoppers to “Buy Now, Pay Later.”

2

Social commerce is playing a larger role, including as a point of sale

SOCIAL COMMERCE



Social commerce continues to gain more exposure in the marketplace after enormous growth worldwide.

\$1.2T
USD

is the estimated amount of global social commerce revenue by 2025¹⁵

25%

is how much the domestic market, the fourth largest for social commerce, is expected to grow by 2026¹⁶

40%

of consumers ages 18–24 use TikTok and Instagram as their search engines of choice¹⁷

25%

of millennials look to social media to inspire purchases, followed by 23% of Gen Z¹⁸



Key takeaways for social commerce

SOCIAL COMMERCE



PUT THESE INSIGHTS TO USE

- Think about **ideal shoppers** who would benefit most from your product(s).
- Think through your product mix and consider whether social content would be beneficial in **capturing interest and initial engagement**.
- Consider which social commerce platforms are used **by the target audience for optimal engagement**.
- When evaluating distributors and retail partners, consider if social commerce could be used as a tool for a **direct-to-consumer** approach.
 - **Brand perception matters** on social platforms—ensure you're partnering with influencers, brands, and services that align with your brand's values and perception.

3 | Cross-border e-commerce is expected to keep growing

GO GLOBAL



The growth of international e-commerce is expected to continue, fueled by the increasing number of online shoppers seeking products from other countries.



63% of Canadian shoppers currently shop internationally, presenting a large opportunity to global retailers⁵



32% of cross-border shoppers branched out and made purchases from other international sites⁵



42% of online shoppers said they were more comfortable with international shopping in 2022 than they were in 2020⁵



The global cross-border e-commerce market is expected to **grow 25.8% from 2022 to 2030**¹⁹

Top 3 reasons for shopping internationally⁵

- 1 Lower prices (48%)
- 2 Availability of items not available locally (47%)
- 3 Discovery of new and interesting products (38%)

International shopping presents challenges for shoppers and retailers

GO GLOBAL



Consumers desire more visibility when shopping internationally and don't want to be surprised at checkout by duties and fees. Meanwhile, retailers can struggle with details such as logistics and payment.⁵



Extra costs are the No. 1 reason consumers abandon online shopping carts. (This is no surprise to retailers, who also named it the top reason shoppers ditch their online carts.)²⁰



It's important for global sellers to remember that they may need to display the purchase cost in CAD, along with any additional taxes or duties, at the outset to avoid the possibility of losing conversions.⁵

Many consumers and businesses are turning to online marketplaces to make international shopping easier.

Additionally, the implementation of Delivered Duty Paid (DDP) services, which handle the import duties and taxes on behalf of the consumer, has further streamlined the cross-border shopping experience and made it more accessible for consumers.



Key takeaways to get competitive in cross-border commerce

GO GLOBAL



PUT THESE INSIGHTS TO USE

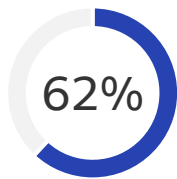
- Have a **global mindset**—be aware of the growing presence of e-commerce and how you can serve customers around the world.
 - Take advantage of online marketplaces or build your own e-commerce website.
- Clearly communicate shipping expectations, duties, and taxes prior to checkout.
- Seek out partners who can help expand your business to international markets.
- Work with companies like FedEx to help guide you on international shipping, including how to address regulations and customs.

4 Consumers want sustainability and to shop local

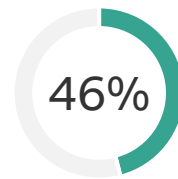
SUSTAINABILITY



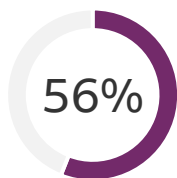
When considering a retailer, customers are increasingly seeking businesses that prioritize environmental and societal concerns.



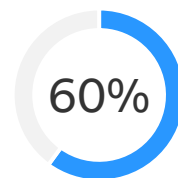
of consumers say **sustainability** is the most important consideration when making a brand decision⁷



of consumers say that **social factors** such as a company's support of human rights, **local communities**, employee inclusion, and diversity influence their trust in that company or brand²²



of consumers will pay more attention to the **environmental impact** of what they purchase²¹



of Canadians ages **18-24** (53% of those ages 25-34 and 45% of those 35 and older) would not conduct business with companies that do not align to their **personal values**⁷

WHO WANTS TO SHOP LOCAL?

66%

of Canadian online shoppers preferred making online purchases from local businesses, compared to 2% who chose to shop online from U.S. e-tailers⁸

65%

of consumers say that buying from Canadian businesses or supporting local businesses is the most important consideration when deciding about a brand⁷

Key takeaways to help deliver on sustainability and shopping locally

SUSTAINABILITY



PUT THESE INSIGHTS TO USE

- Consider environmental, social, and governance (ESG) and domestic sourcing and retailers to open your business to passionate customers:
 - Emphasize how your business **supports local businesses** to attract those consumers.
- Utilize **reusable or recyclable packing** when shipping.
- Learn about **Priority Earth**, our sustainability initiative, and find solutions that can help your business become more sustainable.

Automated customer service increasingly offers convenience and speed



Chatbots are taking big leaps forward in 2023, which means more issues can be solved without talking to a representative.



Keeping up with state-of-the-art automated customer service trends can **help your business meet customer expectations and save money on support teams** if customers can receive their requested information from a chatbot.²³



91% of global customers prefer online self-service over contacting a support agent.²³



Due to its incorporation of previous data and usage, chatbots offer shoppers **a more personalized e-commerce customer service experience**, which promotes loyalty and few returns.²⁴



An additional benefit of solutions powered by natural language processing (NLP) is the ability to **gather and implement insights based on interactions**. These insights can help businesses improve their products and processes to grow their business.²⁴

Key takeaways to automate **your** customer **service**

AUTOMATED SERVICE



PUT THESE INSIGHTS TO USE

- Research and find **partners** that are aligned with modern customer-service tools (like an e-commerce platform that incorporates NLP-customer service automations).
- Search for an **automated self-service third-party application** (or for larger businesses, custom-build a chatbot) that incorporates an NLP-empowered system.
- **Take the time** to build out the voice and functionality that fit your brand.
- When evaluating e-commerce retailers, consider if their **NLP-empowered customer service capabilities** can give you direct-to-consumer (D2C) options while reducing costs of distribution.

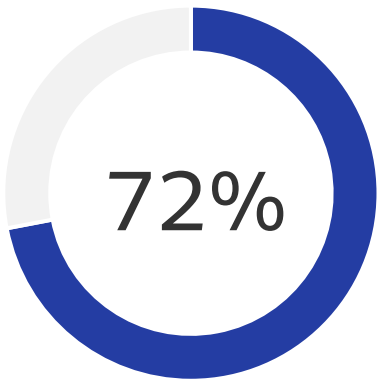
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Customers want flexibility and visibility throughout their shopping experience

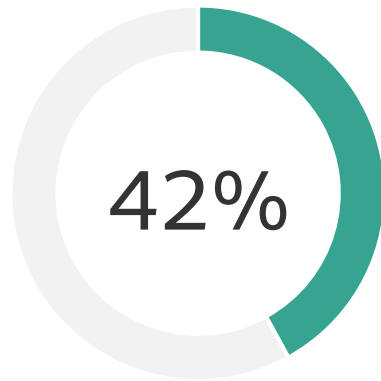
VISIBILITY



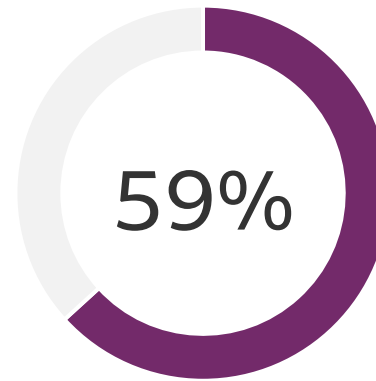
Many retailers know through their own data that their most loyal customers are the ones who shop both online and in-store.³



of consumers shop in a physical store at least monthly, up from 69% in 2021²²



of consumers say they're willing to travel farther to shop at places that offer a better overall experience, a figure that rises to 51% among Gen Z and 47% among millennials²⁵



of consumers say they're likely to browse online and buy in-store, whereas 54% are likely to look at a product in-store and buy it online²

1 IN 4

consumers won't shop at places without an online option, while younger shoppers are 1.6X more likely to avoid shops without an online option⁷

67%

of Canadian shoppers prefer to shop in a physical store compared to the global average of 59%⁶

Your most loyal customers value visibility at every stage of shopping



Customers appreciate visibility and fast shipping during the delivery experience. For them, increased and more accurate visibility helps ensure that delivered packages are vulnerable for a shorter period of time.

4 DAYS

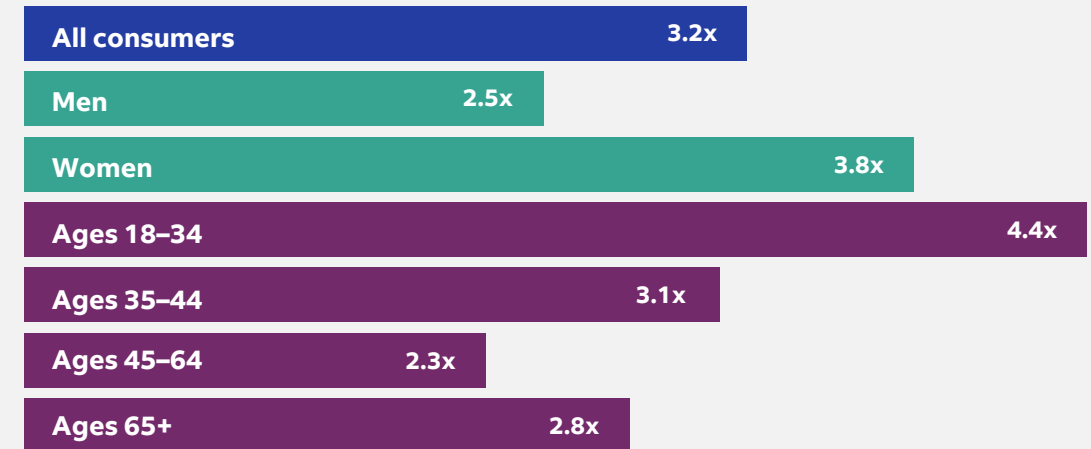
is the expected number of days for “fast delivery,” according to shoppers²⁶

1 IN 4

online shoppers said they had one or more packages stolen in the past year (66% in Ontario)²⁷

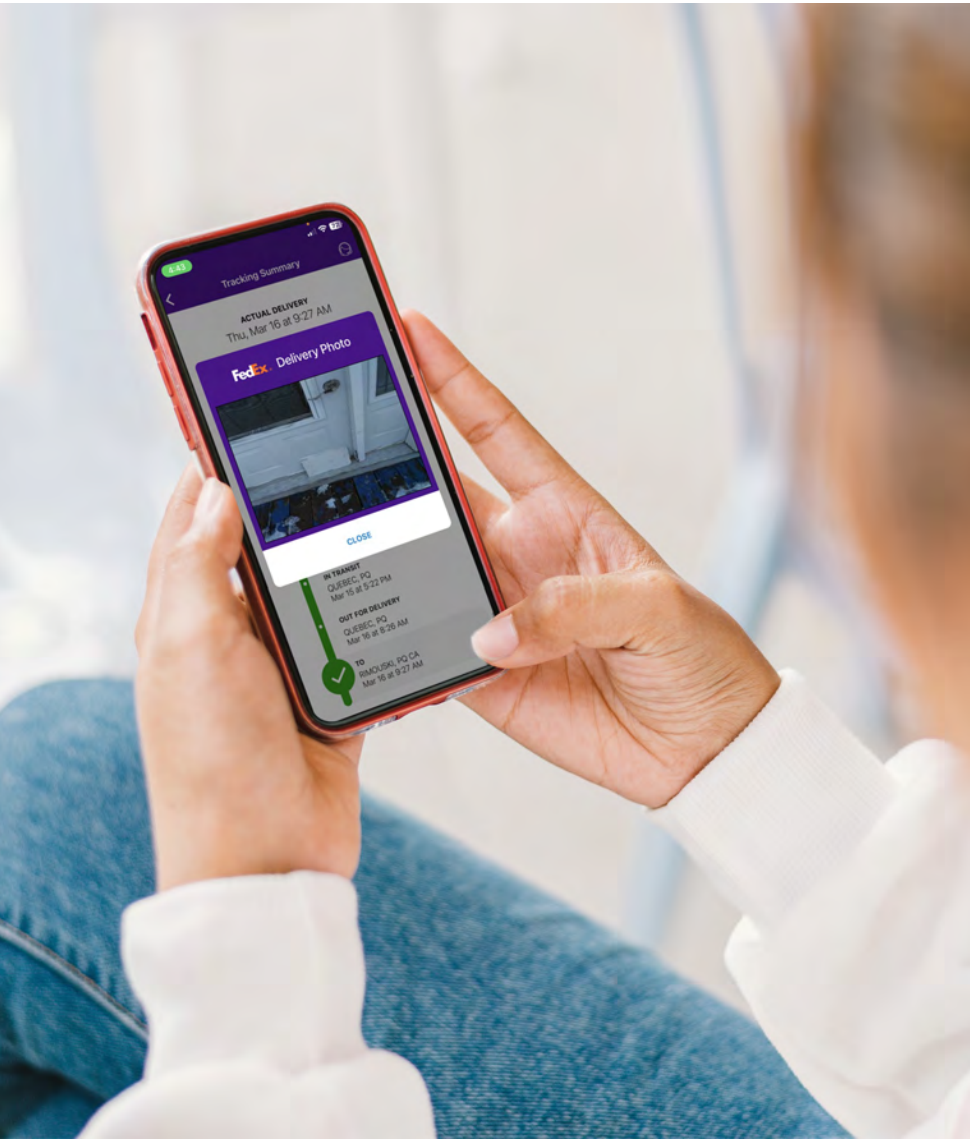
Tracking frequency

On average, how many times do you check your delivery tracking updates before a package arrives?²⁶



Key takeaways to give customers more options and visibility

VISIBILITY



PUT THESE INSIGHTS TO USE

- Provide as many options to the consumer as you can, whether it's in-store; online; Buy Online, Pick Up In Store (BOPIS); and/or curbside pickup.
- Set clear expectations to the customer and demonstrate your ability to meet their shopping needs.
- Ensure your delivery messaging is clear and consistent throughout the online experience, including the shopping cart, checkout, and confirmation emails.
- To enhance the delivery experience further, offer options like package redirection and delivery confirmation with picture-proof-of-delivery photos.
- Give your customers more flexibility and control by offering timely **delivery notifications and options to reschedule or redirect shipments** through FedEx® Delivery Manager.
- After the purchase, **keep your customer informed** about the delivery's progress through SMS/text messages, emails, or app notifications.

7 | Retailers consider ways to reduce the number of returns

REDUCE RETURNS



Many retailers are exploring ways to cut costs by implementing stricter return policies.

Some stores have shortened their regular **return windows to within a month**²⁸

60% of retailers said they're making changes to existing return policies, with fewer promising free returns²⁸

One domestic retailer **charges \$12 for a traditional return**²⁹

Other companies are keeping returns **free and easy to maintain a competitive advantage**

INSIGHTS

25% of Canadians ages 18–34 have had to return clothes they've purchased due to inflation³⁰

69% of retailers don't have a good understanding of the root causes of their returns³¹

83% of retailers consider reducing return rates a top priority³¹



Key takeaways to help reduce rate of returns

REDUCE RETURNS



PUT THESE INSIGHTS TO USE

- Free returns isn't a one-size-fits-all policy—charge a fee if your company doesn't have the capacity to offer your customers free returns.
- Be clear about your return policy and set expectations during the entire shopping process.
- Be clear about **duties, taxes, and fees** that might apply to both international purchases and returns. Use **DDP solutions** for your business to make this process easier for the customer.
- Use technology to help consumers make more informed purchase decisions, such as providing **detailed product information, user reviews, and even virtual try-ons**, to reduce the likelihood of returns.
- Investigate your returns process to identify potential areas of improvement:
 - Use reasons for returning to refine your website or communication methods.
 - Evaluate the consumer's overall returns experience and willingness to repurchase, then leverage this information to **enhance the customer journey, improve the post-purchase experience, and minimize future returns.**
- Find out about [FedEx® Returns solutions](#).

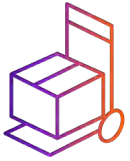
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Retailers are becoming more comfortable with shipping larger items

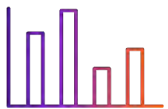
SHIP SIZE



As e-commerce has grown, so have the types of items that are shipped from retailers to their customers.



The COVID-19 pandemic forced consumers to purchase large items (like furniture) online. An increase in companies investing in AR and VR technologies over physical showrooms shows this is a trend that's here to stay³²



Canadian online furniture purchases are projected to grow 14% to \$4.9 billion (USD) in 2023, signaling consumers' growing comfort in buying large items online³²

Logistical companies like FedEx are uniquely positioned to help businesses ship large packages, like furniture or equipment, and small ones domestically and globally.



Key takeaways to ship packages of all sizes

SHIP SIZE



PUT THESE INSIGHTS TO USE

- Customers are still on edge after several years of costly shipping delays caused by inefficiencies across the supply chain, so **align with shipping carriers** that keep customers happy with transparency and accurate delivery estimates.
- Seek out a carrier that can help with a **wide range of shipment sizes**, both domestically and internationally.
- As the demand for large shipments grows in the Canadian market, FedEx offers a suite of shipping options and provides full transparency for both your business and your customers.

AI automation offers a more personalized e-commerce experience



With AI, e-commerce is becoming more personalized to more closely resemble, or reimagine, the face-to-face customer experience.



Personalized e-commerce experiences drive impulse purchases, increased revenue, loyalty, and fewer returns.³³



Omnichannel personalization is beginning to emerge across all channels—online, in-store, mobile—for a cohesive experience that feels personal.³⁴



Features like **Headless Personalization**, the process of delivering personalized content to users without a traditional website content management system, can create more personal customer experiences (exclusive qualified discounts, relevant content, and personalized messaging).³⁴



98% of visitors are anonymous when they visit, but sites can still personalize to those customers by dynamically presenting content, recommendations, and discounts based on how they engage with the site.³⁴

Key takeaways to tap into AI now

AI



PUT THESE INSIGHTS TO USE

- Build a strategy based on where you want to **personalize your site** to your visitors.
- Define a **long-term personalization strategy** with scheduled periods of evaluation and optimizations.
- Utilize AI in your e-commerce channel to **understand your audience**, leverage tools like semantic search (non-keyword) to gain further learnings, and **segment and target**.
- Utilize AI to **recognize patterns of behavior** in real time and match them to appropriate segments for an engaging experience.

Key takeaways

ACTION STEPS



Here's a recap of how you can take advantage of the trends and insights shared in this report.



Intentional shopping

- Create a product description that highlights its attributes to make its worth tangible and real
- Consider amplifying ratings, testimonials, and other forms of recognition and validation



Social commerce

- Think about the consumers and personas who would benefit most from your products
- Consider which social commerce platforms your target audience uses for optimal engagement



Cross-border e-commerce

- Have a global mindset—be aware of the growing presence of e-commerce
- Clearly communicate shipping expectations



Sustainability and domestic shopping

- Consider ESG
- Embrace reusable/recyclable packaging when shipping



Automated customer service

- Create processes and choose partners that support inquiries quickly and efficiently
- Take time to build out the voice and functionality that fits your brand



Flexibility to shop both in-store and online

- Provide as many options as you can, whether it's in-store, online, BOPIS, and/or curbside pickup
- Enhance the delivery experience with options such as package redirection and delivery confirmation with picture-proof-of-delivery photos



Reducing number of returns

- Free returns isn't a one-size-fits-all policy—charge a fee if your company doesn't have the capacity to offer customers free returns
- Be clear about all duties, taxes, and fees that might apply to any cross-border or international shopping



Larger shipments

- Align with shipping carriers that can provide transparency and accurate delivery estimates
- Seek out a carrier that can handle a range of shipment sizes, both domestically and internationally



AI automation

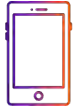
- Define a long-term personalization strategy with scheduled periods of evaluation and optimizations
- Utilize AI to recognize patterns of behavior in real time and match them to appropriate segments for an engaging experience

2023 buzzwords to know

ACTION STEPS



Here are some critical terms and phrases that emerged from the trends featured in this report.



Social commerce

Shopping experiences that take place entirely on social media platforms. An example would be buying directly from a TikTok or Instagram merchant account. The benefit is being able to complete a purchase without ever leaving the app.



Customer Relationship Management (CRM)

Strategies focused on building long-term customer relationships, or loyalty, are considered CRM. Some common examples are surveys, special rewards/promos, product recommendations, or refill reminders.



Picture Proof of Delivery (PPOD)

When a picture is taken and shared with the customer and merchant to confirm delivery. This is commonly used for food and grocery delivery platforms, like DoorDash, and shipping carriers like FedEx.



Chatbot

An interactive tool (usually in the form of a “how can I help you?” pop-up) that supports customer self-service. These can be helpful for solving smaller issues immediately and queuing up larger issues for customer service representatives.



AI Chatbot

This is a natural language-learning model that offers human-like interaction with a chatbot, allowing for more nuanced and conversational information to be generated.



GPS tracking

The process of using Global Positioning System (GPS) technology to locate and monitor the movement of a person, vehicle, or object. GPS technology uses satellites to triangulate the location of a GPS-enabled device or vehicle. It provides real-time location data that can be transmitted to a central server or displayed on a map in real time.



Automation

Tasks that can be programmed to complete on their own through digital processes. Many businesses use this for triggered emails—emails automatically sent to customers after they complete a certain action, such as subscribing to a newsletter or making a purchase.

More resources for small businesses

ACTION STEPS



Visit our Small Business Centre for helpful tips, articles, and inspiration.

Get resources and learn about FedEx services that support your online business at our E-commerce Centre.

Learn about our sustainability initiative Priority Earth and the solutions that can help your business become more sustainable.





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