



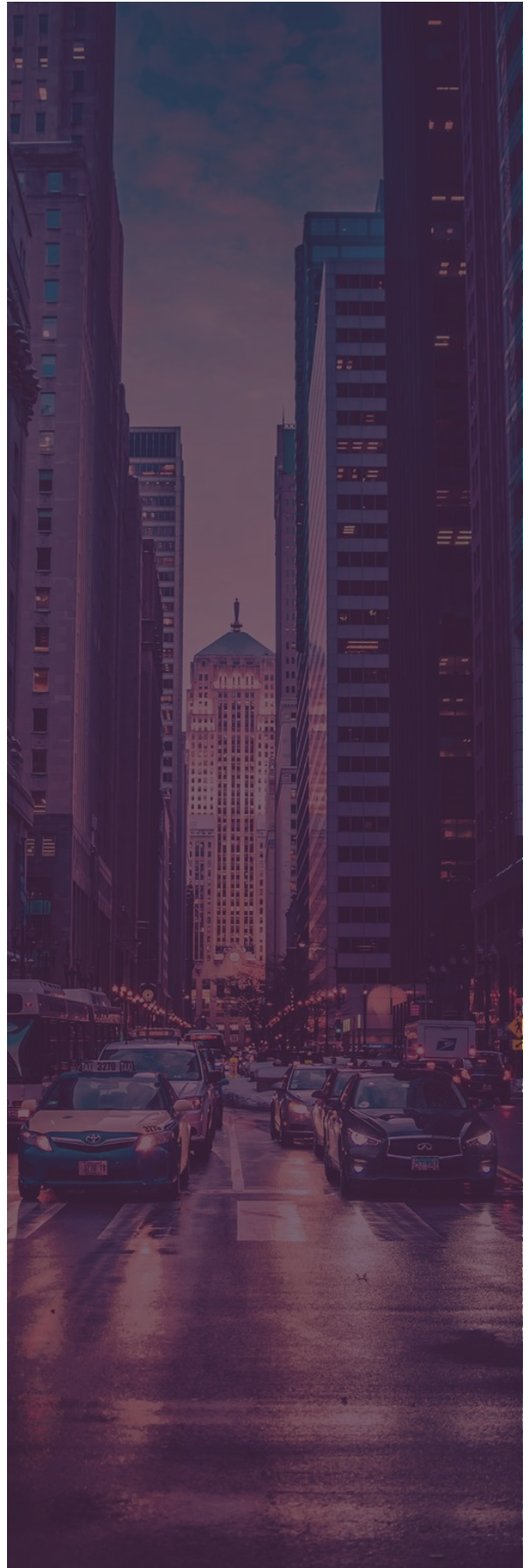
Unlocking Growth: Consumer Trends to Watch in North America

Introduction

This whitepaper provides some of the most important, actionable insights from ***The Experience Opportunity – North America***, a study from KINESSO Commerce in partnership with Google and conducted by Kantar in April 2023.

Against the backdrop of economic uncertainty and rising cost-of-living, we did a deep dive into Commerce to examine the prevailing eCommerce trends in the U.S. and Canada, based on a qualitative survey of 12,000 people.

The report provides insights to help ground brands' strategies in real consumer behaviors, shaping their commerce experience to acquire and retain online customers.



The Current State of eCommerce in North America

In the face of unpredictable economic conditions and inflationary pressures on consumer spending, eCommerce has continued to thrive across all generations of North American shoppers. Diminished purchasing power has led to buyers reining back overall spending, buying only out of necessity, researching products more thoroughly, and trying out alternative (more cost-effective) brands.

The enduring willingness across all sections of North American consumers to splurge on occasional luxury purchases is bucking this trend. Our data shows that online commerce yields more premium CPG purchases than offline, offering retailers and brands the opportunity to drive their premium sales.

Gen Z and Millennials are the leading drivers of eCommerce growth: more than a third will shop more online in the future. Emerging eCommerce trends such as direct to consumer (DTC), social commerce and live shopping are being adopted by the younger generations, as Baby Boomers are more inclined to stick with retailer dotcoms. As eCommerce channels proliferate, brands will have to rely on omnichannel campaigns to reach all sections of their customer base.

Our research reinforces the importance of full-funnel presence at key media touchpoints and regular engagement with shoppers in order to drive sales and promote customer loyalty. Around 80% of Gen Z-ers and almost 70% of Millennials regularly conduct pre-purchase product research or keep up to date with trends. This presents a major opportunity to meet customer demand for product information with engaging, regularly refreshed content across targeted touch points.

An Ideal Environment For eCommerce Growth

Several important factors combine to make North America an ideal environment for eCommerce growth. Key among these eCommerce drivers are the confluence of:

Tech adoption thanks to high-speed internet: At 97.1% and 94.9% the U.S. and Canada respectively have some of the world's highest internet penetration rates¹. The broad coverage of high-speed internet connectivity enables a superior eCommerce experience and quicker adoption of advanced digital technologies. As a result, North American consumers are natural online shoppers.

Growing desire for convenience and personalization: Shifting consumer preferences propel eCommerce growth in North America. People increasingly value convenience, flexibility, and personalization – needs well-met by digital shopping. With round-the-clock availability, extensive product ranges, tailored suggestions, and efficient delivery options, eCommerce is reshaping the retail landscape to align with modern consumer expectations.

Mobile commerce: Brands and retailers reacted quickly to the ubiquity of mobile devices across the region – creating easy, fast, mobile-optimized purchase journeys for time-poor consumers. And consumers responded: in the U.S. alone, mobile commerce sales are expected to reach \$710.4 billion by 2025².

Our research confirms that, regardless of the economic turmoil in recent years, eCommerce is the vital cross-generational sales channel. From Baby Boomers to Gen Z, most North American consumers buy CPG products online. In fact, approximately **one in four CPG items are now sold online**.

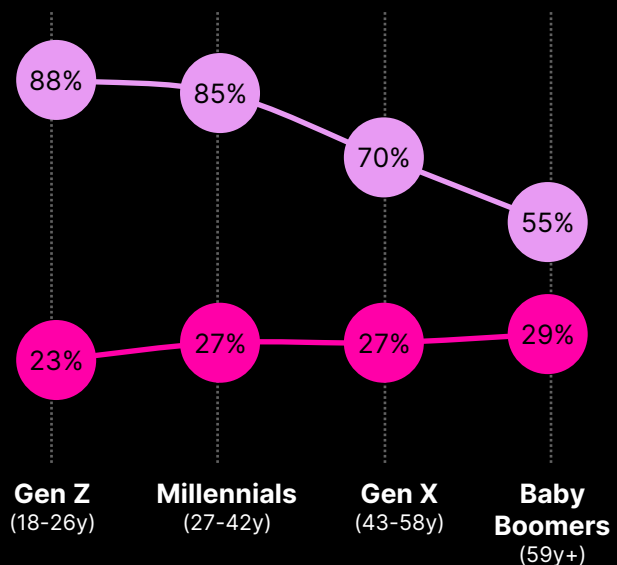
It is now unusual for consumers to **not** make online purchases.

eCommerce reach

(% of shoppers who ever bought a CPG item online)

eCommerce propensity

(% of online purchases for last purchase)



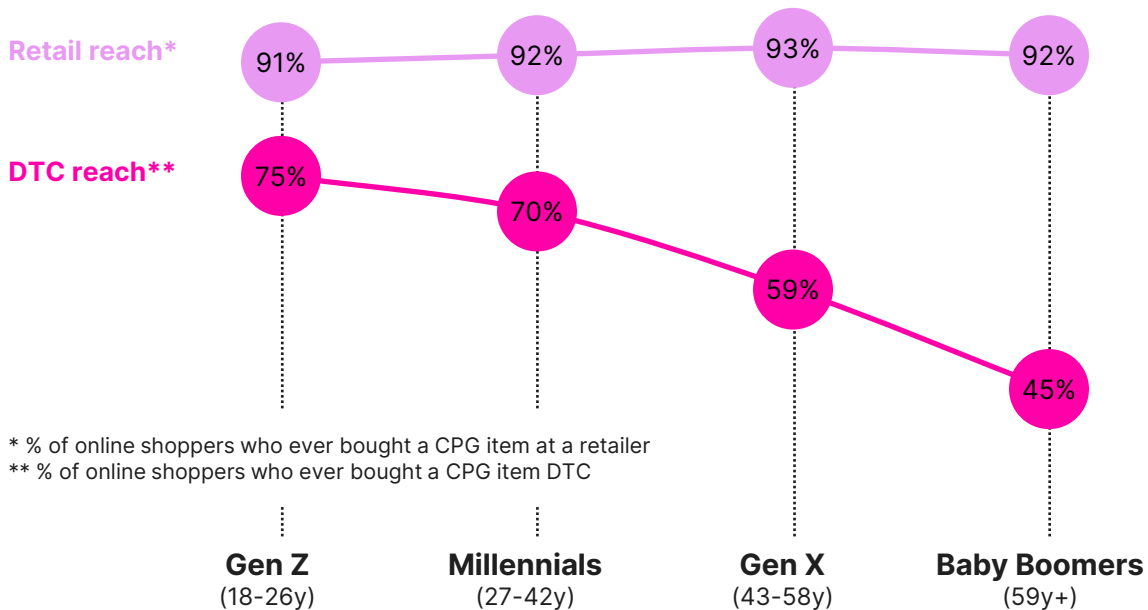
Perhaps unsurprisingly, Gen Z, the first generation born into the digital age that grew up with the Internet, tops the percentages for web-based orders (88%). The overwhelming majority of Gen X (70%) and Millennials (85%) shop online. And while the Baby Boomers are a full 33% behind Gen Z-ers in terms of lifetime eCommerce purchases, their propensity to buy online is actually higher than all younger generations. Twenty-nine percent of Baby Boomers made their last purchases online, compared with 27% for both Gen X and Millennials, and 23% for Gen Z.

Retail vs Direct-to-Consumer (DTC)

There's no question, retail is an eCommerce powerhouse.

In North America online retail sales are forecast to generate between 10–11% annual revenue growth through to 2027³. Our research provides a clear picture of why there are such robust expectations for retail. In each generational segment, over 90% of online shoppers buy from retail sites.

% of DTC vs. retail purchases among online shoppers



The picture for Direct-to-Customer (DTC) brands is more mixed. Less than half of Baby Boomers (45%) and nearly two-thirds of Gen X-ers (59%) have bought a CPG item from a DTC brand online. However, both Millennials and Gen Z have embraced DTC eCommerce, suggesting strong future potential for this channel.

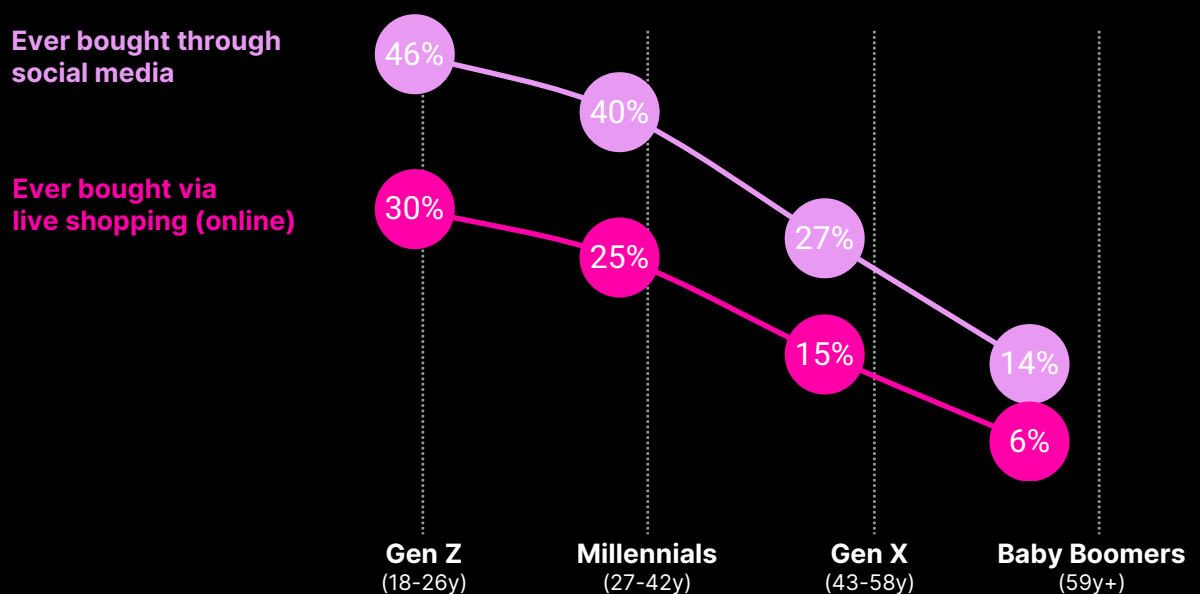
Emerging Trends: Social And Live Shopping

Our research data highlights that newer arrivals on the eCommerce scene, social commerce and live shopping, are already becoming accepted channels for younger consumers. Almost half of Gen Z (46%) have made purchases via social platforms, with Millennials close behind at 40%.

While live shopping is less embedded in Canada and the US than, say, China, it is emerging as a viable channel for brand advertising. The appeal of live streaming events, popular influencer hosts, and shareable videos appears to resonate with both Gen Z and Millennials.

The popularity of social commerce and live shopping among younger generations suggests that both represent increasingly important trends for sellers to consider in future omnichannel campaigns.

% of social and live purchases among online shoppers



Increases In Cost-of-Living Impact Purchase Behaviors

A consistent rise in the cost of living has changed disposable incomes and buyer behaviors, and inflation has had a strong impact on shoppers in North America. Our study reveals that 58% of people feel strongly affected and 85% feel moderately affected.

Baby Boomers are the only group where less than half feel strongly affected (48%). Gen X are most impacted at 62%, followed by Millennials and Gen Z at 61% and 60%, respectively.

58% of North American shoppers feel strongly affected by inflation, and **85%** feel moderately affected.

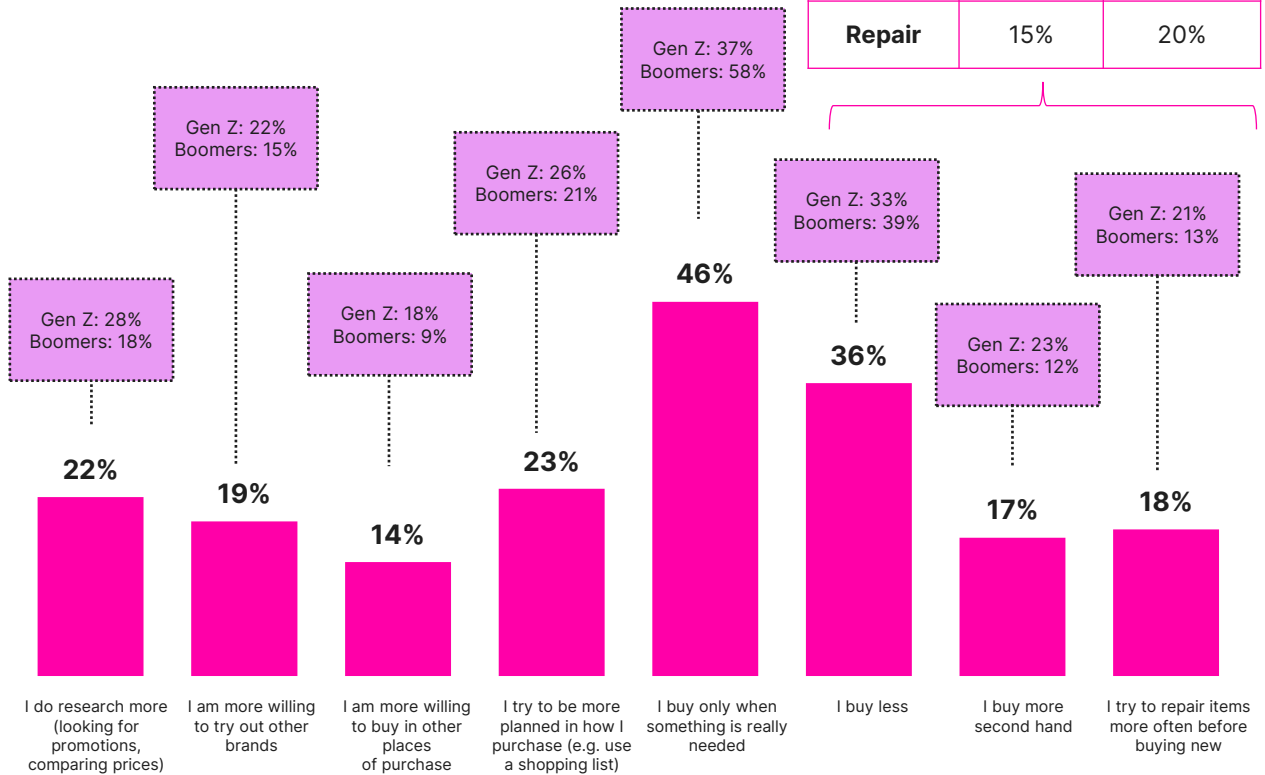
Inflation's impact on Purchase Patterns

Different groups of consumers across North America have responded differently to their diminished purchasing power.

Impact of rising cost of living on category decisions

(All consumers who are impacted by inflation)

	Fashion	Consumer Electronics
Second Hand	17%	17%
Repair	15%	20%



The most common strategies among shoppers pinched by inflation are:

To restrict purchases to when the item is really needed – almost half of respondents (46%) take this option. There is a generational split here, with 58% of Baby Boomers rethinking their spending in this way, compared with 37% of Gen Z.

To buy less – a full 36% of North American consumers simply put less in their baskets due to inflation. With this simple, stark option there is very little disparity (3%) between the oldest and the youngest consumer groups.

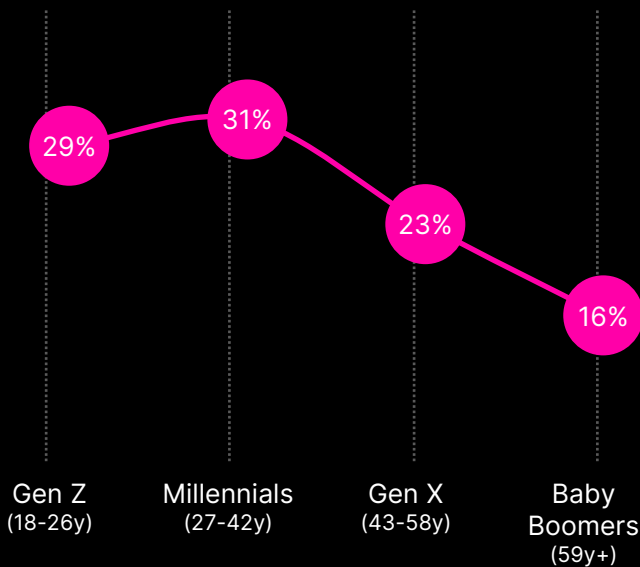
Shoppers are more thoughtful and strategic about purchases, planning their transactions more carefully with younger generations less willing to hold back on purchases. Instead, they prefer to do more research, plan their shopping, or try out different brands and channels. They are also more open to repairing items (21%) or buying them second-hand (23%), than Baby Boomers (at 13% and 12% respectively).

The “Premium Product” Outlier

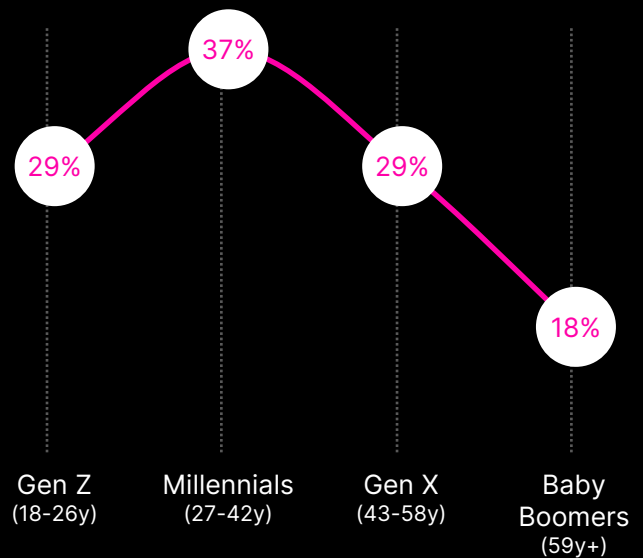
Despite the influence of cost-of-living increases on a more selective approach to spending, there is one category exception to consumers tightening their purse strings.

A lot of people still want to buy premium or luxury items – particularly younger consumers, and particularly online.

% of luxury/premium buyers



% of luxury/premium buyers online



There is a generational split with regards to luxury or premium product buyers across all channels (online and offline). Older shoppers show less inclination toward extravagant purchases, with Millennials the most likely to invest in luxury (31%). However, as more Gen Z-ers become employed and less reliant on their parents or guardians, this younger group could easily overtake their Millennial counterparts.

Meanwhile, our research data shows that most North American consumers are more likely to purchase premium products online than they are elsewhere.

Both Millennials and Gen X-ers are six percent more disposed to purchase luxury goods via the internet than in-store. Even in a time of economic austerity, there is a significant opportunity for brands to cultivate premium sales online.



Key Takeaways For Brands

This snapshot of current market dynamics, emerging trends and purchase preferences reveals several important takeaways for brand strategists.



Invest In Omnichannel:

Reaching all sections of the purchasing public requires engagement in a range of different channels to match their preferences. This will increasingly include emerging channels such as social and live shopping to reach younger audiences. It also means DTC brands may need to think about reinvigorating their strategies to encourage older consumers to purchase online. Most importantly, it means developing an integrated shopping experience across all platforms with friction-free paths to purchase.

Detect Opportunities And Threats From Cost-of-living Increases:

The tendency for inflation-impacted shoppers – particularly younger shoppers – to increase pre-purchase research and even trial new brands should trigger two separate strategies: 1) It's an opportunity to increase top-of-funnel awareness campaigns to improve visibility for customers in research mode. 2) During inflationary periods, brand loyalty may evaporate next to financial necessity, meaning organizations may need to invest in their retention and loyalty programs to deter shoppers from seeking cheaper alternatives.

Fan The Flame For Luxury Goods With Premium Online Experiences:

Shoppers' affinity for buying more premium products online presents a major opportunity to invest in a premium shopping experience designed to drive higher emotional engagement and loyalty.

Explore Affordable Options:

Where practical, creating a second-hand offering could serve a dual purpose for brands: appealing to budget-minded consumers while also attracting those prioritizing sustainability.