

# What retailers need to know for 2023 in 5 charts

Article

After experiencing a surge in growth in 2021, US retail sales growth began to slow last year, a pattern which will continue into 2023. According to our forecast, sales will rise by less than 3% this year, reaching over \$7.3 trillion.

Here are five charts about what is contributing to the slowdown, and what is driving growth for the retail industry.

## 1. Consumers' penny-pinching habits won't stop soon

## Shopping Habit Changes Among Adults in Select Countries due to Rising Prices, Sep 2022

% of respondents

	UK	Spain	Italy	Germany	France	US	Total
Shopping for deals	47%	46%	46%	57%	46%	40%	47%
Staying within a budget	45%	32%	40%	43%	43%	42%	41%
Buying less overall	36%	29%	25%	35%	34%	29%	31%
Buying items out of season to save	20%	28%	26%	33%	27%	22%	26%
Shopping online more	25%	20%	27%	21%	22%	24%	23%
Using more coupons	19%	22%	13%	35%	23%	24%	23%
Utilizing cash-back perks more	20%	20%	12%	34%	24%	21%	22%
Shopping more at outlet stores	10%	44%	26%	14%	11%	18%	21%
Purchasing more store brands/private label	23%	9%	10%	30%	12%	23%	18%

Source: First Insight, "The State of Consumer Spending: Inflation's International Impact," Sep 22, 2022

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Inflation will continue to pressure consumers this year, shaping shopping behaviors. Retailers who want to win customers need to prioritize value, using deals and discounts to score sales.

Expect to see more cutting back from consumers and more Prime Day-type events from Amazon and other retailers.

## 2. It's time to rethink loyalty

### As US Customers' Needs Change, So Does Their Loyalty



of consumers say good loyalty programs influence their purchases or make them more likely to do business with a brand<sup>1</sup>



of adults are less loyal to a brand due to rising costs<sup>2</sup>



of consumers canceled their membership-based programs to cut costs<sup>3</sup>

Source: <sup>1</sup>Bond, "The Loyalty Report 2022 USA" in partnership with Visa, June 2022;

<sup>2</sup>Dynata, "Global Consumer Trends Report: The Economic Crossroads," June 2022;

<sup>3</sup>PYMNTS.com and sticky.io, "Subscription Commerce Conversion Index," May 2022

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Speaking of winning over customers, let's talk loyalty.

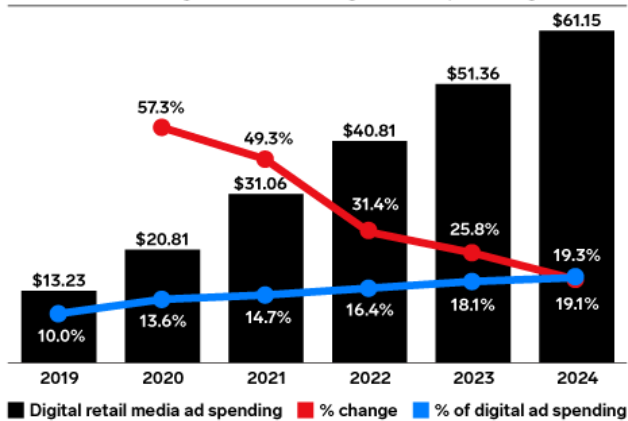
“The old-school approach to **loyalty programs** just isn’t going to cut it anymore,” said our analyst Paul Verna during our **virtual summit last year**.

Looking ahead, retailers need to reevaluate their loyalty programs to provide more value to customers, whether that’s through ad-supported tiers, expanded features, or partner development.

### 3. The reign of retail media lives on

#### US Digital Retail Media Ad Spending, 2019-2024

billions, % change, and % of digital ad spending



Note: digital advertising that appears on websites or apps that are primarily engaged in retail ecommerce or is bought through a retailer’s media network or demand-side platform (DSP); examples of websites or apps primarily engaged in retail ecommerce include Amazon, Walmart, and eBay; examples of retail media networks include Amazon’s DSP and Etsy’s Offsite Ads; includes ads purchased through retail media networks that may not appear on ecommerce sites or apps  
Source: eMarketer, March 2022

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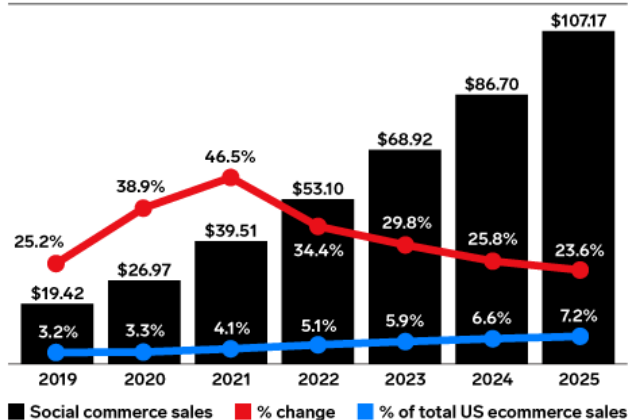
If 2022 was the year that retail media made a splash, 2023 may be the year it becomes a tidal wave.

While Amazon will see the lion’s share of ad revenues next year, both Walmart and Instacart will experience the strongest growth, increasing their ad revenues by 42% and 41%, respectively.

According to our analyst Andrew Lipsman, as the **third wave of digital advertising**, retail media will continue to pull dollar share from the duopoly of Google and Meta, both of which previously dominated the space.

### 4. Social commerce leans into discovery

**US Retail Social Commerce Sales, 2019-2025**  
billions, % change, and % of total US ecommerce sales



Note: includes products or services ordered via social networks and messaging apps, such as Facebook, Instagram, Pinterest, WeChat, Line, VK, and others, regardless of the method of payment or fulfillment; excludes travel and event tickets, tips, subscriptions, payments, such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling and other vice goods sales

Source: eMarketer, July 2022

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In 2023, **social commerce will see a “return to basics,”** according to our analyst Jasmine Enberg, meaning ads will be the primary driver of social shopping and sales.

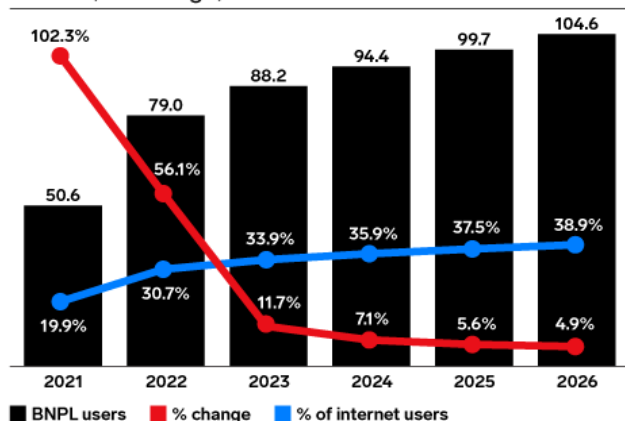
Instead of investing in proprietary checkout solutions, platforms will lean on the discovery aspect of social media.

TikTok, in particular, is well positioned. The platform is reportedly building fulfillment centers in the US and has recently brought its **TikTok Shop feature to US merchants.**

## 5. Buy now, pay later gains steam

## US Buy Now, Pay Later (BNPL) Users, 2021-2026

millions, % change, and % of internet users



Note: ages 14+; internet users who have accessed a buy now, pay later account digitally and have made a payment toward a purchase at least once in the past year; includes purchases of goods and services

Source: Insider Intelligence, June 2022

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Over the holidays, buy now, pay later (BNPL) use picked up as consumers looked for alternative ways to fund their shopping.

This year, BNPL will continue gaining users and growing payment value by 25.5% to reach \$94.87 billion. By 2026, nearly 40% of internet users will have used a BNPL solution.

At last year's Money20/20 event, our analyst Dan Van Dyke claimed that **BNPL 2.0** was coming, marked by new business models that are more customer-focused.

**The takeaway:** It's going to be another tough year, but there are some silver linings, specifically in the form of retail media and growing social commerce sales. Whether through discounts, bundles, or partnerships, retailers must play into what customers really want: getting more for less.

*This was originally featured in the Retail Daily newsletter. For more retail insights, statistics, and trends, [subscribe here](#).*