Netcore

State of Ecommerce and Retail Marketing 2024

North America

Contents

Leaky Ads Are Drowning Budgets...

The battleground for consumer attention has never been fiercer and ecommerce marketers are facing unprecedented challenges. Customer acquisition costs have soared to all-time highs, while Return on Advertising Spend has plummeted. Brands and marketers today need to look beyond traditional strategies for customer acquisition and engagement to fuel business growth.

Retail and ecommerce marketers are currently relying on a leaky bucket - spending an increasing percentage of their budgets to acquire and re-acquire shoppers while struggling to retain them. Ad waste is devouring precious resources without yielding desired results. The status quo has not been working for many post-pandemic retailers who are finding it challenging to drive profitable growth in today's environment.

Netcore's 2024 State of Ecommerce and Retail Marketing is designed to help brands and marketers adapt to the paradigm shifts in our space, and to make a business case for a new kind of investment in our marketing programs that can drive growth in the weeks and months ahead.

"For many brands, CAC has been rising **40-50%** annually. And yet, brands feel they have little or no choice but to continue spending because they have few alternatives to reach out to new digital customers. The result: brand profits are taking a hit, and Big AdTech amasses even more power with their profits."

Rajesh Jain

Founder and Group MD
Netcore Cloud

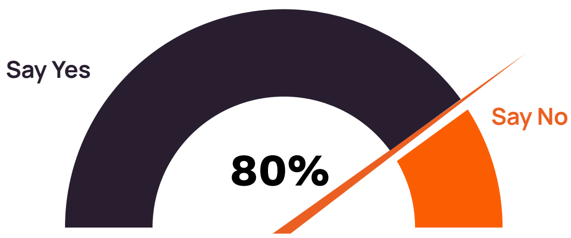
Market Trends

As the pace of digital transformation in North America continues to quicken, brands and marketers in the retail space need to stay agile and allocate resources where they can generate maximum impact.

1 Marketers Want to Spend More but Budgets Are Tight in 2024

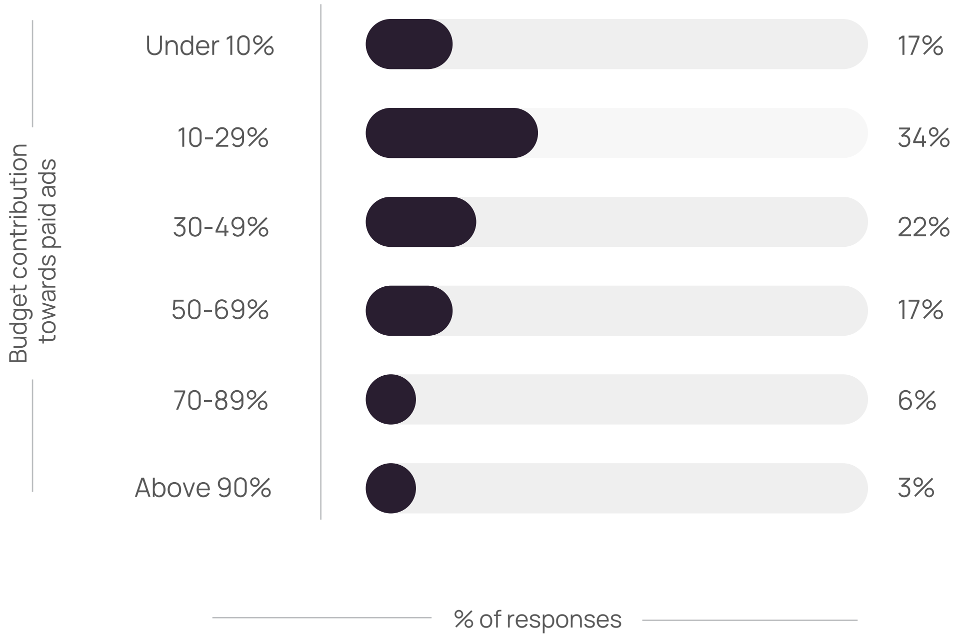
80% of retail marketers plan to invest more on enhancing shopping experiences in 2024. Additionally, **nearly 70% foresee budget limitations due to economic challenges as a major obstacle this year.**

Shopper Experience is the Focus



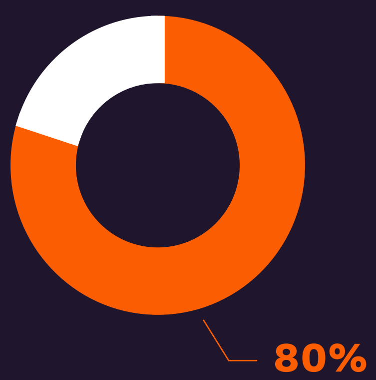
Question: Are you planning on allocating a higher budget to improve the shopper experience in the future?

One Out of Three Marketing Dollars Are Being Allocated to Paid Media



Question: What percentage of your marketing budget is allocated towards paid ads?

- Marketing leaders today are allocating a significant portion (on average - 35%) of their budget to paid ads for customer acquisition.
- 1 in 4 marketing leaders will allocate over 50% of their marketing budgets towards paid ads this year.



80% of all marketers anticipate that rising customer acquisition costs (CAC) will significantly impact business operations in 2024.

Question: Do you anticipate rising CAC to affect business operations in 2024?

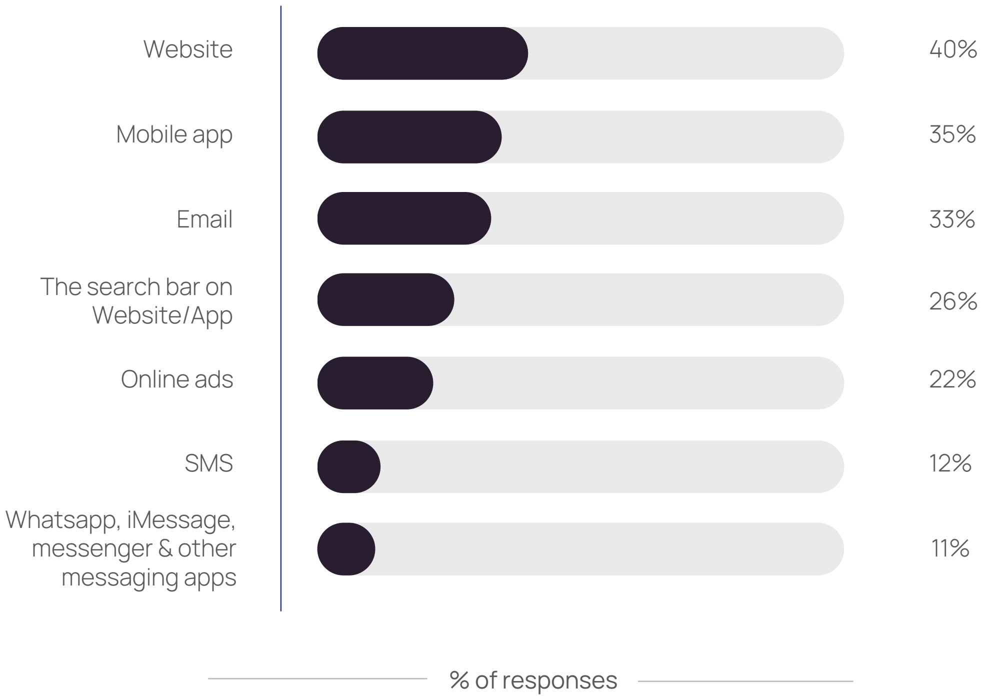
2 Shoppers Are Creeped Out by Over-personalized Ads

Personalization can go too far, especially when based on inferred customer data, and 60% of customers today are often frustrated by the ads they receive. This discomfort leads to low ROAS for brands and marketers.

Agree or Disagree: I sometimes feel the level of personalization I receive from brands I follow is creepy.

3 Hidden Priorities for Business Growth

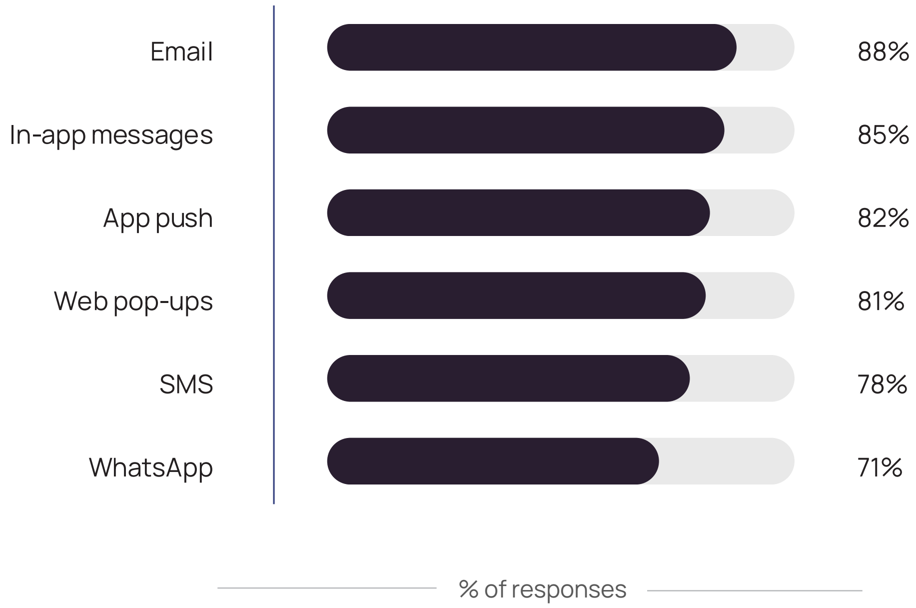
Retail and ecommerce marketers should focus on areas that address customers' desired improvements for 2024. Forty percent want improved web experiences for more seamless browsing, 35% want enhanced mobile app usability, 1 in 3 desire better emails, and over 1 in 4 crave smarter web and app searches to help them more easily find what they're looking for.



Question: What are the areas of improvement you are looking for as shoppers?

4 Paid Ads are Outshined by Other Marketing Channels

In today's environment channels like email, SMS, web messages, and WhatsApp deliver a higher Return on Investment (ROI) than paid ads.



Question: How effective is 'marketing channel' in generating more ROI than paid ads?

88%
more effective in producing ROI than paid ads

Email

Known for its cost- effectiveness as a backbone of marketing campaigns and programs. The channel also generates max ROI.

85%
more effective in producing ROI than paid ads

In-app messages

Foster enhanced user interaction and engagement in-app by sharing personalized messaging on mobile.

81%
more effective in producing ROI than paid ads

Web pop-ups

Simple to implement and known to capture shopper data at various steps - welcomes, website visits etc.

82%
more effective in producing ROI than paid ads

App push

Cost effective way of reaching mobile customers.

71%
more effective in producing ROI than paid ads

WhatsApp

50% of North American Gen Z and millennials use it.

5 Email is Still The Workhorse

While paid advertisements play a pivotal role in customer acquisition, they have a big impact on a company's bottom line: Over one-third of all marketing budgets will be allocated to paid acquisition in 2024.

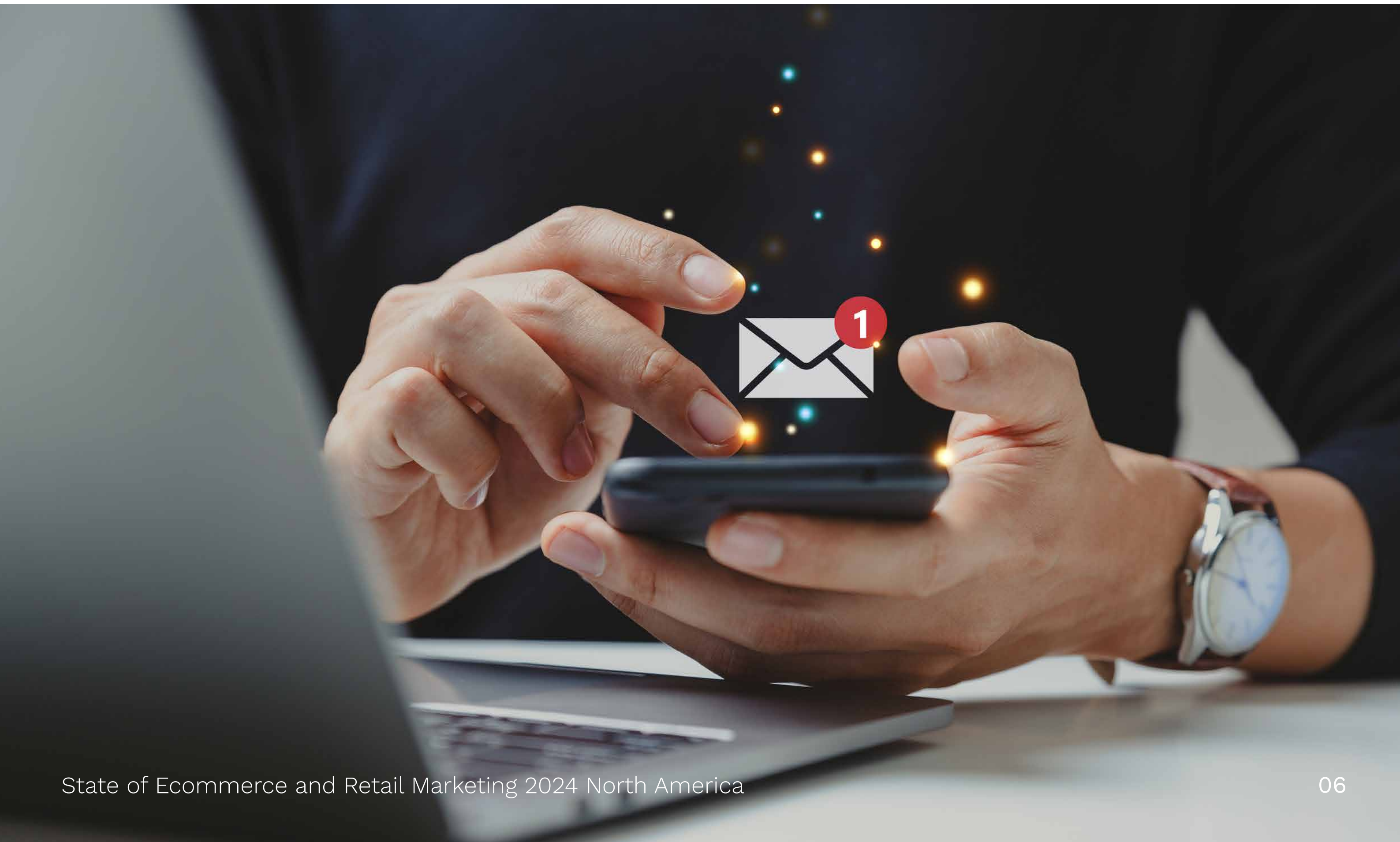
Far less is allocated to email marketing, but it still represents the cornerstone of most brand's customer engagement strategies and contributes to a significant portion of overall revenue for many retailers.

30%

Contribution to total marketing revenue in North America

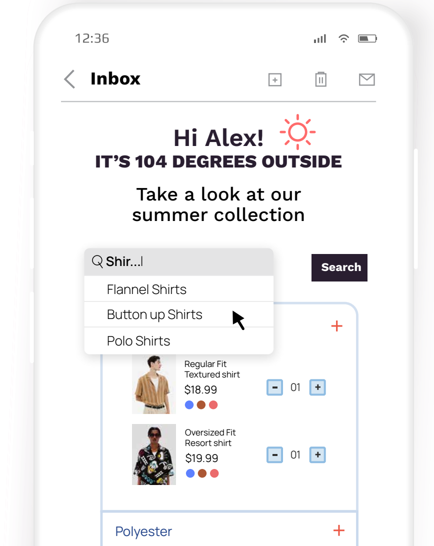
Email

Email marketing remains an enduring cornerstone of digital communication. Its versatility allows for targeted, segmented campaigns that resonate with diverse audiences. The revenue contribution underscores the potency of well-crafted email strategies, delivering tailored content, promotions, and personalized recommendations that prompt customer action.

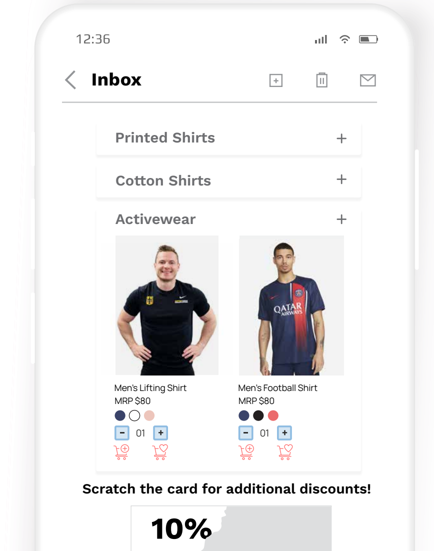


Inbox Commerce
A Portal to Convenience

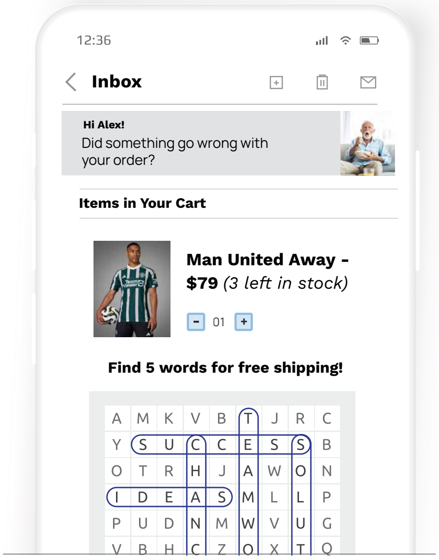
Have you ever considered the possibility of incorporating mobile and web experiences directly into the shopper's email inbox? With Inbox Commerce, you can!



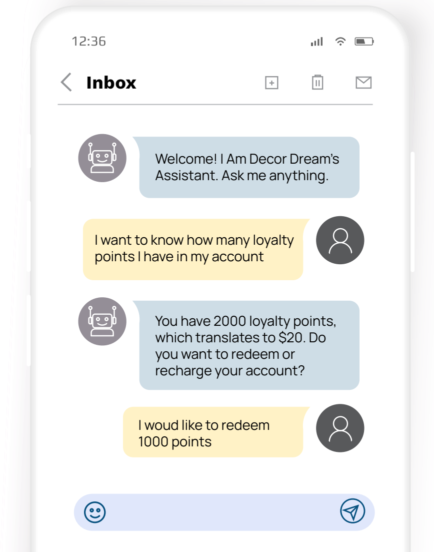
In-mail Search Bar



Cart 2.0



Gamification

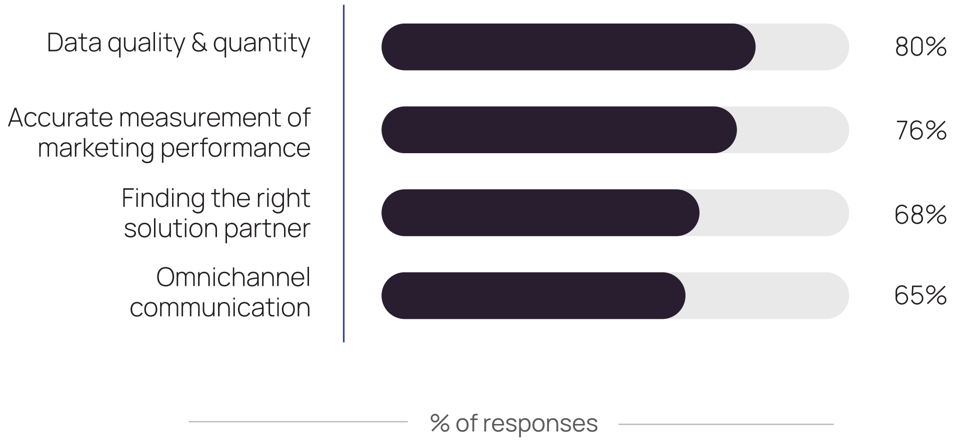


AI Chatbot

Ready To Scale Your Email Marketing Program? Lets's Talk

Request a 1:1 Demo

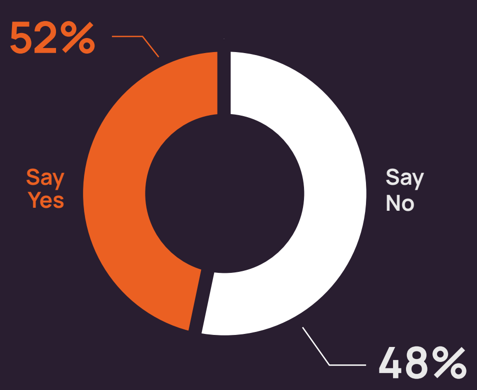
6 The Biggest Hurdles for CMOs in 2024



Question: What according to you are the biggest challenges to offering persoanlized retail experiences to shoppers?

Netcore's study **"State of Multi-Channel Marketing 2023"** revealed ongoing challenges like data quality(80%), quantity, and performance measurement (76%). Additionally, two other primery hurdles have caught the attention of North American brands and retailers:

- **Finding the right solution partner (68%):** Collaborating with the right partners and vendors is increasingly critical to ensuring overall ecommerce success.
- **Omnichannel communication (65%):** Implementing seamless and cohesive communications across various channels is vital to engage customers consistently and enhance their overall shopper experience.

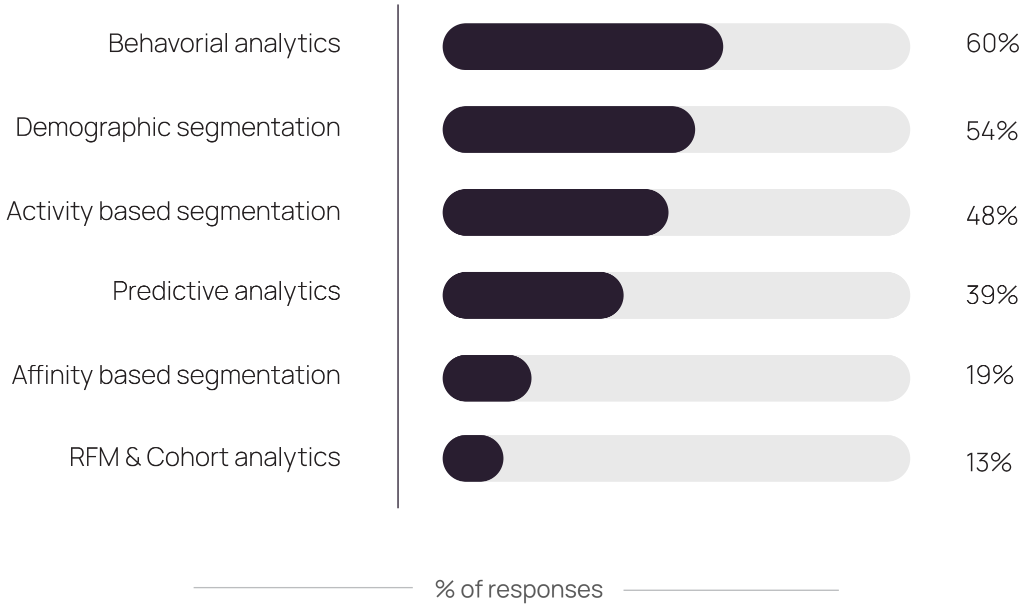


Predicting Intent Effectively is a Need of the Hour

Focusing on shopper intent requires addressing both data quality and quantity. Nearly 50% of marketers struggle to forecast consumer behavior, a critical aspect for delivering personalized experiences.

Either/Or: Can you predict shopper behavior effectively in 2024?

7 How Are Brands Segmenting Their Shoppers?



Question: How do you identify/segment your existing customer base?

Behavioral analytics

60%

Analyzing shopper activities, interactions to study customers and offering them resonating experiences is the most common practice.

Demographic segmentation

54%

Utilizing age, gender, education, and occupation for customer segmentation is common among brands.

Predictive analytics

39%

To use predictive analytics brands need to build AI models to forecast customer behavior based on historical and transactional data.

Affinity based segmentation

19%

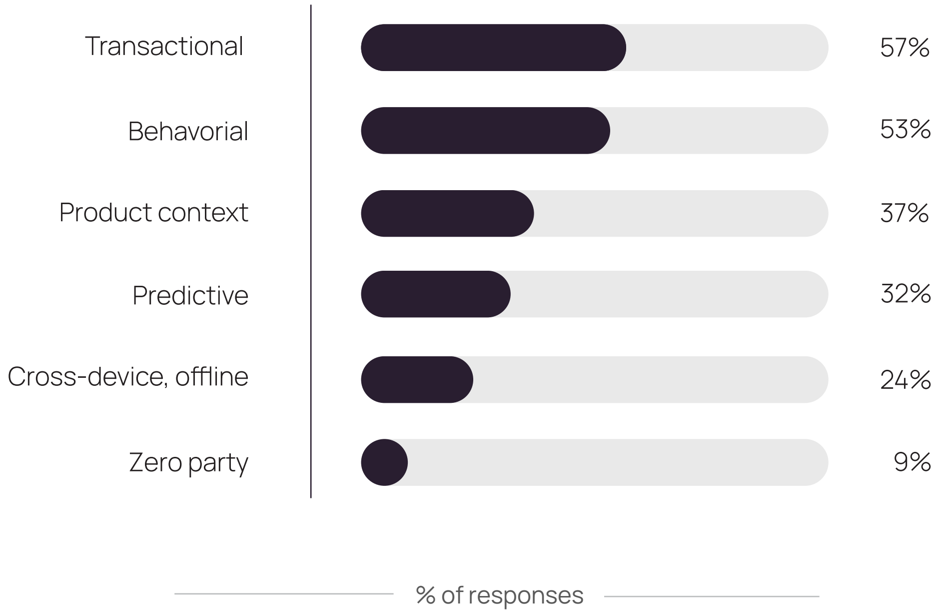
Segmenting customers based on shared interests, prefrences or characteristics for targeting is not as widely used. Brands should leverage this strategy.

RFM and cohort analysis

ONLY 13%

Not enough brands are utilizing Recency, Frequency, Monetary (RFM) value analysis and cohort analysis for customer segmentation.

8 Traditional Data Sets are Restricting Brands



Question:. What are the top data types you use to personalize shopping experiences?

Brands typically prioritize demographics and transactional data but often neglect zero-party data, missing valuable insights into shopper intent. More brands are leveraging cross-device and offline data and even product context data as a sum. Predictive data, the bedrock of proactive marketing campaigns is being leveraged by less than 1 in 3 brands.

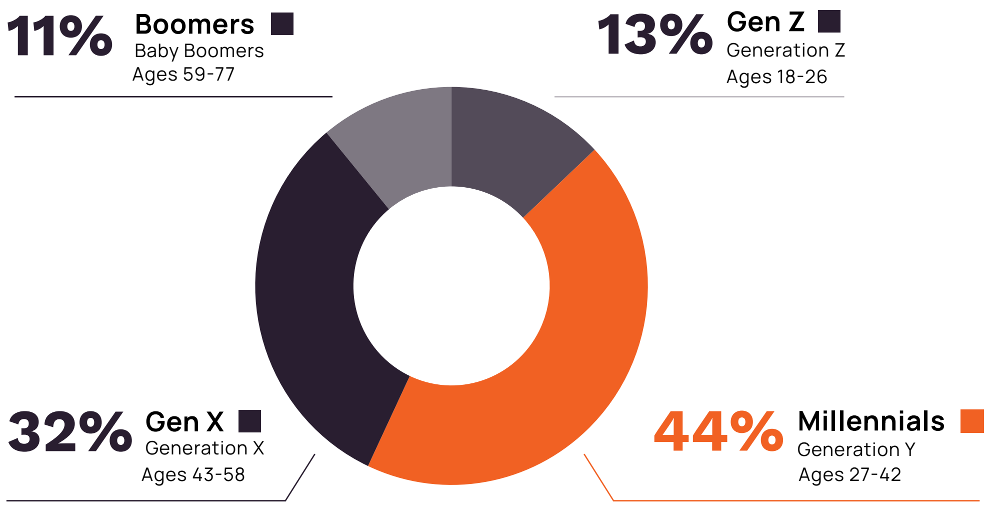
Zero-party data
ONLY 9%

While large organizations like Amazon meticulously organize customer data, they also harness zero-party data. This information is willingly shared by customers, including preferences, feedback, and survey responses, granting explicit insights into their interests and needs.

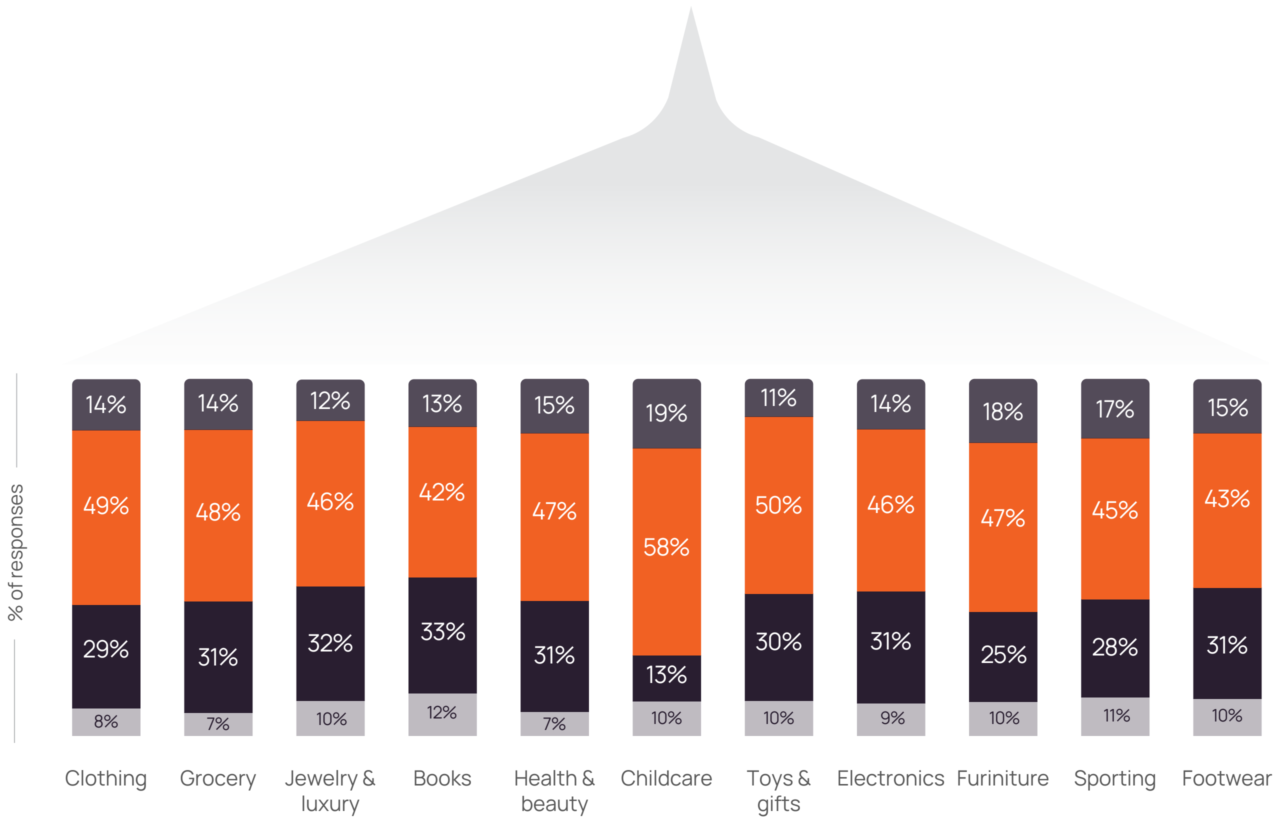
Product context data
37%

Product context data adds the "why" to product info. It reveals how, where, and why people use a product, giving a clearer picture for better decisions. It is a backbone for analyzing customer sentiments.

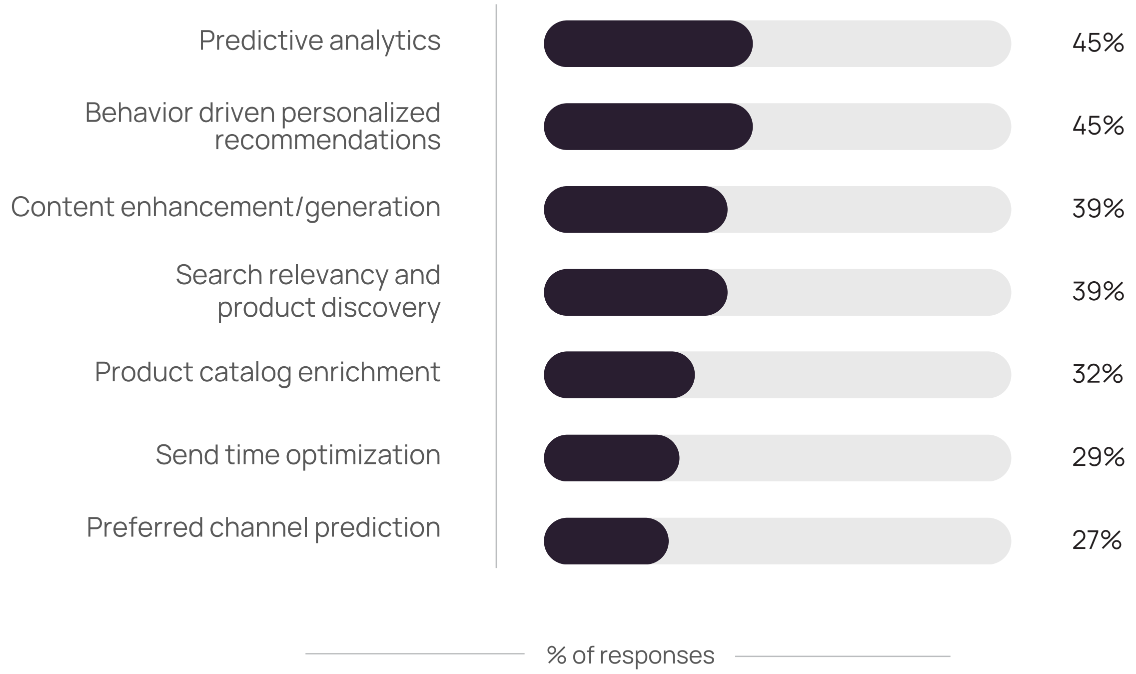
9 The Hottest Customer Segments



Question: What target demographic is the most important for your company's growth?



10 Retail's Blind Spot: Why AI is the Untapped Goldmine



Question: What AI/ML features are you leveraging to bolster your marketing efforts?

Modern shoppers want tailored experiences. Upwards of 14% of US marketing leaders aren't effectively utilizing Artifitial Intelligence (AI), missing a huge opportunity to drive marketing efficiency and efficacy. Brands should be leveraging AI for:

Personalized recs
45%
AI analyzes past habits and behaviors of shoppers to suggest tailored product recommendations, this streamlines the overall shopping experience for the better, leading to higher engagement and conversion rates.

Catalog enrichment
32%
AI enhances product descriptions for easy browsing.

Content & search
39%
AI makes searches and content more personalized.

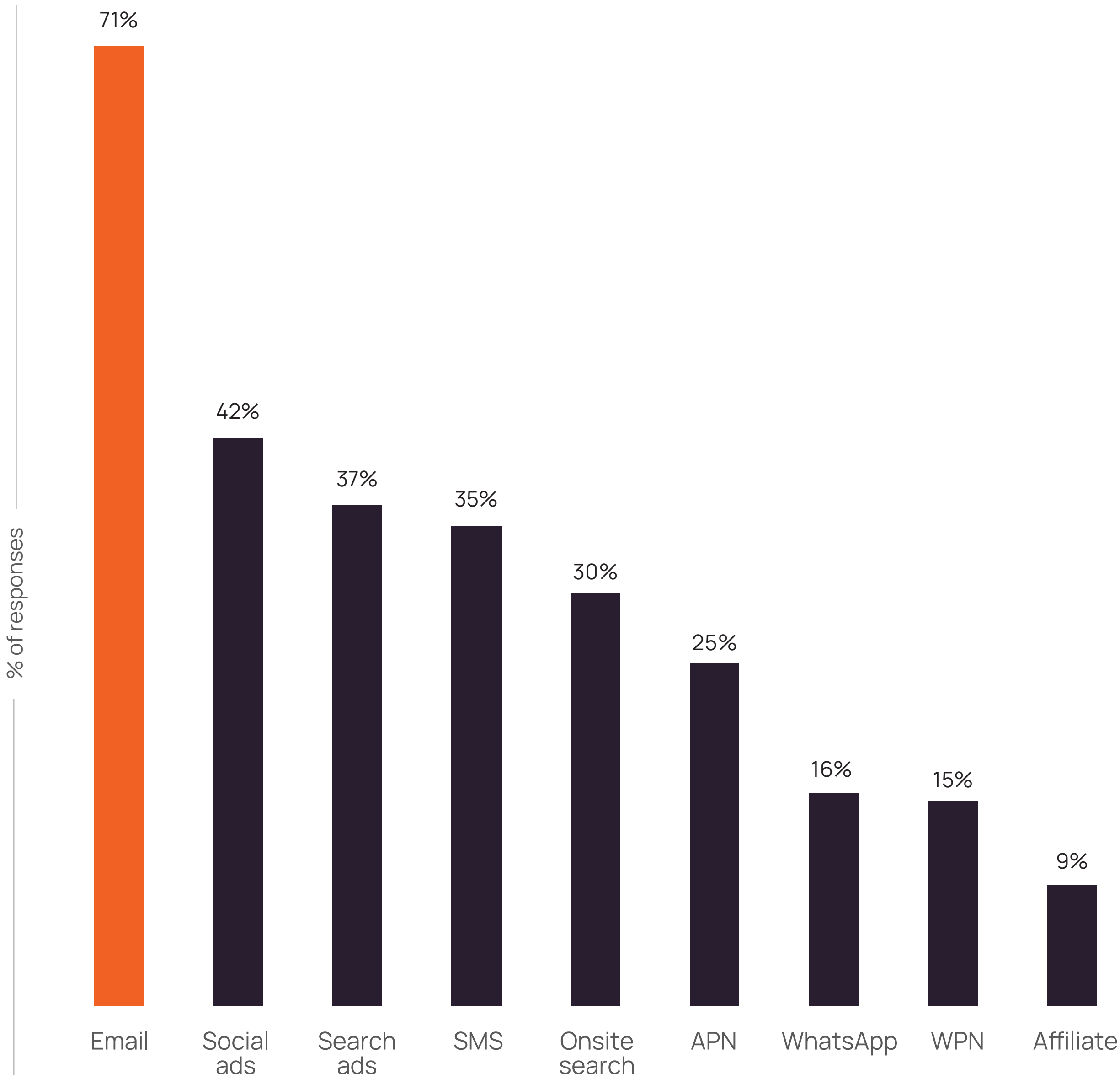
STO
29%
AI identifies the moment to send emails based on clicks.

Channel prediction
27%
AI determines communication channels for individuals.

Ecommerce and Retail Benchmarks

The current market headwinds we face demand precise navigation. Let the following benchmarks serve as your compass to guide you towards optimal strategies and to reveal growth opportunities.

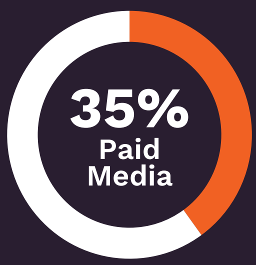
11 Where Have Marketers Tried Personalizing in the Last Twelve Months?



Question: Where have you tried personalizing the shopper experience in the past 12 months?

While brands prioritize improving the shopping experience, investments reveal a somewhat uneven distribution across channels.

In 2024, most marketers focused on personalizing the shopping experience via email, driven by increasing CAC and decreasing ROAS. The channel also contributes to 30% of North American marketing revenue.

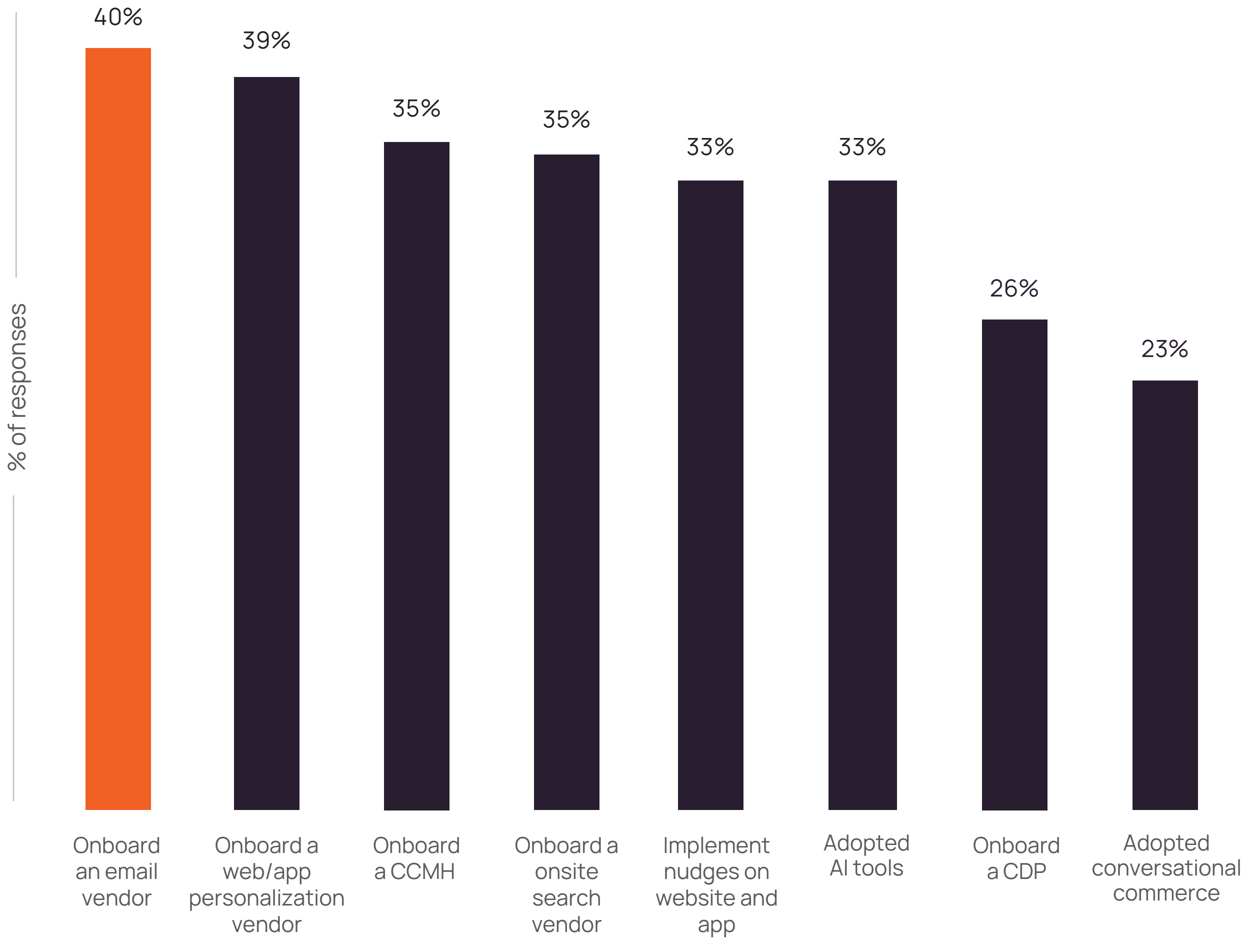


Despite declining ROAS, many businesses use ads for customer acquisition. However, 60% of shoppers find paid ads intrusive and creepy, and experience frustration while navigating across channels in the day to day shopper journey.

Shoppers must be provided with the products they want to buy, hence, businesses are improving their on-site search to boost product discovery. 84% of shoppers buy online regularly, so seamless website discovery is vital.

In the US, over 50% of mobile users, especially those aged 18 to 35, use the channel and there are almost 3B active users globally. Moreover, most marketers in these regions agree that WhatsApp substantially enhances their ROI.

12 What Steps Have Brands Taken to Personalize Experiences in 2023



Question: What steps have you taken to personalize your channels in the last 12 months?

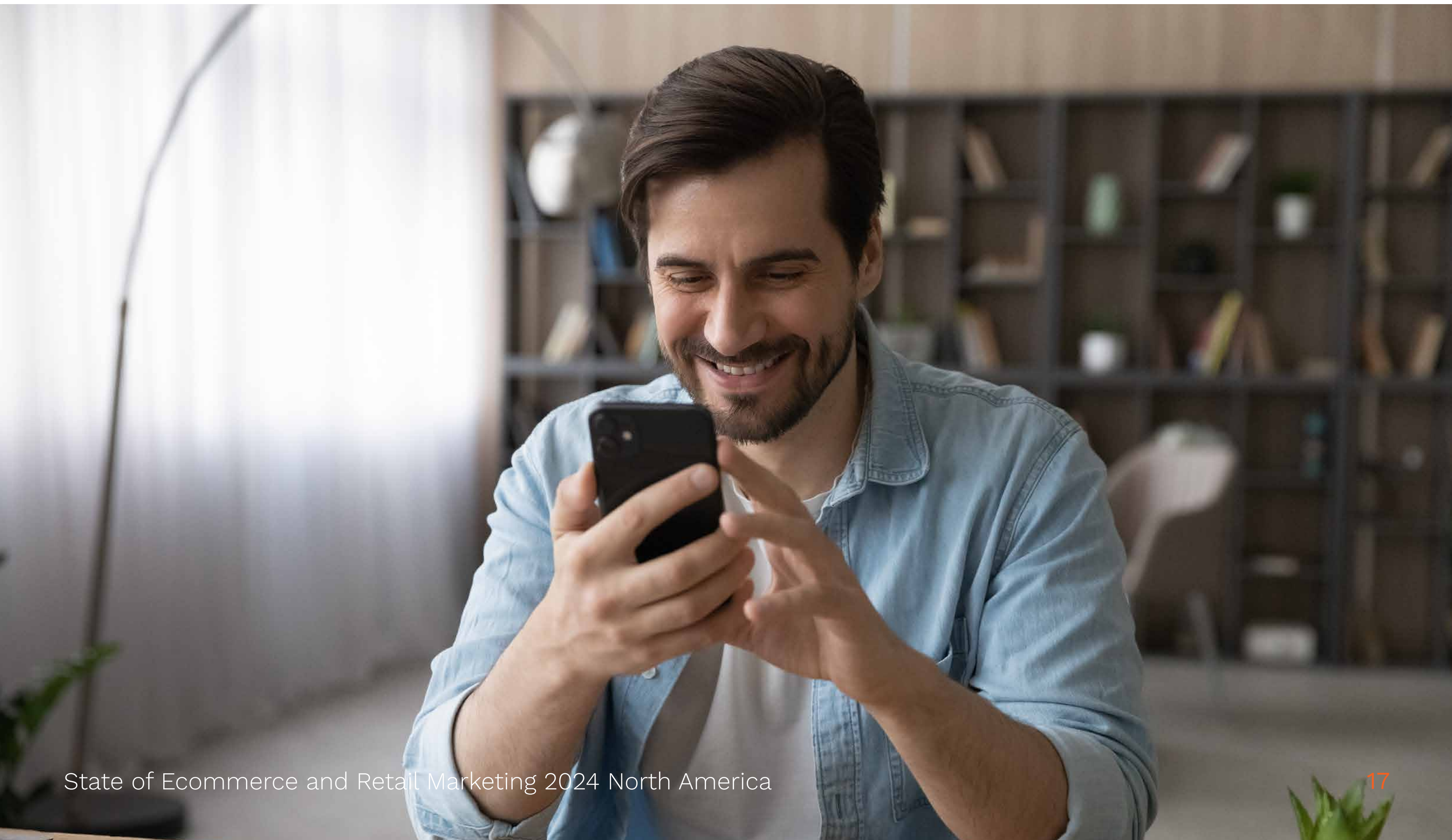
E.S.Ps (40%) - Brands continue to invest in email vendors due to their high ROI potential. Ensuring exceptional shopper experiences through email is crucial, leading brands to focus on selecting the ideal ESP to avoid future transitions.

Personalization Vendors (39%) - With the growing shift to online shopping, brands are seeking to onboard vendors to curate consistent online shopping experiences that resonate with customers across channels like web, app, SMS, WhatsApp.

Cross Channel Marketing Hubs (CCMH) (35%) - Brands are urged to weave customer data, tailor experiences, optimize campaigns, and drive growth. Cross Channel Marketing Hubs (CCMH) effectively unify customer experiences across all channels.

Brands can expect to see **10x ROI** by **personalizing shopping experiences**

Investing in personalized shopping experiences delivers incredible ROI for brands. In fact, data shows that personalization can lead to a 10x return on investment. This means that for every dollar spent on personalizing the customer journey, brands can expect to see $10 in return.



13 Conversion Benchmarks

Footwear	Sporting goods	Furniture	Electronics	Toys and gifts
1.45	**1.44**	**1.37**	**1.37**	**1.37**
Health and beauty	**Books and magazines**	**Jewelry and luxury**	**Grocery food and drink**	**Clothing and apparel**
1.31	**1.39**	**1.39**	**1.43**	**1.33**

Average Conversion Rates Across Industries

The average conversion rate for mobile apps and websites stands at 1.3%. However, by implementing personalization strategies, brands have witnessed a remarkable almost 14% increase in conversion rates. This translates to a substantial boost in sales and revenue, highlighting the effectiveness of personalization in driving user action.

Conversions Increases 14% Post Personalization

Footwear	Sporting goods	Furniture	Electronics	Toys and gifts
14%	**16%**	**14%**	**16%**	**14%**
Health and beauty	**Books and magazines**	**Jewelry and luxury**	**Grocery food and drink**	**Clothing and apparel**
13%	**15%**	**15%**	**14%**	**13%**

Average Conversion Rate Increments Across Industries
Post Personalization

14 AOV Benchmarks

Footwear	$69
Sporting goods	$80
Furniture	$80
Electronics	$77
Toys and gifts	$60
Health and beauty	$70
Books and magazines	$60
Jewelry and luxury	$71
Grocery food and drink	$87
Clothing and apparel	$61

Average AOV Across Industries

The average AOV for brands sits at $72. Implementing personalization strategies has proven to be a game-changer in this area as well, with brands experiencing an average increase of 11% in AOV. This suggests that personalized experiences not only encourage users to convert but also motivate them to spend more, leading to higher revenue per customer.

AOV Increases 11% Post Personalization

Footwear	10%
Sporting goods	12%
Furniture	12%
Electronics	11%
Toys and gifts	10%
Health and beauty	10%
Books and magazines	11%
Jewelry and luxury	10%
Grocery food and drink	14%
Clothing and apparel	10%

Average AOV Increments Across Industries
Post Personalization

15 Repeat Purchase Rate Benchmarks

Footwear	Sporting goods	Furniture	Electronics	Toys and gifts
25%	**26%**	**25%**	**24%**	**26%**

Health and beauty	Books and magazines	Jewelry and luxury	Grocery food and drink	Clothing and apparel
24%	**27%**	**24%**	**26%**	**25%**

Average Repeat Purchase Rate Across Industries

Building customer loyalty is crucial for long-term success. The average repeat purchase rate for brands is 25%. By leveraging personalization, brands have witnessed a 13% increase in this metric. This demonstrates how personalized experiences foster stronger customer relationships and encourage them to return for future purchases.

Repeat Purchase Rate Increases 13% Post Personalization

Footwear	Sporting goods	Furniture	Electronics	Toys and gifts
12%	**13%**	**13%**	**13%**	**13%**

Health and beauty	Books and magazines	Jewelry and luxury	Grocery food and drink	Clothing and apparel
12%	**13%**	**12%**	**15%**	**11%**

Average Repeat Purchase Rate Increments Across Industries
Post Personalization

16 On Site Search Benchmarks Post Personalization

Footwear	Sporting goods	Furniture	Electronics	Toys and gifts
12%	12%	12%	12%	12%
Health and beauty	**Books and magazines**	**Jewelry and luxury**	**Grocery food and drink**	**Clothing and apparel**
10%	11%	9%	15%	10%

On Site Search Increases Conversion by 11% Post Personalization

On-site search improves conversion rates by enhancing user experience and facilitating quicker, more relevant access to desired products or information. A robust search function streamlines navigation, reducing friction in the user journey. Accurate search results, filters, and suggestions cater to user intent, fostering engagement.

17 Retention Rate Benchmarks Post Personalization

Footwear	Sporting goods	Furniture	Electronics	Toys and gifts
19%	19%	18%	17%	16%
Health and beauty	**Books and magazines**	**Jewelry and luxury**	**Grocery food and drink**	**Clothing and apparel**
16%	16%	17%	19%	17%

Most Brands Have A 30 Day Retention Rate Of 17%

18 Cart Abandonment Rate Benchmarks Post Personalization

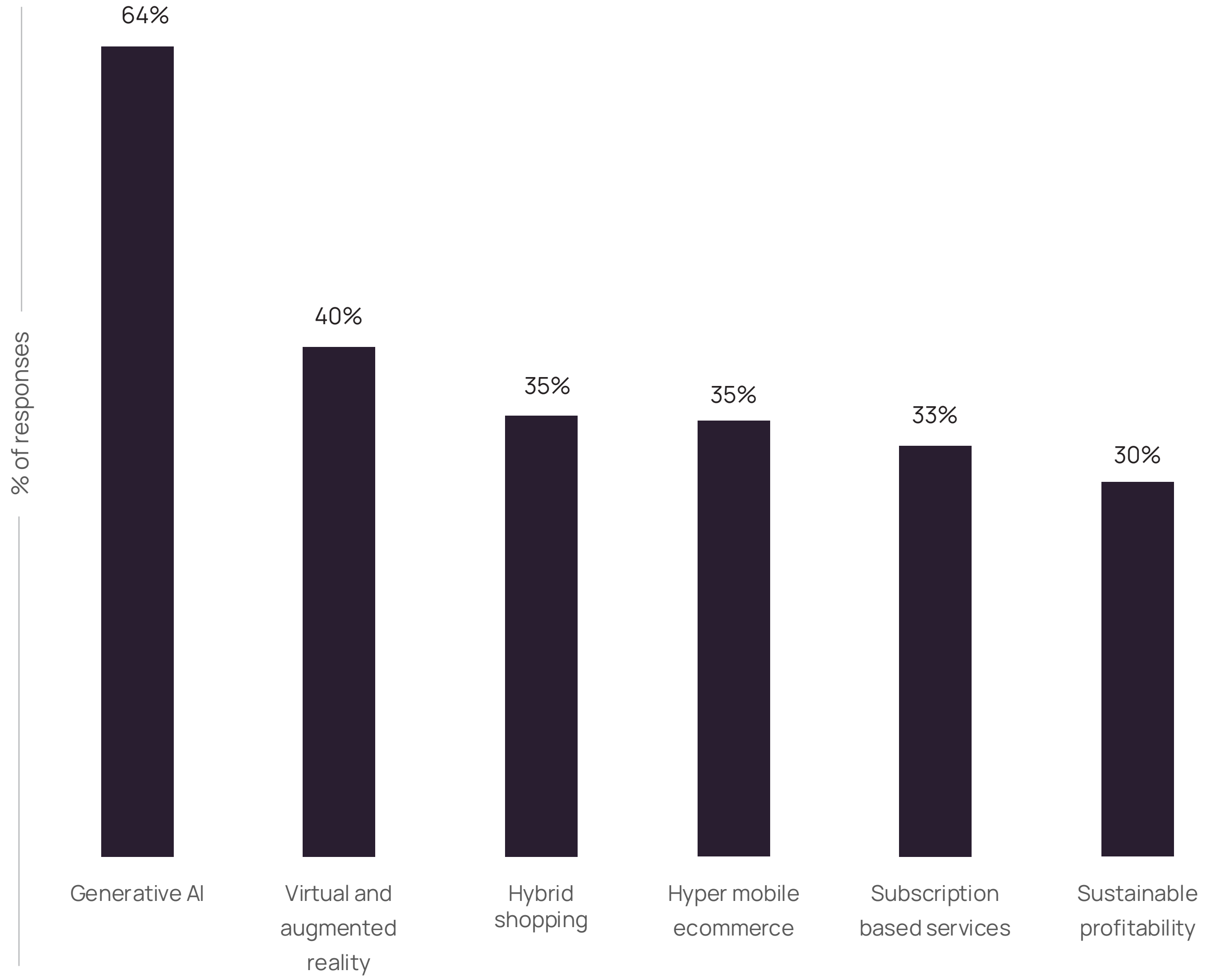
Footwear **9%**	Sporting goods **10%**	Furniture **10%**	Electronics **9%**	Toys and gifts **9%**
Health and beauty **8%**	Books and magazines **9%**	Jewelry and luxury **8%**	Grocery food and drink **11%**	Clothing and apparel **8%**

Most Brand's Cart Abandonment Rate is 9%

Expectations for 2024

As we approach 2024, the retail landscape is poised for significant transformation. Technological advancements and changing consumer expectations are driving brands to adopt innovative strategies to stay ahead of the curve.

19 Trends That Will Reshape Retail in 2024



Question: In your opinion what trends will shape the retail landscape?

1. Generative AI: 64% expect a major impact

Generative AI, capable of creating original content like text, images, and even code, is set to revolutionize the shopping experience. Brands will leverage it to personalize product recommendations, generate marketing materials, and even design customized products. This will lead to more engaging and personalized experiences for consumers, driving higher engagement and sales.

By 2026, 80% of advanced creative roles will be tasked with harnessing GenAI to achieve differentiated results.

Gartner: Marketing Predictions 2024

2. VR/AR: Nearly 40% anticipate its growth

Virtual reality (VR) and augmented reality (AR) are rapidly evolving, blurring the lines between the physical and digital worlds. Consumers will embrace VR shopping experiences, trying on clothes virtually and visualizing products in their homes. AR will enhance in-store experiences, providing interactive product information and wayfinding assistance.

3. The rise of hybrid shopping: 35% predict its prevalence

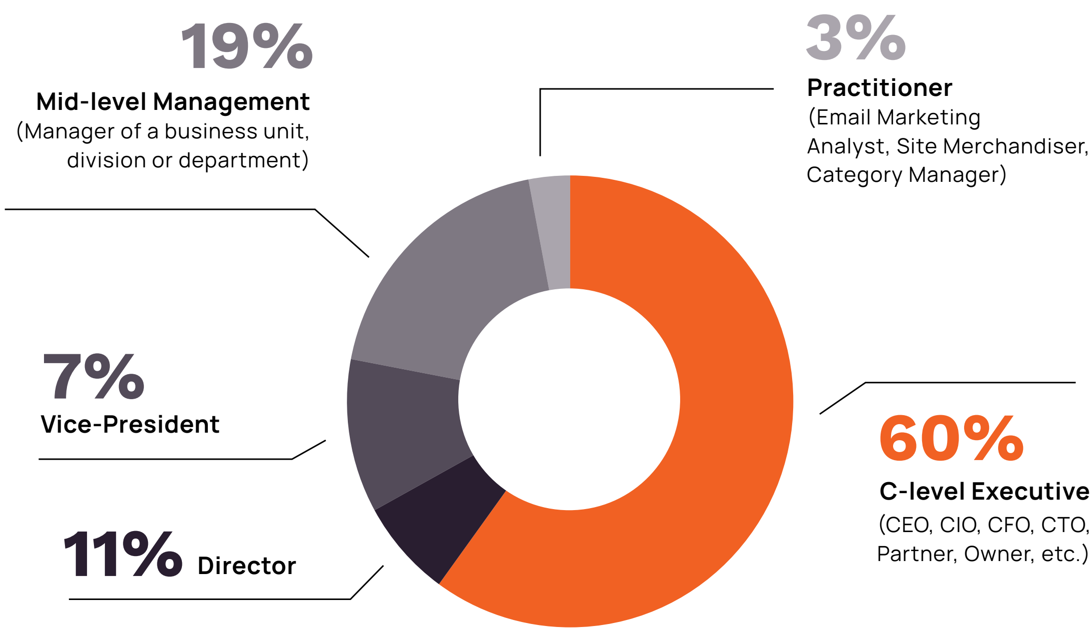
The lines between online and offline shopping will continue to blur, creating a seamless hybrid experience. Brands will leverage omnichannel strategies, offering click-and-collect options, in-store pickup, and personalized recommendations across all touchpoints. This will provide greater convenience and flexibility to consumers, enhancing their overall shopping journey.

4. Hyper-mobile commerce: 35% forecast its dominance

Mobile devices will remain the primary shopping platform, with consumers increasingly utilizing them throughout the entire purchase process. Brands will need to create mobile-first experiences, optimizing their websites and apps for seamless browsing, product discovery, and checkout. This will require a focus on mobile-specific features like voice search, augmented reality integration, and frictionless payment options.

About Our Research

In Q4 of 2023, Netcore and Dynata conducted research targeting marketing leaders. Our survey included responses from employees ranging from directors to CXOs and over 300 executives worldwide. We selected respondents based on budget allocation, adopted strategies, and confidence in technologies. Utilizing skip ordering, randomization, and screener questions, we ensured data accuracy. No personally identifiable information or observed purchase behavior was collected or used. Unauthorized reproduction or distribution of this research is strictly prohibited. For more information on Netcore, **visit netcorecloud.com,** and for Dynata, **visit dynata.com.**



Why Choose Netcore? We Deliver

35B Emails/ Month	**40B** App Push/ Month	**30B** On-site Searches/ Month
20B Web Push/ Month	**6B** SMS/ Month	**200M** WhatsApp Messages/ Month

Results You Can Count On

42X Marketing ROI	**40%** Increase in AOV	**140%** Increase in conversions
159% Add-To-Carts	**400%** Increase in ROI	**25%** Add-To-Carts

Brands That Trust Us

Our Partners

TALK TO US

Scale Your Marketing Program While Increasing Average Order Value, Purchase Frequency, and Revenue With Netcore

Netcore

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