

# Growth amid uncertainty – Understanding new global consumer behaviours to grow businesses internationally

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The sudden onset of the covid-19 pandemic saw businesses having to rapidly adapt in response to forced closure of physical spaces and restricted mobility of consumers. This unprecedented shock led to a surge of e-commerce across economies. In 2022, vaccine rollouts and easing of physical restrictions initially boosted consumer spending in Europe and North America. However, the war in Ukraine and rising energy costs, combined with record levels of inflation, will contribute, albeit in varying degrees, to an economic downturn across markets this winter, diminishing consumer confidence and purchasing power. At a time when price is increasingly important for consumer choice, businesses need to understand how to further develop value propositions to increase and retain customers. They will need to address consumer needs and the main factors influencing their spending decisions. They must then quickly adapt in response.

## Consumer sentiment across geographical fault-lines

The current energy supply crunch and high levels of inflation have not affected all markets equally. With the easing of social restrictions and the onset of the European cost of living crisis, Europe is now experiencing a slower growth in e-commerce than the US and Asia.<sup>1</sup> Asian markets are experiencing “much higher consumer sentiment as they are not feeling the cost of living crisis, and consumer mindsets are not changing as a result,” says Stephanie Firth, principal consultant in online retail and e-commerce development at Pattern. In contrast, consumer pessimism remains high in Europe. The region “is preparing for a recession and you see consumer trends of trading down and prioritising price,” adds Ms Firth, including through increasing cross-border online purchasing to find affordable options.

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## It's not just about price

One major consideration for the average consumer is price. Extreme levels of inflation have reduced purchasing power. This, coupled with the ongoing supply-chain disruptions, has diminished consumer choice, further emphasising the importance of price. However, consumers are now paying greater attention to the sustainability and ethics of products, and this is becoming another major consideration when making decisions about purchases.

The rise of sustainable consumption presents opportunities for businesses and they must recognise the importance of tapping into environmental, social and governance (ESG) initiatives to retain market share. Pete Mento, former global head of procurement and products at Wayfair, claims that “companies are constantly being asked what they are doing to lessen their impact on carbon footprints and energy consumption.” This plays out in the data on consumer behaviour. A 2022 UK-based survey finds that over half (54%) of respondents are choosing to buy more seasonal produce and 40% are choosing to shop from environmentally sustainable brands.<sup>2</sup> “Brands that support specific ideas will attract specific consumers in the market,” adds Mr Mento.

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While in this period of uncertainty price remains the primary driver, consumers are not necessarily willing to pay more for sustainable products, according to Stephanie Firth of Pattern. Businesses that prioritise sustainable manufacturing and supply chains while attempting to maintain affordable prices will be best placed to attract and retain consumers.<sup>3</sup>

## E-commerce and digitisation: Adapting to a hybrid world

The pandemic encouraged businesses to focus on agility as consumers pivoted to digital channels. Companies invested heavily in digitisation and their online presence and rapidly expanded their e-commerce capabilities. Private consumption contracted by 8.6% in Europe in 2020,<sup>4</sup> yet the share of online purchases rose significantly in the same period, from 28.4% to 39.8% in the UK, for instance. The US experienced a smaller 4.1% increase in the share of e-commerce, likely due to less stringent social mobility restrictions and lower levels of e-commerce pre-pandemic.<sup>5</sup>

Historically, e-commerce had been a pathway to more affordable pricing. According to Stephanie Firth, however, this is no longer the case. When consumers with a fixed budget choose between domestic and international purchases, they will value “social proof, trusted markets and efficient delivery times,” she says. Ms Firth argues that e-commerce now serves as a mechanism through which to support physical stores as consumers still value in-person shopping. The Economist Intelligence Unit forecasts slowing global growth of online retail sales in 2022, with an increase of just 12.6%, down from 23.7% in 2021.<sup>6</sup> While e-commerce trends are still growing, they are not maintaining the rapid growth that they experienced during the pandemic and that they were forecast to sustain.

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Shifting operations online put businesses in good stead during the pandemic, but to attract and retain consumers today they must adapt to a hybrid model of online and offline presence. They should view e-commerce “within an omnichannel approach, to see how e-commerce can better support physical stores,” says Ms Firth. They would do well to invest in artificial intelligence (AI) and automation technologies to optimise storage and logistics mechanisms in order to reduce costs and boost efficiency, create “connected” stores and offer personalised in-store customer experiences by analysing consumers’ demographic, behavioural and transactional data.



## An eye to the future

Consumer trends will continue to evolve, as always, and businesses will have to respond, factoring in differences in the markets in which they have invested across the globe. In the lead-up to this year’s peak holiday season, businesses need to remain sensitive to consumers’ reduced purchasing power at a time of high inflation. They must also modify their sourcing and manufacturing processes to meet the increased demand for sustainable products. Furthermore, in today’s hybrid world, businesses will need to respond to shifting consumer behaviour in real time and continue their digitisation efforts in order to remain competitive. Those that focus solely on either e-commerce or physical stores rather than adopting an omnichannel approach will miss out.

**The success of businesses growing internationally depends on an understanding of global and regional consumer trends. Explore these trends to determine what they mean for the future.**

## References

<sup>1</sup> <https://www.shopify.co.uk/enterprise/global-e-commerce-statistics#3>

<sup>2</sup> <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/sustainable-consumer.html>

<sup>3</sup> <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/sustainable-consumer.html>

<sup>4</sup> [https://www2.deloitte.com/content/dam/insights/articles/emea-134280-european-consumers-after-the-pandemic/DI\\_European-consumers-after-the-pandemic.pdf](https://www2.deloitte.com/content/dam/insights/articles/emea-134280-european-consumers-after-the-pandemic/DI_European-consumers-after-the-pandemic.pdf)

<sup>5</sup> Alcedo J, Cavallo A, Dwyer B, Mishra P, Spilimbergo A. 2022. E-commerce during COVID: Stylized facts from 47 economies. National Bureau of Economic Research; February 7th.

<sup>6</sup> World consumer goods and retail outlook: Online retail | Consumer Goods World Outlook | EIU