



TREND·WATCHING



THINK FORWARD
THE COMMERCE REPORT

REPORT ONE / CONSCIOUS COMMERCE



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It's time for retailers to lead the way to a better future

Events of the last two years accelerated new shopping behaviours, but the retail sector was already undergoing a fundamental transformation – including the shift to more conscious commerce.

The repercussions of the pandemic, combined with renewed calls for social equality, mean that shift is now more critical than ever: purpose-driven consumers, who choose products and brands based on how well they align to their values, now represent the largest segment (44%¹) of consumers.

But there's a paradox at the heart of much consumer behaviour. Of the 47% of consumers that want to change their lifestyle 'a great deal' to be more environmentally friendly, just 23%² say they have done so. Retailers that can bridge the intention-action gap while proving their worth and supporting consumers in their quest for purpose will reap the rewards in more ways than one.

The answers won't be easy, but they will be worthwhile. The trends in this report will help you in that quest in the coming year.

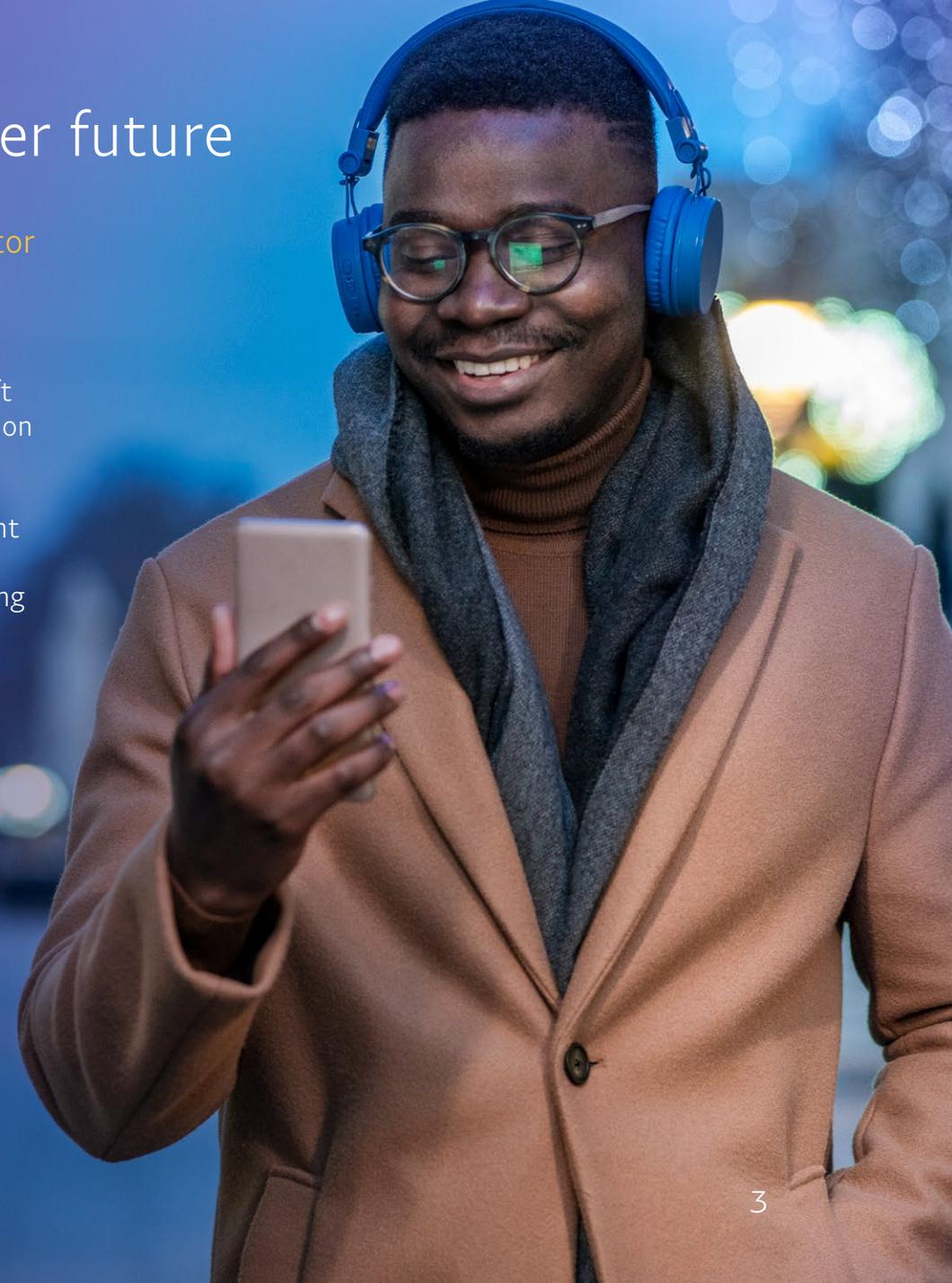
Brands with a strong brand purpose grow brand value at a faster rate³



¹ Consumers want it all: Hybrid shopping, sustainability, and purpose-driven brands, IBM Institute for Business Value, published January 2022

² Healthy & Sustainable Living: Global Consumer Insights, GlobeScan, published October 2021

³ BRANDZ data 2006 – 2018 from Kantar



There was an

80%

YOY increase in Google searches
for secondhand stores between
September 2019 and August 2021⁴



ReCommerce rising

A new market opportunity

The quest for sustainability is intersecting with demands for affordability and rising consumer interest in originality to put the reCommerce business model into overdrive. High-profile finance rounds, big brand involvement and the expansion of resale-as-a-service models are driving growth while underscoring the growing appeal of secondhand – particularly for fashion. In 2022, interest in unlocking the value of past purchases will extend to all sectors.

Key takeaways

- 1:** Developing the infrastructure that allows other brands to embrace circularity is one reCommerce opportunity. ThredUp's back-end 'resale as a service' platform is forecast to earn up to \$300 million by 2025¹⁶ – it may be more lucrative than ThredUp's secondhand clothing sales.
- 2:** Even consumers keen to resell all sorts of items for (instant) cash will be put off by convoluted processes or slow payments. Smooth the path to resale to reap the full rewards of this trend.
- 3:** The future of commerce is...bartering? Taking the long view, a reCommerce mindset could totally change the items people choose to buy and the whole concept of ownership.

⁵ Softbank invests in French secondhand site Vestiaire Collective via Bloomberg, published September 2021

⁶ Farfetch, December 2021

⁷ 2021 Luxury Goods Worldwide Market Study, Bain, published December 2021

⁸ Etsy, June 2021

⁹ TikTok, accessed February 2022

¹⁰ Ingka Group, November 2021

¹¹ Selfridges, August 2021

¹² Selfridges, October 2021

¹³ Zalando, October 2021

¹⁴ Kaiyo, January 2022

¹⁵ Twig, January 2022

¹⁶ Wells Fargo via Retail Dive, published October 2021

2021 was a banner year for fashion resale:

Vestiaire Collective hit a \$1.7 billion⁵ valuation, and Farfetch purchased resale platform, Luxclusif⁶. Luxury brands and customers keen to demonstrate their sustainability credentials created a secondhand luxury market that grew more than five times quicker than new sales in 2021, creating a market that's worth €33 billion⁷. Among many luxury consumers, secondhand is the new status play.

For Gen Z, fashion resale blurs the line between sustainability, frugality, and community. Peer-to-peer marketplace Depop (acquired by Etsy) has approximately 30 million registered users spanning almost 150 countries⁸.

They're sharing their finds and connecting with their tribe on TikTok, where #secondhandfashion has more than 51.1 million views⁹ – and counting.

This goes beyond fashion.

Brands in all sectors are embracing reCommerce in their journey to climate positivity and high-profile services like IKEA's Buy Back and Resell¹⁰ will put the pressure on every brand to create circular consumption models.

Innovations

- Resellfridges, a resale service from London department store Selfridges, spans fashion, wedding outfits¹¹ and toys¹²
- In Q4 2021, Zalando¹³ relaunched its Zircle App, where users can sell to other members and to Zalando directly
- Pre-loved furniture marketplace Kaiyo¹⁴ now includes an instant offer feature for US sellers
- UK-based Twig¹⁵ lets users sell and trade digital and physical items (like clothing and electronics), with payments made in cash, and the platform will support cryptocurrencies and NFTs in future

64%

of global consumers prefer to buy from companies with a reputation for purpose as well as profit (up 10 points from 2019), but 71% have little faith brands will deliver on their promises¹⁷



Ethics by numbers

Consumers demand greater transparency around sustainability and ethical claims

Tired of brand's empty virtue signalling and seeking greater transparency, consumers are looking for brands to make it easier for them to make more informed choices. They will appreciate the brands that swap marketing for metrics, start measuring impact – and then make the results visible on products and services in clear terminology.

The smilies...
Strawberry Lavender
Lemnade

POUR OVER
current offerings

ETHIOPIA YIRGACHEFFE ARICHA
sweet bean sugar | citrus aroma | bright orange, peach, & lemon notes w/ a tangy finish

COSTA RICA HERBAZU VILABARCHI
unique sweetness | honey & milk chocolate | toffee & hints of almond nuttiness

SUMATRA LINTONG HUTU BATAK
complex body | raisin, plum, cream | sweet heat & papaya | sweet acidic finish

FRENCH PRESS

BLUE THUNDER: smoky-sweet
of Sumatra

For many people, distrust is the default:

59%¹⁸ across 24 countries agree that ‘my tendency is to distrust until I see evidence that something is trustworthy’. And with greenwashing a very real problem, it’s increasingly difficult for busy consumers that want to shop their values to separate genuine claims from PR clamour.

Brands cannot simply say they are doing good, they need to show it. When it comes to eco-promises and diversity and inclusion (D&I) claims, accountability and transparency are the new gold standard. For purpose-driven shoppers, brands that back up social and sustainability promises with action will stand out.

Innovations

- Henkel, L’Oréal¹⁹, LVMH, Natura & Co, and Unilever are working with sustainable consultancy Quantis to develop a system that helps consumers directly compare the environmental impacts and product lifecycle of cosmetic products across formula, packaging, and usage
- After adding carbon labels to products on its website, sustainable footwear brand Allbirds made its Carbon Footprint Calculator²⁰ open-source, giving all fashion brands access to third-party verified lifecycle assessments (LCAs)
- Every product on the Dayrize²¹ e-commerce site has a score out of 100, based on how a product performs across dimensions including circularity, climate and ecosystem impact, and livelihoods and wellbeing
- Booking.com²² have started adding a Travel Sustainable badge to properties that have implemented a combination of sustainable practices that meet the requisite impact threshold for their destination

¹⁸ Edelman Trust Barometer 2022, published January 2022

¹⁹ L’Oréal, September 2021

²⁰ Sustainable Brands published April 2021

²¹ Dayrize, accessed February 2022

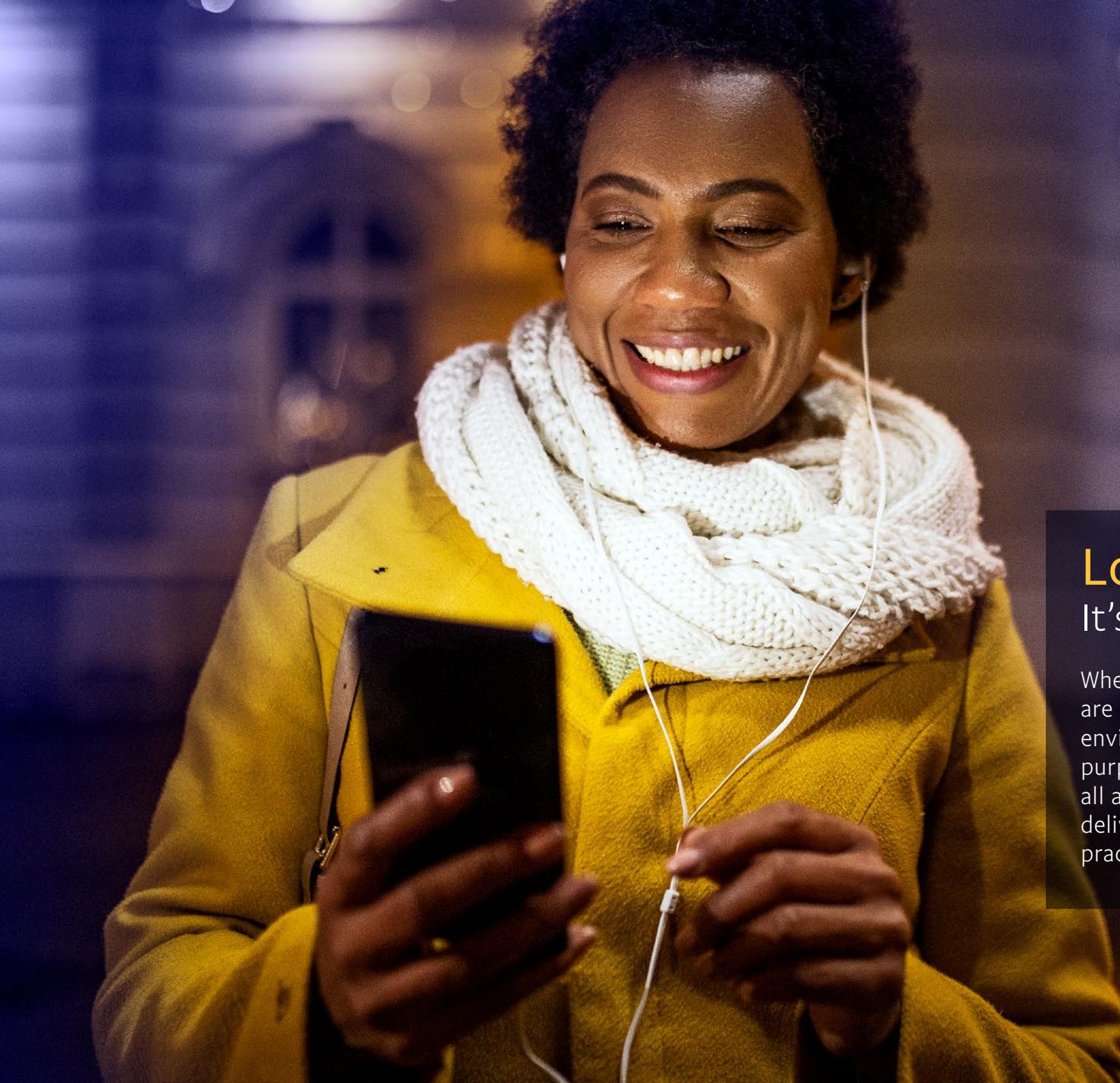
²² Booking.com, November 2021

Key takeaways

- 1:** Cross-sector cooperation is key to standardised transparency. As Allbirds point out: ‘Competition got us into this mess, perhaps collaboration can get us out’.
- 2:** Consumers want to know brands are truly committed to change, and transparency is just the start. Measuring improvements turns pledges into tangible progress.
- 3:** At its core, this trend is about accountability and staying the course long after the headlines have dissipated. Sustainability and social justice changes need to go beyond a one-off campaign.

35%

of consumers are more frequently choosing brands based on their sustainability credentials than before the pandemic²³



Low-impact retail

It's time to embrace eco-mmerce

Whether it's 15-minute deliveries or free returns, consumers are aware that hyper-convenient commerce has a negative environmental and social cost. As the tension between purchase and purpose continues to grow, consumers will expect retailers to make all aspects of buying online more sustainable. From packaging and delivery to waste reduction, how will you implement sustainable practices and help strengthen your brand value in the process?

Key takeaways

- 1:** Packaging is a visible reminder of the impact of e-commerce. There's a growing interest in reusable alternatives but, as with all sustainability initiatives, it needs to be a low-effort solution.
- 2:** The brutal truth? Many low-impact retail models allow indulgence with less of the guilt, but it's still facilitating consumption. Bold retailers will stop enabling the cycle!

By one estimation, global e-commerce will reach \$6.169 trillion²⁴

This makes up up 22.3%²⁴ of total retail sales by 2023. To meet consumers' convenience demands, 99% of enterprise retailers from six major markets say they will offer same-day delivery within the next three years – 35%²⁵ currently do. This growth will create more packaging waste and drive up the carbon footprint of deliveries.

Consumers that feel guilty about the negative impact their consumption has on the environment yet somewhat unwilling to make major changes to be more environmentally friendly will look for brands to do the hard work for them. Balancing demands for convenience with sustainability requirements won't be easy, but it will be necessary.

Innovations

- Olive²⁶ is a reusable package delivery service which consolidates US shoppers' purchases into a single weekly delivery to reduce waste packaging. Retail partners span beauty and apparel.
- Set to expand to 191 stores and restaurants in 2022 (including Tesco in the UK and Woolworths in Australia), Loop²⁷ offers products in reusable, refillable packaging. Shoppers return their used container, which is hygienically cleaned then sent back to manufacturers
- Online retailer Toward²⁸ recently put a cap on the number of orders a customer can place each year. To ensure that no more than 12 orders are placed in a year, shoppers need to log in to purchase. It's an opt-in scheme
- Repack²⁹ created reusable mailers that online shoppers can return using a prepaid label. In 2021 they integrated with Shopify to add the option for stores using the platform

²⁴ eMarketer, published August 2021

²⁵ 2022 Bringg Barometer: State of Retail Delivery & Fulfillment, Bringg, published January 2022

²⁶ Sustainable e-commerce startup Olive now ships beauty products, in addition to apparel, TechCrunch, published September 2021

²⁷ AP News published September 2021

²⁸ Toward limits the number of times consumers can buy from its platform to 12, annually, Forbes, published January 2022

²⁹ Repack, published July 2021

51%

of consumers across 22 countries agreed that they were doing more to support local independent business and buying more from local independent retailers³⁰



Local principles

Shopping small is undergoing a renaissance

For conscious consumers looking to reduce their footprint, shopping local is an easy and rewarding way to make value-led purchases. But the benefits of shopping locally goes beyond the planet – small businesses reinvest in communities at a higher rate than chains, create local jobs, and provide products better suited to neighbourhood needs. This recirculation has a positive multiplier effect that's sustainable in more ways than one.

The pandemic hit small businesses and independent creators hard.

From loaning out empty storefronts to providing financial aid, big players stepped up and stepped in – in some cases filling the gaps left by local governments. Purpose is amplified by proximity, with 7 in 10³¹ people agreeing it's important or extremely important for brands to give back to their local community.

Consumers did their bit too, as evidenced by the continued growth of maker platforms like Etsy (89 million unique buyers and 5.2 million³² active sellers as of Q3 2021).

In Asia, local social commerce platforms empower group buying, appealing to budget-conscious consumers and small producers. Pinduoduo, founded in China in 2015, was one of the trailblazers of the group-buying model. With more consumers seeking better deals, this concept could spread to other markets.

Innovations

- Ankorstore connects brands and creators with independent retailers across Europe. In Q1 2022, Ankorstore raised \$238 million³³ in a Series C funding round; over 200,000 retailers use the marketplace sourcing items from 15,000 brands
- Nordstrom³⁵ partnered with Black Owned Everything, a marketplace for Black-owned businesses founded by stylist Zerina Akers, to launch a curated collection promoting the work of four Black designers
- Smartmat recently launched an online supermarket called Rayon³⁴ in Belgium with a focus on high-quality, local produce – and faster delivery to underserved regions
- Seeking to foster inclusivity within e-commerce experiences, Facily connects shoppers across Brazil to the best prices through group purchases. In November 2021, it was revealed the company had raised \$366 million³⁶ in the last 12 months

Key takeaways

- 1:** Loyalty schemes help create repeat purchases, but many local businesses would benefit from better programs.
- 2:** Group buying models offer cost savings, drive inclusivity and uplift local makers. Could you help bring this concept to more markets in 2022?
- 3:** This trend could inspire brick-and-mortar retail concepts. Connecting with local makers IRL could be the starting point for experiential in-store commerce that complements an online model.
- 4:** PayPal for Enterprise's extended commerce capabilities open up new opportunities for strategic partnerships between brands. They make technically difficult experiences easy and secure, allowing businesses to create new opportunities and to go to market faster.

31 The Truth, Myths and Nuances Behind Purpose, Razorfish and Vice Media, published November 2021
32 Etsy Q3 2021 Earnings Call, November 2021
33 Ankorstore, published January 2022
34 Colruyt, published February 2022
35 Nordstrom, published October 2021
36 Brazilian social commerce marketplace Facily quietly raises \$366M in less than a year, now valued at \$850M, TechCrunch, published November 2021



ReCommerce rising

Sustainability and value concerns are combining to reduce the taboos of secondhand shopping, particularly in the fashion sector. But this goes far beyond clothes and accessories. reCommerce models are increasingly popular for all brands looking to make progress towards climate positivity.

Circular consumption models have environmental and financial benefits, but consumers will only trade in if processes are seamless and near-instant. There's an opportunity to develop 'resale as a service' infrastructure, but as the reCommerce space becomes more crowded it's worth considering how the acceptance of secondhand will drive a mindset shift around ownership.



Ethics by numbers

Greenwashing-weary consumers want brands to make doing good as easy as possible by measuring and displaying impact. Backing up sustainability and ethics claims with evidence will allow brands' purpose claims to stand up – and stand out.

This trend is rooted in transparency and accountability. Change doesn't happen overnight, and consumers want to know the brands they're engaging with are in it for the long haul. It's time to start measuring improvements and turning promises into progress!



Low-impact retail

With packaging waste and speedy deliveries amplifying the tension between purpose and purchase, guilt-ridden shoppers increasingly expect brands to make every aspect of shopping online more sustainable. Balancing convenience and impact is a challenge for modern times.

Packaging is a visual symbol of a brands' eco initiatives. Although shoppers are increasingly interested in reusable alternatives, these solutions must be fuss-free. Bold brands will stop enabling the guilt cycle and instead place enlightened restrictions on shoppers' behaviour for the good of society and the planet.



Local principles

Aware that the benefits of shopping local go beyond a reduced carbon footprint, and with the repercussions of the pandemic still being felt on many high streets, consumers want brands to help them give back to their communities.

Small business could benefit from improved loyalty schemes; bigger brands might be able to help them level up. That could include group buying models (already popular in parts of Asia), which combine cost savings with inclusivity and visibility for local producers and makers.

About PayPal

PayPal has remained at the forefront of the digital payment revolution for more than 20 years. By leveraging technology to make financial services and commerce more convenient, affordable, and secure, the PayPal platform is empowering more than 400 million consumers and merchants in more than 200 markets to join and thrive in the global economy.

To learn more, visit paypal.com/uk/think-forward

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About TrendWatching



As one of the world's leading consumer trend firms since 2002, TrendWatching is purpose-built to guide, inspire and empower business professionals – whether they be marketers, creatives, strategists, entrepreneurs or innovators – to bring to market more sustainable and impactful innovations that benefit all, not the few.

To achieve this, we deliver world-class content and insights to over 100,000+ trend-driven professionals worldwide. Our in-house teams in Amsterdam, Berlin, London, Barcelona and beyond relentlessly scan the globe to spotlight countless trends, innovations and meaningful opportunities – supported by a network of 300+ spotters in more than 80 countries.