



Talkable

Industry Trends Report

MAY 2022

Are we there yet?

As we look back at the last three years, one thing is certain — it's been a bumpy ride. In 2020, especially, we witnessed unprecedented times: The COVID-19 pandemic, compounded with one of the most divisive political climates in recent memory, created a severe economic disruption from which we're still reeling.

At the macro level, the stock market has stayed relatively stable. Certain industries thrived, propelled ahead nearly 10 years overnight, while others experienced devastating hurdles or permanent setbacks. Entire sections of the economy were uprooted: Food, service, and brick-and-mortar businesses still find themselves grasping for a lifeline. But grocery delivery, home health, and sporting goods soared to unrivaled revenue heights.

By 2022, most industries either returned to pre-pandemic numbers or continued a general growth trend. The most notable shift, however, occurred in consumer behavior: Many switched entirely to online shopping, they expected a more elevated omnichannel experience, or they chose independent local brands over market leaders.

We can finally say that the eCommerce industry is settling — rather comfortably — into a “new normal.” And today, we have a broader perspective of COVID's effects on business. Which is why we're taking the opportunity to conduct a retrospective look at how the last three years shaped the new eCommerce reality.

General Trend: Online vs. Offline Spending

Because 2020 was a year of grave instability — and 2021 was the year of “bouncing back” — many industries have returned to 2019 seasonality levels with some industries falling even lower than 2019.

We examined weekly trends, and it seems people still spend more on weekends. However, weekday spending is now on the rise, particularly between Wednesday and Thursday. Before the pandemic, Friday was the most popular day for purchases. This happens mostly because of remote work when people are free to shop on workdays as the difference between working hours and leisure time is getting blurred.

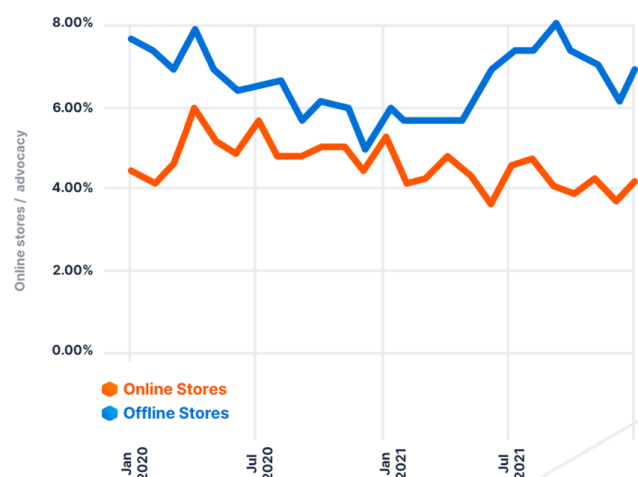
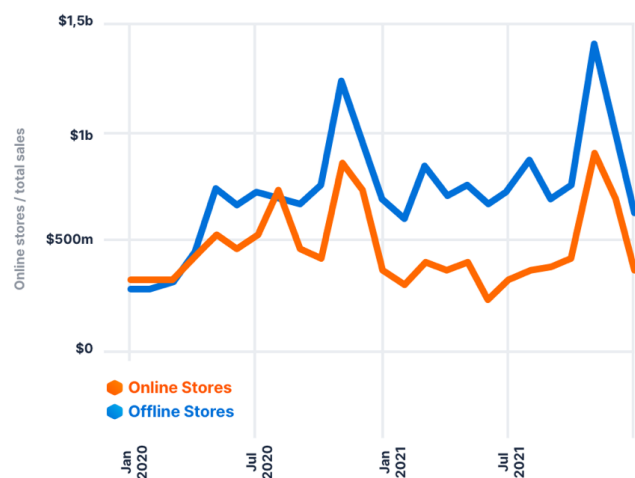
And while online sales remained high throughout 2021, customers started returning to brick-and-mortar stores as pandemic restrictions loosened.

In terms of generating new customers, referrals in particular had quite the banner year(s). The conversion rate of new customers acquired through referrals — new customers as a % of overall sharers (NCS) — was higher in 2020 for solely online shops. By mid-2021, it gradually decreased among all sectors, except sporting goods and groceries. These two industries are experiencing the greatest shifts in customer behavior.

→ Advocacy Rate

For advocacy rate in referral programs (the key metric for customer engagement), online and offline trends are relatively steady. As more customers return to brick-and-mortar stores, the offline rate starts to increase.

→ Total Sales



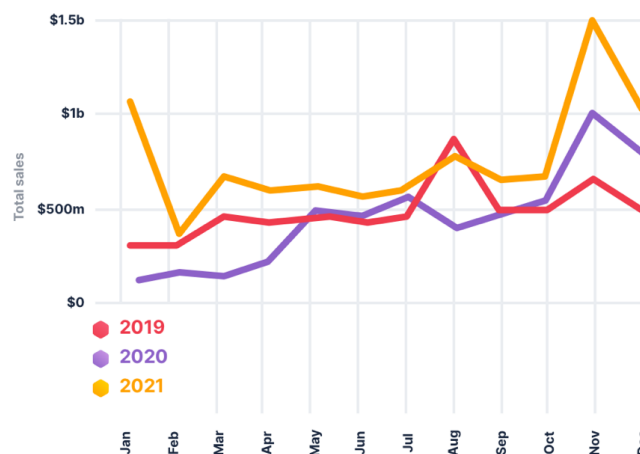
*Total Sales = total eCommerce onsite sales, aggregated data from our clients.
Referral Sales = revenue received from referral programs, aggregated data from our clients.

Apparel: Old Habits Die Hard?

→ Total Sales

In early 2020, apparel took the hardest hit. Perhaps the biggest reason? People prefer to shop for clothes in person, and the pandemic gave little incentive for buyers to risk infection by shopping at malls (many of which were closed, anyway).

Additionally, people tend to buy clothes for work, special occasions, events, and social gatherings. Because 2020 robbed consumers of those opportunities, the necessity to purchase clothes dropped, both online and off.



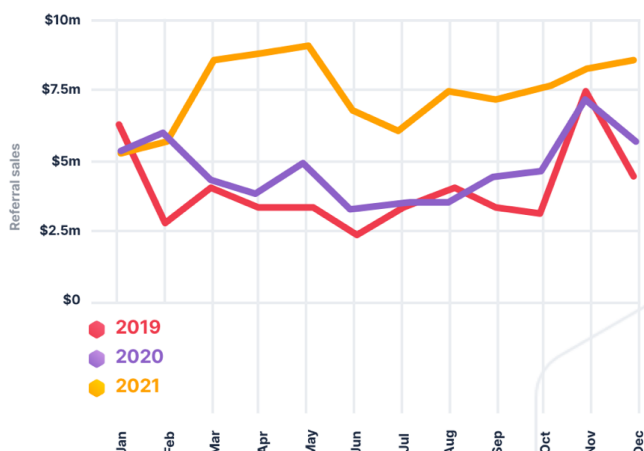
And whether due to COVID fatigue or delayed adaptation to the “new normal,” apparel purchase behavior began to reflect other industries by 2020 Q4. After 12 months of year-over-year (YOY) declines, online apparel sales started to accelerate by October. After some initial resistance, it’s likely online apparel shoppers warmed to the idea of shopping for clothes online and trying them on at home. Moreover, looser restrictions on in-store shopping nationwide as well as improved virtual experiences and better returns policies have played a part.

Weather is also a factor: With so little apparel shopping throughout the year, the need for warmer clothes may have pushed shoppers to purchase online — whether they wanted to or not.

In early 2021, apparel sales experienced another dip following traditional seasonal holiday spikes. By March 2021, sales numbers returned to pre-COVID levels and continued to gain traction throughout the year.

→ Referral Sales

In 2020 Q2, just as COVID was exploding, apparel experienced a cut in referral sales (-55% for all). In 2021, the advocacy rate and general conversion returned to normal after a 2020 dip. In the second half of 2021, apparel saw a low referral sales volume — 11% lower than the previous year, though it’s expected to rise significantly this year due to a return to usual apparel shopping habits. Additionally, customers will more actively serve as brand advocates when researching new brands and products.

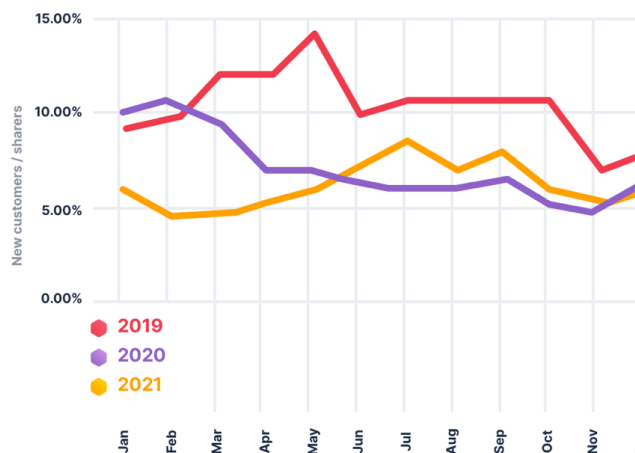


Gradually, the footwear industry also saw a return to its 2019 roots. In January 2021, the number of footwear sales increased: Q1 2021 vs. Q4 2020, +50%.

Apparel: Old Habits Die Hard?

→ New Customers as a % of Overall Sharers (NCS)

Over the last two years, conversion rates of the referral programs stayed low compared to the 2019 level (referrals introduce new customers):



Apparel Industry Trends to Watch for in 2022:

- More personalization for consumers;
- “Buy now, pay later” options during checkout;
- Genderless fashion;
- Continued success in the athleisure market;
- Casual footwear (like sandals, boots, sneakers, etc.) will drive the footwear industry.

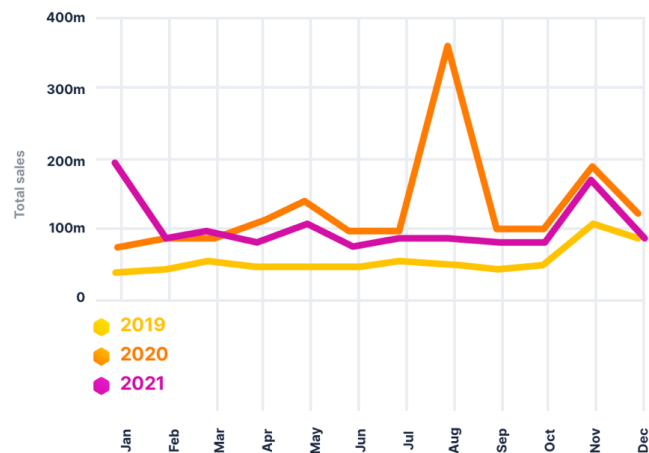
Beauty & Cosmetics

→ Total Sales

The beauty and cosmetics industry surged in 2020 thanks to a huge summer sales spike, followed by a seasonal rise during the holidays. Primarily, skincare and hair products were responsible for the industry jolt.

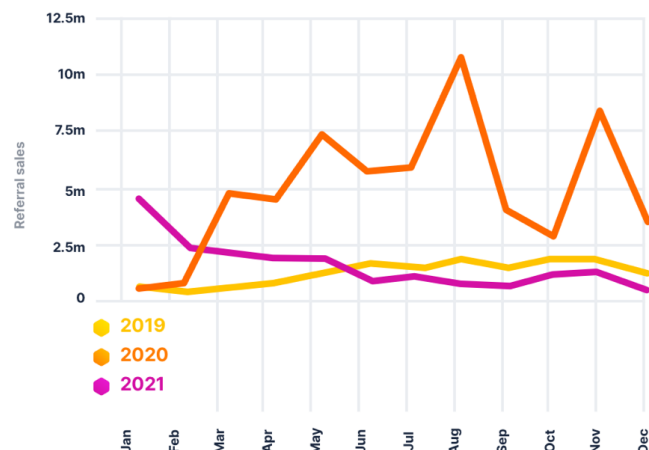
In skincare, referral revenue increased nearly 3.5 times over; hair products also enjoyed a rise. Since February 2021, sales have decreased but remain higher than 2019 levels. Enterprise clients continue to have a better conversion, compared to small businesses and middle-market brands.

Referral sales followed the general trend, with a spike in 2020 Q2 and Q4 and a gradual decline in 2021.

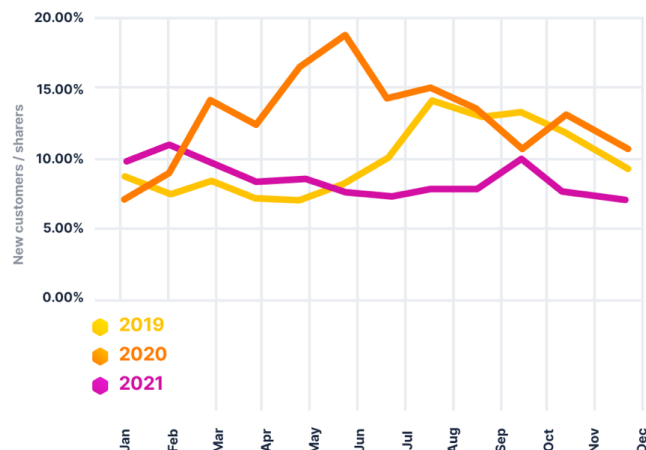


→ Referral Sales

In 2021, the percentage of new customers acquired through referrals dropped. This is likely because shopping behavior returned to pre-pandemic norms, and skincare/beauty purchases — which saw a popularity spike in early COVID days — experienced a gradual decline.



→ New Customers as a % of Overall Sharers (NCS)



Beauty & Cosmetics

Beauty Industry Trends to Watch for in 2022:

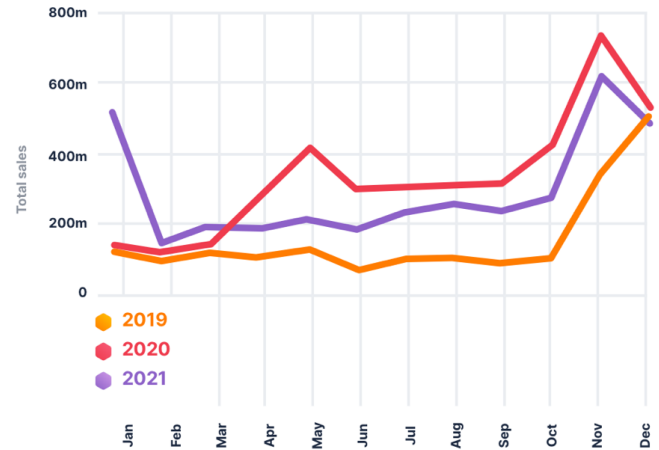
- Beauty influencers live streaming their shopping trips, accompanied by links to purchase products directly through the stream;
 - Increased virtual reality experiences as a way to “try on” a product before purchase;
 - A boom in beauty subscription services;
 - A popularity rise in ingestible beauty supplements to experience beauty “from the inside out”.
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Furniture & Household Goods

→ Total Sales

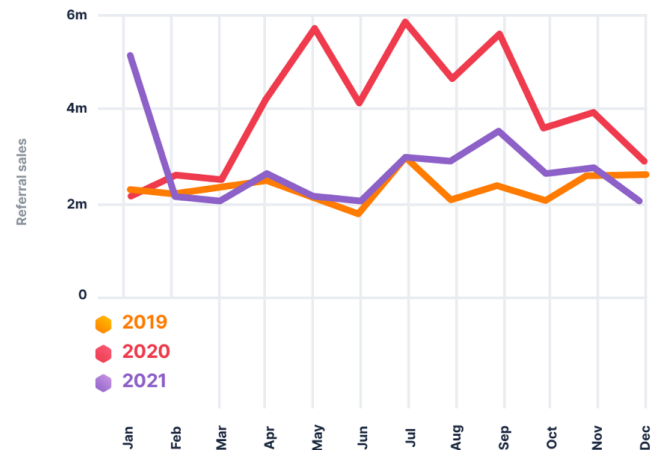
As expected, the home goods segment skyrocketed in 2020 as more people began working from home at the pandemic's onset. This behavior led to a sustained growth trend throughout summer 2020, almost reaching 2019 holiday-level sales in May 2020. The trajectory only continued from there, surpassing 2019 Q4 sales alone by 66% YOY and 55% overall YOY.

There was an even higher spike during the holiday season, followed by a steep dip in February 2021. Through the rest of 2021, sales continued the 2020 trend with a Q4 holiday increase.



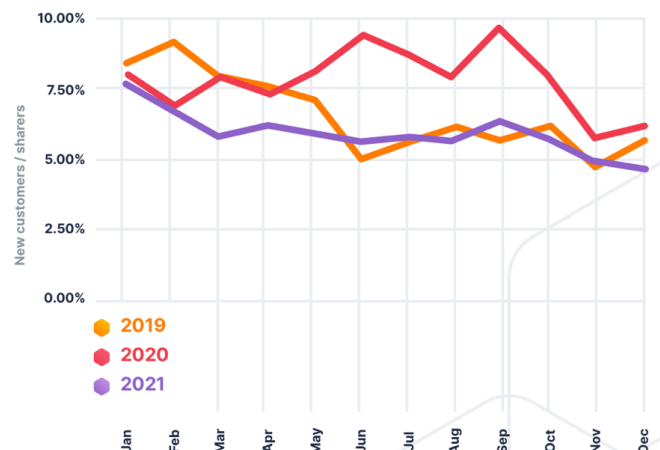
→ Referral Sales

Referral sales followed a similar trend with some exceptions: Rather than a gradual increase throughout Q3 2020, referral sales followed a more volatile path upward. Interestingly, near the end of Q4, a similar trend inversion occurred in the mattress sector, where total sales decreased and referral sales picked up the slack. In 2021, referral sales returned to 2019 levels, with a slight increase in Q3.



→ New Customers as a % of Overall Sharers (NCS)

In the same vein as the mattress sector, home goods' NCS metric lagged, while overall revenue numbers rode the initial wave in 2020. It regained momentum and outpaced 2019 once sales began to stagnate: brands got more new customers through referrals than ever. By the second half of 2021, it returned to the 2019 level.



Furniture & Household Goods

Household Goods Industry Trends to Watch for in 2022:

- A continued rise in home office furnishings
 - A larger market takeover by millennials
 - Consumers seeking customization and personalization
 - A greater interest in virtual reality to display purchasable furniture in a home
 - A continued rise in popularity of smart home devices
 - An increased brand presence on social media
 - Modifications in shopping cart pages to show more product recommendations
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Grocery: Two Dramatic Bell Curves Tell an Interesting Story

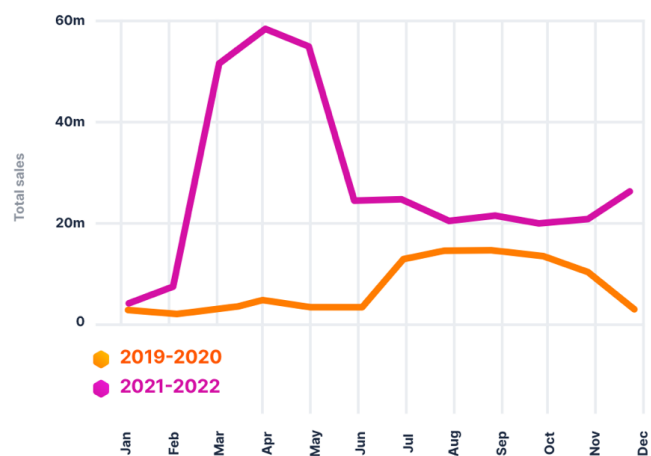
→ Total Sales

Few things tell a better story of 2020's pandemic whiplash than the grocery segment's total revenue trend. As expected, the industry saw a huge spike in revenue as the pandemic began, well-sustained for the next six months.

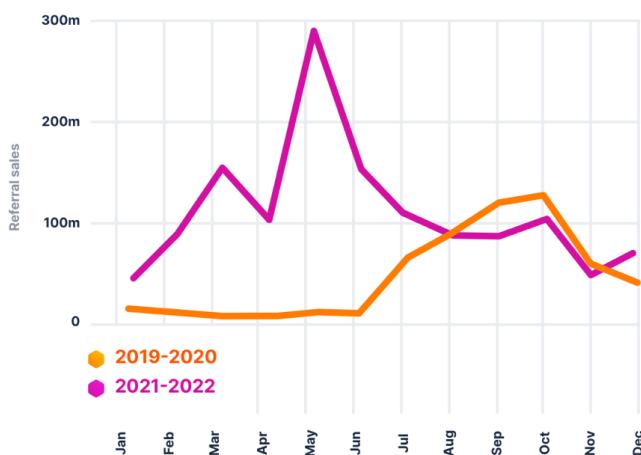
Entering August, however, online grocery sank to negative YOY. Uncoincidentally, this downturn likely correlated with higher temperatures and looser COVID restrictions in the summer months. In other words, a rise in temps and restaurant dining meant less grocery shopping.

But as the weather turned and COVID cases increased again, that narrative changed. Grocery shopping spiked again, this time even higher than the initial COVID spike seen in March. Like other industries, this is usually influenced by seasonality.

Generally speaking, the grocery sector is one of the most unstable in terms of sales volume. It experienced myriad transformations, including the boom of delivery services (which is still a work in progress).



→ Referral Sales Followed the Same Trend:

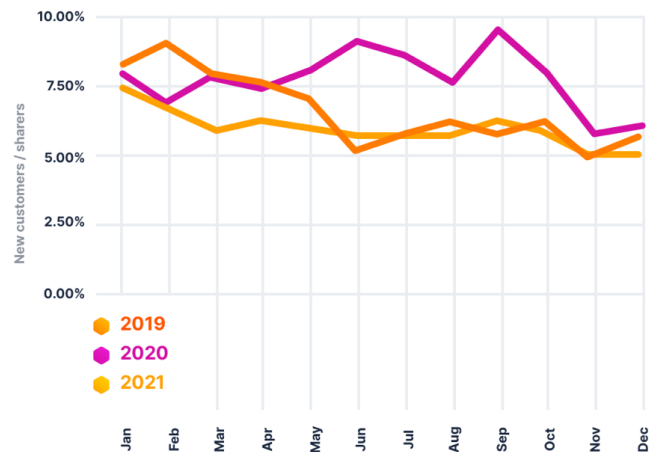


Grocery: Two Dramatic Bell Curves Tell an Interesting Story

→ New Customers as a % of Overall Sharers (NCS)

Normally, an overall sales drop coupled with an increase in referral sales would indicate a higher NCS percentage. And for a moment, that was the case — right up until 2020 Q4 when sales spiked again. This suggests the second sales wave came from customers who were established online grocery shoppers; they were simply reverting to this shopping behavior when restrictions and weather called for it.

From the beginning of 2021, the number of new customers acquired by referral programs continue to rise.



Groceries Industry Trends to Watch for in 2022:

- A continued preference for the convenience of online ordering
- With an increase in popularity of plant-based food due to the climate crisis; meat alternatives grow in popularity
- A desire for greater transparency from food and beverage brands, especially involving ingredients and ethical supply chains
- An increase in alcohol, hard seltzers, and ready-to-drink cocktails

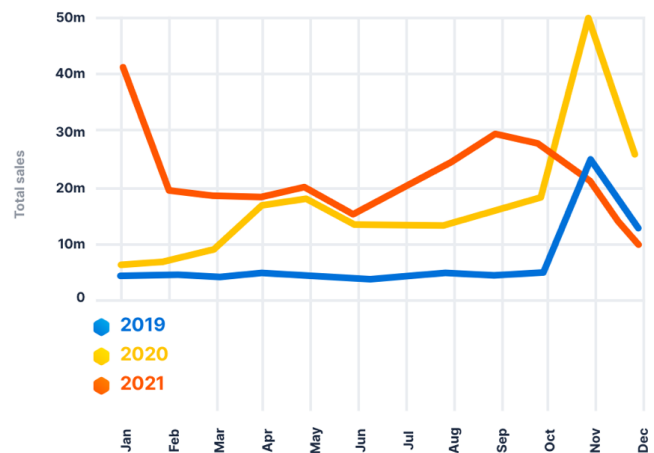
Sporting Goods

When the pandemic hit in early 2020, sports, in general, came to a screeching halt. With people inactive and locked down, games and entire seasons were canceled, from little league to major league and anything in between. For that reason, sporting goods — especially footwear, sports apparel, and wearables — took a significant sales dip.

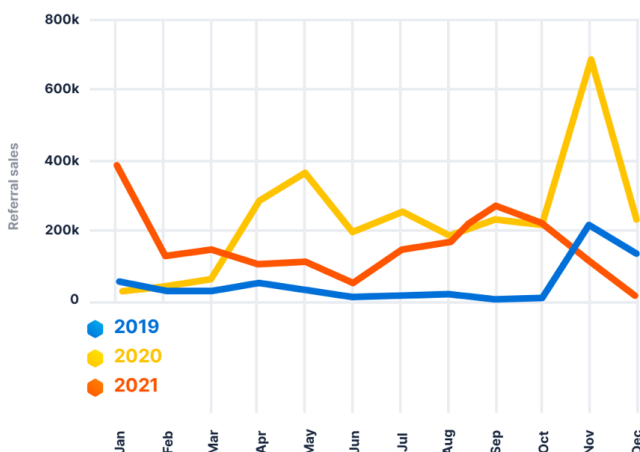
That said, home sporting goods (like in-home fitness and exercise equipment) saw a huge sales spike during COVID. From March to October 2020, revenue in the health and fitness sectors more than doubled to \$2.3 billion.

However, near the end of 2021, the sporting goods sector saw yet another interesting decline, as trends like in-person group fitness classes returned to popularity and at-home fitness started phasing out. Just look at Peloton, the hugely popular at-home stationary bike, which saw a dramatic Q4 drop in revenue growth.

→ Total Sales

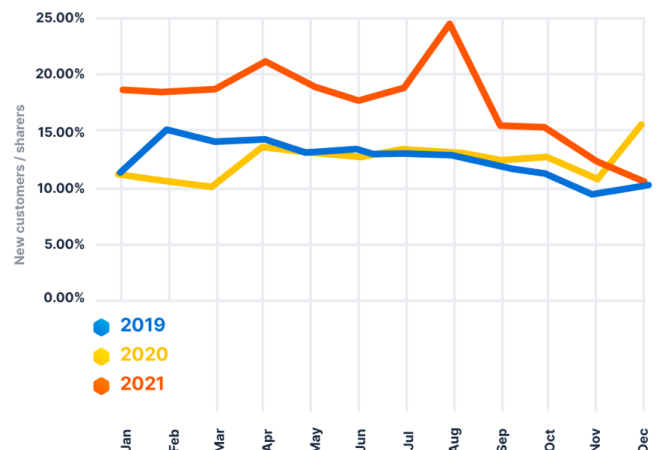


→ Referral Sales



In terms of referral sales, they saw a noticeable dip in the first half of 2021 and the end of the year.

→ New Customers / Sharers



In the last two years, the conversion of new visitors into customers through referrals has continued to rise, reaching a record 25% in August 2021 and returning to the 2019 level by December 2021.

Sporting Goods


Sporting Goods Trends to Watch for in 2022:

- **Interest in supplements/vitamins to aid in stress**
An interest in gummies or more flavorful ways of supplement consumption
 - **Consumers to continue the same supplemental use, with a possible increase**
 - **High end-to-end growth in recreational sports**
 - **An increase in the popularity of workout and meal plans**
Rise of influencer marketing as fitness trainers start their training programs, promoting clothing, equipment, and supplements.
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Observations & Predications

As we continue to navigate this ever-changing landscape — economically, financially, personally, and otherwise — we'll experience lasting effects brought on by 2020 and 2021. For some businesses, the dramatic online shift merely accelerated the inevitable move toward virtual experiences, remote work, and slowed brick-and-mortar traffic. For others, it was a welcome boom that invigorated industries or inspired new ones.

A return to normalcy, certainly, is an encouraging and hopeful outcome. But one thing is clear: Many of these business and consumer adjustments will be permanent. The way we live, play, and work will help inform these larger purchase and consumer decisions. It seems the future is ours — literally — and it's bright.

What are your predictions for 2022? Share them on social with the hashtag #talkable2022 

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