



# Creating the Future of Retail

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**Top eight predictions to help retailers  
and brands succeed in 2022**

# 2022

## From livestreaming to the metaverse, brands will create the future of shopping this year.

If 2020 was a year of unprecedented change and 2021 was a year where every brand and retailer became more agile to survive and thrive, then 2022 is the year of taking that resilience and turning it into undeniable strength.

It will be a year of embracing new media channels and selling on new platforms. It will be data rich and place agnostic—from unified shopping experiences to selling through livestream to entering the metaverse. It will be a chance to leverage all of the customer-centric capabilities and services you have been painstakingly building over the past two years to come out stronger than ever.

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Here is a peek behind the curtain to see the **key initiatives** that the January Digital consulting team is guiding leading retail, CPG and grocery brands to embrace and excel at in 2022.





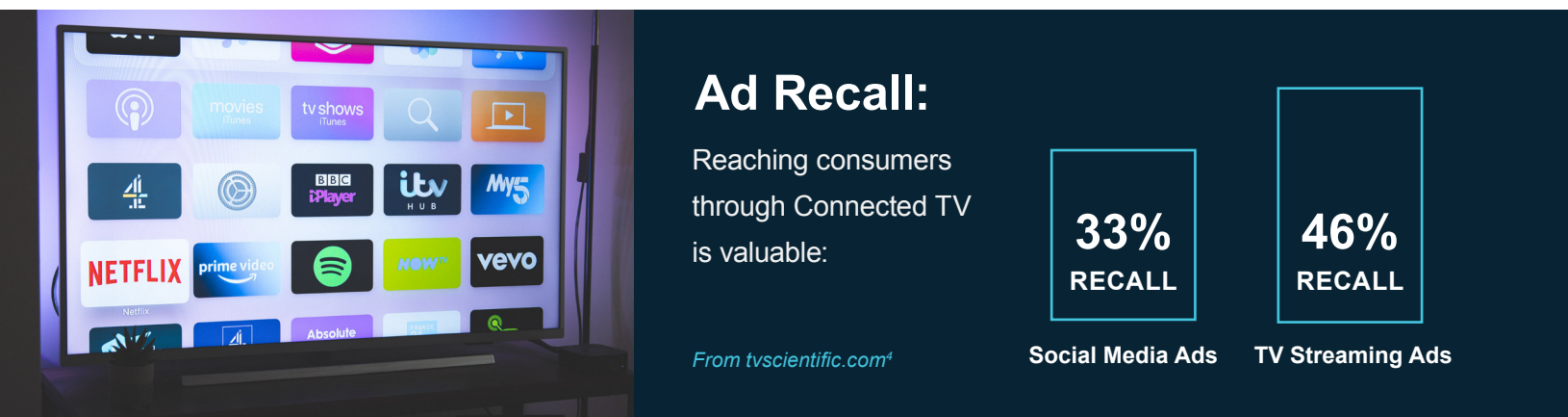
## 1

## Media mix diversification is crucial for every brand in offsetting rising ad costs.

Following accelerated ecommerce growth since 2020, digital advertising costs have continued to rise YoY—increasing 25% in 2021 and projected to increase another 14% in 2022.<sup>1</sup> Specifically, Facebook and Instagram have seen the largest rise in CPMs. As costs have risen on legacy digital channels and privacy concerns have grown, it is essential to diversify media spend out of just the traditional digital advertising heroes of Google, Facebook and Amazon.

**So where are key channels of diversification in 2022?** Brands that will be able to keep up with shifting consumer media consumption and shopping behaviors will be positioned to thrive within TikTok, digital TV, native display, and streaming audio.

Specifically, TikTok will reach 755.0 million monthly users in 2022, after seeing 59.8% growth in 2020, followed by 40.8% growth in 2021.<sup>2</sup> In 2021, the share of people who were exposed to ads on TikTok nearly doubled, to 37% from 19% last year, according to Kantar.<sup>3</sup> By rolling out new features like TikTok Shopping and Livestream Shopping events, TikTok is positioning itself as a strong competitor against legacy social players like Instagram and Facebook. In order to maximize a brand's investment, it is important to understand the tone of TikTok to create synergistic and engaging ads that feel representative to organic content on the app.



For digital TV, while many brands have probably already tested here, the rise of premiere content on streaming platforms will continue to attract premiere advertisers, leading to more ad dollars flowing to these platforms. Connected TV (CTV) is continuing to dominate, with TV streamers making up 86% of consumers. **Reaching consumers through CTV is valuable with 46% ad recall for TV streaming versus 33% for social media ads.**<sup>4</sup> The prevalence of consumers viewing second screens while watching TV presents an exciting opportunity for brands to engage viewers during the ads. Incorporating QR codes and shoppable opportunities can have a significant impact, with Amazon, Netflix and NBC all rolling out shoppable features.

<sup>01</sup> <https://www.thedrum.com/news/2021/12/06/digital-advertising-pushes-global-ad-spend-new-heights>

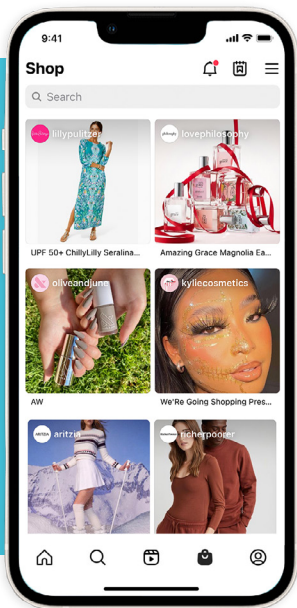
<sup>02</sup> <https://www.emarketer.com/newsroom/index.php/tiktok-is-the-third-largest-worldwide-social-network-behind-instagram-and-facebook/>

<sup>03</sup> <https://www.nytimes.com/2021/09/28/business/media/tiktok-advertising.html>

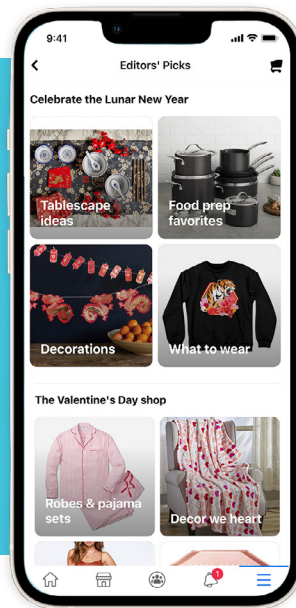
<sup>04</sup> <https://www.tvscientific.com/lp/ctv-powers-performance-tv-revolution>

## 2

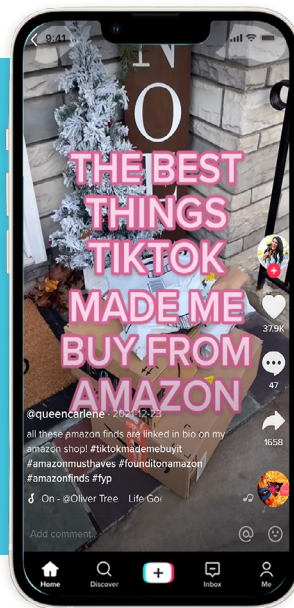
## Social commerce becomes #1 marketing focus as more platforms roll out commerce features.



Instagram



facebook



TikTok

*US social commerce sales are expected to grow more than 35% YoY, surpassing \$36 billion in 2021<sup>5</sup>*

After accelerated growth, largely due to the Covid-19 pandemic, social commerce is becoming a crucial element of the ecommerce ecosystem. US social commerce sales are expected to grow more than 35% YoY, surpassing \$36 billion in 2021,<sup>5</sup> and by 2025, social commerce is expected to account for over 5% of total US retail ecommerce sales.<sup>6</sup> 62% of consumers aged 13-39 are interested in purchasing items directly from their social media feeds.<sup>7</sup> That figure is only expected to grow as platforms continue to roll out new features to enhance the click-to-buy experience.

While Facebook and Instagram are currently the primary platforms for social commerce sales due to established products like Facebook Shops and Instagram Shopping, platforms like Pinterest and TikTok are continuing to invest in their social commerce offerings, affording brands additional opportunities to engage and convert customers. With the hashtag *#TikTokMadeMeBuyIt* raking in 7 billion views on TikTok, the platform's new shopping feature will be valuable in establishing itself as a leader in the social commerce space.

invest in tools to ensure product catalogs are correctly migrated to the platform at all times. Instagram Shopping allows brands to customize their storefronts and upload engaging creative assets into PDPs—like video—to elevate the shopping experience. And Youtube, TikTok and Pinterest all have shoppable ad formats that will likely become organic features over time. For more sophisticated brands, utilizing features like chatbots within social platforms will also create a more familiar experience for customers and serve as a valuable conversion tool to reduce customer drop-off.

Social commerce should be seen as an extension of ecommerce, and if they haven't already, brands must

<sup>5</sup> <https://www.insiderintelligence.com/insights/social-commerce-brand-trends-marketing-strategies/>

<sup>6</sup> <https://www.statista.com/statistics/277045/us-social-commerce-revenue-forecast/>

<sup>7</sup> <https://www.ypulse.com/article/2020/10/19/the-social-platforms-gen-z-millennials-are-open-to-shopping-on-in-one-chart/>

3

## It is finally “The Year of Livestream Shopping.”



While China is dominating the livestream commerce space—which is projected to account for 20% of the nation’s ecommerce sales in 2022—we are beginning to see the trend grow in the US, with sales expected to surpass \$25 billion by 2023.<sup>8</sup> Platforms are continuing to roll out new features to support the demand, with TikTok and Twitter competing for some of the share dominated by Amazon, Instagram and Facebook. Brands like Walmart are investing heavily in celebrity hosts to attract viewers to their streams, with Rachel Ray hosting a Facebook event to promote her product line and Jason Derulo tapped to introduce Cyber Monday deals across multiple categories.

### To be successful, brands must use livestreams as additional selling channels instead of the occasional marketing opportunity:

- ➔ **Strategize** how to retain customers by capitalizing on the medium’s immersive, entertaining nature and delivering relevant and consistent content.
- ➔ **Partner with influencers**, celebrities or brand representatives as hosts to establish a trusted relationship between the customer and the brand.
- ➔ **Encourage engagement** with viewers by utilizing the chat feature to interact with customers in real time to move them through the purchase funnel more quickly.
- ➔ **Maximize the customer insights** you have to inform your strategy. For example, if your CRM data shows that your customers respond to newness, consider hosting events when new collections or products drop. Or if they respond to “how-to” educational content, consider an event where a host can walk customers through their favorite products and how they like to use them.
- ➔ **Incentivize viewership** by offering exclusive deals to create a sense of urgency and exclusivity.

Brands should expect that this space will become more crowded in 2022 and that it will receive increased press coverage. Nevertheless, livestreaming will still be an advantageous place for brands to stand out and create new and engaging communication and shopping points with customers.

<sup>8</sup> <https://sproutsocial.com/insights/livestream-shopping/>

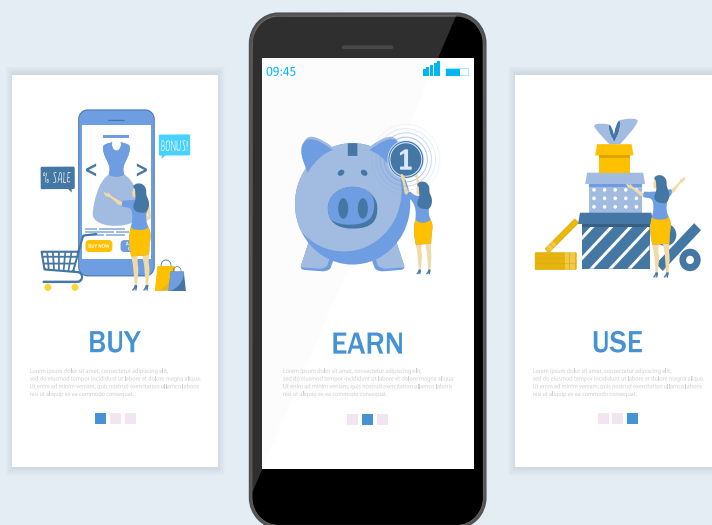
## Personalization and loyalty programs are bringing sexy back...again.

Plain and simple, if you don't have a comprehensive understanding of your customers and a loyalty program in place that rewards them at a deeper level than simply points or discounts, you are already behind your competition and your customers' expectations.

As customers have switched brands over the past two years due to early Covid-19 social media discovery, price increases and recent supply chain challenges leading to stock shortages, developing or improving upon a robust customer retention strategy is essential for 2022. Along with decreasing the dependency on customer acquisition when marketing costs are rising, a 5% increase in customer retention can boost profits by 25% to 95%.<sup>9</sup> In order to retain customers, retailers will need to focus on increasing and improving their personalization strategy and loyalty programs.

While brands are working to retain the customers they won and re-engage customers they may have lost, activating a personalization strategy and loyalty program to nurture long term relationships with customers will be a crucial factor in driving revenue growth through 2022.

- ➔ **Utilize first and zero party data** to deliver personalized and relevant content to customers. 63% of consumers state they are more likely to do holiday shopping with brands that customize the experience to their needs.<sup>10</sup>
- ➔ **Segment your data** to determine actionable customer insights at every stage of the purchase funnel. If you don't have the marketing technology tools to do so, then invest in them now vs. spending more money in customer acquisition.
- ➔ **Unify the online and in-store shopping experience** with personalization and loyalty tools—like virtual shopping lists, automatic back-in-stock notifications and product recommendations—to encourage sales.
- ➔ **Engage and reward customers** with relevant loyalty perks, such as first access to new arrivals, sales, or limited offers. A report from Inmar Intelligence found that almost 70% of loyalty members said that exclusive discounts and coupons are the deciding factor for joining a loyalty program.<sup>11</sup>



<sup>9</sup> <https://www.annexcloud.com/blog/21-surprising-customer-retention-statistics-2021/>

<sup>10</sup> <https://www.morningbrew.com/retail/stories/2021/11/12/personalization-is-now-key-to-the-online-shopping-experience>

<sup>11</sup> <https://progressivegrocer.com/e-coupons-shape-consumer-purchases-study>



## Collecting first and zero party data is the way to survive in a cookieless future.

As Google and Apple are addressing consumers' privacy concerns with the depreciation of third party cookies and iOS device identifiers, collecting robust first-party and zero-party data is crucial in deepening the relationship between customers and brands.

### First-party data



**First-party data is collected directly from customers**, prospects and users. This can be online or offline data that is collected via websites, apps, social media or surveys. Prioritizing the collection of first party data is important as new privacy solutions have impacted how to target and reach customers.

- **Determine your marketing and customer experience goals** to inform your strategy on data acquisition.
- **Identify opportunities to continue to grow your database.** This can include encouraging sign-ups through social channels, offering incentives to email subscribers and customer service interactions.
- **Constantly segment and hone in on the data** you have collected to develop consumer insights that provide actionable personalization opportunities.

### Zero-party data



**Zero-party data is collected voluntarily from customers**, and includes more robust information like a customer's birthday, occupation, family size and gender. Since this data comes directly from the customer, the data can assist you in accurately understanding your customers and their preferences.

- **Establish the value exchange for customers providing you with this data.** Offering a discount code or other reward after a customer completes a survey is a common and effective way to incentivize participation.
- **Communicate how you will be using this data** to alleviate any privacy concerns customers may have.
- **Determine ways to continue collecting this data** to gather additional information and insights. As zero-party data becomes a priority for retailers, this robust data will position brands to thrive in this shifting landscape.

## Quick delivery and painless returns are now a customer expectation, and the need for speed will continue.

2021 showed us that consumer demand for ultrafast delivery is not slowing down any time soon. Within the grocery sector, we saw capital flood into this sector, and as a result, capacity expansion across the country continues. While these services are largely within the food and beverage sector, 15-minute delivery services will begin to permeate other sectors in the retail industry as quick delivery becomes a customer expectation versus a luxury.

According to research from January Digital and Coresight, 57% of U.S. respondents report they consider fast, free delivery for online orders to be one of the most important considerations when shopping.



Luxury retailers like Net-A-Porter and MatchesFashion have offered same day delivery in major cities for years, but many major retailers – like Ulta, Target and Abercrombie & Fitch – have introduced new quick delivery options in partnership with the likes of Uber and Lyft to meet this increased demand. While 15-minute delivery isn't reasonable for all sectors, all retail brands should have a keen focus on continuing to level up their delivery and pickup options over the next year to remain competitive - even if it means passing along the delivery cost to the customer.

Testing what products customers want quickly will help brands develop a strong foundation for a financially scalable strategy. Understanding that the penetration of categories might change is essential for planning inventory appropriately for this new service. Using your employees at brick and mortar locations is helpful in understanding the unique demand of customers in specific locations. For example, areas with warm weather

tourism might see increased demand for sunblock, swimwear, pajamas and other items that might have been missed when packing, while urban locations might see demand for event and special occasion items. Having a strong personalization strategy that encourages customers to set up auto-renewals on their favorite products can alleviate the demand for certain categories and items so this service can be scaled more easily for one-off orders.

In addition to enhancing delivery options, the demand for return solutions continues to increase. UPS anticipates 8.75 million returns during the first week of January this year, which is a 23% bump compared to the highest week of returns during the previous holiday shopping period.<sup>12</sup> Return solution companies are beginning to raise more capital as ecommerce returns have been a pain point for both customers and retailers. Happy Returns—which was recently acquired by PayPal—partners with over 2,600 physical drop-off locations that collect your return,

<sup>12</sup> <https://www.retaildive.com/news/consumers-could-return-667b-in-holiday-merchandise-this-year/611705/>



refund you immediately and send it back to the retailer for you. Solutions like this help compete against major retailers like Amazon and Walmart that offer the convenience of accepting returns at their physical stores. Additionally, solutions like Optoro are helping retailers navigate returns by strategically determining the best path for each returned item to increase efficiency. Determining what the challenges in your returns process are and implementing solutions to improve convenience and reliability is a valuable way to acquire and retain customers.

7

## Customers will embrace purpose and demand sustainability



Sustainability is an important value to consumers, with 71% of US adults aged 18 to 55 stating they care more about product sustainability than they did a year ago.<sup>13</sup> Providing your customers with actionable and informative sustainability opportunities and solutions is a valuable competitive advantage. Retailers like Walmart are responding to consumer interest by launching their online shopping destination Built for Better, which features icons on products that have met independent standards like EWG Verified, Energy Star Certified or Rainforest Alliance Certified. Additionally, we see retailers like Kroger piloting programs with Loop, a circular economy platform centered on reusable packaging for branded products, offering products in reusable containers to reduce the use of single-use plastic.

### Understanding what sustainability values are important to your customer and your industry can provide a valuable foundation for how to approach your strategy.

Establishing short-term goals that educate customers on your mission and encourage participation are effective tools to build trust and drive loyalty. Transparency is crucial when discussing sustainability objectives with customers, as long-term goals provide little immediate impact on influencing the purchasing decision. Keep customers engaged with your long-term goals by holding yourself accountable. Quarterly or biannual reports that inform the customer on how you are trending towards the goal are valuable tools to reinforce your commitment to sustainability.

<sup>13</sup> <https://www.emarketer.com/content/new-era-retail-e-commerce-emerging>

## Dive into the metaverse.

**2021 saw the rise of the virtual world becoming ever more commonplace.**

There has been plenty of media hype over the metaverse as of late—which is most easily defined as any digital experience on the internet that is immersive, three-dimensional (3D), and virtual, as in, not happening in our physical world—but virtual and augmented reality experiences have been around for quite some time. You're sure to see more of them in 2022. Metaverse experiences offer consumers the opportunity to play, work, connect or buy, and they offer brands the ability to extend their footprint. There are plenty of brands taking full advantage of the gaming part of the metaverse with branded experiences that are essentially virtual and immersive sponsorships. In 2022, you will see the space become more mainstream for retail and CPG brands specifically with virtual and AR showrooms, exclusive product launches, influencer hosted sessions, and more.

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**If anything, brands should test into the metaverse solely to get a new set of data inputs on their current and future customers. Doing so will inevitably make your marketing, merchandising and buying teams smarter.**

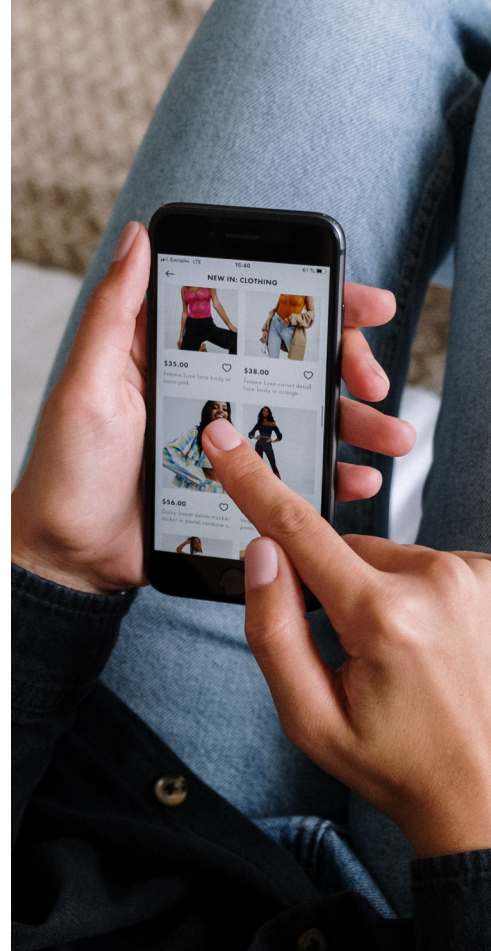


# Conclusion

In an industry where every day brings change and a shiny new object to chase, retailers and brands clarifying the most impactful opportunities and prioritizing excellent execution is harder yet more vital than ever. While media diversification is imperative, brands and retailers should not try to implement all of the above opportunities while also maintaining and growing their current business and priorities. It is imperative to use your business and marketing objectives to identify which opportunities will have the most impact and ensure that you are not only creating a business case, but also aligning all key stakeholders on what success looks like. Leverage your unique customer understanding and stay true to your company's purpose. By doing so, the prioritization and impact of each initiative will be exceedingly clear.

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Contact us at [consulting@januarydigital.com](mailto:consulting@januarydigital.com) to talk through your strategic imperatives, internal prioritization challenges and customer expectations in the year ahead.



**January Digital is The Digital Leadership Company™ and was founded with the mission to improve the lives of our people, our clients and the world around us.**

We lead businesses to grow and adapt through strategic consulting, digital media excellence and data driven analytics. We're able to solve the industry's toughest business challenges using data and technology with our vertically integrated teams of experienced retailers, CPG leaders, technology builders and media innovators that enable agile growth by combining our single source of data truth and consulting mindset with flawless media execution.

January Digital's focus on doing good commenced the Good Works and Well Works programs. Good Works was founded in 2010, and since inception has donated over \$200,000 and our employees have collectively donated over 5,000 hours to charities in our communities. Well Works was founded in 2020 during the Covid-19 pandemic and provides our employees the ability to focus

on their whole health. We are proud to be named a Best Workplace by Ad Age, Fortune, and Inc. for our focus on building great people and cultivating an innovative culture.

January Digital has been named an Inc. 5000 fastest-growing company for five years straight. We are supporting leading global brands and digital disruptors such as The Honest Company, DKNY, The Sak, David's Bridal, and Peapod Digital Labs. We are the best and brightest omnichannel experts, and we came together because we believe there is a better way to drive digital excellence - Putting the money where the customer is, we've been recognized as best in class more than 20 times each year for the last consecutive 4 years with our work celebrated by Digiday, The Drum, Glossy, and MediaPost, among others.