

How your brand can capture its full potential globally.



A report with original research into the behaviour of cross-border consumers and recommendations on how you can win more business and loyalty from them.

.centra

Original research of over 2,000 UK shoppers, conducted by Savanta on behalf of Centra, July 2022.

In the last few years, **cross-border commerce** has become the baseline for brands seeking to grow and thrive in a global retail market.

While cross-border is most often measured online, it is now a multi-channel business embracing both on and offline, and the brands to watch in recent years and in the future, are those that can operate seamlessly on and offline according to the needs of their customers.

A classic example of this is brands that are able to fulfil an online order using stock from global, in-market store estate rather than always from home territory. Over time, stock is always in the best possible location in terms of cost and fulfilment times, and cross-border tests brands' ability to achieve this.



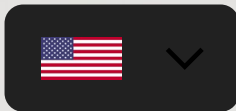


The rewards however are enormous.

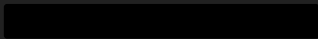
Cross-border DTC (Direct To Consumer) ecommerce, as new research undertaken for this report shows, continues to grow. Estimated to be worth **US\$780** billion in 2019, it may reach as much as

US \$4,820 billion in 2026.

Globally, the market is expected to grow at a compound annual growth rate (CAGR) of **15.5%** between 2021 and 2027, with some estimates reaching **27%** CAGR. By any estimate, this is a staggering growth figure and if you are not taking your full share, you are missing out. After all, competition for the cross-border consumer's attention and spend are also growing, both directly as well as through marketplaces.



\$100





According to [McKinsey](#), we are not only buying more online but also buying more from foreign countries.

In 2020, there were **9.3 billion** cross-border orders, and **60 percent** of them were intercontinental. After a short deceleration as a result of limited air cargo capacity, international deliveries are now growing twice as quickly as domestic ones. In 2020, the pandemic affected the patterns in the flow of goods: intraregional flows—especially in North America and Europe—rose as a result of supply chain disruptions and a shortage of transport capacity. Customers therefore hesitated to buy products from Asia.

In a bolder scenario, ecommerce penetration of the total world retail market would approach today's levels in China: more than 30%.

Research by [Forrester](#) shows that

ecommerce in Western Europe grew 2.5 times faster in 2020 than in 2019

which means a record growth of **31%**.



The countries with the most developed ecommerce markets, such as the Netherlands, Sweden, Germany and the UK, saw the fastest rates of growth.





16% of Western European retail sales happened online in 2020, a significant increase from 13% just a year earlier in 2019.

According to research by [Statista](#), ecommerce will account for 20.4% of global retail sales by the end of 2022, up from only 10% five years ago.

In other words, the ecommerce space is becoming more crowded – and that’s happening quickly.



Taking best advantage of this market starts by **analysing the big numbers and key trends**, which offer both **opportunities and threats**.

We can now see how the consumer has changed and adopted a more complex and broader set of behaviours – price may remain king, but they also seek meaningful experiences. Shoppers are now demanding greater authenticity from the brands they trust, as well as evidence of values, sustainability and the chance to take part by creating their own content. They want more things happening online, be it products and purchasing, as well as compelling omnichannel experiences. These behaviours also presuppose that brands will be selling to a growing middle class internationally across borders, who will have high expectations when it comes to familiarity, trust and experience.

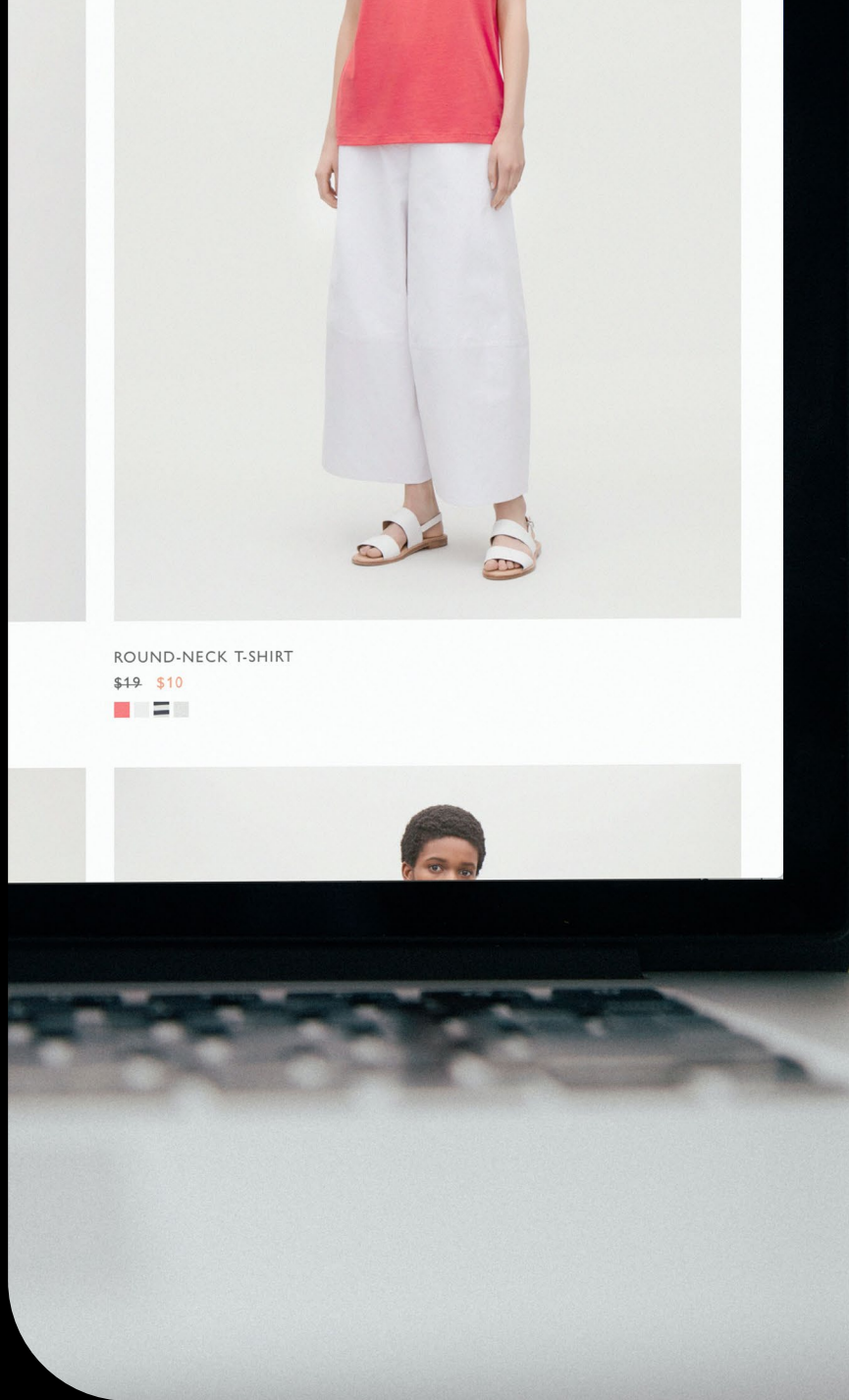
At the same time, brands will have to reach these new consumers through a growing range of channels, notably TikTok and Instagram, which for some younger demographics is their preferred window on the world of shopping.



And brands will face more competition than ever as the once best kept secret of cross-border becomes accessible to all.

New, smaller brands and start-ups, social media brands, brands running limited editions and capsule collections, existing retail partners with changing priorities or propositions, all at the same time as legacy brands use their capital and investment experience to pivot cross-border. Most brands now think and are adapting both products and experiences for new channels, including the Metaverse, years in advance of its full development.

And all this is taking place in the shadow of continued global uncertainty over viruses, the threat of war, inflation and recession, all of which dampen consumer confidence and spending. And yet, the post-Covid boost to ecommerce was over twice the growth from before it, **19%** against **8%**, says the [International Trade Administration](#).



To know them is to serve them.

Taking part in this cross-border bonanza depends on knowing your market. It is impossible to overstate the importance of knowing your customers in every territory, to enable you to communicate with and sell to them in the right way, one that raises the most revenue and long-term loyalty.

Knowing your customers also enables you to make the best possible decisions as to who to work with cross-border. The option of operating like a wholesaler and outsourcing the entire retail and fulfilment to a single, third party provider is an easy one to make, but it is expensive, specifically at least 6% of turnover.

It also robs the brand of the valuable deep data it will need to take control at some point of its own operations.

The good news is, there is another way.

Start with insight into the global trends.

Behaviour differs by demographic, country and culture, and companies need to understand all their customer cohorts in order to sell to them, but it is the younger generations that are part of Generation Z that are now defining what consumers generally want from retailers and brands.

- **Spending power for the generation born between 1995 and 2010 is now real.**
- **What they want is not a carbon copy of what their parents still want – consumerism is conscious.**
- **Convenience is everything – they want frictionless even contactless retail experiences, checkout-free stores, ultra-fast and even autonomous delivery.**
- **They want sustainability as defined by visibility on sourcing and manufacture, circular commerce to reduce waste, and evidence of environmental activity.**

If the cross-border share of ecommerce came close to 20%, the overall cross-border ecommerce market could total \$2 trillion in merchandise value and they also expect cross-border supply chains to change significantly.



The key to selling to consumers across borders is a deeper understanding of how they now shop.

The media headlines deal in the generalities, so we decided to dig deeper and talk to consumers. Now, brands must consider consumer behaviour around three major imperatives:

- **How dramatically they have changed their shopping behaviours since the advent of the Internet, mobile devices and social media.**
- **The huge shift to online and cross-border commerce brought on by the Covid pandemic.**
- **A possible hardening of some of these behaviours as the cost of living crisis takes hold.**

We conducted original research among 2,000 UK shoppers in 2022 - let's dig into the findings.



BIG OBSERVATION.

We are now dealing with a consumer living under a [cost-of-living crisis](#) and this will affect their spend, loyalty and consideration in a number of ways.

83% of UK shoppers across all demographics will more closely consider every purchase they make due to the rising cost-of-living.

73% will also more carefully consider which brands they buy from during this crisis.

78% will spend more time considering where to spend their disposable income.

76% agreed their buying decisions will now take longer because they are being more cautious with spending.

They will take longer in evaluating their purchasing decisions; **80%** of women said their buying decisions would now take longer, vs **72%** of male shoppers.

69% said they had cut back on discretionary spend and were spending less on unnecessary items – this dropped to **67%** of ABC1 vs **73%** of C2DE households.

39% said they hadn't been negatively impacted by the cost-of-living crisis, but are still choosing to more financially conservative, possibly in preparation for worse things to come. This figure rises to **42%** of ABC1 households, and falls to **34%** of C2DE demographics.

This was less true in the 18-24 year olds category (74%).

Cross-border is tailor-made for the many consumers that are both selective and conservative because it is able to reassure them with local experiences as well as personalised service and fulfilment options.



Consumer behaviour in channel is changing.



59%

of shoppers said they would explore a brand across more of its sales channels (e.g. website, social) before making up their mind to buy, as purchasing journeys become more considered. This rises to **72%** of 25-34 year olds.

65%

will continue to buy from brands they consider themselves already loyal to, rising to **72%** of 18-25 year olds. Among ABC1 audiences, **67%** will keep buying from brands they are loyal to, compared to 62% of C2DE demographics. This indicates lower income households will become less loyal, however, this is only a marginal increment of -5 percentage points vs ABC1 households.

29%

say they will be less likely to buy from new brands during the cost-of-living crisis – this rises significantly in younger demographics; **44%** of 18-24 year olds won't buy from new brands However, **56%** said they would be open to trying new brands to get value for money.

TAKEAWAY.

Two thirds of your business will be from customers that are already **loyal to your brand**, so they need to be cherished, particularly as cross-border sees them more happy than usual to try new brands.



The consumer research provided valuable feedback to luxury and lifestyle brands on **how to respond** to these many changes.

60%

now will only buy from brands that deliver a compelling offer.

64%

now expect brands to work even harder for their business, showing that each conversion or sale is going to become harder won.

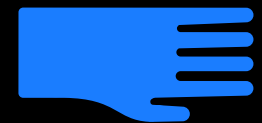
74%

Part of this offer, in addition to pricing and promotions, is experience; **74%** expect luxury and lifestyle brands to deliver great online brand experiences.



TAKEAWAY.

Brands need to work harder than ever to attract customers, and this is not just about price but about **experience**, and showing you are passionate about winning the sale.



BIG OBSERVATION.

Homing in on fashion buying, consideration factors are now broader than ever.

While the product itself was the top consideration for 50% of consumers, brand values, sustainability and authenticity were key considerations for shoppers when choosing to buy from a fashion brand:

31%

Relevancy

- the brand needs to reflect my lifestyle and values.

29%

Sustainability

- the brand needs to care about the plants as well as profit.

25%

Authenticity

- the brand needs to live up to what it stands for.

67% expect fashion brands to make their digital shopping experiences just as compelling and engaging as their stores.

64% want the online experience to live up to the brand's personality and values when shopping with fashion retailers online – this was particularly important to younger demographics of consumers, rising to **71%** of 18-24 year olds and **72%** of 25-34 year olds.

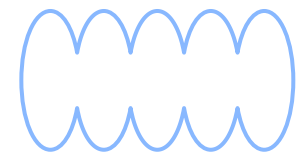
63% feel fashion brands could do more to make their online offer more compelling, rising to **72%** of 25-34 year olds.

64% felt fashion brands could do more to bring the human touch into their online worlds, rising to **73%** of 25-34 year olds.

52% would take their custom elsewhere if an online fashion brand's digital experience didn't live up to their expectations.

42% would question their decision to buy from a brand if its digital experience didn't embody its brand values or personality – **39%** said this would make them question their long-term loyalty to a brand or retailer.

50% said having virtual and physical stores would help luxury and lifestyle brands bring their brand identity to life.





**Brand
values,
sustainability
and
authenticity.**

TAKEAWAY.

When it comes to fashion, online **experiences** need to be at least as amazing as the products themselves.

ORDER
#1432



Fashion buying channels and brand engagement are fragmented.

In a typical fashion purchase, UK consumers will interact with a brand on average three times before buying – younger demographics would interact with a brand four times on average before purchasing from that brand, perhaps due to the fact that they operate on more channels or social platforms.

For everyday fashion purchases, below were the top channels consumers buy from:

- 60%** direct from a brand's website.
- 50%** a marketplace, e.g. Amazon.
- 30%** a brand's social channels (this rises to **63%** of 18-24 years olds, with TikTok being the most shopped social channel for this demographic at **21%**; this also rises to **59%** of 25-34 years olds, however Instagram is the most shopped social channel for this audience at **18%**).
- 28%** third party online multi-brand retailers, e.g. Very, Next etc.
- 20%** search engine ads.
- 16%** buy secondhand marketplaces, such as Vinted or Depop - this rises to **26%** of 18-24 years olds.





For high-end or luxury fashion purchases, below were the top channels consumers buy from:

41%

direct from a brand's website.

31%

marketplaces, e.g. Amazon.

25%

a brand's social channels. (this rises significantly to **61%** of 18-24 year olds, with TikTok being the most popular social sales channel for this demographic at **20%**).

20%

third party online multi-brand retailers, e.g. Very, Next etc.

13%

search engine ads.



BIG OBSERVATION.

12% buy luxury fashion via resale or 2nd hand marketplaces, e.g. Vinted – **12%** - this rises to **21%** of Gen Z audiences and **18%** of Millennials polled.

13% of 18-24 year olds currently shop high-end or luxury fashion in the Metaverse.

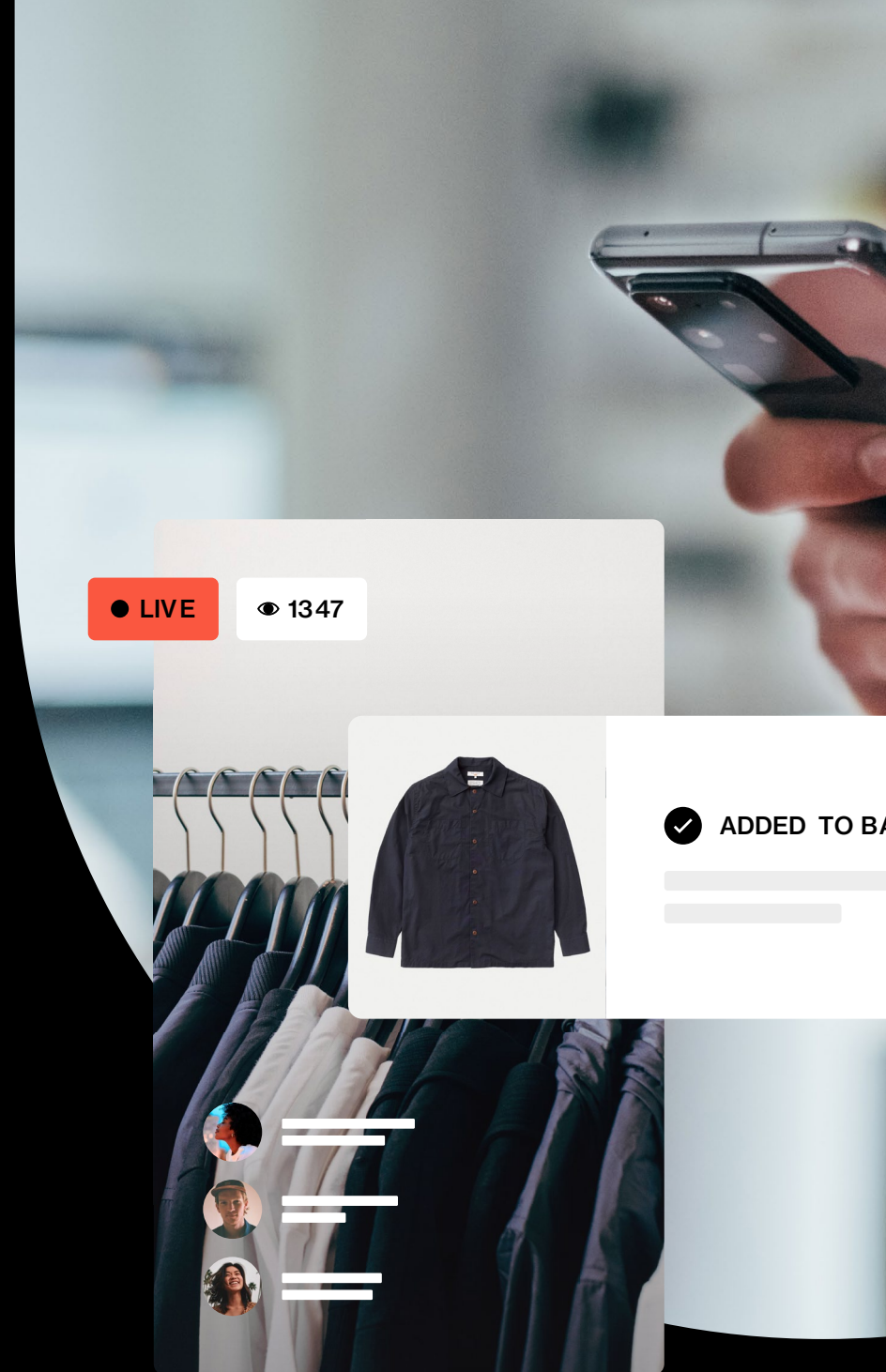
34% had bought from a completely new fashion brand when browsing social media, in what is now being called 'discovery retailing'.

41% said they had been enticed to try a new brand due to the look and feel of the collection, while a further 41% said they were open to trying new brands when browsing on social media platforms.

38% however said they questioned if brands advertising to them on social were a scam.

21% they preferred to browse rather than buy when looking at social media.

20% said they tended to stick to brands they were familiar with on social channels.



TAKEAWAY.

Brands need to be in more places than ever because consumers are not buying until they have **explored** widely and deeply.

There is a hierarchy of needs in cross-border purchasing decisions.

22% had a made a cross-border purchase in the last 12 months, rising to 36% of Gen Z shoppers, showing that younger shoppers are simply more comfortable in using the Internet, and they tend to have lower safety and privacy concerns.

Cost (50%) and product availability (44%) were the top two motivations for making cross-border purchases. According to [McKinsey](#), people purchase items across borders rather than domestically because:

13%

trust the foreign country of purchase.

36%

can't get hold of or source the product or brand domestically.

9%

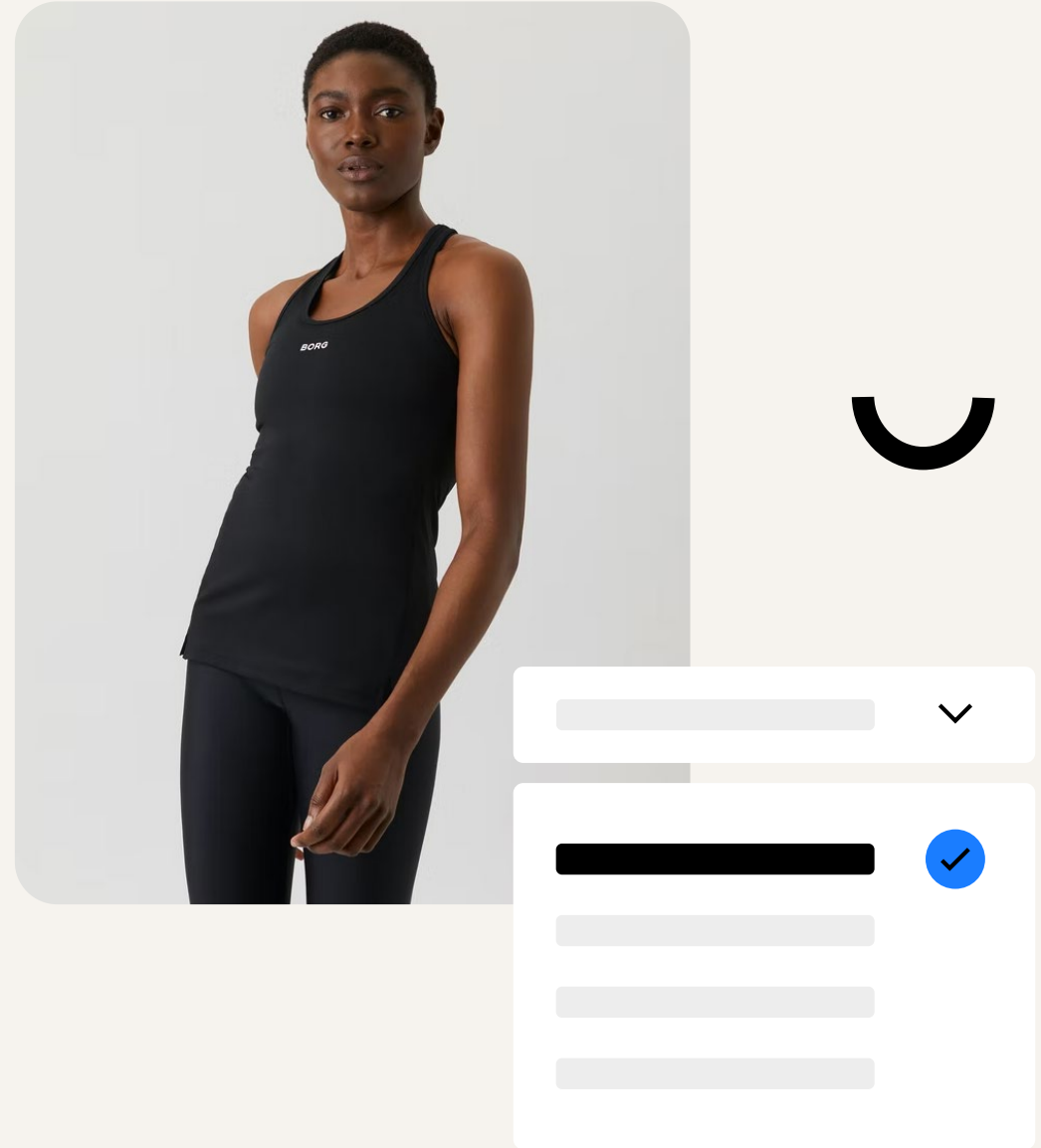
delivery speed from abroad is faster than domestic fulfilment.

8%

the website is not available in their region or market.

TAKEAWAY.

**Purchasing is
no longer just
about price but
about choice,
availability,
service,
fulfilment,
easy returns
and localised
experiences.**



Sustainability

It is essential for brands to consider how future buying might be impacted by environmental concerns, given just how much focus there is on how brands manufacture, source, sell and dispose of their products. Brands are therefore in the spotlight over their commitments and some have dominated the news recently on account of claims of 'greenwashing.'

65% said brands should 'hard bake' sustainability into their values.

71% said fashion brands should do more to offset their carbon footprint.

70% said fashion brands should do more to promote their green credentials and bring their sustainability initiatives to life.

45% would buy more from fashion brands who shout about their green credentials, rising to 64% of Gen Z shoppers.

57% would buy more from fashion brands who commit to protecting the planet, rising to 66% of Gen Z shoppers.

However **72%** said green claims needed to be backed up with meaningful actions before they would believe them.

51% would have a negative view of a brand they perceived to be greenwashing – a further 47% said that claims of greenwashing would wash away the positive view of a brand they already shop with.

42% said they would stop shopping with a brand they are already loyal to if they were greenwashing.



Green initiatives that **'gave back'** to the planet, e.g. 'we plant a tree for every purchase,' were the most likely when it came to influencing buying decisions among UK fashion shoppers – 46%. This was followed by:

45%

commitment to plastic-free products

43%

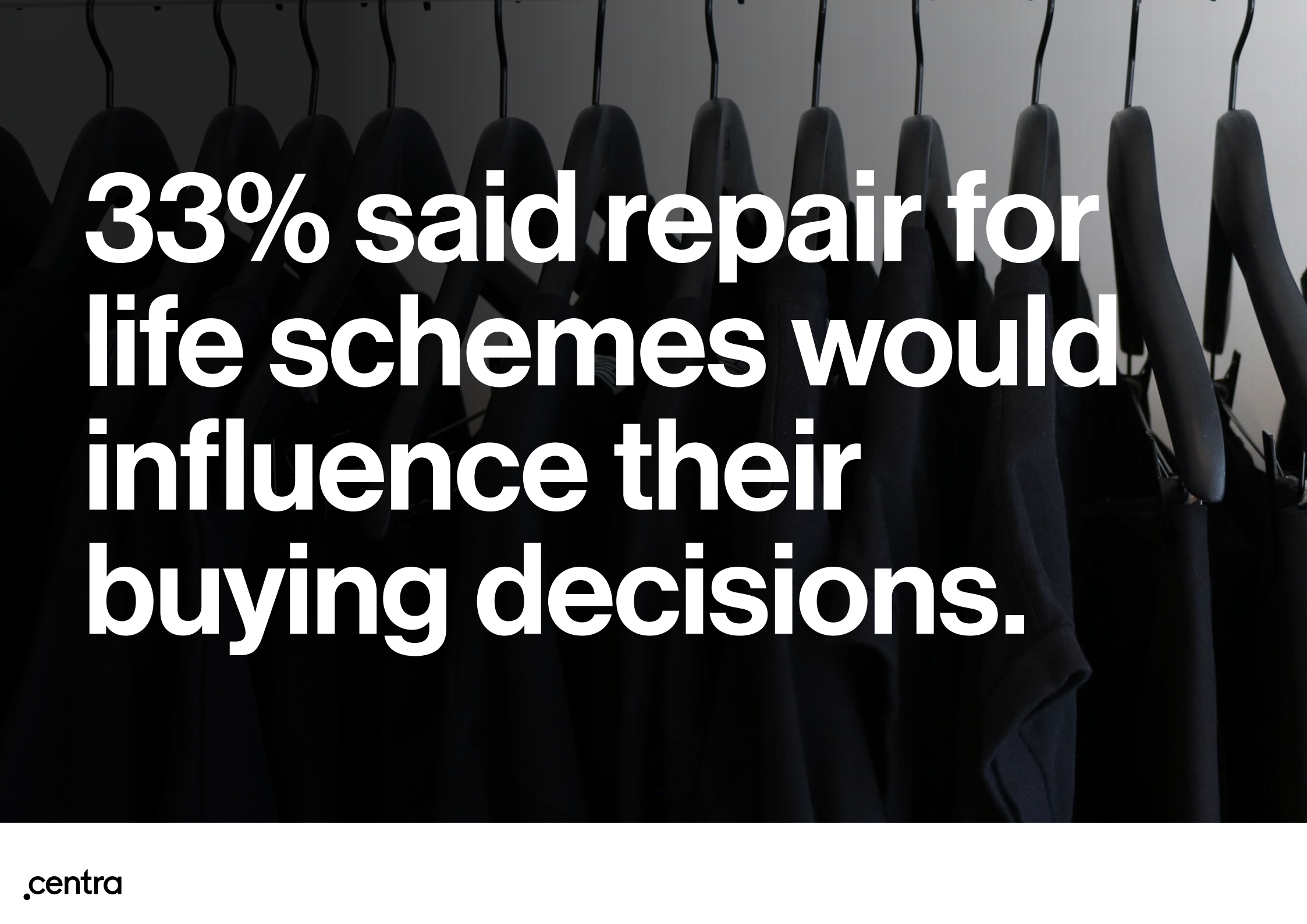
use of recycled materials in garments

40%

commitment to being carbon neutral

35%

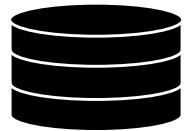
carbon friendly delivery options



**33% said repair for
life schemes would
influence their
buying decisions.**

TAKEAWAY.

Consumers may not always act sustainably when they reach the checkout, but it features very high in their consideration, so must be pre-eminent in your offer.



The Metaverse isn't here but it's real for consumers.

Given the perceived importance of the Metaverse to fashion and the fact that its potential is being widely explored well before the environment is fully built, we used the research to investigate consumer attitudes towards it. The findings also carry relevance to an industry that is so dependent on digital assets and communications.

Just **9%** of UK shoppers have bought a fashion Non Fungible Token (NFT) / digital garment or accessory, however, this rises to **19%** of 18-24yos and **21%** of 25-34yos. Men were twice as likely than women to have already bought in the Metaverse, with **12%** already owning an NFT vs **6%** of women.



Of those who had bought an NFT, the top 5 motivations were:

38%

it's an investment - this rises to **46%** of Gen Z. Men were also more likely to have bought a fashion NFT, **47%** of men vs **22%** of women.

31%

it's a way to own a digital asset from brand I like.

29%

it's a unique or limited edition digital asset.

28%

I like the idea of owning something in a virtual world.

27%

NFTs are the future of fashion.



Novelty of the ownership format also factored highly – 26% said it was a new way to own an item from a brand, while 25% said it was a new way they could interact with a brand digitally.

31% of Gen Z shoppers said they wanted to dress their digital avatars as the reason for purchasing NFTs, with a further 23% saying they wanted to be just as well dressed digitally as they were in the real world.

However, of the 2,000+ shoppers polled, **34%** said they didn't want to own fashion digitally, preferring physical fashion garments.

29% said they thought NFTs were a fad that would pass.

25% didn't trust NFTs, with a further 24% saying they were a gimmick used by fashion brands to sell more 'things' to shoppers.

27% said NFTs wouldn't hold their value as an investment.

Considering the pace of digital change, **49%** of shoppers felt they couldn't keep up with the pace of digital evolution in the market.

52% said there are digital things they do in the everyday lives now that they couldn't have imagined a

year ago, rising to 61% who said the same about the past two years and 72% who said that about the past five years.

48% feel confident about the layers of digital wrapped around their lives now.

71% agreed digital acceleration will only get quicker.

65% said consumers will live more digital lives in the next 12 months.

As the Metaverse becomes a reality, **39%** said digital avatars will become the norm in the next two years, with 44% saying they felt this would take a little longer to normalise, saying it would happen in five years.

43% said the speed of digital evolution in their daily lives was exciting.

37% said they were choosing to do things in a more analogue (non-digital) fashion as the digital layers in their lives was becoming invasive.

54% wanted a 'better balance' of digital and physical in their shopping journeys.



Consumers demand more **immersive experiences** online to the extent that they want to appear in person in the digital world. This is an amazing opportunity for brands to get closer to their customers to understand what they want and how they want it.

Your priorities in 2022 and beyond.

Do your homework on countries with large cross-border demand to determine whether you are taking full advantage.

Redouble your efforts to reach the Gen Z customer, particularly through the channels they use all the time, notably social media.

Gen Z increasingly makes up your workforce, so work with them to translate their ideas into action and at the same time give them more meaningful roles. Don't reinvent everything; your existing strengths and assets may be perfectly suited to cross channel commerce, but they may need refreshing.

Monitor the extent to which you can pass on some of your rising costs to your customers, as this will change over time. However, the main focus should be on ruthlessly efficient execution so you can manage your costs and drive up productivity.



A man with a beard, wearing a dark blue button-down shirt over a light-colored sweater and a tie, is looking down at a tablet computer he is holding in his left hand. He is standing in a clothing store, with various garments visible in the background, including a striped sweater hanging on a rack and a basket of folded clothes on a table. The lighting is warm and natural, suggesting a bright window in the background.

**Ruthlessly
efficient
execution.**

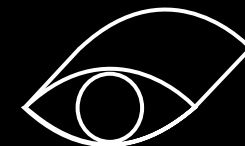
A woman with glasses, wearing a blue denim shirt and jeans, is sitting at a wooden desk in a warehouse. She is looking down at a laptop or tablet. The background is filled with stacks of cardboard boxes, suggesting a logistics or fulfillment center. The lighting is warm and focused on the woman.

**Show your
customers
just how
committed
you are.**

Show your customers just how committed you are not just to your own environmental footprint but to the planet as a whole. You are part of a commercial community so need to demonstrate that by working with your peers – industry bodies, governments, suppliers and supply chain partners.

Use the opportunity provided by circular commerce of engaging more deeply with your customers – take more part in the journey of the products you sell, which may mean selling second hand and taking products back at the end of their life.

Investigate what other brands are doing with the Metaverse and make sure you have a working group that is able to take advantage of its opportunities to improve your customer experience.



About

Centra is a fairly young platform but has already added big clients such as Nudie Jeans, Lexington and Our Legacy amongst more than 100 other fashion and lifestyle brands that are using its SaaS solution as the backbone of their digital ecommerce operations.

Centra is a headless all-in-one ecommerce platform for both DTC and digital wholesale, allowing endless possibilities for design, integrations and global scalability.

centra.com

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