

Inflation hinders global digital sales growth

With the first quarter of 2022 now in the rearview mirror, Salesforce Q1 Shopping Index data shows a 3% year-over-year (YoY) decline in global digital sales. This marks the first recorded drop in the index's nine-year history.



Source: www.salesforce.com

What's the impact: Inflation (with average selling price up 11% in the US in March), supply chain issues and economic insecurity have all impacted consumer purchasing power. This has led to a dip in online spending after several quarters of unprecedented growth.

Salesforce data indicates that with YoY global spend down 3%, traffic down 2%, and order volumes down 12%, consumer confidence and online spending will likely level off for the remainder of the year. Notably, Europe's online sales (-13%) and order volume (-17%) are down significantly as people face surging fuel costs and a war on their continent.

The Salesforce perspective: "Inflation has finally caught up to bullish spending, with consumers buying fewer items from fewer retailers," said Rob Garf, vice president and general manager of retail at Salesforce. "This likely isn't a temporary mindset, but instead a signal of a larger consumer behavioural shift. To address this, retailers must remove friction between physical and digital channels to attract and retain loyal shoppers."

Q1 by the numbers

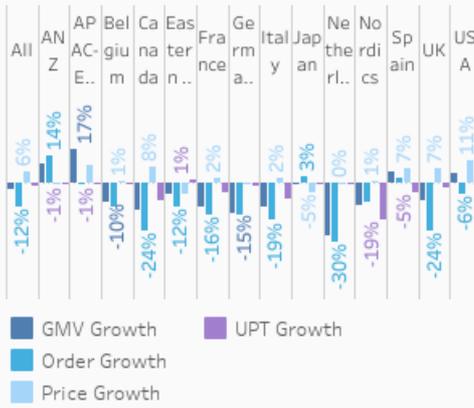
Q1/March 2022 Digital Commerce Results



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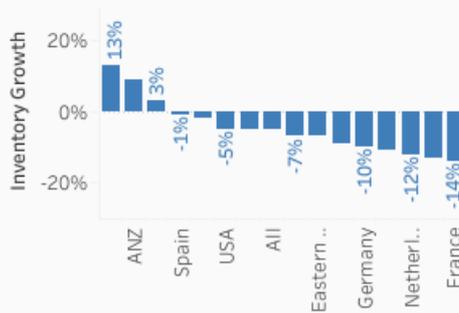
(All)

Q1 2022 GMV Growth, Order Growth, Price Growth and 1 more YoY



Year-over-Year Inventory Growth, March 2022 vs 2021

Sorted in descending order.



Fast facts

- The global economy continues to feel the stress of a strained supply chain as the labour lockdowns and closing of

Shanghai ports persist.

- Amid prolonged supply chain pressures and delays, SKU count was down 3% in Q1 2022 compared to Q1 2021.
- Product categories with the greatest inventory decreases included:
 - Toys and Learning (-23%)
 - Appliances (-12%)
- Flexible payment options such as Buy Now Pay Later (BNPL) are offering a safety net for consumers in uncertain times, giving them the ability to make necessary purchases instantly and pay them off gradually.
- 9% of global Q1 2022 digital spend was done using BNPL, up 20% YoY and up 9% since Q4 2021.
- Across the UK, BNPL accounted for 12% of spending in Q1 2021 – up 37% YoY.
- Germany, Belgium, ANZ, and the Netherlands saw the highest rates of BNPL usage in Q1, while France, Italy, Spain, and Canada saw the greatest YoY growth.

Zoom out

With exponential growth in fuel prices, increasing merchandise scarcity, and a continued rise in inflation impacting global spending habits, a major shift in consumer optimism may soon be approaching. This could drive down discretionary spending for the remainder of the year – forcing retailers to delicately balance stimulating demand and optimising margin in their promotional calendars.

For more, visit: <https://www.bizcommunity.com>