

## INNOVATION

# E-Commerce Trends 2022: What The Future Holds



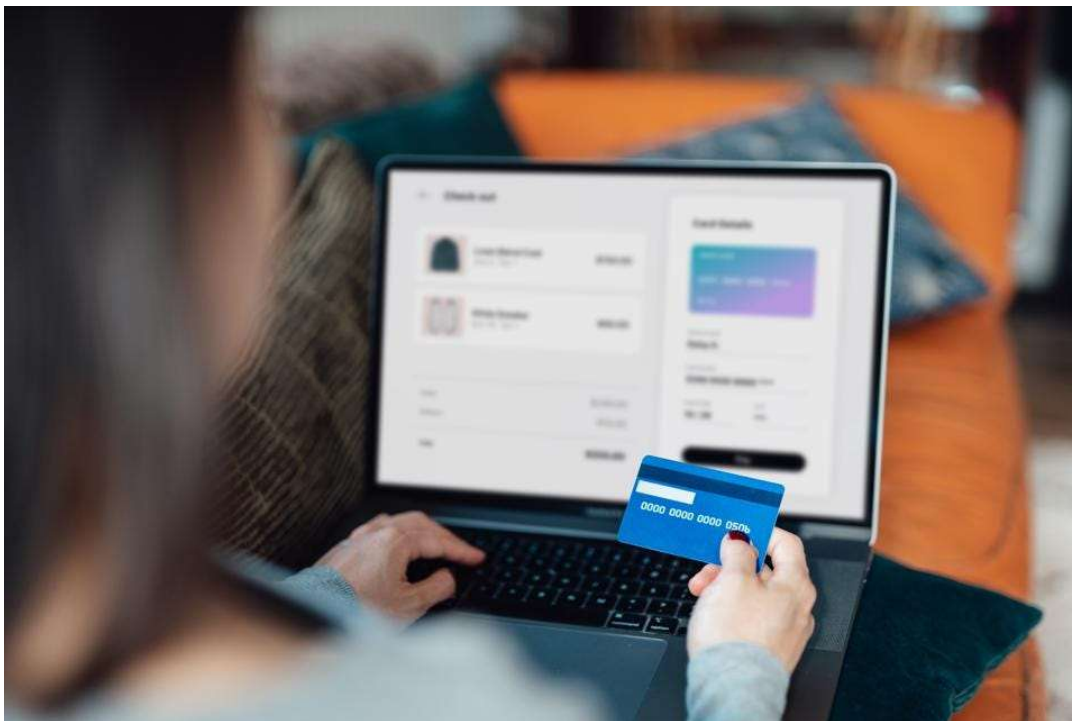
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*Co-founder and CEO of [Choco Up](#), one of Asia's leading revenue-based financing and growth platforms.*



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Staying on top of e-commerce trends is not an option — it's a necessity.

For e-commerce business owners, keeping abreast of industry trends is particularly important for you to stay competitive and identify new opportunities.

As the past year draws to a close, this article highlights three e-commerce trends to watch in 2022. I also discuss challenges ahead and how to overcome them. Let's get started.

### **Trend 1: The e-commerce landscape is getting more competitive.**

According to a recent industry [report](#), e-commerce 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 e-commerce space is becoming more crowded.

The rapid growth of e-commerce can be attributed to many reasons — Covid-19 being a major one. In times of uncertainty, fears of the virus and stay-at-home policies have driven changes in consumer behavior, bringing offline footfall to online stores. Large numbers of e-commerce businesses emerge as the times require.

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### **The Challenge: Increasing Advertising Costs And Reduced Campaign Effectiveness**

E-commerce incumbents and new entrants are racing to gain consumers' attention. The result is increased costs of advertising and reduced return on ad spend (ROAS). Advertising on Facebook, for example, already costs [47% more than the year before](#).

But the matter does not end here. Following Apple's privacy updates in iOS 14.5, cross-app data sharing is prohibited unless users choose to opt in. Ramifications of the policy are major and immediate: Advertising across Facebook and Instagram has become much less effective than before.

### **The Way Forward: Maximizing Your Customer Lifetime Value To Customer Acquisition Cost Ratio**

Apple's advocacy for privacy and Covid-19 aren't going anywhere soon. Against this backdrop, e-commerce companies have started exploring new and unsaturated marketing channels. Snapchat and TikTok are popular options to this end.

Amping up efforts on customer retention is another way out of this difficult situation. As customer acquisition costs continue to rise, maximizing customer lifetime value helps maintain profitable margins for your business.

### **Trend 2: More e-commerce businesses go global to overcome growth bottlenecks.**

Total addressable market (TAM) is a common limiting factor of growth. As businesses reach their growth limits in the domestic environment, the world will see more e-commerce brands expand into the global stage.

The go-global movement is echoed by consumers. In fact, a recent survey revealed that **76% of online shoppers** have made purchases on a site outside their own countries.

### **The Challenge: Navigating Through Obstacles Of Foreign Expansion**

The path of international business expansion will not be frictionless. Inadequacy of funding, for one, would limit growth opportunities.

Besides, competition and talent acquisition in an unfamiliar market would pose challenges to the management. Cross-border supply chains could be tricky to manage, too.

### **The Way Forward: Planning Ahead To Prepare For Growth**

There are many ways to grow a business. Apart from internationalization, you could also work on product development and market penetration.

Regardless of the route you take, some considerations are pertinent: When will you expand? How will you do it? What resources will you need? These are serious questions to ponder.

### **Trend 3: Conventional financing methods will take a back seat.**

Alternative financing is gaining popularity among e-commerce companies. Instead of taking out loans or trading equity for investors' money, many businesses now prefer other means of cash injection, such as revenue-based financing (RBF) and inventory financing.

The paradigm shift didn't happen for no reason. When asked about why they switched from loans to revenue-based financing at Choco Up, my company's clients shared the following views:

- Bank loans are time-consuming to apply for.

- They don't have eligible assets (e.g., cars or property) to pledge as collateral for loans.
- Loan repayments in fixed installments would put pressure on their companies' cash flow.

Equity dilution is also a common concern among founders who didn't opt for angel investments or venture capital. After all, giving away equity is expensive.

## **The Challenge: Weighing The Pros And Cons Of Alternative Financing**

A broad range of financial instruments, tailored for the needs of new-age businesses, have emerged over the past decade. E-commerce owners will need some time to familiarize themselves with these financing solutions.

For instance, in revenue-based financing, funding is not repaid in fixed installments. Rather, RBF platforms will share a fixed percentage of your company's revenue until the sum is fully repaid.

There are both pros and cons to this approach. On the plus side, repayment is flexible. Yet, your business must have recurring revenue in order to use revenue-based financing. These are some aspects to consider before choosing a financing solution for your company.

## **The Way Forward: Exploring Alternative Financing Solutions To Fuel Business Growth**

Market research showed that in 2021 Q2 alone, funding acquired by e-commerce companies worldwide **totaled US\$16.8 billion**. That is a five-time increase compared to the same period in the prior year.

Evidently, e-commerce companies are poised for growth and challenges ahead. As traditional forms of financing cannot aptly address these companies' needs, alternative financing is here to stay.

## Some Last Words

A quote from *The Art of War*, China's monumental treatise on warfare goes like this: "Know the enemy and know yourself; in a hundred battles you will never be in peril."

The 2,000-year-old wisdom still applies in the business world today. Know yourself and your rivals, or you risk losing the e-commerce battle.

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**Percy Hung**

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