

HOW DOES THE PROLIFERATION OF E-COMMERCE INFLUENCE CONSUMER EXPENDITURE PATTERNS, AND WHAT FACTORS CONTRIBUTE TO THE EFFECTIVENESS OF E-COMMERCE STRATEGIES IN STIMULATING CONSUMER SPENDING IN THE DIGITAL AGE

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Executive Summary: The technological developments and the COVID-19 outbreak have made several shifts in consumers' expenditures via the e-commerce business. Increased availability and utilization of mobile terminals (especially, smartphones), digital wallets, and focused offerings, including the usage of social networks and the Internet in shopping, lead to more frequent and less costly purchases as factors influencing the overall global e-commerce sales, which are expected to account for 25% of total retail sales by 2025. That being the case the following are some of the reasons that have contributed to this change; Technology Payment methods Recommendations social media Most beneficial has been for electronics, fashion, and grocery categories, where shopping has offered more variety and, on account of the availability of reviews and comparison of prices, more trust. A rise in social media marketing and endorsements by influencers leads to consumer participation Such activities also enhance value co-creation for consumer and organizational benefit The use of Artificial intelligence and data analysis provides businesses the ability to create personalized experiences. The use of different payment methods such as debit cards in the UK and credit cards in the USA is the reason why there is a need to offer multiple payment options. However, because of trust and security considerations, conventional shopping channels are preferred for offline selling. User experience, niche targeting, and cross-channel communication. The future of e-commerce's further evolution will be based on AI technologies that are based on customer experience and mobile in the first place since they are changing consumer behavior, making the retail change continuously.

Keywords: E-commerce, Digital wallets, Social media, Online promotions, Global e-commerce sales

Introduction

The proliferation of e-commerce has significantly influenced consumer spending patterns, reshaping how individuals interact with retailers and make purchase decisions. The major driver of this shift has been the convenience of online shopping, allowing customers to shop anywhere, at any time without the constraints of limited store hours. This easy access and the ability to make online payments has led to a tremendous increase in consumer spending through online marketplaces.

The outbreak of COVID-19 has further amplified the trend of buying products online since people are afraid of direct contact and hence have to rely on online platforms for a significant number of global sales. Internet users are more than 5 billion in the world, and Internet usage and penetration are only going up, meaning the potential customer base for online shopping is only going to increase. Global retail e-commerce sales were estimated to be over \$6.3 trillion in 2024 and new records are expected to be set in the upcoming years as the trend of online shopping increases.

Additionally, integrating mobile devices into e-commerce has revolutionized the shopping experience, offering personalized and accessible options through mobile apps, payments, and loyalty programs. “Advances in e-commerce are the driving factors behind this shopping evolution. Consumers no longer have to go out to go shopping. E-commerce has brought the shopping experience to their fingertips via desktop and mobile devices, completely changing how consumers shop” (ESW, 2022).

E-commerce strategies such as using the omnichannel approach, which integrates online and offline experiences, have been crucial in stimulating consumer spending by maximizing customer satisfaction. Businesses have harnessed the power of reviews and recommendations to build trust and credibility, enhancing customer experience and retention. As e-commerce continues to evolve, it impacts both economic activities and social environments. This shift demands policymakers address challenges like security, competition, and consumer protection to reap its benefits.

E-commerce's accessibility and convenience have increased autonomous consumption drastically by encouraging spending through 24/7 shopping, an array of product ranges, and flexible payment options. Marginal consumption has also risen through personalized recommendations, impulsive buying, and lower prices offered online. The shift in consumer spending patterns also includes the increased frequency of smaller and more convenient purchases. Furthermore, Price comparisons and discounts have attracted more spending during online shopping by making them prominent with elaborate designs and colors that appeal to users. Meanwhile, psychological influences like instant gratification and social proof from reviews strongly influence buying behavior as they instill favorable perceptions in the customer's mind. Due to this, traditional retail faces significant competition from e-commerce, leading to hybrid models that integrate both online and offline experiences to improve customer experience and maximize sale conversion rates.

It aims to delve into how spending patterns differ between offline and online shopping, exploring behavioral changes in consumer psychology since the rise of e-commerce. To achieve this, we will conduct a survey to ask questions that enable us to uncover the key factors driving consumer behavior in the digital age.

E-commerce has impacted various product categories differently, with fashion, electronics, and groceries becoming increasingly popular due to their better availability online. Today's consumers can select from a wider range of products, can easily compare prices that different retailers offer for the same goods, and often search for the existence of sales promotions and read the reviews on specific goods before making a purchase. The global reach of e-commerce has allowed consumers to purchase products unavailable in their domestic markets, hence expanding their horizons of product variety as customers and companies horizons to penetrate new markets. Social media and influencer marketing have become crucial in shaping consumer perceptions and driving sales as reviews and endorsements from these influencers and celebrities significantly influence purchasing decisions. Additionally, the growth of digital wallets and online payment options has increased consumer confidence and convenience, further boosting online shopping.

Numerous factors contribute to the effectiveness of e-commerce strategies. A flawless user experience and visually appealing website design are crucial factors for boosting sales. Using personalization, targeted marketing, and leveraging data analytics to tailor recommendations, and drive customer loyalty for businesses. With the use of social media sites, firms enjoy increased exposure and multiple touch points with clients. Discounts and offers give the impression to the consumers that they have to purchase before the offer ends. Quality customer relations and the application of technological aids such as a chatbot that utilizes artificial intelligence enhance the shopping experience. This helps in customer retention and ultimately leads to more sales. It can be undoubtedly said that advancements in technology will continue to influence consumer spending patterns, hence making it essential for businesses to stay adaptive and customer-focused in this evolving landscape.

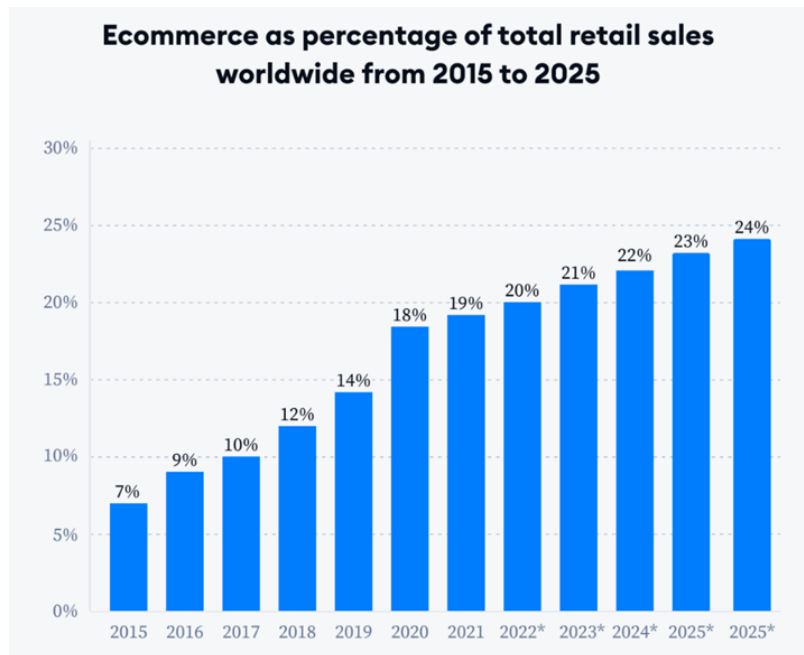
Impact of E-Commerce Proliferation on Consumer Expenditure Patterns

Changing Shopping Habits

The convenience of online shopping has led to shoppers preferring online stores over physical stores, and the number of online shoppers is ever-increasing.

“Over the past few years, the average order value for e-commerce purchases has increased globally, from around 118 U.S. dollars in September 2022 to around 126 U.S. dollars in the same month of 2023. In the fourth quarter of 2023, online shoppers spent an average of about 2.95 U.S. dollars per visit across all verticals” (Chevalier, 2024).

The following graph shows that the percentage of retail shopping that takes place online is increasing year by year, indicating a change in shopping habits.



Source: Tidio, 2024

“Currently, about 20% of all retail sales happen online. E-commerce sales make up a growing share of retail. As recently as 2017, online sales accounted for just 1/10th of all worldwide sales. By 2025, they are expected to represent almost 25% of total retail sales” (Fokina, 2024).

With the evolution of the e-business, customer buying behavior has evolved greatly. They do not have to worry about set business hours or even the physical location of the stores they shop from. They can purchase products at any time of the day from home or any other convenient place while on the move. Mobile technology has been most influential to the shoppers as it enabled them to conduct research on products and make purchases at any given time using their mobile devices such as mobile phones and tablets. Consumers have more liberty when it comes to buying products as internet access is becoming more widespread and for those using mobile applications, it becomes easier for consumers to shop at any time they wish to do so. Consumers have been freed from previous constraints and have gained the opportunity to shop anytime they want based on their timetable and not that of the store. This always-connected retail culture could very well be one of the biggest changes to consumer shopping behavior since the advent of the big box stores.

“Online shoppers have clear preferences when it comes to device type. When comparing gadgets, the average purchase amount has always been the highest for desktops, with an order value of 170 U.S. dollars. This indicates that bigger purchases are made via desktop computers. However, consumers are more likely to complete orders when shopping on mobile devices. Mobile devices were also clearly preferred when browsing retail websites, with around three-fourths of consumers using smartphones instead of desktops or tablets” (Chevalier, 2024).

Now, consumers prefer a personalized experience while shopping, which is seamless and convenient on different devices and at all stages of the buying process. “People are 40% more likely to spend more than they’d planned if their experience is personalized” (ESW, 2022).

GOAT is a mobile application that focuses on the sale of sneakers as well as the buying of sneakers. It has one feature that enables users to compile various lists of sneakers that they would like to buy. Whenever a sneaker in the user’s wishlist has been reduced in price or is available for sale, GOAT sends that specific user a push notification informing him or her of the status. It is an effective way of providing users with a personalized experience when shopping online. It is driving business for GOAT, this has been proven because the company now boasts over 7 million global users who are now using the app features such as wish lists and price alerts. In general, by offering a personalized and highly engaging notification system, GOAT has identified and maintained a significant following of sneakerheads to its application.

“Based on the convenience they experience from online shopping portals, today’s shopper expects a lot more variety even while visiting a retail store. The seamless online shopping experience has also impacted the behavioral expectations of shoppers, as they now expect the same smoothness, timely response, and convenience even for services (like at a salon) that generally cannot be offered online. Shoppers can also read comments online, instantly seeing how others feel about the product” (Mitchell, 2024).

Impact on Product Categories

E-commerce has significantly impacted product categories by making a wide range of products readily available to consumers to shop from at any time, anywhere. Electronics, fashion, and groceries have emerged as popular categories due to the convenience of online shopping, the same can be seen in the following graph.

Top Online Shopping Categories Worldwide in 2023



Source: Tidio, 2024

Fashion has seen increased sales from the ease of browsing and purchasing through mobile apps and websites. Electronics often see higher expenditure due to frequent technological advancements attractive online deals and increased customer knowledge through reviews and feedback. “Home furniture is the category in which consumers spent the most money per visit on average, at 3.41 U.S. dollars, followed by luxury apparel at 3.24 dollars” (Chevalier, 2024).

“Choosing the right products matters a lot to businesses because each industry has completely different values related to shopping cart abandonment rates, conversion rates, or average order value” (Fokina, 2024).

Consumers are also more price-sensitive and do comparison shopping. They have the ease of comparing prices and products online from a wide range available, they look for discounts on different websites and read product reviews. It influences consumer decision-making and expenditure. “New trade agreements and advances in e-commerce technology have opened the door for brands to sell outside their domestic markets and customers are bought in. Global cross-border sales are expected to hit more than \$4 trillion by 2027” (ESW, 2022).

Shopping as a Social Activity

Before E-Commerce and social media sites, customers relied on salespeople to guide them about products and explain various features so that they could make the best purchase. There is a growing onset of social media influencers, who people look up to for inspiration and reviews about various products, positive reviews or endorsements from celebrities go a long way in driving sales for a product or brand. “Today, 95% of shoppers read reviews before making a purchase. And it does not matter to consumers that these reviews are from strangers. They trust the reviews more than they trust what the brands themselves are saying. That’s why consumers, not brands, are more responsible now for shaping the perception of a brand, says Chris Campbell, CEO of ReviewTrackers. These online reviews have become so important that 94 percent of people have avoided a business because of a negative online review, the company’s research shows” (ESW, 2022).

Influence of Digital Payment Methods

With the growth of digital wallets and online payment options, consumers can shop online with increased convenience. It has increased consumer confidence and positively influenced consumer spending habits.

Currently, mobile wallets have emerged as the most popular form of payment for online purchases and are used in approximately 50% of all e-commerce transactions in 2023, as reported by Statista. Mobile wallet payments are expected to increase even more dramatically over the subsequent years, with their usage expected to rise at a rate of 14.9 % annually between 2023 and 2027. While credit cards are currently used the second most frequently, with 22% of the market share in 2023 for online purchases, credit cards’ share is likely to decrease further in the future as mobile payments become even more popular. To conclude, mobile and digital wallets are becoming the most popular payment option for online purchases in the global market and this trend will most likely continue in the future.

“Consumers in the United Kingdom and the United States both liked using digital or mobile wallets when paying for products or services online. One major difference between these two groups, however, was their approach to card payment methods. Approximately 30 percent of online shoppers in the UK made payments using debit cards, while U.S. shoppers had a clear preference for credit cards in 2020” (Best, 2024)

Factors Contributing to the Effectiveness of E-commerce Strategies

User Experience and Website Design

These are very important factors as it is crucial to ensure that when a shopper visits a website or app, they get a seamless experience and an attractive website so that they complete their purchase. Intuitive navigation and user-friendly interfaces go a long way in driving sales for a company.

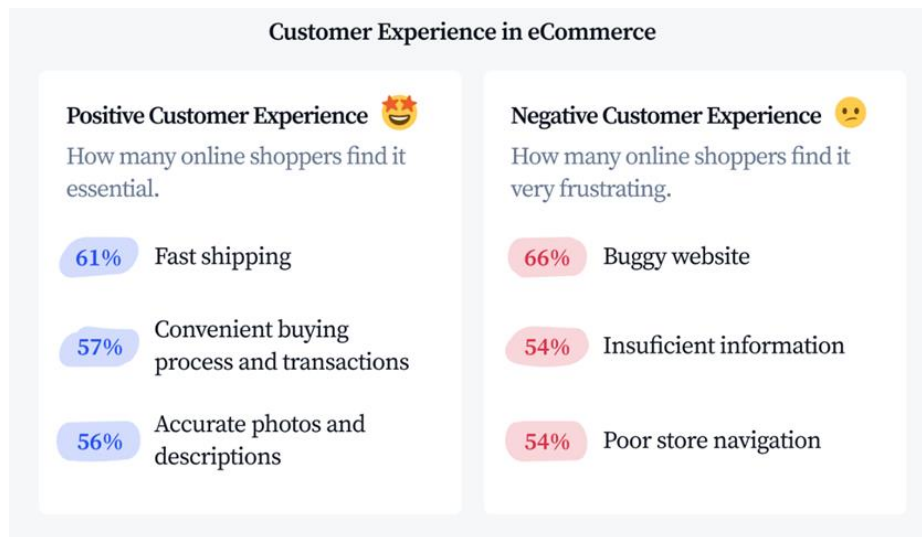
“Many of us go day-to-day with a smartphone within arm’s reach — which means shopping is also going mobile. The share of mobile commerce in all e-commerce has been on the rise, expected to reach 62% in 2027. In response, online businesses need to ensure their e-commerce sites are responsive on mobile and provide a seamless experience across all devices. This means optimizing content for smaller screens, enabling one-click ordering, and offering other conveniences that support on-the-go shopping” (BigCommerce, 2024).

“Foundational digital literacy and analytics capabilities are critical enablers in achieving a long-term competitive advantage in e-commerce” (Chapple,2022).

All steps of a customer journey need to be taken care of, most importantly the checkout step. This means that even a slight hitch an obstacle or a complaint from a potential buyer during the sales process will lead to the loss of a potential sale. This is avoidable and amounts to lost sales yet the company has good products that consumers would be willing to pay for. As much as this is good because it shows that the business has appealing products that meet customer needs, it is not enough because customers can be turned off by even small issues at the wrong time, and this results in fewer sales than what should be expected.

“13% of customers will abandon their carts if they don’t see enough payment methods available. Focus on providing a variety of payment options such as credit cards, digital wallet payments like PayPal or Apple Wallet, or one-click checkout options like Bolt. In addition, you can offer financing options like buy now, pay later (BNPL), allowing you to connect your brick-and-mortar stores with your online store” (BigCommerce, 2024).

The following illustration highlights the importance of a Seamless User Experience.



Source: Tidio

Personalization and Targeted Marketing

Research has shown that satisfying customer needs and expectations encourages brand loyalty. For instance, a combined study done by Google and Storyline Strategies found out that if a brand makes a customer feel valued by offering them their preferred type of service, these customers become 72% likely to remain loyal to that brand and keep on buying its products. Organizations can make the best use of data analytics to tailor recommendations and offers. These personalized experiences leave an impact on consumer spending.

“For many, it looks like creating a seamless omnichannel experience that engages the customer at every touchpoint. For example, merchants can utilize product feed management tools like Feedonomics to streamline data optimization, product listing, and order syncing across their social and marketplace channels. From there, businesses can deliver a unique experience to each customer with personalized product recommendations, ad retargeting, push notifications, and even dynamic pricing” (BigCommerce, 2024).

But as data privacy becomes a major issue, they may begin to wonder how the retailers collect and use their personal information. To overcome these issues, retailers should adopt the “opt-in approach” that allows customers to provide personal data willingly. Allowing consumers this choice assists the retailers in enhancing trust and openness concerning data usage. However, at the same time, it still allows the company to collect voluntary customer data that is valuable for providing personalized services and targeted marketing. The opt-in solution is the compromise between the customers’ right to manage their privacy and the retailers’ need to gather user data to tailor products. It promotes the use of data; however, it still employs the given data to personalize the products of the shopper through permission marketing.

“Companies can aggregate transaction data, media exposure, and interaction data, website activity, first-party data, and additional data sets to link a consumer ID across multiple different data systems. With this information, organizations can

take chronological views of consumers' engagement to build a fully automated, repeatable, scalable methodology to identify future activation opportunities in a personalized way. This approach can capture meaningful business value: for example, a food company recently improved its return on digital advertising spending by more than 40 percent by targeting look-alike audiences using first-party data" (Chapple, 2022).

Social Media and Influencer Marketing

"Over the past couple of years, Instagram, Facebook, and TikTok have grown into more than just social media platforms — now they're also hubs for social commerce. Insider Intelligence estimates that 110.4 million people will shop via social channels in 2024" (BigCommerce, 2024).

Organizations can leverage social media platforms for brand visibility and engagement, they can go for influencer endorsements, and celebrity marketing to build brand awareness and consumer trust to drive purchasing decisions positively.

This is because features such as one-click ordering and live online assistance during shopping have made e-commerce even more convenient. This ensures that customers can search for products and purchase them without any hindrance. Further, social commerce has low industry entrance, which allows small online businesses to participate in the market and promote products to specific groups of people on social media at a relatively low cost. This assists them in strengthening brand awareness, increasing customer reach, and ensuring that consumers have a seamless and effortless shopping experience.

Promotions and Discounts

E-commerce platforms use various strategies to create effective sales promotions and discounts that stimulate consumer spending. Companies can offer limited-time offers, flash sales, and seasonal discounts as they create a sense of urgency, prompting immediate purchases. Loyalty programs, subscription models, and referral bonuses can be used to reward repeat customers and encourage them to bring in new shoppers.

"From food and beverage brands to clothing rental companies, subscription services have taken over a wide range of e-commerce industries — and continue to grow. The Washington Post even predicts that, by 2025, the "subscription economy" will grow to \$1.5 trillion. For many e-commerce brands, this business model is attractive as it not only offers continuous revenue but also increases customer loyalty. Coupled with a loyalty program, these subscription models can offer shoppers access to exclusive discounts and offers, early access to new products, and personalized customer support" (BigCommerce, 2024).

Additionally, bundling products at a reduced price and offering free shipping for orders over a certain amount add value and attract more sales. As consumers have become more price-sensitive with various options online, targeted discounts based on consumer behavior and preferences can help ensure that promotions are relevant appealing, and competitive at the same time.

Customer Service and Leveraging Technology

Reliable and accessible customer support is very important for any business, it helps in ensuring that the customer has a good after-sale experience as well, and increases the chances of repeat purchases.

There are possibilities to improve customer satisfaction due to the development of new technologies. An example of such chatbots is the ones that offer immediate assistance and recommendations when it comes to purchases — apart from increasing the effectiveness of customer support, these chatbots help to develop consumer loyalty and engagement with e-commerce businesses. Over the last few years, artificial intelligence has significantly impacted the e-commerce industry, allowing brands to automate many processes. They range from enhancing customer relations through chatbots to facilitating better product recommendations and even supply chains, AI has helped businesses achieve higher heights. "Technology-powered shopping portals also allow a comparatively better utility to customers, like an easy repeat of standard monthly grocery orders. The use of big data and artificial intelligence (AI)-powered systems that better monitor a customer's shopping pattern and behavior via online portals is a win-win—the consumers receive customized offers and promotions, and shopping portals benefit by pitching products with a high likelihood of being purchased" (Mitchell, 2024).

"In the near term, we can expect to see a few focus areas: AI will improve the individual's shopping experience by leveraging data to improve personalization and customer service. It will provide services similar to what a consumer expects when they interact with a real-life salesperson. For example, generative AI will help buyers find products, answer their questions, complete orders, and process refunds" (Stabler, 2024).

Primary Research Data Summary

This survey was conducted to gain insights into the demographics and preferences of a diverse group of respondents. A total of 55 individuals participated, representing various age groups, with the majority (50.9%) falling between the ages of 35 and 44. The gender distribution is relatively balanced, with 58.2% identifying as female and 41.8% as male. Most respondents are either self-employed, employed, or homemakers, providing a valuable perspective on consumer behavior and trends. This questionnaire aims to explore their preferences, habits, and attitudes toward various topics, offering a well-rounded understanding of the surveyed population.

The survey results reveal insightful trends in consumer behavior regarding online and offline shopping habits. A significant portion of the sample, 40%, engages in online shopping frequently, ranging from daily to bi-weekly, while

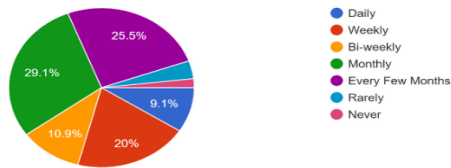
54.6% shop online less frequently, doing so monthly or every few months. In contrast, 68.5% of the sample prefers to shop offline on a monthly or less frequent basis.

When it comes to spending, 72.8% of the respondents spend between ₹1,000 and ₹25,000 on online shopping, a figure that closely mirrors offline spending patterns, with 76.7% of the sample reporting similar expenditure. Fashion and Apparel emerged as the most popular category for online shopping, with 63.6% of the sample, while Groceries and Essentials dominated offline shopping preferences, with 70.9% of respondents favoring this category.

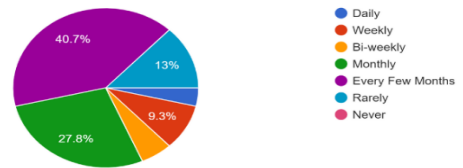
The pandemic has notably influenced shopping behaviors, with 87.2% of the sample indicating an increase in their online spending. Conversely, 72.8% reported no change or a slight decrease in offline spending. Product variety and availability are the main drivers for online shopping, whereas trust and security are the primary motivators for offline shopping.

Trust in online reviews is relatively high, with 76.4% of respondents relying on them when making purchase decisions. Additionally, 63.6% frequently use price comparison tools before making a purchase, particularly for high-value items and travel bookings. The rise of online shopping has also led to an increase in impulse buying, with 76.4% of the sample admitting that their impulse purchases have somewhat or significantly increased.

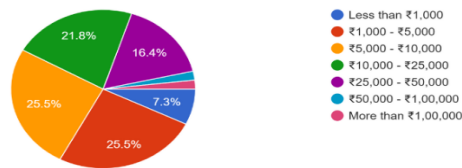
How often do you shop online?
55 responses



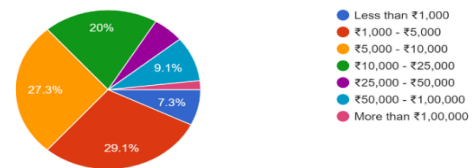
How often do you shop offline?
54 responses



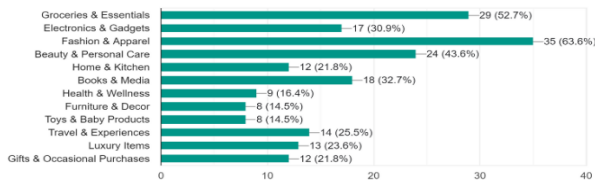
On average, how much do you spend on online shopping per month?
55 responses



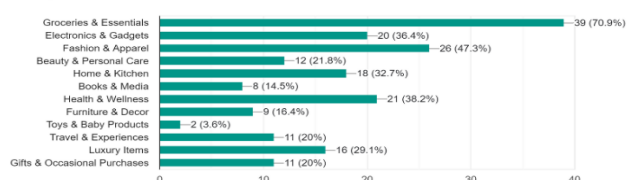
On average, how much do you spend on offline shopping per month?
55 responses



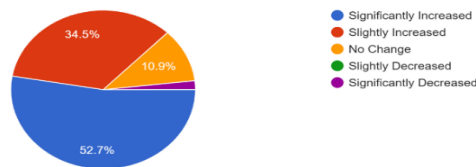
Which category do you spend on most online?
55 responses



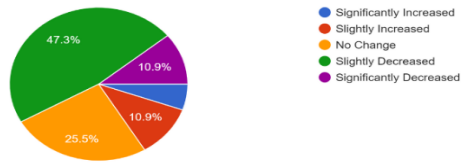
Which category do you spend on most offline?
55 responses



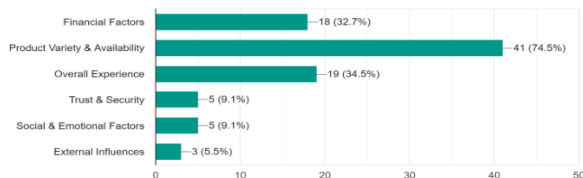
How has your spending on online changed since the pandemic?
55 responses



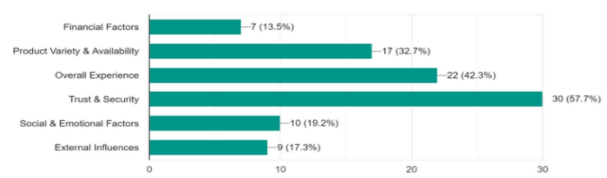
How has your spending on offline changed since the pandemic?
55 responses



What motivates you to shop online?
55 responses

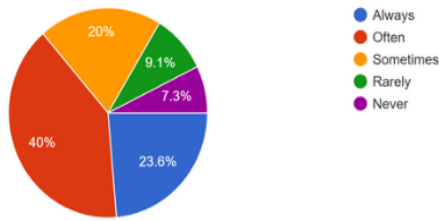


What motivates you to shop offline?
52 responses



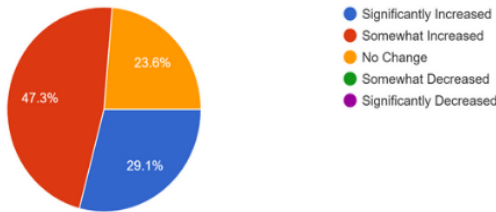
How often do you use price comparison tools or websites before making a purchase online?

55 responses



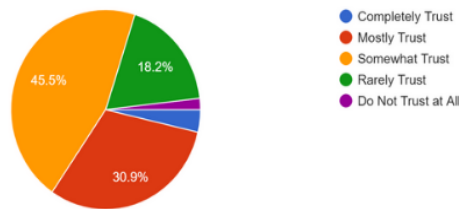
Do you feel that online shopping has increased your impulse buying?

55 responses



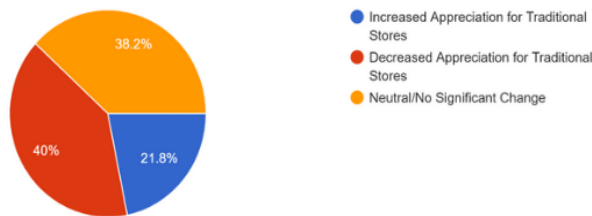
How much do you trust online reviews when making a purchase decision?

55 responses

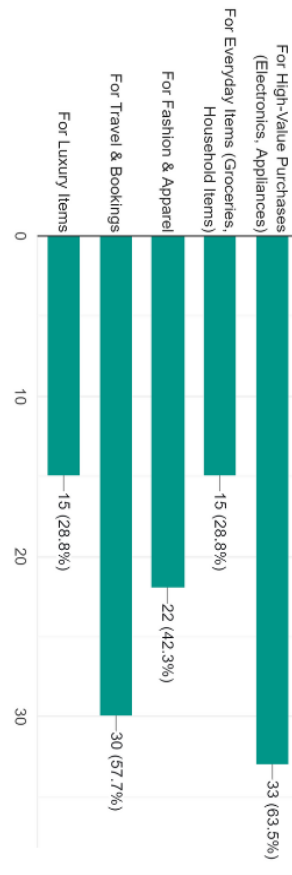


How has the increased use of e-commerce impacted your perception of traditional retail stores?

55 responses



For which type of products do you use price comparison tools or websites before making a purchase online?
52 responses



Conclusion

E-commerce has highly influenced the way people shop today. As discussed above, it has fundamentally reshaped consumer expenditure patterns, with significant increases in online purchases and shifts in buying behaviors with 87.2% of the sample indicating an increase in their online spending from our research.

Social media and influencer marketing have become vital tools for enhancing brand visibility and consumer trust, further boosting online sales. The convenience and variety offered by online platforms have also contributed to higher consumer confidence and spending. Results from our survey showed that Product variety and availability was the leading motivation for online shopping.

“E-commerce gives consumers access to information, the ability to shop on different devices, and the option to share their experiences with others, which has completely altered their expectations and the way they shop. Customer shopping habits will continue to evolve with technology, and companies will have to continue to adapt to maintain relevance” (ESW, 2022)

Looking forward, advancements in technology and continued innovation in e-commerce strategies are likely to further influence consumer behavior and expenditure patterns, making it essential for businesses to stay adaptive and customer-focused in this ever-changing world driven by new trends and technologies.

“In the world of e-commerce, adaptation is key to success. By staying in the know of current e-commerce trends, businesses can position themselves at the forefront of the digital revolution — driving growth and fostering lasting connections with their audiences” (Stabler, 2024).

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