



The Future of Visual Content in US E-Commerce: Optimizing Your Strategy with AI

CUSTOM REPORT

July 9, 2024

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Executive Summary

Visual content (product imagery or illustrations that market or sell a product) plays a critical role in determining success for online brands and retailers. Shoppers see visual content at every stage of their buying journey. Aligning product imagery to the channel and audience, and testing it for effectiveness, is thus critical. Compelling and immersive product imagery can significantly drive click-through rates, customer engagement and conversion.

Market Scale and Opportunity

- E-commerce continues to grow steadily in the US: Online retail sales are set to increase by 9.4% year over year in 2024, Coresight Research estimates. Looking ahead, we expect positive, high-single-digit growth in annual online retail sales to continue and e-commerce penetration to increase, reaching 24.3% in 2028. It is becoming increasingly more important for retail companies to stand out in the competitive online landscape and market their products effectively to engage consumers.

Coresight Research Analysis

1 *E-Commerce Companies View a Visual Content Strategy as Critical, Expanding Channels in 2024*

- A Coresight Research survey of US brands and retailers found that nearly all respondents believe that having an optimal visual content strategy is “critical” for overall business success. Visual content is vital in grabbing shoppers’ attention, and it is a tool for companies to convey their core brand message to consumers.
- Our brand/retailer survey data reveal that, over the past 12 months, a net 79% of companies have increased the number of channels they use to share product visuals. Currently, 52% of surveyed brands and retailers use at least seven channels to share product visuals at any given time. As consumer behavior, preferences and responses to visual content vary by channel, using multiple channels drives the need for brands and retailers to test the effectiveness of their visual content to ensure that it is optimized for each channel to gain maximum benefit. Consumer behavior across online channels can vary due to the differences in how content is shared across platforms. For example, social media app Instagram usually offers high-quality content while YouTube allows viewers to watch a wide range of content that includes some amateur-looking content, such as vlogs.

52%



of surveyed brands and retailers use **at least seven channels** to share product visuals at any given time

2 *Visual Content Testing Is Widespread, but Companies Struggle To Reap All Its Benefits*

- Recognizing the pivotal role of visual content in driving e-commerce success, nearly all surveyed brands and retailers—**97%** for retail media and **95%** for product content optimization—are already investing in technology to test and optimize visual content.
- We identify two key demand-side trends that will continue to drive the need for brands’ and retailers’ to invest in testing the effectiveness of visual content in 2024 and beyond: consumers’ desire for authentic visual content and the major returns problem in the US.
- Among the surveyed brands and retailers that are currently investing in technology to test or optimize product content, **at least half** expect visual content testing to improve KPI performance for sales, conversion rate, shopper traffic, page views or cost savings. Sales and conversion rate see the most widespread expectation for improvement, reported by around **three in five** respondents. Brands and retailers expect the most substantial improvement in cost savings, of **35.4%** on average.
- **Four in five** surveyed brands and retailers that are currently investing in technology to test or optimize product content find it challenging to elevate their visual content strategy through technology. The most widespread challenges are the inability to produce/test images across channels, a lack of visual content expertise within the company and ethical concerns.
- Brands experience an inability to produce/test images across channels at a higher rate than retailers—a difference of 12 PPTs (percentage points). This can be attributed to the fact that brands selling on marketplaces and third-party retailers have less control over e-commerce operations, so **testing images** and **suggesting changes** can be complex.

3 Technology Can Elevate a Visual Content Strategy in Multiple Ways

- Our survey revealed that each of the key benefits of investing in technology to test or optimize product content (e.g., the ability to personalize visual content and improved reusability of visual content) has been experienced by at least one-third of brands and retailers that are doing so.
- The topmost benefits, which have each been experienced by more than two-fifths of respondents, are an improved ability to personalize visual content, improved reusability of visual content and improved access to analytics to optimize visual content.

One of the topmost benefits is **an improved ability to personalize visual content**

4 Technology Can Foster Collaboration Between Brands and Retailers To Enhance Visual Content

- Innovations in visual content represent a step forward in enhancing PDPs and online retail overall, but it is important that brands and retailers are able to work together to achieve success. We asked brands and retailers about the challenges they face in collaborating to elevate their visual content strategy and found that collaboration itself is challenging—cited as among the top three challenges by 42% of retailers and 33% of brands.
- Brands and retailers must take measurable and meaningful steps to leverage technology solutions that enable them to take a data-driven approach to refining visual content, taking analysis of user groups and preferences across channels into account and building a resilient visual content strategy.

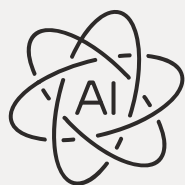


Collaboration was cited as among the top three challenges by **42%** of retailers and **33%** of brands

Succeeding with a Visual Content Strategy

- We offer **three recommendations** for brands and retailers to achieve success with their visual content strategy: harness AI to drive efficiencies in visual content testing; extend personalization capabilities to visual content; and take a collaborative approach to the visual content strategy.

1



2



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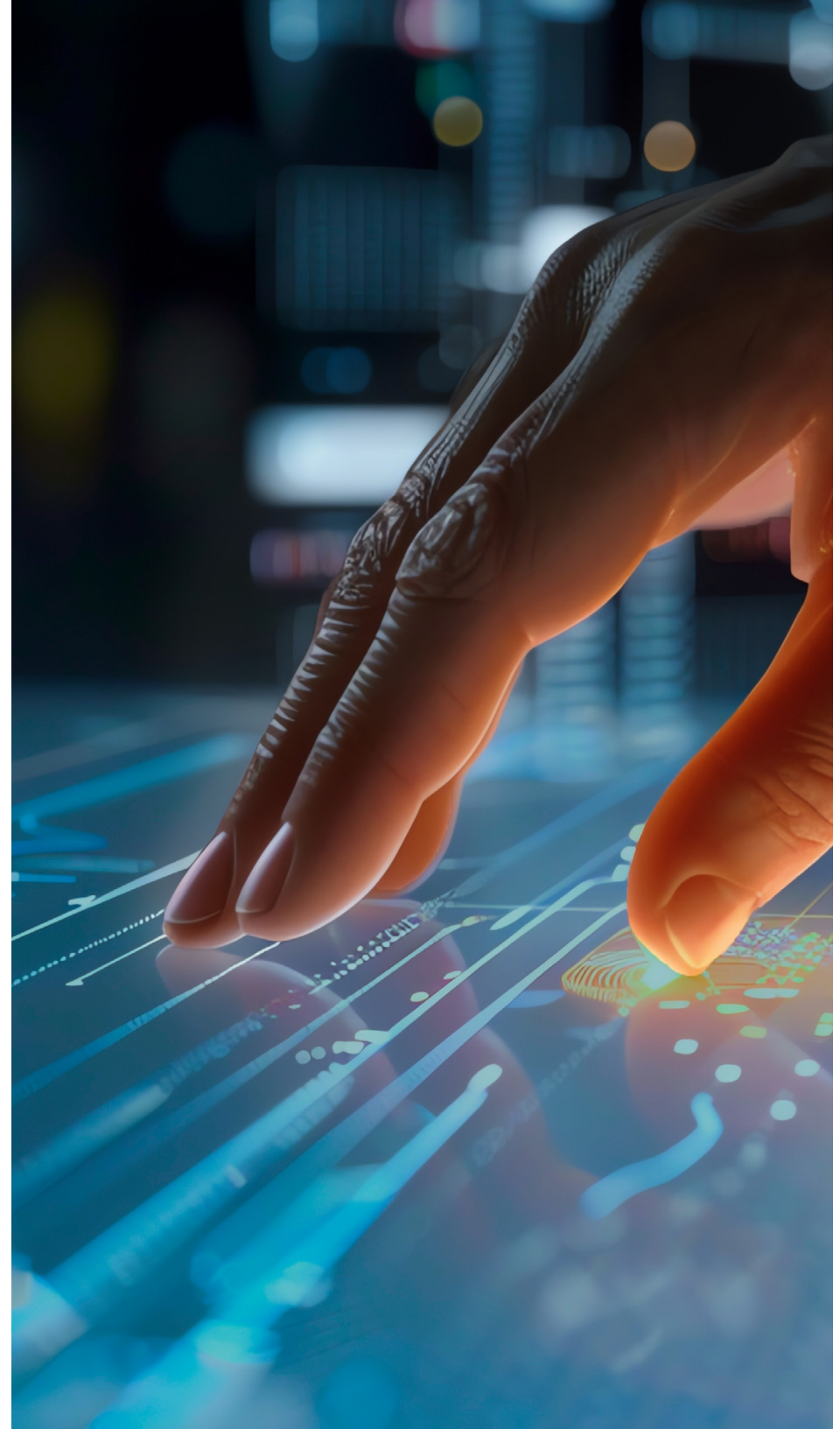


What We Think

Brands and retailers understand the importance of having an optimal visual content strategy, and we expect continued investment momentum in the testing of visual content to improve ROI. As the online retail sector continues to grow, there will be an increasing need among brands and retailers to offer seamless personalization to capture their sufficient share of shoppers, as well to implement measures to combat the returns problem. We believe that retail companies that take a robust—data-driven and detailed—approach to visual content testing will gain a competitive edge in the e-commerce landscape.

Predictive analytics, AI and ML are permeating the visual content space, expanding their reach from more common merchandising functions such as demand planning and planogram compliance. For instance, 87% of those currently investing in visual content technology expect their investments to increase in the coming 12 months, according to our survey. Although there are challenges in leveraging technology that must be overcome, we are optimistic that the solutions lie in partnering with technology providers that offer multichannel testing capabilities, supporting retail companies in enhancing the efficacy of visual content and meeting shopper needs.

Retailer-supplier collaboration has long been a concern in the wider retail ecosystem, but if companies have the right tools in place and are willing to work together, we see huge benefits in elevating visual content.



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Introduction

Visual content (product imagery or illustrations that market or sell a product to the consumer) plays a critical role in determining success for online brands and retailers. Shoppers see visual content at every stage of their buying journey. Aligning product imagery with the channel and audience, and testing it for effectiveness, is thus critical. Compelling and immersive product imagery can significantly drive click-through rates, customer engagement and conversion.

In this report, we examine the importance of optimal visual content in US e-commerce and dive into the challenges and benefits for brands and retailers in elevating their visual content strategy. In doing so, we focus on the use of technology, including artificial intelligence (AI) and machine learning (ML), to test and optimize visual content. Our analysis is based on surveys of brands/retailers and consumers in the US, conducted by Coresight Research during April–May 2024 (further details in the methodology at the end of this report).

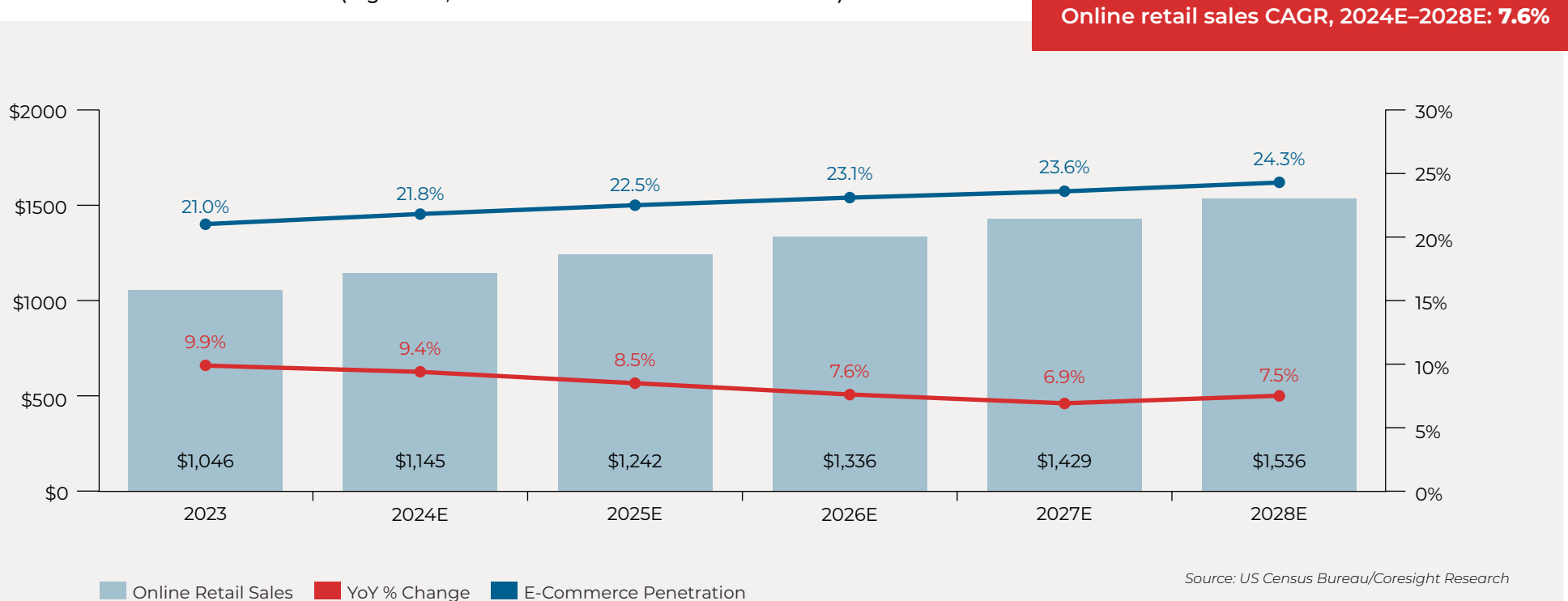
This report is produced and made available to non-subscribers of Coresight Research in partnership with Vizeit, a visual analytics company that leverages computer vision and AI to empower brands and retailers to test, measure and optimize product visuals for maximum effectiveness with any audience.

Market Scale and Opportunity

E-commerce continues to grow steadily in the US: online retail sales are set to increase by 9.4% year over year in 2024, Coresight Research estimates, building on a milestone in 2023 when online sales surpassed the \$1 trillion mark. Looking ahead, we expect positive, high-single-digit growth in annual online retail sales to continue (though moderate) and e-commerce penetration (online sales as a share of total retail sales) to increase, reaching 24.3% in 2028 (see Figure 1).

Growing e-commerce sales penetration is among the key drivers of investments by brands and retailers into visual content testing and optimization, as it is becoming increasingly more important for retail companies to stand out in the competitive online landscape and market their products effectively to engage consumers.

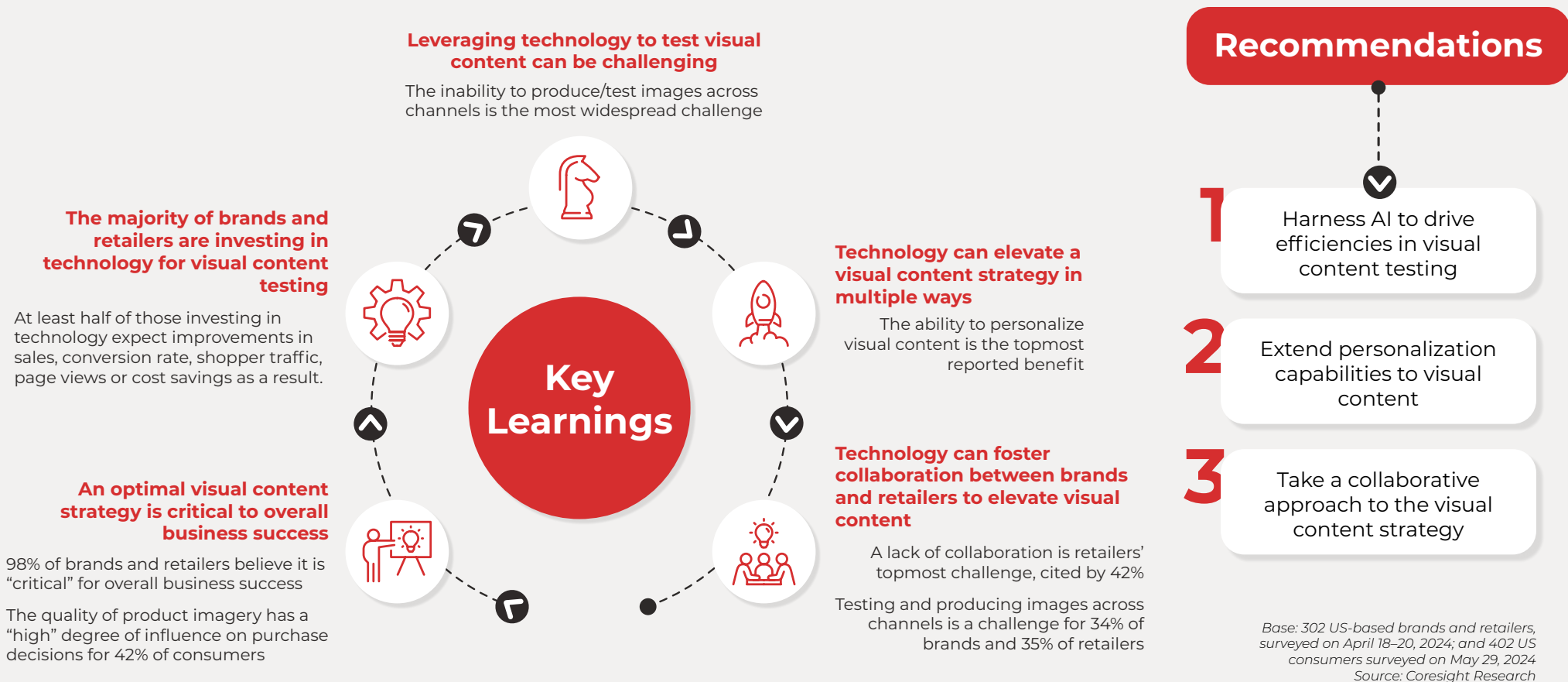
Figure 1. US: Online Retail Sales (Left Axis; USD Bil.), YoY Sales Growth (Right Axis; %) and E-Commerce Penetration (Right Axis; Online Sales as a % of Total Retail Sales)



The Future of Visual Content in Retail: Coresight Research Analysis

We summarize the state of visual content strategy and the role of technology in elevating visual content; we explore each in detail below.

Figure 2. Five Key Learnings and Three Recommendations To Implement an Effective Visual Content Strategy

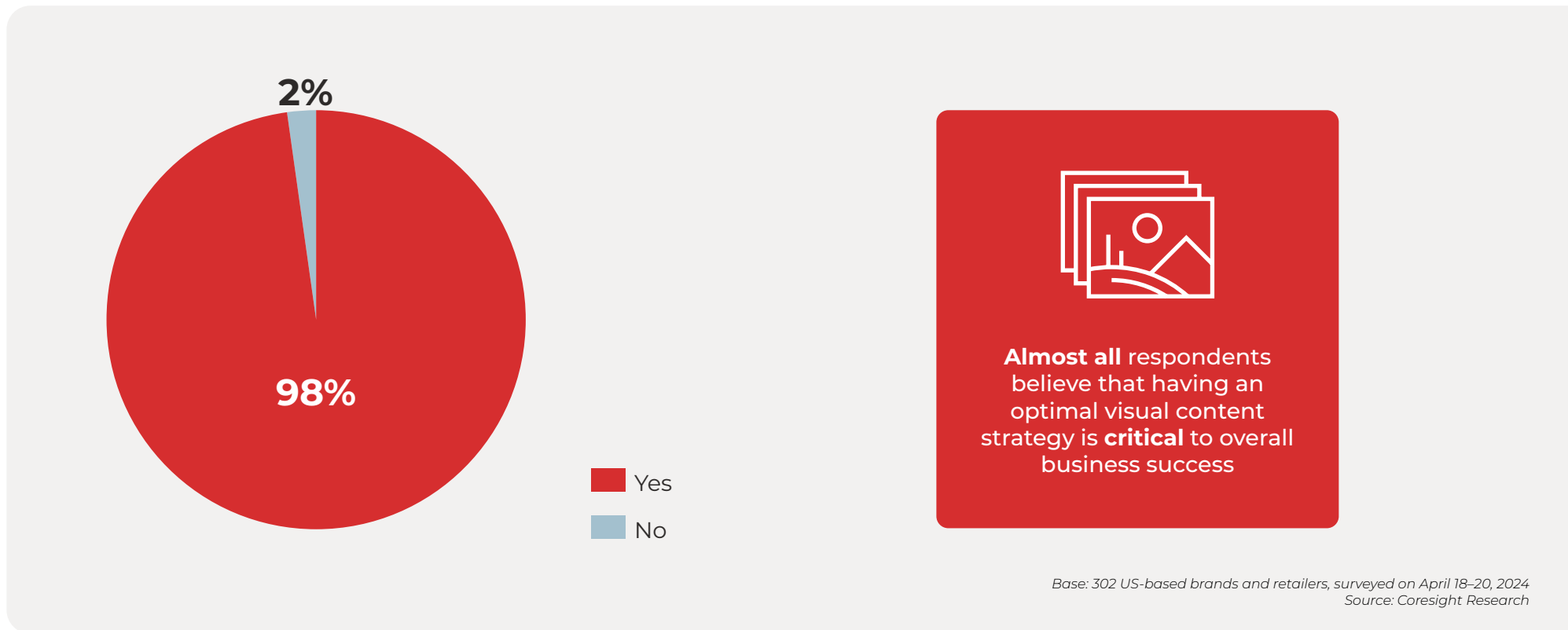


1 E-Commerce Companies View a Visual Content Strategy as Critical, Expanding Channels in 2024

For online brands and retailers, visual content plays a key role in remaining competitive. In fact, we found that nearly all surveyed brands and retailers believe that having an optimal visual content strategy is “critical” for overall business success, as shown in Figure 3. Visual content is vital in grabbing shoppers’ attention and can help brands create a memorable first impression. Crucially, visual content impacts a shopper’s perception of the brand; it is a tool for companies to convey their core brand message to consumers.

Images are easier and quicker for consumers to digest and understand: the human brain processes visual content 60,000 times faster than text, according to scientific studies. On a retail company’s e-commerce website, high-quality product visuals that effectively communicate product features can significantly influence consumers’ levels of engagement and willingness to purchase.

Figure 3. US Brands and Retailers: Whether an Optimal Visual Content Strategy Is Critical to Overall Business Success (% of Respondents)

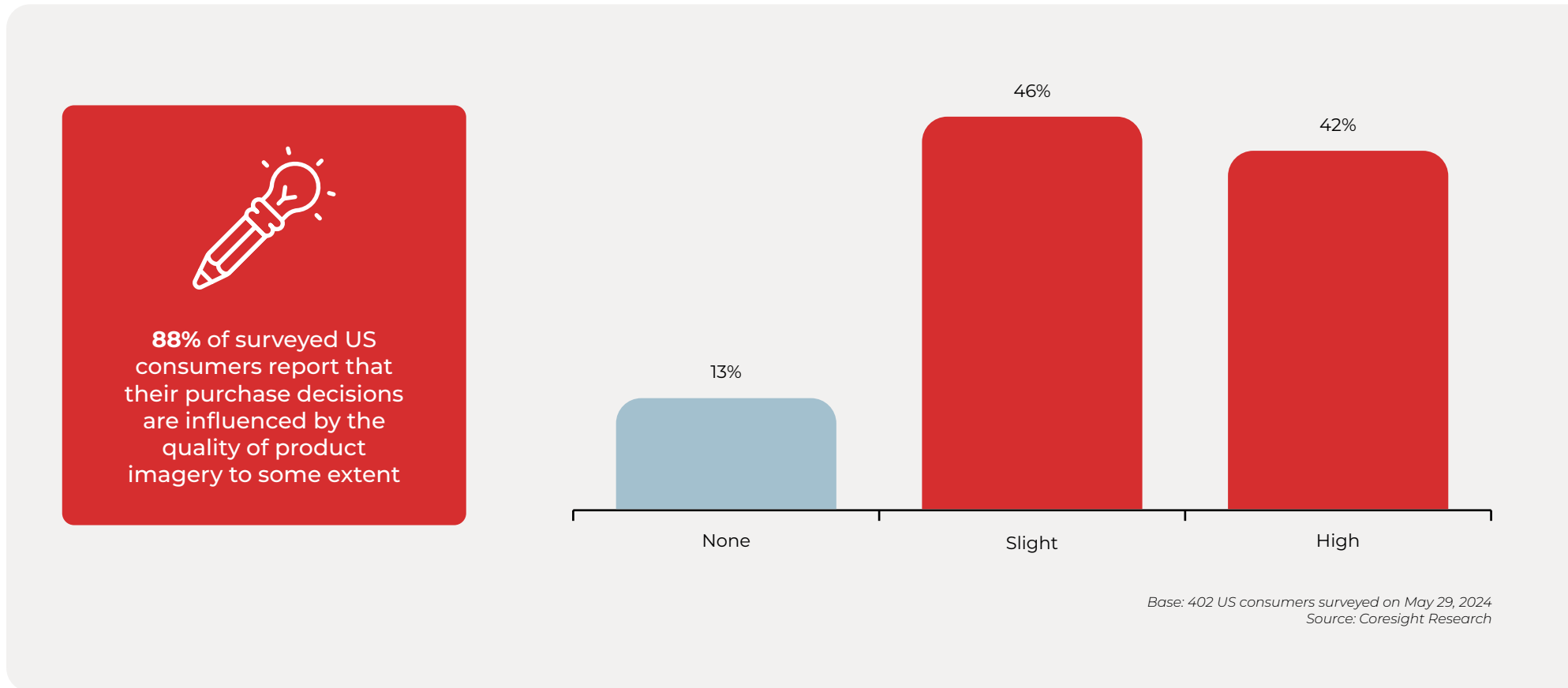


Base: 302 US-based brands and retailers, surveyed on April 18–20, 2024
Source: Coresight Research

Findings from our recent US consumer survey underscore for retailers the importance of implementing an effective visual content strategy due to clear benefits to their top line:

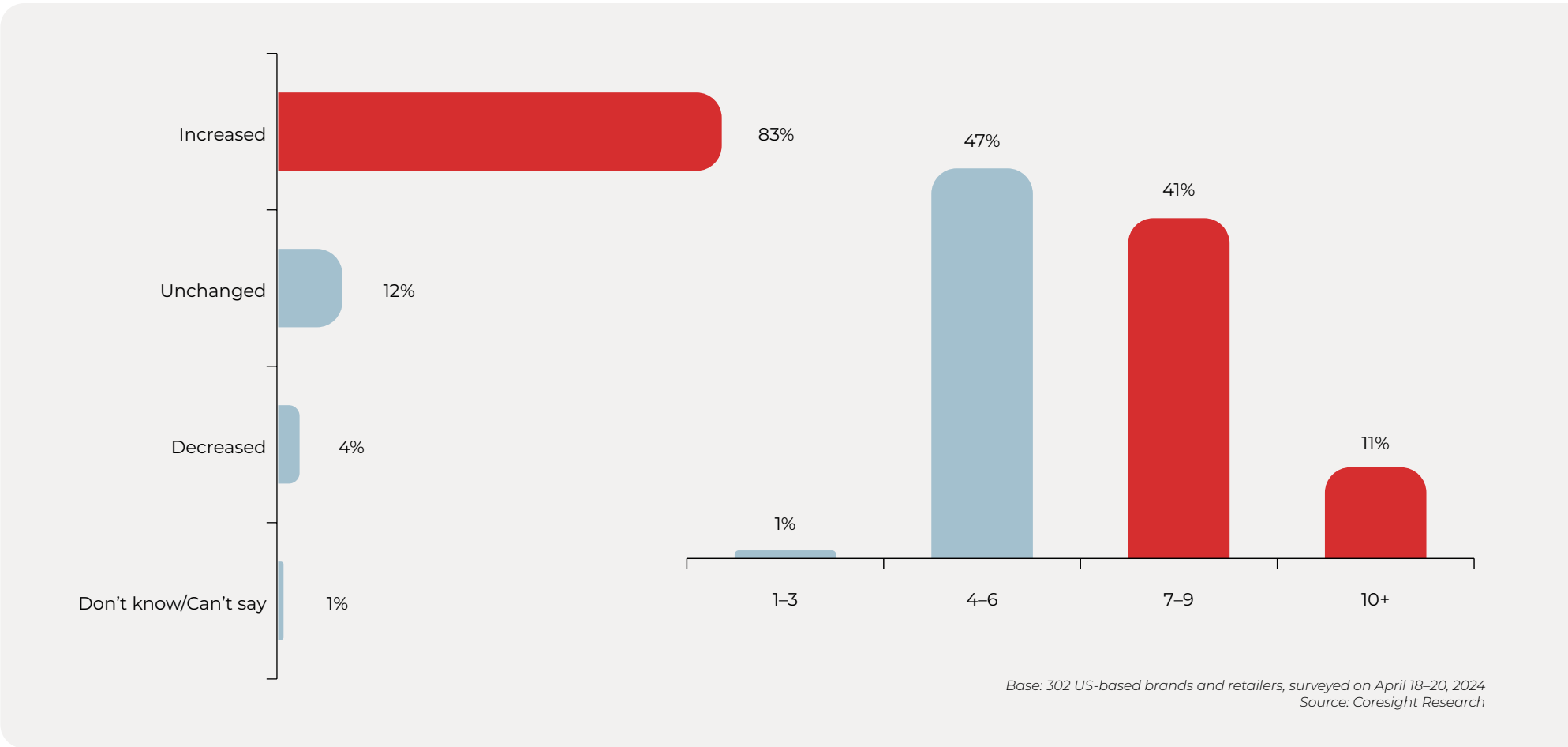
- The quality of product imagery significantly influences consumers' purchase decisions: more than two in five respondents reported that it has a "high" degree of influence (see Figure 4). This implies that a robust visual content strategy that optimizes images to meet the target audience's preferences would significantly drive a brand's or retailer's overall sales.
- Personalized product display pages (PDPs) and recommendations bolster conversion: 75% of consumers reported that they have bought something online that they were "not originally looking for" due to personalized PDPs and recommendations (versus 25% that have not done so). Therefore, by incorporating at least some degree of personalization in visual content, a retail company can increase average order value and overall basket size.

Figure 4. US Consumers: Extent of Influence of the Quality of Product Imagery on Purchase Decisions (% of Respondents)



Our brand/retailer survey data reveal that, over the past 12 months, a net 79% of companies have increased the number of channels they use to share product visuals. Currently, 52% of surveyed brands and retailers use at least seven channels to share product visuals at any given time, and almost all respondents use at least four channels. As consumer behavior, preferences and responses to visual content vary by channel, using multiple channels drives the need for brands and retailers to test the effectiveness of their visual content to ensure that it is optimized for each channel to gain maximum benefit. Consumer behavior across online channels can vary due to the differences in how content is shared across platforms. For example, social media app Instagram usually offers high-quality content while YouTube allows viewers to watch a wide range of content that includes some amateur-looking content, such as vlogs.

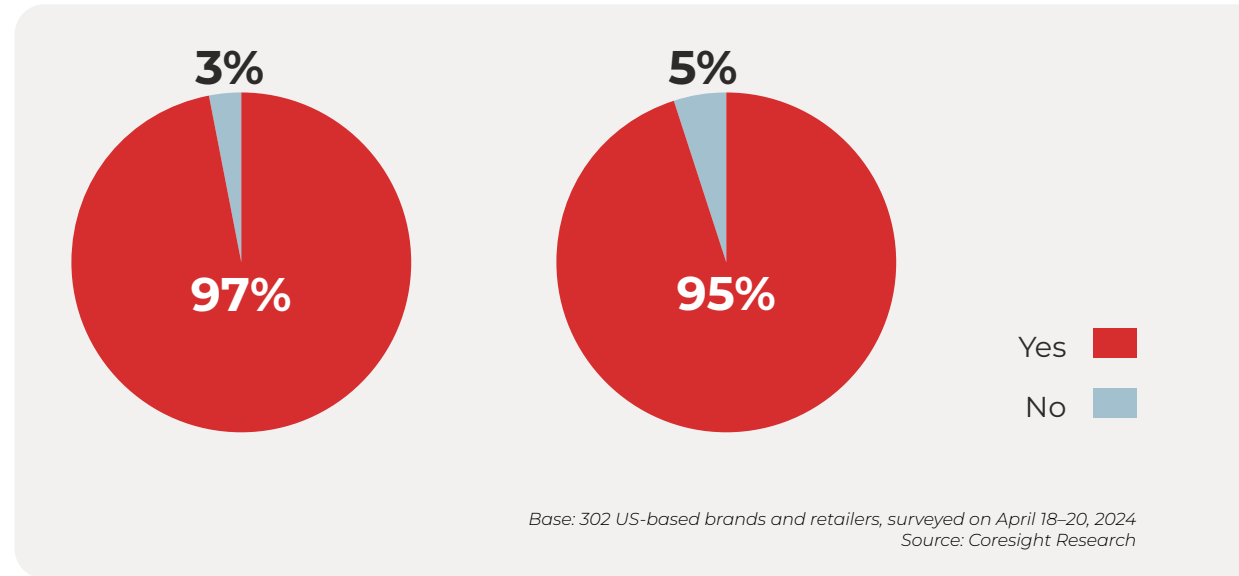
Figure 5. US Brands and Retailers: Change in Number of Channels Utilized for Sharing Product Visuals Over the Past 12 Months (Left); and Number of Channels Currently Utilized for Sharing Product Visuals at Any Given Time (Right) (% of Respondents)



2 Visual Content Testing Is Widespread, but Companies Struggle To Reap All Its Benefits

Recognizing the pivotal role of visual content in driving e-commerce success, the overwhelming majority of surveyed brands and retailers are already making robust investments in technology for testing and optimizing visual content (see Figure 6). Furthermore, 87% of those currently investing in visual content technology expect their investments to increase in the coming 12 months, according to our survey. With the proliferation of data analytics and AI tools, businesses have the means to gather insights on the effectiveness of visual content before launching it live. AI allows brands and retailers to test which specific visual attributes of an image would resonate with shoppers and helps identify missing elements to ensure maximum impact and relevance for the target audience. Testing visual content can help brands and retailers increase engagement, conversion and overall return on investment (ROI).

Figure 6. Whether Brands and Retailers Are Currently Investing in Technology to Test Visual Content for Retail Media (Left) and Product Content Optimization (Right) (% of Respondents)



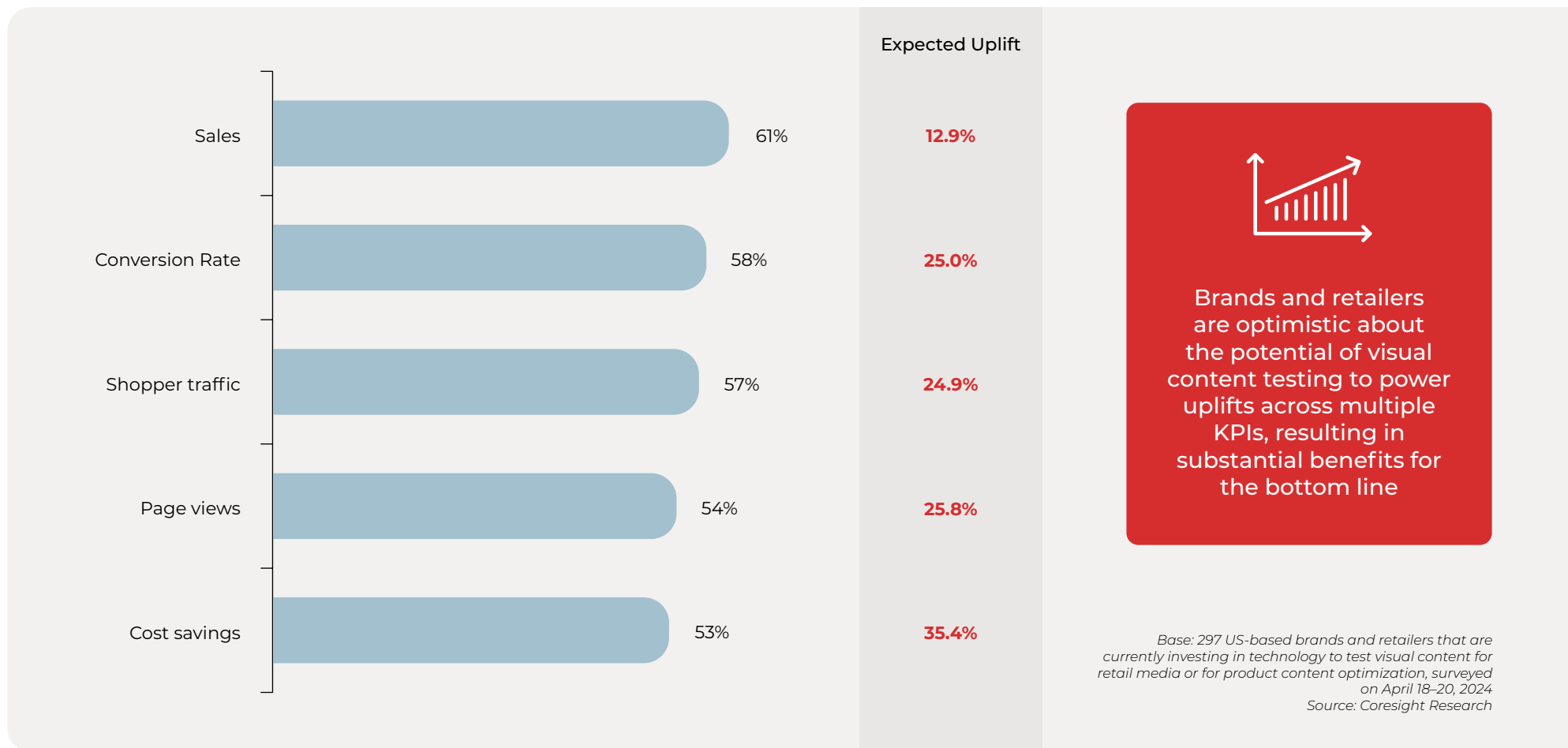
We identify two key demand-side trends that will continue to drive the need for brands' and retailers' to invest in testing the effectiveness of visual content in 2024 and beyond:

- 1. Consumers desire authentic visual content.** Shoppers are not very receptive to brands and retailers using AI-generated images, with 87% of global consumers considering it important for an image to be “authentic” (meaning true or real), according to an April 2024 report by Getty Images (based on the perspectives of 30,000+ adults in 25 countries from 2022 to 2024).
- 2. Returns are a major problem in the US.** Returns accounted for \$743 billion in returned merchandise in 2023, according to the NRF (National Retail Federation) and Apriss Retail, representing 14.5% of total retail sales. The returns rate is even higher for e-commerce, with online returns amounting to \$247 billion or 17.6% of online retail sales in 2023. Product imagery plays a major role in shaping returns—83% of US consumers would return their purchase and 72% would be less likely to shop with the same e-commerce website if the delivered product did not match the images of the product online, according to an April 2023 survey conducted by Nfinite, a visual e-merchandising software-as-a-service platform.

We believe that the strong demand-side funnel will contribute substantially to brands' and retailers' ROI expectations across KPIs in the coming 12 months. We asked the brands and retailers that are currently investing in technology to test or optimize product content about their expectations for KPI improvements as a result of visual content testing, and found the following:

- At least half of respondents expect improved performances for each of the KPIs.
- Sales and conversion rate see the most widespread expectation for improvement, reported by around three in five respondents.
- Brands and retailers expect the most substantial improvement in cost savings, of more than 35% on average.

Figure 7. The Proportion of Respondents Expecting KPI Improvements Through Visual Content Testing (% of Respondents)

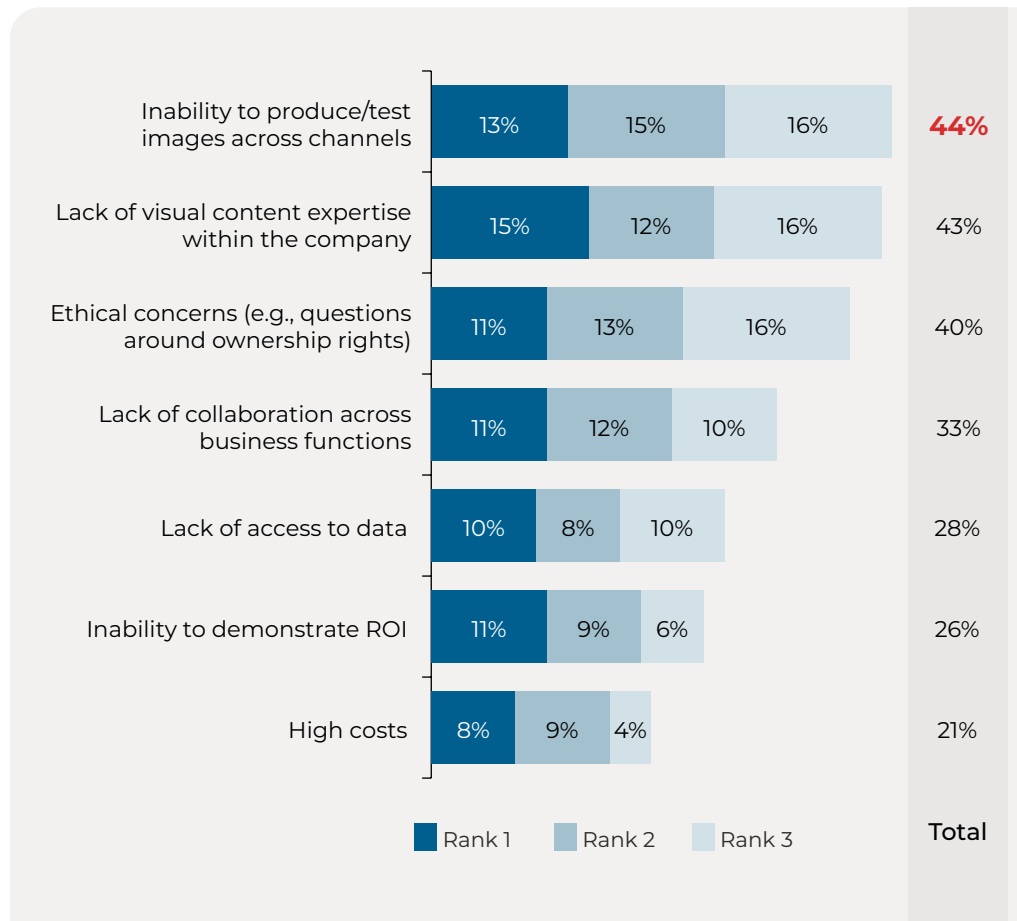


Although technology-powered visual content testing is in widespread use, 80% of brands and retailers that are currently investing in technology to test or optimize product content find it challenging to elevate their visual content strategy through technology, according to our survey. We asked those respondents about the challenges they experience, and found the following:


- **The inability to produce/test images across channels** is the most widespread challenge, cited by 44% of respondents as among their top three challenges. As we highlighted earlier, testing visual content across channels is important due to varying shopper preferences, which is complex to manage. Furthermore, images must be consistent with guidelines for specific channels, which presents difficulties. Amazon, for example, only accepts images with pixel values between 500 and 10,000 and RGB values of 255 each, according to Amazon Seller Central, a page dedicated to answering Amazon sellers' frequently asked questions.
- **A lack of expertise within the company** was cited by the highest proportion of respondents (15%) as their topmost challenge. Images comprise small components that can be broken down into data. An understanding of AI and consumer data is critical to quantitatively analyzing images, which allows generating insights such as interaction scores and heatmaps.
- **Ethical concerns (e.g., questions around ownership rights)** emerged as the third biggest challenge, cited by 40% of respondents as among their top three. Technology providers need to be clear and transparent about the creation and ownership of visual content, but brands and retailers must be confident in their technology partners' ability to keep their data safe and private.

Breaking down our findings by respondent type, we see that brands experience an inability to produce/test images across channels at a higher rate than retailers: 50% versus 38%, respectively—a difference of 12 PPTs (percentage points). This can be attributed to the fact that brands selling on marketplaces and third-party retailers have less control over e-commerce operations, so testing images and suggesting changes can be complex.

Figure 8. Key Challenges in Leveraging Technology (incl. AI) To Elevate the Visual Content Strategy (% of Respondents)



An inability to produce/test images across channels is the topmost challenge overall, but is more widely experienced by brands than retailers



Respondents were asked to select and rank their top three challenges, with "Rank 1" indicating the topmost challenge
 Base: 327 US-based brands and retailers that report being challenged in leveraging technology to test visual content for retail media or for product content optimization, surveyed on April 18–20, 2024
 Source: Coresight Research

3 Technology Can Elevate a Visual Content Strategy in Multiple Ways

Our survey revealed that each of the key benefits of investing in technology to test or optimize product content has been experienced by at least one-third of brands and retailers that are doing so. The topmost benefits, which have each been experienced by more than two-fifths of respondents, are as follows:

- **An improved ability to personalize visual content** as the result of using technology has been experienced by the highest proportion of respondents (49%). With competition in online retailing continuing to intensify and increasing channel optionality, personalization is imperative for success. Nearly one-third (32.3%) of North American consumers choose to shop with an alternative brand if their experience is unrelated to their current shopping behavior, according to a 2023 survey conducted by customer engagement platform MoEngage, underlining the importance of personalized visual content in online commerce.
- **Improved reusability of visual content** is a key benefit that is in demand due to widespread challenges in the testing and production of visual content across multiple channels, as we discussed in the previous section. Technology including AI and ML can help brands and retailers leverage the same brand messaging and adjust or edit a single image for use across a wide range of channels and to align with the preferences of different user groups.
- **Improved access to analytics to optimize visual content** helps drive the overall ROI of a visual content strategy as well as supporting personalization. By examining visual content quantitatively and at a granular level, brands and retailers can better align images with consumer preferences, and they can further use the data insights to inform product development—for example, adding lighting modes to Bluetooth speakers if consumers prefer images with different RGB lighting modes when buying a speaker online.

Figure 9. Key Benefits of Leveraging Technology (incl. AI) To Elevate the Visual Content Strategy (% of Respondents)

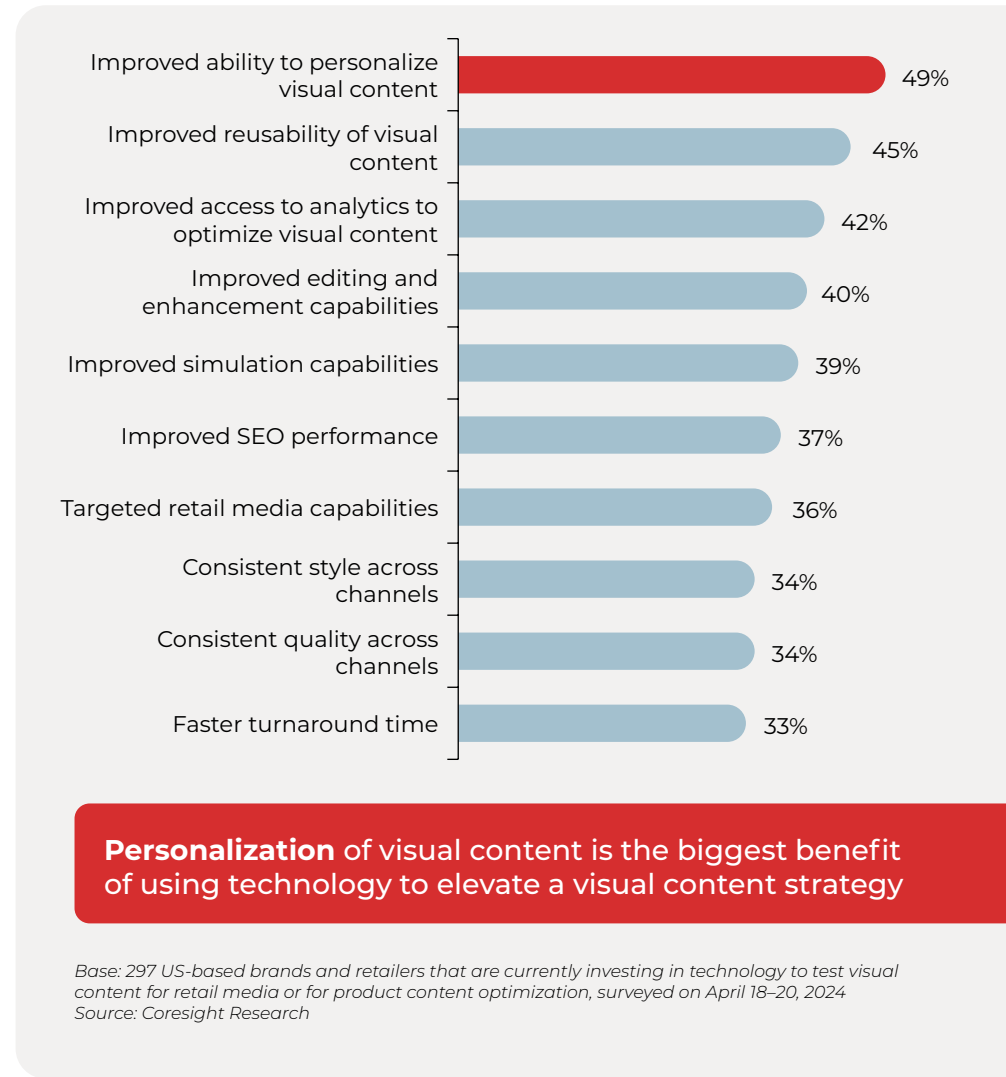
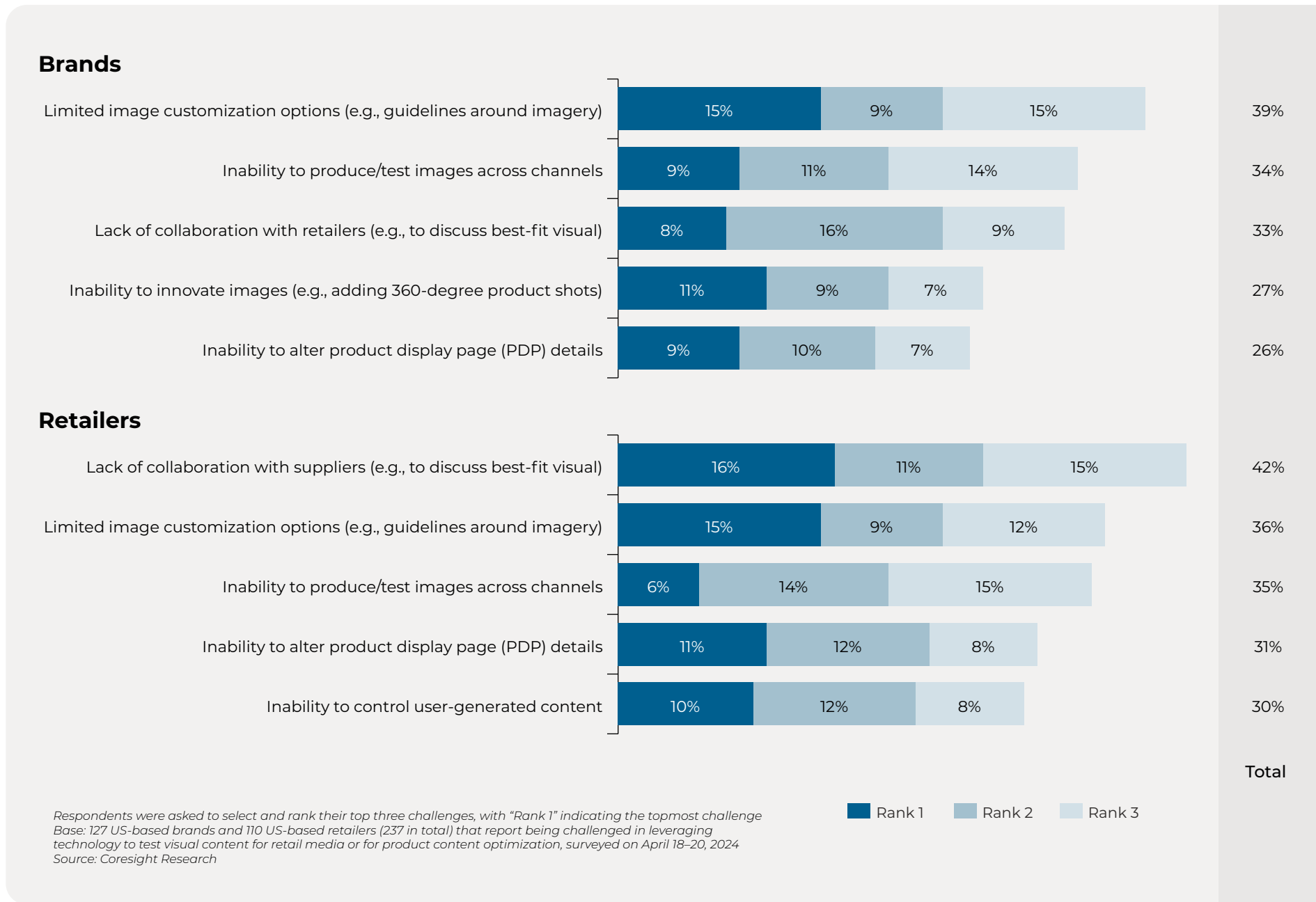


Figure 10. Key Challenges That Brands (Top) and Retailers (Bottom) Face in Collaborating with Each Other To Elevate Their Visual Content Strategy (% of Respondents)



Succeeding with a Visual Content Strategy: Three Key Recommendations

Based on our key learnings from the survey data presented in this report, we offer three recommendations for brands and retailers to achieve success with their visual content strategy:

- 1. Harness AI to drive efficiencies in visual content testing.** With e-commerce penetration in US retail increasing, getting product visuals and descriptions right—making them relevant and compelling—will be more crucial than ever to enable online brands and retailers to stay competitive moving forward. As retailers and brands continue to invest in visual content technologies, it is critical to fully harness the potential of AI through the right partnerships with technology companies that enable divisions such as merchandising to drive visual content strategies across entire sets of SKUs (stock-keeping units) and channels.
- 2. Extend personalization capabilities to visual content.** A personalized approach to product visuals can have a substantial positive impact on sales and conversion rates. It is critical to test the effectiveness of product visuals against the preferences of different shopper groups across channels to ensure that tailored targeting strategies are successful. Personalization at scale can only be achieved by achieving granularity and actionability in data. Brands and retailers must continue their investments in the latest technology to ensure they are not left behind.
- 3. Take a collaborative approach to the visual content strategy.** Collaboration between brands and retailers can help improve visual content through a deeper understanding of each other's needs and requirements. A data-driven collaborative approach can help brands and retailers identify specifications and attributes of visual content that resonate with their audience across different shopping channels. Furthermore, a shared approach to visual content analysis can improve overall efficiency for both groups, allowing a more strategic approach to creating and testing visual content.



What We Think

Brands and retailers understand the importance of having an optimal visual content strategy, and we expect continued investment momentum in the testing of visual content to improve ROI. As the online retail sector continues to grow, there will be an increasing need among brands and retailers to offer seamless personalization to capture their sufficient share of shoppers, as well to implement measures to combat the returns problem. We believe that retail companies that take a robust—data-driven and detailed—approach to visual content testing will gain a competitive edge in the e-commerce landscape.

Predictive analytics, AI and ML are permeating the visual content space, expanding their reach from more common merchandising functions such as demand planning and planogram compliance. For instance, 87% of those currently investing in visual content technology expect their investments to increase in the coming 12 months, according to our survey. Although there are challenges in leveraging technology that must be overcome, we are optimistic that the solutions lie in partnering with technology providers that offer multichannel testing capabilities, supporting retail companies in enhancing the efficacy of visual content and meeting shopper needs.

Retailer-supplier collaboration has long been a concern in the wider retail ecosystem, but if companies have the right tools in place and are willing to work together, we see huge benefits in elevating visual content.

Implications for Brands and Retailers

- Brands and retailers must continue investing in visual content testing with a focus on improving their PDPs, retail media capabilities and personalization of visual content, including promotions.
- We expect AI to proliferate in visual content testing applications, but retail companies must take care—the idea should be to test and modify images to customer preferences using AI versus creating inauthentic visual content that does not resonate with consumers.
- There is a huge untapped opportunity for brands and retailers to take a combined and strategic approach to their visual content strategy. Extending blended visual analytics to all SKUs and channels can help streamline visual content.

Implications for Technology Vendors

- The e-commerce scale and growing importance of personalization puts technology providers that offer solutions for visual content testing at the center of a blossoming opportunity. Technology companies should look to help brands and retailers gain a clear understanding of the value proposition of visual content testing, including its potential positive impacts on key KPIs such as sales and conversion.
- We expect technology companies using data-based testing to strongly benefit from AI and ML, edging out their competitors by analyzing images quantitatively at a granular level.

Notes

Data in this report are as of May 29, 2024.

Methodology

Informing the data in this report are two online surveys conducted by Coresight Research.

1. A survey of 402 US consumers aged 18+ conducted on May 29, 2024. The results have a margin of error of +/-5% at a 95% confidence level.
2. A survey of 302 US-based brands and retailers familiar with the end-to-end process of production and usage of visual content, conducted during April 18–20, 2024. The results have a margin of error of +/-10% at a 95% confidence level. Respondents in the survey satisfied the following criteria:
 - Company—US-based brands and retailers with annual revenue of \$100 million or above
 - Sector—Apparel and footwear, electronics, grocery, health and beauty, or sporting goods
 - Role—Senior Director or above who are familiar with the production and testing of visual content within their organization
 - Departments including digital/e-commerce, creative/design, new product development, and digital and analytics



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Coresight Research Custom Reports are produced as part of commercial partnerships with leading firms in the retail, technology and startup ecosystems. These Custom Reports present expert analysis and proprietary data on key topics in the retail, technology and related industries, and enable partner companies to communicate their brand and messaging to a wider audience within the context of brand-relevant research.

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About Vizio

Vizio is a visual analytics company that leverages computer vision and AI to empower brands and retailers to test, measure and optimize product visuals for maximum effectiveness with any audience. Learn more at vizio.com.