

E-Commerce Growth vs. Regulation: How to Stay Compliant and Competitive

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With technology continuing to evolve at a rapid pace, it has become essential for brands and businesses to adapt at a similar rate in order to ensure a competitive and successful e-commerce strategy. With rising costs, shifting consumer expectations, and complex regulatory requirements, maintaining a strong online presence requires strategic adaptation.

The following outlines some of the biggest challenges businesses are currently facing and provides tips on how they can stay competitive in the constantly evolving e-commerce market.

1. **Skyrocketing Customer Acquisition Costs**

Digital advertising costs continue to rise, making it more expensive for brands to attract new customers. Platforms like TikTok Shop, Instagram, and other media outlets offer valuable opportunities, but businesses must be strategic in their approach. Many are prioritizing organic marketing through SEO, content creation, and influencer partnerships to help drive engagement without relying heavily on paid ads. Leveraging first-party data can help brands refine their targeting, improve

conversion rates, and reduce advertising expenses.

Businesses can integrate AI and automation to streamline processes, enhance targeting, and reduce costs. Optimizing rankings on key platforms and encouraging positive customer reviews can boost visibility and credibility. Since online shoppers can easily compare prices, maintaining strong reviews and competitive positioning can assist with attracting and retaining customers.

2. Inventory Struggles & Supply Chain Disruptions

Managing inventory efficiently has become difficult due to global supply chain instability, vendor challenges, and fluctuating demand – pressures that are intensified by growing consumer demand for faster delivery. Wholesalers use AI to predict orders, while retailers must maintain sufficient stock to meet customer expectations. Returns and restocking fees further complicate inventory management, impacting brand loyalty and profitability.

To mitigate these challenges, many businesses choose to diversify their suppliers to reduce reliance on specific regions and minimize disruptions. Nearshoring can also be a valuable strategy, bringing manufacturing closer to key markets for faster fulfillment and improved reliability. Investing in predictive analytics allows brands to optimize demand forecasting and inventory management, helping to prevent stockouts and overstocking.

3. Data Privacy & AI-Driven Personalization

The General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA) are two of the most significant data protection laws businesses must comply with when handling consumer data. AI-driven personalization offers valuable insights and enhances customer experiences, but it must comply with privacy regulations to maintain trust and avoid legal penalties. Social media platforms use AI to analyze user preferences and deliver targeted ads, making regulatory compliance even more essential.

Businesses should prioritize first-party data collection through loyalty programs, email marketing, and direct customer engagement, ensuring they gather insights ethically and transparently. To support this, companies must invest in secure

systems for handling customer data and stay updated on evolving compliance regulations. Maintaining compliance with global privacy laws not only protects brands from potential fines but also fosters consumer confidence.

4. **Borderless Selling & Tax Complexities**

Expanding into international markets introduces complex challenges related to taxes, shipping regulations, and legal compliance. Businesses must carefully navigate issues such as sales tax nexus, which can arise when inventory is stored in fulfillment centers like Amazon warehouses, potentially triggering tax obligations in different jurisdictions.

To remain compliant, businesses should stay informed on global tax laws and work closely with their advisors to manage tax calculations effectively. Proper planning for cross-border sales is essential, including understanding tariffs, legal requirements, and shipping regulations to avoid unexpected costs and compliance risks. Deferred profits from pre-order sales must also be properly accounted for to ensure accurate financial reporting.

As e-commerce continues to evolve, businesses must proactively address the challenges that come with operating in a digital marketplace. Rising customer acquisition costs, inventory complexities, data privacy regulations, and international tax obligations all require strategic planning and adaptation. By leveraging AI, automation, and predictive analytics, brands can improve their operations, improve customer engagement, and maintain compliance with evolving regulations.

Staying informed, collaborating with advisors, and implementing efficient marketing and inventory strategies will help businesses remain competitive. With the right approach, brands can turn these challenges into opportunities for growth, ensuring long-term success in the world of e-commerce.

To learn how to ensure your brand is taking the right steps to stay aligned with today's rapidly evolving e-commerce market, please contact [Michael Greenfield](#), Partner, [Jerico Mascarinas](#), Director, or your Anchin Relationship Partner.