

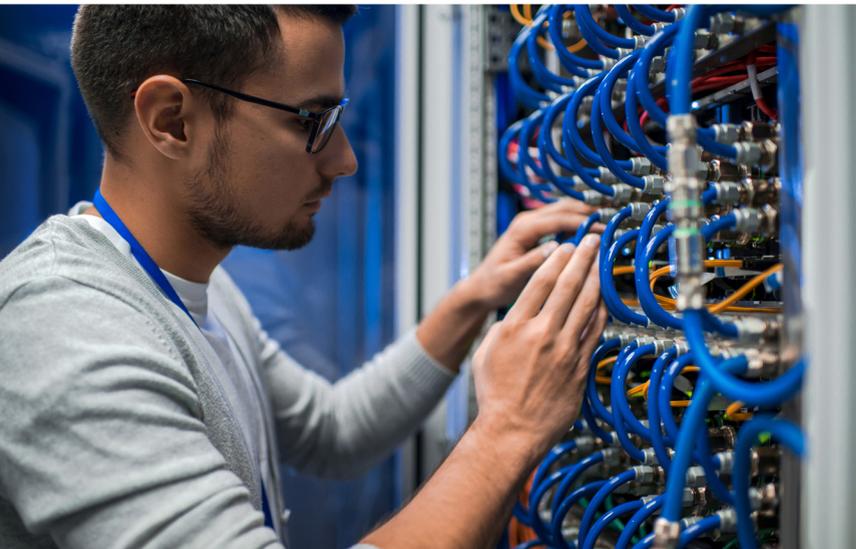
AS FEATURED IN

# DIGITAL RESEARCH

COMMERCE 360

June 2022

# RETAIL LEADERS IN U.S. ECOMMERCE



Compliments of



# OVERVIEW

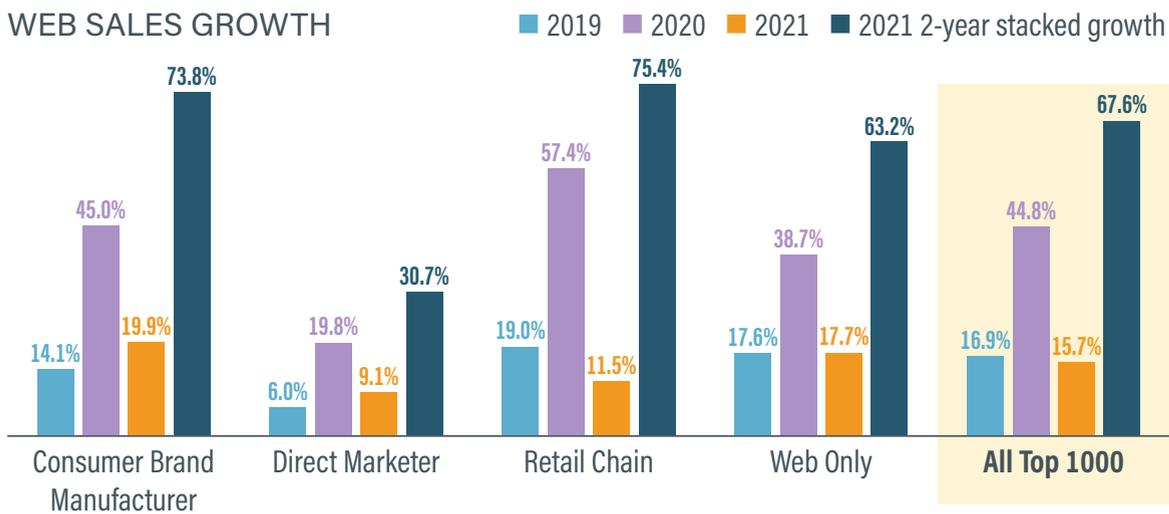
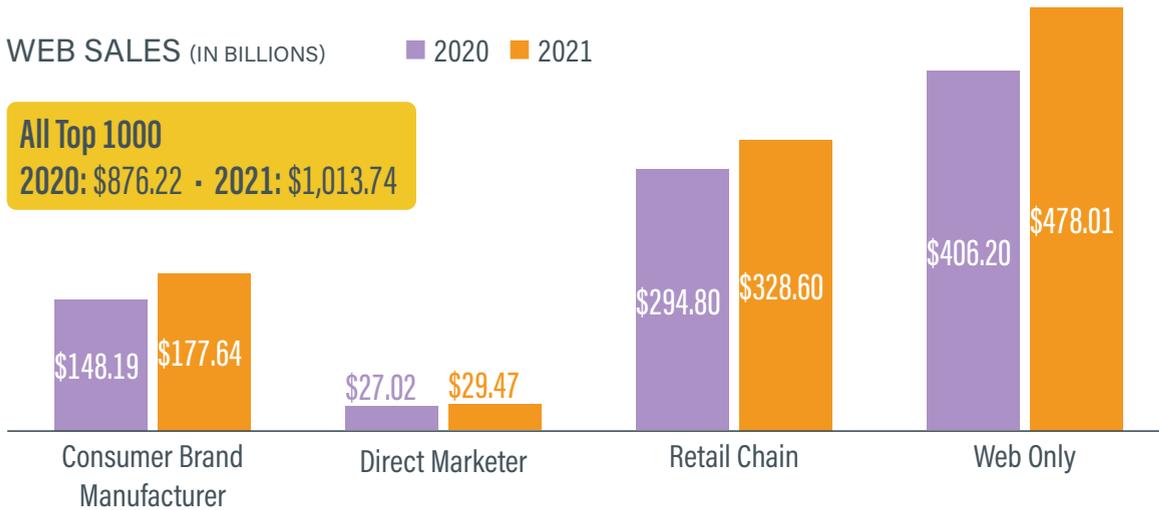
## TOP 1000 RETAILERS GO OVER \$1 TRILLION IN ONLINE SALES

The pandemic led to a big increase in online shopping, and Top 1000 retailers were major beneficiaries. There were, however, some notable shifts in 2021, the second year of the pandemic, from 2020. For example, smaller Top 1000 retailers regained market share in 2021 and consumers shifted what they were buying online as life started to return to normal.

The top-line number is an eye-opener: The global online sales of Top 1000 retailers surpassed \$1 trillion for the first time in 2021. That was only a 15.7% increase from 2020, a sign that more consumers returned to physical stores in 2021. But it represented a 67.6% surge in online sales from 2019, showing the dramatic impact the COVID-19 outbreak had on consumer shopping behavior.

As a result of that shift, the Top 1000's share of online retail sales in North America — the United States, Canada and Mexico — increased to 87.0% in 2021 from 79.9% in 2019. And the Top 1000 increased its share of global ecommerce sales to 20.9% in 2021 from 17.5% two years earlier, before the pandemic.

## WEB SALES AND GROWTH FOR TOP 1000 RETAILERS BY MERCHANT TYPE

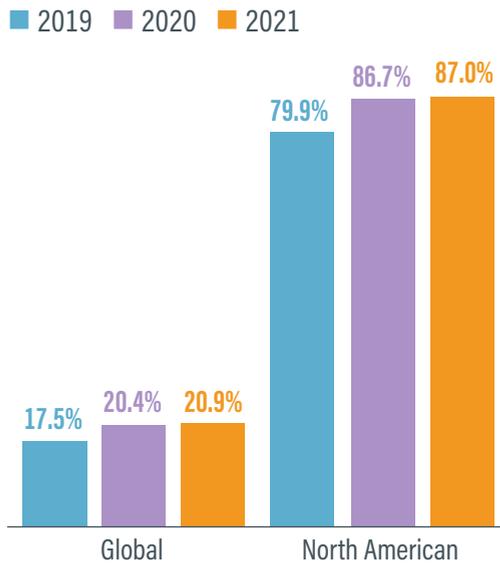


Source: Digital Commerce 360

A big part of the story surely has been the dominant position of Amazon.com Inc., No. 1 in the Digital Commerce 360 Top 1000, which ranks retailers and brands based in the U.S., Canada and Mexico on their global online sales.

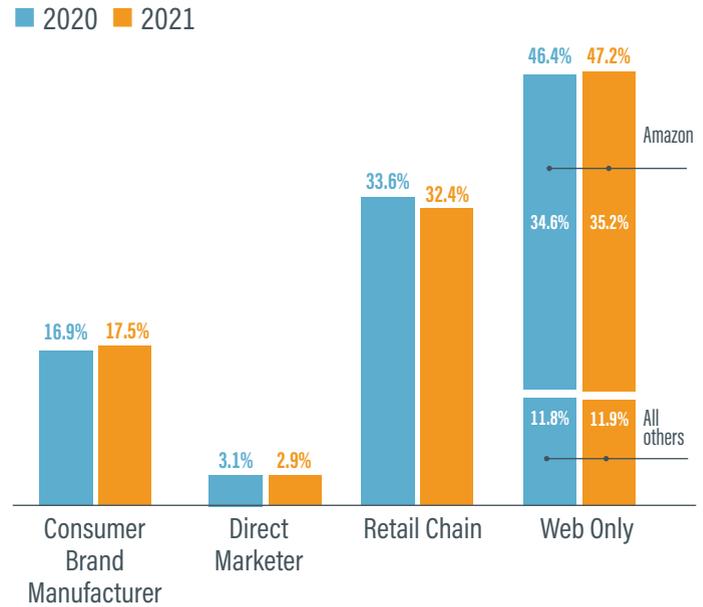
But, perhaps surprisingly, Amazon did not gain Top 1000 market share over the two years of the pandemic. The leading e-retailer's

## TOP 1000 SHARE OF NORTH AMERICAN AND GLOBAL ECOMMERCE



Source: Digital Commerce 360

## SHARE OF TOP 1000 WEB SALES BY MERCHANT TYPE



Source: Digital Commerce 360

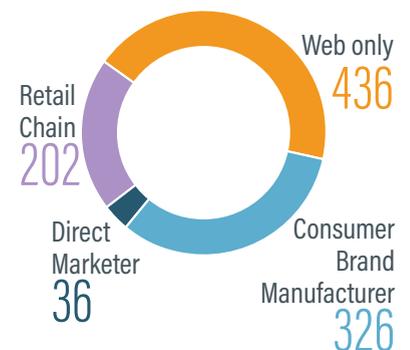
share of Top 1000 sales was 35.2% in 2021, down slightly from 35.4% in 2019.

The biggest winners over the two-year period were retail chains, companies that sell primarily through brick-and-mortar stores and also sell online. Those chains increased their share of Top 1000 sales to 32.4% in 2021 from 31.0% in 2019. Consumer brand manufacturers also gained share.

Losing share were retailers we called direct marketers — mostly merchants with roots in selling through printed catalogs as well as those that sell through TV shopping shows — and web-only retailers other than Amazon.

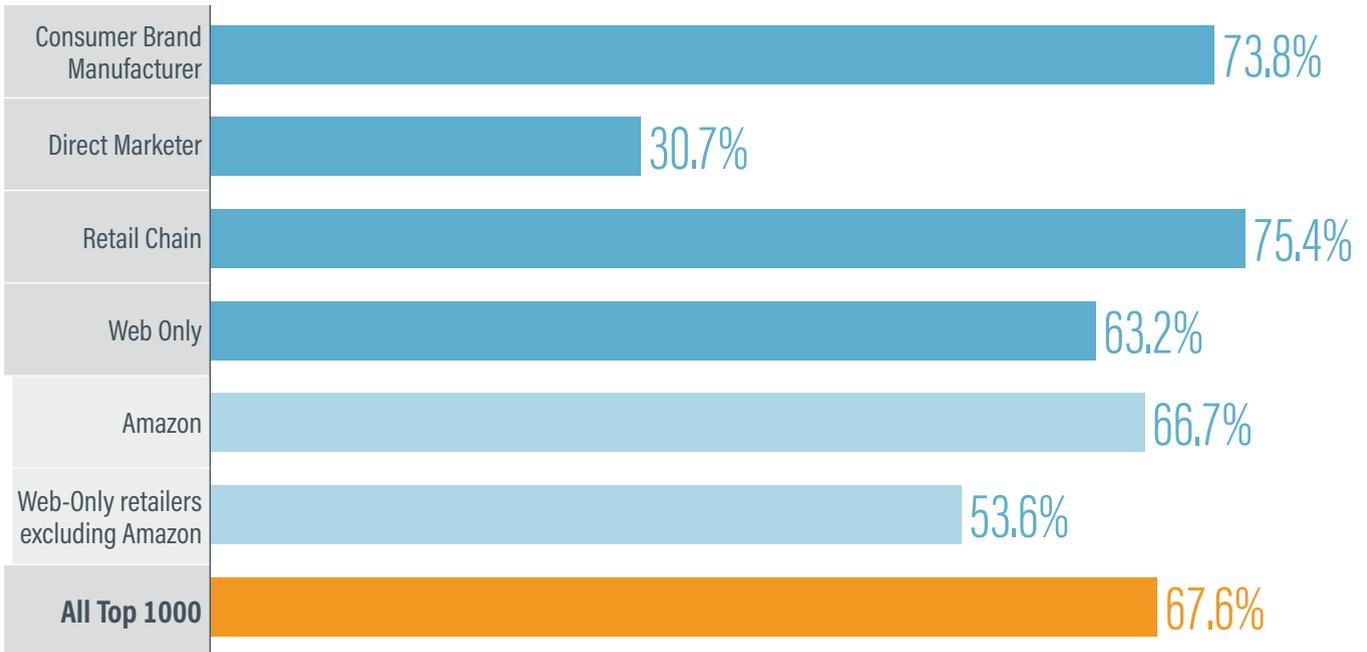
Looking at two-year ecommerce growth, retail chains in the Top 1000 registered the biggest gains on a percentage basis, followed by consumer brand manufacturers.

## NUMBER OF TOP 1000 RETAILERS BY MERCHANT TYPE



Source: Digital Commerce 360

## TOP 1000 WEB SALES GROWTH BY MERCHANT TYPE, 2021 OVER 2019 2021 2-year stacked web sales growth



Source: Digital Commerce 360

## BIG SHIFTS IN WHAT CONSUMERS BUY ONLINE

The growth rates by merchant type are closely correlated with the merchandise categories that grew the fastest over the two years of the pandemic.

Most notable is the more than doubling of online sales of food and beverage items for Top 1000 retailers. That heavily benefited the big retail chains that are leading sellers of groceries, including Walmart Inc. (No. 2), Target Corp. (No. 5), The Kroger Co. (No. 8), Costco Wholesale Corp. (No. 9) and Albertsons Inc. (No. 26). Best Buy Co. Inc. (No. 6) gained from the big increase in purchases of consumer electronics as many people shifted to working from home, and big gains in the hardware and home improvement category boosted online sales for The Home Depot Inc. (No. 4) and Lowe's Co. Inc. (No. 11).

Strong online purchasing in these categories helped increase the average ecommerce penetration of the 10 largest retail chains in the Top 1000 to 22.0% of total sales in 2021 from 14.1% in 2019.

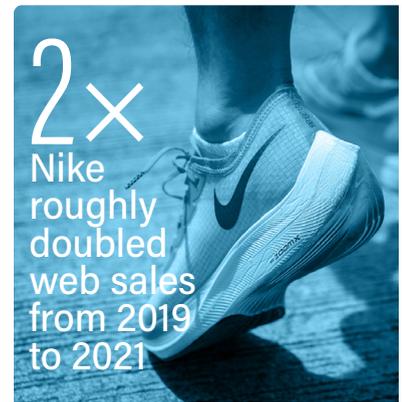
Heavy sales of consumer electronics boosted the online results of such consumer brand manufacturers as Apple Inc. (No. 3), Dell Technologies Inc. (No. 17) and HP Inc. (No. 55).

Consumers seeking ways to exercise during the COVID-19 lockdowns led to dramatic increases in web sales for Nike Inc. (No. 10), Lululemon Athletica Inc. (No. 31) and Peloton (No. 36). Apparel brands Nike and Lululemon roughly doubled their web sales from 2019 to 2021 while treadmill maker Peloton's online sales increased by more than five times during that period.

How life changed in the second year of the pandemic from the first is reflected through shifts in the kind of apparel and accessories online shoppers purchased in 2021 versus the prior year.

Both women's and men's apparel sales rebounded strongly in 2021 as consumers got out and about more once many were vaccinated and lockdowns ended. Handbag sales rebounded strongly, too. There was also a big uptick in bridal wear, as weddings postponed from the early days of the pandemic were rescheduled.

Among the subcategories where online sales growth slowed were two that had surged in 2020: sleepwear and sportswear. Consumers wanted more comfy pajamas to lounge in at home during the early days of the COVID-19 pandemic and garb for exercising outdoors when gyms were closed. But they had other priorities when it came to spending on clothing in 2021.





# Delivering holistic experiences helps retailers win at ecommerce

An executive conversation with **Adam Sturrock**, vice president of product marketing, Amplience

Change is constant — and it's accelerating. Ecommerce has arguably grown by a decade in the past two years. To stay relevant and better compete in this quickly evolving environment, retailers need to embrace a customer-centric mindset. Digital Commerce 360 spoke with Adam Sturrock, vice president of product marketing at Amplience, to discuss how delivering holistic experiences with the right people, processes and products will help retailers rise above the competition and win at ecommerce.

## What should retailers be prioritizing today?

Retailers are beginning to diversify from traditional advertising as costs continue to increase across search and social networks. Apple's privacy changes in 2021 have contributed significantly here, cutting advertising ROI significantly as an effective acquisition channel.

It's no longer enough to deliver a destination-based site focused on a singular linear journey. Retailers need to embrace and deliver holistic, end-to-end customer experiences — from discovery to post-purchase and beyond, engaging with their customers and providing value in as many places in the customer journey as possible.

## What are their biggest challenges in this new ecommerce environment?

It's not just about finding the right vendors to deliver specific ecommerce capabilities. Retailers must also drive cultural and organizational change to make the most of the technologies and solutions they have or are about to deploy.

1. Existing technologies reduce the execution scope. These products were bought, implemented and designed before the iPhone, limiting the visibility and understanding of their customers. This can make it challenging to integrate with modern solutions.
2. Antiquated, heavily governed waterfall processes with endless gates, checks and reviews slow down the rate of change.
3. Organizational structures have undergone a fundamental shift with the rise of remote and flexible working, making it more difficult to hire and keep experienced employees.
4. Attaining stakeholder alignment between technical and non-technical teams is more important than ever to selecting and implementing solutions.

## How are emerging ecommerce trends brought on by the pandemic affecting retailers?

The monumental shift to digital channels brought changing consumer behavior based on safety and security with the rise of contactless checkout and curbside pickup, and a new demand for digitally centric shopping experiences across all segments and generations.

Retailers are also facing the "great resignation" as employees have begun to re-evaluate their life choices, as well as the global economic recovery with inflation changing consumer behaviors and supply chain issues becoming more obvious than ever for the average shopper. As consumers become more aware of the fragility of global supply chains, retailers are starting to provide transparency to customers as a value-add.

## What technologies can help retailers overcome these challenges and address trends?

The shift to MACH and composable architectures is underway, with retailers seeing significant performance improvements, conversion rate lifts and average order value increases thanks to headless storefronts. Retailers also are curating and delivering rich and functional omnichannel digital experiences with mature experience management ecommerce capabilities.

Retailers must break down technologies into smaller pieces for greater flexibility and control, but those transformation projects also mirror the solutions in the market. And as digital transformations become increasingly customer-centric, retailers are hiring chief digital officers to achieve alignment and deliver holistic customer-centric experiences.

Amplience's experience platform helps retailers with their digital transformations by taking the heavy lifting out of digital content, giving your technical and marketing teams the freedom to create digital experiences without limits. And the platform's MACH Alliance-certified architecture delivers maximum speed, agility and scalability.





# HOW TO STAY AHEAD OF ECOMMERCE IN 2022 AND BEYOND

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**Thrive in the Face of Change**

**READ THE REPORT**

## TOP 1000 GAINS ARE WIDELY DISTRIBUTED

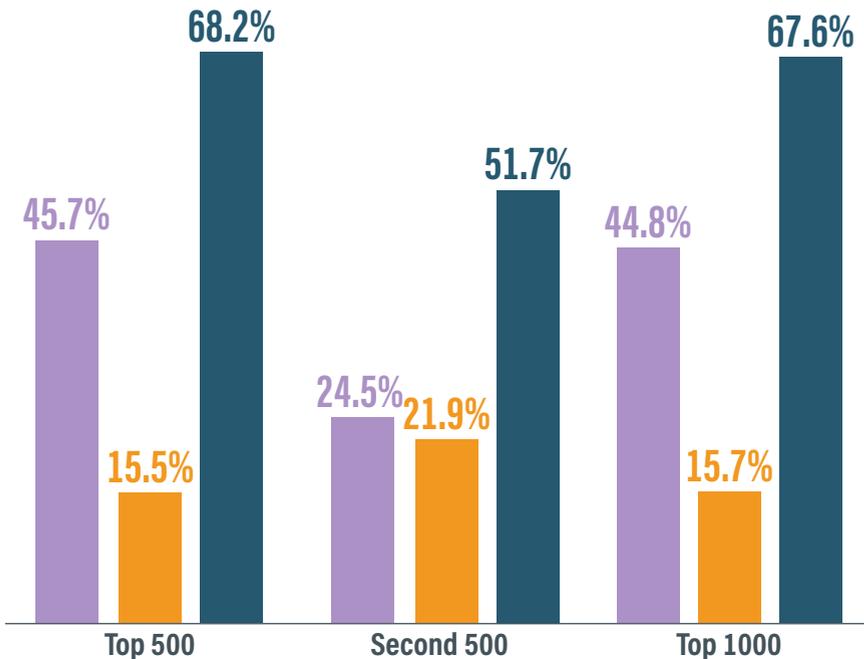
One shift in 2021 from 2020 was the improved performance of smaller retailers in the Top 1000.

In 2020, gains were heavily concentrated among the largest competitors, in part because those companies took most of the gains from increases in such categories as groceries and consumer electronics. They may also have been better able to weather supply chain disruptions, especially large retail chains that could sell merchandise in their stores to online shoppers, even if those stores were closed.

As a result, the 500 largest retailers in the Top 1000 increased their online sales 45.7% in 2020 over 2019, led by the 100 largest retailers

### WEB SALES GROWTH BY TOP 1000 RANK COHORT

■ 2020 ■ 2021 ■ 2021 2-year stacked growth



Source: Digital Commerce 360

at 47.7%, while the bottom half of the Top 1000 increased their online sales only 24.5%.

The pattern reversed in 2021. The second 500 grew their online sales 21.9% while the top 500 grew only 15.5%. The retailers ranked Nos. 1-100, which had posted outsized gains in 2020, grew their web sales only 14.6% in 2021, below the collective ecommerce growth of the Top 1000 of 15.7%. That likely reflected many consumers returning to grocery stores as the rollout of COVID vaccines increased their comfort with entering stores, as well as a slowdown in the growth in consumer electronics sales.

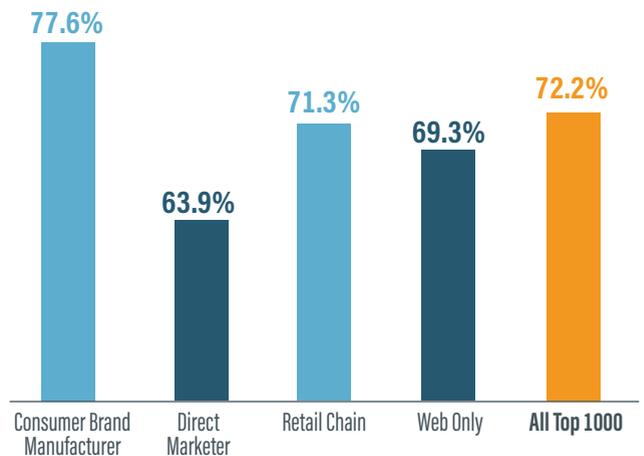
Without Amazon, for which online sales grew 17.9% in 2021 over 2020, the slowdown in the top 100 was even more dramatic. Growth for the 99 retailers ranked Nos. 2-100 fell to 12.3% in 2021 from 52.4% in 2020.

## TOP 1000 RETAILERS GROWING AT OR ABOVE THE OVERALL ECOMMERCE MARKET AT 14.2% IN 2021 BY MERCHANT TYPE

### NUMBER OF RETAILERS



### SHARE OF RETAILERS



Source: Digital Commerce 360

Another indicator of the broad growth in 2021 is the fact that 72.2% of the Top 1000 increased their online sales in 2021 by more than 14.2%, the 2021 increase in the overall ecommerce market that the U.S. Department of Commerce reported. Consumer brand manufacturers and retail chains were the most likely to grow faster than the market.

A big majority of retailers of hardware and home improvement products grew faster than the overall market in 2021, as did more than three-quarters of sellers of consumer electronics, jewelry and apparel and accessories.

The biggest retailers were the least likely to grow faster than the market in 2021, again likely reflecting slowdowns in online sales

## TOP 1000 RETAILERS GROWING AT OR ABOVE THE OVERALL ECOMMERCE MARKET AT 14.2% IN 2021 BY MERCHANDISE CATEGORY

	NUMBER OF RETAILERS	SHARE OF RETAILERS
Apparel/Accessories	187	77.6%
Automotive Parts/Accessories	28	73.7%
Consumer Electronics	64	78.0%
Flowers/Gifts	14	66.7%
Food/Beverage	25	65.8%
Hardware/Home Improvement	74	89.2%
Health/Beauty	37	63.8%
Housewares/Home Furnishings	85	74.6%
Jewelry	32	78.0%
Mass Merchant	37	74.0%
Office Supplies	13	50.0%
Specialty	29	38.7%
Sporting Goods	62	74.7%
Toys/Hobbies	35	70.0%
<b>All Top 1000</b>	<b>722</b>	<b>72.2%</b>

Source: Digital Commerce 360

of categories that made big gains in 2020, such as groceries. The most consistent above-market performers were in the middle of the Top 1000, with 75.7% of those ranked Nos. 101-700 growing at above 14.2%.

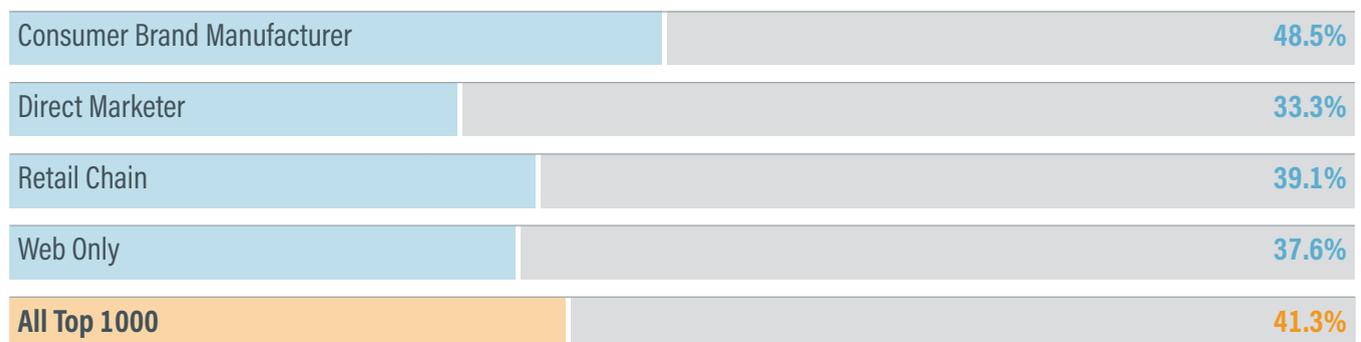
As shoppers began returning to stores in 2021, there were fewer Top 1000 retailers posting well above market growth. Only 41.3% of the Top 1000 increased their online sales more than 25% in 2021, compared to 52.8% in 2020. Consumer brand manufacturers were the most likely type of merchant to register above-25% sales gains in 2021.

Sellers in the hardware and home improvement, apparel and accessories, and home furnishings merchandise categories also were the most likely to increase sales more than 25% in 2021.

## MERCHANT TYPE BREAKDOWN OF TOP 1000 RETAILERS WITH MORE THAN 25% WEB SALES GROWTH IN 2021



### Share of retailers



Source: Digital Commerce 360

# BENCHMARKS

## FREE SHIPPING: PRODUCT WEIGHT AND VALUE DICTATE FREE SHIPPING STRATEGIES

Nearly three out of four of Top 1000 retailers offer free shipping on at least some orders. But there are significant variations in strategy on shipping fees depending on how a retailer sells and, even more, based on what it sells.

Free shipping policies changed little in 2021 compared to 2020. The percentage of Top 1000 merchants offering free shipping on at least some purchases remained steady at 74.6%. The percentage requiring a minimum purchase to avoid shipping fees ticked up slightly to 45.9% from 44.3%, but the median purchase required to get free shipping held steady at \$60.

### TOP 1000 RETAILERS WITH VARIOUS FREE SHIPPING OFFERINGS



Source: Digital Commerce 360

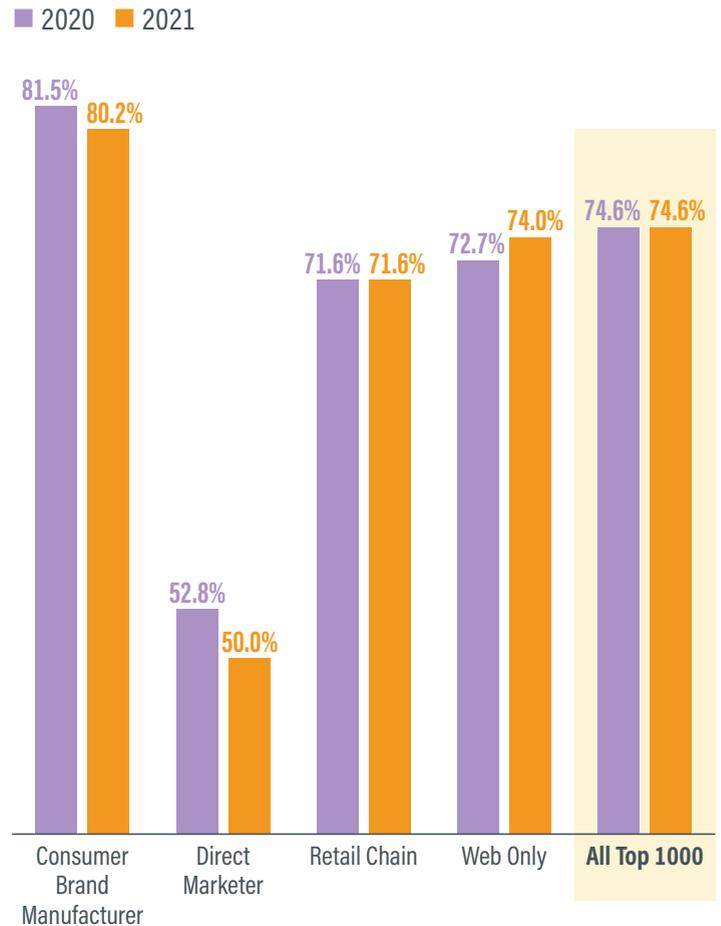
Just over a quarter of Top 1000 retailers offer return shipping: 27.4% in 2021 versus 28.5% in 2020.

There remain significant differences in free shipping policies based on the type of merchant. Consumer brand manufacturers are the most likely to waive shipping fees, at 80.2%, down slightly from 81.5% a year earlier. Brands also are the most likely to offer free return shipping, at 38.3%.

Manufacturers as a group can justify these relatively generous offers because their average ticket of \$180 is the highest among the four types of merchants into which the Top 1000 is grouped, well above the Top 1000 median average order value of \$161. Many brands also sell products online at list price, which protects profit margins, lest any discounts they offer provoke protests from retailers that also sell their merchandise.

Direct marketers — catalogers and TV shopping retailers — are the least likely to offer free shipping, at 50.0%. And they're by far the least likely to offer free shipping based on a minimum purchase, at 19.4%, well below the share of the overall Top 1000 retailers at 45.9%. But one in six direct marketers offer free shipping under other conditions, such as when a customer belongs to a loyalty program or uses a retailer's credit card.

## TOP 1000 RETAILERS WITH ANY FREE SHIPPING BY MERCHANT TYPE



Source: Digital Commerce 360

## BIG VARIATIONS BY MERCHANDISE CATEGORY

There is an even wider disparity in free shipping policies based on the type of merchandise a retailer sells. In general, Top 1000 retailers are more likely to waive shipping fees if their products are lightweight and thus cost relatively little to ship, or are expensive, which often means there is ample profit margin to cover shipping costs.

It's no surprise then that jewelry retailers in the Top 1000 are the most likely to offer free shipping in at least some cases, at 95.1%. The median average ticket in this category is \$269, well above the \$161 median for the overall Top 1000, and many jewelry items are light in weight.

### TOP 1000 RETAILERS WITH VARIOUS FREE SHIPPING OFFERINGS BY MERCHANDISE CATEGORY

MERCHANDISE CATEGORY	ANY FREE SHIPPING	FREE SHIPPING WITH MINIMUM PURCHASE	MEDIAN ORDER THRESHOLD FOR FREE SHIPPING	FREE SHIPPING WITH OTHER CONDITIONS	FREE RETURN SHIPPING
Apparel/Accessories	84.7%	54.0%	\$75	17.9%	43.8%
Automotive Parts/Accessories	75.7%	45.9%	\$63	16.2%	21.6%
Consumer Electronics	75.0%	35.0%	\$50	8.8%	23.8%
Flowers/Gifts	57.1%	14.3%	\$59	33.3%	23.8%
Food/Beverage	56.8%	35.1%	\$50	18.9%	8.1%
Hardware/Home Improvement	56.8%	40.7%	\$99	9.9%	13.6%
Health/Beauty	90.4%	53.8%	\$40	13.5%	28.8%
Housewares/Home Furnishings	77.4%	31.1%	\$65	10.4%	22.6%
Jewelry	95.1%	48.8%	\$97	9.8%	48.8%
Mass Merchant	64.0%	44.0%	\$59	22.0%	24.0%
Office Supplies	69.2%	53.8%	\$50	11.5%	15.4%
Specialty	69.0%	53.5%	\$49	18.3%	18.3%
Sporting Goods	69.6%	54.4%	\$67	13.9%	21.5%
Toys/Hobbies	65.3%	49.0%	\$69	10.2%	20.4%
All Top 1000	74.6%	45.9%	\$60	14.7%	27.4%

Source: Digital Commerce 360

Retailers in the health/beauty category are also highly likely to offer free shipping, at 90.4%. And their \$40 median threshold for getting free shipping is the lowest of all merchandise categories. That likely reflects the low cost of shipping small items like lipstick and skin cream.

Apparel and accessories are also generally lightweight, which helps explain why 84.7% of merchants in this category offer free shipping in some cases, even though the median average ticket in this category is only \$142.

The categories where free shipping is least prevalent are those where products are either heavy (hardware/home improvement) or require extra care in delivery (food/beverage and flowers/gifts).

## OMNICHANNEL SERVICES: CURBSIDE PICKUP LEADS A BROAD EXPANSION OF SERVICES

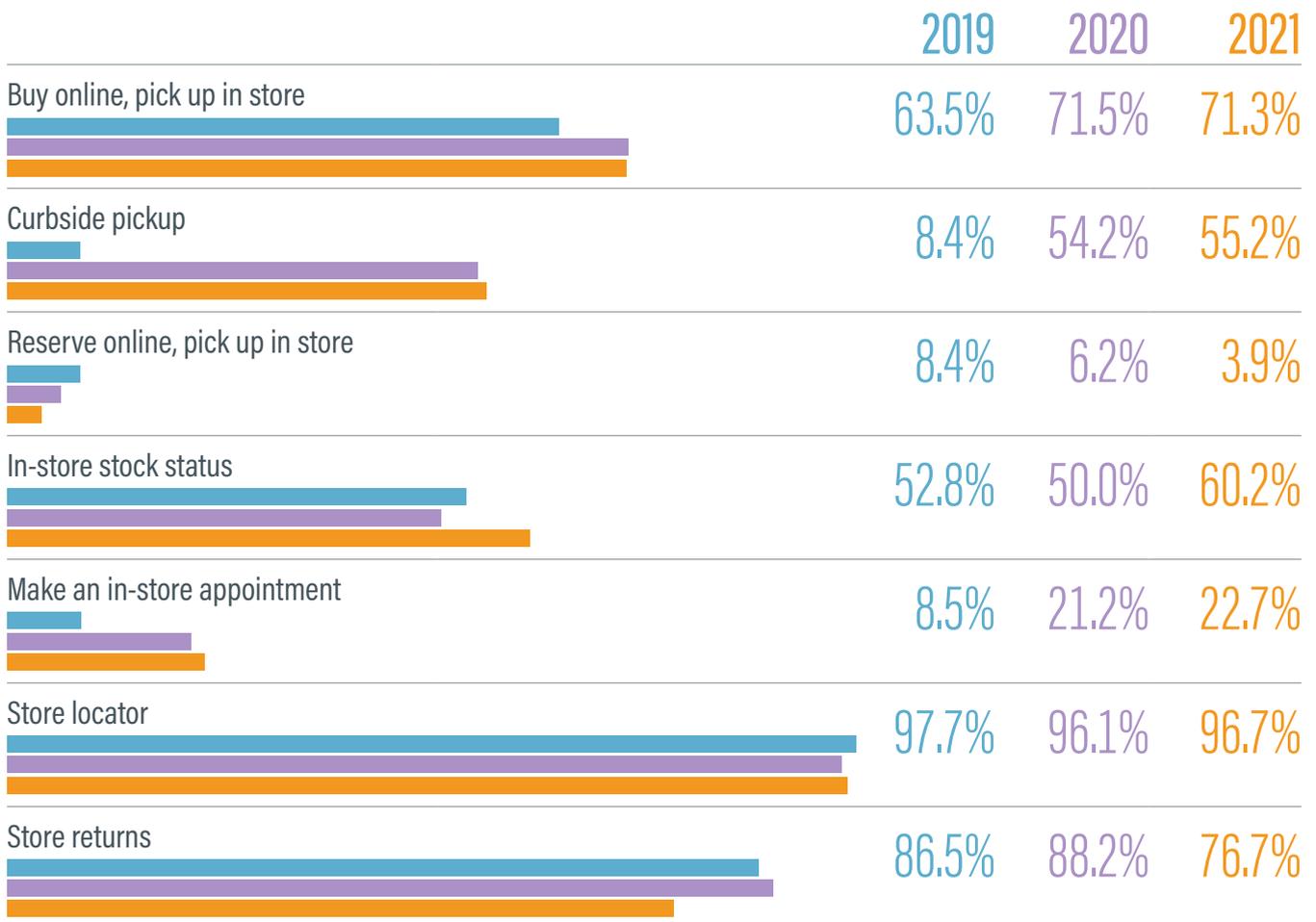
Before the pandemic hit North America in early 2020, only roughly a dozen Top 1000 retail chains offered curbside pickup. They were mainly retailers that sold a lot of groceries, including Walmart Inc. (No. 2), Target Corp. (No. 5), The Kroger Co. (No. 8) and the Whole Foods Market subsidiary of Amazon.com Inc. (No. 1).

COVID-19 changed that in a big way.

While only 8.4% of Top 1000 retail chains — retailers that operate brick-and-mortar stores as their primary business and also sell online — offered curbside pickup of online orders in 2019, that grew to 55.2% of retailers by 2021.



## SHARE OF TOP 1000 RETAIL CHAINS WITH OMNICHANNEL FEATURES



Source: Digital Commerce 360

More store-based retailers also added other omnichannel features. There was a big increase in those enabling consumers to make online appointments for in-store visit: That reached 22.7% in 2021, up from 8.5% in 2019. Buy online, pick up in store increased to 71.3% of retail chains in 2021 from 63.5% two years prior.

Many other Top 1000 retailers that are not retail chains but operate at least some physical stores also enhanced their omnichannel offerings. For example, the overall share of Top 1000 retailers with one or more stores offering in-store pickup of online orders went up to 58.0% in 2021 from 46.1% in 2019.

## SHARE OF TOP 1000 RETAILERS WITH ONE OR MORE STORE WITH OMNICHANNEL FEATURES

	2019	2020	2021
Buy online, pick up in store	46.1%	59.5%	58.0%
Curbside pickup	5.0%	44.7%	42.0%
Reserve online, pick up in store	5.6%	6.2%	5.4%
In-store stock status	39.9%	35.9%	46.7%
Make an in-store appointment	9.1%	19.5%	21.4%
Store locator	90.9%	89.4%	93.4%
Store returns	77.9%	77.2%	67.2%

Source: Digital Commerce 360

## RETURNS ARE A MIXED BAG

Not all omnichannel features are more prevalent, however. For example, only 67.2% of Top 1000 retailers with stores offered in-store returns of online orders in 2021, down from 77.9% in 2019.

Handling online returns may be particularly onerous for small shops with only a few employees working at any time. For example, only 37.1% of primarily online retailers take returns in their stores, which likely tend to be small. That's down from 48.5% in 2019.

But even for retail chains, whose stores frequently are quite large with many associates working at any time, the percentage was down in 2021 to 76.7% taking returns, compared to 86.5% two years earlier.

One possible explanation is that employers of all kinds, including retailers, are having trouble finding workers, leading store managers to beg off accepting returns because they take store associates away from serving customers who want to buy.

Meanwhile, at least 14 Top 1000 retailers now will take returns at curbside. This is not a metric we track systematically, and the fact we came across 14 retailers doing this suggests there likely are more among the Top 1000.

Surveys show customers prefer to return online orders to stores than any other method. Once the labor shortage eases, don't be surprised to see a larger number of retailers returning to accepting online returns in their stores.

## SELECTED TOP 1000 RETAILERS OFFERING CURBSIDE RETURNS

RETAILER	TOP 1000 RANK	MERCHANT TYPE	MERCHANDISE CATEGORY	2021 WEB SALES GROWTH
Nordstrom Inc.	20	Retail Chain	Apparel/Accessories	6.2%
Dick's Sporting Goods	37	Retail Chain	Sporting Goods	-10.2%
Neiman Marcus	74	Retail Chain	Apparel/Accessories	15.1%
Designer Brands	80	Retail Chain	Apparel/Accessories	28.1%
MidwayUSA Inc.	83	Web Only	Sporting Goods	28.9%
Indigo Books & Music Inc.	224	Retail Chain	Specialty	27.7%
American Signature Furniture	581	Retail Chain	Housewares/Home Furnishings	25.9%
AimSurplus LLC	611	Web Only	Sporting Goods	24.7%
J.Hilburn Inc.	657	Consumer Brand Manufacturer	Apparel/Accessories	40.5%
Shinola	686	Consumer Brand Manufacturer	Jewelry	21.7%
Proper Cloth	733	Consumer Brand Manufacturer	Apparel/Accessories	38.9%
Pure Hockey	818	Retail Chain	Sporting Goods	36.1%
The Pink Lily Boutique	860	Consumer Brand Manufacturer	Apparel/Accessories	41.9%
Vince LLC	893	Consumer Brand Manufacturer	Apparel/Accessories	12.5%

Source: Digital Commerce 360, company reports

## ABOUT DIGITAL COMMERCE 360 RESEARCH

Over the last two decades, Digital Commerce 360 Research has become a global leader in ecommerce research and data, helping a wide range of businesses better understand the industry. Each year, our experienced researchers collect hundreds of metrics on thousands of retail and B2B ecommerce companies around the world and offer access to the raw data including online sales, web traffic, conversion rates, AOV and key technology partners. Most notably is our Top 1000 Database, a ranking of the leading North American online retailers by web sales. We also publish our analysis of the data in numerous annual reports on timely ecommerce topics like marketplaces, omnichannel, apparel, platforms, web design and many more. In addition, our robust custom research department is skilled at creating personalized projects—including in-depth reports, exclusive surveys, raw data pulls and more—to support top retailers, consultants, financial analysts and technology providers in meeting their goals.

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