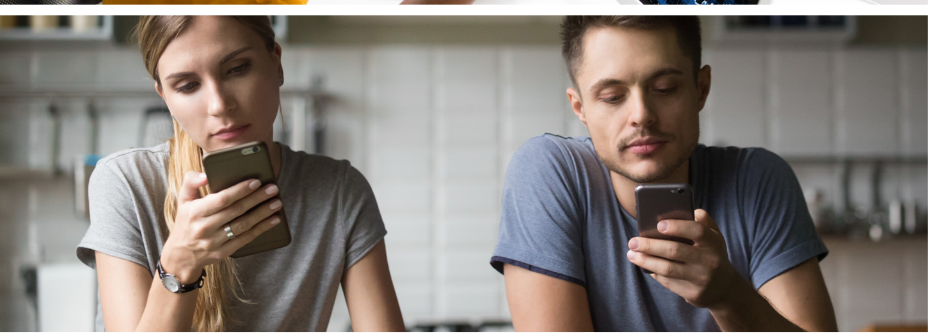
DIGITAL COMMERCE 360 RESEARCH

## KEY FINDINGS FROM THE 2021

# TOP 1000 REPORT

### An exclusive sneak peek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## CHARTS



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# OVERVIEW

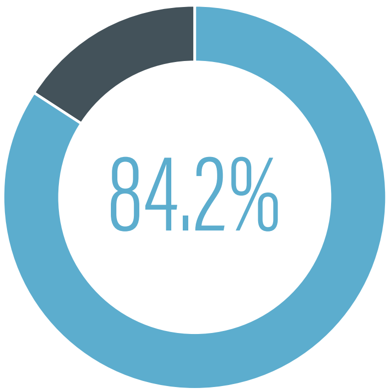
Online shopping surged during the COVID-19 pandemic, and among the biggest winners were the retailers grouped in the top tier of the 2021 Digital Commerce 360 Top 1000, an annual ranking of North America's largest merchants by ecommerce sales.

The Top 1000 retailers collectively increased their global online sales by 45.8%, by far the largest year-over-year growth in the decade since Digital Commerce 360 began tracking North America's 1,000 ecommerce leaders. (Internet Retailer, the predecessor to Digital Commerce 360, began ranking North America's leading online retailers in 2003, but only expanded its rankings to 1,000 companies in 2012.)

That strong 2020 growth enabled the Top 1000 to take market share from their smaller competitors in North America. Excluding their online sales outside of North America, the Top 1000's web sales in the U.S., Canada and Mexico grew by 45.6%, well above the overall increase of 34.2% in online retail sales in North America. As a result, the Top 1000's share of the North American online retail market grew to 84.2% in 2020, from 77.6% a year earlier.

The Top 1000 benefited from the big shift to online shopping during the pandemic as many stores closed and millions of consumers turned to the web rather than risk entering stores that remained open. In percentage terms, ecommerce growth was even faster in Canada and Mexico than in the United States, which is more advanced in online shopping.

Plus, total retail sales declined in 2020 in Canada and Mexico, whereas they increased in the United States as many consumers




The Top 1000's share of the North American online retail market grew to 84.2% in 2020, from 77.6% a year earlier.

took advantage of government stimulus payments and shifted spending from travel to buying goods for their homes, offices and families. That falloff in store shopping combined with the surge in online purchasing led to a steep increase in ecommerce penetration in Canada and Mexico.

Data from the United States, the largest retail market in North America, highlights the huge leap ecommerce took during 2020.

While U.S. retail sales increased 6.9% in 2020, online purchasing grew more than four times as fast, growing by 32.4%. That propelled U.S. ecommerce penetration to a record high of 19.6% from 15.8% a year earlier, when excluding items rarely purchased online, such as vehicles, fuel, and food and beverages purchased in restaurants and bars. And ecommerce accounted for the bulk of retail industry growth in 2020—74.6%—a big jump over 54.0% of retail growth in 2019.

In fact, when excluding online sales, all other forms of U.S. retail—mainly physical stores but also vending machines and various forms of direct sales—grew only 2.1% in 2020. The 32.4% increase in online retail sales compared to the 2.1% increase in all other retail sales illustrates the magnitude of the shift to online shopping driven by the pandemic.

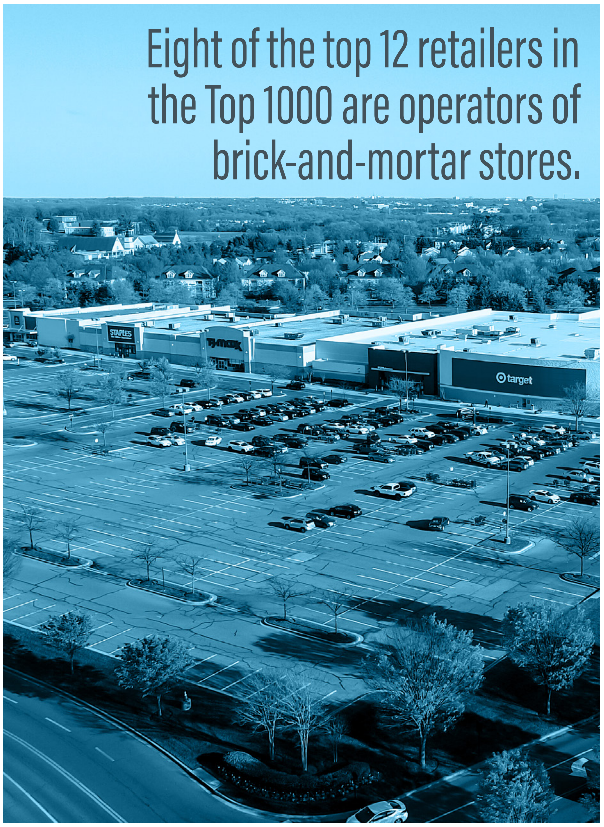
+32.4%

Online purchasing grew by 32.4% in 2020, almost four times as fast as retail sales.

## THE BIG GOT BIGGER

As consumers across North America searched, often desperately, for essential items during the pandemic, they not surprisingly turned first to the best-known retailers. These large merchants also tended to have the most inventory, which became a crucial differentiator as factory shutdowns in Asia and elsewhere created shortages of many in-demand products. Both factors helped the biggest retailers in the Top 1000 grow the fastest.

Just the 12 largest retailers by web sales accounted for 70.9% of the growth in Top 1000 sales from 2019 to 2020, growing collectively by 54.8%. Amazon.com Inc., No. 1 in the Top 1000, was a big part of that growth—but by no means most of it.




In fact, Amazon's robust growth of 41.4% by Digital Commerce 360's estimate, which includes its commissions from sales by marketplace sellers and other seller fees as well as sales of its own merchandise, was not sufficient to keep the leading e-retailer from losing market share to some of its biggest competitors. For example, Walmart Inc. (No. 2) grew online by 79.0%, Best Buy Co. Inc. (No. 5) by 144.4% and Target Corp. (No. 6) by 145.0%.

Eight of the top 12 retailers in the Top 1000 are operators of brick-and-mortar stores, demonstrating that at least some store-based merchants can survive amid the shift to online shopping.

The gains made by the larger Top 1000 retailers stand out when you divide the Top 1000 by sales into 10 groups of 100. The fastest growth was among those ranked 1-100, as those large merchants increased their online sales by 49.0% in 2020 over 2019. The second-fastest growth was among the companies ranked 101-200, at 36.8% growth.

Together, the top 200 retailers in the Top 1000 increased web sales by 48.1% to $795.13 billion in 2020 from $536.80 billion in 2019. And they accounted for 90.1% of Top 1000 sales in 2020, up from 88.7% a year earlier. The 100 largest merchants alone generated 84.4% of Top 1000 sales in 2020 versus 82.6% in 2019.

And, while in recent years the midsized retailers in the bottom half of the Top 1000 grew almost as quickly as their bigger rivals, that wasn't the case in 2020. The top half of the Top 1000 increased their online sales by 46.7% in 2020 over 2019, compared to only 23.3% for the retailers ranked Nos. 501-1000. And this was a rare case where Amazon's growth of only 41.4% dragged down the growth rate of the Top 500—without Amazon the other 499 top e-retailers grew by 54.6%.

It was quite a different story in 2019, when the retailers in the bottom half of the Top 1000 grew by 15.7%, not far below the 16.5% for the Top 500 merchants. And, when taking Amazon out of last year's totals, the other 499 leading online retailers grew by only 14.7%, a bit slower than the retailers ranked Nos. 501-1000.

In short, growth in 2020 was concentrated among the biggest retailers to an extent we haven't seen in recent years. 1000

SPONSORED ARTICLE

# Prioritizing the customer experience will help retailers thrive in the future

An executive conversation with **Sonal Puri,** CEO, Webscale

Ecommerce has exploded, experiencing a decade's worth of growth in just a year. At the same time, consumer behavior has shifted. If a retailer fails to provide highly personalized shopping experiences, customers quickly move onto one that will. This has been challenging for many, but it has also created a tremendous opportunity for smart retailers to take advantage of the dramatic increase in online shoppers. Digital Commerce 360 spoke with Sonal Puri, CEO of Webscale, about how placing a priority on creating personalized shopping experience can help retailers survive—and even thrive—in the future of ecommerce.

## What are retailers' biggest challenges today?

Consumers have become disloyal to the concept of a brand, and are now focused on experience. Beyond the product itself, pricing, availability and shipping, infrastructure and technology adoption to address this changing behavior is more critical than ever. Functional challenges start with security as cybercriminals seek vulnerabilities across stretched systems and merchants lack the visibility into their infrastructure to block them. Google's new performance metric, Core Web Vitals, is another. Websites will now be assessed and ranked based on user experience, and it's a standard almost 90% of websites are failing to meet, according to Searchmetrics. Retailers need to be ready, fast.

## What are their most pressing priorities?

Getting new customers and maintaining the loyalty of existing customers are important priorities. Business consultant BCG reported that ecommerce businesses adopting the latest technologies are likely to see a 25% or more increase in their customers' satisfaction and revenue. And with Core Web Vitals looming, retailers have a long list of competing priorities surrounding the performance, security, availability and overall management of their storefront. Every priority should be focused on scoring high on customer experience.

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## What strategies or technologies can help retailers overcome these challenges?

Merchants must do what it takes to bring consumers to their door, by giving them an incredible buying experience, and continuing to do so to maintain their loyalty. The cost of acquiring a new customer is higher than ever, and the likelihood of retaining that customer without significant investment is low. Innovation is now a requirement for survival.

Headless commerce is enabling merchants to address some of these challenges. With customer interfaces, or front ends, decoupled from the backend ecommerce application, merchants have the flexibility to deliver any personalized user experience to any device and update it as often as they need, while getting significant gains in performance, and enabling engineering teams to work at the pace they need to.

Implementing best practices around integration and deployment cannot be ignored, as retailers can eliminate downtime during deployments, speed up the release of new tools, helping to ensure their storefronts remain at the top of the search rankings.

## How can merchants implement these strategies and technologies?

These aren't simple challenges to resolve, so working with great partners is critical. There are also cost considerations. Deploying a headless infrastructure for a storefront or developing a progressive web app may have seemed out of scope before, but with a retailer's organic search traffic at risk if they can't deliver great Core Web Vitals scores, that expense is undoubtedly justified. So, retailers need to ensure they have assigned a reasonable budget and timeline to get to where they want to be.

Webscale offers a cloud platform that delivers on the current and future needs of ecommerce merchants—whatever their choice of application, toolchain or cloud provider. It addresses every element of their stack, including auto-scaling, security and performance. Our goal is for retailers to focus on their core business and not worry about their infrastructure.

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# THE BIGGEST RETAILERS GREW THE FASTEST ONLINE

While bigger retailers significantly increased their online sales in 2020, that didn't stop many other Top 1000 retailers from also having strong years. In fact, more than half of the Top 1000—509 retailers—registered ecommerce growth of more than 25% in 2020, a big jump from 137 a year earlier.

Growth was especially strong among retail chains, with 61.0% of the store-based retailers in the Top 1000 growing online sales by more than 25%.

High growth rates were common in certain categories, notably hardware and home improvement, food and beverage, toys and hobbies, housewares and home furnishings, and sporting goods. In all five of those categories, more than two-thirds of merchants in each group enjoyed online growth exceeding 25%.

**509 RETAILERS**

More than half of the Top 1000—509 retailers—registered ecommerce growth of more than 25% in 2020, a big jump from 137 a year earlier.

By contrast, only about a third of apparel and accessories retailers exceeded 25% growth and fewer than one in four in the auto parts and accessories and specialty categories.

Overall, 920 of the Top 1000 retailers increased their online sales in 2020 and one was launched that year, making year-over-year comparison impossible. However, the 79 retailers that registered declining sales in 2020 was a substantial increase over the 31 Top 1000 retailers whose ecommerce revenue declined in 2019.

Why did so many have lower online sales? Some were selling merchandise that suddenly was no longer in demand, such as luggage, a tough sell when no one was traveling. Thus, Tortuga and Away can blame their sales declines on the fact few people were getting on airplanes. Consignment retailer ThredUp lost sales because many consumers were leery of buying someone else's clothing while a dangerous virus was spreading.

Other Top 1000 retailers registered declining online sales because they shuttered all or some of their operations for part of 2020 as they tried to turn around struggling businesses. That applies to upscale department store chain Neiman Marcus, fast-fashion apparel retailer Forever 21, clothing brand American Apparel and web-only discounter Brandless.

Fierce retail competition continued to weed out weaker brands, even in a record-breaking year for online retailing. 1000

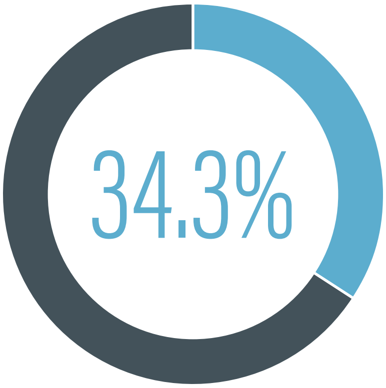
# STORE-BASED MERCHANTS TAKE TOP 1000 SHARE

Retail chains increased their web sales faster than any other type of merchant in the Top 1000, growing ecommerce by 61.9% in 2020 over 2019. The big gains by retail chains increased their share of Top 1000 sales to the detriment of the other three merchant types into which Digital Commerce 360 groups the Top 1000: consumer brand manufacturers, web-only retailers and direct marketers.

Consumer brand manufacturers experienced a shift in the ranks with the addition of 24 retailers into this merchant type from the previous catalog/call center classification.

Amazon took a smaller share of Top 1000 sales in 2020—a rare occurrence—34.3% versus 35.4% in 2019. Excluding Amazon, other web-only retailers lost 1.4 percentage points of Top 1000 share, a reflection of the fast growth of retail chains, especially online food retailers. Including Amazon, web-only retailers lost 2.4% of Top 1000 share in 2020.

The share attributed to the Top 1000 retailers categorized as direct marketers declined compared to the online sales of the catalog/call center retailers in last year's Top 1000. That is in part because the number of retailers in the direct marketer category, 39, is far less than the 123 catalog/call center merchants in last year's rankings. But this group's share was also reduced because of sluggish growth from its largest member, Qurate Retail Group.




Amazon took a smaller share of Top 1000 sales in 2020—34.3% versus 35.4% in 2019.

# THE SHOPPER SPEAKS

**By Lauren Freedman,** senior consumer insights analyst at Digital Commerce 360

## THE SHEER ECOMMERCE VOLUME IS ASTOUNDING

January 2021 was a time for all of us to breathe a collective sigh of relief and think about the magnitude of the change in ecommerce in one year. According to the Commerce Department, U.S. ecommerce sales hit $791.70 billion in 2020, up 32.4% from $598.02 billion in the prior year. Two interesting facts stand out for me. This was the highest annual digital growth of any year for which data is available and more than double the 15.1% year-over-year jump in 2019 reported by the Commerce Department.

**RETAILER INSIGHTS**

### BIGGEST 2020 HOLIDAY ACHIEVEMENTS

What were your top five biggest ecommerce achievements during the 2020 holiday season?

| | |
|---|---|
| Topline growth/increased revenues | 61% |
| Online marketplace growth | 52% |
| More efficient marketing spend | 48% |
| Significant customer acquisition | 42% |
| Greater profitability | 35% |
| Optimized customer experience | 35% |
| Improved site performance | 31% |
| Better customer service | 30% |
| Mobile sales growth/penetration | 28% |
| Improved customer retention | 26% |
| Faster fulfillment | 24% |
| Heightened customer satisfaction | 22% |
| Increased omnichannel adoption | 21% |
| Improved warehouse operations | 20% |
| Enhanced omnichannel offerings (BOPIS, curbside) | 18% |
| Other | 5% |

Source: Digital Commerce 360 survey of 103 retailers, January/February 2021

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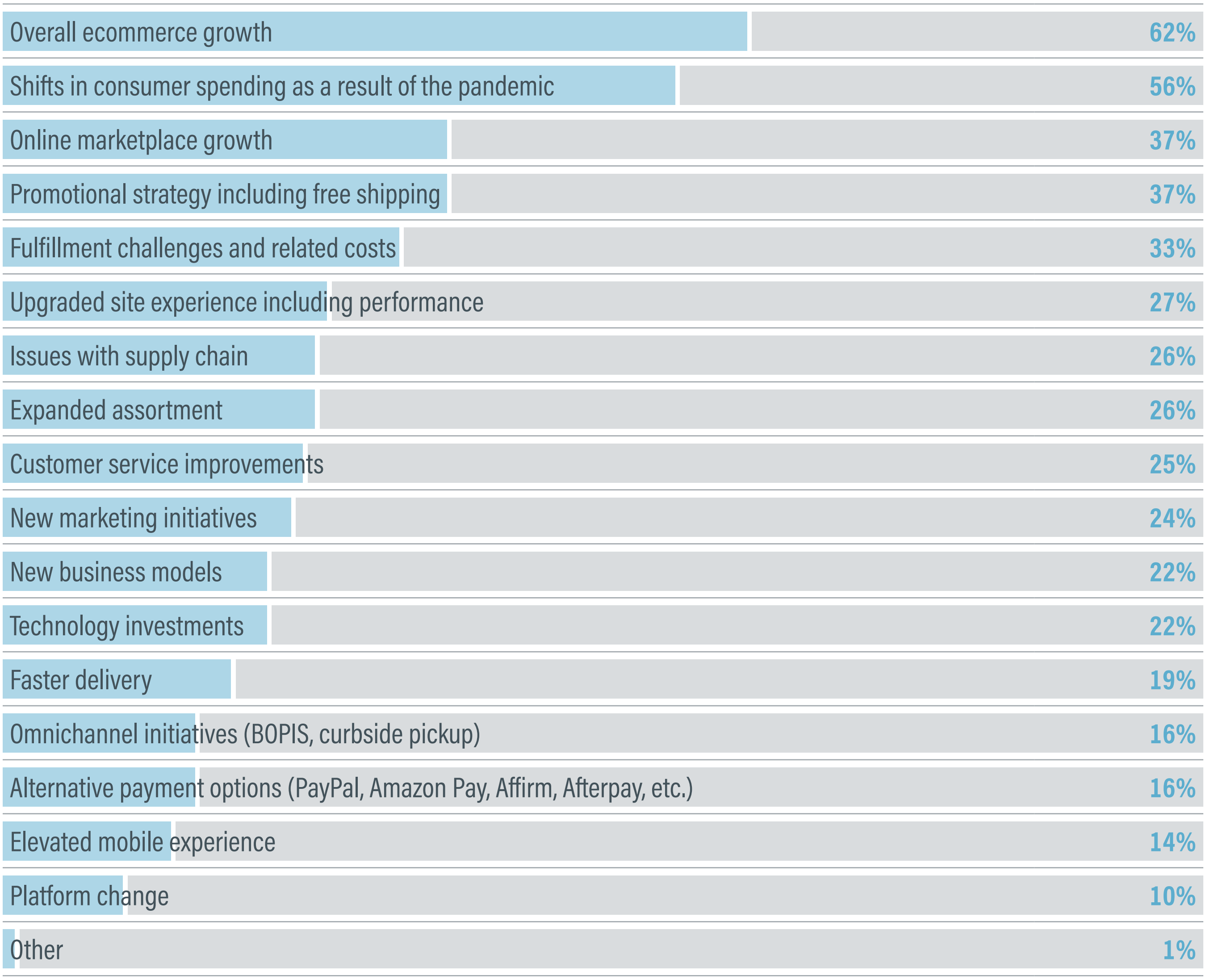
Though the dollars are interesting, I have always used online penetration as my yardstick. I started in ecommerce in 1993, and for years many of us were skeptical that online channel penetration could reach beyond single digits. We were wrong. Digital Commerce 360 estimates that the online penetration hit 19.6% last year, up from 15.8% in 2019.

**RETAILER INSIGHTS**

## SALES PERFORMANCE IMPACTS FOR THE 2020 HOLIDAY SEASON

What had the biggest impact on your 2020 online holiday sales performance? (select top five)




Source: Digital Commerce 360 survey of 103 retailers, January/February 2021

Of course, this is a nearly four percentage-point annual gain in ecommerce penetration during 2020, by far the largest year-over-year uptick for U.S. retail ever recorded. This shifting of consumer dollars to the web that had been a trend for years received an additional bump because of the pandemic. It may just cross the 20% threshold and keep on growing.

In Digital Commerce 360 and Bizrate Insights' omnichannel survey of 1,047 online shoppers in February 2021, 64% of survey respondents said they intend to order more online in the next six months, suggesting that upward trajectory is on track. We expect the upward trend to continue, though it is hard to imagine the rate of growth can be maintained at these same levels.

Our Digital Commerce 360 performance and conversion survey asked two questions that speak to this issue as well. According to 61% of the retailers surveyed, topline growth/increased revenues was their biggest achievement during the 2020 holiday season

Retailers expressed similar sentiments when asked what had the biggest impact on their 2020 online holiday sales. Overall ecommerce growth came in at 62%. The 56% who cited shifts in consumer spending because of the pandemic underscores the recognition of a major shift in shopper behavior.

# AMAZON'S CONCENTRATION OF POWER ACCELERATES

Amazon was a major beneficiary of the shift to online shopping, and now accounts for nearly half of ecommerce growth. The web giant's revenue reached $100.83 billion in Q4 2020, up a gigantic 47.5% from $68.34 billion the prior year. Figures include Amazon's sales from its own products (first-party inventory), plus the commissions and fees the company receives from its marketplace sellers, Amazon Prime memberships and other subscription services.

This means sales on Amazon alone represented more than a third—or 41.1%—of all ecommerce spending in Q4 2020. With consumers inundating the online retailer during the pandemic, Amazon increased its share of the market from 36.8% for the same quarter in 2019.

In January of each year, Digital Commerce 360, in conjunction with Bizrate Insights, surveys online shoppers to look back at the holiday season. We ask shoppers to note their best and worst holiday experiences along with the stores where those took place and why they were good or bad. Annually, I immerse myself in these findings, as the insights are invaluable and help to tell many stories.

In the 2021 survey, 34% of the 1,023 favorable responses cited Amazon, while only 10% of the 781 negative comments alluded to an Amazon transaction. In a year when "needing products now" had new meaning, Amazon once again proved to be a savior. These statements about Amazon sum up for me some of the reasons why it was perfectly positioned, and what it meant to its customers over the holidays. 1000

"Amazon has been a life saver during this pandemic."

"In the middle of the extremely busy holiday season the time from order to home delivery was awesome."

"Their prices are fair, their deliveries are great, the quality is on par with everyone else, and their return policy is great."

"Amidst all the chaos of COVID-19 and extremely high demand for online orders, Amazon continues to provide deliveries on time. Their drivers are incredibly courteous and any problem with delivery has been resolved quickly with no cost to me."

# CURBSIDE HAS BECOME NON-NEGOTIABLE

Omnichannel activities were widely embraced by online shoppers, starting with the 58% of online shoppers who checked product availability at their local stores. Inventory transparency serves as the foundation for future pickup options. Spurred by the pandemic, the pickup numbers were particularly strong, as 43% of surveyed shoppers had used in-store pickup while 35% had tried out curbside or drive-up, likely spurred by the pandemic.

CONSUMER INSIGHTS

## OMNICHANNEL SHOPPING BEHAVIORS

Which of the following activities were part of your shopping behavior over the past 6 months? (multiple responses allowed)

| | |
|---|---|
| Checked online for product availability at a nearby store | 58% |
| Ordered online and picked up product in store | 43% |
| Ordered online from a web-only retailer (Amazon, Lulus, etc.) for same-day delivery | 36% |
| Ordered online and used a retailer's drive-up or curbside service to pick up from a store | 35% |
| Participated in a store-based retailer loyalty program beyond Amazon | 32% |
| Used a retailer's designated "buy online pick up in store" parking space while picking up an online order from a store | 28% |
| Ordered online from a physical store (Target, Walmart, etc.) for same-day delivery | 26% |
| Made an additional purchase while at the store picking up products I bought online | 21% |
| Made an additional purchase when completing an in-store return for products purchased online | 16% |
| None of the above | 15% |
| Made a purchase at an Amazon Go store | 6% |

Source: Digital Commerce 360/Bizrate Insights survey of 1,052 online shoppers, February 2021

Of the 75% of surveyed shoppers who completed an in-store or curbside pickup in the past six months, 22% did so 11 or more times. Shoppers were largely satisfied with these delivery alternatives. 48% of respondents scored these omnichannel experiences a 9 or higher while 46% doled out a grade of 6-8. They welcomed omnichannel options from a multitude of merchants, with specialty stores, grocery stores and retail powerhouses including Walmart and Target all attracting significant attention. The myriad of stores that adopted these options drove positive results and fostered growing interest.

Once again when it came to the best experiences, curbside received some attention. These two positive comments say it all.

"I recently purchased several items from Home Depot for in store pickup. Everything I needed was in stock and was ready for pickup on time. I got both text and email notifications that the order was ready as well as a follow up email to confirm everything was right with the order.  Transaction was simple, easy and cost effective."

"Walmart is my first choice if Amazon is more expensive than them. It is simply because of low prices and you can buy literally anything from their store. There are a bunch of Walmarts near where I live. You simply place order online and could get it delivered to your door or do a curbside pickup. So I would recommend everyone to shop till you drop, especially double check at Walmart website before placing online orders at any place else. I give them 5 stars."

Once these alternatives are tested, one cannot help but conclude that online shoppers will likely continue to adopt omnichannel pickup options in greater numbers in 2021.

# HOW DO YOU STACK UP AGAINST THE TOP 1000?

Digital Commerce 360 collects nearly 200 data points about each retailer in the Top 1000. That makes possible a detailed analysis of industry benchmarks in scores of categories—and for retailers and brands to measure themselves against the performance of the leading online retailers in North America.

Following are two important ecommerce measuring sticks derived from an analysis of data from the 2021 Digital Commerce 360 Top 1000. The full 2021 Top 1000 Report includes these benchmarks:

- CONVERSION RATE
- AVERAGE ORDER VALUE
- ONLINE MARKETPLACE PARTICIPATION
- FREE SHIPPING
- OMNICHANNEL SERVICES
- SHOPPER DEMOGRAPHICS
- MOBILE SALES AND APPS
- SOURCES OF TRAFFIC TO TOP 1000 SITES
- PAID SEARCH SPEND
- EMAIL MARKETING
- INTERNATIONAL SHIPPING
- WEBSITE FEATURES & FUNCTIONS
- WEBSITE ACTIVITY

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# OMNICHANNEL SERVICES

Many consumers buying online during the pandemic preferred the convenience and cost savings of picking up their orders at a nearby store, and Top 1000 retailers responded by beefing up their omnichannel offerings.

Of the Top 1000 retail chains—companies that primarily sell through physical stores—the percentage offering in-store pickup of web orders grew to 73.0% in 2020 from 61.9% in 2019. But there was a much bigger jump in the number of chains offering curbside pickup, which increased to 54.2% from 9.9%.

Many consumers used those services. In a February 2021 survey of 1,052 online shoppers by Digital Commerce 360 and Bizrate Insights, 43% of respondents said they had picked up an online order at a

## SHARE OF TOP 1000 RETAIL CHAINS WITH OMNICHANNEL FEATURES

| | 2019 | 2020 |
|---|---|---|
| Buy online/pick up in store | 61.9% | 73.0% |
| Reserve online/pick up in store | 6.9% | 6.2% |
| Curbside pickup | 9.9% | 54.2% |
| In-store stock count | 51.5% | 48.7% |
| Make an in-store appointment | 9.4% | 20.5% |
| Store locator | 95.0% | 96.4% |
| Store returns | 66.8% | 88.3% |

Source: 2021 Digital Commerce 360 Top 1000 store in the previous six months and 35% said they had used curbside pickup. What's more, they gave retailers high marks for those services, with 77% rating their experience an 8, 9 or 10 on a scale of 1-10.

Many more retail chains also offered in-store returns. That grew to 88.3% of store-based Top 1000 retailers in 2020 from 66.8% a year earlier.

It also became more important during the pandemic to be able to make an appointment online to go into a store, as many stores limited the number of customers who could enter to enforce social-distancing rules. In 2020, 20.5% of Top 1000 store-based retailers offered that service, more than double the 9.4% that offered it in 2019.

Some went to extra lengths to reassure consumers they could shop safely. For example, L.L. Bean allowed consumers to make an online appointment to visit a store before the store would normally open. "These special one-hour slots will give you plenty of time to pick the products you want while avoiding the crowds," the retailer said on its website.

Many other Top 1000 merchants besides retail chains operate some brick-and-mortar stores, and quite a few of them use those stores to provide conveniences to online shoppers. For example, 52 retailers that primarily sell online also have at least one store, and 45.8% of this group offer buy online pickup in their physical stores. A dozen direct marketers have one or more brick-and-mortar location, and 41.7% of this group gives customers the option for curbside pickup.

The vast majority of all retailers with a physical presence offer store locators on their websites and in-store returns of online orders. But retailers for whom stores are not the primary sales channel are much less likely than retail chains to provide in-store inventory counts on their websites. 1000

# SOURCES OF TRAFFIC TO TOP 1000 SITES

Online shopping behavior changed during the pandemic, and that's reflected in the sources of traffic to Top 1000 websites.

Direct traffic—when the consumer types in the retailer's URL or clicks on a bookmark—declined in 2020 to 28.9% of visits from 36.5% a year earlier, according to a Digital Commerce 360 analysis of SimilarWeb traffic data. However, traffic from organic search jumped to 51.7% from 39.0%. That suggests that shoppers hunting for scarce products during a year when out-of-stocks were common turned to Google and other search engines to find what they needed.

There was also a significant decline in paid search traffic, to 4.2% of visits from 11.7% a year earlier. In some cases retailers with in-demand products in stock may have felt no need to advertise to attract business, especially as so many online shoppers were finding them through organic searches.

## AVERAGE SHARE OF TRAFFIC BY SOURCE

| | |
|---|---|
| Organic search | 51.7% |
| Direct | 28.9% |
| Social media | 8.7% |
| Paid referrals | 4.4% |
| Paid search | 4.2% |
| Display ads | 1.3% |
| Email | 0.8% |

Source: Digital Commerce 360 analysis of SimilarWeb traffic data

> 'We suspended all advertising over the weekend. Know what happened? We got more business.'
>
> —**Nathan Gordon,** chief information officer, Gordon Industries

For example, Christmas Central turned off all its advertising in early November because it didn't have enough merchandise to fill the orders that were coming into its website.

"We have too much business," Nathan Gordon, chief information officer of Gordon Industries, parent company of ChristmasCentral.com, said at the time. "It's increasingly clear we can't handle the volume. We suspended all advertising over the weekend. Know what happened? We got more business. I've never seen anything like this."

A lack of merchandise was a big part of the problem. Gordon said about 20% of the 250 containers full of product he ordered from Asia for fourth-quarter delivery were still outstanding as of the first week of November, whereas in 2019 he had received all of his holiday season merchandise by that time.

With online sales up 125% over last year and merchandise in short supply, Gordon stopped offering discounts. And when he was approached by online partners like Amazon and Target, where Christmas Central sells, about participating in holiday sales, "we've said the answer is no."

## SOCIAL MEDIA TRAFFIC INCREASES

The other source of traffic that increased significantly was social media, which accounted for an average of 8.7% of visits to Top 1000 sites in 2020, up from 4.1% in 2019. It's likely consumers were turning to social sites like Facebook to find out where they could find scarce products. It's also possible consumers were spending more time on social networks during quarantine and clicked on retailers' advertisements within the sites more so than usual.

Leading the way in traffic from social media was Spring, formerly known as Teespring. A web-only retailer of custom-made products with designs submitted by thousands of creators around the world, Spring generated more than 60% of its traffic from social media.

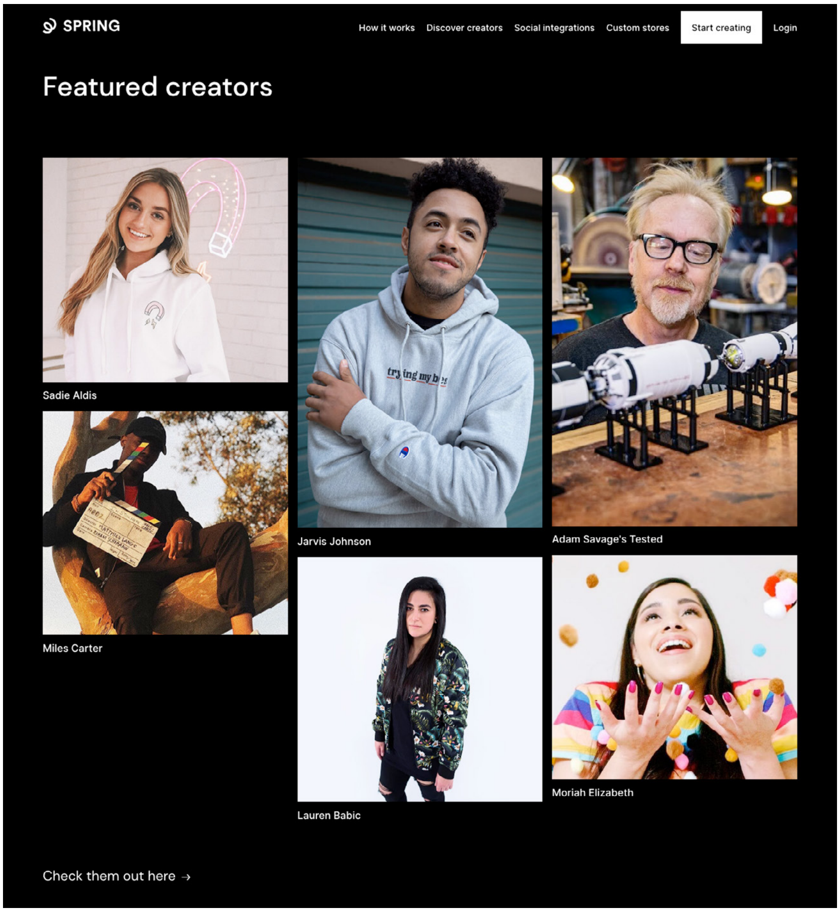
That's intentional, as the online retailer has built links to such social networks as YouTube, TikTok and Instagram, as well as mobile messaging app Discord, to help designers that sell on its site reach the mostly young consumers who buy its wares.

The business model is built on the idea that designers will quickly come up with concepts that will capture the trends of the moment, and that led to an embarrassing incident in January 2021. Shortly after rioters stormed the U.S. Capitol building on Jan. 6, some designers uploaded "Camp Auschwitz" designs, playing on the publicity given to one of the participants in the Jan. 6 disturbance who wore a hoodie with the words "Camp Auschwitz" on the front and "Staff" on the back.

That was widely viewed as anti-Semitic and making light of the 6 million Jews killed during the Holocaust of World War II, many of them gassed at the Auschwitz concentration camp. That led Spring CEO Chris Lamontagne to issue an online apology Jan. 12 in which he explained that his site gets 40,000 uploads from designers daily and that 8.7% are automatically or manually flagged for potentially offensive content.

He said a total of 26 individuals uploaded Camp Auschwitz designs between Jan. 7 and 11, and that the e-retailer trained its systems to block such content. However, some of the individuals uploading those designs figured out how to evade those controls and some products were available on the site for five hours, causing the social media storm. Lamontagne says the products were quickly taken down and that no sales were recorded.

He also noted in the blog post that the controversy had delayed Teespring's plan to rebrand as Spring, a move designed to emphasize that the ecommerce site features far more than just T-shirts, including a growing array of digital products.




Teespring rebranded as Spring on Feb. 1.

"Our shift to become Spring is a move to celebrate real creators," he wrote in his Jan. 12 blog. "A message that spreads love, joy and fandom—not hate. We will not let this issue deter us from doing that."

The online retailer rebranded as Spring on Feb. 1.

The 10 Top 1000 retailers that get the most traffic from social media include five other web-only retailers like Spring, and four consumer brand manufacturers, of which two are younger digitally native brands: mattress retailer Helix, founded in 2014, and cosmetics brand Il Makiage, which launched in 2018. 1000

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## RETAILER FOCUS

# BED BATH & BEYOND STARTS A 3 YEAR PLAN TO UPDATE ITS TECHNOLOGY

As part of its ongoing process of reinventing itself, home goods retailer Bed Bath & Beyond Inc. recently launched a three-year, $250 million technology upgrade plan intended to make digital and store operations function more seamlessly together.

Bed Bath & Beyond (No. 58 in the 2020 Digital Commerce 360 Top 1000) selected Oracle as its enterprise resource planning (ERP) technology provider. The retailer will use Oracle Cloud software to provide real-time financial, supply chain and merchandising data. Compared with Bed Bath & Beyond's current technology systems, the Oracle technology will provide new data, insights and planning capabilities, the retailer says. The retailer says the new ERP technology will replace an existing "legacy suite of technology systems." It did not offer specifics or name the vendors of its current technology.

Bed Bath & Beyond will use Oracle Cloud software to provide real-time financial, supply chain and merchandising data.


ERP systems are suites of software used to manage numerous business functions, such as finance, merchandising, marketing and supply chain operations. The software ties the processes together, enabling managers to exchange data more easily. Such systems use a single, defined data structure that typically draws from a common database.

## BED BATH & BEYOND'S TECH ROADMAP

The three-year "technology road map" will significantly upgrade merchandising, product life cycle management, pricing and supply chain management systems, said John Hartmann, chief operating officer, during a Jan. 7 conference call with analysts.

"Outdated technology won't get us to growth. This investment is critical because the capabilities we are adding will only accelerate our customer experiences, growth and efficiency," Hartmann said, according to a Seeking Alpha transcript.

A Bed Bath & Beyond spokesman says the new ERP technology is a "foundational layer." Putting that in place will allow the retailer to add capabilities over time, he said, without being specific. The spokesman declined to say how much the ERP technology will cost but called it a "substantial investment."

The technology will allow Bed Bath & Beyond to automate many of the data collection, utilization and analysis tasks it now does

'Outdated technology won't get us to growth. This investment is critical because the capabilities we are adding will only accelerate our customer experiences, growth and efficiency.'

—**John Hartmann,** chief operating officer, Bed Bath & Beyond entirely or partially by hand. As an example, he said running product promotions in tandem with merchandise vendors will become easier.

The changes will have a more negligible effect on marketing-related systems. That's because Bed Bath & Beyond already modernized its marketing with cloud-based software, he said. Hartmann also serves as president of Bed Bath & Beyond's buybuy BABY unit.

## 'THE BEST CHANCE OF SURVIVING AND THRIVING'

Seth Basham, managing director for equity research at investment firm Wedbush Securities Inc., says Bed Bath & Beyond's transformation is taking it in the right direction. He says the retailer understands the need to be more technology-centric and digital-first in its approach.

"I don't think that  it's too late for this for for this company to turn itself around," he says. "We've seen some very good signs of improvement over the last couple quarters—and this with the company at a significant deficit as it relates to its technology capabilities."

Putting the right software in place now will help the retailer advance further, he says. He added that the ERP is a critical component because it connects various aspects of the business. The company has been doing things like merchandising, inventory planning and promotional analysis using Excel spreadsheets for years. Having the ERP system in place, he says, "will completely change their ability to act more quickly and make smarter decisions."

Bed Bath & Beyond's turnaround does not have a 100% probability of success, Basham says. "But, I think that they are doing the right things and have the best chance of surviving and thriving with the choices that they are making today," he adds.

## BETTER INVENTORY VISIBILITY

The ERP upgrade will provide better visibility of in-store inventory levels to employees and online shoppers, the spokesman says. It will also make it easier for the retailer to track backroom inventory and identify low stock levels by making the inventory information flow faster and more efficiently. He says the added awareness will help employees and shoppers determine what's available for various omnichannel options. If, for example, a customer wants to order an item for curbside pickup or local delivery, she will get a more accurate information about availability in local stores. The result should be fewer orders cancelled or wrongfully rejected due to out-of-date inventory, he says. That, he says, should boost sales.

As part of its strategy to bolster its omnichannel capabilities, the retailer launched same-day delivery at its Bed Bath & Beyond and buybuy BABY units as of Sept. 29, 2020. Also, after re-opening some of its stores in the spring of 2020 that were closed due to coronavirus-related shutdowns, Bed Bath & Beyond Inc. expanded curbside pickup to about 1,350 locations, an addition of about 600 stores, and roughly 97% of its stores. Its omnichannel services include ship from store, buy online pick up in store (BOPIS), curbside pickup and local delivery.

In its fiscal third quarter, which ended Nov. 28, 2020, Bed Bath & Beyond had 1,391 stores, including 951 Bed Bath & Beyond stores in all 50 states, the District of Columbia, Puerto Rico and Canada. After rolling the service out in stages in 2020, virtually all those stores offer ship-from-store services, the company says.

In spring 2020 Bed Bath & Beyond Inc. expanded curbside pickup to about 1,350 locations, an addition of about 600 stores.

# CONCLUSION

A 45.8% increase in one year in the online sales of North America's 1,000 leading web merchants is unprecedented—and unlikely to be repeated. As the pandemic recedes, there is little doubt many consumers will return to shopping in brick-and-mortar stores and cut back on their online shopping.

The question is: How much more of their shopping will be done online compared to in the past, given that so many have experienced the convenience of purchasing without having to go to a store?

No one can say with certainty, but as of early spring 2021 there were indications from consumers, retailers and analysts that ecommerce will account for a significantly higher portion of retail purchasing than before the COVID-19 outbreak.

Consumers say they will shop more online. In a January 2021 survey by Digital Commerce 360 and Bizrate Insights, 64% of online shoppers said they expected to shop more online in the coming six months than they had in the past.

And there is evidence they were still spending more online. In February 2021, online retail purchases were up 54.7% compared to the same month a year earlier, while total retail sales increased only 5%, reported payment card network operator MasterCard Inc.

Retail executives also think at least some of the change in shopping habits will prove to be permanent. "This year just really fast-forwarded things in terms of customer behavior," Walmart

+54.7%

In February 2021, online retail purchases were up 54.7% compared to the same month a year earlier

'This year just really fast-forwarded things in terms of customer behavior. We think the vast majority of that behavior is going to last.'

—**Doug McMillon,** CEO, Walmart

CEO Doug McMillon told investment analysts in February 2021. And, he added, "We think the vast majority of that behavior is going to last."

Also in February 2021, Rodney McMullen, CEO of Kroger, predicted the supermarket chain would double its online sales by 2023. "As society has leapt into a new digital era, so has Kroger," he said.

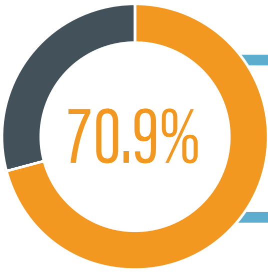
Analysts also see at least some of the shopping shift lasting. Business of Fashion, a U.K.-based apparel industry trade publication, projected that the online share of U.S. apparel sales in 2021 would be 34%, down from 37% in 2020 but up considerably from 22% in 2019.

## ACTIONS SPEAK LOUDER THAN WORDS

More important than predictions are the investments retailers are making in ecommerce and omnichannel services.

Such big retail chains as Walmart, Target, Best Buy and Macy's are all pouring large sums into offering greater selection and convenience to online shoppers. Supermarket chains are, too, including Kroger, which plans to open 11 automated warehouses by 2022 to fulfill online orders more efficiently.

They are all attempting to keep up with e-retail leader Amazon, which also is investing heavily, particularly in ramping up its own delivery service. Amazon already used its own vans and drivers to




## Just the 12 biggest online retailers accounted for 70.9% of Top 1000 ecommerce growth in 2020

deliver more than half of its U.S. orders in 2020, and its commitment to put 100,000 electric delivery vans on the street by 2030 shows it's doubling down on turning fulfillment into a competitive advantage.

By making online shopping more convenient, these big retailers may turn the shift to more online shopping into a self-fulfilling prophecy. After all, the more retailers eliminate the pain points associated with buying online, such as having to wait days for an order to arrive or paying for return shipping, the more likely consumers will be to do more of their purchasing on the web.

The bigger question may be whether midsized and smaller retailers can keep up with online giants like Amazon, Walmart, Target and Best Buy. Just the 12 biggest online retailers accounted for 70.9% of Top 1000 ecommerce growth in 2020—how much will be left for smaller players?

It's a fair question. But the brief history of online retailing is full of examples of startups that introduced new ideas, whether that's free return shipping, style quizzes or value-oriented sourcing strategies that appeal to shoppers concerned about the environment, product safety and fair treatment of workers and farmers.

The betting here is that next year's Top 1000 report will include examples of creative initiatives by nimble, smaller retailers—concepts that bigger rivals will eventually copy, but not before the innovators have established a solid base of loyal customers and cemented their place in the Digital Commerce 360 Top 1000

This Key Findings of the 2021 Top 1000 report includes the overview and key featured articles published directly from the full 2021 Top 1000 report. The full 147-page report's contents are illustrated in the complete table of contents below.

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# Here's what's inside the FULL 2021 Top 1000 report

## OVERVIEW

The biggest retailers grew the fastest online

Store-based merchants take Top 1000 share

## GROWTH BY MERCHANT TYPE

Retail chains

Consumer brand manufacturers

Web-only retailers

Direct marketers

## AMAZON

## GROWTH BY MERCHANDISE CATEGORY

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Behind the GameStop frenzy

## BANKRUPTCIES: MANY RETAILERS SUCCUMB TO COVID-19

## ACQUISITIONS: HOT COMPANIES AND FIRE SALES

## HOW THE TOP 1000 FARED ON WALL STREET

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## BENCHMARKS

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Average order value

Online marketplace participation

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Omnichannel services

Shopper demographics

Mobile sales and apps

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Website features and functions

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## CONCLUSION

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Automotive Parts/Accessories

Consumer Electronics

Flowers/Gifts

Food/Beverage

Hardware/Home Improvement

Health/Beauty

Housewares/Home Furnishings

Jewelry

Mass Merchant

Office Supplies

Specialty

Sporting Goods

Toys/Hobbies

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Retailers with the highest long-term growth

Retailers with the largest web sales growth decline

Merchant type leaders

Fastest-growing retailers by merchant type

Category leaders

Fastest-growing retailers by category

## 2021 TOP 1000 RANKINGS

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# ABOUT DIGITAL COMMERCE 360 RESEARCH

At Digital Commerce 360 Research, our goal is to provide data and information about ecommerce that helps retail companies, investors and technology providers prosper.

The team tracks hundreds of metrics on thousands of online retail companies around the world, including such sought-after data points as web sales and traffic, conversion rates, average order value and key technology partners used to power their ecommerce businesses. We sell this data in its raw format in our multiple online databases, and we dig deeply into these numbers to help inform our 30+ exclusive analysis reports we publish each year on key ecommerce topics, including online marketplaces, cross-border ecommerce and omnichannel retailing. In-depth, data-focused reports are also available on key categories of online retail like apparel, housewares, food and luxury. We also have a robust custom research department, which provides tailored research products—in-depth reports, exclusive surveys, raw data pulls and other products—for top retail companies, consultants, financial analysts and technology companies.

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