



# The Future of Ecommerce Report 2021

Shopify Plus' annual report on  
global commerce trends



# The future of ecommerce in 2021

**The pandemic has left an enduring mark on the consumer landscape. Years of change have happened in weeks: Offline spending shifted online. Products rarely bought online are now ecommerce staples. And immediacy, convenience, and speed are top consumer demands.**

**This is the new normal.**



# Executive summary

Ecommerce is at an all-time high. Lockdowns, travel bans, and retail closures forced the consumer online, and the world's largest retailers soon followed, in some cases selling direct to consumer (DTC) for the first time. But not all ecommerce newcomers had the infrastructure in place to deliver a world-class customer experience.

One way DTC brands are standing out in a crowded ecommerce space is through automated shipping and fulfillment. Orders must have fast, free, and sustainable shipping. And the unboxing video phenomenon has caused DTC companies to invest in custom branded packaging.

To better compete with marketplaces and retail giants, brands are also investing in richer, more personalized experiences. Humanizing their brand also aids in customer retention, now a top priority as acquisition costs rise, along with uncertainty in digital advertising.

# Methodology

Each of our trends was born of data, reviewed by the best minds in commerce. The insight provided is nuanced, region specific, and actionable. Our report is based on more than two dozen internal surveys of Shopify Plus merchants operating in the U.S., Canada, Asia Pacific, Europe, and the Middle East.

Third-party data included in this report has been sourced from Statista, eMarketer, Global Web Index, Google, IBM, Deloitte, Accenture, Gartner, McKinsey, Forrester, Nielsen, and the World Trade Organization. Corporate data and consumer insights have been sourced from the quarterly earnings calls of Walmart, Target, FedEx, UPS, Home Depot, Lowes, Shopify, Salesforce, Adobe, Microsoft, PayPal, Nvidia, and The Trade Desk.

We conducted more than two dozen interviews to gather insight from industry leaders, investors, and subject matter experts. Prior to publication, the report was reviewed by third parties with expertise in ecommerce, global trade, and consumer behavior.

Methodology

## Trend 1

### **Ecommerce boom fuels record online competition**

DTC brands prioritize seamless omnichannel experience to win new customers.

## Trend 2

### **New consumer behaviors reshape future of retail**

Brands build creative new digital experiences to unlock the future of retail.

## Trend 3

### **Fulfillment emerges as competitive differentiator**

Consumers gravitate to brands offering fast, free, sustainable shipping.

## Trend 4

### **Brand building challenged by marketplace dominance**

New search and purchasing habits cause brands to personalize with a human touch.

## Trend 5

### **Retention becomes a top priority as acquisition costs spike**

Brands experiment with new channels as digital advertising uncertainty rises.



Trend 1

# Ecommerce boom fuels record online competition

**DTC brands prioritize seamless omnichannel experience to win new customers.**

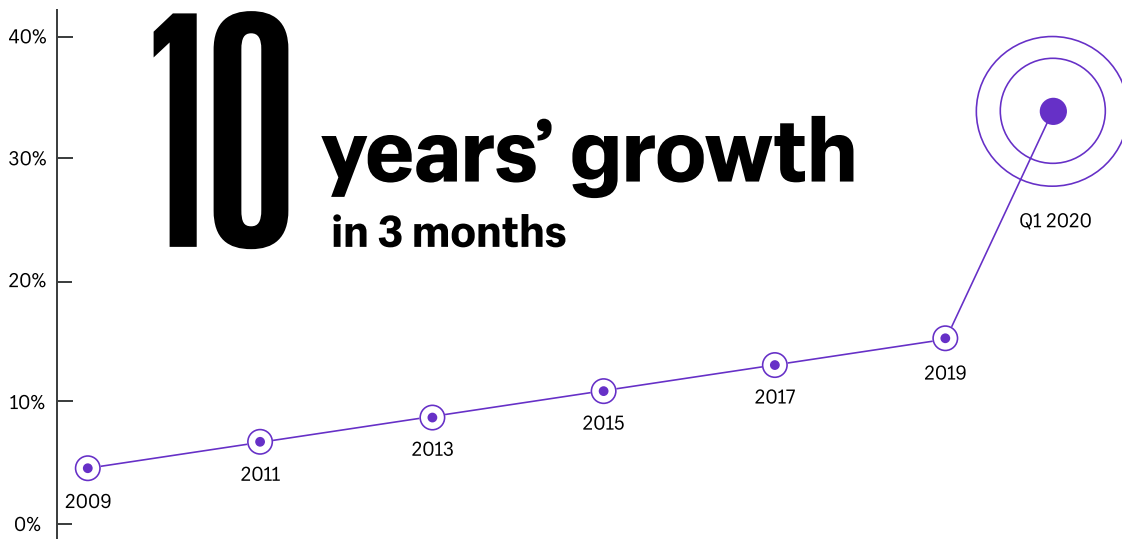
## Key takeaways

- ✓ Though global ecommerce growth will slow before picking up in 2022, ecommerce sales are at an all-time high after the pandemic accelerated years of growth in just weeks
- ✓ Record ecommerce competition—fueled by legacy wholesalers, global retail giants, and product categories not traditionally purchased online—is driving up customer acquisition costs
- ✓ Many new competitors are not equipped to compete on customer experience, a top differentiator online, giving an edge to brands with immersive omnichannel experiences

## Shoppers worldwide fuel ecommerce supercycle

At the height of the COVID-19 pandemic, 10 years of ecommerce growth happened in just 90 days.

### U.S. ecommerce penetration, %



Sourced from [McKinsey](#)

As countries locked down and retailers were forced to close, ecommerce reached an all-time high of 16.4% of total global retail sales.<sup>1</sup> It's not just Gen Z and millennials driving this trend—older shoppers have also moved online.<sup>2</sup> According to a global survey across 11 markets by Shopify, 84% of consumers shopped online during the pandemic.<sup>3</sup>

Ecommerce boom fuels record online competition



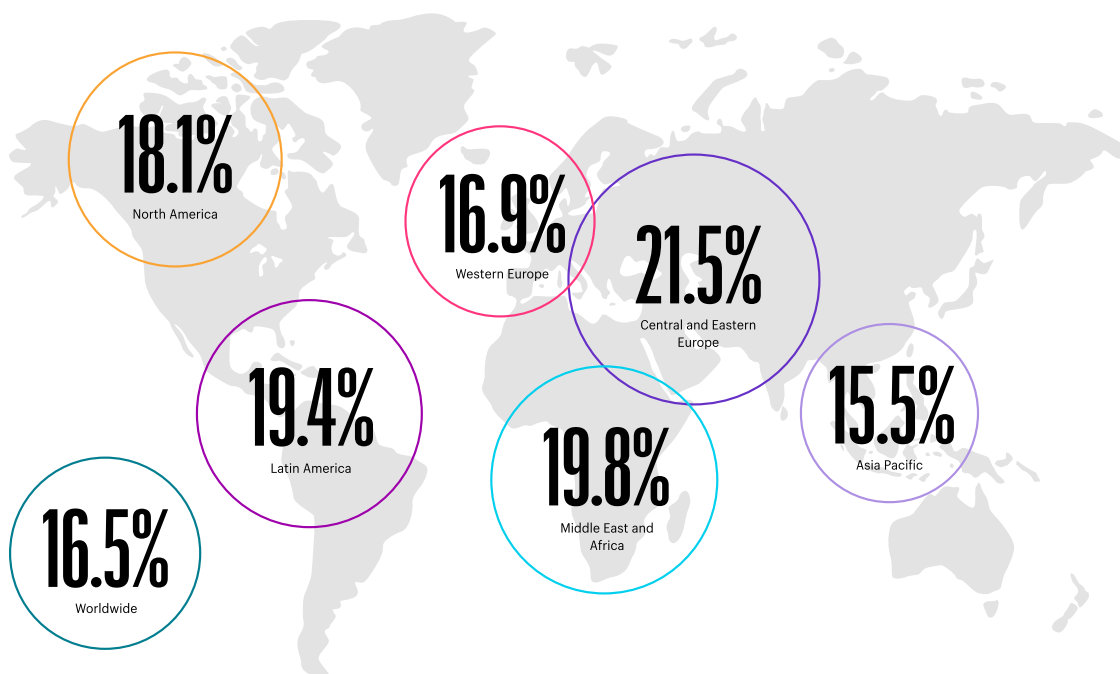
**If you're waiting for this to end, you say we're gonna be back to normal in two months, that we're just biding our time and getting through it, then you're gonna be screwed.**

**Jill Manoff**

Editor in Chief, Glossy

### Retail ecommerce sales growth worldwide, by region, 2020

% change

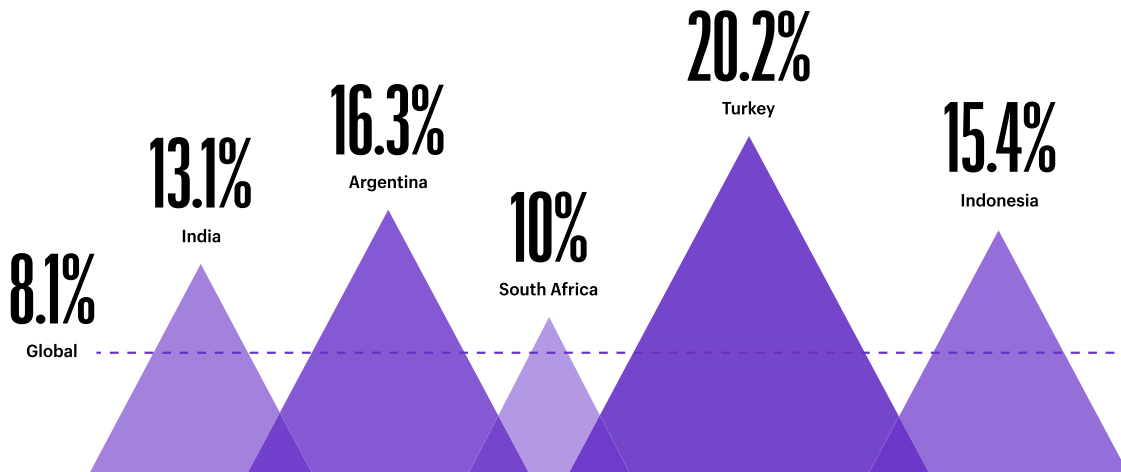


Sourced from [eMarketer](#)

In 2021 ecommerce growth will be uneven.<sup>4</sup> In the U.S. it's expected to decelerate to 7.8%<sup>5</sup> as retail brick-and-mortar sales rebound from their pandemic plunge. In Asia Pacific, Europe, and the Middle East, growth will be faster than the U.S. through the first half of the decade.

Ecommerce boom fuels record online competition

## Retail ecommerce sales compound annual growth rate forecast (CAGR), 2020–2024



Brazil	9.1%	South Korea	6.5%
China	8.6%	Germany	6.5%
Spain	7.6%	Mexico	6.5%
Italy	7.6%	France	6.4%
Russia	6.9%	United States	6.2%
Japan	6.8%	Australia	5.8%
Canada	6.7%	United Kingdom	4.7%

Sourced from [Statista](#)

While a post-COVID-19 world is expected to recover more slowly than it did after the 2008–2009 global financial crisis, ecommerce is the economic sweet spot as brands and consumers rush online. Nearly 150 million people shopped online for the first time<sup>6</sup> in the pandemic, and the number of ecommerce buyers will only continue to rise.

Ecommerce as a percentage of total global retail sales will also continue to grow over the next five years. This trend is not only a tailwind for digital brands, but also a headwind as the world of ecommerce becomes more crowded and competitive than ever.<sup>7</sup>





**We're seeing this rapid shift and it's not just ecommerce. It's everything. Our consumers are demanding speed and efficiency, no matter what you're doing.**

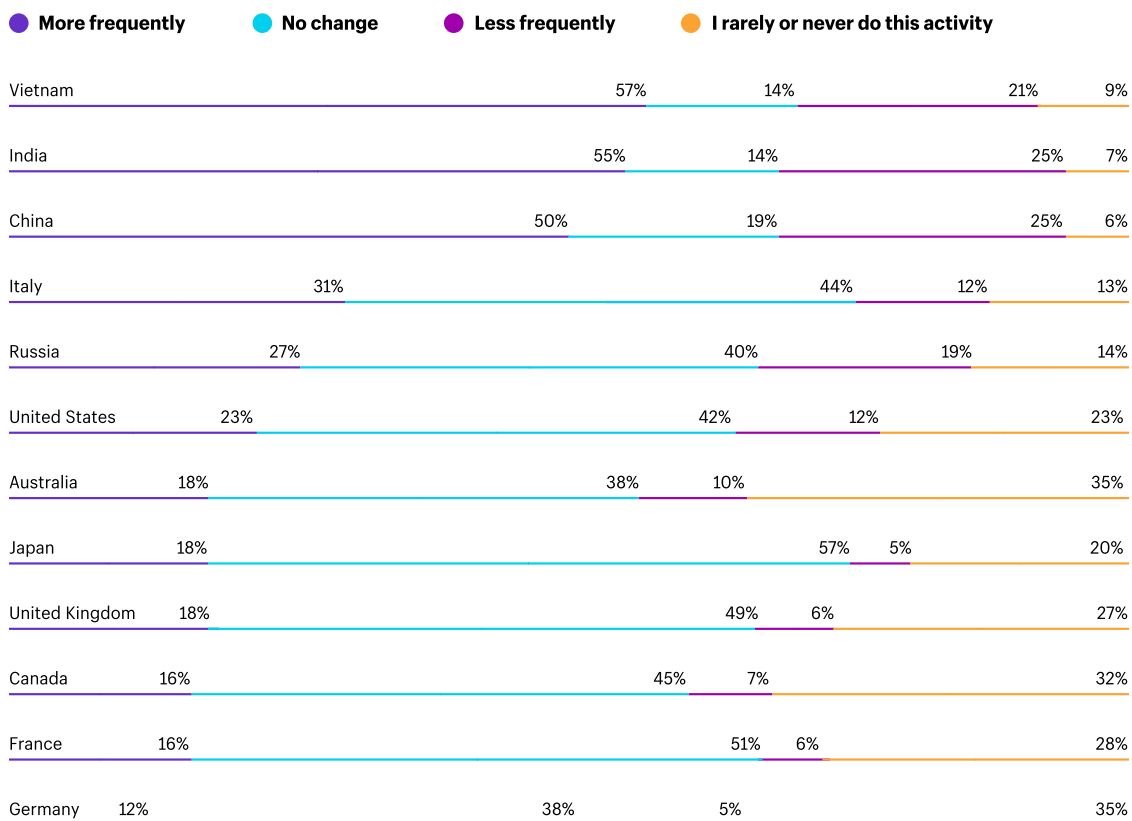
**Margo Hays**

Principal of Digital Strategy, TSG

## Ad costs spike due to record online competition

As legacy wholesalers go online<sup>8</sup> and global retail giants like Walmart expand their ecommerce initiatives,<sup>9</sup> digital competition is heating up. Likewise, competitors in product categories not traditionally in demand online are also competing for ecommerce shoppers. The shift is led by household essentials, health, and personal care.<sup>10</sup>

### Change in ecommerce usage to purchase products normally bought in store due to COVID-19 worldwide as of March 15, 2020, by country



Ecommerce boom fuels record online competition

Competition is also coming from abroad. As COVID-19 spread, consumers began shopping outside their home countries. Cross-border ecommerce spiked 21%<sup>11</sup> year over year from January to June 2020, with online sales of luxury goods increasing by 39%.

According to proprietary data from Shopify, the U.S. leads cross-border ecommerce.<sup>12</sup> But the pandemic has also accelerated this behavior in China.

#### Pre-pandemic, 2018–2019

1. U.S.
2. Canada
3. U.K.
4. China
5. Australia

#### Pandemic, March–September 2020

1. U.S.
2. China
3. Canada
4. U.K.
5. Australia

Shopify data reveals that translation apps spiked 3,309% worldwide during the pandemic. Dropshipping and currency conversion apps have also seen significant increased usage since the pandemic. These types of investments in cross-border commerce suggest overseas and regional competition isn't likely to subside.

With international competition and deep-pocketed retailers prioritizing ecommerce, the shift from television to digital advertising<sup>13</sup> is picking up speed. This has driven up ad costs and made it more expensive to acquire new customers. On Facebook, customer acquisition costs spiked<sup>14</sup> following the pandemic, with costs now higher than pre-pandemic levels.

#### Cost per click, 2020



Sourced from [Revealbot](#)

Worldwide, branded commerce and marketplace apps can now cost companies more than \$30 USD<sup>15</sup> to acquire a new customer.

## Customer experience becomes an imperative

The global pandemic has transformed the role and importance of digital experiences<sup>16</sup> in customers' lives. Today's consumer expects easy-to-use, intuitive digital experiences<sup>17</sup> across channels and devices. Brands that can deliver on those expectations are seeing the greatest returns. According to proprietary data from Shopify, retail merchants with an omnichannel strategy in place replaced 94% of point-of-sale (POS) purchases lost in the first month of the pandemic with online sales.<sup>18</sup>

But a gulf has opened up between digital-first DTC brands and businesses that are new to ecommerce.<sup>19</sup> Only 38% of the largest companies<sup>20</sup> are capable of competing on customer experience.

“During the pandemic, direct-to-consumer brands with thriving ecommerce experiences were able to very quickly and easily pivot their marketing and messaging, their energy,” says Hana Abaza, Shopify Plus' global director of marketing. “They didn't have to fundamentally rethink their business model. They could focus on very different things because they were at a significant advantage.”

The opportunity for DTC brands is to build on their ecommerce expertise. The challenge for everyone else is keeping up.



## What you should do in 2021: Scale your omnichannel strategy

To capitalize on the ecommerce boom and overcome fierce competition, you need to optimize commerce across channels like online marketplaces, social media, retail, and wholesale. That also means building—or buying—a technological foundation that frees your team to create immersive, unified experiences wherever your customers are. The business benefit is resilience, allowing your business to quickly shift efforts and resources from offline to online, and back again, based on customer demand.

### Unify your customer and product data

Having a unified view of your product and customer data is the first step toward providing a consistent experience to customers across channels. Build your business on a single platform that connects workflows and data sources, allows you to manage all your sales channels in one place, and integrates with third-party solutions.

#### ☐ Synchronize product information and inventory

To ensure your brand's product data and inventory levels are accurate and updated in real time across channels, your platform should automatically sync product information like price, description, and images with SKU counts.

#### ☐ Integrate your sales and supply data

Brands without a single source of truth for sales data and reporting will find it difficult to efficiently track performance across channels. Your commerce platform must integrate with both the sales and supply sides<sup>21</sup> of your business. Use a POS system to connect your digital storefront with retail locations in a central reporting hub.

Ecommerce boom fuels record online competition



**This is not just a pandemic disruption. This is an evolution of brand and online purchasing, which is why we're going back to an omnichannel strategy.**

**Nisha Dua**

Co-founder and General Partner, BBG Ventures

## Prioritize mobile shopping experiences

Competing on customer experience also requires a lightning-fast mobile experience,<sup>22</sup> with 50% of global ecommerce sales<sup>23</sup> happening on mobile devices. Even prior to COVID-19, mobile commerce accounted for 92% ecommerce growth.<sup>24</sup> Research indicates 53% of consumers<sup>25</sup> will abandon a site that takes longer than three seconds to load on mobile. Worse yet, mobile bounce rates<sup>26</sup> are consistently higher than desktop.

### ☐ **Make your site responsive**

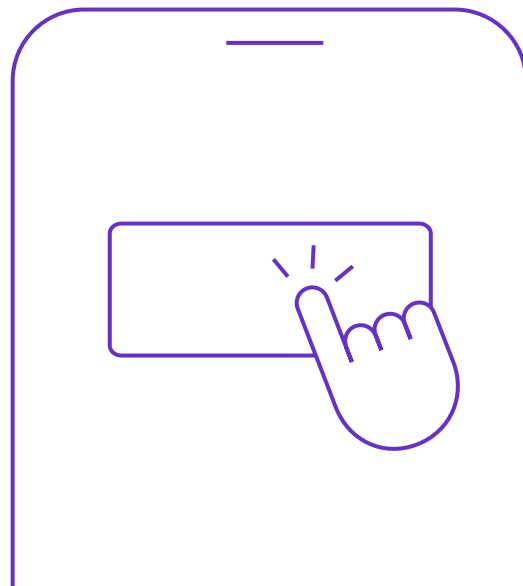
Responsive online stores allow your brand to provide consistent experiences across all devices, from desktop to tablet to mobile. They do this by identifying the type of device being used and configuring the website to match the device's display as closely as possible. Responsive themes also help improve SEO, site speed, and overall user experience.<sup>27</sup>

### ☐ **Convert your site to a progressive web app**

Progressive web apps<sup>28</sup> offer an optimal mobile experience across channels and can live on a user's home screen. They're designed to load instantly, even if the user is offline.

### ☐ **Combine your progressive web app with an accelerated mobile page**

Some brands are also combining progressive web apps with an accelerated mobile page,<sup>29</sup> or a mobile-first, stripped-down HTML copy of a web page that loads instantly. Accelerated mobile pages are the foundation of Google's mobile-first index, which prioritizes mobile optimization in search results. The combination can lead to better search results, more top-of-funnel traffic, and improved site conversion rates.<sup>30</sup>





**The greatest threat—and one of the greatest threats for the past two or three years—is still this user experience baseline. The foundation for a user experience that is truly aligned with actual end-user behavior.**

**Christian Holst**

Co-founder, Baymard Institute

### **Consider a headless architecture**

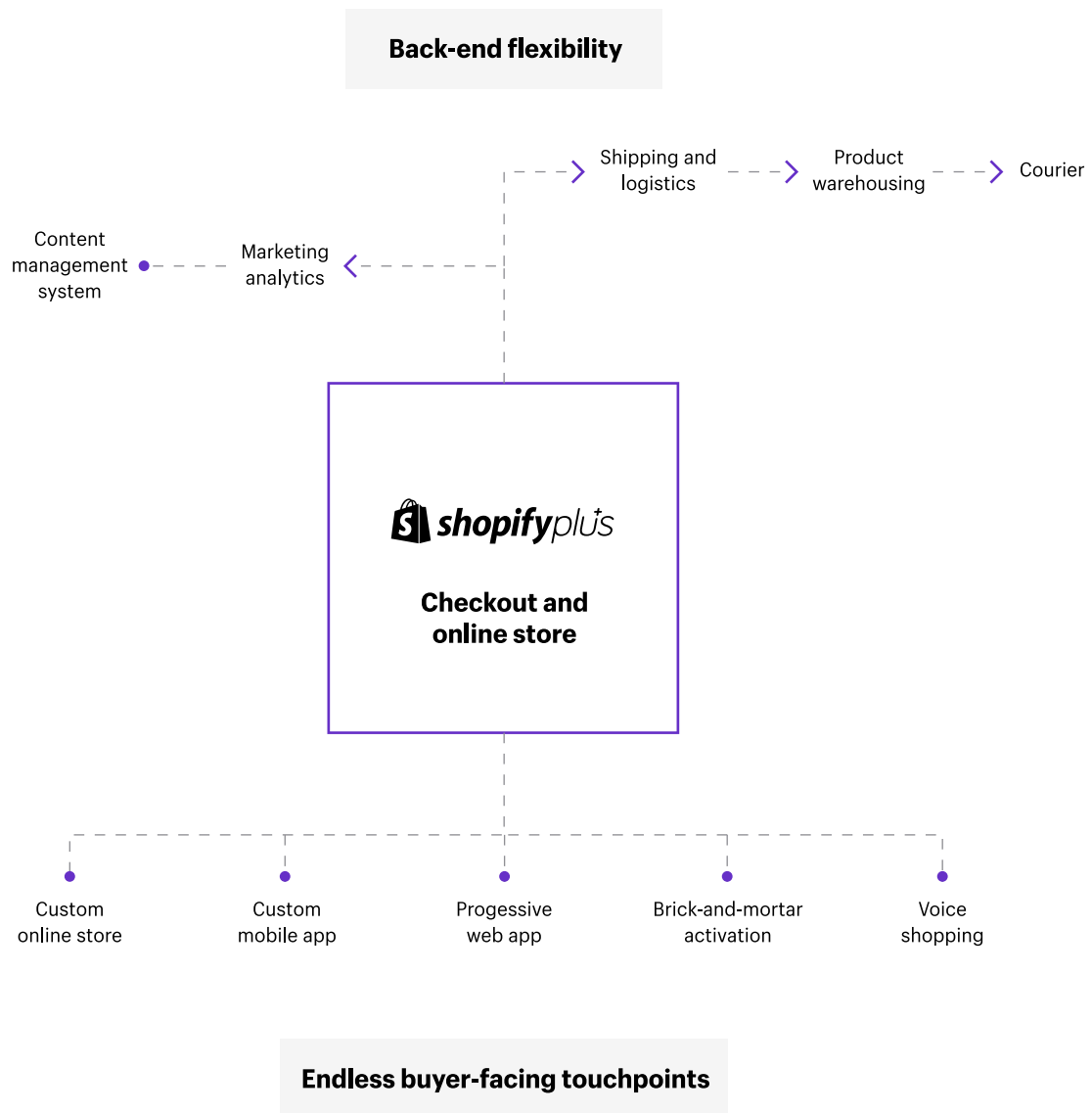
Headless commerce,<sup>31</sup> an API-first solution,<sup>32</sup> decouples the front-end customer experience from the back-end technology infrastructure. Benefits include:

- **Integration:** Building custom enterprise architecture with APIs enables deep integration with tools or services of choice (like a separate content management system)
- **Flexibility:** By separating the back end from the front end, you have full ownership and control of the front-end experience and the tech stack used for building it
- **Omnichannel:** This flexibility allows you to extend shopping into any customer experience, on any device or platform

Despite the cost and development complexity associated with going headless, many merchants are still willing to adopt a headless architecture<sup>33</sup> in an effort to improve conversion rates. Expect the adoption of headless and lean microservice tech stacks to accelerate in 2021.

## Trend in action: Koala

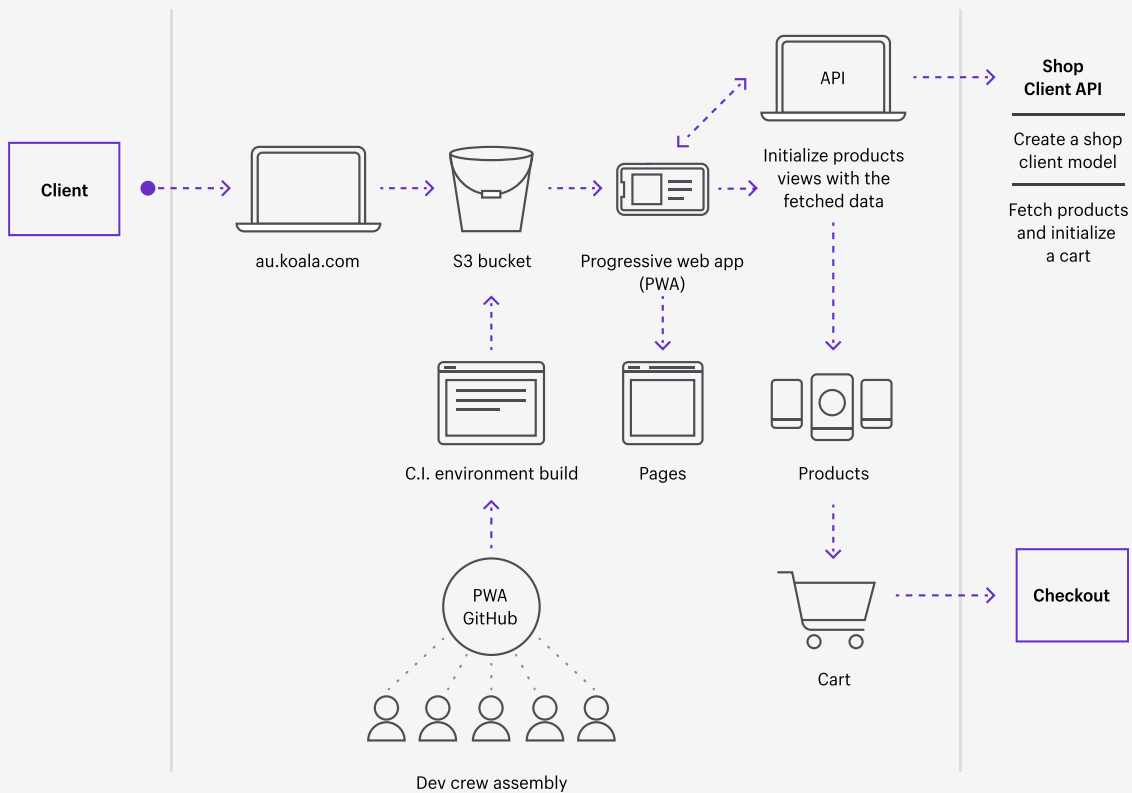
Koala, an Australian furniture brand, adopted a headless architecture<sup>34</sup> from the start.



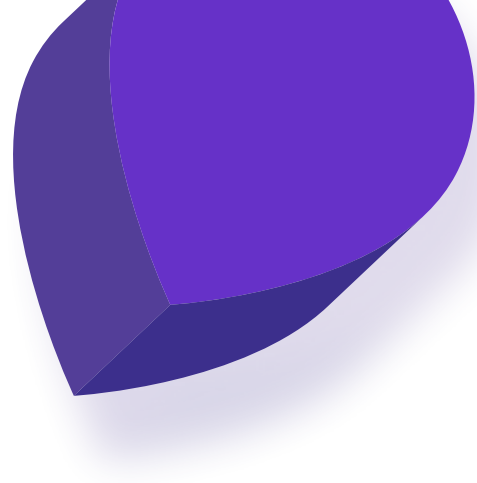
Ecommerce boom fuels record online competition

Koala built a headless progressive web app, which allows it the flexibility to offer the right experience at the right time to different customer segments across any device. This is the customer-facing portion of its web presence, allowing for new web pages, products, and content to be deployed faster. Although decoupled, the progressive web app integrates with the content management system, shopping cart, and other mission-critical systems.

“Traditionally, frequently changing content is gated behind software engineers who need to edit HTML, commit code, test, and perform website releases to ship copy changes,” says Richard Bremner, Koala’s head of technology. “By decoupling the content from the code, we have been able to free the content from the engineers so they can focus on code while writers focus on content.”







# How Shopify Plus can help

With 100+ sales and marketing channels that integrate directly with Shopify—including social channels and online marketplaces—you can expand your audience while seamlessly managing everything from a single location. But the real power is in Shopify POS, which unifies your online and retail sales on one platform so you can offer a blended omnichannel customer experience with:

- Buy online, pick up in store
- Browse in store, buy online
- Buy in store, ship to customer
- Online returns and exchange

Learn how you can reach more customers across marketplaces, mobile, social, and in real life.

[Explore omnichannel with Shopify Plus](#)



Trend 2

# New consumer behaviors reshape future of retail

Brands build creative new digital experiences to unlock the future of retail.

## Key takeaways

- ✓ Consumers worldwide are buying items rarely purchased online before the pandemic, like groceries, health and hygiene, and home essentials.
- ✓ The pandemic has amplified the consumer's desire for convenience and immediacy. The permanency of these shifts will be determined by how satisfied consumers are with online experiences.
- ✓ Unlocking the future of retail means offline-online innovation that allows consumers to buy anywhere they shop, try on your products with augmented reality (AR) before buying, and engineering virtual versions of retail shopping experiences.

## New online product category winners emerge

The pandemic brought about changes to lifestyle and consumer spending habits.<sup>35</sup> With consumers still wary of buying in store,<sup>36</sup> online purchase demand in new product categories<sup>37</sup> has surged worldwide.

Though dynamics vary across countries, health, hygiene, home essentials, and food and beverage are now the new top online product categories. The pandemic has also amplified the consumer's increasing desire for convenience,<sup>38</sup> immediacy,<sup>39</sup> and simplicity.<sup>40</sup>



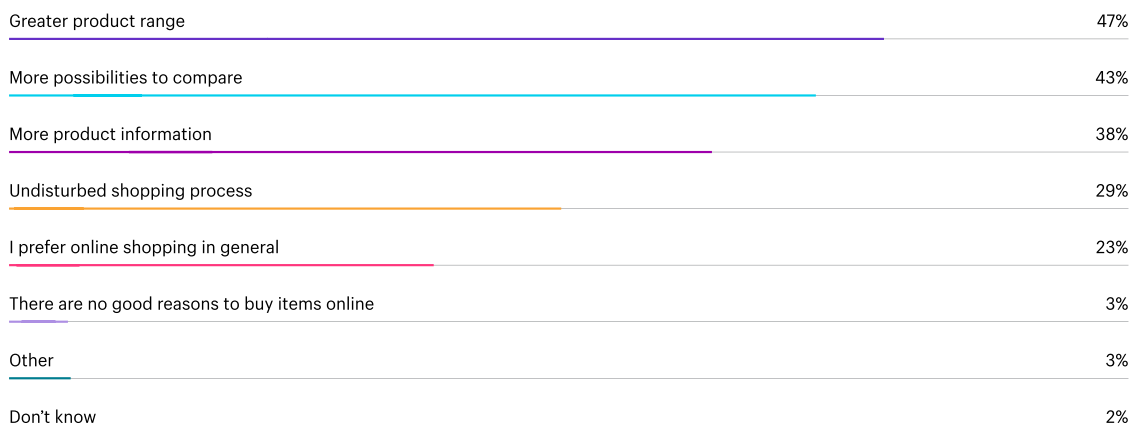
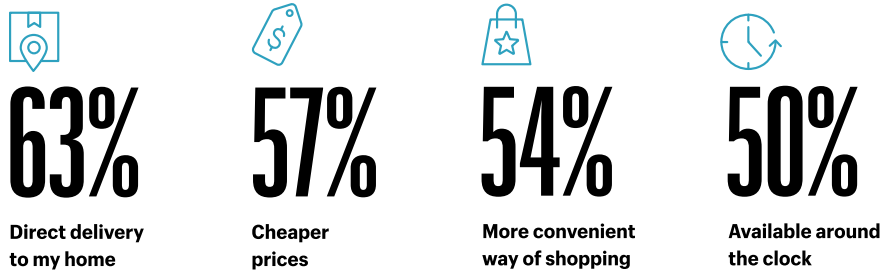
**We did a survey of about 70 brands right after the pandemic hit. And we were surprised that beauty was thriving, even though people were working from home and on Zoom.**

**Nisha Dua**

Co-founder and General Partner, BBG Ventures

## Drivers of online purchases

Which of these do you consider good reasons to buy an item online? (multi-pick)



Sourced from [Statista](#)

When consumers do shop in store, they're buying more<sup>41</sup> so they can make fewer trips. It's one reason why ecommerce remained at Black Friday-like peak levels<sup>42</sup> even after economies began to reopen.

"More than ever, the last few months have been dictated by what buyers need rather than where merchants wanted to take that," says David Moellenkamp, Shopify Plus' director of automation. "Over the past few months, our merchants have become much smarter, much more adept at understanding buyer mindsets, and how important safety and timeliness is to buyers."

## Brands must adapt or risk becoming irrelevant

Never has the consumer expected more of businesses. Not only do shoppers want to buy online, they also expect it to be fast and convenient.

Consumer surveys indicate that these shifts will be sticky. Of the 75% of consumers who say they tried different online brands during the pandemic, 60% expect to integrate<sup>43</sup> the new brands and stores into their post-COVID lives. Other shifts that took hold during stay-at-home orders are also expected to persist, including shopping online, using mobile payments, and video calling and conferencing.

### Post-outbreak increases

After the outbreak is over, do you think you'll do any of the following?



Exercise at home more frequently	43.4%
Use mobile payment services more frequently	40.6%
Use video calling more frequently (e.g. FaceTime, WhatsApp video)	35.1%
Use video conferencing platforms more frequently (e.g. Zoom, Hangouts)	26.7%
Work from home more frequently	26.7%
Use food delivery services more frequently (e.g. Uber Eats, Just Eat, Deliveroo)	21.9%
None of these	16.1%

Sourced from [Global Web Index](#)

It's also possible these behaviors will persist, but not to the same degree as during and immediately after the pandemic. Stickiness will depend on how satisfied consumers are<sup>44</sup> with their new digital experiences. This varies by country. In Italy 60% shopped online<sup>45</sup> during the pandemic, but fewer than 10% were satisfied with the experience, while consumers in Finland will continue shopping online<sup>46</sup> after the pandemic, suggesting the shift will last.

The changes you must make to your business won't be temporary though. Chief executives around the globe say digital is here to stay,<sup>47</sup> the shift to ecommerce is structural,<sup>48</sup> and behavioral changes are permanent.<sup>49</sup>

"You're not going to see a full rollback when it comes to ecommerce penetration," says Hana Abaza, Shopify Plus' global director of marketing. "Some people will actually shift into buying certain things online, and they'll keep doing it."

# What you should do in 2021: Unlock the future of retail with new digital experiences

Focus on creating innovative digital experiences that make life easier for your customers, reinventing traditional shopping experiences for the post-pandemic world, and bringing your brand to life in new ways.

“It’s the consumer who is in control,” says Robert Hein, Shopify Plus’ merchant service experience manager. “Their demand is shifting needs and expectations. Relevant to COVID, there’s probably more interest in safety and security and a combination of experiences: Part of it is digital, part of it is real life. There’s maybe a tangible product and then a digital experience that complements [the product].”

## Make it fast and easy to buy from you anywhere

Start by making sure your customers can do business with you wherever they like. Connecting the online and offline worlds allows the customer to choose where they buy. It also allows you to capitalize on their desire for speed and convenience.

### ☐ Connect your online checkout to POS

Connect your online checkout with a POS system<sup>50</sup> that enables popular fulfillment options like local delivery, “ship to customer,” or local pickup. Proprietary Shopify data shows that shoppers who choose local pickup are 13% more likely to complete their online purchase and spend 23% more than customers using regular shipping.<sup>51</sup> Local pickup options are faster and cheaper than shipping, and another opportunity to bring customers back to your store and experience your brand in real life.

### ☐ Upgrade your checkout experience

The checkout is your store’s most critical moment.<sup>52</sup> The faster and easier you make it to check out, the more money you can make.

- Allow customers to save their payment and shipping information by enabling one-tap<sup>53</sup> checkouts for a 60% faster checkout experience
- Eliminate the add-to-cart step by allowing customers to buy directly from product pages
- Capitalize on your customer’s desire for instant gratification by letting them pay for products in installments through “buy now, pay later”<sup>54</sup> solutions

## Automate promotions and shipping costs

You can further accelerate the checkout by automating promotions and shipping costs.

- Automate discounts and promotions: Offer buy-one-get-one-free (BOGOF), free gifts or discounts, and tiered pricing for bulk purchases
- Precalculate shipping costs: Offer local delivery, “click and collect” or curbside pickup, or free shipping for VIP loyalty program customers

## **Help customers bring your brand to life**

The next opportunity is being able to pivot between the digital and physical worlds and provide a truly blended shopping experience.

## Experiment with AR

Augmented reality simulates in-person shopping experiences online by allowing customers to see how a product might look on them or in their home. With AR, customers click on a product and instantly see it overlaid wherever they point their mobile device. Helping customers<sup>55</sup> better see the size, scale, and detail of your products drives conversions.<sup>56</sup>

Use 3D modeling<sup>57</sup> or 3D versions of your products to show product shape and texture from any angle. Combined with AR functionality, 3D modeling creates intimacy with your products by allowing consumers to try before they buy in 360-degree realistic experiences.

“Augmented reality for larger items, especially home goods, becomes increasingly more relevant in the future,” says Jordan Knapp, Shopify Plus’ head of new markets. “Retailers need to get creative to reduce returns because returns can destroy a business.”

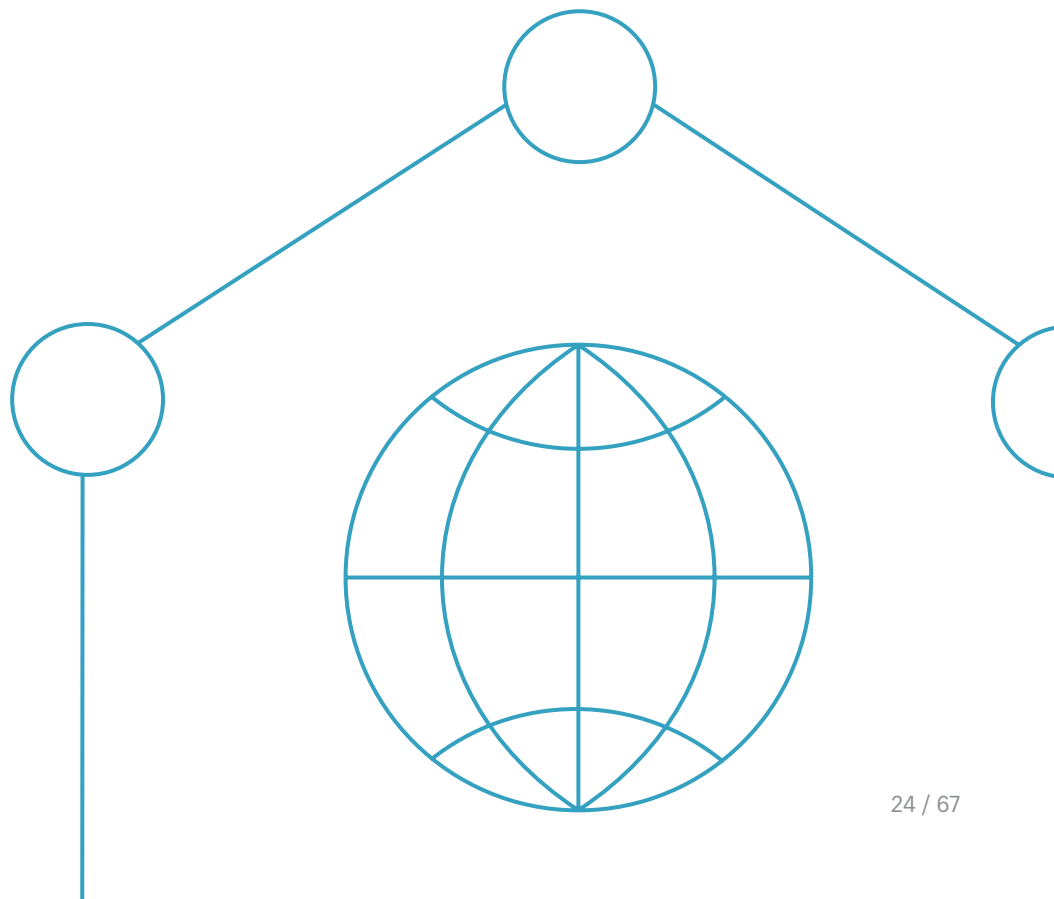
## Offer livestream shopping events

While more popular in China,<sup>58</sup> livestream shopping events in the U.S. are expected to generate \$25 billion by 2023, as Amazon and Facebook test live sales platforms. Levi’s and Tommy Hilfiger are livestreaming shopping events similar to QVC.<sup>59</sup> Viewers can chat with hosts and stylists, then click on items for purchase.

## □ Convert physical experiences into virtual ones

During the pandemic, 14% of buyers<sup>60</sup> purchased a digital version of an experience that would normally be done in person. Drive sales by converting traditional shopping or marketing experiences into virtual ones:

- Satisfy the consumer's desire to simplify their lives by offering step-by-step or how-to content that shows customers how your product makes life easier.
- Unpackage your products<sup>61</sup> and sell parts, pieces, or ingredients that consumers can assemble themselves to capitalize on the do-it-yourself (DIY) trend.
- Take your customers behind the scenes to better understand your brand or product. Give your audience a virtual tour of your lab, factory, office, or test kitchen.





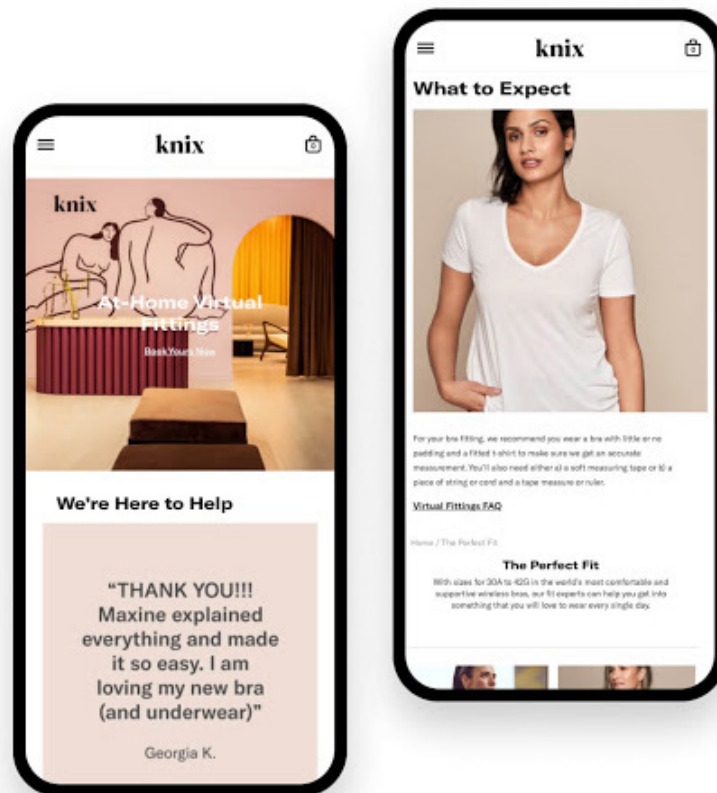
## Trend in action: Knix

Intimate apparel brand Knix pivoted from its international growth plans when COVID-19 hit and launched digital versions of traditional physical experiences, most notably, a virtual fitting room.

Once customers book a 20-minute consultation, they receive a message introducing them to their “Knixpert,” one of the company’s in-store associates who has been redeployed to help shoppers. Customers learn how to take their measurements accurately, and find the right size and fit.

Knix also hosted a virtual warehouse sale<sup>62</sup> that achieved:

- 35,000 people shopping at once within 10 minutes of the sale going live
- Handling 5,000 customers in checkout simultaneously
- The successful launch of virtual fittings



“Retail is being disrupted, and brands need to find new ways to deliver experiences with trust and care,” says Joanna Griffiths, Knix founder and CEO. “The world’s next legacy brands are being built in real time, and I believe Knix will be one.”



# How Shopify Plus can help

Power your entire online and offline experience on today's most agile commerce platform. No more workarounds, patches, or hacks: With Shopify Plus, you can run your online store and retail locations with hardware, software, and payments that were made for each other. And unlike marketplaces, you own your brand and customer experience across every touchpoint, synced right in Shopify.

With analytics at your fingertips, stay on top of growing trends in your business across in-store and online sales. And manage your orders, products, inventory, and customer data in one place, so you're always up to date. Powered by Shopify POS, you have all the tools you need to manage your business, market to customers, and sell everywhere.

Learn how to create a seamless brand experience, no matter where your customers are.

[Explore Shopify POS for enterprise](#)



Trend 3

# Fulfillment emerges as competitive differentiator

Consumers gravitate to brands offering fast, free, sustainable shipping.

## Key takeaways

- ✓ Today's brand has a four-pronged fulfillment mandate: fast, free, sustainable, and branded shipping
- ✓ Establish free-shipping thresholds to protect profit margins as consumers worldwide expect quick delivery for ecommerce orders
- ✓ Turn fulfillment into a competitive advantage by placing inventory closer to customers, automating returns, and offering flexible options like curbside pickup

## Consumer fulfillment demands multiply

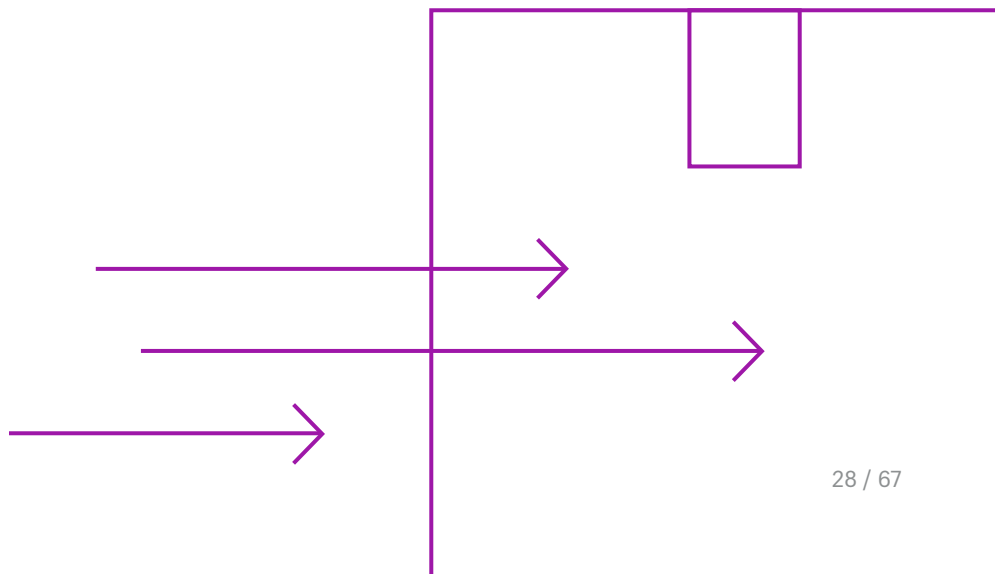
Today's brand has a four-pronged fulfillment mandate: fast, free, sustainable, and branded shipping. Globally, 64% of consumers<sup>63</sup> want their orders shipped for free, while peak-level ecommerce and strict same-day shipping cutoff times<sup>64</sup> have made it difficult to meet rising customer demands. And 67% of U.S. consumers<sup>65</sup> expect either same-, next-, or two-day delivery, while 72% of global consumers<sup>66</sup> want brands to use sustainable packaging. With the cost to fulfill orders soaring,<sup>67</sup> brands must turn fulfillment into a strategic asset. Fulfillment must be smarter, closer to the consumer, and automated.

The majority of consumers<sup>68</sup> in the U.S., U.K., China, Germany, France, and Japan say free shipping greatly impacts whether or not they buy from a brand. Proprietary data from Shopify shows the number of brands offering free shipping has increased 5.3% since the pandemic began.<sup>69</sup> To answer consumer demand while maintaining profitability, brands are setting free-shipping thresholds. A full 65% of consumers<sup>70</sup> check free-shipping thresholds before adding something to their cart.

And free shipping is just the tip of the iceberg: 39% of U.S. shoppers<sup>71</sup> expect two-day shipping to be free, while the same-day shipping market in the U.S. is forecast to top \$9.6 billion in 2022.<sup>72</sup>

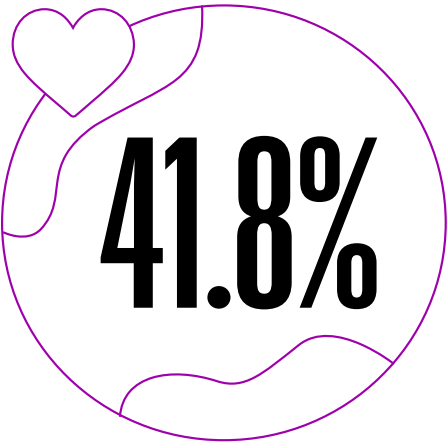
Today's shopper wants shipping to be not only fast and free, but also environmentally conscious. Three-quarters of U.S. consumers<sup>73</sup> are more likely to buy a product packaged sustainably. Many will also pay a premium. The focus is on zero-waste packaging,<sup>74</sup> where all materials are used, reused, or recycled. Minimalist packaging,<sup>75</sup> reduced package sizes,<sup>76</sup> and redesigned shipping cases are also high priorities.

Fulfillment emerges as competitive differentiator



Brand initiatives

Which of these things do you most want brands to do?



**of consumers want  
brands to be socially  
responsible**

	Audience %
Improve your day-to-day life	41%
Listen to feedback	39%
Reduce their environmental impact	35.9%
Contribute to the local community	34%
Make you feel valued	33.6%
Support charities or good causes	33.6%
Produce recyclable packaging or products	32.6%
Support diversity and equality in the workplace	31.4%
Support local suppliers	30.6%
Improve your knowledge or skill-set	21%
Offer customizable or personalized products	18.5%
None of these	11.5%
Improve your status	10.6%
Run customer communities or forums	9%

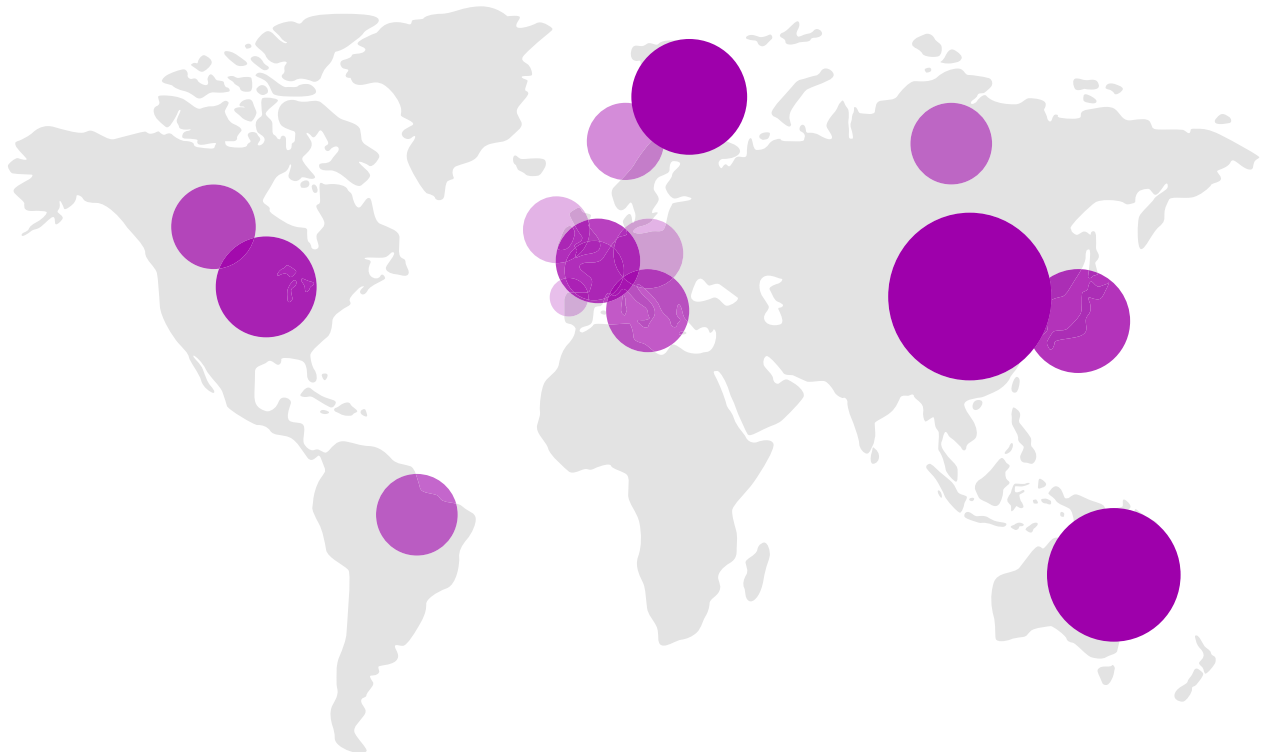
Sourced from [Global Web Index](#)

This global trend is strongest in developing and rapidly developing markets, led by China, where 67% of respondents say they'd be more likely to purchase products or services from a company with a good reputation for environmental responsibility.

Fulfillment emerges as competitive differentiator

## Consumers globally report a greater propensity to buy from companies with a reputation for environmental responsibility

Percentage of respondents agreeing to the statement “I would be more likely to purchase products or services from a company with a good reputation for environmental responsibility”

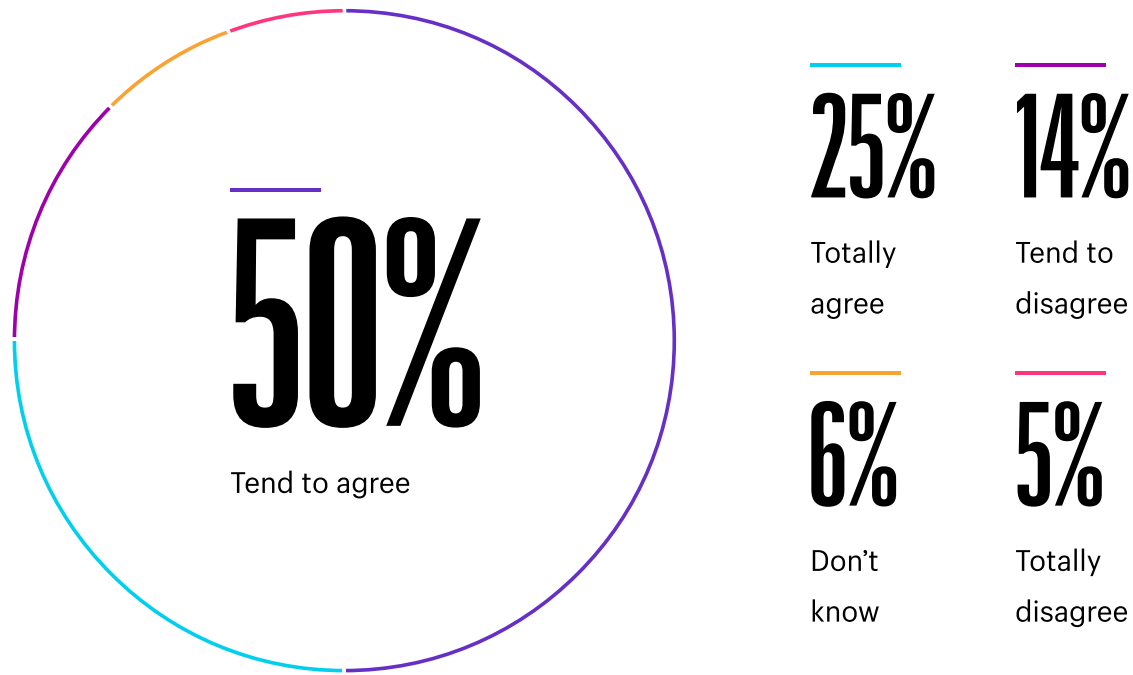


Fulfillment emerges as competitive differentiator

Sourced from [World Business Council for Sustainable Development](#)

## Consumers report a willingness to pay more for “environmentally friendly” products or services

Are you ready to buy environmentally friendly products even if they cost a little bit more?



Sourced from [World Business Council for Sustainable Development](#)

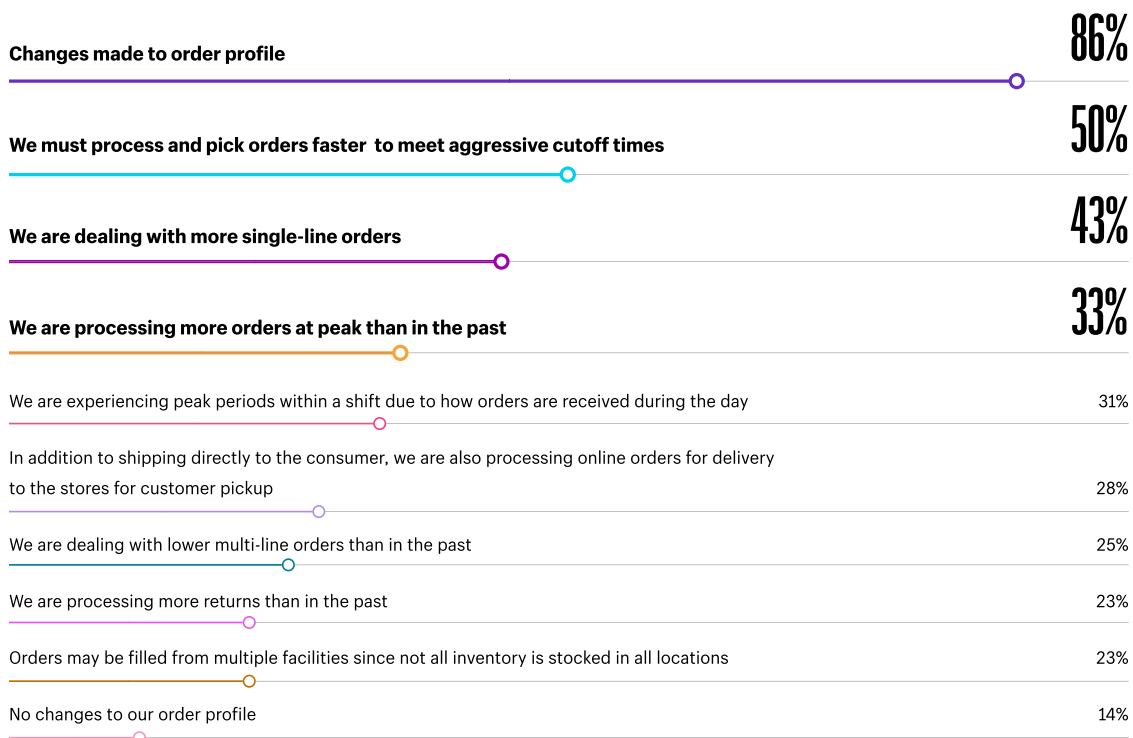
But demand for green packaging must also be balanced with the consumer's desire for custom or branded packaging. The unboxing video era<sup>77</sup> almost guarantees your packaging will be seen by shoppers researching your brand and products. Packaging influences purchasing decisions,<sup>78</sup> inspires customers to recommend your product,<sup>79</sup> and can increase customer retention.<sup>80</sup> It must simultaneously impress<sup>81</sup> consumers and meet their desire for sustainability.

## Rising costs and increased complexity pressure brands

Complex consumer demands have coincided with rising shipping costs. The shift to ecommerce has resulted in shippers operating at peak levels<sup>82</sup> for the majority of 2020. In response, they're charging more. Worldwide, FedEx announced<sup>83</sup> an average 4.9% rate increase<sup>84</sup> for 2021. FedEx also plans to hike rates during peak holiday season, and charge late fees for merchants who don't pay on time. UPS is also charging more: Its new chief executive has prioritized aligning pricing<sup>85</sup> with the value the company provides.

Ecommerce is also making order profiles<sup>86</sup> more complex: Distribution centers are fulfilling smaller DTC orders faster to meet aggressive cutoff times and shipping deadlines.

### How organizations' order profile has changed due to ecommerce



Sourced from [Kardex Remstar](#)

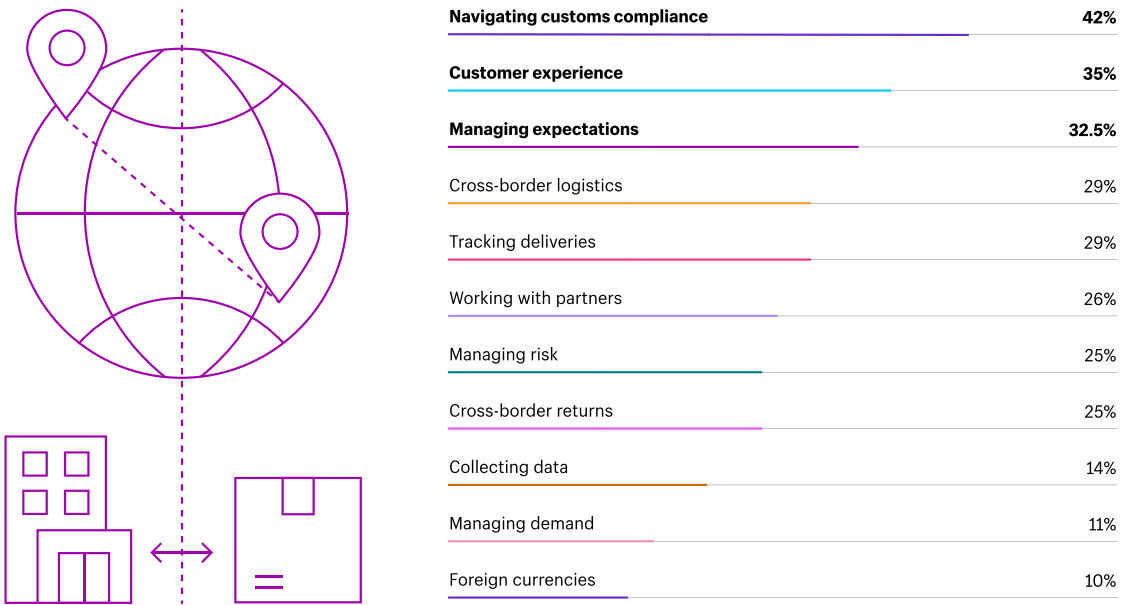
Fulfillment emerges as competitive differentiator



The global nature of trade, though strained by U.S.-China relations and Brexit, is also adding complexity. Purchasing power<sup>87</sup> is shifting from the U.S. and Europe to China and Southeast Asia. With China dominant in ecommerce, more than 62% of digital sales<sup>88</sup> were expected to take place in Asia Pacific in 2020. With Asia Pacific as ground zero for ecommerce, fulfillment complexity is compounding for brands selling cross border.

**What challenges do you face helping your retailer customers with cross-border ecommerce?**

Percentage of respondents



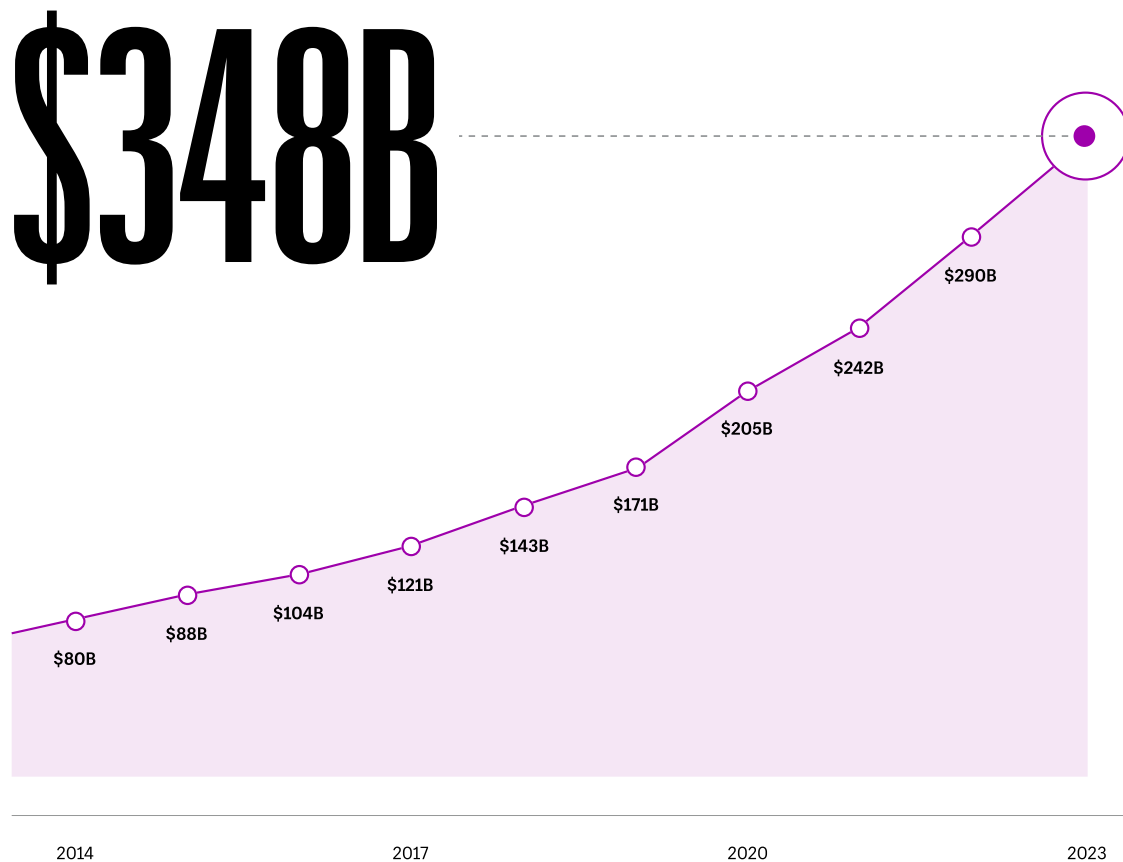
Sourced from [Statista](#)

Even more challenging, consumers increasingly expect free returns.<sup>89</sup> The total cost of returns worldwide recently topped \$1 trillion,<sup>90</sup> and ecommerce returns in the U.S. are forecasted to surge.

Fulfillment emerges as competitive differentiator

## Value of ecommerce items returned in the U.S.

Return deliveries in ecommerce, costs in U.S., 2014–2023



Sourced from [Statista](#)

Due to COVID-19, 40% of retailers<sup>91</sup> adjusted return policies. Returns are also rising as more online shoppers "bracket" their purchases, buying multiple versions of a product with the intention of returning some items.

Fulfillment emerges as competitive differentiator

## Fulfillment reimaged as a competitive advantage

Brands have little choice but to creatively reimagine fulfillment. In the first half of 2020, ecommerce spurred a blistering 51% increase in large fulfillment center demand.<sup>92</sup> Around the world, businesses are prioritizing fulfillment<sup>93</sup> to fight rising costs and meet consumer expectations.



**More and more you're going to see transportation platforms evolve into logistics platforms. And that creates innovation and pricing pressure on the establishment of providers. That's good for the consumer, ultimately.**

**Think about Uber or Lyft drivers: [When] people aren't leaving their houses as much, this is a wonderful way for [drivers] to make a living as logistics providers, not just independent contractors transporting you from point A to point B.**

**Matt Nordby**

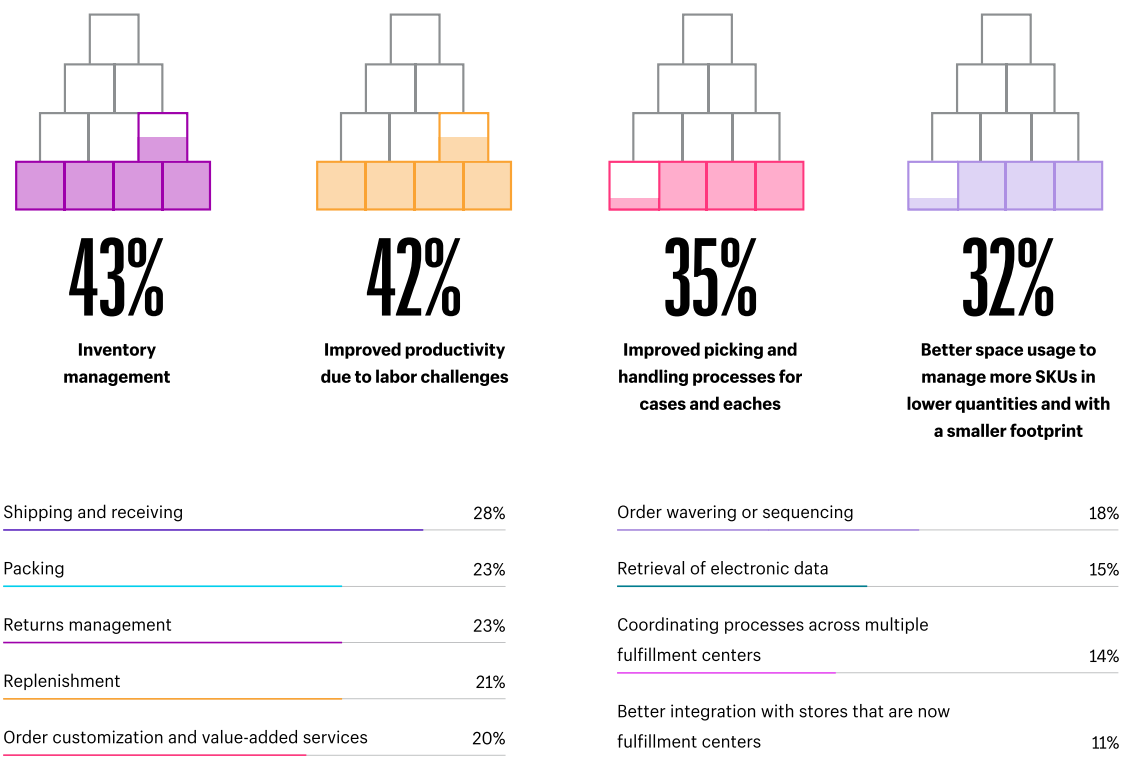
Partner, Lion Capital

Fulfillment emerges as competitive differentiator

Fulfillment networks are expensive to build, so brands are partnering with third-party logistics providers (3PLs) to tap into their vast fulfillment networks. Demand for 3PLs is set to nearly double<sup>94</sup> to \$408 billion in the first half of this decade.

Businesses are now focused on improving order fulfillment productivity, improving picking and handling processes, and streamlining inventory management.

**Aspects of e-fulfillment and distribution operations organizations would like to improve over the next 24 months**



Sourced from [Kardex Remstar](#)

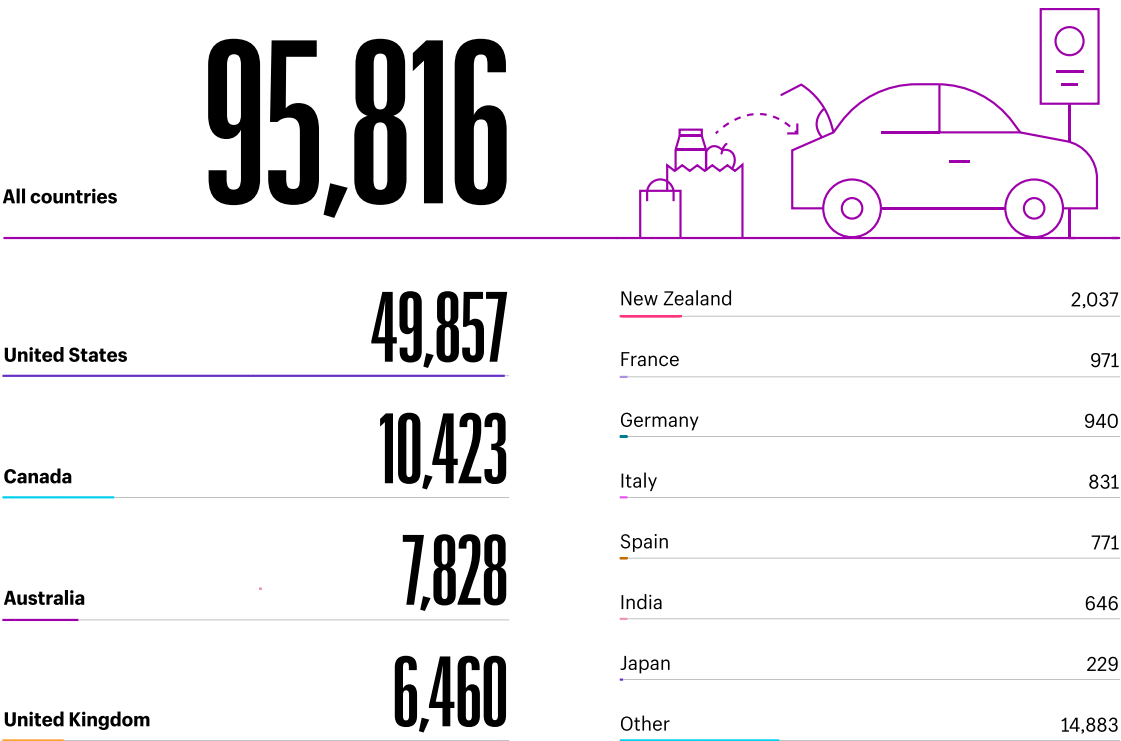
Fulfillment emerges as competitive differentiator

Brands are also offering new fulfillment options like “click and collect.” And 40% of buyers<sup>95</sup> selected curbside pickup for online purchases in the first three months of the pandemic:

- 31% used curbside pickup for the first time between March and June
- 72% chose it more often during this period compared to the start of the year

Proprietary Shopify data reveals nearly 100,000 brands worldwide began offering curbside pickup during the pandemic.<sup>96</sup>

Number of brands to offer curbside pickup during the pandemic



Sourced from [Shopify](#)

Fulfillment emerges as competitive differentiator

# What you should do in 2021:

## Improve your fulfillment capabilities

In 2021 protect your margins from rising costs and give customers everything they want—fast, free, sustainable, and branded shipping—by improving your fulfillment capabilities.

### □ **Outsource your fulfillment operations**

Choose a 3PL with a vast network of strategically located fulfillment centers in the regions you want to ship to. This allows you to stock the right merchandise at the right location so orders can be shipped faster and routed more efficiently. A fulfillment partner should be able to:

- Recommend which inventory should be stored in which warehouse so it's closer to customers
- Fulfill orders with branded packaging that turns the unboxing experience into a retention tactic
- Offer late cutoff times that allow you to ship more same-day orders

### □ **Automate inventory management**

Inventory management is key to building an efficient fulfillment network. Your inventory management system should accurately forecast demand<sup>97</sup> so that inventory can be purchased, replenished, and managed effectively. If you're managing inventory in multiple locations, your inventory management system should also use automated rule-based order routing<sup>98</sup> to match orders with stock in warehouses closest to the customer. This saves time, expedites fulfillment, and reduces shipping costs.

## □ Streamline the return process

Automate returns to instantly give customers store credit, pre-fill return labels, and support self-serve returns. The investment makes business sense when 96% of consumers will shop with a retailer again<sup>99</sup> based on an “easy” or “very easy” return experience. You can also use an automated returns solution to segment and track serial returners, then modify the promotions they receive to protect margins. Put returns on autopilot with:

- Returnly Returns & Exchanges<sup>100</sup>
- Returns Management System<sup>101</sup>
- Return Magic<sup>102</sup>

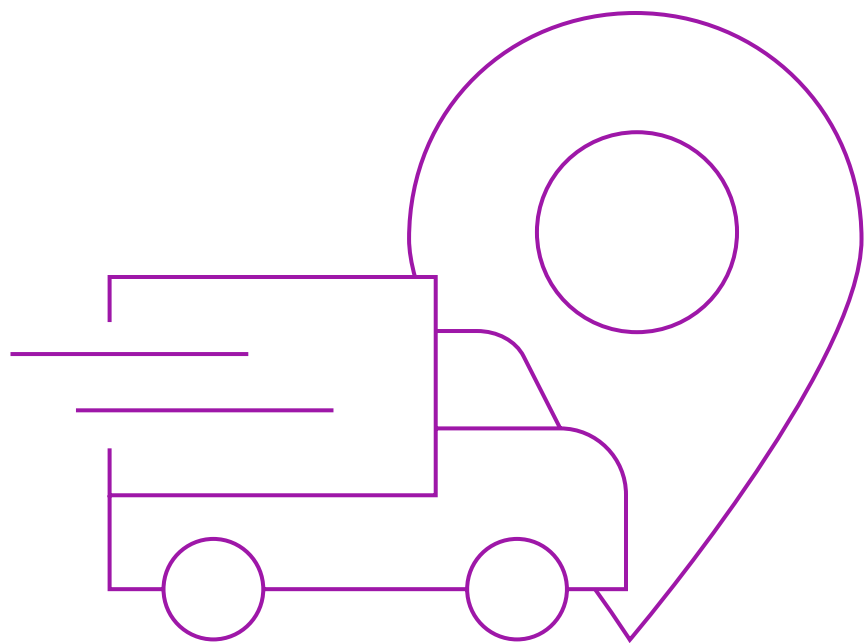
Instead of returns, consider incentivizing customers to exchange products<sup>103</sup> or accept store credit. This saves on restocking fees, retains customers, and reduces shipping expenses in cases where customers keep damaged or used items that can’t be resold.

## □ Convert dark stores into mini-fulfillment locations

Turning unused retail space, also known as “dark stores,” into fulfillment centres can be a smart way to offer click-and-collect pickup, while slashing online fulfillment costs by up to 30%.<sup>104</sup> Click-and-collect commerce in the U.S., including curbside pickup, is forecast to top \$64 billion<sup>105</sup> in 2021. When you convert dark stores, you’re also equipped to ship orders placed in store or online.

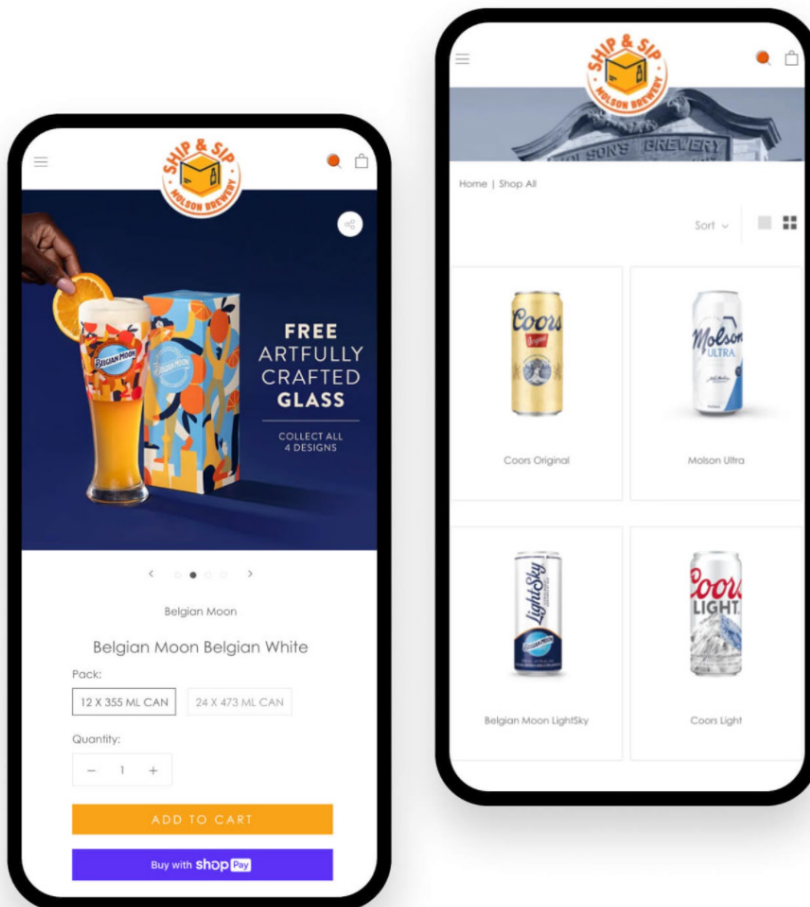
## □ Offer local delivery

Some brands are taking fulfillment into their own hands by offering local delivery. Local delivery is faster than traditional shipping, provides more work to your retail workers, and gives you full control over the customer experience.



## Trend in action: Molson Coors

Molson Coors Beverage Company equipped its Toronto DTC initiative with both local pickup and local delivery. Customers can choose to pick up their orders or have them delivered from their nearest retail location.



Fulfillment emerges as competitive differentiator

Since using its retail location to fulfill online orders, Molson Coors has:

- Launched an online store in 10 days, with local delivery in Toronto
- Grown sales 188% month over month
- Increased orders 152% and conversions by 109% month over month

“By building our direct-to-consumer service, we’re able to grow sales of our iconic brands,” says Joy Ghosh, Molson Coors’ brand director for North America. “But it’s a lot more about the direct relationship that we now have with our customers and being able to adapt to their needs as we learn.”





# How Shopify Plus can help

Scale your business with shipping and fulfillment services that put your brand and customer experience front and center. Deliver world-class shipping with preferred rates from trusted carriers, or take advantage of Shopify Fulfillment Network, the most advanced, robotics-driven fulfillment centers in the world to help high-volume businesses fulfill quickly and affordably.

And you can deliver your best service close to home with local delivery and pickup. Cut the uncertainty of third-party services with hands-on delivery to nearby customers. Or let online customers skip the shipping rates and checkout lines to pick up orders in store, curbside, or at other convenient locations.

Learn how you can exceed expectations with every order, not just fulfill them.

[Explore shipping with Shopify Plus](#)



Trend 4

# Brand building challenged by marketplace dominance

New search and purchasing habits cause brands to personalize with a human touch.

## Key takeaways

- ✓ Half of all global ecommerce sales occur on marketplaces, where consumers search for solutions rather than brands.
- ✓ Building a brand has never been more important—or more difficult. The good news is that socially conscious consumers are willing to pay a premium for brands with a purpose.
- ✓ Brands should turn their marketplace product pages into rich, immersive experiences, while offering unique customized products through their own channels.

## Marketplaces dominate brands

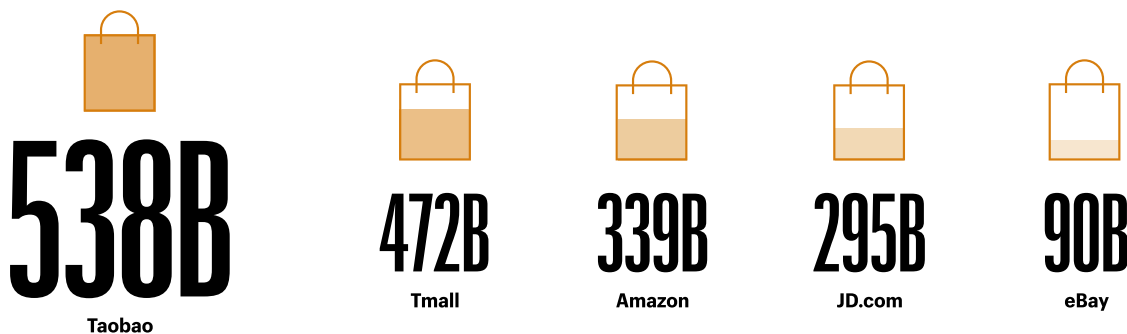
In a world where marketplaces dominate, and search is often unbranded, brand building has never been more important—or more difficult. Half of all global ecommerce sales occur on marketplaces,<sup>106</sup> and the sheer volume compels brands to participate.

Nearly \$2 trillion<sup>107</sup> are spent annually on the top 100 marketplaces, and the world's biggest retailers are entering the ring. Target has launched<sup>108</sup> a new marketplace, Walmart is scaling its marketplace,<sup>109</sup> and Google is aggressively luring<sup>110</sup> Amazon's merchants.

When measured by gross merchandise volume (GMV), China is home to the world's largest marketplaces, including Taobao, Tmall, and JD.com.

### Most popular online marketplaces worldwide in 2019, based on GMV (in billion U.S. dollars)

Leading global online marketplaces 2019, by GMV



Sourced from [Statista](#)

Virtual marketplaces are one of the fastest ways to scale globally. They also help smaller businesses fulfill orders more efficiently.<sup>111</sup> But brands often perceive marketplaces as a necessary evil:<sup>112</sup> driving sales, but pressuring margins.

Brands have long been concerned about ceding customer relationships and data to marketplaces. And those fears might become reality. Earlier this year Amazon was accused of using its own sellers' data<sup>113</sup> to launch competing products.

Brand building challenged by marketplace dominance

## Concerns about selling through ecommerce marketplaces according to marketing professionals in the U.S. as of 2018



Sourced from [Statista](#)

Despite these concerns, transaction volume compels brands to have a marketplace presence. But people aren't searching for the brands that are trying to reach them.

## Consumers search for solutions, not brands

While marketplaces are gateways for brand discovery,<sup>114</sup> consumers don't come to marketplaces to seek out brands. Observers have quipped that "consumers can find anything on digital marketplaces except your brand."

With the purchase journey increasingly beginning on Amazon, consumers search by categories, benefits, and reviews. Search, according to analysts, has become the new brand.<sup>115</sup>

- 70% of Amazon searches do not include a brand name
- Nearly 90% of Amazon product views result from search, not branded ads or merchandising

Marketplace dominance and search behavior aside, today's consumer also wants to buy from brands with a higher purpose. Worldwide, shoppers are increasingly spending with their values. Purpose-driven consumers<sup>116</sup>—approximately 40% of all consumers—want products and brands that align with their beliefs, and are willing to pay a premium. Gen Z, now the largest consumer group, leads the trend.<sup>117</sup> They're also willing to change their shopping habits to reduce environmental impact, and care about issues like sustainability and recycling. The highest concentrations of purpose-driven consumers are in Europe, Southeast Asia, and Latin America.

The demand for purpose-driven brands also aligns with a desire to shop with independently owned businesses. Proprietary data from Shopify shows that 65% of consumers say they support independent brands.<sup>118</sup>

Consumers' main reasons for shopping at a large, corporately owned business include:

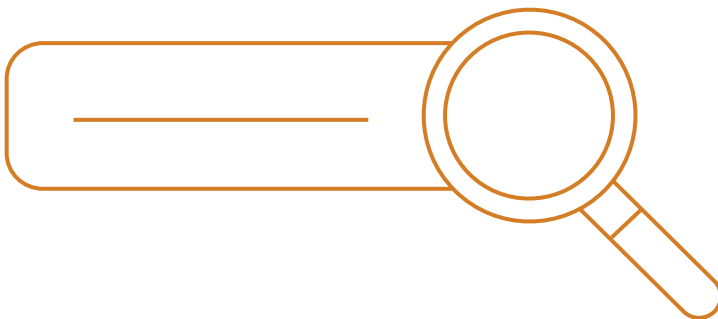
- Good product selection (57%)
- Lowest prices (51%)
- Reliable (34%)

Consumers' top reasons for shopping at an independently owned business (online or in store) include:

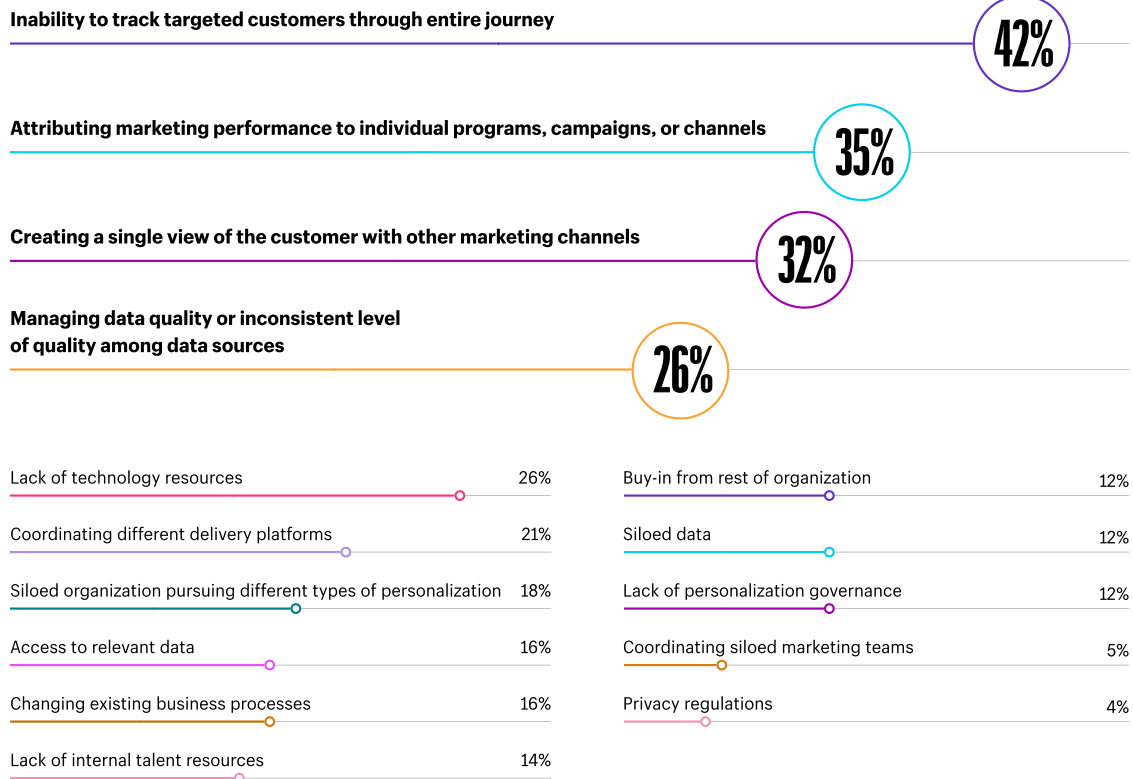
- Supporting entrepreneurship (33%)
- Buying unique products (33%)
- Experiencing good customer service (31%)

Sourced from [Shopify](#)

But satisfying this audience segment is increasingly difficult. With so many customer journeys beginning on marketplaces, brands often lack the data necessary to offer the personalized experiences that purpose-driven consumers desire.



## What are your three primary challenges to implement and grow or evolve your personalization strategy and tactics?



Sourced from [Statista](#)

Brand discovery might often begin with brandless marketplace searches, but purchase decisions are influenced by the research that consumers do elsewhere online. Reaching the purpose-driven consumer means re-evaluating your marketplace presence and offering rich non-marketplace experiences.

Brand building challenged by marketplace dominance

## Offer experiences not available on marketplaces

Human connection is the new luxury.<sup>119</sup> Technology fatigue has resulted from tech's intersection in every aspect<sup>120</sup> of human existence, including transit, work, entertainment, and hobbies. This has left many feeling wary about the role tech plays in their lives, and craving human interaction.

What's clear is that consumers are increasingly rewarding organizations that humanize the buying journey. In response, brands are prioritizing personalized experiences that can't be found on marketplaces. From dynamic website content powered by real-time behavioral analytics to helping people customize their purchase journey, offering personalized experiences with a human touch is the antidote to marketplaces.



**Strong brands recognize they have to get customers from a marketplace to their own properties so they can create a relationship with them that will last over time.**

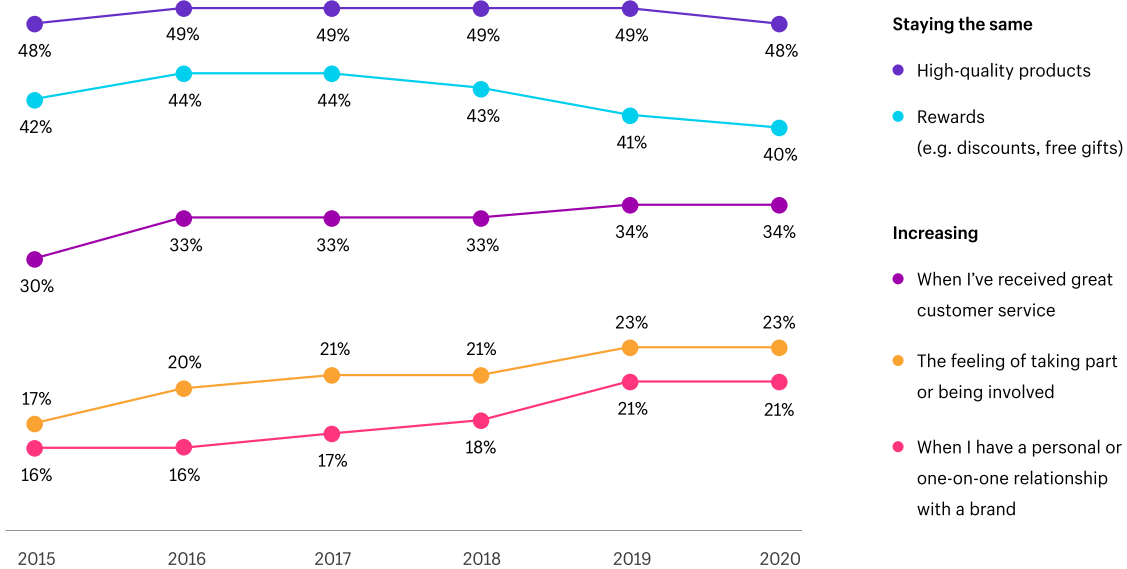
**Loren Padelford**

General Manager, Shopify Plus

Brand building challenged by marketplace dominance

## Human connection is more relevant than ever in the purchase process

% of global internet users who would be more likely to advocate for their favorite brands for the following reasons



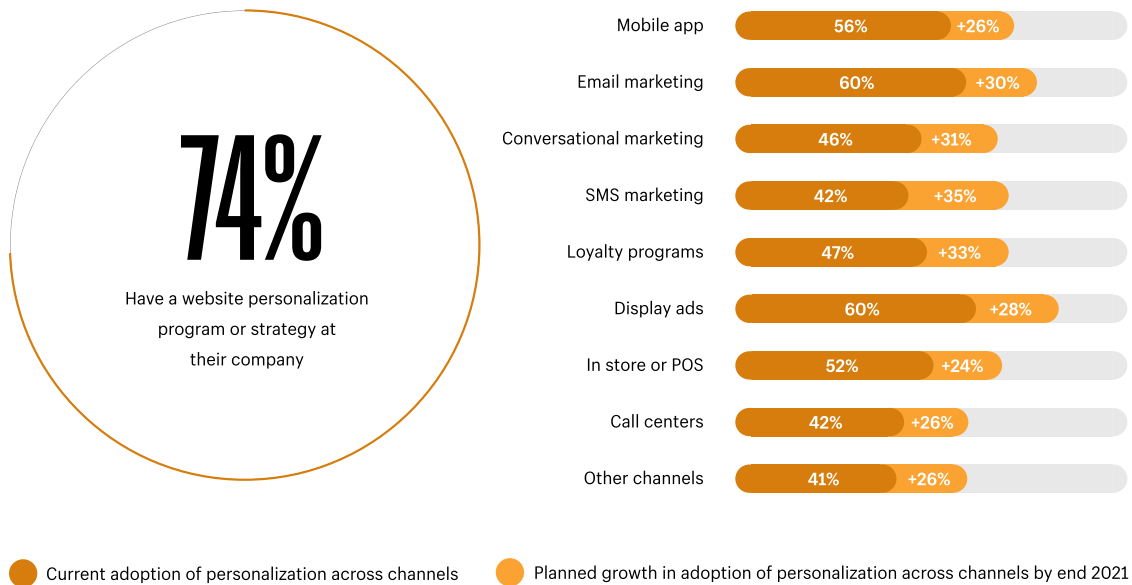
Sourced from [Global Web Index](#)

Personalization, whether it's delivered by a human or an algorithm, is too lucrative to ignore. Retailers estimate personalization can unlock \$2.95 trillion<sup>121</sup> this decade. Delivering on personalization means a combination of new technology solutions, and old-fashioned customer service that delivers unique branded experiences.

A full 74% of U.K. and U.S. businesses say they have a website personalization strategy in place, with significant growth expected in all channels by the end of 2021, including mobile, email, conversational marketing, loyalty programs, and in-store POS.



## Do you have a website personalization program or strategy in place at your company?



Sourced from [Yieldify](#)

Each of these channels offers opportunities to add the human touch. Improved collaboration between humans and artificial intelligence<sup>122</sup> helps brands personalize storefronts with real-time publication of dynamic copy and creative. User-generated content promises personal online experiences<sup>123</sup> through tailored microsites, responsive promotional videos, and livestreams with real-time interaction.

New brand-building opportunities are starting to emerge on marketplaces too. Walmart is changing the marketplace experience<sup>124</sup> by enabling more branding opportunities like lifestyle photography. The goal is to make the marketplace local and personal, instead of a massive product dump. As traditional retailers attempt to disrupt the marketplace experience, expect incumbents like Amazon to follow suit.

Brand building challenged by marketplace dominance

## What you should do in 2021: Invest in the human touch

In 2021 capitalize on the consumer's desire to support brands that align with their values by injecting life into your marketplace product pages, personalizing experiences, and inviting consumers to co-create products and experiences with you.

### Reevaluate branding potential on marketplaces

Product pages are the front door<sup>125</sup> to your brand on marketplaces, yet they're often treated as an afterthought. Transform your marketplace product pages by replacing soulless images and forgettable copy with content that differentiates your brand.<sup>126</sup>

#### Automatically sync product creative

Creative assets should automatically sync across channels and pages. You can't do this at scale if you manually upload images and graphics from spreadsheets to individual marketplaces. Become an API-first brand, and build or buy marketplace experience dashboards<sup>127</sup> that sync inventory, product information, and digital marketing resources. This allows you to update everything simultaneously<sup>128</sup> with the click of a button.

Brand building challenged by marketplace dominance



**There needs to be somebody dedicated to marketplaces because I don't think it can be something you put out there and pray for the best. It's very much having somebody dedicated to making your brand presence beautiful.**

**Jill Manoff**

Editor in Chief, Glossy

## □ Gather insights to optimize your product pages

Treat every product page as its own profit-and-loss statement.<sup>129</sup> While customer data might be harder to come by on marketplaces, you can combine marketplace and other channel data to discover themes across collections and categories. Instead of guessing, use the insight to better tailor product pages and optimize performance.

## □ Make time for human to human connection

Automate repetitive, mundane tasks<sup>130</sup> so your employees can spend more time with customers.

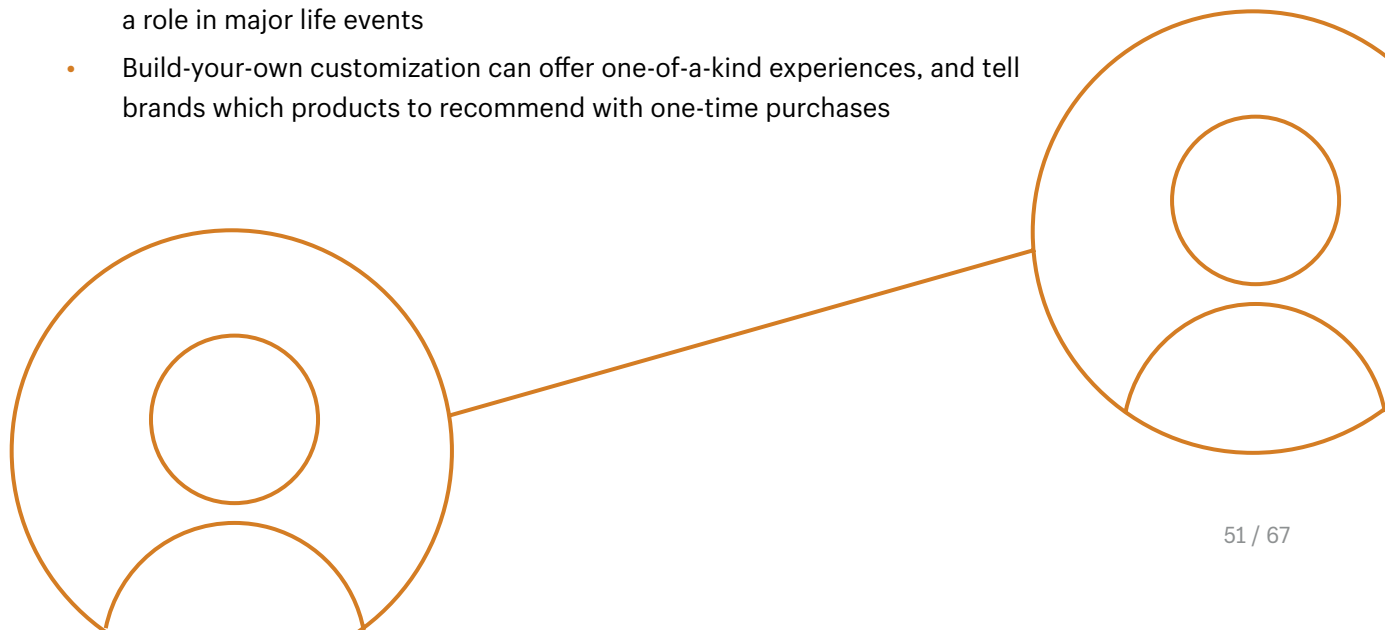
- Workflow automation<sup>131</sup> puts complex business processes on autopilot, allowing employees to focus on growth rather than repetitive, time-consuming tasks
- Event automation<sup>132</sup> allows you to schedule and automatically execute on major sales events, product drops, and flash sales
- Marketing automation<sup>133</sup> offloads data analysis and repetitive campaign building and execution tasks
- Inventory management automation<sup>134</sup> updates stock quantity and location in real time, automates replenishment, and informs predictive demand forecasting
- Warehouse automation<sup>135</sup> offers rule-based order routing that matches stock with orders in warehouses closest to the customer

## □ Empower co-created products and experiences

Give customers the freedom to personalize products, design custom packaging, or mix and match custom assortments.

- Gorjana, a boho jewelry brand popular with celebrities,<sup>136</sup> built an app that lets users customize their jewelry<sup>137</sup>
- Oreo offered custom-order packaging,<sup>138</sup> and personalized messages to play a role in major life events
- Build-your-own customization can offer one-of-a-kind experiences, and tell brands which products to recommend with one-time purchases

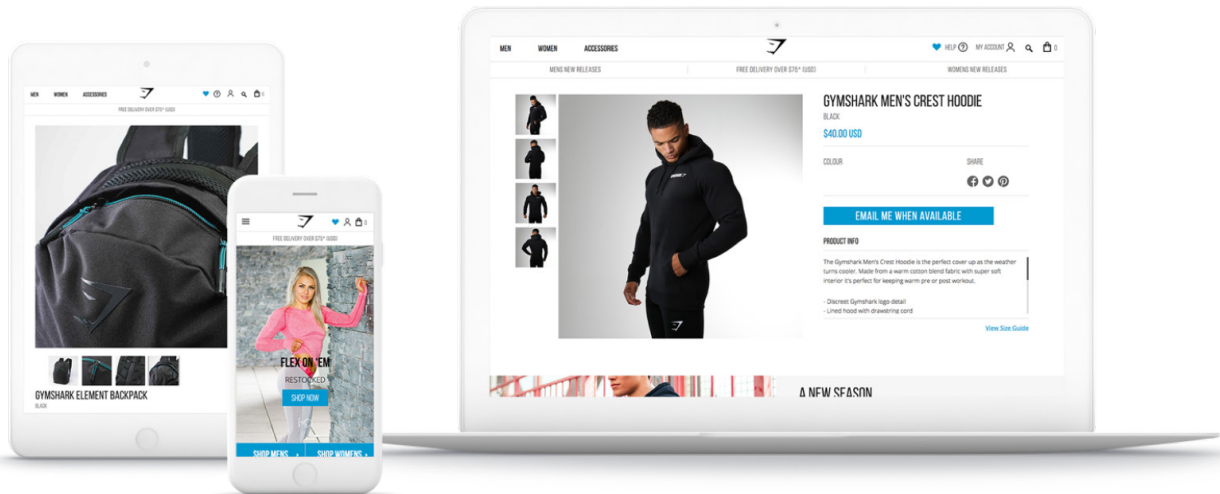
Brand building challenged by marketplace dominance



## Trend in action: Gymshark

Gymshark, an aspirational fitness apparel brand, has built a community that connects customers with their fitness idols. These enduring human connections are built on and offline.

From trainer-led streaming workouts to in-person expos,<sup>139</sup> Gymshark empowers customers to choose where and how they interact with its influencer network.



Letting customers choose their own adventure—virtually, in person, or a combination of the two—has helped Gymshark become the fastest growing private company in the U.K.<sup>140</sup>

“We are nothing without our community, so we will use this new investment partnership to get even closer to them on a truly global scale,” says Ben Francis, Gymshark’s founder. “I’m incredibly proud of what Gymshark has achieved to date from our roots in Birmingham, but it’s all about looking forward. I firmly believe Gymshark has the potential to be to the U.K. what Nike is to the U.S. and Adidas is to Germany.”

Brand building challenged by marketplace dominance



# How Shopify Plus can help

Optimize your day-to-day workflows and customize your checkout experience with built-in ecommerce [automation tools](#), only in Shopify Plus. Save time and get more done by automating manual tasks and processes with Shopify Flow and by scheduling sales events with Launchpad. And boost revenue with a personalized checkout experience that meets your business needs through Shopify Scripts.

- Shopify Flow is the only built-in ecommerce automation platform that can use events from your store to kick off complex, automated workflows across Shopify and dozens of third-party apps.
- Unlike third-party apps that offer standard discounts, Shopify Scripts gives you the power to completely customize your checkout experience. Because Scripts are native to Shopify, they can handle traffic spikes and won't fail you during your biggest sales events.
- Launchpad is a powerful, user-friendly solution that allows you to schedule sales events and product drops ahead of time, and automatically roll back pricing and theme changes after the event.

Learn how automation can fast-track your growth and save you time and money.

[Explore automation with Shopify Plus](#)



Trend 5

# Retention becomes a top priority as acquisition costs

Brands experiment with new channels as digital advertising uncertainty rises.

## Key takeaways

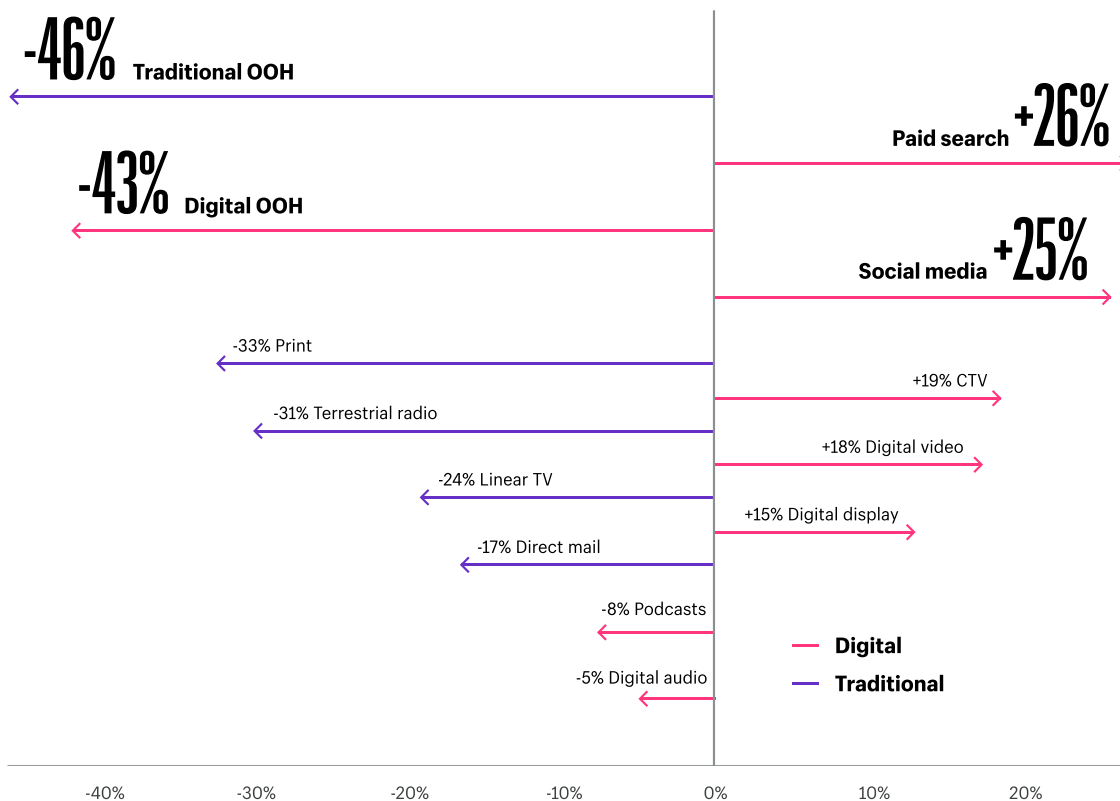
- ✓ Customer acquisition costs are increasing worldwide across channels, with rates on Facebook rebounding to pre-pandemic highs.
- ✓ Globally, consumers and regulators are wary of big tech, prompting Google and Apple to consider making it harder to target ads across channels.
- ✓ To combat rising acquisition costs and advertising uncertainty, brands are experimenting with new channels like voice-powered shopping. They're also prioritizing retention, rewarding and incentivizing existing customers to spend more.

## The cost to acquire new customers surges

Ad dollars are following the consumer online. Even though overall ad spend is forecast to decline 20% in 2020,<sup>141</sup> digital ad spend is estimated to increase 13%. The pandemic-induced plunge<sup>142</sup> in customer acquisition costs was short-lived. Costs on Facebook have rebounded<sup>143</sup> and are at or near pre-pandemic highs. In late 2020 paid search spiked 17%<sup>144</sup> and paid social advertising increased 24%.

Competition—fueled by the move to ecommerce—is accelerating digital ad growth.<sup>145</sup> Industry data reveals increased spend in paid search, social, and connected TV.<sup>146</sup>

### Estimated percentage change in 2020 ad spend versus 2019



Sourced from [IAB](#)

Retention becomes a top priority as acquisition costs spiked dominance

## Rising costs compounded by advertising uncertainty

Lawmakers and regulators in the U.S. and Europe<sup>147</sup> are scrutinizing big technology<sup>148</sup> companies, creating uncertainty around the future of digital advertising. Trust has fallen among consumers too: One-third of consumers think digital ads are too intrusive<sup>149</sup> and users in the U.S., U.K., China, Brazil, and Germany are annoyed when advertisers use their online search history<sup>150</sup> to target ads.

Though people continue to use Facebook and other platforms in record numbers,<sup>151</sup> the erosion of trust has serious implications for brands. Ground zero is the advertising industry's reliance on third-party cookies.<sup>152</sup> The third-party cookie is a lynchpin for digital marketers: 62% of brands rely on cookies<sup>153</sup> to recognize and target users across channels. But advertisers warn that brands must prepare for third-party cookies to die.

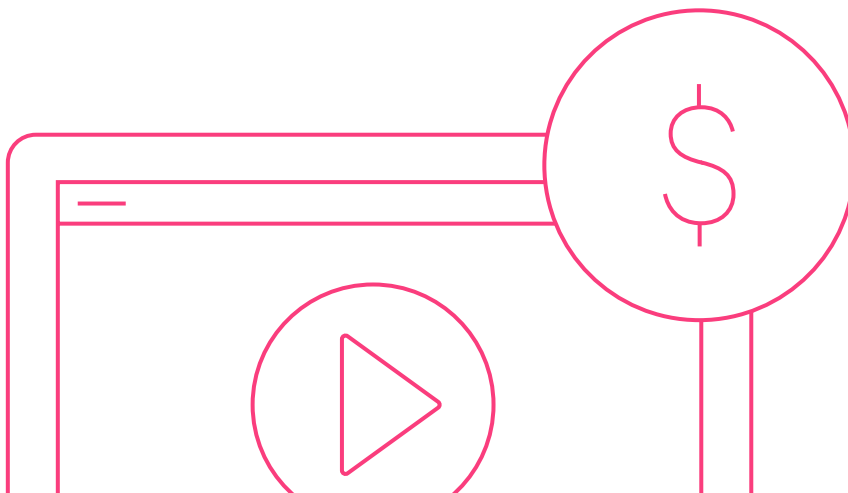
Google announced plans<sup>154</sup> to phase out cookies for its Chrome browser by 2022. Apple is also poised to make it tougher for Facebook advertisers. Facebook warns<sup>155</sup> that planned iOS 14 updates could result in more than a 50% decline<sup>156</sup> in its audience network advertising business. The U.S. antitrust case<sup>157</sup> against Google could also impact advertisers' ability to target consumers using iPhones.<sup>158</sup>

If you rely heavily on third-party data, the potential changes<sup>159</sup> could make it harder to target users with ads and result in a temporarily depressed return<sup>160</sup> on ad spend until marketers adapt to whatever comes next.

The full impact won't be known until Google reveals what will take the cookie's place. The announcement gives Google two years to prevent the destruction of the online advertising business.<sup>161</sup> While threats to the advertising status quo are real, relevant advertising<sup>162</sup> isn't going away. Industry observers expect that even if Google kills the cookie, it will preserve the ability of advertisers to target users.

"In dollars and cents, I don't think the risk [of removing cookies and forcing advertisers to rely on proprietary logins] is worth it to them," says Jeff Green, The Trade Desk's CEO. "I expect they will find a way to preserve relevant advertising for all of the reputable advertisers and advertising platforms in Chrome. Regardless, we have to prepare for a world without third-party cookies."

Retention becomes a top priority as acquisition costs spikedominance





## Brands explore new channels, focus on existing customers

Naturally, advertisers follow the consumer. But experimenting with relatively new channels like voice shopping, connected TV, and messaging apps can also act as a hedge against digital advertising uncertainty.

Voice commerce<sup>163</sup> will top \$40 billion in the U.S. by 2022. Though the global smart speaker<sup>164</sup> market is growing rapidly, the majority of voice activity<sup>165</sup> occurs on mobile devices through virtual assistants. Even if your customers use voice-powered devices more as search tools than as shopping assistants, consider optimizing your site.<sup>166</sup>

By 2024 more than 110 million, or nearly 84%, of all U.S. households will own a connected TV.<sup>167</sup> Spending on connected TV ads is expected to grow by double digits for the first half of the decade.

Video commerce is also growing on other screens. Instagram is building new ecommerce functionality into Reels, its TikTok rival,<sup>168</sup> which is a clear signal that Facebook sees video as key to the future of social commerce. Facebook is also exploring chat as a shopping channel, with plans for in-app purchasing capabilities<sup>169</sup> in WhatsApp.



**The question for brands is: As Instagram and Facebook get more competitive, can we own that customer relationship on multiple channels so we're known as an individual brand, not just something on a third-party marketplace? And that means TikTok, Pinterest, and new channels like Discord, Fortnite, and Animal Farm.**

**Nisha Dua**

Co-founder and General Partner, BBG Ventures

Retention becomes a top priority as acquisition costs spikedominance

Though reaching new customers is important, the rising competition for online attention has reinforced the value of keeping existing customers. Retention has overtaken acquisition and conversion as a top priority<sup>170</sup> for many businesses. Historically, improving customer retention 5% increases profits by 25% to 95%,<sup>171</sup> and 78% of consumers<sup>172</sup> in the U.S. say a loyalty program encourages them to buy more from brands.

Subscriptions can also boost retention and produce recurring revenue. Though just 15% of online shoppers<sup>173</sup> receive products on a recurring basis today, 75% of DTC businesses<sup>174</sup> will offer subscriptions by 2023.

To reduce your reliance on advertising, communicate directly with existing customers by email and text message marketing. Personalized email campaigns can drive 18 times more revenue,<sup>175</sup> and 90% of text messages are opened and read within three minutes<sup>176</sup> of being sent.



**Facebook is always changing. Google is always changing. TikTok is always going to be changing influencers. But email—that's the one consistent that has not changed. And you own your audience in that world. Email is still hands-down the most important channel for any business to have.**

**Dave Gerhardt**

Chief Marketing Officer, Privy

Retention becomes a top priority as acquisition costs spikedominance

# What you should do in 2021:

## Prioritize your existing customers

In 2021 prepare for advertising uncertainty by prioritizing retention and making your best customers even more valuable.

### □ Identify and target your best customers

Ultimately, the goal is to increase the lifetime value of a customer. Start by identifying your most valuable customers,<sup>177</sup> and the conversion paths they took. This allows you to focus on journeys that lead to a higher quality customer base.

Map your customers' lifecycle journey. Find out how long it takes them to make a second, third, or fourth purchase, and the typical order in which items are bought. This offers you an opportunity to accelerate those purchases with tailored upsell and cross-sell<sup>178</sup> calls to action.

### □ Earn loyalty to boost repeat business

Launch a rewards program to earn customer loyalty. Customers who enroll are 47% more likely<sup>179</sup> to make a second purchase.

- Integrate rewards so they're easily redeemable at checkout
- Create loyalty tiers that offer increasingly valuable rewards for additional purchases
- Make rewards points immediately redeemable<sup>180</sup>
- Offer VIP access,<sup>181</sup> exclusivity, or early access to new products
- Offer enrollees automatic entry in sweepstakes
- Invite members to earn points by joining your customer advisory board<sup>182</sup> and telling you what they like or don't like about your product and brand
- Inject urgency with limited-time points, discount codes,<sup>183</sup> or even a countdown clock to illustrate how soon an offer expires
- Turn brand loyalists into a sales force through referral programs

Retention becomes a top priority as acquisition costs spikedominance



**My philosophical view is that subscription is for must haves and naturally replenishable items. You inevitably see churn and challenged business models, particularly if the subscription is discovery. I don't think you can force subscription on a consumer.**

**Nisha Dua**

Co-founder and General Partner, BBG Ventures

#### ☐ **Adopt a recurring revenue business model**

Consider whether your products would suit being sold as a subscription. There are three typical subscription models:

- Replenishment: Help customers save time and money, while never running out of something
- Curation: Surprise customers with distinctive products or differentiated collections
- VIP access: Offer exclusive access to something that can't be purchased elsewhere

Once you have subscribers, retain them by:

- Streamlining the billing process
- Creating subscription tiers at different price points to provide choice
- Personalizing marketing to each segment through individualized cross-sell and upsell offers

#### ☐ **Rank customers by value, treat them differently**

Segment customers based on their lifetime value to create a lifecycle grid.<sup>184</sup> One way to do this is to create buyer segments based on the number of purchases existing customers have made, and then to match them to the appropriate customer lifecycle stage. Mapping a grid gives you historical purchase data and time between purchases to:

- Predict what customers will buy next
- Accelerate time to next purchase
- Intervene to prevent churn
- Set a 60-, 90-, or 120-day target lifetime value to align customer acquisition costs

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## Trend in action: ThirdLove

ThirdLove, a bra and nightwear brand, prioritizes segmenting customers based on lifetime value. Instead of one-size-fits-all promotions, ThirdLove uses rewards program tiers to offer increasingly valuable incentives designed to get top spenders to spend even more.

To receive additional perks, customers must spend enough to move into the second (\$250 lifetime spend) and third (\$450 lifetime spend) tiers.

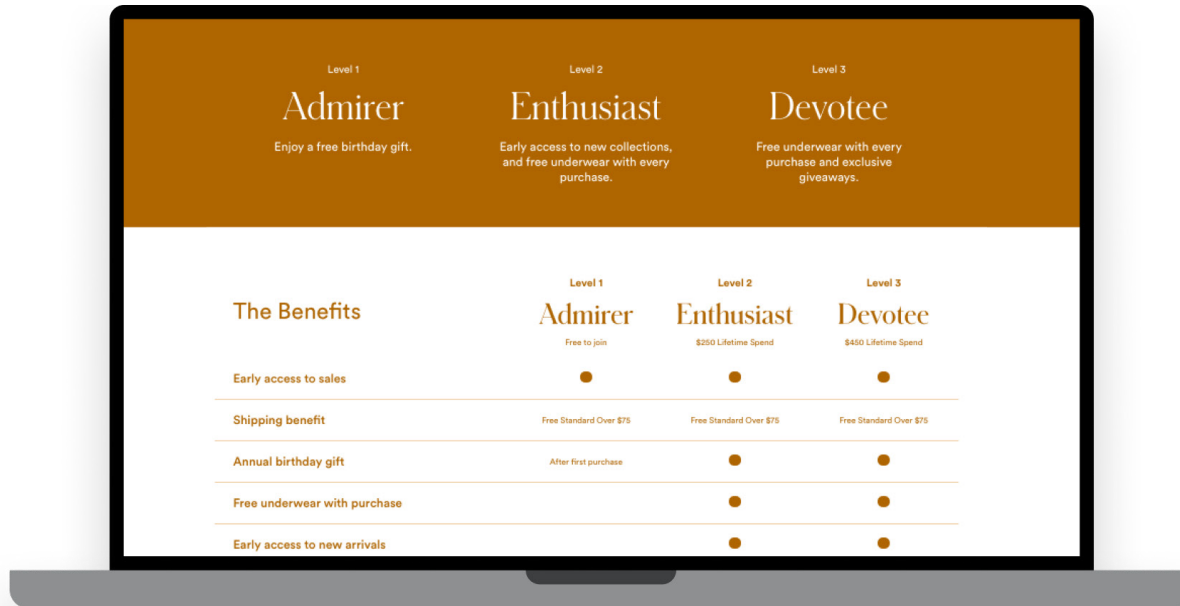


Image from [ThirdLove](#)

ThirdLove uses proprietary data to map the customer lifecycle and offer the right incentives at the right time. One example is ThirdLove's Fit Finder, a data platform that helps the 10 million women<sup>185</sup> who have submitted their dimensions find their perfect fit.

The approach has resulted in impressive sales and retention:

- Revenue up 347% year over year
- Returning customer rate up 62% year over year

"No one can replicate the data that we have," says Heidi Zak, ThirdLove's co-founder. "Victoria's Secret can't. No other startup can. There is no way they can do it."

Retention becomes a top priority as acquisition costs spikedominance



# How Shopify Plus can help

Customize the look and feel of your checkout for an experience that converts customers and keeps them coming back. Make your checkout a powerful sales engine by adding trust badges, shipping information, countdown timers, customer reviews, and live chat through access to the code.

You can also boost your average order value with personalized promotions like bundles, free gifts, advanced discounts, and free shipping with [automation tools](#) and additional loyalty apps to reward—and retain—your customer:

- Tag and segment customers based on buying behavior
- Track and reward customers based on lifetime spend
- Create advanced, enterprise-level custom discounts
- Collect more customer data for marketing and retargeting

Learn how you can turn new shoppers into repeat buyers by automating your checkout personalizations.

[Talk to a Shopify Plus expert](#)

How Shopify Plus can help

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