

Retail E-commerce

Industry Overview

The size of the worldwide retail e-commerce market was estimated at \$5.38 trillion in 2022, and it is projected to expand at a CAGR of 10.5% between the forecast period of 2023 to 2030

- ▶ The worldwide retail e-commerce market is being driven by factors such as rising income levels, growing smartphone usage, increasing internet penetration, and ease of purchasing luxury and everyday goods from the comfort of one's home; lower costs than in-store, and technologically enabled online trials are also driving the growth
- ▶ It comprises employing websites, applications, portals, and other platforms to digitize all aspect of the shopping process, including product browsing, comparison, selection, payment, and order placement; food, shoes, clothing, personal care, and beauty products are among the goods that are being bought online due to the benefits of e-commerce.
- ▶ E-commerce companies are allocating resources towards Augmented Reality (AR) in order to provide their clientele a more engaging experience and user friendly interface

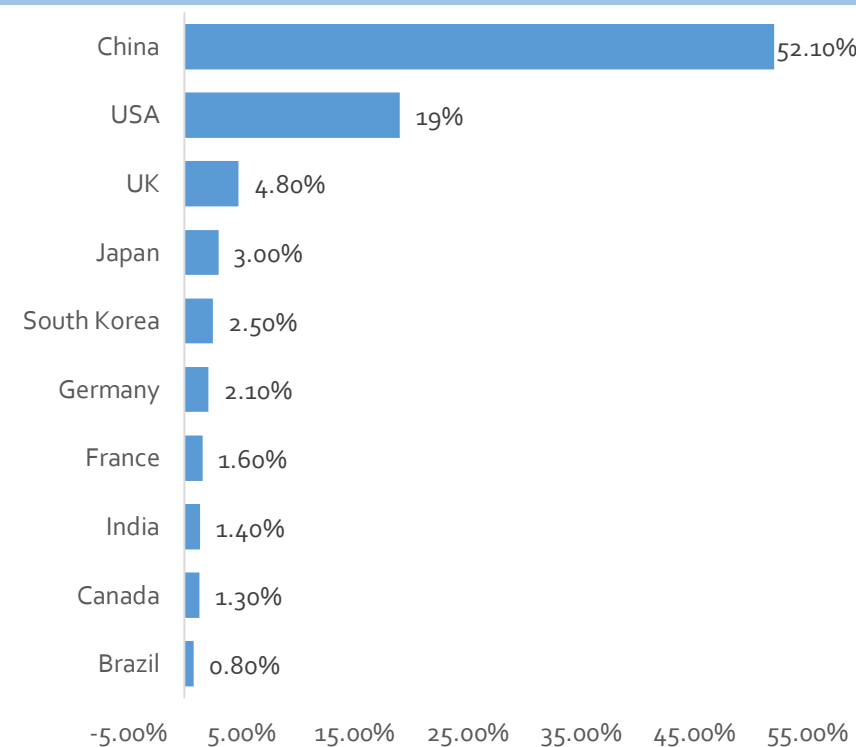
Industry Dynamics



Retail e-commerce sales worldwide (in bn)



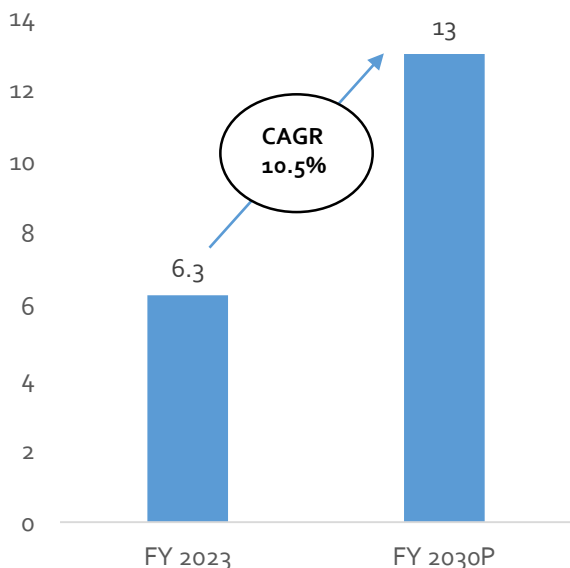
Top countries ranked by retail e-commerce sales, 2021



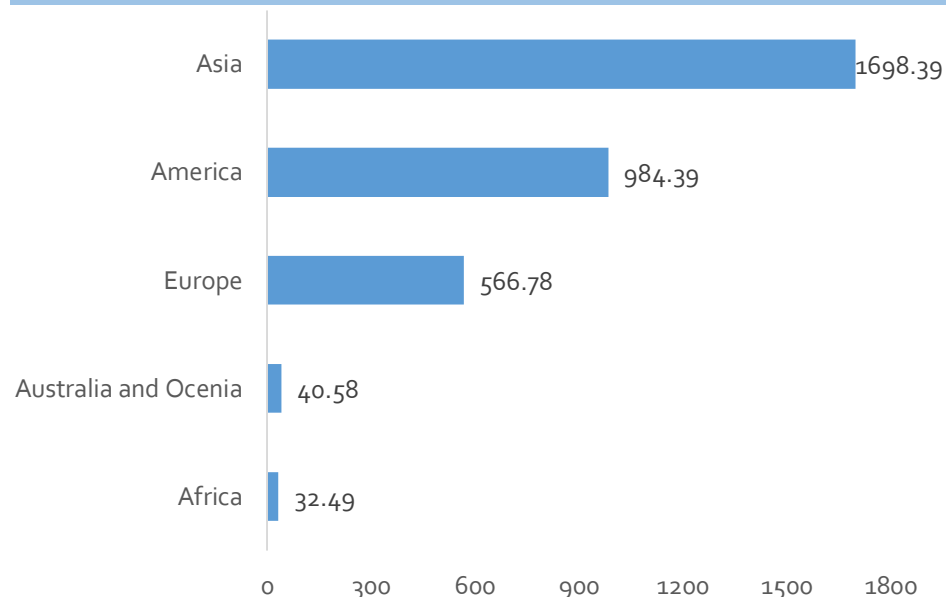
Market Insights

In 2022, 41.8% of all retail ecommerce sales worldwide came from mobile, indicating the rise in mobile commerce and the digital buyers worldwide increased to over 2.64 billion in 2023

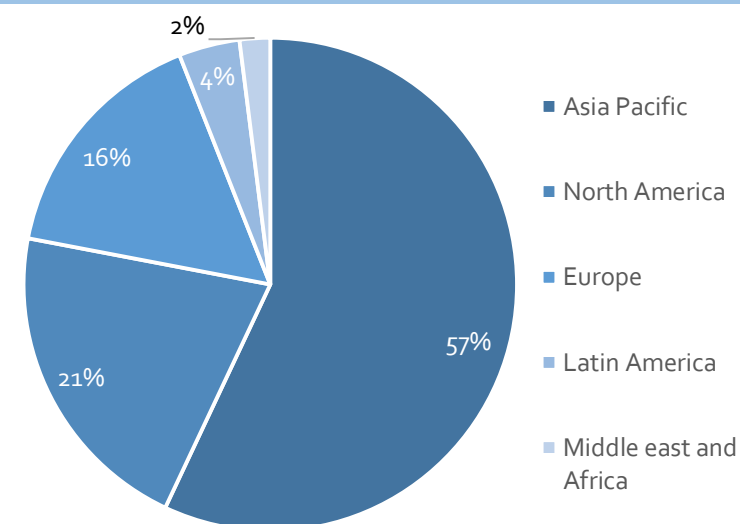
Global Market Size(In Trillion)



Global retail e commerce revenue by regions(in bn),2022



E commerce Market share by region 2022



Key Highlights

- ▶ Online customers most frequently give up on their carts due to unexpected expenses like shipping, taxes, and fees (48%).
- ▶ It is anticipated that retail mcommerce will represent 43.4% of retail ecommerce sales in 2023, up from 41.8% in 2022.
- ▶ The Middle East and Africa region is predicted to see \$116.8 billion in B2C ecommerce sales in 2023, and by 2027, that amount is estimated to have increased to \$168.8 billion
- ▶ Social media is where millennials shop the most; in the US, 55% of those between the ages of 18 and 24 had made a purchase via social media.
- ▶ The desire for individualized experiences is expected to increase, as indicated by the 59% of consumers who say they are more excited than uneasy about merchants using their preferences and past purchases to tailor their shopping experiences.
- ▶ As of 2022, Alibaba Group, based in China, had an anticipated sales value of \$780 billion (USD), making it the largest e-commerce retailer globally.

Industry Business Models

In 2023 sellers were focused on expansion and growth both inside & outside of amazon, while 50% explored new ecommerce platforms ,with similar half eyed on new global marketplaces

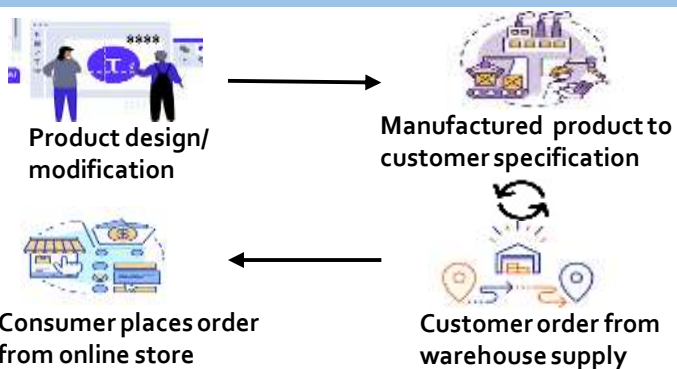
White Labeling



Manufacturer White Label Company End User

When a business sells a product under its own name and trademark, even when it was made or acquired from a third-party distributor, this practice is known as "white labelling." which reduce manufacturing costs

Private Labeling



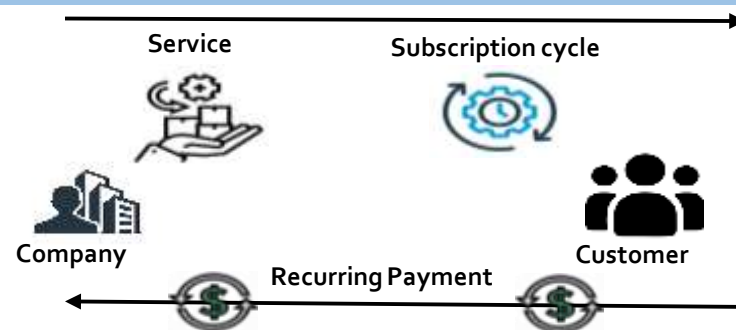
A seller who engaging in private labelling usually chooses a product category with less competition & strong demand & then they locate a producer to make the item.

Dropshipping



- With Dropshipping, a business can set up an online store, make sales & rely on supplier to deliver product
- Supplier packages the products, delivers the product to the buyer, and keeps an eye on the items warehouse

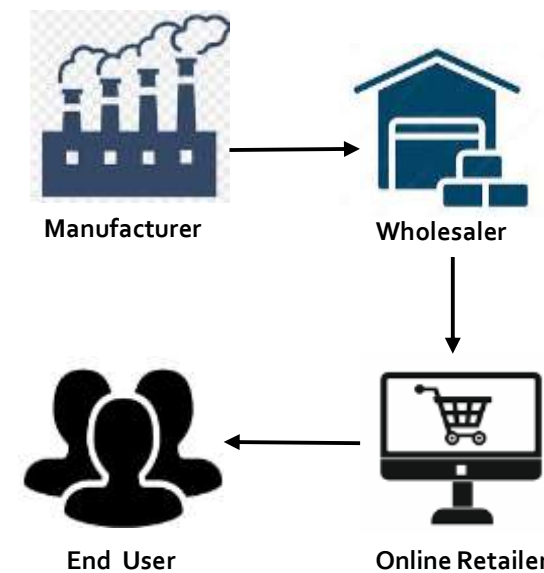
Subscription -based



E-commerce businesses can also benefit from recurring business and devoted clientele by introducing subscription services. The customer receives their subscription order at a set frequency and just needs to place one order

Wholesaling

- Businesses engaged in wholesaling purchase goods straight from manufacturers and companies who have excess inventory, then resell them on their own eCommerce store.
- The second most common strategy used by companies to sell on Amazon is wholesaling.



White-label solutions assisted agencies boost their profitability by 30% by enabling firms to evaluate success and understand customer behaviours through data analytics

Benefits

- ▶ **Cost Effective:** White label goods reduce production & product development costs which is significant for small businesses
- ▶ **Speed to Market:** D2C vendors can expedite product launches by taking advantage of third-party manufacturing resources.
- ▶ **Brand Building:** With the use of white labels, businesses may maintain control over marketing and branding, enabling them to give their items a distinctive character
- ▶ **Less Risky:** As high amount of money is not spend on creating a new product, risk is reduced; if the product doesn't work out then the company would not loose much money
- ▶ **Versatility:** White label products can open up different promotional techniques and new audiences, whether it's a new DTC brand looking for a selection or an established shop trying to extend their product line.

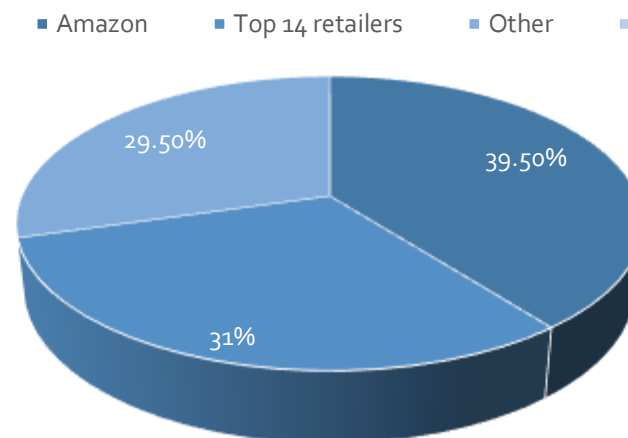
Pricing Structure

- Cost Plus Pricing
- Competitive Pricing
- Value based pricing
- Dynamic Pricing

Challenges

- ▶ **Price Wars**
Since resellers will be offering the same white label product, there may be pressure to maintain price reductions in order to remain competitive with customers which shrinks profit margins
- ▶ **Inconsistent Product Quality:**
The company producing white-label products can follow a different methodology for quality control and If their procedures differ, this cause issues with the consistency in the quality of products
- ▶ **Potential Increased Liability:**
Negatively impacts the brand's reputation & causes legal issues due to litigation if producer is producing goods in other nations with little constraints.

U.S retail ecommerce sales, by company, 2022



With consumers more informed & aware of their purchase decisions, the offer of products & services tends to be larger & varied, also leveraged on resources that internet makes available

Opportunities

Extended Use of AI

Artificial Intelligence algorithms may evaluate data and generate customized product recommendations as well as businesses are able to customize their websites & user experiences to local tastes and customs by examining IP addresses and other location data which increases engagement and sales

Personalization with Omnichannel

Using artificial intelligence (AI) to personalize consumer interactions across a variety of channels, including social media, mobile apps, and email, is known as omnichannel personalization; businesses are able to provide each consumer with a smooth and customized experience by utilizing data from all these channels.

Augmented and Virtual Reality

The way that customers shop online is changing thanks to AR and VR technologies; retailers may provide customers a more engaging and dynamic shopping experience by enabling them to virtually try on clothes or see furniture in their homes and this trend is predicted to grow more in 2024

Personalization

E-commerce companies are utilizing data analytics and artificial intelligence (AI) in response to consumers' growing need for tailored shopping experiences. These services include personalized email marketing, targeted advertising, and personalized product suggestions.

Challenges

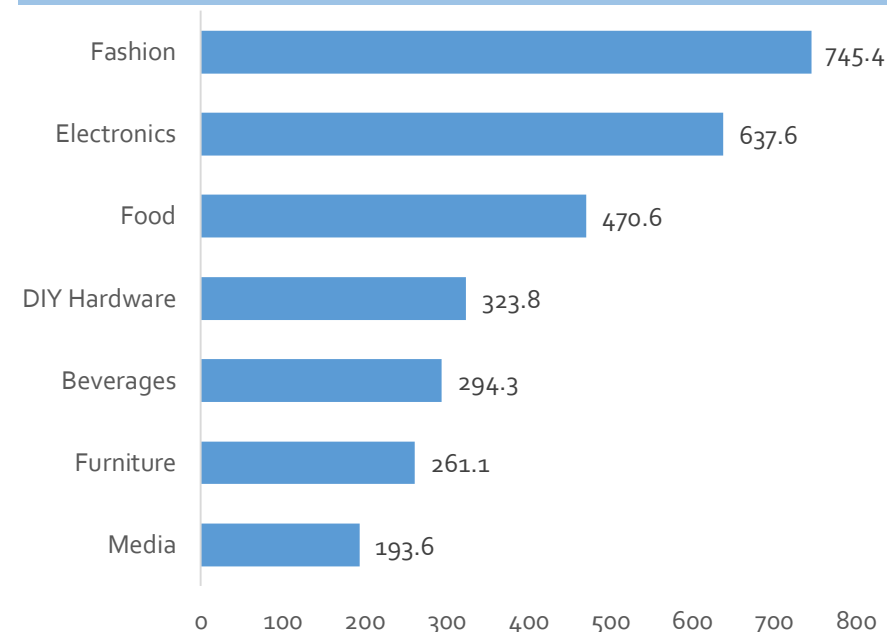
Customer Nurturing and Upselling :

Reminding customers about brand and products through mobile push alerts, discount codes etc. are crucial components in building brand awareness; selling strategies are different for single and multiple products

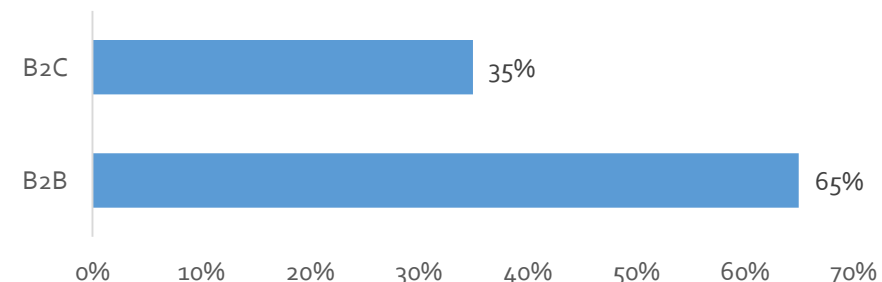
Customer Experience :

Poor translation might leave gaps in the product-related information provided by multilingual online retail websites, making it difficult to satisfy the needs of customers & cause bad word of mouth

Top online shopping categories(in billions)



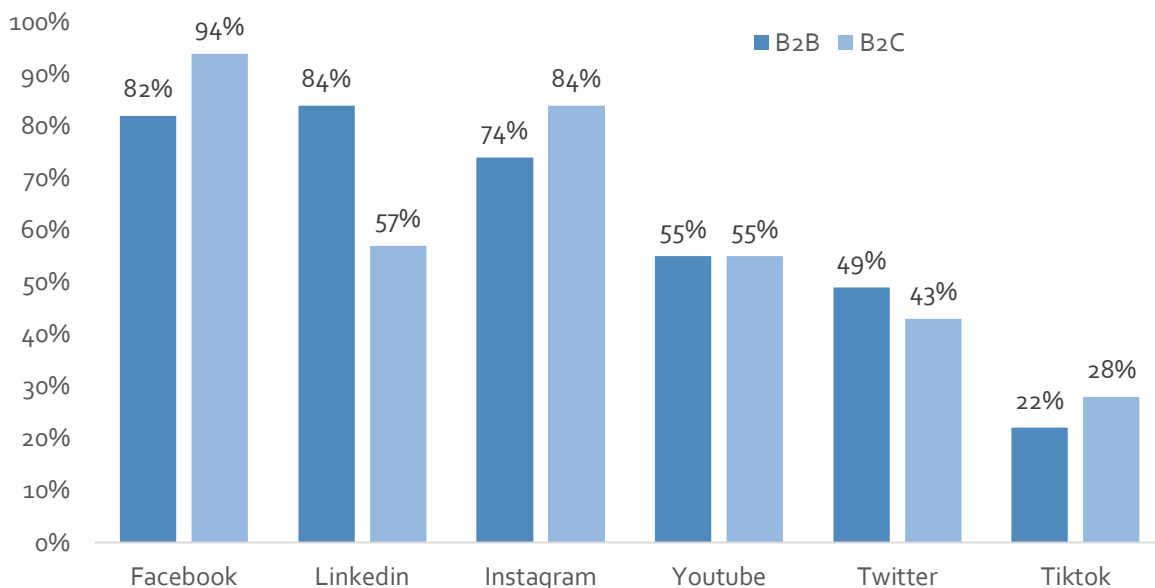
E-commerce market share by type(%),2022



Retail Ecommerce Industry- Trends

Between 2023 & 2030, social commerce is projected to develop at a CAGR of 31.6% and along with that M-commerce sales revenue will amount to \$534.18 billion by 2024

Social Media Platforms used by B2B and B2C marketers



Emerging Trends in online retail

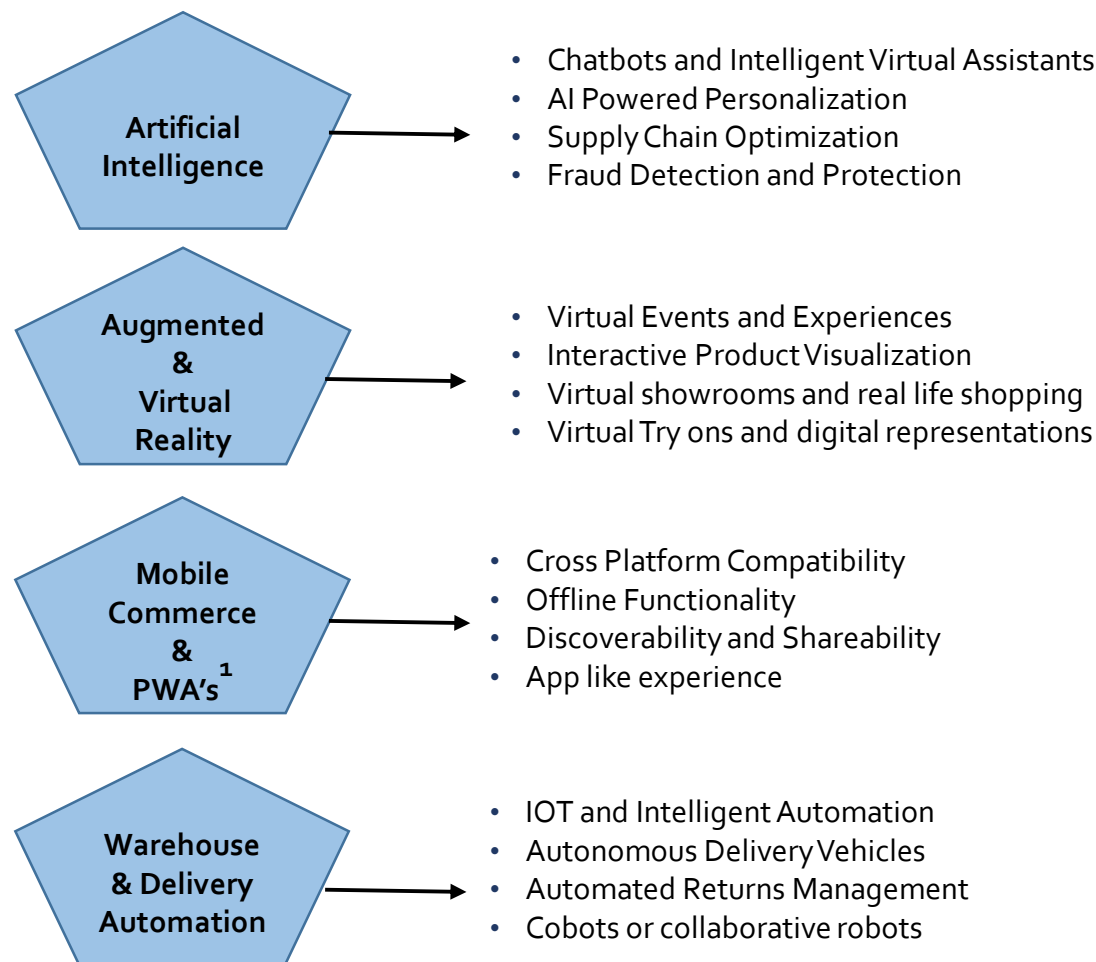
Social Commerce

Sales and brand exposure will rise through social media platforms' large user bases and active participation; social commerce has become a popular choice among brands looking to expand their consumer base and streamline the purchase process.

Sustainable Shopping

E-commerce sites follow this trend by delivering a wide range of sustainable solutions, being clear about sourcing & production methods of their products, encouraging responsible consumption and purchasing eco-friendly packaging materials

Technology Trends



Retail Ecommerce Industry- Risk & Mitigation Strategies

Risks in the Industry

► Transaction Risks

- The buyer may dispute that he placed the purchase, the seller may dispute that the items were delivered to the wrong address, the expected delivery does not happen, or the customer may dispute that he ever placed the order
- Therefore, in e-business, there is a chance that a default in order taking/giving, delivery, and payment will affect the seller or the customer.

► Data Privacy and Security Risks

A significant amount of consumer data, including financial and personal data, is frequently stored by e-commerce companies and these databases could be the target of cybercriminals, which could result in data breaches and possible identity theft

► Website Downtime Risks

Website downtime might have a number of reasons; first there could be a technical issue with the hosting service, or the server being used might not be able to handle spikes in traffic; alternatively, software that is connected to your website—like a plug-in—might malfunction and bring the entire thing down

► E-Skimming

In order to steal sensitive data including credit card numbers and personal information of customers—a bad actor could insert malicious software into the checkout page of an online store. This kind of attack can cause a company's reputational harm

Mitigation Strategies

► Multichannel Sales Strategy

To satisfy the demands of today's consumers, the entire client purchasing procedure must be simple ; company can need a multichannel sales strategy that includes social commerce and marketplaces in order to enable this simple experience

► Inventory and order management automation

- A linked automation system can enable trigger events for reordering and guarantees that your company always has an accurate, real-time picture of orders compared to available stock.
- This advanced automation makes sure that your online store doesn't lose out on any sales. In order to eliminate still another manual step from the inventory management process, automated solutions can even initiate these orders

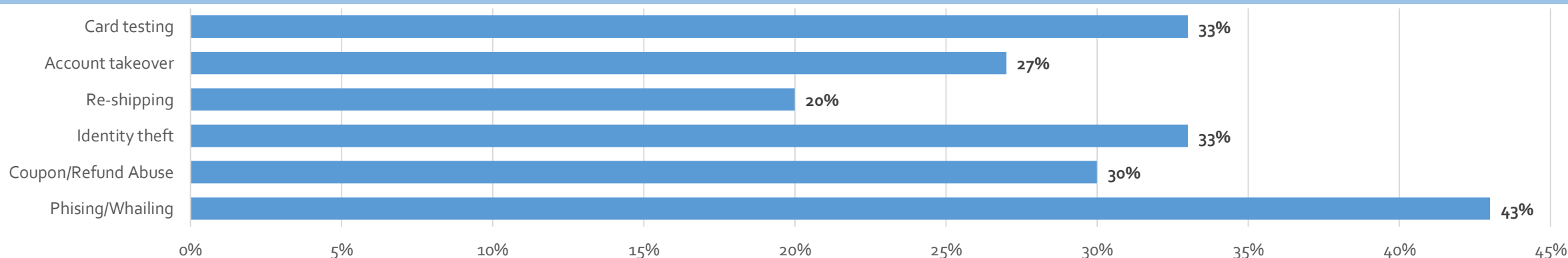
► Encryption of Data

Encryption plays a vital role in data protection. It stops unwanted access by converting your private information into a code; since no one can read encrypted data without the decryption key, it is safe even in the event of a data breach.

► Staff Training Programs

A staff training program should include recognizing system-wide hazards in addition to potential risks related to each employee's role & employees will be more conscious of how their individual activities can affect the organization as a whole

Most common type of Fraud attacks worldwide in the Industry, 2022



Global internet shoppers increased by 8.3% in 2022 and reached 4.11 billion, with mobile devices accounting for roughly 60% of total sales and is projected to hit \$2.5 trillion in 2024

Demand Drivers

Third Party Logistics(3PL)

The rise of accessibility in the e-commerce supply chain and its impact on consumer satisfaction, efficiency, and service delivery are all heavily influenced by logistics; given the intricate and capital-intensive nature of logistics, the majority of online merchants are discovering that outsourcing this part of the supply chain makes financial sense.

Explosion of Mobile Penetration

Despite the decline in device prices, sales of smartphones worldwide are increasing daily because of this, even those with modest incomes can now purchase smartphones; growing disposable income & prevalence of mobile internet are encouraging more people to buy for products online.

Growth of Big Data

- Analyzing the target market and providing solutions that go beyond what the consumer expects are key components of providing high-quality solutions; thankfully, big data and AI have been used to fix the issue;
- In subscription online retail marketing, where buyers sign up to receive products at predetermined intervals, these technologies have shown to be extremely helpful.

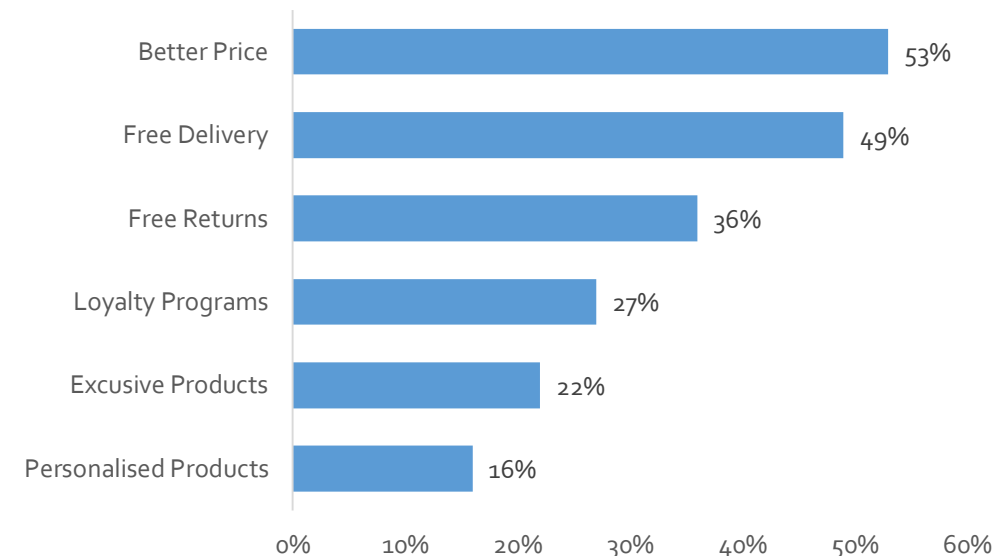
Increased range of payments for underbanked shoppers

Prominent online payment companies like Google pay and PayPal have grown globally and local mobile money transfer services, like Mpesa in Kenya, and online payment processing platforms bridge this gap; in China, one can make purchases at independent street terminals.

Rise of marketplaces and super apps

The global retail eCommerce market has been influenced by the emergence of marketplaces and super applications while marketplaces give retailers access to enormous global client bases, super apps are gaining popularity because they seamlessly combine several services into one platform, enabling users to shop at multiple stores from a single app.

Top drivers of D2C online shopping



Restraints

Return and Refund Process:

Customers may be deterred from making online purchases by convoluted or inconvenient return and refund procedures; sometimes a vague or onerous policy could make prospective purchasers less trusting

Dependency on third party platforms:

Retailers who mostly depend on third-party e-commerce platforms may face challenges if these platforms alter charges, policies, or algorithms affecting the companies' customer base.

Around 54% of shoppers will purchase products left in the shopping carts if those products are offered at lower price and more than 40% of online shoppers look for discount coupons

Pricing Strategies in the Industry

Value Based Pricing

- Value-based pricing, can determine a price based on what buyers think goods are worth; it is also more profitable and usually yields bigger markups, which makes it perfect for growing companies with long-term strategies in mind.
- Additionally, firms with a devoted customer base, like those who offer collectibles, art, luxury goods, or prestige items, might benefit greatly from this pricing strategy.

Bundled Pricing

Retailers that use product bundle pricing, a multiple pricing approach, offer many products at a single price. some of the most popular forms of bundling are buy one, get one (BOGO) discounts, upsells & cross-sells.

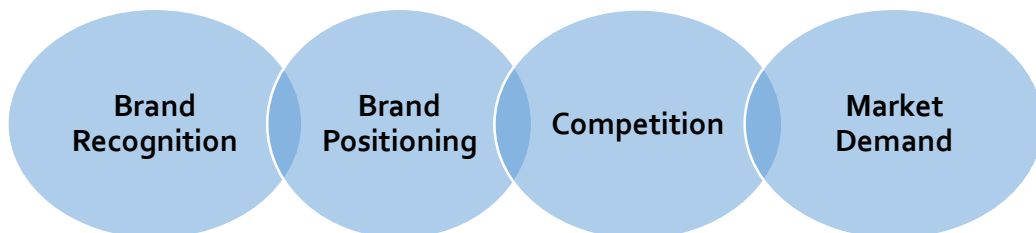
Dynamic Pricing

Using dynamic pricing, firms take the initiative to modify their prices in response to shifts in consumer demand; it is especially appropriate for a fast-paced setting like e-commerce as it seeks to identify the best price point at any given moment.

Competitor Pricing

By basing a price on what other competitors charge, competitive pricing is a tactic that takes this customer behavior into account; it's straightforward and low-risk, but it ignores how much your buyers think your products are worth.

Factors affecting Pricing in the Industry



Pricing Challenges for the Industry

Inflationary Pressure

- In 2023, costs for both inputs and outputs continued to rise across a wide range of industries, putting strain on many enterprises due to inflation. Worldwide price increases will surely be driven by inflation

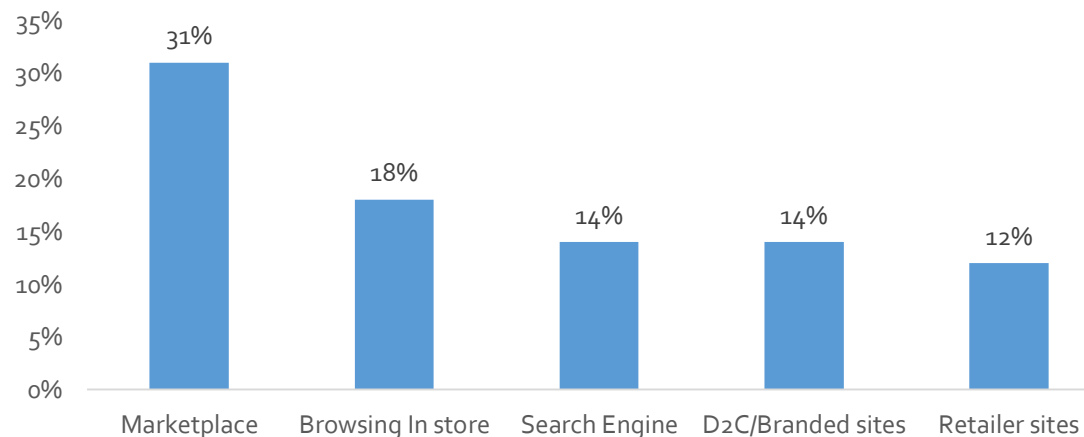
Accurate Price Monitoring

- Companies that use manual price monitoring will suffer from numerous drawbacks, such as incorrect, inefficient, & time-consuming processes

Oversimplified Margins

- Companies typically have a plan with a defined margin objective that is streamlined for all products. Businesses may overpay for some products and miss out on sales possibilities, while they may undervalue some and lose out on possible earnings.

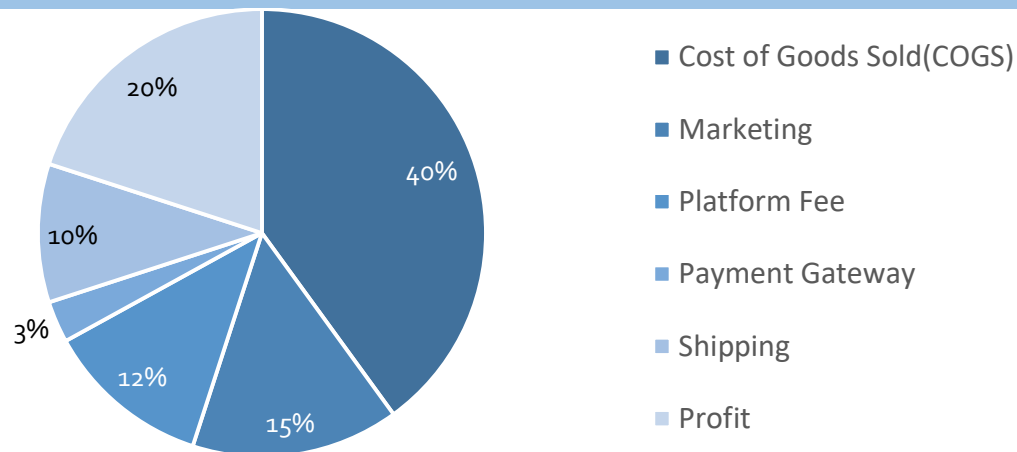
Leading online sources where consumers search products worldwide, 2022



Retail Ecommerce Industry- Cost Analysis

The effects of global inflation are increasing; despite 2.64 billion buyers 40% of e-commerce firms now rank it as their top worry, above social inequity, unemployment, and coronavirus

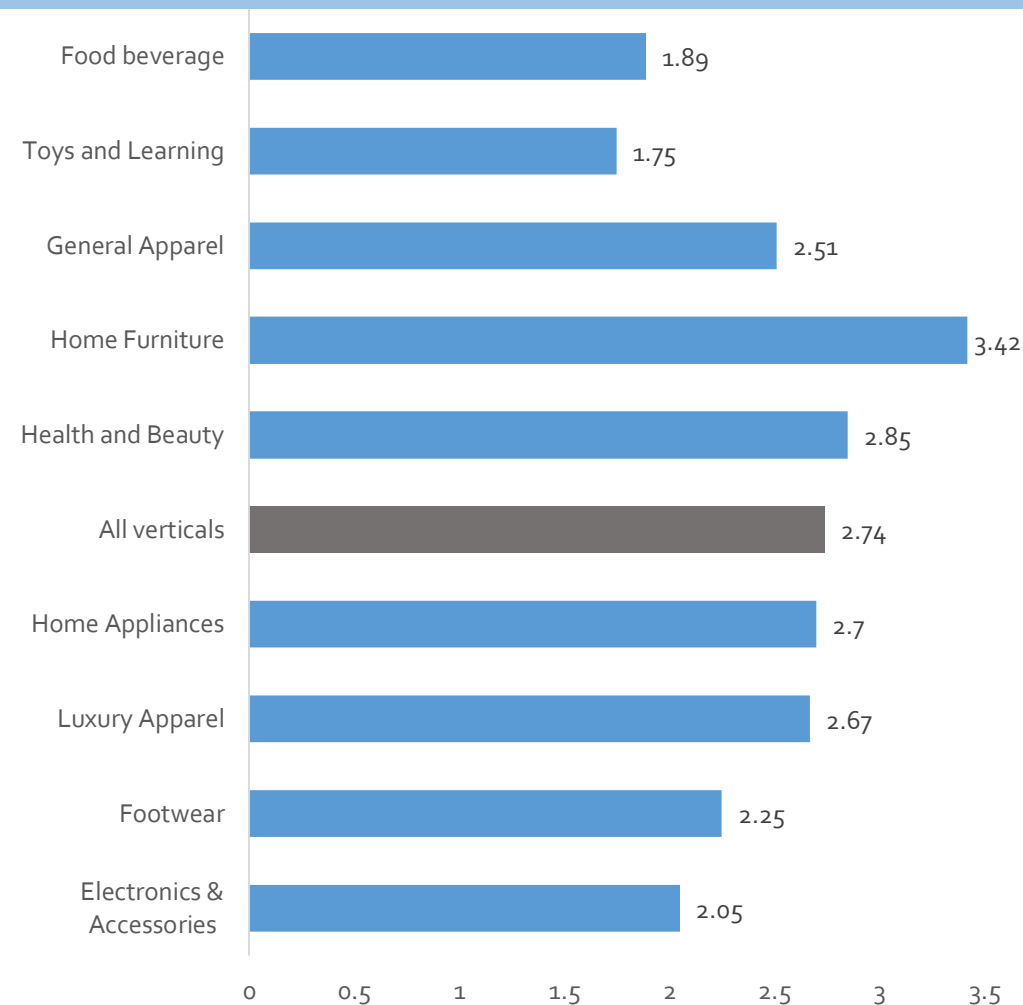
Cost of Sale Breakdown



Retail Costs vs Ecommerce costs

Parameters	Retail	E commerce
Initial Setup Cost	High	Low
Online Marketing Costs	Low	High
Warehouse & Fulfillment Costs	Low	High
Employee Costs	High	Low
Exchange, Refunds and Chargebacks	Low	High
Cost of Inventory	High	Low

Average ecommerce spending per online shopper ,2023 by category(in \$)



Companies use technology to produce online multimodal consumer experiences that more closely resemble in-person purchasing with increasingly engaging visual and audio content

Recent Developments in the Industry

Open Network for Digital Commerce

The objectives of Amazon's ONDC are closely related to the company's vision and commitment to India. These includes enabling small businesses to become digital & provide simplicity and choice to customers across the country.

Walmart Inc. launched Walmart Business

In order to support small and medium-sized enterprises as well as nonprofit clients, Walmart Inc. established Walmart Business as an eCommerce platform and consumer experience to simplify purchasing and reduce expenses.

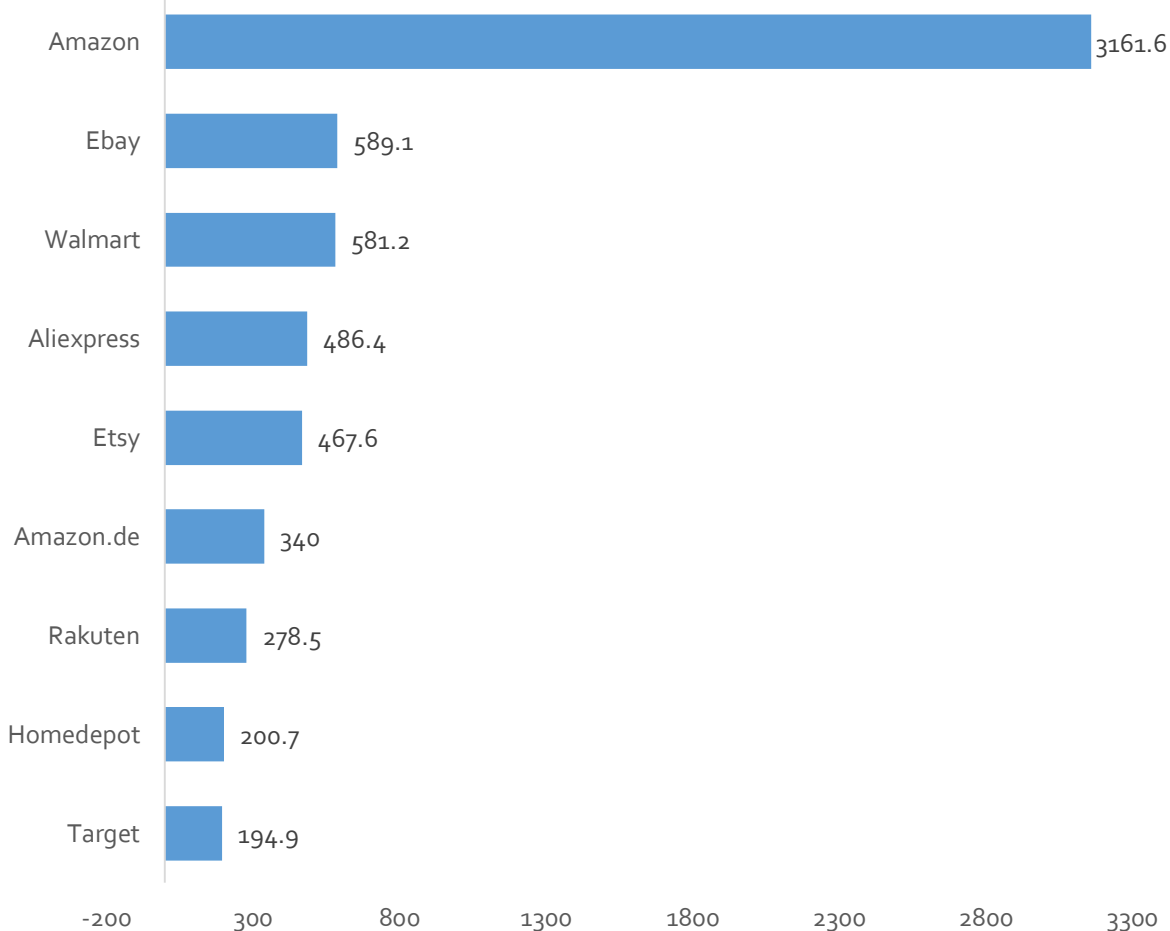
Shopify new releases uses generative AI across its operations

Now products that come in multiple variations can be purchased under one product listing and the updated model reduces the time and effort for creating new product listings with lower customer acquisition cost and improve returns on Ad spend





Apple's new Vision Pro Apps launched in stores

On February 2, Apple Inc. released the new Vision Pro in shops, and some businesses are figuring out how to use it for online sales as these strategies bring up a new front for omnichannel experiences

Most visited online retail websites worldwide 2022, by monthly traffic (in Mn visits)



Retail Ecommerce Industry- Competitive Benchmarking


Company Name	Products & Services	Active Users	Revenue(In Billions)	Marketplaces
	<ul style="list-style-type: none"> Grocery and Gourmet food Health and Personal Care Apparel and Beauty care Electronics and Kitchen Appliances Furniture and Home Décor Musical goods, sporting and books 	300 Mn+	337	200 Countries +
	<ul style="list-style-type: none"> Grocery and Kitchen essentials Beauty and Personal Care Health and Wellness Consumer electronics & appliances Furniture and Home decor Fashion and Jewelry accessories Pet food and essentials 	120 Mn+	82.1 (E-commerce)	26 Countries +
	<ul style="list-style-type: none"> Home Décor and Furniture Electronics and Kitchen Appliances Fashion and Accessories Sports goods and Equipment Business and Industrial goods Motor Parts and Accessories 	130 Mn+	9.7	100 Countries +
	<ul style="list-style-type: none"> Beauty and Personal Care Apparel and Accessories Home décor and Furniture Electronics and Home Appliances Art and Crafting Materials Health and sports goods 	1.3 Bn+	126	190 Countries +

Amazon is the third-largest brand in the world by revenue and the industry leader in e-commerce with over 300 million active users and shipping to more than 100 countries


- ▶ While millions of individuals use Amazon, billions of people are familiar with the brand. Over 89% of American consumers concur that they would prefer to purchase goods from Amazon over other online retailers as the popularity of amazon grows at a rapid rate with 50% of the US e-commerce market, more than three times the total share of its rivals
- ▶ From being just an online store, Amazon has developed into a tight-knit community where customers can purchase high-quality goods from reliable merchants..

Key Highlights

 **Founded**
1994

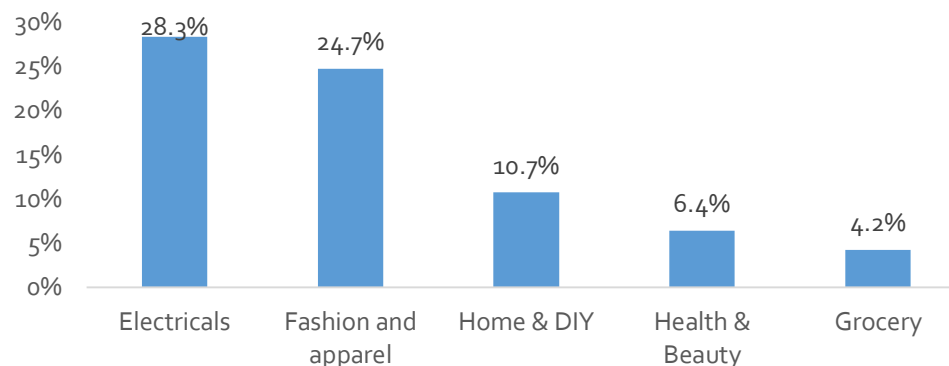
 **Headquarters**
Washington, USA

 **Employees**
1000000+

 **Revenue (2023)**
\$337 Billion

 **Website**
[LINK](#)

Best Selling Categories



Four Pillars of Growth Strategy

▶ Customer Centricity

The client experience is given top priority by Amazon in all aspects of their operations as they achieve this by continuously improving & creating new goods and services that are tailored to customer requirements

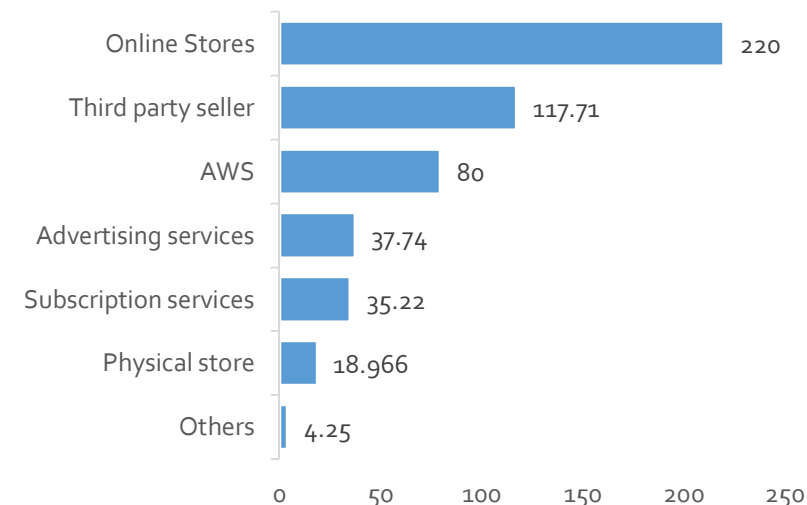
▶ Innovation

Amazon is investigating artificial intelligence and space exploration in the modern world, and its private space company is investigating new methods to provide customer service.

▶ Corporate Agility

Being flexible is key to agility, no matter how quickly or how large the company grows maintaining competitive edge in operations typically requires the ability to quickly adjust to changes & respond to them.

Amazon Revenue Breakdown by segments(in billion)



Recent Developments

- Amazon introduces Consult-a-friend, a new mobile experience that lets customers ask their friends for suggestions and advice while shopping
- India's total export revenue is expected to reach \$8 billion by 2023 thanks to the 1.25 lakh+ exporters on Amazon Global Selling.

As one of the biggest sellers of FMCG & FMCD products globally, Walmart had \$161.63 billion in sales during the second quarter of 2023 with 75 million products listed on Walmart

- ▶ With 10,500 locations in 24 countries, the retail behemoth serves over 230 million people a year with hundreds of products. In addition to selling goods from its physical locations, it also sells them online via Walmart, Sam's Club, and Flipkart, among other websites; Walmart draws consumers in by having some of the lowest pricing in the sector.
- ▶ Additionally, the business has redoubled its efforts to leverage technology, allocating over \$14 billion in FY 2022 to supplychain, automation, and customer-facing projects.

Key Highlights



Founded
1962



Headquarters
Rogers, USA



Employees
2000000+



Revenue (2023)
\$82.1 Billion



Website
[Link](#)

Strategies for E-commerce Success

- **Omnichannel retailing**

Customers may effortlessly shop online, in-store, and on their phones with Walmart's omnichannel strategy, whether clients are browsing products online or picking up an order in-store, this method of conducting business makes shopping the simplest for them.

- **Personalization and Making groups**

Since people can now purchase everything they need in one place, Walmart's e-commerce firm understands that its customers want to stock up on as many different kinds of goods as possible at good prices; these product lines and their affordable prices attract a lot of interest.

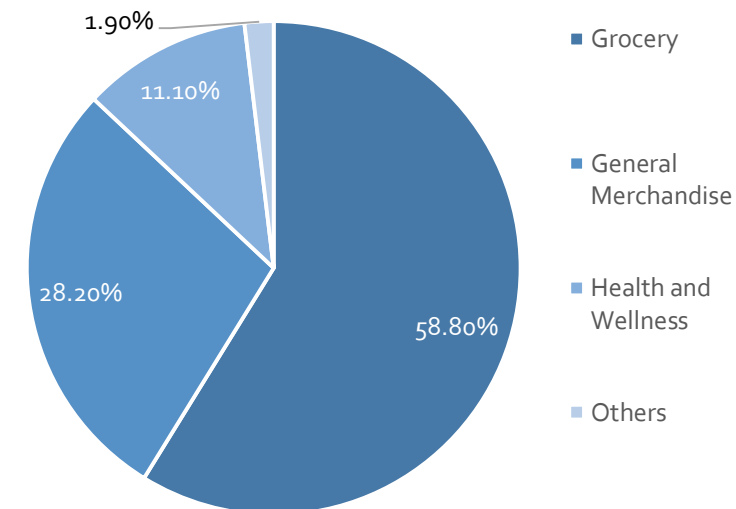
- **Value for Money**

The value that customers receive for their money is ranked #1 on the list of preference and customers are happy with the value they receive for the money they spend when they buy at Walmart which is its value proposition

Factors Driving Growth

- ▶ Large client base and operational scale enable high sales volume
- ▶ A highly effective supply chain that lowers costs & increases productivity.
- ▶ Low operational and overhead costs
- ▶ Using negotiating power to get the lowest prices from suppliers—a crucial strength for a retailer that mostly contributes to its pricing advantage.

Net Sales in the U.S by merchandise category, 2023

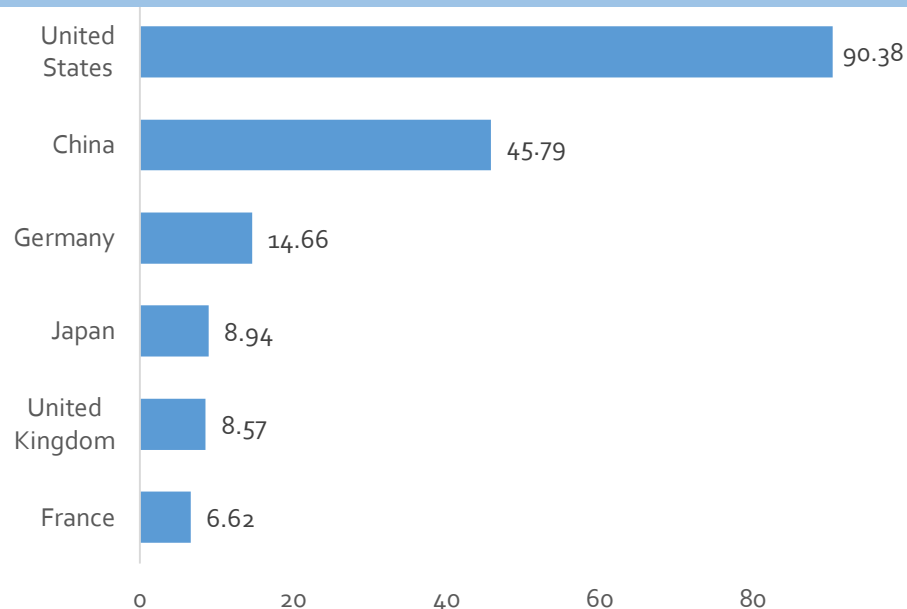


Key Acquisitions

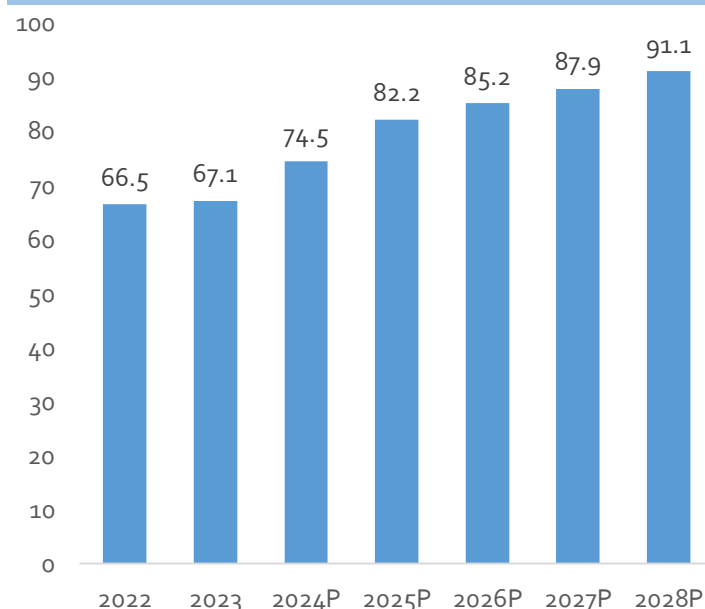
- .Asda, the British store was owned by Walmart Inc. until it was purchased by the EG group for more than GBP 6.8 billion last year.
- Walmart holds 15% of the retail business in Japan. Seiyu is believed to be valued \$13 billion and has more than 400 outlets in Japan.

The size of the worldwide e-commerce furniture and homeware industry was estimated at \$ 166.6 billion in 2020, and from 2021 to 2028, it is projected to increase at a CAGR of 7.2%

Worldwide Ecommerce Revenue Furniture Industry,2023(in billion)



Revenue of Furniture Industry in US(in billions)



Trends in Furniture Ecommerce

Augmented Reality

- It is imperative that clients make the appropriate decision from the start and here augmented reality (AR) really shines
- AR allows consumers to "try out" products before they buy them, which lowers the possibility of dissatisfaction and minimizes the need for returns.

Personalization

- It entails connecting with the clients in the appropriate setting, at the appropriate moment, and with the appropriate message
- It is gradually establishing a rapport with a client by demonstrating that provider understands their preferences and are equipped to respond to their inquiries.

Growth of D2C

- The need for a retail "middle man" has decreased as a result of new technology, changing consumer attitudes, and the success of well-run DTC firms
- DTC shopping, which takes a more personal approach and involves a brand building an emotional bond, common values, and genuine value over time

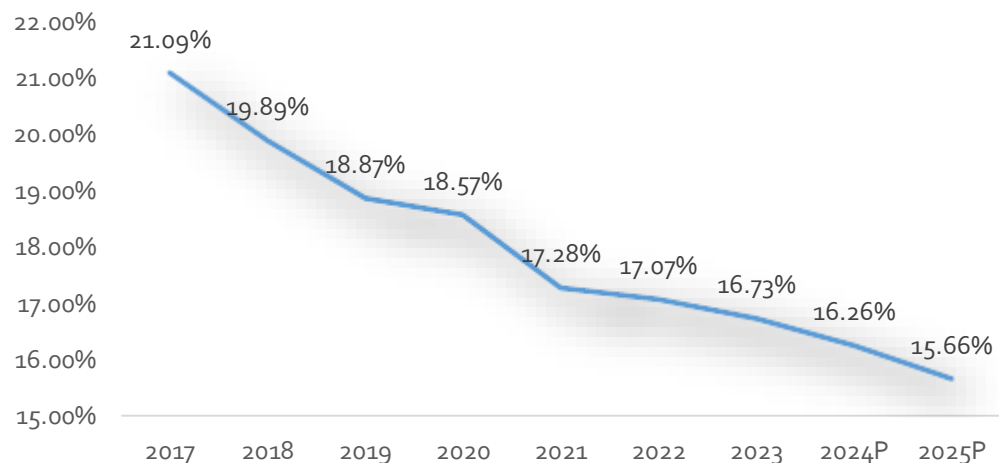
Furniture Ecommerce Revenue Worldwide,2023 by country(in billion)

- ▶ The desire for premium & luxury furniture from specific client segments, rising disposable incomes & the changing real estate landscape are some of the drivers propelling the e-commerce furniture business with spending on infrastructure development
- ▶ Over the past few years, an increasing number of families have increased the product's demand, and it is anticipated that these households will drive the market. Furthermore, the growing popularity of smart kitchens is driving market expansion by changing the way that certain consumer segments make purchases.
- ▶ Furthermore, the market for e-commerce furniture and homeware is being driven by the demand for multipurpose and adaptable furniture products that are portable and readily fit in tiny areas.
- ▶ U.S.A is projected to hold the maximum part of the home furnishings market share to highly developed regional structure

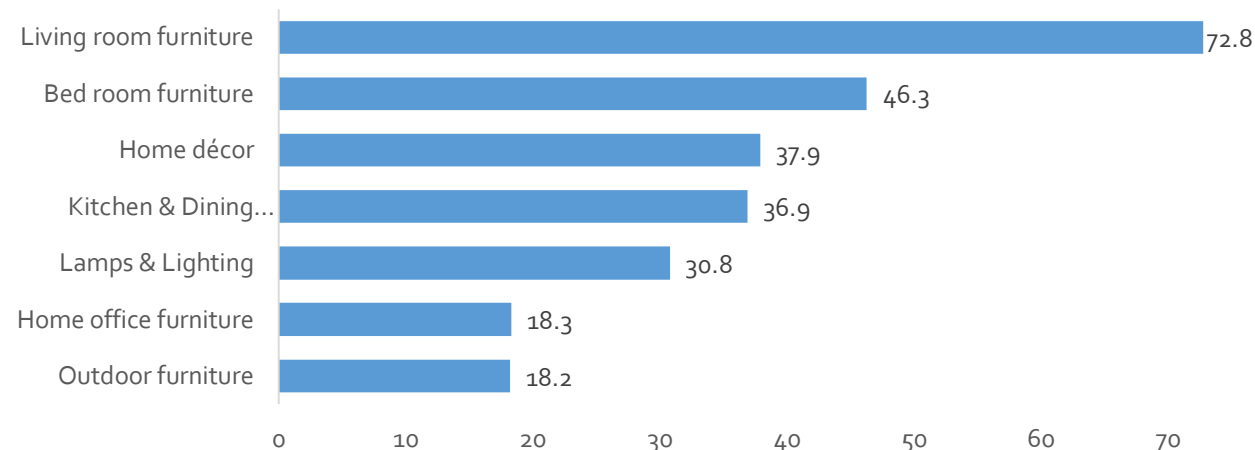
Retail Ecommerce Industry- Furniture and Homeware Segment(2/2)

The furniture & homeware eCommerce market in the U.S is expected to grow at a CAGR of 7.6% & projected to reach a volume of \$141.2 billion by 2027 over the period from 2023 - 2027

Furniture & Homeware Sales as % of total retail ecommerce sales in U.S



Revenue of Segments of furniture market, 2022



Category Wise Insights of U.S Home Furnishing Market

Furniture: Largest Segment in the U.S home furnishing market and is driven by factors such as changing designs, comfort requirements and the need for multifunctional and space saving furniture in urban areas.

Textile and Soft Furnishings: Textile and Soft furnishings include curtains, drapes, rugs, carpets etc. this segment is influenced by factors color and patterns, seasonal change and the desire to create a cozy atmosphere

Lighting Fixtures: The lighting segment includes ceiling lights, floor lamps, and other decorative lighting options. Energy-efficient and smart lighting solutions are gaining popularity in market.

Home Décor and Accessories: Home décor and accessories encompasses a wide range of items and is driven by consumer preferences for personalization, uniqueness & adding a personal touch to living spaces

Key Market Players in U.S



The global retail ecommerce market is expected to be driven by the expanding need for enhanced consumer experience with global economy and technology having a major role



The threat of new entrants is moderate because :

- ▶ Low negative effect of transferring from one provider to other
- ▶ High cost of brand development
- ▶ High economies of scale , viable for new entrants



The bargaining power of suppliers is moderate because

- ▶ Small population of suppliers to meet the needs of ecommerce businesses
- ▶ Moderate degree of control supplier have on the brands
- ▶ Limited size of businesses of manufacturers and suppliers
- ▶ Less impact of supplier prices on retail operational costs



The competitive rivalry is high in this industry because

- ▶ Large number of players and competitive rivalry
- ▶ Low barriers for consumers to switch between retailers
- ▶ High availability of substitutes



The bargaining power of buyers is high in this industry

- ▶ Low switching cost for the customers
- ▶ Access to high quality information regarding service of online retailers
- ▶ Growth in technology and entry of brick-mortar stores in ecommerce retail

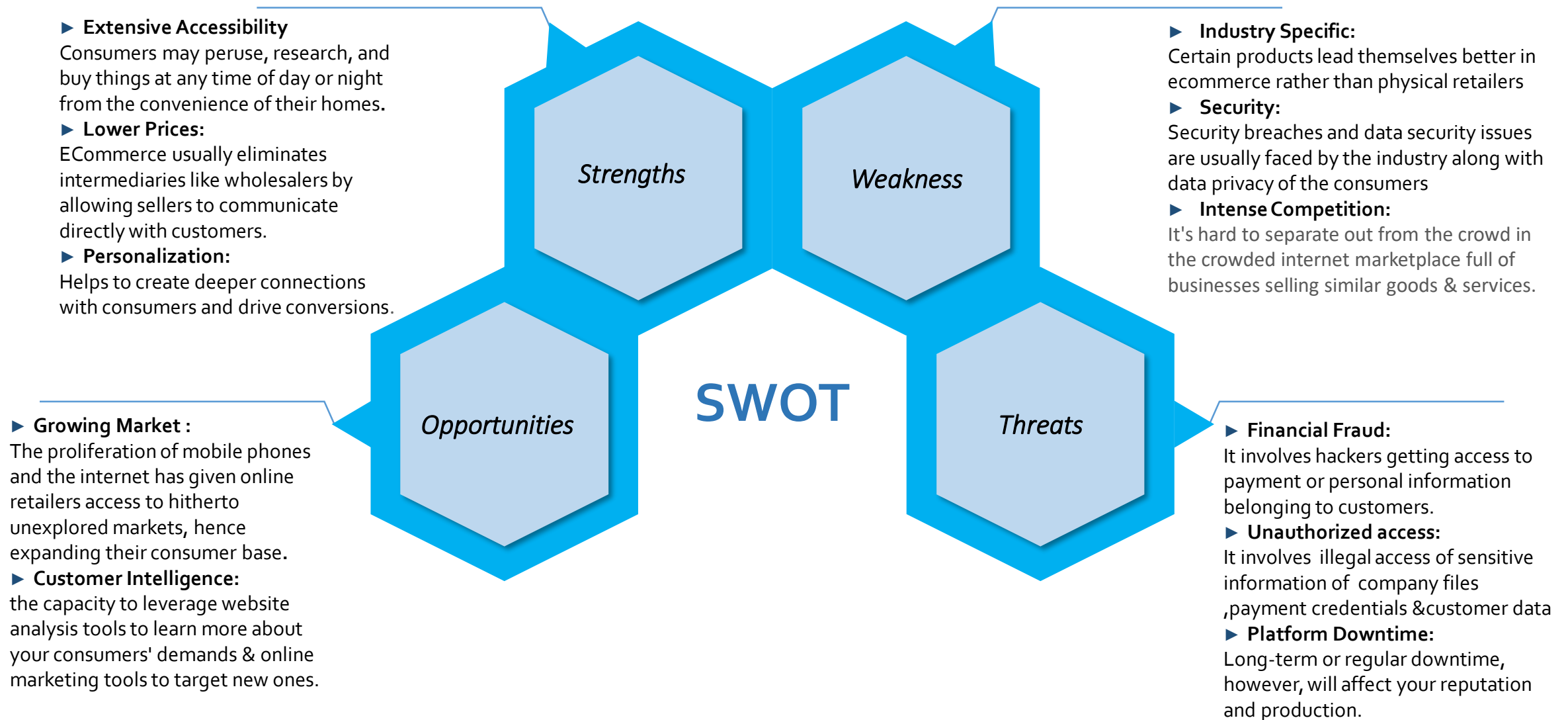


The threat of substitutes is high in this industry because

- ▶ Low switching costs for customers
- ▶ Availability of other options and low product costs
- ▶ Competitive advantage by lowering offer prices, better quality products and better customer experience



Retail Ecommerce Industry- SWOT Analysis



Retail Ecommerce Industry- Company Segmentation

Tier 1

Revenue > 10 bn



Tier 2

Revenue > 1 bn



Tier 3

Revenue < 1 bn

