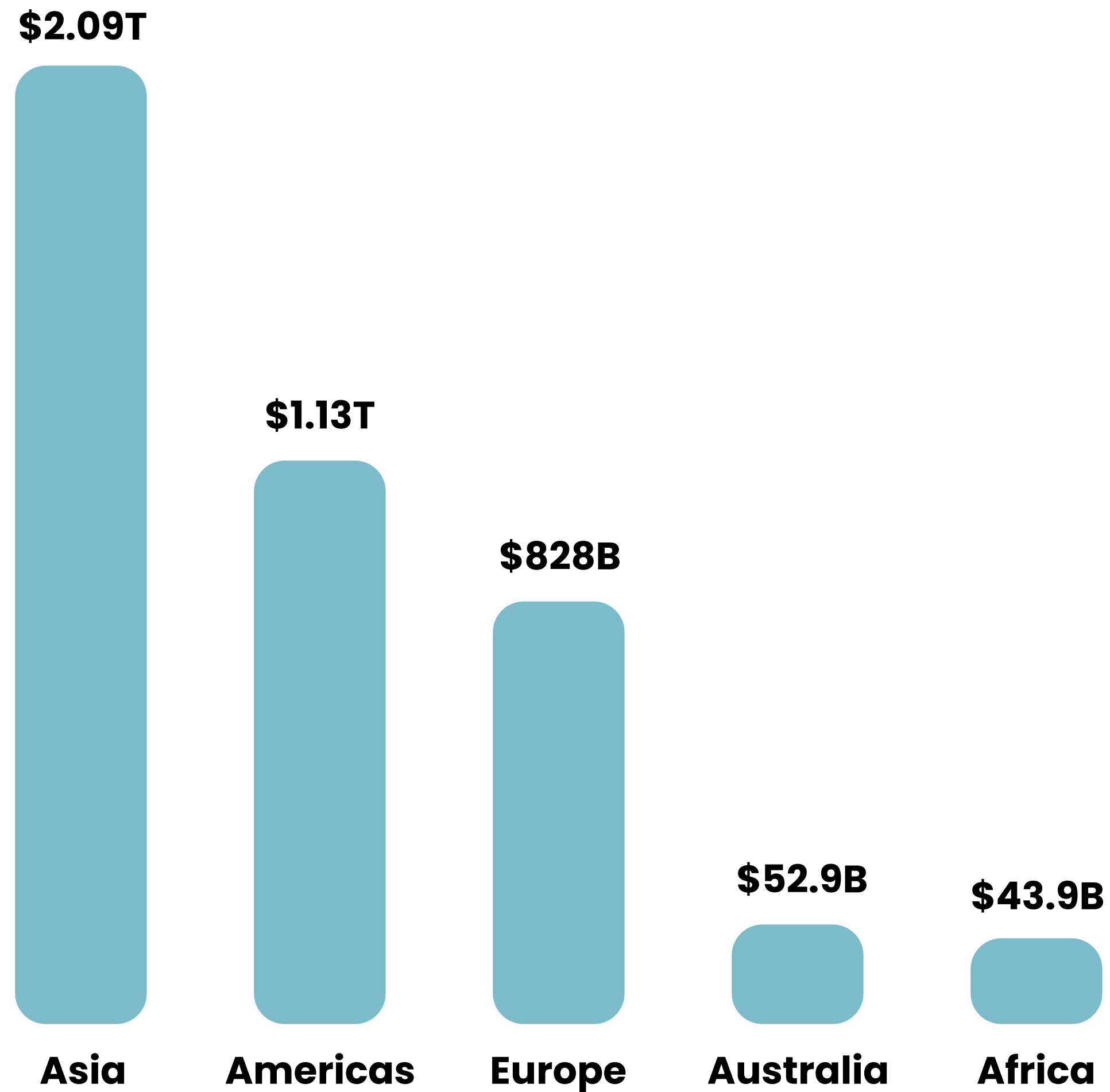# E-commerce
Industry Analysis

Claire Luo and Jessica Wang

Industry Overview

Total Retail E-Commerce Revenue Worldwide in 2022

Global CAGR: 12.24% | Projected Worth: $6.43T in 2027

Region	Revenue
Asia	$2.09T
Americas	$1.13T
Europe	$828B
Australia	$52.9B
Africa	$43.9B

Segment Drivers

★ **Innovations in Supply Chain Tech**

★ **Emergence of Social Commerce**

★ **Increase in Digital Payment Options**

Primary Subsectors

B2B

- Digital commerce **between businesses** - manufacturers, wholesalers, and retailers
- Wholesale and manufacturing segments

Major Players:
1. Amazon Business
2. Alibaba.com
3. Shopify

B2C

- Online transactions of goods/ services between a **business** and a **private consumer**
- Fashion, furniture, consumer electronics segments

Major Players:
1. Amazon
2. TMall (Alibaba)
3. Walmart

C2C

- Online transactions between **two private end users** to sell or purchase goods
- Online marketplaces; similar segments as B2C

Major Players:
1. eBAY
2. Etsy
3. Depop

Key Metrics — Industry Specific

Sales Conversion Rate

- Most important metric
- Proportion of **visitors to the site that make a purchase**
- Measures how compelling a website/product is

  CVR = (# of purchases/# of sessions) x 100

GMV

- Gross Merchandise Value
- **Total amount of merchandise** sold over a time period
- Most important for C2C companies
- Measures usage of product or website

Take Rate

- What **percent companies take from each transaction**
- e.g. Amazon has a take rate of 6% - 45%

Key Metrics — General

AOV

- Tracks the **average dollar amount spent** each time a customer places an **order** on a website or mobile app

AOV = Total Revenue/# of Orders placed

CAC

- **Amount of money** a company **spends** to get a **new customer**.
- Helps measure the **return on investment** of efforts to **grow** their clientele

CAC = Cost of Sales and Marketing/# New Customers Acquired

RCR

- Returning customer rate
- The proportion of your customers who have made **at least two purchases** during a certain **time period**
- High RCR means more loyal customers

RCR = # Repeat Customers/ Total Customers × 100

History of E-commerce

1960-1982

- **Electronic Data Interchange** was developed
- The predecessor to online shopping was created: **"Teleshopping"**

1995-2005

- **Paypal** is **founded**
- Zappos, Ritomteca, and Yahoo Stores are founded
- **70%** of internet users make **online purchases**

2010-2022

- **Online B2C** sales surpass **1 trillion USD**
- The market is expected to **grow** at a **CAGR** of **12.24%** and reaching a value of **6.43T** in **2027**

- **Minitel** offers a multi-service website, with online purchases
- **Amazon** sold its **first book**
- **eBay** was **founded**

1982-1995

- **First-ever mobile** sales
- **iTunes** is launched
- The term **"Cyber Monday"** is coined
- **Facebook** begins selling **ads**

2005-2010

Startup #1: Cazoo

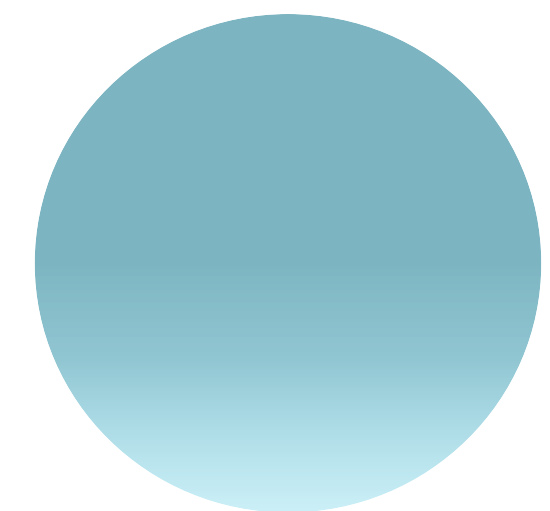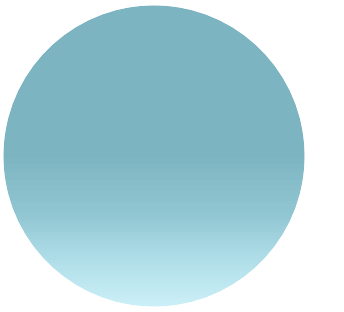## $2B total funding

Key investors:
- Mubadala
- D1 Capital

Cazoo is a deliver-based online used car marketplace that transforms the way people buy, finance, and rent used cars.

Competitive Edge:
- Mass appeal brand in a fragmented market
- Data driven
- Fully integrated model

Startup #2: Instacart
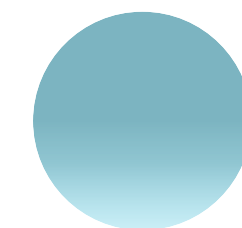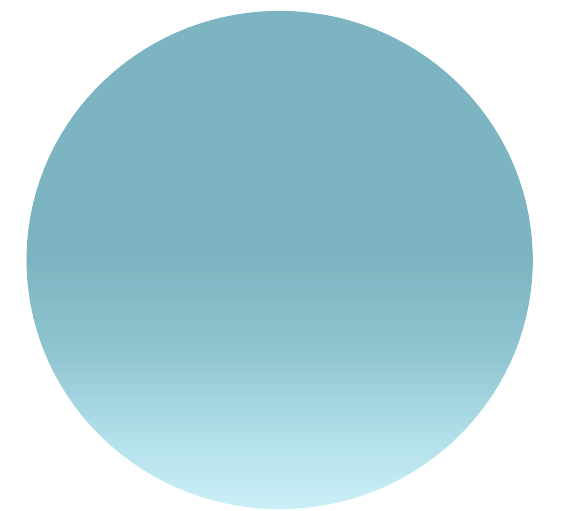
$2.6B total funding

Key investors:
- Y-combinator
- Sequoia

Instacart is an online grocery delivery and pickup service that caters to both businesses and consumers.

Competitive Edge:
- Technological supremacy
- Vast delivery network
- No need for storage

Startup #3: Italist
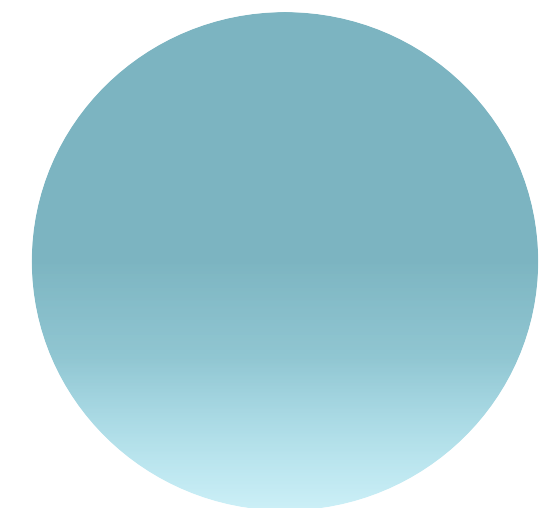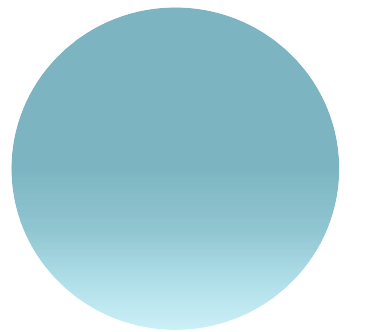
$1.1M total funding

Key investors:
- 500 Global
- Zillionize

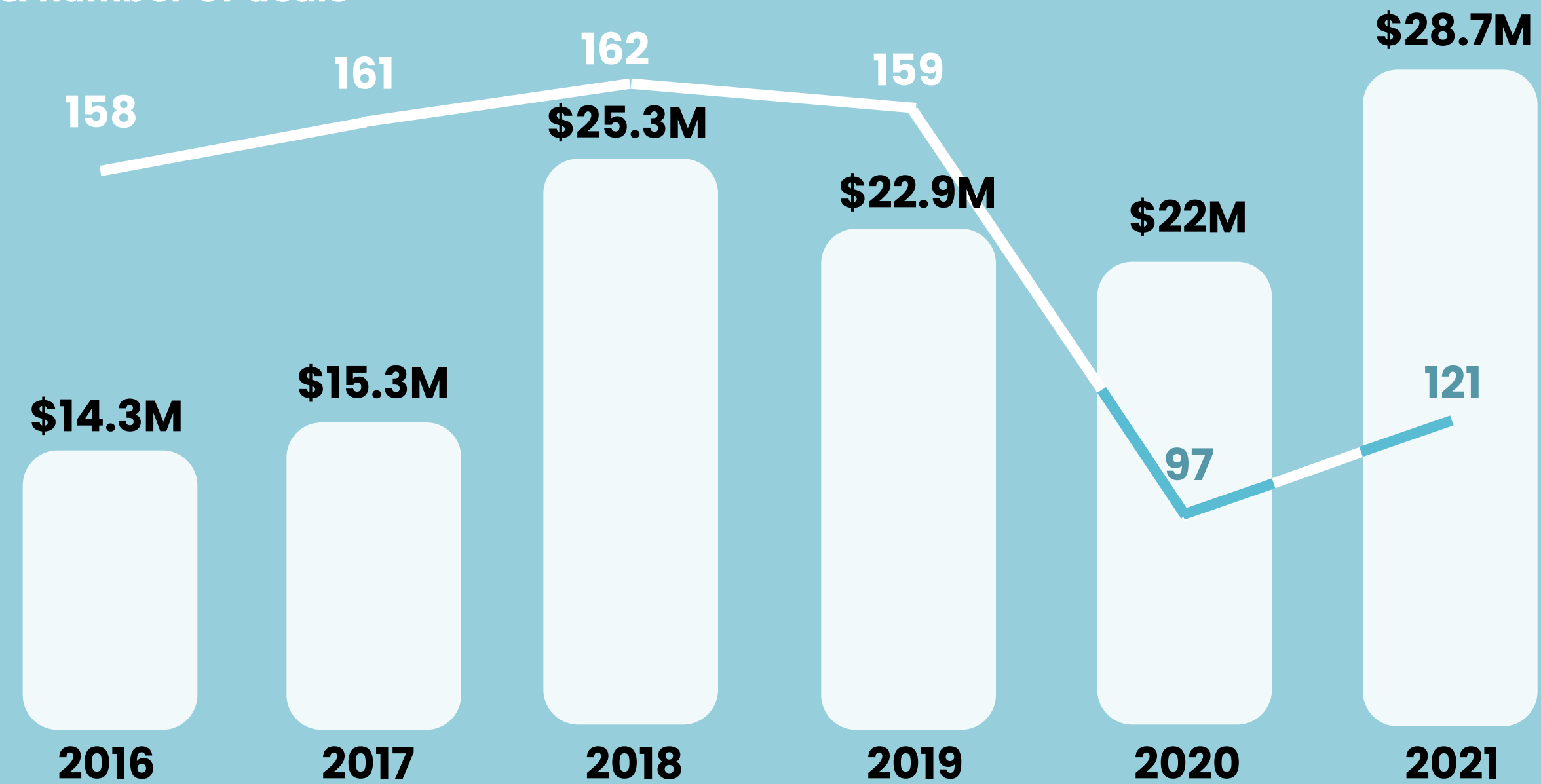**Italist offers DTC imports of luxury and designer goods exclusively from Italy.**

Competitive Edge:
- Lower Premiums for designer goods
- Rapidly growing market

Venture Capital Activity

US AVD in E-Commerce
& number of deals

158   161   162   159

$14.3M $15.3M $25.3M $22.9M $22M $28.7M

97   121

2016   2017   2018   2019   2020   2021

Key Trends

Increasing Wariness
The past few years have seen notable startups that have had disappointing IPOs. Such unicorns have operational costs that are too high, which has been adopted as a red flag for current VCs.

Zero-Party Data Collection
As the consumer market grows to prioritize privacy, VC companies have been putting an emphasis on startups that only collect zero-party data.

Notable Events

Salsify, a provider of tools for retailers and brands to beef up their e-commerce presence, closed on a $200 million Series F round in April at a $2 billion valuation.

Austin-based **Cart.com**, developer of a platform for brands to accelerate growth, raised $240 million in a February debt and equity round.

Utah-based **Route**, a provider of package-tracking tools for online orders, raised $200 million in a January Series B at a $1.25 billion valuation.
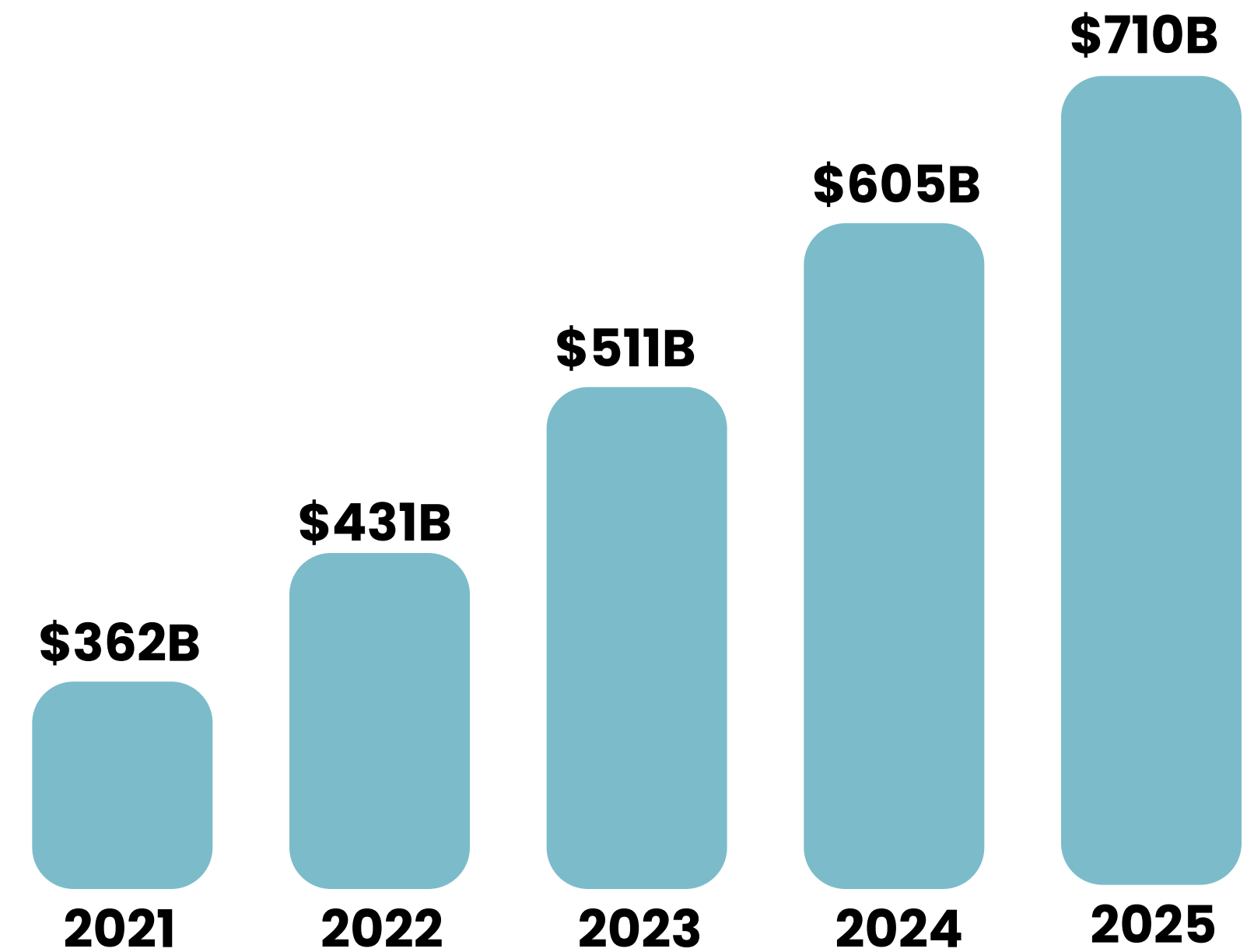
Future

Customers will shop more on mobile devices

•

48%

of all Online Black Friday purchases were from a phone

•

Due to social commerce, mobile payments, and text messaging, consumers are finding it more convenient and engaging to shop on their mobile devices

Mobile Retail E-commerce Sales in the US

Year	Sales
2021	$362B
2022	$431B
2023	$511B
2024	$605B
2025	$710B

Future

Businesses will put more focus on **first-party data**

Companies will more likely use more first-party data to earn trust and loyalty

- ☑ Surveys
- ☑ Questionnaires
- ☑ Feedback forms
- ☑ Customer profiles

54%

of shoppers say they're open to sharing shopping preferences to get personalized offers

Effectively employing first-party data can lead to...

2.9x

increase in revenue

1.5x

increase in savings

Future

More shoppers and merchants will use **buy now, pay later** services

•

78%

increase of BNPL on Black Friday from a week before

•

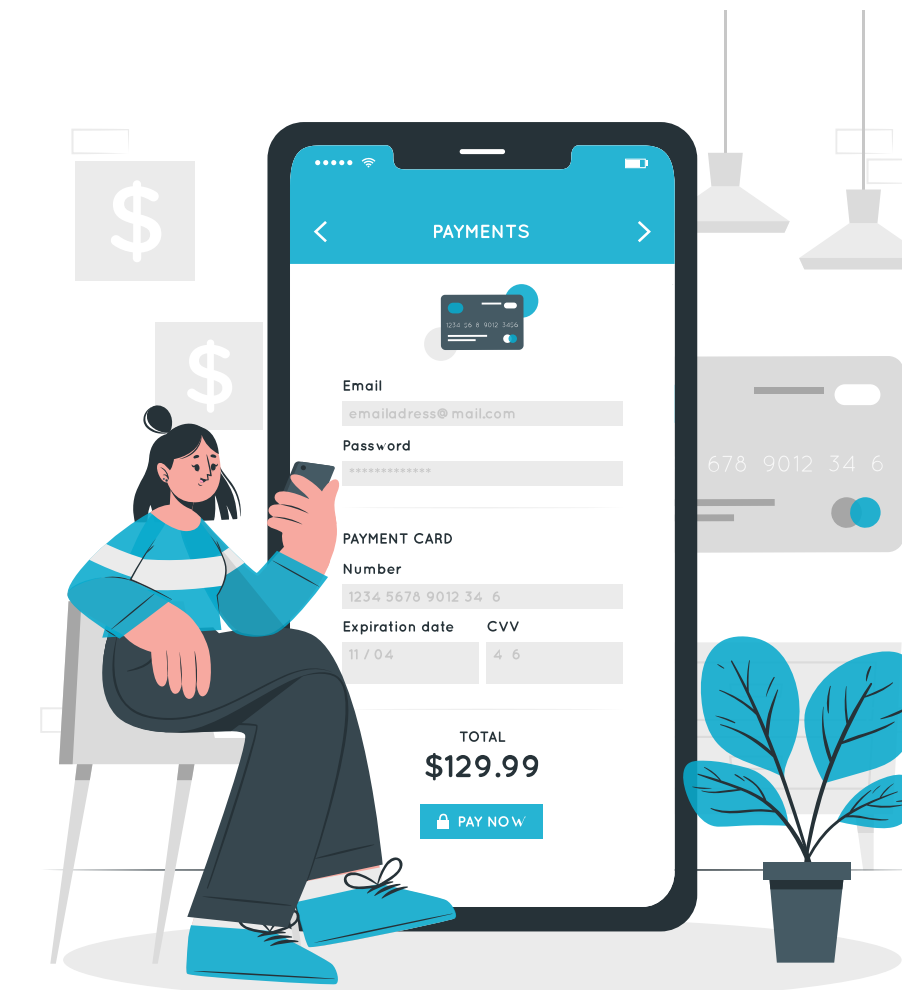The buy now, pay later (BNPL) service appeals to many consumers who want to spread out and avoid interest payments

$80B

estimated worth of BNPL purchases in 2022
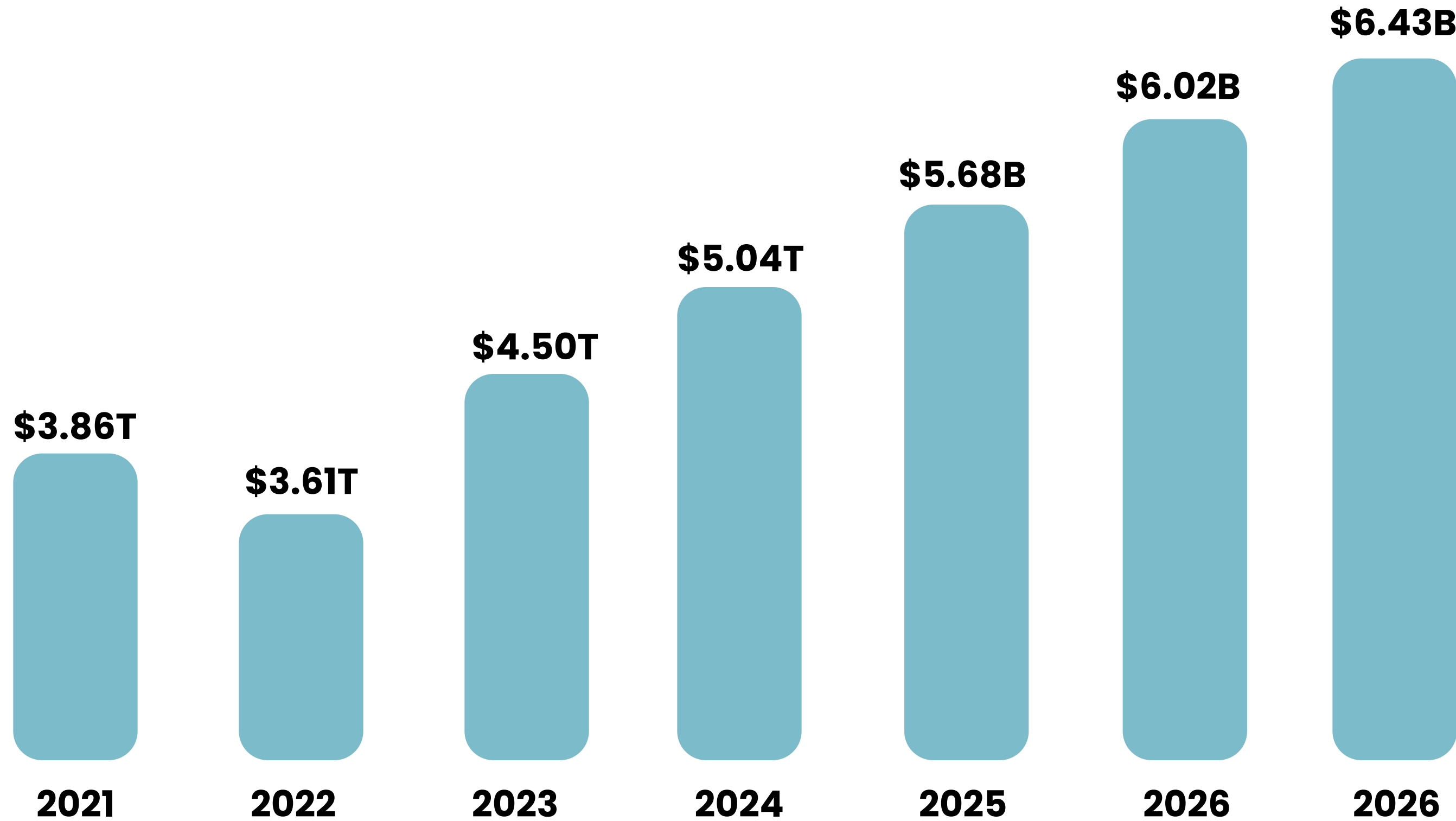
$120B

worth of BNPL e-commerce transactions by 2024 (10%)

Overall, lowers the barrier for consumers to buy products and thus, encourages higher spending across the board

Investment Thesis

Global CAGR: 12.24% | Projected Worth: $6.43T in 2027

Bar chart:
- 2021: $3.86T
- 2022: $3.61T
- 2023: $4.50T
- 2024: $5.04T
- 2025: $5.68B
- 2026: $6.02B
- 2026: $6.43B

Rationales

★ **The Omnichannel Standard**
A larger potential audience on the internet stimulates businesses to add an e-business stream of revenue--now, it is standard to expect a company to be available on the internet.

★ **New Innovations**
Trends like the emergence of social media commerce, and digital wallets are encouraging higher spending, especially amongst younger generations

★ **Acceleration of Adoption**
Due to changes in internet demographics and macroeconomic factors, it is likely that the rate of internet penetration of this market increases in the next decade.

Questions?