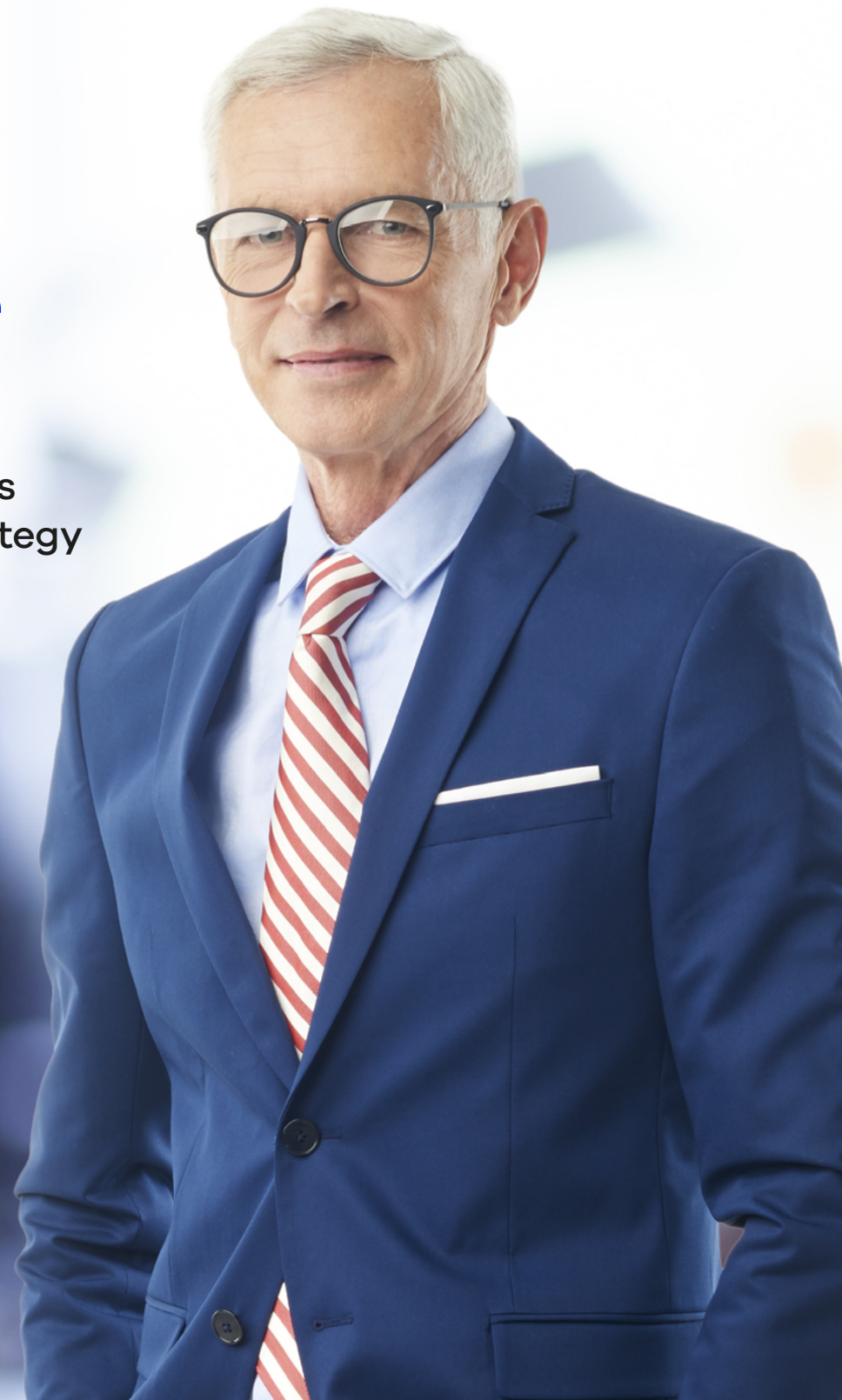


# Sellercloud Annual Trends and First-Party E-commerce Growth Report

Direct-to-consumer (D2C) e-commerce sales proving to be an increasingly profitable strategy



# Pandemic-driven e-commerce has changed online consumer patterns

As we explained in our Sellercloud Multi-Channel Sales & Fulfillment Trends Report this July,<sup>1</sup> the COVID-19 pandemic has generated a significant omnichannel expansion in the e-commerce industry. Online spending in May hit \$82.5 billion, marking a 77% year-over-year increase - growth that, under normal circumstances, would have likely taken 4-6 years to achieve.<sup>2</sup>

Online spending hit  
**\$82.5 billion**  
in May

Just as noteworthy has been the continued diversification of customers' online shopping habits. As larger marketplaces like Amazon (namely products shipped through its FBA service) and Walmart faced unprecedented fulfillment delays, online shoppers demonstrated an increased willingness to branch out into other marketplaces - including seeking out direct-to-consumer (D2C) options.<sup>3</sup>

Throughout the pandemic, e-commerce sellers with the ability and willingness to



adopt multi-channel strategies in their supply chain, sales, and distribution operations were able to pivot and, in some cases, not just survive, but thrive. While for many businesses this meant adding additional third party (3P) sales channels into their approach, many also adopted new (or bolstered existing) first-party (1P) online sales channels with great success. This is not a trend we see being re-

versed in a post-pandemic market. Moving forward, this diversified, omnichannel approach to e-commerce will put businesses at the forefront of the new online customer landscape. The bottom line is, first-party (1P) and D2C sales channels - both of which have shown tremendous growth in 2020 - should remain a crucial component of any business's e-commerce strategy now and into the future.



# Consumer behaviors are evolving

Much of what is driving this changing e-commerce landscape has more to do with buyers than it does sellers. On the customer side of the equation, the combination of limited access to safe brick-and-mortar shopping options and depleted stock levels has generated an increase in consumer willingness to make purchases online.<sup>4</sup> Furthermore, the normalization of contactless transactions using services like PayPal and smartphone payment apps is diminishing the negative stigmas about the safety and practicality of digital payment methods.<sup>5</sup> Both of these shifts are clear posi-

tives for the future prospects of e-commerce industry growth.

What's more, the combination of factors like stock shortages, online fulfillment delays, and price gouging have created notable changes in consumer behavior - changes that are projected to last well beyond the pandemic. According to surveys conducted by the global marketing experts at McKinsey & Company, US customers are showing positive growth in their expectation to make purchases online post-COVID-19 in areas such as food and grocery, apparel, household

goods, entertainment, and health and wellness.<sup>6</sup>

It's not just where customers are shopping that is changing, their overall shopping attitudes are transforming as well. 75% of surveyed US consumers reported a change in their shopping behavior such as trying a new retailer or brand - primarily in pursuit of better value, convenience, and availability. Of particular note is that 73%-80% of respondents said they intended to continue their COVID-19-inspired shopping behaviors post pandemic.<sup>7</sup>



**73%-80%**  
of those surveyed plan to  
maintain new shopping habits

# What consumer trends mean for D2C e-commerce sales

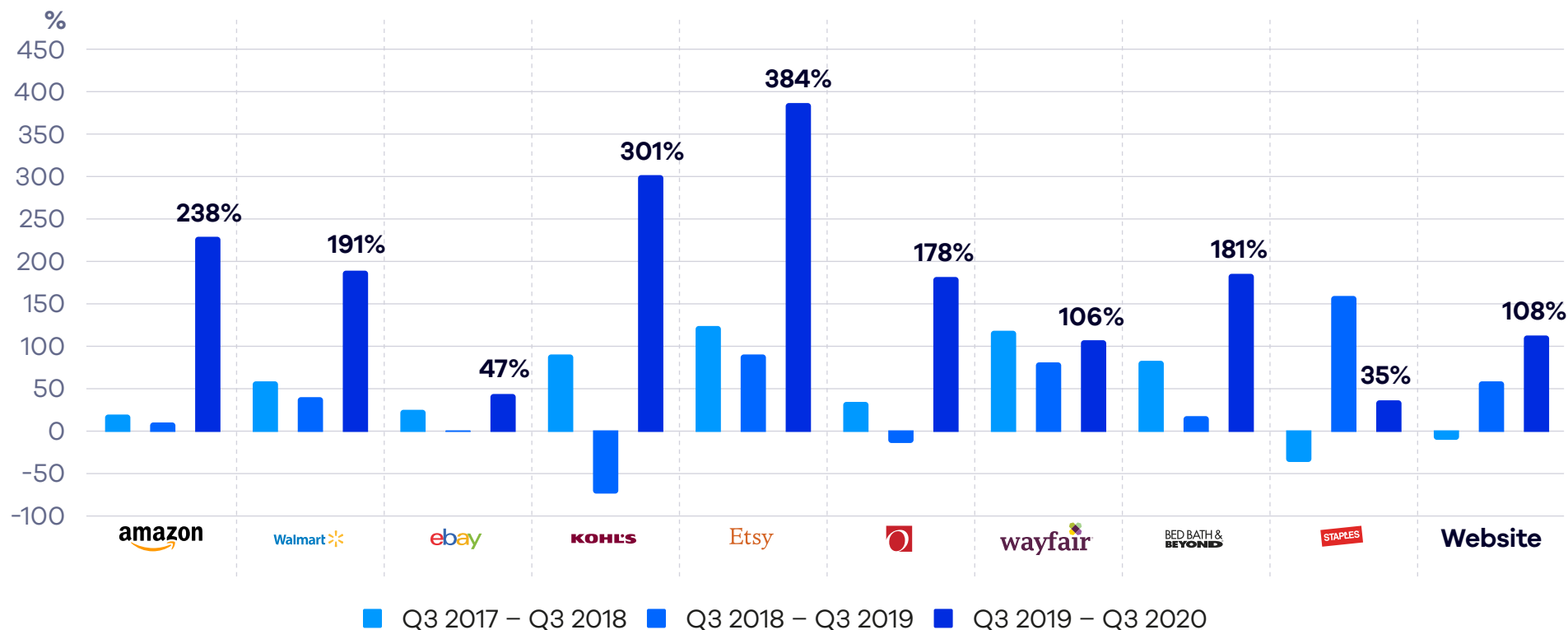
It is clear the e-commerce industry as a whole is evolving. Not only are customers flocking to online retailers, they are also branching out beyond the websites of the largest e-commerce marketplaces. While Amazon's Q3 Year-Over-Year (YOY) growth from 2019 to 2020 is certainly undeniable (Sellercloud

users recorded nearly a 240% increase in total order volume over that span), smaller marketplaces and 1P sales channels also experienced significant increases.

For instance, despite a decline in total orders from Q3 2018 to Q3 2019, Sellercloud

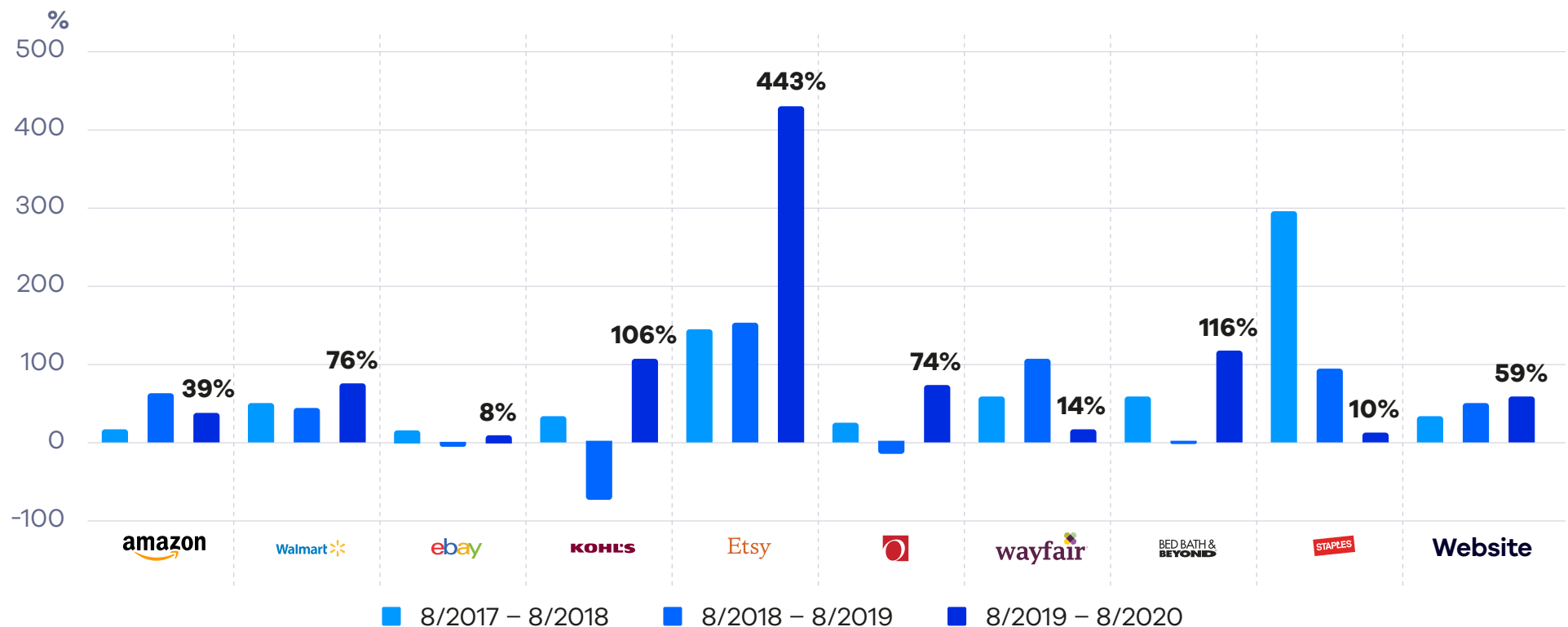
users saw over a 300% increase in total orders from Kohl's customers Year-Over-Year from Q3 2019 to Q3 2020. Independent seller marketplace Etsy has seen steady YOY gains over the past three years, but total orders spiked 384% for Sellercloud users from Q3 2019-2020.

**PERCENTAGE CHANGE IN TOTAL Q3 ORDERS YEAR-OVER-YEAR**  
for 600 Sellercloud accounts



\*To note, 'Amazon' denotes Amazon Fulfillment by Merchant and 'Walmart' denotes Walmart Marketplace

## PERCENTAGE CHANGE IN AUGUST GMV YEAR-OVER-YEAR for 600 Sellercloud accounts



\*To note, 'Amazon' denotes Amazon Fulfillment by Merchant and 'Walmart' denotes Walmart Marketplace

Etsy is not alone. Smaller marketplaces like Kohl's, Overstock, and Bed Bath & Beyond exhibit trends similar to industry leaders Amazon Marketplace and Walmart Marketplace - a YOY decline in the rate of total order growth Q3 2018-2019 followed by a significant YOY boost Q3 2019-2020. Similarly, 1P and D2C sales channels Overstock, Wayfair, Bed Bath & Beyond, and Staples all saw positive gains in their total order growth rate over that same span.

Similar positive trends are also evident when examining revenue growth. Looking at August Gross Market Value (GMV) Year-Over-Year (YOY), 2020 represents positive gains in revenue across both 1P and 3P channels. Amazon, Wayfair, and Staples were all able to continue to build on GMT gains made in August 2018 and August 2019 despite pandemic-related disruptions. At the same time, smaller 3P marketplaces like Kohl's and Etsy as well

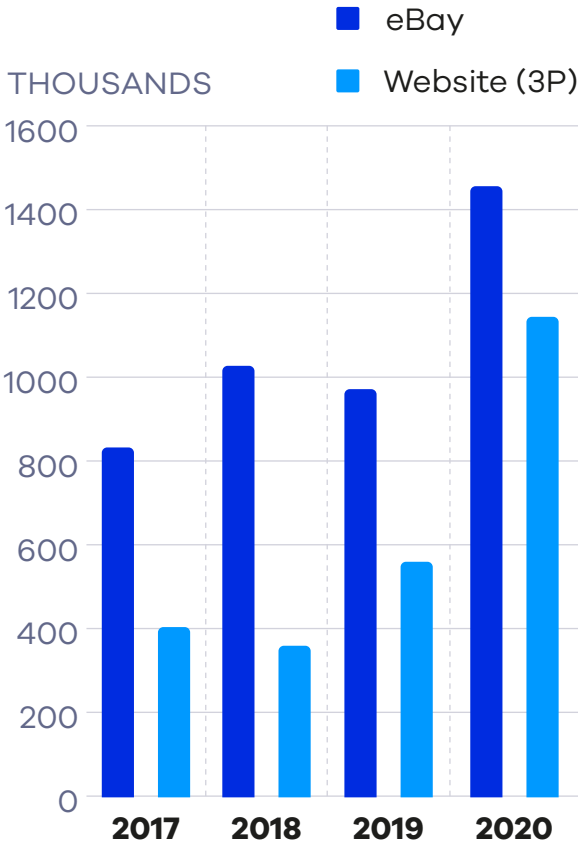
as 1P channels like Overstock and Bed Bath & Beyond saw sizable GMT boosts in August 2020 over August of the previous year.

Furthermore, direct website sales are also performing well for Sellercloud customers. Looking at Q3 order totals for the past 4 years, Q3 2020 saw total website sales that actually surpassed eBay's total Q3 sales each of the previous 3 years.

These are all clear indicators that the current e-commerce boom is not limited to the largest, most trafficked marketplaces. As customers continue to expand their purchasing horizons, 1P and 3P channels of all sizes are proving that they can bring real value as part of an omnichannel sales strategy. This moment represents a crucial opportunity for sellers to capitalize on.

### TOTAL Q3 ORDERS YEAR-OVER-YEAR

for 600 Sellercloud accounts



” This moment represents a crucial opportunity for sellers



# Finding similar trends across Amazon's and Walmart's 1P and 3P channels

While the growth of 1P and 3P channels at the macro-level of the e-commerce industry show promising trends for sellers, similar trends bear out at the micro-level within larger e-commerce corporations. As mentioned previously, retail titans Amazon and Walmart saw significant YOY e-commerce growth in Q3 2020. However, there is more to the story of how that growth occurred.

Each company offers multiple channels for sellers - both 1P and 3P. While they all fall under their respective corporate umbrellas, comparisons across these internal channels provides interesting insights into the larger e-commerce landscape.

Amazon offers sellers several options:

- **Amazon Marketplace** is Amazon's traditional 3P marketplace. Sellers list and price products, then ship them to customers once they sell.
- **Fulfillment by Amazon (FBA)** operates as part of Amazon Marketplace. 3P sellers list and price items and ship merchandise to Amazon fulfillment centers instead of directly to customers.
- **Vendor Central Direct Fulfillment (formerly Dropship Central)** is a 1P sales channel where Amazon sets the price for a product and then purchases

es the product directly from the supplier once a marketplace sale is made.

- **Vendor Central** is another 1P sales channel where Amazon purchases merchandise in bulk from a supplier and then controls the pricing, sale, and shipping of said merchandise to customers.

Walmart also offers a blend of 1P and 3P e-commerce opportunities for sellers.

- **Walmart Marketplace** is Walmart's traditional 3P marketplace. Sellers list and price products, then ship them to customers once they sell.
- **Walmart Dropship Vendor** is a 1P sales program whereby when a product is sold on Walmart Marketplace, the supplier is then paid to ship the merchandise directly to the buyer or specified brick-and-mortar Walmart location.
- **Walmart Warehouse Supplier** is a bulk 1P sales program. Walmart purchases a volume of merchandise from a supplier. This merchandise is then sold through to Walmart customers online and in store.

By breaking down the differences between the YOY growth of these channels, many of the broader industry trends once again rise to the surface.



Walmart DSV saw year  
over year growth of  
**204%**  
in 2020

Analyzing the discrepancies between the channels offers additional insights into the increasing viability of 1P and D2C sales. To start with, Sellercloud data suggests Amazon's and Walmart's dropshipping channels continued to thrive and produce strong YOY growth even through the pandemic (despite logistical challenges). Total orders for Sellercloud users through Amazon's Vendor Central Direct Fulfillment grew in Q3 YOY by 228%, 111%, and 237% in 2018, 2019, and 2020 respectively. Similarly, Walmart DSV saw 65%, 96%, and 204% over the same intervals.

By comparison, while FBA still accounted for just over half of all Amazon-related GMV generated by Sellercloud users in August of 2020, this was down from August 2019 where FBA represented nearly two-thirds of all Amazon related GMV. FBA was also the only Amazon channel to experience a decline in Q3 YOY total order growth rate.

Much has been made of the 3P fulfillment woes caused by the pandemic (particularly in regards to FBA), but the fact that dropshipping continues to grow in viability even through the pandemic is noteworthy. This echoes long-term market forecasts which remain positive for the dropshipping industry as a whole.<sup>8</sup> After generating \$44 billion in 2019, industry intelligence researchers The Insight Partners project the dropshipping market to reach \$591.77 billion by 2027 with a compound annual growth rate of 18.3% over that span.<sup>9</sup>

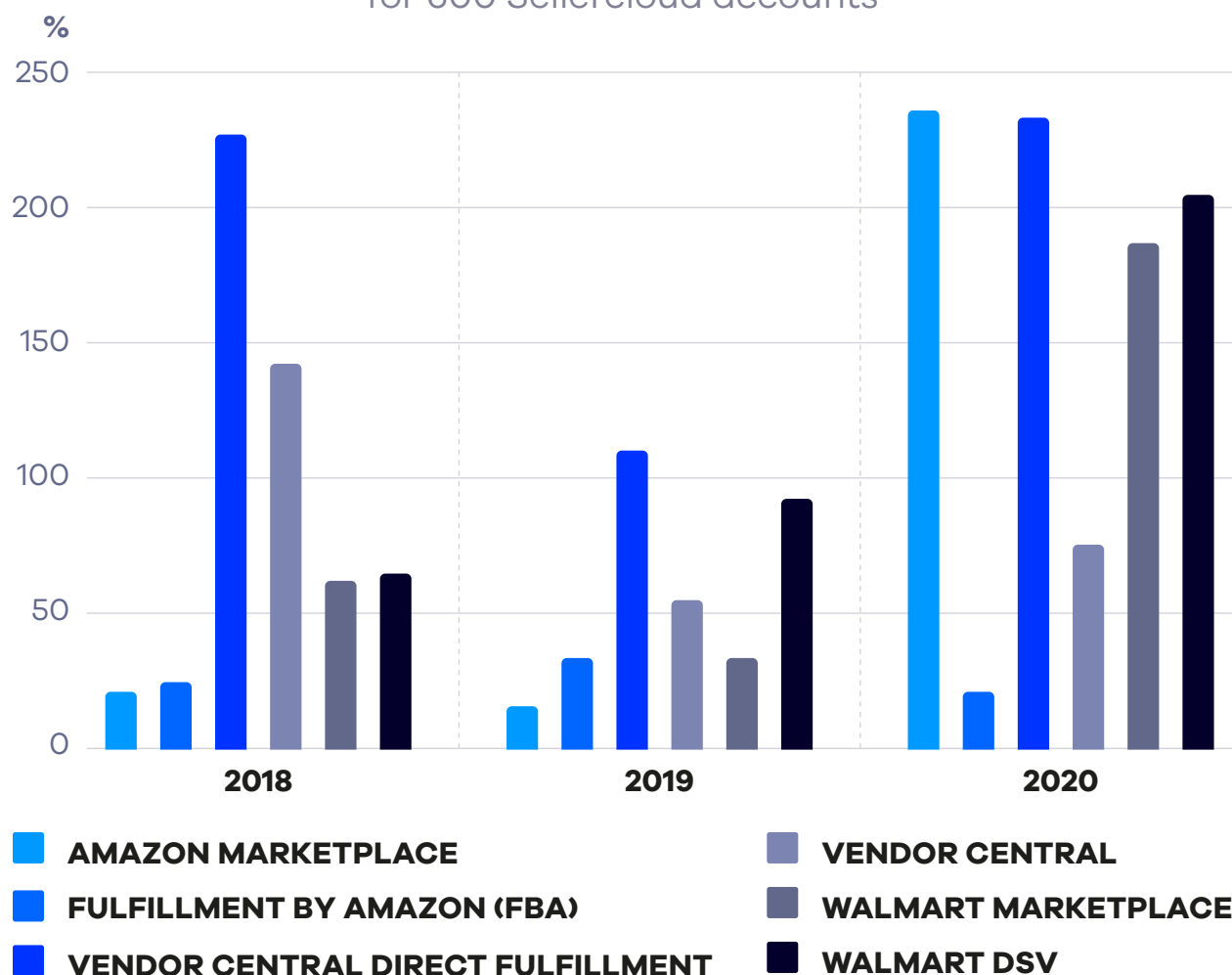
Furthermore, e-commerce sellers looking to expand their reach are taking notice. In a recent report from the Fiverr's Small Business Needs Index, the term "dropship-

ping" has led the list as the fastest growing small-business-related search over the past six months with a 319% increase in search volume.<sup>10</sup> For many sellers, dropshipping – whether through the opportu-

nities afforded by Walmart and Amazon or through other, smaller marketplaces – is proving to be a growing and profitable addition to a multi-channel e-commerce business plan.

## PERCENTAGE CHANGE IN TOTAL Q3 ORDERS YEAR-OVER-YEAR

for 600 Sellercloud accounts





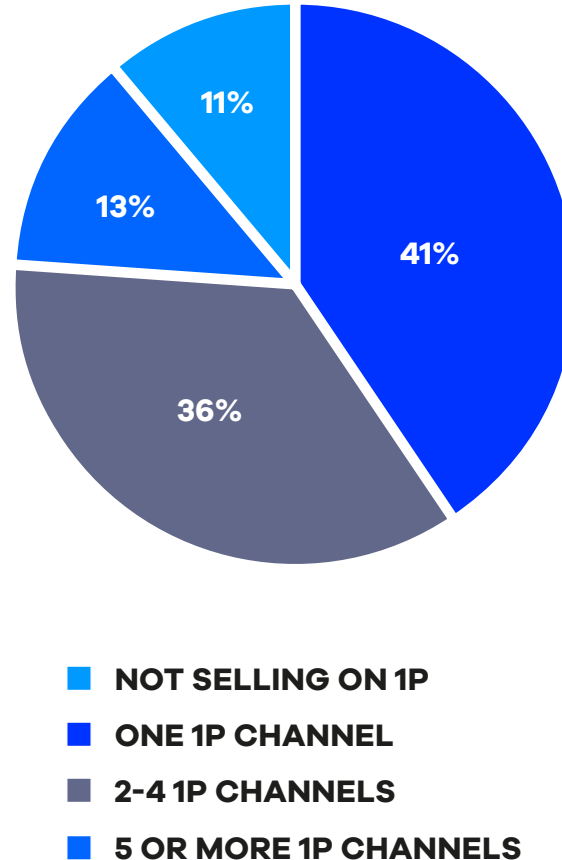
# First-party sales are now an essential part of a diversified e-commerce strategy

Just as industry analysts remain bullish that 2020's significant e-commerce gains will be permanent, so should e-commerce sellers remain optimistic about the prospects of 1P sales. With financial stalwarts like Baron's asserting the e-commerce "genie is now out of the bottle",<sup>1</sup> businesses need to be sure they are in the best possible positions to compete for customers in this burgeoning sea of e-commerce potential.

Just as the aforementioned general consumer attitudes and behaviors are likely to endure in a post-pandemic economy, D2C e-commerce should also remain viable. Whether it's expanding into 1P marketplace channels like Overstock or Wayfair, taking advantage of 1P dropshipping opportunities on 3P marketplaces, or the addition of Shopping Cart and 1P website partners into a businesses' planning, there are plenty of ways to add 1P options into a multi-channel e-commerce strategy. As the YOY trends demonstrate, customers are willing to branch out across the internet to find the best products, prices, and service - now more than ever before. A business's success or failure rests solely on its ability to put its merchandise in front of those customers and reliably fulfill their orders. A strong, 1P presence increases exposure, and thus increases the odds of generating orders.

The importance of 1P sales channels as a

**SELLERCLOUD  
CLIENTS SELLING ON 1P  
CHANNELS**



part of an omnichannel e-commerce business plan is reflected in the selling patterns of Sellercloud users. 89% of all Sellercloud customers sell on at least one first-party sales channel. 48% sell on 2 or more.

Now, Sellercloud being an omnichannel e-commerce solution platform may naturally produce data that skews towards multi-channel sellers. That said, there is something to be said for the fact that the vast majority of our users continue to leverage the platform to conduct business reliably across both 3P and 1P channels - a proven, growth-forward strategy in this era of marketplace and industry expansion.



# Takeaways: The time is now to grow and hone your first-party sales presence

For years, our advice has been<sup>12</sup> (and continues to be) that diversified e-commerce businesses offer the greatest opportunities for both growth and success particularly across 3P and 1P channels. This message holds even more weight in light of the way 2020 has played out thus far. Unprecedented YOY growth across a wide array of marketplaces and digital storefronts reflects a dramatic evolution in the way people shop.

With customers demonstrating a willingness to branch out beyond the largest marketplaces, there are dynamically expanding opportunities for sellers on smaller, niche, and 1P sales channels. In particular, Q3 2020 has shown that these 1P sales channels are especially valuable and represent a unique pathway to expanding a seller's reach.

In the current climate and beyond, e-commerce diversification will continue to be essential. Furthermore, blending 1P and 3P sales channels will be vital to capturing a customer base that has grown more savvy, adventurous, and opportunistic in their purchasing patterns. To do so, a reliable and feature-rich e-commerce platform will remain a crucial component in serving customers across a growing stable of channels.



# Incorporating a first-party sales strategy into your e-commerce business model with Sellercloud

As a truly omnichannel management platform, Sellercloud ensures that 1P and 3P channels can all coexist within the same inventory, warehousing, shipping, and tracking workflows. What's more, adding new marketplaces and channels into existing workflows is made simpler by both a cadre of over 120+ API- and EDI-level integrations with leading e-commerce partners as well as a responsive and agile support team ready to help you onboard new ones.

Sellercloud is truly an all-in-one, end-to-end e-commerce solution offering a host

of convenient and dependable features:

- **Fully-synched inventory management** – Low-stock notifications, automated reordering, dynamic warehouse management, and end-to-end inventory tracking give you peace of mind knowing that your merchandise is always where it is supposed to be.
- **Integrations with numerous major channels, business systems, and logistics providers** – Rapidly expand your online presence across multiple marketplaces (both 1P and 3P) and distribution channels while also gain-

ing complete visibility into metrics that matter.

- **Multi-channel catalog tools** – Create, adjust, and optimize your listings from one convenient database that seamlessly integrates across an extensive list of integrated channels.
- **Customizable workflows** – Easily create workflows to meet your business's unique needs across all the channels where you sell and between all the software and cloud-based systems you rely on.



# Glossary

- <sup>1</sup> <https://sellercloud.com/press-releases/fulfillment-by-amazon-fba-impacted-by-covid19-mid-year-2020-sellercloud-report>
- <sup>2</sup> <https://www.forbes.com/sites/johnkoetsier/2020/06/12/covid-19-accelerated-e-commerce-growth-4-to-6-years/#23282257600f>
- <sup>3</sup> <https://www.cnbc.com/2020/05/14/amazon-shipping-delays-level-the-playing-field-for-e-commerce.html>
- <sup>4</sup> <https://www.ecommercetimes.com/story/86785.html>
- <sup>5</sup> <https://www.retaildive.com/news/will-covid-19-push-contactless-payments-into-the-mainstream/578076/>
- <sup>6</sup> <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-global-view-of-how-consumer-behavior-is-changing-amid-covid-19> – Exhibit 4
- <sup>7</sup> <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-global-view-of-how-consumer-behavior-is-changing-amid-covid-19> – Exhibit 5
- <sup>8</sup> <https://finance.yahoo.com/news/dropshipping-market-forecast-2027-covid-202900481.html>
- <sup>9</sup> [https://www.reportlinker.com/p05967881/Dropshipping-Market-Forecast-to-COVID-19-Impact-and-Global-Analysis-by-Product-Type-Organization-Size-and-Geography.html?utm\\_source=GNW](https://www.reportlinker.com/p05967881/Dropshipping-Market-Forecast-to-COVID-19-Impact-and-Global-Analysis-by-Product-Type-Organization-Size-and-Geography.html?utm_source=GNW)
- <sup>10</sup> <https://www.businesswire.com/news/home/20201007005126/en/>
- <sup>11</sup> <https://www.barrons.com/amp/articles/e-commerce-gains-are-permanent-here-are-6-stocks-that-will-benefit-51593096947>
- <sup>12</sup> <https://blog.sellercloud.com/why-you-should-transform-your-third-party-sales-into-a-first-party-business/>





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