RETAILX

USA 2021

Ecommerce Country Report

In partnership with

ACI Worldwide Real-Time Payments

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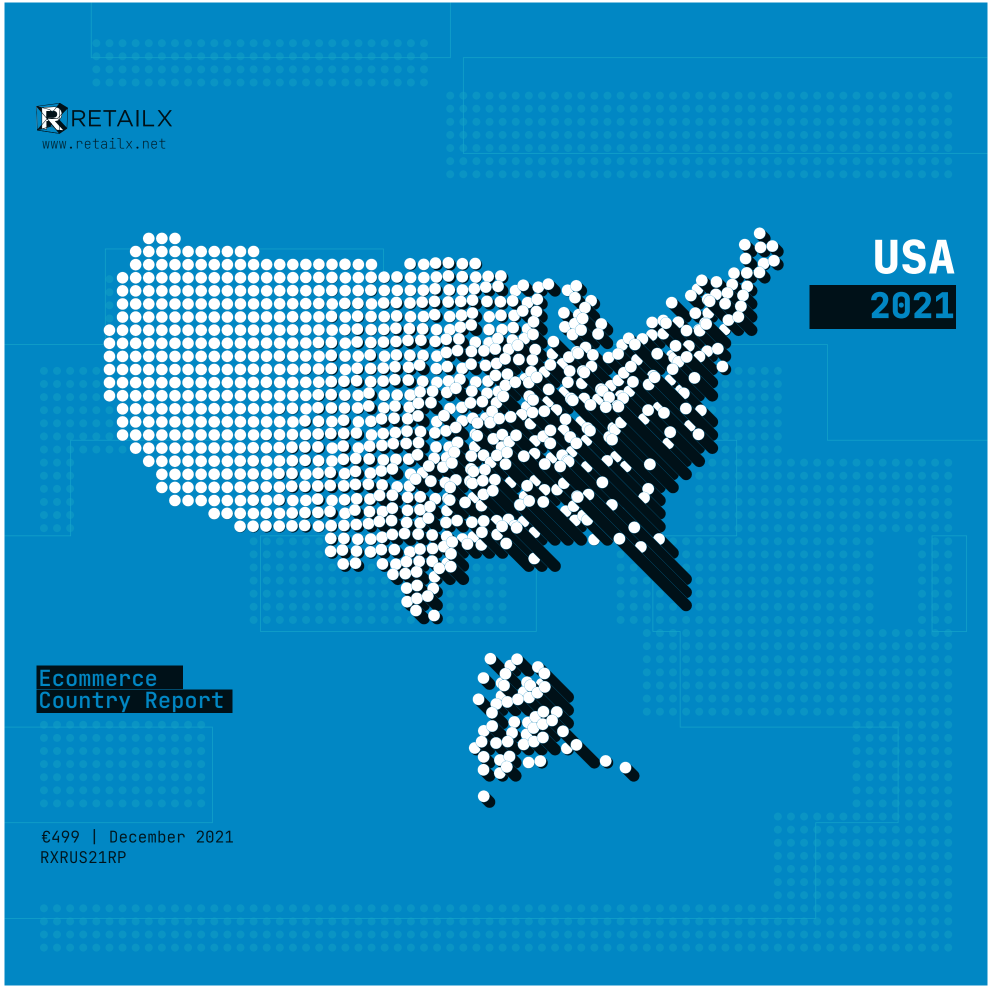

Introduction

Welcome to the USA Country Report.

This report is published at the end of a year which has seen Covid-19 continuing to bring upheaval to industries, including retail, and the possibility of supply chain disruption continuing into the holiday season. That said, 2021's holiday season shopping looks set to shatter predications. Online retailers, in particular, are predicted to report phenomenal growth above even 2020's record-breaking rise.

US consumers will be spending "because they can," according to the National Retail Federation.

As I look over the charts and expert analysis that my team has brought together in this report, I see the USA as a wealthy country, accounting for almost 30% of total global wealth, with a growing economy. It is also a large country – the second-biggest in the Western Hemisphere – with the third-largest population in the world.

It is also digitally mature, both in terms of consumers and businesses. Many businesses are at the forefront of technology innovation and have become household names around the globe. It is no surprise then that the US is the country with the highest number of both millionaires and billionaires.

American businesses also continue to innovate. Facebook's rebranding to Meta highlights the importance the company is placing on the metaverse. Whether this will become Internet 3.0 enveloping online as we currently know it or 'simply' enable new, exciting ways to engage and interact is not yet apparent.

For retailers, it's certainly an interesting time to get involved, experiment and test what the metaverse could mean for the business, products and customers.

The other major issue highlighted in this RetailX Country Report is sustainability. President Biden engaged fully with fellow country leaders at the recent COP26 climate summit accelerating the US's move to ambitious climate targets discarded by his predecessor. How this will play out over the next 12 months and impact on business in the US and, in particular, retail will be interesting to watch and report.

As ever, we welcome your feedback and comments, on this report as well as on the wider regions and topics on which RetailX and InternetRetailing analyse and report.

Ian Jindal, CEO, RetailX

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Country profile

A major player on the world stage, the USA has a strong economy bursting with services and technological innovation

The United States of America (US) is among the largest and richest countries in the world. It is **the second largest country in the Western Hemisphere**, being slightly smaller in landmass than neighbouring Canada.

As a country, it consists of 50 States plus the District of Columbia, extending across six distinct time zones. California, Texas, Florida and New York States have the highest populations, with the cities of Los Angeles and New York being the most densely populated urban areas.

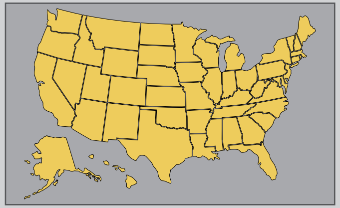
The US is **the third most populous country in the world**, with its population of almost 334 million accounting for more than four per cent of the world's total.

Together, **US citizens hold 29.4% of the total global wealth**, the largest percentage of any one country. It also has the highest number of billionaires and millionaires. Of the ten hectobilionaires in the world – each with a personal wealth of at least $100bn – all but one are US citizens. Yet **15% of the population lives below the poverty line**.

The US is the world's largest economy in terms of nominal GDP. At the end of 2020, **GDP amounted to almost $21tn**, according to The World Bank. It dropped slightly during 2020, as did the economies of many countries during the pandemic, but it was projected to make a remarkable recovery in 2021, with 7% growth.[1]

However, an upsurge in cases of coronavirus is impacting the US economy during late 2021. Inflation is rising along with consumer pricing, so economists have downgraded the level of GDP growth to 5.6%.[2]

The majority of the country's GDP is attributed to its service sectors and personal consumption, which includes finance, real estate, insurance and healthcare. The country has the second largest industrial output in the world, predominantly **petroleum-based, steel, motor vehicles, chemicals, electronics, food processing, consumer goods, lumber and mining**.



USA

Area: 9,833,520 km^2
Capital: Washington, DC
Currency: United States dollar (USD)
Official language: English
Other languages spoken: Spanish, Chinese, Tagalog, Vietnamese, French, Korean, German
Nationality: American
Government: Federal presidential constitutional republic
VAT: 10%

US firms are also at, or near the forefront, of technologies, including **computing, aerospace and military equipment**. Many of the global brands in hi-tech and ecommerce, such as Microsoft, Apple, Alphabet (Google), Amazon and Facebook (Meta), were founded in the US, with Silicon Valley synonymous with hi-tech startups.

[1] www.imf.org/en/News/Articles/2021/07/01/na070121-boosting-the-economy-the-impact-of-us-government-spending-plans
[2] https://edition.cnn.com/2021/09/27/economy/gdp-forecast-nabe/index.html

FOR MORE ON THE POPULATION OF THE USA, SEE PAGE 4

Market context

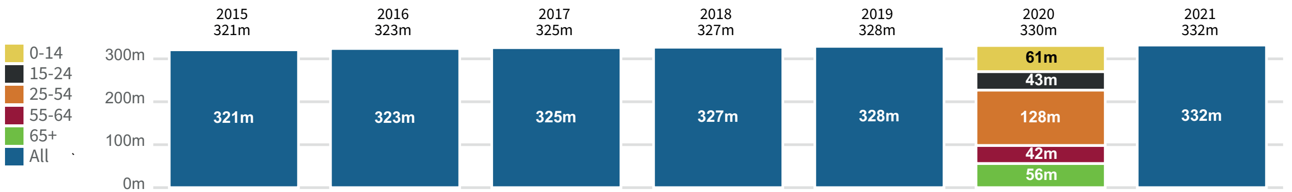
Many in the US enjoy a high standard of living, with per capita GDP rising steadily in recent years

The US maintains steady population growth which has seen it **grow from 321m in 2015 to 330m** by the end of 2020. The largest part of its population is people in the 25-54 year old age bracket. The rest of the population is split roughly equally between people who are younger and older than this group.

Its population has **a high standard of living**, with a per capita GDP that remains above the average recorded across the world and even within the countries of North America. Apart from a dip in 2020, per capita GDP has been rising in recent years. It now stands at **$68,309, up from $56,849 in 2015**. The global average in 2021 is $14,413, with the figure for North America overall reported as $51,586. US per capita GDP has been increasing at a faster rate than that of surrounding countries, including Canada and The Bahamas.

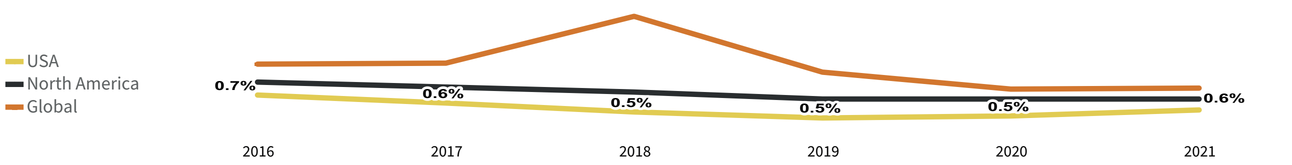
Therefore, it is unsurprising that **the US is a magnet to economic migrants**. In a bid to reduce the flow of illegal immigrants trying to enter country, the US plans to invest

Population structure



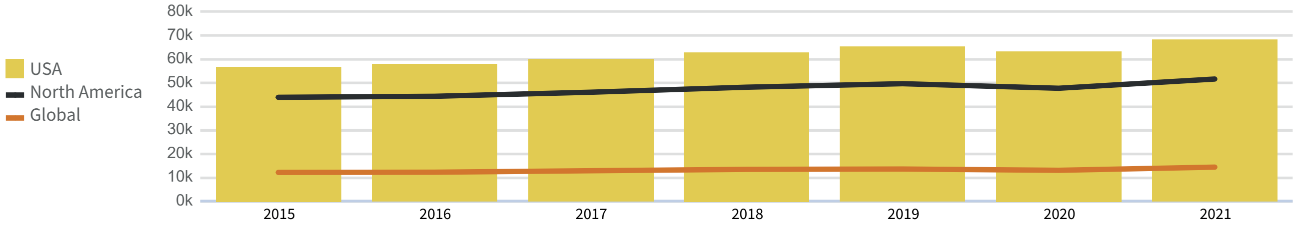
Source: RetailX, drawing on data from International Monetary Fund

Population growth



Source: RetailX, drawing on data from International Monetary Fund

GDP per capita (USD)



Source: RetailX, drawing on data from International Monetary Fund in Central America and southern Mexico, creating more economic development in these countries.[1]

At the same meeting with Canadian Prime Minister Justin Trudeau and Mexican President Andrés Manuel López Obrador, US President Biden discussed Covid-19 and economic integration. This included what are seen as protectionist trade measures left over from the Trump administration.[2]

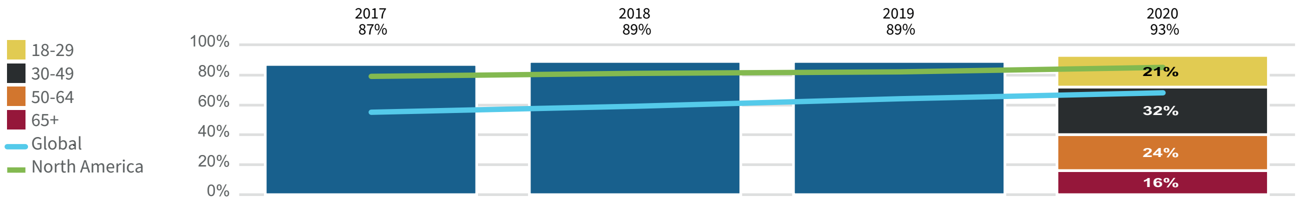
SHOPPING ONLINE

The majority of the US population is happy using the internet, with **75% shopping online in 2020**. This is above the global average and ahead of the percentage of internet users shopping online across North American countries as a whole.

Consumers are **more likely to reach for a smartphone** when shopping online, with 65% of shoppers saying they have done so in the last 12 months. This is ahead of laptops, the second most popular choice. 51% of shoppers have used a laptop to buy something online in the past year. Desktops and tablets are less popular, being used by 30% and 28% of shoppers respectively.

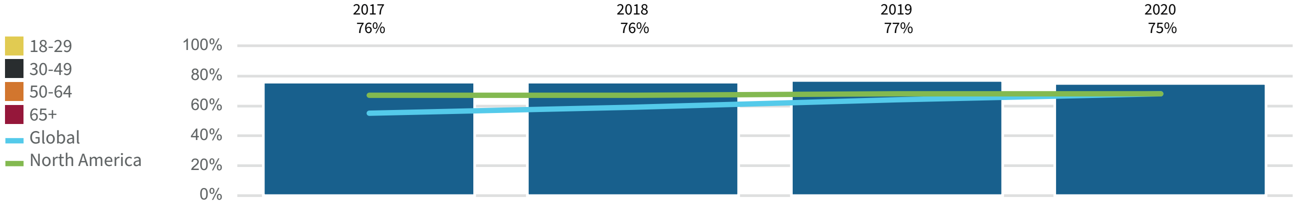
11% of consumers have used a smart TV to make a purchase, 10% did so via a smart speaker such as an Amazon Echo device, while 8% have used a streaming device, such as Apple TV or Chromecast, to shop.

Percentage of internet users



Source: RetailX, drawing on data from Statista

Percentage of internet users who shop online



Source: RetailX, drawing on data from Statista

[1] www.reuters.com/world/americas/mexico-says-us-has-agreed-invest-help-tackle-migration-2021-11-19/
[2] www.msn.com/en-us/news/world/biden-welcomes-trudeau-and-l-c3-b3pez-obrador-to-the-white-house-in-revival-of-us-mexico-canada-summit/ar-AAQQXJS

FOR MORE ON SHOPPING HABITS IN THE USA, SEE PAGE 13

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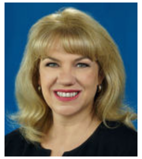
Expert insight

Debbie Guerra



Head of Merchant Segment, ACI Worldwide

A seasoned payments industry executive with over three decades of global business experience spanning payments, fintech, consulting, and IT services, Debbie now leads ACI Worldwide's Merchant and Payments Intelligence solutions portfolio

How have consumer purchasing patterns shifted during the last year? The trend continued in 2021 where more and more shoppers moved online and fully embraced the digital experience. They are now comfortable with digital payments. They expect a smooth experience and expect to be able to pay the way they want. This means that the payment experience is more important than ever for merchants to drive growth.

We saw continued growth in the popularity of Buy Now, Pay Later solutions, as people want more control over their available funds.

There was enormous growth in mobile payments and e-wallets among young consumers. And older shoppers showed a higher adoption of grocery ordering and delivery. With more shoppers online, ecommerce fraud also increased.

How have retailers' online channels responded to the changes? Many larger merchants have added to their more established payment methods portfolio with alternative payments methods, such as mobile wallets. With the growth in popularity for crypto currencies, we are also seeing merchants offer this as a payment option to their customers.

Merchants now more than ever need to adapt their fraud prevention strategies to meet changing trends. Advancements in machine learning, positive profiling, device recognition and business intelligence analytics help to significantly reduce fraud losses.

Where will retail growth in the US come from in 2022? Growth will come by continually focussing on the customer experience. Mobile-first customer journeys will continue be a high growth element of ecommerce in the year ahead. Buy Now, Pay Later and subscription payment options will continue to grow, alongside the broader adoption of crypto currency payments.

In 2022, we will hear a lot more about payment orchestration, as it will become even more central to merchant's payment strategies. With a payment optimisation strategy that includes working with multiple acquirers, merchants can improve all points along the payment flow. From seamless authorisation, to offering the right payment methods, and ensuring maximum acceptance rates, merchants can incrementally offer a faster, more familiar, and smoother customer experience.

How do you think the rise of crypto currencies will impact retail? Crypto currency payments are a form of real-time payments, which means they offer many of the same benefits as other real-time payments. For merchants, this has to do with the reduction of risk. Some merchants need to receive up-front payment before they dispatch goods, such as with high-value electronics. Receiving verifiable real-time payments can be a tremendous benefit for this type of merchant. Another benefit of real-time payments for merchants is when it replaces credit and reduces interchange fees.

Just like with anything new, there will be adoption trends. As crypto payments become more ubiquitous, transaction volumes are going to increase, and more merchants and consumers will enjoy the significant benefits of this payment type.

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ACI Worldwide is a global software company that provides mission-critical real-time payment solutions. Their proven, scalable, and secure solutions enable customers to process and manage digital payments, omni-commerce payments, present and process bill payments, and manage fraud and risk.
www.aciworldwide.com

Expert insight

Alison Williams

As Business Development Director, North America at Amplience, Alison helps brands and retailers build, solution and deliver complex architectures and meaningful customer experiences. Her background as both a merchant and functional architect means she is best placed to help Amplience customers achieve their goals keeping both business and tech in mind.

What changes have you seen in the US retail market in the last year? Thanks to Covid, QR codes made a comeback, which boosted adoption in brick and mortar stores. Beauty brands especially are adding codes to shelves and displays to surface digital content, videos, or additional information.

Social commerce was fast-tracked to mainstream when stores closed. Apps like Pinterest and Instagram have been supporting the ability to integrate with ecommerce product pages, but Facebook shopping has driven adoption of social shopping to other social platforms like Tiktok.

Additionally, brands have started to leverage the unique and loyal buyer communities by introducing reseller marketplaces. Gaming and collectable companies are doing this for consoles and toys, while retail brands are creating a more sustainable approach by reselling used clothing.

What new consumer behaviours do you expect to remain? Digitally native consumers (e.g. Gen Z) use apps, social networks, and mobile phones for every aspect of their daily life. So it's a no-brainer that brands inject ecommerce in the context of a consumer's daily digital consumption, either through ads, click to purchase, or social shopping. This trend will grow, with social reviews and tap to purchase becoming more popular.

Now that brands have overcome many of the complexities of in-store fulfilment during Covid, in-store pick up will continue to grow and evolve. Consumers like the best of both: reserving items online but maintaining an in-store experience. Expect more wide-spread digital lockers, or dedicated portions of the store reserved for in-store pick up.

What will be the main drivers for ecommerce growth in 2022? I think "voice commerce" is one to watch. While Amazon has managed to capitalize on voice and the (IoT) Internet of Things, other brands and retailers haven't mined the potential yet. Brands who can "train" consumers to leverage voice assistants for product discovery and uncovering sales and promotions are going to win the market.

What new technology developments in the industry are you most excited about? The adoption of composable commerce and the decline of the website. This shift in non-web consumer behaviour has kick-started the composable commerce movement – a new trend of digital architecture that touts best-of-breed applications and services delivered as an agile technology stack.

This unlocks the ability for brands and technologists to create experiences without constraints. I think we'll see a huge shift in experience design once retailers realize they are no longer confined to the templates and old technologies of the past. This could mean wearables that display sales as you walk by a store, or a digital map on a mobile phone directing you toward your favourite brand, or the ability to change the music or virtual background in a dressing room to make it feel more like home.

Expert insight

Jason Stuckey

GM North America, Linnworks

Jason is an authority in ecommerce with almost 15 years of experience in digital marketing, ecommerce strategy, and back-office operations. In his role as General Manager North America at Linnworks, he uses his experience to implement successful Total Commerce strategies for thousands of global sellers and brands.

What do you see as the main characteristics that define the US ecommerce market? The US is geographically vast which makes logistics extraordinarily challenging. It's important for retailers to have an effective shipping management system in place to meet the challenges of selling in the US, such as using 3PLs with multiple warehouses and fulfilment centres in different US regions so products get to customers faster and cheaper. Often times, sellers will aim for keeping it in house or "local" when it comes to their logistics but this can actually be more costly than having an expansive, diverse portfolio of logistics partners to address the specific needs of each region.

What has been your experience of the last year and how have US retailers handled the pandemic? The last 20+ months have been extraordinarily challenging. Retailers have had their heads down solving day-to-day challenges, but their ingenuity and resolve have really risen to meet the demands of consumers throughout the pandemic. Though the supply chain was resilient in 2020 it's begun to show major cracks in the latter months of 2021. It is a tough road ahead, but as the pandemic has settled in, retailers are adjusting to a digital first world faster than ever before. The change to digital-first was inevitable, but the pandemic has brought forward the importance of this fact.

With that said, the supply chain challenges have taught us that it's very important to plan far in advance and prepare for any crisis that can impact retailers. This is a lesson for retailers to make sure they have mitigation strategies in place, like diversifying their supply chain and accurately forecasting demand for future products based on historical reporting.

Though the challenges have been hard, we're witnessing an industrial revolution-sized transition in our industry and the years to follow will be some of the most extraordinary and prosperous for businesses that embrace the changes.

How do you think the omnichannel customer experience will evolve in 2022? Marketplaces as a selling channel will continue to grow in 2022, with an explosion in specialist and vertical marketplaces to serve specific consumer groups. In response, brands and retailers must have a strategy in place to effectively incorporate marketplaces into their sales channel strategy. Customers feel empowered on marketplaces by factors like choice and price and come to these sites with high purchase intent. 91% of product searches start on some form of marketplace, so brands need to be meeting their customers on these platforms.

With expansion into marketplaces as a key part of a retailer's growth strategy, incorporating automation tools to manage functions like inventory management, product listings and fulfilment will be essential to maintaining control as the business grows. This will not only drive efficiencies on the logistics side, but also help retailers maintain critical customer service expectations like delivery times and product availability.

LINNWORKS

Linnworks is a software-as-a-service commerce platform that puts commerce control at the centre of your business, ensuring your business systems are seamlessly connected so the brand is in control. Linnworks empowers brands to sell better by connecting commerce everywhere, so you don't miss an opportunity to grow revenues wherever your customers are. **www.linnworks.com**

Benchmarking the digital economy

The US is one of the world's leading digital economies and indices that compare performance reflect this

In the Overall Internet Inclusive Index, **the US ranks 2nd, behind only Sweden in leading position**. Compiled by The Economist Intelligence Unit, this Index "seeks to measure the extent to which the internet is not only accessible and affordable, but also relevant to all, allowing usage that enables positive social and economic outcomes at the individual and group level".

The US scores highly across all indices ranking within the top quartile for every measurement. This highlights the ease with which government, companies and consumers interact and conduct business online.

Even its lowest score of 14 – which is a measurement of the ease with which goods can be moved around the country and across its borders – **is higher than the position held by many other countries**. The lowest possible ranking for this Logistics Performance Index is 160. This position is held by Afghanistan.

Indices	Definition	Global Rank
Logistics Performance Index (2018)	LPI measures performance along the logistics supply chain within a country	14 /160
Ease of Doing Business Index (2020)	A high Ease of Doing Business ranking means the regulatory environment is more conducive to the starting and operation of a local firm	6 /160
E-Government Development Index (2020)	The E-government Development Index measures the willingness and capacity of national administrations to use information and communication technologies in order to deliver public services	9 /190
Integrated Index for Postal Development (2IPD) (2020)	2IPD is a comparative indicator of postal development around the world which built on four pillars: Reliability, Reach, Relevance and Resilience	7 /170
Internet inclusive index		
Availability	Quality and breadth of available infrastructure required for access and levels of internet usage	12 /120
Affordability	Cost of access relative to income and the level of competition in the internet marketplace	5 /120
Relevance	Existence and extent of local language content and relevant content	3 /120
Readiness	Capacity to access the internet, including skills, cultural acceptance, and supporting policy	8 /120
Overall Internet Inclusive Index		2 /120

KEY: Top quartile

FOR MORE ON LOGISTICS IN THE USA, SEE PAGE 18

The US consumer in focus

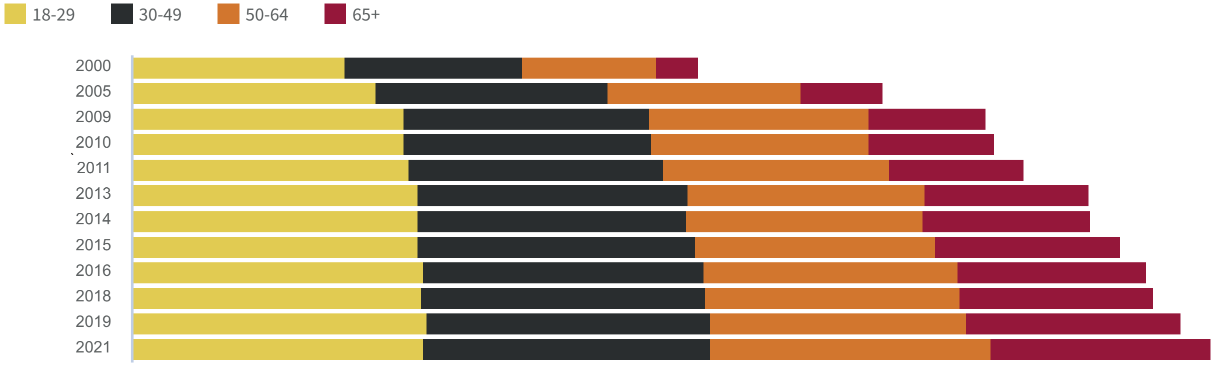
The number of consumers going online has increased, with the level of those shopping online also rising

Internet usage in the US is increasing, with 93% of the population going online in 2020. As the previous section has shown, this is up from 87% in 2017. **Almost everyone under the age of 50 uses the internet**. 99% of the population aged 18 to 29 accesses content online, with 98% of those in the 30 to 49 age bracket doing so as well.

The percentages drop off for members of the older generations but still remain high. 96% of 50 to 64-year-olds go online, as do 75% of the population aged 65 or above.

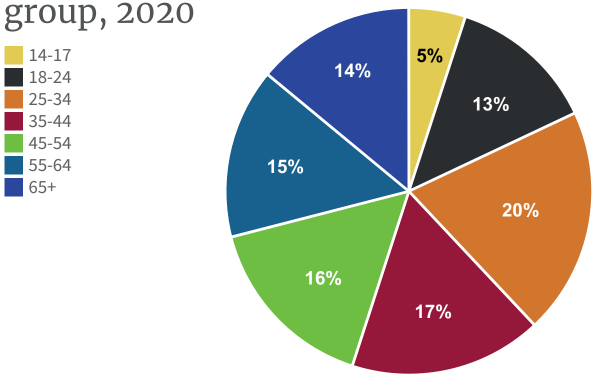
It is among these older generations that internet access has risen the most, with **internet usage among 50 to 64-year-olds rising eight percentage points (pp) between 2019 and 2021**. It increased 2pp for the oldest generation in the same time period, while figures have remained relatively stable in other age groups. Internet usage dropped 1pp among the youngest group and increased 1pp for people in the 30 to 49 age range.

Internet usage reach 2000-2021, by age group



Source: RetailX, drawing on data from Statista, Pew Research Center

Distribution of digital buyers by age group, 2020



Source: RetailX, drawing on data from Statista, eMarketer

INCREASING INTERNET USAGE

The first wave of the Covid-19 pandemic saw shopping shifting online as many people across the world used the internet or ecommerce stores for the first time. This has been particularly true of older generations anxious about the virus and the increased risk due to their age. 2020 saw them using the internet to stay in contact with family and friends and switching some purchasing to online. For more on how the pandemic changed consumer behaviour and retail operations in the US as a result, see page 23.

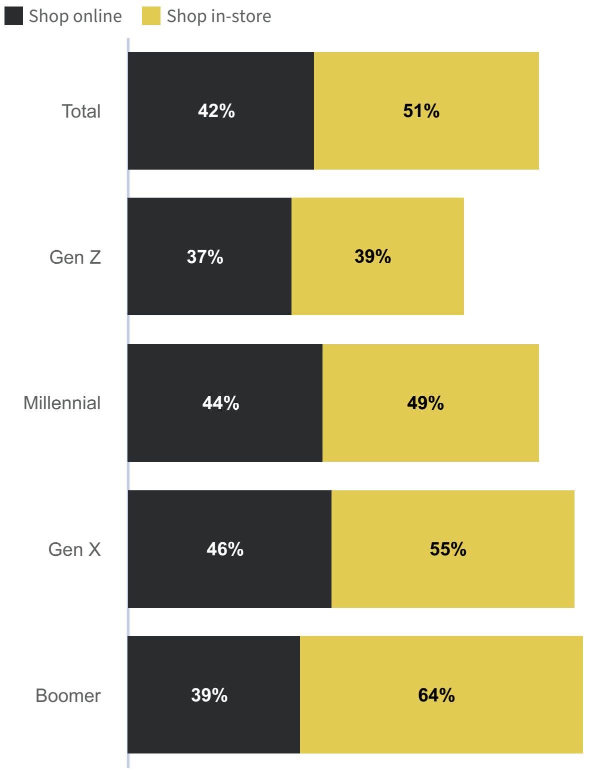
Government legislation is also helping to increase the number of people using the internet, what they do when they are connected and the frequency of use due to having a stable service. The US President has a goal of "making sure that every American, regardless of where they live or the colour of their skin or their income, has access to broadband". The recently introduced Infrastructure Bill, which will see $65bn invested in America's spotty broadband coverage, represents "a generational and hopefully transformational investment," according to Jonathan Spalter, CEO of broadband association US Telecom. One part of the legislation will see citizens on low-incomes receiving a $30 subsidy on internet provision, permanently.[1]

SHOPPING ONLINE

When it comes to buying online, it is the **25 to 34-year-old age group that makes up the largest percentage on shoppers**. Up to consumers aged 64, this group is more likely to shop online than any other. **25 to 54-year-olds make up 39% of the population but 53% of online shoppers**.

The next age bracket, 55 to 64-year-olds, also has a high ratio of online shoppers compared to its percentage of the overall population. The group makes up 13% of the population but 15% of online shoppers.

Share of US shoppers that shopped online and offline on a daily/weekly basis, 2021



Source: RetailX, drawing on data from Statista, IMI International

Interestingly, the share of US consumers shopping online on a daily or weekly basis is almost as high as the percentage that shop offline regularly in bricks-and-mortar stores. 42% of consumers shop online either daily or weekly, compared to 51% who do so at bricks-and-mortar stores. **The percentage of daily or weekly online shoppers is higher among millennials** (people born between 1981 and the mid 1990s). 44% of this group, which is aged between 25 and roughly 40 years old, shop online daily or weekly, against 49% that say that do so in physical stores.

Generation X (people born between 1965 and 1980 and currently aged between 41 and 56 years old), make up a larger percentage of US consumers shopping online on a daily or weekly basis. They also account for a larger share of daily or weekly shoppers in bricks-and-mortar stores.

Baby boomers are more likely to choose to visit a bricks-and-mortar store rather than shop online. Boomers are the older generation, born in the post-Second World War era from 1946 to 1964. They are currently aged between 57 and 75 years old.

[1] www.msn.com/en-us/money/other/billions-set-aside-in-the-infrastructure-bill-could-lead-to-discounts-on-your-internet-bill/ar-AAQPgfN

FOR MORE ON WHAT US CONSUMERS ARE BUYING, SEE PAGE 15

What are consumers buying online?

The sale of some products has shifted almost completely online, while others appeal to consumers shopping through a wider range of channels

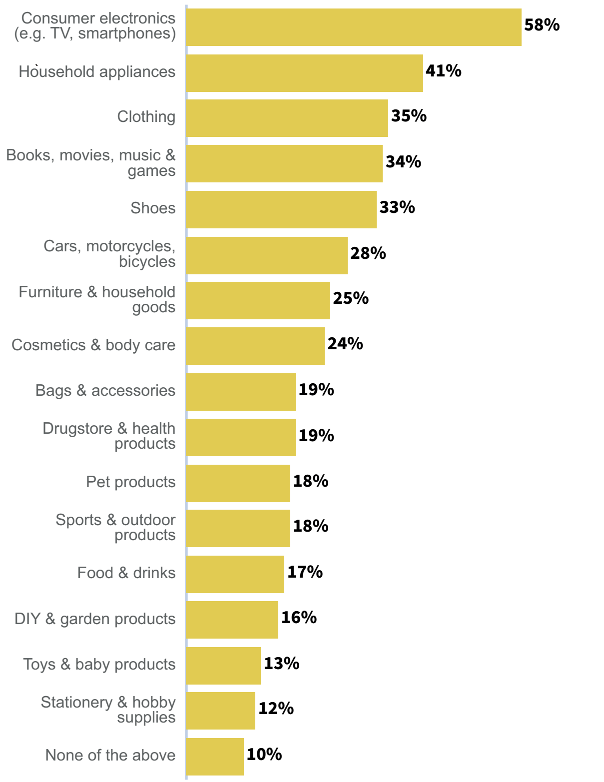
Over the years, ecommerce has made inroads into different product categories to a greater or lesser extent. **Books, music and video are predominantly bought online**, with ecommerce taking 69% of all retail sales in the category.

The majority of sales of computer and consumer electronics are also made online, with the internet playing a significant role in the way consumers shop this category. **58% of shoppers say that they conduct research online before deciding on the specific product** to purchase. Household appliances are another product category which many consumers research online before making their purchasing decision.

Toys and baby products , along with stationery and hobby supplies are less likely to be researched online. Just 13% and 12% of shoppers research mainly online rather than

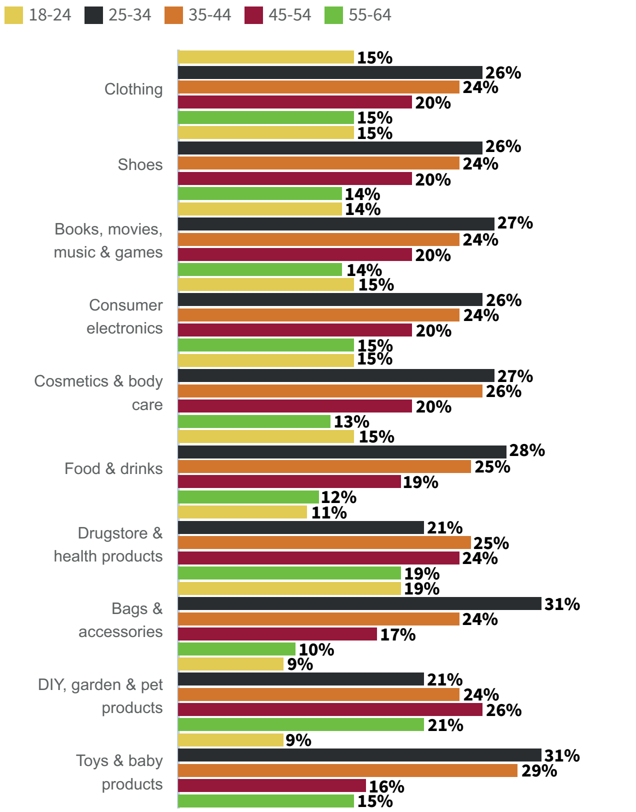
Online product research by category, 2021

For which of these products do you mostly look for information online rather than offline?



Source: RetailX, drawing on data from Statista Global Consumer Survey RetailX 2021

Online shopping purchases by category, by age group 2020

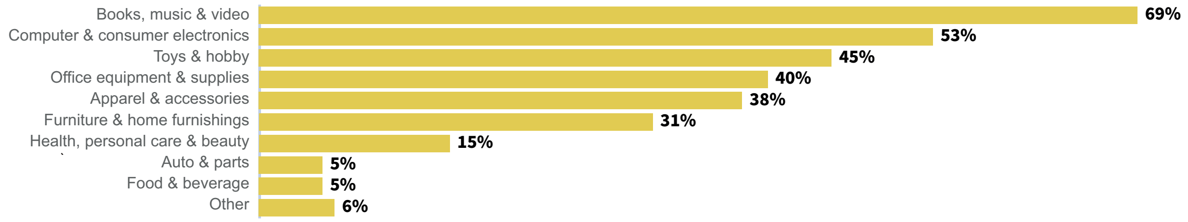


Source: RetailX, drawing on data from Statista Global Consumer Survey RetailX 2021 offline for these products, although ecommerce accounts for 45% of purchases in these two categories.

Looking by age group at what consumers in the US buy online highlights how comfortable all generations now are with ecommerce. **When they are happy to buy online, consumers will buy across multiple categories**. For example, looking at the percentages of online shoppers in the 25 to 34-year-old age group that buys different items online, there is little variance across categories. It is only medicines and health-related products and DIY, garden and pet products that dip below 26% in the 'Online shopping purchases by category, by age group 2020' chart.

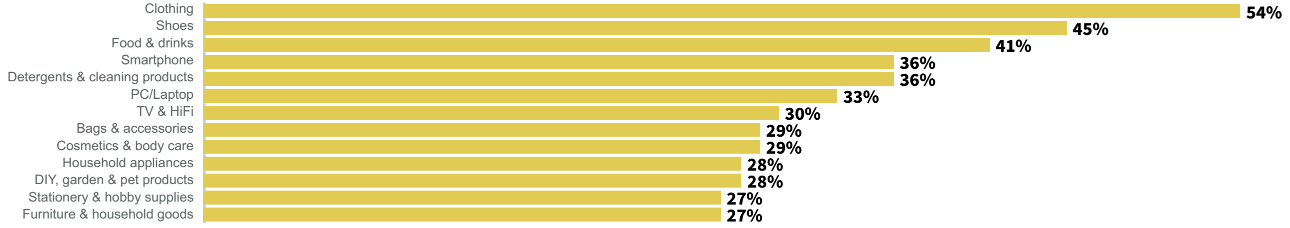
Interestingly, the health, personal care and beauty category online still holds a 15% share of overall retail sales in 2021. This category is also one of the main areas seeing phenomenal growth in the last year, with **consumers switching to online channels instead of buying in bricks-and-mortar stores**. The year-on-year change for this category is 16%, with only the food and beverage, along with the apparel and accessories categories seeing higher growth. **Ecommerce now accounts for 38% of the total retail market in the clothing and accessories category**, having grown by 19% in the last 12 months.

Ecommerce share of total retail sales, by product category, 2021



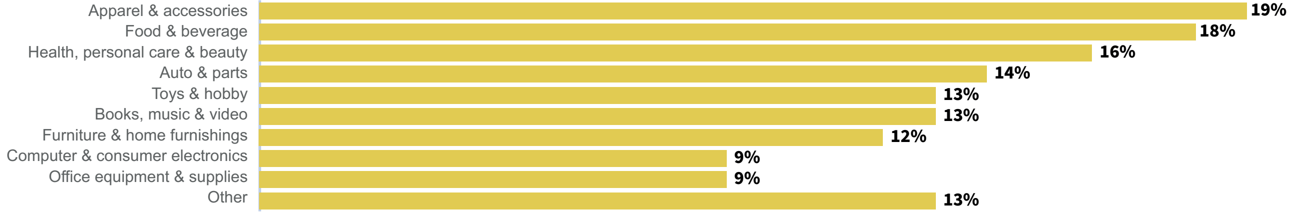
Source: RetailX, drawing on data from Statista, eMarketer

Importance of product prices, 2020



Source: RetailX, drawing on data from EcommerceDB

Year-on-year change in retail ecommerce sales by product category, 2021



Source: RetailX, drawing on data from Statista, eMarketer

FOR MORE ON THE GROWTH OF CATEGORIES IN THE USA, SEE PAGE 23

Payment choice

Offering the right payment method is a necessity for US retailers as they see new ways to pay rising in popularity

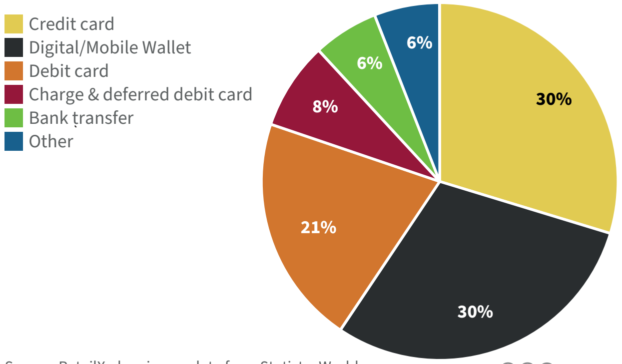
Funnelling a shopper from browsing an item to adding it to their basket is only part of the journey. There are still **many opportunities for the shopper to leave** an ecommerce store before they have checked out their purchase.

Giving consumers a choice of payment methods is one way that retailers can help them to complete their purchase. What might be the best option for them in one store or on a particular day may not suit on another day, at a different store or if they are using a different device such as a smartphone rather than shopping on a laptop.

Payments is not an area where retailers want to introduce friction. **Transactions should be easy for the consumer**. There also needs to be a controlled level of risk for the retailer, with anti-fraud measures in place and set so as not to refuse legitimate customer purchases.

Consumers in the US are just as likely pay for items online using a digital or mobile wallet as they are to use a credit card. 60% of consumers name one of these as their proffered payment method for shopping online. The **most popular digital and mobile wallets include PayPal and Venmo**. Offline, Apple Pay accounts for 92% of mobile-based debit transactions.[1]

Preferred payment method for online shopping in the USA, 2020



Source: RetailX, drawing on data from Statista, Worldpay

RetailX 2021

21% of US consumers prefer using a debit card. Charge cards and deferred payment cards, such as American Express, are the method of choice for 8% of consumers. The remainder choose bank transfer and other ways.

The pandemic saw a large increase in the use of Buy Now Pay Later (BNPL) by US consumers as they looked for other ways to pay without incurring credit card debt. Between April and September 2020, the rate of monthly installs of BNPL apps doubled and over the entire year, the use of this payment method increased ten-fold. Between 2019, when the use of BNPL schemes was relatively new, and 2024, the amount of borrowing through such schemes is predicted to increase by 1,200%.[2]

Looking to the future, cryptocurrencies, such as bitcoin, are rising in prominence. **20% of respondents to a McKinsey survey hold, or have held, crypto assets**. This is an increase from 6% in 2020. A lack of understanding is cited by 41% of US consumers for not holding any.

The majority of people hold cryptocurrencies as an investment (41%) or because they are interested in it from a technology perspective (35%). Of interest to brands and retailers should be the one in five who say they hold the currency in order to make purchases.[3]

This could soon be made easier with **Mastercard expected to enable crypto payments** for the thousands of banks and merchants that use its network. This will allow them to operate bitcoin wallets.[4]

[1] www.nfcw.com/whats-new-in-payments/apple-pay-used-for-more-than-90-of-us-mobile-wallet-debit-transactions-in-2020/
[2] www.statista.com/statistics/1255760/bnpl-lending-market-size-usa/
[3] www.mckinsey.com/industries/financial-services/our-insights/banking-matters/new-trends-in-us-consumer-digital-payments
[4] www.cnbc.com/2021/10/25/mastercard-says-any-bank-or-merchant-on-its-vast-network-can-soon-offer-crypto-services.html

Delivery promise

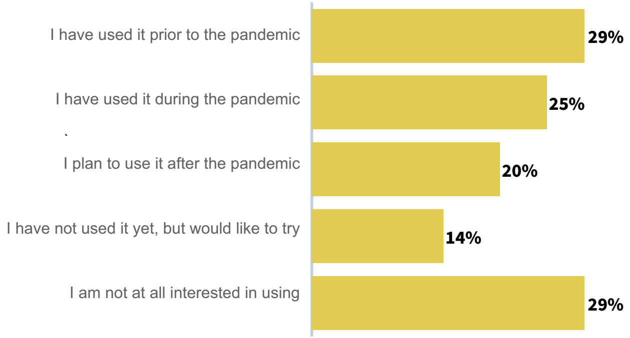
Having an online order delivered to their home is the first choice for the majority of US consumers

The promise of having purchases delivered to home is a key driver for consumers everywhere when it comes to shopping online. Consumers in the US are no different, with **60% of US shoppers saying home delivery is the main reason to shop online** rather than visiting a bricks-and-mortar store. This puts home delivery ahead of the second and third ranked reasons of convenience (51%) and cheaper prices (50%).

The time that consumers wait to receive their online order varies between retailers. **There can be cost implications for the shopper**, with some choosing to wait longer in exchange for free delivery, rather than opting to pay for a same-day or next-day service.

While some retailers do offer this service for free, others charge for faster delivery. For example, beauty retailer Sephora charged $6.95 for same-day delivery when it introduced the service. Customers can have their order delivered same-day, seven days a week, as long as they order before 4pm.

Click and collect usage behavior, 2020



Source: RetailX, drawing on data from Statista, IBM Institute for Business Value

According to Parcel Monitor, in the second half of 2020, the average time to first delivery attempt for orders despatched from bricks-and-mortar stores or distribution centres located in the US was 3.2 business days. **A third of parcels are delivered after one business day**.

Overall, **the majority (96%) of parcels are delivered successfully on the first attempt**. This not only increases satisfaction for customers but also makes delivery cheaper for carriers and retailers, since parcels don't have to be returned to a depot and delivery attempted again. Such single journeys also produce fewer carbon emissions.

Parcel Monitor reveals that the majority of consumers (57%) who choose to pick up their online order from a Collection Point, such as an Amazon Locker, did so within 24 hours of its arrival and them being notified that it was ready for collection.

Pickup is not as popular among US consumers as home delivery. Just 29% of shoppers had used click and collect before the pandemic, with the same percentage saying that they have no desire to try it. 20% plan to continue to use the service and a further 14% haven't used it yet, but say they would like to try.

MULTICHANNEL PREFERENCES

When asked about multichannel services, order online, pickup in store ranks higher than other options. It is rated the most relevant multichannel service by 54% of the consumers asked. The ability to return an item to a bricks-and-mortar store for a refund or to exchange it ranks second, with 45% saying that it's relevant to them.

As an example, **Walmart offers pickup from 3,750 locations as well as express delivery of online orders** and ship from store. In the last year, it has introduced curbside collection from Sam's Club bricks-and-mortar stores and launched Walmart+, a membership scheme that enables customers to have free home delivery for a year as well as use of mobile scan & go in stores.

FOR MORE ON WHAT DRIVES ONLINE BEHAVIOUR, SEE PAGE 20

Returns

The majority of US consumers haven't returned a single online order in the last year. Is something stopping them?

One of the drawbacks of shopping online is the inability to see or touch an item before purchasing, which is why consumers expect to have the option of returning unwanted online purchases.

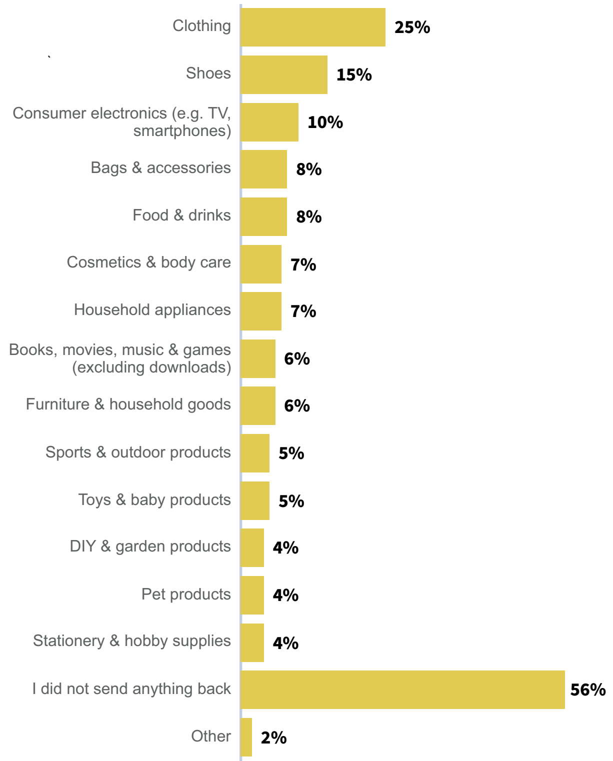
Yet interestingly, **the majority of US consumers have not sent a single online order back** to a brand or retailer in the last 12 months.

Of items that have been returned, **clothing is the most likely to have been sent back**. 25% of online shoppers have returned clothing, 15% have returned shoes to a brand or retailer in the last year and 10% have sent back an item from the consumer electronics category. This includes items such as TVs, laptops and smartphones.

US retailers that offer free returns include Nordstrom, Neiman Marcus, Zappos and Urban Outfitters. Shoe retailer Zappos is heralded as a leader in customer service, allowing customers to return an order for free at any time within a year.

Returns of online purchases by category, 2021

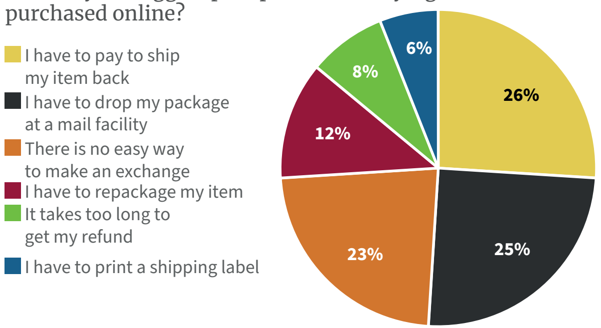
Which of these kinds of articles have you sent back after an online order in the past 12 months?



Source: RetailX, drawing on data from Statista Global Consumer Survey RetailX 2021

Points of irritation when returning items purchased online, 2020

What is your biggest pain point when trying to return items purchased online?



Source: RetailX, drawing on data from Statista,CivicScience RetailX 2021

Urban Outfitters uses USPS pick-up service for returns, making the process easier for customers.

Among US consumers who didn't return anything to online stores, it could be that they were happy with their purchase, or that it was deemed too difficult to do so or not worth their while. **The biggest irritation for consumers when returning items is having to pay for the shipping.** This is cited by 26% of online shoppers. Nearly as many dislike having to take their parcel to a mail facility (25%), with **23% saying there is no easy way to make an exchange**. Some brands and retailers still expect consumers to return an item for a refund then order a new item rather than allowing an exchange in one transaction.

Checkout exit

Knowing why US shoppers don't buy online is as relevant as knowing why they do

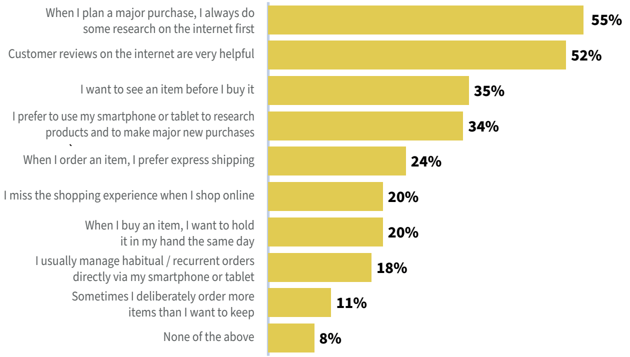
The majority of US consumers say that having items delivered to their home is the main reason why they shop online. However, **extra costs are sometimes stopping them from doing so**. With information about these additional charges not shown until a way into the checkout process, it is likely to be the picking, packing and postage costs that are in excess of what the consumer is expecting.

Another factor could be **sales tax, which differs between states and local areas within them**, but has to be collected from consumers. Retailers are required to pay online sales tax in the states where they have "a significant presence", such as an office, stores or a distribution centre.

A further cause for concern for US ecommerce sites is customers **having to create an account as part of the checkout process**. A quarter (24%) of consumers say this has stopped them from completing a purchase.

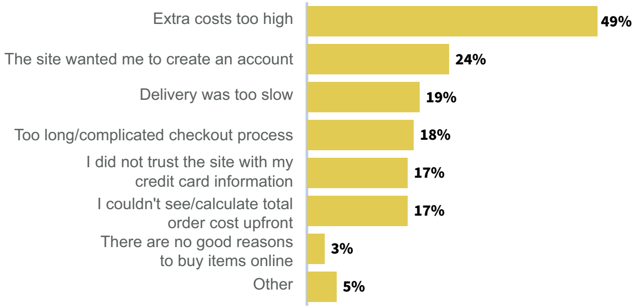
A site having a checkout process that takes too long to complete or is complicated has stopped 18%.

Attitudes towards online shopping, 2021



Source: RetailX, drawing on data from Statista Global Consumer Survey

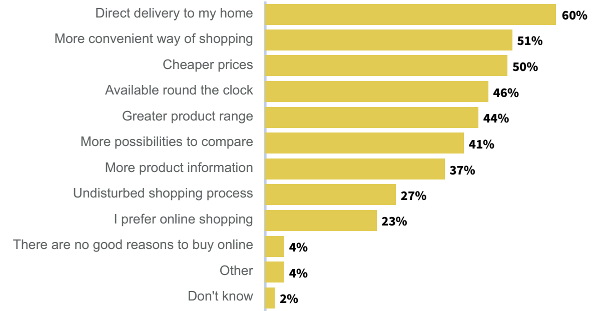
Reasons given by consumers for not completing the checkout process, USA, 2021



Source: RetailX, drawing on data from Statista, Baymard Institute

Drivers of online purchases, 2021

Which of these do you consider good reasons to buy an item online?



Source: RetailX, drawing on data from Statista Global Consumer Survey

Relevance of multi-channel services, 2020

Source: RetailX, drawing on data from EcommerceDB

A holiday season to shatter records

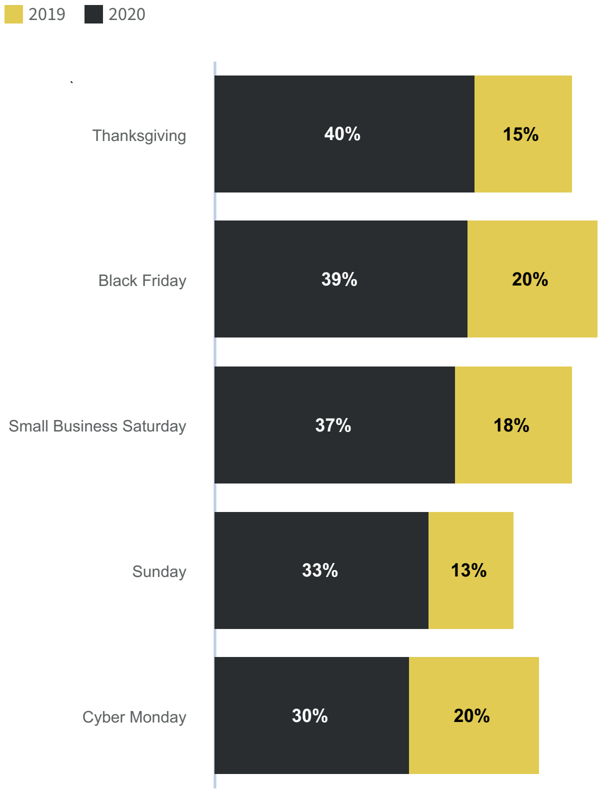
2021's holiday season is expected to shatter records for retailers in the US as consumers increase their spending. Black Friday alone saw $13.4bn spent online

US consumers are predicted to **spend between 8.5% and 10.5% more** with retailers during November and December 2021 than they did in 2020, with online purchases increasing by up to 15%. This will see **sales online reaching between $218.3bn and $226.2bn**.

These predications from the National Retail Federation (NRF) will break records and see the **total spent reaching $859bn**. Even at the low end of the forecast, that would be both the largest growth rate – topping 2020's 8.2% – and the largest total amount – beating last year's $777.3bn – on record, according to the NRF.

Early reports of November and Black Friday spending back up these predictions, but consumers have spread their shopping over the month rather than leaving it to the traditional Thanksgiving through Cyber Monday deals.

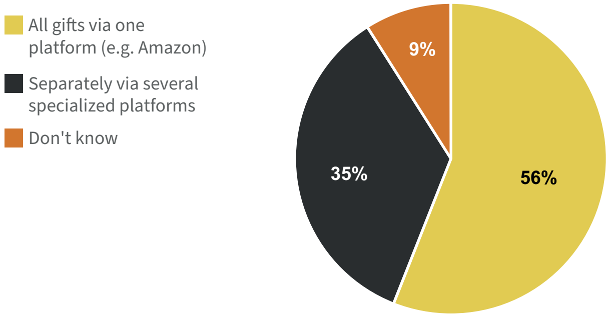
Year-on-year growth of top holiday season ecommerce spending days in the US, 2019-2020



Source: RetailX, drawing on data from Statista, Digital Commerce 360 RetailX 2021

Preferred online store types for Christmas gift shopping, 2020

When you buy gifts online, how do you prefer to buy them?



Source: RetailX, drawing on data from Statista Global Consumer Survey RetailX 2021

There is considerable momentum heading into the holiday shopping season, according to Matthew Shay, president and CEO, NRF. "Consumers are in a very favourable position going into the last few months of the year as **income is rising and household balance sheets have never been stronger**," he says.

US consumers "are spending because they can," adds Jack Kleinhenz, chief economist, NRF.

A **"savings buffer" of about $2.5tr** accumulated by consumers who have largely stayed home rather than dining out or travelling during the pandemic has "supercharged" spending. Income has been growing in the form of more jobs, more hours and higher wages reflecting businesses' competition for workers during the current labour shortage, explains Kleinhenz.

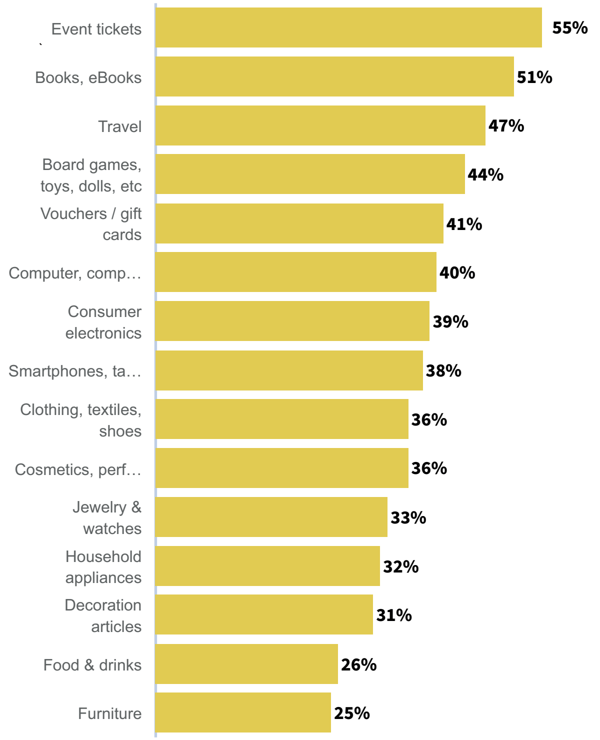
The record level of household wealth has boosted consumer confidence. **Consumers have been spending at a brisk pace throughout 2021** – up 14.5% year-over-year for the first nine months – and spending has returned to pre-pandemic levels for many retail categories.

While some individuals who lost jobs last year still face financial difficulty, data tracked by Harvard University shows spending by low-income consumers was up 22.3% at the end of September, compared with pre-pandemic January 2020. The number appears to reflect enhanced unemployment benefits and other stimulus money such as the new child tax credit.

Kleinhenz believes the strong growth in income and "stockpiled savings" should also help spending overcome inflation that has been driven both by consumer demand and supply chain disruptions. The challenge when – and if – sales begin to fall will be whether the drop is caused by weaker demand or reduced product availability, although **retailers have made significant investments in their supply chains** and are **spending heavily to ensure they have products on their shelves**.

Christmas gifts that are preferred to be bought online, 2020

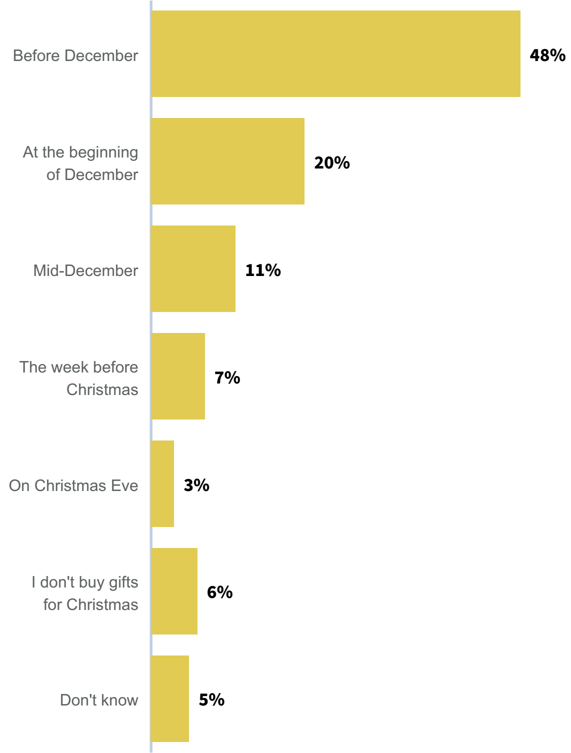
Which Christmas gifts do you prefer to buy online rather than in a store?



Source: RetailX, drawing on data from Statista Global Consumer Survey

Time of starting Christmas gift shopping, 2020

When do you usually start shopping for Christmas gifts?



Source: RetailX, drawing on data from Statista Global Consumer Survey

Pandemic boost to online sales

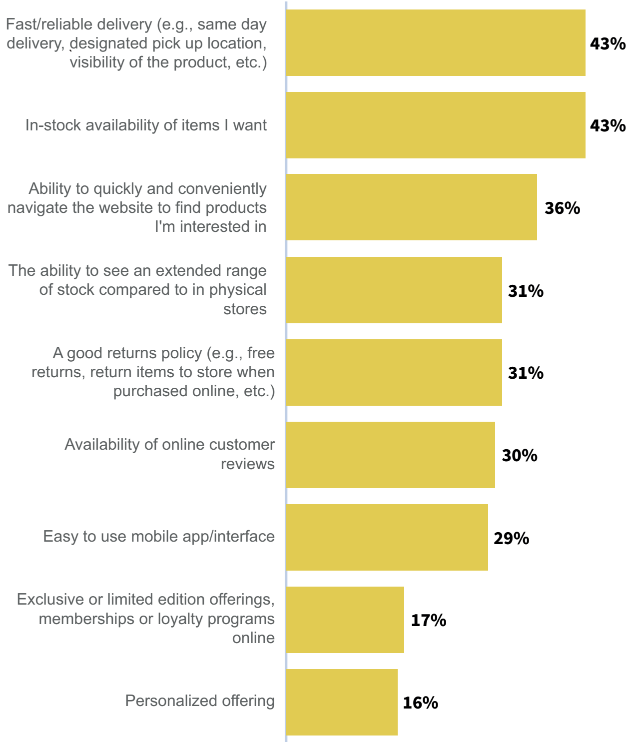
The Covid-19 pandemic shook up retail as consumers shifted purchasing to online channels. But which sectors benefitted most and what does this mean for the longer term?

The pandemic disrupted lives across the world, with social and economic infrastructures impacted as coronavirus and its variants moved in waves through populations. The US is certainly no exception.

How the pandemic was handled in the US has differed state to state but many made the wearing of masks compulsory, closed schools and introduced stay at home or work from home mandates in April 2020. Unemployment rose to 14.7% that month, up from 3.5% in February 2020, as businesses closed and many remained so until August 2020. It's believed that **more than half of the businesses that closed during the pandemic will never reopen** since many restaurants shut down, retailers went into receivership and others reduced store estates.

Most important attributes to online shopping during the pandemic, 2020

In the current climate, which of the following attributes are important to you when shopping online?



Source: RetailX, drawing on data from Statista, PwC

Bed Bath & Beyond closed 63 bricks-and-mortar stores in 2020, a fraction of the 200 it plans to close before July 2022. Brooks Brothers, Gap, JC Penney and Neiman Marcus are other well known retailers that suffered in 2020.[1]

ECOMMERCE GROWTH

Pureplay retailers, those with strong online offerings or ones able to quickly ramp up their online business benefitted from consumers turning to the internet for their shopping during the pandemic, or at least weren't as hard hit. **Online spending increased 32.4% year-on-year in 2020, according to the US Department of Commerce**. This is double the 15.1% increase recorded between 2019 and 2020 and is the highest increase in 20 years.[2]

Amazon alone reported revenue growth of 41.4% over 2019's figure. This growth hasn't slackened off in 2021. The online behemoth reported a sales increase of 10% for its business in North America in Q3 2021 compared to the same period of 2020.

2020's increase in ecommerce saw **retailers introducing new services and ways to connect with customers unable to visit a store**. For example, Credo Beauty offered customers 30-minute video sessions with its clean beauty consultants so that they could discover products while face-to-face appointments were unavailable. The service has proved so successful that the company is deploying more staff to work in this way. "7% of all digital sales were powered by Hero [the technology behind the Credo Live video services],” says Cathy Arens, Credo Beauty’s VP of stores. Before the pandemic, it accounted for 3% of sales.

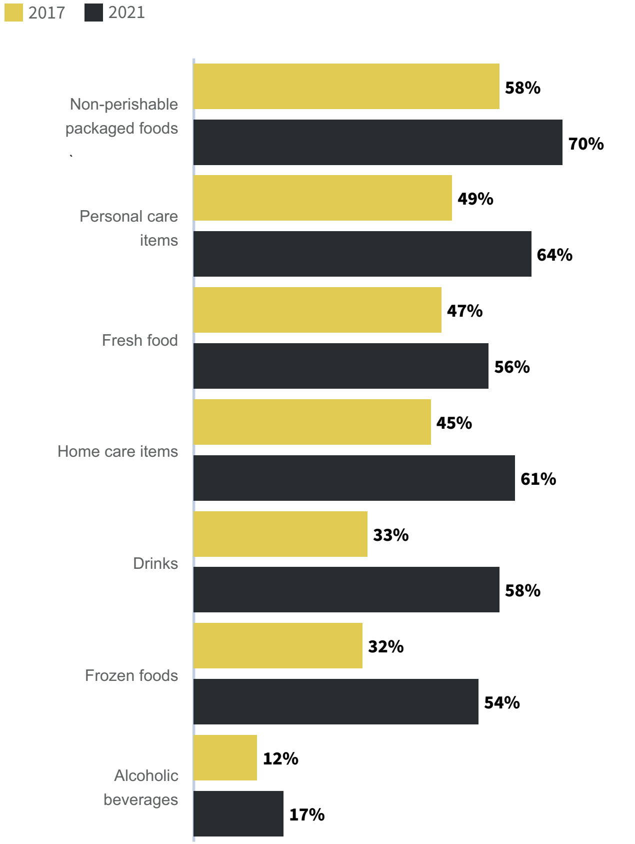
Prior to 2021, beauty retailer Sephora had a strong online operation which saw it reaching more than 40% of turnover from digital channels. The pandemic saw channel turnover flipped, with 60% turnover from digital and 40% from bricks-and-mortar retail during Q4 2020, even after it had begun reopening stores. Goldman Sachs estimates that 60% of all online orders received by the US retail industry in Q4 2020 were fulfilled from stores. Additionally, **Google searches for ‘pick up in store’ increased dramatically in 2020** and remain significantly higher in 2021 than in 2019.

GROCERY SALES BOOM

One retail sector given a major boost by the pandemic to its online activities is groceries. In 2020, grocery sales soared, growing by 14% compared to 2019’s more usual 2.5% growth rate. The drop in people eating out, the extra stocking up that some did as the pandemic arrived in the US, and the number of people working and schooling at home will have contributed to this increase.

Before the pandemic, online accounted for around 4% of the US grocery market, according to McKinsey. In 2020, it rose to hold a 13.6% share of the market.[3] **By 2026, 20% of groceries are expected to be ordered online**.

Change in online grocery orders, 2021



Source: RetailX, drawing on data from Statista, PowerReviews

When asked about delivery preferences for online grocery orders, **75% of US consumers say they prefer to collect their order** – 44% picking up from a store and 31% preferring curbside collection. 24% prefer to have their order delivered to their home.[4]

Coronavirus continues to affect the country in the second half of 2021. The Delta variant resulted in nearly all states experiencing double-digit growth in hospitalisations by mid-August and the latter months of the year are seeing cases continuing to rise. **Companies are legally allowed to make vaccination mandatory for employee**s and US multi-category retailer Walmart is among the most prominent to do so.

The percentage of people vaccinated against the virus stands at 59% of the US population, with **69% having had at least one dose, according to the Centers for Disease Control and Prevention**. The US has offered vaccines to everyone aged five and over, with the numbers being fully vaccinated higher among older age groups. Therefore, the virus is having less of an impact in late 2021 than it did on last year’s holiday season[5].

[1] www.businessinsider.com/stores-closing-in-2021-list-2021-3?op=1&r=US&IR=T
[2] www.digitalcommerce360.com/article/us-ecommerce-sales/
[3] www.mckinsey.com/industries/retail/our-insights/the-state-of-grocery-in-north-america
[4] www.supermarketnews.com/online-retail/e-commerce-account-20-us-grocery-market-2026
[5] www.msn.com/en-gb/health/medical/covid-19-cases-on-the-rise-in-the-us-ahead-of-thanksgiving/ar-AAQYlJb

FOR MORE ON THE US HOLIDAYS, SEE PAGE 21

The Largest 100

What does RetailX data say about the Largest 100 retailers that sell online in the USA?

Understanding where online shoppers in America browse – and in which categories – offers useful insights into demand. Such data puts a spotlight on some of the commercial opportunities available to those retailers and brands that are considering investing in this market. RetailX researchers worked with SimilarWeb to explore customer visits to the Largest 100 websites in the US market.

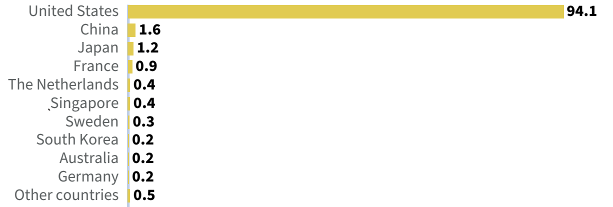
The web traffic analysis is used here to show where key retailers selling to the US market are based. It shows the type of goods local online shoppers are interested in. It also shines a light on the way that American browsers explore other international markets.

Looking across the charts, the data highlights the US consumers' love of marketplaces. **More than half of the unique visits to the largest 100 retailers over the last 12 months are directed at multi-sector stores** rather than consumers visiting category specific retailers.

American shoppers also have a preference for ecommerce sites run by US-headquartered retailers. It's therefore unsurprising to find that **Amazon and Walmart, both large US multi-sector retailers, are consistently ranked in leading positions** for retailing online in the US. Amazon holds a 40% share of the US online retail market.

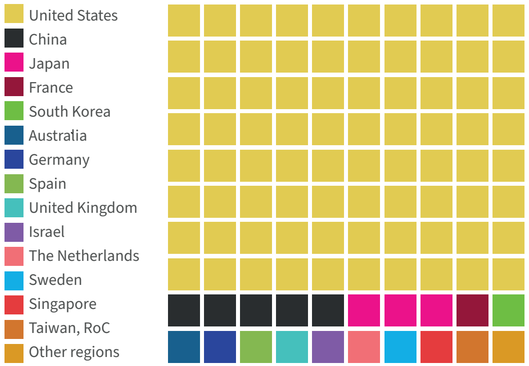
Web traffic from other countries

International web visits to USA-based companies in the Largest 100, by country



Note: retailers in the Largest 100 are selected for their significance to consumers in the country irrespective of where they are headquartered
Source: RetailX, drawing on data from SimilarWeb

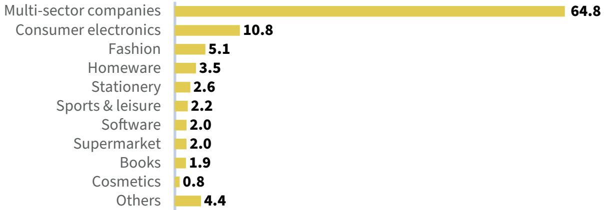
Countries where the USA Largest 100 are based



Note: retailers in the Largest 100 are selected for their significance to consumers in the country rather than where they are headquartered
Source: RetailX

Web traffic by sector

The percentage of web visits to the Largest 100 retailers from consumers in the USA, by sector



Note: retailers in the Largest 100 are selected for their significance to consumers in the country irrespective of where they are headquartered
Source: RetailX, drawing on data from SimilarWeb

Amazon represents a market opportunity and easy entry for retailers outside of the US wanting to gain a foothold in the country. It also poses a challenge for those wanting to operate outside of its operations.

Consumer electronics stores manage to capture almost 11% of unique web visits from US consumers, with fashion retailers receiving 5.1%. For other categories though, the percentages fall to below 5%. Supermarkets operate in their own growing niche – although Amazon is making inroads into this sector.

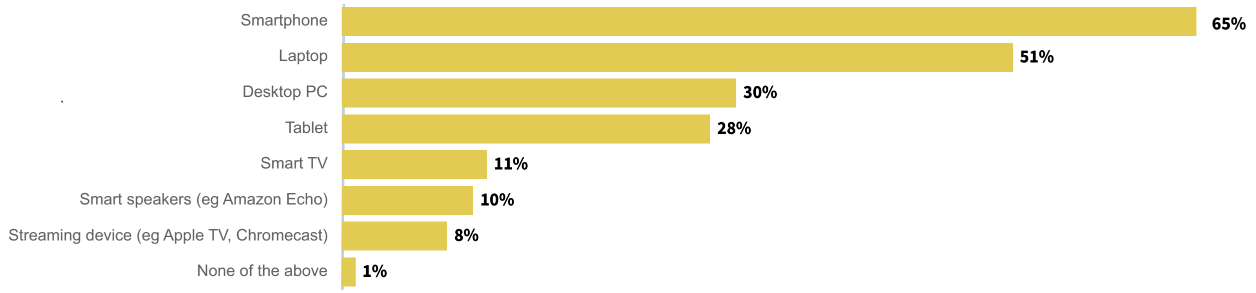
Social engagement

Smartphones are the dominate channel for online shopping but are retailers also engaging through social channels?

Social media offers a unique way to engage with consumers. How retailers interact with existing and potential new customers on different platforms differs widely. These charts highlight how each retail sector uses social platforms to sponsor and sell their products.

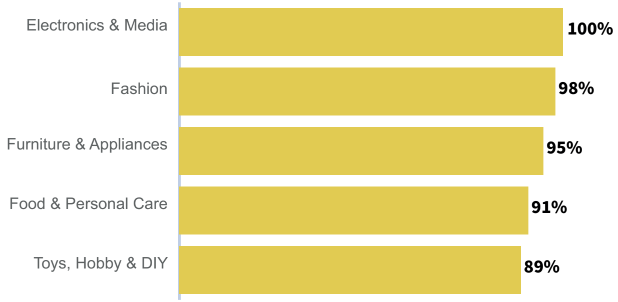
Online purchases by device, 2021

Which of the following devices have you used for online shopping in the past 12 months?



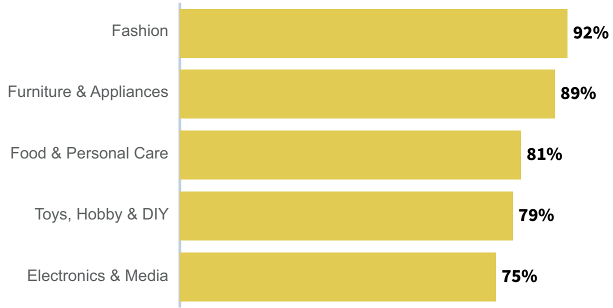
Source: RetailX, drawing on data from Statista Global Consumer Survey

Facebook usage by online stores by segment, 2020



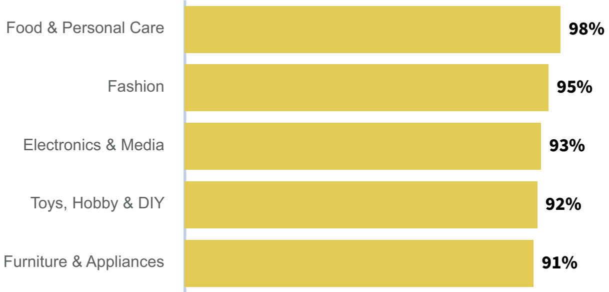
Source: RetailX, drawing on data from EcommerceDB

Instagram usage by online stores by segment, 2020



Source: RetailX, drawing on data from EcommerceDB

Twitter usage by online stores by segment, 2020



Source: RetailX, drawing on data from EcommerceDB

FOR MORE ON RETAIL SOCIAL ENGAGEMENT IN THE METAVERSE, SEE PAGE 27

Rise of the metaverse

The metaverse is rising in prominence in 2021 but what is it and what should brands and retailers be doing about it?

The lines between virtual and physical worlds have been blurring since the first items were sold on the internet and commentators tested ecommerce to try and survive in the real world using only what they could buy "on-line".

To **Gen Z, which has never known a world without the internet and smartphones**, the thought that this is recent history is astonishing. For many, **the boundaries between physical and virtual worlds have already blurred**. What's the point of a physical library? Why would anyone choose to watch a TV show at a set time every week? Who would buy a game or movie as a boxed disk when both can be readily downloaded faster and usually cheaper?

As technology continues to evolve, so does consumer behaviour. **Augmented reality (AR) has brought digital into the physical world** in the form, from a retail perspective, of viewing digital versions of products positioned within a buyer's room, or as a way for cosmetics to be tested virtually. It is now possible for a virtual outfit to be overlaid over your body while on a Zoom call, or even move with you as you strike a pose for Instagram.

Having bought the sofa they've sized up using AR, a shopper can then put on a virtual reality (VR) headset such as the Meta-owned Oculus Quest and visit Antarctica or the International Space Station. **Worlds can be re-imagined.** Why passively watch a movie when you can become part of the action in virtual reality?

The metaverse – referring to an amalgamation of meta and universe – is poised to take all this a big step further, although no-one is entirely sure what it will become. One hypothesis is that **the metaverse will bring together many different technologies**, the internet and gaming to support persistent 3D virtual environments. It will combine VR and AR as access points, payments enabled by smart contracts and ownership rights for digital assets backed by digital tokens or non-fungible tokens (NFTs).

ONE WORLD WITH MANY ENTRY POINTS

"There is one metaverse within which are different 'verses' – individual economies connecting across the internet – and now bridging with the physical world," says Holly Atkinson, head of metaverse technology at Boson Protocol.

© Vans

The number of players on Roblox each day has increased from 12m in 2018 to 42m in 2021

In Meta's words, the metaverse "won't be built overnight by a single company".

The metaverse will enable people to interact in virtual 3D spaces that, as in the real world, are run and operated by different people or companies. Their 'avatar' – virtual persona – will be able to move between the different spaces and be kitted out in the latest designer outfits. More importantly **these spaces or games will becomes platforms for experiences**, a parallel reality where people can travel, hold meetings, go to concerts, interact and buy and sell things.

Physical and virtual things can be bought or sold, including virtual real estate in the metaverse, with the ownership of virtual items able to be proven in the physical world. For example, **a physical raincoat could be bought along with a digital version in a virtual interaction**. Or items may only be sold as virtual goods for use in either the physical or digital world. Or a digital overcoat to ensure an avatar's survival in a digital Arctic environment may come with some AR functionality in the real world, but only when the user is wearing clothing from the same brand. The combined opportunities are endless but, at its simplest, goods bought in the virtual world could cross over.

Gucci was among the first mainstream designers to enter the digital fashion space with the introduction of a pair of neon trainers that only exist virtually. For £11.49, anyone can be shown wearing them on social media.

HINTS FROM THE OTHER WORLDS

There are glimpses of the possibilities if you look to the games industry. Gaming led with avatars (or skins) so that gamers could adopt different identities, looks, clothing or items that would help them stand out from the crowd in online games. **Platforms such as Roblox enable gamers to create as well as play** and it's now moving into hosting more experiences, while *Fortnite* has also hosted experiences beyond its traditional gaming foundations.

- In August, Rapper and YouTuber KSI held a launch party on *Roblox* featuring four of the top tracks from his album, *All Over The Place*.
- Ariana Grande's concert on *Fortnite* may not have lived up to the expectations of some audience members but it showed how the experience for people as avatars can differ from the real world.[1]
- For two weeks, avatars in *Roblox* could enter a virtual Gucci Garden, which echoed real-world locations, as well as buy or discover limited edition avatar items from Gucci's special *Roblox* collection. Some of these virtual items were subsequently resold by owners. A Gucci Dionysus Bag with Bee sold for £2,900 worth of *Roblox* currency Robux. Not only was this far more than the original price of 475 Robux, roughly £4.20[2] but it was also more than the value of its physical equivalent.
- In September, Vans launched Vans World on *Roblox*. Bringing together skateboarding, fashion and community in one experience, Vans World incorporates a shoe customiser, skate shop and Vans silhouettes for avatars to buy and wear. It's also a 3D space where fans can practice their ollies and kickflips with friends.[3]
- Films such as *Jurassic World* now have virtual 3D experiences available for consumers who own VR headsets, while *National Geographic* allows them to explore Antarctica.
- Watch the fashion industry closely, particular designers during Fashion Weeks, for special experiences that cross between virtual and physical worlds.[4]
- Boson Protocol is linking the physical world and the metaverse by enabling fashion brands to sell digital items for avatars on the Decentraland platform. These NFTs will contain a voucher redeemable against real-world items.

What many of these developments have in common is that **they are leaning towards how Gen Z acts online** and how they are expected to continue to interact and shop.

Virtual worlds are not new. Linden Labs' *Second Life* showed how virtual spaces could be opened up to people from around the world to chat, buy things and interact in real time. By 2007, four million people had entered *Second Life* while brands including American Apparel had opened stores within it. Maybe the lesson to be learnt from its launch is the importance of the user experience.

Fiction is not hampered by the need for technical development and the metaverse has been popularised since the publication of Neal Stephenson's 1992 dystopian novel *Snow Crash* in which people interact via avatars in a virtual world.

WHO OWNS THE METAVERSE?

"There is no clear path to what the metaverse will look like," says Atkinson, although **she hopes that it will be decentralised and open**, as is the case with the first fully decentralised world Decentraland. This world is controlled by a Decentralized Autonomous Organization (DAO), so that the people who create and use the world have a stake in it and vote on how it evolves. The DAO owns the assets, such as smart contracts, real estate contracts, content servers and the marketplace, which make up the world. In this way, ownership of data is retained by the individual user.

However, Meta wants to become heavily involved and "bring the metaverse to life." To do so, it is creating 10,000 new jobs across the EU to help in the development of the metaverse.[5] Its ownership of social media and virtual reality software and hardware make it an obvious development for the company. Yet **Meta already has pervasive insight into consumers' lives** and there are worries about how it could try to control the metaverse, rather than allowing it to evolve openly and organically. "It could become a very closed metaverse," warns Atkinson.

© Vertigo Studios Amsterdam

Virtual reality is allowing people to travel the world, even during lockdowns

Meta says it wants to collaborate and that other companies won't want to be left behind as this area progresses. There are many different technologies evolving currently that will form part of it, with NFTs offering a security point. Consumers will decide how, where and in what way they want to interact. "People will use the metaverse in different ways," says Atkinson.

While **the metaverse may take ten or fifteen years to evolve**, now is the time for brands and retailers to investigate and experiment to discover what the metaverse could mean for them and their customers. Those that don't get experience of these real-time, always-on worlds, will be on the back foot by the time the metaverse has evolved to meet its full potential.

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Sustainability

During this critical decade, the US is taking ambitious action to try and keep global temperature increases within the limits agreed in Paris in 2015

President Biden's administration is moving the country quickly away from **Donald Trump's position as a climate change denier** to re-engaging with other global leaders. Together, it's hoped that global temperature increases will be capped as the US works with China on climate plans.

During his presidential campaign, Joe Biden promised that the **US would rejoin the Paris Climate Agreement**, which, in 2015, saw countries agreeing to keep the rise in global temperatures to well below 2°C, while pursuing efforts to limit the increase to 1.5°C above pre-industrialised levels. Trump announced plans to withdraw from the Agreement in 2017 yet withdrawal didn't take effect until 4 November 2020, the day after Biden's winning election. **Biden also promised to move the US away from its oil economy**.

The US government is now fully re-engaged in global efforts to keep climate change under control. In April, President Biden set out how the country would reach net zero emissions by 2050, pledging that **by 2030, the US would achieve a 50-52% reduction in greenhouse gas emissions** on 2005 levels. It has since set a goal to reach 100% carbon pollution-free electricity by 2035.


© IKEA

The US aims to halve greenhouse gas emissions by 2030

Its efforts to reign in climate change saw the US issuing a joint declaration on climate action with China at the COP26 climate summit in November 2021. The two superpowers are "seizing this critical moment to engage in expanded individual and combined efforts to accelerate the transition to a global net zero economy."[1] Both countries are pushing forward to raise climate ambitions over the next nine years, both individually and in cooperation, as well as identify and address challenges and opportunities to reduce emissions aimed at meeting the Paris Agreement-targets.

Discussions between the countries will continue in 2022 as they bid to put "concrete" plans in place to reduce climate impact on a range of matters, including the **reduction of methane emissions and illegal deforestation in China**.[2]

Specifically, the two countries intend to cooperate on:

- Regulatory and environmental standards related to reducing emissions of greenhouse gases in the 2020s
- Maximising the benefits to society of clean energy
- Policies to encourage the de-carbonisation and electrification of end-use sectors
- Key areas related to the circular economy, such as green design and renewable resource utilisation
- Deployment and application of technology such as carbon capture, utilisation and storage (CCUS) and direct air capture

If necessary, the US and China will update national targets and commitments that have already been set for 2030 as well as their longer-term strategies.

Together, **the US and China account for the production of more than 40% of global carbon emissions**, so this bilateral agreement will have a major impact on the future. It also helped to keep discussion going at COP26, coming at a time when negotiations between world leaders were highlighting the gap between the level of action required to match carbon emission targets and the actual action committed to by individual countries.

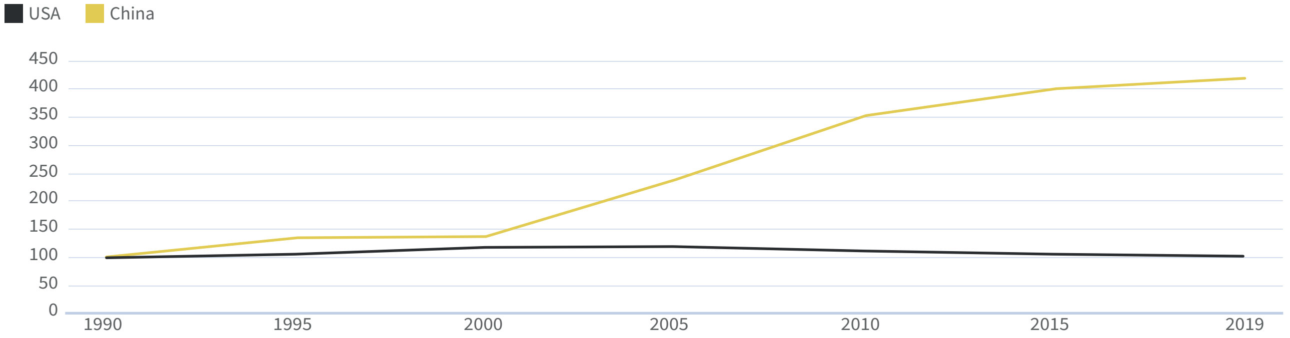
2021 is a critical year for climate change, with the UN Intergovernmental Panel on Climate Change (IPCC) calling "code red" for the planet in August. The IPCC's report was a major wake-up call ahead of COP26, highlighting the seriousness of climate change and the need for urgent action over the coming decade if the ambition for 2050 to limit the impact of temperature rises is to be met.

"This is a roadmap for our countries and future collaboration. China and the US have no shortage of differences. But cooperation is the only way to get this job done. This is about science, about physics"

John Kerry
Special Presidential Envoy for Climate

USA and China CO_2 emissions, 1990-2019

Based on index 1990=100



Source: OurWorldInData

The WWF welcomed the announcement of a joint declaration between China and the US, calling it an "important commitment between the world's two largest emitters of greenhouse gases". Genevieve Maricle, director of US climate policy action, WWF said, "No less relevant in the context of this agreement, they are also the two largest economies in the world. Between them, **they have the power to unlock vast financial flows from the public and private sectors** that can speed the transition to a low carbon economy."

She also pointed out that the world needs to be "clear eyed" on what is involved in the future. "For the United States, the next steps must be for Congress to secure passage of the Build Back Better bill and to align the full power of the entire US federal government with the contributions of non-federal institutions across society. These tasks will set the stage as we pivot to implementing the Paris Agreement and we begin to look ahead at the potential of this partnership between these two countries to **address the climate crisis with real, meaningful results during this critical decade**."

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CASE STUDY

Amazon

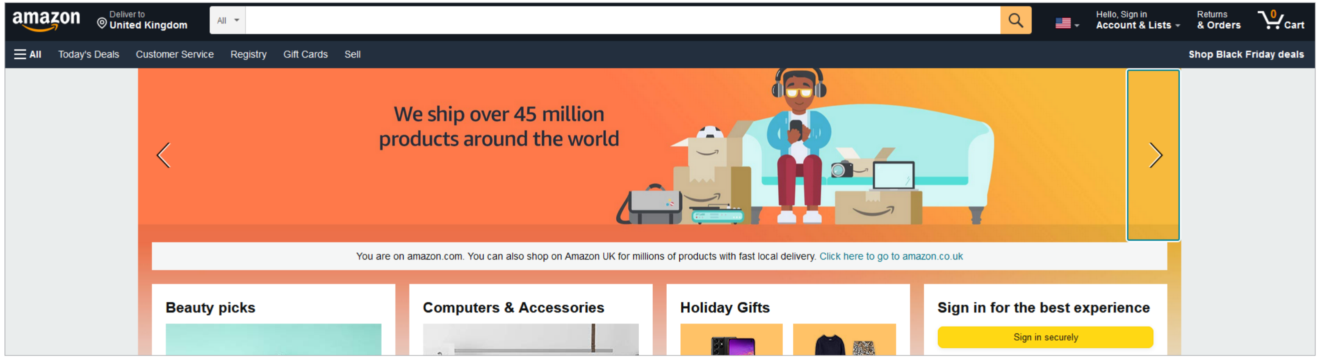
The ecommerce juggernaut continues to expand within the US and internationally

Amazon holds sway over much of the US retail market. It accounts for **around 40% of the online market**, as well as being a major force in other countries. In 2020, it reported revenue growth of 41.4% over 2019's figure and this growth hasn't slackened off in 2021.

The online behemoth reported a sales increase of 10% for its business in North America in Q3 2021 compared to the same period of 2020, which itself reached **phenomenal growth due to the consumer shift to online purchasing during the pandemic**. Net sales for the three months to 30 September 2021 amounted to $65,557m in North America alone. Total income for the quarter came in at over $3bn.

Away from ecommerce, its Amazon Web Services business, which makes up around 15% of the total, recorded growth of 39% year-on-year.

However, the retail and tech company saw **net profit hit** before going into the holiday season, with **a drop of 50% compared to last year**.



© Amazon

Improvements in fulfilment systems should make customers happy but have affected profitability in 2021

Amazon CEO Andy Jassy – who took over from Jeff Bezos in July 2021 – was unconcerned by the profit dip, reminding investors of the company's mission of putting the customer first. This **requirement to meet customer needs has seen Amazon investing heavily in its fulfilment network**. "In the fourth quarter, we expect to incur several billion dollars of additional costs in our consumer business as we manage through labour supply shortages, increased wage costs, global supply chain issues and increased freight and shipping costs – all while doing whatever it takes to minimise the impact on customers and selling partners this holiday season," says Jassy.

He adds, "It'll be expensive for us in the short term but it's the right prioritisation for our customers and partners."

Among the recent changes the company has introduced for US consumers includes expansion of its **same-day, fast delivery service to a further nine cities**, including Atlanta, Detroit and Minneapolis. This brings the total number to 15 since the service launched in 2020, enabling Prime members to receive items from a choice of three million, including baby, beauty and health, and electronics in as little as five hours after ordering.

It has also **expanded its fashion 'Prime Before You Buy' service to France, Italy, Portugal and Spain**, while introducing a new service in the US whereby customers will be automatically sent personalised stylists picks.

Outside of the US, the now Amazon-owned Souq.com became Amazon.eg.

CASE STUDY

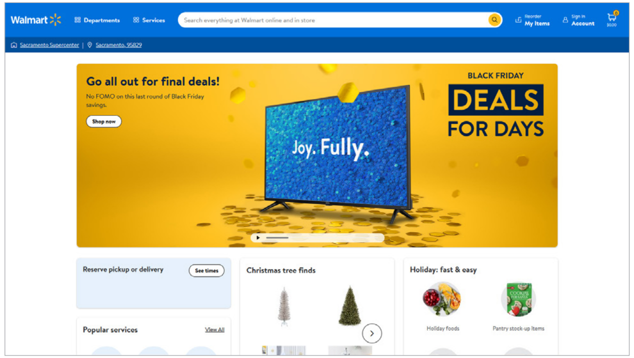
Walmart

This US giant is extending its technology and delivery networks to third parties

Walmart is known for its grocery and general merchandise offerings. Total revenue for its latest financial year, to 31 January 2021, reached £404bn ($559bn), with sales in the US increasing by 8.7%. The retail behemoth has more than **4,500 Walmart-branded bricks-and-mortar stores in the US** alone. A further 5,342 operate as Sam's Club, while it has a further 5,762 bricks-and-mortar stores outside of the US. Overall, **Walmart employs more than 2.3 million people globally**.

The growth reported by the company in 2020 continued into 2021, with both sales increasing and the retailer growing its share of the US grocery market. **Online, sales have doubled over the last two years**, with Walmart US reporting growth of 103% over two years and 6% in its most recent financial quarter. Ecommerce sales at Sam's Club grew 27%. However, international sales were down 15.2% in the three months to 30 July 2021.

The company was happy with the results. As Doug McMillon, the company's president and CEO said at the



© Walmart

Walmart is now offering its reach and power to deliver to other businesses

time, "We had another strong quarter in every part of our business. Our global ecommerce sales are on track to reach £54.26bn ($75bn) by the end of the year, further strengthening our position as a leader in omnichannel. We grew market share in US grocery, added thousands of new sellers to our marketplace, rapidly grew advertising businesses around the world and we're finding innovative ways to commercialise our data and build technology. We have a unique ecosystem of products and services designed to serve customers in broader, deeper ways and we're grateful to our associates for making it all happen."

Walmart is on a path to diversify its business. In August, it announced **Walmart GoLocal, a white-label delivery service** which utilises expertise it's built up in recent years as it scaled its own commerce capabilities.

Walmart GoLocal took the company three years to launch and scale delivery and Express delivery for its customers on more than 160,000 items from more than 3,000 stores, reaching nearly 70% of the US population. **Its delivery network includes drones, autonomous vehicles and fulfilment centres**. One of the first US retailers to utilise Walmart's same-day and next-day delivery service is DIY retailer, The Home Depot.

The launch of Walmart GoLocal came weeks after the retailer announced its plans to begin offering technologies and capabilities to **help other businesses navigate their own digital transformation**. The retailer formed a commercialisation partnership with Adobe to integrate Walmart's Marketplace, online and in-store fulfilment and pickup technologies with Adobe Commerce.

"We've built new capabilities to serve the evolving needs of our own customers and we have a unique opportunity to use our experience to help other businesses do the same. Commercialising our technologies helps us sustainably reinvest back into our customer value proposition"

John Furner

CEO Walmart US

Figures

USA report data sources

To supplement our own research in our analysis for this report, we drew on these sources. While each one is referenced next to the chart or graphic they are used in, for transparency, here are all the links:

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Conclusion

We hope that you have found our research and analysis to be of interest and commercial value. We would be very pleased to hear from you with questions, suggestions or comments, and in particular we would like to hear about any areas you think we should include in the 2022 report.

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