



The State of Amazon: 2021 Report

Key Changes to Amazon
that will Shape 2021
Brand Strategy



TRADE PARTNERS



kaspian

MARCH 2021

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SNAPSHOT

The State of Amazon



1.3M

SELLERS JOINED
AMAZON IN 2020

Source: Marketplace Pulse

\$3B

INVESTED IN
BRAND ACQUIRERS

Source: Marketplace Pulse

TOP 10 US COMPANIES, RANKED BY RETAIL ECOMMERCE SALES SHARE, 2020

% of US retail ecommerce sales



Note: this chart represents the gross value of products or services sold (browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets

Source: eMarketer

AMAZON ADVERTISING REVENUE GROWTH 2018-2020



Source: Amazon

AMAZON'S 2020 PERFORMANCE

66%

GROWTH IN ANNUAL
ADVERTISING REVENUE

38%

GROWTH IN ANNUAL
NET SALES

Sources: Amazon, eMarketer

53%

GROWTH IN ONLINE
GROCERY SALES

"S-TEAM" TURNOVER



JEFF BEZOS



JEFF BLACKBURN



JEFF WILKE

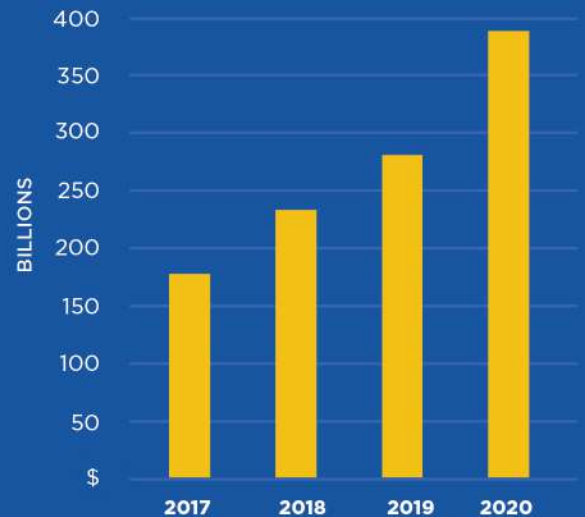


19

COUNTRIES WITH
AMAZON MARKETPLACES

Source: Jungle Scout

AMAZON'S ANNUAL NET SALES



Source: Amazon

EXECUTIVE SUMMARY

Amazon is never idle, but after a global pandemic, the ecommerce leviathan is experiencing one of its most intense growth phases yet.

In 2020, Amazon's annual net sales grew 38% year-on-year and it hit a staggering \$490 billion gross merchandise value (GMV). Even as online sales boom, however, Amazon itself is undergoing significant changes that will affect brands and sellers for years to come. Jeff Bezos, Amazon founder and CEO, announced he will step down in Q3 2021 to become the Executive Chair. Similarly, two more Jeffs on Amazon's senior leadership team – Jeff Wilke and Jeff Blackburn – stepped down in Q1 2021.

In addition to internal changes, Amazon is also facing external pressures. The company was subject to a 16-month long Congressional antitrust investigation, which resulted in the committee publishing a 450-page report in October 2020. The report stated that Amazon has a monopoly in ecommerce and recommended antitrust measures be taken, although no actions have been taken as of this eBook's publication. One of Jassy's first major challenges as CEO may be dealing with the report's fallout.

About Kaspian

Kaspian optimizes and grows brands on today's leading online marketplaces. Founded in 2008 in Spokane, WA, Kaspian has spent the last decade building and utilizing proprietary technologies for marketing optimization, brand protection, and fulfillment efficiency to generate rapid revenue growth for brands. Kaspian has earned the trust of many leading brands, including 3M, Strider Bikes, ZippyPaws and others, driving over \$1 billion marketplace sales. For more information, visit kaspian.com.

KEY UPDATES FROM 2020

Amazon Sales Soar

Ecommerce sales reached between [14%](#) and [21%](#) penetration of all retail sales in 2020. US ecommerce sales grew to nearly [\\$800 billion](#) in 2020, accelerating ecommerce growth by [over 2 years](#).

Amazon was a major winner in this ecommerce growth, [reporting](#) annual net sales of \$386.1 billion in 2020, with \$236.3 billion coming from the North America segment. Amazon's annual net sales grew 38% year-on-year, a massive figure for a company of Amazon's size. Shoppers flocked to the marketplace in lieu of in-store shopping, and brands were compelled to follow them.

As the ecommerce titan grows, having a brand presence on Amazon is becoming less of an option and more of a necessity for brands who want to remain competitive.

Amazon FBA Issues

2020 exposed the surprising fragility of ecommerce fulfillment networks. When online orders surged, Amazon's mammoth fulfillment network buckled under the strain. A sudden spike in demand for certain goods led Amazon to [temporarily restrict](#) entire categories from shipping new inventory into Fulfillment by Amazon (FBA) warehouses. Amazon also temporarily prioritized Fulfillment by

Merchant (FBM) orders over FBA orders. Impacted FBA sellers that lacked FBM options were hung out to dry.

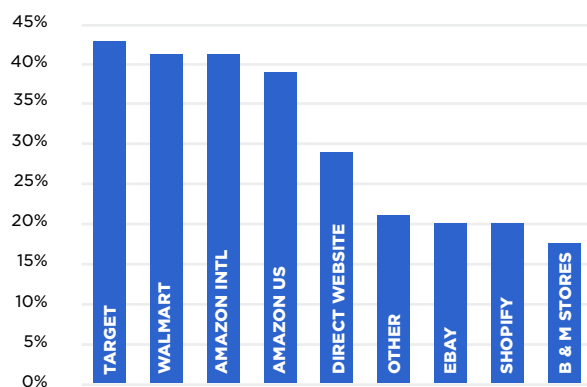
Amazon's Competitors Ride the 2020 Wave

Amazon's fulfillment issues in late spring and early summer allowed competitors to secure a stronger foothold in the space, which doesn't seem to be slowing down. [Walmart](#), [Target](#), [Shopify](#), and more posted double-digit and triple-digit growth in 2020. Amazon still dwarfs all of its domestic ecommerce competitors, but 2021 may present the greatest challenge to its dominance seen in the last decade.

In a survey, Kaspian found that 43% of respondents ranked Target.com as the online marketplace that they are most interested in expanding to within the next 1-2 years, followed by Walmart at 41%.

WHERE WOULD YOU LIKE TO START SELLING PRODUCTS IN THE NEXT 1-2 YEARS?

Source: Kaspian



“53% of online shoppers feel more comfortable buying from unfamiliar brands on Amazon than anywhere else.”



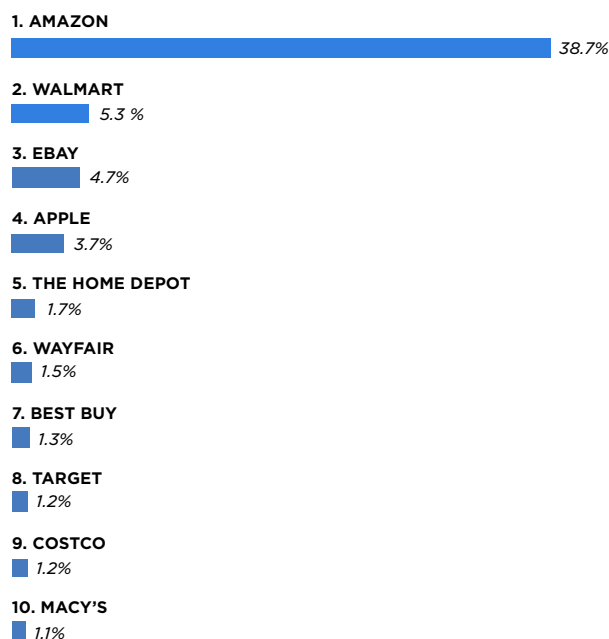
KEY UPDATES FROM 2020

Amazon's Share of Ecommerce Shrinks?

Competitors' success may have eroded Amazon's market share in US ecommerce. According to [Digital Commerce 360](#), Amazon's market share diminished from 44% in 2019 to 31% in 2020. However, [eMarketer](#) reports contradicting numbers, estimating Amazon's market share grew from 37% in 2019 to 39% in 2020.

TOP 10 US COMPANIES, RANKED BY RETAIL ECOMMERCE SALES SHARE, 2020

% of US retail ecommerce sales



Note: this chart represents the gross value of products or services sold (browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets

Source: eMarketer

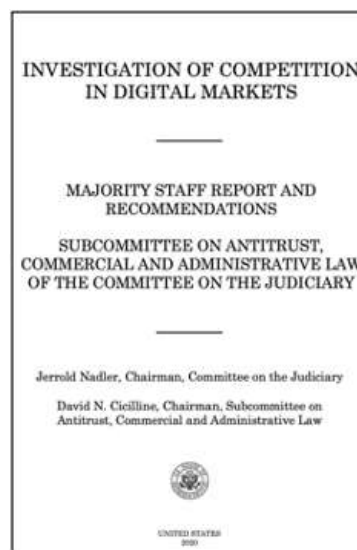
Whatever the reality, Amazon's subscription service retains a comfortable lead ahead of competitors' subscription services. A January [survey](#) by PYMNTS shows that 64% of respondents have Prime memberships, while only 21% have Walmart+ memberships.

Amazon is irrefutably the dominant marketplace in the US, but the reduction in market share indicates that other online marketplaces are gaining steam. Brands would be wise to plan for an omnichannel approach to ecommerce for the coming years.

Amazon Facing Antitrust Scrutiny

Even before the global pandemic, Amazon was facing increased scrutiny from regulatory bodies. On March 2, 2020, the [SHOP SAFE Act](#) was introduced to Congress and referred to the US House Committee on the Judiciary. The act would hold Amazon and other online marketplaces accountable for counterfeits sold on their platforms.

Jeff Bezos also [testified](#) before Congress in July of 2020, and Amazon submitted [written answers](#) to follow-up questions in September. In October, the committee published a [450-page report](#) with their findings from a 16-month antitrust investigation, recommending antitrust actions be taken. 2021 may see some of those actions introduced to Congress.



Fellow Amazonians:

I'm excited to announce that this Q3 I'll transition to Executive Chair of the Amazon Board and Andy Jassy will become CEO. In the Exec Chair role, I intend to focus my energies and attention on new products and early initiatives. Andy is well known inside the company and has been at Amazon almost as long as I have. He will be an outstanding leader, and he has my full confidence.

This journey began some 27 years ago. Amazon was only an idea, and it had no name. The question I was asked most frequently at that time was, "What's the internet?" Blessedly, I haven't had to explain that in a long while.

employ 1.3 million talented, dedicated people, serve 1
and businesses, and are widely re
ies in

KEY UPDATES FROM 2020

Jeff Bezos Passes the Reins

In addition to potential legislation, 2021 will also witness several major changes in Amazon leadership. Founder and CEO Jeff Bezos [stated](#) that he will step down from his role to become the Executive Chair in Q3 2021. He will be replaced by Andy Jassy, the CEO of Amazon Web Services (AWS). Jassy has been with Amazon since 1997.

Before Bezos [announced](#) his transition, Jeff Wilke, CEO of Amazon Worldwide Consumer, announced he would retire in Q1 2021. Wilke was replaced by Dave Clark, who has a background in operations.

A third Jeff on Amazon's senior leadership team announced his departure in February 2021. Jeff Blackburn, who served at Amazon for over

20 years, left the company. As reported by [Geekwire](#), Blackburn's departure will enable new CEO Andy Jassy to reshape more of the Amazon leadership team.

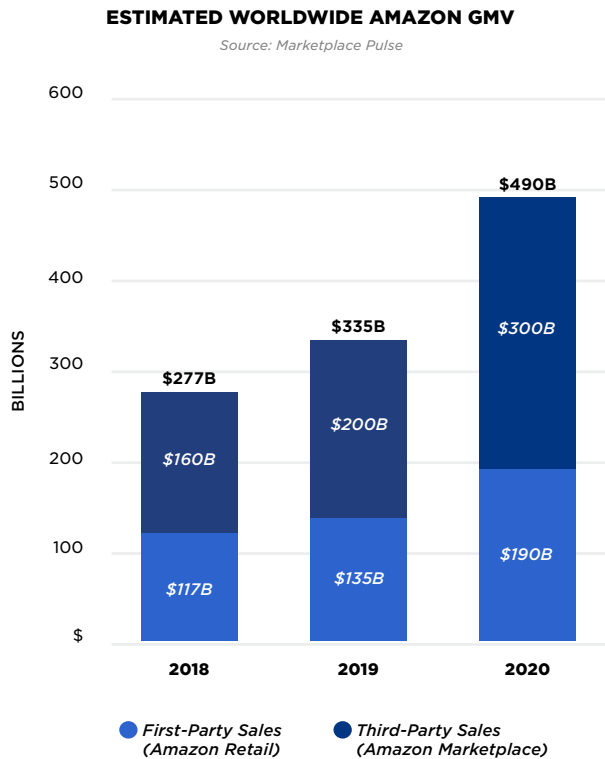
Third-Party Seller Services Grow

These changes in senior leadership suggest that Amazon will shift its focus to expanding and improving its platform instead of growing its direct retail relationships with brands. Expanding its platform would increase its value proposition for third-party sellers and advertisers operating on its marketplace, which generated \$300 billion of Amazon's \$490 billion GMV in 2020, according to [Marketplace Pulse](#).

If this is the case, all but the largest brands will be expected to sell on Amazon as their own seller or through third-party sellers. This shift has been

KEY UPDATES FROM 2020

trending for some time, with third-party seller services growing 57% year-on-year in 2020.



While the seller growth rate didn't increase, the marketplace itself has been saturated for years and remains so. Brands who rely on earned marketing – word of mouth, customer reviews, listings optimized for SERP placement, etc. – are being smothered by the sheer volume of competitors. To stand out from the crowd, more and more brands are adding paid ads to their arsenal.

Advertising Costs were Down

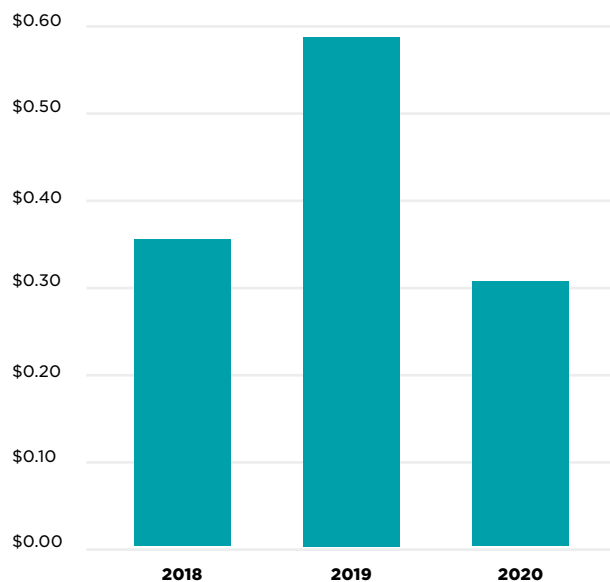
Many brands reduced or eliminated their advertising budgets for much of 2020 to protect their bottom lines. As a result, the average cost-per-click (CPC) for Amazon advertising dropped. In 2019, Kaspian saw the average CPC increase 38% year-on-year. In 2020, we saw the average CPC drop by 47% year-on-year!

Amazon also [acquired](#) a Shopify competitor called Selz in January 2021. Like Shopify, Selz serves as a central hub through which sellers can manage multiple ecommerce sales channels. Amazon's acquisition of Selz, especially after Shopify's stellar performance in 2020, demonstrates Amazon's continued investment in enabling brands to represent themselves on the marketplace.

Seller Saturation Remains a Challenge

Amazon added another [1.3 million sellers in 2020](#), 190,000 of whom joined Amazon US. This is on pace with previous years, suggesting that while shoppers turned to Amazon in greater numbers than ever before, it was mostly existing brands that benefited.

KASPIEN'S AVERAGE CPC FOR AMAZON ADVERTISING



Note: Kaspian does leverage proprietary ad management software for Amazon which contributed to these results. Digital Commerce 360 reports that the average CPC reduced only 0.3% in 2020 as advertising returns to pre-2020 levels.

KEY UPDATES FROM 2020

Amazon Expands Advertising Services

Amazon's advertising revenue has been one of its fastest growing segments for the last several years. In just [Q4 2020](#), ad revenue grew 64% year-on-year, reaching \$7.95 billion! Amazon also continually expands its advertising capabilities, releasing new features and ad types to Seller Central in recent years.

In late 2020, Amazon began reaching out to brands offering to run their Amazon advertising campaigns for a year without requiring a management fee. The lack of a management fee would allow brands to invest the saved money directly into their ad budgets, from which Amazon collects a fee anyways. Amazon has kept the exact nature of these partnerships ambiguous, but the move indicates advertising innovation will remain a key initiative.

Brand Acquirers Raise \$3 Billion

Over \$1 billion were invested in companies focused on buying and growing brands on Amazon in 2020. By March 2021, total funding in this

space was [over \\$3 billion](#). Thrasio, Perch, and Heyday practically became household names in the ecommerce industry. According to Taliesen Hollywood, founder of Hahnbeck, [told Digital Commerce 360](#) that brand acquirers typically pay 2.5 to 4.5 times a brand's EBITDA.

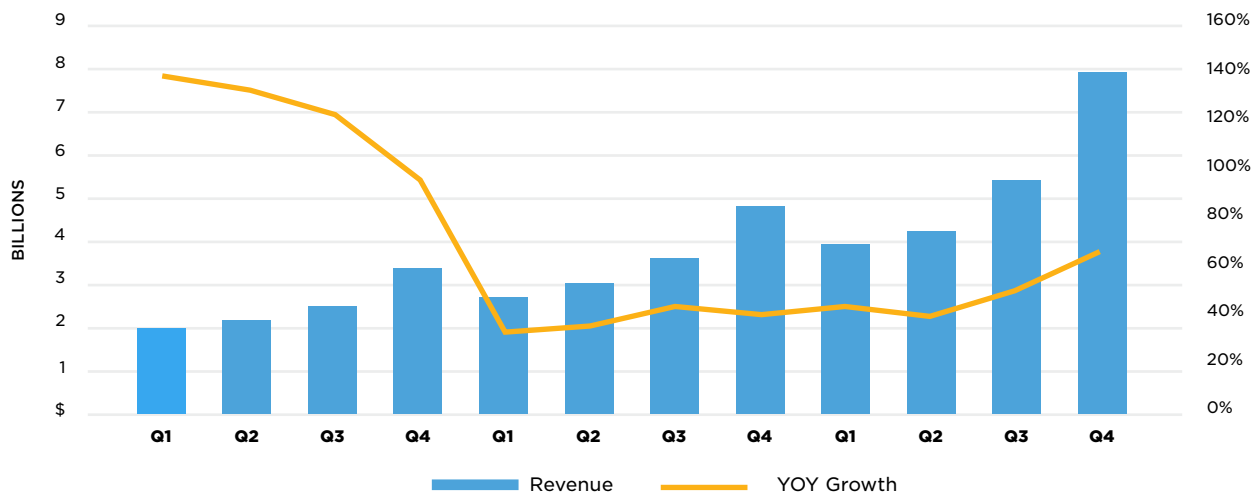
Consolidation is a natural part of business lifecycle in emerging industries, and it seems Amazon has finally reached that stage. The impact of brand acquirers is yet to be seen. How many will be able to successfully grow brands? Will their immense funding translate into brands becoming share leaders? How many will flounder?

International Marketplaces

Amazon's [international net sales](#) grew to \$104 billion in 2020, up from \$75 billion in 2019. Amazon currently has 19 active marketplaces, having launched [Amazon Netherlands](#) and [Amazon Sweden](#) in 2020 and [Amazon Poland](#) in 2021. Latin America also drew much attention, growing

AMAZON ADVERTISING REVENUE GROWTH 2018-2020

Source: Amazon



KEY UPDATES FROM 2020

ecommerce sales by 37% in 2020. However, the biggest winner in the region has been the online marketplace MercadoLibre, according to [Euromonitor](#).

Amazon advertising also saw strong growth in international marketplaces. In 2020, Kaspien drove strong year-on-year growth in advertising sales in multiple marketplaces.

KASPIEN'S AMAZON ADVERTISING SALES GROWTH YOY:



Winning Categories

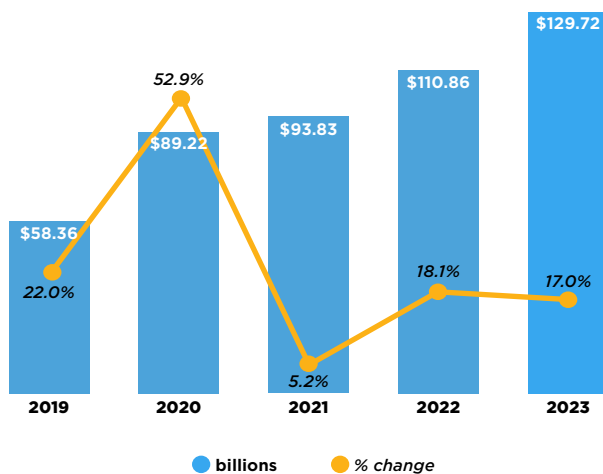
Certain product categories saw particularly strong sales growth in 2020 as the global pandemic influenced buying decisions.

Online grocery sales soared, with [eMarketer](#) reporting 2020 sales reached \$89.22 billion, an increase of \$30.86 billion.

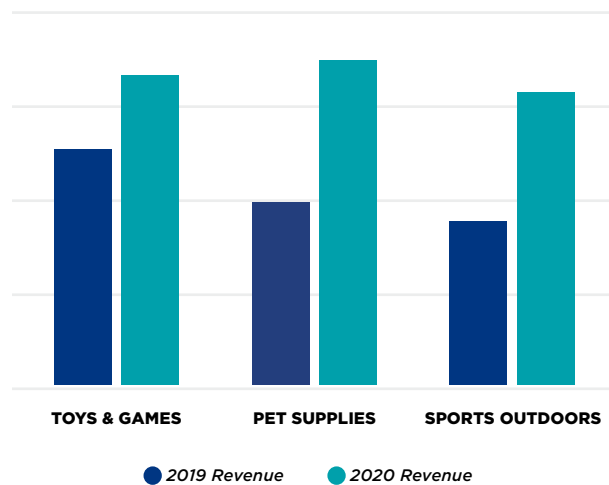
Online grocery sales are expected to continue to climb, with [estimates](#) predicting online grocery sales will reach nearly \$130 billion by 2023, accounting for nearly 10% of total grocery sales in the US. [Euromonitor](#) forecasts higher growth than eMarketer, predicting that food and drink ecommerce will expand by 8% in 2021.

Kaspien also saw other categories benefit from the wild year. In particular, Pet Supplies, Sports & Outdoors, and Toys & Games each grew substantially. All of these categories involve entertainment and recreation, suggesting shoppers looked for respite from an exhausting year.

GROCERY RETAIL ECOMMERCE SALES
US. 2019-2023
Source: eMarketer



AMAZON SALES GROWTH BY CATEGORY
Source: Kaspien



2021: WHAT LIES AHEAD

Ecommerce Growth Rates Will Slow

With all its turbulence, 2020 did bring strong tailwinds for ecommerce. As that turbulence gradually subsides, so too will the tailwinds. We expect that US ecommerce sales will continue to grow throughout 2021, albeit at slower rates than seen in 2020.

Brand Representation Matters More

With more brands, more sellers, and more marketplaces to choose from, shoppers have a plethora of options. To win them over in 2021, brands need to make strong, positive first impressions. The best way to do that is through

high-quality copy, images, and videos that help shoppers understand important product details, like color, size, ease of use, etc.

If shoppers cannot easily understand such details when they are unable to inspect products in person, they'll seek another product. It's also critical that brands provide a consistent experience no matter where shoppers encounter their products, as inconsistency can lead to confusion or doubts about authenticity, resulting in lost sales. This includes consistent branding across direct websites, social media, and marketplaces.

AMAZON



SOCIAL



WEBSITE



2021: WHAT LIES AHEAD

Retention Strategies will Grow

In the same vein, because shoppers have more choice, the cost-of-acquisition will continue to increase. To counteract rising customer acquisition costs, brands will develop more robust retention strategies to keep customers in the family. This will include dedicated efforts for retargeting campaigns, customer newsletters, nurturing engaged social media communities, and more.

Advertising Costs will Normalize

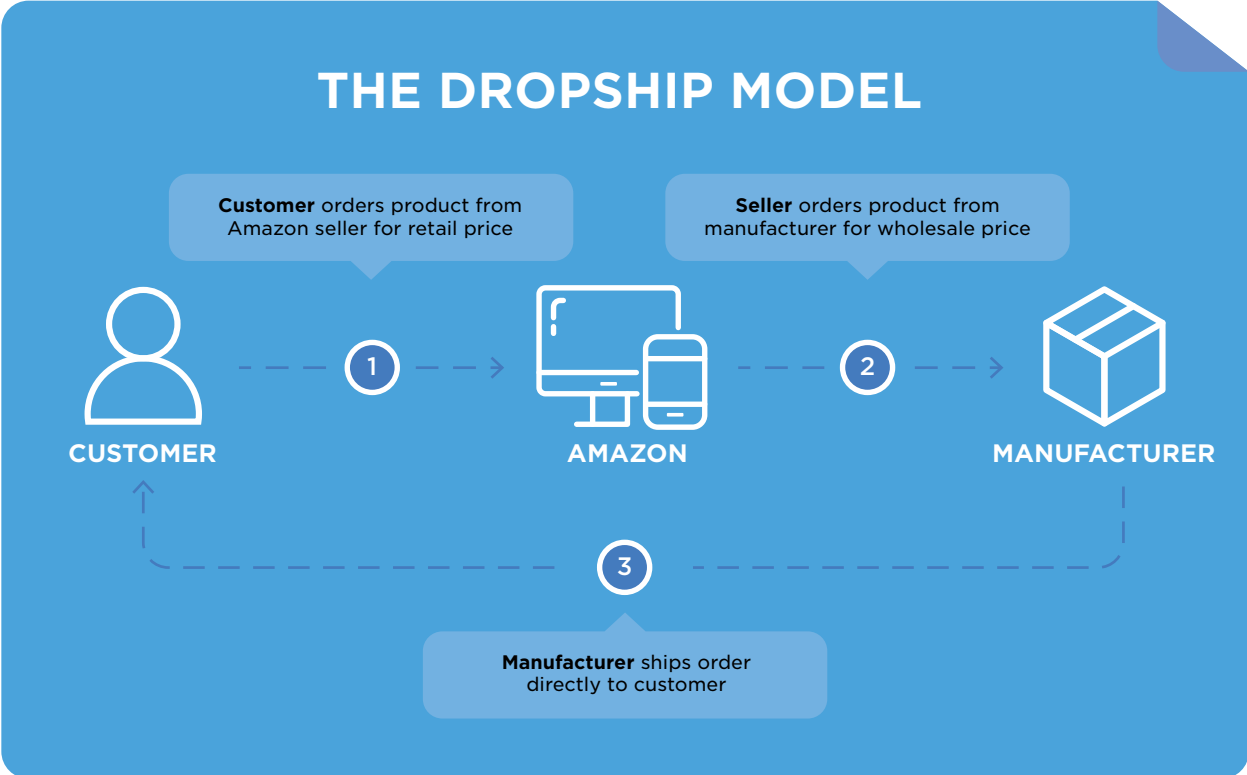
While advertising costs dipped in 2020, we are already seeing costs normalize back to pre-quarantine levels. As costs rise, it will be the companies that have the strategies and technology to maximize efficiency and profitability that will flourish. Those that try

to skate by with the same worn tactics will struggle to maintain low ACOS and CPC.

Third-Party Logistics and Dropship will Grow

Many brands learned the hard way not to be dependent on only one fulfillment strategy. This lesson will likely persist into 2021, with brands diversifying their fulfillment strategies through FBM, dropship, and third-party logistics providers. These alternative fulfillment models were sometimes seen as unnecessary or burdensome. 2020 proved that they are a critical part of risk mitigation.

Similarly, we saw consumers demonstrate interest in different bundling sizes. Brands that can update their product preparation capabilities to allow for more unit sizes and bundling options can take advantage of this growing interest.



2021: WHAT LIES AHEAD



One-Day Delivery will Become Expectation

With FBA being, in many ways, the cornerstone of Amazon’s success, Amazon has taken aggressive steps to restore their reputation as the fastest and most reliable fulfillment solution available. Amazon expanded their warehouse space by [50%](#) in 2020, and they are aggressively growing Amazon Air.

In January 2021, Amazon Air [purchased 11 jets](#). In March, Amazon [spent \\$131 million](#) to gain a 19.5% stake in Air Transport Services Group’s (ATSG) stock. According to ATSG’s annual report, Amazon could own nearly 40% of the cargo airline if it leases more aircraft and exercises all its warrants. Thanks to Amazon Air’s expansion, a DePaul University [study](#) predicts that Amazon

one-day delivery will be available to 95% of US households by the end of 2021.

Amazon will Continue Adding Marketplaces

Given the strong performance in international markets, it is likely that Amazon will continue adding marketplaces. Amazon’s major value proposition for international markets is using Amazon provides a consistent experience. Amazon US, Amazon JP, Amazon UK, etc. all have similar infrastructures and operating systems, making it easier, hypothetically, for brands to expand to foreign markets than integrating with a new marketplace.



CONCLUSION

BRANDS MUST ADAPT AS AMAZON EVOLVES

2020 forever changed consumer buying behavior, and with it, ecommerce. Brands must evolve to meet consumers where they are at or fall by the wayside. That means installing omnichannel capabilities, investing in marketing and marketing software, diversifying fulfillment solutions, and proactively engaging with your target audience.

Brands that need assistance with any piece of integrating Amazon more fully into their brand strategy can reach out to Kaspian for assistance at kaspian.com.

OVER
\$1B
RETAIL SALES

AVERAGE
30% LIFT
IN SALES WITH MARKETING

AVERAGE
8% ACOS
ON \$90MM+ AD REV

OVER
4K
BRANDS SERVED

TRADE PARTNERS



kaspian