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**D I G I T A L
C O M M E R C E**

A FUTURE COMMERCE REPORT
ON THE STATE OF RETAIL

 Future
Commerce

 Gladly

“WHERE
THERE IS
NO
VISION
THE
PEOPLE
PERISH.”

A PROVERB
OF SOLOMON

VISION 2020

When it comes to making investments into your retail businesses you need clear vision and insights. **Vision** helps you to plan for the future. **Insight** helps you draft strategies to shape that future.

Future Commerce presents a new report based on original research that aims to predict the next decade of retail business growth. The next phase of your retail or direct-to-consumer businesses will depend on many factors - changing customer expectations, an aging Millennial population, the emergence of Generation Z, and challengers to big retail players from Walmart to Amazon.

This report unveils the recurring themes found in the weekly Future Commerce podcast and aims to provide you insights based on our 20+ years of consumer retail industry experience to help you develop a winning strategy in the 2020s.

ABOUT THE STUDY

This study was conducted between Dec 8 and Dec 10, 2019.

Three hundred eighty-two consumers responded in the survey. Eligibility was based on residency in the United States, adults 18 years of age or older, and household incomes of \$25,000 USD or greater.

AMAZON HAS COMPETITION...

In our broad market survey, we found that a whopping 91% of households have Amazon Prime. Unsurprisingly, the main benefits shoppers found valuable were Free Shipping (83%) and Fast Shipping (63%).

In 2020, technology and infrastructure have evolved to provide direct-to-consumer brands a means to compete on quicker, cheaper shipping.

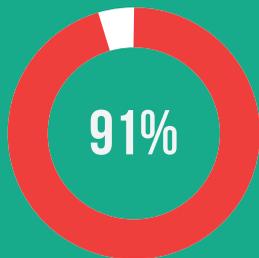
Some important points that will help smaller brands and retailers compete with the Big-A in the next decade:

- **In 2019, Shopify announced a fulfillment option** for its eCommerce customers, creating a full-service ecosystem that promises 2-day shipping to its more than 1 Million merchants.

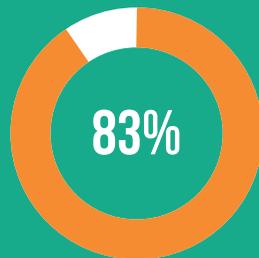
- **Brands are creating more content than ever**, and customers are tuning in. Brands from McDonald's to Johnson and Johnson, heck even Cartier has a podcast. DTC startups like Outdoor Voices are creating original programming and Patagonia is investing in cinema and documentarians.

#3 MOST-CITED FEATURE OF AMAZON PRIME WAS PRIME VIDEO ORIGINAL PROGRAMMING AND EXCLUSIVE CONTENT.

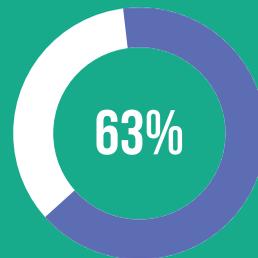
Amazon Has Competition



Have Amazon Prime
9 out of 10 of our survey respondents have Amazon Prime



Free Shipping
The most oft-cited value of Prime was Free Shipping



Fast Shipping
Faster shipping time is a top concern for consumers of all ages



Last-Mile Delivery
In 2019 Amazon took over half of its last-mile delivery to customers

...AND MOUNTING CONSUMER DISTRUST

*"I JUST DON'T USE
AMAZON ENOUGH TO
JUSTIFY THE COST OF
PRIME"*

ANONYMOUS

*"I CAN WAIT AN
EXTRA DAY FOR
FREE SHIPPING"*

ANONYMOUS

**7% OF RESPONDENTS
WERE UNSURE IF THEY
WOULD RENEW PRIME.**

Reasons cited were price, lack of urgency for shipping speed, and rising cost of Prime. Only one respondent cited Amazon's ethics as a reason for not renewing the membership.

Major brands such as Nike have left the Amazon marketplace platform, citing issues with owning control of the customer experience and presentation of their brand. With Amazon taking on more last-mile deliveries of its own, we will see it begin to set new expectations in the moment-of-delivery experience.

Consumer distrust will grow as well. In our survey, 7% responded that they were unsure if they would renew Prime, while some went on to say they can wait an extra day for shipping, or that they distrust Amazon's ethics. This comes at a time when governments are raising

antitrust concerns against the world's largest retailer.

Finally, the fears around Amazon's marketplace dominance and its difficulties dealing with counterfeit products on the platform rose to feverish heights in 2019. Knock-off products of all kinds flooded the marketplace, from electronics to apparel.

Not the least of which was the national attention received by **206 Collective**, an Amazon in-house brand, when it debuted a shoe that looked remarkably similar to Allbird's popular wool runner.



THE ATTENTION ECONOMY

In our national survey, we found that Americans are consuming more media and content than ever, both on and offline. Unsurprisingly, we found a propensity to binge Netflix and order Seamless or grocery delivery over seeking out real-world experiences. The only “experience” that trumps using a device is getting a nap in, which polled at a 61% preference over working out.

Thanks to the recent addition of smartphone time trackers, we are all-too-aware of where we’re spending our time. iOS’ Screen Time and Android’s Digital Wellbeing are giving us more insight into our behavior on our devices, and allow us to set sensible limits.

BINGING SHOWS IS PREFERABLE TO READING BECAUSE OF COURSE.

In our trade off exercise, binging on shows won over reading by 300%, ordering online was preferable to running errands and napping beats working out.

The Attention Economy

“IN MY FREE TIME I’M MORE LIKELY TO...”



Brands in 2020 are using experiences to allow their customers to engage with them. Brands like Cotopaxi, which put on a “Questival,” an adult, 24-hour adventure scavenger hunt, as well as Equal Parts, which sells cookware equipped with a cooking coach, who you can text to get advice and insights into recipes.

BRANDS ARE AUDIENCE-FIRST

While brands are attempting to connect with their existing customer base to deepen their relationships, native content creators are trying to find products to sell to their audiences.

Audience-first is an emerging go-to-market strategy that allows influencers of various sizes to sell products, goods, and services directly to their fans. Successful celebrities, influencers, and “thought leaders” have the ability to drive their audiences towards products. If that product meets the need of a majority of the audience, and if the personality behind the goods being sold is particularly adept at the art of the sale, a brand is born.

The fan-turned-shopper paradigm will be a playbook for success in the coming decade. Just ask Kylie Jenner, who sold her namesake cosmetics brand to Coty at a \$1B valuation in 2019. It was confirmed by Forbes that Jenner is officially the youngest self-made billionaire ever.

\$600M

AUDIENCES WANT TO FEEL LIKE THEY'RE PART OF THE LARGER STORY.

Consider Ryan's World, a YouTube channel featuring 8-year-old Ryan Kaji. He will earn an estimated \$26M in



2019 from Youtube alone. He has since licensed his brand to toy manufacturers, selling products in mass retail.

KYLIE COSMETICS

YEEZY goop
Glossier.

Global Cosmetics giant Coty Acquired KYLIE for \$600M stake in 2019

LOCAL IS COOL AGAIN

In the 2020s local brick and mortar will make a comeback aided by tools that allow small SMBs to compete in the same personal way that DTC competes with CPG.

Rising customer acquisition costs, rising online customer expectations, and **hidden costs of eCommerce** will mean a return to local-first in the next decade.

THE SECOND-MOST MENTIONED POSITIVE BRAND EXPERIENCE HAPPENED IN LOCAL BRICK AND MORTAR

In our national survey 51% say they recently had an impressive brand/shopping experience. Brand mentions in our open-ended questions are interesting and include BarkBox, Anker, Nordstrom and Uniqlo. As well as one lone mention of Robutussin. **Yes, that Robutussin.**



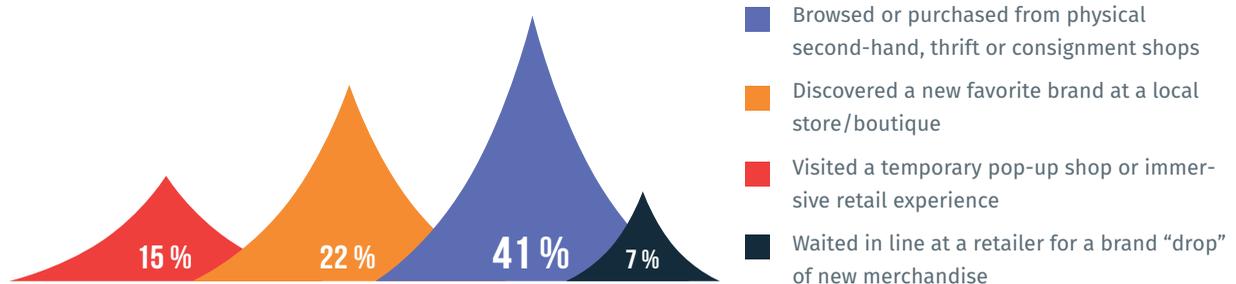
Hidden costs of doing business online:

- Packaging
- Import duties/tax nexus, filing
- Warehouse space
- Labor for pick pack and ship, inventory control
- Customer support platform
- Copywriting and SEO to lift organic
- Social is word of mouth, hard to penetrate without boosting

8:23 PM · Sep 26, 2019 · [Twitter for Android](#)

Local is Cool Again

“THIS PAST YEAR WHICH OF THE FOLLOWING HAVE YOU DONE?”



DTC ERA: No Code Required

In his book *"Towards the Third Modernity: How Ordinary People Are Transforming the World"*, author Alain de Vulpian posits that everyday people change the world when armed with the tools to instantly do so.

For 20 years, brands have labored from concept to launch in eCommerce sites. In the modern era, new tools have emerged to close the gap between creator and consumer. Founders are armed with means to prototype and deliver their concepts to launch with minimal developer effort in-between. These "no code" or "low code" tools provide connections that allow tools like Zapier, Integromat, and a host of other connections in between modern eCommerce packages.

Instead of OMS solutions, many startups are managing orders with Trello. Instead of investing in massive ERP packages, many brands are opting to build their own by integrating best-in-class tools with

smaller, bespoke toolkits. This means that brands spend less time worrying about employing developers, or specialist agencies, and instead focus on employing strategists.

This is a phenomenon we're calling **"The Third eCommerce Modernity"** and you can only hear about it on Future Commerce.



Our survey shows that 33% of respondents have purchased goods "only available" online, not on Amazon. This shows promise for growth in the direct to consumer space, making room for even more brands to launch via no-code solutions.



READ MORE ABOUT THE THIRD
ECOMMERCE MODERNITY IN OUR
WEEKLY NEWSLETTER, FC INSIDERS.
SUBSCRIBE AT [FUTURECOMMERCE.FM](https://futurecommerce.fm)

No Code Required

GROWING CUSTOMER EXPECTATIONS

From sustainability to corporate responsibility, from 1-day free shipping to no-questions-asked return: are customer expectations realistic?

We believe that most baseline customer expectations start with Amazon, and they may have just reset customer expectations yet again. With 1-day shipping able to reach over 72% of their existing customers, and their growing ability to handle last-mile delivery, Amazon expects to add 3.2% to its bottom line in Prime adoption. At least one analyst at RBC believes this to be a \$24B opportunity for the Seattle retailer.

Soon **1-day shipping** could be the next standard-bearer. Upstarts like Verishop have recognized this and are offering next-day free shipping, no minimums.

Free returns and extended return periods also create a burden for newcomer brands to compete. Equally difficult for brands are customer expectations for low, off-price, sale-priced products. In a world with rising CAC in paid social, and organic slowly dying, it's no wonder that so many brands are rushing to venture capital to help them afford the modern consumer.

“We used to worry about the consumer being able to afford goods. Now we worry whether brands can afford the consumer.”

FREE SHIPPING, FREE RETURNS, EXTENDED RETURNS... OH MY.

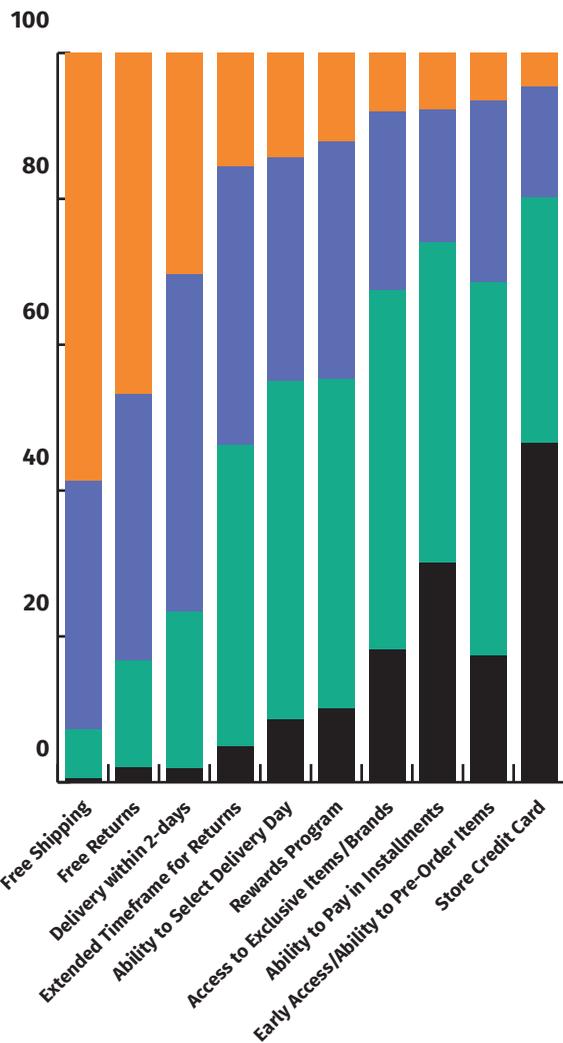
In our survey, **free shipping** is already the de-facto requirement for consumer value in a retailer. **Free returns** ranks #2 at a distant 9% behind. A whopping 53% of consumers find that **extended return periods** move the needle for them.

46%

The amount of consumers who rate **Free Returns** as **Critical**

PRIME EXPECTATIONS

“HOW IMPORTANT IS IT TO YOU THAT AN ONLINE RETAILER OFFER...”



TOP FIVE REQUIREMENTS FOR ECOMMERCE WEBSITES

1. **FREE SHIPPING**
58.7%
2. **FREE RETURNS**
46.75%
3. **2-DAY DELIVERY**
30.39%
4. **EXTENDED RETURNS**
15.58%
5. **SELECT DELIVERY DAY**
14.29%



Prime Expectations

SUSTAINABILITY

SECOND TIME'S THE CHARM

The secondhand market for *apparel alone* will reach \$51B in 5 years. **Over 40%** of our survey respondents browsed or purchased from physical second-hand, thrift or consignment shops in 2019, and 47% say they actively focus on buying fewer, better things.

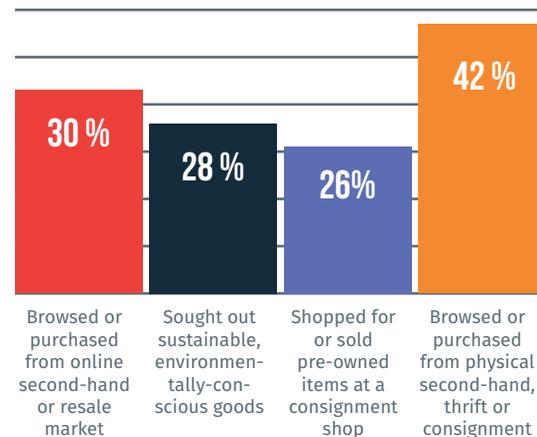
Modern brands know that modern consumers care about sustainable business practices, and it goes beyond environmentally-friendly products.

Today, consumers act as a check-and-balance on businesses on everything from fair labor practices to animal testing, even carbon footprint. Platforms like Offset Earth allow families to calculate and offset their daily carbon. This is undoubtedly an outgrowth of the visibility we have through personal tech adoption and connectivity as they have shed further light on such causes.

Given that sustainable, green, and fair practices are becoming more available and less impactful to adopt, we expect that brands and retailers will continue to transform toward these goals. They will also partner with companies who can reduce their impact such as Climate

CONSUMERS CARE HOW PRODUCTS ARE MADE

Consumers are ready to put their money into brands that align with their ideologies.



Neutral, a label for companies pledging to reduce their carbon footprint.

No doubt brands will trumpet these changes through 3rd-party validation data and quality analysis services. Services like Australian startup Good On You which provide public rating of brands.

Additional certifications signifying consumer trust include Public Benefit Corporation status, and Certified B.

The 2020s will move us toward deeper transparency with the entire supply chain, such as where the raw materials in your products come from and which plant or factory put your goods together. Everlane's success has further validated the need for greater transparency with the consumer.

TRENDSPOTTING

★ HERE'S AN IDEA: PROFITABLE BUSINESSES

This past decade startups, brands, and even established businesses have been very nearly focused on a singular goal: growth. The playbook has been to capture users, customers, and eyeballs at any cost and then monetize them after you have got them. There are some great

examples of success with this model, but this past year, it's been clear: not every business needs to operate under this model. In fact it can be quite risky, and we have Uber and Slack to prove it.

PROFITS CAN'T WAIT

This coming year, expect to see businesses build profitable models more quickly as the bottom line begins to take precedent for both capital and shareholders. Look for this in direct to consumer retail, where we have seen so much venture investment leading to a rising cost of customer acquisition and slowing growth.

Starting small, regional businesses, and having a deeper knowledge of the local communities will be key strategies.

We will also see renewed focus on building strong relations up and down the supply chain. It will be just as important for your suppliers, manufacturers, and distributors to be as successful as you.

Brands who know how to sustainably and profitably navigate these relationships will probably have already started their own brands by the time you try to hire them. Finding someone with prowess in operations and supply chain relationships will be finding the next unicorn.

THE NEXT WAVE OF VENTURE: PERSONAL HEALTHCARE



Venture Capital has spent the better part of a decade fueling retail and marketplace startups. With fitness-centered experience and luxury brands making large strides (think Peloton and Mirror) expect to see some momentum amongst the VC crowd shift to wellness, fitness, and preventative healthcare.

Forward, a preventative healthcare-based startup, seeks to provide a gym-style membership model to your standard doctor's office experience.

Meanwhile, brands themselves are investing in total-employee wellbeing, from physical to emotional wellness. Investing in programs and initiatives to improve the life of their employees makes them more likely to attract and retain talent to help them grow and stand out in a crowded marketplace as the DTC era continues to mature.

In 2019 we saw companies like Gravity Payments reap the benefits of the starting wage of \$70,000 which they implemented just four years prior.

This, combined with regional \$15/hour minimum wage standards in the United States, will help close the wage gap with hourly earners in retail, as retail wage growth is making gains of 6% in some markets like Houston and Atlanta.

Advancement in personal tech will also play a big role in the 2020's as Apple, Google, and Facebook use environmental, voice, and personal data such as heart rate, ECG, to proactively help customers make decisions around their wellbeing.



DEATH OF MONOCULTURE: YOUR VERY OWN FILTER BUBBLE

In the 2020s Monoculture is dead. Everyone's experience online is fundamentally different now that algorithms have taken over. In much the same way that we no longer purchase music on physical media made by big corporate music labels at big box stores - we no longer have the need to share a common World Wide Web. But why stop at algorithms controlling individual experiences on individual platforms or websites?

Thanks to new browser plugins and application of contextual AI to social media, there has never been a better time to "opt out" of certain types of retail experi-

ences or social media engagements.

These apps that run as part of internet browsers like Google Chrome allow you to alter the web as you see fit. As of now they're small tools that provide in-context insights or interactions, like searching for a coupon code when checking out on a website or checking a price to see if the item you're shopping for is found cheaper elsewhere. These types of consumer trust builders will give way to a new breed of plugins which will allow you to shape the web to your ideals.

Imagine never having another unpleasant run-in

with that one weird uncle you have on Facebook ever again. Imagine never questioning the ethics or origins of the electronics you're purchasing from Wish or Amazon. Imagine being glad you get a warning that you're being denied access to a website that donated money to an opposing political party or a cause that doesn't align with your ideology.

The new Web will be one that only exists for you. You will opt into it; all purchasing and retail decisions will be honed based on your ideals. It's Rose Colored Glasses for the modern era.

PRESERVATION OF LOST SKILLS AND PASTIMES



"GRANDMILLENNIAL"

Emma Bazilian first coined the term in a House Beautiful article to refer to the 20- and 30-somethings who love an antiquated design aesthetic and pastimes.

Formerly happening only on YouTube, skills are being taught in workshops, in places of retail, in businesses, and in physical gathering spaces which are preserving skills such as knitting, woodcraft, needlepoint, and baking. The resurgence of these hobbies and skills are resuscitating a once-dying breed of retail stores.

Retail stores providing wares to craftspeople are just the beginning; many are curating their own communities. Modern versions of JoAnn Fabrics and Michaels retail stores are creating maker spaces to allow instructor-led classes. Cottage communities allow people of all ages and walks of life to realize their Pinterest-fueled dreams of being artsy and creating with their hands.

Digital burnout has prompted Millennials to return to pastimes which require thought and concentration, problem-solving, repetition. Think: puzzles, board games, book clubs, crocheting, felting.

This new breed of "grandmillennial" will use digital communities to meet and engage in real life and leverage skills which served previous generations.



Future Commerce is a retail-focused media research startup that publishes audio, video, and newsletters weekly to an audience of engaged and influential retail executives and operators spanning 39 countries.

Commerce connects people. Because commerce is vital to our existence and to participate in community and society, people deserve to participate in society and community without the influence or control of systems and platforms that use manipulative techniques to persuade them. We're asking you to change how you view the world.

Future Commerce exists to give you insights to shape your future.



Gladly is a customer service platform that helps companies deliver radically personal customer service. Unlike legacy customer service platforms that are case centric, only Gladly is designed with people at the center, and uniquely enables a single lifelong conversation, from voice to modern messaging.

Gladly enables some of the most innovative consumer companies like JetBlue, JOANN, and TUMI to deliver exceptional customer experiences by making customer service a competitive advantage. Based in San Francisco, Gladly was founded in 2014 and is privately backed by industry leaders including Greylock, GGV Capital, NEA, Glynn Capital, FutureFund, and JetBlue Ventures.