

Online Retail Performance: Looking Back to Move Forward

What we learned from 2021 and how to best use these insights.



Take a look inside

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Meet the Experts

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IMRG

“Here at IMRG, we’re delighted to be working with BigCommerce, in order to bring together an all-important summary of the year. As shops have, hopefully, now fully reopened for good following the UK lockdowns, it’s been crucial that we track key trends and changes in ecommerce across this time. We’re looking forward to sharing our 2021 data and insight with you.” - **Andy Mulcahy, Strategy & Insight Director at IMRG**

We help our members understand and improve their online retail performance through a busy programme of performance benchmarking, data analysis, insight, best practice-sharing and events. We have been tracking online sales since 2000 – and now measure over 120 individual metrics in a series of indexes, providing in-depth intelligence on online and mobile sales, delivery trends, marketing ROI and channel performance.

www.imrg.org

Editorial Input



Iris Schiefer, Senior Strategic Partner Manager at **BigCommerce**



Meghan Stabler, Vice President, Product Marketing at **BigCommerce**



Jim Herbert, General Manager EMEA at **BigCommerce**

BigCommerce

“Ecommerce moves fast. Understanding the state of the market and the coming trends is key for merchants to be able to build strong strategies to grow their businesses. Working with IMRG is a great way to dig deeper into what’s happening in the UK ecommerce landscape so merchants — and BigCommerce — can better prepare to overcome any challenges the future throws at us.” - **Jim Herbert, General Manager EMEA at BigCommerce**

BigCommerce (Nasdaq: BIGC) is a leading software-as-a-service (SaaS) ecommerce platform that empowers merchants of all sizes to build, innovate and grow their businesses online. As a leading open SaaS solution, BigCommerce provides merchants sophisticated enterprise-grade functionality, customisation and performance with simplicity and ease-of-use. Tens of thousands of B2B and B2C companies across 150 countries and numerous industries use BigCommerce to create beautiful, engaging online stores, including Ben & Jerry’s, Molton Brown, S.C. Johnson, Skullcandy, Sony and Vodafone. Headquartered in Austin, BigCommerce has offices in San Francisco, Sydney and London.

For more information, please visit www.bigcommerce.co.uk



Andy Mulcahy, Strategy and Insights Director at **IMRG**



Emily Black, Content Executive and Analyst at **IMRG**

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A Year of Uncertainty and Change

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As we leave 2021 behind, it seems as though a lot has changed within the space of a year. We've all adjusted to new ways of living and now, as things begin to look a bit more normal, it's more important than ever that we understand how these changes have impacted our behaviours. For 2022 and beyond, we must reflect on the last several years, so that we can best utilise this information in order to stay ahead of the trends and flourish in the future.

IMRG has been tracking key fluctuations over the course of 2021, including crucial data such as growth rates within a variety of categories, the impact of supply chain issues and changes in average basket volume and conversion rates. All of these markers have been hit by the pandemic, so we're looking at exactly why these figures are moving, and what this means for online retailers.

Let's not forget one of the most challenging times of year: peak season. We gathered data around holiday spending and ecommerce trends during this festive period in order to see how customers behaved after last year's UK U-turn and the added pressure to make this previous holiday season special.

Together with BigCommerce, we've rounded up key trends and insights based on 2021 data, as well as 2020 and 2019 performance, highlighting the COVID-19 impact in numbers. Read on to find out exactly how the year played out and what this means for the future of retail.



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What's Going on with Growth?

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Let's kick off this report with a look at what's been going on across the last year in terms of overall growth. 2021 can be considered a strange time for year-over-year (YoY) growth in ecommerce — just as it was strange for day-to-day life — as it had to compete with 2020, in which we saw unprecedented growth as a result of multiple UK lockdowns. Growth was up +35% in 2020, seven times 2019's rate, as customers were forced to shop online during the pandemic.

This unprecedented growth could not be expected to continue, due to its anomalous nature. In 2021, as in-store shops reopened and life looked a little more normal, people began shopping on the high street again. Therefore, ecommerce could not continue to grow at the same speed; the rates of growth were simply too high to build upon. This explains why growth has been down recently.

What Happened in 2021?

With annual YoY growth between December 2020 and December 2021 down -5.67%, it may appear that online retail was really suffering as the year ended; however, it's not as bad as it seems. We saw the highest YoY growth in January 2021, as the market performance was at +61% YoY.



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2021 Market Growth Rate

There was a rapid decline in this growth level as brick-and-mortar stores reopened; in April 2021, we saw the growth rate plummet to +11.4%, which was then negative by May, at -6.82%. Growth stayed negative ever since, as online retail was unable to keep up with its skyrocket from the previous year. This can be considered a rebalancing within the industry. Another way to look at the data is to compare 2019 to 2021, which excludes the abnormally high growth during the UK lockdowns. Despite a multitude of challenges, the market ended the year up +2.7% — but is that good or bad?

2019 vs. 2021

When comparing the growth rates from 2019 to 2021, excluding the year of UK lockdowns in 2020, we can build a far more positive picture of the growth for the ecommerce industry. Many retailers prefer to model their benchmarking data against these two years, due to the abnormality of 2020. YoY growth from 2019 to 2021 went up +39%, demonstrating a strong and steady increase, far beyond what would have seemed possible pre-pandemic. Looking at it in that different light shows online retailers have seen huge growth over the past two years.

One way to look at this growth in a different light, would be to compare 2019 to 2021, which excludes the abnormally high growth during the UK lockdowns.



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Supply Chain Panic: What it Means for Retailers

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Soaring Prices

The price of shipping has gone up exponentially, as the result of current supply chain issues. During the span of 2021, Brexit caused cross-border trade a variety of problems, slowing and sometimes stopping stock from entering the country. The pandemic and Brexit put HGV drivers in high demand, as workers are down by a third, and the Suez Canal blockage is predicted to have a ripple effect well into 2022. Toward the end of last year, the rising price of energy and petrol also became contributing factors, all leading to one thing: an expensive price tag on getting stock into a warehouse and frequently delayed shipments.

The Knock-On Effect

These raised prices aren't just bad news for retailers; they also have a negative effect on customers. As a result of retailers paying more to acquire their stock, many were forced to charge customers more. This is reflected in the average basket volume increase across the year of 2021, as in the peak supply chain issues over summer during which customers were checking out with an ABV of near to £150.

“Many of our retailers have been looking to diversify their fulfilment strategy over the last two years. We’ve seen a heavy uptick in new models such as click and collect, ship from store, and premium services like last-mile delivery or 3PLs to enable merchants to expand into new territories. Much of this shift is focused around the movement toward connected inventory — increasing visibility and availability of products and associated data across the organisation to enhance flexibility, delivery speed and customer satisfaction. We have tight working relationships with leading providers such as Fluent Commerce, Shipstation, Sendcloud and Huboo, and are continually expanding our network of best of breed solutions so that our customers can stay ahead of these trends.”

**Iris Schiefer, Senior Strategic Partner Manager
at BigCommerce**

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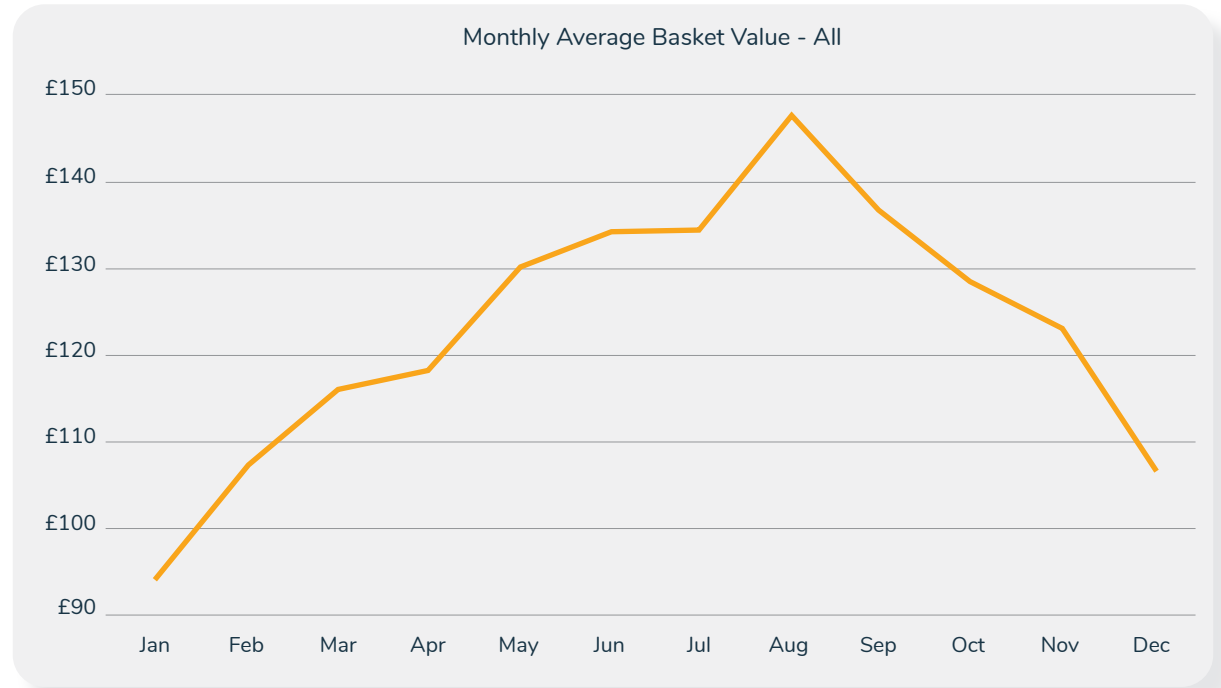
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In January 2021, the average basket spend was around £94, the lowest it would be for the entire year before it crept upwards, month by month. The spend reached a peak of almost £150 in August 2021, two months after Freedom Day, as the economy opened up again and shoppers were excited to spend on experiences, clothes and alcohol.

Problem-Solving Within Retail

So, how did retailers respond and adapt to these issues with the supply chain? Some retailers ordered their stock for the peak period up to five months ahead of time in order to ensure that it arrived before Christmas. Similarly, some retailers adopted a transparent approach, letting their customers know that there were delays, but reassuring them that their goods would be with them as soon as possible.

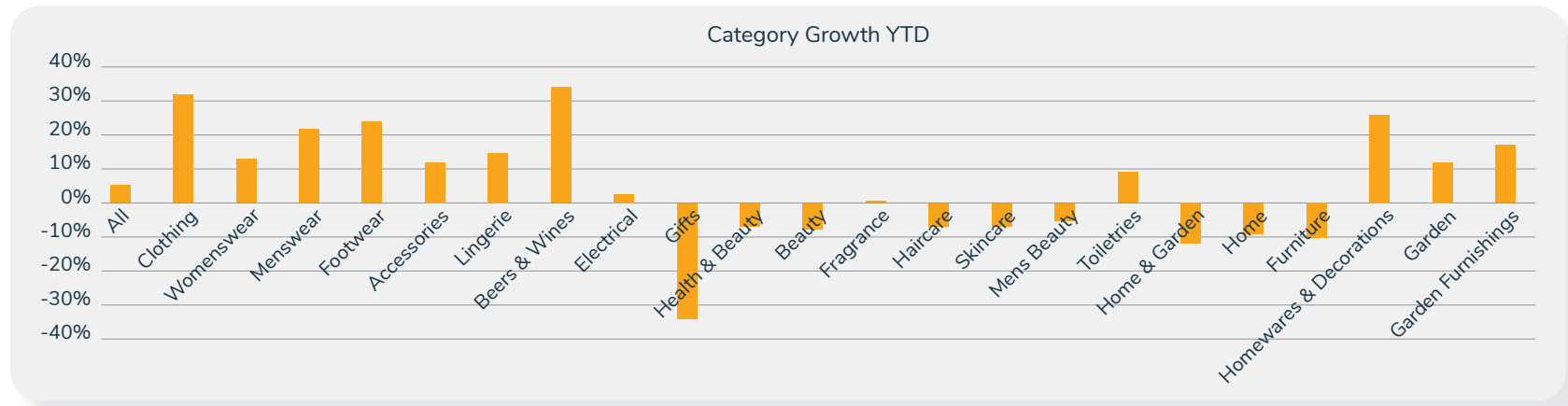


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Sector Performance

When we start to look at the data in more depth, it's interesting to dive into different category performance over the course of the year. Who were the winners and losers of 2021?

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Big Spenders

Clothing, menswear and womenswear all performed particularly well in 2021. Clothing had plenty of room for growth, as the previous year's lockdowns all but eliminated the demand for certain clothing categories such as formalwear. This is reflected in the particularly high growth rate for 2021, as shoppers began buying more clothes again, bringing the growth rate back up. This makes clothing appear a bit of an anomaly in the 2021 figures, as the performance may not actually be as high as it appears; it's simply regaining lost sales from 2020.

Other categories which performed particularly well in 2021 include garden, furnishing, homeware and decorations. In addition, beer, wine and spirits were also among the winners for 2021, with up to +148% YoY growth when compared to 2020 (seen in January 2021).

Who Fell Behind?

As for those categories that saw negative growth during 2021, tablets and toiletries didn't exhibit good performance, as they declined 20–40%. Gifts, makeup and health and beauty also showed poor growth.

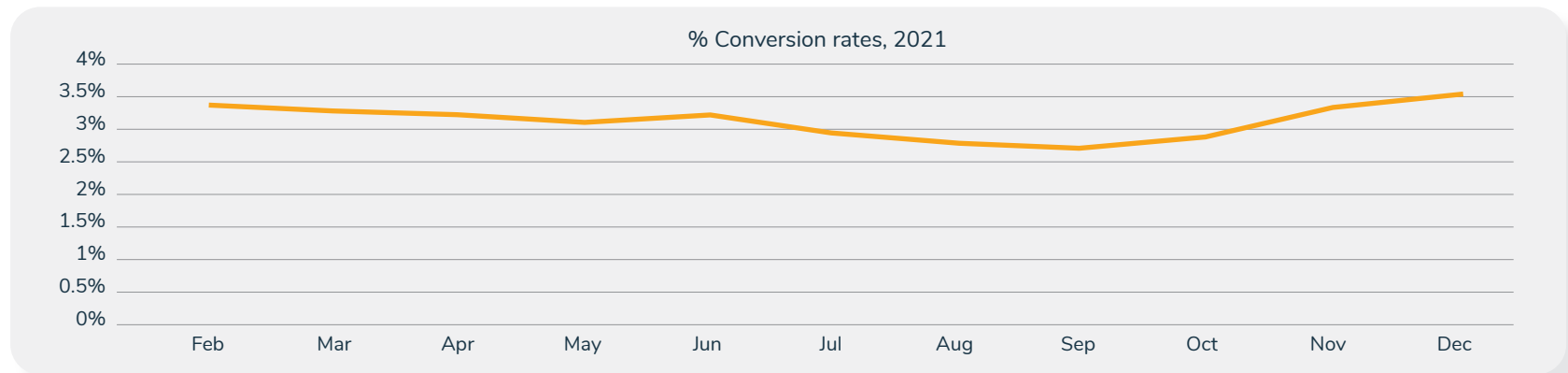
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Converting Customers

Conversion rates are a highly important element of performance to all retailers, as they are indicative of how many people are willing to actually follow through to the final stage of the checkout process. IMRG benchmarks such data to find out how it compares across 2021 for the 200 companies we're tracking.

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Why So Low?

The YoY conversion rate for total sessions across 2021 saw a steady decrease over the course of the year, reaching the biggest dip in September. This could potentially be due to a general lull in online spending as in-store retailers reopened. Or supply chain issues may have caused limited availability and out-of-stock issues for some products, thus driving up prices. Customers may have been shopping around more, resulting in less conversion. There are many valid explanations beyond those numbers which diverge from one industry to another. However, there was a general increase in conversion in November and December due to peak season shopping from Black Friday through Christmas.

“Despite being faced with obstacles, BigCommerce’s merchant’s overall peak season sales remained strong with a 15% growth in Cyber Week GMV YoY. During this holiday season, we saw an increasing number of customers shopping on mobile and across multiple channels. Alternative payment methods such as BNPL solutions also grew in popularity.”

Jim Herbert, GM BigCommerce EMEA

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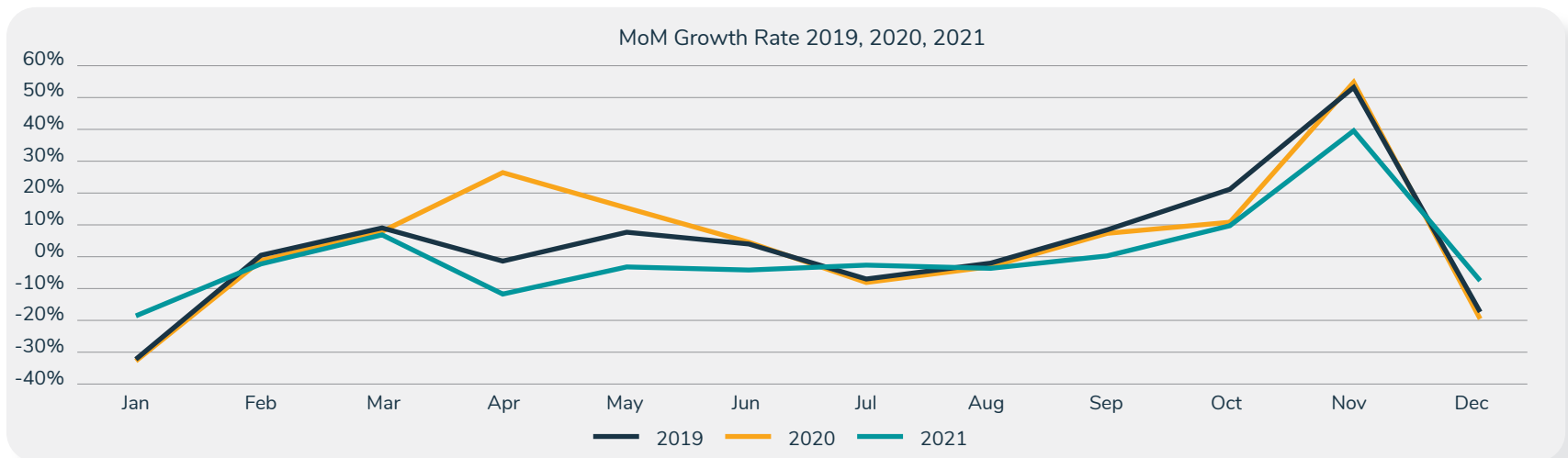
Bringing Everything Together: Lessons Learned for 2022

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YoY growth has become a tricky measure since the onset of the pandemic. After November's poor performance, there was some positive news; December performed relatively well, despite growth being -5.6%. Leading up to Christmas, customers were happy shoppers, with the month-over-month (MoM) growth rate bouncing back after the previous month. The following graph illustrates the MoM growth rate in 2019, 2020 and 2021, which gives us a comprehensive picture of how each year has performed compared to one another.

We can see that in 2020, growth was hugely up from March to June, as the first UK lockdowns happened. More recently, the line indicating 2021 is lower than previous years in November. But the good news is that December MoM growth is higher than the years before, meaning Christmas shopping helped the market bounce back. Whilst November may have dragged growth down, it finished in a strong place for the end of 2021. Despite the many challenges of this year, and difficulties in interpreting performance data, online retail has prevailed.



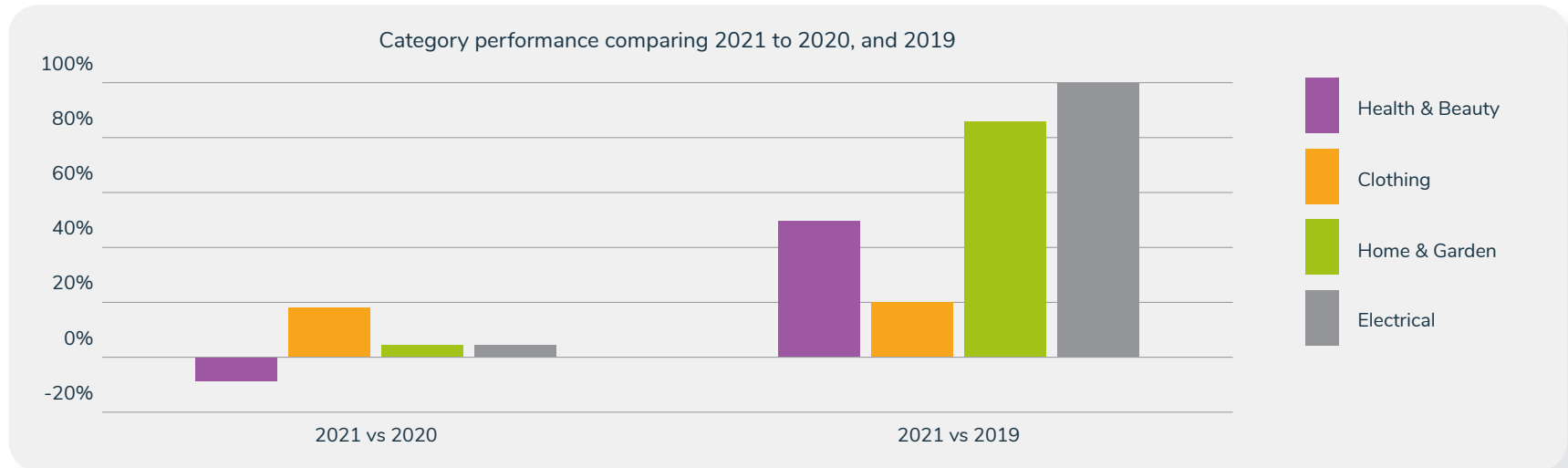
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Whilst omnichannel was over-performing in the first half of the year, the results flipped when physical stores reopened. Categories that blossomed during the pandemic included garden, clothing and footwear, whilst those which didn't do as well were beauty and gifts. When comparing 2021 to 2019, excluding the lockdowns, we can actually see a really positive result. Over this two-year time span, the market was up 39%, which is its highest growth since the early days of IMRG's index, no longer the lowest ever as shown compared to 2020. This growth can be seen in the category breakdown graph, where comparing 2021 to 2020 versus 2019 tells a very different story. Overall, the results are positive.

"If you're not mobile-ready, be mobile-ready. If you are not offering convenience, do it. Whether it's one-click checkout, BNPL. Whether it's looking at how can you best show what you sell in different formats, meaning AR/VR. I think it's adapting to use things like social commerce channels, as well. It is understanding the psyche of the shopper and where they are."

Meghan Stabler, Vice President, Product Marketing at BigCommerce



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Get in touch with **IMRG** for more insights and start a **BigCommerce trial** to launch and grow your ecommerce business.

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