FUTURE OF COMMERCE

2021

An Introduction

There's a shift happening in the world of commerce, and we've all felt it.

2020 has accelerated the industry by a decade, permanently altering the way entrepreneurs start, run, and grow businesses, as well as how consumers choose to shop and pay. We're on the brink of a new era of commerce.

Consider this report your crystal ball into the future of this industry.

Commerce is more than a transaction; it's an interaction. It's a relationship between a business and its customers. That's why we pored over data from more than one million **merchants** on Shopify and collected survey insights from **consumers** all over the world to get the **full picture** of what's coming.

We've unlocked **five key predictions** based on the trends we're seeing from our data. Spoiler alert: be prepared for independent retailers and the next generation of consumers to change commerce as we know it forever.

Harley Finkelstein, President of Shopify

Key Predictions

Key

INSIGHTS BASED ON MERCHANT DATA.

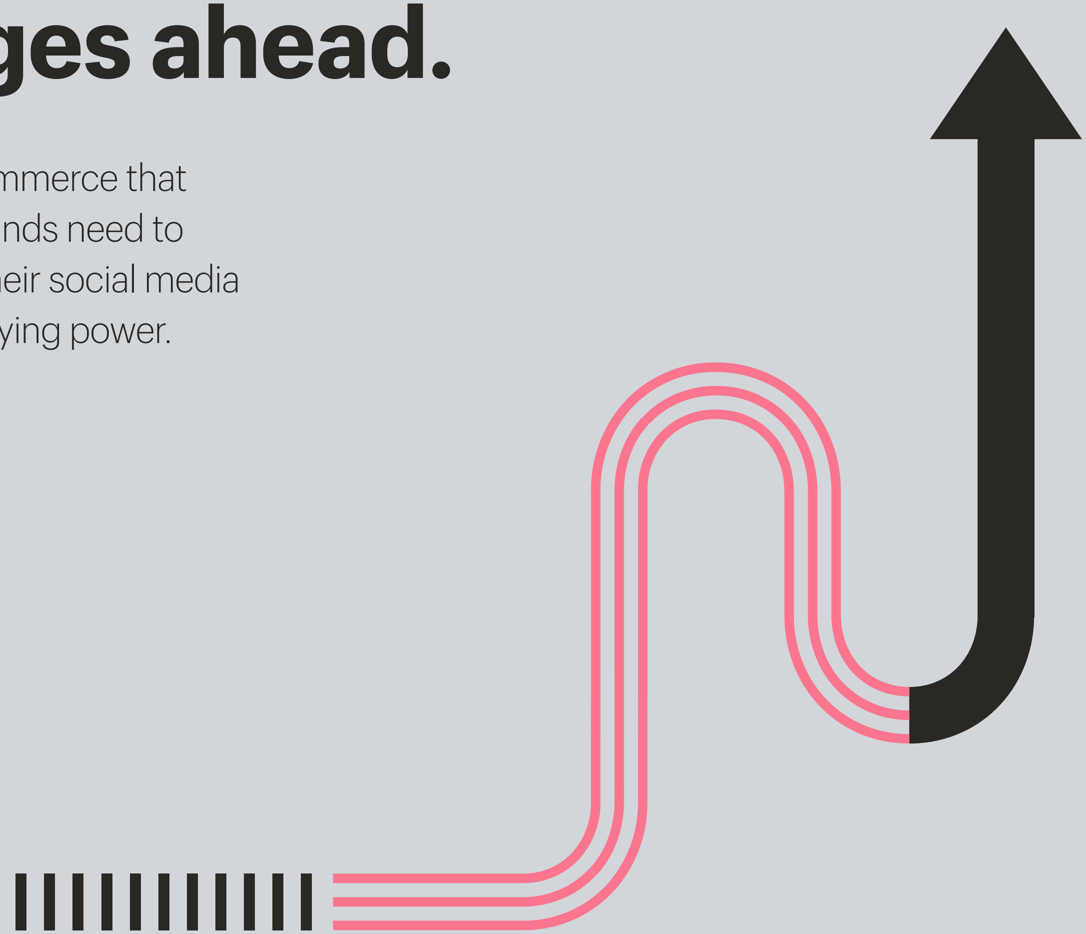
COMPARISONS OF SELECT GLOBAL MARKETS.

**For information on methodology see appendix*

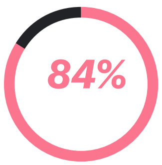
PREDICTION

Young consumers will change the business landscape as ecommerce charges ahead.

The pandemic kick-started a behavioral shift to ecommerce that young consumers will continue to drive forward. Brands need to strengthen their omnichannel strategies, invest in their social media presence, and demonstrate authenticity to have staying power.



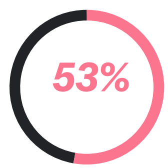
Consumers are hesitant to return to in-store shopping.



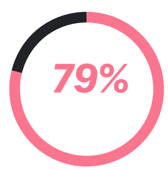
Of consumers have shopped online since the pandemic, compared to ***65%*** who have shopped in-store.

Of those who shopped in-store, ***38%*** are doing so less often now than earlier in the year.

New stores created on the Shopify platform grew ***71%*** in Q2 2020 compared to Q1 2020, with a record number of merchants added to the platform in Q3.



Over half of consumers avoided busy shopping times or crowds in the past six months, and ***46%*** said they feel uncomfortable shopping in-person.

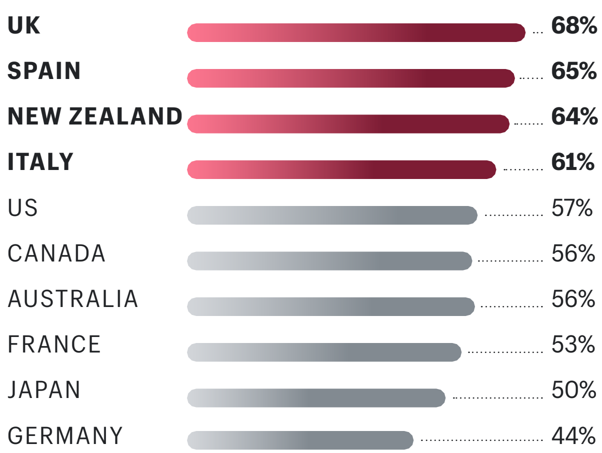


Of consumers said they will shop online regularly in six months' time; significantly fewer ***(57%)*** say they'll shop in-store regularly in the next six months.

Country comparisons

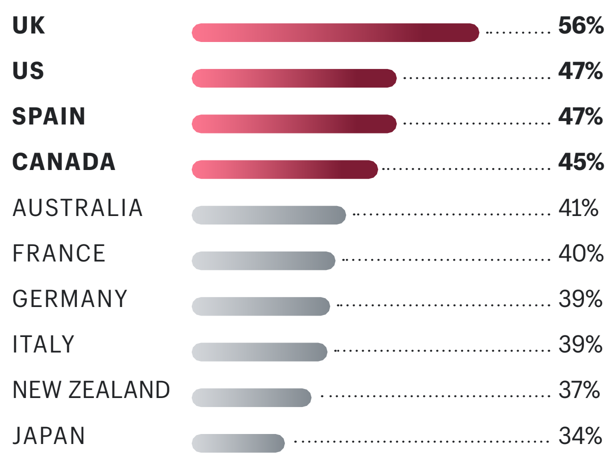
COVID-19 impact on shopping habits

Consumers in the UK, Spain, Italy, and New Zealand say that COVID-19 has significantly changed the way they shop.



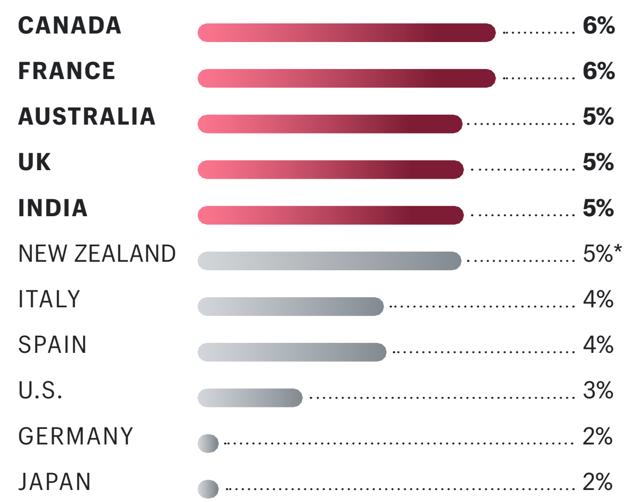
Comfort with in-person shopping

Customers in the UK, US, Spain, and Canada are more likely to feel uncomfortable shopping in person.



New to ecommerce

Consumers in Canada, France, Australia, the UK, and India are more likely than US, German, and Japanese consumers to have shopped online for the first time since the pandemic was declared.



Due to a smaller sample size, this percentage is only significantly higher than Japan

Young consumers saw the highest shift to online spending and will change the way brands do business.

54%

Over half of consumers shifted more of their spending to online shopping since the pandemic was declared, compared to earlier this year.

67%

Young consumers led the trend, with ***67%*** shifting more of their spending to online shopping compared to earlier this year, ahead of older age groups (***57%*** for consumers 35-54, and ***41%*** for 55+).

Shifting spend to online

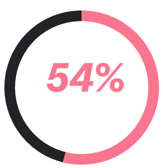
Consumers in the UK and Italy are most likely to have shifted more of their spending to online shopping since the pandemic was declared.

UK	**63%**
ITALY	**63%**
NEW ZEALAND	54%
SPAIN	53%
CANADA	50%
AUSTRALIA	47%
FRANCE	46%
JAPAN	42%
GERMANY	36%

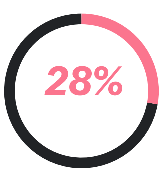
Younger consumers are also more likely to shop via social media and to make decisions based on their impact on society.

Brands will need to adjust the way they do business to meet new consumer expectations.

Discover and shop via social media:

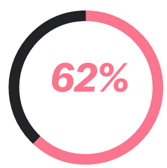


Of younger consumers who purchase from independent retailers discover brands via social media compared to ***43%*** of middle aged consumers 35-54 and ***25%*** of older consumers 55+.



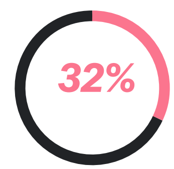
Of younger online shoppers said they purchased via social media, compared to ***20%*** of middle aged online shoppers and ***8%*** of older consumers.

Prefer to shop for sustainable and green products:



Of younger consumers prefer to shop for sustainable and green products compared to ***53%*** of middle aged consumers and ***44%*** for older consumers.

Shop to have an impact:

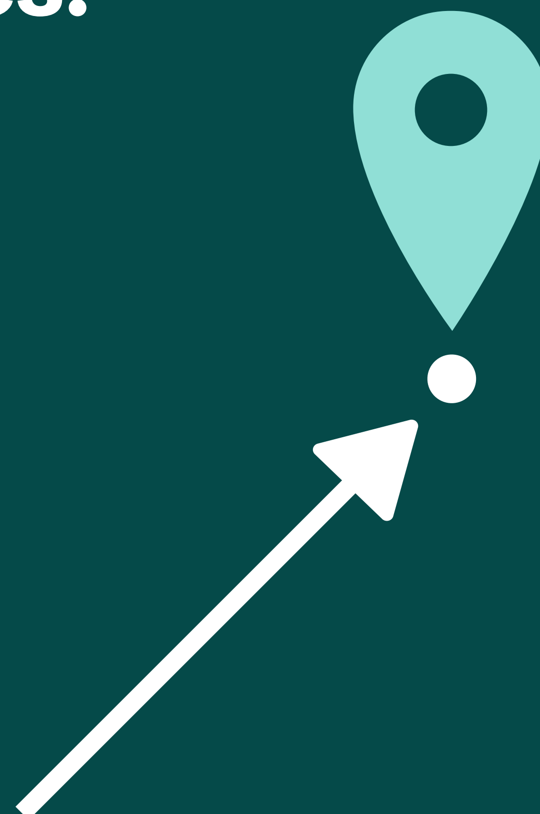


Of younger consumers who shopped from independent retailers since the pandemic was declared, they did so to have a positive impact on society, compared to ***28%*** of middle aged consumers and ***23%*** of older consumers.

PREDICTION

Physical retail as we know it will transform, giving local businesses new advantages.

Omnichannel features and experiences will give new life to physical stores and allow businesses to take advantage of proximity to local consumers.



Resilient retailers will look to technology and experiences to meet customers' needs.

By adapting to consumers' changing shopping habits through new strategies and technologies, Shopify's retail merchants replaced 94% of Point of Sale (POS) sales lost in the first six weeks of the pandemic with online sales.

SOME OF THESE STRATEGIES AND TECHNOLOGIES INCLUDED:

- Contactless payments.
- In-store shopping appointments.
- Alternative pickup and delivery options.

Contactless payments

62% Of consumers are more comfortable making in-store purchases with digital or contactless payments.

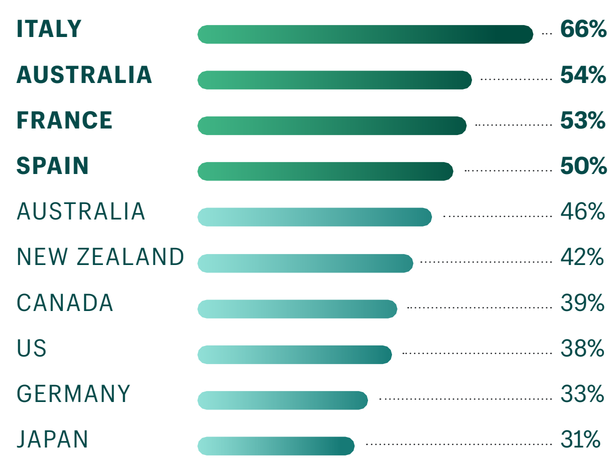
Compared to the same period in 2019, the number of shops offering contactless payments on Shopify increased by ***122%*** during the pandemic.

The **US *(155%)*** had larger rates of growth than the **global average *(122%)*.**

In-store shopping appointments

50% Of consumers would like to be able to schedule a time for in-store shopping.

Consumers in Italy, Spain, France, and the UK are more likely to respond positively to scheduling in-store shopping appointments compared to consumers in other countries.



**Shopify POS unlocks the power of omnichannel for merchants by bringing in-person and online sales together in one place.*

Alternative pickup and delivery options are growing quickly as proximity becomes a powerful and profitable selling feature for merchants.

While *54%* of consumers who shopped online during the pandemic received deliveries via traditional shipping, many consumers are using alternative pickup and delivery methods:

28%
Received items through local delivery.

23%
Picked up their items in-store or curbside.

21%
Picked up at a pickup-point.

Among those who used each of these alternative fulfillment methods, ***over half*** did so ***more often*** in the past six months than before the pandemic was declared.

More consumers in **Canada** and **New Zealand** are choosing alternative pickup and delivery methods for the first time than in other countries.

ON AVERAGE, FROM MAY TO AUGUST 2020, WHEN CHOOSING LOCAL PICKUP OR DELIVERY, ONLINE SHOPPERS:

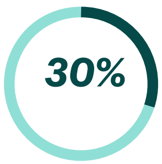
- **Spent *23%* more.**
- Had a ***25%* higher cart size**.

ON AVERAGE, FROM JANUARY TO SEPTEMBER 2020, COMPARED TO SHOPPERS WHO SELECTED SHIPPING, ONLINE SHOPPERS THAT:

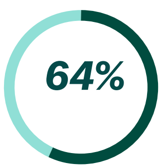
- Chose local pickup had a ***13%* higher conversion rate.**
- Chose local delivery had a ***19%* higher conversion rate.**

Curbside Pickup and BOPIS

Among consumers who purchased online and picked up their items in-store or curbside:



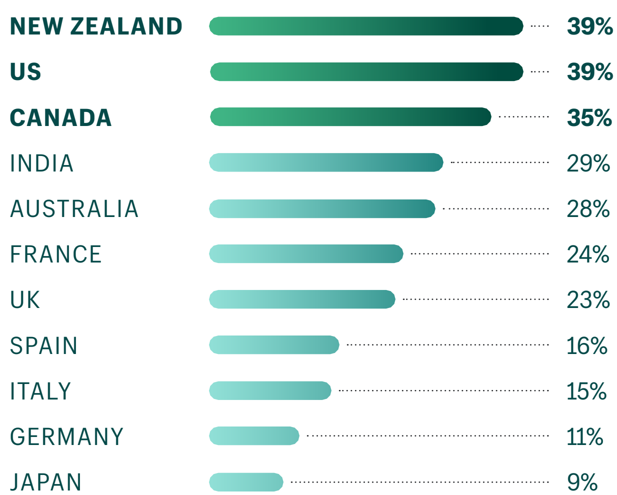
Did so **for the first time** since the pandemic was declared.



Say they are doing so **more often** than before the pandemic was declared.

Country comparisons

Consumers in New Zealand, the US, and Canada are most likely to have used curbside or BOPIS **since the pandemic started.**



**BOPIS = Buy online, pick up in store.*

Pickup Points

Among online shoppers who purchased online and collected at a pickup point since the pandemic started:

21% Did so **for the first time** since the pandemic was declared.

57% Say they are doing so **more often** than before the pandemic was declared.

Country comparisons

Consumer use of **pickup points** for online orders is most common in New Zealand, India, and France.

NEW ZEALAND	**32%**
INDIA	**32%**
FRANCE	**27%**
US	22%
AUSTRALIA	22%
ITALY	21%
CANADA	19%
SPAIN	19%
GERMANY	18%
UK	18%
JAPAN	9%

First-time use of pickup points is highest in Canada and New Zealand.

CANADA	**47%**
NEW ZEALAND	**36%**
US	29%
AUSTRALIA	25%
UK	20%
SPAIN	20%
ITALY	18%
GERMANY	17%
INDIA	16%
JAPAN	11%
FRANCE	7%

**Pickup points are locations, other than the merchant's store, where customers can pick up their orders, such as a post office or network of designated pickup locations.*

Local Delivery

Among online shoppers who opted for local delivery:

15% Did so **for the first time** since the pandemic was declared.

57% Say they are doing so **more often** than before the pandemic was declared.

Country comparisons

Shoppers in New Zealand and India are more likely than shoppers in other markets to have received online orders via **local delivery.**

NEW ZEALAND	**50%**
INDIA	**44%**
FRANCE	34%
US	32%
AUSTRALIA	31%
ITALY	31%
CANADA	28%
SPAIN	24%
GERMANY	24%
UK	18%
JAPAN	15%

First-time use of local delivery is highest in Canada.

CANADA	**29%**
NEW ZEALAND	18%
US	17%
AUSTRALIA	16%
UK	16%
SPAIN	16%
ITALY	14%
GERMANY	12%
INDIA	10%
JAPAN	10%
FRANCE	10%

PREDICTION

Consumers want to shop independent. Businesses will adapt to make that easier.

Consumers expressed the desire to shop with independent businesses but still purchase from marketplaces for convenience. Independent brands that improve their discoverability and fulfillment capabilities are poised to succeed.

Consumer intentions lean toward supporting independent businesses.

Supporting independent businesses

50%

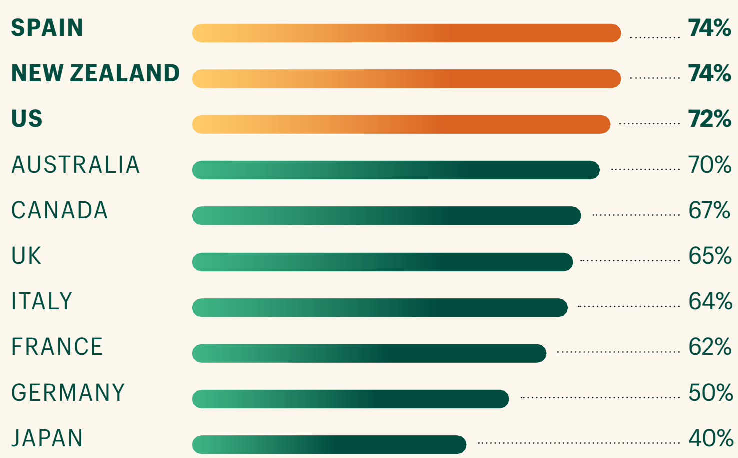
Of consumers look for **independently owned** businesses to support.

65%

Of consumers say they support **small businesses.**

Country comparisons

Consumers in Spain, New Zealand, and the US are most likely to say they currently support small businesses compared to most of the other countries surveyed.



Consumer intentions to support independent businesses are not yet fully reflected in their purchasing habits.

Traditional big-box retailers and online marketplaces remain dominant, but as pandemic-era shopping habits stabilize, independent businesses are expected to gain ground.

Despite intentions to support independent businesses, only ***29%*** of consumers have **shopped with an independently owned** business since the start of the pandemic.

Of these consumers, over a third ***(37%)*** are doing so more often now since before the pandemic was declared.

57%

Of consumers are willing to shop at **new brands** or stores for the first time, demonstrating openness to supporting lesser-known, independent businesses.

Country comparisons

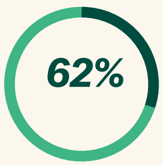
The disparity between the desire to support independent businesses and the buying habits of consumers differs greatly by country, with the widest gap seen in Spain and France, and with New Zealand as the exception.

SPAIN	64%	25%
FRANCE	43%	16%
ITALY	54%	34%
AUSTRALIA	55%	35%
UK	51%	32%
US	50%	36%
GERMANY	35%	23%
JAPAN	25%	16%
CANADA	47%	40%
NEW ZEALAND	53%	50%

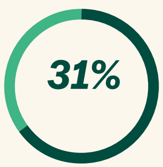
Key:

- I look for independently owned businesses to support
- Purchased from an independently owned business (online or in-store)

While consumers still shop at traditional big box retailers and marketplaces, their habits may change going forward.



Of consumers purchased from marketplaces since the pandemic was declared, while only ***55%*** say they'll do so regularly in six months' time.



Of consumers purchased from a traditional big box retailer in the past six months, while only ***28%*** say they'll do so regularly in six months' time.

Consumers' main reasons for shopping at a large business include:

57%
Good product selection.

51%
Lowest prices.

34%
Reliable.

Consumers' top reasons for shopping at an independently owned business include:

33%
Supporting entrepreneurship.

33%
Buying unique products.

31%
Experiencing good customer service.

Country comparisons

Consumers in Germany, the US, and Canada are significantly more likely to shop at *independently owned businesses* to **support entrepreneurship.**

GERMANY	**47%**
US	**45%**
CANADA	**40%**
FRANCE	38%
UK	34%
NEW ZEALAND	33%
INDIA	31%
ITALY	31%
AUSTRALIA	25%
SPAIN	22%
JAPAN	7%

Consumers in Japan are significantly more likely to shop at *independently owned businesses* to **buy unique products.**

JAPAN	**62%**
CANADA	38%
US	36%
SPAIN	33%
FRANCE	33%
INDIA	32%
AUSTRALIA	30%
ITALY	28%
NEW ZEALAND	28%
UK	28%
GERMANY	20%

Consumers in India and Germany are significantly more likely to shop at *independently owned businesses* to have a **personalized shopping experience.**

INDIA	**43%**
GERMANY	**36%**
AUSTRALIA	26%
ITALY	24%
SPAIN	21%
FRANCE	21%
JAPAN	20%
UK	20%
NEW ZEALAND	17%
CANADA	16%
US	15%

Features like fast and free shipping, conversational commerce, and shoppable social media help independent retailers achieve convenience and reliability.

Fast and free shipping

59% Of online shoppers say free delivery would improve their online shopping experience.

40% Say free returns and ***34%*** say faster delivery would make online shopping better.

37% Over a third of online shoppers are frustrated when shipping takes too long.

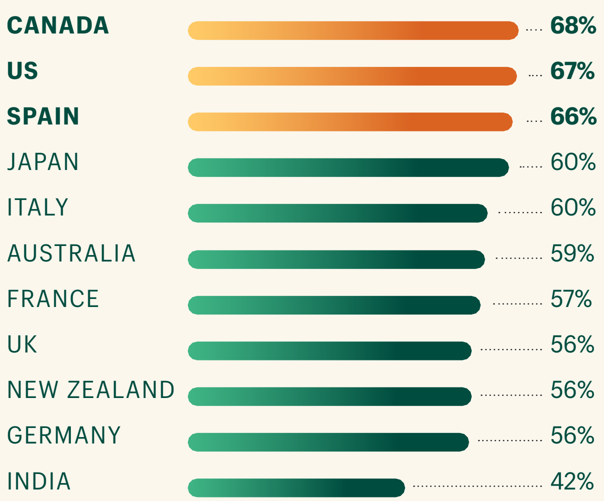
23% Almost a quarter are frustrated when they have to pay extra for shipping.

75% of merchants who generated sales between March through September have free shipping enabled on their stores.

In Q2 2020, Shopify enrolled more merchants and increased fulfillment volumes for Shopify Fulfillment Network by 2.5 times over Q1.

Country comparisons

Consumers in Canada, the US, and Spain emphasize free delivery as a crucial part of their online shopping experience.



**Shopify Fulfillment Network handles storage and distribution of merchants' inventory through its quality-tested fulfillment centers.*

Conversational commerce

Conversational commerce

As e-commerce continues to grow and retailers navigate challenges presented by COVID-19, fostering an online dialogue between merchants and customers is becoming increasingly important.

- From March 16 to July 1, interactions between customers and merchants increased by ***85%*** on Shopify Ping (compared to the same time period prior).

- Conversational commerce is driving genuine connection with customers–and sales.
- From March 16 to July 1, the number of merchants using Shopify Ping to engage with their customers increased by ***72%***.
- Sales attributed to chat increased by ***185%*** during the same time period.

**Shopify Ping is a free messaging app that lets Shopify merchants chat with consumers.*

Shoppable social media

Independent retailers are increasingly adopting ways to meet customers where they spend their time online.

- At the start of the pandemic from March through April, marketing on Facebook and Instagram via Shopify's channel integration saw ***36%*** growth in monthly active users—a trend that continues to rise.

**Shopify defines Monthly Active Users for Channels as merchants with at least one sale on the social channel during the month.*

Country comparisons

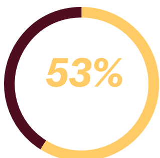
Younger online shoppers in the UK, Spain, France, Canada, and Germany are more likely to make a purchase via social media compared to older age groups.

Percentage of online shoppers who have made a purchase via social media in the past six months	Ages 18-34	Ages 35-54	Ages 55+
UK	33%	21%	6%
SPAIN	27%	18%	8%
FRANCE	25%	14%	8%
CANADA	22%	11%	6%
GERMANY	23%	12%	3%
AUSTRALIA	31%	28%	10%
NEW ZEALAND	30%	19%	19%
ITALY	26%	19%	12%
US	25%	17%	12%
JAPAN	17%	9%	3%
INDIA	41%	44%	22%

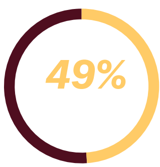
PREDICTION

More consumers will vote with their wallets.

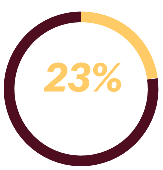
Brands must demonstrate authenticity, transparency, and accountability as consumers increasingly support local businesses and sustainable products.



Of consumers prefer green or **sustainable** products.



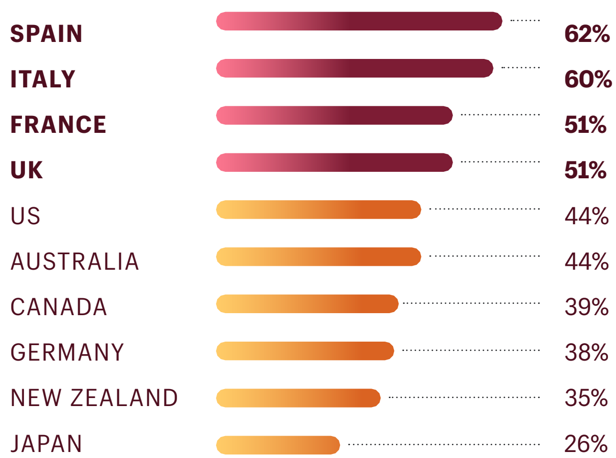
Of consumers respond positively to retailers making a **donation to a cause** with each purchase.



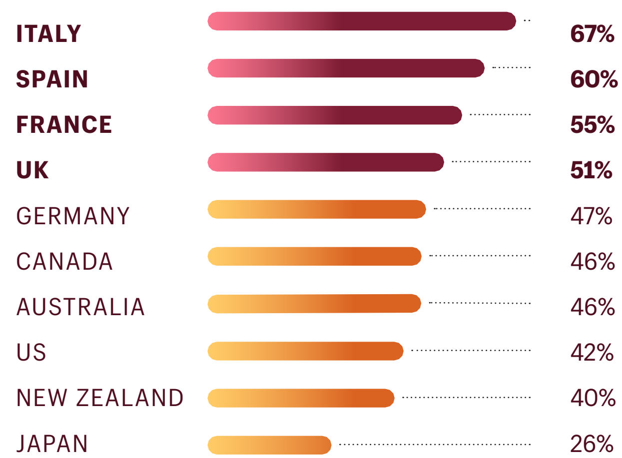
Of consumers shop at **local or independent** retailers to reduce their environmental impact.

Country comparisons

Consumers in Spain, Italy, France, and the UK are significantly more likely to respond positively to retailers making a donation to a cause with each purchase.



Consumers in Italy, Spain, France, and the UK prefer green or sustainable products.



Consumers support local businesses on principle.

Reasons for shopping local

Consumers' main reasons for shopping at a locally owned business (online or in-store) include:

57%
Strengthening the local economy.

41%
Helping support local job creation.

35%
Investing in their community.

Country comparisons

Consumers in the US and Canada primarily shop locally to ***strengthen the local economy.***

CANADA	**68%**
US	**66%**
FRANCE	62%
GERMANY	59%
SPAIN	58%
AUSTRALIA	58%
ITALY	58%
NEW ZEALAND	58%
UK	52%
JAPAN	44%
INDIA	37%

Consumers in France and Germany primarily shop locally to ***reduce their environmental impact.***

FRANCE	**44%**
GERMANY	**35%**
ITALY	28%
INDIA	27%
UK	25%
SPAIN	22%
CANADA	19%
AUSTRALIA	18%
NEW ZEALAND	13%
JAPAN	12%
US	11%

Consumers are also shifting their buying habits to support local merchants: During the month leading up to Black Friday/Cyber Monday, GMV for *local ecommerce orders grew 168% YoY.

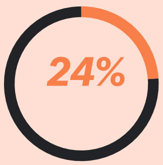
**Local orders is defined by 25 km or less between merchant and consumer on a given sale*

PREDICTION

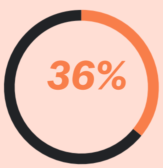
Modern financial solutions will disrupt business and consumer banking, finance, and lending.

Speed and access to capital, faster ways to pay with digital wallets, and more flexible payments like installments will grow in popularity.

Traditional financial institutions do not empathize with the current realities of entrepreneurs and small businesses.



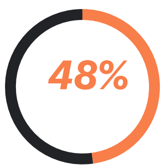
Of merchants that applied for external financing stated that "My bank or financial institution doesn't understand the needs of my business."



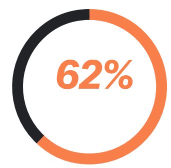
Of merchants facing COVID-19 related challenges stated that "My bank or financial institution doesn't understand the needs of my business."

**This data was collected as part of the Shopify Banking Usage and Attitudes Study from 950 Shopify merchants in the US. Additional notes about methodology in the appendix.*

The quality of the digital user experience is a key factor for merchants, especially those just starting out.

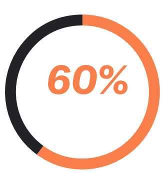


Of merchants say that a "good online banking or mobile app experience" is one of their top 3 most important features when considering a bank for their business, which was second only to "low banking fees."



Of casual sellers* say that a "good online banking or mobile app experience" is their most important feature when considering a bank for their business.

Tenured businesses are turning to modern online payment services to pay their business expenses.



Of merchants with a business tenure of 5 years or more are using online payment services or apps (e.g. PayPal or Venmo) to pay their business-related expenses.

More businesses are accessing capital outside of traditional banks.

Across the US, Canada, and UK, cumulative funding from Shopify Capital reached approximately US$1.4 bilion at the end of September.

Shopify Capital is Shopify's funding program that makes loans and cash advances to merchants.

**Casual sellers are defined as anyone selling online but who does not identify as a business owner or entrepreneur*

For consumers, buy now, pay later has grown in popularity.

In the US:

Millennial fathers are the most frequent users of the buy now, pay later payment option. They are turning to the buy now, pay later payment option when they want to spend on high priced items like electronics, without having to use their credit card.

Buy now, pay later programs have been gaining in popularity. The number of Shopify merchants who offer buy now, pay later has increased by ***60%*** since the start of the pandemic.

Of US consumers that have tried a buy now, pay later option:

41%
Are 18 - 34 years old.

56%
Are men.

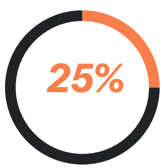
52%
Have children at home.

The top 3 reasons for choosing to use buy now, pay later:

- "It was easier on my budget to pay in smaller chunks".
- "I wanted to take advantage of a good deal now".
- "It's better than a credit card because it's interest-free".

**This data was collected as part of the Shopify Buyer Installments Study from 1,005 Shopify consumers in the US in December 2019. Additional notes about methodology in the appendix.*

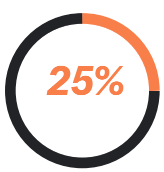
Consumers from all household income levels were equally likely to have used buy now, pay later on a purchase they made in the *past year, but households with higher income use the feature more often.



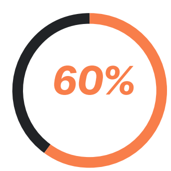
Of high, medium, and low income households have used the buy now, pay later payment option at least once.

Among households that have made a purchase using buy now, pay later, **80%** of high income households have used it more than once, compared to over **50%** of lower income households using it just once.

As buy now, pay later increases in popularity, a segment of "Power Users" who purchase at least 3 items a month is emerging.



Of consumers that have tried the buy now, pay later option use it at least 3 times a month.



Of all buy now, pay later purchases are on items between $100 and $500 USD.

**This data was collected as part of the Shopify Buyer Installments Study from 1,005 Shopify consumers in the US in December 2019. Additional notes about methodology in the appendix.*

Conclusion

The world is changing fast, and commerce is changing with it—permanently.

In under a year, we've seen merchants and consumers adapt with lightning speed to entirely new norms. Retailers are *resilient*. By sharing the trends we see on the horizon, our hope is that businesses can continue to adapt for years to come. Why?

Because the world needs more entrepreneurs and independent businesses. They are the backbone of local communities. They are the drivers of economic growth. And they are the reason why we will always work to **make commerce better for everyone.**

Appendix

Methodology

Throughout the report, ***Merchant Data*** is indicated by the merchant data symbol (see key). These statistics are based on global sales data on Shopify ranging from January 2018 to September 2020.

PAGES 1-27

• Survey respondents: a total of 10,055 consumers* aged 18+ in 11 markets:

> APAC (Japan, India, New Zealand, Australia), Europe (France, Germany, Italy, Spain, United Kingdom), and North America (US, Canada)

• Minimum of n= 1,000 per market with exception of Australia (n=803) and New Zealand (n=216)
• The data for each market were weighted using census data by gender and age to ensure that the results are representative of consumers in each country.
• Respondents completed the survey between September 9 and September 28, 2020
• Survey questions were translated and made available in six languages
• Throughout this report, the terms consumers and shoppers are used interchangeably
• The period 'in the past six months' and 'since the pandemic was declared' are used interchangeably and refer to the period from mid-March to mid-September, 2020.

**** Consumers are defined as anyone who has made a purchase in any of the following categories between March and September, 2020:***

• Personal protective equipment (e.g., face masks, gloves, hand sanitizer, etc.)
• Clothing / footwear / accessories
• Health / beauty / personal care products
• Prepared food (including takeout from restaurants)
• Books / magazines
• Home improvement / gardening supplies
• Electronics / computers
• Toys / games / hobby supplies
• Appliances
• Home decor / furniture
• Sporting goods / fitness equipment / home exercise equipment
• Home office items
• Jewelry
• Baby products

PAGES 27-28

• Survey respondents: a total of 950 Shopify merchants aged 18+ in the US
• The data for each market were weighted using a merchant's revenue to ensure that the results are representative of the entire merchant population on Shopify
• Respondents completed the survey between September 21 and September 30, 2020
• Data was collected as part of the Shopify Banking Usage and Attitudes Study

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PAGES 29-30

• Survey respondents: a total of 1,005 consumers aged 18+ in the US
• The data for each market were weighted using US census data for age and gender to be representative of the US consumer population
• Respondents completed the survey between December 12 and December 16, 2019
• Data was collected as part of the Shopify Buyer Installments Study