

QUARTZ MEMBERSHIP

The companies that could challenge Amazon's dominance

Member exclusive by

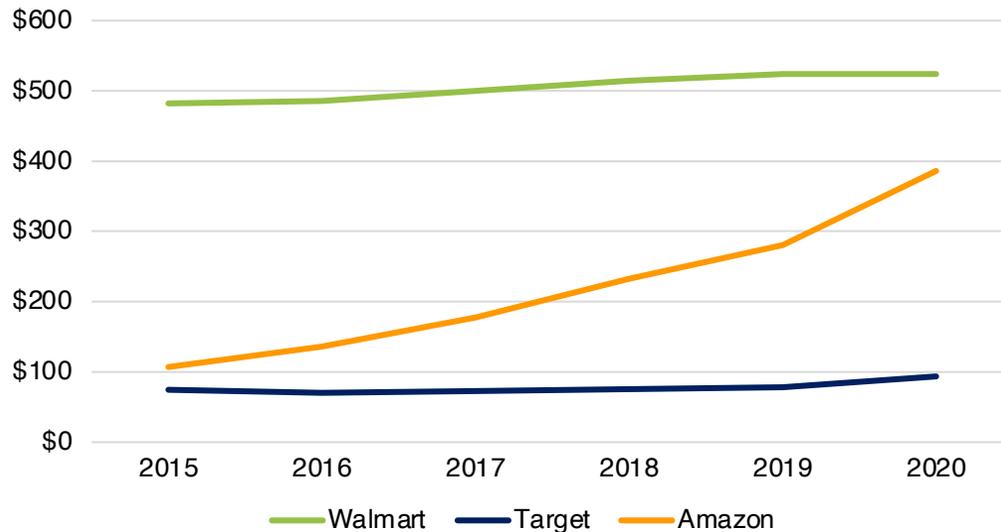


Chika Dunga

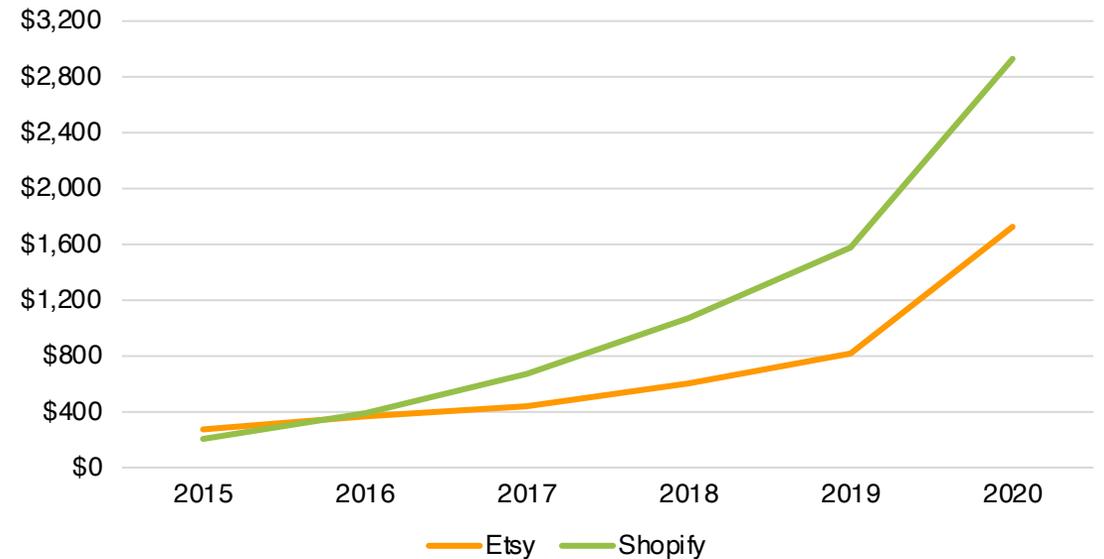
Conquering e-commerce

In the first quarter of 2020, retail hit a milestone: [17%](#) of all retail transactions were done online. A significant proportion of those were [done on Amazon](#). But Amazon's competitors want a slice of the pie. The coalition, dubbed the anti-Amazon alliance, includes Walmart and Target, which are merging brick-and-mortar stores with online buying. Shopify is equipping businesses with the tools to build successful digital stores, and Etsy continues to expand. Tech giants Google and Facebook are also joining the e-commerce game.

Walmart, Target, and Amazon revenue in billions



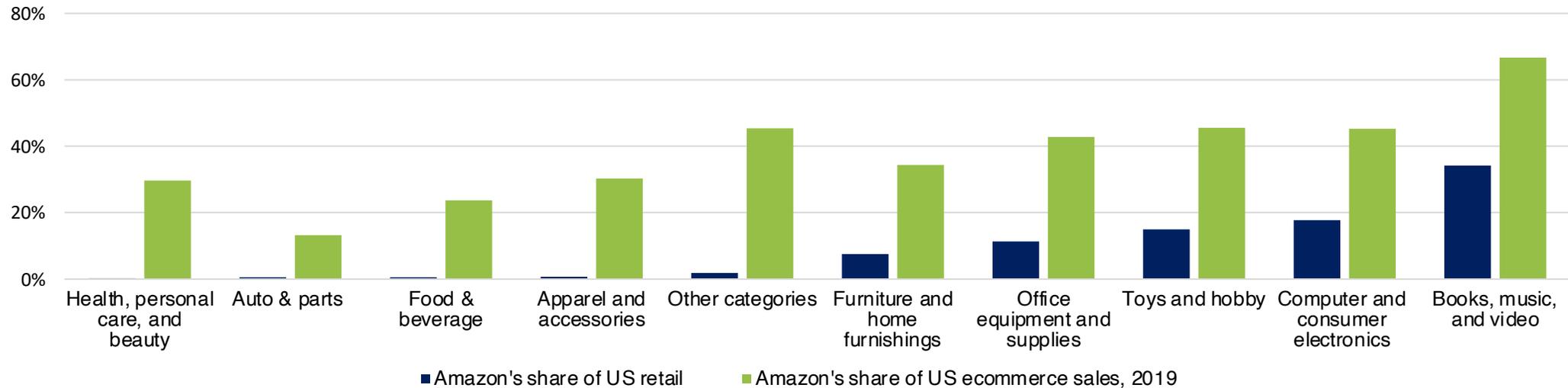
Etsy and Shopify revenue in millions



Amazon's relentless conquest

Amazon founder Jeff Bezos's [famously big ambitions](#) helped the company set the standard for all of e-commerce. Amazon obsessed over its online customer experience and helped popularize [features](#) such as one-click shopping and fast shipping. Bezos favored a long-term growth strategy that prioritized investment over profits. Amazon also diversified its revenue streams into profitable arms such as Amazon Web Services, third-party seller services, and its [rapidly growing](#) advertising business.

Amazon completely dominates parts of US e-commerce

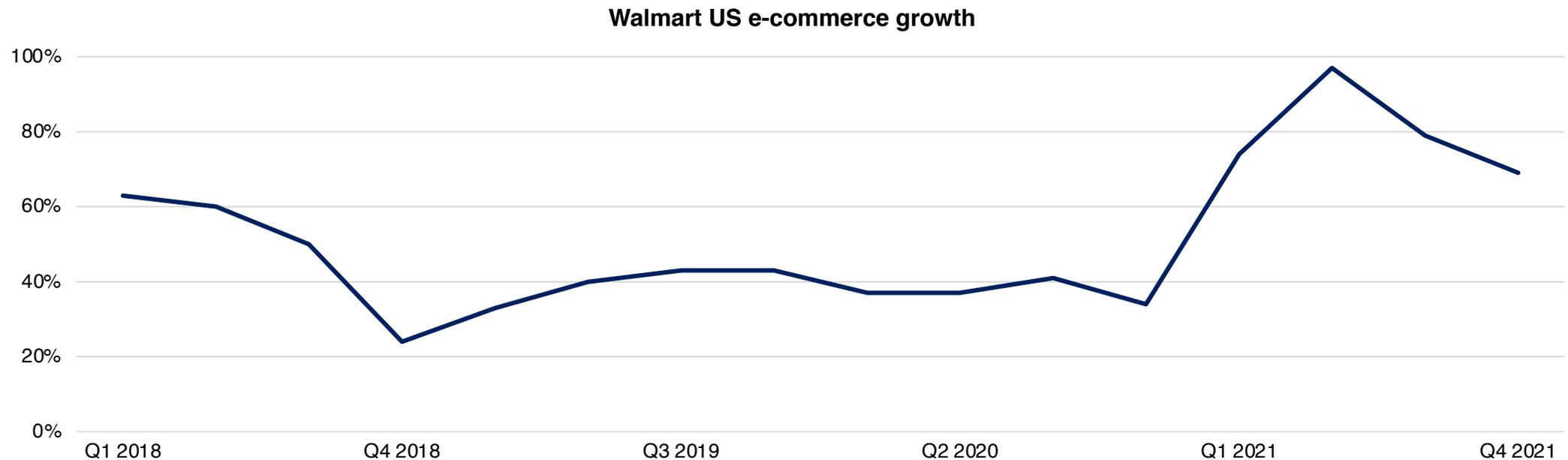


...everyone in commerce is, whether they realize it or not, in the anti-Amazon alliance...”

Ben Thompson business journalist, Stratechery, “The anti-Amazon alliance.”

Walmart learns new tricks

Walmart is the only company that earns more sales revenue than Amazon each year. But in e-commerce, it's lagging behind, and it hopes to change that. Starting in 2016, Walmart unleashed a multi-billion-dollar e-commerce strategy: It acquired Jet.com and [other digital brands](#); added 40 million items onto its site; and [launched a loyalty program](#) to compete with Amazon Prime. Walmart's brick-and-mortar presence might hold the key to growing its online business: More than 2,000 stores offer pick up for groceries, and some [serve as](#) fulfillment hubs for online orders.



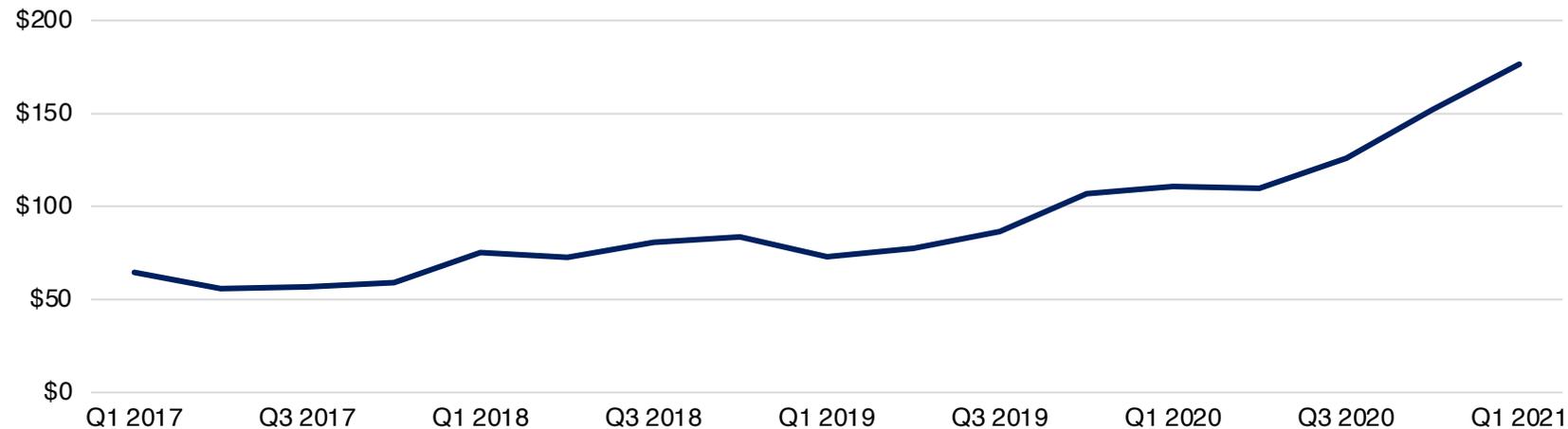
On Target

One key to [Target's comeback](#)? Investment in e-commerce. It was part of the company's [\\$7 billion strategy](#) launched in 2017 as it invested in logistics and its online experience, among other store and inventory upgrades. Target transformed its stores into distribution centers for fulfilling online orders and [acquired Shipt](#) a same-day [grocery delivery company](#). Target customers can now opt for same- or two-day delivery, curbside pick up, or go inside the store to pick up items ordered online—and maybe snag [a few extra items](#) while they're at it.

The Target effect

The joke is that it's hard to leave Target without spending more than you planned. But it's not just a coincidence. The retailer's layout and rotating inventory [are designed](#) to create an experience where shoppers don't want to leave.

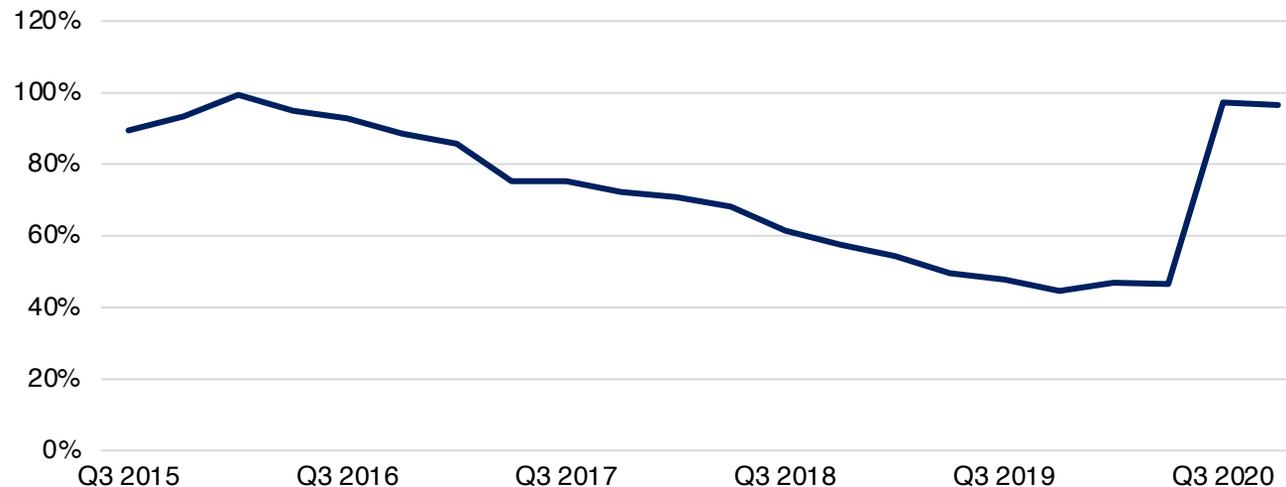
Target share price



Arming the rebels at Shopify

Forget brick-and-mortar outfits: Digital native Shopify is Amazon's most formidable competitor, [argues](#) business journalist Ben Thompson. In 2019, the Ottawa-based company [became](#) the second largest online shopping destination behind Amazon. By providing online shops for more than 1 million small businesses, Shopify "[arms the rebels](#)" against Amazon. The company doesn't just provide digital storefronts—it also has a growing network of [fulfillment centers](#) that process speedy shipping, an [arsenal](#) of financial instruments to support businesses, and warehouse automation. Amazon is definitely [watching](#) Shopify's moves.

Shopify's year-over-year revenue growth



\$5.1 billion

Global sales across Shopify's platform during the Black Friday/Cyber Monday weekend in 2020.

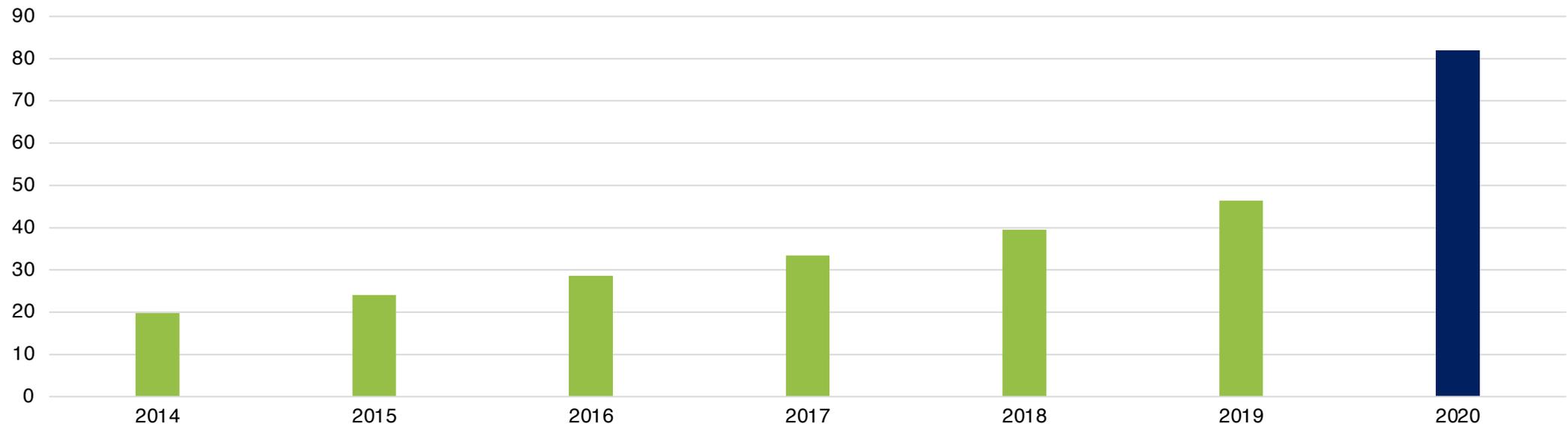
\$1,069

The closing price of Shopify stock on December 31, 2020.

Etsy's human-centered e-commerce

This competitor might rake in less revenue compared to its peers, but it's mighty. Etsy's marketplace for handmade and vintage goods [boasts](#) 65 million items and [sold](#) \$10 billion worth of products in 2020. The platform [had](#) 4.3 million active sellers by the end of 2020. Total revenue in 2020 more than doubled from 2019 to \$1.7 billion. To keep up with US customers' expectations, Etsy [announced](#) in 2019 its site would prioritize sellers that offer free shipping for orders over \$35.

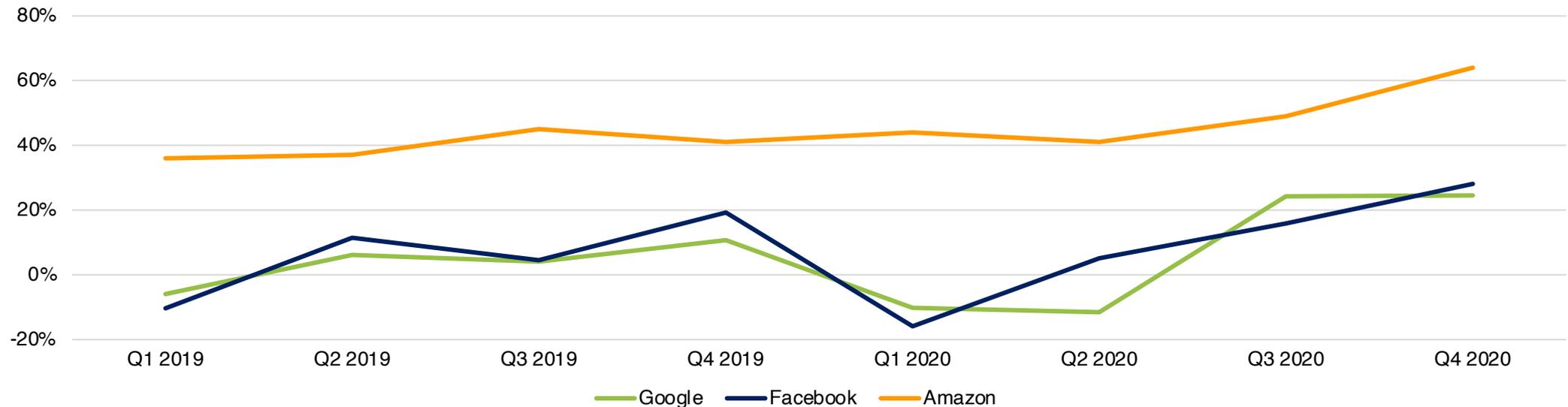
Active buyers on Etsy (in millions) nearly doubled in 2020



Buy on Google

Google wants you to turn those searches into purchases. Forty-nine percent of online shoppers begin their search directly on Amazon, while 22% start on Google, an eMarketer survey [revealed](#). After a [failed first attempt](#) at competing with Amazon, Google announced free listings for sellers in 2020. Sellers on Google Shopping can now expand their reach with [free listings](#) and paid campaigns. Google hopes to [drive advertising](#) revenue by incentivizing sellers with free listings.

Advertising* is growing faster on Amazon than on Google or Facebook



*Amazon's advertising revenue is tracked in its "other" category Advertising makes up the majority of this category.

Facebook enters the chat

In mid-2020, Facebook, the world's largest social media app, kicked off [an epic partnership](#) with Shopify, the leader in direct-to-consumer e-commerce. That meant that sellers on Facebook Shops could reel in customers with digital stores on Facebook and Instagram, while Shopify provides the e-commerce tech to facilitate transactions and shipping. Facebook's network of sites is [home](#) to over 160 million small businesses; Shops helps Facebook keep their advertising dollars within its ecosystem. As of May 2020, 1 million businesses have signed up.

2.8 billion

Active users on Facebook.

81%

Instagram users that use the platform to research products and services.

130 million

Users that tap on shopping posts every month.

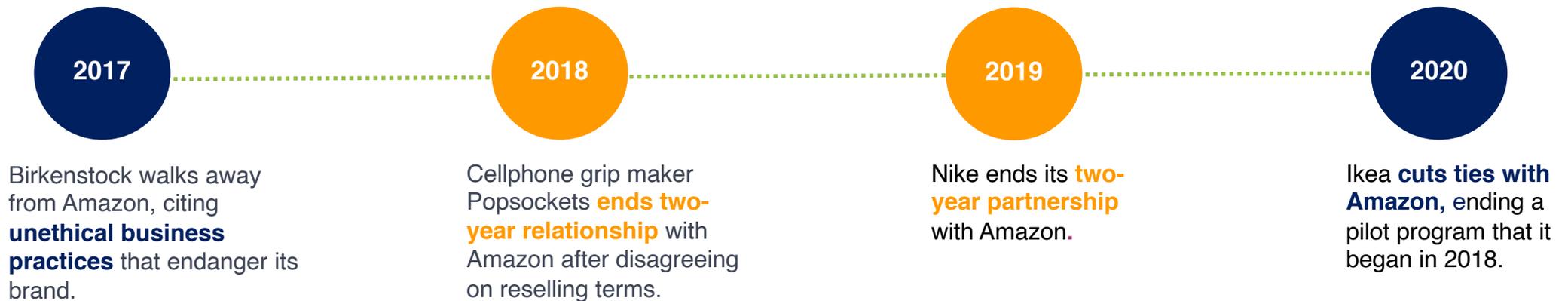
E-commerce is 10% of global commerce—that's nothing. We're at the dawn of e-commerce, and this [Amazon] is one user experience.”

Emily Weiss founder, Glossier. Tech Crunch Interview in 2018

Seller's revolt

Some brands and third-party sellers are pushing back against Amazon: They're reducing the products for sale on its site. In 2019, Nike [ended](#) its relationship with Amazon when it failed to crack down on the many copycats—a [pressing issue](#) for many brands, a number of which have followed suit. As clothing and footwear brands focus on [direct-to-consumer](#) sales, there's less appetite for competing against Amazon itself (it's [rumored](#) that Amazon uses its third-party seller data to help develop products for its private labels). And for smaller sellers, the [cost of being](#) on Amazon just isn't worth it.

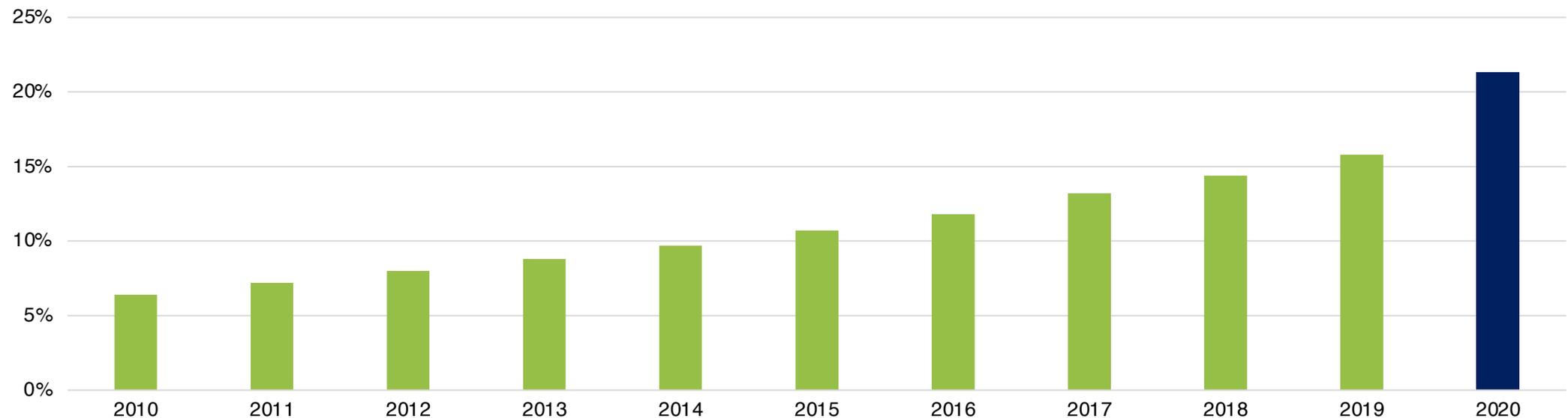
Major brands leaving Amazon



Will Amazon's star ever dim?

Amazon may be dominating more than ever, but it's unlikely that it will eliminate its competition. Each member of the anti-Amazon alliance has its own unique assets that make it a formidable competitor. As more shopping is done online, it's clear that Amazon won't be the only one that benefits. There's room at the table for plenty of feasting.

E-commerce penetration in the US exploded in 2020



Want to know more? Read Quartz coverage of e-commerce.

- [Amazon reinvented retail and everyone else is just try to survive](#). Learn the secret behind Amazon's dominance.
- [Can direct-to-consumer brands compete with Amazon](#). Brands are choosing to build direct relationships with customers over the crowded lanes of Amazon.
- [The rise of e-commerce is rippling across the labor force](#). E-commerce is eliminating traditional retail jobs.
- [E-commerce sales are soaring—but for how long?](#). E-commerce accelerated in 2020 and is here to stay, according to experts.
- [Walmart's TikTok bid is a risky bet on the direction of US retail](#). Walmart makes a move to take e-commerce onto one of the most popular apps.

You'll also enjoy our member-exclusive field guide on [Retail versus Amazon](#).

Have questions about this presentation, or suggestions for us?

Send us a note at members@qz.com.