2022

STATE OF ECOMMERCE FULFILLMENT REPORT

ShipBob

EXECUTIVE SUMMARY

STATE OF ECOMMERCE & SUPPLY CHAIN

Today is an extremely opportunistic, yet complicated, time to be in ecommerce. There are some great tailwinds that are encouraging an extraordinary number of entrepreneurs to dive head-first.

There have never been more:

- Ecommerce IPOs: Brands like Allbirds, Warby Parker, Oatly, Figs, Olaplex, Vita Coco, and Rent the Runway went public in 2021.
- Online and offline sales channels to reach shoppers: Amazon, eBay, Walmart, and Etsy, along with forward-thinking retailers like Target, Nordstrom, Macy's, and Chewy.
- Marketing channels: Google, Facebook, Instagram, Twitter, TikTok, Snapchat, YouTube, podcasts, and influencers.

Yet with that, it has never been harder to scale an online store.

1. Competition is now on a global scale with millions of brands launching each year, and shopper expectations have skyrocketed.
2. As the cost to acquire new consumers is increasing, you need to find new sales channels and new geographies to sell into.
3. As shopper expectations grow, you need to find creative ways to go above and beyond to delight shoppers.
4. With supply chain issues like labor shortages, port congestion, and freight and last-mile carrier costs increasing, you must have trusted logistics partners to meet consumer demands.
5. Attention can be lost as quickly as a swipe, so it's more important than ever to provide a personalized purchase and post-purchase experience.

Despite these challenges, brands are navigating the ever-changing landscape with plans to expand even faster this year.

It's this optimism and focus on growth that has me so excited about ecommerce over the next decade, and fuels our drive to innovate for the millions of brands and hundreds of millions of consumers that we will support in our lifetime.

This is also the catalyst for us putting together our annual report on the state of ecommerce, supply chain, and fulfillment. In this report, we offer insights into:

- What changed from 2020 to 2021
- Shipping trends from 2021 and what to expect moving forward
- What and how ecommerce brands are prioritizing in 2022
- Actionable recommendations!

Dhruv Saxena

Dhruv Saxena
CEO & Co-founder of ShipBob

TABLE OF CONTENTS

BACKGROUND

ShipBob's 2022 State of Fulfillment report is based on both insights from a survey the fulfillment platform launched and proprietary data from the millions of orders it fulfills across five countries.

ABOUT THE VENDOR

ShipBob is the leading global omnifulfillment platform designed for small and medium-sized businesses to provide them access to best-in-class supply chain capabilities. With over 30 fulfillment centers across the United States, Canada, Europe, and Australia, ShipBob supports over 7,000 ecommerce brands.

The ShipBob platform provides merchants with a single view of their business and customers across all of their sales channels, and enables them to manage products, inventory, orders, and shipments, and leverage analytics and reporting to run their business effectively.

Founded in 2014 out of Chicago, ShipBob was launched through Y Combinator by co-founders Dhruv Saxena and Divey Gulati, two entrepreneurs who saw a need for more efficient shipping for ecommerce businesses. Today, the company has raised $330.5 million USD in funding. Learn more at shipbob.com.

7,000+
brands partner with ShipBob

MILLIONS
of orders shipped per month

30+
fulfillment centers in ShipBob's network

GLOSSARY OF TERMS

AOV
Average order value:
The average amount spent per transaction

GMV
Gross merchandise value:
Total amount spent or less than 10% of ecommerce orders

GPC
Gross Merchandise Value per capita:
The average amount spent per person in the state (total GMV divided by population)

OPC
Orders per capita:
The average orders per person in the state (total orders divided by population)

1 2021 RECAP

This data is aggregated across over 7,000 ShipBob customers shipping millions of ecommerce orders.

#1 GIVING TUESDAY 2021

First year it surpassed Cyber Monday for total orders processed

Every year, Black Friday and Cyber Monday are our top 2 sales days, until this year, when Giving Tuesday cracked the second spot. Could this be a sign of the times as our zeitgeist shift from consumerism to being more charitable?

#1 MONDAY

Most popular buying day of the week for the fourth year in a row

#2 Friday **#3** Tuesday **#4** Thursday **#5** Wednesday

LEAST POPULAR: Sunday

#1 BLACK FRIDAY

Most popular buying day in 2021 (November 26)

#2 Giving Tuesday, November 30 **#3** Cyber Monday, November 29 **#4** Saturday, December 4 **#5** Sunday, December 5

LEAST POPULAR: Sunday, July 4

#1 CALIFORNIA
Most active buying state in 2021

#2 Texas **#3** New York **#4** Florida **#5** Illinois

LEAST ACTIVE: Wyoming

#1 MASSACHUSETTS
State with the most orders per capita in 2021

#2 Washington **#3** Colorado **#4** New Hampshire **#5** Oregon

LOWEST ORDERS PER CAPITA: Mississippi

#1 ALASKA
State with the highest average order value in 2021

#2 Montana **#3** Vermont **#4** Wyoming **#5** Hawaii

LOWEST AOV: Rhode Island

#1 COLORADO
State with the highest spend per capita in 2021

#2 Washington **#3** Oregon **#4** Vermont **#5** Massachusetts

Biggest state variance: The spend per capita in Colorado is 147.1% greater than Mississippi.

LOWEST SPEND PER CAPITA: Mississippi

ONLINE SPENDING IN THE U.S. IN 2021

35% of all ecommerce orders and GMV are in 4 states:

CA TX NY FL

50% of all ecommerce orders and GMV are in 8 states:

CA TX NY FL
IL PA NJ WA

21 of the lowest consuming states account for less than 10% of ecommerce orders and ecommerce GMV.

29 of the lowest consuming states account for less than 20% of ecommerce orders and ecommerce GMV.

TOP 10 STATES WITH THE HIGHEST ORDERS

CA TX NY FL IL PA NJ WA OH GA

CALIFORNIA

The average consumer in California spends 4.1% more per order than the average American. California is the most populous state and this places them at #8 in AOV.

PENNSYLVANIA

In Pennsylvania, the average consumer spends 4.6% less per order than the average American. This places them only above Missouri, West Virginia, and Rhode Island.

WASHINGTON

In Washington, the average consumer purchases 32.2% more orders than the average American. This puts them only behind Massachusetts in orders per capita.

OHIO

In Ohio, the average consumer places 14.9% fewer orders than the average American with an average order value at 4% less than the national average.

SUPPLY CHAIN TRENDS

18% down YoY

Schedule reliability across more than 60 carriers and 34 trade lanes was at 34.4% for October 2021.[1]

33.6% all-time low

Global schedule reliability reached an all-time low in September 2021. Reliability was at 77.7% in June 2020.[2]

The Ports of Long Beach and Los Angeles in California, for example, were backed up and had delays of up to two months in early 2021.[3]
In late October 2021, more than 600 container ships were stuck outside ports worldwide.[4]

$ 19K

The cost in USD of shipping an FEU reached an all-time high in September 2021.[5]

By the end of December 2021, the average cost came down to $9,437 USD — but pre-COVID, the cost was near $1,300 USD. As 90% of the world's merchandise is shipped by sea, this has been a very costly issue for merchants. Due to the volume of good shipped by ocean freight, this has been a costly issue for merchants.[6]

"With ShipBob's FreightBob program, we were able to get ocean freight from Shanghai through the LA port into our fulfillment centers in less than 3 weeks."

- Emily Coolbaugh, Logistics Coordinator at Driveline Baseball

RECOVERED TRANSIT TIMES

The COVID-19 pandemic completely disrupted supply chains and overloaded shipping carriers, most noticeably during the onset of the pandemic and toward the end of 2020.

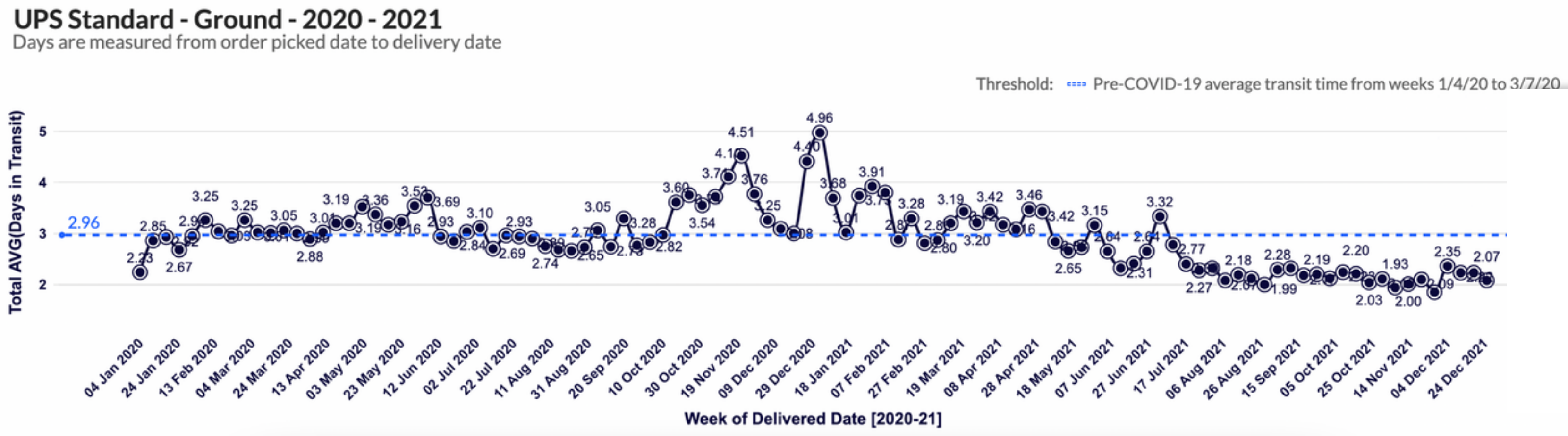
Then, in 2021, the carriers rebounded to their pre-COVID transit times and had a much improved peak season compared to the end of 2020.

A few notes on the shipping carrier transit data below that ShipBob aggregates:

- It's across tens of millions of shipments for thousands of brands.
- It shows time-in-transit averages for the four leading carriers in the US from all of 2020 and 2021.
- It compares each carrier's pre-COVID average transit time (shown via the dotted blue line) to every week in 2020 and 2021.

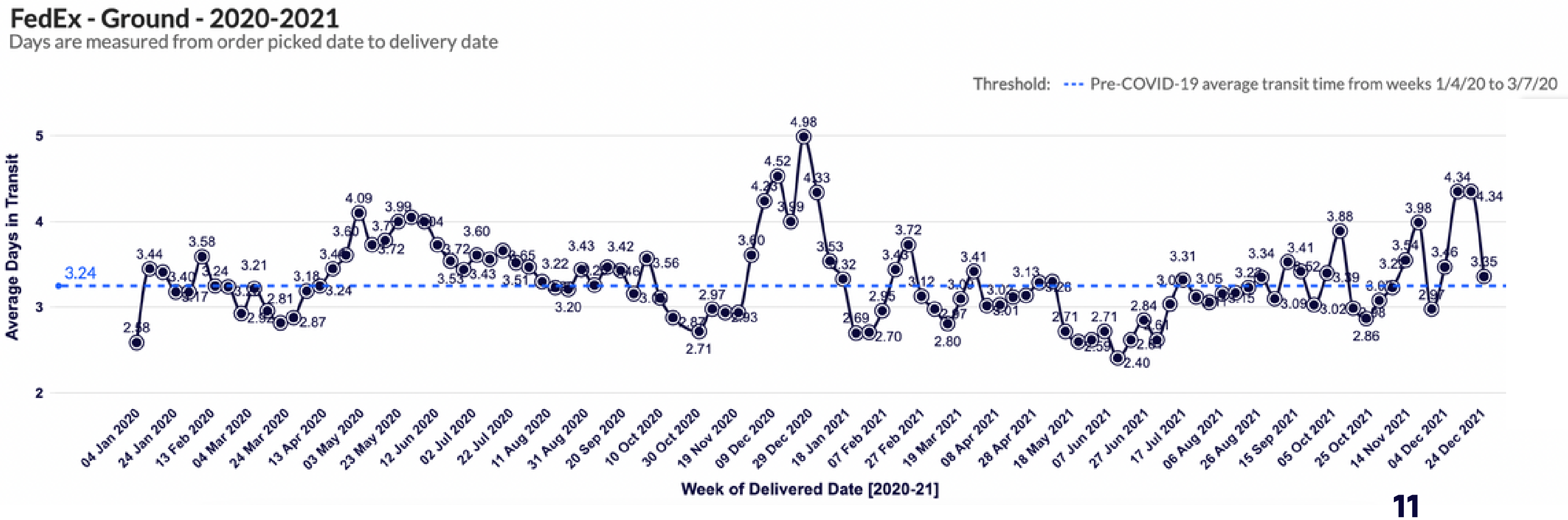
UPS

Pre-COVID, UPS had an average transit time of 2.96 days. End of 2020, it went up to 4.96 days. During the end of 2021, they were back down to an average of 2-2.35 days, faster than before COVID.



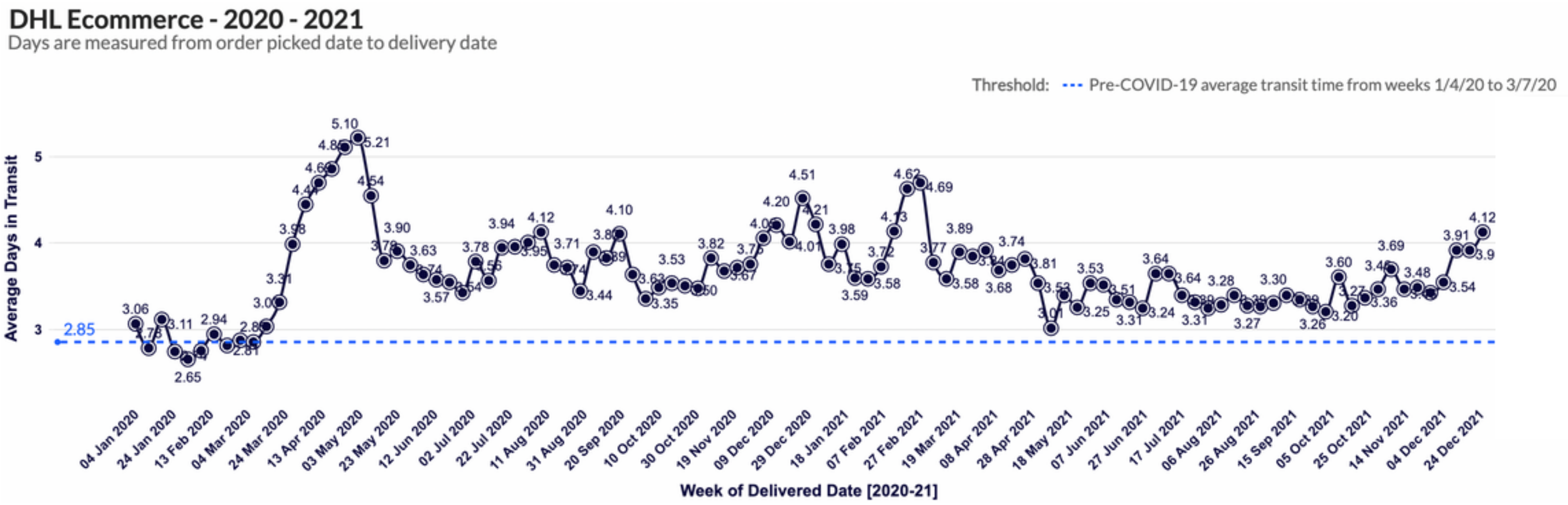
FEDEX

FedEx had an average transit time of 3.24 days pre-COVID, which hit an all-time high of 4.98 days during the end of December 2020. During the 2021 holiday peak season, they averaged 2.97-4.34 days.

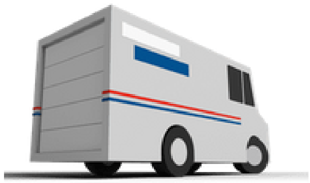


DHL

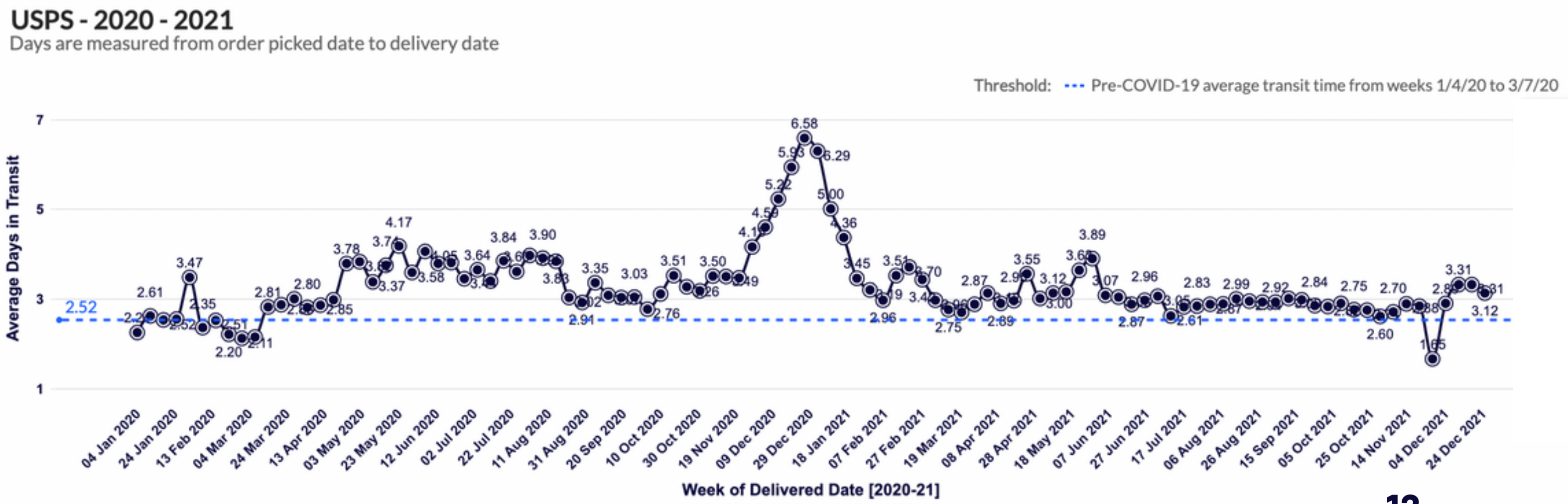
DHL averaged a 2.85 day transit time pre-COVID, but experienced an all-time high of 5.21 days the last week of April 2020. DHL had additional peaks in mid-December 2020 and mid-February 2021, but by the end of 2021 their average transit time was 3.42-4.12 days.



USPS

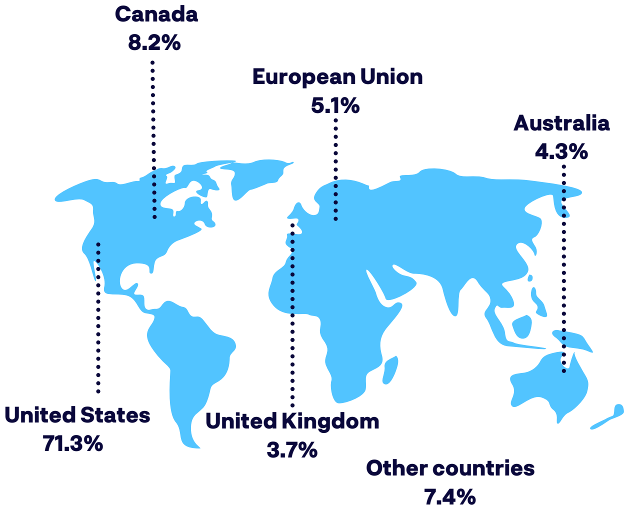


Finally, USPS had a 2.52 day average transit time pre-COVID, which shot up to 6.58 days at the end of 2020. During the 2021 holiday season, they had a 1.65-3.31 day average transit time — less than half the time it took for a package to be delivered during peak 2020.

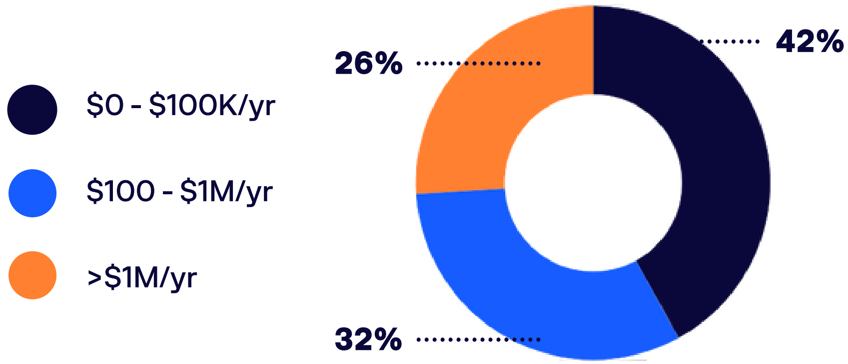


2022 OUTLOOK

For this report, we surveyed 352 retail executives all over the word and across verticals.



Here's a breakdown of these ecommerce brand's annual revenue (in USD):



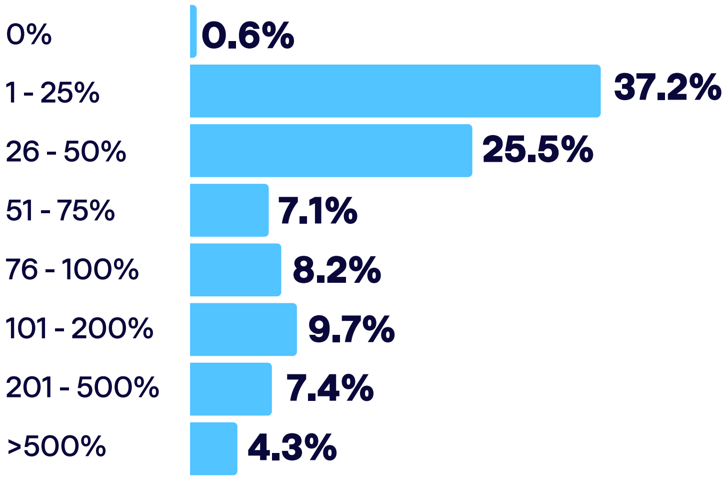
Despite supply chain setbacks, most brands expect growth.

62% of brands expect their revenue to grow by more than 25% in 2022.

21% of brands expect to double their revenue from 2021 to 2022.

0.6% of brands expect revenue to stay flat in 2022.

Expected revenue growth in 2022:

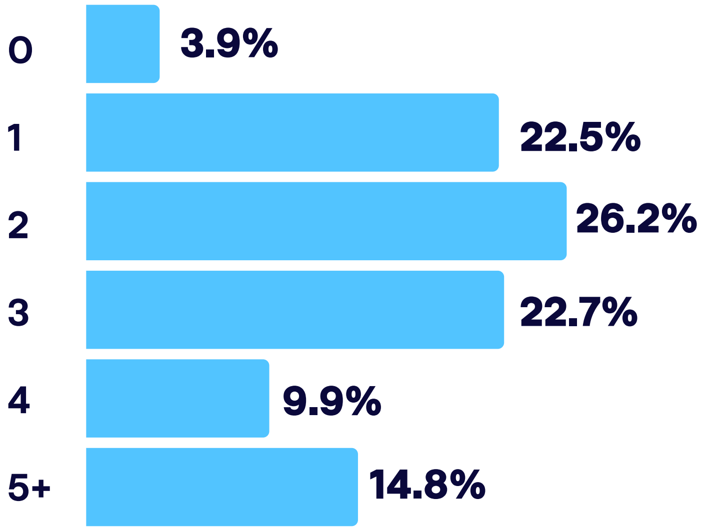


3 CHANNEL DIVERSIFICATION

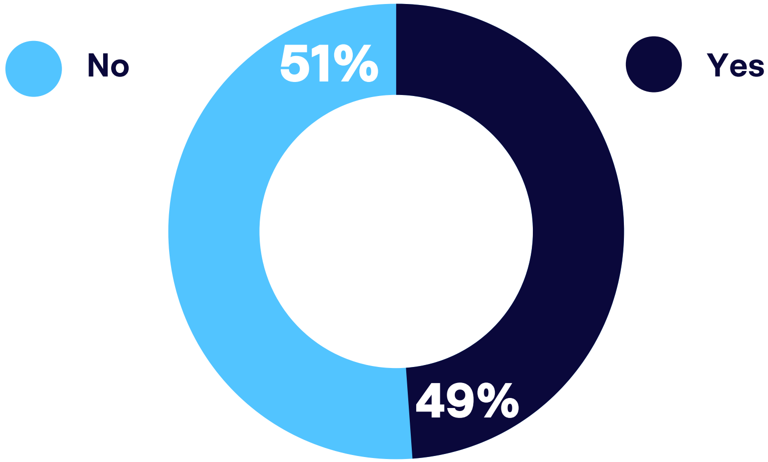
In 2022, more brands understand they need to meet customers where and how they shop. This also comes with benefits like introducing products to customers who otherwise may not have discovered them.

70%	of brands will add new sales channels in 2022.
73%	of brands will sell on 2 or more sales channels.
48%	of brands will sell on 3 or more sales channels.
15%	of brands will sell on 5 or more sales channels.
49%	of brands sell retail or wholesale (brick-and-mortar or in-store).
43%	of brands have a primary sales channel outside of their website.

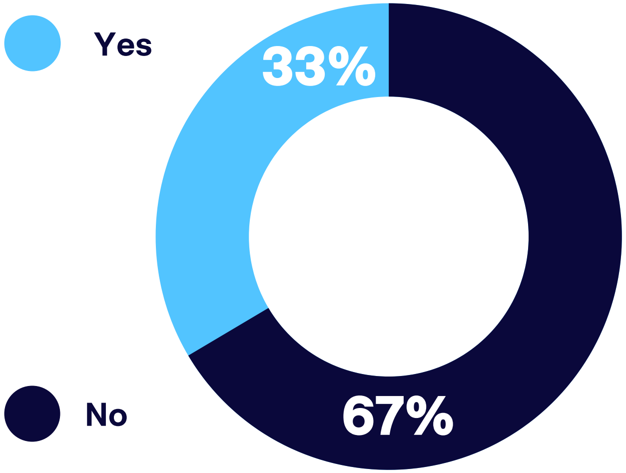
How many sales channels do you sell through?



Do you sell B2B retail/wholesale (brick-and-mortar or in-store)?



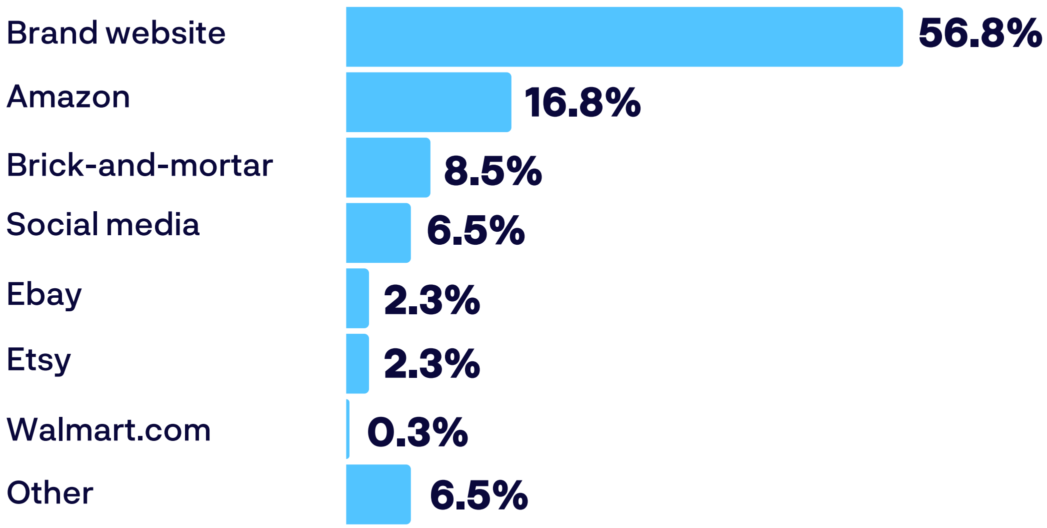
Do you sell B2B dropshipping (through retailers' online stores)?



The average consumer uses 2 or more touch points when evaluating and buying a product.[7]

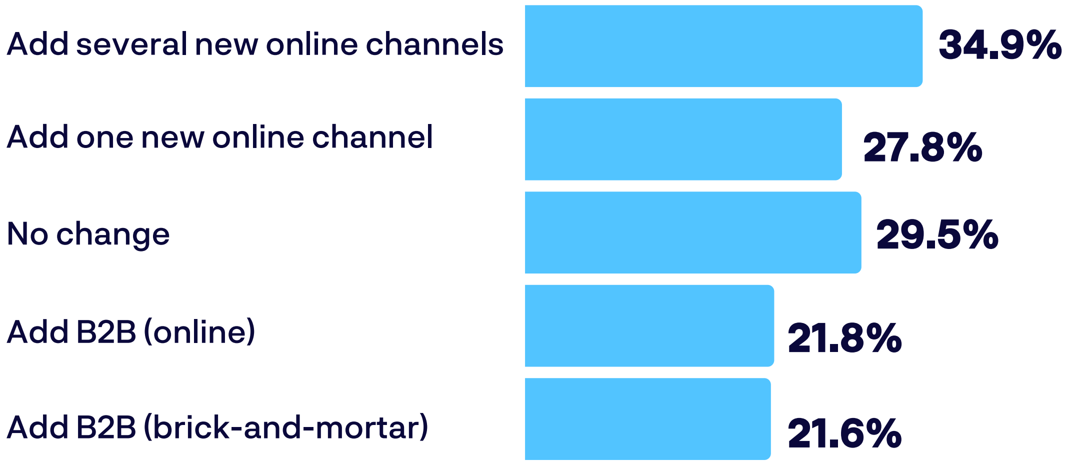
~73% of consumers visit online and offline stores.[8]

What is your top sales channel today?



92% of sellers experienced webstore growth and saw anywhere between 2-4x more webstore sales as a result of being discovered on marketplaces.[9]

What are your sales plans for 2022? Select all that apply.



In 2021, the B2B ecommerce market size was valued at $6.64 trillion USD and is expected to expand at a CAGR of 18.7% until 2028.[10]

Jordan and Anouk Rondel, Owners of The Caker

REAL-LIFE EXAMPLE

A behind-the-scenes peek at multi-channel fulfillment

Many retailers are looking to expand into new categories but don't want to take on the risk of holding inventory. Thus, they're looking for new brands to sell on their websites and dropship directly to their shoppers.

When awareness for cake mix brand, The Caker, picked up, the founders started to get DMs from retailers that wanted to sell their products.

Demand increased, and The Caker had to understand EDI compliance including the various APIs and complicated work streams, while selling on their own ecommerce store, Amazon, and other DTC channels.

HOW THE CAKER HANDLES FULFILLMENT

- ShipBob acts as their main hub for all inventory and sales channels.
- The Caker stocks 2+ ShipBob fulfillment centers for 10 sales channels, and views the totals through one login.
- Using ShipBob's retail dropshipping solution to fulfill online orders for big name retailers, The Caker gets time back to focus on things they want to work on.
- ShipBob also helps fulfill wholesale/B2B orders, such as stocking an exclusive cake flavor in Neiman Marcus stores for the holidays.
- As The Caker starts working with additional retailers, all of their orders can continue to automatically be fulfilled by ShipBob.

4 GLOBAL EXPANSION

26% of people have increased the amount they shop abroad during the pandemic. In today's convenience economy, more brands are looking to grow globally and reach a wider audience.[15]

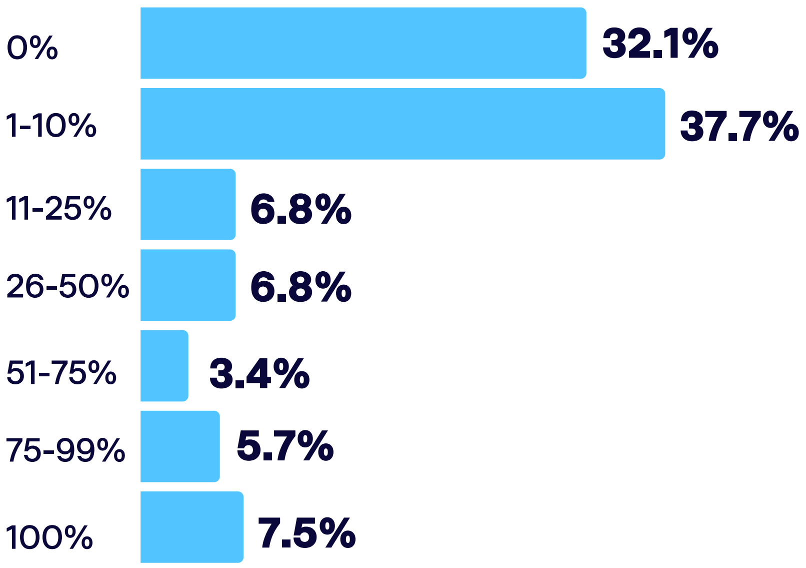
56% of brands plan to ship to new countries in 2022 or fulfill orders in new countries.

32% of brands plan to start physically fulfilling orders in new countries in 2022.

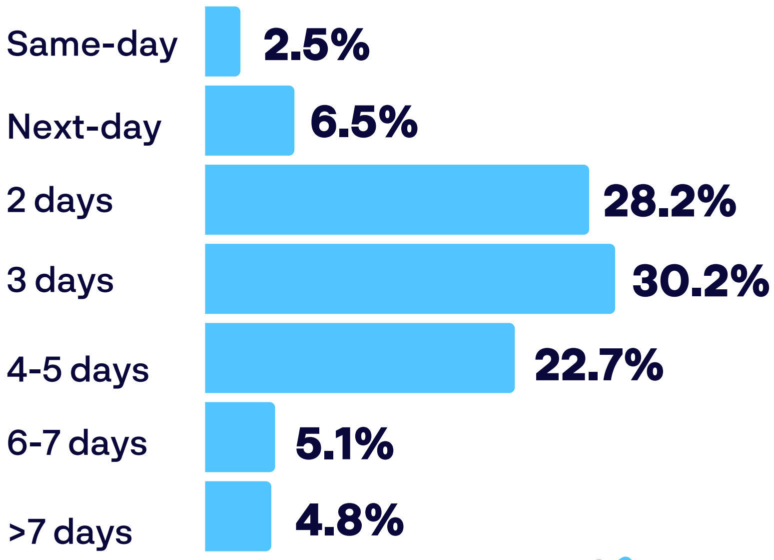
Which best describes your global fulfillment footprint today?

Only ship within and fulfill orders from my home country, and will continue doing so next year	27.8%
Only fulfill orders from and ship within my home country, but will ship internationally next year	17.9%
Only fulfill orders from my home country, but ship to other countries (and won't change next year)	12.5%
Only fulfill orders from my home country, but ship to other countries & plan to fulfill orders from more countries next year	14.6%
Fulfill orders from several countries and ship across the world (and won't change next year)	9.9%
Fulfill orders from several countries but want to expand into new countries next year & continue shipping across the world	17.3%

What percent of your orders are outside the US?



What is your target shipping speed in the US?



FREE SHIPPING

Since shipping to other countries can be expensive, domestic shipping often comes with more incentives. Consumers crave free shipping, and this conversion lever can have a major effect on cart abandonment — and brands have taken notice.

25% of brands always offer site-wide free shipping for domestic orders.

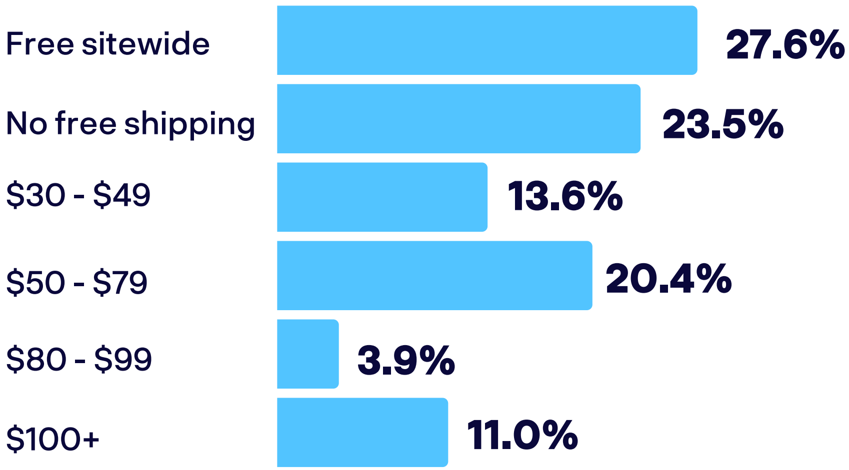
24% of brands don't offer free shipping at all.

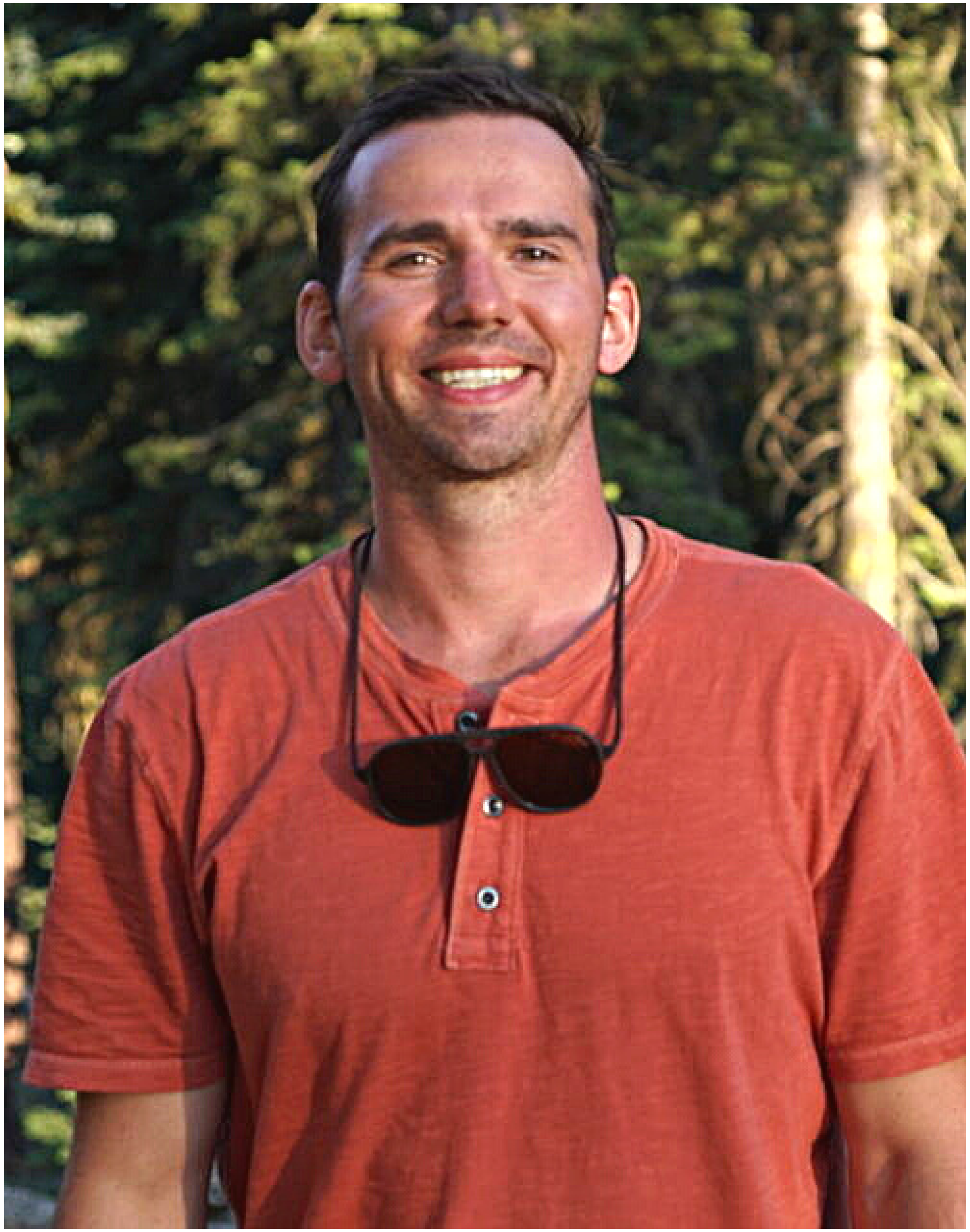
35% of brands require customers to spend at least $50 USD to get free shipping.

15% of brands require customers to spend at least $80 USD to get free shipping.

How much do you charge for domestic shipping?

How much do your customers have to spend for free shipping when offered (in USD)?





Nikolai Paloni, Founder of Ombraz

REAL-LIFE EXAMPLE

A behind-the-scenes peek at global fulfillment

Moving from domestic shipping to cross-border can be challenging and expensive (for both you and your customers). Sunglasses brand Ombraz knows this firsthand.

International shipping is very important to them — in terms of both costs and customer experience — and there's a pair of Ombraz sunglasses on every continent.

Their goal was to remove the barriers to purchase, while accelerating growth outside of North America.

HOW OMBRAZ HANDLES FULFILLMENT

- Ombraz expanded their physical footprint using ShipBob fulfillment centers in the US, Canada, and Europe.
- This allowed them to reduce taxes and tariffs that come with international shipping as more shipments became domestic deliveries without having to get held up in customs.
- This also enabled customers in these countries to get their Ombraz in a few days or less (with no duties at delivery).

5 RECOMMENDATIONS

Growth levers like both global and channel expansion bring a lot of possibilities. To maximize the potential of these new audiences, you need a game plan to streamline fulfillment while managing shipping costs.

IMPLEMENT STRATEGIES THAT REDUCE CART ABANDONMENT & BOOST AOV

Despite shipping costs increasing, many brands offset the costs of fast and free shipping by increasing average order value, extending their customer lifetime value, and optimizing their supply chain.

- "Free shipping" has proven to be the most effective website banner from a conversion standpoint and is also very effective to message out across other channels (email, social, etc.).
- Incentivize a minimum spend threshold that's higher than your AOV in exchange for free shipping.
- Use bundles or upsells to encourage people to spend more and get a better value.
- Showcase a progress bar at checkout to automatically calculate how much a visitor needs to spend to qualify for free shipping.
- Test offering free 2-day shipping on domestic orders (some brands have been able to increase AOV by 97% and even reduce cart abandonment by 18%).

FULFILL ORDERS FROM CLOSER TO YOUR END CUSTOMERS

Using data to choose an optimal fulfillment location helps you save money on shipping costs and reduce transit times. To do this, many brands split inventory across multiple fulfillment centers.

COST-SAVINGS

It may seem counterintuitive that using more fulfillment centers can save money, but there are many instances where it's effective (most commonly by outsourcing fulfillment, as you won't have leases, labor, equipment, and other expenses).

For example, since US shipping carriers use shipping zones to measure the distance a package travels for domestic shipments in the contiguous US — with the point of origin being Zone 1 and the destination being as far away as Zone 8 — the higher the zone, the more money it will cost (and the heavier the package, the greater the cost difference).

ZONES AND RATES EXAMPLE*

Shipping zones

Weight in pounds (lbs)

	1 & 2	3	4	5	6	7	8	9
1	$6.70	$7.15	$7.30	$7.45	$7.60	$7.85	$8.45	$10.60
2	$7.25	$7.70	$8.75	$9.85	$10.65	$11.80	$12.90	$16.85
3	$7.90	$8.85	$10.15	$11.75	$13.35	$14.65	$17.30	$22.55

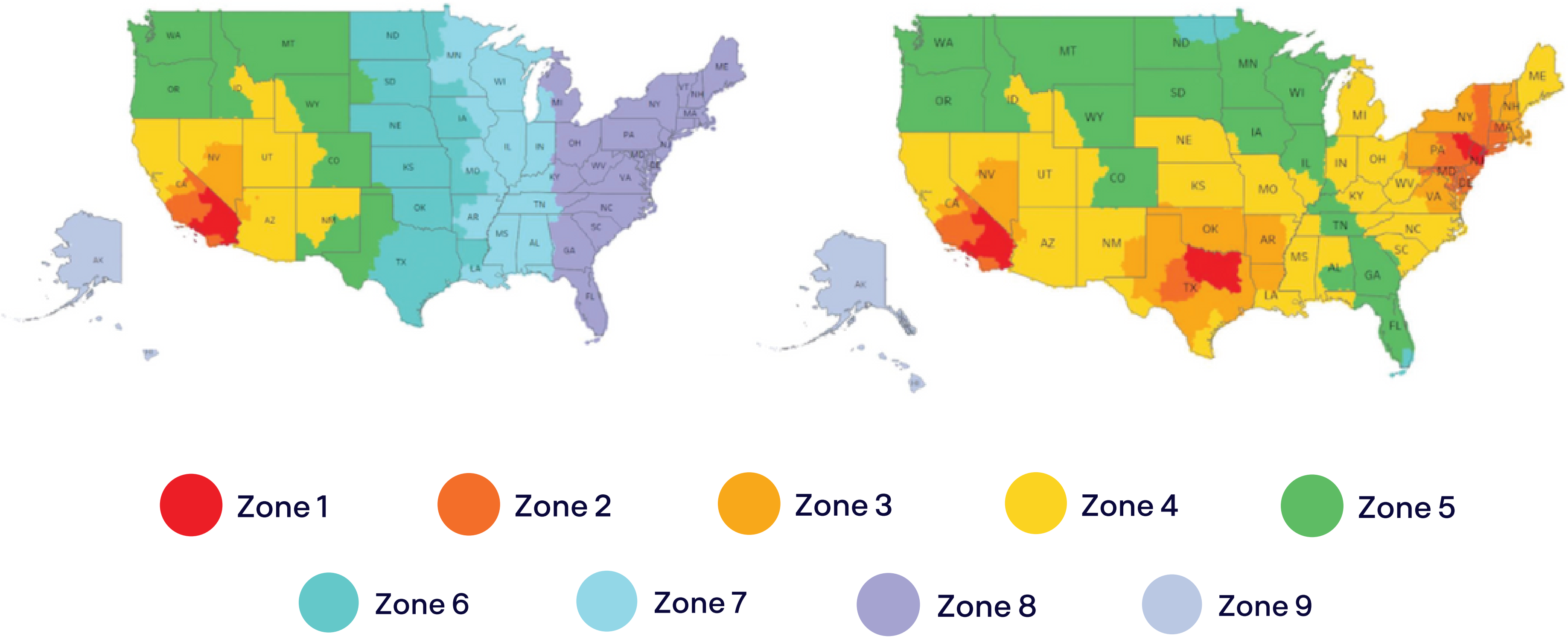
* Example USPS Priority Retail rates for illustrative purposes

The chart below shows how using three locations (in Moreno Valley, California; Dallas, Texas; and Bethlehem, Pennsylvania) compared to just one in Moreno Valley, California can contribute to a reduction in your average zone and the elimination of the several highest, most expensive zones.

Because the three fulfillment center locations are in populous regions of a very large country, many of the areas remaining in higher zones include some physically large states that are small in terms of population (and thus, have fewer orders).

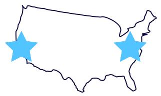
Map of shipping zone coverage by fulfillment center location

1 fulfillment center **3 fulfillment centers**



Some brands have seen that distributing inventory across several fulfillment centers can reduce shipping costs by 25% and bring a 13% cost savings to their bottom line. To reduce shipping zones and costs, you can:

Analyze historical order and zip code data to reevaluate your optimal fulfillment locations.



Determine if a more central warehouse location (or even a bi-coastal strategy) would benefit your business if you're often shipping from one side of the country to the other.

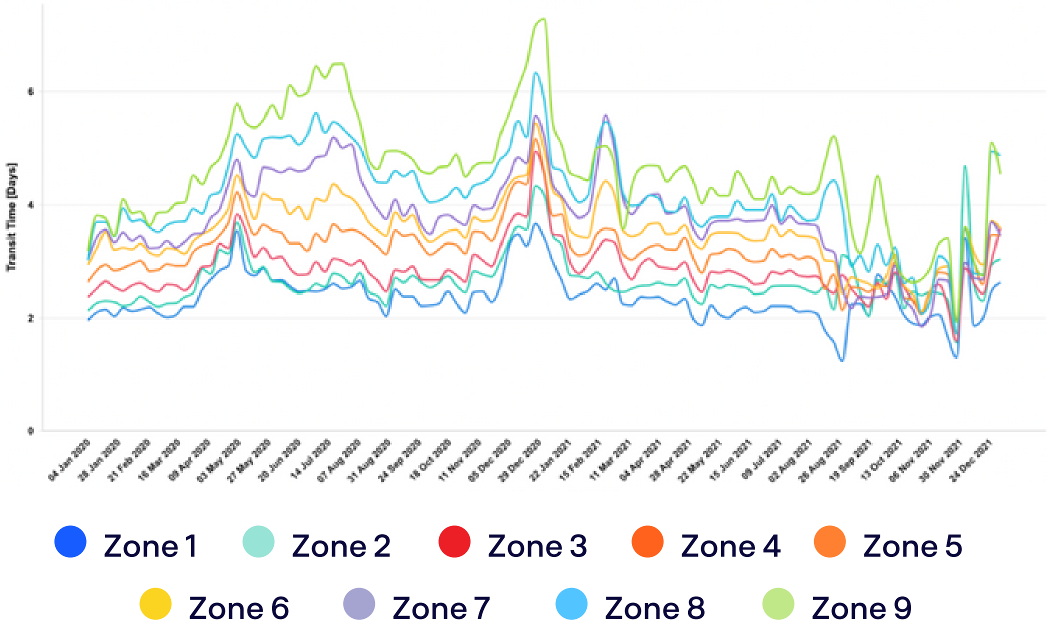
Calculate what your shipping costs would be if you went from one fulfillment center to two (or two to three, and so on) by experimenting with different locations, and how those would be offset by the additional transportation and warehousing costs you would incur.

FASTER DELIVERIES

In addition to reduced costs, distributing inventory also helps speed up transit times. While anybody can expedite shipments, the costs are very high, causing a major hit to margins and profitability. If you store inventory closer to customers, it can get to them faster via ground.

For example, the zone data here is based on ShipBob's average standard US ground transit times (across all carriers), updated weekly from January 2020 through December 2021. It demonstrates timelines from click-to-delivery (i.e., when a customer places an order to when it is delivered to the shipping destination), broken out by shipping zones across the United States.

Shipping zones by speed



The top line (light green) above represents the average Zone 8 shipment over time. Unsurprisingly, it is consistently the slowest zone to ship to, ranging from just over 3 days to 7.27 days at the very end of peak season 2020, just before 2021).

The bottom line (dark blue) above represents the average Zone 1 shipment over time. The average for this more 'local' delivery ranged from 1.86 days to 3.66 days at the height of the 2020 holiday season.

If we recall the map example on page 24, where we used 3 fulfillment centers across different regions of the US, we can eliminate the 3 highest zones (6-8) to see the updated shipping speeds below.

- For the highest zone remaining (Zone 5), the fastest average shipping speed was 1.97 days.
- The slowest average Zone 5 shipping speed was 5.43 days during the chaotic peak season 2020 (which is a reduction of almost 2 days from the previous slowest Zone 8 shipping speed that same week).

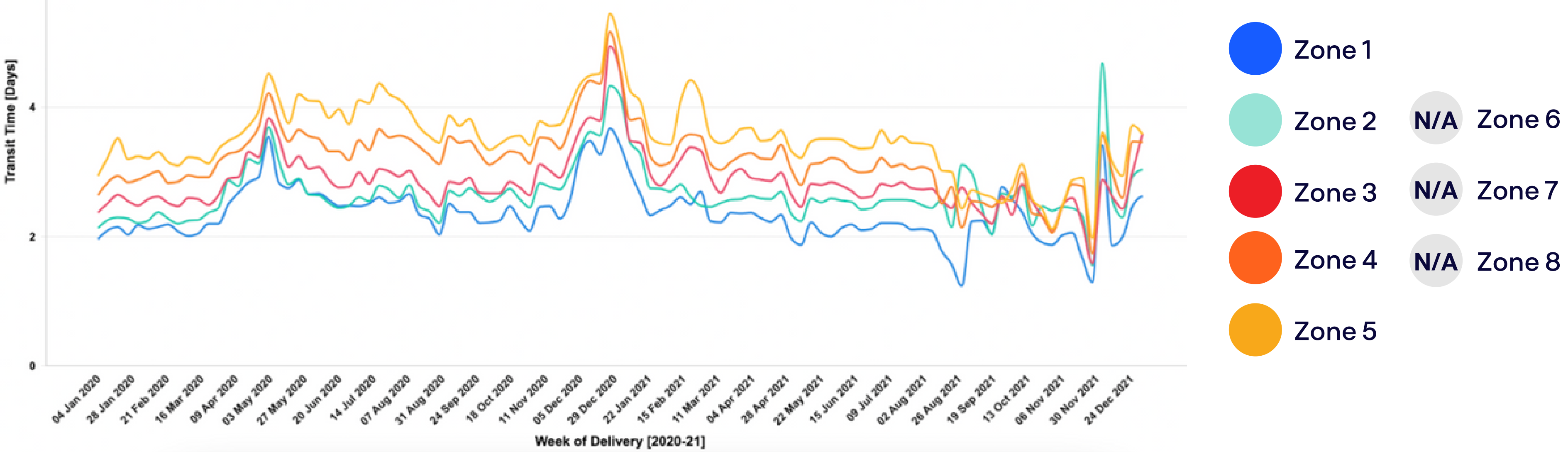
25%

average cost-savings from using 3 fulfillment centers in different regions across ShipBob's US network compared to 1

15%

reduction in average transit times from using 3 fulfillment centers in different regions across ShipBob's US network compared to 1

Shipping zones by speed



6 CONCLUSION

In the world of ecommerce logistics, change is a constant. While we can't predict the next Suez Canal blockage (or when the world will lock down just to reopen again), brands that are flexible and provide a good customer experience are more likely to succeed.

Expansion is a top goal for growing brands and can take several forms — from finding new sales channels to reaching new and/or less saturated consumer bases globally. By optimizing your shipping and fulfillment strategies as you scale, you can further streamline inventory management while meeting your customers where they are.

LEARN MORE ABOUT SHIPBOB

ShipBob is a global omnifulfillment platform that supports over 7,000 ecommerce brands with a global network of 30+ fulfillment centers across the US, Canada, UK, EU, and Australia.

Learn more about ShipBob here.

CONTACT

KRISTINA LOPIENSKI | KLOPIENSKI@SHIPBOB.COM
DIRECTOR OF MARKETING COMMUNICATIONS

Have a media inquiry? | @ShipBob
Want more information about ShipBob's fulfillment solution?

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