2023

State of Ecommerce Fulfillment Report

ShipBob

Executive Summary

State of Fulfillment

There's no question that the last several years have thrown a multitude of challenges at ecommerce brands. As if recovering from a global pandemic wasn't enough, inflation, talk of a recession, global conflicts, and plenty of other external forces made for an interesting 2022.

Despite these challenges, brands are surviving the uncertainty. In fact, the strength that we saw among our customer base — especially to wrap up 2022 — was unlike any other, witnessing an increase in order volume in excess of 100% at times over Black Friday/Cyber Monday and peak season.

At ShipBob, our core values (being mission-driven, humble, resilient, and creative problem-solvers) drive us to innovate new solutions for the millions of brands and hundreds of millions of consumers that we will support in our lifetime.

And we've found these are very much shared values.

In particular, resiliency and creative problem-solving have reverberated throughout the ecommerce industry. From brands accelerating through global pushes and different retail channels, and seemingly re-cracking the code on Facebook and Instagram while witnessing the massive rise of TikTok, to marketplaces and retailers opening arms more to brands, we're still very optimistic — as are many of you — and have a positive outlook for 2023.

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

- What changed from 2021 to 2022
- Shipping trends from 2022 and what to expect moving forward
- What and how ecommerce brands are prioritizing in 2023
- Actionable recommendations

Dhruv Saxena

Dhruv Saxena
CEO & Co-founder of ShipBob

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Background

ShipBob's 2023 State of Fulfillment report is based both on insights from a survey the fulfillment platform launched and on proprietary data from the tens of millions of orders it fulfills across six 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 40 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. ShipBob's proprietary warehouse management system is also available to brands with their own warehouses in the US, leveraging all the benefits of ShipBob in a solution called Merchant Plus.

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

Tens of millions
of orders shipped per month

40+
fulfillment centers in ShipBob's network

Glossary of terms

AOV
Average order value:
The average amount spent per ecommerce order

GMV
Gross merchandise value:
Total amount spent on ecommerce orders

GPC
Gross merchandise value per capita:
The average amount spent on ecommerce orders per person in the state (total GMV divided by population)

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

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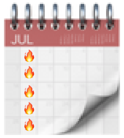
2022 Recap

This data is aggregated across 7,000+ ShipBob customers, shipping tens of millions of orders.



Monday

Mondays were the #1 busiest day of the week for orders placed throughout 2022.

#2 Friday **#3** Tuesday **#4** Wednesday **#5** Thursday **#6** Saturday **#7** Sunday

This is the fifth year in a row that Monday is the top ecommerce sales day of the week.

Black Friday

November 25 was the #1 most popular buying date in 2022.

#2 Giving Tuesday: November 29 **#3** Saturday after Black Friday: November 26 **#4** Cyber Monday: November 28 **#5** Sunday after Cyber Monday: December 4

The least popular buying day in 2022 was Sunday, June 5.

BFCM '22 Takeaways

Every year prior to 2021, Black Friday and Cyber Monday were our top two ecommerce sales days. The past two years, Giving Tuesday came in at number two, only after Black Friday. Could this be a sign of the times as our zeitgeist shifts from consumerism to being more charitable?

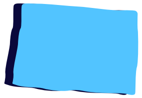
For the first time in ShipBob's history, Small Business Saturday took the number three spot, beating out Cyber Monday. Did brands extend more promotions throughout the entire BFCM weekend? Did consumers make a more conscious effort to buy from small businesses this past holiday season?

California
#1 most active buying state in the US in 2022

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

Least Active Buying State: Wyoming

Biggest state variance: California consumes 68.8x more orders than Wyoming, while California's population is roughly 69.3x larger.

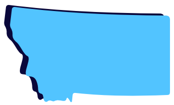


Colorado
#1 US state with the most orders per capita

#2 Utah **#3** Washington D.C. **#4** New Hampshire **#5** Washington

State with the Fewest Orders Per Capita: Mississippi

Biggest state variance: The orders per capita in Colorado is 110.8% greater than Mississippi.

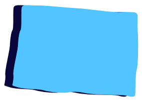


Montana
#1 US state with the highest average order value in 2022

#2 Hawaii **#3** Alaska **#4** Washington **#5** California

State with the Lowest AOV: Rhode Island

Biggest state variance: The average consumer in Montana spends 18.2% more per order than the average consumer in Rhode Island.



Colorado
#1 US state with the highest spend per capita in 2022

#2 Utah **#3** Washington D.C. **#4** Washington **#5** Montana

State with the Lowest Spend Per Capita: Mississippi

Biggest state variance: The spend per capita in Colorado is 129.4% greater than Mississippi.

Online Spending in the US in 2022

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

CA TX FL NY

51% of all ecommerce orders are in 9 states:

CA TX FL NY

IL PA NC GA OH

52% of all GMV are in 9 states:

CA TX FL NY

IL PA WA GA NC

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 GMV:

California

The average consumer in California spends 5.1% more per order than the average American.

California is the most populous state and this places them at #5 in AOV. It also has greater order volume and GMV than the 24 lowest-spending states combined.

Pennsylvania

In Pennsylvania, the average consumer spends 5.3% less per order than the average American.
This places them only above Rhode Island, Indiana, and Missouri.

Washington

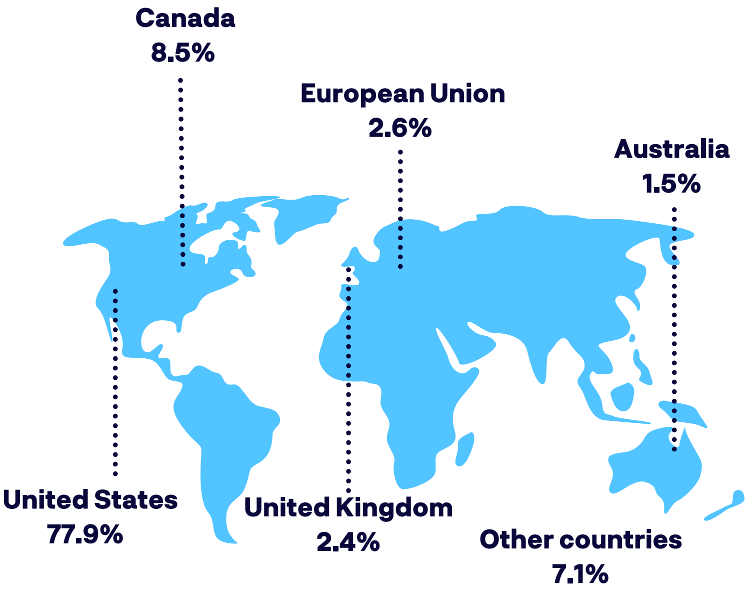
In Washington, the average consumer purchases 25.2% more orders than the average American. This puts them only behind Colorado, Utah, DC, and New Hampshire in orders per capita. Also, the average Washingtonian spends 32.1% more on ecommerce purchases per year than the average American. This places them only below Colorado, Utah, and Washington D.C.

Ohio

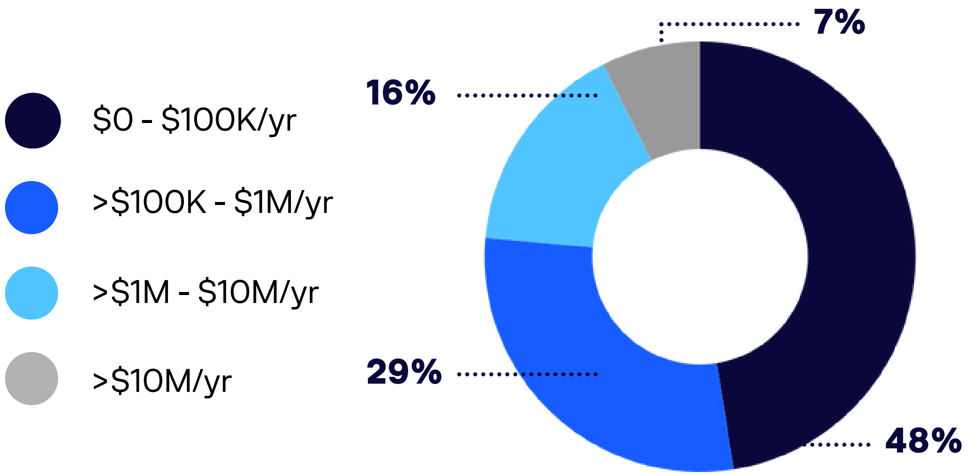
In Ohio, the average consumer purchases 13.6% fewer orders than the average American with an average order value at 3.3% less than the national average. This places them last in both statistical areas (orders per capita and average order value) in our top-10 states.

2023 Growth Outlook

For this report, we surveyed 661 retail executives all over the word and across verticals.



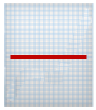
Annual revenue (in USD) of these ecommerce brands:



Despite economic headwinds in 2022, most brands expect growth in 2023.

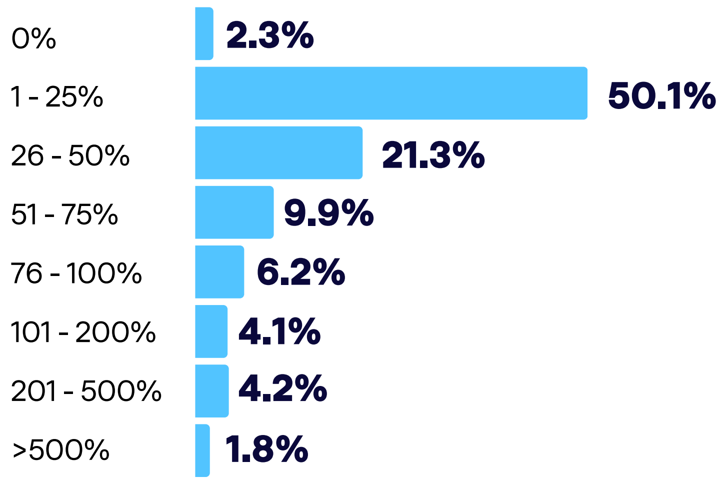
47% of brands expect their revenue to grow by more than 25% in 2023.

10% of brands expect to double their revenue from 2022 to 2023.



2.3% of brands expect revenue to stay flat in 2023.

Expected revenue growth in 2023:



The percentage of brands that anticipated 1-25% revenue growth YoY increased from 37.2% last year to more than half of all respondents this year.

This reflects a more conservative outlook on the economy amid the macro headwinds businesses have faced in recent times. Similarly, brands with expected revenue growth of over 75% YoY dropped from 29.5% last year to 16.3% this year.

In the next few chapters, we look at how brands plan to grow — in terms of channel and global expansion — and the fulfillment considerations they will keep in mind.

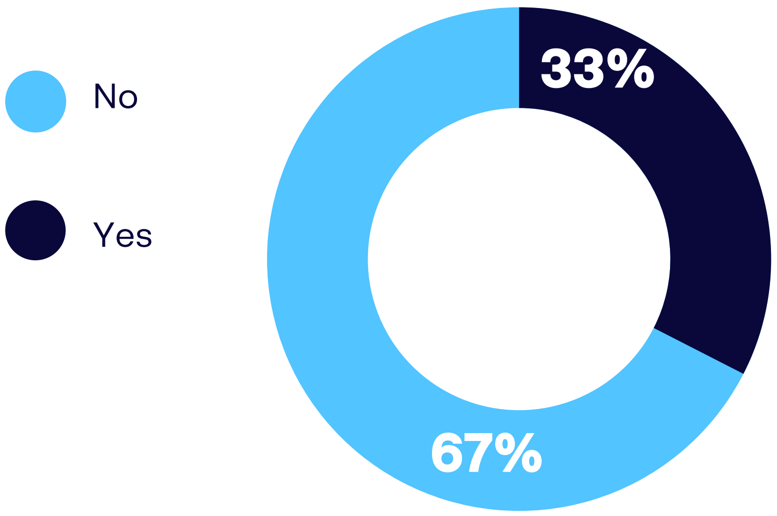
3 Channel Diversification

In 2023, 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.

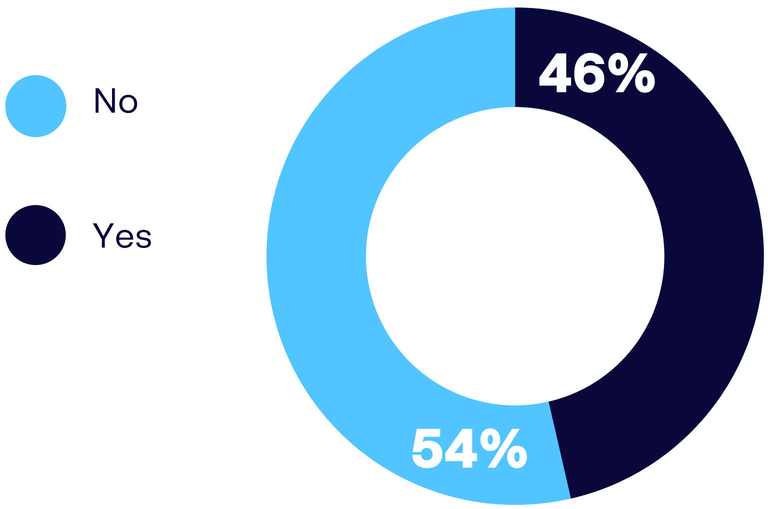
63%	of brands will add new sales channels in 2023.
75%	of brands will sell on 2 or more sales channels.
47%	of brands will sell on 3 or more sales channels.
18%	of brands will sell on 5 or more sales channels.
40%	of brands sell retail or wholesale (brick-and-mortar or in-store).

Brands are really focusing on improving what they already do, and are less likely to experiment than they were in 2022. That said, they may keep an eye out for opportunities as the year progresses (post-Q1 and Q2) to start expanding (37.37% will make no change to their current sales channel mix).

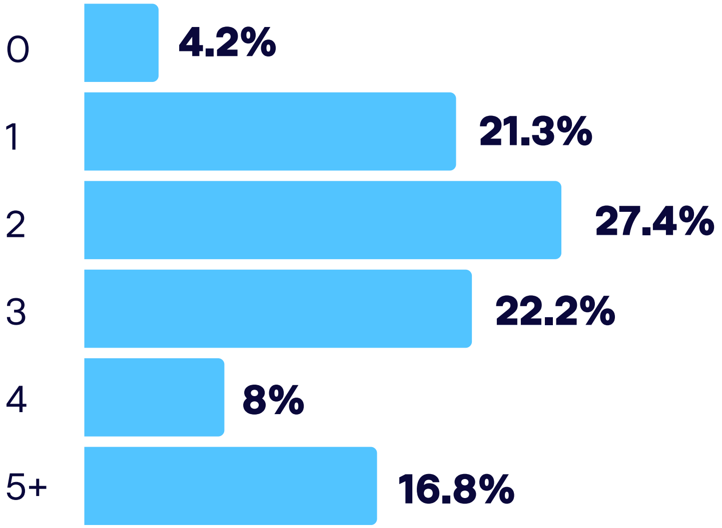
Do you sell B2B dropshipping through retailers' online stores)?

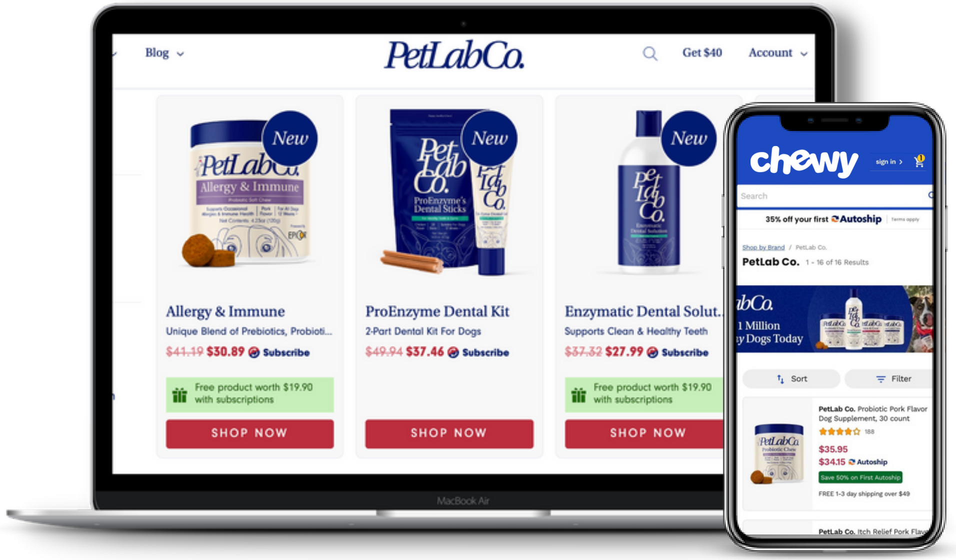


Do you sell B2B retail/wholesale (brick-and-mortar or in-store)?

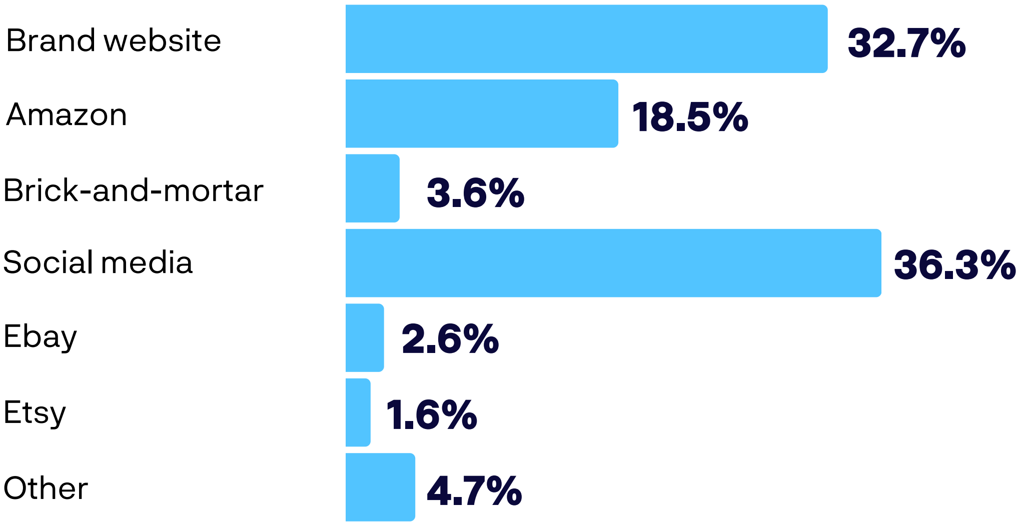


How many sales channels do you sell through today?

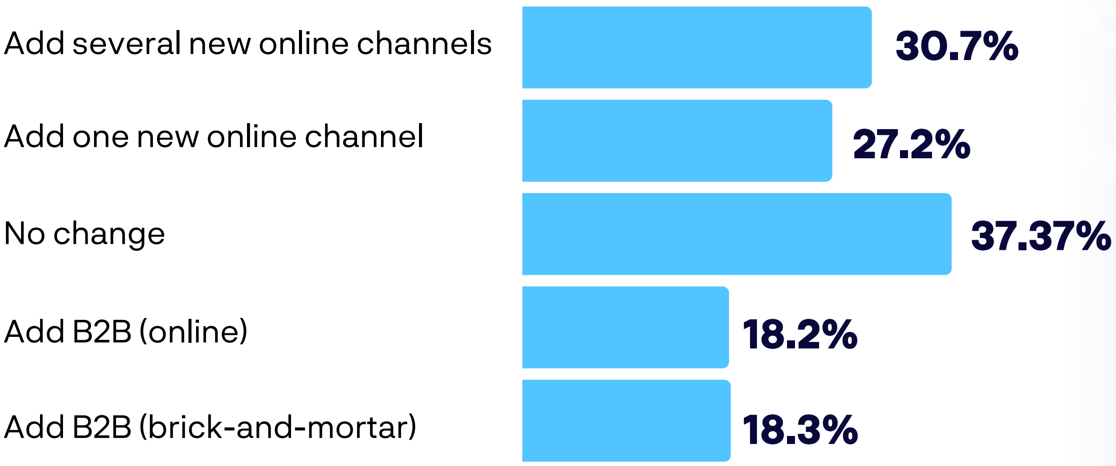




What is your top marketing channel today?



What are your sales plans for 2023? Select all that apply.



Chris Masanto and Damian Grabarczyk, Founders of PetLab Co.

Real-Life Example

A behind-the-scenes look at omnichannel 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.

Being an omnichannel brand is critical for Petlab Co., so they can reach more pet lovers from more places. And this strategy has paid off for them — the brand makes $100 million in annual revenue since being founded in 2018. After working with a small 3PL, they realized fulfilling orders quickly through their website and marketplaces was a must-have, not a nice-to-have for their business.

How PetLab Co. handles omnichannel fulfillment:

- All of Petlab Co.'s 30,000 weekly DTC and B2B orders go through ShipBob's fulfillment centers, including retail distribution orders from Chewy.
- They utilize ShipBob's EDI solution that is connected to their third-party EDI platform SPS Commerce, and also leverage ShipBob's direct integration with Amazon for FBA orders.
- They're also fulfilling orders through Amazon and are exploring additional channels that ShipBob supports, such as Walmart.com.
- ShipBob's ability to service both DTC and B2B has enabled them to build more consistent procedures and practices across their different sales channels, including the two biggest online pet sales channels in the US.

4 Global Expansion

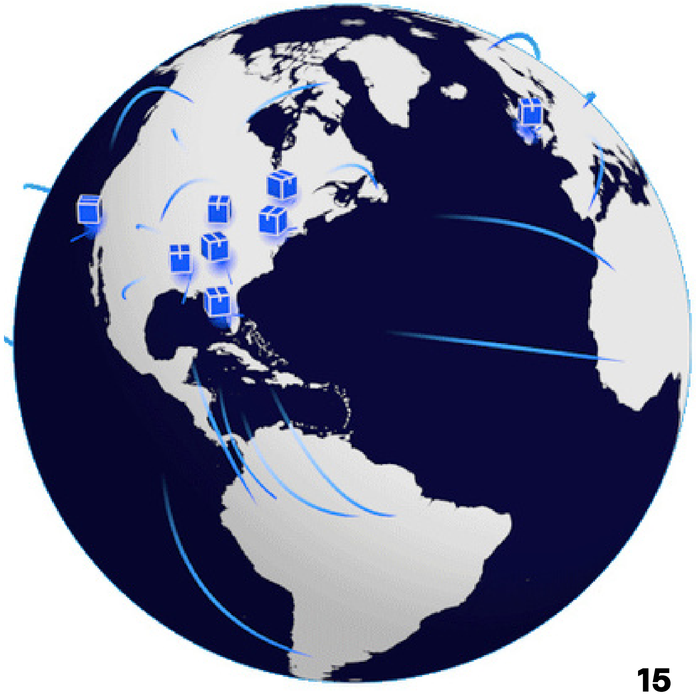
With reduced consumer spending in many local or domestic economies, some brands are looking to grow globally and reach a wider audience. While these numbers have decreased YoY, global expansion is still proving to be a growth lever many brands are pulling this year.

37% of brands plan to ship to new countries in 2023 or fulfill orders in new countries.

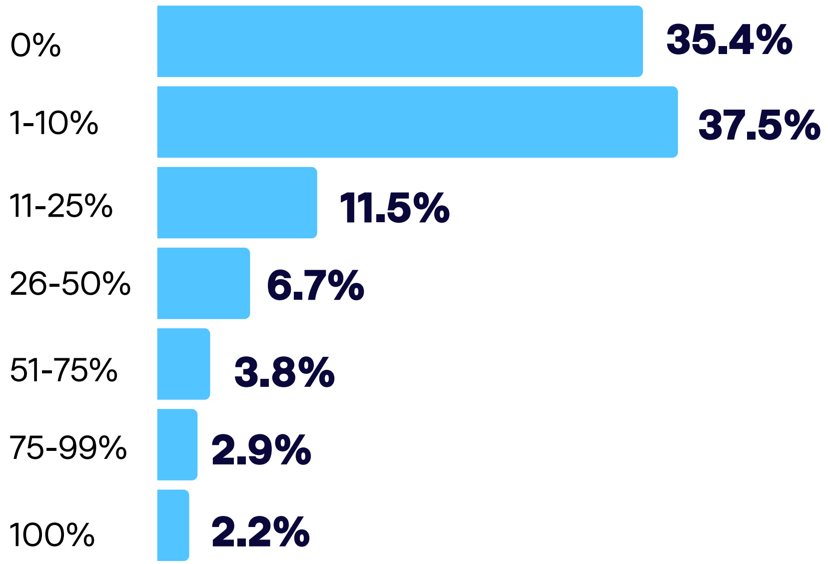
32% of brands plan to start physically fulfilling orders in new countries in 2023.

Which best describes your global fulfillment footprint today?

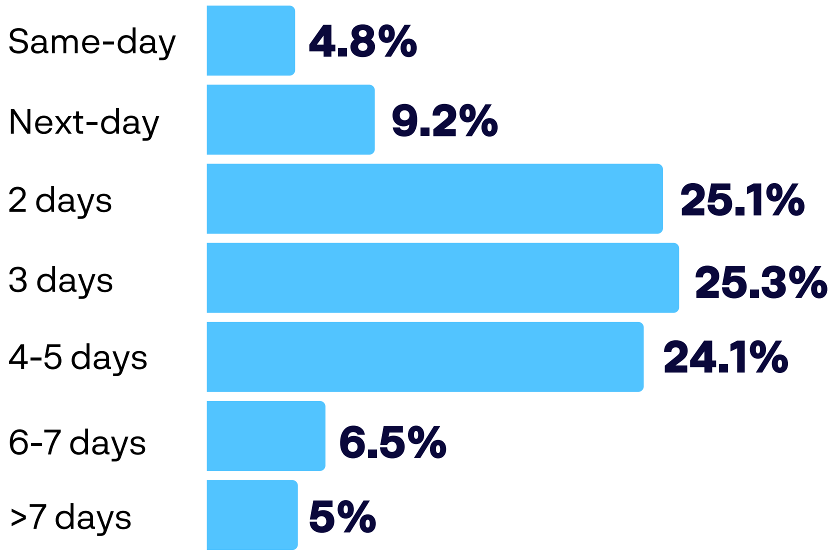
I only fulfill orders from and ship within my home country, and will continue doing so this year.	37.7%
I only fulfill orders from and ship within my home country, but will ship internationally this year.	16%
I only fulfill orders from my home country, but ship to other countries (and won't change this year).	13.6%
I only fulfill orders from my home country, but ship to other countries, and plan to fulfill orders from more countries this year.	11.7%
I fulfill orders from several countries and ship across the world (and won't change this year).	11.7%
I fulfill orders from several countries but want to expand into new countries this year and continue shipping across the world.	9.4%



What percent of your orders are outside of 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, such as free shipping.

27% of brands always offer site-wide free shipping for domestic orders.

33% of brands require customers to spend at least $50 USD to get free shipping.

23% of brands don't offer free shipping at all.

17% of brands require customers to spend at least $80 USD to get free shipping.

Despite many brands having a tightened focus on margins, sitewide free shipping has stayed consistent YoY; in fact, it's slightly up at 26.8% this year compared to 24.72% last year.

Perhaps these brands raised the price of their products to offset inflation and other increased costs such as carrier fuel surcharges? Or maybe free shipping is such a big conversion lever that brands don't want to risk the potential impact that not offering it has on total orders?

For brands that offer free shipping in exchange for a minimum amount spent, we also didn't see any major changes to the thresholds required to qualify for free shipping YoY.

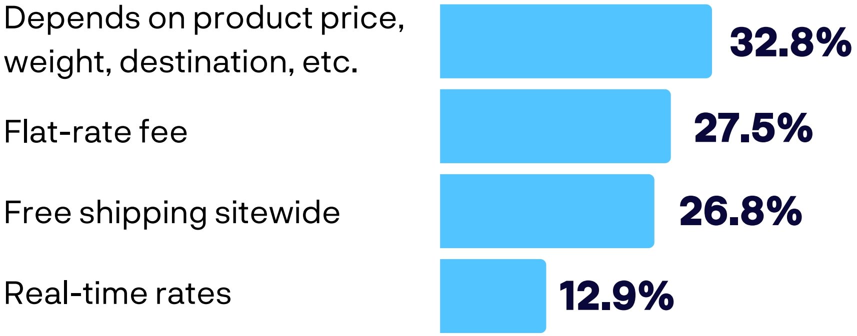
- ⬇️ Last year, 20.45% of all submissions required consumers to spend within the $50-$79 range for free shipping, which dropped down to 16.64% this year.

- ⬆️ Last year, 3.98% of all submissions required consumers to spend within the $80-$99 range for free shipping, which increased to 4.69% this year.

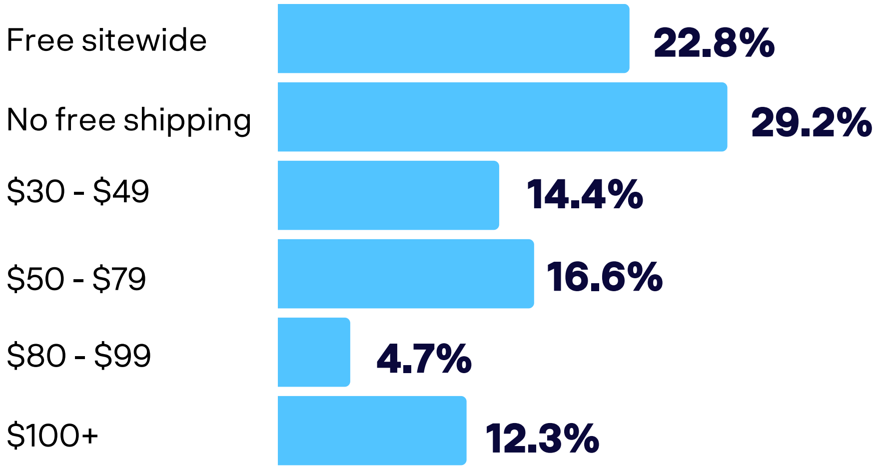
- ⬆️ Last year, 11.08% of all submissions required consumers to spend $100+ for free shipping, which increased to 12.25% this year.

- ⬇️ The percentage of brands that don't ever offer free shipping only decreased slightly from 23.58% last year to 22.84% this year.

How much do you charge for shipping domestically?



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



Real-Life Example

A behind-the-scenes look at global fulfillment

One lever for fast growth is unlocking new markets. The Adventure Challenge is no stranger to this strategy. After launching at the end of 2018, they scaled to $80 million in annual revenue in just 3 years. Their books have become a global phenomenon.

Unsurprisingly, international shipping is very important to them. While they're based in the US, a quarter of their sales are international — which is on track to overtake US sales in the near future.

Bryant Ellis and Ben Day, founders of The Adventure Challenge

How The Adventure Challenge handles global fulfillment:

- They are using ShipBob's international fulfillment centers in the US, the UK, Canada, Australia, and Poland.
- They've found that there is consistent demand for their products abroad, and ShipBob's ever-expanding global fulfillment network enables them to tap into that demand in a very cost-effective way.
- Having support through ShipBob has really allowed them to capture growth well, while bringing a critical structure to their business.

5 Recommendations

Growth levers like 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 and increase AOV

Despite shipping costs increasing, many brands offset the costs of fast and free shipping by increasing AOV, 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). Note: Zone 9 is for US territories.

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

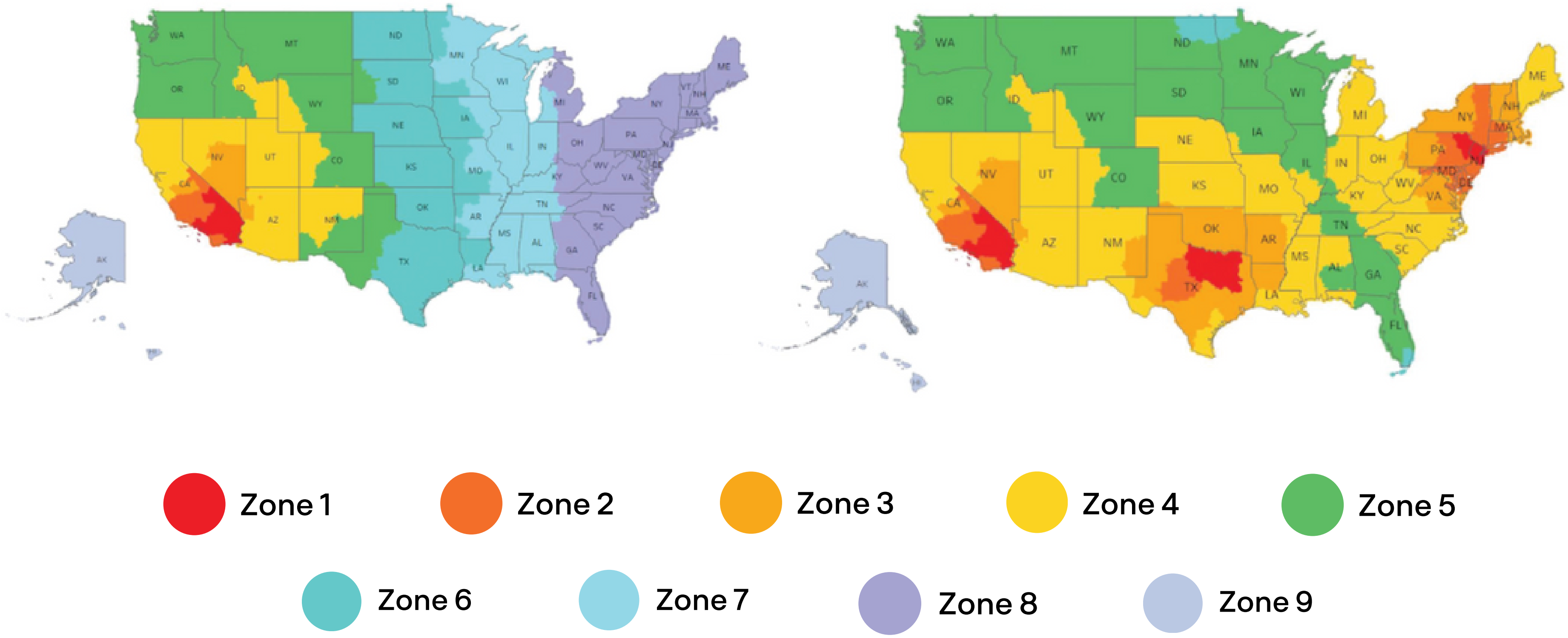
* Example rates for illustrative purposes

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.

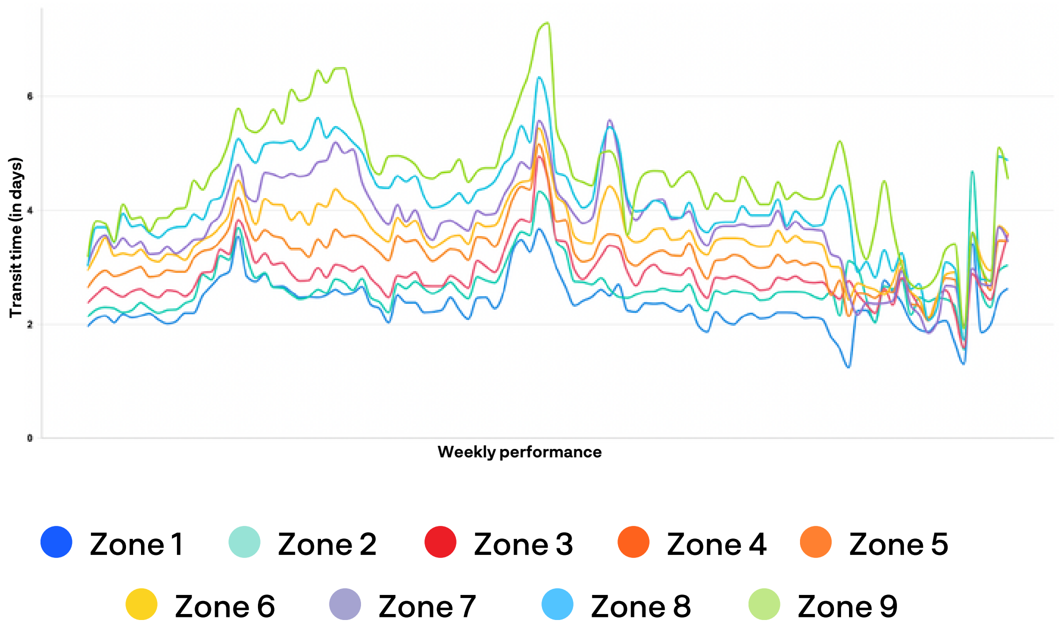
Calculate what your shipping costs would be if you went from one fulfillment center to two (or two to three, and so on) by experimenting with different locations, and how those would be offset by the additional transportation and warehousing costs you would incur.

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 to the right is based on ShipBob's average standard US ground transit times (across all carriers), updated weekly. 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.

Average shipping zones by speed



The top line (light green) 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 (which corresponds with a peak season)).

The bottom line (dark blue) represents the average Zone 1 shipment over time. The average for this more ‘local’ delivery ranges from 1.86 days to 3.66 days.

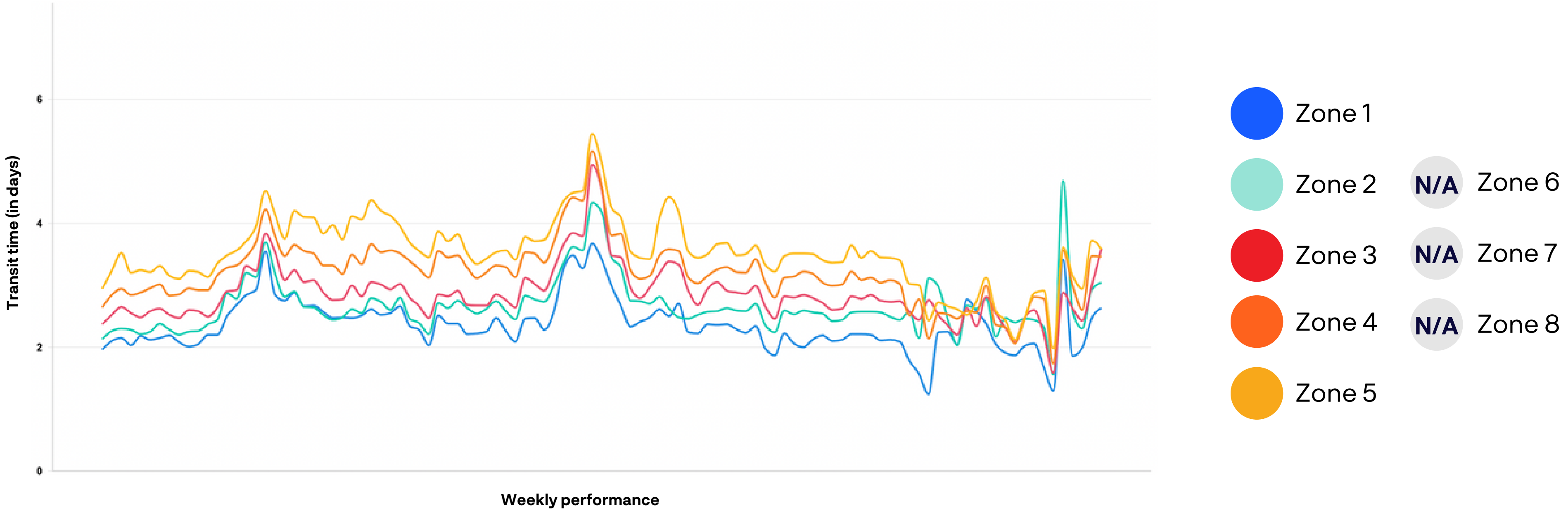
If we recall the map example on page 22, where we used 3 fulfillment centers across different regions of the US, we can eliminate the 3 highest zones (6-8) to see the updated shipping speeds below.

- 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 (corresponding to a peak season), 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 three fulfillment centers in different regions across ShipBob's US network compared to one.

15%
reduction in average transit times from using three fulfillment centers in different regions across ShipBob's US network compared to one.

Average shipping zones by speed



Optimize inventory turnover rates

To run a capital-efficient business in 2023, brands should have better control of demand planning and inventory forecasting to mitigate stagnant inventory.

ShipBob's Inventory Turnover Benchmarks Report: 2022 Edition found:

- The highest average inventory turnover rate of recent years was in 2020 when the pandemic began, lockdowns were in effect, and ecommerce was surging over in-person shopping.
- The average inventory turnover rate in 2021 fell by 22% from the average in 2020 when the world started to open back up a bit and supply chain delays plagued the industry.
- In the first half of 2022, inventory turnover rates declined even more significantly (by 46.5%), at a time when inventory that was delayed from Q4 2021 finally arrived for some merchants (and was too late to sell during the holiday period) and a recession threatened the global economy.
- To improve inventory turnover rates in 2023, brands will need to improve their replenishment timing, retire poor-performing SKUs, and shift to product drops to test out demand for products before committing to always stocking them.

6 Conclusion

If anything's been constant over the last few years, it's been the need to stay on your toes and adapt — whether that's doubling down on what's working, or pivoting.

While we can't predict what will happen next, brands that are flexible, find ways for new audiences to work for them, and provide a good customer experience are more likely to succeed.

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 40+ 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 solutions?