

J&A Capital Markets Report

E-Commerce

December 2021

E-commerce has experienced a surge in capital market activity driven by an increase in demand due to the COVID-19 pandemic. From 2019 to 2020, e-commerce capital transactions increased from \$42 billion to \$57 billion. The expansion has escalated in 2021, with capital raised already increasing by 28.6%, surpassing \$73 billion by the end of Q3 and expected to increase substantially before the end of the year.

J&A has tracked the activities of the market to find e-commerce trends relevant for retailers, brands, and potential investors seeking opportunities. This report analyses historical data and explores upcoming trends in the post-pandemic e-commerce world.

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Why Companies Have Opted for E-Commerce

Traditional retail required updates to meet the needs of the current globalized and tech-savvy world, especially in 2020 due to the effects of the COVID-19 pandemic. Retail trends are moving towards e-commerce in developed nations, and

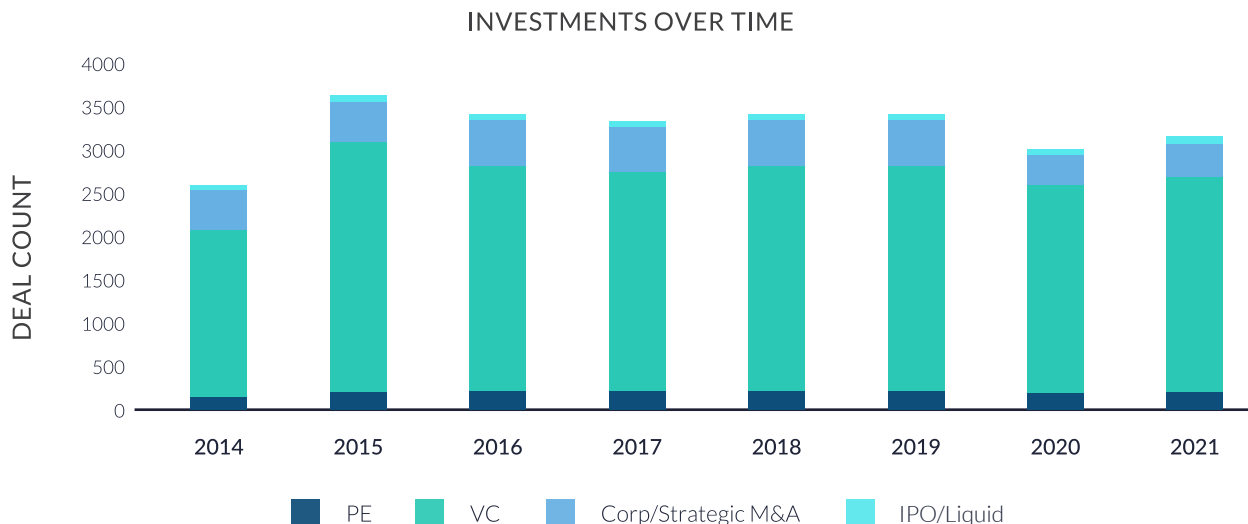
the effects of economic lockdowns accelerated the process. Established retailers use cross-border e-commerce as a strategy to broaden their business presence, enlarge their customer base, strengthen brand awareness, and tap into new markets.

Digital connectivity enabled marketplaces and online shopping platforms to thrive. Globally, 48% of people own a smartphone, and 60% have regular internet access. That access has empowered 80% of consumers to make purchases online. With B2B purchases also on the rise, J&A expects the revenue generated from businesses to hold a larger revenue share than B2C sales.

- The global e-commerce market is expected to generate close to \$5 trillion in 2021.
- Pre-pandemic expectations for e-commerce sales in 2021 will be exceeded by over \$147 billion.
- In 2021, an estimated 19.5% of all sales revenue will be generated from online sales, increasing by 45.8% in just two years.
- In 2024, 21.8% of all retail sales are forecasted to be from online sales.

E-COMMERCE CAPITAL MARKET ACTIVITY

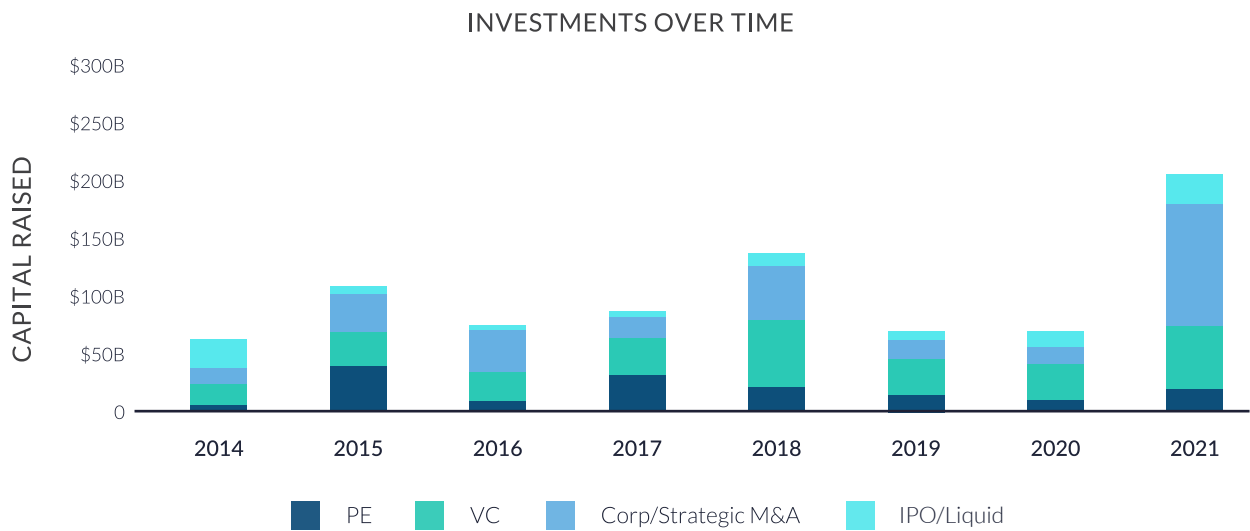
Capital Deployed from 2014–2021 YTD



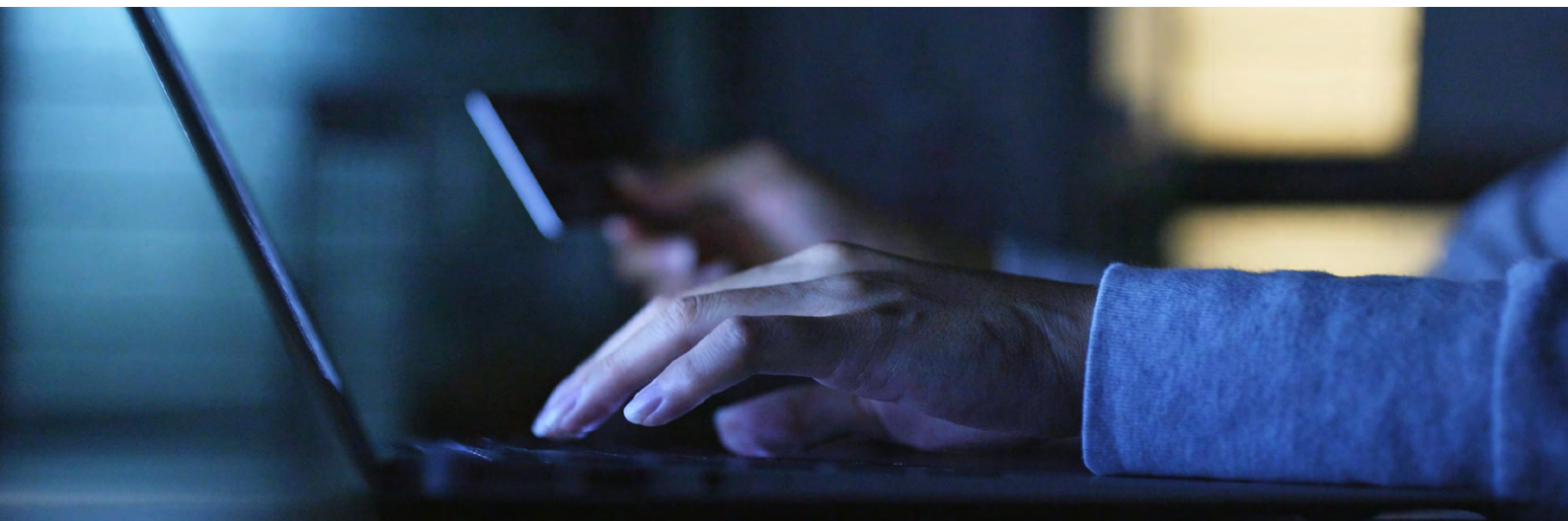
Source: PitchBook Data

- Capital markets transitioned in 2019 and 2020 to sustain the changes generated from the COVID-19 pandemic.
- Private equity and venture capital-funded deals saw a decrease from 2017 through 2020.
- In 2021, private equity and venture capital activity increased by 130% due to the sector’s increased customer engagement and thus, revenue increases per company.
- Mergers and acquisitions transactions yielded over \$8 billion more capital in 2020.
- IPO activity increased by 390% and reached \$12 billion in 2020.
- All capital raised by every transaction type increased post-pandemic, while the overall deal count plateaued.
- Mergers and acquisitions activity increased by almost 75% in 2021 as e-commerce platforms increased their customer base through the COVID-19 pandemic.

Capital Deployed from 2014-2021 YTD



Source: PitchBook Data



E-COMMERCE SEGMENTS

Top 10 Most Active E-Commerce Segments

SEGMENTS	TOTAL CAPITAL RAISED	DEAL COUNT
Internet Retail	\$895 billion	36,354
Specialty Retail	\$219 billion	6,079
Application Software	\$209 billion	3,123
Clothing and Apparel	\$115 billion	5,533
Department Stores	\$115 billion	496
Logistics	\$103 billion	247
Consumer Finance	\$98 billion	71
Personal Products	\$52 billion	2,530
Accessories	\$45 billion	3,855
Food Products	\$43 billion	4,412

Segments that raised capital from private equity and venture capital in the e-commerce industry vary in trends. Non-essential online shopping and e-commerce platforms acquired more financing than traditional staple online sales. The low interest in food products from investors reflects this trend. J&A expects this trend to amplify the overlap between non-essentials and day-to-day products.

E-COMMERCE-RELATED INDUSTRIES

ASSOCIATED INDUSTRIES	DESCRIPTION	PERCENTAGE OF E-COMMERCE DEALS IN THIS INDUSTRY
Catalog Retail	Catalog retail firms mail catalogs to their customers and maintain samples of the products. Catalog retailers are often called mail order houses.	27.7%
Platform Software	Platforms that add retailers and individual sellers to their platforms to create an online marketplace	9.1%
Clothing	Clothing companies operating on a non-brick-and-mortar capacity often generate revenue through online sales through their e-commerce platforms	7.6%
Application Software	Application software services include technology for warehousing and logistics, as well as marketplaces for the retailers to showcase their products.	6.1%

- As catalogs are often showcased in marketplaces and websites, catalog retail is the most common industry related to e-commerce.
- Platform software includes large firms like Shopify, WooCommerce, BigCommerce, Ecwid, FastSpring, and others. Capital raised and M&A deals for online marketplaces are close to 10% of all e-commerce deals, and J&A expects this trend to hold for the upcoming years.
- Clothing, along with application software services, comprises over 13% of the e-commerce capital market activities.

The Future of the E-Commerce Sector

The e-commerce market changed visibly throughout the COVID-19 pandemic. Most trends, such as the interest and capital deployed from investors, allowed the market to get more visibility and exposure to new deals. J&A expects e-commerce platforms and marketplaces for non-essential products will continue overshadowing the online shopping trends for consumer staples.

Sources: [PitchBook](#), [Webgility](#), [Statista](#), [Shopify](#), [Investopedia](#).