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AMAZON

In September 2020, Amazon launched “Luxury stores” – a unique space dedicated to designer fashion brands. Participating luxury brands are given access to Amazon’s unique merchandising tools including 360 degree interactive viewing option with full control over pricing, selection and inventory.

STAYING AHEAD OF COMPETITION

Founded by Jeff Bezos in 1994 in Seattle, US, Amazon has grown to become the largest e-commerce player in the world today. In fact, Amazon has become a household name when it comes to online shopping. For 2021, Amazon apparel and footwear sales are projected to surpass \$45 billion.

Amazon today has the largest revenue in the world even though it had a humble beginning as an online bookstore. In 2020, the e-commerce giant generated revenue of \$386 billion and had market cap of \$1,668 billion. It employs almost 1.3 million people.

Amazon revenue growth has been at a CAGR of 30 per cent between 2016 and 2020 with profit growth rate being almost two and a half times more. In percentage terms, Amazon’s profit

by **SANJAY BAKSHI**

TABLE 1

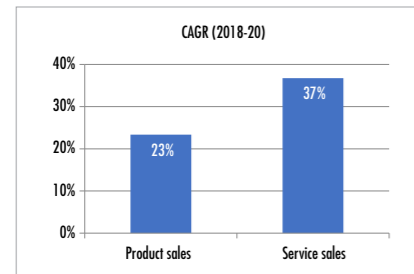
(In US\$ million)	2016	2017	2018	2019	2020
Net sales	1,35,987	1,77,866	2,32,887	2,80,522	3,86,064
Operating income	4,186	4,106	12,421	14,541	22,899
Net income	2,371	3,033	10,073	11,588	21,331

SOURCE: Amazon Inc

increased from 1.7 per cent in 2016 to 5.5 per cent in 2020. It sells products as well as services with the former contributing 58 per cent in revenue. In terms of business segments identified as online stores, physical stores,

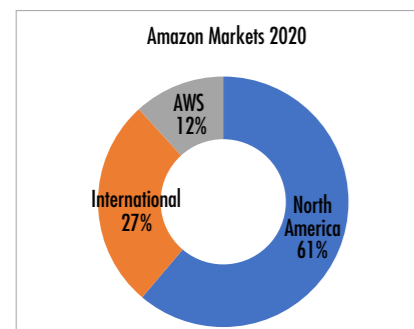
third-party seller services, subscription services, AWS (Amazon Web Services) and others, online stores contribute an average of 51 per cent in sale, 19 per cent contribution comes from third-party seller services, whereas balance 30

FIGURE 1



SOURCE: Amazon Inc

FIGURE 2



SOURCE: Amazon Inc

per cent is collectively contributed by physical stores, subscription services, AWS and other segments. While the highest sale grossing segment of online stores has grown at a CAGR of 27 per cent between 2018 and 2020 the least contributing physical stores have seen a decline of 3 per cent for the same period.

North America, led by native US, is Amazon's largest market driving 61 per cent of business followed by international market with average revenue share of 27 per cent. Between 2018 and 2020, Amazon's international market grew at a CAGR of 26 per cent while least contributor AWS grew at the highest rate of 33 per cent.

While looking at Amazon's huge numbers and awesome growth, one must not forget that it is not a fashion-only or fashion-driven marketplace. In its aggregate offering, fashion (F) is only 10 per cent among everything that 'Amazon' offers from A to Z.

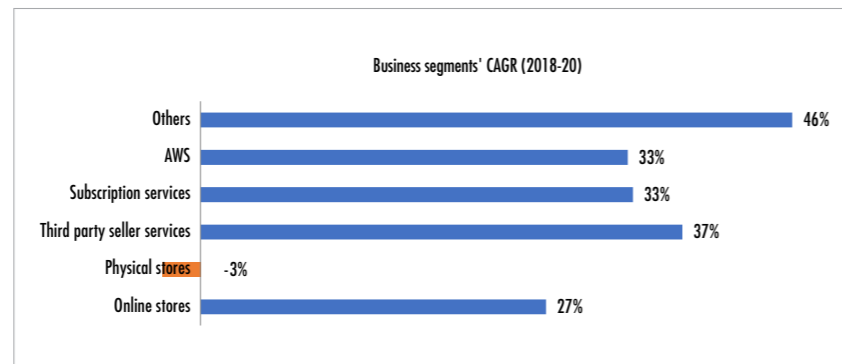
THE JUGGERNAUT

Citing financial research firm FactSet, New York Times reported in 2021 that Amazon is now bigger than Wal-Mart. It is estimated that between June 2020 and June 2021 consumers spent \$610 billion at Amazon against \$566 billion at Wal-Mart. Analysts have been



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FIGURE 3



SOURCE: Amazon Inc

long predicting Amazon's surpassing of Wal-Mart with JP Morgan further predicting Amazon's overtake of Wal-Mart's US sales next year. Another research by Wells Fargo says Amazon has also surpassed Wal-Mart to become no. 1 apparel retailer in the US thanks to the pandemic-fuelled e-commerce boom. The research estimated close to 15 per cent growth in Amazon 2020 sale crossing \$41 billion which is 20-25 per cent above Walmart's sale. This represents 11-12 per cent share of all apparel sold in US, 34-35 per cent share of all apparel sold online, and seven times as much apparel as sold online by the second largest player, Macy's. For 2021, Amazon apparel and footwear sales are projected to surpass \$45 billion.

AMAZON SHOPPERS

Seeing Amazon's such enormous growth and recent toppling of world's longest reigning topmost retailer in such a short time inspires a natural query – why do people shop at Amazon? A May 2020 survey of over 1,000 US shoppers attempted an answer to this question. The surveyed shoppers, ranging in the age from 18 to 75+, representing every state, all genders and employment types with various levels of income, were segmented into five segments based on their age to understand their shopping behaviour on Amazon.

The survey found that 39 per cent of US consumers shop on Amazon for clothing. The survey further found that an average 85 per cent of shoppers across all age groups shop online, two-

AMAZON INDIA TIMELINE

- **June 2013:** Amazon goes LIVE with its India marketplace
- **July 2014:** Jeff Bezos announces \$ 2 billion spend to grow its e-commerce business in India
- **February 2016:** Amazon launches its 2-hour grocery delivery service, Amazon Now, in India to be rebranded twice as Prime Now in May 2018 and Amazon Fresh in August 2019
- **June 2016:** Jeff Bezos invests additional \$ 3 billion in India
- **July 2016:** Amazon launches its Prime membership programme in India
- **December 2016:** Amazon launches Pay Balance – its payment service; Amazon Prime Video makes India debut
- **March 2018:** Amazon Prime Music is launched in India
- **September 2018:** Amazon and PE firm Samara Capital jointly acquires Aditya Birla's grocery retail chain More for ₹4,050 crore, followed by additional ₹275 crore on investment in September 2020
- **August 2019:** Amazon enters into (disputed and still sub-judice) agreement with Future Group to acquire 49 per cent stake in its Future Coupons for around ₹1,500 crore



TABLE 2

Generation	Year born	Age (in years)	Shop store only	Shop online	Shop from Amazon
Gen Z	1997-2000	18-24	11%	89%	75%
Millennials	1981-96	25-39	9%	91%	75%
Gen X	1965-80	40-55	10%	90%	75%
Baby Boomers	1946-64	56-74	19%	81%	62%
Silent Generation	1925-45	75+	24%	76%	59%

SOURCE: JungleScout survey

third of which shop from Amazon.

Segment wise findings give some interesting insights. 42 per cent of 'Gen Z' shoppers appreciate Amazon's feature of showing reviews by others; 40 per cent are drawn into Amazon shopping due to its price check feature; and, 39 per cent of each shop for the ease of getting desired products on Amazon and opportunity to shop from the comfort of their homes without going out. The 'Millennials' main reasons for shopping from Amazon include fast shipping and more product options (44 per cent) besides having the ease of shopping from home (40 per cent) and transparent viewing of others' reviews (39 per cent). 'Gen X' gave availability of more product options and ease of shopping from home (47 per cent each), fast shipping (44 per cent) and an opportunity to avoid public places (43 per cent) as top most reasons for their shopping on Amazon. For 'Baby Boomers', avoiding public places topped the list of reasons for shopping from Amazon with 55 per cent claiming so; 54 per cent opted for convenience of shopping from home while 44 per

cent acknowledge that they easily get their desired products on Amazon. The seasoned of all, 'Silent Generation' - 75 years and above, saw the ease of shopping from home (59 per cent) as the most influential reason, followed by the ability to see others' reviews (41 per cent) and ease of price check (38 per cent) as other most important reasons behind their shopping on marketplace.

COVID IMPACT

With advent of COVID in 2020, Amazon Fashion was impacted with customers experiencing shipping delays as long as one month on private label apparel and other clothing items. It all began with marketplace suspending shipments of non-essential items in mid-March to make way for medical supplies and household items. Online search for essential items became so crowded that no apparel item could make it to the 100-item list, making non-essential category of fashion suffer badly. Although people did not stop buying fashion they surely paused or delayed their shopping for a significant period. This even delayed Amazon's famed

Prime Day sale – an annual shopping festival. In an effort to jumpstart the sales, Amazon held a new fashion-focused 'Big Style Sale' in late June 2020 with an intention of helping sellers and clothing retailers whose sales were severely affected by the pandemic. The sale was invite-only and offered up to 50 per cent discounts on participating brands. Although some brands reported surge in their sales, the overall impact remained relatively lukewarm.

Since lockdown guidelines in most of the nations where Amazon operates supported the stores selling essential items, the business of fashion stores was disrupted. The fashion stores did not operate fully thereby paving way for online players like Amazon to serve as their alternative. The situation proved e-commerce having too many advantages in quarantine economy with increased dependency on Amazon elevating its importance. A survey estimates 83 per cent of US shoppers shopped on Amazon during COVID times while 34 per cent did so every week. Almost one-third declared to shop on Amazon in future too. Only 8 per cent of those who did not shop from Amazon were unable to find the brand they were looking for.

In India in the initial unlocking days, apparel demand remained restricted to essential wears such as innerwear, lounge and sleep wear, sportswear and athleisure wear. August 2020 onwards, offices began opening up and formal wear saw a spike in demand. The year also witnessed nearly 50



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per cent increase in the listing by sellers compared to the previous year. Deliveries were ramped up with 80 per cent of orders made across 200 top cities delivered within 2 days.

SELLER ENGAGEMENT

Amazon revised its policy for new sellers and direct-to-consumer (D2C) brands. It is no more restricting them from selling their clothing. Now any seller in the clothing category can sell from Amazon without approval, making it easier for small clothing retailers to launch their brand on Amazon. However, the sellers using an arbitrage (reselling) or wholesale method of selling would still require approval to sell another brand's products. The policy revision will not only benefit new sellers and clothing brands but also help Amazon gain additional market share in the clothing segment. One US survey found that 13 per cent of Amazon sellers sell in the clothing, jewellery and shoes category, making it the 11th (out of 28) most popular Amazon category for third party sellers. Eighty-seven per cent of Amazon clothing sellers claim to be profitable with 37 per cent boasting of more than 20 per cent average profit margin. Many clothing sellers have high volume of products on Amazon with 44

per cent clothing sellers having more than 50 different products compared to just 27 per cent of sellers across all categories and 28 per cent having more than 250 compared to 13 per cent of all sellers. These statistics do not count different sizes, colours, etc as separate products though. Survey reveals another interesting fact – 53 per cent of these Amazon sellers happen to be men.

TURNING HIGH-END

In September 2020, Amazon launched "Luxury stores" – a unique space dedicated to designer fashion brands, starting with items from designer Oscar de la Renta. The new space for emerging luxury brands is an addition to the Amazon's existing portfolio of well-established brands. Initially, exclusive access to the 'invite-only' store through the Amazon app was for certain Amazon Prime members. Others who wanted to shop exclusive high-end brands on Amazon could request an invitation for shopping by visiting the Luxury stores page to get added to the waitlist. Participating luxury brands are given access to Amazon's unique merchandising tools including 360 degree interactive viewing option with full control over pricing, selection and inventory. The incorporation of luxury

brands coincided with high-end retailers like Neiman Marcus and Lord & Taylor filing for bankruptcy. The beleaguered high-end brands associated with these retailers were provided a lifeline in the form of Amazon's luxury stores.

LEVERAGING BRAND PAGE

Marketplaces keep innovating and improving their site functionality. Amazon also does the same. In last few years it has focused on its user interface by creating new brand pages. These pages on usual easy-to-transact Amazon platform enable brands to present more personalised experience, drawing consumer's attention on particular brand. While a product listing page generally follows Amazon template including competitors' ads, the new brand page offers a clean and customised look telling the designer or product story in an uncluttered manner. Although the results vary from brand to brand, some brands have claimed 70 per cent increase in their sales from the brand page in 30 days time. Earlier it was difficult for brands to measure their results from Amazon storefront but with new feature of brand pages they can access to a tool called Amazon Store Insights that provides insights on their page effectiveness as well as the source



Amazon's 'try-before-you-buy' service called Prime Wardrobe is available to all Prime members. The service allows shoppers to order up to eight clothing items at a time but pay for only what they keep.

SHUTTERSTOCK / ANMIA HOY CHUOK

of traffic and campaign performance.

PRIME WARDROBE

Amazon introduced its 'try-before-you-buy' service called Prime Wardrobe service in 2018. The service, available to all Prime members, offered free and easy return of the unwanted items. The service allows shoppers to order up to 8 clothing items at a time but pay for only what they keep. The service is akin to Stitch fix, Le Tote and Nordstrom's Trunk Club which uses the same business model and provides in-store experience to the online shoppers. However, the service was made available for Amazon clothing sellers on 'invite-only' basis. The service received positive response from consumers and was appreciated for the convenience of ordering multiple items from their homes but pay only for what they would keep with them. Somehow it failed to benefit sellers for whom the 14 day trial period and free return emerged concerning issues.

THE DROP

Amazon fashion had constant competition coming from Target and Wal-Mart with their big private label portfolios, and emerging D2C companies. To counter that, Amazon

rolled out its influencer clothing collaborations called The Drop, in June 2019. The Drop is a temporary fashion showcase, featuring a limited edition street-style collection that is launched every two to three weeks with different but big influencers, making Amazon to partner with international trendsetters and influencers. The collections are available till stocks last or for a maximum of 30 hours then followed by made-to-order pieces to reduce waste. The limited edition for shorter period creates a sense of urgency and hype around a brand's products. The constituting apparels are usually trendy or tied to different season occasions like spring break or summer vacation. If the partner brand or retailer has a large fashion-focused following online, it can possibly partner with Amazon to design and sell its own limited-edition clothing under "The Drop", cultivating a new audience for Amazon and, at the same time, raising brand awareness for influencers and fashion designers. The Drop collection gets wide coverage in high-end fashion blogs and posts besides receiving strong engagement on its Instagram account.

COMPARATIVE EDGES

No matter how dominating and

influential Amazon becomes it will always lack some of fashion brands' advantages. The kind of experience a fashion brand can provide to the customers is not fully available with Amazon. A typical fashion brand can provide consumer a unique brand experience woven around its advertising and in-store capabilities. Amazon can neither adopt 'runway-magazine-billboard' kind of marketing which many fashion brands employ nor can it offer their in-store shopping experience. Talking of stores, Amazon physical stores are not complete fashion stores either and with Amazon's on-site product pages designed to a common template giving the same look as any other listing, Amazon lags behind the fashion brands. Where Amazon scores over fashion brands is its ability to offer, accommodate and expedite 'no-questions-asked' returns of items unlike conditional return or exchange offered by fashion brands. One must, however, acknowledge the fact that it is a big challenge to sell clothes online when customers cannot try the fit before buying. A virtual representation and size chart can never replace 'trying out' experience and induce confidence of buying a live product. This results in high return rate for online

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sellers, a story no different for Amazon sellers too. One Amazon seller in a survey reported a 35 per cent return rate for clothing. Any seller who is not offering 'one-size-fits-all' type of items is destined to get frequent returns. To avoid that, the seller is required to carry multiple sizes and colour options to meet high demand from a marketplace of Amazon's magnitude, thereby increasing his inventory levels and investments therein – a compulsion to stay profitable in Amazon association.

INDIA STORY

Amazon India went live eight years back and since then fashion has become one of its largest selling categories in India. As per one IMRB study, Amazon Fashion recorded the highest order share in terms of the standalone marketplace during 2017 festive season. During the same year, Flipkart owning two fashion portals – Myntra and Jabong, and having international brands Esprit and Mango in its kitty, was commanding 60-70 per cent of India's online fashion

retail market. This prompted Amazon Fashion to expand its fashion category by tying up with popular offline fashion brands. The company acquired 10 per cent of Shoppers Stop's stake and also engaged Tata CLIQ from Tata Group and Madura Fashion from the house of Aditya Birla. The aim was to acquire more fashion brands so as to benefit by including their sales into its own fashion category. The strategy paid off and Amazon quickly achieved 31.2 per cent market share in 2018 when Flipkart excluding Myntra and Jabong contribution had 31.9 per cent share according to a Forrester report. By now, every one of three new Amazon customers was shopping from fashion category. In 2019, Amazon Fashion held the largest products inventory during its wardrobe refresh sale amounting to over 84 million units that grew by 55 million units over December 2018. Amazon Fashion witnessed exponential growth the same year. It added 22,000 new sellers and close to 2 million styles to its existing pool of 86,000 sellers and over 8.7 million styles, out of which more than 1.3 million styles were Prime enabled. Proceeding on, Amazon entered into a special collaboration with Easybuy – India's value fashion retailer offering 'super styles' at 'super prices' and having around 100 stores across more than 50 cities. This helped Amazon to expand its value fashion portfolio. Another of Amazon investment is in Blink – a 40,000+ sq ft fashion studio in Gurugram, to make up for product shoot.

In October 2020, Amazon reported its apparels sales better than pre-COVID level due to new customer acquisition, 80 per cent of which came from non-metro cities and towns. For 2020 festive season, Amazon launched more than 6,200 brands including 170 top-tier brands such as Seven by MS Dhoni, American Eagle, Hopscotch, Gusto 2.0 from Timex, New Balance, Levis X Royal Field among others. Amazon launched River – an affordable multi-designer brand, in association with DBS Lifestyle, besides partnering with designers like JJ Valaya, Ashish Soni, Manish Arora and Suneet Varma. The

partnerships with designers supported the backbone of fashion community during pandemic times. It brought back the work and revived livelihood for the artisans, weavers, karigars (craftsmen), tailors and embroiders working behind-the-scene. Local artisans and weavers were additionally supported through tie-ups with micro, small and medium enterprises (MSMEs), self-help groups and state government organisations.

By November 2020, Amazon Fashion had accelerated its brand associations by bringing in global brands such as Under Armour, Kate Spade, etc. The brands were also looking forward to start their India journey with Amazon. Alongside, it worked with top global and Indian brands including Mothercare, Adidas, Puma, Fossil, Casio, UCB, Levis, Amrapali, Malabar Jewels, Hidesign, Michael Kors, Armani, Diesel and celebrity-led brands like Rheson by Sonam and Rhea Kapoor, NUSH by Anushka Sharma, PROWL by Tiger Shroff, One8 by Virat Kohli and Just F by Jacqueline Fernandes. The famous Amazon festive season sale 2020 did well. It saw huge traction from new sellers signing up on the platform across the country. Amazon SMBs and seller partners' received sale orders from 19,000 pin codes. This helped them expand their reach to distant parts of India which included J&K, Leh, Kanyakumari, Andaman & Nicobar Islands, Tripura, Sikkim, and Daman and Diu. Over 4 crore products from small and medium-sized businesses (SMBs), 20,000 local shops across 100 cities were made available during the Great Indian Festival which enabled 5,000 sellers to clock ₹1 million sales.

For FY21, Amazon India has reported 41 per cent growth in fashion category with 65 per cent demand coming from tier-2, 3 and 4 regions. According to a report by Unicommerce on online fashion market, overall order volumes for the fashion category across marketplaces and brand websites grew by 45 per cent during the fiscal compared to the previous year. The growth was attributed to a growing online shopping trend especially in smaller cities with 118 per cent growth coming from tier-2 cities and over 192 per cent volume growth from tier-3 cities. **FF**