

Etsy and eBay escape the worst of the ecommerce downturn, but Wayfair and Peloton aren't so lucky

Article

The trend: Ecommerce players have come down from their pandemic highs—but some, like **eBay** and **Etsy**, are finding success by leaning into their respective niches of handmade, affordable items and collectibles. On the other hand, **Peloton** and **Wayfair** are struggling as high interest rates and inflation erode demand for home goods and expensive connected fitness devices.

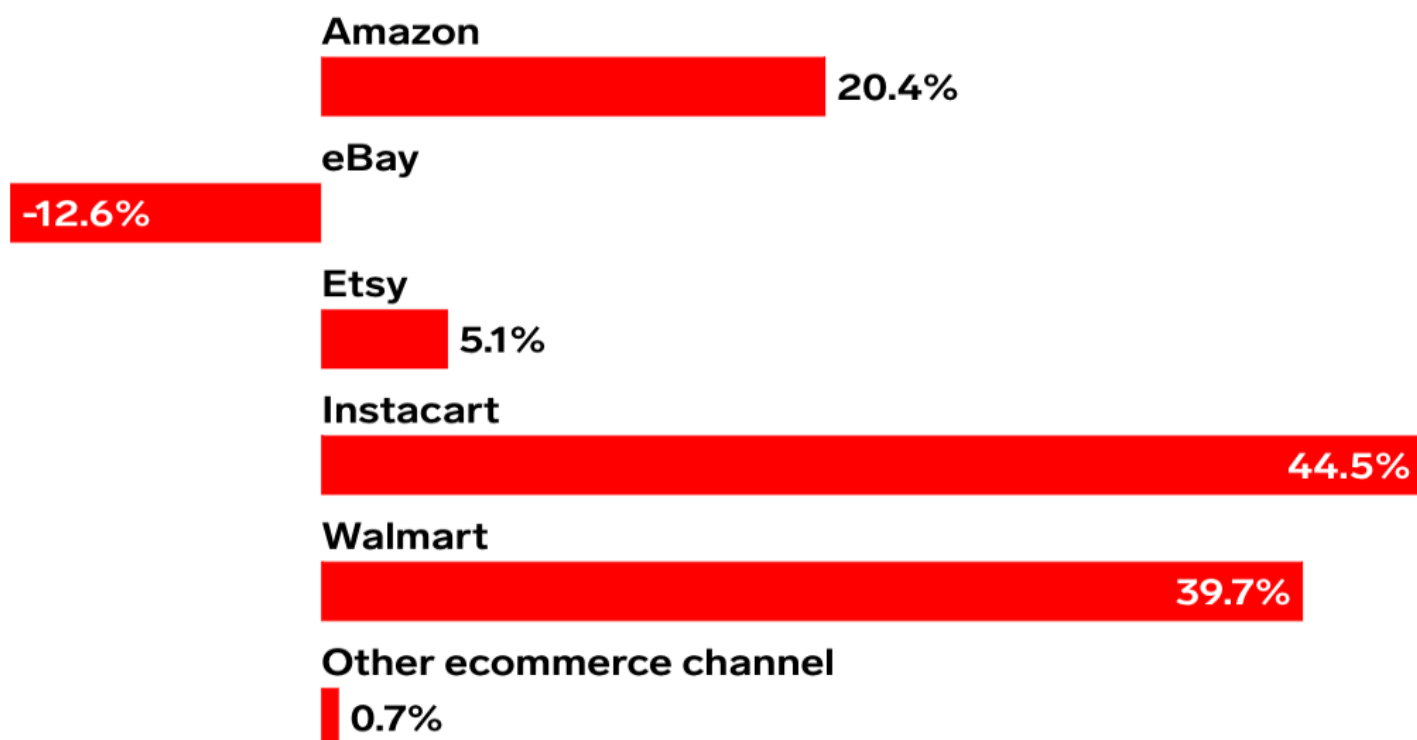
Etsy leans into value: While Etsy has managed to preserve most of its pandemic gains, the marketplace is feeling the impact of inflation and a strong dollar. To entice deal-seeking shoppers this holiday season, the company plans to lean into its “message of extraordinary, handmade, [and] affordable,” CEO **Josh Silverman** said on the company’s Q3 earnings call.

- The company's Q3 revenues and earnings both beat expectations.
- Consolidated gross merchandise sales totaled \$3 billion in Q3, marking a 3.3% year-over-year (YoY) decline —although a 0.7% improvement on a currency neutral basis.
- The company is enhancing search and improving personalization to make it easier for shoppers to find deals and relevant products.

Despite headwinds, Etsy’s business model is relatively solid. Unlike **Amazon**, Etsy doesn’t offer fulfillment services, reducing its overhead significantly. And while seller fees make up the majority of Etsy’s revenues, its growing advertising business adds stability to its bottom line.

Retail Media Ad Spending Growth, by Company

US, 2022, % change



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: eMarketer, October 2022

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EBay gets into collectibles: As ecommerce growth slows, eBay is betting that it can achieve lasting success by retooling itself as a [platform for collectibles](#) and used luxury goods.

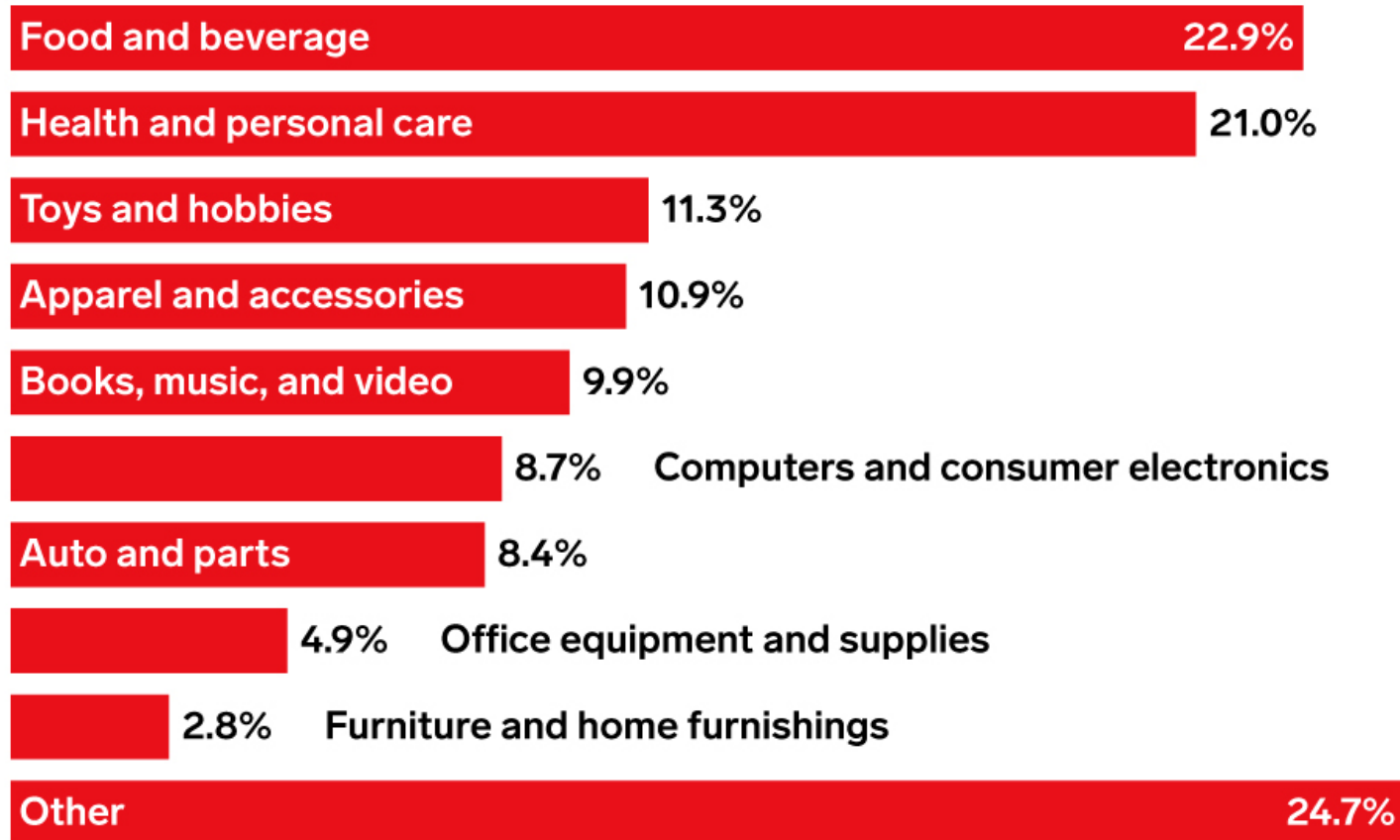
- The strategy seems to be paying off: Although eBay's revenues fell by 5% to \$2.4 billion in Q3, they were higher than analysts expected.
- CEO **Jamie Iannone** said the company is "going after the enthusiast buyers," who continue to spend more on the platform.

Wayfair's tough spot: Wayfair's performance this year has suffered as interest rates around the world skyrocket and home sales fall.

- The number of first-time homebuyers fell to 26% in the twelve months ended June 2022, per the National Association of Retailers (NAR). That's the lowest level in 41 years, since the NAR began its survey.
- With more households staying put, demand for furniture has cratered. Wayfair's active customers fell 22.6% YoY to 22.6 million. Net revenues fell 9% YoY, while order deliveries dropped 20.9%.

US Holiday Season Ecommerce Sales Growth, by Product Category, 2022

% change vs. prior year



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice goods sales; sales are for Nov and Dec of each year

Source: eMarketer, Oct 2022

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Peloton can't catch a break: Peloton's slide continued in Q3 as consumers opted for in-person fitness over connected fitness devices and inflation wiped out demand for expensive equipment.

- Peloton lost 200,000 subscribers between Q3 and Q4—a blow for a company that once prided itself on its [exceptionally low churn rate](#).
- Revenues from its connected fitness products fell by nearly 60%, to \$204.2 million, despite [wholesale partnerships with Amazon](#) and [Dick's Sporting Goods](#), and the rollout of its equipment rental program.

The big takeaway: There's no getting around the fact that many retailers are facing a difficult year ahead, especially in categories like home goods and fitness where the conditions are highly unfavorable. But as Etsy and eBay demonstrate, there are still opportunities for retailers that can offer a good deal, or dive deeper into niche categories to attract an engaged user base.

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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