



# The Investment Case for Online Retail and E-Commerce



## Executive Summary

Online retail has permanently disrupted the traditional brick-and-mortar store retail landscape as “clicks” have replaced “bricks.” According to research firm eMarketer, global ecommerce is expected to approach \$5 trillion this year<sup>1</sup>, as online retailers have had fertile ground to grow their business in this new era of contactless shopping. In the United States, ecommerce sales grew to \$795 billion in 2020, a 32.4% increase over 2019, versus previous forecasts of 18% growth.<sup>2</sup> The global coronavirus pandemic has accelerated the pace of ecommerce growth in 2020, propelling online sales to levels not previously expected until 2022—helping existing online retailers expand their dominance in retail. Value-added features such as competitive pricing, shopping convenience, greater product selection and rapid delivery options have solidified online commerce as a disruptive technology that is here to stay.

Ever-increasing internet and mobile penetration is one of the key drivers contributing to this growth, enabling more consumers to shop online anywhere and anytime. New technological innovations in electronic payment, rapid delivery, artificial intelligence and voice-assisted shopping, as well as virtual and augmented reality continue to enhance the online shopping experience, further driving the expansion and growth of this investment theme.

Additionally, due to the pandemic in 2020, digital commerce added new shoppers that had not previously shopped online, fueling new buying habits such as online grocery, which grew 43%.<sup>3</sup> This trend has accelerated traditional retail’s woes, with 30 U.S. retailers having filed for bankruptcy in 2020, on the heels of 17 major retailer bankruptcies in 2019, pre-pandemic.<sup>4</sup> Amid this marketplace evolution, online retail has become a transformational and dominant force in global retail.

<sup>1</sup> *Worldwide ecommerce will approach \$5 trillion this year*, eMarketer, January 14, 2021, <https://content-na2.emarketer.com/worldwide-ecommerce-will-approach-5-trillion-this-year>

<sup>2</sup> *US Ecommerce Growth Jumps to More than 30%, Accelerating Online Shopping Shift by Nearly 2 Years*, eMarketer, October 12, 2020, <https://www.emarketer.com/content/us-ecommerce-growth-jumps-more-than-30-accelerating-online-shopping-shift-by-nearly-2-years>

<sup>3</sup> Koetsier, John, *44% Of Global eCommerce Is Owned By 4 Chinese Companies*, Forbes, October 21, 2020, <https://www.forbes.com/sites/johnkoetsier/2020/10/21/44-of-global-ecommerce-is-owned-by-4-chinese-companies/?sh=547230a21645>

<sup>4</sup> *The running list of 2020 retail bankruptcies*, Retail Dive, February 5, 2021, <https://www.retaildive.com/news/the-running-list-of-2020-retail-bankruptcies/571159/>

## A Brief History of Online Retail

Online commerce has permanently transformed the retail sector and the way consumers and businesses shop for everything—from books to office supplies, to shoes and furniture. But how did it all begin?

The origins of online commerce pre-date the internet age. Indeed, the first predecessor of online commerce was the mail-order catalog. In the 1970s, protocols such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) were created, providing the infrastructure needed to support electronic transactions.

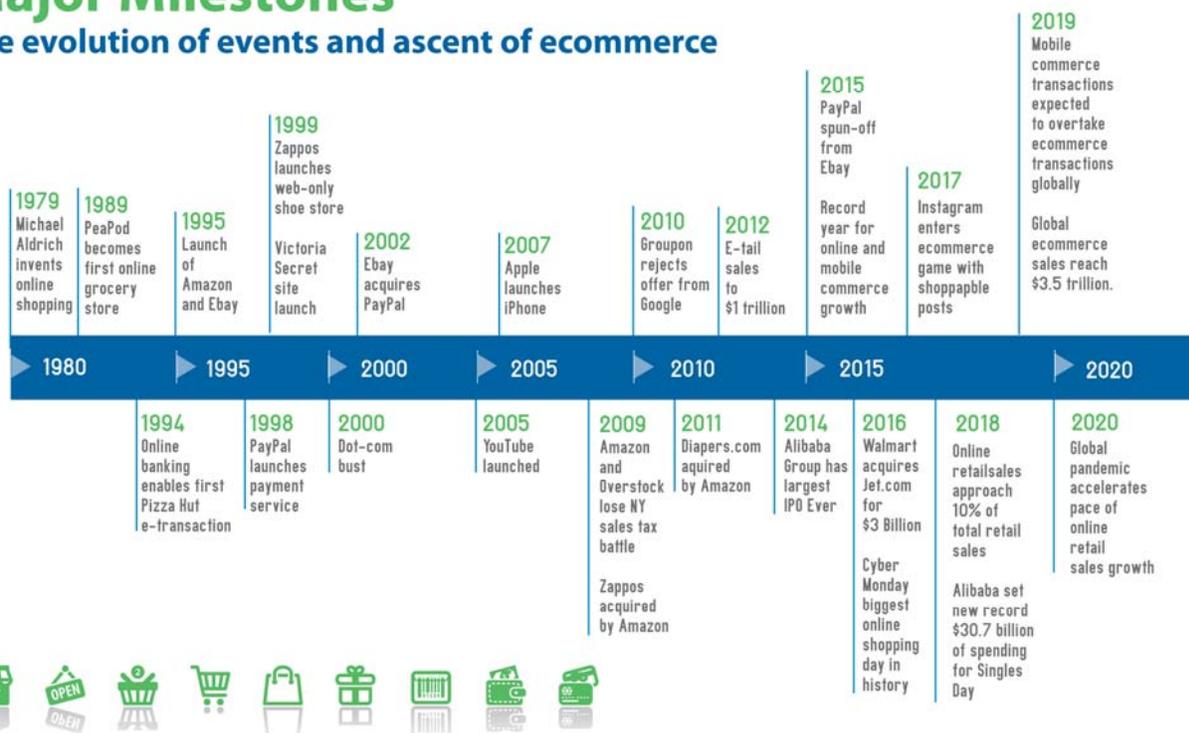
In 1979, the British inventor Michael Aldrich<sup>2</sup> was credited with being the official “inventor of ecommerce.” Aldrich connected a television and a telephone line and invented “teleshopping” or shopping at a distance. Meanwhile in the United States, infomercials (paid television advertisements) gained popularity, paving the way for the first cable home shopping channels. Finally, the internet came along and changed the way we shop forever.

Here’s a brief timeline highlighting some of the historical milestones that cleared the path for modern day e-retail commerce:

## History of Online Retail

### Major Milestones

The evolution of events and ascent of ecommerce



## Online Retail Value Proposition

A number of key benefits serve as the driving forces behind the growth of ecommerce. These benefits have proven to be valuable for businesses, consumers and society as a whole.

Business	Consumer	Society
Lower costs associated with not having a physical presence	Enhanced product selection	Less traffic and crowds
Automated inventory management	No geographic sourcing boundaries	Price competition and democratization of selection
Customer analytics	Competitive pricing, virtual auctions	Expanded access to rural areas
Unlimited geographic presence	Convenience of shopping from home/office/ mobile device 24/7/365	Shopping and delivery access for housebound consumers
Open for business 24/7/365	Time savings for consumers, one-stop shopping	Facilitated delivery of public services, such as education and health care
Reduced advertising and marketing costs	Customer reviews and social input	Global in scope
Scalability, fewer employees	Delivery options	Eco-friendly

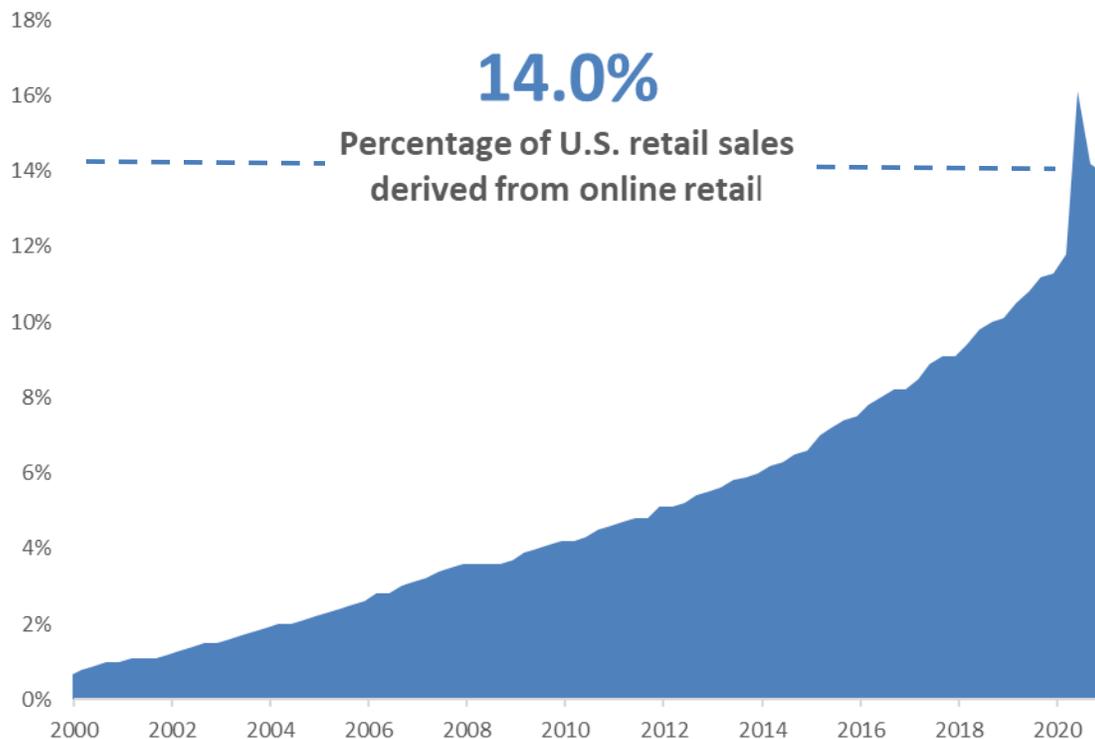
Source: EQM Indexes



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## Growing Global Opportunity

Given the superior benefits online and virtual commerce provide, it is no wonder that this channel has grown at a superior pace than traditional retail. U.S. ecommerce sales now represent 14.0% of total retail sales, after declining slightly from its pandemic lockdown peak in the second quarter of 2020.<sup>5</sup>



Source: U.S. Department of Commerce Quarterly Retail Ecommerce Sales, 4<sup>th</sup> Quarter 2020, reported 2/19/2021.

Globally, ecommerce is also growing at a rapid pace, with year-over-year percentage growth of 27.6% in 2020, with sales approaching \$4.3 trillion in 2020, up from \$3.3 trillion in 2019, according to eMarketer. By 2022, it is forecasted that ecommerce's percentage of total retail sales worldwide will surpass the 20% mark.<sup>6</sup>

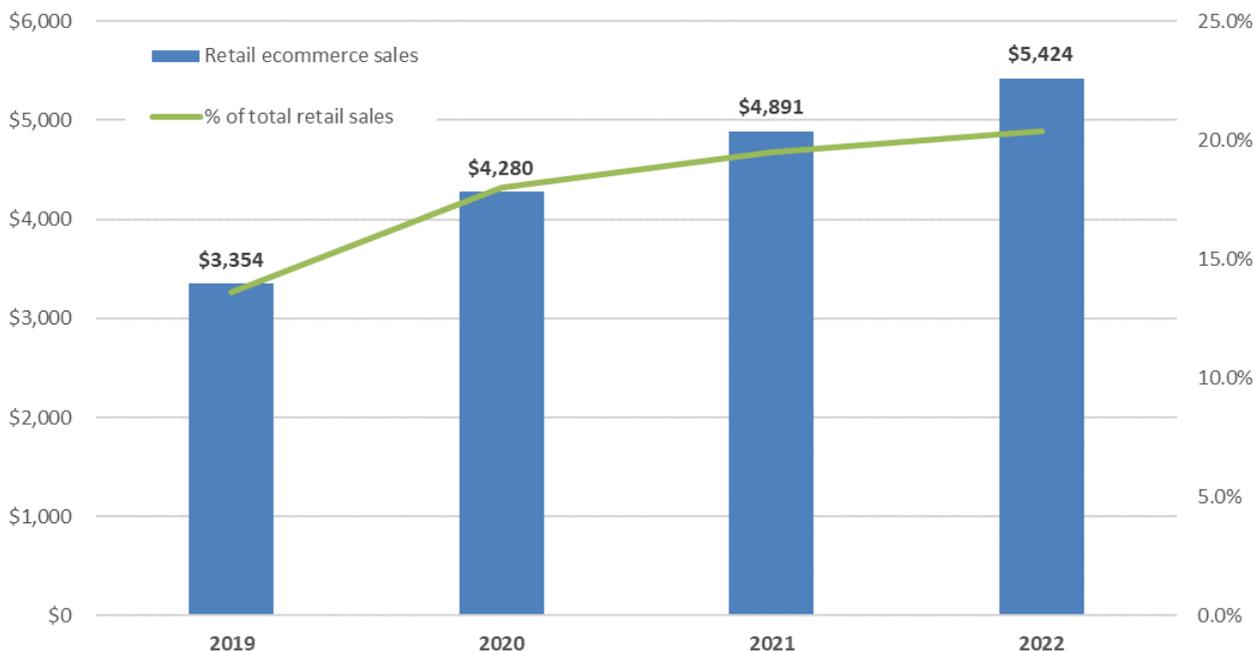
<sup>5</sup> US Census Bureau, Quarterly Retail E-Commerce Sales 4<sup>th</sup> Quarter 2020, February 19, 2021, <https://www2.census.gov/retail/releases/historical/ecommm/20q4.pdf>

<sup>6</sup> Cramer-Flood, Ethan, *Global Ecommerce Updated 2021*, eMarketer, January 13, 2021, <https://www.emarketer.com/content/global-ecommerce-update-2021>



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### Global Retail Ecommerce Sales (US\$ Trillions)



Source: eMarketer, December 2020

While U.S. online retail sales comprise only 14% of total retail sales<sup>7</sup>, other large ecommerce markets such as the United Kingdom and China have a much higher proportion of online-to-total retail sales. In addition to the U.S. market, here are some of the other top global markets for ecommerce:

**China** – China is the world’s biggest ecommerce market led by companies such as Alibaba Group and JD.com and sites such as Taobao, TMall and others, with retail ecommerce sales penetration of 44.8% in 2020.<sup>8</sup> With an annual growth rate last year of 27.5%, China’s ecommerce market is also one of the fastest growing. In 2020, driven by popular sales events like Alibaba’s Singles Day, the world’s largest 24-hour shopping event which generated \$115 billion in record sales alone<sup>9</sup>, China’s ecommerce sales totaled almost \$2.3 trillion.

<sup>7</sup> [https://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf)

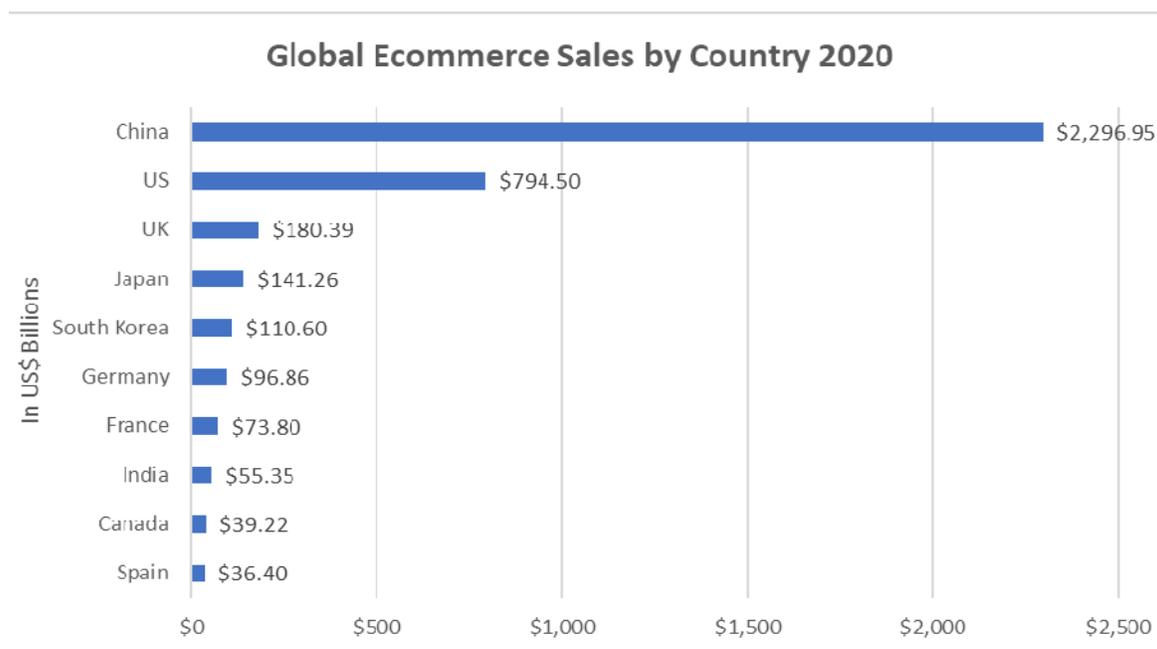
<sup>8</sup> eMarketer, December 2020.

<sup>9</sup> Kharpal, Arjun, *Alibaba, JD set new records to rack up \$115 billion of sales on Singles Day*, CNBC, November 12, 2020. <https://www.cnbc.com/2020/11/12/singles-day-2020-alibaba-and-jd-rack-up-record-115-billion-of-sales.html>

**United Kingdom** – Despite its small size, the United Kingdom is a big player in the area of ecommerce, securing third position with \$180 billion in annual sales. Amazon UK, eBay UK, Asos, Currys PC World, Gumtree, Argos and John Lewis are some of the U.K.'s biggest ecommerce sites<sup>10</sup>. Moreover, the country has one of the highest ecommerce sales percentages at 30.9% of total retail sales in 2020.

**Japan** – The fourth largest ecommerce player in the world, Japan is the leading mobile commerce (m-commerce) player. Rakuten, Mercari, and Yahoo! Japan are some of Japan's leading ecommerce platforms. Annual online sales are \$141 billion, and it ranks among the fastest-growing globally, boosted by a developed economy, highly urbanized population, 93% internet penetration and single-language culture. Japan's ecommerce businesses also benefit from the small country size and excellent infrastructure, allowing for rapid delivery.<sup>11</sup>

**Germany** – Germany is Europe's second largest ecommerce market with \$97 billion in sales in 2020, behind the United Kingdom. Amazon has a good foothold in the German market, similar to the U.K. market. eBay also has a large presence in Germany.



Source: eMarketer, December 2020

<sup>10</sup> Top 10 Ecommerce Sites in the UK, 2019, <https://ecommerceguide.com/top/top-10-ecommerce-sites-in-the-uk/>

<sup>11</sup> Gillani, Amyn, *Japan: An Overlooked E-Commerce Opportunity*, April 6, 2020, <https://www.entrepreneur.com/article/348787>



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Ecommerce has emerged as a global shopping phenomenon. From Cyber Monday to Singles Day, here are some of the year's busiest online shopping days around the world.

# Top Ten Global Spending Days

Online Retailers are Getting a Greater Share



Global e-commerce sales are expected to reach **\$3.56 trillion** in 2019.

Thanks to its convenience, price, selection, and rapid delivery options, online shopping has transformed the way we shop.

Here's a list of some of the biggest cyber shopping days around the globe.

Globally, **online sales are growing at an annual rate of 20%**, versus only 5% for retail.

## GLOBAL SHOPPING CALENDAR for ONLINE COMMERCE

JANUARY 1

### NEW YEAR'S DAY

As the holiday shopping season comes to a close, many more shoppers are spending those gift cards online.



FEBRUARY 14

### VALENTINE'S DAY

Western cultures celebrate with the purchase of flowers, chocolates, and jewelry. In 2018, Valentine's Day drove an estimated \$5.4 billion in online sales, with 40.7% of shoppers using their smartphones to make those loving purchases.



MID-OCTOBER

### DIWALI

India's 5-day Diwali festival celebrating the victory of light over darkness, has become a big online shopping period. The Festive Sale saw a battle between Flipkart and Amazon for market share dominance.



LATE NOVEMBER

### THANKSGIVING

Thanksgiving Day marks the traditional start of the U.S. holiday shopping season. A growing number of shoppers are opting to stay home, eat turkey, watch football, and shop online. In 2018, Thanksgiving online retail sales hit nearly \$3.7b, helped by strong mobile growth.



MONDAY AFTER THANKSGIVING

### CYBER MONDAY

Created originally to get more people to shop online, Cyber Monday has become the biggest U.S. online holiday shopping day of the year. In 2018, cyber sales were \$7.9 billion, making it the largest online shopping day ever. Mobile sales surpassed the \$1 billion mark.



FEBRUARY 8

### CHINESE NEW YEAR

The Chinese New Year or Spring Festival is a 15-day holiday celebrated by a number of countries in Asia. Cleaning before the New Year is a tradition, followed by the need to shop for new purchases to ring in the new year.



MARCH-MAY

### MOTHER'S DAY

Originating in the U.S., Mother's Day is now celebrated around the world. In Brazil, it is the second most profitable day for retailers, driving more than 2.0 billion R\$ in online sales.



11.11

### SINGLES DAY

Singles Day, China's 24-hour online shopping, once again smashed records in 2018, raking in \$30.8 billion for a 27% YOY increase.



DAY AFTER THANKSGIVING

### BLACK FRIDAY

Black Friday, the traditional U.S. holiday shopping day which falls the day after Thanksgiving, has now spread to many countries around the globe. The U.S. still led the way with a record \$6.2 billion in sales in 2018.



DECEMBER 26

### BOXING DAY

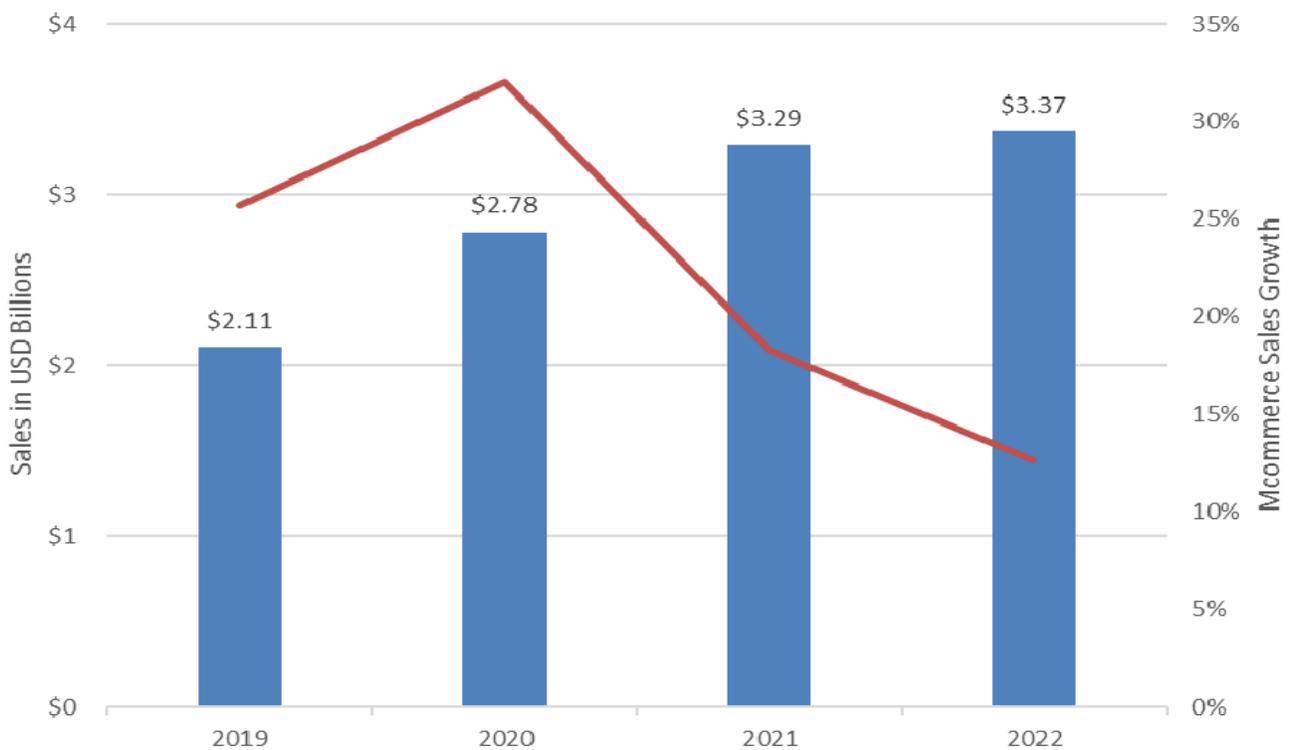
Boxing Day is traditionally a day synonymous with discounts and savings for UK consumers. Although online spend has increasingly become spread out throughout the entire holiday shopping season, Brits still spent more than an estimated £1 billion online in 2018.



## Expanding Internet and Mobile Penetration

Mobile commerce sales reached \$2.8 trillion in 2020, an increase of 32% over the \$2.1 trillion registered in 2019.<sup>12</sup>

US Mobile Ecommerce Growth 2019-2022



Source: eMarketer, December 2020

Bigger screens, engaging mobile shopping applications and secure payment options have helped encourage mobile commerce growth. Mobile has exploded as a shopping channel, not just from a traffic standpoint, but in terms of sales and dollar growth. Mobile commerce is expected to account for more than half of ecommerce by the end of 2021.<sup>13</sup>

<sup>12</sup> *Mobile Commerce Sales 2020*, eMarketer

<sup>13</sup> Brandt, Ari, *How the pandemic transformed mobile apps into the new storefront*, February 17, 2021.  
<https://www.digitalcommerce360.com/2021/02/17/how-the-pandemic-transformed-mobile-apps-into-the-new-storefront/>



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More than 63.2% of the world now has access to the internet<sup>14</sup> and the opportunity set has rapidly expanded with broad availability worldwide, thanks to smart mobile devices allowing consumers to shop online anywhere, anytime.

The growth of mobile ecommerce in China, now \$873.3 billion in market size, is a prime example of mobile commerce's potential.<sup>15</sup> China's more than 1 billion WeChat users can make purchases on their smartphones using WeChat Pay without leaving the messaging and social commerce platform. More than 18% of these mini-program sites are devoted to ecommerce.<sup>16</sup> China generated \$268 billion in social commerce sales in 2020.<sup>17</sup>

Brands, retailers and ecommerce can design a customer-user interface with pictures, videos and GIFs to increase user engagement. These mini-program stores provide access to customer data and promote organic sharing, reducing new customer acquisition costs. For example, China e-retailer Pinduoduo utilizes group-buying promotions to encourage sharing among customers.

## Technological Innovation

While mobile penetration is a big driver of current online retail growth, future technological innovations such as seamless and secure methods of electronic payment, voice-assisted shopping, virtual and augmented reality and artificial intelligence will take the online shopping experience to the next level and further drive market expansion.



<sup>14</sup> Internet World Stats, 2020 Q4 Estimates, <https://www.internetworldstats.com/stats.htm>

<sup>15</sup> Ecommerce payment trends: China, 2019 JP Morgan Global Payment Trends,

<sup>16</sup> Chu, Franklin. Why China ecommerce is going crazy for WeChat mini-programs, April 16, 2019, Digitalcommerce360,

<https://www.digitalcommerce360.com/2019/04/16/why-china-ecommerce-is-going-crazy-for-wechat-mini%E2%80%91programs/>

<sup>17</sup> eMarketer, January 2021.



### + *Electronic Payments*

Many consider the Uber and Lyft models as the proverbial “gold standard” for invisible payment that digital commerce players want to replicate. In the future, payment will be something that just happens seamlessly in the background without much thought or input from the consumer. As a nation of smartphone users, China has quickly adopted digital-wallet brands such as Alibaba’s Alipay and Tencent’s WeChat Pay, which are now used to pay for the majority of their ecommerce purchases.

### + *Voice-Assisted Shopping*

Thus far in 2020, 50% of all searches in the United States have been voice searches and voice shopping is estimated to reach \$40 billion in the United States by 2022, with almost 75% of households owning a smart speaker by 2025.<sup>18</sup> Almost two-thirds of voice-enabled speaker owners such as the Amazon Echo and Google Home devices, already have purchased items via voice commerce.<sup>19</sup> But these devices also have “push” capabilities, making recommendations based on past purchases or customer data.

### + *Virtual and Augmented Reality*

Virtual and augmented reality is another promising growth driver as online shopping aims to marry the “real-life” shopping experience with the convenience of ecommerce on mobile devices. Already, consumers can use their smartphones to visualize product purchases like furniture in their home.

### + *Artificial Intelligence*

Accounting for an impressive 35% of its overall sales revenue, artificial intelligence (AI) product upselling and cross-selling on Amazon’s ecommerce platform, is a major success story. AI is also being used in ecommerce for providing chatbot customer service, analyzing customer comments, and personalized shopping services. Research firm Gartner predicts that 80% of all online customer interactions will be managed by AI technologies by year-end 2020.<sup>20</sup>

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<sup>18</sup> Kinsella, Brett, Loup Ventures Says 75% of U.S. Households Will Have Smart Speakers by 2025, Google to Surpass Amazon in Market Share, June 18, 2019, <https://voicebot.ai/2019/06/18/loup-ventures-says-75-of-u-s-households-will-have-smart-speakers-by-2025-google-to-surpass-amazon-in-market-share/>

<sup>19</sup> Shukairy, Ayat. *The State of Voice Shopping – Statistics and Trends*, Invesp, <https://www.invespro.com/blog/voice-shopping/>

<sup>20</sup> *How Artificial Intelligence is transforming the E-commerce Industry*, Countants, May 9, 2019, <https://medium.com/@Countants/how-artificial-intelligence-is-transforming-the-e-commerce-industry-countants-scalable-custom-73ae06836d35>

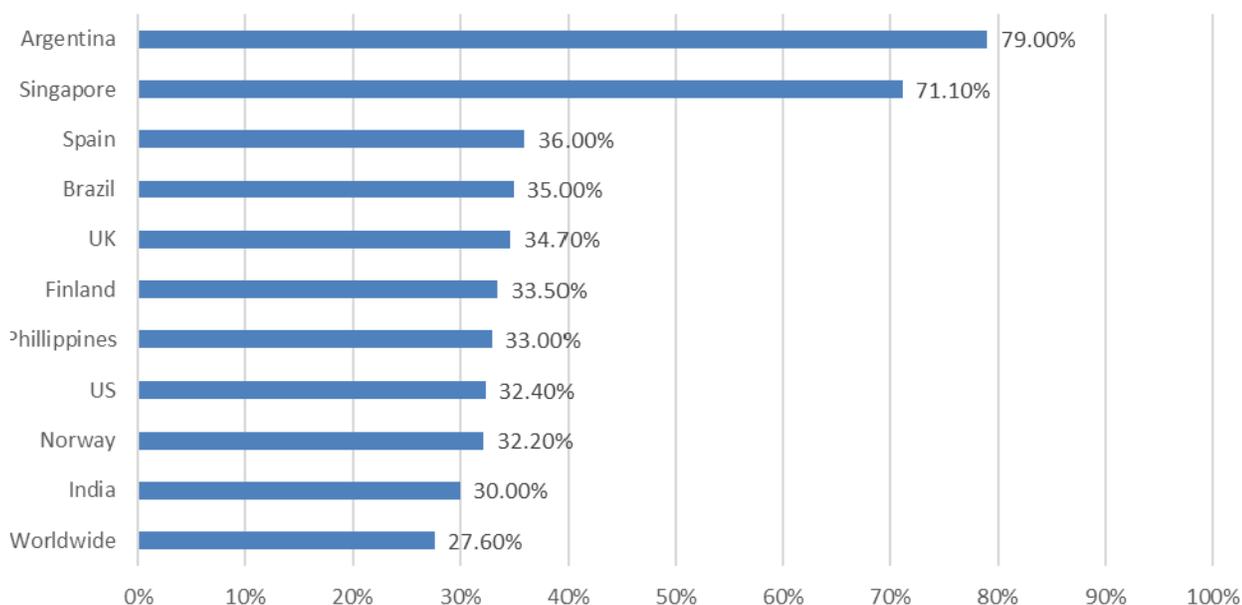
## Investment Case

Despite the recent acceleration of online commerce spurred by the global pandemic, online retail still makes up a relatively small part of total retail sales at 14%, per the latest statistics for 2020. However, nearly all growth in retail sales came from online sales, which was up 32.1% year-over-year through December 31, 2020, versus a gain of 6.9% for total retail sales.<sup>21</sup>

Research firm eMarketer forecasts that global retail ecommerce sales will grow 17.1% in 2021, generating \$4.9 trillion in ecommerce sales. Latin America was the fastest growing ecommerce market in 2020, as the pandemic had a profound impact on Latin America's retail industry. Mandated stay-at-home orders in several countries like Brazil and Argentina forced retailers to close physical stores.

Ecommerce sales in Argentina grew 79% in 2020, followed by 71% in Singapore and 36% in Spain.

### Top Countries, Ranked by Retail Ecommerce Sales Growth, 2020



Source: eMarketer, Dec 2, 2020

<sup>21</sup> <https://www2.census.gov/retail/releases/historical/ecomm/20q4.pdf>



Explicit exposure to ecommerce retail may provide investors with access to superior growth characteristics than traditional brick-and-mortar retail holdings. A universe of global online retail stocks, as represented by the EQM Online Retail Index, exhibits better long-term earnings growth estimates than traditional retail indices.

Growth Characteristic	EQM Online Retail Index	S&P Select Retail Index	Bloomberg World Retail Index
Bloomberg Est LTG EPS	<b>36.2%</b>	24.2%	13.3%

Source: Bloomberg Estimates as of 2/15/2021

Over the last five years, the investment performance of the EQM Online Retail Index relative to traditional retail indexes has also been superior, reflecting this earnings and sales expansion.

### Global Online Retail vs. Retail: 5-Year Performance



Source: Bloomberg, as of 2/15/2021

Online shopping is expected continue growing at a fast clip globally, given the continued expansion of internet access and mobile penetration, as well as the introduction of new technological innovations that will further enhance the online shopping experience. Furthermore, the pandemic has accelerated the pace of growth and consumer adoption of new channels such as online grocery and e-fitness.



Over the past year, the bifurcation in retail between the brick-and-mortar traditional retailers, “**the bricks**” and online retailers, “**the clicks**,” has been quite pronounced. Retail bankruptcies have skyrocketed over the last few years, being coined the “retail apocalypse.”<sup>22</sup> Starting in 2010 until today, numerous brick-and-mortar retail stores, especially those of large chains worldwide, have been forced to close.

In 2019, 17 major retailers filed bankruptcy and retailers closed more than 9,500 stores. In 2020, retailers have faced even tougher challenges as the COVID-19 outbreak caused many retail establishments to temporarily shutter, keeping customers away, forcing retailers to negotiate with landlords and suppliers to tackle unforeseen inventory and liquidity issues.

### 30 U.S. Retailers Filed for Bankruptcy in 2020:

**Century 21** (Sept. 10)

**Stein Mart** (Aug. 12)

**Tailored Brands** (Aug. 2)

**Lord & Taylor** (Aug. 2)

**Ascena** (July 23)

**The Paper Store** (July 14)

**RTW Retailwinds** (July 13)

**Muji USA** (July 10)

**Sur La Table** (July 8)

**Brooks Brothers** (July 8)

**G-Star Raw** (July 3)

**Lucky Brand** (July 3)

**GNC** (June 23)

**Tuesday Morning** (May 27)

**Guitar Center** (Nov 21)

**Centric Brands** (May 18)

**J.C. Penney** (May 15)

**Stage Stores** (May 11)

**Aldo** (May 7)

**Neiman Marcus** (May 7)

**J. Crew** (May 4)

**Roots USA** (April 29)

**True Religion** (April 13)

**Modell's Sporting Goods** (March 11)

**Art Van Furniture** (March 9)

**Bluestem Brands** (March 9)

**Pier 1** (Feb. 17)

**SFP Franchise Corp** (Jan. 23)

**Francesca's** (Dec. 3)

**Furniture Factory Outlet** (Nov 5)

Source: Retail Dive, February 5, 2021

<sup>22</sup> Retail Apocalypse, Wikipedia, last edited October 26, 2020, [https://en.wikipedia.org/wiki/Retail\\_apocalypse](https://en.wikipedia.org/wiki/Retail_apocalypse)



In 2017, a *Business Insider* report dubbed this phenomenon as the “Amazon Effect”, calculating that Amazon.com was generating more than 50% of the growth in retail sales.<sup>23</sup> Amazon’s global ecommerce sales are expected to reach \$416.5 billion in 2020, up 20.2% from 2019, as consumers rely even more heavily on ecommerce due to COVID-19.<sup>24</sup> However, there is recent evidence that as the pandemic has pushed many more consumers online, they are not all going to Amazon, to the benefit of other sites.<sup>25</sup>

The broader theme in play is the transformation from the physical world to the virtual world, a theme that is not limited to retail and has impacted other sectors and industries. Below are some of the biggest beneficiaries of this theme:



Source: EQM Indexes

One could argue, as consultant Deloitte does, that the retail apocalypse is really a retail “renaissance.”<sup>26</sup> A renaissance upends many of the ideas and conceptions that have long governed human behavior, uprooting traditions, institutions and habits of thought. The rapid growth and expansion of retail ecommerce has led many to proclaim “the mall is dead.” But we see it differently.

<sup>23</sup> Taylor, Kate, *One statistic shows how much Amazon could dominate the future of retail*, Business Insider, November 1, 2017, <https://www.businessinsider.com/retail-apocalypse-amazon-accounts-for-half-of-all-retail-growth-2017-11>

<sup>24</sup> Drosch, Blake, *Amazon's worldwide sales will rise 20.2% this year as reliance on e-commerce grows*, Business Insider, July 9, 2020, <https://www.businessinsider.com/amazon-global-ecommerce-sales-will-reach-416-billion-in-2020-2020-7>

<sup>25</sup> David, Don, *Amazon's share of US online retail revenue dips slightly in Q3*, November 3, 2020, Digital Commerce 360, <https://www.digitalcommerce360.com/2020/11/03/amazons-share-of-us-online-retail-revenue-dips-slightly-in-q3/>

<sup>26</sup> *The great retail bifurcation*, Deloitte Insights, 2018, [https://www2.deloitte.com/content/dam/insights/us/articles/4365\\_The-great-retail-bifurcation/DI\\_The-great-retail-bifurcation.pdf](https://www2.deloitte.com/content/dam/insights/us/articles/4365_The-great-retail-bifurcation/DI_The-great-retail-bifurcation.pdf)



The renaissance of retail in online shopping offers consumers a wider selection of merchandise, better prices, and a superior level of convenience. The mall isn't dead, it has just moved online.

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*“The mall isn't dead, it has  
just moved online.”*

*– EQM Indexes*

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## **Conclusion**

In our view there are many reasons to own a basket of global stocks directly focused on online retail sales:

- Get explicit investment exposure to the fastest growing global segments of online commerce: online retail, online marketplace and online travel.
- Participate in the exciting growth potential fueled by the technological innovation driving the “retail renaissance.”
- Gain access to the online-retail growth opportunities worldwide.

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## **ABOUT EQM INDEXES LLC**

*EQM Indexes LLC is a woman-owned firm dedicated to creating and supporting innovative indexes that track growth industries and emerging investment themes. Co-founded by Jane Edmondson, a former Institutional Portfolio Manager with nearly 30 years in the investment industry, our index design expertise spans a wide range of asset classes and financial instruments.*

*We partner with issuers and work jointly with other index firms to provide benchmarks for Exchange Traded Products (ETPs) such as Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), and other similar products. EQM Indexes LLC also assists firms on a fee basis to design and implement their index ideas.*

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### Definitions

**Ecommerce** - commercial transactions conducted electronically on the Internet.

**Mobile commerce** - M-commerce (mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as smartphones and tablets.

**Augmented Reality (AR)** adds digital elements to a live view often by using the camera on a smartphone. Examples of **augmented reality** experiences include Snapchat lenses and the game Pokemon Go.

**Virtual Reality (VR)** implies a complete immersion experience that shuts out the physical world.

**Artificial intelligence (AI)** - intelligence demonstrated by machines, unlike the natural intelligence displayed by humans and animals.