



# United Kingdom 2021

## Ecommerce Country Report

In partnership with

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# United Kingdom 2021

ECommerce  
Country Report

€499 | March 2021  
RXRUK21RP



# Introduction



Welcome to the UK Ecommerce Country Report, the first report in 2021 in our series analysing key markets around the world.

It arrives at a time when trading **conditions are as challenging for**

**UK retailers as I can ever remember.** The coronavirus pandemic has led to a series of lockdowns to prevent infection spreading and non-essential retailers have had to close their brick and mortar stores. While the government has stepped in, offering support for employees, freelancers and businesses, there have inevitably been gaps in the provision. Unemployment has risen and may increase once furlough schemes end in September.

Of course, countries around the world have had to cope with the pandemic, yet the UK has also been negotiating the aftermath of the Brexit vote. Those leading a country that had been one of the largest and most important economies within the European Union (EU) are now having to think anew about the UK's place in the world. **Trading conditions for retailers that had grown used to being part of the Single Market have become more difficult** despite the UK striking an trade agreement with the EU, in particular because of new red tape and tariffs.

Even now, Brexit divides the nation, with many Britons, notably in English cities that drive the wider economy – London, Bristol and Manchester – unreconciled to what has happened. **If Scotland becomes an independent state in the near future** and there's a border vote leading to a united Ireland – both distinct possibilities – Brexit will have been a major factor. The UK may be a disunited kingdom for some time yet.

So far, so many reasons for pessimism. And yet, when I look through the analysis and articles my team has compiled for this report, an underlying theme is that the most innovative UK retailers are not only negotiating the issues here, but are also set to emerge as leaner and more innovative companies. **The UK, remember, has long been at the forefront of ecommerce and multichannel retail.** The early signs are that neither the pandemic nor Brexit will change this.

As ever, we welcome your feedback and comments.

**Ian Jindal, CEO, RetailX**

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# Country profile

While the UK has one of the world's most sophisticated ecommerce markets, the sector faces new trading conditions

On 31 December 2020, the Brexit transition period ended. The UK, which in 2016 voted to leave the EU, ceased to be a member of the Single Market and the Customs Union.

For the UK ecommerce sector, this represents not just a huge change but also **a challenge to long-established business models**. At the most straightforward level, it is no longer possible to send items to consumers in the EU without incurring new paperwork and/or customs fees. Processing cross-border returns is even more problematic. These kinds of **operational issues lead inevitably to strategic questions**. Should UK retailers set up companies that trade only within the EU? Should they just focus on the domestic market? Should EU-based companies still look to expand into the UK? Looking ahead, will retailers currently based in the UK move their head offices to Europe?

Answers to these will emerge over the next few months but for now, it's worth emphasising that the UK represents an advanced economy with the **fifth-largest GDP in the world**<sup>[1]</sup> and a **predicted growth rate of 5.5% in 2021**.<sup>[2]</sup>

## UK country profile

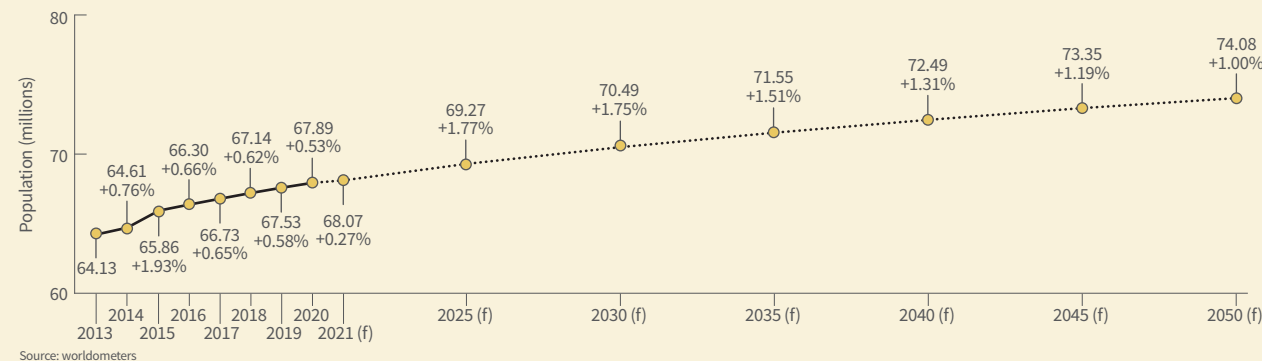
<b>Area:</b> 242,495 km <sup>2</sup>	<b>Capital:</b> London	<b>Currency:</b> Pound Sterling (£, GBP)
<b>Official language:</b> English	<b>Foreign languages spoken:</b> French, German	<b>Nationality:</b> British
<b>Government:</b> Unitary parliamentary constitutional monarchy		
<b>VAT:</b> 20% (Most goods and services)   <b>Reduced rate:</b> 5% (Some goods and services, for example, children's car seats)		



## Population analysis

The UK population has been steadily growing in recent years, a long-term trend that is likely to continue. However, the increase may not be as linear as the graph below shows. According to analysis of government data by the Economic Statistics Centre of Excellence, **1.3m foreign-born workers may have left the UK during the Covid-19 pandemic**.

### UK's total population, in millions, 2013–2050 (f)



[1] [www.thetimes.co.uk/article/britain-is-fifth-largest-economy-in-world-again-after-leapfrogging-india-wccxxcqr](https://www.thetimes.co.uk/article/britain-is-fifth-largest-economy-in-world-again-after-leapfrogging-india-wccxxcqr) [paywall]

[2] [www.theguardian.com/business/2021/jan/26/imf-downgrades-forecast-for-uk-economic-recovery](https://www.theguardian.com/business/2021/jan/26/imf-downgrades-forecast-for-uk-economic-recovery)

# Market context

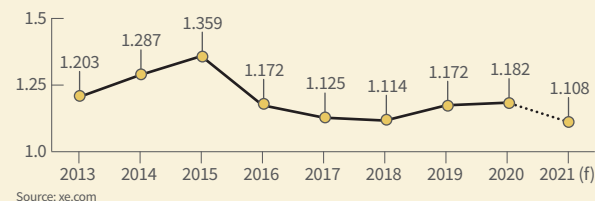
The UK retail market is undergoing profound changes. What kind of industry will emerge from this turbulence?

In January 2017, Britain's then prime minister, Theresa May, gave a major policy speech. Promising to break free of the EU's economic structures, she declared that "no deal" would be "better than a bad deal for Britain". With the benefit of hindsight, the chances of the UK negotiating a soft Brexit with the EU receded at the same time as the likelihood of fierce political wrangling increased.

One result of this recent history was that **the UK entered 2021 buffeted not just by Covid-19, but by the longer-term political and economic fallout from the Brexit vote**. This can be seen in foreign direct investment (FDI) figures.<sup>[1]</sup> In 2019, the value of net foreign direct investment (FDI) into the UK was £35.6bn, down from £65.9bn in 2018, a large drop even allowing for volatility in the statistics. As for the direct effects of the pandemic, they are evident in GDP figures, which dropped by 49% in 2020.

A country once seen as a gateway to the EU has to redefine its place in the world. There is evidence it is not well prepared for this task. There are ongoing complaints from

Exchange rate £ to €, 2013 to 2021 (f)



UK exporters over new red tape. Figures from the Office for National Statistics (ONS) suggest a **40.7% drop in the export of goods from the UK to the EU** in January 2021.<sup>[2]</sup>

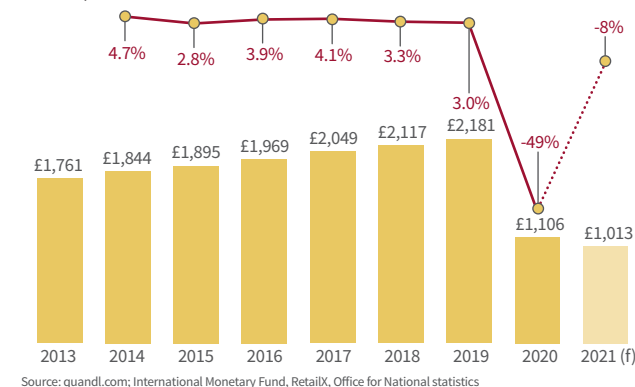
In short, the consequences of the British government's bare-bones deal with the EU appear to have been immediate. To borrow the terminology employed by those who think it was an error for the UK to leave the EU, the country has imposed sanctions on itself. This is reflected in key economic indicators such as the value of sterling. **In 2015, £1 would buy €1.36. In 2021, that figure is predicted to be €1.11.**

Despite the daunting macroeconomic factors at play, it's worth highlighting that a combination of Covid-19 and an associated switch to ecommerce is hitting the retail sector in every country – and will continue to do so. When trying

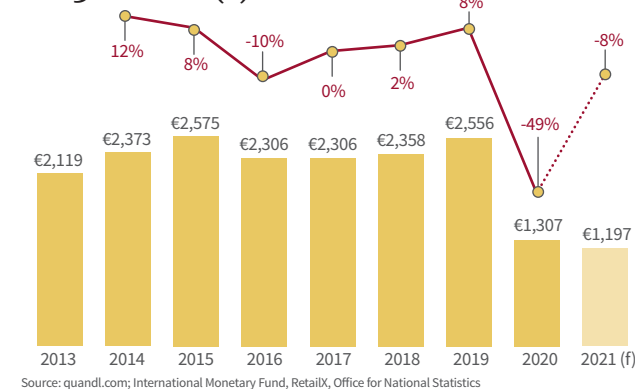
[1] <https://commonslibrary.parliament.uk/research-briefings/cbp-8534/>

[2] [www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/january2021](https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/january2021)

GDP in billion £ (Sterling) and growth rate, 2013 to 2021 (f)



GDP in billion € (Euro) and growth rate, 2013 to 2021 (f)



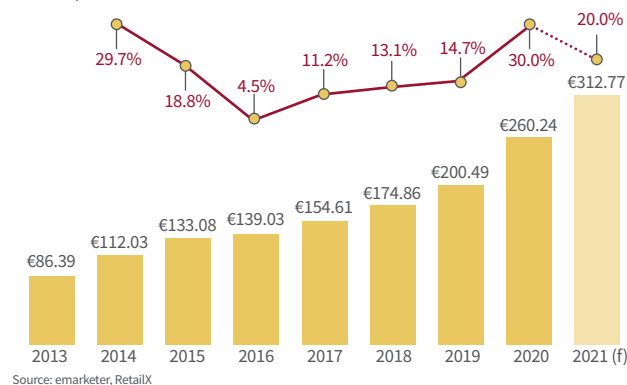
to gauge the overall state of the British retail market, this is worth bearing in mind. **The UK market is going through changes that other markets will face in the near future.**

Indeed, research from PwC and The Local Data Company, which showed 17,532 stores closed down in 2020, against 7,655 opening, suggests a major realignment is happening within UK retail.<sup>[1]</sup> One obvious effect of this will be that more and more retail will move online.

To focus on what this means for one company, the confectioner Thorntons, owned by Italian food giant Ferrero since 2015, recently announced it is to close its 61 UK shops.<sup>[2]</sup> One factor here is the Covid-19 pandemic, but the closures are also the result of longer-term shifts in the market that have made Thorntons' high street locations unviable. In 2021, Ferrero's strategy for Thorntons centres on selling via supermarkets and online (where net sales increased 71% in a year rather than competing on the high street with newer players such as Hotel Chocolat (although it still has franchisees). According to Adam Goddard, retail director: "Customers are changing how they shop, and we must change with them." **Thorntons has become a brand rather than a retailer, in so much as it sells direct online but as a wholesaler in retail channels.**

Combine these factors – a black swan event (Covid) macroeconomic disruption (Brexit) and an already rapidly changing market (the rise of ecommerce) – and the

## B2C turnover in billion € and growth rate, 2013 to 2021 (f)



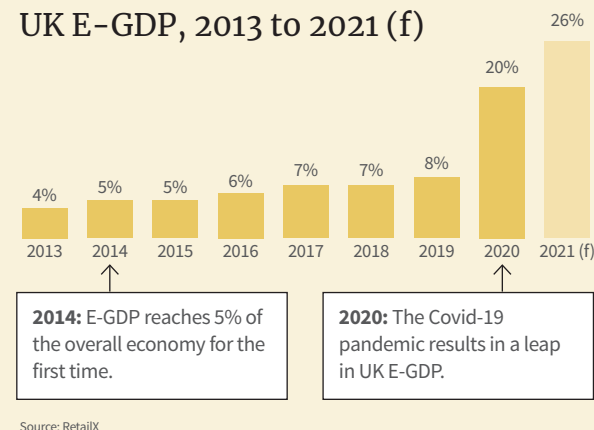
**“The UK is a sophisticated market with underlying strengths, which can be seen in the figures around B2C turnover”**

outlook for retailers looks uncertain in the UK. However, as previously noted, the UK is also a sophisticated market with underlying strengths, which can be seen in the figures around B2C turnover. **One scenario for what lies ahead is that those UK retailers left standing will be leaner out of necessity** and will already have tackled many issues that competitors in other territories will face. This may give UK retailers a competitive advantage, albeit an advantage won in circumstances few would wish ever to revisit.

## What is E-GDP?

**E-GDP is defined here as the value of business-to-consumer (B2C) ecommerce sales as a percentage of overall gross domestic product.** In recent years, while the growth of E-GDP in the UK has typically not been spectacular, it has been steady. This changed with the advent of the pandemic, when there was increased demand for ecommerce with, for example, supermarket delivery slots being filled as soon as they became available and vegetable/meat box suppliers being forced to turn away new customers.

## UK E-GDP, 2013 to 2021 (f)



[1] [www.pwc.co.uk/industries/retail-consumer/insights/store-openings-and-closures.html](https://www.pwc.co.uk/industries/retail-consumer/insights/store-openings-and-closures.html)  
 [2] [www.bbc.co.uk/news/business-56409641](https://www.bbc.co.uk/news/business-56409641)

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## Q&amp;A

# Kieran Mongey



Currently a payments optimisation consultant at ACI, Kieran supports and advises on conversion best practices and the use of new technologies in payments

## What has been your experience of the last year and how have UK merchants handled the pandemic?

Payments digitalisation was already well underway but the pandemic has accelerated that evolution out of necessity. Across several ACI merchants in the UK retail sector, where stores were forced to shut, we saw online volumes grow by 300%.<sup>[1]</sup> Those unprepared for this sudden change and with limited agility have had to contend with challenges around fraud, fulfilment, stock control and customer service. For those who were able to adapt, the pandemic opened up new opportunities.

## What changes do you think we will see post-pandemic?

Technology, especially in mobile phones and tablets, has driven customers towards mcommerce and digital experiences. Even those who weren't regular online shoppers have become more confident using digital

payment capabilities. Research shows that 74% of UK adults have made a digital payment in the past three months, while mobile wallet payments and frictionless options such as one-click checkouts have gained greater adoption. Services like 'buy online, pickup in-store', touchless in-store payments and online subscriptions have all seen rises in consumer uptake over the past year. Digital wallets and Pay Later options are also rapidly increasing in popularity with budget-conscious consumers. Merchants must continue to support their customers' preferred payment methods and must also be ready to introduce new ones as trends continue to evolve.

## What are the biggest threats and challenges that merchants had to deal with over the last year?

As consumer behaviour changes, so does fraud. Analysis from ACI's risk analytics team shows that while the average value of a transaction decreased by 12% in the last year, the overall volume of fraud increased significantly. Friendly fraud has also increased dramatically, with merchants without the right tools in place taking the financial impact. Merchants must continually adapt their fraud prevention strategies to meet changing trends. Advancements in machine learning, positive profiling, device recognition and business intelligence analytics can offer a significant reduction in fraud losses. Authentication is also an enormous challenge for ecommerce merchants, particularly with the introduction of PSD2's Strong Customer Authentication (SCA). Merchants need to work

closely with their acquirers to support an optimised authentication process that leverages exemption opportunities. Using customer profiling and shopper history, along with data of the 'live' transaction – the what, how and where – can help determine whether a customer requires authentication and gauge the possibility of fraud.

## Can ecommerce ever be ready for the 'next big thing'?

The ability to evolve is essential, so merchants must move fast to stay relevant. This is true of payment – the critical last step in the buying journey. Frictionless checkout is a 'must have' but a broad range of payment methods combined with efficient and flexible fraud strategies is crucial to optimising revenue and cost controls.

[1] ACI internal findings.

## ACI Worldwide

ACI Worldwide is a global software company that provides mission-critical real-time payment solutions to corporations. Customers use its proven, scalable and secure solutions to process and manage digital payments, enable omncommerce payments, present and process bill payments, and manage fraud and risk.

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## Q&amp;A

## Marie Barrance



Sales Director, Asendia UK

Marie has worked in the world of mail and parcels for all of her career. A grounding in customer service and account management has given her an excellent understanding of customers' challenges and needs. As Sales Director of wnDirect and Asendia UK Marie works closely with some of the biggest names in retail

**What, for you, has been the most interesting recent development in UK ecommerce?**

The purchase of the Debenhams, Dorothy Perkins, Wallis and Burton brands by Bohoo, and Topshop, Topman and Miss Selfridge by Asos, is massive news. These are major British high street brands with a long heritage and the deals illustrate how the power has shifted from traditional brick and mortar retail to online. Maybe this will be a wakeup call to other traditional retailers that haven't embraced ecommerce as much as they should have done.

**How do you feel about the post-pandemic scenario? Will consumers miss the instore shopping experience?**

I do think people will want to hit the shops. The British still love to shop, to see and feel products, and to socialise. But for sure, this bounce will flatten off and those millions of people who have only taken to buying online since the pandemic aren't going to put down the mouse completely. They've discovered the benefits online shopping offers and while year-on-year growth in ecommerce retail was expected, the pandemic has accelerated this significantly.

**What are the main threats you foresee surrounding customs regulation due to Brexit?**

British brands are in high demand from shoppers in the EU and further afield, so I don't believe a relatively small rise in price to incorporate customs charges will deter too many customers. What's more of a danger is inconvenience. If retailers aren't clear about processes and fully landed costs, if they suffer delivery delays because customs documentation hasn't been completed correctly, and if they don't have a trusted international returns process, retailers can easily find themselves with unhappy customers. It's important to get those details in place.

**What delivery expectations or trends do you think UK customers will want next?**

I think the main desire of British shoppers is to be offered delivery options at check-out because their needs can change from one purchase to the next. If they're buying

**"People who have only taken to buying online since the pandemic aren't going to put down the mouse completely. They've discovered the benefits online shopping offers"**

something of low value that's not urgent, they'll want to see a fitting low-cost delivery option, while if it's a mid-value purchase, they'll likely expect free standard delivery. However, if it's a last-minute urgent purchase and needs to arrive tomorrow when they're not going to be home all day, they will want to be able to choose a delivery time window, a local collection point or a safe-place. Customers are willing to pay a premium for that.



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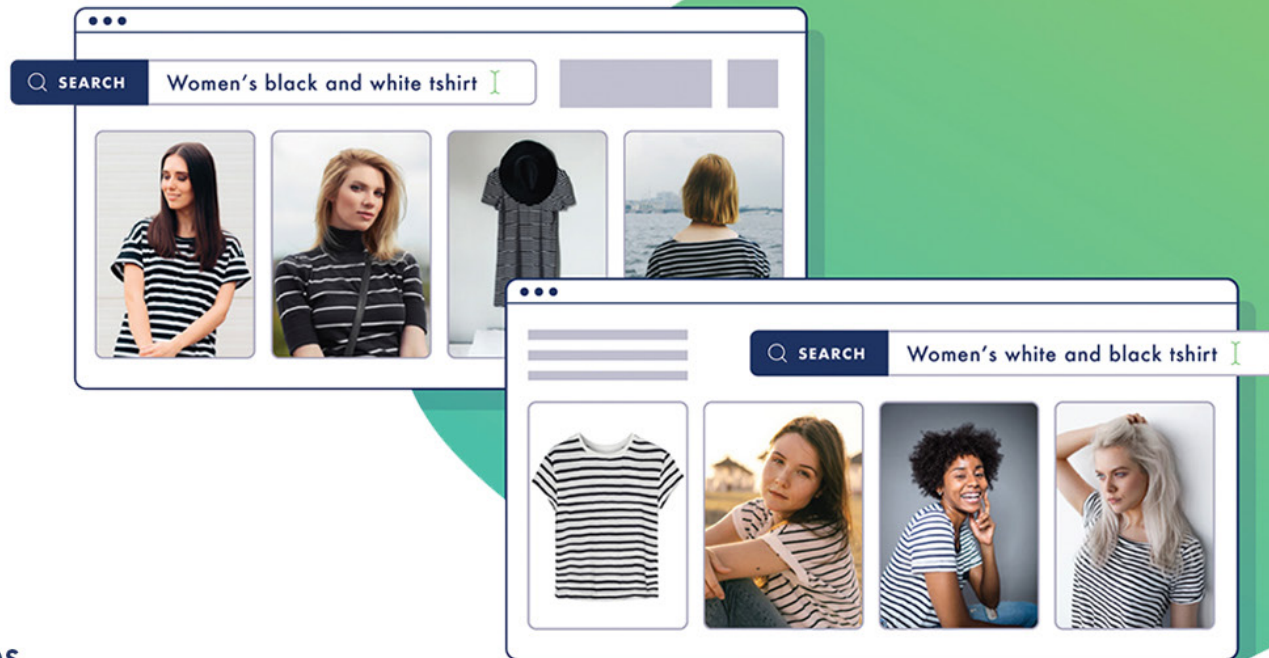


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## Q&amp;A

## Sandhya Shyam



## Head of Customer Marketing, Attraqt

**What, for you, has been the most exciting recent development in ecommerce?**

If there were lessons in ecommerce learnt last year, they were: “be prepared, be smart, be agile”. 2021 will continue to challenge us in the UK but innovation from all corners has also blossomed. In 2020, there was constant fluctuation in consumer behaviour. At its height, most historic customer data had to be pretty much thrown out the window since it was pointless in such a ‘wild west’ ecommerce scenario. Being prepared meant capturing consumer behaviour at specific moments. Being smart was analysing the data to understand changing behaviour and sentiment. Lastly, being agile was about being able to adjust strategies based on that data.

A lack of automation put pressure on many retailers and slowed them down. Yet even some of those with automation were let down – as were their customers – if they lacked the ability for their teams to manually respond, or to be agile enough to set or test strategies to deliver the right experiences.

**How is AI affected ecommerce?**

AI in commerce has been talked about for many years, yet the retailers and brands we work with are really starting to see its value as part of a wider tech tool kit. AI delivers the ability to be responsive, in the moment, to a particular type of shopper behaviour or intent. This is what’s exciting in ecommerce – an opportunity to learn and create deeper relationships online in order to offer a level of personification or individualisation that you would expect from a store assistant in a good ‘brick and mortar’ store. Furthermore, the ability to closely align this with a clear ecommerce strategy presents huge opportunities for all of us. A lot of this rests with the ability to embed AI along specific points in the shopper journey. Only AI can deliver this at scale. When it happens, this is when ecommerce will go from a place you shop because you have no choice, to a place you actually desire to visit.

**How do you feel about the post-pandemic scenario? Will consumers miss the instore shopping experience?**

Innovation will win for retailers in the post-pandemic scenario, regardless of whether instore or online. Of course, many people have missed, and may still miss, the ‘brick and mortar’ experience. Even though it’s not necessarily by choice, it’s clear from the research in the report that in the UK we’ve seen adaptability from all demographics of adult consumers, some of whom were adopting ecommerce, or aspects of the vertical such as beauty or groceries, for the first time.

New habits will stick but instore is also on a reinvention path and I think both channels can comfortably co-exist. What will be important for retailers and brands is to connect these off and online experiences, where ever the shopper is, with data playing a central role. Already, the growth of ‘click and collect’ is an early indicator of where this could go. For online, it means using each moment the shopper is on a site to understand how to serve them better with valuable merchandised experiences. Or to engage more deeply through things like social proof, interactive bots and immersive content. This is online’s greatest differentiation and AI can help deliver it at scale.



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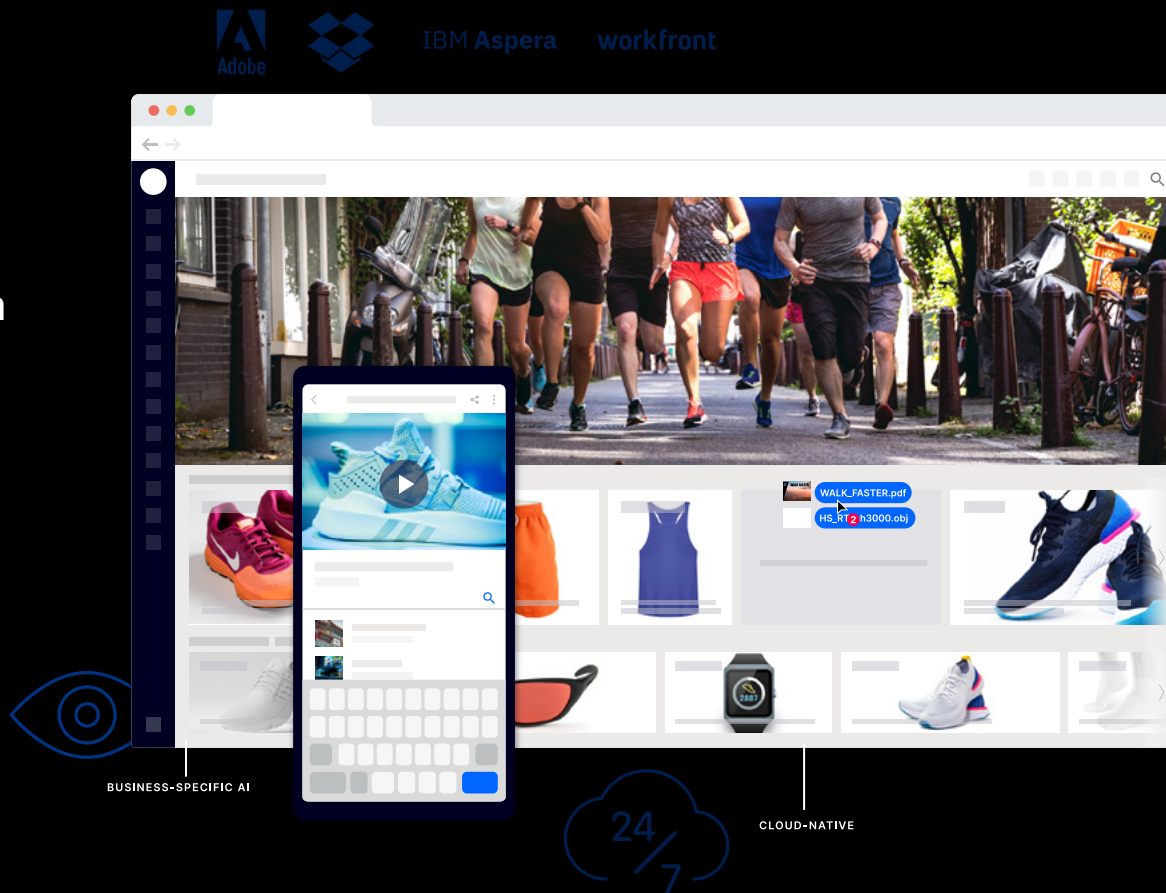
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# The future of UK ecommerce

The Covid-19 pandemic has been highly damaging in many ways, yet has served to accelerate some disruptive ecommerce trends that were already underway

The UK high street has been struggling for years, with many retailers now closed or moved online. The pandemic has only increased this trend, since shoppers have either not been allowed in brick and mortar stores or have had a restricted customer experience. Wearing masks, not being allowed to try on clothes, not shopping in groups – all these measures to limit the virus have also made shops less enjoyable. Such changes have **sent many more consumers online** in search of a more rewarding retail experience, quickening an ecommerce trend that was already well advanced.

## The digital customer experience

[Nuxeo released research in 2020](#) that highlighted the growing importance of the digital customer experience. It revealed that more than half of UK consumers would switch to a competitor if a retailer's digital customer experience did not measure up to their expectations.

This experience includes the right product info, personalised content, good product photography and video content. 58% of UK shoppers said that if a retailer had poor product information on its site, they would go elsewhere. For any retailer unable to offer the right experience, the consequences are clear.

## Ecommerce developments

Ecommerce has been a pioneer sector in using technologies that allow it to serve the customer better and it has been incredibly fast-paced in its deployment of such emerging technologies. Whether that's data analytics, artificial intelligence, mobile payments or augmented reality, **ecommerce has often led rather than followed**.

That is what is happening with the [Product Asset Management \(PAM\)](#) platforms that form the bedrock of ecommerce strategies in 2021. PAM is a solution that takes content beyond the marketing department, connecting it to data and other assets across the organisation to help launch products and respond to market demands in double-quick time. With content in its broadest form so crucial to the digital customer experience, PAM is essential in managing that content to best effect.

Providing a common platform for critical product information at key points in the product lifecycle, **retailers can better utilise digital assets and data** to bring new products to market more quickly. With consumer demands

growing around digital experience, PAM is set to become an even more important strategy moving forward.

## Looking to the future

The last 18 months have been as challenging as any the UK retail sector have ever faced. A global pandemic, combined with the uncertainty and subsequent aftermath of Brexit, have caused anxieties and concerns about the future. But consumers are highly adaptable and while a further shift towards ecommerce should not be too uncomfortable for them, it remains vital for retailers to offer them **an enhanced digital experience**. This includes making the most of interactive digital content, images, videos, reviews and more, which will all help consumers who miss the in-store experience feel more comfortable with ecommerce.



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## Expert insight

## Lindsay McEwan



## Senior Vice President EMEA, Tealium

This is the first time that I've written an article at a time when there were quite so many 'if, buts and maybes' that could dramatically affect ecommerce. This is primarily because so much of the uncertainty is based on the psychology of the consumer. How will behaviours change – if at all – following the end of lockdown restrictions, and at what speed? Not forgetting, of course, the potential changes to the roadmap out of lockdown casting a constant pall of uncertainty over the high street reopening.

Pre-pandemic, while digital and online channels were given some consideration by the majority of brick and mortar retailers, **the focus was mainly the physical store** – the key source of revenue. However, the past 12 months have seen a complete about-face and, as we would expect, those businesses that already had a strong digital presence and an appetite for digital transformation tend to have fared far better than those who did not.

We have all been horribly over-exposed to the phrase 'the new normal' yet we must consider that normality in

2021 and for a few years ahead may look very different. The way that consumers have shopped during lockdown has, unsurprisingly, been pretty different due to many factors: socioeconomic, income, lifestyle changes, different priorities. We've seen smaller shifts in brand loyalties – if your favourite brick and mortar store has a dire website, you probably didn't buy from them in 2021. We've also seen a dramatic rise in the importance of delivery costs, speed and ease of returns.

So we need to consider that once we are all free to roam the shopping arcades again, whether these new shopping behaviours will remain. **It takes 30 days to form a new habit and consumers have had a full 12 months to change.** Have many people realised, as I have, that you simply don't need to purchase the volume of clothes you did in the past? This coincides with a greater awareness and prioritisation of sustainability and responsible shopping. How can fast fashion brands adapt to preferences that are the antithesis of their business model?

At the other end of the spectrum are high-end brands relying on the instore experience. What will the future look like for them? We've already seen John Lewis, the home of experiential shopping, planning to close several more physical stores, while Debenhams' physical stores have closed forever. When we are free to roam the high street, what will that look like? Will anybody still be there?

Even with so much uncertainty, I believe there is much to be optimistic about. **A greater digital presence** should mean that the retailer will have a clearer view of their customer than ever before. Every action and interaction should be seamlessly stitched together to enable far more accurate targeting, communications and relevance. By wrapping in available instore data, the profile of the customer should become even more nuanced and rich, letting us deliver an omnichannel experience, regardless of the current situation.

Brands that deliver a stand-out customer experience across the physical store and online channels are the ones that succeed. Our digital efforts need to remain a real priority if we want to deliver growth. Good luck to us all!



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# Benchmarking the UK's digital economy

The UK is one of the world's leading digital economies. Indices that compare international performance reflect this

**The UK ranks eighth in the Overall Internet Inclusive Index.** Compiled by The Economist Intelligence Unit, this “seeks to measure the extent to which the Internet is not only accessible and affordable, but also relevant to all, allowing usage that enables positive social and economic outcomes at the individual and group level”. The UK's weakest performance is in ‘Relevance’, which may be partly a result of English being an international language, leading to retailers seeing less need to localise offerings by, for example, offering services in Celtic languages.

In the Logistics Performance Index, which measures logistics “friendliness”, the UK ranks ninth. The UK ranks eighth in the Ease of Doing Business Index, a reflection in part of the way the UK encourages inward investment. It remains to be seen whether supply chain disruptions caused by Brexit will reflect the UK's placing here. **Its ranking of seventh in the E-Government Development Index reflects a drive to offer services online.**

Indices	Definition	Global rank
Logistics Performance Index (LPI)	LPI measures performance along the logistics supply chain within a country	9 /160
Ease of Doing Business Index	A high Ease of Doing Business ranking means the regulatory environment is more conducive to the starting and operation of a local firm	8 /190
E-Government Development Index	The E-government Development Index measures the willingness and capacity of national administrations to use information and communication technologies in order to deliver public services	7 /193

## Internet inclusive sub-indices

Availability	Quality and breadth of available infrastructure required for access and levels of internet usage	20 /160
Affordability	Cost of access relative to income and the level of competition in the internet marketplace	4 /100
Relevance	Existence and extent of local language content and relevant content	40 /100
Readiness	Capacity to access the internet, including skills, cultural acceptance, and supporting policy	18 /100
Overall Internet Inclusive Index		8 /100

KEY: ■ Top quartile ■ Second quartile ■ Third quartile ■ Bottom quartile

Source: World Bank, United Nations, The Economist Intelligence Unit

# The UK consumer in focus

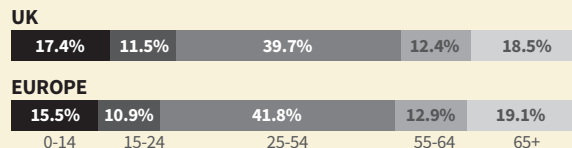
Britain's consumers shop regularly online, while internet usage across the country continues to increase

The pattern of internet usage in the United Kingdom is that of an advanced economy. By the end of 2021, it is estimated that **97% of the population will have access to the internet**, against an equivalent figure of 85% in 2015.

But while going online is now part of day-to-day life, it is young people who are most likely to use the internet. Those **aged between 16 and 34**, digital natives and those born shortly before the dotcom boom, **go online daily or almost every day**. For those aged 35-44, the equivalent figures drops to 98%, and then to 96% of those aged 45-54.

At the other end of the age range, there is still reluctance among those who have retired or are approaching retirement to go online, with **18% of those aged 65+ not having used the internet** in the past three months. A study by Lancaster University in 2018 put this down not to accessibility issues, as many had previously supposed,

## Age structure in the UK and Europe, 2021



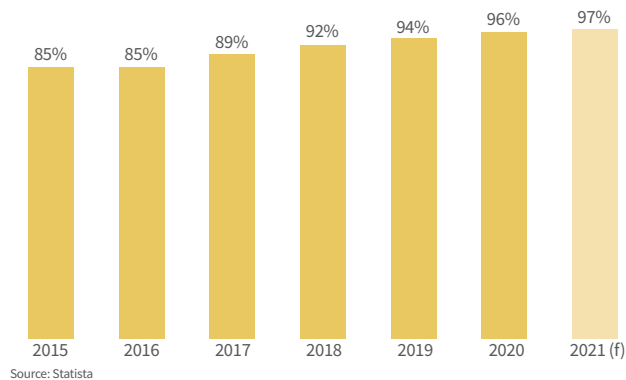
Source: Indexmundi

but to a combination of factors such as the perception that online tools can be time-consuming to use, security and a fear of getting things wrong.

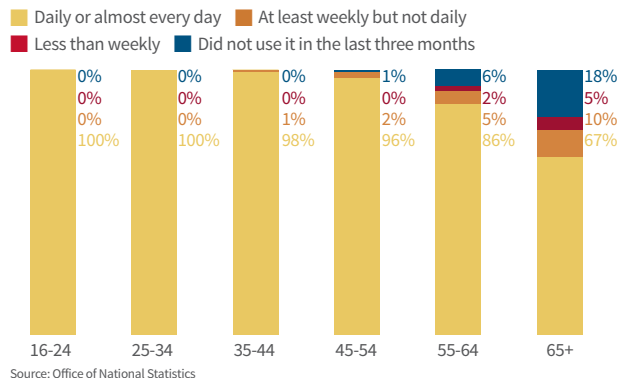
Nevertheless, 67% of this age group use the internet daily, a figure that jumps to 86% of those aged 55-64. It also seems likely that **internet use driven by Covid-19 will continue as the pandemic recedes**, so there may be some significant shifts in these figures. In addition, it seems likely internet usage will increase more generally because of demographic shifts.

In short, **the UK represents a market where there are opportunities for all kinds of retailers and brands**, whether they are aiming at the 11.5% of the population aged 15-24 or older demographics that may be less proficient with digital technologies, but often have far more disposable income.

## Percentage of population using the internet, 2015 to 2021 (f)



## Frequency of internet use, by age group, 2020



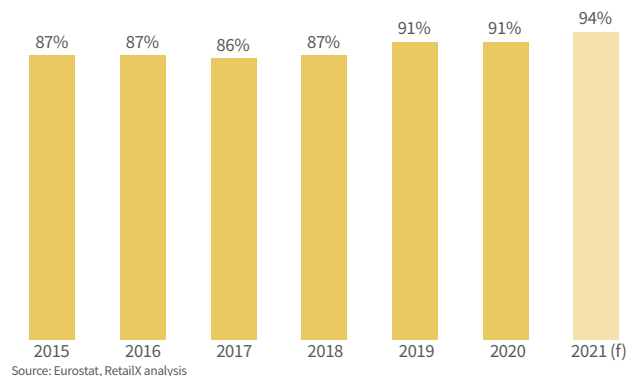
One piece of received wisdom about mature digital economies such as the United Kingdom is that there is scope only for incremental performance improvements and that once **big players have moved in**, there is a status quo that is hard to shift. But drilling down into internet usage figures suggests a more nuanced picture.

While internet usage is high in the UK, **many people have yet to become regular online shoppers**. Office for National Statistics figures from 2020 suggested, for example, that 12% of online shoppers aged between 35 and 44 made online purchases only one or two times over three months. The equivalent figure is 26% for those aged 65+. With a cleverly pitched offering, there are opportunities for retailers to persuade these customers to become more regular online shoppers.

Retailers considering launching in the UK should factor in two significant developments. Firstly, as in the rest of the world,<sup>[1]</sup> **the pandemic has resulted in many shoppers buying online** either for the first time or more often. Evidence from across different continents suggests that customers use ecommerce more regularly once they realise it is a convenient and safe way to shop.

Longer term, it is worth highlighting central government's commitment to improving digital connectivity. For example, Project Gigabit<sup>[2]</sup> is a **£5bn government infrastructure project** that aims to connect one million

## Percentage of population shopping online, 2015 to 2021 (f)



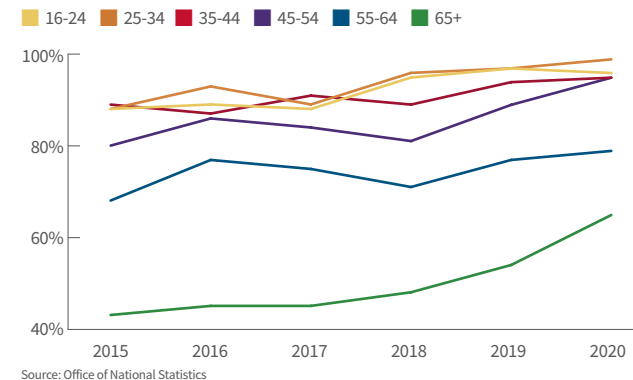
hard-to-reach homes and businesses. The government wants to embed superfast broadband provision in the wider British economy and beyond the major cities, so that consumers and businesses benefit from speeds of more than 1GB per second. In March, it announced that up to **510,000 homes and businesses in England**, from Cornwall to Northumberland, would benefit.

Similar schemes are also in motion across **Scotland, Wales and Northern Ireland**. If Project Gigabit is a success, faster speeds will likely mean more Britons of all ages will be shopping online more regularly.

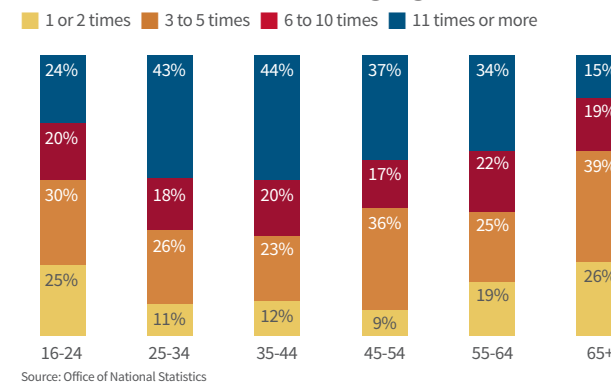
[1] [https://unctad.org/system/files/official-document/dtlstictinf2020d1\\_en.pdf](https://unctad.org/system/files/official-document/dtlstictinf2020d1_en.pdf)

[2] [www.gov.uk/government/news/government-launches-new-5bn-project-gigabit](https://www.gov.uk/government/news/government-launches-new-5bn-project-gigabit)

## E-shoppers by age group, 2015 to 2020



## Frequency of online purchases in the last three months, by age group





# Payment methods

Retailers must remove friction points across channels and offer popular payment options to attract shoppers

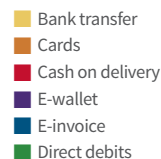
Until comparatively recently, it was easy to cater for UK consumers' online payment preferences. Unless an item was so large that it required finance options, British shoppers were happy to use **credit or bank cards**. This involved a cost to the retailer but was at least predictable.

By 2021, things had changed. In January 2021, **PayPal had 3 million active users of its app**,<sup>[1]</sup> while many consumers now favour payments via **Apple Pay, mobile wallets or banking apps**. In February 2021, the number of monthly active UK users of the Klarna smartphone app had grown by close to 200% year-on-year,<sup>[2]</sup> a figure driven in part by the company's 'buy-now-pay-later' offering.

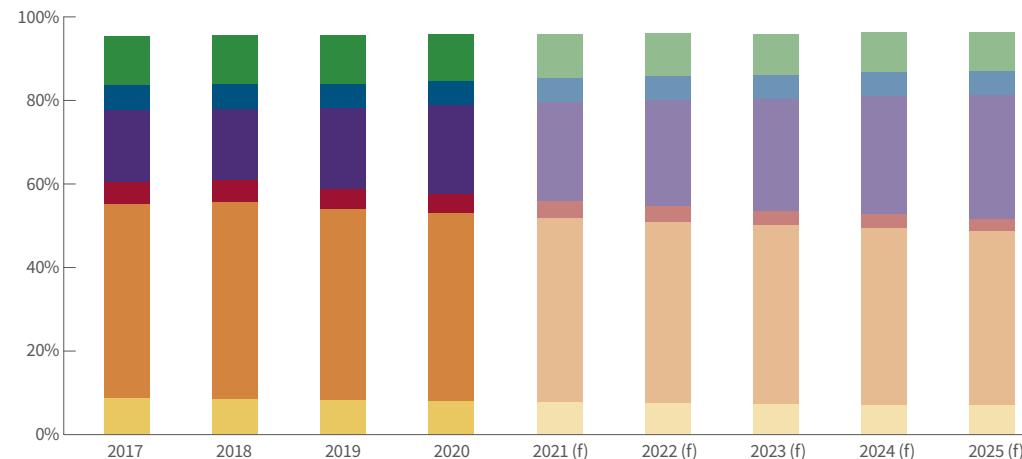
With so many choices, retailers need to constantly review their payment offerings. John Lewis, for example, adept at catering to Britain's aspirational middle classes, currently offers online payments via the following options:<sup>[3]</sup>

- Its own-brand Partnership Card
- Visa and MasterCard (including pre-paid cards)
- Maestro

## Most preferred payment method in the UK, 2017 to 2025 (f)



Source: Statista



- American Express
- PayPal
- Apple Pay
- Gift cards and vouchers

Looking at the wider market, **cards and e-wallets look set to dominate for the foreseeable future** but certain kinds of retailers may wish to consider other options:

- **Klarna:** many younger UK consumers favour the Klarna app because it enables them to spread the cost of purchases over three interest-free payments. Similarly, PayPal offers a Pay in 3 service. Older consumers, with more access to credit, may be less likely to use these

- **Catering for smartphones:** while not a payment method, many consumers are eschewing physical credit cards and using digital wallets or Apple Pay/Google Pay/Samsung Pay
- **E-invoices, bank transfers, cash on delivery and direct debits:** certain retail models match certain options – a subscription-based offering lends itself to payment by direct debit, for example
- **Cryptocurrency:** as yet, few British consumers show the same love for Bitcoin as Elon Musk due to bad press surrounding transaction times and environmental costs

[1] [www.statista.com/statistics/1137396/paypal-monthly-active-users-uk/](https://www.statista.com/statistics/1137396/paypal-monthly-active-users-uk/)

[2] [www.statista.com/statistics/1137411/klarna-monthly-active-users-uk/](https://www.statista.com/statistics/1137411/klarna-monthly-active-users-uk/)

[3] [www.johnlewis.com/customer-services/prices-and-payment/payment-options](https://www.johnlewis.com/customer-services/prices-and-payment/payment-options)

# Delivery methods

Innovative delivery strategies evolved in 2020 as a competitive UK delivery market faced unprecedented levels of demand

Demand for online delivery peaked in 2020, pushing many supermarkets and retailers to expand their capacity and seek new ways to sustain deliveries. In the short term, supermarkets responded by limiting their service, often to existing customers. Longer-term, retailers have expanded their delivery capacity while new players have emerged.

Tesco more than **doubled its delivery slots to 1.3m from 600,000**,<sup>[1]</sup> while also expanding collection capacity. Such expansion is taking place both in-house and via partnerships, with the Waitrose Rapid service using delivery company OntheDot and Aldi, new to grocery deliveries in 2020, working with Deliveroo. Gethir and **Dija, a new provider founded by ex-Deliveroo staff**,<sup>[2]</sup> both offer delivery within minutes from local hubs, with emerging local services prompting market consolidation. Genie in Cambridge, for example, is being bought by Dija.

The move towards fast delivery is most marked in the grocery market, although other retailer sectors are also adapting. Department store **John Lewis is using stores operated by its sister supermarket Waitrose**, along

## What are retailers in the UK offering to meet delivery expectations?



**1.9 Days** average transmit time to first delivery attempt



**97%** of parcels delivered to collection points are successfully picked up



**+29%** surge in parcel volume during Christmas season



**93%** of parcels are successfully delivered at first attempt

Source: Parcel Monitor



**57%** of retailers provide next-day delivery



**54%** of retailers offer click-and-collect as a delivery alternative



**+21%** of retailers produce free delivery for all orders with no minimum spend



**13%** of retailers offer nominated-day delivery

Source: RetailX

with retailers including the Co-op, to expand its collection services as part of a strategy of using delivery to get closer to its customers. Dunelm, Pets at Home and IKEA all now offer in-car click-and-collect services.<sup>[3]</sup>

RetailX research shows a move towards offering free delivery, either with all orders or for a minimum spend, while next-day delivery is becoming the norm, especially as part of a membership scheme. **Subscription services are being offered** by both established retailers, such as

Pets at Home and Amazon, and by new entrants including Floe oral care. Research from the Data & Marketing Association shows over 37% of UK shoppers using such a scheme.<sup>[4]</sup>

[1] <https://internetretailing.net/covid-19/covid-19/tesco-shows-how-it-adapted-as-shoppers-moved-online-fast-during-the-covid-19-lockdown--and-counts-the-costs-of-change-21616>

[2] <https://internetretailing.net/delivery/dija-starts-to-expand-beyond-london-as-it-targets-uk-and-european-operations-22890>

[3] <https://internetretailing.net/delivery/delivery/dunelm-rolls-out-deliver-to-car-click-and-collect-to-170-superstores-22576>

[4] <https://internetretailing.net/delivery/delivery/more-than-a-third-of-shoppers-now-subscribe-for-paid-next-day-delivery--while-14-subscribe-to-beauty-products-22664>

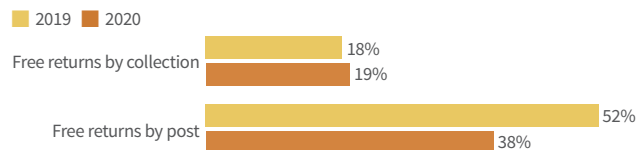
# Returns

## As online shopping accounts for more of the UK's retail purchases, retailers are dealing with more returns

The fast expansion of online sales during 2020 means that, inevitably, returns have also risen. UK law gives online customers two weeks to notify the retailer of a return and another two weeks to send it back – without needing to provide any reason.<sup>[1]</sup> **Many retailers offer even more time** in their often generous returns policies. RetailX research finds that the median returns policy offered by RetailX Top500 retailers in 2021 is 28 days.

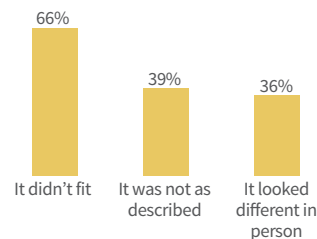
Research also suggests that UK retailers are moving towards offering free returns by post. In 2020, 51% of the RetailX UK Top500 offered this, up from 38% the previous year, with **fashion clothing and footwear (66%) retailers the most likely to offer it**. Fewer, however, offer free returns by collection, while returns via a drop-off at a third-party collection point is still offered by a minority. UK providers of returns services include collection point networks Collect+ and Duddle, locker company InPost and supermarket Asda. Recent innovations include an InPost locker-based service that enables shoppers to return an item simply by scanning a QR code. The service came as

## Share of retailers offering free returns on online orders in the UK, 2019–2020



Source: Statista, Ampersand

## Main reasons for returning items bought online in the UK, 2020



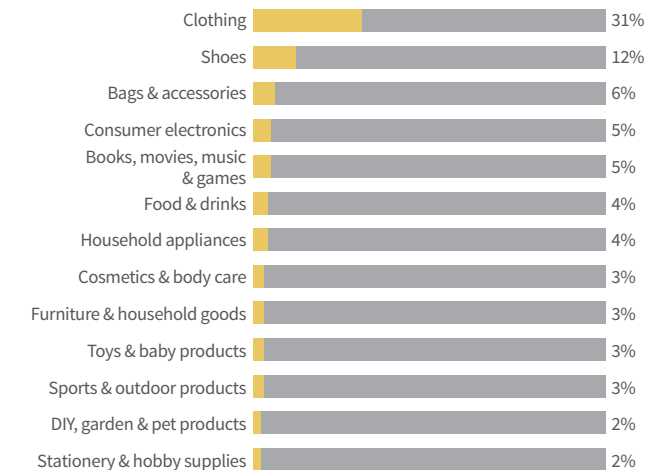
Source: Statista, Yotpo

InPost's own research showed that **44% of shoppers aged between 18 and 34 don't have a printer** at home to print returns labels.

Given that a Statista/Yotpo study found that 66% of respondents had returned an item because it didn't fit, it follows that ensuring the correct fit first time will become a priority for fashion retailers. **Seasalt (Fit Finder)** and **Asos (Fit Assistant)** are technologies that give a size based on a customer's height, weight and shape, as well as what size they take in other brands.

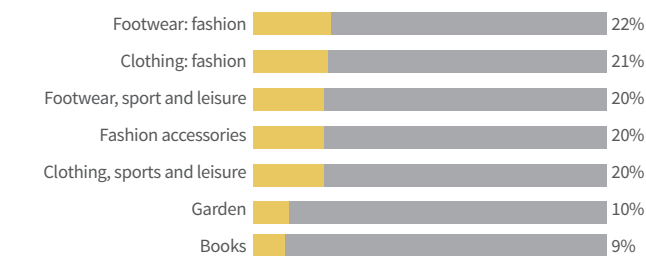
[1] [www.gov.uk/accepting-returns-and-giving-refunds](http://www.gov.uk/accepting-returns-and-giving-refunds)

## Online shopping: return rates



Source: Statista Global Consumer Survey

## Return via drop-off at a third-party location, 2021



Source: RetailX analysis

# Product categories

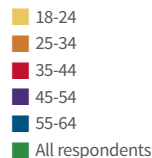
In the UK, there are myriad subtleties around the kinds of products consumers buy – and how much consumers spend

The way we spend money certainly changes as we age, but leaving aside life-changing events such as the birth of a first child, the changes are usually incremental rather than sudden. **As consumers, our interests remain rather more consistent than we may sometimes imagine.**

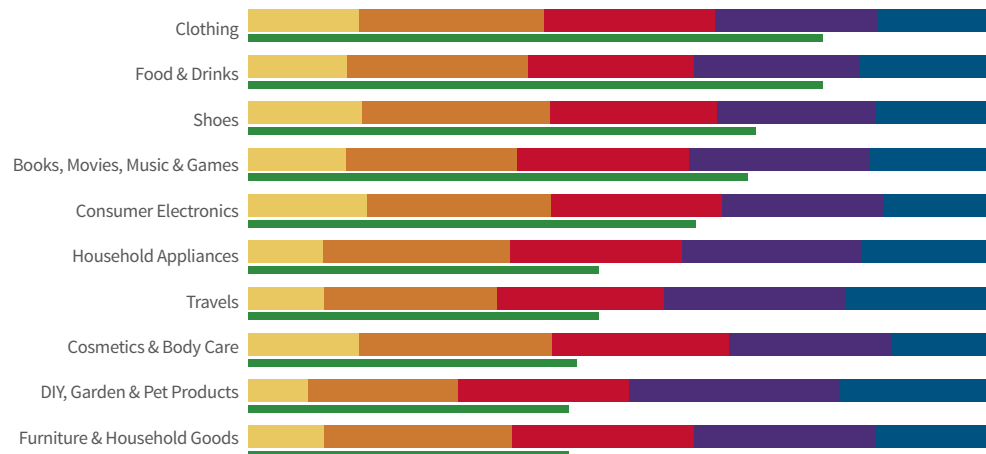
This idea is conveyed in figures around the interest of UK consumers in different product categories. Aged between 25 and 54, our interest in looking at clothing online hardly changes, with c25% interested. There is symmetry too in the number of those aged 18-24 (15%) and 55-64 (16%) interested in clothing – perhaps because consumers have less money to spend when they are younger, and have accumulated rather too many clothes when older.

Turning to the value of purchases, **those who are younger (16-24) are more likely to make online purchases costing £99 or less.** Those aged 35-54 are most likely to spend £1,000 or more, which corresponds to a point in life when many consumers buy large items for the home.

## Online behaviour: interest in product categories, by age group

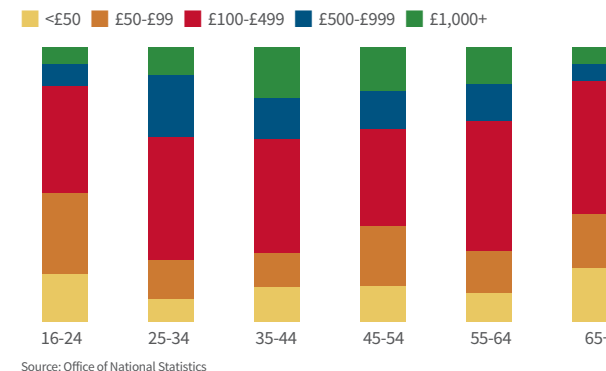


Source: Statista Global Consumer Survey



These findings may not seem surprising and yet **any retailer that plans to launch in the UK needs to have a nuanced understanding of what these numbers convey.** Consider consumers who are interested in looking at furniture and household goods online. Those aged between 25-34 are the most interested in this category, a figure that can be mapped onto the way the same age group often makes online purchases of £100-499, but not of £1,000-plus. A retailer targeting this market would be wise to **understand the interplay of aspiration and purchasing power** here, as well as offering items that will appeal to this age group and merchandising to them. Other sectors in the UK have similar subtleties.

## Total value of online purchases by age group in the last three months



# Holiday Season

Around Christmas, retailers in the UK market have to negotiate Black Friday while still trying to maintain margins

In 1951, the term Black Friday was first used to describe the day after Thanksgiving in the USA, in the journal *Factory Management and Maintenance*. At this point, it was a term associated with workers phoning in sick after the holiday weekend. **By 1981, Black Friday had become associated with retailers going into profit, 'in the black' as opposed to trading 'in the red',** but it was still an American phenomenon.<sup>[1]</sup>

It says much about the internationalisation of retail, driven by ecommerce, that it is now a term used around the world, associated with consumers beginning their Christmas shopping. In great part because of the marketing efforts of American behemoths such as Amazon and Walmart, consumers across the globe expect to find bargains not just on Black Friday, but across the weekend into **Cyber Monday, a day dreamt up by retailers to encourage people to shop online**, and even beyond.<sup>[2]</sup>

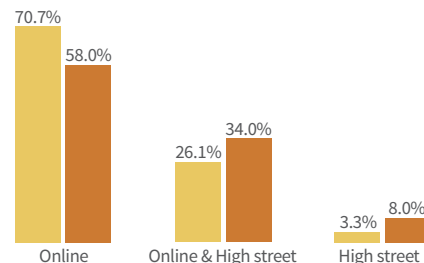
[1] [https://en.wikipedia.org/wiki/Black\\_Friday\\_\(shopping\)](https://en.wikipedia.org/wiki/Black_Friday_(shopping))

[2] [https://en.wikipedia.org/wiki/Cyber\\_Monday](https://en.wikipedia.org/wiki/Cyber_Monday)

## Black Friday and Cyber Monday

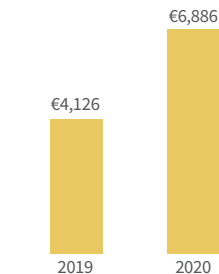
### Black Friday: UK online v high street preferences, 2019-2020

2019 2020



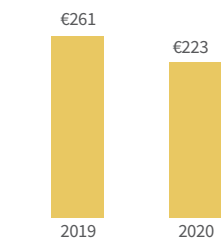
Source: Statista, Retail Assist

### Online sales for Black Friday-Cyber Monday, 2019-2020 (million €)



Source: VoucherCodes.co.uk

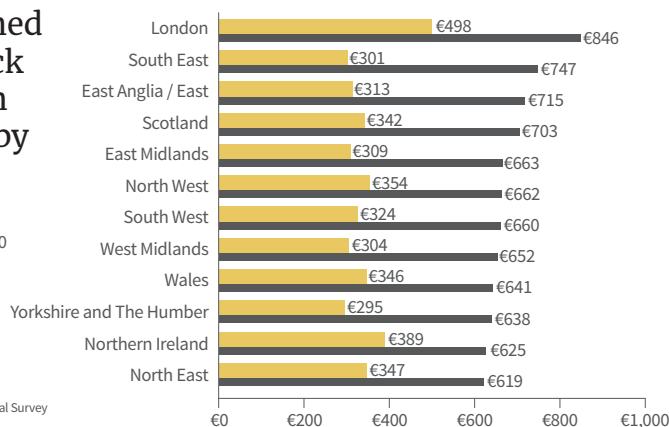
### Average spend per person during Black Friday in the UK 2019-2020, in €



Source: statista, Simon-Kucher & Partners

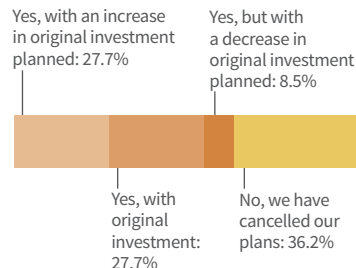
### Average planned spend for Black Friday sales in the UK 2020, by region, in €

Median weekly pay by region of residence, 2020



Source: Statista, finder.com, ONS, Annual Survey of Hours and Earnings, 2020

### Black Friday campaign launch plans of businesses, 2020



Source: Statista



In the UK, this has led to significant shifts in shopping patterns. Before the advent of ecommerce, retailers expected to be able to charge full price on goods in the run-up to Christmas, before discounting for sales that began on Boxing Day. Today, **to compete with Amazon, UK retailers effectively have to hold pre-Christmas sales while also merchandising full-price items with a better margin**, a delicate balance.

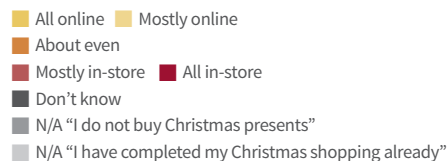
In 2020, matters were further complicated by the Covid-19 pandemic. Despite its effects on the economy though, many consumers continued to spend. **Government-backed furlough schemes helped keep levels of confidence high for those who qualified for payments**, while some consumers built up reserves of savings over months of working from home when they didn't spend disposable income on lunches and coffees.

Turning specifically to Christmas spending, the effects of the pandemic can be seen clearly in one major change in the pattern of expenditure: **consumers spent €34 on clothes and footwear in 2020, down from €63 in 2019**. It is likely that consumers, realistic enough to realise they were facing further weeks in lockdown, favoured athleisure over party frocks. According to Savills Research, this part of the market may be worth as much as £6.7bn over the next five years in the UK.<sup>[1]</sup>

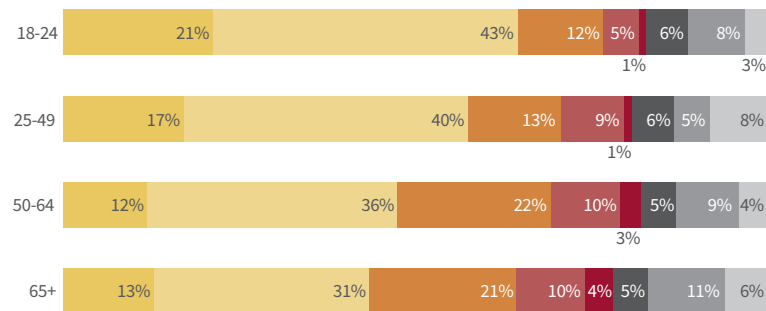
[1] [www.savills.com/open/fashion/why-athleisure-is-going-for-gold-in-the-uk-retail-market-during-lockdown/](http://www.savills.com/open/fashion/why-athleisure-is-going-for-gold-in-the-uk-retail-market-during-lockdown/)

## Christmas

### Holiday shopping channel preferences in the UK 2020, by age

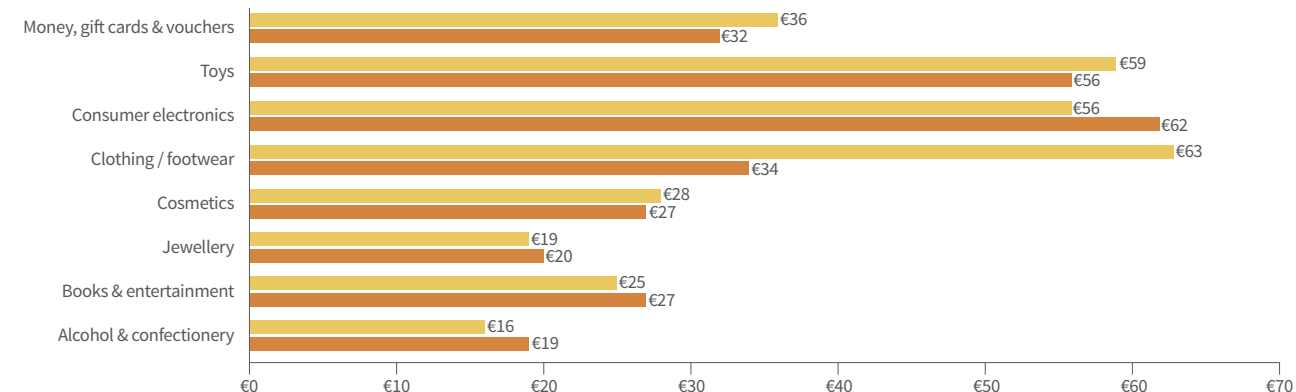


Source: Statista, YouGov



### Average Christmas gifts spend per head in the UK 2019–2020, by category (in €)

Legend: 2019 (Yellow), 2020 (Orange)



Source: Statista, CRR; VoucherCodes.co.uk

In terms of where people bought their Christmas shopping, most consumers did all or most of their shopping online. This is consistent with the picture across 2020, a year when Britons stayed at home. **John Lewis, for example, says that online now accounts for 60-70% of sales, as against 40% before the pandemic.**<sup>[1]</sup>

Finally, it is worth emphasising that many had to cut spending because of financial hardships. For all the comparative generosity of many government schemes,<sup>[2]</sup> **35% of consumers cited the “Impact that the pandemic has had on my finances” as a reason for spending less at Christmas.** Other reasons for spending less – the 26% who said “I don’t want to buy gifts/expensive gifts for people who may feel bad if they’re not able to do the same” – are also related to the effects of the pandemic.

Finally, for any retailer from outside the UK that considers it to be a homogeneous market, the figures for regional spending disprove this. **Northern Irish consumers, in particular, spend far more heavily at Christmas than their counterparts elsewhere in the UK,** especially when you factor in average wages. A 2019 survey suggested this may be partly down to toy expenditure, £100 more per head for children than elsewhere in the four nations.<sup>[3]</sup>

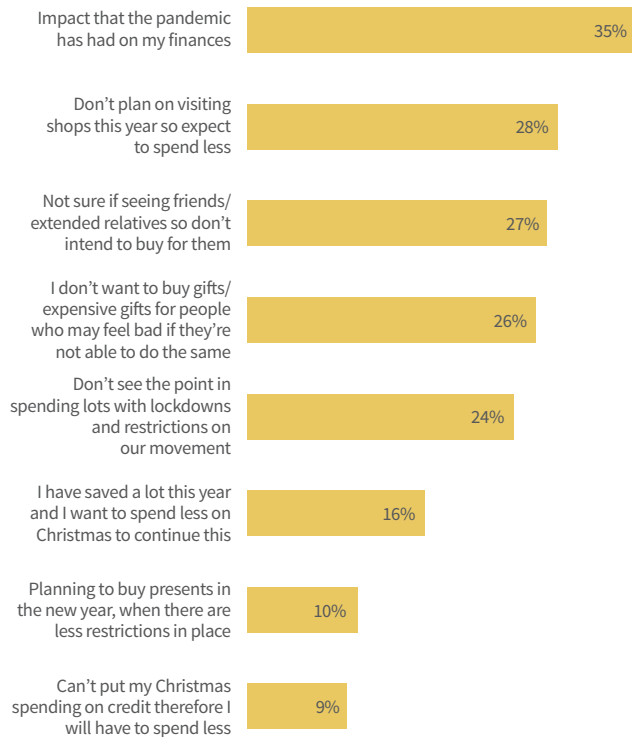
[1] [www.johnlewispartnership.co.uk/content/dam/cws/pdfs/Juniper/JohnLewis/John-Lewis-Shop-Live-Look-Report-2020.pdf](http://www.johnlewispartnership.co.uk/content/dam/cws/pdfs/Juniper/JohnLewis/John-Lewis-Shop-Live-Look-Report-2020.pdf)

[2] [www.gov.uk/coronavirus/worker-support](http://www.gov.uk/coronavirus/worker-support)

[3] [www.belfasttelegraph.co.uk/news/northern-ireland/weve-spent-1500-on-toys-already-generous-northern-ireland-parents-happy-to-shell-out-100-more-than-uk-average-on-kids-christmas-gifts-38761248.html? \[registration required\]](http://www.belfasttelegraph.co.uk/news/northern-ireland/weve-spent-1500-on-toys-already-generous-northern-ireland-parents-happy-to-shell-out-100-more-than-uk-average-on-kids-christmas-gifts-38761248.html? [registration required])

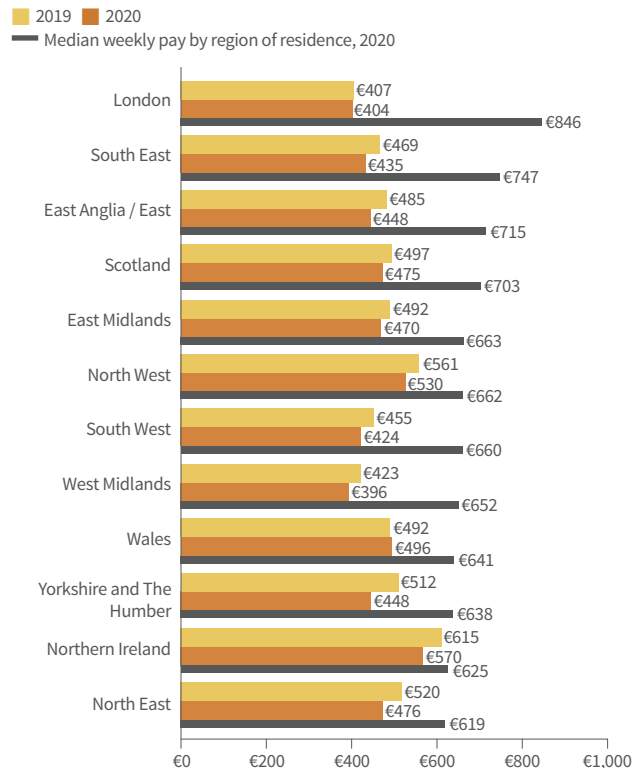
## Christmas

### Consumer reasons for spending less during Christmas in the UK 2020



Source: Statista, finder.com; OnePoll

### Average Christmas spending in the UK 2019–2020, by region (in €)



Source: Statista, PwC, ONS, Annual Survey of Hours and Earnings, 2020

# Covid-19

## Hopeful voices have always wanted crises to “all be over by Christmas”, yet history rarely wraps up things so neatly

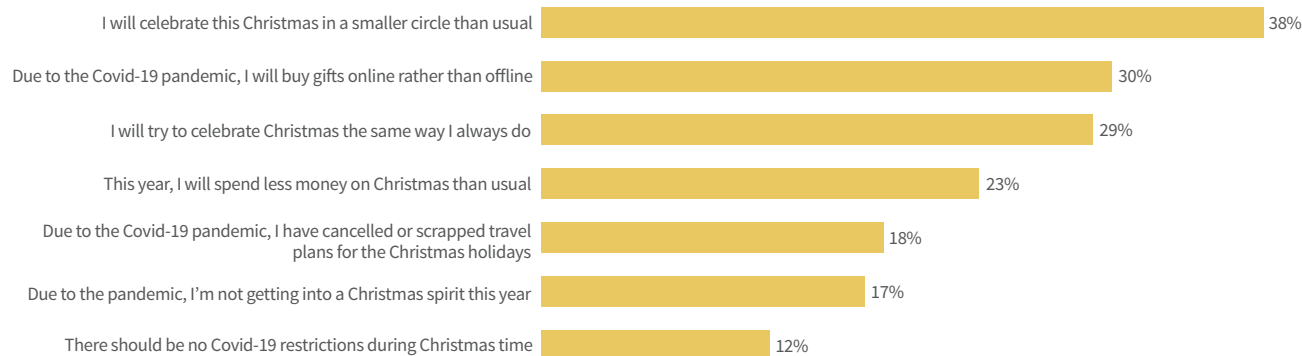
In the days running up to Christmas 2020, Boris Johnson, a politician whose public persona relies on bullishness and boosterism, was very clear. On 16 December 2020, the British prime minister said it would be “**frankly inhuman**” to “**cancel**” **Christmas** as he announced guidelines that would enable Britons to gather over the holiday season.<sup>[1]</sup> Yet as the number of Covid-19 cases surged in a prelude to a tighter lockdown, Johnson was forced into a U-turn, not his first of the pandemic. In truth, few Britons were surprised by this course of action. Even with the lockdown, the number of **new daily cases would peak** at the turn of the year, before falling steadily from a very high peak over the rest of the winter and into early spring.<sup>[2]</sup>

While there was understandable upset over the idea of not being able to see loved ones, Statista research shows that 38% agreed with the statement, “I will celebrate this Christmas in a smaller circle than usual,” as against 29% who said they’d try to celebrate as usual.

[1] [www.theguardian.com/world/video/2020/dec/16/boris-johnson-it-would-be-inhuman-to-cancel-christmas-video](http://www.theguardian.com/world/video/2020/dec/16/boris-johnson-it-would-be-inhuman-to-cancel-christmas-video)

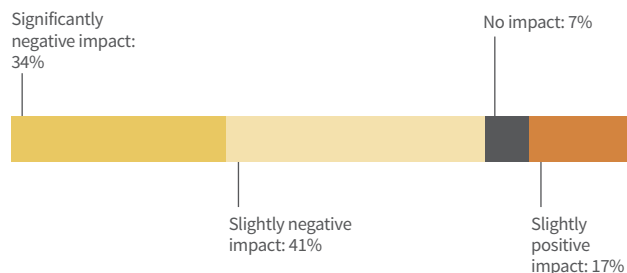
[2] <https://coronavirus.data.gov.uk/details/cases/>

## Attitudes towards Christmas and the coronavirus pandemic in the UK, 2020



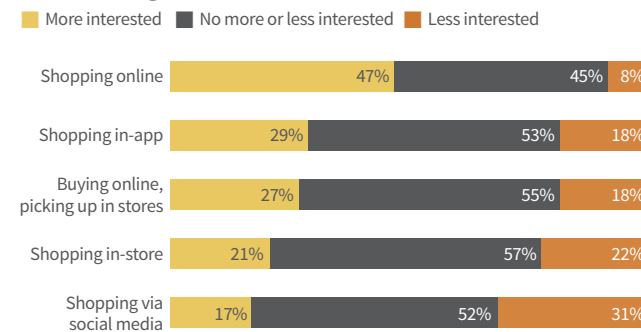
Source: Statista Global Consumer Survey / When you think of the Covid-19/coronavirus pandemic during Christmas time, which of the following statements do you agree with?

## Covid-19: retailer perceptions of the pandemic's impact on UK sales, 2020



Source: Statista, Squire Patton Boggs; Retail Economics / If the coronavirus persists, what impact do you think this will have on your sales?

## Covid-19's impact on holiday shopping methods UK, 2020



Source: Statista, Salesforce Research / Compared to last year, how interested are you in shopping for the holidays in the following ways?

This caution was reflected in attitudes towards ecommerce, with research from Salesforce suggesting that **47% of UK consumers were more interested in shopping online** over the holiday period because of the Covid-19 pandemic. While the figures for other kinds of digitally enabled shopping suggest less enthusiasm – 21% said they were more interested in shopping, perhaps simply because lockdown was becoming dreary and isolating after so many months – the numbers suggest a growing acceptance of ecommerce.

Nevertheless, the rise in ecommerce was not enough to make up for lost sales. Asked in a survey, “If the coronavirus persists, what impact do you think this will have on your sales?” **75% of respondents said the effect will be negative.**

Longer term, much has been made of how the Covid-19 pandemic is leading to an acceleration in the development of ecommerce. In August 2020, IBM’s US Retail Index estimated the pandemic had accelerated the shift away from physical stores to digital shopping by approximately five years.<sup>[1]</sup> While this is at the high end of estimates, this kind of change is happening across the globe. As the world reopens, **not all physical retail infrastructure will reopen** with it. John Lewis, for example, recently announced that eight of its stores will close down for good<sup>[2]</sup>, including large department stores in the cities of Aberdeen, Peterborough, Sheffield and York.

**“As the world reopens, not all physical retail infrastructure will reopen with it. John Lewis recently announced that eight of its stores will close for good”**

How much this will affect retailers’ ecommerce offerings over the longer term is, as yet, less clear. Looking at research into changes in delivery return options during the UK’s pandemic, it’s striking how little they changed. As for delivery options, the option that has been growing steadily in popularity is for a specified delivery window. In a country where it’s something of a national pastime to grumble about missed parcels, perhaps this kind of service represents an acceptable compromise to consumers who do not want to wait around for a delivery all day, but do not necessarily want to pay for a next-day delivery either.

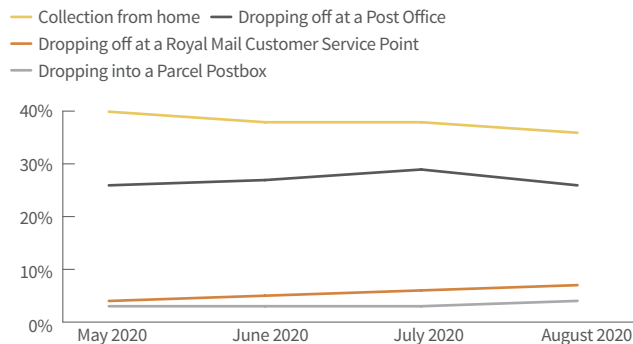
A final piece of evidence that ecommerce will continue to be more popular after lockdown came with Royal Mail’s announcement that it is to trial Sunday parcel deliveries for major retailers.<sup>[3]</sup> As for who will deliver these parcels, a clue may lie in the additional news that **Royal Mail is to retain 10,000 of the 33,000 temporary workers** it took on to help it through the Christmas period.

[1] <https://techcrunch.com/2020/08/24/covid-19-pandemic-accelerated-shift-to-e-commerce-by-5-years-new-report-says/>

[2] [www.bbc.co.uk/news/business-56511374](http://www.bbc.co.uk/news/business-56511374)

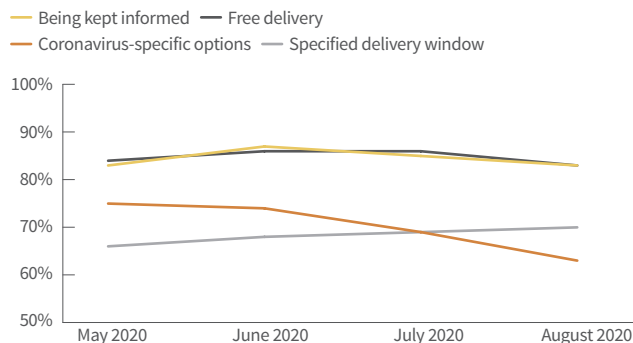
[3] [www.bbc.co.uk/news/business-56362491](http://www.bbc.co.uk/news/business-56362491)

## Changes in delivery return options during the UK Covid-19 pandemic, 2020



Source: Statista, Royal Mail, Trinity Queen

## Impact of Covid-19 on different online delivery options in the UK, 2020



Source: Statista, Royal Mail, Trinity Queen

# The first days of a post-Brexit world

## The rhetoric of Project Fear versus Sunlit Uplands is in the past as the UK faces up to the realities of life outside the EU

Whatever thoughts those who manage major British retailers may have had about leaving the European Union, there was at least some evidence of guarded optimism in the run-up to the end of the transition period, on 31 December 2020.

In November 2020, Arlington Research, on behalf of PFS, surveyed 150 decision-makers working in UK online and omnichannel retailers within the jewellery, cosmetics, fashion and consumer goods sectors, all in companies with more than 250 employees.<sup>[1]</sup> A little more than half of respondents (54%) **expected to be fully prepared for what lay ahead**, although 29% admitted they had yet to make any preparations. Despite an underlying determination to make the best of things, **most of the respondents expected trouble ahead** with, for example, 67% saying they were preparing for an order backlog in Q1 2021 and 34% expecting an increase in customer complaints over the same period as a direct result of Brexit.

In the event, it would seem to be the pessimists who have been proved right, at least in the short-term. As we noted earlier in the Market Context section, Office for National Statistics figures revealed a **40.7% decline in exports to the EU in January 2021**. Even allowing for the effects of the Covid-19 pandemic and the problems of such sectors as the fisheries industry<sup>[2]</sup>, it is safe to surmise that some of that figure was made up of lost retail exports.

Many businesses have been hit hard. Kiddimax<sup>[3]</sup> is an online toy shop that used to export £600,000 of toys to France, Italy, Spain and Germany. Its problem is these are goods primarily made in China and which now attract tariffs, decimating this part of its business. This is not to say companies cannot overcome these kinds of problems. Trunki, which makes children's suitcases and sells direct from its website as well as wholesale, has **decided to set up a warehouse in the Netherlands** in order to minimise the disruptions that, for example, led to 18 pallets being returned to the UK because of customs problems<sup>[4]</sup>. It is not alone in pursuing this strategy.

Looking to the longer term, these types of issues may not be teething problems. The December 2019 election not only gave Boris Johnson a substantial majority but also changed the makeup of the ruling Conservatives, increasing the number of MPs who are deeply Eurosceptic. For both UK retailers wanting to export and European retailers wanting to sell to the UK, this is the new reality.



These issues may well force UK retailers to be more innovative in the long-term. Meantime, the next few months will be intriguing. Brexit has often been described as a national slow puncture, which has led to suggestions **the government will ultimately be forced to make concessions over trade with Europe**. Perhaps, but any changes are unlikely to be soon enough or fundamental enough to triage Brexit's impact, and so the onus is upon brands and retailers not only to master the new red tape reality, but to seek new markets – hence 2021 will be a year of frenetic activity for UK retailers.

[1] <https://uk.pfscommerce.com/blog/retailers-cutting-fine-with-brexit-preparedness/>

[2] [www.bbc.co.uk/news/46401558](https://www.bbc.co.uk/news/46401558)

[3] [www.toynews-online.biz/2021/01/21/brexit-no-good-news-story-here-for-small-business-toy-sellers-hit-by-rising-import-charges/](https://www.toynews-online.biz/2021/01/21/brexit-no-good-news-story-here-for-small-business-toy-sellers-hit-by-rising-import-charges/)

[4] [www.theguardian.com/politics/2021/mar/13/uk-exporters-brexit-damage-costs-customs-paperwork](https://www.theguardian.com/politics/2021/mar/13/uk-exporters-brexit-damage-costs-customs-paperwork)



# The Largest 100

## What does RetailX data say about the largest 100 retailers that sell within the United Kingdom?

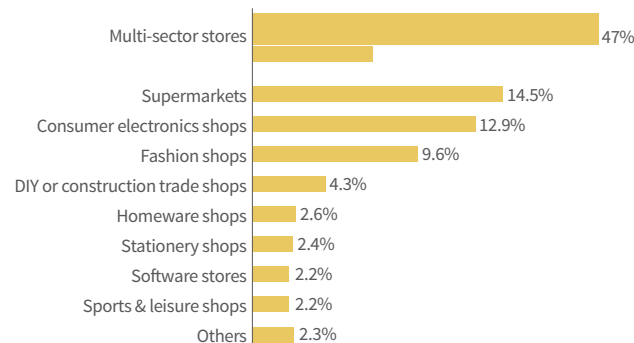
Understanding where – and in which categories – UK shoppers browse when they are online offers useful insights into demand. Such data puts a spotlight on some of the commercial opportunities available to those retailers and brands that are considering investing in this market. RetailX researchers worked with SimilarWeb to explore customer visits to the leading 100 websites in the UK market.

The web traffic analysis is used here to show where key retailers selling to the UK market are based. It shows what type of goods local online shoppers are interested in. It also shines a light on the way that UK browsers explore other international markets, as well as on which international shoppers take an interest in UK web stores.

Almost half of UK web visits to the leading 100 retailers go to websites selling across a number of categories. These **multi-sector stores, likely led by Amazon**, attract 47% of retail traffic in the UK market. Supermarkets take the second largest share, at 14.5%. Online spending has grown

## Web traffic split by sector

The percentage of unique visits over 12 months to the Largest 100 retailers, split by sector



Source: SimilarWeb, RetailX

fast at UK supermarkets over the last year. ONS figures<sup>[1]</sup> suggest that **in February 2021, ecommerce food sales were 141.3% higher than a year earlier**. At the same time, online sales of food accounted for 11.9% of sales in the sector. That's up from 5.4% in February 2020<sup>[2]</sup>, immediately before the Covid-19 pandemic started.

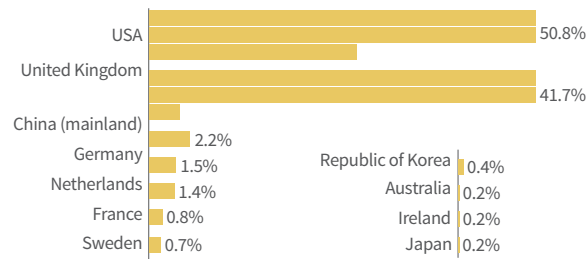
Consumer electronics shops also have a double-digit share (12.9%) of web traffic to the retailers that lead the UK market. Retailers in this category have benefited in recent months as shoppers have gone online to equip

[1] [www.ons.gov.uk/releases/retailsalesgreatbritainfebruary2021](https://www.ons.gov.uk/releases/retailsalesgreatbritainfebruary2021)

[2] [www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/february2020](https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/february2020)

## UK web traffic to the Largest 100 split by retailers' countries of origin

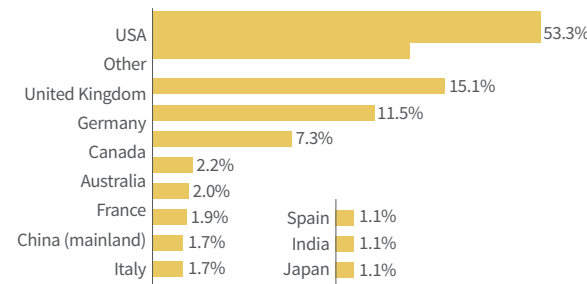
The Largest 100 retailers in the UK are not necessarily headquartered in the UK. (See the chart on the following page.) This chart shows the percentage of unique visits to the Largest 100 retailers split according to where the company is based



A huge proportion of web traffic goes to marketplaces (and, in particular, to Amazon and eBay) which are based in the USA. UK-based companies are the dominant destination of web traffic when marketplaces are excluded

Source: SimilarWeb, RetailX

## Web traffic from other countries to the Largest 100 UK retailers



Source: SimilarWeb, RetailX

themselves both for home working – with people asked to work from home for most of the last year – and for in-home entertainment during Covid-19 lockdowns.

Websites selling **fashion clothing and accessories** have **9.6% of UK retail traffic**, according to the RetailX/SimilarWeb figures. The relatively high share comes as most single category clothing retailers have had to shut during repeated lockdowns in the last year, while many have stopped permitting shoppers to try on clothing in stores for the duration of the pandemic.

DIY and trade outlets (4.3%), homewares (2.6%), stationery (2.4%) and software sites have the next largest shares of retail traffic in the UK, perhaps reflecting trends driven by the growth of working from home and of families spending more time at home.

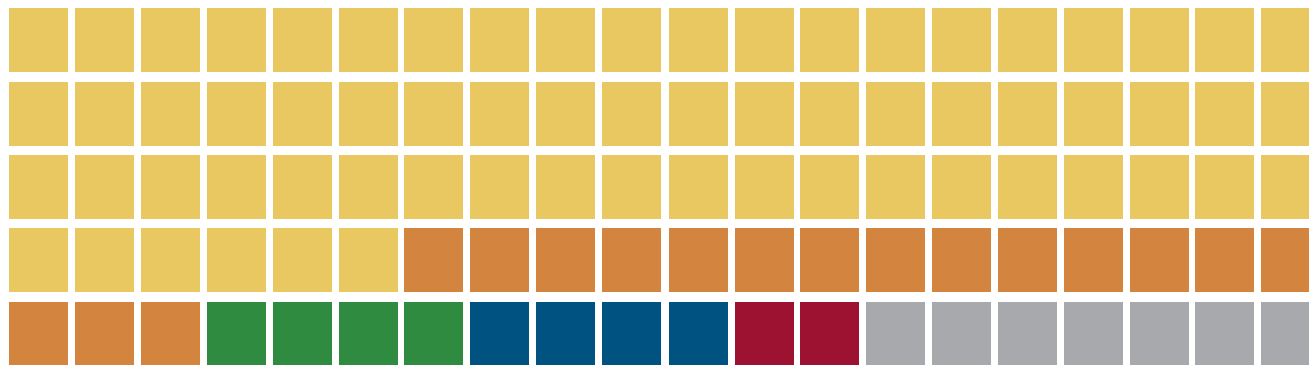
## Geographical insights

The United Kingdom market is **characterised by diversity and an international outlook**, with shoppers eager to buy online from retailers based around the world. Two-thirds (66%) of the largest 100 retailers that sell to the UK market have their headquarters within that market. The second largest group comes from the United States (17%), followed by mainland China (4%), Germany (4%) and France (2%). Traders selling to the UK also hail from Australia, Ireland, Japan, South Korea, the Netherlands and Sweden.

## Countries where the Largest 100 are headquartered

The Largest 100 are selected based on web traffic from UK consumers and are not necessarily based in the UK itself. This chart shows, however, that the vast majority of the companies are based in the UK

United Kingdom USA China (mainland) Germany France Other



Source: RetailX

Although more than half of the Largest 100 retailers in the UK market are from the UK, the presence of market-leading Amazon means that more than half of retail traffic from the UK goes to websites whose headquarters are in the US (50.8%). That's followed by the UK, at 41.7%. The remaining 7.5% of traffic goes to retailers based in mainland China (2.2%), followed by Germany (1.5%), the Netherlands, France, Sweden, Korea, Australia and Ireland.

**This is two-way traffic**, according to RetailX/SimilarWeb analysis, which suggests that those leading retailers based in the UK collectively see more than half their traffic come

from shoppers in the US (53.3%). Shoppers from the UK account for 11.5% of UK retailers' traffic, with the next largest national groups from Germany (7.3%), Canada (2.2%), Australia, France, China, Italy, Spain, India and Japan. This **diversity of customers interested in UK retailers** is illustrated by the 15.1% of traffic to UK sites from beyond the 11 countries analysed individually.

Web traffic insights show that the extent to which shoppers from across the world visit UK websites. It also shows how shoppers from the UK look to other markets while researching products to buy.

# In focus: the UK high street

As customers return to urban centres after a year of lockdowns, the high street is a very different one from a year ago

Until recently, planners and local officials had a straightforward strategy when it came to attracting footfall within the UK's cities. Shopping districts needed to have an anchor store such as a large department store or, in smaller communities, even a smaller branch of a chain. The idea was that people visiting these anchor stores would browse elsewhere in the district, helping to support an ecosystems of smaller shops as well as other customer-facing businesses such as restaurants, cafés and bars.

In the 21st century, this proposition no longer looks so straightforward. “**The days of stacking stuff high and selling it fast are completely and utterly over,**” noted UK retail expert Mary Portas in December 2020. “The brands that dominated did that for years and they failed to offer anything beyond mediocrity.”<sup>[1]</sup> As a result, she added, many of these names would not be missed. Her remarks reflect the idea that, even before the economic effects of the pandemic began to bite, many retailers on the British

high street were already in trouble. In 2020, such familiar names as Debenhams, along with businesses in Philip Green's Arcadia Group such as Top Shop and Dorothy Perkins, all closed their doors forever. Add in the stores that will not reopen in the wake of the pandemic and the **prospects for the high street seem bleak**, especially when you consider how, for example, Asos has bought Topshop, Topman and Miss Selfridge as brand names to add its online portfolio, without seeing any need to take on these retailers' store portfolios.<sup>[2]</sup>

Leaving aside all other factors, this news is understandable just in terms of what it costs to run stores. For many years, retailers have complained that rents are too high and leases too restrictive, yet rents have continued to rise. This may be changing. According to Andy Pyle, head of real estate at KPMG in the UK<sup>[3]</sup>, **retail property valuations could now be 50% below their previous peak**, making rent inflation unsustainable.

Yet it would be premature to proclaim the death of the UK high street just yet. Rather, **the pandemic has brought the need to rethink its future** into sharp focus, as the culmination of a process that arguably began back as far back as the noughties, when concerns about “clone towns” – high streets full of identikit mid-range chain stores – first began to be expressed.<sup>[4]</sup> Put simply, too many of Britain's high streets had become drab and dull.

However, focus in on selected communities around the country and there are new signs of life. Many of those moving into the high street, typically those running smaller businesses, are taking advantage of a decline in rents. They trade in both the real world and the virtual world from the very start. **They bring excitement, a strong customer service ethos and a sense of individuality back to urban centres**, making them places people want to visit.

For imaginative larger retailers, there is an opportunity here, not necessarily to open large, traditional stores, but to consider, for example, **showroom-style hybrids and pop-up ventures** in areas that are showing new signs of life and bustle. Without underestimating the issues, especially in less economically advantaged towns, the high street in the UK is not so much dead as ripe for reinvention.

“For many years, retailers have complained that rents are too high and leases too restrictive, yet rents have continued to rise”

[1] [www.theguardian.com/business/2020/dec/06/dont-save-the-high-street-change-it-completely-says-retail-guru-mary-portas](https://www.theguardian.com/business/2020/dec/06/dont-save-the-high-street-change-it-completely-says-retail-guru-mary-portas)

[2] [www.bbc.co.uk/news/business-55884596](https://www.bbc.co.uk/news/business-55884596)

[3] <https://home.kpmg/uk/en/home/insights/2021/01/future-of-towns-and-cities-post-covid-19.html>

[4] [www.dailymail.co.uk/news/article-1312055/UKs-ultimate-clone-town-4-10-high-streets-identikit-places.html](https://www.dailymail.co.uk/news/article-1312055/UKs-ultimate-clone-town-4-10-high-streets-identikit-places.html)

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# UK report data sources

To supplement our own research in our analysis for this Report, we drew on these sources. While each one is referenced next to the chart or graphic they are used in, for transparency, here are all the links:

**Population:** [www.worldometers.info/world-population/uk-population/](http://www.worldometers.info/world-population/uk-population/)

**Currency exchange:** [www.xe.com/ucc/](http://www.xe.com/ucc/)

**GDP:** [www.quandl.com/data/ODA/GBR\\_NGDP-United-Kingdom-GDP-at-Current-Prices-LCU-Billions](http://www.quandl.com/data/ODA/GBR_NGDP-United-Kingdom-GDP-at-Current-Prices-LCU-Billions)  
[www.ons.gov.uk/](http://www.ons.gov.uk/)

**B2C:** [www.emarketer.com/content/pandemic-pushes-uk-retail-ecommerce-past-30-of-total-retail-sales-2020](http://www.emarketer.com/content/pandemic-pushes-uk-retail-ecommerce-past-30-of-total-retail-sales-2020)

**Logistics performance index:** <https://lpi.worldbank.org/>

**Ease of doing business:** <https://data.worldbank.org/indicator/IC.BUS.EASE.XQ?locations=GB>

**E-government development index:** <https://publicadministration.un.org/egovkb/en-us/data-center>

**Internet inclusive index** <https://theinclusiveinternet.eiu.com/explore/countries/performance>

**Age structure:** [www.indexmundi.com](http://www.indexmundi.com)

**Internet user:** [www.statista.com/statistics/553589/predicted-internet-user-penetration-rate-in-the-united-kingdom-uk/](http://www.statista.com/statistics/553589/predicted-internet-user-penetration-rate-in-the-united-kingdom-uk/)

**Frequency of internet use by age group:** [www.ons.gov.uk/](http://www.ons.gov.uk/)

**Percentage of population shopping online:** <https://ec.europa.eu/eurostat/data/database>

**E-shoppers by age group:** [www.ons.gov.uk/](http://www.ons.gov.uk/)

**Frequency of online purchases** [www.ons.gov.uk/](http://www.ons.gov.uk/)

**Most preferred payment methods:** [www.statista.com/outlook/dmo/ecommerce/united-kingdom#revenue](http://www.statista.com/outlook/dmo/ecommerce/united-kingdom#revenue)

**Delivery methods:** [www.parcelmonitor.com/](http://www.parcelmonitor.com/)

**Share of retailers offering free returns:** [www.statista.com/statistics/1096394/multichannel-retailers-offering-free-returns/](http://www.statista.com/statistics/1096394/multichannel-retailers-offering-free-returns/)

**Main reasons for returning items:** [www.statista.com/statistics/1175417/reasons-for-returning-online-purchases-in-the-united-kingdom/](http://www.statista.com/statistics/1175417/reasons-for-returning-online-purchases-in-the-united-kingdom/)

**Online shopping return rates:** [www.statista.com/global-consumer-survey](http://www.statista.com/global-consumer-survey)

**Interest in product categories by age group:** [www.statista.com/global-consumer-survey](http://www.statista.com/global-consumer-survey)

**Total value of online purchases:** [www.ons.gov.uk/](http://www.ons.gov.uk/)

**Black Friday – online versus high street shopping:**

[www.statista.com/statistics/910611/black-friday-online-high-street-shopping-united-kingdom-uk/](http://www.statista.com/statistics/910611/black-friday-online-high-street-shopping-united-kingdom-uk/)

**Online sales for Black Friday-Cyber Monday:** [vouchercode.co.uk](http://vouchercode.co.uk)

**Average spend per person during Black Friday:** [www.statista.com/statistics/934968/black-friday-average-spend-by-country-europe/](http://www.statista.com/statistics/934968/black-friday-average-spend-by-country-europe/)

**Average planned spend for Black Friday sales:** [www.statista.com/statistics/784622/black-friday-average-planned-spend-by-region-great-britain/](http://www.statista.com/statistics/784622/black-friday-average-planned-spend-by-region-great-britain/)

[www.ons.gov.uk/](http://www.ons.gov.uk/)

**Black Friday campaign launch:** [www.statista.com/statistics/1188471/black-friday-campaign-launch-plans-europe-by-country/](http://www.statista.com/statistics/1188471/black-friday-campaign-launch-plans-europe-by-country/)

**Holiday shopping channel preferences in the UK:** [www.statista.com/statistics/1190811/holiday-shopping-channel-preference-united-kingdom-by-age/](http://www.statista.com/statistics/1190811/holiday-shopping-channel-preference-united-kingdom-by-age/)

**Average Christmas gifts spend per head:** [www.statista.com/statistics/1184362/average-christmas-spend-on-gifts-united-kingdom/](http://www.statista.com/statistics/1184362/average-christmas-spend-on-gifts-united-kingdom/)

**Reasons for spending less during Christmas:** [www.statista.com/statistics/1193435/consumer-reasons-for-spending-less-christmas-uk/](http://www.statista.com/statistics/1193435/consumer-reasons-for-spending-less-christmas-uk/)

**Average Christmas spending per region:** [www.statista.com/statistics/1191944/average-christmas-spending-uk-by-region/](http://www.statista.com/statistics/1191944/average-christmas-spending-uk-by-region/)  
[www.ons.gov.uk/](http://www.ons.gov.uk/)

**Covid-19: retailer perception on the impact of coronavirus on sales:** [www.statista.com/statistics/1102180/coronavirus-impact-on-retail-sales-uk/](http://www.statista.com/statistics/1102180/coronavirus-impact-on-retail-sales-uk/)

**Attitudes towards Christmas and coronavirus pandemic:** [www.statista.com/forecasts/1192173/attitudes-towards-christmas-and-the-coronavirus-pandemic-in-the-uk](http://www.statista.com/forecasts/1192173/attitudes-towards-christmas-and-the-coronavirus-pandemic-in-the-uk)

**Covid-19 impact on holiday shopping:** [www.statista.com/statistics/1182732/shopping-method-interest-holiday-season-uk/](http://www.statista.com/statistics/1182732/shopping-method-interest-holiday-season-uk/)

**Change in delivery return options selection during coronavirus:** [www.statista.com/statistics/1170461/coronavirus-change-delivery-return-preference-uk/](http://www.statista.com/statistics/1170461/coronavirus-change-delivery-return-preference-uk/)

**Impact of coronavirus on different online delivery options:** [www.statista.com/statistics/1169783/coronavirus-effect-online-delivery-options-uk/](http://www.statista.com/statistics/1169783/coronavirus-effect-online-delivery-options-uk/)

# Conclusion

On 8 December 2020, 90-year-old Margaret Keenan became the first person in the world to be given the Pfizer Covid-19 jab as part of a mass vaccination programme. **By 28 March 2021, more than 30 million Britons had received their first vaccinations.** While British politicians have continued to urge people to respect social distancing guidelines, there is now a fragile sense of optimism in the UK.

For UK retailers, this can only be good news, especially when you factor in the idea that many Britons, despite the hardships of lockdown, have increased their savings over the past year. **Many consumers have money to spend** and, with foreign holidays still a distant possibility due to fears of new coronavirus variants spreading, they may choose to spend the money with retailers as the country emerges from lockdown. We may even see UK retail hitting an unseasonal peak over the late spring and summer.

If so, the experiences of the last few months may serve UK retailers well. After all, many have had to switch emphasis from physical stores to ecommerce with little, if any, time for preparation. Often, those that coped best with the changes were **businesses that were nimble and prepared to iterate quickly** rather than get lost in too much pre-planning. The benefit of light, flexible and partnership-based approaches have often been evident.

Looking further ahead, as we have noted throughout this report, this kind of stress-testing may well prove to be of immense benefit to UK retailers and retail brands, and help them to maintain their status as industry leaders.

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