

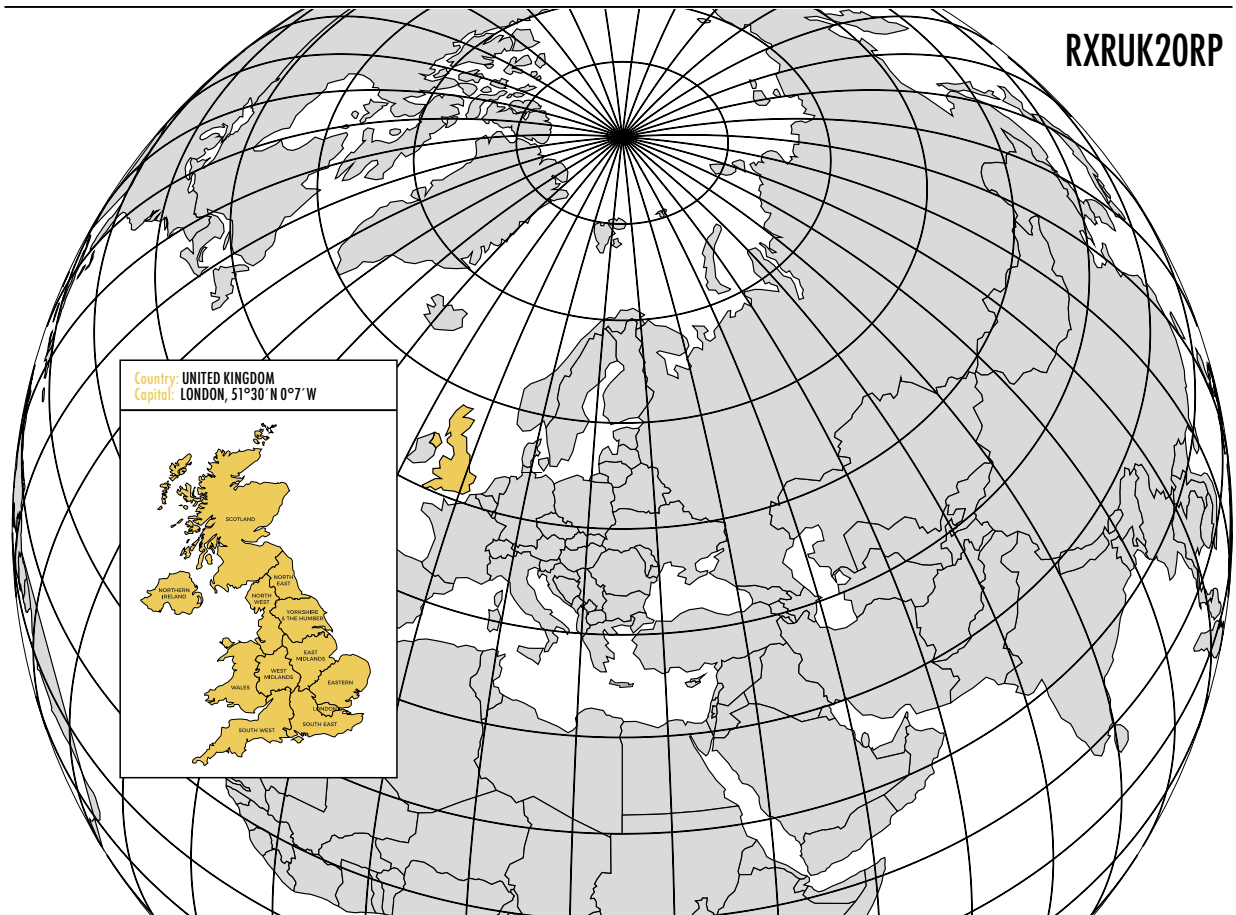


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# UNITED KINGDOM 2020

## Ecommerce Country Report



RXRUK20RP

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We have been providing members of the international multichannel retail community with research, news and analysis - both printed and digital - for several years now, with increasing depth and frequency.

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Membership remains FREE to qualifying retailers and brands, and we look forward to welcoming you to our membership, as we work to make InternetRetailing's research and analysis evermore relevant and useful to your business.

With regards,



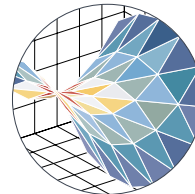
Editor-in-Chief, InternetRetailing



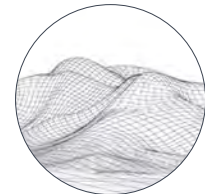
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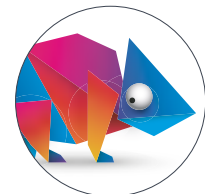
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# WELCOME



Welcome to the UK Ecommerce Country Report, the second in our series analysing key ecommerce markets in Europe and around the world. With the coronavirus causing government-mandated cessation of business activity as the authorities prioritise the health of citizens, it arrives in extraordinary times.

Just how extraordinary is indirectly revealed by figures compiled by the Office for National Statistics (ONS). In February 2020, the ONS reported sales of clothing and footwear were slightly up on the previous three months, while food sales were slightly down. Here was business as usual. Now contrast this with Kantar analysis from March, which found the average spend at supermarkets had increased by more than £22 as so-called 'accidental stockpilers' purchased a few extra items.

Since then, the UK has gone into lockdown as social distancing measures have been enacted. In the short term, retailers selling everything from home office supplies to televisions have seen a rise in online sales, while supermarkets' online delivery slots are scarce and rationed, given the increased demand.

RetailX is providing data for InternetRetailing's coverage of the coronavirus crisis. Head to <https://internetretailing.net/covid-19> for rolling reports. Here, you will find a link to our tracker polling UK consumers over their attitudes to retail in the current climate. As for how all this will play out in the longer term, it's difficult to say, but it seems likely that some familiar names may cease trading. Other companies, ranging from larger companies with robust logistics operations to smaller and nimbler retailers, may ultimately gain a larger market share. For more detailed information on the performance of top UK retailers, see the RetailX UK Top500, now in its sixth year of publication – <https://retailx.net/retailers/>

Thanks to all those who contributed their expertise and insights to the report. I welcome your comments on areas you would like to see covered in more detail in future editions. ■

**Ian Jindal, CEO, RetailX**

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# OVERVIEW OF THE UK B2C ONLINE RETAIL MARKET

With online accounting for a fifth of all retail sales and its importance growing, these factors are impacting on brick and mortar retailing

The UK is the largest B2C ecommerce market in Europe. With 96% of the UK population accessing the internet in 2019, it had a higher internet penetration than the European average of 88%. The majority of its 67m population is comfortable with accessing services online, with 87% of those with internet access happily shopping online.

## THE COST OF RETAIL

The UK market offers opportunities for domestic retailers but also those looking to expand into the country, either by setting up an office or trading across borders. There are few barriers to entry – the UK is ranked nine out of 190 globally in terms of ease of setting up new trading operations.

There are some cost-effective ways for retailers to test the UK market, specifically through a marketplace such as Etsy, Amazon or eBay. Amazon has operated in the UK since 1998 and ranks as its largest retailer. Depending on a company's main product/service, one of these marketplace could offer a cheap entry strategy and give insight into consumer behaviour and demands.

However, any retailer thinking about entering the UK market does need to consider the UK's relationship with the EU following Britain's exit from the single market and customs union on 31 January 2020.

The situation here should become clearer by the end of 2020, once regulations and customs tariffs are negotiated as part of a new trade agreement during the transition phase. This phase is due to end on 31 December 2020, although it may yet be halted or delayed due to the ongoing Covid-19 pandemic.

Copyright © Waitrose



Waitrose has been experimenting with a Rapid Delivery service

## UK SHOPPERS' DELIVERY, LANGUAGE AND PAYMENT EXPECTATIONS

While UK consumers do buy from overseas websites, the majority prefer sites in British English and localised to the UK market. Retailers need to understand to differences between American and British English – 'jumper' vs 'sweater', for example – and also pay careful attention to local jargon and references that can make any online shop feel more welcoming to UK shoppers.

Since purchases are as likely to be made from a mobile phone as from a desktop PC, consumers expect retailer sites to look good and provide a similar experience on all devices. This has led to retailers taking a mobile-first approach to design.

The UK market is mature in terms of omnichannel retailing, with consumers expecting products to be delivered in a way that suits them. The era of waiting in all day for a delivery is long gone. Delivery by post or delivery by courier are the main fulfilment methods, although consumers also expect to be able to buy or reserve products online and then collect them from a branch of the retailer's own store. A lower number of orders are collected from local convenience stores or lockers.

Standard delivery takes an average of 4.9 days, with next-day, same-day and specified-day or time deliveries also available. 61% of RetailX Top500 retailers offer next-day delivery. The median standard delivery charge at Top500 retailers is £4.50, according to the RetailX UK Top500 report. Consumers also





Copyright © Amazon

Although much used in other territories, lockers are not yet popular in the UK

expect a fast and easy return process. Prepaid returns are offered by 38% of the Top500 retailers in the UK, up from 22% in 2018.

Should details of delivery method, cost and returns processes not be displayed before checkout, many UK shoppers will abandon an order and shop elsewhere. If an order doesn't arrive when it's expected, they are unlikely to buy from the site again. Therefore, transparency and good communication throughout the pre- and post-sales period are vital parts of the customer experience.

Payment is usually by debit card, credit card or PayPal. Pay later services are growing in popularity, especially in the fashion sector.

## HOW UK SHOPPERS BUY

Online accounts for around a fifth of all retail sales in the UK, ranging from 18.1% in August 2019 and peaking at 21.5% in November, according to the Office for National Statistics. Black Friday and the Christmas season are when most retailers see the most traffic. Online is predicted to continue to grow although, due to the maturity of the UK market, growth will be at a slower rate than has been seen in previous years.

Shoppers are most likely to buy clothes and sports goods online (60%), followed by household goods (49%), holiday accommodation (44%), travel arrangements (43%) and events tickets (43%). E-learning material and medicines are the least-often purchased items online.

## SUMMARY

While the majority of consumer spending is still taking place in physical stores, the move to online shopping is happening to the detriment of high street retailing. Uncertainty over Brexit and the economic climate have also impacted recent consumer spending. Many retailers that were slower to seize the opportunities of online, or were not able to invest to the required levels, have ceased trading. This serves as a warning to the uncertainties of changing economic circumstances and consumers behaviour, while also showing the potential to capture market share from established, yet vulnerable, retailers by those focusing on niche markets or new retail models. ■

### CORONAVIRUS UPDATE

Much of this UK report was compiled on or before March 2020, as the numbers of people affected by the coronavirus were only just starting to climb. For our most up-to-date assessment of how this unfolding epidemic has affected the UK's ecommerce market, turn to the ecommerce overview section, which starts on page 22.



# MARKET OVERVIEW



**AREA OF THE UK:**

244,820 KM<sup>2</sup>

**CAPITAL:**

LONDON

**CURRENCY:**

POUND (GBP)

**OFFICIAL LANGUAGE:**

ENGLISH

**FOREIGN LANGUAGES SPOKEN:**

MULTIPLE, ESPECIALLY IN LONDON

**NATIONALITY:**

BRITISH

**GOVERNMENT:**

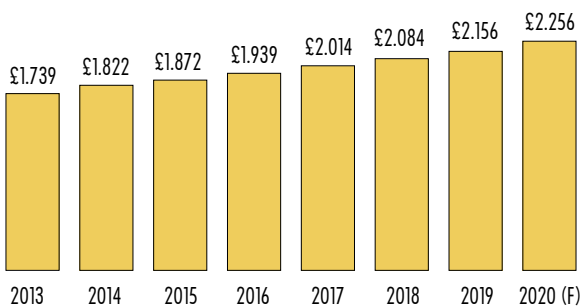
CONSTITUTIONAL MONARCHY AND COMMONWEALTH REALM

**STANDARD VAT:**

MOST GOODS AND SERVICES – 20%  
SOME GOODS AND SERVICES – 5%

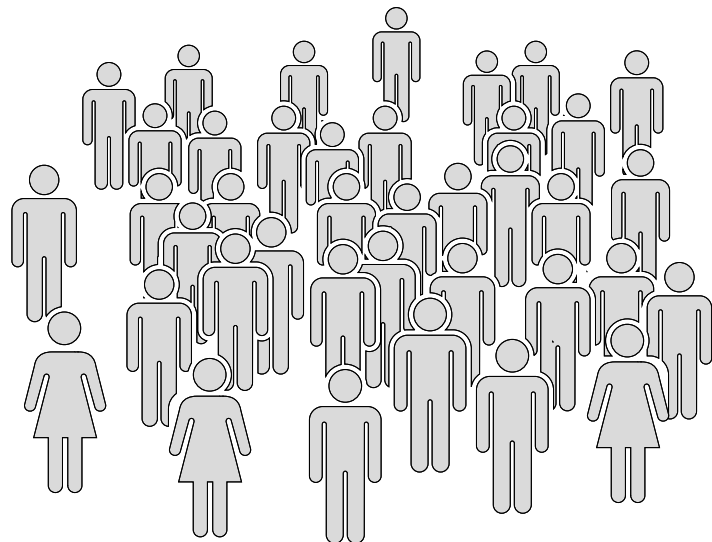
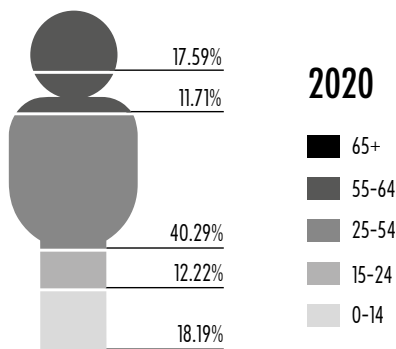
## GROSS DOMESTIC PRODUCT OF THE UK €BN AND £BN (2013-2020, FORECAST)

This graph shows the GDP of the United Kingdom in 2013-2020 (forecast). We collected the data in sterling and converted it to euros



SOURCE: QUANDL.COM, INTERNATIONAL MONETARY FUND

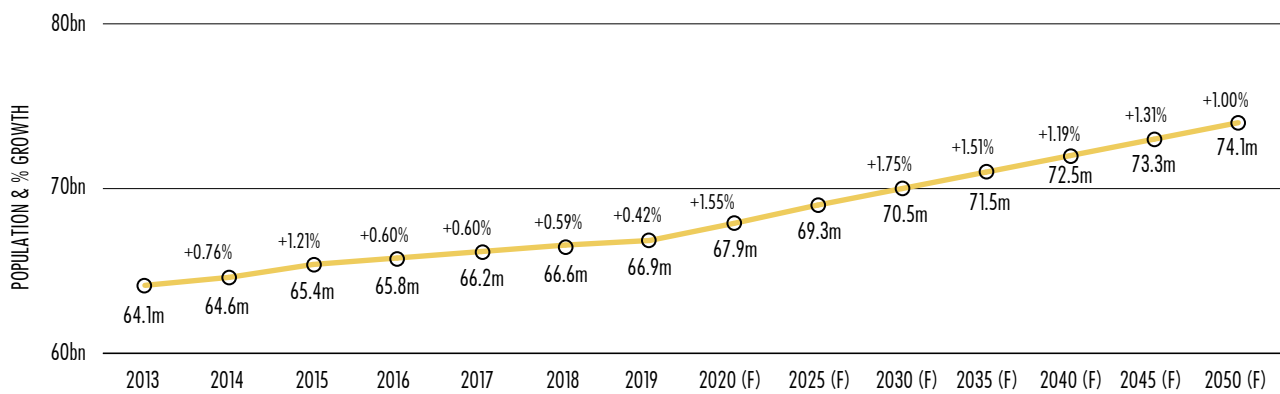
## AGE STRUCTURE OF THE UK'S TOTAL POPULATION



SOURCE: INDEXMUNDI.COM

## TOTAL POPULATION (2013-2050, FORECAST)

The graph shows the total population of the UK from 2013 to 2050 (F)



SOURCE: WORLDOMETERS.INFO

INDICES	DEFINITION	GLOBAL RANK
LOGISTICS PERFORMANCE INDEX (LPI)	LPI measures performance along the logistics supply chain within a country	9 out of 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	9 out of 190
E-GOVERNMENT DEVELOPMENT INDEX	The e-government development index measures the willingness and capacity of national administrations to use information and communication technologies to deliver public service	4 out of 40

SOURCE: WORLDBANK.ORG, UNITED NATIONS



**Q&A: ANDY MULCAHY**  
**STRATEGY AND  
 INSIGHT DIRECTOR**

The current coronavirus crisis comes after several turbulent and challenging years for UK ecommerce. IMRG's Andy Mulcahy shows that it's not all doom and gloom by highlighting the opportunities of such rapidly changing times.

**Give us a glimpse into the UK ecommerce/retail market since 2018**

There has been a problem with the UK high street over the last two years and a lot of trade has started to go online. This has been on the horizon, though no one has really done anything about it.

Things were going well online up until mid-2018, with strong growth and a lot happening in the market. Halfway through 2018, we had a heat wave that lasted ages, we had a royal wedding and England did quite well in the football tournament. UK consumers spent a third more by the middle of that year than they would normally have done, according to Barclaycard, but then in the second half of the year, we saw the growth-line plummet as the year progressed into Q3 and Q4.

There's no getting away from it – Brexit was building in the background, though no one seems to want to hear about it now. The uncertainty of Brexit, it could be argued, put a lot of pressure on retailers and consumers, as people began worrying more about job loss, a recession, etc.

This obviously worried consumers and spending seized up, forcing retailers to start discounting once they realised the market wasn't doing as well. Adding to the problem, retailers still depended on their high street presence and yet were forced to close several brick and mortar shops. With the high street suffering massive casualties, closing stores and laying off workers, consumers got even more spooked and lost confidence in many retailers, even household staples like House of Fraser. Discounts were pushed even more heavily, even before the UK had a dreadful 2018 Black Friday/Christmas season.

**How was this different from 2019?**

2019 was, overall, also a difficult year for online retail, with Brexit uncertainty continuing to loom in the background. Then, all of a sudden, there was an astronomical increase from

Black Friday to Christmas, which coincided (coincidentally) with the election results finally ensuring that Brexit would indeed happen. The market appeared to stabilise as the UK felt less uncertainty. That being said, the first few months of 2020 have shown a flat growth rate, likely due to unforeseen circumstances including massive storms in February and now Covid-19. Paired with the uncertainty of the timeline and fallout of Covid-19, consumer confidence continues to decrease, with stores closing and employees laid off.

**What role does sustainability play for retailers and consumers in the UK?**

It's hard to quantify but the environmental sustainability argument must be having a profound impact in the UK. The severity of climate change is headline news every day, although the push towards sustainability is difficult for some retailers to keep up with. We don't yet have a good substitute for plastic packaging of food products, for example.

Sustainability is a topic that political parties are addressing but understanding the real impact on consumer behaviours is difficult to measure. If you ask consumers, "Have you modified your behaviour based on plastic waste and the environmental problems we've got?" they'll say yes, while drinking out of a plastic water bottle. What people say and what they do are poles apart.

There is huge competition between retailers as well, with some currently making claims like, "We're going carbon neutral" to speak to customers who are looking for a more sustainable option. In the future, you can expect there to be some companies who fully get a hold of it and really do it well, while others who are not doing it well will get blasted out of the way. The push towards more sustainable ecommerce puts quite a lot of pressure on retailers to keep innovating and adapting to consumer demands.

**How do you see the effects of coronavirus impacting UK ecommerce?**

Along with everything else, we have got to March and coronavirus has arrived, accelerating pre-existing problems within retail. Everything is closed and I don't see how retailers can survive months and months without having their shops open, without having any customers, without warehouse staff to fulfil orders or drivers to deliver them. We can't get to the end of this and say, "Back to normal." There are going to be casualties here, especially with the future remaining so uncertain. You can say this about any industry dealing with long-term effects of coronavirus, though, not just ecommerce and the retail trade.

What we are seeing is that underdeveloped online markets are not able to cope with this sudden spike in growth.



For example, grocery has never been the leading category in online sales until recently. There was a statistic that said grocery online only has capacity for 7% of the demand and, with most of the population now self-isolating, consumers are having to order a week in advance after sitting in an online queue for three hours or more. Demand is currently outstripping supply and while this might ultimately result in a fundamental shift in grocery shopping towards online and away from instore, the capacity to support this just isn't there yet. It would need to be strengthened substantially in order to meet consumer demand.

Right now, there's a lot of panic buying and bare shelves. It's a very lopsided version of retail, with supermarkets getting completely stripped of everything they've got, home office products doing well as people work from home, and DIY also thriving as people staying inside are sorting out their homes and gardens.

Yet shops selling anything outside of those categories, such as fashion for example, are probably struggling. This may be a short-term trend of just a few weeks but at the moment, it is fairly profound. Coronavirus has created new uncertainties and it shows. People are uncertain about their jobs and income, so it's likely they will plan for the worst and not buy too much for however long this lasts.

To clarify, coronavirus wasn't the cause of many of the problems with ecommerce or retail trade in the UK. Rather, it has exacerbated existing problems.

#### **What advice would you give to an SME that wants to enter the UK market at this trying time?**

It's a reasonably positive message for an SME because all the established businesses, which over time have had big store portfolios, have struggled to adapt to the digital age. I get the sense that if this madness goes on for months and months, or even a year, some of these established companies are not going to survive.

But consumers still need to buy products, so if you're an SME and you can work out how you can have something modern and environmentally spot-on with messaging, then that is your opportunity. If you can offer a sustainable way of doing business and people can feel good about buying from you, I think you can really build on that, particularly as there are going to be holes left by coronavirus that other companies will need to fill. If your SME can survive this, then there is definitely an opportunity to build in the UK and do fairly well out of this abysmal situation.

There are some examples right now of entirely bricks-and-mortar shops realising there is a need for them online. Someone I know was recently trying to buy plants from a local shop online, but they don't sell online. The reality is that people aren't going to buy plants from your shop right



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**Garden centres may have to sell more online in order to survive**

now, and would prefer to buy them online, which is pushing retailers online as consumer demands shift. Harkening back to the grocery example, consumers are looking online to get what they need, so retailers will have to rise to the challenge in order to stay competitive.

If you're a small retailer, find your niche. There's a lot to be said in servicing the needs of your local community. You don't have to control the entire world, you could just be doing a great thing in a local area and people will like that. If you provide really good customer service, people will buy from you. Some of the old rules still apply – customer service and service with a smile still count for something. ■

**imrg**

IMRG is the UK's online retail association, providing data, analysis and insight to its community of industry leading retailers and solution providers. It is dedicated to identifying growth opportunities so that retailers can navigate online retail during these incredibly challenging times.

[imrg.org](http://imrg.org)

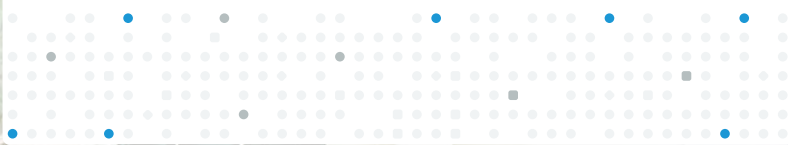


The Amazon Pay logo, featuring the word "amazon" in a lowercase, sans-serif font with a curved arrow underneath it, and the word "pay" in a similar font to its right.

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**Q&A:**  
**ALEXANDRA EBLING**  
**HEAD OF SALES**

As connectivity has become more pervasive and diversified than ever before, British businesses are witnessing a shift in shopping habits due to a new generation of consumers now accustomed to buying items instantly, with a swipe, click or voice command. We spoke with Alexandra Ebling, Head of Sales UK and Ireland at Amazon Pay, about the future of commerce, the role of voice technology and how she envisions it evolving.

**How important is voice to the future of commerce?**

We believe voice services represent the next era of commerce. This next-generation commerce channel takes consumers back to a simpler time, when all they had to do was ask for the products and services they needed. No typing or swiping, just good old-fashioned conversation, with one significant difference: voice services are becoming smarter by the day.

Consumers find the experience to be simple yet novel. In a recent study<sup>[1]</sup> that Amazon Pay commissioned, 44% of consumers indicated that they are likely to use voice services in at least some part of their shopping journey in the next three years. I find this adoption rate to be staggering for a still nascent technology. It proves that businesses should not just consider voice, but embrace it to meet the needs of consumer expectation.

**How can businesses prepare for the future of shopping in a connected world?**

Consumers want multichannel experiences within the shopping journey – we know this from our research. 42% of shoppers stated that they are likely to be involved in a journey that spans multiple channels in the next three years. Today, 39% say that they are quite comfortable with starting their journey in one channel and ending it in another. I believe that businesses owe it to their customers to provide an effortless commerce experience. They need to recognise this new behaviour and help shoppers continue their journey from wherever they left off. The only way to do this is by considering voice not in isolation but as an integral part of commerce strategy.

**What role does voice currently play in commerce experience?**

One in five consumers say that they will buy more through voice in the next three years. We are quick to assume that whenever a new technology gains traction, it will replace an old one. However, the commerce space has proved that is not always the case. Since the introduction of digital technologies, consumers have incrementally adopted channels such as ecommerce and m-commerce to complement – but not replace – their experience at stores.

**How are customers using voice in their commerce experience?**

What we see is that consumers who are willing to use voice in some part of their shopping journey do not differentiate by product or service category. Instead, they are willing to try voice across all industries. In the service category, we see that the top-use cases are for online food ordering, entertainment streaming and travel booking.

**What do you see as one of the most important attributes to the connected consumer?**

Consider scenarios where customers prefer to use voice to get something done because they are in the middle of an activity, such as cooking or driving, so cannot use their phone or laptop. One in three consumers tell us that today, they are willing to purchase products using voice services, but that they also expect this channel to evolve to a point where they trust it enough to complete a voice-based transaction for other financial activities, such as paying bills (26%), banking (26%), sending or receiving money from individuals (22%), and donating to charities (19%). Now is the time to prepare for the future and devise a marketing strategy that will put your business at an advantage. ■

*[1] All customer insights on voice and connected commerce included in this article are based on a 25-minute double blind online survey that Amazon Pay conducted in April 2019, among 10,297 consumers in the US, UK, Germany, France, Italy, Spain, Japan, and India.*



Keen to understand more about the next era of commerce? Check out Amazon Pay's latest research findings and more at:  
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**Q&A:**  
**JOHN RAAP**

**CHIEF STRATEGY AND  
PARTNER OFFICER**

John's career includes more than 20 years' experience in the European ecommerce and digital marketing industry. Prior to joining Attraqt, John successfully established and managed various pan-European and regional sales organisations at companies such as Intershop, Scene 7, Adobe, Jive and SDL.

**What do you think are the main characteristics of the UK's ecommerce market size?**

By 2021, it is predicted that 93% of internet users in the UK will do some online shopping – the highest shopping penetration number in Europe. We've already seen coronavirus have an impact on purchase behaviour, with higher online adoption in some retail sectors over others. While a lot of this has probably been reactive and a short-term impact, it's highly possible that extended lockdowns will influence a broader range of consumers to engage with ecommerce sites more frequently. Therefore, retailers will need to think about the experiences they deliver online more than ever before.

This doesn't rule brick and mortar stores out. Hybrid models that combine both online and physical commerce, such as click and collect, or cashierless stores that utilise smartphones in the physical environment, will increasingly play a key role in the UK's ecommerce market. In 2018, the estimated turnover of click and collect orders in the UK was €6.9bn, while it is expected to exceed well over the €10bn threshold by 2023. We will also see more of a connection between brand experiences online and physical experiences instore.

**For you, what has been the most exciting recent development in ecommerce?**

In our domain, which is optimising and personalising the customer experience during the product discovery journey, the rise of artificial intelligence is opening up a lot of new exciting opportunities for innovation in ecommerce and with it, new experiences for shoppers. For example, computer vision or image recognition technologies allowed us to introduce new product recommendation types which are based on the image itself and are outperforming other recommendations algorithms by 10% or more in CTR. Facial recognition technology has already been successfully

introduced on mobile devices and will hit retail stores over time. This may even get accelerated in light of the current coronavirus crisis, since the technology allows for fewer contacts and, therefore, higher hygiene standards.

As well as computer vision, the rise of neural networks has introduced natural language capabilities. Companies such as Google, Amazon and Apple are at the forefront of this and we already see people change their search behaviour, whether it's on Google, via voice assistants or classic on-site search. More and more shoppers are entering multiple keyword and semantic searches, then expecting search engines to understand the context as well as the intent of their request, then to respond with high relevancy.

**What are some other trends or technologies you see changing the consumer experience within UK ecommerce?**

One of the big trends we saw while visiting NRF earlier in 2020 was the reinvention of physical stores to become more inspirational. While online is a great facilitator to buy what you already know you want to buy, the real world is better at stimulating spontaneous sales. There is a lot of experimentation going on to improve customer experience instore through entertainment. A good example is Debenhams, which is investing a lot into store experience, combining it with digital experiences such as augmented and virtual reality. However, we now expect this trend to pause and then accelerate in 2021.

Consumer values are also changing and customers expect the brand they're buying from to share similar values. People want to 'join' a brand, not buy from it. As a consequence, retailers are rethinking how they can align with the values of their customers that effectively impact the overall experience. A good example of that is sustainability, where retailers are increasing recyclable products, changing packaging, and including sustainability into their core values. ■

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Attraqt powers exceptional shopping experiences for some of the world's best brands, including Paul Smith, Screwfix, Asos and The North Face. By using a combination of best-of-breed technologies and in-depth ecommerce knowledge, it has become the leading expert in merchandising-led shopping experiences for over 300 world-class customers.

[www.attraqt.com](http://www.attraqt.com)





# 2021 guide: Cross border selling: an omnichannel strategy for business recovery

- Acquire new tools to get your business ready for international growth
- Get expert advice on localisation, AI, basket abandonment and cross-border delivery
- Gain insight into disruptive technologies, including subscription and marketplace models

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**Q&A:**  
**RICHARD ASQUITH**

**VP, GLOBAL INDIRECT TAX**

Richard Asquith is VP, Global Indirect Tax at Avalara, helping businesses understand their compliance obligations as they grow globally. Richard qualified as an accountant with KPMG in the UK before going on to work in Hungary, Russia and France with EY.

**What are the implications of Brexit for traders?**

The UK leaving the EU VAT and customs regimes on 31 December 2020, at the end of the Brexit extension period, will mean a monumental rupture with the current EU trading arrangements that UK businesses currently trade under. Customs declarations, tariffs and import VAT will become due on over £468bn of goods traded between the UK and the EU's 27 member states.

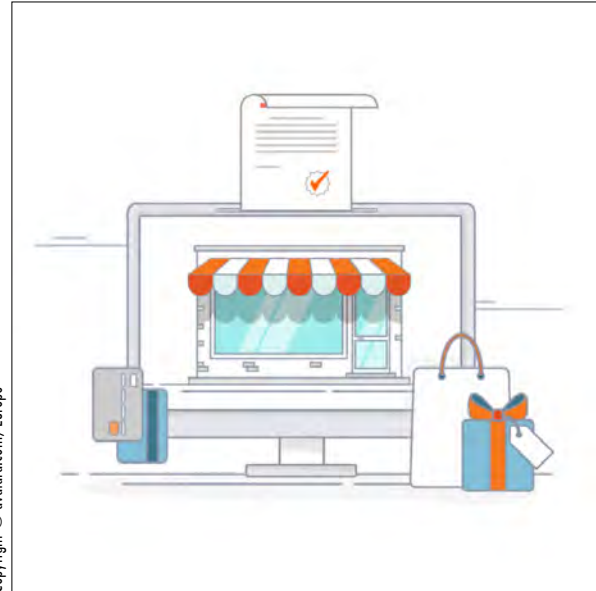
The UK's terms of trade with the rest of the world will also undergo a major change as the UK will no longer benefit from preferential tariffs negotiated by the EU on its behalf.

After 2020, an estimated 27,000 UK online sellers of goods to EU27 consumers lose the right to charge those customers under their UK rules and rates. Instead, they will have to charge local VAT rates. This means they will have to track where their customers are, and what national standard or reduced VAT rates they will have to charge.

Over 50,000 further sellers will have to appoint special VAT agents – 'Fiscal Representatives' – in 19 of the 27 EU states if they are holding stocks for sale to local consumers online and are VAT registered. These share the seller's VAT liabilities, and therefore are typically very expensive.



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**What should companies be doing to prepare?**

Next year, it's going to become easier for European online retailers to manage their tax bills due to VAT simplifications. But there will be much more import VAT to pay. Also, marketplaces, which have done so much in the past to create millions of cross-border entrepreneurs, are now on the hook for any missing VAT.

To avoid this loss of registrations simplification, UK sellers could opt to move and hold stock in one state within the EU27. The Netherlands or Belgium may be the best destinations, given their large ports and excellent transport connections to the rest of the EU27. Businesses would be required to VAT register in this country but they would avoid the need to appoint multiple, expensive fiscal representatives abroad. ■

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Avalara VATlive is one of the leading global online resources for timely tax news, insight and rate changes, providing a wealth of daily information and expert insight on EU and global indirect tax schemes. It is provided by Avalara, whose SaaS-based VAT, GST and US Sales Tax software and registrations and returns services help businesses reduce the risks and costs of compliance.

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**Rakuten**  
Advertising

# COMMERCE, CONSUMERS & COVID-19

We're committed to supporting the e-commerce industry with the transparency and insights needed to navigate this evolving landscape.

See the current trends and our latest analyses across verticals, regions and more:

**[rakutenadvertising.com/covid19](https://rakutenadvertising.com/covid19)**

**Media • Performance Marketing • Consumer Insights**





**Q&A:**  
**ABI JACKS**

**VP OF MARKETING**

Abi leads the marketing strategy for Rakuten Advertising across Europe, APAC and LATAM.

With over 18 years of marketing experience in SaaS and digital marketing companies, she is focused on supporting brands as they scale globally, as well as driving a better consumer experience across the digital advertising landscape.

**What do you think are the main characteristics of the UK's ecommerce market size?**

We've all seen the meteoric rise of direct to consumer brands over the last year and this significantly plays into the characteristics that define the UK ecommerce market. Many such businesses have, until now, relied on performance-based digital advertising strategies. Huel was started when founder, Julian Hearn, sold his affiliate marketing business to fund his successful business venture. Now, many leverage affiliate networks and social platforms to target audiences, as well as direct response ads to drive conversions.

This has set a highly influential precedent for more traditional retail businesses struggling to get a handle on marketing spend. In a recent Rakuten Advertising survey, marketers in the UK revealed that 30% of their marketing budget is still being wasted on the wrong channels or strategies. To overcome this challenge, ecommerce players are investing their budgets into performance channels such as affiliate marketing, programmatic display, paid-social and search. These all allow them to better monetise spend.

As retailers look to curb wastage, innovative technologies such as new commissioning strategies that drive business objectives forward, give retailers greater control over their spend. These strategies not only benefit retailers, but also their affiliate publishers. Publishers are empowered to fine-tune their strategies and make smarter content-serving decisions based on the real-time data they are receiving.

**For you, what has been the most exciting recent development in ecommerce?**

One of the most exciting developments in ecommerce is the surge in UK retailers taking their businesses global. Despite uncertainty surrounding Brexit, 53% of marketers across Europe have listed international expansion as a top priority



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for 2020. Following the surge in digitally native retailers that have rocked the UK high street, it's positive to see UK retailers take advantage of the globalised shopping habits that have emerged in recent years.

It's also been exciting to see retailers approach their expansion using the affiliate channel. Retailers have embraced out-of-the-box publisher models to ensure they're reaching their audiences in local languages and overcoming logistical challenges such as payment methods or shipping. ■

**Rakuten Advertising**

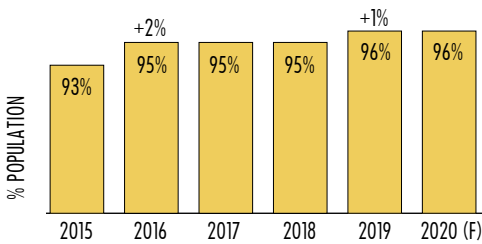
Rakuten Advertising's exclusive inventory, affiliate network and advanced machine learning allow businesses around the world to reach, engage and influence audiences; acquire, activate and build loyalty with audiences; deliver advertising experiences driven by rich consumer insights and be part of a global publishing network 150,000 strong.

[rakutenadvertising.com](https://rakutenadvertising.com)

# DIGITAL OVERVIEW

## INTERNET USAGE IN UK (2015-2020, FORECAST)

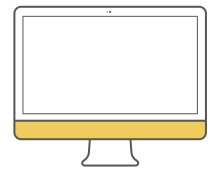
The graph shows the percentage of total population using the internet from 2015 to 2020



SOURCE: RETAILX ANALYSIS

## DEVICE USAGE FOR ONLINE

**DESKTOP**  
46.52%



**SMARTPHONE**  
45.98%

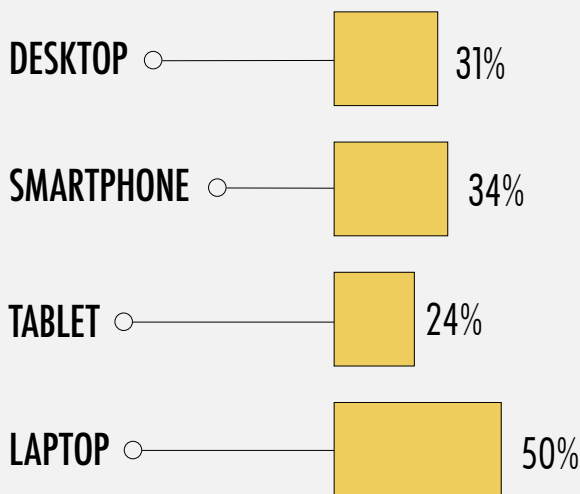


**TABLET**  
7.51%

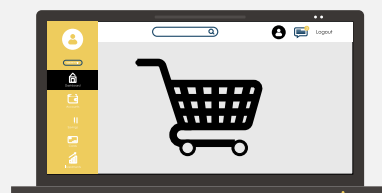


SOURCE: GS.STATCOUNTER.COM

## DEVICES USED FOR ONLINE PURCHASES IN UK, 2019

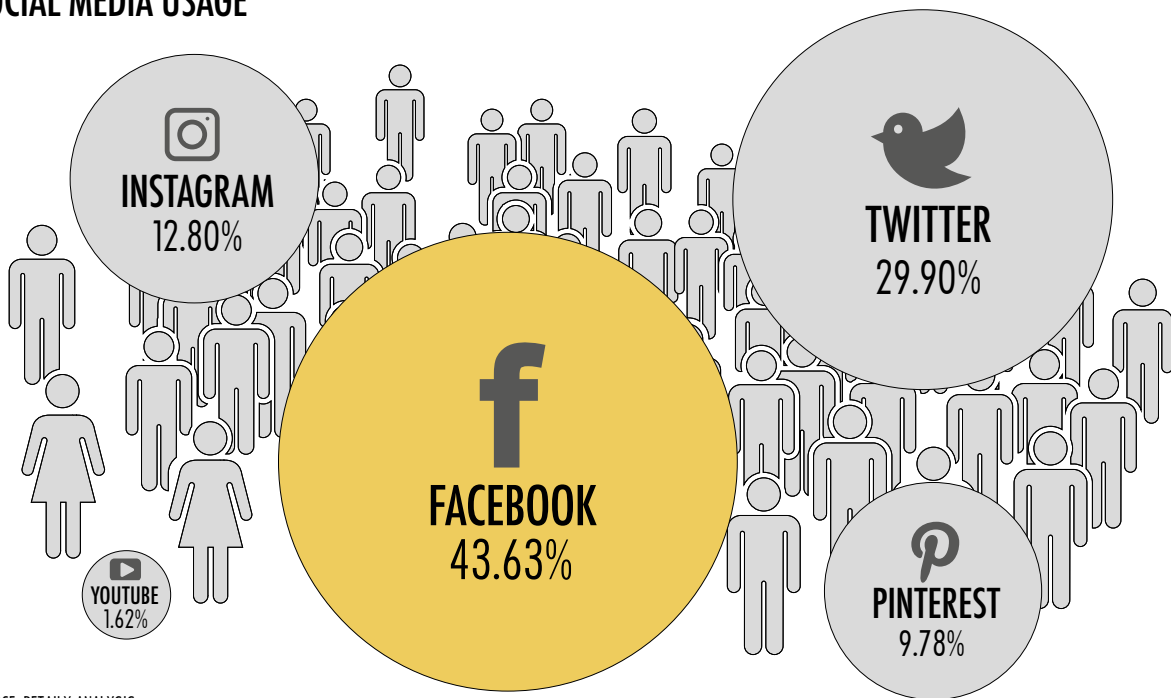


SOURCE: STATISTA, ROYAL MAIL, TRINITY MCQUEEN

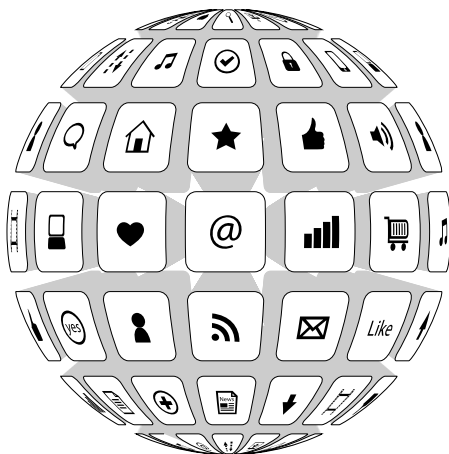




## SOCIAL MEDIA USAGE



SOURCE: RETAILX ANALYSIS



## INTERNET INCLUSIVITY INDEX

The overall Internet Inclusivity Ranking is based on how a country scores in the following categories (defined below): Availability, Affordability, Relevance and Readiness. Collating the category rankings in the right-hand column gives a country's overall Internet Inclusivity Ranking. The United Kingdom is ranked eighth in the index

INDICES	DEFINITION	GLOBAL RANK
AVAILABILITY	Quality and breadth of available infrastructure required for access and levels of internet usage	20 out of 100
AFFORDABILITY	Cost of access relative to income and the level of competition in the internet marketplace	4 out of 100
RELEVANCE	Existence and extent of local language content and relevant content	40 out of 100
READINESS	Capacity to access the internet, including skills, cultural acceptance, and supporting policy	18 out of 100
INTERNET INCLUSIVITY INDEX RANKING		8 out of 100

SOURCE: GS.STATCOUNTER.COM

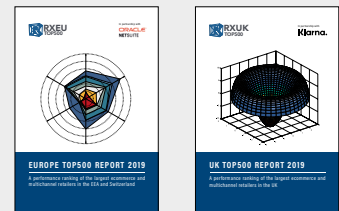
# ONGOING RESEARCH

## Exclusive research and expert analysis

Our quantitative and qualitative research offers unique insights into the retail sector. Look out for the following projects over the coming months:

### Top500 Reports

Our annual update of research into the leading European retailers is available on [internetretailing.net](http://internetretailing.net)



### RetailDNA

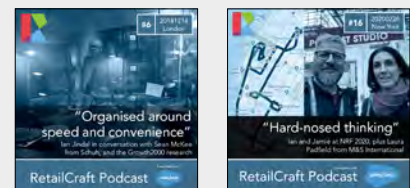
Our evaluation of leading suppliers to the retail sector will be launching in the coming months

### Europe Brand Index

Which European brands are excelling in reaching their customers direct? Learn more at [retailx.net](http://retailx.net)

### RetailCraft podcast

Search RetailCraft in your favourite podcast medium for lively and expert opinion on the major issues in retail



### Webinars and performance trackers

Expert and in-depth perspectives on facets of RetailCraft, hosted by [internetretailing.net](http://internetretailing.net)



### Sector Analyst reports

We focus on different sectors of retail. Find out more at [retailx.net](http://retailx.net)



# RETAIL AND CORONAVIRUS

Shoppers are struggling to get hold of loo roll today, so what's going to happen tomorrow?

Agility and flexibility have been the calls to action for retailers during the industry's transition from single-channel operations to omnichannel customer-centricity. It's these new organisational structures, technology stacks, processes and leadership that have been tested in the worst possible way as Covid-19 has swept around the world.

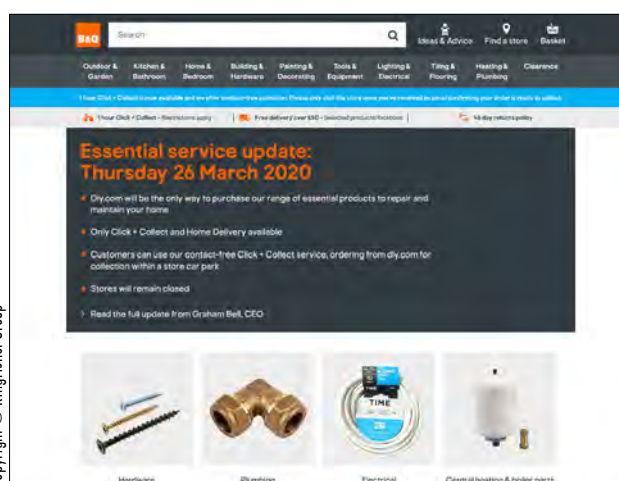
In the UK, supply chains were already under pressure due to Brexit, with either over-stocking or under-stocking an issue as various departure dates came and went. They were then tested from January onwards as factories in China closed, putting question marks over the availability of fashion and consumer electronics as well as parts for the UK's own manufacturers. So while one building supplies company had 20% more stock than usual in its warehouse at the end of January, others with leaner operations were left struggling by late February.

## PANIC BUYING HITS THE SUPERMARKETS

Yet it's the supply chains of supermarkets that have been the hardest hit by the coronavirus outbreak, with consumers panic-buying an estimated £1bn of extra items, including unexpected amounts of toilet rolls and pasta.

At the start of the outbreak, Ocado suspended its online delivery service for a while in order to cope with this increase in orders, while Tesco's delivery slots were booked up to three weeks ahead. Smaller suppliers struggled too. Riverford, which operates an organic vegetable box scheme, had to cancel some customer orders so that it could prioritise its most loyal customers, while dairy Milk and More closed its website to new customers and implemented a digital queuing system for people who had already signed up for its delivery service.

The supermarkets quickly responded by recruiting extra staff to stack shelves and make deliveries, saying that they would take on people who had previously been working in the hospitality and leisure industries. Waitrose drafted in an additional 1,200 John Lewis staff to help with shelf-filling and checkout, as well as



Copyright © Kingfisher Group

B&Q has closed stores, but online demand remains high

online delivery picking. One toilet roll manufacturer even tried to calm the situation by showing that it still had plenty in stock.

Other suppliers have flexed their businesses to sell to new customers, with suppliers to the catering trade, for example, switching to working with retailers. A relaxation of the competition rules means that supermarkets can also work together. Restaurants have become takeaway services, while local shops have set up community helplines to match volunteer help with people who need their dog walking or milk delivered.

Others are changing their businesses completely. The UK government has asked car manufacturers to investigate how they can make ventilators. Gin producers and brewers are following LVMH's example, swapping production lines from one sort of alcohol to another. Louis Vuitton owner LVMH was swift in making hand sanitiser for French hospitals instead of Parfums Christian Dior, Guerlain and Givenchy.

At the time of writing (late March), the UK is at a point where both the best and worst traits of people have been revealed. Digital is coming to the fore, enabling ecommerce, supply chain planning, personnel rostering, fast turnaround of content, instant communications with customers, as well as turning product inspiration and consumer shows into live feeds.

## FALLOUT FROM THE EPIDEMIC

For some retailers, the strain will be too much and some doors that have closed as a precaution will remain closed permanently. The fashion-to-homewares chain Laura Ashley has appointed



Copyright © Dixons Carphone

In March, parent company Dixons Carphone announced it had brought forward the closure of its 531 Carphone Warehouse stores

administrators, while white goods and consumer electronics brand Dixons Carphone announced that it is closing all 531 standalone Carphone Warehouse mobile phone stores (on 3 April) as it brings forward parts of its omnichannel transformation plan. The company says that it has not yet felt the full effect of Covid-19 and that its supply chain has been largely unaffected since it has worked with suppliers to get stock from unaffected areas.

Sales of fridges, freezers, small domestic appliances and laptops have all risen as customers prepare for extended periods of time at home. The business said it was ready to switch fulfilment from shops to online and direct channels, if that proved necessary.

"As a group," Dixons Carphone announced, "we are monitoring the situation closely. The turbulent times ahead underline the importance of acting now and staying on track with our longer-term omnichannel transformation of the group. We are aware that our stores could experience a significant reduction in sales in the months ahead and we are modelling a range of downside scenarios and planning accordingly."

Kingfisher Group, which owns UK retailers B&Q and Screwfix, says that it saw no effect on shopper demand as a result of the Covid-19 outbreak until its stores in Spain and France were closed by government order. In the UK, almost half (49%) of consumers are making more purchases online in order to avoid visiting

physical stores, according to research from the law firm, Squire Patton Boggs. Logistics specialists ParcelHero claims that overall ecommerce sales are likely to double, from 20% of all sales to 40%, as consumers buy more products online either through their own choices or as government or circumstances dictate.

The knock-on effect will be in the warehouses, the number of delivery drivers and the postal system. Labour shortages could arise here because once a single worker in a warehouse tests positive, the whole team will have to be put into quarantine.

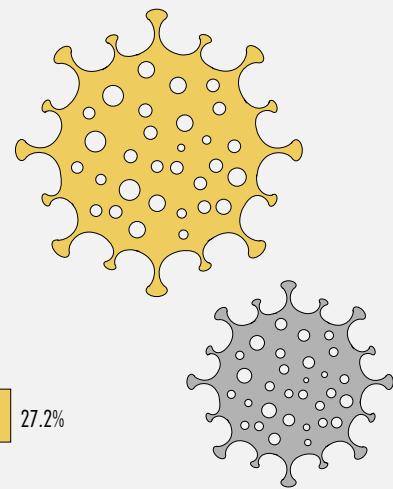
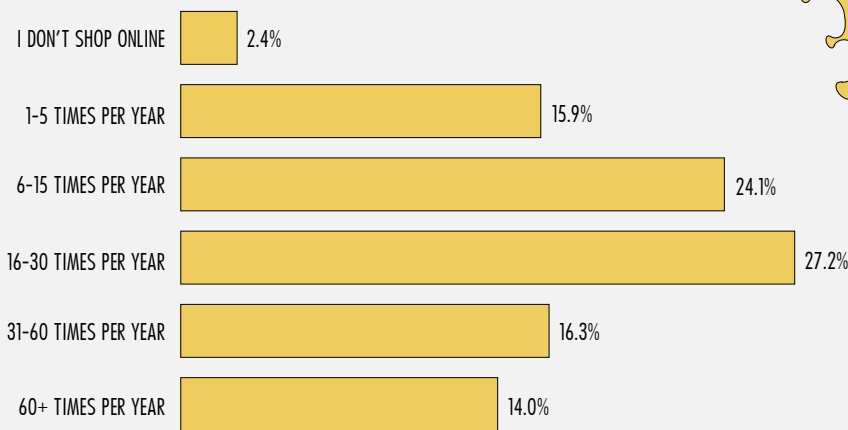
That's not to say the situation for hard-pressed UK retailers is without hope. Looking abroad, Apple has already reopened its stores across China, while H&M has reopened 500 out of 516. Travel companies and airlines rebounded after 9/11, despite being hit by what seemed at the time to be an industry-devastating blow.

Will there be a longer-term impact? For those retailers that were already teetering on the edge, Covid-19 will force them out of business, while others will have had to change very quickly. The pandemic has highlighted the important roles performed by every person across the industry, as well as revealed the flaws in supply chains and employment methods. It has also shown how digital can bring everyone together, how customers are forgiving when the lines of communication remain open, and how resilient the industry has become. ■

# CORONAVIRUS TRACKER

## HOW OFTEN DO YOU SHOP ONLINE IN A YEAR?

RetailX Consumer Confidence Tracker results

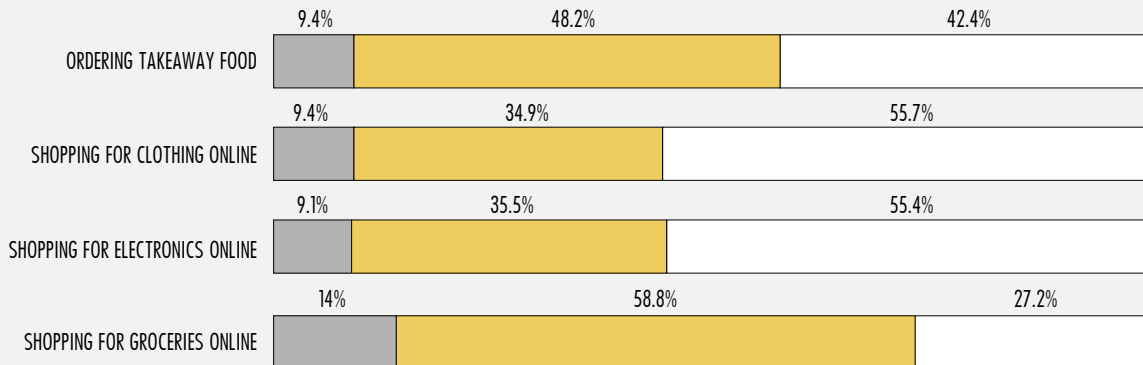


SOURCE: RETAILX

## HAS COVID-19 AND THE INCREASED ASSOCIATED WAITING TIMES OF SOME SERVICES AFFECTED YOUR ABILITY TO SHOP ONLINE?

Results exclude respondents who hadn't tried to purchase online since the start of the coronavirus outbreak

- INCREASED ABILITY TO SHOP
- REDUCED ABILITY TO SHOP
- UNAFFECTED ABILITY TO SHOP

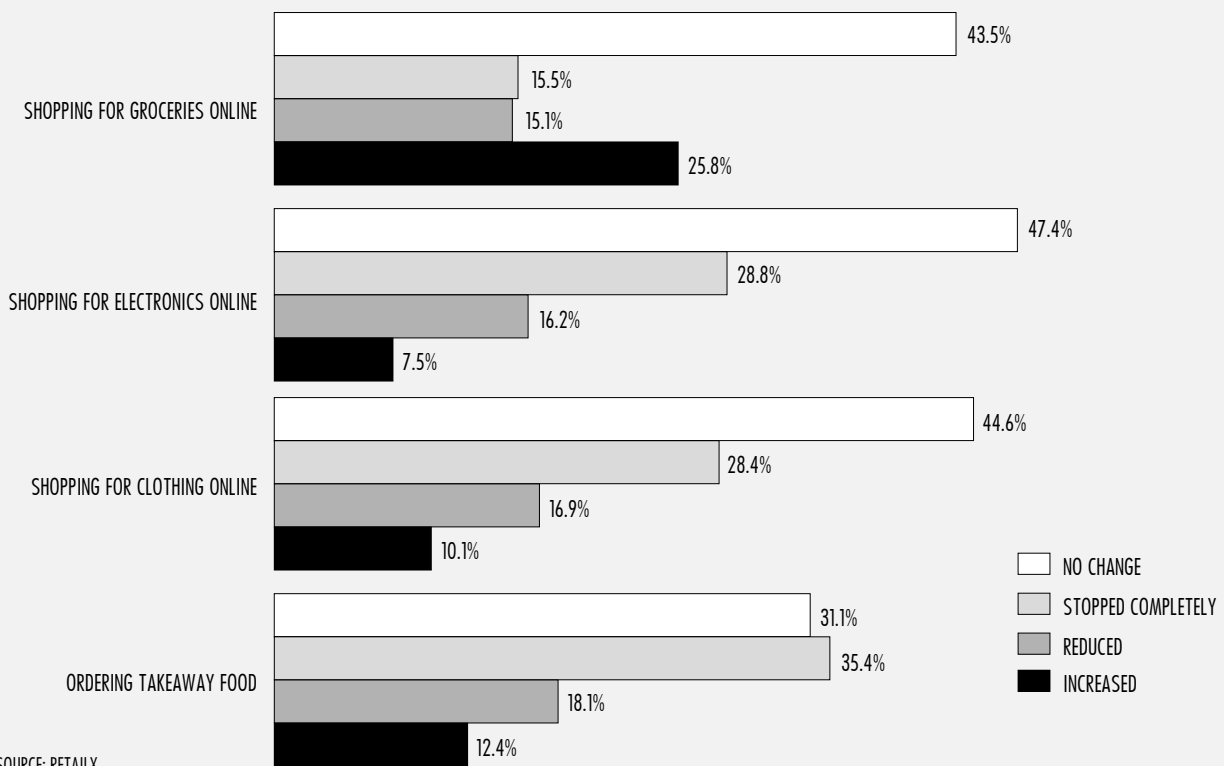


SOURCE: RETAILX



## HOW HAS COVID-19 AFFECTED YOUR SHOPPING?

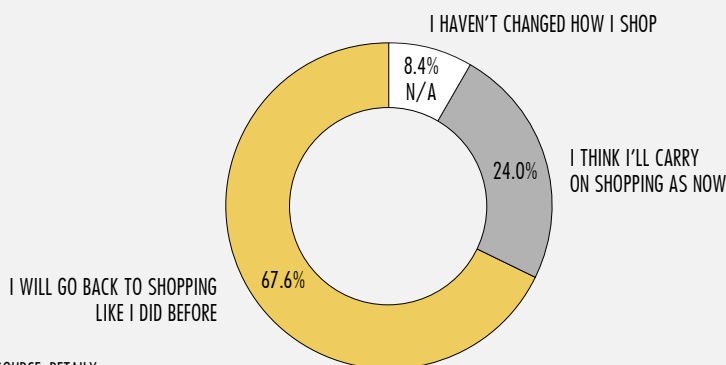
Are consumers in lockdown shopping online more or less?



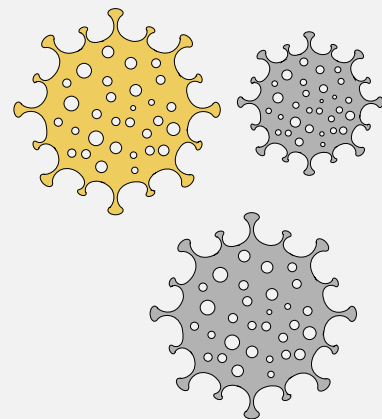
SOURCE: RETAILX

## AFTER THE COVID-19 CRISIS IS OVER...

How do consumers anticipate it altering their behaviour?

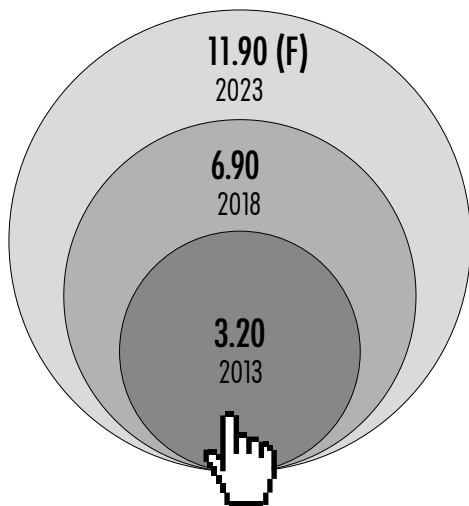


SOURCE: RETAILX



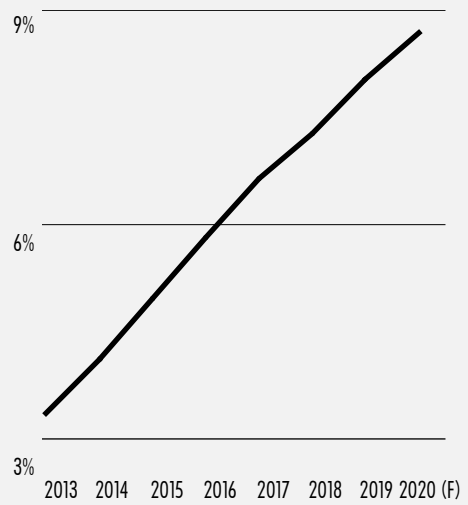
# ECOMMERCE OVERVIEW

## CLICK AND COLLECT TURNOVER IN THE UNITED KINGDOM (UK) FROM 2013-2023 (FORECAST), IN €BN



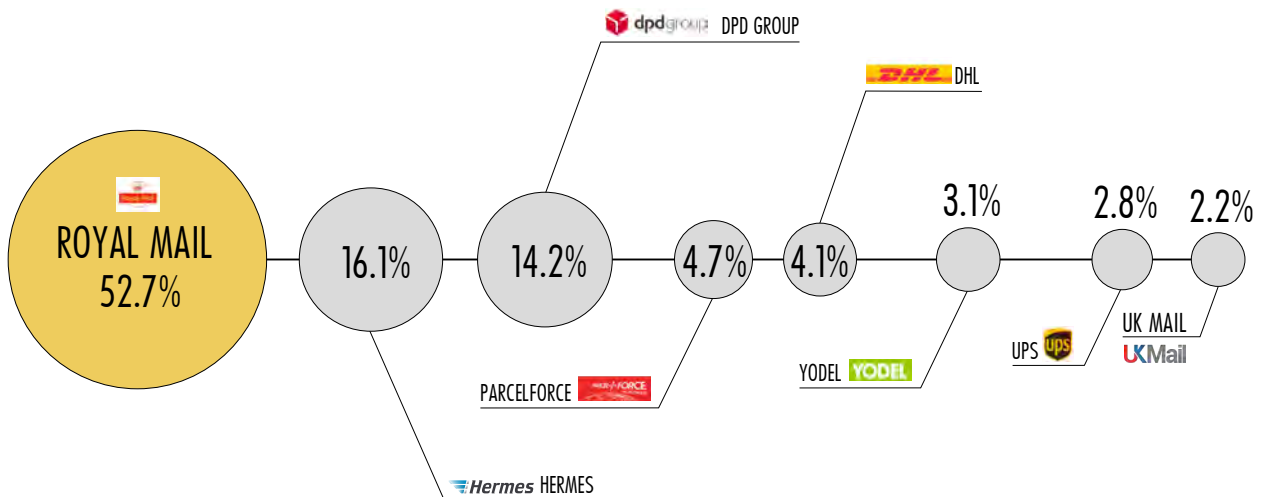
SOURCE: STATISTA.COM, EDGAR, DUNN & COMPANY

## SHARE OF GDP MADE UP BY B2C ECOMMERCE SALES 2013-2020 (F)



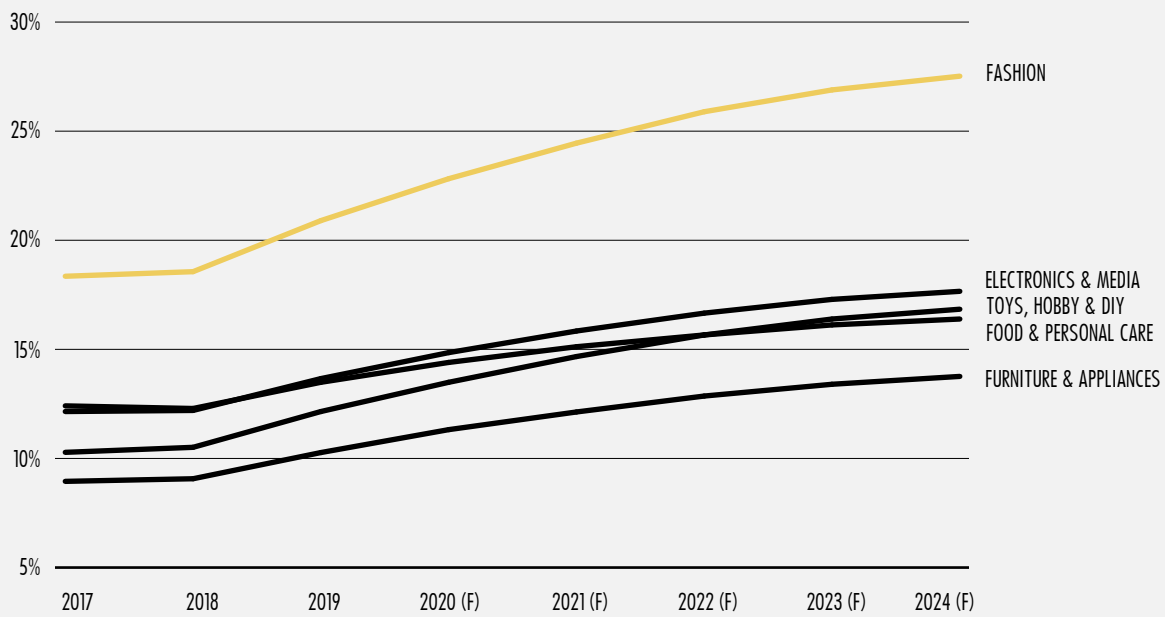
SOURCE: RETAILX ANALYSIS

## MOST POPULAR PARCEL DELIVERY PROVIDERS IN THE UNITED KINGDOM (UK) 2019



SOURCE: RETAILX ANALYSIS

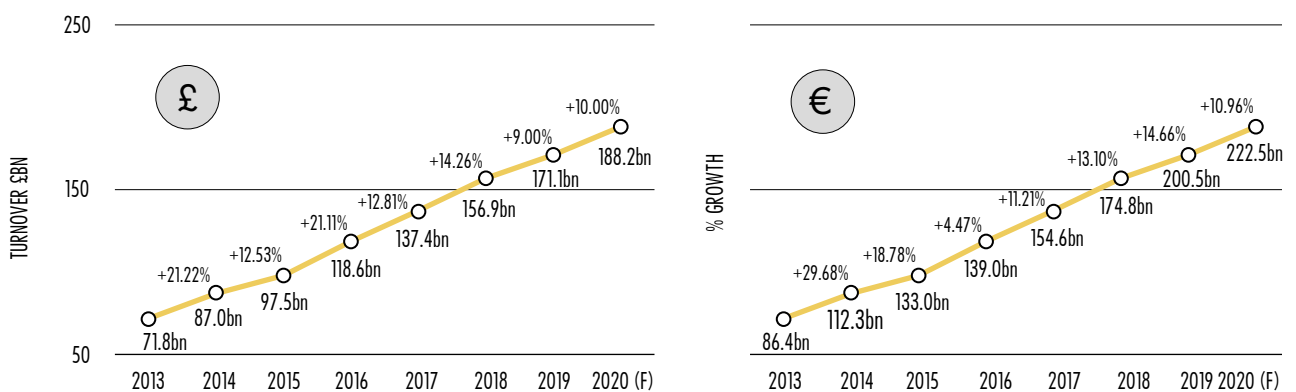
## ECOMMERCE REVENUE FORECAST FROM 2017-2024 (FORECAST) BY SEGMENT



SOURCE: STATISTA.COM, FDIH, WILKE

## B2C ECOMMERCE TURNOVER FROM 2013 TO 2020 (FORECAST)

The graph shows the B2C ecommerce turnover in the UK, including goods and services



SOURCE: WORLDDOMETERS.INFO

# ECOMMERCE OVERVIEW

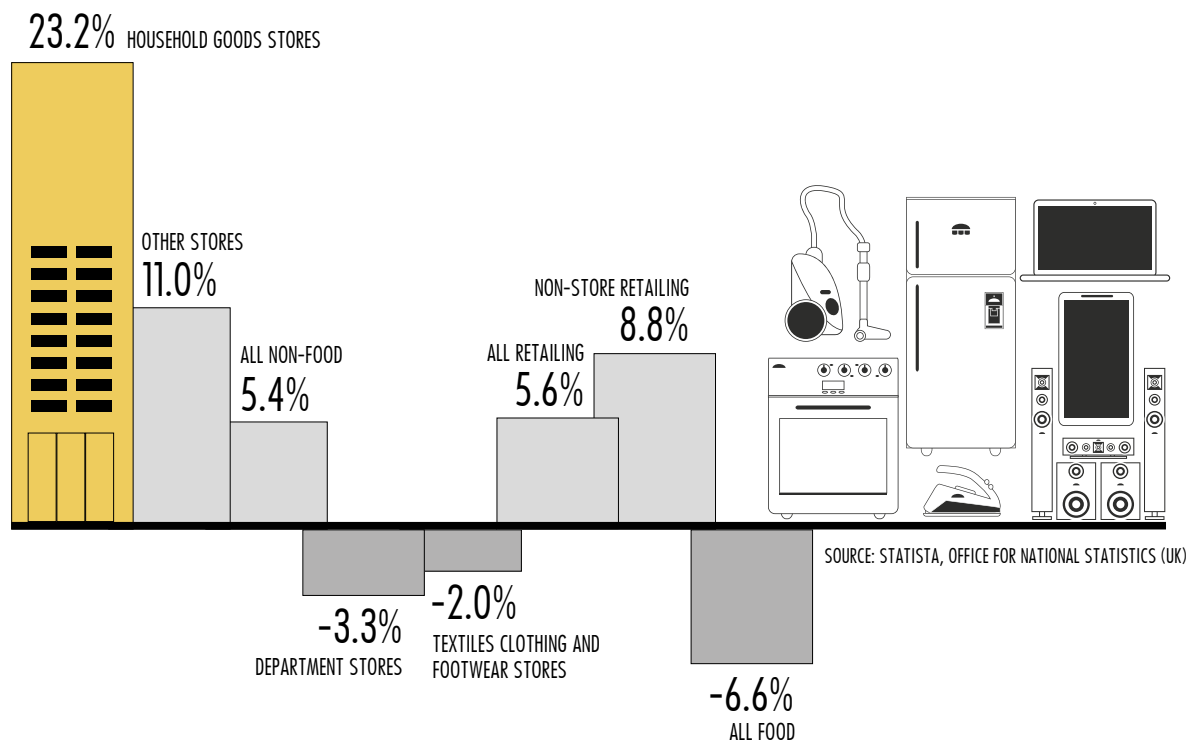
## RETURNS OF ONLINE PURCHASES BY CATEGORY IN THE UK, 2019

Which of these kinds of articles have you sent back after an online order in the past 12 months?



SOURCE: STATISTA GLOBAL CONSUMER SURVEY

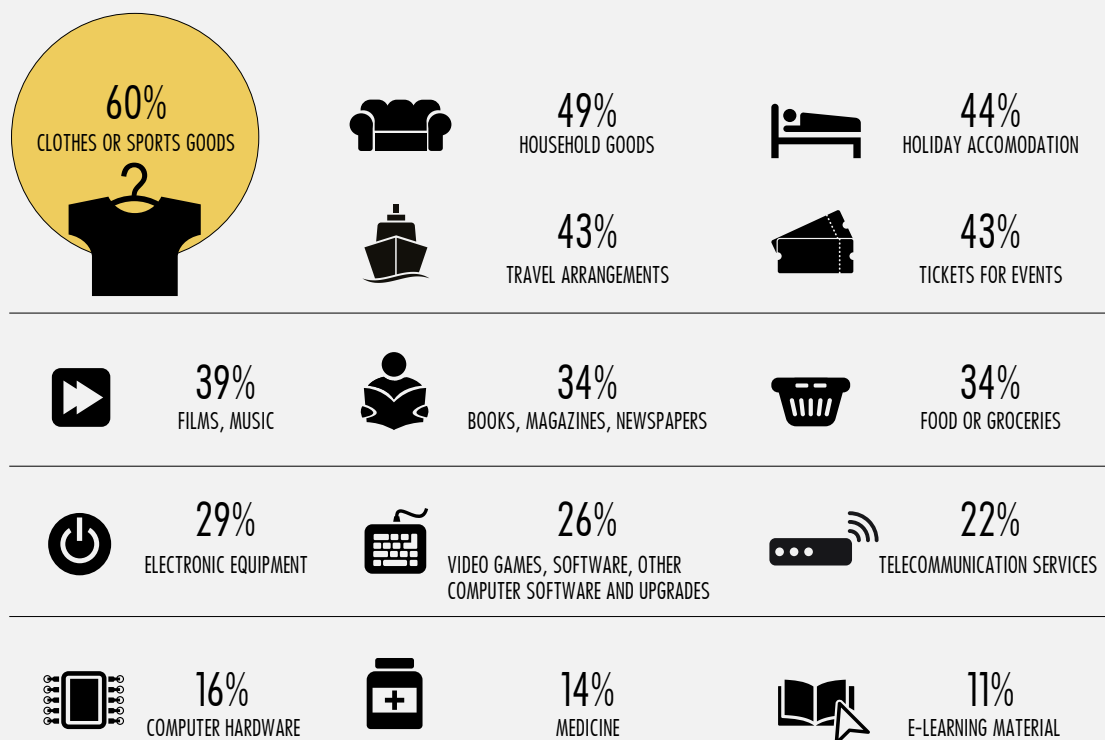
## INTERNET RETAIL SALES VALUE GROWTH IN THE UK BY SECTOR, 2019



SOURCE: STATISTA, OFFICE FOR NATIONAL STATISTICS (UK)

## MOST POPULAR GOODS PURCHASED ONLINE IN GREAT BRITAIN, 2019

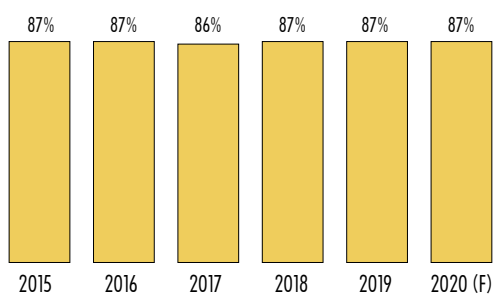
The graph shows the share of the population using the internet who bought Each category online



SOURCE: STATISTA, OFFICE FOR NATIONAL STATISTICS (UK)

## ONLINE SHOPPERS (2015-2020 (F))

The graph shows the share of the population using the internet who shopped online



SOURCE: STATISTA, OFFICE FOR NATIONAL STATISTICS (UK)

## MOBILE COMMERCE SALES IN THE UNITED KINGDOM (UK) 2014 AND 2019, BY SECTOR, IN £BN AND €BN

Sector	2014		2019	
	£BN	€BN	£BN	€BN
FOOD AND GROCERY	£2.60	€3.35	£8.80	€10.31
CLOTHING AND FOOTWEAR	£2.30	€2.96	£7.80	€9.14
ELECTRICALS	£1.60	€2.06	£5.40	€6.33
ENTERTAINMENT AND BOOKS	£0.80	€1.03	£2.00	€2.34
HEALTH AND BEAUTY	£0.30	€0.39	£1.20	€1.41
HOMEWARES	£0.30	€0.39	£1.20	€1.41
FURNITURE AND FLOORING	£0.30	€0.39	£1.00	€1.17
DIY AND GARDENING	£0.20	€0.26	£0.50	€0.59

SOURCE: STATISTA, BARCLAYS, CONLUMINOÙ



## THE UK CONSUMER: DRIVING SUSTAINABILITY THROUGH CHANGING PURCHASING DECISIONS

The environment and sustainability are increasingly affecting UK consumers' purchasing decisions. What changes and opportunities are in store for retailers?

It took a while but Greta Thunberg and TV presenter Sir David Attenborough have changed consumers' perspectives on environmental matters. Finally, it's okay to care for the planet.

In response to such changing attitudes, supermarkets have reduced packaging. Marks & Spencer has found that more than 75% of shoppers are consciously trying to reduce the amount of plastic packaging that they use. Along with M&S, Waitrose and Tesco are all trialling loose products in large dispensers from which consumers can fill their own containers. Department store John Lewis is testing reusable bags for click and collect orders. Online retailers are switching to recyclable packaging.

Consumers appreciate these measures but would like retailers to go further. According to research by Barclays, 85% of consumers would like delivery drivers to take packaging away, while millennials and members of Gen Z are more open to the option of paying a premium for deliveries to arrive by greener forms of transport. However, most consumers expect retailers to introduce more environmentally friendly measures without passing the cost onto them, or to be able to opt for a slower, yet greener, delivery method without a change in charges.

Companies have, of course, been working to reduce their carbon footprints for longer than it was fashionable to do so. Changes include efficiencies in buildings and supply chain modernisations, from logistics to greener transport for final mile deliveries. Fashion retailer ASOS, for example, has shaved 30% off the carbon footprint of fulfilling customer orders over the past five years by implementing operational changes. Consumers have also been considering the impact of the products they buy,



Copyright © M&S

M&S has experimented with selling fruit and vegetables that are displayed without packaging

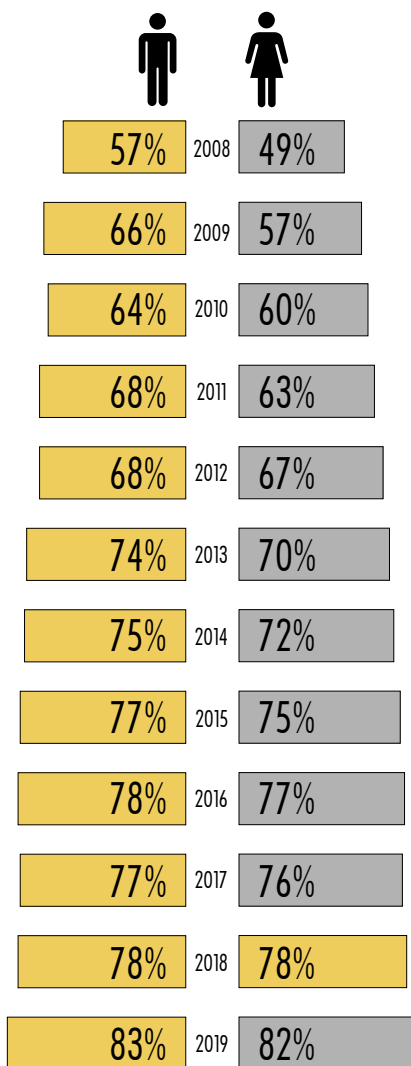
with more than half now choosing long-lasting clothes over fast fashion. This is up 33.8% on a year ago. On top of that, the proportion of shoppers who consciously opt for fast fashion has fallen 46.2% to just 14% of consumers. Two thirds (66%) are also now happy to buy second-hand and vintage clothing.

"This shift towards quality over quantity, recycling and buying second-hand is not just about saving money, it is a reflection of how customers are increasingly mindful of fashion waste and the supply chain," says Lee Lucas, principal of the Fashion Retail Academy. "Vintage clothing is in and sustainable clothing brands... have become more popular."

With the UK currently on lockdown due to Covid-19, and individuals expected only to leave their homes once a day for exercise or to buy essential groceries, it is likely that sustainability will take greater importance in consumers' buying decisions as they come to first miss, and then appreciate more fully, the natural world outside of their front doors. ■

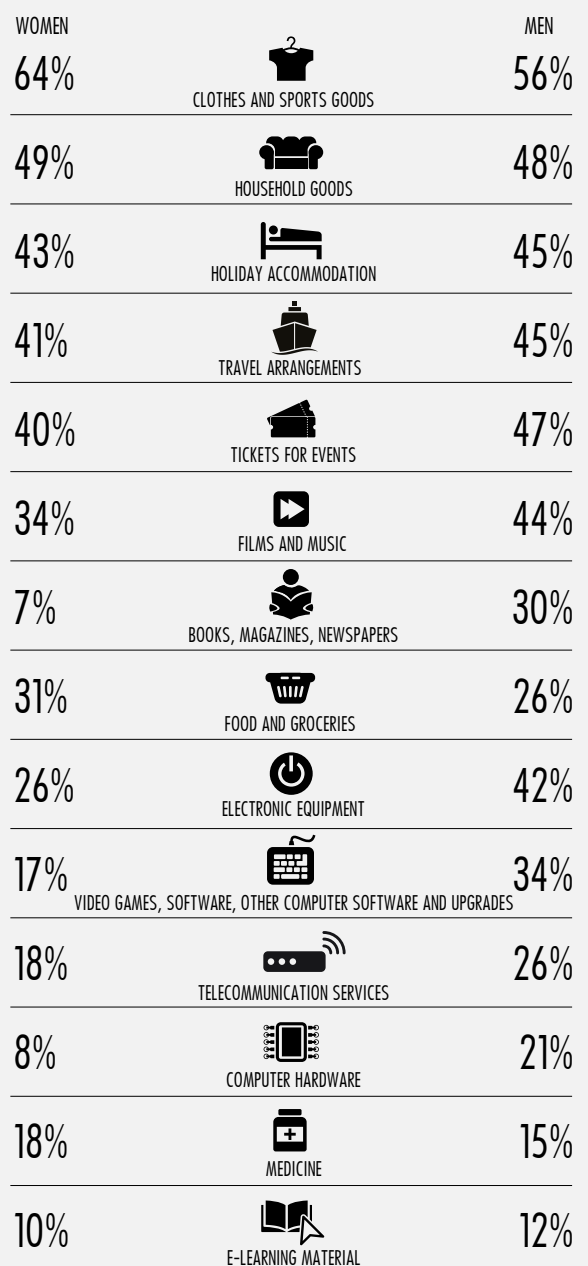
# UK CONSUMER

## SHARE OF INDIVIDUALS WHO MADE PURCHASES ONLINE IN GREAT BRITAIN IN 2008-2019, BY GENDER



SOURCE: STATISTA, OFFICE FOR NATIONAL STATISTICS (UK)

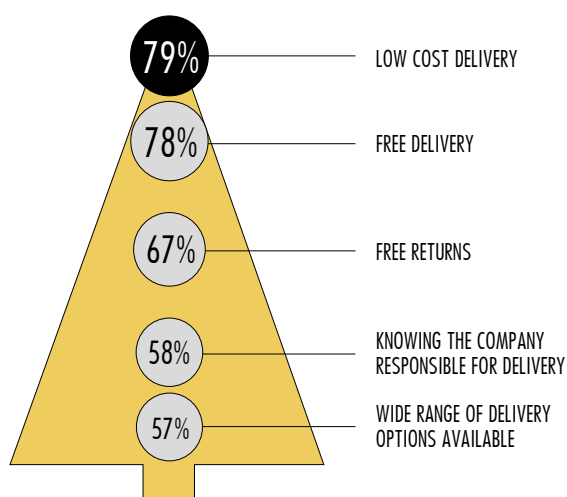
## GOODS AND SERVICES RANKED BY SHARE OF MEN AND WOMEN WHO PURCHASED ONLINE IN GREAT BRITAIN IN 2019



SOURCE: STATISTA, OFFICE FOR NATIONAL STATISTICS (UK)

# UK CONSUMER

## REASONS TO DO CHRISTMAS SHOPPING ONLINE IN 2019



SOURCE: STATISTA, ROYAL MAIL, TRINITY MCQUEEN

## UK CONSUMERS' REASONS FOR SHOPPING ONLINE, 2018-2019

	2018	2019
TO COMPARE PRICES	55%	54%
THERE IS MORE CHOICE	52%	51%
LIKE TO BROWSE ONLINE IN THEIR FREE TIME	45%	46%
FIND IT CHEAPER TO BUY ONLINE THAN IN-STORE	44%	43%
LIKE TO SHOP FROM THE COMFORT OF HOME	44%	44%

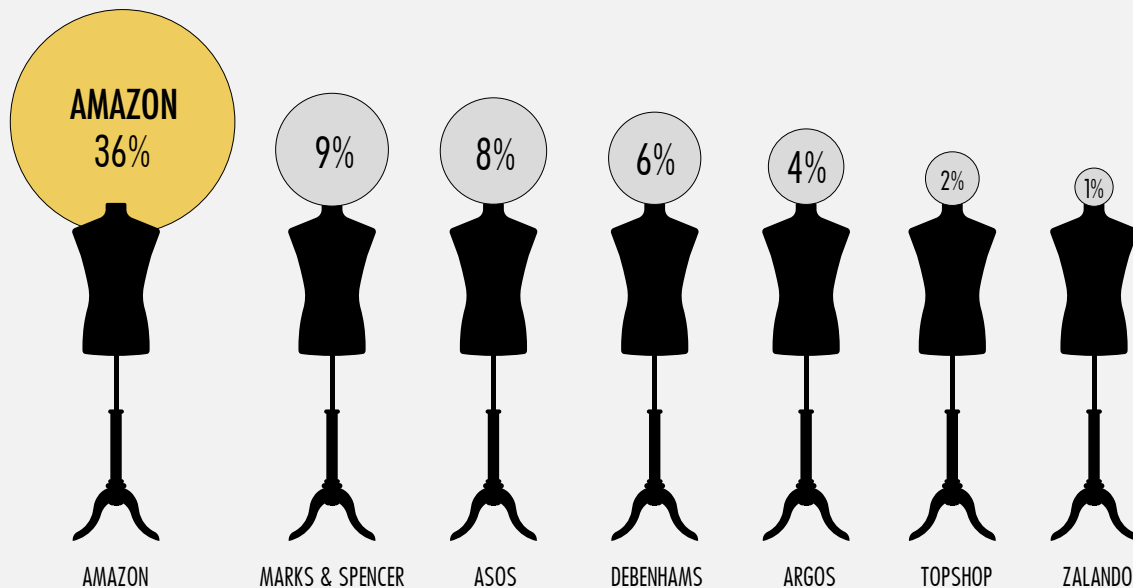
SOURCE: STATISTA, ROYAL MAIL, TRINITY MCQUEEN

## PREFERRED ONLINE STORES FOR CHRISTMAS GIFT SHOPPING IN THE UNITED KINGDOM, 2019

	AMAZON.CO.UK	91%
	ARGOS.CO.UK	36%
	MARKSANSPENCER.COM	20%
John Lewis	JOHNLEWIS.COM	16%
	ASDA.COM	16%
next	NEXT.CO.UK	16%
DEBENHAMS	DEBENHAMS.COM	15%
	TESCO.COM	14%
Currys	CURRYS.CO.UK	9%
	SAINSBURYS.CO.UK	9%
	TKMAXX.COM	9%
ASOS	ASOS.COM	7%
	VERY.CO.UK	6%
	BUYAGIFT.CO.UK	5%
	MORRISONS.COM	4%
	APPLE.COM	4%
	AO.COM	2%
	PREZZYBOX.COM	2%

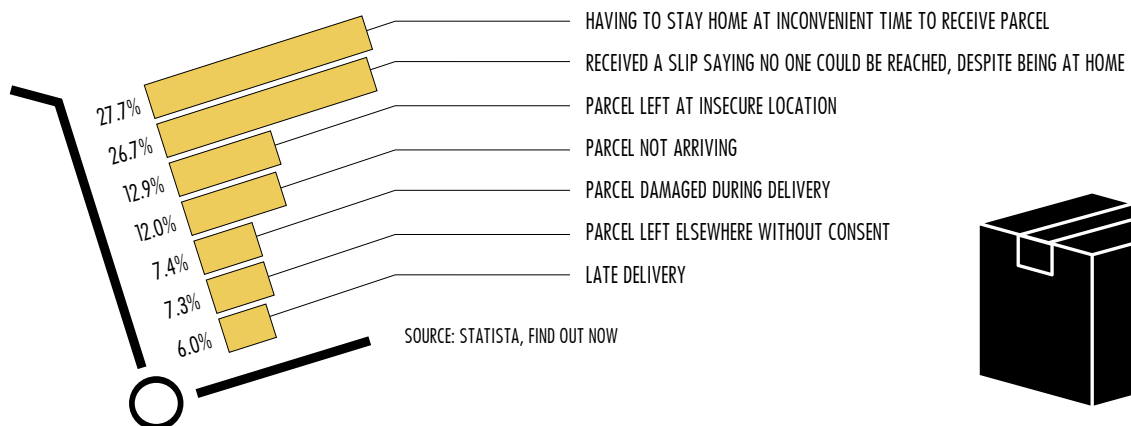
SOURCE: STATISTA SURVEY

## PREFERRED ONLINE PLATFORMS FOR APPAREL SHOPPING IN THE UNITED KINGDOM, 2019

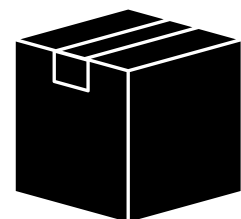


SOURCE: STATISTA, PRODEGEMR

## MOST PROMINENT PROBLEMS ENCOUNTERED WITH PARCEL DELIVERIES IN THE UK IN 2019

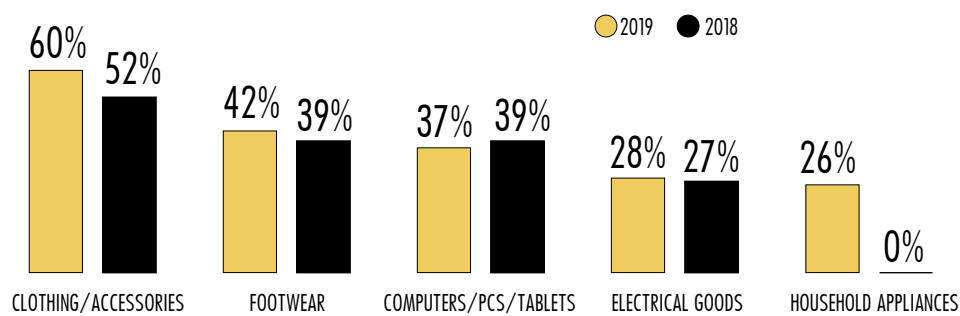


SOURCE: STATISTA, FIND OUT NOW



# UK CONSUMER

## RETAIL ITEMS CONSUMERS WOULD ORDER ONLINE USING 'TRY BEFORE YOU BUY' SERVICES IN THE UK IN 2018 AND 2019



SOURCE: STATISTA, ROYAL MAIL

	2015	2016	2017	2018	2019
PROBLEMS ENCOUNTERED BY INDIVIDUALS WHEN BUYING/ORDERING OVER THE INTERNET	PERCENTAGE OF INDIVIDUALS WHO ORDERED GOODS OR SERVICES OVER THE INTERNET FOR PRIVATE USE IN THE LAST YEAR				
SPEED OF DELIVERY LONGER THAN INDICATED	28%	31%	29%	30%	32%
DELIVERY COSTS OR FINAL PRICE HIGHER THAN INDICATED	7%	10%	9%	9%	10%
PROBLEMS WITH FRAUD	4%	5%	6%	7%	9%
PERCEIVED BARRIERS TO BUYING/ORDERING OVER THE INTERNET	PERCENTAGE OF INDIVIDUALS WHO ORDERED GOODS OR SERVICES OVER THE INTERNET FOR PRIVATE USE IN THE LAST YEAR				
DID NOT ORDER ONLINE BECAUSE THEY PREFER TO SHOP IN PERSON	56%	60%	71%	72%	73%
DID NOT ORDER ONLINE BECAUSE OF SECURITY CONCERNS	27%	26%	23%	24%	36%
DID NOT ORDER ONLINE BECAUSE OF TRUST CONCERNS ABOUT RECEIVING/RETURNING	12%	11%	10%	13%	21%
FOREIGN RETAILER DID NOT SELL IN MY COUNTRY	1%	2%	3%	3%	1%

SOURCE: EUROSTAT DATABASE

CROSS-BORDER	PERCENTAGE OF INDIVIDUALS WHO ORDERED GOODS OR SERVICES OVER THE INTERNET FOR PRIVATE USE IN THE LAST YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ONLINE PURCHASES FROM NATIONAL SELLERS	94%	95%	96%	93%	91%	93%	93%	93%	90%	90%
ONLINE PURCHASES FROM SELLERS FROM OTHER EU COUNTRIES	15%	15%	18%	18%	23%	25%	28%	32%	34%	34%
ONLINE PURCHASES FROM SELLERS ABROAD (OTHER EU OR NON EU COUNTRIES)	-%	26%	27%	28%	34%	37%	40%	43%	49%	50%
ONLINE PURCHASES FROM SELLERS FROM THE REST OF THE WORLD (NON EU)	18%	18%	18%	19%	22%	26%	28%	32%	36%	40%
ONLINE PURCHASES FROM SELLERS WITH UNKNOWN COUNTRY OF ORIGIN	3%	2%	5%	6%	8%	9%	10%	12%	17%	13%

SOURCE: EUROSTAT DATABASE

# STITCH FIX: MIXING MATHEMATICAL ALGORITHMS WITH A HUMAN TOUCH

Consumers increasingly demand both free shipping and returns before they order online. Stitch Fix’s strategy meets these demands while also addressing some of the environmental impacts of its ecommerce blueprint.

Stitch Fix has more than 6,000 employees, 3,000 of whom are stylists working to create the best ‘Fix’ (as they call it) that meets the needs and expectations of each customer. These are impressive numbers, given that Stitch Fix started in the USA as recently as 2011, when student (now CEO) Katrina Lake translated her immediate needs into a business idea. In 2018, Stitch Fix opened an office in London to cover the UK ecommerce market.

Stitch Fix’s service is designed so that consumers find it easy to begin using it. The website’s form encourages consumers to add detail – the more accurately consumers answer questions, the better it can work to meet consumers’ expectations. Stitch Fix initially uses algorithms to create profiles and outfits. Stylists then review the profiles to add the human touch to the outfits. This second step is optional and the ‘style fee’ is paid for – \$20 in the US and £10 in the UK.

When an outfit box arrives, it consists of five items of clothing and accessories for consumers to try on. Customers have three days to decide what they want to keep and what they will return, if anything. Customers who decide to keep all five items – the full ‘Fix’ – receive a discount (25% in the US and 20% in the UK), as well as the style fee being waived entirely.

Returns labels and forms are included in the box, while the website encourages customers to give feedback on purchases and the reasons why they have returned items. Stitch Fix’s algorithms then analyse the feedback and update customers’ profiles in order to try and create a better Fix for their next orders (Figure 1).

Stitch Fix aspires to give a highly personalised service. This certainly feeds a desire to shop, even when customers don’t have enough time to browse bricks-and-mortar stores, so what impact does all this shopping have on the environment? In the UK,

Copyright © Stitch Fix

Figure 1: Whenever a customer returns an item, they are always asked to give reasons and feedback, in order to improve service

‘fashion’ has the highest ecommerce revenue of any sector from 2017 to 2024 (forecast) (Table 1). Among e-shoppers, ‘clothes and sports goods’ is the most purchased category (60%), with

	2017	2018	2019	2020 (F)	2021 (F)	2022 (F)	2023 (F)	2024 (F)
<b>FASHION</b>	18.35%	18.56%	20.9%	22.82	24.45	25.89	26.89	27.52

Table 1: Ecommerce revenue forecast from 2017-2024 (F), €bn

64% of shoppers women and 56% men. Analysing the returns percentage in the UK, it is evident that the most returned category is ‘clothing’ (30%), followed by the ‘shoes’ category (13%).

Stitch Fix’s ecommerce market strategy matches the demands of UK consumers, offering free shipping and returns. While this engages busy e-shoppers by saving them time and money, so much back and forth might be seen as encouraging an excessive environmental impact. However:

- Free shipping gets customers used to the idea of all of their purchases going out in a single box, rather than sent out in numerous individual packages. Stitch Fix also encourages customers to subscribe to a regular Fix shipment rather than ordering only when they really need a new Fix





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US company Stitch Fix has recently expanded into the UK. It monitors its use of packaging (below) to ensure it is recyclable

- Free returns generally incentivise customers to order online without thinking too much about size, quality and style. Stitch Fix sends items it thinks the customer will like, offering free returns yet also hoping that greater thought will result in fewer returns

The CO<sub>2</sub> and vehicle pollution produced by multiple deliveries and returns is a major consideration for the business. So too are the boxes and wrapping used for each Fix. While Stitch Fix ensures that all of its packaging is reusable/recyclable, raw materials had to be used to produce them all.

Stitch Fix has got off to an impressive start, taking just nine years to build up into a business that helps fashion conscious but busy shoppers. However, at a time when it's important to consider every person's impact on the environment, the data collected in this report reveals UK consumers' comparatively heavy use of resources in returning clothes and shoes.

Offering free shipping and free returns inevitably incentivises online shopping and increases ecommerce revenue, yet the environment is paying for this market strategy. While these services can enhance ecommerce revenue, businesses such as Stitch Fix should, as a balancing act, also work to inform consumers on efforts to reduce negative effects. ■



Copyright © Stitch Fix

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## THE UK B2C GROCERY SECTOR

The UK spends nearly 39p of every pound on food and drink, giving winners in this commercial sector a very big prize indeed

Grocery is the largest sector within UK retail. According to the Office for National Statistics<sup>[1]</sup> in 2018, shoppers bought £154.2bn of groceries in brick and mortar supermarkets and grocery stores, compared to the £9.1bn they spent online.

Tesco has the largest share of the UK grocery market, accounting for just over a quarter of all sales. It is followed by Sainsbury's (15.3%) and Asda (15%) on almost equal footing, with Morrisons ranking fourth with almost a 10% market share, according to Kantar<sup>[2]</sup>. Discounters Aldi and Lidl have both taken large chunks out of the UK grocery market in recent years, accounting for 8.1% and 6% respectively.

Tesco also has the largest number of online shoppers. Its successful Clubcard loyalty scheme has meant that it can personalise offers and track what shoppers are buying, and when. They are subsequently rewarded with discounted shopping and coupons for a range of partners. The supermarket further rewards loyal customers with a Delivery Saver pass, which gives them priority access to delivery timeslots.

While consumers were once enthusiastic about shopping for their groceries online, the sector has not seen the same rapid growth that areas such as fashion have seen – fashion seeing almost 20% of its sales online. In 2008, online shopping across all sectors accounted for less than 5% of overall retail sales. This has only crept up slightly, remaining fairly static at around 5% of total grocery spend since late 2016.

Online supermarket Ocado has seen the fastest growth over the past year, averaging around 10%. It currently sells products from premium brand Waitrose by fulfilling orders from advanced, automated warehouses. On 1 September 2020, it will switch to selling produce from its partner Marks & Spencer. This will be the first time that M&S food has been available widely online.

Waitrose, meanwhile, has been ramping up product lines and advertising to entice shoppers to switch to its own website. It only commands 5.1% of the market, but is the market leader in shopper satisfaction, according to Kantar.

Amazon is the newest entrant to the UK grocery sector and whatever Amazon does always has an effect on the rest of retail.



Copyright © Ocado

Ocado is switching from delivering Waitrose goods to M&S

Sainsbury's, Tesco and Co-op have all tested cashierless stores, with the grocery sector being the most likely one to launch mobile apps in 2019. More than a third (37%) of grocery retailers has an Android app, with the number growing by 9pp from 28% last year<sup>[3]</sup>.

Panic buying in March 2020 due to the Covid-19 pandemic stretched all supermarkets, with most having to stop taking orders online. Some were not able to offer a delivery timeslot within three weeks once they started accepting order. This is likely to have a lasting impact on both retailer and shopper behaviour. ■

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### The UK Grocery Sector

For more on the performance of specific UK supermarkets, see the RetailX UK Top500. In the most recent report, published in February 2020, Sainsbury's and Tesco were ranked as Leading retailers. Marks & Spencer, with its Foodhalls that are key to the overall business, was one of just six retailers in the Elite category. <https://retailx.net/retailers/>

## BLOCKCHAIN: PROVING BRAND AUTHENTICITY

Unalterable, trustworthy and available to anyone who needs access, blockchain technology wasn't created for supply chain logistics, yet seems perfectly suited to the task

Having an accurate, completely trustworthy view of the entire supply chain is becoming increasingly important for retailers, who need to know that products have been handled correctly throughout the supply chain, or must be able to prove the authenticity of products to ethically conscious consumers.

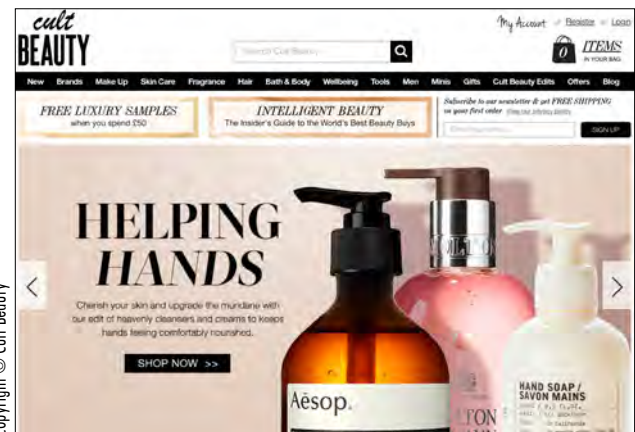
Blockchain could be the answer. While the cryptocurrency Bitcoin brought blockchain technology to people's attention, it has more to offer retailers than as a form of money. In the same way that social media enables a group of friends to view, share and comment on photographs in a bi-directional manner, blockchain enables retailers and their suppliers to share information in real time, in a trusted manner and on a secure network.

The significant detail of blockchain is that the data encrypted into the chain can never be tampered with or altered, so it's both secure and can be entirely relied on by anyone authorised to see it. Blockchain therefore combines transparency with absolute trust.

Using the retail journey of a lettuce as a simple example, the grower would add a packet of data to say that the lettuce has been picked. The carrier knows with certainty when to arrange collection, while the end retailer knows that it is on its way. By tracking the lettuce all the way from producer to supermarket, the retailers can be assured that our lettuce – or the batch it is part of – has been maintained at the correct temperature. Knowing this, the retailers also know the remaining shelf life. Meanwhile, the end consumers, while being unaware of all of this, can have faith that the goods they are buying are fresh and safe to eat.

Blockchain can even allow for a clause to be added into the contract so that should some parameter change along this supply chain, a different price would be paid by the retailer. There would be no quibbling over the facts since the blockchain keeps everyone accountable to each other. Blockchain can prove that something has been grown to organic standards, has been traded fairly, and isn't a fake.

Everything in the supply chain can be added to the blockchain, from the button on a shirt to the manufacturer of the thread used in its stitching. Provenance, a platform launched from the UK in 2016,



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Via the Provenance platform, Cult Beauty is among retailers already employing blockchain technology

is enabling brands and retailers of every size to use blockchain to build trust with the end consumer and track every part of every supply chain. Provenance proved its concept by tracking the supply chain for tuna caught by fisherman in Indonesia, proving that it wasn't caught by people working in slavery.

The platform has since expanded so that today, it is used by many brands and retailers. From beauty ecommerce company Cult Beauty to accessories brands Martina Spetlova, Anuka Jewellery and Mashu Bags, companies and producers of all sizes can build trust with their consumers by telling the stories of their products with confidence and certainty. ■



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## THANKS & NEXT

The United Kingdom is one of the most sophisticated ecommerce markets in the world, a country where consumers have embraced the ease and speed of buying online. This is unlikely to change even when Brexit is finally fully enacted and the current transition period, under which the UK will remain closely tied to the European Union in regulatory terms until at least the end of 2020, comes to an end. Nevertheless, for smaller retailers and even SMEs, there remain barriers to launching ecommerce operations in the UK. First and foremost, starting from scratch can be expensive. In addition, companies may struggle in areas ranging from attracting staff with technical expertise to the nuts and bolts of logistics.

In this context, one intriguing side effect of the coronavirus pandemic is that many retailers are being forced to look in earnest at ecommerce and to bring forward plans to sell online, or to start selling online with little or no pre-planning. Even small retailers that have passively seen the internet encroach on their operations by, for example, the way Google Maps makes them visible to a wider public, are now being forced to be proactive.

How will this change the UK ecommerce market going forward? The effects are likely to be subtle and often localised. Just as a local pizzeria is not going to challenge Domino's except in its own locale, small retailers are often not scalable – although it will be fascinating to see if the presence of more retailers online has a cumulative effect in nibbling at the margins and market share of larger companies.

Whatever happens, a phased transition to online retail that's been underway for years is gaining new impetus thanks to the coronavirus crisis. This is a development retailers from elsewhere in the world planning to launch in the UK may need to consider when making their business plans.

Finally, thanks once again to all those who contributed their time and expertise to this report. ■

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Tel: +44 (0) 20 7062 2525  
Printed in Great Britain.  
ISSN 1759-0582  
[www.retailx.net](http://www.retailx.net)

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