



United Kingdom 2022

Ecommerce Country Report

In partnership with



€499 | APRIL 2022

RXRUK22RP

www.retailx.net



Introduction



Welcome to the 2022 edition of the RetailX UK Ecommerce Country Report. This report aims to provide a practical guide to those already selling in the key UK market, a long-time leader of European ecommerce, and to those who are considering entering or expanding within it.

This year's report comes at a time of fresh turmoil and challenge as Russia's invasion of Ukraine brings consequences for markets around the world and as rising inflation and energy prices bring about a cost of living crisis. These various factors look set to further complicate a supply chain crisis brought about by a combination of Covid-19 and Brexit. These new threats also come just as the UK market looked to be emerging from the trading restrictions imposed as a result of the Covid-19 pandemic, with footfall and customer buying patterns now starting to revert towards pre-pandemic norms.

How will UK ecommerce and multichannel retailers respond? Early indications are that retailers are cutting costs and putting up prices as they see their own costs rise in every area from logistics staff to fuel and energy costs.

They are also thinking smart about new and different ways of doing business. Some are selling via third-party retailers' websites to increase their brand awareness, or enabling others to sell via their websites, while expanding their operations to include marketplaces.

At the same time, brands are expanding online as they sell direct to those shoppers who turned to buy from them during the pandemic. Despite the many challenges, this looks to be an interesting period in ecommerce development for a market that has always innovated in response to disruption.

We welcome, as always, your feedback and comments.

Ian Jindal, CEO, RetailX

Contents

Country profile	03
Market context	05
Partner perspectives	07
Key indices	15
The UK consumer	16
Payment methods	18
Delivery	19
Returns	20
Product categories	21
Peak trading	22
Moving on from Covid-19	24
Brexit and supply chain issues	26
Sustainability	27
Role of stores	29
The Largest 100	31
Company spotlight: Amazon	33
Company spotlight: Argos	34
Company spotlight: Tesco	35
Figure index	36
Conclusion	37

Country profile

The UK has faced recent local and global challenges but remains a leading economy

The United Kingdom is a member of the G7 group of leading economies. It has four constituent countries. England is home to the majority of the UK population and to London, its capital city, which has a highly diverse population of around 9m people, who between them, speak more than 300 languages. **Scotland, Wales and Northern Ireland all have devolved powers**, with parliaments or assemblies that have responsibility for policy areas including education and health. Queen Elizabeth II is the UK's longest-serving monarch and in 2022 celebrates her platinum jubilee.

After two years of Covid-19, the UK has moved on from pandemic lockdowns and trading restrictions. Yet while shops are now trading as normal, many shoppers are now more likely to be working from home for at least part of the week, potentially spending less on in-store purchases and more online. **The effects of Brexit, which saw the country leave the EU single market and customs union in early 2020, are still being felt** in the UK's supply chain and in skills shortages within the labour market.

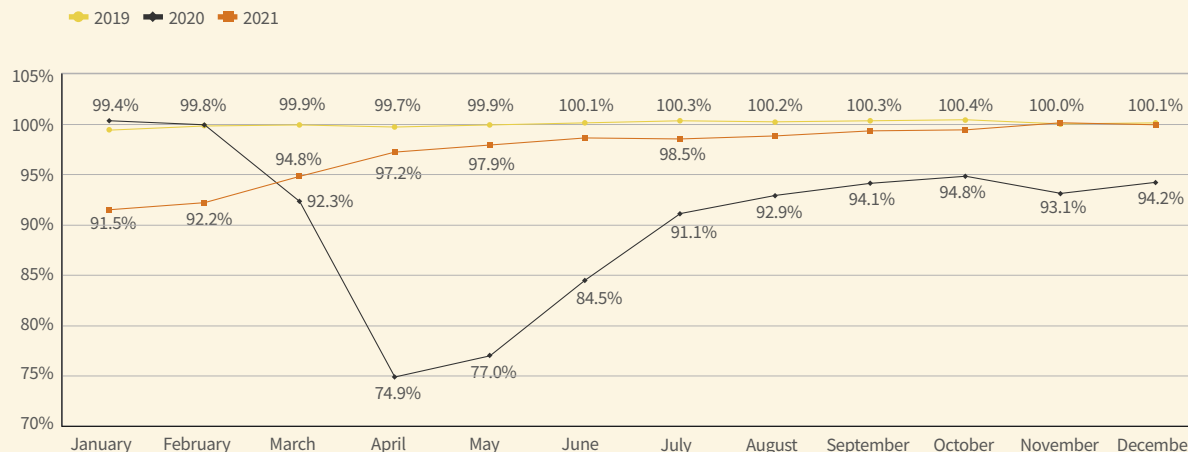
UK country profile

Area: 242,495 km² | **Capital:** London | **Currency:** Pound Sterling (£, GBP)
Official language: English, Welsh (Wales), Gaelic (Scotland), Irish (Northern Ireland) | **Other languages spoken:** Polish (1%), Punjabi (0.5%) | **Ethnicity:** British, including English, Welsh, Scottish, Northern Irish
Government: Constitutional monarchy and parliamentary democracy | **VAT:** 20% | **Reduced rate:** 5%



Monthly GDP (gross domestic product) index

GDP fell by 0.2% in December 2021 to equal its pre-coronavirus (COVID-19) pandemic level (February 2020)



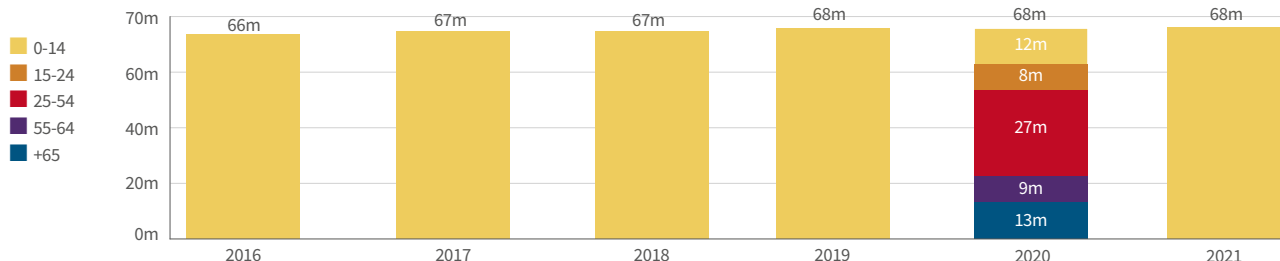
This data includes revisions to the monthly data back to January 2021, consistent with the first quarterly estimate of GDP. Data has been normalised to the average value for the year 2019
 Source: Office for National Statistics

Nonetheless, gross domestic product (GDP) has now returned to levels last seen before the pandemic, with retail spending also recovering. **Shoppers are now making more of their retail purchases online**, although at a lower level than during the peak of Covid-19 lockdowns. However, **rising gas prices are feeding into an ongoing cost of living crisis** that is now likely to worsen following the Russian invasion of Ukraine.

The UK has been one of numerous countries taking sanctions against Russia and its ally Belarus, with steps including closing UK airspace to Russian airlines and private planes from those countries and sanctions imposed on named individuals and Russian banks. **While some UK retailers and brands have suspended trading in Russia or stopped selling Russian-made goods**, the effects of these actions on the economy and ecommerce will only be seen in the long-term.

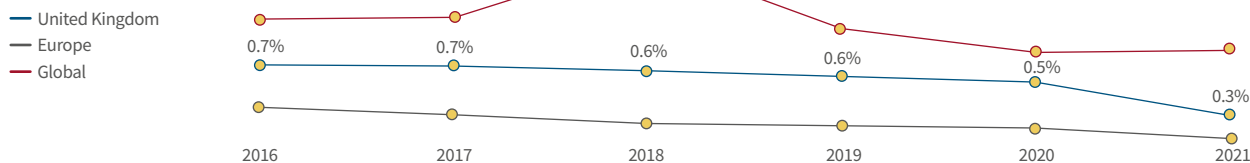
Findings of the 2021 Office for National Statistics census have yet to be published, yet we do know that **the UK's population growth rate has slowed**, falling to an estimated increase of 0.3% in 2021. Factors affecting this may include European workers leaving post-Brexit as well as rising excess deaths rate due to the pandemic. According to ONS figures, there were **121,371 excess deaths above the five-year average in England and Wales** between 13 March 2020 and 18 February 2022.^[1]

Population structure



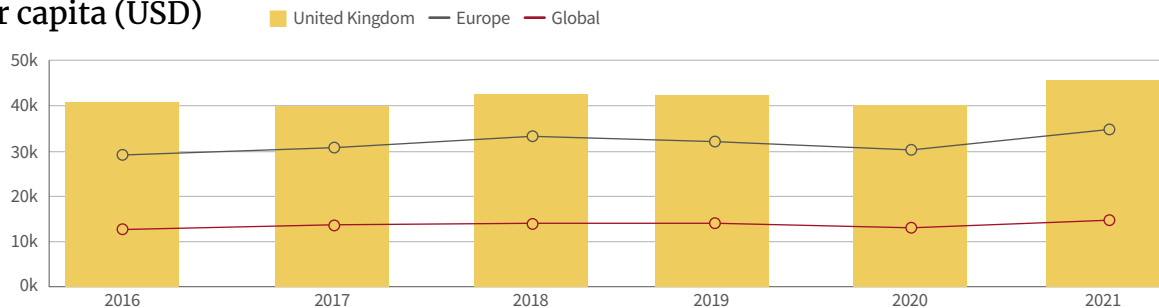
Source: RetailX, drawing on data from Eurostat, the International Monetary Fund and the Office for National Statistics

Population growth



Source: RetailX, drawing on data from Eurostat, the International Monetary Fund and the Office for National Statistics

GDP per capita (USD)



Data for Europe includes UK, France, Germany, Russia, Italy and Norway. Data for Global includes the countries in the RetailX Global Report 2021

Source: RetailX, drawing on data from Eurostat, the International Monetary Fund and the Office for National Statistics

[1] www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/articles/coronaviruscovid19/latestinsights#mortality

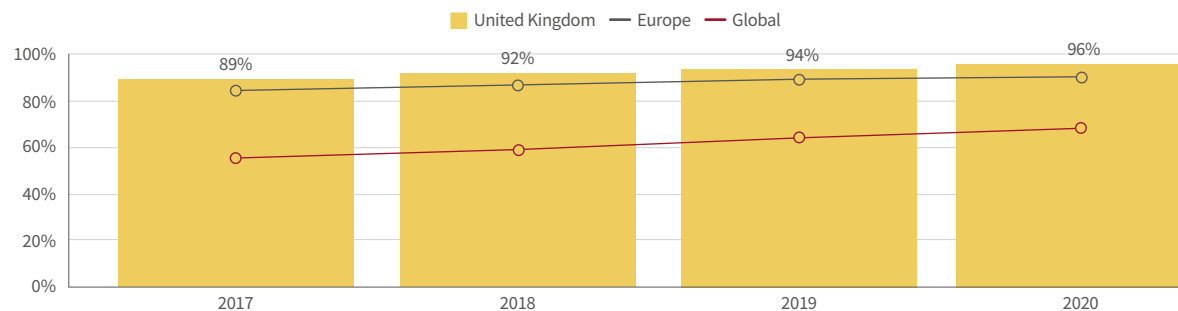
Market context

The UK, already an ecommerce leader, is emerging from pandemic restrictions that have accelerated structural shifts in retail

An early indicator of how Covid-19 would end up changing the UK market was in the sudden shortage of grocery delivery slots during the initial lockdown, when vulnerable people dared not leave their homes to buy food. Since then, **grocers have looked to new ways to expand their delivery capacity – and quickly.** The shift of grocery to online, previously expected to take place over years, was suddenly a reality.

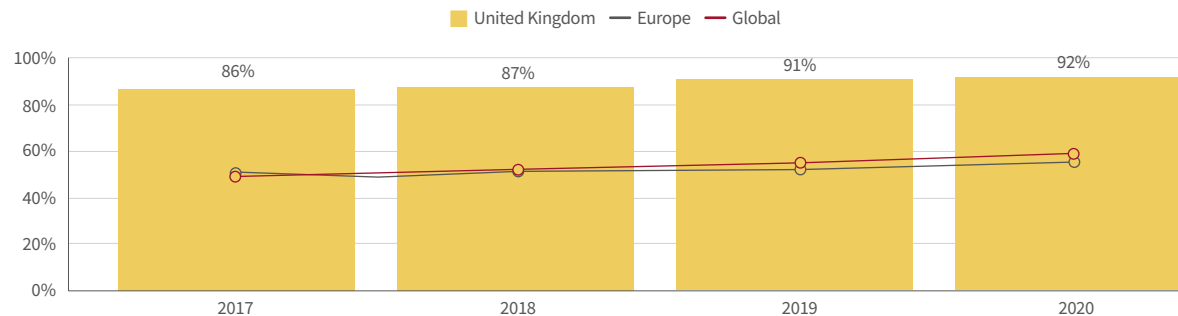
The UK was already well-placed for this shift online, with many shoppers used to making at least some of their purchases online. Eurostat research suggests that **by 2020, 96% of the UK population were internet users, of whom 92% shopped online.** That may well have risen further since, as RetailX data suggests, a small but significant number of people shopped online for the first time during Covid-19 lockdowns. But while the proportion of UK retail sales taking place online rose during pandemic lockdowns – peaking at 36.5% in February 2021 – the share has steadily declined since then, reaching 25.3% in January 2022^[1].

Percentage of internet users



Source: RetailX, drawing on data from Eurostat

Percentage of internet users who shop online



Data for Europe includes UK, France, Germany, Russia, Italy and Norway. Data for Global includes the countries in the RetailX Global Report 2021

Source: RetailX, drawing on data from Eurostat

[1] www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/january2022

The ONS has found^[2] that UK retail sales – excluding fuel – grew by 2.3% to £402.9bn in 2020 compared to the previous year, as in-store sales (including fuel) fell by 11.1% and online sales grew by 49.9%. In 2021, however, UK retail sales were 4.5% ahead at £420.99bn, with in-store sales 5.3% and online sales 8.7% ahead of the previous year, continuing to build on the ecommerce growth of the pandemic.

When UK shoppers buy online, they spend more each year than in many other European markets, surpassed only by shoppers in Denmark, Norway and Germany, according to PostNord research. Fashion is the most common category that UK shoppers buy online. It's also one that's expected to get more popular over time as shoppers become more confident with ecommerce. Offering easy returns processes will be key to increasing that confidence. Other **key UK ecommerce categories include electronics, furniture and appliances,** while more shoppers continue to buy more groceries online than they did before Covid-19.

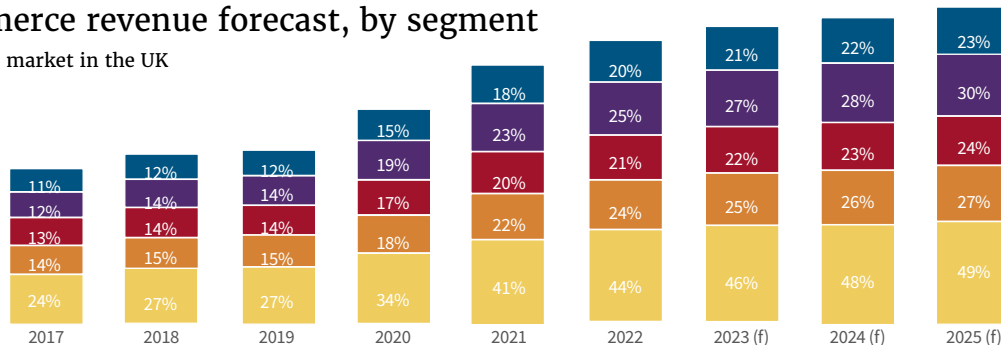
Now that the pandemic lockdowns are over, **shoppers are returning in-store, although to a lesser extent than before.** British Retail Consortium/Sensormatic IQ footfall figures for February 2020^[3] suggest that the numbers visiting shops are closing on levels seen before the pandemics – although UK footfall was 14.9% lower in February 2022 than in pre-pandemic February 2020.

Estimated ecommerce revenue forecast, by segment

The fashion sector leads the market in the UK

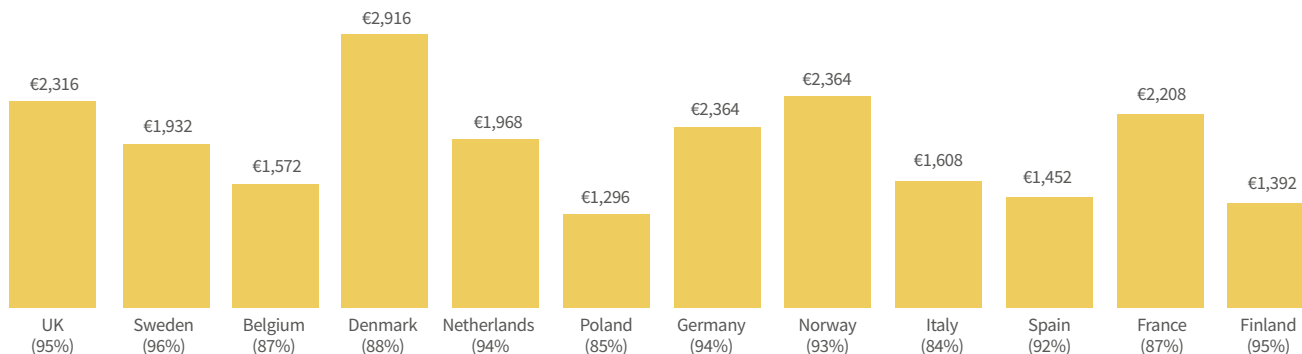
- Furniture & appliances
- Food & personal care
- Electronics & media
- Toys, hobbies & DIY
- Fashion

Note: Released in December 2021
Statista. Statista Digital Market Outlook



Estimated average ecommerce spending in selected European countries in 2021

The UK ranks third in average ecommerce spending per person



Note: Results include 12,000 interviews with ecommerce consumers in Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Poland, Spain, Sweden and the UK. The interviews were conducted with representative nationwide samples of private individuals aged 15-79 years. The number of respondents varied, with about 1,000 per country. Online survey conducted in 2020 and 2021. The percentage of e-shoppers (calculated as the share of internet users that shop online) is shown in parentheses. Source: PostNord

[2] www.ons.gov.uk/businessindustryandtrade/retailindustry/adhocs/14310onlineandinstorereailsalesgreatbritain2007to2021
 [3] <https://internetretailing.net/location/numbers-visiting-uk-stores-now-closer-to-pre-pandemic-levels-following-ending-of-covid-19-restrictions-24487>
 [4] www.pwc.co.uk/industries/retail-consumer/insights/store-openings-and-closures.html

The All-in-One Payments and Fraud Solution That Gives Your Business Endless Possibilities

ACI® Secure eCommerce™

- **Sell More** – Increase conversions and expand your eCommerce reach through an extensive global network of acquirers and alternative payment methods
- **Lose Less** – Protect your customers' purchasing journeys with sophisticated, real-time fraud prevention technology
- **Maintain Control** – Reduce operational costs with an acquirer-agnostic platform

To see how ACI Secure eCommerce can transform your online payments platform, visit aciworldwide.com/ecom.



Expert insight

Kieran Mongey



Senior principal payments consultant at ACI

How have the expectations of the UK customer now changed – and how are retailers and brands adapting in order to meet those expectations?

When we look at the UK market today, we see payments has moved from a commodity to a differentiator. Sophisticated shoppers expect a simple, fast, and fully integrated payments experience. And they expect to find their choice of payment methods at the checkout. As a merchant, you need to bring payments into your customer engagement and customer purchase journeys.

You need to understand your customer – know who they are, their expectations and buying behaviour and put a strategy in place that includes:

- The right “payment” methods and fraud strategy.
- Multi acquiring to reduce costs and increase acceptance rates.
- Understand shipping and ensure you have a proper return policy in place. An average of 30% of all goods purchased are returned.

The customer journey should be as frictionless as possible,

and merchants should ensure they honour return shoppers by offering them the best checkout experience possible. Adopting a payments platform that orchestrates payments beyond cards, is crucial.

What challenges do you see coming up for ecommerce and multichannel retailers and brands in the year ahead?

UK merchants are competing aggressively to find ways to attract and retain customers and create compelling journeys. Consumers want simple, intuitive ways to find products and seamless ways to make purchases.

It is critical for merchants to focus on increasing payment conversion, so the efforts made along the path to purchase are not squandered. Payment conversion is the stage when a prospect transitions into a customer. Investments (marketing, advertising, product, etc.) are all wasted if the customer doesn’t convert.

With a multi acquiring strategy, conversion uplift can make a big difference to a merchant’s bottom line. Simply switching from a global to a local acquirer can bring significant uplift. Or by deploying smart retry, bank acceptance rates can greatly improve.

Another way to convert more is by managing authentication. By applying fraud decisioning to your authentication strategy, merchants can reduce the decline rate for 3DS with no impact to fraud. This is now more important than ever in

the UK as with SCA (strong customer authentication) coming into force in September, merchants will need to be set up to take full advantage of SCA exemptions.

What are the opportunities that these businesses should be making the most of?

The UK is a developed market, so the opportunities to increase sales and revenue are in incremental improvements. The focus needs to remain on the customer experience, in both ecommerce and blended customer journeys. With a payment optimisation strategy that includes working with multiple acquirers, merchants can improve all points along the payment flow. From seamless authorisation, to offering the right payment methods, and ensuring maximum acceptance rates, merchants can incrementally offer a faster, more familiar, and smoother customer experience.

ACI Worldwide
Real-Time Payments

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 omnocommerce payments, present and process bill payments, and manage fraud and risk. aciworldwide.com www.aciworldwide.com

Grow your business
across borders with
e-PAQ the new range
of **e-commerce**
solutions by Asendia

e-PAQ

BY ASENDIA®

ASENDIA

BY LA POSTE & SWISS POST

www.asendia.com

With 4 options for delivery, e-PAQ gives you the flexibility
to choose the right service with the right features at the right price.

It's simple to use and it's sustainable.



**THE WORLD IS
YOUR ADDRESS**

Expert insight

Marie Barrance



Sales director at Asendia UK

What challenges do ecommerce and multichannel retailers now face?

Although coronavirus restrictions are being rolled back, the post-pandemic scenario is yet unknown since the virus is still here, as are psychological impacts for millions. This is a challenge for retailers, especially those with both physical and online stores. How much have consumers missed the in-store shopping experience? What experience do they want? Will the shift to home delivery and click and collect remain, shrink or grow? And when will retailers know what is the 'new normal'?

Maximising the opportunity of cross-border ecommerce is a challenge too. The impacts of Brexit and new Customs regulations are still being felt. Shoppers have high demand for foreign brands but only if they're affordable and the purchase is convenient. Many retailers are still trying to work out how to ensure this is the case.

Thankfully, there are shipping services available that enable retailers to be transparent with shoppers about the

fully landed cost of an order – including delivery duties and taxes – to be compliant with new regulations and to minimise any potential delays at Customs. It is a complex topic but with expert help, it is possible to optimise the shopping experience for customers overseas.

What are the opportunities for retailers and brands?

The obvious opportunity is the expansion of ecommerce. Demand for online shopping in the UK and across the world has grown in 2021 at a much faster rate than expected, mainly driven by the closure of bricks-and-mortar stores during the pandemic. However, this does not mean that ecommerce is a fad. Shoppers that couldn't be swayed away from the High Street before are now digital converts, having recognised the convenience and range of options provided by ecommerce.

Many of these new online shoppers are from an older demographic, which brings opportunity for brands that target this market.

There's also an opportunity for brands to stand out by focusing on sustainability. More and more people are becoming aware of the impact retail has on our environment. Manufacturing and shipping products will never be 'green' but shoppers are taking notice of how things are made, the packaging it arrives in, the delivery service used and what companies are doing to offset their impact. Since this movement is only going to grow,

brands that adapt early have an opportunity to seize market share before their competitors catch up.

Have UK customers' delivery expectations changed?

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 something of low value that's not urgent, they'll want to see an appropriate 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.



Asendia is one of the world's leaders in international commerce and mail. Combining the expertise of its founding companies, La Poste and Swiss Post, Asendia brings together a wealth of international and local know-how. www.asendia.com

Grow your way.

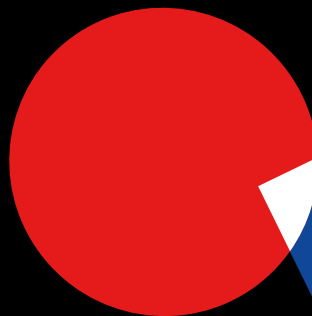


Effortless payments
for ecommerce success.

- £ Honest pricing
- 🗣️ Talk to a human
- 🗑️ No lock-in contract

mollie

mollie.co.uk



Expert insight

Josh Guthrie



Country manager UK, Mollie

With the Covid-19 pandemic accelerating the shift towards online shopping, ecommerce businesses have never had a better opportunity to grow. Consumers are spending more money than ever through digital platforms, while online audiences are growing. Yet due to this, the competition in ecommerce is fierce.

The past two years have been far from dull for small- and medium-sized businesses (SMEs) in the UK. They have had to negotiate Brexit regulations, navigate a sudden shift towards online events and trading, and deal with ever-increasing consumer expectations for mobile and social commerce. While flexibility remains vital, what else is key to driving growth in 2022?

Ambitions for growth

As one of Europe's fastest-growing payment service providers, the team here at Mollie conducted a survey in January 2022 to understand the state of the UK ecommerce sector through the lens of small- and medium-sized (SME) businesses. The insights we

received from more than 500 businesses revealed robust recent growth and impressive future ambitions. They also uncovered a lack of proactive advice and support from payment service providers (PSPs), as well as a disappointing lack of transparency in their pricing.

The picture that emerges through the survey and our conversations with Mollie UK customers (including Snag, Facetheory and Current Body) indicates that future growth will continue to rely on the ability to be flexible.

The pandemic was a lottery-like event for ecommerce verticals in which some businesses boomed while others went bust. Difficult decisions had to be made, including how quickly to set up operations in Europe and how much to invest in international expansion.

The role of stores

With bricks-and-mortar retail in hibernation, having a direct relationship with customers through an owned store front became critical. This meant that direct-to-consumer businesses found themselves in a stronger position than those operating only on marketplaces or physical retail.

As the UK continues to emerge and recover from the pandemic, the world of commerce is stabilising in a new offline/online hybrid. There will be many new services and tools that brands can use to gain a competitive edge. To do so, these firms will need to make smart

investments in their existing tech stacks and set the foundations for operational success.

The degree to which UK SMEs can compete at home and abroad against global giants such as Amazon and eBay also depends on choosing the right tools and services. At Mollie, we help ecommerce SMEs take on larger competitors by helping them perfect their payments offering and strategy.

We're rooting for UK SMEs as they take 2022 by storm. We're also looking forward to supporting those who partner with us at Mollie to access reliable, transparent payments in the UK and other European countries.

mollie

Mollie is one of Europe's fastest-growing payment processors. Founded in 2004, it facilitates companies of all sizes to scale thanks to its payments API, which offers multiple payment methods.



Scan the QR code to learn more about finding your perfect payment partner.



CREATE MEANINGFUL CUSTOMER EXPERIENCES BASED ON DATA

VISIT WWW.TEALIUM.COM FOR A DEMO

Expert insight

Lindsay McEwan



SVP and GM, EMEA, at Tealium

UK shoppers were already keen to buy online before the pandemic. Today they are making even more of their retail purchases online than they used to. The key to getting it right for UK shoppers is a connected digital experience that works for them whatever they want to buy and wherever they are. That might include shops that offer convenient services across channels, and it almost certainly includes a mobile experience that works for customers who are now more likely to buy via their smartphone than ever. Inevitably, part of that mobile experience is an engaging approach to social commerce.

The appeal of the store

In the long A/B test of Covid-19 lockdowns, UK retailers found once and for all that their customers still want to buy in-store. While they are ever more comfortable buying online, it seems the appeal of the store is hard to replace through a screen. Today's UK shops are all about convenience and experience, bringing together services that work across channels. For shoppers want to browse and see for themselves in a customer journey that now

often includes online research followed by an in-store visit. That's even more the case for high value purchases.

The role of mobile

Smartphones are at the heart of this joined-up experience, with shoppers now comfortable with organising purchases from a small screen. On-the-go shoppers can quickly see if an item is in stock in locally, or reserve or buy for collection on their way home. Smartphones also come into their own when it comes to automated services such as locker pick-up or returns.

Engage on social

Now that shoppers spend more time with their mobile to hand, they are also using smartphones to keep up to date with social media. Retailers and brands alike are finding that a strong social presence helps them engage with existing and potential customers, offering useful advice on the items they want to buy, as well as discounts, competitions and other offers. Both social and mobile are useful tools for winning new customers and learning about them. Timed promotions can help to push those special offers when shoppers are close to a store.

Brands direct

Shoppers who wanted to stay in touch with the favourite brands during coronavirus lockdowns soon navigated their way direct to brand websites or to marketplaces to buy the products they wanted direct from the brand.

Today, retailers are also learning the power of brand values when it comes to showing customers that they share their outlook. Demonstrating shared values is, of course, easier with a single view of the customer that encompasses how they are, how they want to show, where and when.

Commerce has changed hugely in recent years, and is likely to keep on doing so. By focusing on their personal relationship with customers, retailers can understand how their preferences change – and respond accordingly.



Tealium's customer data platform enables marketers to create composite 360-degree customer profiles in real time, drive more profitable and relevant omnichannel interactions, and fuel the performance of the business intelligence and data warehouse projects using the richest source of first-party data available. For more information visit: www.tealium.com

How the UK performs against global benchmarks

The UK is a leading digital economy, as measured on a range of international indices

The UK continues to rank highly on the Overall Internet Inclusive Index, although it has moved from eighth of 100 last year to ninth of 120 this year as the scope expands. The Index is compiled by The Economist Intelligence Unit and measures the extent to which the internet is accessible, affordable and relevant. This year's ranking shows that **the UK remains in the top quartile for availability, affordability and readiness**. It is in the second quartile for relevance through local language content, perhaps reflecting the dominance of English, an international language.

The Logistics Performance Index still relies on 2018 findings, although we have supplemented that with 2021 figures from the Integrated Index for Postal Development (2IPD). The World Bank has discontinued the Ease of Doing Business Index^[1] and is currently working on a replacement. Until then, we will refer to 2019 figures.

Indices	Definition	Global rank
Logistics Performance Index (LPI) (2018)	LPI measures performance along the logistics supply chain within a country	9 /160
Ease of Doing Business Index (2019)	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 (2020)	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
Integrated Index for Postal Development (2IPD) (2021)	2IPD is a comparative indicator of postal development around the world which is built on four pillars: reliability, reach, relevance and resilience	8 /170

Internet Inclusive Index (2021)

Availability	Quality and breadth of available infrastructure required for access and levels of internet usage	16 /120
Affordability	Cost of access relative to income and the level of competition in the internet marketplace	2 /120
Relevance	Existence and extent of local language content and relevant content	46 /120
Readiness	Capacity to access the internet, including skills, cultural acceptance and supporting policy	24 /120
Overall Internet Inclusive Index		9 /120

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

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

[1] www.worldbank.org/en/programs/business-enabling-environment

How UK consumers buy

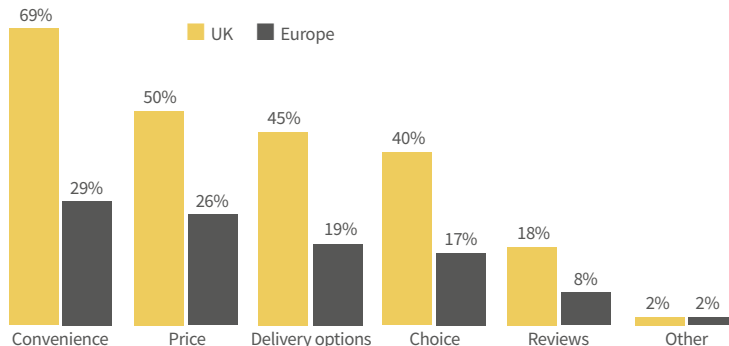
UK shoppers turn online in search of convenience and better prices

UK shoppers are both experienced and discriminating when they buy online. Convenience is the primary motivation for 69% of shoppers, according to RetailX research, closely followed by price (50%), delivery options (45%) and choice (40%). On all these measures, UK shoppers are well ahead of the European average.

Being well-informed is important to UK customers, with more than half (55%) researching online before buying in-store and half (50%) valuing reviews. **Just over a third (35%) primarily use their smartphone to research.** Only 28% say they want to see an item for themselves before buying, which perhaps explains the relatively high popularity of shopping online in this market.

Shoppers of all ages now use the internet to buy, with those aged between 24 and 54 the most likely to shop online. The latest ONS research into internet users ^[1] suggests that **in 2020, almost all UK adults aged 16 to 44 were recent internet users (99%),** compared to 54% of adults aged 75

Why do you shop online?

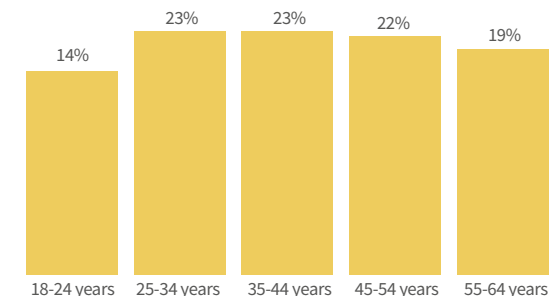


Note: Respondents could select multiple options. Results include 723 16+ UK respondents (96% of survey respondents) who said they shop online, and are stratified by age and gender. Survey conducted in November 2021. The European results are respondents (92%) who shop online and are the population-weighted average of unstratified data from 6,750 respondents from Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland and the UK.

Source: RetailX

Ecommerce users, by age

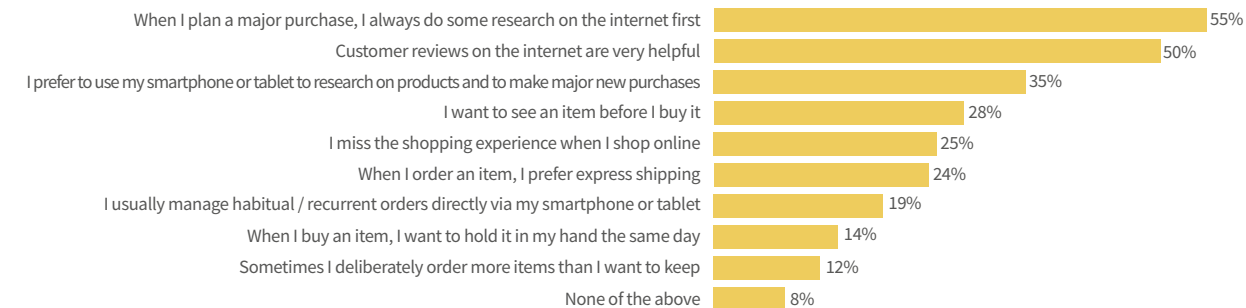
Only 14 % of ecommerce users are under 25 years old



Note: Results include 2,038 UK respondents who shop online. Data current as of June 2021
Statista Global Consumer Survey

Attitudes towards online shopping

55% of respondents 'always do some research on the internet first'



Note: Respondents could select multiple options that they agree with. Results include 2,049 18-64 UK respondents who shop online. Survey conducted in 2021.
Source: Statista Global Consumer Survey

and over, and 81% (almost 11m) of disabled adults. **6.3% of UK adults never used the internet in 2020, down from 7.5% in 2019.** Many older shoppers are now used to buying online, some with the resources to spend freely, thanks to rises in housing wealth over recent years. However, those relying on a state pension that is relatively less generous than in other European countries, along with younger shoppers including families, may now be less willing to spend as the cost of living crisis starts to bite. At the same time, **a sustainable approach to shopping is considered important by a growing proportion of the population.**

More than half of sales took place via mobile devices in 2020, according to Centre for Retail Research findings^[2]. **Smartphones (64%) are most commonly used to buy,** although to a lesser extent than in European markets, according to Statista research that investigates how shoppers use a range of devices. They are followed by laptops (55%), tablet computers (33%) and desktop PCs (26%), with a small proportion of sales made via smart TVs (10%) and smart speakers (7%) such as Amazon’s Alexa or Google Home devices.

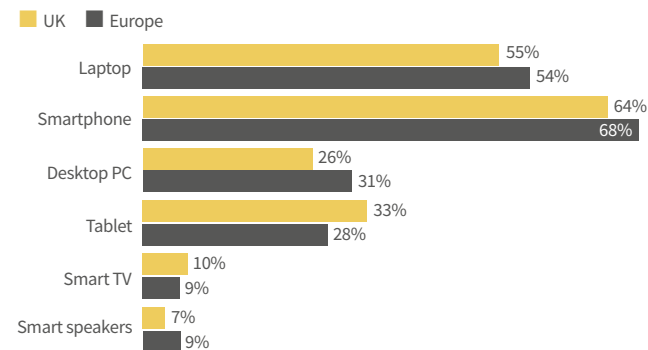
Shoppers are, the research suggests, more likely than the European average to use a tablet or smart TV to buy, but less likely to use a smart speaker. **Conversion is higher on a tablet, laptop or desktop computer than on a mobile phone,** suggesting that larger devices are easier to use when it comes to completing an order.

UK mobile phones now run on 5G connectivity in many larger towns and cities in the UK, as the roll-out that started in 2019 continues. Consumer advice organisation **Which? found in November 2021^[3] that 5G was, by then, available in more than 80 towns and cities.**

By 2030, the UK government aims to have gigabit broadband – capable of downloading one gigabit per second – available nationwide. **Currently, around 66% of UK premises have gigabit broadband available,** according to Thinkbroadband, cited in House of Commons research^[4]. At the other end of the speed scale, about 1.3m premises don’t have access to even superfast broadband.

[1] www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2020
 [2] www.retailresearch.org/online-retail.html
 [3] www.which.co.uk/reviews/mobile-phone-providers/article/5g-phones-uk-providers-and-prices-a1AEz0M12C8w
 [4] <https://commonslibrary.parliament.uk/research-briefings/cbp-8392/>

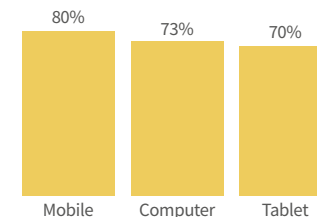
How UK shoppers buy online



Note: Respondents could select multiple options. Results include 2,034 UK respondents and 4,865 US respondents who shop online. Data current as of October 2021
 Source: Statista Global Consumer Survey

Cart abandonment: Percentage of baskets that did not result in completed UK order, Q4 2021, by device

Roughly 80% of orders on mobile devices in the UK were not completed



Note: Data is based on 29bn visits from 1bn shoppers to 2,276 digital commerce sites in 54 countries. Survey conducted in Q4 2021
 Source: Salesforce Research. Accessed via Statista

Payment methods

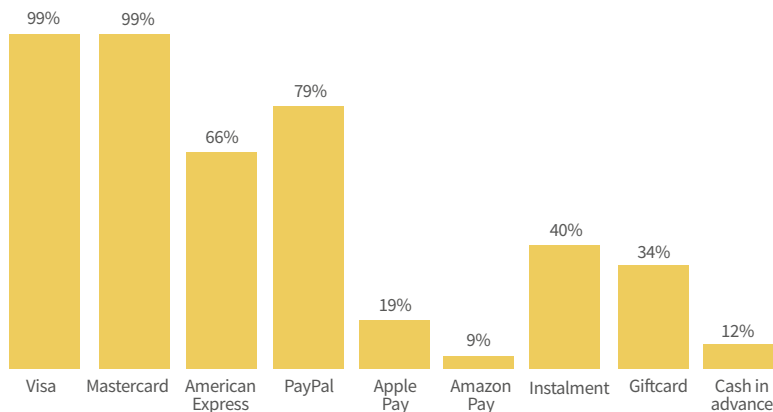
While credit cards have long been the preferred way to spend, new and alternative payments are gaining ground with UK customers

While almost all (99%) leading retailers and brands accept Visa and Mastercard payments, shoppers are now moving beyond these options. **During Covid-19 lockdowns, there was a shift to contactless and mobile payments.** More shoppers are opting for digital wallets – used in 32% of UK online purchases in 2020, according to Worldpay – while a smaller number are using direct bank transfers (6%), or buy now, pay later payment methods (5%).

The number of consumer payments fell in volume in 2020 (-13% to 30.7bn), since shoppers had fewer opportunities to spend during lockdowns. Cash payments fell by more than a third (35%), says UK Finance^[1], while **17.3m of adults were registered to use mobile payments by the end of the year** – a 7.4m increase on 2019. Shoppers may have shifted to mobile payments since the upper limit on contactless increased from £30 to £45 in April 2020, then again to £100. The question is whether shoppers will change their habits as pandemic fears fade.

Primary payment methods offered by the top 500 UK online stores in 2020

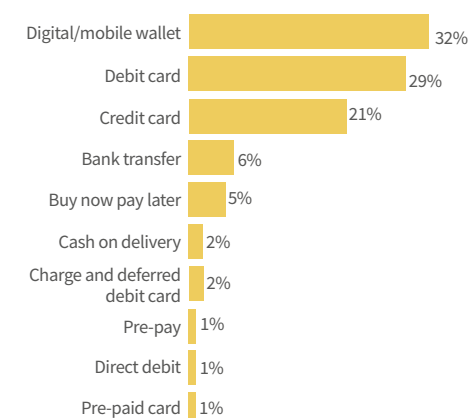
99% of the top UK stores offer payment by Visa and Mastercard



Stores may offer more than one payment method. *Payment providers other than cards and e-wallets. Results based on the top 500 online stores by net sales in the UK in 2020, for which payment information is available. Data current as of October 2021
Source: ecommerceDB

How UK shoppers pay

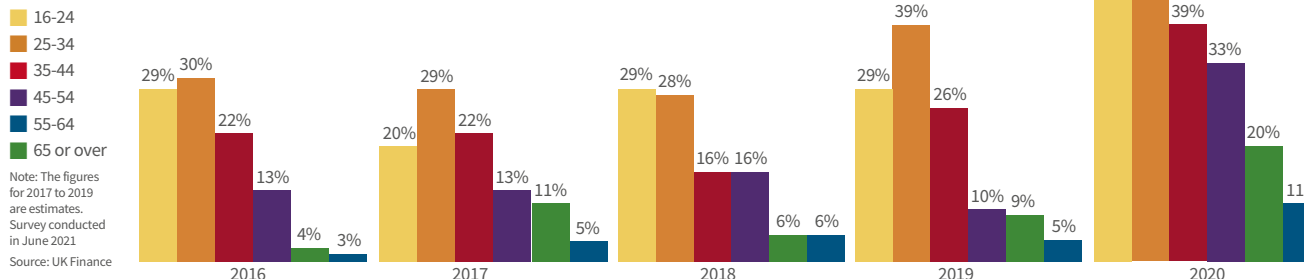
UK online purchases 2020, by payment method



Source: Worldpay. Accessed via Statista

Mobile payment adoption, by age

The number of registered UK mobile payment users grew by over 75% between 2019 and 2020



Note: The figures for 2017 to 2019 are estimates. Survey conducted in June 2021
Source: UK Finance

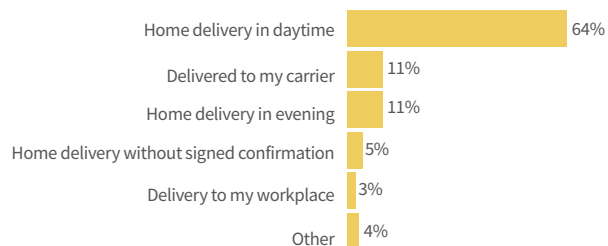
[1] www.ukfinance.org.uk/press/press-releases/contactless-now-accounts-more-quarter-all-uk-payments

Delivery methods

Higher ecommerce demand during Covid-19 lockdowns has driven fast change in delivery. As demand settles at higher levels post-pandemic, customer expectations of product delivery from online orders are changing

Shoppers now make more of their retail purchases online than before the Covid-19 pandemic, despite the proportion of sales made online falling back from the peaks of 2021, as explored in the market context feature (page 5). **Retailers – led by the grocery sector – quickly expanded their fulfilment methods during and after lockdowns.** As well as expanding warehouses and taking on drivers, retailers also used third-party delivery apps and services. Major supermarkets and pharmacies were among those using food delivery apps for delivery in as little as 20 minutes and delivery has since got faster. **Over the last year, ultrafast delivery apps have grown services quickly**, both from their own stores or those of partner retailers. Ten-minute deliveries are being tested by supermarkets including Waitrose, working with Deliveroo^[1] out of a dark store in Bermondsey, and Tesco, working with Gorillas to deliver from fulfilment microsites within existing supermarkets.

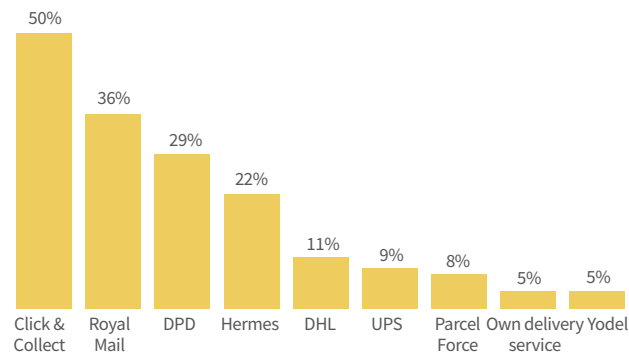
When you order a product online, how do you prefer to have it delivered?



Note: Results from 1,026 UK respondents aged 15-79 who are online shoppers. Online survey conducted in 2020
Source: PostNord. Accessed via Statista

The delivery providers that leading UK online retailers use

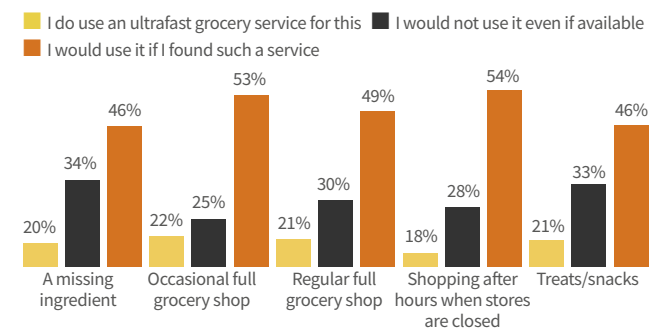
Click & Collect, Royal Mail and DPD were the leading providers in 2020



Note: Stores may work with more than one provider. Results based on 78% of the top 500 online stores by net sales in the UK in 2020 for which shipping information is available and known. Data current as of October 2021
Source: ecommerceDB

[1] <https://internetretailing.net/delivery/delivery/waitrose-and-deliveroo-launch-10-minute-delivery-service-in-londons-bermondsey-24382>

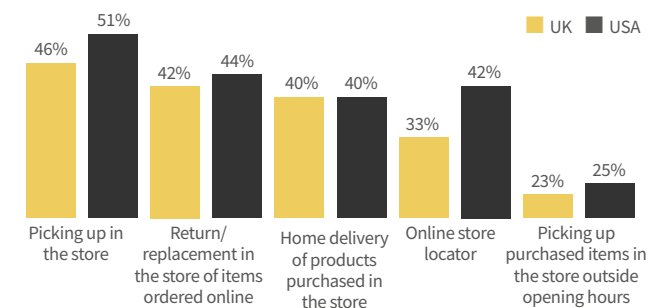
When would you use an ultrafast (ten-minute delivery) grocery service?



Note: Results include 750 16+ UK respondents (female 55.1%, male 44.9%), and are stratified by age and gender. Survey conducted in November 2021
Source: RetailX

Which of these retail services would you like to use?

46% of online shoppers in the UK would like to order an item online and pick it up in a store



Note: Respondents could select multiple options. Results include online shoppers from the UK (2,034) and US (4,865). Data current as of October 2021
Source: Statista Global Consumer Survey

FIND OUT MORE ABOUT RETURNS OVERLEAF

Returns

The rapid growth of UK ecommerce has inevitably led to higher level of returns, leaving retailers to find new ways to deal with them efficiently

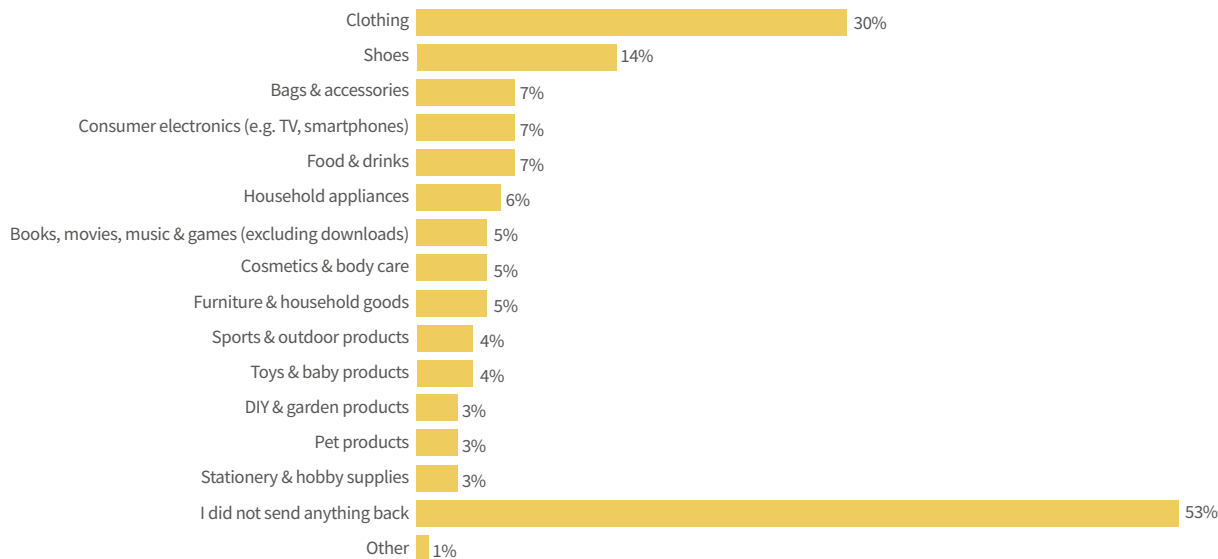
Returns are a fact of life for UK retailers, especially for those who sell products in the most returned categories. **UK consumer law means that shoppers who order online have 14 days in which to return an unwanted purchase.** A Statista study asked more than 2,000 UK respondents what online orders they had sent back in the last year. It found that **while most (53%) had not returned anything at all, 30% had sent back clothing and 14% shoes.**

Fashion and footwear online retailers are now responding in two ways. Firstly, **many are checking that shoppers have the right size before they order**, with fashion and footwear retailers taking approaches from virtual changing rooms to working with fit technologies to offer customers the right size for them. Hotter Shoes^[1], for example, has invested in augmented reality – now used in its app – and worked with True Fit for the best shoe sizing.

The second approach that leading retailers are taking with returns is to make them as fast and efficient as they

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

Clothing has the highest return rates in the UK



Respondents could select multiple options. Results include 2,049 UK respondents aged 18-64.

Source: Statista Global Consumer Survey

can. **Many now include pre-paid returns post labels in their packages**, and/or support returns to third-party sites, from lockers to retail stores. Fashion to homewares retailer M&S is among those that have installed automated returns technology in its own stores. The retailer said^[2] that by the end of January 2022, its in-store digital click and

collect service had been used some 70,000 times to return unwanted products.

[1] <https://internetretailing.net/industry/industry/how-hotter-shoes-used-true-fit-to-enhance-d2c-ux-yielding-30-basket-size-increase-24437>

[2] <https://internetretailing.net/strategy-and-innovation/strategy-and-innovation/how-ms-has-developed-a-customer-experience-that-cross-channels-24514>

Product categories

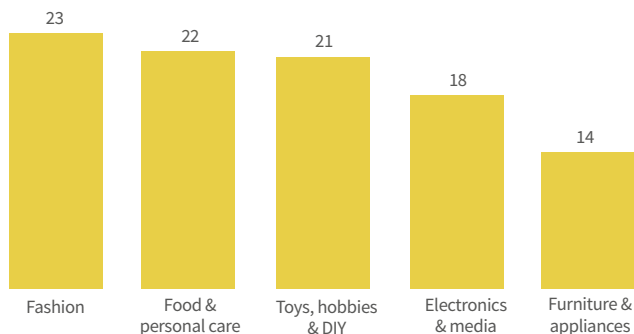
UK shoppers are comfortable buying a broad range of goods online

During the pandemic, UK shoppers bought different types of goods online, opting to buy more homewares, food along with IT and DIY equipment but less clothing and footwear. This made sense at a time since people were more likely to be at home, both in and out of work hours. However, **there are signs that spending patterns are now edging closer to their pre-pandemic normal.** N Brown Group, which launched a new Home Essentials brand during Covid-19, said in March 2022^[1] that it saw online customer demand getting back to more normal patterns, with demand for its clothing rising as homewares sales softened.

According to Statista analysis, even though fashion sales fell during the pandemic, this remained the largest ecommerce category in the UK in 2020. 22.5% of fashion sales took place online, with sales at the largest 500 retailers valued at \$23bn by ecommerceDB. **ONS figures^[2] estimate that 23.7% of clothing sales took place online in January 2022.** The UK online fashion market was also the largest in Europe in 2020 and is expected to stay that way until at least 2025, Statista

Ecommerce net sales of the top 500 online UK stores, by segment, 2020 (\$bn USD)

The fashion sector leads the market in the UK



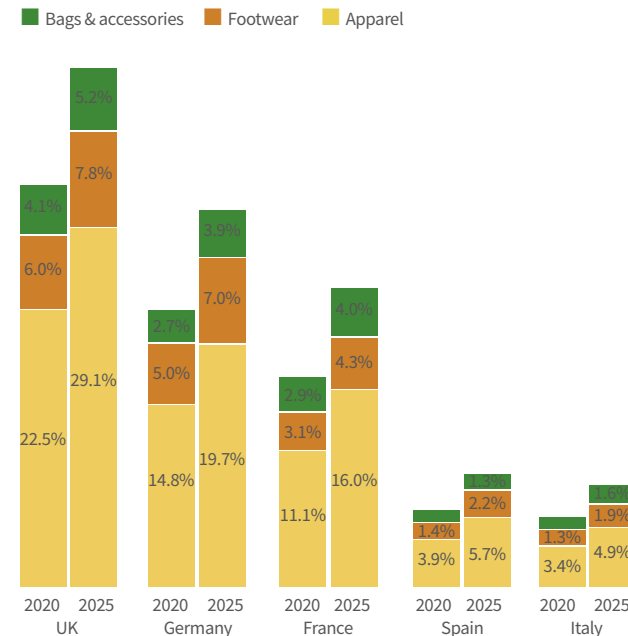
Note: Data current as of October 2021
Source: ecommerceDB

forecasts in its Digital Market Outlook 2021. **However, fashion purchases are the most likely item to be returned** – an important consideration for retailers in this category considering selling in the UK.

The size of the ecommerce food market grew quickly during the pandemic but has now settled at a lower level, albeit one that's still higher than before the lockdowns prompted by Covid-19. The ONS suggests that 9.5% of food sales took place online in January 2022. This is up from 5.4% in pre-pandemic February 2020.

Online fashion market forecasts for the five largest European markets (\$bn USD)

The UK is expected to continue to be the biggest fashion market in 2025



Source: Statista Digital Market Outlook 2021

[1] https://otp.tools.investis.com/clients/uk/n_brown_group_plc/rns/regulatory-story.aspx?newsid=1555701&cid=1187

[2] www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/january2022

Peak trading

While UK shoppers spend more than other European countries in the run-up to Christmas, this is not the only peak trading period in this market

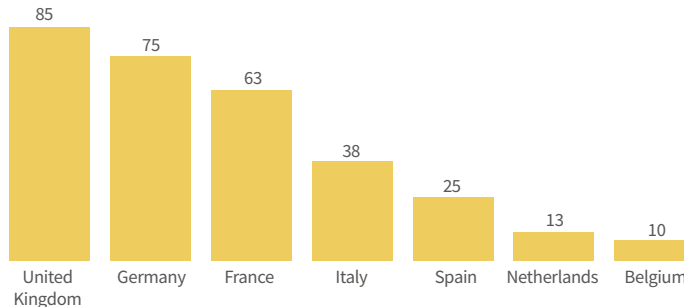
The times at which UK shoppers spend the most are the ones that put retail systems to the test. Any retailer looking to sell in the UK should therefore be aware of the pressing need to scale their businesses for peak trading, ensuring that websites can meet the increased load as well as putting delivery and warehousing capacity in place.

The largest UK sales peaks come in the run-up to Christmas. **Black Friday originated in the US but the last Friday in November has since become a significant date in the UK retail calendar** and one that's often been the biggest day of the year for ecommerce transactions, followed closely by Cyber Monday, three days later.

In recent years, however, **shopping for Christmas has started ever earlier** as customers increasingly look online to ensure they have gifts well in advance so that potential stock shortages and delivery delays

How much European shoppers spent online and in-store, Christmas 2021, estimates by country (£bn)

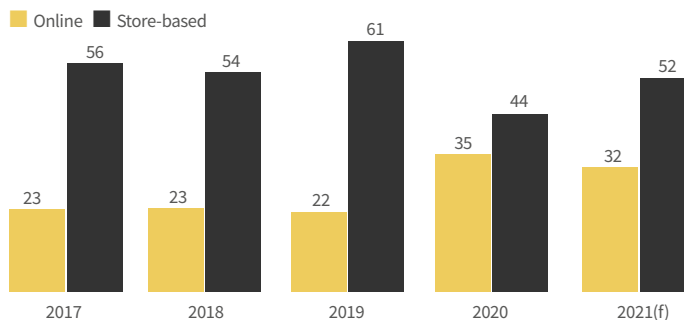
Shoppers in the UK spent the most at Christmas



Note: Survey conducted in 2021
Source: VoucherCodes.co.uk/GlobalData. Accessed via Statista

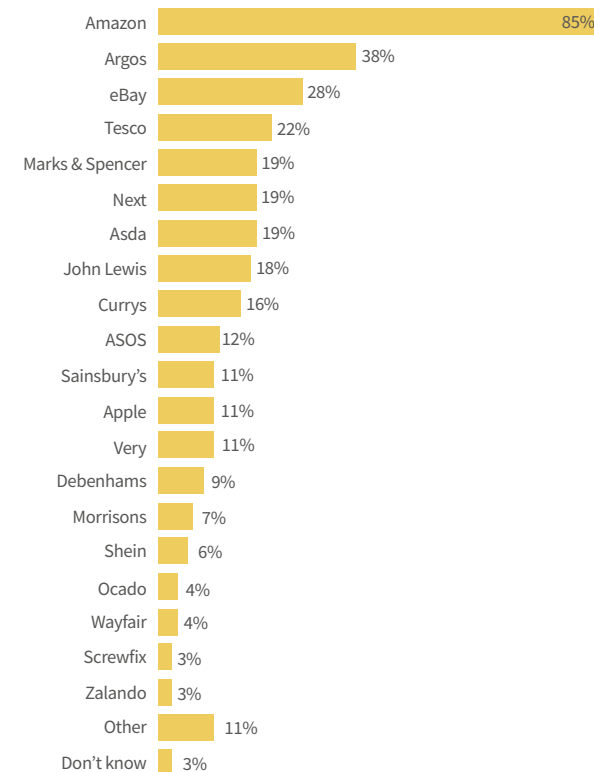
How UK shoppers spent in the peak Christmas period, 2017 to 2021 (£bn)

Christmas shopping in the UK is shifting towards the online sales channel



Note: Surveys conducted between 2017 and 2020. Figures cover the six weeks from mid-November to the end of December. 2017 and 2018 figures were produced by a different research company to later editions. (f) = forecast
Source: Centre for Retail Research, VoucherCodes.co.uk, GlobalData. Accessed via Statista

From which online stores do you buy your Christmas gifts?



Note: Online survey conducted in November 2021. Results include 657 respondents aged 18+ who aimed to buy Christmas gifts online. Respondent could select multiple answers.

Source: Statista Global Consumer Survey (GCS)

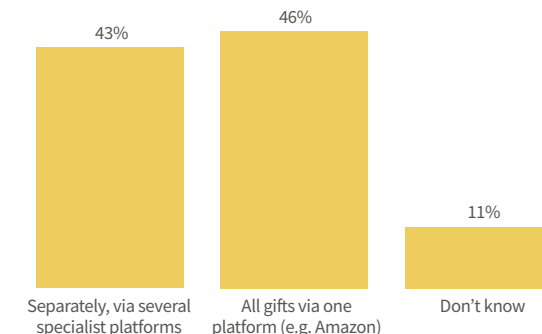
won't affect them. It's now become common for retail promotions to refer to Black Friday Week, or even Black November, as discounts start ever earlier.

UK shoppers spent more at Christmas 2021 than their neighbours in Europe, according to analysis from VoucherCodes.co.uk and GlobalData, which puts the total spent at £85bn. **In recent years, shoppers have done more of their festive buying online rather than in-store.** The gap narrowed in 2020, when non-essential shops were closed in a Covid-19 lockdown. However, as the UK moves away from Covid-19 restrictions, more normal spending patterns are expected to return.

UK shoppers who buy online are very likely to buy from Amazon, according to the Statista Global Consumer Survey in 2021, which found that 85% of respondents did so. That's followed by general merchandise retailer Argos (38%) and marketplace eBay (28%). **Statista also found that 46% of respondents liked to buy all their gifts via a single platform,** such as Amazon, while 43% preferred to go to more specialist online shops.

While the Christmas period is the most significant peak trading period of the year, other notable local peaks include Valentine's Day in February, Mother's Day in March, Easter Day in March or April and Father's Day in June. These tend to be particularly significant for

When you buy gifts online, how do you prefer to buy them?



Note: Online survey conducted in November 2021. Results include 657 UK respondents aged 18+ who planned on buying Christmas gifts online

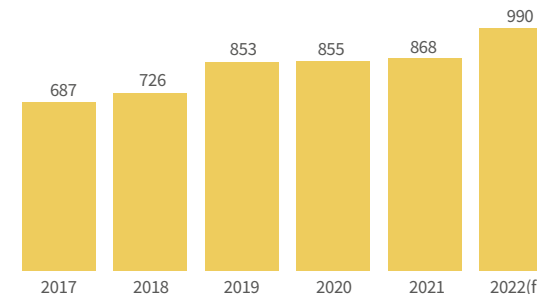
Source: Statista Global Consumer Survey (GCS)

retailers selling chocolates, flowers and other likely gifts. In particular, **spending on Easter Day has grown steadily in recent years.** According to the latest GlobalData Easter Intentions survey^[1] of 2,000 shoppers, in 2022, spending is expected to be 4.2% higher than last year, at £1.7bn. This is well above pre-pandemic levels, as families get together for the first Easter since Covid-19 restrictions ended.

[1] www.globaldata.com/easter-spending-uk-reach-1-7bn-2022-says-globaldata/

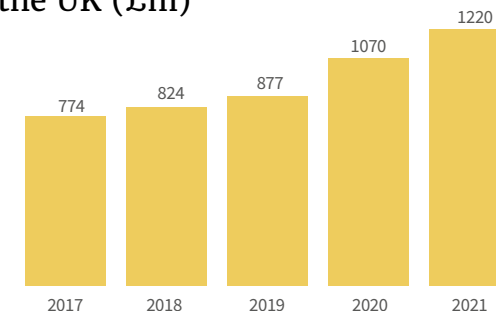
How much UK shoppers spend on Valentine's Day, 2017 to 2022 (£m)

Valentine's Day spending was expected to jump by 15% to £990m in 2022



Note: The figures have been taken from several publications (f) = forecast
Source: Savvy. Accessed via Statista

Estimated retail spending on Easter in the UK (£m)



Note: Survey conducted from 2017 to 2021. Figures are estimates. 2020 and 2017 figures were calculated using the growth rate for respective succeeding years provided by the source. 2019 and 2017 figures were taken from a previous publication also released by the same source

Source: Savvy. Accessed via Statista

Moving on from Covid-19

With Covid-19 restrictions now ended in the UK, the question is whether shopping habits have changed long-term

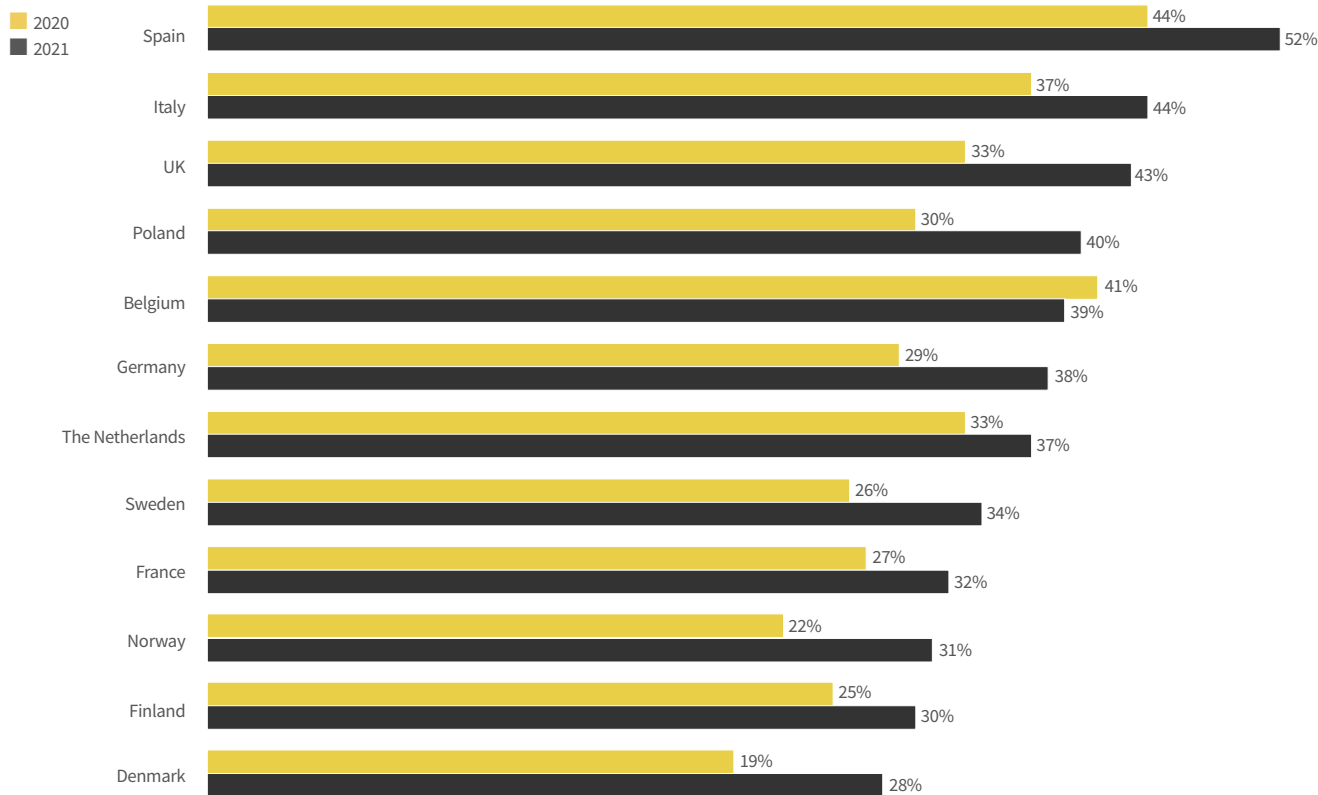
The way UK shoppers buy changed dramatically during the Covid-19 pandemic. **As shops closed in the first lockdown, shoppers went online to buy.** Online sales then grew steadily, driven by trading restrictions that included the temporary closure of non-essential retail shops over three lockdown periods between March 2020 and April 2021 and also by guidance to work from home that was not fully dropped until January 2022.

Research from PostNord suggests that the proportion of UK shoppers who bought more online as a result of the pandemic stood at 33% in 2020, rising by 10 percentage points to 43% in 2021. **Ecommerce peaked at 36.5% of UK retail sales in February 2021.**

Since then, the share of sales taking place online has fallen steadily from that pandemic peak, and in January 2022^[1] stood at 25.3%, according to ONS estimates.

How Covid-19 changed the way European shoppers used ecommerce, by country

The number of UK residents who said they bought online grew by 10%



Results include 12,000* respondents aged 15-79 who have shopped online. Online interview conducted in 2020 and 2021. *Results are based on interviews with about 12,000 consumers in Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Poland, Spain, Sweden and the UK. About 1,000 people responded from each country
Source: PostNord

At the same time, the number of people visiting shops has started to recover, with **footfall now closer to pre-pandemic levels**. Recent British Retail Consortium/Sensormatic IQ footfall figures^[2] showed UK footfall still 14.9% lower in February 2022 than in pre-pandemic February 2020. Retail parks (-10.2%) which, during Covid-19, were more convenient locations from which to collect and return online orders, continued to fare better than shopping centres (-35.2%) and high streets (-19.4%).

Some UK retailers now believe that their customers' behaviour is closer to pre-pandemic patterns than it has been for some time. Ocado says its grocery shoppers are returning to pre-pandemic shopping patterns^[3] – with peaks and troughs during the week rather than constant demand – as people start to return to the office. **It still seems likely that UK shoppers will continue to do more of their shopping online than they did before the pandemic**. The 25.3% of UK retail sales that took place online is still well ahead of the 19.8% that were online in pre-pandemic February 2020.

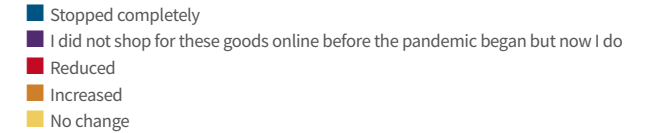
Sofa and upholstered furniture business DFS^[4] has said that it now has an idea of the new scale of its business, and that it's 15% larger than before Covid-19. At the time of writing, **there does appear to have been a permanent shift towards buying online during the pandemic**. That shift is likely to persist for a number of reasons. Firstly, those who drove the shift to online as

People who bought online for the first time, or bought more during the pandemic, are likely to continue buying online to a greater extent

they worked from home are, in the future, more likely to spend at least some of their week working from home. Secondly, people who bought online for the first time, or bought more during the pandemic, are **likely to continue buying online to a greater extent than they used to**, driven by the third factor – the rapid expansion of delivery services that means it's now easier and faster to take delivery of online orders. Finally, Klarna's *2021 Mobile Shopping Report*^[5] suggests that there's been a real shift to using mobile devices to buy during the pandemic. It says **67% of UK shoppers now use their mobile to shop more often than before the pandemic**.

[1] www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/january2022
 [2] <https://internetretailing.net/location/numbers-visiting-uk-stores-now-closer-to-pre-pandemic-levels-following-ending-of-covid-19-restrictions-24487>
 [3] <https://internetretailing.net/customer/ocado-reports-first-quarter-fall-in-sales-as-customers-return-to-pre-covid-grocery-shopping-patterns-24552>
 [4] <https://internetretailing.net/strategy-and-innovation/dfs-says-its-post-pandemic-business-is-15-larger-than-before-the-pandemic-although-supply-chain-challenges-continue-24534>
 [5] <https://internetretailing.net/mobile-theme/70-of-uk-consumers-shop-more-often-on-their-mobiles-than-pre-pandemic-more-than-anywhere-in-europe-24544>

How has Covid-19 affected your online shopping?



Results include 723 16+ UK respondents (96% of survey respondents) who said they shop online, and are stratified by age and gender. Survey conducted in November 2021
 Source: RetailX

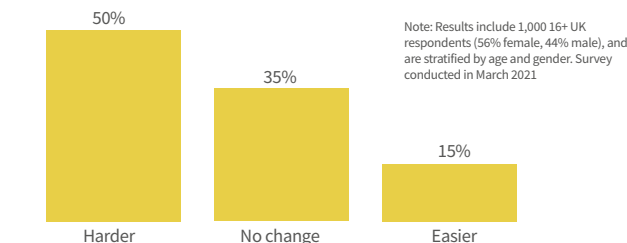
Moving on from Brexit

Just over a year since the new trading relationship between the UK and the EU started to come into force, supply chain challenges are increasing

On 01 January 2021, the Trade and Cooperation Agreement between the EU and the UK came into force in the wake of Brexit, with **the effect of replacing a single market and customs union relationship with new trade barriers**. While the agreement promised tariff and quota-free access, it also introduced new administration. EU rules of origin meant that goods not entirely produced in the UK could attract tariffs, while EU lorry drivers and warehouse workers could no longer travel as easily to the UK to work.

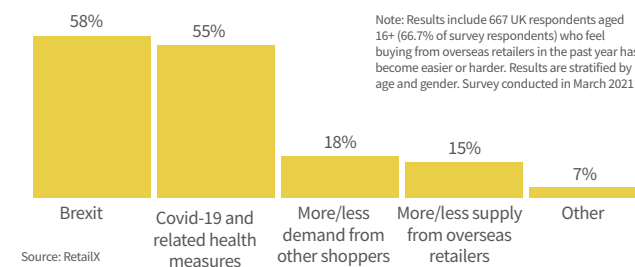
It's hard to untangle the effects of these changes from those caused by Covid-19 supply chain issues. **RetailX research suggests that just over half (50.1%) of shoppers questioned in March 2021 thought it had become harder to buy from overseas retailers in the previous year, while 15.1% thought it was easier and 34.8% had seen no change. When those who had seen a change were asked why, more than half put it down to Brexit (58%) or Covid-19 health measures (55%).** Meanwhile, trade figures show trade with non-EU countries has overtaken that with EU countries over the last year.

Do you feel buying from overseas retailers in the past year has become easier or harder?



Source: RetailX

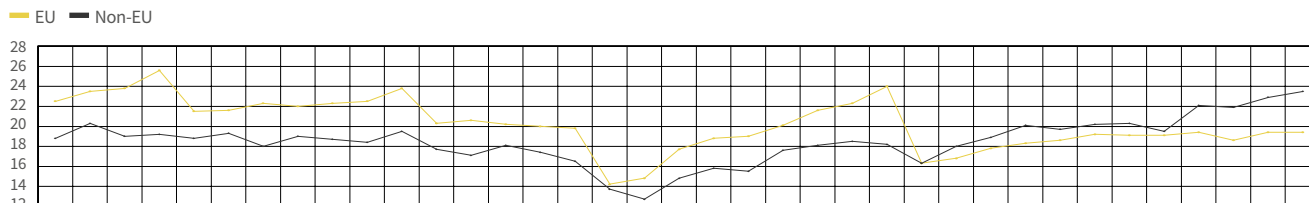
Why do you think buying from overseas retailers has become easier or harder?



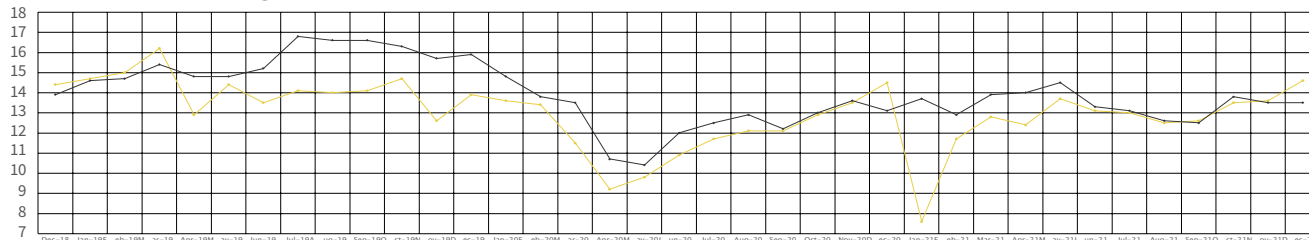
Source: RetailX

EU and non-EU goods imports from December 2018 to December 2021 (£bn)

Imports of goods from non-EU countries continue to be higher than from EU countries



EU and non-EU goods exports from December 2018 to December 2021 (£bn)



Note: Figures exclude precious metals. Figures are seasonally adjusted
Source: Office for National Statistics

Taking action on the environment

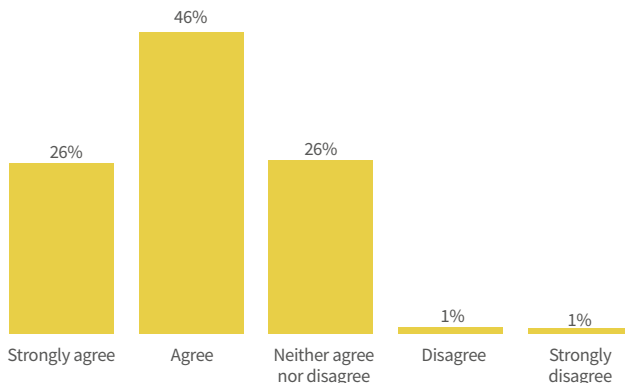
Sustainability matters so much to UK shoppers that most will take action to follow through on their values

UK shoppers are now well aware of the effect that their buying habits have on the environment and are keen to follow their values when buying, RetailX research suggests. When almost 1,000 UK adults were asked whether they agreed that the retailers they buy from should be ecological, 26% strongly agreed while 46% agreed – a total of 72% in favour of the statement. Only 1% disagreed.

When researchers asked what shoppers would do if they found their supermarket did not match their preferences for sustainability, they found that **more than half (53%) would switch to another supermarket**, while 26% would boycott the products they found problematic. Only 28% said they would not change their preferences.

When asked if they would pay more for sustainable alternatives, **38% said they would pay up to 10%**

I want retailers to be ecologically sustainable



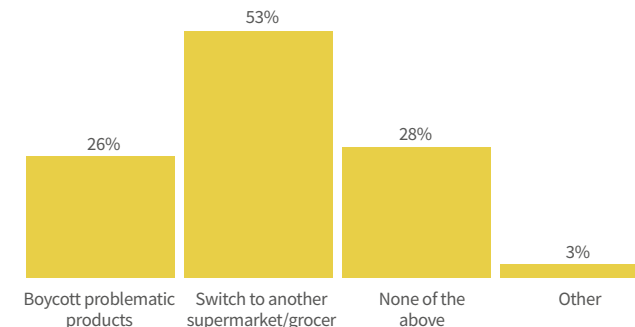
Note: Results include 972 UK respondents aged 16+ (97.2% of survey respondents) who said they shop online. Results are stratified by age and gender. Survey conducted in November 2021. Source: RetailX

more, although there was lower appetite for paying more than that. 36% said they would not pay more.

There's **a clear sense that sustainability matters to UK shoppers** and both retailers and brands are responding to their demands for more sustainable products, packaging and delivery, which includes less plastic and waste at every stage of the process.

How, then, are retailers selling in the UK meeting demand for sustainable goods? Supermarkets including

What would you do if you found your supermarket or grocer didn't meet your sustainability preferences?



Results are stratified by age and gender and include 739 UK respondents aged 16+ (98.5% of survey respondents) who find it somewhat important that supermarkets and grocers become more sustainable. Survey conducted in November 2021. Source: RetailX

Waitrose and Marks & Spencer that now offer shoppers in a number of stores the opportunity to buy unpackaged food in-store are finding a strong appetite for doing so. Elsewhere, **Asda and the Co-op^[1] have worked with Unilever on self-refill programmes for their branded goods.** Supermarkets and brands alike are cutting down on the plastic that they use for products in-store while encouraging the use of long-life bags.

The fashion and textiles^[2] and electricals and electronics^[3] industries both have high levels of waste

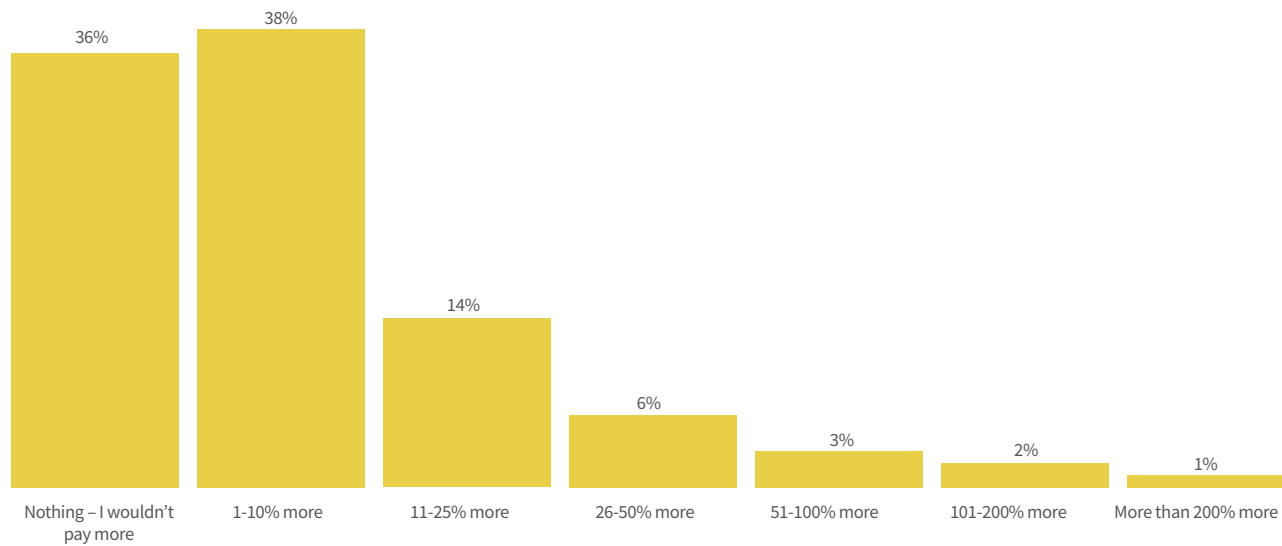
and of goods sent to landfill, so retailers selling both types of goods are keen to take action.

Marks & Spencer uses organic cotton in its Plan A scheme, while some Patagonia clothing is made of recycled plastic bottles. **Retailers that sell in the UK are taking greater steps to show where and how their goods are made.** H&M product pages, for example, show what materials an item is made of, as well as where it was made and by whom. The fashion retailer also offers advice on repairing clothing on its website. Asos has set out its 'net zero by 2030' plan, while **Superdry aims to be the most sustainable listed global fashion brand by 2030.**

Electricals retailer Currys boasts Europe's largest electronic repair centre and offers free small e-waste collection as part of its home delivery service. Meanwhile, white goods retailer AO has its own recycling arm, AO Recycling, which turns the appliances it collects through its recycling service into materials for resale.

When it comes to delivery, **it's now commonplace for fashion retailers to send out goods in paper rather than plastic bags**, while electric delivery vans are becoming a common sight in residential streets, employed by delivery companies including Amazon, the Royal Mail and DPD. The challenge is for retailers

How much more would you be willing to pay for environmentally sustainable alternatives to your regularly bought grocery products?



Results include 750 UK respondents aged 16+ (55% female, 45% male) and are stratified by age and gender. Survey conducted in November 2021.
Source: RetailX

and brands to prove that their actions follow through and cannot be mistaken for greenwashing. Also, while there are strong examples of retailers and brands taking action on sustainability – only some of which are mentioned here – many others have yet to change their policies and rise to this challenge.

[1] <https://internetretailing.net/industry/industry/asda-and-co-op-extend-self-refill-programmes-across-the-uk-23310>

[2] <https://internetretailing.net/sustainability/sustainability/clothing-retailers-and-brands-double-down-on-sustainability-steps-after-reporting-on-the-progress-of-the-last-eight-years-23866>

[3] www.hse.gov.uk/waste/waste-electrical.htm

Rethinking shops

As UK shoppers become more comfortable shopping online, leading retailers are experimenting with the size, location and role of their stores within a multichannel model

Once most shoppers are willing to buy online, the nature of bricks-and-mortar stores can change. In February IKEA, best-known for warehouse-size stores, launched its first small format UK shop. Shoppers at its Hammersmith, London site can buy and take home fewer than half the 4,000 different products that can be seen in the shop. The remaining items can be bought online for later collection or delivery, reflecting this store's role as showroom, as well as a venue where digital planning services are available. The store is a cashless site, featuring only self-serve checkouts.

It's the first step in IKEA's strategy of investing £1bn in London over the next three years. At launch, Peter Jelkeby, country retail manager at chief sustainability officer for IKEA UK & Ireland, said, "As one of the most innovative and exciting markets in the world for retail and ecommerce, we will step up our omnichannel investments in London with a simple goal: to become more customer-centric so that



© IKEA

people can shop with us for a better, more sustainable life at home, whenever, wherever and however they choose.”

This is part of a **wider shift towards retailers having smaller, fewer shops as they take a multichannel approach to selling**. PwC and The Local Data Company estimate that UK chain store numbers declined by a net 10,059 in 2021, particularly on high streets (-4,287) and shopping centres (-1,690), although out-of-town retail parks (-593) have been more resilient to these losses.

Amazon and Aldi are among the retailers that have moved towards doing away with the checkout altogether, with both now running checkout-free grocery stores in the capital. While each uses different technologies, shoppers use an app to enter each store, take the items they want and have them charged to their payment card as they leave.

Amazon is a high profile example of **the growing number of digital native retailers that are now opening stores**. For such brands, doing so offers the chance to raise brand awareness among new customers.

Stores also offer a golden opportunity to provide multichannel services. **High street native Marks & Spencer has seen its ecommerce business grow quickly in recent years** thanks in part to a strategy of focusing on in-store fulfilment services such as click



© Aldi

and collect, ship from store and returns. It has also introduced digital, automated services as it looks to make both sales and returns more efficient. As visitors return to the stores in the wake of Covid-19, it's likely that

retailers will continue to find new and interesting ways to reinvent bricks-and-mortar stores for a new generation of shoppers who are increasingly happy to use digital as part of their customer journey.

The Largest 100

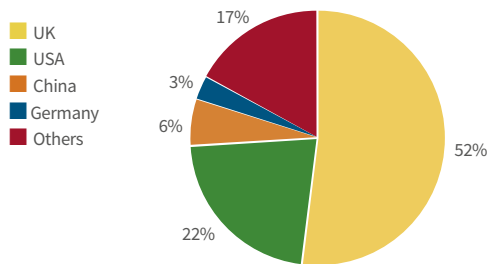
What does RetailX data say about the Largest 100 retailers that sell within the United Kingdom?

The Leading 100 retailers analysed in this section are the largest in the UK, as measured by web traffic – or the number of visits each receives online. Understanding who visits these leading sites, identified through RetailX analysis of SimilarWeb data, and which categories are the most popular, offer those considering investing in this market significant insights into the shape of consumer demand.

More than half (52%) of the Largest 100 UK retailers have their headquarters in the UK, while 48% do not. Retailers hailing from the USA account for almost a quarter (22%) of the Top100, followed by China (6%) and then Germany (3%).

Most visits to the UK-based retailers in the Largest 100 come from the UK (70.2%), with small percentages coming from the US (5.8%), Germany (2.4%) and Ireland (1.9%). However, **71.4% of UK traffic to the Largest 100 is to US-based retailers**, followed by the UK (23.7%) and China (1.5%). This most likely shows the outsized influence of major retailers that likely include Amazon. At the same

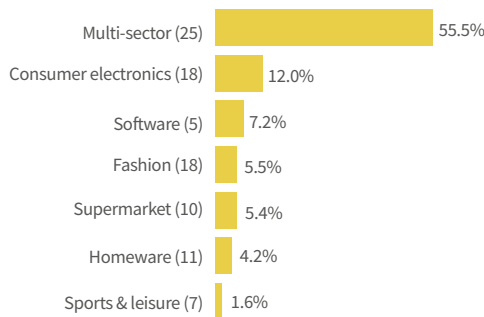
Countries where the UK Largest 100 retailers are based



Note: Retailers in the UK Largest 100 are selected based on UK consumer web traffic, irrespective of where they are headquartered
Source: SimilarWeb, RetailX

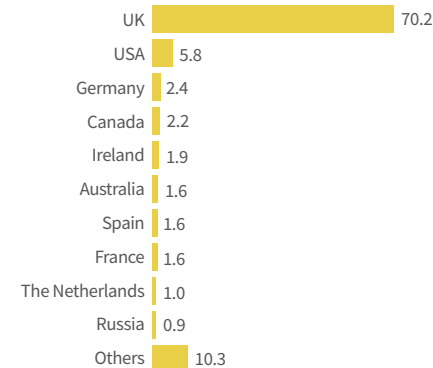
Web traffic by sector

The percentage of web visits to the UK Largest 100 retailers from UK consumers, by sector



Note: The number of retailers for each category is shown in parentheses. A retailer can fall into multiple categories. Data based on 87% of the Largest 100
Source: RetailX, drawing on data from SimilarWeb

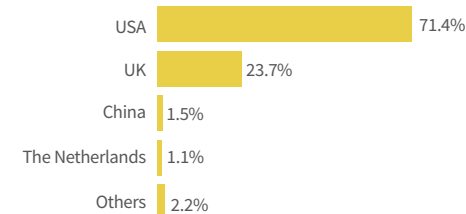
Countries from which shoppers visit the UK-based Largest 100



Note: There are 52 UK-based retailers among the UK Largest 100. The Largest 100 are selected based on UK consumer web traffic
Source: RetailX, drawing on data from SimilarWeb

Web traffic by country

UK web traffic to the UK Largest 100 retailers, by country of retailer headquarters



Note: Retailers in the UK Largest 100 are selected based on UK consumer web traffic
Source: RetailX, drawing on data from SimilarWeb

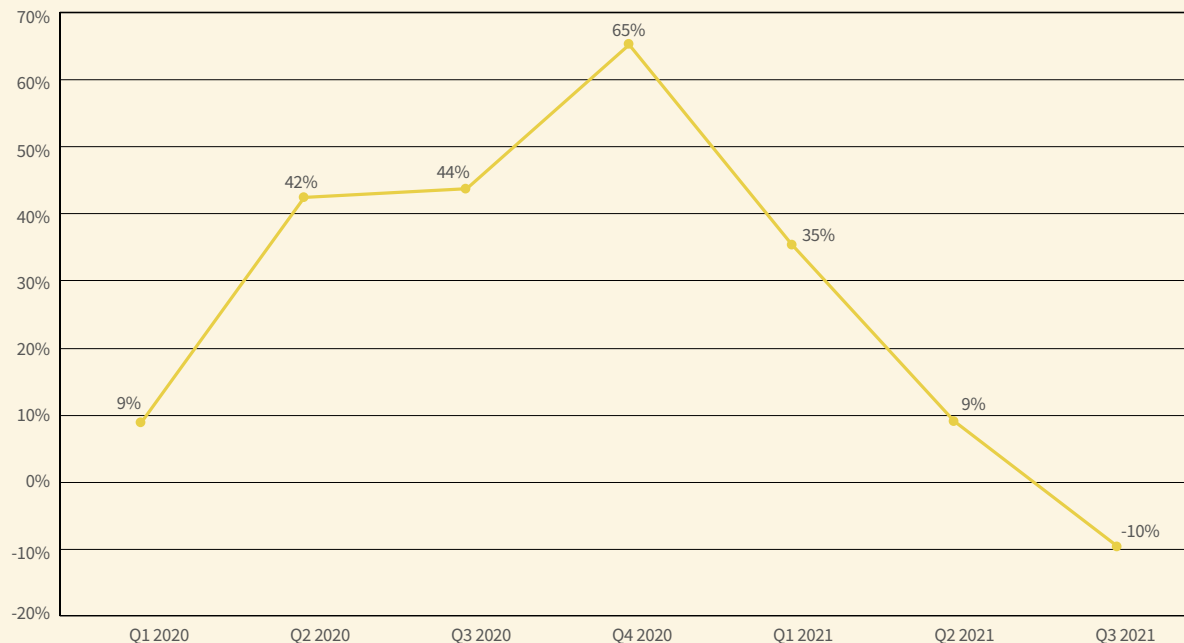
time, 55.5% of traffic is to multi-sector stores, a category that will also include Amazon.

Visits to the Largest 100 have changed significantly over time, peaking at 65% ahead year-on-year in the fourth quarter of 2020, during the run-up to a Christmas in which shoppers were pushed online during a second UK lockdown of non-essential retailers. That peak came after fast growth in the second (+42%) and third (+44%) quarters of the year. Since then, however, web traffic has steadily fallen back from the peak while remaining higher than the previous year until the third quarter of 2021, when, with shops reopened and operating normally, traffic was 10% lower than a year earlier.

Web traffic visits are an indicator of consumer demand. RetailX analysis suggests that **while 25% of the Largest 100 are multi-sector retailers, they see 55.5% of UK web traffic to the Largest 100**. Consumer electronics account for 18% of the Largest 100 and see 12% of traffic during a year in which shoppers have bought electronics online in order to work and play games at home. **Software retailers and brands account for 5% of the Largest 100 and 7.2% of web traffic**, while fashion retailers account for 18% of the Largest 100 but just 5.5% of traffic. Supermarkets, sports and leisure and homewares retailers have a relatively small share of traffic compared to the number of retailers in the list.

How web traffic to the Largest 100 changed, 2020 to 2021

The change in web traffic from British consumers to the UK Largest 100 retailers is shown as a percentage of the same quarter in the previous year



Note: Retailers in the UK Largest 100 are selected based on British consumer web traffic, irrespective of where they are headquartered
Source: RetailX, drawing on data from SimilarWeb

Amazon

Company: Amazon

Headquartered: USA

Founded: 1994 in the US, 1998 in the UK

Online: www.amazon.co.uk

The UK was an early international market for online retailing giant Amazon. Founder Jeff Bezos, who started the online business in his garage in 1994, opened its virtual doors in the UK in 1998^[1]. Today, **the retail and technology giant remains an online leader in the UK market**, where it employs more than 57,000 people in locations including its UK headquarters in Shoreditch and tech hubs and fulfilment centres across the country.

The UK has continued to be an early market for Amazon innovations and is just **the second country in which Amazon has opened Amazon Fresh stores**, featuring its ‘just walk out’ technology. At the time of research, there are 17 Amazon Fresh shops in the UK, plus an Amazon 4-Star shop at Bluewater. The UK was also the location for the first international use of Amazon’s ‘just walk out’ technology, used by Sainsbury’s in its Holborn Circus convenience store.



Image: Amazon

The decision to open shops is a further step forward in an Amazon strategy that has led with fast and convenient delivery through its Prime Membership scheme, supported by an easy-to-navigate website and local fulfilment depots. The focus on delivery remains and the retailer has made the UK a centre for testing drone delivery. It currently has **electric delivery vans on the UK’s road as part of its commitment to achieve net zero carbon emissions** across its

business by 2040. Amazon was a co-founder of The Climate Pledge in 2019, with commitments including powering its operations with 100% renewable energy by 2025 and running 100,000 electric vehicles by 2030.

Amazon reported net sales of \$469.8bn in its 2021 full year across its worldwide operations, while net income came in at \$33.4bn.

[1] <https://amazonuk.gcs-web.com/history-timeline>

Argos

Company: Argos

Headquartered: UK

Founded: 1973

Online: www.argos.co.uk

Argos, now a leading UK multichannel general merchandise retailer, started life in 1973, when Richard Tompkins rebranded his chain of Green Shield Stamp catalogue shops to Argos. It grew quickly over the years and became known for its hefty Argos catalogue, a format that also suited an early transition to trading online – it launched its first website in 1995. Under the ownership of the Home Retail Group, **Argos pioneered the introduction of click and collect in the UK** before developing a hub and spoke logistics model that enabled same-day delivery as well as collection from digital-first stores through its own Fast Track fleet.

Current owner Sainsbury's bought Argos for £1.4bn in 2016. The two had already started working together in 2015 on digital-format shops within branches of Sainsbury's, with 22 in operation by the time of the



Image: Argos

acquisition. The 400th such shop opened in March 2022^[1], with shoppers able to collect online and return orders as well as placing online orders via in-store tablets.

Sainsbury's now aims to have about 100 standalone Argos shops by March 2024, with up to 460 Argos shops inside Sainsbury's supermarkets and up to 500 collection points across its supermarkets. This is part of a transformation plan to integrate Argos into Sainsbury's, from its stores to its logistics and supply chain. This move is not just to cut costs but is also to reposition it

as a general merchandise brand that supports the core Sainsbury's food business. **As of 18 September 2021, Argos had a total of 738 shops and 280 collection points**^[2]. Argos' website is the third-most visited in the UK and 90% of its sales start online, according to Sainsbury's. Argos is part of Sainsbury's, which turned over £29bn in the year to March 2021.

[1] www.about.sainsburys.co.uk/news/latest-news/2022/04-03-2022-sainsburys-argos-celebrate-new-milestone

[2] www.about.sainsburys.co.uk/investors/regulatory-news

Tesco

Company: Tesco

Headquartered: UK

Founded: 1919

Online: www.tesco.com

Tesco started as a London market stall in 1919, when founder Jack Cohen used his World War 1 demob money to buy and sell surplus groceries. He opened its first shop in North London in 1929 before growing the business quickly over subsequent decades^[1]. The tesco.com website launched in 2000.

Today, **Tesco is the largest UK supermarket, turning over £53.4bn in the year to April 2021**^[2] and reporting a pre-tax profit of £825m and a 27.9% share of the grocery market in the 12 weeks to 23 January, according to Kantar^[3]. As of August 2021, it had 3,465 UK owned shops, with ecommerce accounting for 14.6% of retail sales in the first half of its current financial year^[4]. **Like-for-like sales were 2.3% up on the previous year** and 74.1% up on the year before that, following a fast expansion



Image: Tesco

of delivery capacity during lockdowns, when it delivered an average 1.27m orders a week to 668,000 delivery saver subscribers (+13% year-on-year, +34% YO2Y) and 454 click and collect points (+24% YOY, +38% 2YOY).

Convenience, value and encouraging customer loyalty via the multichannel Tesco Clubcard are central to strategy for a Tesco board currently led by chief executive Ken Murphy. This includes exclusive

prices for the over 2m members of the Clubcard loyalty scheme, as well as faster online delivery. **One-hour delivery is available via Tesco Whoosh** in more than 100 shops, with 10-minute delivery being trialled alongside partners Gorillas, supported by local store micro-fulfilment centres.

[1] <https://tesco-bst.com/tescoshistory/>

[2] www.londonstockexchange.com/news-article/TSCO/preliminary-results-2020-21-part-1/14936246

[3] www.kantar.com/uki/inspiration/fmcg/2022-wp-pre-pandemic-shopping-routines-return-but-rising-prices-spells-battle-for-uk-consumer-spend

[4] www.londonstockexchange.com/news-article/TSCO/interim-results-2021-22/15162463

Figures

UK country profile	03	Ecommerce net sales, top500 online UK stores, by segment 2020	21
Monthly GDP index, 2019-21	03	Online fashion market forecasts, European markets 2020-25 (f)	21
Population structure, 2016-21	04	Online and in-store spending, Christmas 2021 (£)	22
Population growth, 2016-21	04	How UK shoppers spent, Christmas peak trading period, 2017-21, (£) (f)	22
GDP per capita, 2016-21 (\$)	04	Preferred shops for buying Christmas gifts 2021	22
Percentage of internet users, UK, Europe, global 2017-20	05	How shoppers prefer to buy gifts, 2021	23
Percentage of internet users who shop online, 2017-20	05	How much UK shoppers spend for Valentine's Day, 2017-22 (£) (f)	23
Estimated ecommerce revenue forecast, by segment, 2017-25 (f)	06	Estimated retail spending on Easter, UK (£)	23
Estimated per capita average ecommerce spending, UK & Europe, 2021 (€)	06	How Covid-19 changed European shoppers ecommerce use 2020-21	24
Key indices of the UK's digital economy, 2018-21	15	How Covid-19 has affected ecommerce shopping frequency, 2021	25
Why do you shop online, UK/Europe, 2021	16	Has buying from overseas retailers become easier or harder, 2021	26
UK ecommerce users by age, 2021	16	Why do you think buying from overseas retailers is easier or harder, 2021	26
Attitudes towards online shopping, 2021	16	EU and non-EU goods imports, 2018-21 (£)	26
How shoppers buy online, UK/Europe, 2021	17	EU and non-EU goods exports, 2018-21 (£)	26
Cart abandonment by device, Q4 2021	17	Shoppers attitudes to retailers' ecological sustainability 2021	27
Primary payment methods, Top500 online stores 2020	18	Shopper actions in relation to retailers' ecological sustainability	27
How UK shoppers pay, by payment method 2020	18	How much shoppers would pay for sustainable alternatives	28
Mobile payment adoption, by age, 2016-2020	18	Countries where the UK Largest retailers are based	31
Online delivery preferences, 2020	19	Countries from which shoppers visit the UK-based Largest 100	31
Use of ultrafast delivery methods, 2021	19	Web traffic by sector	31
Leading delivery providers, 2020	19	Web traffic by country	31
Preferences on multichannel retail services	19	Changes in web traffic to the Largest 100, 2020-21	32
UK clothing return rates	20		

Conclusion

We hope you have found our research and analysis to be of interest and value. We would be very pleased to hear from you with questions, suggestions or comments. In particular, do let us know of any areas of research that you would like us to investigate for possible inclusion in the 2023 report.

Please get in touch via research@retailx.net

RESEARCH:

Researcher Anna Segarra Fas

For questions about our research and to send feedback, please email: research@retailx.net

Research Engineer Bertrand Carado

CEO Ian Jindal

EDITORIAL:

Editor Chloe Rigby

Production Editor Cam Winstanley

DESIGN:

Designer Julia Webber

MARKETING:

Marketing and Circulation Addison Southam

marketing@retailx.net

SALES:



Commercial Director Andy James andy@retailx.net

Group Creative Solutions Director Marvin Roberts

marvin@retailx.net

We update the country reports every year and more regularly at www.retailx.net. Subscribe to get updates and access to additional charts: www.retailx.net/my-account

The Ecommerce Country and region Reports are published by Global Retail Research BV, a subsidiary of RetailX, and distributed to a variety of media partners. To become a distribution partner, please contact marketing@retailx.net
© RetailX Limited, 2022

This report may not be stored in a retrieval system, distributed or sold in whole or in part without the publisher's express permission. Fair quotation is encouraged, with a link to the report's URL on RetailX.net. All charts and figures marked with  are provided under the Attribution-NonCommercial 4.0 International (CC BY-NC 4.0) license (<https://creativecommons.org/licenses/by-nc/4.0/>). You are welcome to use these in full with a link to this report, retaining the copyright notice .

This report is based upon our reasonable efforts to compile and analyse the best sources available to us at any given time. Opinions reflect judgment at the time and are subject to change.

RetailX

123 Cannon Street,

London, EC4N 5AU

Tel: +44 (0) 20 7062 2525

Printed in Great Britain.

ISSN 1759-0582 www.retailx.net

Global Retail Research BV

Van Heuven Goedhartiaan 13D

1181LE Amstelveen

The Netherlands





In partnership with



Download your report at: retailx.net/UK-2022