Country factsheet - January 2014

United Kingdom

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There is no lack of superlatives to describe ecommerce in the United Kingdom and rightly so - the British market occupies first place on the European podium in more than one category*:

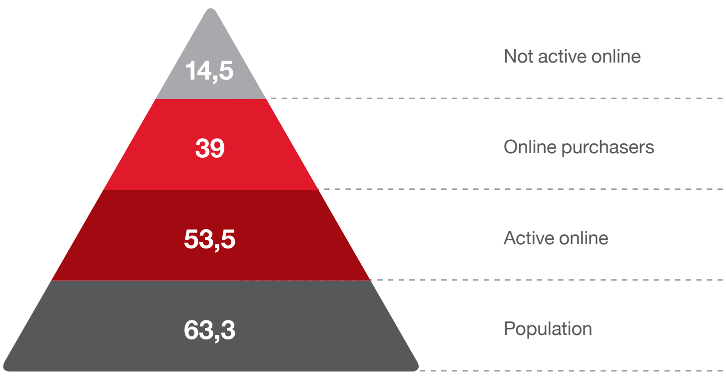
The income generated by ecommerce reaches €109 billion

- **The proportion of ecommerce in national retail sales income: 16%**
- **The proportion of m-commerce 12% of ecommerce sales were mobile**
- **The annual expenditure per eshopper: €4466 (this is the world record)**

And ecommerce sales continued to grow in 2013: they rose by 16% to over €109 billion. As might be expected, the UK is the most mature ecommerce market in Europe and in this factsheet this degree of maturity will often be seen as the cause of the characteristics of ecommerce in the United Kingdom.

1. The British consumer

In the UK, the **average monthly** shopping basket totals **€116.30**. Who buys online? The answer is everyone – including the elderly, as we will see in the trends. In fact, ecommerce has become normal commerce with eshoppers easily outnumbering those who have never bought online. Of a population of 63.3 million inhabitants, **39 million are already buying online**. The **majority pay by credit card** (69%), with the rest paying by other micro-payment services (31%) or online banking (9%).



No. of inhabitants (millions)

What do British eshoppers purchase?

British eshoppers purchase more goods (55% marketshare) than services (45% marketshare). However, the most popular segment in the UK is the **travel** sector (25%). In fact, this is the largest in Europe. Next come **household products** (18%), **services** (12%), **consumer electronics** (10%), and **clothing** (8%).

*figures for 2012

The champions of (social) mobile

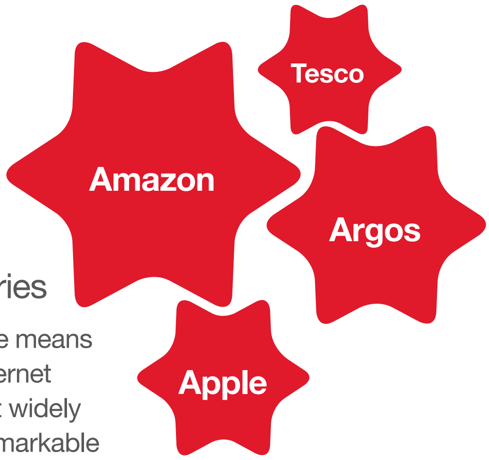
M-commerce has grown by 5000% in 3 years in the United Kingdom.

While the growth in mobile has been identified, proven and celebrated in all markets, its progression is exceptionally high in the United Kingdom – m-commerce there has seen growth of 5000% in 3 years. The conversion rate on mobile is 2.2% and the tablet/smartphone distribution leans largely in favour of tablets, on which 82% of mobile sales were made in 2013.

In addition, the Brits are the largest users of social media on mobile, using the most applications and spending the most time using it each day. In fact, **86% of users spend over ten hours a month on around twelve social applications.**

2. The market

There are thought to be 250,000 companies active in ecommerce in the United Kingdom. The most popular are, in order of income, Amazon**, Argos, Apple and Tesco.



Significantly ahead in online groceries

19%
of the British had already purchased groceries online by 2012

The considerable maturity of UK ecommerce means that British shoppers are used to making internet purchases in product categories that are not widely bought online in other markets. The most remarkable example is groceries **- 4.5% of grocery purchases are made online in the UK**. By way of comparison, 19% of Brits had already purchased groceries online in 2012, compared to only 9% in Germany and 7% in France. Supermarket giant Tesco is the big winner of this well established habit, earning a place among the top 5 etailers in the country.

Active mothers with children of pre-school age are most likely to purchase groceries online. The same goes for Londoners versus those living elsewhere in the country (probably related to the low number of car owners). The sector offers what consumers are looking for when they do their food shopping online: **reliable delivery, flexible delivery slots, competitive costs, personalised promotions** and an offering that incorporates **ethical and premium products as well as balanced nutrition**.

** Amazon appears twice in the top 5 etailers in the UK, in first place with its .co.uk site and in 4th place with its .com site.

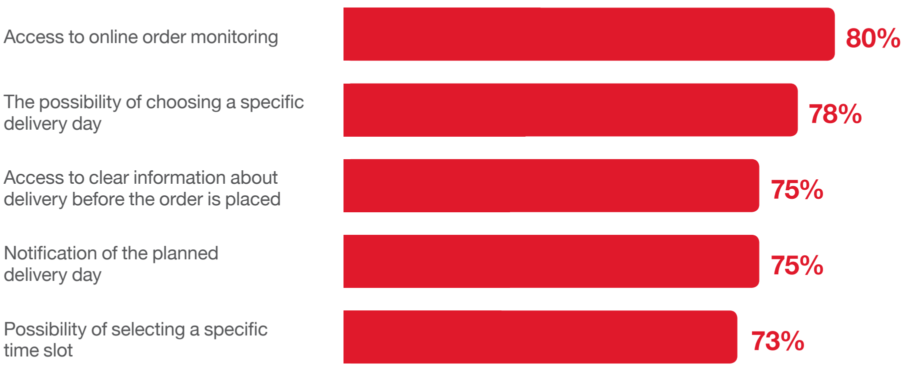
Well-established delivery experience

A mature market also means an increased level of expertise when it comes to the delivery experience (10th in the world out of 155 countries according to the «Logistics Performance Index»). In the UK, consumers of course have concerns similar to those of other markets, as is shown in the graph below, with **home delivery** as **the preferred delivery option**. When it comes to delivery service, British consumers expect:

- **Information:** prior to a purchase, during the logistics chain and also just before delivery
- **Choice:** with regard to the day, time and place of delivery
- **The choice of specified one-hour delivery slots**

Above all, in the United Kingdom **same day delivery** has become the norm and even **one-hour delivery** is **possible**.

The preferred options for making delivery more practical



16 million Brits spent € 10 billion on non-British websites

A cross-border balance in favour of the outbound

The UK also leads the way in EU cross-border sales. According to IMRG, In 2012 €8 billion worth of purchases were made on British sites from users located outside of the UK – a figure which is expected to **exceed 11 billion in 2013**.
IMRG predicts that by 2020, a third of orders dispatched by British etailers will be destined for a country in Europe other than the UK, while even more will head to **Australia and the United States**.
In terms of inbound, the cross-border purchases made are proportionally less significant than in other European countries, and are expected to grow from 13% in 2012 to 15% in 2013. However, in absolute value, the UK remains a big opportunity for foreign etailers as **16 million shoppers purchased goods for a total value of €10 billion in 2012 on non-British websites**. As is often the case, cross-border purchases made in the UK mainly involve fashion (clothes, shoes and accessories).

3. Trends

Market for the elderly shows signs of promise

The maturity of the country in terms of internet access means that seniors are not excluded; on the contrary, they use the net a lot more than the population as a whole would suspect. Currently, the tendency among the elderly to shop online, whilst increasing significantly, is still limited. They tend to use ecommerce sites for browsing and information/research purposes, but still prefer to make purchases from bricks and mortar companies. The adoption of the tablet by “silver surfers” has been a huge success in the United Kingdom. Figures for 2013 show that 16.7% of internet users aged between 65 and 74 used their smartphone to consult retailer sites whilst they were at a point of sale – and these figures are expected to grow significantly in years to come.

A changing fulfilment infrastructure

Although **72% of British etailers already deliver internationally**, the fulfilment infrastructure is originally very UK centric, focusing particularly on national customers. We have seen locally that they are close to the online experience in real time. However, the saturation of their market and the increase of purchases by international customers will force British etailers to alter the way in which their goods are stocked, managed and controlled. To meet the needs of their international audience, British etailers would probably need to decentralise.

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