

THINK RETAIL THINK VERDICT



UK eRetail 2008

Online shopping defies the downturn

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About Verdict Research

Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

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Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

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In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



“Verdict are the company of choice for any research analysis and insight into retailing”

Sir Stuart Rose
Chief Executive of Marks & Spencer

UK eRetail 2008

Online shopping defies the downturn...

Though online retailing is undeniably the most dynamic aspect of retail, it remains characterised by a lack of reliable market information and analysis. In combining a comprehensive survey of the online shopping habits of over 4,000 consumers and thorough analysis of the online market, the main players, trends and forecasting techniques, Verdict's UK e-Retail 2008 is a uniquely valuable tool for any stakeholder in the retail sector.

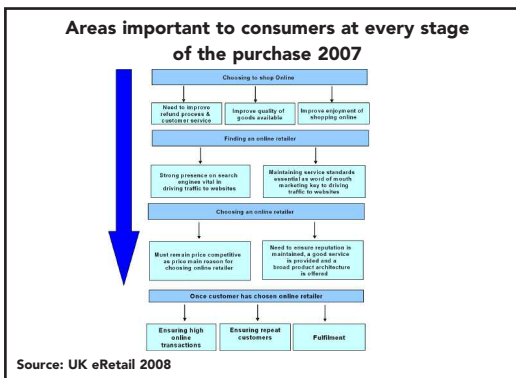
This new report published by Verdict analyses the reasons behind the continued growth in online retailing and identifies strategies retailers should adopt in order to capitalise on the potential having an online presence provides, giving an objective assessment of all major online operators. With this report you will be able to identify the factors steering the development of Internet retailing over the next 5 years.

Sectors Analysed

Total online spending	Food & grocery
Books	Furniture & floorcoverings
Clothing & footwear	Health & beauty
DIY & gardening	Homewares
Electricals	Music & video

Understand the key drivers of market growth and gain insight into the channels of distribution with this new report...

At every stage of the online shopping process, there are key factors that all online retailers, must consider as part of their strategic planning...



"Retailers need to improve the refund process, making it easier for customers to return unwanted or faulty goods. This is currently one of consumers' major gripes with online shopping and an area that requires attention to make the process comparable to that found in-store..."

- **Understand the key market drivers.** The major trends in online retailing are analysed, allowing the reader to gain insight into the challenges and opportunities going forward.
- **Discover which sectors will outperform.** Compare projected growth rates of the key sectors to assess new opportunities going forward and make strategic decisions based on detailed sectors analysis.
- **Identify key target markets and growth opportunities.** Gain insight into how consumers shop online and their spending habits. Use the analysis and consumer research to identify key consumers in each retail sector to ensure sales maximisation is achieved.
- **Gain detailed insight into being a multichannel retailer.** Use the detailed analysis of each sector to fully understand the drivers of market growth and the challenges in becoming a truly multichannel retailer.

UK eRetail 2008

This report answers key questions including...

- Which sectors are growing fastest online and why?
- How many times a year do consumers shop online?
- What is influencing growth in Internet retailing?
- How can retailers ensure they maximise sales through their websites?
- What is the average amount spent per online transaction?
- How much is online retailing worth and how fast will it grow over the next 5 years?
- What is the online shopping population and how is this changing?

Key Market Data

Online spending for 9 retail sectors 2002-07

Online spending by age, sex & socio-economic group.

Average transaction size & shopping frequency

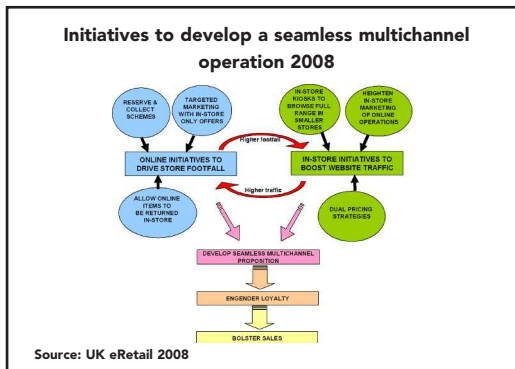
Online penetration by sector

Detailed market forecasts 2007-12

Reasons for shopping online

Key issues examined in this report...

A number of retailers are now leveraging their store networks to accept online returns...



"Game, Debenhams, M&S, Argos and River Island are part of a growing band of operators employing this practice. While such a policy cannot always be applied to large products such as white goods and furniture, Verdict believe that offering free returns to stores enhances retailers' service credentials, benefits consumers by offering them greater convenience and confidence and encourages more of a seamless, integrated relationship between customer, store and website..."

- **Mobile Internet Access.** Many Internet providers now offer free wireless technology, such as hubs, modems and routers, making it easier for a whole household to utilise a single connection. Additionally Wi-Fi is making it much easier and cheaper to access the Internet from anywhere in the UK.
- **Adapting to the Internet.** As Internet retailing matures, in many cases online and in-store sales channels will simply blur into one, becoming fully integrated. There are 2 key factors behind this, first increasing availability of online shopping in stores and secondly the success of hybrid offers from retailers such as Argos. Having an Internet presence is now vital and the combination of physical stores and an Internet presence with strong links between the two is essential.
- **Future of physical retailing.** With the Internet continuing its upward march, the pressure on physical locations is mounting. In addition to slower levels of spending growth, physical retailers also have to deal with approximately 26.9m sq ft of new sales space coming into play over the next five years. This will raise the element of choice of where consumers can shop, increasing already fierce degrees of competition amongst physical retailers.

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Pages 238

Figures 96

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Chapter 2: Market Analysis

Online Market Expenditure

- Stronger market growth in 2007 pushed average spend per shopper to £653 though the 7.8% lift was slightly down on what was achieved in 2006. As the popularity of the channel has increased so has people's spending the average online shopper now spends 39.5% more than in 2002.
- More seasoned shoppers typically tend to spend more as they are familiar with the online purchasing process and are far more likely to commit to big ticket purchases such as flat panel TVs, white goods or furniture.
- However, more occasional and newer online shoppers are likely to spend considerably less. These individuals tend to make lower value purchases such as music & video, computer software or small gifts. More recent online shoppers are less likely to commit to big ticket purchases owing to concerns encompassing issues such as security, delivery and customer service.
- Looking ahead, as these individuals increase their participation in online shopping, they will acquire increased confidence which should boost their propensity to engage in higher ticket purchases.
- Men outspent women in 2007 by a substantial £802.15 to £497.66. Furthermore men outspent women in every sector with the exception of grocery and health & beauty. In grocery the difference between the £643.76 spend by women to the £541.20 by men can be attributed to women being more likely to undertake the weekly food shop on behalf of a family household. The female outspend in health & beauty is also traditional for the sector.
- The gulf in overall male/female spending is mainly driven by three sectors. The big-ticket, traditionally male-dominated sector of furniture and floorcoverings is a predictable contributor and sure enough in 2007 men outspent women by £240.91 to just £38.13.
- However the other two sectors were more surprising. Men outspent women by £314.63 to £67.46 – almost five times – in the traditionally female dominated area of homewares. This is an indicator that women far prefer to shop in-store for these products, whereas men would much rather shop online. The other sector that made a large impact was music and video. Though this is another area where men normally outspend women, in 2007 the extent of this was huge, with men at £200.34 compared to a paltry £7.82 for women, who appear to have practically shunned the channel for music & video purchases.

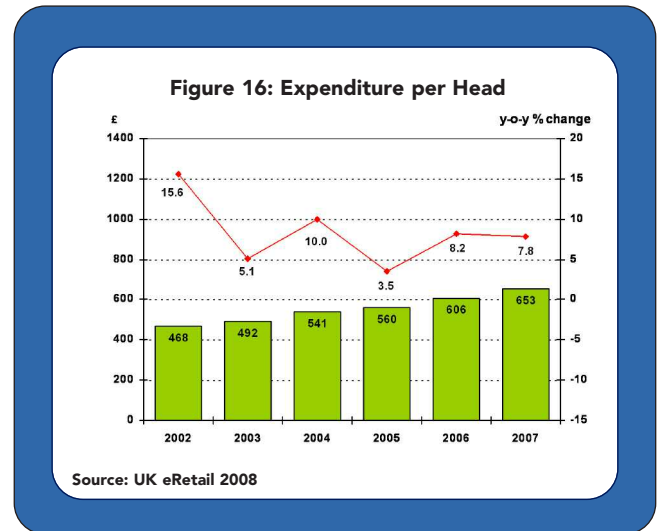


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