

THINK RETAIL THINK VERDICT



UK e-Retail 2009

e-Retail storms ahead through recession

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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.

Rigorous research methodology...

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.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

Global, European and UK analysis across nine core sectors...

Verdict Research reports covers nine core sectors, five year forecasts, strategic issues, key locations, How Britain Shops consumer surveys and the main European retail markets. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

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
Executive Chairman
Marks & Spencer

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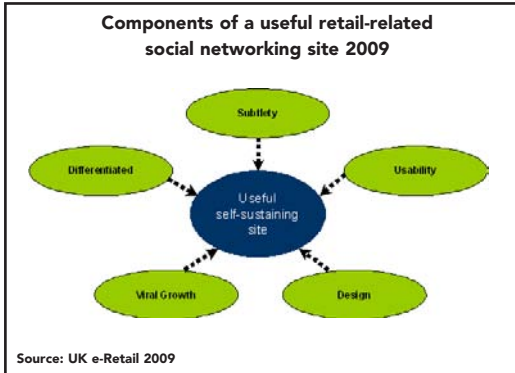
Online spending grew by a significantly higher margin than the total retail market in 2008. In 2009, e-retail is forecast to grow by 13.3%, despite overall retail growth shrinking by £1.7bn. The channel is continuing to benefit from more internet users, more shoppers and more transactions taking place online.

UK e-Retail 2009 is a new report published by Verdict Research that analyses the reasons behind the continued growth in online retailing and identifies the strategies that retailers can use to maximize the commercial potential of their online presence. This report also provides a detailed examination of the key factors that will shape the development of internet retailing over the next 5 years.

9 Key Sectors Analysed

Clothing & footwear	Furniture & floorcoverings
DIY & gardening	Health & beauty
Electricals	Homewares
Food & grocery	Book, music & video

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



"Retailers have continued to evolve and improve their use of social networking sites and have made significant progress from the original models when they set up discussion groups to publicise and drive traffic to the retail website. They now frequently encourage users to produce content, reducing the need for investment and input and aim to raise enough advertising revenue to make the site self-sustaining..."

- **Identify future UK online retail trends** using this report's market value and online spending data in addition to forecasts to 2013 for each of the key online retail sectors.
- **Assess the online retail competitive landscape** with this report's analysis of leading players in key online retail sectors, and their online developments and strategies for the future.
- **Improve your online segmentation and targeting** with the profiles contained in this report detailing online retail demographic groups, spend per head and shopper behaviour derived from our proprietary consumer interviews across the UK.
- **Maximize the potential of your online presence** using detailed analysis of each sector to fully understand the drivers of market growth and the challenges in becoming a truly multichannel retailer.

UK e-Retail 2009

This report answers key questions including...

- Which online 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 2003-08

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

Average transaction size & shopping frequency

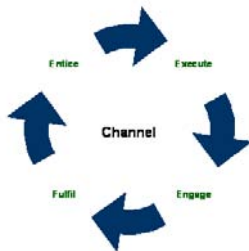
Online penetration by sector

Detailed market forecasts 2008-13

Reasons for shopping online

Key issues examined in this report...

Managing the multichannel experience 2009



Source: UK e-Retail 2009

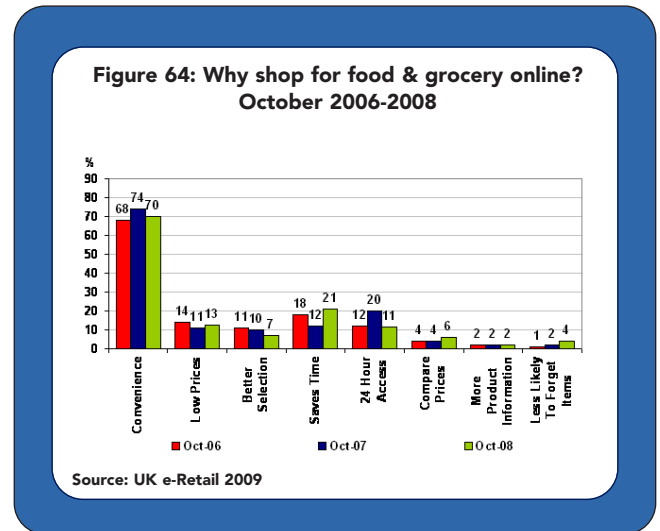
"As the popularity and ease of shopping online grew, large numbers of consumers migrated to the new channel, making it relatively easy for retailers to attract them. The cost of gaining them was low and, as the concept of online shopping was new, the tolerance of poor service was high. However, with the channel maturing, customer demands and standards have increased dramatically..."

- **The Internet is set to become more complex and competitive.** While e-retail presents long term growth opportunities, retailers must adapt to an increasingly competitive and maturing market. The growth of Marketplace websites is changing market dynamics and intensifying competition further. Success will depend on retailers creating retail theatre throughout all channels with highly differentiated propositions heightening the consumer experience.
- **Financially squeezed shoppers abandon the Internet.** A reason for the drop in importance of price becomes clear when it emerges that fewer C2s and DEs, the most financially squeezed shoppers, are shopping online particularly for smaller, low price items in sectors such as homewares, DIY and clothing. Instead they are shopping at the likes of Primark, Matalan, Poundland and grocers, thereby avoiding having to pay delivery charges.
- **Electricals and food & grocery continue to dominate online.** At present, over half of all online spend is derived from these two sectors. Electricals enjoys the top spot due to its inherent characteristics suiting the channel so well, accounting for 25.7%. Food & grocery accounted for 25.3% of the online market in 2008.

Chapter 2: Sector Analysis - Food & Grocery

Supermarkets work hard to attract spend online

- In 2008, food & grocery spend grew by 31.5% to £4,668m as increasing numbers of grocery shoppers switched their spending online to taking advantage of improved websites and delivery services. Grocers have worked hard to cultivate more convenient and easy-to-use websites, with Tesco for example using Clubcard data collected from stores to offer suggested products for first time shoppers. More flexible delivery times and easy price comparison – with grocers highlighting the price savings of own brand product versus branded and independent sites such as mysupermarket.com comparing prices – mean online grocery shopping is becoming an increasingly attractive channel for cash-strapped consumers. Consumers' increasingly busy lives are a factor too.



Pace of growth slowest since 2004

- However, the pace of growth was the slowest since 2004, due partly to the recession making consumers more cautious in their spending, but also because the pace of expansion into new regions by Sainsbury, Asda, Ocado and Waitrose slowed compared with previous years. Despite the lack of new entrants, the market has been a hotbed of activity, with grocers raising the bar in value and service.

Inflation drives people online

- Inflation was more of a factor in the food & grocery market in 2008, averaging 6.4% having crept up from deflation of -0.1% in 2004. This is another reason for consumers to choose the Internet where low prices are more assured and easily compared while overspending on impulse is also much less likely when confronted by a list instead of an actual product instore.

Convenience is the main motivator

- Slightly fewer respondents mention convenience but it reigns supreme as the primary motivator for shopping online for food & grocery. Grocers have showered online shoppers with initiatives that make food & grocery shopping online easy and convenient. These include numerous search facilities; special offers grouped clearly together; favourites lists; and recommendations. As technology improves and websites become faster and more reliable, convenience continues to improve with shoppers now able to order groceries from mobile phones.
- Saves Time moves into second position – up one place from the previous year. Regular online grocery shoppers enjoy a wealth of website features that reduce the time it takes to complete the weekly shop.

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