ARE CLICKS CRUSHING BRICKS?

Ecommerce and the digital influence on bricks-and-mortar retail
Rumours of the store’s death are greatly exaggerated

*Traditional retail stores will die off*, predicted Marc Andreesen - founder of computer services company Netscape, in 2013.

In some senses he was right – ecommerce is rapidly growing its share of sales channel, and is forecast to account for 8.8% of total retail sales by 2018.

However, bricks-and-mortar still accounts for over 90% of all sales, and that won’t change dramatically.

The challenge for retail businesses will be adapting to the increasing influence of digital activity on physical shopping, and the way it changes consumer behaviour.

As online and offline retail merges, there are opportunities to be gained. Leveraging these opportunities will depend on retailers and shopping centres understanding – and reacting to - the relationship between ecommerce and bricks-and-mortar in their key markets.
8.8% Forecasted online sales to account for 8.8% of retail sales by 2018

90% bricks and mortar still accounts for over 90% of all sales

Global Sales Forecast

<table>
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<th>Year</th>
<th>Bricks-and-mortar ($Trillions)</th>
<th>Retail Ecommerce Sales ($Trillions)</th>
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<td>2013</td>
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Source: eMarketer
The mobile catalyst

**Today’s retail landscape** is a complex network, in which one consumer will make multiple interactions across different channels.

In response to this, internet pure-plays are experimenting with physical presences – Amazon launched its first store in November 2015 – at the same time as bricks-and-mortar businesses are introducing new digital capabilities.

One major catalyst blending retail channels is the rise of mobile technology, and its impact on shopper activity.

Consumers are not only using their mobile to buy directly and to search for information in the store environment, they’re interacting through an increasingly influential channel: **social media**.

The piloting of ‘buy button’ functions on social networks has taken omnichannel one step further, and is therefore now beginning to negate the actual need to visit retailers’ websites for online purchasing.

And as today’s technology-driven teenagers become tomorrow’s young professionals, the retail industry will need to incorporate social channels into their strategy in order to keep close contact with customer desires.

But not every market is embracing all channels at the same rate, and therefore it is necessary to understand each region’s unique channel dynamics.
50%
Smartphone penetration among total global population

Ecommerce sales as a percent of total retail sales

Source: eMarketer
Of all the global regions, the UK has been one of the biggest adopters of online shopping.

Ecommerce is predicted to grow at an average rate of 10% a year for the next 4 years, accounting for 20% of all retail sales by 2019.

With these figures in mind, it’s not surprising that footfall is being impacted, and we predict that retail traffic will decline at a rate of -0.2% per year.

What’s interesting to note is that mcommerce’s share of online shopping in the UK will peak in 2016, when 1 in 3 purchases will come from a mobile device.

UK spending stats

64% of mcommerce transactions are made on a tablet vs 36% via smartphone

Predicted online sales to account for 20% of all retail sales by 2019

1 in 3 purchases will come from a mobile device

Source: eMarketer, Sep 2015

France

Although 85% of the French population are internet users, ecommerce has experienced quite conservative growth.

As a result, online spending is predicted to peak at 6.2% of all retail sales by 2018; lower than many other countries with similar internet access levels.

Many of France’s retail businesses may be less reluctant to invest in a multi-channel strategy given these figures.

However, digital technologies may be needed to drive physical footfall, as we forecast that bricks-and-mortar traffic will decline at around -1% a year from 2016.

France spending stats

- 80% of all French internet users buy online
- The majority of mcommerce transactions are made on a smartphone vs a tablet
- Forecasted decline in retail footfall per year: -1%

Predicted online sales to reach 6.2% of all retail sales by 2018

Germany

Ecommerce in Germany has quite conservative growth predictions over the next few years of around 1% annually, peaking at 11.2% of all retail sales by 2018.

It’s no surprise that retail footfall has been experiencing decline as a result. In 2015 it fell -4% Year-on-Year, although there was a modest +1.28% recovery in 2015.

German spending stats

86.8% of the German population have access to the internet

€653 2015 spend per internet user

65% of population own a smartphone

Predicted online sales to peak at 11.2% of all retail sales by 2018

Source: Ecommerce News
http://ecommercenews.eu/key-figures-mobile-commerce-europe-revealed/
China

Significant growth is predicted in China’s ecommerce market over the next few years, with annual online spending increasing by 30%.

By 2018, web-based sales will account for 28% of the overall market – and 70% of these will be generated by a mobile device.

This will have a marked effect on retail footfall, particularly as there is limited digital connectivity among Chinese shoppers compared to many other regions.

At present, only 46% of China’s 1.4 billion population has online access. Increased smartphone ownership and internet penetration will help sustain digital retail growth.

China spending stats

423.4 million online shoppers predicted in 2016

594 million mobile internet users: 89% of all China’s internet users

Ecommerce generated approximately 10% of total consumer retail sales
Japan

Changes in the Japanese retail landscape are being powered predominantly by mobile commerce; around 50% of online retail transactions currently happen through a mobile device.

That being said, the ecommerce opportunity as a whole is only predicted to grow at a modest 0.5% per year, accounting for around 5% of total sales by 2018.

With this in mind, Japanese retailers and shopping centres are well advised to bring mobile into their bricks-and-mortar strategies, to drive digital engagement in the physical environment.

Japan spending stats

- Predicted online sales to account for 5% of total retail sales by 2018
- 90758 Yen online spend per internet user in 2015
- 43.6 million active mobile internet users
- 6.5 million smartphone users predicted by 2018

Source: eMarketer

http://www.criteo.com/resources/mobile-commerce/
http://www.emarketer.com/Article/2-Billion-Consumers-Worldwide-Smartphones-by-2016/1011694
USA

Bricks-and-mortar still rules in the USA when compared to online activity.

However, there is reasonable growth forecast over the next couple of years – ecommerce will be responsible for 8.3% of overall retail sales, equivalent to $442 billion, by 2018.

There is a clear opportunity in the mobile engagement space for US retail organisations, as consumers spend longer browsing the internet through their smartphone than any other nation: 2 hours 27 minutes per day in total.

USA spending stats

86.75% have access to the internet

$1227 2015 spend per internet user

74% of mobile shoppers visit retail websites

US consumers will spend $327 billion online in 2016, an increase of 62% from 2011.
Therefore, in order to increase opportunities in the bricks-and-mortar environment, retailers and shopping centres need to drive greater customer interaction through online capabilities, as seamlessly as possible.

From a shopper’s perspective, this means encouraging them to use their mobile devices in a controlled manner. For example, providing a free Wi-Fi service, producing an informative app, or implementing digital kiosks for assistance and transactions, to provide a contextually sensitive experience.

From an organisational perspective, this means leveraging information to better understand how ecommerce is influencing bricks-and-mortar behaviour; consumers are still relatively anonymous in the store or shopping centre environment, compared to data-driven online platforms.

Therefore, retail businesses must go beyond commonly collected metrics such as people counting, and utilise the latest retail intelligence solutions that provide a 360 degree view of shopper activity, to fully understand what consumers want from physical retail.

As these trends show, the pace of change may differ between regions, but consumers as a whole are moving towards greater digital engagement.