Online Retailing: Inc Impact of COVID-19 - Europe - August 2020

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"Online remains one of the fastest-growing sectors in retailing, with most markets seeing sales rise in double-digits every year. In Europe, countries such as Germany and the UK are at the most developed end of the spectrum, compared to others like Spain and Italy."
– Armando Falcao, European Retail Analyst

This report looks at the following areas:

- **The impact of COVID-19 on consumer behaviour and the online retail market**
- **How the market will fare in the post-COVID-19 slowdown**
- **What people buy online**
- **The performance of the major online retailers in 2019**
- **Online shopping behaviours and what consumers look for in online retailers.**

Online retailing has been performing strongly in recent years across Europe. Most countries continue to experience double-digit growth as broadband penetration rises and an increasing number of consumers embrace online shopping. The current COVID 19-linked boost in online demand, resulting in an expected 23.4% increase in ecommerce sales across the major European countries in 2020, is creating further opportunities to engage with customers through social media and tools like loyalty schemes and delivery passes. We have also seen retailers collaborate across sectors, allowing new and smaller players to establish and strengthen their online presence.

Unlike most other sectors, online retailing is experiencing a positive effect from the COVID-19 pandemic, with online sales soaring, new consumers being encouraged to shop online for the first time, and existing online shoppers extending the range of products they're prepared to buy online. As a result, we expect online to represent 14% of all retail sales across the Top 5 European countries in 2020, compared to 10.5% the year before. We are also seeing an acceleration in online retail sales growth in line with changing consumer habits, for example with 23% (Germany) to 38% (Italy) of consumers admitting to shopping more online, and this will likely bring a longer-term change, supported by a growing number of retailers adopting an online business of their own.

While this is a positive effect for many retailers, it represents a threat to those without a strong history of ecommerce activity or the capabilities to cope with the rise in online demand. As the proportion of retail sales taking place online increases, benefitting online pure players like Amazon, which are used by 88-98% of those who shopped online across the leading European economies, smaller players and those with less robust ecommerce operations will suffer.

Although ecommerce is still dominated by the online pureplayers, store-based retailers have the advantage of a multichannel strategy and offering consumers more ways to buy their products as well as a base for collections and returns. In fact, in recent years we have seen retailers like Zalando and even Amazon expand their operations by having a stronger physical presence. We expect this to be a growing trend in the medium to long-term, especially during the post-COVID recovery stage.

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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