“The online market continues to grow strongly and gain its share of the wider retail market in the UK. Its rise is not necessarily the ‘high-street killer’ it is portrayed to be, but its growth is changing retail both on and off line.”

Nick Carroll, Associate Director of Retail Research

This report looks at the following areas:

- Does the UK need an online sales tax?
- The impact of the mobile-first generation
- The opportunities for online within an aging population

The online retail market in the UK grew by 14.4% in 2018 to reach £68.5 billion. This represents a slight slowdown on the 16.4% growth seen in 2017 but comfortably above the 4.0% growth seen in the wider sector meaning online grew its share of all retail sales to 18.0% in 2018, up from 11.4% in 2014. We forecast strong growth within the sector through to 2024 at which point online may account for as much as 27.7% of all retail sales.

The vast majority of UK shoppers do some online shopping, with 95% in our sample doing so in the year to May 2019. Younger consumers are the most engaged and frequent shoppers online, with 51% of 16-34s saying they shop online weekly. Notably in our data for the first time, this group was more likely to shop via smartphone (71%) than a laptop/desktop (63%) meaning retailers now have to deal with the first mobile-first generation.
Online Retailing - UK - July 2019

Table of Contents

Overview

What you need to know
Areas covered in this Report

Executive Summary

The market
Retail sales holding up despite uncertainty in the market
   Figure 1: Mintel Financial Confidence Tracker, January 2017-May 2019
The online market grows by 14.4% in 2018...
   Figure 2: All online sales and forecast, 2014-24
...meaning online claimed 18.0% of all retail sales
   Figure 3: Online sales as a % of all retail sales (including VAT), 2014-24
Store-based retailers account for just under half of all online sales
   Figure 4: Online pure players and store-based retailers share of all online sales, 2008-19

Companies and brands
Amazon the dominant market leader...
   Figure 5: Leading retailers share of all online sales, 2018
...and its brand is strong
   Figure 6: Key metrics for selected brands, September 2018-June 2019
Larger players look to support the high-street
   Figure 7: Amazon Clicks and Mortar Manchester, June 2019

The consumer
Vast majority of consumers shop online
   Figure 8: Frequency of online shopping, May 2019
Fashion and hard-copy media popular categories
   Figure 9: Products purchased online in the past year, May 2019
Smartphone purchasing now more popular among 16-34s
   Figure 10: Devices used to shop online, 2017-19
Comparing prices and delivery options key in the pre-purchase journey
   Figure 11: What consumers do before shopping online, May 2019
Amazon most popular retailer online
   Figure 12: Retailers shopped with online in the last 12 months, May 2019
29% have a delivery pass that isn't Amazon Prime
   Figure 13: Retail delivery service membership, May 2019
29% have used PayPal Credit while 37% have used a cashback site in the past year
   Figure 14: Use of credit when shopping with retailers in the past year, May 2019
69% think limiting the ability to return items would make online shopping less appealing
   Figure 15: Attitudes towards shopping online, may 2019

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.
What we think

Issues and Insights

Does the UK need an online sales tax?

The facts

The implications

The impact of the mobile-first generation

The facts

The implications

The opportunities for online within an aging population

The facts

The implications

The Market – What You Need to Know

Retail sales holding up despite uncertainty in the market

Online market grows by 14.4% in 2018

Store-based retailers account for just under half of all online sales

Digital download market worth some £3.6 billion in 2018

Market Drivers

95% of UK households now online

Figure 16: UK household internet access, 2011-18

Smartphone ownership hits its highest level to date in 2018

Figure 17: Ownership of mobile phones, January 2012-January 2019

Wage growth outstripping inflation

Figure 18: Real wage growth: average weekly earnings vs inflation, January 2016-May 2019

A new high for Mintel’s financial confidence index

Figure 19: Mintel Financial Confidence Tracker, January 2015-May 2019

Discounting boosts retail sales volume growth year-on-year in 2018, but hits value growth

Figure 20: Annual % change in all UK retail sales (excluding fuel), by value and volume, June 2016-Jun 2019

Market Size and Forecast

Online market grows by 14.4% in 2018

Figure 21: All online sales and forecast, 2014-24

Figure 22: All online sales and forecast, at current and constant prices, 2014-24

Online to account for almost a fifth of all retail in 2019

Figure 23: Online sales as a % of all retail sales (including VAT), 2014-24

Online’s share peaks in November in line with Black Friday

Figure 24: Online retail sales as a % of all retail sales, non-seasonally adjusted, January 2016-April 2019

Figure 25: Average weekly value of all online retail sales, non-seasonally adjusted, January 2016-April 2019

Forecast methodology

Market Segmentation

BUY THIS REPORT NOW
Breakdown of retail sales by type of retailer
Figure 26: Online sales by type of retailer, 2018
Figure 27: Online sales by type of retailer, 2014-18

Store-based vs online-only retailers
Figure 28: Online pure players and store-based retailers share of all online sales, 2010-19

The longer term view
Figure 29: Total online-only retailer sales, 2014-24
Figure 30: Total online-only retailer sales, at current and constant prices, 2014-24
Figure 31: Total store-based retailers sales, 2014-24
Figure 32: Total store-based retailers sales, at current and constant prices, 2014-24

Sales by product
Figure 33: Online estimated sales by product, 2018
Figure 34: Online retailing: estimated sales by product by store-based and online-only retailers, 2018

Digital Spending
Books – Hard copy fighting back
Figure 35: Value of consumer print book and publisher UK sales of consumer digital books (net invoiced value), 2014-19

Music – Streaming taking over
Figure 36: Spending on recorded music 2014-18

Video – Streaming now over half of the market
Figure 37: The video market, 2016-18

Games
The total download market
Figure 38: Estimated digital download market, 2018

The Consumer – What You Need to Know
Vast majority of consumers shop online
Fashion and hard-copy media popular categories
Smartphone purchasing now more popular among 16-34s
Comparing prices and delivery options key in the pre-purchase journey
Amazon most popular retailer online
29% have a delivery pass that isn’t Amazon Prime
29% have used PayPal Credit while 37% have used a cashback site in the past year
69% think limiting the ability to return items would make online shopping less appealing

Who Shops Online and How Frequently They Shop
Online shopping ubiquitous across all demographics
Figure 39: Usage of online retailing, by age and gender, May 2019

Over a third (36%) shop online weekly
Figure 40: Frequency of online shopping, May 2019

25-34s most frequent online shoppers
Products Purchased Online

Fashion most popular online purchase
Figure 42: Products purchased online in the past year, May 2019

Products purchased by age
Figure 43: Products purchased online in the past year, by age, May 2019

35-44s have the broadest repertoire online
Figure 44: Repertoire of product categories purchased from online in the past year, by age, May 2019

There is still some hesitancy around buying certain categories online

Devices Used to Purchase Online

Desktop/laptop purchasing still most common but smartphone shopping growing rapidly
Figure 45: Devices used to shop online, 2017-19

Younger consumers now more likely to shop via smartphone
Figure 46: Devices used to shop online, by age, May 2019

More purchase via mobile site than app
Figure 47: How smartphone/tablet shoppers shop online, May 2019

Younger consumers want more features from apps
Figure 48: Attitudes to retail mobile apps, May 2019

The Pre-Purchase Journey

Price and convenience are key in the decision process
Figure 49: What consumers do before shopping online, May 2019

Younger consumers more driven by promotional activity
Figure 50: What consumers do before shopping online, by age, May 2019

Straight to search
Figure 51: Attitudes towards search, May 2019

Retailers Used

More shop with online-only retailers
Figure 52: Types of online retailer shopped with in the past 12 months, May 2019

Amazon and eBay dominant
Figure 53: Store-based and online-only retailers shopped with in the past year, May 2019

Argos most popular store-based player online
Figure 54: Retailers shopped with online in the last 12 months, May 2019

Online customer profiles
Figure 55: Retailers shopped with online in the last 12 months, by age and socio-economic group, May 2019

Consumers have a wider repertoire of store-based retailers they shop with
Figure 56: Repertoire of online-only and store-based retailers shopped with in the past year, May 2019

Subscription Delivery Services and Returns

Away from Prime, grocery delivery passes most popular retail memberships

BUY THIS REPORT NOW
Online Retailing - UK - July 2019

Credit and Cashback

65% purchased on credit in the past year

Younger consumers more likely to use newer options

43% say credit options encourage impulse purchasing

Over a third use cashback sites

Over half of 25-34s have used a cashback site in the past year

Key Players – What You Need to Know

Amazon the dominant player

Four retailers account for 45% of the market

Boots the most trusted brand online

Visual search and AR use on the rise

Leading Online Retailers

Amazon the leading player

Market Share

Amazon the dominant market leader

Brand Research

What you need to know

Brand map

Key brand metrics

Brand attitudes: Innovative ASOS, trustworthy Boots

Brand personality: ASOS and eBay fun brands

BUY THIS REPORT NOW
Headline: Amazon responsive and reliable, John Lewis and Ocado perceived as more expensive

Figure 72: Brand personality – micro image, September 2018-June 2019

Brand analysis
Amazon near-universal brand awareness and highest lifetime usage
ao.com offers a reasonably good online service, but not particularly good value for money
Argos high brand awareness and accessible, but lacks cutting edge and style
John Lewis pricey, but worth paying more for
ASOS innovative and fun
Boots trustworthy, accessible and reliable
Ocado low usage and untrustworthy
eBay innovative, good online service, value for money and highly recommended
JD Williams functional and basic, rather than innovative or cutting edge
Boohoo/Boohoo Man low brand awareness and low lifetime usage
Littlewoods high brand awareness but least recommended
Very accessible and somewhat aspirational

Launch Activity and Innovation

eBay opens high-street concept store
Expanded online delivery options
Augmented reality technology to give shoppers more certainty when purchasing items online
Image-based shopping
Voice-activated beauty shopping
Amazon launches private label skincare brand
'Try before you buy' fashion service
New parcel postboxes scheme rolled out to make online retail easier
Geo-targeted delivery-on-demand

Advertising and Marketing Activity

Online retail advertising spend up 20.9% year-on-year in 2018

Amazon's first real brand advertising campaign for Prime Video
eBay highlights hot deals and trending items
Moonpig's #MerrierTogether Christmas campaign
JD Williams first advertising since recruiting TBWA\Manchester
Shop Direct Very's location-based digital out of home campaign

Digital share grows, TV falls

Nielsen Ad Intel coverage

AliExpress
What we think
As a retailer
Where next?
Company background
Company performance
  Figure 67: Alibaba: sales by division, 2017-18
  Figure 77: Alibaba: group financial performance, 2015/16-2018/19
Gross merchandise volume (GMV, or total sales at retail prices)
  Figure 78: Alibaba: GMV of China marketplaces, 2015/16-2017/18
AliExpress
Retail offering

Amazon
What we think
Amazon: A Shopper’s Perspective – UK, January 2019
Amazon in Europe
  How has it done it?
  Marketplace development
Amazon Prime
Dynamism
Stores and online
  Food retailing
Where next?
Company background
Company performance
  Figure 79: Amazon: consolidated sales by activity, 2018
Mintel estimates
GTV vs consolidated sales
Recent performance
  Figure 80: Amazon Group: group financial performance, 2014-18
  Figure 81: Amazon International: estimated retail sales performance, 2015-18
Retail offering
Consumer profile
Product mix
  Figure 82: Amazon UK: estimated sales by product, 2017
Marketing

AO World
What we think
AR presents products in the home
Rentals service aimed at cash-strapped consumers
Mulling subscription fee initiative
Scaling up existing proposition with complementary services
New dedicated business website
Leveraging logistics expertise to offer third-party deliveries
Last-mile solution to support planned product expansion
Collaborating with digital start-ups to make online shopping faster and easier

Company background

Company performance

Figure 83: AO World Plc: group financial performance, 2014/15-2018/19

Retail offering

Argos

What we think

Using voice recognition technology as part of the online ordering process
‘See before you buy’ augmented reality tool
Beefed up fulfilment capabilities
Accelerated technology-led ‘digital store’ concept

Company background

Company performance

Figure 84: Argos: group financial performance, 2014/15-2018/19
Figure 85: Argos: outlet data, 2014/15-2018/19

Retail offering

ASOS

What we think

Getting tough on ‘serial returners’
Bolstering CSR credentials with charity shop initiative
Making shopping online for clothing easier
Tailored experience for specific markets
Becomes the latest fashion retailer to introduce its own homewares collection

Company background

Company performance

Figure 86: ASOS: group financial performance, 2013/14-2017/18

Retail offering

Boohoo Group

What we think

Acquisitions transform Boohoo into a multi-brand online fashion destination
Refreshed website design to aid customers through the decision-making process
Fulfilment refinements to enhance convenience
Celebrity collaborations and influencer network
Tackling fast fashion waste

Company background

Company performance
Figure 87: Boohoo Group plc: group financial performance, 2014/15-2018/19

Retail offering

eBay

What we think

Marketplace

What eBay adds

Is eBay mature?

Where next?

Company background

Company performance
Figure 88: eBay: group financial performance, 2014-18
Figure 89: eBay: Group revenue by stream, 2018
Figure 90: eBay: group Gross Merchandise Volume, 2014-18

Retail offering

Missguided

What we think

Enhanced payment option with new ‘buy now, pay later’ service

Online to offline with mixed success

Meeting the demand for ‘see now, buy now’

Reimagining the fashion mcommerce experience with Tinder-inspired app

Influencer marketing and celebrity tie-ups amplify the brand’s reach and engagement

Needs to do more to promote sustainable fashion

Targeting the Middle East’s youthful demographic

Company background

Company performance
Figure 91: Missguided: group financial performance, 2013/14-2017/18

Retail offering

N Brown Group

What we think

Management

Where next?

Company background

Company performance
Figure 92: N Brown Group Plc: group financial performance, 2013/14-2018/19

Retail offering
Online Retailing - UK - July 2019

Next Group

What we think
- Repurposing loss-making stores into collection shops
- Speedy click-and-collect order fulfilment
- Positioning itself as a one-stop shop for online fashion and homewares
- Website developments aimed at enhancing online user experience

Company background

Company performance
- Figure 94: Next Group: group financial performance, 2014/15-2018/19
- Figure 95: Next Group: outlet data, 2014/15-2018/19
- Figure 96: Next Group: average active customers, 2017/18 and 2018/19

Retail offering

Ocado Group

What we think
- February 2019 – bad news, good news

Where next?

Company background

Company performance
- Figure 97: Ocado Group plc: Group financial performance, 2012/13-2017/18

Retail offering

Otto Group (Multichannel Retail)

What we think
- Time-saving and convenient automated shopping experiences
- Faster delivery with new instant payment system
- Experimental store concept combining the advantages of bricks-and-mortar retailing with those of online shopping
- Raising awareness of sustainability and eco-friendly credentials

Company background

Company performance
- Figure 98: Otto Group (Multichannel Retail): group sales performance, 2014/15-2018/19
- Figure 99: Otto Group: major brands within the Multichannel Retail segment, 2018/19

Retail offering

Shop Direct Group

What we think
- Cost cutting
- Mail order into online

Where next?

Company background
Online Retailing - UK - July 2019

Company performance
Figure 100: Shop Direct Group: group financial performance, 2013/14-2018/19

Retail offering
Figure 101: Shop Direct: group product mix, 2017/18

YNAP group
What we think
YNAP gives a much-needed boost to Richemont’s online presence
Increased co-operation with other brands in the Richemont family
Alibaba deal provides China boost
Customer service enhancements focus on personalisation
Where now?
Company background
Company performance
Figure 102: YNAP group: group financial performance, 2013/14-2018/19

Retail offering

Zalando
What we think
Direct delivery of goods through partnered stores
Expansion of loyalty scheme to strengthen relationship with customers
Virtual stylist to aid customers through the decision making process
Charging delivery fees to offset falling average order size and higher fulfilment costs
Combatting ‘wardrobing’
Eyeing growth through beauty
In-home delivery service
Tackling the problem of packaging waste
Company background
Company performance
Figure 103: Zalando: group financial performance, 2014-18
Figure 104: Zalando: key metrics, 2015-Q1 2018

Retail offering

Appendix – Data Sources, Abbreviations and Supporting Information
Data sources
VAT
Financial definitions
Abbreviations
Consumer research methodology

Appendix – Market Size and Forecast
Forecast methodology