

Digital Will Continue to Disrupt Physical Retail in the UK

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eMarketer Editors

UK consumers continue to spend. However, as the realities of Brexit **finally hit in 2020**, the purse strings will tighten. And with ecommerce becoming an ever-greater portion of total UK retail sales, the effect on the high street will be marked. A hard delineation between the online and offline worlds isn't necessarily helpful, though, as those lines between "clicks and bricks" continue to blur.

We estimate UK retail sales last year rose 3.7% to £481.52 billion (\$614.59 billion)—small but impressive, given the political and economic tumult that hung around like a bad smell in recent years. In 2020, nonecommerce sales will decline slightly by 0.9%—while ecommerce rises by 8.9%.

Total Retail Sales in the UK, by Segment, 2019-2023					
<i>billions of £, % change and % of total retail sales</i>					
	2019	2020	2021	2022	2023
Retail ecommerce sales*	£104.92	£114.26	£122.72	£130.69	£137.23
—% change	9.3%	8.9%	7.4%	6.5%	5.0%
—% of total retail sales	21.8%	23.4%	24.9%	26.2%	27.3%
Nonecommerce retail sales	£376.60	£373.04	£370.43	£367.88	£366.33
—% change	2.2%	-0.9%	-0.7%	-0.7%	-0.4%
—% of retail sales	78.2%	76.6%	75.1%	73.8%	72.7%
Total retail sales	£481.52	£487.30	£493.15	£498.58	£503.56
—% change	3.7%	1.2%	1.2%	1.1%	1.0%
<i>Note: excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales; *includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment</i> <i>Source: eMarketer, Dec 2019</i>					
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According to the British Retail Consortium (BRC), which published its full-year retail sales figures earlier this month, 2019 represented the worst year on record. Total sales in 2019 declined by 0.1% vs. 1.2% growth in 2018. However, the BRC data omits some important online retailers, including Amazon.

"This puts into focus the issues that the retail sector will face in 2020," said Bill Fisher, eMarketer senior analyst and author of our latest report ["UK Key Digital Trends 2020: Privacy, Brexit and Video Take Center Stage."](#)

"Outside some of the digital behemoths, profits are likely to be squeezed like never before, and it's the traditional physical retailers that will come under the most pressure," he said.

Already this year, prominent retail chains HMV and Debenhams confirmed that they were closing three and 19 of their stores, respectively. Rental and business rates were cited as extenuating factors in both, but it's hard to imagine there hasn't been added pressure from digital alternatives—particularly regarding HMV's business, which is largely physical music and film sales.

Despite this, most UK retail sales occur in physical stores—around three-quarters, based on our 2020 estimates.

Even those best-in-class physical-first retailers will need to adapt to the digital environment, though. Department store John Lewis & Partners is often held up as a brick-and-mortar store that has fully embraced

digital, offering multiple delivery and return options, as well as trialing things like in-store virtual reality. In 2019, it topped Forrester's UK Customer Experience Index rankings.

"In the past three years, we have delivered significant innovation and driven efficiency, maintaining market-leading service standards and growing customer numbers," said Sir Charlie Mayfield, outgoing chairman of the John Lewis Partnership. "However, the lesson of the past two years is that we need more innovation, faster decision-making and bolder steps to align our operating model with our strategy."

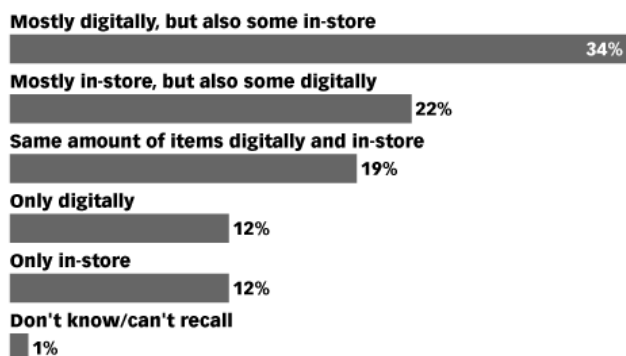
Traditional retailers continue to adapt to today's digital consumer landscape, but digital-first retailers are not blind to the importance of brick-and-mortar.

Last year, Amazon made several forays onto the high street with pop-up stores. The partnership between catalog retailer Argos and eBay—whereby eBay purchases can be collected from Argos stores—continues to go from strength to strength. And many direct-to-consumer (D2C) brands are trying to find a place on physical retailers' shelves, such as shaving brand Harry's striking a deal with pharmacy and beauty retailer Boots.

In terms of consumer shopping behavior, the reality could be described best as a blended approach to shopping that is physical and digital. Even in the UK, where digital retail is particularly well advanced, people still like to visit physical stores, often as part of the digital and physical purchase journey. December 2019 data from YouGov indicated that 75% of Christmas shoppers in Great Britain bought items both digitally and in-store during the 2019 holiday season.

Christmas Shopping Purchased Digitally vs. In-Store According to Christmas Buyers in Great Britain, Dec 2019

% of respondents



Note: ages 18+ who purchased Christmas presents in 2019

Source: YouGov as cited in company blog, Dec 20, 2019

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Report by Bill Fisher Jan 21, 2020

UK Key Digital Trends 2020

UK KEY DIGITAL TRENDS 2020

Privacy, Brexit and Video Take
Center Stage

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