

Online Spending Bucks Recession; Half of All Shopping Online by 2014

- **£26.5 billion spent online in the UK in first half of 2008**
- **Business models forced to change as online share of retail reaches 20%**
- **17p¹ in every pound spent online in first half of 2008**

18th July 2008: New figures from the **IMRG Capgemini e-Retail Sales Index** show that UK shoppers spent over £26.5 billion online in the first six months of 2008 despite the credit crunch – up 38% on the £19.2 billion recorded for the first half of 2007. Capgemini and IMRG report that for the first half of 2008, 17p¹ in every pound was spent online. This is roughly equivalent to half of all supermarket sales and larger than all retail sales for clothing and footwear².

The Index shows that online sales are proving resilient to tough trading conditions as frugal shoppers seek to make the most of their available income away from the high street. Technology consultancy Capgemini and global e-retail industry body IMRG predicts that online growth will remain strong for the rest of 2008. This will be driven by rising fuel costs and falling disposable income, a desire to achieve sustainability in the supply chain and smarter consumer shopping habits.

2008 Peaks and Troughs

The Index shows that online spending has followed similar seasonal trends to previous years, with growth in online sales falling sharply in January (-16.5%), picking up in the Spring and declining towards the Summer. This year, the dip in growth for June (-5%) is significantly more pronounced than 2007. This slowdown is reflected in year-on-year growth which has declined for June for the first time since 2005 – indicating that whilst still growing rapidly in comparison to the high street, online spending is not immune to the credit crunch.

Mike Petevinos, Head of Consulting for Retail for Capgemini UK, said:

“Whilst online retail is not immune to the credit crunch, it is showing greater resilience than the high street. The online channel continues to grow its share of retail spend thanks to the traditional drivers of convenience and choice but these drivers appear to be magnified by the current economic environment. Convenience has a sharper edge in a world of soaring fuel prices and the ability to research and make more informed choices in a time of heightened price sensitivity is a key advantage of the online channel.

We predict between 30 and 50% of all retail will be online in the next five years as new drivers, such as sustainability, are added to the mix. This is because as online reaches a 20% of all retail sales, retailers experience a tipping point which forces them to seriously re-think the future viability of their business model. We have seen this happen for books, music/DVDs and electricals and as the industry as a whole reaches this tipping point in 2008, more categories are sure to follow.”

Drivers of online demand

Over the past six months, IMRG and Capgemini have seen a pronounced increase in sales at the top end and bottom end of the online retail market, indicating that consumers are shopping smarter – buying everyday items at discount retailers whilst adding a touch of luxury with select items from high-end retail outlets. This is further backed up by recent research which found that UK internet visits since June 2007 to mid-market online retailers have fallen by 6%, while visits to lower-end retailers, such as Primark, have increased by 12% and visits to high-end retailers, including Harrods, increased by 14% over the last 12 months³.

James Roper, Chief Executive and Founder of IMRG, said:

¹ Calculated from BRC Figures and IMRG Capgemini e-Retail Sales Index

² <http://www.statistics.gov.uk/pdfdir/rsbrief0608.pdf>

³ Hitwise; June 2008: http://www.e-inbusiness.co.uk/news/news_footfall.htm

“Online shopping growth continues to out-perform the high street, as tight budgets and poor weather keep people at home where they can shop online for bargains. Clothing and footwear sales were the biggest losers in physical stores in June, with sales either flat or lower than last year despite heavy and widespread discounting. Online however they were big winners; internet clothing sales were up 32%, while lingerie sales rose by 37% and footwear 38%.

Online retail is benefiting from a general desire to shift to more sustainable shopping patterns. According to research from the IMRG, 56% of people believe shopping online is more environmentally friendly in comparison to the high street. In turn, Capgemini’s recent ‘Future Supply Chain’ report reveals that many retailers are examining the possibility of sharing deliveries and merging supply chains to combat rising fuel costs and “green” their business models.

Sector Winners and Losers

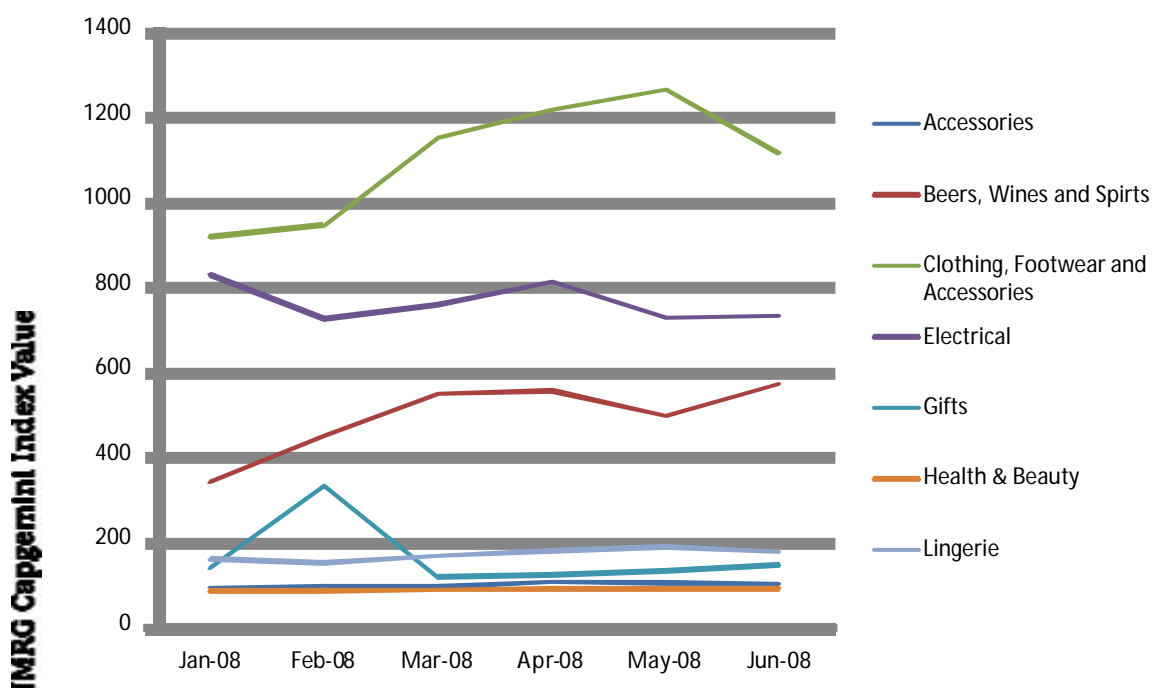
Sales for clothing online have enjoyed high levels of growth for 2008 – with £1.76 billion spent on clothes online by UK shoppers in the first half 2008. Of particular note, shoppers spent a record amount on clothes in March this year – a month-on-month growth of 21.8% and 31.2% more than March 2007.

James Roper commented:

“Smart high street retailers across all categories are now using the internet to cope with the challenging and changing market conditions. A growing number of them are using their stores to enhance their online customers’ experience, for example by enabling in-store pickup and returns, which often generate supplementary sales, as well as much-needed footfall.”

The online Beer Wine and Spirits (BWS) sector has also seen high sales for February and March, however, year-on-year growth for the sector has seen a slow down for 2008. This slowdown in growth is consistent across most sectors – most notably for the electrical sector and health and beauty sectors. For instance, online electrical sales for the first half of 2008 have seen only an average of 20% year-on-year growth, compared to an average of 63% for the first half of 2007.

SECTOR SPLITS FROM THE IMRG CAPGEMINI E-RETAIL SALES INDEX FOR H1 2008



ENDS

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Notes to Editors

About IMRG

IMRG (Interactive Media In Retail Group) is the industry body for global e-retail. Formed in 1990, IMRG is setting and maintaining pragmatic and robust e-Retail Standards to enable fast-track industry growth, and facilitates its community of members with practical help, information, tools, guidance and networking. Consumers can be confident when dealing with IMRG Members because all have committed to operate using methods that are Honest, Decent, Legal, Truthful and Fair, and have undertaken to not bring the industry into disrepute. The strength of IMRG is the collective and co-operative power of its members.

About Capgemini

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working - the Collaborative Business Experience - and through a global delivery model called Rightshore®, which aims to offer the right resources in the right location at competitive cost. Present in 36 countries, Capgemini reported 2007 global revenues of EUR 8.7 billion and employs over 83,000 people worldwide.

More information is available at www.uk.capgemini.com.

About the 'IMRG Capgemini e-Retail Sales Index'

The IMRG Capgemini Index tracks 'online sales', which we define as 'transactions completed fully, including payment, via interactive channels' from any location, including in-store. These sales are predominantly internet-based today, but the Index remains ready to record e-retail sales conducted via whatever interactive channels the market may embrace in the future.

Around sixty e-retailers regularly contribute data to the IMRG Capgemini Index, including 247 Electrical, Airport Parking & Hotels Ltd, Ancestral Collections, Arcadia Group, ASOS.com, BeCheeky.com, Berry Bros. & Rudd, Boden.co.uk, Boots Direct, Buyagift.com, Carphone Warehouse, Charles Tyrwhitt, Cloggs, Comet, Co-operative Travel, Crocus.co.uk, dabs.com, Damart, Daxon, Debenhams, e flowersUK.co.uk, EmpireDirect, Fingleaves.com, Firebox, Furniture123, Game.net, GreatValueJewellery.com, Greenfingers.com, Interflora, J D Williams, Jason Shankey, John Lewis Partnership, La Redoute, lastminute.com, Lighting-Direct, Lookfantastic.com, Made in Sheffield, Marks & Spencer, New Look, Next, Otto UK (Freemans, Grattan, Kaleidoscope), PetPlanet.co.uk, Pixmania, Prezybox.com, QED-UK, QVC, R C Roland, Redcats UK, Shoe-Shop.com, Shop Direct Home Shopping, Schuh, Skinstore.com, Tesco.com Wine, Tesco Electrical, The Fragrance Shop, The Jewellery Channel, The Sunday Times Wine Club, TUI UK, United Co-op, Vertbaudet, Waitrose and Wilkinson Hardware.

Quotes from retailers:

Alison Wade, Head of Marketing at Buyagift.com, said:

"Buyagift had a fantastic month for sales, with turnover through all channels up 52% on last year. June is a key time of the year for us, as Father's Day is our second busiest time of the year for selling gifts (after Christmas) and for us to be showing this growth on an already busy month is superb."

Christian Robinson, Managing Director of Firebox.com, said:

"June marked Firebox.com's 10th birthday, and we had plenty of reasons to celebrate. As well as setting new records for web traffic and retail sales for the month - retail sales for the month grew 20% year on year - we also launched a series of new online initiatives like the Firebox Lunchtime Challenge: a series of Banzai / Jackass challenges turned into 3 minute comedy clips and distributed via our blog, social media and movie sharing sites like YouTube and Vimeo."



Gary Berg, Managing Director of Lighting Direct, comments:

"Lighting Direct have again achieved higher than expected June sales. Eretail sales have increased by 32% in comparison to June of last year and so far we are bucking the 'credit crunch' trend. We are continuing to be more aggressive in our marketing with promotions and keeping in contact with our customers on a regular basis."