

A multichannel growth disparity

An IMRG / Capgemini report

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A report identifying the possible factors influencing a sales revenue growth disparity between multichannel and online-only retailers.

August 2016 – executive summary

Introduction



We might debate the relative pros and cons that multichannel and online-only propositions offer until the wee hours of the morning.

For the former we might laud the benefits of having a visible high street presence, face-to-face contact and a store network enabling the roll-out of customer-focused services such as click & collect, return-to-store, beacons and geo-location marketing. For the latter, we might point to the potential for greater agility, less overheads and less warehouse space required.

Obviously whether one is actually better than the other is in the eye of the beholder, but there is one measure in which there is currently a clear winner – sales revenue growth.

While the two retailer categories have often recorded differing rates of growth (which is to be expected), since April 2015 we have been recording a consistent disparity – with online-only retailers far ahead of the multichannel retailers.

So what's going on here, what are the drivers of this growth disparity?

This executive summary provides a brief overview to help you understand this important trend.

The full report is available for members [here](#).

Andy Mulcahy, editor, IMRG

Retailer category definitions

- **Multichannel** – retailers with a physical store and online-presence
- **Online-only** – merchants who predominantly trade online / through catalogues – this group includes retailers with a small number of physical stores (eg where online accounts for over 80% of their sales)

Foreword

The stats leave little room for debate with regards to the disparity between online and multichannel – “Online-only retailers up +24.8% (Jan to June), multichannel retailers up just +9.5%”.

Online retailers have benefitted from not having old legacy systems to deal with, not having a multi store operation to deal with and, with the size of the business in infancy, less layers of control and faster decision making. With their nature of the business online only retailers have focused heavily on digital customer experience and development of mobile and these areas have grown significantly providing those who have done it well with reams of benefits.

Multichannel retailers on the other hand have typically struggled with optimising their store business and growing their online business and most have set it up and run it as a separate channel run by a separate team. Multichannel retailers are now focussed on providing a seamless customer experience regardless of channel and with the benefits of the reams of data now available for customers in stores through use of mobile, beacons and IOT to come.

Whether physical, online only or multichannel, the retailers that will succeed will be those that best use data and insights together with providing a seamless relevant customer experience to their customers.

It will be fierce, it will be competitive and we will have further breakthroughs in technology – may the best retailer win!

*Bhavesh Unadkat,
Management consultant in retail customer engagement design
Capgemini*

What our data shows

Focusing on the multichannel and online-only categories in recent years, we can see a fairly notable shift in fortunes.

We started tracking the two categories in 2010, and for the first few years the multichannel retailers appeared to be at some advantage – recording levels of growth that far exceeded that of the online-only retailers.

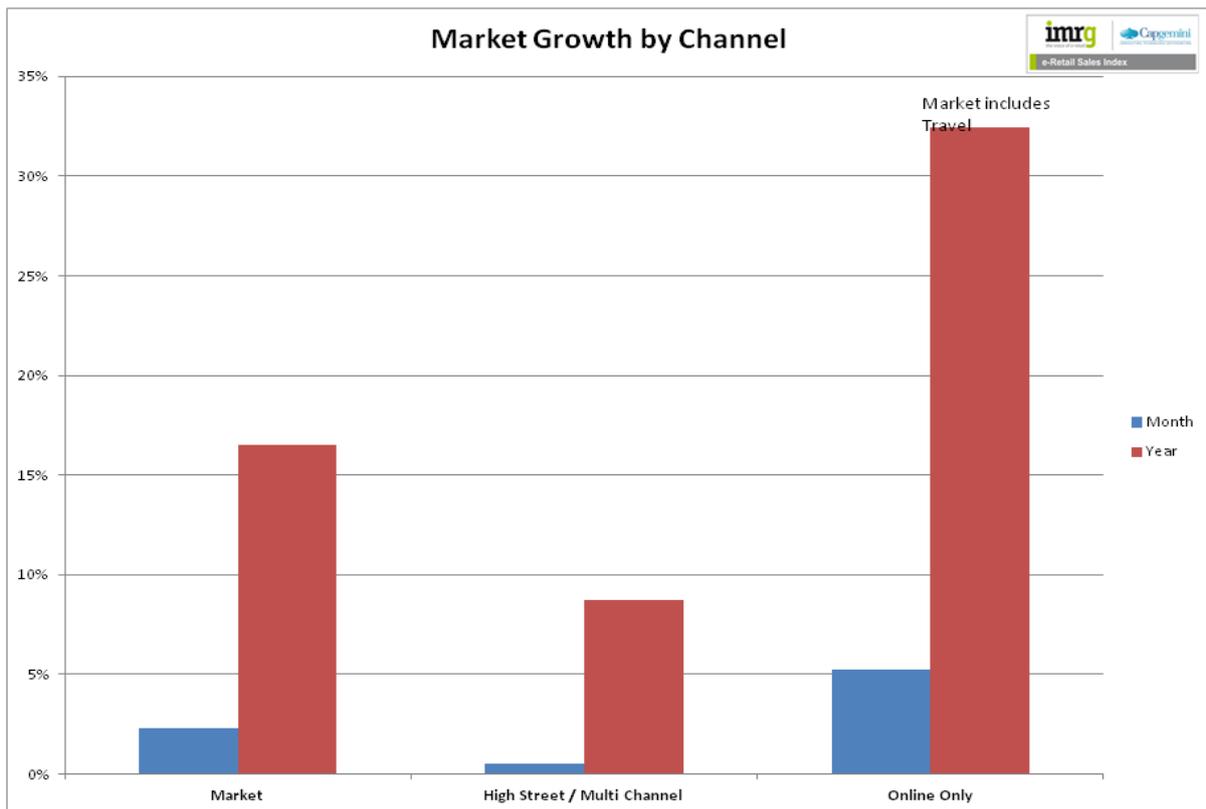
This was reversed in 2012 and, since last year, the online-only retailers have pushed ahead of the multichannel retailers and maintained that over a sustained period – while for the multichannel retailers, the reverse is the case.

During Q1 2015 the index experienced a downturn¹. Since then, growth for the online-only retailers has recovered steadily and, from July 2015 they have outperformed their multichannel counterparts in terms of year-on-year performance, with the difference in growth rates reaching a full 20 percentage points in November 2015 – almost five-times the rate of multichannel retailers and the biggest gap since we began reporting these figures in 2010. During June 2016 the divergence between these two groups increased again, resulting in a record 23 percentage-point difference in year-on-year growth rates. The online-only retailers also recorded the highest annual growth to date, with e-retail sales up 32.4% compared with June last year.

The average gap between these two groups in year-on-year growth over the past 12 months is 13 percentage points.

During H1 2016 (January to June), the online-only retailers have recorded growth at almost 3x the rate of the multichannel retailers. The latest available data (for June 2016 – chart over page) shows this continuing trend:

¹ IMRG, [What caused the online sales growth slowdown in Q1?](#), June 2015



Average basket values

We can also trace a disparity in average basket values (ABV) between the two groups.

Looking at 2015 as a whole there was little difference in the sales index ABV for both groups, which was slightly higher for the online-only retailers at £79, compared with £77 for the multichannel group.

However, we can see a shift beginning around September 2015 where the ABV for the online-only retailers moved ahead and maintains its dominant position. Year-to-date in 2016 (January to June), the ABV for the online-only retailers is £6 higher than the multichannel retailers.

A high street comparison

According to Barclaycard data, online spend growth has far outperformed that of in-store. The 12-month rolling average is 14.5% growth for online and just 0.1% for in-store (July 15 – June 16).

Potential influences of the growth disparity

There are three key potential influences – mobile, omnichannel and logistics (see full report for details on all).

Mobile

What our mobile data shows

If we look at the relative smartphone sales growth rates for the online-only and multichannel categories, a strong correlation becomes apparent between the performance of the overall market and that of the online-only retailers.

It is notable that this is not the case with the performance of the multichannel retailers – with a divergence emerging in July 2015, which is around the same time as the divergence in overall growth levels began between the two categories.

This is an interesting turnaround, as when we first split the mobile performance for the multichannel and online-only categories in 2014, it was the multichannel retailers who were recording the stronger growth.

While both groups experience a peak around Xmas, it is far more pronounced for the online-only retailers. The general trend has been for a higher penetration for smartphones over this period but for the online-only retailers it has increased at a faster rate and remained at a high rate following the Xmas peak in 2015 – in April in previous years it fell away sharply, but it was still at peak levels in 2016.

In March 2016 the smartphone penetration rate was higher than that of tablets for the first time for the online-only retailers – with smartphone sales accounting for 53% of m-retail sales. Demandware also found that, on a global basis, Q1 was the first full quarter where smartphones were the leading traffic generator among all devices.

Smartphone dwell times

Further data from Demandware shows that the average time spent per smartphone visit to retail sites globally fell by 9% in Q1 2016, although UK shoppers have the longest dwell time overall. Does this suggest decreasing attention, or that mobile sites are better optimised to enable shoppers to get what they want quicker and more conveniently?

M-retail sales as a whole also account for a higher proportion of total sales for the online-only retailers compared with multichannel.

There is a further trend that can be identified in tablet growth – with sales growth rates through these devices falling below that of the overall market for the first time in February 2016 and

only recording single-digit growth in each month since then. In June 2016, tablets recorded negative growth for the first time.

It is interesting to note that, as illustrated in the previous section, the multichannel retailers were recording much stronger growth than that of the online-only retailers until 2012 when that trend was reversed – in that year sales via mobile devices (mostly tablets at that time) really started to take-off, reaching 12%; up from 4% the previous year.

The share of m-retail sales completed on smartphones reached a record high in June.

Apps

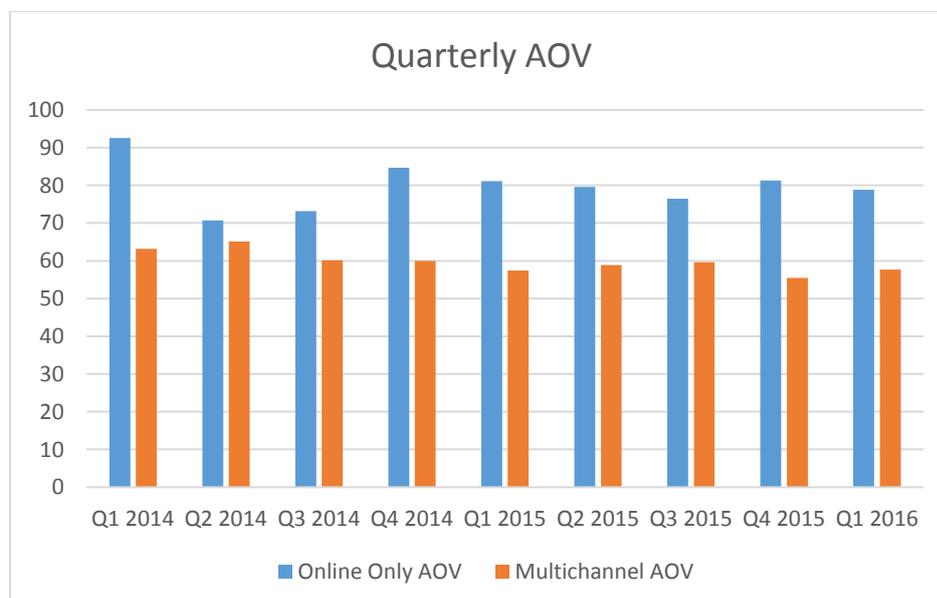
There is also some evidence suggesting that online-only retailers are reaping stronger benefit from app usage than the multichannel retailers.

User data from Netmera found that, for online-only retailers, mobile (web and app on both smartphone and tablet) accounts for between 45-61% of revenue. The app portion of this total revenue is also high, between 30-40%. Comparing this with the multichannel retailers, the data shows that mobile accounts for between 20-40% of revenue, with just 6-24% of total online revenue coming through apps.

According to comScore, the amount of time spent on apps dominates the total share of overall minutes spent on smartphones in the UK, but the retail category demonstrates some variety on a brand-by-brand basis – revealing that some of those with physical stores see a lower share of overall time spent on mobile on their apps.

The affiliate view

An interesting extension to the above trends can also be seen in the clothing sector. Data from Affiliate Window does not show the same discrepancy for affiliates that we are tracking at the overall level, but the ABV for clothing for online-only retailers has consistently been around £20-25 higher than for the multichannel retailers.



About IMRG



For over 20 years, IMRG (Interactive Media in Retail Group) has been the voice of e-retail in the UK. We are a membership community comprising businesses of all sizes – multichannel and pureplay, SME and multinational, and solution providers to industry.

We support our members through a range of activities – including market tracking and insight, benchmarking and best practice sharing. Our indexes provide in-depth intelligence on online sales, mobile sales, delivery trends and over 40 additional KPIs.

Our goal is to ensure our members have the information and resources they need to succeed in rapidly-evolving markets – both domestically and internationally.

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