



Retail Planner

Briefing Note 16

December 2018



Appendix 3: non-store retail sales (special forms of trading)

The strong increase in online shopping in the past decade has lifted the share of special forms of trading (SFT) to a level where it now accounts for close to 20% of total retail sales.

The Office for National Statistics (ONS) collects data for SFT, comprising sales via the internet, mail order, stalls and markets, door-to-door and telephone sales. On-line sales by supermarkets, department stores and catalogue companies are all included. The ONS figure of internet sales plus their estimate of mail order and market/stalls sales is therefore a comprehensive estimate of SFT in retailing.

The rising share of internet sales in total retail transactions dominates the picture of SFT. Based on data for the first ten months of the year, internet sales' share of total retail is expected to come in at roughly 17% in 2017, against a little below 5% in 2008. The value of internet sales in 2018 is estimated at £68.1bn at current prices. In addition to internet transactions, SFT includes mail order sales, stalls, markets and other non-store sales. Based on ONS data we estimate the value in 2018 of non-internet SFT at £9.4bn giving a total broad definition (internet plus non-internet) of non-store retail of £77.5bn in current prices, £79.2bn in 2015 prices.

In our forecasts, non-store retailing continues to grow rapidly, outpacing traditional forms of spending. We retain our assumption that non-store retailing will increase at a faster pace than total retail sales well into the long term. According to Internet World Stats, as of December 31, 2017, there were an estimated 63.1 million internet users in the UK (representing 94.7% of the population). Growth of the internet user base will thus be less of a driver than in the past decade. But growth momentum will be sustained as new technology such as browsing and purchasing through mobile phones and the development of interactive TV shopping boost internet retailing. We expect the SFT market share to continue to increase over the forecast period, although the pace of e-commerce growth will moderate markedly after about 2022. Our forecast has the SFT share of total retail sales reaching almost 23% by 2022, rising to around 27% by the mid-2030s.

The following table shows Experian's estimate of growth since 2006 in all retailing compared with non-store retailing. No official breakdown is available between convenience and comparison goods – the market shares are our own estimates. Forecasts to 2037 reflect our assumptions of traditional retail spending growth and the future expansion of SFT.

Figure 5 - Estimated and projected market share of non-store retail sales

Volumes at 2015 prices	All retailing* £bn	Non-store £bn	Growth in retailing %	Growth in non-store %	Non-store retailing market share (%)			Adjusted for SFT sales from stores**		
					Total	Comparison	Convenience	Total retail	Comparison	Convenience
2006	312.0	17.1	5.1	14.2	5.5	8.1	2.2	3.6	6.1	0.7
2007	323.8	18.7	3.8	9.4	5.8	8.3	2.4	3.8	6.2	0.7
2008	333.2	21.9	2.9	17.1	6.6	9.2	2.9	4.3	6.9	0.9
2009	328.8	25.8	-1.3	17.8	7.8	10.9	3.7	5.1	8.2	1.1
2010	335.8	29.2	2.1	13.1	8.7	12.0	4.2	5.7	9.0	1.3
2011	334.5	33.4	-0.4	14.4	10.0	13.5	5.2	6.5	10.1	1.6
2012	339.8	36.4	1.6	9.1	10.7	14.3	5.7	7.0	10.8	1.7
2013	348.0	41.7	2.4	14.4	12.0	15.5	6.8	7.7	11.7	2.0
2014	359.4	45.6	3.3	9.3	12.7	16.0	7.7	8.1	12.0	2.3
2015	373.6	49.6	4.0	8.8	13.3	16.4	8.2	8.5	12.3	2.5
2016	389.5	57.7	4.3	16.4	14.8	18.1	9.4	9.5	13.6	2.8
2017	407.2	70.0	4.5	21.3	17.2	20.7	11.2	11.0	15.5	3.4
forecast										
2018	418.5	79.2	2.8	13.1	18.9	22.6	12.4	12.1	17.0	3.7
2019	428.6	86.1	2.4	8.8	20.1	23.8	13.4	12.9	17.9	4.0
2020	439.0	92.5	2.4	7.5	21.1	24.8	14.2	13.5	18.6	4.3
2021	450.4	98.5	2.6	6.4	21.9	25.6	14.8	14.1	19.2	4.4
2022	462.4	104.3	2.7	5.9	22.6	26.3	15.3	14.6	19.7	4.6
2023	475.3	110.1	2.8	5.6	23.2	26.8	15.8	15.0	20.1	4.8
2024	488.2	115.6	2.7	5.0	23.7	27.2	16.3	15.4	20.4	4.9
2025	501.2	120.9	2.7	4.6	24.1	27.6	16.7	15.7	20.7	5.0
2026	514.7	126.3	2.7	4.5	24.5	27.9	17.2	16.0	20.9	5.2
2027	528.4	131.4	2.7	4.1	24.9	28.1	17.5	16.2	21.1	5.2
2028	542.4	136.5	2.6	3.9	25.2	28.3	17.8	16.5	21.3	5.3
2029	556.9	141.5	2.7	3.7	25.4	28.5	18.0	16.7	21.4	5.4
2030	571.9	146.5	2.7	3.5	25.6	28.6	18.3	16.8	21.4	5.5
2031	587.2	151.5	2.7	3.4	25.8	28.6	18.5	17.0	21.5	5.6
2032	603.2	156.6	2.7	3.4	26.0	28.7	18.7	17.1	21.5	5.6
2033	619.6	161.8	2.7	3.3	26.1	28.8	18.9	17.3	21.6	5.7
2034	636.4	167.2	2.7	3.3	26.3	28.8	19.1	17.4	21.6	5.7
2035	654.0	172.7	2.8	3.3	26.4	28.9	19.3	17.6	21.7	5.8
2036	672.0	178.5	2.8	3.3	26.6	28.9	19.5	17.7	21.7	5.8
2037	690.5	184.4	2.8	3.3	26.7	29.0	19.7	17.9	21.8	5.9

*Ex automotive fuel

** Using the proportions shown on page 18

Special Forms of Trading and the demand for retail floorspace (see also pages 7 & 8 of this report)

Expectations of how demand for retail floorspace will be affected by the rapid expansion of SFT remains a key issue. While it is undeniable that the challenge to traditional store-based shopping will continue to grow strongly, a number of crucial factors temper the threat. The commentary on page 9 aimed at providing a realistic assessment of how this will affect demand for retail floorspace in the longer term, takes these factors into account.

- Many stores sell online but source sales from regular stores rather than warehouses, implying an increase in required store floorspace to cater for rising internet sales.
- Even if non-store retailing outpaces store-based shopping as assumed over the next 20 years, store-based shopping is still expected to continue to expand at an annual average of 1.8% per annum in per capita terms to 2037 (see figures 1a and 2 of the main report the relevant portions of which appear over page). This means actual growth (including population growth) is at an annual average of 2.2%. The table on page 9 examines the implications for floorspace requirements at the national level.

- It is probable that sales via the internet will begin to grow less rapidly at some point in the next few years.
- This leaves click-and-collect as the key driver of current and future internet growth. But since this requires a bricks-and-mortar presence in easily accessible locations, this is largely space demand neutral.
- Home delivery with the goods delivered sourced from warehouses is not space demand neutral in the way that click-and-collect is. It presents a major potential threat to future demand for retail floorspace in the high street. Demand for retail floorspace would ease if in future supermarkets moved increasingly to a centralised system to reduce pressure on stores. But it still appears that most retailers opt to distribute from stores rather than a centralised warehouse. While warehouse space has increased, this has come mainly from on-line sellers and, in the case of supermarkets, Aldi and Lidl, rather than a concerted move on the part of retailers in general.
- A significant development is multi-channelling, where internet shopping actually drives demand for traditional outlets. An increasing number of retailers are using bricks-and-mortar stores as a showroom for products, a service location and collection/drop-off points for online orders. In-store product and services offer forms part of a co-ordinated multi-channel strategy and will continue to support demand for retail space.

Which growth rates should be used to calculate demand for retail floorspace?

Given the factors noted above, it is not appropriate to use total retail spending to calculate future demand for retail space; nor is it satisfactory to use retail spending excluding SFT. We therefore calculate growth rates for total and for convenience and comparison goods that take into account the proportion of trading using traditional floorspace. These results are summarised in the following table:

Volume growth per head (%)	2017	2018	2019	2020	2021-25	2026-37	2018-37
Retail spend (aggregate)	3.9	2.1	1.8	1.8	2.2	2.3	2.3
Retail spend ex SFT	0.9	0.0	0.3	0.6	1.4	2.0	1.6
All retail*	2.0	0.9	0.9	1.0	1.7	2.1	1.8
Comparison*	3.0	1.1	1.5	1.8	2.8	3.1	2.8
Convenience*	0.6	0.7	0.1	-0.1	0.0	0.0	0.1

* Adjusted for SFT sales via traditional floorspace using the assumptions shown below

The detailed indicative growth rates for sales of comparison and convenience goods, to reflect the proportion of trading using traditional retail space, are shown on the next page. For comparison goods, we exclude from the calculation 25% of SFT sales to provide our best estimate of growth of required floorspace (column 4); and for convenience goods 70% of sales are excluded (column 7) to reflect the proportion of convenience sales that is affected through stores. The proportion excluded in this calculation would be even higher were it not for the fact that SFT includes other sales channels such as mail order and market stalls that do not service sales from traditional stores.

Figure 6: Growth in sales volumes (retail spend) per head 2010-37 (% per annum) adjusted for SFT

	Comparison growth rates			Convenience growth rates		
	Total	Exc all SFT	Ex SFT adjusted for sales via stores	Total	Exc all SFT	Ex. SFT adjusted for sales via stores
2010	2.1	0.8	1.2	-0.3	-0.8	-0.5
2011	-0.2	-1.9	-1.4	-3.1	-4.1	-3.4
2012	1.8	0.8	1.0	-0.6	-1.1	-0.8
2013	3.6	2.1	2.5	-0.9	-2.1	-1.3
2014	4.3	3.8	3.9	-0.1	-1.0	-0.4
2015	4.9	4.4	4.5	0.6	-0.1	0.4
2016	4.8	2.6	3.2	1.3	0.0	0.9
2017	5.4	2.0	3.0	1.2	-0.8	0.6
2018	2.8	0.3	1.0	1.1	-0.4	0.7
2019	2.6	1.0	1.5	0.4	-0.7	0.1
2020	2.8	1.4	1.8	0.1	-0.8	-0.1
2021	3.2	2.1	2.4	0.3	-0.4	0.1
2022	3.2	2.3	2.6	0.0	-0.7	-0.2
2023	3.5	2.7	2.9	0.2	-0.4	0.0
2024	3.3	2.8	3.0	0.1	-0.5	0.0
2025	3.2	2.7	2.9	0.1	-0.4	0.0
2026	3.3	2.8	3.0	0.1	-0.4	0.0
2027	3.2	2.9	3.0	0.1	-0.3	0.0
2028	3.1	2.9	2.9	0.2	-0.2	0.1
2029	3.2	2.9	3.0	0.1	-0.2	0.0
2030	3.2	3.0	3.1	0.1	-0.2	0.0
2031	3.3	3.2	3.2	0.2	-0.1	0.1
2032	3.2	3.1	3.1	0.1	-0.2	0.0
2033	3.3	3.2	3.2	0.2	0.0	0.1
2034	3.1	3.0	3.1	0.0	-0.3	-0.1
2035	3.3	3.2	3.2	0.2	0.0	0.1
2036	3.3	3.2	3.2	0.1	-0.1	0.1
2037	3.2	3.2	3.2	0.1	-0.1	0.1
Averages						
2018-24	3.1	1.8	2.2	0.3	-0.5	0.1
2025-37	3.2	3.0	3.1	0.1	-0.2	0.0
2018-37	3.2	2.6	2.8	0.2	-0.3	0.1