



Market Report

A Snapshot of your Market Sector

E-Commerce

Cost of Doing Business Support

For information on **reducing the cost of running your business**, the [Find Business Support](#) website has links to advice, funding and regional support.

This pack has been designed to provide information on setting up a business in the **E-Commerce** industry in Scotland, as well as helping to inform the market research section of your business plan. You can find more information on how to write a business plan from the Business Gateway website (www.bgateway.com/businessplan), including an interactive template and tips to get you started.

This market report was updated by Business Gateway in **October 2022**. If you find the information contained in this document useful, tell us about it! Send us feedback [here](#); we will use your comments to help improve our service.

What do I need to know about the E-Commerce market?

The following summary statistics have been taken from market research reports and reliable resources that the Information Service uses to compile industry information. They should give you an indication of how your industry is faring at present and whether there is demand for your type of business:

- ◆ The more significant declines and rebalancing in the market are coming through in 2022, with overall sales being in constant decline throughout the first half of 2022. We expect this to persist into the second half of 2022, and potentially accelerate as consumers more strongly cut back on non-discretionary purchases of which a significant proportion of online demand falls into. We estimate the result to be a **12% annual fall** in online sales in 2022, but the value of the market will remain significantly ahead of pre-pandemic levels. (Mintel, *Online Retailing - UK, 2022*).
- ◆ As a channel, online significantly benefitted from COVID-19 during lockdown, as a result of concern around contracting the virus, minimised consumer movement and non-essential store closures. The clear winners were the **food and drink, clothing and toiletries, fragrances and/or cosmetics** categories which saw consumers **increase buying behaviours** in 2020 and then maintain a higher than pre-pandemic level even in 2021. In 2020, some 81.5% of online sales were fulfilled through delivery, with collection accounting for 18.5% of the market. This is roughly the same as in 2019 and 2018 before that. (Mintel, *Online Retailing: Deliver, Collection and Returns - UK, November 2021*).
- ◆ The surge in online sales over 2020-21 and 2021-22 is expected to continue as many consumers maintain online purchasing habits acquired over lockdowns. The continued penetration of smartphones and growing internet usage, particularly among previously unsaturated markets such as older demographics, are expected to support revenue growth. Consumers' enduring preference for value and convenience is expected to sustain industry demand. Operators are anticipated to continue to invest in value-added services, with innovations in payment and delivery options and the creation of more personalised shopping experiences expected to become important competitive tools in an increasingly crowded market. (IBISWorld, *E-Commerce & Online Auctions in the UK, May 2022*).
- ◆ The national organisation for this industry is the [Scottish Retail Consortium](#). Other industry bodies are [IMRG](#) and the [British Independent Retailers Association](#).

Where can I find more information on my market?

The Information Service has access to a number of databases which can offer more detail on this industry. Some of these reports are listed below - if you would like to be sent extracts from any of these reports, please contact us on **0300 013 4753** or email info@bgateway.com.

- ◆ **Mintel – Online Retailing – 2022.** Online does overall have a positive price perception, helped by aggression on pricing from online-only leaders like Amazon, and with events like Black Friday, which is predominantly an online event, in the second half of the year the channel is likely to pick up some demand within this market. However, equally around 75% of sales within the channel are nonfood, and much of this is discretionary, and therefore the channel is exposed to the reduction in retail expenditure we are currently seeing, and that we will see accelerate in the second half of 2022 and into 2023.
- ◆ **Mintel – Mobile Device Apps, UK – 2022.** In the past couple of years, brands have been experimenting with live shopping, spurred on by the pandemic, which shut stores and incentivised brands to look at ways to make connections with consumers. The live shopping format could appeal to younger consumers especially. 47% of smartphone/tablet owners from Generation Z and 51% of Younger Millennials are interested in a live shopping event compared to 22% of Generation X. It could also be a way for brands to promote dynamic pricing.
- ◆ **Mintel - Online Retailing: Deliver, Collection and Returns - UK, November 2021.** It is easy to consider online retailing as being mostly a faceless channel, but it appears consumers still value good customer service with 46% of consumers saying it was a key factor. Customer service is also a relatively easy and affordable area for retailers to improve as it does not require the investments in technology or infrastructure that some key factors would require.
- ◆ **IBISWorld – E-commerce and Online Auctions in the UK – May 2022.** The number of enterprises is expected to grow at a compound annual rate of 7.7% over the five years through 2027-28. Consequently, price competition is anticipated to remain a key influence on customer demand, as economic uncertainty increases price sensitivity among consumers. Operators can use dynamic pricing strategies, which are flexible tools that allow for changing the price of products depending on demand and inventory levels. Dynamic pricing also enables firms to monitor competitors' pricing, helping them to make effective pricing decisions

There are also a number of online resources you may find helpful:

- ◆ **E-Commerce Europe** represents more than 75,000 companies selling goods and services to consumers in Europe, and has collated top-level statistics and a downloadable infographic on the e-commerce market in the United Kingdom (tinyurl.com/y6ymg4wx).
- ◆ **JP Morgan** has published a report **2020 E-commerce Payments Trends Report: UK** which looks at the UK E-Commerce market and finds that *'mobile commerce is set to grow at a compound annual growth rate of 13.6 percent, more than twice the rate of the overall e-commerce sector'* (tinyurl.com/y3etwha8).

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How can I find out about my competitors?

Business Gateway's online guide to [Competitor Analysis](#) explains how to find your competitors, how to research what they're doing and how to act on what you learn about them.

Immediate competition will be from other businesses in your local area. There are several online directories which can be used to find company information and generate lists easily and at no expense. Many Local Authorities also publish local business directories on the web. Below are some key web resources:

- ◆ General business directories such as [Yell](#) ,[Thomson Local](#) or [Google Maps](#)
- ◆ Trade specialists like [EuroPages](#) (European directory), [The Wholesaler](#) or [Free Index](#)
- ◆ Business to business (B2B) specialists such as [Kompass](#)

Likewise, your local Chamber of Commerce may publish a members' directory; find your local Chamber on the [Scottish Chambers](#) website.

Once you've identified who your competitors are, the next step is to gather information on the way they do business. Which services do they provide? How do they market themselves? How much do they charge?

To learn about your competitors:

- ◆ Look for articles or adverts in local newspapers, trade press and directories.
- ◆ Try to read their marketing material; if the company has an online presence, visit the company's website as a first port of call. Not only does it give you a better understanding of the company's activities, it can also offer a wealth of information such as a company history or staff biographies, as well as the company's partners or suppliers
- ◆ Search for information on limited UK companies via the [Companies House](#) website
- ◆ Gain an insight into your competitor's performance using credit checks and the accounts that limited companies are required to submit to Companies House each year.

We can provide credit checks free of charge; if you are interested in using this resource, or looking for us to help you find relevant publications, please contact us by emailing info@bgateway.com or by calling **0300 013 4753**



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What about suppliers?

[Choosing and Managing Suppliers](#) can help you decide what you need from a supplier, how to identify one and how to choose one to deal with.

Trade associations or industry specific organisations may also be able to recommend suppliers or contacts. You can also use the aforementioned resources for finding competitors to find suppliers.

Once you have decided on a supplier, we can run a credit check on the company to help assess their financial stability. We provide credit checks free of charge; if you are interested in using the resource please info@bgateway.com or by calling **0300 013 4753**.

Who are my customers?

Your business plan should include information about the customers you would expect. Business Gateway's guides on [Market and customer research](#) will help you to identify new trends, opportunities, customers and competitors.

It can be useful to group your customers by geographical location, age or lifestyle. The websites listed below are freely available and can provide most of this information. If you can't find what you're looking for from these websites, please contact us and one of the team will be happy to help:

- ◆ Access the latest population estimates from the [National Records of Scotland \(NRS\)](#). NRS also offers demographic factsheets for each council area in Scotland, which can provide summary statistics for the area you will be based in.
- ◆ Information from the most recent census in 2011 is released via the official website. See in particular the [Census Area Profiles](#). Clicking on your area of interest will give the latest population figures, including estimates by age.
- ◆ [Understanding Scottish Places](#) has interactive profiles of towns and cities across Scotland. It can be useful for understanding the interrelationships and flows between towns, and also gives comparisons between two or more places.
- ◆ [Scottish Government Statistics](#) provide accurate and up-to-date statistics on Scotland, covering population, health, education and housing.
- ◆ [The Scottish Household Survey](#) provides information on the structure, characteristics, attitudes and behaviour of Scottish households, both at a national and local level.
- ◆ [Office for National Statistics \(ONS\)](#) is the recognised national statistical body for the UK. ONS covers a wide range of demographic, economic and social issues at a UK level.

How can you help me with other aspects of starting my business?

The Business Gateway website has guides, videos, online tutorials and tips on all aspects of starting up a business in Scotland. Follow the links below to explore each resource:

Accountancy

Institute of Chartered Accountants of Scotland's (ICAS) "[Find a Chartered Accountant](#)" tool

Funding

[Practical information](#) on finance and funding for starting and growing your business

Insurance

[Business insurance guide](#)

Legal Help

Gov.uk "[Licence Finder](#)" tool

Law Society of Scotland's "[Find a Solicitor](#)" tool

Pricing

Business Companion [Pricing & payment guide](#).

Please note: the most effective way to research pricing is to conduct your own research – visit wholesalers or suppliers to obtain price lists, find quotes from similar companies and work out what other businesses in your area are charging

Promotion

[BG guides to Marketing](#)

Training

[Skills Development Scotland's My World of Work](#)

[Funding for training](#)

[Small Business Bonus Scheme \(Scotland\)](#)

Your local Business Gateway can offer events, workshops and 1:2:1 support on all aspects of starting and developing your business. Call the helpline on **0300 013 4753** to find out what is available in your area.

We hope you find this Market Report useful and we'd love to hear your feedback [here](#).

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You must not rely on the information in the report as an alternative to advice from an appropriately qualified professional. If you have any specific questions speak to your Business Gateway Advisor or consult an appropriately qualified professional.

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