



Future Development Trend of UK Retail Industry

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Abstract. Britain has now become the third largest e-commerce market in the world. It is of great significance to study the relationship between online e-commerce and offline retail industry and seek new business opportunities for retail industry. This paper first analyzes the development scale of online e-commerce market in the UK, and uses PEST macro environment to analyze its development advantages of cross-border e-commerce; Then it analyzes the gap between online e-commerce and traditional offline retail industry; Finally, it is pointed out that the combination of offline experience and online trading may be the future trend of the whole retail industry, and the digital process is the historical trend.

Keywords: UK e-commerce · Cross border e-commerce · Offline retail · Digitalization process

1 Introduction

The e-commerce industry has opened a new shopping experience for mankind. In China, e-commerce has risen rapidly in just a few years, with a record high transaction volume. The application of e-commerce in various fields has been continuously expanded and deepened, the relevant service industry has flourished, the supporting system has been continuously improved, and the driving force and ability of innovation have been continuously enhanced. It has shaken the status of the traditional retail industry and brought a great blow to the traditional retail industry, The traditional retail industry has also been looking for its own future. In some countries, the development of e-commerce is not so smooth, such as Britain. In fact, this is related to many reasons. Just looking at the domestic market, we may simply think that logistics express delivery has already become an indispensable part of life, but in the blink of an eye, many countries are not so suitable for the development of e-commerce, but not suitable does not mean not to develop. Some developed countries still have a certain market share in e-commerce.

1.1 Analysis of UK E-commerce Market

The European e-commerce market continued to grow in 2020, especially in the first quarter. Due to the outbreak of novel coronavirus in European countries, many countries

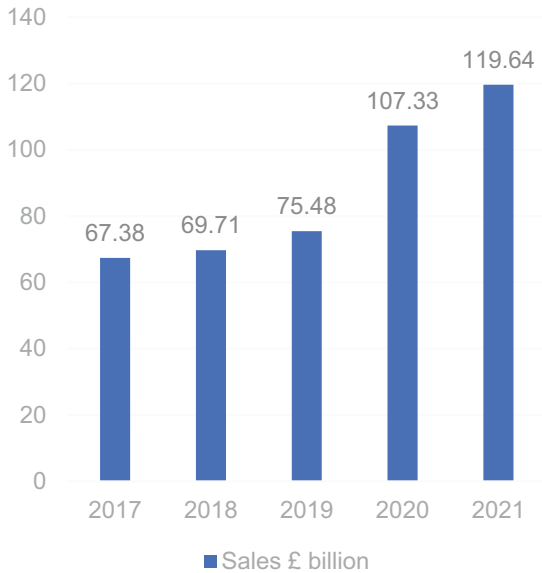


Fig. 1. UK online retail sales 2017–2021.

have taken blockade measures, indirectly stimulating people's urgent demand for e-commerce. According to the investigation report of the World Health Organization, Europeans began to participate in online shopping more frequently during the epidemic. This behavior has prompted many European countries to make significant progress in Digitalization: in 2020, the total amount of online consumption in Europe reached 269 billion euros, a total of 293 million Europeans conducted online shopping, of which more than 220 million people participated in cross-border shopping.

According to the global ranking list of e-commerce retail market share in 2021 released by emarketer website, China ranks first with 52.1%, followed by the United States (19%), the United Kingdom (4.8%), Japan (3%) and South Korea (2.5%). Among them, the UK is the third largest e-commerce market in the world. According to Fig. 1, online retail sales in the UK reached 119.64 billion pounds in 2021, second only to China and the United States.

Among them, in the e-commerce business, the development of cross-border e-commerce in the UK is relatively good [1]. The early entry of American e-commerce giant Amazon is an important driving force for the maturity of the UK cross-border e-commerce market. As early as the 1990s, Amazon began to sell in the UK. Now, several powerful domestic market participants have opened up the UK sector business and expanded their sales scope. Among them, there is Tiktok, the international version of which is named tiktok. According to the latest data from insider intelligence, tiktok has led snapchat in advertising revenue in the UK. This year, the advertising revenue of snapchat will reach \$385.1 million, while that of tiktok will exceed \$1 billion. Since the outbreak of covid-19, the use of tiktok by small enterprises in the UK has increased a lot. More and more enterprises have begun to use tiktok to promote their products

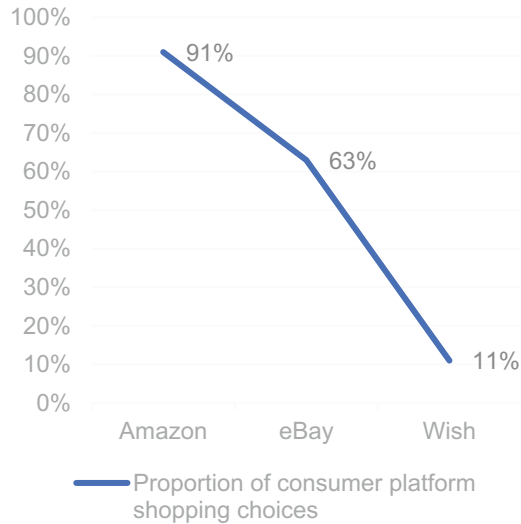


Fig. 2. ranking of UK cross border e-commerce platforms.

and services through live broadcasting or opening official stores in order to seek to increase sales. At present, tiktok has more than 13 million active users in the UK, and this number has been growing. The large number of resident user fans is an important factor that enterprises should first consider when marketing and promotion, which is also the reason why tiktok has gradually become an important promotion channel for enterprises. According to the relevant data of statista, social e-commerce, as a new form of business, appeared in the UK, with a sales volume of 475 billion US dollars in 2020. It is expected to create 3.37 trillion US dollars by 2028, with an annual growth rate of 28.4%, which shows that the social media e-commerce platform represented by tiktok is gaining momentum.

According to Fig. 2, Amazon is still absolutely dominant in cross-border transactions. According to survey data, 91% of online shoppers in the UK have used Amazon in the past year. In the second place is eBay, which has been used by 63% of British online shoppers. Wish ranks third, with 11% of online consumers in the UK saying they have done online shopping on this platform in the past year [2]. In terms of cross-border e-commerce, it shows that the UK market is in full swing.

The development of cross-border e-commerce in the UK is so hot. From the perspective of pest macro environment analysis: in terms of policy, due to the brexit of the UK, the European EFN (European logistics network) is no longer applicable to the UK, and the previous tariff rate has become history. Before brexit, the import declaration policy of the UK Customs was more relaxed than that of other countries. A lot of cross-border logistics enterprises will first choose to enter the UK, and then enter all EU countries through the UK. However, after brexit, Britain and the European Union have become two independent regions, and this significant advantage does not exist. However, in order to maintain and strengthen its role as a gateway for overseas enterprises to enter the European market, the UK has introduced new tariff measures (UK global tariff) to enhance

its international trade status and attractiveness. For example, the duty-free proportion of imported goods is as high as 47% [3]. In terms of economy, Britain is a developed country. Even during the epidemic period in 2020, its per capita GDP is still as high as 29,100 lb, so the consumption potential of the British people is huge. In terms of society, price concessions are the core driving factor for people to choose e-commerce platforms for shopping; The convenience and rapidity of logistics provide power for people to shop online. In terms of technology, the mature online business environment provides hardware and software support for the long-term growth of e-commerce [4].

2 The Gap Between Online E-commerce and Offline Retail Industry

Although the e-commerce market in the UK is developing in full swing, it has not changed the mainstream position of offline retail industry. In some countries, online e-commerce may be destined to be only a supplement to offline retail industry, and cannot become its pillar industry. There is still a certain gap between online e-commerce and offline retail industry. From the data share, we can also see the gap with China. There is still a certain distance between the UK e-commerce market and China's e-commerce market. Why e-commerce develops so well in China, but it is not the mainstream in foreign countries, in fact, this has something to do with many factors.

2.1 Protection of Traditional Retail Industry

Traditional retail is a good way to stimulate consumption, and consumers are likely to have "random consumption" when shopping. Therefore, some countries vigorously protect the status of traditional retail industry. As long as the e-commerce industry violates the interests of the traditional offline retail industry, relevant associations, organizations and trade unions will intervene. In the e-commerce industry, there is also the Matthew effect, which is a polarization phenomenon, which will lead to the stronger the strong and the weaker the weak. There are three main reasons for this phenomenon: investment preferences, user habits and irregular competition [5]. Once e-commerce develops into a monopoly industry, it will have a violent impact on the real economy. The governments of some countries will launch anti-monopoly laws to protect the traditional retail industry, and the e-commerce industry will face two results: either huge fines or being split.

2.2 Good Foundation of Traditional Retail Industry

The offline retail industry in the UK has a good foundation and has a strong ability to cope with the challenges of e-commerce. As a developed country, there are many department stores, most of which have luxury stores. Their exquisite decoration and considerate service are the reasons why many rich people choose offline shopping. Offline shopping gives consumers a rich experience and many choices. More importantly, it can see actual objects and bring visual impact to consumers, which can never be replaced by online e-commerce shopping.

2.3 The Service of Traditional Retail Industry is in Place

In the retail industry of developed countries, the services they provide to consumers are very considerate, and the shopping environment is also very satisfactory. Many people are willing to go to physical stores to shop, enjoy the fun of shopping, and enjoy considerate services. Selfridges, a high-end shopping mall in the UK, is redefining the new experience of offline retail. From the beginning of 2022, Selfridges began to provide customers with decompression and comfortable offline experience services. Guests who come to the store can enter the sensory reality pod of the mall and enjoy 10 min of relaxation through customized perfume, infrared, heat and sound sensors. Like a brief meditation, this is an opportunity to focus on breathing, put aside distractions in the brain and calm down to recharge.

2.4 Prohibit the Sale of Fake Goods

It is forbidden to sell fake goods. Some countries do not allow the sale and production of fake goods on the platform, nor can they allow enterprises to use e-commerce platforms to promote low prices, nor do they allow enterprises to engage in the same routine marketing as pinduoduo and help cut a knife, so as to deceive consumers. Once these countries know that an enterprise sells fake goods on the platform, the enterprise will face huge fines.

2.5 The Price Advantage Is not Obvious

Without price advantage, some countries charge higher taxes on e-commerce platforms, which leads to the fact that the retail price of e-commerce platforms is not very cost-effective, unlike pinduoduo in China, which wins the favor of consumers with preferential prices. The price of retail goods on e-commerce platforms is almost the same as that in physical stores, and offline physical stores do not need to wait for logistics time. They can also see physical goods directly, which is more favored by consumers.

2.6 The Price Advantage Is not Obvious

Developed countries have always been very good at protecting personal privacy and personal information, while most e-commerce platforms in China have “big data monitoring system”. If you need to buy a product recently, the product you need is likely to appear on the homepage of the e-commerce platform, such as Taobao’s “guess you like” and xiaohongshu’s “recommend” and so on. In these countries, if anyone wants to use platform big data to collect users’ personal privacy information and use it for traffic trafficking in order to make profits, consumers have the right to complain to maintain their personal privacy.

2.7 High Express Logistics Cost

The labor cost in developed countries is relatively high, and the labor rate is low, resulting in the high cost of express transportation, which is not conducive to the development

of e-commerce industry. Some countries are sparsely populated, have too large land area, and people's residences are very sparse, which is not like the Chinese style group life, resulting in the slow efficiency of express delivery, which is not conducive to the development of e-commerce industry.

3 Future Development Trend of Retail Industry

Although it is impossible to achieve a completely online or offline society, after the previous analysis, online e-commerce still stole part of the profits of the offline retail industry. In recent years, due to the epidemic, the business of online e-commerce has gradually matured and won some loyal customers. The offline retail industry in these countries has also been thinking about the future path of their enterprises in times of peace, and many offline retail industries have had the trend of digitalization. How should the UK retail market develop in the future? Maybe the combination of offline experience and online trading is the future trend of the whole retail industry, and the digital process is the trend of history.

3.1 Accurately and Efficiently Predict Customer Needs

The offline retail industry has the advantage that online e-commerce business can never replace, that is, the essence of offline shopping is a process of human interaction. Even though many things can be bought online, online can not bring a face-to-face contact between people in physics. Therefore, in terms of service, offline experience should try its best to bring consumers the best shopping experience. In the era of big data, it is necessary to capture the needs of customers in a timely manner. The offline retail industry should carry out digital transformation in a timely manner. Online e-commerce should be combined with offline retail industry in a timely manner, and provide consumers with private customized services with high-tech technology, ranging from grasping the overall consumption trend to accurately mastering consumers' arrival needs.

3.2 Comprehensive Upgrading of Supply Chain

Offline retail can build a customer-centric data supply chain platform to upgrade the supply chain, which can not only save costs, but also improve efficiency. A shared inventory can be built to connect all information and data between warehouses and between stores, so as to realize the sharing and circulation of information. Online e-commerce stores can also be opened to uniformly deploy the stock of goods. In this way, offline retail can not only broaden the SKU width of goods to quickly respond to the dynamic needs of every consumer, but also give full play to the role of data-driven supply chain capabilities to achieve the ultimate goal of all-round upgrading of the supply chain, that is, always meet the needs of consumers and create value for consumers.

3.3 Combination of Offline Experience and Online Transaction

In the future, the combination of offline experience and online trading may be the trend of the whole retail industry. In fact, this form has long been practiced in London. Before that, there was a very popular furniture e-commerce platform called made COM, which is a furniture company. What they do is build a scene offline. Consumers can see the specific appearance of the furniture and materials sold by their company, as well as the overall effect of the furniture in the living room. But this company doesn't have any trading places offline. If you want to place an order, you must place it online. Online trading process has become a general trend, which not only facilitates consumers to see their order status at any time, but also facilitates the overall planning of orders by businesses.

4 Conclusions

Throughout the history of world civilization and social development, mankind has experienced agricultural revolution, industrial revolution and information revolution. Every scientific and technological revolution and industrial change has brought a qualitative leap to productivity. At present, human society is entering a new historical stage marked by digital productivity. Major countries in the world regard digitalization as the focus of economic development and technological innovation. Whether they can adapt to and lead digital development has become a key to the rise and fall of large countries. The digitalization process is shaping a new future, and the digitalization of offline retail industry has become a new trend. In order to not catch up with the trend of the times, we must speed up the digitalization process and let consumers have a different shopping experience. This also provides some reference for China's retail industry. If the retail industry wants to not be eliminated in the historical trend, it must carry out digital transformation. The copyright form is located on the authors' reserved area.

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