

eCommerce Trends

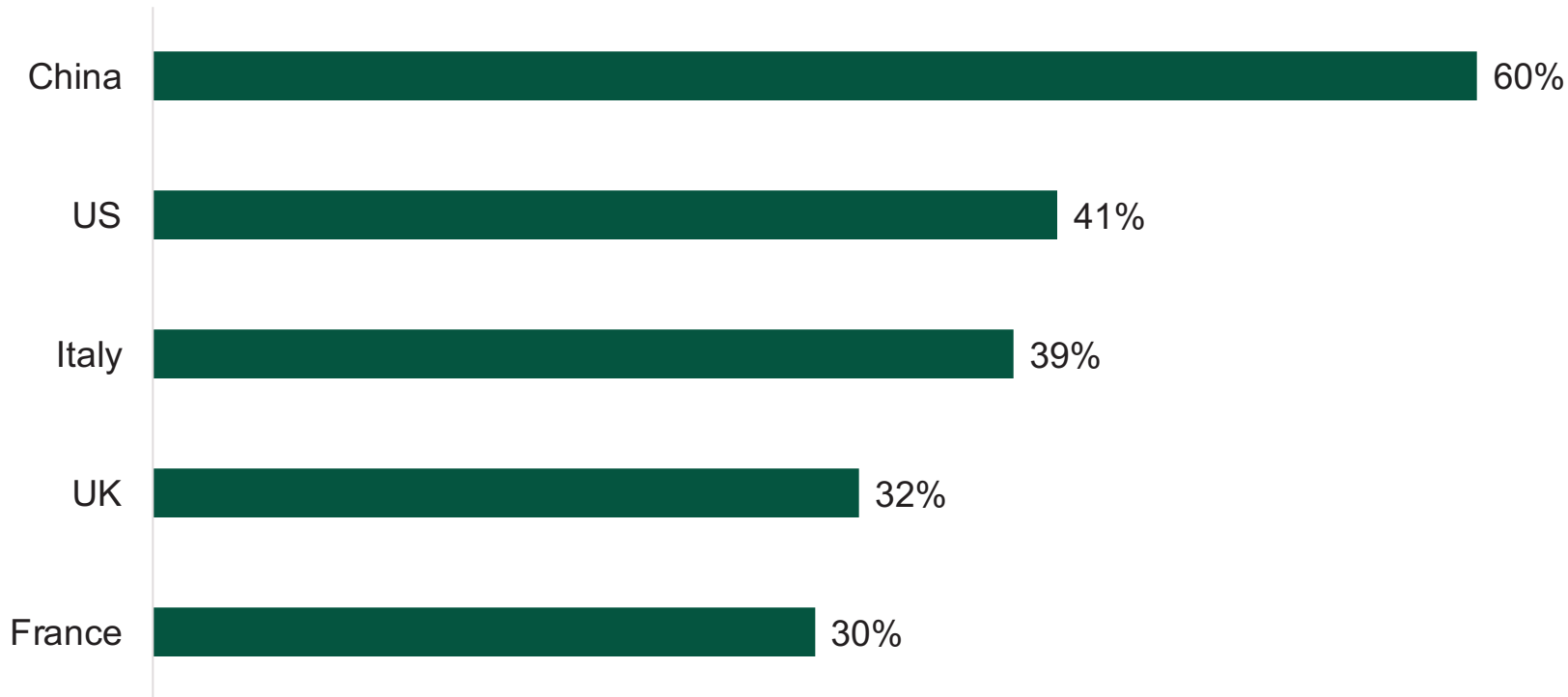
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May 14, 2020

eCommerce has been growing around the world, especially in the midst of Covid-19

With respect to online shopping, with which of the following do you agree? As a result of COVID-19, I have been buying more things than I normally do



Source: Forrester Analytics Consumer Technographics COVID-19 Survey 1, 2020

“Sugar high” or long-term trend?

Stores are closing...

...but shoppers are also returning to stores



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STYLE

Nordstrom to close 16 stores while reopening others with new rules

The luxury department store chain announced it is permanently closing 16 of its 117 full-line stores while restructuring during the coronavirus pandemic.



LOCAL

Hundreds of shoppers stream into SouthPark mall on first morning of ‘new normal’

BY JOE MARUSAK | JMARUSAK@CHARLOTTEOBSERVER.COM

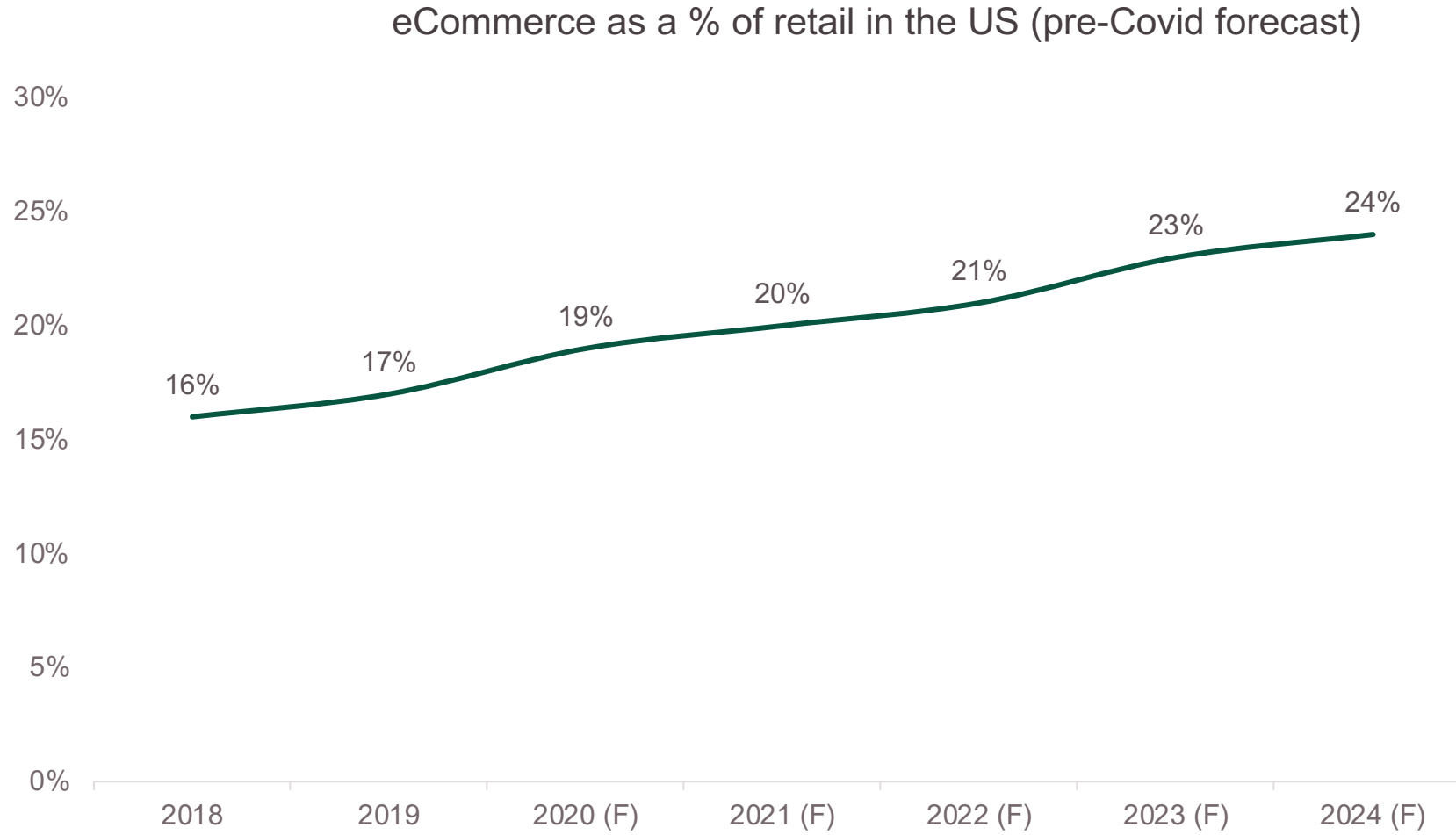
Yesterday

SouthPark mall had numerous can't-miss health and safety measures in place to prevent the spread of the coronavirus as it welcomed hundreds of shoppers Saturday for the first time since March.

They'd been cooped up in their homes since statewide stay-at-home orders closed retailers and countless other businesses in a government attempt to slow the COVID-19 pandemic.

“We were not surprised, as the phone was ringing

eCommerce has been an increasingly important part of retail



Source: Forrester Research eCommerce Forecast (US)

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About 1/3 of eCommerce comes from 4 categories

Total spent by shoppers in eCommerce

| US\$B | China | US | UK |
|-----------------|-------|------|------|
| Clothing | \$207 | \$81 | \$19 |
| Electronics | \$193 | \$68 | \$11 |
| Household goods | \$78 | \$33 | \$9 |
| Food and drink | \$92 | \$29 | \$10 |

Source: Forrester forecasts

Some categories will certainly be affected positively



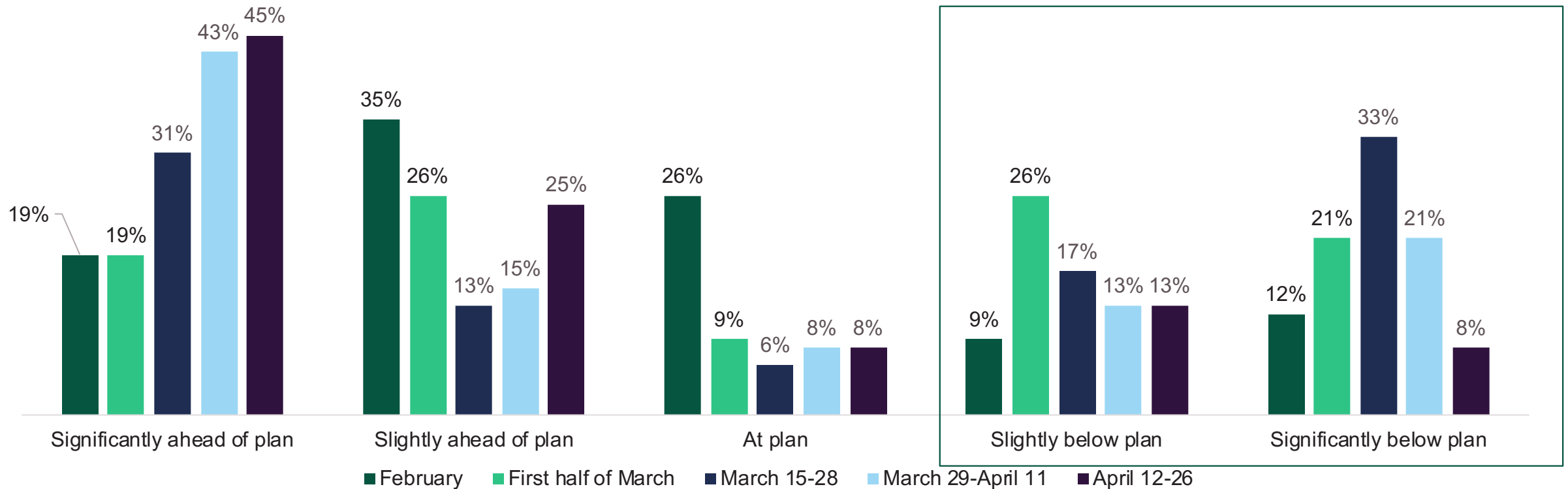
“We believe the coronavirus crisis has brought forward the timeline for adoption of omnichannel grocery services, such as remote ordering and pick-up, by at least one year.”

Chairman, 1800-store Chinese grocery chain

Source: How China's consumer companies managed through the COVID-19 crisis: A virtual roundtable, McKinsey & Co, March 2020

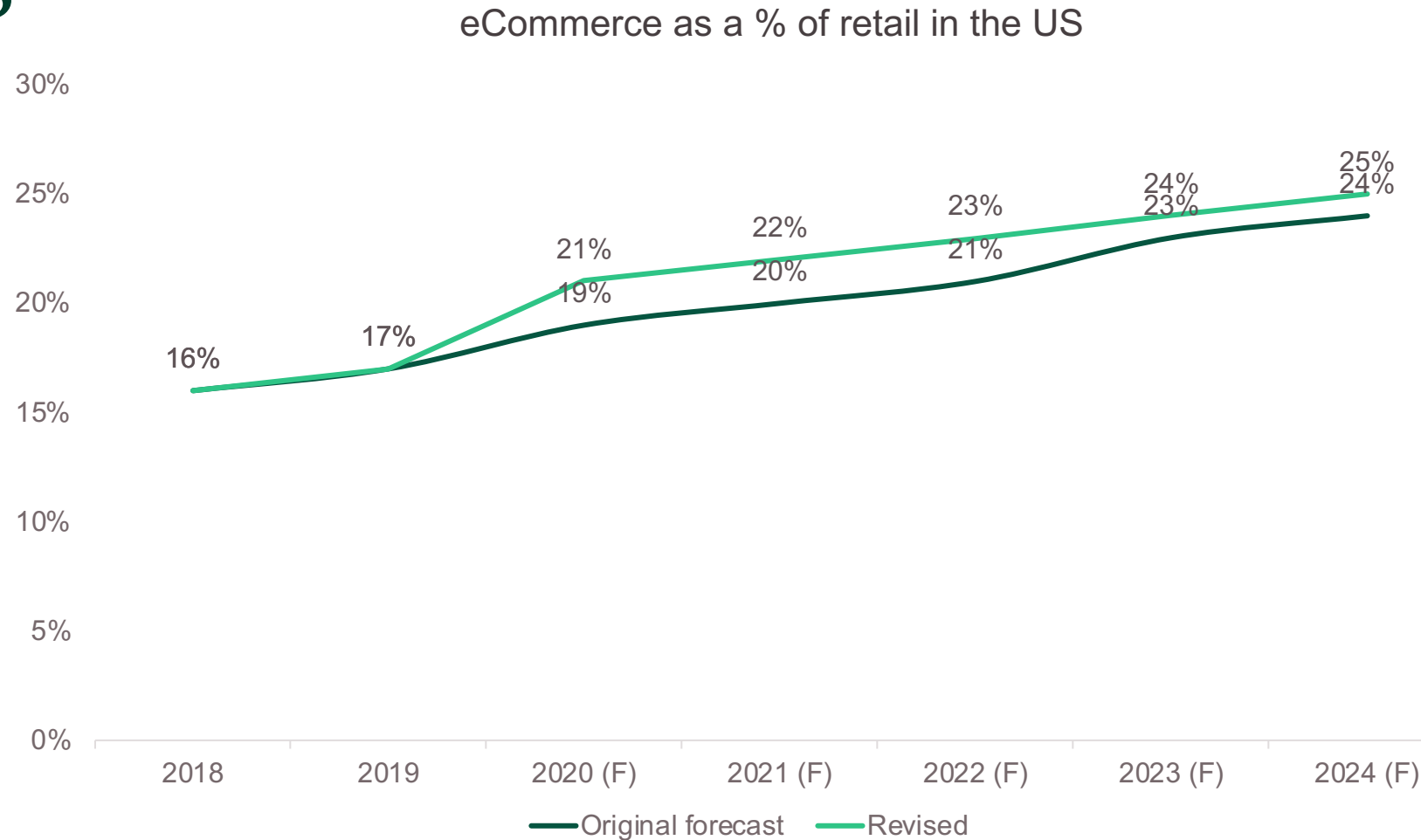
But eCommerce hasn't been a success for everyone

How did eCommerce revenue trend [during x]?



Source: CommerceNext COVID-19 Survey, April 27-29, 2020

We project eCommerce will skip a year or two in the US



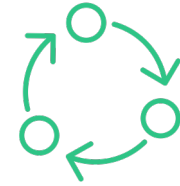
Source: Forrester Research eCommerce Forecast (US)

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Why isn't it bigger?



Experiences have been subpar

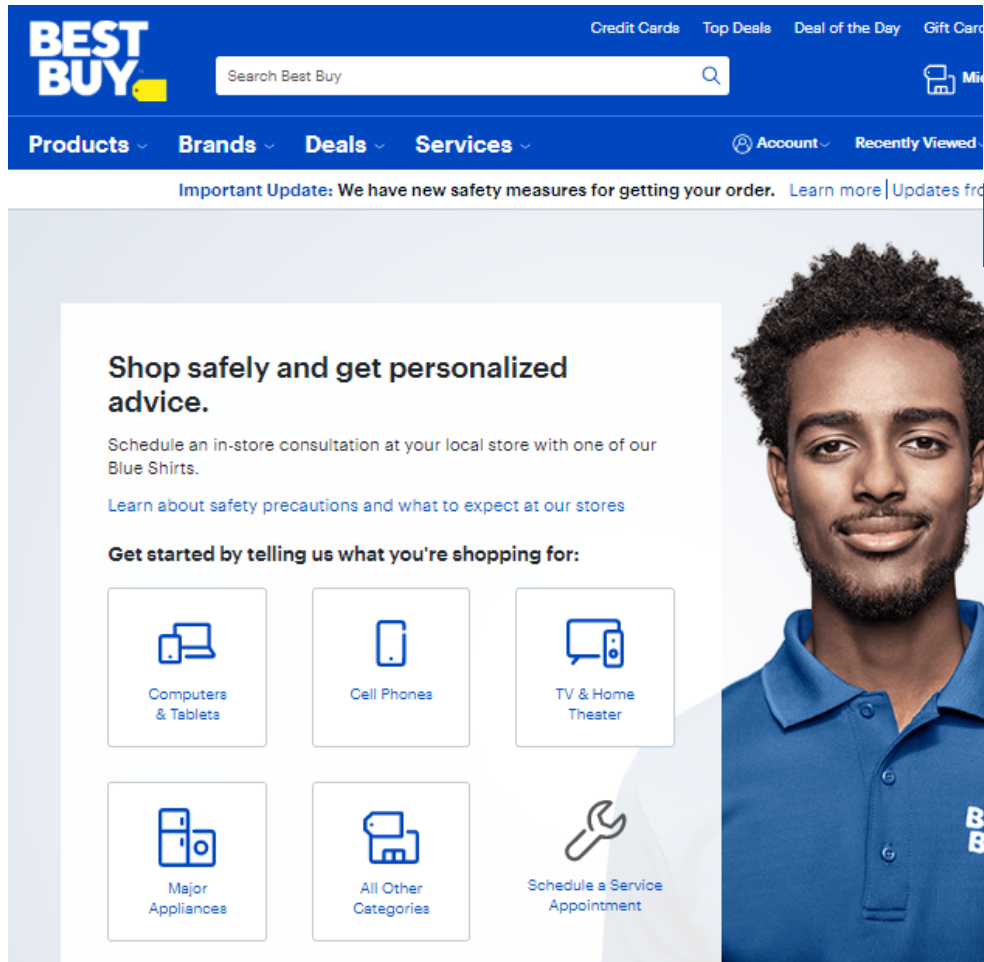


Customers aren't single-channel shoppers

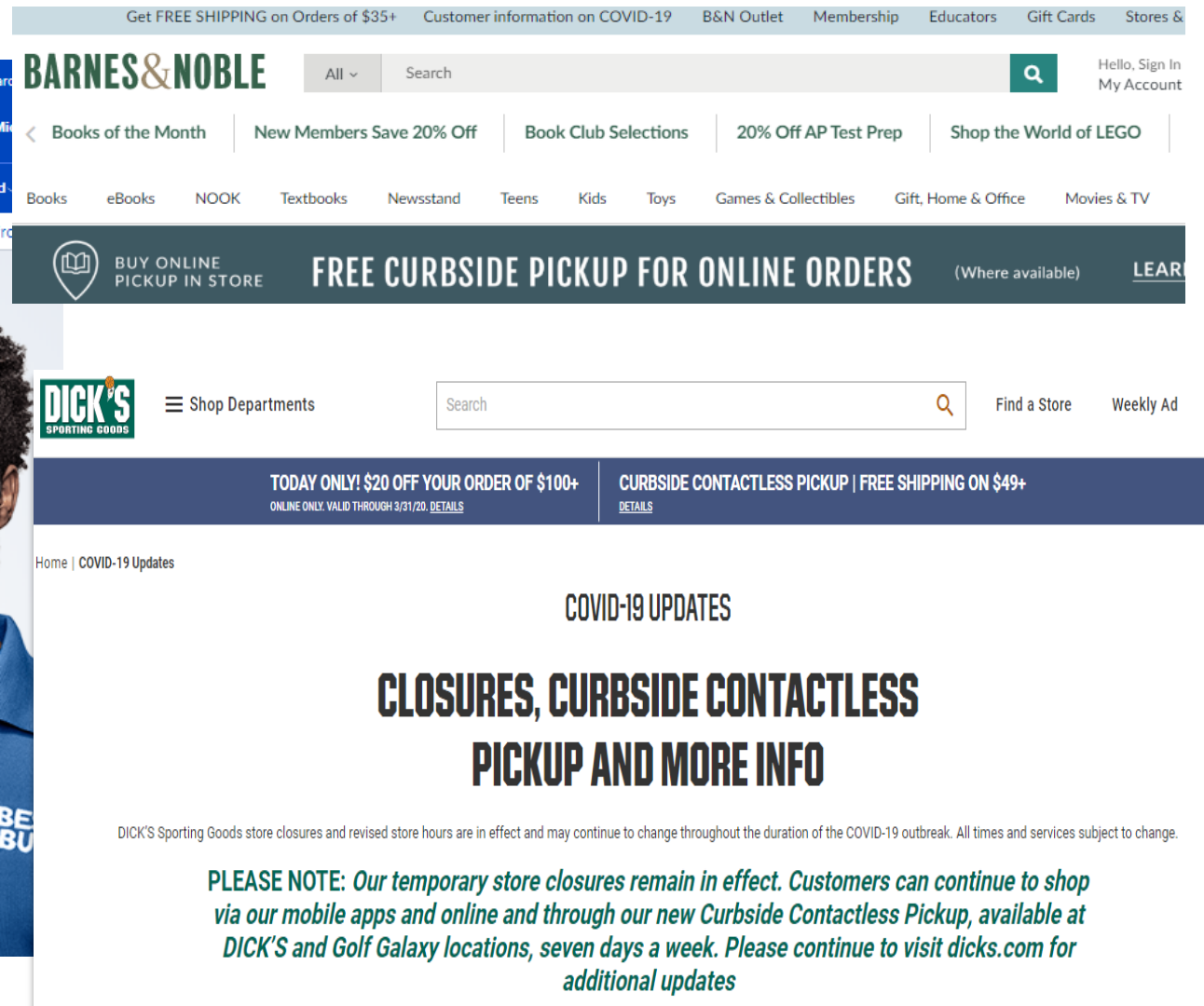


The cost of online grocery is still expensive and more than what shoppers want to pay

Stores are eager to do what they must to retain sales



The screenshot shows the Best Buy website homepage. At the top, there's a navigation bar with links for Credit Cards, Top Deals, Deal of the Day, and Gift Cards. Below this is a search bar and a navigation menu with categories like Products, Brands, Deals, and Services. A prominent banner features a smiling male employee in a blue polo shirt. To the left of the employee, text encourages shopping safely and getting personalized advice, including a link to learn about safety precautions. Below this, there are six icons representing different product categories: Computers & Tablets, Cell Phones, TV & Home Theater, Major Appliances, All Other Categories, and a button to Schedule a Service Appointment.



This block contains two website screenshots. The top screenshot is of the Barnes & Noble website, showing a navigation bar with links for Books of the Month, New Members Save 20% Off, Book Club Selections, 20% Off AP Test Prep, and Shop the World of LEGO. Below this is a banner for FREE CURBSIDE PICKUP FOR ONLINE ORDERS. The bottom screenshot is of the Dick's Sporting Goods website, featuring a banner for TODAY ONLY! \$20 OFF YOUR ORDER OF \$100+ and CURBSIDE CONTACTLESS PICKUP | FREE SHIPPING ON \$49+. Below the banner, there's a section titled COVID-19 UPDATES with the heading CLOSURES, CURBSIDE CONTACTLESS PICKUP AND MORE INFO. A note states: PLEASE NOTE: Our temporary store closures remain in effect. Customers can continue to shop via our mobile apps and online and through our new Curbside Contactless Pickup, available at DICK'S and Golf Galaxy locations, seven days a week. Please continue to visit dicks.com for additional updates.

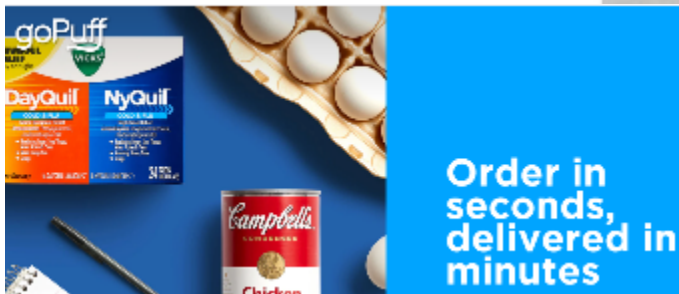
Consequences are nonetheless clear

- More empty storefronts everywhere, including a shakeout of large and small stores inside and outside malls
- More congestion in dense urban areas from delivery vehicles
- More microfulfillment centers (MFCs)

Microfulfillment centers



Takeoff's MFC solution can process about 3,500 online grocery orders weekly



A Nordstrom worker processes orders on a conveyor belt built by Tompkins Robotics, in Newark, California.

Source: Nordstrom

Pros

- Reduces labor costs
- Reduction in OOS
- Speed of order picking
- Implementation at select large format stores
- Enables product to be closer to customers
- Favorable when all items in a transaction can be co-located (ie no split shipments)

Cons

- Costly to implement; higher real estate costs
- Doesn't solve last mile challenge for delivery
- In grocery, only works for packaged goods, not fresh product or proteins
- Potentially inefficient inventory allocation since customer-facing and MFC are separate

These are MFCs in the restaurant sector

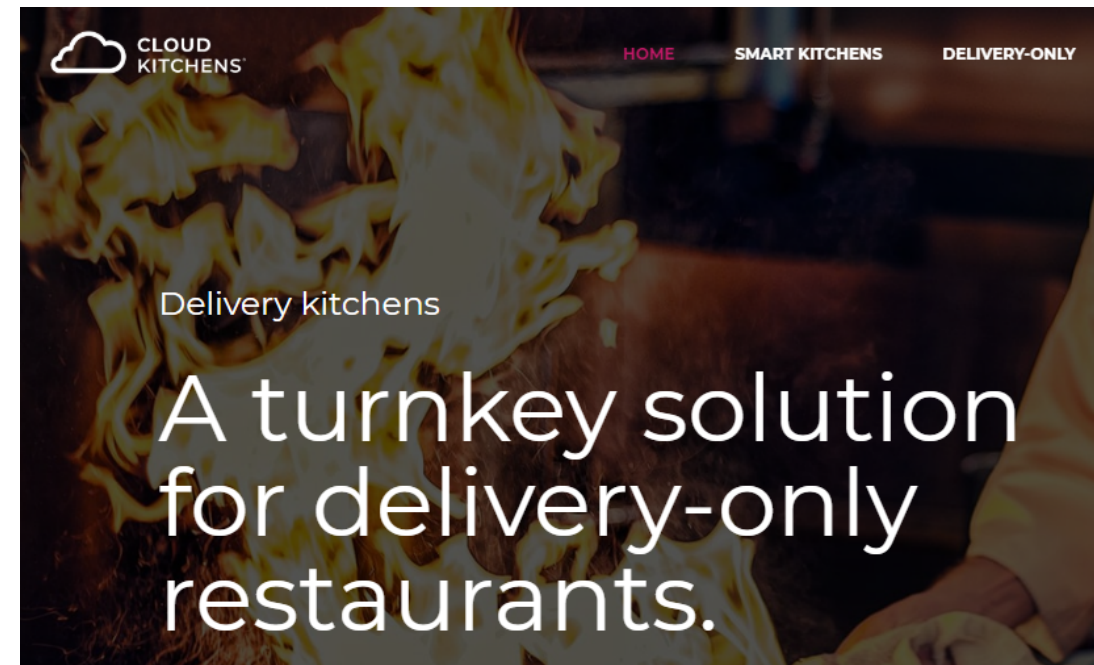
Are Ghost Kitchens the Future?

The boom in off-premises business has some restaurants considering the virtual kitchen model.

TECHNOLOGY | JULY 2019 | MAGGIE HENNESSY



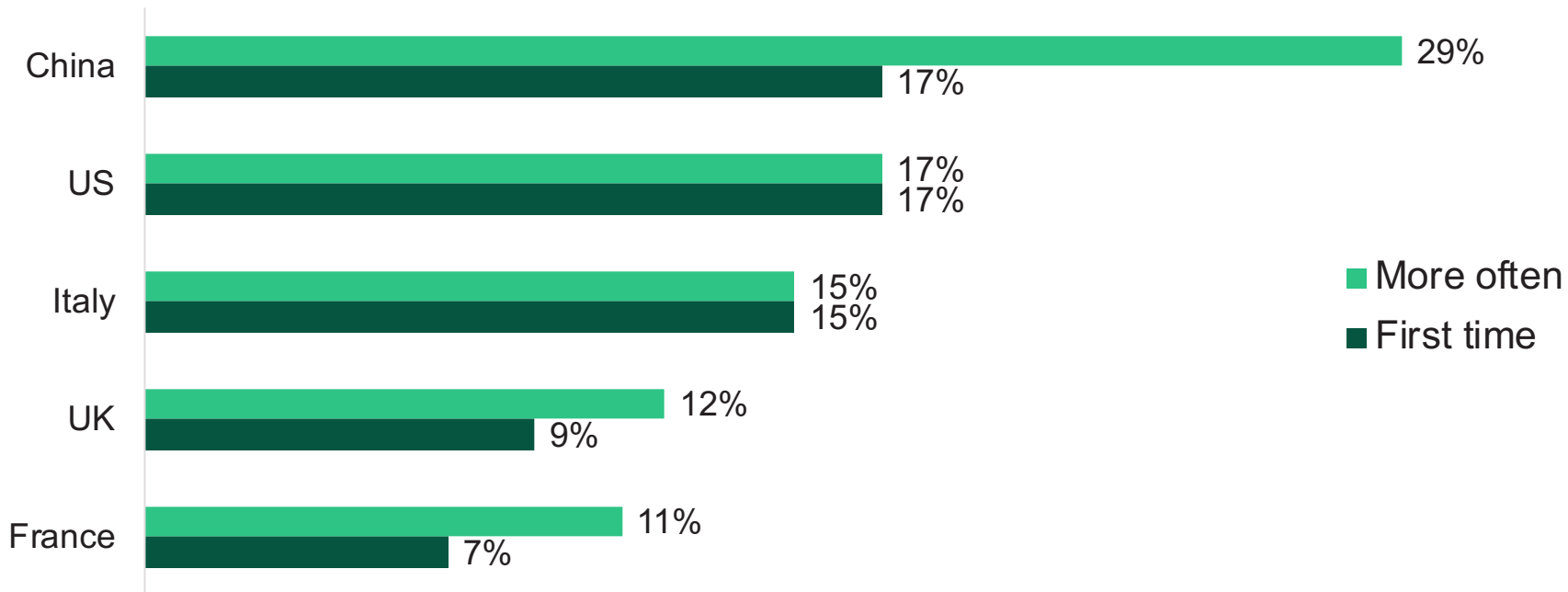
Kitchen United charges a monthly membership fee that covers rent, infrastructure and commercial equipment, and services like dishwashing, food receiving, and cold storage.



The growth of online restaurant delivery may make this more palatable

Which of the following, if any, have you done for the first time as a result of the COVID-19 pandemic?

From which of these online sites have you purchased more than you normally do since the beginning of the COVID-19 crisis?



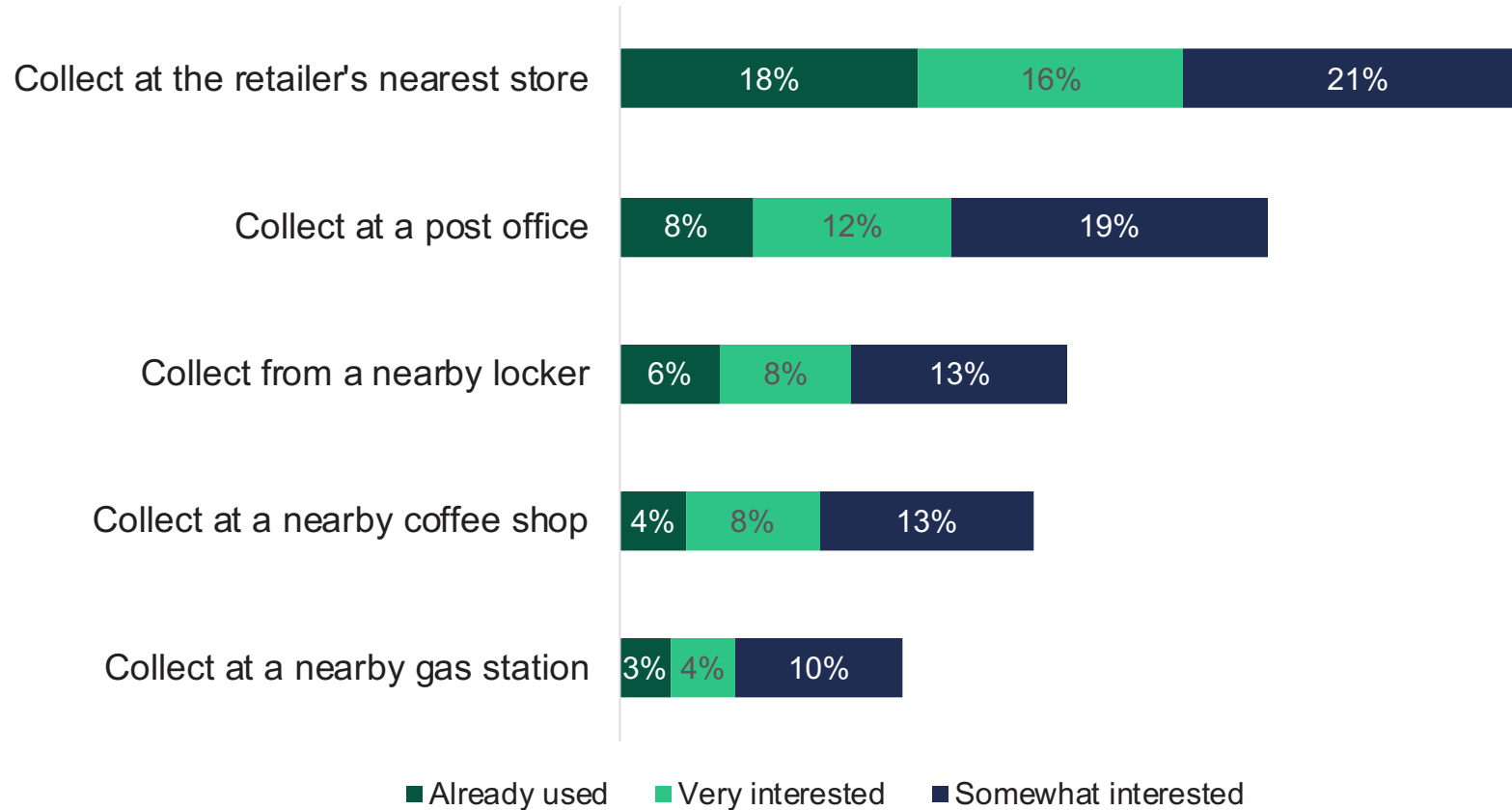
Source: Forrester Analytics Consumer Technographics COVID-19 Survey 1, 2020

What urban planners need to do next

- Prepare for a more digital world
 - Consider congestion taxes
 - Establish clustered pickup and dropoff points
 - Educate shoppers on the environmental impact of delivery

Interest in fulfillment options

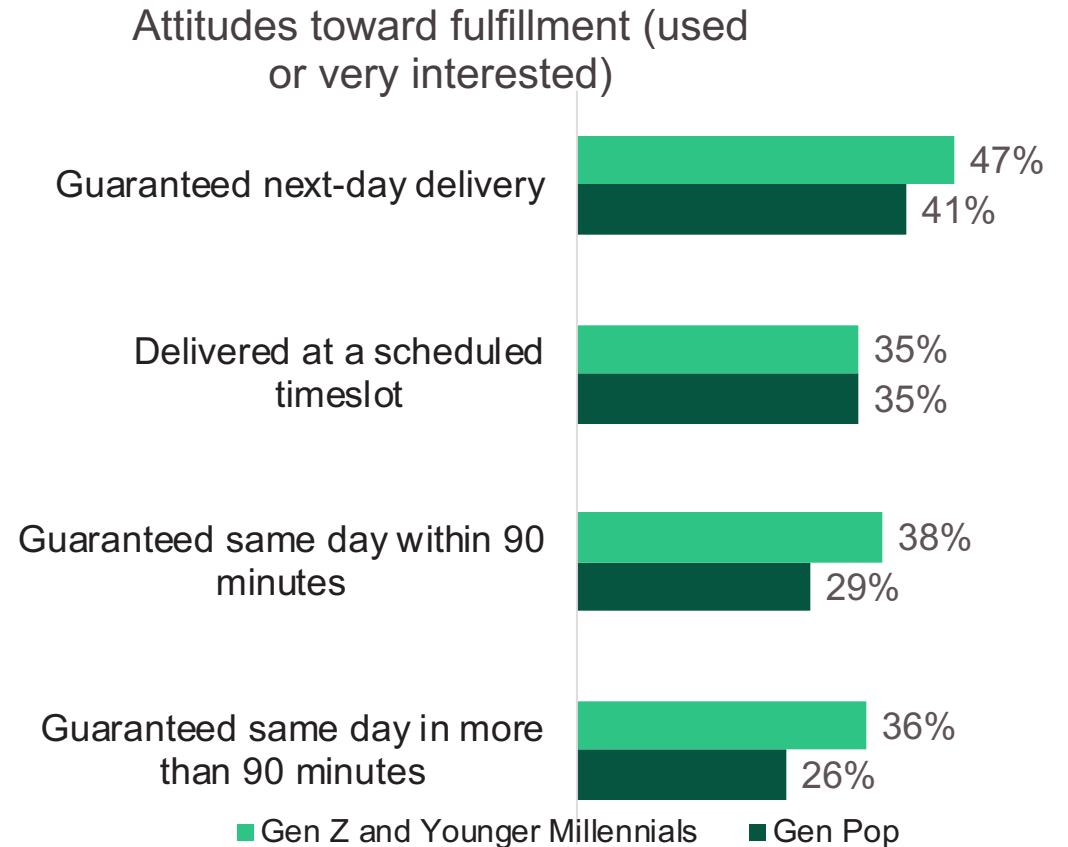
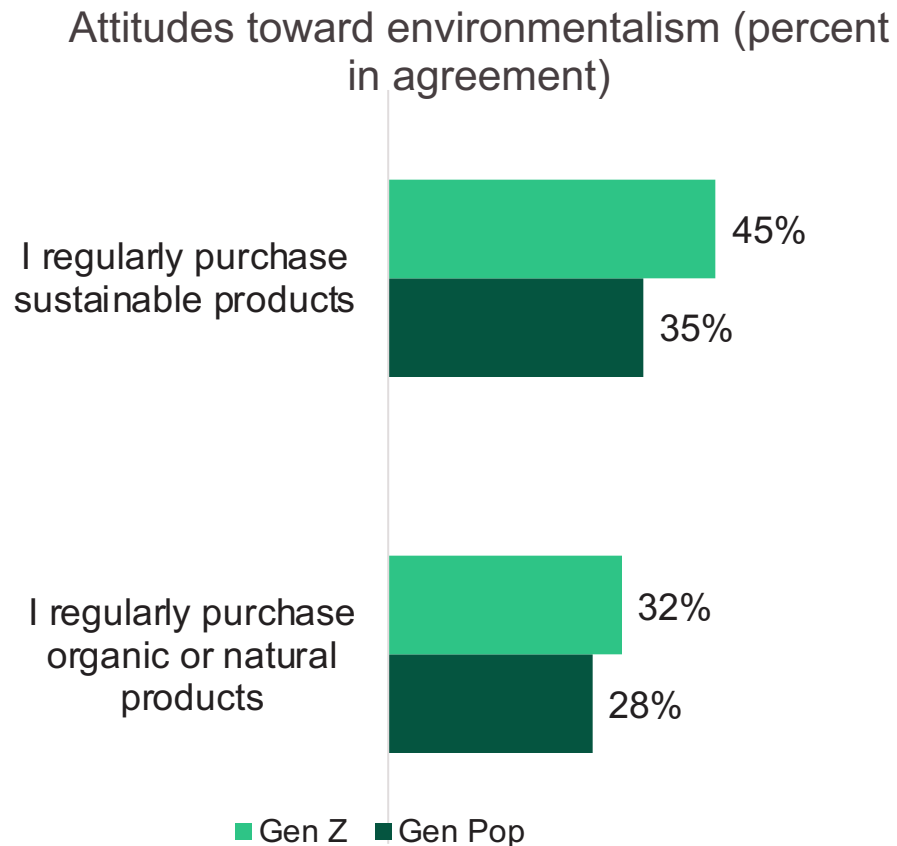
Which of the following delivery options would you be interested in using when shopping online?



Source: Consumer Technographics Retail And Travel Topic Insights 1 Survey, 2019

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Younger consumers do value environmentalism, but they also like faster delivery



Source: Consumer Technographics Benchmark Survey, Part 1, 2020; Consumer Technographics Retail And Travel Topic Insights 1 Survey, 2019

What urban planners need to do next

- Prepare for a more digital world
 - Consider congestion taxes
 - Establish clustered pickup and dropoff points
 - Educate shoppers on the environmental impact of delivery
 - Create limits around how delivery vehicles can operate (eg designated slots)
- Invest in redevelopment of empty storefronts or the support of small, distressed merchants
 - Do solutions like ghost kitchens make sense?
- Consider supporting other efforts that could support stores
 - Evaluate engineering solutions that help physical spaces (e.g. state of the art disinfectant and air filtration, far-UV lights); partner with public health departments for mutual benefit
 - Evaluate higher postal delivery rates for packages

Thank You.

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