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

- **China**: 60%
- **US**: 41%
- **Italy**: 39%
- **UK**: 32%
- **France**: 30%

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

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.

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

BY JOE MARUSAK | JMARUSAK@CHARLOTTEOBSEVER.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)
About 1/3 of eCommerce comes from 4 categories

Total spent by shoppers in eCommerce

<table>
<thead>
<tr>
<th>US$B</th>
<th>China</th>
<th>US</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>$207</td>
<td>$81</td>
<td>$19</td>
</tr>
<tr>
<td>Electronics</td>
<td>$193</td>
<td>$68</td>
<td>$11</td>
</tr>
<tr>
<td>Household goods</td>
<td>$78</td>
<td>$33</td>
<td>$9</td>
</tr>
<tr>
<td>Food and drink</td>
<td>$92</td>
<td>$29</td>
<td>$10</td>
</tr>
</tbody>
</table>

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

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)
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.
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

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.

Delivery kitchens

A turnkey solution for delivery-only restaurants.
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?

- Collect at the retailer's nearest store: 18% Already used, 16% Very interested, 21% Somewhat interested
- Collect at a post office: 8% Already used, 12% Very interested, 19% Somewhat interested
- Collect from a nearby locker: 6% Already used, 8% Very interested, 13% Somewhat interested
- Collect at a nearby coffee shop: 4% Already used, 8% Very interested, 13% Somewhat interested
- Collect at a nearby gas station: 3% Already used, 4% Very interested, 10% Somewhat interested

Source: Consumer Technographics Retail And Travel Topic Insights 1 Survey, 2019
Younger consumers do value environmentalism, but they also like faster delivery

**Attitudes toward environmentalism (percent in agreement)**

- I regularly purchase sustainable products
  - Gen Z: 45%
  - Gen Pop: 35%
- I regularly purchase organic or natural products
  - Gen Z: 32%
  - Gen Pop: 28%

**Attitudes toward fulfillment (used or very interested)**

- Guaranteed next-day delivery
  - Gen Z and Younger Millennials: 47%
  - Gen Pop: 41%
- Delivered at a scheduled timeslot
  - Gen Z and Younger Millennials: 35%
  - Gen Pop: 35%
- Guaranteed same day within 90 minutes
  - Gen Z and Younger Millennials: 38%
  - Gen Pop: 29%
- Guaranteed same day in more than 90 minutes
  - Gen Z and Younger Millennials: 36%
  - Gen Pop: 26%

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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