

THINK RETAIL THINK VERDICT



UK Home Delivery & Fulfilment 2008

**Online and TV ordering help market
outpace total retail growth**

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About Verdict Research

Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

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Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

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Verdict Research reports covers nine core sectors, five year forecasts, strategic issues, key locations, How Britain Shops consumer surveys and the main European retail markets. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

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Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



UK Home Delivery & Fulfilment 2008

Online and TV ordering help market outpace total retail growth...

Growth in the home delivery market is being driven by the continued surge in online shopping. Online retail has continued to grow at an impressive pace and shows little sign of slowing down. With growth hovering between 27.0% and 35.0% over the past five years, it has provided a major boost to the home delivery market. Despite the tough comparatives, Verdict forecasts growth of 32.0% in 2008 and 31.0% in 2009.

This new report published by Verdict Research analyses the dynamics of the home delivery market combined with detailed insight into consumer motivations. A survey of almost 2,000 consumers' shopping habits provides insight across ten sectors and provides socio-demographic splits to help retailers better gauge changes in shopper's behaviour.

Sector Analysed

Books	Furniture & Floorcoverings
Clothing & Footwear	Gifts
DIY & Gardening	Health & Beauty
Electricals	Homewares
Food & Grocery	Music & Video

Understand the key drivers of market growth and gain insight into the channels of distribution with this new report...

Homewares – home delivery shopper base 2004-2007

Year	Home Delivery Users (%)	Penetration of UK adult population (%)
2004	3.6	7.4
2005	2.8	5.6
2006	2.8	5.7
2007	4.3	8.5

Source: UK Home Delivery & Fulfilment 2008

"Homewares shares the joint third lowest penetration of the 10 sectors profiled.
 Jumping 2.8 percentage points on the previous year, penetration of this category has been driven by non-specialists such as John Lewis and Tesco developing their online offers and attracting footfall..."

- **Develop more effective strategies** using this report's actionable recommendations for how retailers can capitalise on the fast growing home delivery retail market.
- **Assess the growth potential and the challenges facing the key home delivery retailers and logistics operators** with this report's in-depth analysis of market drivers, key issues and outlook.
- **Discover which sectors are driving growth.** Compare growth across 10 sectors since 2003 to understand which have been at the forefront in driving growth and which are likely to continue fuelling the market.
- **Understand how consumer attitudes to home delivery are changing using this report's extensive consumer research.** Identify opportunities and enhance your commercial strategy using this report's comprehensive analysis of face-to-face interviews with 2,000 shoppers.

UK Home Delivery & Fulfilment 2008

This report answers key questions including...

- What are the key drivers of UK home delivery market growth?
- Which consumers are the most avid UK home delivery shoppers?
- How often do UK shoppers use home delivery services?
- Who are the main players in each of the key UK home delivery sectors?
- What issues do retailers need to address to successfully broaden their customer base in the UK?

Home Delivery Data by Sector

Expenditure value & growth 2003-08

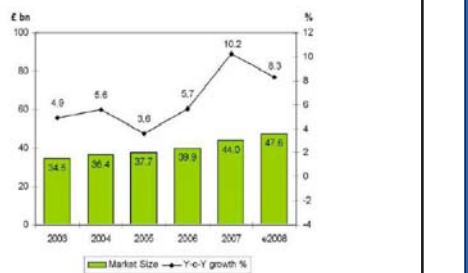
Socio-demographic

Leading retailers

Regional profiles

Key issues examined in this report...

Home delivery market growth 2003-2008



Source: UK Home Delivery & Fulfilment 2008

"In 2007, the home delivery market recorded its strongest growth rate in 10 years. The value of goods ordered from retailers and delivered to customer's homes or preferred locations rose by 10.2% to £44.0bn. This equates to 15.6% of all UK retail expenditure – a 0.9 percentage point increase from 2006..."

- **Toughening macroeconomic conditions threaten to dampen home delivery growth.** While smaller ticket sectors such as music & video and books continue to grow strongly year-on-year, sectors such as furniture & floorcoverings are expected to see a fall in trade as shoppers postpone purchases of larger ticket items and also due to the fallout of weaker players in the market.
- **Internet stealing share from other channels.** The perpetual boom in online spending is having a pronounced impact on the home delivery market, and more importantly other ordering channels. With increasing numbers of shoppers turning to the Internet, traditional mail-order catalogue retailers have had to shift their propositions online.
- **Multi-channel retailers gain competitive advantage.** Though pureplay specialist Amazon leads the online battle, bricks and clicks retailers such as Tesco, Comet and Argos have been gaining competitive advantage by leveraging synergies between the two channels. Many established operators have done well to offer 'click & collect' services, combining the convenience of ordering online with the instant gratification of collecting instore.

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- In 2007, 57.5% of the UK adult population used home delivery, equating to 28.9m users, up from 26.5m in 2006. This marks the second consecutive rise, driven by the continued boom in Internet shopping. Growing broadband penetration, confidence in Internet security and wider adoption by older demographics has momentum going and there is little end in sight. Verdict forecasts a 205.0% increase in Internet sales between 2007 and 2012, which will more than offset further declines via other media such as telephone and catalogues.
- Both genders have become more active in the home delivery market for the second year running, with females extending their lead. 60% of females now use home delivery, up from 54% in 2006, as women become more frequent users of the Internet. Women also top the chart because they typically shop more, spend more per shopping trip and are the main participants in grocery shopping - the category where ordering for home delivery is most repeated by individuals. Men's interest in electricals - the most home delivered category - is a major contributor to over half of men using home delivery services.
- 35-54s participate the most in home delivery and have further increased their score in this year's report. In fact all age groups have improved their interest in the market as the uptake of online shopping continues to grow. For the first time over half of 55+s now use home delivery. Again, this is the result of Internet penetration of older demographics which, until recently, have been slow adopters of the Internet.
- Though females are more likely to use home delivery, men continue to close the gap and now account for 48.5% of users, up from 48.1% the previous year. Marking the fourth consecutive year-on-year rise, the convenience of home delivery is increasingly finding favour with men. The Internet has been a major factor in this trend as in most cases items bought online are home delivered though consumers are participating more in click and collect services.
- By age there is a relatively even distribution of home delivery users, with the highest share falling in the 65+ age bracket. 35-44s share the second highest number of users, with the lowest falling in the 55-64 age bracket. Verdict believe the even spread is the result of wider adoption of the Internet across all age groups and the peak in later life the result of these shoppers' reduced mobility and therefore the need for home delivery.

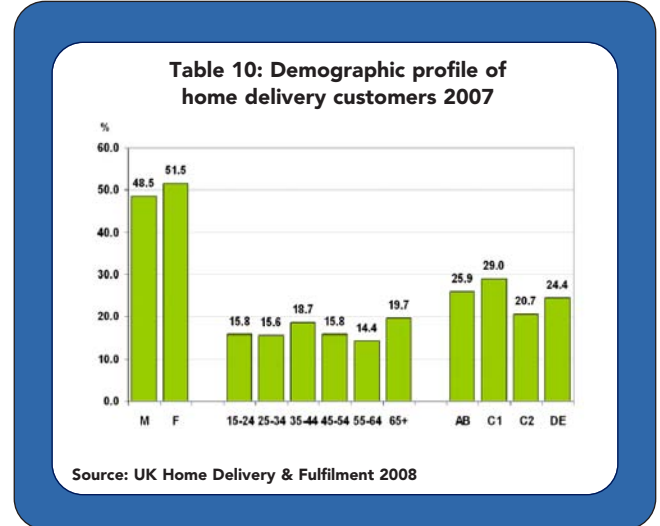


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