webreality

Deputy S G Luce
Chairman, Economic Affairs Scrutiny Panel
Scrutiny Office
Morier House
Halkett Place
St Helier
Jersey JE1 1DD

31 December 2013

Dear Deputy Luce

Re: Retail Policy Review

Thank you for your invitation to make a written submission in relation to your Panel's Retail Policy Review.

Webreality has been researching local consumer attitudes to online retail since 2010 and I'm happy to share the findings of our research with the Panel, along with information about our experience to date in developing the only local listings website displaying exclusively Jersey retailers with an e-commerce presence.

1. Consumer Attitudes Research - 2010 and 2012

In late 2010 Webreality conducted its first online survey into the attitudes of Jersey consumers to the concept of Jersey retailers trading online.

The survey was prompted by our recognition of the serious strategic risk to Jersey retailers presented by off-island online retailers, especially in the context of the island's conservative Sunday trading legislation and opening hours culture.

We were also concerned that local retailers seemed slow to recognise the corresponding opportunity presented to them by online retail.

The timing of the first survey - in November/December - was especially poignant given the annual national media interest in the extent to which Christmas shopping was already moving online.

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The findings of that first survey are presented as an attachment to this letter. The two headline findings were:

- 82% of respondents said they would welcome the opportunity to spend more money with local retailers if they had e-commerce websites.
- Although most respondents said that price was a "vital" or "important" factor, 63% of respondents said that they would spend 10% or more in excess of a typical UK online price if there was something they needed to buy urgently and they couldn't wait for delivery from the UK.

In summary, the results of the survey indicated an obvious opportunity for Jersey retailers in certain sectors to capitalise on evident online buying appetite from Jersey consumers.

The results of the first survey were published in summary form by the Jersey Evening Post on its business pages.

The full results of the survey were also offered to the Jersey Chamber of Commerce for circulation via its online newsletter, but the Chamber management team of the time declined the opportunity to share the data with its members.

The survey was repeated in December 2012 using the same questions and research methodology. Our purpose was research contemporary attitudes, using the 2010 data as a benchmark. We had been disappointed by the limited progress of the local retail industry towards online operations in the intervening period.

The results of the December 2012 survey are attached.

Perhaps surprisingly, the December 2012 results showed a slight reduction in the enthusiasm of local consumers for online shopping with local retailers, despite an increase in online shopping generally by local consumers (as evidenced by Jersey Post's massively increasing inbound e-commerce parcel volumes.)

- 76.7% said they would welcome the opportunity to spend more money with local retailers if they had websites where they could shop 24 hours a day (compared with 82% in 2010).
- 57.5% said that they would spend 10% or more in excess of a typical UK online price if there was something they needed to buy urgently and they couldn't wait for delivery from the UK (compared with 63% in 2010).

We have no information to explain the slight hardening of local consumer attitudes against the idea of shopping online with Jersey retailers. Our assumption is that the longer local retailers allow their local customers to become accustomed to shopping with off-island online competitors, the less likely it is that those consumers will be positively disposed to an eventual offering from local shops.

2. ShopJersey.je

In mid 2011, following its first consumer attitudes research study, Webreality started evaluating the possibility of a creating a multi-vendor e-commerce platform marketed only to Jersey consumers.

Early research was done in face-to-face interviews with potential participating retailers.

The concept was as follows:

The consumer proposition *is "the place to start for anything you want to buy in Jersey." It is intended to disrupt current local consumer online behaviour, which could be characterised as "Start with Google or Amazon." It will offer multiple product categories and multiple retailers with the convenience of a single check-out and - crucially - the option of same day home delivery between 5pm and 8pm if order placed before 1pm (subject to retailer's own capabilities).*

The retailer proposition *is "the place to get your products and services in front of a guaranteed Jersey online consumer audience." It will reduce the capital cost of establishing an e-commerce presence, provide a guaranteed audience and offer a full logistics service (storage, fulfilment and home delivery).*

There were precedents for local "virtual mall" websites in parts of UK. (See http://myhigh.st/ as an example.) Analysis of their apparent business models revealed challenges including the following:

- Establishing a pricing model that was not a disincentive to retailers, whilst creating a margin opportunity for the platform
- Making the pricing model work across all offered product categories, taking account of huge variations in retailer margin
- Enabling retailers to publish product information to the platform, including images, without creating a substantial admin overhead for them
- Enabling retailers to engage in e-commerce sales without having to worry about creating their own fulfilment capability
- Resourcing an ongoing merchant support service for retailers for whom all aspects of e-commerce were new.

To deal with the logistics requirement, we approached Jersey Post late in 2011 to investigate their interest in a joint venture approach.

Through 2012, Webreality and Jersey Post worked together on financial models for a joint venture and progressed discussions with potential founding merchants for the platform.

The detailed nature of the conversations with merchants is commercially sensitive, but many objections were raised to the concept of a shared platform and limited progress was made towards commitments from potential founding participants.

In the meantime, very few established local retailers were opening new online stores in their own names. The macro market trend was still running ahead of the local retail industry as a whole.

Late in 2012 Webreality re-ran its consumer attitudes survey to test whether market appetite still existed for local retailers to operate online.

In early 2013, faced with sluggish interest in a concept that both Webreality and Jersey Post believed could be viable, we decided to launch a listings-only website, as a pre-cursor to the full transactional platform, to establish the true scale of local e-commerce activity targeting local consumers.

The current www.shopjersey.je was launched in March 2013. It started with approximately 30 stores listed and very rapidly climbed to over 100, through a combination of submissions from customers, submissions from online retailers, Facebook comments, and our own ongoing research to uncover other online retailers.

Inclusion criteria mirrored those intended to be applied to the eventual transactional platform.

At today's date there are 122 online retailers listed on the website.

The website's Facebook following reached 500 in three weeks, and 1000 two weeks later. It currently stands at 1600.

The listings site has proven firstly that there are a lot of potential participants in the intended transactional platform who are already trading online, without counting the very many established offline retailers who have not taken their own first step into the online channel.

Secondly, the www.shopjersey.je website traffic has proven, even without substantial investment in marketing, that there is a market of local online shoppers to be addressed.

Of the current 122 listed online retailers, 54 are e-commerce only ("pure plays") and 68 are hybrid online and offline businesses. We regard this as interesting because it demonstrates the huge room for growth in the hybrid or multi-channel market.

3. The importance of multi-channel retail

An analysis of the fortunes of the UK retail sector as a whole in the past five years shows the relentless growth in the importance of "multi-channel" retail.

Here is a selection of recent news stories illustrating the trend.

1. Recent data on the growth of online in total sales at John Lewis

http://internetretailing.net/2013/12/online-sales-rise-by-22-at-john-lewis-as-more-than-a-third-of-business-goes-through-its-website/

2. An interesting analysis of the Australasian retail sector - comparable with the situation in Jersey

http://econsultancy.com/blog/64011-instead-of-moaning-about-taxes-australasian-retailers-need-a-multichannel-approach

3. A BBC news story from yesterday, analysing UK retails sales over Christmas 2013

http://www.bbc.co.uk/news/business-25671561

Multi-channel retailers remain the exception in Jersey, in the face of mounting evidence that multi-channel cannot be ignored by retailers looking for a prosperous future.

The proposed ShopJersey.je transactional platform is intended to make it easier for established retailers to adopt a multi-channel approach. Work is ongoing to make it a reality before the end of 2014.

Yours sincerely

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