

Article

Comparing “bricks and mortar” store sales with online retail sales: August 2018

Comparing the trends and emerging patterns in the relationship between the amount spent in retail between “bricks and mortar” store sales and online sales.



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1 . Introduction

The purchase of retail items online is an important and ever-evolving part of the retail sector. Online retail sales have been collected since 2008 and included as part of the monthly Office for National Statistics (ONS) Retail Sales Inquiry (RSI).

In 2017, [The PwC](#) commissioned [research by the Local Data Company](#), which studied the top 500 British town centres. They found that while the number of new stores opening is decreasing, the number of store closures is increasing. This led to a total loss of 1,772 stores in 2017, an increase since 2016. This increase in store closures combined with the [growth within e-commerce sales](#) has led to increased interest in how consumer behaviours are evolving.

We capture store openings and closures through the regular updating of the business register. Any changes to the type and number of businesses are also reflected in how we collect the data through the survey, ensuring business responses are representative for the sector. Office for National Statistics (ONS) publish [business demography data](#) and the latest data for 2017 will be published in November 2018. We also publish data on the number of jobs in each retail sector within the [Employment and labour market release](#).

Currently, the RSI provide an “All retailing” and an “Online” series and does not provide “Store only” sales in the RSI monthly bulletin. For the purposes of this article, we have calculated an estimate of store sales from our current available data, to identify whether there has been a shift in consumer behaviours within the retail industry with the rise in online sales in recent years.

2 . Main points

- The amount of money spent in the retail industry (excluding fuel) increased by 4.7% to approximately £366 billion in 2017, when compared with the previous year.
- In 2017, online-only sales increased at a rapid rate by 15.9% in comparison with the growth of 2.3% in sales within stores from the previous year.
- Despite the stronger online presence, consumers spent most of their money in stores and the majority of online spending was done within non-store retail.
- Throughout 2018 we had record proportions for online spending, increasing to 18.2% in August.
- Department stores continued to reach a record proportion of online retailing in August 2018, at 18.4%.

3 . Background information

The Retail Sales Index (RSI) is an important economic indicator and one of the earliest short-term measures of economic activity. It is used to estimate consumer spending on retail goods and the output of the retail industry, both of which are used in the compilation of the UK National Accounts, and accounted for approximately 5.6% of gross domestic product (GDP) in 2017.

RSI is a monthly index measuring the value and volume of retail sales in Great Britain. These data can be classified into small (0 to 99 employees) and large (100 or more employees) businesses based on employment band. Estimates are based on financial data collected through the Monthly Business Survey – Retail Sales Index. Within the monthly RSI publication, both seasonally and non-seasonally adjusted estimates are provided.

All statistics used within the article are based on the value of retail sales excluding spending on fuel to make data more comparable since fuel is assumed to not be sold over the internet. RSI adheres to [Standard Industrial Classification 2007](#): SIC 2007, which constitutes an agreed international standard for the comparability of official statistics. Under SIC 2007, a separation of the retail industry from the services sector is achieved. Moreover, as RSI figures are classified by SIC 2007, they refer to retail sales by store type:

- Predominantly food stores – this includes supermarkets, specialist food stores, alcohol and tobacco
- Predominantly non-food stores – this includes: department stores; textiles, clothing and footwear stores; household goods stores (including electrical items and furniture); and other non-food stores (including jewellery, toys, sporting goods and books)
- Non-store retailing – this includes retailers with no physical stores, mail order, catalogues and market stalls

4 . Money spent in the retail industry over time

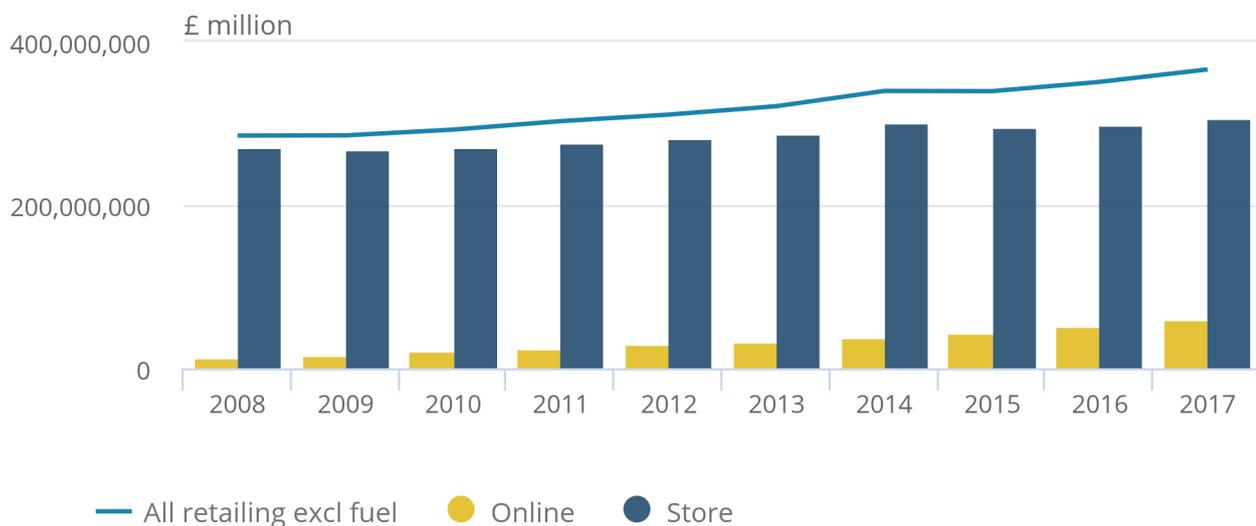
In the last decade, the amount of money spent within retail has increased. In 2017, approximately £366 billion was spent in all retail excluding fuel; increasing by 4.3% when compared with around £350 billion spent in 2016 (Figure 1).

Figure 1: Money spent within all retailing against store-only sales and online-only sales, non-seasonally adjusted

Great Britain, 2008 to 2017

Figure 1: Money spent within all retailing against store-only sales and online-only sales, non-seasonally adjusted

Great Britain, 2008 to 2017



Source: Monthly Business Survey - Retail Sales Inquiry - Office for National Statistics

Traditionally, more money is spent within stores than online (Figure 1). Nevertheless, online spending is growing at a faster rate than store sales, contributing positively to the overall increase in all retailing over the last decade. From 2014, store sales have remained relatively flat.

In 2017, online sales increased by 15.9% from the previous year; an increase of £8.2 billion from £51.6 billion to £59.8 billion. This is in comparison with an annual increase of 2.4% within stores; increasing by just over £7 billion from £299 billion in 2016 to £306 billion in 2017.

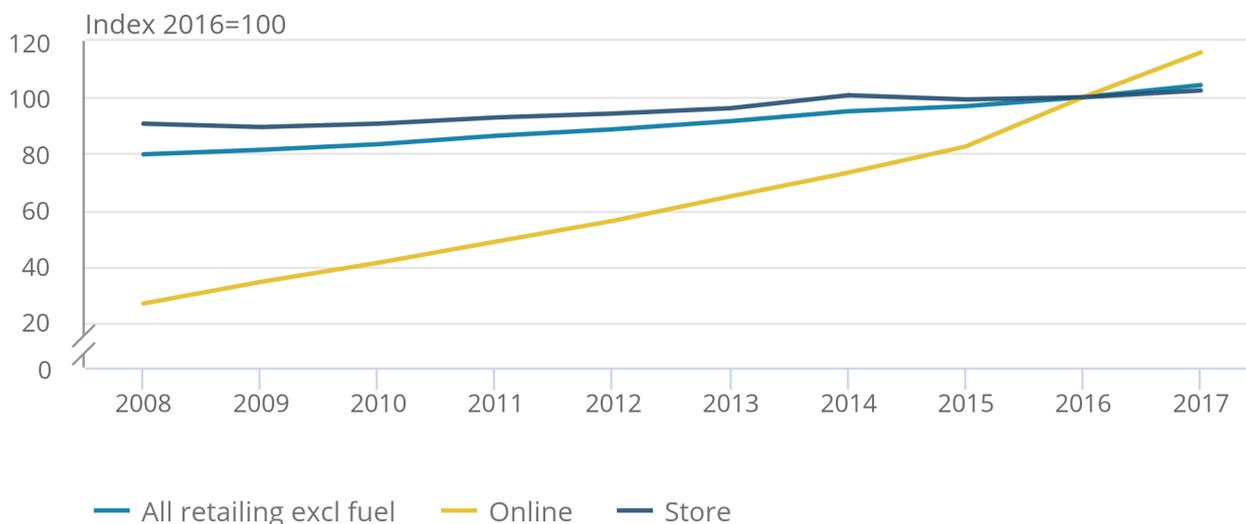
Our indexed series illustrates this increase in online sales over the last 10 years (Figure 2).

Figure 2: Annual total retail sales, store-only sales and online-only sales, non-seasonally adjusted

Great Britain, 2008 to 2017

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Great Britain, 2008 to 2017



Source: Monthly Business Survey - Retail Sales Inquiry - Office for National Statistics

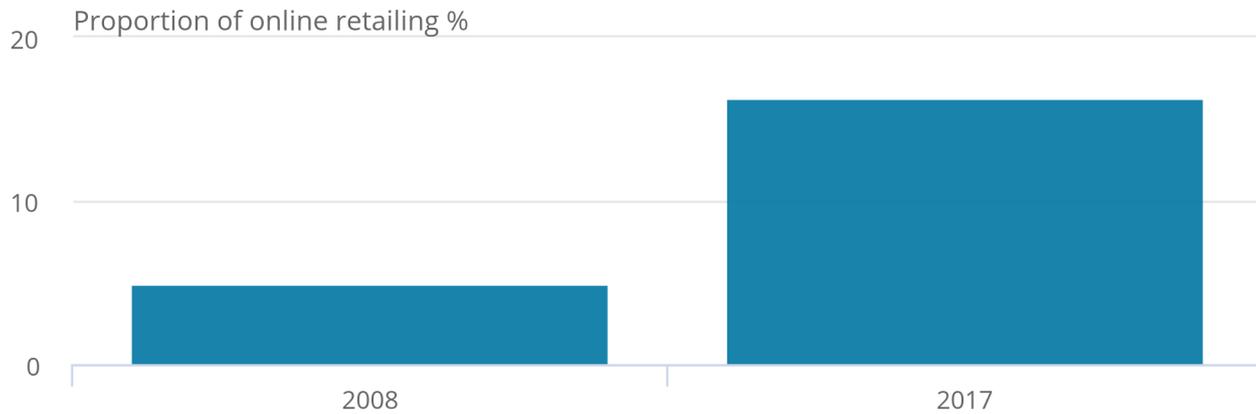
Figure 2 shows our annual store sales against online sales over the last 10 years. Whilst the amount spent within stores displays moderate growth since 2008, in contrast, online sales show a sharper rate of growth, increasing six-fold since 2008 and contributing to the growth in overall retail sales. Online sales have shown a steady increase since 2008, but have really set off in the last three years, as online spending increased at a faster rate from 2015. This has coincided with a slight slowdown in store spending, which shows the beginning of a shift in consumer behaviour to spending more online.

Figure 3: Online sales as a proportion of all retailing, seasonally adjusted

Great Britain, 2008 to 2017

Figure 3: Online sales as a proportion of all retailing, seasonally adjusted

Great Britain, 2008 to 2017



Source: Monthly Business Survey - Retail Sales Inquiry - Office for National Statistics

As a proportion of all retailing, money spent online has increased from an average of 4.9% in 2008 to an average of 16.3% in 2017 (Figure 3). This means that nearly one-sixth of every British pound was spent online in 2017.

5 . Spending within each retail sector

When we take a closer look at sales within each of the retail sectors, we can see that in 2017, the majority of money was spent within stores, with the exclusion of the non-store retailing sector (Figure 4).

Figure 4: Online sales compared with store sales, British pounds data, for each retail sector

Great Britain, 2017

Figure 4: Online sales compared with store sales, British pounds data, for each retail sector

Great Britain, 2017



Source: Monthly Business Survey - Retail Sales Inquiry - Office for National Statistics

Non-store retailing is otherwise known as those stores that do not have a permanent “bricks and mortar” presence and mainly consists of online-only sellers. Therefore, the “store” sales in the non-store sector relate to sales from non-store trading that are not done online, such as markets or temporary, one-off trading such as auctions. All other sectors are stores that have a store presence and may trade online.

Table 1 shows the growth for each retail sector in 2017, when compared with 2008, for both online and store sales.

Table 1: Annual growths for online and store sales for each main retail sector in 2017 when compared with 2008, non-seasonally adjusted

Great Britain		
	Online sales	Store sales
Predominantly food	2.5	0.2
Predominantly non-food	2.6	0.1
Department stores	3.7	0.3
Other non-food stores	1.7	0.1
Textile, clothing and footwear	3.8	0.1
Household goods	1.6	-0.1
Non-store	4.2	0.1

Source: Monthly Business Survey - Retail Sales Inquiry - Office for National Statistics

When we look at the growth from 2008 to 2017 in online and store sales, we can see a stronger rate of growth in online spending across all sectors (Table 1). Since 2008, we have seen an increase in sales across all retailing types both within stores and online, with the exception of household goods where store sales have decreased by 0.1%.

The strongest growth in online sales is within the non-store retail sector, where we have seen an increase in retailers without a store presence in more recent years. This is followed by non-food stores, which is due to the combined growth within department stores, other non-food stores, clothing and household goods. Within store sales, we can see that the growths across all sectors have been less marked, although the majority of money spent is still within stores.

6 . The latest monthly figures by sector

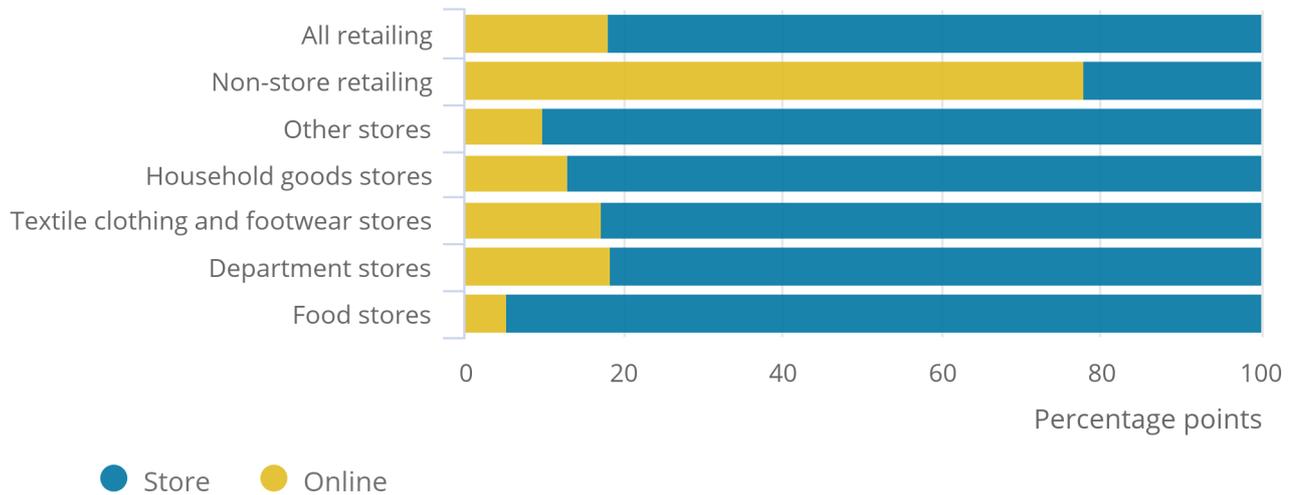
As illustrated in Figure 5, non-store retailing is the only sector where online sales exceeded store sales in August 2018. Sales within non-store retail have increased rapidly, growing to 78 pence in every British pound spent online in this sector in August 2018; this is up from 36 pence of every British pound spent in January 2008, when online sales records began.

Figure 5: Proportion of sales within stores and online within different retail sectors, August 2018

Great Britain, 2018

Figure 5: Proportion of sales within stores and online within different retail sectors, August 2018

Great Britain, 2018



Source: Monthly Business Survey - Retail Sales Inquiry - Office for National Statistics

Spending online has continued to increase in recent times, reaching new record proportions of all retailing at 18.2% in August 2018, with strong growth seen in clothing and department stores. Department stores also reached a record proportion for the second consecutive month at 18.4% in August 2018.

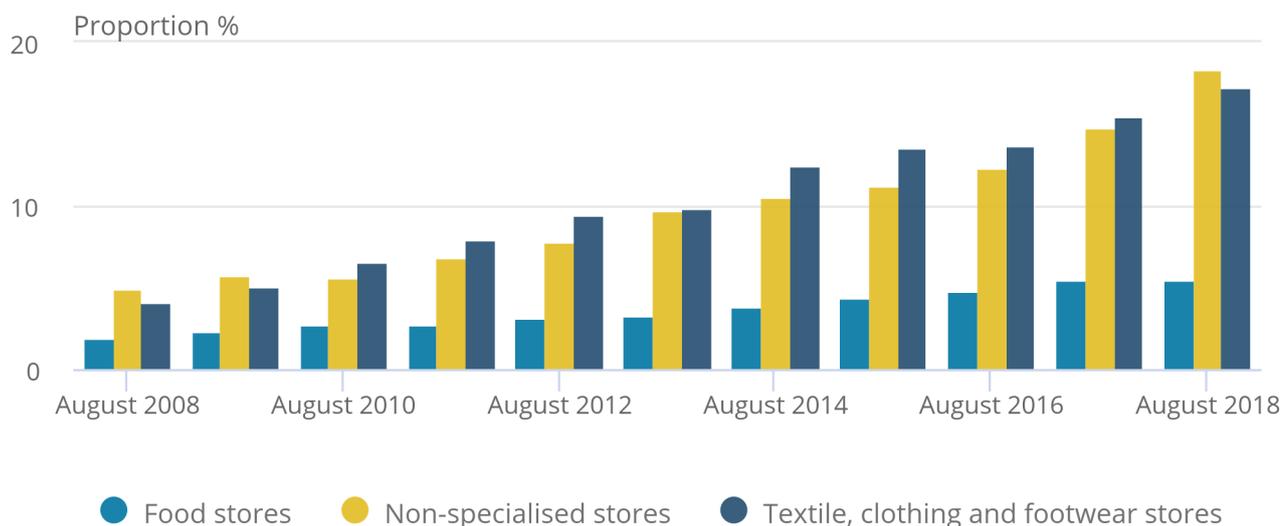
Food stores saw record proportions of online sales for four consecutive months from February to May 2018, but online food sales increased at a much slower pace over the 10 years, reaching 5.5% in August 2018 (Figure 6).

Figure 6: Increases in online sales as a proportion of all retailing within food, department and clothing stores, seasonally adjusted

Great Britain, August 2008 to August 2018

Figure 6: Increases in online sales as a proportion of all retailing within food, department and clothing stores, seasonally adjusted

Great Britain, August 2008 to August 2018



Source: Monthly Business Survey - Retail Sales Inquiry - Office for National Statistics

In August 2018, we had record proportions for online spending in department stores at 18.4%.

While online sales within food stores have not increased at the same rate as department stores and clothing, this sector hit record highs of 5.6% from February to May 2018.

The shift to online spending is less prominent within food stores when compared with other retail sectors, as the proportion of online spending has remained relatively flat, with a slight and steady increase from 1.9% in August 2008 to 5.5% in August 2018 (Figure 6). Meanwhile, online spending in department stores and clothing have increased at a much faster rate.

7 . Conclusion

Whilst online sales are growing at a fast rate, bricks and mortar sales still account for nearly 82% of sales (Figure 3). Online spending has increased at a fast rate whilst spending within stores has remained relatively stable. These changes in spending habits mean consumers are now buying more online than ever before. As would be expected, the largest increase in online spending over the past decade is within non-store retailing.

8 . Annex 1

Retail sales value estimates are produced in index form using the reference year of 2016. The reference period is the year for which the index is scaled to equal 100. To keep the Retail Sales Index (RSI) in line with the UK National Accounts, the reference year is updated each year when weights are available from the Blue Book. The change to the reference year is a simple calculation and does not impact on the movements of the series. Estimates of retail sales are published in index form rather than in monetary form.

The index number is designed to measure change over time by a reference to the base value. In order to calculate the index for store prices, the value needs to be divided by the base year (2016). The calculation divides the year by the base year and multiplies by 100 to provide the index.