

FRANCE DIGITAL SHELF INSIGHTS

EXECUTIVE BRIEFING

MARCH 2021

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CONTENTS

SECTION 1: ECONOMIC BRIEFING | 03

SECTION 2: ONLINE RETAIL LANDSCAPE | 08

SECTION 5: SPOTLIGHT ON AMAZON.FR | 12





ECONOMIC BRIEFING

SECTION 1

ECONOMIC BRIEFING

Welcome to the France Digital Shelf Insights executive briefing, the third in a series of reports which explore the micro and macro trends and themes driving retail and ecommerce across Europe. In this report we look at the outlook for the French economy and consumer spending and explore what’s in store for brands in 2021.

ECONOMIC OUTLOOK

The French economy [contracted](#) by 9.4 percent in 2020, growth is expected to return in 2021 but it will not be until 2023 that output returns to pre-pandemic levels. The IMF expects output in 2021 to be 4.3% lower than 2019 – this compares to 2% in Germany and 6% in Italy.

Having seen COVID-19 case numbers fall significantly during the summer, France saw a rapid rise in cases during the autumn prompting a second national lockdown to be enforced. Non-essential services, including most retail, were closed. Businesses reopened at the end of November although a variety of restrictions including a night-time curfew remained in force.

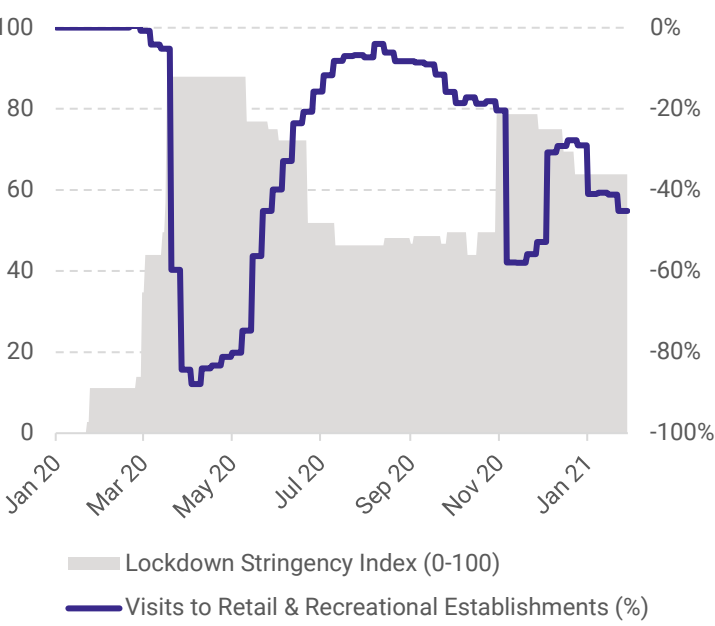
Whilst the lockdown caused significant falls in consumer spending and output the the effect was significantly lower than during the spring lockdown. This can be seen in Figure 1 which shows data from Google on the number of visits to retail and recreational establishments.

The same pattern can be seen in other sectors of the economy – [construction output](#) in November was down 5.5% year-on-year but had been rising for several months. Likewise, [manufacturing output](#) reached its highest level since the start of the pandemic, although it remains 4.2% below February 2020.

Overall, the outlook remains somewhat negative. The composite [purchasing managers index](#), a forward-looking indicator that assesses whether manufacturing and services managers expect orders to expand or contract over the coming months stood at 47.7 in January 2021 – a value greater than 50 indicates an expanding economy.

At European level France’s economic performance is in line with the European average – only Germany and the Netherlands amongst major EU economies are expecting to see economic activity and order levels rise in the next few months. UK purchasing mangers have the most negative outlook at just 41.2 reflecting the severity of the second wave and Brexit-induced disruption.

FIGURE 1: IMPACT OF COVID-19 ON RETAIL FOOTFALL



[Oxford Blavatnik Stringency Index](#) which measures the stringency of restrictions. Google Mobility data shows the percentage of visits to retail and recreational establishments versus 2019 levels.

French [business confidence](#), another forward looking indicator, stood at -14.36, an improvement on earlier in the crisis but still reflecting pessimism over the future economic outlook. [Confidence amongst retailers](#), whilst low by historical standards did not suffer further falls despite the reimposition of a national lockdown. This pattern appears to be broadly true across Europe suggesting that retailers were better prepared for the second lockdown.

CONSUMER INDICATORS

France has suffered from persistently high unemployment relative to economies such as the UK and Germany in recent years. Whilst the unemployment rate had been declining for several years it remained above 7 percent going into 2020. Amongst those under 25 almost a fifth were unemployed. Since the start of the crisis the rate has increased to 9.1 percent and youth unemployment has risen 3.4 percentage points. This puts France significantly behind Germany (4.4 percent) and the UK (5 percent) both of which have thus far avoided large labour market shocks.

France, along with most other European countries introduced a simplified [job support scheme](#) in order to protect employment during the pandemic. As of December 2020, 2.4 million workers or 8.9 percent of the labour force were covered by the scheme (the equivalent number in the UK was 18.9 percent).

[Consumer confidence](#) has improved since its low in May 2020 but remains negative and significantly lower than during the summer. French consumers are somewhat more positive than consumers in the UK and Spain but lag behind those in Germany and Italy.

From the perspective of brand manufacturers and retail, the trajectory of [consumer spending](#) is probably the most important economic indicator as it provides a metric on consumers willingness to spend. Consumer spending in France has been growing at a relatively slow rate in recent years averaging just 1.2 percent per year. During the pandemic spending initially fell by 11.6 percent before rebounding in the third quarter by 18.2 percent. The fourth quarter saw consumer spending fall again 5.4 percent.

Overall consumer spending was roughly 2.5 percent below the level the expected if COVID-19 had not occurred. An encouraging sign is the extent to which consumers were willing to spend when restrictions were eased over the summer which gives credibility to the widespread belief that the recovery, particularly in terms of retail and personal services will be rapid and robust.

Part of the explanation for the rebound in consumer spending, and one of the factors causing medium-term optimism is the high savings rate during the pandemic which has significantly improved the household finances of many consumers. The average savings rate increased from around 15 percent of household income to over 26 percent in Q2 2020 and remained high throughout the rest of year. A rough estimate is that the average person saved an additional €1880 in 2020¹.

The timing of that recovery now depends on the successful rollout of vaccination programmes and the avoidance of further lockdowns. As of March 2020, vaccination rates lagged lagging behind other developed economies.

FRENCH RETAIL MARKET

The French retail market¹ was worth approximately €435 billion in 2019. Growth has been sluggish in over past 5 years averaging just 0.3 percent per annum. The share of online sales has been increasing but at a relatively slow rate - the online penetration rate increased from 8.1 percent in 2015 to 10.7 percent in 2019, a cumulative annual growth rate of around 6 percent. In 2019, the online retail market in was estimated to be worth around €46.5 billion.

2020 saw a substantial increase in online retail spending. FEVAD, the leading French e-commerce industry association, [estimates](#) that spending increased by 32 percent year-on-year with total sales worth in excess of €60 billion.

Overall retail sales fell by 3.9 percent with in-store sales falling by around 8 percent. This is a relatively small fall given the stringency of the two nationwide lockdowns but it reflects the fact that the online penetration rate across a number of product categories is relatively low.

For example, online sales of apparel and footwear are significantly lower than in comparable countries such as the UK and Germany and the market is somewhat fragmented without a clear national leader. Whilst all categories saw some growth during lockdown many consumers appear to have delayed purchases rather than shift their spending online.

1 - Retail sale of goods excluding fuel and motor vehicles. Many estimates of the value of e-commerce include the value of internet services such as online travel bookings. The consumer e-commerce market including online services was approximately €103 billion in 2019.



ECOMMERCE GROWTH FORECAST

As we look towards the next decade there is considerable scope for future growth in the French online retail market. In this section we consider three possible scenarios for online retail over the next 10 years.

There are several reasons to expect sustained growth over the next 10 years. In the extreme, many Asian economies have online penetration rates of up to 35 percent - in China and South Korea almost a fifth of grocery sales come from online channels. Even European markets show the scope for growth. In the UK the online fashion market generates sales of roughly €12.7 billion, is roughly double those in France.

In the short-run (2021-22) it is likely we will see some reduction in online spending as restrictions are lifted spending reverts to the mean. However, evidence from a number of countries suggests that even when restrictions are lifted online sales are fairly resilient. This was observed in France during the easing of COVID restrictions during the summer - online sales remained about 20 percent above 2019 levels.

LOW GROWTH SCENARIO

In the low growth scenario the gains made during 2020 do not change the pre-existing growth trajectory. Online sales stay at heightened level during H1 2021 before declining in 2021-22. Growth resumes in 2023 at around 4.5 percent. This continues throughout the 2020s with the rate of growth slowing before the market reaches maturity i.e. the share of online and in-store purchases stabilises in the early 2030s.

HIGH GROWTH SCENARIO

The high growth scenario assumes that the gains made in 2020 are maintained and that due to advances in technology, and shifts in consumer behavior online retail markets will continue to develop, ultimately reaching the levels of e-commerce penetration currently seen in East Asia by the 2030s.

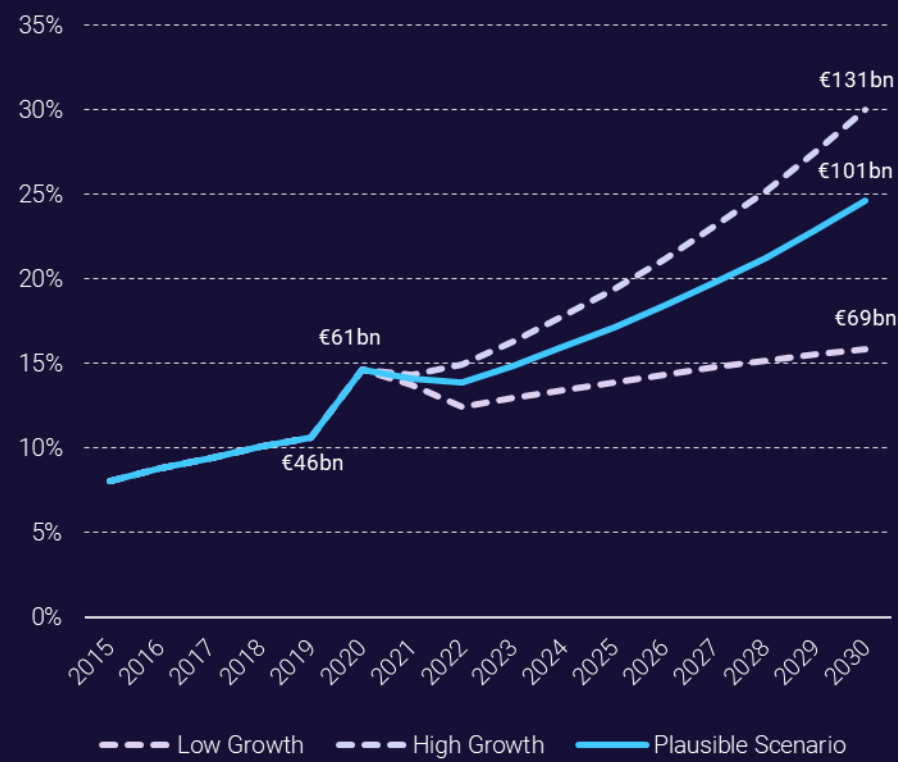
In this scenario the investments that firms have made during 2020 result in sustained growth over the next several years and COVID-19 acts as a catalyst for changing consumer behaviour.

PLAUSIBLE GROWTH SCENARIO

In reality, the actual outcome will probably be somewhere in the middle and there is the potential for 'lumpy' growth particularly if new online channels such as direct sales through social media platforms rapidly gain in popularity.

There is certainly considerable scope for increases in apparel and footwear, health and beauty, and home and household goods. The ageing of digitally-native populations will also likely lead to organic growth.

FIGURE 2: GROWTH IN ONLINE MARKET SHARE, 2015-2030



Source & Methodology: Forecast based on market size and growth rate estimates from FEVAD, Kantar, Banque France.



ONLINE RETAIL LANDSCAPE

SECTION 2

ONLINE RETAIL LANDSCAPE

In this section we look at the leading e-commerce companies in France across a range of categories and construct a unique ranking, the Online Retail Power Index, based on site quality, web traffic and online sales to identify the leading players in online retail.

METHODOLOGY

The Online Retail Power Index looks at 40 of the leading e-commerce sites in France. Site Quality is a composite measure based on [average visit duration, the number of pages visited and the bounce rate](#) (percentage of users who only view one page) as there are correlated with customer conversion. Site Traffic is measured by the number of [website visitors per month](#). Online revenue is taken from FY19-20 annual reports, where this is not available estimates are constructed from available data such as press releases or market share information. All data points are adjusted to only show the traffic or revenue attributable to French consumers.

MARKET LEADERS

Unsurprisingly Amazon.fr is the highest ranked e-commerce site. Amazon’s 2019 revenues in France are estimated to be in the region of €7.75 bn and it sees around 178 million visits to its site every month. This almost three-times as many as its nearest rival - Cdiscount which generates approximately 59m site visits.

Retailer	Site Traffic (millions per month)	Online revenue (FY19, € millions)	Online Retail Power Index
Amazon E-commerce Marketplace	178.1	7,750	86.1
C-discount E-commerce Marketplace	58.8	3,900	42.9
E. Leclerc Omnichannel Grocery/Marketplace	14.4	3,030	34.2
Veepee E-commerce Fashion/Marketplace	16.7	2,220	28.6
Fnac-Darty Omnichannel Electronics/Marketplace	55.1	1,146	24.0
AliExpress E-commerce Marketplace	38.2	1,100	22.8
Auchan Omnichannel Grocery	10.5	1,250	21.5
Vinted E-commerce Fashion/Second-hand	28.4	495	20.7
Intermarche Omnichannel Grocery	4.6	740	20.7
Carrefour Omnichannel Grocery	13.6	1,110	20.4

Amazon also scores relatively well compared to other marketplaces on measures of site quality and customer conversion although it is outperformed by online supermarkets and a private sales sites such as Veepee on these measures.

There is an even split between pure e-commerce sites and omni channel retailers in the top 10 site.. The list is dominated by online marketplaces such as Amazon, C-discount, Fnac and AliExpress along with supermarkets such as E.leclerc¹ and Auchan.

Two firms specialising in apparel and footwear make the top 10. However, both in different ways highlight some of the excentricities of the French e-commerce landscape. Veepee is the leading online fashion retailer² in France, it operates private, members-only sales in collaboration with around 7000 brands offering time-limited sales of up to 50-70% off recommended retail prices. This model is highly popular with French consumers and has been copied by rivals such as Showroomprivee and German online fashion retailer, Zalando which introduced Zalando Prive and Zalando Lounge in a number of European markets.

Vinted, a Lithuanian start-up that provides a consumer-to-consumer marketplace for selling secondhand clothes, is also extremely popular in France. French users make up more than a third of the company’s user base and generated around €500 million in sales in 2019. This is lower than some of the other sites in the list but the site has a dedicated consumer base and the relatively low revenues are driven by the low cost of goods sold. The popularity of Vinted is indicative of an increasingly important consumer trend in France towards reduced consumption and a greater awareness of the social and environmental impact of purchases.

FASHION

Online fashion retail in France is comparatively underdeveloped relative to other developed e-commerce markets. In 2019, online fashion sales were estimated to be worth around 6 billion euros. In contrast, the UK market was valued at more than €12.7 billion. The relative reluctance of French consumers to purchase apparel and footwear online can be seen in the way in which spending in the sector reacted to lockdown - fashion experienced both the largest falls in spending and and the sharpest post-lockdown bounce-back.

This has led to relatively low levels of investment in e-commerce amongst bricks and mortar chains - our analysis shows that the top 5 online fashion retailers are all pure e-commerce sites. From a revenue perspective the leading sites are Veepee (€2.2bn), Zalando (€690m) and Vinted (€500m). Amazon is estimated to have annual fashion revenues of around €585 million. A recent study by FEVAD, an industry body representing e-commerce sellers, found that 37 percent of consumers had made at least one purchase of clothing, shoes or accessories on Amazon in the past 12 months - more than any other retailer.

The sector has a long tail of mid-sized online fashion retailers which generated revenues of between €150 and €250 million. This includes global omni-channel retailers such as Zara and H&M and French budget retailers such Kaibi.

HOME, GARDEN AND DIY

The repeated COVID-19 lockdowns led to a surge in spending on home and garden products in 2020 as people spent more time at home and embarked on home improvement projects. The online market is [estimated](#) to have grown by 24 percent in 2020.

1 - The analysis combine E.leclerc’s grocery focused ‘Drive’ site with it Leclerc online marketplace which specialises in technology, home applicances, household items and apparel as revenue data is not published separately.
2 - In addition to apparel and footwear the site also sells homewares and beauty products

E-commerce is responsible for a relatively small percentage of total sales but the category has experienced rapid growth in recent years - the online penetration rate in 2018 was around 8 percent.

The two dominant firms are Amazon and ManoMano. ManoMano is an e-commerce marketplace for DIY, Garden and Home Improvement supplies. The company generated €620m in revenue. FoxIntelligence, a market research firm, estimates that Amazon holds a 49 percent share of the online DIY market which would give it revenues of around €980m.

Third position on the list goes to Ikea which has substantially expanded the share of purchases made via online channels in recent years. In 2019, it generated 14.8 percent or €410m of sales online.

This contrasts with three bricks and mortar retailers for whom online sales made up just 3-6 percent of sales. This is despite generating more site traffic than ManoMano.

ELECTRONICS AND HOUSEHOLD APPLIANCES

Electronics and household appliances are one of the most established categories with an online penetration rate of [around](#) 40 percent adding [up to](#) more than €11.4 bn in 2019. 2020 saw online revenues grew by about a third.

Amazon is the category leader although its market share of 16 percent is somewhat lower than in other European markets. FEVAD found that 65.5% of consumers surveyed had purchased electronics and appliances from Amazon in the last 12 months. The two other leading players are Cdiscount and Fnac-Darty.

HEALTH AND BEAUTY

The online market for health and beauty products is relatively underdeveloped but recoded the highest level of growth in 2020 of any product category - online sales grew by 52 percent year-on-year.

Omnichannel retailers such as Nocibe and Sephora are the market leaders, online sales made up about 17-18 percent of sales in 2019 and generated revenues of €110m and €80m respectively. COVID-19 saw online chanelns increase significantly, growing 40 percent at Nocibe.

Amazon is also an important player although there is no breakdown available of its sales data in the health and beauty category. FEVAD [estimates](#) that over a quarter of French online consumers have made a health & beauty purchase on the site. Yves-rocher and Look Fantastic, a British pure e-commerce site round out the Top 5.





SPOTLIGHT: AMAZON.FR

SECTION 5

SPOTLIGHT: AMAZON.FR

Amazon is by far the largest player in the French e-commerce market. In 2019, the company was estimated to have a 17 percent share of the online retail market, with revenues of approximately €7.7 bn and year-on-year sales growth of 17.6 percent. Marketplace sales account for just over half of total sales.

That said, Amazon’s revenues and market share are significantly lower in France than in the UK (€21.9 bn) and Germany (€24.5 bn). This partly driven by the dynamics and maturity of online retail in those markets, however, there does appear to be a uniquely French antipathy to Amazon. Several government ministers have made direct calls on consumers not to buy from Amazon, in November Bruno Le Marie, the Minister for the Economy, stated “If you can find your toy in a local store, your book at an independent bookseller and all you have to do is make a phone call to order it, do it!” one of a number of such interventions in recent months.

This has translated into real world action. In April Amazon was forced to stop selling non-essential items for several weeks after a court ruled it was failing to do enough to

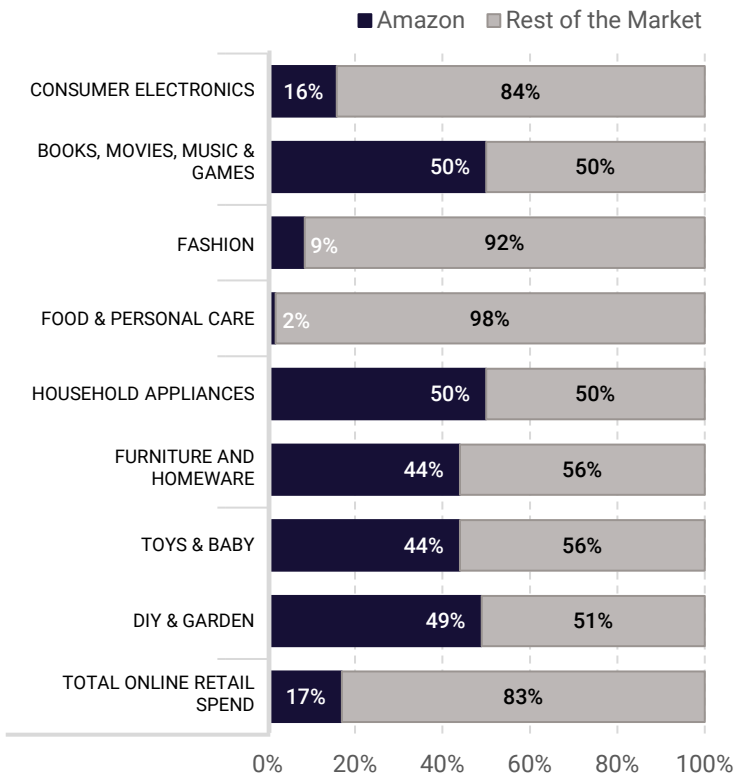
protect its warehouse workers and the company cancelled its the annual Black Friday sales event following government pressure.

However, whilst Amazon’s 2020 growth in France was weaker than other developed economies it still saw its total sales and market share increase. Kantar estimates that Amazon’s market share grew to 19 percent implying total sales of around €11.6bn.

Figure 3 shows Amazon’s category penetration rate in France across a range of online retail categories – there is significant variation in market share. Amazon’s top product category in terms of market share is Books, Movies, Music and Games - 50 percent market share. The company also has large shares of a number of other categories including Games & Toys (44 percent), Household Products (42 percent) and Children’s Items (36 percent).

Globally, Amazon has historically been weaker in Fashion than other product categories. However, in France it is estimated that it controls about 8.5 percent of the market worth €585bn, this compares to 4 percent and 6 percent in the UK and Germany respectively.

FIGURE 3: AMAZON'S SHARE OF THE ONLINE RETAIL MARKET ACROSS SELECTED PRODUCT CATEGORY, 2019





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ABOUT DSI EUROPE

We are a community of European manufacturing leaders collaborating to win on the digital shelf.

Founded in 2019, the Digital Shelf Institutes (DSI) mission is to help brand manufacturers win on the digital shelf. We curate programming and events designed to build community and share knowledge that empowers manufacturing leaders to navigate the rapidly evolving digital landscape.

Recognizing both the commonalities and unique nature of the European digital landscape, DSI Europe was launched to foster community among digital transformation leaders in Europe.

Interested in learning more about DSI Europe? Join our Executive Forum

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