

E-business in the uk article review

[Business](#), [Marketing](#)



Introduction – how it all started and what is its effect on the economy

E-business is by far the largest growing form of business in the world and this is also obviously true for the UK. Although there is the perception that this is a relatively recent phenomenon, actually e-business has been around for quite a long time, actually since the late 1970's when Michael Aldrich invented online shopping (1979) although commercial practise across the internet was strictly regulated until 1995 when rules began to be relaxed and companies began offering their services through the internet.

Initially services offered through e-business focused on sale of books, CDs and other similar equipment but this has since grown to a multi billion pound industry which caters for practically everything under the sun. In the UK, it now accounts for more than half the total sales of products annually and the ratio of internet sales is growing exponentially every day.

Electronic commerce took off by storm in the UK around 1997 and this coincided with the election of a Labour government which was very pro active and supportive towards business. This resulted in an explosion of large companies who began offering their services online, big department stores such as Dixons, supermarkets such as Morrison's and Tesco's and suchlike. Although the public was initially cautious about this new medium, it eventually took to it like a duck takes to water and the growth in the years 1997-2000 was nothing less than phenomenal.

Amount of e-business in the UK – how is this growing?

According to Charlton (2010), UK consumers spent over 250 billion pounds in e-commerce in the decade from 2000 to 2010 so one can have a clear picture of the massive effect that this industry has on the UK economy. He also indicates that at least 46.2 per cent of the whole public buys something from the internet at least once a week with an average spend of GBP 71 in that same week. These are pretty staggering statistics and they indicate the substantial effect which e-commerce is having on the UK public as a whole where it has practically become the preferred mode of shopping for the majority of the spending population when one takes into account the very young, old and infirm who cannot use the internet for obvious reasons.

Interestingly and to make a comparison, total UK internet sales in 2001 were just 1.8 billion so the increase can be seen exponentially. There are various factors which affect customers to take up the internet as their favourite mode of commerce and these include the perk of free shipping (favoured by 82 per cent of customers), cheaper prices than in retail stores (72 per cent), alternative payment methods such as credit cards (60 percent) and reviews by experts and other opinion leaders (59 per cent). All this shows a real healthy possibility for substantial internet commerce growth and in the UK this has been nothing short of phenomenal in all departments.

How big is the UK E-business locally and internationally

As already stated, the amount of sales in the UK through e-commerce has peaked at around GBP 56 billion in 2010 with sales in 2011 already reaching

that figure by June so this year is expected to be another bumper one in that department. However as regards UK companies, these still lag rather far behind the United States where huge conglomerates such as Amazon. com, Barnes and Noble, Paypal, E-bay and suchlike post sales which are close to a hundred billion dollars annually. However the UK chains of these brands also post substantial retail sales and these have also been growing very fast over the past years.

European e-commerce sales have also been growing exponentially in the past years with several countries experiencing rapid and substantial growth. In fact online retail sales in Europe are expected to grow by 20 per cent during 2010 and should reach the 172 billion Euro mark with this e-commerce factor accounting for 5.5 per cent of all retail sales on the continent. The countries which are seeing the fastest growth in e-commerce appear to be France, Poland and Spain although Poland is still at the bottom of the pile as regards average spend by person.

The UK is still the top consumer as with average spend by person and in 2009 the average Briton spent €1270 each annually which was the highest figure in Europe where the average was €840 annually. This indicates a 25 per cent difference for average spend annually for UK shoppers and demonstrates that they are still very much at the forefront of internet technology on the continent.

Naturally enough, much depends on the propensity of the UK retail market to continue growing and the recession has somewhat stunted that of late. However, higher broadband speeds, more effective payment gateways and a

vast range of online products have assisted internet companies to continue to offer substantial growth potential in the past years.

How is e-commerce reflecting on the local market in the UK and the international market

Internet sales continue to be one of the main driving forces and engines for growth in the UK across 2011 and beyond. In fact analysts are predicting that the internet commerce market will grow by a staggering 110 per cent over the next decade reaching 123 billion pounds by the end of 2020.

According to such forecast, this will then taper off to a growth rate of 6 per cent year on year but it is still a huge and substantial market on the whole.

Companies seem to be investing heavily in their internet gateways and potential so the UK is set to continue to dominate the European internet market for some time. Europe is a fast growing market for the UK too and it is only a matter of time until the UK product line begins to dominate EU sales where it already accounts for a large slice of the pie in that respect.

The online supermarket system is also something which continues to develop in the UK with the big brands such as Tesco's, Morrison's, ASDA and Sainsbury's growing hugely and investing substantially in this respect.

However other companies of a more traditional ilk such as Marks and Spencer's and Harrods are also looking to the online shop as a method for growing their customer base and this can only lead to a further explosion in internet sales both in the UK and beyond.

References:

Charlton G (2010); E-commerce stats round up; <http://econsultancy.com/uk/blog/6426-e-commerce-stats-round-up-2>

IMRG Capgemini e-Retail Sales Index reveals UK's ten-year love affair with online shopping (2010); <http://www.uk.capgemini.com/news-centre/news/pr2119/>