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FOCUS: E-Commerce in Poland

In this edition of the newsletter, MainStage Logistics has teamed up with Sierra Balmain to delve into the topic of the changing face of e-commerce in Poland, particularly in the wake of the COVID-19 pandemic.

The COVID-19 pandemic has undoubtedly shaken up the whole world and brought about change in the already quickly progressing trend of traditional retail regress in favour of e-commerce. The lockdowns instilled in most of the countries have shifted patterns in the consumer behaviour as well as highlighted the growing importance of smartly and conveniently located logistics. The process has been noticed by the real estate market observers and professionals alike, however, has the pandemic only catalysed the inevitable? Unfortunately, the conclusion is not so straightforward.

The impact of lockdowns and trading bans has also caught retailers short and unprepared for all but the most advanced vertical retailers. Whilst developers and investors scramble to get into “last mile” real estate space, and supply chain logistics issues are being solved, traditional retail is trying to reclaim the narrative of being the ultimate same day fulfilment and last mile provider.

Pre-COVID-19

Before the COVID-19 outbreak Polish e-commerce market has been growing at a stable rate of 18% every year, but still has a relatively low penetration at 7.3% in October this year, according to Statistics Poland. The growth has been dictated by the rise in popularity of online

shopping among the consumers as well as more and more brands coming through with their own online stores. The "E-commerce in Poland 2020" report prepared by Gemius states that there are almost as many as 28 million internet users in Poland of which 73% had shopped online at some point in the past. For comparison, in 2019 only 62% of internet users had made such declaration, whereas 56% and 54% did their shopping online in 2018 and 2017 respectively. The stunning growth of nearly 20 pp. in four years time can be positively correlated with the COVID-19 pandemic. Moreover, experts outline that the pandemic has accelerated the e-commerce growth process by one year.

As we have already underlined in one of our previous issues, the COVID-19 pandemic has upended the global economy, leading to multiple direct and indirect implications for the real estate market, especially the retail sector. The physical had to be substituted by the digital resulting in a growing significance of e-commerce for the time being.

Nonetheless, after the first lockdown, traditional retail started to push back. According to the data provided by Statistics Poland, the peak share of e-commerce in total retail sales was reached in April at 11.9% to fall off to 9.1% upon the reopening of shopping centres in May, to finally stabilise at ca. 7% at the end of Q3 2020.

Global Trends

In parallel with what was happening in Poland, the rest of Europe as well as all different regions of the world have noticed significant growth in the e-commerce activity since the onset of the COVID-19 pandemic and the first lockdown. The average share of online retail sales in Europe is prognosed to reach 16.2% in 2020, a substantial but not surprising jump from 12% in 2019, Centre for Retail Research discloses. The results are inflated by the two largest e-commerce markets in Europe – the UK and Germany – who will have both reached 26.2% and 19.9% online retail sales penetration by the end of 2020 respectively, up from 19.4% and 15.9% in the previous year.

Nevertheless, as GlobalData outlines, a vast proportion of sales attributed to the online channel are multichannel sales which heavily rely on physical and digital stores' coexistence and cooperation for success. The click-and-collect has played a vital role in the everyday shopping habits of food and non-food customers alike as it has also jumpstarted a shift in the retailers' mindset and their approach towards moving their businesses online. A study done by Salesforce implies that income derived from online sales increased by 71% internationally in Q2 2020 when compared to 2019. The click-and-collect sites were the biggest winners according to the investigation.

Investment Landscape

2020 had a very strong start with European investment volumes surpassing €75bn, thus resulting in the highest Q1 of the decade. However, by the end of Q3, in most of the European markets the investment activity has fallen below their 5-year averages. This cannot be said about the CEE region. In Poland alone, the YTD investment activity has risen to 23% above the 5-year average, Savills reports. This proves Poland is a quickly developing country with lots of available product and active players on the market.

While the retail investment sentiment in the CEE region has shrunk from 23% in 2019 to 11% in Q3 2020, logistics are booming. The average share of logistics transactions in the region has skyrocketed to 30% at the end of Q3 2020, up from 16% in 2019. Yet, offices remain the most sought after commercial property with a share of 38% of all real estate sales and acquisitions done by the end of Q3 2020, although they are closely trailed by the logistics sector.

What's Next?

With holiday shopping season just around the corner, it seems there is no stopping to the e-commerce craze, especially since the newly instilled lockdowns have been recently lifted. Although McKinsey suggests customers won't be relatively spending as much as they have in previous years. Moreover, customers are to shun almost two-thirds of their tried-out brands or retailers in favour of trying out something new. This trend highlights a challenge for both online traders and physical retail provision. The customer is no longer loyal but is rather fickle. Our physical spaces and retailers need to adapt to this and embrace technology and increase flexibility.

Whereas much of the holiday shopping will be done via the online channels, a recent survey in Poland conducted by money.pl indicates every other customer will want to visit a shopping centre prior to the Christmas season despite the accompanied health risk. This may only strengthen the relationship between digital and physical in terms of multichannel dynamics. Retailers and shopping centre owners are working around the clock to ensure the safest environment to do this.

The share of online retail sales in 2021 is projected to fall below the all-time highs delivered in 2020, Centre for Retail Research implies. However, the pandemic has brought about change no one could expect and hastened the e-commerce penetration by one year time, experts mutually agree. Moreover, there's a risk of another lockdown to happen at the beginning of 2021 after families have travelled and spent the holiday season together.

Despite the challenges the pandemic has been constantly throwing up, retailers adapted well to the situation by introducing various sales channels and believe there is no risk for traditional retail to be completely ousted by e-commerce in the near future. Furthermore, the changing retail landscape and consumer behaviour propels the demand and supply for logistics (warehouses but also last-mile facilities).

MainStage Logistics and Sierra Balmain are working closely on many concepts to address the convergence of the online and offline retail world. This cooperation extends to our retailers, occupiers and companies involved in supply chain dynamics. One thing that we can determine from the statistics and surveys is that there is no one answer, but one thing that we can distil from many years of experience is that effective collaboration and cooperation will usually provide successful outcomes across many fronts.
