



Global Trends in *E-Commerce*

By Ricondo & Associates Inc.

THE INCREASING USE of electronic commerce (e-commerce) has changed the landscape of global retailing and is affecting activity at airports. The development of e-commerce includes retailing in airport terminals, but is more significantly related to an airport’s interaction with the business, logistics, and cargo networks that can provide competitive advantages to companies in, for example, assembly, sortation, regulation, speed, assurance, and cost of delivery. The widely anticipated growth of e-commerce worldwide presents significant opportunities for airport owners to recognize trends, support the e-commerce business network to the benefit of their tenants and their own financial results, and contribute to regional economic development.

OVERLAYING DEVELOPMENTS

Several overlaying developments contribute to the growth of e-commerce:

1. Increasing concentration of the world’s population in urban areas with global connectivity, which increases the importance of the world’s airports in moving passengers and goods around the world.
2. Increasing self-owned, single-person businesses, also frequently referred to as the “gig economy” or “on-demand economy.”
3. Technological advancements to enable globalized commerce.

10 Largest E-Commerce Markets

COUNTRY	ANNUAL ONLINE RETAIL SALES (BILLIONS)	E-COMMERCE SHARE OF TOTAL RETAIL SALES	2016 POPULATION (MILLIONS)	LEADING E-COMMERCE RETAILERS
China	\$672	16%	1,379	Taobao, Alibaba, Tmall
United States	340	8%	323	Amazon, eBay
United Kingdom	99	15%	66	Amazon UK, Argos, Play
Japan	79	5%	127	Rakuten
Germany	73	8%	83	Amazon, eBay, Otto
France	43	5%	67	Odigeo, C-discount
South Korea	37	10%	51	Gmarket, Coupang
Canada	30	6%	36	Amazon, Costco
Russia	20	2%	144	Ulmart, Citilink, Ozon
Brazil	19	3%	208	MercadoLibre, B2W

LEADING E-COMMERCE MARKETS

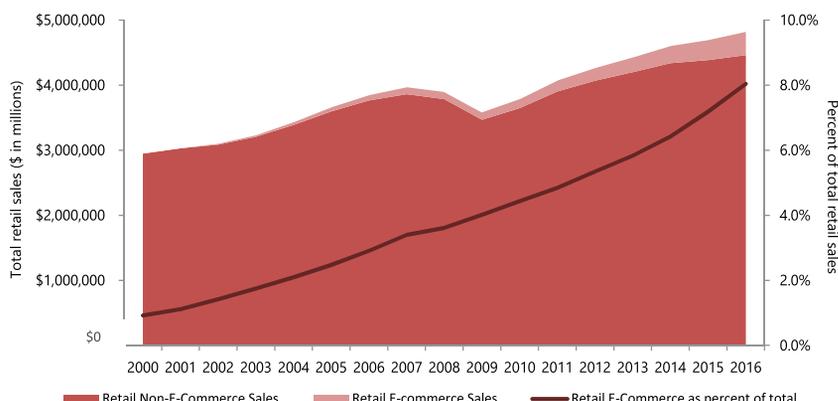
There are varying estimates of e-commerce sales by country, but, in most cases, China is shown as the leader because of its very large population base and rapid adoption of technology.

E-COMMERCE GROWTH IN UNITED STATES

The United States is the second largest online market in the world (following China). Many U.S. retailers are investing in international operations, and many international

Source: Business.com, “10 of the Largest Ecommerce Markets in the World by Country”, February 22, 2017 (sales data); World Bank, July 2017 (population). PREPARED BY: Ricondo & Associates, Inc., October 2017.

Estimated Total U.S. Retail Sales: E-Commerce vs. Non-E-Commerce (2000-2016)



Source: Retail Indicators Branch, U.S. Census Bureau, U.S. Department of Commerce, May 2017.
Prepared by: Ricondo & Associates, Inc., October 2017.

e-retailers are investing in the U.S. market.

Online sales still represent a relatively small share of total retail sales in the United States (about 8 percent in 2016), but the online share has been increasingly rapidly. This illustrates the potential for significant future growth in e-commerce in the context of the very large overall U.S. retail market.

LOGISTICS AND DELIVERY ARE KEY TO E-COMMERCE

E-commerce, in most cases, replaces the experience of shopping at a brick-and-mortar store, and requires the delivery of goods to the purchaser. According to the U.S. National Retail Federation, about 60 percent of online

sales in 2015 included free shipping. Free shipping is a competitive advantage, but also a cost. Combined with increased demand for speed of delivery (2-day, 1-day, or same-day), shipping to individuals is a major logistical challenge central to the business offering.

National postal services have become more relevant with the rise of e-commerce because of their networks of local couriers and ability to deliver to individual residences. Delivery is more complex with cross-border trade—myriad issues exist, such as multiple operators, customs clearance, customer payment, taxes, and currency exchange challenges.

One area of interest for e-commerce is the potential for drones to deliver packages, and thereby solve one of the

more costly and complex elements of e-commerce fulfillment. The potential for drones is particularly important for airport owners to consider because, if there is an alternative delivery method, questions arise regarding investment in airport facilities for more traditional air cargo and the potential airport role in supporting the use of drones for e-commerce delivery.

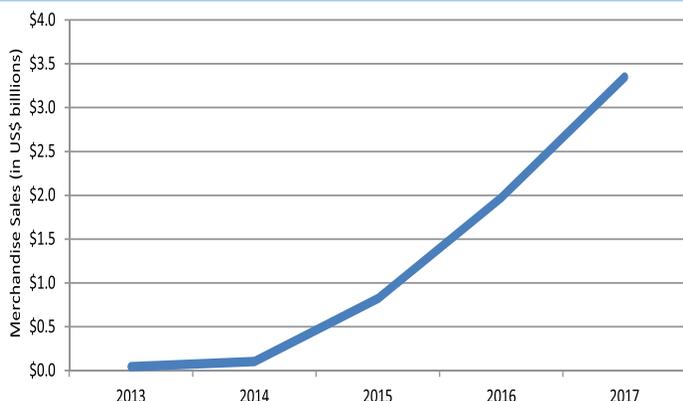
OPPORTUNITIES FOR AIRPORTS

Airport owners have multiple opportunities to participate in the growing e-commerce business. Strategies need to be developed in accordance with the local setting—geographic location, economic fundamentals, and airport infrastructure. With the continued globalization of economic activity, and the associated increase in cross-border e-commerce, airports with established international gateway operations and networks of logistics businesses familiar with the intricacies of international trade will be well-positioned.

Example: Miami

The Miami-Dade Aviation Department, operator of a system of airports in Miami-Dade County, Florida, has invested in strategic planning to leverage the combined (1) rapid growth in e-commerce, and (2) Miami's unique position as an international center of commerce and air cargo for Latin America. A multifaceted approach to analysis and planning includes evaluating cargo infrastructure needs and the potential use of various airports in the system, and coordinating with stakeholders on-airport and in the community. Recently, the Miami-Dade Aviation Department conducted a workshop with airlines, integrators, logistics providers, community economic development leaders, and others to discuss challenges, opportunities, and collaboration strategies related to e-commerce. <

U.S. Same-Day Delivery Value



Source: B.I. Intelligence (data), April 2017; A.T. Kearney, "U.S. E-Commerce Trends and the Impact on Logistics" (analysis), April 2017. PREPARED BY: Ricondo & Associates, Inc., October 2017.