Retail Renaissance 2026

Paper #1: Death of online?

2026

The first of six papers exploring key themes that are defining the Retail landscape and will play out going forward

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Paper #1: Death of online?

Disruption of the disruptors, the hunter becomes the hunted

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3 KEY TAKEAWAYS:

- The days of exponential online growth are over – the new norm is of online broadly tracking overall retail sales, but with erratic and seasonal monthly swings.
- The online market is subject to evolutionary structural change (with a whole host of moving parts), the key by-product being that multi-channel is growing far faster than online pure-play.
- Multi-channel operators are now at scale with their online infrastructure – freeing up investment / capex for physical stores, with digitally-enhanced capability.

Death of the high street. A phrase that readily trips off the tongue because we have heard it so often. The stock reason for the supposed demise of our beleaguered town centres? The rise of e-commerce, which has mercilessly rendered redundant the institution of a high street shop.

Death of online? A phrase barely contemplated, let alone uttered. Yet increasingly a 'market' hamstrung by pedestrian or erratic sales growth and experiencing shake-out of weaker, less relevant, poorly-capitalised operators. And facing up to its own structural challenges.

Maybe the high street and online have more in common than is widely perceived?

NEBULOUS NUMBERS AND NARRATIVE

And that is exactly the point. For too long, the narrative around online has been simplistic at best, deeply erroneous at worst. The embedded notion is that online is a merciless, omnipotent force against which the high street is powerless to compete. The online 'market' is therefore growing exponentially, high street operators mere prey to their online pure-play counterparts, led by ringmaster-in-chief Amazon.

This notion is unravelling. Fast. The key fact above all else is that online isn't an indestructible force, nor is it even correct to term it a 'market' as such. In retailing terms, online is merely a channel of distribution. There are a number of channels of distribution within retail (e.g. physical stores in their multitude of guises, direct-to-consumer, market stalls, warehouse clubs, wholesale, cash & carry, mail order, TV shopping etc.), online is just a sub-sector within a much bigger market. There is significant cross-over between retail's various channels of distribution and, more often than not, they work in harmony rather than discord. A fact that is becoming clearer all the time.

But binary-based thinking has always driven a thirst for empirical quantification and explosive growth numbers and spiralling penetration rates have traditionally fed the 'false' narrative. Understanding online has never been about the numbers in isolation, yet disproportionate weight has always been given to online penetration figures. These may tell a story, but it is not the full one and does scant justice the complexities of a rapidly changing retail market.

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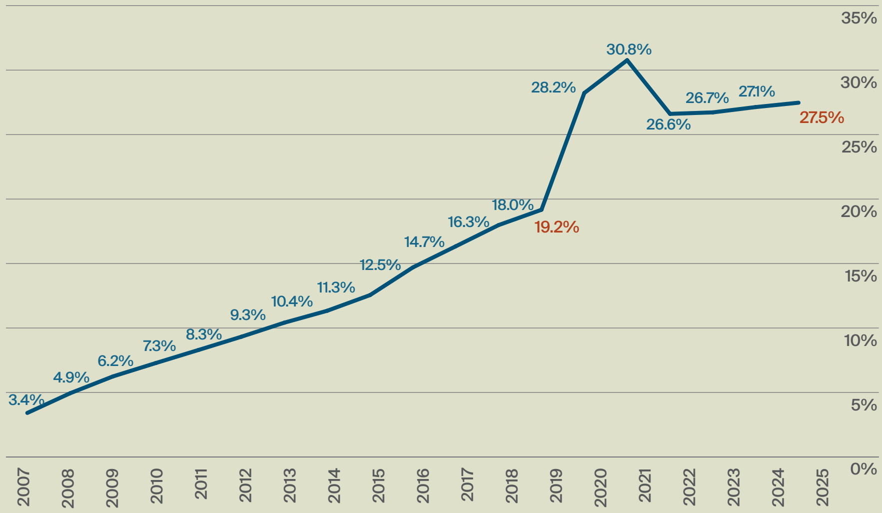
Taking the penetration numbers at face value, there are three clear phases of online evolution – pre-COVID, COVID itself and post-COVID. Woefully simplistic, the narrative is fundamentally that online was a huge growth 'market' before COVID, the pandemic turbo-boosted this to the stratosphere. And it has not looked back since.

PRE-COVID

For a long time, the hype superseded the reality. Even Next, an indisputable 'best in class' online operator now, was initially deeply sceptical of the potential of online in the late 1990s, despite having a massive head start through its Directory business. Online penetration did not hit 5% until 2008/9. But exponential growth really took root thereafter, with penetration routinely increasing by +100bps to +150bps per annum before COVID took hold. Online penetration was just shy of 20% (19.2%) in 2019, the last full year before the pandemic.

Annual online penetration – clear but temporary impact from COVID
% of all retail sales



Source: ONS, Knight Frank Insight

"The great answered question was what the growth profile looked like post-COVID. Many assumed that normal service would just resume and online penetration would just kick on as before."

COVID ITSELF

Weird times, abnormal trends, misguided conjectures. Online penetration did inevitably spike during those crazy days, but more by default than design, more by necessity than choice. The lazy narrative is that consumers went on a voyage of online discovery during COVID, when data from Mintel showed that around 95% of shoppers already shopped online prior to the pandemic.

The spike in online penetration was actually driven as much by basic mathematics as it was a shift in consumer preferences. Online sales increased as consumers were denied the privilege of visiting stores during lockdown, and overall retail spending contracted as not all retail channels were operational. The numerator increased, the denominator decreased – simple maths.

On an annualised basis, online penetration hit 28.2% in 2020. Over the course of 2020/21, monthly online penetration hit a high water mark of 37.2% in February 2021. Lesser analysts predicted that we were on course to hit 50% sooner rather than later, completely disregarding that these peaks were artificial and purely temporary, as time has now proved.

POST-COVID

After the highs, the great rebase. Monthly online penetration slowly decreased from February 2021, the rebasing finally bottoming out in July 2022 at 25.7% – tangibly higher than the level at which it entered COVID (19.2%).

The great answered question was what the growth profile looked like post-COVID. Many assumed that normal service would just resume and online penetration would just kick on as before.

With the benefit of more than three years' data and experience, we now know that this is not the case. Online growth is definitely slowing. Online penetration in 2025 was 27.5%. Had COVID hypothetically not happened and penetration had grown at historic growth rates, we would have been at very much the same level (27.6%).

COVID's boost to online was temporary – we are now entering something infinitely more complex.

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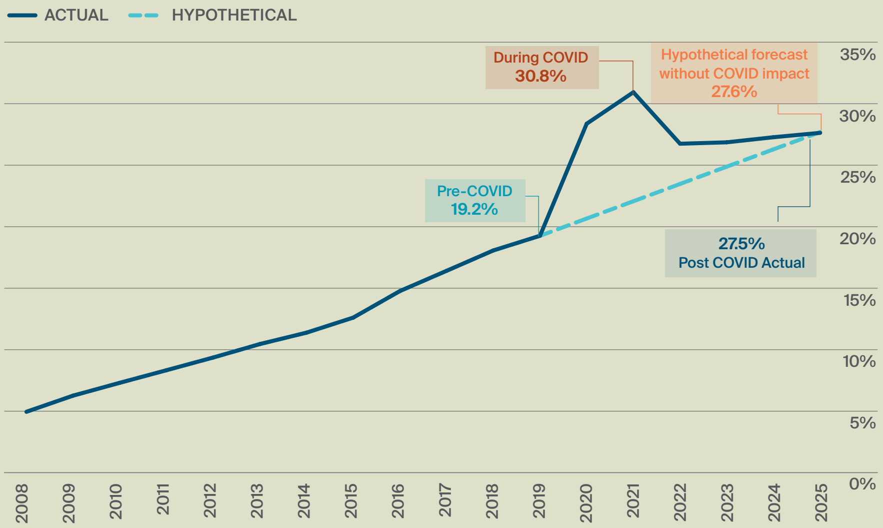
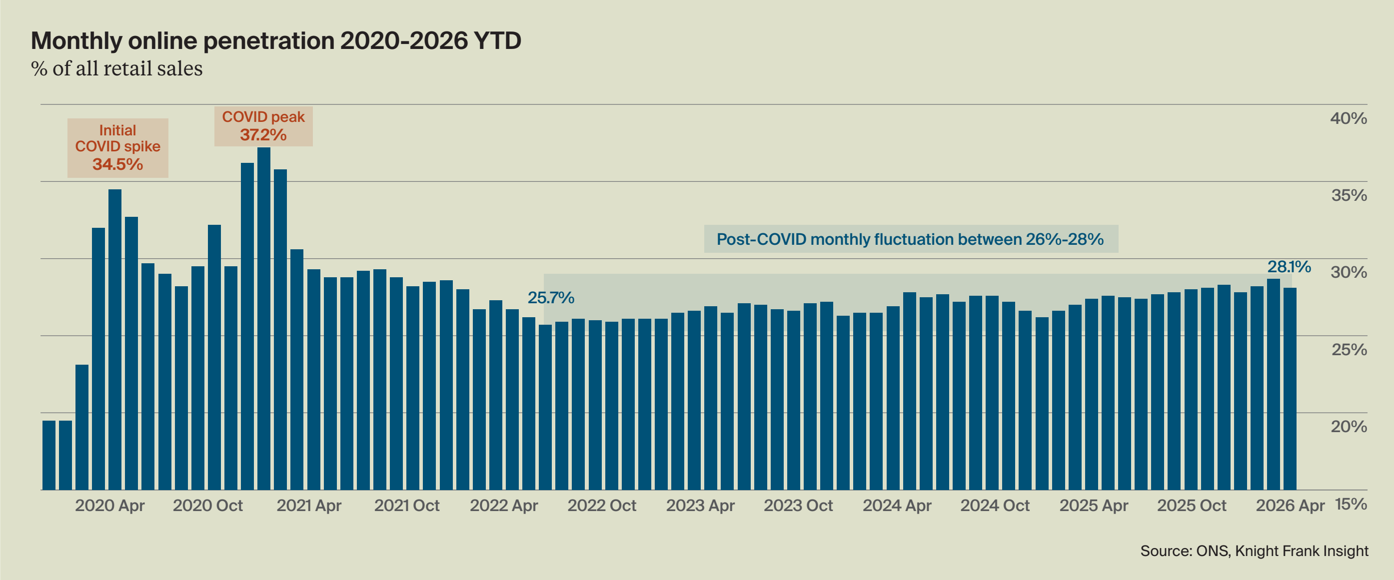
Hypothetical online penetration without COVID
% of all retail sales



Source: ONS, Knight Frank Insight



SEASONALITY SWINGS

The new norm is of a fairly stabilised, almost static market on an annualised basis, belying highly erratic monthly patterns. Online demand ebbs and flows on a monthly basis, the upticks and dips broadly cancelling each other out and resulting in a largely neutral position.

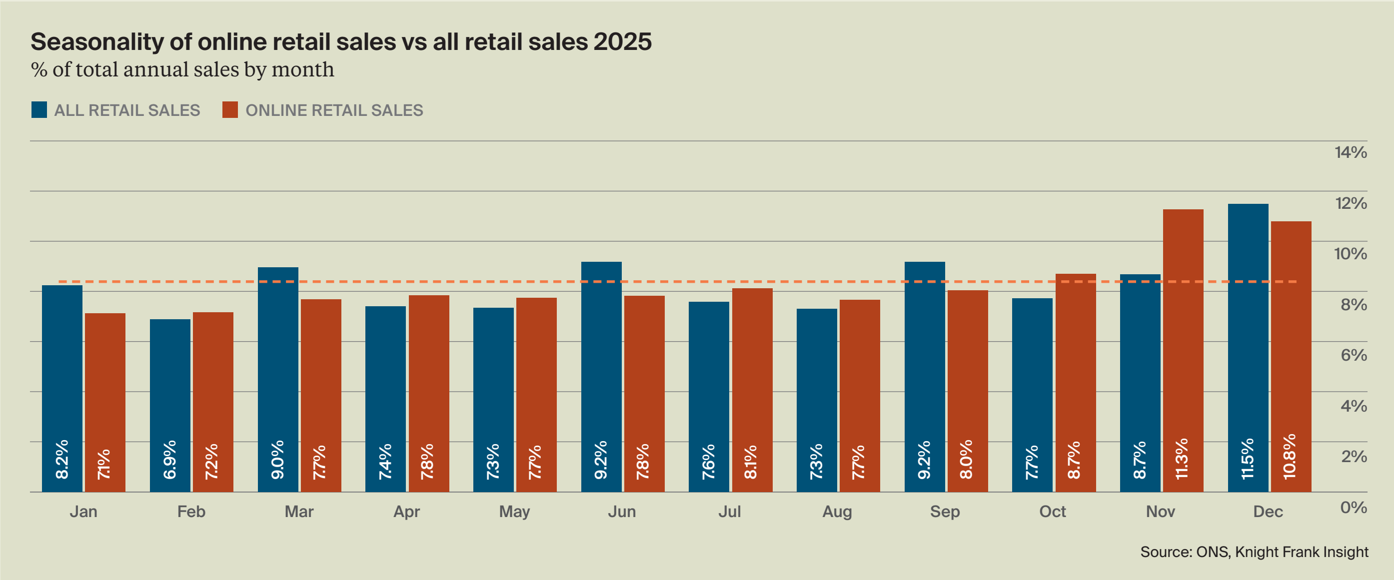
Since the rebase bottomed out in July 2022, monthly online penetration has consistently bumped along at somewhere between 26% and 28%, only occasionally falling either side of these thresholds. The direction of travel is by no means consistent nor linear. For example, the latest available figures at time of writing show that online penetration in April 2026 was 28.1%, lower than it was in December 2025 (28.3%). In essence, online has gone backwards since Christmas.

On the surface erratic, these patterns are in fact predictable to a point in that they show clear signs of seasonality. The peak month for online is unquestionably November, which accounted for 11.3% of annual online spend in 2025, followed by 10.8% for December. This reflects the fact that Black Friday is far more an online phenomenon in the UK than it is in its native US, where it was originally conceived as (and to a degree remains) a store-based event.

This November skew is even starker when juxtaposed with the seasonality of all retail spending. Despite all the noise around Black Friday, November is a relatively sedate month for UK retail sales – it is only the fifth busiest month of the year for retail sales (8.7%), behind December, September, June and March

Obviously, the weather will also have a marked impact on demand patterns. As a basic rule of thumb, the worse the weather, the more incentive consumers have to stay at home and order online, rather than brave the elements to venture to the high street. But, of course, weather in the UK is highly unpredictable.

So, online highly susceptible to seasonal trading patterns and also exposed the vagaries of the UK weather. Much like the rest of UK retailing – again, is there much difference between channels of distribution, or are they all just passengers, or rather rowers, in the same boat?



> "Multi-channel is growing significantly faster than online pure-play – and this trend / structural change is likely to accelerate going forward."

Online: Path to purchase permutations and combinations

POINT OF PURCHASE	ORDER SERVICED BY	FULFILMENT LOCATION
Phone	Central Warehouse	Home Delivery
PC	Last Mile Logistics Hub	Workplace Delivery
Tablet	Direct from Manufacturer	Click & Collect - store
TV	Store	Click & Collect - 3rd party collection point
In-store		Locker

THE MARCH OF MULTI-CHANNEL

As a channel of distribution, online carries a myriad of permutations and combinations. A whole host of point-of-purchase options (e.g. PC, phone, tablet, TV, in-store) multiplied by a number of fulfilment possibilities (e.g. delivery to home or workplace, click & collect in-store or 3rd party drop-off point), with a few other multipliers in between (e.g. orders serviced from a central warehouse, a last-mile logistics hub, or from a store).

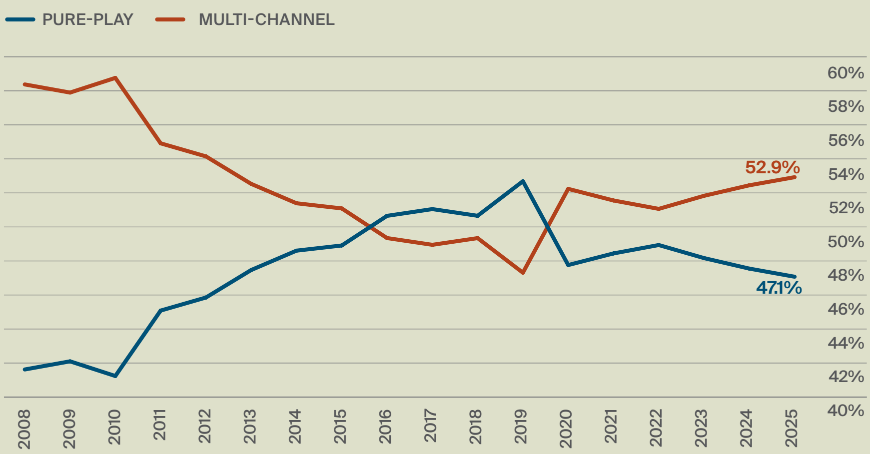
But there are largely only two types of protagonists in the online 'market': online pure-players (those that operate exclusively online and have no physical presence) and multi-channel operators (those that operate both a store network and online capability). This is where fundamental, structural change is at its most pronounced in the market and where the numbers do have more relevance.

In very simple terms, multi-channel is growing significantly faster than online pure-play – and this trend / structural change is likely to accelerate going forward.

In 2024, the online 'market' grew by +2.9%. Multi-channel grew at more than double the rate of online pure-play (+4.1% vs +1.6%). Similar dynamics last year, with almost perfect maths to boot. The overall online 'market' grew +4.6% overall, with multi-channel (+5.6%) outpacing online pure-play (+3.6%) by some margin.

As a result, the share of online spend tipped further into multi-channel's favour (52.9% vs online pure-play's 47.1%). This was by no means always the case. The two first reached virtual 50:50 equilibrium in 2016, before online pure-plays become the dominant force. However, COVID saw a significant reverse that has accelerated in recent years.

Online sales breakdown: pure-players vs multi-channel operators
% of online retail sales



Source: ONS, Knight Frank Insight

The over-arching takeaway from this is the old retail adage that consumers shop brands, not channels. They are more likely to be loyal to a brand they trust, be that multi-channel or pure-play. They will not shop a channel for channel's sake. And most are actually channel agnostic.

If that is the headline market dynamic, there are a number of moving parts below the surface that are underscoring this evolutionary structural change:

- Fall-out / failure of pure-play operators
- M&A activity
- Operators 'crossing the divide'
- Stronger organic growth from multi-channel operators.

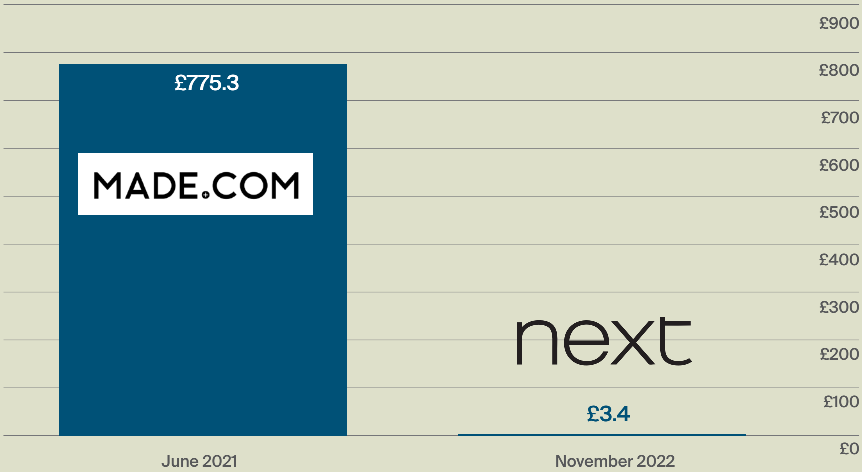
Fall-out / failure of pure-play operators

Retail is sadly synonymous with operator failure. COVID prompted a further shake-out of the retail industry and a number of key high street names are no longer with us. But failure is no longer the unwanted preserve of high street operators – many online pure-plays have suffered a similar fate.

Missguided, Farfetch and Matches are just three of the highest profile pure-play casualties, but the Centre of Retail Research highlights a large number of other online-only operators that have gone into administration over the last couple of years (e.g. BrandAlley, Silkfred, Gandys, Jules B, eBuyer, In The Style, Dancing Leopard). Furthermore, Knight Frank's Retailer Watchlist (which rates the Top 300 UK Retailers by turnover)

"These figures should put to rest any notion that being an online pureplay makes an operator immune to wider retail market pressures. It doesn't, it means you only operate in one channel and this won't provide defence in itself."

The rise and fall of Made.com – IPO value vs purchase price
Value (£m)



Source: Knight Frank Insight

highlights a number of ongoing risks. The Top 300 retailers includes 61 pure-play operators – of these, 27 (44%) are at risk of administration or CVA.

These figures should put to rest any notion that being an online pureplay makes an operator immune to wider retail market pressures. It doesn't, it means you only operate in one channel and this won't provide defence in itself (remember – consumers shop brands, not channels). Many online pure-players are relative upstarts and many will still be trading at a loss – investor cash may be finite and once that has burnt through, there is no safety net. The barriers to entry to online retailing are exceedingly low – a product, a website and access to a fulfilment network. But the barriers to exit are equally low – very few physical assets or intellectual capital to fall back on or to provide breathing space. It remains an easy come, easy go market.

M&A activity

The worm has turned. Such was the severity of stock market re-ratings of many traditional high street retailers that they became easy prey for online predators. The highest profile deals of this nature came in the wake of COVID, with ASOS paying a total of £330m for the Arcadia brands in 2021 (which included stock). Meanwhile Boohoo paid just £55m to acquire the Debenhams brand, website and intellectual property the same year.

That was then, this is now. Trading has proved far tougher for many of the online pure-players post COVID and the City honeymoon is definitely over. The takeovers of Missguided by Frasers Group (for £20m), Eve Sleep by Bensons for Beds (for £600k) and Made.com by Next were all examples of multi-channel operators acquiring online disruptors. Next's purchase of Made.com for just £3.4m, compared to a market value of £775m at the time of its IPO in June 2021, surely remains one of the greatest examples of stock mispricing on the basis of online hype.

The likes of ASOS and Boohoo have since retrenched and embarked on deep-seated restructuring and cost-cutting programmes. These are starting to bear fruit now, but they have constrained top-line growth for a number of years – another key moving part in the march of multi-channel. Many of the online pure-players are on a far lower growth trajectory than they were before.

Maybe more symbolic than market-defining, Boohoo rebranded itself as Debenhams Group in March 2025. There is certain irony in an online insurgent buying a high street stalwart for a song, then adopting its name in a bid to restore credibility.

'Crossing the Divide'

Retail channels of distribution are fluid and increasingly complementary. 'Crossing the divide' is essentially a two-way street: store-based operators can branch into online by launching a website and building this into their brand proposition. Equally, online pure-players can open physical stores. Either way, both are examples of single channel retailers morphing into multi-channel operators.

But there have been infinitely more examples of the former than the latter. With a few notable exceptions, the vast majority of store-based operators are now multi-channel. For many, the transition has been anything but smooth and the journey has been a slow, painful and costly one – and is still ongoing. But the transition has been made nonetheless.

The physical to multi-channel race is almost run. There are a number of key outliers, key ones being Primark, Aldi, Lidl, B&M, Home Bargains and Poundland. Two common denominators here. Firstly, they are all value-based players. Secondly, with the exception of Poundland, they are all strong performing operators. Becoming a fully-fledged multi-channel operator would bring complexity and cost that do not suit their respective business models. Question marks persist around Primark's willingness to embrace online (it only offers click & collect currently), but a full online embrace would represent a huge shift in strategy (but further enhance the multi-channel share metrics).

There has been considerable narrative around online pure-plays traversing the divide and opening physical stores, but to date relatively few examples of any scale. Where online pure-plays have opened stores, they have tended to be in flagship or pop-up locations, the store acting as much as a showcase for the brand as a revenue-earning entity in its own right. Acquisitions tend to be very piecemeal. Gymshark is a good example of this. It opened its first store on Regent Street, before venturing into the two Westfield schemes, with Trafford Centre next on the hit list. All well and good, but we are still waiting for many examples of online pure-players achieving a national physical presence.

Amazon, the standard-bearer for online pure-play, has tried twice to make the transition to become a multi-channel operator in the UK. And failed twice. Technically, it is a multi-channel operator already through its ownership of Whole Foods, but few would classify it as such. Amazon 4-Star never got beyond a two-store trial (at Bluewater and Westfield London) and despite being launched to huge fanfare in 2021, the Amazon Fresh c-store chain was discontinued at the end of 2025. Clearly, Amazon was unable to make physical retailing viable.

The multi-channel transition for store-based retailers has not been easy. But for online pure-players, it is apparently harder still, certainly on the evidence to date.

Stronger organic growth from multi-channel operators

Having made the transition, multi-channel operators now have the most versatile infrastructure and are now best placed to capitalise on potential organic growth.

Successfully building online capability has been hugely capital-intensive for the store-based retailers. In very simple terms, whole distribution networks and supply chain operations have been totally overhauled, with massive investment in any number of related disciplines e.g. warehousing, logistics, IT etc etc. Ensuring that the platform for online development was fit-for-purpose has seen disproportionate amounts of capex deployed for a number of years. At the same time, this has often left the 'bread and butter' of the business, the stores themselves, neglected. The physical estate has been the poor relation of online.

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But now we are something of positive inflection point. Most multi-channel operators are now at scale in terms of their online infrastructure and online capex requirements are less 'lumpy' than before. The heavy-lifting has been done and this is freeing up capital for investment elsewhere in the business. As we discuss in Paper 2 of this series, increasingly this investment is finding its way back into the store base, as much through store upgrades and refurbishments as through new sites.

Store upgrades, refurbishments and new sites that all combine the physical and digital in an integrated, seamless way. A versatile platform from which to drive organic growth. And organic growth is always the best growth – and growth that is more likely to lead to profit.

ONLINE PURE-PLAYERS – THE 'NEW' BREED

This structural change is not playing out to a static backdrop. While there has been some fall-out from online pure-players, much larger, more ambitious, better-capitalised operators have emerged to take their place in the UK market – notably Shein, Temu and, most recently, JD.com.

Usually bracketed together, Shein and Temu are in fact fundamentally different online businesses, the former fashion-focussed (already with a share of 3.5% of the UK clothing market, according to GlobalData), the latter a wider marketplace. But the common denominator between the two is ultra-low prices that have completely redefined the parameters of affordability. Market disruption of the highest order.

Sheer scale (not to mention some questionable ESG practices) underpin this pricing strategy, which is helped in no small measure by customs and excise loopholes. Both Shein and Temu take full advantage of 'de minimis' rules, whereby shipments that fall below a certain threshold (£135 in the UK) are exempt from tariffs and duties. The UK government has signalled that it will follow the example of the US (where the threshold is higher at $800) in removing 'de minims' exemptions, though bizarrely, not until 2029. This won't scupper Shein's and Temu's growth completely, but it will erode some of their current price advantage.

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What of JD.com? The Chinese e-commerce giant initially tried to enter the UK by acquiring Argos from Sainsbury's. That deal did not materialise and current (June 2026) media reports suggest it is now weighing up a bid for The Very Group (the modern-day amalgam of the two mail order business formerly known as GUS and Littlewoods). In the interim, the business launched its own UK business in March 2026 under the banner of Joybuy.

Cue the usual hyperbole and expectation that incumbent retailers will be unable to compete with a global behometh. In the words of Matthew Nobbs, MD of Joybuy UK: "we're here to shake up the UK e-commerce market". Not the UK retail market then? Still an unknown brand in the UK (and what do people shop?), it has a lot to prove.

THE FUTURE – FINAL THOUGHTS

The times they are a-changin'.

The high street isn't dying. In spite of all the negative press and hackneyed narrative, the statistics bear this out. Retail spend totalled some £480bn last year. Retail is still a growth market. In 2025, it grew by +3.3% in value and by +1.7% in volume terms. It outperformed the wider UK economy (+1.4%). As, indeed, it has for 30+ of the past 40 years. Pretty impressive figures for something that is supposedly in terminal decline.

Online isn't dying either. While the growth statistics are far less explosive than before, it is still a growth market – decelerating growth is not tantamount to negative growth. But the structure of the market is changing, newer operators are emerging to challenge the established players, multi-channel operators are more than able to compete in the space.

Above all, the dividing lines between online and physical have now blurred to the point of being invisible. Think brands, not channels.

We like questions, if you’ve got one about our research, or would like some property advice, we would love to hear from you.

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