

E-commerce in France: anti-inflation effect and wide offering

Executive summary

Antoine Gracia Victoria, Celia Ruiz Mejia, Adrien Damade, Rebecca Winter et Kirsten Day 19 June 2024

The vast majority of French people look for products and make purchases both in physical retail outlets and online. While shopping in stores remains a very popular mode of shopping for French shoppers, 42 million made purchases online in 2022, representing 80% of Internet users.

This study, commissioned by Amazon, looks at how French consumers 'view' e-commerce, i.e. how they use it, value it and benefit from it.

To cover this broad topic, the study is based on a survey which captures the 'voice' of consumers. This survey is supplemented by a quantitative analysis on the impact of e-commerce on the prices paid by French consumers.

Several findings emerge from this study.

<u>First</u>, when they shop online, French consumers widely recognise the benefits of ecommerce to their overall shopping experience: vast choice, attractive prices, time saving, reduced travel costs and anti-inflation power.

Almost all consumer that make online purchases (97%) reap at least one of these benefits of ecommerce, and each of them is mentioned by a large majority of respondents (between 77% and 89%). Finally, 60% of French people who make online purchases consider that e-commerce adds all these positive aspects to their overall shopping experience.

<u>Second</u>, consumers living in rural areas use and value e-commerce in their overall shopping experience as much as inhabitants of urban areas. Although they have lower than average incomes and lower quality Internet access, people living in rural areas buy online just as frequently as the population as a whole and are just as many to value the benefits of e-commerce to their shopping experience.

French people living in rural areas who make online purchases say they perceive the ability of ecommerce to save on travel costs more than French respondents as a whole. This is probably due to the fact that rural dwellers are more reliant on their car, motorcycles or scooters to make purchases (9 out of 10 respondents, compared with 1 out of 2 in dense urban areas).

<u>Third</u>, when they shop online, French consumers consider that the three main contributions of e-commerce to their overall shopping experience are the vast choice, the attractive prices and the ability to save time.

The vast choice available online is mentioned as the most important aspect by 25% of respondents, compared with 20% for the savings made by buying products at attractive prices and the time saved, in particular by reducing the number of trips.

We have supplemented the results of this survey with a quantitative analysis of the impact of ecommerce growth on inflation, i.e. the change in the prices of all goods and services consumed by French households.

<u>Fourth</u>, our analysis of historical data shows that e-commerce growth operates an antiinflationary effect, benefiting all consumers.

We have built an econometric model that aims to explain price trends of goods and services purchased by French households (via the consumer price index, published by the INSEE) by the growth in e-commerce penetration, measured as the proportion of French consumers aged 15 and over who make online purchases (also published by the INSEE), as well as by other factors likely to influence price dynamics (GDP, labour costs and production costs, published by the OECD).

This econometric regression enables us to estimate the effect of e-commerce growth on price evolution, all other things being equal.

This model shows that the growth of e-commerce helps to reduce inflation in the economy as a whole. This anti-inflation effect is more pronounced for product categories that are frequently purchased online. It is also stronger in the most recent years of our analysis period (2015-2019), indicating an acceleration of this anti-inflation effect.

Over the period from 2015 to 2019, each percentage point of growth in e-commerce penetration leads to a 0.25% decrease in prices for all products combined (in online and offline retail), and a 0.4% decrease for product categories frequently purchased online.

In total, over the period from 2010 to 2019 and for all products and services consumed by French households, the growth in e-commerce penetration has neutralised the equivalent of one year's inflation, and allowed all French households, to save a total of \in 17 billion, whether they purchase online or in store.

This report has been prepared by Compass Lexecon professionals. The views expressed in this report are the authors only and do not necessarily represent the views of Compass Lexecon, its management, its subsidiaries, its affiliates, its employees or clients.