

EUROPEAN ECOMMERCE NOTE

EUROPEAN ECOMMERCE - ZALANDO AND AMAZON Q4 TRENDS STRONG

December 21, 2017 [VIEW FULL NOTE ONLINE](#) »**AMZN, ZAL GR**

ADS GR, ASC LN, EBAY, GALERIES LAFAYETTE S.A., HOUSE OF FRASER (STORES) LTD., LA REDOUTE S.A., NKE, NXT LN, OTTO GMBH & CO. KG, SARENZA S.A., SPARTOO S.A.S.

By **Pascal Benazet**

Editor: Lois Sakany

7 sources, comprising 6 footwear, apparel and accessory vendors in Germany (2), France (2) and the United Kingdom (2), plus 1 competing footwear and apparel retailer in the United Kingdom

European footwear and apparel sources continue to prefer Zalando as a premium partner over Amazon, but sales through both platforms are up yy and at least meeting plan during 4Q17.

- ↳ ZAL GR's 4Q17 sales at least meeting plan for all 5 applicable vendors; ZAL GR regarded as leading platform for premium-priced goods
- ↳ AMZN's 4Q17 sales at least meeting plan for all 5 applicable vendors, helped by strong traffic but still lagging fashion credentials
- ↳ AMZN, ZAL GR expected to gain share in 2018 from smaller players as industry consolidates

Zalando Stronger as a Fashion Partner

Zalando SE's 4Q17 sales met plan for four of five vendors and exceeded for one, and sales on the platform were up yy for four of five. Sources described Zalando as a big, important retailer, particularly for sales of premium-priced offerings. A French vendor and supplier who sells to both platforms said, "Zalando's platform is leading in fashion and acts as a partner, and we act as well as a partner. Amazon is growing certainly but isn't a name associated with fashion apparel." Some sources generally preferred working with Zalando over **Amazon.com Inc.** because the company is easy to work with and is better able to market their brand.

4Q17 Sales Through Zalando vs. Plan
(number of sources)

Exceeded	1
Met	4
Fell below	-

One U.K.-based buyer whose chain for athletic footwear competes with Zalando noted its Partnership Program -- a platform on which brands can create selling pages and handle their own deliveries -- was increasingly popular. "**Nike Inc.** has entered the Zalando Partnership Program last summer following **Adidas AG**, and Zalando now offers most of Nike's premium shoes by the looks of it. The move with Adidas hurt us, so this will too very shortly -- no doubt about it," the source said.

On the topic of minimizing returns, only one source noticed an effort by Zalando to reduce them. "Returns seem to be a much bigger issue and priority than last year, not only for Zalando. This year Zalando wants us to supply a detailed file about sizes and fits for each product. If returns are too high for one product in one market, it gets delisted," the source said.

Amazon Still Growing

Amazon's 4Q17 sales in Europe met plan for four of five vendors and exceeded for one, and sales on the platform were up yy for four of five sources. German sources provided the most positive feedback on the site. "Amazon exceeded plan. It doesn't look as sleek as Zalando, but it does a lot to increase traffic, and it's the first address for many consumers. If they find us there, they don't go anywhere else," said a German vendor and supplier.

4Q17 Sales Through Amazon vs. Plan
(number of sources)

Exceeded	1
Met	4
Fell below	-

Although several sources expressed ongoing irritation with some of Amazon's practices, a French vendor who had recently returned to the site said it had improved. "Amazon is more flexible now; it is easier to use their database and work out deliveries. We used to ship products and now Amazon comes and collects them," the source said. A large accessory vendor based in France said they planned to begin working with Amazon next year as the platform had grown too big to ignore.

Zalando gained share during 4Q17 with four of five sources, while Amazon's share performance was more mixed; both German sources said Amazon gained share, but one U.K. source said the platform lost. "Amazon and Zalando are the biggest and most powerful. Everyone else seems to lose versus them, even **Otto GmbH & Co. KG**. I think free delivery and free returns is what attracts customers -- or deters them if it's not there," a German vendor and supplier said. Three sources said smaller players lost share.

All sources expect Zalando to be in a stronger position compared with smaller players a year from now, while four expect Amazon to be stronger. One German vendor and supplier said, "No doubt they will gain more share at the expense of smaller players." One French vendor and supplier said, "Zalando will be at least as strong, Amazon will be stronger as they have more room for improvement in the world of fashion and apparel. I think the industry will consolidate, and those two platforms will take some of this business." A U.K. source (vendor, supplier and third-party reseller) said, "I think Amazon has the potential to be stronger, but it will take time and massive effort. Zalando is the one pushing things along in fashion, and they are getting bigger."

4Q17 Share Gains and Losses

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(number of mentions)

	GAINED	LOST
Zalando	4	-
Amazon	2	1
La Redoute S.A.	1	-
eBay Inc.	1	-
Next PLC	1	-
Spartoo.com	1	-
House of Fraser Ltd.	1	-
Sarenza S.A.	-	2
Otto Group GmbH	-	1
Smaller players	-	3

Spending on Marketing, Fees Flat YY

Sources said Amazon's and Zalando's fees during 4Q17 were flat yy. In terms of marketing, sources said Amazon was more active and innovative than Zalando; however, most sources said they their marketing spending and goals hadn't changed. "We are not very active on our end [with] marketing spending, and Zalando does not really push us," said a French vendor and supplier.

Most sources said data sharing from Amazon was practically nonexistent, with very little insight provided on sales. Feedback on Zalando's analytics was more positive. "Zalando introduced in September a great tool, providing live data on sales and returns -- including reasons for returns -- for all European markets," a French source said. "It is so detailed I can spot logistics problems. Amazon only shares files about product specs but not the sales."

Additional Quotes**On Zalando**

"Zalando is a large partner, and relations are fine. However, there is high turnover and the organization is highly segmented by tasks. I have several point people for my account, which is not always easy." *French vendor and supplier*

"We get some feedback on sales and returns from both Amazon and Zalando, but so far it was not as comprehensive and up to date as we would have liked." *German vendor and supplier*

"We still prefer Zalando over Amazon. House of Fraser is also doing well for us -- we like working with them." *U.K. vendor and supplier*

"I expect Zalando to be stronger in a year's time because of their professionalism, willingness to work with others and push their clients' business forward -- something Amazon lacks." *U.K. vendor and supplier*

On Amazon

"We might work with Amazon and ASOS [PLC] next year, but this would be likely through a marketplace, as they prefer not allocating cashflow to buy product." *French vendor and supplier*

"Amazon is the bigger channel for us. For our type of product [shoes], people don't go necessarily to Zalando first." *German vendor and supplier*

"Amazon grew faster for us. We are not a cutting-edge fashion brand -- targeting men mainly, so a more general platform like Amazon seems to grow the number of new users faster than Zalando." *German vendor and supplier*

"We are spending more on advertising with Amazon and hope that sales and orders increase in 2018." *U.K. vendor, supplier and third-party reseller on Amazon*

"We are on Amazon as it's a necessity, because the platform is so big you do need to be visual on there. But in terms of sales, you get lost in apparel on there; there's too much going on." *U.K. vendor, supplier and third-party reseller on Amazon*

On Competition

"Fashion and apparel online is a very competitive market now in France, and most platforms complain about competition." *French vendor and supplier*

"Short-term it seems like La Redoute [S.A.] is losing a bit and below target in the last two months. However, its acquisition by department store chain Galeries Lafayette S.A. will consolidate their rank with more investments." *French vendor and supplier*

"Sarenza is still hurt by logistics issues -- not as bad as before but still a pain." *French vendor and supplier*

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