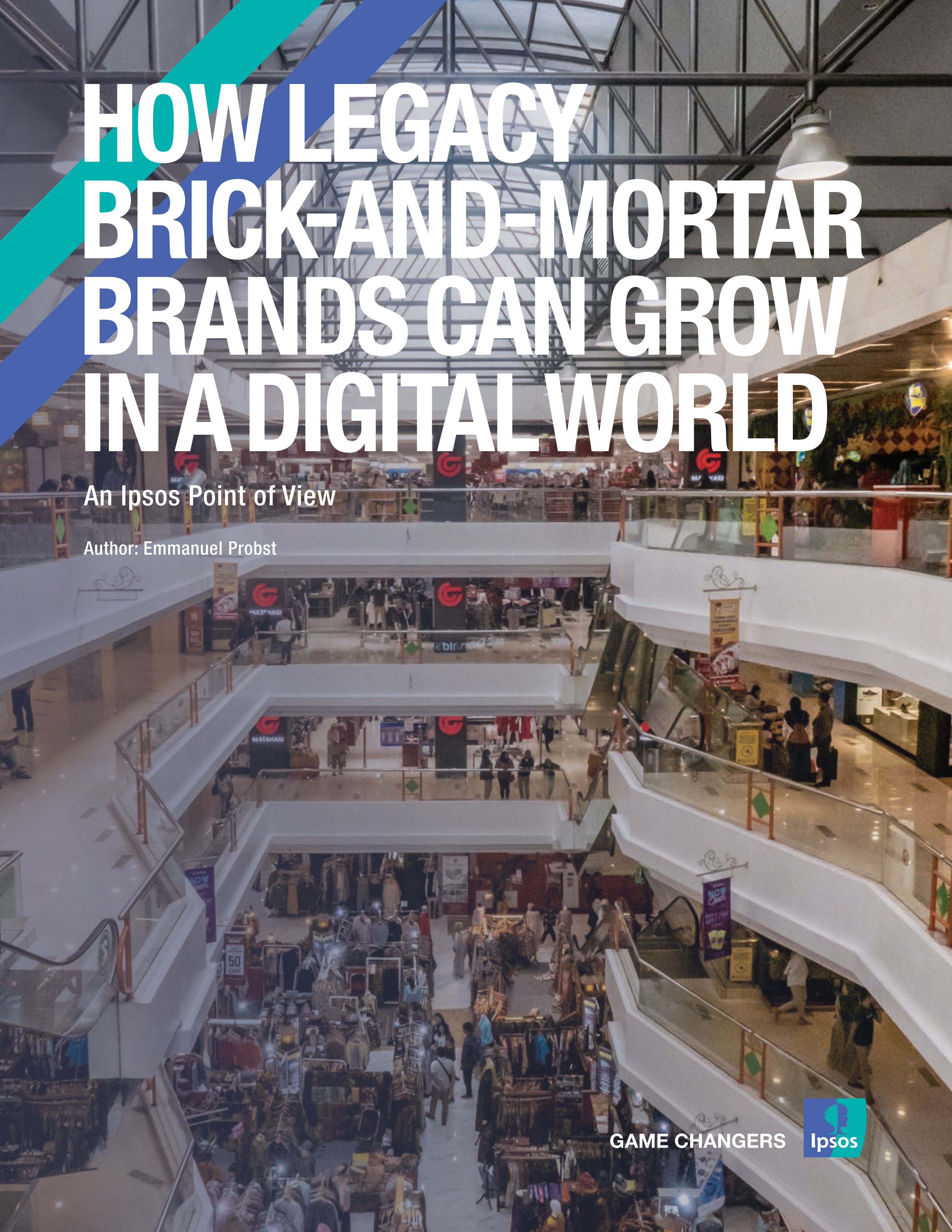

HOW LEGACY BRICK-AND-MORTAR BRANDS CAN GROW IN A DIGITAL WORLD

An Ipsos Point of View

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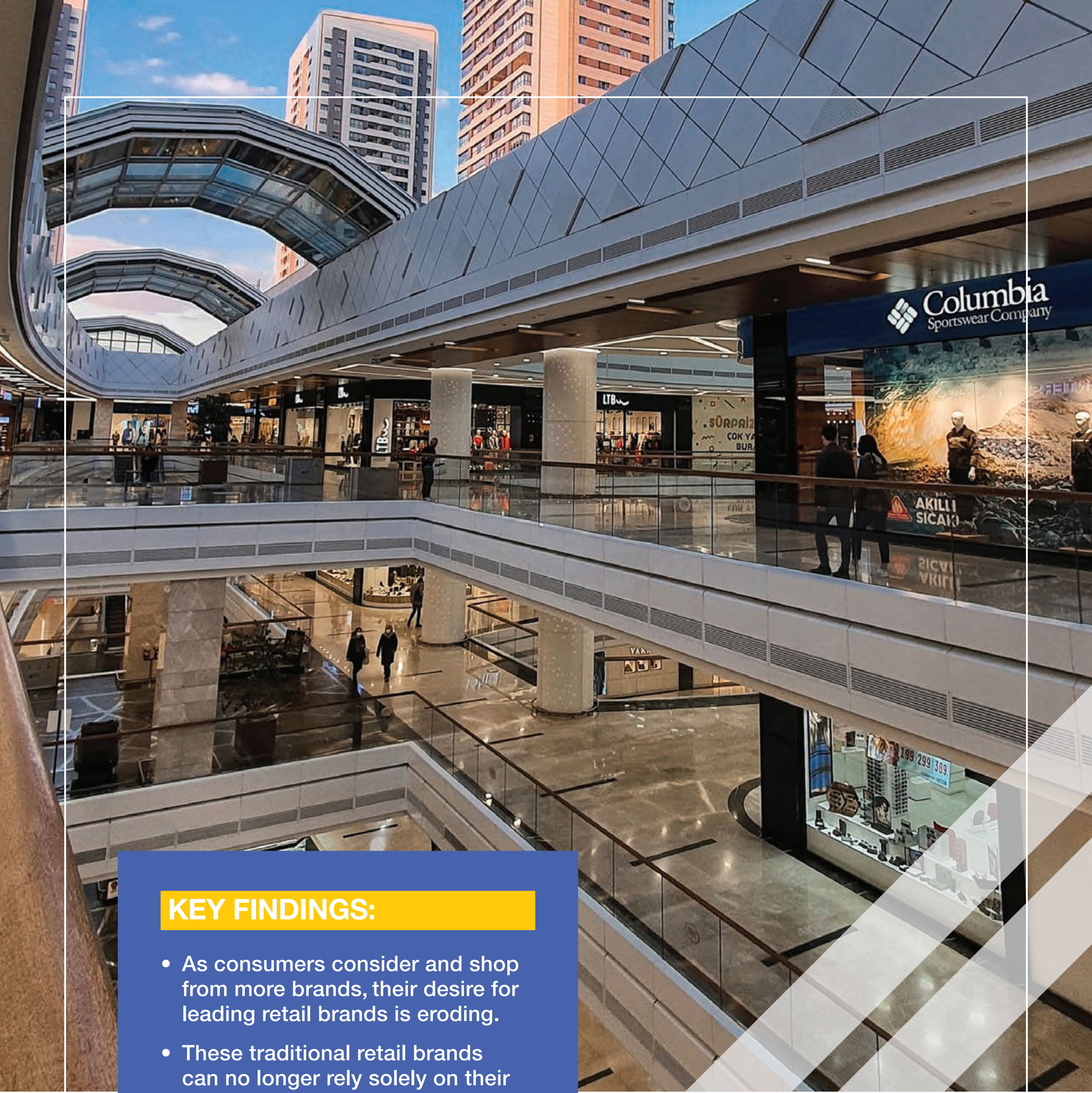
GAME CHANGERS Ipsos



KEY FINDINGS:

- As consumers consider and shop from more brands, their desire for leading retail brands is eroding.
- These traditional retail brands can no longer rely solely on their scale and network of stores to win the heart of consumers, who increasingly turn to smaller, niche online brands.
- Brick-and-mortar stores must learn from digital-first brands.

Introduction

A recent Ipsos study on the state of retail brands shows that people spend less in store and more online across all categories, including but not limited to books, entertainment, home décor and furnishing and clothing and apparel.[1] Today, about a third of consumers primarily shop online and at the current growth rate, online sales will overtake brick-and mortar retail sales by 2024.[2]

	2018	2019	2020	2021
Consideration set size	4.4	5.1	5.9	6.0

Further, people now shop, or would consider shopping at 6 different retail brands on average, an increase from 4.4 retail brands 5 years ago. It is therefore harder for retailers to stand out, as they compete with 1.6 more brands than they did in 2018.[3]

Brand Desire	2018	2019	2020	2021
1st ranked retailer	26.44	26.47	22.91	20.27
2nd ranked retailer	20.28	19.34	16.81	16.12
3rd ranked retailer	13.58	14.47	13.74	13.06

This paper aims to help address the colossal challenge retailers face, as more consumers shop primarily online and are unlikely to return to stores. It brings to light five opportunities to grow traditional retail brands through accessibility, instore and omnichannel experience, closeness and differentiation, and personalization.

People are driven by best prices, wide range of products, familiar store brands

Ipsos' study on the state of retail was conducted across five key markets (U.S., U.K., Australia, Russia, Brazil). It reveals that shoppers choose a store primarily because it offers the best prices (67%) and has a wide range of products to choose from (55%). In line with this finding, information from Ipsos' Brand Value Creator global database shows that price has become an increasingly important factor in people's choice of a retailer. In contrast, familiarity ranks third in shopper's

[1] Ipsos Views: Up close and personal. January 2022

[2] Generix Group: In 2024 eCommerce will overtake physical retail https://www.generixgroup.com/en/blog/2024-e-commerce-will-overtake-physical-retail

[3] Ipsos Global BVC Database, January 2022

order of priorities. This suggests that growing, refreshing and maintaining a high level of mental availability can also be key when managing retail brands.

Barrier Group	2018	2019	2020	2021
Price	6.5	9.4	10.2	10.9

American luxury department store chain Nordstrom exemplifies how a legacy retail brand can harness these trends. Over the last few months, Nordstrom has expanded its assortment fivefold and has integrated its off-price store chain Nordstrom Rack with its full line of business.[4] Further, Nordstrom leverages its store network to speed up order fulfillment and make four times more products available to their customers the next day.

Today, Nordstrom's physical stores have a support role for the brand's e-commerce platform, rather than the other way around.

Convenience and in-store experience

Beyond price and assortment, consumers choose where they shop based on the experience the brand delivers and the convenience of completing a quick and simple shopping mission.

As it pertains to convenience, the rise of online shopping, click-and-collect and same-day delivery have raised consumer expectations for accessibility and distribution.

Barrier Groups	2018	2019	2020	2021
Accessibility	29.6	34.3	36.5	34.8

This expectation for accessibility and convenience is a growing challenge for traditional retailers. Only three in 10 shoppers would shop in-store because it is convenient, versus six in 10 for online.

The shopping experience is critical to the success of any e-commerce or brick-and-mortar brand. An Ipsos study reveals that 57% of shoppers across markets will continue to shop in-store because doing so enables them to test, touch and try the products. For 45% of participants, shopping in-store allows them to appreciate the quality of the products.

[4] https://www.retaildive.com/news/nordstrom-leans-on-off-price-digital-to-chase-customers-and-profits/594604/

Delivering a unique experience presents an opportunity for retailers to differentiate their brands in the sea of sameness of retail offerings and a point of differentiation in a market that is increasingly priced-focused.

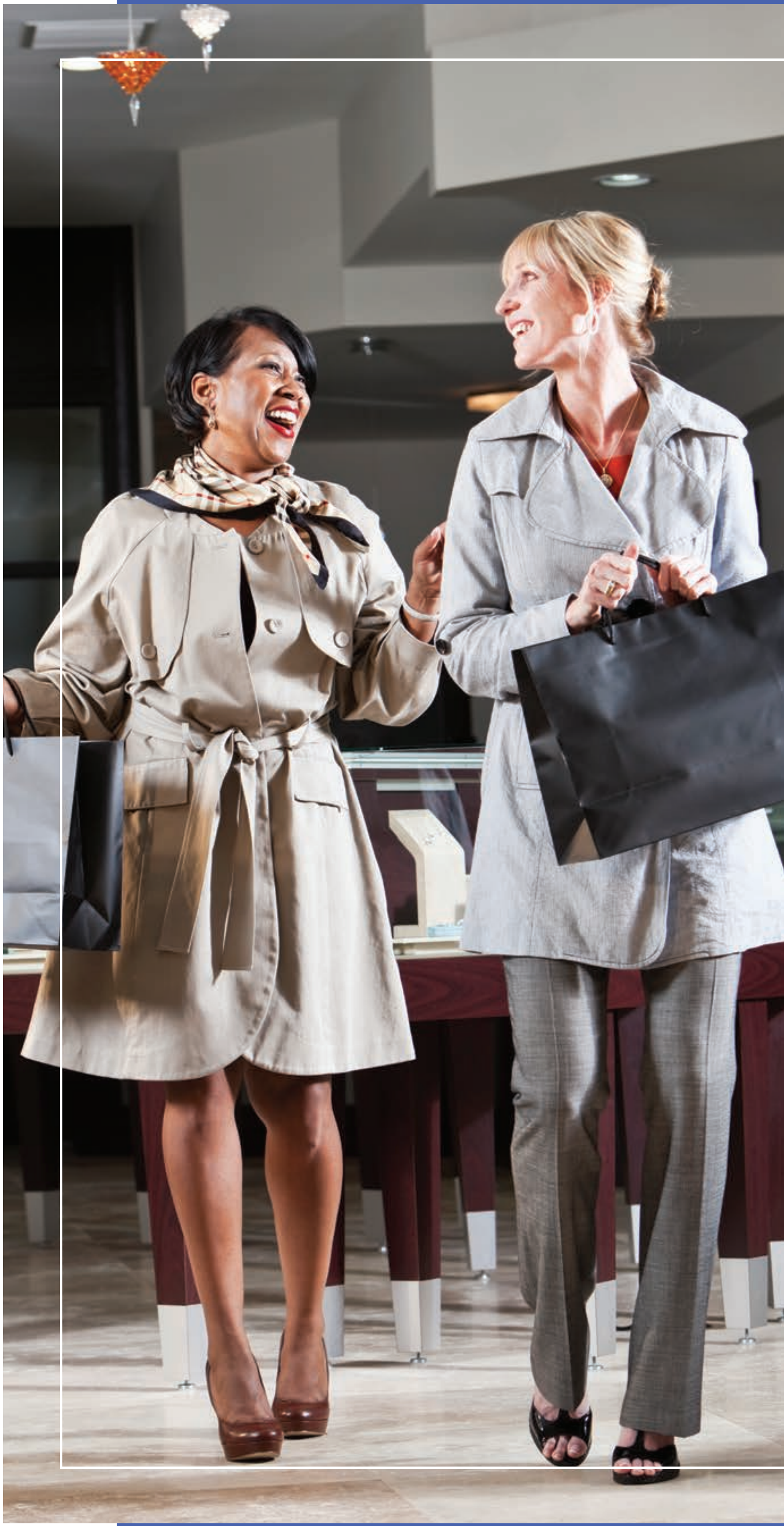
American department store giant Target succeeds by delivering on price, convenience and experience. Its Target Run advertising campaign was the most impactful the retailer had ever produced. The campaign promotes Target's commitment to providing its shoppers with affordable, everyday essentials that they can pick up in one stop. At the same time, "Target Run" builds awareness for its same-day fulfillment options: drive-up, in-store pickup and same-day delivery from the ground up.[5]

Target also delivers a unique in-store experience by making great designs accessible to all, thanks to its partnerships with many up-and-coming designers. Through its 48 private label brands, Target has developed extensive ranges of exclusive products, making its store the destination of choice for price-conscious *decoristas*.

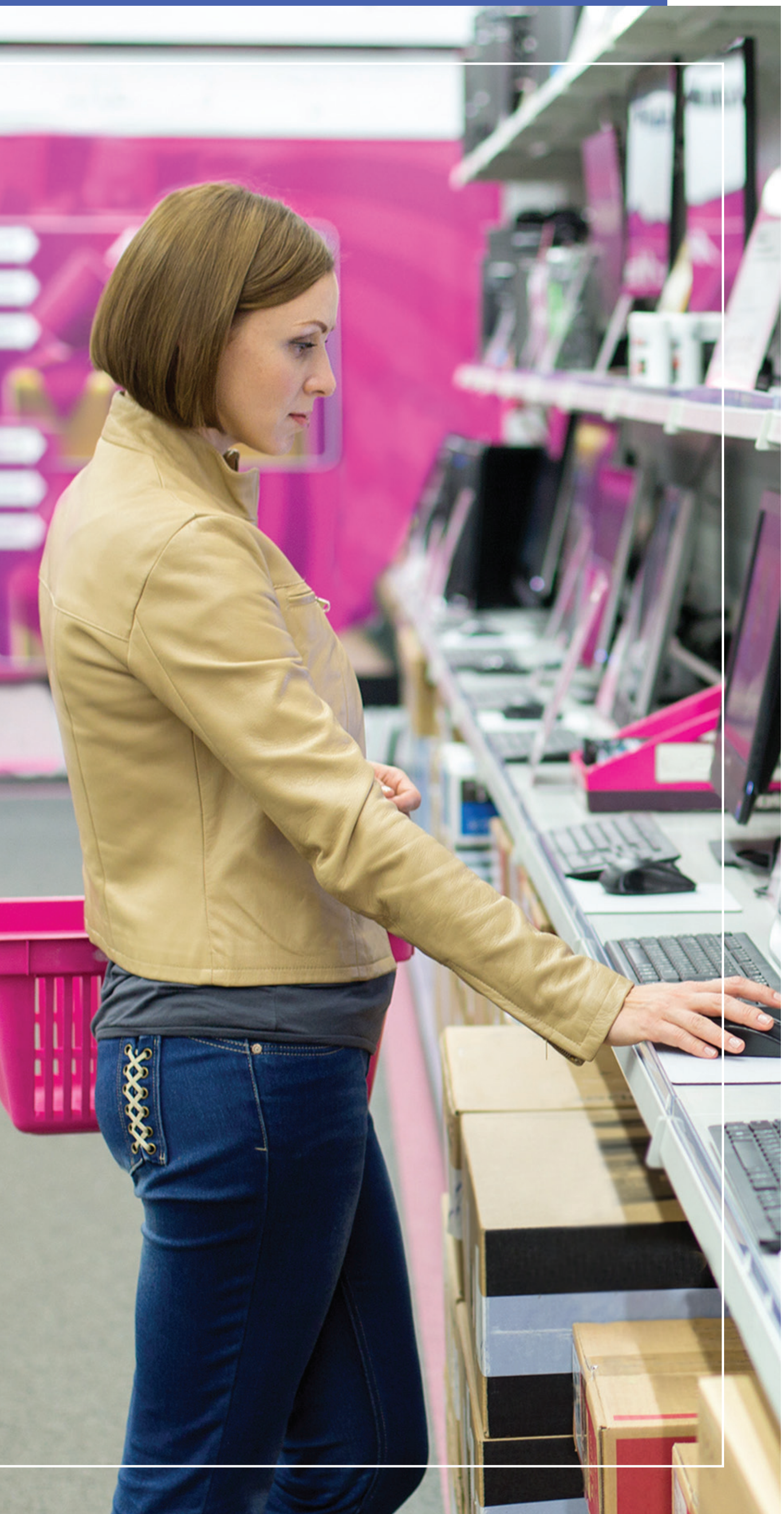
Designer Show Warehouse is another example of great success. Its VIP program gives its loyalty card member exclusive access to their in-store promotions called *First Dibs*. Also, DSW added *W Nail Bars* in some stores that provide nail art, gel manicures, and pedicures. The retailer also added creative play spaces for kids, holds in-store popup parties and leverages its stores as shoe-donation points for their partner *Soles4Souls*.

Omnichannel's winning trifecta: physical store, online platform, in-home service

Brick-and-mortar retailers are poised to offer the best of both analog and digital worlds. They must offer an extensive range of products that people can buy online and pick up in store, where they enjoy a unique shopping experience and move seamlessly between shopping channels.



[5] https://www.forbes.com/sites/paultalbot/2020/03/14/inside-targets-marketing-strategy/?sh=73ef6d677684



Retail brands are best positioned to fulfill their customers' order faster, and ease tasks such as returns, exchanges and refunds. For example, British pet supplies retailer Pets at Home offers its online customers free click-and-collect within 1 hour. This helps drive traffic to its store, where the brand upsells pet services such as vet surgery and grooming, which accounts for 50% of its sales.[6]

Consumer electronics retailer Best Buy is another example of a retailer that combines competitive prices, convenience and expert service. Its Geek Squad mobilizes 20,000 agents to educate, advise and service 4.5 million customers per year. Ultimately, this reinforces Best Buy brands and deepens customer loyalty.

Brand closeness and differentiation through extension

Brand Closeness	2018	2019	2020	2021
Retail	6.56	6.67	6.67	6.74
Alcohol	7.00	7.31	7.22	7.02
Automotive	7.93	7.99	7.76	8.29
Financial	6.69	6.96	6.94	6.82
FMCG	7.61	7.67	7.54	7.71
Telecoms	7.04	6.97	6.43	6.71

Ipsos Brand Value Creator shows the growing importance of Brand Closeness in consumers' minds. It is therefore becoming increasingly important to engage with consumers through emotive messaging, and in turn align retail brands with consumer aspirations and values.

That said, closeness still lags other drivers. Shoppers historically chose a retail brand based on functional rather than emotional attributes. But the digital transformation and the heightened consumer desire for experience means brands must be different, distinct and emotionally engaging.

[6] https://investors.petsathome.com/our-company/our-strategy/

One way for retail brands to grow emotional engagement is to expand beyond traditional retail activities. For example, British department store chain [John Lewis](https://www.theguardian.com/business/2021/jul/04/john-lewis-plans-to-build-10000-rental-homes-on-its-land-waitrose) plans to build 10,000 rental homes on its land.[7] Besides repurposing excess space on the land it owns, this unique initiative will enable John Lewis to develop a bond with its audience by providing people with homes furnished with the department store's products, along with concierge services.

Canadian supermarket chain Loblaw has been engaging its customers in a digital experience that has become more valuable for them. Loblaw's loyalty program members can access tips and recipes, along with receiving personalized offers online and through the app. At the end of the year, Loblaw creates a "points story" that shows each member how they earned and redeemed points throughout the year.

Personalization and data monetization

Delivering a personalized experience was once limited to luxury brands like Ritz-Carlton, Cartier and Dior. Today, data enables delivering a personal experience across channels. As such, brick-and-mortar stores must learn from digital-first brands.

French personal care and beauty products giant Sephora excels at harnessing its first-party data to deliver a personalized shopping experience through its Beauty Insider Program, personalized recommendation, and a seamless digital-to-store experience.[8] Online, Sephora encourages customers to book in-store makeovers and fashion consultations; once in store, Sephora associates upsell additional products and services.

Traditional retailers can also monetize their first-party data by selling access to their online and in-store networks to advertisers. Walmart, Best Buy, Lowes, Kroger and CVS all recently created their own media networks. Although ads on retailer websites aren't new, rising e-commerce sales and the increasing importance of first-party data have propelled this new revenue stream. Of the 15 U.S. e-commerce retailers, more than half operate their own media networks.[9]

[7] https://www.theguardian.com/business/2021/jul/04/john-lewis-plans-to-build-10000-rental-homes-on-its-land-waitrose

[8] https://wwd.com/business-news/business-features/sephora-sailthru-report-1203332771/

[9] https://content-na1.emarketer.com/best-buy-launches-in-house-ad-business?utm_campaign=em+briefing+jan+6&utm_medium=email&utm_source=triggermail&utm_term=bii+list+dmedia+all

Five questions to get started: coffee with an expert

While the advent of online shopping might pose a threat for traditional retail brands, it also presents opportunities to foster a unique, data-enabled omnichannel value proposition. Here are three examples of avenues Ipsos can help you explore straight away and address in a timely fashion. Please contact us to schedule an ideation session specific to your brand and its audience.

- How do shoppers perceive your brand in terms of price and assortment, online vs. offline?
- What brands, products and experiential attributes are exclusive to you, and do these drive consumers to your website and store?
- Are you managing and measuring your brands' sales channels in isolation, and/or capturing consumers' overall perception of your brands, across channels?
- What initiatives are your brand pursuing, beyond delivering its core product or service, to foster an emotional bond with its audience?
- What are your brand's mechanisms to collect first-party data? Are you making the most of this data (unveil consumer journey, spot future trends, inform product developments and identify priority segments)?

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