

THE EVOLUTION OF SHOPPER BEHAVIOUR

By Stuart Wood | January 2020



IPSOS VIEWS

GAME CHANGERS



SHOPPER BEHAVIOUR IS EVOLVING

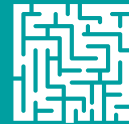
The world is changing at a rapid pace. Continued developments in digital technology and advances in eCommerce mean that the way we shop for products and services is also evolving. Technology has created a digital retail landscape that is unrestricted by geography and the normal dynamics of bricks and mortar stores.

Physical stores are also changing as they not only integrate technology in-store but better connect with the digital world to increasingly deliver a seamless omnichannel offering.

As a result, we need to understand these changes and their implications when planning go-to-market strategies or when optimising shopping marketing programmes.

In this paper, we will look at five changes we're experiencing in the world of retail, consider why they are happening and reflect on how Ipsos is adapting to the situation. Find all of this in the sections listed below based around the key themes.

1 Complexity of choice and decision-making shortcuts



2 The effect of pre-store preferences



3 The digital revolution



4 Disruptive eCommerce models



5 Omnichannel: merging the physical and digital



INCREASING COMPLEXITY OF CHOICE PROMOTES SHORTCUTS IN DECISION-MAKING

Complexity of choice is an issue for shoppers buying everyday products. Continuous, iterative innovation and the proliferation of line extensions (where brands create variants of their products by flavour, pack size, and so on) mean that most categories have become very fragmented. Trying to consider all options is a cognitive task that our brains simply cannot handle. Therefore, we use visual shortcuts to selectively focus on what is most important and filter out irrelevant information.¹ The brain has to eliminate unwanted stimuli to cope with the complexity of the surrounding

environment, which is why shopping (both in store and online) is really about “de-selection”. This is arguably getting more acute today with consumer’s increasing expectations of convenience and ever-decreasing attention spans.

Technology can of course help us make faster decisions, and we are seeing increasing adoption of AI, chatbots and voice activation.² Likewise, retailers can aid shoppers through increased curation of their ranges and by enabling more intuitive navigation both at physical fixtures and online.

“Shopping, both in-store and online, is really about de-selection.”

PRE-STORE PREFERENCES SIGNIFICANTLY SHAPE PURCHASE DECISIONS

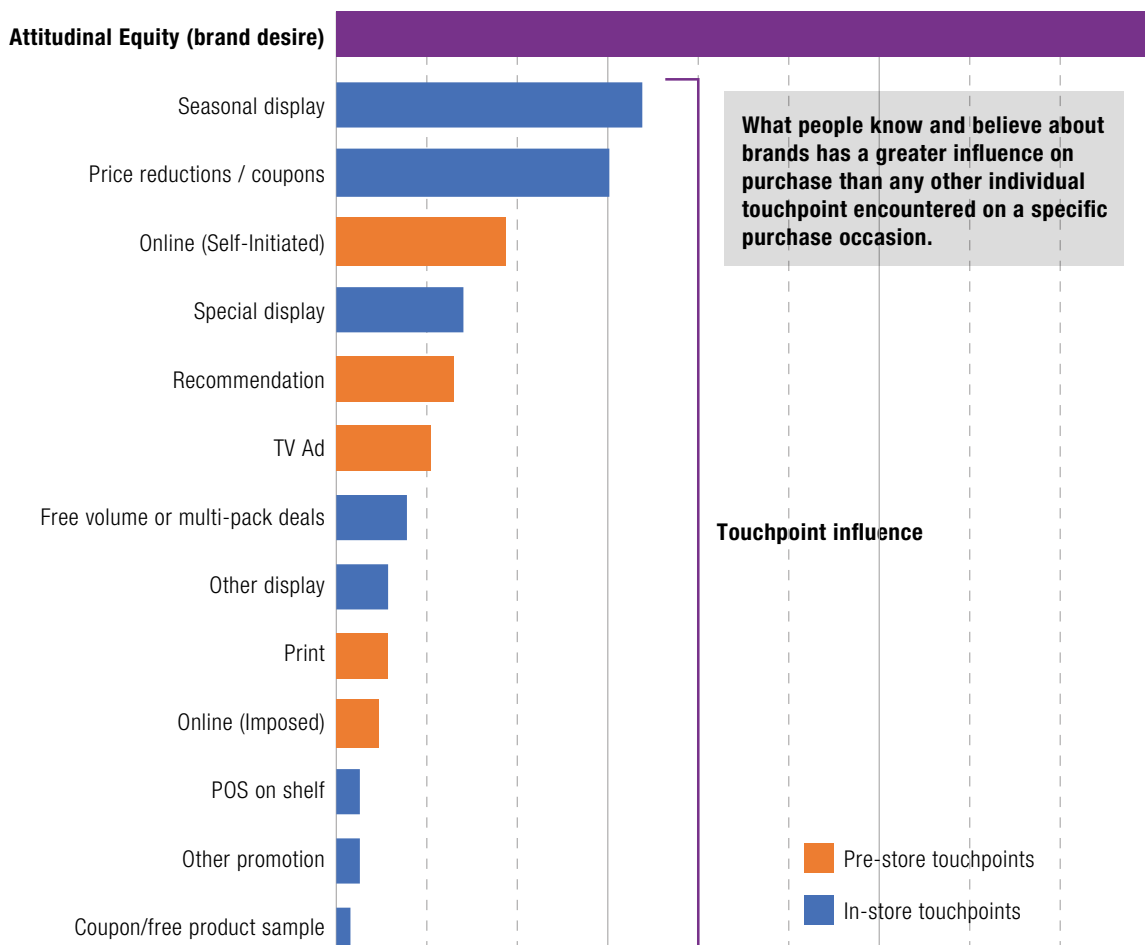
We are seeing evidence through our Path to Purchase research at Ipsos that a high percentage of brand decisions are being influenced pre-store, particularly for the things that we buy very frequently. Complexity in-store certainly plays a role, but so does the cumulative impact of brand touchpoints and (of course) our experience of products, which drives repeat purchasing.

Even for a category like confectionery, which may be traditionally thought of as a strong impulse category, we see that existing brand preferences are stronger than any of the other individual influences encountered during the purchasing

process. This doesn't mean that in-store merchandising and activations are not important, but just being on the shelf is not enough. Brands need to win the hearts and minds of shoppers by creating mental saliency and driving desire.

Our study on pre-store preferences confirmed that attitudinal equality (what people know and believe about brands) has much more impact on purchase decisions than the other touchpoints consumers encounter during their purchasing journey. You can see in figure 1 below that this is more than twice as influential as the next-ranked touchpoint in the list (seasonal display).

Figure 1 The influence of touchpoints on brand choice (confectionery category)



Source: Ipsos study, 2017

THE DIGITAL REVOLUTION IS REINVENTING SHOPPER BEHAVIOUR

Our smartphones and tablets provide us with a wealth of information about different products at our fingertips, including reviews, comparative pricing and product features. We also have the power to influence others through what we post in social media and through ratings and reviews.

Access to this digital environment helps us to make more informed and rational decisions about the product choices that we make. We are also influenced by increasingly sophisticated and more targeted digital advertising.

But digital goes beyond what we read on a screen: the rise of AI-powered digital assistants and voice activated systems like Amazon Echo show a trend towards consumers relying on these tools to help them make the right decisions.

This does raise ethical considerations relating to whether our decisions are at risk of being led by AI and the algorithms that drive them.

Technology is certainly making things more seamless, but it also raises expectations of convenience. Companies like Amazon have fundamentally reset our expectations of convenience and how we shop for products.

“Technology is certainly making things more seamless, but it also raises expectations of convenience”

DISRUPTIVE ECOMMERCE MODELS ARE EVOLVING EVERY DAY

eCommerce continues to grow. It now accounts for around 14% of total global retail sales (averaged across all categories and markets) and is set to grow to 22% in 2023. eCommerce is particularly strong in markets such as China (37%), UK (19%) and US (11%).

eCommerce is dominated by major players in the marketplace, the biggest being Amazon and Alibaba's Tmall. Amazon commands a 45% share of the eCommerce market in the USA and has a global community of more than 100 million Prime members. Amazon is ruthlessly innovative and focused on delivering ever-increasing levels of convenience through large-scale investments in logistics and fulfilment. Amazon is also investing in voice technology, and this intuitive way to communicate voice commands for shopping is set to grow. Amazon Echo has become commonplace in our homes, 18% of all US homes now have one and the total penetration of smart speakers is 26%.

A great example of the use of voice-activated sales is the collaboration between Starbucks and Tmall Genie (Alibaba's equivalent of Amazon's Echo). Starbucks fans can 'voice-order' their coffee and favourite food and have them delivered within 30 minutes. Members can also receive personalised recommendations based on their previous orders and trending items from Starbucks' seasonal menu. The collaboration helps both companies meet the needs of China's digitally savvy consumers, who are increasingly expecting seamless, on-demand deliveries for everything from ordering groceries to food and medicine.

However, eCommerce is not about simply buying the same products through a different channel. The digital environment reduces the "cost of entry" for new brands so allows new players to emerge, creating even greater choice.

eCommerce also allows transactions to take place in very different ways and ultimately changes the way that we buy products.

Figure 2
eCommerce as a proportion of global retail sales



Source: Statista, 2019

Figure 3
eCommerce share market comparison, 2019



Source: Statista, 2019

DIRECT TO CONSUMER (DTC)

This model allows brands to communicate directly with shoppers and, in this way, own their relationships with customers. Dollar Shave Club is probably one of the best-known and most successful Direct to Consumer (DTC) eCommerce models. It took on the male shaving category, which was dominated by Gillette – with 72% market share at the time – and reinvented the way many of us shop for razors. This also provides a new blueprint for challenger brands. Today DTC spans almost every category from cosmetics, pet food and even the mattresses we sleep on. Companies like Casper, who sell mattresses online, are one such company. It may surprise many that mattresses could be a category that is dominated by DTC start-up brands, but if you think of the benefits of having such as bulky product delivered to your home in compact form – and having a 100-day free trial – it starts to make sense.

ECOMMERCE SERVICES

A whole service economy has sprung from technology that can link those who want something with those who can deliver it. Companies like GO-JEK in Indonesia and Rappi in Latin America are great examples. Users of the app can get products purchased and delivered on demand. Rappi's business model is to get FMCG companies to pay for prominent placement (the app is organised by product not by stores) and placement accounts for 55% of Rappi revenue. But people also use Rappi for many other services,

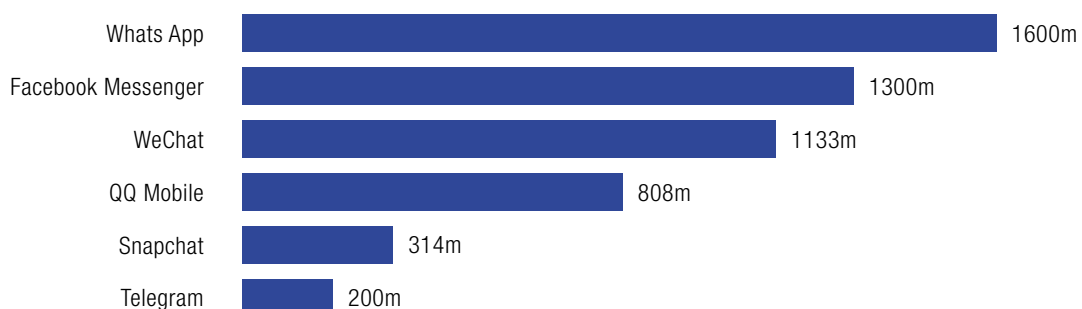
such as moped drivers delivering cash to save individuals having to venture out to cash machines themselves. Similarly, companies like Just Eat, Deliveroo and GrubHub have transformed home-delivery for the takeaway food market which is growing at a rapid pace.

SOCIAL COMMERCE

The growth of social and chat platforms has provided brands with an opportunity to generate impulse purchase opportunities digitally, platforms such as WeChat in China are most advanced with this. Beyond messaging, WeChat offers shopping, music streaming, taxi booking, cinema tickets, all with integrated payments. A massive 95% of luxury brands are present on WeChat. The power of chat platforms is of course their sheer scale: WeChat has 1.15 billion users in China. While this is largely an Asian phenomenon, WhatsApp, the world's biggest messaging platform with over 1.5 billion subscribers, is also moving towards integrating eCommerce opportunities for brands.

Instagram has created shoppable content by building shoppable tags into their 'stories' feature. Millions of users access Instagram stories to stay in-the-know with brands they're interested in, get an insider view of products they like, and find out about new products. By hitting a little shopping bag sticker in a story, users can now immediately purchase what they see, if it appeals to them.

Figure 4 Most popular global mobile messenger apps, based on number of monthly active users



Source: Statista, October 2019

OMNICHANNEL BRINGS TOGETHER THE PHYSICAL AND DIGITAL WORLDS

True omnichannel retailing means we can buy online, on mobile or in-store and choose to collect or have these items delivered to us or at a location that's convenient to us. It also allows us to manage returns through multiple channels. Omnichannel therefore provides ultimate convenience and reduces barriers to purchase. Physical locations allow us to view, touch, try and evaluate products (an important factor in many categories), while digital channels provide access to inspiration, information and of course efficient remote purchasing. For true omnichannel businesses, this potentially changes the role of the physical store, which can become smaller if they no longer need to stock all products and can focus on delivering more of an experience.

OMNICHANNEL RETAILING EXAMPLES: AMAZON, ALIBABA AND SEPHORA

Many pure play retailers (operating solely online) have expanded into omnichannel retailing. Beyond its Wholefoods acquisition and seamless Amazon Go format, **Amazon** has launched "Amazon 4-star", which stocks a range of products that are popular online: those rated 4 stars and above in Amazon Reviews, top sellers and new and trending products. This is a great example of how eCommerce data can be used to support decisions about the range of products to stock offline/in-store. Amazon has also come full-circle by opening physical book stores. This may seem like a kick in the teeth for the book stores it has put out of business, but

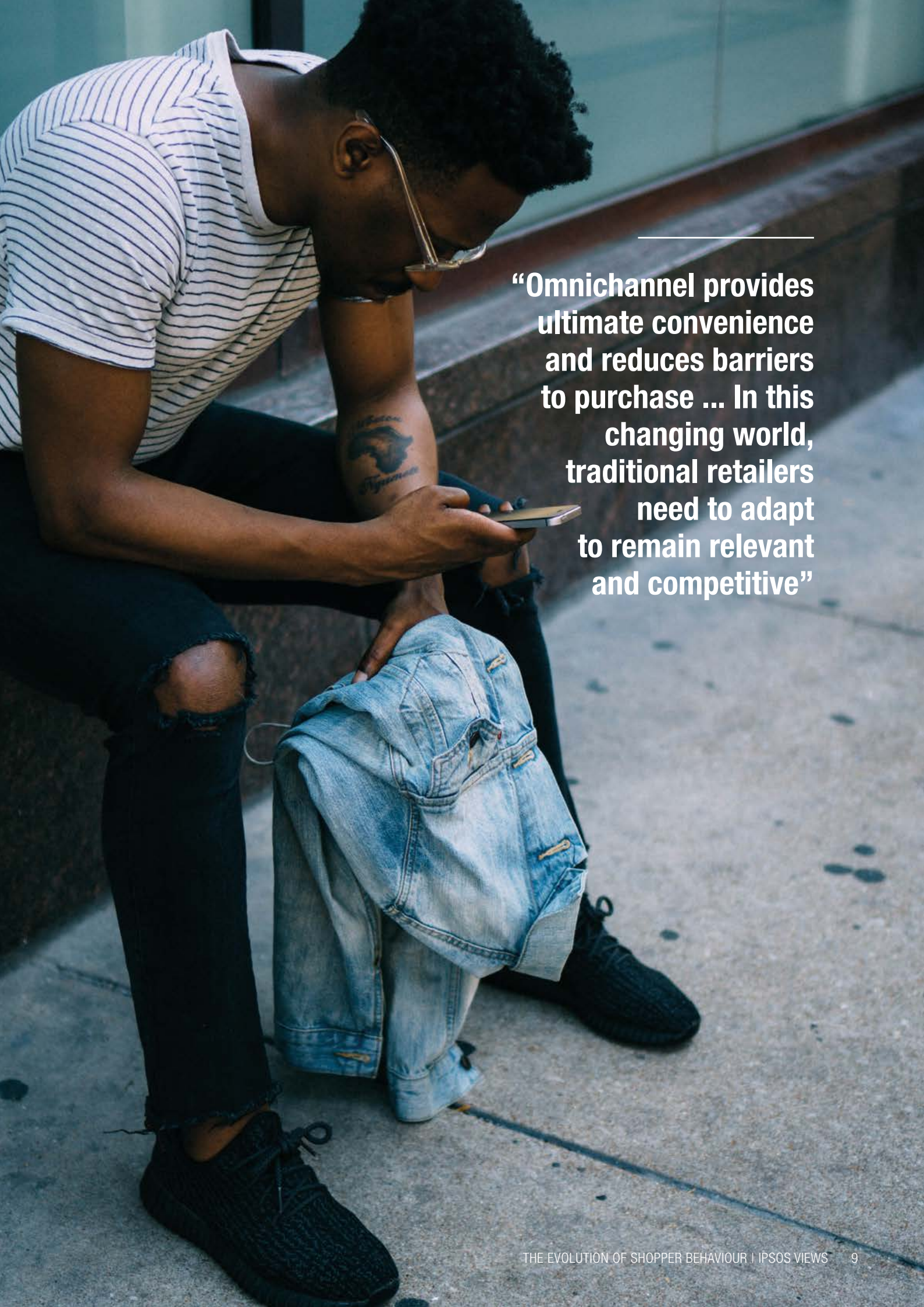
The physical store can become smaller and focus on delivering more of an experience

these stores are fuelled by eCommerce data that defines the range of books available and introduces shoppers to Amazon products and technology such as Kindles and Amazon Echo.

Similarly, **Alibaba's** mission is not to put everything online, but to bring digital technology to all of retail for greater efficiency and better shopper experience. Alibaba has developed many retail concepts, but probably its best known is Hema (Hippo Fresh) Supermarket. At these stores, everything is driven by mobile: you scan products for more information and to purchase before checking out seamlessly with Alipay. These supermarkets also act as distribution centres from which deliveries are made within a 3km radius within 30 minutes. Hema now has more than 150 stores located across 21 cities in China. Alibaba's closest competitor JD.com has launched its own format 7Fresh and plans to open 1,000 stores in the next 3 years.

In this changing world, traditional retailers need to adapt to remain relevant and competitive. A great example of how this can be done is the **Sephora** Flash store which is only 100 square metres (a quarter of the average size of the brand's boutiques). A selection of best-selling makeup and cosmetics products are available in-store alongside a digital catalogue of more than 14,000 products from 150 brands. If a product is not in stock, customers can supplement their physical shopping basket by adding it to their digital basket, represented by a digital tag.

There are also tablets to allow shoppers to discover premium perfumes including classic and niche fragrances such as Serge Lutens, Tom Ford or Atelier Cologne. Perfume testers with an NFC (Near Field Communication) tag provide shoppers detailed information on the fragrance through the connected screen. Customers can then instantly add it to their digital basket. Both physical and digital purchases are paid for at the checkout counter in a single transaction. Finally, customers can choose to have their online purchases delivered to their home or to pick them up at the Sephora Flash store.



“Omnichannel provides ultimate convenience and reduces barriers to purchase ... In this changing world, traditional retailers need to adapt to remain relevant and competitive”

SUMMARY

OUR SHOPPER RESEARCH POINTS TO THE FOLLOWING FIVE TRENDS:

- 1 Increasing complexity of choice (particularly in FMCG) promotes decision-making shortcuts**
Brands need to connect with shoppers in the moments that matter most, whether this means focusing on targeted digital marketing or optimal visibility in-store. Retailers need to think about product assortment to make selection as intuitive and fluid as possible.



- 2 Pre-store preferences are a huge factor**
This means brands need to maintain mental saliency to be top of mind or at least in the conscious/sub-conscious consideration set.



- 3 The digital revolution is reinventing shopper behaviour**
Digital touchpoints can strongly reinforce or disrupt brand preferences so having the right digital presence and right messaging is important to influence decision-making at the right moments.



- 4 Disruptive eCommerce models are evolving every day**
Brands need to consider new routes to markets and be available in new channels that offer greater convenience and quicker fulfilment.



- 5 Omnichannel brings together the physical and digital worlds**
Retailers increasingly need to offer seamless solutions; fluidity is becoming a new currency that can differentiate retailers.



All these factors make the path to purchase more complex to understand, especially given the multitude of touchpoints that brands can use, new channels and increasing choice. At Ipsos we help our clients navigate this evolving landscape and better understand shopper behaviour and motivations, by providing both a holistic view of the path to purchase (LIFE Path), the dynamics of online behaviour (Co-browsing & Webshop) as well as tactical research that informs activation both in-store and online (Simstore).

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The Evolution of Shopper Behaviour has been reissued in January 2020 as an update to the 2018 paper of the same name by Stuart Wood. The trends remain the same, but new developments and data have been added.

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