THE RETAIL ROLLERCOASTER

Riding the ups and downs of today's omnichannel shopper landscape

By Alison Chaltas, Manuel Garcia-Garcia, Geeta Lobo and Punit Mittal | March 2021

IPSOS VIEWS

GAME CHANGERS

Ipsos

A TIPPING POINT

We used to say that retail was going through unprecedented times of change. But now it feels as though we have moved from a ride on the teacups to a full-scale rollercoaster. Shoppers and retailers alike have been dealing with new dynamics throughout the pandemic. Indeed, shopping is one of the everyday activities that has been turned upside down by COVID-19 and non-essential retail is among the most disrupted sectors. While it is important to recognize the magnitude of the changes we are seeing and will continue to see in the future, it's important not to be drawn into hyperbole.

Health and safety is an entirely new focus with unprecedented operational challenges brought on by the pandemic. Other notable retail shifts we have observed during this time include reduced and focused footfall, dramatic shifts to eCommerce and growth of Direct-To-Consumer (DTC) retail. These are not entirely new but an extension of existing trends. The difference is the pace of change, which has been dialled up to 11.

This paper presents some of our key observations of retail in pandemic times and explores whether we are indeed moving in new and unforeseen directions or are instead seeing acceleration of anticipated trends. Looking at what this all means, we set out ways for retailers, and the products that stock their shelves and websites, to stay on track during the ups and downs to come.

HOW THE PANDEMIC HAS CHANGED RETAIL: A US FOCUS

92% OF AMERICANS BOUGHT SOMETHING ONLINE

65% OF THIS SEGMENT SAY THEY DID MORE ONLINE SHOPPING IN 2020 COMPARED TO THE PREVIOUS YEAR

www.ipsos.com/en-us/seven-ten-americans-say-they-have-been-spending-more-time-online-year-ever

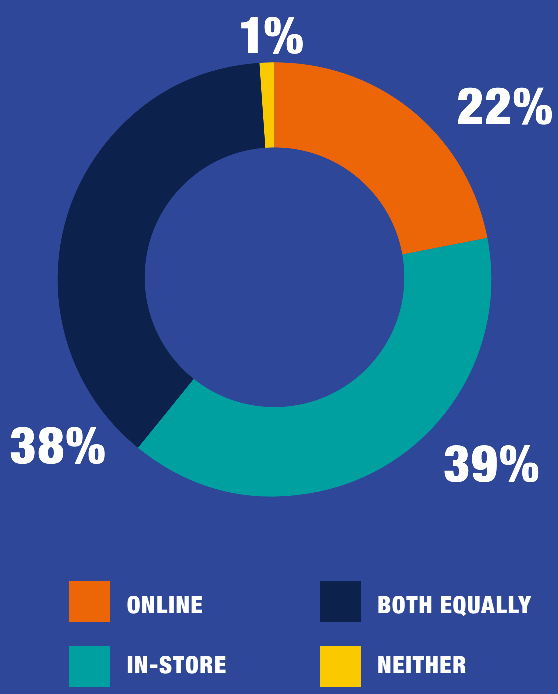
78%

78% HAVE USED BOPIS AND CURBSIDE PICKUP MORE, WITH 69% SAYING THEY EXPECT THIS TO CONTINUE POST-PANDEMIC

69%

www.ipsos.com/en-us/news-polls/New-Study-From-Ipsos-Unveils-Brands-Best-Adopting-In-Store-Pickup-Curbside-and-Delivery-Offerings

GIVEN THE CHOICE BETWEEN ONLINE AND IN-STORE SHOPPING, IF BOTH PRESENTED ZERO RISK FOR COVID-19, WHICH WOULD YOU PREFER?



www.ipsos.com/sites/default/files/ct/publication/documents/2021-02/21-02-52_bigyear_pov_v2.pdf

THE PUBLIC MOOD

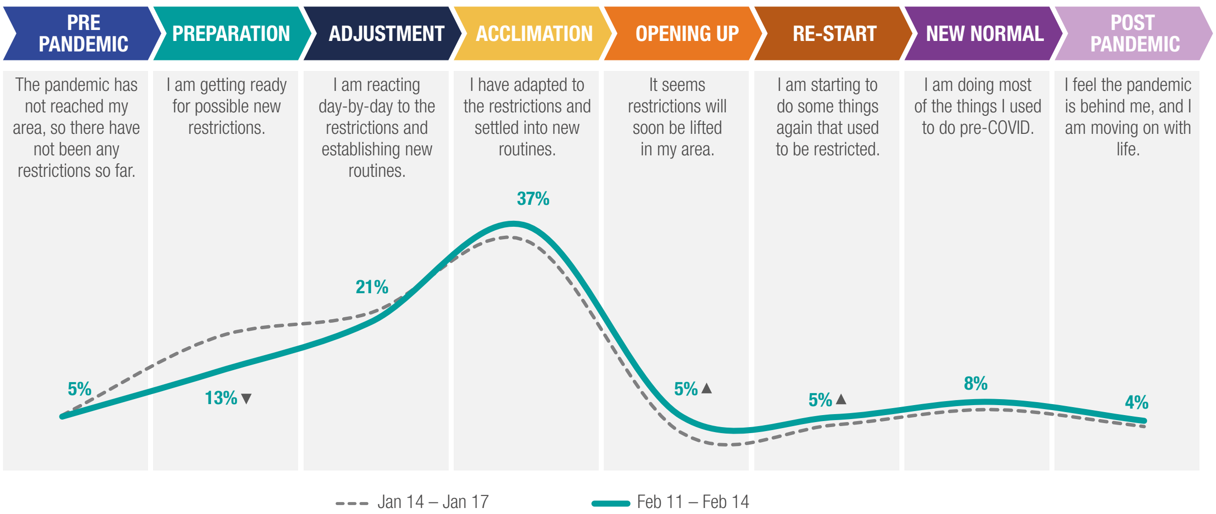
While a vaccine in many countries has finally arrived, the virus will be with us for some time. Our analysis of the public mood throughout the pandemic so far shows that it is not a simple linear journey towards a return to 'normal'. People around the world are moving through cycles of the emotional journey. Local flare-ups of the virus and the re-imposition of restrictions – real or feared – send people back to a state of heightened anxiety and associated behaviour. We can see this in the increase of the "Preparation" phase in recent months (see figure 1).

As long as the virus still poses a threat, the emotional journey continues, and our reality remains highly changeable.

Retailers and shoppers are seeking a solid footing and the knowledge of how things will look in the medium and longer term. But instead of waiting for such a time to come, it is important to move along with the changes, accepting that – at least for now – 'No Normal' is the new 'New Normal'.

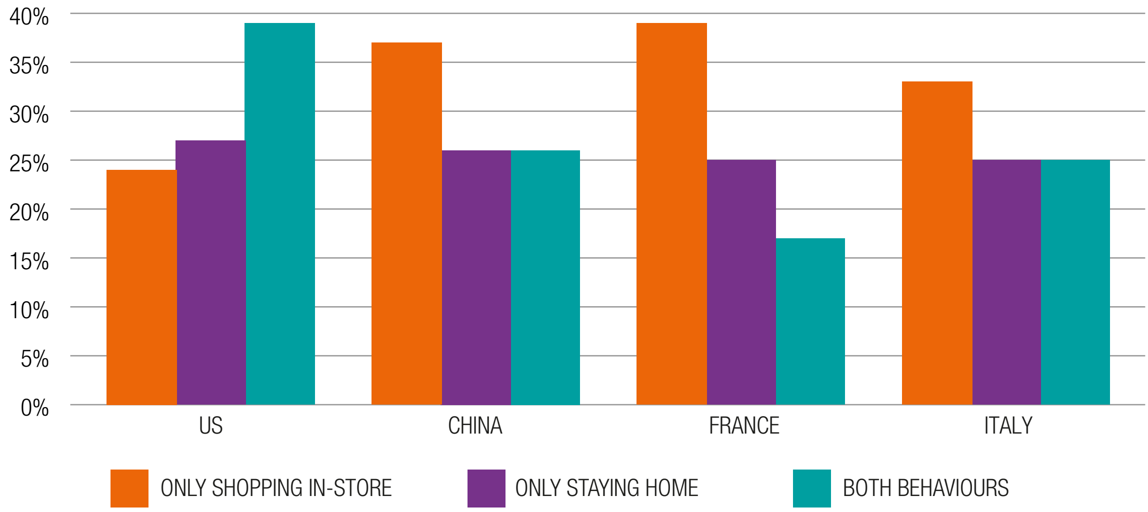
People are conflicted, and decisions are not straightforward in a protracted period of uncertainty. Many indicate a preference for both wanting to stay home for protection *and* for wanting to go out and shop again (see figure 2). Shoppers are being pulled in both directions, influenced by the particular phase of the pandemic as well as factors that include culture, personal goals, emotions and the memory of prior experience.

Figure 1 Which one of the following phases do you feel best describes your current situation regarding the COVID-19 pandemic



Source: Ipsos Essentials Global Syndicated Tracker. Fieldwork January 14-17, 2021. 14,500 respondents aged 18-74 in Canada and the United States and 16-74 in Australia, Brazil, China, France, Germany, Italy, Spain, India, Japan, Mexico, Russia, South Africa, South Korea and the United Kingdom

Figure 2 Preferences across Staying Home and Shopping Behaviours



Source: Disrupting System 1 thinking: Better science for smarter marketing[1]

SHOPPERS REWIRED

It is well established that shopping has a deep-rooted emotional context and is not a simple act of acquisition or replenishment. In general, it is associated with satisfaction, happiness, social connections, excitement and even a sense of achievement. The evolution of the retail industry from simple "stock and serve" outlets to delivering complex experiences to shoppers through offline and online formats has ridden on the emotional payback from shopping more than its functional aspects.

The positive feelings elicited by the shopping experience follow the release of two main neurotransmitters: serotonin and dopamine. Serotonin regulates our mood, relieves anxiety and is associated with a feeling of well-being. Dopamine plays a key role in the brain's reward system and pleasure centres, which are activated when we experience something new, exciting and pleasant. Importantly, it enables us to learn from the positive experience and reinforces behaviour, as it is also activated in anticipation of that reward.

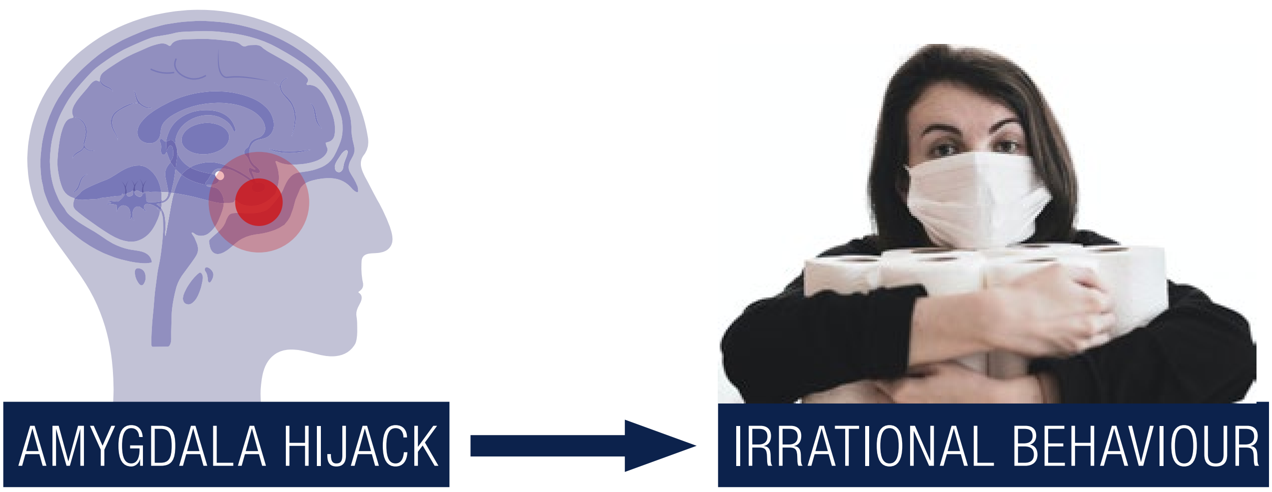
There are three phases involved in the activity of the reward system:

1. **Anticipatory phase** when people infer the likely reward that they will obtain if they make a particular choice
2. **Consummatory phase** when people have direct experience with the consequences of their choice
3. **Updating phase** when the system uses the discrepancies between what was predicted/expected and what was experienced to influence future predictions

Remarkably, increased bursts of dopaminergic neurons have been shown to fire when rewards are larger than predicted. Therefore, shopper habits and brand loyalty are going to be driven by signals that are only updated when what is experienced is better than what is expected.

When in a persistent state of alarm and constant vigilance, as we are with the virus, activity is triggered in the amygdala (a brain region connected to the experiencing of emotions). This situation has been described by Daniel Goleman, Californian author and science journalist, as an "amygdala hijack".[2] Under this condition, we perceive numerous potential threats which lock us into a "fight or flight" mode of response. This can transform a typical shopper from a carefree, pleasure-seeking animal into a harried, hyper-vigilant creature that avoids taking chances and craves security. In the current circumstances, the experience of shopping becomes a threat, and a behavior that we would learn to avoid. This is based on recent research that demonstrated that some emotional information travels directly to the amygdala without engaging higher brain regions. This can cause a strong automatic response that precedes more deliberate ones, leading to irrational shopper behaviors that produce immediate reward, but will have little success settling as a habit.

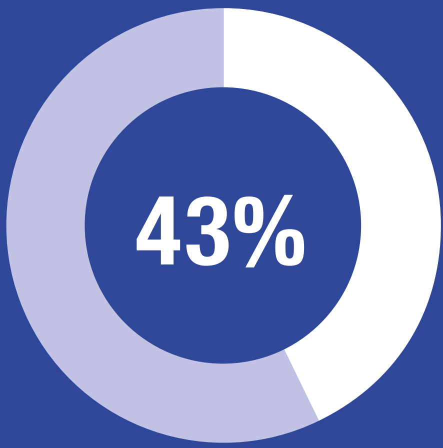
Importantly, old shopping behaviors and habits have been impacted by the situation. This presents brands and retailers with a unique opportunity to leverage dopamine and the reward system and promote new consumer behaviors, shopping habits and brand loyalty in their customers.



THE DIGITAL ERA

In the era of lockdowns and social distancing, one area which has gained evermore importance is eCommerce. There have been huge shifts in online behaviours driven by the pandemic. Online retailers have seen a massive jump in sales compared to their physical counterparts. This is especially true in the grocery market, as can be seen in figure 3, where online delivery platform Instacart have had a huge surge in sales compared traditional US grocers. This trend continued with the big retailers and even Amazon, an eComm giant before the pandemic, saw sales rocket.

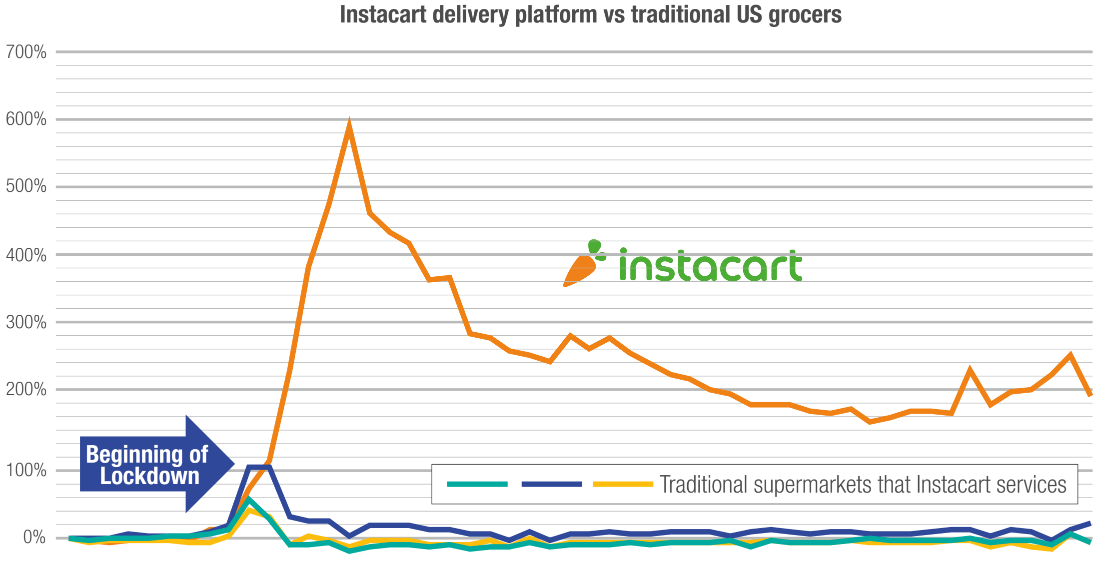
Over a four-week period early in the pandemic, our *eCommerce Unleashed* study found that many online shoppers were trying it out for the first time in many categories.[3] These included 40% of online grocery shoppers and almost half of those purchasing beauty care/cosmetics (48%) and electronics (also 48%) digitally. Avoiding contact with others was given as a top reason in going online for grocery and beauty products, while ease was a greater factor for electronics devices.



SAY THEY HAVE SHOPPED ONLINE MORE THIS YEAR. HIGHEST IN CHILE AND GREAT BRITAIN

Source: Ipsos - How shopping and eating out has changed during the pandemic

Figure 3 eComm spending trends - US top players weekly sales growth vs January 2020



Source: Affinity Solutions, Inc.

BRICKS AND MORTAR IN THE DIGITAL ERA

For years people have been claiming that declining footfall and the parallel increase in eCommerce is a trend that spells the end of shopping as we know it. The rise of eCommerce set off a rapid evolution and transformation in offline retail to combat the challenge. Many bricks and mortar retail formats transformed to enhance interaction, engagement and the emotional payback of the experience, showing that there is still a role for it.

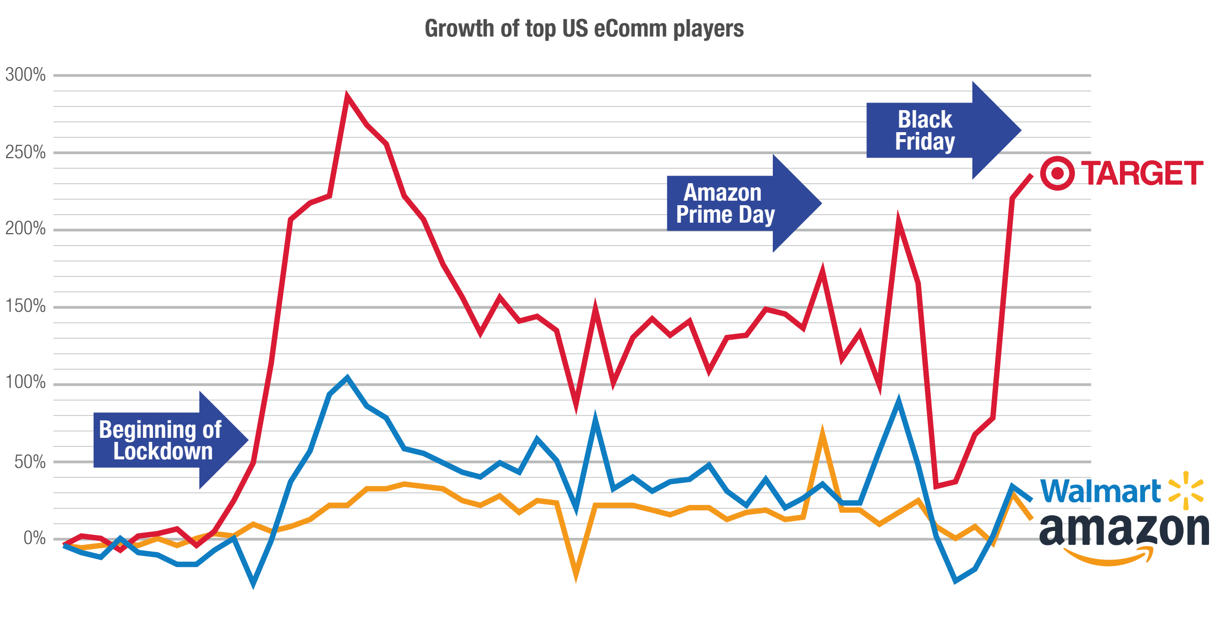
Is the pandemic a challenge too far? It is possible we will witness a long-term downturn in footfall, especially in a scenario where the virus still lingers to some extent. Nevertheless, bricks and mortar will continue to be a central part of shopping in the modern era. However, physical stores will have to take on a different role in the purchase journey. Businesses invested in retail need to consider the role of their stores. Are they a place just to buy or a place to explore? Retailers must reengineer stores in such a way that it gives shoppers a reason to return, otherwise they will suffer a permanent drop in the appetite to shop in-store.

COVID-19 forced consumers and retailers to change the way they act. Even when the pandemic is over, expectations like suitable delivery and pick-up options will not be going away. To ensure their success stores must work together with their digital presence in a meaningful way.

Brands and retailers also need to redraw plans to make the new Covid-controlled shopping environments as rewarding as the pre-pandemic ones.

Visits to stores happen in two main ways: either as a shopping destination in itself or through proximity in relation to other contexts or movements (e.g. grabbing something for dinner on your way home from work). Both of these missions are challenged by the pandemic, the first directly as a result of the health threat and the other a knock-on effect of people being out and about less. With more people working from home now, a trend which may continue beyond the pandemic, where we spend our time and our money is changing and must be taken into account.

Figure 4 eComm spending trends - US top players weekly sales growth vs January 2020



Source: Affinity Solutions, Inc.

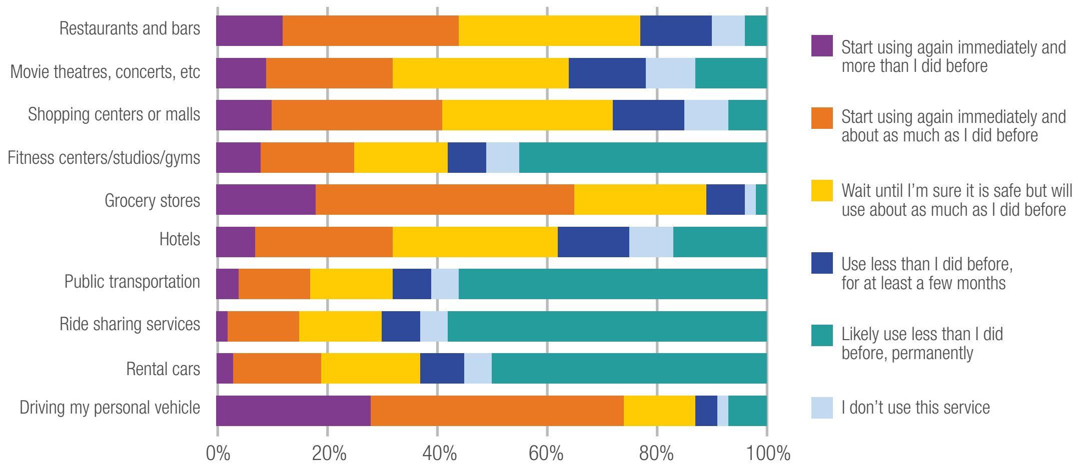
Health and safety was a huge consideration for retail at the beginning of the pandemic. Protective measures were put in place to meet regulations and reassure customers as they resumed usual activities in unusual times. This was important for shoppers to see: over one-third (35%) said they would stop shopping at a retailer if they weren't taking health and safety seriously.[3]

In the UK, we found that 45% of shoppers said they would not return to a clothing store that performed badly on health and safety, but 88% would return to one that performed better.[4]

After securing the immediate safety of customers, retailers must turn to the question of how to continue delivering a great in-person experience. How brands manage the crisis of the pandemic will also become a new determinant of trust and loyalty.

It is perhaps unsurprising that once the pandemic is over and restrictions end, shoppers will return to stores. Our research found in the US, the majority of consumers will come back to shopping in grocery stores and shopping malls once they perceive it as safe (see figure 5).

Figure 5 Thinking about when COVID-19-related closures and restrictions end, how will you proceed when using these services?



Source: The Ipsos Coronavirus Consumer Tracker, fielded January 20-21, 2021, among 1,115 US adults

ECOMMERCE MUST EVOLVE

A greater emphasis on digital engagement is a clear and intuitive solution for maintaining shopper activity during the crisis. But, if eCommerce is to take center stage in the new retail world, there is some work to do. In-store shopping is becoming more purposeful and less leisurely (at least in the short term) but eCommerce is often still rooted in its transactional design, making it unable to fulfil the broader role that customers are looking for. It must evolve to offer more of an experience and be optimised for browsing and discovering brands and products.

Our feedback from shoppers suggests that online shopping – while convenient – doesn't provide the same levels of enjoyment.[5] There is a need to get it right online by ensuring that websites are presenting, organising and informing consumers about the products that are on offer in a way that is relevant and engaging, developing an approach tailored to the consumer's mindset, building in the best of the in-store experience to the digital channel.

WHAT CONSUMERS SAY ABOUT THEIR NEW SHOPPING EXPERIENCE[5]

"We live more simply to stay safe and save money"

"We buy more in local shops to support our neighbours"

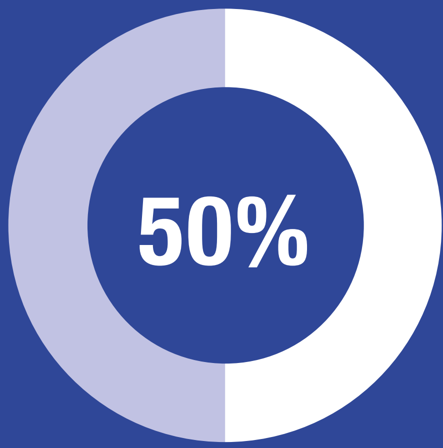
"I only buy necessities and shop sales online more and more"

"Online shopping is boring. I just check prices and checkout"

"I shop fewer stores to avoid people"

"I buy from my list and leave. Too scary to browse"

"We shop online because we have to but we're not satisfied"

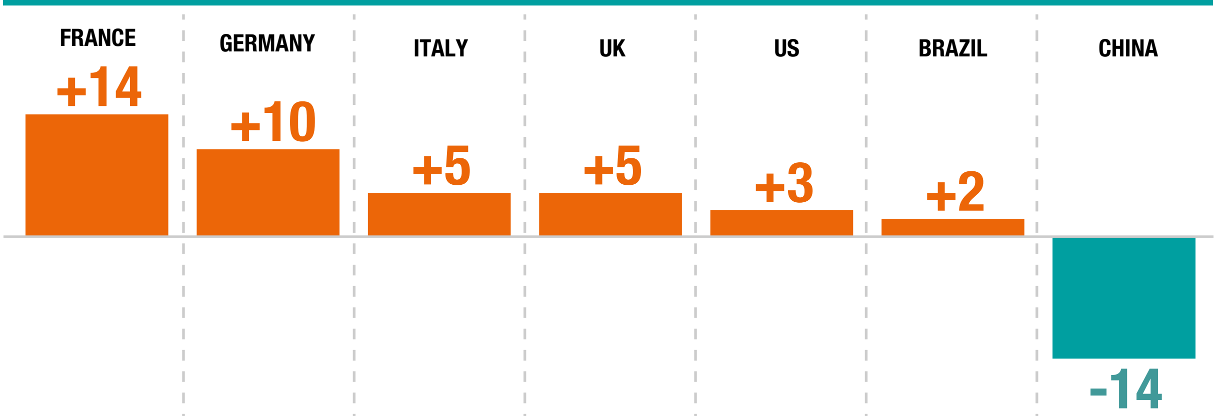


HALF OF CONSUMERS IN THE US REPORT DISCOVERING A NEW BRAND ONLINE DURING COVID-19

Source: Synthesio - The Growth and Expansion of Online Retail: COVID-19 and Beyond

Online shopping is hailed as the future because of the convenience factor – why would we go out to shop when we can find, select and pay for the very same thing within minutes of picking up the devices that are never too far from our fingertips? But our recent survey shows that – in fact – people do not find it quite as easy as we might think. This is the case even among our digital natives, Gen Z.[6] This suggests that there are improvements to be made to the online experience (see figure 6).

Figure 6 "I find shopping online more difficult than shopping in traditional stores" Change in % agree 2019-2020



Source: Ipsos Global Trends 2020: Beyond the Pandemic

ACCEPTING A NEW REALITY

In adapting to the new reality, shoppers have forgone old rituals and acquired new routines.[7] it is time we look for new triggers to get our favorite neurotransmitters, dopamine and serotonin back in play. While the rules of retail may have changed, there is a great opportunity to create differentiators in these new realities that will serve brands and retailers through this period of 'no normal'.

Brands need to create ways to build a uniquely engaging experience within the constraints of a controlled environment. This could include:

SECURE BROWSING

Facilitating exploration even before a shopper enters the store would be a game changer. Be it through offering a virtual view of shelves or catalogues, consumers' dopamine receptors need to be befriended again. For example, The Book Hive, an independent bookstore in the UK,[8] have given window-shopping a whole new dimension as the store plans to display multiple books through its full-length glass front. Customers will not enter the store but will be able to ask for recommendations and place orders through this window.

NEW OMNICHANNEL EXPERIENCES

Technology enables the possibility of engaging the shopper even before they are in the vicinity of the store. Reliance Brands, India's largest luxury retailer, reached out to potential clients with WhatsApp catalogues then followed up with a video call to showcase the products.[9] This offers something close to the real experience of exploring a product range and shoppers can engage with staff before finally making their purchase. Such tactics will be vital for categories where identifying the right product for a need necessitates extensive interaction with products, such as in fashion and for high-end durables.

BRING DIGITAL TO PHYSICAL

The winners will bring digital in-store. For example, Walmart are trialling four stores which will work as both physical shopping destinations and online fulfillment centers.[10]

RE-PRIORITIZATION OF SENSES IN EXPERIENCE DESIGN:

In-store floor plans and layouts will need to be re-imagined for a low contact world. We could draw inspiration from famous Finnish architect, Juhani Pallasmaa, who says: *"Vision reveals what touch already knows… Our eyes stroke distant surfaces, contours and edges, and the unconscious tactile sensation determines the agreeableness or unpleasantness of the experience."*[11]

Facilitating exploration even before a shopper enters the store would be a game changer.

STAYING ON TRACK IN THE 'NO NORMAL'

Based on the discussion of new and accelerating retail trends during the pandemic, here we set out the key actions to consider for both online and bricks and mortar retail as we face the challenge of adapting to a long-term, fluid retail context and an evolving customer journey. This has at its core the aim of bringing together a strong omnichannel offering, which is the crisis-proof aim for the future.

As time, location, motivations and spending priorities are all changing, it is important for retailers to review their shopper journey maps in the context of on- and off-line worlds coming together and the evolving path to purchase. Previously identified moments of delight or pain-points may have amplified or disappeared – or there may be new ones, all of which affect how retailers should operate.

DIGITAL

DON'T REPLICATE REAL-WORLD RETAIL ONLINE

Although we live in times when the division between our online/offline existence can feel blurred, how we approach shopping in each channel is unavoidably and fundamentally different. When moving retail activity online, consider why customers are choosing the digital channel, what their frame of mind is, and what is the job to be done. Facilitate this by redesigning for the channel and avoid replicating your shop window online.

DO DIGITISE THE BEST BITS

However, it helps to think about what customers enjoy most about the in-person experience and bring that online. An online interface can offer improved product descriptions and customizable content to directly deliver what shoppers are seeking. And it must keep pace with the digital experience. As time spent on our devices increases at an almost exponential rate, people are impatient.

PHYSICAL

RETHINK REAL ESTATE

Store layouts are traditionally based on browsing, upselling and impulse purchases. As shopper behavior changes, retailers will need to rethink store layout and space allocation. For example, grouping together related items into solution centers may mean items are in multiple locations which less inventory in each place. This minimizes shopping time, adherence to one-way systems, and more purchases in the basket.

ESSENTIAL EXPERIENCE

Maintain the essence of your experience. Continuity in the elements that are central to your brand will help to drive advocacy and conversion, now and in the future. For example, some fashion players have reopened fitting rooms and offer tailored services. Others have reinvented their takeout to capitalize on dining in.

.

DIGITAL

UNDERSTAND THE END-TO-END USER JOURNEY

All touchpoints, in-store and online, need to be viewed in the context of the end-to-end customer journey and in relation to each other, especially where there are hand-offs to other parts of the experience. Knowing where and why customers switch channels is critical and can be diagnosed via a simple questionnaire. Retailers can use this either to put in place interventions to redirect or guide the journey with seamless signposting to let customers know what to expect.

CRISIS-PROOF THROUGH OMNICHANNEL OFFER

Make your channel strategy crisis-proof by developing a strong omnichannel offer. In our uncertain times, it will pay to be flexible. Allowing – and encouraging – customers to engage via any channel will widen the net and help your organisation to keep doing business no matter future behaviours, habits and preferences.

CHAMPION A HYBRID APPROACH

Digital isn’t always the best option and it can’t always run autonomously. To support customers with more complex online tasks, you can add positive friction through ‘pop-ups’. But humans can’t be replaced completely. Chatbots can only deal with simple things, so be realistic about what can and can’t be achieved. A hybrid approach can ease the pressure on certain tasks, freeing up people to add value elsewhere.

PHYSICAL

REPURPOSE FORMATS

Make it easier for customers by repurposing spaces. While convenience is always an important consideration, it may look different in today’s world. Responding to why customers are entering the store could lead you to consider totally new prototypes. Many retailers are swiftly converting selling space into logistics storage for home delivery and curbside pickup.

FORM RETAIL BUBBLES WITH ‘FRENEMIES’

Retailers with complementary categories benefit by coming together under one roof – physically and digitally. Partnering up means that customers can fulfill more needs with reduced risk than if they had to make multiple trips. Falling footfall means stores must be ruthless in planning their locations.

BLENDED SHOPPING

“Just browsing” is a thing of the past: our retail visits are more purposeful during the pandemic. Bringing the benefits of online shopping to a bricks and mortar setting (such as through staff-supporting online browsing or pre-qualifying customers) means stores can offer the best of both worlds, enhancing convenience, ensuring physical distance, and retaining the human element.

RESPONSE STRATEGIES

and here are four key areas we think brands need to focus on:

1 AVAILABILITY

Being present where shoppers are never goes out of fashion. Availability must be channel agnostic and brands need to develop omnichannel ecosystems to be present in the right medium at just the time shoppers intend to shop. CPG brands with a stronger distribution networks have been less impacted during the lockdown. We also saw innovative strategies being adopted to reach the shopper including stores being reinvented as eCommerce distribution centers, brand partnerships with food delivery services, e-pharmacies and F&B industry leaders, brands forged new alliances to ensure their reach.[12]

2 ASSORTMENT

Shoppers increasingly want to spend the least amount of time possible in product selection. Retailers are reducing shelf space for social distancing and to create space for pickup and delivery operations. As a result, planograms must be re-evaluated to do more with less, aid auto-pilot behavior and encourage trade-up. Decision tree rules now must be omnichannel to create complementary assortment in-store and online and be refreshed as delivery times change. As shoppers now avoid touching products and signage, clutter free and clear display arrangements will also drive category momentum.

3 ASSIMILATION

Simpler packs that clearly communicate branding and the ‘Reasons to Believe’ become of paramount importance. In a short timespan, what a shopper assimilates of the brand promise could make the difference between being put in the basket or being left on the shelf. Additional cues on health and wellness, convenience or even enjoyment (or at least stress alleviation) are the emotional codes that shoppers today are looking for. This likely means separate, but consistent, packs and promotions targeting eCommerce differently than physical channels.

4 ACTION

Promotional activity must also needs reinvented and tested in safe, likely virtual environments. “Touchless” is the name of the promotional game. Categories that used to rely on point of sale education and retail sales associates must find new ways to engage today’s omnichannel shoppers.

As a result, pre-Covid shopper journey research is not very helpful and our insights base needs to be modernized to inform a touchless promotion world. Thankfully, virtual shelf research can help validate new shopper dynamics and test which new promotions will drive incremental category and brand sales across both physical and digital retail.

Categories that used to rely on point of sale education and retail sales associates must find new ways to engage today’s omnichannel shoppers.

REFERENCES:

1. Timpone, R. Venkataraman, R. Ansons, T. Baldo, D. Garcia-Garcia, M. Godard, O. Schoeller, M. Strong, C. (2020). Disrupting System 1 thinking: Better science for smarter marketing
2. Goleman, D. (1995). Emotional Intelligence: Why It Can Matter More Than IQ
3. Ipsos eCommerce Unleashed
4. https://www.youtube.com/watch?v=D9SVrdFR5P8&list=PLBfC6kONGrJGLfK-fw4VEmsCfKqyJoN-r&index=3&t=0s
5. Ipsos Ethnography CovidWatch
6. Ipsos Global Trends 2020: Beyond the Pandemic
7. Ipsos - Brand rituals in a low-touch world
8. https://twitter.com/bookhive/status/1275774445492277251?s=20
9. https://www.voguebusiness.com/consumers/why-indias-reliance-is-adopting-whatsapp
10. https://corporate.walmart.com/newsroom/2020/10/29/in-this-new-era-of-retail-were-testing-new-ways-to-operate-and-its-the-customer-who-wins
11. Pallasmaa, J. (2005). The Eyes of the Skin: Architecture and the senses
12. Ipsos - Dancing with Duality: Brand growth in a mindful and mindless world

THE RETAIL ROLLERCOASTER

Alison Chaltas Global President, Shopper, Ipsos

Manuel Garcia-Garcia Global Lead of Neuroscience, Global Science Organization, Ipsos

Geeta Lobo Executive Director, SIA, Ipsos in India

Punit Mittal Client Officer, Ipsos in India

Contributors:

Lorraine Rough Director, Customer Experience, Ipsos MORI

James Llewellyn Head of Shopper, Ipsos MORI

The **Ipsos Views** papers
are produced by the
Ipsos Knowledge Centre.

www.ipsos.com
@Ipsos

GAME CHANGERS