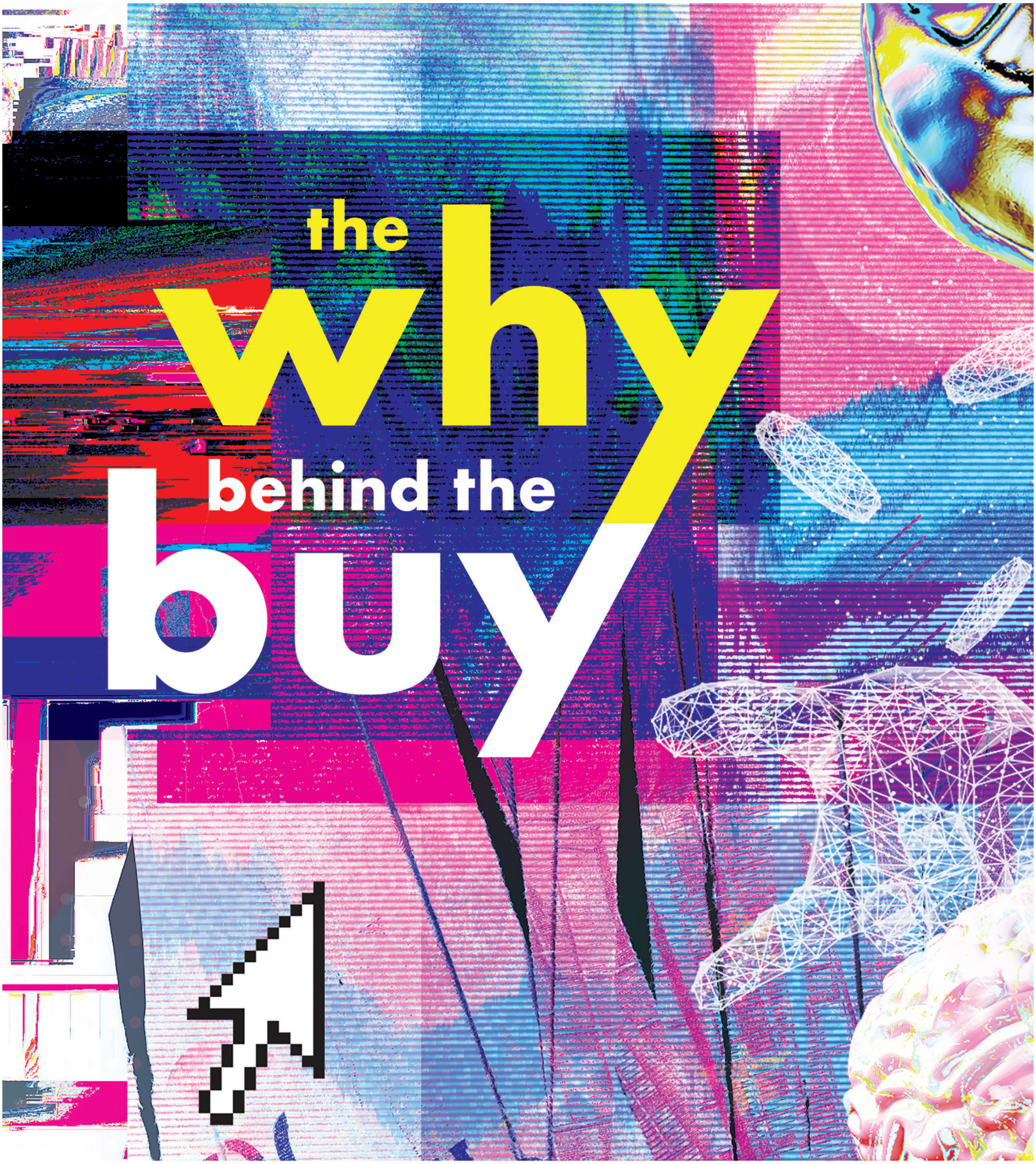
2021

FUTURE OF COMMERCE



Introduction

Retail choices have always been shaped by the forces of innovation, balanced with deep-seated habits and practices by both the shopper and the store. This normally manifests in long-term structural shifts; through the 20th century a shift from small local stores to large hypermarkets or malls and over the past 25 years, through the rise of e-commerce.

In 2020 lockdowns and shelter-in-place orders forced us to break our day-to-day routines. Deeply ingrained habits were forcibly broken: from a shift to online grocery ordering, to fewer larger shopping trips, to a temporary halt to browsing as a leisure activity.

It has become something of a cliché to say that the pandemic accelerated pre-existing trends and that we have just skipped ahead by a few years. This may be true if we look at top line charts and extrapolate what was going before the pandemic versus the metrics we see today - but this should not be assumed. Instead, we need to understand why behaviours have changed to understand what will happen next.

Never has it been more important to be consumer-centric. It can only be by talking to consumers, and listening to what they have to say, that we can truly begin to understand their behaviours, habitual changes, need states and appetite for change, to advise our clients and brands on the future of commerce.

Changemaking Future Retail Choices

Retail has always been a combination of experience, value and convenience - the pandemic has just shaken up these drivers of choice albeit forcibly and universally. The Future of Commerce research seeks to quantify those new, and not so new, drivers, of retail choices to define how retail brands should behave and to derive the competitive advantage; to understand the ‘why behind the buy’. We will explore this through the lenses of three consumer mindsets:

Wow

The importance of rich interactive experience on and offline

Right

Orchestrating value, price and purpose messaging in the right place at the right time

Now

Delivering seamless ease through technology, channel integration and service delivery

The vast majority of consumers do not operate exclusively on one domain or the other – the most successful brands will be those that best understand the strengths of each and orchestrate the **Wow Right Now** in both a short-term period of unpredictable volatility and for the longer-term to address our individual beliefs, attitudes and concerns.

Value, convenience and immediacy have become key drivers for hyper-connected consumers looking to rediscover retail experience in a post-pandemic era. Brands need to act now to harness the conversion opportunity from **Wow Right Now** strategies.

“Retail is one of the most dynamic and rapidly changing environments and it’s easy to over-simplify commerce trends. With Future of Commerce, we aim to get under the headlines to really bring to life the nuances of how people buy both on and off-line, the essential differences by category and importantly their expectation of retail moving forward”

Sophie Daranyi,
CEO, Omnicom Commerce Group

“It has always been our ambition to connect marketing communications with the purchase occasion and to ensure that both exist in service of one another. Not only can we now accurately attribute marketing communications to sales, but the communications themselves can become the shop front, the in-store experience and the means of fulfilment. We are delighted to partner with OCG in commissioning this research, to analyse and quantify how consumer behaviours have evolved and how trends have accelerated over the last year”

Florian Adamski
Worldwide CEO, OMD

Enhancing our understanding of the 'why behind the buy'

Through the lens of **Wow Right Now** we explore how the respondents to our quantitative survey are feeling about shopping today; their relationships with city centres, their attitudes to technology enhancing the shopping experience; their expectations from brands across convenience, service, price and choice-architecture.

We examine implications for a number of behavioural changes that will be taken forward as we enter the post-pandemic commerce landscape.

Across generations and sectors we see nuances in behaviour that should be acted upon for future brand growth, strategic developments for omnichannel retail brands and ultimately, successful consumer communications.

6 Worldwide Markets	4,200 Consumers	6 Retail Sectors	9 Smart Technologies Categories	80+ Scenarios Explored

Wow. Right. Now.

Looking across our data, it's clear that to get people back in stores, or to maintain online behaviours, interactive, fulfilling and immersive retail experience will be a key driver throughout the recovery.

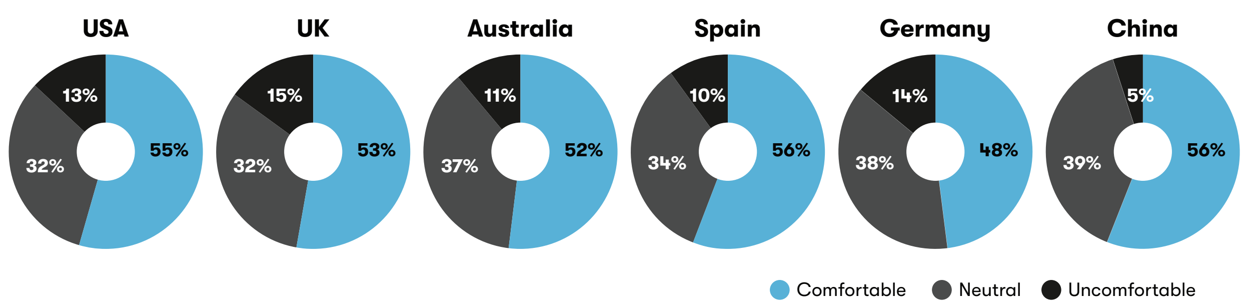
To **Wow** a consumer, you need to be looking across all touchpoints of the consumer experience, from discovery to browsing and the shopping experience both online and in-store.

49% are most willing to return to the city centre for leisure shopping, leisure activities and dining or drinking

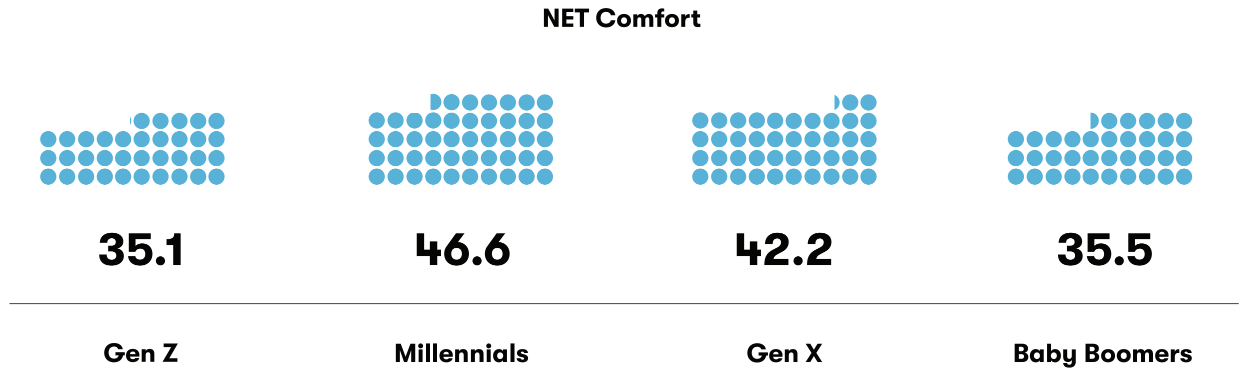
Consumers clearly see shopping as a lifestyle: brands and retailers need to adapt accordingly. With 49% most willing to return to the city centre for eating, drinking, leisure and socialising, these are important drivers to getting people to visit physical stores. To tap into this mindset brands need to create rewarding ecosystems in stores and to incentivise destination shopping. There are cultural nuances to allow for: in markets with lower per capita incomes, shopping plays a bigger role in people's lives in general vs markets where per capita incomes are increasing rapidly, shopping becomes an engine of newly earned status as well as a fun activity.

However, when it comes to returning to the city centre, attitudes vary more widely by generation than country. There is a need to re-embed the shopping experience around wider values.

Over half of people feel comfortable visiting city centres



The desire to return to city centres is consistent across countries. Notion of experience may be different for Gen Z, as indicated by their lack of interest in returning to city centres.



"Because people will be discerning about how they spend their time, physical experience will be important, but that continued ease of digital experience will also be important. So hybrid will be the way we continue to see trends."

Hannah Emslie,
Creative Director, Selfridges & Co

19% of respondents tried a new brand during the pandemic and 14% continue to try new brands over the next year.

In the pandemic, we were forced to focus on our most basic survival needs, the basics of safety and security at the lowest price. These needs are served well by online channels which is why '37% of respondents bought more items online as a result of the pandemic and 24% plan to continue buying more online over the next year'. New habits are also there for the taking for brands that use retail well

37% of respondents bought more items online as a result of the pandemic and 24% plan to continue buying more online over the next year

to convert new behaviours into habits, with 19% of consumers trying a new brand during the pandemic, and 14% expressing the desire to continue to try new brands over the next year. Whilst e-commerce has seen exponential growth, in-store shopping is still preferred by a higher majority of consumers.

In the post-pandemic era there is much pent-up desire to express needs further up the hierarchy. By this we mean more purchases that address consumer needs such as indulgence, gifting or rewards. Shopping is an easily accessible way of expressing what we have missed over the past year and a half. Hence emotional experience will be a key driver of elevated shopping choices.

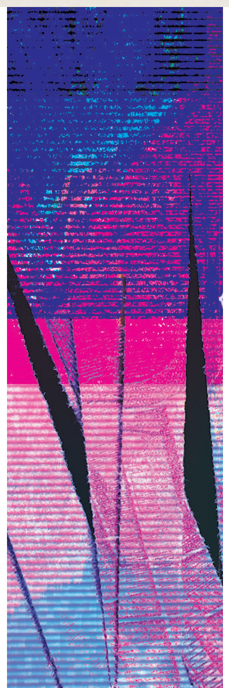
All generations have better success shopping for exactly what they need when they shop online, but overall, customers prefer the experience of shopping in-store:

Our study has shown that online versus in-store shoppers aren't that different in terms of what they want. Even people who choose to shop online like the activity of purchasing products the least, over other motivations such as inspiration, discovery or product comparison. For consumers, ROPO (research online, purchase offline) is the most preferred route to purchase - 50% use online to research products, while 28% seek out product reviews and recommendations in-store – a blend of both channels gives consumers the best of both worlds.

When it comes to the in-store experience, consumers are looking for more health and safety measures, reviews and recommendations, as well as click & collect or delivery options. In the short-term, contactless is a big experience draw for in-store shopping. This is seeing the largest ramp up in importance of any variable measured (51% think it's important and 38% more important compared to a year ago).

Top reasons to choose online shopping

Researching products	50%
Comparing products	48%
Looking for inspiration	41%
Discovering new products	41%
Finding exactly what I am looking for	38%
Customer Service post purchase	36%
Purchasing products	32%



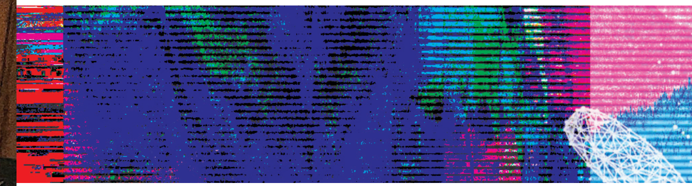
Top five options consumers look for when shopping in-store

More product reviews and recommendations	28%
More health and safety measures	37%
More click and collect and delivery options	27%
More real-time personal offers on my mobile	26%
More technology to give me more product information	24%

The pandemic forced consumers to relook at this pastime - many with significant behavioural inertia had to shop online and are likely to do more so in the future as the practical aspects of shopping can be delivered online. Especially for older audiences who exhibit the most significant short to mid-term demand opportunity. Therefore, the emotional benefits of the whole shopping experience need to be re-illustrated.

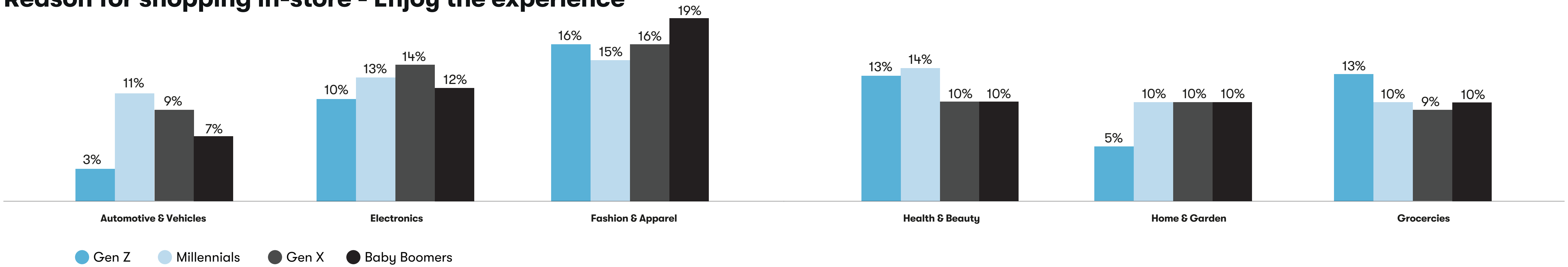
Experience works for all ages, even though it's unlikely to be the same experience. Experience isn't more important to Gen Z or Millennials compared to other generations. In fact, the experience for fashion is more important to Boomers than any other audience!

Too much experiential thinking is done by young people for young people. People over 50 years old control the majority of the world's purchasing power and are dramatically underserved by quality experiences.

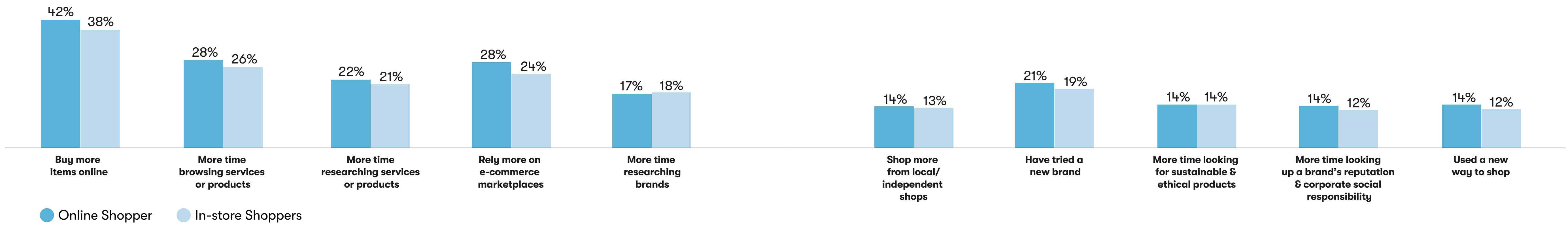


67% of people believe the overall experience of shopping in-person or online is important with 25% believing it is extremely important.

Reason for shopping in-store - Enjoy the experience



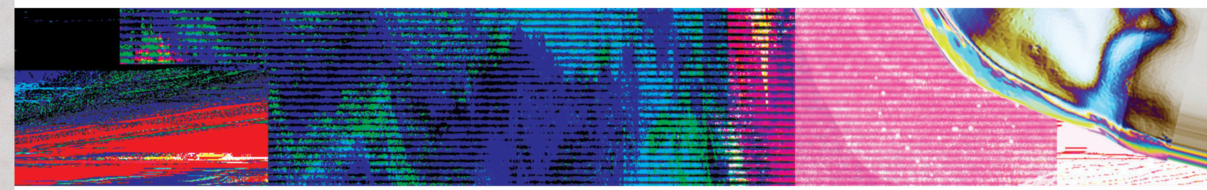
Impact of the pandemic on shopping behaviours



Consumers now have high expectations for technology's role as part of the retail experience. Thanks to accelerated digital behaviours during the pandemic, shoppers have similar or blurred levels of expectation across in-store and online experiences.

Both demographics have spent 14% more time looking for sustainable or ethical products

However there are new drivers emerging thanks to increased online shopping behaviours. Consumers who shop more online are tracking slightly higher than their in-store counterparts when it comes to researching the ethical values of brands or their usual brand's corporate responsibility (14% vs 12% respectively). There's a similar differential for online vs in-store shoppers who say they have tried a new brand as a result of more online research during the pandemic (21% vs 19%), while both demographics have spent 14% more time looking for sustainable or ethical products. These new blurred retail expectations of consumers will drive an era of sustainability awareness where consumers associate purchase decisions based on their online research of brand's eco-credentials.



In summary: Wow

Shopping is a lifestyle - not just a transaction - brands and retailers can look beyond the action of purchase to layer in rewards and incentivise increased sales. Physical retail events, social gatherings, eating & drinking are all opportunities to reward and entice consumers to city centres.

Retail is inherently nuanced - by category, by market and by consumer/shopper - look beyond the headlines to target key shopper demographics in order to truly unlock opportunity.

37% of respondents bought more items online due to the pandemic and 24% expect to continue buying more online. But on the whole, consumers still prefer the in-store shopping experience (49% in-store vs 38% online). There is always a balance to experience vs convenience for any retail proposition.

We are already seeing blended experiential retail trends play out in China with large scale initiatives that marry online behaviours with in-store expectations , such as Singles Day and livestream shopping events.

Don’t forget the joy of browsing - 47% of consumers highlight it as something they enjoy.

Implications for brands: Wow

Unlock the potential of shopping as a lifestyle experience - brands and retailers can consider an ecosystem of partnerships across bars, restaurants, events and entertainment to engage, reward and incentivise shopping mixed with socialising.

Leveraging pent-up demand with emotional connections provides brands with experiential opportunities in-store and online.

Think about better demonstrating values and sustainability credentials. Consumers want to see brands being more sustainability-driven in their strategies.

Health and safety is something for all brands and retailers to continue to message as a priority in the short term as consumers need reassurance to return to physical stores.

Buy-online Purchase in-store (BOPIS) continues as the most preferred route of shopping moving forward - consider how to enhance the experience moving forward.

Map out need states in-store and apply online tactics. Elements the online shopper has become used to - such as online reviews - can be replicated in-store. Mobile technologies provide a huge opportunity here, for example technology such as ultrawide band (used in Apple AirTags) enable millimetre accuracy. The roll out of Amazon's Just Walk Out technology in the US and UK will mean consumers rapidly adopt more frictionless shopping behaviours.

Make a store a total sensorial experience

Make the store a total sensorial experience and focus on elements where the physical location offers messaging that converts shoppers into buyers through an integral in-store experience.

Wow. Right. Now.

For all the importance of the experience, consumers are increasingly looking for the right price in the right place when they shop.

As the data below reveals: cheaper options, browsing to find the right item, relying more on e-commerce marketplaces and finding promotions are the four behaviours shoppers are most likely to continue in the coming year.

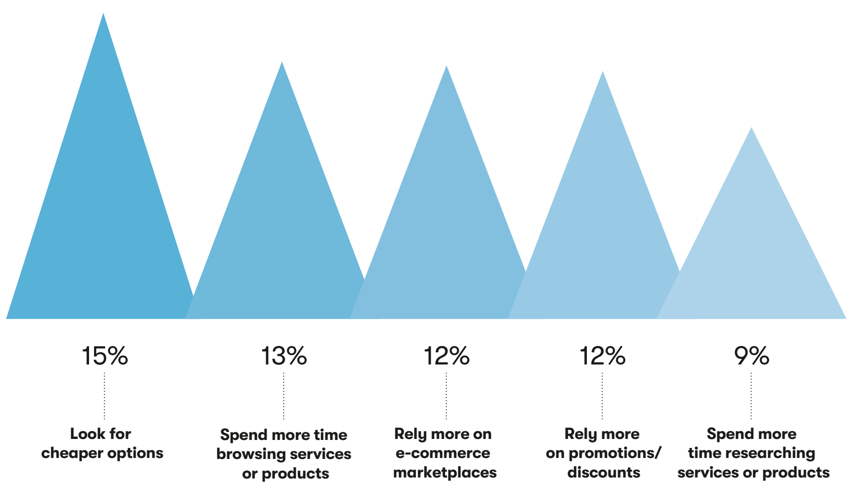
Going forward people plan to continue looking for cheaper options and trying new brands.

Browsing is a main reason for both in-store and online shopping. Fuelled by COVID-related availability constraints and combined with more options for how and where people buy products and services, brand loyalty has decreased.

Going forward people plan to continue looking for cheaper options and trying new brands. They (probably short-term) will also put greater importance on contact-free experiences (i.e. contactless payment options, in-store checkouts, no contact pick-ups, etc.), sustainable / ethical options and ease of returns.

The **Right** message is becoming increasingly important for consumers, as they focus more on value, product and price.

Top five shopping behaviours people are more likely to continue in the next year



Contact-free, sustainable / ethical options and ease of returns have had the largest increase between gain of importance and importance

Contact-free
51% rate it as important
38% more important

Sustainable / ethical options
55% rate it as important
32% more important

Ease of returns
74% rate it as important
41% more important

“Loyalty has wavered a lot over the last year, because we have had a lot of time and we’ve been sat on our phones. So you now need to build that relationship and trust between the brand and consumers to create more loyalty”.

Stephanie Thomas,
Business Director, Haygarth

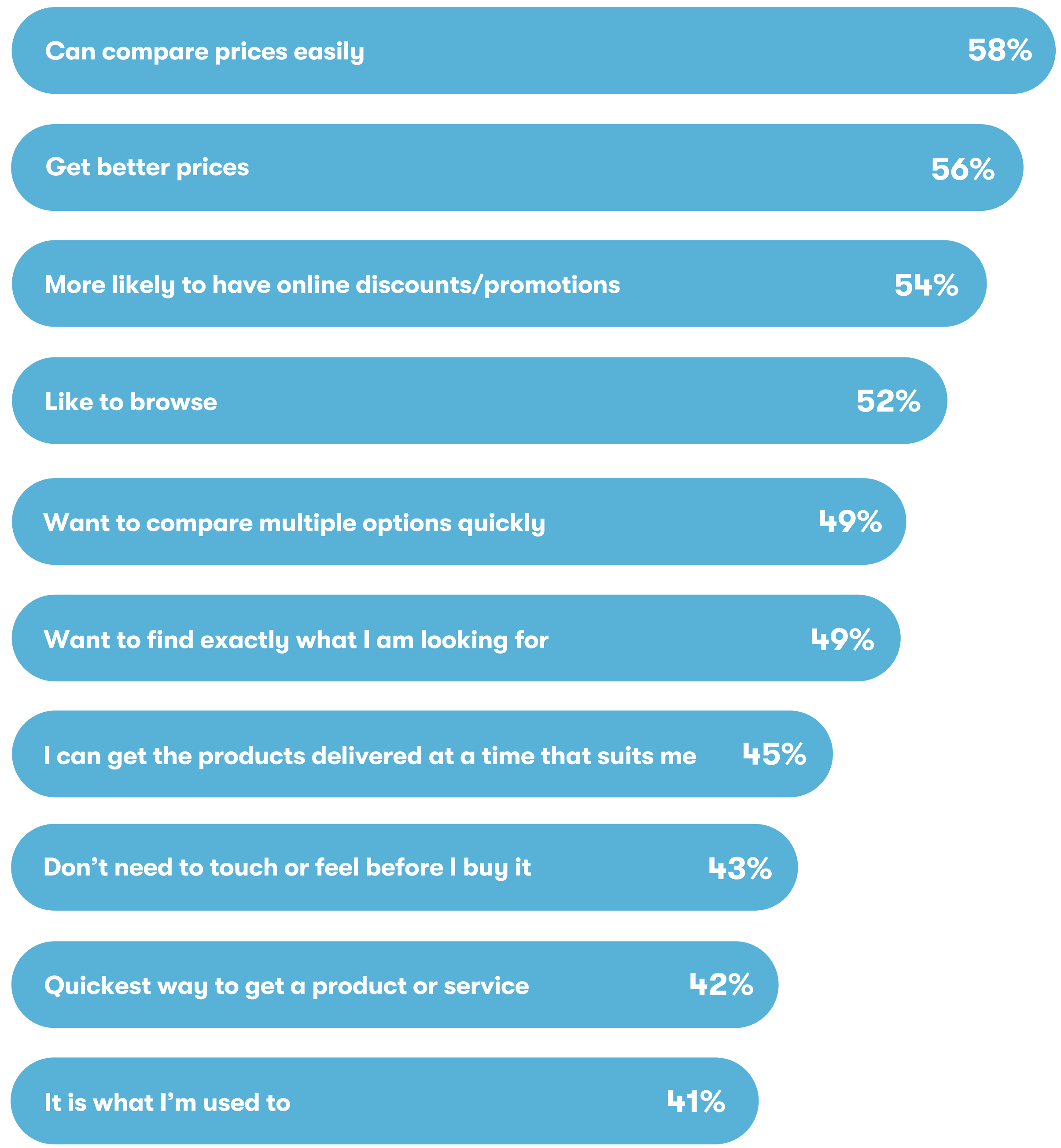
Though shoppers want the same things from online and in-store shopping, they do prioritise each environment differently. Key consumer mindsets in the online world are highly price focused (56% use online to get better prices), with price comparisons, lower prices and promotion being the top three motivators for online shopping, whereas the in-store shopper wants the item that meets their immediate expectations, which they can get right now.

The difference between the online and in-store drivers are subtler now than ever but as price is the main motivator for both, in-store environments need to quantify the benefit and values of a more hybrid phygital instore shopping experience that delivers all of the convenience from price or product comparison online but with the added emotion that in-store brings.

Each sector manifests a little differently but convenience is also a key online shopper motivation that retailers need to replicate in-store. The evolution of last-mile delivery needs to move from online to in-store with the store playing an integral role of adding experiential digital touchpoints.

56% use online to get better prices

Top ten reasons to shop online



When we look at the fashion sector, price is a major online driver: 36% of consumers are looking for better prices. Meanwhile 43% of in-store shoppers want to touch and feel the product before they buy, almost as much as they do when purchasing a new car, but the motivation to “get better prices” has a huge gap in online versus in-store which pushes the category more online. There’s a reason the fastest growing apparel retailers in the world have price as a huge part of their value proposition...but this is increasingly countered by consumers looking for brands with ethical values and price becoming a more transparent factor based on product information.

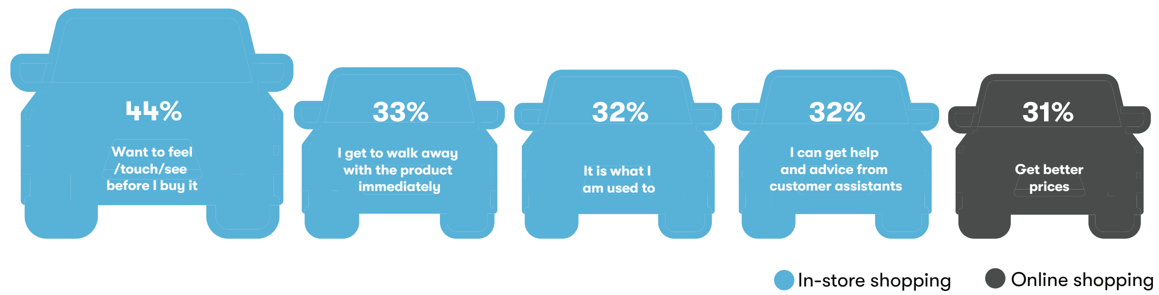
As we turn to the health & beauty sector, we find that it is a category that’s more driven by the in-store experience. 34% of consumers want to walk away with the product immediately and 29% want to enjoy the experience of shopping in-store, therefore it becomes a little harder to compare prices online. While this is a category that consumers still use online to search for better prices (28%), the allure of an enjoyable brand experience in-store (29%) is a compelling one and drives more reasons to purchase.

29% want to enjoy the experience of shopping in-store

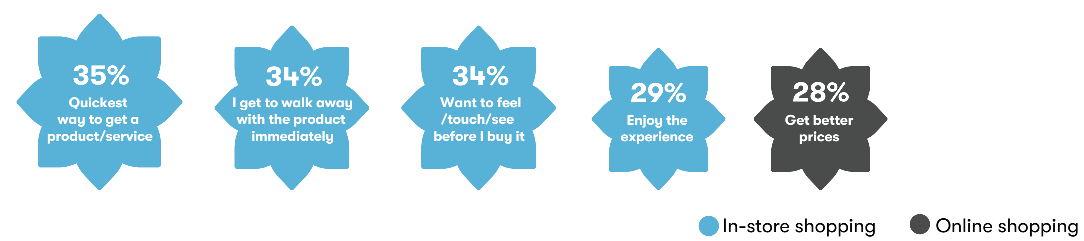
Differing need states across sectors manifest through shopping choices

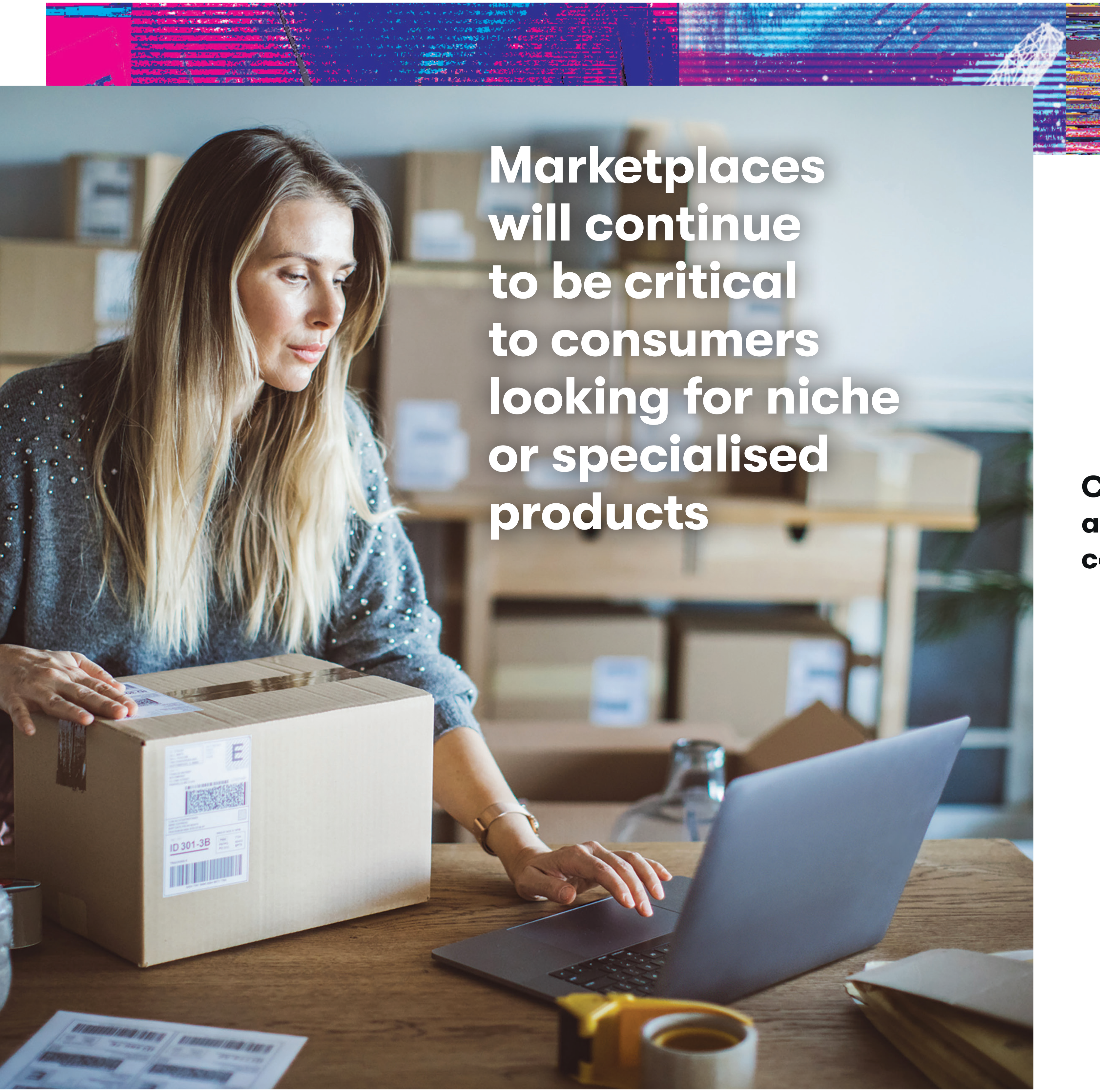
Fashion & Apparel

Automotive



Health & Beauty



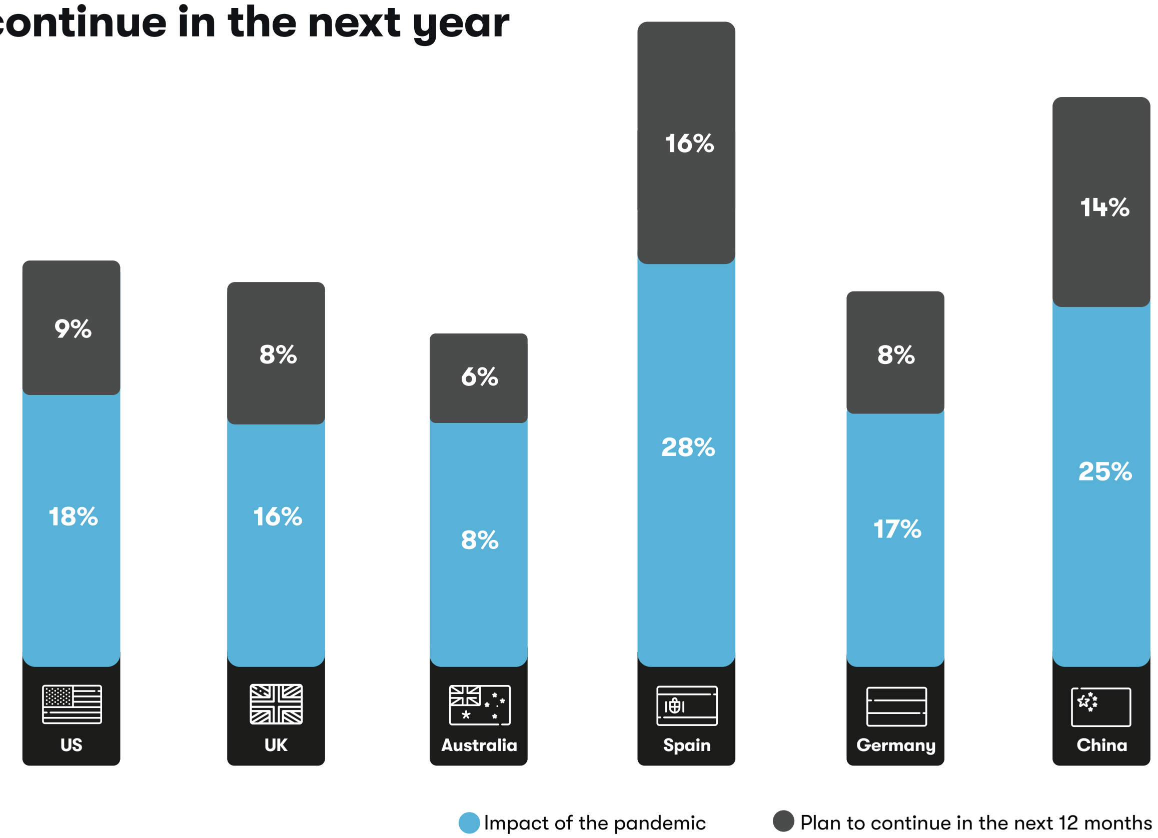


Marketplaces will continue to be critical to consumers looking for niche or specialised products

Over the course of the pandemic, people have tried and become used to online shopping: 63% of people have used an online marketplace (rising to 69% who are open to using one in the next 12 months), and 34% have used social-commerce to buy a product or service. New behaviours are forming that provide compelling reasons for brands to offer the right product in the right place because when conversion happens digitally, the purchase funnel bends, compresses and loops.

Countries where this accelerated the most (Germany, Spain, China) do struggle with product selection in the brick and mortar world since their markets are driven by smaller footprint stores in populated areas. Marketplaces will continue to be critical to consumers looking for niche or specialised products, especially as this channel becomes more convenient for online shoppers. Online shoppers are 30% more likely to continue increasing their usage over the next 12 months, seemingly motivated by choice.

Consumers who rely more on e-commerce marketplaces as a result of the pandemic and those who are likely to continue in the next year



Data and targeting has been a secret weapon for online retailers - but trust is a limiting factor. Shoppers are very aware of the value of their data and the need to secure it.

Consumers are becoming more positive about sharing their personal data, especially if it improves their customer experience. But with 66% not willing to share data with at least one type of company and only a third (31%) willing to share any type of data, brands need to focus on the benefits to consumers and begin building relationships based on trust. It will be through respectful messaging which clearly highlights the benefits to the consumer, that brands will start to bridge this gap, to balance consumers' desires for a personalised experience with the increasing call to treat their data with dignity. By talking in a more human, reassuring and empathetic way, brands will move beyond data collection as a tick box and into the realms of mutually beneficial value exchange.

Despite the current lack of trust when benefits are clear, people are happy to share data; those who are willing to share any data with at least one brand are 97% more likely than the general population to believe it will result in more relevant services and experiences, and over 3.5x more likely to believe it will result in more relevant services and experiences versus those who don't share data with at least one company.

Consumers are becoming more positive about sharing their personal data, especially if it improves their customer experience

31% would be willing to share any type of data with at least one type of company

60% would be willing to share personal data with at least one type of company

60% would be willing to share engagement data with at least one type of company

63% would be willing to share behavioural data with at least one type of company

66% would not be willing to share data with at least one type of company

In summary: Right

Online vs instore shoppers aren't that different in terms of what they want - online prioritise price and unsurprisingly, instore prioritise touch and feel. Both consumer need states create value opportunities for brands.

Brands and retailers are underestimating consumers' desire to more readily access reviews and recommendations – in-store and online.

Price remains king – price, discounts and value are the top three primary reasons people cite as priorities for shopping online.

Contactless was accelerated by pandemic experiences – 51% of consumers said it is important and 38% more important compared to a year ago.

Ease of return is one of the single highest purchase decision factors online - don't wait until check-out to highlight.

The blending of online and in-store touchpoints offer opportunities to innovate around convenience and the evolution of last-mile delivery expectations from consumers – 55% think sustainable / ethical options are important . Getting across the eco-convenience message will become a key differentiator.

Implications for brands: Right

Contactless was accelerated by pandemic experiences. Think about how contactless brings the phone into the shopping experience to help promote convenience, as well as how the retailer app can play a bigger role in-store to drive conversion.

Brands and retailers need to prioritise communicating data exchange/benefits for consumers and brand standpoint on security/privacy measures.

Focus on showing how data will improve positive experience.

Brands need to overcome the 'data trust barrier'. They will need to build better trust and meaningful relationships with consumers through convenience-led services and rewards for data exchange. Re-enforcing the benefits of sharing shopping preferences, is an emotive communication opportunity.

Stores should be part of the data trade-off, leveraging in-store staff, offers to devices and store cards. Customer data acquisition can drive loyalty and personalised offers, resulting in greater levels of consumer engagement.

Brands that have large store footprints should consider taking returns for competitors in return for customer data.

Choice architecture will become more critical to retail brands as the marketplace channel develops.

Use concept of right product right time to think about the total retail experience, including both digital and physical touchpoints.

Wow. Right. Now.

Immediacy, convenience and gratification have been powerful tools in retail from the impulse purchase to the panic buy or retail therapy. New reliance on online shopping has added to the list of expectations and challenges, which provided fresh arenas for brands to differentiate. Reliance on home deliveries has resulted in a demand for immediate services. Subscription and replenishment services are on the rise. Social media, shoppable livestreams and gaming sites have become shopping channels shortening the potential shopping journey from discovery to purchase. All these factors contribute to the new Now retail narrative.

‘Making it easy’ accelerated massively during the pandemic. Four of the top six options increasing in importance were related to convenience. This is partly driven by increased expectations of online shopping but also the need for fast and simple store interactions in times of limited capacity and increased stress.

Reliance on home deliveries has resulted in a demand for immediate services

“As we are pulling out of the pandemic we are seeing things that will continue to live on, and we’ll continue to leverage because consumers have figured out, “this is simple for me, this makes my life easier”.

Jeannie Weaver,
Vice President, Retail Marketing, AT&T

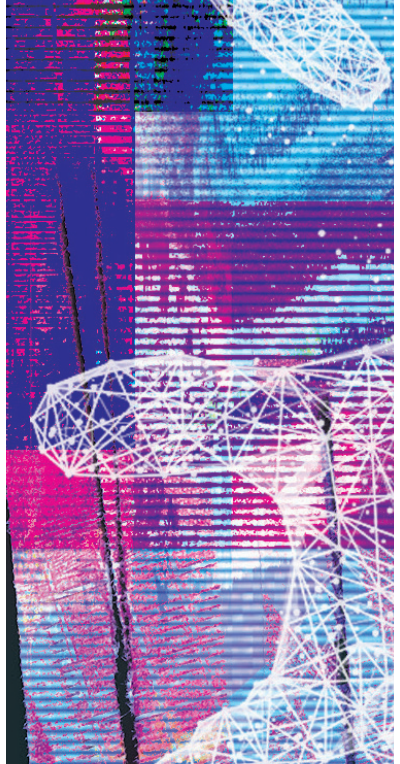
Top six options that have become more important compared to a year ago when buying a new product

41%	Ease of returns/ Post-purchase service
39%	Getting the lowest price possible
38%	Contact-free (i.e. , contactless payment options, in-store checkouts, no-contact pickups)
37%	Simple transaction
36%	Being able to buy the product how, where and when I want
36%	Immediacy (e.g., find and buy items quickly and at any time)

Lockdowns and the growing number of people working from home has led to a return to local shopping, which we believe will continue beyond the pandemic. 57% of consumers say they shop in-store to be able to walk away with the product immediately.

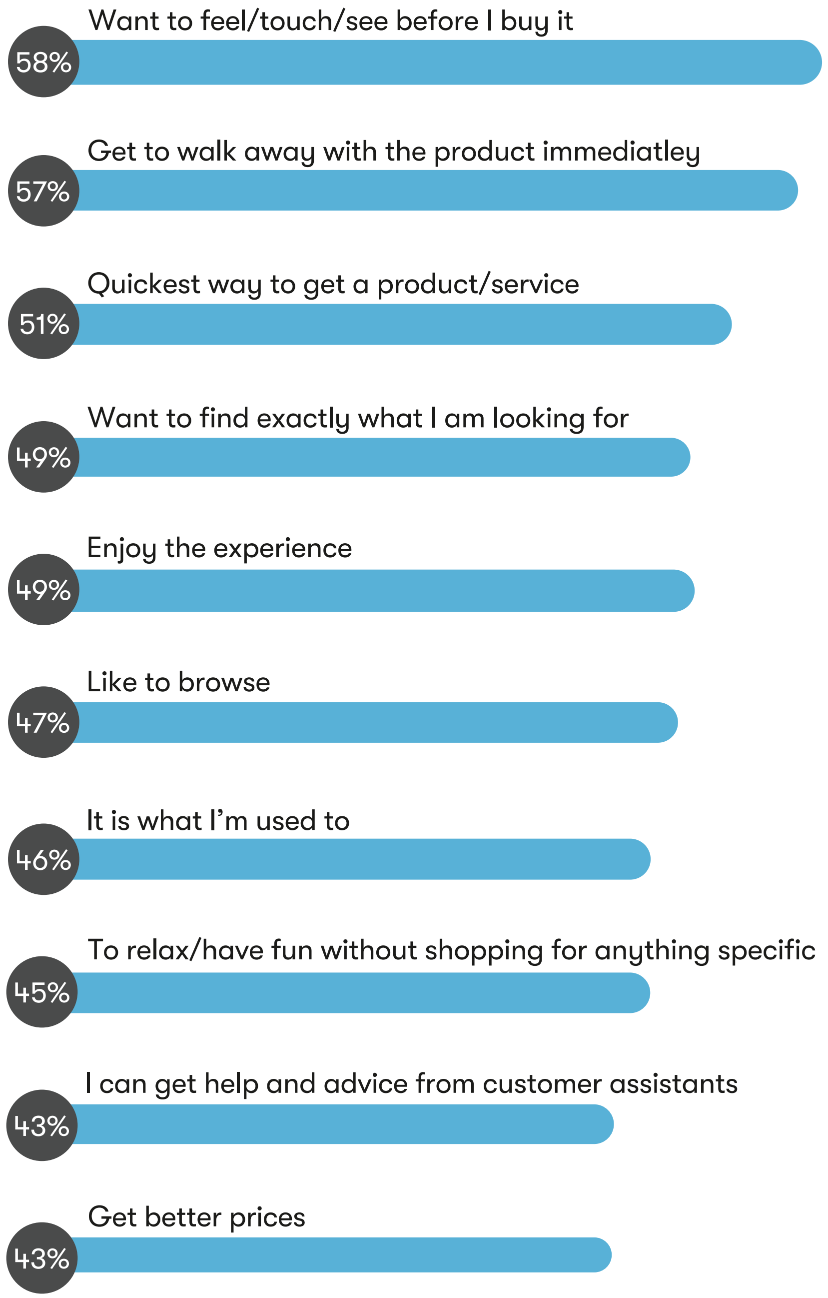
However, we think the market will polarise between real destination stores that will continue to attract consumers and hyper-local shopping, which bodes well for the future of the high street. Business organisations are key agents in the marketplace when it comes to the creation and distribution of value.

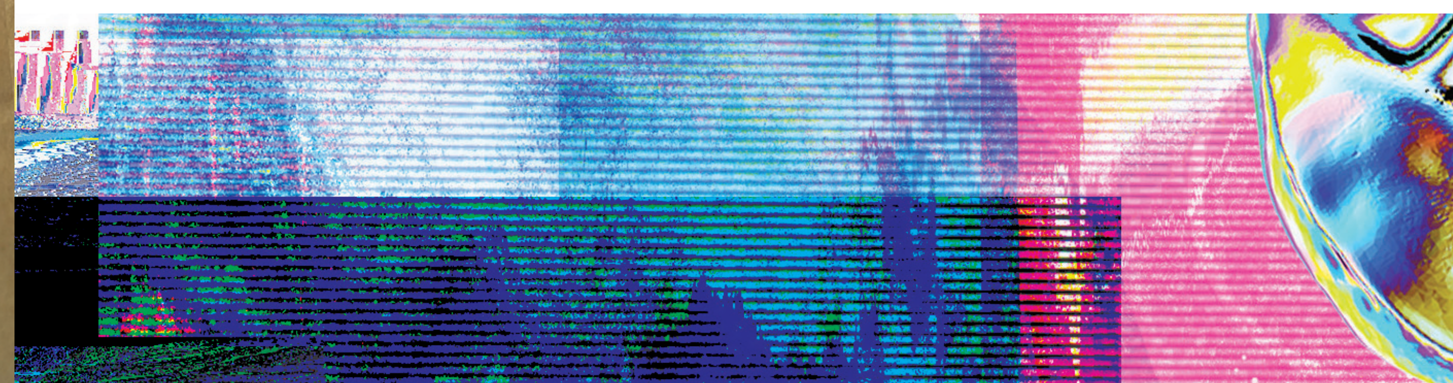
Local shopping areas can potentially be re-invigorated by post pandemic growth. Whilst city centres suffered most – suburban and small-town shopping zones fared a little better as people were unwilling or unable to travel far.



57% of consumers say they shop in-store to be able to walk away with the product immediately.

Top ten reasons to shop in-store



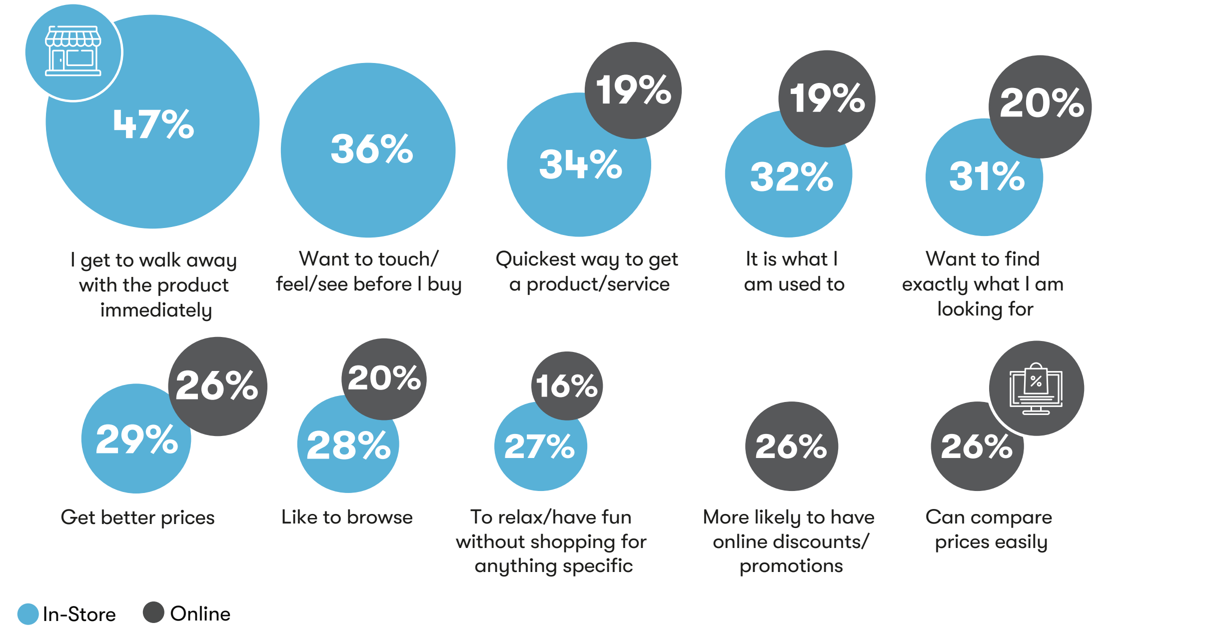


In grocery, immediacy is critical, and post-COVID the number of more immediate online food solutions has expanded massively both in grocery and foodservice alike. Almost half of all consumers (47%) say immediacy is the main reason they buy grocery in-store.

However, the pandemic has changed the solution sets for grocery immediacy around the world, and this leads to grocery being the category with the biggest post-pandemic online shift.

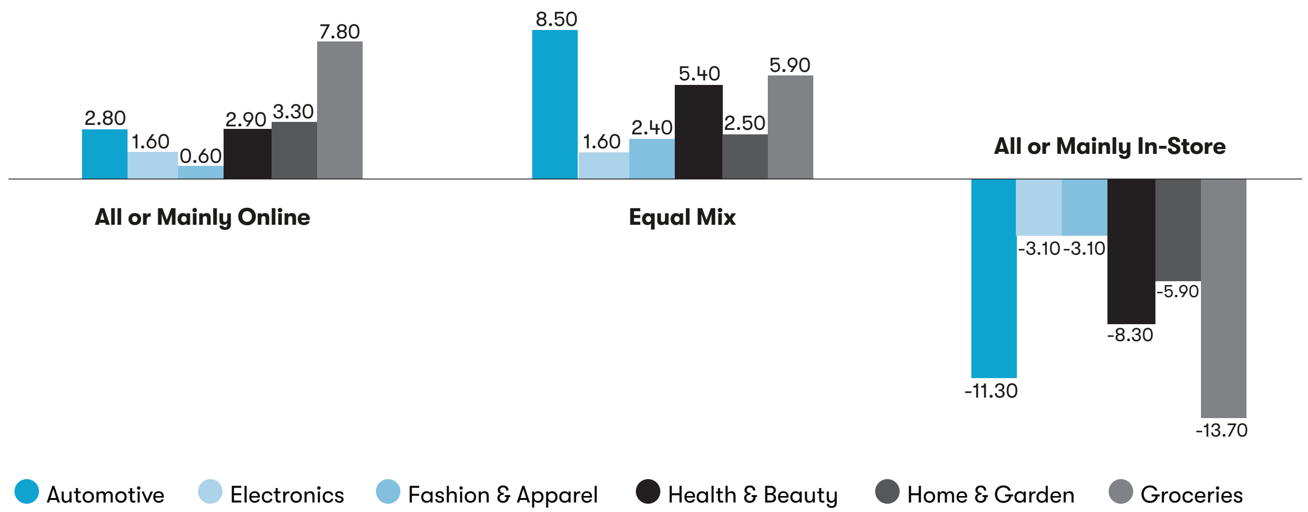
This could have many second order implications – with huge fleets of vans delivering products and larger warehouses and dark stores providing opportunities for new innovations. The scale of investment means that grocery brands are incentivised to keep shoppers buying online.

Top ten reasons for shopping in-store or online for groceries



Net change of buying behaviours of those who where purchasing in category before the pandemic

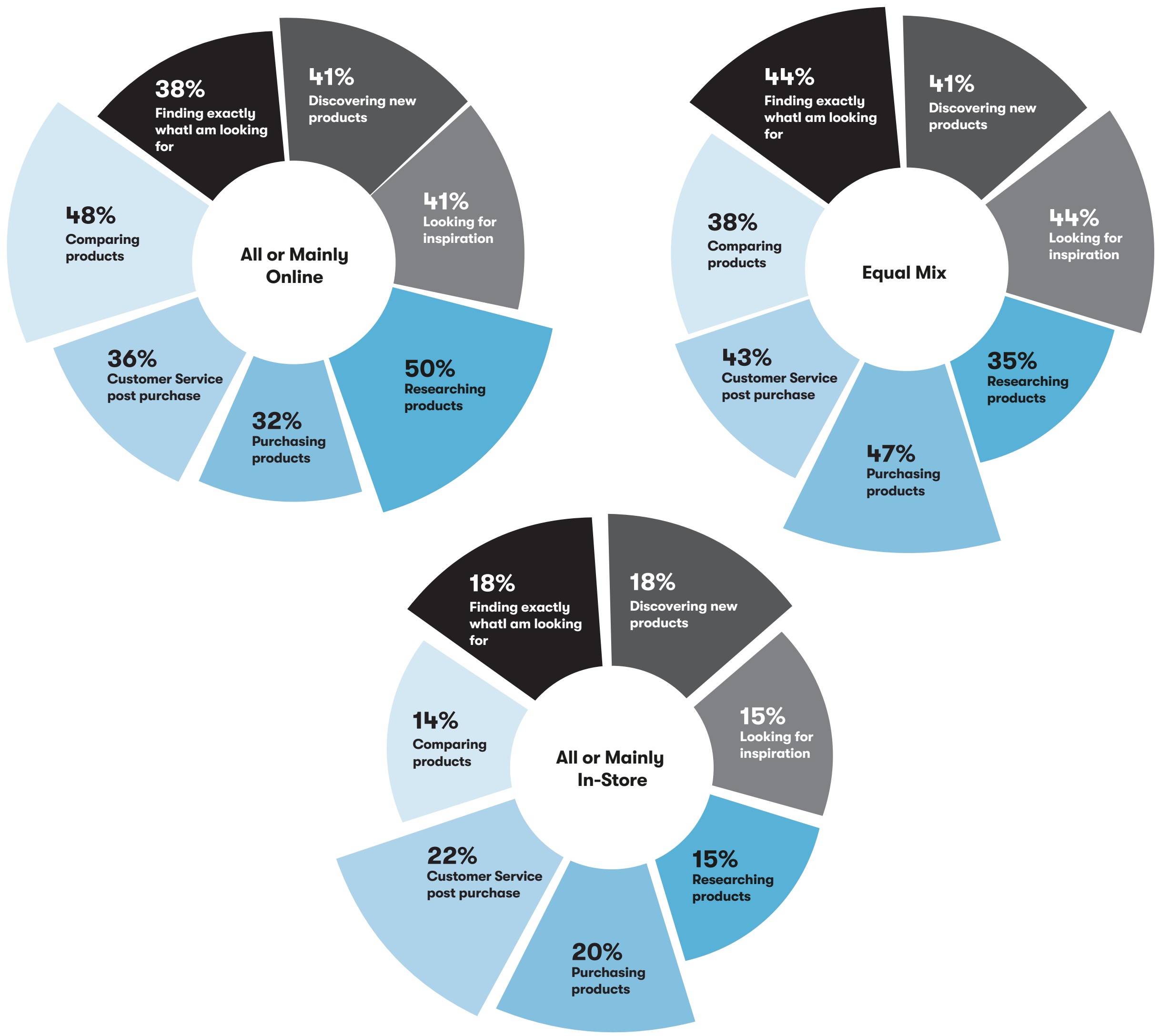
(Net change is calculated by subtracting pre-pandemic to post-pandemic shopping behaviours)

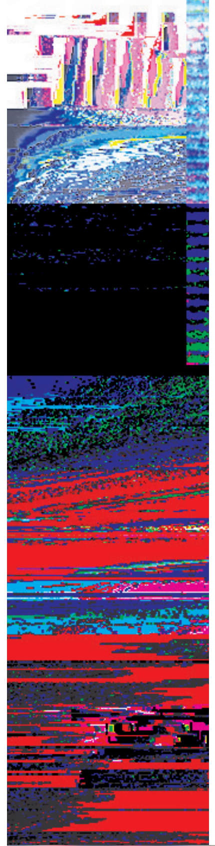


Consumers are more likely to continue buying online in the future, but nearly half (47%) prefer an equal mix of buying products online and in-store. Finding specific items and browsing are main reasons for both in-store and online shopping.

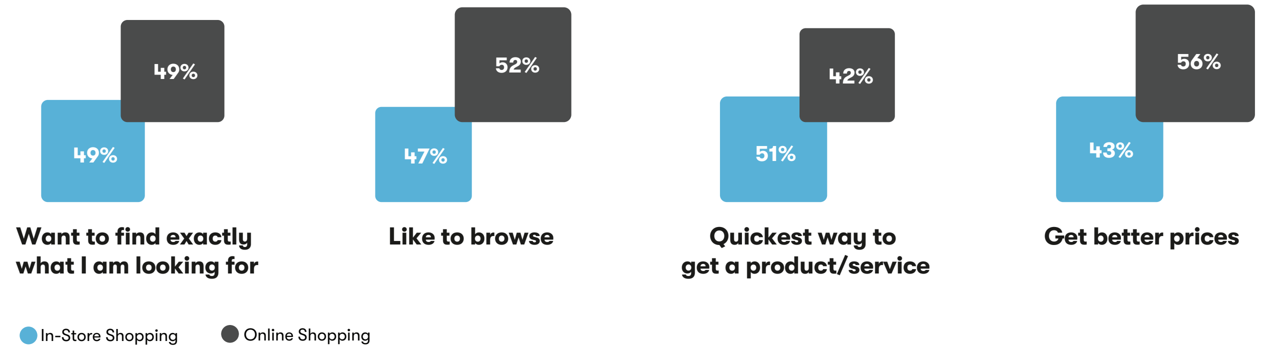
The key reasons to shop in-store are to touch and feel products before buying (58%) and walking away with the product immediately (57%), while online it's to compare prices easily (58%) and get better prices (56%). The winners of online and offline retail will be the brands that put consumers first understanding their new needs, attitudes and behaviours.

Nearly half (47%) of consumers prefer an equal mix of buying products online and in-store, while researching products is a preferred online activity





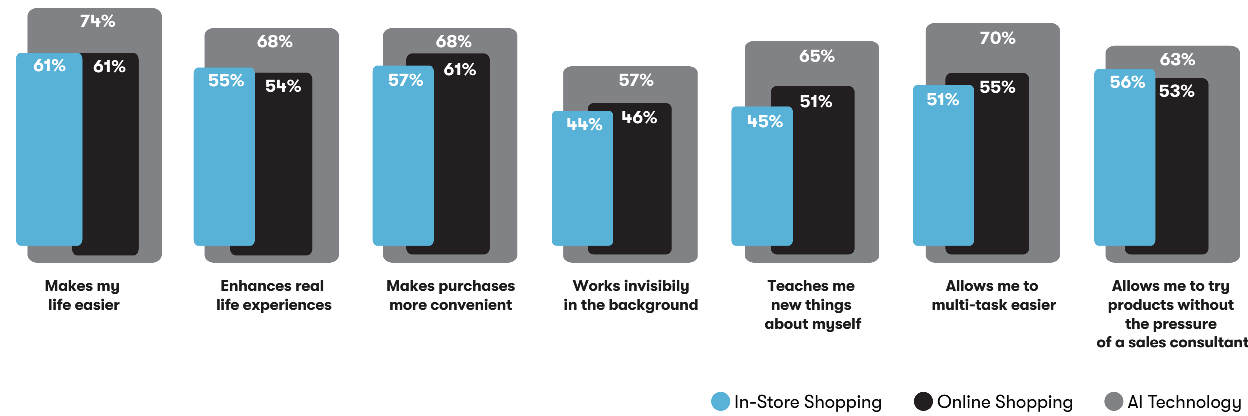
Overlap of the top ten reasons to shop in-store or online



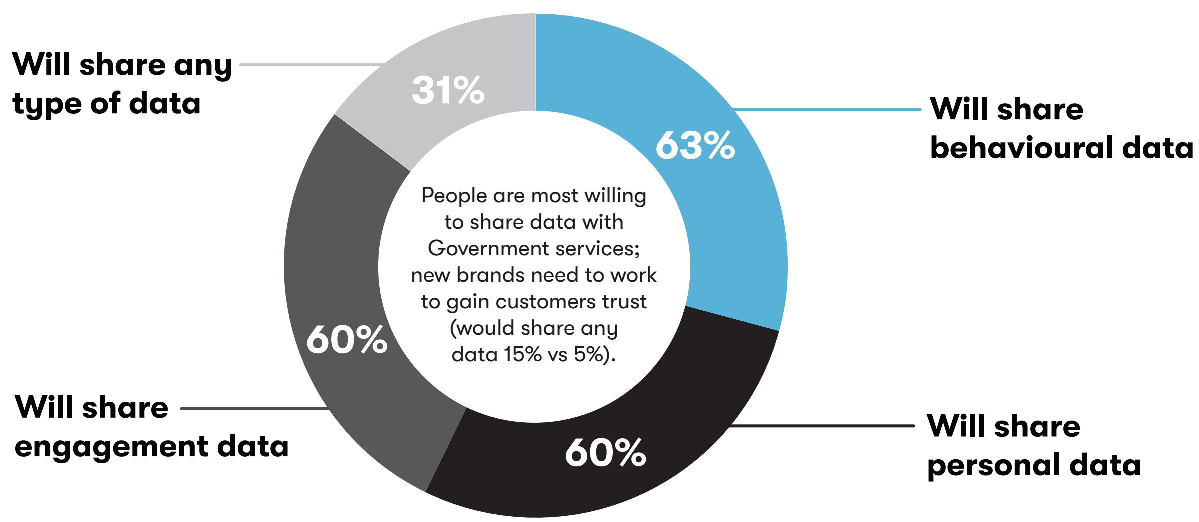
When it comes to technology, online and in-store shopping are more similar than you might expect. People want similar experiences from technology both online and in-store. People say they want technology in their shopping experience to make existing activities easier and more convenient the most. Overwhelmingly, shoppers want less friction and more transparency on pricing, availability and purchase.

These are the valued interactions that people want now, to drive trials, create positive experiences and establish trust. Trust allows retailers to capture customer data and establish openness. This dynamic needs to be carefully managed to create ever more sophisticated interactions and progress customer experience over time.

Convenience and ease offer the most appeal when it comes to technology no matter the application



Most willing to share data with Government services; new brands need to work to gain customers trust



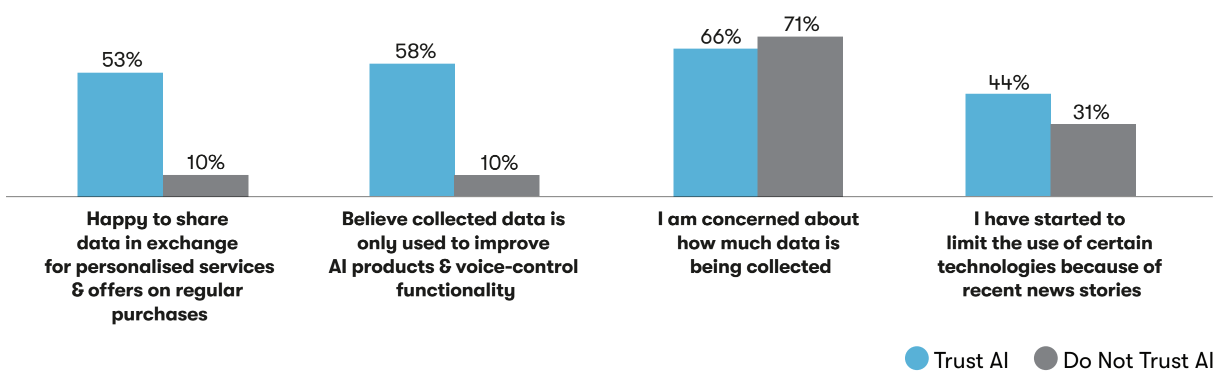
Types of data people are willing to share with at least one type of company, brand or government

Just under half (44%) of people don't trust brands' motivations for using smart technologies

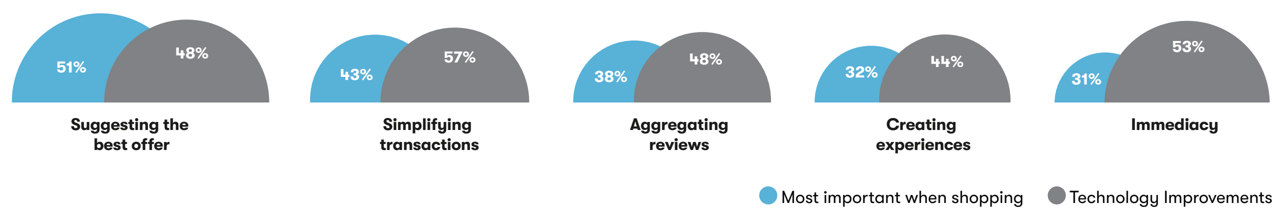
Technology is no longer the issue but trust is a key motivation for brands to capture, store and leverage that consumer data. 53% of consumers who trust AI are happy to share data in exchange for personalised services. Brands need to focus on the benefits, not the technology.

The highest perceived benefits of technology when shopping are simplifying transactions (57%) and immediacy (53%) closely followed by suggesting best offers (48%).Taking into consideration the consumer desire for more personalised services, technology improvements also contribute to better aggregation of reviews (48%) and creation of experiences (44%).

Those who trust AI believe access to their data will improve their overall customer experience



The top five most important elements when shopping versus the perceived technological improvement



In summary: Now

In the medium to longer-term, a deeper understanding of the emerging role of technology to both replace and augment existing experiences will be central to driving share and competitive advantage.

Consumers are looking for technology to improve not change their shopping experience – 74% of consumers said AI technology 'can make my life easier' as part of the shopping experience. The highest perceived benefits of technology when shopping are suggesting best offer, simplifying transactions and immediacy.

Those who are open to sharing data illustrate a huge difference in attitudes to technology and shopping as they believe that value important to them can be created by sharing data with retail brands. Those who are willing to share data with a company are more likely to find AI technology applications extremely appealing, 84% versus 64% for the general population.

Trust in technology and data is very low and consumers need reassurance - 44% of consumers don't trust brand's motivations for using technologies so more human, respectful, reassuring and empathic messaging is needed to break down the trust barrier and start to build relationships.

Product immediacy is still key for in-store purchases with 57% of consumers citing it as a key reason for physical purchase

Implications for brands: Now

Consumers have increased expectations of convenience post-pandemic - it's essential for brands and retailers to highlight ease, convenience and speed in their messaging

Technology expectations are very high, so there is a danger of retail brands not meeting consumer expectations. Doing the simple stuff brilliantly is the place to start and puts tech at the core of delivering experience.

Brands should think beyond how AI can "change" shopping; instead they should consider how AI can "improve" shopping - consumers want retail offers to be better and more personalised.

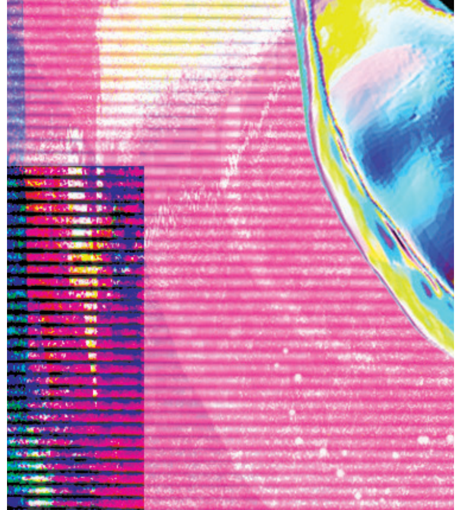
Brands need to embrace conversational-commerce via retailer chatbots to drive interest in tailored promotions. Through increased levels of trust, consumers will welcome brands that are using their data (in the right way) to target them.

As consumer expectations for convenience rises, brands need to focus on how they can maximise immediacy through technology, channel integration and service delivery

Local shopping will continue to rise in importance - 37% of respondents are planning to work from home more regularly in the next 12 months.

Contactless was accelerated by pandemic experiences, but there is more that can be done. For example, illustrating the continued benefits to older audiences and accelerate use of apps is an example of a short-term need leading to a long-term expectation.

The 5 things you need to know today



1 Brands need to overcome the “data trust barrier”.

The rise of online shopping during the pandemic has helped higher levels of consumers exchange data as part of the retail experience. And consumer attitudes around sharing data to help facilitate a more convenient and relevant shopping experience are on the rise.

However, there is still work to be done on the value exchange proposition for brands. With 66% of consumers not willing to share any data with at least one type of company, brands need to build better relationships with consumers to earn trust.

There is clear benefit to a value exchange: those who are willing to share data with at least one brand are over 3.5x more likely to believe it will result in more relevant services and experiences versus those who don’t share data with at least one company.

As consumers return to physical stores, retailers will need to be armed with the lessons they have learnt from increased online shopper behaviours. Data acquisition drives loyalty and personalised consumer offers can create more trust, resulting in greater levels of consumer engagement.

2 Shopping is a lifestyle, not just a need fulfilment, and desires differ by generation and market.

The pandemic has forced shoppers to reconsider how and where they shop. There is now no such thing as an ‘online shopper’. The term is redundant in today’s world as online and in-store shoppers exhibit similar changes in behaviour as fundamentally, they are the same people who want the same things.

However, as we look at the data, we see that over half of respondents are comfortable returning to the city centre with the desire to do so consistent across generations, except for Gen Z. Their lack of interest could be fuelled by this cohort’s comfort in the digital world, meanwhile, there is a significant opportunity for the Baby Boomer generation. Whilst this group adapted to online shopping well, they are happy to return to stores and as they control the majority of the world’s purchasing power, this represents a huge opportunity for retailers to tailor experiences for them.

As we look to the future, cross-category collaborations between lifestyle pursuits – for example, eating out, socialising and going to the cinema – will likely see the greatest growth across retail sectors. We are seeing the biggest driver in returning to city centres to be for leisure activities, and this will be increasingly community-driven with in-person physical experiences playing an important role.

3 There is a (perhaps inflated) expectation of technology.

Technology is good at many things and ease of experiences will drive adoption for consumers who are still undecided about how retailers use it. For example, most shoppers think AI will make shopping better for them.

In the short term, contactless is a big experience draw for in-store shopping. This is seeing the largest ramp-up in importance of any variable measured (51% think it's important and 38% more important compared to a year ago). Also key to consumers, is the convenience of returns, which is far more important than it was pre-pandemic, and will continue to be so as we move forward.

Technology in shopping should be about facilitating a better retail experience, not about the technology itself.

4 There are new expectations of choice.

The shift to online shopping has opened many eyes to the potential for greater choice, not just to optimise benefits but also to express individuality or locate specialised products.

We are seeing a rise in usage of online marketplaces, with 63% of people having used one last year and 69% who are open to using one in the next 12 months. We have also seen 34% having used social to buy a product or service. New behaviours are forming that provide compelling reasons for brands to offer the right product in the right place because when a conversion happens digitally, the purchase funnel bends, compresses, and loops.

The benefit of marketplaces is relative. Countries where this accelerated the most (Germany, Spain, China) have struggled with product selection in the brick and mortar world since their markets are driven by smaller footprint stores in populated areas. Marketplaces will continue to be critical to brands that are niche, non-core or specialised. Retail brands will need to think carefully about how their brand thrives in a marketplace environment – what value is being added and how can they compete with big global platforms?

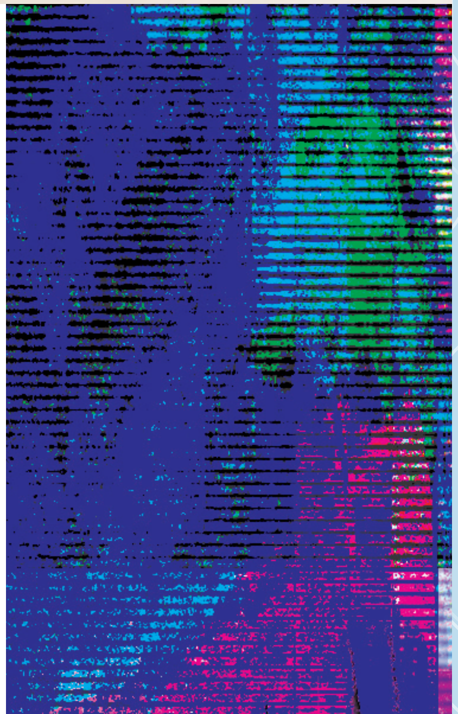
5 Local shopping areas will potentially be re-invigorated by post-pandemic growth.

Whilst city centres have suffered the most over the last year, suburban and small-town shopping zones fared a little better as people have been unwilling or unable to travel far.

Consumers are expecting to continue shopping more locally even after lockdowns end: over 37% of respondents are planning to work from home more regularly and 12% of shoppers who primarily shop online are planning to shop more locally in the next 12 months.

The market is likely to polarise between destination stores that will continue to attract consumers who are prepared to travel vs hyper-local shopping for those who prefer to stay closer to home. The traditional strategy of specialisation for shopping areas may be reborn, not so much around product specialism, which has now been challenged by online marketplaces, but instead by experience specialism. Fashion, food, gardening and furniture store concepts which can be updated and connected by the local community.

Local stores can't rest on their laurels as "the place people buy", still critical to their success is the importance of experience, value and immediacy, but they are a key part of a diverse retail ecosystem and should be supported even by competitors.



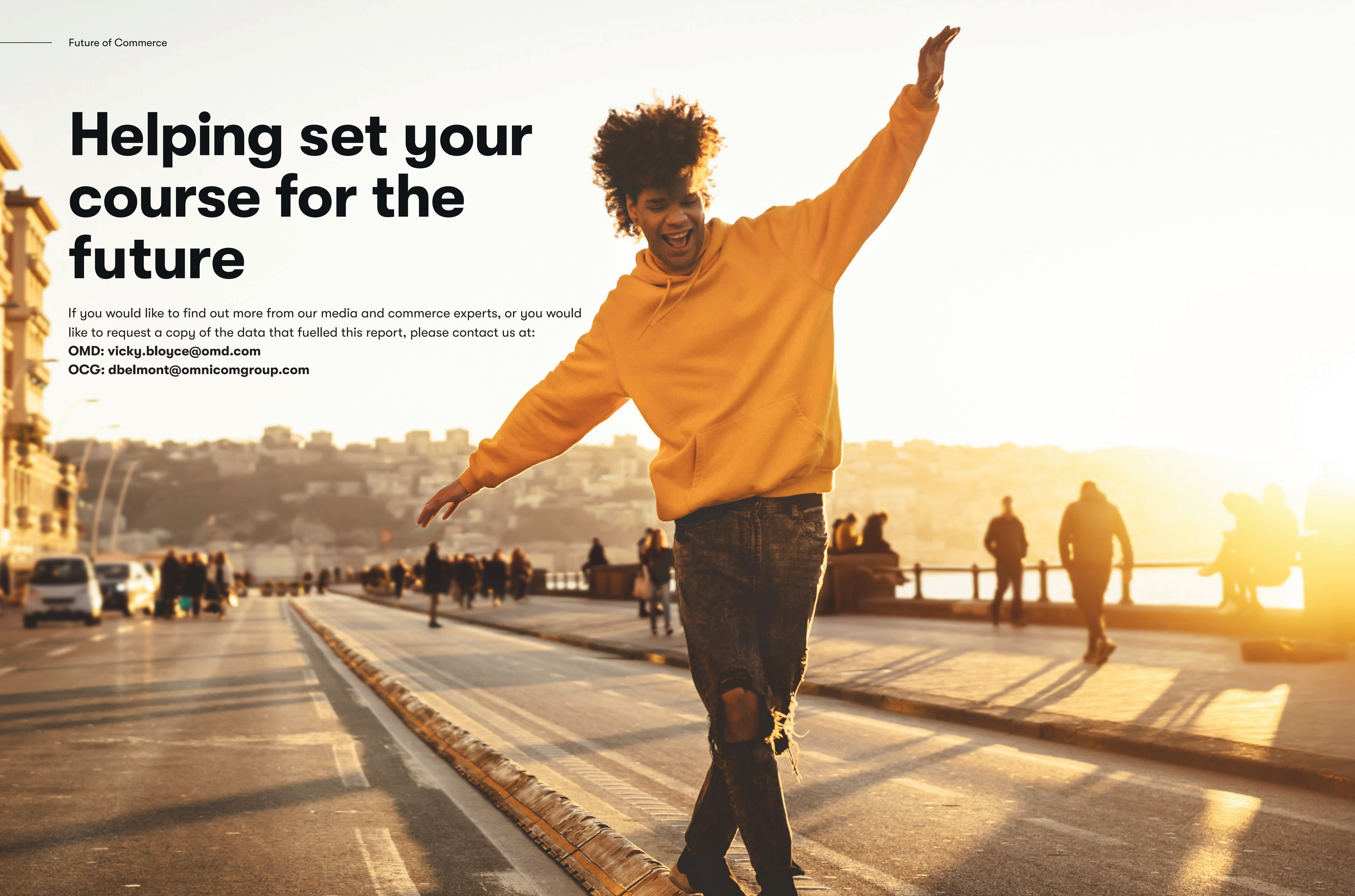
Conclusion

The pandemic has shown we can adapt, pivot and reinvent, this is the time for all of us to redefine retail marketing.

The unprecedented change of the past 18 months provides a generational opportunity to further influence and create new shopping behaviours.

There is no 'online' or 'offline' – consumers' expectations are the same whatever the channel. We need to pivot the focus to whether consumers are looking for experience and inspiration by shopping 'horizontally', or focused on price and convenience - shopping 'vertically'. Consumers used to want either ease or experience, considering them in silos. Now they want both at the same time, and it is up to us to deliver them in equal measures across all channels.

We need to stop addressing retail marketing with a lens of channel but move towards laser like focus on the nuanced expectations of consumers and the absolute priority of experience.



Helping set your course for the future

If you would like to find out more from our media and commerce experts, or you would like to request a copy of the data that fuelled this report, please contact us at:

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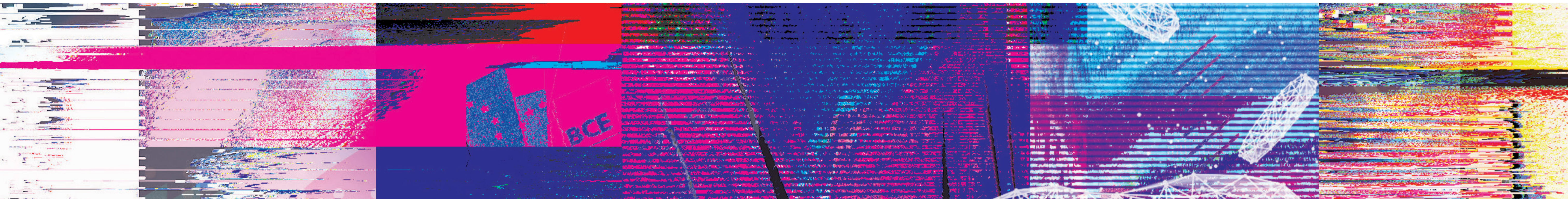

About the Future of Commerce research

New technologies are increasingly woven into our daily lives. They have changed the way we communicate and make shopping decisions.

To understand how brands can maximise the opportunity of the future of shopping, we must move beyond simple technology and shopping trends and enhance our understanding of how consumers accept, and trust these technology based services in their lives, as well as their shopping needs, attitudes and behaviours.

To this purpose, OMD and OCG have partnered to created a global research study in conjunction with GlobalWebIndex to track people's perceptions, adoption and behaviours as the retail and technology landscapes evolve. With a wealth of data from 6 markets, 4,200 consumers, 6 retail sectors, 9 smart technologies and 80 future retail scenarios*, we now have a better idea of how brands can create more valued and valuable brand experiences for consumers.

Based on our research, we were able to see that more than half (60%) of people have shopped online more as a result of the pandemic. Going forward, more people are also planning to shop predominantly online in at least one category – but it is not the same category for everyone with a fairly even distribution across categories. As a result, expectations will be raised offline from the digital experiences people have accepted into their shopping behaviours and they will want offline experiences merged with smart technologies to deliver on these new expectations.

Some of these are quite basic interactions but, over time, reinforcing and expanding positive interactions could build trust and habituation, leading to a complete revolution in the way shopping is planned, interacted with and experienced. This invaluable data asset allows us to understand what consumers are ready for, now and in the future. It enables us to build future-proof strategies and guide us towards creating a consumer-focused roadmap for action.

*An online survey conducted 11-27 May 2021 across 4,200+ internet users aged 16-64 in the USA, UK, Germany, Spain, China and Australia. Sectors explored were Automotive & Vehicle, Electronics, Fashion & Apparel, Health & Beauty, Home & Garden, Groceries. Smart technologies covered were digital assistants, image search features, smart speakers, smart TV devices, smart lighting, smart thermostats, smart home monitoring/security and wearable devices.