

The Store of the Past Meets The Shopper of the Future: Can Retailers Adapt to Modern Consumer Expectations?

Evolution of Retail: Consumer Survey Report - April 2018



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In any industry, weathering change does not come easy - particularly for those companies that were built in and for another era.

Retail is no exception. Physical retailers are rightly reconsidering the role of brick-and-mortar for the modern consumer, retooling their strategies, and shifting their business practices to more effectively compete in a world remade through online's influence. Meanwhile, consumer expectations are changing - and the old ways of attracting, retaining, and engaging customers are evolving right alongside them.

This quarter, Euclid surveyed 1,500 U.S. consumers about their shopping habits to better understand just what it will take for retailers to meet the high expectations of modern shoppers. We found three significant emerging trends:

- **New buying models (e.g. subscription boxes) are shifting how people think about stores.**
- **The powerful Millennial generation is turned off by traditional marketing methods.**
- **Growing channel agnosticism - an openness to regularly using multiple channels - means there's 'room for everyone'.**

As we explore these trends in greater depth, there's one clear call to action for retailers: reduce friction; make smart, differentiated use of various channels; and provide blended experiences to attract the greatest swath of consumers.



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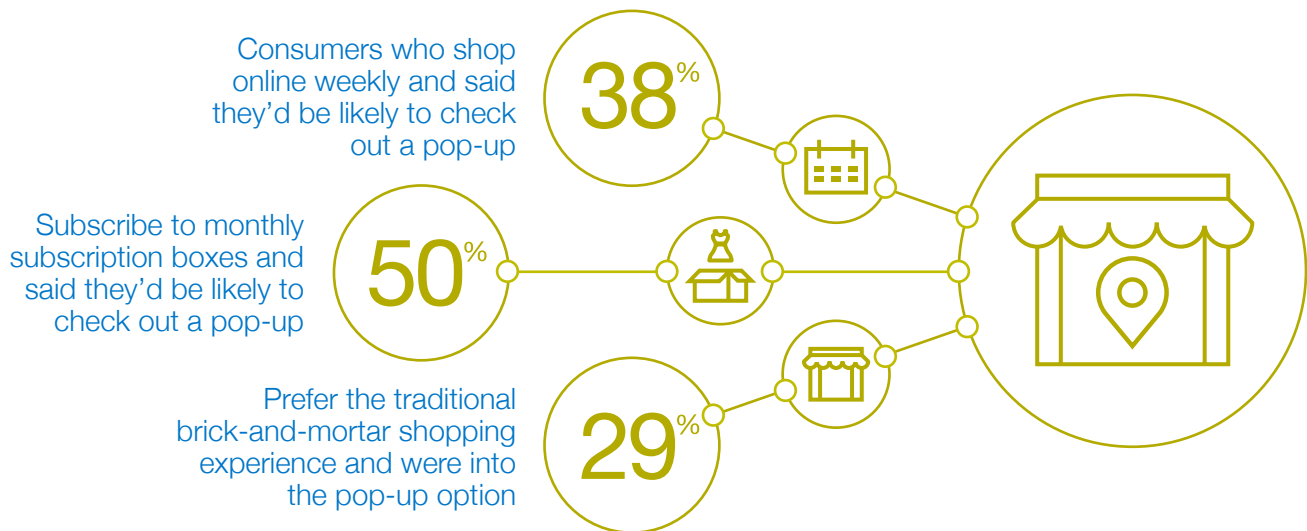
New era, new models, new adherents

As retailers begin to experiment with alternative models, consumers are likewise beginning to respond to creative, distinctive, even playful offerings that differentiate them from the competition.

The pop-up stands out

The pop-up shop concept is one such rising star. When embedded in the physical space of established retailers, they're refreshing twists on the familiar, enlivening brands that are typically well known to customers. In standalone locations, the temporal nature of a pop-up - it's here, it's gone! - induces that fear of missing out on timely, cool, talked-about products and experiences.

Those who seem to enjoy digital, modern channels are more open to omni-channel experiences in general and are far more likely to visit a pop-up retail store in the next year.



30 percent of respondents cited competitive pricing as the number-one reason they might visit a pop-up - with convenience and location coming in at a close second for 28 percent of respondents.



Retailer takeaway: Pop-ups satisfy a number of consumers' must-haves, serving as a prime opportunity to conveniently connect with a new brand in a compelling and cost-effective way. **Retailers should evaluate whether a pop-up could be a differentiator for them,** through either integrating a complementary brand into an existing store or putting their own brands into a novel space.



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Millennials: unmet expectations, unmoved by marketing

Millennials are projected to overtake Baby Boomers as the largest living generation in the United States as soon as 2019¹. With \$200B in buying power at their disposal, retailers are wise to consider the unique elements of a demographic whose formative years included the rise of Amazon and Facebook². The concepts of personalization, convenience and connection are central to the Millennial buyer - and that's apparent in this demographic's expectations, preferences and opinions on their retail experiences.

Here's what our respondents told us.

Millennials are unmoved by baseline retail courtesies. Wait times for checkouts, inventory availability, returns and exchanges - Millennials are unimpressed by what they see as the 'bare minimum,' elements that all retailers should generally do well.

Compared to their other generational counterparts, Millennials don't put a reasonable checkout time at the top of retail must-haves; just 34 percent indicated this was a focus for them, as compared to 59 percent of Baby Boomers and 42 percent of Gen Xers. They're also not overly motivated by a reasonable return and exchange policy; 52 percent of Boomers named this a top priority versus approximately one-third of Millennials. Boomers are more than 1.5 times as likely to prioritize the availability of items they're looking for than Millennials; additionally, 51 percent of Gen Xers flagged this as a must-have versus just 44 percent of this younger generation.



¹ <http://www.pewresearch.org/fact-tank/2018/03/01/millennials-overtake-baby-boomers/>

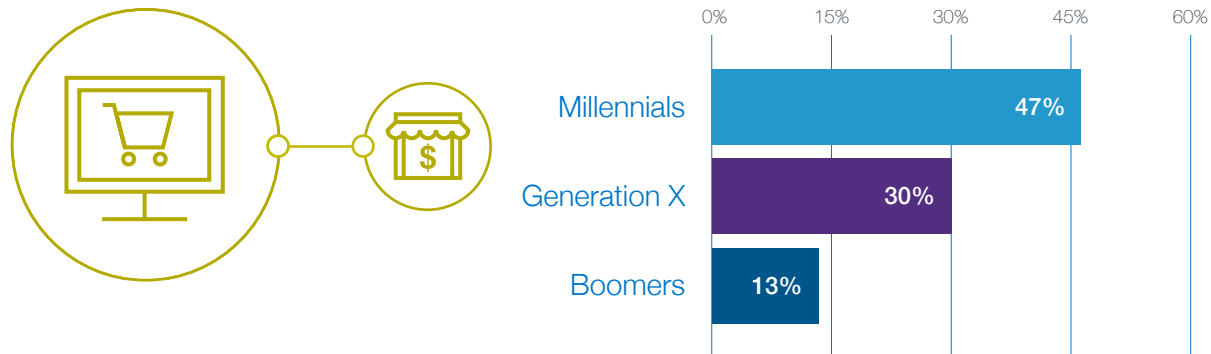
² <https://www.forbes.com/sites/danschawbel/2015/01/20/10-new-findings-about-the-millennial-consumer/#1ba8eb3c6c8f>

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Millennials shop in two distinct ways. Truly the social generation, Millennials enjoy shopping with friends and family - at 25 percent, it's more than any other demographic (Boomers and Gen Xers were nearly dead even at 20 percent and 19 percent respectively). This provides support for the notion that Millennials enjoy immersive, shared experiences.

Yet they also indicated a second preferred shopping mode: get in/get out. Millennials are far and away more likely than any other generation to shop online and pick up in the store.

Shopping online and picking up in the store



Why? Shopping online avoids checkout lines, crowds, the question of inventory availability, and eliminates wasted time; picking up in the store means a quicker return if an item doesn't suit, plus a faster credit back to the consumer's account and no return shipping hassle.

Millennials also enjoy input from sales associates (26 percent say they like it), perhaps for the efficiency factor. Compared to Boomers and Gen Xers, they're more than twice as likely to say that interaction with knowledgeable sales staff influences their purchasing decisions. Such interactions can streamline the shopping process and save time by pointing these customers to the precise items they need or quickly suggesting others that may work.



Retailer takeaway: Millennials have high expectations - for them, a good return policy and having inventory on hand aren't noteworthy, just expected. Investing in knowledgeable sales staff to help create **a fast and enjoyable shopping experience is money well spent for the Millennial consumer** in 'get in/get out' mode. Conversely, retailers need to consider the experiences that might appeal to the Millennial enjoying shopping as a social activity with family and friends.



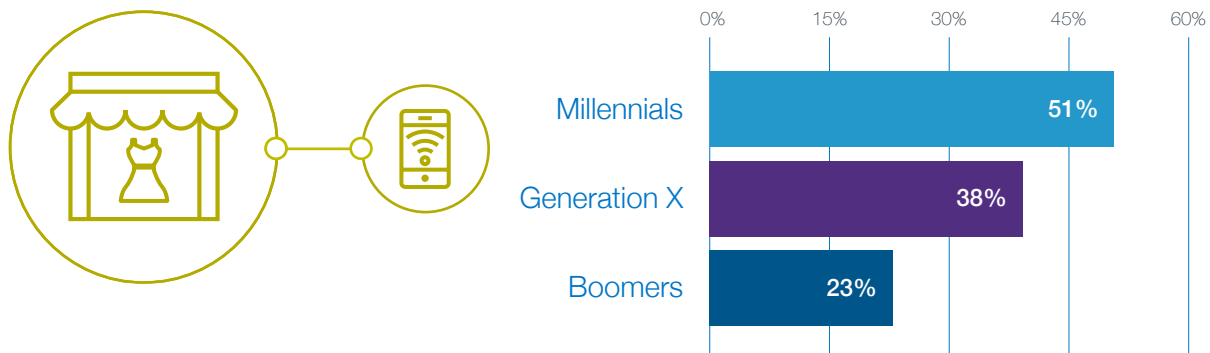
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Marketing is a deterrent, not a draw. Advertising isn't a needle-mover for Millennials the way it is for other generational demographics. 53 percent of Boomers said an ad featuring the precise item they wanted would be incentive enough for a store visit; 40 percent of Generation X respondents agreed. In contrast, just under a third of skeptical Millennials said they'd be inspired by the same.

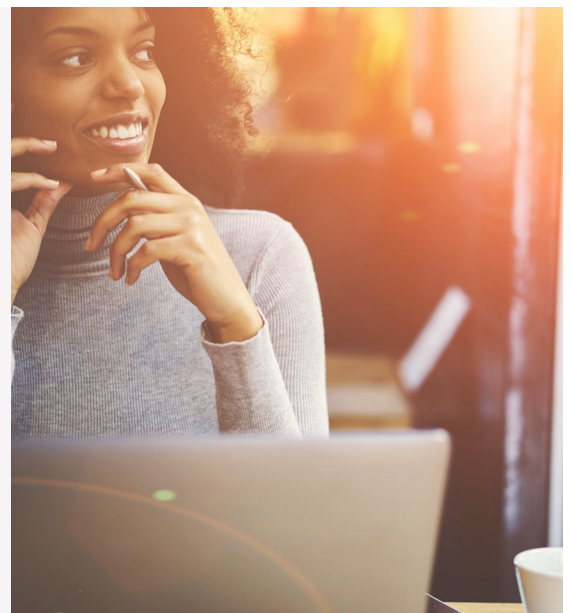
Overly enthusiastic marketing email volume was broadly panned by respondents, whose dislike of the practice cut firmly across all demographics. Half of all respondents said receiving too many email communications from a brand would drive them to unsubscribe from that brand's marketing outreach. But Millennials, at 44 percent, were the least worked up about actively addressing the problem, whereas 55 percent of Boomers and 51 percent of Gen Xers would make it a point to unsubscribe. Far from an invitation to keep it up, however, the Millennial response indicates indifference or perhaps apathy. Although they might not take the time to unsubscribe, neither will they pay more attention to marketing emails or think more highly of the brand sending them.

That said, the research also showed that Millennials are far from unreachable. Immersive experiences that blend technology, personalization and price seem to be the potent combination this marketing-fatigued generation craves. Further, a third of them indicated the great pricing would influence their purchasing decisions inside a store, so coupling smart outreach with price may encourage greater Millennial customer engagement.

Would find an in-store visit more exciting if the retailer used technology



Retailer takeaway: The most connected generation ever, **information-rich Millennials are savvy and skeptical, moved more by authenticity and experiences than advertising.** Retailers should double down on outreach that feels tailored and hyper-relevant - but avoids trying too hard, the cardinal sin of marketing to Millennials.



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The generations: open to everything...in varying degrees

As retailers consider their future, they know they must continue to appeal to their current customers, which include the still-powerful Baby Boomer and Gen X demographics, while making inroads with Millennials.

Our survey respondents revealed some interesting and definite preferences, from the channels they gravitate toward, to the platforms they use to communicate, and the experiences they prioritize.

Consumers see value in all channels

Across all demographics, survey respondents noted the positive attributes of unique retail models.

Online shopping as affordable	61%
Online shopping as informative	59%
Online shopping as innovative	55%
Physical shopping as more secure	60%
Physical shopping as more customer-centric than digital	48%

They're also excited by the prospect of useful customization - nearly half would like to see greater curation from retailers, for example, displaying products they specifically care about. 37 percent would like retailers to use technology to help them learn about relevant products tailored to their needs.

Millennials are the most channel agnostic, seamlessly switching between online (52 percent) and physical stores (59 percent) on a weekly basis. Nearly one in three shop via a subscription service, suggesting a remarkable ease with new, innovative and convenient retail models. In contrast, only 39 percent of Gen Xers and 25 percent of Boomers gravitated to online shopping, with the majority well in favor of more in-store consumption.



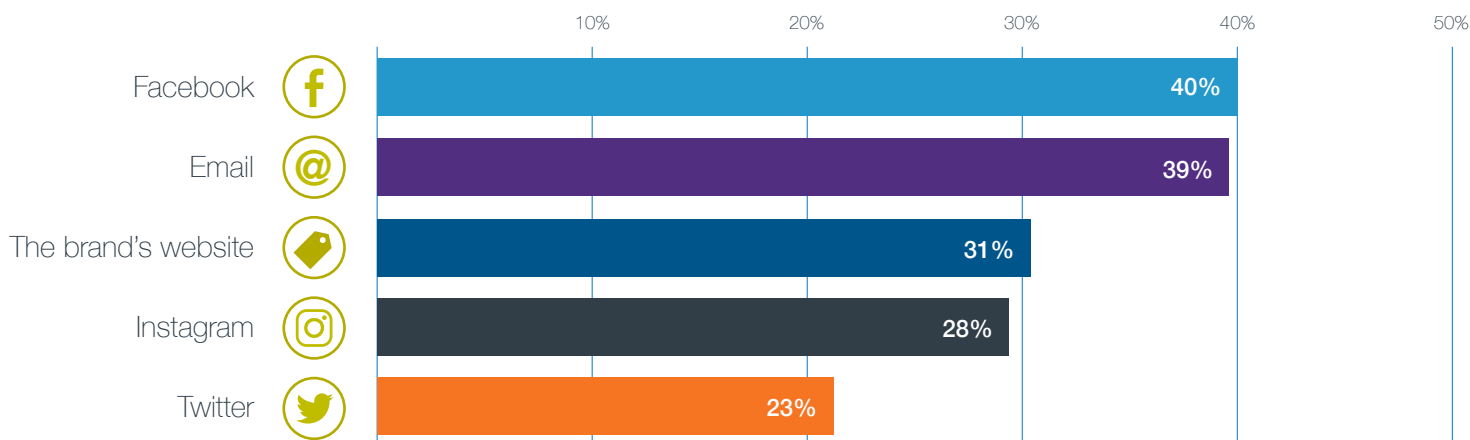
Retailer takeaway: Respondents clearly saw the value of both online and in-store shopping, a finding which belies popular narratives on the demise of physical stores and underscores the importance of including all channels in a considered retail strategy. Retailers can strengthen their brands by investing intelligently in both physical stores and their digital presence. For example, **40% of all respondents want a discount code, delivered via mobile, for their next in-store visit**, highlighting the preference for an omni-channel experience.



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Different generations view technology differently

Millennials are endlessly communicative, open to using all the platforms at their disposal to get in touch with brands.



In contrast, less than a third of Gen Xers and about 43% of Boomers report they don't use a single one of these channels to get in touch with brands they frequent. But 49 percent of Boomers say they'd be up for letting a brand know about planned store visits in exchange for a promotional deal or discount.

Across the generations, consumers clearly see that smart assistants - Amazon's Alexa, for instance, and Google Home - will be another avenue to communicate with brands in the future. Yet it seems that, at least for Baby Boomers, that may take some time; 70 percent indicate they're not comfortable having such technology in their homes. In contrast, just under a third of Millennials feel the same way, highlighting the great difference in the way the two generations approach and integrate technology in their daily lives.



Retailer takeaway: A one-size-fits-all approach to digital and social integration is a fast road to failure. Different generations use modern social platforms differently - and, in some cases, very little or not at all. Yet **many retailers remain committed to a 'marketing as monolith' approach**, perpetually lumping these very different demographics together as one large group. Resources are much better spent on segmenting customers, understanding channel preferences, and using them to deliver personalized outreach just when it will resonate the most.



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In summary

Retailers must resist the prevailing narrative of the retail apocalypse, the notion that the industry is on the decline.

In fact, our research shows that retail is a 'big tent' industry - one in which all channels have a place and utility. The role of physical stores may change, depending on the preference of the customer demographic (e.g., Millennials using them as the backdrop for a shared social experience with friends), but they are still an important part of the retail landscape.

New and innovative models are exciting to customers. The popularity of pop-up shops and subscription services highlight consumers' willingness to try something novel, provided there's something in it for them, like convenience and a good price. It also suggests that retailers must spend more time exploring these and similar models - or even develop their own alternatives.

Retailers are also considering how best to reach Millennials, the generation primed to become the most powerful in the US. Our respondents clearly said that more marketing is not the answer - but investment in technology is wise. Brands would do well to evaluate how they use technology platforms to reach this audience - and how they could recalibrate to provide a frictionless experience. Similarly, the Millennial audience - long accustomed to the personalization and convenience of Amazon - finds the notion of in-store technology that can do the same compelling. It's another point for consideration as retailers determine how best to allocate resources.

Adaptation is always required for survival. In that vein, retailers must:

- **Adjust to higher consumer expectations**
- **Understand how different customers approach technology, marketing and channels**
- **Tailor their marketing outreach and in-store experiences accordingly**
- **Correctly forecast trends based on measurable evidence**

The more quickly retailers adapt, the more successful they will be.

*Note on methodology

This Euclid research report was fielded in late February through early March of 2018, reaching a statistically valid sample of 1,500 respondents in the U.S. with a +/- three percent margin of error. This survey represents a diverse range of age groups, regions, household incomes and shopping preferences.