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HOW DOES TODAY'S CONSUMER ENGAGE AND PURCHASE?

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What we wanted to know

Do United States consumers **want** a digitally enabled shopping experience?

Do consumers **already use** new methods and technologies to buy grocery, retail and pharmacy products?

Are consumers **interested** in using new digitally enabled retail shopping experiences and, if so, which ones are most appealing?

Research Methodology

How Does Today’s Consumer Engage And Purchase?, a PYMNTS and Toshiba collaboration, presents insights from a census-balanced survey of more than 2,000 consumers conducted from March 8, 2021 to March 14, 2021, regarding their shopping experiences at grocers, pharmacies and other retail stores. The stats for our complete sample have a maximum margin of error of 2.2 percentage points for a 95 percent confidence level.

The short answer: Yes — and the ones that save them time

- Consumers have honed their digital skills over the last year **across all aspects of their lives,** from working to going to the doctor to buying food, pharmacy and retail products.
- Over the last twelve months, **40 percent of the adult population in the U.S. has shifted to digital** — doing more on digital channels and less in the physical world — across the grocery, retail and pharmacy categories.
- Nearly **90 percent** of those consumers say they will keep all or most of those digital habits post-pandemic.

This new, digitally empowered consumer is rewriting the ground rules for retail engagement, regardless of the channel she uses to make her purchases.

Digital isn't a channel: Digital is now the consumer's shopping experience, even in the store

What's driving this shift: New habits and patterns have been formed since March 2020.

Retail's best customers are now up for grabs: Digital has forever changed the shopping journey.

Convenience has been redefined: Consumers use new channels to skip trips to the store.

Certainty drives consumer channel and merchant choice: Clean and safe is now a key visual cue.

Saving time is the new sticky: Consumers like living in a "bring it to me" economy.

Digital habits bifurcate consumer shopping behaviors: Purchase risk influences channel choice.

Consumers expect stores to up their digital games: More like eCommerce, less like physical stores.

Millennials are not waiting for retailers to change: They are using new retail experiences today.

Digital has leveled the retail playing field: Saving time and delivering certainty will shape retail's future.

Consumers still default to category leaders: Experience builds trust and certainty.

GENERATION Z	MILLENNIALS	BRIDGE MILLENNIALS	GENERATION X	BABY BOOMERS AND SENIORS
Year of birth:	Year of birth:	Year of birth:	Year of birth:	Year of birth:
1997 or later	1981 to 1996	1978 to 1988	1965 to 1980	1964 or earlier
Current age:	Current age:	Current age:	Current age:	Current age:
24 or younger	25 to 40	33 to 43	41 to 56	57 or older

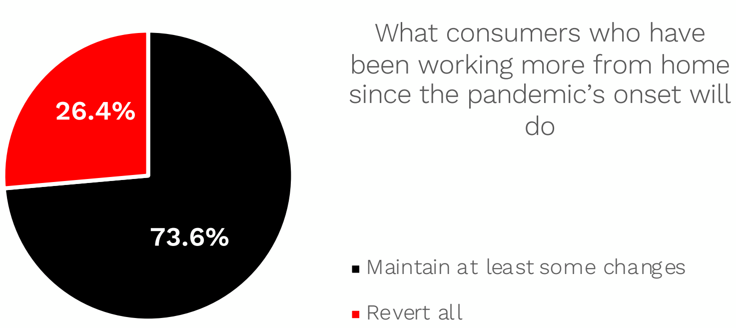
Note:

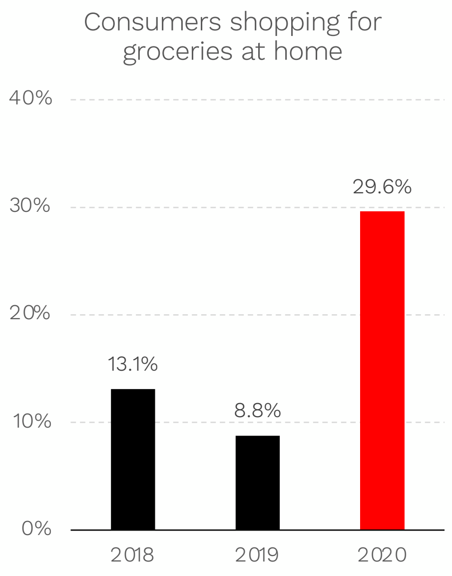
Generations are defined by year of birth. The bridge millennial cohort is an overlapping of two neighboring generations, millennials and Generation X. Members of this group experienced the internet at a young age and are old enough to be in their prime earning and spending years.

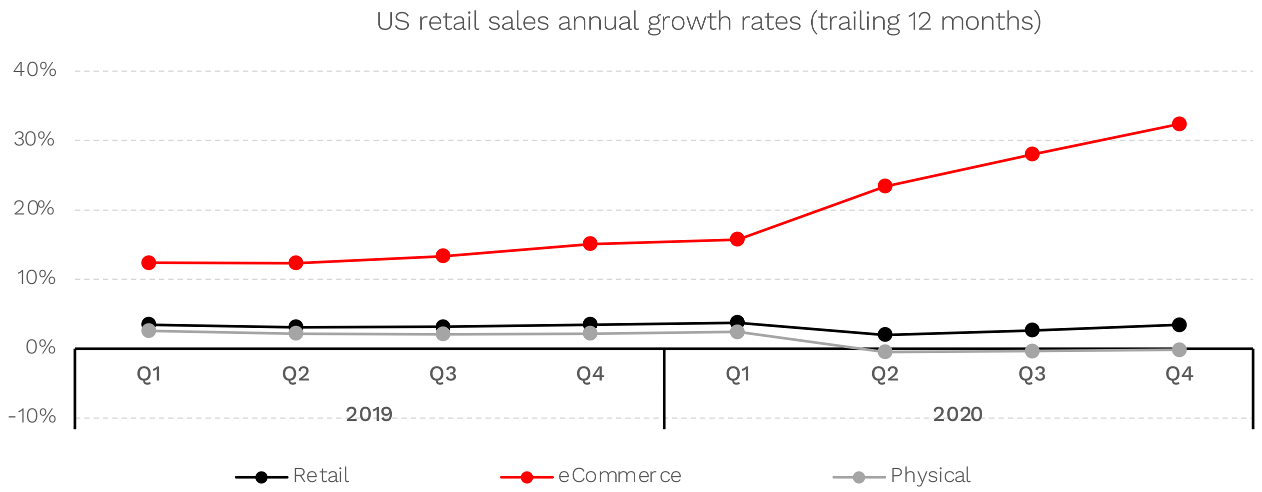
What's driving this shift:

New habits and patterns have been formed since March 2020.

- The pandemic accelerated a shift to digital that will permanently alter how consumers shop and which channels they use to make purchases.
- **Time and day shopping shifts:** A lack of commutes makes delivery of products, including groceries, during the week more practical.
- **Explosive growth in eCommerce:** Up 32.4 percent versus physical store growth of minus 0.2 percent.

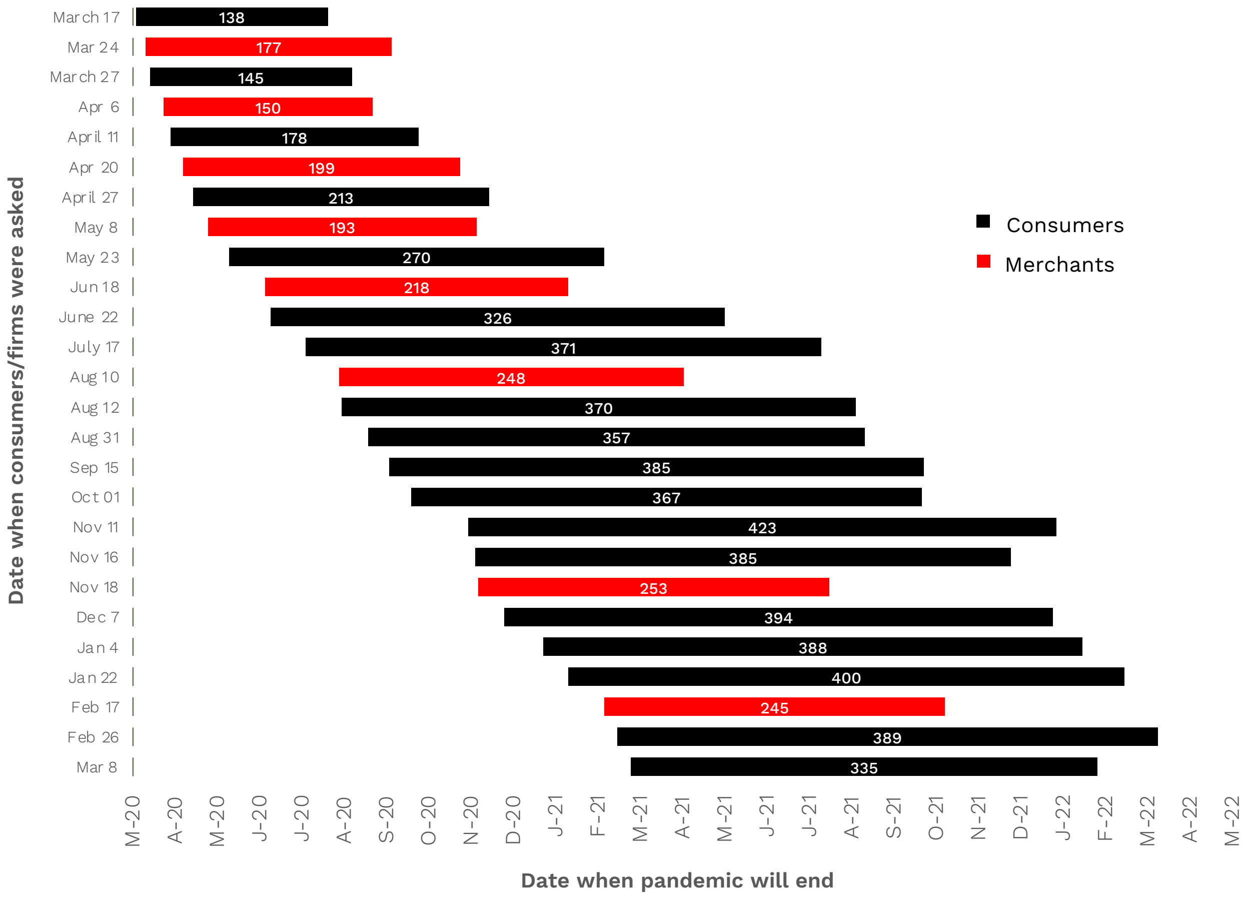






- **Duration of the pandemic:** Longer than most businesses think with more time for consumers to live in a mostly digital world.

Date when pandemic is predicted to end based on when the prediction was made



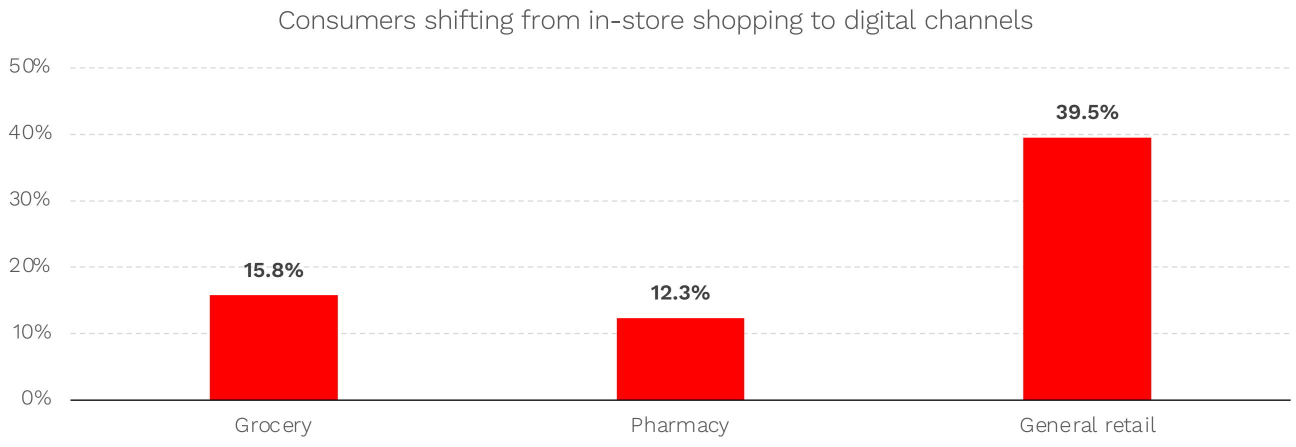
- **Brands see the shift it in their own numbers:** eCommerce growth dwarfs instore sales, even as stores reopen.

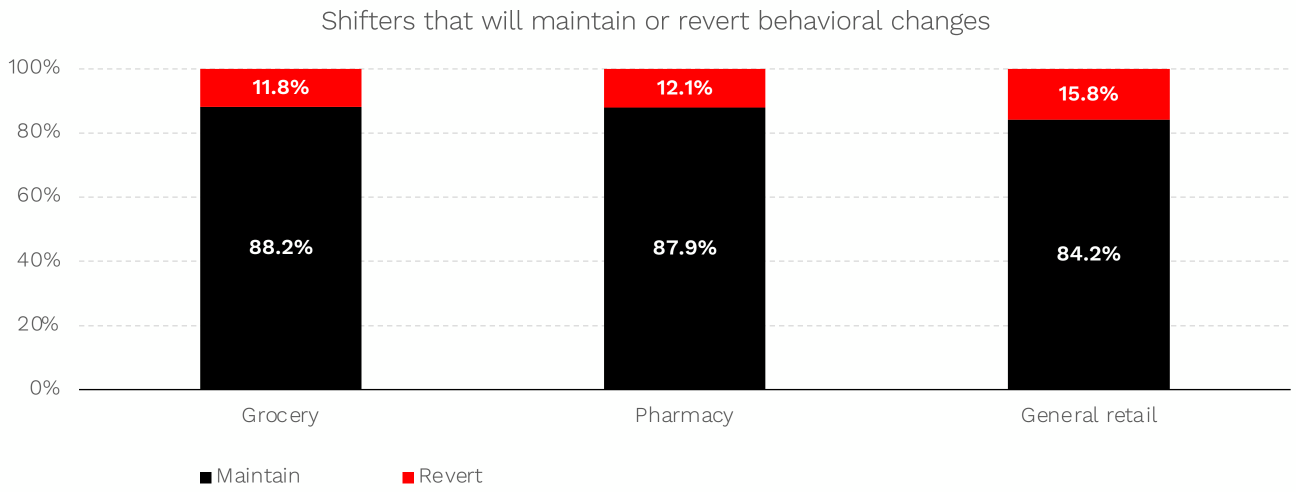
	In-store growth (same store comps)	Online growth
Albertsons	12.3%	**225.0%**
Kroger	10.6%	**118.0%**
Target	6.9%	**118.0%**
Best Buy	12.4%	**89.3%**
Walmart	8.6%	**69.0%**
The Home Depot	25.0%	**-**
Costco Wholesale	17.0%	**86.2%**
Kohl's	-11.0%	**22.0%**
Walgreens	5.0%	**-**

Retail's best customers are now up for grabs:

Digital has forever changed the shopping journey.

- 40 percent of American consumers did more digital shopping and less physical shopping in 2020.
- Nearly 90 percent of those digital shifters say that "some" or "all" of these habits are permanent.
- The digital shift is less marked for essential services retailers, such as grocery and pharmacy, than general retail.





- Those who shifted the most are retailers' most highly valued customers.

FEMALE

AFFLUENT

MILLENNIALS

BRIDGE MILLENNIALS

- American retailers' best customers are now up for grabs as the shift to digital offers retailers an opportunity to connect with consumers online.

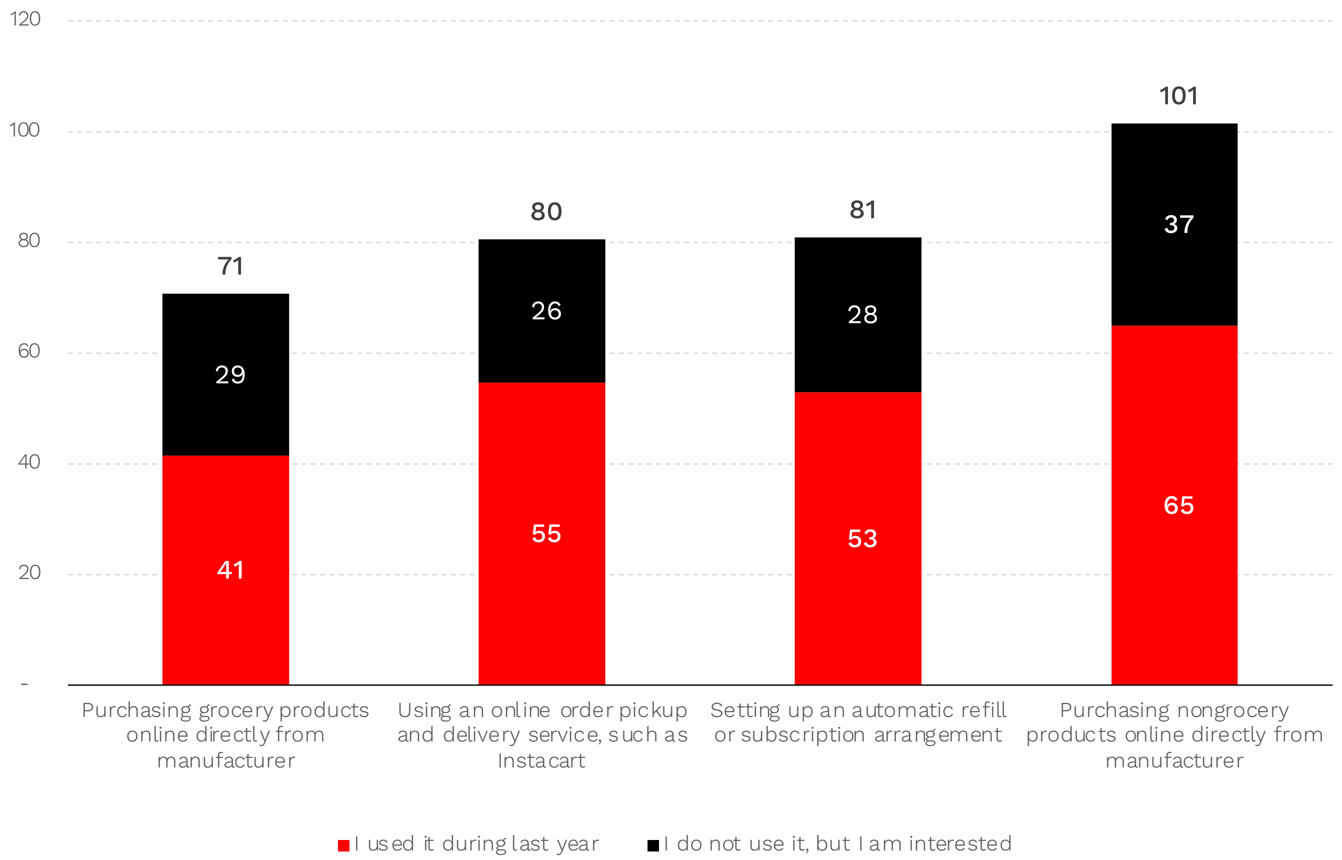
Demographic data		Complete responses	Shifters: grocery	Shifters: pharmacy	Shifters: general retail	Digital shifters	Nonshifters
Female		**52.7%**	58.7%	58.9%	65.3%	**58.9%**	50.6%
Average age		**49.1**	47.4	47.0	48.6	**48.1**	49.5
College		**32.6%**	39.3%	36.7%	38.7%	**38.6%**	30.4%
Annual income	$49.9K or less	**33.0%**	29.8%	28.4%	25.2%	**29.4%**	34.2%
	$50.0K - $99.9K	**31.8%**	31.5%	35.3%	32.1%	**31.8%**	31.8%
	$100.0K or more	**35.2%**	38.7%	36.3%	42.7%	**38.8%**	34.0%
Generation	Generation Z	**10.2%**	10.8%	18.4%	12.0%	**11.2%**	9.9%
	Millennials	**28.0%**	30.8%	25.4%	26.4%	**29.3%**	27.6%
	Bridge millennials	**19.3%**	23.4%	14.1%	18.8%	**20.8%**	18.8%
	Generation X	**24.7%**	27.3%	23.0%	25.7%	**25.8%**	24.4%
	Baby boomers and seniors	**37.0%**	31.0%	33.2%	35.9%	**33.7%**	38.1%
Family	Married with children	**31.9%**	38.4%	37.1%	32.7%	**36.5%**	30.3%
	Married without children	**35.2%**	32.1%	29.0%	35.7%	**33.9%**	35.6%
	Single with children	**8.1%**	8.6%	12.6%	11.1%	**8.6%**	8.0%
	Single without children	**24.8%**	20.9%	21.3%	20.5%	**21.1%**	26.1%

Convenience has been redefined:

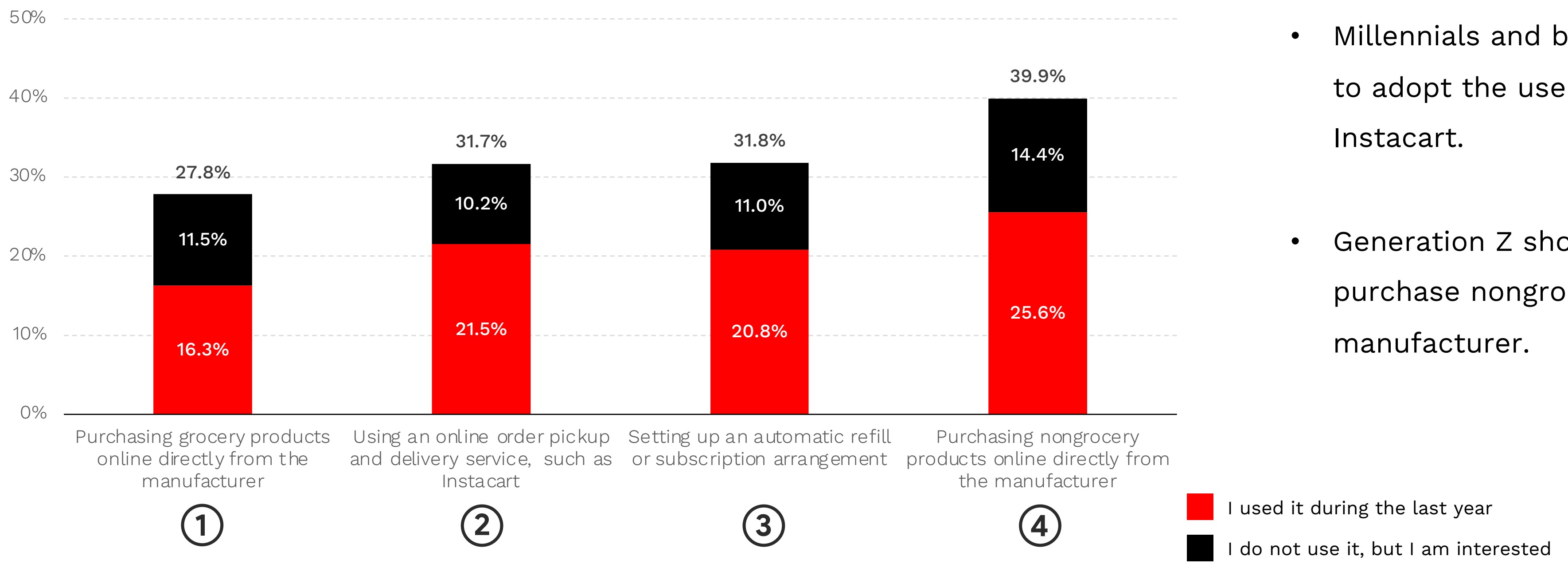
Consumers use new channels to skip trips to the store.

- All consumers report significant interest in newer retail shopping methods that eliminate traditional in-store visits.
- 53 million U.S. consumers set up automatic refills for products they buy frequently.

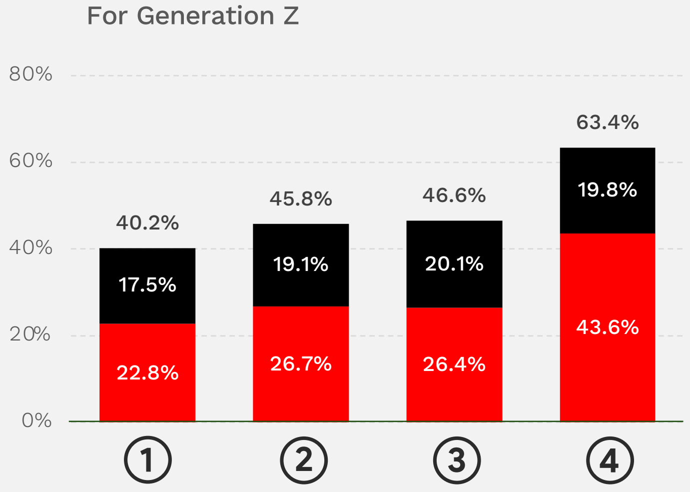
Number of consumers who use select shopping methods or are interested in using them (millions of U.S. adults)

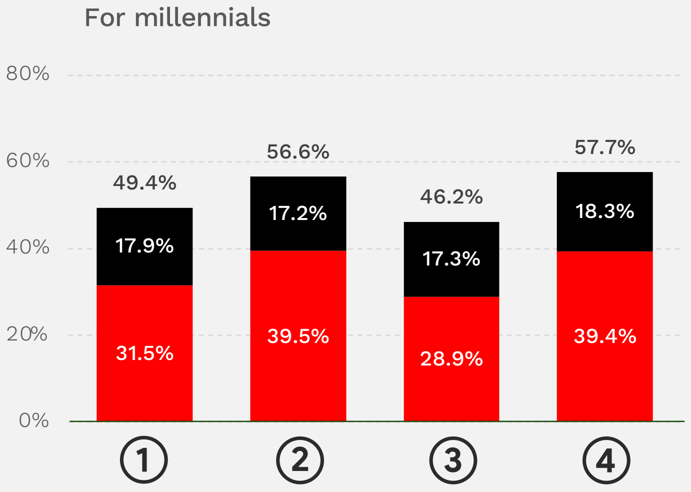


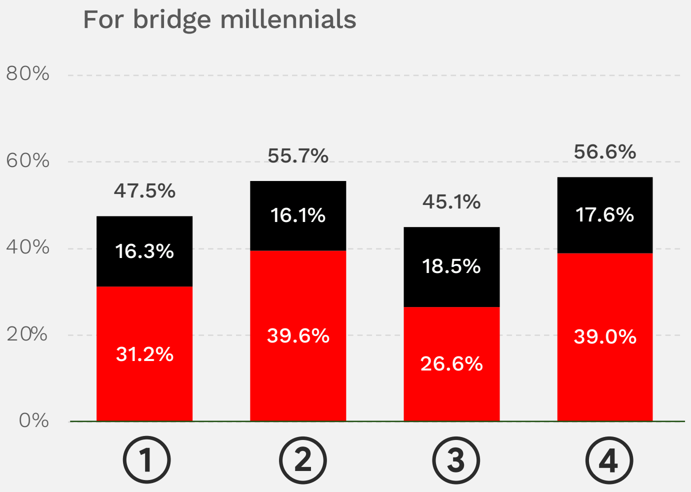
Consumers who use select shopping methods or are interested in using them



- Millennials and bridge millennials are the most likely to adopt the use of delivery services, such as Instacart.
- Generation Z shoppers are also most likely to purchase nongrocery products directly from the manufacturer.



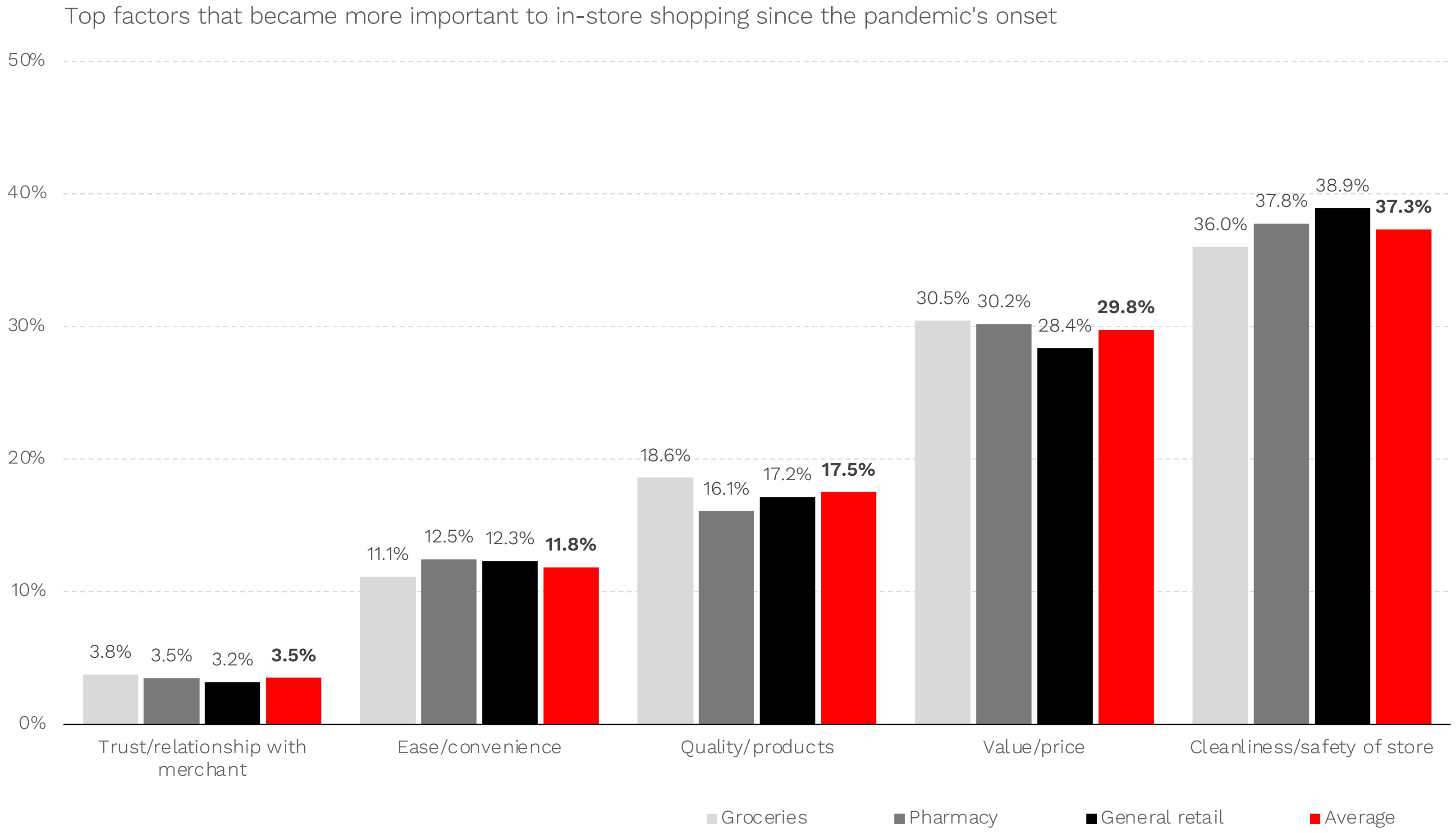




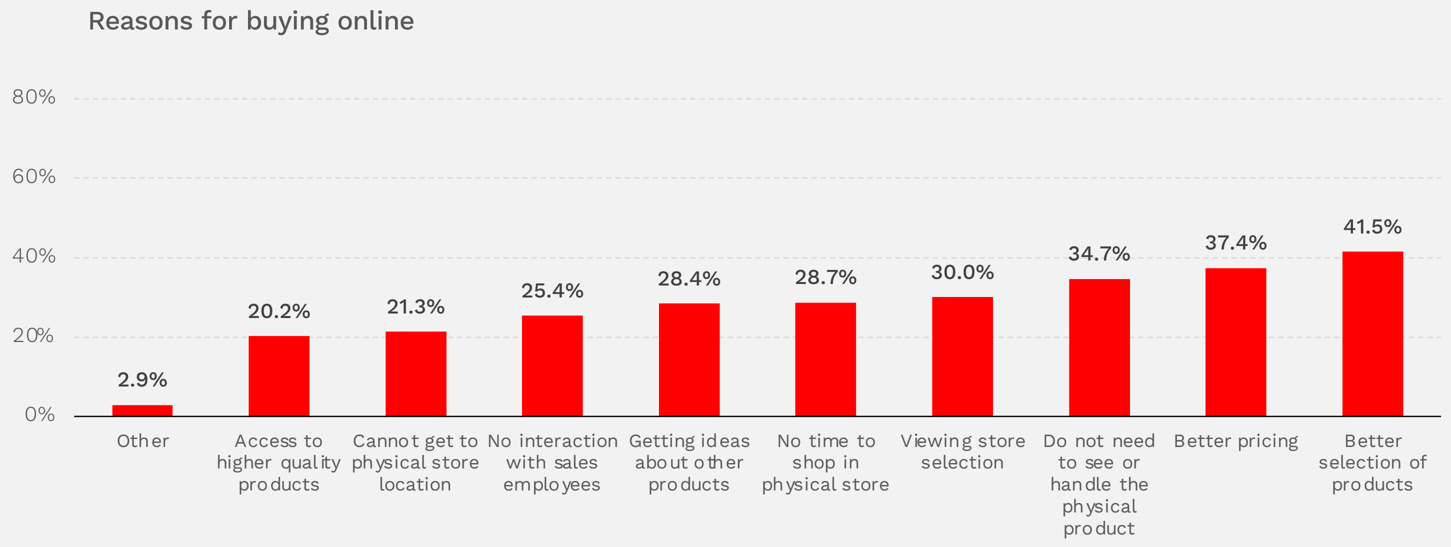
Certainty drives consumer channel and merchant choice:

Clean and safe is now a key visual cue.

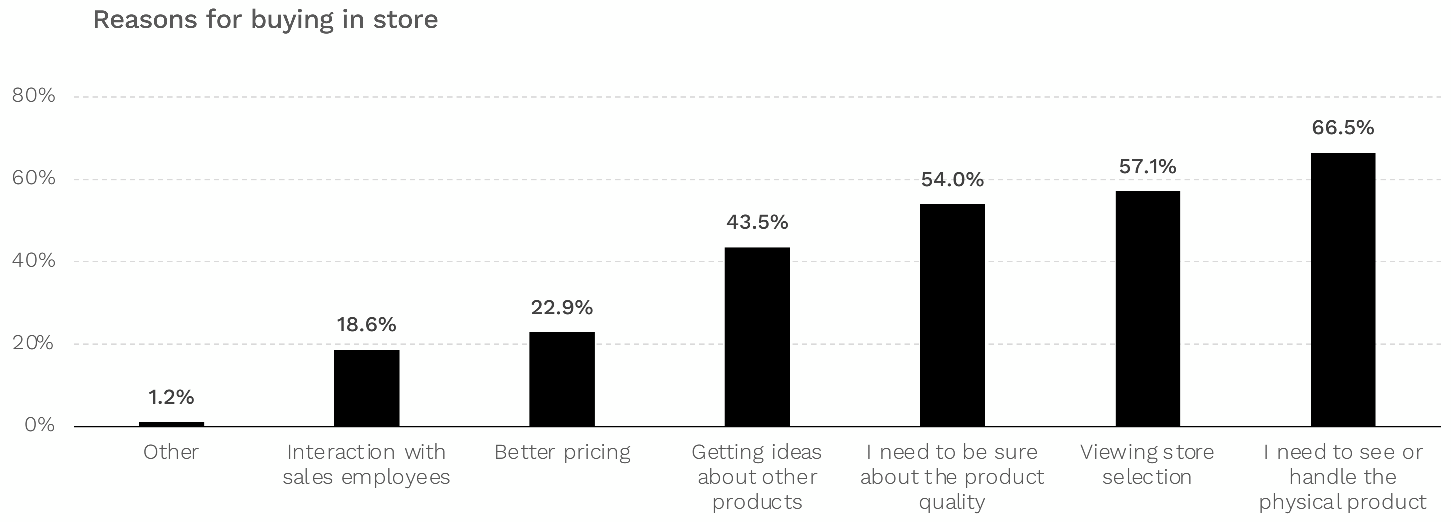
- **"Do you have what I want?"** is still important, but **"is your store clean and safe for me to shop in?"** is now the most important factor for consumers.



- Consumers who shop online do so because they can get the items they want when they want them.



- Consumers who choose to shop in stores do so for the high consideration products they need or want to inspect before they buy or because they want to speak with a sales associate before making a purchase.

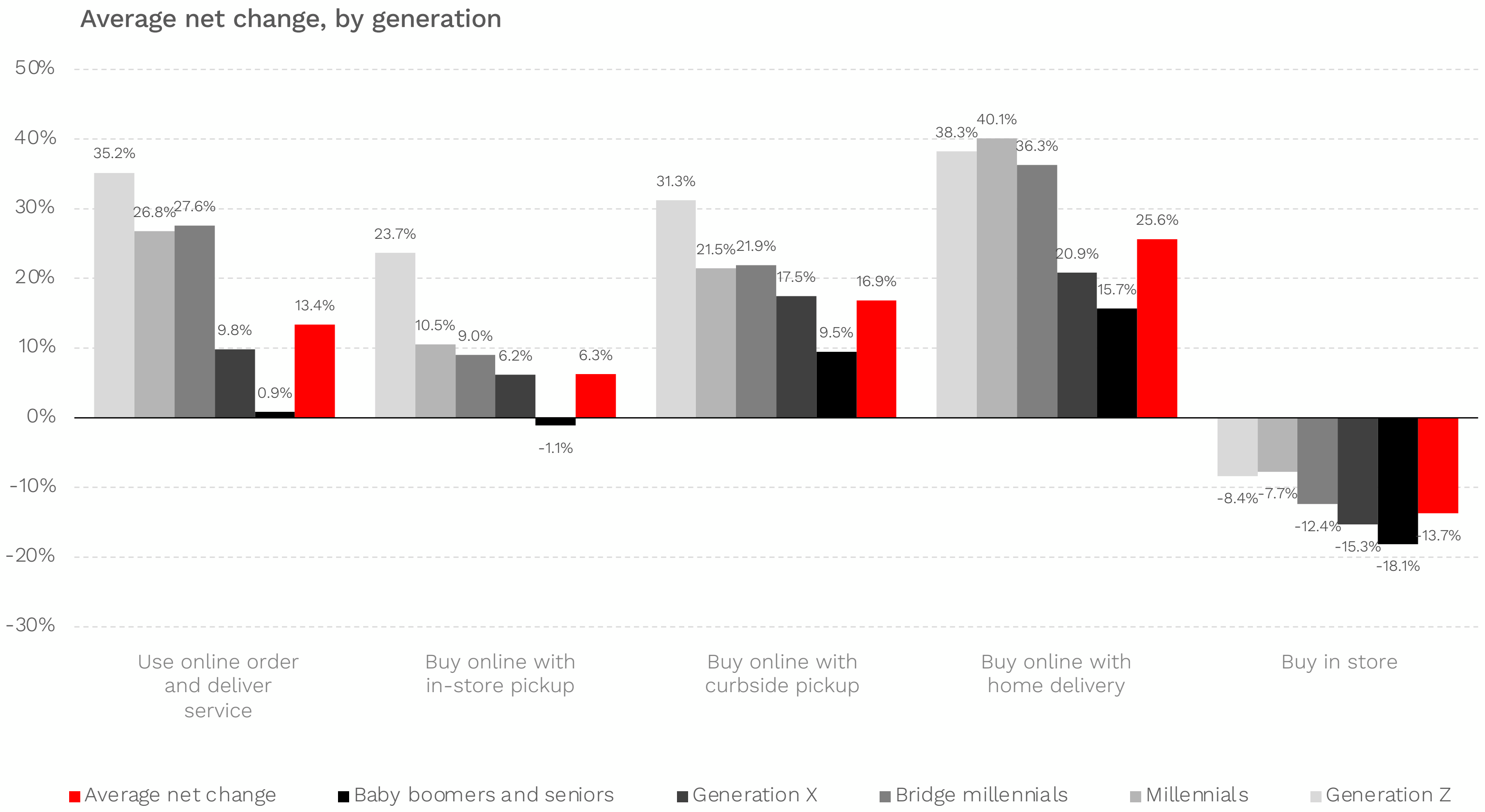


Saving time is the new sticky:

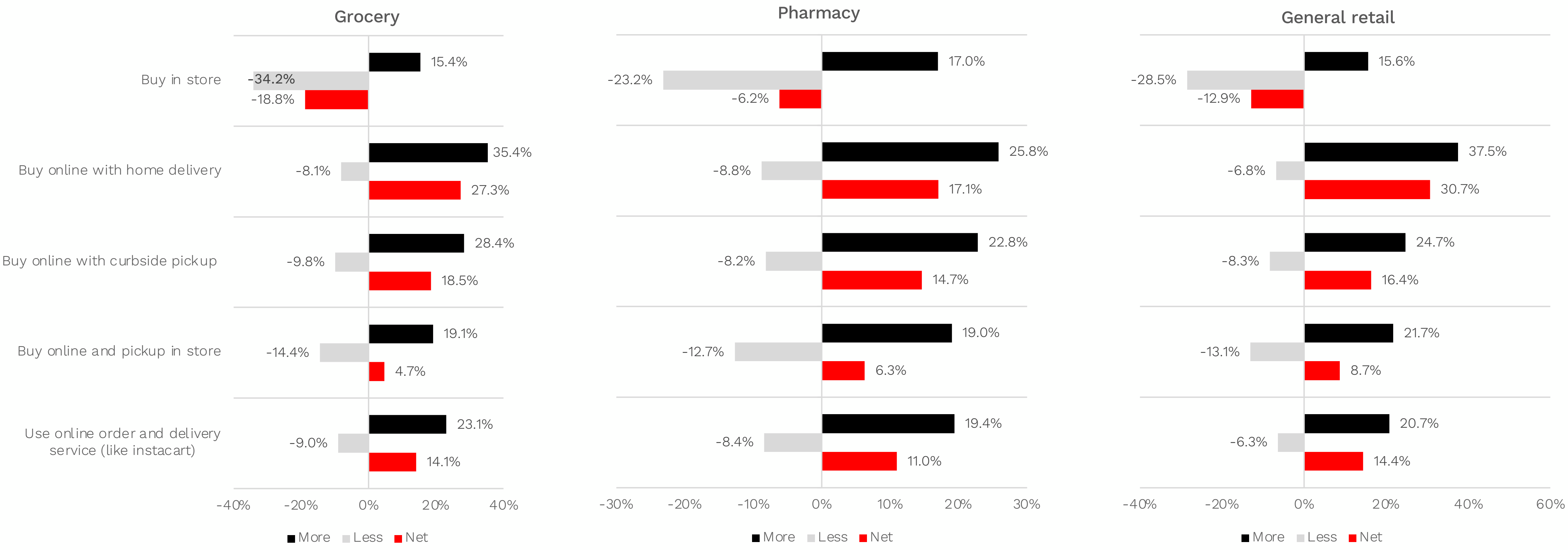
Consumers like living in a “bring it to me” economy.

- “Go get it” has been replaced with “bring it to me” for all consumers, not just digital natives.
- Consumers largely do not like to buy online with in-store pickup, even if retailers do.

Share of consumers who said they are using select shopping methods “more” or “less” in response to the pandemic, and net change



- The grocery sector gained its highest increase in buy online with home delivery, including the use of new digital intermediaries, like Instacart.
- Buy online with home delivery was boosted most in the retail sector (38 percent).

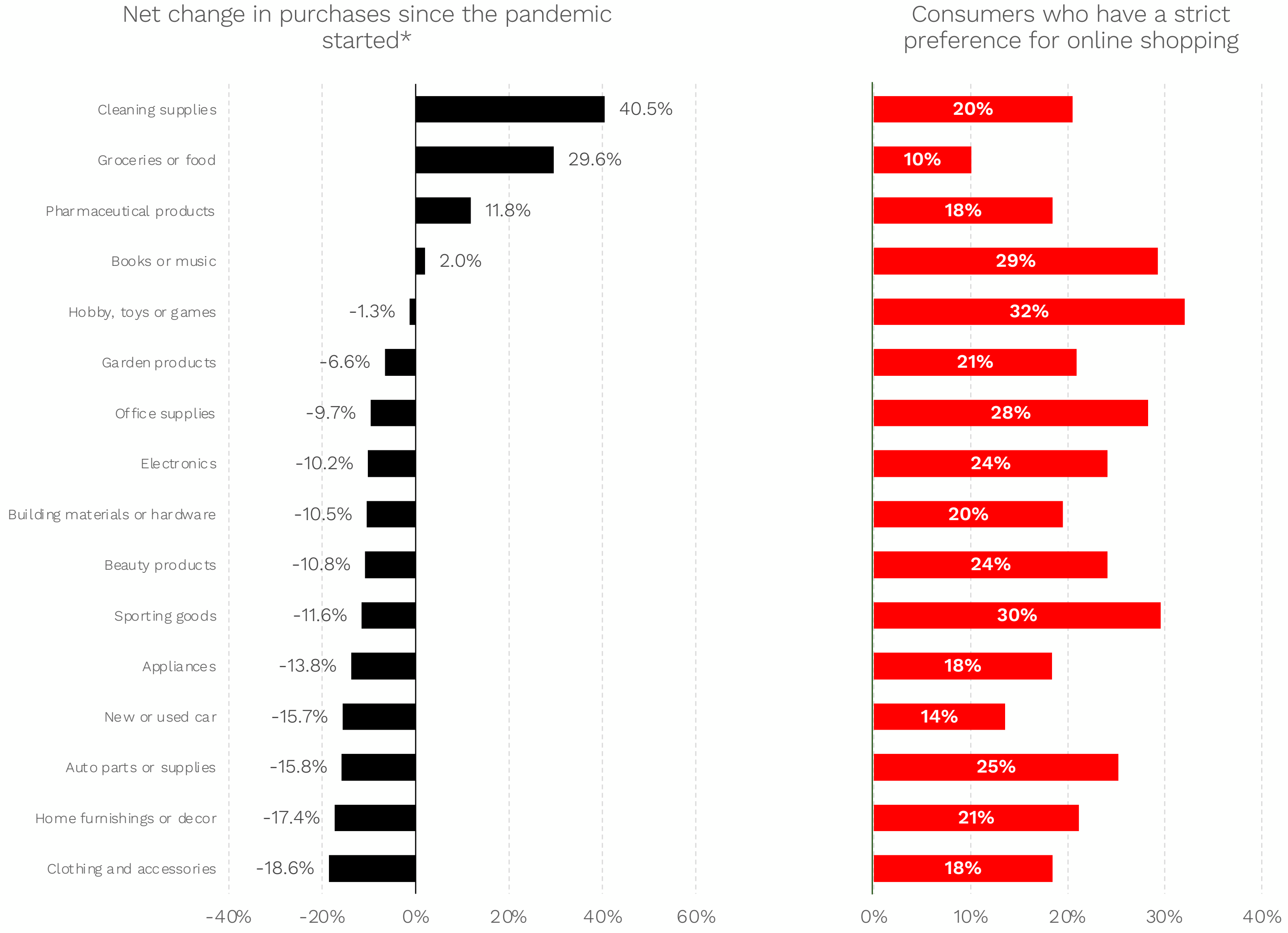


Digital habits bifurcate consumer shopping behaviors:

Purchase risk influences channel choice.

- Products with the highest online preferences are also low-risk online purchases. The value of the purchase is low while the convenience is high: **Hobby/toys/games, sporting goods, books/music and office supplies.**

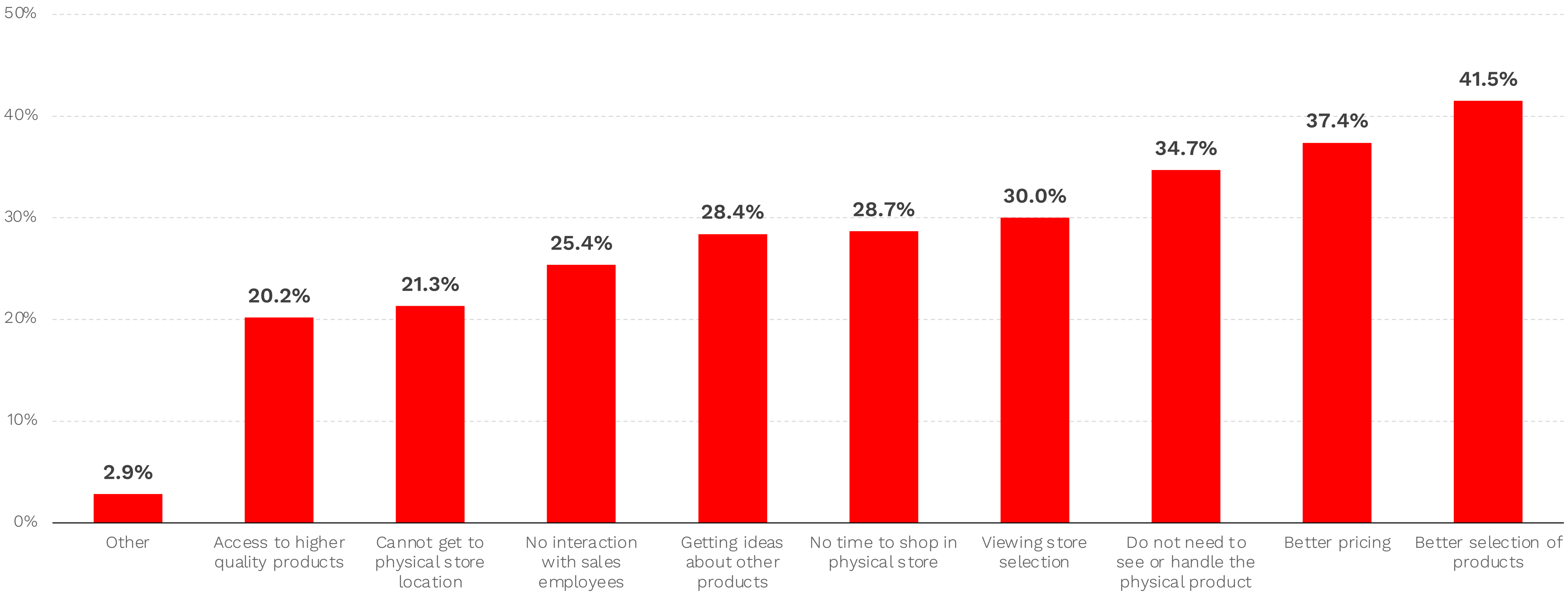
- Products with high perceived purchase risk — where the risk of buying online is high and the value of the purchase is high — will most likely be purchased in store: **Groceries, cars, appliances and clothing.**



*Net change = (share purchasing more often) - (share purchasing less often)

- Digital makes it easy for consumers to buy from different brands, even directly from brands, further diluting retailer loyalty.

Share of consumers citing select reasons for preferring to buy online

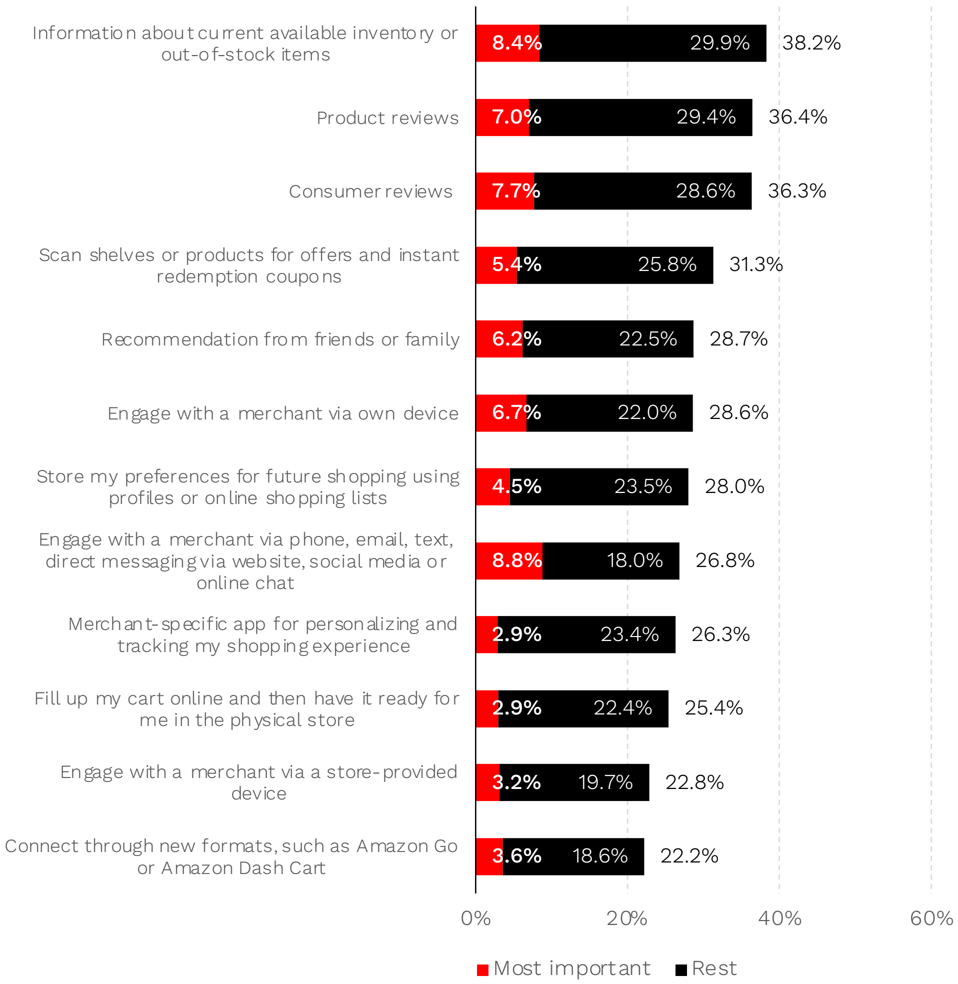


Consumers expect stores to up their digital games:

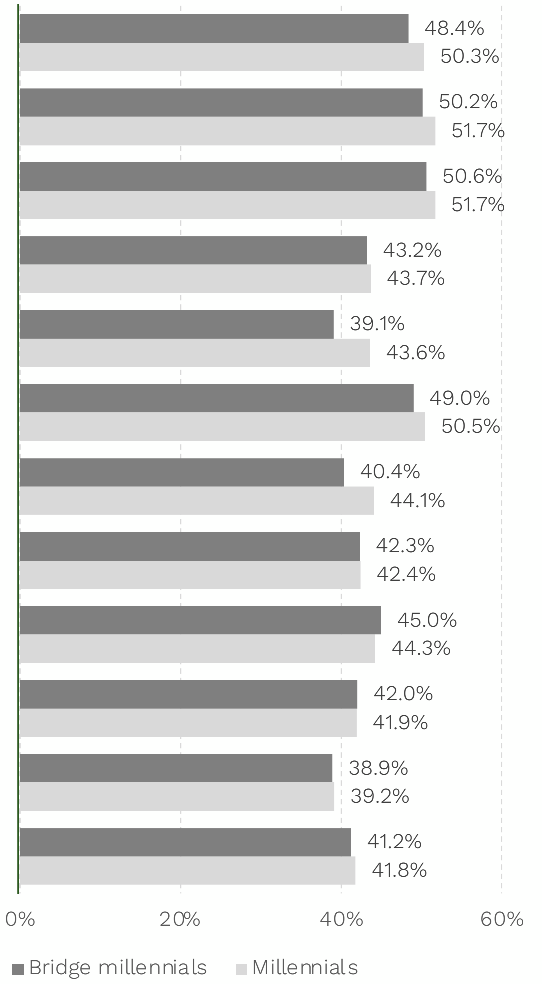
More like eCommerce, less like the physical store.

- A convenience-driven consumer who wants to save time wants a real-time, transparent view of product availability, as is the case online.
- Consumers want more control over their ability to interact digitally with the store merchant in real time when in the store — just like they have been doing online.
- They want to do so on their own devices, not on ones the retailers provide.
- Getting millennials and bridge millennials inside stores will require that retailers up their digital games.

Elements that are "very" or "extremely" important when shopping in store



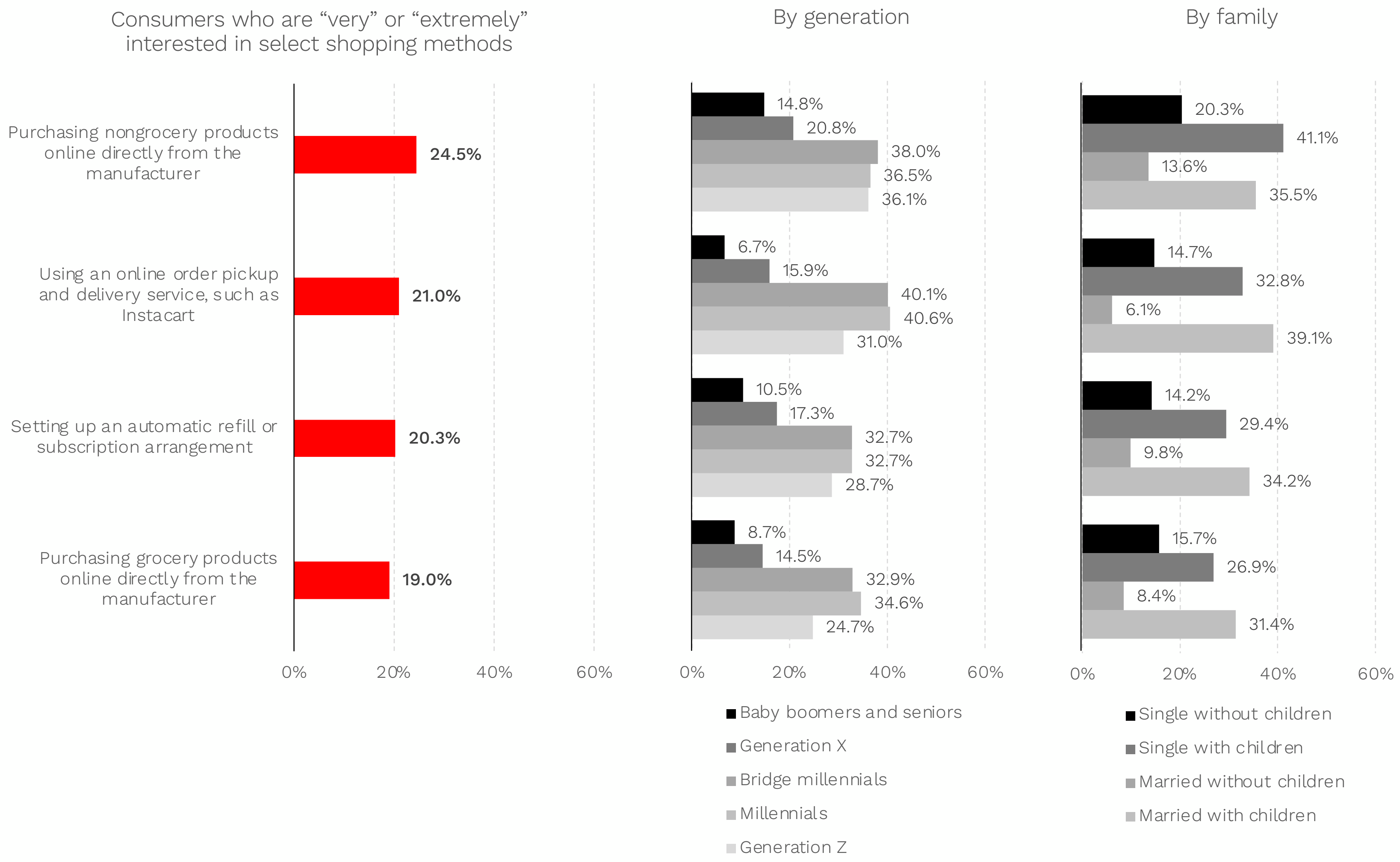
For millennials and bridge millennials



Millennials are not waiting for retailers to change:

They are using new retail experiences today.

- Millennial consumers are most likely favor newer retail experiences that limit time in stores or eliminate store visits altogether.
- Millennials want to better manage repetitive retail shopping tasks that do not require in-person goods inspection, such as nongrocery items.
- Married couples with children were most likely to express interest in purchasing groceries directly from the manufacturer and automatic refill options.

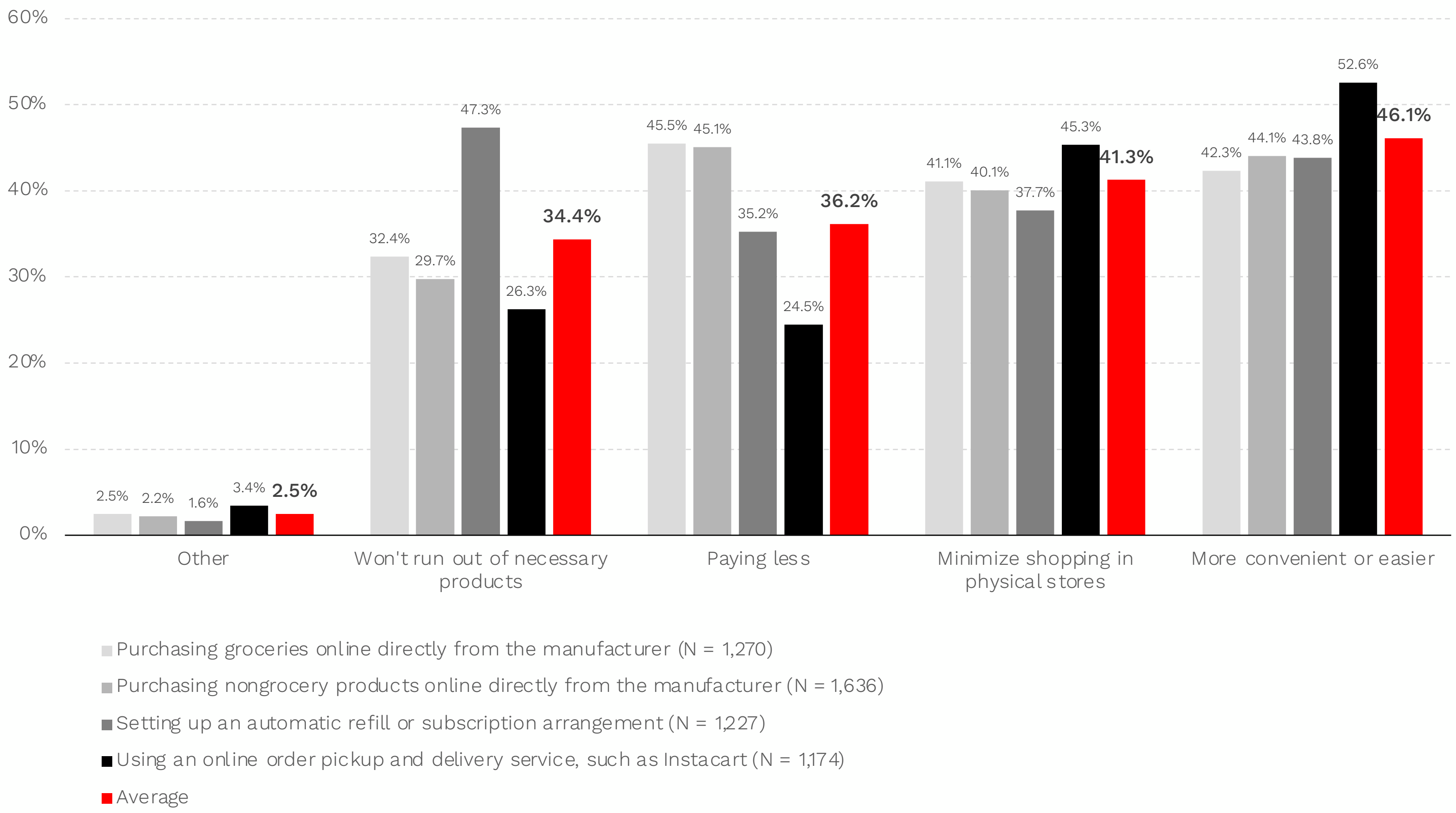


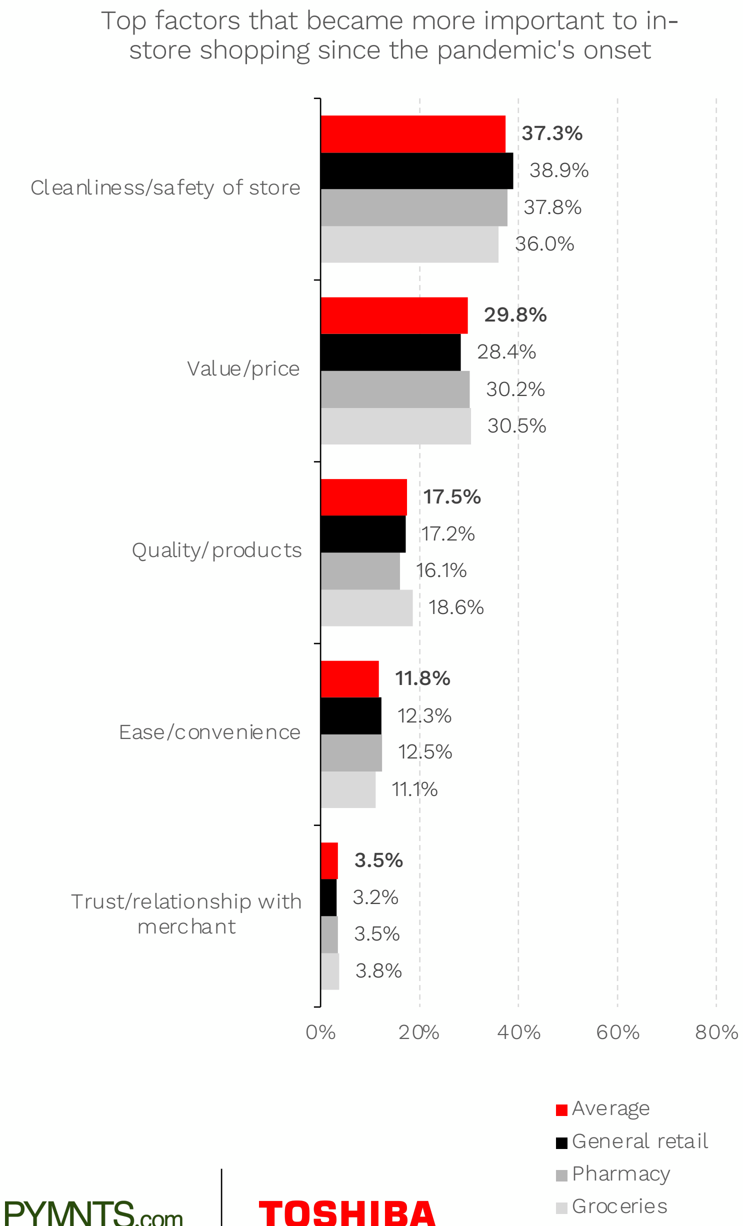
Digital has leveled the retail playing field:

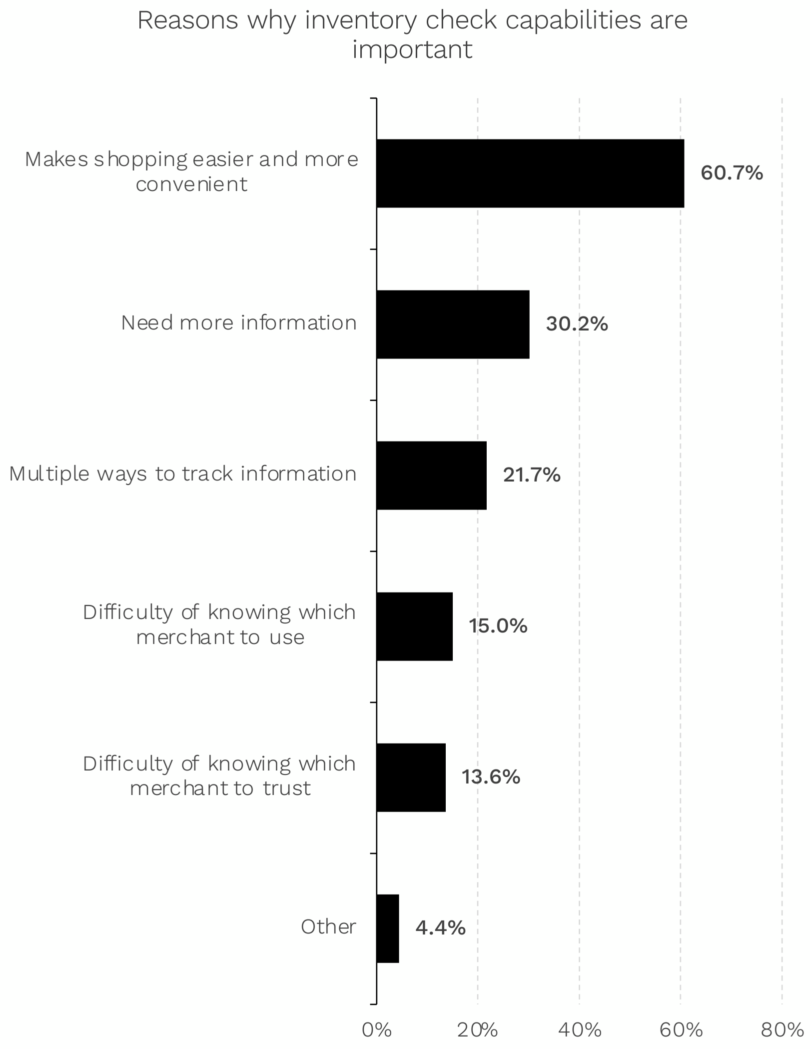
Saving time and delivering certainty will shape retail's future.

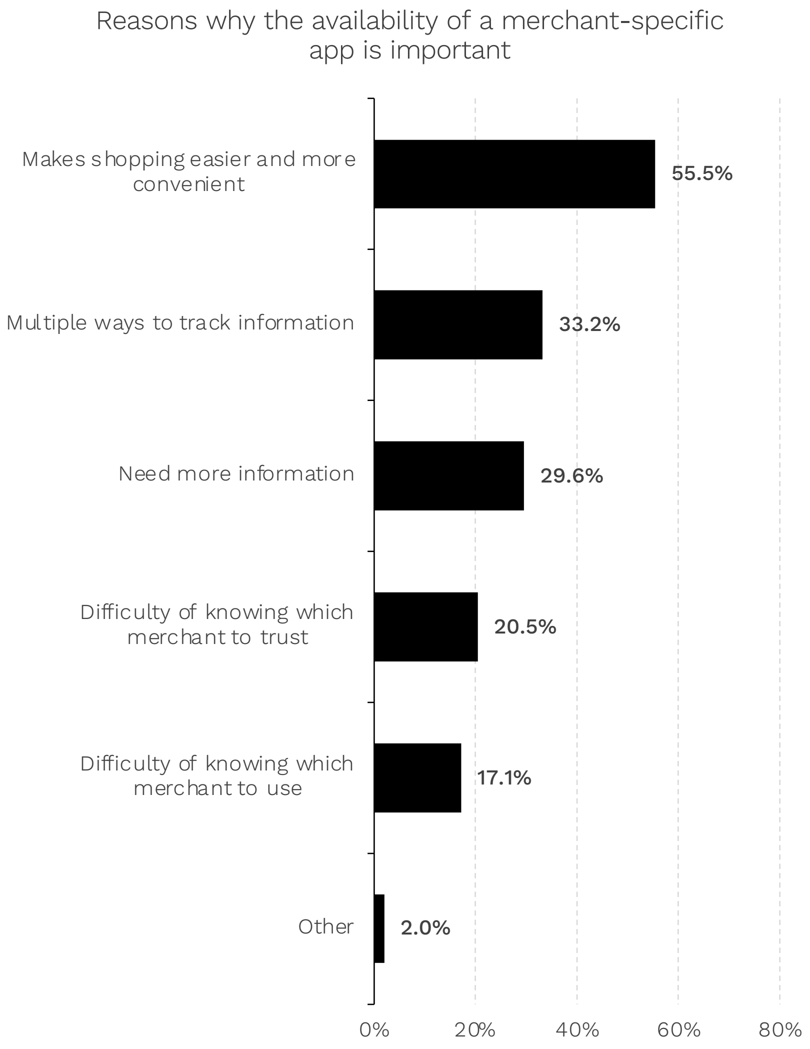
- Retailers can no longer assume that loyalty programs alone are enough to keep customers loyal.
- Digital lowers the switching costs for consumers looking to access the brands and channels that save time and deliver certainty.
- Retailers capable of adopting digital-first practices that make in-store shopping more like online shopping have the best chance of recapturing lost audiences.
- The longer that takes, the greater the risk that retailers will lose the chance to influence consumers' shopping journeys and optimize that spend.

Reasons for being interested in select shopping methods




Top factors that became more important to in-store shopping since the pandemic's onset
Cleanliness/safety of store
37.3%
38.9%
37.8%
36.0%
Value/price
29.8%
28.4%
30.2%
30.5%
Quality/products
17.5%
17.2%
16.1%
18.6%
Ease/convenience
11.8%
12.3%
12.5%
11.1%
Trust/relationship with merchant
3.5%
3.2%
3.5%
3.8%
0%
20%
40%
60%
80%
Average
General retail
Pharmacy
Groceries


Reasons why inventory check capabilities are important
Makes shopping easier and more convenient
60.7%
Need more information
30.2%
Multiple ways to track information
21.7%
Difficulty of knowing which merchant to use
15.0%
Difficulty of knowing which merchant to trust
13.6%
Other
4.4%
0%
20%
40%
60%
80%


Reasons why the availability of a merchant-specific app is important
Makes shopping easier and more convenient
55.5%
Multiple ways to track information
33.2%
Need more information
29.6%
Difficulty of knowing which merchant to trust
20.5%
Difficulty of knowing which merchant to use
17.1%
Other
2.0%
0%
20%
40%
60%
80%

Consumers still default to category leaders:

Experience builds trust and certainty.

- Consumers stick with brands they know and trust in times of uncertainty.
- New technologies can create powerful two-way communication channels that capture important data about consumers' preferences and expectations.
- Store economics must better align with consumers' preferences: make it convenient means mostly delivery, then curbside pickup — and, if in store, information about product availability.
- Digital has leveled the retail playing field, but logistics will determine success.