MAY 2021

HOW DOES TODAY'S CONSUMER ENGAGE AND PURCHASE?

How Does Today's Consumer Engage And Purchase?, a PYMNTS and Toshiba collaboration, is based on a census-balanced survey of more than 2,000 United States consumers. The report examines consumers' preferences for certain shopping channels and analyzes their interest in more technology-enabled in-store shopping experiences.

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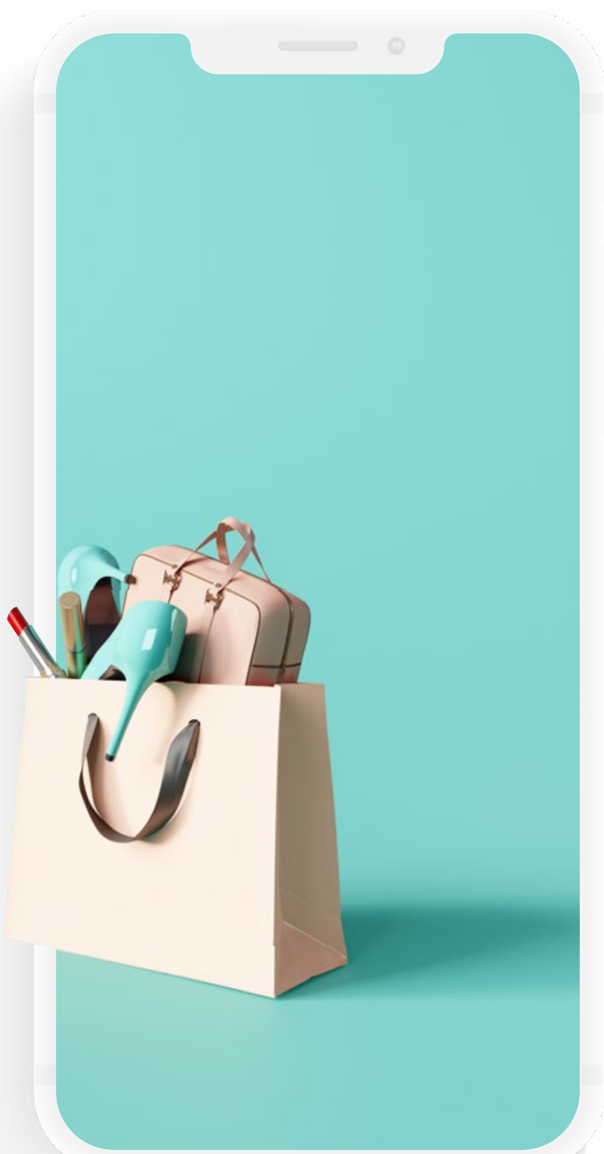
How Does Today's Consumer Engage And Purchase? was done in collaboration with Toshiba, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION



The inactivity that overwhelmed brick-and-mortar retailers in the early days of the pandemic has been replaced by millions of clicks. Forty percent of U.S. adults have shifted more of their retail purchases to digital channels over the last fourteen months. This new shopping persona — the digital shifter — is defined as an individual who engages less in the physical channel and more in the digital channel for the same activity. Digital shifters have not totally abandoned the physical shopping channel, but they are using it differently and they like doing so. PYMNTS' research shows that 90 percent of these digital shifters see at least some of the changes in their shopping behaviors as permanent.

The digital shift is compounded by the work-from-home (WFH) culture. The WFH shift had begun before the pandemic, yet its rapid emergence over the past year has transformed the way consumers shop and use their time online. Many consumers see little reason to give up shopping behaviors that save them time, even as stores reopen, because WFH has become a permanent feature of their lives.

Whether using Instacart to order products from their favorite local grocer or Amazon to buy in bulk, consumers have become empowered by an ever-expanding array of shopping choices. Consumers are still curating their shopping experiences even as many retailers reopen their locations, selecting specific merchants and channels to meet specific needs.

Today's "bring it to me" economy puts customers firmly in control of almost every aspect of their experiences, allowing their desire for convenience, safety and product choice to direct their merchant or channel selections with few limits. Consumers can access local goods from a few blocks away as easily as they can obtain hard-to-find items from across town or across the country, all from their phones or laptops.

40%

of U.S. adults have shifted more of their retail purchases to digital channels over the last 14 months.

Consumers can create shopping lists and set product preferences with eCommerce giants, delivery services and even their local merchants with just a few clicks, enabling them to create a virtual retail supply chain customizable to their tastes. A subscription service might automatically deliver milk at a set time each week, and a single click can reorder a month's worth of groceries and household supplies. That level of "set it and forget it" ease is tantalizing for many consumers, who value the convenience of not having to think about products that do not require their inspection.

Digital channels have an answer even for consumers who want to personally inspect perishables like fruits or vegetables before purchase. Grocery delivery services are enabling consumers to set preferences for fresh fruits and vegetables and allowing them to digitally inspect the freshness and quality of these goods before shoppers accept deliveries.

It is perhaps not surprising that customers are now changing how they engage with the traditional retail store when there is a safe, convenient and frictionless digital alternative or are buying directly from the manufacturer to avoid merchants altogether.

This PYMNTS research, commissioned by Toshiba Global Commerce Solutions, examines the online and offline consumer purchasing behavior in Q1 2021. We surveyed a national sample of more than 2,000 U.S. consumers between March 8 and March 14 on how they shop for grocery, pharmacy and retail products. We examined the key drivers of their shopping choices, learned why they chose one shopping channel over another and ascertained their interest in a more tech-enabled in-store shopping experience. Here's what we found:

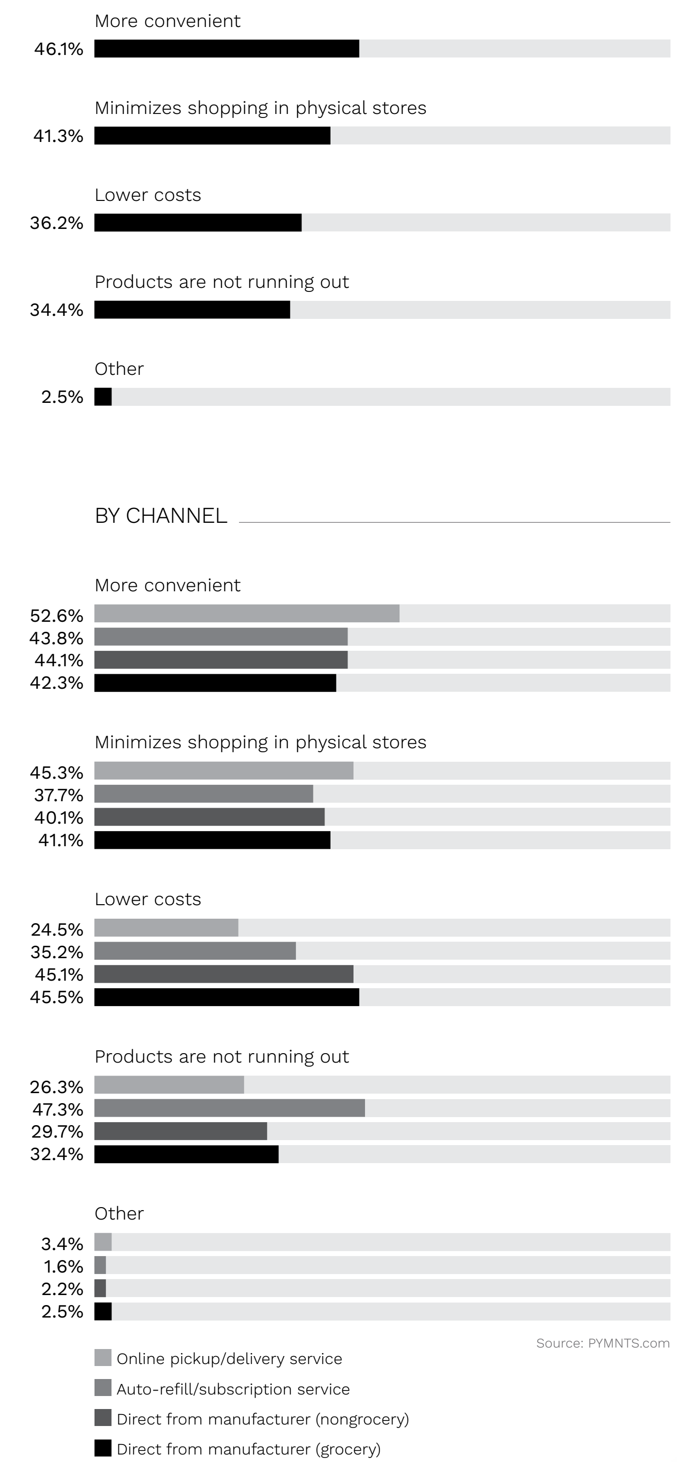
DIGITAL IS NOT JUST A CHANNEL:

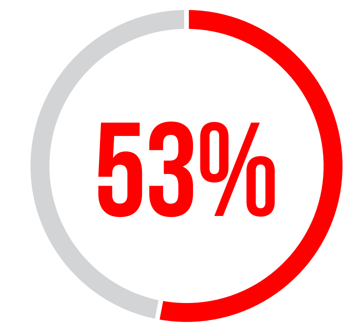
Digital is now the consumer's shopping experience, even in the store.

The digital channel has become a lens through which consumers evaluate all their customer experiences, including offline ones. This digital standard prioritizes inventory availability information, product reviews and shopping and checkout convenience. Consumers want to optimize their time, stay informed and find what they want quickly and easily when they are shopping in physical stores, just as they do when they are shopping online. A significant share of consumers say that shopping online gives them access to a better selection of products (42 percent) and better prices (37 percent) than physical stores.

FIGURE 1:

Reasons consumers are interested in selected shopping methods
Reasons for interest in shopping methods

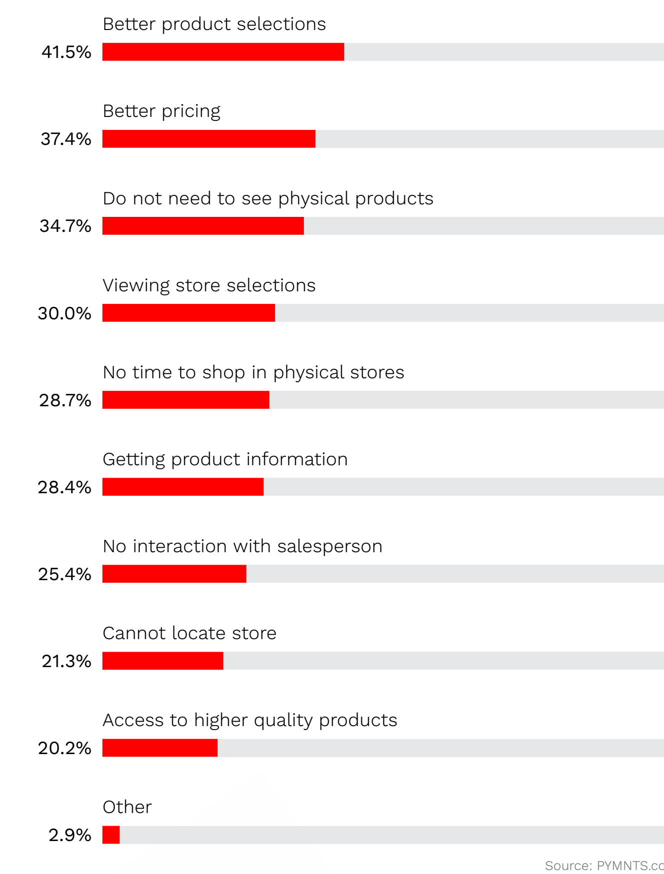




Fifty-three percent of consumers choose online pickup or delivery services because they are more convenient than other channels.

FIGURE 2:

Consumers' reasons for buying online
Share of consumers that cite select reasons for shopping online



RETAIL'S BEST CUSTOMERS ARE NOW UP FOR GRABS:

Digital has forever changed the shopping journey.

Affluent (39 percent), female (59 percent) and millennial (29 percent) consumers and married couples with children (37 percent) represent the largest shares of digital shifters. Those with high disposable incomes, parents with young children and women are critical demographics for any retailer, and their loss to digital channels means that retailers must find a way to rekindle their interest quickly if they hope to compete in the future.

TABLE 1:

Digital shifters and nonshifters
Shares of digital shifters, by channel and demographic

DEMOGRAPHICS	Average	Digital shifters	Nonshifters
FEMALE	52.7%	58.9%	50.6%
AVERAGE AGE	49.1	48.1	49.5
COLLEGE	32.6%	38.6%	30.4%
ANNUAL INCOME			
• Less than $50K	33.0%	29.4%	34.2%
• $50K - $100K	31.8%	31.8%	31.8%
• More than $100K	35.2%	38.8%	34.0%
GENERATION			
• Generation Z	10.2%	11.2%	9.9%
• Millennials	28.0%	29.3%	27.6%
• Bridge millennials	19.3%	20.8%	18.8%
• Generation X	24.7%	25.8%	24.4%
• Baby boomers and seniors	37.0%	33.7%	38.1%
FAMILY			
• Married with children	31.9%	36.5%	30.3%
• Married without children	35.2%	33.9%	35.6%
• Single with children	8.1%	8.6%	8.0%
• Single without children	24.8%	21.1%	26.1%

Source: PYMNTS.com

CONVENIENCE HAS BEEN REDEFINED:

Consumers are using new channels to skip trips to the store.

FIFTY-THREE MILLION U.S. CONSUMERS HAVE SET UP AUTOMATIC REFILLS FOR PRODUCTS THEY BUY FREQUENTLY.

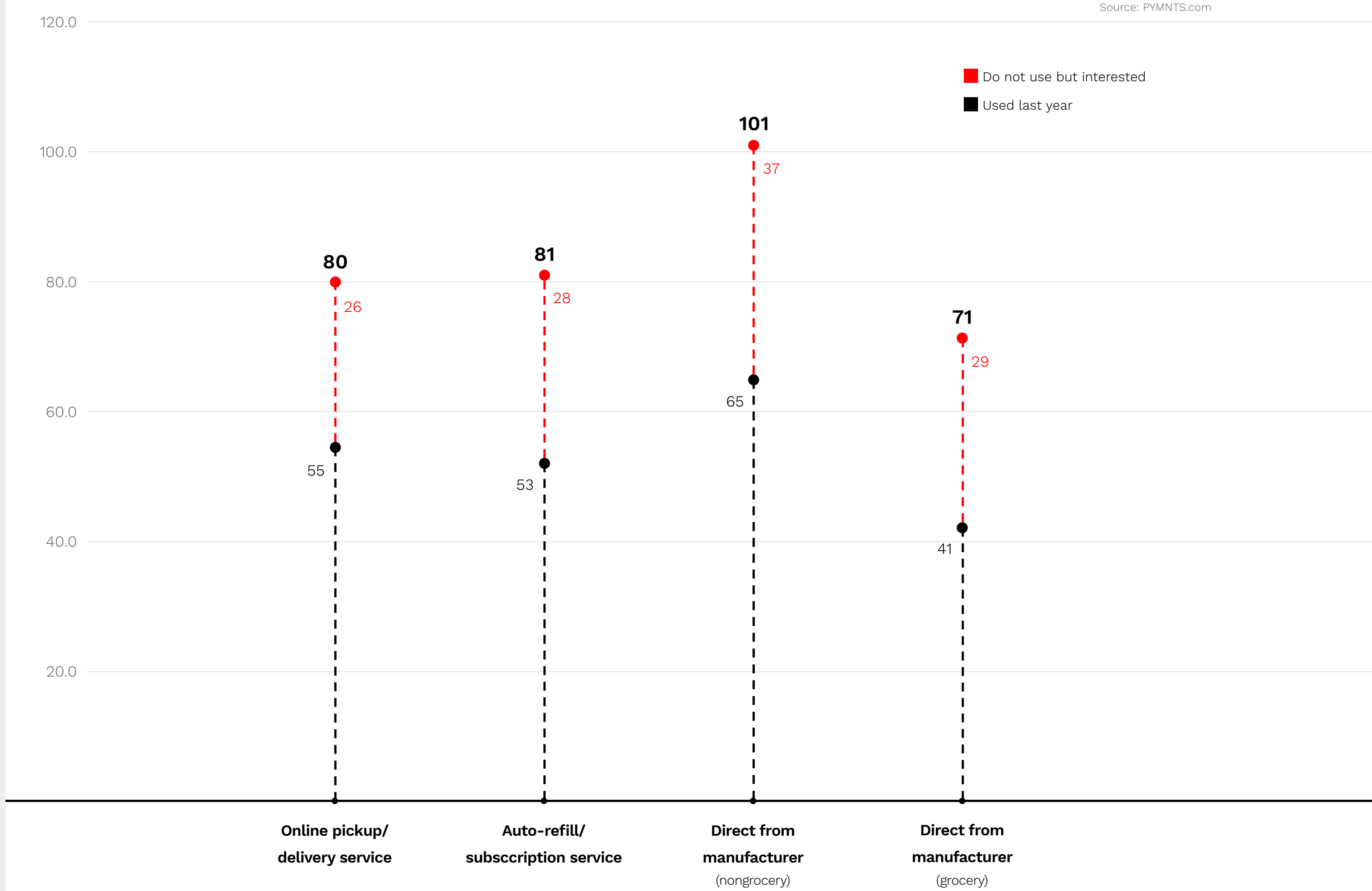
Consumer choice of a digital or physical store is dependent on a broad calculation of value for the consumer, encompassing convenience, safety, product selection and their ability to limit friction in accessing goods. Retailers have an unprecedented opportunity to reach consumers online who have decreased in-store shopping but not their willingness to engage with merchants or brands. PYMNTS' research shows that more than 52 percent of consumers are interested in using online order pickup and delivery services such as Instacart. That is especially true for millennials, bridge millennials and Gen Z consumers, nearly 40 percent of whom have used delivery services since the onset of the pandemic.

Fifty-two percent of consumers expressed interest in using delivery services such as Instacart.

FIGURE 3:

The number of consumers who use select shopping methods or are interested in them
Shopping method interest and usage, by share

Source: PYMNTS.com

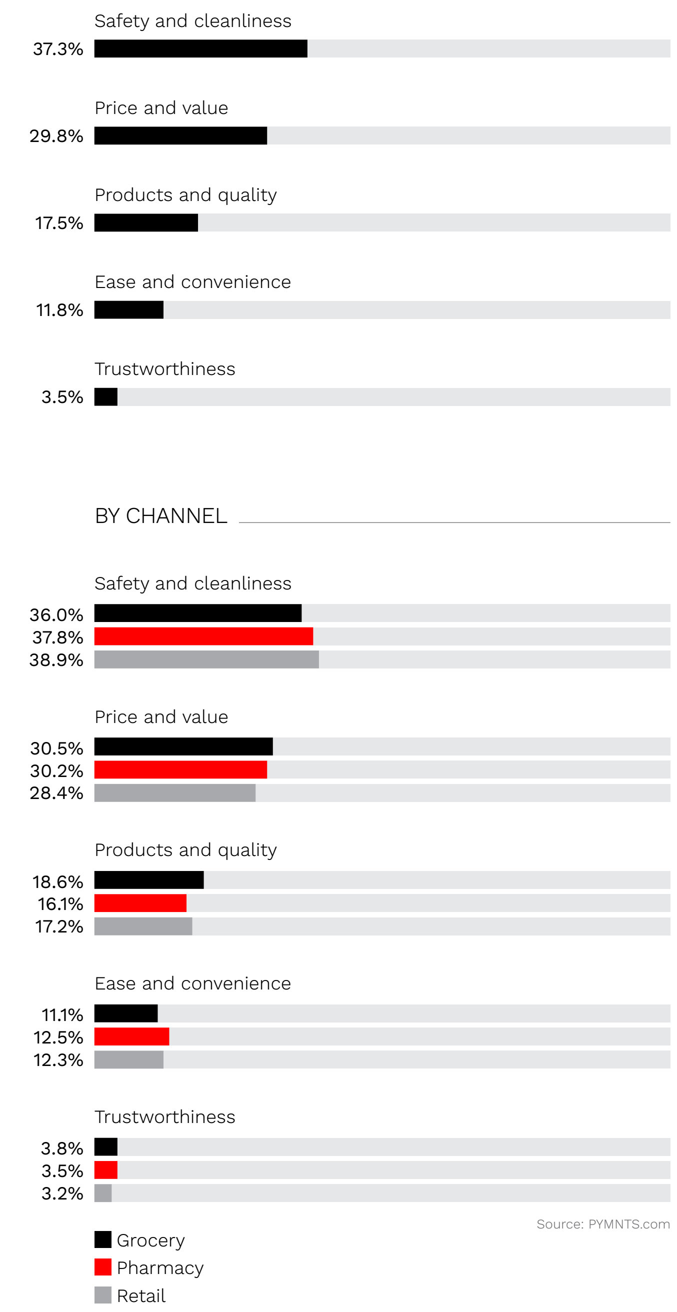


For a large share of consumers, convenient shopping now simply means putting their frequent purchases on autopilot and forgetting about them. PYMNTS estimates that 53 million consumers have set up subscriptions or automatic refills, and another 28 million are interested in doing so. Consumers are also moving toward buying nongrocery items directly from manufacturers, as 101 million customers have already done so or have indicated interest in doing so.

Safety is also a key driver that dictates consumers' choice of merchants across retail, pharmacy and grocery channels. Consumers listed the cleanliness and safety of the store (37 percent) as the top factor that became more important as they selected a merchant since the beginning of the pandemic.

FIGURE 4:

Issues that have become more important to in-store shoppers since the pandemic began
Select issues driving choice of physical retailer, by share



53 million consumers

have set up auto-refill or subscription services, and 28 million more have interest in doing so.

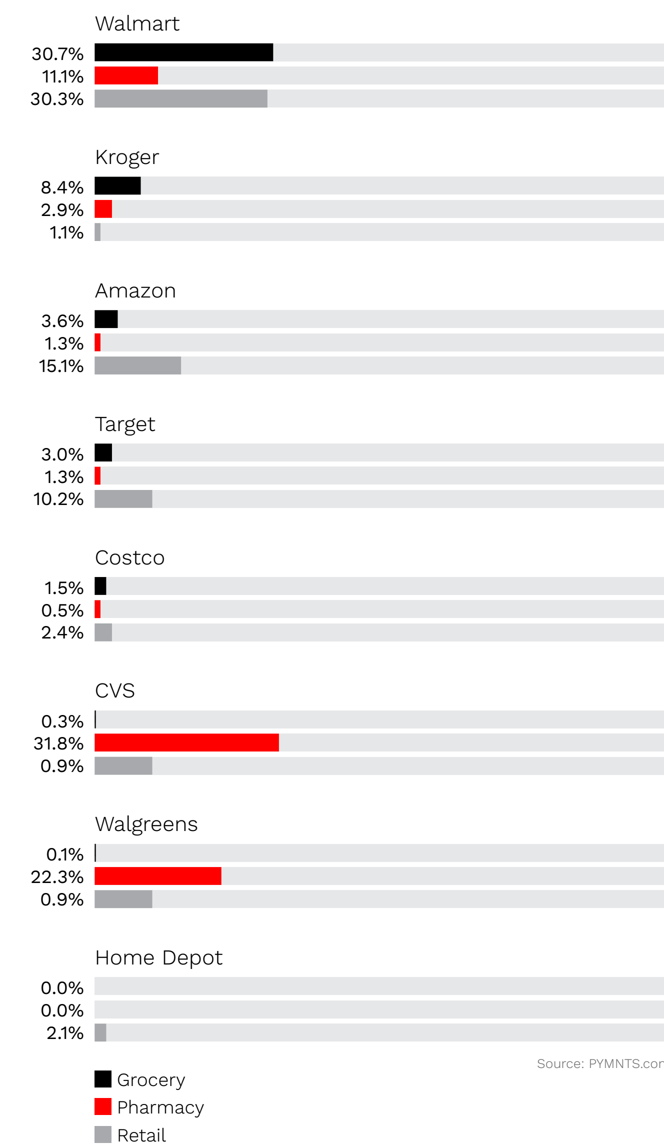
CERTAINTY IS A KEY DRIVER OF CONSUMER CHOICE:

Consumers go with the names they know in times of uncertainty.

Digital channels have removed friction from the switching process for consumers drawn to brands that offer convenience and a positive customer experience. Consumers can alter their shopping habits digitally without an interruption in experience: Well-known retail brands provide consumers with a sense of certainty regarding quality, while digital options remove unwanted aspects from their shopping experiences like product availability concerns. PYMNTS' research shows that consumers choose leading retailers, especially in times of uncertainty. Nearly a third of consumers made their last purchases from CVS for pharmacy goods (32 percent) and from Walmart for groceries (31 percent) and general retail products (30 percent). Consumers' affinity for these brands stems from their familiarity and repeat shopping experiences with them, leading to a sense of certainty that fosters trust. These retailers

FIGURE 5:

Most recent purchases by made by consumers
Last grocery, pharmacy or retail purchase made at select mass merchant stores



will have a powerful advantage in rekindling in-store consumer engagement when digital tools are used to enhance on-premises shopping experiences. This is not to say that smaller retailers cannot benefit from consumer interest in certain, frictionless and digitally enabled experiences.

Our research shows that consumers who shopped in stores did so because they wanted to personally inspect goods (67 percent) or verify store selection (57 percent) and product quality (54 percent). Merchants can leverage consumers' need to shop in person for certain items to increase engagement by removing the negative components of the in-store shopping experience, such as inventory uncertainty or long waits at checkout. Digital tools like merchant-specific apps provide opportunities for consumers to engage with merchants and simulate their online experiences in-store, while merchants gain valuable consumer data along with the opportunity to use consumer shopping preferences to make in-store shopping easier. Merchants might use in-store apps to automatically supply coupons when consumers are in store or pre-populate shopping lists for streamlined product pickup.

MILLENNIALS ARE NOT WAITING FOR RETAILERS TO CHANGE:

They are using new retail experiences today.

Millennials are the most likely generation to show an interest in newer retailer experiences. They represent the first digital-native generation yet are also most likely to be parents of younger children, prizing shopping options that minimize or eliminate trips to the store altogether. Millennials and bridge millennials lead in interest in subscription and automatic refill services (35 percent), with millennials leading in purchasing groceries online directly from the manufacturer (35 percent) and using online delivery services such as Instacart (41 percent). Our research shows that convenience and safety are key motivating factors for consumers who choose digital channels.

MILLENNIALS

lead all other demographics in purchasing directly from the manufacturer.

TABLE 2:

Consumers most likely to choose newer digital retail shopping methods
Share of consumers who are very or extremely interested in select shopping methods, by generation

	Online pickup/ delivery service	Auto-refill/ subscription service	Direct from manufacturer	
			Nongrocery	Grocery
AVERAGE	**21.0%**	**20.3%**	**24.5%**	**19.0%**
Generation Z 24 or younger	31.0%	28.7%	36.1%	24.7%
Millennials 25 to 40	40.6%	32.7%	36.5%	34.6%
Bridge millennials 33 to 43	40.1%	32.7%	38.0%	32.9%
Generation X 41 to 56	15.9%	17.3%	20.8%	14.5%
Baby boomers and seniors 57 or older	6.7%	10.5%	14.8%	8.7%

Source: PYMNTS.com

CONSUMERS EXPECT STORES TO UP THEIR DIGITAL GAMES:

They now need to be more like eCommerce and less like a physical store.

Consumers are shopping in stores and will continue to do so, but their definitions of what constitutes a positive customer experience have changed since the pandemic began. Consumers are now listing shopping features that were once exclusively digital shopping components as priorities for in-store consumer experiences. That means stores capable of duplicating the best aspects of eCommerce in physical stores have the greatest chance of recapturing the digital consumer.

TABLE 3:

Factors consumers regard as important to in-store shopping experience

Very or extremely important factors for physical store shopping

FACTORS	Most important	Generally important	Total
• Inventory checks	8.4%	29.9%	38.2%
• Product review	7.0%	29.4%	36.4%
• Consumer review	7.7%	28.6%	36.3%
• Instant redeem scan code	5.4%	25.8%	31.3%
• Recommendation	6.2%	22.5%	28.7%
• Engage via own devices	6.7%	22.0%	28.6%
• Saved preferences	4.5%	23.5%	28.0%
• Engage via website/social media	8.8%	18.0%	26.8%
• Merchant-specific app	2.9%	23.4%	26.3%
• Buy online, pickup in store	2.9%	22.4%	25.4%
• Engage via devices in store	3.2%	19.7%	22.8%
• New formats	3.6%	18.6%	22.2%

Source: PYMNTS.com

ONLINE FEATURES

Consumers cited digital-first features like inventory checks and customer reviews as important to their in-store experiences.

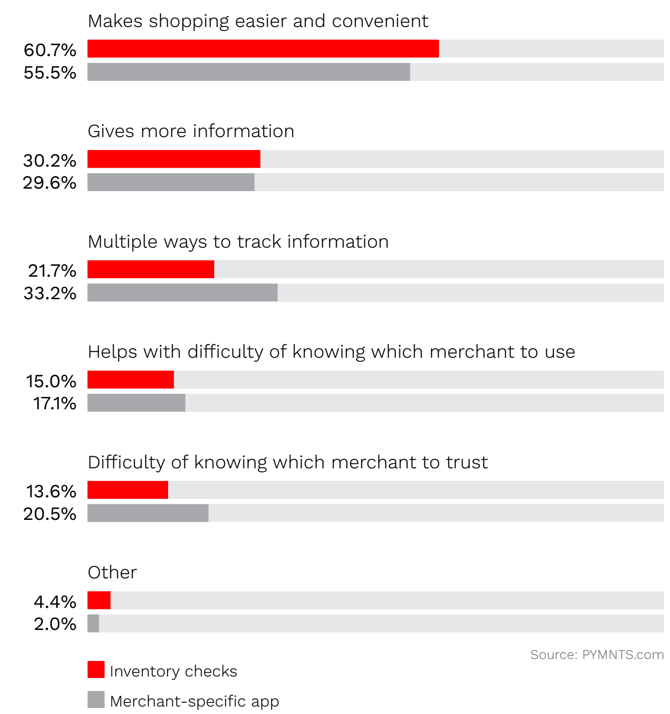
THE ROADMAP TO ENGAGING CONSUMERS IS HIDING IN PLAIN SIGHT:

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

Our research revealed that continued consumer interest in digital retail channels was born out of a desire for better shopping experiences, not a wholesale rejection of retailers or in-store interactions. Digital shifters have been driven by convenience and concern for the safety and cleanliness of stores. Consumers cite merchant-specific apps and inventory checks as two features that make shopping easier and more convenient. Pharmacy, grocery and general retail shoppers all cite cleanliness and safety as top factors that have become more important since the start of the pandemic. Retailers seeking to reengage digital shifters can begin by leveraging digital tools to remove friction from the in-store shopping experience while connecting with new audiences online. More than 60 percent of consumers who saw the ability to check in-store inventory as important stated that it made shopping easier and more convenient, and 56 percent of those who valued merchant-specific apps said the same.

FIGURE 6:

Reasons consumers considered important
Reasons why inventory checks and merchant-specific apps are considered important to consumers, by share



Source: PYMNTS.com

Retailers seeking to **reengage digital shifters** can begin by leveraging digital tools to remove friction from the in-store shopping experience.

CONCLUSION

Premium digital experiences transformed customer expectations for their interactions with all retailers, yet it is not just the "Amazon effect" that has upended customer expectations. The pandemic made digital channels relevant to new audiences, allowing customers to experience the practical innovations that the "bring it to me" economy provides. Those shifting to digital shopping for the first time were able to experience their favorite brands and products from familiar local stores in new ways that allowed them to skip the traditional checkout line. That meant limited checkout friction, easy access to consumer reviews of products and detailed product information at their fingertips. Retailers should know that today's consumers want their in-store shopping trips to be more like their online shopping experiences. Consumers' affinity for frictionless shopping is here to stay.

METHODOLOGY

PYMNTS surveyed more than 2,000 U.S. consumers between March 8 and March 14, 2021, regarding their past, current and planned shopping behaviors at grocery stores, pharmacies and other general retail stores, both online and in-store. The statistics for our complete census-balanced sample have a maximum margin of error of 2.2 percentage points for a 95 percent confidence level.

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ABOUT

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

TOSHIBA

Toshiba Global Commerce Solutions is a global market share leader in retail store technology and retail's first choice for unified commerce solutions. Together with a global team of dedicated business partners, we advance the future of retail with innovative commerce solutions that enhance customer engagement, transform the in-store experience, and accelerate digital transformation. To learn more, visit commerce.toshiba.com and engage with us on Twitter, LinkedIn, Facebook and YouTube.

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