NOVEMBER 2022

THE NEW WORLD OF CONSUMER BEHAVIOR: RETAIL 2022-2023

WHAT TODAY'S SHOPPERS WANT FROM THE RETAIL EXPERIENCE

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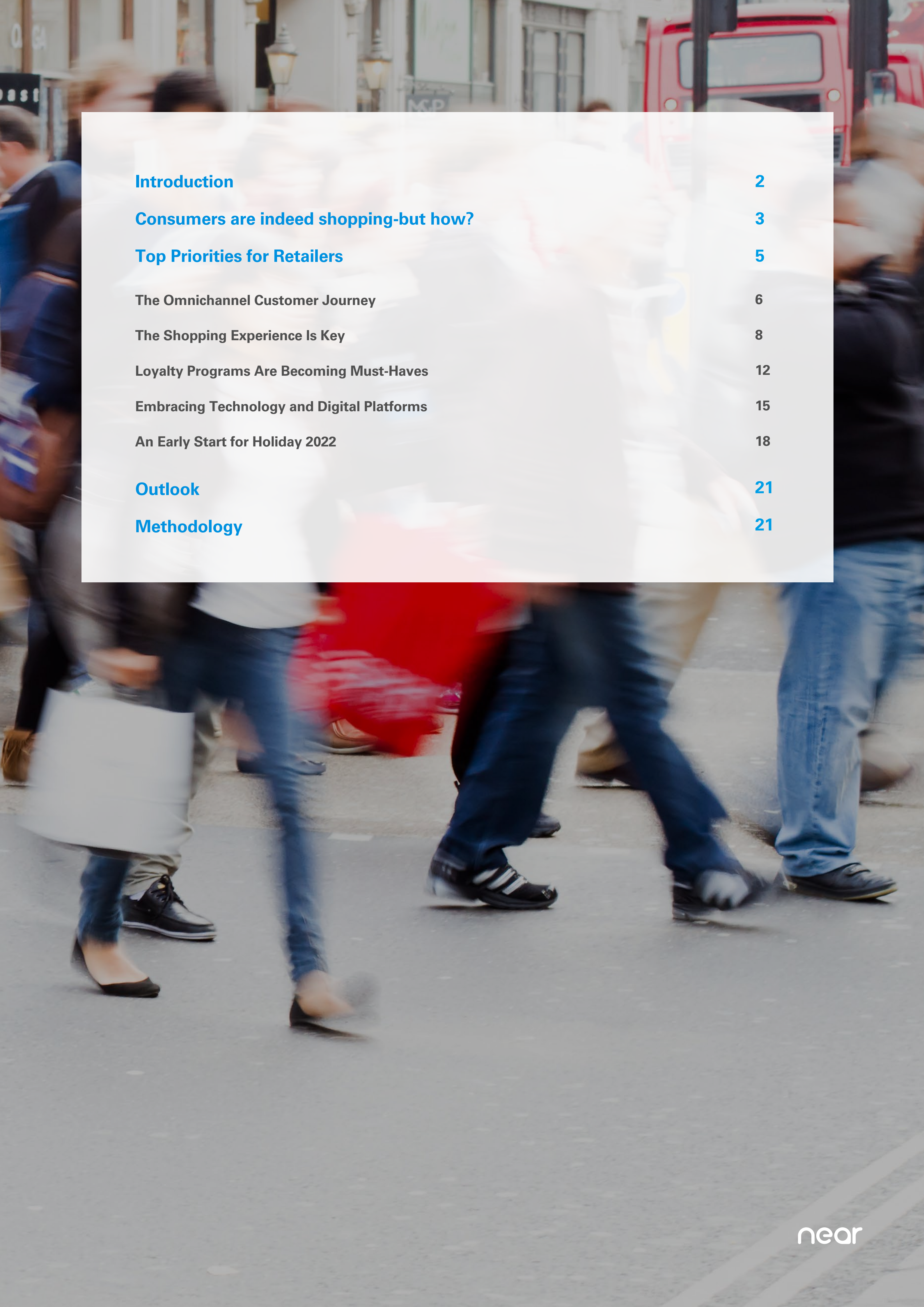


Introduction

Change has been the name of the game for retailers.

This isn't simply due to the Covid-19 pandemic, or any other one single factor in the past couple of years. Consumers are responding to an uncertain economy, shifting cultural trends, advances in technology, and even logistical hurdles such as supply chain constraints and rising gas prices.

All of these factors combined are creating a new world of consumer behavior in every dimension possible-in how they work, travel, dine. Most importantly to retailers, this also includes what products they want, and also how they will shop for them.

These changes are likely to accelerate, and responding to them can seem daunting, and yet, the onus is on retailers. Although shopping is a necessity in modern society, we're also in an era where consumers have more choice over where and how they shop than ever before. Competition is fierce, and retailers must be ready to adapt and evolve to stay ahead.

Of course, the question is, how? How should retailers respond to this new world of consumer behavior? What products do today's shoppers actually want? Will people shop this upcoming holiday season? How can retailers keep up with the myriad of channels shoppers have at their disposal?

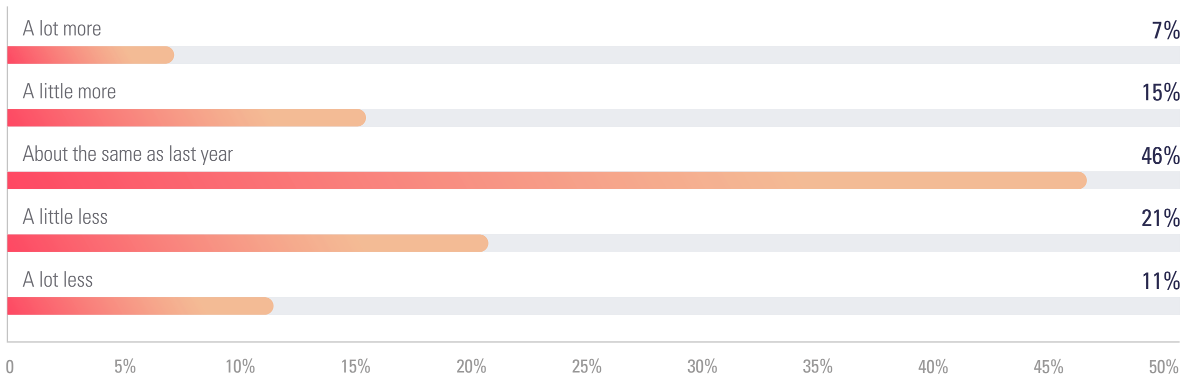
In this report, we survey consumers about their shopping habits, the products they want, and their shopping plans for the 2022 holiday season. We also combine that with human movement data-location data gathered from opted-in mobile phones– to get a unique glimpse into people's shopping patterns both at a macro level, but also for specific regions, geographies, and age groups. This includes identifying who today's shoppers are, where they shop, how far they're willing to travel, and how long they stay in-store.

Consumers are indeed shopping-but how?

The good news and challenging news for retailers

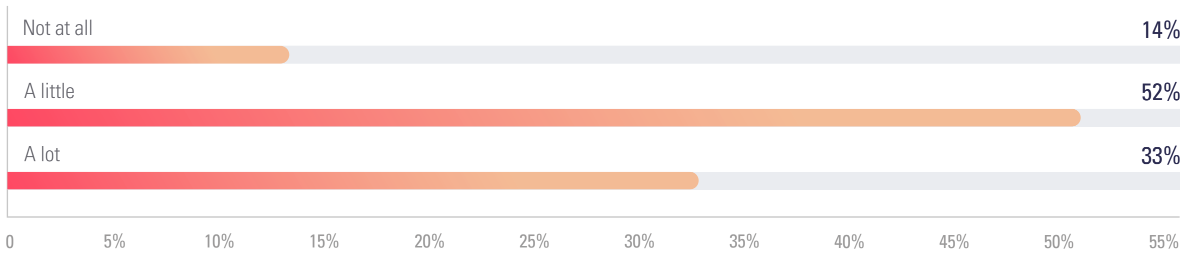
The good news first. Consumers want to shop, and as they look towards the 2022 holiday season, they have no plans to hold back, even when compared to 2021. In fact, more than 75% of shoppers reported that they plan to spend at least the same amount in 2022 as they did in 2021, with 30% saying they plan to spend even more.

How much do you plan to spend this holiday season?



This is despite consumer fears about the economy, including recession, inflation, and other post-pandemic jitters. Only 14% of shoppers said that the state of the economy doesn't concern them or affect their shopping plans.

How much is the state of the economy affecting you?



It's clear that despite any external concerns, consumers really do want to shop. What's not clear is how.

Or rather, the challenge is that there is no longer any single defined way to shop.

Other industries, such as the restaurant industry, encountered this challenge for the first time during the pandemic due to the rise of online ordering and technology solutions for all modes of dining-indoor, takeout and delivery. Comparatively, retailers have had to adapt to online ordering for more than a decade. Online shopping is not new.

Generational subtleties:

Older shoppers (age > 60) do plan on cutting back a little more this year (24% plan on spending "a little less" or "a lot less") when compared to the average. On the other hand, only 17% of younger shoppers (age 18-29) plan on cutting back.

Interestingly, it is also older shoppers who are the least concerned about the economy, with 26% stating that the economy concerns them "not at all."

What is new is that people are increasingly mixing and matching modes of various shopping channels. Some shoppers research products online, but then buy them in stores. Some do the opposite. For some shoppers, their purchasing path depends entirely on the type of product. This alone expands the number of options shoppers have, but also doesn't account for a host of other factors. Today's shoppers are also influenced by:

How the product gets into their hands.

Do they order online and have the product shipped to them, or do they order online but pick up the product themselves in-store?

Retailer tactics and advertisements.

Do stores offer in-store coupons or email discounts for online-only flash sales? Have they started loyalty programs or subscription services?

Macroeconomic and technology trends.

Increasing economic uncertainty has led to shoppers who are more price sensitive and keen to review and try products first, but also more on the hunt for deals or alternative purchasing options, such as buy-now-pay-later (BNPL). In fact, 22% of shoppers reported using BNPL options to offset economic worries and jump on good deals and products.

What's clear is that there is no one single path for shoppers, whether they're buying necessities like toiletries, or luxury items like jewelry. There is simply no one way to buy a product. There aren't ten ways. Today, there are infinite ways.

This will be the biggest challenge for retailers this holiday season and in the years to come. How can retailers meet their customers' desires, when those desires can take an unlimited number of different forms? And how can they do this repeatedly?

More than ever, retailers must be ready to provide diverse shopping experiences and tailor to what their many customers want. To do that, retailers will have to build deep relationships with their customers and know who they are, what products they want, and critically for today, how they want to shop.

This is a tough task, but retailers who adapt now to be more flexible, customer-centric, and data-driven, are the ones best positioned to succeed in the years to come.

Top Priorities for Retailers

Consumer shopping trends to watch

The top retailers of today have weathered the ups and downs of the past few years by creating a cohesive shopping experience that caters to how their customers want to shop. This includes both physical and digital touchpoints, from getting customers excited about a product, to getting them in the door, to becoming a loyal repeat customer.

The most successful retailers of tomorrow will have to go even further and use data—both their own and third-party data–to build rich customer relationships that are stronger than the ever-changing consumer behavior. This is true for every retailer, from big box retailers to small businesses, department stores to luxury brands.

In the rest of this report, we use survey results and human movement data to discuss five shopping trends and show how retailers can use this data and knowledge to build richer, stronger customer experiences.

The Omnichannel Customer Journey

Today's shoppers are incredibly diverse, shopping across multiple channels to discover and purchase the products they want. Online shopping, however, is the clear winner and arguably the most important channel in the shopping experience.

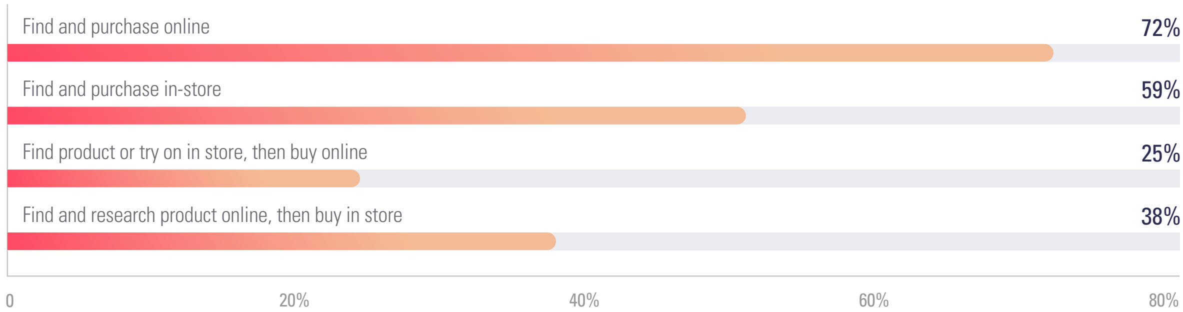
In fact, 88% of shoppers reported that the internet played some role in the shopping experience, with the remaining 12% shopping exclusively in stores.

This doesn't diminish the role of in-store retail, though. Only 19% of shoppers ignored brick-and-mortar stores, opting to exclusively shop for products online.

What remains is the vast majority of shoppers (69%) who combine the two channels in a myriad of different ways, and often not in a consistent manner. Although nearly 70% of shoppers find and shop for products online, 60% of shoppers also find and shop for products in stores. There is a clear overlap between the two.

This overlap also extends to finding products in one channel, but purchasing them in another, and sometimes doing both.

When shopping for a product, how do you approach the shopping experience? (Select all that apply)



It's clear that the majority of shoppers are keen on seamlessly going between online and in-store channels to discover products and make purchasing decisions. As a result, retailers can no longer expect shoppers to follow any one path, such as finding a product online but then hoping they come in-store to make the purchase. Similarly, online-only brands are going to find it difficult to continue attracting customers without any sort of physical presence (whether that's being on retail shelves or simply physical advertising).

Winning Strategies:

Attribution will be a must for retailers. With tightening budgets and stiff competition, retailers must know exactly what touchpoints ultimately brought shoppers to the checkout line, whether physical or digital or both. To accomplish both online and offline attribution, retailers can combine their first-party customer data with third-party location data to build a holistic picture of their customer base. With the right identity resolution tools, retailers can connect their customers' online and offline behaviors together, such as linking OOH ads to in-store footfall or social media ads to online store visits (even without the user clicking on the ad). This helps retailers discover what's most important to their customers, and then repeatedly win them over—whether through advertising, physically seeing a product, discounts, convenience, any combination of them, or more.

Strategies in Action:

Australian office-supplies store Officeworks used attribution powered by human movement data in conjunction with an online advertising campaign, and saw footfall increase by 45% among the exposed audience. During the 2021 holiday season, Officeworks provided an augmented reality experience that allowed families to take photos with Santa and Rudolph from home, and then print them in-store as photos or on top of personalized gifts. Using Near's data, the company determined that visitors who were exposed to the campaign traveled on average between 5km-10km more to the store and spent more than 7 minutes more compared to other visitors during the holiday season. Read how they did it.

Officeworks locations across Sydney saw visitors surge towards the holiday season.

The Shopping Experience is Key

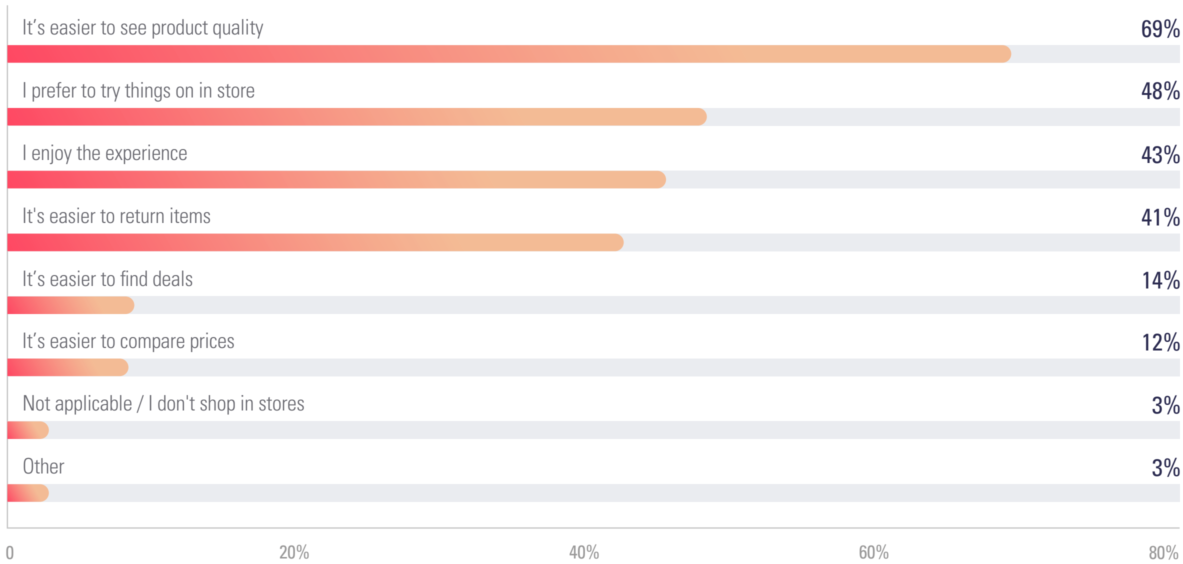
Although consumers are interested in continuing to shop, there are some obvious deterrents specifically around the shopping experience itself, both in-store and online.

When shopping in stores, many shoppers report being weary of crowds, stressful shopping experiences, and not being able to find what they want. The actual travel time to a store also weighs on shoppers' minds.

Regardless, many shoppers still make the trip to the store, largely to see a product in person and evaluate its quality, to try it on, or because it's easier to return items.

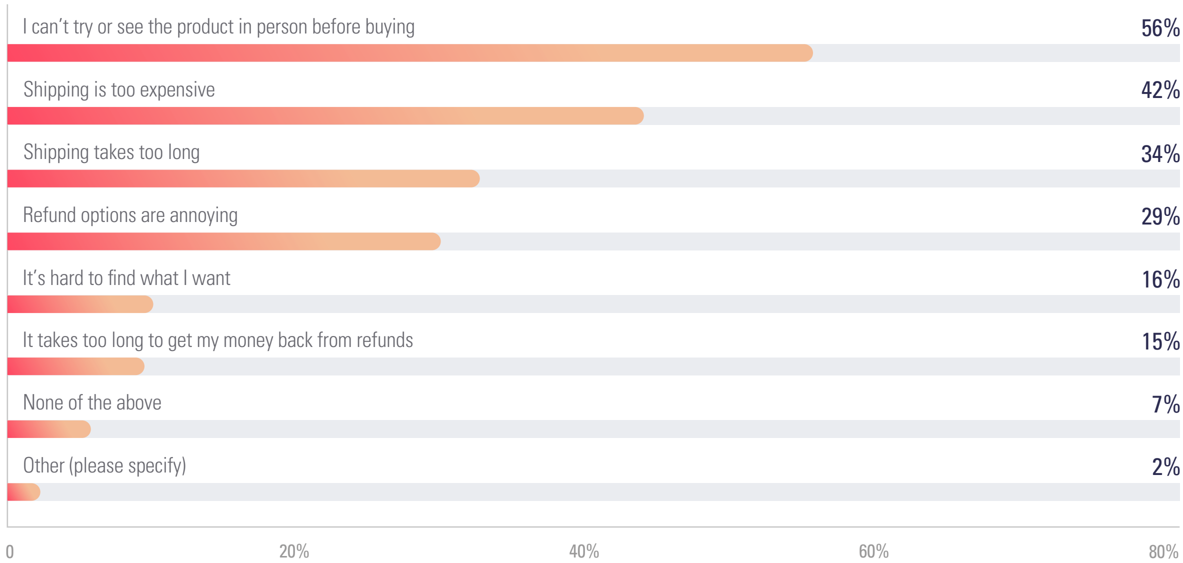
Additionally, 43% of shoppers said they're motivated to go into a store because they simply enjoy the shopping experience. This presents a huge opportunity for retailers to differentiate themselves from the competition and draw footfall to their stores, simply by focusing on elevating the in-store experience and alleviating the previously-mentioned deterrents.

What motivates you to shop in stores? (Select all that apply)



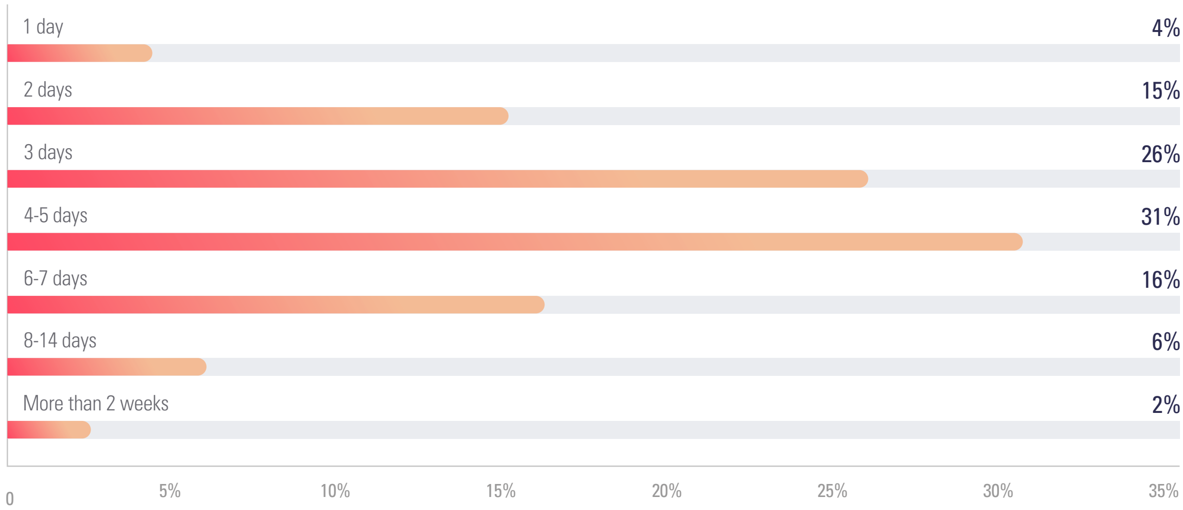
Many of these trade-offs come as no surprise to retailers. The very benefits to in-store shopping are some of the same weaknesses of online shopping, such as being unable to actually see or try the product, frustrating refund options and processes, or because of shipping times.

What deters you from shopping online? (Select all that apply)



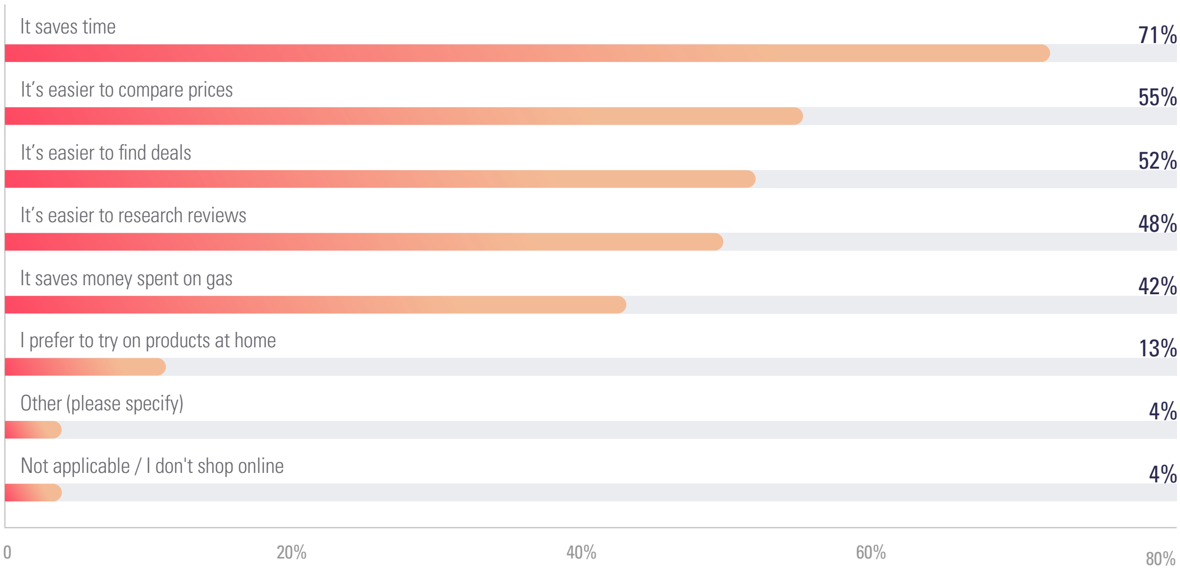
When shopping online, most shoppers expect their products to arrive within 4-5 days (31%), while 26% of shoppers expect delivery within 3 days.

When online shopping, how long do you expect shipping to take?



Retailers have long used these deterrents as proof that online shopping could never contend with in-store shopping. In some ways, this has shown to be true, but in other ways, we have begun to see the limits of in-store shopping and the benefits of online. Specifically, shoppers responded that the biggest benefit of online shopping is that it saves time. Also important, is that shoppers are able to research many products simultaneously, read and compare reviews, and find good deals.

What motivates you to shop online? (Select all that apply)



The pros and cons of each shopping experience are unlikely to change, and smart retailers will focus on using and improving both, leaning into each channel's strength and allowing the shopper to pick and choose based on their needs.

What about Covid-19?

With the exception of the move to online shopping, most shoppers report making only slight adjustments for Covid-19 when shopping in stores. About 40% of shoppers either use hand sanitizer, wear a mask, or do their shopping online as a result. 35% of shoppers plan for shorter in-store trips as well.

Generational Subtleties:

Shoppers in both the 45-60 and 60+ groups reported fewer deterrents to all kinds of shopping–both in-store and online. For example, only 34% of adults 60+ found shopping in stores stressful, compared to 57% of adults 18-29.

They also reported making fewer adjustments due to Covid-19. In fact, 22% of respondents in that age group reported making no adjustments at all due to Covid-19, compared to 16% for the average.

Winning Strategies:

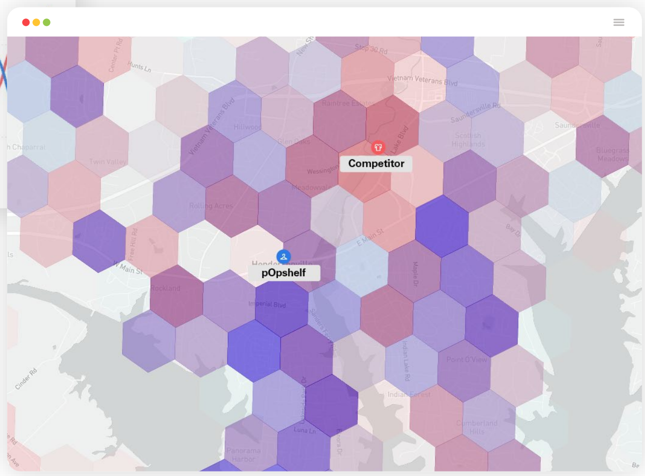
One of the most important components of the shopping experience is the location of the physical store itself. This goes beyond simply choosing popular trade areas with high foot traffic and plenty of parking; strategic site selection requires retailers to open stores in locations that reflect their understanding of their customers and their priorities. Once again, data here is critical, as retailers can use data to understand a trade area's demographics, its traffic patterns, proximity to stores with similar customer bases, competitive locations, and more. Location data can even help retailers discover precisely which parts of a trade area are most desirable to their customers.

Strategies in Action:

In the middle of the Covid-19 pandemic in the fall of 2020, American discount-store chain Dollar General seized an unlikely opportunity. They actually opened a brand new retail chain called pOpshelf. The new chain targeted wealthier shoppers in suburban markets, offering home goods, decor, crafts, and more around a $5 price point. Importantly, they saw an underserved market that desired a pleasant, fun, in-store shopping experience designed around finding bargains for the home. Shoppers have responded, calling it "fancy," "cute," and liken visiting pOpshelf to being on a "treasure hunt," delighting in discovering quality products at bargain prices. pOpshelf's success is built on leaning into all the motivations shoppers have in wanting to shop in stores. pOpshelf rotates its merchandise to fit seasonal themes, encouraging shoppers to regularly visit and see and touch the products for themselves. It's an experience that can't be replicated online.

This success has led Dollar General to announce that they will open 1,000 new stores by the end of 2025. In their initial roll out and expansion, they have carefully chosen pOpshelf locations in wealthier suburbs. In this Nashville suburb of Hendersonville, Tennessee, which has a median household income of roughly $75,000, we can see how one of the first pOpshelf stores entered, and ultimately started to overtake a nearby competitor's store.

The store opened in October 2020, and only a year later, pOpshelf was already often seeing more footfall than the nearby competitor.

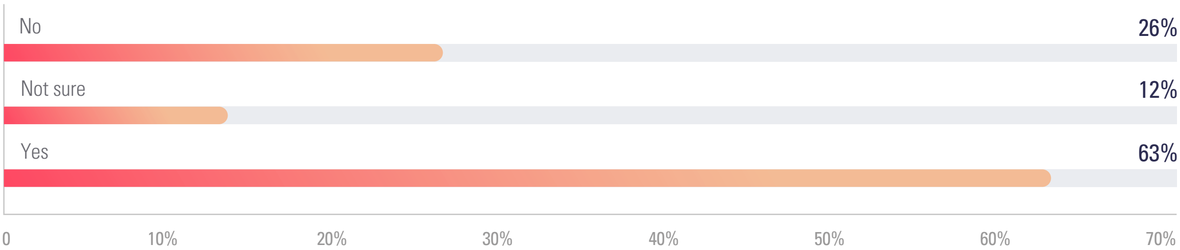


Loyalty Programs Are Becoming Must-Haves

Retailers have tried different types of loyalty programs for years, such as simple discounts, points, and memberships. Although these programs are not new, they are becoming more important, complex, and increasingly shoppers are saying they base their shopping habits around them.

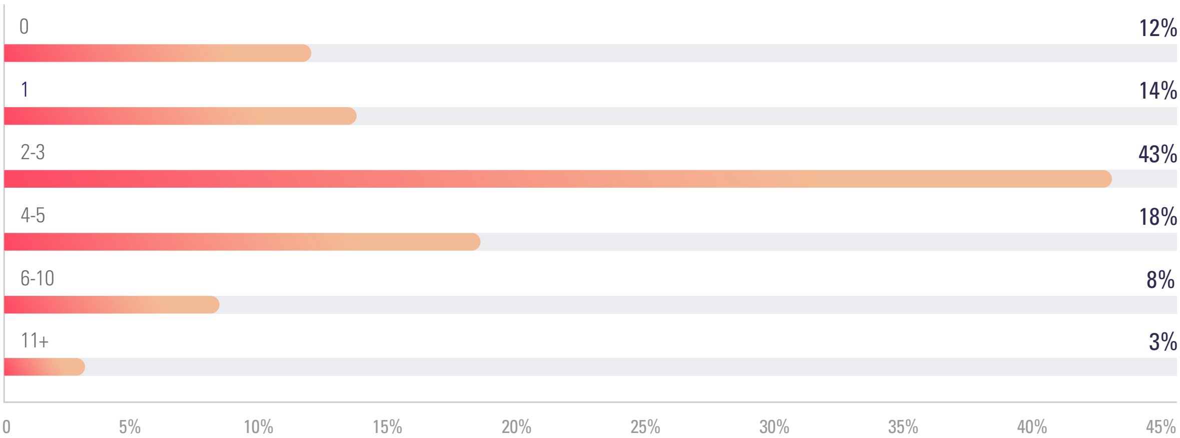
63% of shoppers reported that they visit stores more often when they are a part of that store's loyalty program or credit card.

Do you visit stores more when you're a part of their loyalty program?



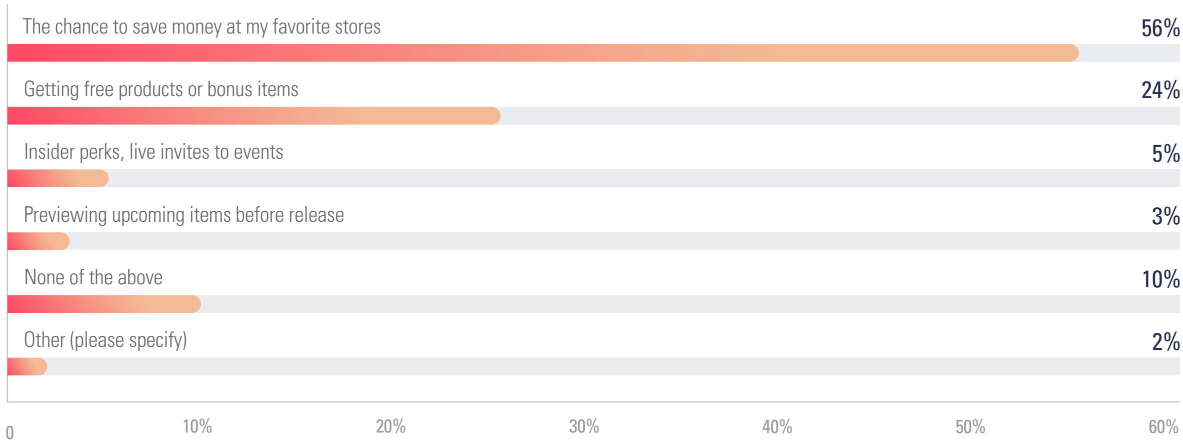
The average shopper is enrolled in 2-3 loyalty programs.

How many loyalty programs are you a part of?



This presents a unique opportunity for retailers to think creatively about how to evolve their loyalty programs. Today's shoppers are deal hunters and looking for ways to save money, but they are also looking to shop at brands that share their values and offer special membership perks. Despite having more consumer choice than ever before, shoppers are also dealing with choice overload, and are looking to find the few brands they enjoy and connect with.

What motivates you to use store loyalty programs?



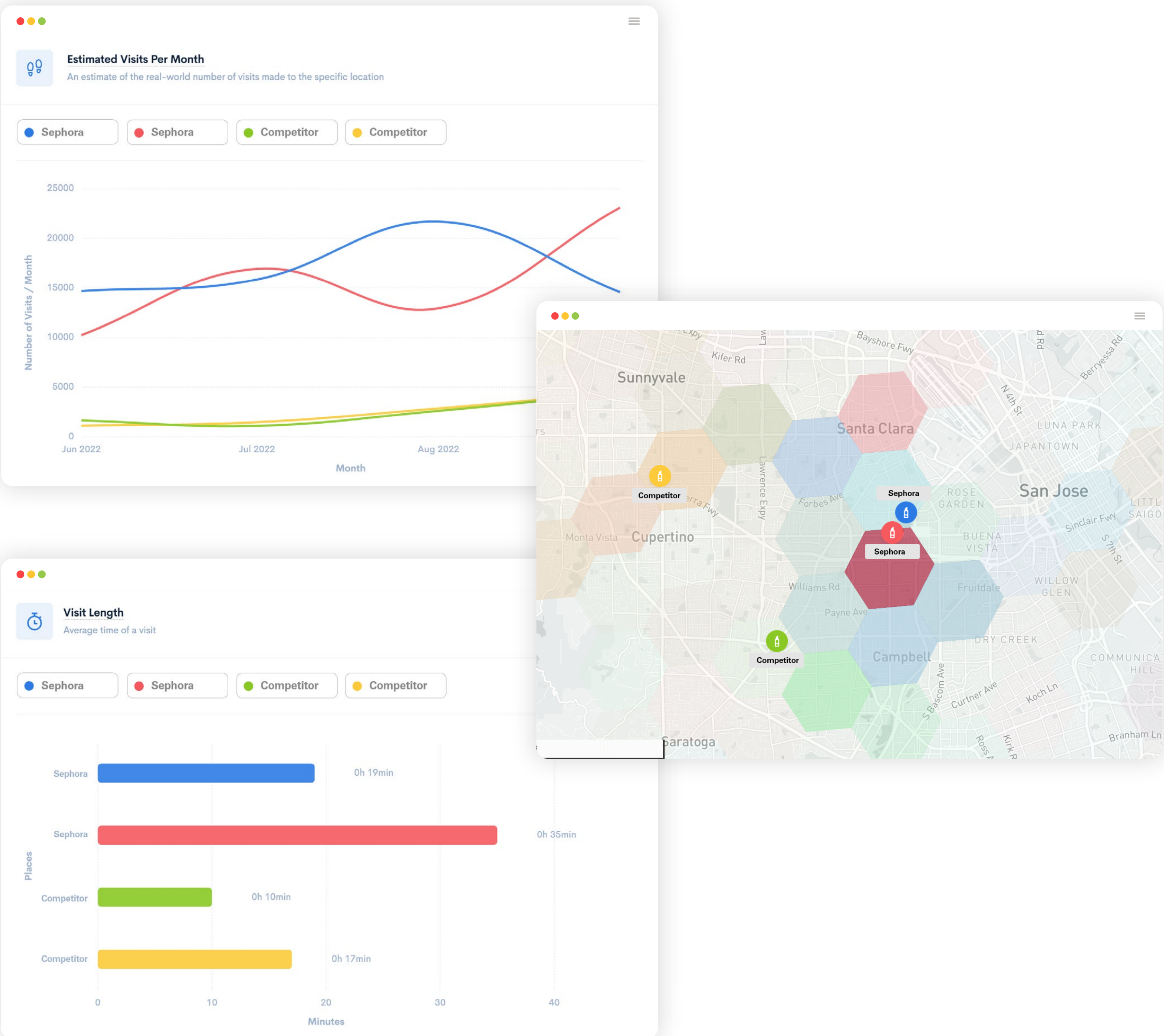
Loyalty programs also present a unique opportunity for retailers to build a natural omnichannel journey. When shoppers register at loyalty programs, retailers don't have to guess what products that shopper wants – they already know. Over time, retailers can use a shopper's purchase history to personalize the shopping experience through offers, rewards, and recommended products. These programs can be particularly effective when combined with other shopping channels (see: Embracing Technology and Digital Platforms).

Winning Strategies:

Cosmetics-store Sephora started its loyalty program more than a decade ago, and continues to update it to reflect the opportunities afforded by modern technology and also the needs of its customer base. This program has many dimensions to it, including free and tiers based on annual purchasing amount, birthday gifts, exclusive access to events, and more. An update to the program in 2020 allowed customers to also redeem loyalty points for discounts or even donate the points to charities.

Strategies in Action:

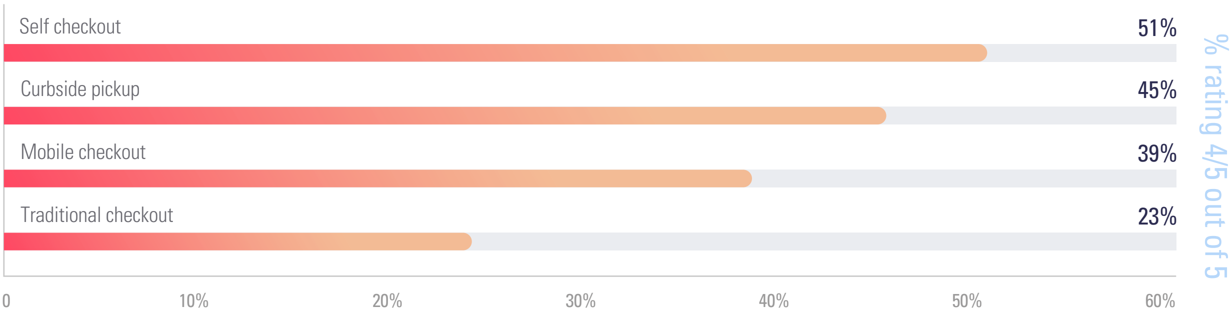
With human movement data, we can see the strength of Sephora's loyalty program as part of a broader push to attract customers and keep them coming back. When comparing Sephora's stores in San Jose, CA with its nearest competitors and the average of similar stores, Sephora edges out the competition in terms of footfall, time spent in store, and distance traveled.



Embracing Technology and Digital Platforms

Unlike consumers at restaurants, which have shown a distaste for technology as part of the indoor dining experience, consumers at in-store retailers have shown a greater fondness for technology advances (and other alternative shopping experiences such as curbside pickup), and retailers would be wise to add even more, both in-store and online. In fact, of the different ways shoppers can checkout or receive their items in-store, the traditional checkout experience is least favored.

% of Shoppers Who Enjoy In-Store Experiences

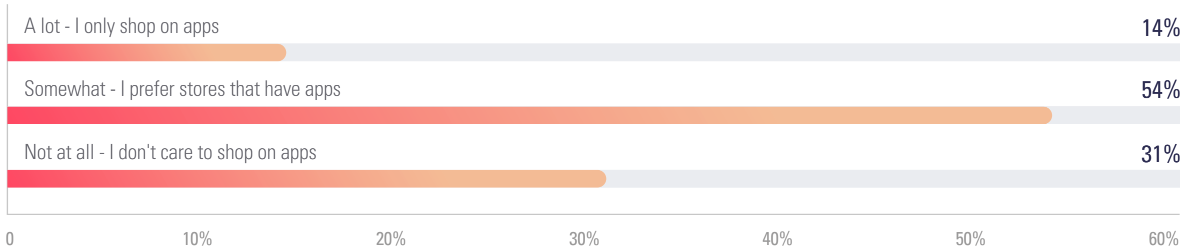


Shoppers rated self-checkout lines the best, and given that it's clear why retailers have adopted them en masse in recent years. Consulting firm RBR expects that in five years 160,000 stores globally will provide some form of self-checkout (whether through dedicated machine or smartphone), compared to 46,000 in 2021, and 36,600 in 2020.

This isn't just due to the pandemic; self-checkout and other alternative methods can help alleviate some of the deterrents to in-store shopping (see: The Shopping Experience is Key).

Another area retailers can continue to innovate is with app offerings. Shoppers report that apps are nice-to-have and not requirements, but that they are very nice to have. Even though 32% of shoppers reported that apps have no bearing on whether they shop at a store, more than 50% of shoppers prefer stores that do have apps. A small number of shoppers (14%) said they only shop at stores that have apps.

How much does a store having an app influence you to shop there?



Some of this is due to how apps can enhance the omni-channel shopping experience. Apps are a convenient way for retailers to add the benefits of online shopping to create a more holistic shopping experience, such as reading reviews, comparing products, or even finding where the product is in-store.

Generational subtleties:

The exception to this trend falls along generational lines. Older shoppers were more likely to strongly disagree with the self-checkout experience being enjoyable (29%, compared to 12% on average). They were even more likely to strongly disagree with mobile checkout being enjoyable (43%, compared to 17% on average) and mobile checkout, and 59% said they don't care at all for apps.

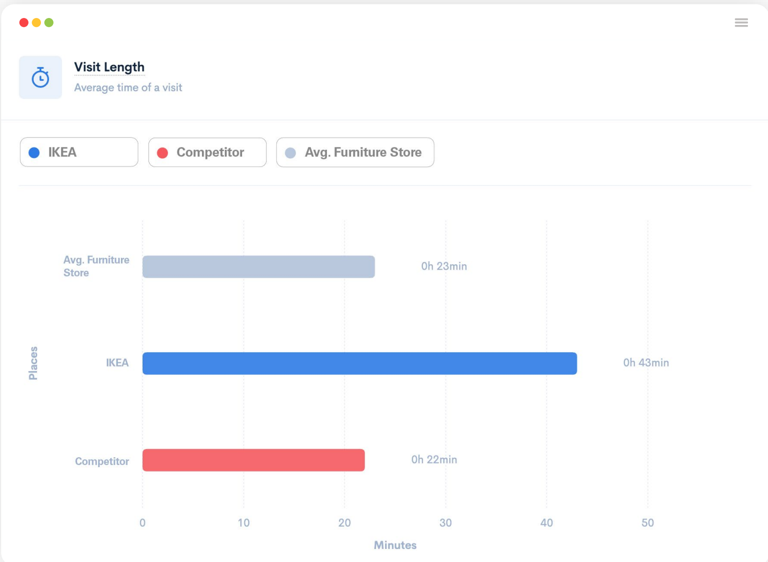
Winning Strategies:

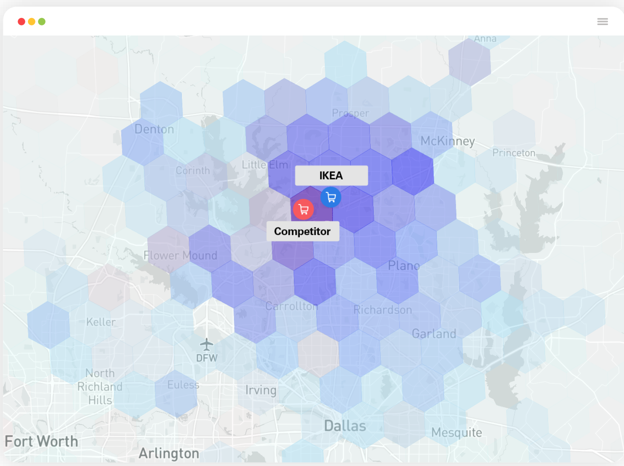
IKEA is a store that has found innovative and creative ways to use technology and digital platforms to not only expand the shopping experience, but also alleviate some of the common deterrents to in-store shopping. Its stores have long been known for their well-staged and imaginative showrooms, and even its meatball-serving restaurant. However, sometimes the experience can also be overwhelming and crowded. In recent years, IKEA has been able to evolve and use the benefits of an online store, digital apps, and alternative shopping methods to improve the experience for in-store shoppers.

Strategies in Action:

With the IKEA Place app, shoppers can visualize a product in their own home. This helps shoppers narrow down all the possibilities and hone in on the products that match their homes. Going to the store then, becomes more about making the final purchase and ensuring it is the actual product shoppers want, rather than about discovery (and wading through crowds to do so). IKEA's online store also allows shoppers to see if the product is even in stock ahead of time, while also providing pick-up and delivery options if necessary.

In this human movement data example of an IKEA in the Dallas, TX area, the IKEA not only gets more than three times the visitors as its nearest competitor, visitors also stay at IKEA twice as long. They also travel to IKEA from the greater Dallas area, passing many other furniture stores on their way.

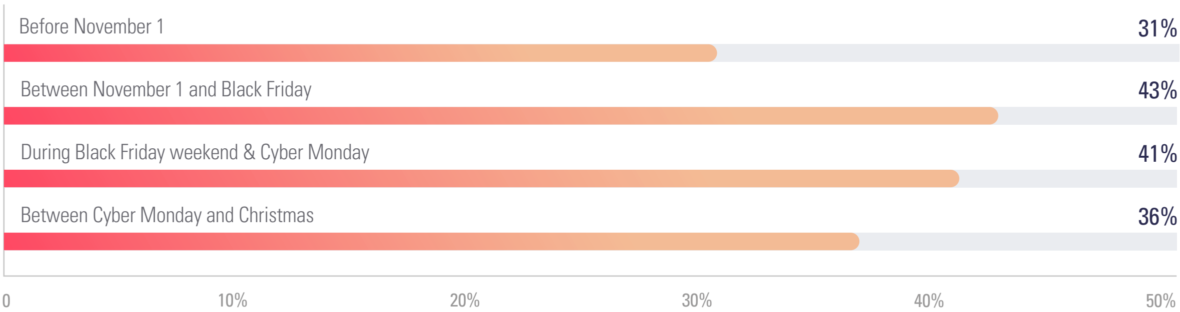




An Early Start for Holiday 2022

Finally, consumers are looking towards the holiday season, and many shoppers want to shop early. As many as 30% of shoppers planned to start shopping before November 1, and 43% planned to start before Black Friday. The two biggest factors are consumers' desire to have more time to find bargain deals, and concern over potential shipping delays.

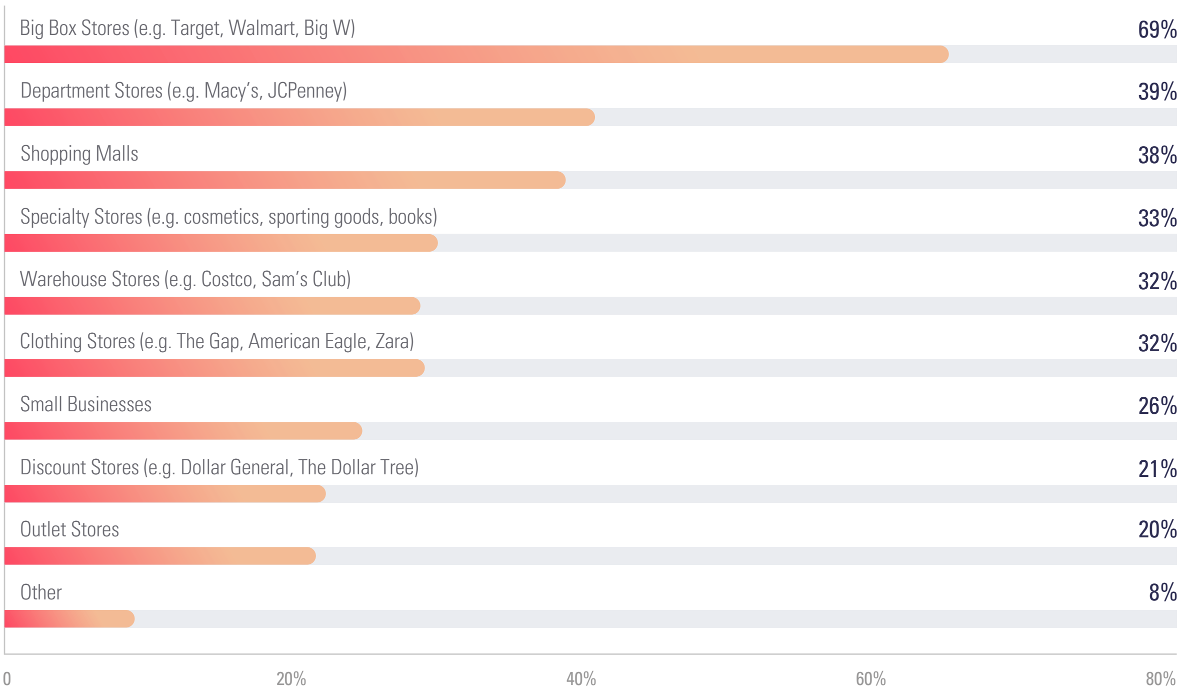
When do you plan to do your holiday shopping this year? (Select all that apply)



Big box stores in particular look to benefit from this year's holiday rush. Almost 70% of shoppers said they plan to do their holiday shopping at big box stores (such as Target, Walmart, Big W, and others). Also near the top for shoppers are warehouse stores (31%), shopping malls (38%), and department stores (39%).

Although shoppers are looking for good deals, only a small percentage of shoppers say they will specifically go to discount stores to do their holiday shopping (20%) or outlet stores (25%).

Where do you plan to do your holiday shopping? (Select all that apply)



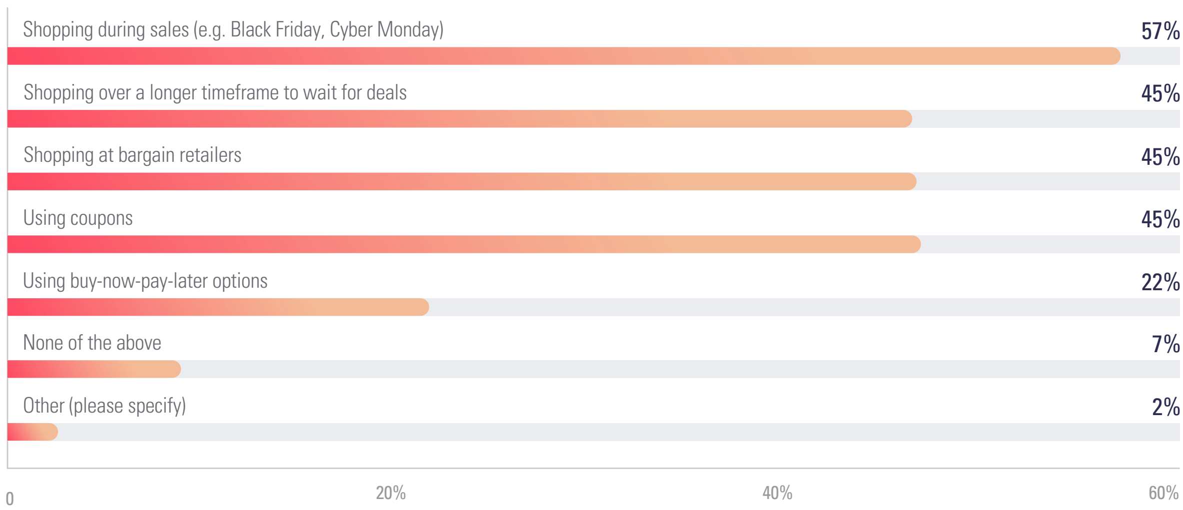
Winning Strategies:

Retailers should already be prepared for shoppers and their holiday plans. Shoppers are looking to get ahead of the game this year, due to global supply chain issues and market uncertainties. They are also deal hunters, looking to find good bargains. This gives retailers a number of ways to entice shoppers to shop today, as shoppers reported taking a multitude of steps to find deals, including using coupons or other discounts (45%), shopping during Black Friday or Cyber Monday (57%), and shopping over a longer time period (45%).

Regional Subtleties

Shoppers in Australia were less concerned with using coupons to find deals (31.8%), compared to the US (55%), due to a relatively greater focus on Black Friday and Cyber Monday shopping in Australia.

What steps are you taking to find deals? (Select all that apply)



In addition to being prepared with good deals, retailers should give customers engaging options for shopping that play to omnichannel shopping styles. Given shoppers' increasing preference for omnichannel shopping, retailers should also be prepared to create a cohesive holiday experience between digital and physical touch points and offer deals and discounts across both channels.

Regional Subtleties

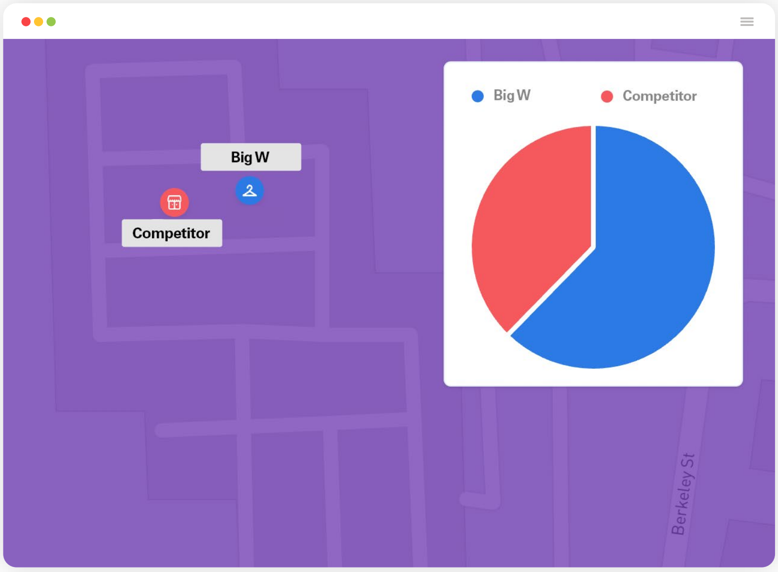
Shoppers in Australia were less concerned with using coupons to find deals (31.8%), compared to the US (55%), due to a relatively greater focus on Black Friday and Cyber Monday shopping in Australia.

Strategies in Action:

Australian big box retailer Big W was looking to promote its full line of toys for the 2021 holidays, including playsets and other large items, but lacked the physical floor space to have all of them on display. Their solution was digital, to develop engaging augmented reality (AR) ads that let viewers interact with the toys – built on the Yahoo Immersive Platform – and promote them to families with children across targeted native, display, social channels, in-store and via Big W's website. With an omnichannel campaign, Big W was able to understand attribution using Near's location data, and found the campaign had a 62% engagement rate and resulted in a 48% uplift in store visits to Big W among those targeted across the country. Read how they did it.

This Big W in Melbourne saw a significant increase in footfall when compared to a major competitor in the same shopping center, capturing a majority of market share in the area.


Estimated Visits Per Month
An estimate of the real-world number of visits made to the specific location
Big W
Competitor
50000
40000
30000
20000
10000
0
Number of Visits / Month
Aug 2021
Sep 2021
Oct 2021
Nov 2021
Dec 2021
Month


Big W
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Outlook

Consumers are ready to spend, but have more ways to spend than ever. There is no longer a single way shoppers purchase the products they want. The most successful retailers are the ones who simply know their customers the best, who build long-lasting relationships and provide cohesive, positive shopping experiences.

They also use online shopping, new shopping channels, and technology to their advantage, creating delightful new experiences for their customers, and being rewarded with increased customer loyalty and revenue as a result.

We can expect consumer behavior to continue to shift. Shopping preferences will change as cultural trends come and go and new technology trends arrive. But what will be a constant, is that shoppers want a cohesive, interconnected experience from brands that share their values and ideals.

The top retailers will see this as a challenge, but even more so as an opportunity. They will use data- both their own and third-party data– to build deeper relationships with their customers and provide them with the quality products they want and the shopping experiences that delight them.

Methodology

Survey conducted August 17-22, 2022 with 634 in the United States and 509 respondents in Australia, Census-weighted by age, gender, income and region.

Near studied pulled human movement data for retail locations across the United States and Australia, looking at specific locations in the Sydney, Melbourne, Dallas, San Jose and Nashville areas for August 1, 2021 – September 30, 2022. Reports used included Near Pinnacle's Estimated Visits, Time Spent, Visitor Home and Work Locations Insights, as well as Near's Geosocial Affinity, Estimated Visitors, and Cross-Visitation Reports.

Near, the world's largest source of intelligence on people, places, and products, is the global leader in data intelligence empowering organizations of all sizes to make smart, strategic decisions delivering optimal business performance. Our platform unites the marketers and operational data leaders by providing the most accurate, reliable source of data. Our transparent, privacy-led approach means you will never doubt our authenticity.

We are determined to provide actionable insights as we work relentlessly to shape, build, and maintain the world's largest source of intelligence on people, places, and products in both the physical and digital space.

Ultimately, our vision is to inspire the world to make better decisions. And, to inspire ourselves to deliver the most trusted, privacy-led source of intelligence on people, places, and products.

Learn more and schedule a demo at www.near.com.