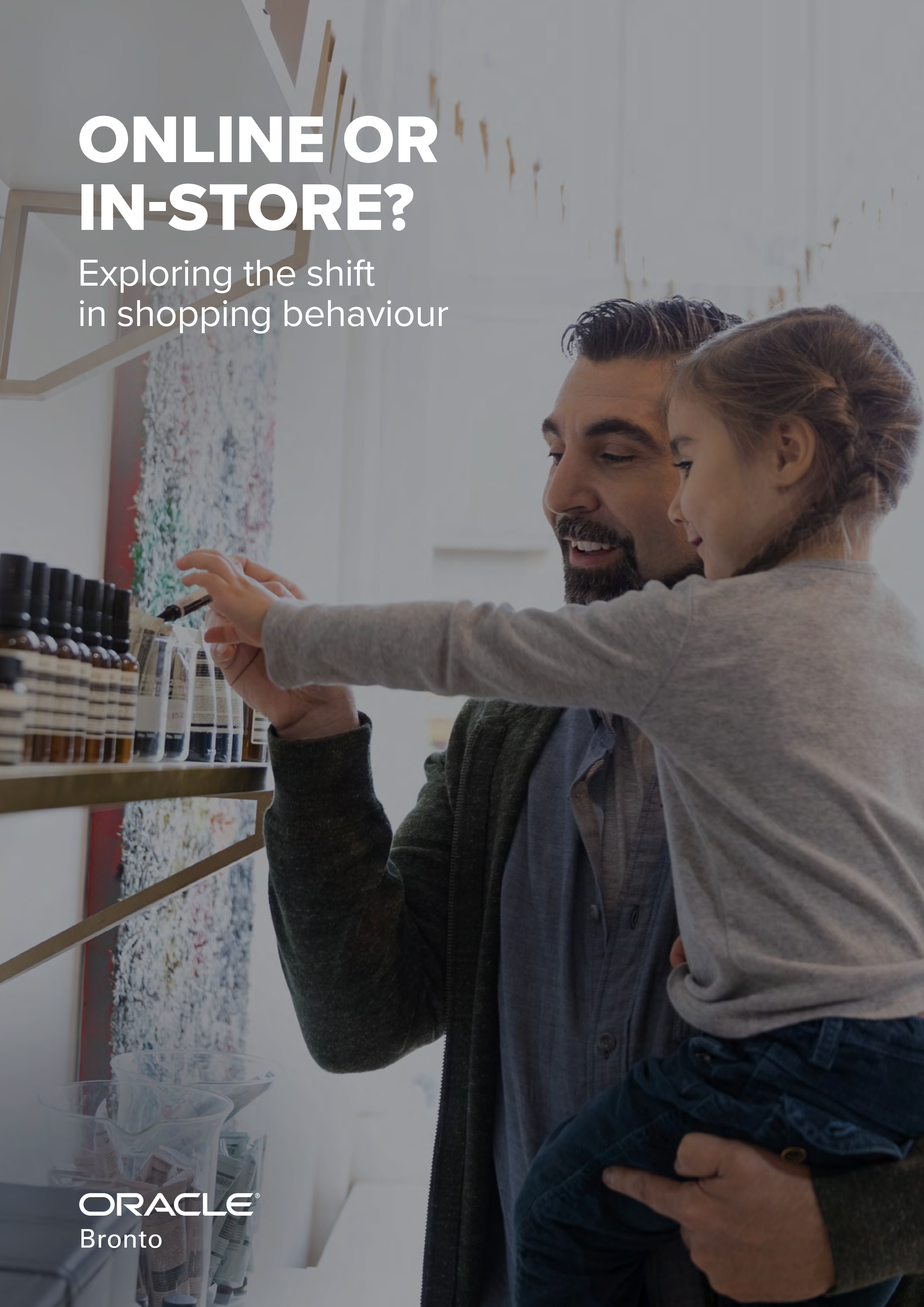
ONLINE OR IN-STORE?

Exploring the shift in shopping behaviour



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Read Time: 5 minutes.

ONLINE OR IN-STORE?

Exploring the Shift in Shopping Behaviour

UK retailers face an increasingly uncertain and competitive market. Where, why and how frequently consumers are shopping are shifting variables. They have also come to expect a much more personalised and consistently relevant shopping experience.

UK consumers are shopping non-traditional channels more than ever before.

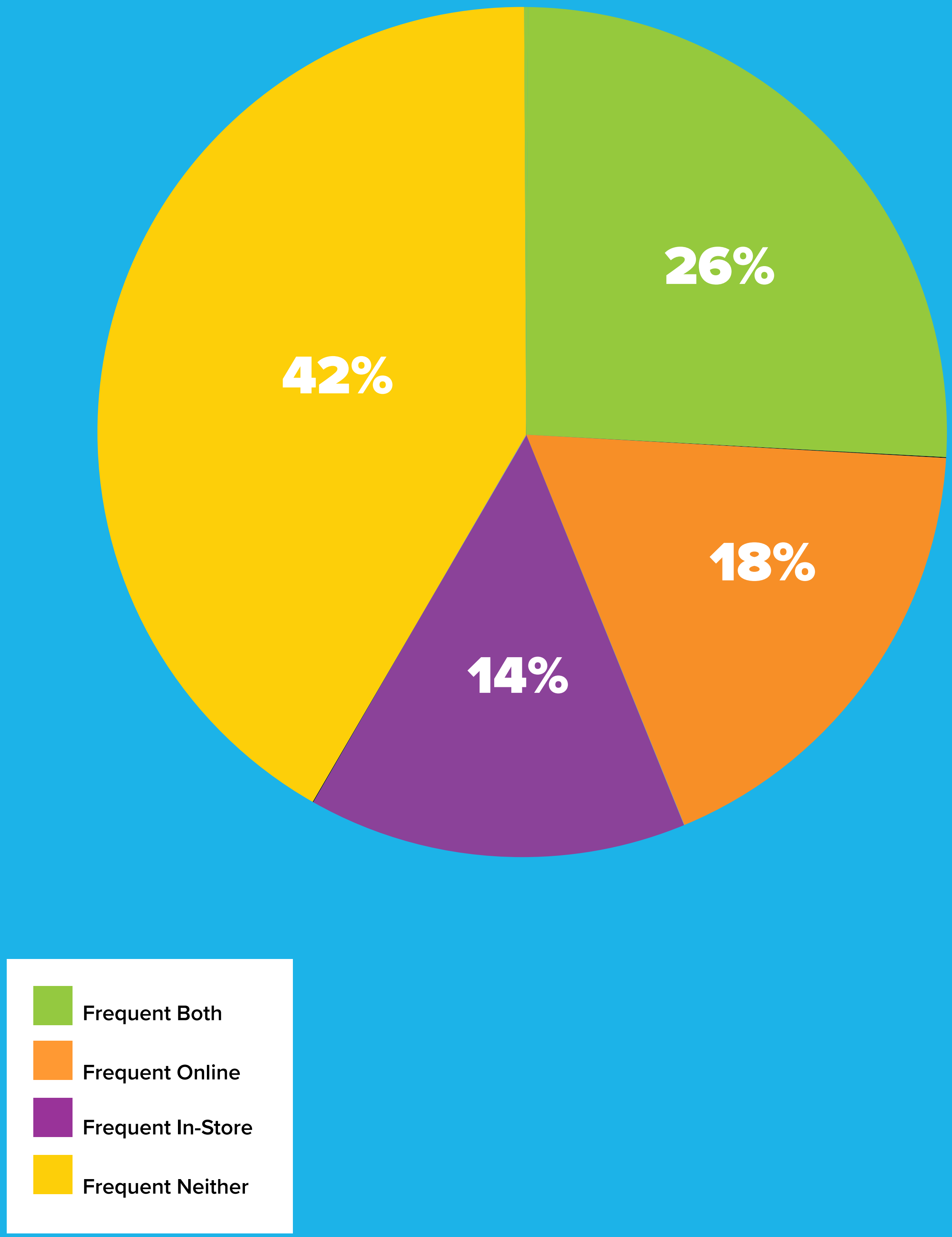
To satisfy those expectations, UK consumers are turning to non-traditional channels to shop more than ever before. But they've also slowed their spending. Why? Potential reasons include: the uncertainty surrounding Brexit, rising living costs, inflation and the slowing of wage growth – all of which contribute to a reduction in disposable income.

Retailers need to think strategically if they are to hit these moving targets and appeal to a consumer who's still shopping, but for different reasons and on different channels.

To learn more about these changing trends in online versus in-store shopping behaviours, we conducted a survey of 1,000 UK consumers. Much of our analysis focuses on three demographics – millennials (ages 18-34), Gen Xers (ages 35-54) and baby boomers (ages 55 and above). We also grouped respondents into mutually exclusive categories based on their shopping frequency:

- **Frequent Both:** Shops online and in-store at least once per week. (Excludes grocery and convenience stores)
- **Frequent Online:** Shops online but not in-store at least once per week.
- **Frequent In-Store:** Shops in-store but not online at least once per week.
- **Frequent Neither:** Shops neither online nor in-store on a weekly basis.

CHANNEL PREFERENCE



HOW UK CONSUMERS PREFER TO SHOP

When we asked respondents about their frequent shopping behaviour, it was evident that consumers in the UK have clear channel preferences. Twenty-six per cent shop both online and in-store on a weekly basis, 18% prefer online and 14% prefer in-store. Forty-two per cent say they don't frequent either channel.

When we looked closer, we also found clear differences in behaviour based on age.

FREQUENCY OF SHOPPING BY AGE

	Millennials	Gen Xers	Baby Boomers
Both	38%	28%	15%
Online	18%	18%	18%
In-Store	10%	13%	18%
Neither	34%	41%	49%

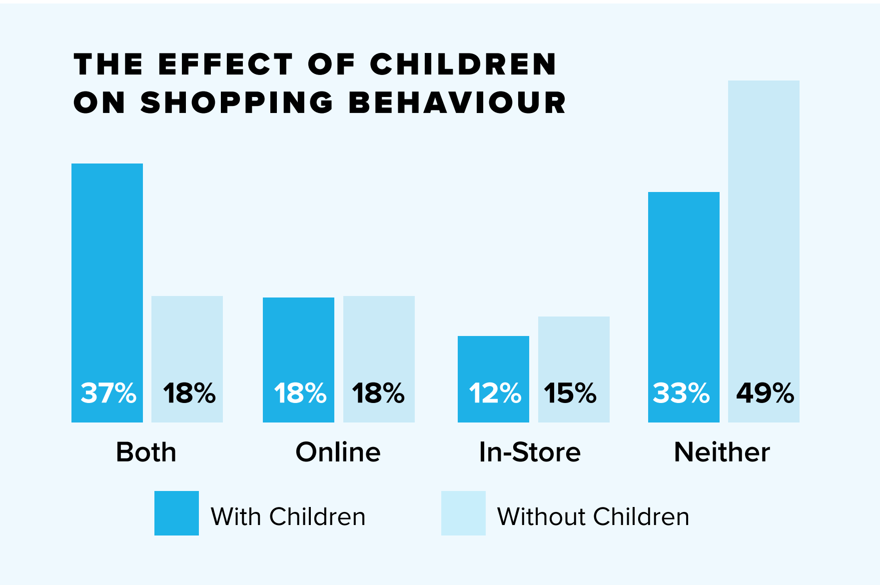
Millennials generally tend to shop more often – 66% are shopping in-store, online or via both channels at least once a week. They also prefer using both channels more than any other group, while baby boomers are more likely to visit a store regularly (18%) than their younger counterparts.

Convenience is an important consideration for consumers, leading many shoppers to go multichannel – moving from one to another to research and make purchases. For example, some prefer to do their research online yet purchase in the store, or they may be introduced to a new product on social media and then follow the product to the brand's website, where they ultimately buy it.

OTHER FACTORS THAT AFFECT SHOPPING BEHAVIOUR

Having children under the age of 18 in the household increases the likelihood that consumers will shop on a weekly basis – 67% of parents say they do so compared to just 51% of those without children.

This group is also more likely to frequent both online and in-store. Thirty-seven per cent of those with children in the home shop both channels each week, while just 18% of those without do so.



OTHER FACTORS THAT AFFECT SHOPPING BEHAVIOUR

The higher the income, the more likely one is to shop frequently and to use both channels weekly. Seventy-three per cent of those in households earning over £75,000 shop every week, far more than any other income group. In addition, over half (52%) of those earners shop both in-store and online on a weekly basis.

The highest earners also tend to trade a visit to the store for an online shopping session – just 5% say they only frequent stores and 16% shop solely online. The same goes for consumers in the second highest bracket. Thirteen per cent shop in-store weekly, while 21% prefer to go online.

The lowest income group (£15,000 and below) says they most frequently shop in-store (22%) or not at all (40%), but 49% of those reporting incomes between £15,000 and £34,999 also responded they don't frequently shop either channel.

Over half of the highest earners shop both in-store and online each week.

CHANNEL PREFERENCE BY INCOME

	<£15,000	£15,000 - £34,999	£35,000 - £74,999	>£75,000
Both	20%	20%	24%	52%
Online	17%	17%	21%	16%
In-Store	22%	14%	13%	5%
Neither	40%	49%	43%	27%

What else might affect shopping frequency for this population? The UK economy is undergoing a combination of negative real income growth, and the number of consumers borrowing credit is on the rise. Thanks to these factors, as well as the anxiety and uncertaintly over Brexit, shopping patterns are shifting, and speculation around the economy remains – for now – uncertain.

IT'S ALL ABOUT MOTIVATION

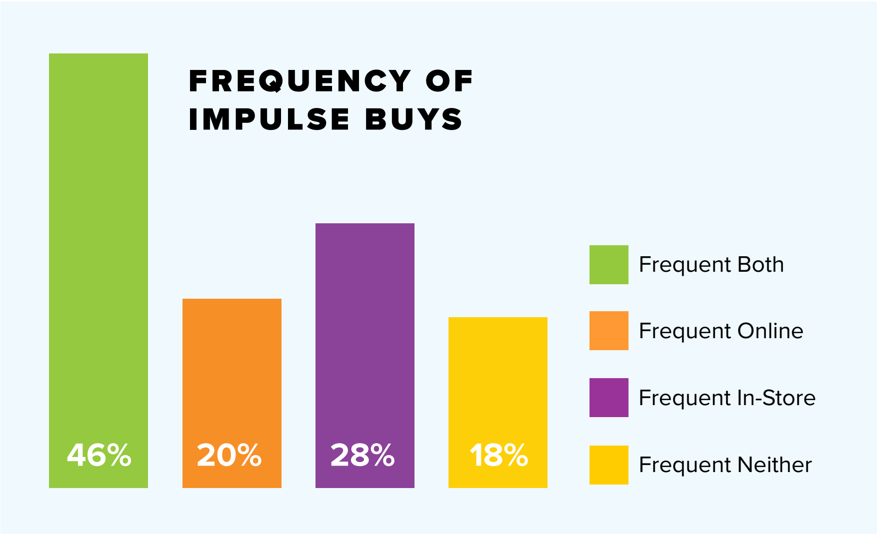
Consumers who frequently shop both channels do so for fun, even if they don't buy anything (35%). Aside from that group, however, most UK respondents are shopping only when there's a perceived need.

Thirty-eight per cent of frequent online shoppers, 48% of frequent in-store shoppers and 63% of those who frequent neither channel responded that they only shop when they need to. Even 20% of consumers who frequent both channels claim they only shop when necessary.

With the factors mentioned earlier, it's no surprise that consumers are cautious about shopping for non-essential items. A clear strategy for retailers is to create motivating factors based on the perception of need surrounding their brand.

One tactic is to implement replenishment campaigns for relevant products. Estimate the buying cycle based on a customer's past purchase behaviour or the average lifecycle of a product, and remind them to restock. Or offer the option of automatic restocking before they have the chance to purchase elsewhere. You might even offer a discount for customers who sign up for that service.

We also wondered how often shoppers make a purchase on the spot, without doing any research in advance. It's no real surprise that those who frequent both channels – and likely enjoy shopping more in general – are most open to making impulse buys, with just under half (46%) reporting that they do so always or most of the time. Frequent in-store shoppers came in second with 28%.



This makes sense: Those visiting the store are more likely converting due to the immediacy of buying in person and the absence of an option to save and purchase later.

THE IMPORTANCE OF TECHNOLOGY

Shoppers who frequently use both channels also use the most devices – an average of 4.07 devices daily. Frequent online shoppers use an average of three devices daily, frequent in-store shoppers use 2.48 and those who frequent neither channel report using 2.35 devices on a daily basis.

The average number of sources shoppers rely on to discover new product information also falls along the digital divide, ranging from 4.4 for shoppers who frequent both channels to 2.73 for shoppers who frequent neither channel.

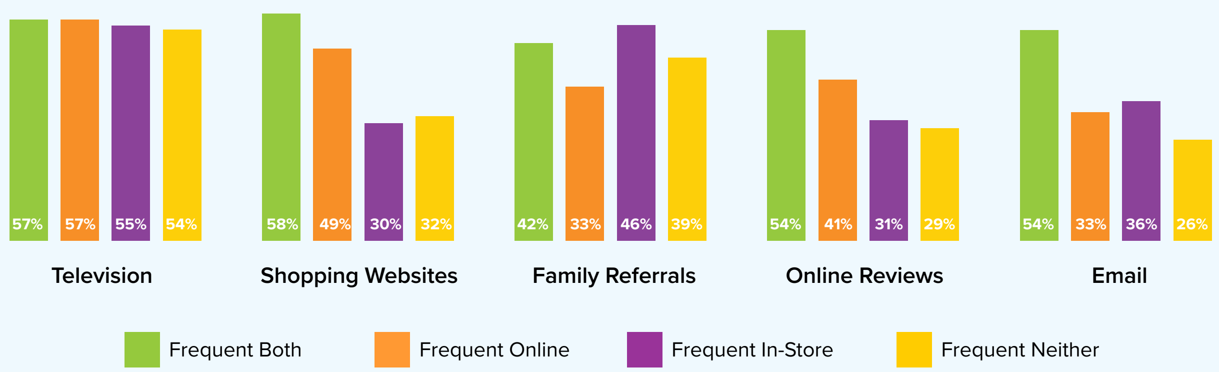
The sources for each group vary greatly as well. Television is still an important medium for all groups. Fifty-seven per cent of shoppers who frequent both channels said they rely on TV to find new products. For those shoppers, TV is almost tied with online shopping websites (58%). For frequent online shoppers, TV ranked first (57%), followed by online shopping websites (49%).

One factor that may contribute to this: UK consumers are spending more time on retail sites after hours at a time when many are also watching television. According to Barclaycard, one in three Brits now spends more money shopping online at night, compared to five years ago. Combine that with the tendency for online shoppers to use more devices daily, and it's no wonder that these groups are more dependent on digital sources for new product info.

Frequent in-store shoppers and shoppers who frequent neither channel, on the other hand, also used TV the most (55% and 54%, respectively), but relied more heavily on referrals from family members (46% and 39%) than other digital sources.

57% of shoppers who frequent both channels rely on TV to find new products.

SOURCES FOR NEW PRODUCT INFORMATION



THE PATH TO SUCCESS

The UK retail market is changing. External factors are curtailing spending and making shoppers re-evaluate how they part with their discretionary income. Retailers need to meet this current decline in consumer spending with strategic, multichannel marketing strategies and need-based marketing plans.

To navigate this difficult period, you must better understand which channels your customers frequent, how they use technology to shop and the factors you can influence to help increase conversions – all while providing the most convenient shopping experience possible, whether that be in-store, online or a combination of the two.

That also means turning to technology solutions that help personalise marketing messages and intelligently engage customers, helping them see the value in your brand and your products, all while nudging them back on the path to purchase.

Methodology
We partnered with Imperium and Precision Sample to conduct a 39-question online survey in April 2017 and received 1000 responses from UK consumers with an overall margin of error of 3.02% at a 95% confidence interval.

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