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InSight^{IQ}

CONSUMER PREFERENCES EMBRACE A MIX OF PHYSICAL AND DIGITAL

They're not shopping online.
They're not shopping in-store.
They're just shopping.

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Executive Summary

Consumers love both digital experiences and physical experiences. Our 2021 survey of retail consumers found that they are embracing the many tools and options available to customize their shopping experience to meet their needs and preferences. Consumers are using both digital and in-person retail options, more often than not within the same journey, to find the products they want, at the best price, and with a fulfillment method most convenient to them. In short, there is no simple truth that brick and mortar retail is dying.

While consumers are shopping online more, we find their in-store shopping continues. Consumers valued having a safer way to shop using online channels during the pandemic, and while some of those digital behaviors are likely to continue, many consumers still choose physical retail for some or even all of their shopping. Consumers value the real-life experience, that gives them the ability to touch or try the product, feel confident in their purchase decision or ask a sales associate questions. They also enjoy the convenience of the physical channel which allows immediate purchase and possession of a good. They are not abandoning the in-store experience for the online experience, or vice versa. Instead, they are embracing omnichannel experiences, combining online and in-store elements along their personal shopping journeys.

Consumers are increasingly using multiple channels to enhance their shopping experience at every step of their journey, such as online product research and price comparisons, store visits to test out products, and use of omnichannel fulfillment options like buy online and pick up in-store (BOPIS) or curbside. Price, product, and convenience still matter most, but how a consumer completes the calculus in the combination of those attributes varies individual-to-individual, and occasion-to-occasion. Retailers of all sizes are innovating, responding to consumer preferences and offering consumers both in-store and online options that enable growth and success in a highly competitive retail environment.

The focus is less on binary channels. Consumers are looking for seamless options to shop whenever, wherever, and however they want. One approach, one channel no longer suits consumers, and in reality, it never has.

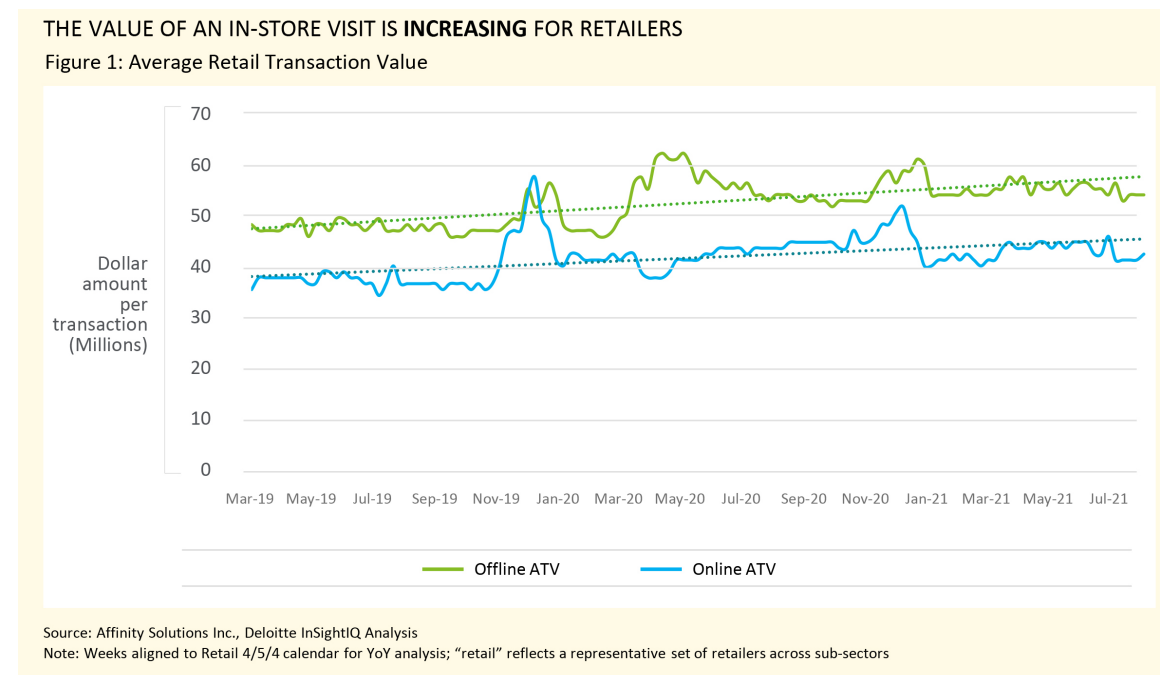
This trend is particularly salient for fulfillment. Consumers prefer having a variety of fulfillment options, especially when purchasing online. Omnichannel fulfillment options like buy online, pick up in-store or curbside pickup are enormously popular and growing more popular every year.

The omnichannel approach puts consumers in the driver's seat. The ease with which consumers can compare products and prices across retailers and across channels enhances retail competition.

Constant evolution of an industry

It's an easy, provocative, seemingly obvious, frequently published, and in the end, false theme: "Digital is killing brick and mortar retail." Like most things, the truth is more complicated, layered, and involved.

First it was big box stores, but now the general belief since e-commerce began evolving was that the big online retailers were sucking up business from traditional brick and mortar brands, both big and small. While there is some truth to the notion that both are competing for the same customers, transaction data show that even as we've seen more consumers shop online more frequently, they continue to enjoy shopping in-store. Average transaction values in-store were about 10% higher in July 2021 than in March 2019. (See Figure 1)



The revealing truth is that whether for convenience or price or selection, as more consumers shop online, they have continued to shop their favorite retailers in-store as well. They have come to a place where they embrace a shopping journey that does not trade the in-store experience for the online experience. They use the online experience to enhance their in-store experience, and vice versa, and love them both.

They may educate themselves, price shop, engage at the brand level, and confirm their beliefs online. But, yes, they still love going to try on, touch and buy physical products in person.

There's no question that consumers valued having a safer way to shop via online sales channels during COVID-19. This caused a one-time jump in digital retail spending equal to about five years of annual trendline growth.

Yet data shows the pandemic hasn't redefined, revolutionized, forced, or otherwise transformed consumers into something new. What it has done, is accelerate an already identified trend that consumers are switching seamlessly between online and offline channels and more often using both even within a single shopping journey. This omnichannel trend blurs the lines between the two channels more than ever.

Multi-channel and multi-retailer shopping journeys are not new, but they are increasingly the norm for consumers. The omnichannel shopping experience is typical for consumers, wherein consumers mix and match online and offline components within or across each step of their shopping journey. (See Figure 2)

An omnichannel experience allows consumers to:

- Draw inspiration to shop from an online or offline source, or a mix of both.
- Research products, prices, and retailers online, in-store, or both.
- Choose to make their purchase online or in-store.
- Select from a range of fulfillment options, such as buying in-store, ordering online for home delivery, or increasingly, they may select omnichannel fulfillment options, such as BOPIS or curbside pickup at a local store.

CONSUMERS OFTEN USE BOTH CHANNELS SEAMLESSLY, OFTEN WITHIN THE SAME JOURNEY, BLURRING THE LINES BETWEEN THE TWO MORE THAN EVER

Figure 2: Both online and in-store play important roles across the shopper journey

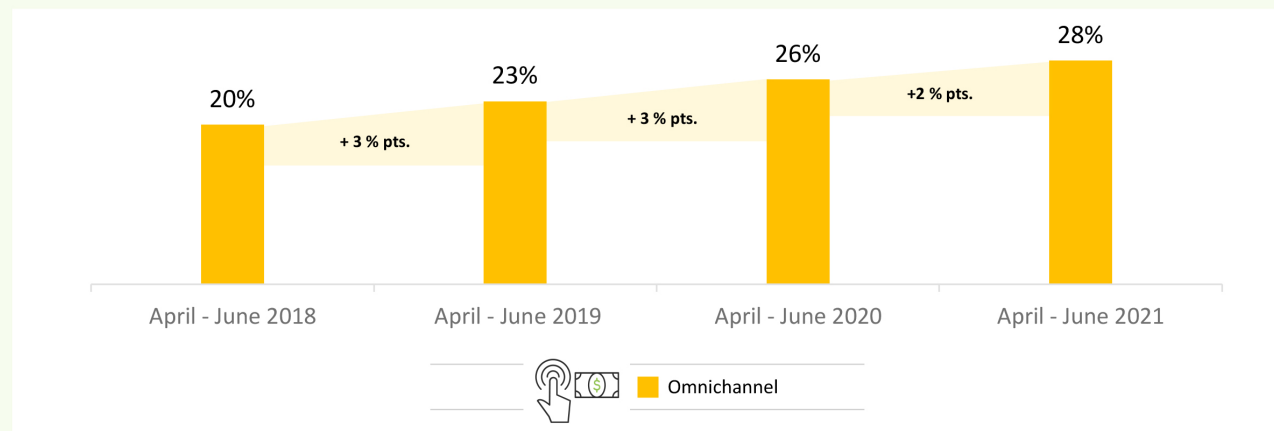


CONSUMER PREFERENCES: A MIX OF DIGITAL AND PHYSICAL SHOPPING OPTIONS

During the height of COVID-19, April–June 2020, 24% of consumers shopped predominately online, up from 14% during the same period in 2019. However, predominantly online shopping decreased to 19% during the same months in 2021 as more people received the COVID-19 vaccine and resumed “normal” life. Predominantly omnichannel shopping grew at a steady pace, from 23% in April–June 2019 to 26% in 2020 and 28% in 2021 during the same months. (See Figure 3)

COVID-19 ACCELERATED THE ONGOING SHIFT TO OMNICHANNEL AND THIS TREND IS PERSISTING IN RECENT MONTHS, WITH SOME NORMALIZATION, DESPITE VACCINE AVAILABILITY

Figure 3: Cohort Analysis of Consumer Shopping Behavior Over Time¹



Source: Affinity Solutions Inc., Deloitte InSightIQ Analysis
 Note: ¹Numbers may not sum to 100% due to rounding. Cohorts are defined as followed based on retail purchase history. Predominantly Online Shopper: 70%+ transactions conducted online. Predominantly Offline Shopper: 70%+ transactions conducted offline. Omnichannel Shopper: <70% transactions conducted online and <70% transactions conducted offline.

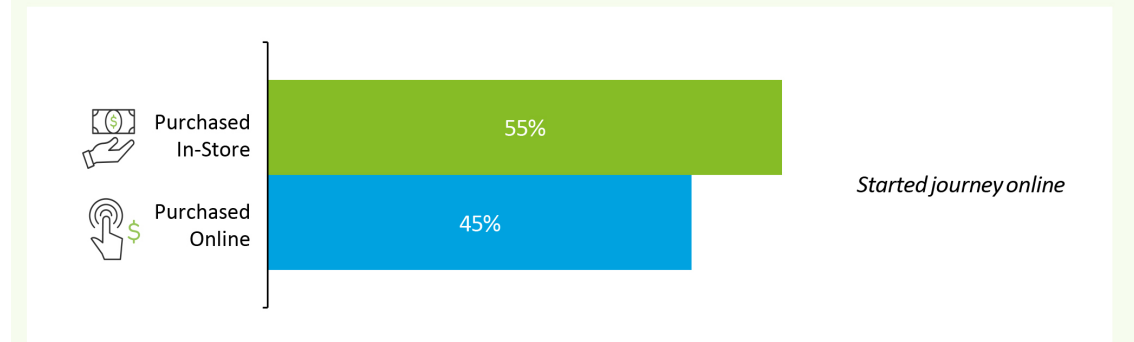
More consumers are becoming omnichannel shoppers than predominantly online shoppers. Consumers use digital channels to inform themselves; to compare prices and availability, to explore shipping, delivery, and pickup options; and to use their online engagement to augment their offline experiences. Despite the increase in online spend, many consumers still prefer physical retail for some or even all of their shopping. They value the experience: a personalized, engaging immersion with the brand. They visit to touch or try the product and feel confident in their purchase decision or to engage store associates for specific services. And they enjoy the convenience of the physical channel, which allows for the real-time, immediate purchase (or return) of a good.

“I USED A RETAILER’S WEBSITE TO SEE IF A BETTER PRICE WAS AVAILABLE BEFORE BUYING THE PRODUCT IN THE STORE”
 — CONSUMER FOCUS GROUP PARTICIPANT

Omnichannel shopping behavior by consumers is already widespread. Our 2021 survey of consumers found that 55% of shoppers who started their most recent shopping journey online, e.g., with online product research and price comparisons, made their purchase in-store. (See Figure 4) Moreover, companion research on small businesses titled, “Retail Today” found 27% of online purchases are fulfilled at the physical store. This is consistent with research by Collier’s showing that omnichannel fulfillment grew from 7.9% of online orders in 2015 to 15.8% in 2019 and 21.7% in 2020.¹

55% OF SHOPPERS WHO START THEIR JOURNEY ONLINE MAKE THEIR PURCHASES IN-STORE

Figure 4: Where Shoppers Started Their Journey Compared to Where They Made Their Purchase^{1,2}



Source: InSightIQ Consumer Retail Channel Choice Survey 2021
¹Thinking about your most recent shopping experience for INSERT PRODUCT CATEGORY, which of the following best describes how you started the shopping experience?; ²Did you purchase in-store or online?

The popularity of omnichannel fulfillment options like BOPIS and curbside pickup with consumers has led retailers to expand these offerings significantly in recent years. In 2020, Deloitte found that 32% of retailers allowed customers to buy items online and pick them up in-store, while 75% enable in-store returns of online merchandise. Looking forward, those figures may continue to rise. A recent survey found 76% of retailers use store inventory to fill online orders, and 86% plan to implement “order online/pick up in-store” within the next year.² Many retailers have begun implementing or expanding curbside pickup, allowing consumers to stay in their cars, which provides a contactless and frictionless experience.

While digital tools add enormous value for consumers, such as facilitating easy product research and price comparisons, a predominantly online shopping experience lacks certain features of in-store shopping that many consumers value. Consumers often like seeing, feeling, and testing the product and possible alternatives in person before buying. Consumers also value that in-store shopping allows you to take the product home to use or wear that very same day. From what we can see, consumers have no intention of replacing their in-store shopping experiences with online only. They are instead incentivizing retailers to integrate their online and offline sales channels, for example, by leveraging physical stores as fulfillment centers for online sales.

¹ Colliers Fall 2021 U.S. Retail Report, New Innovations Drive Retail Resurgence.
² Deloitte — A road map for omnichannel fulfillment: Assessing your omnichannel retail strategy

As consumers return to physical stores, they also want digital options to stay, with nearly 90% of consumers looking for a digitally enhanced shopping journey, whether engaging at home, via mobile, or inside a physical location.³ About four-fifths of consumers value convenience even more now than before COVID-19, and more than four-fifths of consumers expect flexible shipping and fulfillment options like BOPIS from retailers. (See Figure 5)

SHOPPERS VALUE OMNICHANNEL FULFILLMENT CONVENIENCE

Figure 5: Published Literature Review

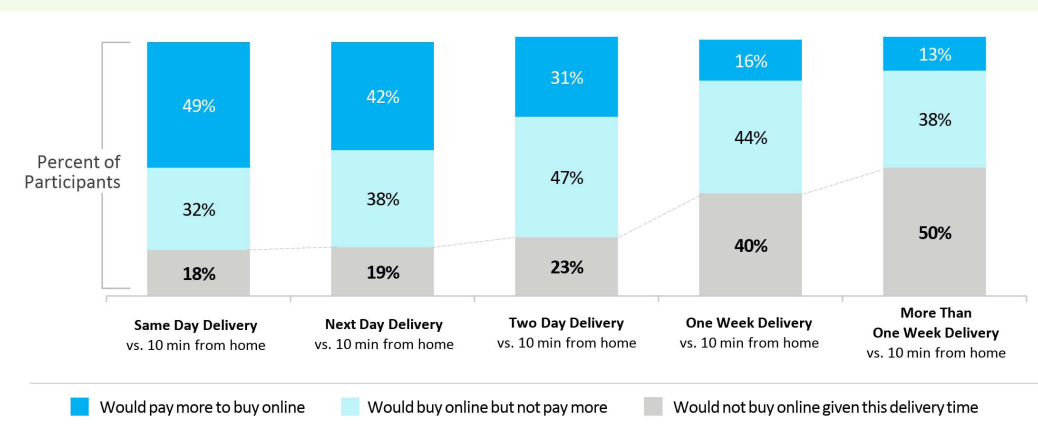


*Salesforce, State of the Connected Customer (4th ed.), October 27, 2020.
 **Chain Store Age, Survey: The top priority for online shoppers is..., March 10, 2021.

Consumers' increasing emphasis on convenience highlights the important role of omnichannel fulfillment options for consumers. Our 2021 survey of consumers found that half of consumers who could drive to a store in 10 minutes wouldn't even consider purchasing online if fulfillment/delivery took more than one week. By contrast, 82% of consumers would consider buying online if same-day fulfillment options were available. (See Figure 6)

CONSUMERS CARE ABOUT BOTH PRICE AND CONVENIENCE; 49% OF CONSUMERS WILL PAY A PREMIUM TO BUY ONLINE WITH QUICK DELIVERY

Figure 6: Extra willingness to pay from an online retailer delivered to home at various delivery times if the same product is \$100 in a store 10 minutes from home¹

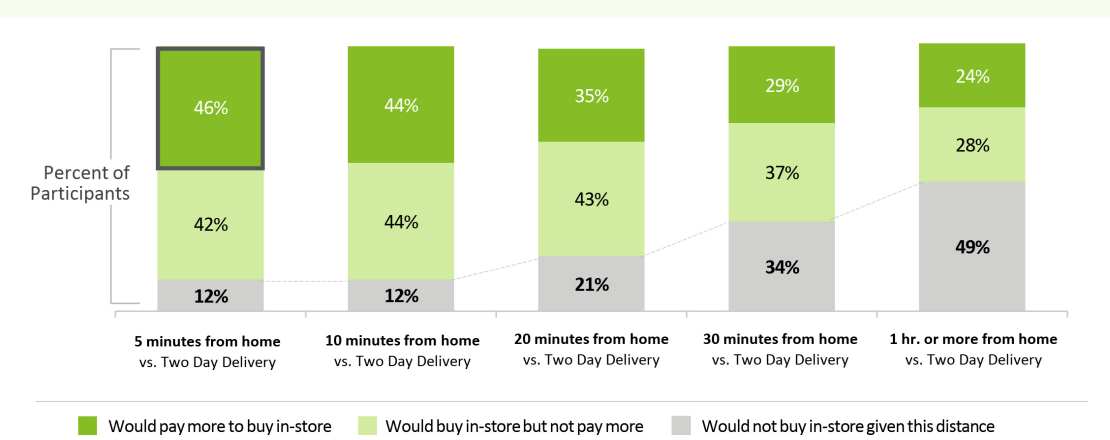


Source: InSightIQ Consumer Retail Channel Choice Survey 2021
¹How much extra would you be willing to pay to receive a/an [CATEGORY] product from an online retailer delivered to your home at each of the following delivery time periods, if the same product is \$100 in a store 10 minutes from your home?

Likewise, 46% of consumers reported being willing to pay a premium to buy a product in-store today rather than wait for two-day delivery. (See Figure 7) This is another reason why retailers have started leveraging their physical stores as fulfillment centers to support online sales and offer omnichannel fulfillment options such as BOPIS and curbside pickup, as well as same-day or next-day delivery. For example, a review of the most recent annual reports from many of the most successful national retailers highlight how they were able to use their physical stores to fulfill as much as 80–90% of online orders, and that same-day fulfillment accounted for large portions, for some as much as 70%, of the digital sales growth over the previous year.

CONSUMERS CARE ABOUT BOTH PRICE AND CONVENIENCE; 46% OF CONSUMERS WILL PAY A PREMIUM TO PICK-UP AN ITEM IN-STORE CLOSE TO HOME VS. WAITING FOR TWO-DAY DELIVERY

Figure 7: Extra willingness to pay from an in-store retailer at various distances from home if the same product can be delivered in two days¹



Source: InSightIQ Consumer Retail Channel Choice Survey 2021
¹How much extra would you be willing to pay to receive a/an [CATEGORY] product from an in-store retailer near your home at each of the following distances, if the same product is \$100 online including 2-day shipping?

FAST FACT > Fulfillment Variety

83% of consumers expect flexible shipping and fulfillment options like BOPIS and curbside.

Choice in fulfillment option is important, with 44% of consumers preferring multiple fulfillment options when purchasing online.

Today, across categories, 27% of online purchases are fulfilled at the physical store (in-store or curbside pickup)

³According to Salesforce, State of the Connected Customer (4th ed.), October 27, 2020, 88% of consumers also expect retailers to accelerate their overall digital initiatives, especially with respect to the in-person experience.

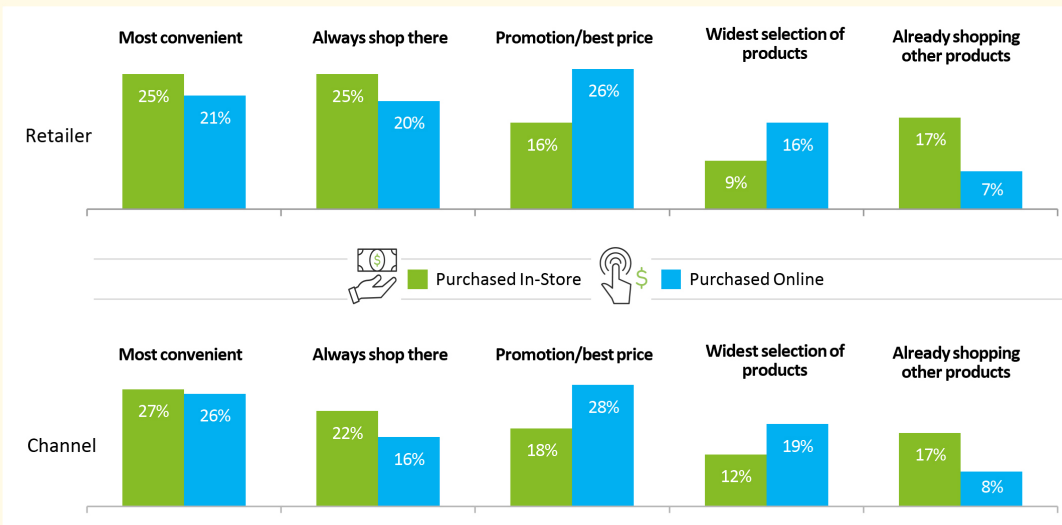
CONVENIENCE, PRICE, AND PRODUCT SELECTION ARE WHAT MATTER

It isn't about what channel consumers use. It is mostly about that complicated formula of price versus convenience. The right product, that is, the product the consumer wants or needs, priced appropriately, available in the timeframe the consumer values, is the product the consumer will purchase.

Consumers know that their needs can be met either online or offline at different times based on specific circumstances, and they cite similar primary drivers for both in-store and online purchases. (See Figure 8)

SHOPPERS VIEW BOTH IN-STORE AND ONLINE AS CONVENIENT FOR VARYING REASONS; HAVING BOTH OPTIONS MEANS THAT SHOPPERS HAVE MORE OPPORTUNITY TO MAXIMIZE CONVENIENCE

Figure 8: Most Important Reason Consumers Cite for Choosing To Buy Through Specific Retailers or Channels^{1,2}



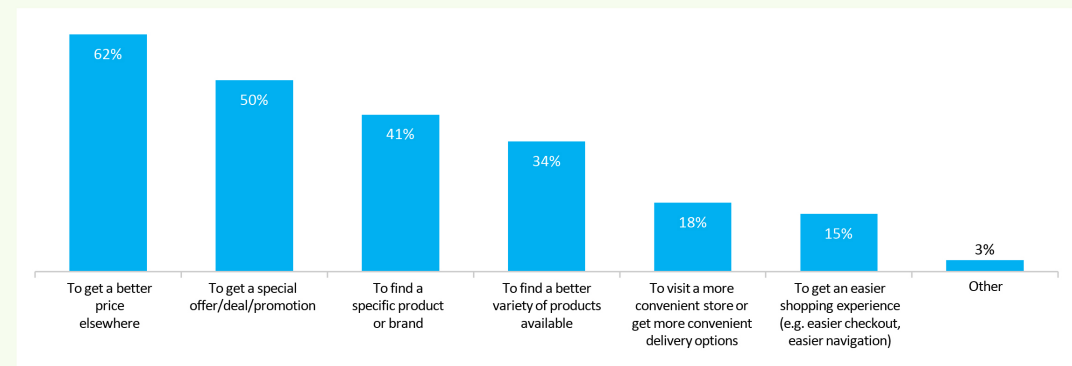
Source: InSightIQ Consumer Retail Channel Choice Survey 2021

Notes: ¹What was the most important reason you decide on the specific retailer/channel that you purchased product(s) from? ²Did you purchase in-store or online?

PRICE Some consumers will chase a deal to the physical store. Some will choose to order online if they can get a better deal online. Others will use a mobile device to conduct research at the same time they're shopping in a store. Our 2021 survey of consumers found that 62% shop somewhere other than their preferred retailer simply to get a better price. (See Figure 9) Our survey also found that online shoppers tend to compare prices more than in-store shoppers. This implies that as more shoppers research products and prices online, price competition between retailers will be enhanced, and consumers will be more likely to get the best price. (See Figure 10)

PRICE AND PROMOTIONS ARE KEY COMPETITIVE LEVERS FOR RETAILERS TO ATTRACT CONSUMERS. RETAILERS COMPETE INTENSELY ON PRICES TO ATTRACT CUSTOMERS, WHICH IS RECOGNIZED AS A MAJOR DRIVER OF THIN PROFIT MARGINS IN RETAIL

Figure 9: What Drives Consumers to Shop Somewhere Other than Preferred Retailer

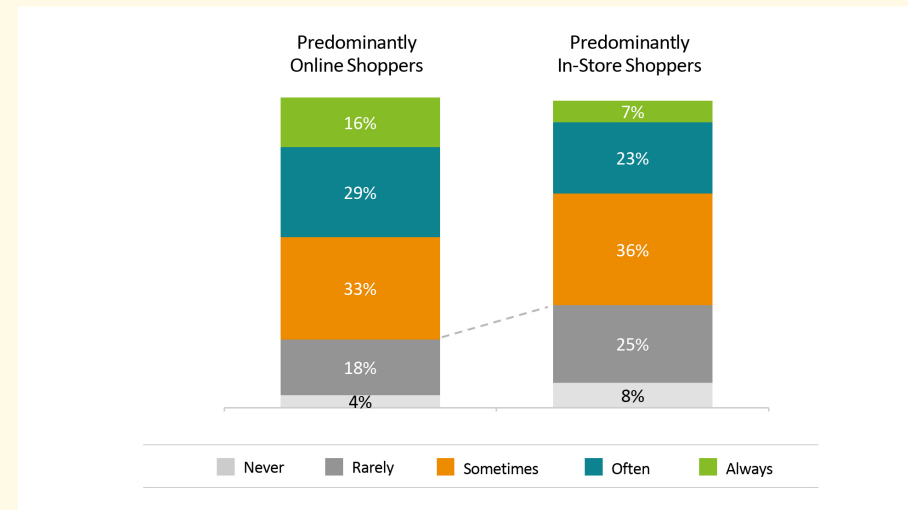


Source: InSightIQ Consumer Retail Channel Choice Survey 2021

Notes: Thinking about your [Products] purchases, which of the following drives you to shop somewhere other than your preferred retailer?

ONLINE SHOPPERS TEND TO COMPARE PRICES MORE THAN IN-STORE SHOPPERS. AS MORE CONSUMERS COMPARE PRICES ONLINE, PRICE COMPETITION BETWEEN RETAILERS IS ENHANCED, AND CONSUMERS ARE MORE LIKELY TO GET THE BEST PRICE

Figure 10: How Often Consumers Shop Multiple Retailers to Price Compare



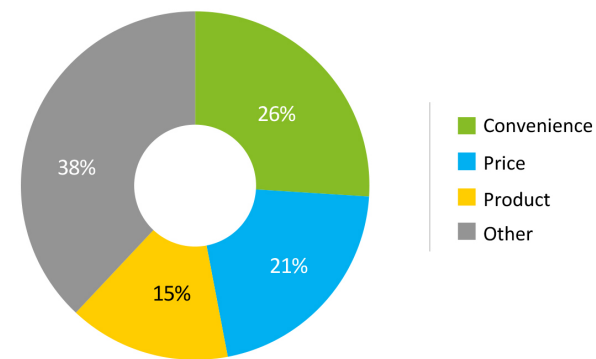
Source: InSightIQ Consumer Retail Channel Choice Survey 2021

Notes: What proportion of your [CATEGORY] purchases are online vs. in-store? Thinking about your [CATEGORY] purchases, how often do you shop multiple retailers to compare products / prices before making a purchase decision?

CONVENIENCE Convenience narrowly edges out price as the most important factor to shoppers in determining the purchase channel. (See Figure 11) The definition of convenience shifts based on customer type and need. For parents who need to take kids with them when they go out, online ordering is often more attractive. The same can be said for even more consumers when the weather is bad. For customers picking up a list of items, they often feel a trip to the store serves them better — and they may even spot an in-store sale as a bonus. For rural consumers who live an inconvenient distance from the stores they shop, being able to buy online and pick up in store is of significant value. For them, there is almost nothing worse than giving up most of a day driving to and from a store only to find the product they need is out of stock.⁴

CONVENIENCE NARROWLY EDGES PRICE AS THE MOST IMPORTANT FACTOR TO SHOPPERS IN DETERMINING PURCHASE CHANNEL

Figure 11: Most Important Factor in Determining Purchase Channel: Price vs. Convenience¹



Source: InSightIQ Consumer Retail Channel Choice Survey 2021

Notes: Which of the following was the most important reason why you decided on the specific channel (i.e. in-store or online) that you purchased [Products] from?

FAST FACT > Multi-channel / Multi-retailer Shopping

One-third of consumers report “often” shopping both in-store and online during the same purchase occasion During a recent shopping journey: **60%** of in-store purchasers report doing online research, and **56%** of online purchasers report doing research in-store (See Fast Fact Figure 1)

Two-thirds of shoppers used a digital device or touchpoint while in a retail store during their recent shopping trip (See Fast Fact Figure 2)

9 times out of 10, consumers are comparing similar products within a category before making a purchase decision **72%** of consumers reported shopping more than one retailer on a recent shopping trip, and **30%** shopped three or more retailers

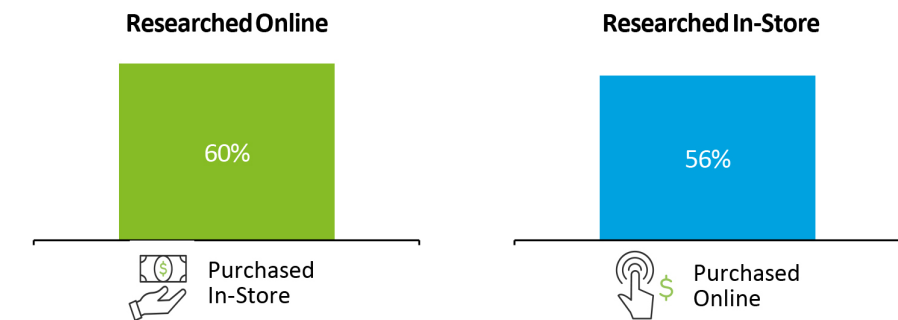
Consumers reward retailers for the in-store experience. **When shoppers spend a significant amount of time researching in-store, they purchase in-store as well.** (See Fast Fact Figure 3)

⁴Deloitte Research

FAST FACT FIGURE 1

MULTI-CHANNEL SHOPPING. CONSUMERS ARE MOVING BETWEEN CHANNELS DURING THEIR SHOPPING JOURNEYS; WHETHER THEY ULTIMATELY PURCHASE IN-STORE OR ONLINE, THEY ARE FREQUENTLY VISITING THE OTHER CHANNEL FOR RESEARCH

Research Channels vs. Purchase Channels



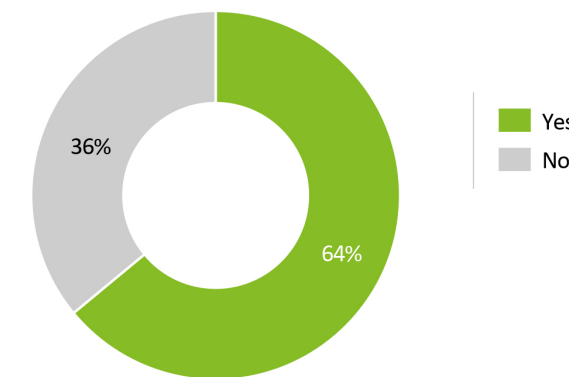
Source: InSightIQ Consumer Retail Channel Choice Survey 2021

Note: What proportion of the time you spent browsing / researching the products that you shopped were in each of the following channels? What proportion of the time you spent browsing / researching the retailers that you shopped were in each of the following channels?

FAST FACT FIGURE 2

USING DIGITAL DEVICES BENEFITS IN-STORE SHOPPERS BY ALLOWING PRICE AND PRODUCT COMPARISONS, WHICH ENHANCES PRICE COMPETITION ACROSS RETAILERS AND ACROSS CHANNELS

Used a Digital Device Or Touchpoint While In A Retail Store Last Time

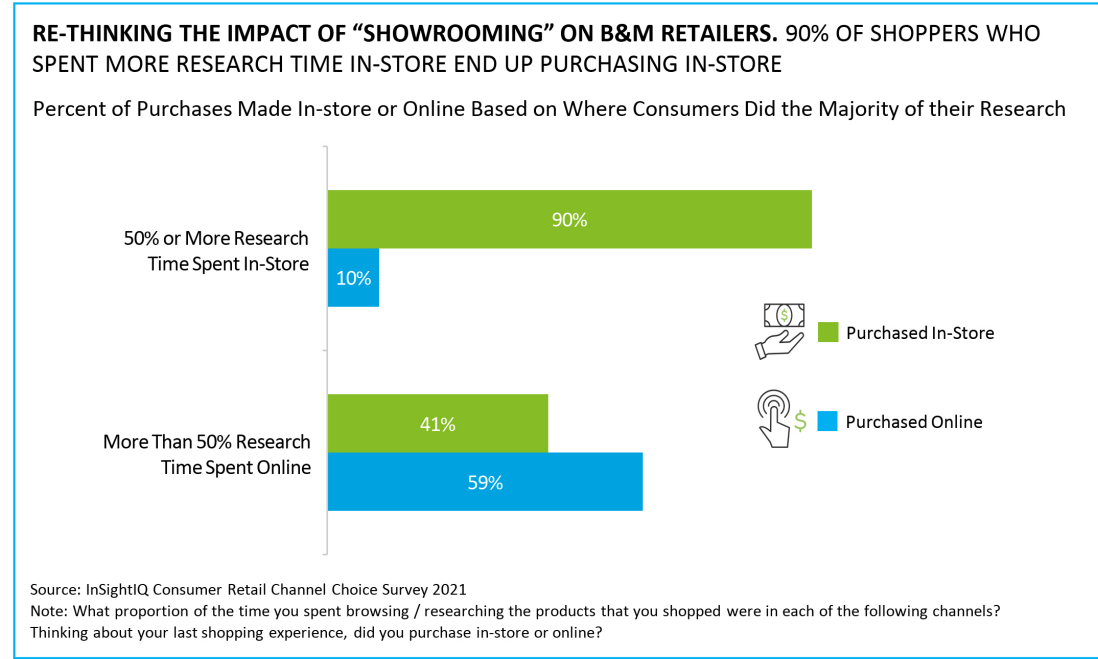


Source: InSightIQ Consumer Retail Channel Choice Survey 2021

Note: Still thinking about your most recent shopping experience for [CATEGORY], did you use a digital device or touchpoint (e.g. mobile phone) for any of the following activities while in a retail store during your shopping trip? Among respondents who shopped in-store (49% of respondents)

FAST FACT *continued*

FAST FACT FIGURE 3



SELECTION Some shoppers, particularly rural shoppers, value being able to access retailers and products online that are not readily available in their area. Others value and embrace the browse. For them, it is the physical experience of shopping racks in stores that draws them back.

SATISFACTION There is a sense of anticipation associated with making a purchase to be delivered that can be almost addictive to some shoppers. Others simply just want to go in, purchase, and go home with their product in hand.

Special occasions often lead shoppers to try something new. 55% of shoppers who routinely purchase a specific product category online switch to in-store for new occasion purchases, and 33% of shoppers who routinely purchase a specific product category in-store switch to online for new occasion purchases. (See Figure 12) Habitual online shoppers sometimes want to be able to feel the quality in their own two hands. Other times, habitual offline shoppers want to find something they simply can't find near them, or maybe they need to ship something to a far-flung location and online shopping makes that simpler for them.

NEW OCCASSIONS CALL FOR NEW BEHAVIORS.

Figure 12: Where consumers purchase for routine vs. new occasions



RETAILER INNOVATION IMPROVES THE CONSUMER SHOPPING EXPERIENCE

Shoppers make decisions based on their specific needs every day. When retailers give consumers the choice to research online or in-store, to purchase online or in-store, and to fulfill their purchase in-store or by delivery, consumers are able to tailor their shopping experience to their individual needs for each occasion. Consumers expect this omnichannel experience from retailers now more than ever. If one retailer is charging more than another or failing to offer the range of fulfillment options offered by a competitor, the consumer can see those differences from home using digital tools like apps and websites. As consumers increasingly use digital tools to enhance their shopping research, they enhance the competitiveness of the retail ecosystem and reward the retailers offering them the best price and the most convenient fulfillment options.

Historically, retailers have focused on selling — sell more product today than yesterday. However, as consumers become more engaged throughout their shopping journeys, retailers must focus on the holistic shopping experience or risk falling behind. The focus should be on delivering a superior shopping experience by offering broad product selection, competitive prices, and more fulfillment choices. Successful retailers today, regardless of size, offer consumers more choices than ever before.



In the end, what's good for the consumer is equally good for the retailer. Consumers want easier, more satisfying experiences. Retailers, large and small, now more than ever have access to affordable digital tools required to deliver these experiences for their customers.

As we explore in a related POV, retailers are listening and responding— especially small and medium-sized businesses that are poised to benefit more than larger retailers from the digital tools, marketplaces, and channels offered by [digital tool providers](#).

GOOD FOR CONSUMERS, GOOD FOR RETAILERS

Consumers are not interested in a one-size-fits-all shopping experience. They want choices, both online and offline, that allow them to tailor their shopping experience to best match their needs. Consumers want retailers to offer a broad selection of products, low prices, and a variety of fulfillment options to meet individual needs or solve individual challenges.

Ultimately, it is the consumer who benefits from the ongoing competition and increasing choice in retail today. The trend toward omnichannel shopping helps each consumer find the best product, at the best price, fulfilled in the manner most convenient for that consumer in that particular occasion. ♦

ABOUT OUR RESEARCH:

To better understand consumer behaviors, we conducted a quantitative survey of **n=8000 consumers** across **12+ product categories**, and conducted a **qualitative digital focus group among a n=85 consumers** to dig deeper on their perspectives. We analyzed **three years of observational data** on consumer behaviors related to their spending and traffic, across in-store and online channels. As a result, **we now have a much clearer understanding of what, how, and why consumers make their shopping choices.**

8,000+ consumers | **1,000+** executives | **3 yrs** of data | **12** product categories



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