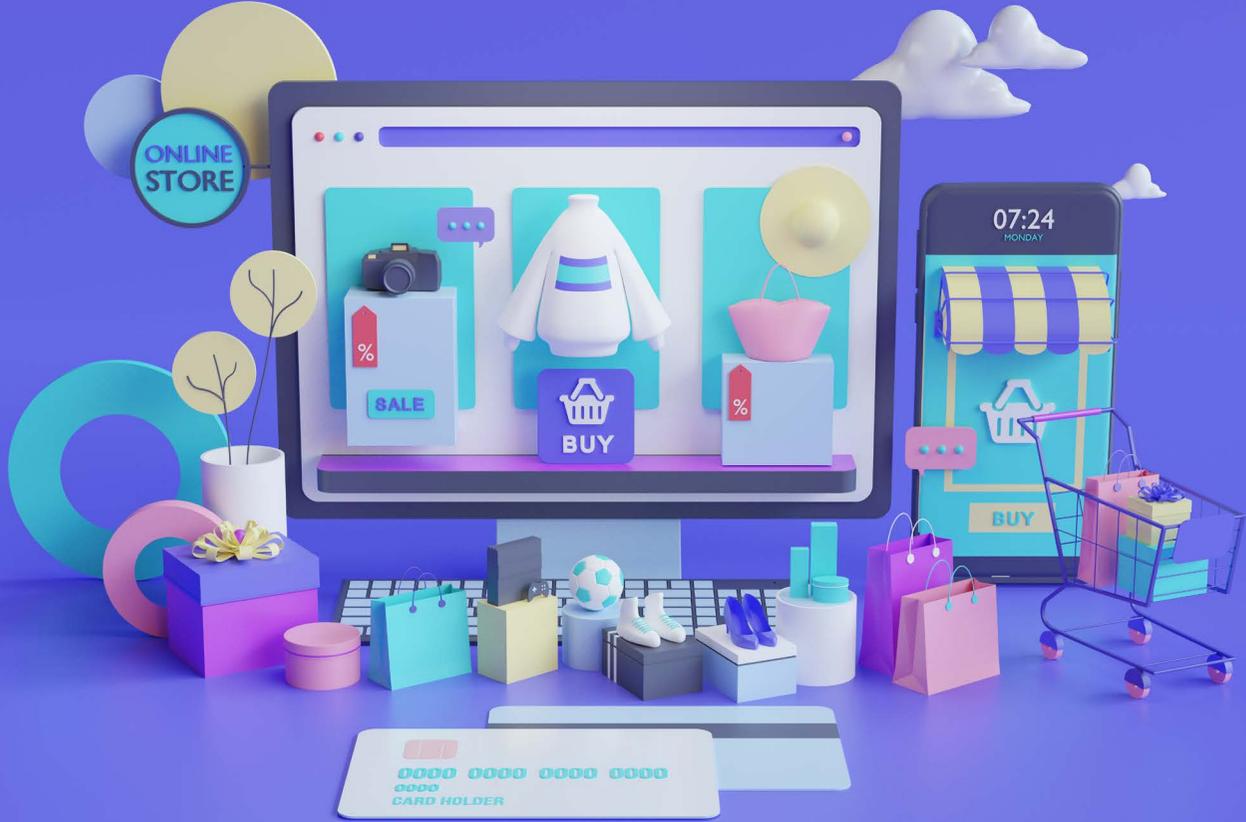


How We'll Shop

Winners & Losers



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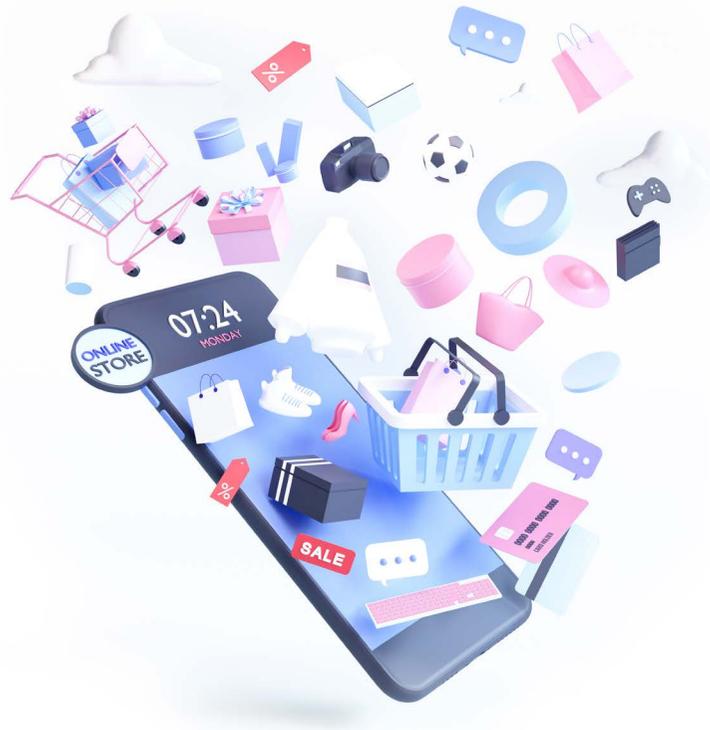
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Executive Summary



Huge changes in the way we live, communicate, work, shop and spend

The Covid-19 crisis has brought about huge changes in the way we live, communicate, work, shop and spend. The new behaviours and habits we are forming now will only become more entrenched over the next 12 months and it's important that retailers both acknowledge and respond to these.

Indeed, the evidence in our report shows that the pandemic is likely to impose permanent lasting change on retailers, as consumer buying habits and priorities continue to change drastically. Some retailers are responding well. The crisis has seen smaller players ramping up radical innovation and end-to-end digital transformation by recruiting new technology partners - like Shopify Plus and Brightpearl - to move online and manage heightened demand alongside the operational complexities of selling directly to consumers while maintaining a high level of service.

Agile digital retail infrastructure

Unfortunately, many other retailers lack the agile digital retail infrastructure to pivot online smoothly, or manage the end-to-end complexities of high intensity retail operations, including inventory, same-next day delivery, shipping and returns. These businesses are struggling to respond to a once-in-a-generation test of business continuity planning and supply chain flexibility that will continue to intensify as more consumers move online over the next year. Our report reveals which sectors will fare better than others over the next 12 months and who will be the likely winners and losers. We'll evaluate the most significant changes in consumer attitudes and behaviours since

lockdown easing, and shine a light on the major factors that have changed shoppers' spending habits - including which are likely to stick around for the long-term.

“Our report reveals which sectors will fare better than others over the next 12 months and who will be the likely winners and losers.”

Foreword



Even before the coronavirus pandemic struck, it's sometimes easy to forget that retail was undergoing something of a turbulent and challenging period. Trends which were forecast to, in some cases, materialise over the course of the decade have been accelerated beyond all recognition.

Online sales were steadily rising as a percentage of the total but only gradually. That all changed with the onset of the pandemic and lockdowns around the world. Literally overnight, we fundamentally changed our shopping habits out of necessity. And not only that, we shifted to buying different items. Suddenly, we focused inwardly, driven by the realisation that all of a sudden, we were about to spend a great deal more time at home. Breadmakers replaced theatre tickets and DIY became the new favourite past-time.

For retailers, the challenge is to try to predict which of these new behaviours will become embedded and which will gradually dissipate. That task is made that much more difficult by our propensity to alter our behaviour at the slightest provocation or incentive.

This report is a valuable addition to help answer this conundrum for retailers and in that respect is a welcome contribution to the debate surrounding the future of retail.



Andrew Busby
Top 20 global retailer influencer,
CEO of Retail Reflections and IBM Futurist

Introduction:

An overnight change in habits and attitudes

The pandemic crisis unfolds

In the middle of March this year, life in the UK began to experience its first significant impacts from the coronavirus. The sudden lockdown reshaped the economy and changed the habits and behaviours of shoppers.

What followed after lockdown was one of the fastest shifts in attitudes towards retail shopping in history, as many retail trends that were already taking place took hold almost overnight. **For example, before Covid-19, Brits confirmed that they made on average around 32% of their purchases online, a figure that rose to an average of 48% following the crisis.**

New influences are now setting the scene. This report shows that financial uncertainty, social change and economic concerns are emerging as the three top influences on the retail landscape over the next 12 months. For example, 43% of consumers agreed that since the crisis, uncertainty about the future and the economy has made them change their shopping habits drastically. This will undoubtedly have a huge impact on retailers, as our study will reveal.

Methodology

To create this report, Brightpearl surveyed 2,000 UK consumers. The poll was carried out between 21 and 23 July 2020.

“Brits confirmed that they made on average around 32% of their purchases online, a figure that rose to an average of 48% following the crisis.”

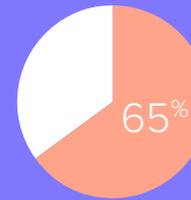
Expert analysis: Andrew Busby

The global financial crisis of 2008 changed shopping behaviour irreversibly as we all became ‘smarter’ shoppers, mixing high end with discount spend in ways that we had never done before. And for years we thought that that was the most profound shift in consumer spending that we would ever witness. That is until March 2020 and the coronavirus pandemic. If we thought that the 2008 shift was seismic, in reality, compared to now, it was a mere blip on the Richter scale.

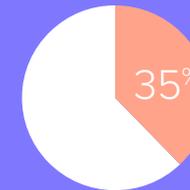
Key takeaway

The global pandemic is having a profound impact on consumers’ lives and this is translating into new attitudes and behaviours which will continue to be driven over the next year by new personal circumstances, such as changes in income, working patterns and spare time, and reconsidered values and priorities.

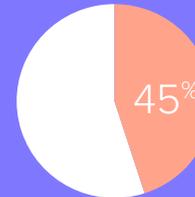
Consumer Survey Snapshot



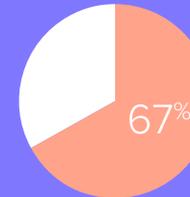
will be buying online more frequently over the next year



are more likely to shop online than in-store



now buy products online that they previously only bought in-store



are planning to make fewer shopping trips to the High Street over the next 12 months



38%

say that online deliveries are taking more time since the crisis



35%

say that unreliable delivery has lessened their trust in online shopping



24%

have been let down by an online order since the crisis started

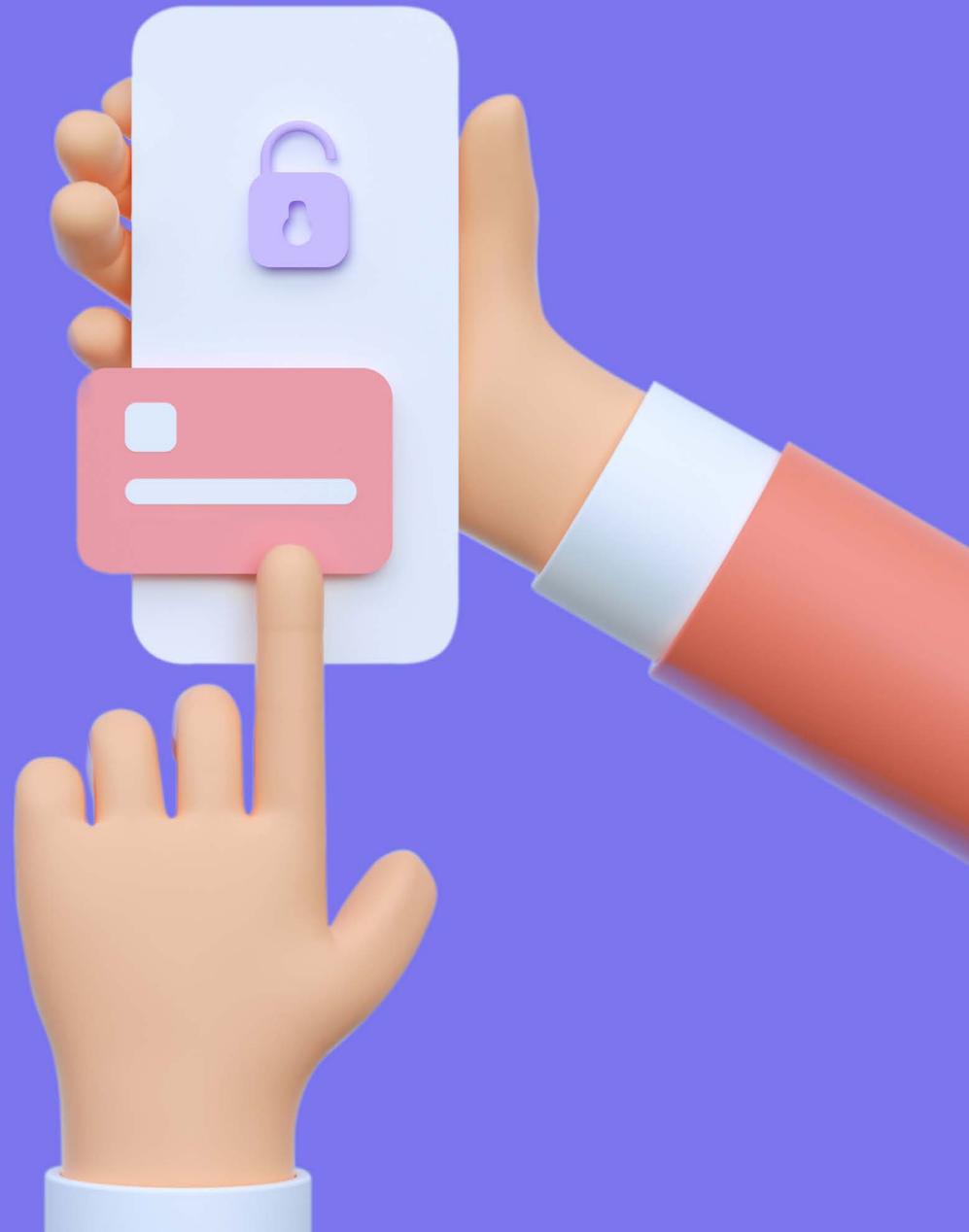


20%

are expected to only buy online within five years

Chapter 1

Shoppers
reprioritise
spend by sector
**The Winners
& Losers**



Chapter 1

Shoppers reprioritise spend by sector The Winners & Losers

“More than a quarter of Brits plan to reduce their spending on big ticket items over the next 12 months.”

Proportion of UK shoppers who answered they intend to spend 'more' or 'less' in the next 12 months, by category

The Winners

On asking shoppers whether they will spend more or less across a number of categories over the next 12 months, there were only two categories in which shoppers said that they expected to spend more rather than less – this is in grocery and garden.

Winning categories

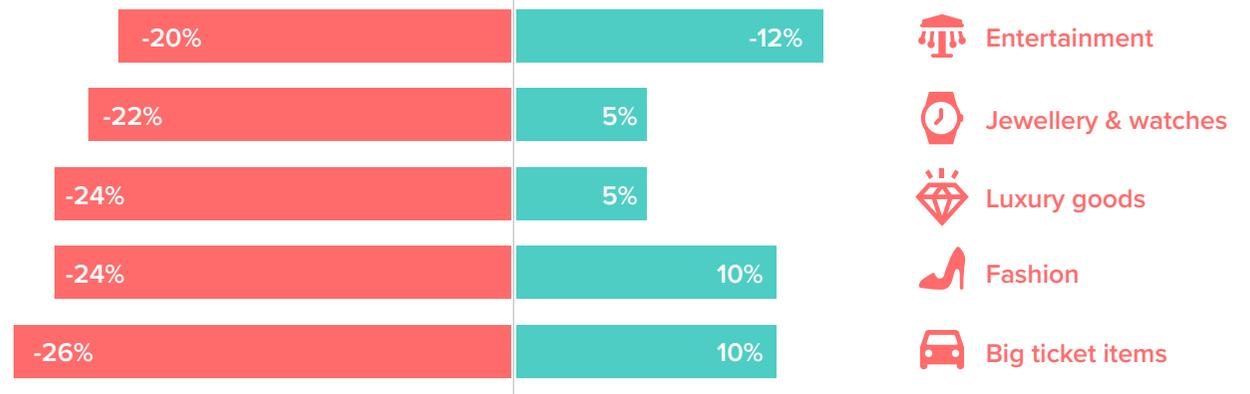


The Losers

On the other hand, around a quarter of UK shoppers said that they expect to spend less on big ticket purchases, like holidays (26%), fashion (24%) and luxury goods (24%),

Also expected to be among the hardest segments hit in the longer term is jewellery and watches, in which 22% stated that they expected to spend less over the next 12 months.

Losing categories



Chapter 1

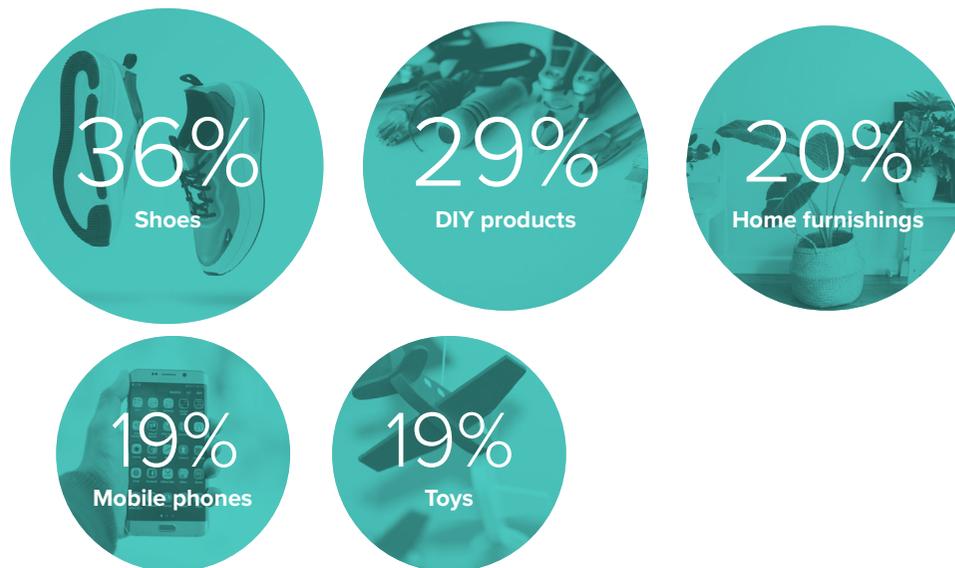
What products will shoppers be buying - or not buying?

The Winners

In terms of the specific product types that are expected to do well in the next twelve months, shoes were surprisingly the most popular choice (36%).

DIY products and home furnishings are also set to be winners, with 29% and 20% respectively expected to purchase such products, perhaps signalling that, with more time spent indoors, Brits plan to invest in at-home improvements over the next year.

Proportion of shoppers who intend to purchase specific items within the next 12 months



The Losers

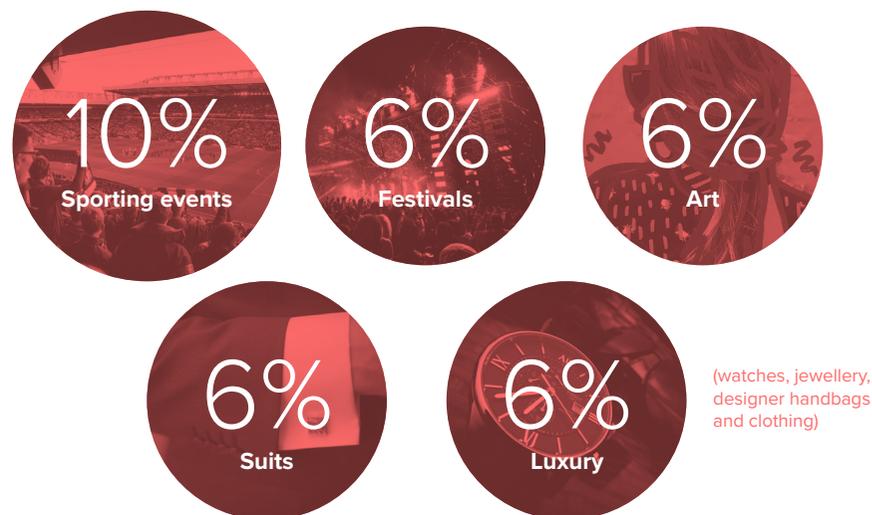
Economic and societal changes may be the leading factors behind the five big losers, with the luxury sector set to be the hardest hit over the next 12 months. As people tighten their belts, go out less, and with the knowledge that many major events are being cancelled, it seems people will be shying away from splashing out on a pair of premium boots or a handbag that they aren't sure they'll be able to take out to show.

With the future of sporting events and festivals still uncertain, and people concerned about mixing in large groups, the evidence suggests many consumers will opt

out of spending on these types of items for the foreseeable future.

Suits you, Sir

The humble suit is also under threat, with only 6% of shoppers expected to purchase new threads in the next year. With more of us working from home who needs a suit for Zoom calls?



Chapter 1

Key takeaway

Some sectors will fare better than others over the next 12 months, but the harsh reality is that there will be winners and losers across all categories. What firms do next counts.

Brands can set themselves up for success over the next year - regardless of the sector they operate in - but they have to be in the game when it counts and in a position to meet heightened demand with the type of exceptional service that breeds long-term loyalty.

Expert analysis by Andrew Busby

As we know, there has been a huge pivot towards online shopping as more and more new to online customers discovered the ease and convenience it offers. But perhaps we are yet to face the real challenge. The work life balance that we used to refer to has shifted beyond recognition and this has brought a number of new trends which were never predicted due to this completely new and unprecedented scenario.

Working from home doesn't appear to be changing anytime soon, as people are fearful of the threat posed by the coronavirus. This means that retailers' customers have relocated. They've relocated online and of course they've relocated to the suburbs and the rural towns. We are seeing the consequences of this unfolding before our eyes.

The depressed luxury goods market is not surprising. With the financial impact of the pandemic still unfolding, it is more than ever a time to keep a tight grip on household budgets which by necessity rules out most luxury purchases.

One thing which the pandemic has done is to encourage all of us to reflect and re-evaluate our purchasing habits and priorities. The real challenge for retailers, however, is to try to predict which of these new behaviours and spending patterns will become embedded and which ones will be more ephemeral. For example, it appears that a large percentage of the new online shopping will not return to physical. Grocery is likely to remain at current increased levels, especially with the ending of the Eat Out to Help Out scheme designed to encourage us to get back to the restaurants and pubs. But this was always only going to be a temporary measure, playing as it did on our love of a bargain, it was never going to reverse our stay at home behaviour permanently.

“Some sectors will fare better than others over the next 12 months, but the harsh reality is there will be winners and losers across all categories. What firms do next counts.”



“When lockdown hit, many of our competitors were impacted heavily and had to close entirely, or didn't have the ability to move their entire focus online, as stock was tied up in other channels. Some simply couldn't meet online demand and the expectations from consumers.

“That wasn't a problem for Fairfax & Favor. We were able to manage the surge in demand without missing a step because our ecommerce operations were geared up for online sales and handling these unpredictable spikes in interest. In fact, we were able to maintain next day delivery throughout the crisis, and that has helped to set us apart from competitors who struggled to deliver the same high levels of service as they did pre-Covid. We refused to lower our standards. If anything, with more people at home, we saw a huge opportunity to reach a larger audience and turn them into loyal customers - but that required us to continue delivering an outstanding service, even during the most testing of times.”

Rob Cooper,
Head of Operations, at Fairfax & Favor, a luxury footwear retailer

Chapter 2

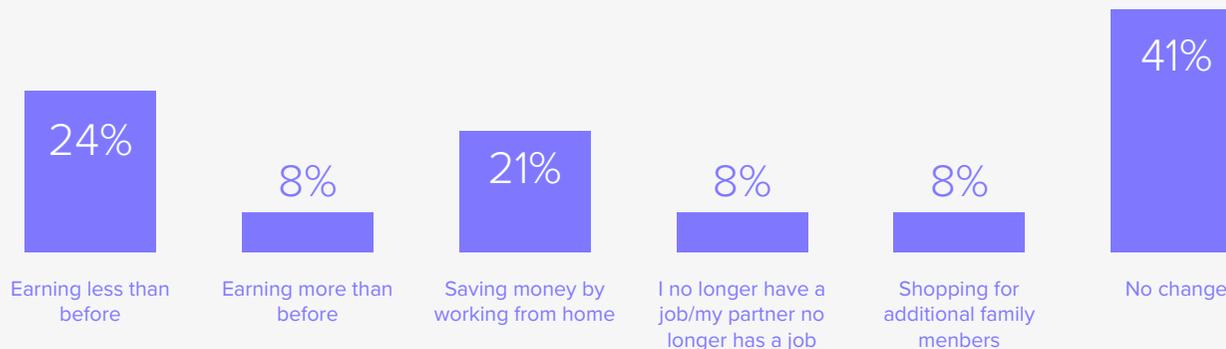
Significant changes to shoppers' behaviour and spending habits, post lockdown



Chapter 2

Financial uncertainty to set the scene for long-term buying behaviour

In what ways did the pandemic change your current financial situation?

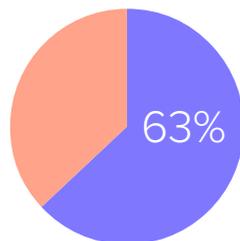


24%

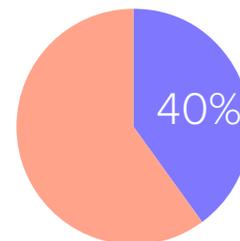
of shoppers say that they are now earning less than they were before the crisis

According to our survey, **almost one-quarter of Brits are earning less than before the pandemic hit**, while only 41% have seen 'no change' to their financial situation.

The result: 63% agree that over the next year they must be 'very careful' with their money, while 40% have cut down on frivolous spending and 42% would like to save money.



63% Of respondents say they must be very careful with their money



40% Have cut down on frivolous spending

Key takeaway

UK shoppers are tightening their belts and becoming much more considered with their purchases - as a result, big ticket items, luxury and designer products which to some might be considered 'materialistic' or 'frivolous', are likely to be off the cards for the foreseeable future.

Retailers can expect shoppers to be searching more for discounts, bargains or lower priced items than they were previously used to selecting.

Chapter 2

Significant changes to shoppers' behaviour and spending habits

More online shopping - and we're getting increasingly experimental

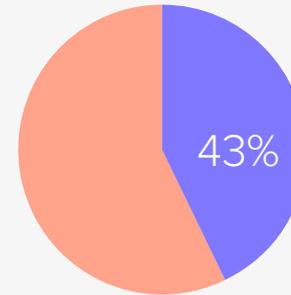
Currently, 43% of Brits are buying more things online than normal, while 40% of consumers are less likely to shop in-store than they were before the coronavirus crisis.

In an indication of those online habits being here to stay, 44% of Brits say they have also bought products online that they previously only ever bought in physical stores. Shoppers have been forced to become more comfortable with buying certain products in ways or via channels that they would not have done before.

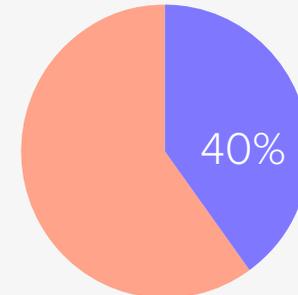
In fact, 45% of Brits say since the coronavirus crisis, they have also been open to using or trying new brands – **which means that the opportunity to attract and retain the growing market of new online customers is greater than ever before.**

On the flipside of this, when it comes to buying online, just 7% care about the website experience and surprisingly only 5% are swayed by the brand name.

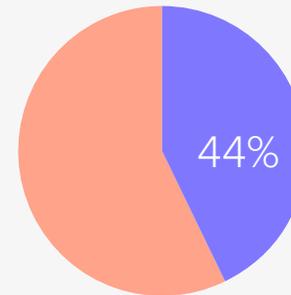
Consumer Survey Snapshot



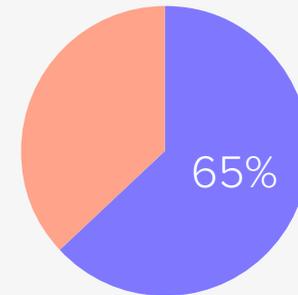
43% are buying more things online than normal



40% are less likely to shop in-store than they were before the coronavirus crisis



44% say they have also bought products online that they previously only ever bought in physical stores



65% will be buying more online over the next year

“Just 7% of shoppers care about the website experience and 5% about brand name when it comes to buying online.”

Chapter 2

Experience of online orders

Supercharged by Covid-19, and with greatly increased choice of e-tailers and brands, shoppers have increasingly turned to online shopping. However, not all online retailers are created equal - or have given much thought to the end-to-end customer journey. As a result, there has been an increase in hiccups with the online buying experience.

38% of shoppers say that online deliveries are taking more time since the crisis and one-quarter of Brits have been let down by an online order.

The result: one-third of consumers say poor online experiences have lessened their trust in online shopping since the coronavirus crisis.

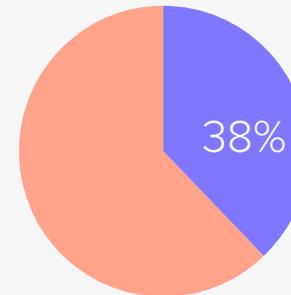
While in the shorter term there may be some goodwill on the part of customers due to an extraordinary set of circumstances, this won't last long. Trust makes a huge difference in the choices we as consumers make when it comes to selecting a brand or retailer. One of the most damaging things a retailer can do is promise a service that they don't have the capability to deliver and poor experience will erode trust in a brand over the long-term, driving away customers.

Key takeaway

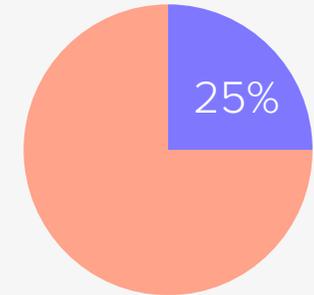
The current environment with its heightened demand offers huge opportunity, but, the pitfalls are plentiful. Few retailers are seeking to address the operational complexities that lie beyond the buy button which means they are quickly running into problems - especially on the delivery side of the equation.

Retailers need to be wary of prioritising growth at all costs, resulting in misexecution, weak infrastructure and poor consumer experience. Retailers will have to work hard to make sure that newly acquired shoppers have the confidence to become regular shoppers with the brand. In order to do that, retailers must ensure they have the right infrastructure in place to deliver an optimal shopping experience at all ends of the buying journey.

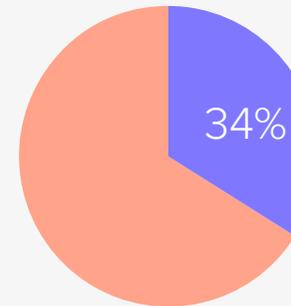
Consumer Survey Snapshot



38% say that online deliveries are taking more time since the crisis



25% have been let down by an online order since the crisis started



34% say that unreliable delivery has indeed lessened their trust in the online shopping since the coronavirus crisis

“Consumers’ expectations don’t change - whether there’s a pandemic going on or not. You still have to deliver on the promise you’ve made when they click ‘buy’. The main benefit of a system like Brightpearl is that sales can rapidly go from 100 to 10,000 and the platform doesn’t blink, no matter how many orders you have.”

Paul Swain
Director, Mad4Tools.com

Chapter 2

Changing attitudes equal even tougher times for the High Street

If High Street retailers believed their plight couldn't become tougher, our research shows little respite in sight.

Over the next 12 months, our poll shows that 67% of UK shoppers are planning to make fewer shopping trips to High Street, with 38% of consumers also agreeing that they are more likely to shop online than in-store.

Compare that to responses collected about online behaviour: 55% said they'll be ordering more on Amazon, which is set to be a big winner, while **41% say they will increase use of Click & Collect.**

The difference in the changing attitudes towards the two retail experiences is striking.

Key takeaway

With 42% of consumers shopping more online now, and 65% saying they intend to do so more over the next 12 months, there is huge potential for wallet capture. However, the current landscape demands much greater digital ambition in order to be able to deliver excellent buying experiences, stand out from the pack and persuade shoppers to break their Amazon-first shopping habits.

More consideration should be given to investment into highly efficient and flexible ecosystems that are able to support speed and convenience, can handle bursts of growth as well as the diverse needs of blended cross-channel experiences, such as increasing adoption of Click & Collect.



“Brands must remember they are competing with Amazon. Customers want ease of purchase - but they also want their products as quickly as possible. They can count on that with Amazon, so as a retailer, you must be able to offer similar convenience, personalisation and speedy fulfillment. Brightpearl enables us to deliver in all three areas.”

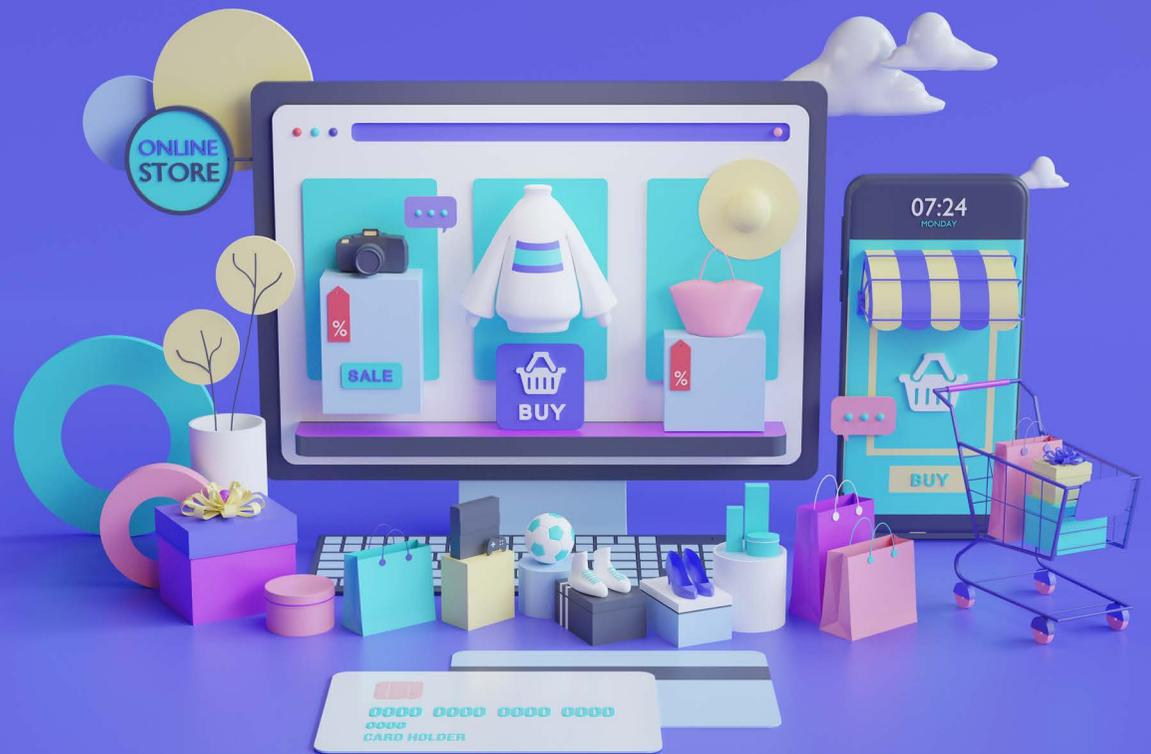
Lalan Shrikam
Founder, Malabar Bay

Over the next 12 months...



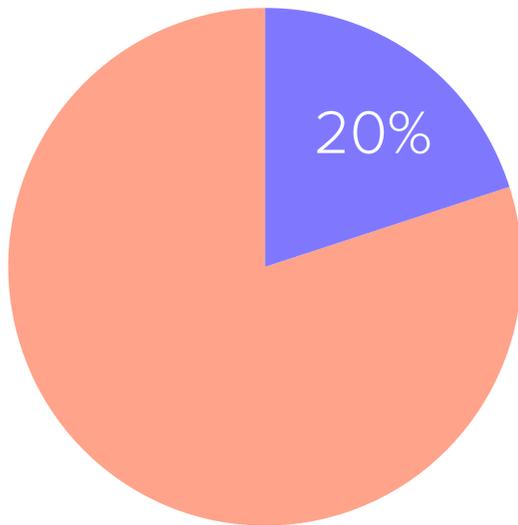
Chapter 3

Latest shopper habits are to remain for the long-term



Chapter 3

Latest shopper habits are to remain for the long-term



Is the future of shopping online only?

Since the pandemic hit, we've all been forced online, to shop, to work and to socialise, including late adopters, who otherwise would have been less inclined to try it. As more and more shoppers realise the benefits that online shopping provides, these habits have had the chance to become even more entrenched.

This, in combination with societal changes, most notably the ongoing fear of Covid-19 resulting in less city centre and store visits, and increasing adoption of more flexible working for many, underlines why one-fifth of shoppers expect to only shop online within 5 years.

“One-fifth of online consumers expect to ONLY shop online within 5 years

Balancing nostalgia and changing behaviours

That said, Brits do retain a fondness for the memory of town centre shopping. Over half of consumers (51%), say that they do feel a responsibility to shop in physical stores to protect the High Street, while just under one-third of UK shoppers also said that when they shop at online retailers such as Amazon, they feel guilty for abandoning physical stores.

Key takeaway

With consumers indicating a preference to shop more from local businesses over the next year, an increasing numbers of customers will almost certainly want the option to pick up all their online shopping from a local collection point. Retailers should consider adding local Click & Collect points to their delivery offering to exploit this trend.

“One-third of shoppers admit that when they buy online from retailers like Amazon, they feel guilty for abandoning physical stores.”



Conclusion

The importance of future-proofing

Conclusion

The importance of future-proofing

While no-one could have predicted the retail landscape for 2020, retailers that had invested in online technologies, back-end efficiencies and higher levels of automation versus manual processes found themselves in a much better position than those that had not. There has never been a more exciting time to invest behind the combination of consumer behavioural change and technological acceleration, the key drivers shaping the future of the retail industry. **But unfortunately, more than half of UK retailers have made no changes to their business model in preparation for another spike of Covid-19,** while only 56% of retailers said their business could survive the devastating impact of a second wave.

These statistics underline the importance of investing for future-proofing. While prevailing trends appear to allow for a level of conservatism when prioritising investment, events such as Covid-19 reveal how quickly a trend can change course and accelerate unexpectedly. In these circumstances, retailers who have made those commitments early also get an earlier dividend on their efforts. Those who have not can quickly find themselves without the flexibility and the resilience needed to survive. In this case, business models, spending priorities and behavioural buying

patterns changed overnight – plus any manual resource needed to cope with the change disappeared, as employees were forced to remain at home.

Covid-19 will accelerate the fast-moving trend and create a vast blue ocean of opportunity, and most brands are already aware of and understand the urgency in creating sleek ecommerce sites in the race to attract direct sales. However, this shouldn't be at the expense of a brand's operations. Post-purchase experiences, from delivery to returns, will influence a customer's loyalty – and collectively, each of these scenarios should be recognized as equally important as those on the front end.

“Most brands are already aware of and understand the urgency in creating sleek ecommerce sites in the race to attract direct sales. However, this shouldn't be at the expense of a brand's operations.”



Conclusion

The importance of future-proofing

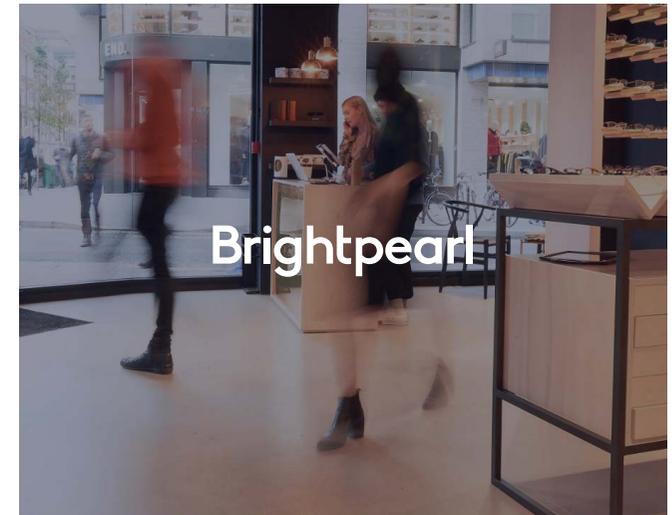
Key takeaway:

Online firms need to future proof for second wave resilience. And, even when the virus recedes, new online behaviours will still likely extend the 'spike' to all types of retail, so retailers need to be asking themselves if their current set up supports the increases in traffic of the new normal.

Unfortunately, most retailers lack the agile digital retail infrastructure to successfully manage inventory, same-next day delivery, and shipping and returns at a level and intensity that meets modern consumer expectations. Now is the time to evaluate how the organization coped with the stress placed on it, to learn about which areas were points of weakness, and plan for the long-term changes to ensure that new opportunities are taken.

Expert analysis: Andrew Busby

We are witnessing retail shedding its skin, extreme Darwinism is taking place in front of us. All the trends that were predicted to take the remainder of this decade to mature are now travelling at warp speed, together with some new ones revealed in this study. Never more have we expected retailers to come to us rather than the other way around. In meeting this new expectation, some will be so severely challenged that they will be unable to pivot their long established business models and will not survive.



Make Brightpearl a pillar of your digital strategy

If you want to truly future proof your business, find out more about Brightpearl and how our platform can streamline your retail operations to realise your digital ambitions. Speak to one of our consultants today.

Get in touch

Brightpearl Reports

