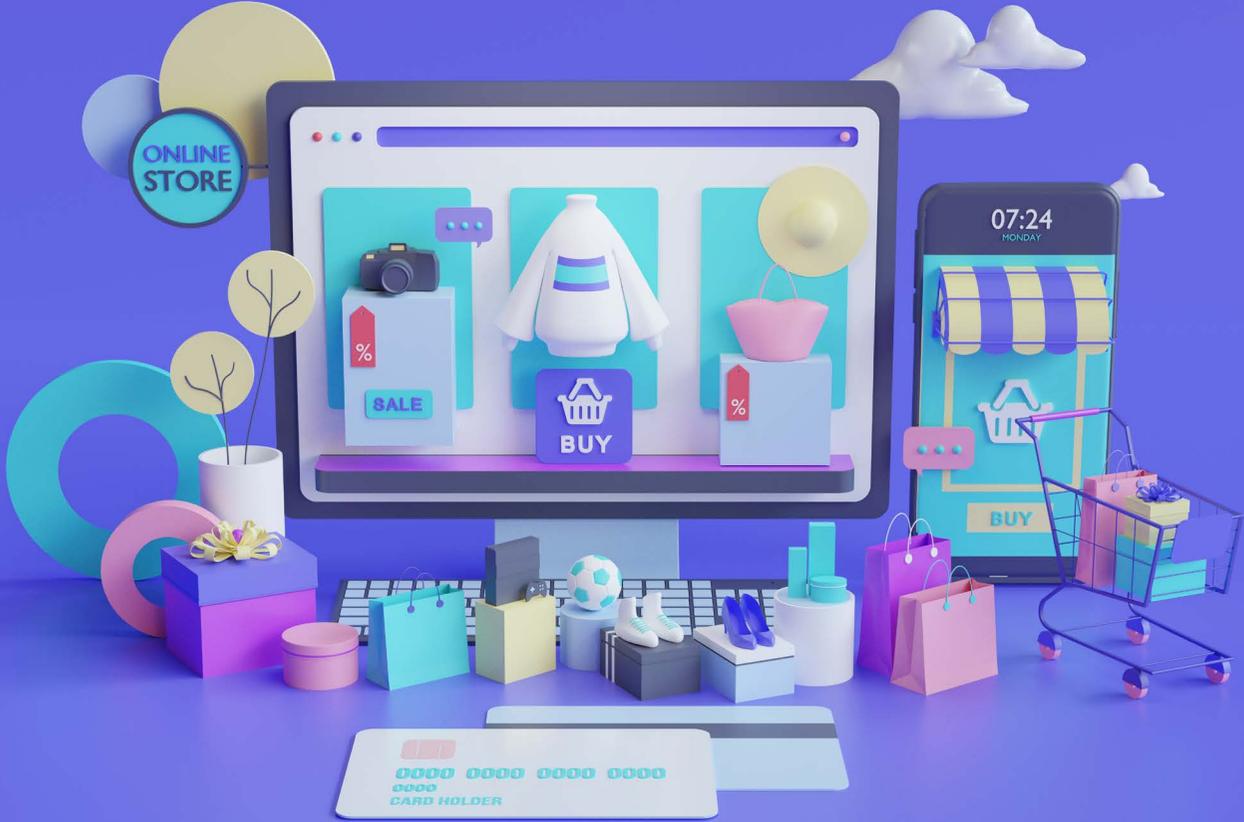


How We'll Shop

Winners & Losers



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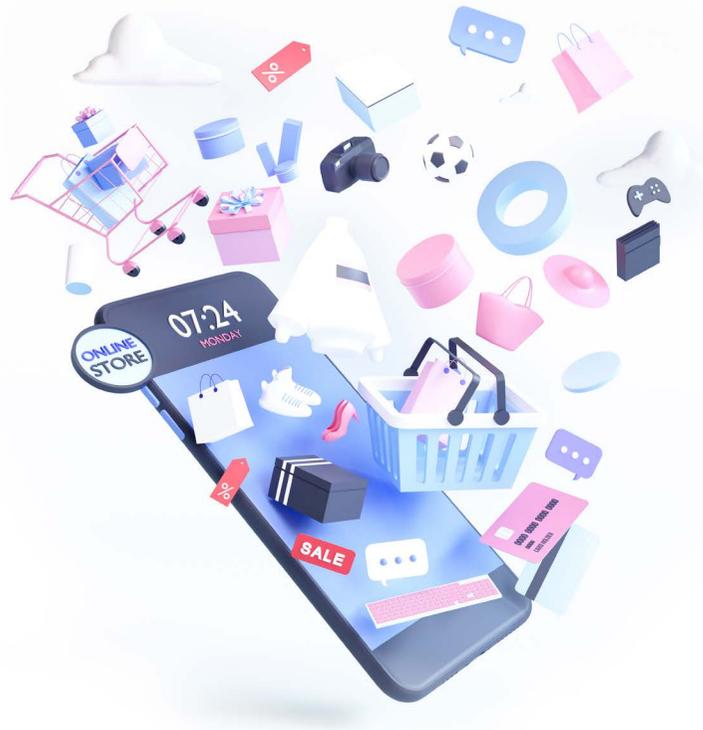
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Executive Summary



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 behaviors 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 the pandemic is likely to impose permanent lasting change on retailers as consumer buying habits and priorities continue to change drastically. Some 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 what 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. Brands that want to win long-term need to reassess their digital infrastructure and plan for changes to their operating models right now.

“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, retail was undergoing something of a turbulent and challenging period. Trends which were forecast to, in some cases, materialize 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 realization 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 favorite past-time.

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

This report is a valuable addition to help in answering 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

On March 11, 2020, the World Health Organization (WHO) declared the novel coronavirus outbreak to be a pandemic. From March until May, many states were in various stages of lockdown. The first stay-at-home order was issued in the San Francisco Bay Area on March 17th and others quickly followed. The economic fallout was swift. 6.6 million US workers filed for their first week of unemployment benefits in the week ending March 28, which represented the highest number of initial claims in history. 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, Americans made on average around 33% of their purchases online, a figure that rose to an average of 48% following the crisis.**

To find out exactly how consumers have responded to the crisis, we surveyed US consumers to discover their thoughts about pre-lockdown. We found that new influences are now setting the scene. This report will highlight that financial uncertainty, social

change and economic concerns are emerging as the three top influences on the buying behavior over the next 12 months and will undoubtedly have a huge impact on retailers, as our study reveals.

Methodology

To create this report, Brightpearl surveyed 2,000 US consumers. The poll was carried out from July 21st to July 23rd 2020.

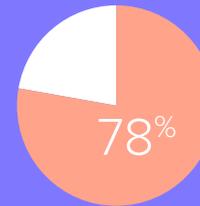
Expert analysis: Andrew Busby

The global financial crisis of 2008 changed shopping behavior 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.

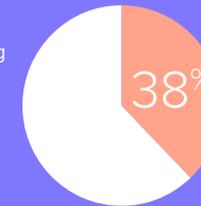
Key takeaway

The global pandemic is having a profound impact on consumers' lives and this is translating into new attitudes and behaviors 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.

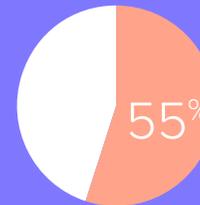
Consumer Survey Snapshot



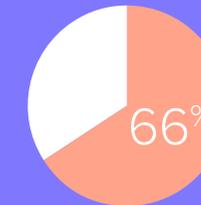
will be buying online more frequently over the next year



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 malls over the next 12 months



45%

say that online deliveries are taking more time since the crisis



42%

say that unreliable delivery has lessened their trust in online shopping



39%

are expected to only buy online within five years

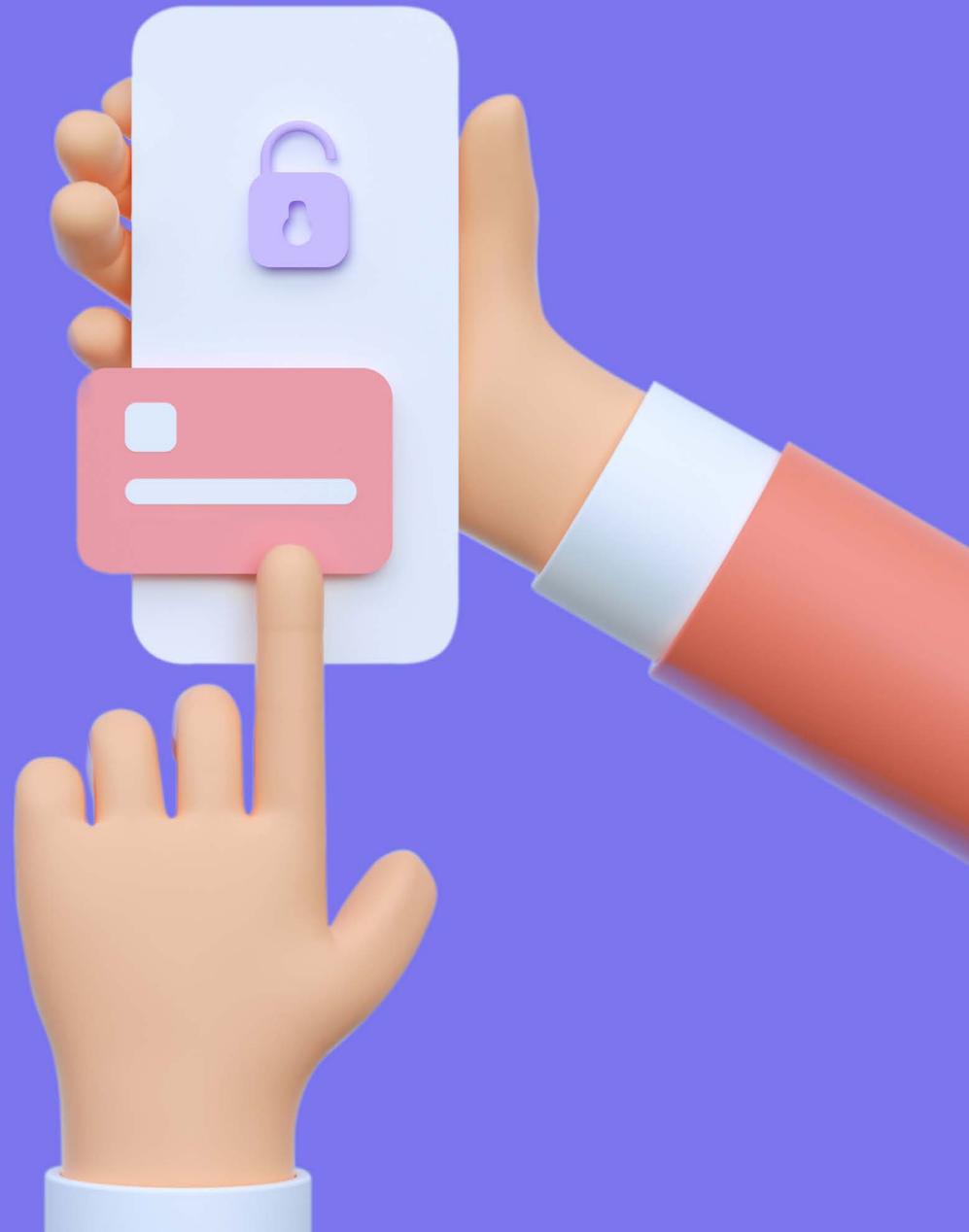


36%

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

Chapter 1

Shoppers
reprioritize
spend by sector
**The Winners
& the Losers**



Chapter 1

Shoppers reprioritize spend by sector - The Winners & Losers

“Almost a third of US shoppers plan to curtail spending on big ticket items over the next 12 months.”

The Winners

The reality of the financial impact of the coronavirus crisis, combined with the extra time at home and far fewer social events is influencing long-term shopping priorities.

On asking shoppers whether they will spend more or less across a number of categories over the next 12 months, groceries, staple items and health and beauty scored highly, with a high number of consumers saying they expect to spend more in these areas over the next year.

The Losers

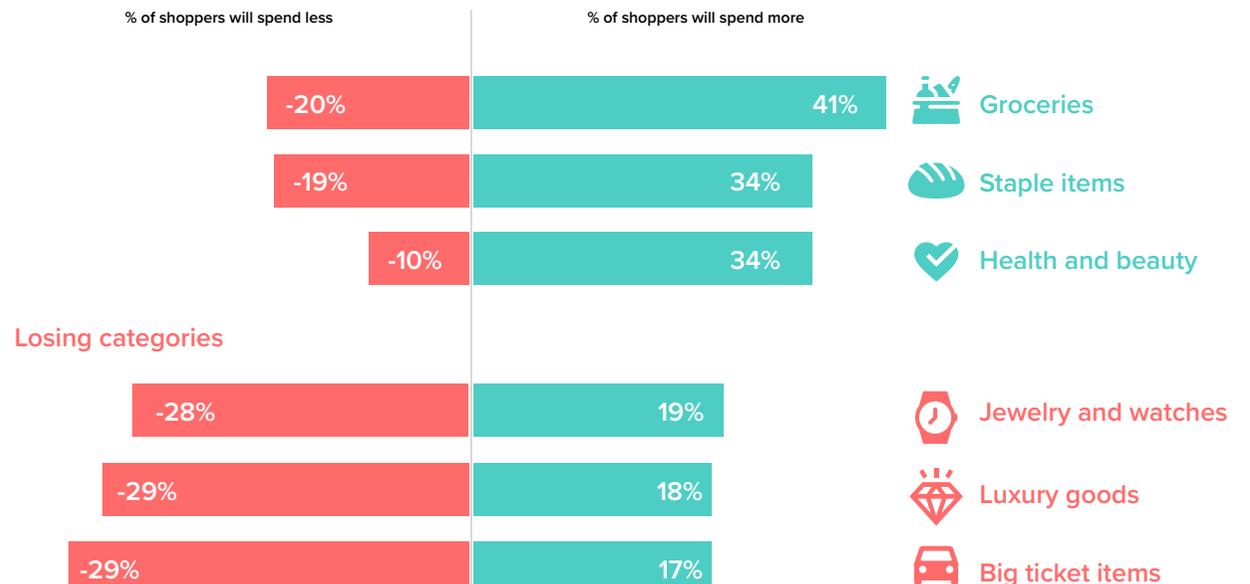
On the other hand, more than a quarter of US shoppers said that they expect to spend less on jewelry and watches over the next year.

Also expected to be among the hardest hit segments include big ticket purchases and luxury goods with 29% of shoppers stating that they expect to spend less in these areas over the next 12 months.

As Jason Goldberg reports in Forbes, “Consumer spending is dramatically curtailed during a recession. Not only do consumers become more financially conservative, but consumer credit may become less available and a large cohort may go into default on their debt, dramatically limiting purchasing power.”

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

Winning categories



Chapter 1

What products will shoppers be buying - or not buying?

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



The Winners

In terms of the specific product types that are expected to do well in the next 12 months, surprisingly, shoes were the most popular choice.

Shoes tops the list, with 37% of shoppers indicating that they will buy footwear over the next twelve months, followed

by mobile phones and laptops at 28% and 26% respectively. Also, around one-quarter of American shoppers plan to splurge on DIY products, video games and home furnishings, which is a clear signal that with more time being spent indoors, consumers are looking to invest in at-home improvements and entertainment over the next year.

The Losers

Economic and societal changes may be the leading factors behind the five big losers.

With the future of sporting events as well as concerts and festivals still uncertain, and people concerned about mixing in large groups, the evidence suggests many consumers will opt out of spending on these type of items for the foreseeable future.

Equally challenged are arts, and the humble suit, with only 10-12% of shoppers expected to purchase these items over the next 12 months.



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.

“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.”

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. 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 behaviors and spending patterns will become embedded and which ones will be more ephemeral.



“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 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

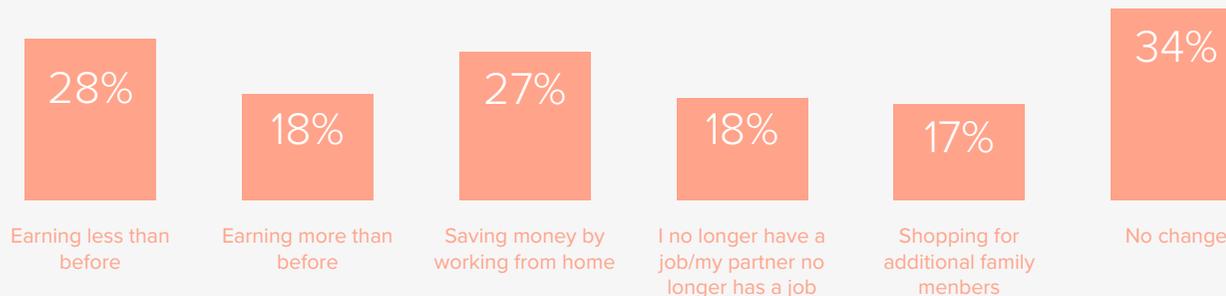
Significant changes to shoppers' behavior and spending habits, post lockdown



Chapter 2

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

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

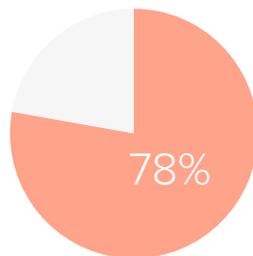


28%

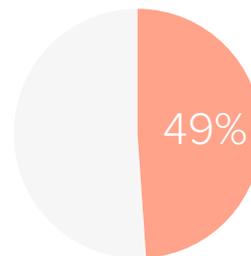
of shoppers say that they are now earning less than they were before the crisis

According to our survey, 28% of Americans are earning less than before the pandemic hit, while only 34% have seen 'no change' to their financial situation.

The result: 78% agree that over the next year they must be 'very careful' with their money, while 49% have cut down on frivolous spending.



78% Of respondents say they must be very careful with their money



49% Have cut down on frivolous spending

Key takeaway

US shoppers are tightening their belts and becoming much more conservative 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

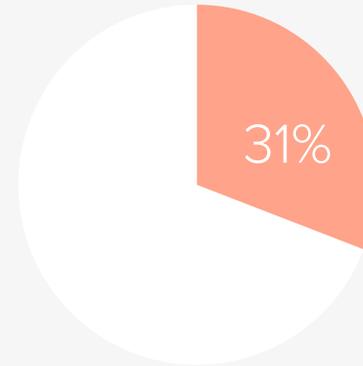
Significant changes to shoppers' behavior and spending habits

More online shopping - and we're getting increasingly experimental

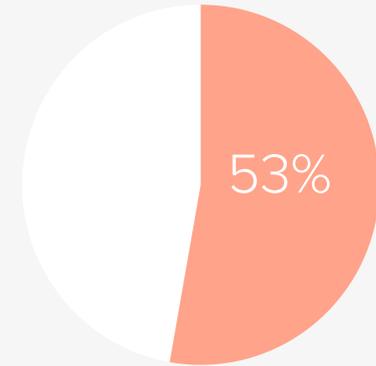
Over half of Americans are buying more things online than normal, while 31% are less likely to shop in-store than they were before the coronavirus crisis. With the shutters down in the malls, 55% of Americans say they have now bought products online that they previously only ever bought in physical stores, as shoppers have been forced to become more comfortable with finding alternative sources for their must-have items.

In fact, almost two-thirds of American shoppers say since the coronavirus crisis, they have been open to using or trying new brands – which means that the opportunity to attract and retain new customers is greater than ever before.

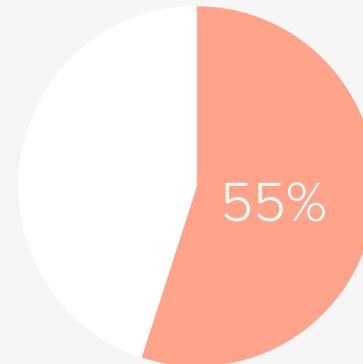
Consumer Survey Snapshot



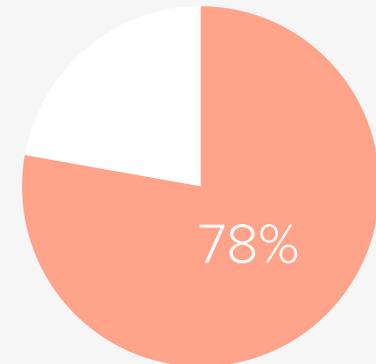
31% are less likely to shop in-store than they were before the coronavirus crisis



53% are buying more things online than normal



55% say they have also bought products online that they previously only ever bought in physical stores



78% will be buying more online over the next year

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 failings with the online buying experience.

45% of shoppers say that online deliveries are taking more time since the crisis and more than a third have been let down by an online order since the crisis started.

The result: four in ten shoppers (42%) say poor online experiences have lessened their trust in online shopping since the coronavirus crisis.

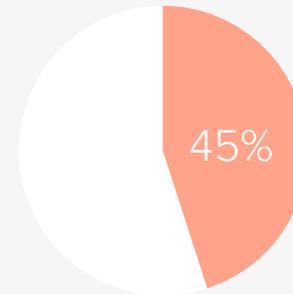
While in the shorter term there may be some goodwill on the part of customers due to an extraordinary set of circumstances, this won't last long. Trust makes a huge difference in the choices we as consumers make when it comes to selecting a brand or retailer. One of the most damaging things a retailer 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

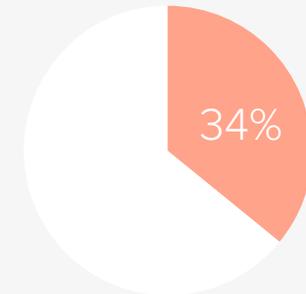
The current environment with its heightened demand offers huge opportunity, but, the pitfalls are plentiful. Few retailers are seeking to address the operational complexities that lie beyond the buy button which means they are quickly running into problems - especially on the delivery side of the equation.

Retailers need to be wary of prioritizing 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.

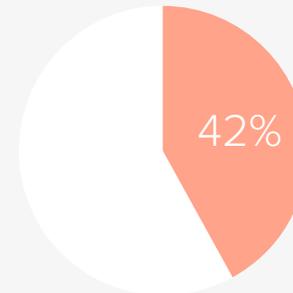
Consumer Survey Snapshot



45% say that online deliveries are taking more time since the crisis



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



42% say that less reliable 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 towards shopping at the mall

Empty storefronts, already an all-too-common sight even in retail hotspots such as Manhattan, are not set for a reprieve in any time soon.

Our poll shows that 66% of American shoppers are planning to make fewer shopping trips to malls and shopping streets, with 38% also agreeing that they are more likely to shop online than in-store.

Compare that to responses collected about online behavior: over three quarters said they'll be ordering more on Amazon, which is set to be a big winner, while 56% say they will increase use of buy online, pick up in store services.

The difference in attitude is striking.

Key takeaway

With 53% of consumers having increased their online shopping and 78% saying they intend to do so further over the next 12 months, there is clearly 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 within a crowded landscape and persuade shoppers to break from their Amazon-first shopping habits.

Over the next 12 months...

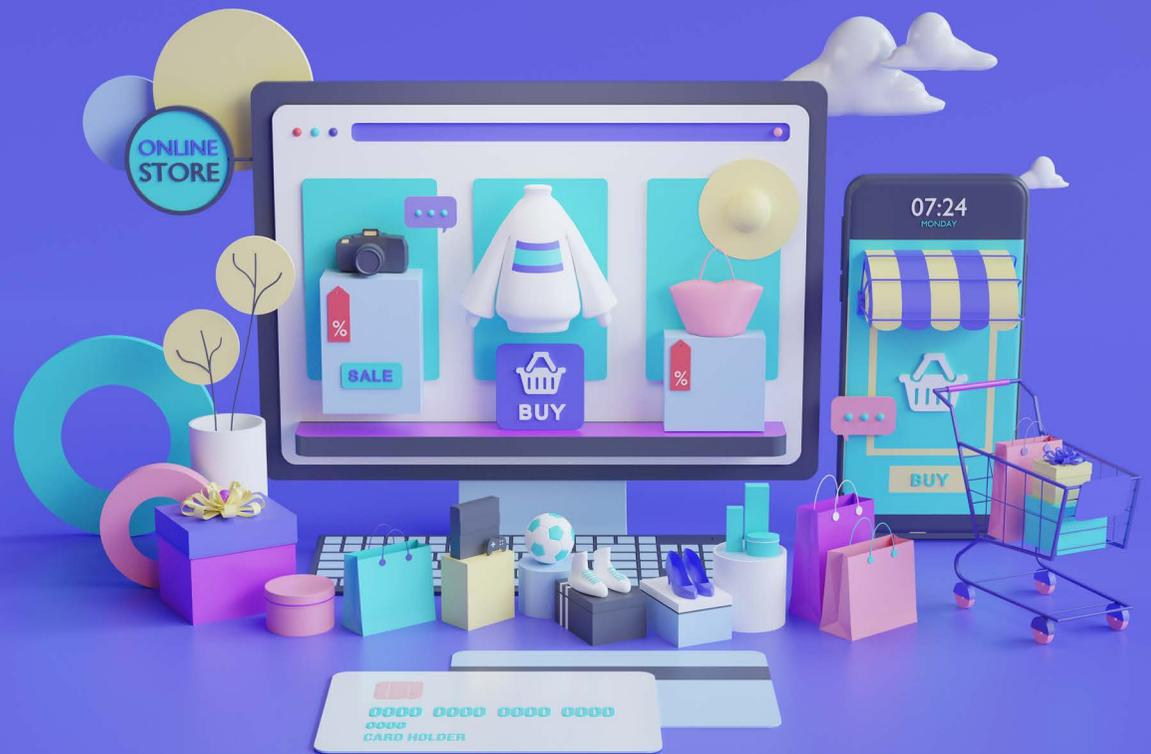


“Brands must remember they are competing with Amazon. Customers want ease of purchase - but they also want their products as quickly as possible. They can count on that with Amazon, so as a retailer, you must be able to offer similar convenience, personalization and speedy fulfillment. Brightpearl enables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

Lalan Shrikam
Founder, Malabar Bay

Chapter 3

Latest shopper habits are to remain for the long-term



Chapter 3

Changing habits

While habits are hard to break, once broken and change is accepted, they may never be formed in the same way again. Indeed, only 27% of American shoppers say they will continue to shop as they did before the crisis. Furthermore, 75% say they will shop more from local businesses and 71% plan to shop with independent retailers – this is of significant proportion and demonstrates the profound effect the impact of coronavirus has had on our day-to-day thinking.

New financial reality changes priorities

In the same vein, 62% of those polled agree that the coronavirus crisis has made them re-evaluate their spending and made them less materialistic. It's a rather profound statement, however it is backed up by hard evidence in the changing spending priorities.

“Only 27% of consumers say they will continue to shop as they did before the crisis”

Expert analysis: Andrew Busby

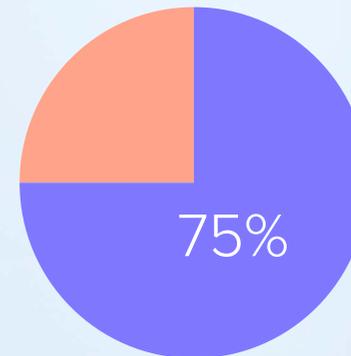
Psychologists will tell us that it takes 66 days for a new behavior to become embedded, and of course the coronavirus pandemic and associated measure has been with us for a lot longer than that. So it appears reasonable to predict that many of our behaviors will not be reversed.

One clear trend emerging from Brightpearl's research is that when we do shop in physical stores, it's more likely to be locally. Longer trips to shopping destinations are far less frequent. And when we do visit physical stores our expectations and number one priority now is that we will enter a safe premises.

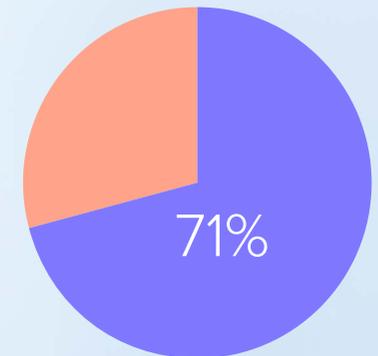
For retailers and brands, especially those in city centers, this will have a significant impact but we are already beginning to see the green shoots of a new model. For example, more stores have started to offer a subscription model, so famously exploited by Amazon Prime, to attract greater footfall. For example, some independent coffee shops are offering up to five hot drinks per day for just \$25 per month - and over the next year I expect this approach to become prevalent in many more retail business models.



Consumer Survey Snapshot



75% say they will shop more from local businesses



71% say they will shop more from independent retailers



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 and were ahead of the curve in terms of the investment 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 behavioral change and technological acceleration, the key drivers shaping the future of the retail industry, but unfortunately, almost half **(48%) of retailers have made no changes to their business model in the event of another spike of Covid-19, despite only 43% saying that 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 prioritizing 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 behavioral 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.

48% of retailers have made no changes to their business model to prepare for further spikes of Covid-19, despite only 43% saying that their business could survive the devastating impact of a second wave



Conclusion

The importance of future-proofing

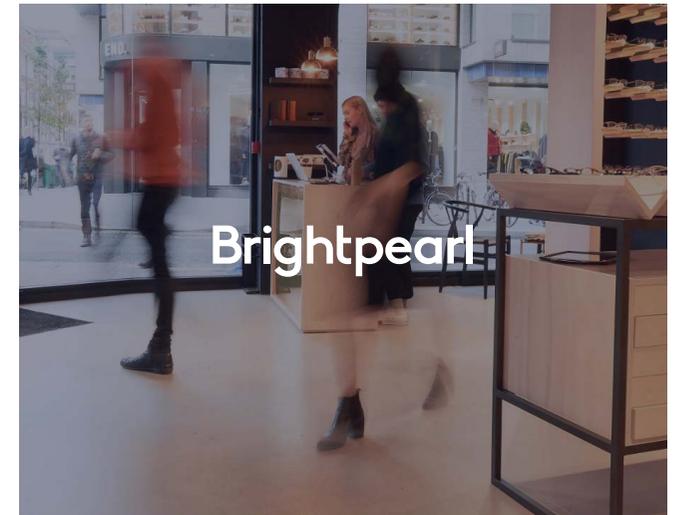
Key takeaway:

Online firms need to future proof for second wave resilience. And, even when the virus recedes, new online behaviors 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 traveling 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 realize your digital ambitions. Speak to one of our consultants today.

Get in touch

Brightpearl Reports

