

Evolution of Retail: 2016 Holiday Consumer Mobile Usage

A Euclid Analytics Commissioned Consumer Survey Report - October 2016



Executive Summary

When it comes to everyday shopping, brick-and-mortar stores still have the edge over online stores. While online shopping has become a multibillion dollar revenue stream where online shopping retail sales are expected to reach \$414 billion by 2018¹, 9 out of 10 retail dollars² are still generated in brick-and-mortar stores with a current total addressable market of \$4.3 trillion¹.

The results of this survey highlight the current trends in retail shopping and analyze the shopping behavior of customers across the upcoming holiday season. Accustomed to an Amazon world, an increasingly sophisticated consumer base is driving brick-and-mortar retailers to re-evaluate their business model, blurring the line between an online and offline world. Physical retailers are now compelled to find new, innovative ways to enhance the customer experiences within their brick-and-mortar stores, taking their cues from the digital world.

In this 2016 Euclid Analytics report, over 91% of respondents stated that they shop at least once a week in physical stores. In addition, 83% of consumers - an overwhelming number - indicated their smart devices were central to their shopping experience.

Methodology

In September 2016, Euclid Analytics commissioned a study of approximately 1,500 U.S. consumers who own smartphones to discover 1) consumer preferences during the holiday season, 2) the evolution of consumer shopping behaviors (mobile engagement), and 3) how smart devices are evolving the physical retail industry.

Survey respondents came from diverse age groups, regions, household incomes and shopping preferences, revealing mobile usage while shopping is a common behavior across a wide variety of consumer demographics.

¹ eMarketer, Dec 2015

² U.S. Census, 2016

Shopper Trends

Despite digital disruption in the industry, consumers still shop more frequently in stores than online

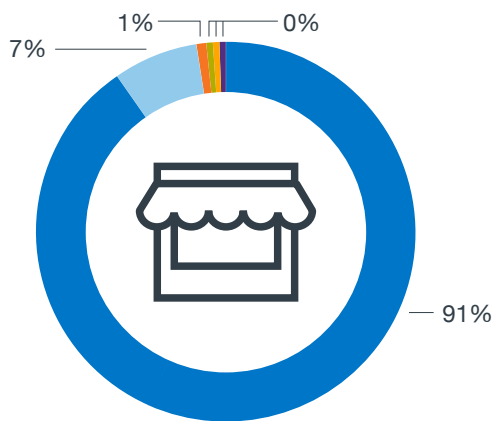
Physical stores still garner more frequent visits than their online counterparts. 91% of respondents visit physical stores at least once a week, and only 49% of respondents shop online with the same frequency. Despite the allure of ecommerce, physical retail plays a critical role in consumers' weekly lives.

The experiential nature of physical retail--the ability to see and touch products, to "kick the tires" as it were--is cited as the top reason (67%) why respondents opt for in-store visits over ecommerce. Closely behind the sensory nature of direct product interaction, consumers also appreciate browsing, and the immediate gratification of purchasing items.

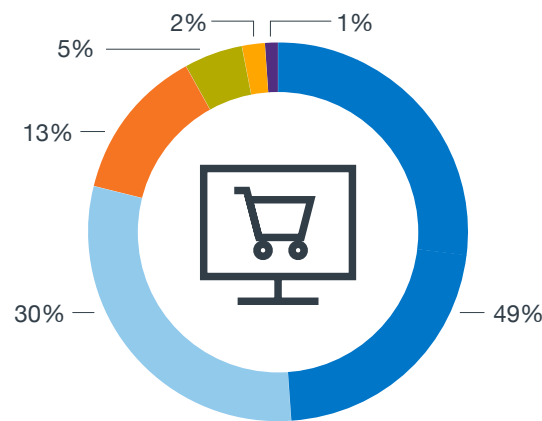
Conversely, consumers saw clear disadvantages to in-store shopping. Namely, the respondents dislike the inconveniences associated with waiting in line (45%) and travelling to the store (33%).



How often do you shop in a STORE?



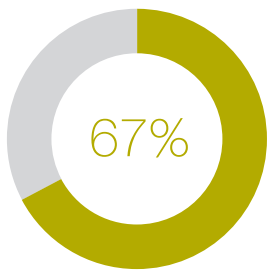
How often do you shop ONLINE?



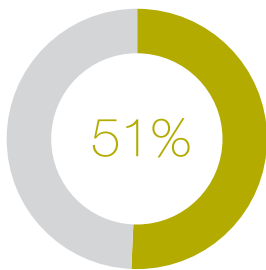
- At least once a week
- Once a month
- Once every three months
- Once every six months
- "Never, I'd rather be stuck in traffic"
- Don't know

What are the main reasons you like to shop at a physical store in general?

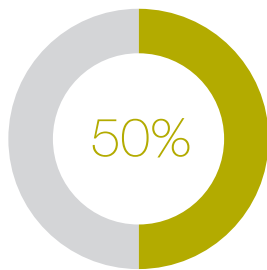
I like to see, hold, and try on products before I buy



I enjoy browsing stores



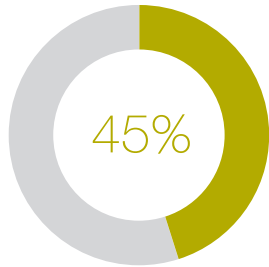
I don't have to wait for products to be delivered



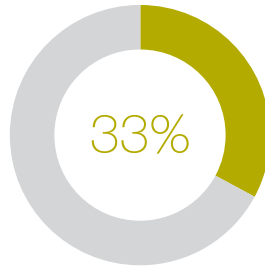
There are more discounts in store	22%
I can seek advice from store associates	17%
I can interact with other shoppers	11%
I don't like to shop at a physical store	3%

What are the main reasons you DO NOT like shopping in a physical store?

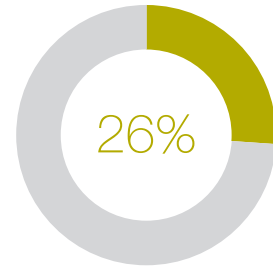
I have to wait in line



I have to physically go to the store



I don't have as many selection choices as when I shop online



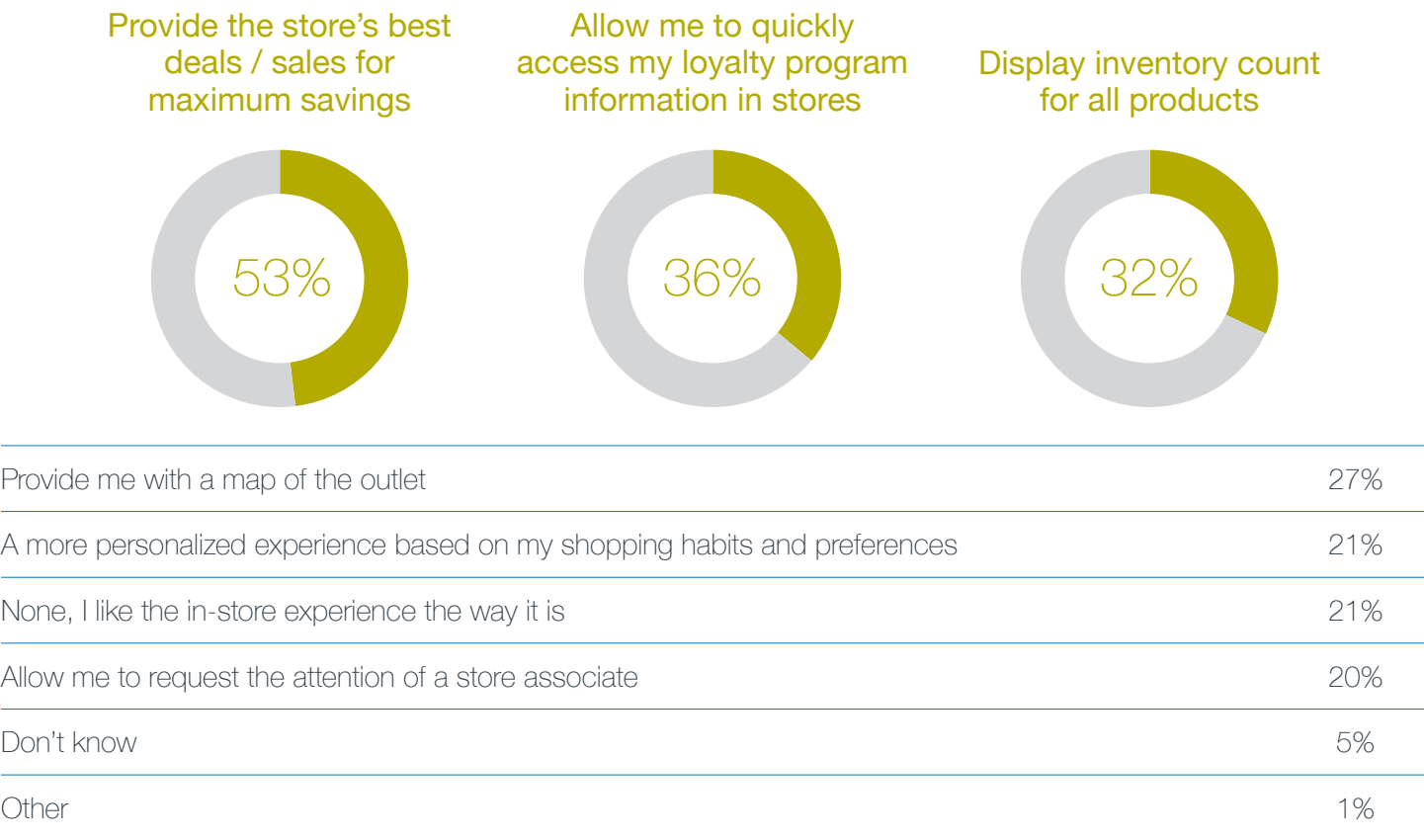
I have to interact with other shoppers	23%
It is hard to find the items I am looking for	19%
I love shopping at a physical store	19%
I have to carry the things I bought	18%
I cannot compare the products with what I already have at home	11%



Gifts and coupons drive consumer inclination to engage with retailers

Smartphones have become an indispensable part of daily life. The survey respondents had definite opinions around the integration of mobile-driven experiences in stores. Unsurprisingly, respondents would primarily welcome digital experiences with retailers in the form of receiving the store's best deals and sales (53%) and quick access to the retailer's loyalty program information (36%).

In what ways would you like to see retailers use smartphone features to enhance the in-store shopping experience?



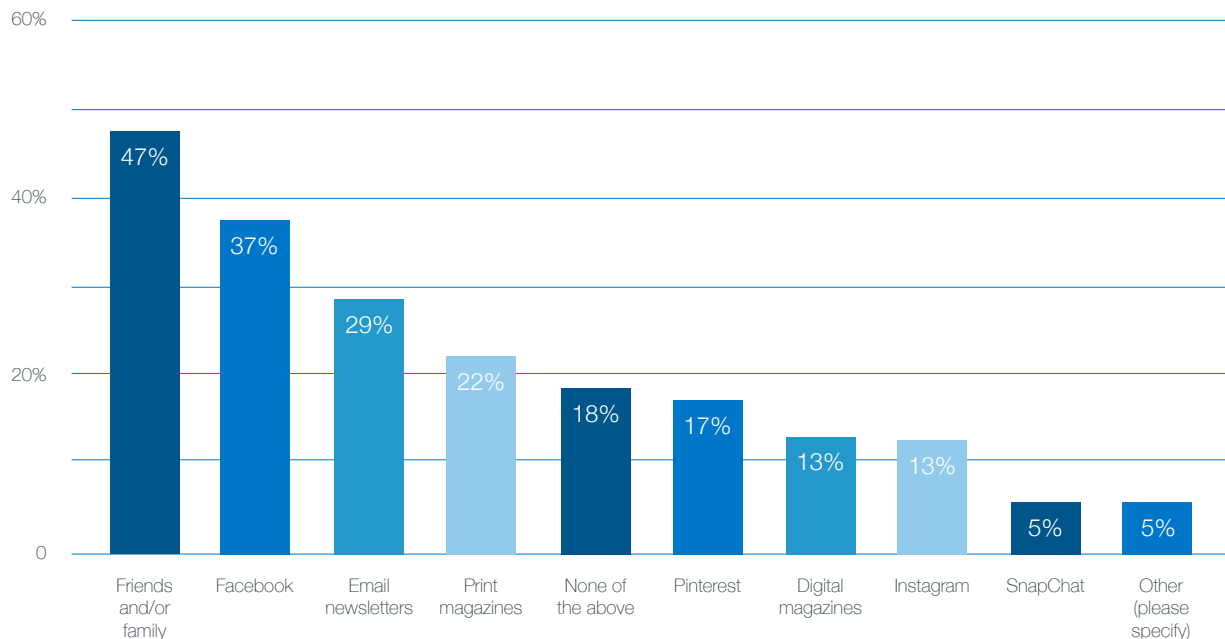
Keep them engaged during the holidays or risk losing them to Amazon

Create brand awareness using Facebook and email

When respondents were asked which sources were most frequently used for new product discovery, friends and/or family (47%) led the way, quickly followed by Facebook (37%). In fact, the latter could be perceived as an extension of the former, signaling that word-of-mouth, whether digital or physical, is the biggest source of brand awareness. In preparation for the busiest shopping season, Facebook should be the top advertising category for retailers to drive brand awareness in advance of the holidays.

The third most popular category for learning about new products was email with nearly one-third of respondents (29%) listing email-based communication as a main source for discovering cool new products. This medium is consistently selected among all demographics (from millennials to baby boomers) as a top source of new product discovery, encouraging retailers to continue building and enriching their email databases.

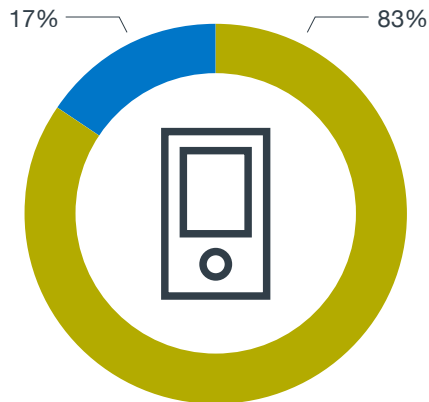
What do you rely on most to find cool new products?



Create in-store digital experiences to delight and engage shoppers

While brick-and-mortar still plays a key role in the holiday shopping experience, consumer attention in store is unfocused and drawn in many directions. Not surprisingly, retailers are competing with the mobile phone for consumers' attention. In fact, 83% of respondents cited using their device while they shopped.

Smartphone Usage in Store



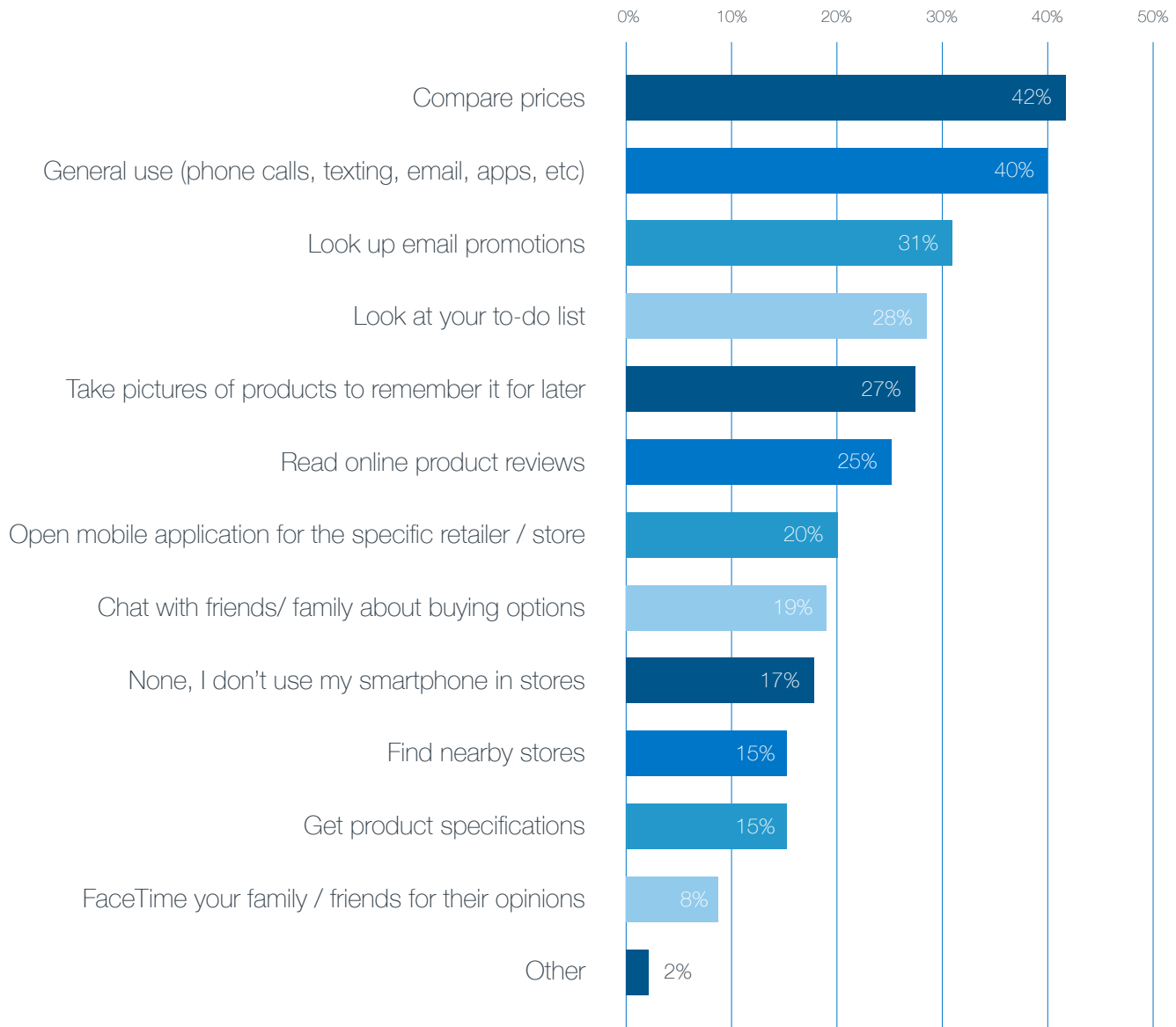
- Use smartphones in store
- Don't use smartphones in store



Evolution of Retail: **Holiday Consumer Mobile Usage**

The top smartphone-driven activity? Comparing prices. 42% of respondents admitted to using their smartphones to compare prices while in the store. Additionally, 40% of respondents are using their smartphones for general use, including phone calls, texting, emails and apps.

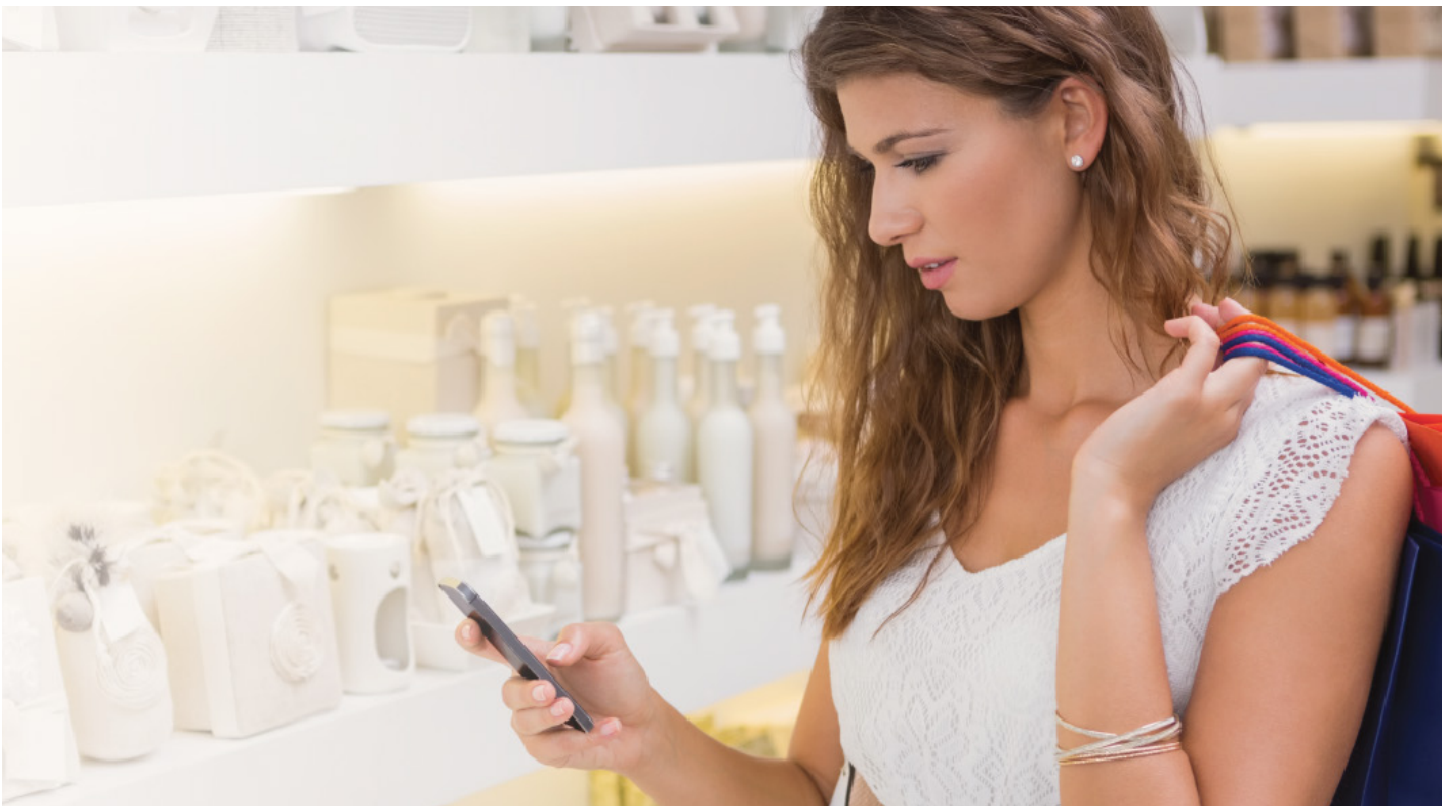
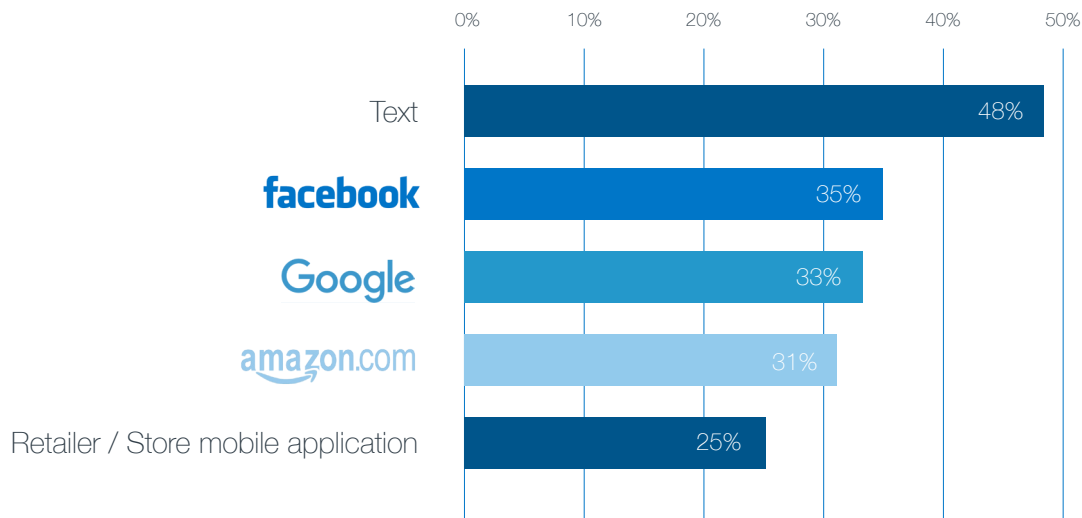
In what ways do you use your smartphone in stores?



Evolution of Retail: Holiday Consumer Mobile Usage

To learn more about app usage in store, the survey inquired which mobile features and apps were accessed while shopping in retail stores. After texting (48%), the most commonly used apps were Facebook (35%), Google (33%) and Amazon (31%). It's likely that the respondents using their mobile device to compare prices would be using either Google or Amazon to do so.

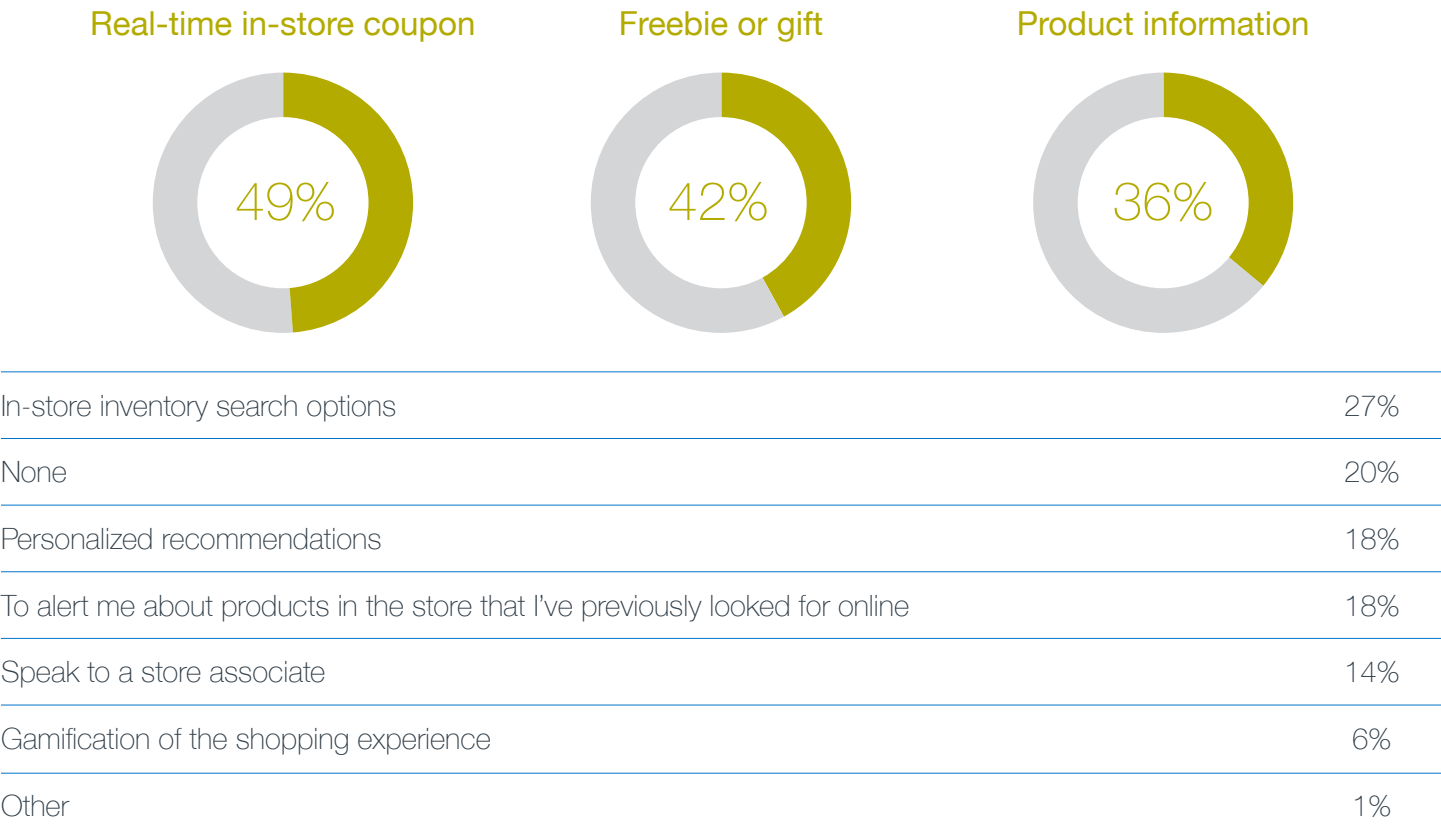
Which mobile apps/features do you use while shopping in a retail store?



Evolution of Retail: Holiday Consumer Mobile Usage

Smartphone use causes brands to miss opportunities to convert their visitors - so retailers have no choice but to keep consumers engaged. Delivering relevant messages during an in-store shopping experience with an offer for a coupon or a gift may influence a purchase. When surveyed, almost half of respondents (49%) stated that they would want to be engaged by retailers during a store via mobile with real-time in store coupons.

How do you most want to be engaged by a retailer on your phone DURING a shopping experience?



Conclusion

During the noisy, promotion-heavy holiday season, retailers must employ digital strategies to engage shoppers or risk losing them to Amazon. It's clear that when consumers decide to make the effort to visit stores, they are focused on the experiential nature and expect the same coupons they receive online. Accustomed to a highly personalized Amazon experience, shoppers visit stores for something they can't find online—the ability to physically touch and try products. Brick-and-mortar retailers should capitalize on this inherent advantage to engage their visitors, while offering a coupon or gift in order to fully influence the purchase in store. In fact, the use of coupons or providing gifts will discourage distracted shoppers from comparing prices and seeking alternate avenues for purchase.

Longer-term, as retailers look to increase brand awareness before, during and after the holiday season, nothing speaks louder than a word-of-mouth. As Facebook represents the digitization of referrals through family and friends, retailers might consider increasing investment in advertising for that channel. That said, emails continue to be a source of influence and should be captured by retailers both in-store and online, as they represent the single identifier to transcend the physical and digital worlds.