



Growing Customer Loyalty in Retail During Uncertainty

The State of Retail in the Pandemic

As the COVID-19 crisis continued through the year and stay-at-home directives have been slow to lift, many companies are struggling to plan for the future. Continued outbreaks in pockets across the country, especially as students returned to classrooms and college campuses, have fueled fears of 'another wave.' Pharmaceutical companies are pursuing vaccines, with several entering stage 3 trials.¹ However, the timeframe for approval and then mass vaccination remains highly uncertain and retailers should be prepared for pandemic impacts to persist well into 2021 without further clarity.

Overview of Results

Few people have been untouched by the pandemic in a variety of challenging ways and with it their shopping behaviors have had to adapt as well. In fact, just a scant 20% of respondents to a recent Deloitte survey indicated that their shopping behavior has not changed in recent months. In the crisis's early days, nearly a third of these consumers went as far as purchasing grocery items that they said they didn't even need for fear of future shortages or to fill their pantry in preparation for the next wave of the pandemic. Before the pandemic online grocery shopping, whether via store pickup or direct home delivery, was a growing, but still relatively small piece of the market. The crisis has only served to accelerate a trend towards these types of online shopping that we originally expected would take several more years to materialize. In just the first few months of the crisis the number of respondents who were previously unlikely to order groceries online for delivery or curbside pickup dropped by nearly 20%.

Broadly, our survey results point to enduring future changes for retailers and consumer products companies alike, well beyond just how customers fill their pantries with essential goods during the pandemic: 47% of respondents indicated that the way a brand is reacting to the COVID-19 crisis will influence whether they buy from them in the future. The younger respondents were, the truer this was: these numbers rise to 51% with Millennials and even further to 54% with Gen Z.

The results point to both barriers and emerging solutions. They also include many underlying complexities and surprises: with work from home being the new normal and in-person social events often restricted, only 10% of respondents strongly agreed that they couldn't wait for their shopping for beauty products to be 'back to normal.'

Methodology

Deloitte surveyed 16,000 respondents to understand how the landscape of consumer preferences and actions is changing in light of the overall uncertainty. The data here primarily represents a 2,000-person subset who received additional retail and consumer product-related questions. The sample was balanced against the census for age, gender, and region. Some additional data are drawn from the larger survey and additional Deloitte research to inform overall trends.



Consumers Seek Safety but Avoid Burdensome Restrictions

Unsurprisingly, in this environment, safety is a top concern for customers as they go about their shopping, but there is a critical nuance in how they want and expect retailers to react: consumers are looking to put the burden of safety measures on retailers – preferring heavy and visible sanitation of stores over social distancing or customer screening initiatives that might be seen as invasive.

Almost three quarters of customers cite sanitation frequency and quality as a top concern when going shopping, but only 57% of respondents cite proximity to other shoppers among their top concerns. Even less, just 43%, cite the behavior of other shoppers as a top concern. Data from the broader survey shows that only 1% of customers are mostly focused on customer screening such as temperature checks upon entry.

TAKEAWAY:

Consumers prefer proactive and visible sanitation measures over safety measures that place the burden on the customer and retailers should be leaning into this trend to continue to reassure their shoppers.

Millennial Spotlight

While all generations saw shifts in their respective shopping behaviors, Millennials saw the most pronounced impacts in our survey:

54%

bought items out of concerns for being sold out later

25%

bought items they said they did not need because others were buying them

75%

indicated they increased basket sizes on shopping trips

Millennials are often thought of as the young and upcoming generation, but they have passed that mantle onto Gen Z and now represent the largest adult population group in the US. Understanding and continuing to cater to this group as they age will be essential for many retailers.



The Impact for In-Store Experience

While in recent years we've seen a push towards more experiential retail that entices shoppers to stay in the store, consumers are now more eager than ever to avoid crowds and trade that experiential shopping trip for an extremely efficient in and out visit.

The survey saw a 24% increase in respondents who said shopping efficiently and not spending much time in the store is 'very important.' Respondents who say the store being uncrowded is 'very important' increased by 35%.

TAKEAWAY:

In light of this 'get in, get out' mentality, retailers should stay focused on moving customers through the store quickly and limiting the number of customers who are inside at any given time.



Customers Are Watching How Businesses Behave

Customers are also concerned with how businesses are responding more broadly to the pandemic—particularly, how their employees are treated. 78% of respondents indicated that they are more likely to purchase from brands that adjusted their business to support employees during the crisis. 74% indicated they were more likely to purchase from brands that prioritized keeping employees on payroll.

TAKEAWAY:

Companies need to remain vigilant in their responses to the continuing pandemic impacts; their responses could influence customer behavior for many years to come.



Pressured Incomes, Rising Savings

Companies face the dual challenges of falling consumer disposable income and shrinking share of wallet as they lose out in favor of personal savings. Disposable personal income dropped 4.2% and 1.1% in May and June respectively before edging slightly higher in July². And, with extraordinary government stimulus, which represented more than 10% of personal income from April through July³, likely to be lower in the fall incomes will continued to be challenged in the months ahead. Personal savings rates began increasing in March—peaking at a high of 33.5% in April and remaining elevated through the following months. Data from our survey respondents supported that trend: 60% of respondents indicated they are increasing saving rates, all of this combined could lead to a prolonged period of uncertain and potentially lower consumer spending.

As the holiday season arrives, we expect retailers and brands alike to drive for an even earlier start to the deals in mid-October, to help them capture consumer dollars as early as possible, effectively before consumers run out of dollars to spend. This, if widely adopted, should also serve to smooth out the holiday spike, and let stretched last-mile delivery supply chains handle the additional omnichannel demands of the season.

TAKEAWAY:

Capitalizing on customer loyalty will offer some insulation to lower overall income and rising savings as companies will need to maintain and take share to protect their businesses. In the face of a shrinking attainable market, it is more important than ever for companies to focus on maintaining loyalty amongst the customers they've already acquired.



An Uptick in Unsubscribe

Retailers also need to be prepared for some of the downsides of what could be a weak economic environment in the coming quarters. With the economy alarming many consumers and creating uncertainty over jobs, income, and even government stimulus, less than a third of customer respondents said they are willing to commit to subscription shopping services at this point. A previous shift to subscription for almost anything a customer could want could see some retrenchment as consumers feel less and less secure about their future economic prospects.

TAKEAWAY:

In the face of a potentially challenging economic environment for the next several quarters, retailers should be prepared for the long haul here with weaker consumer income and lower spending driving decisions as much as the pandemic.



Opportunities: Local Business, Curbside Pickup

In light of these challenges and the risk of losing customers, what can retailers do to best position themselves for the future? We've seen several emerging trends and behaviors that point to solutions.

72% of consumers say that supporting small businesses is important when purchasing non-essential items, versus 59% prior to the pandemic. 59% indicated they were more likely to purchase local items. This extends beyond store location—the largest change in future purchasing considerations for non-essential items was the place of product manufacture, with an 18% increase in those who ranked it as important.

Shifts in consumer comfort with indoor spaces and omnichannel shopping have also driven an increase in curbside pickup, with nearly half of customers interested in using it.

TAKEAWAY:

Retailers should capitalize on consumer trends toward shopping for more local products. In the future retailers need to be focused on how to rapidly but also cost effectively adapt to the shift in consumer demand.

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END NOTES

¹ <https://khn.org/news/a-coronavirus-vaccine-where-does-it-stand/>

² <https://www.bea.gov/news/2020/personal-income-and-outlays-july-2020>

³ <https://www.bea.gov/sites/default/files/2020-08/effects-of-selected-federal-pandemic-response-programs-on-personal-income-july-2020.pdf>