

2018/2019 Winter Consumer View

2018 saw retailers' investments in technology, fulfillment and store experience pay off as consumers flocked to new ways of browsing and buying. This was especially evident during the holiday season and signals what is ahead for shoppers and brands in 2019.

The Winter 2018/2019 Consumer View looks at what is behind shoppers' expectations for how they browse, buy and engage with brands.

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Key findings

Consumers drove a number of notable trends in 2018, including a growing affinity for retail events, gifts of experience and rising expectations around fast and free fulfillment. These trends paint a picture for the retail landscape in 2019.

Differentiating on experience works

82 percent of shoppers who attended a retailer event in the last year say they are interested in similar events in the future.

Shoppers want to buy "that lovin' feeling"

From spa days to cooking classes to outdoor excursions, consumers are spending more on, and gifting more, experiences.

Free is the first rule for fulfillment

More shoppers expect free shipping for orders of \$50 or less. And the number one reason consumers use buy online pick up in store? It's free.

But basics remain key

Consumers still expect retailers to deliver on the basics like quality customer service, free shipping and the ability to shop online.

They look to brands for inspiration

36 percent of those who gifted an experience said they found inspiration in a retail store. And more brands are influencing the experience "path to purchase."

BOPIS is closing the digital divide

From picking up at the register to curbside delivery, shoppers — particularly those in Generation Z — are embracing buy online, pick up in store.

Shopping the experience

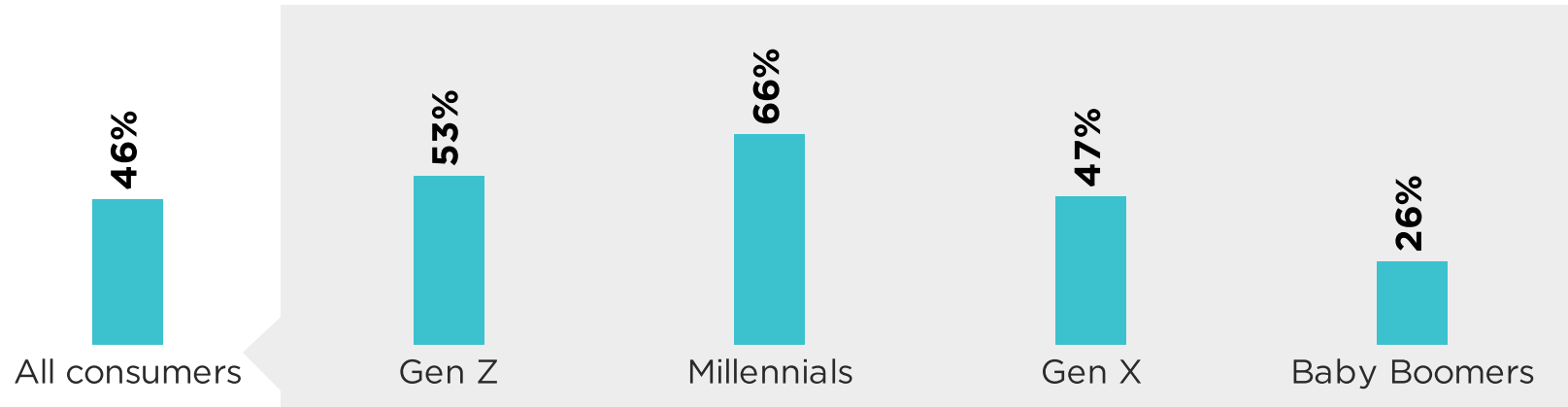
From store parties and pop-up experiences to immersive events, 2018 saw retailers **redefining the rules** for customer engagement. And it worked: **Shoppers of all ages** are embracing **new ways** of interacting with their favorite brands.



Retail + entertainment: 2018's winning formula

Nearly half of consumers attended at least one "retailtainment" event in the past year. This jumps to two-thirds among millennial shoppers.

Percent who attended a retailer or brand event in the past year



The most popular retailer events in 2018:



50%

Early / exclusive access to items or a sale



40%

Product demo or tutorial



32%

Pop-up shops

Top three types of retail events (among those who attended at least one event in last year)

A path to growing customer engagement

Looking forward, consumers continue to express interest in retailer experiences.

Interested in going to a retailer event

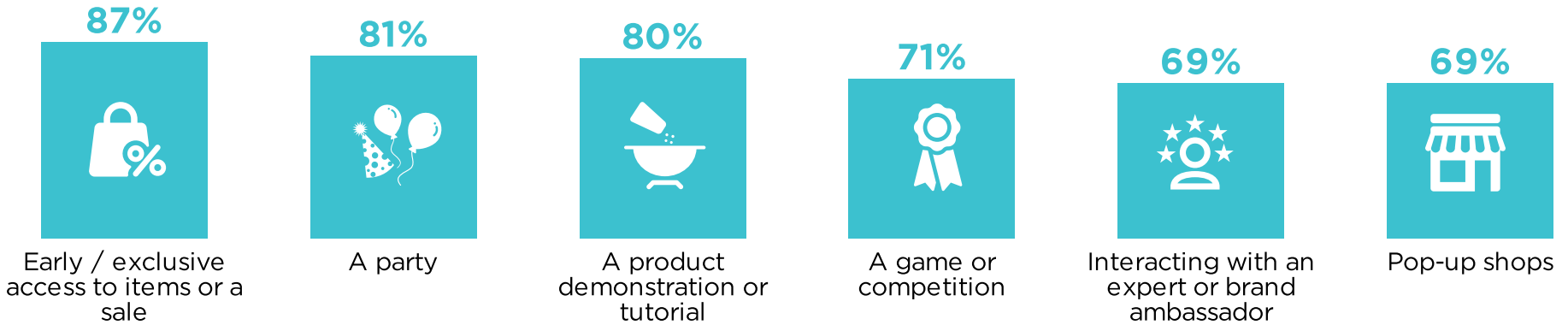


Source: NRF's 2018/2019 Winter Consumer View

Events that draw consumers in

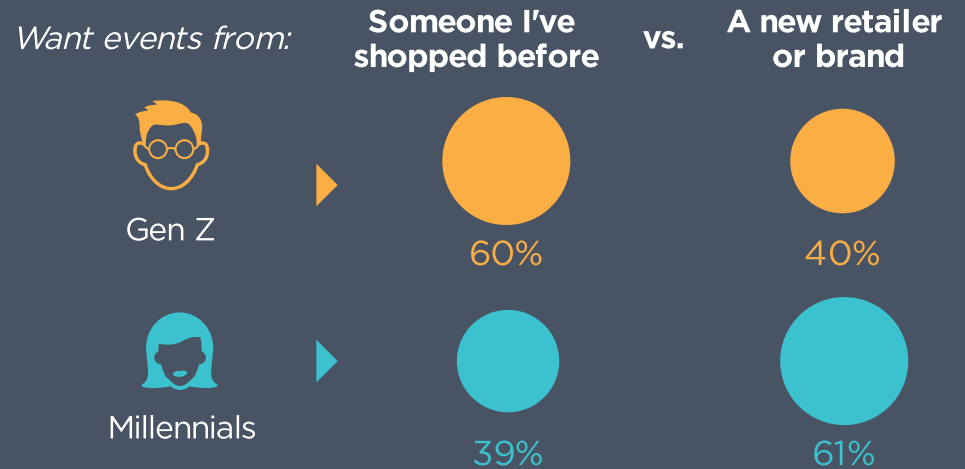
Consumers are interested in trying almost any type of retailer event or experience, from early access to sales and store parties to product demonstrations and other events that aid them as they research and explore a purchase.

Retailer events consumers are interested in attending



Do events bring in new customers or engage current shoppers?

It depends on who is attending. Gen Z is more interested in events from retailers they've shopped before, while millennials want to discover new brands.



Trend alert: Experiential retail

From ecommerce pure plays to bricks-and-mortar giants and established household brands to startups, retailers are making retailtainment a core part of their business.

CoverGirl

A new flagship store in NYC will offer everything from virtual greeters to reality glam stations.

Canada Goose

Cold rooms in stores let customers see how its products perform in frigid temperatures.

Walmart, Lululemon and Wayfair

Engaged consumers with in-store experiences during the 2018 holiday season.

Starbucks and Dollar Tree

Introduced games in their mobile apps to reward loyal shoppers.

Back to the basics

Even as they engage shoppers in new and creative ways, retailers have to keep the fundamentals in mind. Consumers still expect retailers to deliver on the basics including quality customer service, free shipping, ecommerce and flexible return options.

What consumers expect from retailers



63%

Quality customer service



60%

Free standard shipping



58%

Ability to buy online



57%

Flexible returns



57%

Ability to find what I want quickly and easily



55%

Speedy or simplified checkout



51%

Product reviews

Sharing the experience

In addition to ordinary purchases like apparel, electronics and household items, shoppers have another spending category: **experiences**. Nearly a third of consumers report **spending more** on experiences like travel, dining out or entertainment than they did a year ago. But consumers **don't want to just have** experiences, they also want to give them: **29 percent** say they have given a gift of experience in the last year.



Who is gifting experiences?

Three in 10 of all consumers, and nearly half of millennials, have given a gift of experience in the past year. Even more are interested in giving such gifts in the future.

Have given a gift of experience in past 12 months

All consumers



Millennials



are giving more gifts of experience now compared with a year ago

And even more are interested

Interested in giving a gift of experience



68%

All



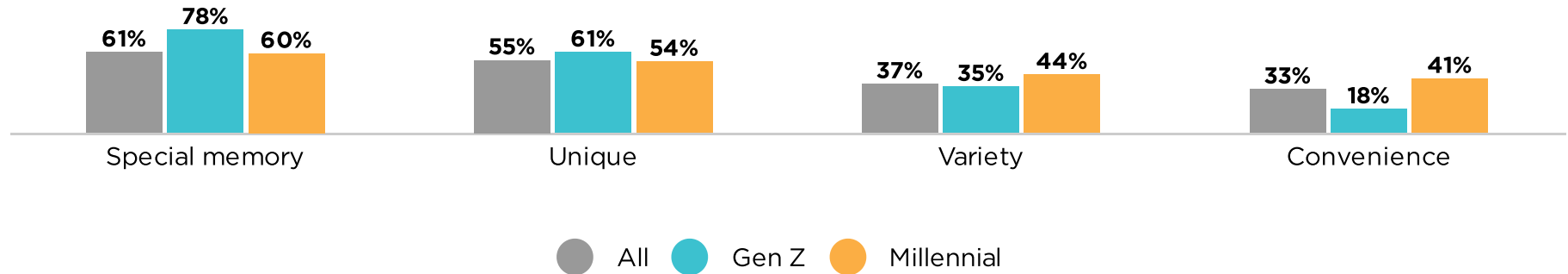
83%

Millennials

Motivating and inspiring the gift

Consumers give gifts of experience because they are convenient, more unique and create special memories.

Why consumers give gifts of experience



Inspiring the gift: From blogs to social media to the store, opportunities abound for brands to help consumers bring experiences to life.

Where consumers find inspiration for gifts of experience



Trend alert: Inspiring the experience

More than a third of those who give gifts of experience say they find inspiration directly in retail stores. And brands are listening, offering experiences that can be given as gifts and engaging consumers in meaningful ways.

REI

Organizes weekend camping trips and outdoor adventures that not only showcase REI products and its brand but can also be purchased as gifts.

TOMS

Placed VR headsets in 100 stores, enabling it to virtually transport customers to Peru to see the impact of its One for One giving campaign on local people.

American Girl

Stores hold parties, lunch events and spa experiences for kids and their dolls.

L.L. Bean

Created an experiential campaign to help workers escape their cubicles and enjoy the great outdoors.

Product subscription services: The gift that keeps giving

Consumers can use subscription services to buy (or rent) everything from coffee to clothing to pet supplies. And, as with experiences, more consumers are looking to subscription services to meet their gifting needs.

16%



Have given a product subscription service in the last year

69%



Of these are giving more of these types of gifts than they were a year ago

48%



Of all shoppers are interested in giving a product subscription as a gift

Existing subscribers want to share the love

More than half of consumers who currently have a product subscription service say they have also gifted one in the last year, compared with just 9 percent of those who are not current subscribers.

Percent who have gifted a subscription box in the past year



56%

Subscriber



9%

Non-subscriber

Selling: Fulfillment as an experience

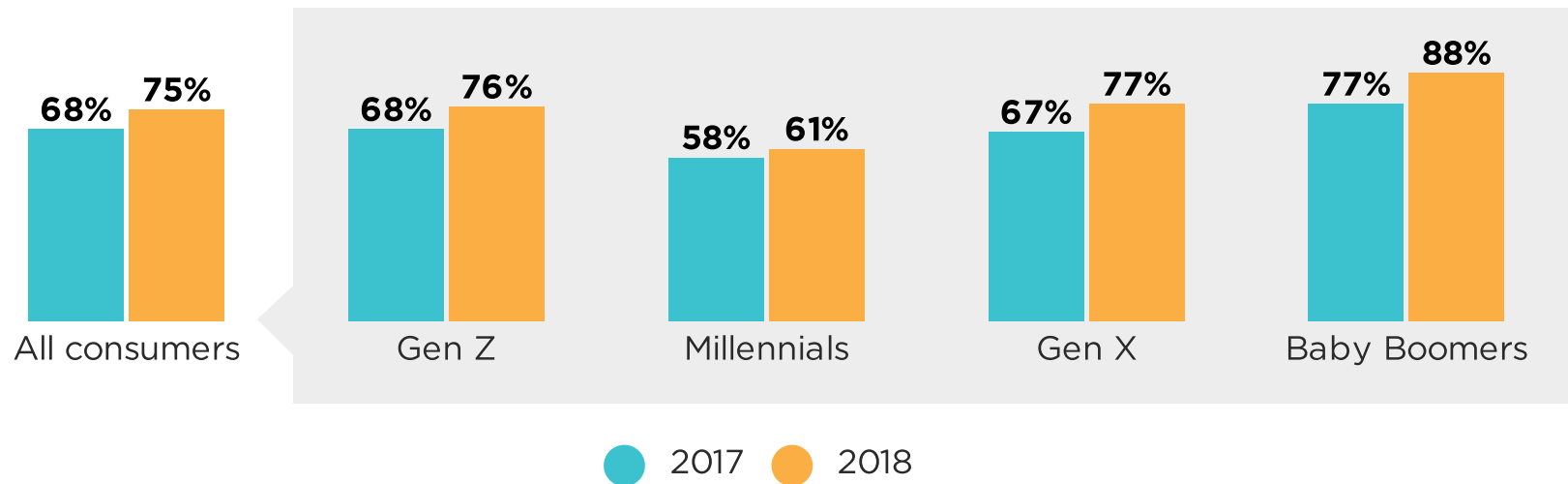
As the realms of **physical and digital shopping** converge, retailers are offering **more choices** than ever in terms of how and when shoppers receive their purchases. And consumers are actively embracing these new fulfillment options . . . **as long as they're free.**



Lowering the free shipping threshold

Consumers continue to put pressure on retailers when it comes to free shipping. Compared with 2017, more shoppers say they expect free shipping for orders under \$50.

Percent who expect free shipping for orders under \$50



Consumers now factor shipping costs into their buying decisions before they even get to the point of checkout. Nearly two-thirds of shoppers look up shipping costs before adding items to their online shopping carts.

Percent who look up shipping costs before adding items to their cart



The move to free and fast shipping

In 2018, many retailers expanded free two-day shipping for more events like the holidays and Back to School. Nearly 40% of consumers now expect brands to offer free two-day shipping.

Expect retailers and brands to offer free two-day shipping

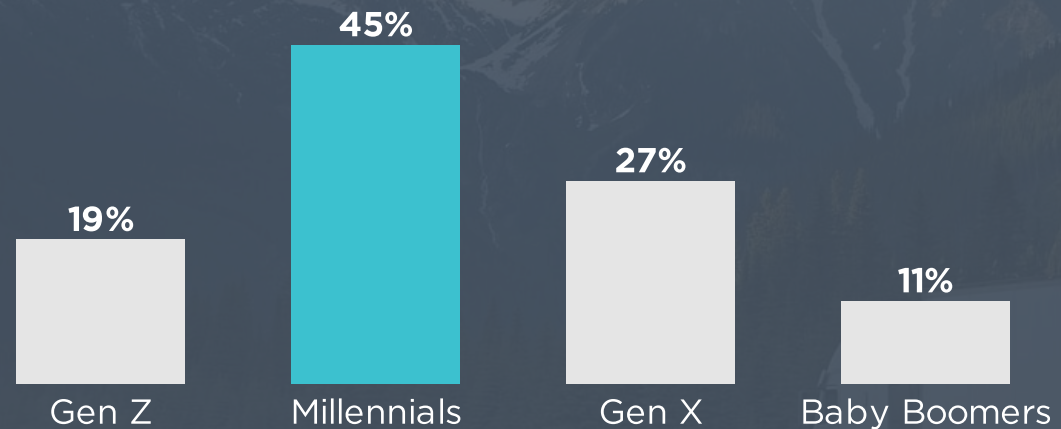


Back out of a purchase because the retailer did not offer free two-day shipping



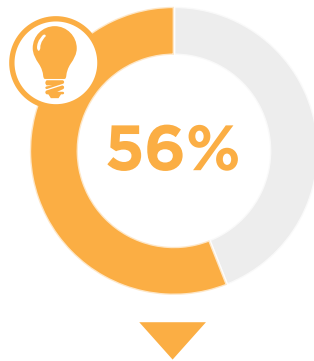
Free two-day shipping is more likely to be a deal breaker for millennials than for other generations.

Percent who say a lack of free two-day shipping would be a purchase deal breaker

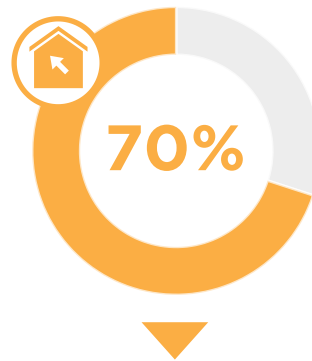


Closing the physical, digital divide

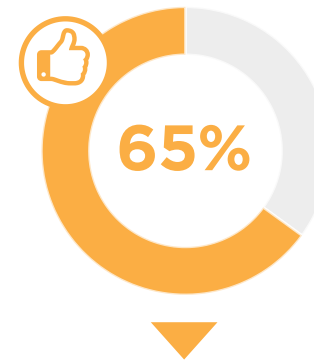
Buy online, pick up in store is integral to the customer experience in 2018. More than half of shoppers are now aware of BOPIS, of those, 70 percent have used it. Notably, the majority of shoppers who tried BOPIS say it improved their shopping experience.



of shoppers are aware of BOPIS



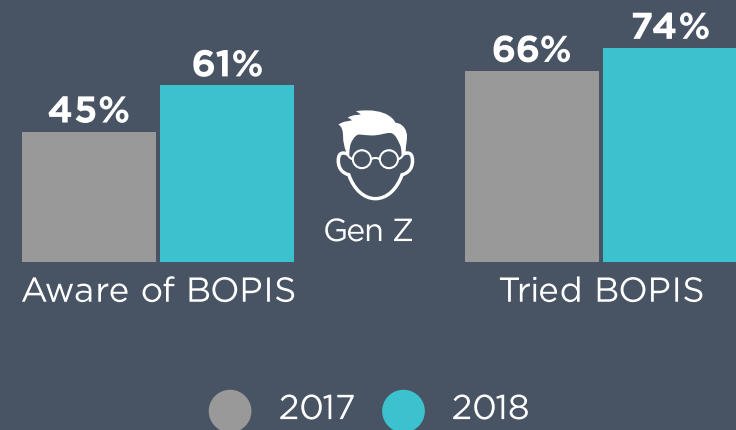
of those who are aware of BOPIS tried it



of those who tried BOPIS say it improved their experience

Gen Z embraces buy online, pick up in store.

Awareness among the youngest consumers has grown from 45 percent in 2017 to 61 percent in 2018. Nearly three-quarters of those who heard of BOPIS in 2018 actually tried it for themselves.



How "free" factors into BOPIS

The top reason BOPIS customers say they choose to pick up in store is to avoid paying for shipping.

Why shoppers use BOPIS



64%

To avoid paying for shipping



37%

Needed something right away



36%

Received a discount or promotion to try it



31%

Had to go to the store anyway



23%

It was more secure than having items delivered to my home

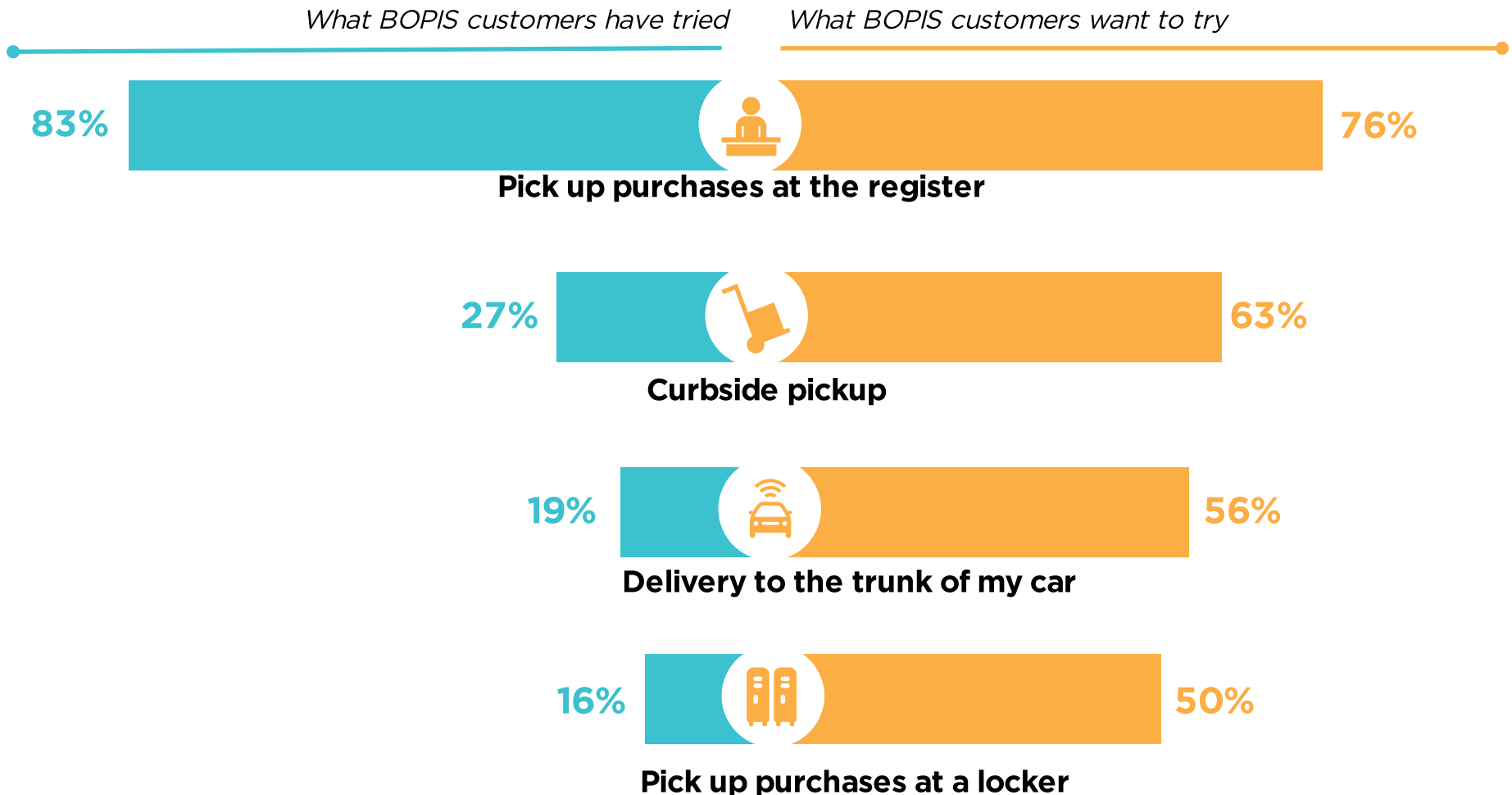


20%

To see the item in person

"Pick up in store" is not "one size fits all"

There are several different ways consumers can currently pick up their purchases when using BOPIS, including at the counter, at a locker or curbside. As BOPIS enters the mainstream, shoppers are expressing interest in having choice when it comes to receiving their items.



Source: NRF's 2018/2019 Winter Consumer View

Trend alert: New expectations for the last mile

During the holiday season and beyond, retailers are offering shoppers more options in terms of how (and when) they get their items.

Target, Walmart and Everlane

Among the many retailers offering free two-day incentives through the 2018 holiday season.

The Home Depot

Streamlined the buy online, pick up in store experience through features including reserved parking, lockers and dedicated check out and order loading areas.

DSW

Optimized its stores as fulfillment centers to better meet shoppers expectations. Today 50 percent of DSW online orders are fulfilled by stores.

Amazon

Offered free shipping to everyone during a limited time during the holidays, with no minimum order value or Prime membership required.

ABOUT THE CONSUMER VIEW

The Consumer View is a quarterly study that tracks consumer behavior and shopping trends across stores, online channels, loyalty and technology. The 2018/2019 Winter Consumer View, powered by Toluna Analytics, was conducted among 3,002 U.S. adults (aged 18+) October 23 — November 30, 2018. The consumer poll has a margin of error of plus or minus 2 percentage points. For more information, visit: nrf.com/consumerview.

ABOUT NRF

NRF is the world's largest retail trade organization, representing discount and department stores, home goods and specialty stores, Main Street merchants, grocers, wholesalers, chain restaurants and internet retailers from the United States and more than 45 countries.