

Global Consumer Insights Survey 2018

From mall to mobile: Adjusting to new consumer habits



pwc

Behavioural researchers have found that habits are essential to human happiness and accomplishment. Without steady habits, we're easily overwhelmed in many walks of life by the sheer array of options.

That's been good for business for manufacturers and retailers, which have long benefited from stable consumer habits. People reliably shopped at the nearby grocer, grabbed last-minute items at the convenience store, and enjoyed the ease of drive-in restaurants. They stayed loyal to favourite brands for decades, encouraged by regular advertising and occasional discounting. That predictability reduced risks and lowered costs for everyone.

Fast forward to today. Digital disruption has spurred a creative reinvention of consumer habits over the past few years, collapsing some routines and creating entire new consumer behaviours. This is especially true for emerging markets, where many of the newly-minted middle class grew up without significant disposable income, and now find themselves with both the requisite purchasing power and the access to advanced technologies to participate in the global economy. This article explores where habits are developing and changing the most—channels used to shop, delivery speed of online orders, and inspiration of purchases—and how companies can benefit by adjusting their businesses accordingly.



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How channel habits are shifting

E-commerce has grown steadily, to the point where it accounts for an estimated one-tenth of worldwide retail sales. Emerging markets are especially keen on more

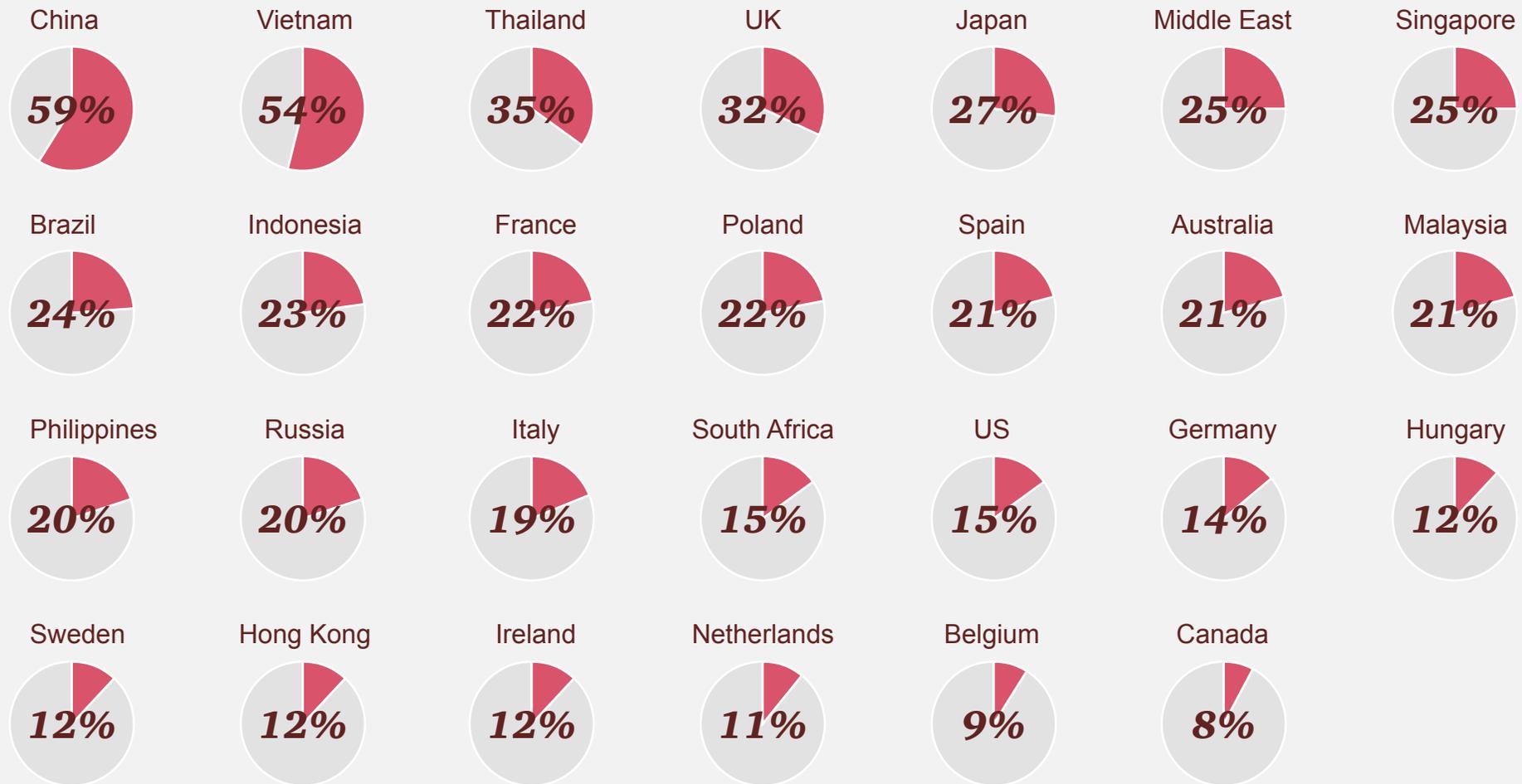


online buying, as seen in those consumers' greater likelihood to buy groceries online in 2018 (see Figure 1, on the next page). But the more interesting statistic lies in how brick-and-mortar stores have remained a key channel. PwC has been surveying consumers worldwide annually since 2010. Initially, it seemed people were buying from physical stores less often. By 2015, only 36% of respondents said they shopped at bricks-and-mortar at least weekly. But the past three versions of PwC's Global Consumer Insights Survey (GCIS) have seen increases in weekly bricks-and-mortar shoppers, from 40% in 2016 up to 44% in this year's survey. Physical shopping is, in fact, not falling out of favour as an activity, a finding reinforced by the unexpectedly strong showing of physical retailers in the 2017 holiday season.¹ 'Order online, pick up in store' options may also contribute to physical stores' continued popularity.

50%
of all respondents use smartphones to complete payment at a bricks-and-mortar store, either through customised orders in advance, in-store apps, or a mobile payment platform at checkout.



Figure 1: The likelihood of purchasing groceries online: it's still niche with room to expand



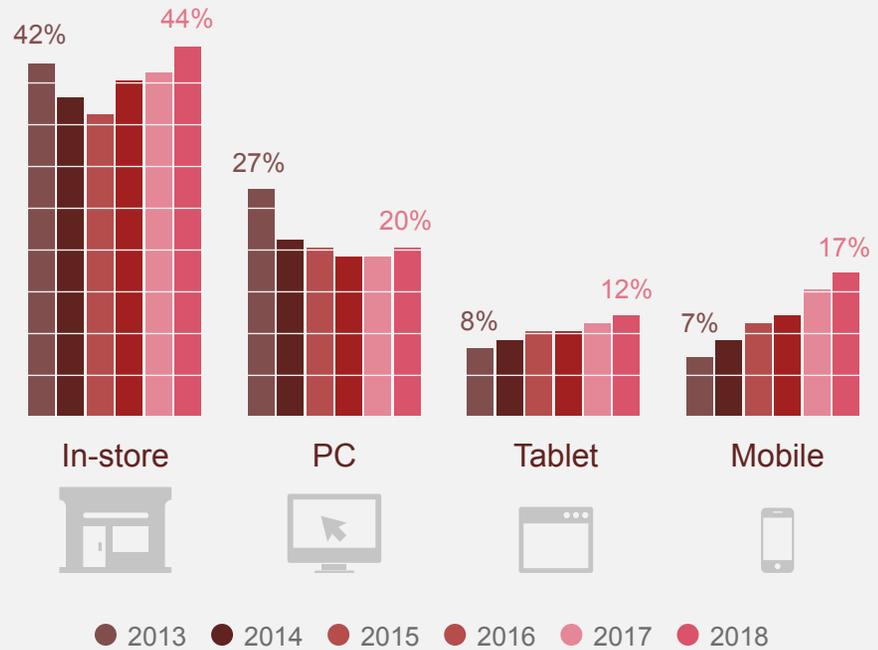
Q: Over the next 12 months, how likely are you to purchase grocery online?

Source: PwC, Global Consumer Insights Survey, 2018

The main drop-off has been in purchases by personal computer (PC), which fell from 27% to 20% over the six-year period, as the ‘Six Year Reflection’ table shows (see Figure 2). The same chart shows tablet buying rose only slightly, from 8% to 12%. But mobile commerce more than doubled, from 7% to 17%—and will likely soon surpass PC-based buying.

Another emerging consumer habit, especially in Asia, is a propensity for mobile payment. This year’s survey asks new questions about mobile payment, and the results were striking. Half of all respondents use smartphones to complete payment at a bricks-and-mortar store, either through customised orders in advance, in-store apps, or a mobile payment platform at checkout. Nearly half of those respondents, or a quarter of the entire survey, say they now prefer mobile payment.

Figure 2: The six year reflection: store resiliency and the rise of mobile



Q. How often do you buy products (e.g. clothes, books, electronics) using the following shopping channels?

Base: 22,481 (Chart represents percentage of daily and weekly usage combined)
Source: PwC, Global Consumer Insights Survey, 2018

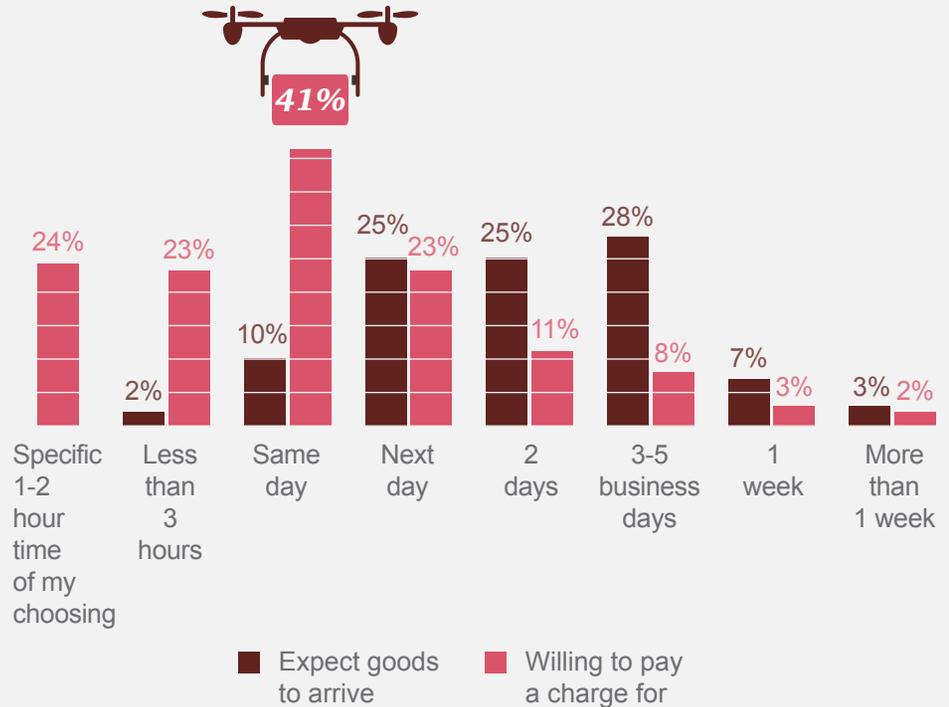
Shopping as experience, with delivery speed playing a key role

Consumers are shifting their shopping to instant gratification: as soon as they want something, they can order it, rather than think about it until their next shopping excursion. They don't even need to open their device; they can simply tell their digital assistant, such as Amazon Echo or Google Home, to make the purchase. That's happening even for groceries, the last bastion of physical retail. Almost half of all respondents surveyed expected to buy groceries online in 2018.

Indeed, with deliveries becoming ever quicker—especially in densely populated cities—the dream of instant gratification could eventually become reality. More than 40% of our respondents say they would pay an extra charge for same-day delivery. A similar percentage is willing to accept delivery by drone, at least for low-value products (see Figures 3 and 4).

If physical shopping is no longer so necessary from a utilitarian perspective, why have weekly store visits been on the rise, as shown above? It's likely that shoppers are seeking something else. Instead of a practical errand, they're seeing shopping increasingly as a sensory and social experience. Just think of the immersive experience of an IKEA or Sephora store visit.

Figure 3: Consumers expect their purchases to arrive promptly and are willing to pay extra for same day delivery

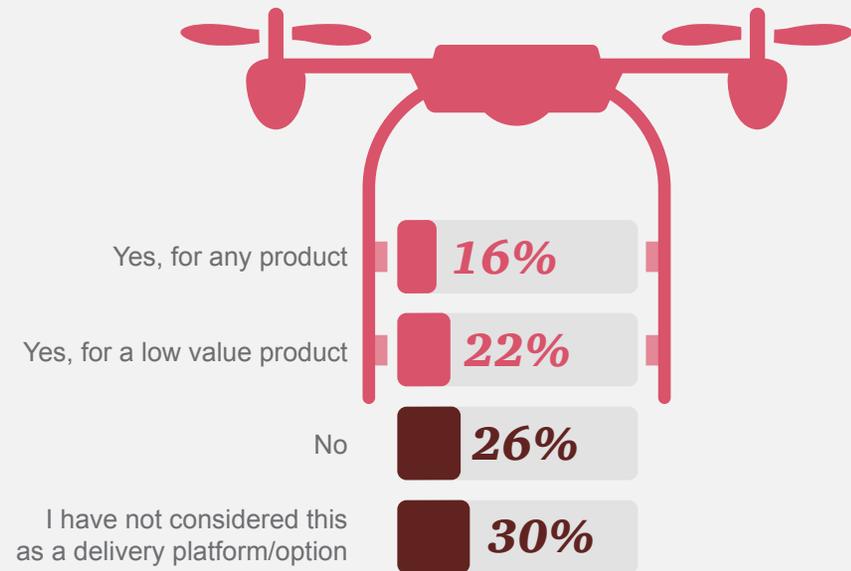


Q: For the majority of your online purchases how soon do you expect your goods to arrive? Which of the following delivery lead time frames are you willing to pay a charge for?

Base: 22,480 (Chart represents percentage of daily and weekly usage combined)
Source: PwC, Global Consumer Insights Survey, 2018

Together these new habits—smartphone-based shopping and the in-store experience—offer an opportunity for savvy retailers and manufacturers. They can reduce their on-site inventory and free up space for a more engaging showcase of their products, offering brand-complementary activities. And thanks to the ubiquitous smartphones, these investments may not be so capital-intensive. Instead of making room for large in-store video screens, for example, stores can simply invite shoppers to access videos on their smartphones from the cloud.

Figure 4: Almost 40% of consumers would consider a drone as a delivery method



Q: Would you trust a drone device to deliver your package?

Base: 22,480 (7% of consumers selected 'Don't know')

Source: PwC, Global Consumer Insights Survey, 2018

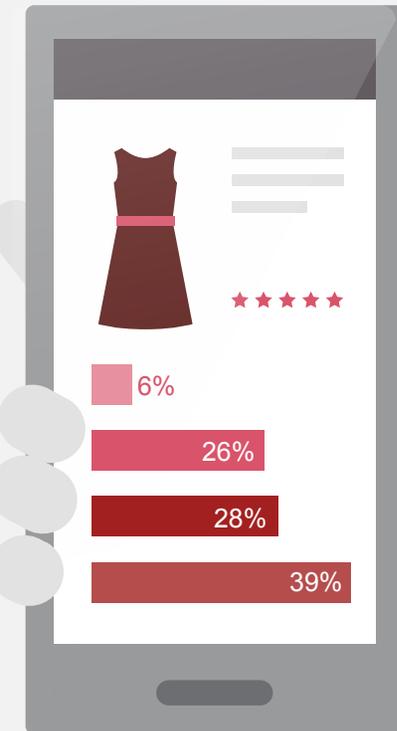
Ambitious retailers can go further and offer virtual reality, but this trend is still moving slowly. More than a third of respondents still had not experienced this technology in stores, and of those who did, only slightly over half were satisfied (see Figure 5).

Sources of inspiration: the new influencers

Another new habit has major ramifications for how companies communicate sales messages: consumers want to know what their peers think. When asked where they went online to get inspiration for purchases, a plurality (37%) chose social media, with individual retailer websites at 34% (see Figure 6, on the next page). Perhaps most interesting was that emails from brands or retailers were named by just 14% of global respondents, meaning that that mode of outreach doesn't resonate with consumers rejecting intrusive sales pitches and searching for authenticity. Many companies are, in fact, reallocating a sizeable portion of their advertising budget from print and television to digital advertising targeting social media users, but the trick is to present their brands and products naturally in the social media discourse. Fenty Beauty, for example, founded by the Barbadian singer and songwriter Rihanna, gained credibility with its target consumers through a

Figure 5: Almost 40% of consumers have not yet experienced virtual reality in store

Virtual experience of products and services—augmented reality



Q: Please rate how satisfied you are in relation to your in-store shopping experience for the following attributes.

Base: 22,481

Source: PwC, Global Consumer Insights Survey, 2018

network of beauty bloggers who tested and reviewed its products. Another example is the casual restaurant chain Sweetgreen which posts photos on Snapchat with a customer commenting on a favourite salad combination, together with the chef commenting on making it.

Companies can make their job easier by targeting their messages using the enormous amount of consumer behaviour data now available. But they must tread carefully. While 41% of our survey respondents are comfortable with retailers monitoring their shopping patterns to tailor special offers for them, just 34% want retailers sending special offers when they are in the vicinity of the store. Opposed outright to location-based offers are 37% of our global respondents.

Figure 6: Social networks are most influential when finding inspiration



Q: What online media do you regularly use to find inspiration for your purchases?

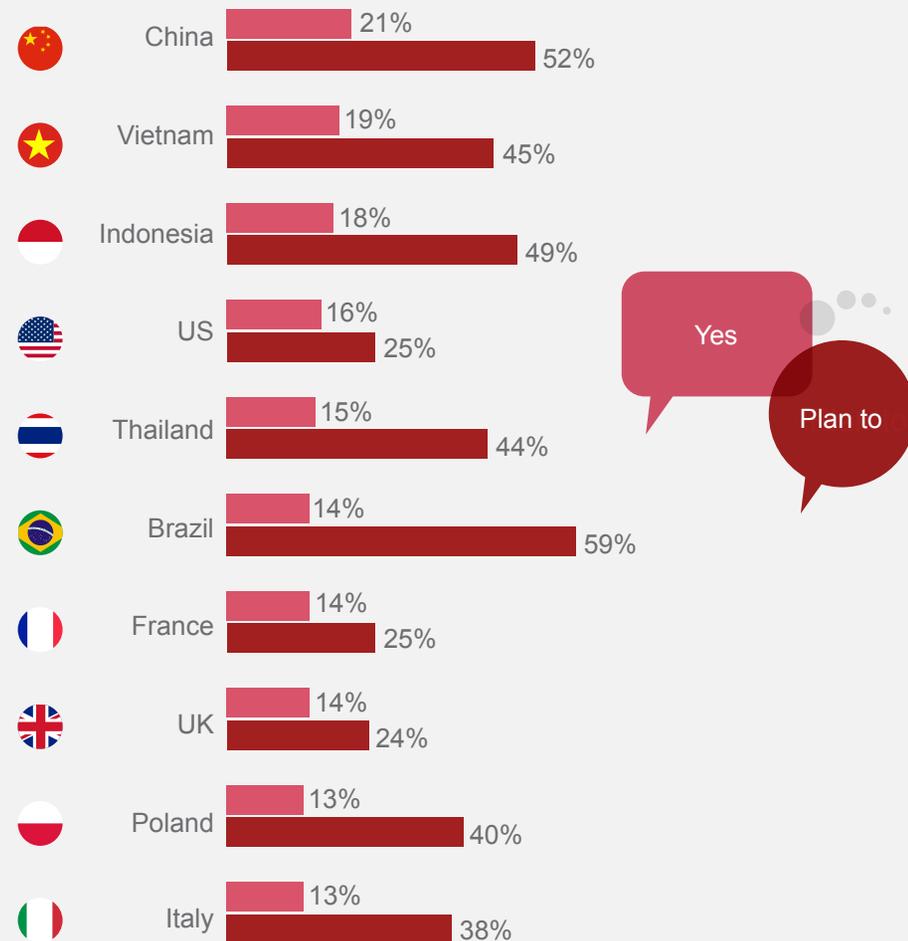
Base: 22,481 (Respondents were asked to select **up to three** options)

Source: PwC, Global Consumer Insights Survey, 2018

When it comes to so-called artificial intelligence (AI) shopping assistants, it's unclear how habit-forming these devices are. A full 42% of our global respondents had either already purchased or plan to purchase an Amazon Echo, Google Home, or other consumer AI device. For those who already owned one, 30% said it had led them to spend less, a good deal more than the 18% who were spending more. Figure 7 breaks down the country-by-country respondents most likely to own or planning to own an AI device.

Companies should respond to these new consumer habits by shifting their focus and investments accordingly. That means more attention to smartphone dynamics, as well as investments in AI and store experiences—especially in emerging markets. New business practices to support these investments can help companies go with the flow of new consumer behaviours, rather than fight the current.

Figure 7: Ownership of AI: Top 10 countries



Base: 22,480

Source: PwC, Global Consumer Insights Survey, 2018



Sources

- 1 International Council of Shopping Centers, “Post-Holiday Survey”, 9 January 2018; “Retail Sales Grew 4.9 Percent this Holiday Season” news release, 26 December 2017, <https://newsroom.mastercard.com/press-releases/mastercard-spendingpulse-retail-sales-grew-4-9-percent-this-holiday-season/>

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About PwC's Global Consumer Insights Survey

Since 2010, PwC has annually surveyed thousands of consumers around the globe to track shopping behaviour, and then chronicled these findings in various global reports on the future of retail under the "Total Retail" banner.

This year we decided that a new umbrella term for our findings was warranted: PwC's Global Consumer Insights Survey. We want to acknowledge that the once bright lines demarking retailers, manufacturers, technology companies, logistics service providers, and healthcare organisations are becoming more and more obscured as consumers are more open than ever to non-traditional solutions.

www.pwc.com/consumerinsights

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