

THE FUTURE SHOPPER REPORT 2020



Data gathered globally during COVID-19 outbreak, giving insight into how the outbreak will affect the future shopper.

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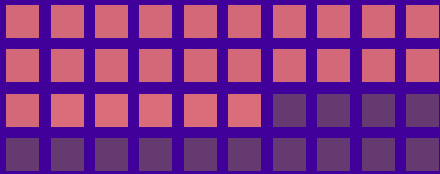
50-51 SERVICES TO SUPPORT BRANDS AND RETAILERS

EXECUTIVE SUMMARY

We know how busy work can be. And one thing that always gets pushed down the priority list is reading industry insights. With this in mind, if you've only got two minutes free, we've packaged up our key take-outs from our report:

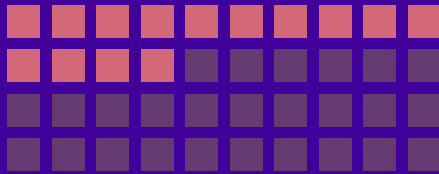
65%

of consumers expect to use digital shopping channels more in the future



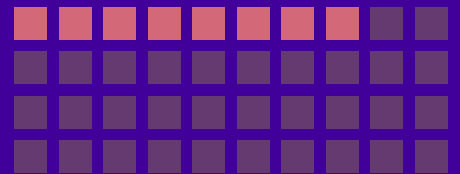
34%

of shoppers would prefer their online purchases to be digital and instantly downloadable



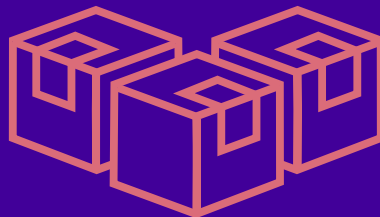
19%

of online shoppers favour social media for inspiration



27%

currently use or have used a voice assistant

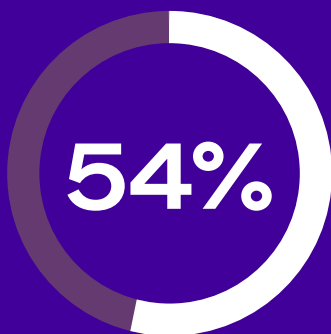


71%

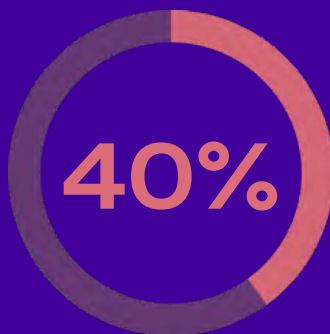
of online shoppers said they wish retailers and brands offered better environmental practices, such as less packaging



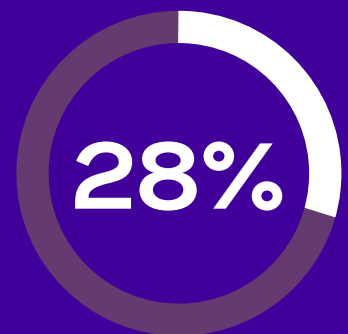
the number of times consumers order from Amazon each month, on average



identify "free delivery" as an important reason for going direct to branded sites



of consumers never buy groceries online



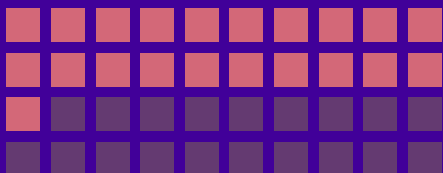
of products bought online are now digital products

EXECUTIVE SUMMARY



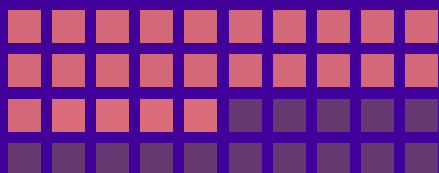
52%

of online shoppers get their inspiration from Amazon



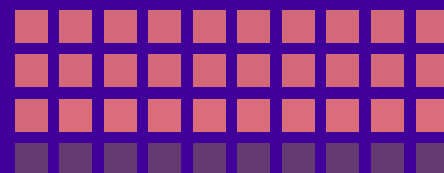
63%

of online consumers start their online searches for products with Amazon



75%

of digital consumers wish more brands and retailers offered the same level of services as Amazon

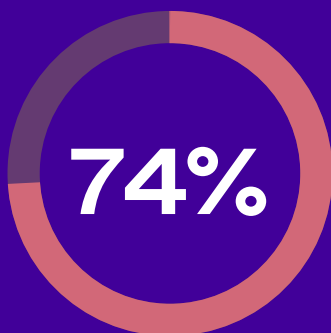


1 DAY!

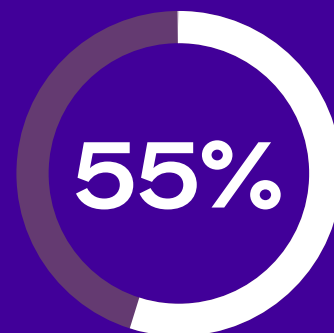
Prime members expect deliveries almost a day earlier than non-members



wish brands would be more innovative in how they use digital technology to improve their experience

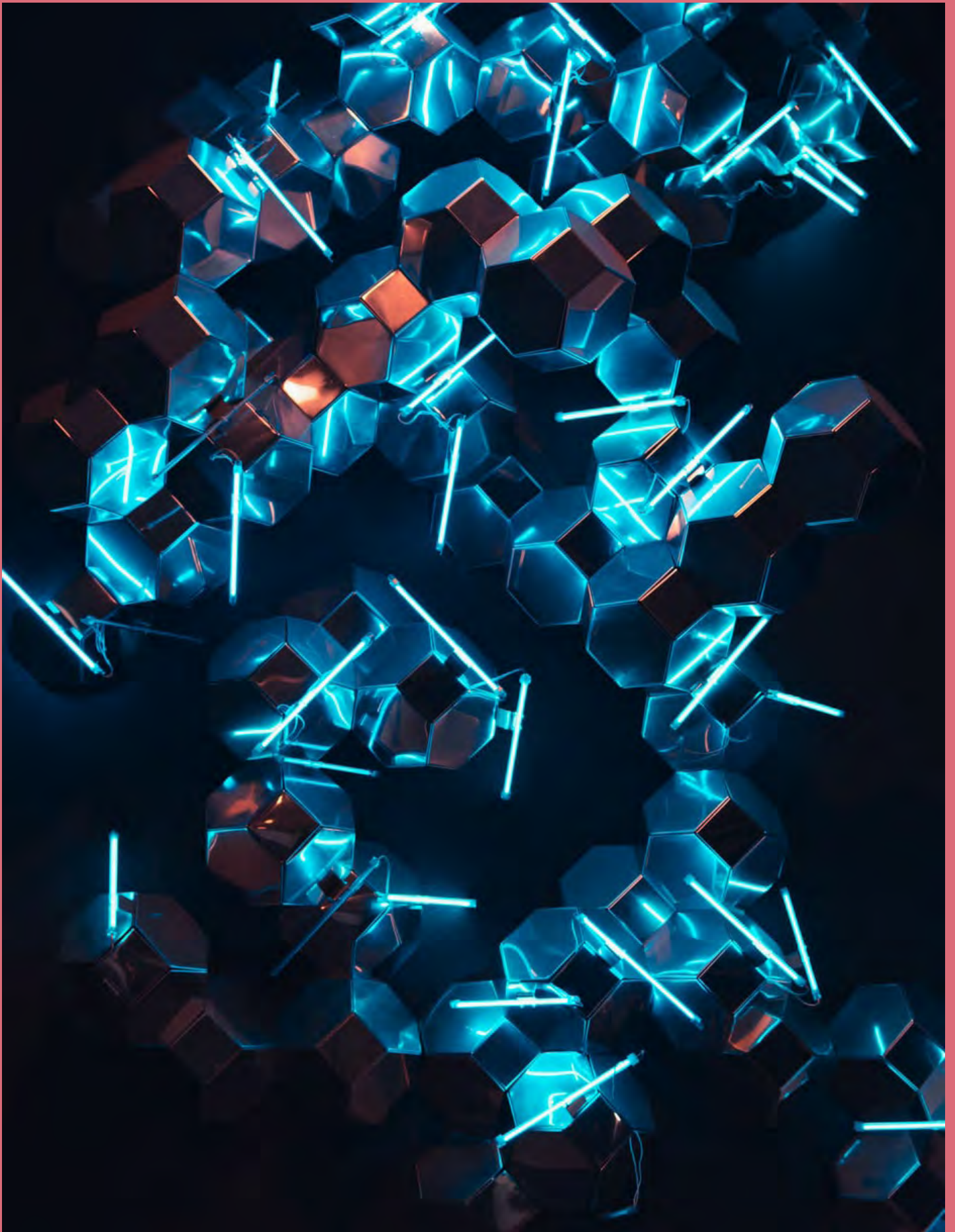


are members of a grocery loyalty programme



said that they considered a company's ethics and morals when making purchasing decisions

INTRODUCTION





Introduction:

Now in its fourth iteration, Wunderman Thompson Commerce's Future Shopper report seeks to identify trends in consumers' digital buying behaviours, with the aim of helping to influence organisations' strategies and to ensure that they are ready for the consumer and the channels of the future.

But this year's Future Shopper report has landed at a time of even greater change than usual as we all face up to a world turned upside down by COVID-19 and its impact.

The research went into field just as the world started to feel the effects of COVID-19. This means that Future Shopper 2020 gives an initial insight not only into digital commerce shopping habits but how these habits might change in a future impacted by COVID-19. Throughout this report, we've considered not only the data, but also how the outbreak of COVID-19 affects the trends and insights that the data presents.

Irrespective of the pandemic, one thing is clear; digital commerce is on the rise with 65% of consumers saying they personally expect to use digital shopping channels more in the future, and an even higher percentage of 16-24 year olds (72%) saying they would increase their digital online spend. With all the closures of shops experienced as part of the lockdown, that number is likely to rise even further as we all become accustomed to relying on eCommerce sites and providers.

Whether it's Gen Z, Millennials, Gen X or Baby Boomers, every generations' lives and shopping behaviours are now intertwined with digital commerce. They are driven even more strongly by factors such as range, ease, speed and convenience.

But how are consumers being conditioned? What do they expect? Which platforms do they use? What drives their decision making? What role do brands play? What about the marketplaces? What about Amazon? It is these questions, and many more that the Future Shopper 2020 seeks to address and answer.

So, without further ado, welcome to the Future Shopper 2020. The next year, and the coming years may be like nothing we have ever experienced, but undoubtedly digital commerce will have a vital role to play, and those organisations that can embrace it, and harness it, stand the best chance of surviving and thriving in the long run.



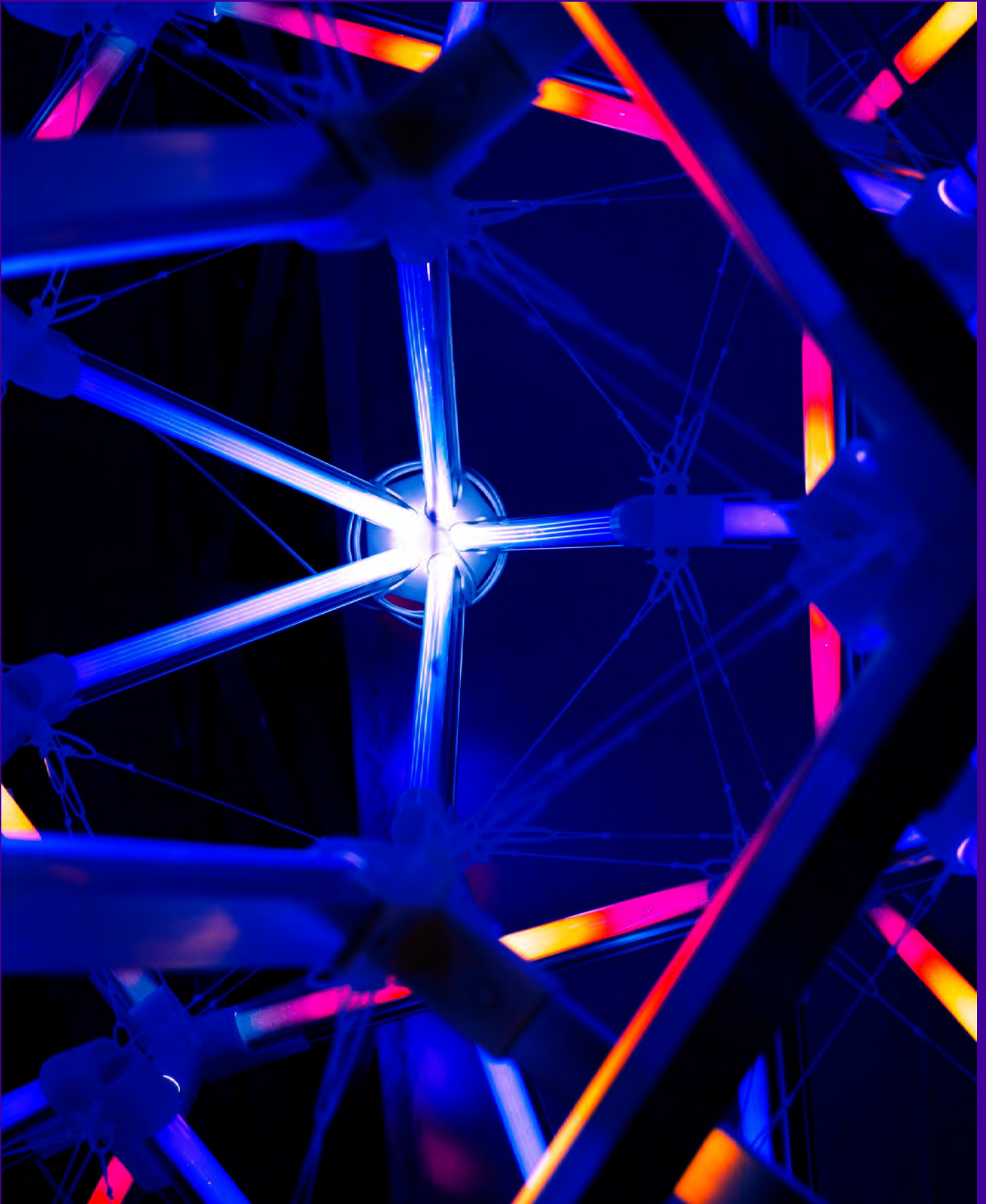
Hugh Fletcher

Head of Thought Leadership (EMEA) and Marketing (UK)
Wunderman Thompson
Commerce

Methodology:

Research for this report was conducted by independent research consultancy Censuswide. A total of 14,103 consumers who shop online at least once a month were interviewed online during February and March 2020 in UK, US, Australia, Germany, Spain, France and Netherlands. A further 2,066 consumers who shop online at least once a month in the same time frame were interviewed online in China as part of the standalone China section.

SECTION 1: THE CUSTOMER JOURNEY





As we all know, one change that the rise of digital commerce has brought is a much less linear customer journey; it's brought more touchpoints, and more channels. And this customer journey is in a constant state of flux as organisations fight for attention, as consumers' expectations change, and as new platforms and channels appear. So, let's start by taking a walk through some of the key findings that our data told us about online shoppers and their path to purchase.

CHAPTER 1: Inspiration

An online shopping journey can start in many ways. But where do online shoppers get their inspiration when they are looking to purchase products online? When it comes to inspiration about products to purchase, Amazon comes top (52%) – a surprising outcome given that Amazon has always been considered to be “transactional” rather than “inspirational”. However, our data would seem to indicate that online shoppers find its range and user interface a great place to get ideas to purchase.

There are some countries, though, notably Australia (20%) and the Netherlands (12%) where this figure is much lower.

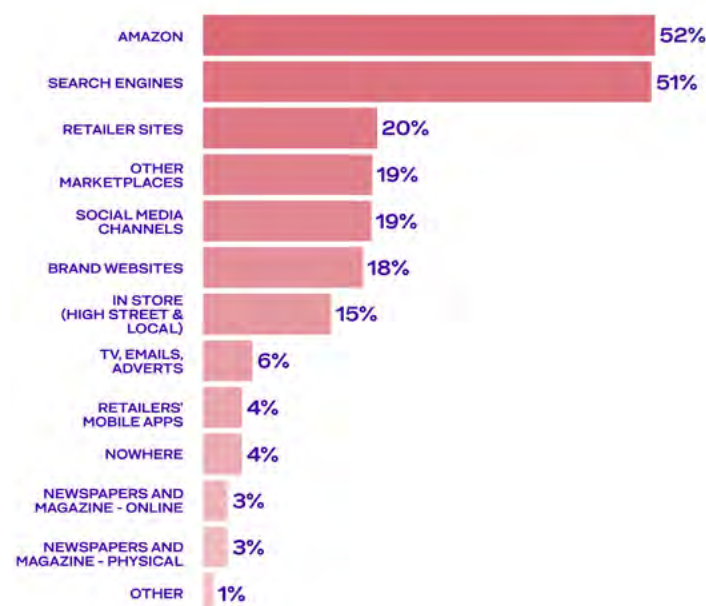
Initial indications are that COVID-19 could contribute to Amazon becoming even more influential when it comes to inspiration, as it has continued to operate almost unchanged through the outbreak.

Keeping with the transactional theme, in second place came search engines, with 51% of online shoppers getting their inspiration from the likes of Google. It's another surprising result given that search engines often seem more functional than inspirational. That being said, one might argue that the addition of shopping tools on Google's search engine have allowed it to inspire consumers more to purchase.

Next up came retailer sites (20%), other marketplaces (19%), social media channels (19%), browsing brand websites (18%), and browsing in-store (15%). The Dutch, interestingly, were the most likely to find inspiration in-store at 20%.

Bringing up the rear were TV, email and adverts which inspired 6% of consumers, retailer apps with 4%, online newspapers and magazines at 3%, and hard copies and magazines at 3%.

WHERE CUSTOMERS GET INSPIRATION



Looking again through the COVID-19 lens, those sources of inspiration which came behind Amazon and Google face a significant struggle. Many retailers have not only closed their doors, but some have closed their online distribution centres, too. While they are closed, will those that are still operational acquire their customers?

In more general terms, if we look at the top sources of inspiration, what's apparent is that brands themselves, with their direct-to-consumer sites, face a challenge when it comes to inspiration. Brands looking to “inspire” online are being forced to do so via avenues owned by other parties – Amazon, search engines, retailer sites... Across the countries analysed, only 18% of consumers are coming to their branded sites for inspiration. The figure was the highest in Australia (26%) and the lowest in France (11%). With this in mind, strategies need to be put in place to deliver more inspiration to consumers, from which point they can transition into the purchase process.

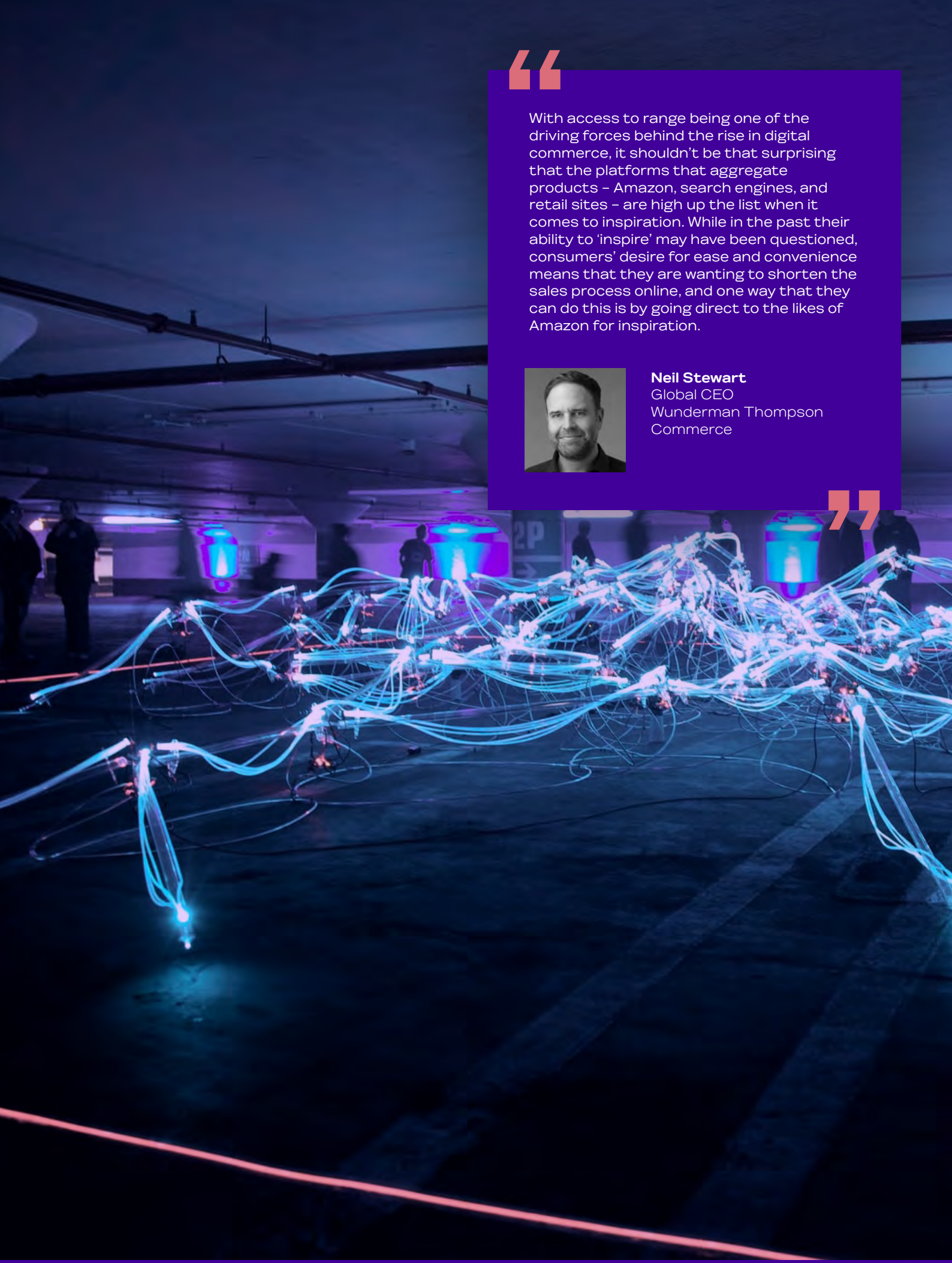
“

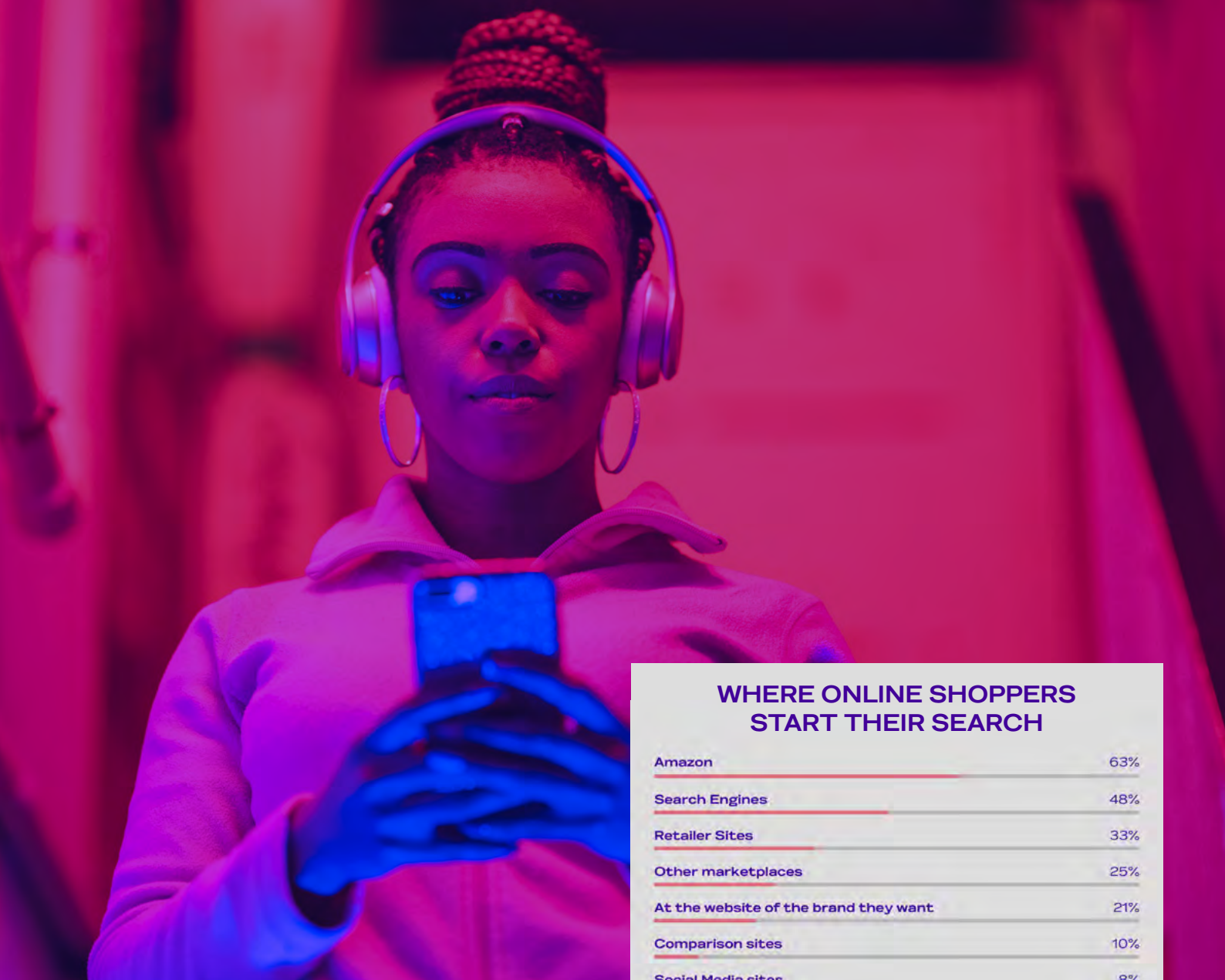
With access to range being one of the driving forces behind the rise in digital commerce, it shouldn't be that surprising that the platforms that aggregate products – Amazon, search engines, and retail sites – are high up the list when it comes to inspiration. While in the past their ability to 'inspire' may have been questioned, consumers' desire for ease and convenience means that they are wanting to shorten the sales process online, and one way that they can do this is by going direct to the likes of Amazon for inspiration.



Neil Stewart
Global CEO
Wunderman Thompson
Commerce

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CHAPTER 2: Where do customers start their searches?

Once inspired, the next step is to search. For a number of years, the battle has been on to become the starting point for online shopping journeys. We've often referred to this as "owning the first digital mile". Why is this important? Because being the first online touchpoint gives the provider enormous control over the ensuing customer journey and allows them to monetise their platform by offering advertising and media opportunities to others. Google was the first to realise this and has built its empire on this model.

But Google's dominance when it comes to product searches has been under threat for several years. And once again, the winner is Amazon, with 63% of consumers saying that their online searches for products now start with the Seattle firm. Search engines take second spot, with 48%.

WHERE ONLINE SHOPPERS START THEIR SEARCH

Amazon	63%
Search Engines	48%
Retailer Sites	33%
Other marketplaces	25%
At the website of the brand they want	21%
Comparison sites	10%
Social Media sites	8%
Other	2%

*Respondents could choose multiple options

And if we dive deeper into this data, there lies a couple of additional and interesting take-outs:

+ In the US and the UK this percentage is particularly pronounced – **in the UK it is 81%, while in the US it is 83% of product searches now starting on Amazon.**

+ And this phenomenon occurs across all age groups; **Amazon is the most popular place to start product searches** – so its dominance is not dependent on age.

+ And finally, if consumers are **Prime members, then they are much more likely to start their searches with Amazon – 85% vs 42%.**



This trend is particularly pronounced in Germany and Spain, with 82% and 83% of searches starting with Amazon respectively.

Unsurprisingly, given Amazon's lack of presence in the Netherlands in the past, Amazon is the lowest across the countries, with 54% of searches starting on search engines, and just 14% on Amazon. We would expect to see this change dramatically in the next few years.

the trend of search starting with Amazon was already on the rise, but it's highly likely that we'll see this trend increase next year.

But what about retailers and brands? Both must strive to work out (a) how they can influence the purchase process through these intermediaries and (b) how they can develop more direct relationships with their customers online.



With the recent launch of Amazon in the Netherlands, a lot of new players and products will start to enter the Dutch market. Amazon is quickly expanding its product catalogue and building up its relevancy for Dutch consumers. We expect Amazon to be the dominant eCommerce player in the Netherlands within just a few years, with only one or two incumbents being able to follow in their tracks. We also expect Amazon to quickly become the No.1 place where Dutch consumers will start their search journey for products.



Nikki Eijpen
Consultant Marketplaces
EMEA
Wunderman Thompson
Commerce, Netherlands



What's clear from both the inspiration and search phases is that the likes of Amazon and the search engines have this initial stage of the online customer journey sewn up. This gives them enormous control and influence not only now, but also in the future.

Could this increase be anything to do with the COVID-19 outbreak, seeing consumers focus their searches on platforms that they knew were still operating effectively (at least at the early stages)? It's hard to say this with any degree of certainty, as



Owning the first digital mile is an essential strategic aim of any organisation operating online, but it's hard! Getting customers to transition quickly from search, into transaction on the same platform gives them less opportunity to divert elsewhere, it gives them less temptation from other sources, and gives them less chance to ponder on whether they should or shouldn't purchase.

By using technology like semantic search to assist in long tail search queries more accurately than most brand/retailer sites, the likes of Google and Amazon also increase their search capability over those that only use keyword search.

By 'owning' product search, Amazon has placed itself in an extremely strong position. But all is not lost for retailers and brands. Simply, they must work harder to ensure that they drive consumers to search on their sites - using exclusives, personalisation and targeting.



Chioma Anokuru
Senior Consultant
Wunderman Thompson
Commerce



CHAPTER 3: Purchasing – what drives consumers to transact?

Once the search phase is complete, it's time to make the all-important purchase decision.

But what factor is most important to consumers when it comes to making the purchase decision? The most important factor is still price, with 98% of online shoppers citing this as their number 1 factor. Even within our own company, this result produces much discussion, as it would seem to indicate that, if price is the most important factor, then eCommerce is a "race to the bottom". However, other sources of data, including our own data on Prime, indicate that this is not always the case. Perhaps the best way to interpret this result is not to say that price is the "be all and end all", but that it is always an important factor. It will be interesting in this COVID-19 affected world to see how important price becomes over time, and whether other factors, such as availability and delivery, increase in importance, and there are certainly differences in what is important across industries and product sets.

The next group of elements in the list provided an interesting strategic insight into what marketplaces, retailers and brands need to focus on to convert interest into transaction. The answers all centred on "content" and "information".

While it might seem obvious that consumers would want to know information about the product before they purchase it online, it's amazing the number of online stores that neglect this area. So, in joint second place behind price, consumers wanted accurate product descriptions (94%) and to know whether the item was in stock to purchase online (94%). In our current COVID-19-impacted times, as we scramble to purchase "essential" items, it's no surprise to see stock availability hailed as such an important factor.



It is compelling to assume that everyone is a price shopper, but while price is important, it is irrelevant if consumers can't find what they are looking for. The data confirms this – 94% of respondents told us having the product in stock and accurate product descriptions are jointly second most important to them after price. But vitally important next is making it easy for them to find the product (93%), giving shoppers a sense of confidence to purchase. Good content can get you a leg up on your competitors; if your page converts twice as well as theirs, you can get the same results with half the budget they are spending!



Eric Heller
Chief Knowledge Officer
WPP Center of Excellence
for Amazon



In joint fourth spot came product imagery (93%) and how easy it was to find the product (93%). The clear message here is to make sure that the consumer knows that they are making the right decision for them, and making sure customers get this right is vital for organisations seeking to reduce returns.

Next up, we see elements relating to service - with free and convenient delivery (92%) in sixth place, and strong customer service (90%) in seventh. Loyalty to service, rather than brand, is a trend that we've seen over the last few years. Service is likely to play an increasingly important role in this COVID-19 affected world where our parameters of what is good have changed. Simply having access to order and receive the products that we want – a basic hygiene factor in 2019 – has become a USP in 2020.

FREQUENCY OF PURCHASING

Before we move on to the next phase of the purchase process, it's interesting to see how often consumers purchase.

The highest frequency of orders per month is for Amazon. On average, consumers order items from Amazon 6.5 times a month. That's more than from any other marketplaces (4.9 times), retailer sites (3.8), social (in app) platforms (3.5) or the website of the brand they want (3.4 times a month).

When it comes to ordering from Amazon, Germans ordered the most often at 9.2 times a month, and the Dutch the least at 2.9.

But what about shopping from branded websites? The country which shops the least from this channel is the UK, buying on average 2.7 times a month, and a large proportion of the older generation, the 55+, never shop from this channel (35%).

Retailer sites are bought from most often by French consumers who buy from this channel on average 4.58 times a month, while the UK has the lowest frequency for this channel at just 2.8 times a month.

What do these numbers tell us? Again, they show that consumers are driven by the range that the marketplaces offer (not to mention their ease, speed and convenience). Their breadth of products means that consumers regularly use them to purchase. We see, too, the challenges that direct-to-consumer branded sites face. While a lower frequency of purchase may be understandable given a narrower range of products, these brands must strive to get customers to return and transact as often as possible. It shows that one area that brands must focus on is how to create repetitive buying behaviours. This is the reason behind many brands branching out into creating marketplaces of their own.

CHAPTER 4: Average waiting time

So, now the products have been ordered, what's next? Once a consumer has ordered something online, then it's simply a case of sitting back, relaxing and waiting for it to arrive.

Or is it?

Because we human beings are not a patient bunch. Once we've ordered something, we want it, and we want it fast. So just how long, on average, do global consumers expect to wait? The answer is less than three days (2.85). The average waiting time for 2019 was 2.61 days, albeit with a slightly different country base.*

But what about across the countries themselves? While in Spain and the US, customers are expecting faster delivery since last year, in the UK, Netherlands, Germany and France, consumers are expecting deliveries to take longer. Could it be that even shoppers are understanding that you can't always get products instantaneously?

This is quite a surprising outcome. Our hypothesis would be that each year online shoppers become more and more demanding, but our data would seem to indicate that expectations in some countries are levelling out and customers expect to wait slightly longer. We'll need to wait until next year to work out if this is a trend, or the effect of the early impact of COVID-19.

So just who is best at speedy delivery? Well it won't be any surprise that Amazon is perceived by 57% of online shoppers to be the number one when it comes to getting products to customers in a timely fashion. And these numbers remained broadly consistent across age groups.

Do we think that these numbers are affected by COVID-19? Undoubtedly our expectations around fast delivery will be tempered by our simple joy at just receiving products. And once again, Amazon's infrastructure has enabled it to continue to operate as others have started to falter.

Looking at these numbers, it's worth referring to our 2019 research into Generation Alpha (6-16 year olds). This report, based on the opinions of 4,000 youngsters across the UK and the US, indicated that 20% of them would never buy from a retailer that could not deliver within 24 hours. In addition, 32% indicated that one thing that they would change about online retail is for all products to be delivered within 2 hours.

So, while our data seems to be indicating that consumers' expectations around delivery are levelling out, could it be that once the Alpha Generation turns into fully fledged consumers, the demand for faster delivery will increase?

**our 2019 survey included Czechia and Belgium, which were replaced in our 2020 study by Australia.*



Despite average waiting times not following the curve that we would have expected in 2020, the delivery timescales are still a challenge for most businesses, and while we may not have seen that demand for speed increase, we predict over time it will. With COVID-19 pushing us all into a society more dependent on delivery, its importance is likely to rise. As supply chains are challenged, it's likely that consumers will stomach a slowing down of delivery. But once up and running again, demand for fast delivery will be greater than ever before.



Tim Reay
Head of Grocery
Wunderman Thompson
Commerce



AVERAGE TIME ONLINE SHOPPERS EXPECT TO WAIT FOR THEIR ORDERS TO ARRIVE (DAYS)

● 2020 ● 2019



UK
2.54
2.55



US
3.12
3.35



Germany
2.5
2.42



Spain
2.27
3.19



Netherlands
2.18
2.04



France
3.19
2.12



Australia
4.16
NA



CHAPTER 5: Loyalty

As we all know, it costs more to attract a new customer than to keep an existing one, and that's the same whether you're operating in the physical or the digital space. So, one of the key battlegrounds for many retailers has been retaining customers through loyalty programmes, and one of the most talked about loyalty programmes right now is of course Amazon Prime. Across our study, we found that 55% of respondents were Prime members, but the numbers differed significantly depending on country, and to a degree, eCommerce maturity in the market, as shown in the chart below.

We'll touch on the "Prime effect" later, but faced with these numbers, it can be all too easy to think that Amazon has a stranglehold on loyalty schemes, as well as on inspiration, search and fast delivery! But is this true, and what about the other loyalty schemes out there? Let's start by looking at the supermarkets.

What's clear from our data, is that supermarket loyalty programmes are still incredibly popular, with nearly three quarters of respondents (74%) belonging to a grocery loyalty scheme - more popular even than Amazon's Prime. The only country where supermarket loyalty schemes are not the number one loyalty scheme, is in America, where supermarket loyalty is

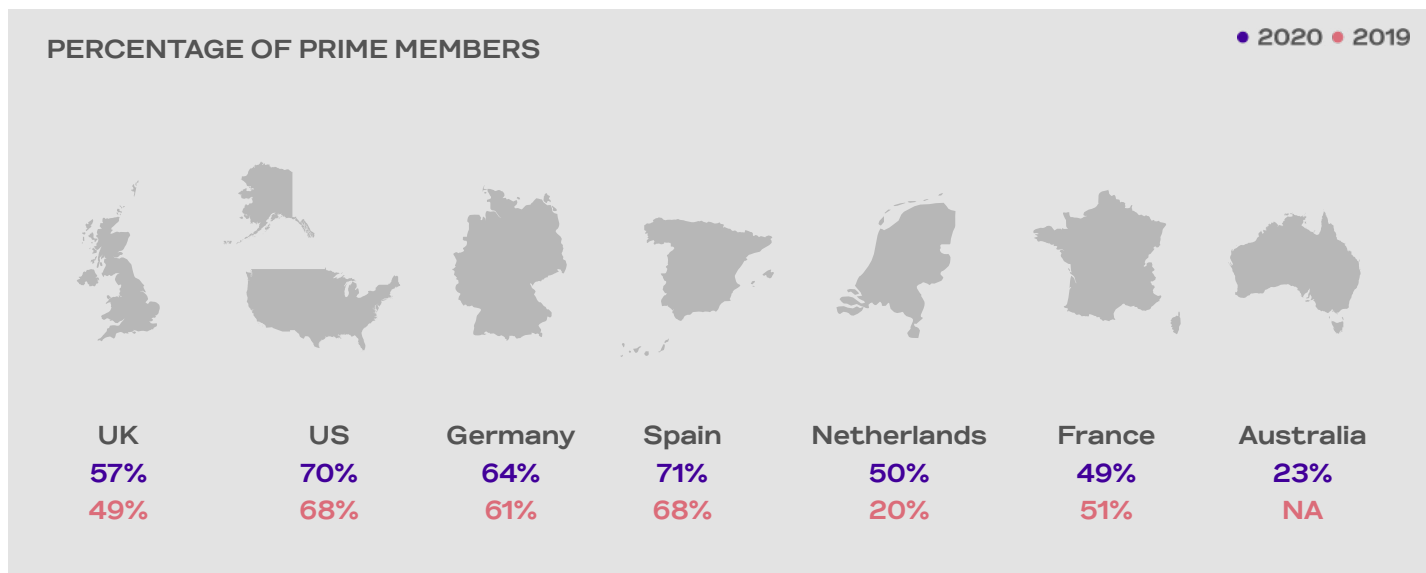
at 60.43% vs 69.96 for Prime. Globally, membership of supermarket loyalty schemes is higher amongst women (78%) compared to men (68%).

And what about in other industries? Health and beauty programmes were extremely popular, with a quarter of men and 56% of women holding membership. This was followed by department stores (28%), fashion (26%), consumer electronics (21%) and wholesale stores (15%). Only 7% of those surveyed said they didn't have a loyalty membership to any of the above.

In Australia, membership of travel loyalty schemes was very high in comparison to other countries (40%), while this industry's loyalty schemes were more popular with the 55+ market (25%) than with the 16-24 market (16%).

It's not surprising that grocery loyalty schemes and Prime occupy the top two spots. The frequency of the purchasing coupled with tangible benefits for the consumer in cost savings and improved service justify membership to most consumers.

And it is Amazon and the grocers who have continued to operate efficiently at the early stages of the COVID-19 crisis. This is likely to engender an enormous amount of loyalty in the long run.



SECTION CONCLUSION

As mentioned at the outside of this section, the customer journey is no longer linear, even if we have broken this down into chronological segments for the purpose of this report.

What stands out though is the grip that Amazon has on some of the major touchpoints that a consumer has. Search engines and retailers who aggregate data and who sell wide ranges of products are the next strongest group, backing up the idea that consumers want ease, speed and convenience.

For direct-to-consumer brands, what this shows is that they face a challenging set of consumer behaviours - a set of behaviours that forces them to offer a product and an experience so much better than their marketplace or retailer competition, to encourage consumers to come direct.

It also backs up the theory that brands must effectively operate across all channels - the “balanced commerce strategy” that we often talk about at Wunderman Thompson commerce in order to ensure that consumers can find them wherever they get inspiration, search, transact and re-purchase.

History tells us that organisations that can remain strong through crises end up being even stronger once the crisis has been overcome. Indications from the early stages of the COVID-19 crisis were that Amazon and the grocers in particular were dealing best with the challenges. Brands, who have rightly closed many

of their operations for the benefit of the health of their staff, may be affected from the lack of service that they have been able to offer.



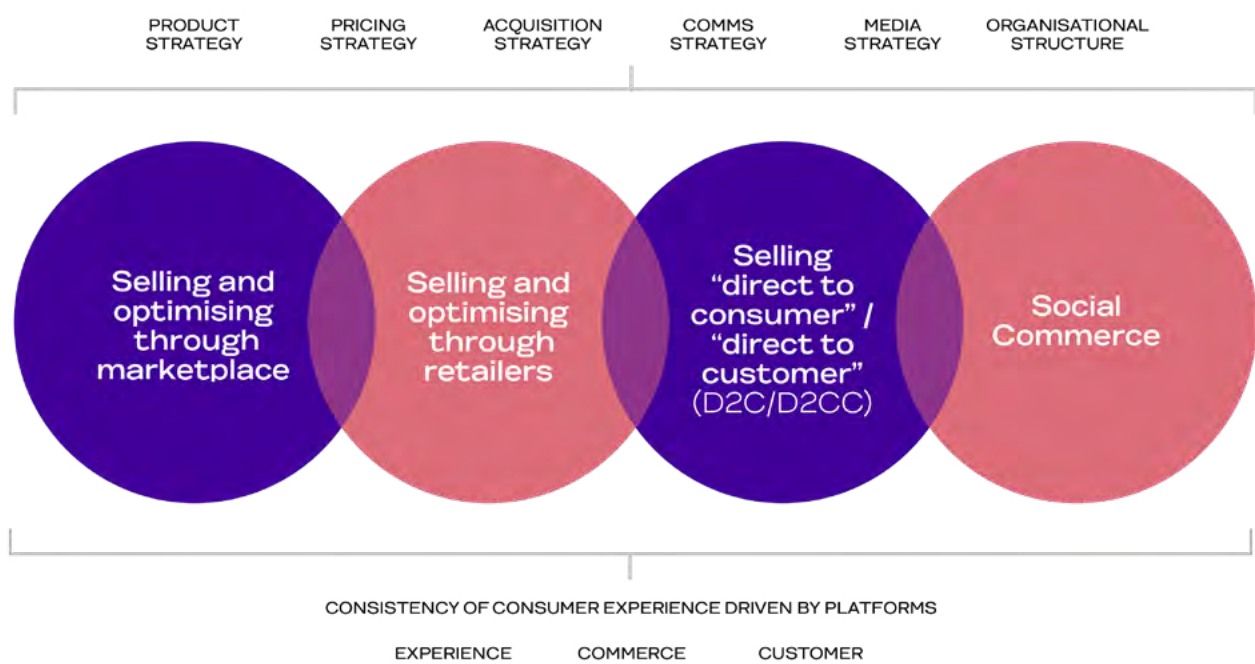
From our many years of eCommerce consultancy, Wunderman Thompson Commerce has often found that organisations can be too focused on a small number of eCommerce channels. This poses risk. Instead, we believe that organisations need to consider how they operate across the four major channels - marketplaces, retailers, direct-to-consumers and social. Each has its advantages and disadvantages. It is only by analysing their own industry, their own business and their own capabilities across this balanced strategy that businesses can ensure that they have considered all avenues open to them. With this analysis, they can then identify exactly which channels to dial up and which to dial down.



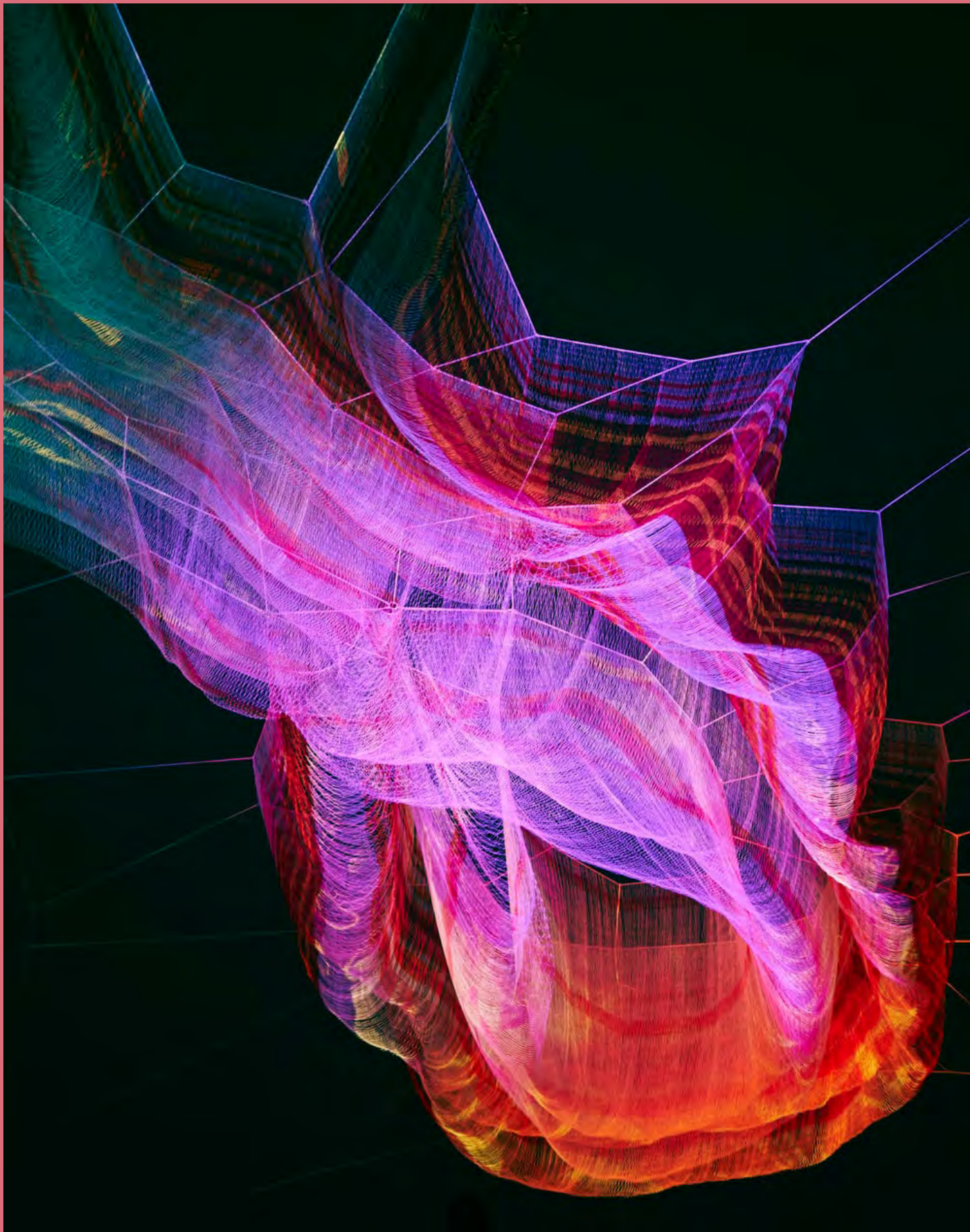
James Westoby
UK Managing Director
Wunderman Thompson
Commerce



MULTI-CHANNEL STRATEGY



SECTION 2: DIRECT-TO-CONSUMER SITES





As mentioned in the previous section, at Wunderman Thompson Commerce, we advocate a balanced strategy across the 4 key channels – marketplaces, retailers, direct-to-consumer and social commerce.

One of the key questions that we get asked, is whether it's still worth investing in direct-to-consumer. The answer is of course “yes”, despite some of the challenges that we identified in the previous section. It's a vital element in a balanced strategy, and one that enables brands to retain their all-important direct relationships with their customers, and that all important access to their data.

But as we've seen, there are numerous channels out there, all vying for their share of the consumers' online wallet, especially in the inspiration, search and transaction phases. So, if you are going to be successful with a direct-to-consumer website, then what factors are important to consumers?

CHAPTER 1: What would encourage consumers to buy directly with brands?

We asked consumers what would make them purchase directly from brands. No matter how important we perceive brands, service or even experience, the most important factor is, unsurprisingly, price, with most consumers across all age groups and countries still pointing at better prices (77%) as the biggest factor in whether they would go direct to a brand site. As we'll talk about later, while other factors can dampen the importance of price, when everything is equal, price is king. With faster, more wide-ranging and quicker ways of finding the best priced products, it's also now easier for consumers to get the best price available.

So, one of the key areas where brands need to work hard is on their pricing. And, if it turns out they're more expensive, they need to find really good reasons to convince consumers to convert on their sites rather than go elsewhere.

Next in the list is free delivery with 54% of online consumers identifying this as an important reason for going direct. This factor was particularly important for the over 55s, who ranked “free delivery” highest among all age groups. And whilst we're talking about the over 55s, and sticking with the “free” theme, over 55s also highly valued free returns (42%).

Fast and convenient delivery was valued by a third (32%) of all shoppers and was particularly important to 16-24-year olds (38%).

This once again underlines the importance of service in driving consumers' choice of where to transact. The positive effect of good service during the COVID-19 crisis will also be compounded.

Other considerations that consumers said would draw them towards brand websites include access to the full product range (28%), exclusive products (23%), better information about products (16%), bundled products (12%), personalised products (11%) and advanced/pre-ordering options (7%).

Within this last paragraph of data, we can start to see where brands can begin to differentiate themselves to be successful with direct-to-consumer – exclusivity, scarcity, curation, personalisation, all underpinned by quality content.

And while we're talking about brands...

Which brand was being ordered mattered to three quarters (76%) of people, placing it in 15th position, with the Dutch caring the least about brands (66%). The importance of brand from last year's Future Shopper survey stood at an almost identical 75%.



Direct-to-consumer branded sites still have a vital role to play in online shoppers' journeys but gaining their attention and keeping their transaction requires a commitment to digital excellence. Also vital is ensuring that they match the service expectations of their consumers, or risk losing them to marketplaces and retailers.



Krantik Das
Head of Strategy in Europe
Wunderman Thompson
Commerce



CHAPTER 2: WACD

As we've seen, Amazon's rising dominance is a challenge for brands. Whilst they may be selling their products on its marketplace, they must also think about fighting back against Amazon to re-own their customer and bring them back into direct contact with the brand. To do this, brands must learn from what Amazon does well, and capitalise on WACD, "What Amazon Cannot Do". We asked consumers to identify which factors would encourage them to choose a different vendor to Amazon. When we broke down the main reasons why a consumer would choose another retailer over Amazon, cheaper pricing was the main reason (68%). The full list is presented below.

Within this list, there are some quite challenging areas for brands. Fighting on price, whilst absolutely valid, is not always possible. More convenient delivery options is a struggle too, requiring them to either invest in their own infrastructure, or rely on innovative third parties. As we've talked about already, loyalty programmes is certainly an area that brands should look into.

But some of the other areas are also worth considering. Specialism of range is certainly an area where Amazon, other marketplaces and even retailers cannot compete. This sits hand-in-hand with better personalisation and allows consumers to feel as if they are being treated as individuals whose specific needs are being met.

Focusing on environmental practices and ethics can also be an area which independent brands can exploit. We'll talk about the importance of the environment later in our section about new business models.

There is also a sense that some consumers simply don't like the rise of Amazon, with 12% saying they wanted to support independent retailers, and 7% saying they don't wish to support the growth of Amazon. These final points may have been dealt a blow with COVID-19 too. Independent retailers face a real challenge to survive, and Amazon as mentioned before is operating at almost full capacity. This has the possibility to really cement Amazon in the minds of consumers as a vital part of their retail life, while at the same time breaking the bond with independent retailers through no fault of their own.

WHY A CONSUMER WOULD CHOOSE ANOTHER RETAILER OVER AMAZON



SECTION CONCLUSION



While some brands rightly see Amazon as an ally with a massive customer database that can be tapped into, the threat of the Seattle giant still looms large. Against the backdrop of massive uncertainty in the market due to COVID-19, brands and other businesses face an unprecedented challenge in having their market share and customers swallowed up by Amazon. In these testing times, it's important for these brands to not just stay open for business as much as possible, but actively take advantage of any of Amazon's shortcomings. In order to keep loyalty from disappearing in the face of a lockdown, brands and retailers need to get creative with personalised offerings, play up any specialisms unique to them and even highlight any positive environmental or ethical considerations they're taking. Failure to act quickly or decisively is likely to result in a customer acquisition exercise for Amazon.



Neil Stewart
Global CEO
Wunderman Thompson
Commerce



Consumers believe that brands have a role to play in their digital commerce experiences, and later we'll see how this differs according to sector. But brands must work extra hard to emphasise the benefits of coming direct to them. They must also invest in their service. As this becomes more and more important, it's vital that they can counter, or at very least match the service levels offered by the likes of Amazon, other marketplaces and retailers. The fear from COVID-19 is that with some brands halting their offerings altogether, and Amazon continuing, we are seeing a huge Amazon customer acquisition at play, which brands may struggle to recover from.

SECTION 3: AMAZON AND THE PRIME EFFECT



So far, all of our data has been heavily influenced by Amazon, which is delivering on its promise to sell everything from A to Z. So, let's start by looking at just how much influence Amazon has over the retail market.

CHAPTER 1: Amazon's influence

Despite what we've seen in previous sections regarding Amazon's dominance of touchpoints, the data relating to the percentage of online spend spent with Amazon appears to be on the decline vs last year. This year, the average spend on Amazon was 27%, whilst in 2019 the figure was 36% albeit with a slightly different data set.*

It's hard to know whether this is indicative of a trend away from purchasing on Amazon, or a statistical anomaly. We'll have to keep our eyes on this in the future.

Irrespective of the year-on-year decline in our data, Amazon still accounts for a large percentage of online spend.

The question is "is this dominance good?". The answer is mixed. Over half of consumers (52%) are worried about the likes of Amazon dominating the retail industry, up on last year's percentage of 47%. This number is reflected largely the same across all countries, with the Netherlands the least concerned (47%) and Spain the most (57%). This is the same as last year's order.

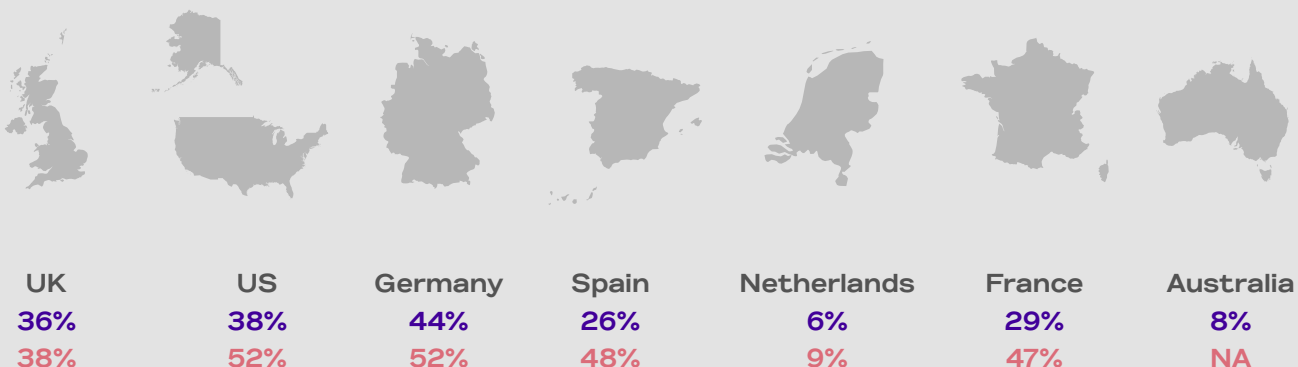
On the flipside, 66% of consumers are also excited about getting all of their online purchases from one retailer. Whilst, as mentioned above, the Spanish are the most concerned about an Amazon monopoly, they are also the most excited about buying everything from one retailer (80%)!

**our 2019 survey included Czechia and Belgium, which were replaced in our 2020 study by Australia*



PERCENTAGE OF ONLINE SPEND SPENT WITH AMAZON

● 2020 ● 2019





CHAPTER 2: What exactly is Amazon?

With all the effort made by Jeff Bezos to advance the Amazon of old from “just a retailer” to an entertainment service, cloud-hosting platform and sports hub, what do consumers primarily use Amazon for?

The overwhelming consensus is that consumers use Amazon as a place to purchase products; in fact 76% of online shoppers identified it as this. But as we all know, Amazon is more than just somewhere to buy clothes, books, games etc.

Its moves into entertainment with the likes of Prime Video and its music service has started to change its usage, with 36% of online consumers using it as an entertainment provider.

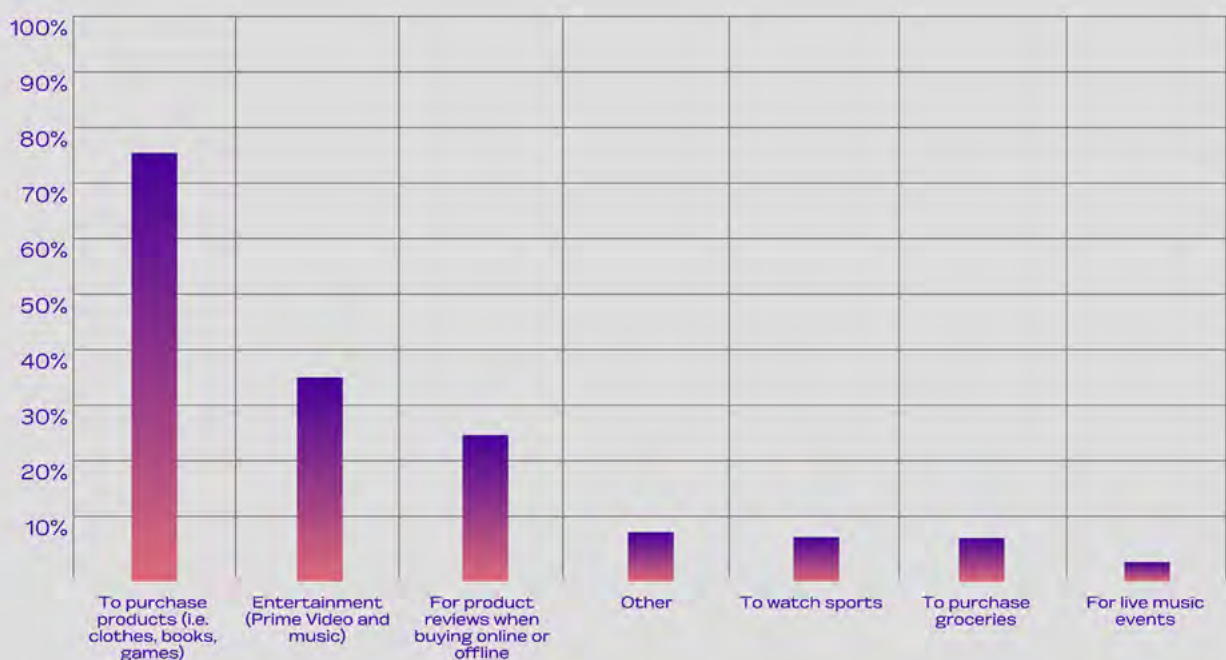
We can also see the effects of its acquisition of sports broadcasting rights, with 7% of consumers using Amazon as a place to watch sport, and 3% using it as a place for live music events.

We also see the power of its content, with 25% of consumers identifying it as a source of product reviews irrespective of whether they end up transacting online or physically.

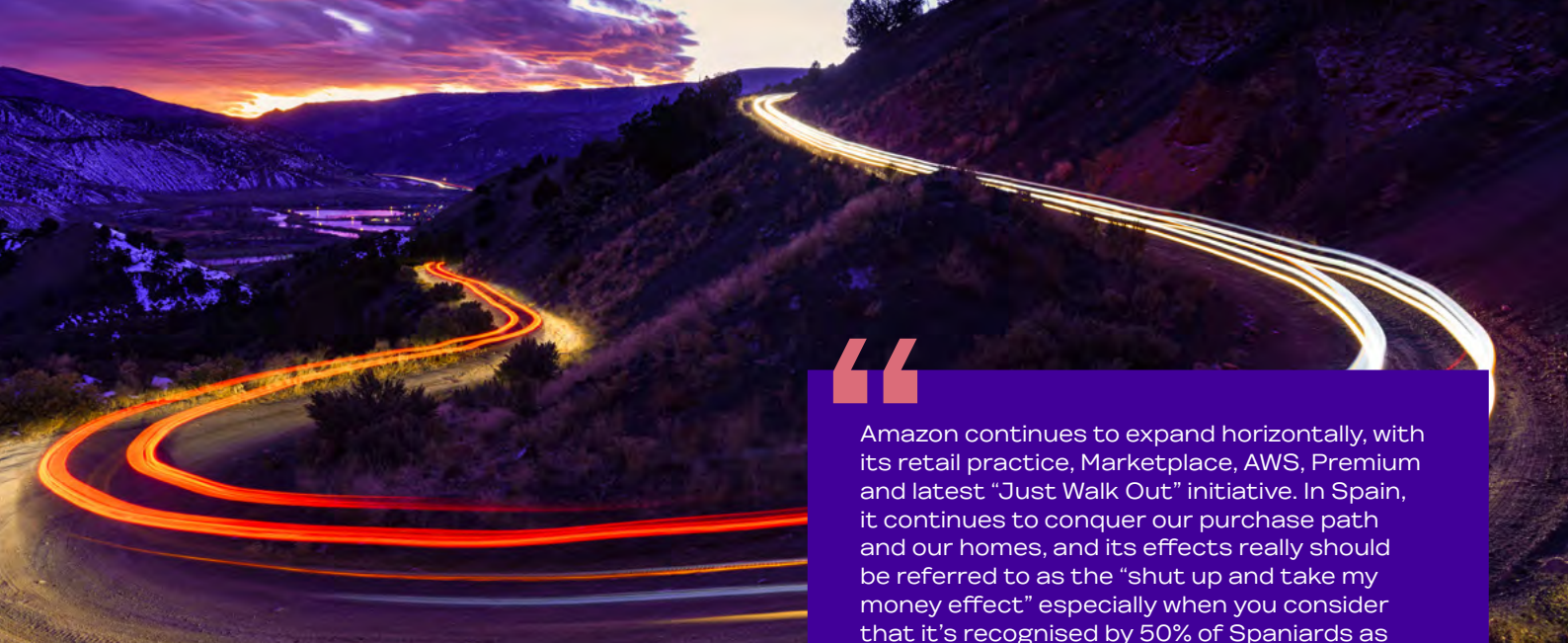
Finally, showing that it still has some way to go to establish itself as a grocer, only 7% of consumers use it as somewhere to purchase groceries.

But that’s what Amazon is used for. How is it perceived? When asked how consumers would most accurately describe Amazon, the majority (56%) identified it as a retailer, but next in the line was “an innovator” with 29% and then as an entertainment service (21%)...

WHAT DO CONSUMERS USE AMAZON FOR?



*Respondents could choose multiple options



The Spanish thought that Amazon was most accurately described as an innovator, more than any other country (50%). The Dutch, on the other hand, thought of Amazon as an innovator less than any other country (13%).

One interesting outcome of the research was that it showed that consumers were happy to consider Amazon in new ways. 29% were open to banking through the company and 30% were open to other financial products sold through Amazon such as mortgages, pensions and insurance. While this is far from a majority, there is clearly appetite there for consumers to want to tie everything together in one place.

“

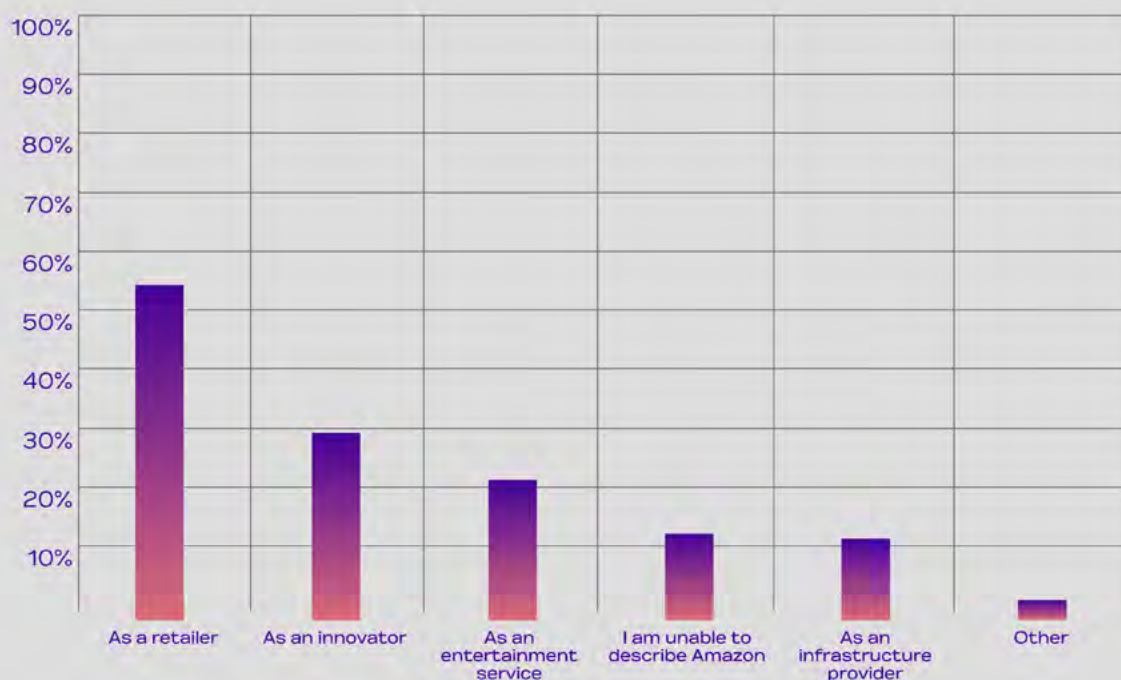
Amazon continues to expand horizontally, with its retail practice, Marketplace, AWS, Premium and latest “Just Walk Out” initiative. In Spain, it continues to conquer our purchase path and our homes, and its effects really should be referred to as the “shut up and take my money effect” especially when you consider that it’s recognised by 50% of Spaniards as an innovator. Not only is it proving to be the most convenient “Everything Store” with the best (perceived) product range, content, price, delivery and customer care... it’s now investing in becoming the best home entertainment service as well!



Jose Luis Antolin
Global Managing Director
Wunderman Thompson
Consulting

”

HOW AMAZON IS PERCEIVED



CHAPTER 3: Amazon, setting the benchmark

When it comes to service, Amazon sets the benchmark with three quarters (75%) of consumers wishing more brands and retailers offered the same level of services. Incidentally, this figure was 74% last year*. In the UK, this is even more pronounced, with 79% of British consumers wishing more brands and retailers offered similar schemes compared to 66% last year.

So where is Amazon's service perceived to be best?

Amazon is strongest in metrics such as "best price", "speedy and free delivery", "personalisation" and "ease of search". However, in other categories such as "product description" and "customer service", while still in the lead, its dominance is much narrower, indicating that there's still room for brands and retailers to gain ground.

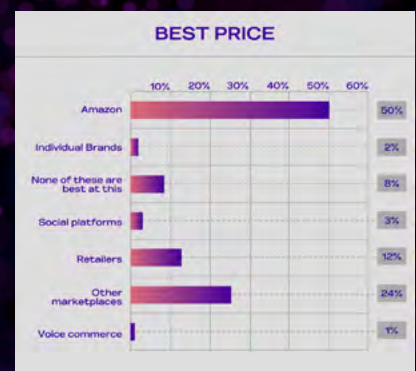
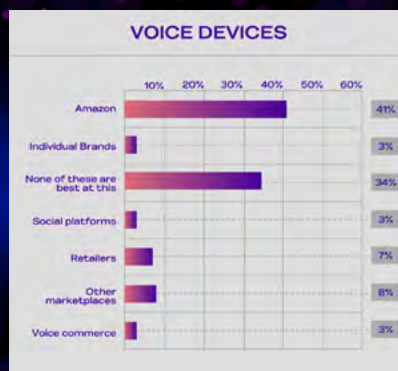
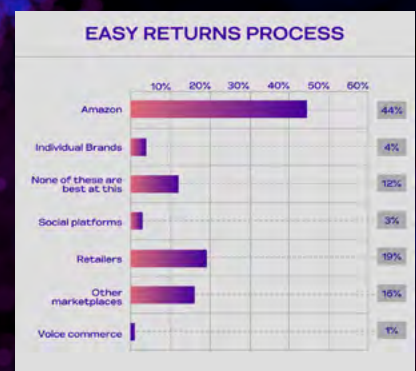
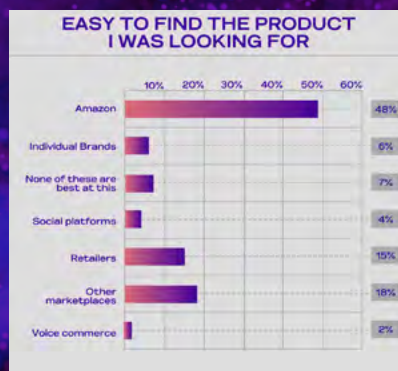
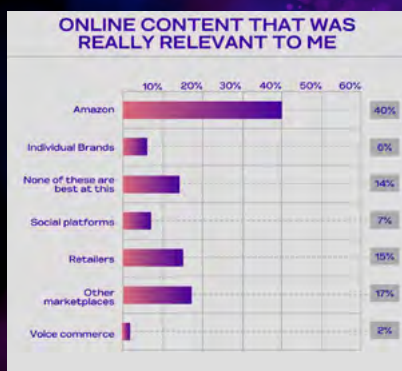
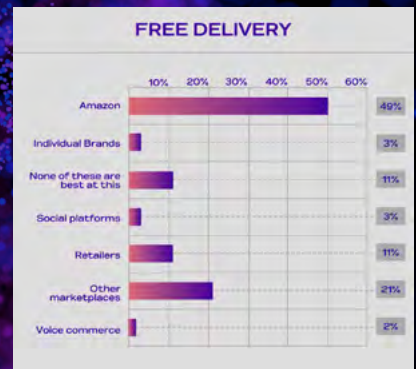
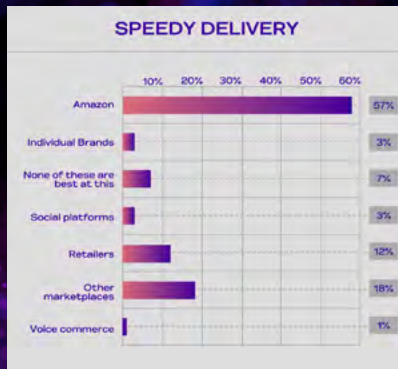
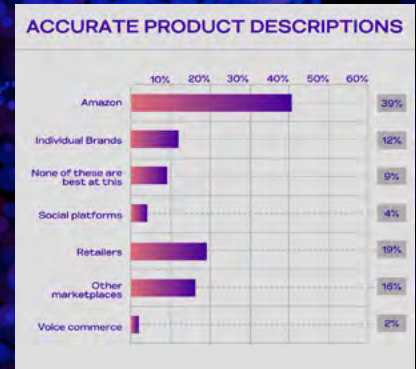
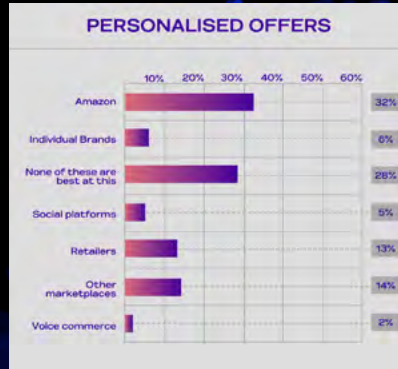
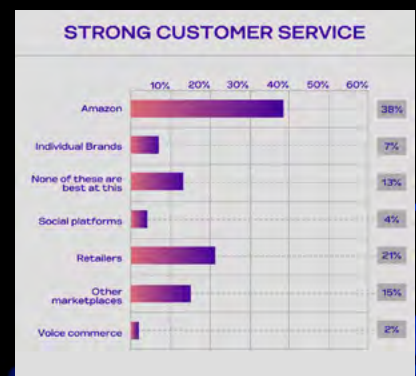
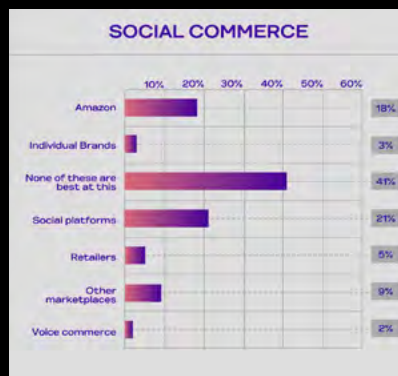
In the UK, Amazon was cited as the best at "access to brands" by 47% of consumers – higher than 37% last year, clearly demonstrating that in the UK at least, Amazon is getting better at selling branded goods.

With new, innovative ways of shopping becoming available, Amazon is leading the way here too with its voice devices.

**our 2019 survey included Czechia and Belgium, which were replaced in our 2020 study by Australia*



WHO IS SEEN AS BEST AT...



CHAPTER 4: But it's not all good news! Is there an issue of trust on marketplaces?

When it comes to reviews, there is clearly an issue, with only 29% trusting the reviews that they read on Amazon. This is despite 85% of them saying reviews are important and 65% of them saying they check Amazon reviews and pricing for a product, even when they're shopping on other sites or standing in a store. This could be because a further quarter of consumers say they've encountered a product they suspected to be fake and 19% a product they suspect may be counterfeit.

In addition, 32% of 16-24 year olds said that they had encountered a product that they suspected was counterfeit, versus 8% of over 55s. Could this indicate that the next wave of customer is less trusting than its predecessors?

When purchasing from Amazon, less than half (42%) trust products to be what they say they are. However, again this is largely divided along Prime membership lines, with almost half of those with Prime (49%) more trusting of the platform compared to 36% of non-Prime members.

This also explains why Spain – the country with the greatest percentage of Prime members – is also the country that had the most amount of trust in the retail platform with 44% saying they trust reviews. The Netherlands is the least at 15%.

A lot of this mistrust might not be directed solely at Amazon but rather its third-party suppliers. When purchasing from Amazon, 55% of consumers conduct further research into the seller and may buy a product depending on what they find. 24% of consumers would just buy it. And 10% of shoppers just wouldn't buy a product if it were through a third-party seller.

The Prime Effect

We've previously run through the Prime numbers across countries showing how Amazon has garnered a huge, loyal following of consumers, with over half of those surveyed (55%) Amazon Prime members. The country with the highest percentage of Prime members is Spain (71%), followed by the US (70%). Australia has the fewest with under a quarter of consumers as members (23%).

While the US has seen Prime membership move from 68% in 2019 to 70% this year, the UK has seen a bigger increase; Amazon's flagship loyalty programme soared from 49% last year to 57% in our 2020 data.

The Amazon value proposition in Spain continues to grow and is clearly leading the market with 71% of Spanish consumers now Prime members. This could be because prices in Spain are still much lower than in the rest of Europe and Spanish consumers are driven by "quick rewards". With the Prime effect in full force in Spain, it is highly likely that they will continue to increase their engagement with other Amazon services such as content and grocery, further compounding Prime's position of dominance when it comes to loyalty.



Jose Ignacio Albaladejo
Global Head
Wunderman Thompson
Consulting

Prime improves your perception of Amazon

With Amazon Prime offering next-day delivery, access to special sales days, video and entertainment content, and the rights to some of the most popular sports around the world, it's no wonder 65% of Prime users believe it's good value for money.

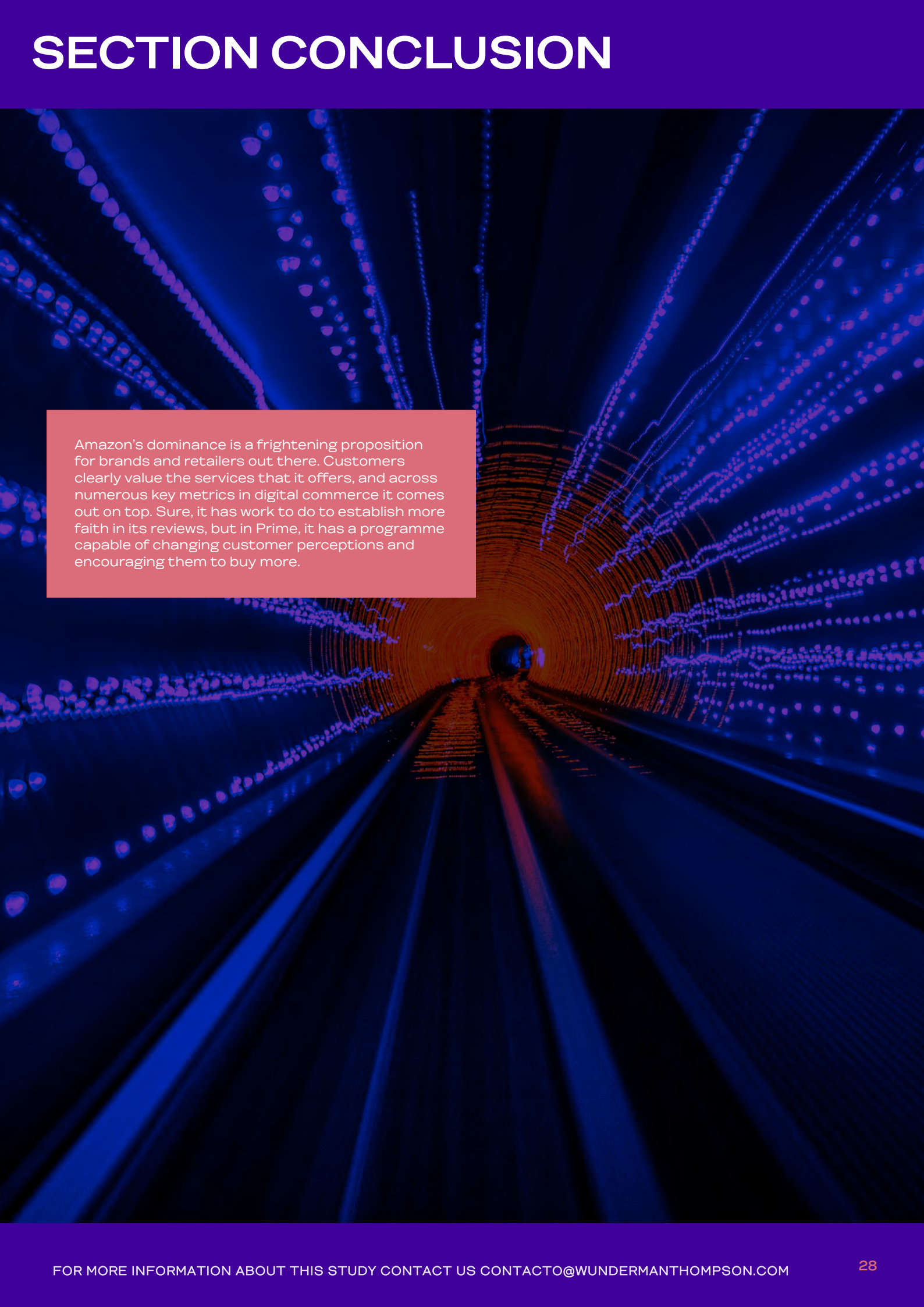
As with last year's results, our data shows that Prime makes consumers perceive Amazon more positively. Across a number of metrics, when you compare Prime vs non-Prime customers, you see that more Prime customers think Amazon is the best.

This also equates to Prime members spending more with Amazon because the percentage of Prime customers that spend more than 50% of their online spend on Amazon is 26% vs 12% who are not. Those numbers in the UK and US are much higher though with 29% of UK Prime members spending over 50% vs 21% of non-Prime customers, and 33% of US Prime customers vs non-Prime customers. It's for this reason that Amazon pushes its Prime membership so hard.

If we take another look at the inspiration phase again, we see the Prime effect too. Across the countries analysed, Prime members are much more likely to start their searches with Amazon – 85% in fact vs 42% of non-Prime.

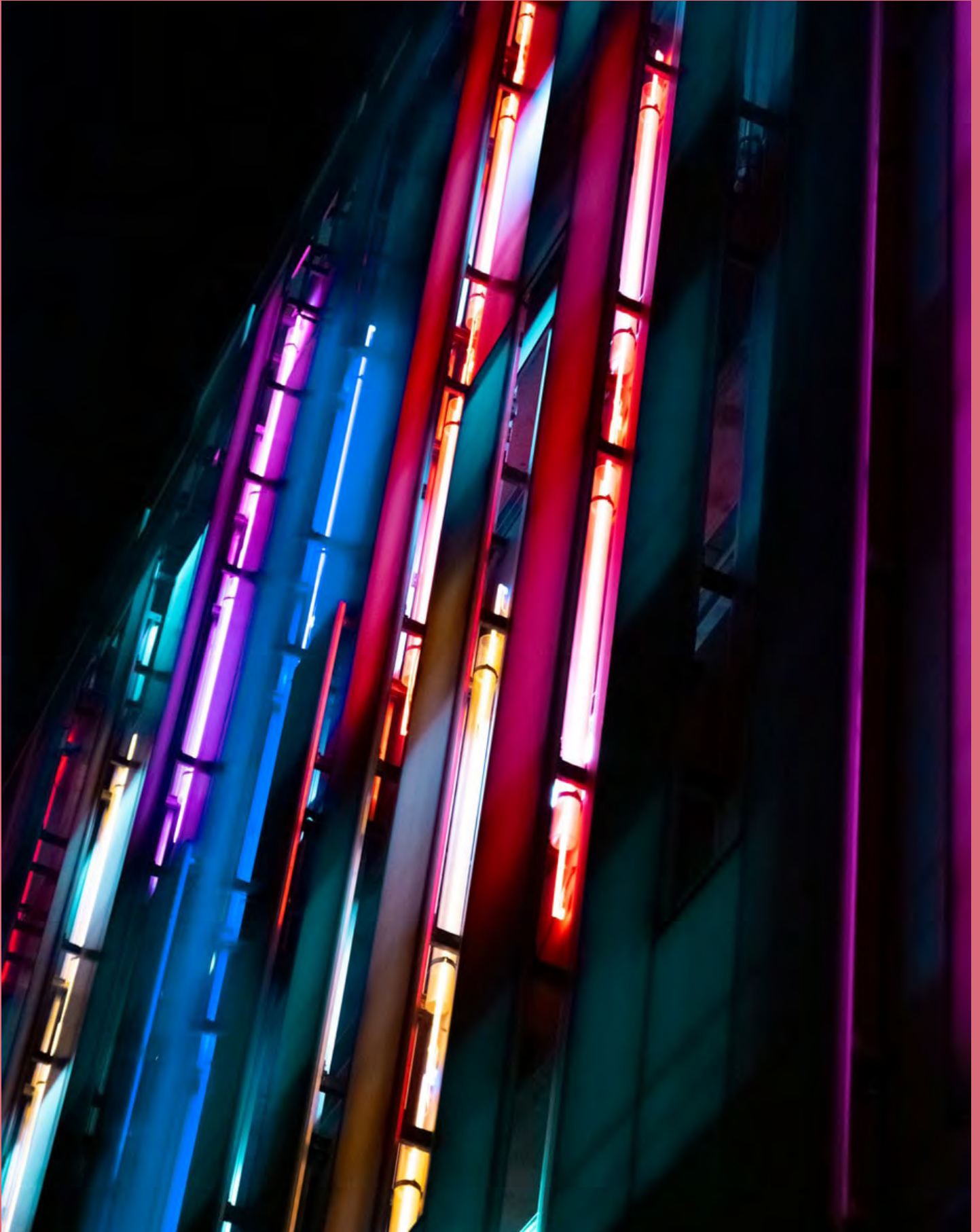
When it came to the speed of delivery, Prime membership again had an impact, with 89% of members valuing it compared to 81% of non-Prime members. Amazon Prime members are more demanding of their deliveries too; these consumers expect to wait nearly a whole day less than non-Prime members (2.4 days vs 3.3 days respectively).

SECTION CONCLUSION

The background of the slide is an abstract digital illustration. It features a perspective view of a tunnel or corridor that recedes into the distance. The walls and floor of the tunnel are composed of numerous glowing blue and purple lines and dots, creating a sense of depth and digital connectivity. The overall color palette is dominated by deep blues and purples, with a bright light source at the end of the tunnel.

Amazon's dominance is a frightening proposition for brands and retailers out there. Customers clearly value the services that it offers, and across numerous key metrics in digital commerce it comes out on top. Sure, it has work to do to establish more faith in its reviews, but in Prime, it has a programme capable of changing customer perceptions and encouraging them to buy more.

SECTION 4: IT'S NOT THE SAME ACROSS ALL SECTORS



While it can sometimes seem that the marketplace giants are taking over, it's important to delve deeper into individual sectors to find out who is winning and who needs to catch up. To get to the bottom of this, we questioned our consumers on their preferences by sector, and this is what we found.

Amazon is strongest in entertainment, toys and technology. That's not to say that it's necessarily falling behind elsewhere. In fact, it makes up the top three in each sector except luxury and grocery. This is still quite an achievement and something that every sector needs to keep its eye on; remember, Amazon's ambition is to sell everything from A to Z.

For the grocery sector – 40% of shoppers still prefer to go to the supermarket themselves rather than buy online. Only 10% wanted their groceries from Amazon. Of course this dedication to physical supermarket shopping is certainly under threat in this new COVID-19 lockdown world, and we would expect to see this number change in the future.

In an attempt to plug that hole, we're now seeing Amazon increase the number of its Go stores and its cashierless technology in other chains, but clearly it has some way to go. On this point, it's highly likely that with its more automated checkout and minimising of human contact, this "just walk out" technology will have an even more receptive market in a post-COVID-19 world.

Sectors in which retailers continue to play the primary role are beauty and fashion. Clearly, consumers still want

the range that these retailers offer, albeit in clothing and beauty branded sites are still popular (17%).

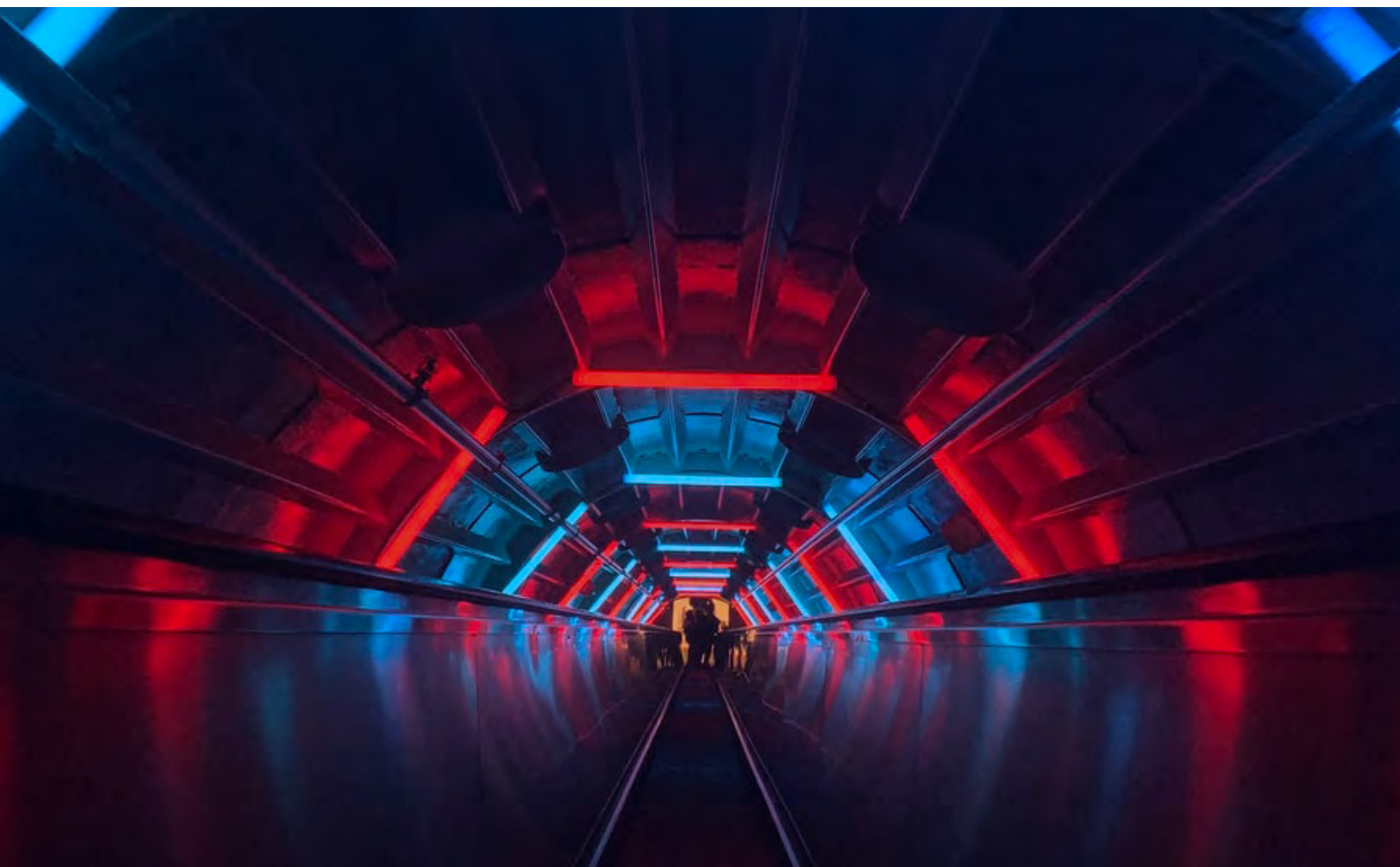
When it comes to luxury, clearly there is still cache in going direct-to-brands, although despite this being the number one online channel, 30% of luxury purchasers do not purchase online.



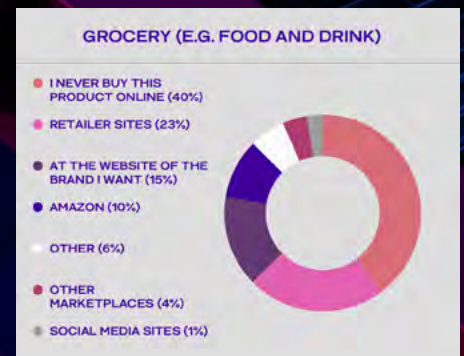
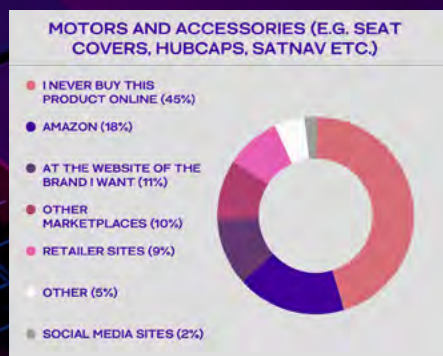
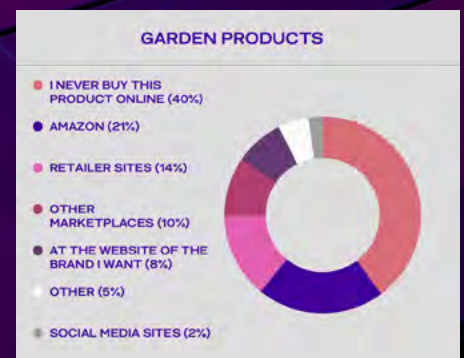
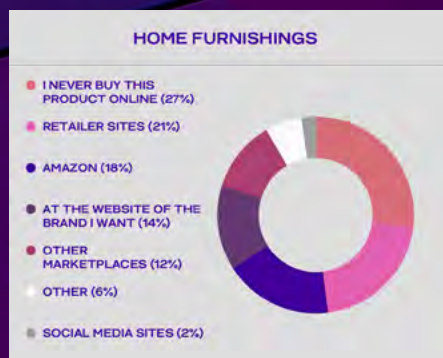
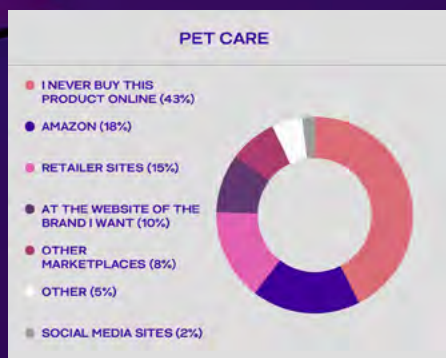
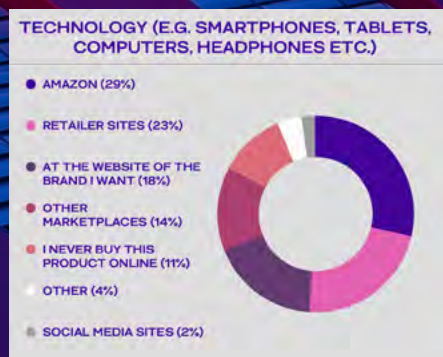
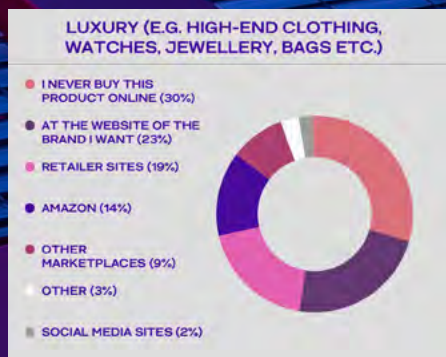
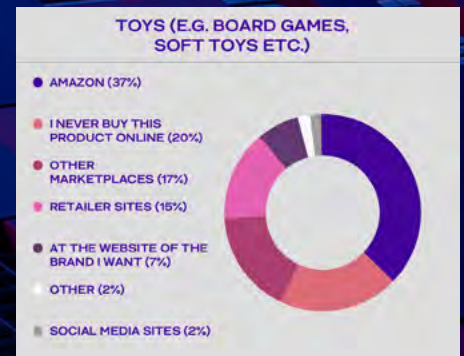
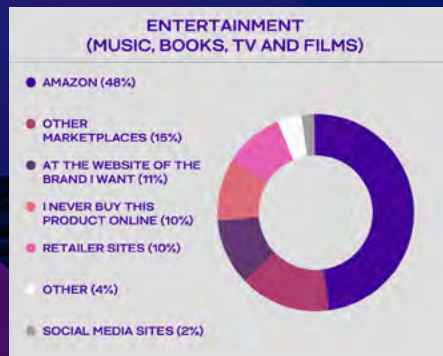
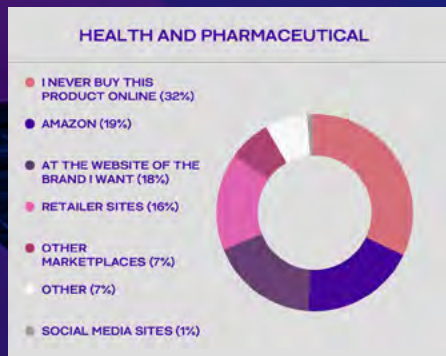
With COVID-19 accelerating digital transformation and Amazon announcing it will launch a new luxury fashion platform, we can only expect luxury to be distributed more largely online, beyond brands' own platforms or through big players like Yoox Net-A-Porter. Industry sources forecast that the luxury share of online sales would move from 6% to 18% in 2025, so luxury brands, must start thinking about a balanced strategy and building a three-year roadmap, so they are ready for 2021, and ready for Amazon!



Vincent Druguet
CEO
Wunderman Thompson France



IT'S NOT THE SAME ACROSS ALL SECTORS



SECTION CONCLUSION



Throughout this research, we've spoken at length about Amazon's dominance, and in certain sectors this is definitely the case. But in others, the brands are strongest, while in some, the retailers hold the cards. What this shows is that, as well as a balanced eCommerce strategy, organisations must think about their industry and their customers to ensure that they are selling through, and focusing on, the right channels.

SECTION 5: REDEFINING AND RECONSIDERING BUSINESS MODELS IN OUR NEW AGE





With so much change happening in the market, businesses must also consider the way that they do business. Is the way they've always done things the right way? Do they need to pivot and innovate? And at no time rather than now has this become more important. As part of our research, we looked into different ways of doing business to see what online shoppers thought.

CHAPTER 1: Online, offline, or both? (Omni-channel)

We frequently get asked the question about whether the rise in digital commerce will spell the end for physical retailing. The answer was, and remains, "no". Just over half of online shoppers (51%) had a preference for retailers and brands with both physical and online stores. This is up on last year where the figure was 48%*.

While this figure did not change massively across the age groups, it was the 25-34 year olds who were most keen on this (56%) followed by the 16-24s (54%), then the 35-44 year olds (51%). The age group least interested in shopping from brands with digital and physical retailers were the 55+ group, albeit 46% still thought this was important.

This is good news for retailers who have invested in their omni-channel operations. But this investment needs to be progressive, digital and innovative, as just over half (52%) wish brands would be more innovative in how they use digital technology to improve their experience, with 47% saying companies being more digitally innovative would actively influence their purchasing decision. Spanish consumers particularly want to see innovative physical store formats, with 74% wanting in-store innovations.

This includes providing more seamless shopping experiences such as cashless payments, something 44% of people said they were excited about. 58% of shoppers are excited by stores where they don't have to queue to pay (such as the new Amazon Go stores) and three quarters would be happy to receive free samples from online retailers based on their purchase history and preferences.

But a word of caution, depending on how the COVID-19 crisis pans out, we may see a significant impact on physical retailing. At the time of writing, there is very little physical retailing available even if it is desired. Could this shift the balance in favour of online retailing forever?

**our 2019 survey included Czechia and Belgium, which were replaced in our 2020 study by Australia*



Many have been predicting the end of the high street for years – but in fact, the future of retail won't live exclusively online but as a mix of both virtual and physical touchpoints.

As we head further into the new decade, it's going to be even more important for brands and retailers to offer a seamless omni-channel experience. These businesses will have to reconsider treating their bricks-and-mortar stores not as direct sources of revenue, but rather as a means to get closer to their customers who are keen on innovative experiences. This can be through ease of payment (i.e. cashless and cardless systems), delivering interactive experiences such as augmented and/or virtual reality or making the store queue-less (à la Amazon Go). During these testing times for retailers in the wake of the coronavirus outbreak, it's going to be even more important for physical retailers to offer these future-proofing, best-in-class services or risk being cut out by the bigger eCommerce players.



James Westoby
UK Managing Director
Wunderman Thompson
Commerce



CHAPTER 2: The rise of digital products

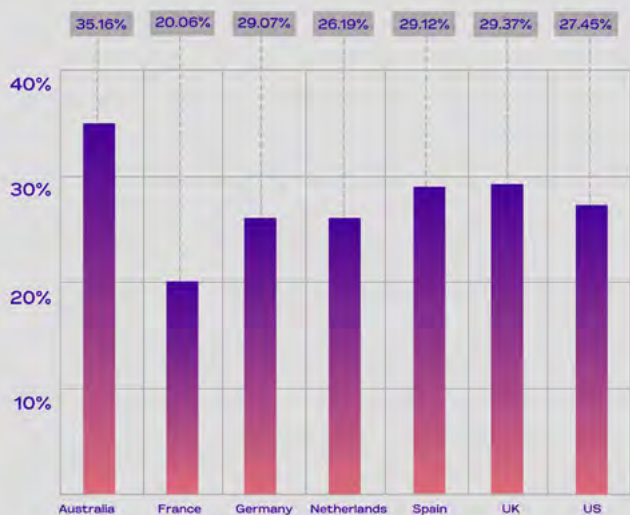
One trend that we've been keeping our eye on at Wunderman Thompson Commerce for quite some time is the increasing popularity of digital products vs physical products being purchased online. When we think about buying something online, it can be all too easy to think that the "something" has to be physical. But clearly that's not the case. Increasingly, we're seeing that more and more of the products being bought online are digital and not physical.

First of all, let's look at preference. Overall, a third (34%) of shoppers would prefer their online purchases to be digital and instantly downloadable, rather than physical. This number is biggest amongst the millennial crowd (25-34-year olds), with 44% preferring a digital service over a product, and the lowest group being the 55+ with 17%.

But what about actual purchasing behaviour online? In fact, the stats are broadly in line. When asked how much of your annual spend is spent on services, consumers answered that physical products make up 67% of what is bought online, while digital products now account for 28% of annual spend.*

**The reason this doesn't add up to 100% is due to the mid-points. The way we calculate averages is to take the mid-point for each option in a scale and then our software calculates the mean based on these mid-points. So the reason this is only 95% is a result of this method of calculating the mean. E.g. for 91-100 the mid-point is 95.5%.*

PERCENTAGE OF ONLINE SPEND ON SERVICES



This number is reflected in data from our Black Friday report, where 8% of the "products" purchased in the UK were subscriptions while this was 10% in the US.

But why is this important? It's important because younger consumers' expectations are being increasingly set by the digital world. In our Generation Alpha study from 2019, which focused on 6-16 year olds, 20% of them said that they would never buy from a retailer that didn't offer next day delivery. A further

32% said that one thing that they would change about buying things online, would be that for all products would be delivered in 2 hours.

If you think about this in terms of physical products, this type of demand seems impossible, but think of these "products" as being digital, and suddenly 2 hours seems perfectly feasible.

The data from this report backs up that this divide is one that is based on age, with digital and streamed products most popular with 16-24 year olds, with 34% buying digital products and physical products most popular with over 55s (72%). So, what's clear is that this desire for digital over physical products is likely to become more prevalent over time.

Once again, this trend may also be accelerated due to COVID-19. In a world where human contact is minimised, and where physical retail is locked down, buying products digitally is appealing both to shoppers' desires to consume and the necessity to remain hygienically isolated.

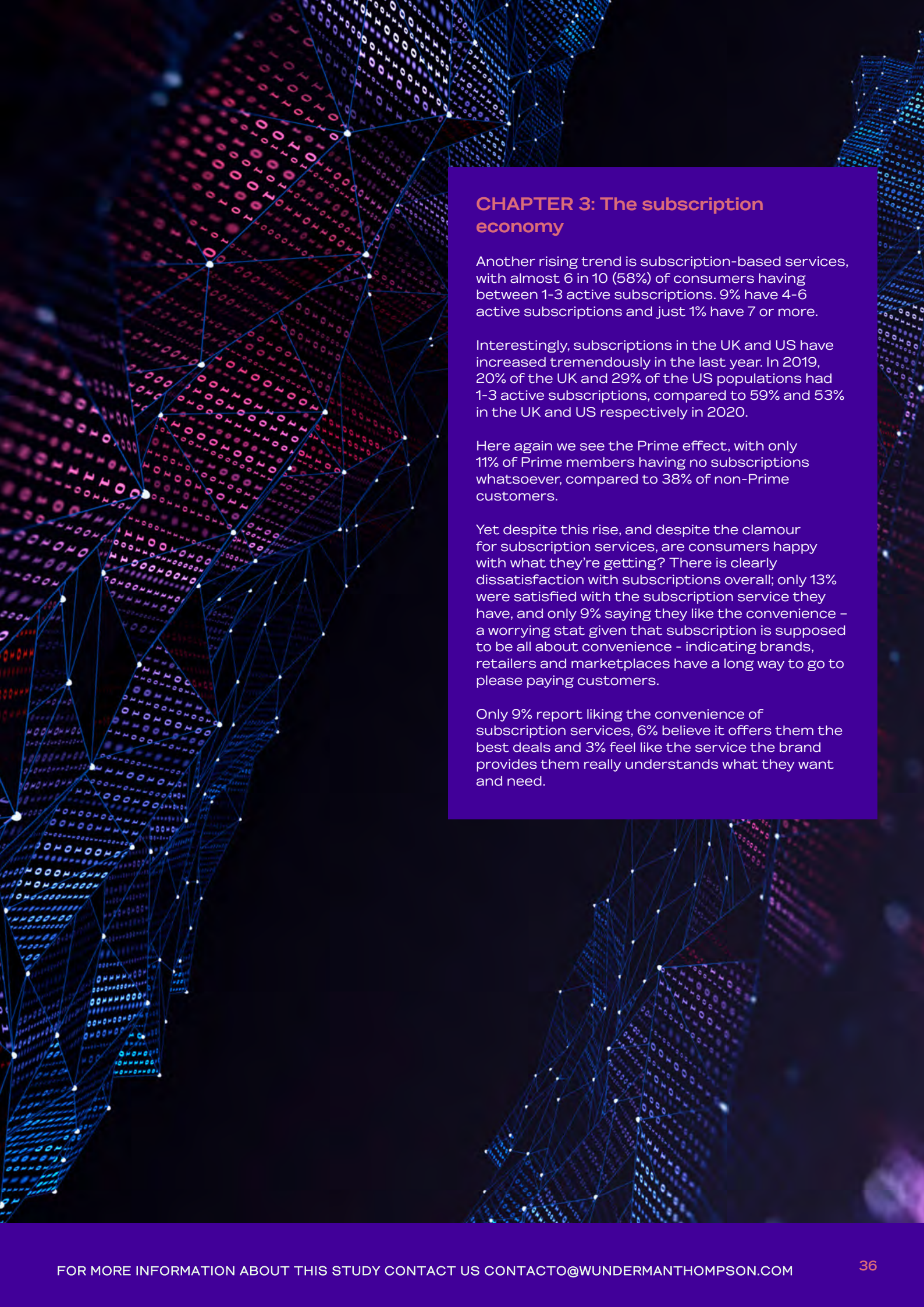
To put it another way, as supply chains become squeezed, as deliveries become more complex with self-isolation, and as there are fewer workers coming into work, being able to maintain 100% operations of online orders, and packaging and fulfilment becomes more complex.

Even before the appearance of COVID-19, we were advising all our clients to think about how they could digitise all, or some of their products. Now, digitising these products has taken on an even more important strategic role.

For many organisations who produce and sell physical goods, thinking about how they could digitise their products, and the services that surround them, can be quite a challenge. But when consumers, and particularly those consumers from Generation Alpha and Generation Z, mature, the demand for digital products which can be streamed or download will explode. It is likely that COVID-19 will accelerate this demand, and will also accelerate the uptake of digital products amongst older consumers. Habits which may have taken years to change, will now change in a matter of months. And therefore it is essential that all organisations really challenge themselves to seek to digitise what they sell.



Hugh Fletcher
Head of Thought Leadership (EMEA) and Marketing (UK)
Wunderman Thompson Commerce



CHAPTER 3: The subscription economy

Another rising trend is subscription-based services, with almost 6 in 10 (58%) of consumers having between 1-3 active subscriptions. 9% have 4-6 active subscriptions and just 1% have 7 or more.

Interestingly, subscriptions in the UK and US have increased tremendously in the last year. In 2019, 20% of the UK and 29% of the US populations had 1-3 active subscriptions, compared to 59% and 53% in the UK and US respectively in 2020.

Here again we see the Prime effect, with only 11% of Prime members having no subscriptions whatsoever, compared to 38% of non-Prime customers.

Yet despite this rise, and despite the clamour for subscription services, are consumers happy with what they're getting? There is clearly dissatisfaction with subscriptions overall; only 13% were satisfied with the subscription service they have, and only 9% saying they like the convenience – a worrying stat given that subscription is supposed to be all about convenience – indicating brands, retailers and marketplaces have a long way to go to please paying customers.

Only 9% report liking the convenience of subscription services, 6% believe it offers them the best deals and 3% feel like the service the brand provides them really understands what they want and need.



CHAPTER 4: Ethics and sustainability

Sustainability and the environment are also playing a bigger role in influencing consumer choices as younger, more socially conscious shoppers enter the market. 71% of shoppers said they wish retailers and brands offered better environmental practices such as less packaging, reduced carbon footprint and eco-delivery vehicles.

Furthermore, 55% said that they considered a company's ethics and morals when making purchasing decisions, with 46% actively choosing companies that are more environmentally responsible.

However, we must take this data with a pinch of salt. Because despite these percentages, when giving their reasons for choosing another retailer over Amazon, better environmental practices came in sixth position indicating that when push came to shove, pricing and free delivery all came first.

The country with the highest percentage of consumers who deemed these "better environmental practices" to be important was Spain (79%) followed closely by France (78%). The countries with the lowest percentages were Australia (64%) and in last position the Netherlands (63%).

One of the positive effects of the COVID-19 outbreak has been the positive impact on the environment. Not in the way they perhaps envisaged, but the likes of Extinction Rebellion have certainly got their wish about emissions reductions. Some have also argued that the global pandemic can also be traced back to human's incursions into nature. It's almost certain that one of the outcomes of this crisis will be a re-evaluation of how we interact and live alongside nature, and how we preserve the world for future generations. Brands and retailers must factor this into their strategic planning.



Ever since the emergence of online shopping, consumers' desire for convenience, cost and prompt delivery has edged to the top of the list in almost every sector; however, a new wave of environmentally conscious consumers is now sweeping the market, with companies such as Lush, Patagonia and Ikea leading the pack.

What's more, consumers are not only shunning those brands and retailers that cannot reduce their carbon footprint or introduce eco-friendly measures, but they are also actively swaying their purchasing decisions away from those that don't match their sustainable expectations.

Many retail companies are now facing a conundrum; they have to both meet the demands of the environmental shopper while not reneging on qualities such as price, convenience, speed of delivery and free returns – some of which run contrary to the ethically conscious consumer. The brands and retailers that strike this balance perfectly will win out both in the long- and short-term.



Rachel Smith
Head of Customer Experience
Wunderman Thompson
Commerce



CHAPTER 5: Social media and social commerce

Social media is also becoming a massively popular platform for brands, with 42% of consumers now actively recommending products through social platform activity such as tagging or direct messages to their friends.

It is also an avenue worth investigating when it comes to brands inspiring consumers to purchase – it is favoured by 19% of consumers as a source of inspiration. Australia came in top with 24% using social for inspiration, while the UK's percentage was the lowest at 16%.

Social media can be used to push potential consumers towards branded sites, or as social commerce gains more of a foothold, can be used as a place to sell directly to them too. But brands using this channel must be clear on who their target market is, as within social media, we see some discrepancies between who is and who isn't using this channel for inspiration. There is a clear split in gender – while 13% of men say that they go to social media for inspiration, this percentage is dwarfed by the 24% of women who are inspired by social.

The youngest group we questioned, 16-24-year olds, were unsurprisingly the most likely group to seek inspiration on social media channels (34%) whereas for the 55+ age group, the number is just 6.93%. This pattern was the same across all countries, with one exception, the US, where the group with the highest percentage of consumers seeking inspiration on social was the 25-34 year olds (31%). Irrespective of this anomaly, social media inspiration is more of a young people's game.

But social media's role has also changed during the COVID-19 outbreak, with more people using it as a force for good rather than as a means of promoting products. We can only speculate as to whether post-outbreak this will be a change that lasts, or whether it will revert to its more consumerist pre-COVID-19 days.



Whatever happens in the future, with more of us spending more time on social media platforms, it will undoubtedly become an even stronger channel, not just for inspiration and search, but for transaction too. Our previous research into digital commerce leaders indicated that 70% said that they already had social commerce strategies in place.

For those who don't, it's vital that brands work on their social media and commerce strategies to ensure that they can be where their customers are, and can offer them the commerce capabilities that will be required for the future.

While the outbreak of COVID-19 may encourage some companies to hunker down, and not think about channel expansion, the key to long term success is to start investing in this growing platform now.

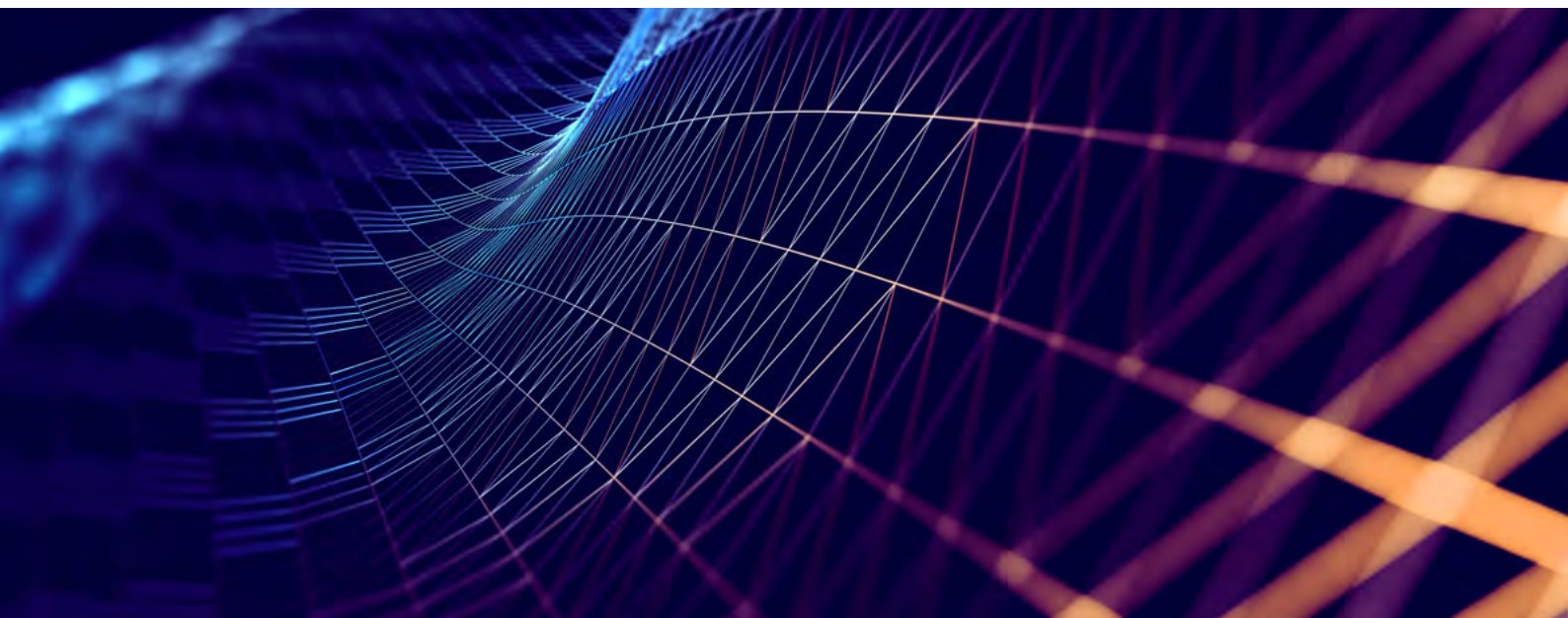


Chloe Cox
Social Media Lead
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Commerce



And when it comes to purchasing through social media, across the set of countries asked, customers bought from this channel on average 3.46 times a month. The highest frequency was in the Netherlands, with 4.57 orders a month, with the UK, again surprisingly, the lowest with 2.19.

Purchasing through social is also clearly a factor of age. 68% of the 55+ age group never order from this online channel while 32% of 16-24 year olds don't. This certainly points towards a future in which social commerce will become increasingly important.



WHEN CONSUMERS THOUGHT THAT THEY WOULD BE READY TO EMBRACE AUTOMATED REPURCHASING (IN YEARS)

Health and
pharmaceutical

1.23

Household
products

1.22

Food and
drink

1.2

Electronic
consumables

1.17

Pet care

1.16

Beauty

1.13

Clothing

1.08

CHAPTER 6: Automated purchasing

Programmatic Commerce™ – the phenomenon of connected devices making purchase decisions on behalf of consenting consumers and businesses based on pre-programmed preferences – has been less widely adopted by consumers.

Currently, only a quarter (24%) of consumers currently use or have previously used devices that automatically re-order products, with the Spanish particularly fond of the technology at 38%. On the flipside, 38% of all consumers have not only never used one of these devices but say they will never use them either now or in the future.

So, with these technologies that are still early in their adoption phase, we wanted to know when consumers thought that they would be ready to embrace them by sector. The results, presented above, show that it wouldn't take long before Programmatic Commerce™ and automated repurchasing were accepted.

Here we see the effects of trust and habit coming in. Health and pharmaceutical was the sector consumers expected to take longest to develop before they were comfortable using it. This is understandable as these items tend to be bought less online traditionally.

Clothing, on the other hand, had the shortest time frame, not least because it is already such a ubiquitous aspect of eCommerce. Consumers are used to recommendation engines suggesting clothing products for them, and with free deliveries and returns, automated shopping would be less consequential for shoppers.

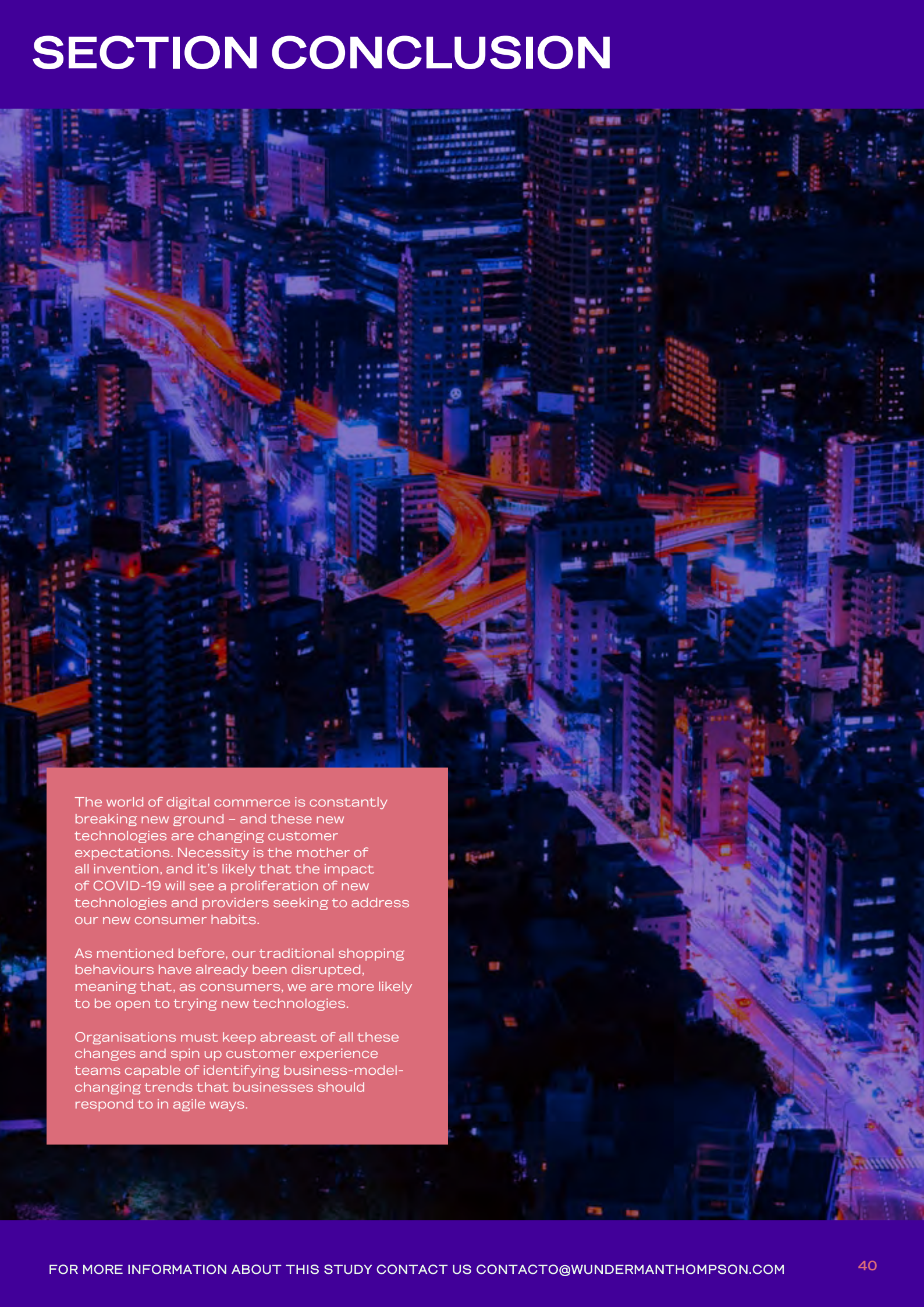
CHAPTER 7: Smart assistants and voice

When it comes to zero UI, voice and smart assistant devices, 27% currently use or have used a voice assistant to make a purchase and 19% intend to in the future. Prime also makes a big difference with 39% of Prime users currently using or having used Smart assistants to make a purchase, while only 15% of non-Prime has.

This may be generational – 37% of 25-34 year olds currently use or have used this service compared to only 11% of 55+.

When it comes to resistance to voice technology, there is still a significant percentage of consumers who are not yet willing to take this step. The percentage who have never used voice ordering services and do not intend to in the future is 32%. If you're a Prime user this drops to 21% while with non-Prime customers, it's 42%. Clearly there's still some work to be done.

SECTION CONCLUSION

An aerial night photograph of a dense urban landscape. A multi-lane highway with a curved interchange is visible, with light trails from vehicles creating bright orange and yellow streaks. The surrounding area is filled with numerous high-rise buildings, many of which have their windows illuminated, casting a warm glow. The overall color palette is dominated by the cool blues and purples of the night sky and city lights, contrasted with the warm yellows and oranges of the traffic and building interiors.

The world of digital commerce is constantly breaking new ground – and these new technologies are changing customer expectations. Necessity is the mother of all invention, and it's likely that the impact of COVID-19 will see a proliferation of new technologies and providers seeking to address our new consumer habits.

As mentioned before, our traditional shopping behaviours have already been disrupted, meaning that, as consumers, we are more likely to be open to trying new technologies.

Organisations must keep abreast of all these changes and spin up customer experience teams capable of identifying business-model-changing trends that businesses should respond to in agile ways.

SECTION 6: CHINA





93% of Chinese consumers expect to increase their use of digital shopping channels in the future

With a population of 1.4 billion, China has developed into one of the world's largest and most advanced eCommerce countries, responsible for titans Alibaba, JD.com, Taobao and Tmall.

It's also where the COVID-19 outbreak is purported to have commenced, meaning that China is ahead of most other global nations in its response. The data set, as a consequence, is provided by online consumers who were already deep into self-isolation, lockdown and closures. This offers us an invaluable insight into how this global crisis has impacted the view of digital commerce.

Irrespective of this outbreak, eCommerce was already very much in its prime in China, growing faster than any other country on the planet – so what do its online consumers think? How do they act? And what do the early impacts of COVID-19 tell us about the future of online retail and retail in general?

In this section, we'll pick out the key themes, and cross-reference these against our findings from the rest of the global survey.

Chinese shoppers' digital activity is going to increase:

Chinese consumers' penchant for digital commerce is going to get bigger; 93% of Chinese consumers expect to increase their use of digital shopping channels in the future versus the average from the global data set that sat at 65%. The effects of COVID-19 may have had an influence on this number, with more Chinese consumers appreciating the importance of digital commerce through this challenging time but whatever the reason, there can be no doubt that China's eCommerce will continue to rise.

The Chinese online customer journey:

When it comes to inspiration, the winners are again the marketplaces Taobao and Tmall, with 67% of consumers heading to these platforms to gain their inspiration for product purchases. In second place, comes the search engines such as Baidu, Sougou and Bing (42%) and then browsing brand websites (35%).

This behaviour mirrors that of the rest of the world, with Amazon taking first spot followed by search engines. But next we see a slight change, namely the increased importance of brands as a source of inspiration for Chinese consumers. In comparison, for the rest of the world, brand websites are less important as a source of inspiration, accounting for 18%; in China that figure is 35%.

When it comes to search, we again see the dominance of the marketplaces, but also the importance of the brands. 61% of Chinese consumers start their searches on marketplaces, while 58% start on brand sites, with just 32% starting on search engines. Here we can note a distinct difference in the online purchase journeys of global and Chinese online shoppers.

With the marketplaces occupying top position for both inspiration and search, the question is, does this translate into purchase too? The answer is "yes". The frequency of ordering from these marketplaces is also extremely high; consumers order from these marketplaces an average of 12.7 times a month and in contrast, global consumers are ordering from their number one source (Amazon) 6.5 times a month.

Who sets the benchmark?

Whilst in the West, Amazon was very much held up as the standard across most key metrics (such as pricing, delivery, access to brands etc.), in China. This accolade goes to the marketplaces such as Taobao and Tmall. The only exceptions to this rule were 'speedy delivery' and 'social commerce' which were both won by retailers.

And Taobao and Tmall also set the benchmark of services that Chinese consumers expect of others – 91% wish that more brands and retailers offered a service similar to those marketplaces. That reference point is even higher in China than in the rest of the world, where 75% of consumers wish that all retailers offered the same services as Amazon.

Clearly, the issue of counterfeiting is of concern for Chinese customers – undoubtedly one of the reasons why the direct-to-consumer branded site remains more important. Only 36% of online consumers trust products to be what they say they are on Taobao and Tmall (compared to 42% of the other international consumers regarding Amazon). And more say they've encountered a product they suspected may be fake (35% vs. 25% for Amazon) or counterfeit (30% vs. 19% for Amazon).

But are their loyalty programmes good value like Amazon Prime? The answer is a resounding "yes" with 83% believing that loyalty schemes like 88VIP are good value for money compared to 65% of international

consumers who believe Amazon Prime is good value for money.

What about industry specifics?

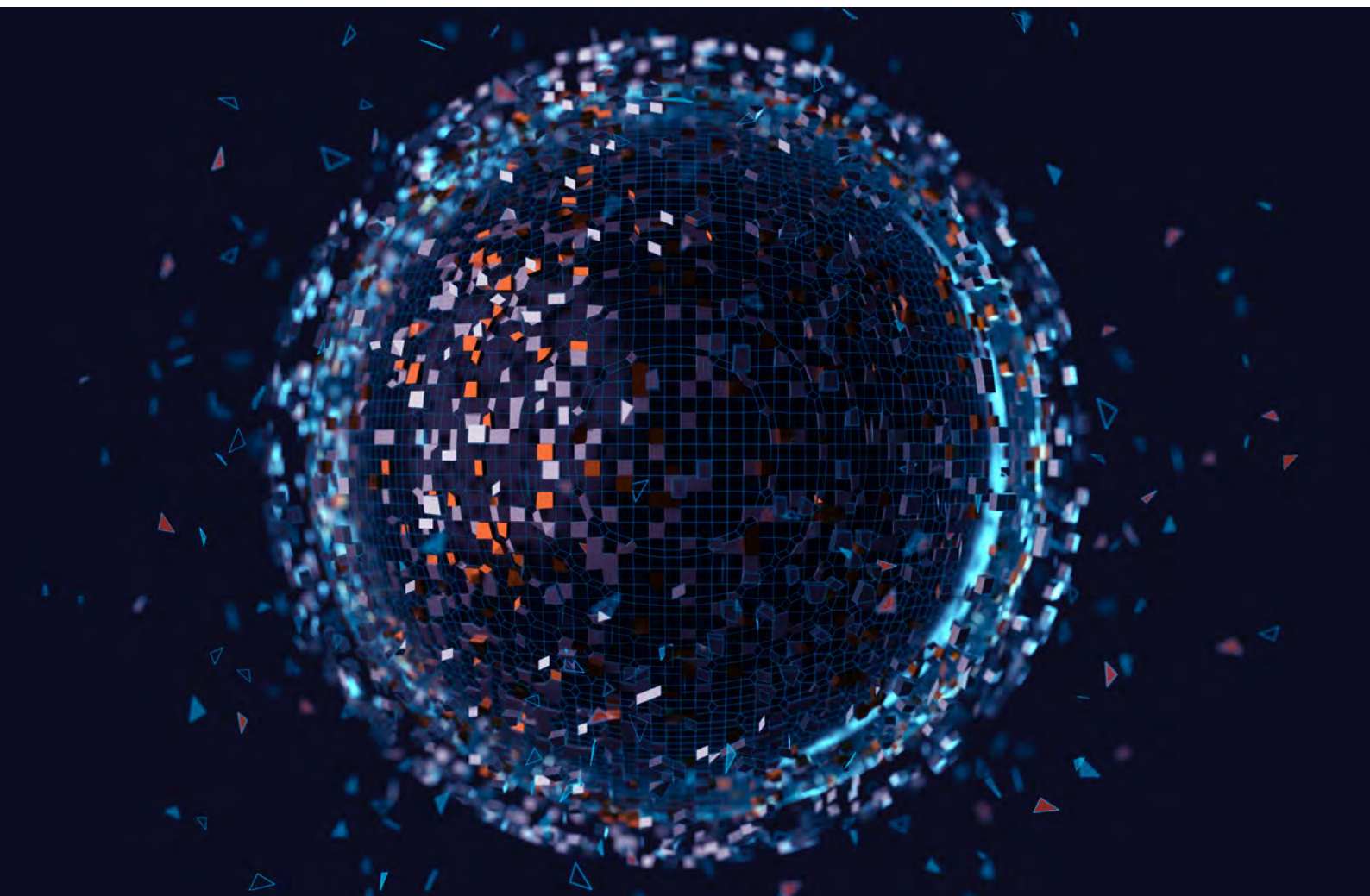
In our global report we saw that the dominance of Amazon was challenged depending on which industry was being looked at.

In China, we see the dominance of Tmall, taking first place in health and pharmaceutical, entertainment, and beauty.

In the luxury sector it is the branded websites that are the strongest (26%), but they do not occupy top position in any other industry.

For technology, retailer sites are clearly the place to go, accounting for 38% of spending. Retailer sites are also top for motors and accessories.

One large difference was that Chinese consumers are seemingly more open to ordering online groceries from their biggest marketplaces than other consumers are of Amazon. Internationally, 67% of consumers would prefer to go to the grocers themselves, either online or physical stores rather than shopping for groceries from Amazon. In China, this figure is 49% showing that while there is still work for the marketplaces to do, the Chinese customer may be more inclined to consider the marketplaces as a viable source for their supermarket shop.



Digital doyens of the world

Compared to the rest of the countries surveyed, it appears China is not only one step ahead digitally, but its citizens want even more in the way of technology in their online shopping journeys. Whilst this is something that we might have expected, the effect of COVID-19 and the timing of the survey could have something to do with super-charging some of these results.

As mentioned in the global results, one of the key trends that Wunderman Thompson Commerce has been eyeing is the rise in importance of digital products. The question is, is this trend the same in China? The answer is “yes, and then some”. A huge 70% would prefer their purchases online to be digital and instantly downloadable rather than a physical item (compared to a 35% in other countries).

And when it comes to shifting online purchases away from physical products to digital ones, this trend is even more pronounced, with more Chinese consumers splitting their online annual spend on services (such

as insurance, streaming music and films etc.) than the international average (36% vs 28%). Similarly, fewer spend their money on products – 59% China vs. 67% other countries.

What’s more, over half (54%) of Chinese consumers currently use or have used devices that automatically re-order products on consumers’ behalf, significantly higher than the rest of the world (24%). And two thirds (67%) of Chinese consumers currently use or have used smart assistants in the past – a massive increase on the 27% of consumers elsewhere.

In this vein, the Chinese will be ready to move to machines re-ordering items a lot sooner – with some industries predicted to be ready in just over half a year...

WHEN CONSUMERS THOUGHT THAT THEY WOULD BE READY TO EMBRACE AUTOMATED REPURCHASING (IN YEARS)

China (International)

Health and
pharmaceutical

0.75 (1.23)

Pet care

0.79 (1.16)

Household
products

0.54 (1.22)

Beauty

0.65 (1.13)

Food and drink

0.57 (1.2)

Clothing

0.65 (1.08)

Electronic
consumables

0.74 (1.17)

Digital demand vs. environmental enthusiasm

Before we delve specifically into the world of digital, let's first think omni-channel. Chinese consumers are more demanding when it comes to their expectations of omni-channel retailing; 82% prefer to shop somewhere with a physical and online store (compared to 51% of other consumers around the world), they are also more demanding of their omni-channel brands, with 85% saying that if a brand is more digitally innovative, they are more likely to purchase from it (compared to 47% globally).

And when it comes to social commerce, it is much more popular too; with 84% actively recommending products to their friends compared to only 42% elsewhere. The frequency of ordering on social is also very high. Chinese consumers order from social media (in app purchasing) on average 11.43 times per month. This is more than ordering from brand websites and retailer sites, and only slightly less than marketplaces like Taobao and Tmall which were bought from on average 12.64 times per month.

85% are excited about the idea of the future being cashless payments (vs. 44% elsewhere). This number is likely a factor of their digital advancement, but also of the COVID-19 pandemic. At the time that the research was in field, it's likely that Chinese consumers had a much better appreciation of their benefits of cashless payments than their global counterparts. With so many digital consumers open to this new type of technology, it's likely we will see an explosion of cashless payments in the near future.

Could it also be that the subscription economy in China is more mature than elsewhere in the world?

While only 38% of Chinese consumers have 1-3 active subscriptions compared to 58% in other countries, more are satisfied with them (21% vs. 13%).

While consumer appetite for digital looks set to increase, Chinese brands, retailers and marketplaces need to balance this expansion with a highly environmentally conscious population. 85% of Chinese online shoppers say a company's ethics and morals play an important part in their purchasing decision (vs. 55% elsewhere), while 84% actively choose companies or brands that are environmentally responsible (vs. 46%) and 87% wish retailers and brands offered better environmental practices (vs. 71%).



The data from China affords us a fascinating insight into the similarities and differences between this market and the rest of the global markets. Whilst the large marketplaces play a similar role to Amazon in the West, the Chinese consumer is much more demanding and much more open to digital advancements. Couple this with their more advanced experience with COVID-19, and we see a glimpse into the consumer of the future, and what organisations will need to provide in order to keep up with expectations.



Hugh Fletcher

Head of Thought Leadership (EMEA) and Marketing (UK)
Wunderman Thompson
Commerce



CONCLUDING THOUGHTS



OVERALL CONCLUSION



Never has an insight into future digital shopping trends been more important. We are facing a period of unprecedented change, from all angles. Digital commerce and the embracing of new ways of doing business online have been accelerated with the outbreak of COVID-19, old habits that die hard have been forced to change in a blink of an eye.

When we look at all the countries involved in this year's Future Shopper research, it's clear that digital commerce is only going to rise. The huge organisations and their marketplaces like Amazon and Alibaba have strengthened their position over the last year and control many areas of the customer journey as well as setting the benchmark for services. Brands and retailers must work to inspire consumers to visit them and give them enough reasons to transact on their sites.

For those organisations thinking of entering, or already operating in eCommerce, it is vital that they consider the balanced channel strategy, allowing them to appeal and transact with consumers across marketplaces, retailer, brand sites and increasingly social platforms. Consumers also seem intent and excited by new technologies such as cashierless checkouts, and businesses responding to the outbreak of COVID-19 will need to factor in how they can offer these advancements into their offerings. They also need to consider how they can digitise their offerings to respond to the increasing demand for digital vs physical products.

In a world of uncertainty, we hope that the data contained in this report will go some way to defining how retailers and brands formulate a digital commerce strategy that meets customers' expectations now and in the future.

Methodology

Research for this report was conducted by independent research consultancy Censuswide. A total of 14,103 consumers who shop online at least once a month were interviewed online during February and March 2020 in Australia, Germany, Spain, France, Netherlands, UK and US. A further 2,066 consumers who shop online at least once a month in the same time frame were interviewed online in China as part of the standalone China section.

SUMMARY: SHOPPER BEHAVIOURS BY COUNTRY

								
	UK	US	GERMANY	SPAIN	FRANCE	NETHERLANDS	AUSTRALIA	CHINA
% who expect to use digital shopping channels more in the future	58%	59%	64%	80%	68%	59%	67%	93%
Frequency of purchasing through Amazon per month (In China, other marketplaces incl. Taobao and Tmall)	7.56	8.78	9.23	7.17	6.79	2.86	3.2	12.64
Frequency of purchasing from branded websites per month	2.7	2.89	3.14	4.37	3.51	3.52	3.65	9.04
% who are worried about Amazon's dominance? (in China Taobao and Tmall)	52%	54%	56%	57%	52%	47%	50%	56%
% who wish more brands and retailers offered services like Amazon (in China Taobao and Tmall)	79%	82%	72%	88%	80%	56%	69%	91%
Average time consumers expect to wait for goods ordered online to arrive (in days)	2.64	3.12	2.5	2.27	3.19	2.18	4.16	1.45
Grocery loyalty scheme members as % of total	85%	60%	66%	72%	81%	66%	85%	53%
Prime members as % of total	57%	70%	64%	71%	49%	50%	23%	71%
% who prefer to shop with a brand that has both physical and online stores	46%	52%	42%	62%	48%	48%	60%	82%
% who would prefer purchases to be digital or instantly downloadable rather than physical	29%	30%	36%	51%	35%	27%	33%	70%
% who currently use or who have used a voice assistant to make a purchase in the last year	21%	24%	28%	43%	25%	22%	22%	67%

ABOUT WUNDERMAN THOMPSON COMMERCE

Wunderman Thompson Commerce is a global eCommerce consultancy of 1500+ commerce experts across more than 20 offices, united in helping clients win through eCommerce.

We define and deliver digital growth for ambitious brands, retailers and manufacturers. The cornerstone is inspiration – and we seek and promote it in all that we do.

Our global eCommerce consultancy offers strategic clarity, technology enablement and creative insight and delivers winning commerce capabilities across all major channels: marketplaces (including Amazon), online retailers, D2C and social commerce.

We help brands increase results at scale on Amazon, deliver eCommerce strategy and optimise multichannel journeys. We inspire customer engagement and transactions at every touchpoint, while deploying and integrating world class technology from key strategic partners including Adobe, SAP, Salesforce, HCL and IBM.

Clients include AkzoNobel, DFS, Halfords, Jumbo, RXBAR, Sainsbury's, Selfridges, Specialized, Tempur and Tiffany & Co.

We are part of Wunderman Thompson, a WPP agency which is part creative agency, part consultancy and part technology company, and whose experts provide end-to-end capabilities at a global scale, to deliver inspiration across the entire brand and customer experience.

Wunderman Thompson is a WPP Agency (NYSE: WPP).

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For more information about this study contact us
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