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The State of Retail:
Consumer Behavior
2015

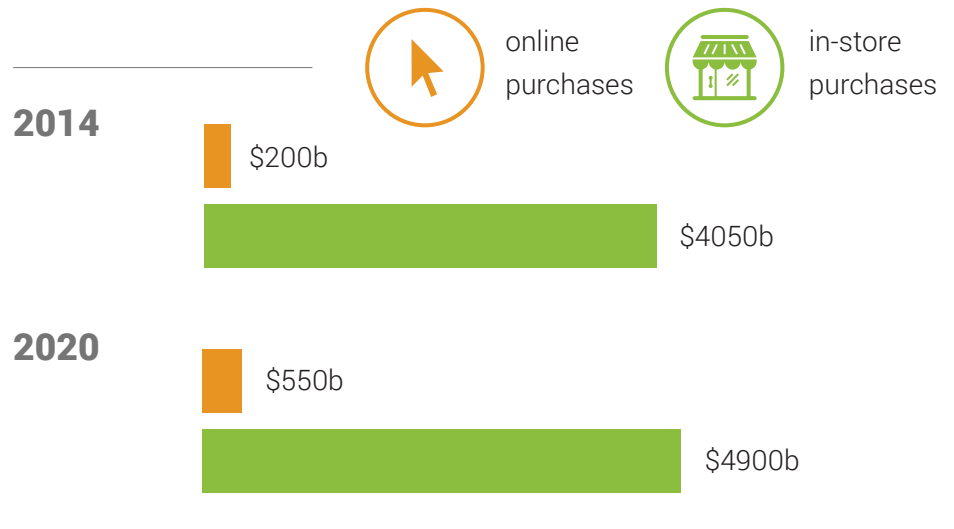
Consumer Behavior

Consumers look to spend in brick-and-mortar

When discussing the state of retail, it is important to investigate retail spending trends. Recent research by eMarketer¹ takes a look at how and where consumers in the United States are going to be spending money over the next 6 or 7 years. eMarketer's research reveals that disposable income spent by consumers in the U.S. for brick-and-mortar retail stores will be \$5 trillion by 2020 (**Figure 1**).

This chart points out two important factors; online retailing is going to grow and more than double, but the relative level of money spending in stores is still many multiples of what is spent online, even when projected out to 2020. The fact that consumers will be spending \$5 trillion in brick-and-mortar by 2020 means that retailers have to be prepared to accommodate shoppers and their changing needs.

Figure 1. Disposable Income for U.S. Shoppers



According to a recent report from the U.S. Department of Commerce², in 2014, e-commerce accounted for only 8.3% of total retail sales. In other words, despite the rapid growth rate of the e-commerce market, the lion's share of retail sales is still done within traditional brick-and-mortar stores.

TimeTrade recently conducted its own survey of 1,029 consumers regarding their perceptions and habits around retail shopping. Results indicate that more than 87% of respondents plan to shop in stores at least as often as they did in 2014.

¹"Retail Sales Worldwide Will Top \$22 Trillion This Year," eMarketer.com, December 23, 2014

²Quarterly Retail E-Commerce Sales 4th Quarter 2014, U.S. Department of Commerce, February 17th, 2015

Consumer Behavior (cont.)

Retail Convergence

The statistics by eMarketer, the Department of Commerce and TimeTrade prove that retail brick-and-mortar stores are still very relevant. Traditional e-retailers are well aware of this trend as they are now opening their own retail shops. E-tailers who are known for their online dominance, such as Amazon and Warby Parker, are opening physical stores, starting in key markets. Amazon will soon be opening its first brick-and-mortar store in New York City, as well as multiple locations in California.

The primary reason these online giants are vertically integrating stores to the physical realm is because they understand that the personalized part of shopping (especially for highly personalized goods such as glasses) is very important to consumers and the in-store experience allows for such an opportunity.

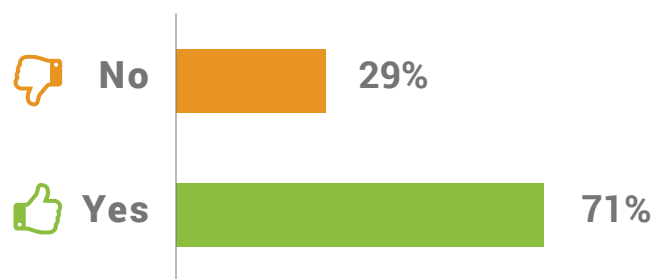
Also, with its entry into the smartphone market with its Fire phone, it is possible that Amazon is also setting up shop to model Apple stores and are looking to provide customers with a showroom that allows them to tryout products or have a face-to-face interaction with a store associate. Amazon is also known for its Kindle tablet and this would allow for display of these devices as well.

Amazon is a perfect example of the notion of retail convergence, which is the converging of web and physical retailing. Retailers need to take note of this extremely important and growing trend.

When asked if they would shop at an Amazon store, 71% of TimeTrade survey respondents reported they would prefer to shop in Amazon's physical store versus Amazon.com

The main driver for retail convergence is that purchase behavior has changed. Consumers are now more educated and now view the in-store experience as the final buying decision point. When asked if they would shop at an Amazon store, 71% of TimeTrade survey respondents reported they would prefer to shop in Amazon's physical store versus Amazon.com (**Figure 2**). Also, 65% of respondents indicate that if an item they want is available online or in a nearby store, they prefer to shop in a store.

Figure 2. *Would you shop at an Amazon store?*

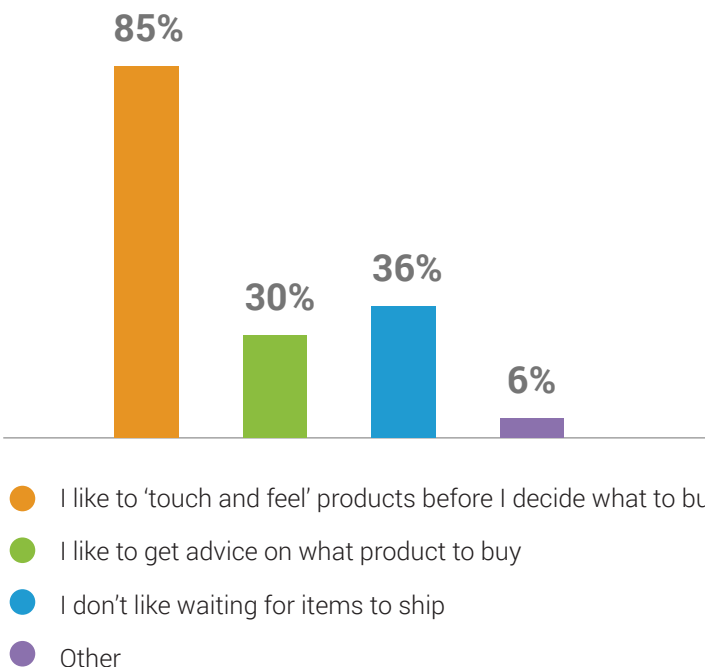


“The web and physical retail are converging, and we see this more now than ever. Shoppers are empowering themselves to glean knowledge online, ratings and reviews, pricing, and general availability –then making their final decisions in the store. Online retailers, like Amazon are adapting by opening their own retail stores, launching Amazon lockers, and getting into local real time delivery.”

- Jeremiah Owyang, Founder of [Crowd Companies](#)

At the same time, 85% of TimeTrade respondents indicate they like to shop in the store because they like to 'touch and feel' products before they decide what they want to buy (**Figure 3**).

Figure 3. Why do you prefer shopping in the store?



Purchase Behavior Has Changed

The fact that consumers prefer to shop at a physical Amazon store versus online, when Amazon has such roots in e-commerce, is further proof that purchase behavior has changed. Purchase behavior has changed drastically over the past four years. What has changed primarily is that consumers do most of their shopping or “discovery” online. Shopping, as in, looking through merchandise, seeing what size might fit, learning about different options or specifications (if it is consumer electronics) and looking at pricing and online discussion forums. This is where the shopping gets done. Now that the consumer is highly educated, that is when they go to the store for final purchase validation.

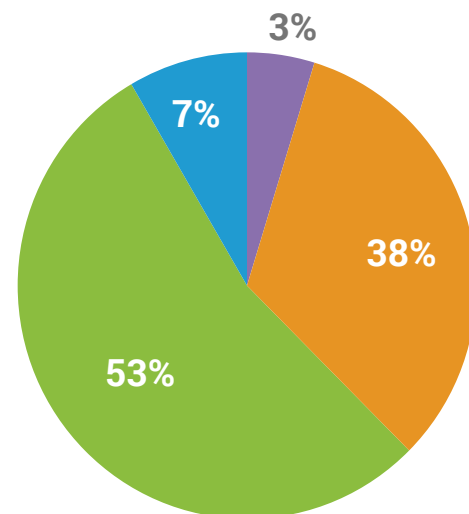
53% of TimeTrade survey respondents report that after they have browsed online before making a purchase, they have narrowed their selection down to 2 or 3 products but need help making a final decision

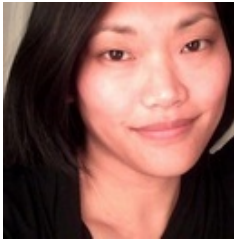
Once customers are in the store, retailers must keep in mind that customer in-store behavior has shifted from “discovery” to “final purchase decision.” By the time a person walks into a store they are well versed on what they want to buy, they have not made a final decision but they need emotional validation for the purchase. This is why they go into the store and seek out experts that can help them. So this modern store behavior is really about buying much more so than it is about shopping. For this reason, customers today need prompt service from the right person because they, for the most part, know what they want, they just need help with the last steps in buying.

- I know exactly what I want to buy
- I've narrowed it down to 2-3 products and need help making a final decision
- I know the need I'm trying to fulfill, but I don't know what to buy to meet that need
- I usually don't know what I'm looking for when I go to the store

This has led to a new reality for retailers and what they need to offer in the store. Previously, it was the idea that people would come into the store and shop and retailers would display as many items as possible. Today the physical store not only has to have physical goods, but now there is a shift in focus on the in-store staff. Store managers and store associates must have the right knowledge to help these educated consumers with their final buying decisions. Associates must be able to answer questions that are deeper than product specifications and be knowledgeable enough to have an in-depth dialog with these already educated consumers. How store employees handle in-store behavior is more crucial than ever as consumers will take their business elsewhere. Prompt and knowledgeable service will lead to customer satisfaction as well as store and brand loyalty. It is a matter of retailers providing this level of service.

Figure 4. *When you browse online before making a purchase, how much do you know about what you want to buy before you go to the store?*





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