WINTER 2017/2018
CONSUMER VIEW

In this quarter's *Consumer View*, NRF examines the consumer attitudes and experiences shaping today's retail environment, including trends in fulfillment and shipping, the importance of experience in retail and consumer attitudes toward innovations.

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Fulfillment and shipping

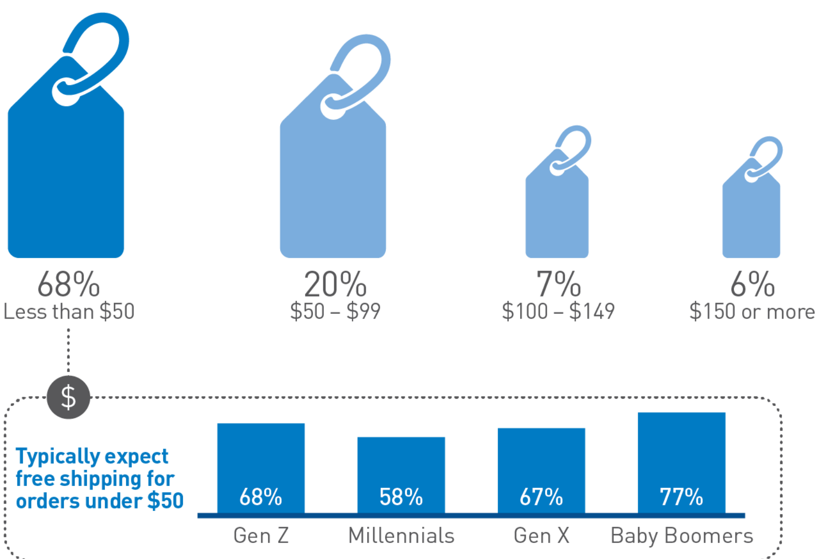
Rising demand for fast and free shipping

Consumers continue to demand free, fast shipping and more fulfillment options. Retailers are literally racing to consumers' doorsteps to meet rising expectations. NRF's State of Retailing Online found that fulfillment costs per order had risen for 31 percent of respondents in 2017 as retailers continued to invest in areas such as omnichannel capabilities and training for associates to process in-store orders.

FREE SHIPPING CAN MAKE OR BREAK A SALE

Free shipping is now a competitive necessity. Half of online shoppers said they will typically either back out of a purchase if they don't qualify for free shipping (47%) or add additional items to their carts in order to meet a shipping minimum (51%). Further, consumers expect free shipping regardless of price point, with most consumers saying they expect delivery to be free even for orders under $50.

What is the minimum price point at which you typically expect free shipping? (among online shoppers)



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In Time for Christmas

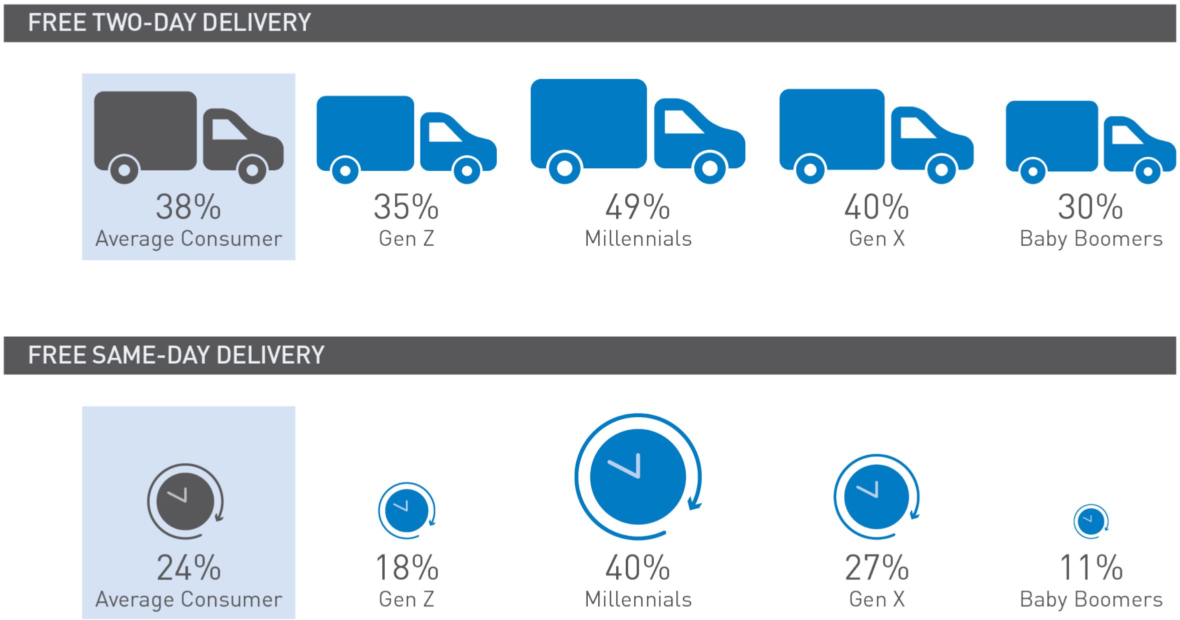
Faster fulfillment and shipping was a major theme during the holidays. According to *Prosper Insights & Analytics*, more than nine in 10 respondents said they planned to take advantage of free shipping during the 2017 holiday season; during Thanksgiving weekend alone, nearly half of holiday shoppers said a free shipping offer convinced them to make a purchase they were hesitant about. A number of major retailers such as Walmart, Target and Best Buy have begun offering free two-day shipping on many items. In addition to free shipping, holiday shoppers also turned to other fulfillment methods such as buy online, pick up in store, with 49 percent saying they planned to use BOPIS to purchase items during the holidays.

TWO-DAY DELIVERY IS BECOMING THE STANDARD

Shoppers are also developing new expectations for faster shipping. Nearly four in 10 online shoppers expect retailers to offer free two-day delivery. Gen Z is actually closer to Baby Boomers than to Millennials when it comes to expectations for free two-day shipping, though that may change as faster shipping becomes standard across the industry and as Gen Z comes into its full purchasing power.

Many national retailers are already expanding same-day capabilities. Target recently acquired delivery service Shipt to offer same-day delivery to half of its stores by the summer of 2018, and Best Buy extended the service to 40 cities in December through crowd-sourcing service Deliv. Macy's also announced in August it would offer same-day delivery in select locations.

Percent of consumers that expect retailers to offer:



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Experience-driven retail

A unique and convenient experience drives loyalty and store visits

Holiday Events

Retailers used events to drive in-store traffic during the 2017 holiday season. Walmart hosted more than 20,000 holiday parties with product demonstrations and visits from Santa, while Target hosted toy events and scavenger hunts. Brands such as Nintendo held pop-up experiences across the United States.

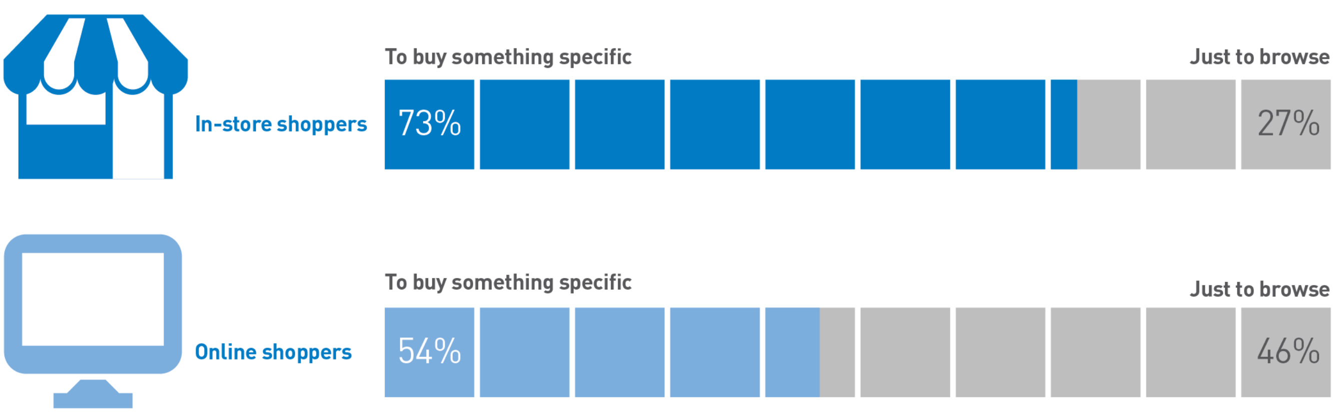
As retail becomes commoditized and the competitive gaps in price and selection shrink, consumers are being driven more by brand experience. Shoppers want convenience, a unique customer experience and events that offer a compelling reason for store visits. They also demand personalization and strong digitally enabled customer service.

The 2017 State of Retailing Online report found 38 percent of retailers were investing in new customer service initiatives such as live chat, more marketing content, personalization and on-site videos. Some brands are also making creative investments to enhance their experience. In September 2017, IKEA acquired Task Rabbit, partly to expand its customer service offerings such as furniture assembly.

CONSUMERS WANT CONVENIENCE

Consumers want retail to be fast, simple and efficient. Whether shopping online or in a store, consumers are more likely to visit a retailer because they are looking for something specific rather than just to browse. This is particularly true for bricks-and-mortar, where 73 percent of shoppers say that they typically visit a store with a particular purchase in mind.

When visiting a store or shopping online, is it typically to buy something specific or just to browse?



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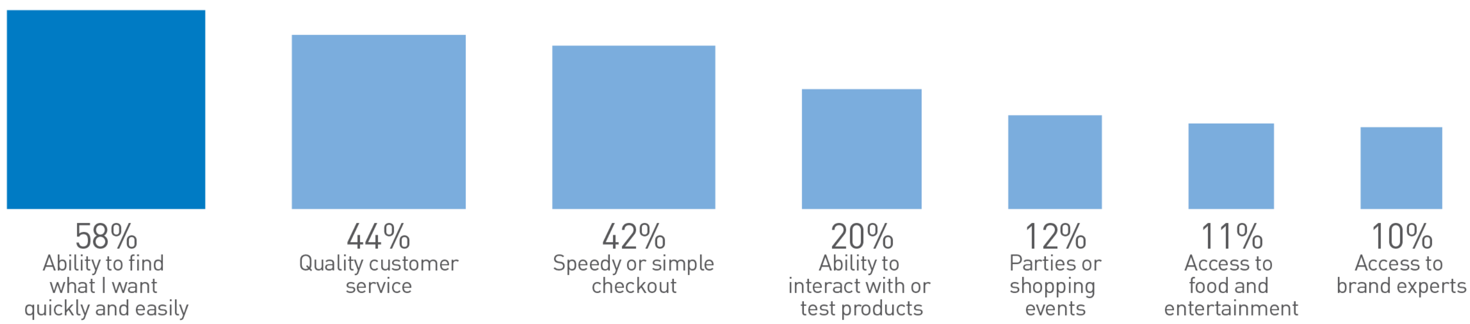
These intent-driven visits influence what consumers value when deciding from which retailers or brands to purchase. Nearly six in 10 said the ability to easily find what they want is one of the most important factors in selecting a retailer. Customers said they were also attracted to good customer service and a streamlined checkout process.

What types of brand or retailer experiences are **most** important in determining where you shop?



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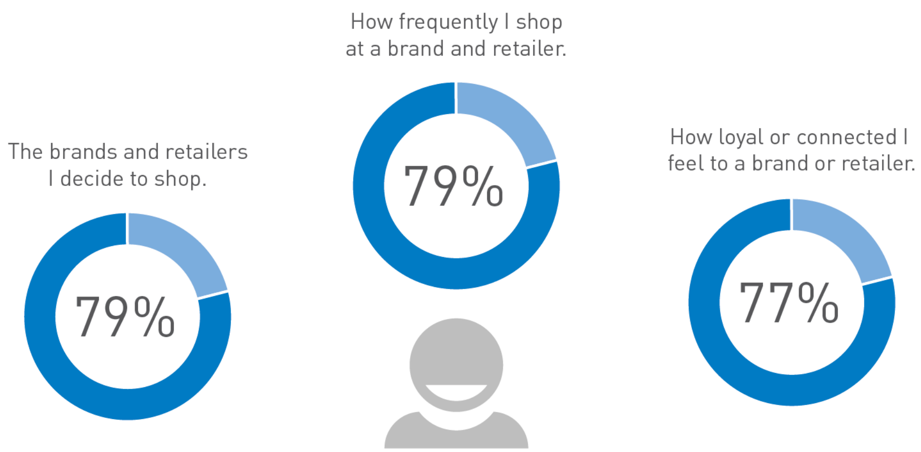
A STRONG BRAND EXPERIENCE BUILDS LOYALTY

Consumers said experience impacts everything from their loyalty to how often they visit retailers.

Retailer or brand experience is important in determining:



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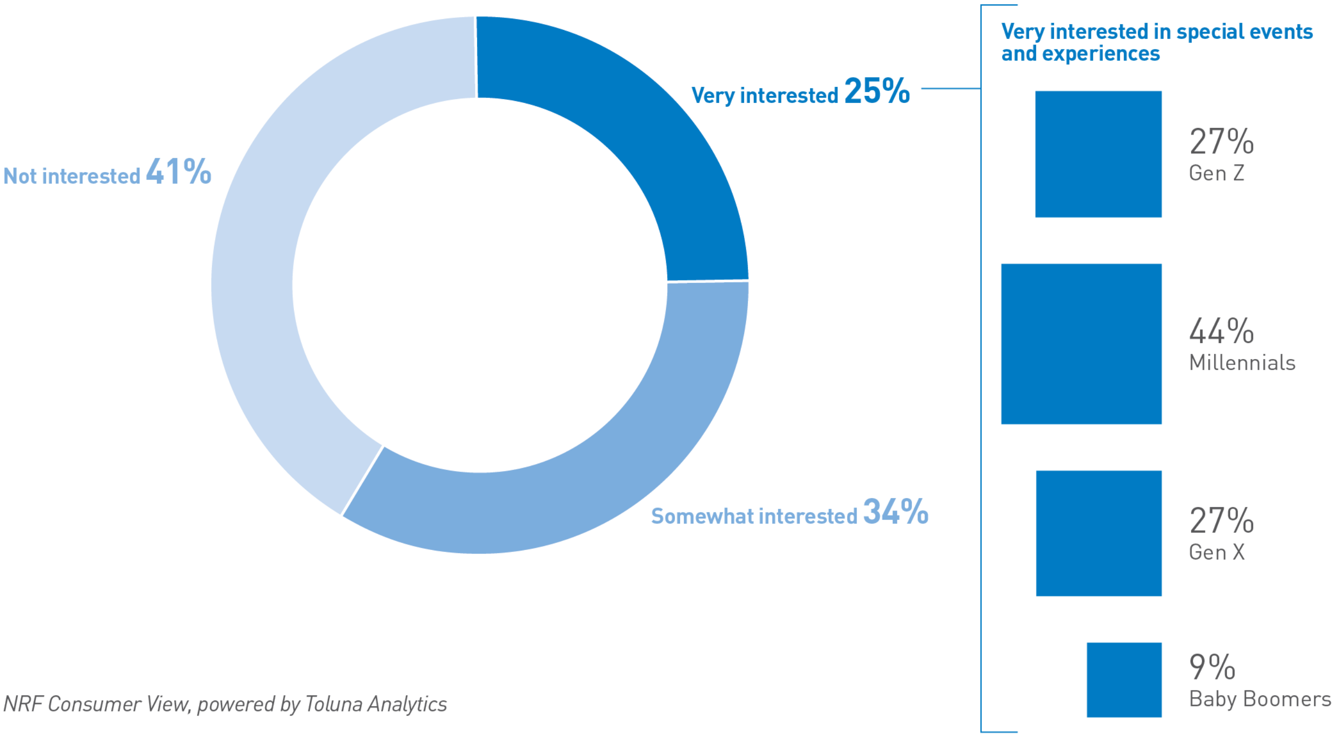
RETAIL EVENTS AND ENTERTAINMENT BUILD THE EXPERIENCE

Special store events or brand experiences also attract consumers. Nearly six in 10 respondents said they were interested in special events and experiences hosted by retailers. The most popular events offered the ability to try out products, exclusive access to sales, demonstrations and product tutorials.

How interested are you in attending special events or experiences hosted by a retailer or brand?



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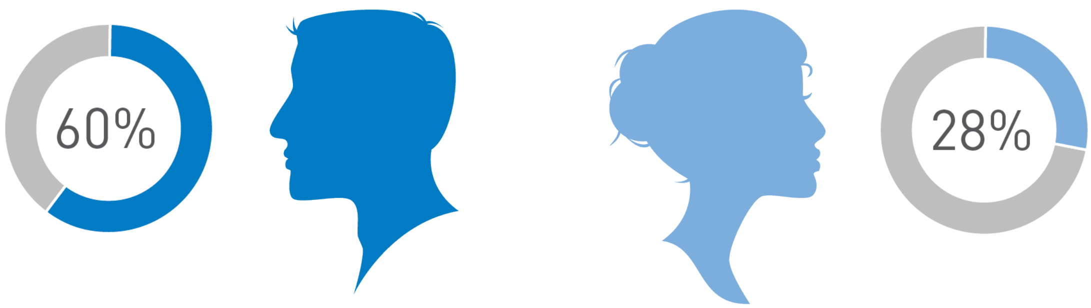
While it might not come as a surprise that Millennials are particularly enthusiastic about special events — 44 percent of Millennials say they are very interested in these types of experiences, compared with 25 percent of consumers overall — they have a much stronger appeal for Millennial men than Millennial women.

Event preferences

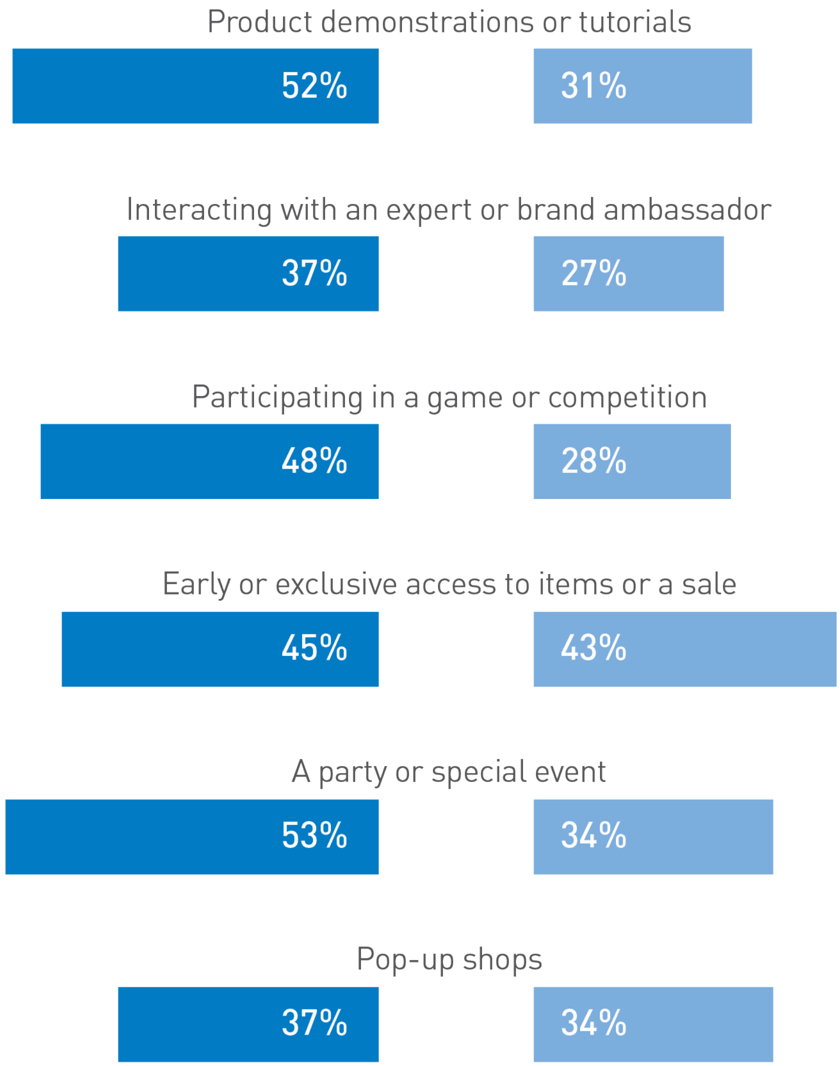
Millennial men vs. Millennial women

60% of Millennial men are **very** interested in special events and experiences.

28% of Millennial women are **very** interested in special events and experiences.



Types of events interested in attending:



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Emerging technologies and innovations

Consumers want technology, but it must benefit the experience.

With new technologies, IoT devices and cloud-based applications coming to market, retailers are eager to implement new innovations. But applications should be selected carefully and new initiatives should be viewed through the lens of the customer experience.

Innovations such as on-site 3D printing, smart dressing rooms and virtual shopping experiences have yet to enter the mainstream, with less than a third of consumers reporting familiarity with these types of technologies. Generally speaking, if a consumer is aware of an emerging innovation there is a 40 to 50 percent chance that they have actually tried it while shopping — the exceptions being retailer messaging apps, which have a 65 percent adoption rate, and 3D printing, which has just a 22 percent adoption rate.

WINNING TECHNOLOGIES ENHANCE PERSONALIZATION AND EFFICIENCY

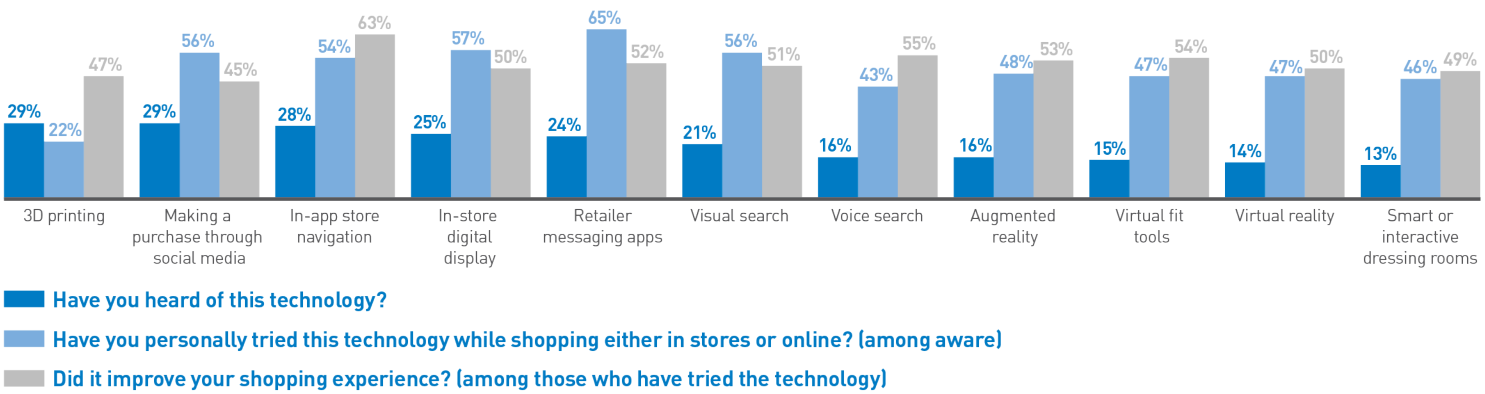
While the nature of these innovations makes it difficult to predict which will transform retail, customer experience provides an early read on what shoppers value.

Overall, consumers tend to have a favorable view of retail innovations. Roughly half of respondents that have tried a technology said it ultimately improved their shopping experience. However, shoppers generally prefer technologies that personalize the experience or simplify the process. In-app tools to help navigate a store, voice-activated shopping and virtual fit tools rank higher with shoppers in terms of overall satisfaction.

High-tech Holidays

Some retailers used the 2017 holiday season as a testing ground for new technologies. Walmart implemented new technologies during the holiday season, including shelf-scanning robots and VR training tools for associates. It also adjusted its mobile app to fast-track returns. JCPenney also upgraded its app earlier in the year with its Snap2Shop visual search feature and a scanning function for price checks.

Emerging technologies:



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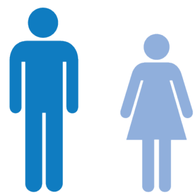
The subscription box customer

Only **16%** of consumers have a subscription to a service such as Birchbox, Blue Apron or BarkBox where they receive a selection of products on a recurring basis, but most have increased their subscriptions in the last year.

Age: 18–34 35–54 55+

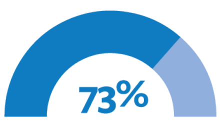
54% 41% 6%

More than half are under the age of 35



59% 41%

More likely to be **male** than **female**

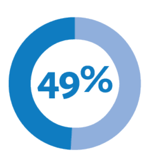


Have started using **more** subscription services in the last year

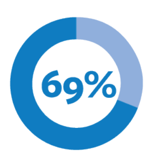
Primarily shop online

What they like about subscription boxes

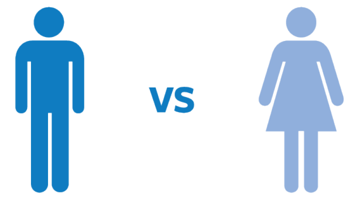
64%	Try new products
63%	Convenience
55%	Variety



Have a **gym** or **fitness class** membership



Subscribe to a **digital streaming** service



Plan to subscribe for:

57%	Less than 6 months	35%
24%	6–12 months	25%
19%	More than a year	40%

59% of men are more interested in renting items than owning them outright, compared with just **30% of women**.

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ABOUT THE *CONSUMER VIEW*

The Winter 2017/2018 ***Consumer View*** was designed to gauge consumer behavior and shopping trends relating to stores, online channels, loyalty and technology. The survey polled 3,172 consumers and was conducted by NRF, powered by Toluna Analytics, from November 11–December 1, 2017. The consumer poll has a margin of error of plus or minus 1.7 percentage points.

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