Next Generation Retail

A survey of Irish consumers

February 2022

Welcome to our Next Generation Retail report, which analyses the results of our recent independent research where we attempted to understand a little more about the how, where and why of the Irish shopper. We particularly sought to understand how the different generations of consumers are choosing to spend.

Over the last two years, we have consistently formed the view that the pandemic merely accelerated existing fundamental trends across retail – the most obvious being the move online. Our research supports this but does point to this being a profound and permanent shift in consumer behaviour.

Online shopping had been growing slowly pre-pandemic and received a dramatic boost through lockdowns around the world - this may well be a tipping point in certain market segments. The "bricks and mortar" of the high street (or any other street) are not going away, but their role is changing, and they will be less relevant depending on what you want to buy. While clothes shopping is now almost as popular online as it is in physical stores, the great majority of people still do more of their grocery shopping in person.

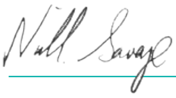
Price and convenience remain as relevant as ever. When it came to the top four reasons for where they chose to shop, a large majority of survey respondents rated price and convenience in the top two. We were surprised that only 20% of respondents ranked buying Irish or supporting local retailers among their top two. Given global trends of "profit with purpose" we would expect that the green card would be more relevant when it comes to influencing buyer behaviour.

The Next Generation of consumer will be demanding and retailers will need to adapt to maintain market share:

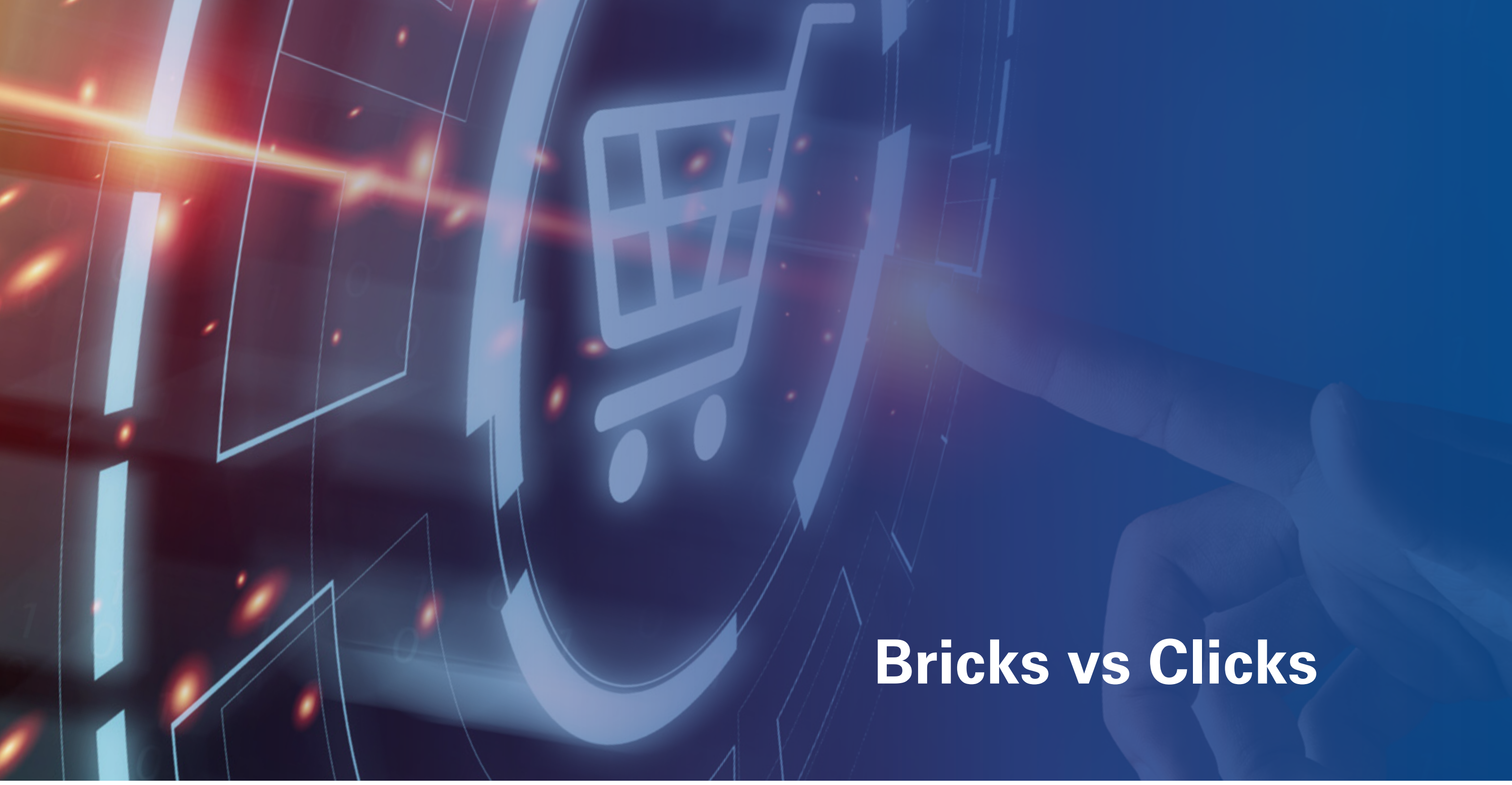
- They are buying more clothes and gifts online, thus have far more choices;
- Place more emphasis on price than any other generation; and
- Expect to be able to interact with their brands when they choose to (as opposed to "opening hours").

Traditional retailers losing customers to the digital marketplace will need to build on their proven strengths by offering a next generation customer experience. Simply having an online ordering facility will not do – every aspect of the user experience needs to be considered to cater to the next generation.

I hope you find the insights in this report useful, and if you have any questions, do not hesitate to reach out.

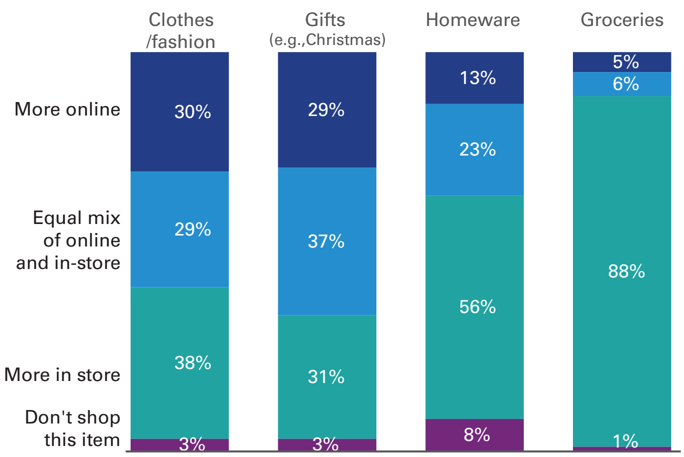


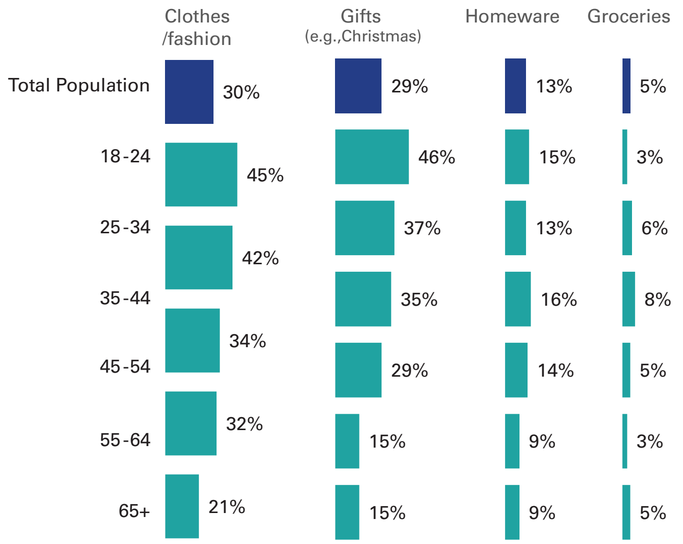
Niall Savage
Partner,
Head of Retail



Bricks vs Clicks

Do you shop more online or in-store?



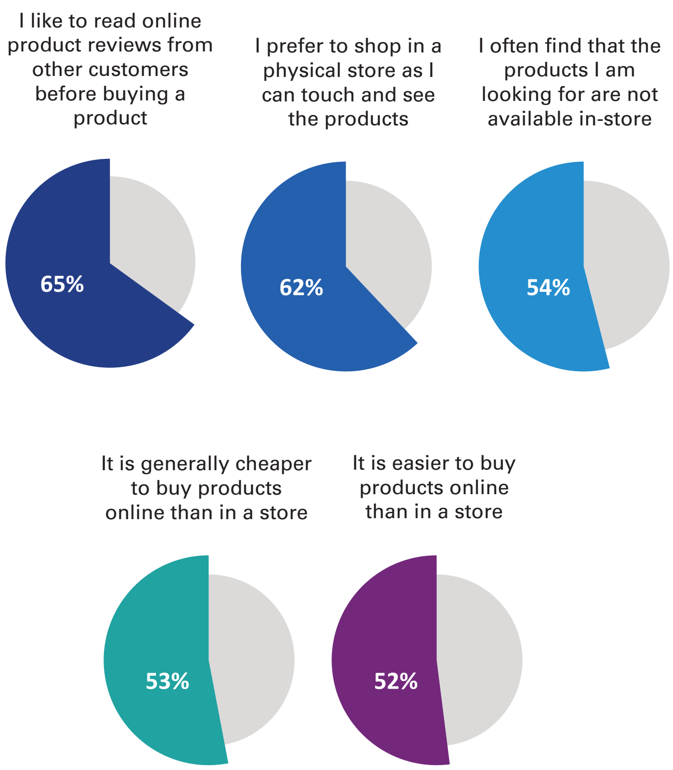


Online retail is growing, particularly among younger consumers

Nearly 2 years after the start of the COVID-19 pandemic, online shopping continues to grow, but faster in some industries than others (e.g., fashion and gifts is faster than homeware, groceries).

This preference is particularly strong among younger consumers. Compared to the general population, they're much more likely to say they purchase clothing and giftware online. In addition, those aged 35-44 years show higher preference for shopping online for homeware and groceries.

Bricks vs Clicks



Shopping for items in a physical store is thought to be particularly useful when consumers want to see and touch the product in person. However, many feel that often what they're looking for is not available in store, or that it can be purchased easier and cheaper online.

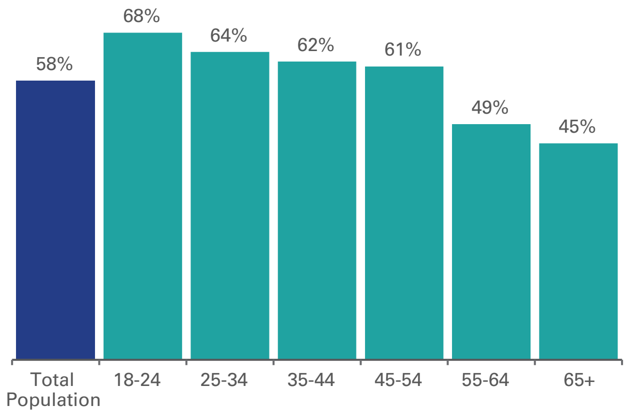
These attitudes are notably more pronounced among younger consumers, while those in the older age groups are more likely to express a preference towards shopping in store.

Customer Expectations

Getting the best price is the most influential factor when choosing where to shop

8 in 10 consumers rank price as the 1st or 2nd most influential factor when choosing where to shop. This is followed by convenient access which is ranked 1st or 2nd by nearly 6 in 10 consumers. In line with the 'deal-seeking' behaviour that drives younger consumers online, they are much more likely to rank price even higher in terms of its influence on their decision as to where they'll shop. While nearly 6 in 10 rank price as the most influential factor when deciding where to shop, this is notably higher among 18-24 and 25–34-year-olds (68% and 64% respectively).

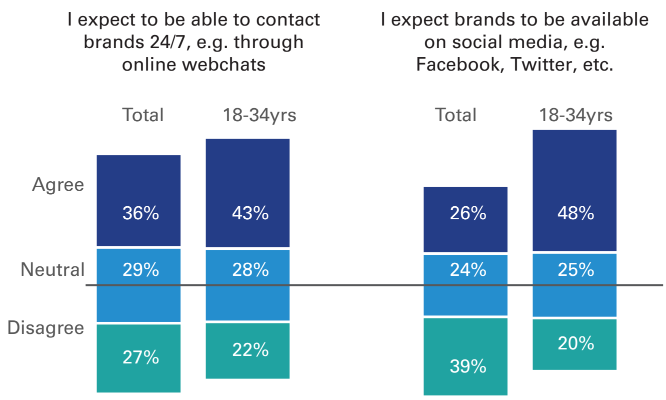
Price as the biggest deciding factor
when choosing where to shop by age



Compared to price and convenience, supporting local retailers and buying Irish goods become secondary factors (ranked 1st or 2nd by a third).

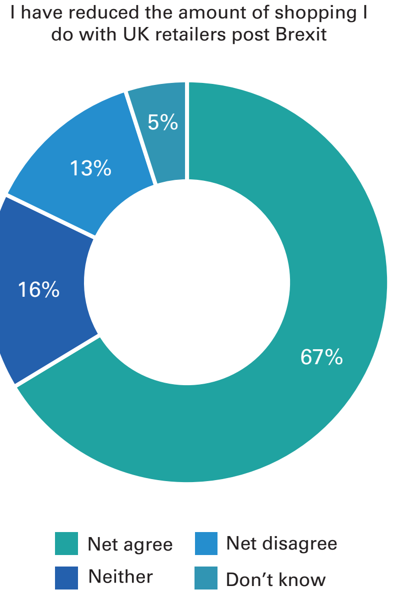
Younger consumers have higher expectations of retailers

In addition to their preference for online shopping, and their more favourable attitudes towards online retail (cheaper, easier, bigger range etc.), younger consumers also have higher expectations of brands. Just under half of 18–34-year-olds say they expect brands to be available on social media, or to be contactable online through webchat 24/7; notably higher than the general population (shown below).



Given the difference in attitudes and preferences between the younger and older generations when it comes to online retail, it is safe to assume that demands and expectations of this new generation will have a profound impact on the retail sector in the years to come.

Macro-Economic Factors: Brexit

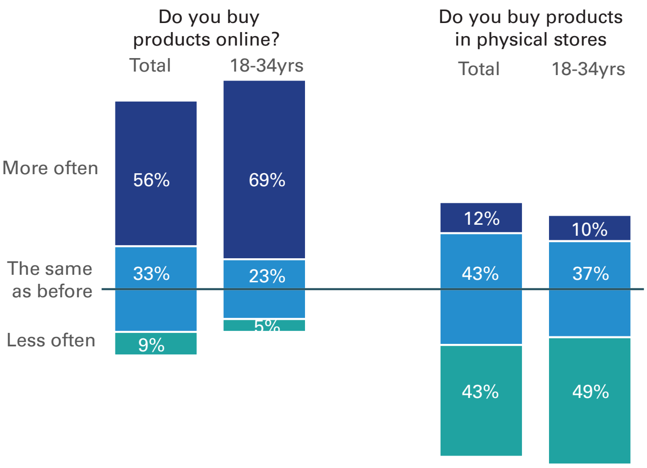


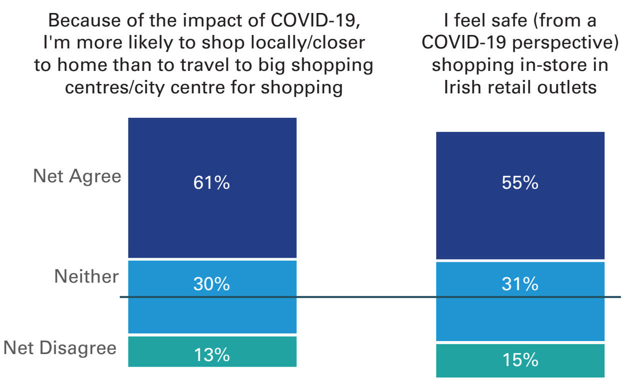
Introduction of fees & charges as a result of Brexit has impacted engagement with UK online retail

Brexit and the introduction of customs charges on purchases from the UK have had a notable impact on Irish consumers, with 2 in 3 saying they have since reduced the amount of shopping they do with online UK retailers.

Over a third say they have faced additional charges on items they have bought from the UK since the introduction of these taxes, while an equal proportion say they have purchased from UK websites but did not face additional charges.

Macro-Economic Factors: Covid-19





COVID-19 has accelerated the move towards digital retail

Over half of the consumers claim to be shopping online more frequently since the COVID-19 pandemic. This is countered by over 2 in 5 who say they have reduced the frequency with which they buy products in physical stores over the same period. These behaviours are particularly higher among 18–34-year-olds.

While over half say they feel safe (from COVID-19) in Irish retail outlets, 3 in 5 say they are more likely to stay local and avoid big shopping centres/high streets as much as possible. While young consumers are less likely to feel this way, over 7 in 10 of those aged 55+ years say they'd be more likely to shop closer to home.

Outlook for 2022

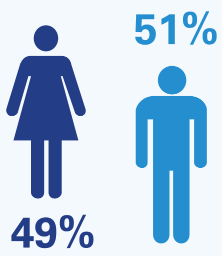
While there has been a notable shift in favour of online retail in the past number of years, this is likely to grow even further over the next 12 months. 1 in 3 Irish consumers say they're more likely to purchase products online over the next 12 months. With the easing of pandemic restrictions and opening up of physical retail, just over 1 in 4 say they're likely to purchase from physical stores more frequently in the next 12 months. However, 16% envisage their engagement with physical retail to decline over the same period.

Given the change in attitudes towards purchasing from UK online retailers, the opportunity exists for Irish retailers to capitalise on these trends by strengthening their online presence and offering, particularly when targeting younger consumers.

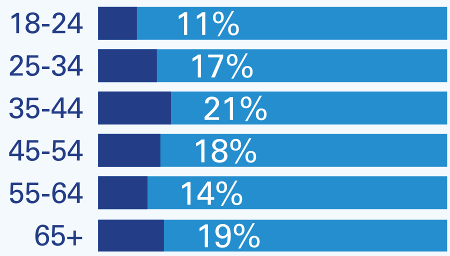
Methodology

This survey was commissioned by KPMG Ireland and carried out by research and marketing specialists RED C, who ensured that we were using a representative sample, considering factors such as location, age, gender, and socio-economic background.

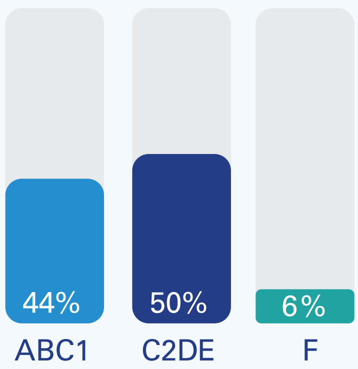
Gender



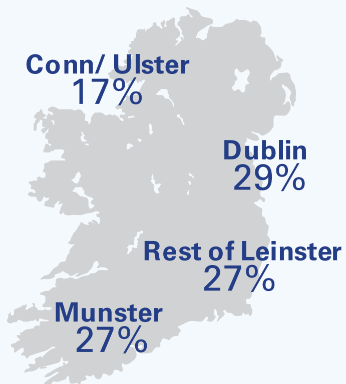
Age



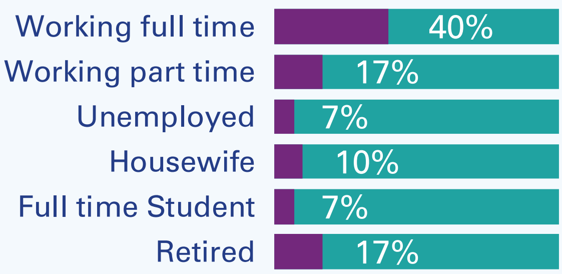
Social Class



Region



Work Status



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