



Next Gen Retail

The changing shape of
the high street

May 2023

Volume 4

“The shape of the high street is changing. We need to continue to plan and develop urban areas with a strong residential design and public transport focus if we are to secure the future of our city centres.”



Welcome to volume four of our Next Gen Retail series, which analyses the results of our recent independent research on the concerns of the Irish shopper. Inflationary pressures continue to change the shape of retail, with price remaining strongly as the number one factor for consumers.

Discounts, deals and loyalty programmes have grown in importance since the advent of higher inflation over the past year. Our research shows that customers prefer retailers with loyalty programmes and we're seeing brands who have historically not had them introduce these in the last few years, with competition intensifying as consumer prices and input costs rise. In recent months, we've seen some retailers begin to make certain discounts available only to those who tap their loyalty card at the till, effectively a dual pricing regime.

Many customers are sceptical of the discounts advertised by retailers, suggesting that recently updated consumer legislation that seeks to make discounting more transparent is not yet significantly impacting consumer trust. It's potentially too early to say at this stage if the legislation has been effective or not. Many consumers are very price aware and can easily find the best available price online. With online low-cost options ever increasing, retailers are increasingly challenged with finding new ways to maintain their customers' loyalty.

This undoubtedly puts online retailers in a strong position. However, it's clear that while online is here to stay and will continue to grow, particularly among the younger demographics, customers still want the in-person experience. However, the shape of the high street is changing. The number of consumers preferring to shop in city centres is concerningly low and suggests that hybrid working environments can cause people to avoid the city centre in favour of their local main streets or shopping centres. This reinforces the pressing need to continue to plan and develop urban areas with a strong residential design and public transport focus if we are to secure the future of our city centres.

Staff shortages and supply-chain problems too remain a concern for consumers. To stay competitive, brick-and-mortar retailers, particularly those with city centre locations, need to offer customers an experience that makes it worthwhile to leave the house. Some are excelling in this area, offering unique in-person experiences, but many are struggling to get the essentials right in a tough macro-environment.

We look at how technology is changing the face of retail. New payment and virtual banking technologies continue to attract new customers, offering them a lower-cost and more convenient experience to their traditional rivals. What's notable is the extent to which customers are using them, not just for transferring money and making purchases but also a host of other features. 'Buy now, pay later' products, now offered by a number of players, are becoming an increasingly popular form of credit for one-off large purchases, perhaps unsurprising given the inflationary environment.

Finally, we look at attitudes to sustainability. Our research shows that despite ever-growing pressure to decarbonise, attitudes have remained largely stable over the last twelve months relating to preference for sustainability. However, those aged 25-34 and perhaps more surprisingly, those over 65 are more likely to seek out sustainable goods to purchase.

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

Keith Watt

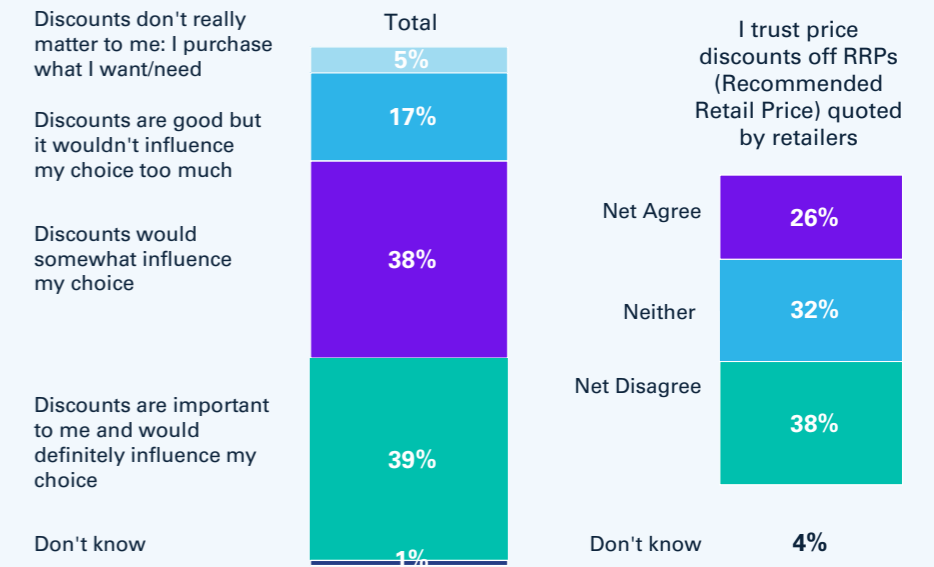
Partner,
Head of Retail



Discounts, deals & loyalty programmes

Discounts and deals are on the rise. However, customers are sceptical of discounts advertised.

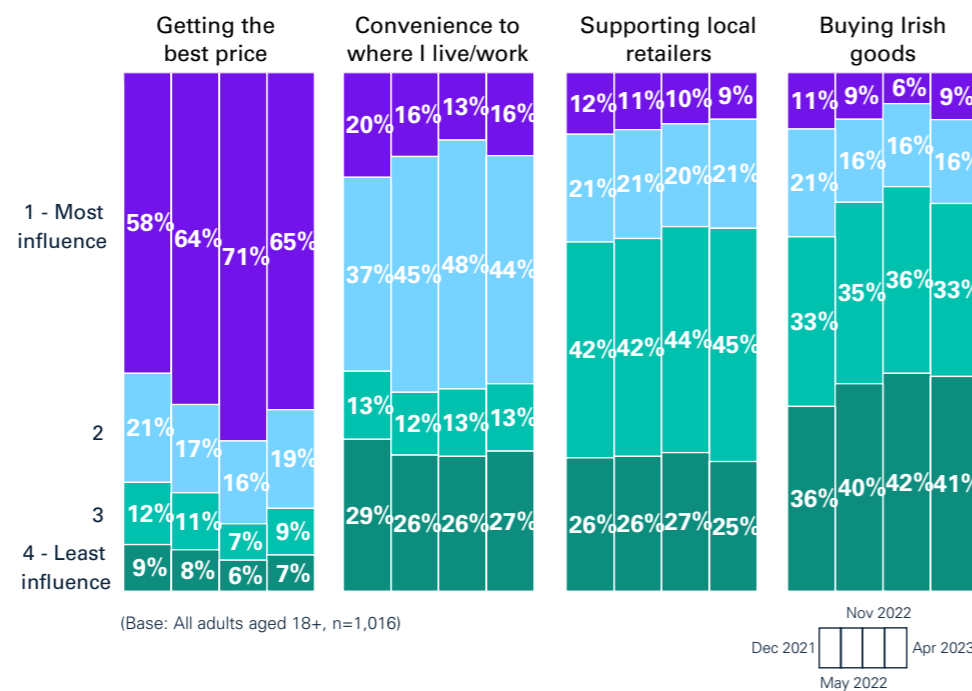
Higher prices are driving customers increasingly towards discounts, deals and loyalty programmes, with a strong majority saying discounts influence their choices. However, just over a quarter trust the price discounts off recommended retail prices (RRPs) advertised by retailers, suggesting that recently updated consumer legislation that seeks to make discounting more transparent is not yet significantly impacting consumer trust.



(Base: All adults aged 18+, n=1,016)

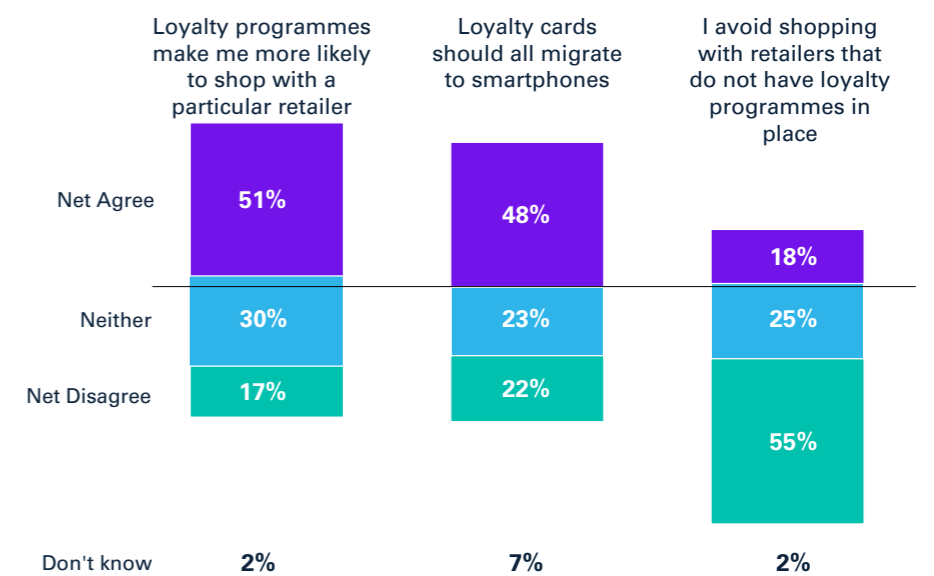
Price remains number one.

As inflation continues, price remains the number one influencing factor for consumers. This is up from when KPMG asked consumers the same question in December 2021, but down from a its November 2022 peak. Convenience and buying Irish goods have also risen since last Winter.



Loyalty programmes are on the rise.

Over half of consumers say loyalty programmes make them more likely to shop with a particular retailer. However, for most, loyalty programmes are not a dealbreaker, with only 18% saying they would avoid shopping with a retailer that does not have one. This comes as many retailers across Ireland have introduced loyalty programmes, most of them digitally through apps, for the first time in the last few years, as competition intensifies.

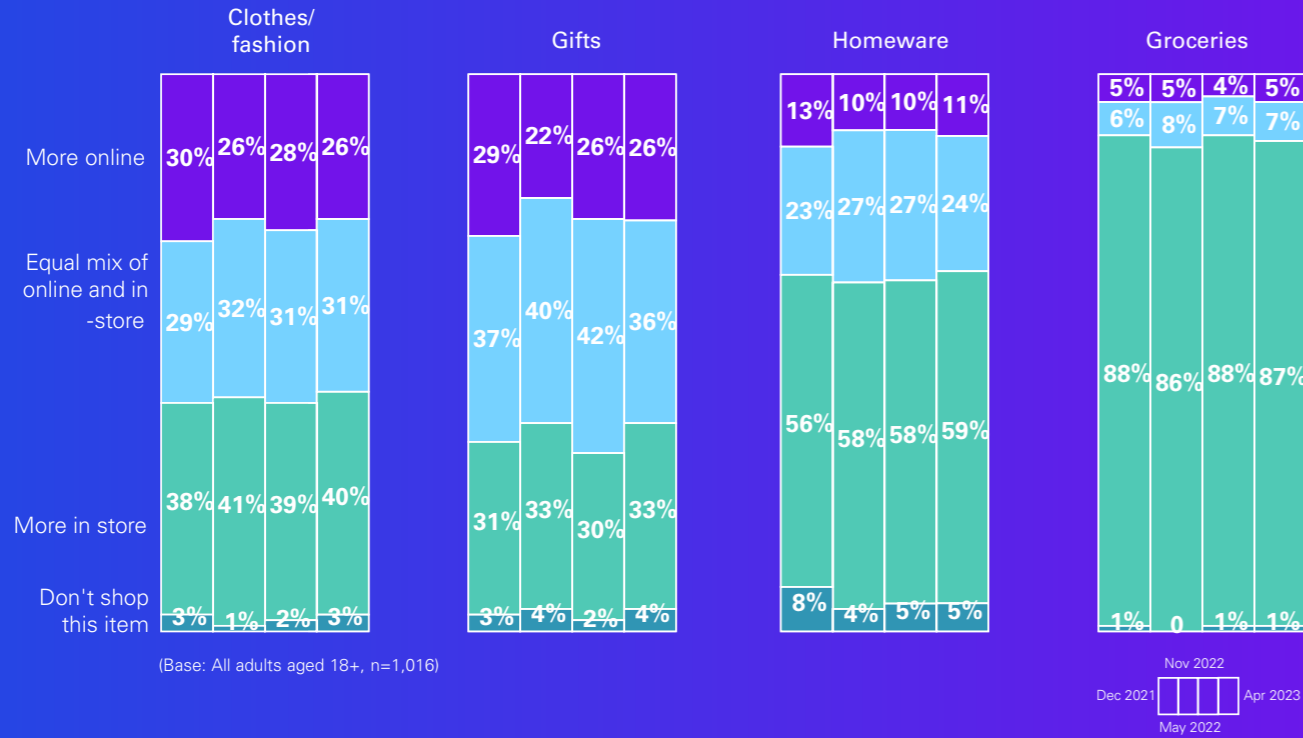


(Base: All adults aged 18+, n=1,016)

Bricks vs Clicks

Online shopping has remained stable post-pandemic.

Online shopping, which took an initial dip from its peak in KPMG's December 2021 survey, has remained broadly stable for the past 12 months, with a majority preferring to buy clothes/fashion and gifts either online or a mixture of online and in-store. However, a majority still prefer to purchase homeware, and particularly groceries in-store.



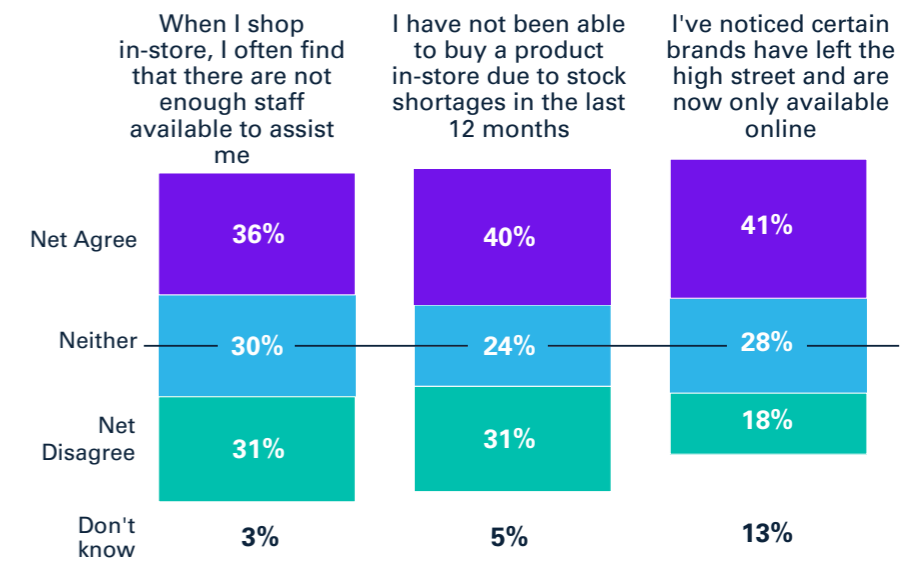
Shopping online is perceived as cheaper, but consumers believe shopping in-person offers a better experience.

With price remaining the main driver of buying decisions, over half believe it's cheaper to buy products online. However, 3 in 5 consumers still believe the experience of shopping in-person is better and cannot be matched online.



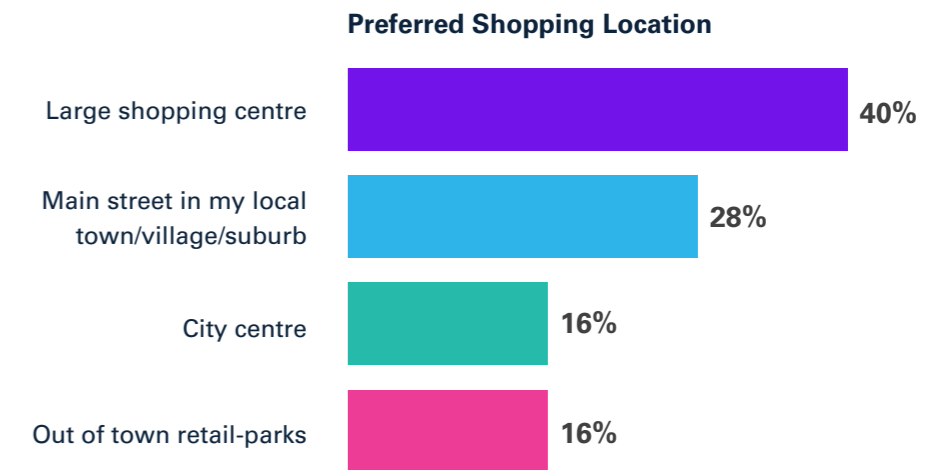
In-person shopping enjoyment is being dampened by stock and staff shortages and the high street exit of certain well-known brands.

Staff and stock shortages remain pain points for many consumers, with 4 in 10 stating they've been unable to find a product in-store in the last 12 months due to stock shortages, and over a third noting that when they shop in-person there are not enough staff available to assist them. 41% noted certain brands have left the 'high street' and are now only available online. However, this was noticeably felt more by women, with 47% noticing high street exits compared to just 35% of men.



Customers steer clear of the high street in favour of shopping centres and local main streets.

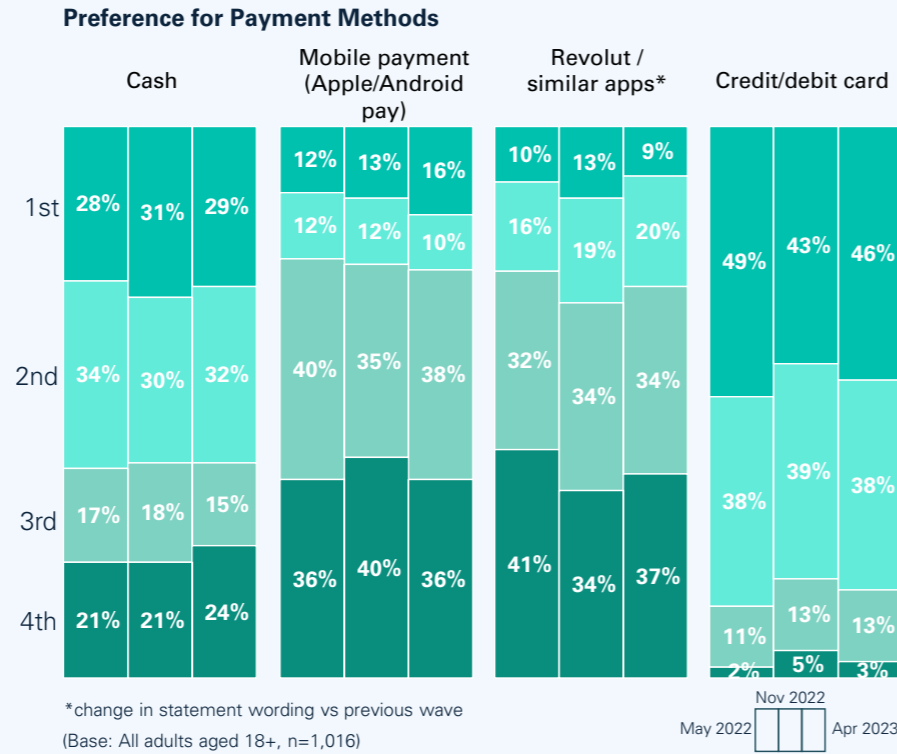
Large shopping centres are the most popular destination of choice for those shopping in-store. Main streets in consumers' local towns, villages or suburbs follow, with city centres and out of town retail parks standing equal as least preferable. Large shopping centres are more popular in Dublin and urban settings, and city centre shopping is most popular with younger groups, who also show a lower preference for retail parks.



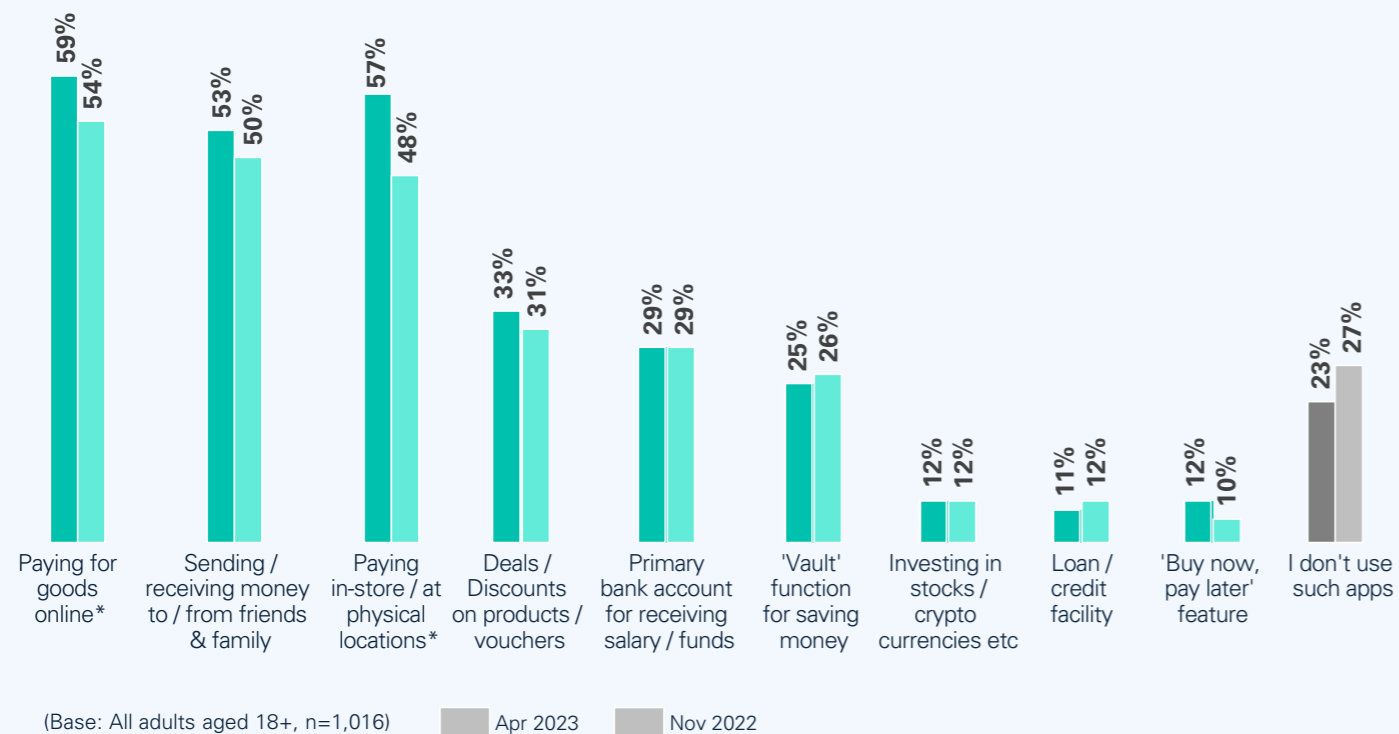
Technology Fintech & Payments

Fintech continues to rise

The use of mobile phones as a payment method has risen over the past year, while Revolut and similar apps has remained stable. However, particular cases for those who use e-money apps have increased, with more using features such as deals and discounts on products, 'vault' functions for saving money, and 'buy now, pay later' features on the increase. Those aged 18-34 prefer mobile phone payments (such as Google and Apple Pay) and apps like Revolut more than any other option.



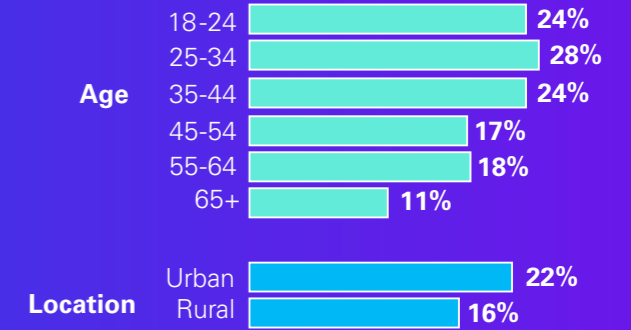
Money Management/Transfer App Features



Technology The Metaverse

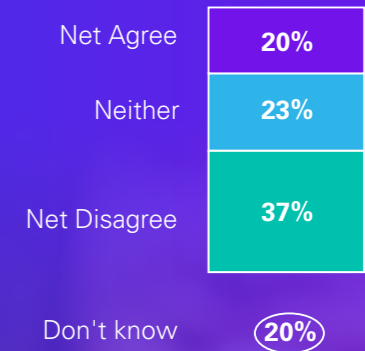
Although there's been much hype about how the metaverse will radically change the shape of online shopping, customers aren't yet seeing it's potential.

Only 1 in 5 believe that the metaverse, virtual reality and concepts such as virtual dressing rooms will make online shopping easier. However, younger cohorts are more likely to see potential in virtual shopping and may become its early adopters.



(Base: All adults aged 18+, n=1,016)

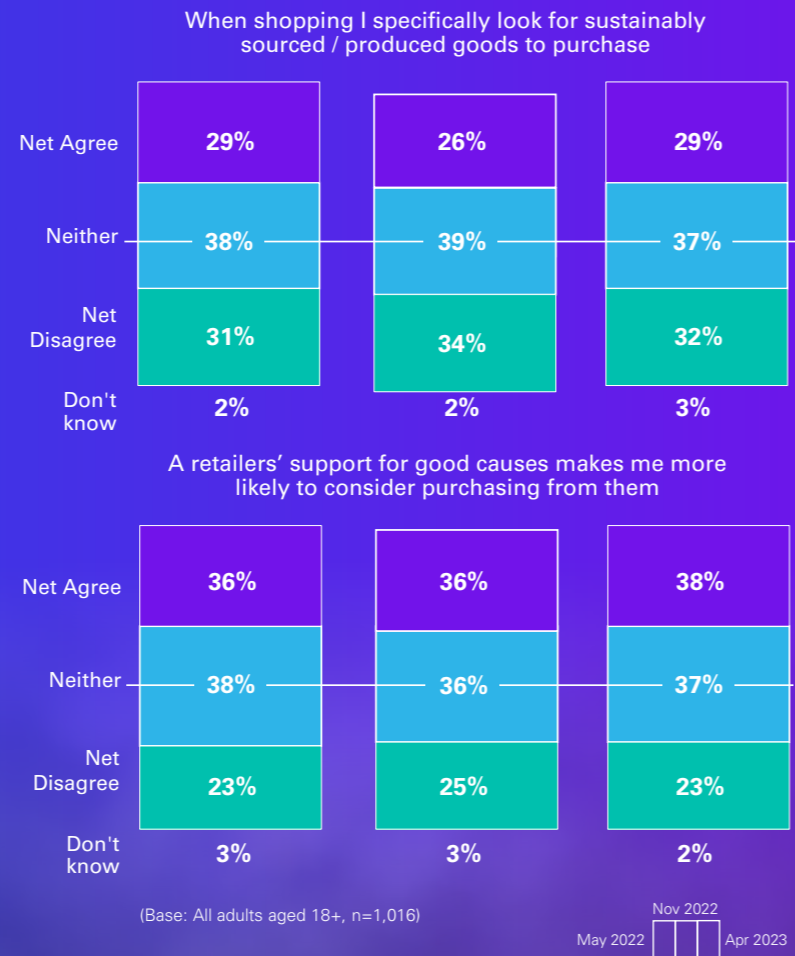
The metaverse, virtual reality and things like virtual dressing rooms will make online shopping easier



Sustainability

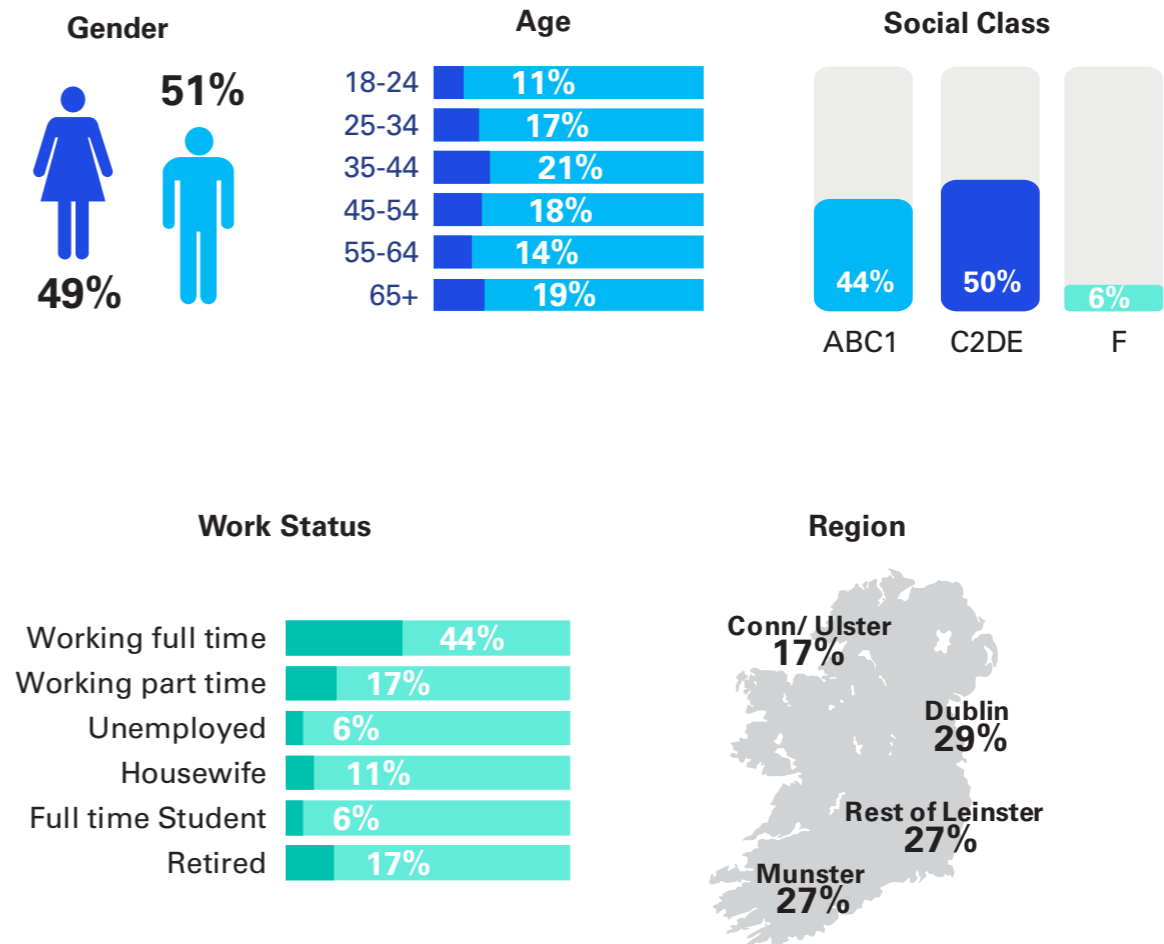
There has been very little change in attitudes towards sustainability over the past year, with only just under a third specifically seeking out sustainably sourced and produced goods to purchase.

It remains to be seen whether this will change if inflation eases and discretionary spending is under less pressure. However, those aged 25-34 and perhaps more surprisingly those over 65 are more likely to seek out sustainable goods to purchase, so retailers catering to those markets should keep this in mind.



Methodology

KPMG's survey of consumer retail attitudes was conducted via RED C. Quotas were set on age, gender, social class and region to ensure a nationally representative sample of 1,000+ adults 18+. Fieldwork was carried out in April 2023, and where relevant, results are compared to previous waves of the retail survey.



Get in touch

The pace of change is challenging retailers like never before. To find out more about how KPMG perspectives and fresh thinking can help you, please get in touch with Keith Watt, Head of Retail.

We'd be delighted to hear from you.

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