Next Gen Retail

The cautious consumer

November 2023

Volume 5

“Price and value will be the key drivers for Irish shoppers this Christmas - challenging retailers and suppliers alike in the race for the greatest share of the nation’s seasonal spend.”

FOREWORD: KEITH WATT

Understanding consumer behaviour is crucial for retailers and media alike in an ever-evolving retail landscape. Consumer preferences are dynamic and driven by economic, social, and technological factors.

Welcome to volume five of our Next Gen Retail series, which analyses the results of our independent research on the concerns of the Irish shopper. This research delves into insights gathered by KPMG through a nationally representative survey conducted in October 2023. Focusing on Irish consumers, we explore expectations related to Christmas shopping, habits and behaviours, payment preferences and attitudes towards online shopping. Cost concerns are expected to influence consumers' shopping strategies as Christmas approaches. Rising inflation and increased cost of living have resulted in shoppers reviewing their shopping behaviours, looking at ways to save money and reduce the season's stresses.

A dynamic retail landscape

Irish retailers face a dynamic landscape shaped by evolving consumer preferences, economic shifts, and technological advancements. One prominent trend is the rising demand for sustainable and locally sourced products, driven by a growing eco-conscious consumer base.

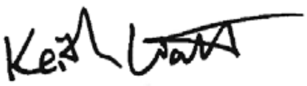
E-commerce continues to reshape the retail sector and Irish retailers should invest in robust online platforms, ensuring a seamless and secure customer shopping experience. Irish consumers also increasingly seek immersive and personalised shopping experiences.

Working from home has significantly impacted consumers' shopping behaviours in various ways, from increasing online shopping to spending more time researching online and making more sustainable choices. The impact of remote work on shopping behaviour is likely to persist even as working conditions evolve, with many consumers embracing the convenience and safety of online shopping and digital transactions.

Ultimately, success for Irish retailers depends on their ability to adapt, innovate, and prioritise customer satisfaction. Retailers can secure their place in an ever-evolving retail landscape by staying attuned to market trends, using data to understand their customers and target audiences, embracing sustainable practices, and leveraging technology.

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

Keith Watt
Partner,
Head of Retail



Key Findings

62%

62 percent say increased costs will make this **Christmas more stressful**.

63%

63 percent more **likely to give smaller gifts** this year.

7 IN 10

Nearly 7 in **10 rank price** as their **top priority** when choosing where to shop.

85%

85 percent still **prefer** to buy groceries **in-store.**

39%

39 percent say **credit** and **debit cards** are their most **preferred method** of payment.

1 IN 10

1 in **10** Irish **shoppers** use **Revolut** as their preferred payment method.

1/2

Over half believe buying products **online** is **cheaper**.

15%

Only 15 percent would be **more likely** to **buy** a product **after** seeing an **influencer promote** it.

Attitudes to Christmas shopping

Consumers are more cautious this Christmas

Like last year, Irish shoppers are still concerned about the affordability of Christmas shopping this year, with 70 percent of adults expecting it to be more expensive than in 2022 and 62 percent saying these increased costs will make the holiday season more stressful to them. This year, over half of consumers (58 percent) will reduce their Christmas shopping spending due to less disposable income and higher prices. Meanwhile, compared to last year, 6 in 10 have or will be reducing their spending in restaurants and pubs to save costs. As a result, consumers are looking to give smaller gifts (63 percent) and to online deals on Black Friday/ Cyber Monday (46 percent) to save some costs.

There are also indications that despite cost concerns, consumers plan to spend more on gifts than food for the Christmas season. The average food shop spend is estimated at €254.70, while the average gift shop spend will be €407.40. In contrast, 6 percent of shoppers avoid all the stress and don't do any Christmas shopping.

Increase in price

70%

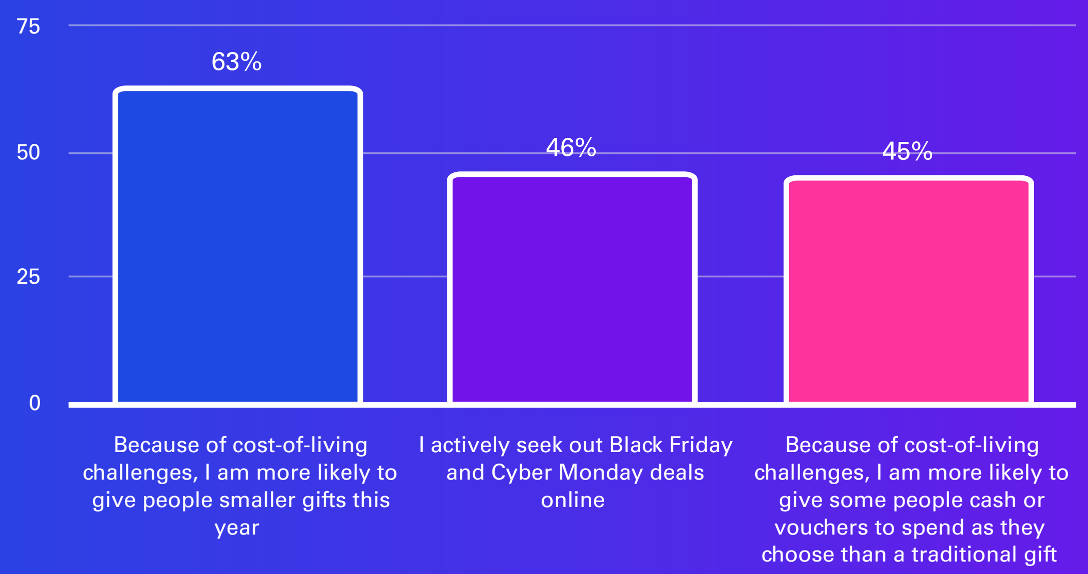
expect Christmas shopping to be significatly more expensive this year

Reduction in social spend

60%

will be reducing their spend in restaurants and pubs this Christmas

Attitudes towards Christmas gifting



Issues to consider

Q1 Is your pricing strategy flexible enough to adapt to the changes in market demand, seasonal trends, and competitor actions?

Q2 How do promotions and discounts impact your pricing strategy?

Q3 What sustainable practices have you integrated into your supply chain, and overall business operations?

Q4 What steps have you taken to ensure the resilience and adaptability of your supply chain?

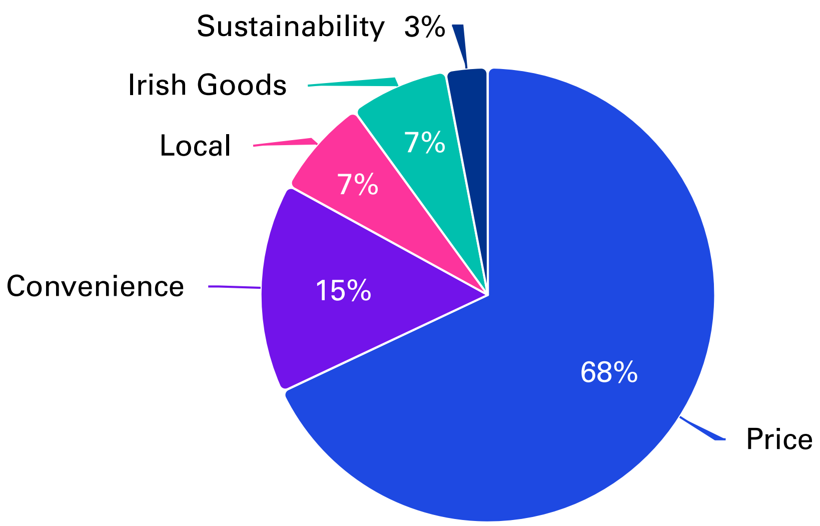
Shopping habits and behaviours

Price remains king for Irish consumers

Nearly 7 in 10 Irish adults rank getting the best price as their top priority when choosing where to shop. Price is paramount among the 'squeezed middle', i.e., those aged 25-44 and in C2DE social grade. Convenience, supporting local retailers and buying Irish goods were other influences.

In recent years, more consumers have shown increased support for small businesses as they work from home more and recognise the economic impact of supporting local businesses in their community.

Most important factor when choosing where to shop

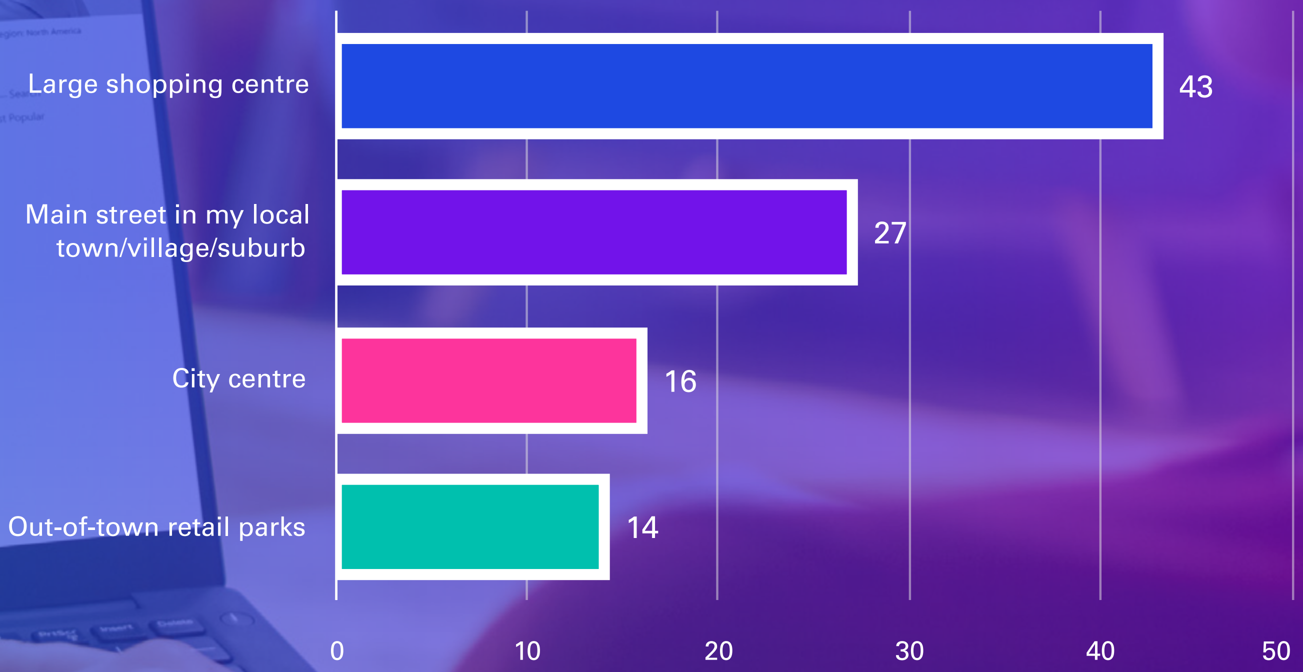


Consumer shopping preferences are largely unchanged

The shopping behaviours of consumers in Ireland have remained the same since the total lift of Covid regulations in early 2022 and most expect their shopping behaviours to remain the same over the coming 12 months.

Groceries remain the least likely category to be shopped online, while clothes and gifts drive online purchasing. The majority (85 percent) of consumers still prefer to buy groceries in-store, and 58 percent opt for in-store shopping for homeware. However, 28 percent of consumers prefer to purchase clothes/fashion online, and 26 percent choose to buy gifts online, with younger cohorts showing a higher likelihood of shopping online across various categories. Most consumers (43 percent) still prefer to shop at large shopping centres, an increase from 40 percent in 2022, followed by 27 percent who prefer to shop locally and city centres remain unchanged at 16 percent.

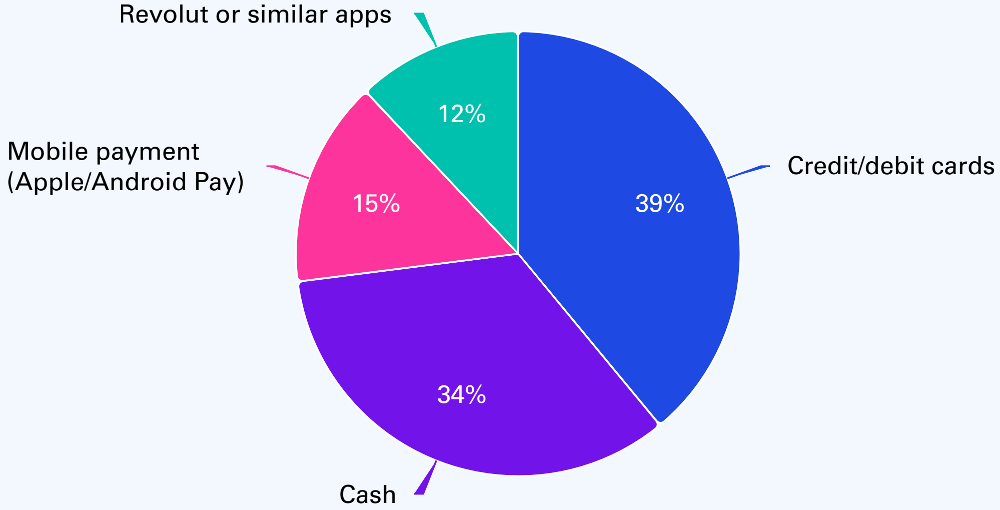
Preferred shopping location



Payment methods

Nearly 2 in 5 Irish adults prefer to use credit and debit cards as their most preferred method of payment, followed by a third (34 percent) using cash, 15 percent using mobile payments like Apple/Android pay. 1 in 10 Irish shoppers use Revolut as their preferred payment method for shopping online and sending money to/from friends and family. Notably, 18-24s overwhelmingly prefer mobile payments and Revolut. Cash remains a preferred payment method by over 45s and is more favoured by those living in Munster, Connacht and Ulster.

Preference for Payment Methods



Issues to consider

Q1 What payment methods do you use to accommodate your customers' preferences and ensure a convenient checkout experience?

Q2 What cybersecurity measures are in place to protect customer data and transactions and ensure a secure online shopping experience?

Q3 Have you asked customers regarding their satisfaction with the payment methods available?

Q4 How do you ensure a personalised and seamless experience for your customers?

Attitudes to online shopping

Attitudes to online shopping remain stable

People under 35 are more likely to buy more often across all channels, whilst those over 55 are less likely to use online for any part of the buying journey. Those under 35 also view online shopping as a more convenient and cost-effective way to buy goods. While over half of consumers (54 percent) agree that buying products online is cheaper, more than 60 percent still prefer to buy in-store to see and feel the product before making a purchase.

Around 41% of consumers acknowledge occasionally abandoning online transactions, citing complex or lengthy website navigation and payment forms as the primary reasons. Irish retailers can seize a significant opportunity by providing a streamlined checkout experience. This enhances customer satisfaction and loyalty, increases sales, and helps differentiate from the competition. To create a frictionless online checkout, retailers could offer various payment methods, simplify the checkout process and ensure mobile-friendliness, enable guest checkout, analyse the customer journey, and provide personalised suggestions.

Our research also found customers have higher expectations from a brand for its online presence, with nearly two-fifths expecting to be able to contact brands 24/7, and 3 in 10 would be concerned about buying products online from a company without physical stores.

In-person shopping

62%

prefer to shop in a physical store as they can touch and see the products

Price as priority

54%

say it is **cheaper to buy products online** than in a store

Abandoned online transactions

2 in 5

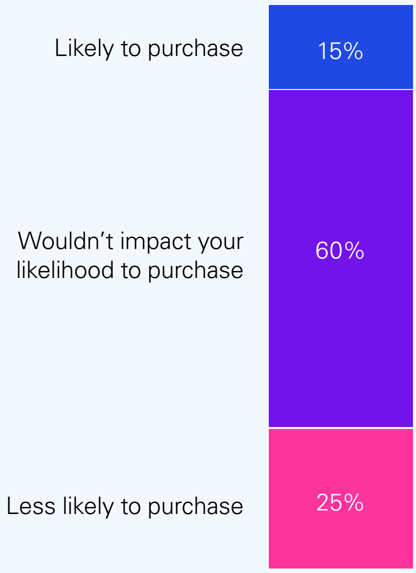
nearly 2 in 5 abandon online transactions as the checkout is not seamless

Low impact so far of influencer marketing

Influence from social media influencers on purchasing decisions is minimal among Irish consumers. Only 15 percent claim they would be more likely to buy a product after seeing an influencer promote it. Interestingly, 29 percent of those in the 18-34 age group are more likely to purchase products they see advertised by influencers on social media compared to only 6 percent of those over 55. Furthermore, only a quarter (26 percent) of consumers have bought products they saw promoted on Instagram/ Facebook.

According to Statista global research in 2023, 58 percent of shoppers in the US said they had purchased a product after seeing it on social media. While in the UK, 44 percent of consumers said they bought something after spotting it on social networks.

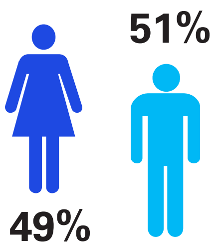
Likelihood of buy promoted products via influencers



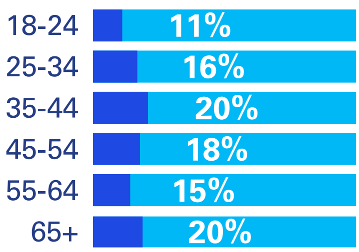
Methodology

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 in October of 2023; results are compared to previous waves of the retail survey.

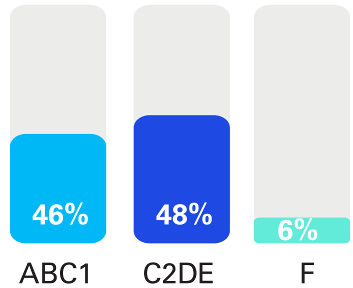
Gender



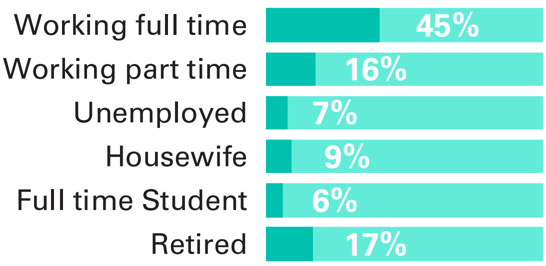
Age



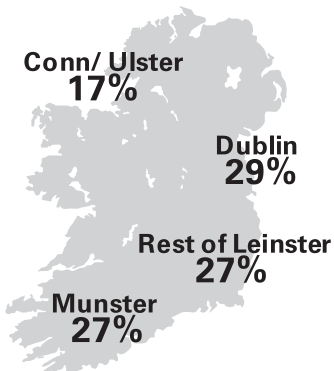
Social Class



Work Status



Region



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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