ORACLE
Retail

Retail at an Inflection Point

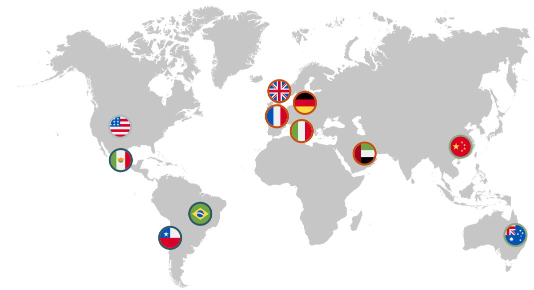
Consumer Research 2021

Introduction

After months of disruption, change has become not only a constant but the norm in retail, with no expectation of slowing down. As we close out 2021, we find ourselves not looking back, nor ahead at the change to come, but at an inflection point—ready to ride the next wave and embrace adaptation.

Through a survey of more than 5,700 global consumers, we've identified the curvature of change in consumer behavior and the vectors underpinning the shifts we see in retail to dial in on what is simply a function of change and what is a constant. This consumer research report calculates the sum impact of a retail landscape forever changed by examining the current inflection point, the ensuing supply chain dilemma, and the ultimate shopping effect.

Methodology



The research cited in this report was conducted in 2021 with more than 5,700 consumers across four key regions, including;

- **Europe:** France, Germany, Italy, United Kingdom, United Arab Emirates
- **APAC:** Australia, China
- **LATAM:** Brazil, Chile, Mexico
- **North America:** United States of America

On behalf of Oracle Retail, independent research and creative consultancy Untold Insights conducted the research, which explores consumer attitudes and expectations regarding the retail shopping experience now and in the future. This report is based on the findings of the global survey of consumers.

The Retail Inflection Point

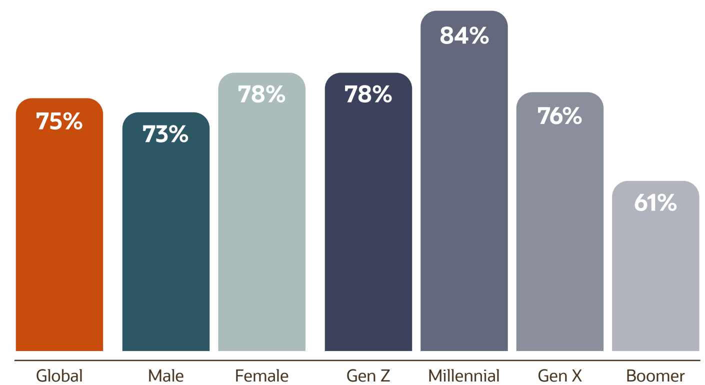
In a world turned upside down by a global pandemic, myriad behaviors, habits, and norms are now unrecognizable compared to just a year and a half ago.

Constants

Some things did stay the same. Four out of five (80%) global consumers spent upwards of an hour per week shopping online in the past 12 months, level with 2020 findings (83% of whom spent an hour or more per week shopping online). Women, men, and all generations held steady in their shopping habits. Yet, perspective may shape opinion, as only 37% say their online shopping and browsing habits have remained unchanged, with the majority (56%) reporting they're spending more time on this habit. Still, the pandemic's mark has been made, as a quarter of 2020 respondents claimed they spent less than an hour on this pre-COVID.

In the past 12 months, how much time did you spend shopping / browsing online?

% shopping / browsing online for 1+ hours a week



More than half (52%) of shoppers bought the same amount of pandemic-favorite athleisure clothing in the past 12 months, and a quarter (25%) purchased more, outpacing the share who planned to buy more athleisure when asked in 2020 (21%). Just 25% say they'll be buying more in the year ahead, and 21% anticipate buying less.

Tangents

Quarantine, social distancing, and masks will not be the only hallmarks by which we remember the pandemic. While retailers with a broad range of categories may have seen some departments rise, while others fell, specialty and niche retailers may have experienced more volatility throughout the pandemic as concerns, restrictions, and vaccinations shaped the scope of consumer habits and needs.

A Return to Old Habits?

A move away from the pandemic lifestyle will logically bring a shift back to old shopping habits. Younger consumers are showing more signs of a return—or readiness to return—to a pre-pandemic lifestyle than older shoppers based on their shopping habits in recent months and expectations for the year ahead:

JEWELRY

28% of Gen Z shoppers say they bought more jewelry and accessories, and one-third (34%) of this group anticipates buying more in the 12 months ahead. This shopping behavior far outpaces **Boomers, just one-in-twenty (5%)** of whom upped their spend in this category in the past months, and 8% of whom expect to buy more in the year to come.

FASHION CLOTHING

36% of Gen Z shoppers and **31% of millennials** bought more fashion clothing in the previous 12 months, while **fewer Gen X (18%)** and **Boomer (8%)** consumers echoed the behavior. Looking ahead, a similar share of **Gen Z (43%)** and **Millennials (42%)** expect to buy more in the fashion clothing category, trailed by **Gen X (29%)**, and more distantly by **Boomers (17%)**.

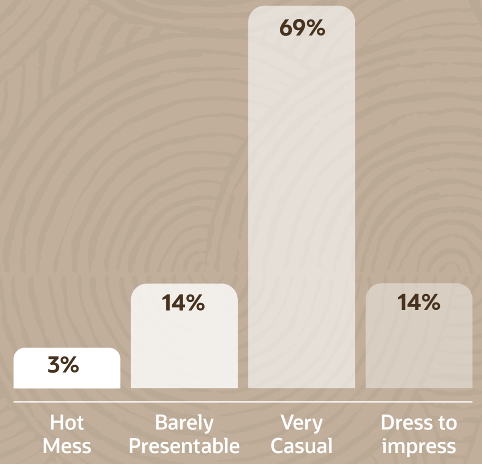
Pandemic Fashion

Matching sweat sets, tie-dye, 'Zoom shirts': pandemic fashion has centered on comfort, but have some of us taken this too far?

Millennials and Gen Z are nearly **3x more likely** than Boomers to admit they've taken a Zoom call without pants (17% of all consumers admit they've done so).

Almost half (47%) of Gen Z respondents have taken a video call wearing pajamas (32% of all consumers).

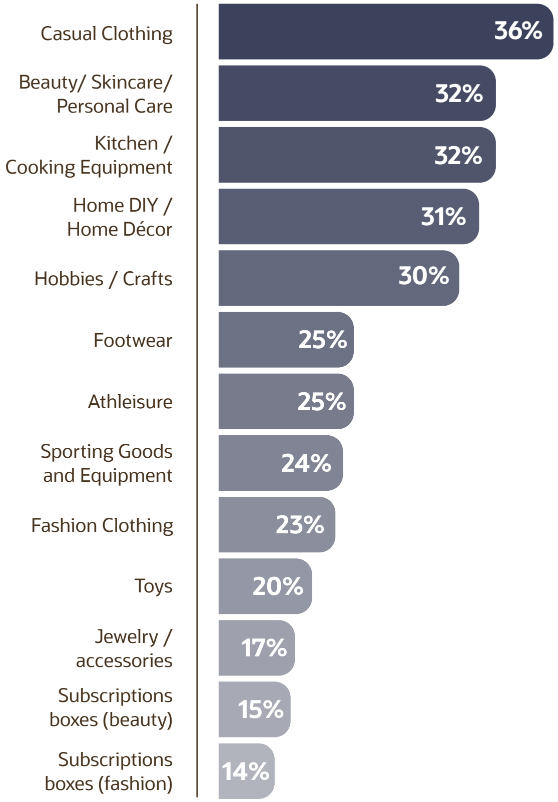
How would you best describe your pandemic fashion over the past year?



Bellwether Buying Patterns

Short of counting sourdough starters and puzzles, some pandemic trends are easier to capture. Indulging in pandemic hobbies, roughly one-third of consumers agreed they bought more DIY/home décor (31%), kitchen/cooking equipment (32%), and hobbies/crafts supplies (30%) in the 12 months prior. A quarter (24%) outfitted their home gyms by buying more sporting goods and equipment.

What did you buy more of in the last 12 months?



Mother Knows Best

Consumers with kids don't just have more on their plate—they also shop differently.

Mother Earth

Parents are 14 percentage points more likely to say it's important that retailers' brand values, such as sustainability and ethically sourced materials, align with their own, with 64% agreeing compared to 50% of non-parents.

Growth Spurt

Parents are 21 percentage points more likely to order multiple sizes when shopping online. 63% of parents occasionally or regularly bought extra sizes vs. only 42% of those with no children.

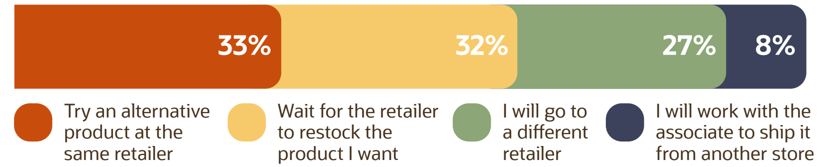
No Room to Spare

Parents (49%) are more likely than non-parents (34%) to make at least some holiday returns. 46% of parents anticipate returning up to a quarter to over half of holiday gifts, compared to only 32% of non-parents.

The Retail Supply Chain Dilemma

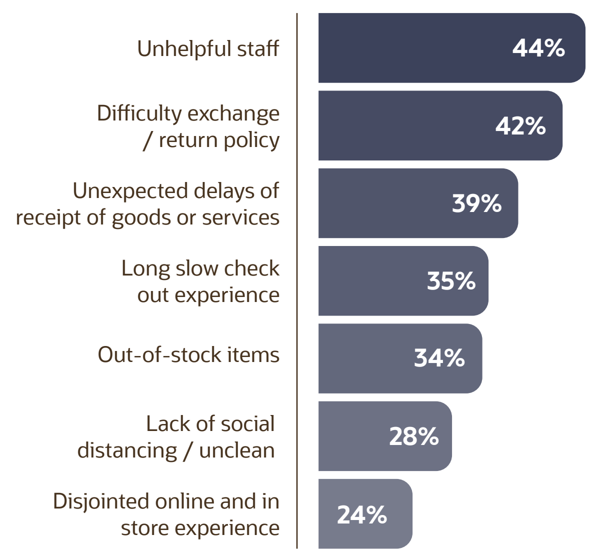
Alongside 'lockdown' and 'social distancing,' 'supply chain' has emerged as a pandemic watchword, calling to mind empty shelves, lengthy backorder delays, and, of course, toilet paper shortages. Now part of the consumer vernacular, rifts in the retail supply chain are spurring shopper concerns and testing patience.

When shopping at a retailer and a product is out of stock, what do you do?



One-in-three consumers (34%) agree that out-of-stock items constitute a bad shopping experience, and 39% say the same for unexpected delays in receipt of goods or services. When an item is out-of-stock, just 8% of shoppers say they'd work with a store associate to ship it from another store. While one-third would opt for an alternate product at the same store (33%)—compared to 63% in 2020—or will wait for the retailer to restock (32%), more than one quarter (27%) are unwilling to wait and will head to another store. In fact, keeping items in stock is now a selling point for retailers: 39% of consumers say they're attracted to new brands/companies based on product availability.

What defines a bad shopping experience for you online or in-store?



Returns

When packages eventually do arrive, that doesn't necessarily mean the end of the journey. More than four in five (82%) consumers have completed a return in the past 12 months, and consumers were more likely to have returned items via mail (38%) than in-store (30%). Last year, far fewer consumers (42%) completed returns, and of those who did, the split was far closer between returns made in-store (17%) and via mail (20%). Details matter as well: 42% say a difficult exchange/return policy is the definition of a bad shopping experience.

When you completed a return, what has the experience been?

The return experience may be going downhill: 7% of shoppers said completing a return was 'a nightmare'—more than twice the share in 2020 (3%) —and close to half (46%) say they'll never shop with a retailer again following a bad return experience. An equal number of Gen Z consumers said they were willing to forgive retailers or walk away (43%) after a bad return experience. Boomers were most likely to hold a grudge—more than half (52%) say they're 'gone' following a negative return experience.

While 40% of consumers immediately returned clothing purchases they didn't want, 24% admit they are 'slow at returning' and still have some things to take or send back, and 15% say they are 'terrible' at returns and have a pile of items they never got around to returning.

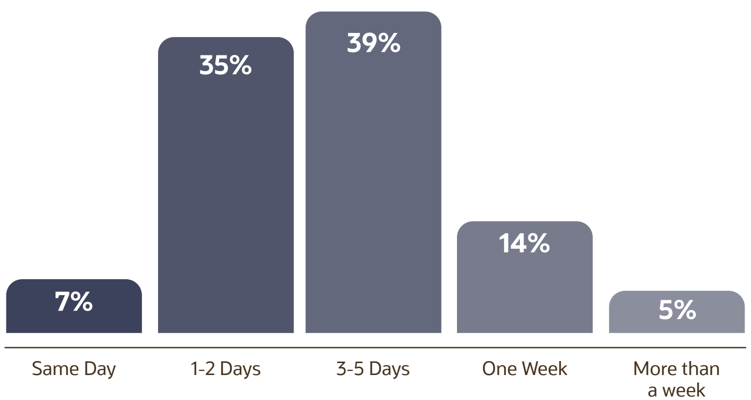
If The Shoe Fits (...Or In Case It Doesn't)

Whether they put on pandemic pounds or hit their stride with a lockdown exercise regimen, many people expressed uncertainty in what size to order when shopping online, with the majority (53%) saying they've ordered multiple sizes of clothing or shoes. Millennials (69%) and Gen Z (68%) were most likely to take advantage of the opportunity to buy extra sizes and return what doesn't fit, while just one-in-four Boomers (25%) had ordered additional sizes.

Can You Meet Me Halfway?

Years of the 'Prime effect' have cemented consumer expectations for instant gratification. Three-quarters (74%) of consumers expect online orders to arrive between one and five days, and an even higher share (80%) will be angry or annoyed if delivery expectations aren't met. While immediacy appears to be a top priority for consumers, retailers remain challenged by the 'last mile' of delivery. What's more, consumers seem unwilling to meet them halfway by taking on the part of the journey. Globally, shoppers are uninterested in taking on the last mile themselves, with only 2% choosing curbside pickup as their preferred means of shopping, and 17% of consumers, with only 6%, or just over one in 20 boomers, preferring to buy online and pick up in-store (BOPIS).

What is your current delivery expectation when you order online?



Seeing Green

Consumers are turning their attention to corporate values and voting with their wallets to support the ideals they hold dear.

57% of consumers say it's important that retailers' brand values, such as sustainability and ethically sourced materials, align with their own

71% of consumers are at least slightly more concerned about sustainability because of COVID

28% of shoppers say they're attracted to new brands / companies with clear brand values

The Shopping Effect

With retail supply chains already under pressure, the 2021 holiday season carries extra stress both for retailers attempting to source goods and consumers gearing up for potential scarcity.

Snooze You Lose

Nearly half (48%) of consumers plan to begin their holiday shopping early this year due to concerns about supply chain issues, including one-fifth of consumers (21%) who had already started shopping when surveyed in September. Concerned consumers have ample reasons to worry:

25% are concerned products will be more expensive due to scarcity

20% worry the things they want won't be in stock

17% fear gifts won't be delivered in time

16% fret they won't be able to get necessary groceries to prepare holiday meals or that friends and family will be disappointed

Meanwhile, 15% are concerned that favorite holiday treats, like pumpkin spice lattes, Lebkuchen, or mince pies, won't be available.

Concerned consumers aren't waiting to be left empty-handed; in fact, 57% are on the offensive and planning steps to ensure they don't miss out. Over a quarter (27%) say they'll be buying more in-store than online to make sure they get what they want, 18% each say they're no longer waiting for Black Friday/Cyber Monday deals and ordering more gifts than needed in case others are delayed or canceled, and 17% will be paying extra for faster or guaranteed shipping.

Taking a Hybrid Shopping Approach

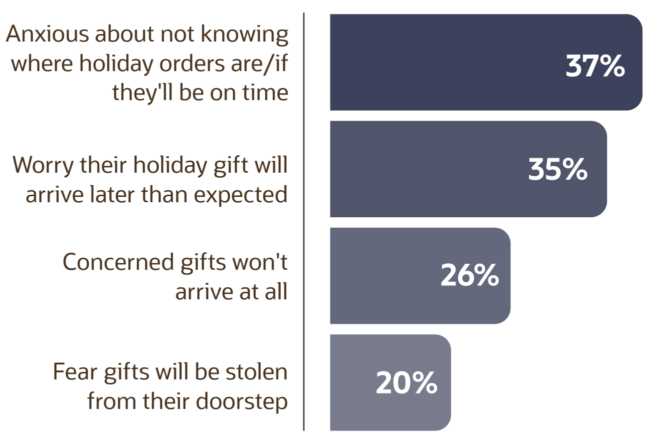
Half of the shoppers will do a mix of online and in-store holiday shopping, with **30% doing the bulk online**. Time will be of the essence, as globally;

83% say the time it takes to get a delivery influences their holiday buying decisions

42% of those consumers say fast delivery often determines where they'll place an order

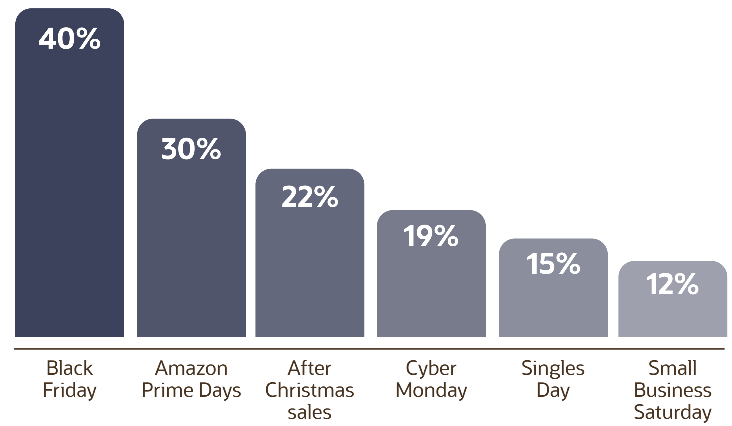
Supply chain concerns will continue to weigh on consumers' minds even after orders are placed.

What are your concerns for this holiday season?



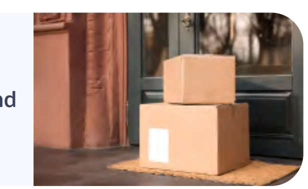
Once known as the busiest shopping day of the year, Black Friday may be losing its allure—just 40% of consumers plan to take part, and half as many (19%) say they'll participate in Cyber Monday.

Are you planning to take part in one of the following "retail holidays" this year?



Even in the face of store closures, supply chain struggles, and occupancy limits, retail has continued to evolve. The store-within-store trend has reached critical mass, with 43% of shoppers agreeing they're very likely to visit a shop within a shop this holiday season.

55% are either likely or open to ordering last-minute gifts from an on-demand delivery service like DoorDash

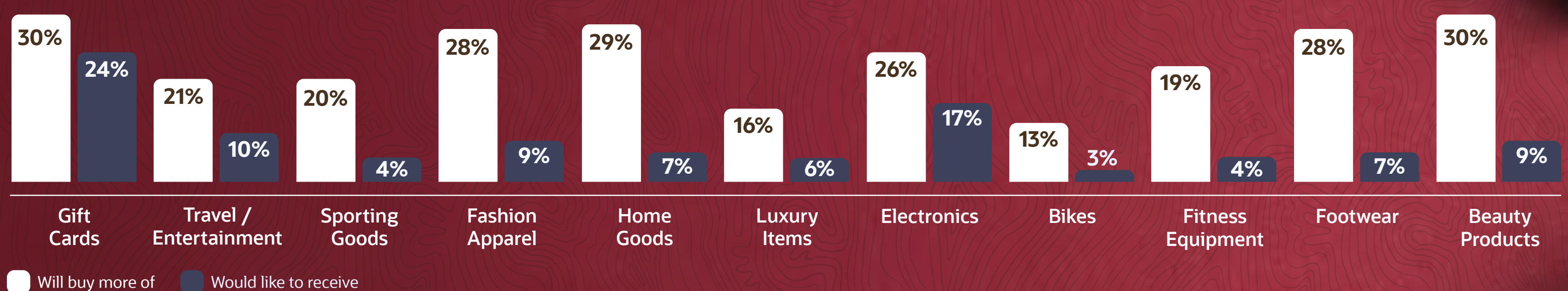


49% are open to ordering via a voice assistant

'Tis Better to Give… But It's Great To Receive

Along with Santa, consumers are making their lists and checking them twice. Gift cards (30%), beauty products (30%), home goods (29%), fashion apparel (28%), footwear (28%), and electronics (26%) topped the list of products shoppers say they'll buy more. Meanwhile, gift cards (24%), electronics (17%), and travel/entertainment gifts (10%) topped the list of what consumers would like to receive. Boomers had the highest appetite for gift cards, with 36% putting them at the top of their lists—more than twice the share of Gen Z (15%)—while men were 2.5x as likely to want electronics (25%) as women (10%).

Products shoppers say they'll buy more of this holiday season and what they would like to receive.

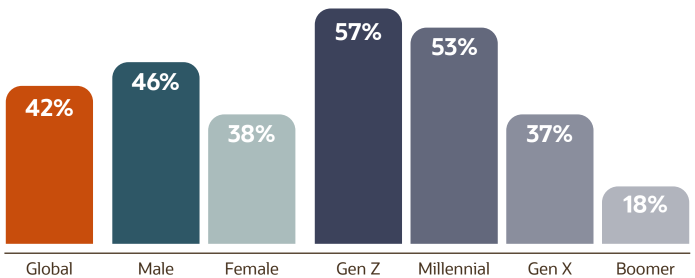


The Forecast For Returns

Before receiving presents, 42% of people already plan to return some, if not all, of their holiday gifts—four points higher than in 2020 (38%), but still down substantially from 2019 (77%).

Thinking about gifts you receive this upcoming holiday season; how many do you anticipate returning for a refund or exchange?

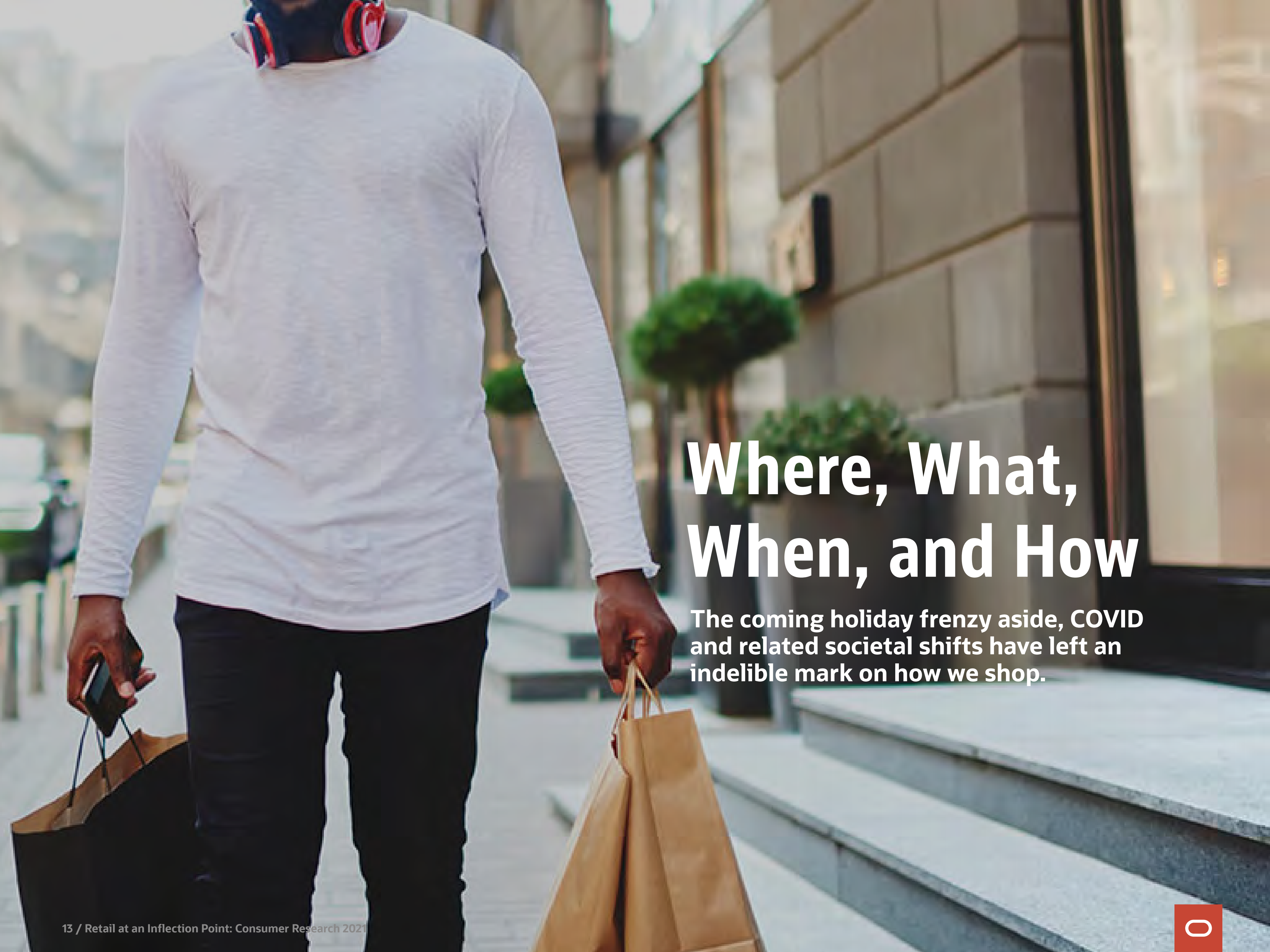
% already planning to return at least some holiday gifts



Gen Z is the most likely to make gift returns of any amount at 57% and the most likely group to return all of their gifts at 4%. Holding level with 2020 findings, the majority of Boomers (81%) have no plans to return their gifts, while overall, men (46%) are more likely than women (38%) to make at least some returns.

While the gift and return cycle presents challenges for retailers, it also offers ample opportunity: 23% of shoppers say they're likely to, and 53% would consider buying other things in store after coming in to make a gift return.

Along with a flurry of returns, retailers should also prepare for sales: 22% of shoppers say they'll take part in after-Christmas sales, and those who received gift cards will begin to redeem them after the holidays. While about half (49%) of global consumers say they'll wait for a sale, roughly a third (31%) say they'll cash in and redeem immediately.



Where, What, When, and How

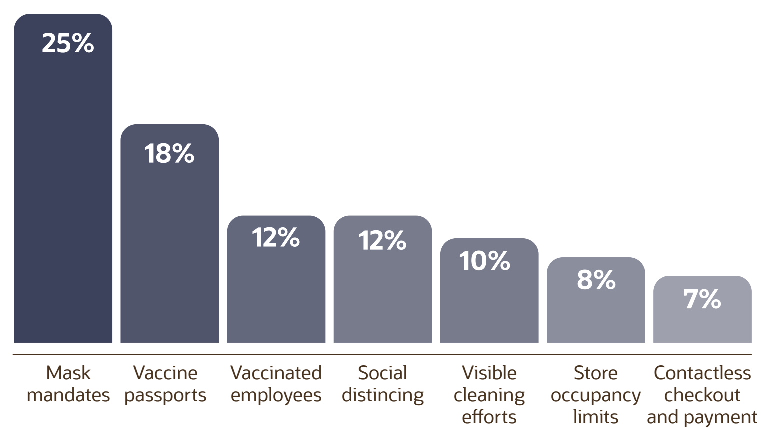
The coming holiday frenzy aside, COVID and related societal shifts have left an indelible mark on how we shop.

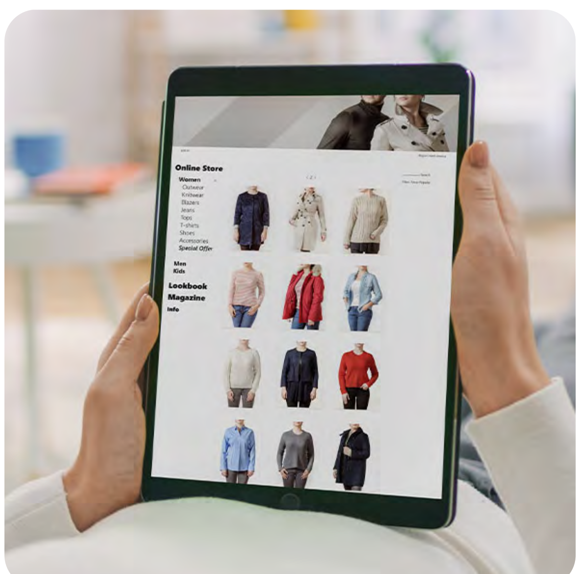
In-Store Appeal

After a year stuck at home, 43% of global consumers say in-store is their preferred means to buy products other than groceries in 2021. While this might not have stood out pre-pandemic, it's a dramatic leap considering that just a year earlier, only 8% of shoppers planned to do more holiday shopping in-store, and 42% said they'd buy more online.

Whether it's their preferred method or not, 80% of consumers now say they are willing to shop inside a retail store with safety precautions—slightly higher than the portion (78%) who are open to shopping at open-air/outdoor stores. More than three-quarters (76%) are ok with shopping at an indoor mall so long as safety precautions are taken. Mask mandates are the safety precaution that makes the most consumers (25%) comfortable, outpacing vaccine passports (18%), vaccinated employees and social distancing (12%), visible cleaning efforts (10%), reduced store occupancy (8%), and contactless checkout (7%).

What safety precautions make you feel most comfortable to do these things?





Browsing

The impact of negative reviews—be it of products or store services—has fallen slightly overall, with 82% agreeing they are influenced by negative reviews, compared to 89% in 2020. Further, consumers may be taking reviews with a grain of salt: 20% now say they're 'very influenced' and 62% 'moderately influenced by bad reviews, compared to 33% and 56% in 2020. Consumers are about as likely to leave a review as they were a year ago (just 26% say they 'rarely/never' leave a negative review, compared to 24% in 2020).

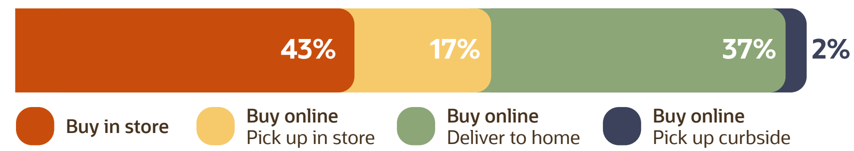
When browsing, a great price is what most often compels 33% of consumers to buy. Special offers or discounts (21%), seeing something they really want or have never seen before (18%), immediate availability and shipping time (16%), and the ability to redeem loyalty points (8%) can also push shoppers to make a purchase.

When you are browsing, what most often compels you to make a purchase?

Pick Up

Less than one-fifth (17%) say buying online and picking items up in-store (BOPIS) is their favorite means of shopping. In 2020, just 7% indicated this was the primary way they were shopping for non-essential items. Meanwhile, only 2% of consumers in 2021 call curbside their favorite way of shopping, remarkably level with 2020, when 3% turned to buying online and picking up curbside as their de facto means of getting non-essential items.

What is your favorite way to buy products?



Delivery

38% have gotten accustomed to having things delivered and say it's their favorite way to shop—an eight percentage point gain from 2020 shoppers buying non-essential items. Given the choice of shopping online or in-store, slightly more consumers (38%) preferred buying online and having orders delivered to their home than last year (30%). Among online shoppers only, two-thirds (67%) opt for home delivery, while 18% prefer curbside pickup, 11% prefer BOPIS, and 4% prefer a delivery locker or PO box. Visibility into granular tracking of shipments is a priority for 70% of shoppers, while just 3% are indifferent to receiving real-time updates and accuracy on their order's location and progress.

70% see granular tracking of shipments as a priority

Conclusion

At an inflection point, what's ahead remains unknown, but the curvature of change continues. The coming holiday season presents a stress test for retail supply chains already under pressure and a recovering retail sector.

At the same time, a tight labor market puts stores and warehouses at war for talent. A world in recovery from a global pandemic, a decade's worth of disruption compressed into a year and a half, and a looming return to life as we know it makes uncertainty the only thing certain. No one can truly see what's to come, but those with the agility and insight to react quickly and move swiftly in response to change will be ahead of the curve.

About Oracle Retail

Oracle Retail solutions bring retailers closer to their customers across every channel and help them quickly adapt to changing market needs. With a complete set of business applications, cloud services, and hardware supporting everything from the customer to the back office, retailers can gain deep insight into customer needs, tailor product assortments, price and place products with purpose, and build detailed financial and workforce plans to meet customer expectations.

With Oracle, you can decide where to start. Deploy the technology to meet your highest-priority business needs.

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