National Retail Association

National Retail Association Consumer Sentiment Report

2022

Prepared in collaboration with RetailDoctorGroup

CONSUMER & RETAIL EXPERTS

CONTENTS

01 | INTRODUCTION

Retail is changing and consumers now have different expectations in the retail environment. Whether it is where they shop, how they purchase, what they use to research, it is all now part of the evolving retail ecosystem.

The National Retail Association, working in partnership with Retail Doctor Group's Insights Division, have delved into the minds and behaviours of consumers to give our members key insights into consumer behaviours in retail.

We have conducted research, talking to a representative sample of Australia consumers, to understand what they want from retailers, what makes them interact with a retailer and what can we expect from consumers in the next 12 months.

This report will provide key statistics on consumer behaviour across the following areas:

- Consumer Confidence and Inflation
- Festival Retail Predictions
- Consumer Journey
- Instore/Online Experience
- Loyalty
- Retail Staff & Workplace

This research will give insight for retailers including what they can do in their business to stay ahead of the trends.

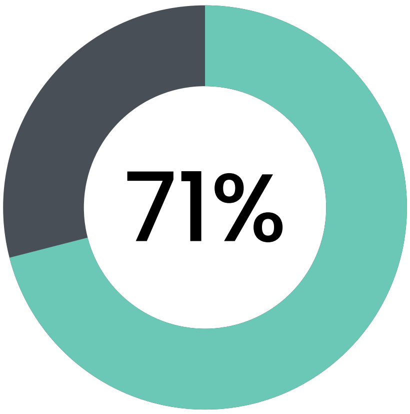
02 | INFLATION INTENSIFIED

The impact of inflation on consumer spending habits is far reaching and bringing about significant changes to spending behaviours.

Consumers are feeling the impacts of continued interest rate rises and are acutely aware of the impact of these inflationary pressures on their hip pocket. This is driving a significant shift in consumer spending habits with consumers reporting that they switched brands more in 2022 than at any time since the pandemic began.

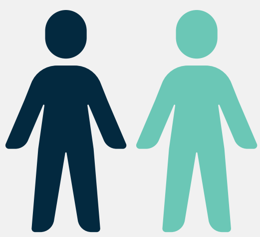
With Australian's warned of a global economic downturn and as we lead into the 2022 retail events season, it's imperative for retailers to:

- have a strategy to drive growth during Christmas and beyond;
- pivot with rapidly shifting customer behaviour;
- shift product categories as inflationary pressures worsen;
- optimise productivity in their operations; and
- retain focus on a great customer experience.

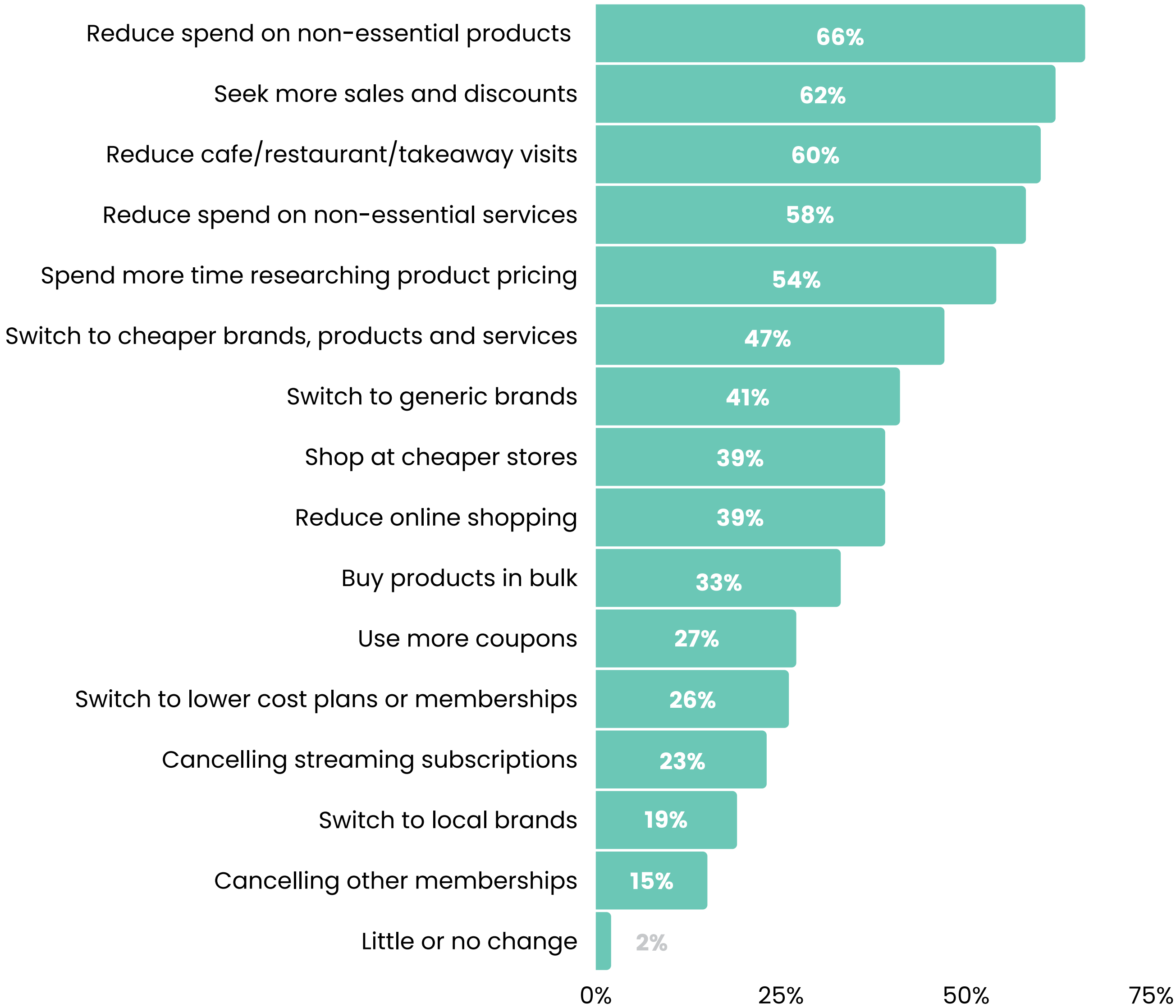


The percentage of consumers surveyed that have changed or plan to change their spending behaviour due to inflation.

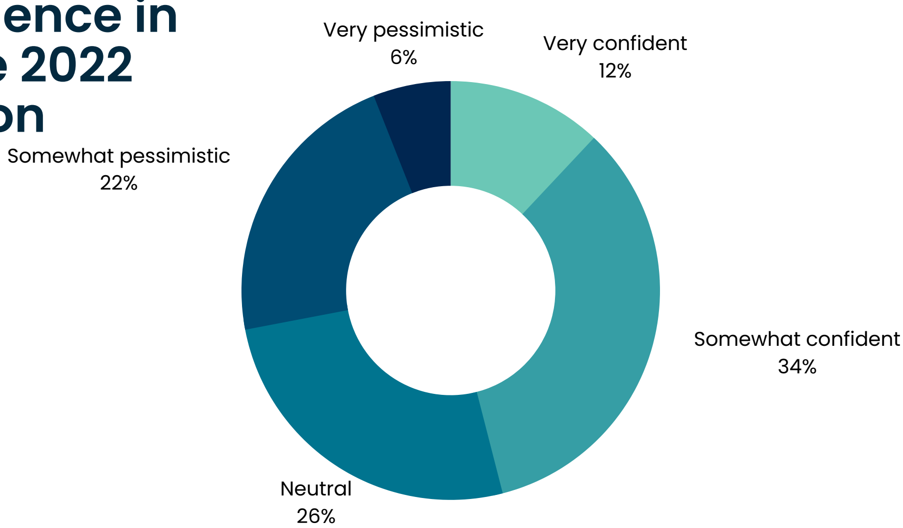
As consumers struggle with ongoing high inflation, they are seeking more sales and discounts, and 1 in 2 are switching to cheaper brands.



How will inflation affect consumer behaviour in the next 6 months?



Consumer confidence in the lead up to the 2022 retail event season

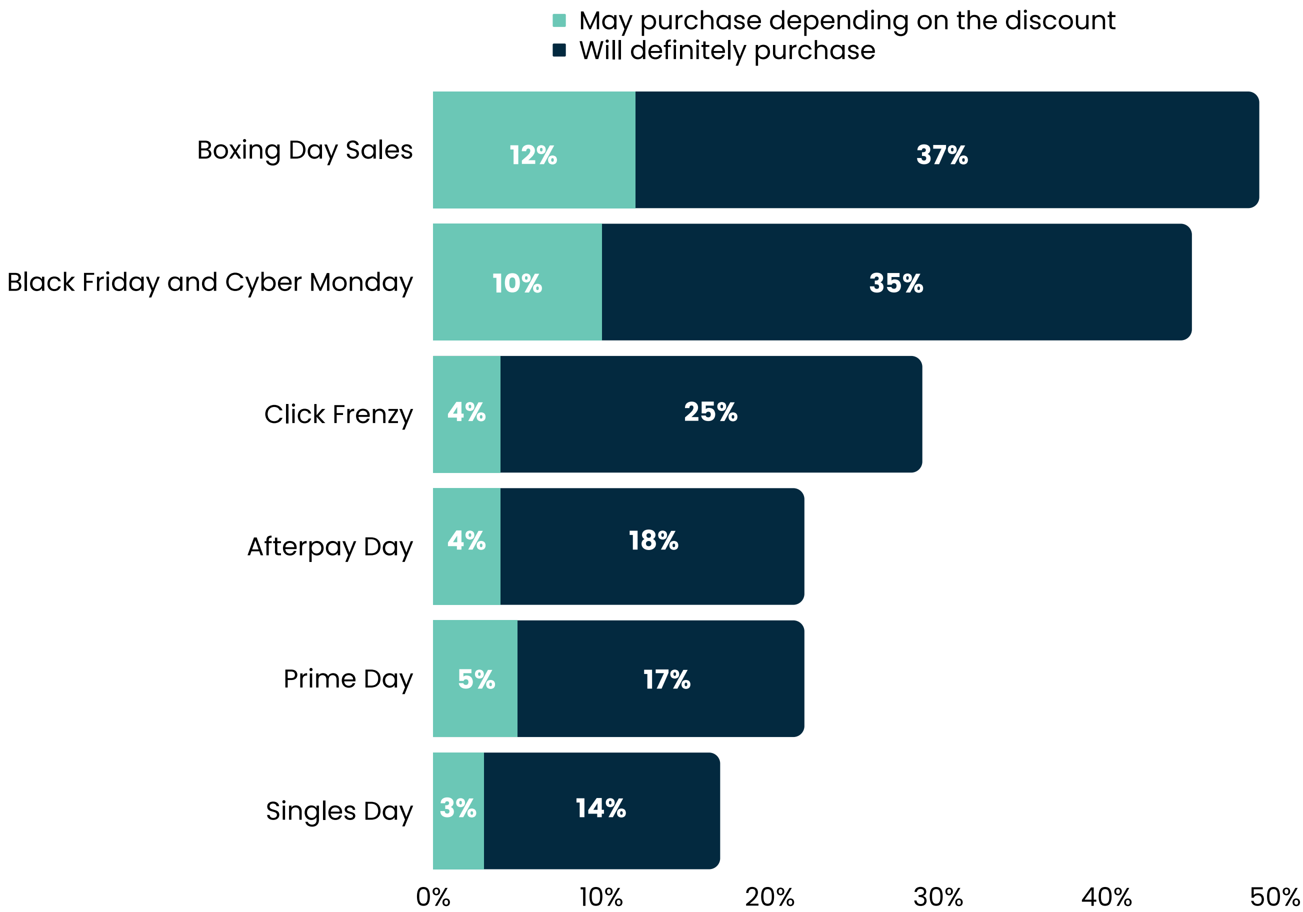


03 | RETAIL EVENTS 2022

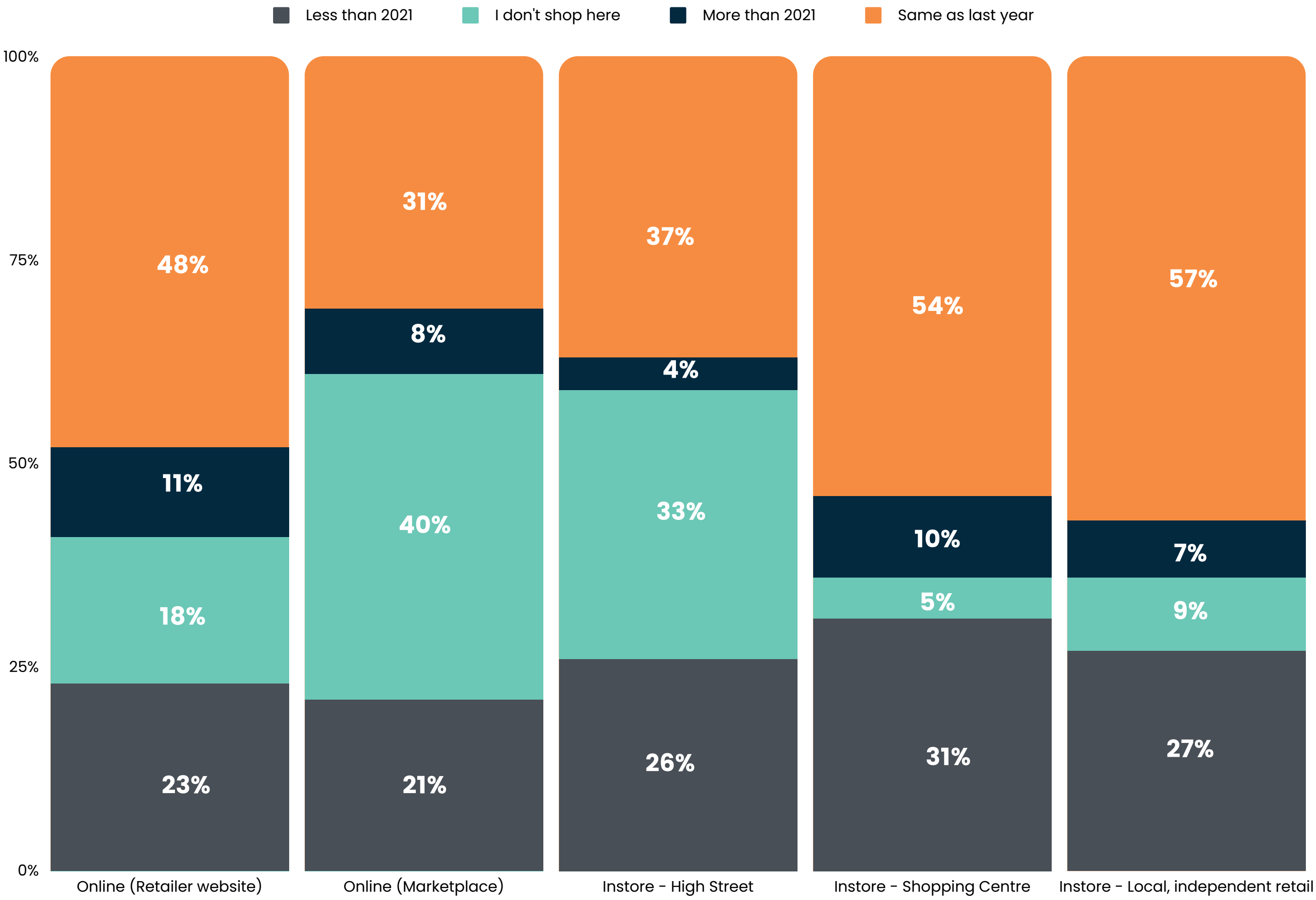
20% of shoppers expect to spend **more** during the 2022 retail event season than in 2021.

In 2022, consumer purchase decisions during retail events will depend significantly on the discounts and offers available.

By a small margin, Boxing Day is anticipated to be the largest shopping event in the retail calendar. However, Black Friday and Cyber Monday continue to grow in popularity in the busy pre-Christmas season.



WHERE WILL CONSUMERS SPEND THEIR MONEY DURING THE 2022 RETAIL EVENTS PERIOD?



Retailers should stay in close contact with their consumers to ensure they understand their concerns and pain points.

Understanding consumer's shopping habits, preferences, how they are adapting to challenges and building their trust, improves brand loyalty and retention strategy outcomes.

Building a tribe of customers allows retailers to keep close to them during retail events and engage with them on special offers.

50% **of consumers preferred to do their festive shopping in physical stores.**

04 | THE RETAIL ECOSYSTEM

WHERE CONSUMERS SHOP - BY SECTOR

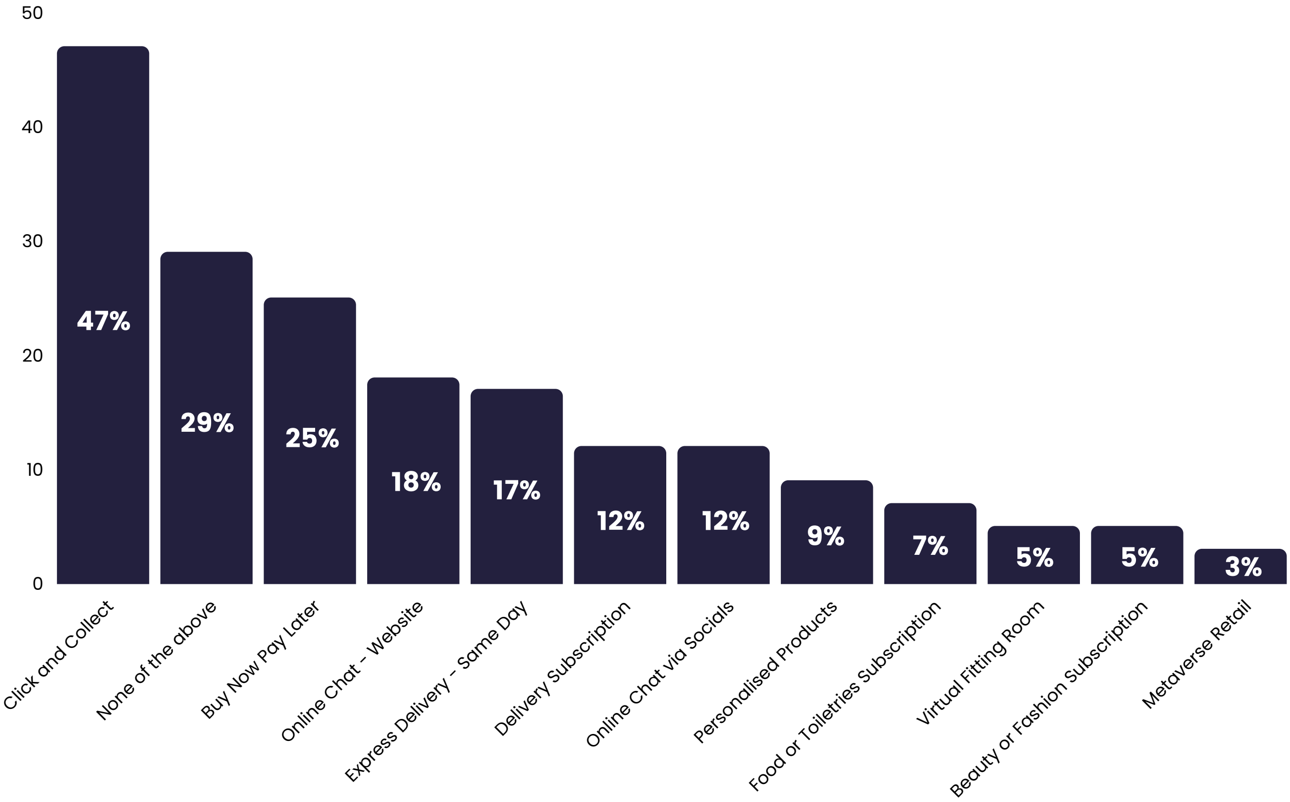
In the 3 months to August 2022, where have consumers made their purchases?

	Shopping Centre	Retailer's Website	Highstreet	Marketplace	Social Media
Grocery - food and beverage	78%	24%	13%	5%	2%
Pharmacy, health and beauty	63%	18%	17%	5%	2%
Fashion	47%	31%	8%	7%	3%
Pet products	30%	19%	6%	4%	2%
Homewares and furnishings	30%	16%	5%	8%	3%
Books, stationary and party supplies	30%	18%	7%	7%	2%
Consumer electronics	24%	17%	5%	7%	2%
Toys and games	23%	16%	4%	6%	2%
Fitness, sports and outdoor	17%	14%	3%	5%	2%

CONSUMER PARTICIPATION IN RETAILER SERVICES

As consumers become more aware of retail services, they are opting for services that make their shopping experience easier:

- Almost 1 in 2 consumers state they have used **Click and Collect** in last 12 months.
- **Speed matters**: Consumers are expecting ultra-fast fulfilment times with the use of express delivery and online chat is growing significantly compared with the same period in 2021.



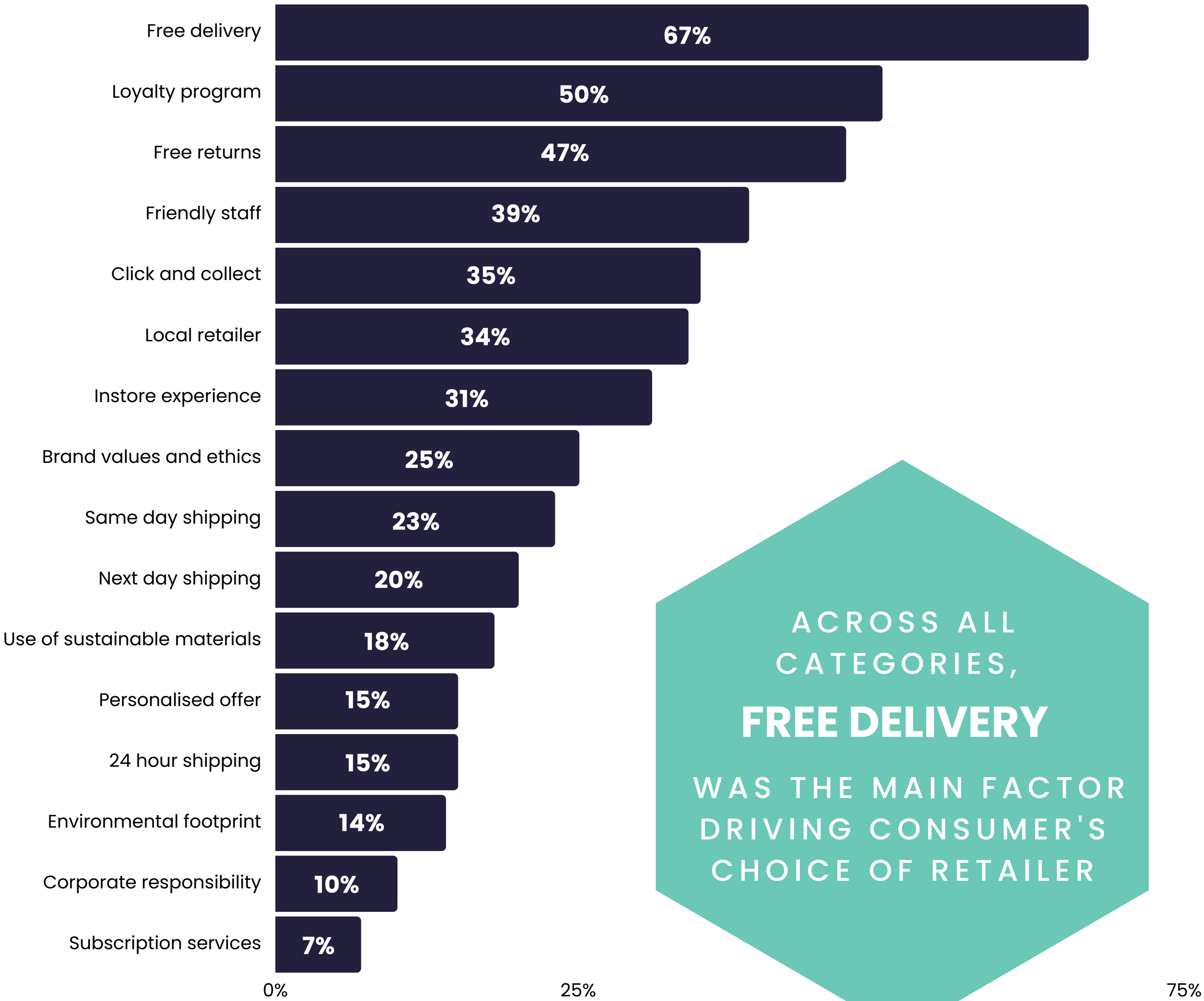
Through technology, **consumers are more connected,** and their behaviour is changing at the speed of light. Consumers no longer see online and offline as different channels, it is now all a **unified branded experience**.

Managing online and offline as two different channels can be difficult to scale, as one channel is always competing with the other, and results in 'cannibalisation'.

Instead of viewing both the channels in isolation, brands should utilise the channels to bridge the online and physical world, providing a **seamless shopping experience** to consumers.

FACTORS INFLUENCING CHOICE OF RETAILER

Flexible and fast fulfilment options have a high influence on a consumer's decision to purchase. However friendly staff also have a large impact – showing that **service must be excellent**. Retailers should ensure their staff have the skills and training they need to deliver the high level of service that customers expect in 2022.



ACROSS ALL CATEGORIES,

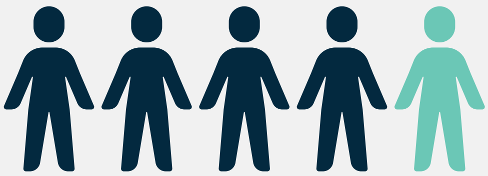
FREE DELIVERY

WAS THE MAIN FACTOR DRIVING CONSUMER'S CHOICE OF RETAILER

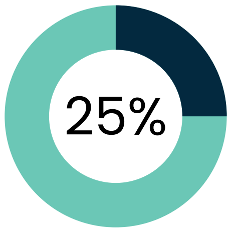
1 in 2 consumers are influenced by a **loyalty program** when selecting a retailer. Retailers should ensure their loyalty schemes align with drivers for consumer purchase frequency and transaction value.

SUSTAINABILITY AND ETHICS

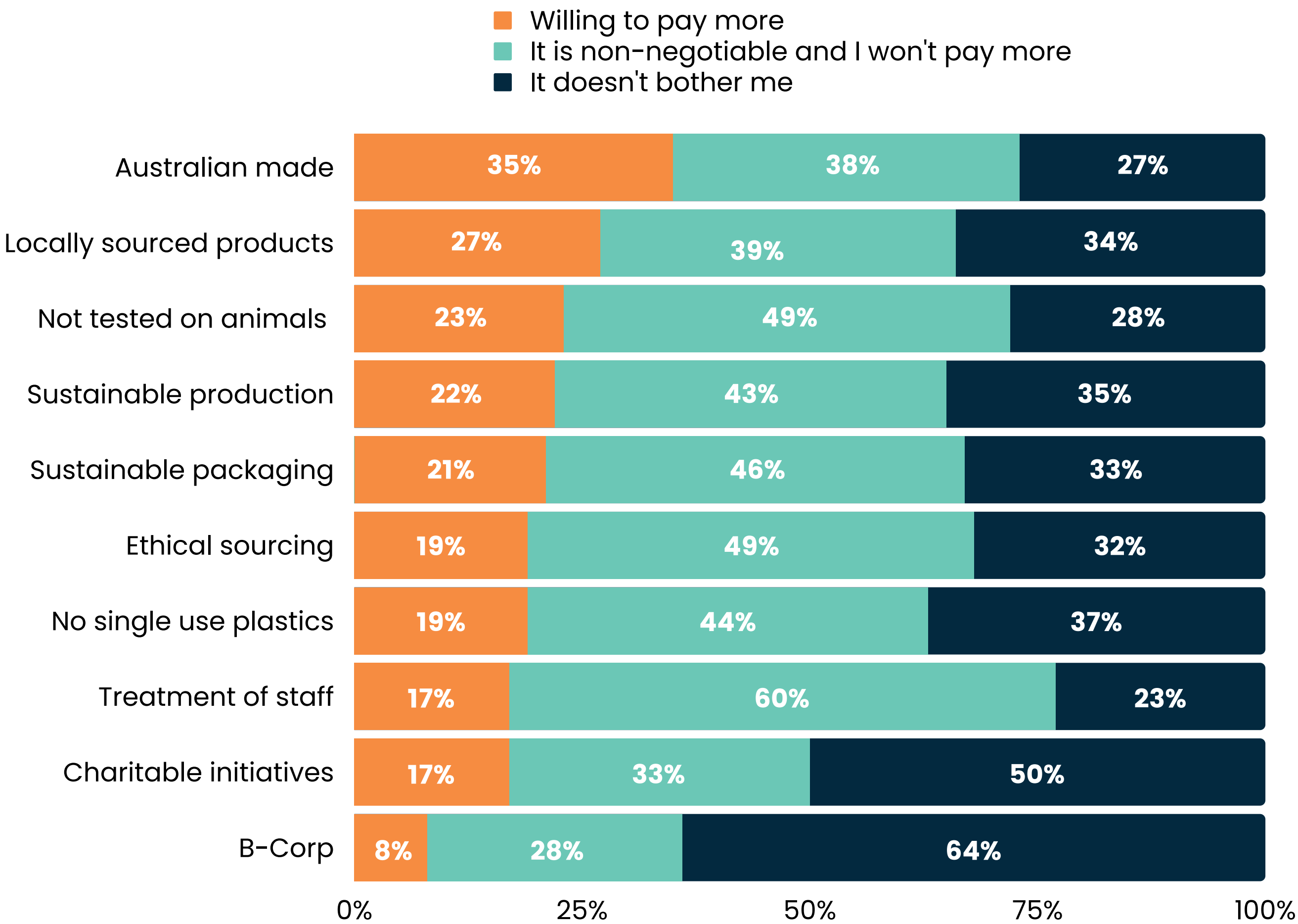
More consumers than ever before are speaking out on behalf of people and the planet — not only with their voices and votes, but also with their wallets.



4 IN 5 CONSUMERS STATE A RETAILER'S TREATMENT OF STAFF IS IMPORTANT TO THEM.

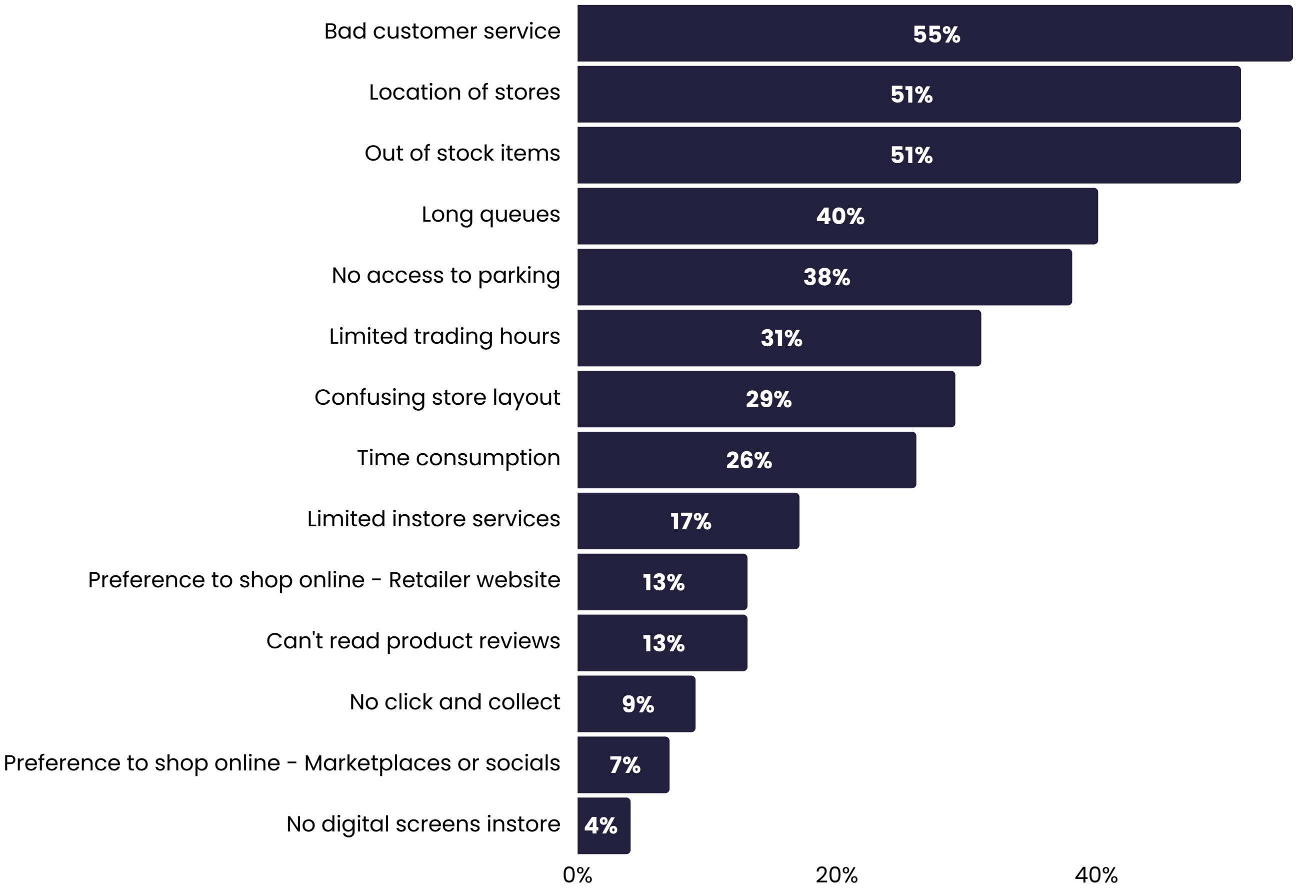


The percentage of consumers that are **willing to pay more for sustainable products**. However, Millennials and Zoomers expect brands to prioritise sustainability and ethics and are not as willing to pay more for sustainable products.



BARRIERS TO CUSTOMER RETENTION

Customer service remains of high importance to consumers - showing the influence your frontline staff have on customer visitation and retention.



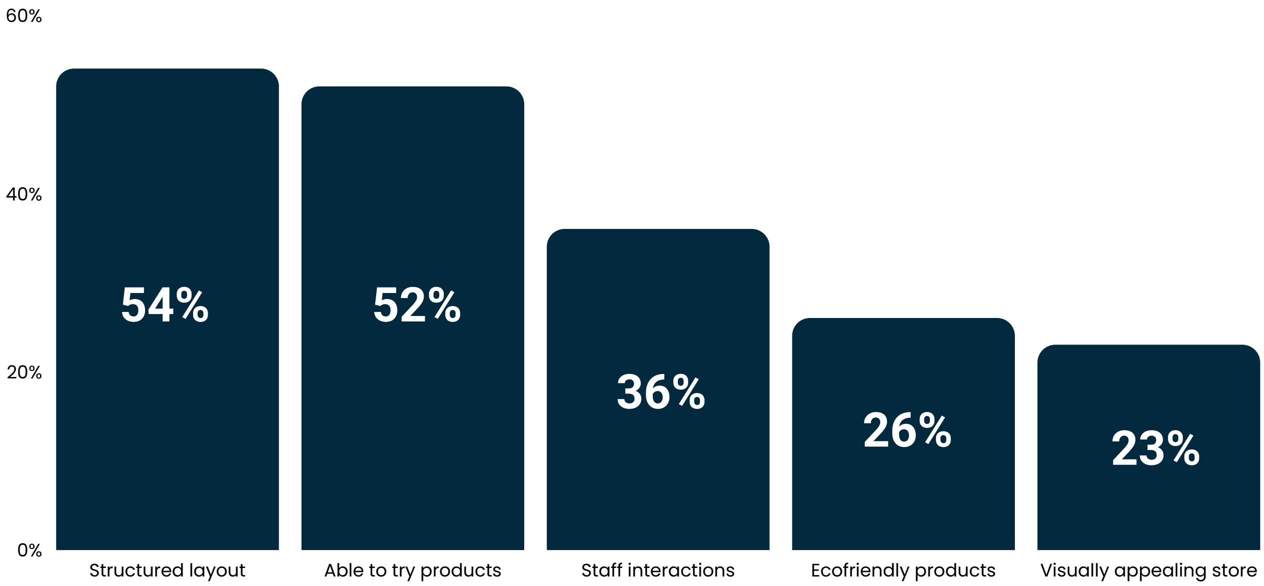
Customer service is at the forefront of a great retail experience. Consumers are now more demanding than ever and retailers need to equip their staff with the tools and skills to be able to **provide an outstanding service** to all customers at all points of their journey.

Adding new customers to the existing customer base is something that every brand is after. Acquiring customers is good, but it's just the beginning. Fit retailers succeed as they **nurture new customers into loyal customers** and not just by making them satisfied once.

Different consumers have **different shopping journey and drivers**. Hence, retailers should understand consumers beyond their demographics. If customers aren't emotionally attached to a brand or can't connect with brand attributes and image, then a brand is vulnerable to offers and solicitations from their competitors.

05 | CUSTOMER EXPERIENCE

What do consumers expect instore?



KEY TREND: TIME IS CURRENCY & CONVENIENCE IS KING

77% of consumers want the flexibility to **buy whenever and wherever** they want.

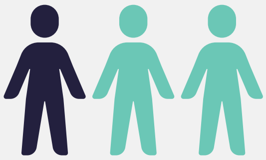
94% of consumers state that **saving time** is important to them.

How can retailers save customer's shopping time?

Easy to find items	Knowledgable staff	Quicker checkout	Click and collect	Delivery options to suit customer needs

NRA National Retail Association | RetailDoctorGroup CONSUMER & RETAIL EXPERTS

OUT OF STOCK PRODUCT | INSTORE

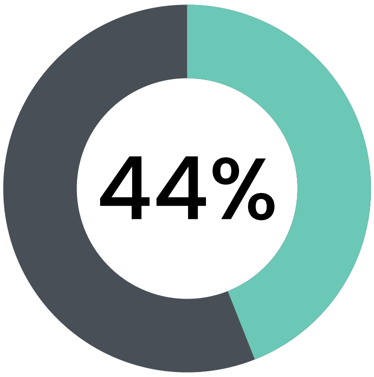


1 in 3 customers will leave a retail store and buy from a competitor if a product is out of stock.

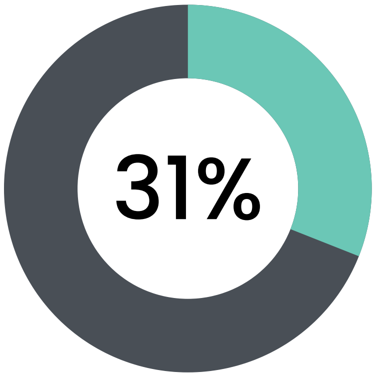
Customers are **less likely** to approach staff to ask about product availability. They are more likely to check for themselves.

Having a **single view** on inventory is important to allow consumers to research product availability for themselves to find the products they want.

This highlights the importance of services like **digital screens** being available instore to check availability of stock.



The percentage of consumers that will check stock availability online and purchase there.



The percentage of consumers that will ask staff to check stock availability in other stores and get it shipped to consumer's local store.

With the growing demand of physical retail, the need to **deliver exceptional customer experience** increases. Customers may buy items online and pick up in-store for convenience, but they also expect **friendly customer service** when they arrive for items.

Brands focusing on how to **save customers' time** while **improving on the customers experience** will excel in the future.

Retailers need to understand what **"Save Time"** and **"Seamless Experience"** means to their customers and what they aspire for instore.

WHAT ARE CONSUMERS LOOKING FOR?

60%
FREE SHIPPING

51%
BETTER OFFERS AND DISCOUNTS

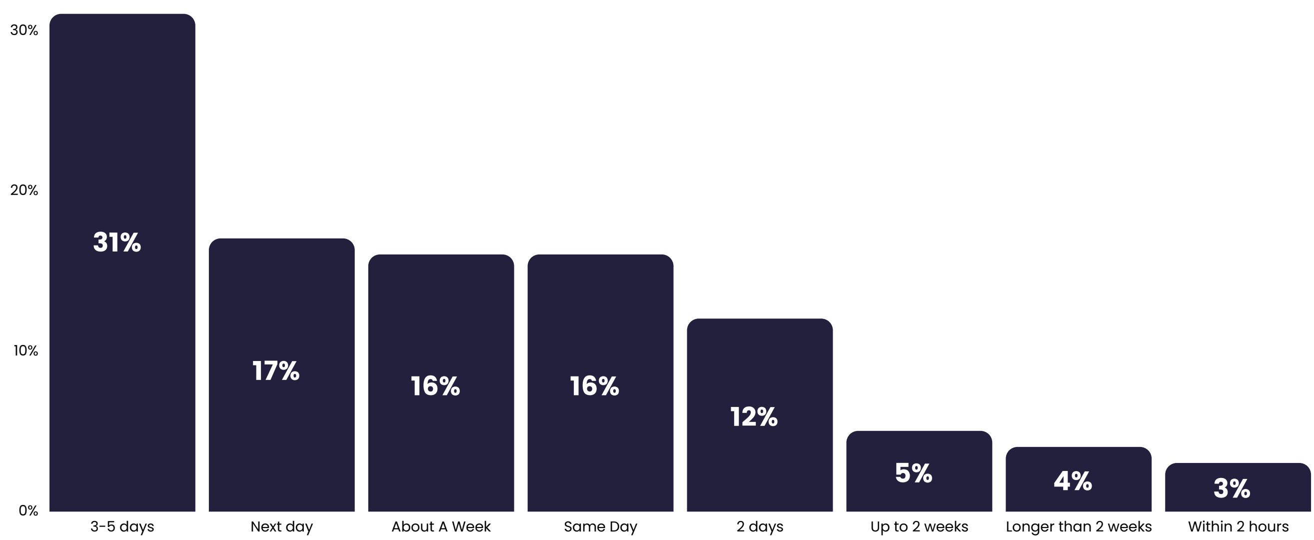
46%
EASY NAVIGATION

41%
HIGH QUALITY PRODUCT IMAGES

FREE SHIPPING remains the top priority for consumers of all age groups.

One of the main detractors for an abandoned cart is a clean and user-friendly interface. Online shoppers also seek for a visually pleasing layout - UI driven design. Consumers are looking for high quality pictures and detailed product information.

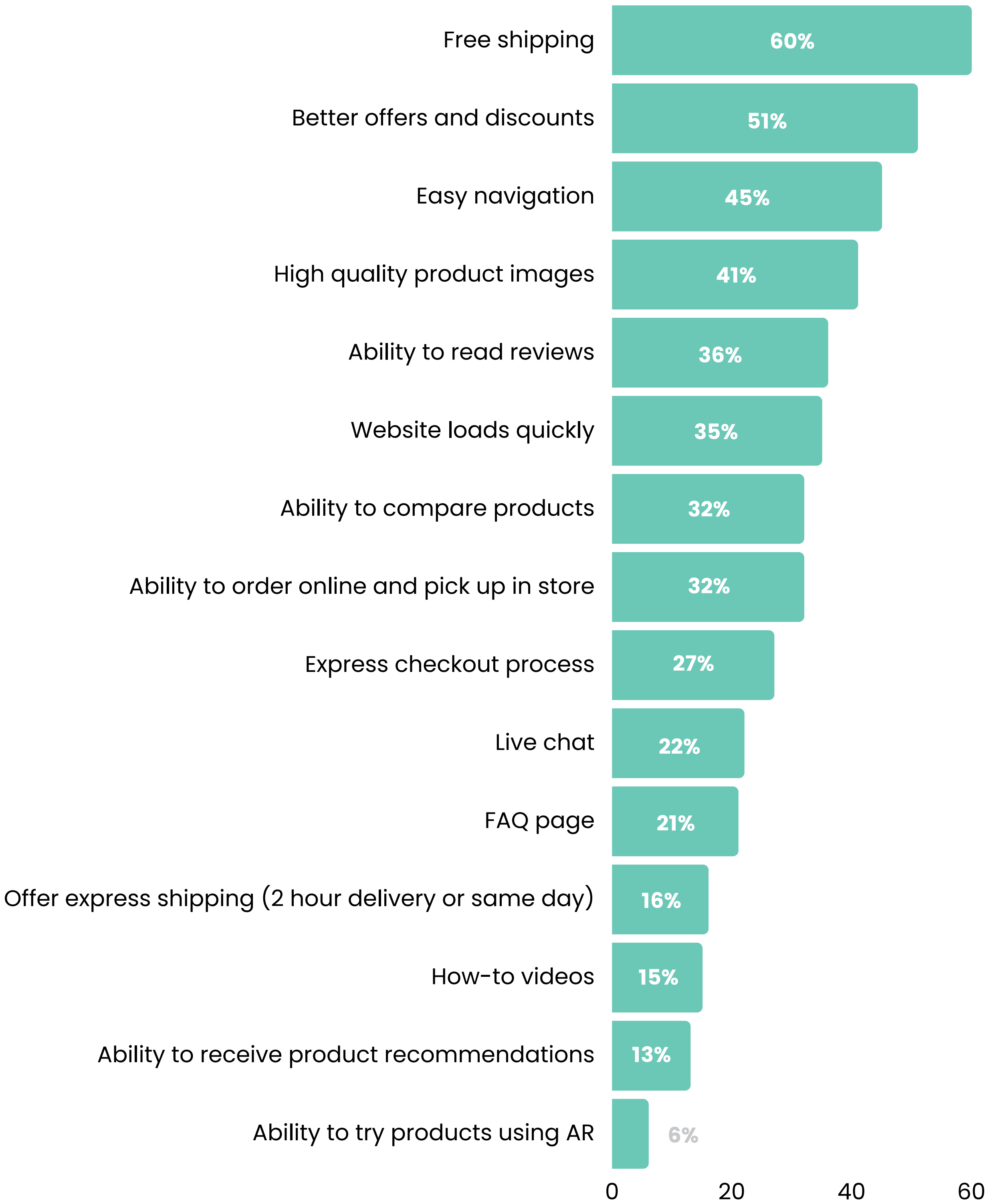
Delivery timeframes expected by consumers



WHAT DO CONSUMERS EXPECT ONLINE?

The **digital revolution** has given rise to an **on-demand economy**, meaning businesses need to cater to the 'right now', impatient customer.

Many consumers make their spending decisions based on **how soon** they can receive something without having to do anything additional outside of their daily routine.



06 | CUSTOMER ENGAGEMENT

CONSUMERS ARE MORE DEDICATED TO PRODUCT RESEARCH THAN EVER BEFORE

91% The percentage of 25-34 year olds who use social media to interact with retailers.

Over 60% of 18-34 year olds now use Instagram to interact with retailers.

90% of consumers conduct research on a product prior to committing to purchase with a search engine being used most of the time.

More consumers are using Facebook, Instagram and TikTok to interact with retailers since 2021.

However you don't need to be all things to all people– retailers must understand what consumers are looking for and on what channel - to optimise marketing expenditure.

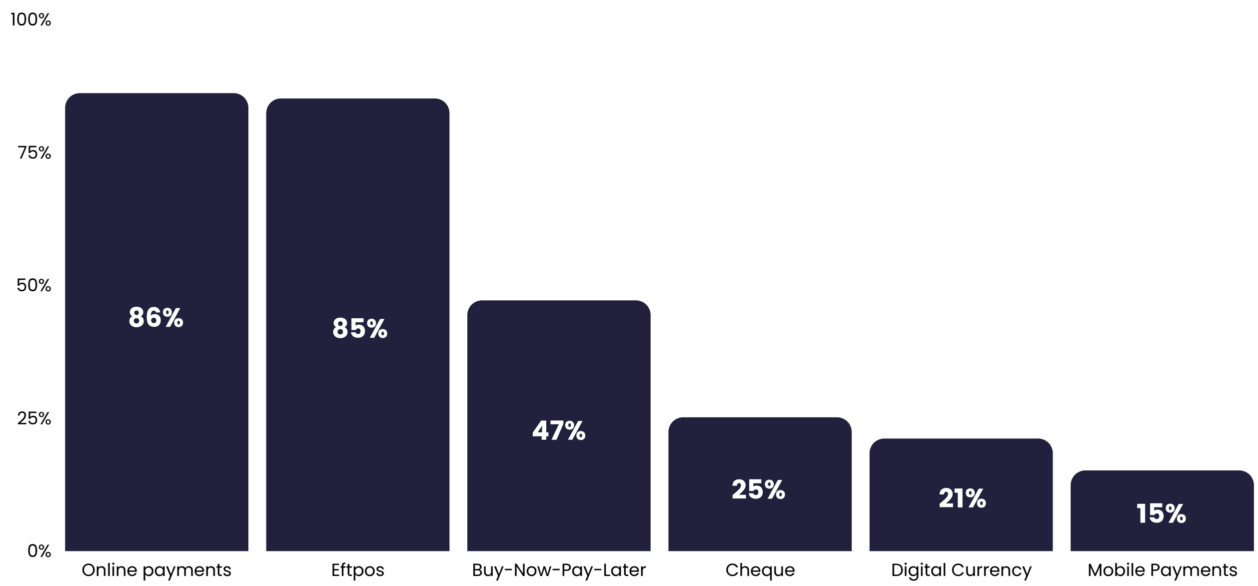
NRA National Retail Association | RetailDoctorGroup CONSUMER & RETAIL EXPERTS

CONSUMER'S PREFERENCES ON PAYMENT METHODS

Online payments and **Eftpos** are the most popular payment methods amongst consumers.

Buy Now Pay Later has increased with 47% of consumers currently using or willing to consider using.

Digital currencies are new but scaling fast – specially amongst younger demographics.



In today's omnichannel world, navigating the path to purchase can be challenging for retailers to understand how their **consumers interact** with their product.

Consumers are **more sceptical** than ever before and that's why brands must strive to find **new ways** to acquire customers and increase their retention rate.

Every consumer has a different journey with a brand, and **understanding consumer profiles** will allow brands and retailers to understand:

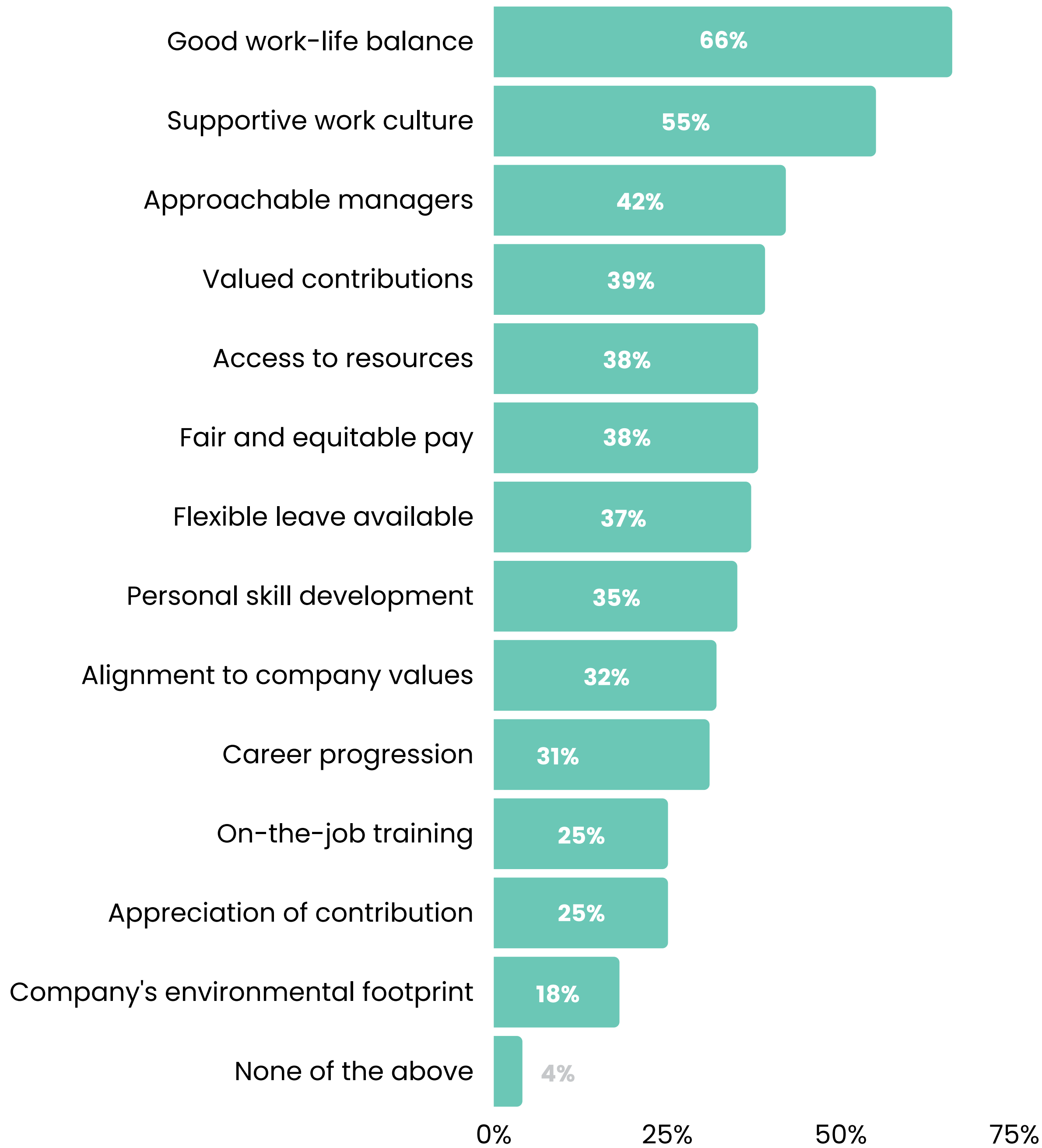
- How to optimise marketing expenditure; and
- Where there is an opportunity to play.

07 | RETAIL WORKFORCE

Whilst fiscal incentives are important to workers the modern employee is looking for a **flexible and friendly** work environment.

Retailers need to consider how they can offer **flexibility in the workplace** whilst maintaining compliance with complex industrial instruments. Fostering a **culture of inclusion and care** will encourage workers to look to the retail sector for long term careers.

Factors important to retail staff at their workplace



08 | CONCLUSION

Customer service, physical experience and savvy consumers are standout priorities as retail speeds towards Christmas.

- Consumers are looking to retail staff instore to create an enjoyable experience. It's human nature to seek connection with others and this is visible in the increased importance of customer service as part of the overall retail journey.
- The physical store is back - and the #1 choice of location for festive spending. However, consumers are more aware of how their time is spent and are seeking either an efficient or entertaining instore experience. Retailers who can determine where they sit on this scale and deliver, will succeed.
- Consumers are more educated than ever before and have completed their research before visiting a store or website. It's up to retailers to show their expertise through service and efficiency.
- Consumers are increasing digitally savvy. Online shopping is no longer the domain of the young - consumers of all demographics engage with retailers digitally from pre-purchase through to purchase. Loyalty needs increased scrutiny from retailers to understand what customers expect at each touchpoint.

FOR MORE INFORMATION CONTACT

National Retail Association
info@nra.net.au
1800 RETAIL (738 245)

For this research, Retail Doctor Group worked with a statistically representative sample of Australian consumers via online study to understand their behaviours in a retail environment.
- *Data was collected via an online survey to a sample of Australian consumers;*
- *The survery period was August 2022*
- *The sample size was N=1007*

This report has been produced for the National Retail Association by Retail Doctor Group, based on information available at the time of publishing (October 2022). We believe that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made at the time of its compilation, but no warranty is made to accuracy, reliability or completeness. No person should act on the basis of this report without considering and, if necessary, taking appropriate professional advice upon their own particular circumstances. We are under no obligation to, and do not, update or keep current the information contained in this report.