



RETAIL INDUSTRY REPORT 2020

Trends regarding
Social Media,
Delivery Service,
& more!

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Retail Industry Report 2020



e've been doing Retail Industry Reports for quite some time, and while each is uniquely insightful, we've found they generally tend to cover the same

verticals (fashion and apparel, electronics, home improvement, toys, etc.) and the same topics (omnichannel, in-store experiences, purchase trends, etc.). These are all important, of course, but for our 2020 Retail Industry Report, we wanted to look a bit more into the future and a bit more off the beaten path.

This year, we are examining non traditional purchase pathways and platforms, as well as the shifting delivery demands retailers will face in the new decade. How do cost, distance, and time intersect to shape consumers' delivery expectations? Is social media taking over for malls and apps as the next great American shopping center?

Why are both secondhand and resale channels continuing to thrive while it seems subscription boxes have topped out? And how long until Gen Z just runs the world? These are some of the questions our 2020 Retail Industry Report set out to answer.

We interviewed 1,995 people between 11/6 - 11/22 about their retail experiences, preferences, and pain points. Let's take a walk through retail's next decade.



Social Media: From Networking Tool to Advertising Platform to Purchase Channel

Increasingly, social media channels have become their own purchase platforms. This occurs under a variety of auspices. Users are offered the opportunity to click through to purchase on retail and DTC posts; influencer accounts often post paid advertisements to stir up demand and also to drive actual sales; and celebrity users often produce their own goods for sale directly to their followers à la Kylie Jenner. It's this last type that is most interesting

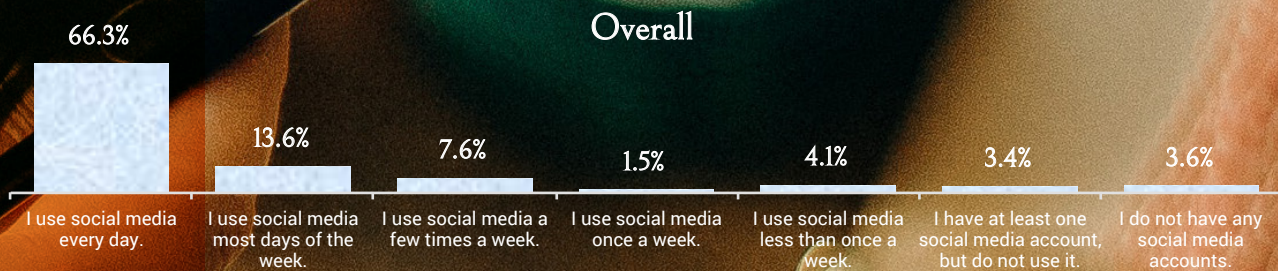
to us—influencers with their own “brand” producing and selling their own products through social media.

But in order to get a handle on how popular these social media purchase platforms have become, first we needed to get an idea of how many of our respondents are actually on social media and how frequently. Overall, and across generation and income, most of our respondents are active on social media and quite frequently.

“...CELEBRITY
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FIGURE 1

How often do you use social media?



Overall, most of our respondents are active on social media, across all incomes and generations (Figures 1, 2, and 3, respectively). The number of daily users increases in each generational segmentation, with 85.2% of Gen Z logging into at least one social media account every day.

These numbers tell us what we already knew, that there are enough active social media users to sustain it as a viable purchase channel so long as the product,

purchase path, and user experience are right. And, with younger generations more entrenched in their social media habits, this market can grow in size and scope.

With so many daily social media users in our respondent base, we next wanted to know which platforms were the most popular, and there were also no surprises there.

FIGURE 2 How often do you use social media?

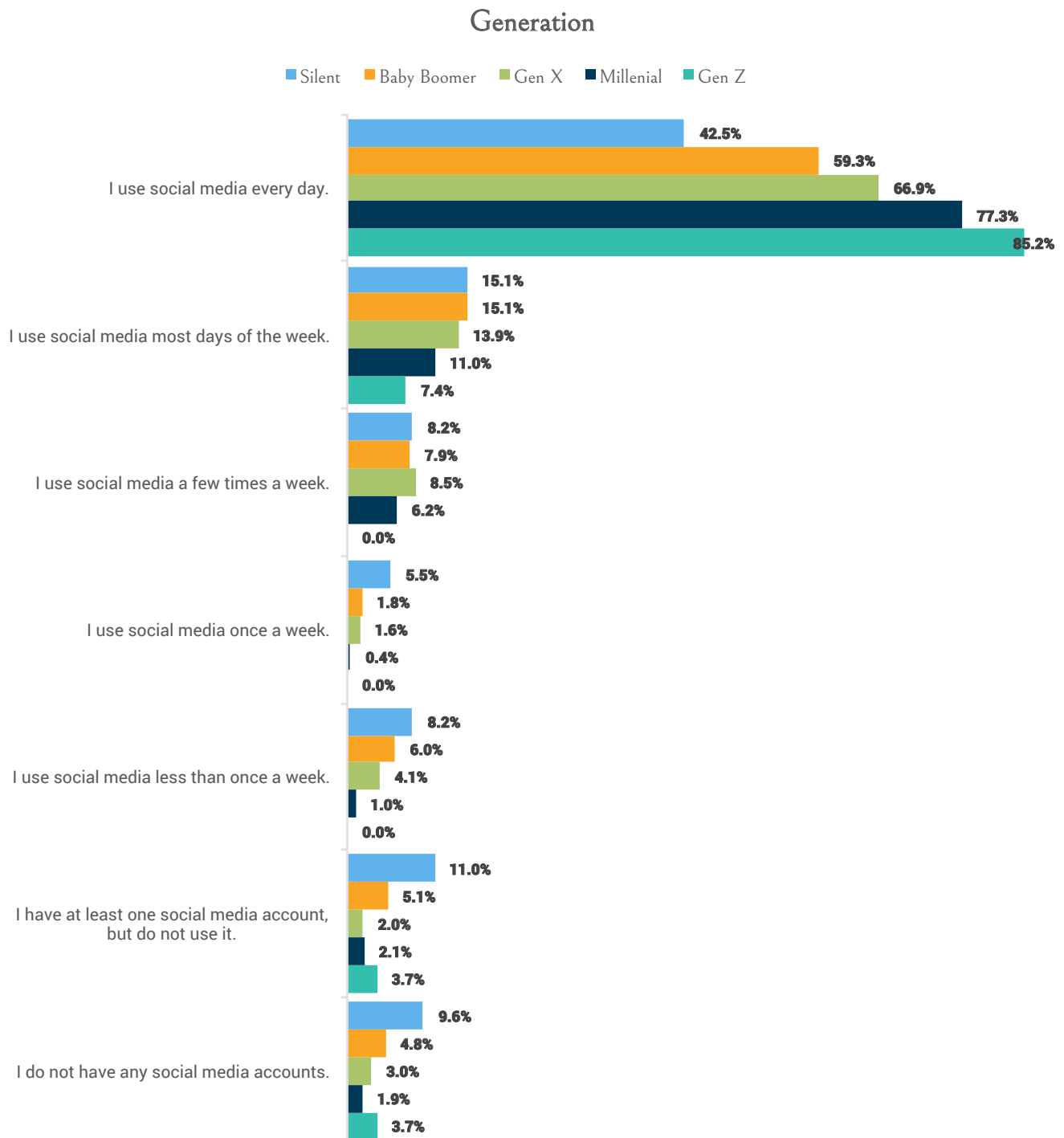


FIGURE 3 How often do you use social media?

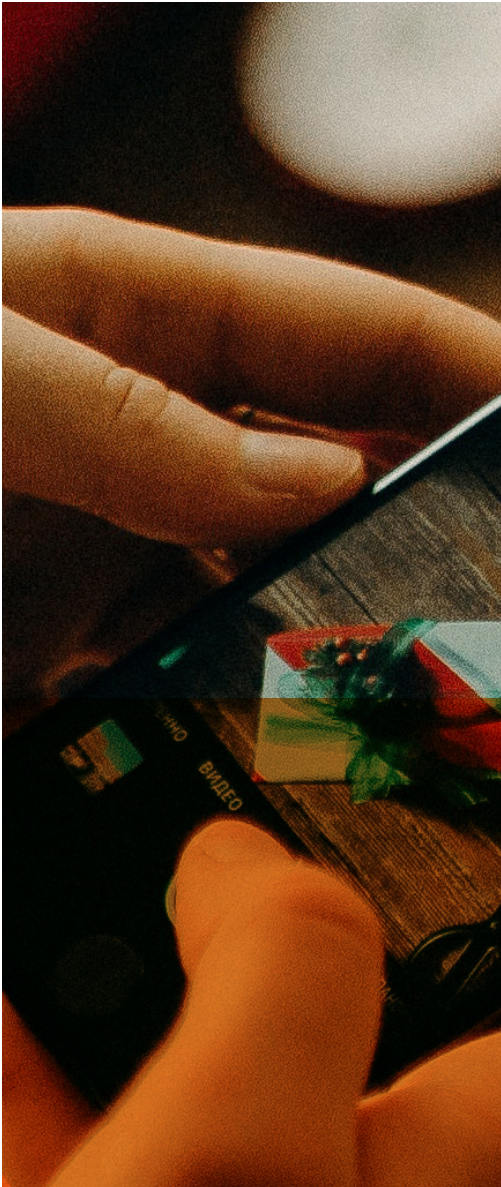
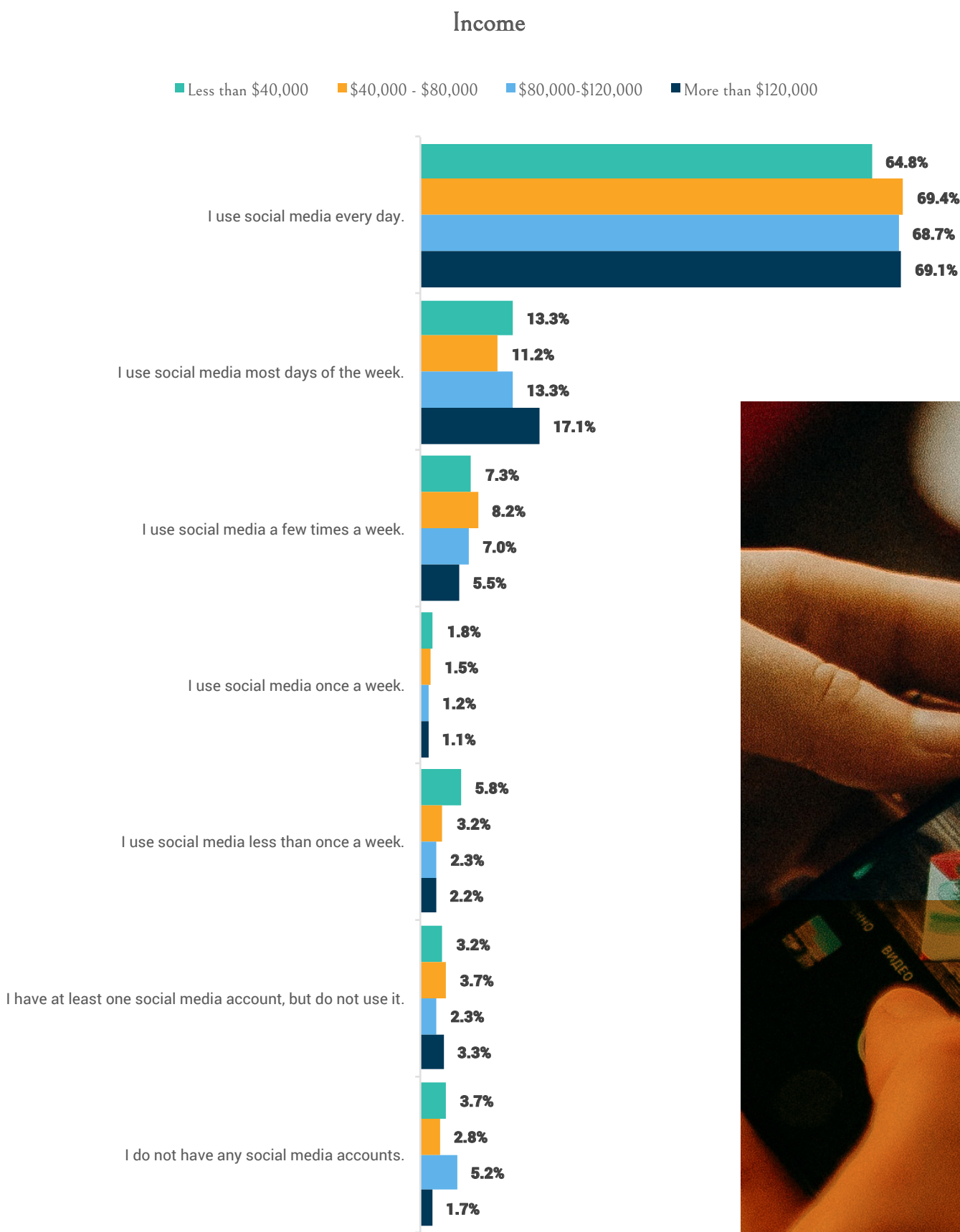
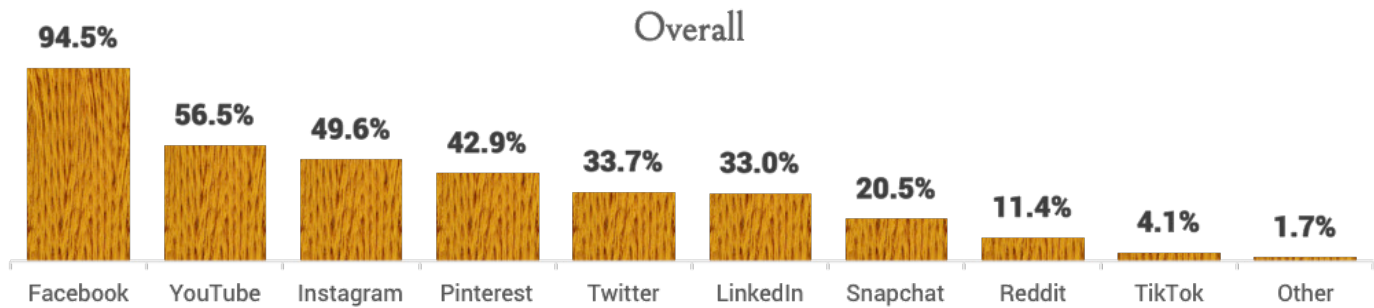


FIGURE 4 Which social media do you use? n=1856



“...different generations utilize Facebook differently—from the Silent Generation likely using it to follow politics, news, and their grandchildren, to Gen Zers using Events and Messenger...”

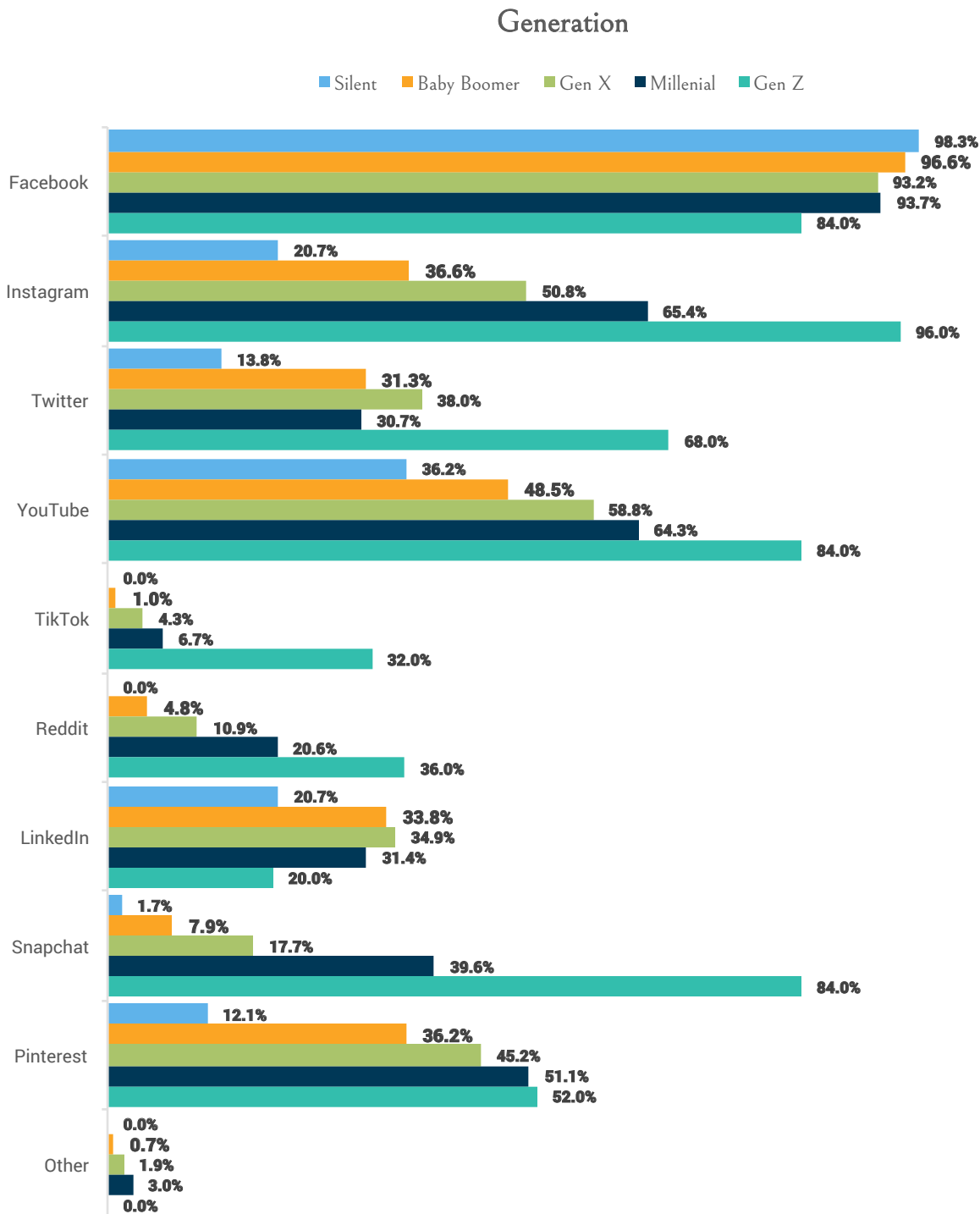
Owing to its generational crossover, Facebook is by far the most popular social media platform with 94.5% of our respondents actively using the service (Figure 4). Much of this is due to the fact that different generations utilize Facebook differently—from the Silent Generation likely using it to follow politics, news, and their grandchildren, to Gen Zers using Events and Messenger (and following meme accounts). With so many uses for so many different people, Facebook has assumed a commanding lead in social media, though there are some caveats.

First, note that Instagram is by far the most popular platform among our youngest respondents, who likely came of age in an era when Facebook was already mainstream and popular with their parents and their church, as opposed to the young, cool tool for college students it began as (Figure 5). While Facebook may be a tool among this generation, it is not a primary means of engaging their peers and the broader world. That distinction belongs to Instagram, making it far more lucrative as a selling platform for brands wishing to reach this up-and-coming consumer base.

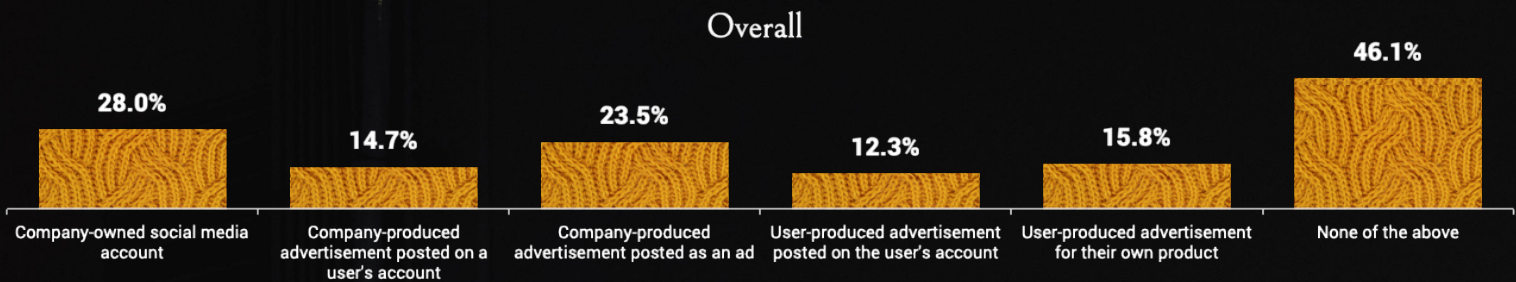
Second, the generational trajectory for Facebook and Instagram is opposite, with Instagram gaining users with each successive generation and Facebook (however slightly) losing them. While Facebook is likely employing its own market research analysis to understand the downturn and implement solutions, we are more concerned about what this says about Facebook as an influential advertising and purchase platform. Of course since Facebook owns Instagram, the money's all going to the same place anyway.

FIGURE 5

Which social media do you use?



Have you ever made a purchase through any of these advertisement types?



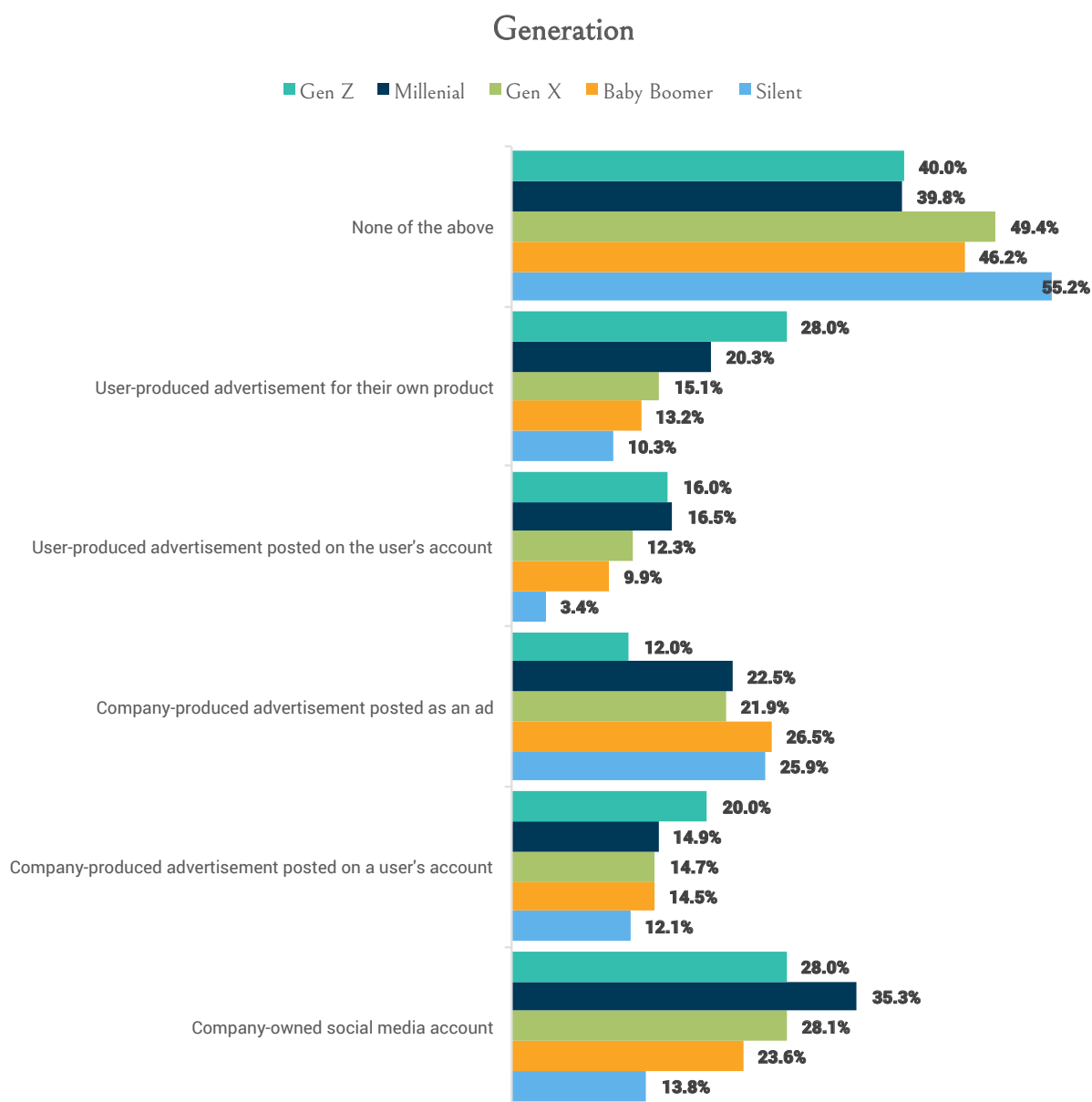
There are many ways for companies to directly sell to social media users, with some gaining traction more quickly than others. These include:

- Company-owned social media accounts dedicated to advertising and purchasing their products
- Advertisements produced by a company and posted on a user's account
- Advertisements produced by a company and posted as an advertisement on a user's feed/page
- Advertisements produced by a user for a company's product and posted on a user's account
- Advertisements produced by a user for their own product and posted on the user's account.

The distinctions seem small but in terms of content creation, platform, and reach, they matter.



Have you ever made a purchase through any of these advertisement types?



More traditional forms of advertising and selling prove the most popular, with respondents likeliest to have made purchases through company-run pages and paid advertisements. Among our youngest respondents, however, company-produced advertisements are the least popular, which makes sense given all that we know about Gen Z, advertising immunity, and banner blindness. They are nearly twice as likely, in fact, to have made a purchase from an individual user selling products through their own pages and posts, which goes a long way in explaining how people like Kylie Jenner have made a fortune selling through social media channels.



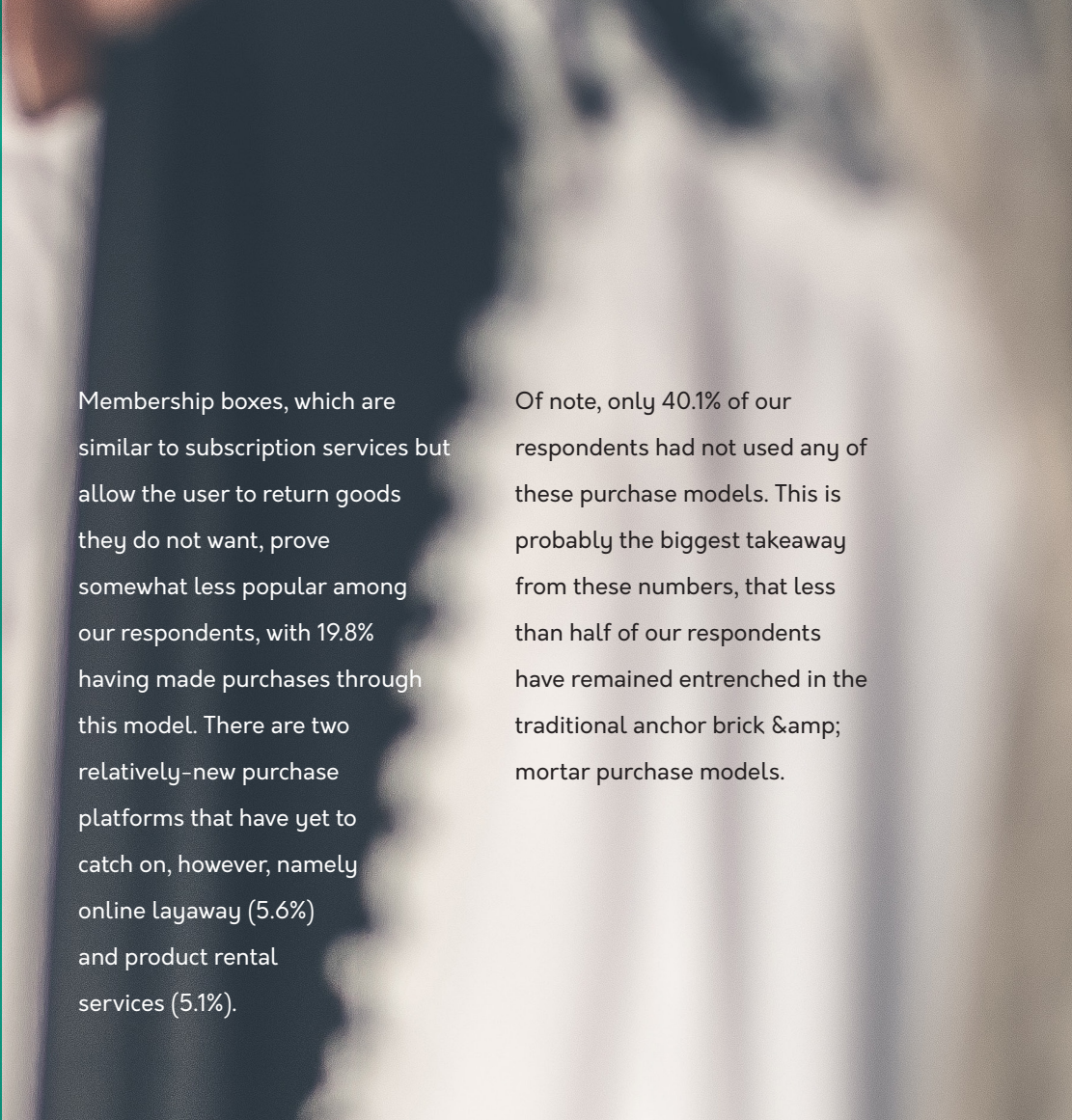
Purchase Models of the Past, Present, and Future

As brick & mortar purchase channels lose primacy and necessarily evolve, we wanted to know which non-traditional purchase models our respondents had used. Specifically, we wanted to know how many of our respondents had made purchases from membership ordering, subscription services, online layaway programs, rental services, and secondhand stores.

Fascinatingly, 41.1% of our overall respondent base has made

purchases from a local secondhand market place (Figure 6). While it may be tempting to think that this means that second-wave secondhand stores like Buffalo Exchange and luxury resellers like RealReal are increasingly popular, but it is likely that many respondents (particularly from older generations) have been secondhand shopping for quite some time, just at more traditional locations like Goodwill.

Nearly 30% (29.8%) have similarly made purchases through a subscription service, whether it be Birchbox, BarkBox, Stitch Fix, or any other regular subscription product wherein customers receive curated packages based on their preferences and are forced to keep all goods contained within. Such purchase models have evolved over the last decade and, according to our survey, are now used by nearly one-third of consumers.



Membership boxes, which are similar to subscription services but allow the user to return goods they do not want, prove somewhat less popular among our respondents, with 19.8% having made purchases through this model. There are two relatively-new purchase platforms that have yet to catch on, however, namely online layaway (5.6%) and product rental services (5.1%).

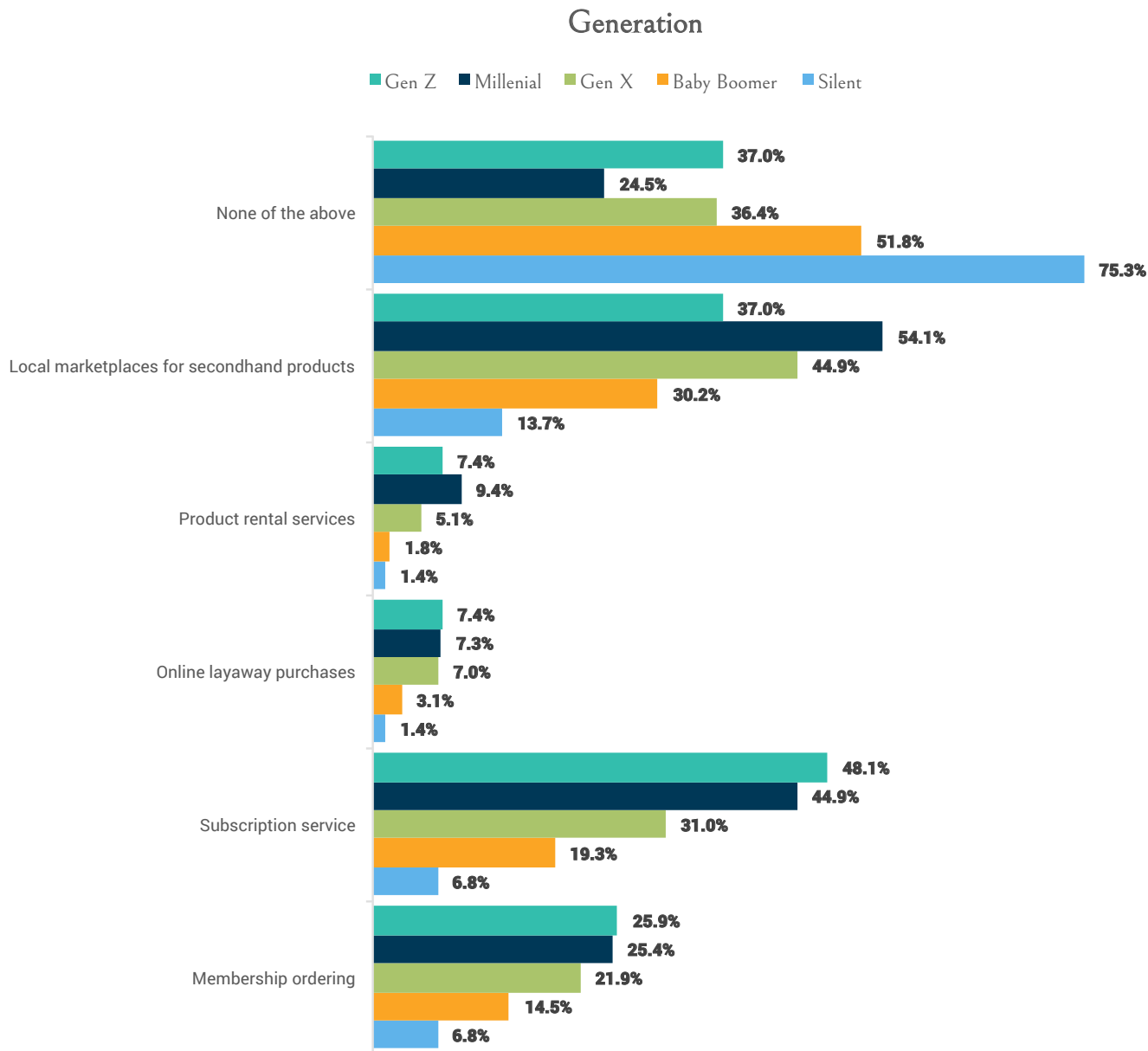
Of note, only 40.1% of our respondents had not used any of these purchase models. This is probably the biggest takeaway from these numbers, that less than half of our respondents have remained entrenched in the traditional anchor brick & mortar purchase models.

FIGURE 6

Which of the following retail services have you used to purchase products?



Which of the following retail services have you used to purchase products?



As expected, younger generations, particularly Millennials and Gen Zers, are likelier to have used each of these purchase models, particularly subscription and membership platforms. This makes sense, they are more abreast of current trends and technologies, and their distaste for traditional purchase models has led to the proliferation of these services in the first place. Yet, even among our youngest respondents, online layaway and rental services have yet to hit critical mass, with less than 10% of any generational group having made purchases through either. Also of note, over 70% of the Silent Generation has not tried any of these purchase models.

How interested are you in each of the following services?

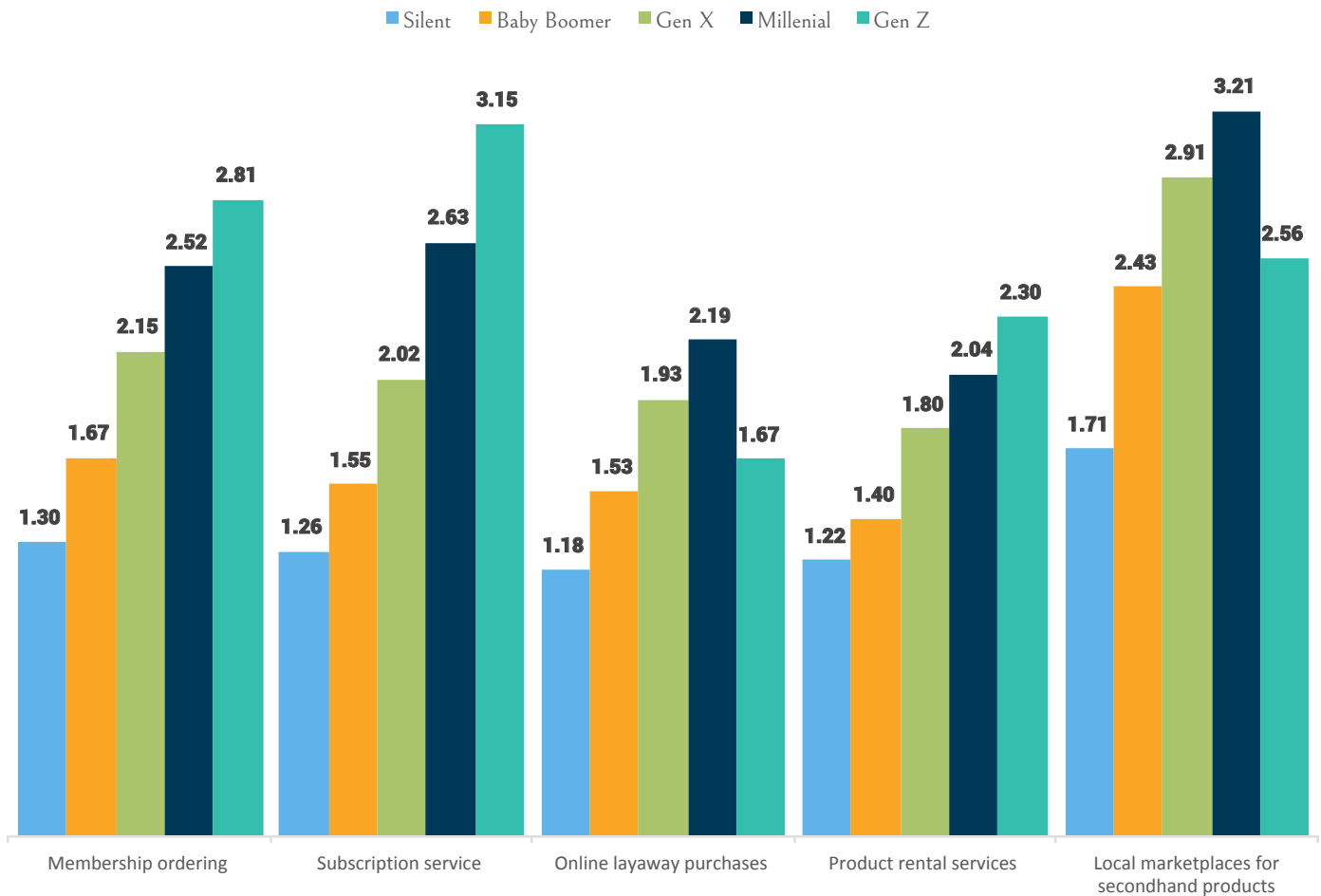
*scoring calculated with 1 = not at all interested, 5 = extremely interested



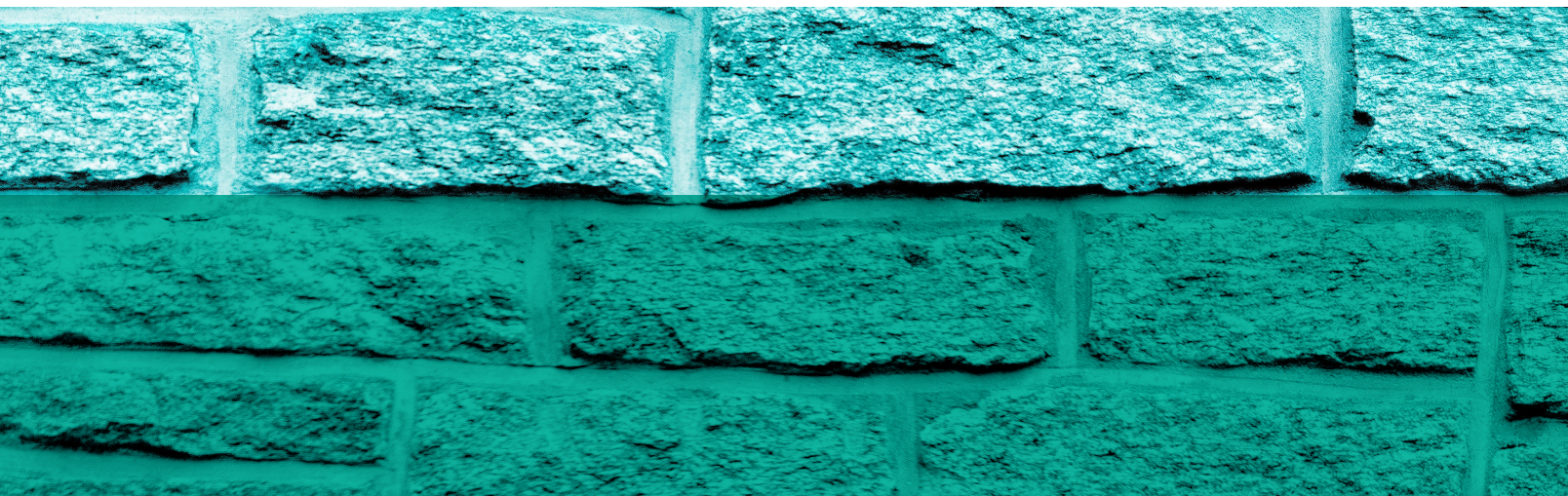
How interested are you in each of the following services?

*scoring calculated with 1 = not at all interested, 5 = extremely interested

Generation



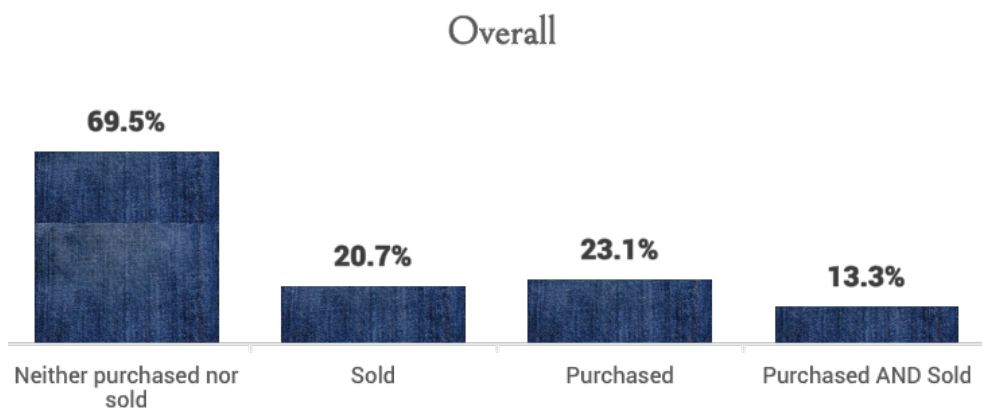
Interest generally rides the same track as use, particularly among generation where younger consumers prove more interested in every single model than older ones. For operators worried that new purchase models are not catching on as quickly as they would like, it is important to recall that the majority of enthusiasm is coming from generations ascending into their full purchasing power.



The Resale Economy, Buyers, and Sellers

The resale economy has evolved since the early days of eBay. Nowadays, consumers often purchase exclusive or otherwise coveted items with the explicit intent to immediately resell them for a markup on innumerable resale platforms. Similarly, consumers unable to put in the time, energy, and upfront capital to secure things like clothes and electronics via typical purchase channels often rely on this resale market to get their hands on these goods.

Have you ever purchased or sold an item via the resale economy?

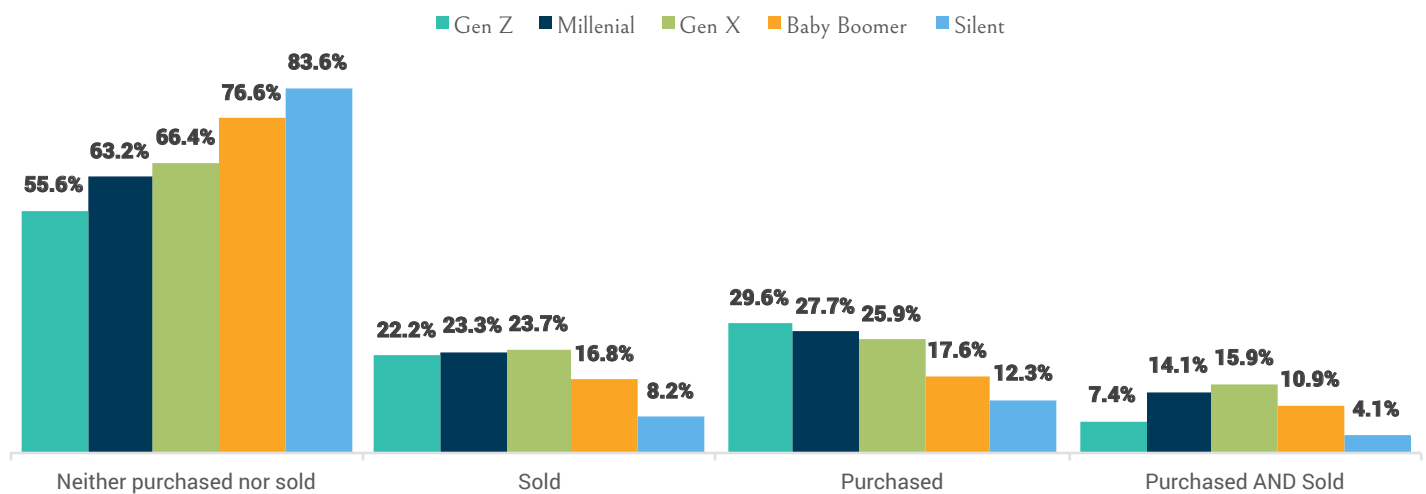


As you can see, nearly 70% (69.5%) of our overall respondent base have neither purchased nor sold anything in this manner, with roughly 45% having either purchased or sold on this channel and 13% having done both.



Have you ever purchased or sold an item via the resale economy?

Generation

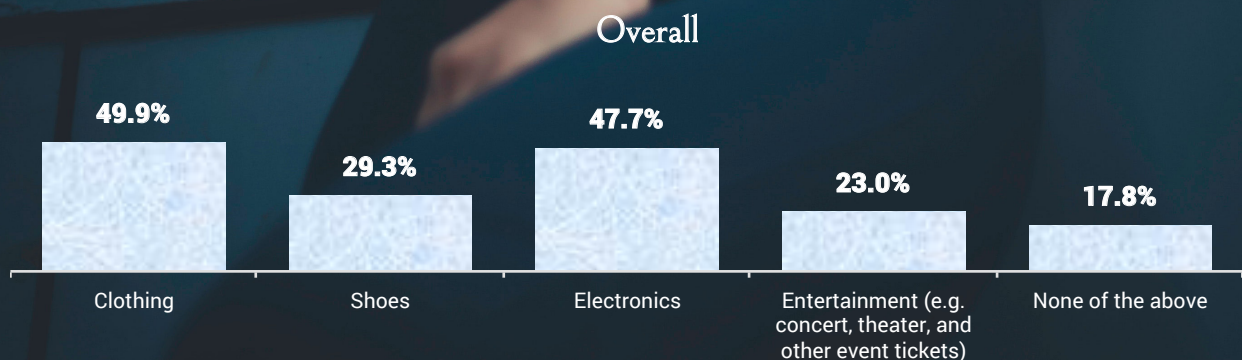


Generationally, we see some nuance to these numbers. For example, nearly 37% of Gen Zers have made purchases in the resale economy (29.6% have “purchased” and 7.4% have “purchased and sold”) and 12.3% Silent Generation has made sales (“sold” and “purchased and sold”).

While retailers cannot directly intervene into this market, as they better understand the resale economy, they can begin to target their rollouts to meet its demands, promoting releases and their exclusivity through a social media blitz designed to drum up support not just among primary buyers but among resale buyers as well. In the end, so long as the market keeps fakes to a minimum, the resale economy creates more buzz and demand for products and should be supported in any way that doesn't dilute brand value.

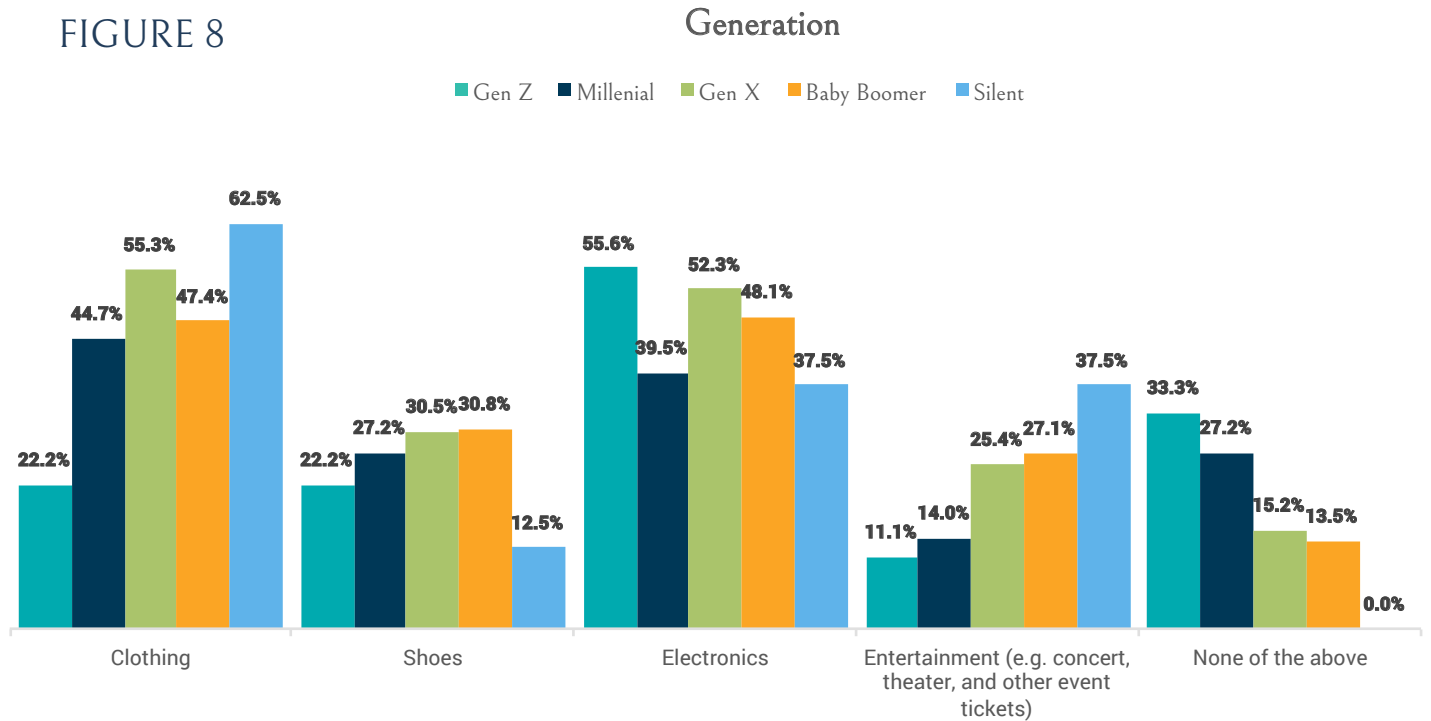
Clothing is by far the most popular resale economy item, both in terms of sale and purchase, with electronics closely behind. This tracks across generation as well (Figures 7, 8, & 9).

FIGURE 7 What types of items have you bought in the resale economy? n=461



What types of items have you bought in the resale economy? n=461

FIGURE 8



What type of item have you
sold in this way? n=413

FIGURE 9

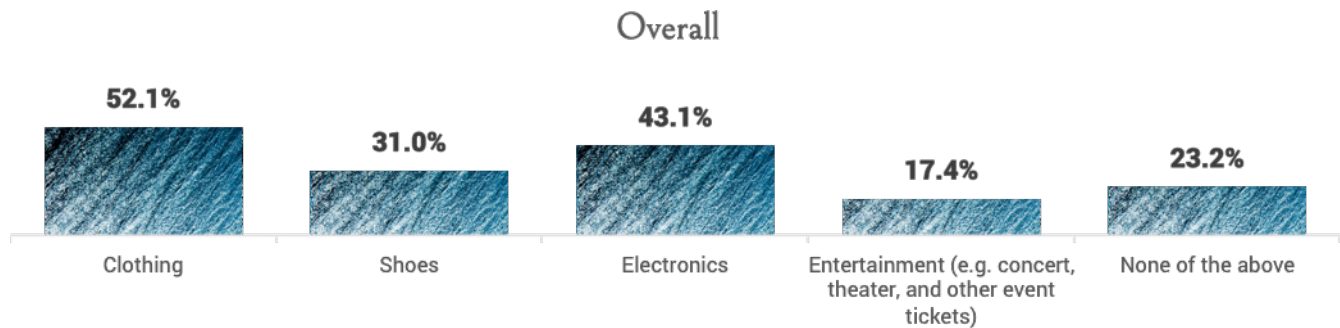
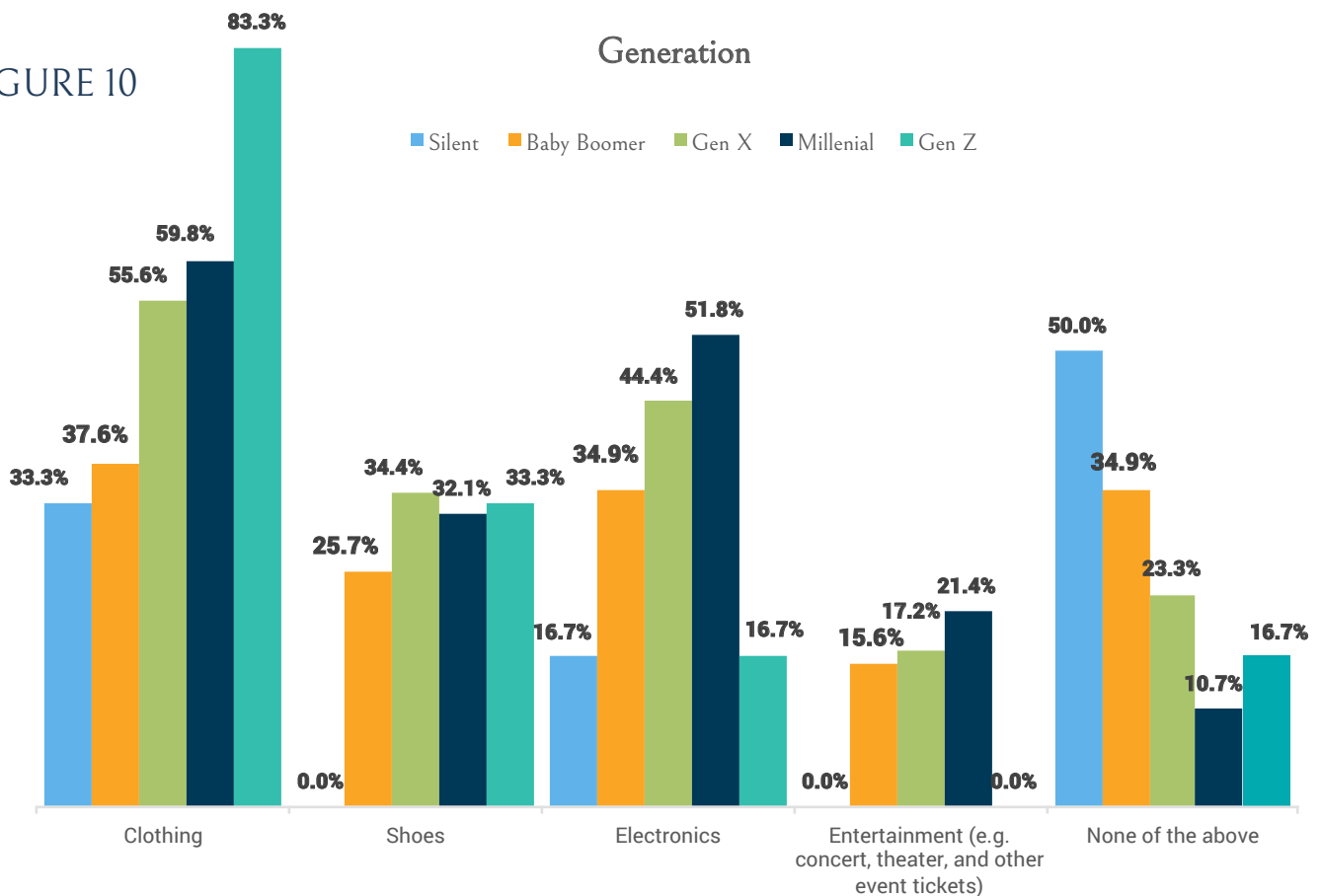



FIGURE 10



Of note, over 80% of Gen Zers who have sold in this market have sold clothing, likely turning to websites like Grailed and Poshmark, whereas only 33% of the Silent Generation has made similar sales--the demand, of course, on the resale economy for younger people's clothes dwarfs the online resale demand for J.Jill and the like (Figure 10).



Delivery in 2020: The Intersection of Time, Cost, and Distance

Amazon now offers free one-day delivery on Prime items. As competitors roll out and refine their delivery options, many go into it knowing they cannot match the reach and might of Amazon's distribution centers and their last-mile delivery apparatus. Rather than trying to compete on timetable alone, retailers are learning that consumers may be willing to wait longer or even travel to pickup hubs in exchange for discounts, rewards, and rebates.

We wanted to know more about this intersection of time, cost, and distance.

First, we asked respondents how willing they would be to wait longer for deliveries in exchange for some kind of credit or cost reduction. A full 72% of our overall respondents were either very or at least somewhat willing to exchange time for cost, waiting a bit longer for their purchases in exchange for store credits, rebates, or rewards (Figure 11).

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How willing would you be to wait longer for delivery if, in exchange for the wait, you received discounts, rebates, or rewards?

FIGURE 11

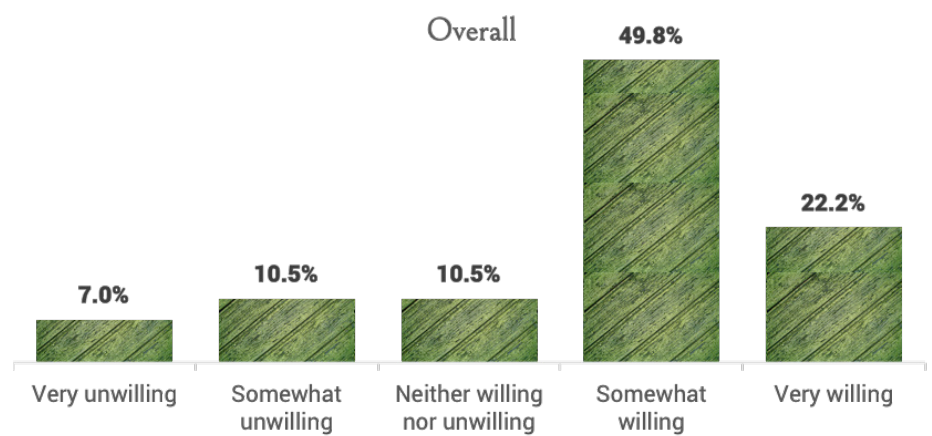


FIGURE 12 What is the longest you are willing to wait for an average purchased item?

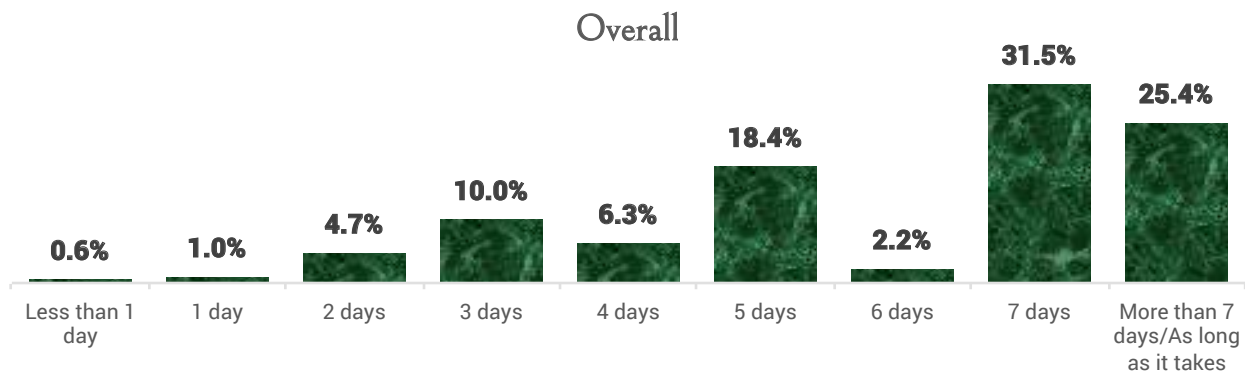
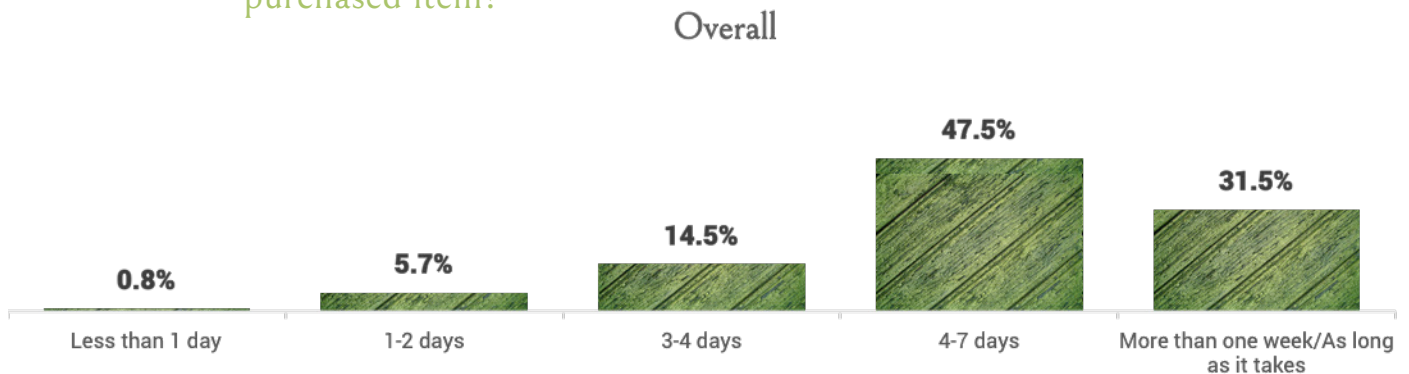


FIGURE 13 If delivery is free, what is the longest you are willing to wait for an average purchased item?



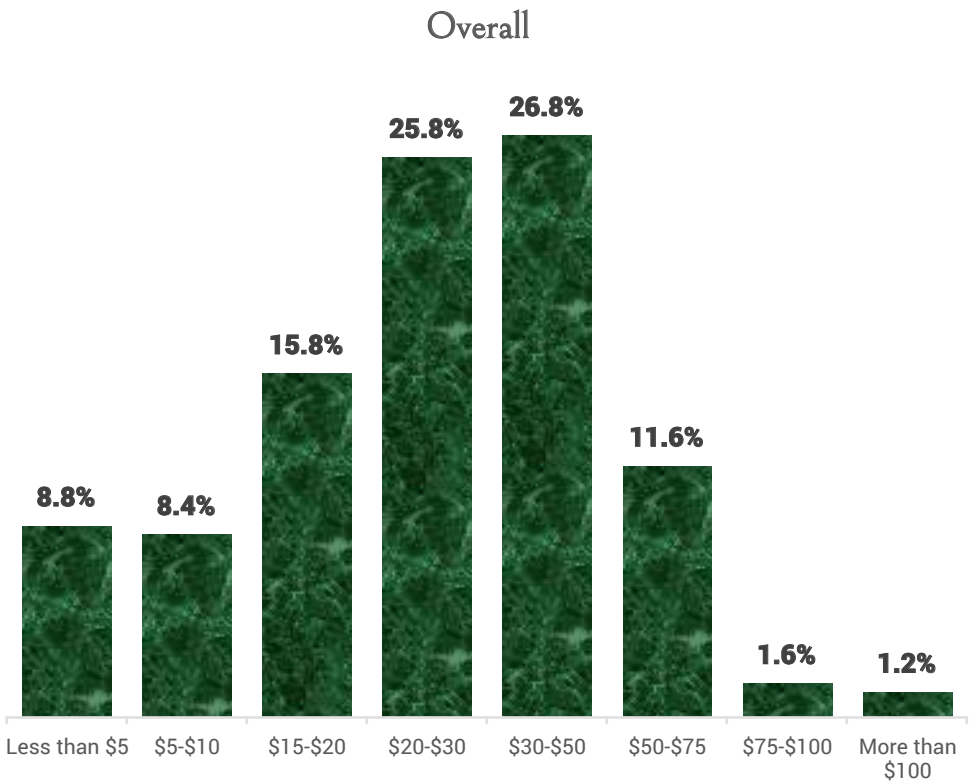
Our overall respondent proved more patient than we expected, with over 25% willing to wait as long as it takes for an average purchase to arrive. A further 35.1% indicated they would wait up to a week, by far the most popular response (Figure 12).

So our respondent base, and perhaps by extension, the typical US consumer has not been as spoiled by Amazon's rapid delivery game as we believe.

When delivery is free, consumers are willing to wait even longer, with nearly half (47.5%) willing to wait up to seven days and 31.5% as long as it takes (Figure 13).

There is one way, however, that Amazon has most certainly spoiled shoppers, and it relates to delivery cost. Said simply, at a certain basket total, consumers expect free delivery.

At what level of spending do you expect to receive free shipping?



More than half of our respondents, 52.6%, expect free delivery on carts above \$50, and a further 11.6% expects it at \$75.

So, while Amazon may not have radically shifted consumers' expectations in terms of delivery timetables, they most certainly have in terms of cost.



Have you ever used a centralized pickup location (e.g. Amazon locker) as an alternative to delivery?

FIGURE 14

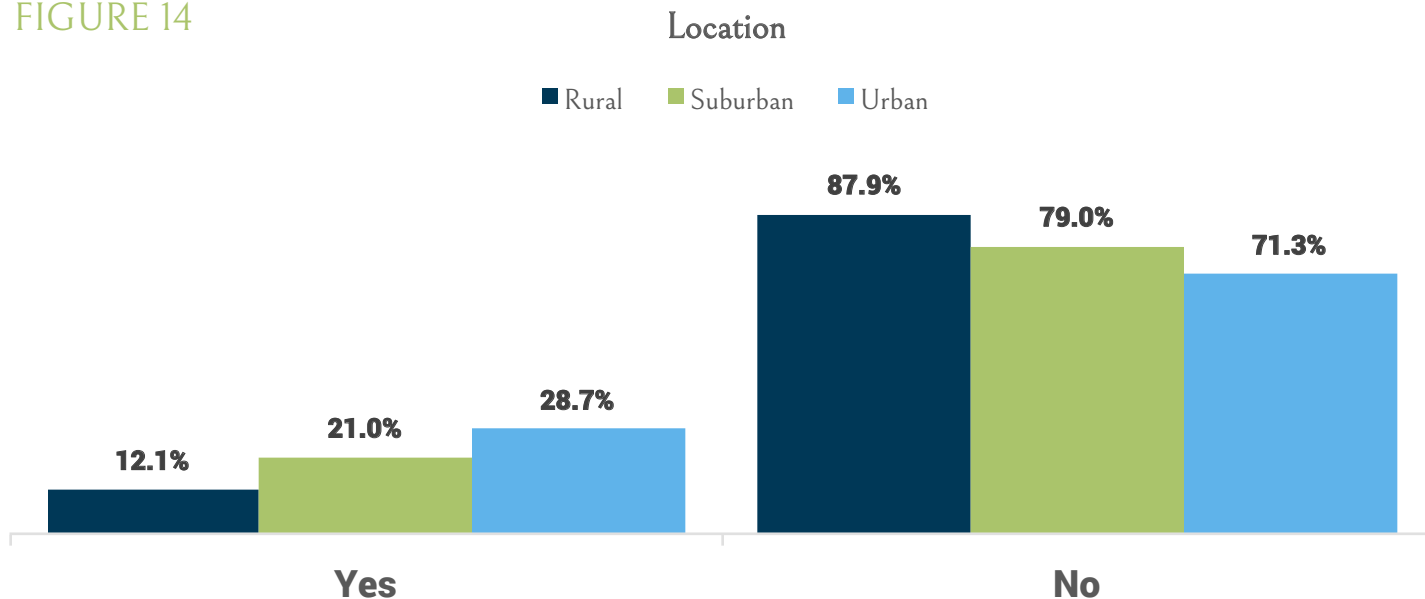
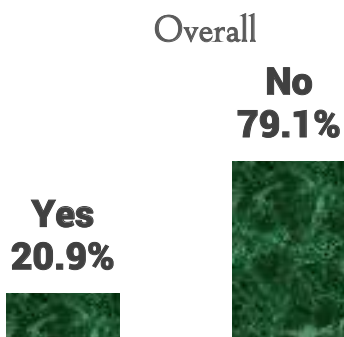


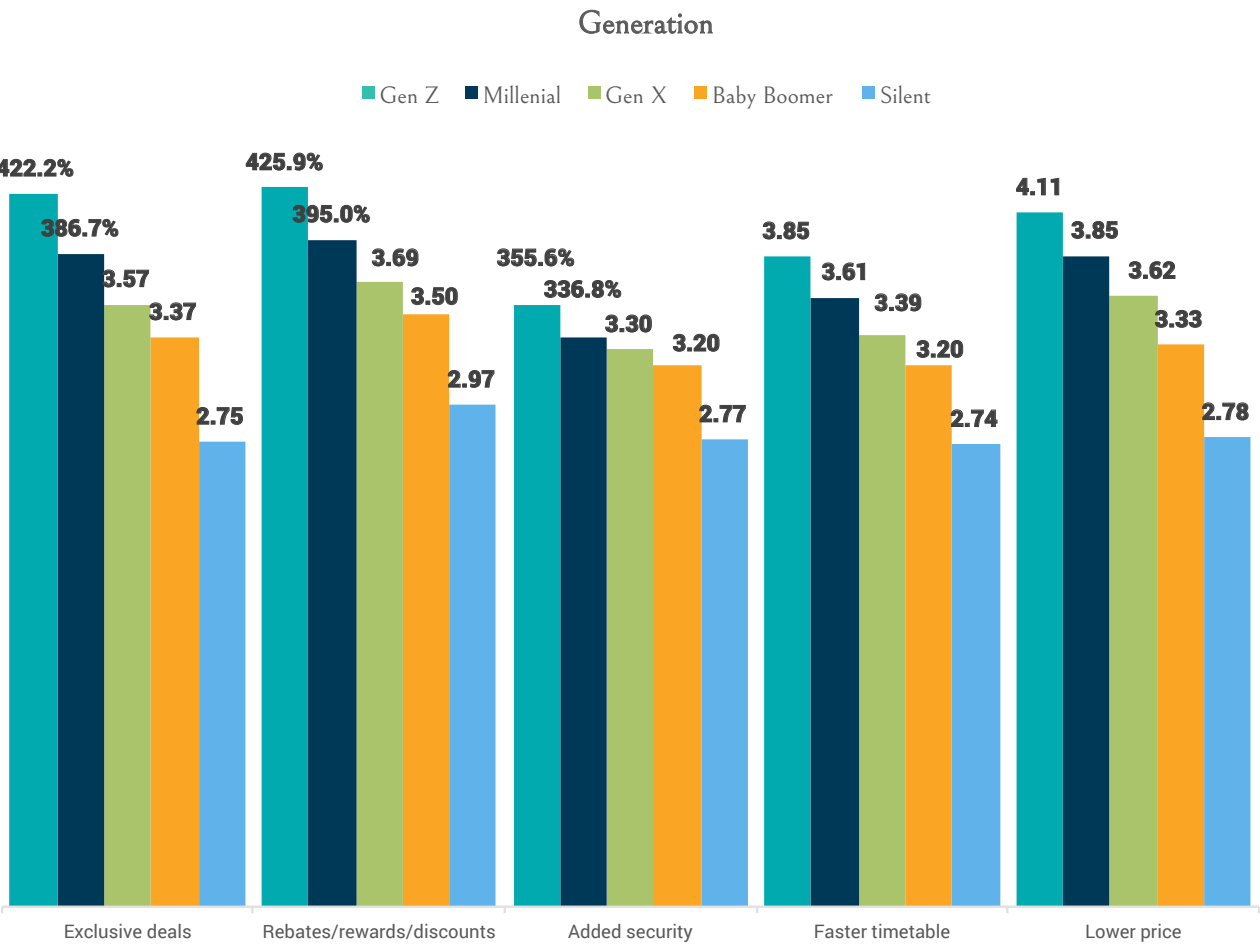
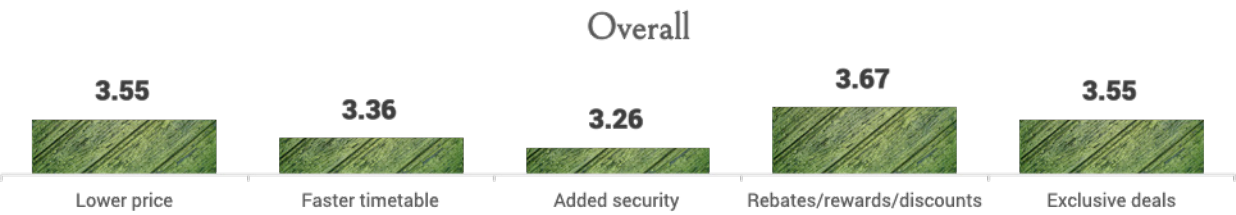
FIGURE 15



Amazon has also led another delivery trend—centralized pickup hubs to cut down on last-mile costs. These locations thrive in more densely-populated urban areas where travel distance is less and the likelihood of stolen or missed deliveries higher (Figure 14). Almost twenty-one percent of respondents (20.9%) have traveled to a pickup site such as an Amazon locker with urban consumers proving more than twice as likely to have done so (Figure 15).

Inducing consumers to travel the last mile for retailers and their delivery providers lowers the overall cost of delivery and, if centralized pickup hubs gain traction, can begin to reset delivery expectations and costs. We wanted to understand what could convince customers to put in this legwork.

How willing would you be to use a centralized pickup location instead of delivery in exchange for each of the following perks? *scoring calculated with 1=very unwilling, 5 = very willing



Consumers seem relatively tepid about lower prices, faster timetables, added security, rebates, and exclusive offers, with none of them making shoppers somewhat or very willing to travel the

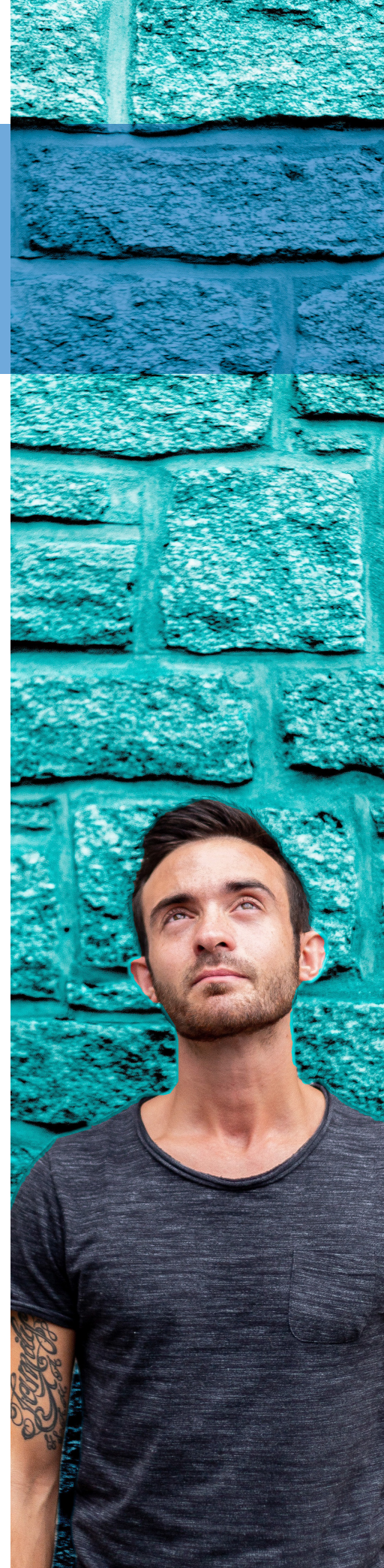
distance to a pickup location. Generationally, younger consumers seem more receptive to these offers, however. Generation Z, for instance, proves somewhat more willing to travel for lower prices, rebates, and exclusive offers.

For retailers and delivery providers, finding ways to close the gap between the front door and hub will become increasingly important, and targeting younger consumers along these lines makes sense. We ran segmentations upon segmentations to answer this question, fleshing out the complexities of an otherwise simple truth: consumers will travel further for greater savings, consumers will wait longer for greater savings, and in almost every case savings is more important than speed and convenience. We have a lot of data around this question (so much it didn't fit in the report!) but if you'd like to get a peak at it, contact a sales executive!



Key Recommendations

1. While Facebook is the undisputed king of social media, Millennials and Gen Zers are more dedicated to Instagram and likelier to make purchases through this platform. As social media evolves from merely a repository of targeted advertisements to its own DTC purchase platform, companies must remember that while Facebook has the numbers, Instagram has the influence.
2. Younger generations respond best to non-corporate social media accounts, preferring sponsored influencer posts and user-created products over corporate advertisements and pages. Finding ways to tap into this as Gen Z ascends into its purchasing power will be important in the emerging world of social media sales platforms.
3. If they are not doing so already, retailers and DTC manufacturers, particularly of clothing and electronics, must keep the resale economy in mind. In some verticals, particularly luxury fashion, the resale consumer is essentially becoming a middleman, immediately turning around purchases for resale on the secondary market.
4. Amazon Prime's 1-day delivery, and other retailers' efforts to compete with it, have yet to grossly inflate consumer expectations in terms of delivery timetable. Consumers are still willing to wait up to a week, and some as long as it takes--they prove even more willing when free delivery is thrown in. Online retailers should look to thread this needle, meeting consumers' expectations while not killing themselves rushing to meet a near impossible timetable.
5. The time is now to put serious market research into the intersection between distance, cost, and timetable when it comes to delivery. Keeping customers happy with the right balance of these three factors, keeping last-mile delivery costs as low as possible while not frustrating impatient consumers.





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