

2020

RETAIL STUDY: GLOBAL CONSUMER BEHAVIOR

BARE 
INTERNATIONAL
Revealing the True Nature of Business



RETAIL STUDY: GLOBAL CONSUMER BEHAVIOR

INTRODUCTION.

Across March and April 2020, as the population reacted to the impact of the COVID-19 virus, BARE International completed a global spending and behavior study, surveying 1600 consumers in 34 countries across four regions.

The goal of the study was to understand the overall perspective of the consumer, and how their purchasing patterns changed in the face of the pandemic. This paper summarizes the overarching results of the global study, with a focus on United States households.

NEW NORMAL.

Household purchasing power was one aspect most affected by the pandemic, evolving into what we consider “new normal.”

Globally, 54.6% of people with an annual income of less than €29,999 (approx. \$35,350), and an approximate monthly income of €2,500 (approx. \$3,000), saw their income reduced. The income reduction was a result of lost jobs and a majority of industries having restrictions on operating at full capacity.

As the reduction of incomes continued, households began to modify the importance they placed on certain perceived necessities and brand loyalties in their day to day life. Many began to change brand loyalties and separate themselves from goods that served a more hedonistic purpose.





ENTERTAINMENT: DIGITAL ADOPTION.

The BARE study showed that consumers under the age of 34 largely reduced spending on fashion, electrical appliances, cosmetics, and wellness products. The change in purchasing power based on reduced income in this age segment affected 35.7% of the sample, subsequently forcing them to make changes in their purchasing behavior. Conversely, the increase in consumer's time with online entertainment, mostly streaming platforms, increased the probability of consumers purchasing new electronics products, even though spending on this category was originally reduced overall.

It is noted that this may typically be fueled by customers wanting to improve the experience on their current devices, due to (a) technology being one of the few entertainment experiences available, and (b) the desire for a more remarkable difference in order to be more immersed in the overall experience.

MOVING FORWARD.

As the effects of the global pandemic continued, the perception became that the changes to income and spending could be a reality for quite some time. The ongoing negative effect to consumer purchasing power tells us that retailers and related brands should make a significant effort to sustain and regain consumer trust during this time.

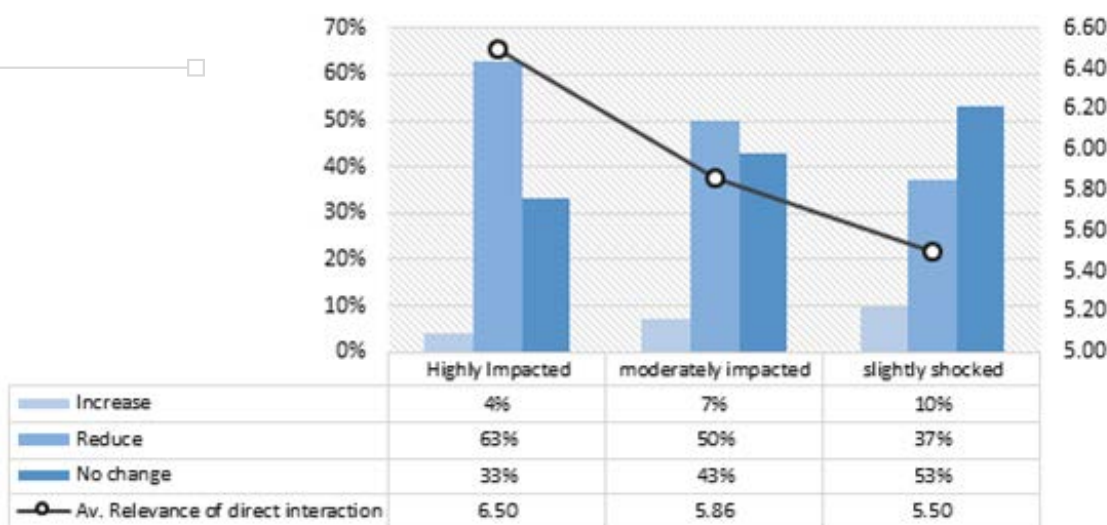
With that in mind, one impactful measure retailers can take is the implementation of strict adherence to required safety protocols with the use of Personal Protective Equipment (PPE) and updated cleanliness and sanitation standards. The foundations of this new relationship will be slowly forged and will require companies to be transparent and pointed regarding communication of their efforts to ensure that their stores are safe for visiting.

IN-STORE INTERACTIONS.

While sales continued to originate and close digitally online during the pandemic, research showed that consumers still valued the direct communication, support, and guidance received during in-store interactions. **When asked why 'direct, in-store, interaction with a sales representative is essential,' 50.2% of electronics and appliances consumers said it is easier to get fast and reliable information in store.** As a result, 32.8% of respondents remain unsure whether or not they will continue to purchase products online once the pandemic subsides.

Perhaps the most impactful opportunity lies in the electronics category where spending overall originally showed significant reduction. 54.5% of respondents said they would reduce electronics spending, while only 9.3% would increase, and 36.2% having no change to their purchasing pattern in this space. The results were almost identical within the United States segmentation.

Change in Spending on Electronics by Level of Impact on Purchasing Power



BUSINESS OPPORTUNITIES.

Consumer spending power in this category is perceived as reduced, however data shows this is just a perception born from the rapid economic changes. In reality, consumers overall have a higher purchase power. **The opportunity is then two-fold for businesses: (1) consumers who prefer direct, in-store transaction experiences, and (2) communicating their differentiators against competitors, especially those who offer lower pricing structures.**

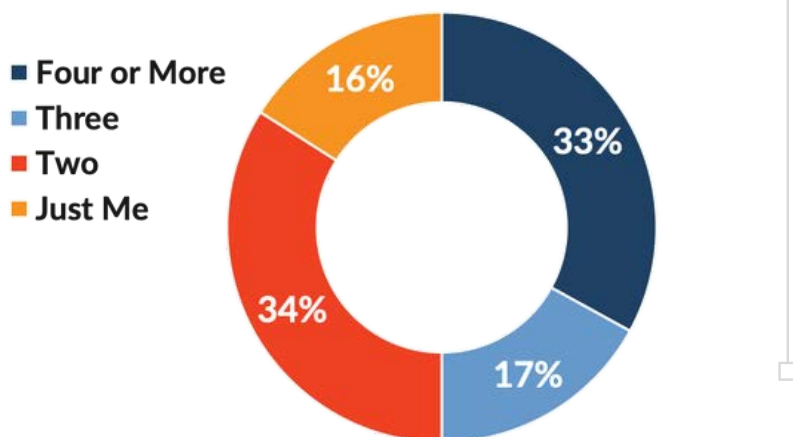
Electronics retailers for example, may rely on the 50.2% of consumer respondents that prefer in-store interaction when purchasing electronics. It would be beneficial for electronic brands (retailers and product manufacturers) to place focus on this in person interaction not only during the ongoing pandemic but moving forward as well to keep this groups purchasing habits and brand loyalty increasing.

UNITED STATES HOUSEHOLDS.

In the United States, we saw a few overall differences in behaviors versus the global perspective. The size of the US households is a factor that influenced the way in which the budget is distributed, which items are planned for and prioritized for purchasing. Based on this, the following parts of the analysis will be used to indicate differences between the markets.

The graph below shows how **household size** is distributed throughout the US.

US Household Size



Data shows that, regardless of household size, families share the feeling that the **changes they have had to adopt during the pandemic will be prolonged, continuing for at least the next few months.**

These consumers will be more cautious about the items purchased, most especially during this time, but moving forward as well. The restrictions and changes that each household group was forced to make in its budget were different based on size.

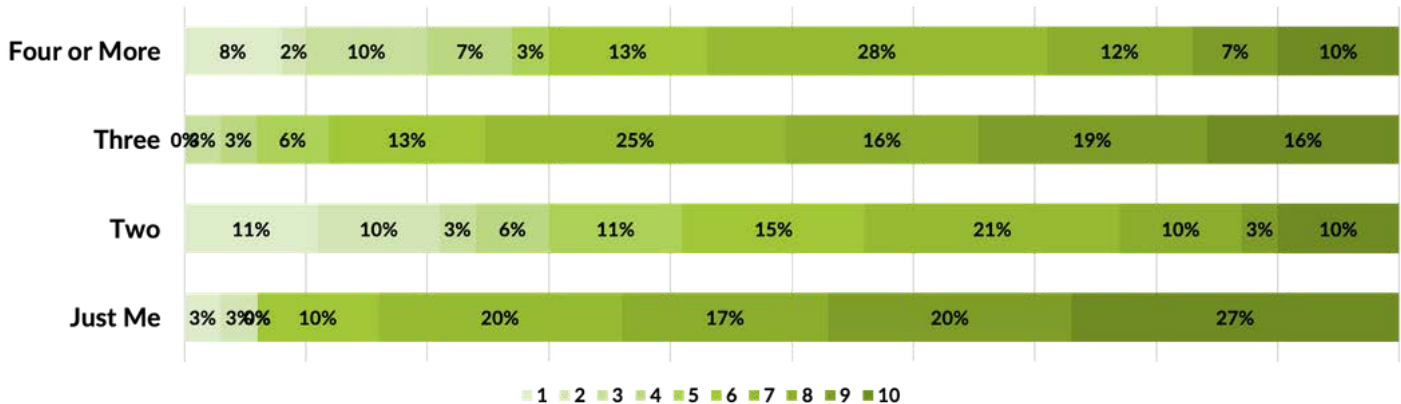
The group that saw the most change to both budget and consumption habits were the “Just Me” groups (households of one). Similarly, households made up of three people were **more affected** by both budget and consumption habit changes than groups of two or four or more.



US MARKET: PURCHASE POWER & IN-STORE BEHAVIOR.

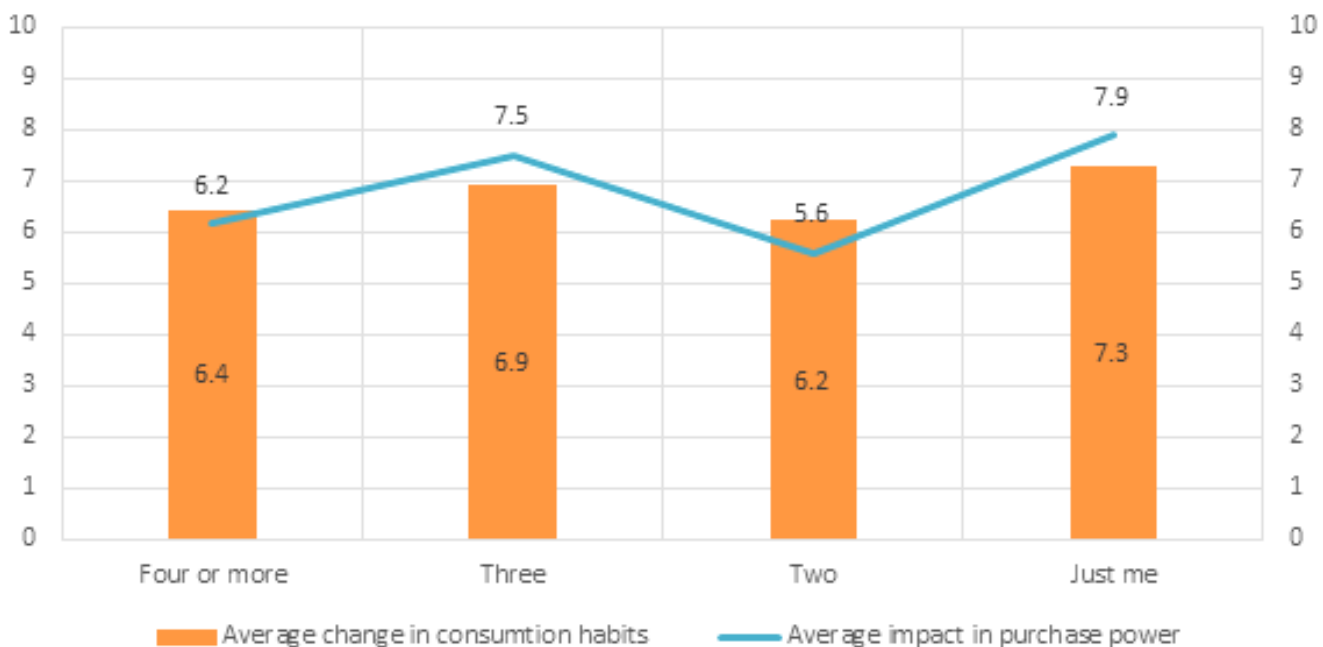
Although households with four or more inhabitants saw a larger impact on their purchasing power, they were the least inclined to change their consumption habits. 76.7% of households of four or more increased their spending on groceries and 60% on house cleaning products.

Purchasing Power



With regard to current and continuing online purchases, the US market appeared to be somewhat divided: nearly 40% of US consumer respondents believe that they will continue to make their purchases online. A fairly significant quarter of US consumers (24.4%) affirmed that they prefer to go to a physical store and see the products in person.

Change in Purchasing Habits vs. Purchase Power



BRAND LOYALTY.

The opportunity with all groups appeared to be with store brand experience and loyalty. Due to changes in availability of products, reduced hours, and shopping habits, brand loyalty and experience have been challenges. 50% of US consumer respondents remain undecided about whether they will continue to visit the same brands or try new alternatives due to changes and necessary adjustments throughout the pandemic.

This switch or challenge to traditional brand loyalty generates an opportunity for retailers to design programs that encourage the customers to test the different retail brands, thus demonstrating not only the quality of the products in their branded retailers but also the company's dedication to the customer well-being (e.g. Sanitizing procedures and ensuring the health of the customers before they enter locations and while in stores).



TRANSPARENCY & COMMUNICATION.

A clear and transparent communication style will help create a better relationship with the customer. **Brands must focus on transparency.** 57.6% of respondents assured us that a clear communication of safety protocols, including the step-by-step plan on how the company is working on ensuring their employees safety while delivering safe and quality service to customers, increases the likelihood of returning on-site.

Minimizing the direct contact while helping the customer navigate new challenges during their in-store visit provides a security that promotes a higher comfortability-level with the brand experience in this 'new normal.' This improved customer relationship will serve as the first step to securing brand loyalty.



SAFETY PROTOCOLS & UNITED STATES CONSUMERS.

In addition to the larger global study, BARE International conducted a focused study in the US specifically to ensure that our assumption that the suggested measures will encourage the customers to trust the companies and increase brand loyalty. The US study indicated the following, confirming our belief in this conclusion:

- 91% of respondents communicated that the store brand's protocols to ensure their wellbeing gave them a renewed sense of safety.
- In 78% of these cases respondents shared that at times they found that location employees must enforce brand safety protocols to prevent customers who were reluctant to participate in them were not putting the rest of the customers in store at risk.
- Overall, the use of masks, helped to make customers more confident in the store's execution of safety protocol. The study showed that in 68% of stores visited, all employees wore masks at all times.
- One concern that seemed to be present with regard to masks and other PPE safety measures was the difficulty in the communication process between store employees and customers. We saw that in 50% of the cases the interaction between the sales person and the customers reduced the ability to connect on a personal level.
- However, to further prove the importance of the safety measures in store, 75% of the respondents said that they would be willing to return to the store based on the safety measures used and communicated to them. This 75% will assist brands in retaining loyal brand users or gaining new users.

CONCLUSION.

COVID-19's impact on consumer purchasing power and buying habits will be lasting. The pandemic-initiated restrictions on activities of citizens combined with their heightened level of concern for contagion triggered a transformation in mindset. This transformation impacted not only consumer purchasing behavior and brand loyalty but also the way in which retailers across all industries conduct business to meet these new customer expectations.

Businesses that address the customer experience increase opportunities across industries, building their communities and solidifying loyalty to their brand.



ABOUT BARE.

BARE International was born from the need for customer experience research at the national and global level. Today, we set the industry standard as the largest independent provider of customer and brand experience research, data, and analytics for companies worldwide. Since 1987, we have built our reputation on innovation, ethics, and seamless client service management.

Every 2 minutes, a BARE evaluation or audit is completed by our field force of more than 500,000 evaluators. Using calls, clicks or in-person visits, the common thread of our services is always revealing the moment of truth when your customers interact with your brand.

For more information, please visit www.BAREInternational.com.