Summer 2023

Online or In-Store - Shopper Channel Preference Study - 2023

Dinesh K. Gauri

U.S. Retail | Summer 2023

Online or In-Store? Shopper Channel Preferences

As channels converge, consumers no longer have the binary choice of shopping in store or online. Understanding how omnichannel consumers prefer to shop is important for retailers looking to customize their product and service offerings.

U.S. Shopper Behavior
Channel Preferences

As channels blend together, retailers must adapt to rapidly changing shopper behavior

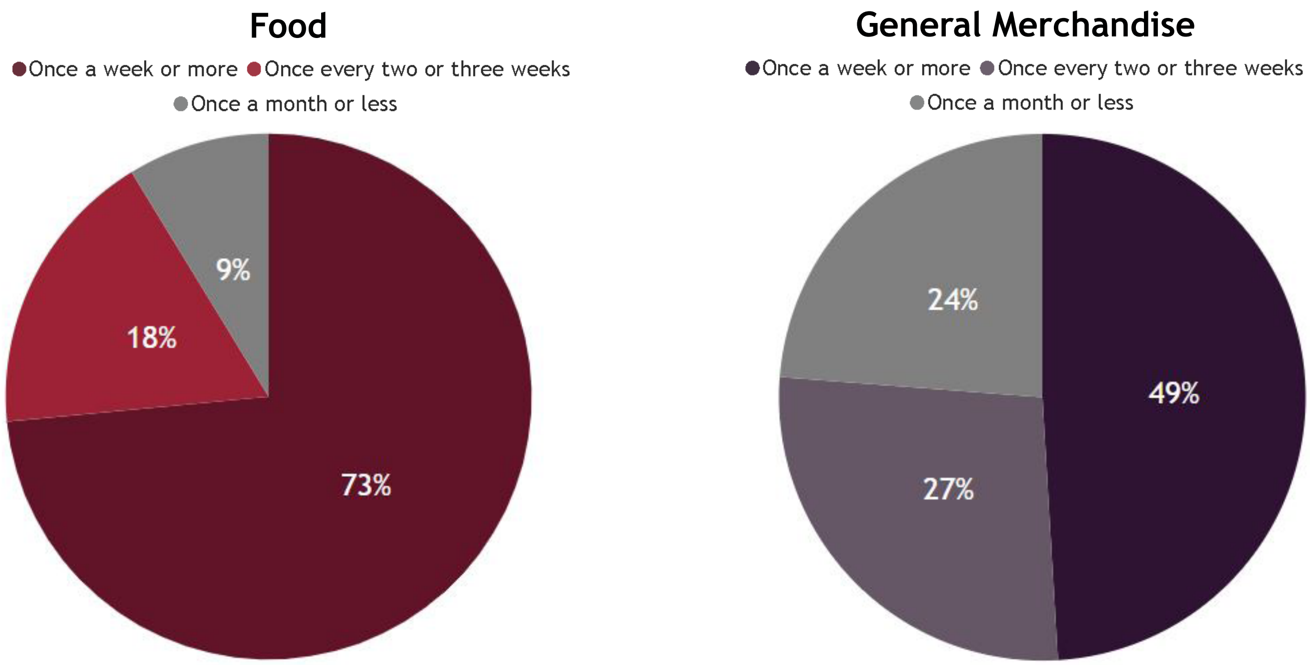
The retail landscape is changing faster than ever before due to changes in shopper behavior. Consumers no longer remain loyal to one brand, retailer, or even channel. Instead, these "omnichannel" consumers purchase across multiple channels, try new services, and switch to new retailers if their needs aren't met. For retailers, understanding how shoppers are changing, and adapting accordingly, is incredibly important to compete in today's retail landscape. Winning retailers are redefining channels, bridging the gap between in store and online purchases.

The changing role of retail stores

To analyze shopper behavior and address drivers of channel preferences, we conducted a survey of 2,200 U.S. shoppers in 2023. The results from this study provide retailers with insight on how consumers perceive physical and online retail channels, how subscription services factor into shoppers' decisions, and what drives consumers to shop in store. Amid major changes in the retail landscape, we investigated which channels shoppers prefer for different types of purchases to help retailers adapt in today's environment.

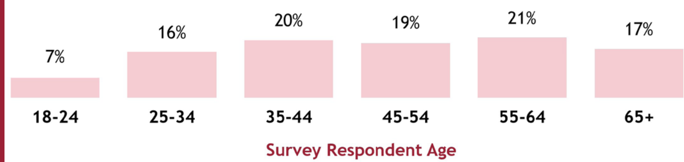
Consumers purchase general merchandise from stores less frequently than food. **73% of consumers surveyed purchase food from a store at least once a week,** up from 71% last year. However, consumers venture into stores to purchase general merchandise less often; **49% go at least once a week**, up from 45% last year.

How Often Do Consumers Shop In Store for Food and General Merchandise?



2,200 U.S. Shoppers

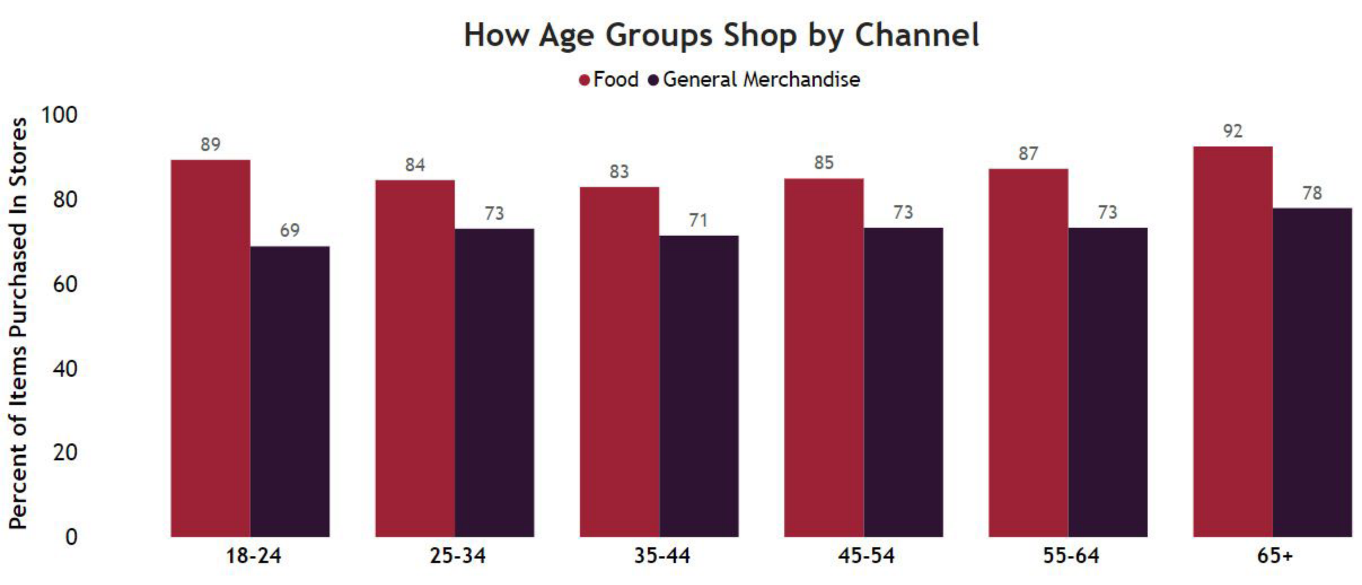
50% / 50%	69%	34%
Female / Male	Subscription Service Members*	Curbside Pickup Users



We employed a cross-sectional, quantitative, online study during April and May 2023
We recruited a random sample of respondents from the population of U.S. Shoppers
**34% of respondents in the sample used curbside pickup in the last month*

Channel preferences differ across age groups

Across the U.S., consumers still purchase the majority of items from stores. However, age groups behave differently when it comes to purchasing food and general merchandise. One may expect the percentage of items purchased in stores to increase for older shoppers. This is true for general merchandise, but as seen below, **young and old shoppers are more likely to purchase more food in stores compared to online.** These results suggest shopping in store is associated with more free time, as middle-aged shoppers may have other priorities, such as young kids. As retailers grow adoption of new subscription services, **marketing the time-saving benefits of same-day delivery or free curbside pickup could help capture market share for busy families**.



13% The difference between the average percent of food purchased in store (86%) and the average percent of general merchandise purchased in store (73%).

Subscription Membership

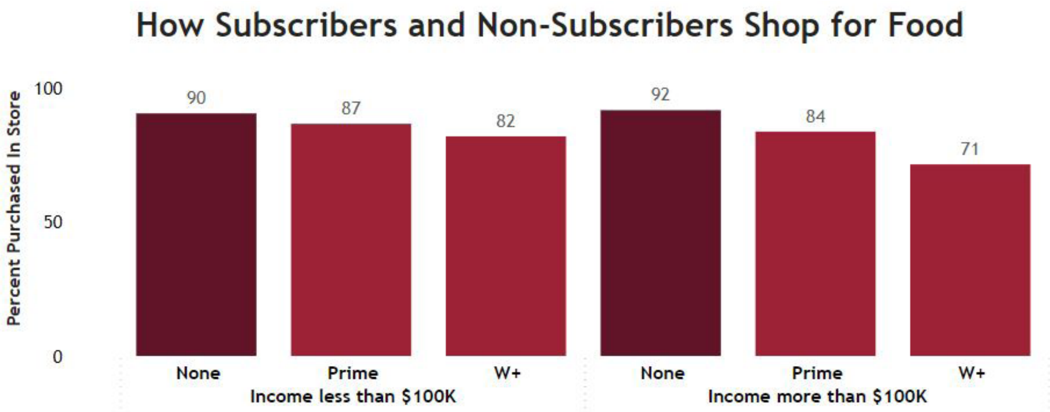
Percent of survey respondents who have subscription memberships

65%	24%	10%
Amazon Prime	Walmart+	Kroger Boost

Subscribers do less of their food purchasing in stores

Major retailers like Amazon and Walmart offer subscription services, incentivizing members with faster and cheaper delivery options and special offers. Major benefits of these services appear to incentivize members to shop online, but members receive in-store benefits as well. For example, Walmart Plus (W+) members can use mobile scan & go in stores for contact-free checkout, and Amazon Prime members can score exclusive in-store savings at Amazon Fresh and Whole Food Market stores.

We found **shoppers with subscription memberships are, on average, less likely to shop for food in store compared to online**, with W+ members being less likely than Prime members to shop in store. This suggests that W+ benefits, like free shipping and delivery, are effective at getting members to shop online.



6%

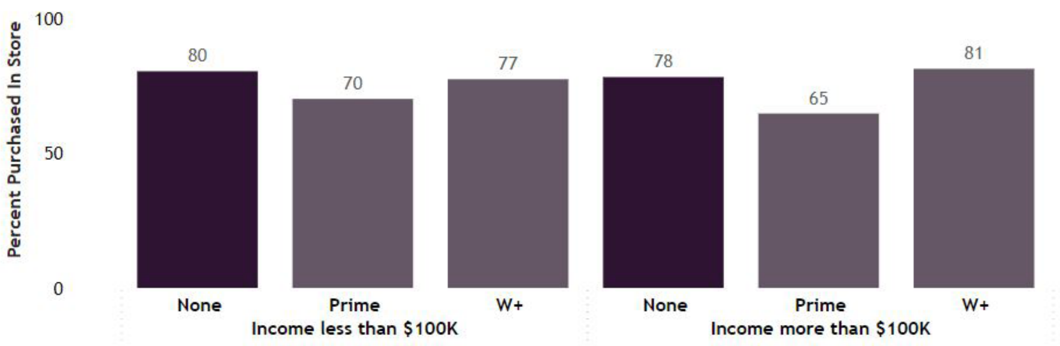
Average difference between the percent of food purchased in store for subscribers and non-subscribers.

Amazon Prime membership drives online general merchandise shopping behavior

While Amazon does allow shoppers to purchase food through multiple channels, they are more well-known for their general merchandise marketplace online. As expected, Prime members, compared to non-Prime members, shop more online, a consistent trend across age groups. Opposed to Amazon, which does not sell general merchandise in stores, Walmart offers both food and general merchandise in a one-stop experience, allowing shoppers to purchase everything they need in one trip if they prefer to shop in store.

Walmart also continues to grow its marketplace offerings, hoping to capture market share from Amazon in general merchandise. However, our results suggest **Walmart+ shoppers do not purchase significantly more online than non-subscribers**, despite the delivery and shipping benefits of the subscription service.

How Subscribers and Non-Subscribers Shop for General Merchandise



10%

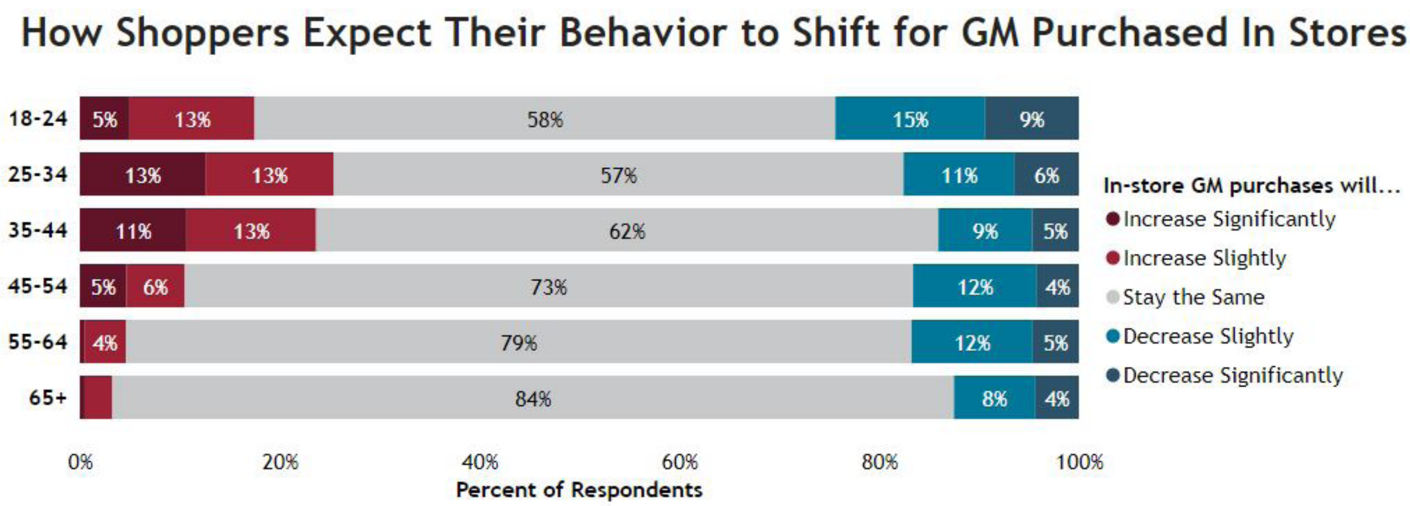
Average difference between the percent of general merchandise purchased in store for subscribers and non-subscribers.

Shifting Behavior

Younger shoppers are more likely to shift their shopping behavior toward in-store shopping.

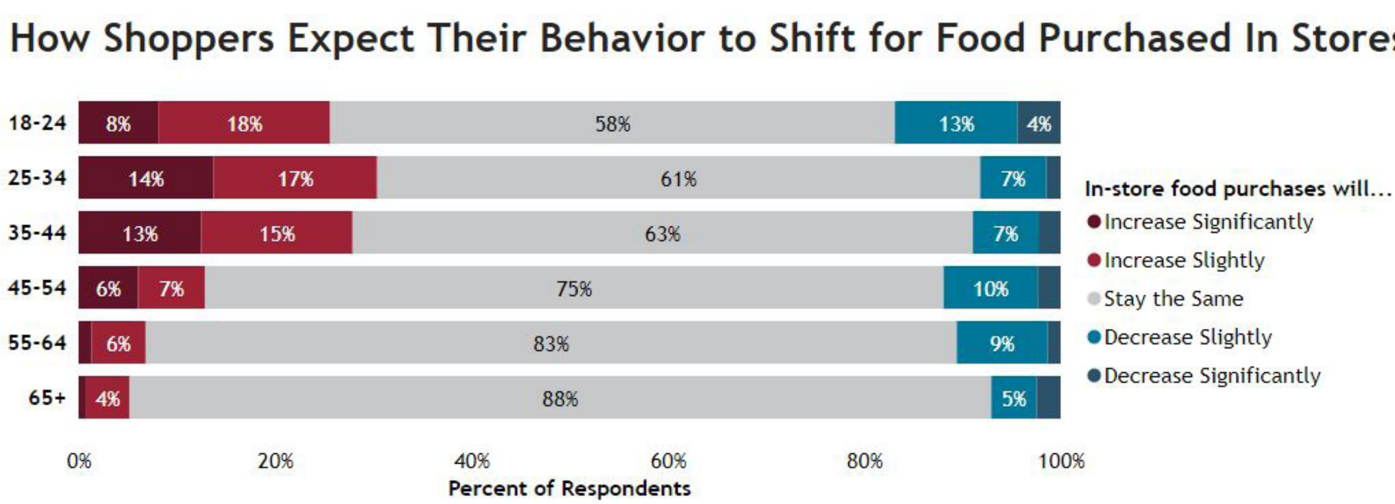
Young shoppers are more likely to shift their shopping behavior

When asked how they expect their behavior to shift in the next two months, **younger shoppers indicated a stronger likelihood to shift than older shoppers**. Across all age groups, there is a stronger willingness to shift to purchasing general merchandise from online channels compared to food.



Younger shoppers plan on purchasing more food in store

Younger shoppers are more likely to start purchasing greater quantities of food in stores compared to online. Considering the already high percentage of food purchased in stores by young shoppers, this result increases the importance of the in-store experience. Understanding the drivers and preferences of these shoppers will help retailers win and retain young shoppers' wallets.



Drivers of In Store and Online Shopping

When choosing whether to shop in store or online, what are the key drivers of shoppers' decisions?

Core Experience

Favorites In Stock	4.2
Touch and Feel	4.1
Store Cleanliness	4.1
Convenient Location	4.1
Visual Merchandising	4.0
Variety	4.0
Easy Returns	4.0
Shopping Experience	3.9
Fast Checkout	3.9
Employee Friendliness	3.9
Multichannel	3.4

Technology

No Waiting for Delivery	3.9
User-friendly Website	3.6
Online Reviews	3.5
Real-time Inventory	3.4
Self-checkout	3.3
Mobile App	3.2
Add-on Services	3.0
Subscription Services	3.0
Mobile Wallet	2.9
Flexible Payments	2.8
Mobile Checkout	2.8

Quality

Meat Quality	4.4
Produce Quality	4.4
Healthy Options	3.9
Private Label Quality	3.7
Local Produce Selection	3.6
Sustainable Practices	3.3

Pricing

Competitive Prices	4.3
Discounts	4.0
In-Store Promotions	4.0
Ability to Use Coupons	3.7
Loyalty Points	3.5
Organic Prices	3.4

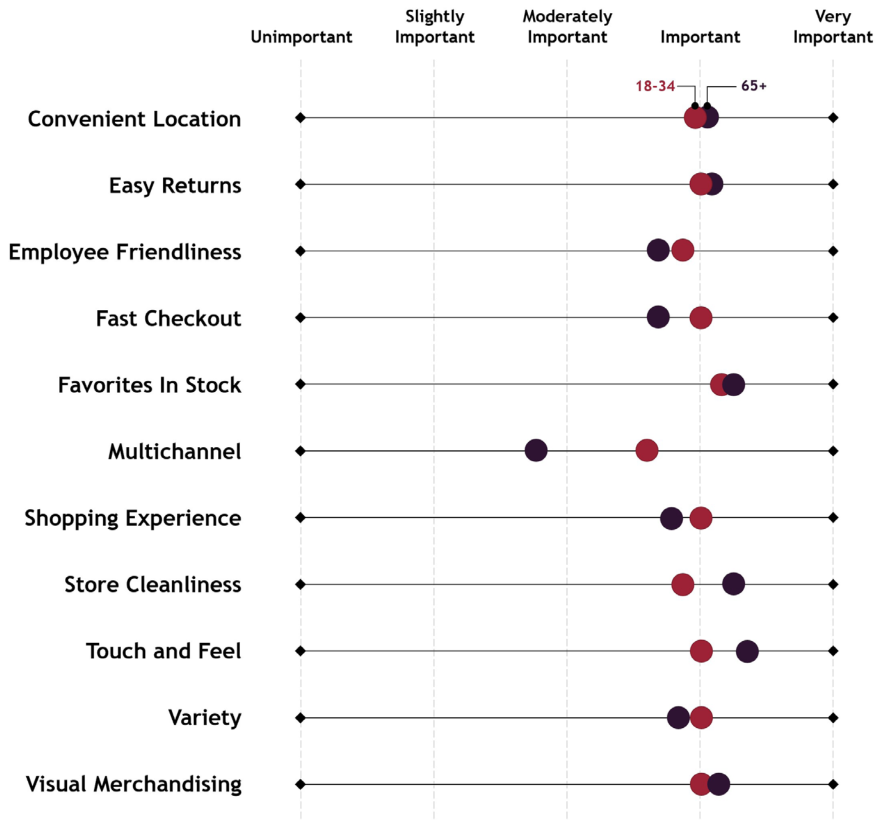
Core Experience vs. Technology Which is the Stronger Driver?

Pleasant shopping experiences drive all age groups in store, but technology is still important to younger shoppers.

A pleasant, efficient shopping experience is an important driver for all age groups

The COVID-19 pandemic brought technology front and center for retailers. Touted as the future of retail, technology offerings such as mobile checkout, flexible payments, and app-driven experiences help shoppers save time. This presents a challenge for retailers: invest in new technologies or go back to the basics, improving the core retail experience?

Our results suggest that **retailers should invest in both**. If retailers want to appeal to all age groups, they should focus on retail fundamentals. Going above-and-beyond to improve the retail experience, while rolling out new technology offerings, will differentiate retailers and help attract and retain customers.



> **"We see our customers as invited guests to a party, and we are the hosts.**
>
> **It's our job every day to make every important aspect of the customer experience a little bit better."**
>
> **- Jeff Bezos**
> Founder and former CEO of Amazon

Younger shoppers like technology, but it's not as important as the core experience

Just because the core retail experience is important doesn't mean retailers should stop investing in new technology. For younger shoppers, technology is still an important driver of their decision to shop in-store or online. Specifically, shoppers want information such as online reviews and real-time inventory on demand at their fingertips. They also don't want to wait for delivery.

While less important to older shoppers, technology is still the future of retail. **Technology is almost as important to younger shoppers as the core shopping experience**, so retailers should evolve into technology companies while prioritizing the customer experience, whether it is online or in store.

> "We can serve people how they want to be served whether that's in a store club, picking up an order curbside or having it delivered...
>
> You can expect us to continue investing in the areas we've talked about, like technology..."
>
> **- Doug McMillon**
> CEO of Walmart

Preferences Differ by Product Type

As channels converge, consumers are no longer faced with the binary choice of in store or online. The omnichannel consumer has the power to shop across channels for different product types based on their needs.

Consumers take advantage of omnichannel offerings for all product types

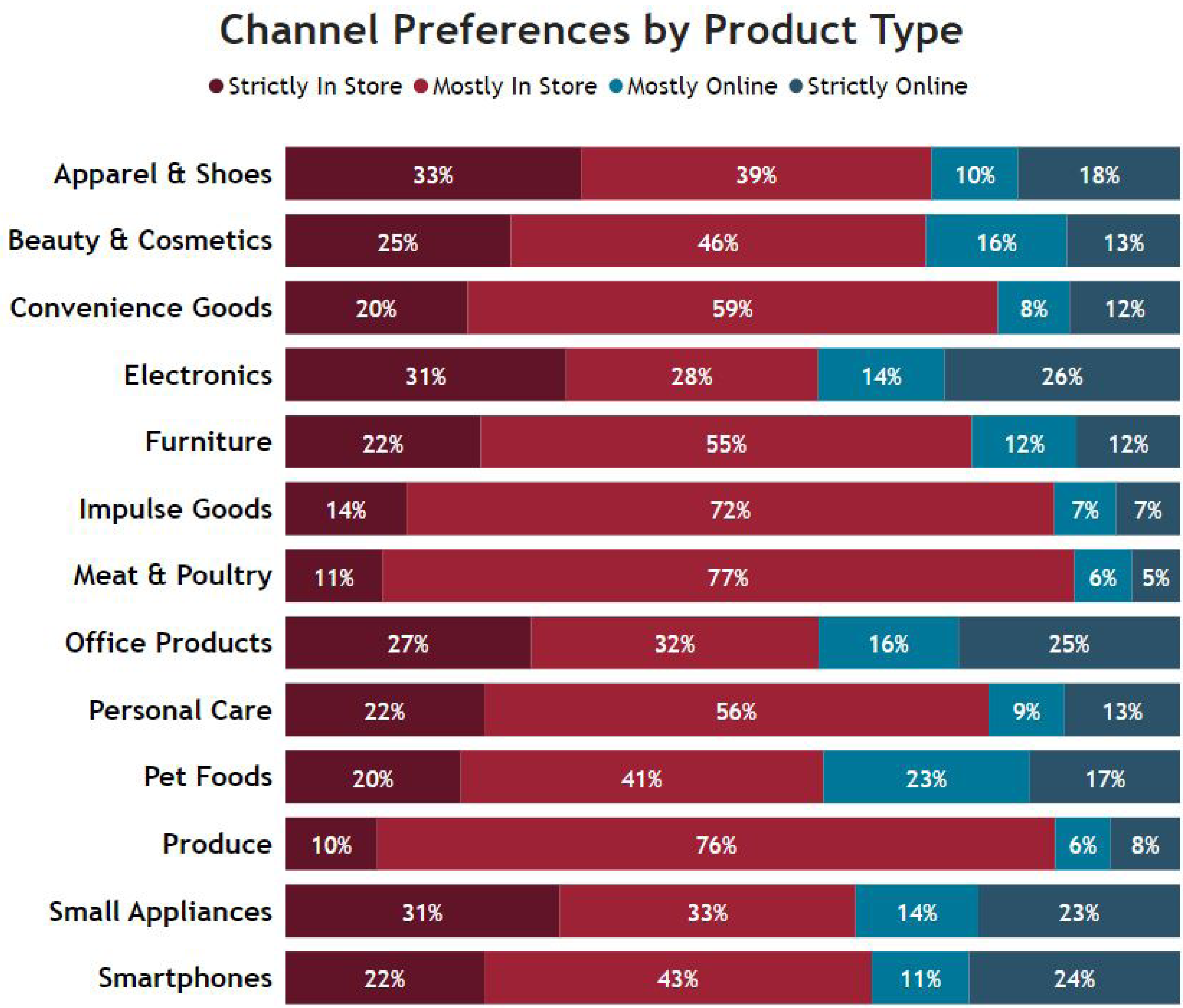
Retail channels have converged as omnichannel consumers seek a more connected, cross-channel experience to get the items they want, when they want them. Winning retailers are re-imagining the definitions of retail channels, bridging the gap across supply chains, stores, web presence, and partners. Major players who have adopted this "all on, anywhere" service model can more-easily accommodate customer needs regardless of the channel.

With omnichannel as the new normal, it's more important than ever for retailers to be able to anticipate consumers' needs and meet shoppers where they are -- whether it's in store or online. We analyzed how consumer preferences may differ by product type. In other words, do consumers prefer to buy certain types of items exclusively online or in store? As expected in the omnichannel environment, the majority of consumers surveyed purchase items both in store and online. However, our results, visualized on the next page, suggest that **consumers have clear channel preferences for certain product types.**

Consumers still prefer to purchase food in stores most of the time

Our results suggest that **for food product types, such as impulse goods, meat and poultry, and produce, consumers still prefer to shop in stores**. However, the majority of these consumers still purchase some of their food online. Taken with our earlier results around drivers of shopper behavior, retailers should pay special attention to the grocery shopping experience in stores. Consumers want to be able to touch and feel the product and find their favorites in stock. In addition, as food prices have continued to climb, consumers want to make sure they're the ones doing the grocery picking to buy the best-quality items.

We also found categories in which consumers exhibit less omnichannel behavior. For example, **shoppers of electronics (57%), small appliances (54%), office products (52%), and apparel and shoes (51%) largely prefer either strictly in store or online shopping**. These results suggest retailers should analyze shopper behavior and, through targeted advertising, promote special in-store or online offers to these shoppers.



Key takeaways

Food purchases are more frequent than general merchandise. 73% (49%) of respondents shop for food (general merchandise) at least once a week.

Subscribers purchase 6% less food and 10% less general merchandise in stores than non-subscribers.

Younger shoppers plan to purchase more food in stores rather than online.

The core experience is an important behavior driver for all age groups

81% of respondents prefer to purchase food in stores over online most of the time.

Retailers should prioritize retail fundamentals while looking to the future

Omnichannel consumers have more power than ever before. As channels blend together, channel preferences become more and more nuanced across shoppers. While there are still some product types that consumers prefer to shop in store or online for, most shoppers prefer a mix of both. Our results have important implications for retailers trying to capture market share in today's competitive retail landscape.

First, our results suggest consumers shop in store for food more often than food. While more general merchandise purchases likely occur online, driven by Amazon Prime and other subscription services' free and fast shipping offerings, when non-subscribers do shop in stores, our results suggest it's usually for food. However, consumers paying for Walmart's subscription offering, Walmart+, are more likely to purchase groceries online, likely due to the company's free same-day delivery offerings.

We also find younger shoppers are more likely to shift the channels they choose to purchase items, especially for food, where they plan to purchase more in store compared to online. When asked what drives them to purchase from one channel or another, respondents highlighted the core shopping experience as one of the largest drivers of their behavior. As such, it's important for retailers to focus on the basics of retail. Shoppers want clean stores, items in stock, the ability to touch and feel a product, and a fast checkout experience. Retailers who aren't able to provide these features to omnichannel consumers run the risk of losing their business to others who can.

Finally, while technology is an important driver for shopper behavior for younger consumers, older consumers are not as swayed by technology offerings. That being said, retailers should still invest in technology and offer it alongside a pleasant, efficient shopping experience.

UNIVERSITY OF ARKANSAS

Dinesh K. Gauri

Professor, Department of Marketing
Walmart Chair in Marketing
Executive Director of Retail Information

Sam M. Walton College of Business
University of Arkansas, Fayetteville, AR 72701

dgauri@walton.uark.edu
479.575.3903

Dr. Gauri's research and teaching interests are in the areas of Retailing, Pricing, Branding, Marketing Analytics, Store Performance Measurement, E-commerce and Shopper Marketing. He has advised or consulted for various companies in these areas as well, and he is a recognized Thought Leader in Retailing. He was ranked 3rd in the world in the retailing journal influence index from 2009-15.

About the Sam M. Walton College of Business

The mission of the Sam M. Walton College of Business is to advance and disseminate business knowledge using a diverse, inclusive, and global perspective and to encourage innovation in our primary strategic endeavors: Retail, Data Analytics, and Entrepreneurship. Learn more at https://walton.uark.edu/.