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The Forces Changing U.S. Shopping Behavior

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U.S. Retail | Summer 2022

The Forces Changing U.S. Shopper Behavior

The future of retail is all about catering to the consumer. To survive retail's newest challenge, retailers must understand what's shaping consumer demand.

U.S. Shopper Behavior Concerns & Drivers

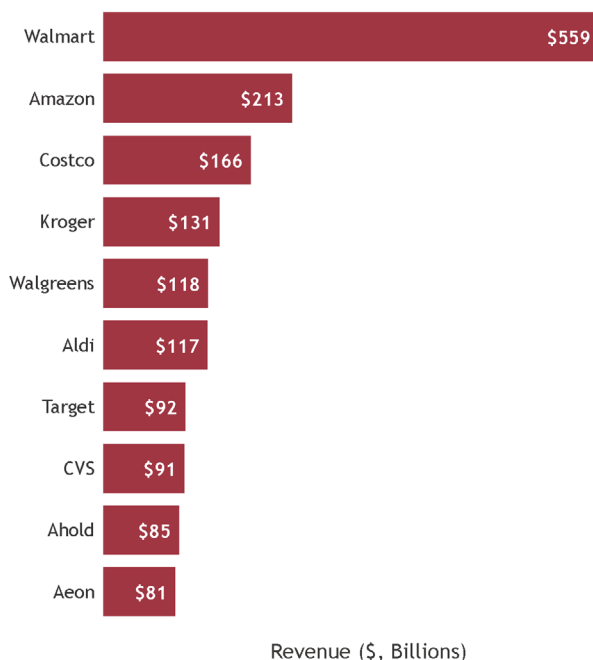
“The only constant is change”

For the U.S. retail sector, disruption has become the norm. In 2020, U.S. companies hurried to build out e-commerce capabilities to accommodate the COVID-19 pandemic and capture market share. In 2021, [on the back of stimulus, consumer optimism, and unprecedented demand](#), companies invested in new types of commerce, [focusing on speed and customer engagement](#). Startups and large retailers alike focused on developing technology to get consumers their orders as quickly as possible, investing in automation, local delivery, and even drones. Brands also embraced new social media platforms to capitalize on omnichannel shopping.

Things were looking good for the [four-trillion-dollar industry](#). However, increased demand came with increased challenges. Pandemic-related closures, labor shortages, and high shipping costs led to supply shortages and inflation. Many retailers had to raise prices or offer smaller quantities for the same price to prevent stock-outs and empty shelves. Inflation became top-of-mind in the U.S., and consumer spending is already starting to slow. [Inflation continues to rise](#), and as consumers become more wary, analysts are predicting bankruptcies and store closures for several retailers in the back half of 2022.

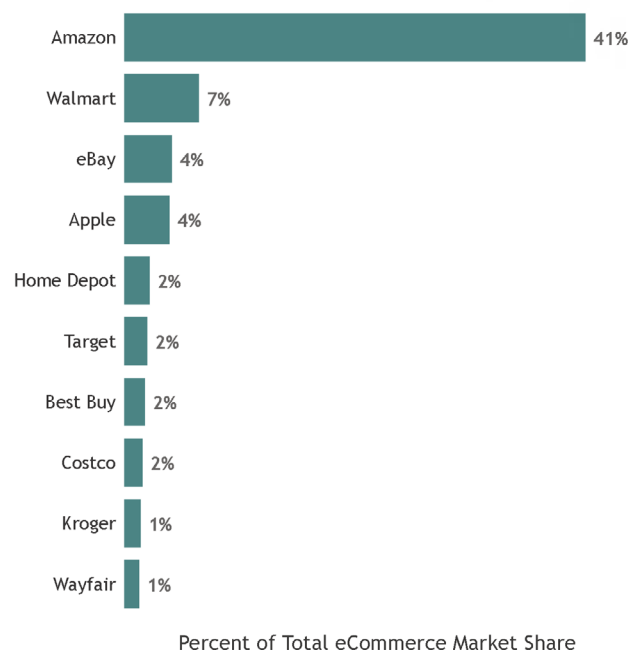
The retail sector faces yet another major change. Understanding shopper behavior will be important for companies to survive the storm and capture market share.

Revenue (\$, Billions) by Retailer



Source: Deloitte Global Powers of Retailing 2022

eCommerce Market Share by Retailer (2021)



Source: Insider Intelligence, eMarketer 2021



“Retail is a key contributor to U.S. GDP. The importance of it was realized more in the pandemic times where it was critical to help us survive through the severe crisis. Kudos to all the essential workers who contribute to this industry. Retail industry has always been in a state of constant evolution and will continue to do so in the near future.”

Dr. Dinesh Gauri | Professor of Marketing, Walton College of Business

Retailers fight for omnichannel market share

Amazon continues to dominate the e-commerce industry, [making up 41% of total e-commerce sales in 2021](#) and growing at 15%. Walmart and Target have been making significant strides to catch up, growing faster than Amazon at 21% and 24%, respectively, but they are still far behind the e-commerce giant in terms of online sales.

Walmart is going on the offensive against Amazon, [automating its fulfillment and distribution network](#), marketing its subscription service, Walmart Plus, and building its third-party seller marketplace. They've also launched GoLocal, a last-mile delivery service.

Target is taking a different approach to its online marketplace. Unlike Walmart and Amazon, Target's [invite-only program](#) handpicks vendors and thoroughly vets product messaging and information before it goes live. In addition, their home delivery service, Shipt, has helped incentivize shopper adoption of e-commerce by offering same-day delivery.

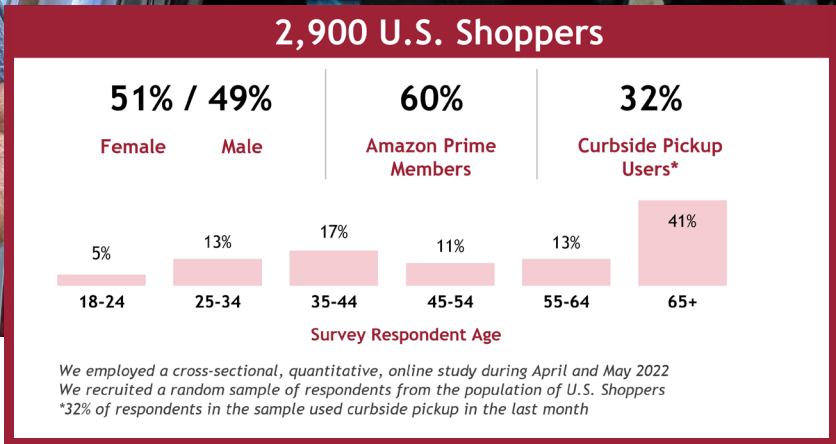
While major retailers fight for e-commerce market share, they also fight to retain brick-and-mortar dominance in an ever-changing retail landscape. With this choice available to consumers, it's important for retailers to understand the concerns and drivers consumers consider when deciding how to shop.



Doug McMillon | President & Chief Executive Officer, Walmart

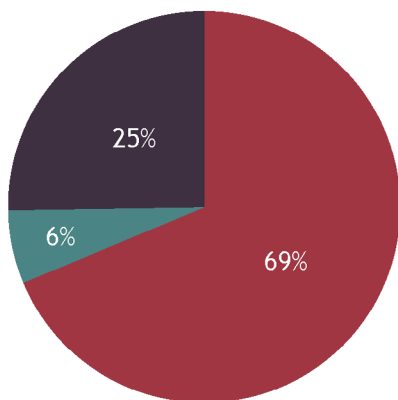
“Building a seamless omnichannel experience for customers and prioritizing convenience for them is critical. Our stores have become hybrid. They're both stores and fulfillment centers... Having inventory so close to so many customers is a competitive advantage. In some cases, we're getting items to customers in hours rather than days.”

Walmart Q4 2021 Earnings Call | Feb, 2022



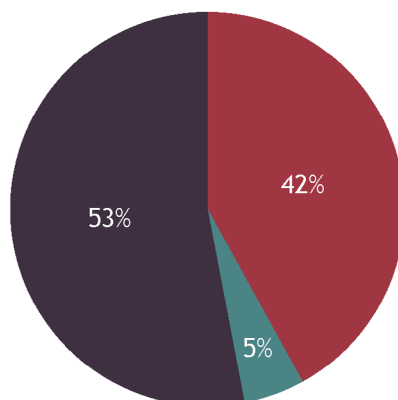
General Merchandise

● Multichannel ● Mostly Online ● Mostly In-Store



Grocery

● Multichannel ● Mostly Online ● Mostly In-Store



What drives shopper behavior, and what are shoppers concerned about?

To analyze shopper behavior and address drivers of customers' choices, we conducted a survey of 2,900 U.S. shoppers. This study analyzes consumer behavior to provide actionable insights to help retailers succeed in today's changing retail landscape. With so much uncertainty, we wanted to understand shopper concerns and drivers to purchase online or in-store.

Online or in-store? It depends on the purchase

Consumers can choose to shop between two major channels: online and in-store. Shoppers qualify as mostly online shoppers if they do 90% or more of their shopping online and mostly in-store shoppers if they do 95% or more of their shopping in-store. Shoppers who fall somewhere in between are considered multichannel shoppers.

Shoppers behave differently when it comes to general merchandise and grocery products. A majority of individuals almost always shop in-store for groceries compared to general merchandise products, where most individuals utilize both channels. This suggests shoppers prefer to pick out their own groceries in-store rather than rely on online order and delivery.

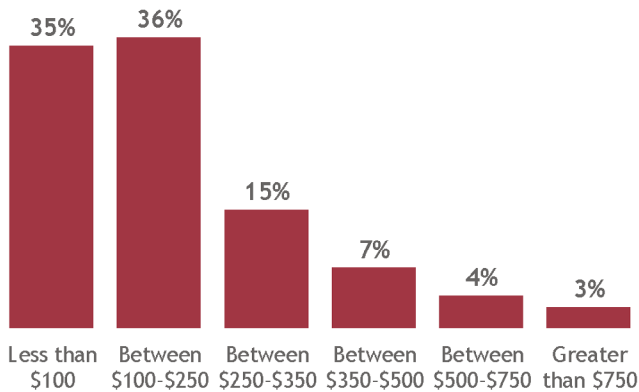
U.S. Trends and Purchasing Habits

Grocery purchases bring shoppers in store and result in higher spending compared to general merchandise.

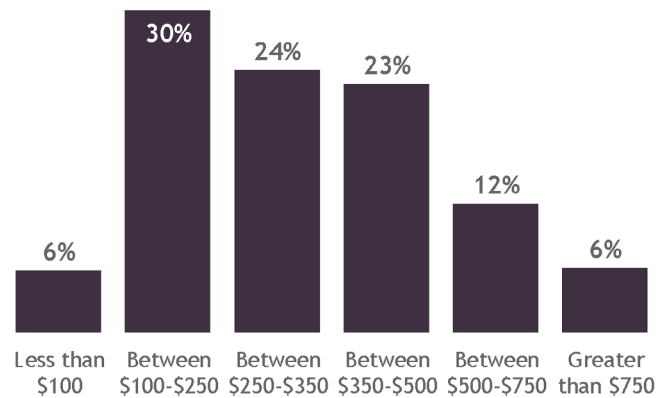
Consumers spend more on grocery shopping

Spending on general merchandise was low compared to grocery purchases. Over 70 percent of respondents spend less than \$250 a month on general merchandise, compared to only 36 percent for groceries. As economic uncertainty increases, grocery purchases may increase as consumers decide to cook at home to save money.

Monthly General Merchandise Purchase Amount



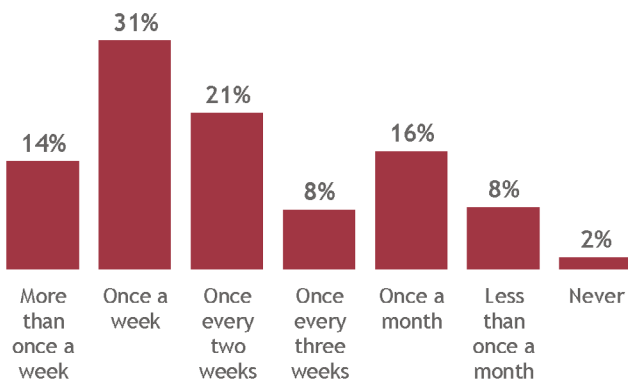
Monthly Grocery Purchase Amount



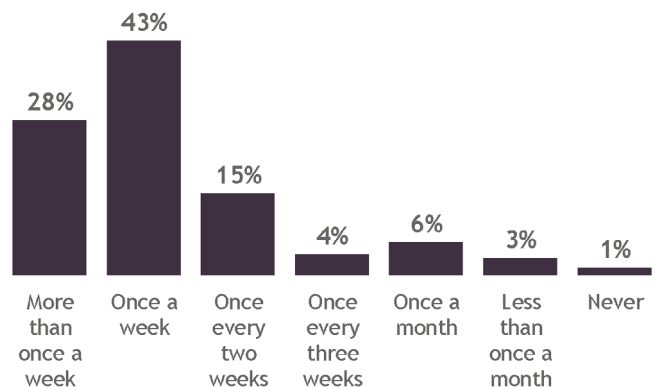
Shoppers travel in-store more for groceries than general merchandise

The most-common purchase frequency for in-store purchases is once a week, with 31 percent and 43 percent of respondents for general merchandise and grocery purchases, respectively. While over 85% of individuals pick up their groceries in a store at least once every two weeks, consumers are less likely to venture into a store for general merchandise. With the robust and well-established online options for general merchandise available today, this comes as no surprise.

In-Store General Merchandise Purchase Frequency



In-Store Grocery Purchase Frequency

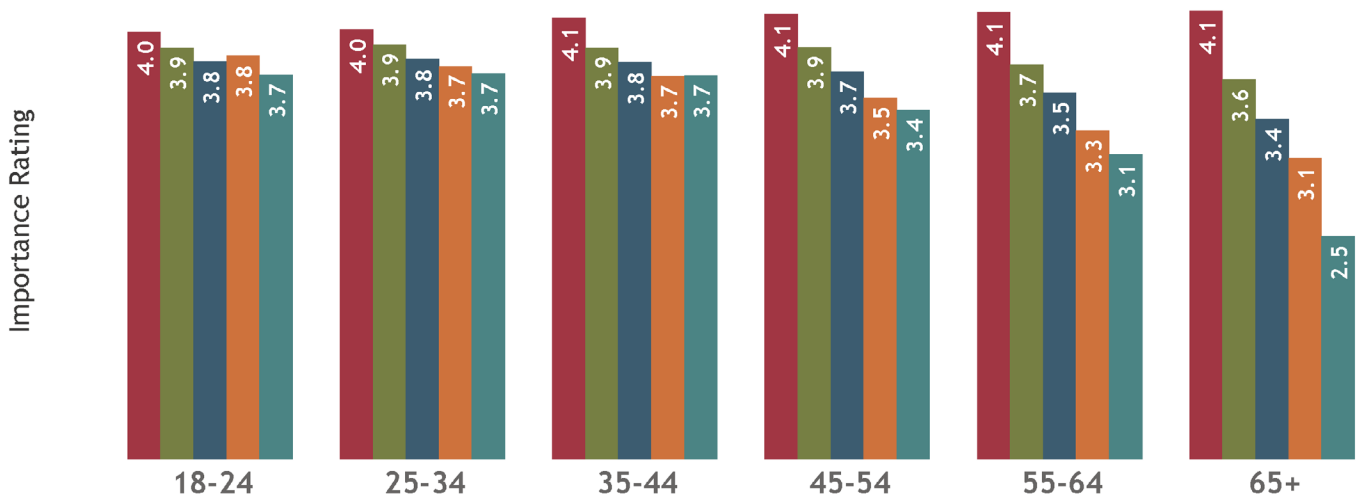




Shopping Drivers & Consumer Concerns

Drivers of In-Store vs. Online Shopping

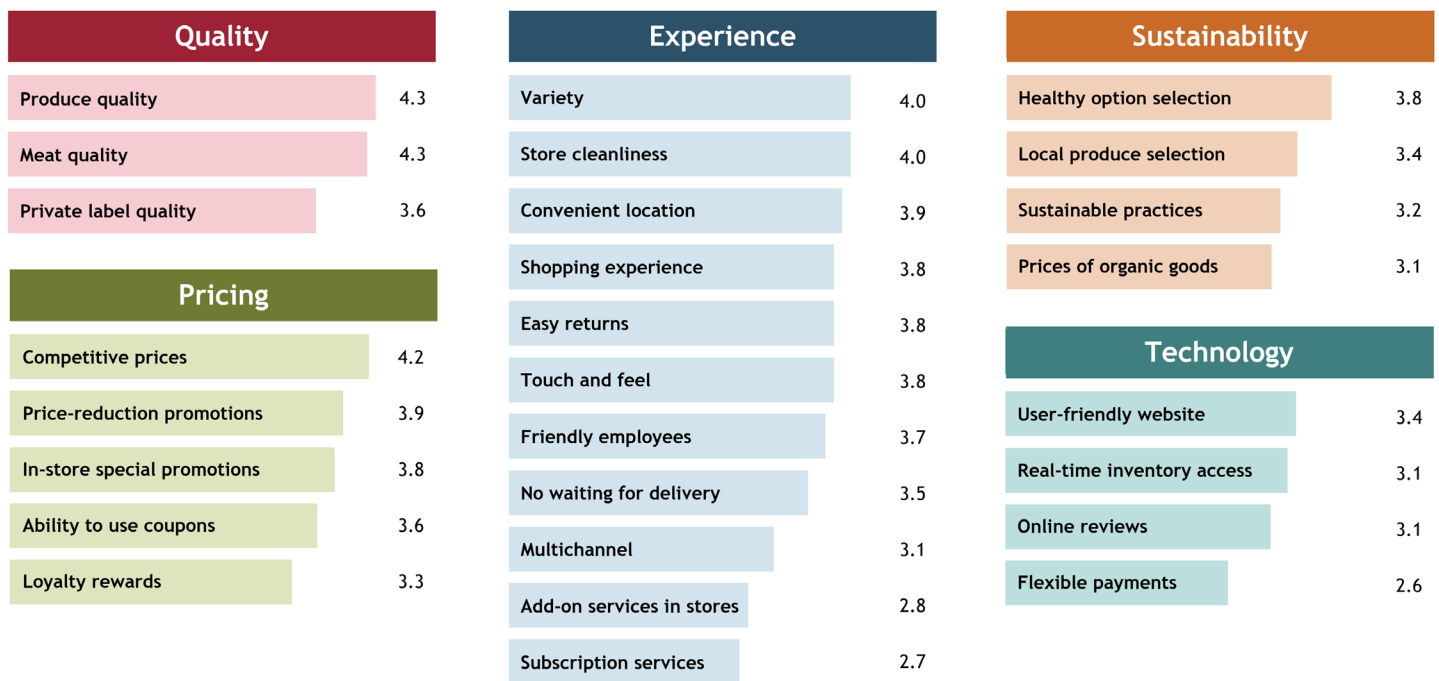
● Quality ● Pricing ● Experience ● Sustainability ● Technology



We asked survey respondents to indicate the importance of various factors when choosing to shop either in-store or online from 1 (Unimportant) to 5 (Very Important). We grouped these factors and show the average importance by age group above.

What are key drivers of shopper behavior?

Shoppers have to decide between online and in-store channels every time they need to make a purchase. Retailers have offered several different benefits to attract and retain shoppers, focusing on quality, sustainability, experience, technology, and pricing. We analyzed components of these categories to understand what motivates consumers to shop online or in-store.



QUALITY | Food quality ranks among the most important drivers for grocery retailers, especially among produce and meat. Product quality has always been important to consumers, and a focus on fresh ingredients can mean higher sales and increased customer loyalty.

PRICING | Inflation and uncertain economic conditions have caused more consumers to examine their spending and move to retailers with lower prices. Pricing-related drivers rank highly in importance to U.S. consumers and will likely become even more important if the country enters a recession.

EXPERIENCE | The customer experience is one of retail's core fundamentals, and several components are key drivers for consumers making shopping choices. Many consumers shifted their shopping habits from in-store to online during the COVID-19 pandemic. If the online experience isn't as pleasant as they are used to, consumers will likely switch to a different channel or even another retailer.

SUSTAINABILITY | Sustainable options have become more important to many consumers in recent years as more individuals focus on quality of life for future generations and the impacts of climate change. Despite organic food sales experiencing double-digit growth in 2020, [growth slowed to just 2% in 2021](#) to reach sales of \$57.5 billion. While sustainability wasn't a top driver for respondents overall, there are significant differences between age groups.

TECHNOLOGY | A robust online presence is expected by many consumers in today's retail landscape, and retailers who have invested in technology may experience higher customer loyalty than those who haven't. Though on average technology scores low compared to other driver categories, the average is pulled down by older generations. Younger shoppers continue to care about new technologies offered by retailers.

Shopping Drivers Differ Across Groups

Older consumers give less importance to sustainability and technology drivers when making shopping decisions.

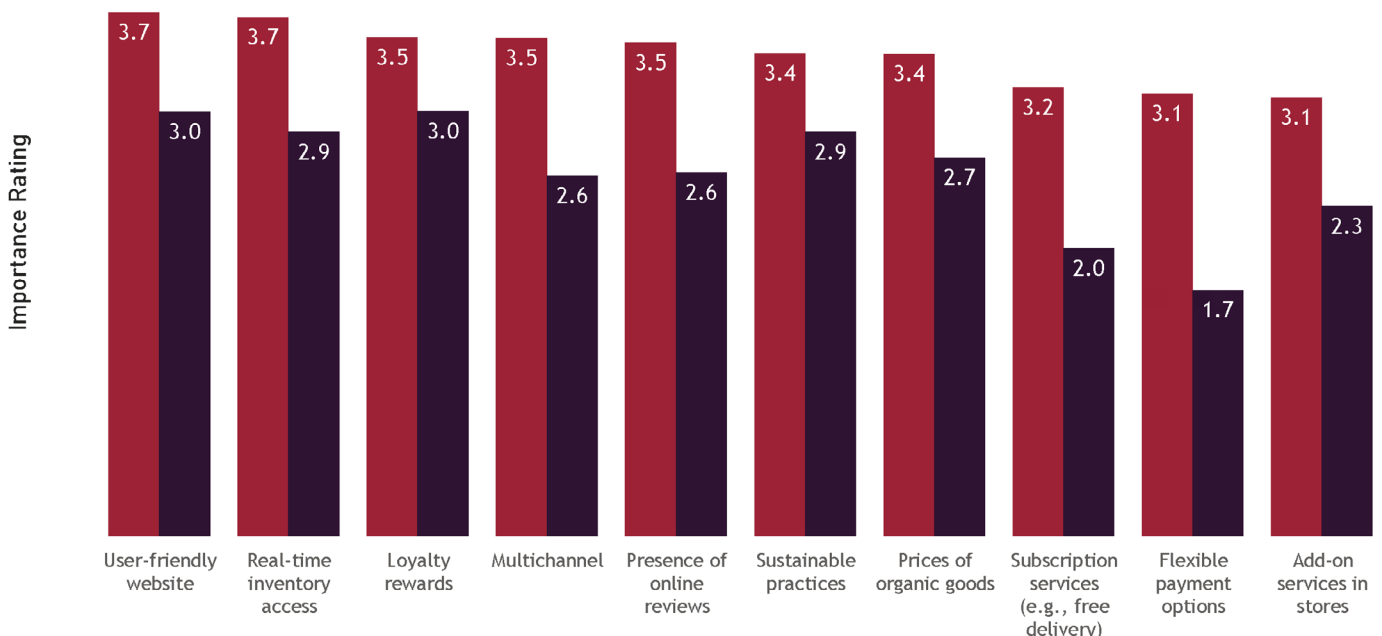
New offerings, sustainability less important for elderly shoppers

Our results suggest younger shoppers give more importance to sustainability and technology offerings than elderly consumers. For example, studies show [Generation Z and millennials care more deeply about sustainability](#) and will alter their buying habits to protect the environment.

Younger consumers also consider technology offerings and omnichannel capabilities when deciding where to shop. Retailers that have not embraced technology and new offerings risk falling behind and losing consumers to other brands.

Differences Between Elderly and Non-Elderly Shoppers

● Below 65 ● 65+

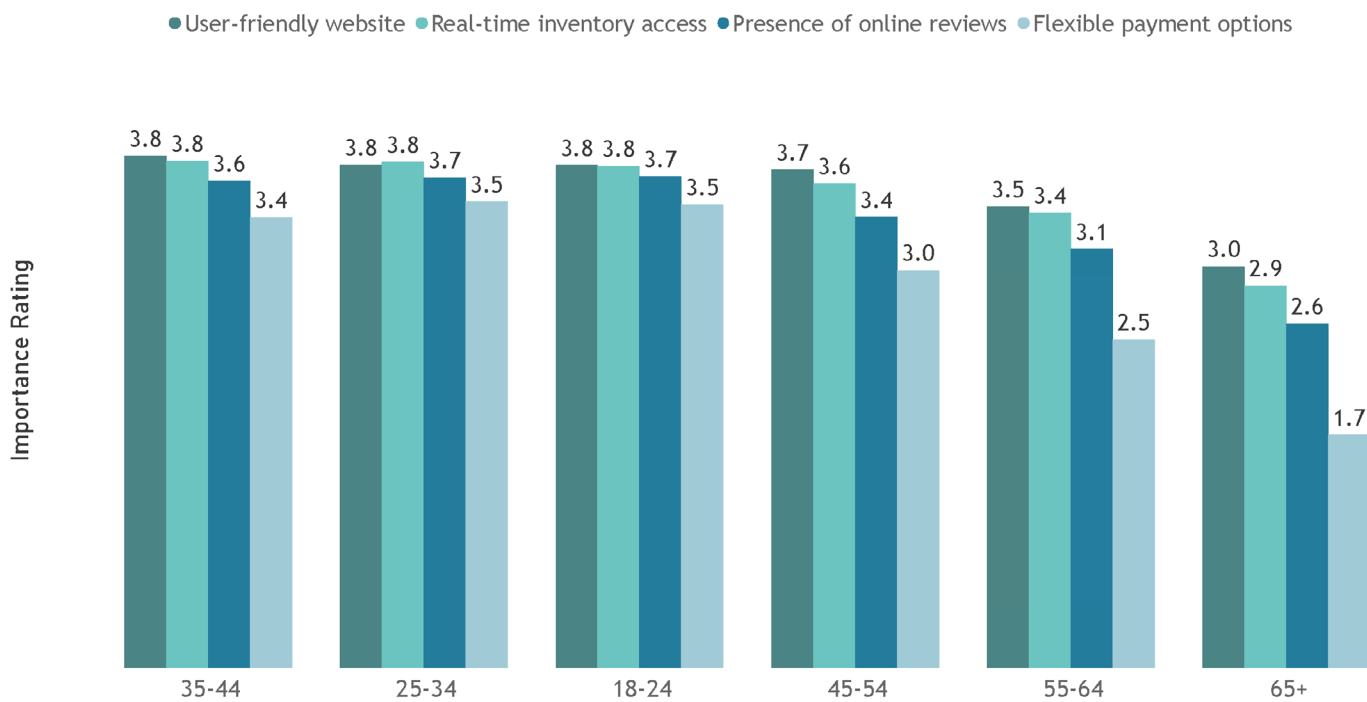


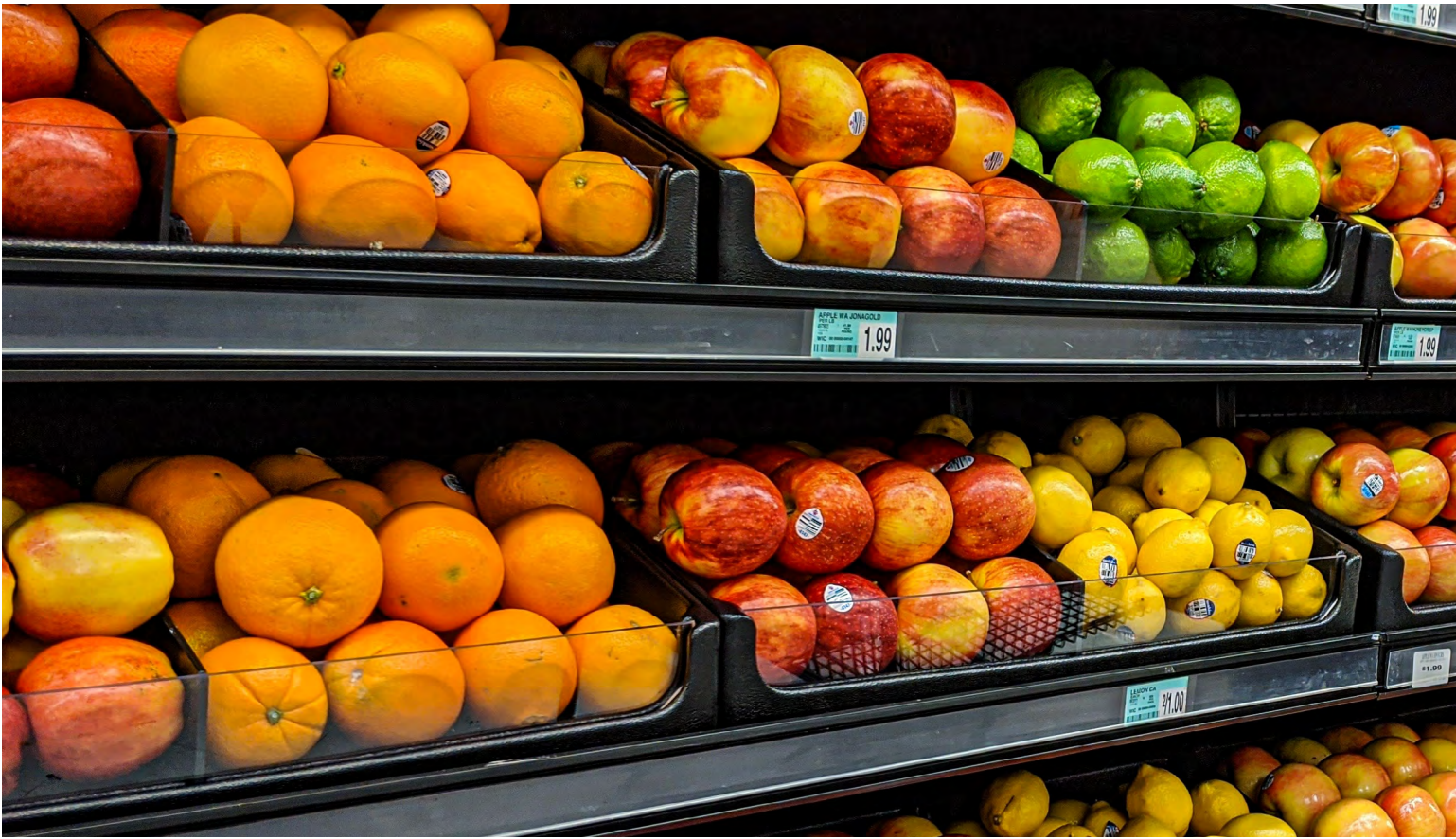


“Buy Now, Pay Later” is on the rise

On average, technology offerings like user-friendly websites, presence of online reviews, real-time inventory, and flexible payment options are less important to older shoppers, despite a rise in online spending by elderly shoppers during the pandemic. The largest difference between age groups is the importance of flexible payment options, like buy now, pay later (BNPL). BNPL has seen exponential growth since the start of the pandemic and is [expected to reach \\$100 billion in U.S. annual transaction volume by 2024](#), up from \$55 billion in 2021. Buy now, pay later companies claim the service [brings in new customers, increases cart sizes, and improves conversion rates](#).

Technology Driver Differences by Age Group





Back to the basics of retail

The key drivers shoppers consider when deciding to shop in-store or online highlight the importance of retail fundamentals. Going above-and-beyond and offering an excellent product mix, pricing strategy, location, and customer service experience can differentiate retailers from their competition and help attract and retain customers.

Focusing on retail fundamentals like pricing and location may become even more important as consumers look for ways to cut down on their spending. Customers are noticing the higher price of goods and experiencing increased pain at the pump. Shoppers who otherwise would drive to several different retailers may start turning to online shopping or clubs and supermarkets to cut down on drive time.



Aaron Cheris | Head of the Americas Retail Practice, Bain & Company

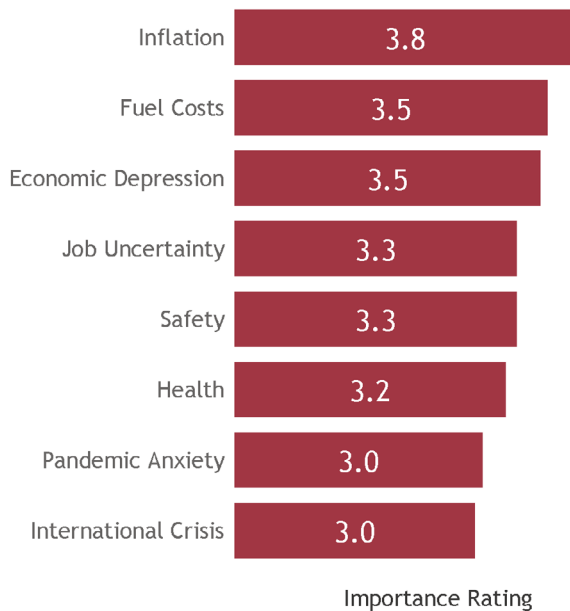
“We are in a time of unprecedented uncertainty for retailers and consumers driven by a mix of compounding forces from the highest inflation in more than a generation, to rebalancing of spend towards services and experiences coming out of the pandemic, to employment uncertainty coming on the heels of labor shortages and some of the lowest unemployment rates we have ever seen in the U.S.”



Shoppers are Concerned as Uncertainty Grows



Consumer Concerns



We asked survey respondents to indicate the importance of various factors on their decisions to shop in-store or online from 1 (Unimportant) to 5 (Very Important). We excluded respondents over age 65 from the Job Uncertainty average to not skew our survey results.

What do consumers really care about?



Excludes respondents age 65 and older to prevent skewed results

Key concerns in today's changing landscape

Just as the retail industry is in flux, so is the economy. Inflation is at the highest level since the 1980s, fuel prices are skyrocketing, and the U.S. is figuring out its role in the Ukraine-Russia conflict, all while the COVID-19 pandemic continues to claim lives across the U.S.

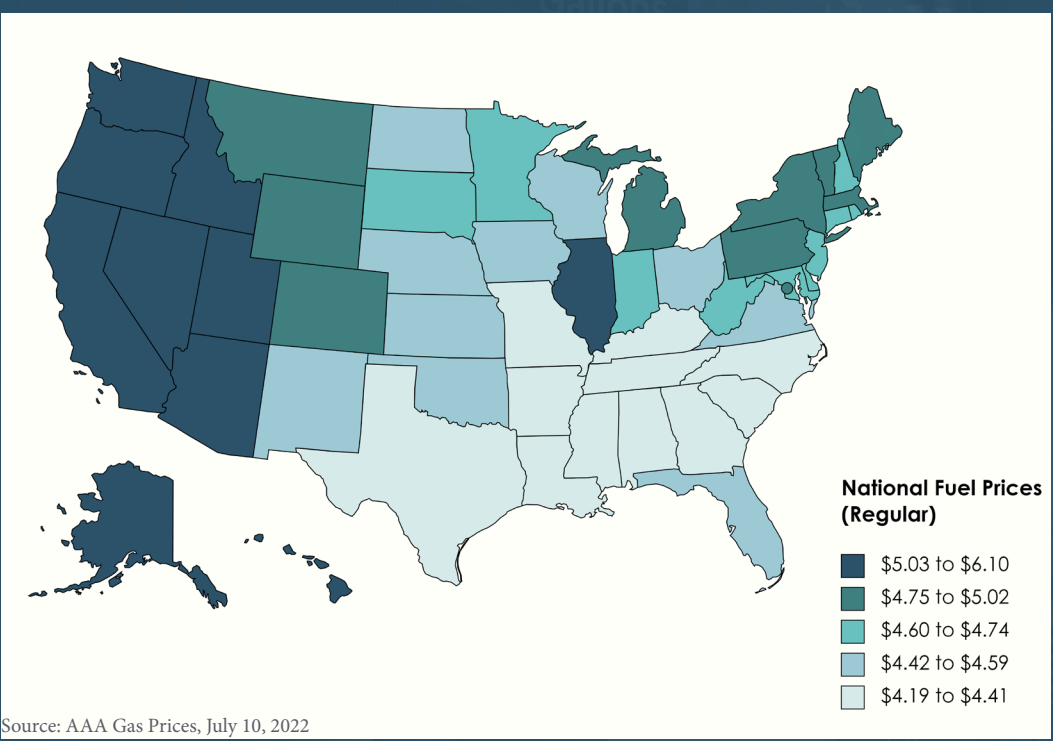
As budgets become tighter amid an economic slowdown and record inflation, Americans are thinking twice about their spending. Around 80% of respondents considered inflation, fuel prices, and the risk of economic depression at least "moderately important" to their retail decisions. Though not quite as top-of-mind for many Americans, safety and international crisis concerns also contribute to retail decisions. In addition, for individuals under 65, almost a quarter of respondents consider job uncertainty "very important" to their retail decisions.

Learn more at [exxon.com/terms](https://www.exxon.com/terms).



“On the back of this uncertainty, we are seeing consumers prioritize value, and retailers tightening their belts to cut costs as many start to put in place recession playbooks.”

Aaron Cheris, Bain & Company



Americans are experiencing pain at the pump

Across the U.S., drivers are rethinking their finances and habits as prices for gasoline and diesel soar. Some are choosing to walk, bike, or take public transportation more often. For those who can't, driving is still a necessity, and they must figure out how to save money elsewhere.

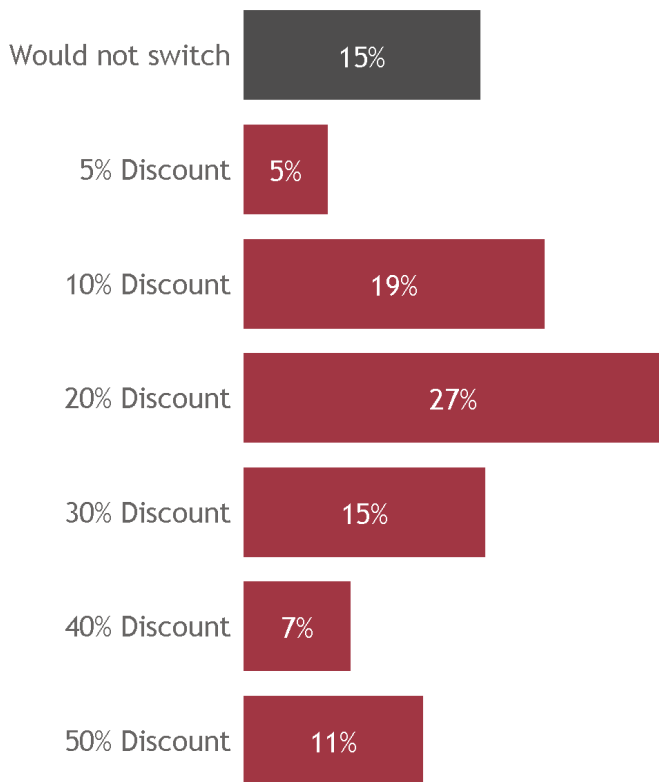
Disabled Access

Customers that cannot reach upper buttons:
• Remove nozzle
• Wait 15 seconds
• System will alert cashier who will remotely authorize

Regular

Supre

Would You Switch for a Discount?



We asked survey respondents how much lower prices would have to be at another retailer in order to switch their primary shopping choice.

Customer loyalty shake-ups continue

As customers become more concerned about the economy and start to reign in their spending, discount retailers will likely gain market share. Only 15 percent of survey respondents indicated they'd remain loyal to their existing retailer(s), even if a significant discount was offered at another. These results suggest that if specialty retailers want to retain customers within the remaining 85 percent, they may have to offer discounts in excess of budget competitors.

Declining consumer loyalty may have also stemmed from out-of-stocks in the last year. Of over 60% of consumers that faced stock-outs in the last quarter of 2021, [only 13% of them waited for the item to come back in stock](#).

Overall, consumers are concerned about the economy and are looking for ways to cut back on their spending. Despite record growth over the last two years, the retail sector can expect consumers to seek out quality goods and a pleasant experience at the lowest possible price, even if that means switching to another retailer.

Key takeaways



Amazon continues to dominate e-commerce, but others are making strides



Grocery shopping brings consumers in store



Shoppers will seek out the highest quality for the lowest price



Consumers are concerned about inflation and consider it in their decision-making



Discount retailers may gain market share as shoppers face rising prices



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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.

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