

US Future Consumer Index edition 5: An online holiday sets stage for retail's future



Insights into the holiday shopping season, the future of e-commerce and the state of cities and malls

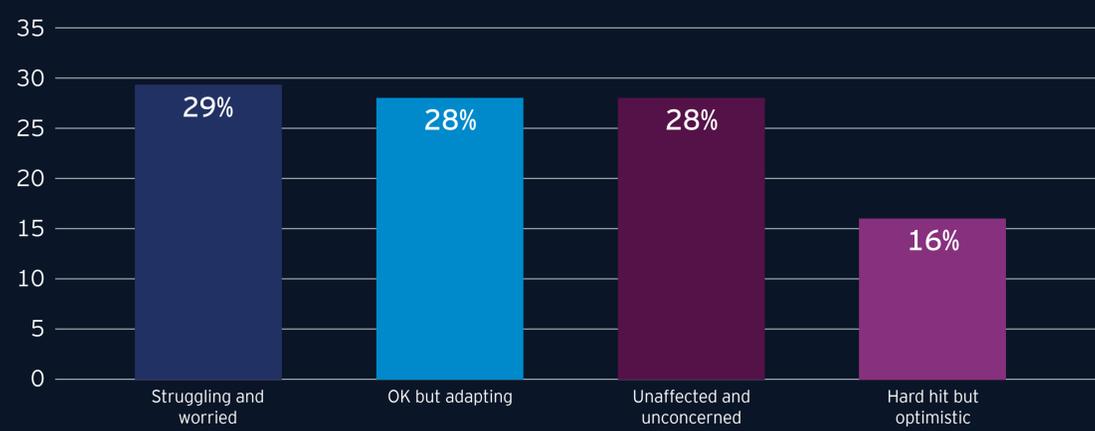
Seven months and counting. That's how long it's been since COVID-19 was officially declared a global pandemic. Knee-jerk reactions to lockdowns are behind us, the second wave is here and pandemic fatigue has become quite the reality. It's almost as natural to reach for your mask as it is to reach for your keys.

With holidays on the horizon, this month's EY Future Consumer Index showcases Americans' continued appetite to move on, and they may see the light at the end of the tunnel. More than half (57%) feel it will be a year or less when the fear of COVID-19 no longer impacts the way they live and another 9% say it's not currently impacting their lives.

The now, next, beyond consumer

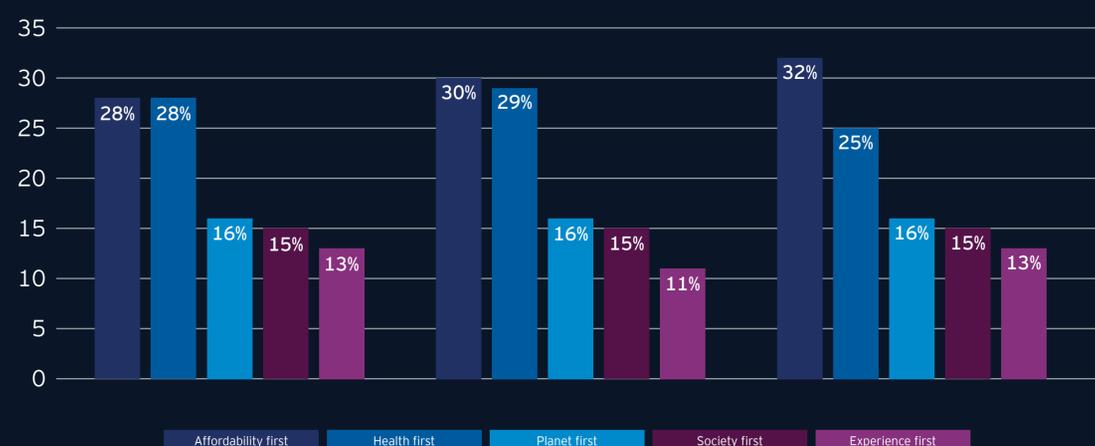
Our segmentation points to the same. In months past, we've analyzed consumer sentiment for the now, immediate next and far beyond the pandemic. But, as the current state presses forward, it feels as though the now has become the next. For that reason, we're now segmenting consumers into two time horizons: how they are responding right now and how they anticipate they will feel and behave in the future.

Four segments describe consumers today



Today, while one in three (Struggling and worried) are still very concerned about COVID-19 and its long-term effects, most Americans are adapting for what's to come.

Five priorities describe the future consumer



Retailers and the holiday season

When asked, retail leaders from around the world said the foreseeable future for them wasn't far beyond the holiday season.

1. Retailers will need to make sure they have a clear holiday promotion and pricing strategy that leverages scenario planning against consumer spending and product category data. Price sensitivity also presents an opportunity for retailers to promote their private label products.
2. This year, we'll see more prevalent online and in-store relationships than ever as retailers push for buy online, pick up or return in store. These shifts have significant implications for the supply chain, inventory planning and the broader retail ecosystem. The key here is fulfillment. Retailers' relationships with shippers come into play as consumers test the limits of on-time, last mile delivery in a constrained logistics network.

We'll also see a considerable uptick in e-commerce. Of US consumers, 64% say they will do their shopping mostly or only online this year and another 29% say they will shop equally online and in store.

Solving the e-commerce equation

One of the major impacts of the pandemic has been the rapid progression of online shopping across generations and categories. Currently, 46% of US consumers are shopping more online for products they previously bought in stores.

Areas to complete the e-commerce picture:

1. The physical and digital relationship – Despite the 52% who say they are currently visiting physical stores less, there's a clear relationship between online channels and the store. Stores have become the cornerstone both for fulfillment and experiences.
2. The category view – the right product mix on the right channels. E-commerce approaches should differ depending on the needs of different categories.
3. The next set of capabilities – With the rapid adoption of e-commerce, we've sought to understand what consumers say about their own online shopping behaviors and identify the operating model implications and changes necessary to transform.

As e-commerce evolves and we consider the role of physical spaces in the current environment, it's driven many to call it the end for things we've become accustomed to but that have suffered at the hands of the pandemic.

The death of the mall

We've all seen the decline of the malls in our cities and towns, but what's clear is that the consumer may not be ready to let them go completely. At least one in five are still shopping at indoor and outdoor shopping centers for personal care (28%), home goods (27%), apparel (22%) and beauty (22%). Behind e-commerce, shopping centers are even more preferred than stand-alone stores for non-food categories, including personal care (18%), home (21%), apparel (12%) and beauty (14%).

What's needed is a reinvention of shopping centers into spaces that satisfy a multitude of consumer needs, whether that's the integration of essential shopping, such as grocery, the convergence of adjacent industries, such as health care, an experiential destination that acts as part of the consumer journey or something else altogether.

The death of the city

Sixty-three percent of consumers say they are comfortable going back to their place of work within days or weeks, but many cities depend on public transportation to make that happen. And just 29% of consumers say they will be comfortable traveling on public transport within that same time frame.

A growing number of Americans are considering relocation to less densely populated areas, increasing from 23% in April and June to 26% in August and this month.

The questions for retailers are: When will the trend of leaving cities swing back? How do you plan your physical and digital footprint to accommodate the moves, however temporary, that consumers are currently making? If your digital strategy is using the physical store as a fulfillment center, does your last mile become the last 5 or 10 miles?

As the season of the consumer continues, retailers and brands have a clear "here and now" priority – addressing the holidays ahead. The "COVID-19 consumer" will have lasting effects on buyer behavior and sentiment moving forward, and brands and retailers need to reset their long-term goals (not short-term) to be focused on the holidays of 2020 in order to survive the long post-holiday winter. As they look to the future, where e-commerce plays a pivotal role in building consumer loyalty, and places and spaces evolve, winning companies will do well to understand the channels, touch points and experiences that create lasting bonds beyond the uncertainty of this season.



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About the survey

This fifth edition of the EY Future Consumer Index is based on a survey of respondents in the US, Canada, Brazil, the UK, France, Germany, Denmark, Sweden, Indonesia, Norway, India, UAE, Saudi Arabia, China, Finland, Japan, Australia and New Zealand during the week of 29 September through 5 October 2020. Of those, the article above focuses on the 1,000 US respondents. The survey questionnaire covered current behaviors, sentiment and intent. The data reported here relates to US respondents only.

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