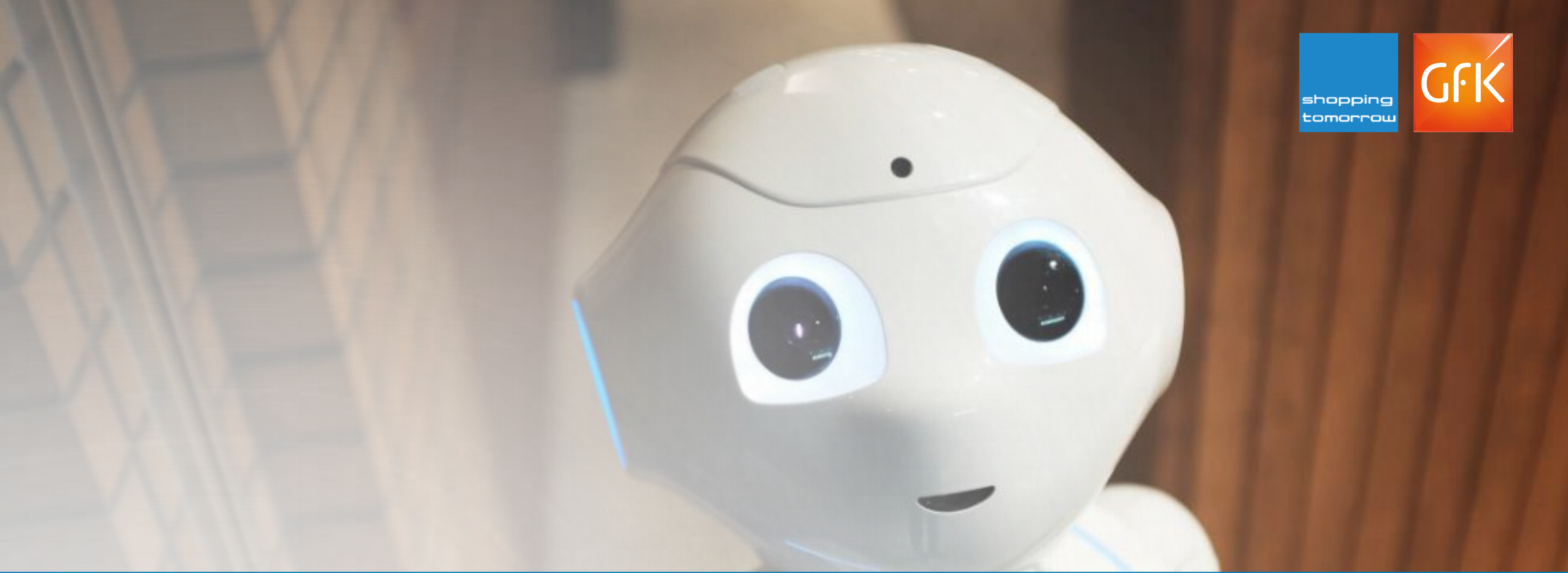

ShoppingTomorrow 2019

The future of retail according to consumers

716214 | Danny van den Burg, Annemarie Perquin, Alma Akkerman | November 2019

This GfK report has been created on behalf of ShoppingTomorrow and with the cooperation of the several ShoppingTomorrow expert groups and sector associations.

The report has been assembled by the GfK editorial office, consisting of:

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Content

1 Preface

ShoppingTomorrow

The future of shopping according to consumers

As partner of the ShoppingTomorrow research and action program, GfK conducted a consumer study to gain insights that leads to concrete actions on several key topics like mobile commerce, privacy, cross border shopping, Smart Home and delivery & returns. All these themes are connected by the following central question: **How will the consumer shop in 5 years** and what actions should be taken **on a national, branch and company level** upon that **B2C-operating companies** can successfully respond to this, both nationally and internationally?

This study is a co creation of input, generated by several expert teams, which can be split in 4 key shopper related themes:

- Recent developments online, mobile & cross-border shopping
- Trends & foreseeing the future of shopping
- Diving into the purchase journey
- Personalised offers

GfK interviewed more than 1.000 Dutch consumers with an online questionnaire resulting in this extensive report with lots of relevant shopping behavior insights. Sometimes these insights will support your assumptions; sometimes you will notice that your own expectations are way out of line with the consumer's choice and sometimes you will see that consumers do not have any expectations as long as they are not seduced by a disruptive first mover! One way or the other, the outcome is another valuable ShoppingTomorrow contribution that helps you to take the most appropriate actions to anticipate on the rapidly changing shopping behavior, now and in 5 years.

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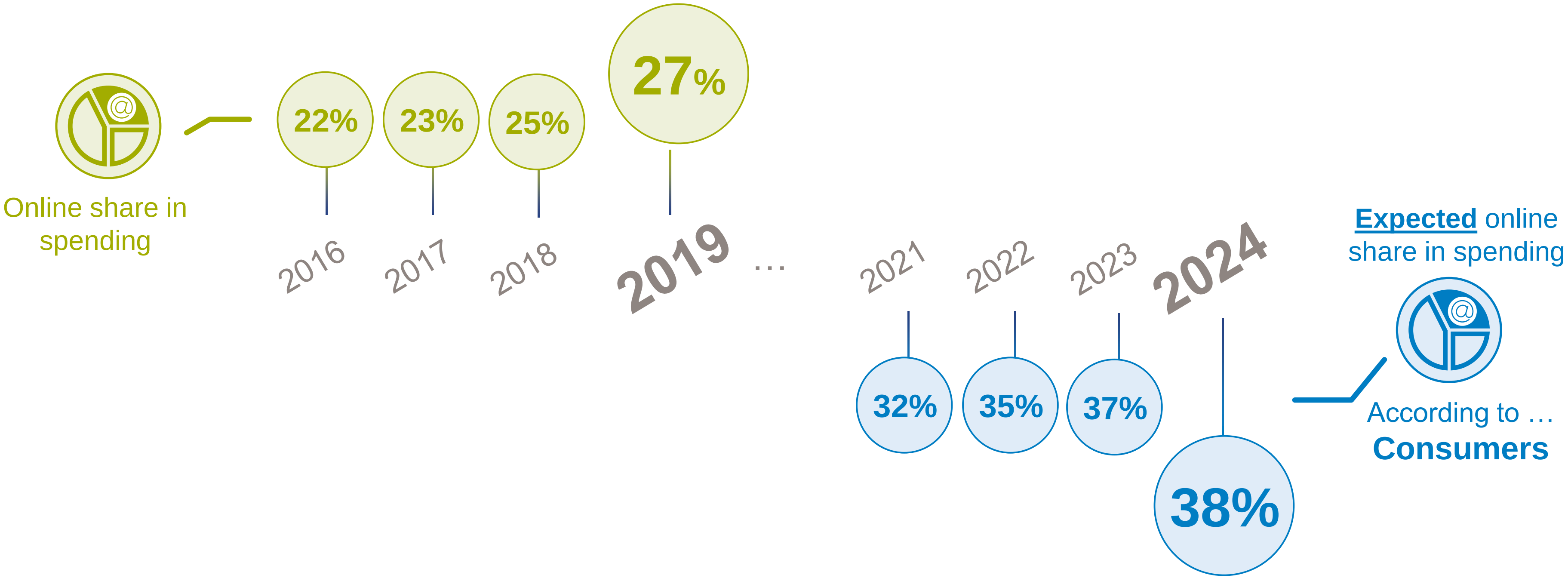
2 The Future of Shopping

Recent developments online, mobile & cross-border shopping

Consumers expect growth of online to slow down

(Expected) overall B2C online share in value

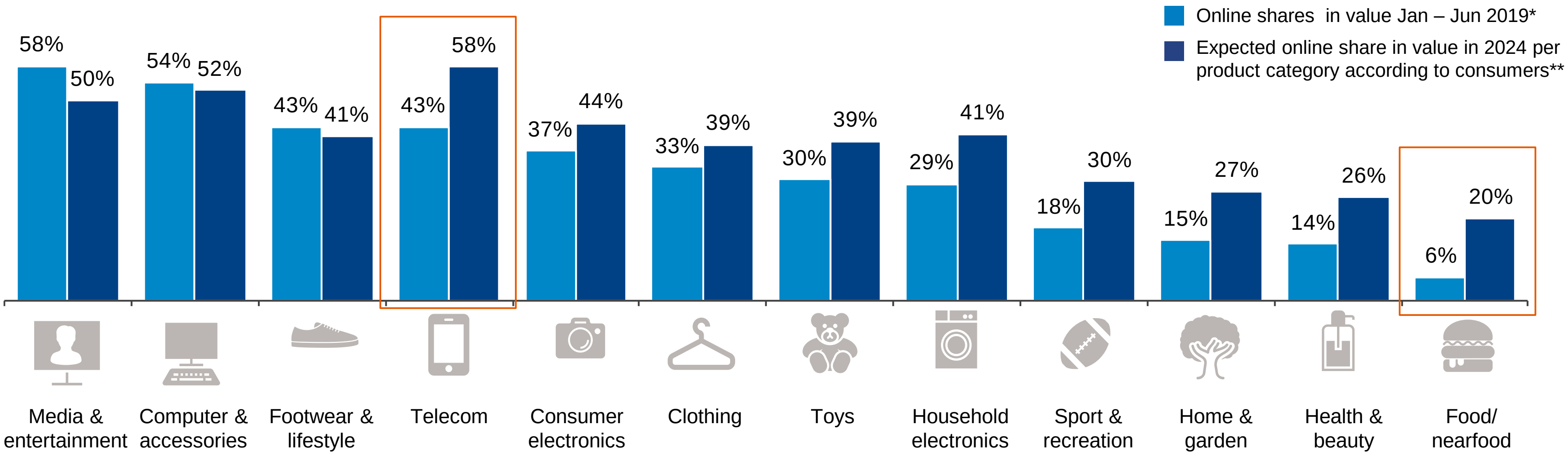


Total B2C online share in value including product and services
Source: Thuiswinkel Markt Monitor, Q2 2016, Q2 2017, Q2 2018, Q2 2019
Source: ShoppingTomorrow Research 2016, 2017, 2018, 2019

Base: all respondents n=1.003

Consumers expect the largest relative growth to happen within telecom and food/nearfood

Average expected online share in value in 2024 per product category



A03: What share of your total spending in product category X do you expect to spend online in 5 years?
* Source: GfK Thuiswinkel Markt Monitor Q2 2019
** Source: GfK ShoppingTomorrow Research 2019

Base: all respondents

Hybrid forms between offline & online are on the rise

Store opportunities	(very) appealing
Trying/experiencing a product in a physical store, then ordering the product online in the store and receiving it at home the next day	47%
Viewing and choosing a product online, ordering it and then collecting it from a physical store the next day	42%
Ordering a product online, getting it delivered at home and then going to a physical store for explanation/advice and, if needed, repairs	29%
Receiving advice about a product in a physical store, then trying / trying on / selecting a product online, then having it delivered at home	25%
Trying/experiencing a product in a physical store, then taking out a subscription to have the product delivered at home regularly	24%

B04: To what extent do you think the following store opportunities are appealing?

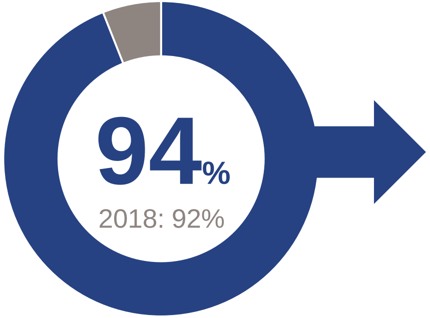
Base: all respondents n=1.003

Mobile shopping is growing fast: 65% of online buyers use their mobile phone to shop online; almost half of them expect to make the majority of their online purchases by smartphone in 2024

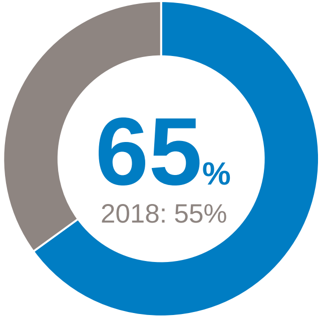
shopping tomorrow

GfK

Mobile shopping

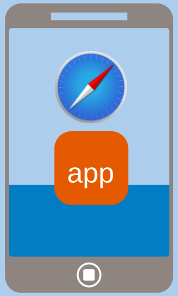


of the **total Dutch population** (15+) **shopped online** past year



of **all online buyers** (15+) **use their mobile phone** to shop online

In five years, **47 %** of all **online buyers** (15+) expect to make the majority of their online purchases using a smartphone (2018: 40%)

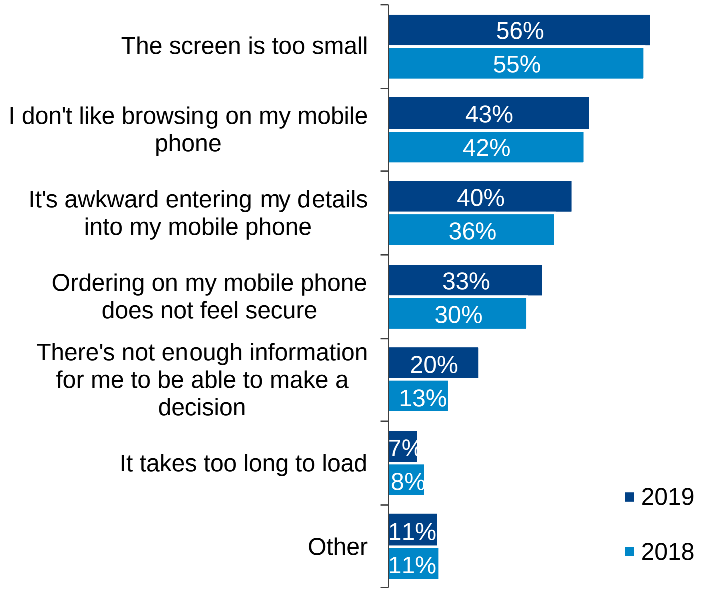


C01: In five years' time, I expect to make the majority of my online purchases using a smartphone (through an app or mobile website)

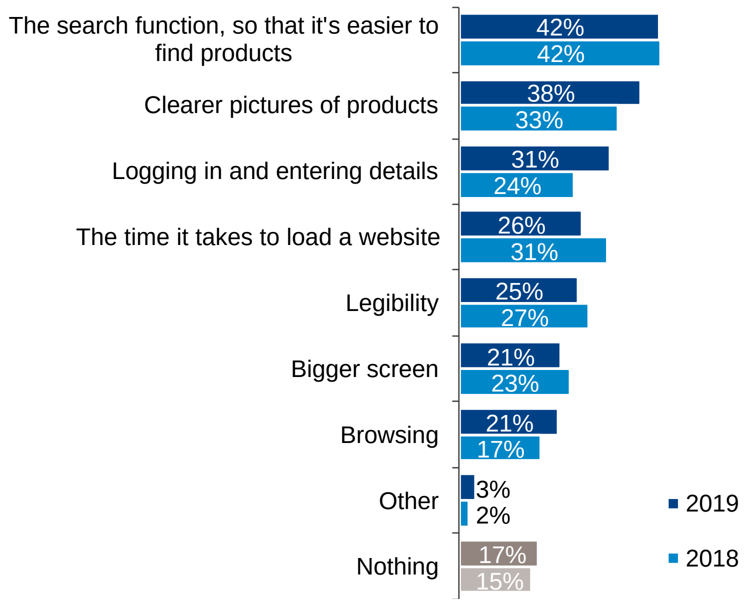
Base C01: purchases online n=924

Main reason for not purchasing via a mobile website is the screen size. Most consumers want the search function to be improved and clearer pictures

Reasons for not making online purchases through a mobile website



Improvements in terms of online shopping when using a smartphone

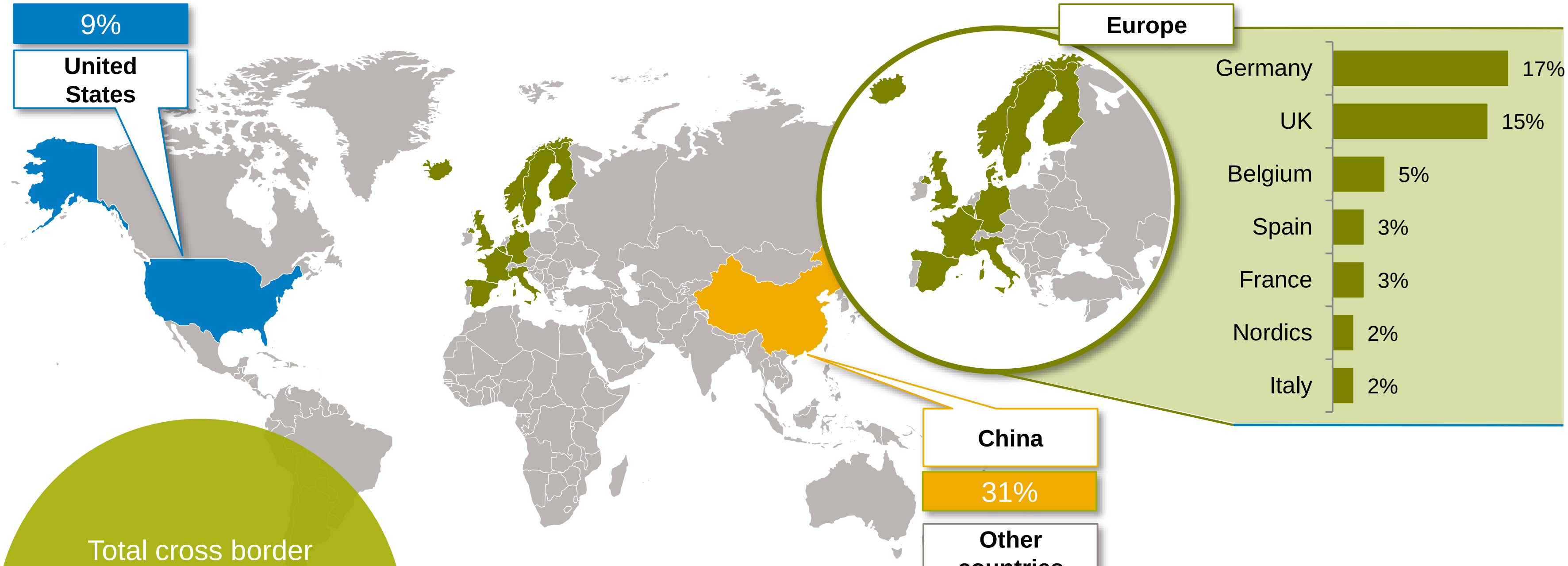


C02: What are your reasons for not making online purchases through a mobile website (not a app) on your smartphone?
C03: What could be improved in terms of online shopping when using your smartphone?

Base C02: Doesn't purchase through mobile websites n=478
Base C03: Purchases through mobile website/app n=516

37% of the Dutch population (15+) bought via foreign webshops in 2018, accounting for € 880 mln

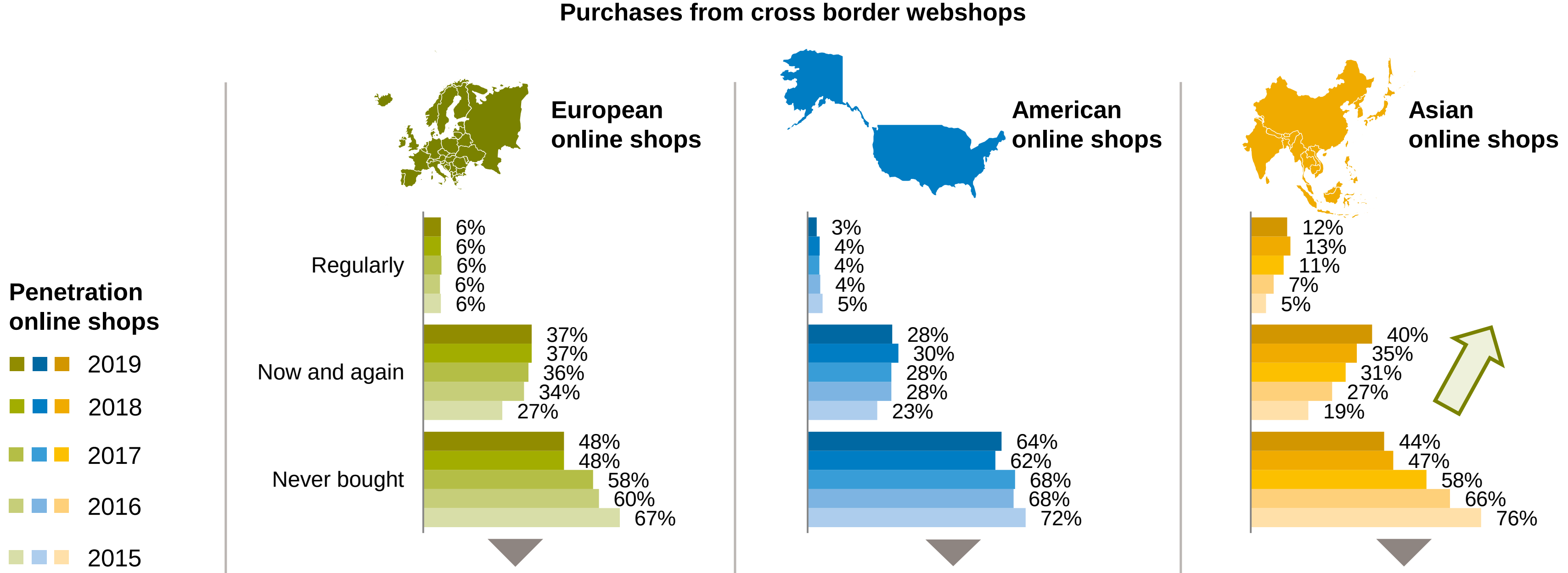
Distribution of online spending cross-border



Total cross border spending: **€ 880 mln** (**+ 15%** compared to 2017)

Source: GfK Thuiswinkel Markt Monitor Q4 2018

The number of people that shop occasionally at Asian webshops is rising



33% of those that haven't bought at **European crossborder webshops** yet, expect to have done so in 2024

31% of those that haven't bought at **US crossborder webshops** yet, expect to have done so in 2024

22% of those that haven't bought at **Asian crossborder webshops** yet, expect to have done so in 2024

Base: all consumers n=1.003
Base: all respondents who currently haven't bought cross-border

D01: Have you ever made one or more purchases at an online shop(s) in the following continents?
D02: In five years' time, do you expect to have made one or more purchases from an online shop(s) in the following continents?

Trends & foreseeing the future of shopping

GfK vision on future development: benefits (attitudes + needs) drive the motivations of consumers

We have a proven framework to structure these needs and to predict where future needs are heading. The framework is based on identifying and understanding the emotions that drive the market.

Anticipated emotional experience drives consumer choice market decisions trace back to four over-arching cornerstone motivators:

Freedom
"Frees me"

Gratification
"I'm worth it"

Wellbeing
"I feel good"

Security
"Peace of mind"

The Predictive Benefit Framework links evolving consumer needs to new market activity and experiences to predict where your industry is heading and what new benefits will resonate with customers. We will use this framework to give context to the outcomes of this years consumer research

When translating this model to retail we see four groups of benefits consumers are looking for in (new) retail solutions

Fast

Innovative

Healthy planet

Data security

Easy

Efficient

Surprising

Conscious consumption

Freedom/
Convenience

Gratification/
Experience

Welbeing/
Sustainability

Security

Certified

Personalised

Peace of mind

Value for money

Expertise

Healthy people

Risk avoidance

Price

Authentic

Environmental impact returns

77% of the consumers expect to always have a personalised range of products while shopping online; fulfilling the need of experience

Likeliness of the following scenarios	2024
The frequency of buying and selling in online stores outside of the Netherlands, that is cross-border e-commerce, will increase	82%
In 2024, consumers will always see a personalised range of products and services while shopping online	77%
In 2024, stores and online stores will mainly respond to the wishes of the new generation of shoppers (Generation Z, born after 1995)	73%
In 2024, sustainability and corporate social responsibility will be a standard that every store takes into consideration	73%
In 2024, there will only be a few major players/(online) stores left in each sector (market concentration)	72%
In 2024, there will no longer be any difference between stores and online stores, instead the two channels will collaborate fully as one single sales channel	68%
In 2024, a large share of all purchases will take place through new sales channels (for instance through voice assistants)	53%

Convenience | Experience | Wellbeing | Security

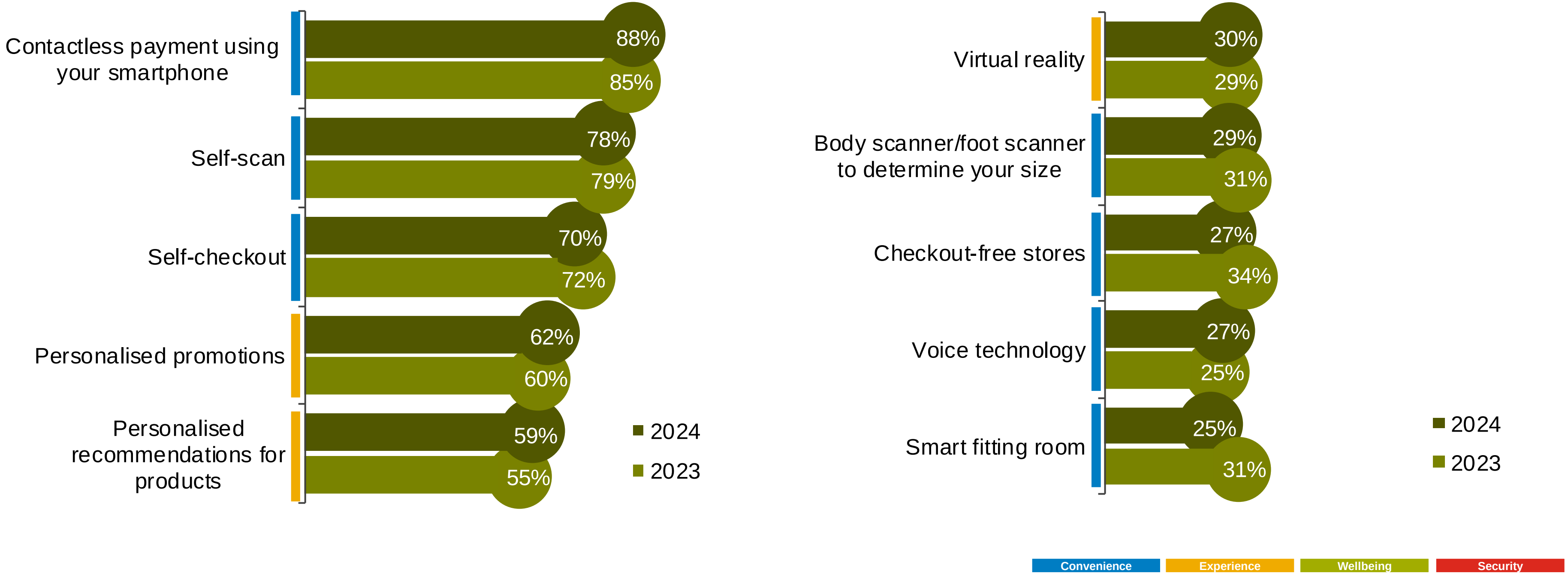
B01: To what extent do you consider each of the following scenarios (un)likely in 2024?
* Top 2 on a 4-point scale

Base: all respondents n=1.003

Contactless payment, self-scan and self-checkout are the most expected technologies available in retail, focused on convenience

Technologies available in the Dutch retail landscape in 2024

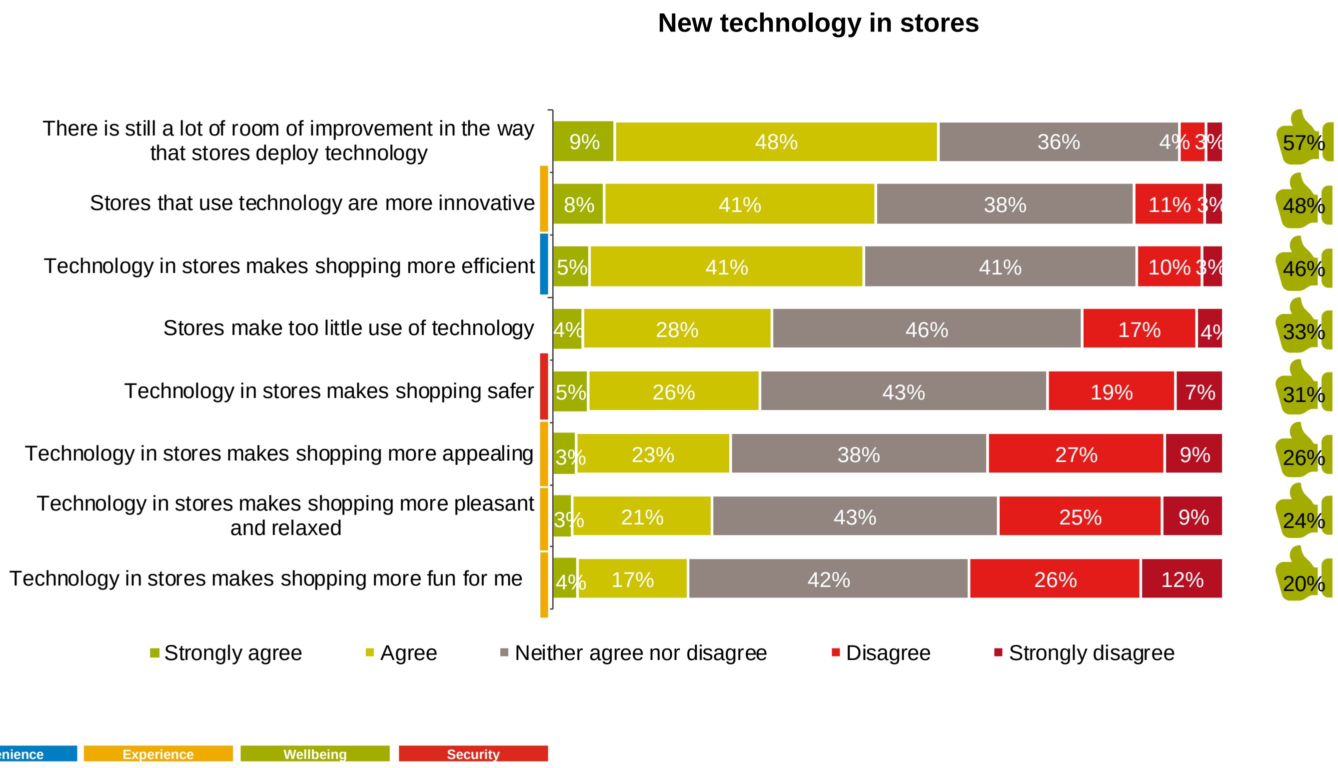
In many / almost all stores



B02: To what extent do you think that we will see each of the following technologies in the Dutch retail landscape in 2024?

Base: all respondents n=1.003

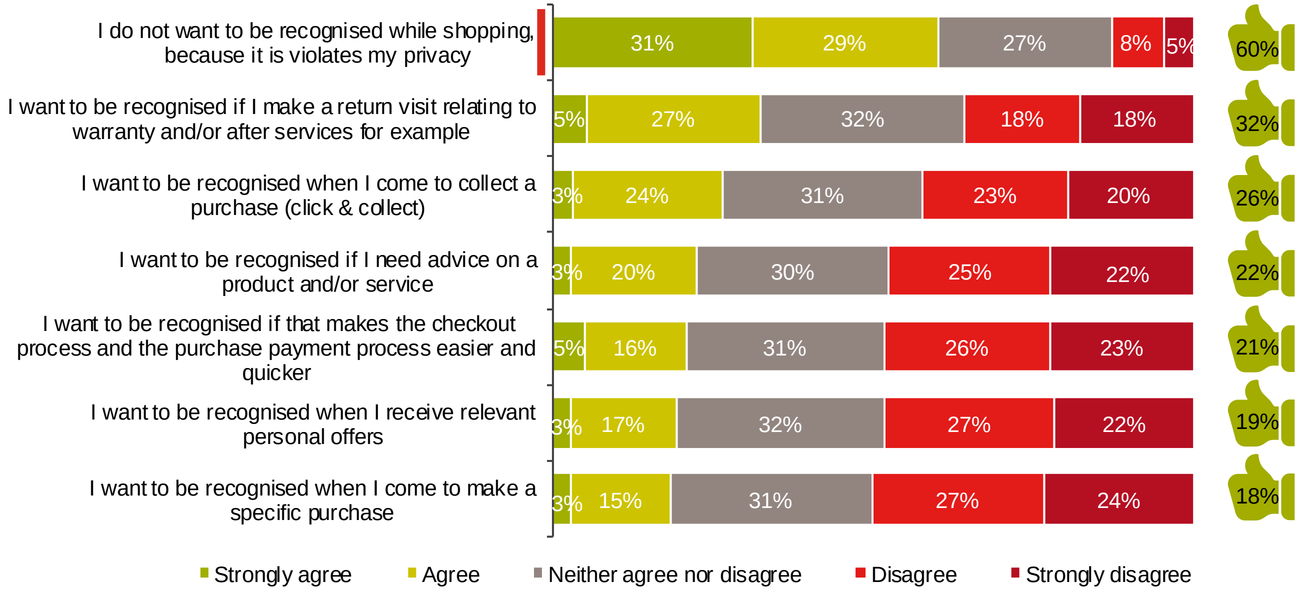
New technology in stores are mainly aimed at experience and convenience according to consumers



B03: The following statements are about new technology in stores. To what extent do you agree with the following statements?

Base: all respondents n=1.003

Most consumers do not want to be recognized while shopping because of privacy reasons



Convenience Experience Wellbeing Security

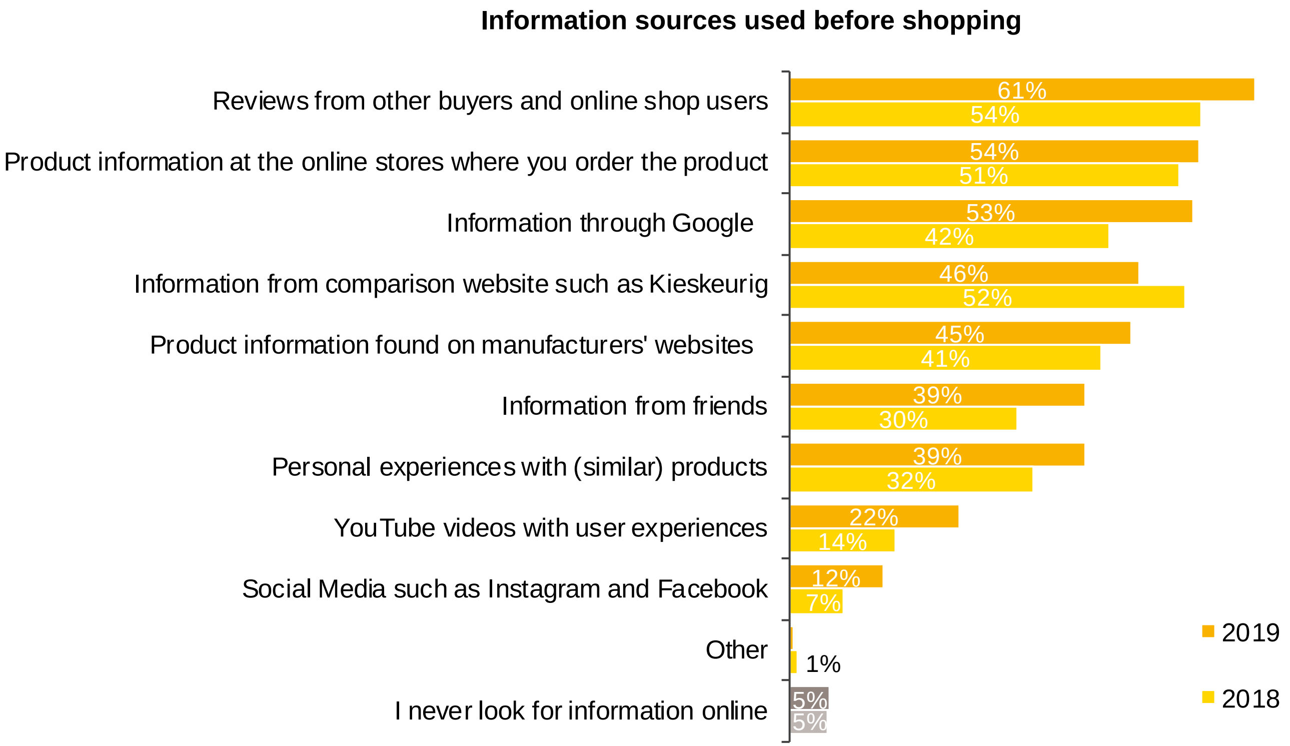
= % (Strongly) agree

B05: In the future it will be possible to be personally recognized as a consumer when you step into a store. Through shopping technology or smartphone technology for example. To what extent do you agree with the following statements?

Base: all respondents n=1.003

Diving into the purchase journey

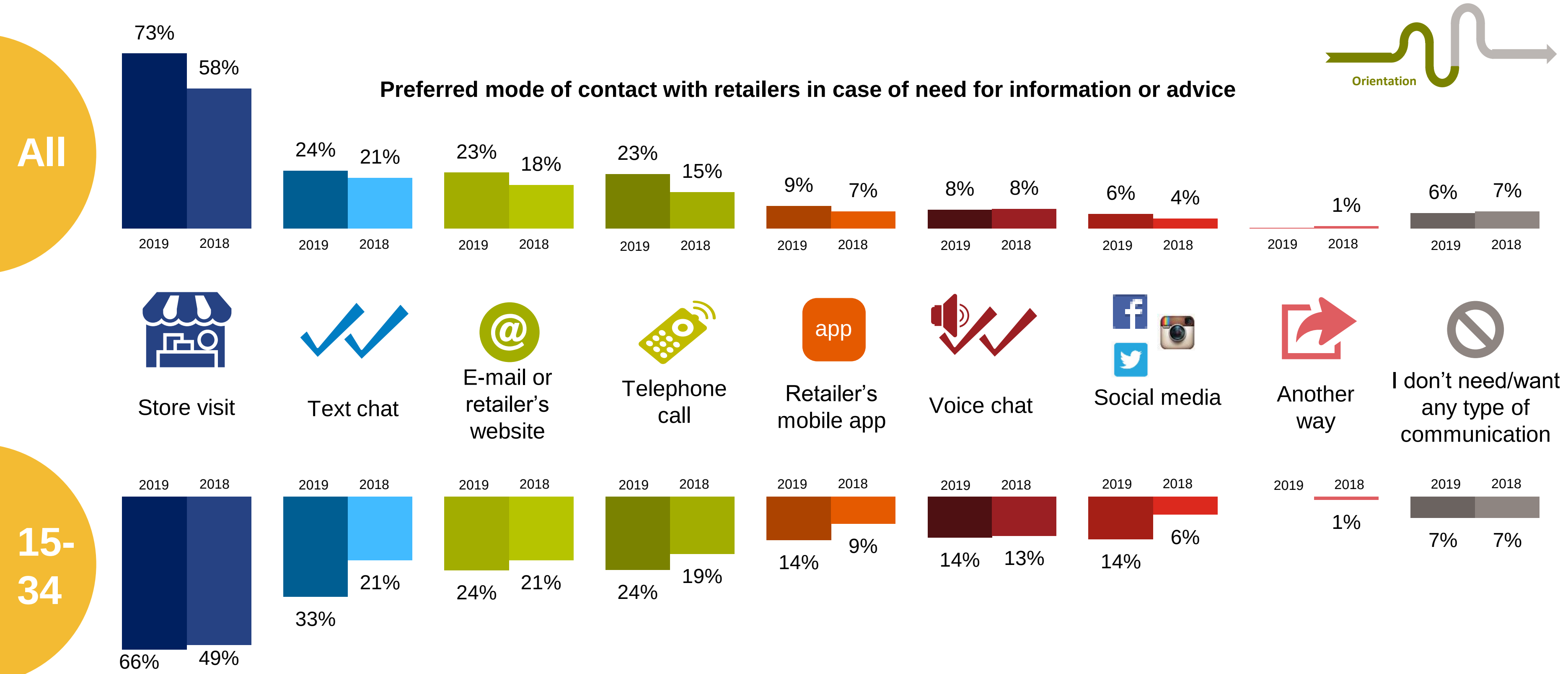
Rise in the use of information sources related to reviews/ user experiences



E01: If you go online to look up information before shopping, which of the following information sources do you use?

Base: all respondents

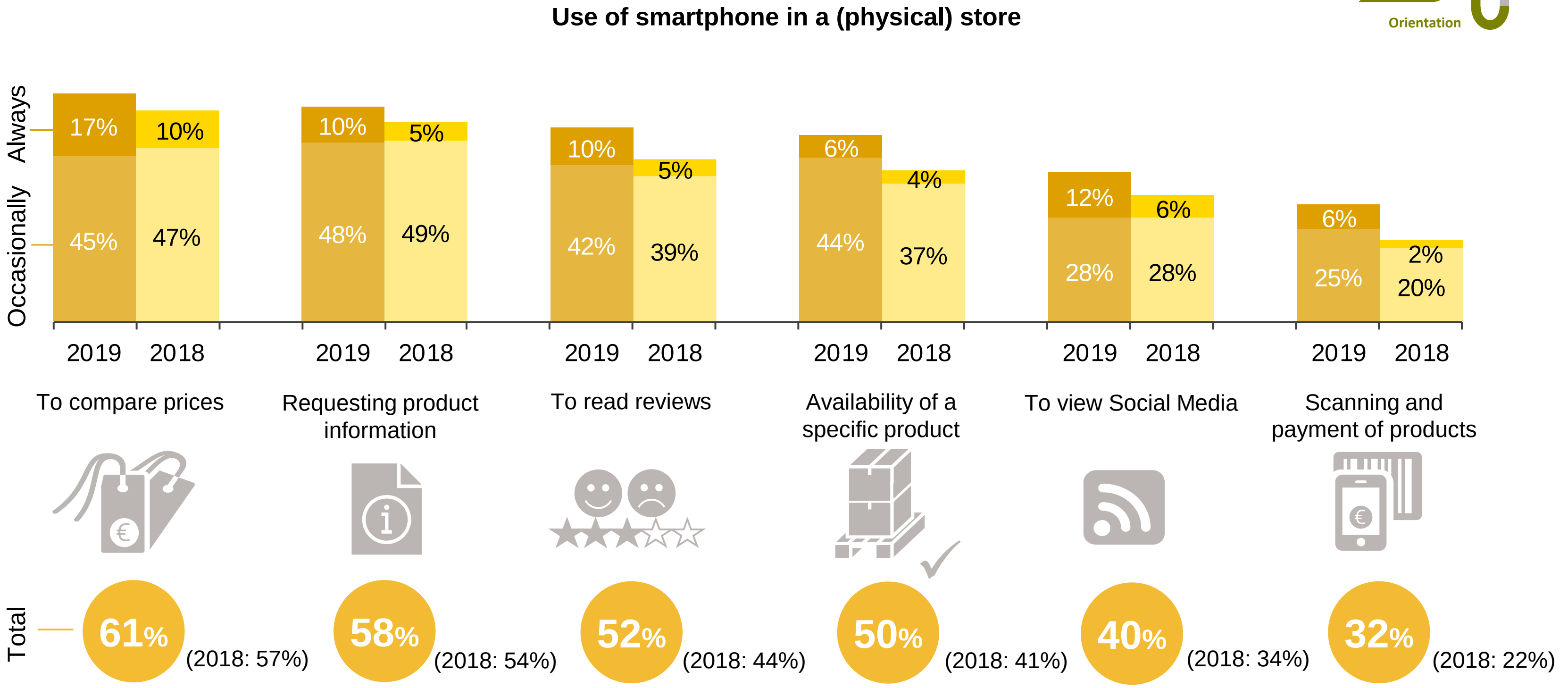
Store visit is the most preferred mode of contact when in need for advice; even more than last year



F01: Imagine you want to buy a product or service and you need advice. Think of clothing, a desk lamp, a sleeping bag or a camera. What type of communication would you prefer to have with the provider?

Base: all respondents n=1.003

Smartphone is most often used instore to compare prices and request product information; compared to last year it is used more often to read reviews or to check availability



C04: Do you use your smartphone in a (physical) store for the following purposes?

Base: all respondents n=1.003

The majority of consumers think their mobile experience instore is important; 30% is concerned about their privacy when using digital media

Orientation

Experience with mobile phone instore

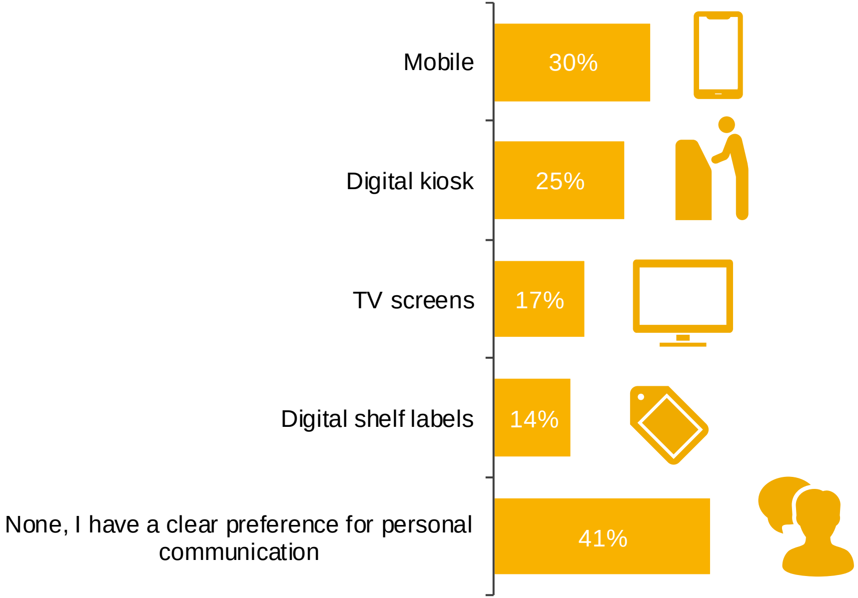
Convenience | Experience | Wellbeing | Security

J01: What statements best describe your experience with your mobile phone in the stores you visit regularly?

Base: all respondents n=502

Instore most consumers (still) prefer personal communication over digital information sources for additional product information

Media preference for additional information and services instore



J02: What media do you prefer for any additional information and services during your visit to a store or service provider?

Base: all respondents n=502

Consumers are somewhat indifferent about the impact of additional product information on mobile phone during store visits

Orientation

Additional product information via mobile phone during a store visit…

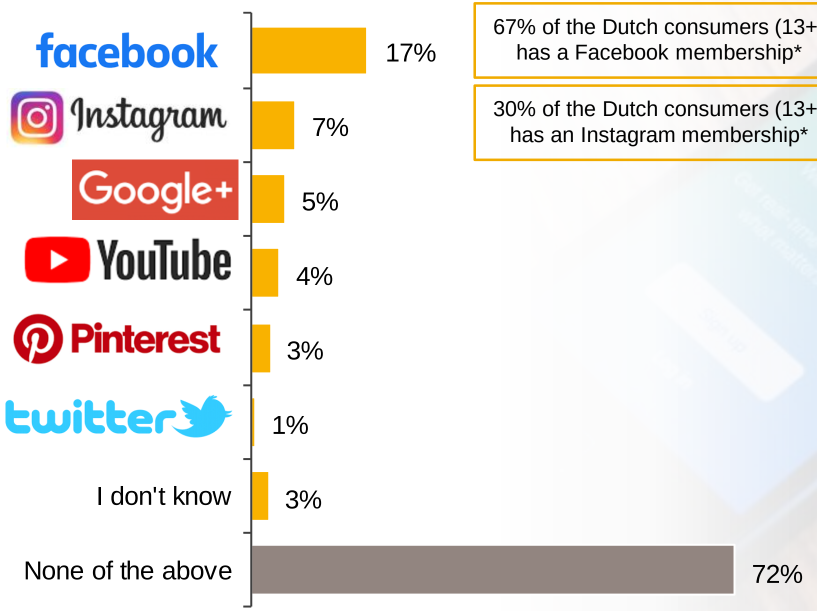
- **33%** does not result in other purchases
- **25%** influences my purchasing decisions
- **22%** ensures a better in store experience
- **18%** contributes to repeat visits to store

J03: Additional product information and order options via my mobile phone during a store visit ...

Base: all respondents n=502

Already 17% of all consumers has made a purchase through Facebook

Purchases through social media



67% of the Dutch consumers (13+) has a Facebook membership*

30% of the Dutch consumers (13+) has an Instagram membership*

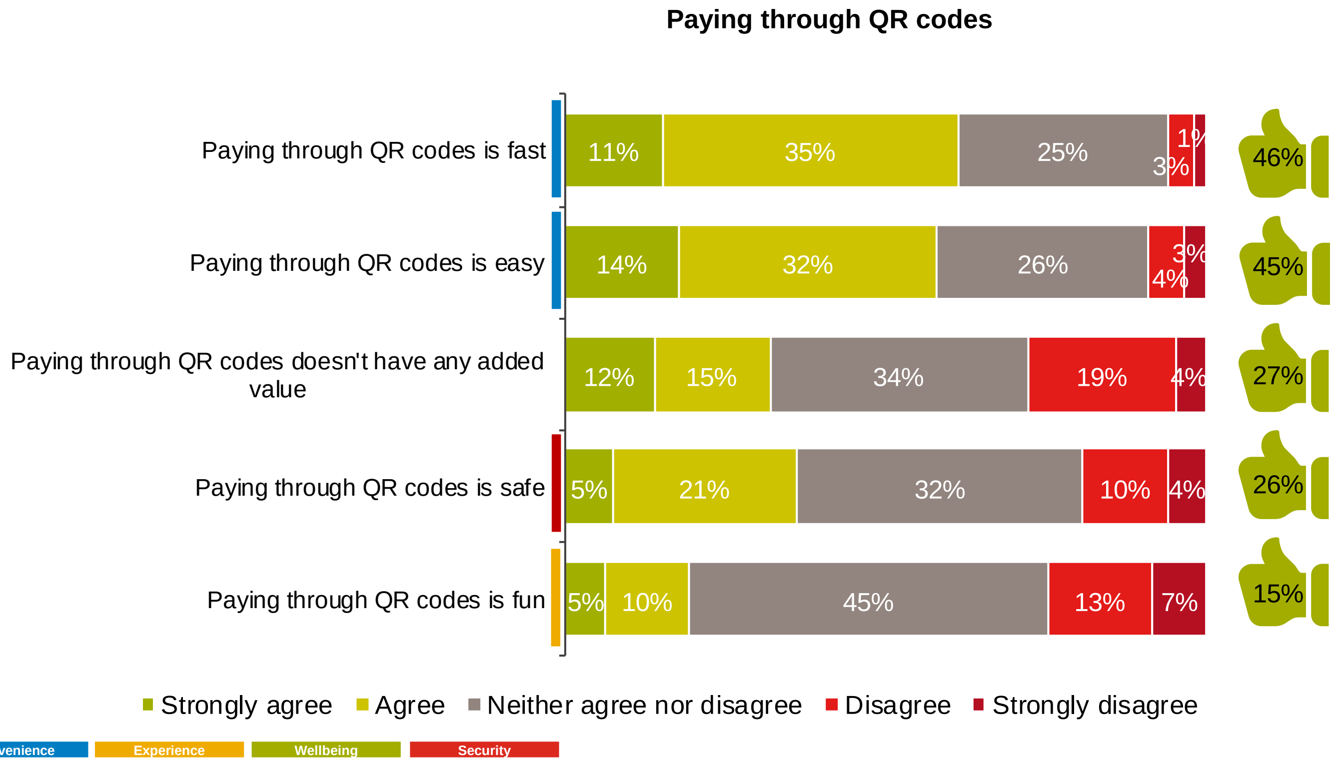
*Source: Trends in Digital Media, GfK December '18

E02: Through which social media have you made purchases in the past?

Base: purchases online n=924

Paying through QR codes is seen as fast and easy (convenient) by almost half of the consumers

Purchase



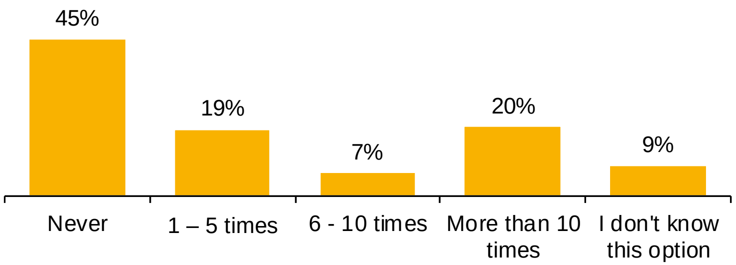
= % (Strongly) agree

K03: To what extent do you agree with the following statements?

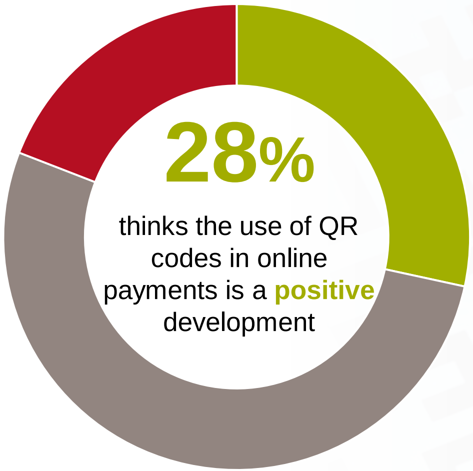
Base: all respondents n=502

Not surprisingly about 50% of the consumers also used a QR-code for payment; almost half of them used it more than 10 times

Payments with QR code



Development of QR code payments



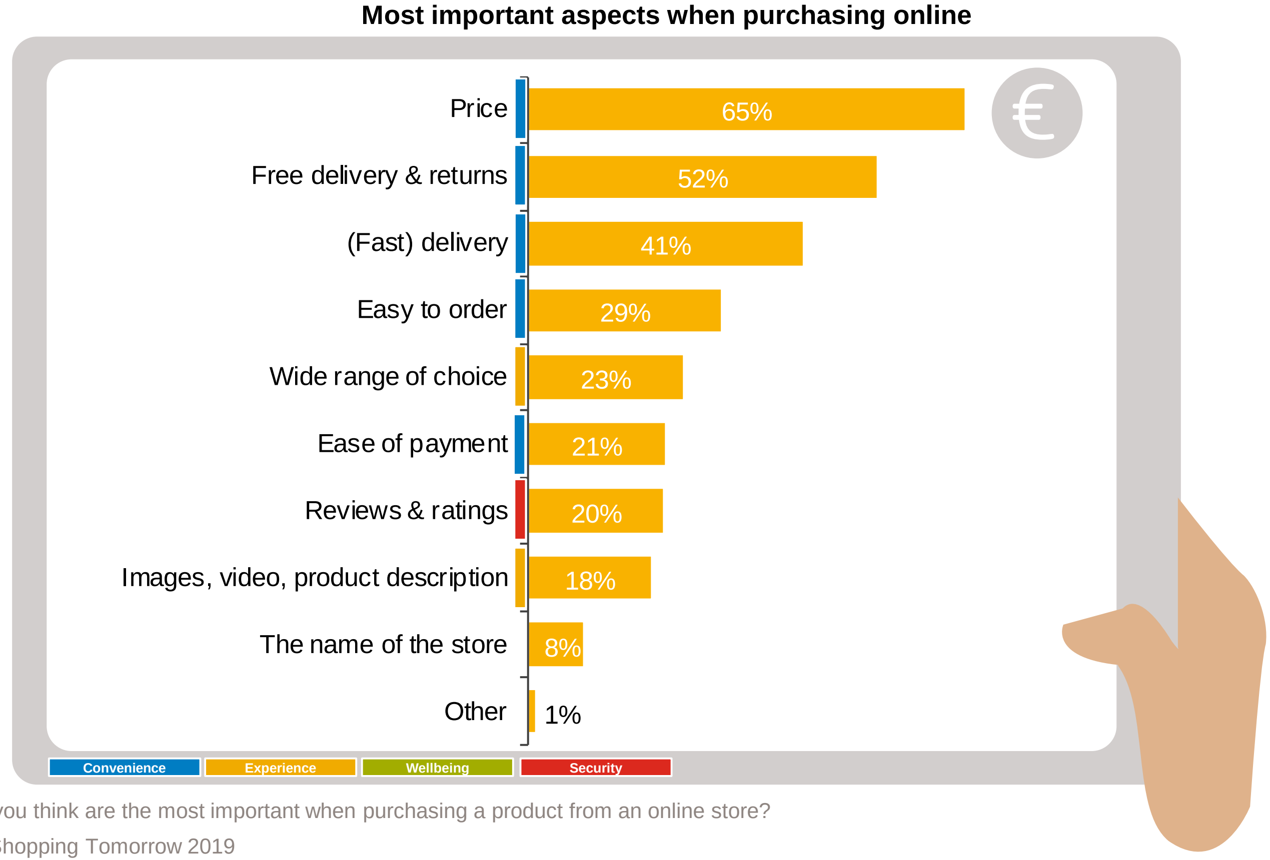
52% thinks it makes no difference

19% thinks it is a negative development

K01: How often have you paid using a QR code so far?
K02: Do you think that the use of QR codes in online payments is a positive development?

Base: all respondents n=502

Price and free delivery & returns are the most important aspects when buying a product online



G03: What aspects do you think are the most important when purchasing a product from an online store?

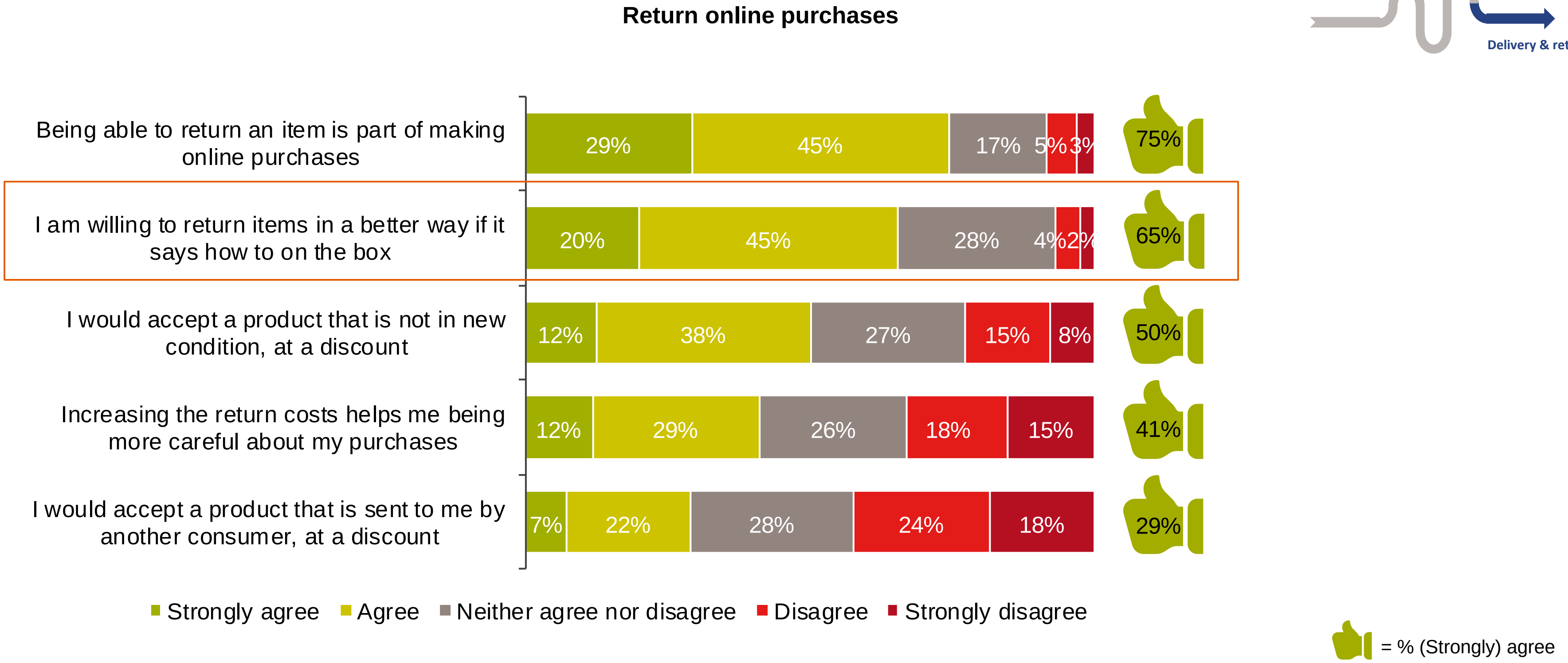
Base: purchases online n=467

The majority of the consumers know what they need and don't return much

N01: Which of the following statements about clothing and footwear best describe you?

Base: purchases online n=458

Most consumers are willing to return their products in a better way if they get instructions how to on the box



N03: To what extent do you agree or disagree with the following statements?

Base: purchases online n=458

25% of the consumers is willing to share personal information to have less hassle of returning items

shopping tomorrow

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Delivery & returns

Sharing personal information when order online

30%	No, I don't believe that this type of method helps selecting the right size
25%	Yes, it means less hassle (and/or costs) of returning items
20%	No, I absolutely don't want to share sensitive personal data, even if this means that I have to return items more often
14%	I'm willing to share personal data so because of the hassle and cost of returning items
8%	No, it's too much of a hassle or it takes too much time to enter these data
4%	I'm willing to share personal data if I would have to pay to return items otherwise

Convenience Experience Wellbeing Security

N02: Imagine a solution exists where you have to submit one or several pieces of information (e.g. age, body weight, body measurements or body scan). This solution substantially increases the chances that online ordered clothing or footwear fits. Would you be prepared to share such information for that purpose?

Base: purchases online n=458

Half of all consumers feel an order can be delivered to their neighbours in case needed

Delivery & returns

Order delivered at home

51% No, it may be delivered to my neighbours if they are at home

36% Yes, always

10% No, it may be placed in a safe place at my home or in the garden

3% No, it may be delivered inside my home in a safe way

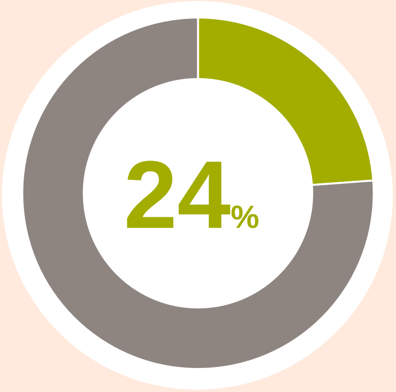
P04: If your order is delivered to your home, do you always want to take delivery of it yourself?

Base: all respondents n=503

Personalised offers

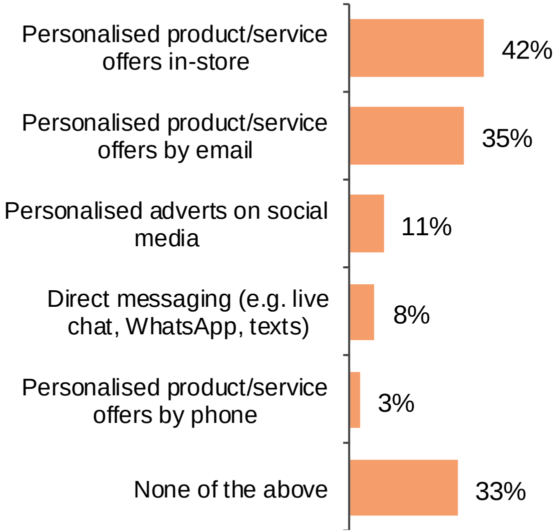
Convenience | Experience | Wellbeing | Security

A quarter of all consumers think personalized offers are (very) important to their purchasing process. Personalised offers instore and by email influence purchases the most



of the consumers thinks personalized offers are (very) important to their purchasing process

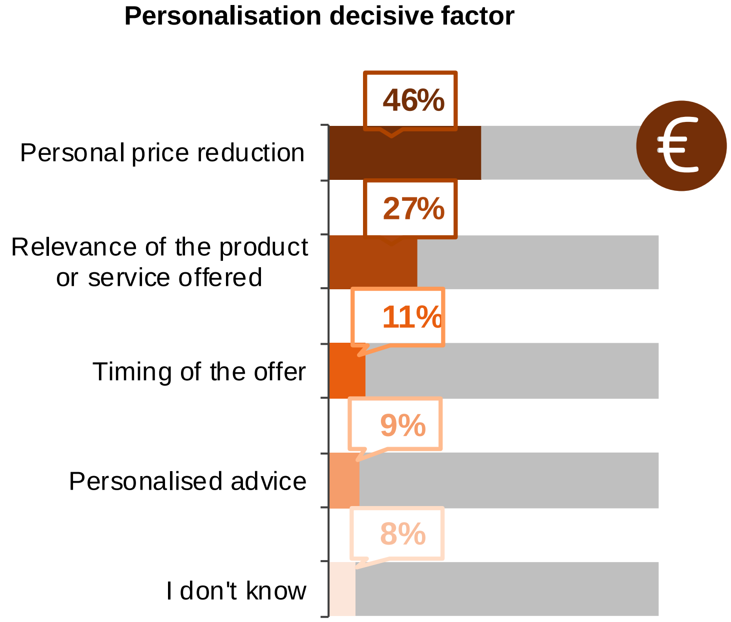
Personalisation forms to influence purchases



L03: How important are personalised offers to your purchasing process?
L01: What forms of personalisation potentially influence your purchases of products or services?

Base L01, L03: all respondents n=503

Personal price reduction is the most decisive factor

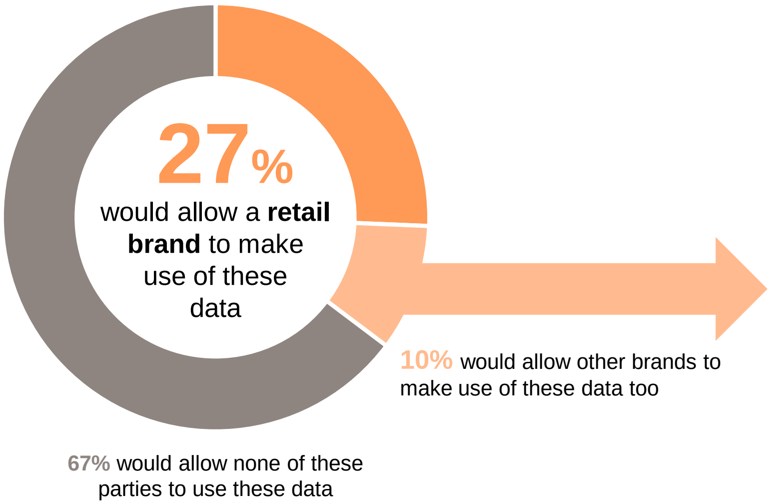


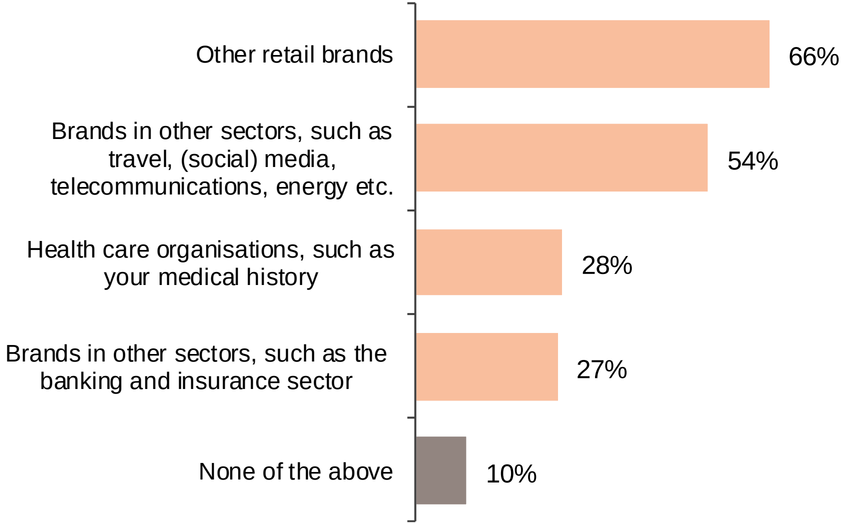
L02: Which aspect of personalisation is the most decisive factor in your purchasing decision?

Base L02: personalisation potentially influence purchases n=336

27% of consumers would allow a retail brand to use the data they have collected with them to create personal offers, the majority (67%) would not allow data usage for this purpose

Brands allowed to use your daily life data for personal offers



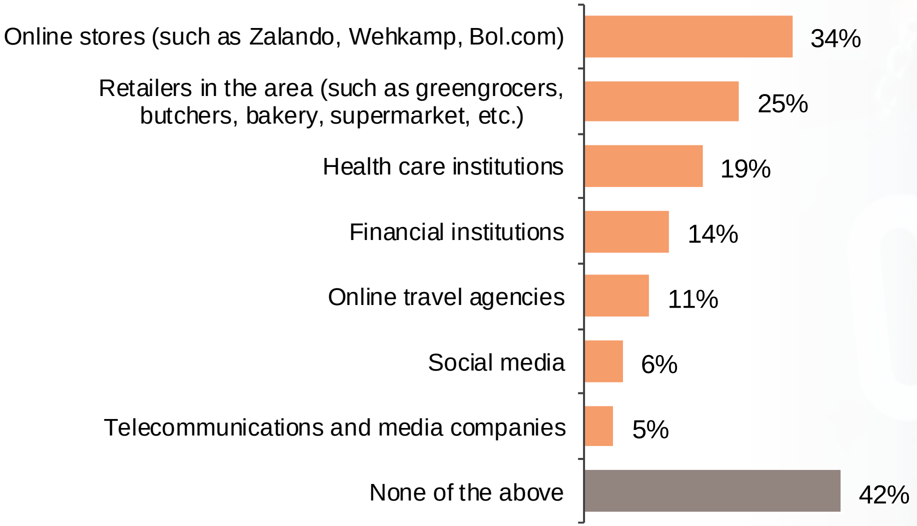


M01: What type of parties would be allowed to use those data, with your permission, to create personal offers for you (perhaps at a charge)?
M02: What other brands would be allowed to make use of these data too?

Base M01: all respondents n=503
Base M02: also other brands n=42

Of all retailers online players are trusted most to prepare personalised offers based on consumer data

Trust in brands to prepare personalised offers



M04: What brands do you trust to prepare personalised offers for you based on access to your data?

Base: all respondents n=503

Vouchers for discounts on daily groceries, restaurants and leisure are the most appealing offers to consumers in exchange for sharing their data

Interest of the following offers	**(very) interesting**
Vouchers for discounts on daily groceries, restaurants and leisure	57%
Discounts on travel (such as city breaks & flights)	44%
Discounts on subscriptions (such as media, public transport, sports club memberships, mobile phone discounts)	40%
Discounts for important occasions (such as buying a home, getting married, birth of a child)	28%
Discounts on banking and insurance products and financial services	22%

M03: If you share data for offers, what type of offers do you think is interesting?

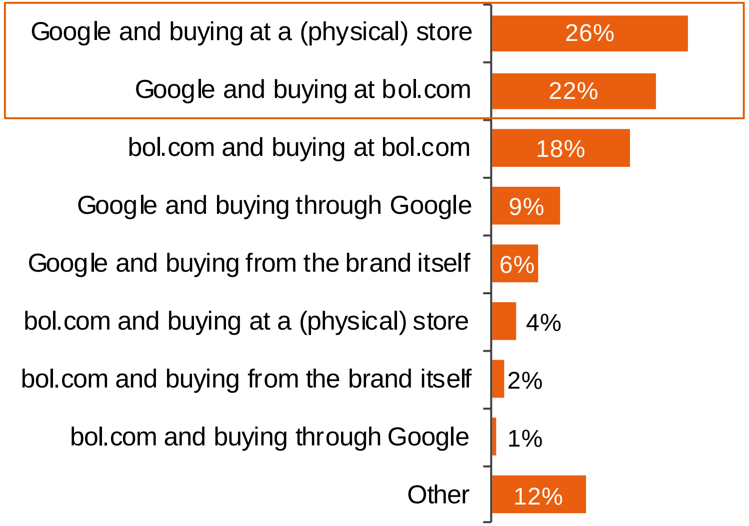
Base: all respondents n=503

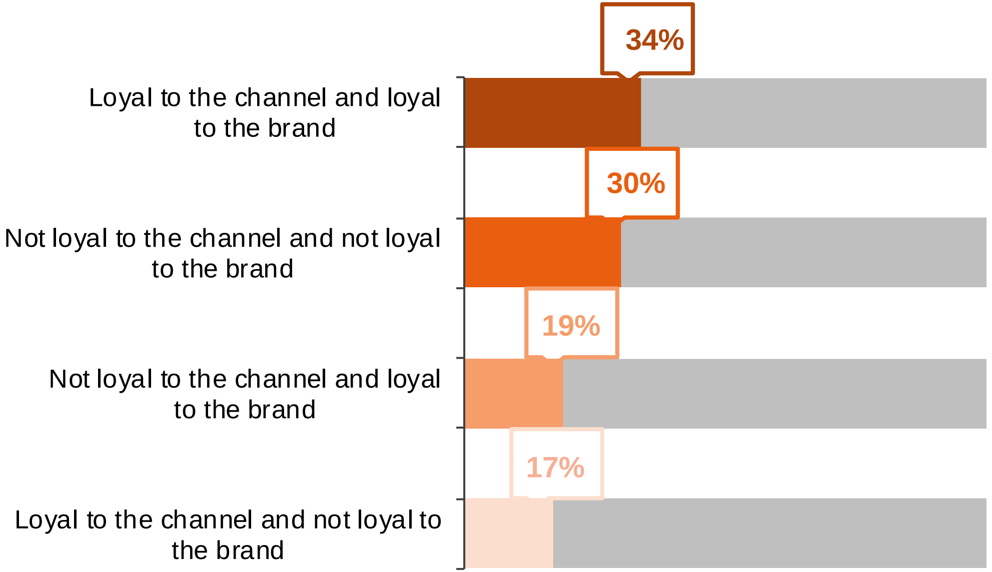
3 Appendix

Most consumers prefer looking for information on Google and buying at a physical store or bol.com

Preference and loyalty channels

I prefer looking for information on…





G01: What channels do you generally prefer when you are buying a product?
G02: How loyal are you generally to the channel and the brand when you have purchased something?

Base: all respondents n=502

Brand is most important for electronics

Importance of brand for type of product	Rank 1	Rank 2	Rank 3
Electronics	37%	22%	15%
Foodstuffs	24%	18%	19%
Footwear and clothing	17%	30%	21%
Cosmetics	11%	14%	16%
Sports and hobby accessories	7%	10%	15%
Furniture and bathroom fittings	5%	7%	15%

H01: For which type of product is the brand important to you?

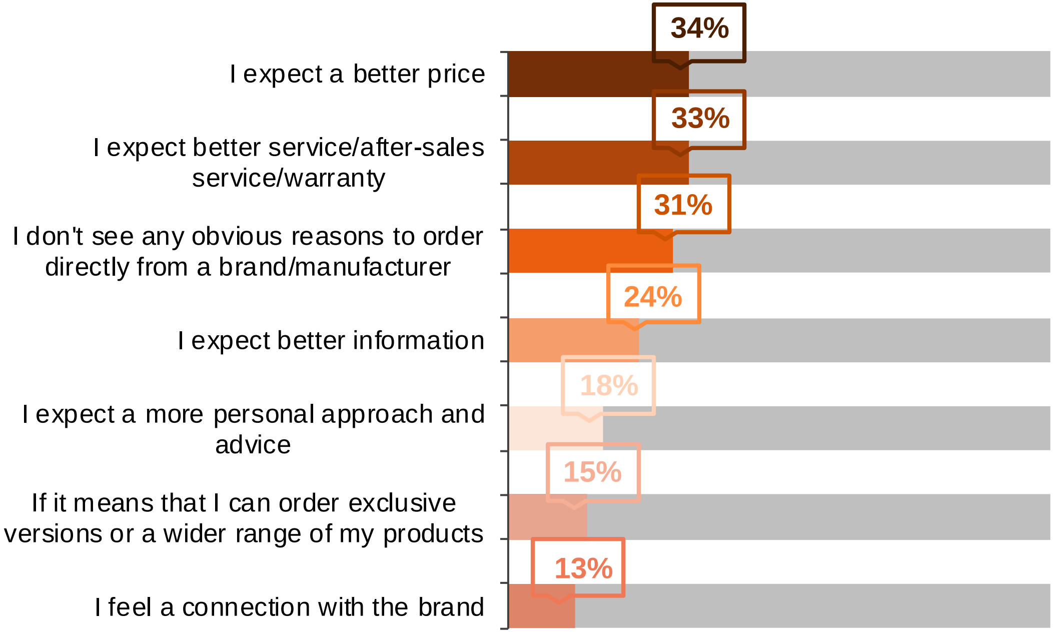
Base: all respondents n=502

20% of the consumers would like to order directly from a brand, as they expect a better price or better service

Ordering directly from a brand

30% would rather order from an online store or store/department store

50% has no preference



H02: You have indicated that you think the brand is the most important for [product]. Would you like to order products in this category directly from the brand?
H03: What would be your most important reason(s) for ordering directly from a brand?

Base: all respondents n=502

For the majority of the consumers it is important to know which companies use their personal data

Important what companies use your personal data

43%	Yes, I want to know who can use my data and for what purpose
38%	Yes, it means that I can assess if my data are in safe hands
33%	Yes, I can take action to correct or delete my data/have my data deleted
20%	No, not important

I02: As a consumer, do you think it is important to be able to find out at any point in time what companies use your personal data?

Base: all respondents n=502

For more than half of the consumers it is important to know what suppliers are involved in the product

Important what suppliers are involved in the product

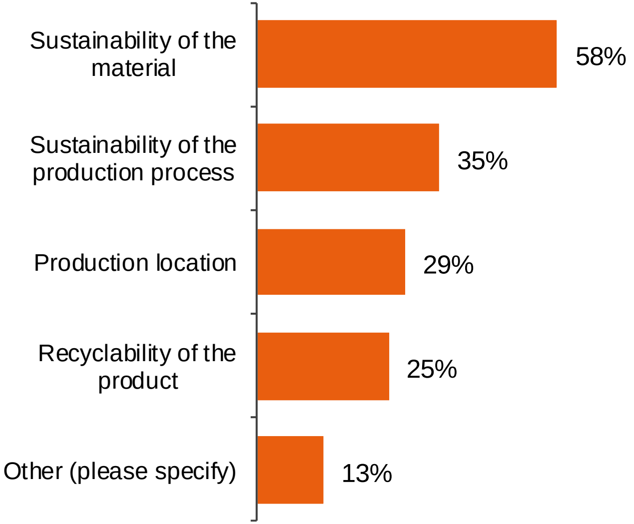
31%	Yes, it means that I can assess whether or not my product is fair and safe
28%	Yes, I want to know where my product comes from
14%	Yes, it means that I can contact one or more suppliers
44%	No, not important

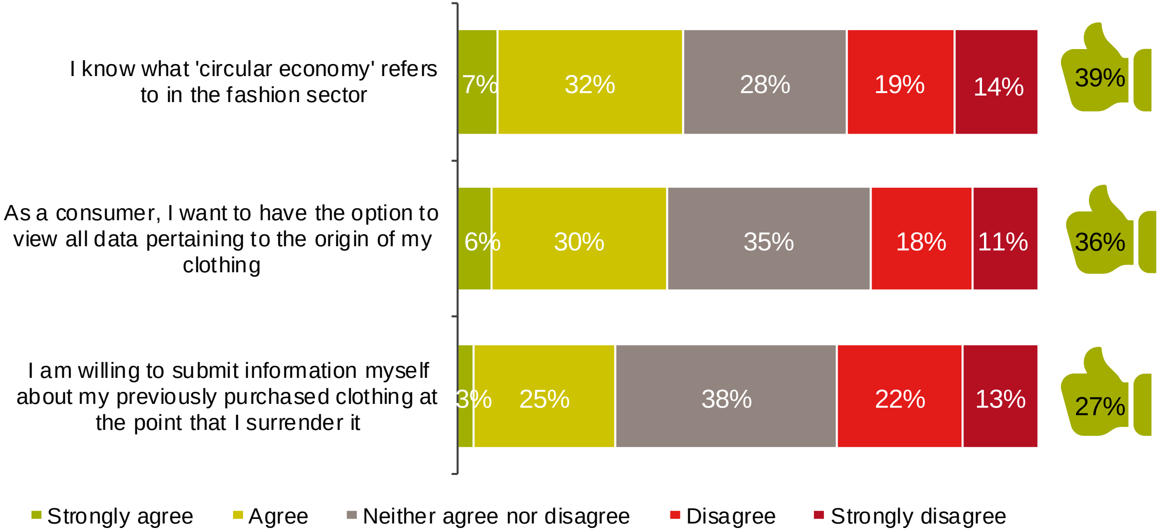
I01: As a consumer, do you think it is important to be able to find out what suppliers are involved in the product that you are buying?

Base: all respondents n=502

More than half of all consumers want information about sustainability of the material when they buy clothing

Purchasing clothing



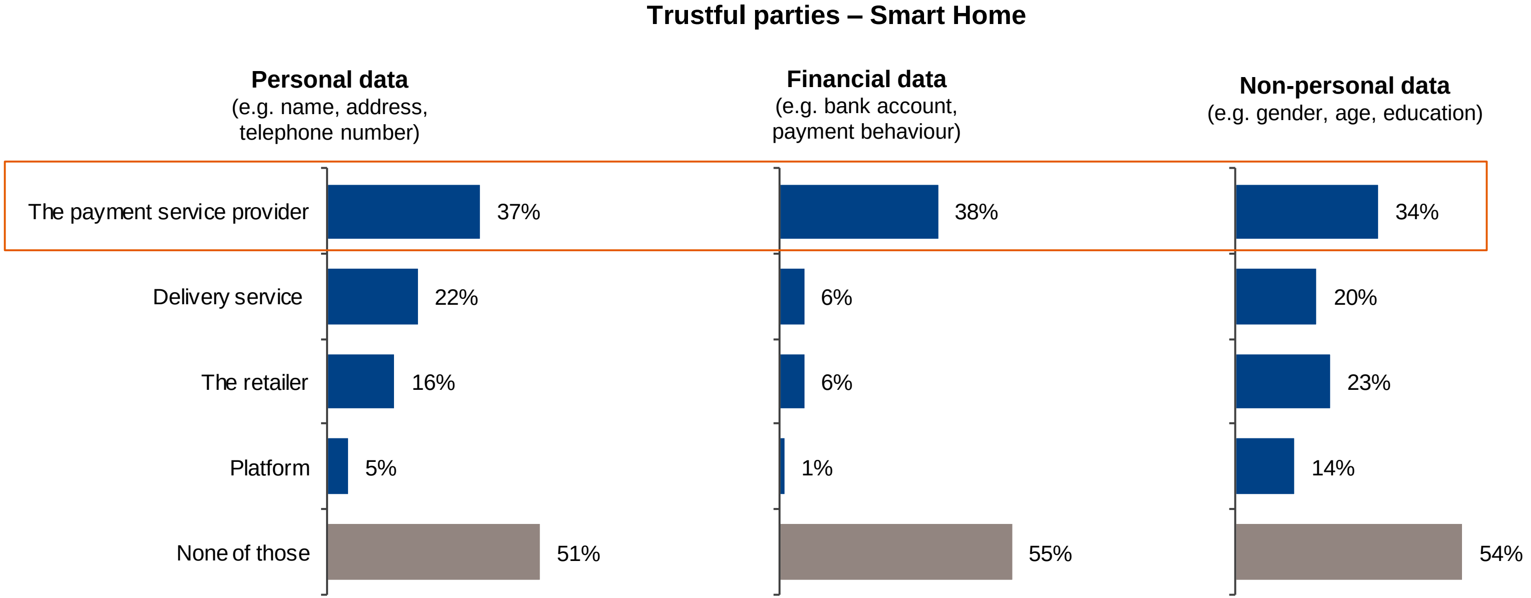


= % (Strongly) agree

O01: What information (in addition to e.g. price and fit) would you want to use when purchasing clothing?
O02: Please indicate to what extent you agree with the statements below.

Base: all respondents n=503

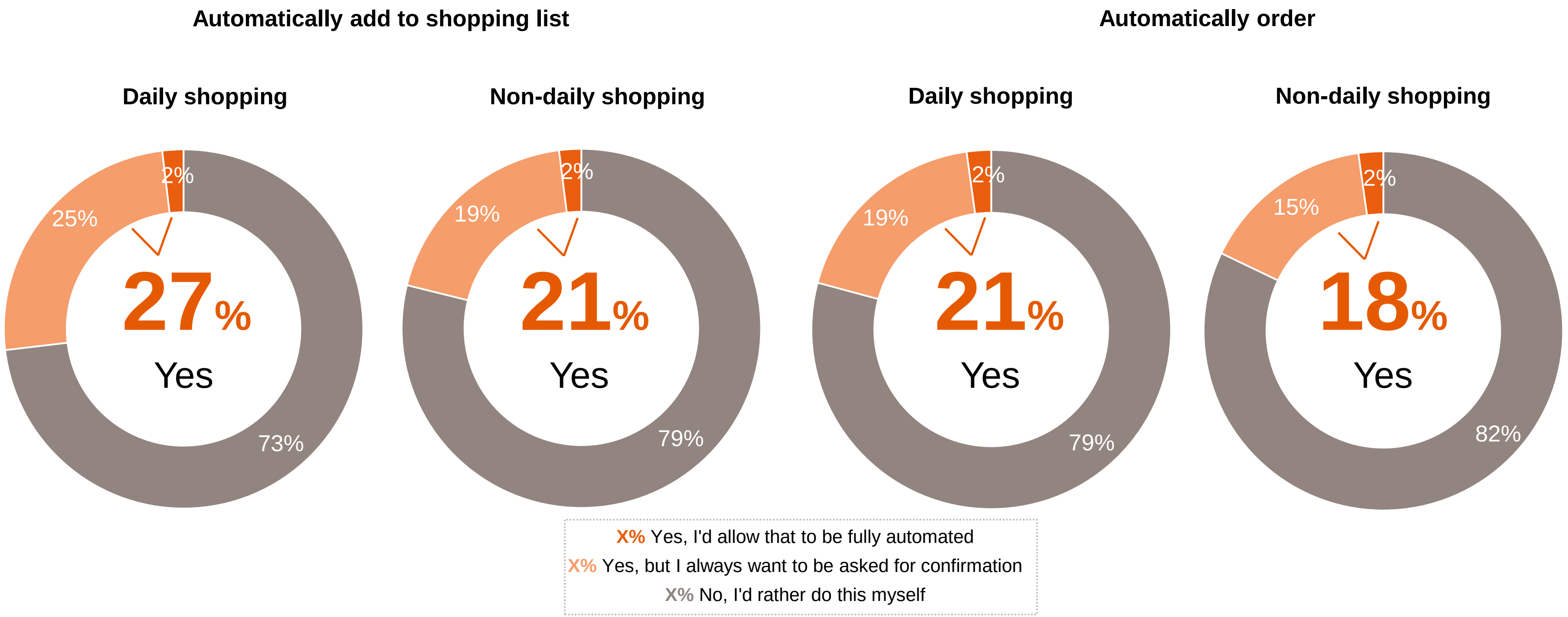
About half of all consumers trust companies with their (personal) data regarding Smart Home solutions, most trusted partner is the payment service provider



P01: A Smart Home (a home equipped with smart technology and devices) can provide high levels of convenience for you as a consumer. This means that various parties would like to have access to your (personal) data. Who do you trust with your...

Base: all respondents n=503

About a fifth of all consumers would allow smart home technology to automatically add items to their shopping list or automatically order them



P02: For the types of shopping listed below, would you allow your home to use smart technology to automatically add them to an app containing your shopping list?
P03: For the types of shopping listed below, would you allow your home to use smart technology to automatically order them?

Base: all respondents n=503

Research design

Research method

Quantitative online research (CAWI)

Survey consisted of 46 questions (questionnaire was split into two parts, respondents answered only half of the questionnaire)

Topics covered in the survey: economic and online development, trends in shopping behaviour, shopping with smartphone, crossborder shopping, online purchase journey, personalised offers.

Sample

GfK Online Panel

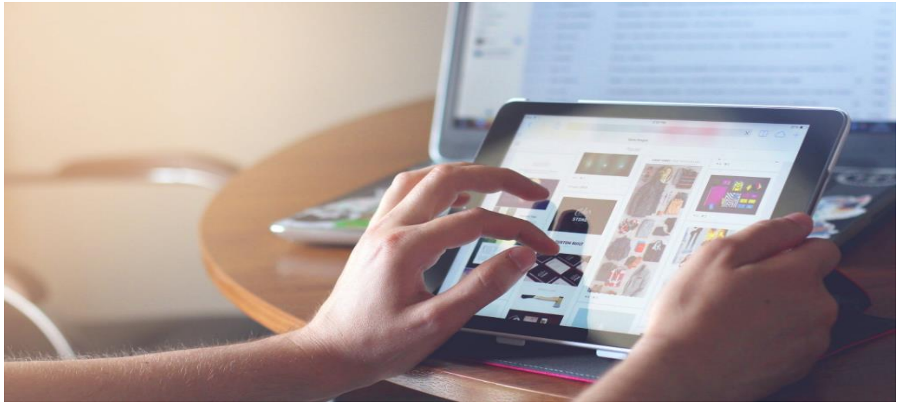
Dutch persons of 15 years and older.

The net sample is representative for the total Dutch population of 15 years and older, on the profile characteristics gender, age group, education and district.

Fieldwork

October, 1 – October, 9, 2019

Net sample: n = 1.003 respondents



GfK Quality assurance

GfK offers high-quality products and services in the field of market research, based on techniques from the social sciences, both in qualitative and quantitative nature.

The quality is also guaranteed by external regulators.

- The study was conducted in accordance with GfK's quality system that is certified according to the standard of
  - ISO 9001:2015 (Standard for requirement for a quality management system)
  - ISO 20252:2012 (Standard for requirements for conducting market research) and
  - ISO 23632:2009 (Standard for access panels)
- On international level GfK is member of ICC/ESOMAR and endorses by the code of conduct of ESOMAR (European Society for Opinion and Market Research), see revised ICC/ESOMAR Code http://www.esomar.org/index.php/codes-guidelines.html.
- On local level GfK is member of MOA (Center for Information Based Decision Making & Marketing Research) and thus abides by the delivery and payment conditions of this professional organization. An outline of these MOA conditions is available on http://www.moaweb.nl.
- GfK follows the Code of conduct for market research and statistics, strictly acts in accordance with the law for the protection of personal information and is registered at the Autoriteit Persoonsgegevens (AP).

Questions?

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