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RETAIL

Consumers willing to pay premium for convenience: Euromonitor

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JD offers a White Glove delivery service. Image credit: JD

By SARAH JONES

Consumers across all income levels are time poor, leading to a rise in services that help them simplify and speed up tasks such as shopping.

According to a webinar from Euromonitor, premiumization is taking hold of the retail and payment industries as consumers prioritize buying fewer, better things. In retail, this trend is manifesting in offerings such as expedited shipping and subscription replenishment, as shoppers shell out to make their lives easier.

"One of the trends that's driving premiumization across the globe right now is the quest for time," said Bob Hoyler, senior analyst at Euromonitor International, Chicago. "And I think most of us understand this motivation on a pretty fundamental level, because being time strapped seems to be a fairly universal complaint these days.

"The upshot of this is that time has become an increasingly precious commodity, and as a result, consumers everywhere in both developed and emerging markets are willing to spend money to save time," he said.

Trading up

A number of factors are driving premiumization, including consumers delaying marriage, longer lifespans and smaller households with fewer children.

In emerging economies such as China, the growing middle class is trading up from basic goods to higher-end options.

Asia Pacific represented 37 percent of the luxury market in 2013, but by 2023 it is expected to grow its share of luxury purchases to 48 percent.

Purchasing power consolidation is also creating a demand for premium goods and services.

The world's wealthiest, including ultra-high-net-worth, high-net-worth and affluent individuals, are only 0.9 percent of the global population, but they hold 47 percent of global wealth. This group is expected to grow to 1.3 percent of the world in 2030, with 53 percent of worldwide wealth.

Beyond economic shifts, premiumization is a reflection of changing consumer values.

Environmental concerns have led shoppers to be considerate of their purchasing behavior. Shoppers also want to buy products that reflect their identity, and social media has inspired them to be individualistic.

Technology is also heightening consumer expectations and opening the door for services that simplify parts of their lives. In a Euromonitor survey, 46 percent of consumers would be willing to pay more to save time.

One of the key examples of this is Amazon Prime, in which consumers pay an annual fee to receive free two-day shipping. Amazon upped the ante earlier this year with the announcement that it would be offering one-day delivery to Prime users by the end of the year.

Amazon has launched a personal shopping service for Prime members. Image courtesy of Amazon

Amazon has set the standard in delivery in a number of markets, making speedy shipment almost a necessity for retailers looking to succeed at ecommerce.

As ecommerce has taken off, so has consumers' desire for curation and personalization in the online shopping environment. In some cases, shoppers will pay a premium for browsing help.

For instance, Jet launched a chatbot texting service that serves as an artificially intelligent personal shopper, suggesting items that are available from the ecommerce site that fit what the consumer is looking for and what the company knows about the consumer's preferences. Dubbed Jetblack, the invite-only service is currently exclusive to New York residents and costs $50 per month in exchange for convenience.

Jetblack offers texting help

In general, Euromonitor expects conversational commerce to pick up, as retailers look to recreate the experience of shopping with friends in a virtual environment.

Retailers can also effectively upsell shoppers through personalization. A prime example is Sephora, which leverages data from across its channels to serve up targeted messages to consumers, such as inviting them to spend a remaining gift card balance or picking out products it thinks will be a fit.

As consumers crave simplicity, subscription services are also taking off. Twenty-three percent of all consumers have used a subscription service, but this statistic rises to 32 percent for consumers with incomes of at least $60,000.

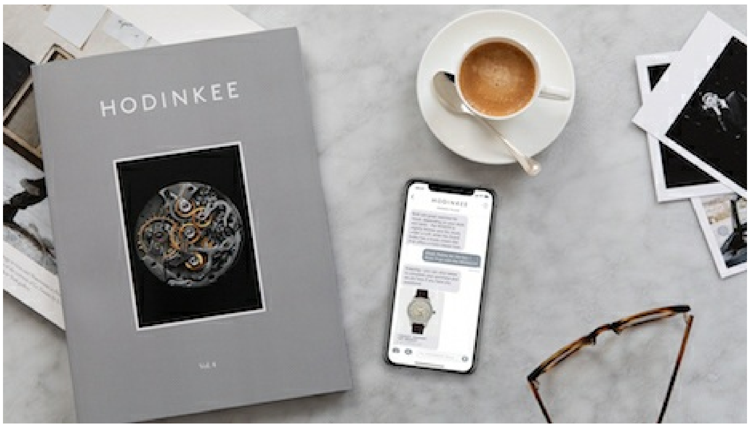
With premiumization taking hold of retail, Asia Pacific is an early adopter and leader in some of the developments.

For instance, China was the first nation to see most of its digital transactions happen via mobile devices.

Social media, shopping and payments are also interlinked in popular application WeChat. This content and commerce crossover was elevated when WeChat parent Tencent acquired a stake in retailer JD.com, leading to the integration of JD into the WeChat ecosystem to form WeShop.

While WeChat has become such a prolific force in China, Western brands are rethinking how to interact with consumers via text message by leveraging Apple's Business Chat.

Previously, brands were tapping SMS for marketing endeavors similar to email blasts, often letting customers know when deals and events were occurring. This one-sided format of interaction is now outdated (see story), as consumers seek greater two-way communication with brands, causing luxury brands such as Burberry and Hodinkee to jump onboard early for Apple Business Chat (see story).



Hodinkee is one of many luxury businesses to jump on Apple Business Chat. Image credit: Hondinkee

Similarly to Amazon, JD is also setting expectations for delivery. The marketplace now offers same day or next day delivery on 90 percent of orders within China.

In 2017, JD launched a white glove delivery service for luxury products (see story), and it has since expanded the offer to more categories. While this is not a complimentary service, consumers have shown a willingness to splurge to have items hand delivered.

Payment premiums

In addition to retail, premiumization is impacting trends in payments.

Continuing the theme that consumers are willing to spend more for more, credit card fees have risen in the last few years.

Credit card firms are offering perks such as concierge services and access to airport lounges. Some of the most popular benefits among consumers are entertainment and travel experiences.

Those who are 30 to 44 favor access to a concierge, while 15 to 29 year olds desire early access to products and services.

Rewards can also give consumers the impetus to trade up. For instance, a traveler might not book a first-class ticket if it is full price, but with a reward it becomes more of an acceptable and justifiable purchase in their mind.

Credit cards themselves are also getting more premium, with plastic being traded out for metals, such as the titanium Apple Card.

Apple Card. Image credit: Apple

Along with looking for experiential benefits, consumers are seeking credit cards that will help them achieve values. Swedish fintech company Doconomy has a black card that tracks the emissions tied to a consumer's purchases, and will decline purchases if the cardholder goes over his or her CO2 limit.

Even as banking options diversity, brand loyalty fades and new payment options emerge, credit card ownership and usage has remained strong over the past decade.

For affluent consumers, credit cards continue to offer unique experiences, exclusive perks, networking opportunities and significant savings options. With data collection techniques becoming evermore sophisticated and the market becoming crowded with more players, companies have to go above and beyond the bare minimum of offering cash back and rewards to retain elite customers (see story).

"In many categories or brands, premiumization is alternative to long-term commoditization as the middle class recedes," said Kendrick Sands, head of consumer finance at Euromonitor, Chicago. "Specialization across categories is increasing, and it's far better to do something extremely well than be average at everything.

"Greater quality must now be joined with greater connection with the consumer through community, personalization and service," he said. "The payment is not the end of the interaction with the consumer; there needs to be a path to the next purchase."