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RETAIL

Retailers should incentivize shoppers as trip frequency increases

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Shoppers are returning to stores more frequently. Image credit: Bloomingdale's

By SARAH RAMIREZ

Not all pandemic-era shopping behavior has longevity, but retailers will be better served by having a deeper understanding of their shoppers.

According to the "Unfolding Consumer Behavior Patterns in the New Normal" whitepaper from Placer.ai, some consumer behavior is starting to resemble 2019 shopping patterns. Other changes, such as the growth of online shopping and inflation, are also impacting consumers.

"We expected a return to pre-pandemic patterns, and this has largely been the case," said Ethan Chernofsky, vice president of marketing at Placer.ai, Los Altos, CA.

"But there are small but significant shifts that are proving to be sticky," he said. "The rise of flexibility in the workplace is leading to more flexibility to shop and dine at the times that work best for key audiences.

"The result is a unique ability for retailers and restaurants to incentivize behaviors and visits that can create a better situation for the customer and the brand."

Placer.ai's whitepaper is based on foot traffic data across six retail categories and an online survey of more than 350 U.S. consumers conducted in March 2022.

Following the trends

The start of the COVID-19 pandemic and widespread shutdowns of "non-essential" businesses upended shopping habits.

One of the most immediate changes was shoppers opting for less frequent, but longer, store trips. This allowed consumers to minimize their potential exposure to COVID.

More consumers see in-store shopping as complementary to ecommerce. Image courtesy of Saks Fifth Avenue

Improvements in the battle against COVID does not seem to be the only reason for this shift. Uncertainty about inflation and increased gas prices are motivating shoppers to make frequent trips before prices climb again.

The growth of ecommerce is also a factor, as more consumers might consider in-store shopping as a complement to online shopping meaning store trips are for grabbing items in between online orders.

Shorter, more frequent visits also impact basket size, with average basket value taking a hit. Further, retailers will want to evaluate which types of products in-store shoppers purchase or view compared to those items they buy online.

Although about 60 percent of respondents now do more online shopping than before the pandemic, they still expect stores to offer an added value not available through ecommerce.

Personalization and efficiency are both key for helping retailers stand out and engage loyal shoppers.

Last year, U.S. department store chain Bloomingdale's launched Bloomie's, a small format, highly-curated store concept in northern Virginia, about 15 minutes away from a full-scale store. Each store saw differences in foot traffic trends over the course of three months.

Bloomie's foot traffic was also staggered throughout the day, while two-thirds of visits to Bloomingdale's took place before 4 p.m. Shoppers spent a median time of 44 minutes at Bloomie's compared to a median visit of 31 minutes at Bloomingdale's (see story).

"Consumers were stripped of the bricks-and-mortar retail visit for an extended period, and this is actually creating a greater level of demand for that experience," Mr. Chernofsky said. "But critically, the idea here is less about doing something shocking or gimmicky and much more oriented towards leveraging the store as a means of expressing a retailer's true brand.

Bloomingdale's launched its small-format store Bloomie's in summer 2021. Image credit: Bloomingdale's

"If high-end luxury is the calling card, then ensuring that the store visit feels high-end is crucial," he said. "If the focus is on being edgy and innovative then the store can play a huge role in communicating that.

"When done authentically and effectively, the in-store experience drives a deeper connection and loyalty that creates longer and more impactful customer relationships."

Understanding shoppers

The pandemic also led to other changes across retail categories, with dining times shifting and consumers' disposable incomes fluctuating. Brands and retailers that were able to adapt to changes in consumer habits were the most successful.

For instance, beauty retailer Ulta saw declines in both its customers' average household income and median household income from Q4 2019 to Q4 2021. Ulta saw foot traffic increase in 2021 compared to 2019, however, as it offered high-end and mass market brands side-by-side catering to all types of beauty shoppers.

Loyalty programs also gave some retailers a boost in the last two years.

According to Yotpo's annual State of Brand Loyalty survey, 83 percent of global consumers believe belonging to a loyalty program influences their decision to purchase from a brand again.

About seven in 10 shoppers are willing to share personal information with brands in exchange for loyalty perks such as personalized offers, tailored discounts and exclusive experiences. These details may include emails, names, birthdates, product preferences and specifications (see story).

This information can give brands an even better understanding of shoppers.

"Consumer behavior is changing, even if not dramatically," said Placer.ai's Mr. Chernofsky. "However, in this environment, small changes can be very significant.

"For example, if a segment of your audience has greater flexibility on when to shop, can you incentivize visits during off-peak hours to provide a deeper and more lasting experience," he said. "If customers are looking for something more experiential, can you ensure that the environment in the store reflects the brand you're creating?

"Luxury marketers more than most need to understand the expectations of their customers to ensure that they live up to the lofty standards that being luxury' demands."