



REPORT

General Merchandise Online Growth during COVID

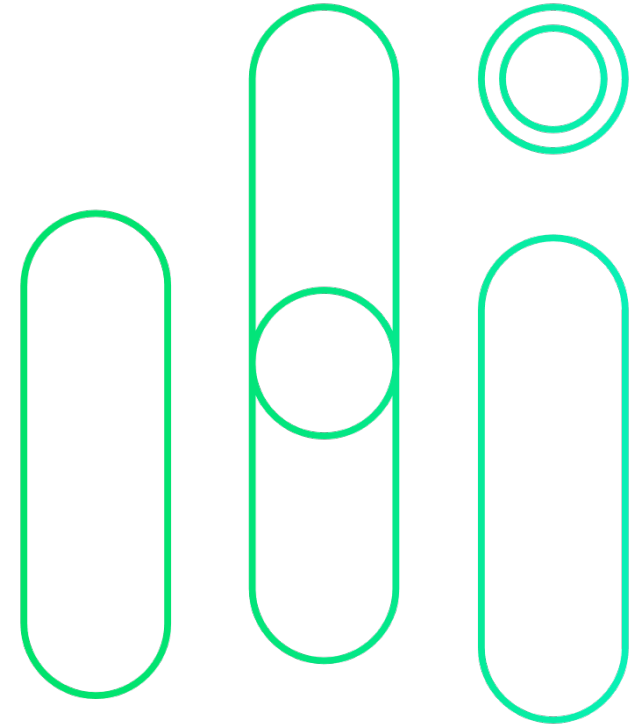
April 2021



Methodology

How we define General Merchandise for this analysis:

- **Electronics:** e.g. tablets, smart devices, computers, speakers, headphones, and TVs, etc
- **Home Improvement:** e.g. hardware, hand tools, power tools, and painting supplies, etc
- **Housewares:** e.g. small kitchen appliances, serve ware, cookware, and flatware, etc
- **Toys:** e.g. puzzles, games, action figures, dolls, learning tablets, and counting toys



As we know, 2020 saw significant growth online, with **51% growth** in online spending.

There has been much talk about this trend in CPG categories, but what's happening in the rest of the market?

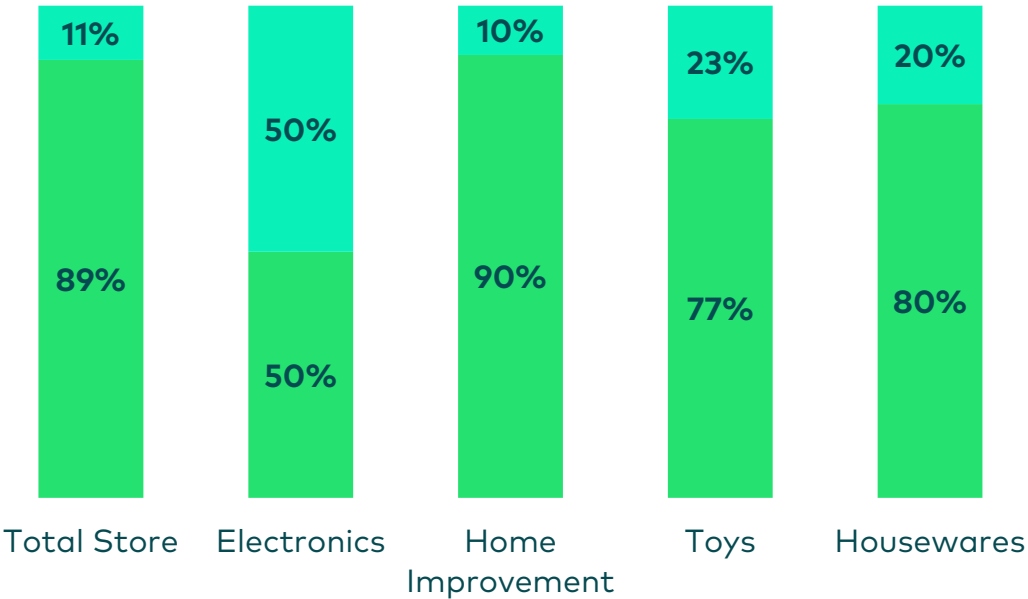
General Merchandise **grew 32%**, despite being disproportionately sold online to begin with

For the purpose of this study, "General Merchandise" includes Toy, Housewares, Electronics, and Home Improvement Sectors

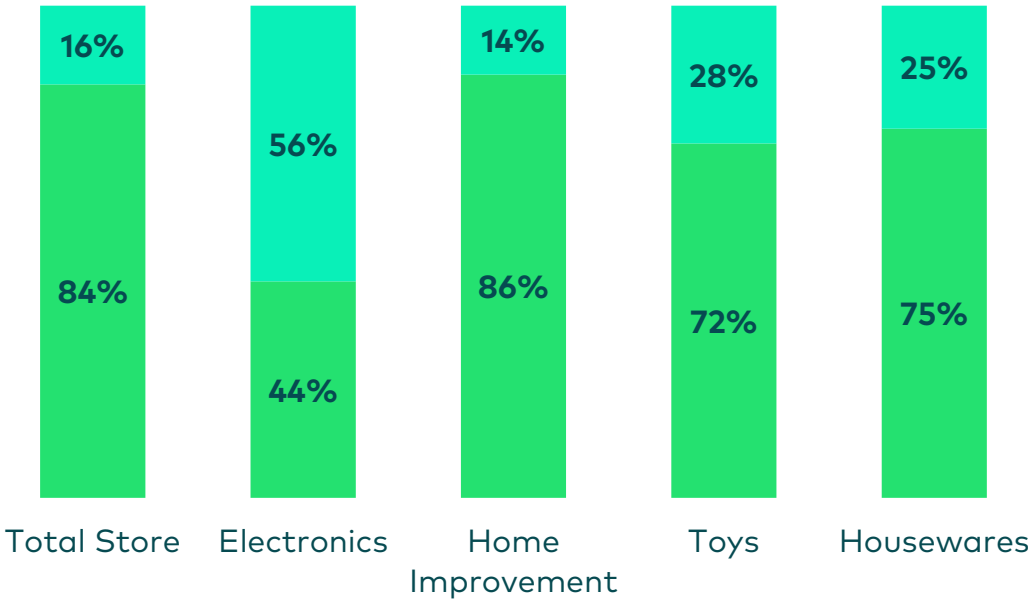
Electronics was already an online dominant sector before the pandemic, but in 2020 saw over half its trips shift online

Brick-and-Mortar Online

2019 Share of Trips

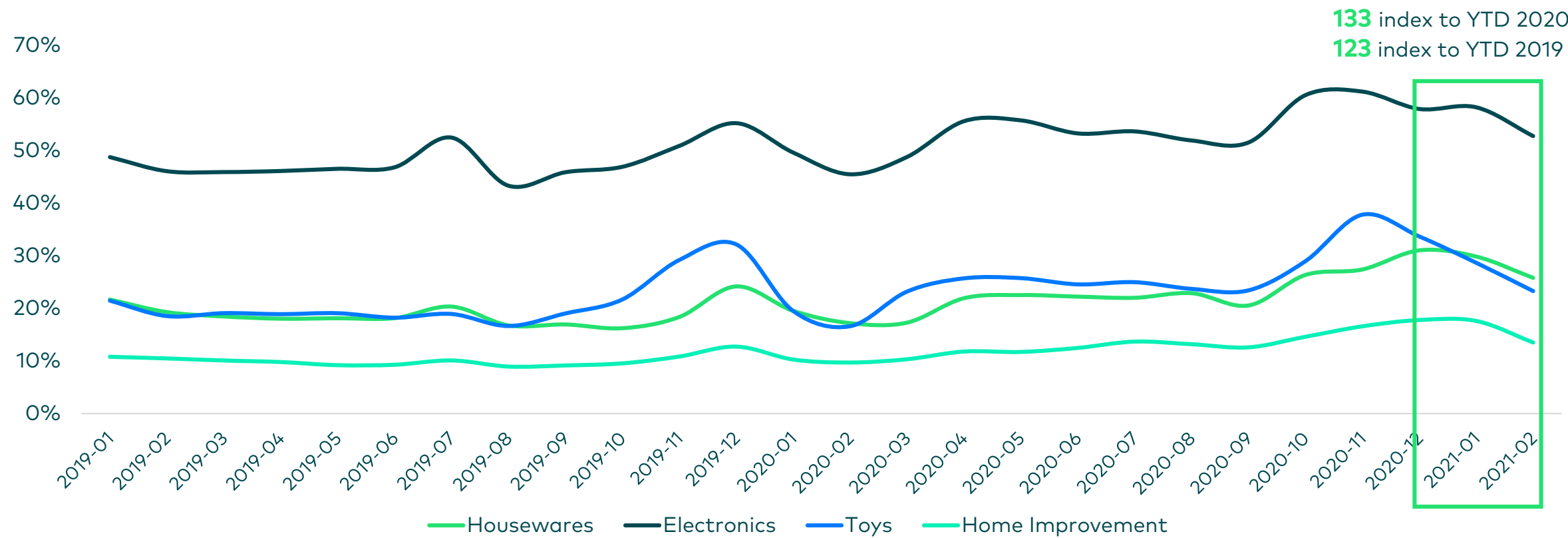


2020 Share of Trips



Online trips continue to remain elevated versus previous years, which points to a new normal for ecommerce moving forward

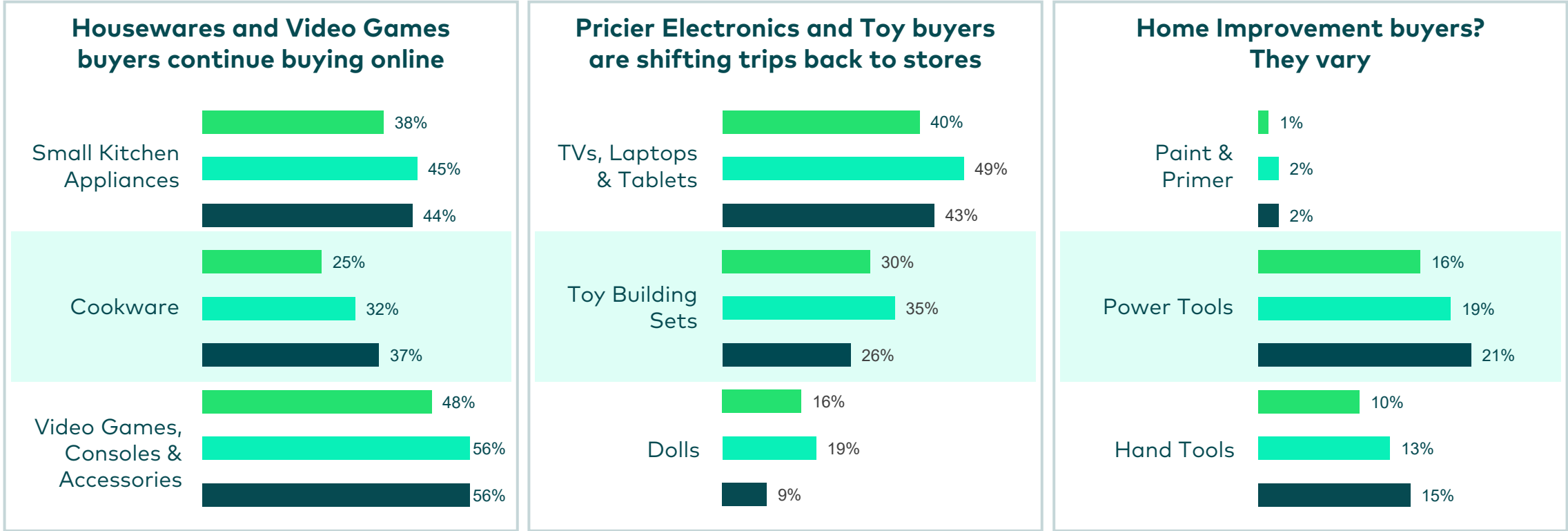
Share of Trips Online



However, this new “normal” will most likely play out differently depending on the category

% of Online Trips

2019 2020 YTD 2021



**The pandemic fueled new opportunities for online
retailers across several demographic segments**



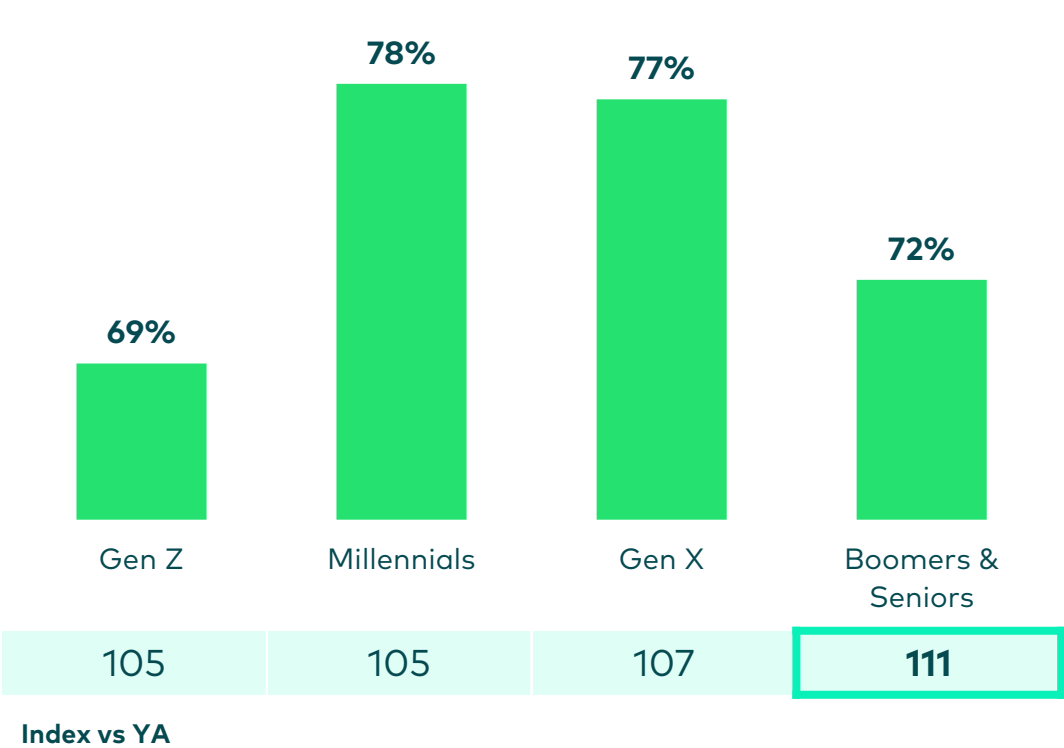
Numerator

Who shifted online? Well... everyone.

But **older and lower-income households** (previously slow to adopt ecommerce) shifted fastest

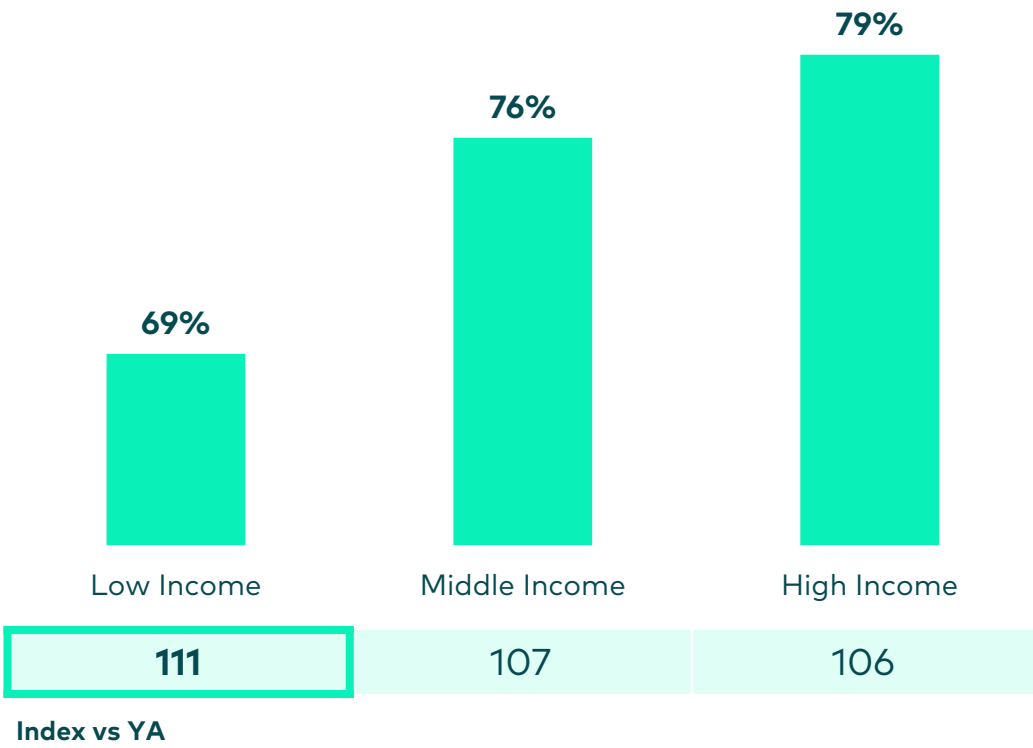
Online GM Shoppers by Age

Percent of group purchasing GM online



Online GM Shoppers by Income Level

Percent of group purchasing GM online



Target, Best Buy, and Walmart's online businesses benefitted, stealing share from Amazon (regardless of the shopper's age)

Share of Online Trips
(Index vs YA)



Target and Best Buy also gained share across income segments

COVID may have granted the retailers access to new low-income households that were harder to reach historically

Share of Online Trips

Index vs YA

	amazon	Walmart	BEST BUY	Target
Low Income	82% (97)	5% (102)	2% (146)	2% (169)
Middle Income	85% (97)	3% (99)	2% (166)	2% (144)
High Income	86% (95)	3% (104)	3% (181)	2% (155)

What did it look like last year?

Retailer % of Households Index Among Low-Income HHs (CY 2019)*



86



81

Aside from trips shifting online among existing buyers, we would expect that 2020 showed an influx of new buyers to General Merchandise segments...

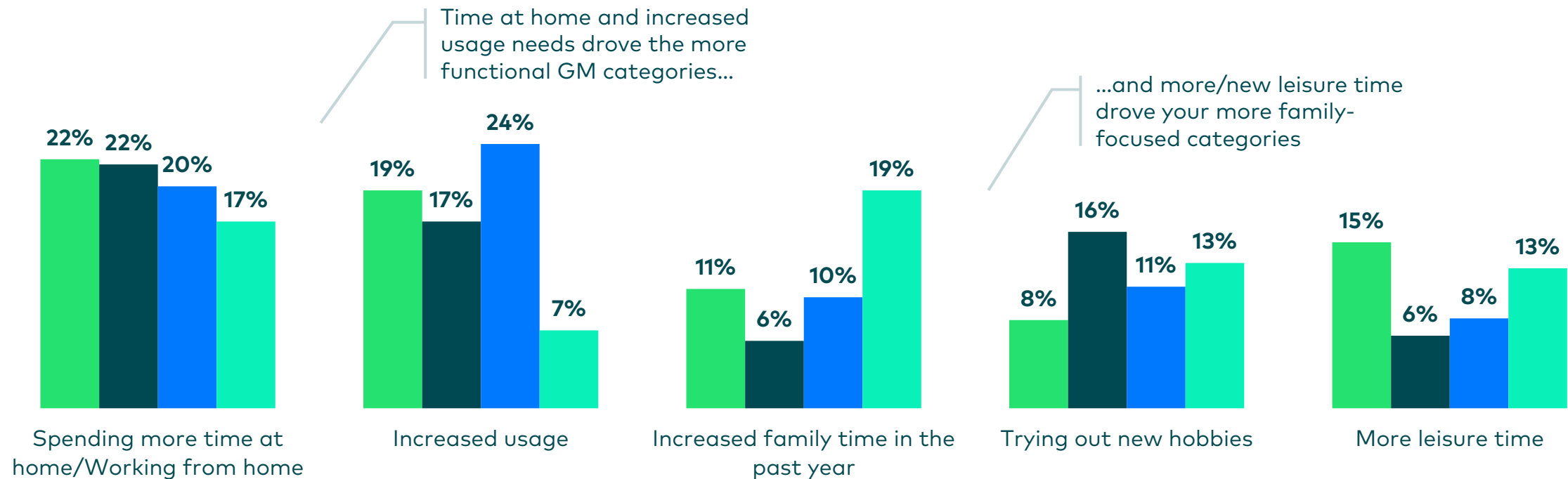


New buyers would naturally shift online due to COVID and store closures, but do all categories behave the same? Not quite.

Purchase Drivers for GM Categories

Among Online Shoppers

■ Electronics ■ Home Improvement ■ Houseware ■ Toys

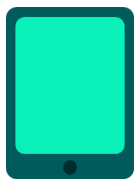


The growth of new online shoppers also differs by GM category

Electronics, a more concentrated online GM sector, brings in significantly lower share of new buyers as do other sectors

% growth in total category buyers by category

2020 vs. 2019



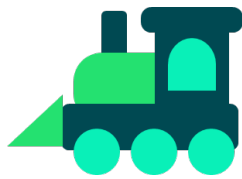
Electronics

+11%



Home Improvement

+29%



Toys

+20%



Housewares

+28%

Change (% pts) in growth rate vs. prior year (2019 vs. 2018)

-1pp

+5pp

+2pp

+3pp

...And new buyers look different than existing buyers

Compared to existing buyers, we saw that across GM segments, new buyer skew **younger**, **lower income**, and **non-white**...

Gen Z (18+)

3-4%, **120+** index

< \$40K

28-38%, **150+** index

African American

13-15%, **120+** index

Latinx

12-16%, **125+** index







Mass and specialty retailers won among new buyers, signaling shoppers' continued affinities for their favorite B&M stores

Share of Online Trips Among New Online Buyers

(Index vs. Existing Buyers)



These affinities, along with negative attitudes toward online shopping and research, suggest new online buyers will migrate back to stores...

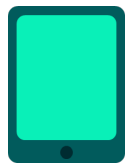
	 Electronics	 Home Improvement	 Toys	 Housewares
Online Order Frequency (Once a Month or Less- Index to existing buyers)	167	164	164	164
Online Shopping Characterization (Not enjoyable or not at all enjoyable- Index to existing buyers)	157	120	134	124
Online Research Frequency (Rarely/Never- Index to existing buyers)	146	137	134	126

...but the migration back to brick-and-mortar locations may prove to be a slow one

More than three-quarters of shoppers across categories of focus expect their online spending to increase or remain the same in the next 12 months

Next 12 Months Online Spend Expectations by Sector

Among Online GM Shoppers (% Increase or Remain the Same)



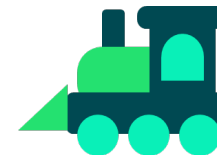
ELECTRONICS

77%



HOME IMPROVEMENT

79%



TOYS

77%



HOUSEWARES

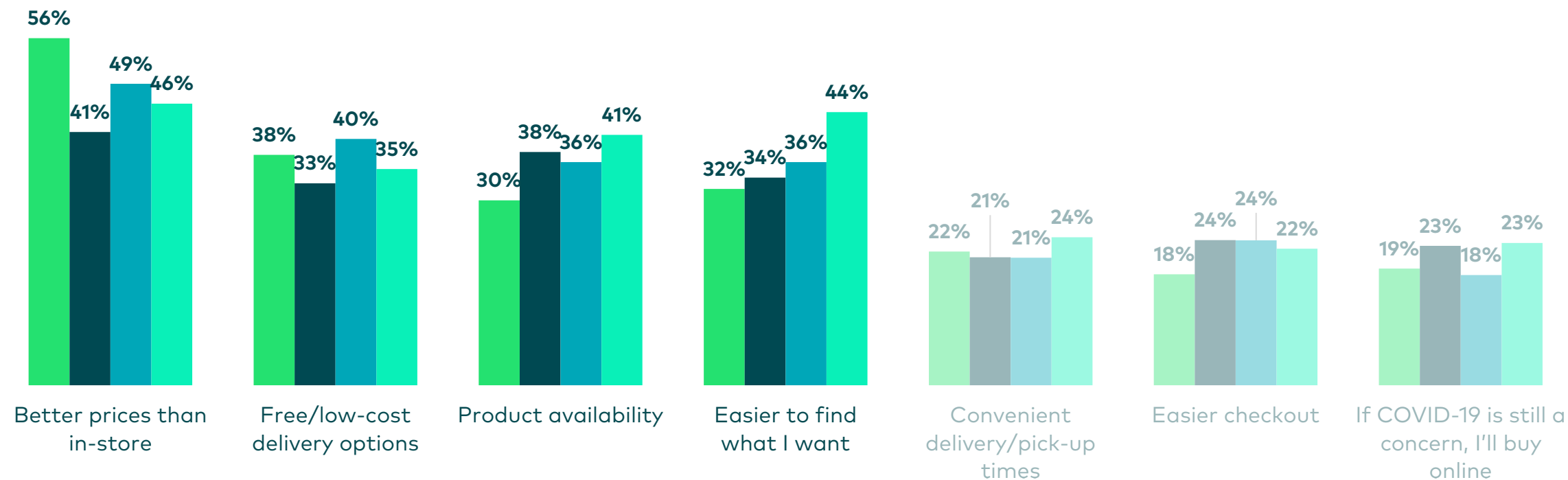
82%

To keep new online shoppers, GM retailers must focus on competitive pricing/shipping, product availability, & ease of use

Motivators for Future Online Purchasing

Among Online Shoppers

■ Electronics ■ Home Improvement ■ Houseware ■ Toys



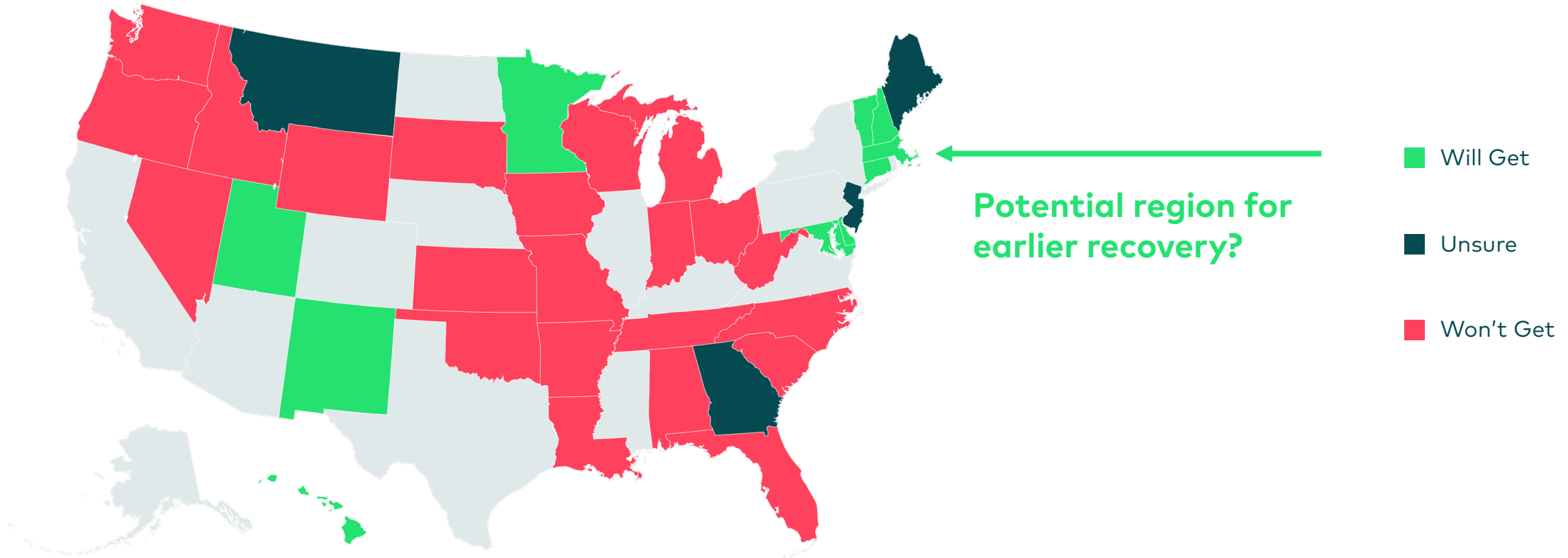
The vaccine will inevitably have an impact on online purchase behavior, but data has yet to show a noticeable shift within the GM segment...



The Northeast is the most clustered area for vaccine getters—this could be a good area for early reads on the overall recovery process

Vaccine Willingness by State

Index vs. state's % of US population (e.g.110 = state overindexes toward 'Will Get the vaccine')



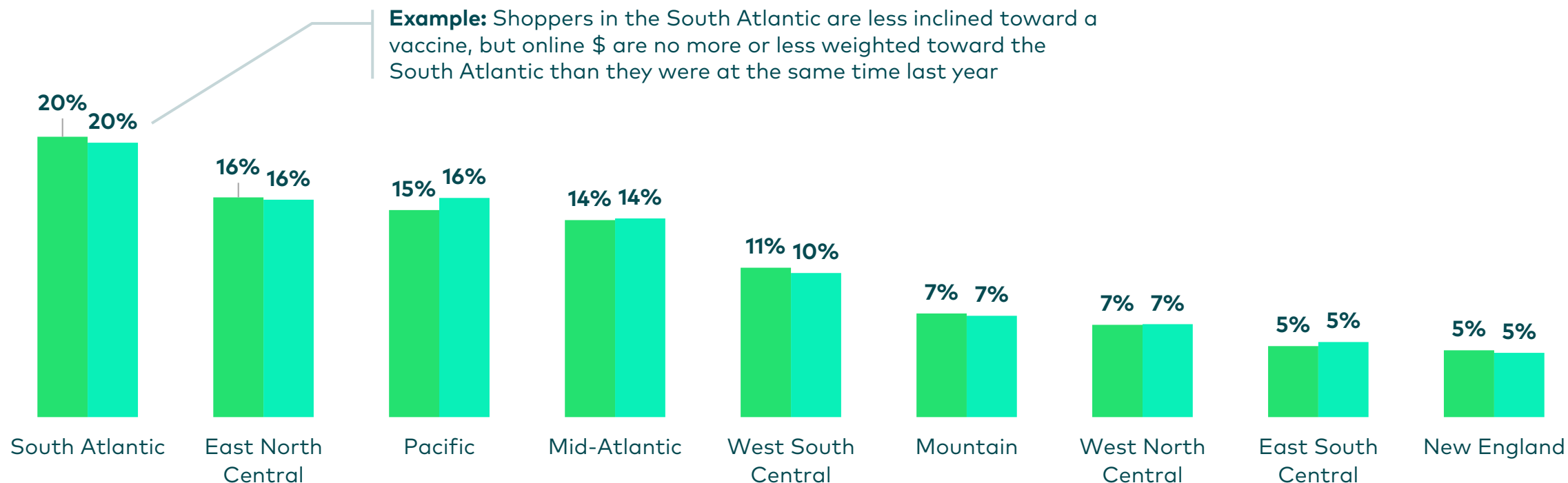
Despite geographic differences in vaccine adoption, the vaccine doesn't look like the sole driver of a shift back to B&M stores

Online Trip Share by Census Division

Among Electronics, Tools & Home Improvement, Toys, Housewares

■ Jan-Feb 2020

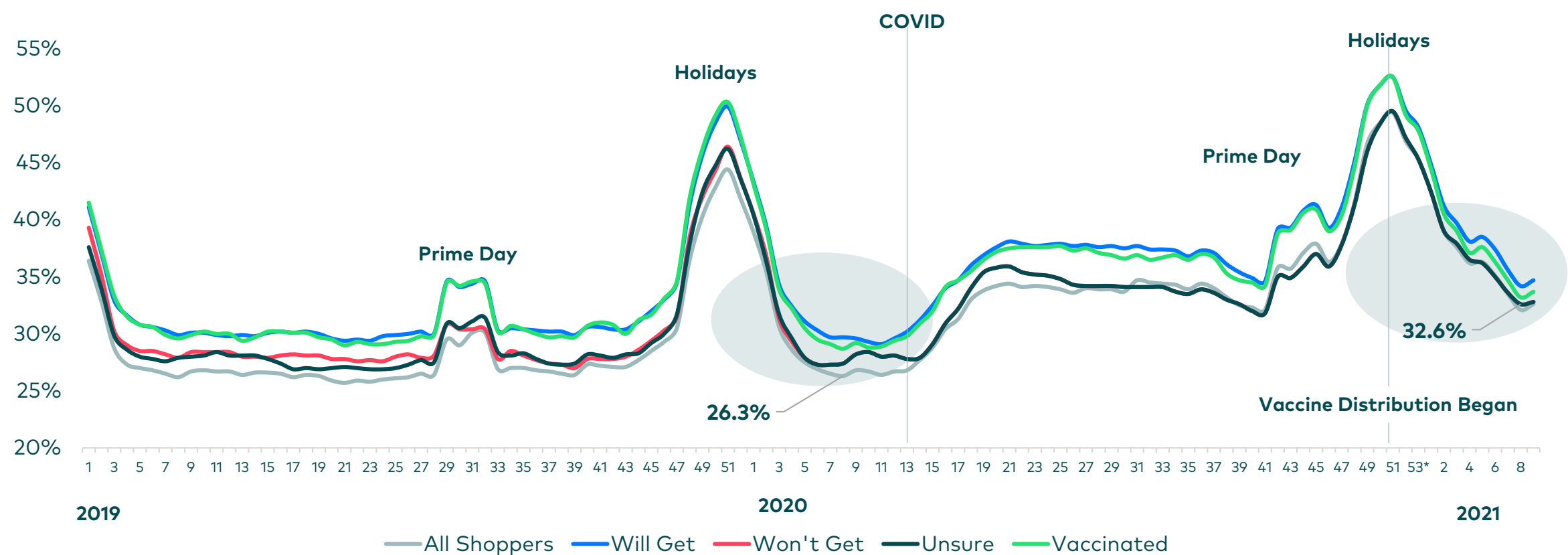
■ Jan-Feb 2021



Online penetration in GM rose 25% vs. 2 years ago... but the declines in 2021 appear to be related to natural post-holiday drop-offs

Online Behaviors: % of Households / % of Shopper Group online

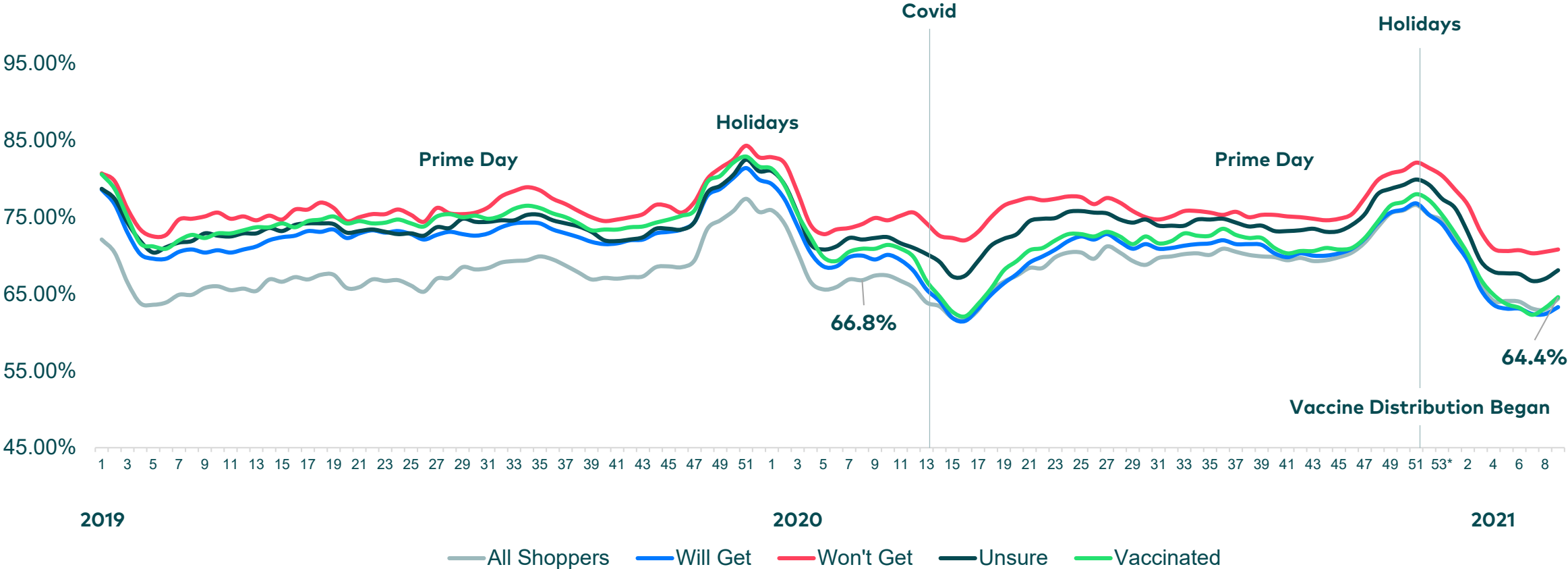
Electronics, Toys, Housewares, Home Improvement, % shopping Online rolling 4-week periods, weekly vs. YA



Comparatively, the B&M recovery hasn't yet taken hold—penetration of B&M General Merch shopping is down YoY

B&M Behaviors: % of Shoppers purchasing GM in B&M

Electronics, Toys, Housewares, Home Improvement, % shopping B&M rolling 4-week periods, weekly vs. YA

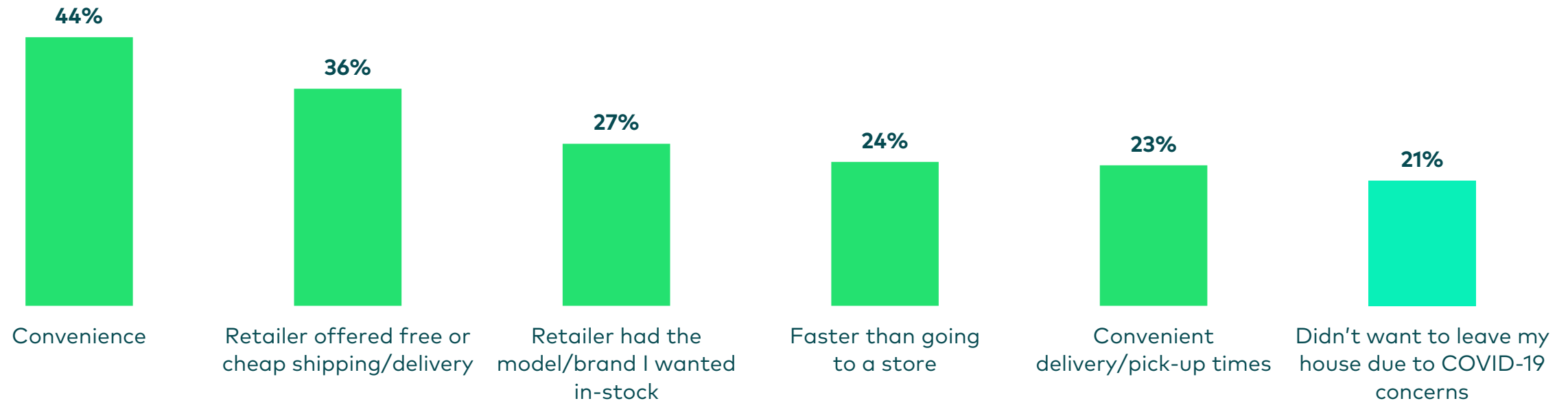


These days, it's convenience—rather than COVID concerns—that is driving the desire to shop online

Perks such as free shipping/delivery and/or shortened delivery times will resonate, regardless of vaccination status

Top Reasons for Choosing Online vs In-Store

Total General Merchandise

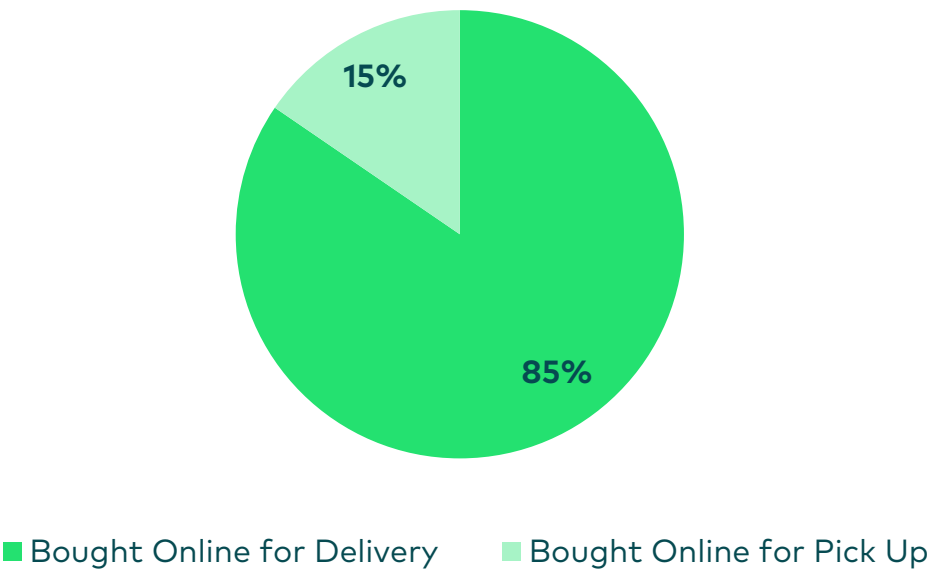


Vaccines and re-openings will have consumers moving again, and BOPIS fulfillment may serve as the perfect hybrid solution

As shoppers consider heading back to stores, Buy Online, Pick Up in Store (BOPIS) options provide the flexibility and convenience shoppers have grown used to during COVID

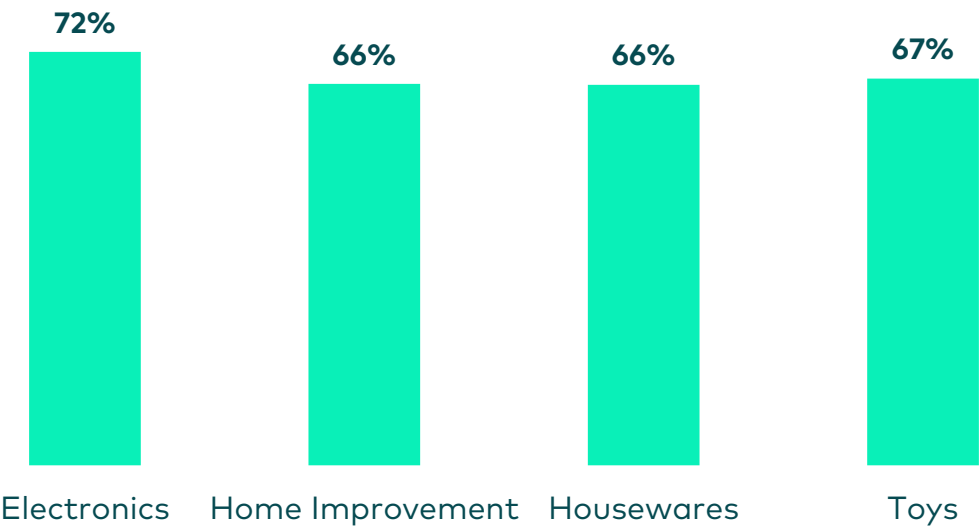
Delivery or Pickup

Among Online Shoppers



Didn't consider In-Store

Among Online Shoppers



Takeaways...

What we're seeing

- 1 The pandemic migrated general merchandise purchases online, and shoppers don't expect that to change.
- 2 The vaccine has **yet** to be a strong factor when it comes to channel shifting—convenience is driving recent online trips.
- 3 New buyers forced online during COVID have more negative feelings toward online shopping than existing buyers.
- 4 There are also regional differences around vaccine attitudes, but it has yet to significantly impact channels shopped.

Why it matters to you

- 1 Understanding your consumer's new normal is the key to buyer retention in the post-COVID landscape.
- 2 Pricing, convenient delivery options, and in-stock assortments are the key pathways to increasing online purchases.
- 3 Not all shoppers will 'recover' the same. Some consumers will shift heavily back to in-store, while others will not.
- 4 Some shoppers won't be comfortable returning to stores until vaccinated, while others feel they're already in their normal routine without the vaccine.

How you can take action

- 1 Online growth will not slow in the short term... continue to keep an eye on which shoppers are shifting between channels.
- 2 Ensure that your pricing & promotions strategies are comparable online vs. in-store, and invest in the digital landscape to create a seamless online experience
- 3 Messaging around a return to in-store shopping can't be one-size-fits-all—tailor your strategy to shoppers' preferences
- 4 Buy Online, Pick-Up in Store (BOPIS) options provide flexibility & convenience and could bridge the gap until shoppers are ready to return to in-store



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