



Numerator

NEW FRONTIERS

**Stand In Line or Hop Online:
General Merchandise Consumers Choose**

April 2021

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

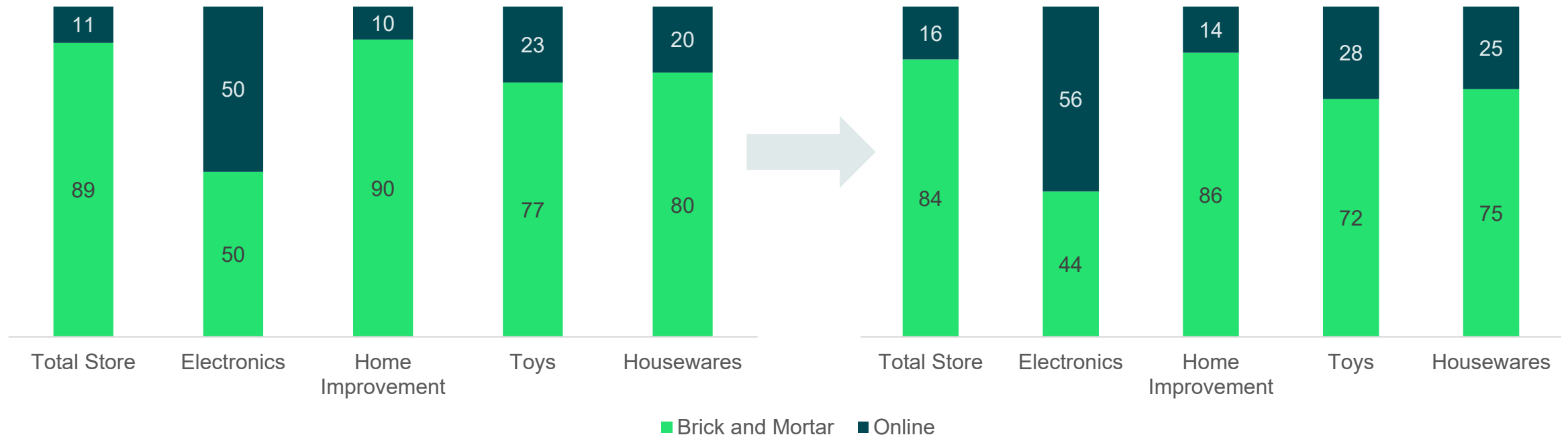
We talk a lot about CPG, but what's happening
in the rest of the market?

The world of General Merchandise saw a similar trend,
+32%, despite a stronger base than most CPG categories!

Electronics was already an online dominant sector, but has now seen over ½ its trips shift online

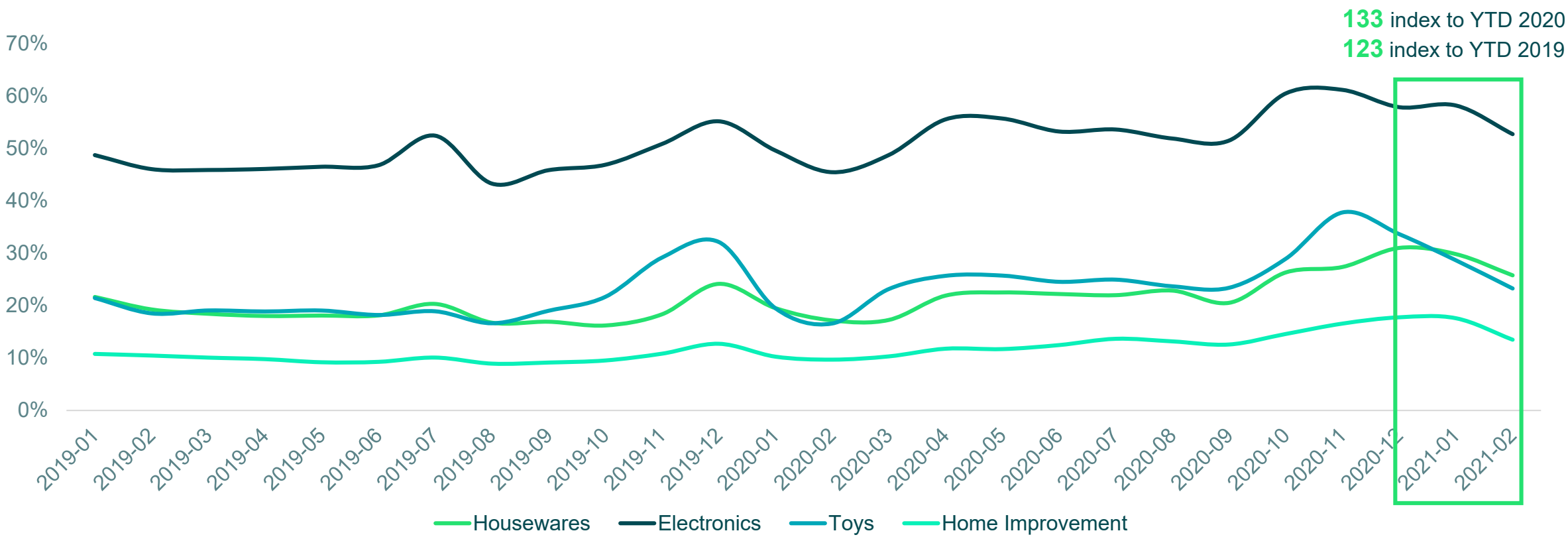
2019 Share of Trips

2020 Share of Trips



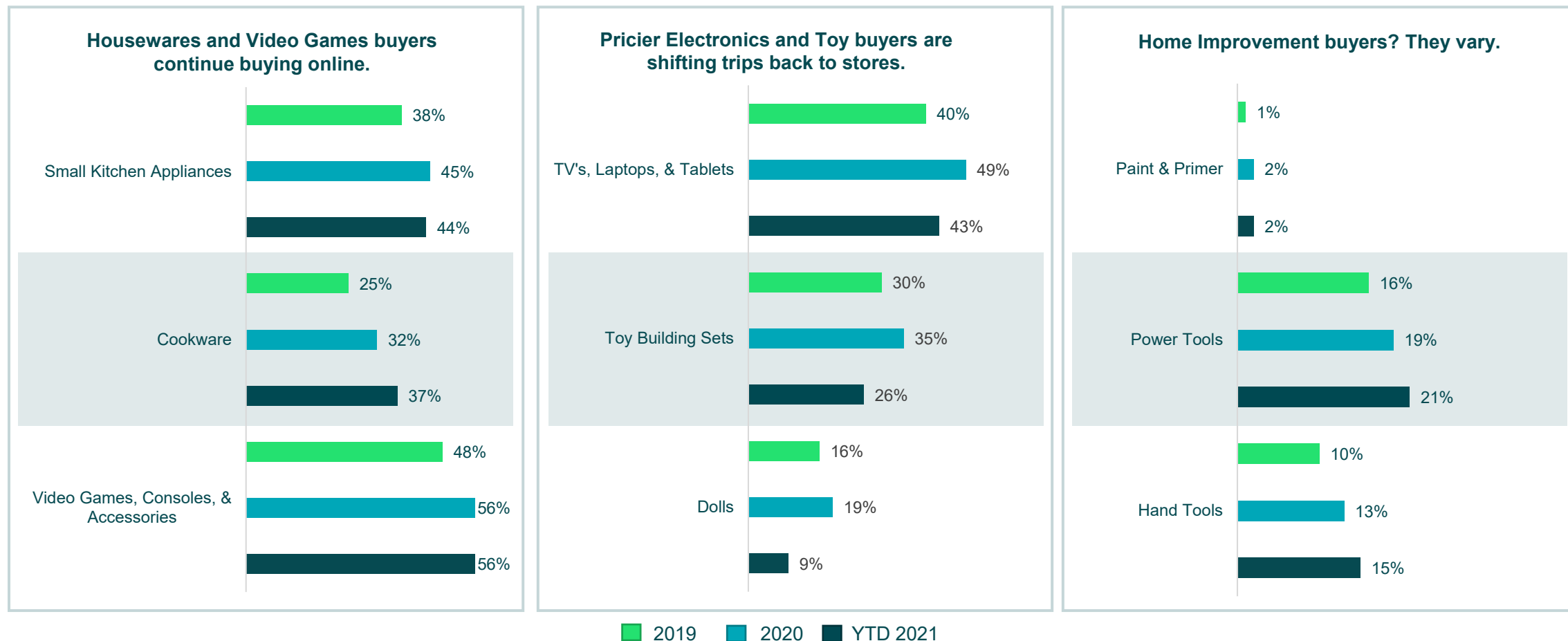
Online trips continue to remain elevated versus previous years, which points to a new normal moving forward

Share of Trips Online



Though “normal” will play out differently across categories

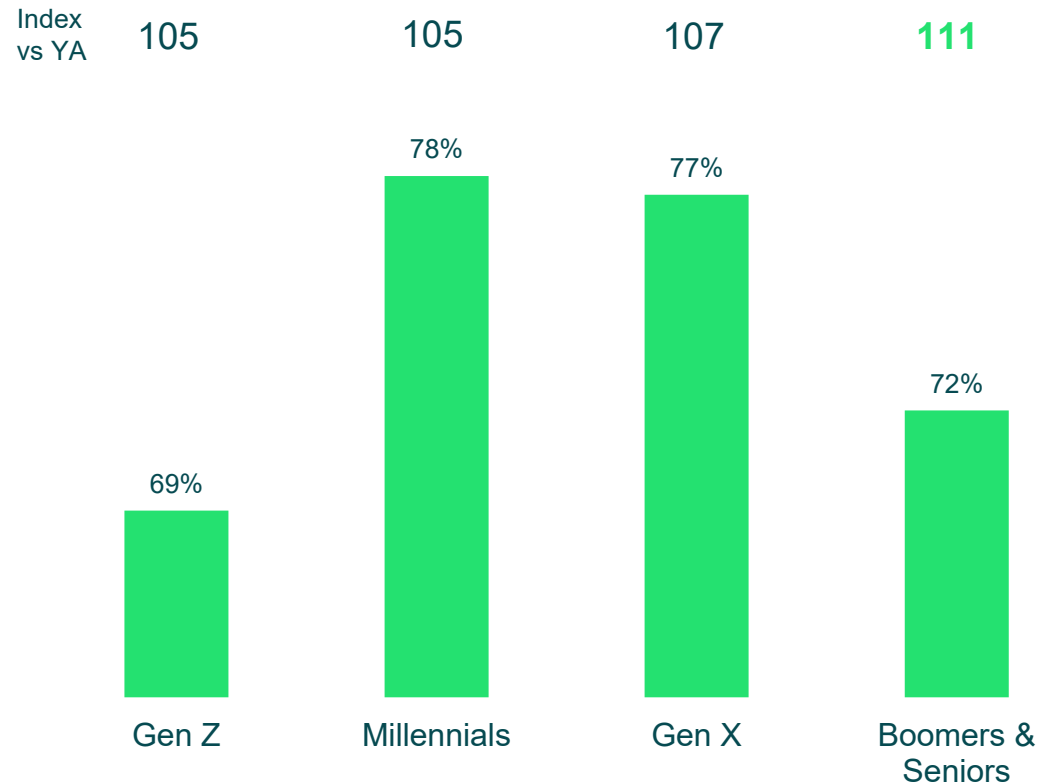
% of Online Trips



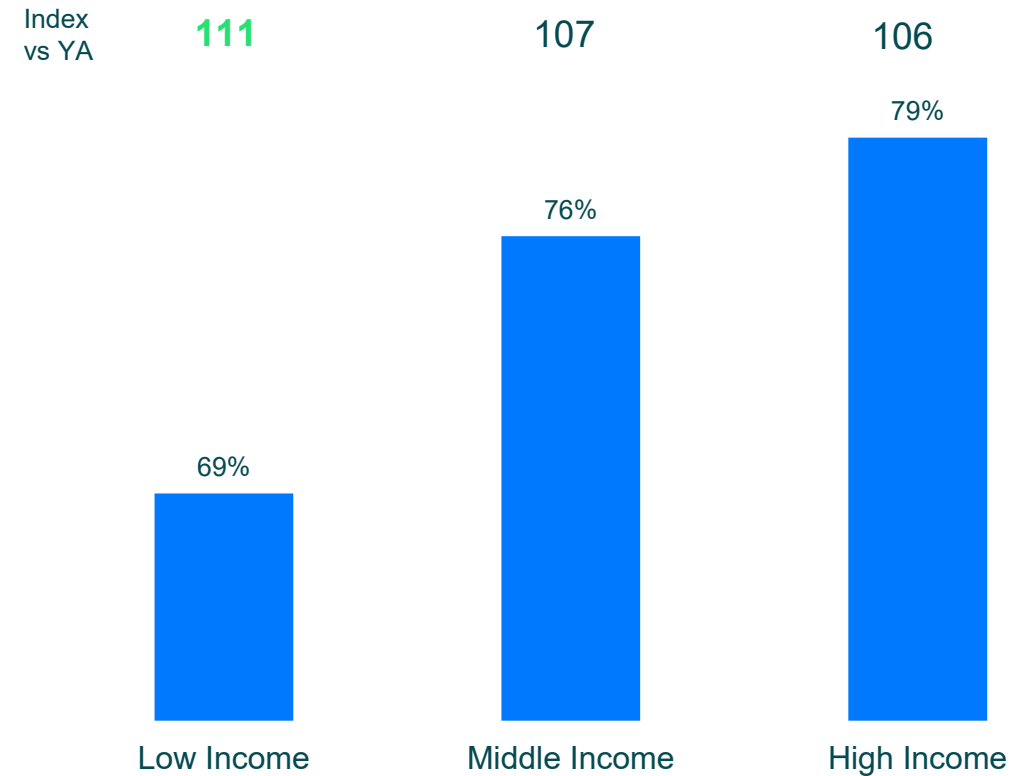
The pandemic fueled new opportunities for online retailers across several demographic segments

Who shifted online? Well... everyone! But older and lower-income households (previously slow to adopt eComm) shifted fastest

% of Shoppers Buying GM Online



% of Shoppers Buying GM Online

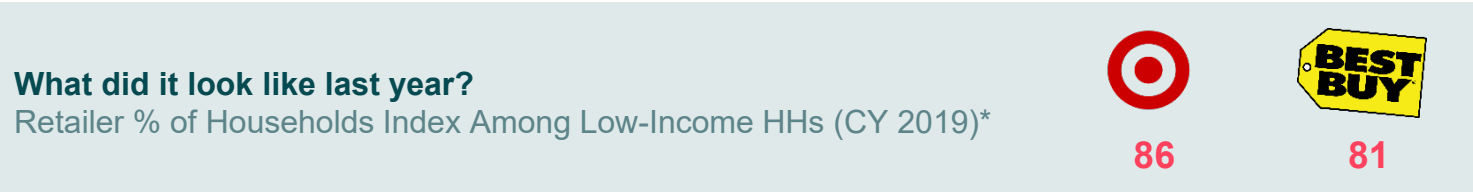
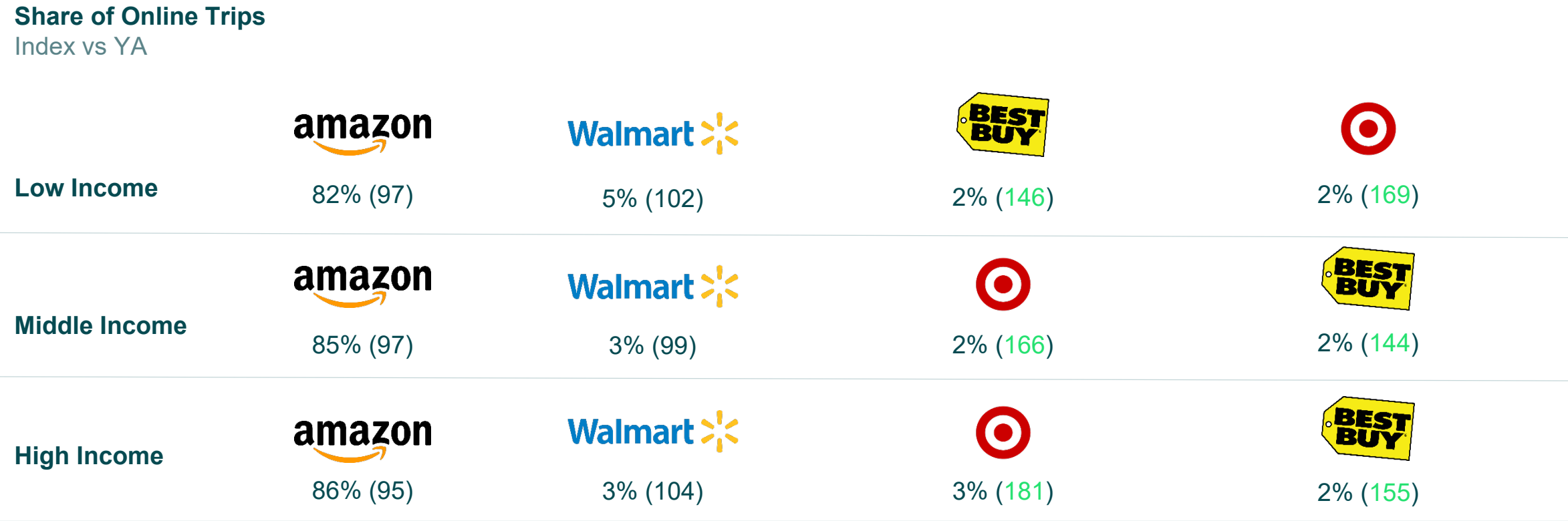


Target, Best Buy, and Walmart's online businesses benefitted, stealing share from Amazon (regardless of the shopper's age!)



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



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 related factors, combined with store closures, but do all categories behave the same? Not quite.

Purchase Drivers for GM Categories

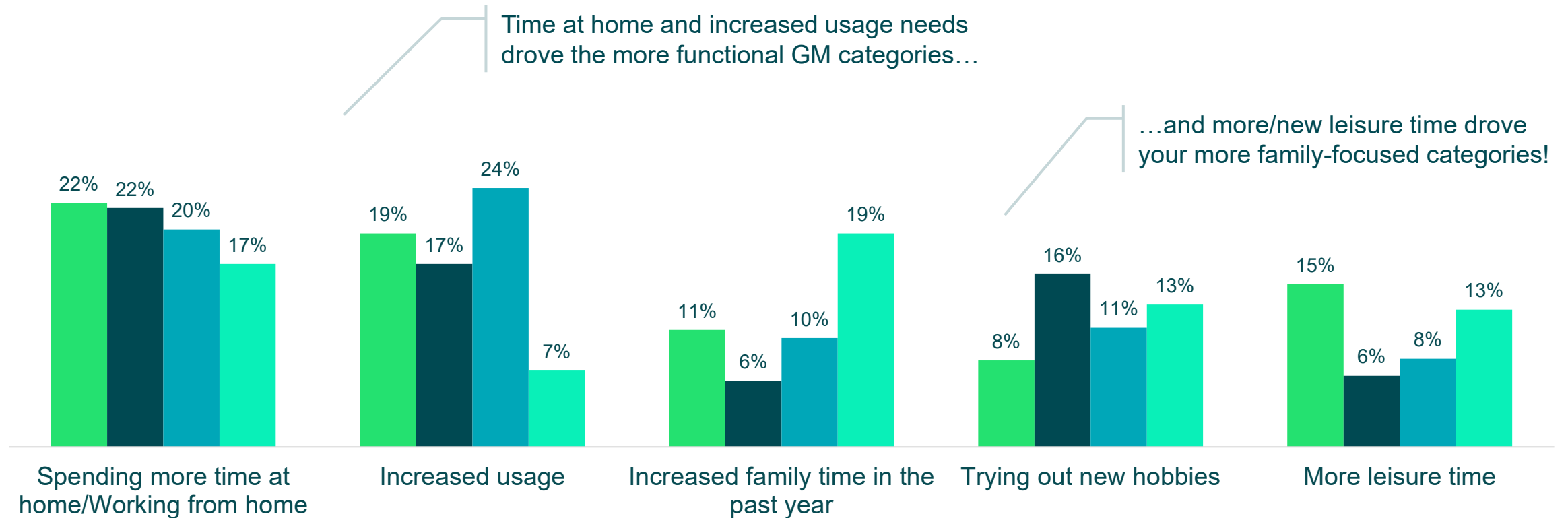
Among Online Shoppers

■ 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 1/3-1/2 the % of new buyers as other sectors!

% Growth in total category buyers in each category in 2020 vs. 2019

+11%



Electronics

+29%



Home Improvement

+20%



Toys

+28%



Housewares

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

Black or African Am.

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, do suggest New Online buyers will migrate back to stores...

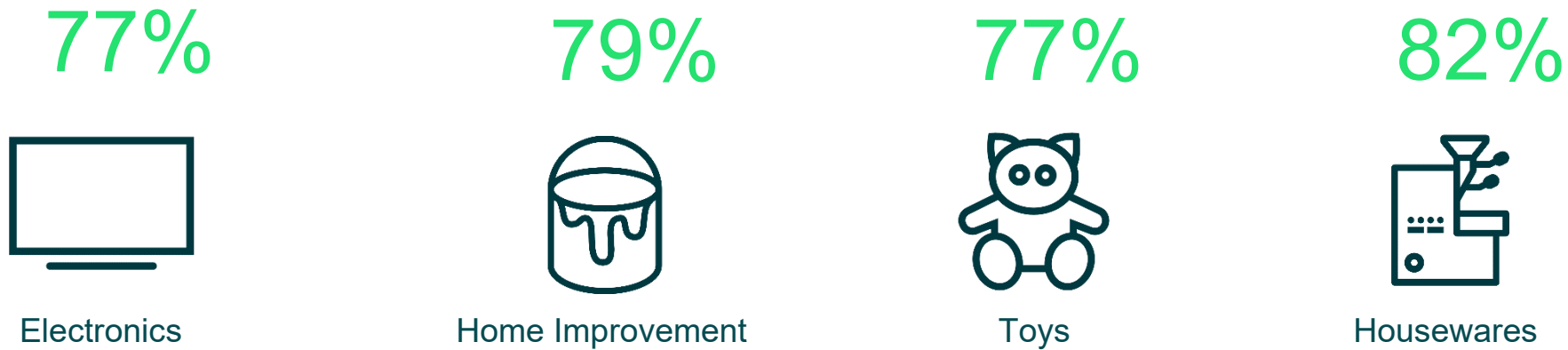


...but that migration back to B&M locations may prove to be a slow one

More than ¾ of shoppers across categories expect their online spending to increase or remain the same

Next 12 Months Online Spend Expectations by Sector

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



To keep New online shoppers, GM retailers must hit the right notes: competitive pricing, free/low-cost shipping, and inventory transparency

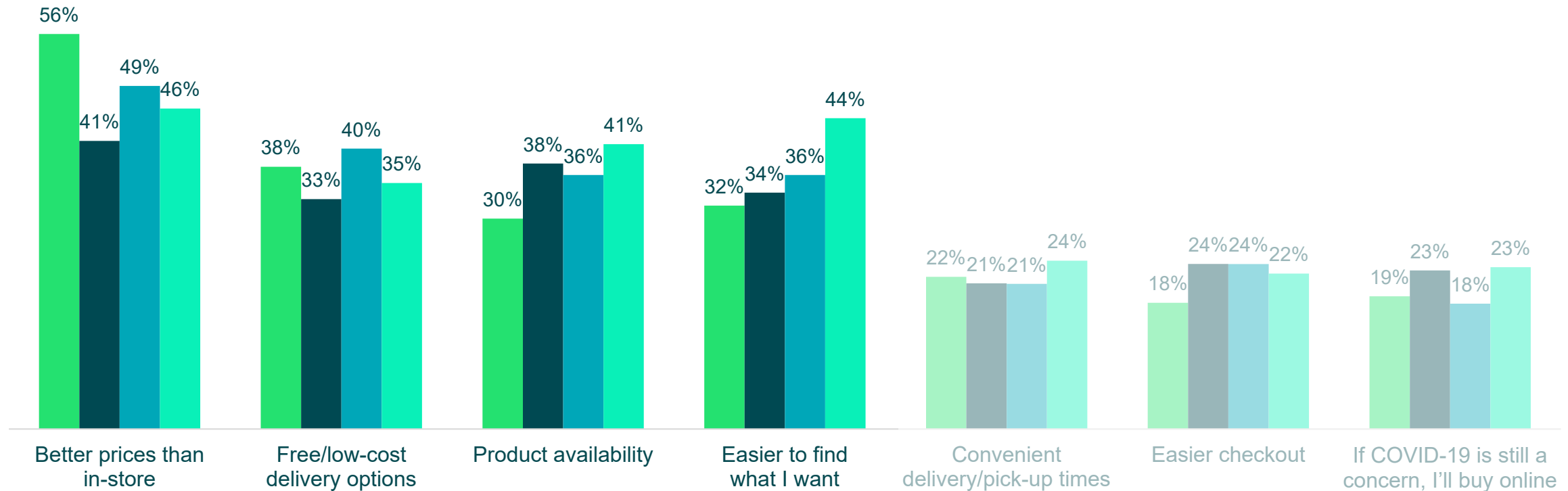
Motivators for Future Online Purchasing Among Online Shoppers

■ Electronics

■ Home Improvement

■ Houseware

■ Toys

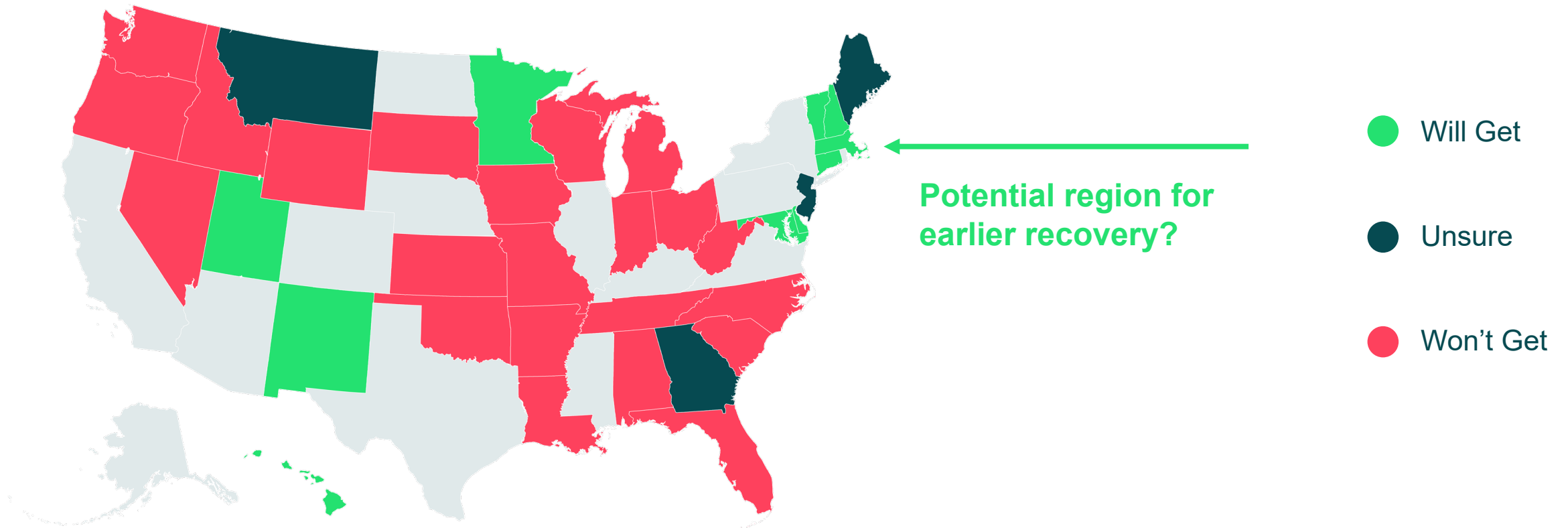


The Vaccine will inevitably have an impact on online purchase behavior, but data is yet to show a noticeable shift within the GM segment...

The Northeast is the most clustered area for vaccine getters – this could be an area for early reads on how the overall recovery may look!

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

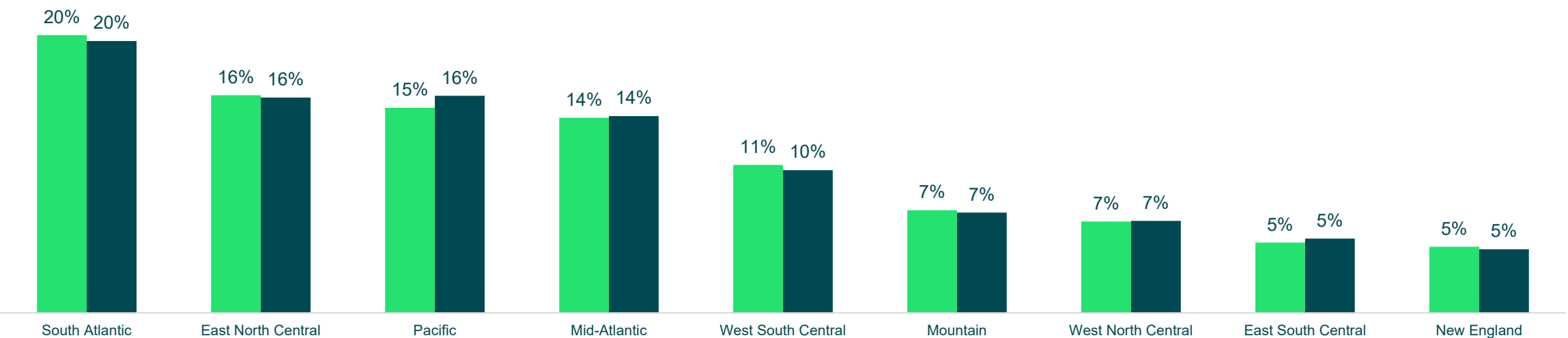
Online Trip Share by Census Division

Among Electronics, Tools & Home Improvement, Toys, Housewares

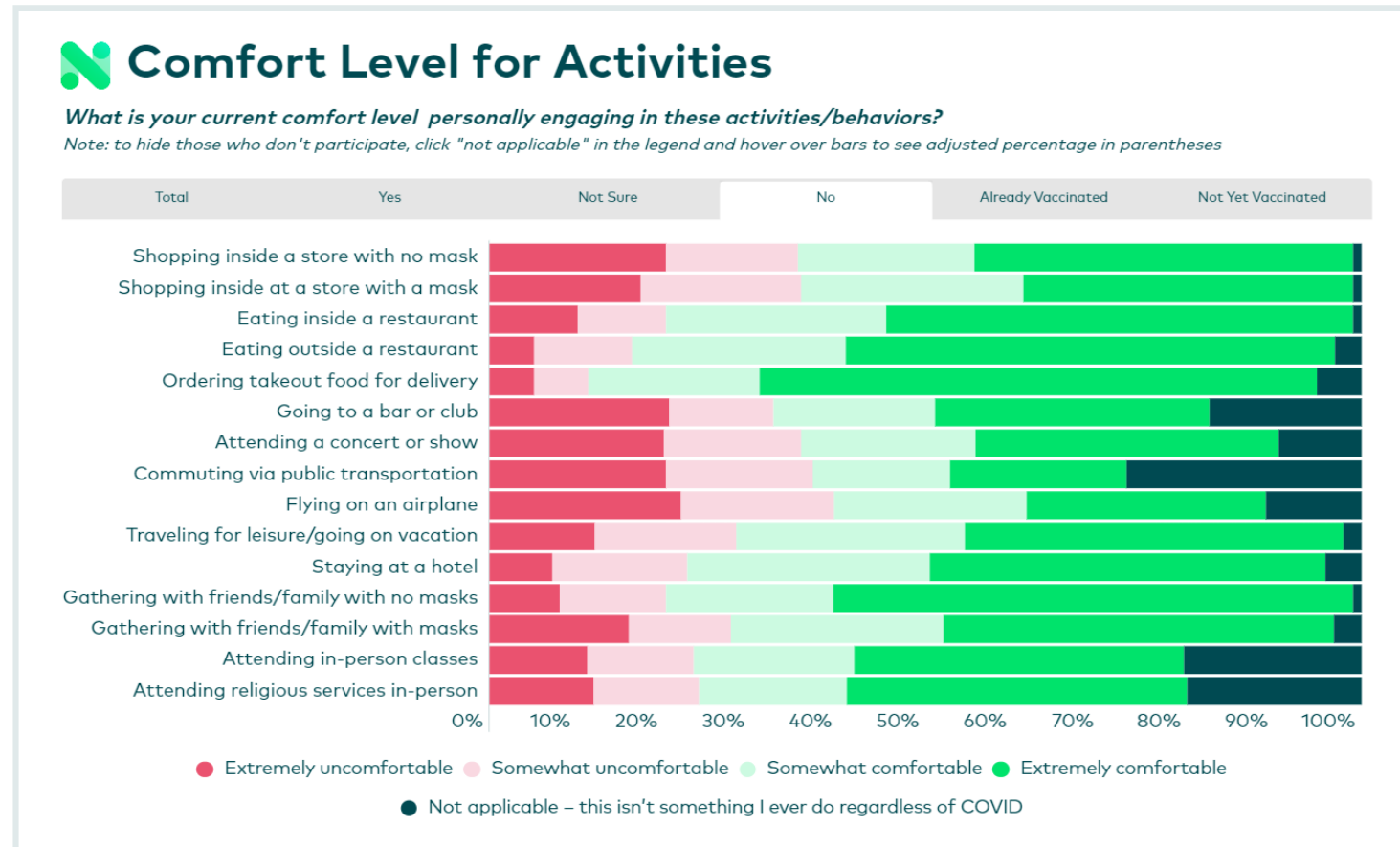
■ Jan-Feb 2020

■ Jan-Feb 2021

Example: Shoppers in the South Atlantic are less inclined toward a vaccine, but online \$ are no more or less weighted toward the South Atl. than they were at the same time last year



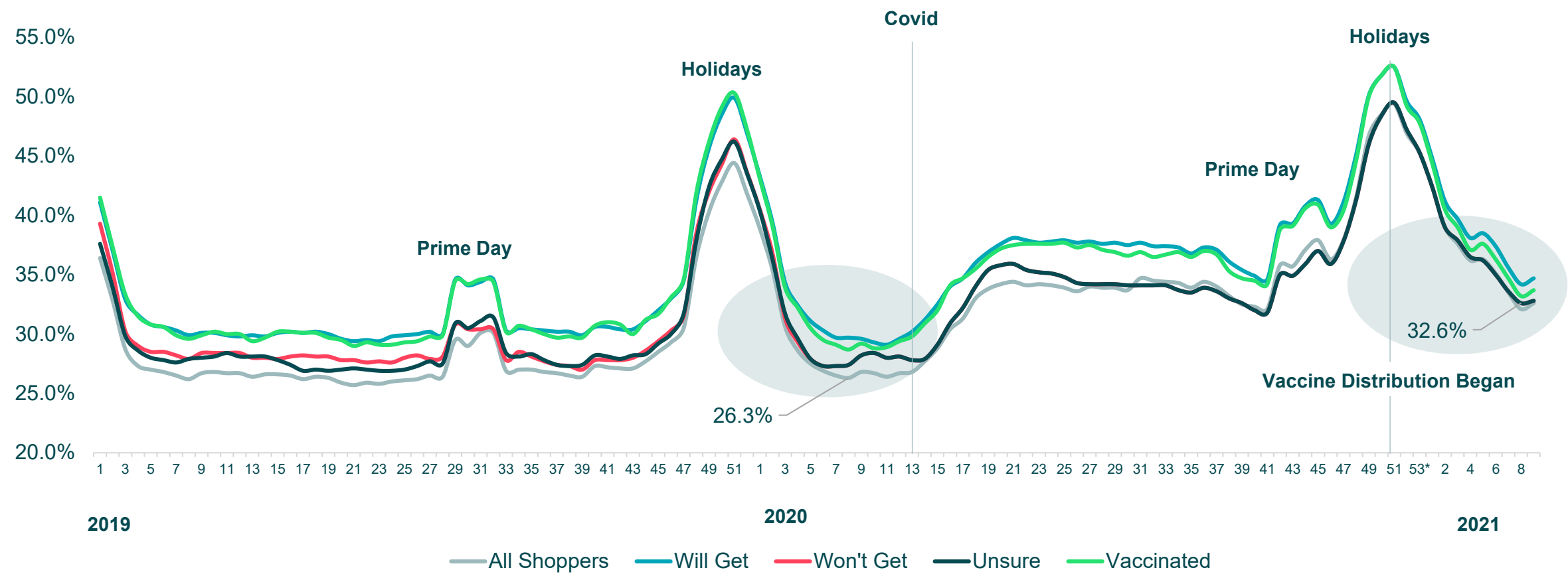
Interested in learning more about shoppers' vaccine & consumer sentiments? Check out our public [Consumer Sentiment Study!](#)



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

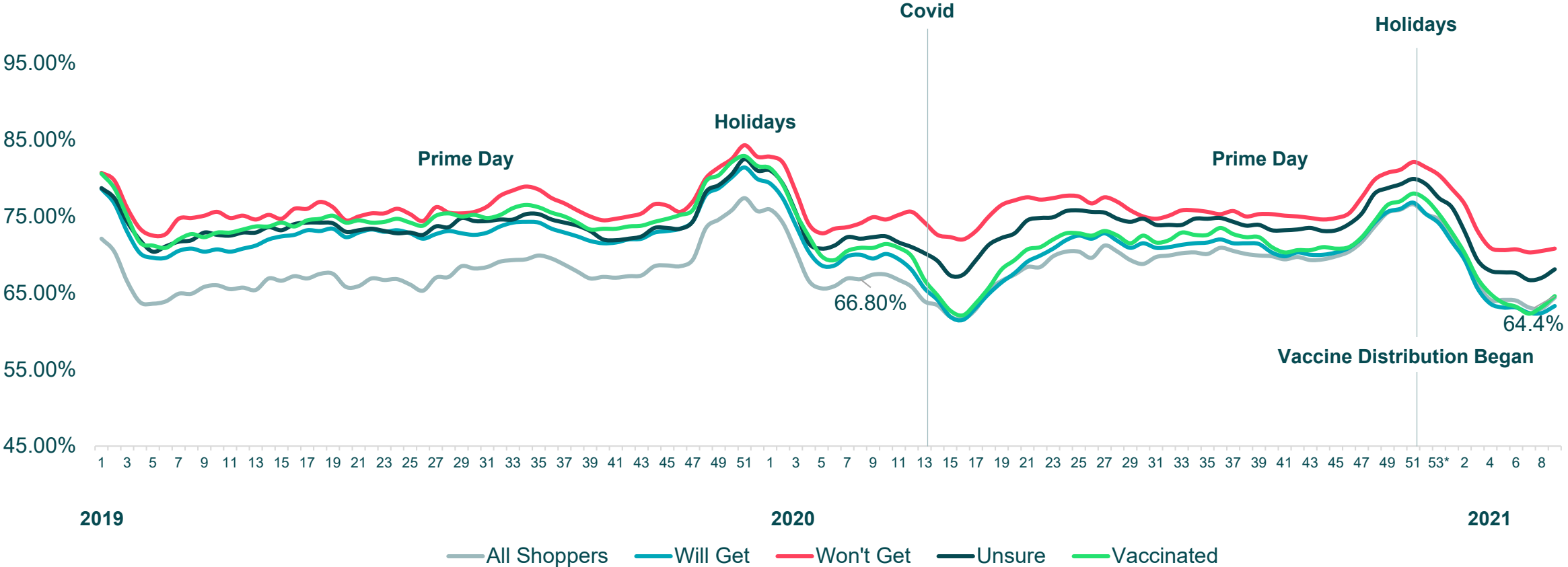
*Electronics, Toys, Housewares, Home Improvement, % shopping Online rolling 4-week periods, weekly vs. YA



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

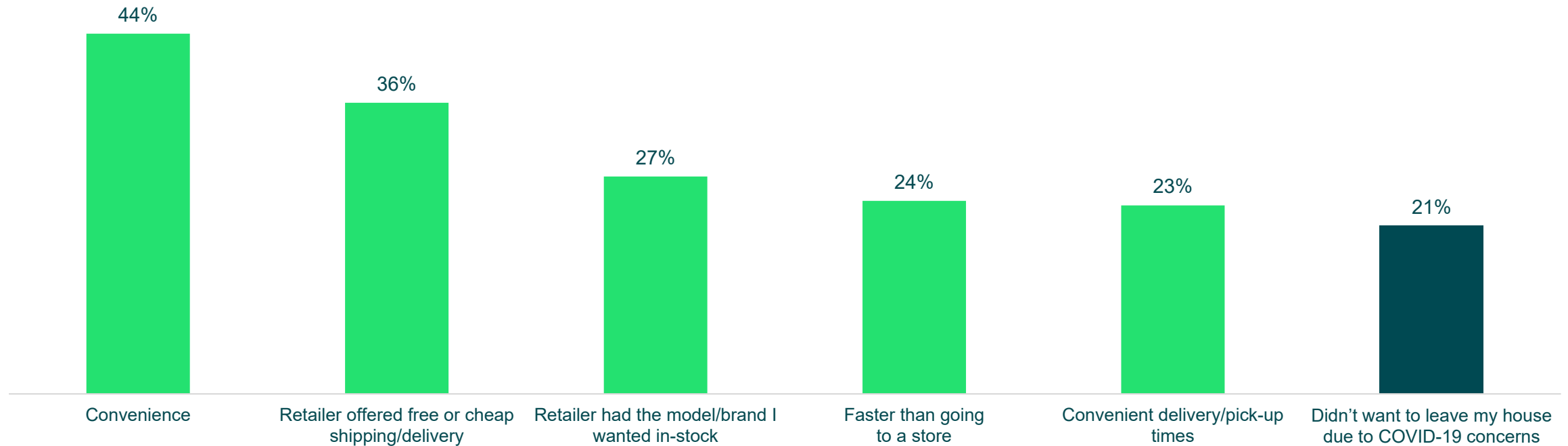


These days, it's Convenience – rather than COVID concerns – driving the desire to shop online

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

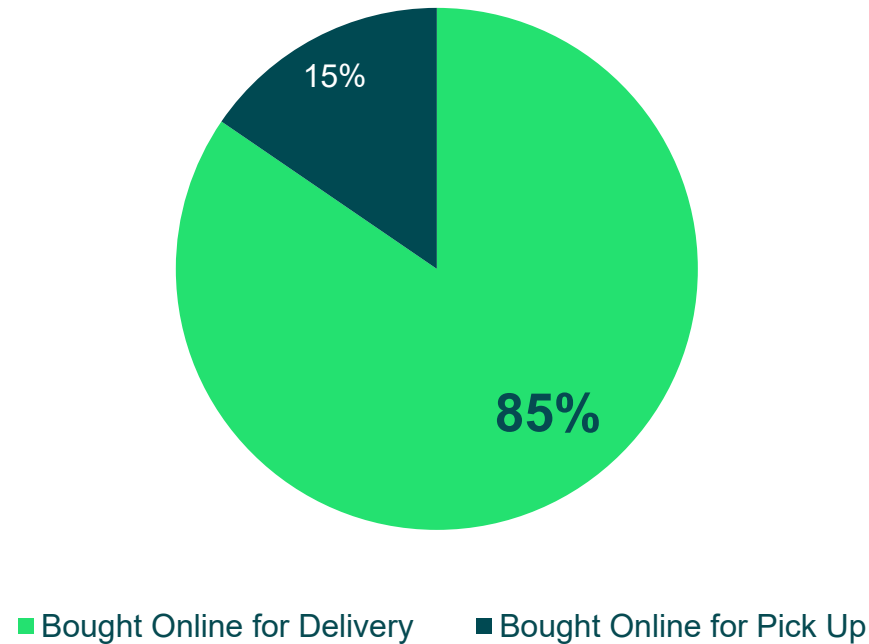


Vaccines and re-openings will have consumers on-the-move again, and BOPIS fulfillment may serve as the perfect hybrid solution

As shoppers consider heading back to stores, BOPIS provides the flexibility and convenience shoppers have grown used to during COVID

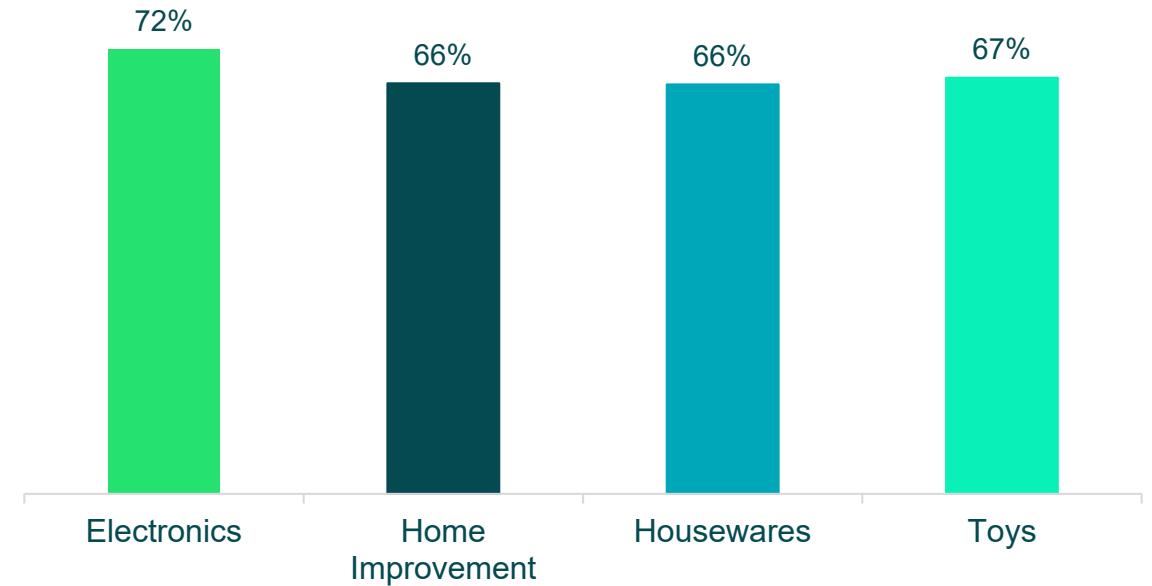
Delivery or Pickup

Among Online Shoppers



Didn't consider In-Store

Among Online Shoppers



What we're seeing

The pandemic migrated general merchandise purchases online, and shoppers don't expect that to change.

The Vaccine hasn't **yet** shown to be a strong factor when it comes to channel shifting - COVID was a middling factor in recent GM purchases.

Not all consumers will 'recover' the same!
New buyers forced online have more negative overall attitudes toward online shopping than existing buyers. Some consumer segments will shift heavily back to in-store, while others will not.

There are regional differences around vaccine attitudes, but it is yet to show a significant shift in channels shopped.

Why it matters to you

Pricing, convenient delivery options, and in-stock assortments are the key pathways to increasing online purchases.

Understanding your consumer's new normal is the key to buyer retention in the post-COVID landscape.

Online shopping experience should be seamless and enable efficiencies in the path to purchase. If not shopping your B&M, get their dollars via the retailer website!

Marketing messaging around a return to Brick & Mortar can't be a "one size fits all" approach - different regions have different expectations when it comes to getting the vaccine and reopening.

How you can take action

Online growth should not be expected to slow in the short term... continue to keep an eye on which shoppers are shifting between channels.

Ensure that pricing & promotion strategy are comparable online vs. in-store (Advertising and Promotions Intel can help you learn more!).

Invest in the digital landscape to monitor and stay relevant with competition, while keeping an eye on the importance of in-store shopping experience.

Market to shoppers differently depending on geographic location. Some will wait for the vaccine to feel comfortable returning to stores, while others feel they are already in their normal routine without the vaccine.

How we defined General Merchandise for this analysis:

Electronics, such as tablets, smart devices, computers, speakers, headphones, and TVs

Home Improvement, such as hardware, hand tools, power tools, and painting supplies

Housewares, such as small kitchen appliances, serve ware, cookware, and flatware

Toys, such as puzzles, games, action figures, dolls, learning tablets, and counting toys





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