

2022

FUTURE OF COMMERCE

navigating
a world of
disrupted
basics

navigating
a world of
disrupted
basics

navigating
a world of
disrupted
basics

navigating
a world of
disrupted
basics

navigating
a world of
disrupted
basics

navigating
a world of
disrupted
basics

Future of Commerce 2022: Navigating a World of Disrupted Basics

The Future of Commerce Report is published by media leaders at OMD and commerce experts at Omnicom Commerce Group.



Sophie Daranyi
CEO OCG

“ The pincer impact of Covid and now economic disruption is impacting the retail environment like never before. We’re delighted to publish our second annual Future of Commerce Report looking to uncover the nuance of shopper behaviour across categories, markets and lifestages to unlock insight and understanding of our marketing priorities and strategies. ”



George Manas
CEO OMD Global

“ As consumer journeys evolve rapidly and become ever more dynamic, our clients are looking to us to help them best orchestrate their media, e-commerce, and retail holistically. This report will empower our teams to make more informed omnichannel decisions and ultimately unlock better business outcomes for our clients. ”





Contents

	Executive Summary	08
	Methodology and Data	10
	Introduction	10
01	Disruptive Basics. Adaptive Commerce	14
	Introduction	14
	Inflation Marketing	16
	Supply Chain Shortage Marketing	22
02	Contextual Commerce & The Rise of Online	30
	Introduction	30
	eCommerce’s Continued Rise	32
	The Future of Commerce is Chi...Wait, the UK?	36
	The Future of Disposable Income is Millennial?	38
	Convenience and Immediacy. Understanding the Drivers of Commerce	40
03	The Future of Commerce	48
	Introduction	48
	The Future of Commerce is Social, and The Future of Social is Commerce	50
	The Future of Commerce is Data	54
	The Future of Commerce is Tokenised	60
04	Conclusion	68

Executive Summary

This report tracks the primary shifts in consumer behaviour since 2021, researching six global regions and key demographics. We examine how, where, and why consumers shop, how worldwide disruption impacts purchasing behaviour, and look at the future of retail in a continuously fluid retail landscape.

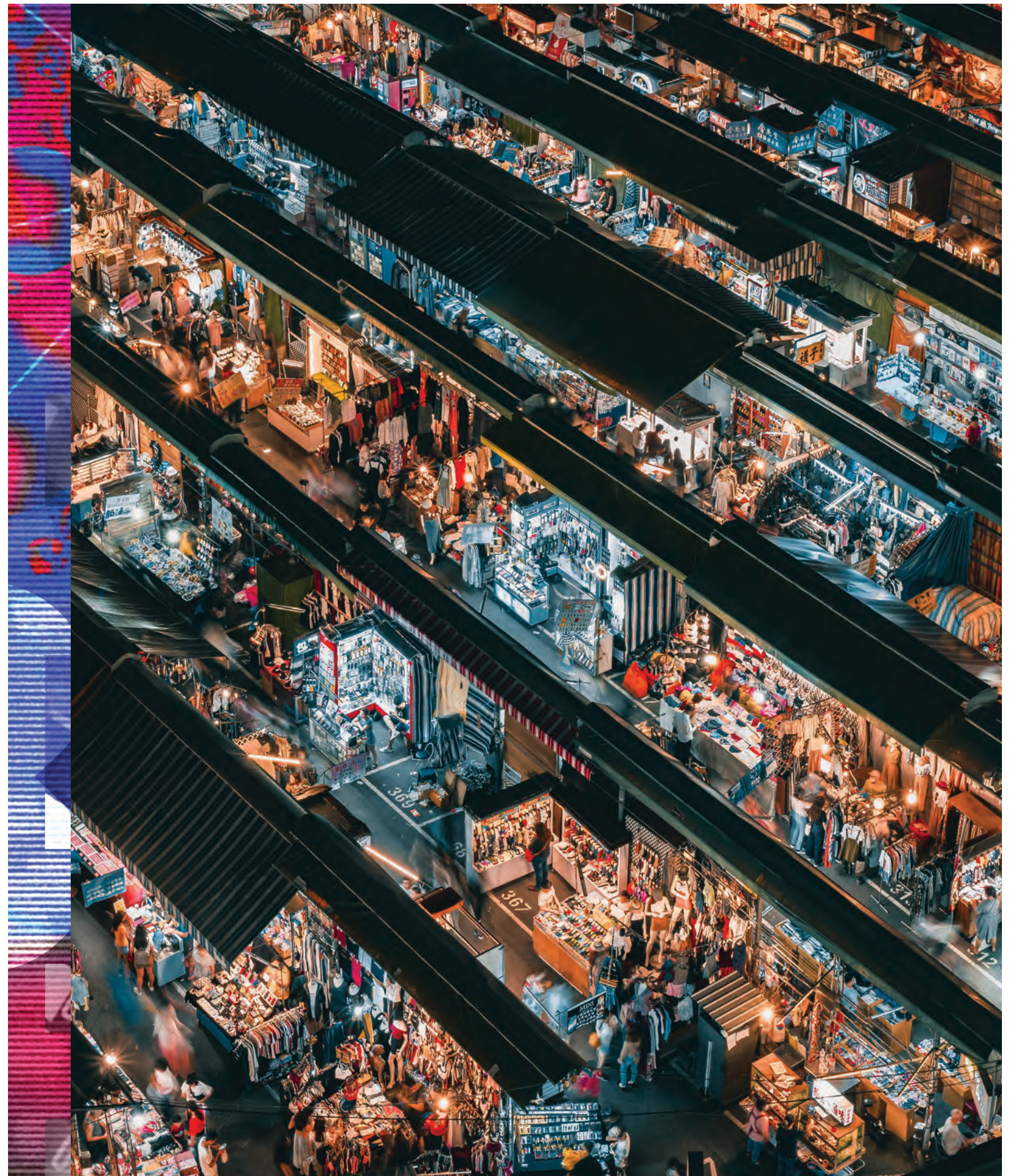
It's no secret that digital has revolutionised commerce, with more tailoring, communication, and choice available to consumers than ever before. As inflation and supply chain issues force consumers to focus on essentials and postpone non-essentials, brands must understand how and why their customers behave, where they choose to shop and how, and what matters to them.

The shift to online shopping continues to rise, with the most significant change amongst the older Boomer generation. Consumers opting to shop

online are shopping around more than ever, with online drivers focusing on price comparison, availability, and convenience. Our data reveals that brand loyalty is at its lowest point in years, and brands must understand drivers in consumer behaviour to gain new customers and retain brand loyalty.

In this report, we will examine online vs offline commerce drivers, shifts in consumer behaviour and attitude, identify and analyse the market we believe to be leading the western world of eCommerce, and how social, data and tokens will have an impact on the future of commerce.

We researched Gen Z, Millennials, Gen X, and Baby Boomers across the UK, US, China, Australia, Germany, and Spain to give you exclusive, actionable insights to build trust and brand loyalty now and in the next era of commerce.





Methodology and Data


Introduction to the data

The Future of Commerce tracks changes in consumer behaviour year on year. This report compares research collected in February 2022 with 2021 findings across six major markets: the United States, the United Kingdom, Australia, Germany, Spain, and China.

We spoke to 1200 consumers across generations to understand their purchasing behaviour and why, where, and how they shop across automotive, electronics, fashion, health & beauty, home & garden and grocery categories.

Data

Data Collection

 February 2022
(for this wave)
Spring 2021
(for previous wave)

 **1,200**
consumers





Markets:



UK



US



Australia



Germany



Spain



China

6 Categories/ Industries covered:

Automotive



Electronics



Fashion



Health & Beauty



Home & Garden



Groceries



Age Ranges:



18-25

Gen Z



42-57

Gen X



26-41

Millennials



57+

Boomers

01

Disrupted Basics. Adaptive Commerce

**23% of people were aware of inflation
at the beginning of 2022**

Disruption has been a key buzzword of marketing in the digital era. Every year new technology, platform, or data source claims to be the next major disrupter. Over the last two years, we have seen disruption in the literal sense impact every industry, individual and company. The world has faced widespread political, social, and economic disruption, and this theme will increase further in 2022 and 2023. As the world feels the immediate economic effects of Russia's war on Ukraine, Brexit, COVID-19 and post-pandemic shortages, we examine how this impacts to commerce and consumer behaviour.

The basic building blocks of commerce are supply, demand, and price, and these have all been severely disrupted in 2022. The impacts of worldwide disruption have resulted in supply chain

delays and shortages that have severely impacted product availability and wait time, driving consumers to competitors and decreasing brand loyalty. Inflation is the highest it has been for over 30 years, resulting in higher prices and consumers shopping around more than ever for the best deals. There has been a 20% increase in consumers willing to try new products since 2021, and it's easy to see why.

In this section, we dive into inflation marketing and supply chain marketing and understand how the world has shifted in the last year to make these top priorities for brands. We examine how consumers react to inflation and supply chain issues, how this impacts their shopping behaviours, and understand what brands need to do to attract new customers and retain customer loyalty.



1. Disruptive Basics. Adaptive Commerce

Inflation Marketing

19% of people trade down to similar but cheaper products as a reaction to inflation

Introduction and context

In 2022, inflation hit a 30-year high of 7% in the UK in May as Russia's war in Ukraine began to show. Consumer price inflation rose by 7% in the last 12 months, remaining at its highest point since March 1992. Fuel prices, gas bills and consumer goods have seen up to 54% increases in the last six months, with no apparent signs of stopping anytime soon. Consumer goods, services and food are increasing the fastest, with consumer goods rising over 22% since 2021 and grocery over 4%.

The cost of living crisis continues to impact living standards, reaching the highest collapse since the 1950s. It's no surprise that consumers adapt their behaviours to cope with this shift. In this chapter, we examine where inflation impacts commerce the most, consumers' reactions and the implication on purchasing behaviours.

Inflation and commerce

Our data shows that, unsurprisingly, consumers are more aware of inflation than in 2021 and are watching prices much more closely than before the pandemic. Inflation is causing shoppers to focus on the essentials and postpone non-essential purchases, suggesting a more considered approach to shopping post-pandemic.

Consumer goods, services and food are climbing up the fastest, and consumers are adjusting their purchasing habits to cope with these increases. Trading down, shopping around, and urgency are the biggest trends in consumer attitudes towards inflation. Over 31% of consumers say urgency influences their purchasing behaviour, 49% are shopping around for more products and alternatives, and 20% of consumers are trading down to more affordable products.

In grocery, an 'urgent' category, 73% of shoppers still purchased the same or similar items; however, in automobile, a 'non-urgent' category, over 58% decided to delay purchase.



31%

of consumers say urgency influences their purchasing behaviour



49%

of consumers shop around more for products or alternatives



20%

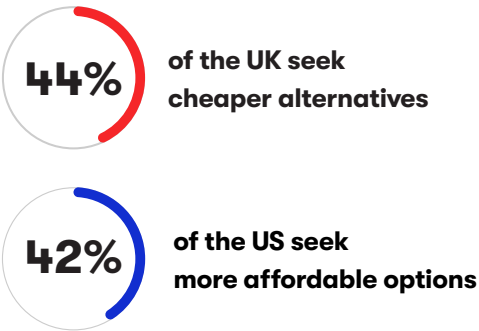
of consumers are trading down to more affordable products

Reactions across demographics and categories

Demographic reactions

An average of 23% per demographic sample noticed an increase in prices over the last six months, whether they intended to purchase from a category or not. In the time since this data was collected we've seen a further global rise in inflation which would exacerbate these perceptions. The US noticed the most significant difference, with over 27% of participants seeing a substantial price increase over the last six months.

The most significant trends in demographic reaction to inflation are trading down and using loyalty points. 21% of consumers say they are trading down to cheaper alternatives, and over 32% say they plan to use more loyalty points.



Findings from demographic behaviour towards inflation set the trend for general attitudes and reactions towards worldwide disruption. When we look at categories, we can break this down further.

Categories

Looking closely at consumer behaviour, we can see that various categories have different reactions, primarily driving consumer behaviour. Trading down but still purchasing items is the most significant trend, with over 20% trading down to more affordable alternatives of the desired product.

Our data shows that consumer behaviour is primarily category-dependent. In categories with higher ticket items that historically have more consideration and research ahead of purchasing, consumers are more accepting of price increases and will still purchase items. Fashion, automotive and technology are the categories most accepting of inflation.

Shopping was disrupted by supply chain difficulties as well, 57% of consumers shopping for fashion products experienced and accepted some delay, compared to just 27% of consumers shopping for groceries. This difference shows that categories and the urgency of items are critical drivers of purchasing behaviour.



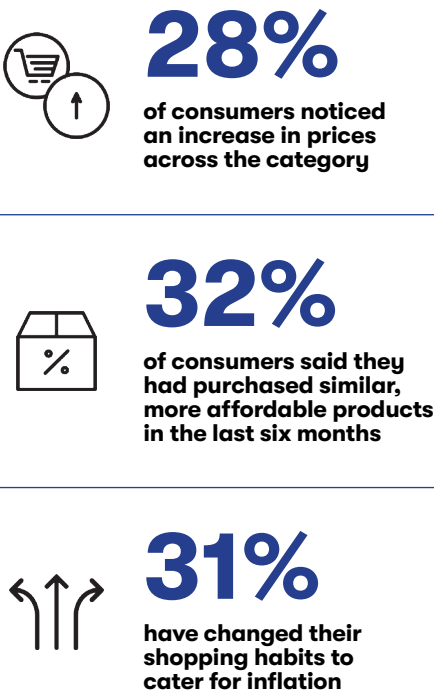
The essentials

The urgency of products is a key driver in predicting consumer reactions to price increases, and we can examine groceries more closely using this approach.

Groceries are an essential category, and the urgency of products is often a driver in purchasing behaviour, with 73% of people purchasing the same or similar product despite increased prices.

Groceries are deemed an essential and urgent category, and despite price increases, over 73% of shoppers purchased the same or similar item. Grocery shopping often needs to fill an immediate need, and delayed purchasing is much lower than in other categories. Just 27% of shoppers say they delayed purchasing grocery products, compared to an average of 54% across all different categories.

Our research suggests that although over 28% of consumers noticed an increase in prices across the category, most consumers still needed to purchase the product in question and traded down to similar, cheaper products. Over 32% of consumers said they had purchased similar, more affordable products in the last six months, and 31% have changed their shopping habits to cater for inflation.

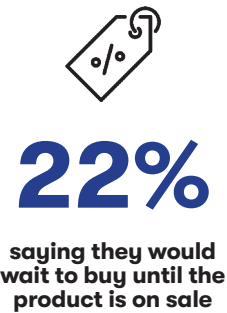


Fashion

Fashion and apparel have historically seen more shopping around than other categories. This is due to trends driving similar product offerings across brands, quality differences and aspirational shopping. Our data shows that fashion has one of the highest rates of delayed purchase, with 57% shopping around and comparing prices. This suggests that rising prices drive consumers to do this more than ever. These results support the theory that inflation’s impact on purchasing behaviour is primarily dictated by the urgency of categories and products when comparing fashion data to the grocery results.

More consumers in fashion decided to delay the purchase of a product, with over 22% saying they would wait to buy until the product is on sale. Over 15% chose to wait for a special occasion to purchase the desired product, and 12% decided not to purchase the product at all.

As inflation had little to no impact on consumers shopping in luxury fashion, and consumers are delaying their purchases at lower price points, this suggests that an era of slower fashion could be coming into play and decreasing the need for fast fashion.



Conclusion & Implications

Inflation is impacting consumer behaviour in all categories and across all demographics. Our data suggest that the urgency of products and categories influences purchasing behaviour and that consumers typically trade down for cheaper product alternatives. Consumers are planning on using loyalty points more than ever, which gives brands a critical opportunity to capture more customers by engaging them with loyalty subscription discounts and deals to retain brand loyalty. Brands should factor this into the language and communication they use to engage their customers in future activations and price promotions to ensure they engage them effectively.

1. Disruptive Basics. Adaptive Commerce

Supply Chain Shortage Marketing

51% of Gen Z was aware of supply chain shortages, compared to 18% of Boomers

So, what's been happening?

We have established that worldwide disruption impacts commerce, but what other disruptions have consumers been forced to react to and adapt their habits for? We look to understand how supply chain shortages and delays impact consumer buying decisions and what brands need to address in their long-term strategies when navigating this issue.

The last year has seen supply chain shortages become a widely publicised issue. Covid lockdowns, market specific issues such as Brexit, staff and lorry driver shortages, and employee disruption have resulted in manufacturing delays, extended delivery times and limited stock across all categories worldwide. In contrast to 2020 and 2021, when essential items were unavailable due to covid-related supply chain shortages and

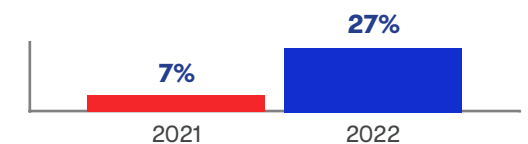
demand, in 2022, it is now non-essential items facing the most disruption.

Brands have been forced to be more transparent with their customers about supply-chain shortages, but brands must recognise how consumers feel and are reacting to these issues. As we see in consumer reaction towards inflation, consumers are shopping around for lower prices and are willing to try new brands and products.

Supply chain shortages have impacted product availability and brought brand loyalty lower than in previous years. In 2021, just 7% said they were willing to try a new product if their desired product was unavailable. This statistic has now risen to over 27%. This increase gives brands a significant opportunity to gain



In 2021, just 7% said they were willing to try a new product if their desired product was unavailable. This has now risen to over 27%



market share by innovating in production and distribution. Brands in the health and beauty category also have a pivotal opportunity to capitalise on creating affordable product ranges that provide alternatives for their own or competitors' higher-priced and continuously unavailable ranges. For brands to retain customers, they must address the customer journey and consider giving alternative suggestions to unavailable products.

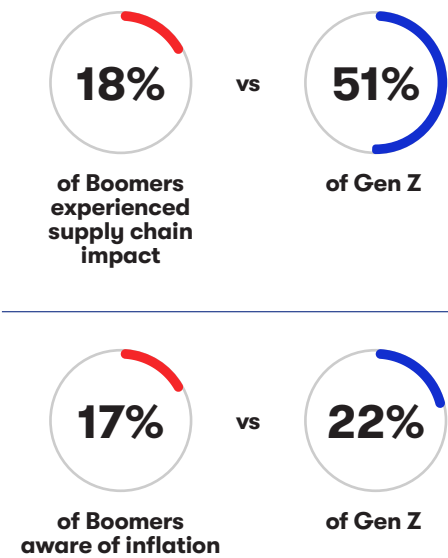
Brands must communicate supply chain issues effectively with their customers to retain brand loyalty and avoid consumers looking elsewhere for shorter delivery times and lower prices.

Demographics

Results show that there are contrasts in awareness and attitudes across demographics. Generally, consumers are aware of supply chain disruption, but how does this impact their shop?

Our data shows that consumers are aware of widespread disruption in supply chain shortages, with the highest awareness of issues in China, primarily due to the manufacturing bases in China. In China, 19% of consumers are aware of longer delivery times compared to an average of 13% in Western markets.

The most significant differences in awareness are across generations. Just 18% of Boomers experienced supply chain impacts, compared to 51% of Gen Z. This marks a significant generational difference, with generations most concerned with different issues.



Delivery delay and availability disruption awareness



Younger cohorts are more aware of supply chain issues and stock availability, typically spending more across ‘smaller’ purchases. Younger audiences are more aware of inflation and feel the impact most.

Consumers are aware of extended delivery times and widespread unavailability and have had trouble finding products. The lowest level of awareness is in Australia, with just 10% being aware of extended delivery times and 9% product availability.



Loyalty reactions due to shipping delays and product availability



Electronics
most brand loyalty
22%
delayed purchase until products became available



Health & Beauty
least brand loyalty
13%
delay purchase and 22% would shop elsewhere

Categories

Supply chain issues’ impact is felt across all categories, particularly fashion, groceries, and electronics. Consumers are opting to trade out (not purchase), trade-off or down (purchase similar or cheaper), or trade-up (purchase and accept longer shipping) for unavailable items due to supply chain issues.

Consumer behaviour across all categories follows a consistent trend of decreased brand loyalty, with a 20% increase in people willing to try new brands if the desired product is unavailable. Choosing similar or cheaper products for unavailable items is common for health and beauty, with 22% of consumers

opting for similar products, where dupes and similar products are easily found. Purchasing an identical item is less common for fashion, where similar items can be harder to locate, but more common for electronics, where customers can easily find cheaper alternatives and 18% choose to do so.

Our data showed that electronics has the most brand loyalty, with 22% delaying purchases until products become available. Health and beauty showed the least brand loyalty, which could argue that, similarly to groceries, many health and beauty items are more urgent or immediate purchases. Just 13% delayed

health and beauty purchases due to shipping times, and 22% said they would purchase a similar brand or product. This is a direct supply chain shortage reaction and follows a consistent trend of consumers trading down and trading out as products are unavailable, and prices rise due to inflation.

Brands must acknowledge that consumers are showing less and less brand loyalty due to product unavailability, increased shipping times and supply chain shortages. Brands must consider altering their marketing, communications and content to ensure that they stand out amongst competitors and show the most

significant value to consumers. 34% of consumers plan on using loyalty points more in 2022, and brands should increase the frequency of loyalty promotions over time and consistently engage consumers to increase brand loyalty, rather than offering immediate price promotions.

20%
increase in people willing to try new brands

Conclusion & Implications

In the US and UK, an average of 32% of consumers say they are using loyalty points more when shopping

The combined pressure of supply chain outages in commerce and the acceleration of inflation in several key markets around the world have forced global shoppers to adjust their behaviours. Many markets worldwide are experiencing this type of disruption for the first time in the digital era, and shoppers are using these new online channels and more traditional commerce environments to navigate this disruption. This navigation isn't consistent or single-faceted - in grocery, for instance, 32% of shoppers are trading down to more affordable options, while in more considered purchase categories like fashion and electronics, over 50% are shopping around more to find the best value.

Brand loyalty is at an all-time low, and there has been a 20% increase in people willing to try a new brand or product if the desired product is too expensive or unavailable. In the US and UK, an average of 32% of consumers say they are planning to use loyalty points more when shopping, and this could hold the key to retaining brand loyalty through offering exclusive discounts and offers.

As inflation increases throughout 2022, brands must listen to their consumers and understand reactions to worldwide disruption to avoid losing customers to competitors.

02

Contextual Commerce and the Rise of Online

58% more shoppers in the UK predominantly shop online than the average of other western markets surveyed in this report

Introduction

The world was forced to digitally adapt over the pandemic, with every industry forced online. Commerce became increasingly digital, and we are still seeing the impacts on commerce and consumer behaviour in 2022 vs 2021. As the world enters this 'new normal', what are consumers' attitudes towards online vs offline commerce and what are the key drivers of both? To understand where consumers are shopping, we must understand why.

In this section, we examine why the UK is the biggest eCommerce market outside of China and understand why the western world should perhaps look to the UK for an aspirational eCommerce model. We look at how demographic groups are behaving and how this is impacting commerce, as well as giving brands exclusive insight into what they need to be aware of in their future commerce strategies.



2. Contextual Commerce and the Rise of Online

eCommerce's Continued Rise

26% of shoppers prefer (mostly) shopping online, across all categories



Introduction

The pandemic accelerated digital adoption by roughly three years, and despite slowing, we expect more growth from digital native Gen Z in the next few years. As social channels, including social, voice, live streaming and video commerce, become widely available, it isn't a surprise that there was a rise of 4% in younger generations shifting to purely online shopping in 2022 at 11%.

During the pandemic, all retailers were forced online to survive. Traditionally, physical commerce and experience became digital, and brands had to adapt to this new shopping method. Tech, furniture, and sports accelerated their already significantly digital commerce share, with many brands introducing virtual experiences to make their customers' shopping experiences more accessible and efficient for large purchases.

As Boomers saw the most significant shift to online adoption since 2021 and 34% of Gen Z shifted to primarily or exclusively online shopping, some categories shifted towards in-store shopping, and we want to understand why.

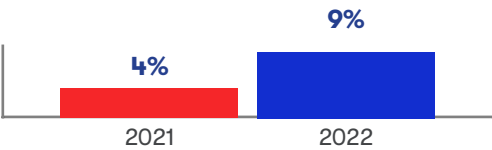
In this section, we examine what drives online and in-store consumers and understand why people shop online and what they buy.

Demographics

The pandemic influenced spikes in shifts to online shopping, and this trend continues to rise across all markets and demographics, with a 6% rise of mainly online and only online shopping overall. All consumers continue to shop across all channels; however, the most considerable uptake of online-only shopping was amongst Boomers, who saw a 5% shift towards online-only shopping habits.

There was a 5% increase in consumers shopping purely online, with 9% of consumers shopping purely online compared to just 4% in 2021. China also saw a shift toward consumers adopting an equal split between online vs in-store shopping, with 42% of consumers saying they have a similar mix. This shift toward an equal division in China could be influenced by China's physical retail becoming more established in recent years.

9% of consumers shopping purely online compared to 4% in 2021





Categories

Brands continue to innovate and adopt more digital channels for commerce in 2022, introducing social, live and virtual experiences to their digital strategies. Despite this, in some categories, consumers still prefer to shop in-store and physically touch and interact with products and customer service.

The automotive industry had the most significant shift towards online purchasing in 2022, with 10% of consumers shifting to mostly online shopping. Although automotive is adopting a more digital approach, 54% of consumers still prefer to shop in-store only. 35% of consumers say touch is the driving factor for this, and 35% value

customer service most. In many cases, shoppers move fluidly between on and offline for these high ticket purchases. Car manufacturers have pioneered some of the most interactive virtual experiences online, investing considerably in online channels in recent years. even in a difficult category for online conversion, investment in the right kind of digital experience can create a new, meaningful distribution channel to customers.

Health and beauty also shifted to a more balanced split between online and in-store, with 40% of consumers saying they equally shop online and in-store in 2022, compared to 37% in 2021.

Conclusion & Implications

Our data shows that the continued shift to online is consistent across all markets and demographics. The most critical driver appears to be influenced not by demographics but by what category consumers purchase from.

Consumer responses in 2022 showed that the shift to online shopping during the pandemic became a permanent change in shopping behaviour for many. For some, it opened the doors to first-time online shopping, and online shopping became a necessity for many vulnerable people. Brands that thought the world would return to 'normal' are re-visiting strategies as they enter the 'new normal'. An example is a historically in-store only UK

retailer Primark, trialling online shopping with click and collect in-store.

Automobile brands such as Tesla have introduced online options for purchasing cars with fixed prices, replacing traditional dealership negotiations.

Although brands must continue to develop their online channels, they must acknowledge that consumers are looking for a blend of offline and online experiences. Brands that understand how new technologies can provide the in-store experience online and enable online benefits in-store will win out in this environment.

2. Contextual Commerce and the Rise of Online

The Future of Commerce is Chi...Wait, the UK?

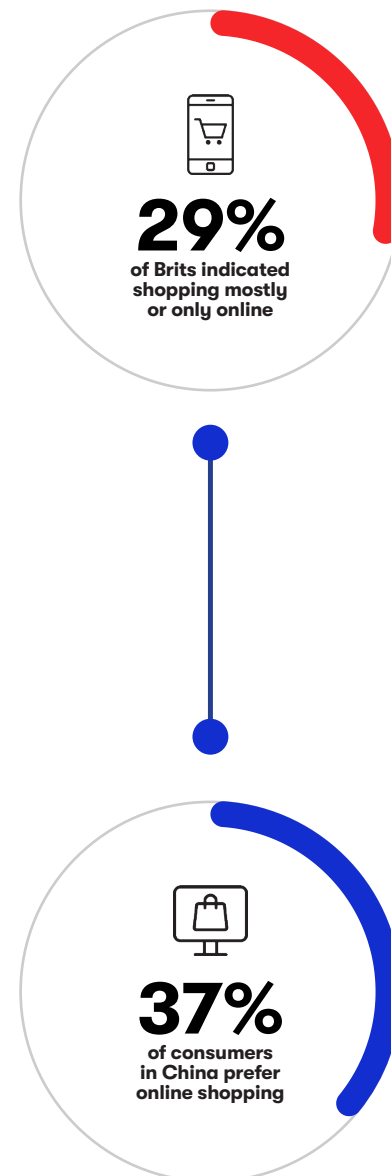
34% of UK shoppers prefer mostly shopping online, while 19% prefer mostly going in-store

Introduction

We have examined the online vs in-store drivers amongst consumers. Still, we wanted to understand how different markets are adopting online shopping and identify trends that will influence the following year. Ecommerce should be part of every brand strategy but not the sole focus, and brands need to understand what models work well, and how they can attract and retain both online and in-store customers.

Made in China

Of the markets we surveyed, the UK has the most extensive online consumer base outside China, with 29% of Brits mainly shopping, or only shopping online. Over the last year, the UK saw a 4% increase in mainly shopping online to 20% and a 7% increase in online-only shopping to 14%. Data supports that the UK is well ahead of other Western countries, including the US, Australia, Germany and Spain. The UK should be considered as an example model for developing channels in different markets whilst balancing the traditional physical high street.



Conclusion & Implications

China has traditionally been seen as an eCommerce leader, with a less developed physical retail environment. As consumers in China desire a more even split between offline and online shopping, brands are developing more in the physical landscape. A physical retail environment has traditionally led the UK and Western markets until the last decade, where eCommerce has rapidly evolved. The UK is now leading eCommerce in the Western markets covered in this report with a balance between online and offline. 29% and 36% respectively.

As the UK continues to develop its commerce and eCommerce channels, other markets should look to the UK as a core example on how to do this as consumer behaviour continues to evolve locally.

2. Contextual Commerce and the Rise of Online

The Future of Disposable Income is Millennial?

63% of Millennials indicated having purchased in the automotive category during the 2022 survey, compared to just 36% in 2021

Introduction

Historically, whichever generation represents the biggest percentage of a country's workforce holds the most spending power. 2022 is no different, although this time, the generation has grown up a little differently. Millennials currently account for the most significant percentage of the world's workforce and are growing into their purchasing power. But who are they?

So, who are Millennials, really?

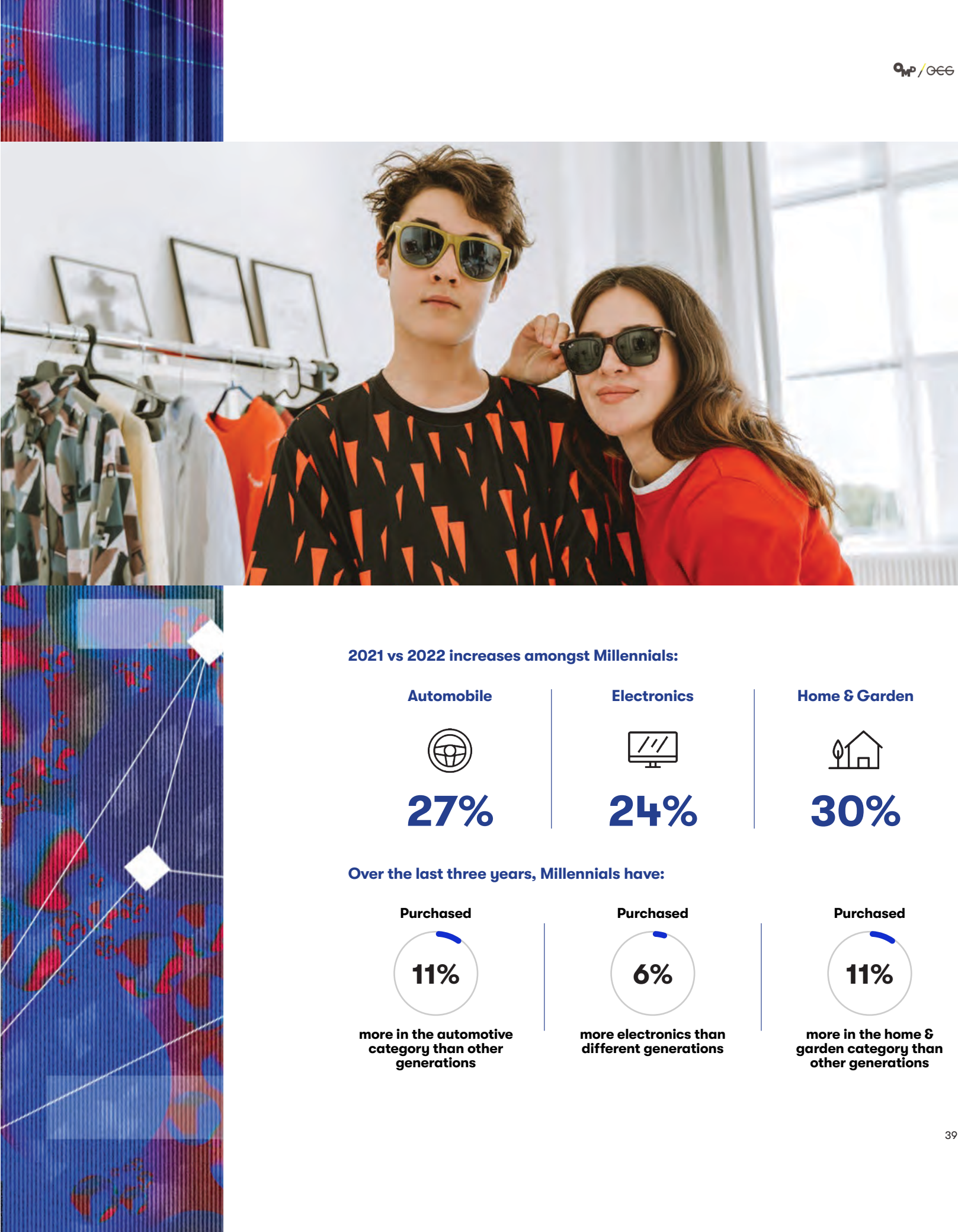
Millennials have become the economic driving force. They are the largest generation, represent the biggest percentage of the workforce, and hold the most purchasing power. Millennials are entering more financial stability, and their behaviour is shaping huge economic markets after recovering from a decade-long struggle following the 2008 financial crisis.

As Millennials age and their incomes grow, their spending power is only set to increase, with the older, 40-year-old Millennials leading the way. Millennials grew up during the rise of eCommerce and both online and traditional retail, so it was hardly surprising to see our data that Millennials are the group purchasing the most across all categories bar groceries.

Spending power

Over the last three years, Millennials have consistently increased their spending. Big-ticket items have seen a noticeable increase, increasing spends in automotive by 27% and home & garden by 30% in 2022. This suggests that as Millennials enter more financial security, purchase their first homes and have higher disposable incomes, they invest more in items for their home and personal life.

This trend will increase over the next five years and brands must continue to focus on Millennial behaviour to capture the most spending-power cohort.



2. Contextual Commerce and the Rise of Online

Convenience and Immediacy vs Experience and Inspiration

37% of individuals value immediacy in in-store shopping making it the most important factor



Introduction

Different factors drive purchasing behaviour across every demographic and category. Shopping online has other drivers to shopping instore, and the various types of instore shopping experiences also have different drivers. We want to understand the key drivers for online and offline shopping, how they compare, and identify the key stats that brands need to know.

Online vs Offline

Online and offline shopping have merged considerably over the last few years, primarily driven by the pandemic accelerating digital adoption by at least three years.

Brands continue to embrace eCommerce and the shift of shoppers to online platform increases year on year across all demographics, with 7% more of respondents indicated shopping mostly/only online in 2022 vs. 2021. Despite this, 42% of shoppers prefer offline channels with preference primarily driven by categories. At the end of the day most consumers continue to be channel fluid.

One key understanding is that though demographics are a helpful directional guide for understanding attitudes to commerce, the real insight comes from observing specific motivations around purchase behaviour by category. In commerce marketing, what you buy is more important than who you are.



Key Drivers

There are two main differentiating factors between online vs offline shopping:

1. Now and right now

37% said needing a product immediately was the key driver for in-store shopping

2. Convenience and price

26% said higher comparison is the key driver for shopping online

Although brands need to understand exactly what drives people to store and online, it is crucial that they include multichannel platforms in their commerce strategies to capture customers and maintain customer loyalty.

Our data has shown that the consistent key drivers for shopping online are price comparison, online discounts, product comparison and the comfort and ease of eCommerce. Millennials and Gen Z enjoy the convenience of subscription services, with 12% and 15% choosing this reason, and we expect other brands will adopt this trend in the coming year.

The top drivers for online shopping across categories are better prices, discounts and ease. However, automotive and grocery are an exception to this rule as consumers primarily prefer shopping in-store for these products. Online deals are harder to replicate in-store, and previous data showed that more consumers are using loyalty points in-store to drive down prices. Brands must understand how they can incorporate consistent loyalty offers to their customers to ensure they retain brand loyalty and increase customer engagement.

Demographics

The ability to touch and feel a product is naturally a primary reason why shoppers prefer in-store shopping, with 35% saying this is a key driver. Boomers typically find it easier to shop in-store due to the immediate nature of in-store shopping, alongside being able to see and touch products physically. Millennials and Gen Z are more motivated by in-store technology than Boomers, although they prefer to shop online generally. Millennials enjoy the convenience of automatic subscription services more, whereas Boomers prefer to go in-store for the same products.

We break this down and take a look at what is driving demographics in-store and online.



In-store shopping

Boomers



51%

ranked immediacy as the most important reason for in-store shopping

vs

34%

of Millennials

Other demographics



20%

of Millennials and Gen Z are more motivated by in-store technology

vs

10%

of Boomers



45%

ranked touch and feel ahead of other generations

vs

31%

of Millennials



19%

of Millennials and 20% of Gen Z are motivated by shopping with friends

vs

9%

of Boomers



38%

found it easier to navigate in-store shopping. Despite this, there is still an upwards trend of Boomers shopping online.

The future of in-store customer service

Customer service is also a top driver for in-store shopping for various categories, which can be harder to replicate online. In recent years, brands have adopted retail technology to bridge this online/offline gap. Brands must offer in-store elements whilst shopping online and provide online benefits whilst shopping in-store.

The future of in-store customer service should combine automation, data and AI. Automated basic tasks, restocking and cleaning, will allow the people that work in-store to dedicate more time to customer service. More data sharing will empower staff with the tools and data to understand their customer and provide a more personal shopping experience.

Online

Over 17% of Millennials and Gen Z put a higher importance on brands and products being available online, compared to just 9% of Boomers. Earlier in the report, we identified that there had been a 20% increase in shoppers willing to try new products, primarily driven by supply chain shortages impacting product availability. As Millennials and Gen Z historically shop online more, online product availability naturally ranks higher in importance for them. Millennials and Gen Z are also encouraged and motivated by friends shopping on the same site, compared to Boomers. Social media could be primarily responsible for this trend.

Categories

Since 2021, there has been an increase in online shopping across categories, increasing 6% over the last year.

Automotive had the most significant shift to online shopping, with over 7% shopping for automotive products (primarily) online. Despite this, consumers still prefer to shop in-store. 38% say that customer service is the biggest driver for in-store shopping, closely followed by being able to touch and feel products.

Electronics had the highest rate of online-only shoppers, with 14% shopping purely online for electronics products. This is mainly due to the nature of shopping around and online deals, with 32% saying better prices are important drivers. Although there is an upwards trend in consumers shopping for products online, 21% of consumers are still shopping in-store for electronics. The biggest drivers for electronics in-store include immediacy at 35%, followed by touch at 35%.

32% of fashion consumers prefer to shop online, with 31% saying price comparison is the biggest driver, followed closely by ease at 29%. Over the last decade, fashion has seen a seismic shift to online shopping with a 7% increase between 2021 and 2022, with many online-only, fast fashion brands storming the industry. As consumers become cost-conscious due to inflation, the cost-of-living crisis, and other issues such as sustainability and ethical practices, we could see a slower approach to fashion.





Conclusion & Implications

Overall, our data shows that the most significant drivers for shopping in-store across all categories are immediacy, touch and feel, closely followed by customer service. The biggest drivers for shopping online include price comparison, availability, loyalty discounts, comfort, and ease.

Millennials now dominate shopping and account for the most significant percentage of the workforce. They have the most purchasing power and will continue to dominate shopping for the next decade. Their behaviour is critical to winning commerce, and fluidity between the digital and physical world is vital. Knowing where brands can reach their audience will be far more integrally linked to understanding why they are there, not who they are as defined demographically. Millennials hold the most considerable purchasing power and value ease as a top driver for shopping online vs in-store.

Brands must blend the offline-digital gap to ensure Millennials and other cohorts can still enjoy the benefits of in-store shopping online.

The appeal of digital shopping is driven by the problems it solves for a shopper – primarily related to value and ease. The removal of friction is a critical success factor in this environment than just about anything else for brands and retailers.

Experience and connection are essential to the in-store shopping experience, but this needs to be balanced against a core fundamental need of the core in-store shopping driver, which is immediacy. Choosing the experience you want to create as a brand or a retailer and then being focused on how conversion and fulfilment happen seamlessly to deliver on the promise of immediacy is the critical balance.

03

The Future of Commerce

The percentage of consumers willing to share a broad range of personal and behavioural data with companies more than doubled in 2022, reaching 15% of all consumers

Introduction

In chapter 2, we started to look at actionable insights for brands based on consumer behaviour. In this section, we look at how the future of commerce is social, data, and tokenised. This section will help identify future strategies and insights for brands across the world.



3. The Future of Commerce

The Future of Commerce is Social, and the Future of Social is Commerce

15% of Millennials shop specific sites online to compare findings with friends

Context

Commerce has become more social than ever. Online stores encourage consumers to share selfies of themselves in items, photos of newly purchased furniture in their homes and be a part of the community. Brands drive social content from their customers by re-sharing on their social channels followed by thousands, and sometimes millions of people, and often are in with a chance of being featured on the brand's website. Some brands, particularly fashion, have scrapped their professional photos entirely, replacing all content with user-generated content from their customers and consumers.

Sharing purchases with friends, followers, and family is now influencing customers to purchase the same item, with influencers profiting from this.

The rise of influencers in the last five years has significantly impacted the social element of commerce and driven new ways of shopping. Popular social media platforms allow users to purchase within the app and shop outfits directly from uploaded content. Influencers' social communities can sell out products and inform future buying strategies for brands and dictate trends. 13% of consumers say they intend to purchase via an influencer in the next 12 months, just from visible influencer content.

In the form of social media, commerce is already social online, but what is a social manifestation for in-store shopping? We look at what drives consumers and potential consumers back to physical high streets and city centres and understand how brands can leverage this.

We are social

We have already understood the key drivers for why consumers shop online and in-store, but how do friends and shop together, and does this influence where they shop and what they buy? From our data, we can tell you that it does.



45%

of respondents said that visiting friends and family was a motivator to return to city centres



47%

return to shop for leisure



Demographics

The attitude towards social and commerce is split between younger and older generations. Younger generations are led more by social media and older audiences in silos or by friends.

Millennials and Gen Z are familiar with influencers, and we have already seen that almost 13% of consumers intend to purchase via influencers in the next twelve months. This number grows to 16% when looking at Millennials and Gen Z, supporting the idea that digital native generations are driving this behaviour. This is a consideration through ‘conscious’ influencing, where items promoted by influencers are presented as ‘gifted’ or ‘paid’. However, if we look at products influencers promote that are via affiliate links and not necessarily explicitly stated and influence followers ‘subconsciously’, then we would expect this figure to be much higher.



13%

of consumers intend to purchase via influencers in the next twelve months



16%

of Millennials and Gen Z intend to purchase via influencers





3. The Future of Commerce

The Future of Commerce is Data

8% more people are open to sharing a broad range of personal and behavioural data in 2022 vs. 2021

Introduction

In recent years, data has become a buzzword of sorts. Every brand mentions it, but what do they mean? In this chapter, we look at how people really feel about data, sharing their data, and data tracking in commerce. We identify trends in specific demographics and sectors and understand the increased efforts to access first-party data and how this impacts consumer behaviour.

Data

Between 2021 and 2022, 9% of people have become more open to sharing their data with companies. There have been seismic shifts in attitudes to data sharing across demographics, but there is an upward trend in the willingness to share data. Brands are using personal and behavioural data better to strategize campaigns and the customer journey or experience.

How do people feel about data?

People have become more aware of data sharing and more open to it since 2021, with a 19% decrease in people saying they would not share data across any company now at 33%. Reversely, there has also been a 21% shift in people’s openness to sharing data including, behavioural, engagement, or personal in 2022 to now 82% willing to share at least one type of data averaged across a variety of company types, suggesting that as more people adopt online shopping channels, the trend in data sharing will also increase.

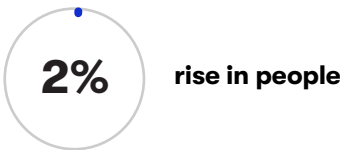


9% shift in people open to sharing a broad range of personal and behavioural data

Millennials



Boomers

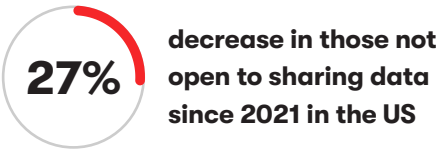


Let’s break it down

In previous chapters, we saw that Millennials and Gen Z are primarily shopping online (27% and 34% respectively) with more opting for online-only channels. This directly correlates with our data showing that Millennials had a 10% shift towards being open to sharing data in comparison to a shift of 2% for Boomers. As more people adopt digital channels, we expect this to continue to rise. Retail can be one of the ways in which data sharing leads directly to consumer benefit – as such, it appears as though there is a correlation between increased digital commerce penetration and consumer willingness to share data.

The US had the most significant shift towards sharing data, with a 27% decrease in those not open to sharing any data since 2021. China had the most considerable growth in sharing of data, with a 13% increase since 2021.

Countries least likely to share any data are Germany and Australia. Just 9% of Germany are open to sharing of their data – but 26% are still willing to share personal data, and 42% say they would not share any data. Australia had the most significant number of consumers saying they are not willing to share any data at over 44%. This could be due to Australia’s eCommerce channels being less developed than the UK where just 30% refused to share any type of data. However, as more brands cater to Australian audiences, this could increase in the next few years.



Vertical shifts

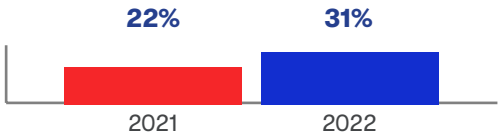
Interestingly, retail is the strongest sector for sharing personal data, having grown by 9% from 2021 to 2022 to 31%. However, there has been a decline in sharing behavioural data in 2022 by 2%, down to 22% of individuals willing to share behavioural data. This could be influenced by behavioural data tracking tailoring ads, and inundating consumers on social media platforms, and brands should be aware of this.

The increased openness to data sharing in retail opens up exciting opportunities for brands. Brands can use consumers’ data to suggest more tailored products and lower prices and understand how consumers behave. However all marketers know and understand their responsibilities in respecting privacy and remembering that beyond the targeting opportunity we need to remain human, engaging and open with people to retain their trust and loyalty.



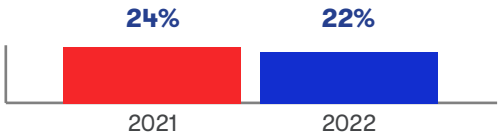
Personal Data Sharing

⬆️ **+9%**
increase



Behavioural Data Sharing

⬇️ **-2%**
decline



3. The Future of Commerce

The Future of Commerce is Tokenised

89% of people in surveyed markets were aware of cryptocurrency

Introduction

In 2022, NFTs grabbed headlines, with artworks going for millions of dollars. The market has been volatile across all forms of crypto, but consumer awareness has increased to mass levels. Crypto awareness has been increasing since 2021, and we wanted to measure awareness across different demographics and understand how findings may suggest trends for the following year.

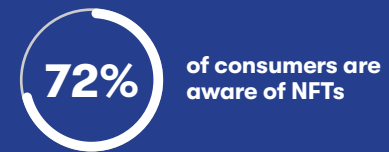
The rise of crypto and NFTs

The interest in NFTs, crypto, and the metaverse is generally higher unsurprisingly amongst younger audiences. Overall crypto awareness is high at 89%, with 11% of all respondents saying they are unaware of cryptocurrency. A relatively high percentage of all respondents, 31% say they are interested or are planning on purchasing crypto in the next 12 months, and 13% already own crypto.

Despite media buzz around NFTs in 2022, awareness is generally lower than crypto at 72%. This could be due to the time that crypto has been around compared to NFTs. Despite this, 28% of people are interested in and have the intention to purchase NFTs within the next 12 months.



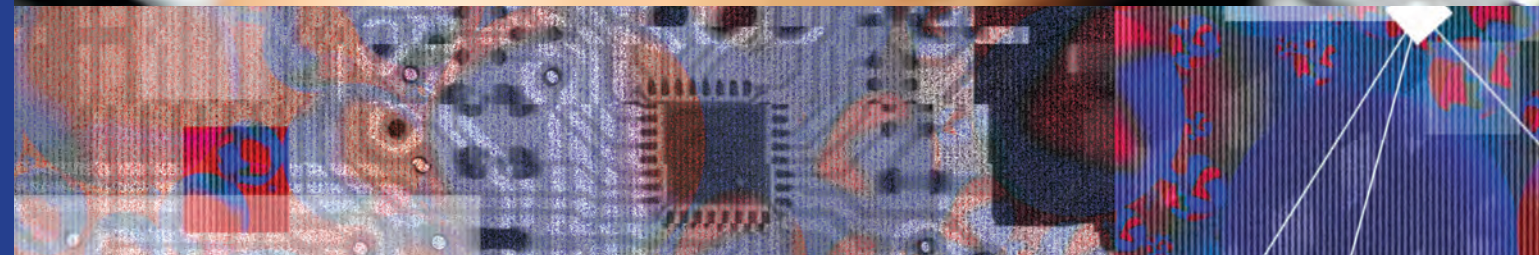
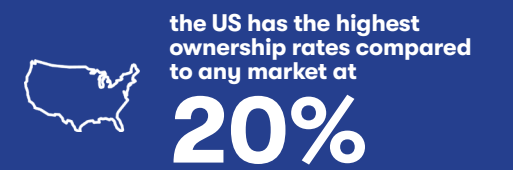
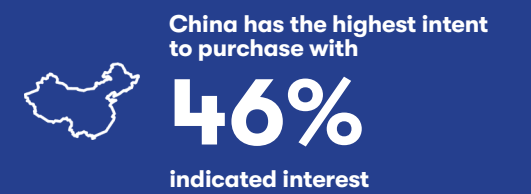
Awareness



Purchase Intention



Markets





Crypto Ownership Rates

19%



of Millennials own

3%



of Boomers own

Demographic Ownership Rates

Chinese and Americans own the most crypto, both

26%



Ownership

Crypto had higher ownership rates amongst Millennials at 19%, and lowest for Boomers at 3%... Millennials typically spend more time on social media and are much more likely to encounter content around crypto than Boomers, who have a lower social media consumption rate. Interestingly, there is a minimal gender gap, with male interest in crypto at 32% and NFTs at 28% on average sitting just 2% higher than female interest

Chinese and American Millennials own the most crypto, at over 25% for both cohorts. Ownership of NFTs is also highest

in China at 14%, primarily driven by Gen Z and Millennials. The intention to purchase NFTs and crypto is highest for Millennials, with 36% saying they are interested or intend to purchase NFTs in the next 12 months.

As more Millennials and Gen Z come into their purchasing power, ownership of crypto and NFTs will rise significantly in the next few years.

If brands want to drive crypto and NFTs, the key focus should be on Millennials and Gen Z across China and the US.





Conclusion & Implications

Social data and the metaverse will come into play more in the next year and all brands should consider their virtual commerce and currency strategies carefully.

Brands have the opportunity to combine the influence that friends and family have and influencers to create community-led content both on and offline.

With an increasing consumer openness brands have an opportunity leverage data more than ever and intelligently use data and build programmes that deliver value and increased personalisation. What will remain important is openness in brand communication, respect of privacy and the importance of trust. In a new era of consumer expectation of rich experience it will be important to move beyond targeting the 'who' to find the right time to engage and add value vs leveraging data with unwanted messaging.



Conclusion

We cannot escape the fact that the world faces continued challenges over the next couple of years that will force consumers to change spending behaviour dramatically and make different choices in where, how and what they spend.

There will be opportunities however for growth built around ever-shifting consumer behaviours and attitudes, driven primarily by the Millennial cohort who will come more into their purchasing power in the next ten years. As they purchase homes, have families and build their asset base, their influence on commerce will be vast. Brands must be dynamic in responding to Millennial and Gen Z needs, as they have experienced an entirely different adolescence than any previous cohort.

Despite Millennials spending more across any category than any other generation, they, alongside every demographic, have been forced to revisit almost every aspect of how they spend their time and money over the last two years. This has created a significant amount of new behaviours, shifted old behaviours, and introduced a willingness to adapt old behaviours in new ways.

Brands have had to innovate to survive the pandemic and supply chain crisis. Brands have already had to adapt and innovate to avoid being left behind, and this process must continue in this 'new normal'.

Our global consumer study tells us that consumers are ready for continuous

change. They are prepared to shop online, share more data and are open and intend to venture into newer sectors in crypto and NFTs. Saving money and accessing hard-to-find products are their short-term issues, driving changing behaviours on and offline.

These new behaviours, for most shoppers, haven't been codified into the habits yet, as the basics of product availability and pricing are still a core focus while priorities reflect some post-pandemic uncertainty. This world of disrupted basics creates both chaos and opportunity – any brand that has ever wanted to change perception or consumer/shopper behaviour has a unique opportunity to do that while behaviours remain uncertain.

The brands that will come out strongest will be those that adopt new production, distribution and marketing practices built around an understanding of both the short-term pressures on spending and longer-term shifts in attitude.



Helping set your course for the future

If you would like to find out more from our media and commerce experts, or would like to request a copy of the data that fuelled this report, please contact us at:



vicky.bloyce@omd.com

omd.com



genevieve.dreyfus@omnicomgroup.com

omnicomcommercegroup.com

Authors & Contributors



Sophie Daranyi
CEO,
Omincom
Commerce Group



Bryan Gildenberg
SVP Commerce,
Omnicom
Commerce Group



Jean-Paul Edwards
Worldwide Managing Director,
Product,
OMD Worldwide



Vicky Bloyce
Worldwide Managing Director,
Communications & Marketing,
OMD EMEA



Grace Coops
Associate Director,
Communications & Marketing,
OMD Worldwide



Tiffany Grous
Associate Director,
Communications & Marketing,
OMD Worldwide



Dr. Hannah Gringard
Insights Manager,
OMD EMEA



Sarah Reardon
Insights Executive Director,
Marketing Intelligence,
OMD EMEA



Michael Lee
Insights Manager,
Marketing Intelligence,
OMD EMEA



Genevieve Dreyfus
Senior Manager,
Business Development,
Omnicom Commerce Group



