

2018 CONSUMER TRENDS REPORT

Engaging the Informed Consumer



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THE TIDE IS TURNING

Proliferating touchpoints and the meteoric rise of online-only merchants have forced the retail industry into a race to the bottom. Competition has been fierce to offer the lowest prices, the steepest discounts, and the fastest free shipping — often to the detriment of small and mid-sized merchants whose lower order volume can't make up losses in margins.

But the Kibo 2018 Consumer Trends Survey suggests that the tide is turning. In a world where sales and discounts are ubiquitous year-round, shoppers are increasingly looking beyond price to distinguish what sets merchant apart. Among the offerings survey participants identified as crucial to today's shopping experience:

- Rich online content that incorporates peer reviews and early transparency into inventory and fulfillment options
- Personalized experiences that factor in shoppers' purchasing history and other past interactions with the brand
- Store experiences that deliver optimal experiences for each shoppers' needs, from concierge service to ultra-efficient curbside pickup



NEXT UP: THE RISE OF SHOPPING EXPERIENCES



THE RISE OF SHOPPING EXPERIENCES

New survey data gives hope to mid-sized retailers and branded manufacturers as they compete for shoppers' attention and loyalty. While price remains a primary preoccupation, shoppers increasingly acknowledge the importance of stores as resources, and they give top marks to sellers whose online offerings serve as a hub of product and service content.

With Amazon and Walmart maintaining a strong presence in the retail world, no one is surprised that consumers are used to discounts and deals, and now expect them year round, instead of simply on a holiday weekend like Black Friday. This status quo has gotten some retailers into trouble as they race to the bottom, and other retailers or manufacturers feel they simply can't compete. But the tide is changing.

The importance of price as a purchasing factor has actually dropped 12.8% year over year. A trend we have seen in the industry that our research supports, is the shopping experience is gaining importance. The importance of the consumer's online shopping experience has actually doubled year over year. This is where retailers and branded manufacturers can really shine. As they are given the opportunity to show consumers they understand their needs - welcoming the customer with personalized and dynamic content on the eCommerce site.

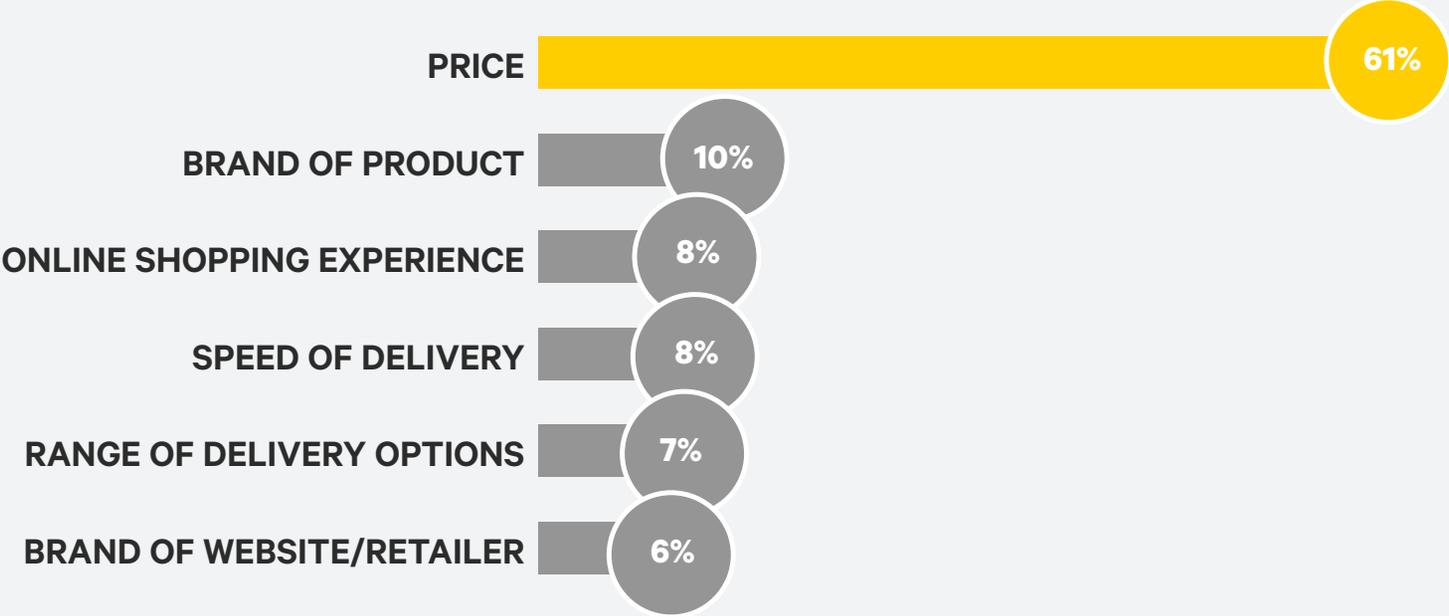
YEAR-OVER-YEAR CHANGES TO KEY CONSUMER PURCHASING FACTORS



With price as a purchase factor decreasing, and the customer experience as a purchase factor increasing, merchants should not be threatened that 85% of consumers regularly price check against competitors. Consumers want to be informed, and after they gather all of the information, only then will they make their decision. But a word of warning: consumers can easily see if prices for products are inconsistent across channels, and it is imperative that organizations employ technology and processes that allow for consistent pricing across online, in-store, social media, or call center.

Retailers and brands selling online have another opportunity: the variety and speed of fulfillment options rose in importance by 1.3x and 3x, respectively. The obsession with free shipping is at a plateau, with just under half of shoppers saying they'll add items to the cart to get it, and more shoppers saying they're willing to pay for it. This is another side effect of Amazon's Prime Membership. People want their products quickly, but are not willing to pay more than what they have already bought into. Consumers are teaching us over and over again that multiple, easy to use fulfillment options are now table stakes.

“CONSIDERING YOUR ONLINE BEHAVIOR, WHICH FACTOR IS THE MOST IMPORTANT WHEN CONSIDERING YOUR PURCHASE?”

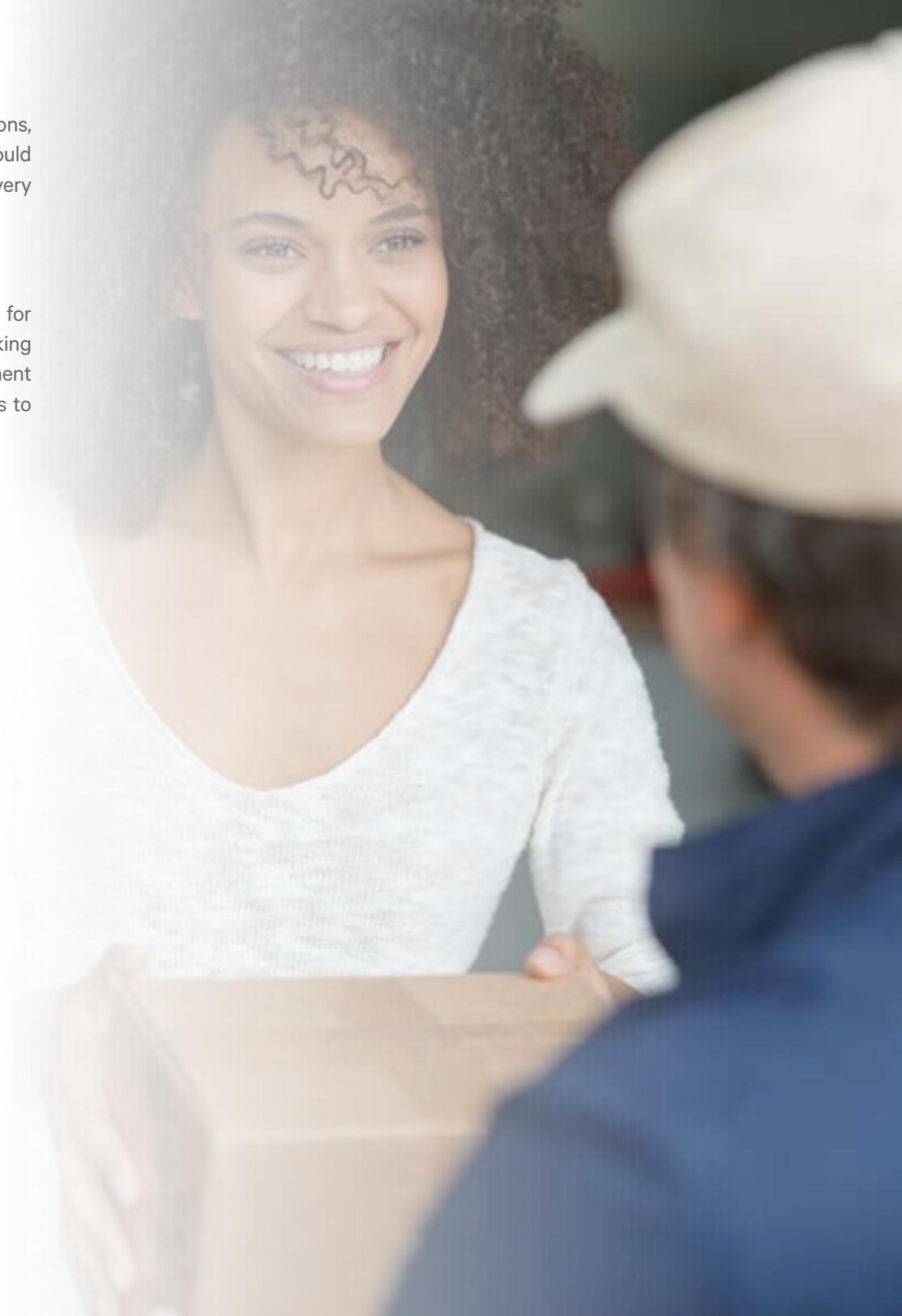


This year's research has shed some light on consumer shipping expectations, with 40% of consumers claiming that delivery that takes more than 2 days would prevent them from making a purchase, but at the same time 63% expect delivery within 3 days as standard.

It seems that while consumers are on the path to purchase they are looking for quick fulfillment options, yet express a little more leeway once their tracking number is in the mail. Certainly one way to offer consumers quick fulfillment options is to offer buy online pickup in-store even before the consumer gets to the cart.



NEXT UP: RESEARCHING AND BUYING



RESEARCHING AND BUYING

For both men and women, the first place they turn to research brands, products, or services they're considering buying is a search engine at 69%, and then Amazon.com at 61%. As shown in the chart below, visiting a retailer or branded manufacturer's website isn't at the top of the list, however, these sources of information are still very important for a consumer's research and buying journey.

The good news is that consumers are still employing the use of the search engine as their first line of research, meaning smaller retailers or manufacturers have the opportunity to really let their SEO shine. Investing in SEO services within an eCommerce platform or outside of it will greatly help merchants rank higher on search engine results. Additionally websites will rank higher if they have fresh content, which means it is important to have a platform that enables easy ways to publish content, and the agility to easily promote and change promotions.

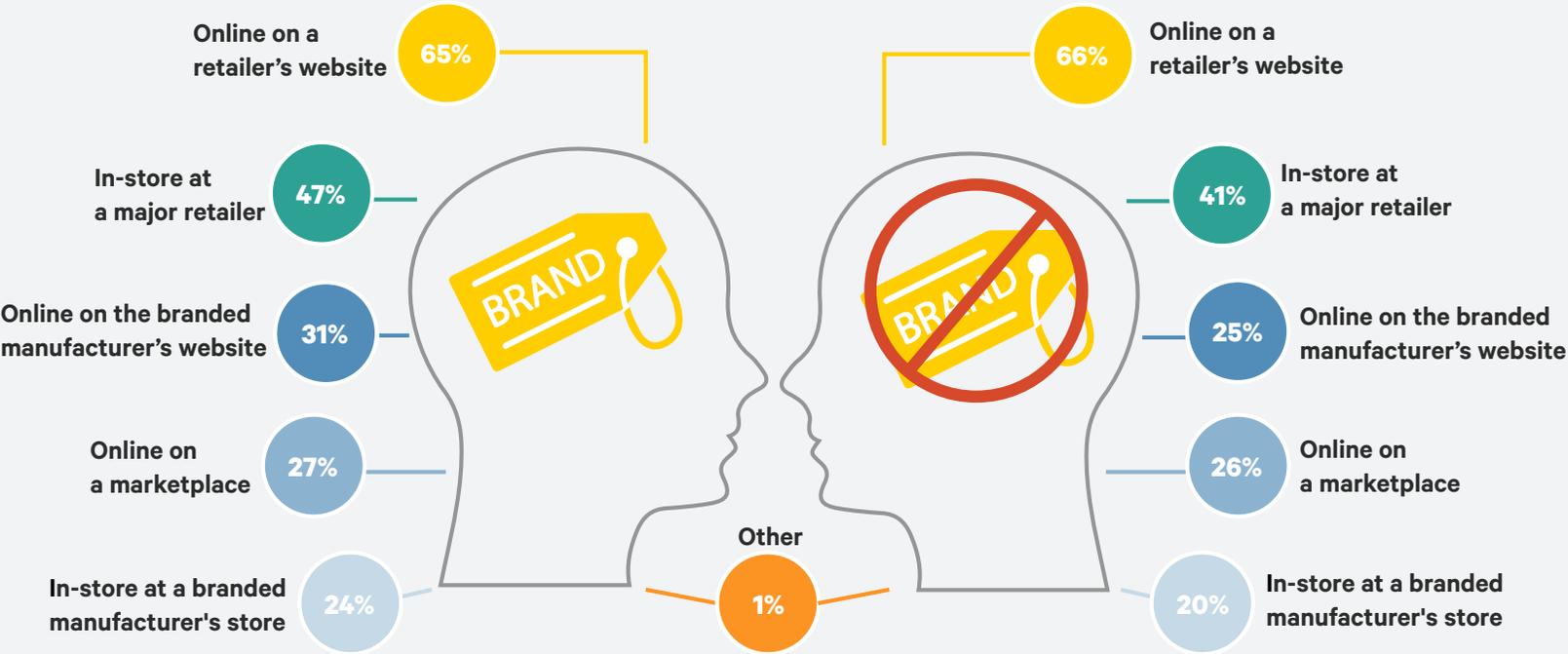
“WHICH OF THE FOLLOWING SOURCES OF INFORMATION DO YOU TYPICALLY USE TO RESEARCH BRANDS, PRODUCTS, OR SERVICES YOU’RE CONSIDERING BUYING?”



Mass retailers like walmart.com, amazon.com, and bestbuy.com are showing strongly in both the researching and buying process. The interesting thing is that regardless of whether the consumer already knows the brand they want, or if they are still in the exploratory process, their buying preferences are basically the same. For those consumers who already know the brand they want to purchase, 65% prefer to go to a retailer's website to make the purchase, and over 31% prefer to purchase from the manufacturer's website.

When consumers are researching online without a specific brand name in mind, they still largely turn to major retailers first, at 66%, with 25% preferring to purchase from the branded manufacturer's website once the desired brand has been identified. Looking at these consumer preferences, it's important to remember that both SEO and paid search initiatives can move the needle for brands and retailers, and help offset this consumer behavior.

“WHEN SHOPPING ONLINE FOR PRODUCTS, WHAT IS YOUR PREFERRED METHOD OF PURCHASE FOR THE PRODUCT?”



➔ NEXT UP: CONTENT THAT COMPLETES THE PURCHASE

CONTENT THAT COMPLETES THE PURCHASE

The content on a website needs to do everything from ranking high in search engine results to converting customers. But what content actually influences consumers to complete a purchase?

that consumers want even more information than what is simply in the product description, and they want to know what other users have discovered about the product once they have got it home. Make sure to provide space for consumers to review products, and make it easy for them to do so.

This year, 74% of consumers are somewhat, very, or extremely influenced to complete a purchase due to interactive content that allows them to engage and learn more about a product. While 74% is a very high number, it should be noted that this is actually down from last year. Last year was a big year for interactive content, as 92% report they were influenced by it when completing a purchase. The decline could be due to the rising importance of the peer review.

Our research indicated that product reviews only continue to grow in popularity, suggesting that authentic recommendations and ratings from shoppers are a key player in completing a purchase online. Going even further, 91% of shoppers have relied on these reviews in the past 6 months. This indicates

WHAT INFLUENCES A CONSUMER TO COMPLETE A PURCHASE?



CONSUMER EXPECTATIONS OF BRANDED MANUFACTURERS

Content is where branded manufacturers can really shine. Branded manufacturers are perceived as authoritative sources of content, with 61% of shoppers saying they expect to find product reviews and 52% saying they expect in-depth content on their website; in fact, the availability of in-depth product information is a leading reason shoppers would seek out a manufacturer site.

This is all the more reason to invest in a scalable and business-user friendly eCommerce platform that easily allows publishing new content to engage shoppers. Whether consumers buy from your site or go elsewhere, the experience is what will capture their attention and remain stamped in their head when making a purchase.

WHAT ARE CONSUMERS EXPECTING WHEN SHOPPING AND PURCHASING ONLINE FROM BRANDED MANUFACTURERS?



NEXT UP: THE CHANGING ROLE OF PERSONALIZATION

THE CHANGING ROLE OF PERSONALIZATION

Consumers have changed the way they shop – utilizing multiple channels in an effort to find the most seamless, friction-free buying experience. While mobile and social channels continue to gain popularity, personalization strategies continue to have significant influence on a buyer and should not be ignored.

Alternatively, recommendations on the product page play a key role, with 64% of shoppers saying tailored cross-sells impact purchasing decisions – up 45% from the prior year. When combined with the data above, this implies shoppers know what they want and are bypassing the homepage to get straight to their desired product page.

Over 63% of shoppers state personalized recommendations on the homepage impact purchasing decisions. While significant, as compared to 2017, this technique's influence over the buyer has decreased by over 25%. Similarly, just over half of shoppers report recommendations in the shopping cart influence a purchase – down over 43% from 2017.

PERSONALIZATION'S IMPACT ON PURCHASING



63% Personalized Recommendations on Homepage



50% Shopping Cart Recommendations



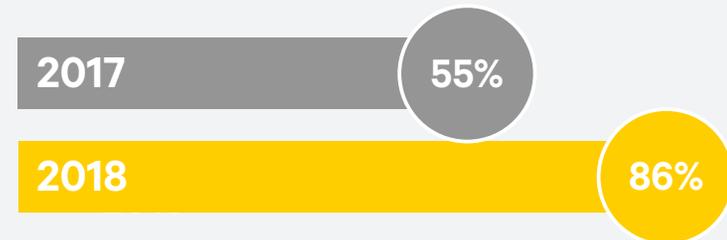
64% Recommendations on Product Page

The rise in mobile shopping may be the leading cause for this behavior, as limited real estate on smaller format screens force retailers to make mobile experiences oriented around product discovery and search instead of generic browsing – landing a shopper on a product page. Similarly, mobile shopping carts tend to prioritize conversion over cross-selling recommendations. With 78% of consumers reporting a simple, streamlined shopping cart influences the completion of a purchase, merchants are wise to focus on removing friction at this point in the buying journey.

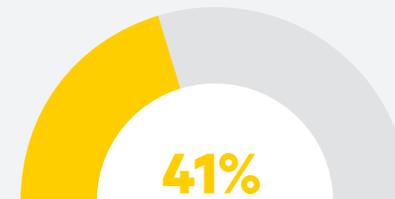
Lastly, promotions that take into account shoppers' loyalty status are increasingly important, with 86% saying loyalty discounts and offers are a purchase consideration – up from 55% last year. Furthermore, 41% say loyalty rewards are expected from branded manufacturers – an expectation that has long been around for retailers. These are all signs that personalized promotions drive return purchases.

As merchants look to optimize their personalization strategy, high importance items for consumers should be top of mind. Robust search and product discovery, engaging content on product pages, and a high-quality loyalty or rewards program should be priority areas of investment. Personalization has the power to convert the casual browser into a buyer and transform a buyer into a loyal brand advocate.

LOYALTY DISCOUNTS AND OFFERS IMPACT ON PURCHASING



CONSUMERS EXPECTING LOYALTY REWARDS FROM BRANDED MANUFACTURERS



NEXT UP: IMPORTANCE OF INVENTORY VISIBILITY & FULFILLMENT

IMPORTANCE OF INVENTORY VISIBILITY AND FULFILLMENT

Consumers will not tolerate any experience that doesn't give clear visibility of inventory available for a purchase. As a result, providing this data and a variety of fulfillment options early in the decision process is important to conversion. More than three quarters of shoppers (76%) say having multiple fulfillment options influences purchasing, up from 64% the year before — an 18.75% increase.

Similarly, overall inventory visibility is important, as 77% of shoppers say that knowing the quantity of items available influences their purchase decisions — up from 64% the year prior. Additionally, 68% of consumers are less likely to order from a site that doesn't show in-stock store inventory availability, and 78% of consumers have looked up store inventory before a store visit. Shoppers want to know if they will be able to get the quantity they want, or if it's even worth getting in the car to go down to the store.

For branded manufacturers, this messaging is especially important, as nearly a third of shoppers (32%) say that a greater array of potential fulfillment options is a reason to seek out manufacturer websites in the first place. 52% of consumers say they expect a manufacturer's site to have items in stock, and 45% say they seek out manufacturer sites because they believe the manufacturer will have a wider array of items in stock than a retailer. Additionally, over a third of consumers expect a better warranty to be available to them if they purchase from a manufacturer's site.

 **NEXT UP: THE STATE OF BUY ONLINE PICKUP IN-STORE**

INVENTORY VISIBILITY INFLUENCES CONSUMER PURCHASES



CONSUMERS HIGH EXPECTATIONS OF MANUFACTURERS



Expect manufacturer websites to show quantity of products available to purchase



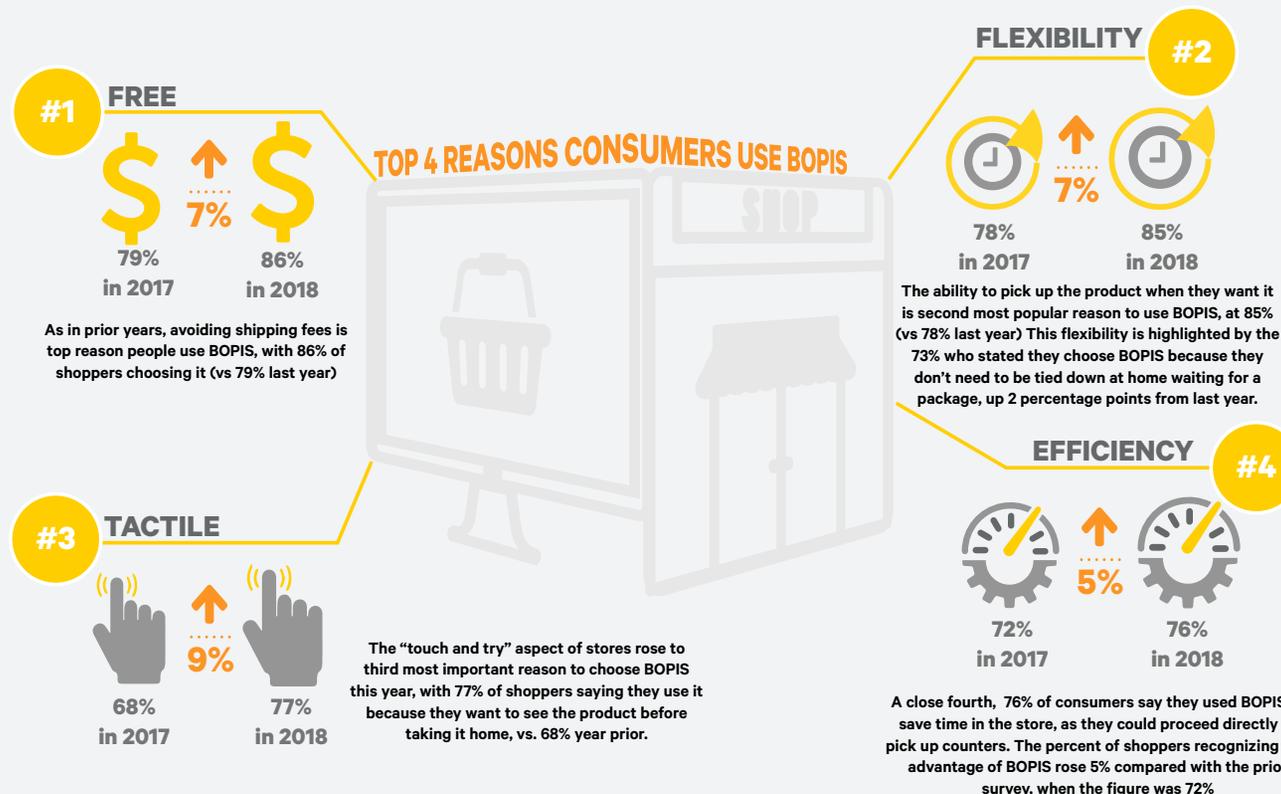
Believe manufacturer websites have a wider array of items in stock

THE STATE OF BUY ONLINE PICKUP IN-STORE

Attitudes toward BOPIS further highlight the centrality of stores and their growing role as a solution for merchants to deliver flexible, free, and fast fulfillment. Actual usage of BOPIS (vs only as a purchase influencer) also remains strong; more than $\frac{2}{3}$ of shoppers have used it in past 6 months. While $\frac{1}{3}$ is still a strong showing, it should be noted that this is down by 15% from last year. This decline is possibly due to a feeling of assurity the shopper has when they can research and check inventory levels before heading to a store, as 86% of shoppers report that they research products prior to store visit.

The store is a key component in the future of retail. With 67% of consumers having utilized BOPIS in the past 6 months, they are likely driven by four key shopper expectations: free, flexible, tactile, and efficient.

A note to manufacturers: When consumers are on a brand manufacturer website, 39% expect to be able to order online and pickup at a nearby retailer



 **NEXT UP: THE NEW ROLE OF STORES**

THE NEW ROLE OF STORES

Headlines all over the world are shouting about store closures, which some translate into the belief that stores are dead. Certainly we have seen proof to the opposite. Our research shows a 3.33x increase in the amount of consumers who would choose to buy in store instead of online. Additionally, we are seeing more and more retailers re-evaluating how consumers are interacting with their stores, and making decisions to adjust and optimize their stores based on consumer research.

It is very clear that the consumer are using multiple touchpoints and expecting online and offline channels to be connected. When in the store, the willingness to accept store associates' assistance with locating items that are out of stock on store shelves and ordering them for home delivery has jumped by 18.75%, with 57% of shoppers saying they've taken advantage of this service — up from 48% last year.



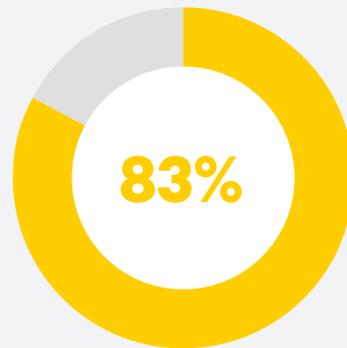
The impact on purchases store associates can make it high, as 83% of shoppers say knowledgeable store associates influence their purchase decision. This is where retailers can really differentiate, winning the customer's purchase now, and making a lasting impression with a unique shopping experience they cannot get online.

Taking it a step further, the ability to complete transactions on the spot is increasingly important. 50% of shoppers have used line busting in the past 6 months, and even more the percentage of shoppers who've used it 7+ times in the past 6 months has doubled, suggesting it is becoming more available and being used more often.

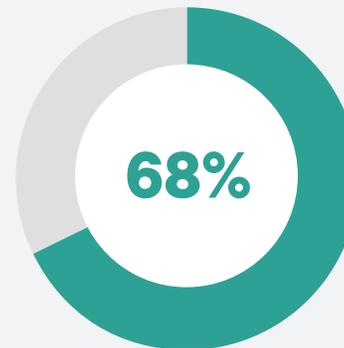
Consumers are utilizing the store associate, and 68% of shoppers expect store associates to access their order history in store; while this percentage is down 6% from the previous year, it still signals that the expectation for merchants to have broken down barriers between touchpoints and equipped store associates with customer information, is there.

With multiple data security breaches in the last few years, it is becoming more and more important for data to actually be secure, and for consumers to know they can trust their personal information is safe.

EMPOWERED STORE ASSOCIATES MAKE A DIFFERENCE



Knowledgeable store associates influence purchase decisions



Consumers expect store associates to access their customer history after purchasing online

 **NEXT UP: CONCLUSION**

CONCLUSION

The consumer's expectation of retailers and manufacturers is constantly evolving – but staying ahead of their expectations is entirely possible with the right omnichannel strategies. While price continues to play an important factor in purchasing decisions, consumers are increasingly influenced by engaging digital content, personalized recommendations, in-store associate knowledge, and flexible fulfillment options, such as free shipping and buy online, pick up in-store (BOPIS).

The path forward is more predictable and understood than ever before. Merchants are likely to thrive in an era dominated by Amazon if they make investments in eCommerce, order management, in-store engagement, and personalization technology that enables seamless experiences between online and offline buying touchpoints. However, innovation for merchants is imperative; those looking to outpace the industry must make the proper investments now to prevent a race to the bottom in the future.

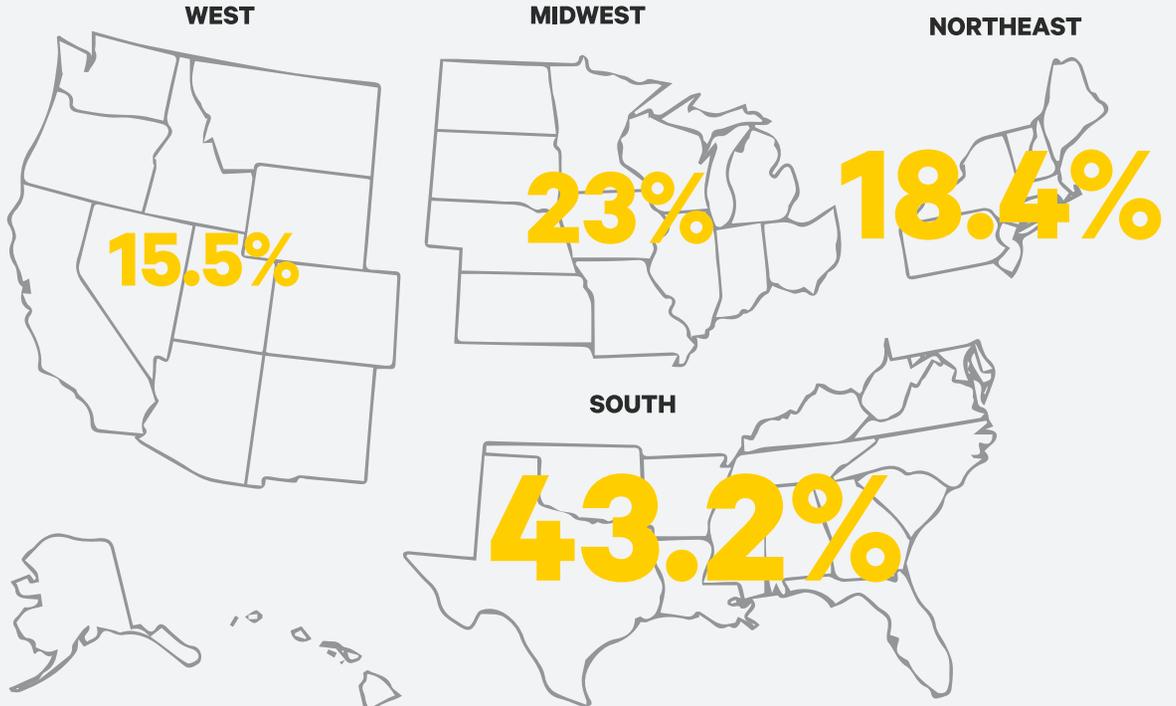
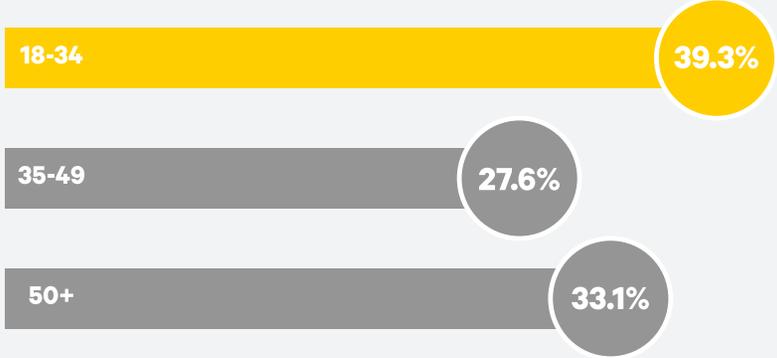


DEMOGRAPHICS



TOTAL RESPONDENTS: 3,000 U.S. CONSUMERS

AGE



Survey Produced and Administered by Watermelon Research



Kibo is a leading omnichannel commerce platform for retailers and branded manufacturers with over 800 customers fulfilling orders in 75 countries. Clients achieve optimal performance and loyalty through truly connected customer experiences across customer devices and retail touchpoints. Kibo's unified approach includes a leading eCommerce platform, big data 1:1 personalization, mobile POS, and distributed order management delivered via a modern, cloud-based infrastructure. The Kibo platform can scale as clients grow their business while maintaining a low cost of ownership and faster time to market than other solutions. Kibo enables you to reach higher peaks of sales and customer loyalty. No matter the challenge, Kibo powers your success.

To find out more visit kibocommerce.com or call Kibo at 877-350-3866

Work Smarter

Achieve more with increased capability and less effort

Stay Agile

Quickly adapt to move at the speed of consumer demands

Be Connected

Deliver seamless experiences with fully aligned operations