HOW WE BUY:

The Trends Shaping Shopping

AMERICAN EXPRESS

DON'T *do business* WITHOUT IT™

FOREWORD

Over the past two years the UK has dealt with the impact of a pandemic, followed by unprecedented cost-of-living pressures allied to global economic disruption. This unique sequence of events has shifted the shape of shopping like never before. Retailers both large and small have had little choice but to ride this economic rollercoaster and hold tight in the face of many twists and turns.

From their perspective, understanding how consumers are feeling – and behaving – in the current climate is vitally important if they're to remain competitive. This research takes the pulse of the nation's shoppers to discover what they care about and what it means for retailers. It offers insight into how shopping has evolved over recent times, as well as identifying different groups based on their behaviours and values. Getting under the skin of shoppers and their rapidly changing needs helps empower retailers to adjust their strategies as needed – allowing them to better focus on delivering what their customers need.

We've witnessed huge levels of innovation and flexibility from retailers in recent times, pivoting due to external challenges and shifting demands. Offering a winning customer experience both in-store or online should be front of mind as consumers continue to prioritise convenience and ease when they shop.

These can be genuine points of differentiation when it comes to retaining loyal customers and driving new sales in an increasingly challenging environment – something American Express is focused on with our support of retailers large and small.

Finding ways to go the extra mile for customers helps retailers drive loyalty and stay ahead of their competition. I hope the insights in this report prove helpful in achieving that.

Daniel Edelman
Vice President & UK General Manager, Merchant Services, American Express

To discover the latest trends shaping shopping across different demographics and to pinpoint shoppers' preferences and behaviours, American Express surveyed 2,000 UK adult consumers from across the country. Through analysing their responses, four groups united by distinct motivations have been identified.

01 PRACTICAL PURCHASERS

Shoppers with convenience and ease front of mind

03 SUSTAINABLE SHOPPERS

Consumers focused on shopping sustainably

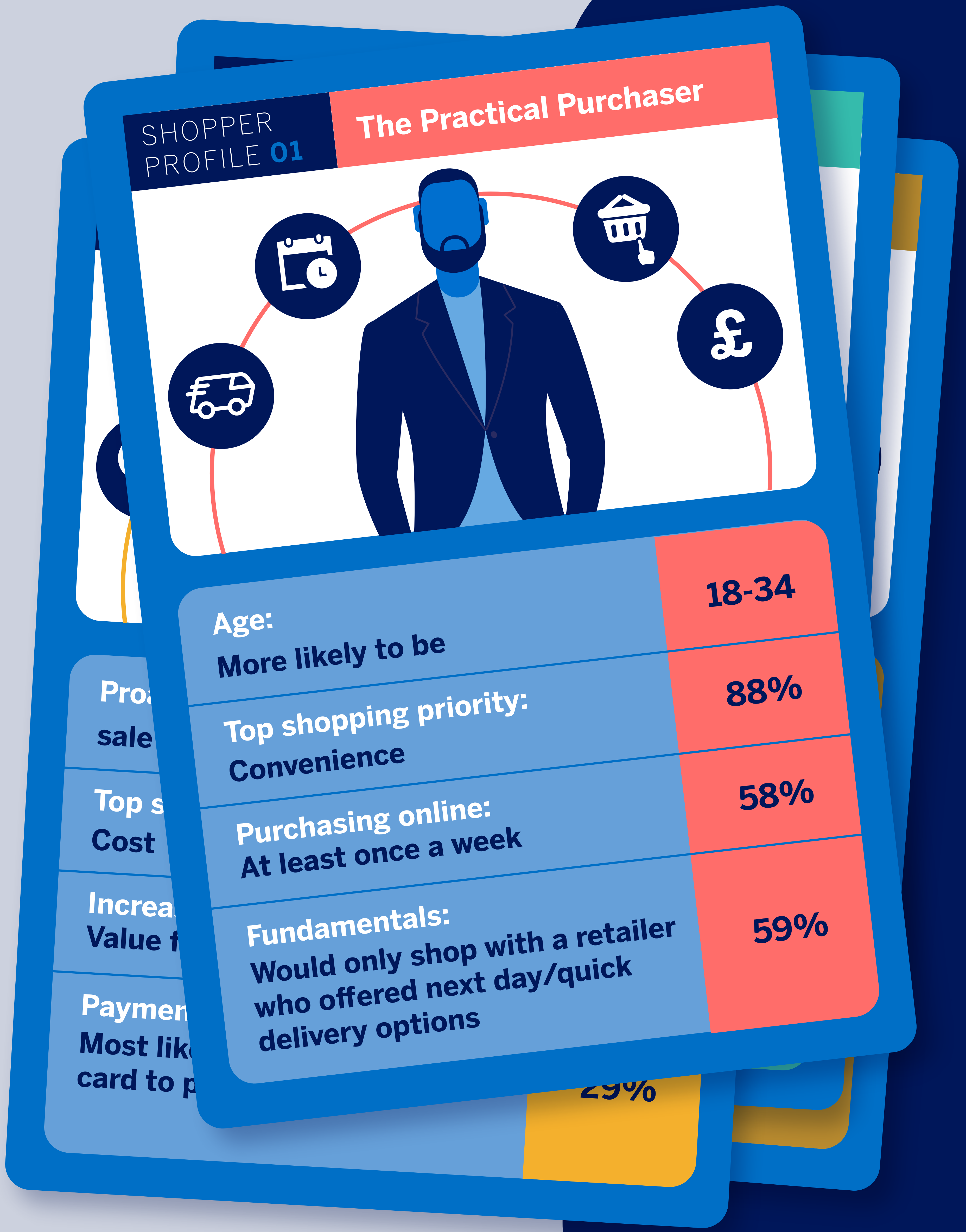
02 SAVVY SPENDERS

The shoppers driven by deals and value

04 EXPERIENCE SEEKERS

Those prioritising an enjoyable shopping experience

With additional questions delving into topics from payments to packaging, from delivery to deals, the research has unearthed valuable insights to help our understanding of the drivers for each shopper cohort.



01 PRACTICAL PURCHASERS

The pandemic transformed the way we shop, forcing us to shift our shopping online (literally) overnight. Many brands and retailers also now offer next or even same day delivery. We've become accustomed to shopping at any time, from anywhere, and getting our purchases straight to our door faster than ever before. So, it's no wonder that we're seeing many Practical Purchasers – those that favour convenience above all else.

This group are the biggest online shoppers, with more than half (58%) buying something online at least once a week. They favour convenience over sustainability and admit that these behaviours are a result of the pandemic.

85% would abandon a payment if unable to use their preferred method

54% say that they prefer to pay for a regular subscription rather than repeat buying when shopping

93% value retailers that accommodate last minute purchases and quick delivery times

It's not just speed of delivery that is a priority for these shoppers, but the speed and ease of their checkout experience too. Most (85%) would abandon a payment if they can't use their preferred payment method and over half (53%) believe that they shouldn't have to enter their payment details at all, for a quick and easy checkout. They're also the most likely to use 'buy now pay later' payment plans. A fifth have also used Open Banking payments – allowing them to pay for goods directly via a bank transfer – to shop in the last six months.

Practical Purchasers value things that make their lives easier, with over half (54%) agreeing that they prefer to pay for a regular subscription rather than repeat buying when shopping. This group is also the most likely to be willing to share their data in exchange for a more personalised or efficient online shopping experience, highlighting that they are a group receptive to innovation from retailers.

But in return for their regular spending, reward is important. The vast majority (92%) of Practical Purchasers believe that more retailers should reward them for their loyalty - and more than half (56%) would only shop with a retailer that had a good customer loyalty programme.

92% believe more retailers need to reward them for their loyalty

02 SAVVY SPENDERS

Savvy Spenders are the cost-smart shoppers. With a sharp eye for a good deal, they prioritise bargains and sales over shopping with their regular outlets and spend more time comparing offers and products before they buy.

However, the majority are shopping this way through necessity rather than choice. With many saying they now have less disposable income than before, they are buying less overall (52%) and switching to more affordable brands (32%). They also say that the current economic climate and continued price rises has meant cutting back spend on luxury purchases and self-indulgences (87%), while other unprecedented events, such as the pandemic, have led to them enjoy shopping less.

When it comes to where they browse and buy, the majority cited search engines followed by retailers' websites. But compared to the other shopper types, Savvy Spenders are more likely to use marketplaces, retailer apps, social media and cashback sites.

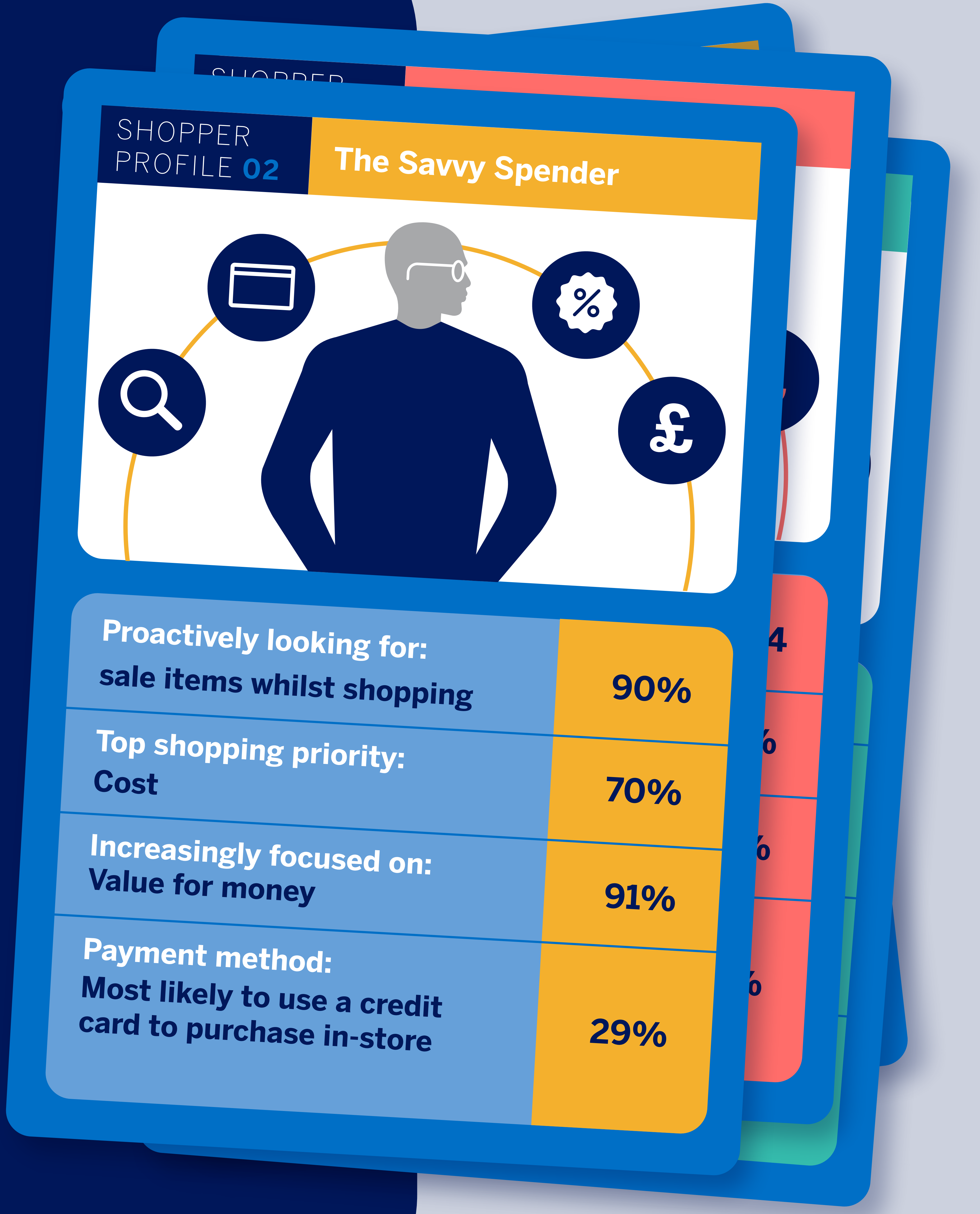
62%
favour one-stop shops over specialist retailers

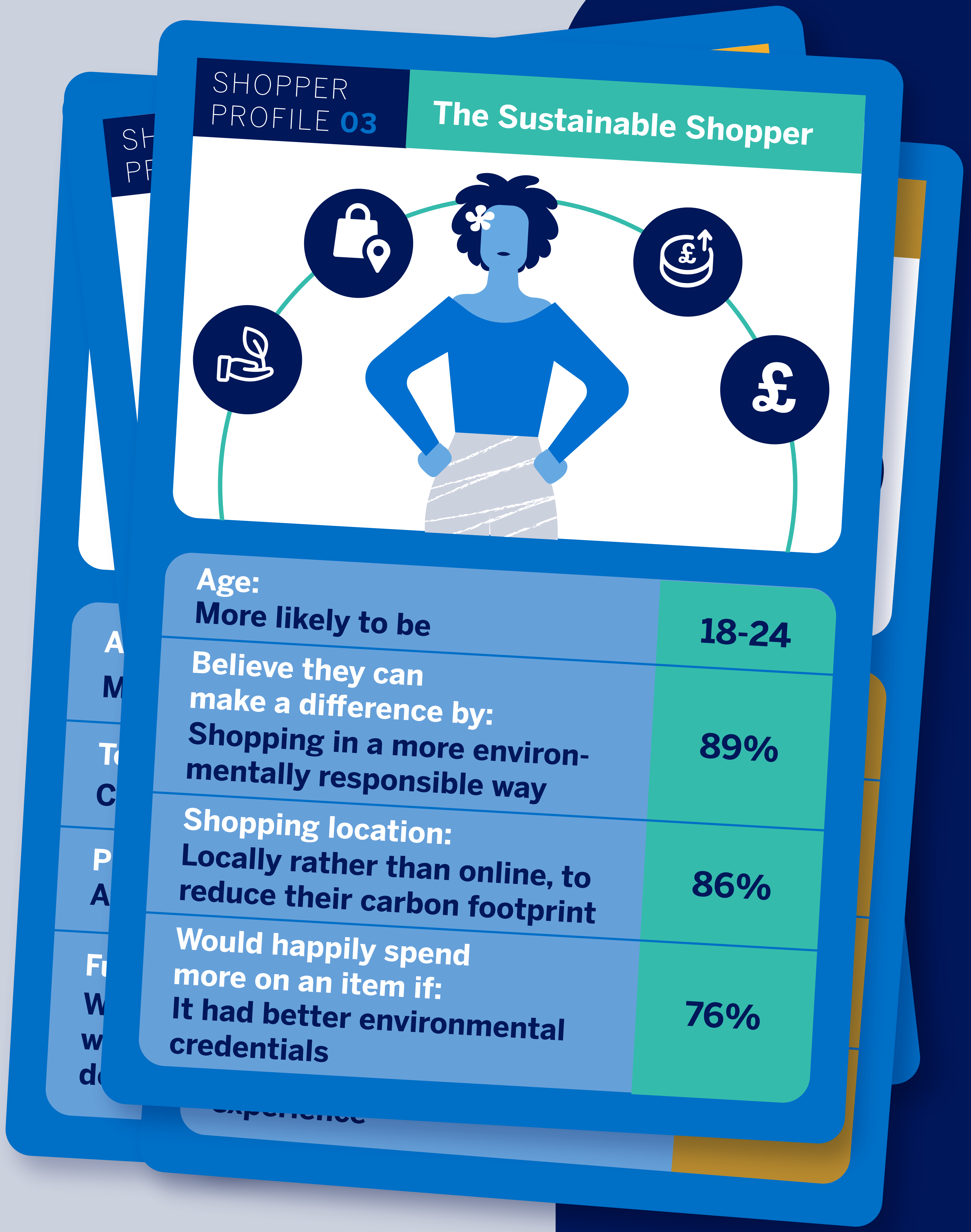
54%
would like to see retailers offering more loyalty points

31%
say personalised offers would encourage them to spend more money, or more frequently, with a retailer

Despite the majority of Savvy Spenders conscious about the environmental impact of the goods they buy, affordability is hampering their intentions to shop sustainably. Three quarters (75%) admit that the rising cost-of-living has impacted how sustainably they shop, and more than half (52%) agree that they would be more inclined to shop sustainably if items were more affordable. One third (34%) would also value 'end of life' schemes to help recycle goods no longer needed and say this would encourage them to spend more with a specific retailer.

90%
proactively look for sale items whilst shopping





03 SUSTAINABLE SHOPPERS

With the climate crisis increasingly front of mind for consumers, Sustainable Shoppers are laser focused on how they can limit their environmental impact when shopping. This impacts every aspect of their shopping experience – retailer choice, what they buy and how often they spend.

86%
prefer to support their local high street rather than shop online, helping to keep their carbon footprint to a minimum

64%
prefer to shop with second-hand retailers, whether that's in-store or online

40%
say that an 'end of life' scheme to help them recycle goods would make them shop more regularly, or spend more, with a retailer

As well as shifting their shopping closer to home, this group is also being increasingly discerning about where they buy from. Almost two thirds (63%) would only shop with a retailer offering sustainable delivery options. The vast majority agree that sustainable packaging, doing social good and a brand's ethical reputation are all important when deciding who to spend with.

Sustainable Shoppers have generally changed their purchasing behaviour. Two in five say they are cutting back on spontaneous purchases and instead only shopping for items that they need. There is also a focus on quality over quantity, with almost seven in 10 (68%) saying they are buying fewer, better-quality items. However, a proportion of these shoppers are utilising social commerce, with around one in six saying it's a good way to explore new brands and a similar amount have bought items on social media sites in the last year, suggesting they are buying more pre-loved items on marketplaces, for example.

Leading more sustainable lives is, of course, an important societal trend, and the pandemic helped bring sustainable shopping into sharper focus, due perhaps to the huge surge in online shopping and resultant deliveries - making us all more acutely aware of our carbon footprint. This group say that the pandemic has made them shop more sustainably (31%), shop more on local high streets (31%) and spend more on better quality essentials (21%).

91%
say a brand's ethical reputation is important when deciding where to shop

04
EXPERIENCE SEEKERS

Experience Seekers sit at the opposite end of the spectrum to Practical Purchasers. While there are similarities across some characteristics, this group prefers to immerse themselves in the in-store experience rather than prioritising speed and efficiency.

78%
prefer to buy from a brand they already know

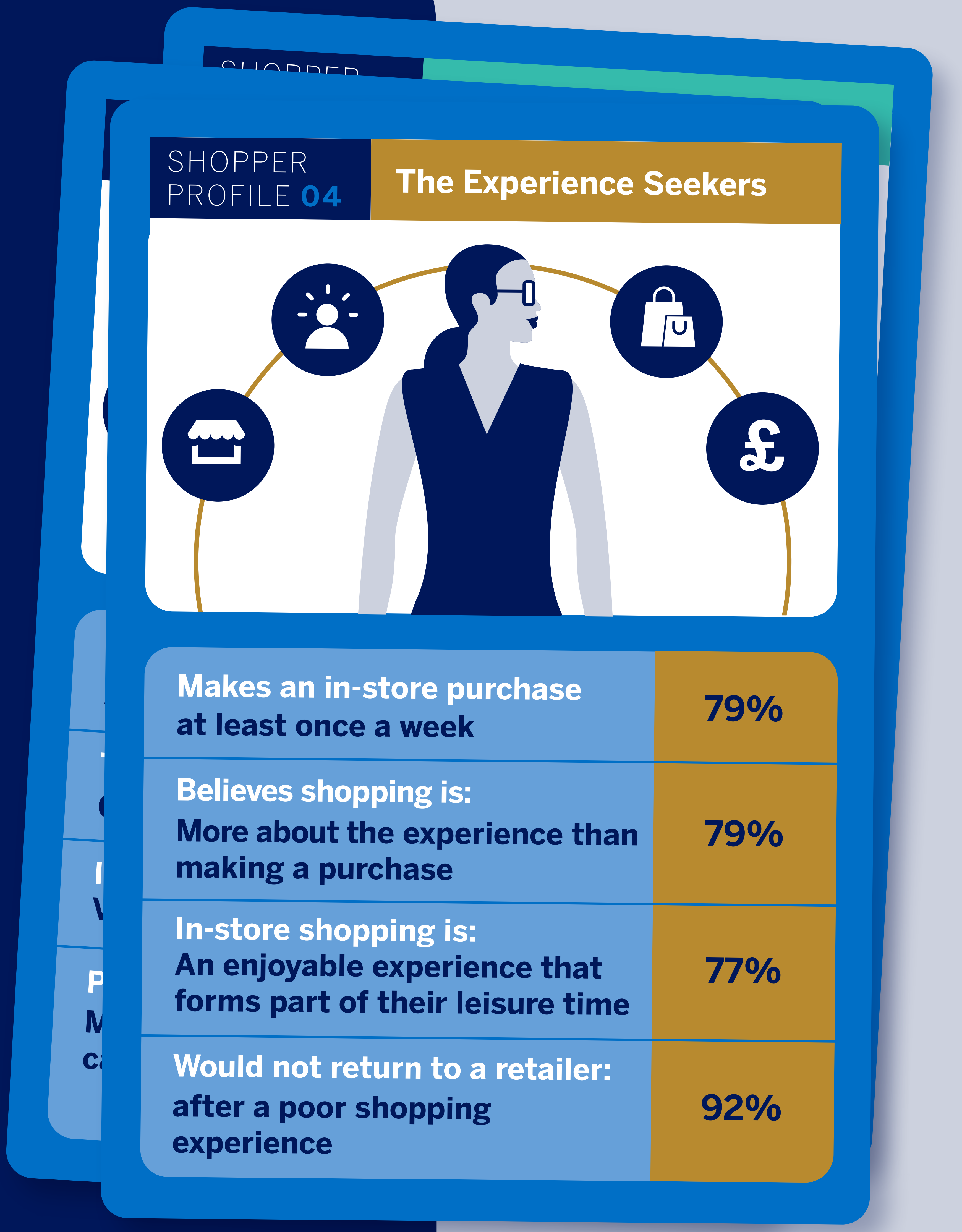
37%
say the pandemic has made them enjoy shopping more

76%
say that since the pandemic they like to shop locally to support their community

This group also prioritise spending on experiences over products. They are more likely than other groups to spend on travel and holidays and socialising, as well as homeware and home renovations. Over two thirds (69%) also say that they proactively save for high value/big ticket items and restrict spending on high frequency/low value items. But the majority (82%) do also believe it's important to treat themselves every now and again.

Experience Seekers are conservative by nature and prefer familiarity. With a third (33%) of these shoppers preferring to use cash when buying goods in-store, many have concerns around emerging payment methods, particularly when it comes to engaging with an unknown payment provider (42%). Over three quarters (78%) agree that buying from a brand that they already know is important to them. This perhaps explains why they are the least likely to shop via social media. Finally, this group are also the least likely to be willing to share their personal data, which is perhaps reflective of their preference to shop in-store compared to online.

79%
of these shoppers say that social interaction is an important part of the in-store experience



SPOTLIGHT ON SUSTAINABILITY

One of the key themes that emerged in our research is the importance of sustainability and how rising climate consciousness is impacting shopper behaviour – and what it means for retailers.

WINNING OVER NEW SHOPPERS

A checklist of key insights designed to help retailers shape their strategies and appeal to different types of shoppers

Whilst retailers navigate current economic challenges, they should view this period as an opportunity to innovate and refocus on their core customers. Understanding customers better than their competitors is key to identifying how best to evolve their offer to outcompete their rivals. Those who emerge stronger will be the retailers that are laser-focused on their customer – using data to understand their needs, wants, and expectations, updating and innovating regularly. Those who keep using the muscle memory of agile decision-making learned from the pandemic to move quickly and more effectively than their peers will come out on top.

Kris Hamer,
Director of Insight at
British Retail Consortium

Savvy Spenders:

The nation's purse strings are getting tighter, so it's likely we'll see more consumers be savvier with their spending. Price is the ultimate consideration for this group so retailers will have to go the extra mile to convert these shoppers into customers.

What can retailers do?

1. As spend-conscious consumers, the savvy spender is always on the lookout for competitive and personalised offers or deals – price-matches, multi-buys and rewarding loyalty will help win cash-strapped consumers over
2. Offering flexible payments shows those in this group that retailers are committed to helping them manage their money
3. Try before you buy options are also great for engaging savvier spenders who might need longer to decide on a purchase

31%

would shop and spend more with a retailer that offered personalised offers and promotions

Sustainable Shoppers:

With increased focus on the climate crisis, sustainability is only set to climb shoppers' priority lists. Brands' ESG credentials are in the spotlight more than ever before and these shoppers are paying close attention.

What can retailers do?

1. Make sure sustainability credentials are clear – shoppers want to have visibility of how sustainable and eco-friendly the goods and the business they're buying from are
2. The entire end-to-end shopping experience needs to be greener to attract and retain these customers – from product offer, packaging, delivery options and even eco-credentials of the business
3. Circular economy initiatives such as recycling schemes or selling pre-loved items will help engage this group

40%

said they'd shop more with a retailer if they offered an 'end of life' scheme to help recycle goods

Practical Purchasers:

Convenience is king for Practical Purchasers. They want the entire shopping experience to be as smooth and seamless as possible. Many admit they would rather abandon a purchase than enter their card details or use a different payment method.

What can retailers do?

1. Ensure that payment and checkout processes are as easy and frictionless as possible for customers
2. Give customers plenty of choice on how and when they pay is key – help them to get their purchase in their hand quickly, or risk them opting for a retailer offering quicker delivery
3. Give options to buy products on repeat for ultimate convenience and find ways to reward them for their loyalty

35%

want to see more retailers offer next-day delivery

Experience Seekers:

Experience Seekers want their in-store experience to be as enjoyable as possible. 90% wouldn't shop with a retailer again if they had a bad experience and 88% agree that customer service is important to them.

What can retailers do?

1. Offering a 'buy online, return in-store' option will help win them over, given their preference to visit a bricks and mortar store over shopping online
2. Nurture and spend the time to fully understand your most loyal customers. Ensure your online and in store experience goes hand in hand with how these consumers want to shop
3. Perfect your customer service function – doing the simple things well will see these customers return again and again

30%

would like to see retailers offer more options to buy online, return in store

MEETING THE CHALLENGE

It’s undeniable from our research that consumers are thinking more carefully about how and what they buy. With a renewed focus on value for money, the challenge for retailers is multi-faceted; ensuring their offer appeals to new shoppers, alongside perfecting the customer experience and what it means to be a good retailer in today’s complex world.

However, retailers don’t need to go it alone to tackle these challenges. By working with trusted partners that bring deep insight and data that helps understand customer behaviour, retailers will be able to drive loyalty and attract new shoppers which ultimately grows sales.

The way we shop is rapidly changing and the push to maintain competitive advantage is unremitting. Those that best meet the challenge will come out on top in the minds and wallets of the Great British shopper.

Research Methodology

This research was carried out by Opinium on behalf of American Express in July 2022, surveying a nationally representative sample of 2,000 UK adults. Respondents were asked a series of attitudinal and behavioural statements that related to the four different shopping profiles. They were allocated to a group if they selected over 50% of the qualifying statements for one (or more) of the profiles.