The Unfaithful
CONSUMER

webloyalty

CONLUMINO

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This research has been commissioned by Webloyalty to provide retailers with insight into issues around consumer loyalty, decision making and satisfaction.

About Webloyalty

Webloyalty is a leading reward programme provider working with major online retailers to help them build stronger, more profitable relationships with their customers. Through our membership programmes we help our online retail partners' customers save hundreds of pounds a year while providing the partner with an additional revenue stream. As well as incentivising customers to make repeat purchases at the partner's site, members can also earn cashback and get great deals on everything from fashion to electronics to travel, at hundreds of top online stores.

Webloyalty was established in the UK in 2007 and has since expanded into France, Spain, Ireland, Brazil, the Netherlands, Turkey, Australia and Belgium.

About Conlumino

Conlumino is a retail research agency and consulting firm. Our work focuses on all aspects of retailing and consumer behaviour, which we deliver through bespoke reports, projects and presentations. We work with many of the world's leading retailers, property firms and those in the financial sector to help them maximise success through developing a thorough understanding of the sector and its likely future performance.

Contents

Foreword

WELCOME TO
THE UNFAITHFUL CONSUMER

A report we commissioned to investigate consumer buying behaviours and changing habits at a time of unprecedented change for retailers.

Our report highlights the increasingly competitive nature of the retail market, identifying changing consumer behaviour as a key driver behind this. Consumers today own much more 'stuff' than previous generations, making it more difficult to persuade them to purchase additional products. They are also time-pressured, so convenience and speed has taken priority.

All these factors, combined with supply side considerations - more intense focus on price, a deflationary retail environment and even greater choice - means retail growth will be much harder to achieve over the next ten years. For this reason, it is vital that retailers secure customer loyalty.

Understanding consumers' behaviour, wants and needs is essential to build this loyalty. This isn't just about knowing what customers want to buy, but truly understanding how and where they want to buy, their motivations and what they expect from their overall shopping experience.

This also means that retailers need to re-evaluate how to reach customers and reappraise traditional marketing techniques – many of which are still relevant, but are less impactful and influential in today's environment. This deeper understanding will ultimately help retailers secure loyalty in the era of the unfaithful consumer.

Guy Chiswick
Managing Director, Northern Europe
Webloyalty

Recommendations

1 | **Experience has become more important in securing loyalty**
Given the unbridled success of online shopping, the temptation might be to pare back on investment into retail and focus more on convenience and multichannel shopping. In fact, the reverse should be true. Destinations, both online and physical, should be about experience, excitement and inspiration. Physical locations should offer a comprehensive leisure and food service mix that keeps consumers coming through the doors and increases dwell times, while online can look to areas like gamification and the creation of online communities to drive loyalty and growth.

2 | **Retailers can use technology to reach more consumers**
Technology has certainly played its part in ensuring that consumers have a more rounded set of demands than ever before. Meeting these is already a huge challenge for retailers and will only become more so as time goes on. That said, there are also plenty of positives to take from this development. The rise of truly multichannel shopping has meant that the reach of retailers has been greatly extended. It has also probably ensured the future of the physical store thanks to the rise of click & collect, providing bricks and mortar retailers with a key point of differentiation.

3 | **Multiple touchpoints should be managed efficiently**
Managing a multitude of touch-points has the potential to be expensive, especially if they merely redistribute existing sales rather than generate incremental revenue. Retailers therefore need to ensure that some of the new touch-points help to create savings and also to streamline back-end operations and cut out duplication of processes across the various touch-points.

4 | **Physical destinations are not dead, they are drivers of loyalty**
Keeping retail destinations relevant and ensuring high footfall in the multichannel age will be a big challenge. It will require investment, research and clever design. That said, the consumers most likely to go out and visit these destinations are the ones who enjoy shopping the most, meaning that retailers will still have access to the cream of the consumer market. This segment of consumers plan less thoroughly and spend more freely, particularly in categories like fashion which already feature prominently in most retail destinations and are significantly more likely to be won over by in store displays and promotions. The challenge of meeting their demands may be a big one, but the rewards could be even bigger.

5 | **Retailers can think beyond retail to grow customer loyalty**

While the growth of spending on other things like eating out, leisure, etc. is potentially a threat to retailers, it is also an opportunity. Retailers can diversify into suitable non-traditional retail areas in order to supplement growth and bolster both loyalty and sales. Retailers already have relationships with consumers and these relationships can be leveraged to sell non-retail products, especially in areas where loyalty to existing providers is relatively weak.

6 | **Value for money is key**

With a greater focus on price, all retailers need to rethink the value equation and how this can be used to drive loyalty. A sensible response is to widen range architectures. Retailers at the value end have to boast more than just low price to drive demand, looking to emphasise quality credentials and launch more premium sub-brands. Conversely, those sitting at the more mid-premium end are being forced to respond through keener pricing, especially on more basic items. With shoppers being more attentive towards price, and technology such as smartphones and tablets making it easier to compare prices online, competitiveness and transparency in pricing is also more important.

7 | **Marketing budgets need to shift**

While there may not be any significant change to retailers' overall level of marketing spend, retailers should be looking to implement a gradual shift in share of spend going towards digital media. With social media becoming a more effective tool for targeting specific customer groups it should gradually take a rising share of total advertising spend at the expense of more traditional mass market mediums like television and print.

8 | **Investment in service**

With word of mouth and personal experience both being key influencers in consumer decision making, it is clear that retailers need to invest more in service to drive loyalty or stave off disloyalty. This doesn't only mean improving service levels, it also means having clear procedures and ways of dealing with problems when things go wrong – especially on channels like social media.

SHOPPING LIST

Milk
Green tea
Rice
Chicken
Sweets
Bread
Fruits
Juice
Potatoes

-50% SPECIAL OFFER

NEW

SALE

BUY

OPEN

Facilitators

What allows consumers to be more unfaithful?

BUY

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Facilitators
Summary

Today's consumers are more powerful than ever before. Arguably this is because they have much more choice over how and where they shop, mostly thanks to the rise of online and digital.

The use of more channels also means that consumers have a greater range of information sources to help them make decisions over which brands, retailers and products to use. This allows them to compare retailers and products more easily than they previously could.

Paradoxically, more channels have made it much harder for retailers to track and trace how consumers are shopping; something that, in turn, hampers their ability to understand habits and to drive loyalty.

The internet has also provided consumers with an enlarged choice of retailers. Before the rise of online, many shoppers were restricted to using shops that were proximate to where they lived or worked. Online has opened up a world of opportunity and choice for shoppers, who can now browse and buy from retailers thousands of miles away, as well as those relatively close by.

It isn't just choice of retailers that has been enlarged. Globalisation, the rise of online shopping, the general growth in competition, as well as the desire for consumers to have products that are more personalised to their needs have all contributed to an explosion of choice in terms of the number of products people can pick from.

The bottom line is that there is more choice today than ever before; and that means the opportunities to be disloyal are greater than ever.
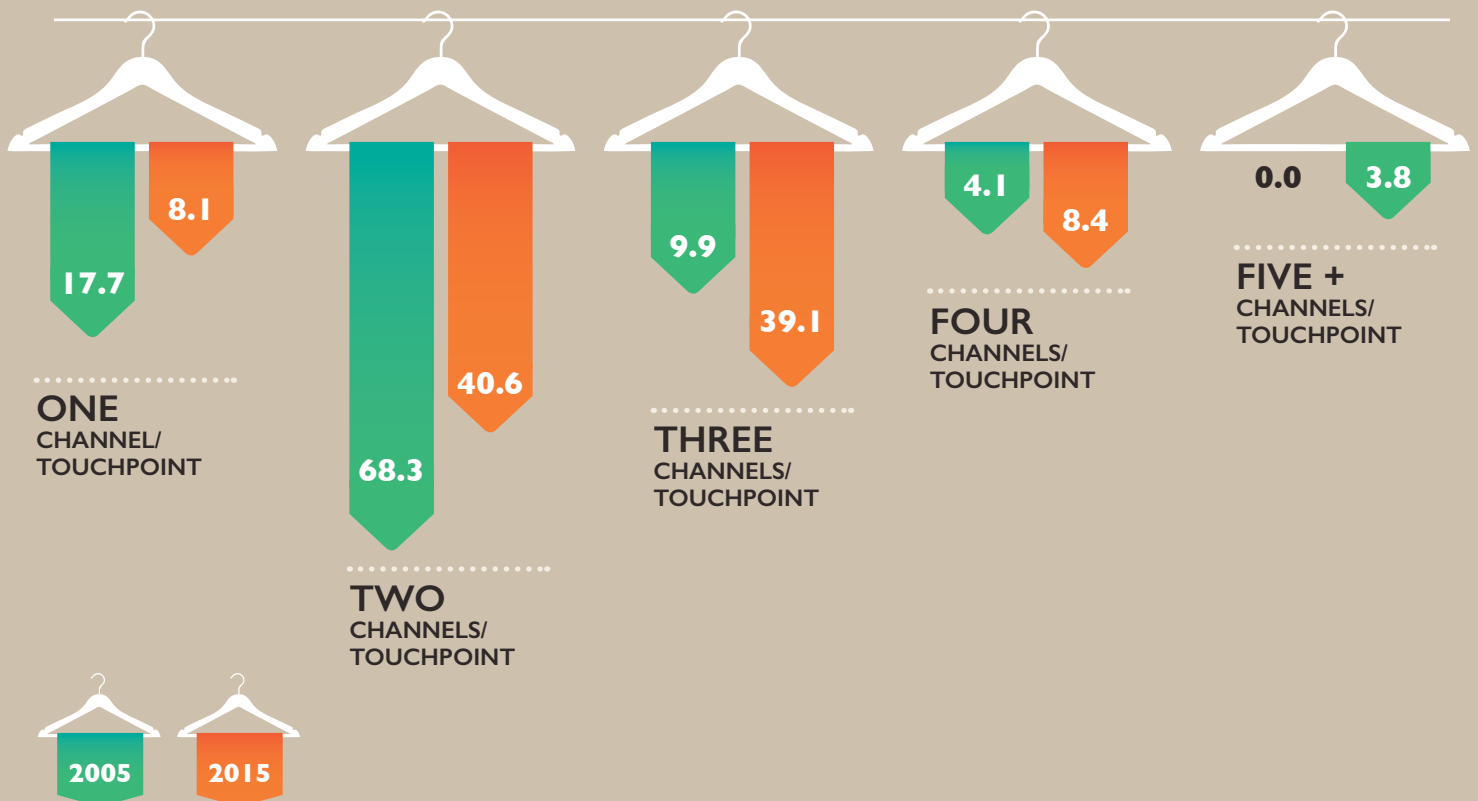
Facilitators
More ways to shop

Consumers have more way to shop, that gives them more choice and power, and makes it easier to be disloyal.

Consumers today are spoilt for choice in terms of how they can shop. As the chart below shows, many now used multiple touchpoints and channels when buying products like clothing. This has several impacts.

1. It increases choice, something explored later in this chapter.

2. It makes it more difficult for retailers to track and monitor consumers across all the different channels, which hampers their efforts to drive loyalty.

3. It gives consumers more power in terms of information and allows them to compare retailers and products more easily.

4. It minimises the inconvenience of disloyalty: switching to a different physical retailer may involve travelling further; switching to a different virtual retailer involves little more than the click of a mouse.

Number of different channels and touchpoints used while shopping for clothing in 2005 versus 2015 ❯

ONE CHANNEL/ TOUCHPOINT
17.7
8.1

TWO CHANNELS/ TOUCHPOINT
68.3
40.6

THREE CHANNELS/ TOUCHPOINT
9.9
39.1

FOUR CHANNELS/ TOUCHPOINT
4.1
8.4

FIVE + CHANNELS/ TOUCHPOINT
0.0
3.8

2005   2015

Facilitators
The world is a consumers' oyster

Consumers are no longer forced to shop locally. Thanks to the growth of online, many of us now shop globally.

Before the internet many consumers were restricted to using shops that were proximate to where they lived or worked. Online has opened up a world of opportunity and choice for shoppers, who can now browse and buy from retailers thousands of miles away. If translated into physical distance, the average consumer travelled over 6,000 miles while shopping last year. For retailers, this means competition is now global as well as local.

Average distance from home (in miles) people 'travel' to shop each year, including researching, browsing, & buying >

1955
15.6 MILES

1985
42.1 MILES

1995
49.8 MILES

2005
358.1 MILES

2015
6,281.2 MILES

Facilitators
More ways to shop

Consumers have far more products to choose from, which means retailers and brands need to work harder to generate loyalty.

Globalisation, the rise of online shopping, the general growth in competition, and the desire for consumers to have products that are more personalised to their needs have all contributed to an explosion of choice. The diagram below shows the number of different products available to an average consumer in both the 1970s and today. Over 40 years ago the average shopper would be able to pick from 49 different styles of lamp, today the choice is almost endless.

Number of products in different categories >

Category	1970	2015
COMPUTER GAME TITLES	8	14,208
PAIN RELIEF MEDICATION	12	161
LAMPS FOR HOME	49	9,865
WINE AND CHAMPAGNE	37	12,286
VEHICLE MODELS	96	1,354

● CHOICE IN 1970   ● CHOICE IN 2015
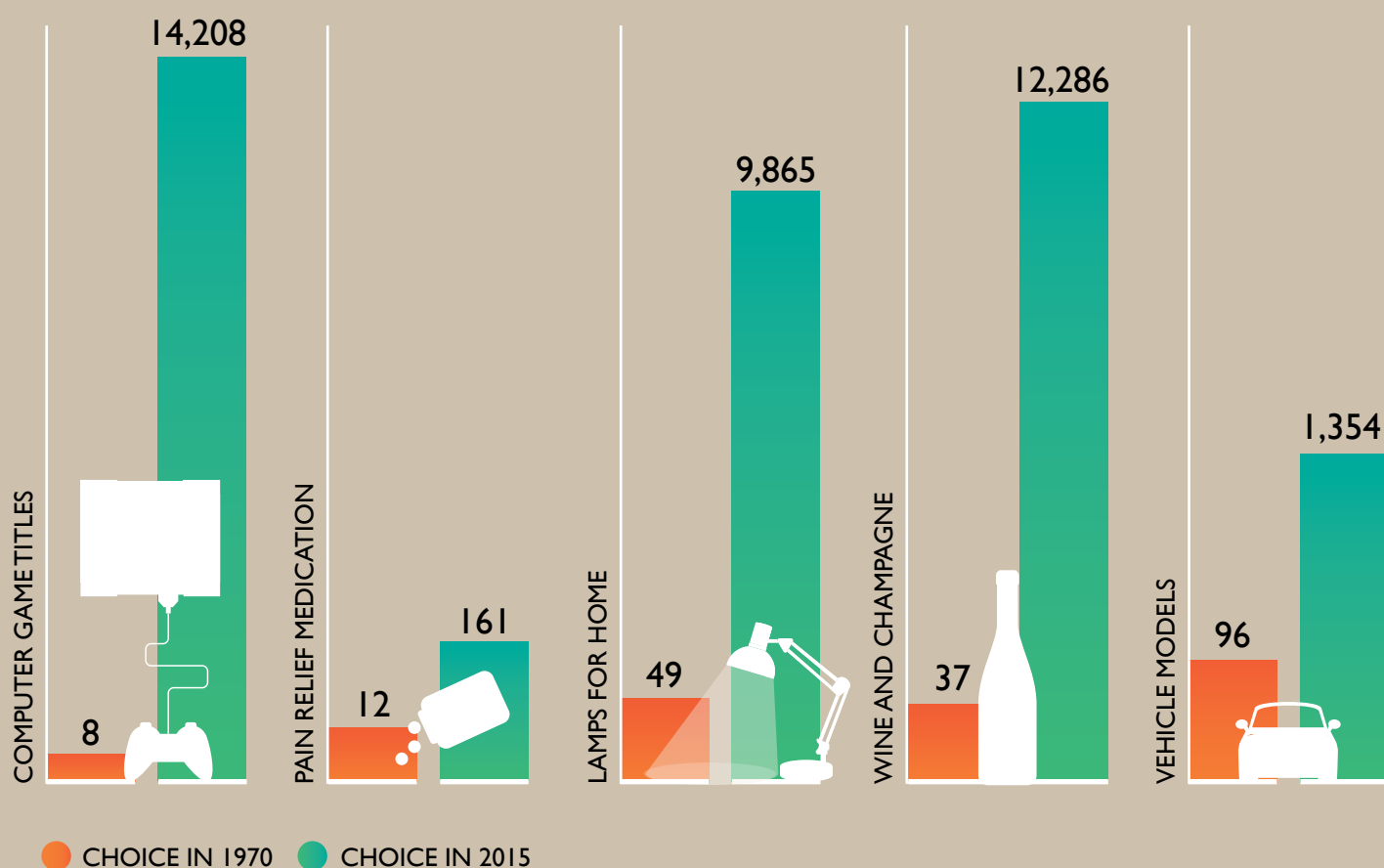
Lifestyle
Why are consumers less faithful?

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Lifestyles
Summary

As well as having more opportunity to be disloyal, today's consumers also have many more reasons to be disloyal thanks to changes in lifestyle and behaviour.

The first of these is down to financial constraints. Even now the recession has long gone, many consumers still feel that they have limited resources and are unable to splash out. This means they are far more choosy about what they buy and where they buy it.

Consumers are also better educated, wealthier and have more choice than ever before. Because of this they are highly demanding of retailers. Increasingly they expect delivery on all fronts and are not prepared to compromise.

Time constraints also play a role with many basic, everyday shopping trips for things like grocery now being governed by speed and convenience. This has increased shopping around and the number of stores used in grocery, squeezing some of the larger players and their bigger box stores.

Today's consumers also take a more considered and thoughtful approach to shopping. This means consumers research, think and explore more options before committing to buying items. This puts retailers under intense scrutiny and it exposes consumers to much more choice. Ultimately it means that retailers cannot simply win customers 'by default' or guarantee that past custom will generate future sales.

One of the consequences of the increased frequency of shopping and the relative ease with which consumers can buy things is boredom. Today's consumers are slightly jaded with their everyday retail experiences and actively seek new products, brands or experiences to keep them satisfied and engaged. This active searching is a contributor to disloyalty. It also means that retailers have to work increasingly hard to keep offers and ranges looking fresh and new.

Lifestyles
Financial constraints

While the downturn is long since over, many consumers remain constrained – something that leads them to being more choosy.

Many consumers still feel that they have limited resources and are unable to splash out. This means they are far more choosy about what they buy and where they buy it. They want value for money, good prices and great experience. If a retailer can't deliver on these needs it is unlikely to secure the consumer's spend.

Percentage of consumers that Agree with statements >

65.2%
I have to be careful in terms of spending.

54.9%
I can't afford to waste money on the wrong product.

62.4%
Getting value for money is important to me.

51.1%
I shop around for the best prices.

48.5%
For big purchases, I expect a great retail experience.

Lifestyles
More demanding

BUY

Today's consumers are more demanding of retailers, and more prepared to punish those that don't deliver.

Consumers are better educated, wealthier and have more choice than ever before. Because of this they are highly demanding of retailers.

Increasingly consumers expect delivery on all fronts and they are not prepared to compromise. Therefore retailers must sell the right product at the right price at the right time. Effective marketing is essential to gauge the needs and expectations of consumers. High levels of service are expected if retailers expect loyalty in return. Nowadays, retailers cannot afford to get it wrong as this will readily translate into a loss of market share.

Significantly, retailing is no longer just about product. Retailers must consider a much wider range of matters including range, convenience, price, service, facilities, ambience, quality and layout, when developing consumer satisfaction strategies. For many retailers this means a transition away from a business model dominated by the buying function to one which is much more customer centric and much more consumer sensitive.

Changes in consumer habits and mind-sets ❯

| YESTERDAY'S CONSUMER	TODAY'S CONSUMER
Regular purchasing patterns	variable purchasing patterns
Retailers opening hours	when I want
Pay this much	pay what I think is right
Retailer's range assortment	what I want
Go to retailer	retailer comes to me
Right place, right product, right time	anything, anywhere, anytime

Increasing time pressure means that consumers have less time for everyday shopping, which makes convenience the key factor.

With such a large share of people's time being spent at work and home, the time and inclination to shop, particularly for basics and everyday items, continues to shrink. One of the issues with this is that it means consumers are far more concerned with convenience which, in turn, can make them less loyal as they use shops or services that are proximate or easy regardless of brand. This is a trend that has been seen in grocery retailing where the average number of retailers used has risen thanks to an increase in occasional, top-up shops at local stores.

Agreement with statements about everyday shopping >
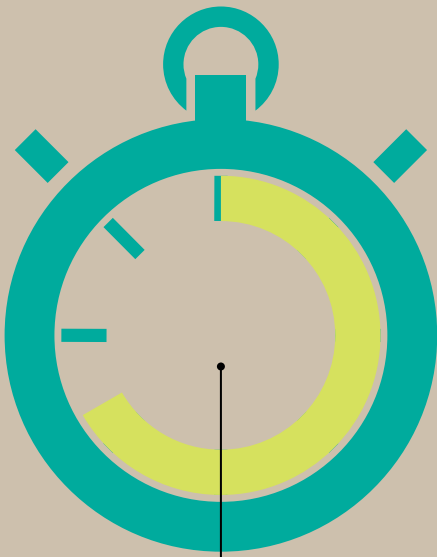
68.3%

I have less time for everyday shopping than I used to.
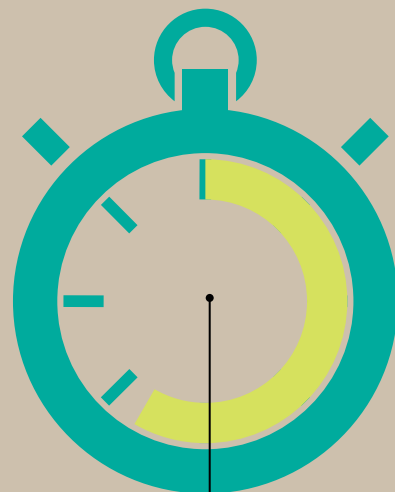
54.9%

Convenience is the most important thing in everyday shopping.

Lifestyles
Psychology

Consumer mind-sets have changed; shoppers think more before buying and are more considered about the retailer or retailers they use.

Of all the changes to the consumer mind-set that the last recession helped to bring on, the most pervasive was the tendency to take a more considered and thoughtful approach to shopping. This means consumers research, think and explore more options before committing to buying items. This puts retailers under intense scrutiny and it exposes consumers to great deal more choice.

Ultimately it means that retailers cannot simply win customers 'by default' or guarantee that past custom will generate future sales.

CONSTRAINED CONSUMPTION

The 1970s to early 80s
In an era of very high inflation and economic malaise, consumption, in real terms, was modest. Many household focused on essentials and non-food spending growth was decidedly sluggish. The retail sector largely suffered from a lack of innovation and excitement.

CAREFREE CONSUMPTION

The mid 1980s to early 1990s
This was an era of strong retail growth, funded mostly by real term increases in income and the taking on of more debt, albeit from low initial levels. A strong housing market and rising home ownership helped home related retail sectors. New consumer technologies emerged which also boosted retail growth.

CARELESS CONSUMPTION

The mid 1990s to late 2000s
Retail spending growth remained strong, however it was fuelled by taking on extra debt (from already high levels) which was stimulated by low interest rates. Rising house prices fuelled mortgage equity withdrawal which also funded consumption, especially on home products.

CAREFUL CONSUMPTION

The late 2000s to early 2010s
This was the initial reaction to the shock of the recession and was characterised by cuts in the amount of product purchased, as well as a flight to lower prices. Spending levels were generally very subdued, with an unfavourable housing market impacting severely on home sectors.

CONSIDERED CONSUMPTION

The early 2010s onwards
This is an emerging consumer mindset that is taking hold during the early days of recovery. It is a more modest form of buying, but more because of psychological factors than purely financial constraints. Because of this the focus is much more about perceptions of value than it is about price.
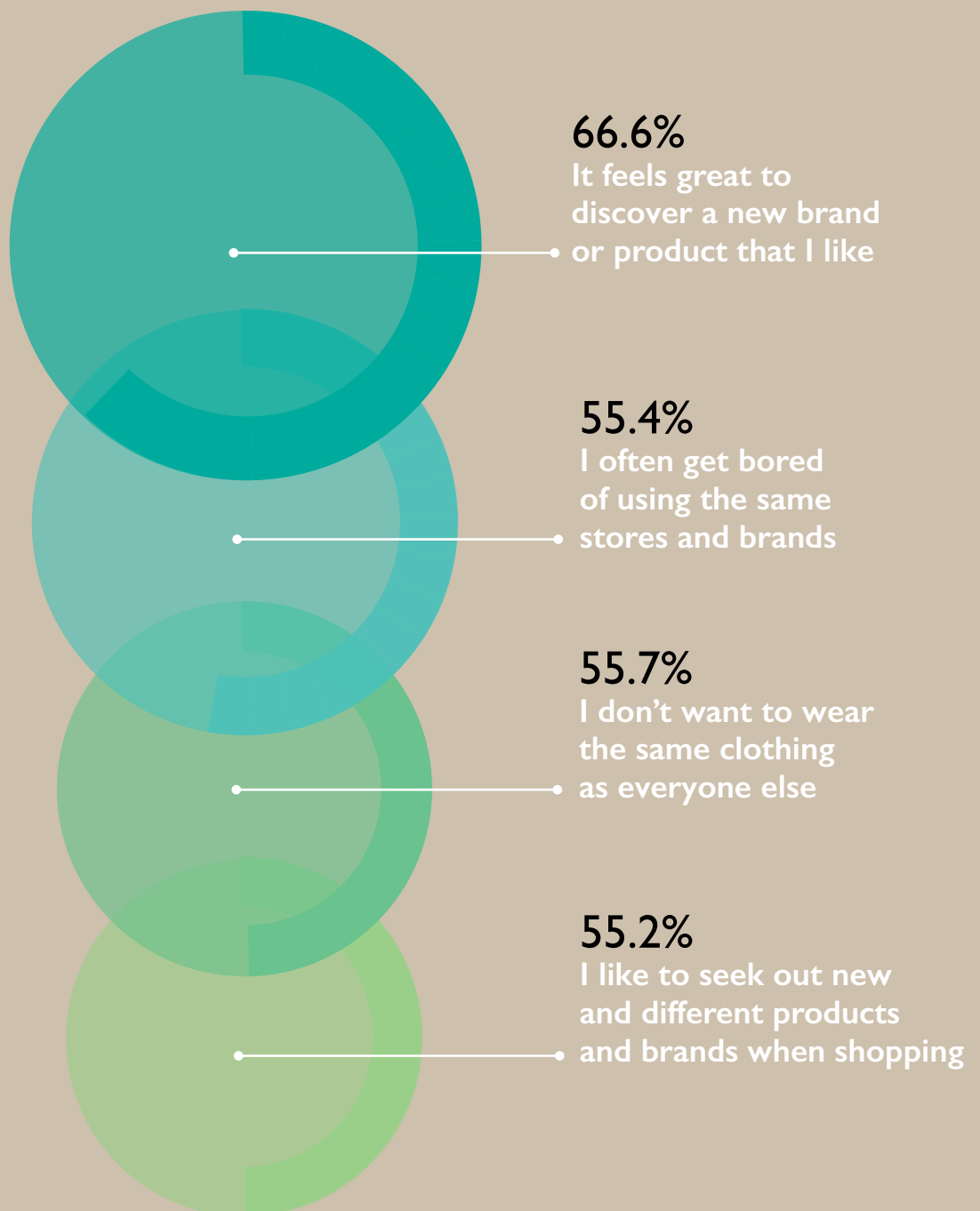
Lifestyles
The need for newness

As shopping has become easier and more frequent, consumers have become slightly jaded; they now actively seek newness.

One of the consequences of the increased frequency of shopping and the relative ease with which consumers can buy things is boredom. Today's consumers are slightly jaded with their everyday retail experiences and actively seek new products, brands or experiences to keep them satisfied and engaged. This active searching is a contributor to disloyalty. It also means that retailers have to work increasingly hard to keep offers and ranges looking fresh and new.

Agreement with various statements
Percentage of consumers >

66.6%
It feels great to discover a new brand or product that I like

55.4%
I often get bored of using the same stores and brands

55.7%
I don't want to wear the same clothing as everyone else

55.2%
I like to seek out new and different products and brands when shopping

The Impact on Loyalty
How retail loyalty is changing

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Impact on loyalty
Summary

While new technology and choice are supposed to have made shopping easier, it is interesting to note that a third of consumers say they find shopping more frustrating now than they did five years ago.

It is also worrying that despite the fact they spend a vast amount of money on trying to satisfy and understand customers, only a quarter of consumers believe that retailers are very good at understanding their needs.

Reflecting this point, although retailers make great efforts to drive satisfaction, the vast majority of consumers remain generally unsatisfied with at least one aspect of their experience.

Loyalty to the main retailers used by consumers is surprisingly weak. Over half of UK consumers and almost half of Irish consumers saying they'd defect from the food retailer they currently use most if they were given a free choice.

Worryingly for retailers, consumers identify a long list of things that would make them shop elsewhere. Near the top of this list is rudeness from staff. Poor quality, dirty stores, and big price rises are also factors that would make large numbers defect. Notably, while issues like being a bad corporate citizen are important, they come fairly low down the list.

Against this backdrop, it is hardly surprising that consumers are using far more retailers than they did five years ago. This is largely thanks to the increased choice from online and new foreign entrants.

While this pattern does not hold true across all sectors – with some such as DIY and electricals seeing a decline in the number of stores used thanks to consolidation – it is more than offset by the uplifts in sectors like clothing and food.

When it comes to the enjoyment of shopping not all sectors are equal. Consumers tend to enjoy shopping for fun and creative products like homewares, beauty and clothing, whereas functional shopping for DIY and food are less popular. The interesting implication for retailers is that disloyalty and defection tend to be highest in the 'least enjoyable' sectors.

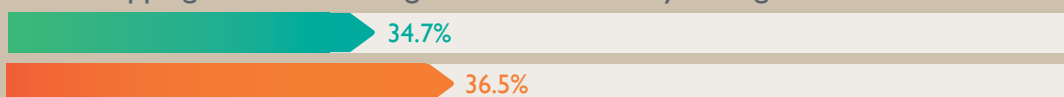# Impact on loyalty
Shopping patterns

Despite technical advances, over a third of people find shopping more frustrating now than five years ago.

While advances in technology and the introduction of new channels should have made the shopping process easier, it is notable that a third of consumers say they find shopping more frustrating now than they did five years ago. Even more worrying is the fact that only a quarter of consumers believe that retailers are very good at understanding their needs.

Percentage of consumers agreeing with various statements about shopping ❯

● UNITED KINGDOM
● IRELAND

I find shopping more frustrating now that it was 5 years ago
- 34.7%
- 36.5%

I find shopping more frustrating now that it was 10 years ago
- 26.7%
- 17.7%
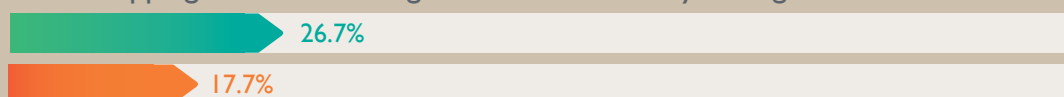
There are a lot more retailers to choose from nowadays than 10 years ago
- 81.2%
- 86.7%

If a retailer annoys me I will not hesitate to defect and use another retailer/brand
- 44.3%
- 41.4%
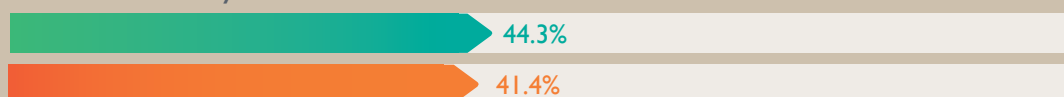
I like to shop around and find new brands, ideas and products
- 51.8%
- 49.5%

Retailers are very good and understanding my needs
- 23.0%
- 26.3%
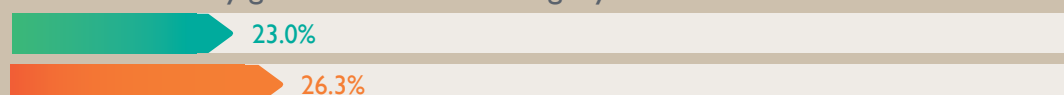
Impact on loyalty
Satisfaction

Overall, 74% of UK shoppers and 71% of Irish shoppers are dissatisfied with some aspect of shopping.

Although retailers make great efforts to drive satisfaction, the vast majority of consumers remain generally unsatisfied with at least one aspect of their experience. Customer service is the area most likely to cause dissatisfaction, with the range of products coming a close second. That so many people are generally dissatisfied underlines the amount of work retailers still have to do to drive loyalty.

Dissatisfaction with aspects of the shopping experience. Percentage of consumers ❯

● UNITED KINGDOM
● IRELAND

Service
- United Kingdom: 53.0%
- Ireland: 47.2%

Product range
- United Kingdom: 47.4%
- Ireland: 40.7%

Price
- United Kingdom: 36.1%
- Ireland: 37.5%

Facilities offered
- United Kingdom: 35.7%
- Ireland: 31.5%
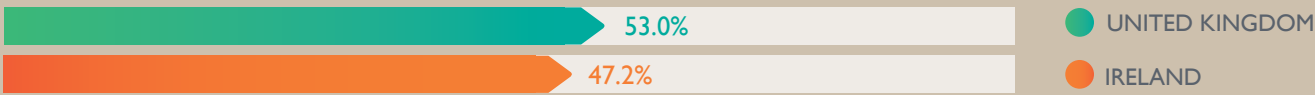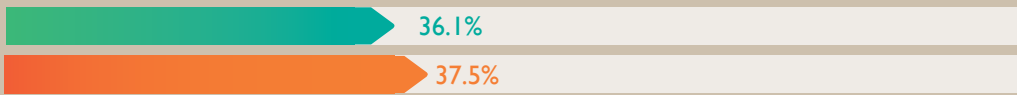
Convenience
- United Kingdom: 33.8%
- Ireland: 30.7%
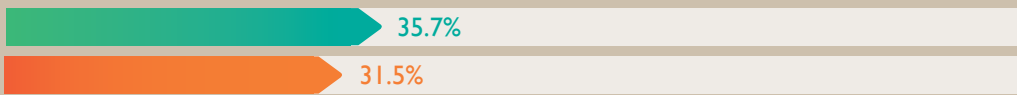
Layout of store and/or website
- United Kingdom: 32.8%
- Ireland: 30%

Quality
- United Kingdom: 26.8%
- Ireland: 28.7%

Provision of online
- United Kingdom: 19.2%
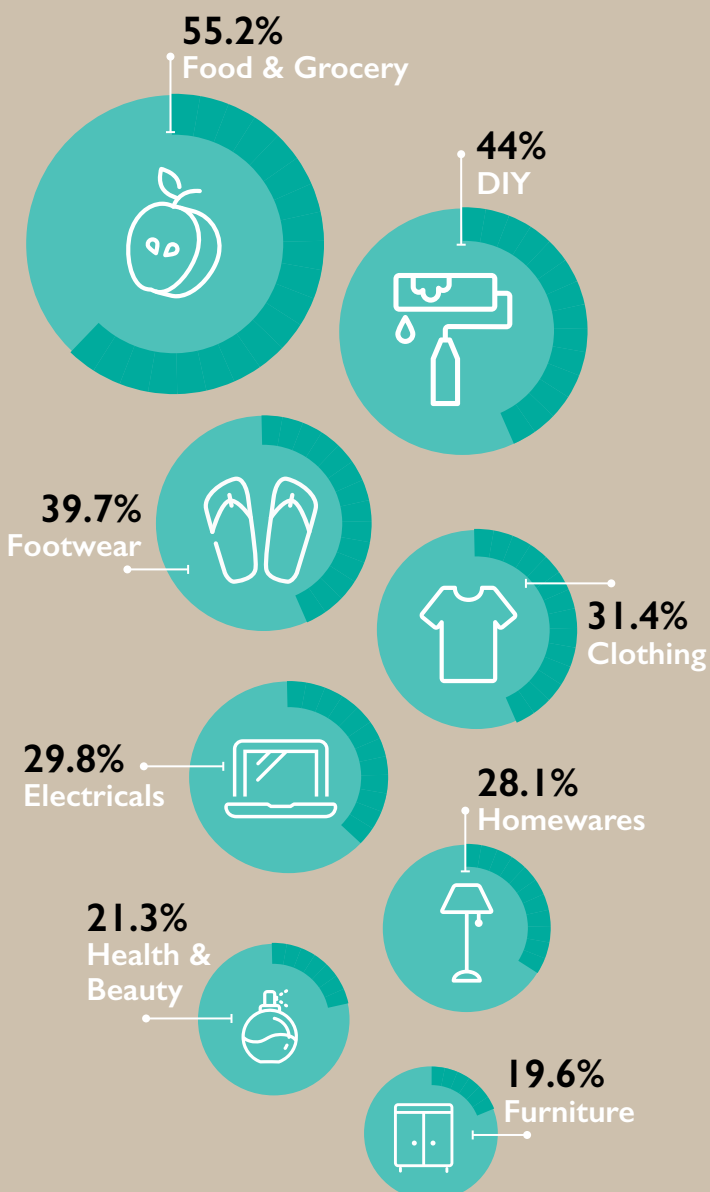- Ireland: 24.3%
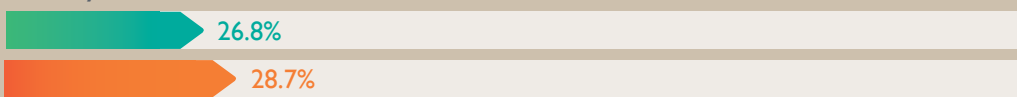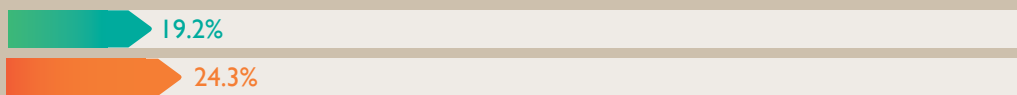
Impact on loyalty
Loyalty

Half of food and grocery shoppers would rather use a different retailer to the one they currently use most.

Loyalty to the main retailers used by consumers is surprisingly weak. Over half of UK consumers and almost half of Irish consumers saying they'd defect from the food retailer they currently use most if they were give a free choice. Rates are somewhat better for clothing, but even here around a third of consumers would like to switch retailers.
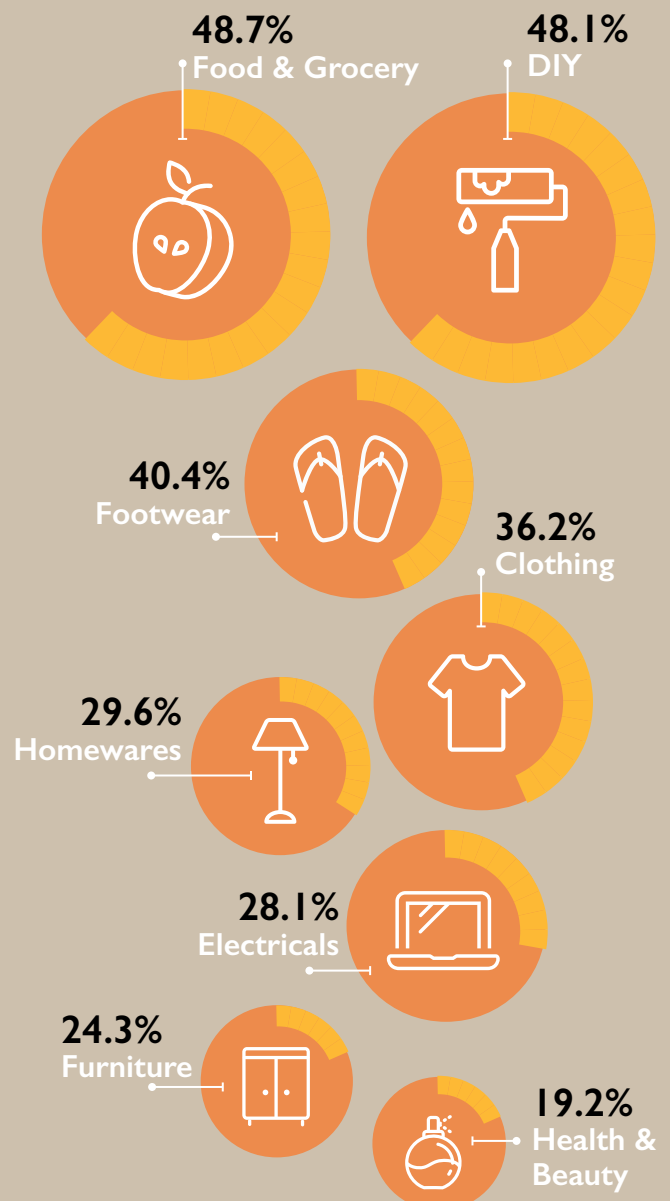
Percentage of consumers who say that if given a free choice they would defect from the main retailer they currently use in each sector ❯

UNITED KINGDOM

- **55.2%** Food & Grocery
- **44%** DIY
- **39.7%** Footwear
- **31.4%** Clothing
- **29.8%** Electricals
- **28.1%** Homewares
- **21.3%** Health & Beauty
- **19.6%** Furniture

IRELAND

- **48.7%** Food & Grocery
- **48.1%** DIY
- **40.4%** Footwear
- **36.2%** Clothing
- **29.6%** Homewares
- **28.1%** Electricals
- **24.3%** Furniture
- **19.2%** Health & Beauty

Impact on loyalty
Driving defection

Rudeness from staff members is one of the top reasons consumers say they'd refuse to shop with a retailer in the UK and Ireland.

Worryingly for retailers, consumers identify a long list of things that would make them shop elsewhere. Near the top of this list is rudeness from staff. Poor quality, dirty stores, and big price rises are also factors that would make large numbers defect. Notably, while issues like being a bad corporate citizen are important, they come fairly low down the list for as far as consumers are concerned.

Percentage of consumers who say certain things would make them defect from a retailer >

Rudeness from staff members
57.1%
56.8%

Poor quality items
44.3%
40.8%

Dirty stores
42.5%
41.6%

Big price rises (10% plus)
40.4%
58.3%
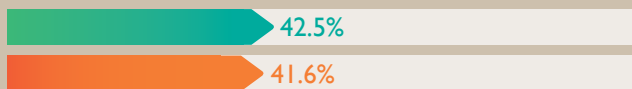
Them being regularly more expensive than alternatives
33.8%
39%

No online ordering facility
22%
18.7%
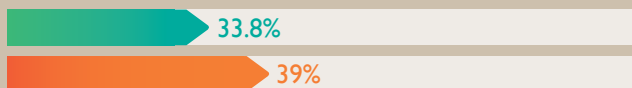
Unhelpfulness of staff members
21.6%
22.1%

Spamming you with emails and marketing materials
19.3%
17.2%

Getting an order wrong
16.4%
15.2%
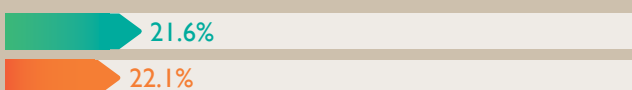
Hard to use website
14.3%
15.3%
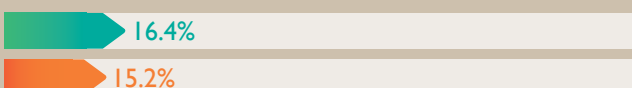
Being a bad corporate citizen (i.e. not paying taxes etc.)
12.2%
14.9%
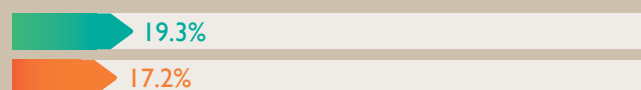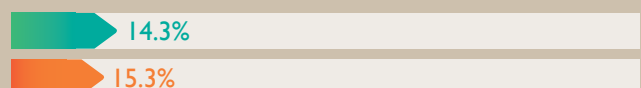
High delivery costs for online orders
11.9%
14.9.3%

Untidy stores
9.8%
5.5%
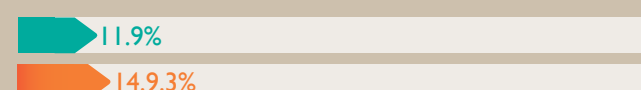
- UNITED KINGDOM
- IRELAND

Impact on loyalty
Store usage

On average, consumers in the UK are regularly using 11 more shops than they did five years ago; in Ireland they're using 8 more shops.
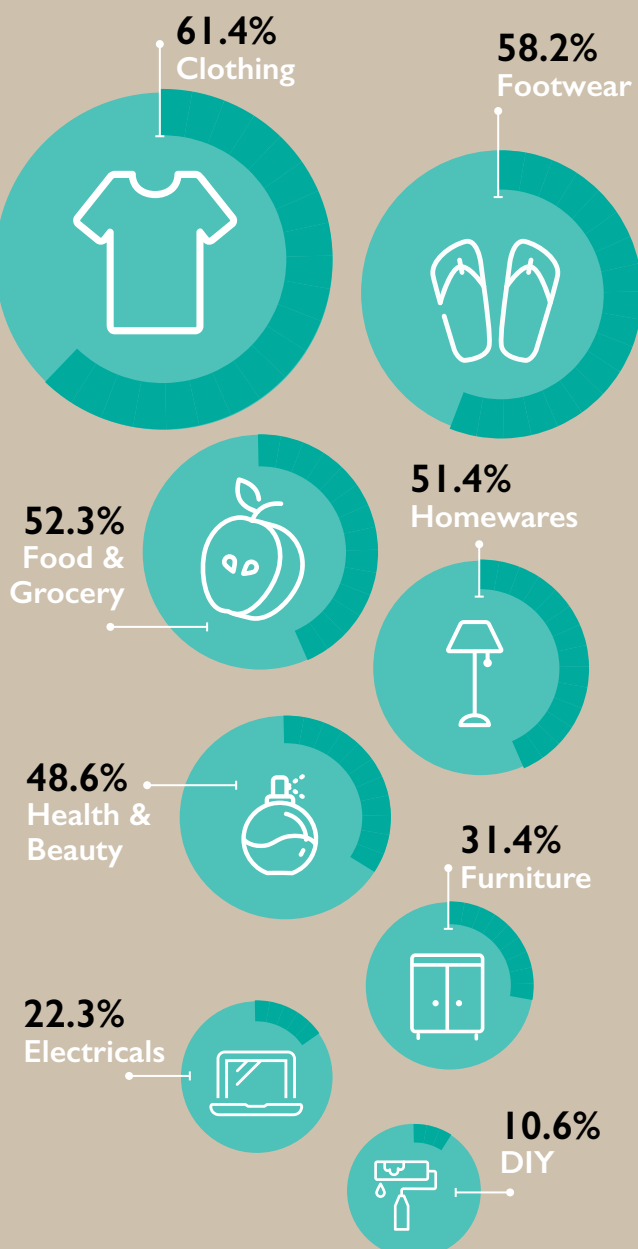
Across all sectors consumers are using far more retailers than they did five years ago, largely thanks to the increased choice from online and new foreign entrants. While this pattern does not hold true across all sectors – with some such as DIY and electricals seeing a decline in the number of stores used thanks to consolidation – it is more than offset by the uplifts in sectors like clothing and food.

Percentage of consumers who say they use more retailers in each sector today than they did five years ago ›

UNITED KINGDOM

61.4% Clothing

58.2% Footwear

52.3% Food & Grocery

51.4% Homewares

48.6% Health & Beauty

31.4% Furniture

22.3% Electricals

10.6% DIY

IRELAND

55.7% Clothing

48.3% Food & Grocery

45% Homewares

40.3% Footwear

38.2% Health & Beauty

28.7% Furniture

21% Electricals

9.6% DIY
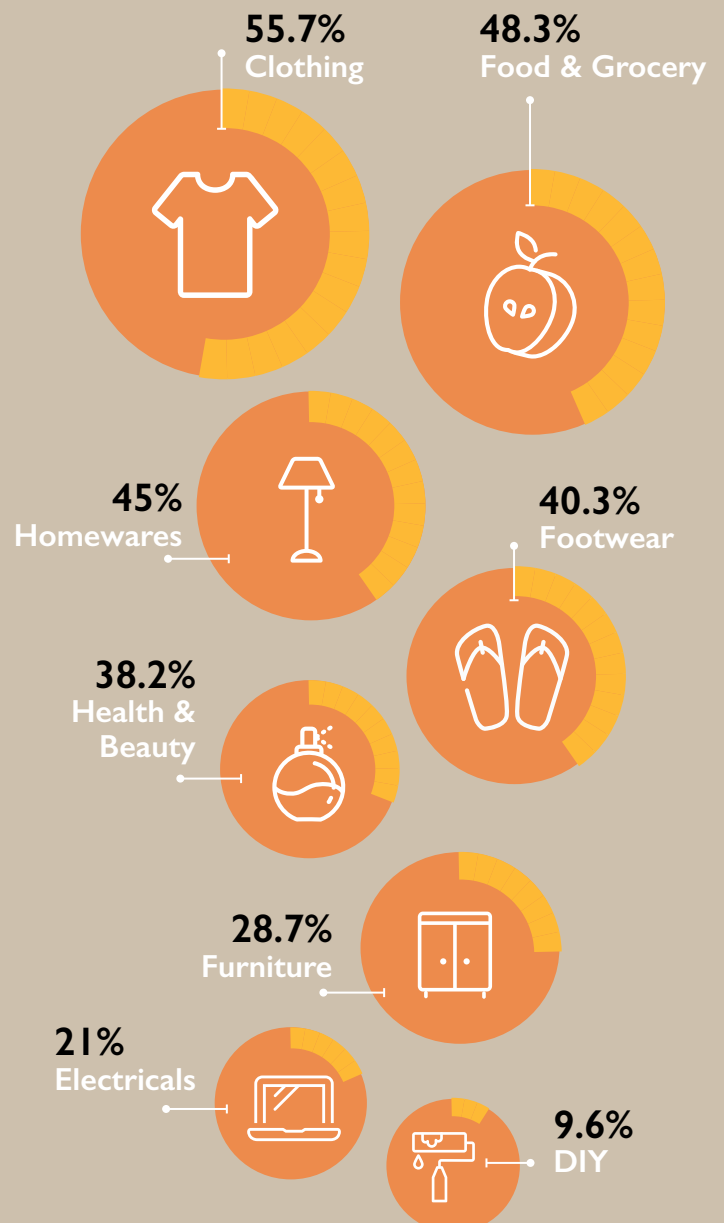
Impact on loyalty
Enjoyment

Consumers hate DIY shopping, but enjoy shopping for homewares.

When it comes to the enjoyment of shopping not all sectors are equal. Consumers tend to enjoy shopping for fun and creative products like homewares, beauty and clothing, whereas functional shopping for DIY and food are less popular. While this may seem obvious, the interesting implication for retailers is that disloyalty and defection tend to be highest in the 'least enjoyable' sectors.

Degree to which consumers enjoy shopping for different things 1-10 scale where 1=really hate and 10=really enjoy >

REALLY HATE

- DIY
- Food and Grocery
- Footwear
- Furniture
- Clothing
- Beauty
- Electricals
- Homewares

REALLY ENJOY

Impact on loyalty
Consumer habits

Although consumers are creatures of habit, tending to use the same retailers, a majority will still shop around for the best prices.

Fortunately for retailers, consumers tend to be creatures of habit who prefer to use the same retailers on a regular basis, and very few regularly change the retailers they use. However, this disposition does not mean consumers won't defect. Indeed, a majority will shop around to get the best prices and a majority will go online after looking at products in store to check prices.

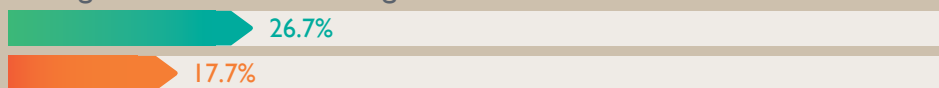**Percentage of consumers agreeing with various statements about shopping** >

● UNITED KINGDOM
● IRELAND

I shop around to find the best prices
- 34.7%
- 36.5%
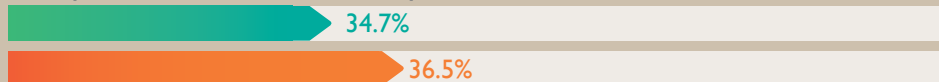
I will go to wherever has bargains on offer
- 26.7%
- 17.7%

I look at products in stores and then go online to find the best price
- 81.2%
- 86.7%

I regularly change the retailers I use
- 44.3%
- 41.4%
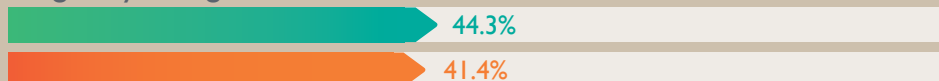
I tend to use the same retailers on a regular basis
- 51.8%
- 49.5%
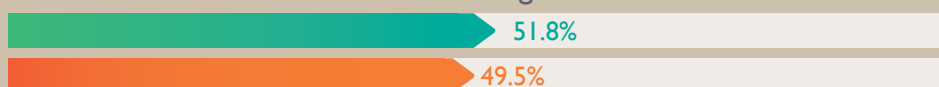
I use retailers that are close and convenient regardless of brand
- 23.0%
- 26.3%

There are certain retailers I opt not to use because I don't like the corporate culture
- 44.3%
- 41.4%
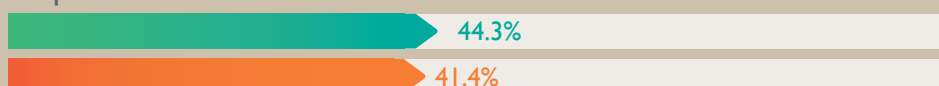
I often buy from foreign retailers
- 51.8%
- 49.5%

I do a lot of research before buying something
- 23.0%
- 26.3%
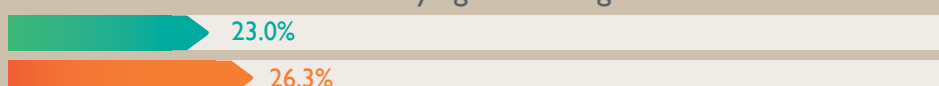
The cost to retail
What brand disloyalty does and can cost

Disloyalty and dissatisfaction carriers a cost and that potential cost is extremely high.

If all those consumers who are currently dissatisfied with the retailers they use decided to defect, the total cost across the course of this year would amount to a startling £120.6bn within the UK. In Ireland the cost would be just over €13bn.

Looking at this on a sector basis, the most affected sector is food and grocery where disloyalty rates are fairly high and the potential losses are also high due to the regularity of spend.

Across both the UK and Ireland clothing and electricals are also sectors where losses are high.

Clothing is highly affected because of the extensive choice available to consumers and their willingness to browse across the different options.

Electricals is sector where due to the high spend per item, consumers do a lot of research before buying, comparing things like prices and features. The branded nature of many products gives consumers more confidence in buying from retailers they may not be familiar with.

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Cost to retail
Potential cost for the UK

If all dissatisfied consumers abandoned the retailers they currently use, the cost would amount to £120.6bn this year.

If all those consumers who are currently dissatisfied with the retailers they use decided to defect the total cost across the course of this year would amount to a startling £120.6bn. The biggest impact is in food and grocery where the regularity of shopping means that the cost of defection soon adds up.

Food & Grocery
£85.6bn

Clothing
£12.5bn

Electricals
£6.8bn

Health & Beauty
£4.2bn

Homewares
£3.6bn

DIY
£3.5bn

Footwear
£2.3bn

Furniture
£2.1bn

Cost to retail
Potential cost for Ireland

If all dissatisfied consumers abandoned the retailers they currently use, the cost would amount to €13.03bn this year.

If all those consumers who are currently dissatisfied with the retailers they use decided to defect the total cost across the course of this year would amount to €13.03bn. The biggest impact is in food and grocery where the regularity of shopping means that the cost of defection soon adds up.

Food & Grocery
€7.56bn

Electricals
€1.79bn

Clothing
€1.43bn

Health & Beauty
€0.76bn

Homewares
€0.49bn

Furniture
€0.47bn

Footwear
€0.28bn

DIY
€0.26bn

Tools of choice
How do consumers make brand choices?

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Lifestyles
Summary

While retailers spend large amounts of money on marketing and loyalty schemes, the most important tools for determining where people shop are personal experience and word of mouth. Ultimately this means that positive or negative experiences for individual consumers can make a real difference.

Worryingly for retailers, not only is advertising and marketing less likely to drive loyalty or persuade customers to use stores, it is also seen as being far less reliable than word or mouth or personal experience. Electricals is a sector where due to the high spend per item, consumers do a lot of research before buying, comparing things like prices and features. Branded nature products give consumers more confidence in buying from retailers they may not be familiar with.

Reviews are creating a self-reinforcing cycle of recommendations and discovery online. As more people post reviews, more people read them, and in turn they give their own feedback, which is picked up by a new group of customers.

Tools of choice
What tools do consumers use?

Personal experience along with word of mouth from friends are key drivers in determining where consumers shop.

While retailers spend large amounts of money on marketing and loyalty schemes, the most important tools for determining where people shop are personal experience and word of mouth. Ultimately this means that positive or negative experiences for individual consumers can make a real difference.

Percentage of consumers saying they use certain tools to help them decide where to shop ❯

Personal research conducted online
57.2%

Word of mouth from friends
55.8%

Personal experience (visiting stores, etc.)
51.0%

Reviews written by third parties
48.3%

Social media in general
43.2%

Online advertising
39.6%

Television advertising
38.3%

Print advertising
37.4%

Email marketing
30.2%

Reviews written by official bodies such as Which?
29.4%

Mentions in the news
9.2%

Word of mouth from friends
57.9%

Personal experience (visiting stores, etc.)
55.6%

Personal research conducted online
51.8%

Reviews written by third parties
44.2%

Television advertising
40.9%

Print advertising
39.3%

Social media in general
38.1%

Email marketing
28.1%

Online advertising
27.2%

Reviews written by official bodies such as Which?
14.8%

Mentions in the news
11.6%

● UNITED KINGDOM   ● IRELAND

Tools of choice
How reliable are the tools?

Consumers are much less likely to believe or rely on retailers' own marketing and advertising.

Worryingly for retailers, not only is advertising and marketing less likely to drive loyalty or persuade customers to use stores, it is also seen as being far less reliable than word or mouth or personal experience.
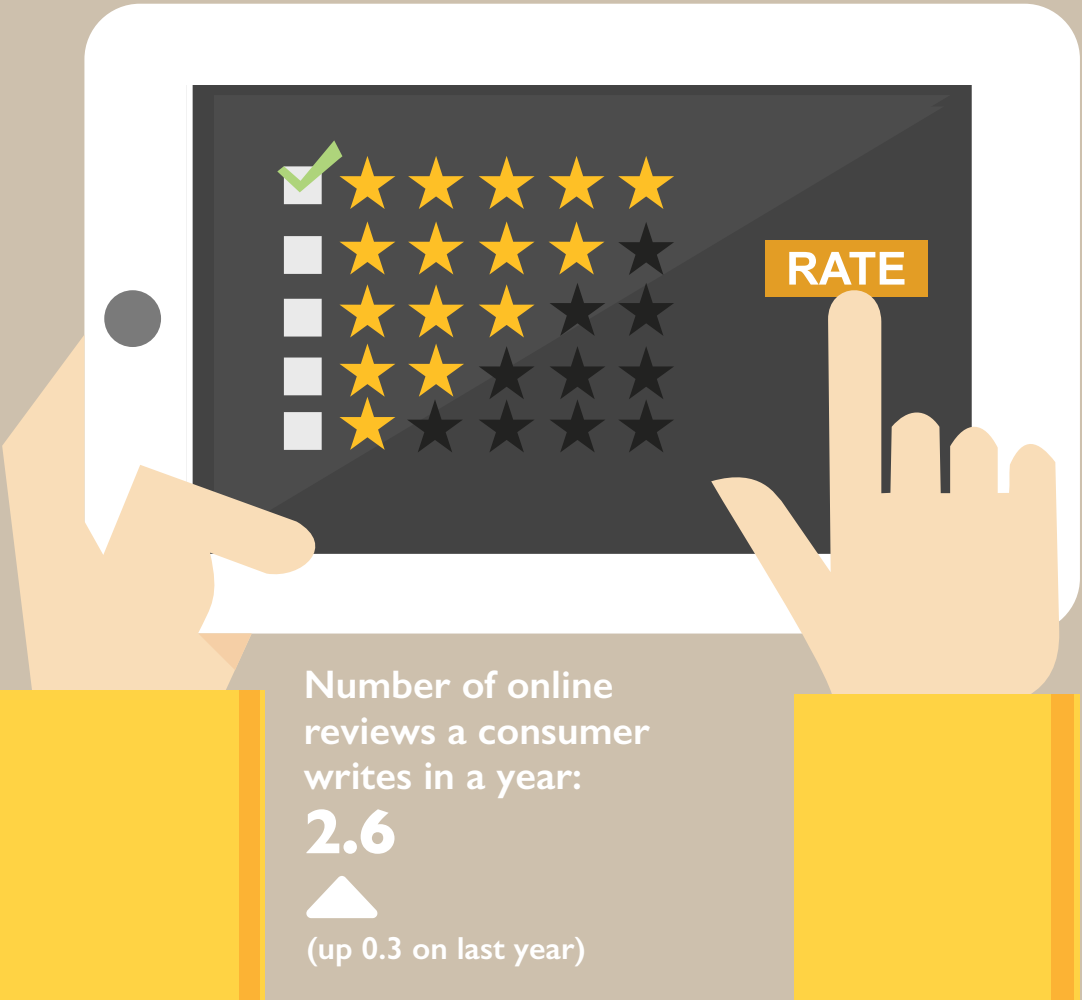
How reliable is each 'tool' – scored out of 10 where 10 is completely reliable and 1 is not reliable at all >

Tool	SCORE
PERSONAL EXPERIENCE (VISITING STORES, ETC.)	9.9
PERSONAL RESEARCH CONDUCTED ONLINE	9.6
REVIEWS WRITTEN BY OFFICIAL BODIES SUCH AS WHICH?	9.5
WORD OF MOUTH FROM FRIENDS	9.1
REVIEWS WRITTEN BY THIRD PARTIES	8.7
MENTIONS IN THE NEWS	7.6
SOCIAL MEDIA IN GENERAL	7.4
TELEVISION ADVERTISING	6.8
PRINT ADVERTISING	6.4
ONLINE ADVERTISING	5.9
EMAIL MARKETING	3.8

Tools of choice
Reviews

Reviews are an important source of information for decision making; consumers are writing more and the tone is becoming more negative.

Reviews that are positive

49.8%

▼

(down 6.9 on last year)

Reviews that are neutral

2.1%

▲

(up 0.2 on last year)

Reviews that are negative

40.8%

▲

(up 6.0 on last year)

Reviews that are mixed

7.3%

▲

(up 0.7 on last year)

RATE

Number of online reviews a consumer writes in a year:

2.6

▲

(up 0.3 on last year)
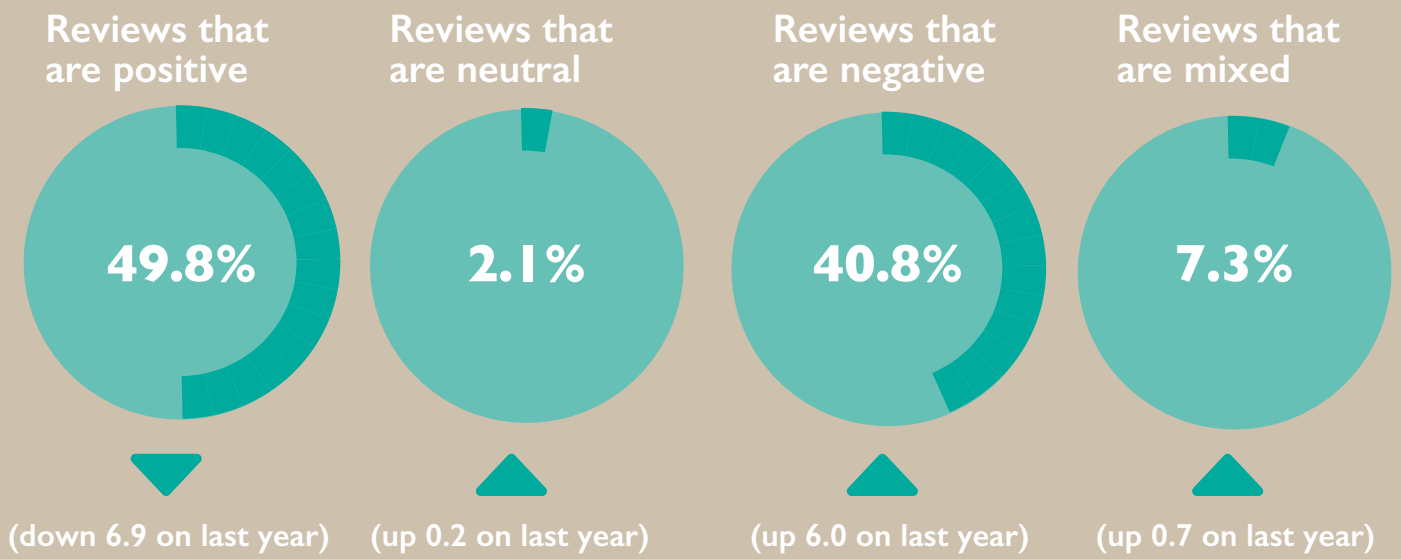
Tools of choice
The importance of feedback

Reviews are becoming an increasingly important part of the process of discovery and decision making.

Reviews are creating a self-reinforcing cycle of recommendations and discovery online. As more people post reviews, more people read them, and in turn they give their own feedback, which is picked up by a new group of customers.

76%
of online shoppers discover new products through reviews and recommendations on websites and social media sites.

54%
of online shoppers base purchasing decisions on recommendations and customer reviews on websites and social media.

37%
of online shoppers post their own recommendations and reviews to their friends and social network connections about what they bought.

Other sectors
Loyalty in other sectors

Although retail suffers from a relatively high level of disloyalty, it is comparatively good at keeping customers satisfied when compared with other business sectors.

Utilities, banking and telecoms all perform worse than retail when it comes to the number of customers who would like to defect from their current main service provider.

However, it is notable that restaurants and coffee shops have higher levels of loyalty, perhaps because they do not suffer in the same way from the explosion of choice from online alternatives. That said, both coffee shops and restaurants are generally good at adding value to the physical experience of buying and consuming their products.

In spite of the fact that retail has higher levels of loyalty than some business segments, one of the issues for the sector is that consumers that are disloyal find it far easier to defect or switch, mostly thanks to the amount of choice available.

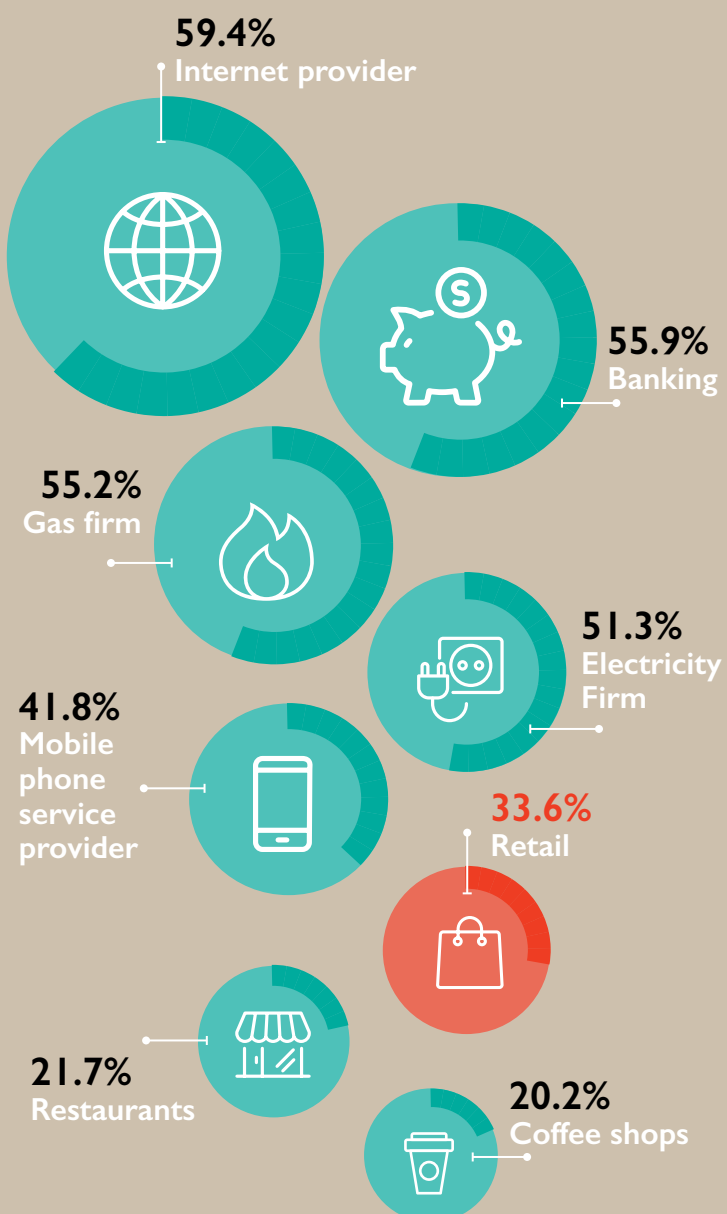# Other sectors
Loyalty in other areas

Retail suffers from high disloyalty, but it fares better than many other service areas.

Although retail suffers from a relatively high level of disloyalty, it is comparatively good at keeping customers satisfied compared with other business sectors. Utilities, banking and telecoms all perform worse than retail when it comes to the number of customers who'd like to defect from their main service provider.
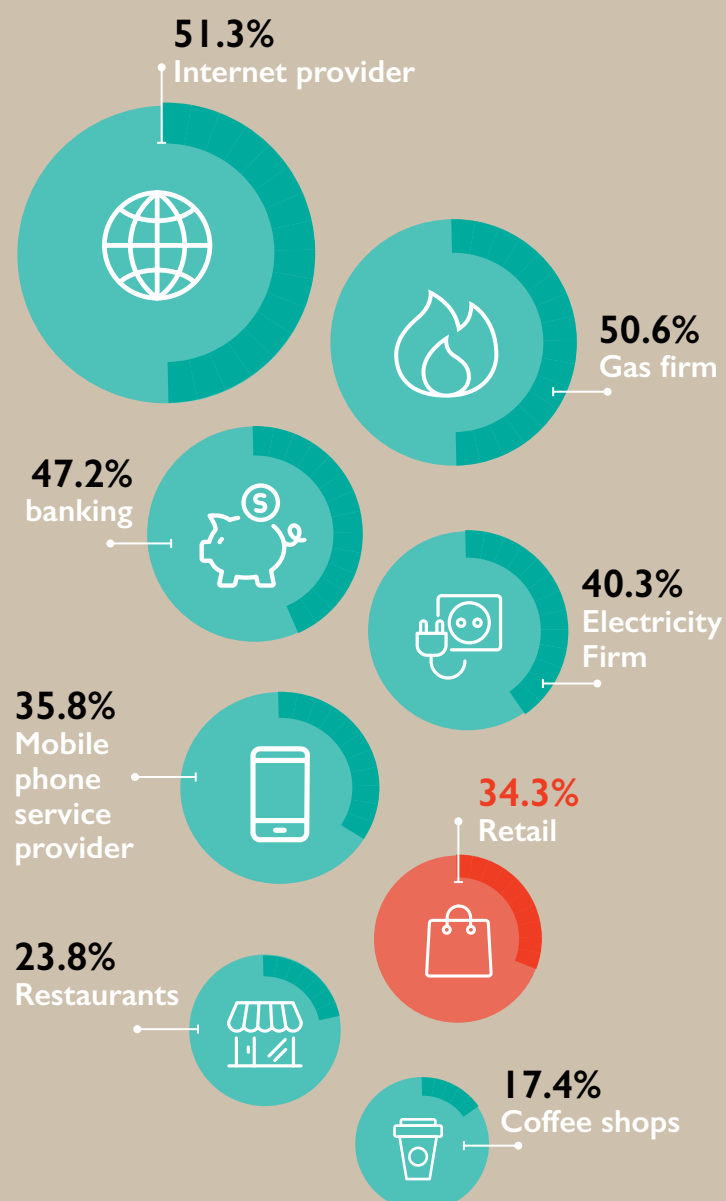
Percentage of consumers who say they would change their main supplier / service provider in each area ❯

UNITED KINGDOM

- **59.4%** Internet provider
- **55.9%** Banking
- **55.2%** Gas firm
- **51.3%** Electricity Firm
- **41.8%** Mobile phone service provider
- **33.6%** Retail
- **21.7%** Restaurants
- **20.2%** Coffee shops

IRELAND

- **51.3%** Internet provider
- **50.6%** Gas firm
- **47.2%** banking
- **40.3%** Electricity Firm
- **35.8%** Mobile phone service provider
- **34.3%** Retail
- **23.8%** Restaurants
- **17.4%** Coffee shops
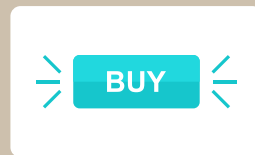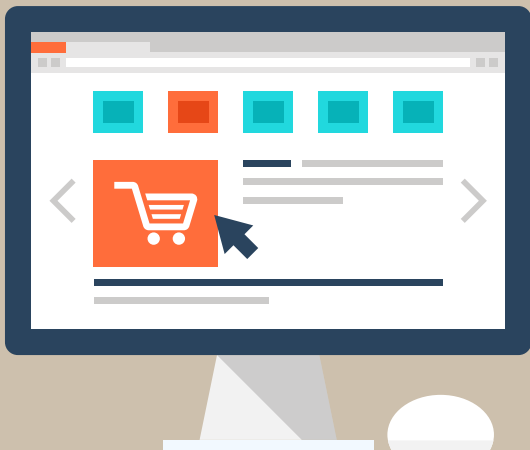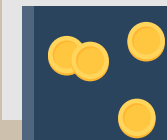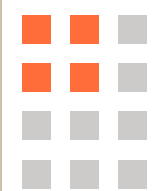
Other sectors
How easy is it to defect?

BUY

Although retail has stronger loyalty than other areas, consumers say it is easier to change where they shop than it is to change providers of other services.

One of the challenges for retail is that consumers find it comparatively easy to switch shops compared to switching utility companies or banks.

Percentage of consumers who say it is easy or very easy to switch companies or move their custom in each area >

61.2%
Restaurants

59.6%
Retails

59.5%
Coffee Shops

44.5%
Mobile phone
service provider

37.2%
Banking

34.0%
Electricity Firm

32.4%
Internet
provider

29.8%
Gas firm

SHOPPING LIST

Milk
Green tea
Rice
Chicken
Sweets
Bread
Fruits
Juice
Potatoes

-50%   SPECIAL OFFER

NEW

SALE

BUY

OPEN
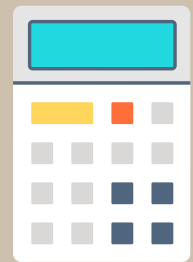
Methodology
Our work

A combination of consumer research, secondary research and market forecasting were used to compile this report.

Consumer research in this report is based on surveys conducted with both Irish and UK consumers. In both cases the surveys were carried out with a representative sample; 2,512 people were surveyed in the UK and 1,496 people in the Republic of Ireland. Surveying was carried out in January 2016.

All numbers relating to expenditure and forecast expenditure of retail are taken from Conlumino's own retail model. This is updated on an ongoing basis with inputs from official sources (such as the British Retail Consortium and Office for National Statistics), retailers' results and trading updates, other secondary sources and industry surveys, Conlumino's ongoing programme of research into consumer spending and habits, and underlying economic drivers and trends. Conlumino analysts both model and interpret this information to provide guidance on the likely future direction of retail expenditure at an overall, sector and category level.

Unless otherwise stated, all sources of information are derived from Conlumino's own research and should be referenced to Conlumino/Webloyalty.

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