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This study series measures the impact of the COVID-19 pandemic on consumer and merchant behavior and explores the accelerated shift to a digital-first world. Pandenomics is a proprietary research and analytic framework and series of insights that measures the shift away from a primarily physical world toward a digital-first counterpart. This framework makes it possible to accurately profile the characteristics of these digital shifters as consumers prioritize preserving their personal and familial health and safety as they make decisions about doing business in the world.

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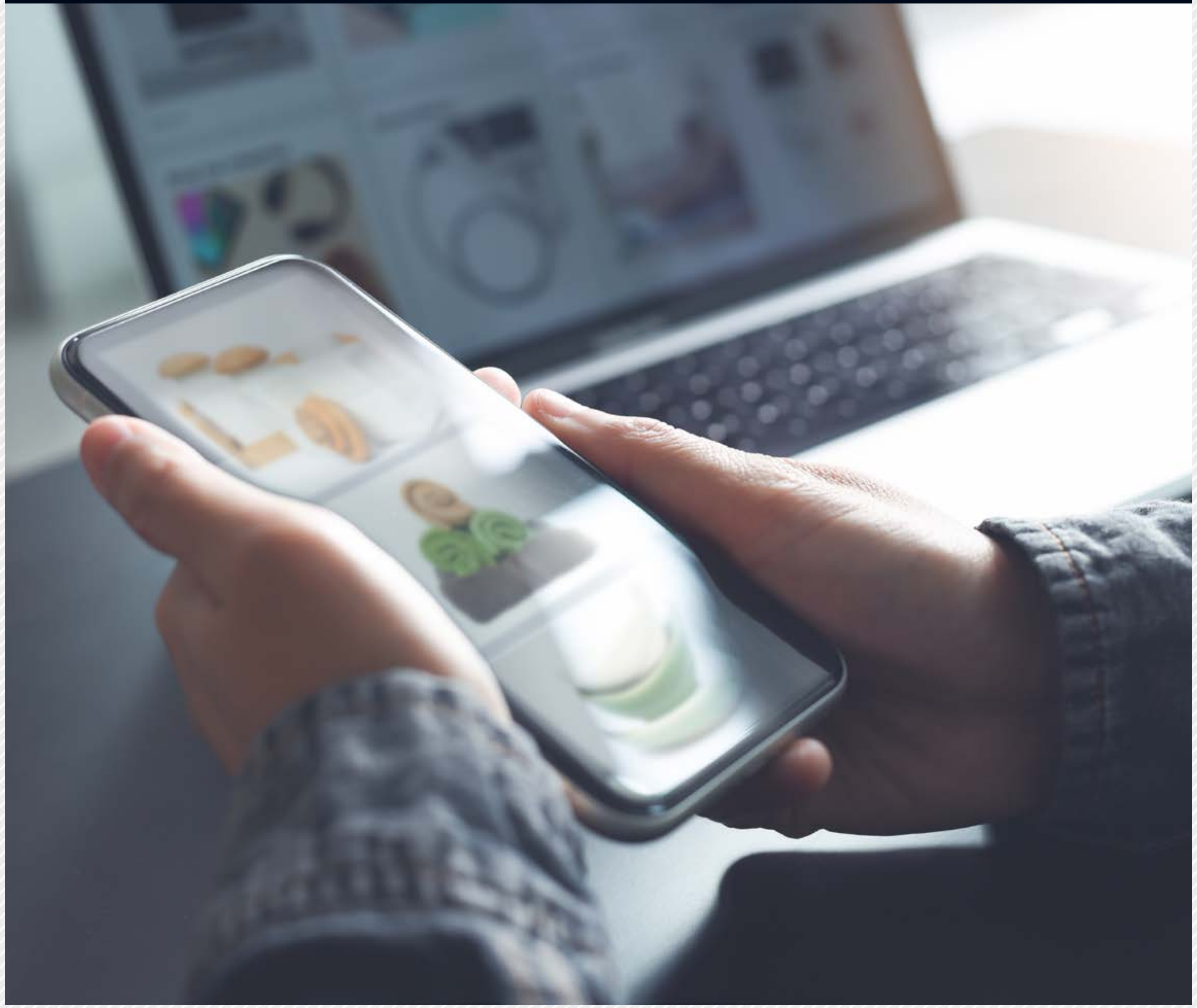
MAY 2021

CONSUMERS AND THE NEW RETAIL LANDSCAPE



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INTRODUCTION

The beginning of 2021 solidified what had been a rapid and permanent shift in the digital connected economy, one rooted in practicality and directed toward an authentic human need: a solution for the millions of people who live, work and shop in an economy that had relied at least partially on direct human interaction but had been thrust into social distancing. Consumer behavior suddenly changed, and individuals did more online and less in stores. The behavior of these "digital shifters" has had an outsized influence on how America shops — a trend which will persist long into the future. A new connection between digital technologies and the day-to-day lives of Americans was forged out of necessity by retailers, brands and payments providers. Meeting consumers' needs at scale became the impetus for urgent digital innovation. Innovative ways of doing business — such as contactless payments, grocery subscriptions and delivery aggregators — became relevant not only to early-adopting consumers who were jockeying to exude coolness but also consumers simply trying to get necessary chores done.

The upending of in-store commerce was unforeseen yet happened swiftly, and new consumer demands have likewise shaken up the digital landscape. The meteoric rise of an economy based on convenience, practicality and digital connectivity (and encompassing everything from small retail grocers adopting contactless payments to entire corporations and governments shifting to working from home in weeks) defined the retail landscape in 2020.

Consumers And The New Retail Landscape analyzes the results of a survey of 2,225 consumers to present a comprehensive review of how 2020 impacted consumer shopping behaviors and how the availability of vaccines may influence consumers' future shopping choices.

PART I: THE END OF CABIN FEVER: VACCINES AND AGGREGATORS HAVE CHANGED CONSUMER BEHAVIOR

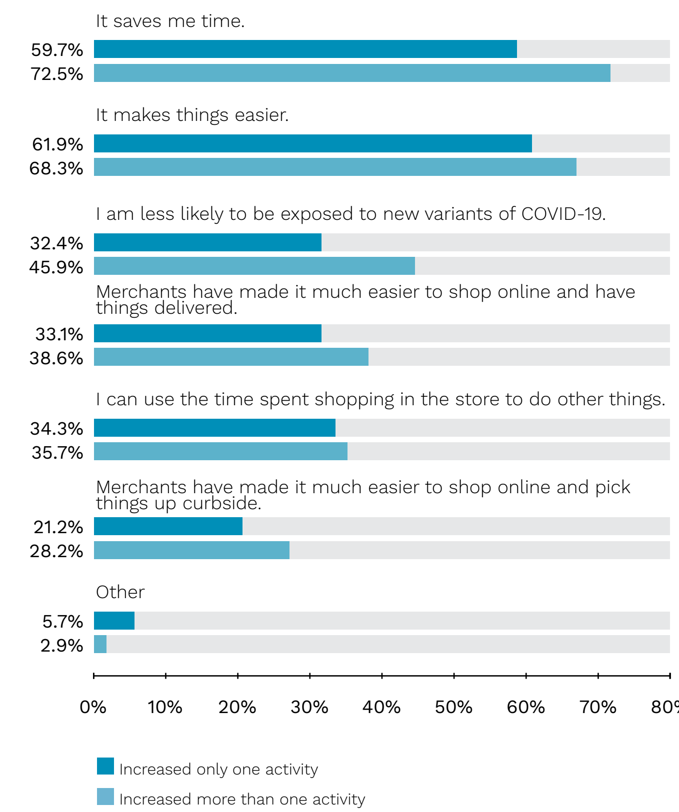
Consumers have gained more freedom to return to many outdoor and indoor activities, including shopping, with vaccination rates climbing and restrictions on businesses lifting. How and why consumers decide to shop in person, however, has itself transformed dramatically since early 2020. PYMNTS' research in 2020 and early 2021 reveals significant shifts in consumers' interest in time-saving digital shopping options as well as their willingness to permanently cast off physical consumer behaviors in favor of digital alternatives. Forty percent of consumers are considered "digital shifters" — shoppers who are doing more online and less in store. Efficiency and convenience — along with the ability to have "digital-like" experiences such as instant inventory checks and fast, secure checkouts everywhere, influence the shopping channel choices of consumers who have increased select activities during this transformative year.

The new consumer: convenience-focused, vaccinated and eager to get out there

The consumer of today has become accustomed to the convenience of the connected economy and has no plans to abandon it, even as vaccine availability and loosened restrictions on public events make it easier to enjoy in-person entertainment and leisure activities. Most consumers (52 percent) have adopted the use of digital shopping aggregators, such as Instacart or Grubhub, which allow them to shop or order from multiple stores or restaurants at once. Large shares of consumers who have increased their activity for a range of tasks that include grocery or retail shopping since early 2020 cite saving time as the top reason why they want to maintain these shifted behaviors for one activity (60 percent) or two or more (72 percent).

FIGURE 1:

WHY CONSUMERS WILL MAINTAIN THEIR INCREASED ACTIVITY
Share citing select reasons for wanting to maintain increased activities, by number of activities increased



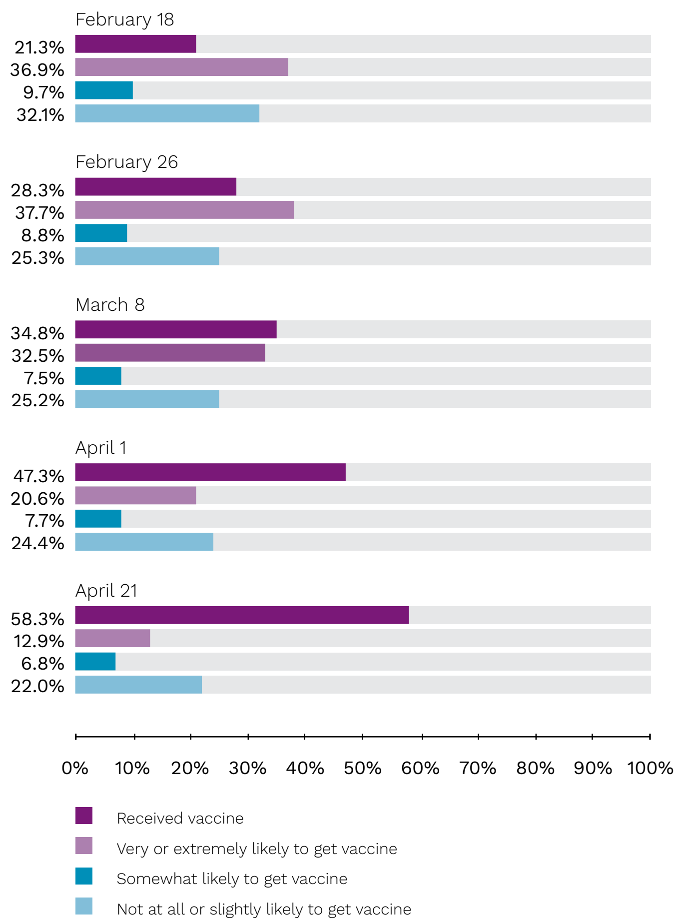
Source: PYMNTS.com

The widespread availability of vaccines has significantly impacted most consumers' vaccination statuses and their interest in returning to public activities. Our research shows that the majority (58 percent) of consumer respondents had received at least one dose of the vaccine and that another 13 percent reported that they were very or extremely likely to get the vaccine. This is a significant increase from February of this year, when only 21 percent of consumers had been vaccinated. Vaccinated consumers have different indoor options than unvaccinated people in many states, such as flexible, nondistanced seating and unmasked seating at sporting events and theaters.

FIGURE 2:

VACCINATION PLANS OVER TIME

Share citing select plans for vaccination, by date



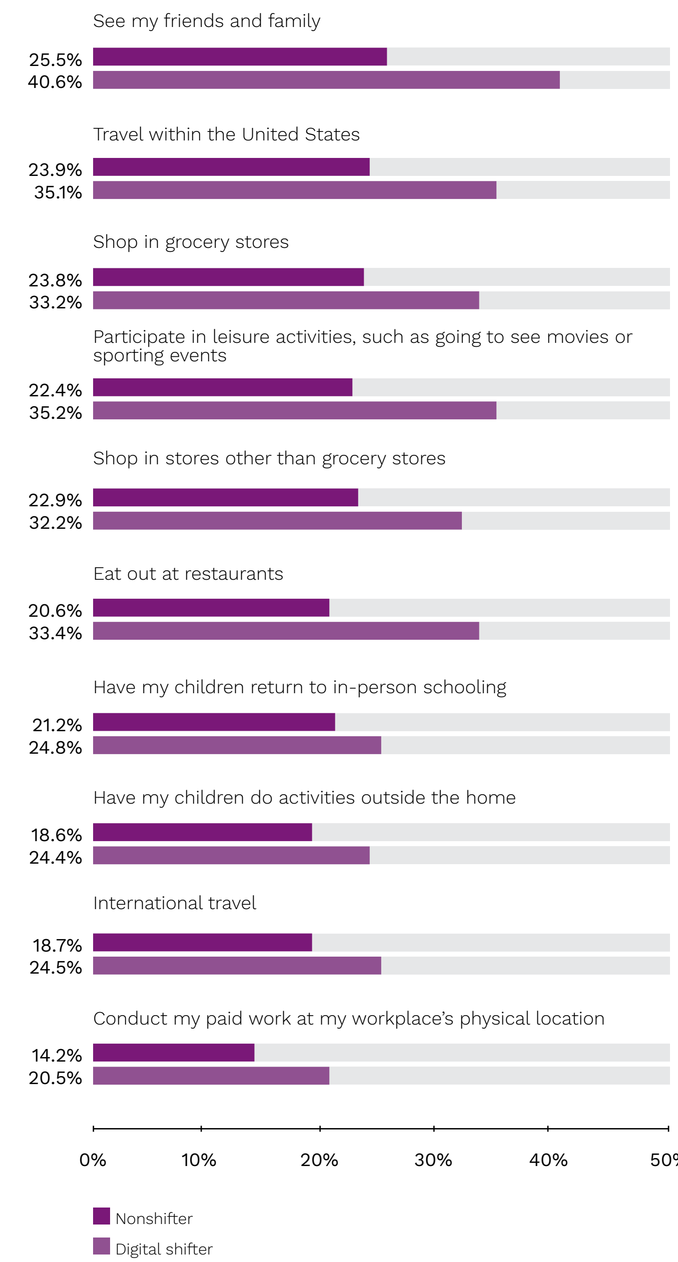
Source: PYMNTS.com

The prospect of a return to outdoor and indoor social activities may strongly motivate some consumers' vaccination and shopping channel choices. Digital shifters, PYMNTS' research indicates, choose online shopping channels because of convenience. As the country continues to open up more fully, digital shifters may have more time available for leisure and social activities than nonshifters because they have relegated routine shopping tasks to online channels. Not surprisingly, unvaccinated digital shifters show particular interest in engaging in outdoor and social activities once they are vaccinated. Once vaccinated, however, consumers engage in fewer outdoor activities then planned. This suggests that digital channels are preferred by consumers even when there are no barriers to their participation in indoor or outdoor activities.

FIGURE 3A:

UNVACCINATED INDIVIDUALS' DESIRED ACTIVITIES WHEN VACCINATED

Desired activities after vaccination, by digital shift status



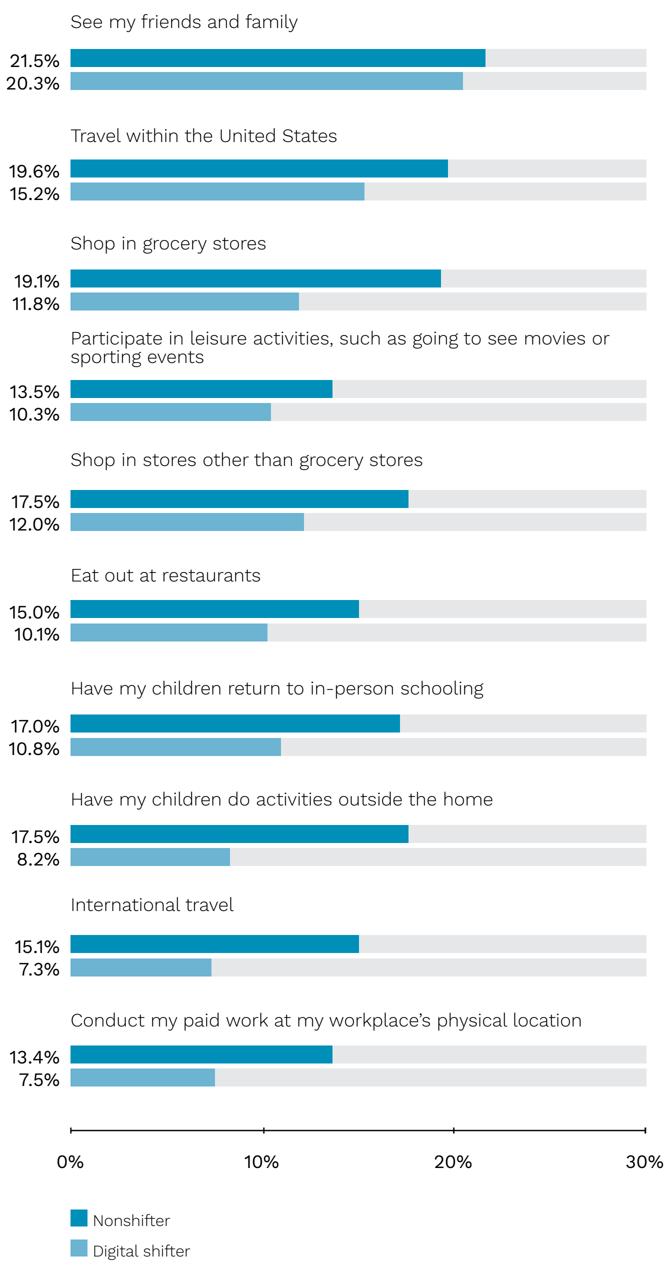
Source: PYMNTS.com

Consumers have become less concerned about the impact of COVID-19 on their and their families' lives (53 percent), down from a high of 72 percent in July of 2020. This waning level of concern reflects that mass vaccinations began in 2021 and may influence consumers' interest in returning to public venues and social events.

FIGURE 3B:

FULLY VACCINATED RESPONDENTS' PHYSICAL ACTIVITY SHIFTS

Share that increased their frequency of select activities after vaccination, by digital shift status



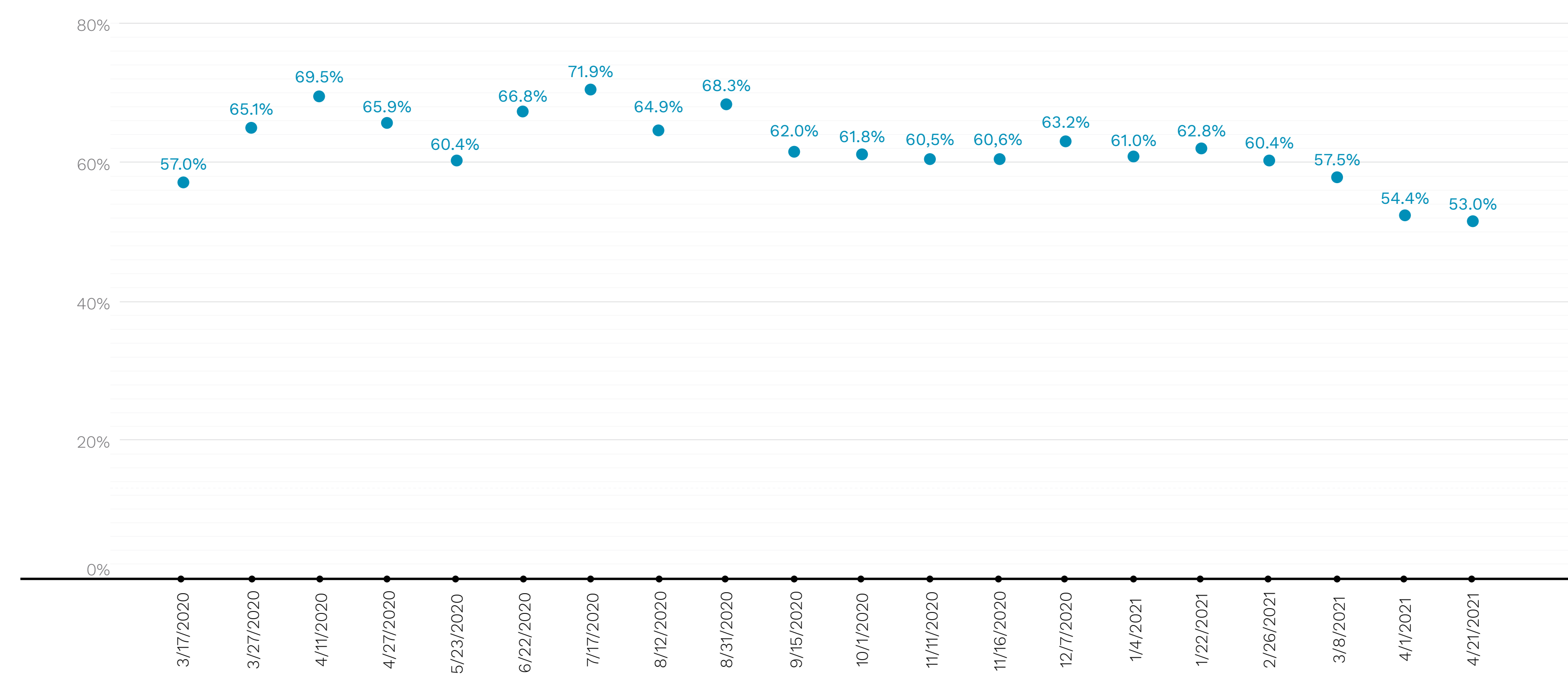
Source: PYMNTS.com

Our research suggests that many consumers are anxious to return to public life, yet fully vaccinated digital shifters may be less likely than nonshifters to actually carry out their plans to embrace public leisure activities again. This may be because digital shifters are still hesitant to return to familiar activities even with more free time due to time-saving digital choices or because these activities have become less attractive over time due to individuals' comfort with digital interactions. This finding indicates that digital shifters' new behavior patterns may persist.

FIGURE 4:

CONSUMERS VERY OR EXTREMELY CONCERNED ABOUT COVID-19

Share of consumers significantly concerned about COVID-19, by date

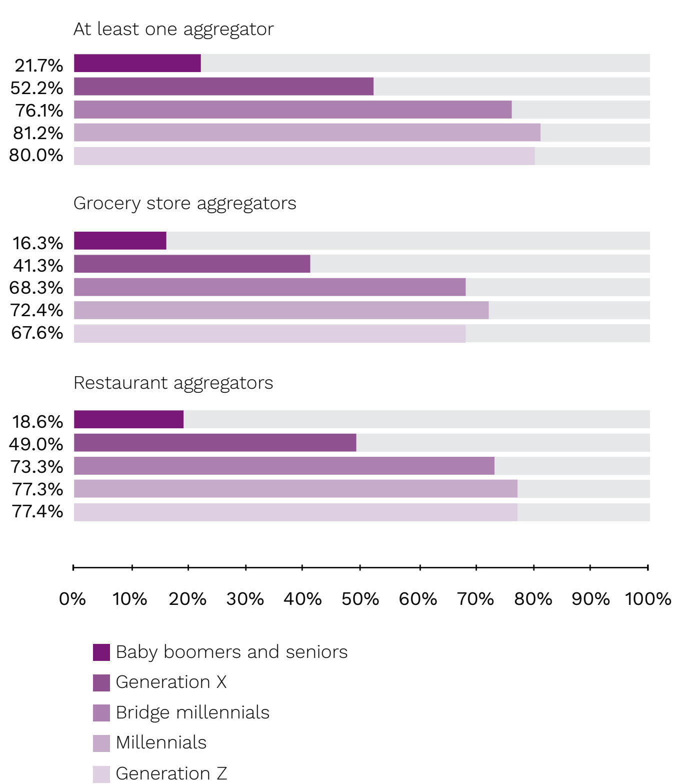


Source: PYMNTS.com

The new customer experience standard for these digital shifters is the efficiency and convenience of instant purchasing, powered by the digital channels that make it easier for consumers to get essentials like groceries and food from their favorite restaurants. This new digital landscape of retail options — which pits familiar local favorite grocers next to national retailers with same-day shipping, vast inventories and frequent clearance prices — provides ample motivation for local retailers to engage consumers returning to outdoor and indoor activities. The majority of consumers have used digital shopping aggregators, yet those most likely to be adopters are millennials (81 percent), members of Generation Z (80 percent) and consumers who earn more than $100,000 annually (58 percent).

FIGURE 5A:

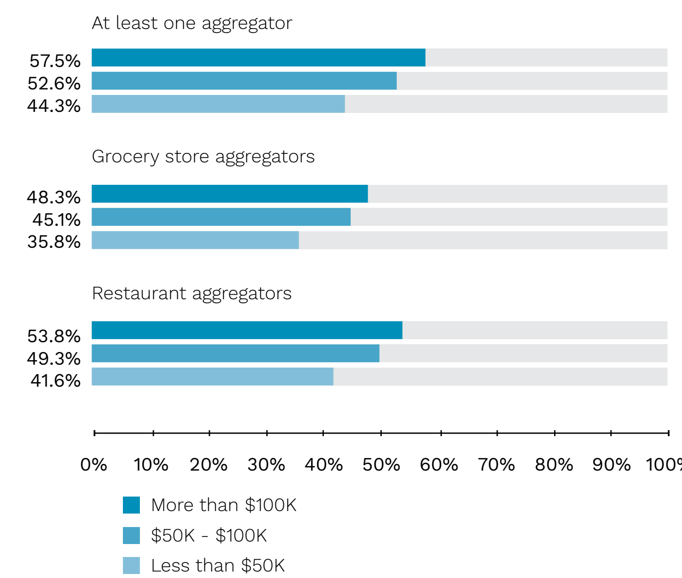
DIGITAL SHOPPING AGGREGATOR USE
Share that use digital shopping aggregators, by generation



Source: PYMNTS.com

FIGURE 5B:

DIGITAL SHOPPING AGGREGATOR USE
Share that use digital shopping aggregators, by income



Source: PYMNTS.com

80%

OF MILLENNIAL AND GEN Z CONSUMERS USE A DELIVERY AGGREGATOR.

PART II: THE DELIVERY AGGREGATORS: A NEW AUDIENCE OF ACTIVE, ENGAGED CONSUMERS

Many consumers chose to shop online during March and April 2020 because of safety concerns, however consumers also favor the efficiency of digital shopping to preserve their most valued commodity — time that can be spent with family or on pleasurable leisure activities. PYMNTS' research found that 47 percent of customers who use delivery aggregators are digital shifters — customers who perform activities more online and less in store.

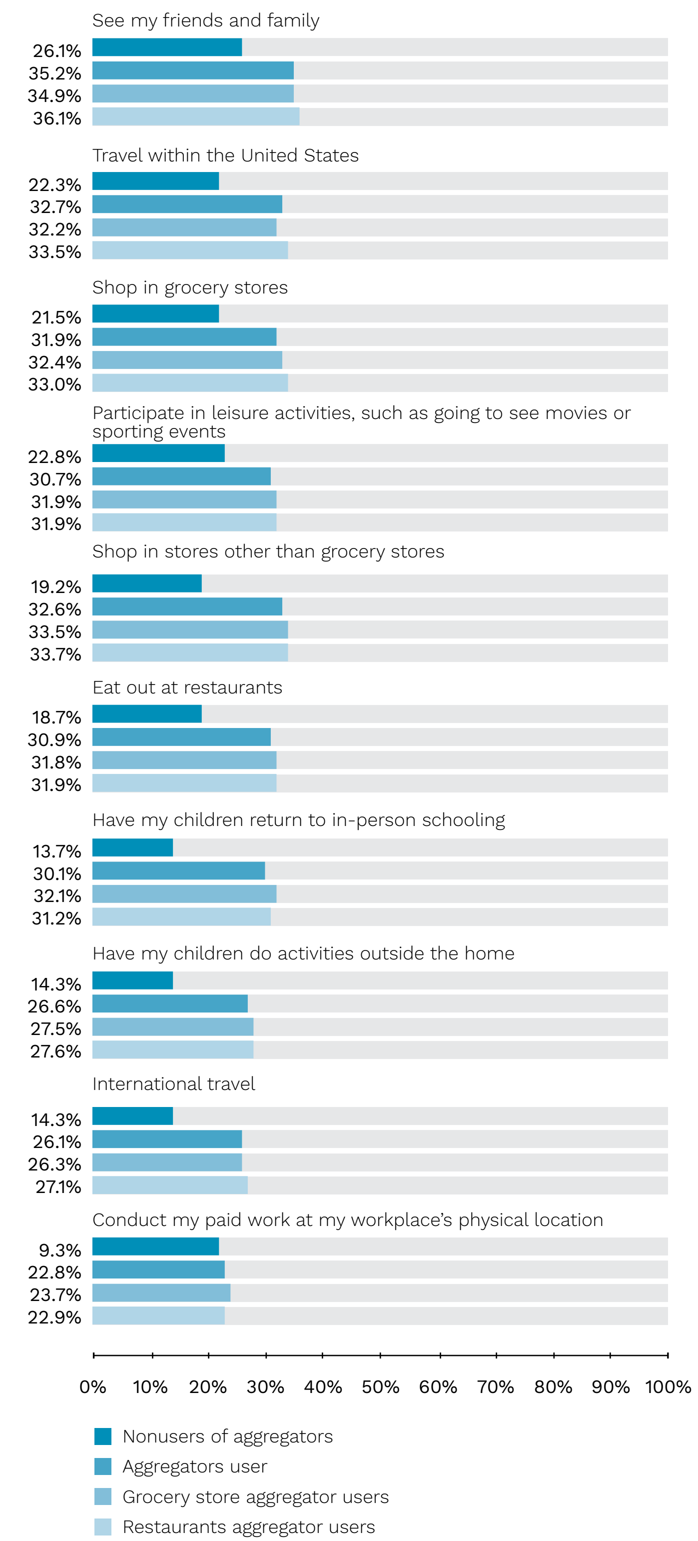
Unvaccinated consumers using delivery aggregators do show a greater enthusiasm for future in-person leisure activities, unlike other consumers. This may be due to their interest in time-saving activities that free them to pursue the activities they may otherwise have missed.

Key shares of respondents who are not fully vaccinated and who use restaurant aggregators (36 percent) and those who use grocery delivery aggregators (35 percent) report that they will see their friends and family more often and at a higher rate once they are fully vaccinated than those not using aggregators (26 percent). The difference is far more pronounced for aggregator users who are fully vaccinated. Fully vaccinated users of restaurant delivery aggregators (31 percent) and grocery delivery aggregators (32 percent) are twice as likely to say they increased their frequency of visits with friends and family than nonusers of aggregator services (15 percent).

FIGURE 6:

UNVACCINATED RESPONDENTS WHO WOULD INCREASE SELECT ACTIVITIES ONCE FULLY VACCINATED

Share planning select activities, by aggregator use



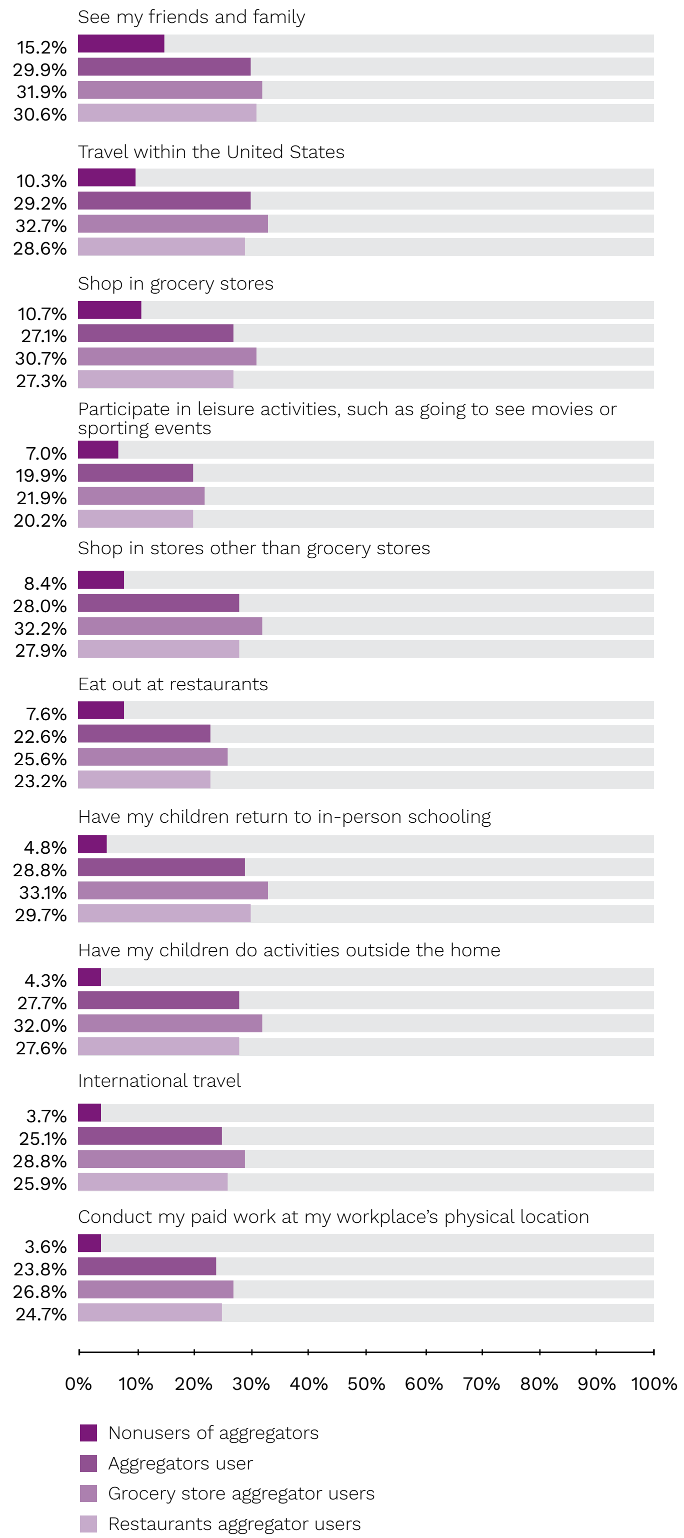
Source: PYMNTS.com

Fully vaccinated delivery aggregator users have also increased the frequency of their shopping in grocery stores more than vaccinated nonusers (27 percent versus 11 percent, respectively), shopping in nongrocery retail stores (28 percent versus 8 percent for nonusers) and eating out (23 percent versus 8 percent for nonusers).

FIGURE 7:

FULL VACCINATION'S IMPACT ON INCREASING SELECT ACTIVITIES

Share of fully vaccinated respondents who increased select activities



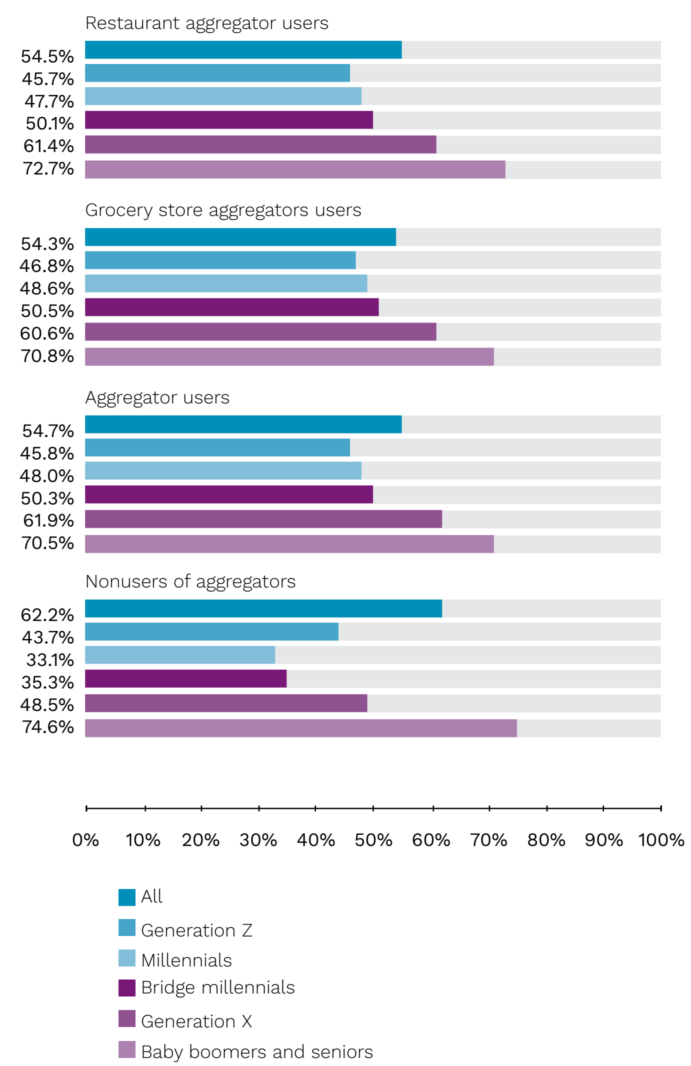
Source: PYMNTS.com

Demographically, more delivery service aggregator users have been fully vaccinated than nonusers for every age group except baby boomers and seniors.

FIGURE 8:

AGGREGATOR USE BY AGE

Delivery aggregator usage, by demographic



Source: PYMNTS.com

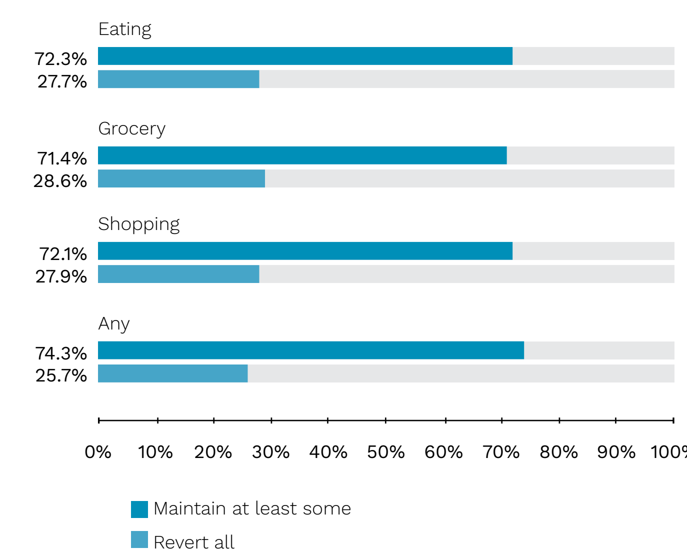
PART III: BACK TO THE FUTURE: CONSUMERS' EMBRACE OF THE "BRING IT TO ME" ECONOMY IS PERMANENT

Despite the availability of the vaccine and the relaxing of restrictions on store and restaurant hours across the country, most respondents still value the efficiency of delivery for food and groceries. This is unsurprising, as consumers — who spend an average of 16 hours per day online consuming digital media — would have little incentive to abandon digital behaviors that are at their fingertips and save them time with a few clicks.[1] Three-quarters of digital shifters state that they will maintain at least one behavioral change they acquired during this eventful year.

FIGURE 9:

DIGITAL SHIFTERS' BEHAVIOR PLANS

Share planning to maintain or revert changed behaviors, by behavior category



Source: PYMNTS.com

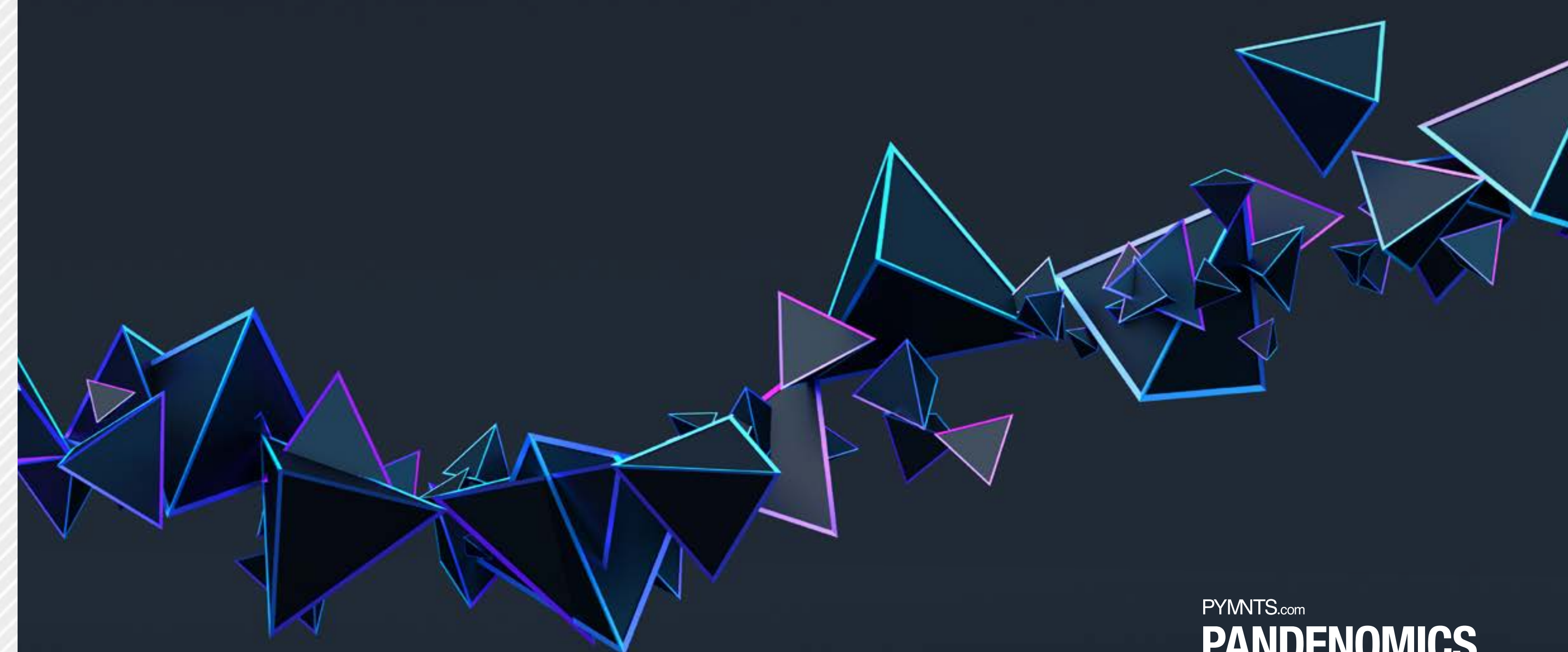
[1] Wolf, M.J. How Covid-19 Has Transformed the Amount of Time We Spend Online. The Wall Street Journal. 2020. https://www.wsj.com/articles/how-covid-19-has-transformed-the-amount-of-time-we-spend-online-01596818846 Accessed May 2021

CONCLUSION

Our research shows that consumers' shift towards the connected economy is definitive. The convenience of delivery services and high-speed internet connectivity became an essential utility rather than a "nice-to-have" luxury for the millions of Americans who found themselves dependent upon digital channels to shop, work or study. Consumers have learned to adapt digital shopping options to their unique needs while using delivery aggregator services to save time for leisure activities and certain shopping tasks that they find enjoyable. The connected economy — which caters to those who do more online and less in stores — has reached a new level of maturity and permanence.

METHODOLOGY

PYMNTS issued a survey to a census-balanced panel of 2,225 U.S. residents between April 21 and April 24, 2021, as a follow-up to our continuing series of studies examining consumers' behavioral changes following the COVID-19 outbreak. Respondents were 48 years old on average, and 53 percent were female. Thirty-three percent of respondents held college degrees. We also collected data from consumers in different income brackets: 36 percent of respondents declared an annual income of more than $100,000, 32 percent earned between $50,000 and $100,000 and 32 percent earned $50,000 or less.



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