Decoding Consumer Affinity:

THE CUSTOMER LOYALTY TO MERCHANTS SURVEY 2022

■ **JANUARY 2022**

Decoding Customer Affinity: The Customer Loyalty to Merchants Survey 2022, a PYMNTS and Toshiba collaboration, is based on a census-balanced survey of more than 2,000 consumers in the United States. The report examines consumers' preferences for certain grocery and pharmacy shopping channels and analyzes their motivations for remaining loyal to products and retailers.

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Today's consumer, empowered by an assortment of digital features that prioritize consumer preference and convenience, **has redefined customer loyalty.**

Most consumers consider themselves loyal to their favorite merchants, but new research by PYMNTS found that many pharmacy and grocery shoppers are actually loyal to the digital features that produce positive customer experiences — not the retail brand itself. When the balance of customer experience, low prices, rewards or convenience tips in favor of a competitor, our research reveals that more than one-third of "loyal" shoppers are willing to leave their go-to grocers and pharmacies for another retailer.

Consumers' conditional loyalty may be partly due to the proliferation of consumer retail choices during the pandemic. By mid-2021, consumers had experienced more than a year of expanded access to products and different store options due to the widespread adoption of contactless ordering and delivery features by grocers and pharmacies in 2020. At the same time, delivery aggregators redefined competition for local groceries and pharmacies, allowing consumers to view product availability and prices online for their local store and competitors from the same page. As delivery aggregators, contactless delivery options and retail grocery subscription services removed distance from consumers' calculations of what constitutes a good deal or an easy customer experience, consumers found new, higher standards to determine which merchants merited their loyalty.

In Decoding Consumer Loyalty: The Customer Loyalty To Merchants Survey 2022, a PYMNTS and Toshiba Global Commerce Solutions collaboration, we examine new findings that detail how consumer preferences influence their loyalty to grocery and pharmacy merchants and why that loyalty may be vulnerable to change. PYMNTS surveyed 2,097 consumers between Nov. 30 and Dec. 7, 2021, to understand how factors, such as technologies that make shopping and fulfillment more efficient and convenient, have changed consumer behavior.

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Data shows that **eight out of 10 shoppers** prefer to make purchases in physical stores,

but significant differences are evident in how grocery and pharmacy shoppers think about loyalty to their local merchant. In-store shopping with one or two favorite merchants is the most common way consumers buy goods. Research shows that 82% of grocery shoppers and 76% of pharmacy customers purchase products primarily in store. Just 18% of consumers made grocery purchases mainly online, while 22% made pharmacy purchases predominantly online.

Our research also revealed that grocery shoppers are nearly twice as likely as pharmacy customers to say they are more loyal to their favorite merchant than their preferred products. Our survey revealed that 61% of pharmacy customers stated that they were more loyal to the products that they wanted than the pharmacy they patronized, while just 35% of grocery shoppers said the same about their go-to grocers. Instead, 53% of grocery shoppers said they were more loyal to their favorite merchant than a specific product, and 53% said they bought products because they were sold at their favorite merchant. Eight out of 10 shoppers still make their grocery and pharmacy purchases mainly in physical stores.
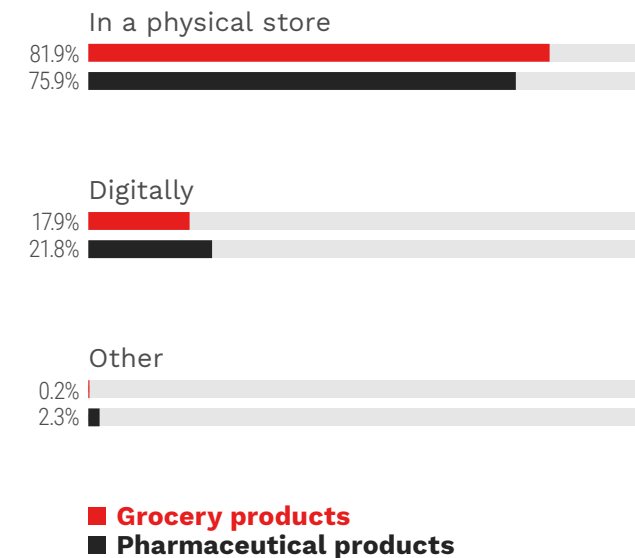
What drives consumer loyalty? Our research showed that a greater share of consumers cited proximity as the most important factor driving loyalty to a pharmacy (41%) than price (16%). Grocery shoppers, on the other hand, listed price (37%) as the most important reason for their loyalty to a merchant more often than proximity (32%). Consumers who are more loyal to products than their pharmacy are likely to be motivated by better prices and cite convenient digital payment or fulfillment features as the driving factor behind their loyalty. These product-loyal consumers tend to seek out and purchase the specific products that they want wherever they are better priced rather than only purchasing the products that happen to be available at their favorite stores. When seeking their favorite products, they prioritize price and how convenient it is to purchase them.

PYMNTS research found that approximately 8% of online and in-store grocery shoppers cited convenience factors — such as payment or order fulfillment features — as the greatest factor influencing which merchant they purchase from, a greater share than those who are most influenced by product or brand availability. A larger share of online and in-store pharmacy shoppers also reported that payment and fulfillment features were the key drivers of merchant choice than those who cited product or brand availability, at 9% versus 8%.

FIGURE 1:

CONSUMERS' MOST FREQUENT PURCHASING METHODS

Respondents' most used purchasing method in the last month, by type of merchant

In a physical store
81.9%
75.9%

Digitally
17.9%
21.8%

Other
0.2%
2.3%

■ **Grocery products**
■ **Pharmaceutical products**

Source: PYMNTS.com | Toshiba
Decoding Consumer Affinity Survey

IS LOYALTY DRIVEN BY MERCHANTS OR PRODUCTS?

Share of respondents citing strongest driver of loyalty

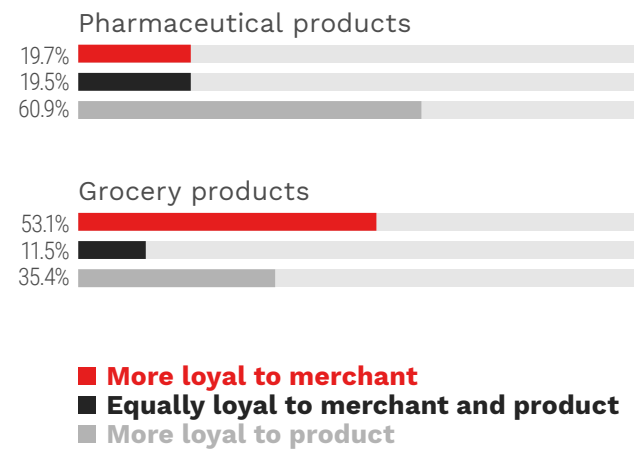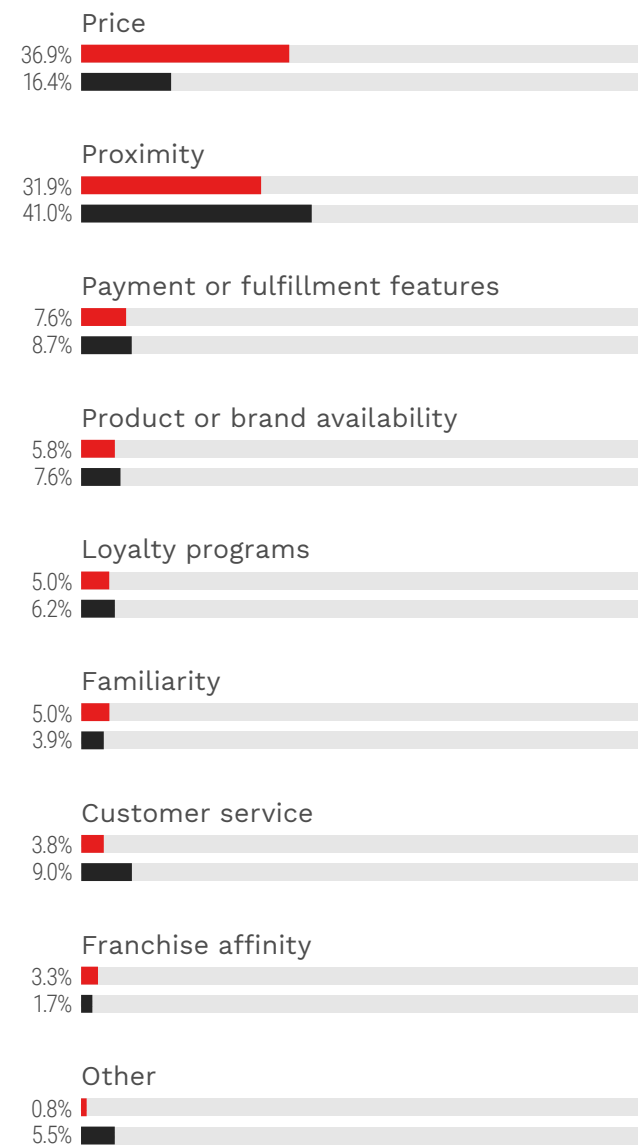Pharmaceutical products

19.7%
19.5%
60.9%

Grocery products

53.1%
11.5%
35.4%

■ **More loyal to merchant**
■ **Equally loyal to merchant and product**
■ **More loyal to product**

■ **Grocery products**
■ **Pharmaceutical products**

FACTORS INFLUENCING CONSUMER LOYALTY

Share of respondents citing most influential factor when selecting a merchant to purchase from

Price

36.9%
16.4%

Proximity

31.9%
41.0%

Payment or fulfillment features

7.6%
8.7%

Product or brand availability

5.8%
7.6%

Loyalty programs

5.0%
6.2%

Familiarity

5.0%
3.9%

Customer service

3.8%
9.0%

Franchise affinity

3.3%
1.7%

Other

0.8%
5.5%

Source: PYMNTS.com | Toshiba
Decoding Consumer Affinity Survey

PYMNTS.com | **TOSHIBA**

Pharmacy and grocery customers shop in **different ways online** and in person.

Their choices are influenced by what matters to them most — product choice, pricing, proximity or payment and fulfillment features. Payment and fulfillment features sought by consumers include the ability to use preferred methods of payment, the availability of buy online, pickup in store services and same-day delivery.
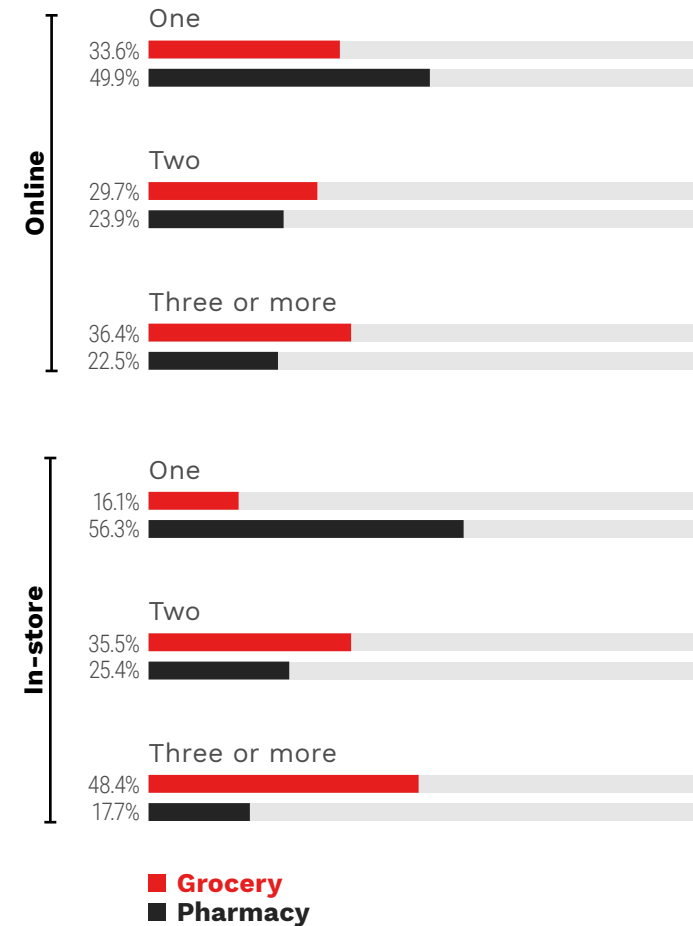
Many pharmacy customers (82%) shopped at one or two pharmacies in store, but a larger share of consumers looked for their preferred pharmacy products with three or more competitors online (23%) than by shopping in person (18%). While grocery shoppers may report they are loyal to their favorite merchants, they are willing to visit multiple locations for the right experience or product range. Grocery shoppers were nearly as likely to shop for the products that they wanted at three or more grocery

competitors in person (48%) as they were to visit just one or two grocers (52%). Fewer grocery consumers shopped with three or more grocers for their favorite products online (36%).

Our research found meaningful differences between the motivations for certain demographics' choice of merchant. Payment and fulfillment features were cited by 17% of millennials and bridge millennials as the top factor for choosing a pharmacy or grocery merchant, and 10% of baby boomers and seniors and 8% of Generation X consumers stated the same.

NUMBER OF MERCHANTS CONSUMERS SHOP WITH

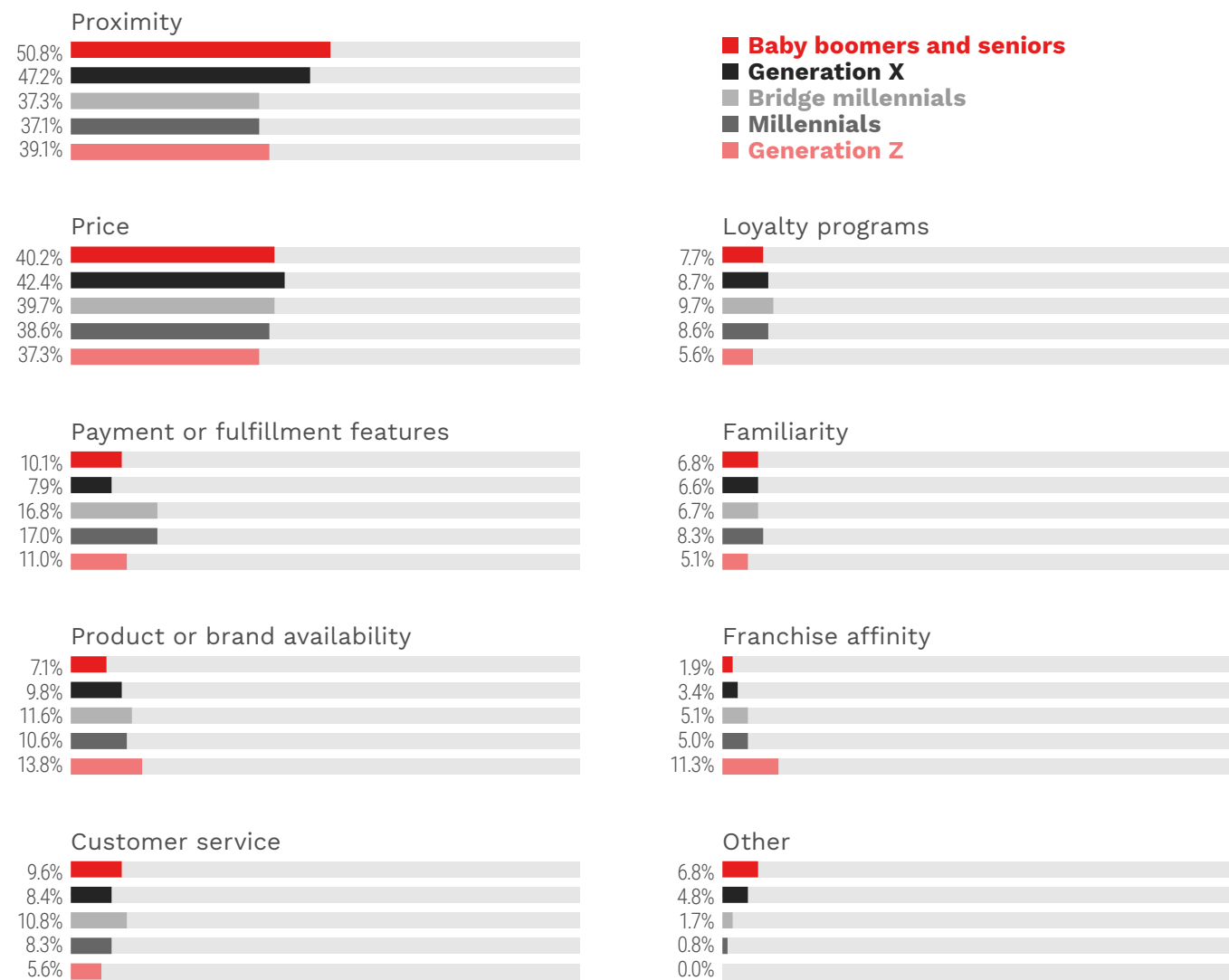**Share of consumers who have shopped at one or multiple merchants, by channel and merchant type**

Online

One
33.6%
49.9%

Two
29.7%
23.9%

Three or more
36.4%
22.5%

In-store

One
16.1%
56.3%

Two
35.5%
25.4%

Three or more
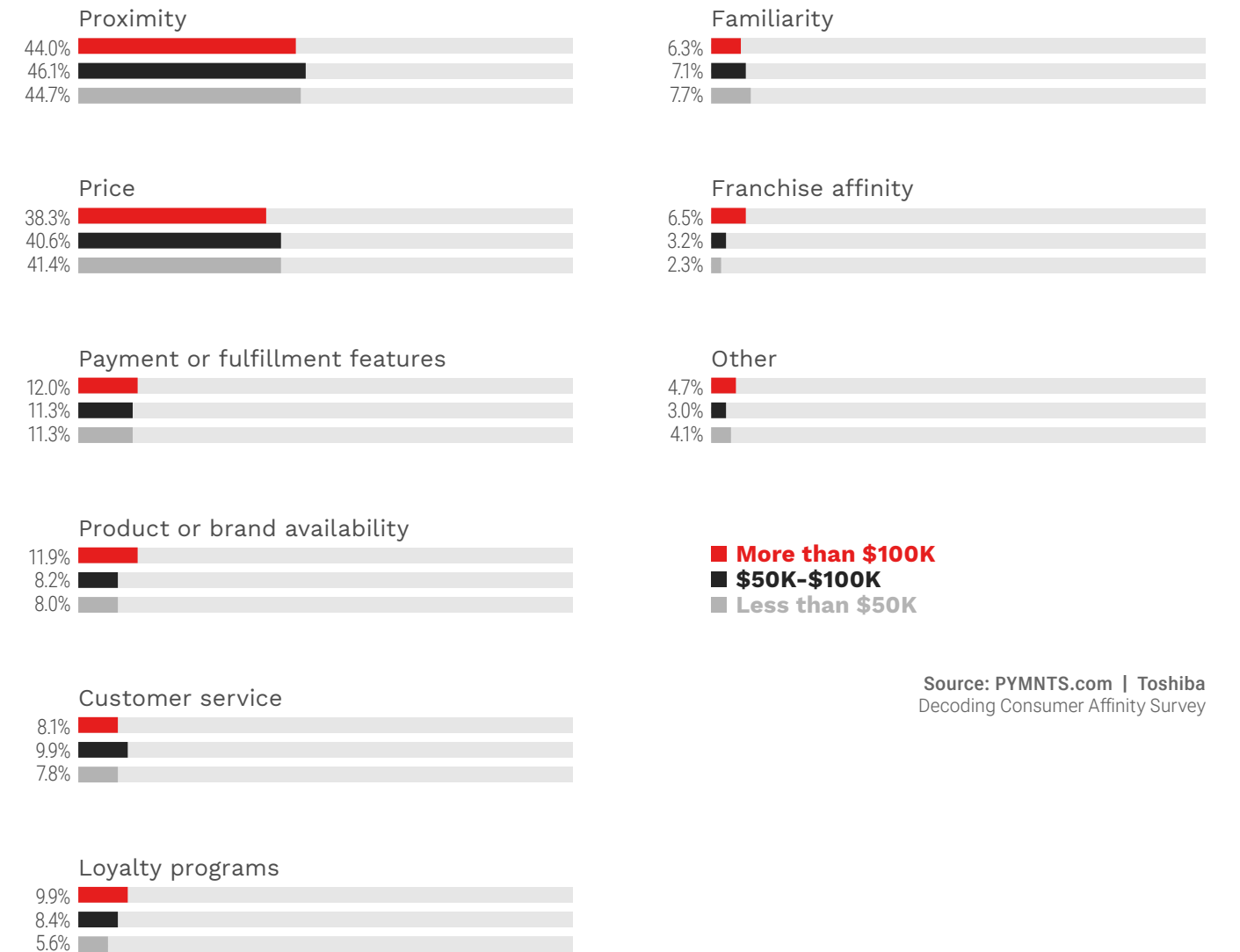48.4%
17.7%

■ **Grocery**
■ **Pharmacy**

FIGURE 5:

FACTORS INFLUENCING MERCHANT CHOICE (PHARMACY AND GROCERY COMBINED)

5A: Share of consumers citing factors as most influential when choosing a merchant, by age group

Proximity
- 50.8%
- 47.2%
- 37.3%
- 37.1%
- 39.1%

■ **Baby boomers and seniors**
■ **Generation X**
■ Bridge millennials
■ **Millennials**
■ **Generation Z**

Price
- 40.2%
- 42.4%
- 39.7%
- 38.6%
- 37.3%

Loyalty programs
- 7.7%
- 8.7%
- 9.7%
- 8.6%
- 5.6%

Payment or fulfillment features
- 10.1%
- 7.9%
- 16.8%
- 17.0%
- 11.0%

Familiarity
- 6.8%
- 6.6%
- 6.7%
- 8.3%
- 5.1%

Product or brand availability
- 7.1%
- 9.8%
- 11.6%
- 10.6%
- 13.8%

Franchise affinity
- 1.9%
- 3.4%
- 5.1%
- 5.0%
- 11.3%

Customer service
- 9.6%
- 8.4%
- 10.8%
- 8.3%
- 5.6%

Other
- 6.8%
- 4.8%
- 1.7%
- 0.8%
- 0.0%

5B: Share of consumers citing factors as most influential when choosing a merchant, by income bracket

Proximity
- 44.0%
- 46.1%
- 44.7%

Familiarity
- 6.3%
- 7.1%
- 7.7%

Price
- 38.3%
- 40.6%
- 41.4%

Franchise affinity
- 6.5%
- 3.2%
- 2.3%

Payment or fulfillment features
- 12.0%
- 11.3%
- 11.3%

Other
- 4.7%
- 3.0%
- 4.1%

Product or brand availability
- 11.9%
- 8.2%
- 8.0%

■ **More than $100K**
■ **$50K-$100K**
■ **Less than $50K**

Customer service
- 8.1%
- 9.9%
- 7.8%

Loyalty programs
- 9.9%
- 8.4%
- 5.6%

The right combination of digital features may **inspire more than one-third of consumers to switch** from their favorite grocers or pharmacies.

Digital features are among the top motivators for consumers willing to abandon their go-to pharmacies or grocers or those who have already done so. Our research found that 35% of both grocery and pharmacy shoppers say access to better digital capabilities could make them switch merchants. Fourteen percent of consumers shopping in the pharmacy and grocery segments have switched in the last year from a merchant that they had bought from, most commonly due to pricing (19%) and payment and fulfillment options (8%).

FIGURE 6:

CONSUMERS WILLING TO SWITCH MERCHANTS

Share of grocery and pharmaceutical shoppers "very" or "extremely" interested in switching merchants if offered more digital capabilities, by demographic

Entire sample
- 35.4%
- 34.5%

Gender

Male
- 34.3%
- 33.6%

Female
- 36.2%
- 35.2%

Education

No college
- 32.3%
- 30.6%

College
- 41.1%
- 41.0%

Generation

Generation Z
- 40.7%
- 56.3%

Millennials
- 50.3%
- 49.2%

Bridge millennials
- 47.9%
- 46.1%

Generation X
- 36.9%
- 31.9%

Baby boomers and seniors
- 21.7%
- 23.0%

Income

Less than $50K
- 29.5%
- 26.3%

$50K-$100K
- 34.5%
- 32.9%

More than $100K
- 41.5%
- 42.0%

■ **Grocery shoppers**
■ **Pharmaceutical shoppers**

Financial lifestyle

Live paycheck to paycheck with issues paying bills
- 45.8%
- 44.1%

Live paycheck to paycheck without issues paying bills
- 36.2%
- 35.4%

Do not live paycheck to paycheck
- 28.6%
- 27.8%

Switchers

Switchers
- 57.7%
- 56.2%

Non-switchers
- 30.4%
- 28.4%

Source: PYMNTS.com | Toshiba
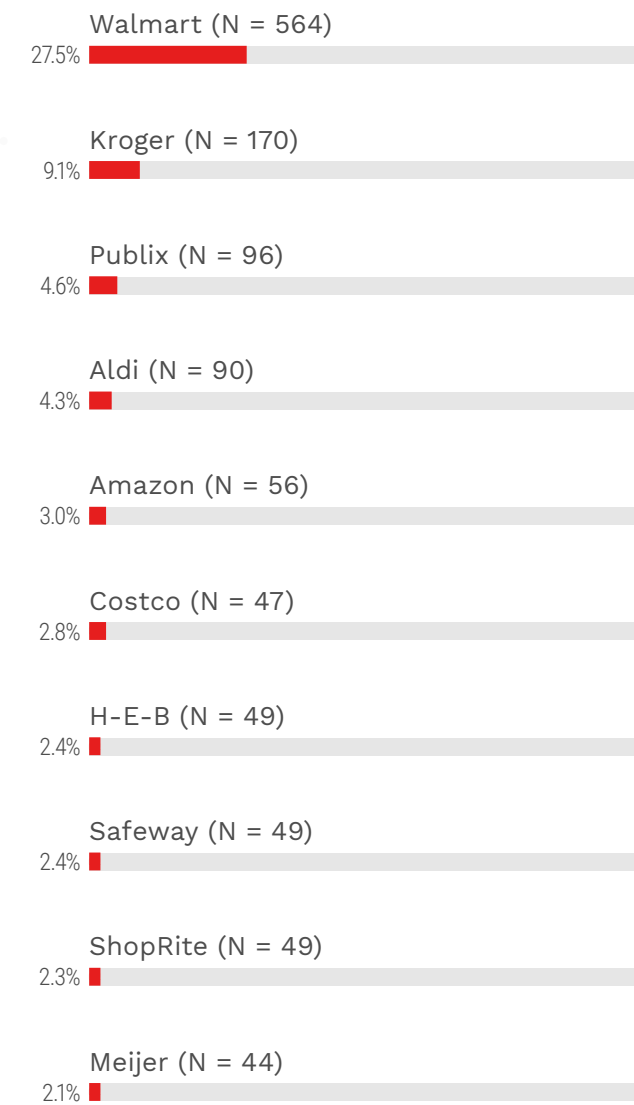Decoding Consumer Affinity Survey

Customer loyalty is highest for retail brands that **offer the digital features** consumers crave.

Consumers are generally motivated by price — one of the top two influences on consumer choice — but all consumers report that their ongoing loyalty is connected to features apart from pricing. Consumers cited a range of features that would boost their loyalty to a merchant, and most are offered by the most popular retail brands. Our research found that Costco shoppers and Amazon customers report loyalty in the largest shares among in-person and online grocery customers, at 87% and 78%, respectively. Publix (74%), Target (72%) and Amazon (73%) had the most loyal pharmacy shoppers.

Large shares of grocery consumers cited lower prices (77%), discounts (52%) and the ability to check inventories (51%) as the top three elements that would boost their loyalty to a merchant. Other top features that shoppers said could boost their loyalty include accepting payment methods that they liked (33% of grocery shoppers, 30% of pharmacy customers), online purchasing capability (23% of grocery patrons, 26% of pharmacy shoppers) and availability of an in-store mobile app (19% grocery, 17% pharmacy).

GROCERY BRAND CONSUMER LOYALTY

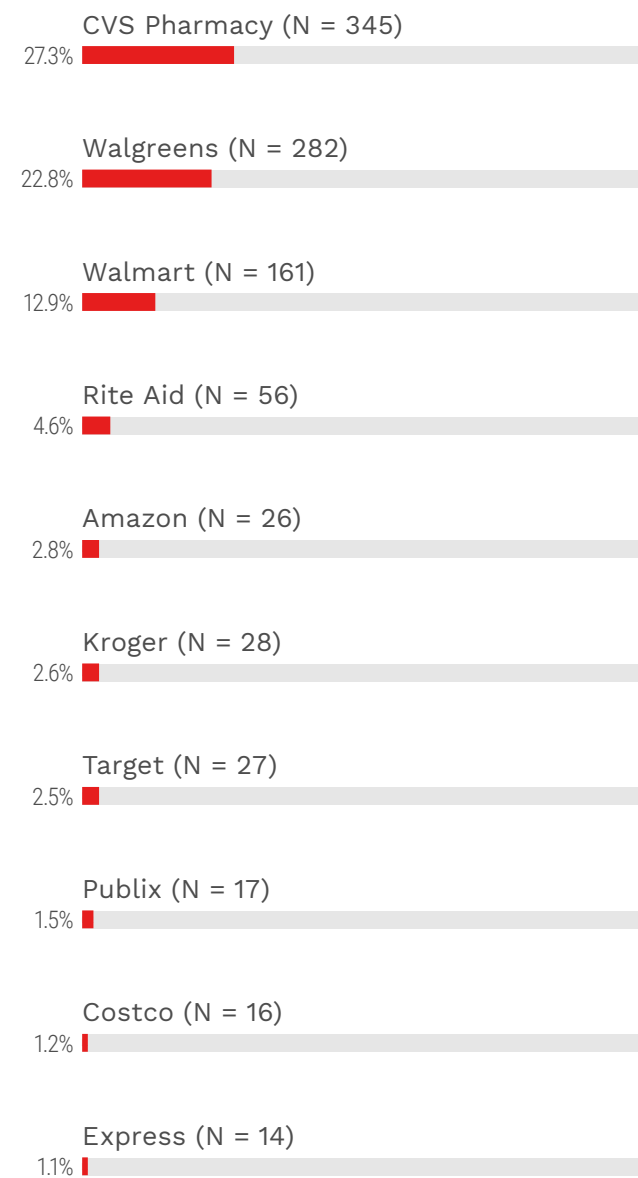**7A: Top 10 most frequented merchants for grocery purchases in the last 30 days**

7B: Share of consumers "very" or "extremely" loyal to their most frequented merchant
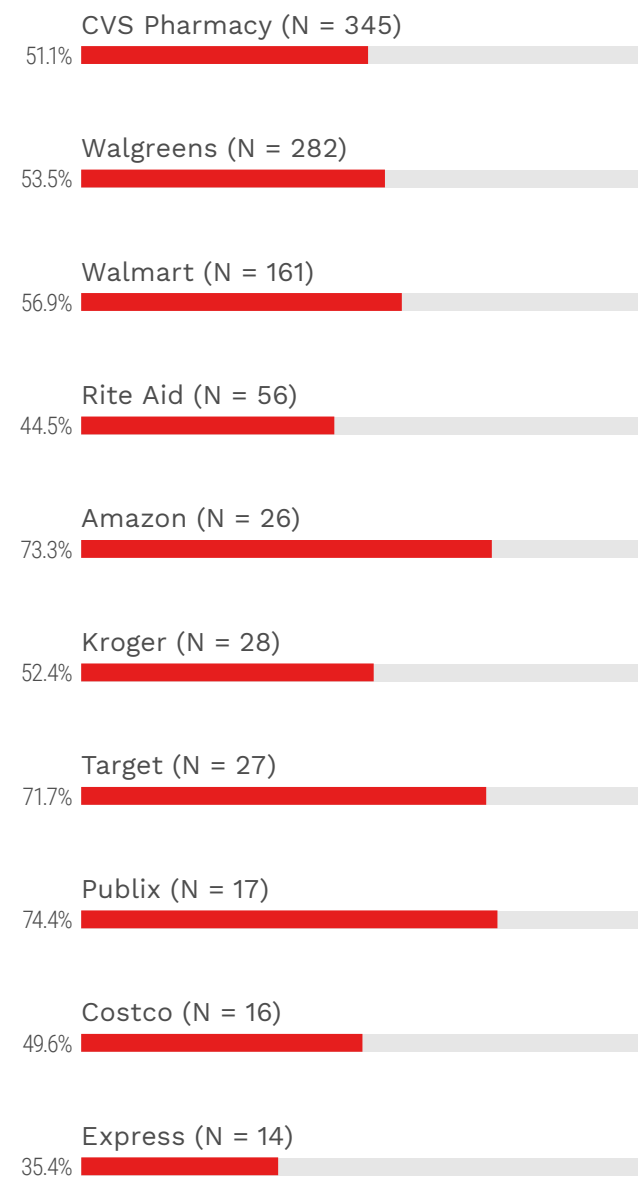
Merchant	7A	7B
Walmart (N = 564)	27.5%	48.5%
Kroger (N = 170)	9.1%	55.9%
Publix (N = 96)	4.6%	56.8%
Aldi (N = 90)	4.3%	48.4%
Amazon (N = 56)	3.0%	77.5%
Costco (N = 47)	2.8%	86.7%
H-E-B (N = 49)	2.4%	66.9%
Safeway (N = 49)	2.4%	37.4%
ShopRite (N = 49)	2.3%	52.7%
Meijer (N = 44)	2.1%	53.6%
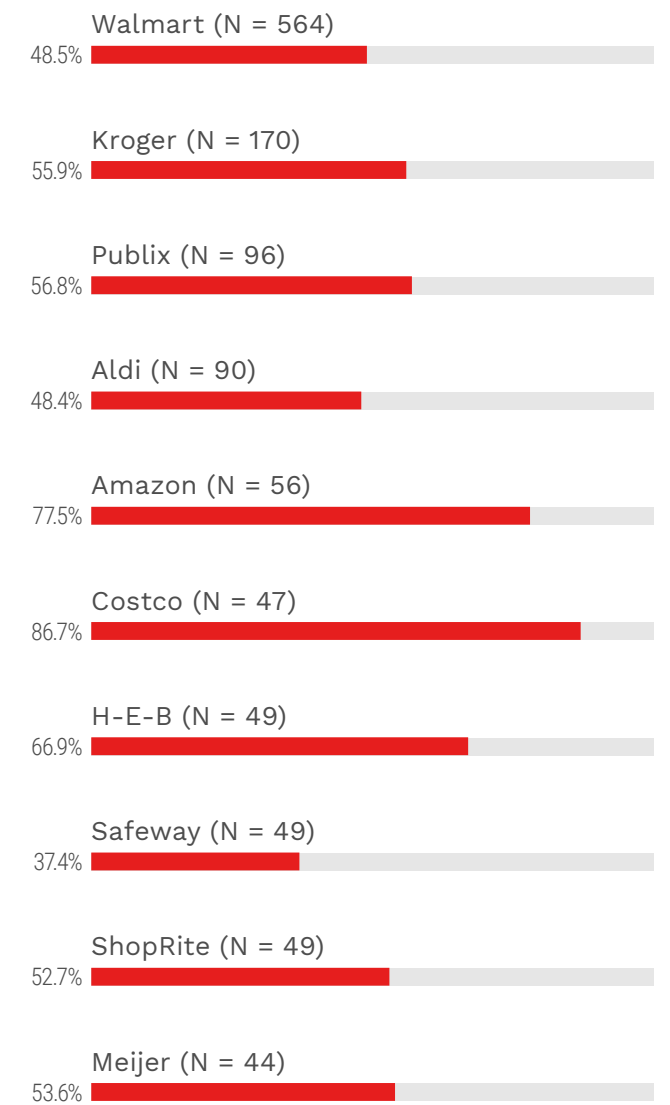
FIGURE 8:

PHARMACY BRAND CUSTOMER LOYALTY

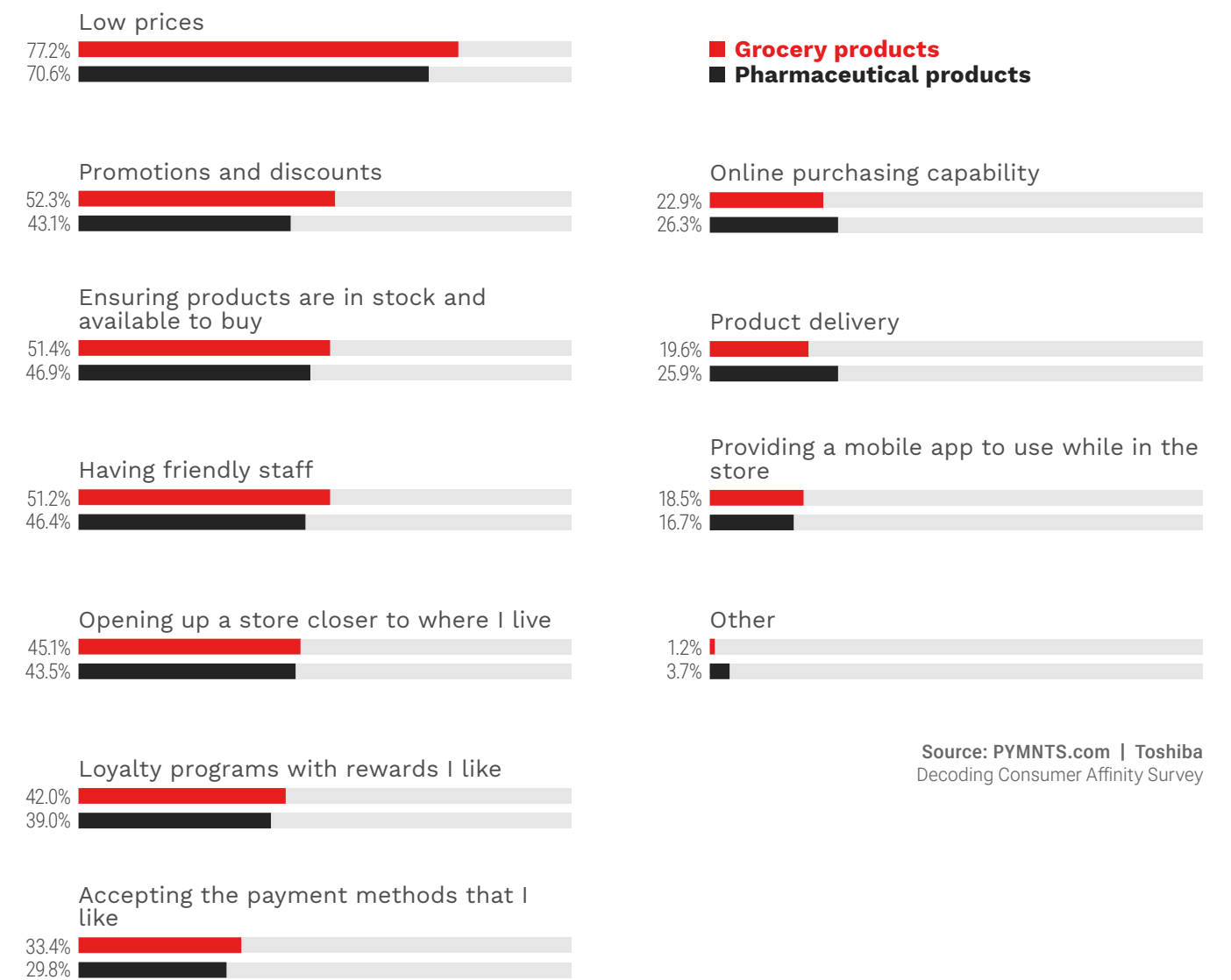**8A: Top 10 most frequented merchants for pharmaceutical purchases in the last 30 days**

CVS Pharmacy (N = 345)
27.3%

Walgreens (N = 282)
22.8%

Walmart (N = 161)
12.9%

Rite Aid (N = 56)
4.6%

Amazon (N = 26)
2.8%

Kroger (N = 28)
2.6%

Target (N = 27)
2.5%

Publix (N = 17)
1.5%

Costco (N = 16)
1.2%

Express (N = 14)
1.1%

8B: Share of consumers "very" or "extremely" loyal to their most frequented merchant

CVS Pharmacy (N = 345)
51.1%

Walgreens (N = 282)
53.5%

Walmart (N = 161)
56.9%

Rite Aid (N = 56)
44.5%

Amazon (N = 26)
73.3%

Kroger (N = 28)
52.4%

Target (N = 27)
71.7%

Publix (N = 17)
74.4%

Costco (N = 16)
49.6%

Express (N = 14)
35.4%

FIGURE 9:

LOYALTY-BOOSTING FEATURES

Share of respondents citing selected actions or policies that would improve their loyalty to merchants, by type of purchase

■ **Grocery products**
■ **Pharmaceutical products**

Low prices
77.2%
70.6%

Promotions and discounts
52.3%
43.1%

Ensuring products are in stock and available to buy
51.4%
46.9%

Having friendly staff
51.2%
46.4%

Opening up a store closer to where I live
45.1%
43.5%

Loyalty programs with rewards I like
42.0%
39.0%

Accepting the payment methods that I like
33.4%
29.8%

Online purchasing capability
22.9%
26.3%

Product delivery
19.6%
25.9%

Providing a mobile app to use while in the store
18.5%
16.7%

Other
1.2%
3.7%

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Deep Dive: What does it mean to be a **digital-ready merchant**?

More than one in 10 consumers have switched their go-to pharmacy or grocer during the last year, and better digital experiences are among their top motivations for leaving their favorite merchants. While proximity and lower prices were important to consumers who left their favorite merchants, other features also factored into their decision. Being "digital-ready" means having the right technology stack or tech solutions partner to easily implement the features consumers want. PYMNTS research found the following elements were key customer experience components that consumers saw as critical to maintaining their loyalty:

Digital inventory management

Our research revealed that 51% of grocery shoppers and 47% of pharmacy shoppers see merchants ensuring that the products they want are in stock and available for purchase as key to their continued patronage. Implementing a user-friendly digital system that allows consumers to check product availability may boost customer loyalty.

Simple online purchasing

Consumers shopping in store also wanted simple access to online purchasing. Notable shares of grocery shoppers (23%) and pharmacy customers (26%) saw online purchasing as important to their willingness to stay with a familiar merchant.

Flexible digital payments options

Around one-third of grocery (33%) and pharmacy shoppers (30%) saw the ability to choose their favorite payment options as important veriables impacting their loyalty to their merchant. Offering a range of digital payment options in store may provide users with the payment flexibility that they are used to experiencing online at leading eCommerce websites.

In-store mobile app availability

Consumers want online conveniences wherever they shop. We found that 19% of grocery customers and 17% of pharmacy customers see the availability of a mobile app that helps them manage in-store shopping as a reason to stay loyal to their favorite merchant.

Conclusion

Today's retailers must become more agile and responsive to consumers' changing shopping expectations. The digital shift has transformed the way consumers choose where they make their purchases, and with greater choice has come higher standards for customer experience. Consumers are now empowered to buy the products they want in more convenient ways, and they expect their in-store customer experiences to match the range of choice and ability to customize payment and ordering experiences that they experience online. Grocery and pharmacy brands have a clear opportunity: to engage loyal consumers and new audiences with payments and order-fulfillment features that spark and sustain customer loyalty. Merchants capable of offering the right blend of affordability and digital convenience will have positioned themselves to thrive now and in the future.

Methodology

PYMNTS surveyed more than 2,000 U.S. consumers from Nov. 30 to Dec. 7, 2021, regarding their past, current and planned shopping behaviors at grocery stores, pharmacies and other general retail stores, both online and in store. The statistics for our complete census-balanced sample have a maximum margin of error of 2.2 percentage points for a 95% confidence level.

About

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way companies in payments share relevant information about the initiatives that make news and shape the future of this dynamic sector. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovations at the cutting edge of this new world.

TOSHIBA

Toshiba Global Commerce Solutions is a global market share leader in retail store technology and retail's first choice for unified commerce solutions. Together with a global team of dedicated business partners, we advance the future of retail with innovative commerce solutions that enhance customer engagement, transform the in-store experience and accelerate digital transformation. To learn more, visit **commerce.toshiba.com** and engage with us on **Twitter**, **LinkedIn**, **Facebook** and **YouTube**.

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