The Future of Retail Consumer Behavior

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About our research methodology

Sense360 By Medallia is a consumer insights company that combines massive amounts of unblinded consumer data to answer tough questions for the world's top retailers and restaurants.

We combine three datasets in our products and research studies:

1. Foot Traffic Data. Our smartphone geolocation panel tracks the movement activity of over 2 million opted-in consumers.

This enables us to see trends in foot traffic visitation at virtually any U.S. business location.

2. Spend Data. Our transaction panel includes the credit & debit card spend of over 6 million consumers, not only at your retailer but across competitors and other categories.

3. Opinion Data. Our third dataset is our survey panel. In addition to having industry-standard gen-pop survey capabilities, our panel is the

largest U.S. panel of visit-based survey takers who can be tracked 24/7. Through our foot traffic data, we target consumers who have visited specific locations of interest, and they receive a survey on their smartphone 24-48 hours post-visit.

Combining multiple datasets yields a more holistic view of the customer journey, and a more accurate way to answer strategic insights questions for retailers.

To learn more about our methodology, visit sense360.com/methodology
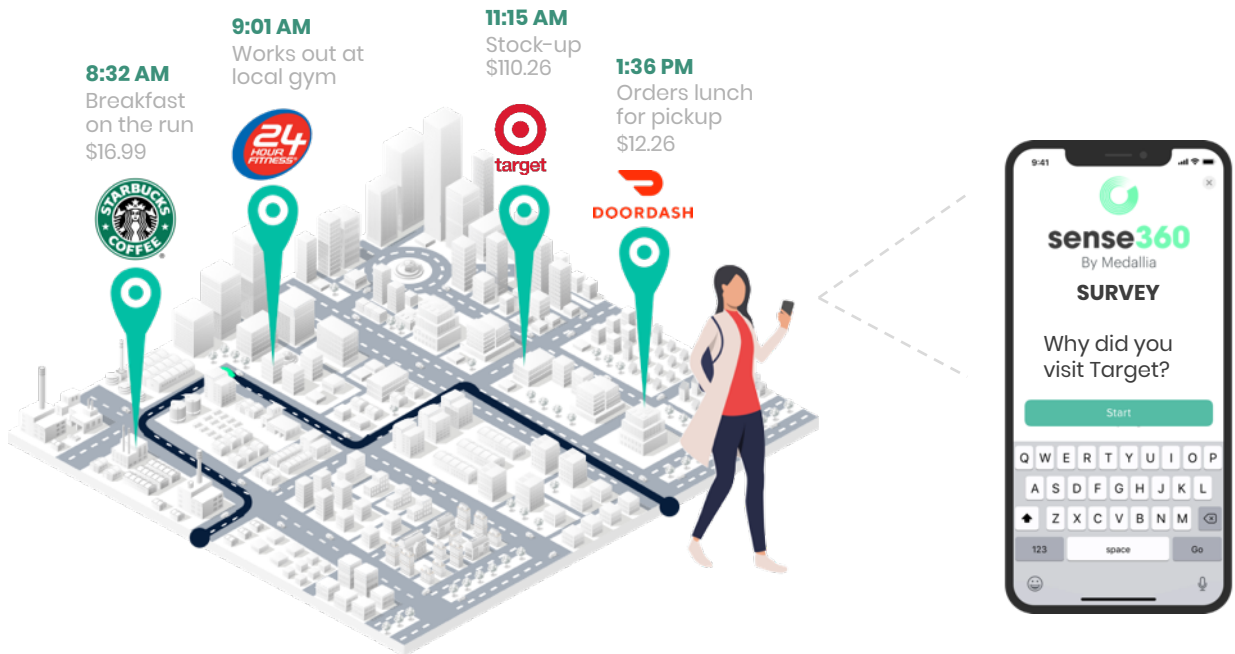
The pandemic transformed retail - and winners and losers emerged.

Over the past year, consumers have drastically changed their priorities when it comes to retail shopping.

When the pandemic began sounding alarm bells around the world in March of 2020, people began sheltering in place, stocking up, and reorganizing their lifestyles. As a result, certain retail categories boomed and others busted.

As consumers stayed home, and in some cases lost their jobs, spending at less-essential retailers like Apparel and Department saw declines.

The same was true of Sporting Goods initially, but as people settled in for what turned out to be a long haul of gym closures, spending at Sporting Goods retailers increased significantly as people invested in exercising at home.

However, Beauty Specialty retailers had a more sluggish recovery, as mask-wearing and social distancing decreased the demand for beauty products.

Some retail categories were well-positioned to serve consumers' new needs. Liquor stores saw massive growth as bars closed and consumers' only option was to drink at home.

Similarly, Home Improvement stores saw a big rise in popularity as people picked up projects around the house during lockdowns.

To nobody's surprise, Amazon saw massive gains, as its previous investments in logistics and convenient shipping paid off in spades.

The chart below shows sales performance compared to 2020 as well as to 2019 – this is because year-over-year comparisons are tricky now that we've lapped the start of the pandemic.

For instance, Beauty Specialty is up 60% year over year, but that's only because it was one of the hardest-hit categories when the pandemic started – down as far as -40% YoY in 2020. However, on a two-year lookback, Beauty Specialty has achieved growth over its 2019 trajectory.
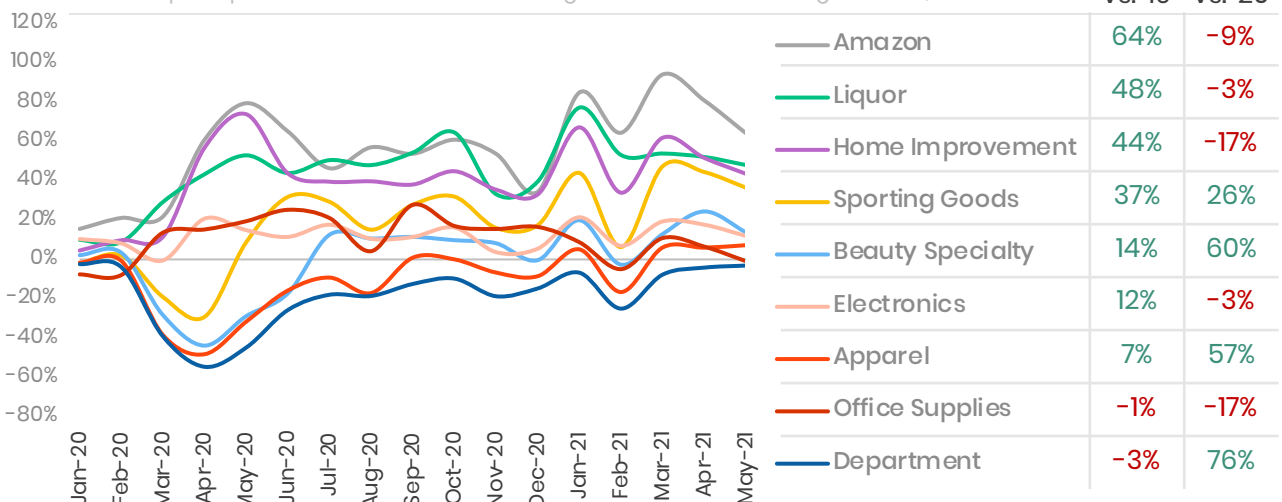
Retailers should be cautious of over-relying on 2020 data, as it can tell a misleading story. Using a lookback over the past two years, as we've done below, is the most holistic way to track sales performance for now. Additionally, cross-referencing multiple data sets can help you validate findings more confidently.

In this report, we'll share transaction trends, survey insights, and foot traffic data to illuminate the behavior and sentiment of retail consumers.

We'll dive deeper into a few specific categories – Grocery, Sporting Goods, and Beauty – to showcase the impact of the pandemic and the importance of combining datasets to understand today's rapidly-changing world.

Sales performance varies widely across different retail categories
Direct Spend per Panelist – Select Retail Categories - Relative % Change vs. 2019; National

	May '21 vs. '19	vs. '20
Amazon	64%	−9%
Liquor	48%	−3%
Home Improvement	44%	−17%
Sporting Goods	37%	26%
Beauty Specialty	14%	60%
Electronics	12%	−3%
Apparel	7%	57%
Office Supplies	−1%	−17%
Department	−3%	76%

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Note: Based on Direct Spend through Debit/Credit. Cash purchases not included, nor are purchased made through 3rd party delivery platforms

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Consumers feel increasingly optimistic, but some may remain fearful

First, let's level-set by understanding the mindset of U.S. consumers.

Since the pandemic began, Sense360 By Medallia has been conducting daily research on U.S. consumers. Our research has uncovered significant changes in the sentiment and behavior of the population.

After a year full of many emotional ups and downs, people's overall fear level is declining. People who feel that the virus is 'an even bigger threat than most people realize' is now at the lowest point in the history of the survey (23%).
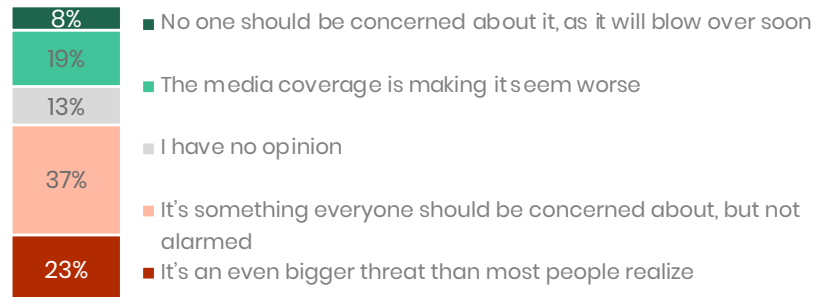
People are gradually beginning to see an end in sight. The belief that it will be 6+ months before things "return to normal" is still as high as 26%, has greatly decreased compared to Winter 2020.

Even though the U.S. has generally reopened, there remains a proportion of people who will likely remain highly concerned regardless of restrictions lifting or cases declining.

COVID-19 fear is still prevalent, but is declining

What best describes your current perception about COVID-19?
% of Respondents, 6/18 – 6/24/21

- 8% ■ No one should be concerned about it, as it will blow over soon
- 19% ■ The media coverage is making it seem worse
- 13% ■ I have no opinion
- 37% ■ It's something everyone should be concerned about, but not alarmed
- 23% ■ It's an even bigger threat than most people realize

"Even bigger threat than most people realize"
Trend by week, starting 3/20/20
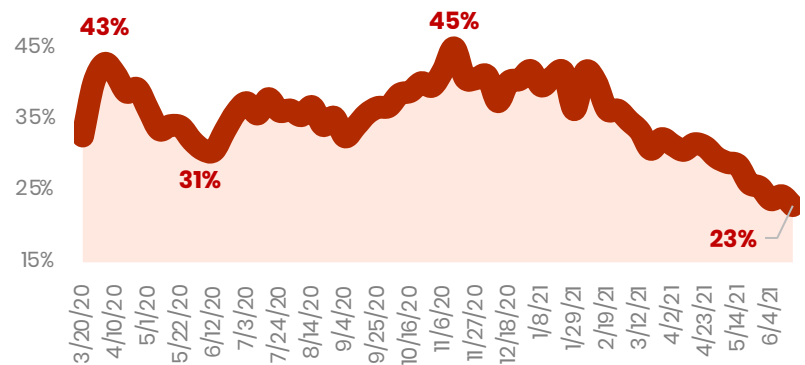
People are beginning to see an end in sight when it comes to COVID-19 restrictions

When do you expect an end to restrictions and a return to normal daily activity?
% of Respondents, 6/18 – 6/24/21

- 26% ■ Longer than 6 months
- 16% ■ Within 6 months
- 14% ■ Within 3 months
- 14% ■ Within 2 months
- 13% ■ Within 1 month
- 17% ■ Within 2 weeks
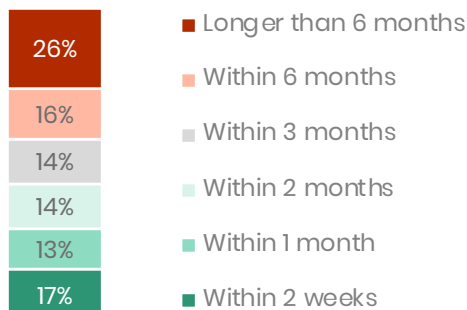
"Longer than 6 months"
Trend by week, starting 3/20/20

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Based on Sense360 Daily Food Diary (N = ~200 daily).
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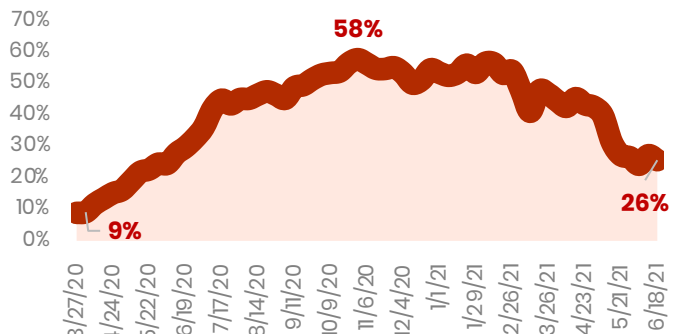
Digital activity has exploded and shows little sign of slowing down

When media stories began covering COVID-19's presence in the U.S., panic set in. People stocked up on supplies, sheltered in place, and the world went digital.

While consumers initially changed their behavior they were forced to, many of those habits are here to stay even now that restrictions have lifted.

Case in point: digital ordering. During the height of the pandemic in early 2020, digital ordering was the safest option for retail shopping, restaurant ordering, and even grocery shopping.

But even now that restrictions have lifted and fear levels have abated, consumers have retained and even increased their online ordering behaviors.

For Mass retailers like Walmart and Target, online sales are growing rapidly. While online sales are still a small slice of the pie (6%), they are growing at a much faster rate (88%) than in-store sales (-1%).

According to a study of 53 retailers who partner with Medallia, digital traffic increased by +5.5% from April to May 2021. Page views and time on website were also up month-over-month.

Another example of digital ordering: consumers have embraced the convenience of grocery delivery. Spending has exploded on third-party grocery delivery (e.g. Instacart) and meal kits (e.g. Blue Apron). These sectors have far outpaced others - even liquor stores, which emerged as a top-performer during the lockdown while bars and nightclubs were closed.

Now that it's safer to shop in-person, and even bars and nightclubs are open, consumer spending on grocery delivery and liquor stores remains high.

Pandemic habits die hard, and this shift in behavior has major implications for the future of retail.

Online sales at Mass retailers are growing rapidly

Mass Share of Sales – Trailing 12 months ending Apr 2021
Source: Sense360 Credit/Debit Panel

Online sales **+88%**

6%

94%

In-store sales **−1%**
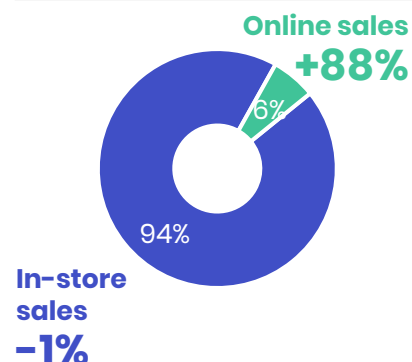
Retail digital traffic is up

Digital traffic trends, April–May 2021
Source: Study of 53 retailers who partner with Medallia

+5.5% ↑
Increase in retail digital traffic

Sales performance varies widely across different retail channels

Direct Spend per Panelist – Select Retail Categories - Relative % Change vs. 2019; National
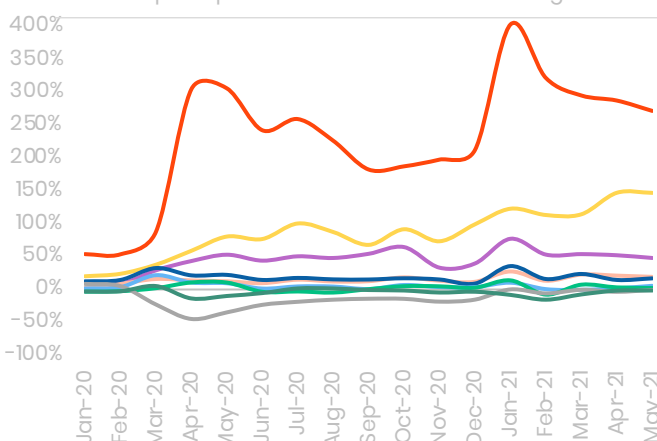
	May '21	
	vs. '19	vs. '20
3rd Party Grocery Delivery	272%	−8%
Meal Kits	147%	37%
Liquor	48%	−3%
Club	19%	6%
Dollar	17%	−4%
Supermarket	6%	−4%
Mass	2%	−7%
C-Store	−1%	53%
Drug	−2%	9%

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Based on Sense360 Daily Food Diary (N = ~200 daily).

Grocery deep dive: the rise of delivery and curbside pickup

Grocery delivery and curbside pickup has quickly become a very sticky habit for consumers, even now that pandemic restrictions are lifting. Of those who currently use delivery/curbside, a very large percentage plan to keep using it regularly.

To retain these customers, it's critical to understand their priorities and provide a frictionless experience, even though their journey has become largely digital.

The top three reasons why people like delivery/curbside are convenience, a simplified experience, and reduction of physical contact. The top three reasons why people dislike delivery/curbside are the inability to pick out products themselves, the chance for errors, and the time windows being too restrictive.

Curbside/delivery users said that their experience would be better if the app automatically applied coupons to items in their cart, and remembered their previous orders.

**25%** of consumers have used **curbside pickup** to purchase groceries

23% of consumers have used **delivery** to purchase groceries
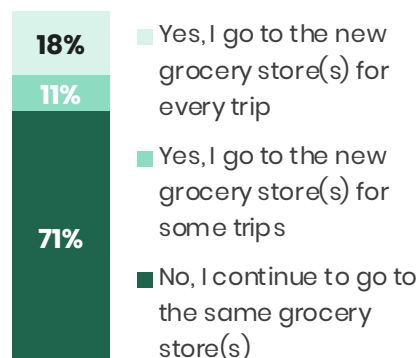
1 in 5 Only 1 in 5 people who have used delivery **first tried it before COVID-19**

Consumers tend to use 2-3 stores to satisfy all of their grocery needs, but they are very loyal to their preferred stores.

How many grocery stores do you typically shop at to get all of your preferred groceries?

1	24%
2 to 3	68%
4 to 5	4%
6 or More	3%
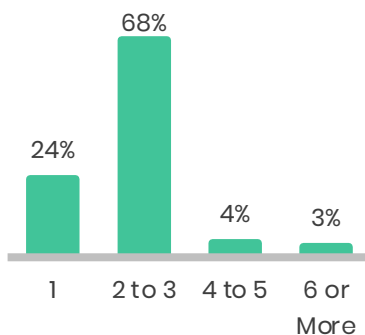
Have you been going to a new grocery store(s) since the COVID-19 lockdown began?

- 18% ■ Yes, I go to the new grocery store(s) for every trip
- 11% ■ Yes, I go to the new grocery store(s) for some trips
- 71% ■ No, I continue to go to the same grocery store(s)

Among people who are currently using grocery delivery/curbside, very few will go back to shopping in-store only after the pandemic ends. Over 1 in 3 current users will keep using delivery/curbside for at least half of their trips.

[Current Curbside/Delivery Users]: Do you think you'll continue to shop using curbside / delivery, or go back to visiting the grocery store in person?

32%	21%	36%	11%

- ■ Continue to use delivery/pickup as frequently as I do now
- ■ Continue to use delivery/pickup but less frequently
- ■ Occasionally use delivery/pickup
- ■ Go back to shopping in-store only
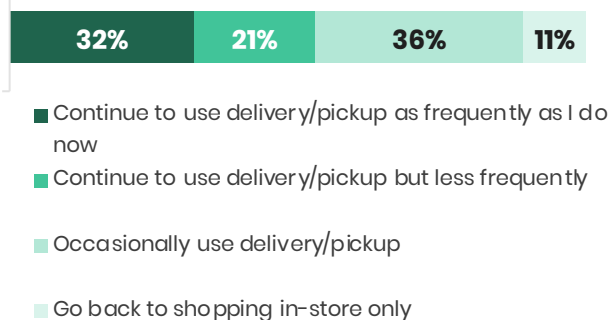
[Current Curbside/Delivery Users]: How often do you plan to use [delivery / curbside pickup] after the COVID-19 lockdown?

	Using Curbside Pickup	Using Delivery
I will use it for every trip	4%	5%
I will use it for a majority of my trips	20%	14%
I will use it for about half of my trips	20%	16%
I will use it from time to time	43%	48%
I will not use it after COVID-19 lockdown	14%	17%

- ■ Using Curbside Pickup
- ■ Using Delivery

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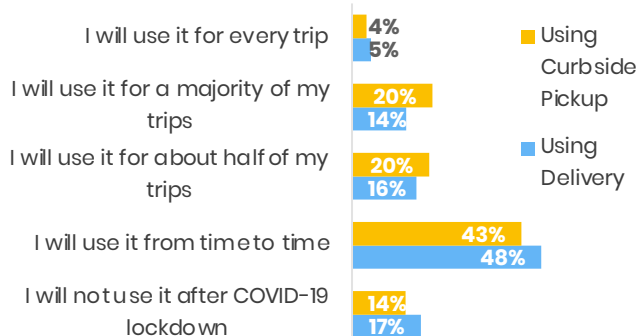
Grocery deep dive: value-focused supermarkets are winning

Like in earlier parts of COVID, supermarkets like Whole Foods and Trader Joe's are lagging behind more value-centric ones like Aldi, Shop Rite, and Food Lion. Club retailers are also outperforming Walmart and many other major grocers like Kroger.

There are many factors as to why there is a wide divergence in the performance of various food retailers. They include consumer lifestyles, changing transaction volumes, and regional variations. We won't get into all of the reasons here, but for any retail professionals that are interested in a deeper investigation, let us know and we're happy to share that research with you.

It's clear that, like other retail sectors, grocery stores have been greatly affected by the pandemic. Consumer behavior changed dramatically, their habits stuck, and retailers scrambled to respond to the new paradigm. Some were better-positioned to do so than others, and as a result, there is greater volatility in this sector.

What should grocery stores be prepared for in the future? One topic that has been appearing in recent news headlines has been the idea of "dark stores," or warehouse-type grocery stores solely dedicated to online order fulfillment, with no in-store shopping.

Nearly 3 in 5 consumers say they would likely use a dark store if the pricing was competitive and the products were high quality.

Grocery retailers should assess how nimble they are in being able to pull on these levers - price and product quality - in order to prevent a loss of revenue to dark stores.
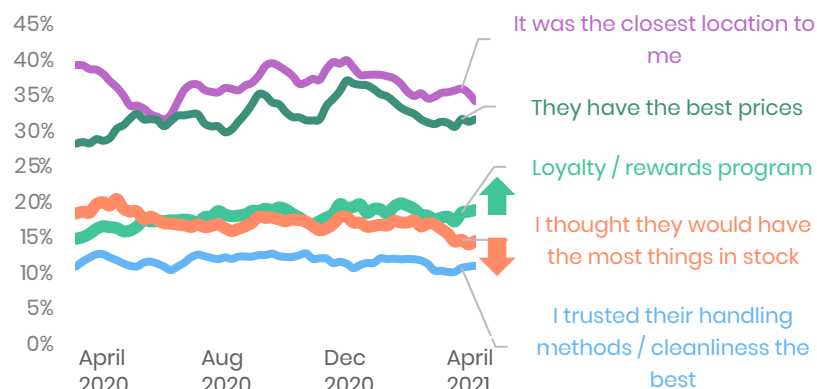
Premium supermarkets like Whole Foods and Tracker Joe's are lagging behind value-centric ones like Aldi and Shop Rite.

Panel Sales: Trends vs. 2019
National; vs. Equivalent Months in 2019

	Mar–Jun 2020	Jul–Dec 2020	Jan–Apr 2021
Walmart	3%	–3%	–1%
Target	16%	21%	35%
Costco	9%	14%	21%
Kroger	4%	0%	1%
Sam's Club	19%	15%	29%
Publix	11%	5%	6%
Dollar General	35%	20%	31%
H–E–B Foods	5%	6%	10%
Safeway	7%	0%	–5%
Aldi	15%	8%	12%
Food Lion	28%	12%	17%
Trader Joe's	–13%	–5%	–9%
Whole Foods	–13%	–14%	–19%
Giant Food	15%	8%	7%
Stop & Shop	18%	0%	–4%
Shop Rite	30%	18%	18%

Consumers' decision drivers for choosing a grocery store have changed over the course of the past year.

% of respondents citing reason for choosing specific food retailer - Rolling 4 Week Average

- It was the closest location to me
- They have the best prices
- Loyalty / rewards program
- I thought they would have the most things in stock
- I trusted their handling methods / cleanliness the best

59% of consumers say they would likely use a dark store

"Imagine it's 2025 and there is an option to purchase the best quality groceries at an equal or similar price to what you are paying, with no option for in-store shopping. Could you see yourself shopping at this type of grocery store?"

- Would never shop at this type of store — 2%
- Probably would not shop at this type of store — 15%
- May or may not shop at this type of store — 24%
- There is a good chance I would shop at this type of store — 42%
- Absolutely without a doubt — 17%

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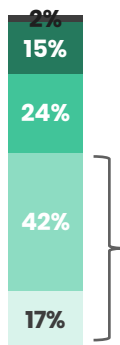
Sporting Goods deep dive: certain lockdown habits won't stick

While consumers' grocery shopping habits have crystallized over the past year, the same is not true of their exercise habits. How has consumer behavior affected the Sporting Goods retail sector?

As we saw on page 2, when the pandemic first started, consumer spending on sporting goods took a dip. But it quickly recovered – by May 2020, sales had far outpaced 2019 levels. Now, in 2021, the sector continues its year-over-year growth.

What is driving this trend, and how can retailers retain and build upon this sales momentum?

To answer this, we surveyed 1,026 consumers about their exercise activity and future plans to get a better understanding of how sporting goods retailers can position themselves for future success.

Sporting goods survey results

Since the pandemic started, most people are exercising the same amount or more often than they did pre-pandemic. This increased demand led to consumers spending 26% more on Sporting

Goods than last year, and 37% more than they did in 2019.

During lockdown, 50% people preferred exercising at home; however, gyms were closed in many areas so options were limited.

Now, people have had enough of home workouts and want to return to gyms in greater numbers – especially people living in urban areas.

This trend may lead to dwindling sales for at-home gym equipment and perhaps a shift to consumers unloading used at-home equipment on marketplaces like eBay.

How can retailers shift to meet new fitness habits?

The most popular exercise activity is running / walking / hiking. 58% of people do it, and 12% of them say they picked it for the first time during the pandemic.

Given that this activity also requires minimal equipment, retailers may want to highlight products like sneakers and fitness wearables to appeal to this group.

People are exercising the same or more since COVID started

Have you exercised more or less since the pandemic started? (N=1,026)

- Less 29%
- Same 28%
- More 44%
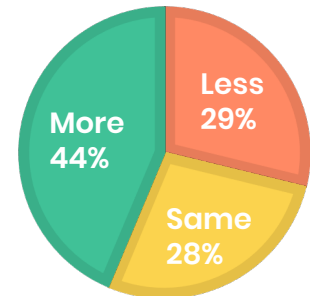
People have had enough of home exercise

Which of the following is your preferred exercise method…? (N=1,026)

Legend:
- Exercising at a gym
- Exercising outdoors
- Exercising at home

	During lockdown	Currently	Potentially after lockdown
Exercising at a gym	16%	19%	26%
Exercising outdoors	34%	39%	39%
Exercising at home	50%	42%	36%
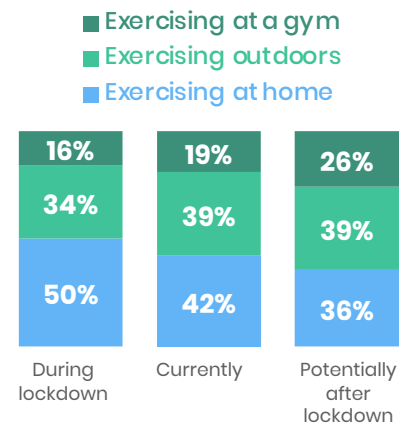
Running/Walking/Hiking is the most popular. Many people picked up a new activity for the first time.

Do you engage in any of the following types of activities?

Legend:
- Participated in the last year
- Participated for the first time this year

Activity	Participated in the last year	Participated for the first time this year
Running/…	58%	12%
Swimming	36%	7%
Fishing	31%	8%
Weightlifting	22%	5%
General…	21%	4%
Cycling	19%	5%
Workout…	19%	6%
Team sports	17%	7%
Canoeing/Kay…	12%	4%

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Q: Do you engage in any of the following types of activities? Please select all that apply; Top 9 out of 16 responses (N=1,135); **Q:** Of the activities that you have participated in, did you try any of them for the first time in the past year? Please select all that apply; (N=1,010)

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Sporting Goods deep dive: how to overcome cross-category competition

Where do consumers buy their sporting goods?

The survey showed that Amazon and Walmart were the top retailers used by consumers to purchase sports equipment by a significant margin.

What are the characteristics of shoppers who choose one retailer over another?

People who chose Amazon and Walmart for sporting goods tended to skew more rural.

Walmart shoppers skewed lower-income and Amazon shoppers skewed higher-income.
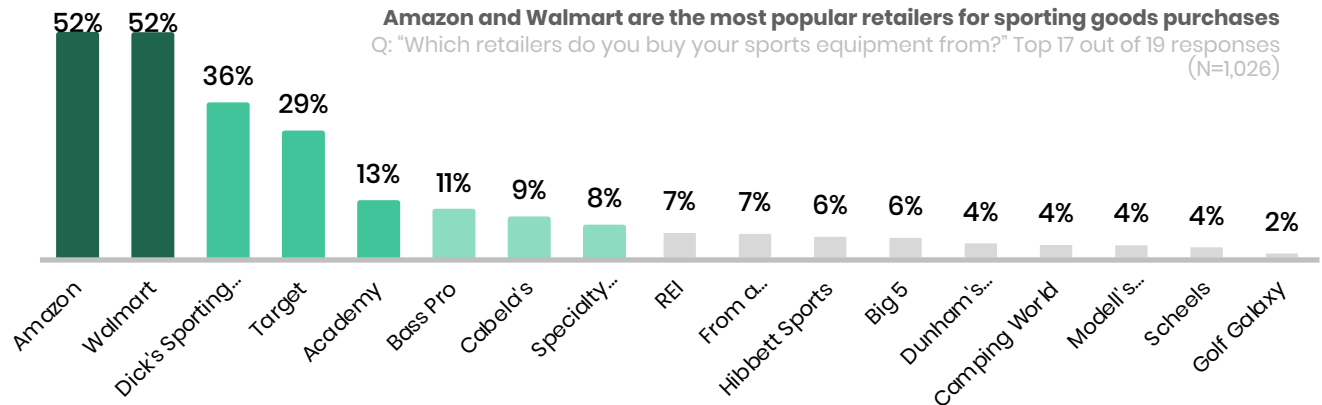
Dick's Sporting Goods and Target both skewed higher-income. Additionally, Target shoppers also skewed suburban.

Amazon and Walmart are the most popular retailers for sporting goods purchases
Q: "Which retailers do you buy your sports equipment from?" Top 17 out of 19 responses
(N=1,026)

Retailer	%
Amazon	52%
Walmart	52%
Dick's Sporting...	36%
Target	29%
Academy	13%
Bass Pro	11%
Cabela's	9%
Specialty...	8%
REI	7%
From a...	7%
Hibbett Sports	6%
Big 5	6%
Dunham's...	4%
Camping World	4%
Modell's...	4%
Scheels	4%
Golf Galaxy	2%

Why choose that retailer?

When we asked consumers why they chose to shop at specific retailers for sporting goods, across the board, Price and Convenience were the most common top two reasons. For the most part, Price and Convenience are table stakes

if you want to win shopper dollars.

But certain differences emerged when you look at the #3 reason across different retailers - for example, for Walmart it's 'Ease of in-store shopping,' for Target it's 'Quality,' and for Amazon it's 'Ease of online shopping.'

When it comes to sporting goods specialty retailers, like Academy, Bass Pro Shops and Dick's Sporting Goods, the choice drivers are a little different. Price is less important, and Variety of Products Offered is more important than it is for Mass retailers.

Price and convenience are top drivers at Mass & eComm, but at specialty stores, the drivers are different
Still thinking about the store where you buy the majority of your sports equipment, what is the main reason you shop there? (N=997)

	Walmart	TARGET	amazon	Academy	Bass Pro Shops	DICK'S
#1	Price (29%)	Price (22%)	Price (23%)	Price (25%)	Quality (19%)	Convenience (18%)
#2	Convenience (20%)	Convenience (16%)	Convenience (19%)	Convenience (18%)	Convenience (19%)	Price (17%)
#3	Ease of in-store shopping (11%)	Quality (13%	Ease of online shopping (14%)	Quality (15%)	Variety of Products Offered (14%)	Variety of Products Offered (14%)

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Sporting Goods deep dive: differentiated decision-drivers

Sporting goods shoppers have varying priorities across retailers

People who shop at specialty sporting goods stores (e.g., Scheels, Modell's Sporting Goods, and Camping World) place a high degree of importance on a product's brand reputation when choosing where to shop.
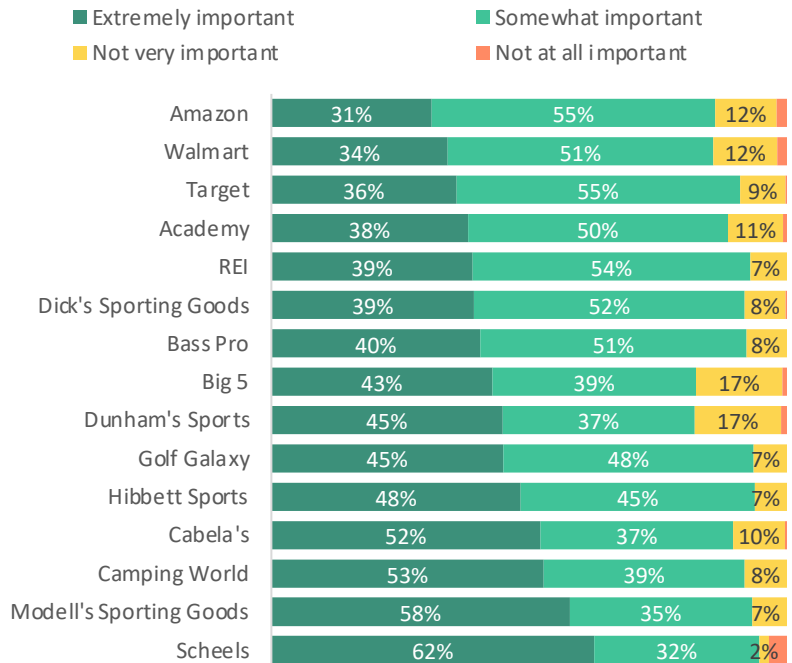
On the other hand, people who choose Amazon, Walmart and Target tend to be less concerned with the brand reputation of their sporting goods products.

What factors influence where the consumer decides to shop?

When choosing where to purchase exercise products, consumers are most likely to be influenced by price and product quality and least likely to be influenced by social media ads and store layouts.
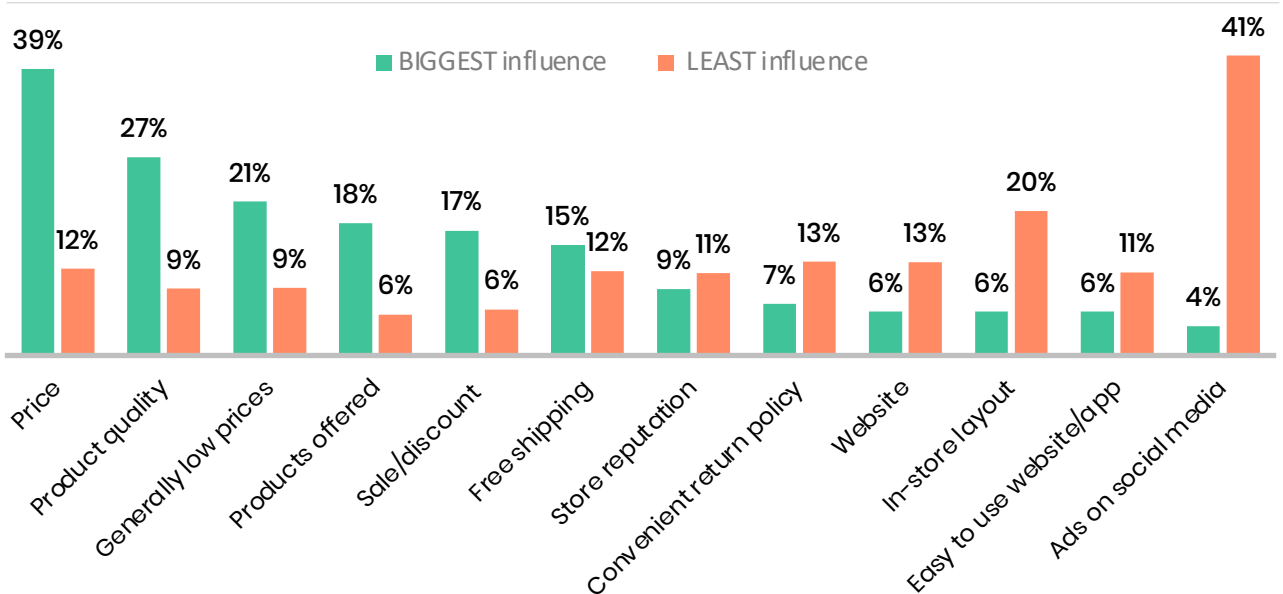
A product's brand reputation is more important at sporting good specialty stores than it is at Amazon or Mass retailers
Thinking specifically about the sporting goods industry, how important is a product's brand reputation when choosing where you shop? (N=997)

Legend: Extremely important, Somewhat important, Not very important, Not at all important

Retailer	Extremely important	Somewhat important	Not very important
Amazon	31%	55%	12%
Walmart	34%	51%	12%
Target	36%	55%	9%
Academy	38%	50%	11%
REI	39%	54%	7%
Dick's Sporting Goods	39%	52%	8%
Bass Pro	40%	51%	8%
Big 5	43%	39%	17%
Dunham's Sports	45%	37%	17%
Golf Galaxy	45%	48%	7%
Hibbett Sports	48%	45%	7%
Cabela's	52%	37%	10%
Camping World	53%	39%	8%
Modell's Sporting Goods	58%	35%	7%
Scheels	62%	32%	2%

Price and product quality have the biggest influence on which retailer consumers choose.
Which options below have the BIGGEST and LEAST influence in deciding where to shop for your exercise products?

Factor	BIGGEST influence	LEAST influence
Price	39%	12%
Product quality	27%	9%
Generally low prices	21%	9%
Products offered	18%	6%
Sale/discount	17%	6%
Free shipping	15%	12%
Store reputation	9%	11%
Convenient return policy	7%	13%
Website	6%	13%
In-store layout	6%	20%
Easy to use website/app	6%	11%
Ads on social media	4%	41%

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Sporting Goods deep dive: using consumer data to personalize

How can sporting goods retailers better compete against Amazon?

While Amazon has been leveraging consumer data to personalize experiences for decades now, most retailers are comparatively behind the curve.

To hold onto their recent sales gains, sporting goods retailers might consider taking a leaf out of the eCommerce playbook by creating personalized experiences using consumer data from fitness wearables.

Concept test: personalized marketing using consumer data from fitness wearables

We concept-tested this scenario and asked consumers to react to it.

Most consumers would have no problem trusting a sporting goods retailer with their personal fitness data, and most said an offering like this would positively impact their view of the retailer.

Most (51%) would be interested in a device like this, and the idea elicited positive emotions.

The growth opportunity for sporting goods retailers

Given the fact that price, sales, and product quality are among consumers' highest priorities, retailers could leverage personalization, like in the above scenario, to offer targeted recommendations and discounts to consumers.

"Imagine it's 2023 and you own a wearable device that measures your health and fitness activity. This device can make personalized recommendations about where to shop based on the data it collects about you."

Consumers would trust a retailer that collects their fitness data

How much would you trust a sporting good store with your personal data? Think fitness tracker data, such as, number of steps taken, calories burned, logged exercises, etc.? (N=997)

Completely trust	Trust	Distrust	Completely distrust
11%	57%	23%	9%

And their perception of the retailer would be positively impacted
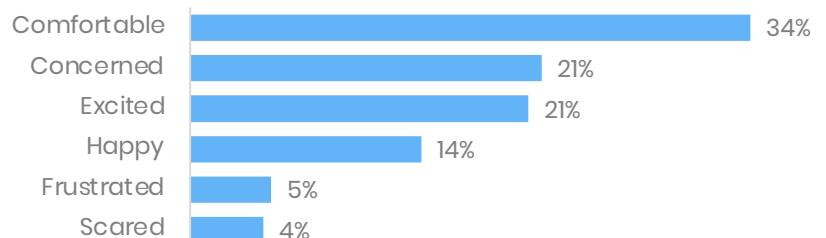
How would this impact your view of the retailer? (N=997)

Very positively impact	Somewhat positively impact	Somewhat negatively impact	Very negatively impact
14%	55%	24%	7%

Consumers would be interested in this type of device

Would you be interested in a device like this? (N=997)

- Yes **51%**
- No **24%**
- Not sure, I need more information **25%**
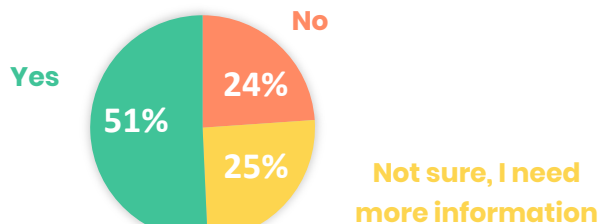
Their general sentiment toward the idea is positive

After reading this description, which of the following emotions do you feel? (N=997)

Emotion	Percentage
Comfortable	34%
Concerned	21%
Excited	21%
Happy	14%
Frustrated	5%
Scared	4%

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Beauty deep dive: fierce competition in a zero-sum environment

Although Beauty was one of the most beleaguered categories when the pandemic first started, the category is now in the middle of the pack in terms of sales performance.

More than ever, retailers must leverage holistic insights to understand consumers' evolving priorities, optimize the customer experience, and earn a place on their product short-list.

How has beauty product consumption changed over the last year?

When asked whether the pandemic changed which products / brands consumers purchased, 36% reported changing *products* (i.e. mascara, sunscreen) and 26% reported changing *brands* (i.e., Lancôme, Glossier).

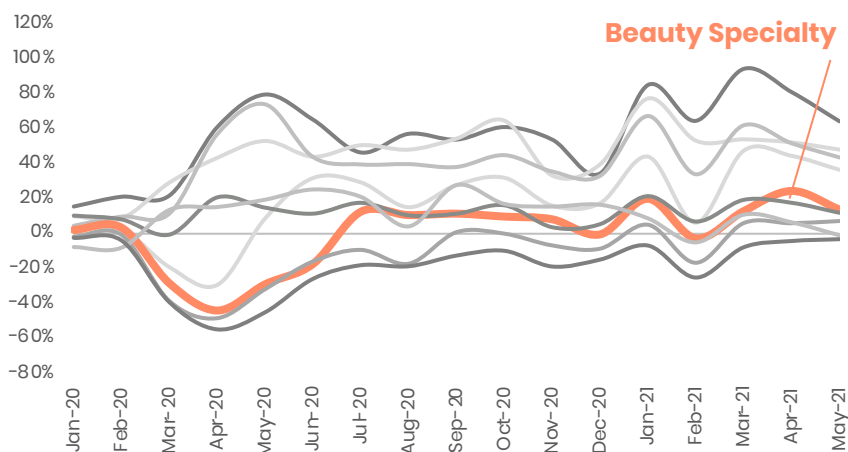**Is the appetite for beauty products shrinking?**

Among those who reported a change, we asked *how* their purchase behavior changed.

Consumers who changed *products* mostly said they bought and used fewer products. Consumers who changed *brands* mostly tried different brands than what they normally buy.

In short, beauty consumers have whittled down their list of go-to-products, but they're willing to try new brands. Retailers should use holistic insights to find ways to win in a zero-sum game, especially since there isn't a high expectation of buying a lot more cosmetics once pandemic restrictions end.

Beauty Specialty retailers have seen moderate growth
Direct Spend per Panelist - Relative % Change vs. 2019; National

Beauty Specialty

Many beauty consumers changed products and brands

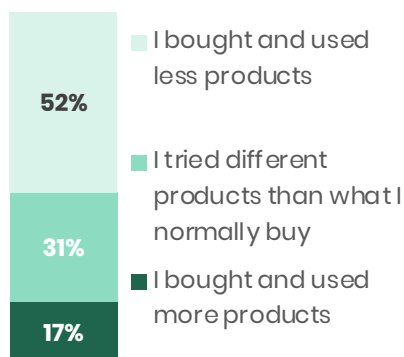Did the COVID-19 pandemic change what beauty **products** you purchased?

36%
of consumers have changed what beauty products / tools they purchased

Did the COVID-19 pandemic change what beauty **brands** you purchased?

26%
of consumers have changed what beauty brands they purchased
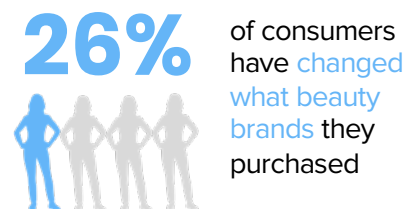
The appetite for beauty products has shrunk, but the battle between brands remains competitive

How did the COVID-19 pandemic change what beauty **products** you purchased?

- 52% I bought and used less products
- 31% I tried different products than what I normally buy
- 17% I bought and used more products

How did the COVID-19 pandemic change what beauty **brands** you purchased?

- 35% I bought and used less brands
- 42% I tried different brands than what I normally buy
- 23% I bought and used more brands

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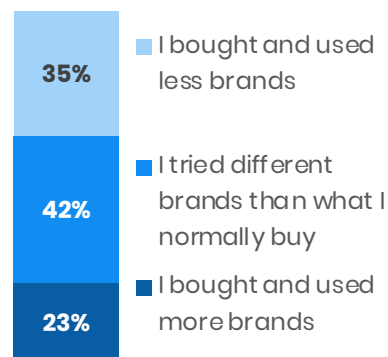
Beauty deep dive: building loyalty to compete with Mass and eComm

What's different among people who did change brands?

The beauty retail space is more competitive than ever, with specialty retailers like Sephora and Ulta competing with Mass retailers like Target and Walmart, Amazon, and now also the increasingly popular DTC brands.

How does consumer loyalty fare in the face of increased options? When asked how loyal they are when it comes to the type of store they shop at, most consumers are neutral or somewhat loyal.

We also asked where they typically shopped for beauty products during lockdown vs. currently vs. in the future. Consumers are migrating away from Specialty stores like Ulta and Sephora, and they expect they'll continue to do so in the future.
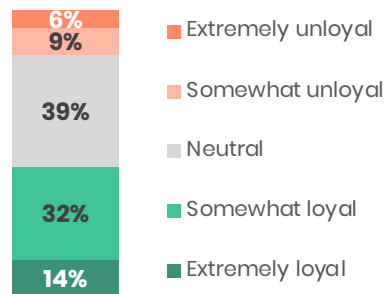
Consumers are migrating toward Mass retailers like Target and Department stores like Macy's, and they expect to continue that trend in the future.

What might be driving this change? Per the chart below, **price** is the most important attribute to consumers, which Mass retailers tend to emphasize more than Specialty stores.

How can Beauty Specialty retailers better compete? Our survey found that certain retailer attributes were polarizing, like 'The brand I purchase from is socially responsible' or 'complimentary items or freebies.' Some people care a lot, and some don't care at all about these qualities. Highlighting these attributes may be an effective differentiator from Mass and Department stores.

Beauty shoppers are somewhat loyal / neutral when it comes to the type of store they choose for beauty products

"Would you consider yourself "loyal" to one type of store (i.e., only purchasing from Specialty stores)?" N=961
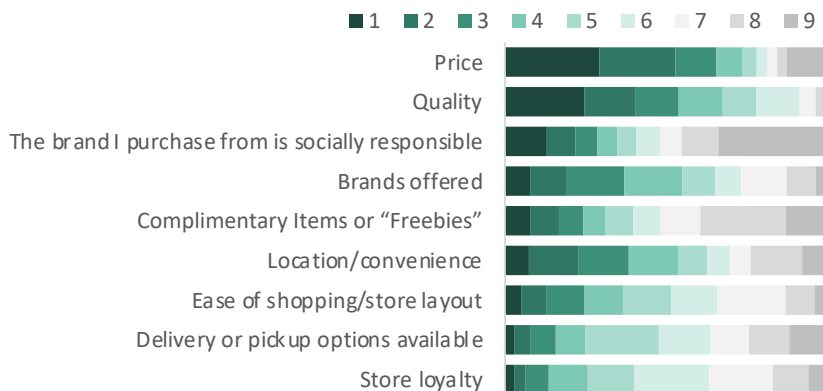
6%	Extremely unloyal
9%	Somewhat unloyal
39%	Neutral
32%	Somewhat loyal
14%	Extremely loyal

Consumers are migrating away from Specialty stores in favor of Mass and Department retailers.

Where did you typically purchase beauty products…? (N=961)	…during lockdown?	Index vs. COVID	
		currently?	in the future?
Mass Retailers in-person	31%	107	106
Specialty stores in-person	22%	75	84
Specialty stores online	14%	63	72
Convenience Stores in-person	8%	110	79
eCommerce websites	7%	104	94
Mass Retailers online	6%	145	124
Department Stores in-person	6%	138	139
Direct-to-consumer websites	2%	106	93
Department Stores online	2%	245	302
Convenience Stores online	1%	106	136

Price and quality are the most important factors when consumers are shopping for beauty products. Social responsibility and freebies emerged as polarizing attributes.

Importance of retailer qualities, ranked 1-9 (N=951)

Legend: 1 2 3 4 5 6 7 8 9

- Price
- Quality
- The brand I purchase from is socially responsible
- Brands offered
- Complimentary Items or "Freebies"
- Location/convenience
- Ease of shopping/store layout
- Delivery or pickup options available
- Store loyalty

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"What is most important to you when shopping at a store for beauty products? Please place these in order of importance where the most important attribute is at the top and the least important attribute is at the bottom." N=961

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Beauty deep dive: ways to measure loyalty and migration

Consumers are relatively frugal with beauty products, but they intend to maintain or increase their spend

Most consumers spend between $10-$39 per month on beauty products.

After COVID restrictions are fully lifted, 57% plan to spend about the same amount, followed by 21% who plan to spend a little more.

How do priorities vary?

The largest group of consumers is that which spends $10-39 per month on beauty. This group skews female, older (45+), and lower-income ($25k-50k/year).

During the lockdown last year, most of them (36%) shopped for beauty in-store at Mass retailers like Walmart and Target. Now, even more of them do so (40%) and they largely intend to continue doing so in the future (37%).
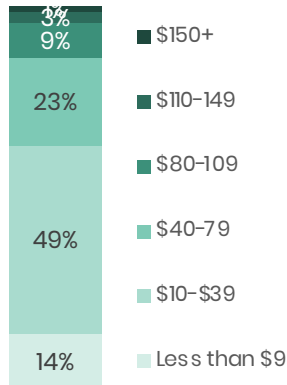
How can retailers win over this consumer?

Conducting research using multiple datasets can help retailers identify ways to build loyalty and identify the biggest competitive threats that customers may be migrating to.

For example, Beauty Specialty retailers could conduct a migration analysis (using transaction data) to discover where lapsed customers have migrated to. Then, visit-based surveys can uncover *why* lapsed customers have left and how to win them back.
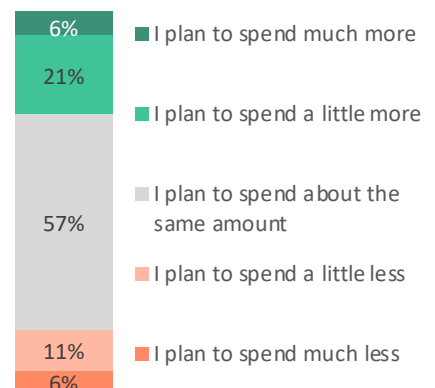
Monthly Beauty Spend
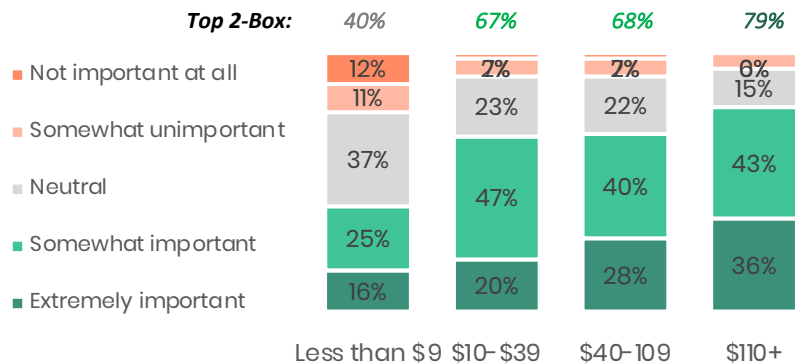How much do you spend on beauty products a month on average? N=961

%	Category
3%	$150+
9%	$110-149
23%	$80-109
49%	$40-79
14%	$10-$39
	Less than $9

Note: bars labeled top to bottom: 3%, 9%, 23%, 49%, 14% with legend $150+, $110-149, $80-109, $40-79, $10-$39, Less than $9

Future Change in Spend
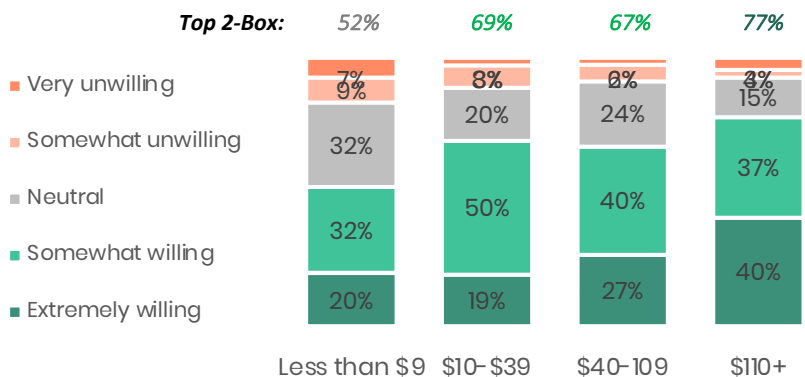How do you see your spending habits on beauty products changing as lockdown restrictions are lifted? N=961

%	Category
6%	I plan to spend much more
21%	I plan to spend a little more
57%	I plan to spend about the same amount
11%	I plan to spend a little less
6%	I plan to spend much less

Importance of Preferred Brands by Spend
How important is it to have your preferred brand?

Top 2-Box: 40%   67%   68%   79%

	Less than $9	$10-$39	$40-109	$110+
Not important at all	12%	2%	2%	0%
Somewhat unimportant	11%			6%
Neutral	37%	23%	22%	15%
Somewhat important	25%	47%	40%	43%
Extremely important	16%	20%	28%	36%

Willingness to try New Brands by Spend
How open are you to trying new brands?

Top 2-Box: 52%   69%   67%   77%

	Less than $9	$10-$39	$40-109	$110+
Very unwilling	7%	8%	0%	2%
Somewhat unwilling	9%		0%	4%
Neutral	32%	20%	24%	15%
Somewhat willing	32%	50%	40%	37%
Extremely willing	20%	19%	27%	40%

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Beauty deep dive – some retailers are recovering faster than others

What factors can influence a consumer to purchase a new product or brand?
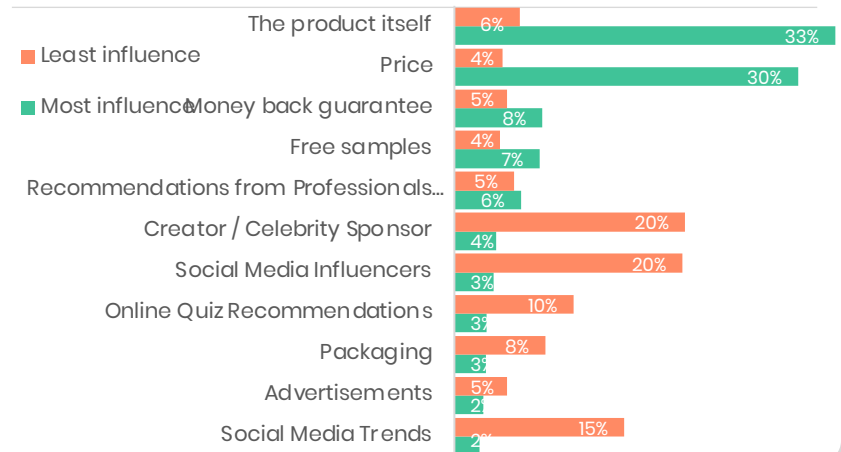
When deciding to purchase a new **product**, consumers are most likely to be influenced by the product itself - claimed benefits, ease of use, application method, and so on.

Price is the second-most important factor.

The least important factors are social media influencers and creator/celebrity sponsors.

When considering a new **brand**, the drivers are almost identical.

The beauty landscape

Compared to pre-pandemic, most of the largest beauty retailers have recovered. Ipsy, Aveda, Ulta, and Glossier are all up in sales compared to a two-year lookback.

Sephora and MAC cosmetics have not yet recovered to pre-pandemic levels, but they have recovered by double-digit percentages compared to the same time last year, during the 2020 lockdowns.

Drivers of New Product Choice – Which options below have the BIGGEST and LEAST influence in getting you to purchase a new **product** (tweezers, lotion, mascara, etc.)? N=961

Legend:
- Least influence (orange)
- Most influence (green)

Driver	Least influence	Most influence
The product itself	6%	33%
Price	4%	30%
Money back guarantee	5%	8%
Free samples	4%	7%
Recommendations from Professionals...	5%	6%
Creator / Celebrity Sponsor	20%	4%
Social Media Influencers	20%	3%
Online Quiz Recommendations	10%	3%
Packaging	8%	3%
Advertisements	5%	2%
Social Media Trends	15%	2%

To further analyze this trend, retailers could use Sense360's Intelligence dashboard to identify the underlying reasons why some retailers are recovering faster than other, as well as where their lapsed customers are migrating to.

Next, retailers could leverage Sense360's smartphone geolocation panel to field a visit-based survey to consumers who make observed visits to retail stores - gaining a deeper understanding of who they are and what's driving their behavior.
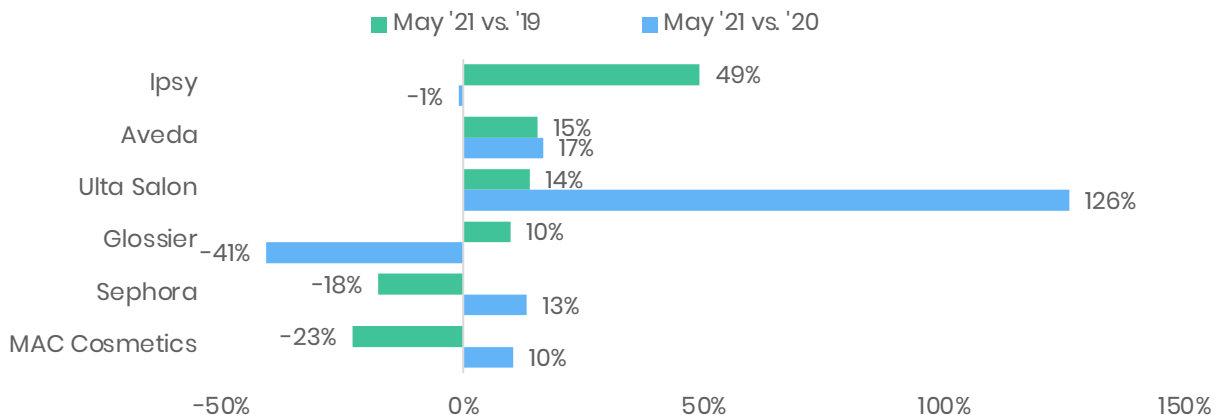
The past year has made the world of consumer insights significantly more complex, so retailers should take caution in basing major decisions on a single dataset or year-over-year comps.

As the chart below shows, volatility has increased across many retail sectors, so additional context is required to understand the true drivers of performance.

Among major beauty retailers, Ulta has seen a faster recovery than Sephora. Ipsy has achieved stellar growth compared to pre-pandemic.

Direct Spend per Panelist –Relative % Change vs. 2019 and vs. 2020; National

Legend:
- May '21 vs. '19 (green)
- May '21 vs. '20 (blue)

Retailer	May '21 vs. '19	May '21 vs. '20
Ipsy	49%	-1%
Aveda	15%	17%
Ulta Salon	14%	126%
Glossier	10%	-41%
Sephora	-18%	13%
MAC Cosmetics	-23%	10%

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Conclusion – COVID-19 will have an ongoing impact on industry dynamics

The past year created a paradigm shift across multiple industries, including retail, in a variety of complex ways.

Consumer behavior was initially forced to change by the pandemic, but certain habits stuck even when restrictions lifted – creating an ongoing migration onto digital platforms.

Some sectors and retailers were well-positioned for the change, and some weren't. As a result, we now see a wide divergence in the performance of different retailers and sectors, both compared to last year and on a two-year lookback.

In order to understand the volatile world we now live in, it's critical for retailers to use holistic research to understand their customers and the competitive landscape.

Researchers and strategists can gain a better understanding of the competitive landscape by doing three things:

1. Adding more historical context. Year-over-year comps can tell a wildly different story than 2021 vs. 2019 performance.

2. Adding more data sets. Sales alone can't explain the reasons consumers are spending more or less at your stores. Combing behavioral data with attitudinal data explains not only the what, but the why.

3. Adding competitive context. While a positive sales number may be unequivocally good, it needs to be placed into context within the market and benchmarked against your competitors. If sales are up but you're still lagging all of your competitors, there's either a hidden problem or a missed opportunity.

As retailers work to chart a course through choppy waters, Sense360 By Medallia can guide you in the right direction by acting as an extension of your team and answering your toughest insights questions.

Once you've charted your course, it's time to implement your strategy across the organization to improve the customer experience and gain more market share.

Medallia helps retailers increase customer loyalty, convert multi-channel shoppers, and improve employee retention and productivity.

Together, Medallia + Sense360 allow you to capture, analyze, and act on customer and associate signals to transform experiences across the omni-channel shopping journey. Drive business growth and innovation by using a customer-first approach to store experience, product development, quality and speed of service, ease of ordering, and fulfillment.

If you'd like to scope out your next research project, see a demo of our self-service insights dashboards, or if you simply have a question about our research – don't hesitate to contact us.

Intelligence by Sense360

Intelligence is a first-of-its-kind, self-service insights platform for retailers.

It uses machine learning to stitch together three always-on datasets: Transactions, Foot Traffic, and Surveys.

Intelligence is the culmination of Sense360's deep understanding of the industry, so you get instant answers to the most important questions in the retail space.

Learn more and request a demo

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