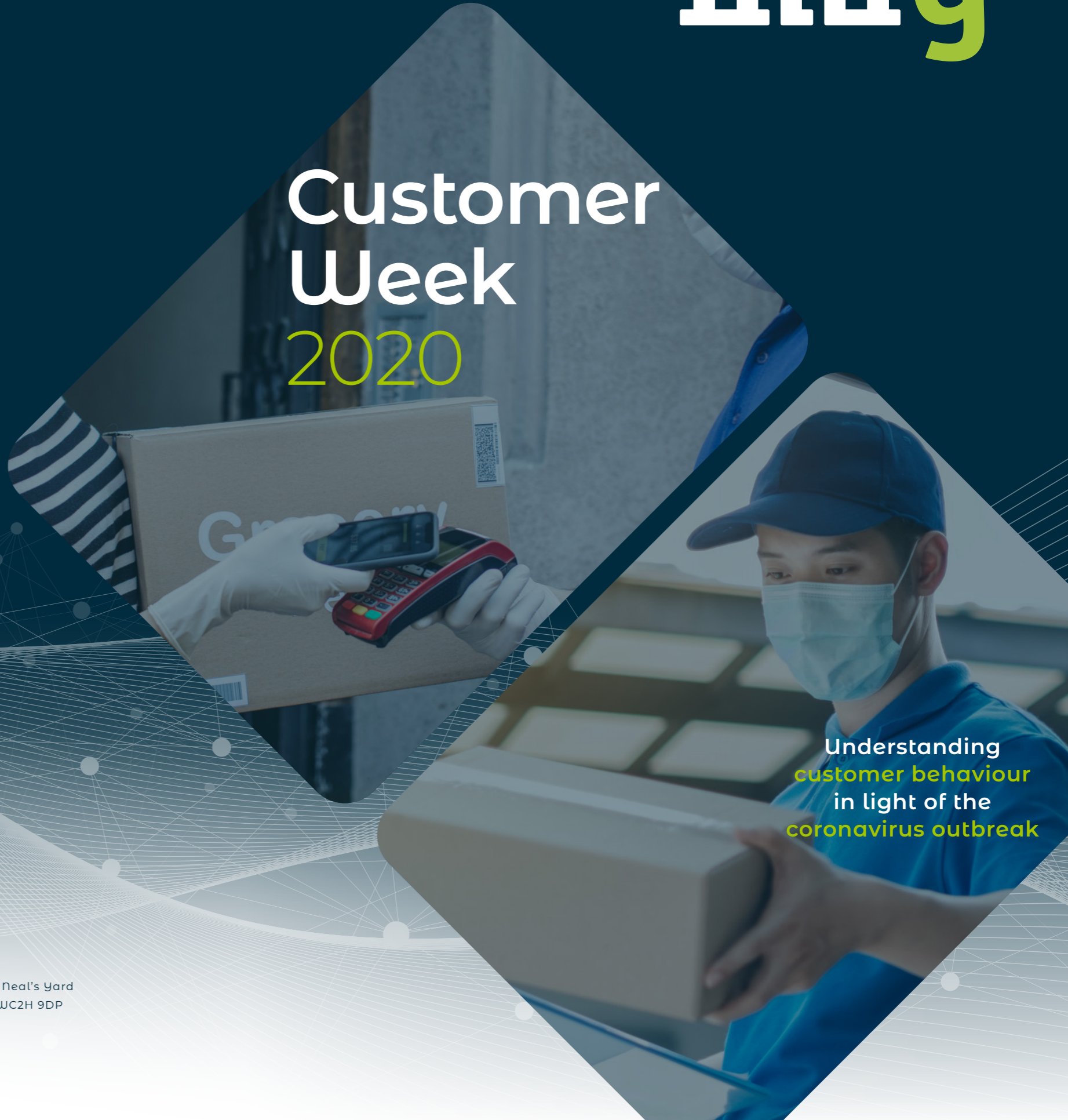




Data.  
Analysis.  
Insight.

Customer  
Week  
2020



Understanding  
customer behaviour  
in light of the  
coronavirus outbreak



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# Foreword

It won't be news to anyone that the consumer of today is **vastly different** to the one at the beginning of the year.

While some eCommerce growth figures right now are lower than they are in other countries, I firmly believe the **UK** is the **best eCommerce market in the world**.

For the past few months as we've begun to find this **'new normal'** in retail, with the shift to eCommerce fast-tracked, the question for retailers has now become how to create new demand for their eCommerce platforms during what's been widely predicted as the worst recession for a century.

## Truth-be-told, it's not easy.

If you're not familiar with **Epsilon-Conversant**, we monetise data collection for brands via one-to-one messaging strategies with consumers. At the start of the crisis, many of our partners considered cutting their spend. We encouraged them to continue by putting our own skin in the game, guaranteeing performance (an offer we're still making, for anyone interested).

What we've seen is that the **brands that continued their marketing investment**, focusing on beating benchmarks and growing market share **are accelerating**. They invested in generating new demand at a time when many larger competitors were doing the opposite – cutting back either completely, or down to short-term direct response channels like search.

Right now, and likely going forwards, the temptation is to focus on these low funnel, easily trackable media channels. But they're usually over-invested-in, and require demand to be built-up elsewhere. They have a tendency to intercept the consumers that were already going to buy from you anyway.

Amongst the many valuable insights from **IMRG's Customer Week**, I'd argue the most valuable takeaway is to remain focused on demand-generating strategies. There are further tough times ahead, but only demand generation will secure long-term value.

**Elliott Clayton**, SVP, **Epsilon-Conversant**

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# Introduction

From dealing with a surge in demand for e-scooters to addressing what growing interest in e-gaming means for their ad budget, **UK brands and retailers have been pivoting like Torvill and Dean to keep up with consumers in recent months.**

The coronavirus pandemic has caused unique and significant challenges for the industry. It temporarily shut down non-essential shops and turned many retailers into online pureplays overnight, meaning companies had to evolve to serve customers and keep their businesses alive.

Some retailers have thrived against this backdrop, but others – which may have already been on thin ice – have sunk. Certain sectors have benefited from people being at home in a lockdown environment, while others have found themselves superfluous in a world where consumers staying in and working from home became the new norm.

So, what are the consumer trends the retail industry has experienced in recent months? What have retailers learnt about their customers, how will they treat any new online shoppers they have picked during this period, and what will they do to convince people to return to their stores and websites now lockdown is lifted?

These questions and more made for key talking points during IMRG's Customer Week, which ran online between 15-19 June in collaboration with eCommerce Expo and supported by headline sponsor, Epsilon Conversant.

During the five one-hour webinars, a host of industry representatives discussed their experiences of retailing in the pandemic, and addressed the latest research into customer behaviour.

**This report provides highlights the key themes and gives retailers a chance to benchmark themselves against their industry peers as they consider how to keep customers happy post lockdown and during this ongoing global health emergency.**

## What the retailers say...

Customer Week provided a platform for several retailers to describe their experiences of trading in challenging times. Representatives from furniture retailer Heal's, consumer electronics and gadgets e-tailer Maplin, and mobile phone brand and network provider Vodafone all had some great insights, advice, and trends to share.

### Maplin

The Maplin brand had its own topsy turvy journey to talk about even before the coronavirus took hold in the UK.

In a previous guise, as a multichannel business with a presence on high streets and in retail parks as well as online, Maplin fell into administration in February 2018 before ceasing to trade four months later. It has been operational again – albeit online only – since early 2019 under new ownership.

And in the last few months, sales at Maplin have been strong, according to the retailer's MD, Ollie Marshall, who explained: *"We're online so we have been able to continue to trade, and we're in categories that are booming. Overall trading has been very positive for us."*

E-scooters were not part of the product mix at Maplin prior to Covid-19, but that changed as the crisis unfolded.

*"People were looking for alternative modes of transport – and I think this will continue – [and] we've seen a huge spike in e-scooters. My team got that listed in two days and it became a best-selling product on the website immediately."*

Marshall says Maplin's *"hybrid inventory model"*, which involves 60% of products it sells being fulfilled by the retailer from its own warehouse and 40% of items fulfilled via drop-shipping partners, as an essential component to supporting this operational flexibility.

### Heal's

David Kohn, eCommerce & marketing director at Heal's, described online traffic during the lockdown period as *"unprecedented"*.

*"We've found, for example, our paid marketing has been far more cost effective,"* he explained, adding the lockdown period has coincided with a raft of new features appearing on the website.

These customer-facing features, including on-site search and recommendations, were planned and confirmed prior to the pandemic, but they happened to go live at a crucial time when visitor traffic was strong.

*"Remote working has enabled us to really focus. Working in an office environment has many social and communication advantages, but working remotely has enabled us to really focus in on what's important."*

Kohn said analytics are crucial for any online operation, in order to understand customer preferences, but talking to shoppers in store also helps shape the retailer's strategy.

*"You've got to be constantly looking at what your performance is and what your drivers are,"* he added. *"For the time being it's going to be about building on the success we've had in eCommerce."*

### Vodafone

The importance of businesses assessing how they are viewed in the eyes of consumers was the key focus in a presentation by Flavio Lamenza, senior user experience designer at Vodafone.

Lamenza underlined the importance of seeking customer feedback – whether good or bad – in terms of understanding their experiences of their brand. He said Vodafone collects customer feedback continually and it's important to get inside the heads of consumers – his team has made product description changes based on such feedback.

*"What do you have in place to capture how consumers feel about your product or service?"* he questioned the audience, adding: *"Knowing how we made users feel gave us the evidence to make a change and fix a friction point."*

The points made by Lamenza have added resonance at this time, with retailers re-engaging with consumers after a period of lockdown or contacting newly acquired customers as a result of fresh shopping habits adopted when stores were closed.

*"Once users can't differentiate on price, the only thing left is the experience,"* he remarked. *"How much do you know about the experience your product or service provides. How do your users behave? What are their perceptions? How do they feel? The user's last best experiences become the minimum expectation for their next one."*

#### How are we connecting human behavior to data?

Attractiveness	• How <b>attractive</b> do you find the website?
Comprehension	• How <b>easy</b> was it to understand the <b>content</b> in the website?
Trust/Confidence	• How <b>confident</b> did you feel about accomplishing what you wanted to?
Satisfaction	• How's your <b>experience</b> on our site been so far?
Emotions	• Can you select which of the following emotions best match your current mood after using the website?
Usefulness	• Did you <b>accomplish</b> what you wanted to do on our website?

## The rise of Generation Zoom

IMRG data covering online retail sales between March and June shows online demand soared compared to pre-coronavirus. That was perhaps expected as soon as prime minister Boris Johnson called on all non-essential retail shops to close their doors to halt the spread of Covid-19, while urging online businesses to continue to operate.

Sales spikes and differences per sector are analysed later in this report, but this section focuses on other colourful trends and observations from the lockdown period.

**Matthew Furneaux, global commercial director at Loqate**, described how the rise of the 'Zoom Generation' will have a lasting impact on retailers and brands as their businesses seek a return to normal trading.

*"They came online under duress and yet they are quite likely to stay around,"* he explained, talking about the many over-50s who before the pandemic were not big online shoppers, but who have perhaps become used to it since the shops were closed.

Furneaux argued scenes as physical retail premises have reopened have resembled *"an experiment in how you'd best restart a spike in Covid infection"*, specifically in terms of how busy the queues have been and how close together consumers stand. Many older shoppers will continue shopping online for now as a precaution, he added.

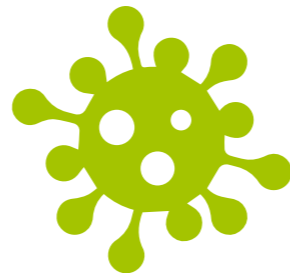
*"This demographic often have more consistent incomes – pension-based incomes – [and] they have brand loyalty, and they will often be buying quality higher priced goods, so in thinking about who your customers are and that enduring growth, understanding Generation Zoom is going to be a massive requirement for retailers."*

**Elliott Clayton, senior vice president for media UK at Conversant**, supported this sentiment. He remarked: *"A lot of the people who went online, especially the ones who weren't online before, are not going to come off it."*

*"A lot of [retailer and brand] customers we had with an older demographic just couldn't handle the demand they were getting online – it was so much."*

Clayton also suggested a growing number of consumers have started watching e-sports during the pandemic – partly, one would expect, because traditional sport was postponed for much of the lockdown period.

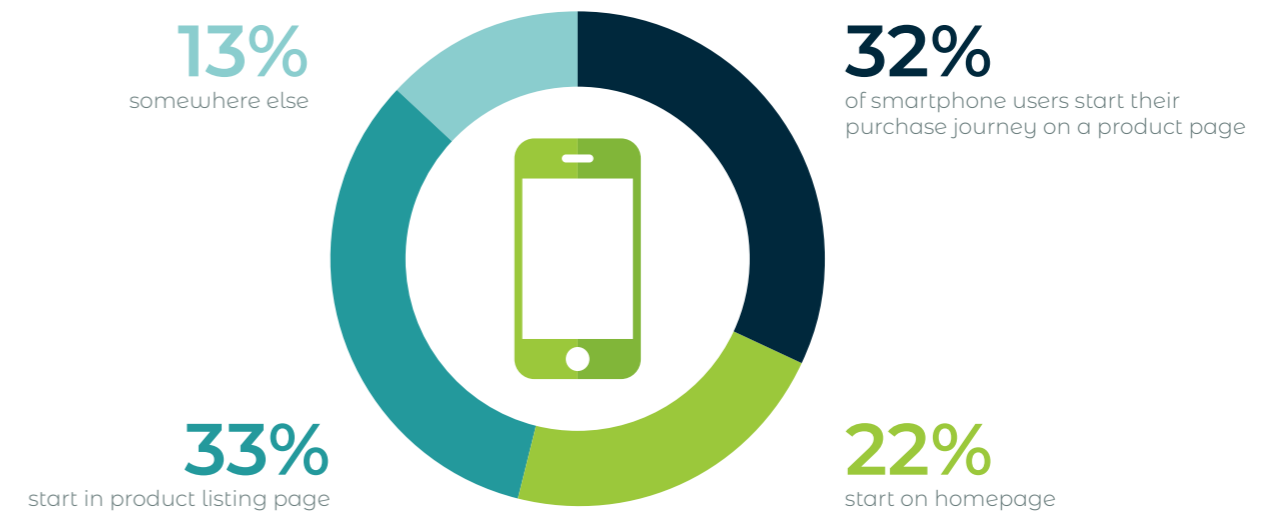
*"For the right brands, that's a place to go to get new cheap audience and market share,"* he added, advising retailers on potential marketing strategy in the months ahead.



## The smartphone shopper

On each day of the Customer Week webinar series, **IMRG's director of data & retail, Matthew Walsh**, talked the audience through research into online retail conversion rates via smartphones. The study was conducted in the first quarter of 2020.

### Key findings



- **Delivery pricing included on product description pages significantly enhances the chances a consumer will add the product to their basket.**
- **On average, consumers spend 369 seconds on a retailer's app versus 229 seconds on their website in a mobile browser. Apps garner 9.2 pageviews on average compared to 4.9 pageviews via mobile browser, and the average basket value in apps is £10 more than on mobile browser, at £60 and £50 respectively.**
- **Conversion rates on a retail app are 3.9% compared to 2.6% on a mobile browser.**
- **Voucher codes, and urgency messaging remain key drivers of add to basket rate.**

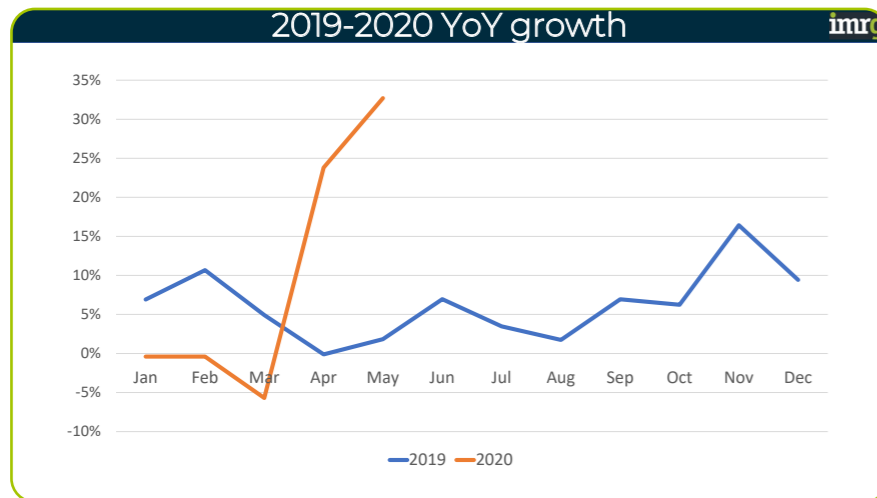
Walsh said: *"Just under a third of smartphone shoppers will start on a product page so getting it right is paramount."*

On voucher code usage, he added: *"Customers are certainly looking for these voucher code options, primarily when it comes to the basket review page and, as a second option, on the checkout page. But if you don't do it at all it does seem to be having a detrimental effect."*

# Sales and surges

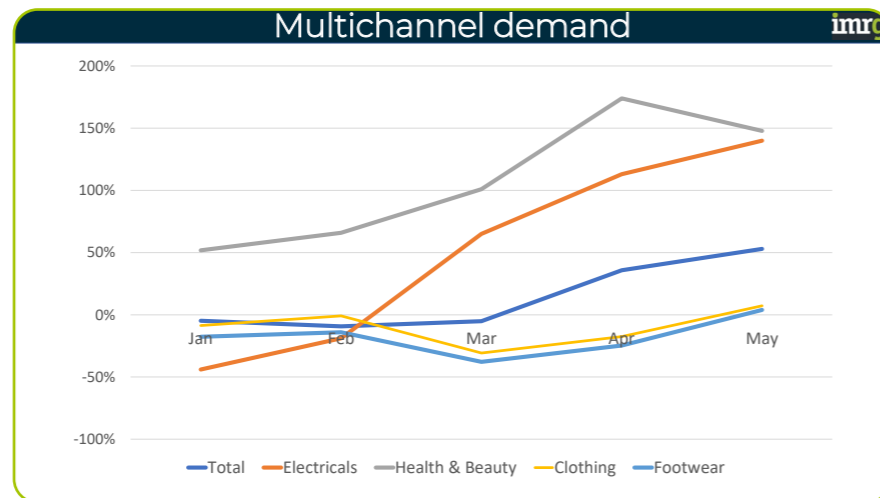
Year-on-year monthly online retail sales had been on the decline since midway through 2018 – but then the coronavirus arrived on these shores.

The lockdown period has been a boom time for eCommerce in general, although while sectors such as food, home, garden and electricals, and health & beauty have been strong, clothing and footwear dropped dramatically as people were told to stay at home.



IMRG and Capgemini's e-Retail Index shows a dip in eCommerce sales directly before lockdown as millions of consumers faced up to the prospect of furlough, or job losses, but sales then escalated through April and May – year on year and month by month.

But what and where have consumers been spending their money? The small firms tracked by IMRG have grown sales at a much faster rate than larger companies. Indeed, small retailers' sales were up by more than double in May.



Andy Mulcahy, strategy & insights director at IMRG, said: "A lot of people were trying to buy similar types of item because so many of them were in the same situation."

As product availability at the larger websites waned, consumers apparently sought out smaller businesses to source and supply those goods for them.

"It's a fantastic opportunity for those retailers who are getting new customers to use this and build new relationships," Mulcahy added.

## From WTF to WFH

The initial shock of the lockdown for consumers evolved into what many organisations found to be a relatively successful period of staff working-from-home (WFH) – and that had a direct result on the types of product people purchased.

Maplin's Ollie Marshall said products relating to gaming, computing, WFH, and entertainment proved particular popular during lockdown.

Epsilon-Conversant's Elliott Clayton commented: "Generally it's been really tough but there have been stories where [fashion] companies have done really well out of this situation."

"I think the types of brands I've been really impressed with are brands with a direct mail heritage. A lot of direct to consumer brands are doing well. Brands that were quite bold in the market [in terms of marketing spend]."

Thom Arkestaal, head of insights for Europe at Microsoft, said his team has spent lockdown looking at how consumer behaviour has changed during the pandemic. Assessing trends through Microsoft search behaviour, he said expected seasonality in retail could be impacted for some time as a result of the virus.

"We've seen crazy search volumes for sofas because people are just inside and they want to make it nice around them," he remarked, adding that people have had more time at home so have been researching and comparing products more often.

"Things could go back to normal, we may have a rebound of this virus, or we might have this as a recurring virus, or people might just work from home more, in which case behaviours will still change and shift the expected seasonality."

Arkenstaal said there has been "a huge increase" in searches related to "best", "comparison", "best price", and "comparison".

Peter Ballard, co-founder at Foolproof, said the psychological impact of lockdown had a result on what people spent their money on, too.

"When everything around you feels like it is out of control, people pick up new habits that allow them to exert some control over something," he explained, attributing this mindset to the interest among consumers in growing vegetables and making bread.

How much all this new consumer behaviour and direction of spend continues as shops reopen and lockdown measures are eased remains to be seen.



# Key takeaways

## All hail the new king in town

Online retail has shown its resilience in a health crisis and new customers have entered the eCommerce arena during lockdown. It is essential for retailers to run efficient and robust digital operations to meet customer demand.

## Talking about Zoom Generation

The online newcomers might need an element of handholding, and retailers should be setting themselves up to not only target new demographics online, but ensure their eCommerce messaging and signposting is suitable for all.

## End of the world as we know it

Unseasonal demand, unusual buying patterns, and random spikes in sales categories define the months in lockdown for retailers. Many of the trends experienced won't continue, but retailers should expect unseasonal buying behaviour to continue due to the major disruption on consumers' lives.

## Pay your money, take your choice

Shoppers on smartphones are more likely to purchase goods, the more services, solution providers, online marketing techniques (such as voucher codes, urgency messaging, and video), and choice retailers give them in the purchasing funnel. In short, retailers offering shoppers a variety of ways to spend their money, and which provide transparency and strong communication, will experience success.

# Summary

IMRG thanks its partners for their support, and for their contribution to the success of the inaugural virtual Customer Week.

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