

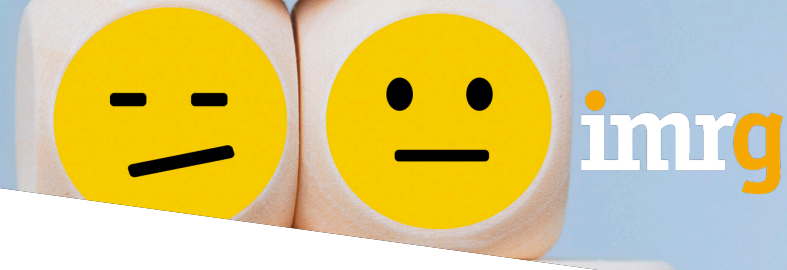


Five Key Things to Understand About Customer Behaviour & Expectation

Supported by

EPSILON[™]

Avalara
Tax compliance done right

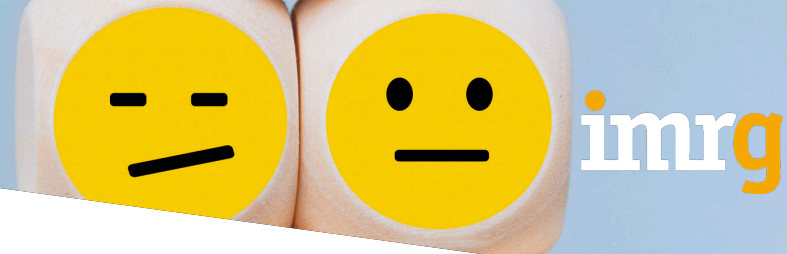


Contents

Five Key
Things to
Understand
About
Customer
Behaviour &
Expectation

Foreword	3
The Joy Of Shopping	4
Dealing With Supply Chain Issues	5
Shoppers Are Spending More...Now	7
Cost Still A Bigger Factor Than Sustainability	8
Black Friday Growth Could Be Negative In 2021...	9
About IMRG	12





Foreword

Five Key
Things to
Understand
About
Customer
Behaviour &
Expectation

Over the past year, there have been many enforced changes to how we have been able to do things. Stores were closed, restaurants shut, and our capacity for seeing anyone or doing anything severely restricted.

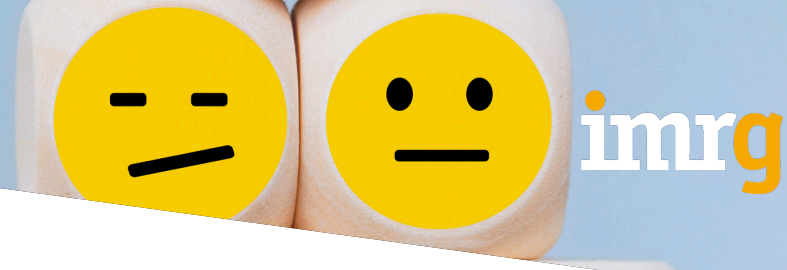
As a consequence, many online services saw huge demand, and the lockdowns just kept coming. People had to craft their behaviour around those services, sometimes to a greater extent than was usual for them, and in some cases for the first time ever.

However, this is not the same as saying 'everything has changed now', as it does broadly seem to be the case that the pandemic forced through an acceleration of existing trends, rather than inventing new ones entirely.

That said, there are some shifts in customer perception and behaviour that are worthy of note, as they do suggest some subtle changes in strategy, service and experience should be considered. This report focuses on five of these elements, which all formed part of IMRG's Customer Experience Live event, held virtually on 9-10th June.



[> Contents](#)



The Joy Of Shopping?

Five Key Things to Understand About Customer Behaviour & Expectation

Being in lockdowns did lead to huge surges of demand for certain categories, but it also might have altered our response to receiving online orders.

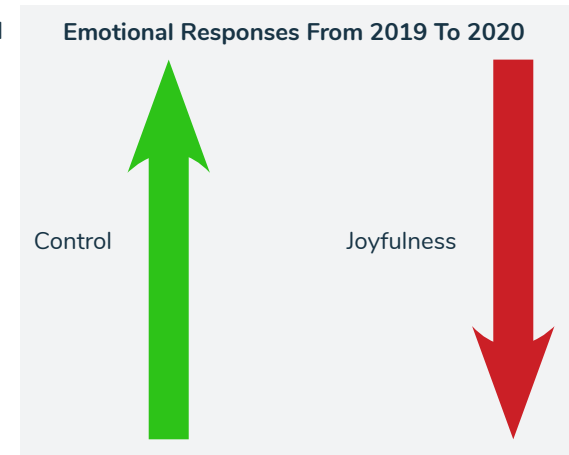
IMRG's research partner, Maru, track customer perception via a number of methods; one of the most revealing is the emotional signature, which gets respondents to click on a series of images based around how they feel in relation to certain areas. The main trend we saw from 2019 to 2020, was an increase in the level of control customers thought they had over their deliveries, but the level of joy they experienced went down.

Looking at the emotional signature in 2019, their responses suggested that they did not feel in control of the delivery experience – not necessarily being at home to receive it, for example – and totally reliant on others to fulfil it. But, on the plus side, this was underpinned by a sense of joy at the arrival of their parcels.

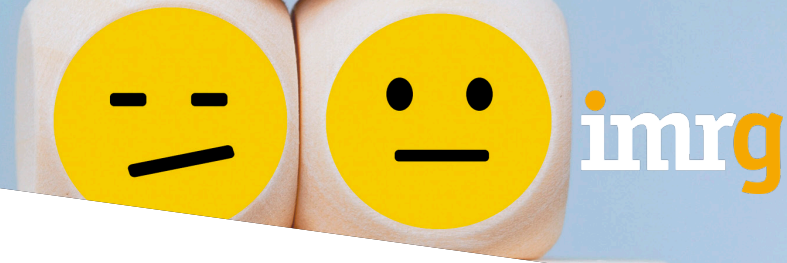
Fast-forward to 2021, and there has been a clear switch around how in-control people feel over the delivery process. They are now far more likely to be at home when their orders arrive, but, as so much volume switched to online, it meant that people often had multiple parcels turning up each day, which appears to have lowered some of the joy of receiving individual items.

This is perhaps understandable – the context of the past year has changed how people use retail as it became a means to an end, and one of the only options for people to focus their spend. But it does present a challenge to retailers, as receiving something new is supposed to be fun rather than just routine.

So customers may be feeling like they have more control over the delivery process, but it has been at the expense of a sense of the joy that is so central to high quality delivery experiences.



[> Contents](#)



Dealing With Supply Chain Issues

Five Key Things to Understand About Customer Behaviour & Expectation

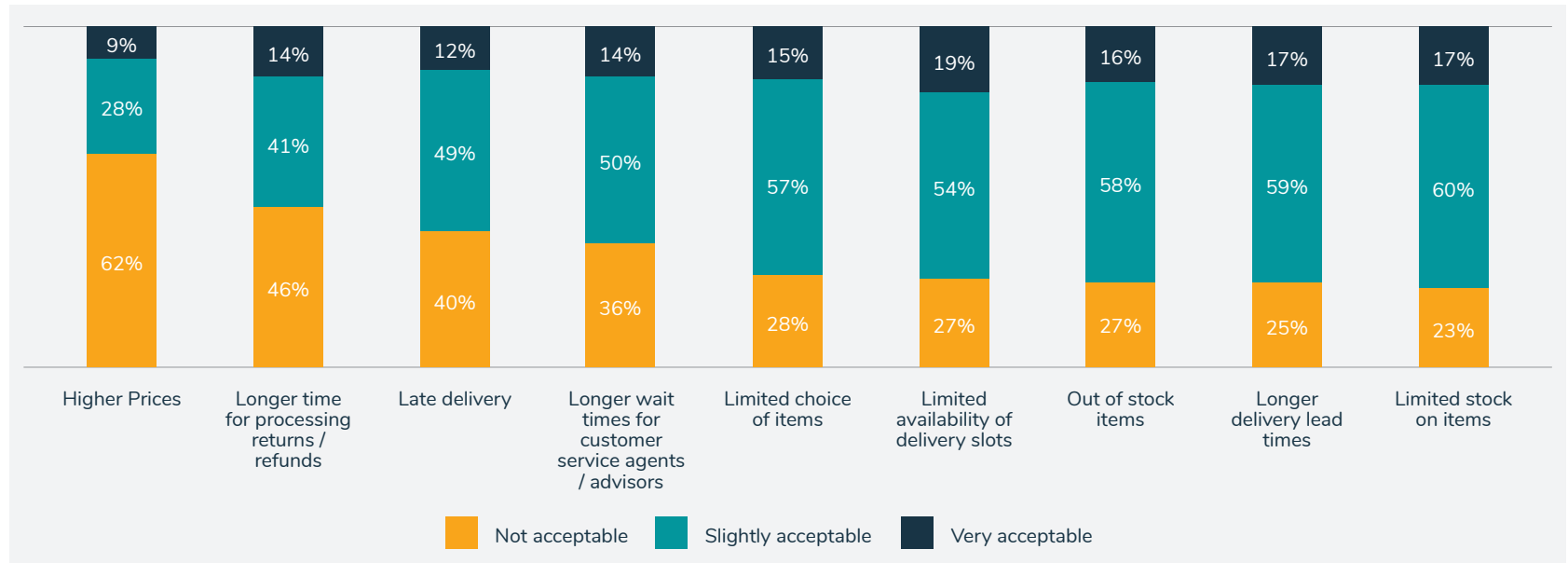
The pandemic has caused numerous problems throughout supply chains. There are the obvious problems related to the general disruption to manufacturing and distribution, from illness and social distancing, but also the prioritisation of vaccines in shipping and general pent-up demand making it far more expensive to get goods on pallets and in containers.

The upshot of this is that shortages on certain product lines may become a bigger factor in the second half of the year. In the early phases of the pandemic, there was some evidence that customers tended towards understanding over delivery delays and out of stocks; but this did dissipate with time.

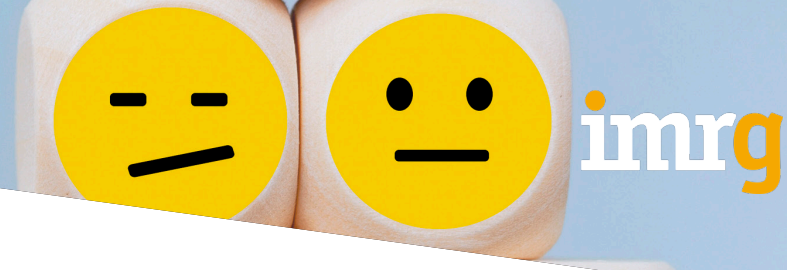
Further data from IMRG's research partner Maru shows the extent to which customers are willing to accept COVID as an excuse for dips in experience.

The split seems consistent with what we might expect, with around three-quarters exhibiting some sympathy with limited stock or out-of-stocks. Yet the possibility of the added costs associated with disrupted supply chains translating to higher prices on the part of the customer is regarded as much less acceptable, as is any delay in receiving a refund.

Also note the difference in toleration for longer delivery lead times and late delivery – a subtle but important distinction.



> Contents



Five Key
Things to
Understand
About
Customer
Behaviour &
Expectation

Avalara Comment: VAT Changes to Be Aware of Since 1st July

There have been some changes introduced to global VAT thresholds for UK companies trading into the EU; these relate to two reporting mechanisms that sellers can use – the one-stop shop (OSS) and the import one-stop shop (IOSS).

Intra-EU Changes

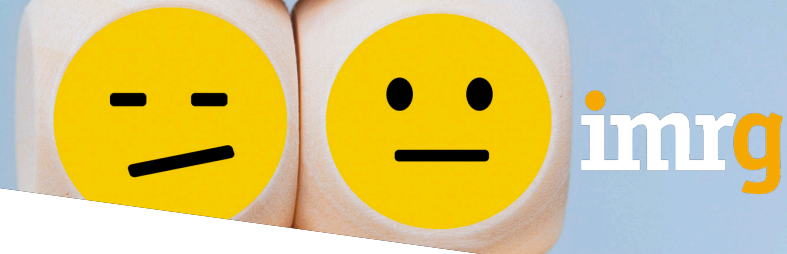
- The EU distance selling thresholds will be removed
- For very small EU businesses there will be an annual sales threshold of €10,000
- Sellers will be able to use the OSS simplified return to report their sales transactions outside their home location
- Compliance and payments of these returns will be quarterly

Import distance selling

- LVCR threshold will be removed – all imports are subject to VAT
- Sellers will be able to use the IOSS simplified return to report their sales of consignments < €150
- Consignments < €150 can be exempt at point of import if seller reports local sale via IOSS return



> Contents



Shoppers Are Spending More...Now

Five Key Things to Understand About Customer Behaviour & Expectation

The first set of data is taken from the IMRG Capgemini Online Sales Index, which tracks the sales performance of around 200 retailers. It shows the overall average basket value by month for the full year 2020 (blue bars) and 2021 Jan-Sep (orange bars).

We may have assumed that shoppers were spending more at the online checkout during lockdown periods, but actually – while there were some notable shifts between 2019 and 2020 for some months – taken as a whole, the difference was marginal. This was also the case for most product categories, as shown via the second chart. This plots the 2019 and 2020 basket values for numerous categories in single columns, with the yellow line revealing the 50% mark. For almost all the categories, there was hardly any difference between the two years.

Going back to the first chart, we can see that a trend has emerged throughout 2021, where the average basket value has started to reveal a significant gap against the previous two years. This is being driven by multiple product categories, so does seem to reflect a widespread shift in customer behaviour and is quite possibly most strongly driven by stock availability (if people find something in stock where availability has been low, they buy there and then rather than shopping around for a better price).



> Contents

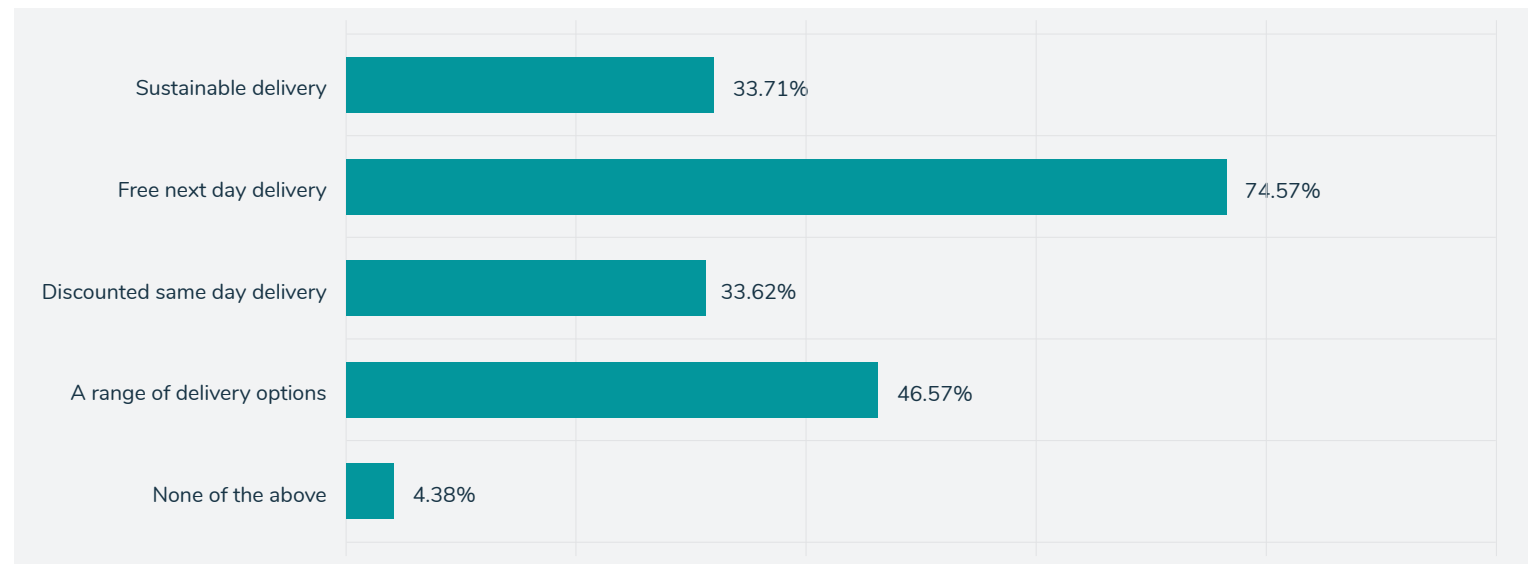


Cost Still A Bigger Factor Than Sustainability

Five Key Things to Understand About Customer Behaviour & Expectation

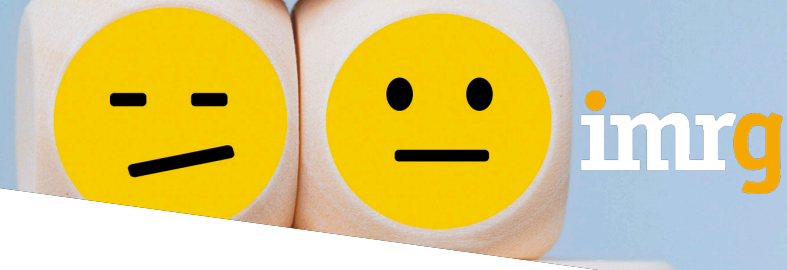
The issue of sustainability has gone up the priority list for businesses in recent years, in response to rising clamour from customers and media for progress to be made. The pandemic obviously caused a major interruption to that momentum, but there does seem a reasonable chance that people will emerge from the pandemic with even greater expectations around what businesses are doing to mitigate their environmental impact.

An interesting question is whether there will be an inflection point, where the primary factor influencing shopper purchase decisions becomes environmental issues; over any other factor, such as cost, preferred options or speed. At present, there would still appear to be distance to travel. IMRG and Gophr asked 1,000 respondents whether any of these elements would encourage them to buy from a retailer again:



Sustainable delivery still ranks far behind cost (free next-day delivery) and convenience (a range of delivery options). This is not to say that making strides in that area wouldn't be a good idea, but that simply focusing on that in isolation is probably not the best strategy at the moment.

[> Contents](#)

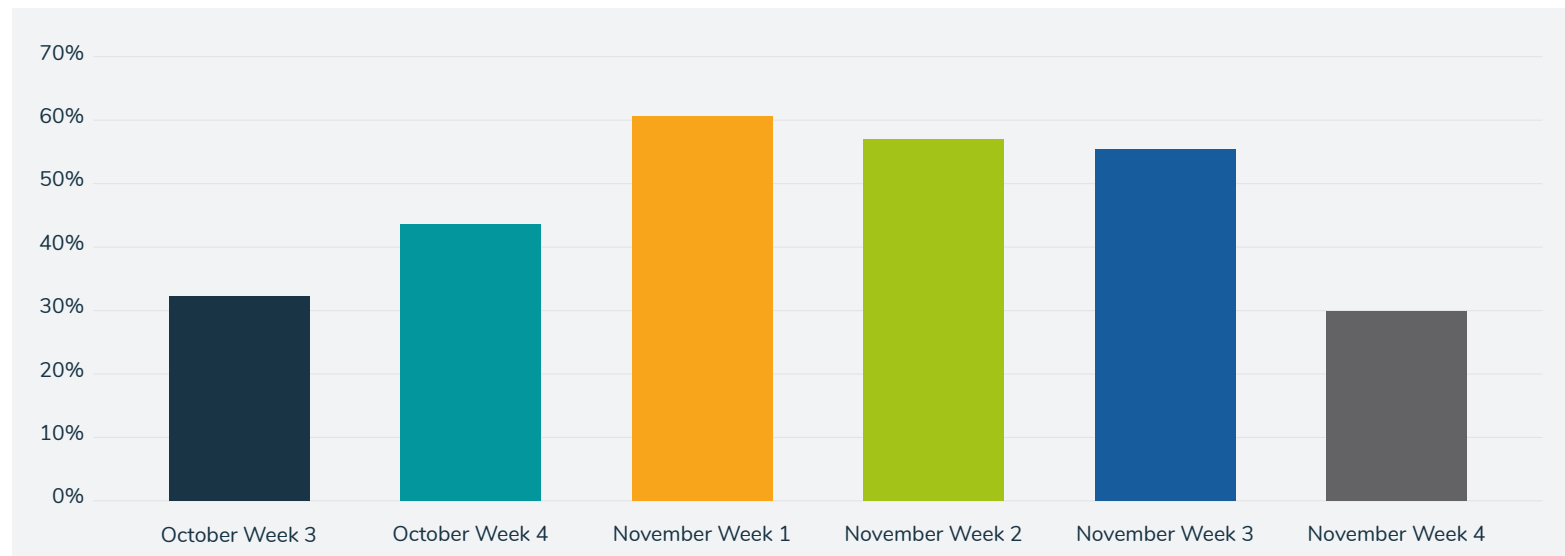


Black Friday Growth Could Be Negative In 2021...

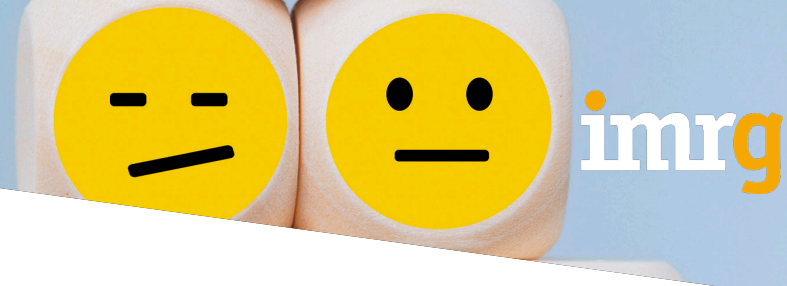
Five Key Things to Understand About Customer Behaviour & Expectation

It may seem like a lifetime ago now but, in 2019, growth rates online were struggling for myriad reasons. The pandemic led to a remarkable turnaround, but over the summer of 2019 growth flatlined, leading us to speculate that growth for Black Friday 2019 could actually be flat, following an underwhelming performance in 2018.

As it turned out, and against the trend lines, it was – in a pre-pandemic context – very strong, up 16%. Then, in 2020, with the second lockdown in place across November in England, online demand was extremely high. The below chart shows the percentage growth for the last two weeks of October and all four weeks of November, with the week of Black Friday being the final one. Looking at it in that way makes it seem like Black Friday week performed weakly, but the rates are still very high.



[> Contents](#)

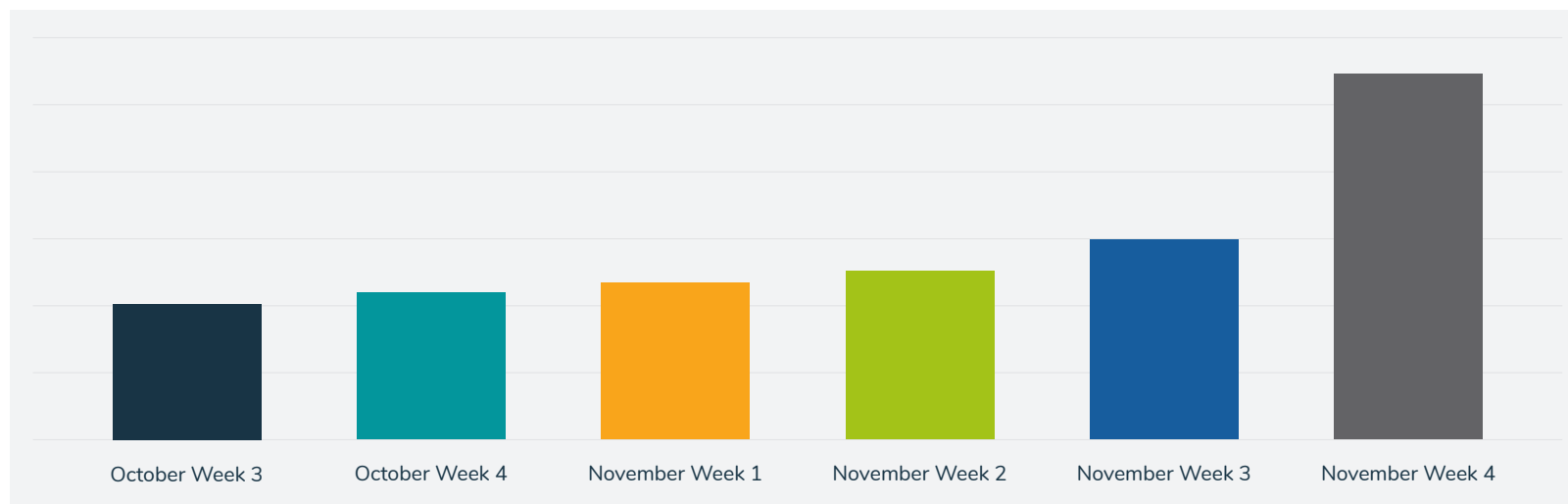


Five Key Things to Understand About Customer Behaviour & Expectation

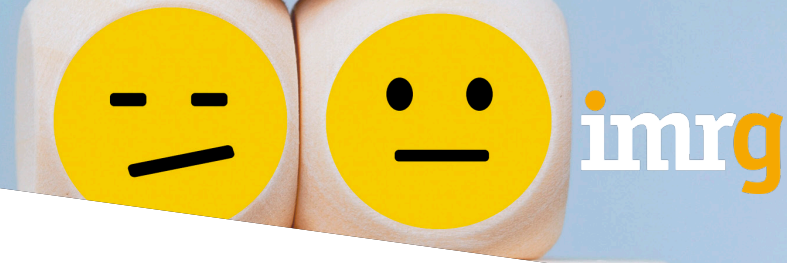
If we instead look at the amount spent in millions, as per the next graph, it shows just how dominant Black Friday week is; 30% growth on that still makes it far higher than 50% on the earlier weeks of November.

It's reasonable to say that Black Friday has been through a bit of a topsy-turvy period, but where does that leave us for this year?

If we forecast the trend lines forward to December this year, it looks entirely possible that growth for Black Friday could be negative this year. To be clear, that does not mean there will low volumes of orders moving around, it simply means that less money will be spent online for that week than there was for the equivalent week in 2020. But, as we've seen across so many product categories, the leap in volume was so profound in 2020 that things necessarily need to balance out a bit.



> Contents



Five Key
Things to
Understand
About
Customer
Behaviour &
Expectation

Epsilon Comment

The net effect of the increase in ecommerce in the second half of 2020 and in to 2021 is that many retailers now have a much bigger customer base, unsure if they will be able to retain these new customers, or whether their LTV will be similar, worse, or better than their existing customer base.

To succeed this Black Friday, I suggest three areas of focus for the coming months and beyond:

Activate your data to increase personalisation

Use insights from your now larger first party data set to increase personalisation and drive deeper engagement from your customer base. This should be considered through both audience segmentation and creative execution. Even a small segment of 50 is still 50 different people in one messaging group. Knowing and understanding each customer as an individual, and noticing triggers and signals in the moment their needs are changing, allows brands to deliver relevant messages during key decision-making moments.

Focus on building loyalty in your comms

It's been proven time and time again that it is less expensive to retain a customer than it is to acquire one. It's important to make sure that newly acquired customer bases continue to engage with the brand over time by providing personalised value to each customer, with the right mix of channels, as their needs evolve.

Measure performance against incremental return

Continuously measure and optimise your results, based on your specific business goals and KPIs (such as return on ad spend and cost per acquisition) - not misleading metrics like clicks. Find a partner that allows for this level of insight so that you can make the best use of your budget and create new conversion events above your expected baseline.

Elliott Clayton, SVP Media UK, Epsilon

> Contents



About IMRG

IMRG are best known for providing members with our unique market performance data and actionable insight, but crucially, we're about community. We generate valuable connections and build long term relationships through the sharing of ideas, and best practice between ecommerce professionals. We operate both peer to peer, and between brands and technology partners, to forge sustainable relationships. IMRG are unique in our emphasis on helping retailers and brands who sell online to better understand and improve their online performance. In recent years, we've grown to become the UK's largest ecommerce membership community. Comprised of retailers, brands, and technology partners, we actively work together to deliver growth.

www.imrg.org

EPSILON™

Avalara
Tax compliance done right