Understanding customer behaviour in the new retail world

It's pretty likely that retail will never be the same again. Many consumers' attitudes and values have changed, some fundamentally. Additionally, the lockdown has been very unequal in terms of impact on the population.

The purpose of the paper is to define how different groups of consumers will change and create a tool that allows businesses to plan for this change by understanding the behaviour of different retail tribes.

Looking to China for clues

China, the first economy to start to return from lockdown, provides evidence of a stark shift in consumer behaviour. The FT observed that online sales, which make up about 30 per cent of total retail spending in China, accelerated massively in March, according to economists at Morgan Stanley.

> "More people in China are using e-commerce than they were before the crisis, including older people," said Laxman Narasimhan, chief executive of consumer goods group Reckitt Benckiser. "We expect that to actually stay because they have learnt a new behaviour now. People are going to shop differently coming out of this crisis and we are getting ready for that."

In the UK, home delivery will continue to grow quickly, but it won't be universal. There are large parts of the population that are disadvantaged by age, affluence, or location. Retailers and brands will need to be able to identify consumer's needs on a granular level.

Additionally, retailers and brands not only need to understand how people have changed, but how they will change in the future. It is going to be uneven. Fast, accurate behavioural data will be vital for any communication planning.

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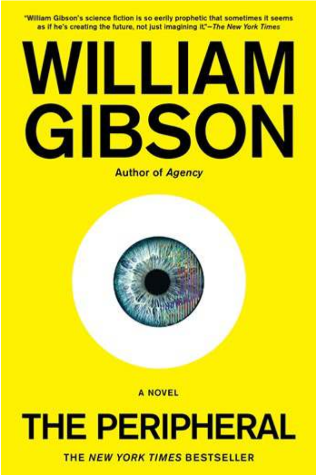
What's going to happen in the UK?

British consumers are going through the biggest change since the Second World War, the double whammy of Brexit followed almost immediately by the lockdown. The consequence has fiercely divided the nation; beliefs and behaviours are polarised based on where people live, their age, their economic circumstance, and their expectations of the future. Added to this, longer-term societal trends around ethnicity, trust in the state, and our long-term economic future have created deep divisions.

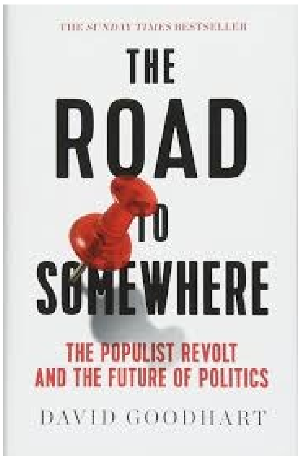


The sci-fi novelist and inventor of cyberspace, William Gibson, wrote in the Economist in 2003 that "The future is already here – it's just not evenly distributed." It is far more relevant now. In 2020, 700,000 children don't have reliable internet access at home to access remote learning.

The inequality in aspiration and how it affects local attitudes is a genuine issue that was conveniently ignored in much retail focussed marketing, where conventionally most brands ran national originated campaigns.

Properly understanding local behaviour will be the key to unlocking the future.

Somewheres versus Anywheres



The barriers and structures that have defined our society still exist. There has been little change in physical or social mobility. In David Goodhart's book, the Road to Somewhere, he makes the point that three in five Britons still live within twenty miles of where they lived when they were aged 14. Most people live in the communities they grew up in.

The great influence on this is tertiary education, when people leave home to go to university they don't return.

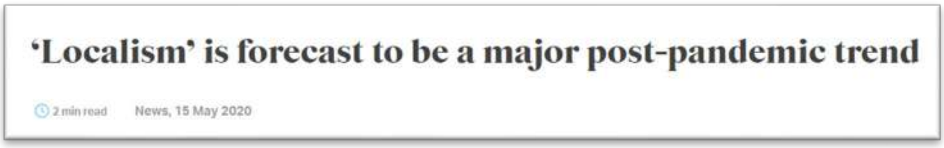
This is part of the great divide in the UK, the more affluent an area, the more likely that people will be socially mobile. London and the South East account for three quarters of the UK's top 20 per cent of socially mobile areas, while Yorkshire, Humberside, the North-East and the West Midlands between them account for none.

His thesis is that we live in a nation divided by location, where 60 per cent of the population has a very distinct physical location and are defined by where they come from, he calls these groups ‘Somewheres’ and that there is a separate affluent, educated urban elite of about 20 per cent of ‘Anywheres’, who went to Russell Group universities, have a far less strong attachments to any particular area and tend to congregate in areas of affluence.

We used YouGov data to create his two tribes and this shows the huge disparity in attitudes.

Agree with…	Anywheres	Somewheres
I like to surround myself with a diverse range of cultures and ideas	75%	54%
I'm more sophisticated than most people	33%	23%
Businesses should recruit locally before EU workers	27%	43%
My family is more important than my career	67%	76%
I prefer to shop at local shops	60%	66%
I have expensive tastes	30%	20%

This is fundamentally important for retailers as we leave lockdown and enter a recession, which will only exacerbate the divide. Research by Kantar highlighted three post lockdown consumer trends, the most important being localism or community, people are (understandably) retrenching to safe, known places.


‘Localism’ is forecast to be a major post-pandemic trend

2 min read News, 15 May 2020

Kantar’s three trends are

- Localism
- Increased e-commerce
- Drive for value

The last two are long term trends, localism is a direct consequence of lockdown.

NEW MARKETING COMMUNICATIONS RULES

The received wisdom and orthodoxy about how retail brands communicate with their customers' needs re-evaluating; it used to be one national message, frequently repeated and often tonally originating from the affluent South East. This model has existed since the launch of commercial television in the early fifties.

Post lockdown presents an opportunity for brands to re-evaluate how they communicate. Cheaper media rates and greater opportunity to target smaller audiences more accurately provide significant opportunities to test omnichannel solutions. As more consumers test direct digital channels, successful brands will reflect this in their targeting. Recent PFS research shows that:

- 52% of all consumers agree that they feel greater loyalty towards brands that effectively communicate with them.
- A quarter of shoppers said they had tried new online retailers because of the lockdown and intend to continue to shop with them thanks to the good experience they've had during the crisis.

THE LOCAL REVOLUTION

We are on the cusp of a local marketing revolution, facilitated by digital technology. Communication costs are low and there are a plethora of platforms that allow hyper-local targeting and content is easily adaptable for local use.

The only barrier is the attitude of the marketing industry, which is operationally geared to deliver simple big national ideas, rather than targeted localised content, which is inherently more complex.

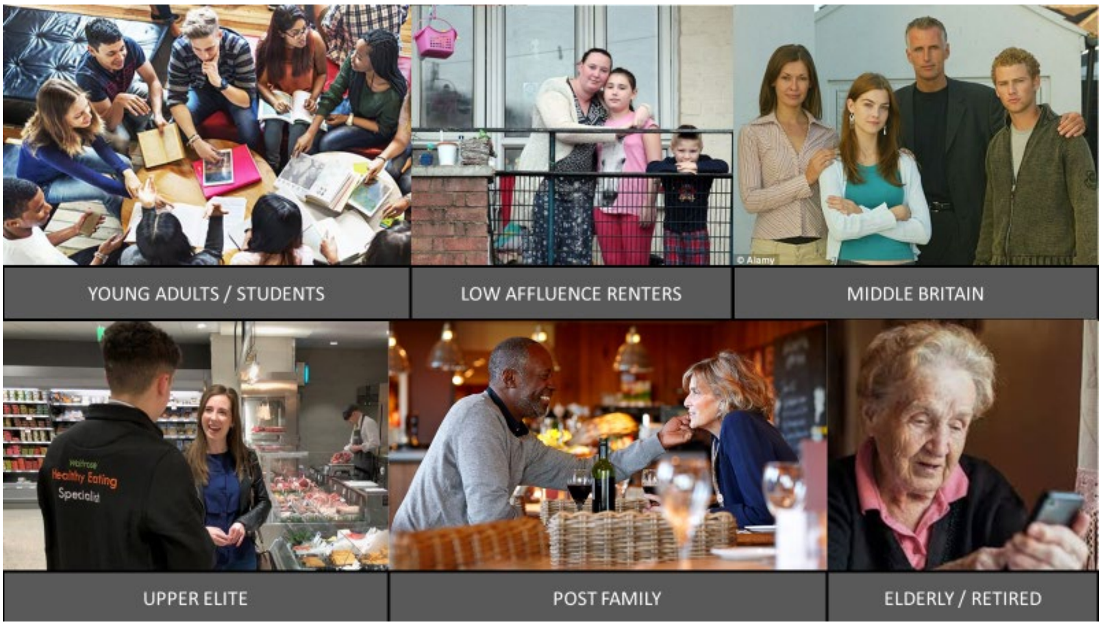
We'll demonstrate why this is so important, as we look at different retail tribes in the UK.

PINTARGET RETAIL TRIBES

We've created a series of post lockdown shopper tribes to try to explain how different groups will behave and how brands and retailers need to engage with them. We've used both the CACI ACORN and YouGov Profiles databases, so it's both robust and flexible.

The tribes were created taking into consideration three elements:

1. Creating the Somewheres vs Anywheres segmentation
2. Affluence
3. Life-stage



This gives us a granular perspective of UK shoppers, split into 19 retail tribes of about 3.5 million. Each of them can be identified either as a "somewhere" or as an "anywhere". The 19 tribes are divided into 6 super-groups:

Using these new tribes to help describe a post COVID Britain, brands and companies alike will have the ability to focus on local people and their specific issues instead of national campaigns.

UK RETAIL TRIBES POST LOCKDOWN

During these difficult times, we have seen messages of solidarity spreading across the country. 'We are all in this together' banners have been hung in our windows and the 'stay at home' stickers have been used on social media. The virus had indeed put everyone in danger. Therefore, messages from the government and brands have been directed to the population as a whole. The view is that nation is united.

We've looked in detail at two groups that predominantly voted to leave the EU: the Post Family tribe and the Low Affluent Renters.

In 2016, they were as one and celebrating as Brexit was confirmed.

However, post Lockdown, the approach used by our government to direct high levels of financial support to middle and upper England has created a division.

Any brand looking for post lockdown success will have to understand these great divisions are.

THE POST FAMILY TRIBE is mainly concentrated in the South East and it consists of people over the age of 55 with a high household income (from £50k per year to £150k and over) whose main supermarkets are Sainsbury's, Tesco and Waitrose. They are heavy users of home shopping and tend to live in suburban areas and secondary towns.

- 60% of this group believe that they personally have handled the lockdown "fairly easily".
- The post family group consists of homeowners with no children under the age of 18 living in their house, therefore staying at home did not produce a high level of stress for them.

- Typical jobs related to this cluster are the ones related to management, marketing and finance.
- This group spent their lockdown baking (59%), doing some form of outdoor exercise (20%) and clapping for carers (60%).
- 47% of them believe the government handled the lockdown fairly well and 50% believe that the government was open and honest during the coronavirus outbreak.

By and large, lockdown had little impact on this group, their level of affluence hasn't been massively hit and they expect to continue as before.

In comparison, the LOW AFFLUENT RENTERS tribe that lives in the North (and predominantly North West of England) and consists of people between the age of 25 to 54 with a low household income (from £5k per year to £30k) whose main supermarkets are Aldi and Asda.

- This group has found it more difficult to deal with the lockdown. Only 45% of them have handled the lockdown "fairly easily" with 24% of them finding it "fairly difficult" and "13% very difficult".
- Contributing to this is the fact that they are not homeowners and have to pay rent. 26% of them have children under the age of 18 living with them. This means that not only have they had to worry about paying their rent but also about taking care of their children without the assistance of childcare.
- Within the low affluent renters, 13% have been furloughed and 6% are unemployed due to Covid-19 meaning they worry. 25% of them are worried about affording their most basic household bills.

- The low affluent renters also have job titles that made it impossible for them to work from home such as cashier, caregiver and other health-related professional roles. This meant that 15% of this cluster has been going to work as usual, putting them at risk to contract the virus and adding to childcare worries.
- Their opinion of the government during the crisis has been less positive compared to the post family tribe. 39% of them believe that the government handled the lockdown fairly well, 8% points less than the Post Family tribe.
- When asked questions related to breaking the government's rules during lockdown, the low affluence renters are more likely to do so.

These two tribes are now more than ever experiencing vastly different socio-economic pressures and to treat them with the same messages as the government has chosen to do is probably an error. It would also be an error for retailers and brands coming out of Covid-19 lockdown to assume they can target with one message and tone of voice. The rules of engagement for communication have fundamentally changed.

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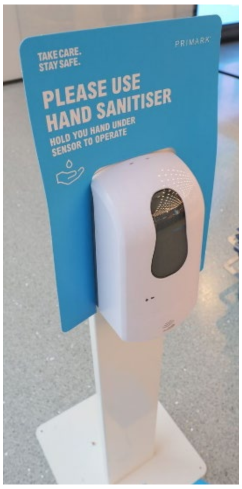
DIFFERENCES BETWEEN THE TWO TRIBES' SHOPPING BEHAVIOUR:

- 20% of post family feels very uncomfortable visiting shopping centres when they open versus 15% of the low affluent group.
- The post family group is planning to spend less in the next 12 months (47% will spend less than before the lockdown) while the low affluent group (50%) will spend the same as they did before.



- The low affluent group also tend to shop more online compared to the post family. 24% of this group tend to shop mostly online while 21% of the post family shops only offline.
- On the other hand, post family spend more money on food and regular household goods per week (from a minimum of £60 to more than £130). The low affluent group instead, spend from £10 to £40 per week on food shopping. 32% of the post family do their groceries once a week while the low affluent group have a tendency to visit supermarkets more often (33% visit them 2-3 times a week).
- Regarding online food shopping it's actually the post family group that use this service more than the low affluent one. 51% of the low affluent group shop only in store while only 30% of the post family do so. The post family group shops for food both online and instore (31%).
- 71% of the post family tribe spent more on e-commerce, 93% bought something via Amazon and 44% have Amazon Prime.

A LOCAL EXAMPLE

Towns such as Barrow in Furness and areas of London like Bromley have both suffered heavily in the Covid-19 pandemic. Barrow in Furness is the area with the highest r-rate currently and has seen one of the highest deaths per 100k population in the UK. Bromley on the other hand ranks in the top 20 for deaths with 328 on the latest count.

Coming out of lockdown for both areas will be difficult and most people will do this with trepidation given the impact it has had locally. However, this doesn't mean the two areas should be treated with the same messages and people here will have very different ways of dealing with the ease of lockdown and shops re-opening.

In Barrow in Furness retailers have used this opportunity to exit the high street for good with Poundland, M&S and Thorntons all shutting their doors. This leaves the local populace with a closed high street on the dawn of shops being allowed to re-open again. 80% of the population here are Somewheres, mixed between Low Affluent Renters and Post Family. Most of them have little money to spend on delivery fee's, online delivery slots therefore they need to reply on a local community and local retailers as national brands desert them.

Meanwhile, in Bromley, an area with 66% Anywheres, mixed between Elite Families and Young Adults/Students, there will be a desire to re-open shops, hit the online stores.

A different message will be needed here entirely. Brands that can deliver on convenience with one-hour delivery slots and different products to the norm could and will thrive here. Money isn't an issue here and people will pay for ease of delivery and ease of service.

Any national brands thinking of running a national message targeting all consumers should think about the differences in Bromley and Barrow. Yes, both have suffered, but the local population and who lives there and how they come out the other side will differ greatly.

POST LOCKDOWN COMMUNICATION RULES

We are at a tipping point; many rules have changed. Consumers are behaving differently and consuming a lot more media, whilst prices have halved on every channel apart from Google and Facebook. Technology allows very precise targeting. So, what should brands do?

- There will be an inevitable growth of direct to consumer and e-commerce, this needs to be frictionless and built into all communication strategies.
- Mix traditional and digital media channels, don't just focus on the last digital touchpoint, influence the whole consumer journey.
- Understand the world through your post lockdown customers eyes - review any segmentation created before lockdown, it will have changed.
- Use a mix of real time consumer data – solely using digital data can be misleading.
- Build from the bottom up – consumers are defiantly local and tribal. Strategies need to reflect these differences; any national brand needs to think through the Barrow and Bromley example.
- Love your existing customers – the most important people to win back are brand advocates who may have drifted during the lock down.
- Over-compensate and be genuine.
- Don't just talk the talk, walk the walk – too many brands make purposeful claims and fail to deliver locally. Consumers make judgements on real interaction.
- Prepare to fail – the world is so different; no-one knows what the future will be like.

WE'RE HERE TO HELP. PINTARGET ARE SPECIALISTS IN THE EMERGING WORLD OF HYPER-LOCAL AND ADDRESSABLE MARKETING, WE'RE HAPPY TO DEMONSTRATE TO DEMO THE NEW RETAIL TRIBES.