The Future of Retail
Opportunities for Brands in the New Normal
Introduction

As you’ve heard maybe a thousand times now, we’re living through truly unprecedented and uncertain times. On a macro level, industries around the world have suffered as COVID-19 stopped much of the world’s economy in its tracks. Retail, which has been in flux for a number of years from the shift from brick-and-mortar to ecommerce and a wave of direct-to-consumer (DTC) disruptors, is one of the most affected. High unemployment continues to diminish consumer spending while an enormous number of physical shops have closed with no clear picture on when or how to safely reopen.

Both retailers and consumers continue to struggle to adjust to the new normal, and everyone is concerned about what the future of retail will end up looking like. Already, the space has transformed—a record-breaking number of brands like Neiman Marcus, Lord and Taylor, and J. Crew have filed for bankruptcy, while big retailers like Target are closing stores on Thanksgiving for the first time in almost a decade. Digital commerce and engagement has become even more important as the majority of the world’s population is hunkered down at home for weeks at a time, as well as concerned about their health when going out. However, with these challenges come opportunities, and the global disruption created by the COVID-19 pandemic may prove to be the defining moment in the evolution of this dynamic industry.

In order to help retail brands navigate the current climate, Braze partnered with Wakefield Research and conducted an 8,000-person global survey to gain deeper insight into consumer behavior and perceptions. We also dug into Braze aggregate customer data to uncover how consumers’ shopping patterns have changed, what brands can do to increase customer retention, which actions actually drive revenue, and predictions on what the 2020 holiday season will look like.
Introduction

Our research found that COVID-19 has left a major mark on the consumer consciousness, reshaping how individual shoppers engage and think about the brands they patronize. **83% of consumers said that they planned to shop online as much or more** as during the height of the pandemic, which is illustrated by a **62% rise in mobile acquisition** (as defined by new users coming into retail and ecommerce apps). These new mobile users aren’t just browsing on their smartphones—they’re buying there, too, with users acquired via mobile 10X more likely to make a purchase and 12X more likely to make a second purchase.

However, this wave of new mobile customers doesn’t come without deep challenges: **Customers acquired during COVID-19 have an 82% lower retention rate** than those acquired during a non-COVID, non-holiday time period. Additionally, the vast majority of global consumers cited a brand’s pandemic response as a reason to drop them.

This data report will help retail brands assess the impact of COVID-19 on their customers’ behaviors and perspectives, provide them with actionable guidance on improving purchase and retention rates, and give them an advance look at the 2020 holiday landscape and what it holds for retail.

**Note on Methodology**

An online survey was conducted by Wakefield Research, on behalf of Braze, among 8,000 consumers in ten countries: Australia, France, Germany, Indonesia, Malaysia, Singapore, South Korea, Thailand, the UK, and the US.
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The Lasting Impact of COVID-19 on Consumers

Even though consumers were forced to adapt to the new normal overnight, a shift back to traditional shopping behavior will likely be slow, if it occurs at all. While a majority of consumers (86%) expect to feel comfortable shopping at brick-and-mortar stores within the next six months, our findings suggest that many of the new patterns may be permanent. In order to be successful, marketers must recognize this long-term evolution and adapt strategies accordingly.
Consumers Are Looking for New Brands to Love

Rather than finding comfort in the familiar, many consumers have gone in search of something new. During the pandemic, 26% of global consumers have tried at least one new brand. These aren’t one-off purchases, either: Nearly every consumer (95%) says they’re very or somewhat likely to buy from one of those new brands in the future.

The Top Reason for Repurchasing From a Brand, by Region

- **APAC***: 67% Better Quality
- **US**: 47% Better Availability
- **EUROPE**: 45% Better Value

*Australia, Indonesia, Malaysia, Singapore, South Korea, and Thailand
**France, Germany, and the UK
Yes, Everyone Went Online

As soon as physical locations began closing due to the pandemic’s spread, consumers shifted to online channels in order to continue their shopping habits, accounting for a 60% increase in acquisition from Q1 to Q2 2020. Outside of the COVID-era, we typically see a 15.5% increase QoQ.

Mobile acquisition is also up by 62% this year, showing that not only are customers adapting to digital, we’re seeing that a large number of them are also engaging with brands on mobile first.
Even as physical locations open back up, 83% of global consumers state they will continue to shop online the same amount—or even more.

29% Of Global Consumers Will Shop Online More

40% Of APAC Consumers Will Shop Online More

31% Of US Consumers Will Shop Online More

Top Reasons Consumers Prefer to Shop Online

53% Convenience

42% Limited Exposure to Health Threats

40% Better Prices
The Rise of Retail Apps

Mobile data experts Apptopia found that global downloads for 30 of its top retail apps saw a dramatic spike during April and May 2020, even exceeding the download numbers for the 2019 holiday season.

This increase is likely due to many consumers making their first digital purchase, (i.e. on a mobile or web app), because of COVID-19 restrictions. While not every one of these consumers will swear off in-person shopping, it’s likely many will continue to use digital platforms now that they’ve tried them, especially if the brands they patronized provided a memorable user experience.

Downloads for the Top 30 Retail Apps
Consumers Are Spending Again

When the majority of the US went into lockdown in April and May 2020, there was a sharp decline in both frequency and monthly spend per user, which had otherwise been on the rise since January. However, purchases look to be rebounding, as shown by June’s data.

The recovery isn’t isolated to the US market, either. Mastercard’s switched volume (i.e. how many transactions it processed) outside the US market was down just 5% year-over-year in the weekend ending on June 21. This is a sizable improvement from its 19% year-over-year (YoY) decline as of May 7. This suggests a global increase in spending, as Mastercard accounted for 24.5% of all global card purchases in 2018.

Another Way to Drive More Conversions

Strengthen your focus on brand humanity by leveraging tools like responsive messaging. Braze research has found that using API-triggered and action-based messaging drives up to a 5X increase in campaign conversion rates.

"Compared to a baseline of time-scheduled campaigns"
In the Midst of COVID-19, Brands Need to Work Harder to Earn Customer Loyalty

In today’s turbulent environment, consumers increasingly want to use their purchasing power to reward brands that demonstrate empathy and understanding of the world at large. No longer do they choose where to spend their money based on general awareness—only 10% of consumers rank “familiarity” as a top consideration. Now it’s not just about being known, but about what you’re known for.
Consumers Care How Brands Respond to COVID-19

One of the major factors affecting shopping behavior is how brands reacted to the peak of the COVID-19 crisis and the policies they’re enacting moving forward. The overwhelming majority of global consumers say they’re likely to switch from a brand due to their pandemic response (or lack thereof)—specifically, 89% of those in the US, 86% in EMEA, and 94% in APAC.

Furthermore, brands’ reaction to the crisis will be top of mind for consumers as the holiday season approaches. 26% of consumers say a retailer’s response during COVID-19 will be an important factor when choosing where to shop this holiday season, while 47% state each store’s current safety policies will inform their decision.

Likelihood to Abandon a Brand Based on Their COVID-19 Response by Age Group

- **95%**
  - Gen Z (18-23)

- **95%**
  - Millennials (24-39)

- **92%**
  - Gen X (40-55)

- **86%**
  - Boomers (56-74)
Other Reasons Consumers Drop Brands

Outside of their handling of the global health crisis, brands also need to be good stewards of the community to earn customer loyalty. Otherwise, consumers are quick to replace them with brands that align with their values.

Factors That Have Caused Global Consumers to Drop a Brand

- **24%** Mistreating Employees
- **24%** Polluting or Damaging the Environment
- **17%** Taking a Political Stance They Disagree With
- **13%** Not Taking a Stand on Certain Issues

Remember, Your Customers Are People First

Many people, especially in the US, are still struggling with serious health risks, personal financial challenges, and anxiety as a result of the pandemic. Empathy is key and brand humanity—how human your brand’s communication feels—is more important than ever if brands want to speak to their customers without alienating them.

Things to Keep in Mind:

- When consumers are under stress, broken or frustrating brand experiences can feel particularly inconsiderate and thoughtless.
- Speak to your customers as a human being. If they feel you don’t understand them, they’ll look elsewhere.
- Retail customers are 1.7X as likely to make a purchase from brands that successfully demonstrated human communication.
Customers Acquired During COVID-19 Are Quick to Disengage

When analyzing retention data for May against the same month last year, we found that declines in new user retention during COVID-19 became markedly deeper during the first 90 days of engagement. After two months, customers acquired during COVID-19 have an 82% lower retention rate than those acquired during a non-COVID, non-holiday time period. Most dramatically, over 50% of new users acquired during the COVID era have already churned.
Mobile-First Customer Retention

While consumers are more likely than ever to jump ship, there are many actions brands can take to improve retention for customers acquired during COVID-19. For example, users who opted in to receive push notifications had more than 4X higher 30-day retention rates than their counterparts who didn’t have push enabled. Additionally, users acquired via mobile were 10X more likely to make a purchase and 12X more likely to make a second one, compared to users acquired via other sources.

Things Your Brand Can Do to Drive More Revenue

Double down on mobile to set up your holiday campaigns for success. Braze data shows your mobile users are more likely to make purchases, so now is the time to run app download campaigns, experiment with in-app messages, or create cross-channel campaigns with the goals of driving additional push opt-ins. By the time the holiday season starts, you’ll have engaged users primed for multiple messaging channels and ready to hear from your brand.

Users Acquired Via Mobile

- **10X** More Likely to Make a Purchase
- **12X** More Likely to Make a Second Purchase
Generational Differences Among Consumers

In order to better understand consumers and their expectations, we took a look at the preferences and behavior of each generation. Not all brands serve people of all ages, but even those that do can better serve their consumers by recognizing trends in important segments of their audience.

For example, price is of the utmost concern for Gen Z: 45% ranked it as a top consideration, compared to only 28% of Millennials, 29% of Gen X, and 30% of Boomers.
What Percentage of Consumers Are Very Likely to Repurchase From a New Brand They Tried Due to COVID-19?

- Gen Z (18-23): 45%
- Millennials (24-39): 54%
- Gen X (40-55): 60%
- Boomers (56-74): 40%

Millennials and Gen Z, who are just now maturing into their prime spending years, hold a combined purchasing power of $366.5 billion in the US. Their shopping behavior is a lot different than older generations and retailers need to be smart about how they engage with them.

Increase Conversions by Personalizing at Scale

Use dynamic content tools, like the Braze platform’s Connected Content feature, to personalize messaging to fit the preferences of each audience segment (such as different generations). You can easily send emails that highlight each customer’s recently-favorited purchases, deliver personalized recommendations, or even translate messaging to your audience’s language preference.
What Causes Consumers to Drop Brands Differs by Generation

Percentage of Each Generation That is Extremely or Very Likely to Drop a Brand Based on Their Response to Employees or Customers During COVID-19

- **35%** Gen Z
- **43%** Millennials
- **34%** Gen X
- **20%** Boomers

Percentage of Each Generation That Left a Brand Due to Poor Environmental and Sustainability Practices

- **31%** Gen Z
- **29%** Millennials
- **23%** Gen X
- **17%** Boomers
Unsurprisingly, Gen Z Is Least Likely to Return to Stores (aka Most Likely to Stay Online)

Percentage of Consumers That Are Still Willing to Shop for Food and Beverage in Stores Despite COVID-19

- **Gen Z**: 66%
- **Millennials**: 73%
- **Gen X**: 78%
- **Boomers**: 82%
Brands Need to Prepare for a Very Different Holiday Season

Mirroring the last few months, retailers should anticipate a holiday season marked by low purchases, an increase in consumer expectations, and a focus on supporting small businesses.
What to Expect for the 2020 Holiday Season

42%
Of consumers said they expect to slightly or significantly decrease their spend this holiday season.

17%
Of consumers plan to slightly or significantly increase spending this year.

37%
Of consumers said they will do almost all or most of their shopping at small or local retailers, with 47% of Millennials stating they plan to shop small this holiday season. While consumers want to shop online, 48% of consumers said “supporting local retailers” is one of the reasons that would convince them to shop in-store.

Start Prepping for the Holidays Now

Design campaigns now that set up your holiday campaigns for success later. For example, start a (simple) loyalty program to deepen your relationship with your customers in the months leading up to the holidays. Once you have engaged users, you can offer promotions like earning double points during the shopping season.
A Quick Comparison of COVID-19 and Holiday Retention Rates

To better understand what retail brands can expect for the holiday season, we compared COVID-19 retention rates to previous holiday and non-holiday rates.

With retention during the COVID-19 era falling below even traditional holiday patterns, there’s strong reason to worry that retailers may be facing an essential season characterized by less-loyal users with less inclination to buy.

These headwinds mean that as brands begin to plan their holiday campaigns, it’s essential for them to focus on building out effective onboarding and lifecycle marketing programs. This high-touch, customer-centric approach can help to lower overall acquisition costs by reducing new user churn and increasing the chances that customers re-engage and make additional purchases in this key season and beyond.
Retail brands should take advantage of the recent increase in users acquired via digital channels during COVID-19 to boost the impact of their upcoming campaigns.

**Things to Keep in Mind:**

- **CROSS-CHANNEL IS KEY:** To be effective, your customer engagement strategy requires a cross-channel approach. By leveraging email alongside mobile push, in-app messages, and other channels, your brand can drive 800X higher engagement rates.

- **FOCUS ON NEW CUSTOMERS:** While intent to purchase is low, newly acquired customers are still meaningful to your brand—80% of all users that made a purchase since March were new buyers.

- **LONG-TERM RETENTION STARTS NOW:** Prioritizing retention now increases the chances that new users will shop with you during the holiday season.

- **ADJUST YOUR BUDGET:** You may have lower acquisition costs because you are not as focused on retargeting or reacquiring users.

- **STRATEGY OVER PROMOTIONS:** You may not have to give as many discounts outside of your standard holiday promotions.
Conclusion

As a result of COVID-19 and the rapidly shifting retail landscape, the 2020 holiday season is poised to be different than any season before it. While brands work to overcome new and deepening challenges, it’s important to remember the stress that those same challenges are placing on their customers. The world we’re all living in isn’t the “new” normal anymore—increasingly, it’s just what normal looks like—and brands need to evolve their engagement practices to meet the rising expectations of empathy and consideration that customers crave, now more than ever. By focusing on that human connection, listening for the right signals, and choosing empathy over aggressive tactics, retail brands can find ways to move forward and be a voice for better, more empathetic customer/brand relationships in a post-COVID world.

Ready to Continue the Conversion?

Check out how innovative retail brand Overstock drove 21% higher conversion rates with the Braze platform’s dynamic content feature.
Methodology

The global consumer survey was conducted by market research firm Wakefield Research between 7/3/20-7/13/20 using an email invitation and online survey. Responses represent views from 8,000 consumers across ten markets: US (2,000); UK (2,000); France (500); Germany (500); Singapore (500), Indonesia (500), Malaysia (500), Thailand (500), South Korea (500), Australia (500). Respondents include 1,214 Gen Z-ers (ages 18-23), 2,078 Millennials (ages 24-39), 2,399 Gen X-ers (ages 40-55), 2,115 Baby Boomers (ages 56-74) and 194 Silents (ages 75-92). The data has been weighted to ensure an accurate representation of adults, 18 and older, for each country. Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 2.2 percentage points in the US and UK and 4.4 percentage points in all other markets from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

Braze internal app usage, engagement, retention, acquisition, and purchase data were collected from 1.9 billion users acquired between May 2019 and mid-July 2020 across 91 unique Retail and eCommerce brands. Retention methodologies followed either rolling (unbounded) or monthly range retention methodologies. Purchase analyses measured the behavior of customers that made any in-app purchase from May 2019 to mid-July 2020. Data referenced as “COVID-Era” refers to data from March to July 2020; data referenced as “Non-COVID Holiday” refers to data from U.S. Thanksgiving until January 1st, 2020; data referenced as “Non-COVID, Non-Holiday” refers to any other period from May 2019 to now.