Sagacity

# New World, New Customer

*Retail Trend Report 2017*

Understanding consumers, what makes them tick, what turns them off - and perhaps most importantly - what makes them trust you has never been more important.

Back in 2013 we conducted our first "trust survey". The goal? To try and hone down and identify which brand behaviours create a more positively disposed and trusting consumer as well as identifying those activities which have the opposite effect and drive customers and prospects into the arms of your competitors.

Why trust? Because trust is becoming the defining factor in creating lifetime value. In a world of increasingly commoditised relationships, creating trust with consumers allows you to have a more intellectual relationship based on both experiential delivery as well as emotional engagement. This allows brands to create an intellectual property around their unique selling points (great service, great products and understanding) which in turn creates loyalty.

Yes, we know, loyalty seems like an old fashioned word…BUT with the arrival of GDPR next May, the need for greater openness and transparency - and an ever demanding and informed consumer - means that those brands that can create a communications strategy that is agreed, informed and consensual will be the brands that succeed.

There is clear evidence, within this survey, that brands who have long standing and effectively engaged loyalty schemes are now doing significantly better than brands that don't.

We hope that you find the following report interesting and inspiring. Please do share any feedback you have and if you want to talk to us about how to engage with your customers as we enter the final stages of the General Data Protection Regulations implementation, you can find our contact details below.

## Introduction - The Retail Roller Coaster

At the mercy of economic forces and changing consumer habits and expectations, these are challenging times for UK retailers. A combination of tax increases, rising costs, fierce competition and a squeeze on consumer spending is threatening to wipe out thousands of British retailers, with a string of familiar high street names expected to go into administration this year.

The demise of high street stalwarts BHS, fashion brand Jaeger and Poundland's 99p stores is the tip of the iceberg. According to insolvency firm Begbies Traynor, nearly 23,000 retailers were under significant financial stress at the end of the first quarter of 2017.

Expectations are higher than ever and the channels to express discontent are now manifold, easily accessible and freely available. Never before has an individual had the power to reach millions and potentially damage a brand - with 140 characters and a well-placed hashtag.

> Modern consumers are a fickle and savvy bunch - the advent of the 'always on' society and the conviction that you can find it cheaper online have dramatically changed buying behaviour.

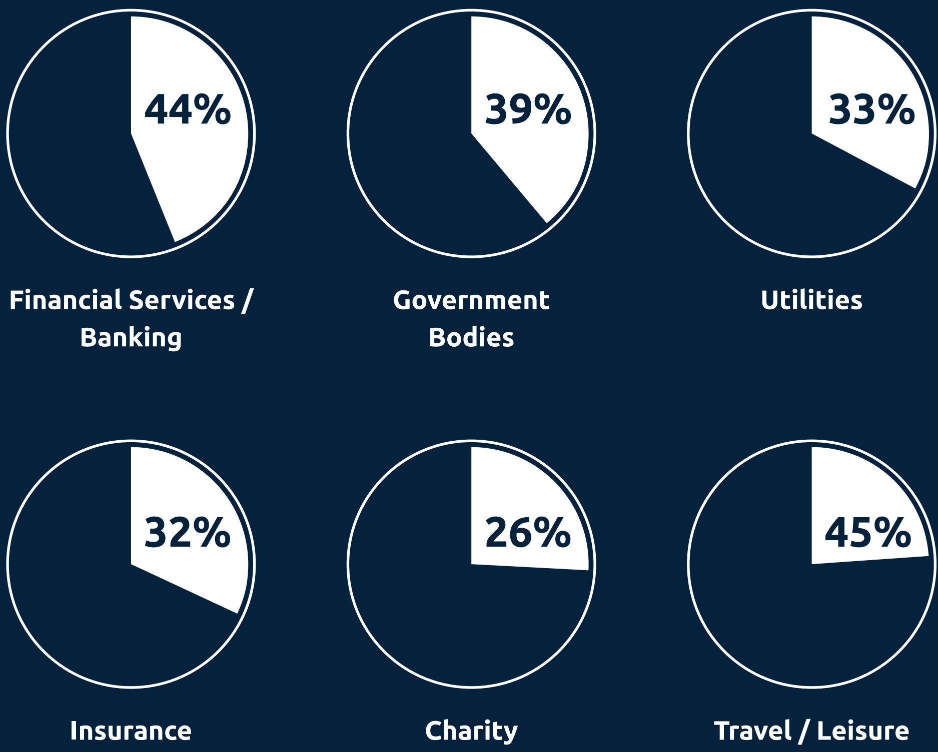
But it's not all doom and gloom. Those retailers which have adapted to meet the changing needs and expectations of consumers are faring better. Online sales, for example, are increasing year on year – reaching £133bn in 2016 - a 16 per cent increase on the previous year.

It is against this backdrop of unprecedented change that we have commissioned a follow-up to our 2013 Retail Trend Report. In the four years since the last round of research the world has changed, technology has changed, consumers have changed and the volume of data available has exploded.

# People still trust their Bank Manager!

**Q: How likely are you to trust the following sectors with your personal data?**

*Rate on a scale 1 - 6*

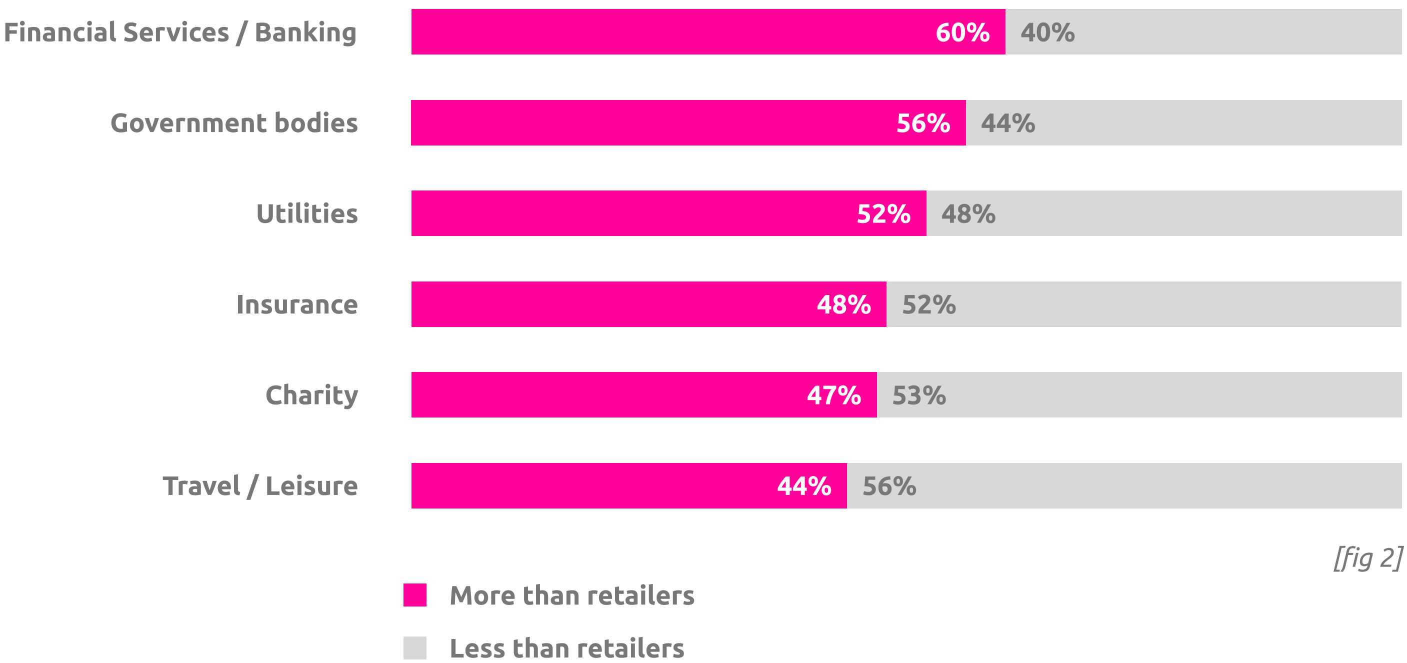



*[fig 1]*

To set the scene, we were curious to know how other sectors were perceived in terms of trust – in their own right [fig 1] and compared to retailers [fig 2].

Financial Services/Banking were rated most highly for trust at 44%, followed by Government Bodies (39%) and Utilities (33%) and Insurance (32%). Of the sectors included, Charities and Travel/Leisure were rated the lowest.

**Q: Do you trust these sectors more or less than retailers?**




*[fig 2]*

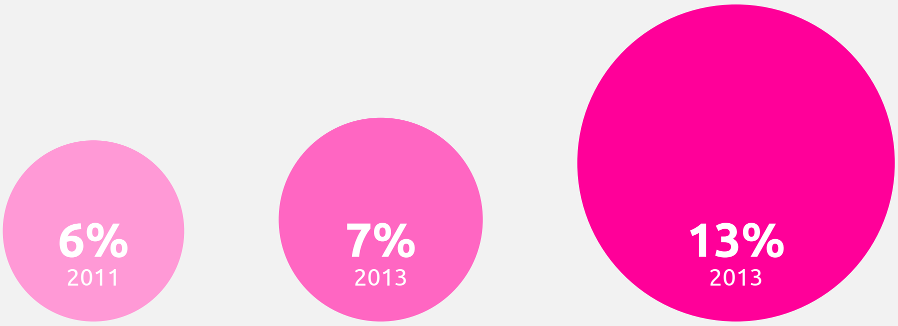
Retailers would sit in 4th place – with Financial Services/Banking, Government Bodies and Utilities perceived as more trusted than retail. Charities have been at the sharp end of some high profile data controversies recently which have clearly dented their reputation for trust.

# You talking to me?

**How are marketing communicationsfrom retailers perceived?**

**Q: Thinking about marketing information that you receive from retailers, on average how often is the information you receive appropriate and relevant to you?**

**Relevance of communications**
*Top 2 scores*




*[fig 3]*

Today, we have at our fingertips more data than a CDO could dream of. Everything that we do as consumers has some sort of data output connected to it, whether that be transactional, interactive, transitive or opinionated.

But has the abundance of data translated into more targeted marketing from retailers? Or more importantly, consumer perception of that communication?

The good news is that between 2013 and 2017 people increasingly feel that the communication they receive from retailers IS appropriate and relevant to them, almost doubling in the intervening years - albeit in relatively small numbers (rising from 7% to 13%).

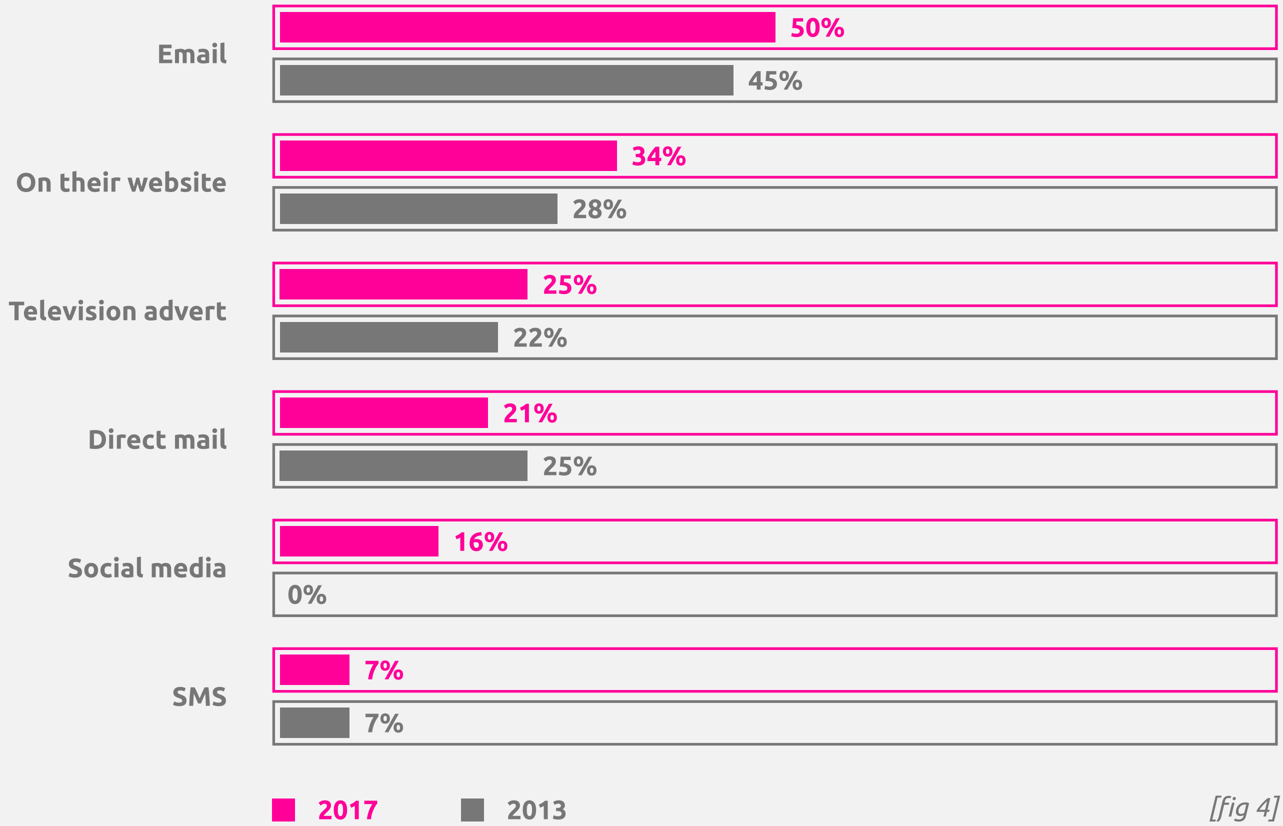
Retailers can take heart from this positive trend but clearly there is still plenty of room for improvement!

# Email

**"Rumours of my deat are greatly exaggerated"**

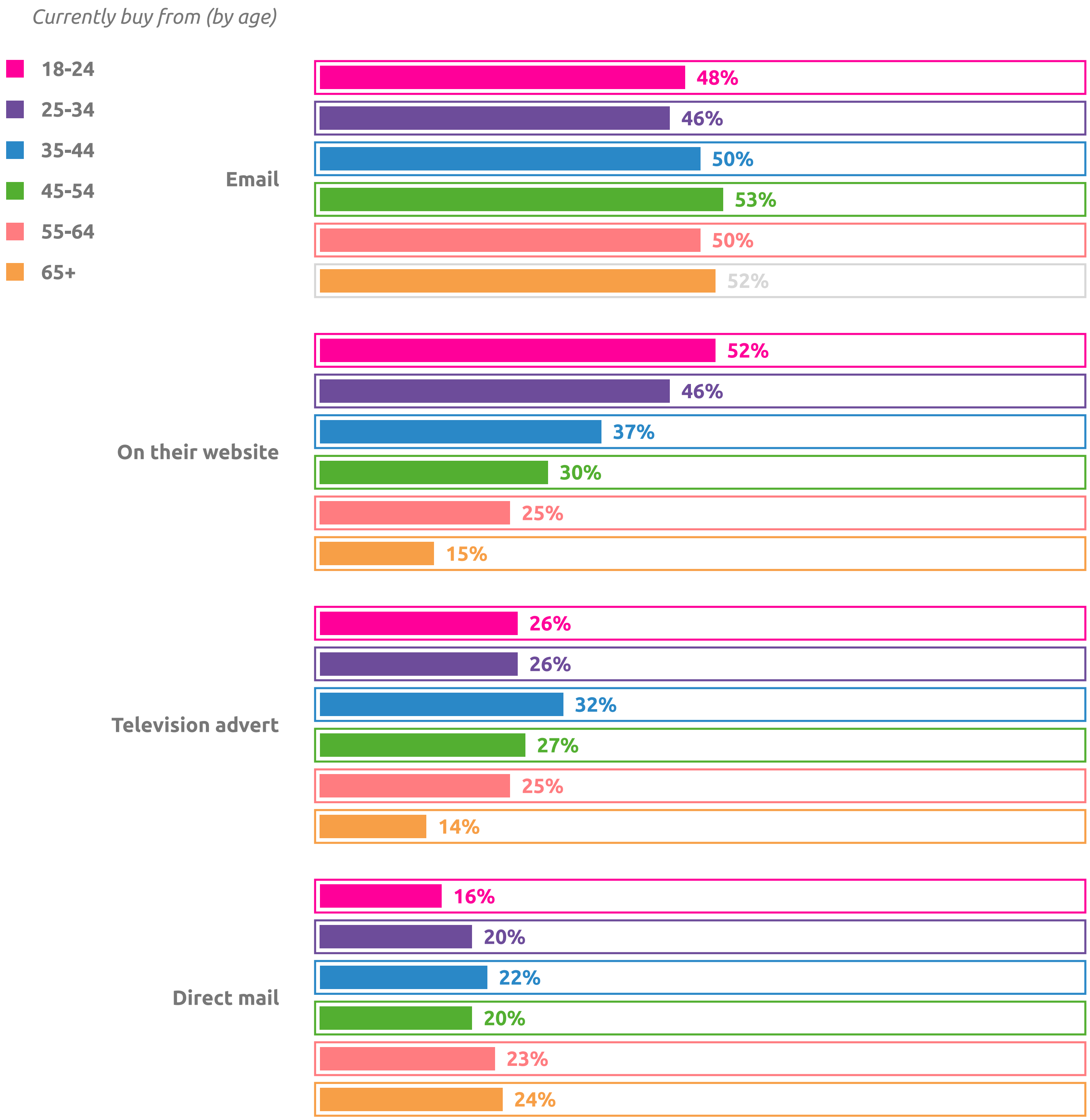
**Q: How do you currently prefer retailers to tell you about new products, offers, promotions?**

*Currently buy from (by year)*




*[fig 4]*

Despite the tendency to demonise email, our results show there is still a strong preference for this channel for communication from retailers - with 50% of respondents selecting it as their preferred one. In second place was sourcing information and offers via retailer websites (34%) followed by TV advertising (25%) and Personally Addressed Direct Mail (21%). Good to see a non-digital channel still holding its own.


Currently buy from (by age)
18-24
25-34
35-44
45-54
55-64
65+
Email
48%
46%
50%
53%
50%
52%
On their website
52%
46%
37%
30%
25%
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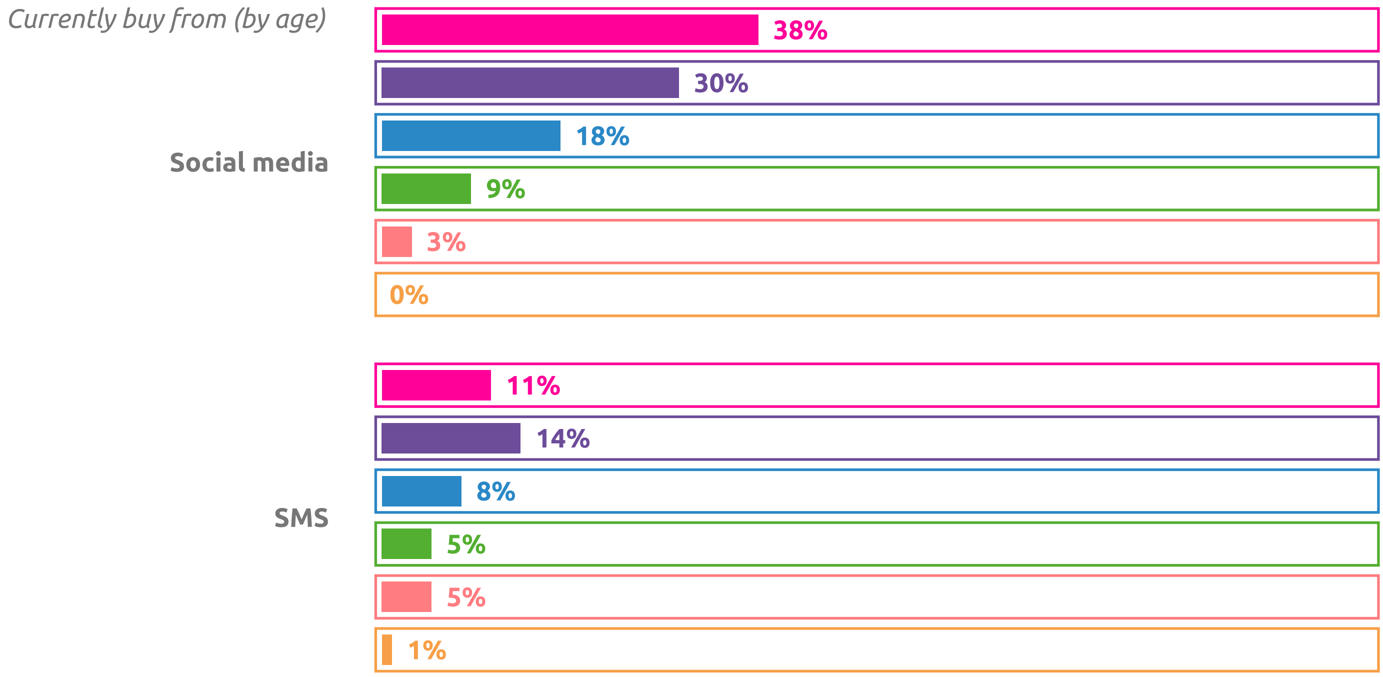



[fig 5]

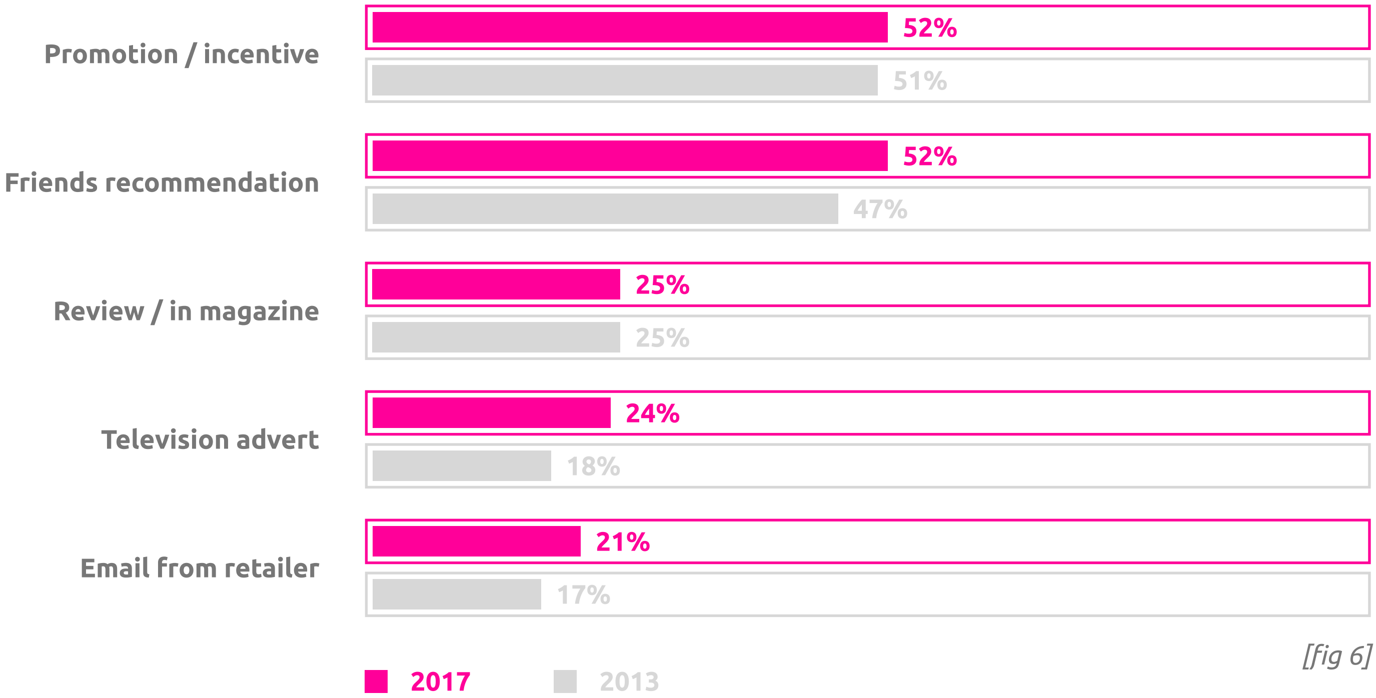
Social media, at 16% overall, was selected as 3rd most preferred channel to hear from retailers by 18 – 34 year olds after website and email, significantly more than any other age group.

Social Media was not selected at all by respondents 65 and older. SMS was rated as least preferred with almost all age groups - too invasive perhaps?

# Motivation, Motivation, Motivation

**Q: What of the following is most and least likely to motivate you to buy?**

*Used rating scale 1 - 6*




*[fig 6]*

No surprises here - promotions and incentives and friend recommendations came out joint first for what motivates people to buy amongst all age groups (at 52% each) – consistent with 2013 results. Reviews in magazines and TV adverts were joint second with 25%.

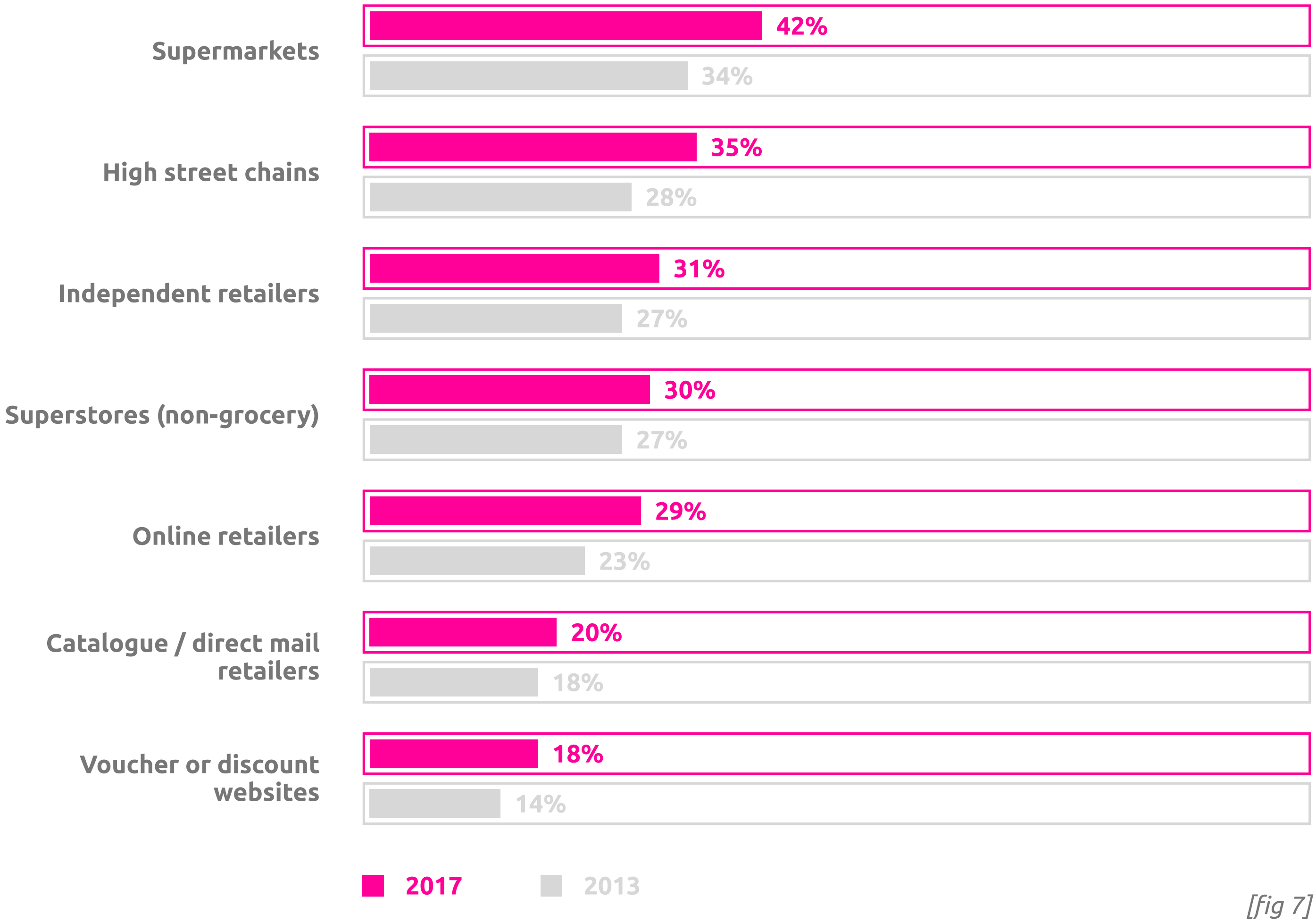
Email rated in 3rd place at 21% closely followed by Direct Mail with 20%. Surprisingly, social media was rated 7th overall as a trigger for purchase, reflecting only an 8% uplift since 2013. Less surprising, it was rated more highly by Gen Y and X respondents (18 - 24 and 25 – 34 age groups) at 38% and 27% respectively than respondents 35 years and older. SMS text was rated the lowest overall as a motivation to purchase at 12% - with minimal change compared to 2013 (11%).

Promotions/incentives & friend recommendations most encourage people to buy.

# How are different types of retailers rated for trust?

**Q: Which type of retailer do you most trust with your personal customer details?**

*Used rating scale 1 - 6*

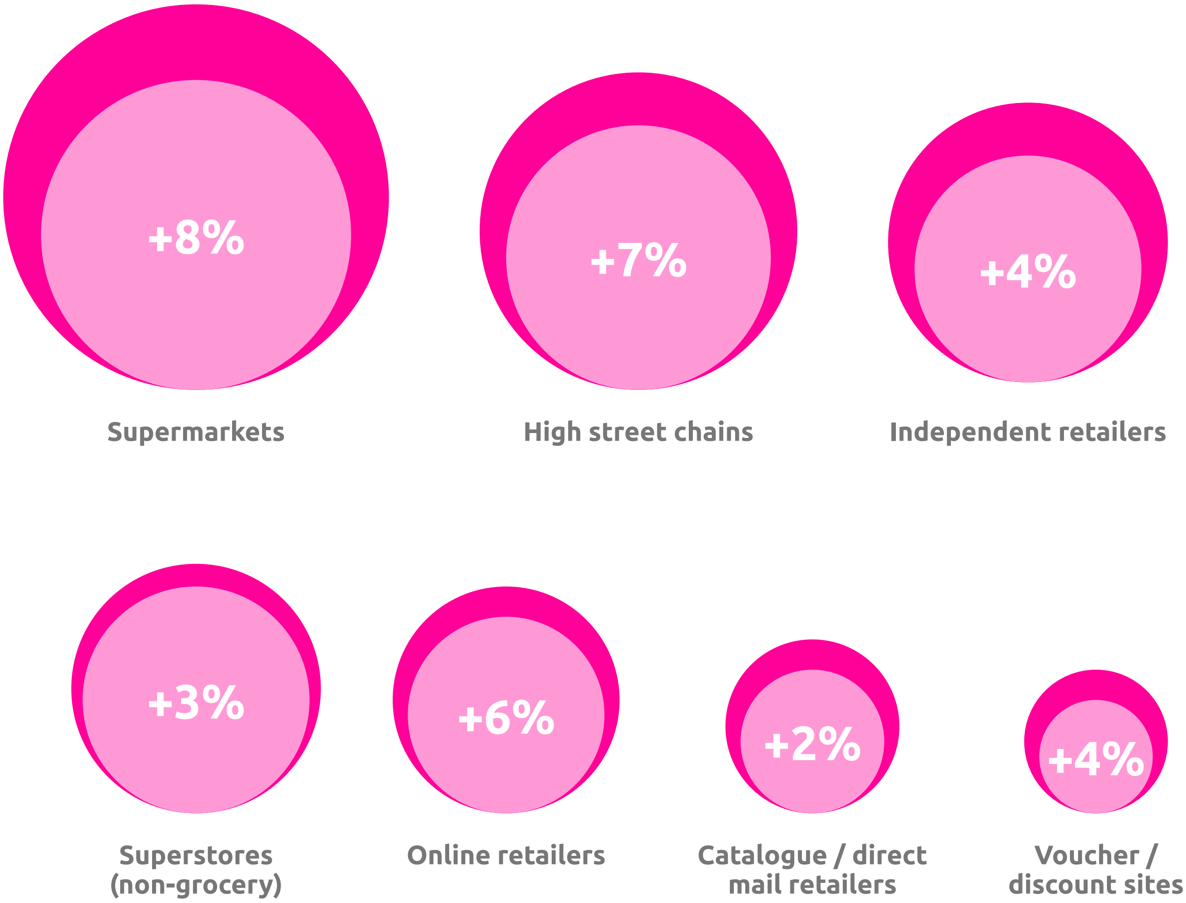



*[fig 7]*

The good news for retailers is that trust has increased amongst ALL types since 2013.

**Q: Which type of retailer do you most trust with your personal customer details?**

*Please use a scale where 1 is Most and 6 is Least*

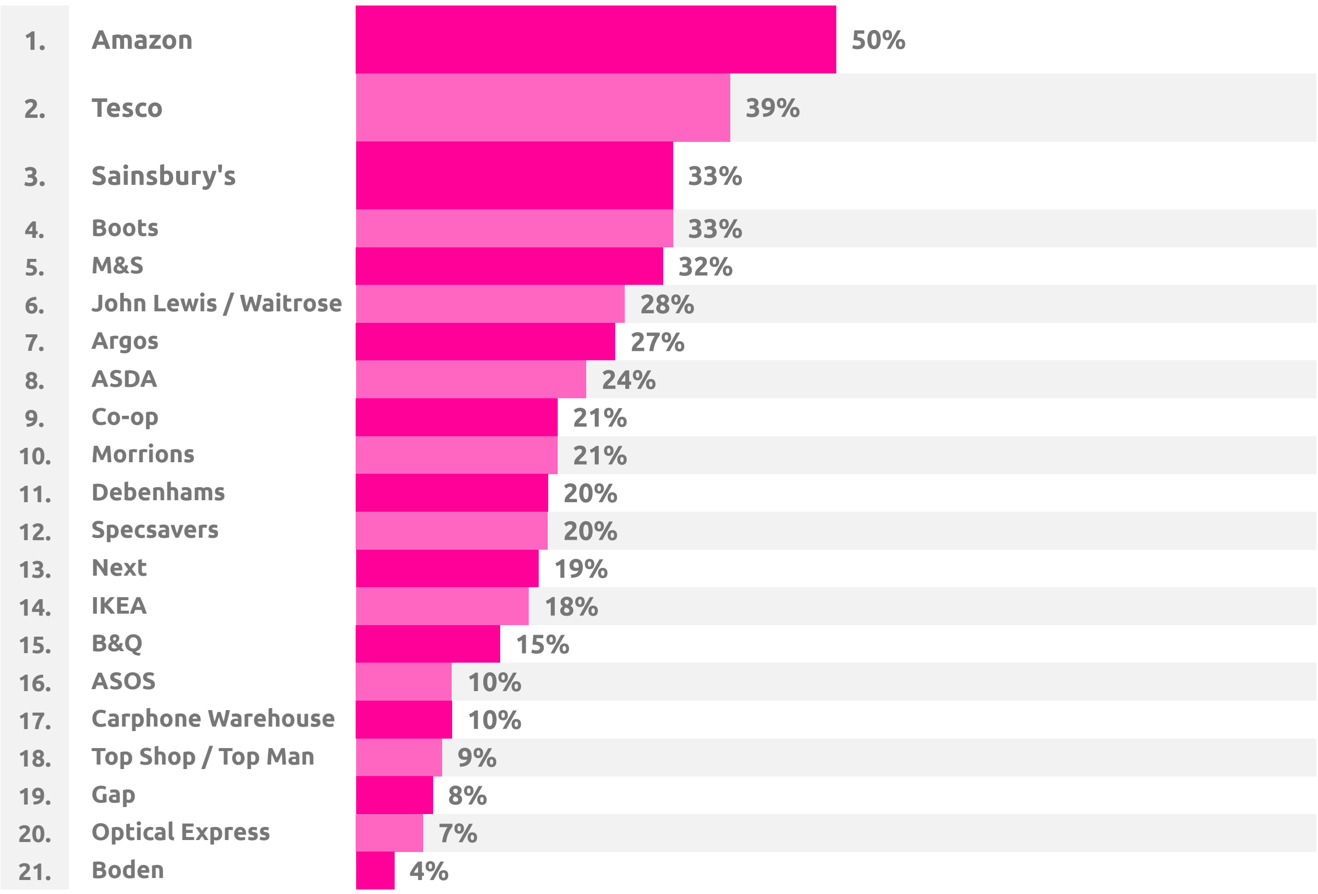



*[fig 8]*

Well done to supermarkets, topping the list as the most trusted of all retailer types - at 42%, compared to the second most trusted - High Street Chains - at 35%. Flying the flag for nonchain retailers, Independents were rated in 3rd place beating non grocery Superstores and Online retailers.

# And the winning brands are...

**Q: Which of the retailers listed do you most and least trust with your personal data?** *Tick all that apply*




*[fig 9]*

50% of consumers trust Amazon with their personal data, 39% trust Tesco – the highest ranked Supermarket, followed by Sainsbury's, Boots and M&S. And the winner for the most trusted retail brand is….Amazon!

## The Amazon effect

**It's all about you**

Since its UK launch in 1998 Amazon has come to occupy a unique position in the retail space. So, what is it that Amazon do that puts them consistently in the number one spot (according to our survey results in 2013 and 2017) as most trusted used brand in consumer eyes despite being a purely online retailer?

Firstly, trust is experiential. 78% of respondents have bought from Amazon in the last 12 months. Add to that the fundamentally simple proposition that Amazon has: you want something, we have it, we can send it to you - today if you want. Simple!

*"84% of consumers are more likely to choose retailers that offer customer loyalty programs."*

**Get with the program: Perspectives on Retail Loyalty Participation and Perks**
Nielsen, November 2016

**Q: Which of these retailers do you trust with your personal data?** *Please tick all that apply*

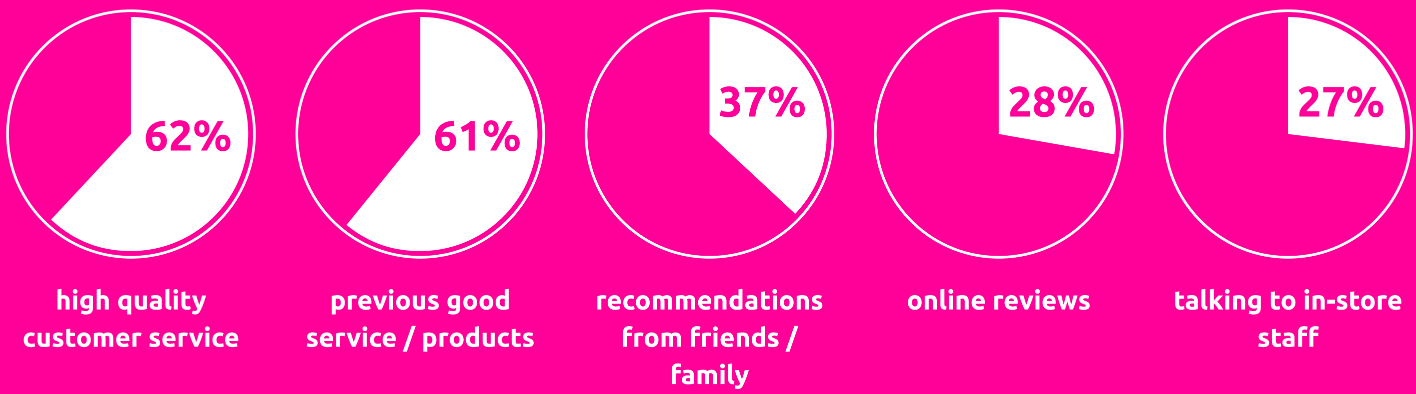
| Ranking | Brand | Loyalty Programme | Year Launched |
|---|---|---|---|
| **1** | Amazon | N/A | N/A |
| **2** | Tesco | Clubcard | 1995 |
| **3** | Sainsbury's | Nectar | 2002 |
| **4** | Boots | Advantage | 1995 |
| **5** | M&S | Sparks | 2016 |
| **6** | John Lewis / Waitrose | My Waitrose | 2011 |
| **7** | Argos | N/A | N/A |
| **8** | ASDA | Cashback card | 2016 |
| **9** | Co-op | Points | 2016 |
| **10** | Morrisons | More | 2014 |

*[fig 10]*

## Trust in me

Again, no surprise from our research results here! Consumers rate High Quality Customer Service and Previous Good Service/Product as the most highly rated factors influencing levels of trust. Followed by recommendations from friends and family. Put simply, meeting expectations – doing what you say you are going to do and doing it well - is the key to engendering trust and loyalty.

**Q: What makes you trust a retailer?**



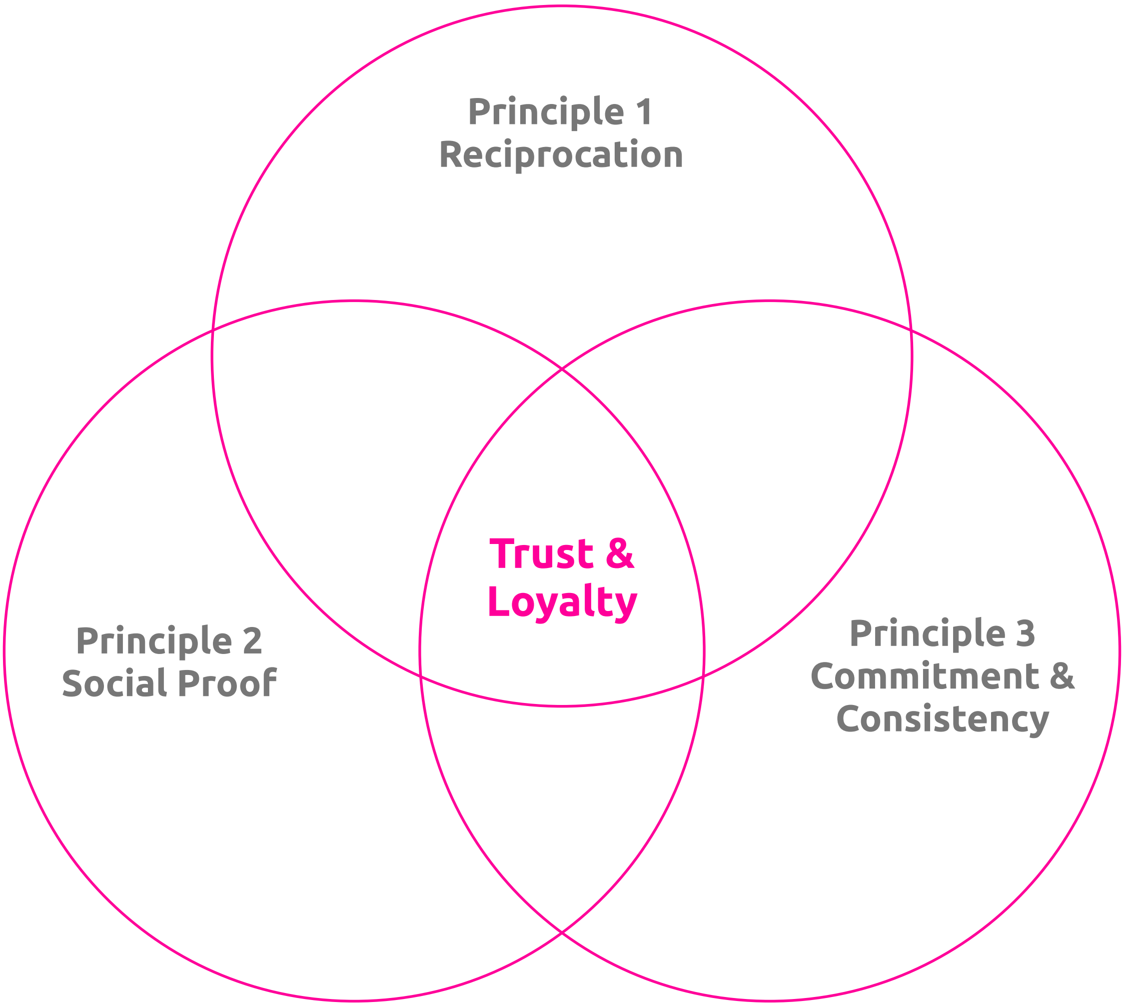

*[fig 11]*

So what engenders consumer loyalty and trust? According to our survey, it's a combination of incentives, recommendation and quality of service…

Looking more closely at those top performing brands (but excluding Amazon) you'll see that there is a direct correlation between those brands with mature loyalty/affinity schemes and those that are more trusted by consumers.

The most highly rated factors when it comes to trusting a retailer were quality of service/products and friend recommendations. Incentives and Friend Recommendations (again!) were the top two motivators for purchase.

Combining the results of our research with some theory borrowed from B Cialdini's Six Principles of Influence, points to a magic formula for Trust and Loyalty [fig 12].




*[fig 12]*

**Principle 1**
**Reciprocation**
Our results show incentives are a key influence on decision to purchase

**Principle 2**
**Social Proof**
Our results rate recommendation highly as an influence on both trust and purchase decisions

**Principle 3**
**Social Proof**
Rated most highly as an influence on trust was 'high quality service' and products i.e. doing what you say you are going to do, every time!

# The Future Looks...
# Bright!

As we hurtle toward a new legislative framework, the spotlight is about to be shone, like never before, on how brands use consumer's data and what they intend to do with it.

The good news…the retail sector is doing better – but only to the extent that it is keeping up with consumer's demands and wishes. The perception of the relevancy of communication has doubled since 2013 – but this is still way too low (86% of respondents rated communications as not always relevant).

What genuinely engages consumers is timely, relevant and accurate communications - through an expressed and preferred channel. Frequency of transaction provides a significant advantage when earning trust – a simple proposition – simply and consistently delivered.

Loyalty schemes that provide buyer advantage also allow you as a brand to deliver on a promise and this adds value to a relationship and engenders trust with customers.

There are many challenges in the retail sector. The future, wherever it might take us, looks increasingly complicated and by no means easy. But surely by building on a platform of openness and transparency, delivering on your promises and communicating with consumers on their terms - opportunities will abound and the future looks bright!

## Research conducted by Fast.Map

The research was conducted amongst 2000 nationally representative UK adults (aged 18+) in May 2017 by fast.MAP. The results have been weighted to nationally representative criteria.

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