

ANALYST REPORT

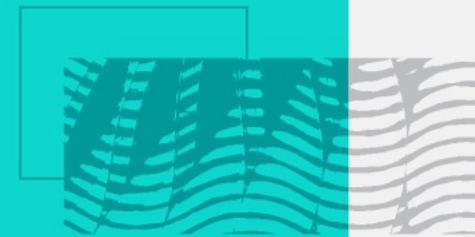
The State of Retail and E-Commerce

How the pandemic accelerated inevitable shifts in the way
customers shop and the role of physical stores

Q1 2022



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EXECUTIVE SUMMARY

Consumer comfort with in-store shopping is rising as online sales growth stabilizes after a period of pandemic-driven acceleration. Retailers must reassess consumers' shifting shopping priorities and behaviors to determine the path forward.



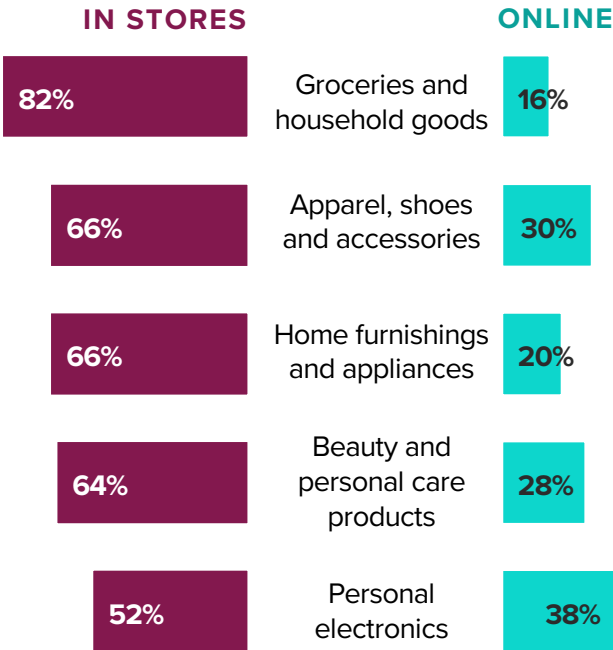
Morning Consult's new quarterly report The State of Retail and E-Commerce tracks evolving consumer shopping behaviors and expectations, and interprets what they mean for the industry's future.

Last year, total sales for U.S. retail were up 19.3% from 2020, despite the dual fourth-quarter headwinds of inflation and supply chain challenges.

Increasing dependence on online shopping helped sustain sales, but spending is rebalancing as consumers become more comfortable with in-store shopping and return to service-sector spending.

Based on survey interviews with more than 8,000 adults across the U.S., Europe, Mexico, Australia and China, this report provides insight into consumer trends that will shape retail's new normal.

Respondents were asked how they prefer to shop in each category



Survey conducted Jan. 26-27, 2022, among a representative sample of 2,212 U.S. adults, with an unweighted margin of error of +/-2 percentage points. Chart excludes respondents who answered "I don't buy products from this category."

KEY TAKEAWAYS

1

Comfort with in-person shopping is growing, and most people still prefer physical stores.

Investment in digital tools to meet consumers where they were — in their homes, for much of the last two years — was not for nothing. Shoppers' journeys will increasingly bridge digital and physical channels.

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3

Consumers aren't driving the push for faster delivery.

The competition for ultra-fast fulfillment in the grocery sector is heating up. If consumer expectations shift, all retailers will be impacted — but for now, people are generally happy with delivery speeds.

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2

The growth of online shopping has largely plateaued.

The continued growth of online shopping will require investment in digital product discovery. Emulating the tactile experience of in-person shopping will be the next big challenge for online retailers.

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4

Failure to differentiate could be the death knell for brick-and-mortar stores.

This report reveals what drives key demographics to shop online or in person. The future of physical stores lies in off-price expansion and high-end experiences, with little value in the middle.

[READ MORE](#)



A grayscale photograph of a person's hands using a credit card at a payment terminal. The person is wearing a light-colored sweater. The background is blurred, showing what appears to be a retail or office environment. The image is overlaid with a dark gray semi-transparent layer where the text is located.

SECTION 1

STORE COMFORT IS RETURNING

How the “return to normal” is impacting consumers’ channel preferences

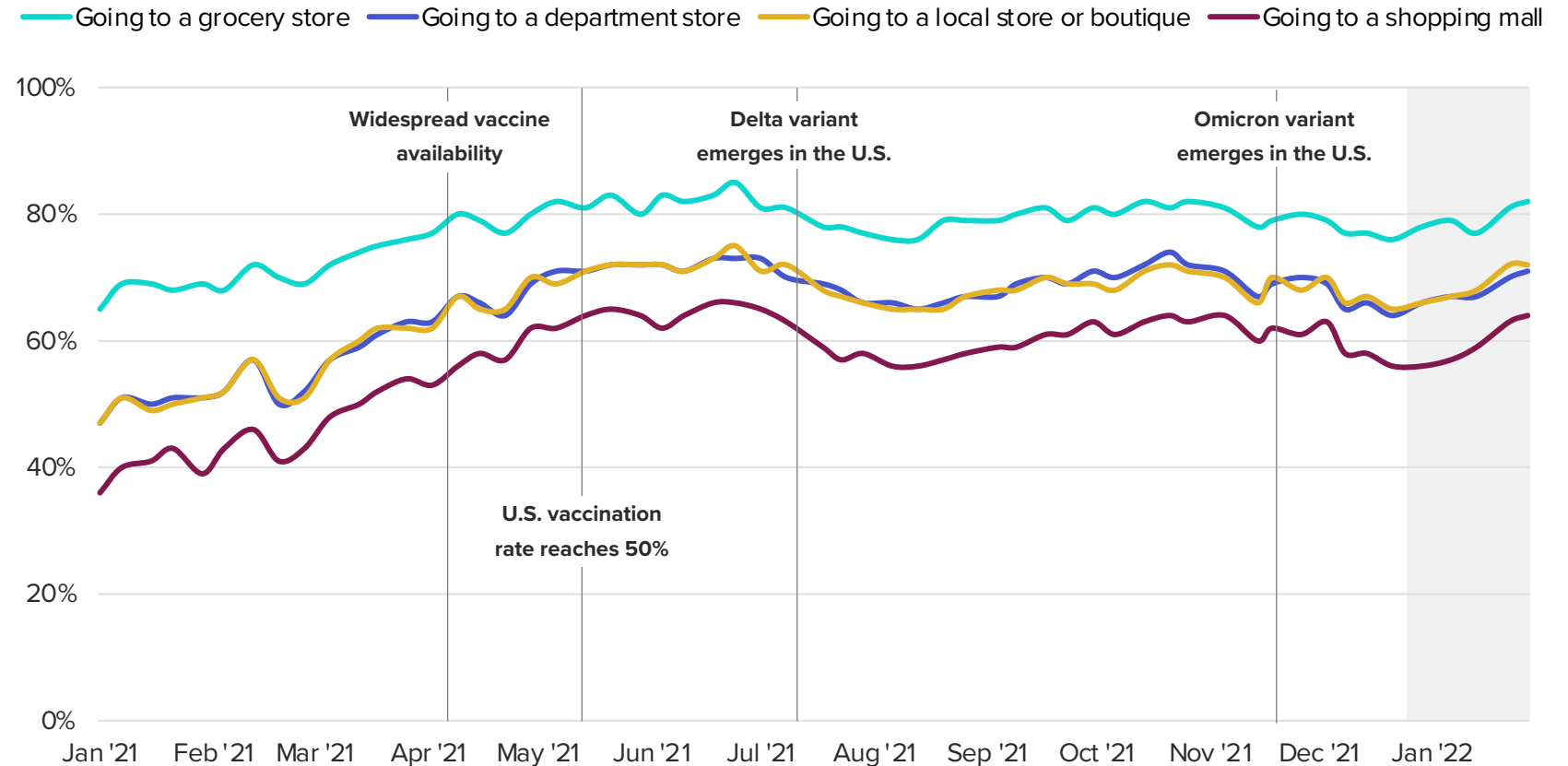
IN-STORE SHOPPING COMFORT HAS GRADUALLY RECOVERED

After months of stagnation amid the delta and omicron variants, U.S. consumers' comfort with brick-and-mortar shopping is finally approaching the high-water mark reached in summer 2021. Still, shoppers have had two years to embrace new paths to purchase, so the role of digital channels in shopping won't revert to pre-pandemic levels despite the return of casual shopping trips.

Regional variability of COVID-19 infection rates and mask mandates means retailers' communications plans should continue to prioritize health and safety.

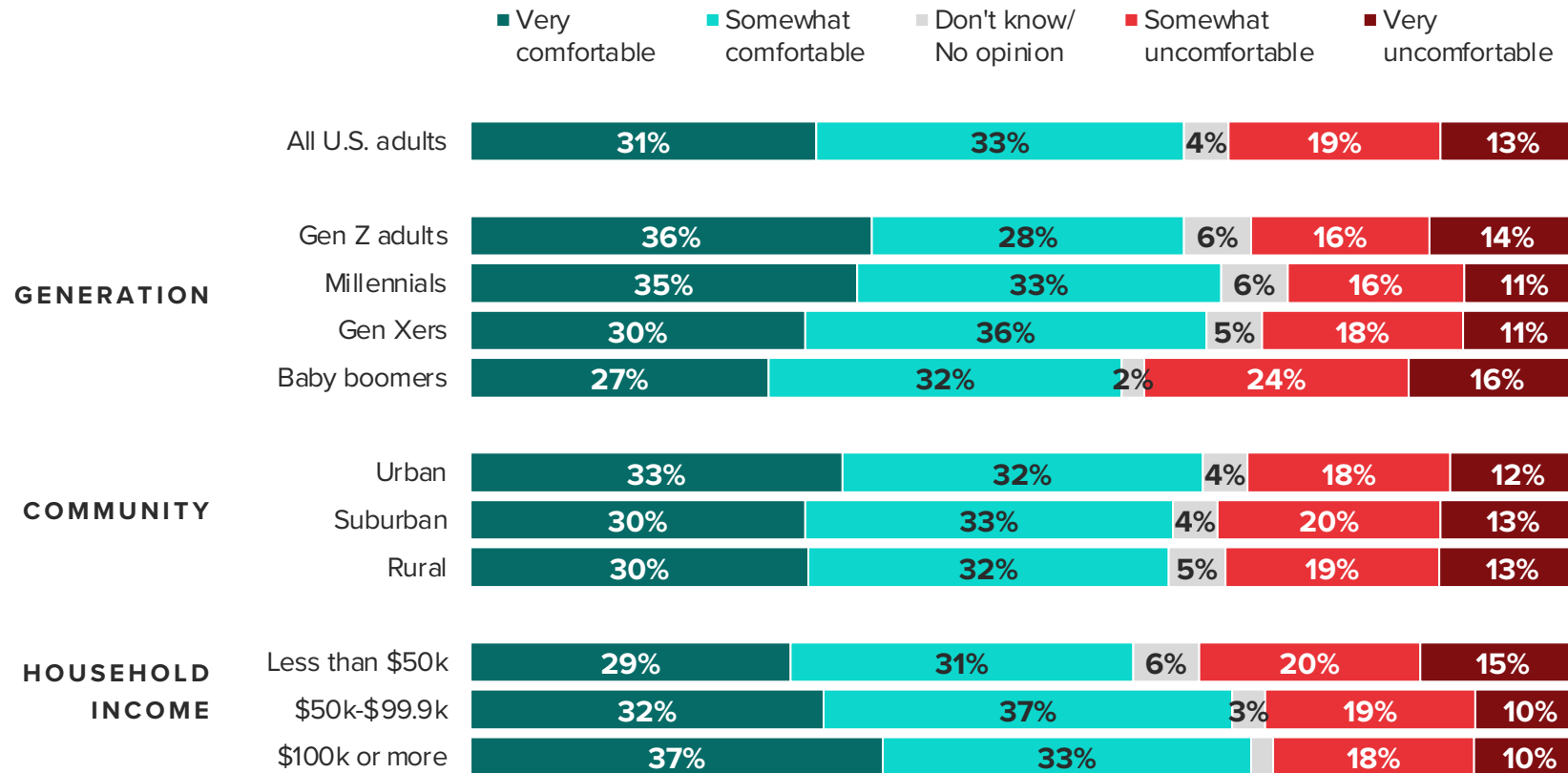
Survey conducted weekly among a representative sample of roughly 2,200 U.S. adults, with an unweighted margin of error of +/-2 percentage points.

Respondents who reported feeling “very” or “somewhat” comfortable doing the following activities:



YOUNGER, SUBURBAN AND WEALTHIER CONSUMERS ARE MOST COMFORTABLE SHOPPING IN MALLS

Respondents were asked how comfortable they would feel going to a shopping mall right now



Consumers are less comfortable in shopping malls compared with other store types. Extended time in crowded indoor spaces is unappealing, particularly to those who have had more challenging pandemic experiences.

People who are more concerned about the virus — including baby boomers, who generally prefer in-store shopping — are now more likely to shop online. Urban consumers have largely adjusted to pandemic conditions and are getting used to local guidelines. Wealthier individuals tend to be more comfortable given their increased access to preventive measures.

Survey conducted Feb. 10-12, 2022, among a representative sample of 2,209 U.S. adults, with an unweighted margin of error of +/-2 percentage points. Figures may not add up to 100% due to rounding.

CULTURE AND PANDEMIC POLICY DRIVE GLOBAL CONSUMER COMFORT WITH IN-STORE SHOPPING

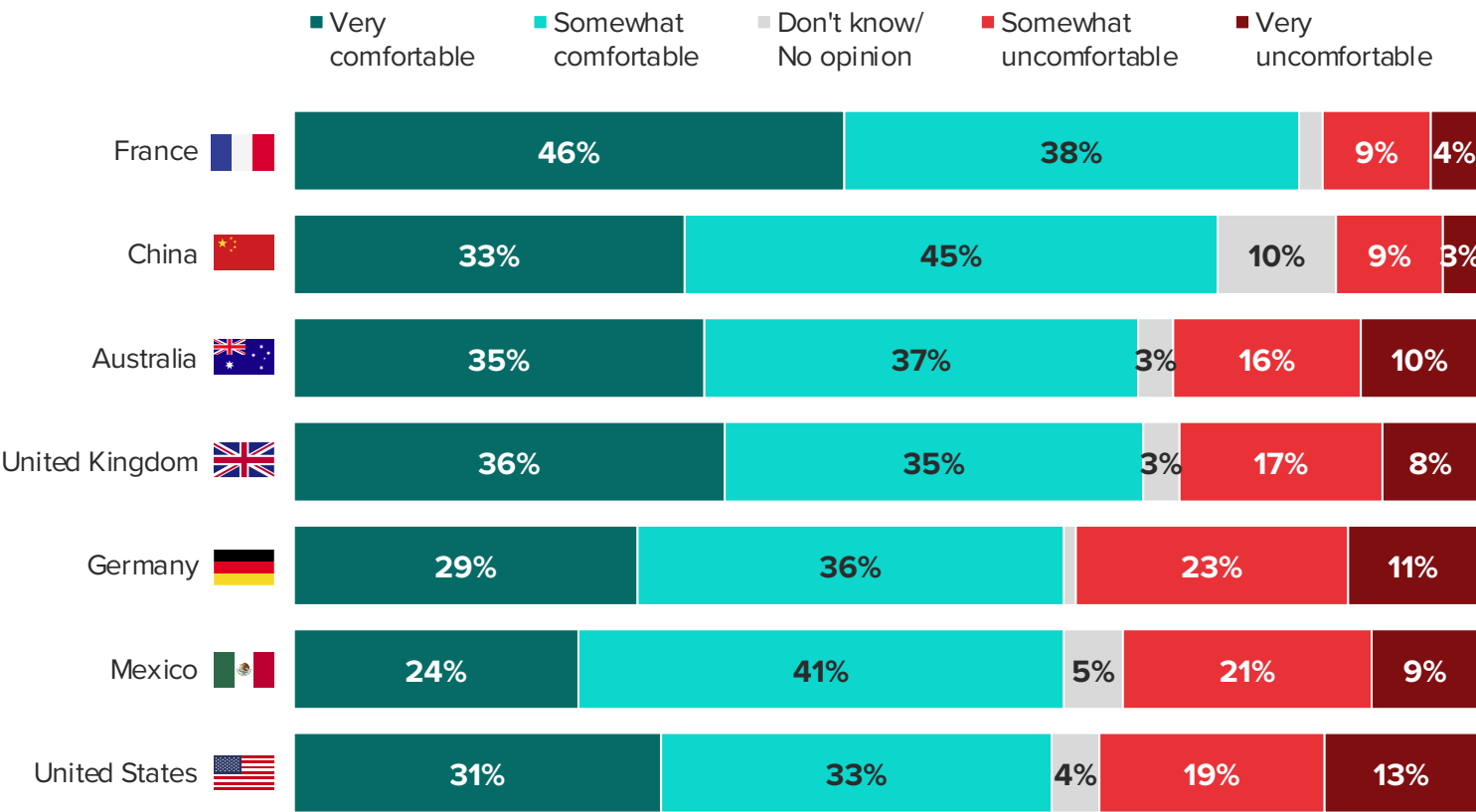
Enormous variation in how countries implemented and coped with pandemic lockdowns, combined with each population’s propensity to shop online, can help predict consumer comfort with shopping in stores.

French and Australian shoppers more strongly prefer in-store shopping, which helps explain their heightened level of comfort.

Chinese consumers show the strongest preference for shopping online, but stricter lockdowns have also increased their feelings of in-store safety.

Survey conducted Jan. 25-Feb. 12, 2022, among a representative sample of 8,208 total adults in the U.S., Australia, China, France, Germany, Mexico and the U.K., with an unweighted margin of error of up to +/-3 percentage points. Figures may not add up to 100% due to rounding.

Respondents were asked how comfortable they would feel going to a shopping mall right now



DESPITE COVID CONCERNS, CONSUMERS PREFER TO SHOP IN STORES

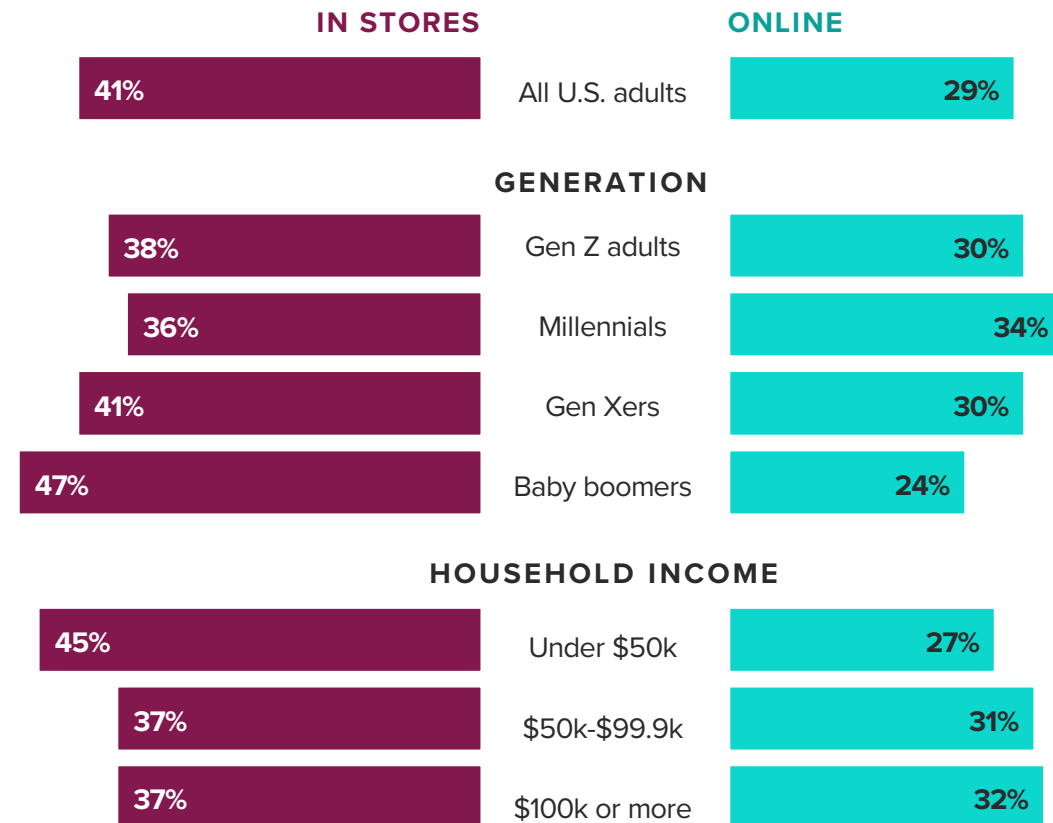
Stores still have real advantages over online shopping, even with the aggressive adoption of e-commerce over the past two years.

Younger consumers show a predictably higher preference for online shopping. However, even Gen Z adults prefer in-person over online shopping. Households earning less than \$50,000 annually are also more likely to prefer going to stores.

Retailers should use digital ad space to promote in-store shopping benefits, such as new product launches and convenient services.

Survey conducted Dec. 29-30, 2021, and Jan. 26-27, 2022, among a representative sample of 4,412 U.S. adults, with an unweighted margin of error of up to +/-5 percentage points. Chart excludes respondents who said they do not have a preference between online and offline shopping.

Respondents were asked how they typically prefer to shop

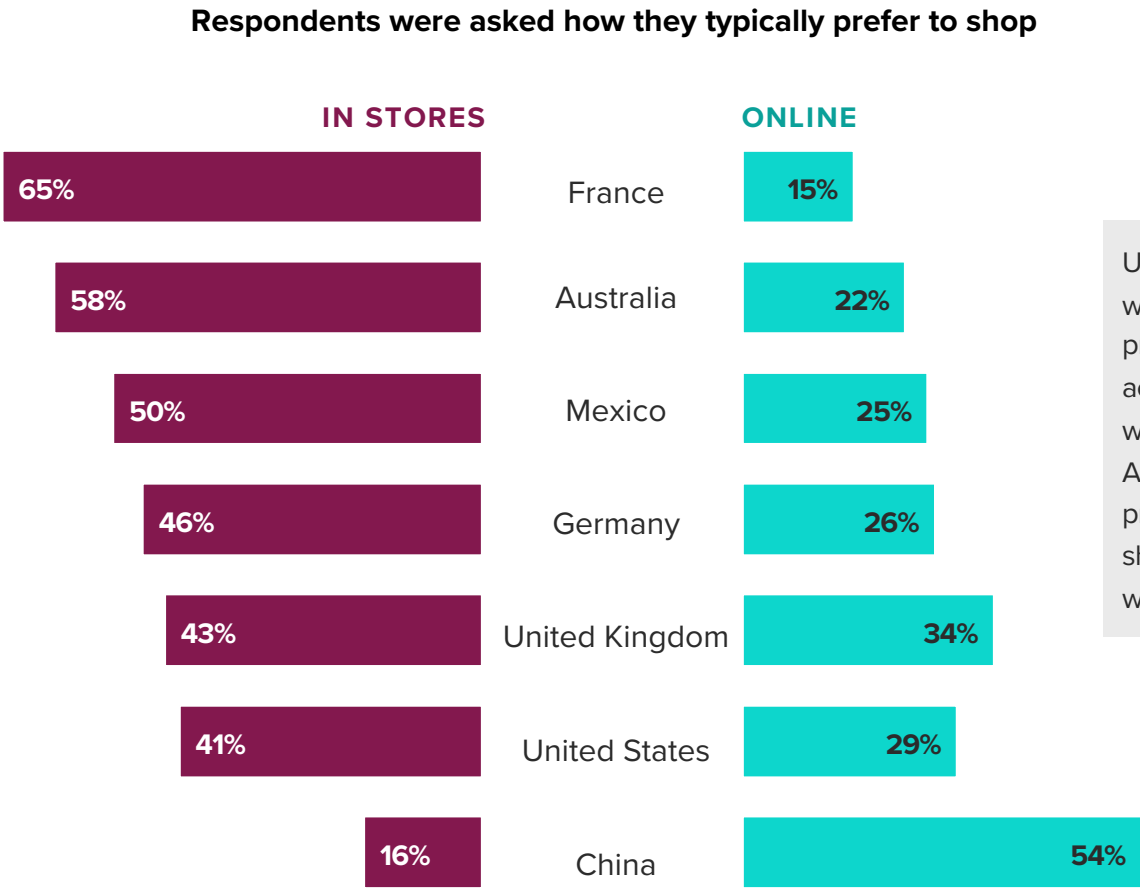


GLOBALLY, IN-STORE SHOPPING IS THE PREVAILING PREFERENCE

In-store shopping is the dominant preference in all countries surveyed except China.

Retailers around the world may look to China for a vision of what the future of retail technology holds. However, retail leaders must remember that Chinese consumers are far more advanced when it comes to adoption of personal technology. Widespread reliance on super apps has also helped to accelerate China’s e-commerce boom.

Surveys conducted Jan. 26-27, 2022 and Jan. 25-Feb. 3, 2022, among representative samples of 8,208 total adults in the U.S., Australia, China, France, Germany, Mexico, and the U.K., with unweighted margins of error of up to +/-3 percentage points. Chart excludes respondents who said they do not have a preference between online and offline shopping.



Unlike in the U.S., where shopping preference are similar across genders, women in China and Australia show a higher preference for online shopping compared with men.

WHAT IT MEANS: BLENDING DIGITAL AND PHYSICAL COMMERCE IS RETAIL'S NEW NORMAL

Even as comfort with shopping in stores approaches its pandemic peak, consumers haven't forgotten the added convenience of digital shopping.

Comfort with in-store shopping should continue its slow climb, as consumers are proving resilient against new COVID-19 variants. Although preference for shopping in stores is unwaning — even Gen Z prefers brick and mortar — the gains made in the adoption of online shopping aren't going away. Leading retailers are increasingly supporting blended shopping journeys by refitting stores to better serve online orders and integrating digital tools into the brick-and-mortar experience.

Still, the return to stores will be uneven across demographics and regions. And given that the pandemic is far from over, retailers would be unwise to dismiss health and safety messaging.

WHAT THIS MEANS FOR RETAIL BRANDS



Growing foot traffic is good news, but retailers facing challenges to maintain adequate staffing in stores due to the current labor crunch may not be able to meet customer expectations, especially given stores' growing role in supporting e-commerce fulfillment.



It's hard to replicate the tactile experience of shopping in stores, but innovations in e-commerce are getting closer. Retailers should also focus their innovation efforts on other barriers to online shopping, such as payments and delivery friction.

A grayscale photograph of a person's hands holding a credit card over a payment terminal. The person is wearing a light-colored sweater. The background is blurred, showing what appears to be a retail or service environment. The image is used as a background for the text.

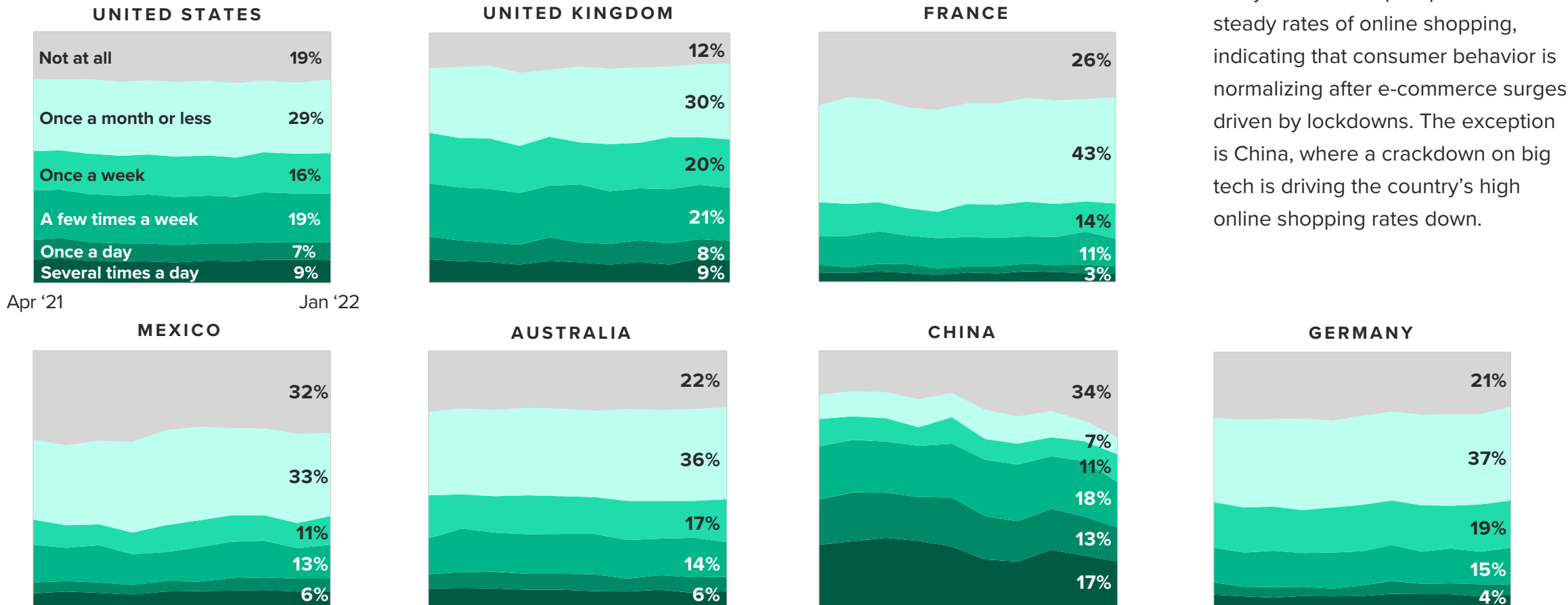
SECTION 2

THE E-COMMERCE SURGE HAS STABILIZED

The lockdown-driven e-commerce surge has slowed as consumers have returned to in-store shopping and service-sector spending.

ONLINE SHOPPING RATES HAVE LARGELY STABILIZED

Online shopping activity by country



Consumer research for the countries analyzed in this report points to steady rates of online shopping, indicating that consumer behavior is normalizing after e-commerce surges driven by lockdowns. The exception is China, where a crackdown on big tech is driving the country's high online shopping rates down.

Source: Morning Consult Brand Intelligence

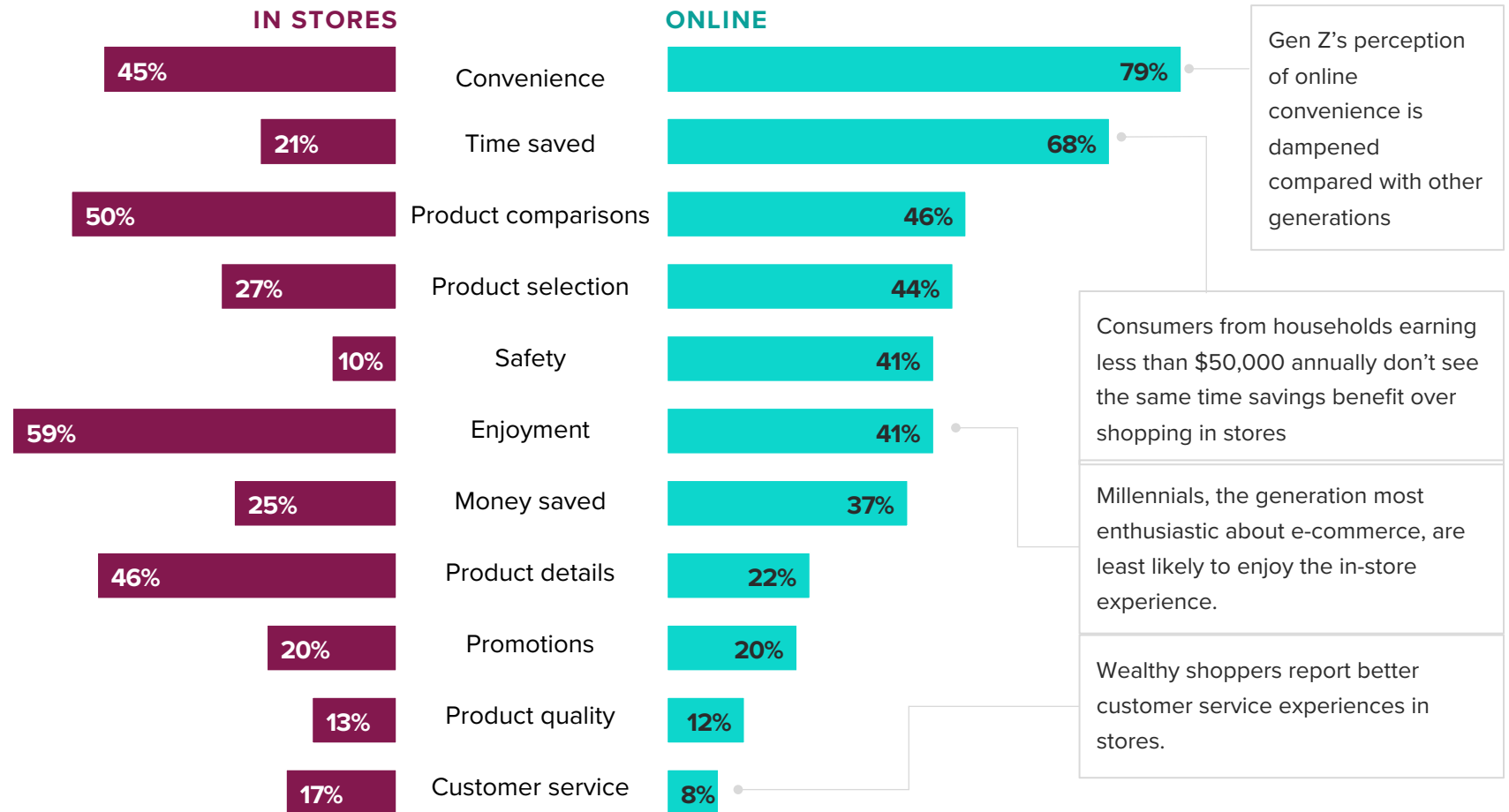
E-COMMERCE BEATS SHOPPING IN STORES ON CONVENIENCE AND TIME SAVED

Physical stores have several advantages over e-commerce that are difficult to replicate, but retailers are making strides to close that gap. Leading brands use digital channels and location services to push customers to reserve items for in-store pickup to get the best of both worlds.

Advancements in augmented reality are helping consumers see three-dimensional products in their homes and estimate fit for apparel, but these offerings are still a poor substitute for a tactile experience.

Survey conducted Jan. 26-27, 2022, among a representative sample of 2,212 U.S. adults, with an unweighted margin of error of +/-2 percentage points.

Respondents were asked why they shop online and offline

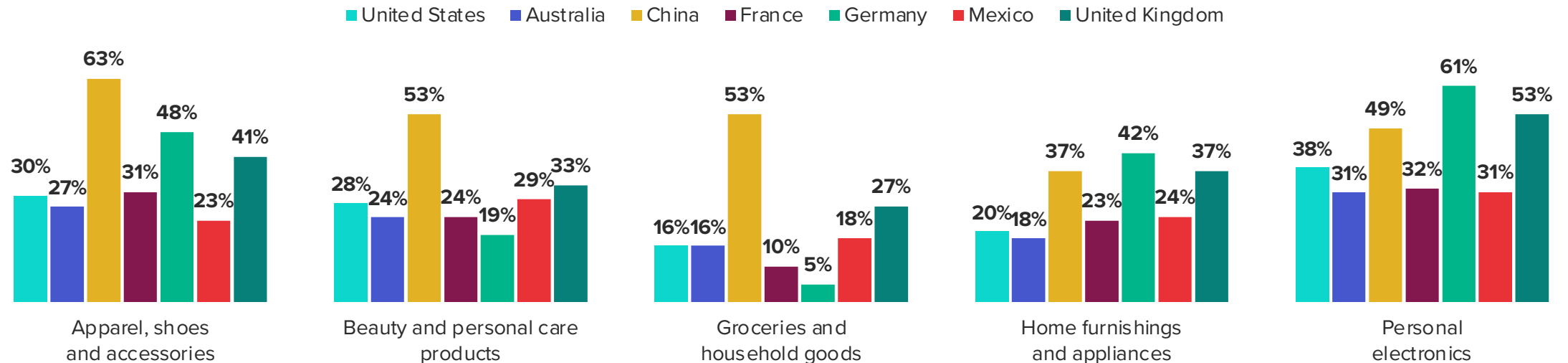


CHINA, GERMANY AND THE U.K. LEAD CONSUMER PREFERENCE FOR ONLINE SHOPPING ACROSS MULTIPLE CATEGORIES

The challenges of delivering a satisfying online shopping experience vary across categories and countries. Identifying which brands from your sector are getting it right in other markets can be helpful to identify paths to e-commerce growth. For example, apparel and electronics retailers might look to their counterparts in Germany or the U.K. to determine best practices.

The grocery category presents an interesting test case for retail innovation. Despite low consumer interest outside China — and to a lesser extent, the U.K. — grocery retailers around the world are finding ways to deliver online orders in as little as 15 minutes. But it's unlikely that these services can scale in markets where consumer preference for online shopping remains low.

Preference for online shopping, by category



Surveys conducted Jan. 26-27, 2022, and Jan. 25-Feb. 3, 2022, among representative samples of 8,208 total adults in the U.S., Australia, China, France, Germany, Mexico and the U.K., with unweighted margins of error of up to +/-3 percentage points.

PURCHASE PRIORITIES VARY ACROSS CATEGORIES

Shoppers think physical stores are a better source for product details and comparisons. For e-commerce brands, understanding what information is more and less important to customers in a given category can help retailers prioritize precious real estate on product detail pages. While purchase priorities vary at an individual level, Category Opportunity Identifiers reveal how purchase priorities vary across categories. This analysis mathematically eliminates the influence of category and attribute “size” to determine a category’s relative high- and low-priority information. Green dots indicate variables that have outsize importance in a given category, and red indicates lesser importance.

Category Opportunity Identifiers Highlight Consumers’ Purchase Priorities

Respondents were asked what they consider before making a purchase in each category

● Neutral ●- Less important ●+ More important

	Apparel, shoes and accessories	Beauty and personal care products	Groceries and household goods	Home furnishings and appliances	Personal electronics
Brand shares my values	●	●	●	●+	●
Detailed product information	●	●-	●	●	●+
Produced or sold in the U.S.	●	●	●	●	●
Reasonable prices	●	●	●+	●-	●-
Promotions and deals	●	●+	●+	●	●-
Free samples	●	●	●	●	●
Sustainability	●-	●+	●-	●	●-
Good ratings and reviews	●+	●-	●	●+	●+
Flexible return policy	●+	●	●-	●-	●+
Recommended by people I trust	●	●-	●	●	●+
Loyalty program	●	●	●	●	●
Good brand reputation	●	●-	●	●	●

Survey conducted Jan. 26-27, 2022, among a representative sample of 2,212 U.S. adults, with an unweighted margin of error of +/-2 percentage points.

WHAT IT MEANS: ONLINE SHOPPING'S PANDEMIC BUMP IS OVER

The next phase of e-commerce growth depends on improving product discovery and exploration.

The continued growth of e-commerce is inevitable, but it will be facilitated by further integrations with brick-and-mortar networks, by which the two channels work together to support product discovery and create a more enjoyable shopping experience. When there aren't stores nearby, e-commerce brands can continue to improve shopping tech such as augmented reality and innovations in fit matching to ensure that customers get the right product on the first try.

E-commerce sites have the advantage of personalizing and prioritizing based on individual shoppers' needs, but it's clear that retailers must do more to support shoppers' pre-purchase research.

WHAT THIS MEANS FOR RETAIL BRANDS



A decline in the rate of e-commerce growth as service-sector spending resumes isn't a bad thing, but retail sites will need to continue to improve shopping functionality to close the gap between online and in-store discovery.



Look to counterparts in and out of category, and in regions where consumers show a higher propensity for shopping online, to discover how other brands are able to close the gap between online and offline commerce.

A grayscale photograph of a person's hands holding a handheld payment device over a counter. The background is blurred, showing what appears to be a retail or service environment. The text is overlaid on the left side of the image.

SECTION 3

FULFILLMENT COMPETITION HEATS UP

The race to deliver goods as quickly as possible — or when supply chains are disrupted, at all — is a top concern for retailers, but they would be remiss to assume that faster is always better.

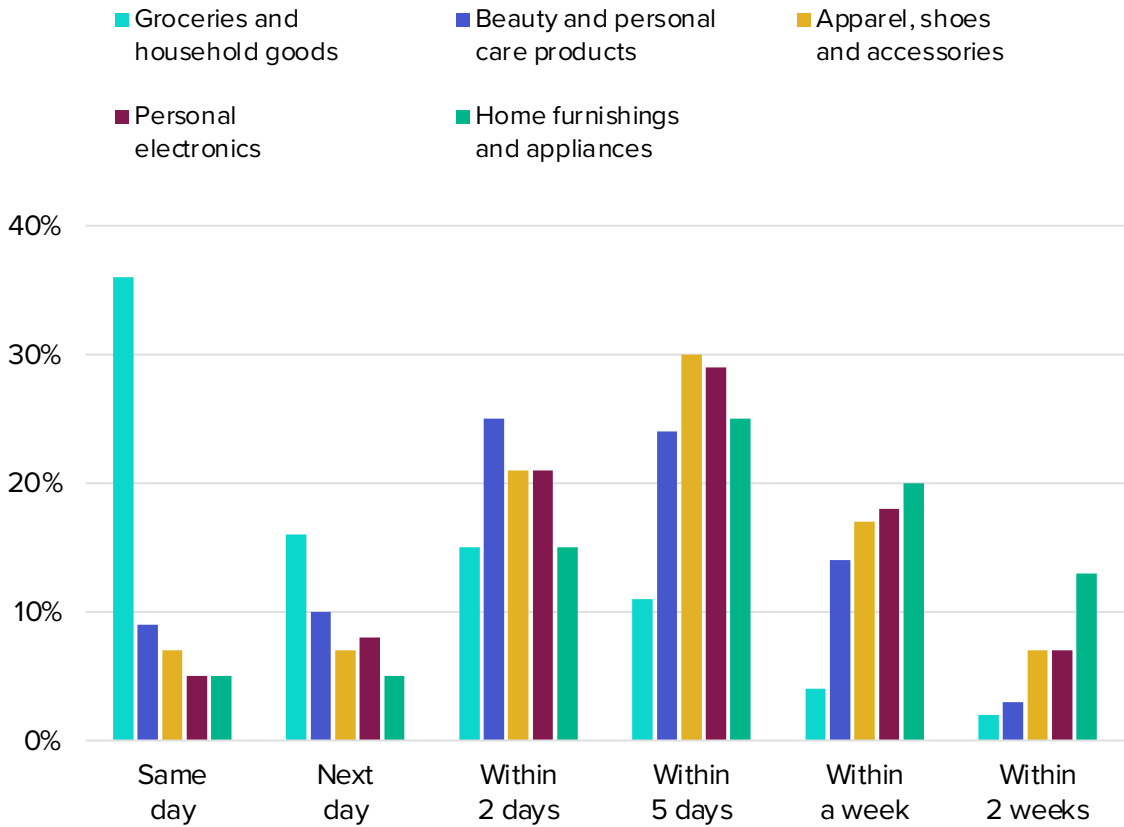
COMPETITION IS INTENSIFYING FOR FAST AND CONVENIENT FULFILLMENT

To many retailers, winning the fulfillment race seems critical to stand out from the competition. Much has been made of ultra-fast grocery delivery services launching near college campuses and urban centers, leading retailers outside of the grocery sector to wonder whether 15-minute delivery will become the new two-day shipping. For most nongrocery categories, the need for speed is industry-led. In fact, consumers are generally happy to receive their online orders within five days, although same-day delivery and pickup services are especially popular with young, wealthy and urban shoppers.

While convenience drives consumers’ choices of fulfillment options, retailers should remember that speed is not the singular defining factor of convenience. Online shoppers also value the ability to receive their items via their preferred delivery method, even if that means waiting until next week.

This is not to say that greater delivery flexibility is easy. The logistics of offering a variety of fulfillment options are challenging. But for now, retailers should focus on flexibility over speed.

Respondents were asked how quickly they expect to receive online orders in each category



Survey conducted Jan. 26-27, 2022, among a representative sample of 2,212 U.S. adults, with an unweighted margin of error of +/-2 percentage points.

GLOBALLY, THERE IS ENORMOUS VARIATION IN DELIVERY SPEED EXPECTATIONS

Most U.S. consumers don't expect to receive their online orders within two days. However, expectations vary across categories and around the world.

Shoppers in countries with ultra-fast delivery services like China and Mexico have significantly higher shipping speed expectations than the U.S., Australia and European nations.

Surveys conducted Jan. 26-27, 2022, and Jan. 25-Feb. 3, 2022, among representative samples of 8,208 total adults in the U.S., Australia, China, France, Germany, Mexico and the U.K., with unweighted margins of error of up to +/-3 percentage points.



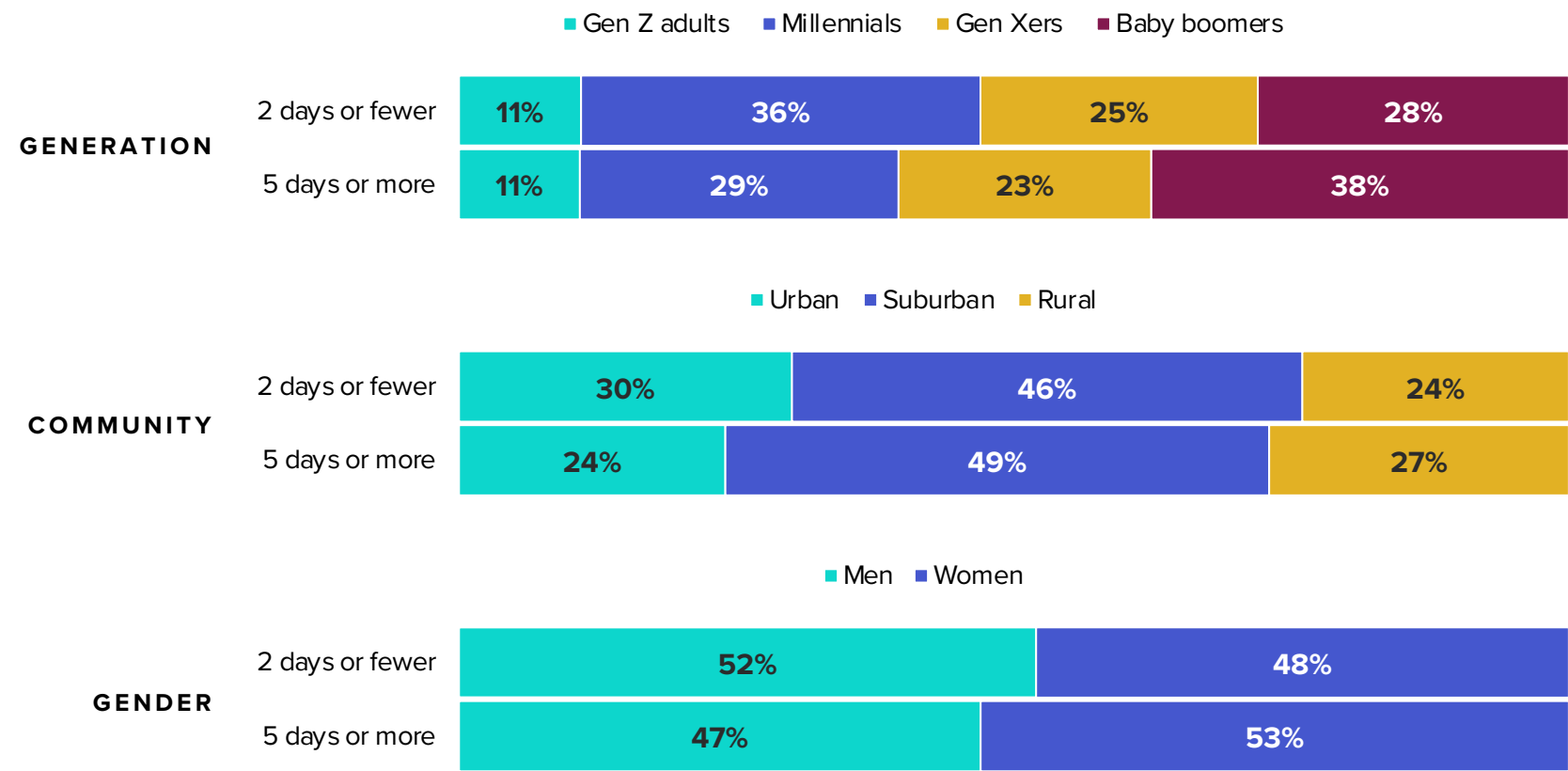
MILLENNIALS, MALES AND URBANITES DRIVE DEMAND FOR FAST DELIVERY

Examining the demographic profiles of consumers who expect delivery in two days or fewer as opposed to five days or more reveals that millennials, men, and urbanites are overrepresented in the faster delivery group.

Retailers hoping to attract a younger and more urban customer base, as well as stores with expanding men's offerings, should closely follow the emergence of ultra-fast delivery and explore partnerships with such services. Other retailers can rest easy, as 15-minute delivery is unlikely to become a common expectation.

Survey conducted Dec. 29-30, 2021, and Jan. 26-27, 2022, among a representative sample of 4,412 U.S. adults, with an unweighted margin of error of +/-1 percentage point. Figures may not add up to 100% due to rounding.

Demographic profiles of consumers who expect apparel, personal care products and electronics ordered online to arrive in 2 days or fewer versus 5 days or more



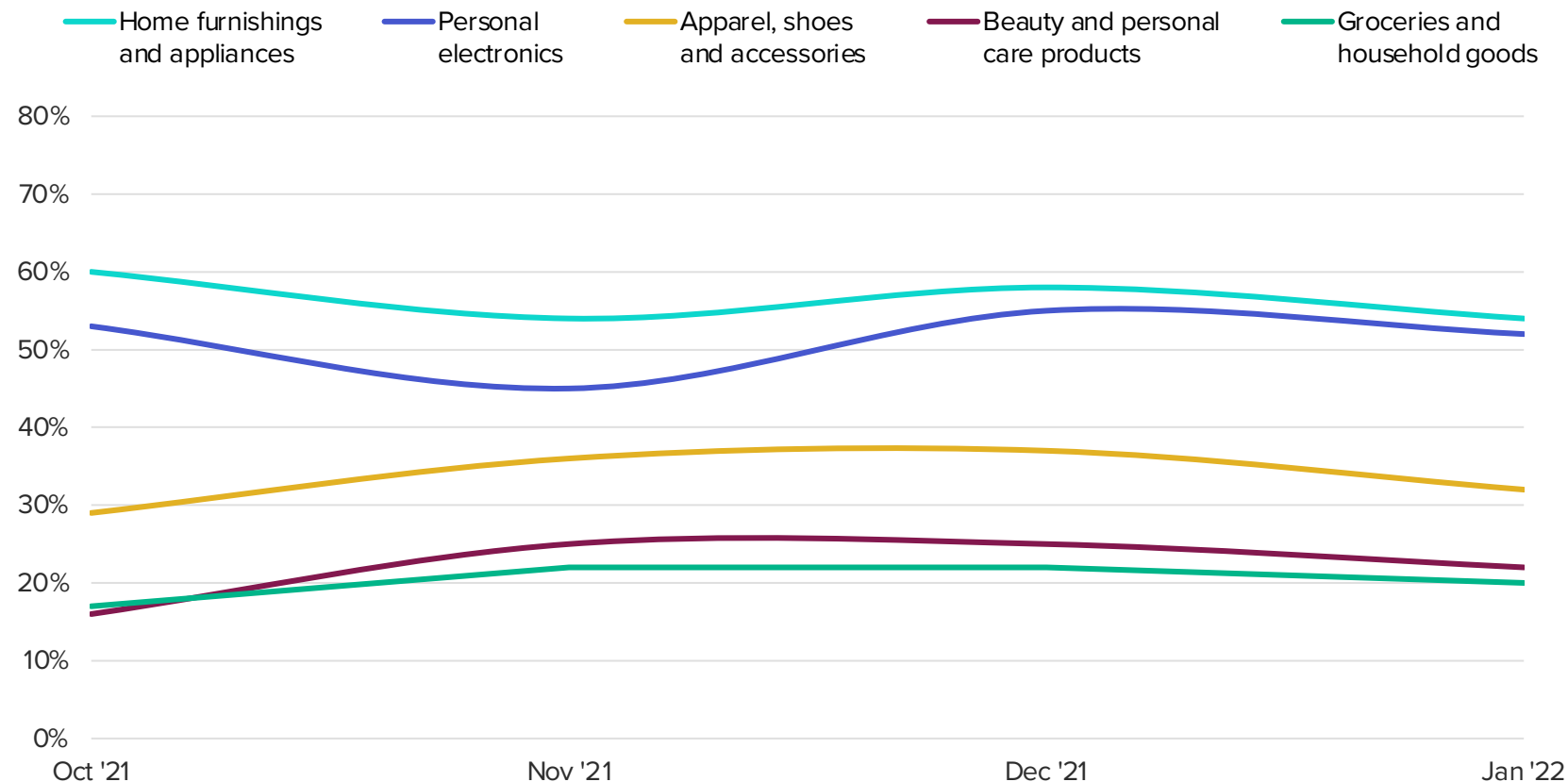
STORE PICKUP REMAINS POPULAR FOR ELECTRONICS AND APPLIANCES

One question retailers are puzzling over is whether the surge in interest in pandemic-friendly curbside and in-store pickup will persist as comfort with offline shopping returns.

Store pickup utilization rose in November and December 2021, coinciding with both the omicron surge in the U.S. and the busy holiday shopping season, when many sought to avoid crowds. Early 2022 has seen slightly fewer shoppers using this convenient option. Scarcity, not safety, will be the ongoing driver of store pickup utilization as supply disruptions continue in some categories.

Survey conducted monthly among a representative sample of roughly 2,200 U.S. adults, with an unweighted margin of error of +/-2 percentage points.

Share of category shoppers who used in-store pickup services in the given month

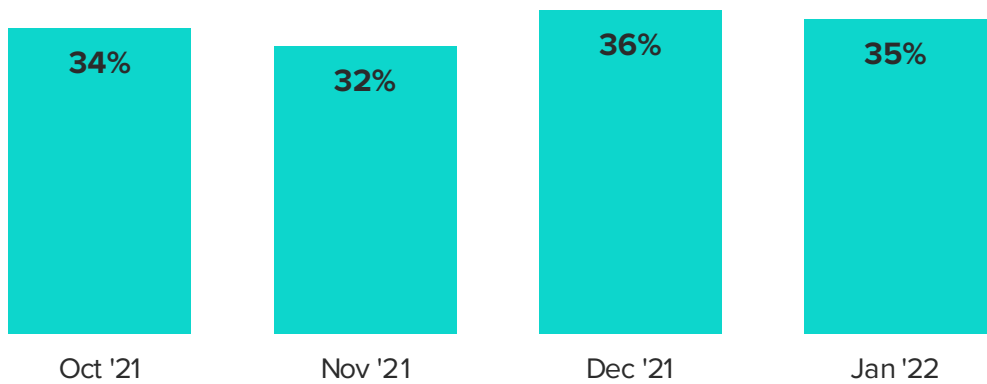


CONSUMERS CONTINUE TO EXPERIENCE SUPPLY CONSTRAINTS

Persistent supply chain challenges and related inflation are dual headwinds to consumer spending. Thirty-five percent of U.S. adults reported delayed deliveries in January 2022, with no real change from late 2021. Herculean efforts from retailers and logistics operators helped to slowly relieve the supply bottlenecks, but COVID-19 variants, rising costs and an ongoing labor shortage continue to threaten production and logistics capacity.

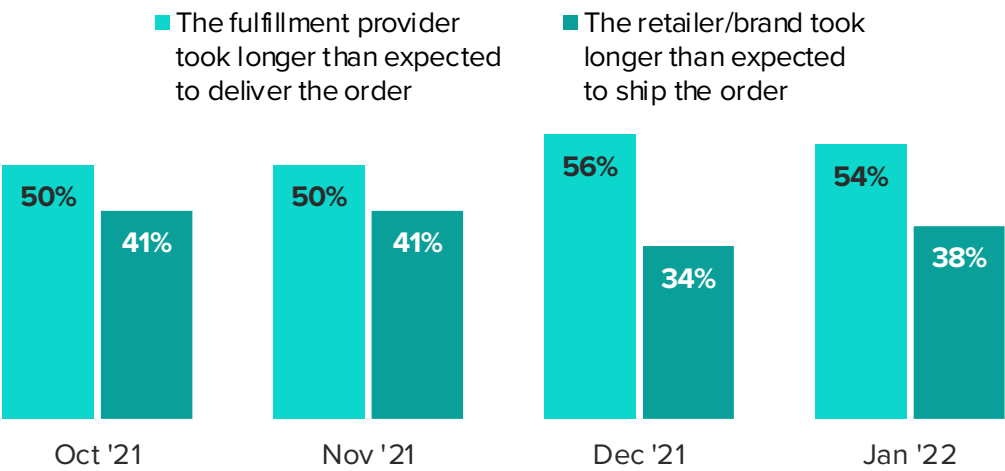
Consumers are more likely to blame fulfillment providers than retailers and brands for delayed deliveries, despite efforts by the former group to increase capacity over the winter holidays. Regardless of who consumers choose to blame, retailers should ensure that post-order communications provide transparent timelines and keep customers up to date as they wait for their packages.

Respondents were asked if they experienced delays receiving items ordered in the last month



Survey conducted monthly among a representative sample of roughly 2,200 U.S. adults, with an unweighted margin of error of +/-2 percentage points.

Respondents were asked which scenario best describes their delayed order experience



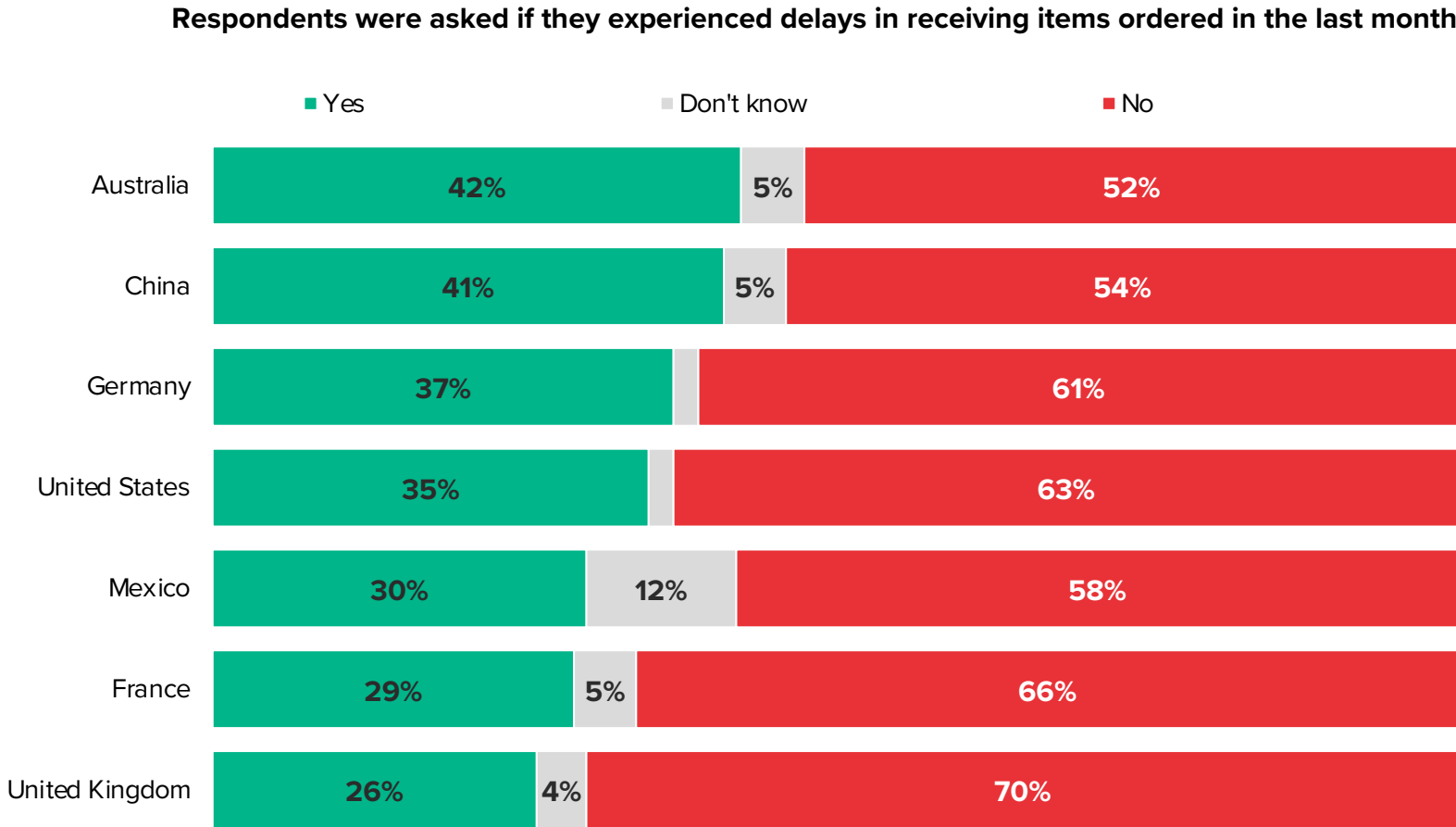
Survey conducted monthly among a representative sample of roughly 2,200 U.S. adults, with an unweighted margin of error of +/-4 percentage points.

SUPPLY CHAIN CHALLENGES AREN'T UNIVERSAL

Consumers now know more about the intricacies of the global supply chain than they probably ever wanted to. The fragile relationships between manufacturing, freight, logistics and the labor market were thrown off course by the pandemic at the same time that demand for goods spiked.

Still, some countries are faring better than others, showing varying capacities for domestic manufacturing, labor markets and distribution.

Surveys conducted Jan. 26-27, 2022, and Jan. 25-Feb. 3, 2022, among representative samples of 8,208 total adults in the U.S., Australia, China, France, Germany, Mexico and the U.K., with unweighted margins of error of up to +/-3 percentage points.



WHAT IT MEANS: RETAILERS CAN PUMP THE BREAKS ON SPEED AND FOCUS ON CONVENIENT SHIPPING OPTIONS

Retailers fear that competition for faster delivery in the grocery sector will increase consumer expectations across other categories — but this is unlikely to pan out.

Ultra-fast delivery services have earned more press mentions than actual consumer attention. Retail and e-commerce brands should prioritize logistics improvements that allow for multiple delivery modes instead of competing solely on low-cost, high-speed delivery.

In the long term, a consumer version of just-in-time delivery — where an order shows up exactly when it's needed, and when the customer is available to receive it — would be ideal. In the near term, retailers can work within consumers' manageable expectations while experimenting with trade-offs like shipping costs, extra incentives and fulfillment mode choices: nudging a customer who needs an item quickly to pick it up in store, for example.

WHAT THIS MEANS FOR RETAIL BRANDS



Giving consumers more control over delivery choices comes with higher expectations. Ongoing supply and logistics constraints mean retailers must be transparent about expected delivery timelines before customers complete their purchases.



While most consumers are content with a five-day delivery window, brands that are expanding among younger adults, urban communities and men may see an uptick in demand for faster shipping.

A grayscale photograph of a person's hands holding a credit card over a payment terminal. The person is wearing a light-colored sweater. The background is blurred, showing shelves in a store. The image is overlaid with a dark gray semi-transparent layer.

SECTION 3

THE FUTURE OF PHYSICAL STORES

America's brick-and-mortar landscape is shifting quickly, with online shopping cutting into stores that don't deliver unique value to customers.

1,910

In the first month of 2022, U.S. retailers announced 1,910 new store openings. 2021 saw more store openings than closures, reversing the “retail apocalypse” that’s been making headlines in the sector for the past few years.

Discount and off-price retailers are leading the store opening charge. Dollar General has announced the most 2022 store openings of any retailer, with a focus on rural locations.

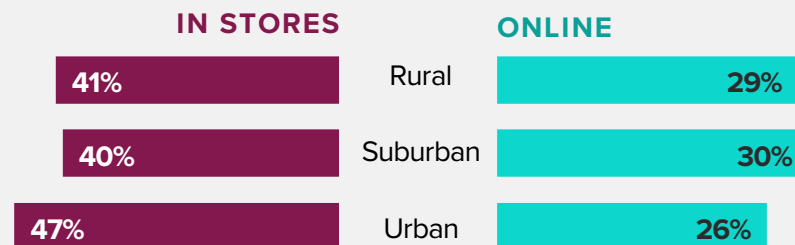
Physical stores are still important to shoppers, but drivers for this perceived value vary greatly across consumer cohorts.

Source: Ben Unglesbee, “As 2022 kicks off, store closures are down 65%: Coresight,” Retail Dive, Jan. 31, 2022, <https://www.retaildive.com/news/as-2022-kicks-off-store-closures-are-down-65-coresight/618020>.

65%

Announced store closures are down 65% compared with this time last year, per Coresight Research. Smart retailers are using the disruption caused by the pandemic as an opportunity to rescale their physical locations, trimming square footage that may no longer be needed.

Respondents were asked how they typically prefer to shop



Survey conducted Jan. 26-27, 2022, among a representative sample of 2,212 U.S. adults, with a margin of error of +/-2 percentage points.

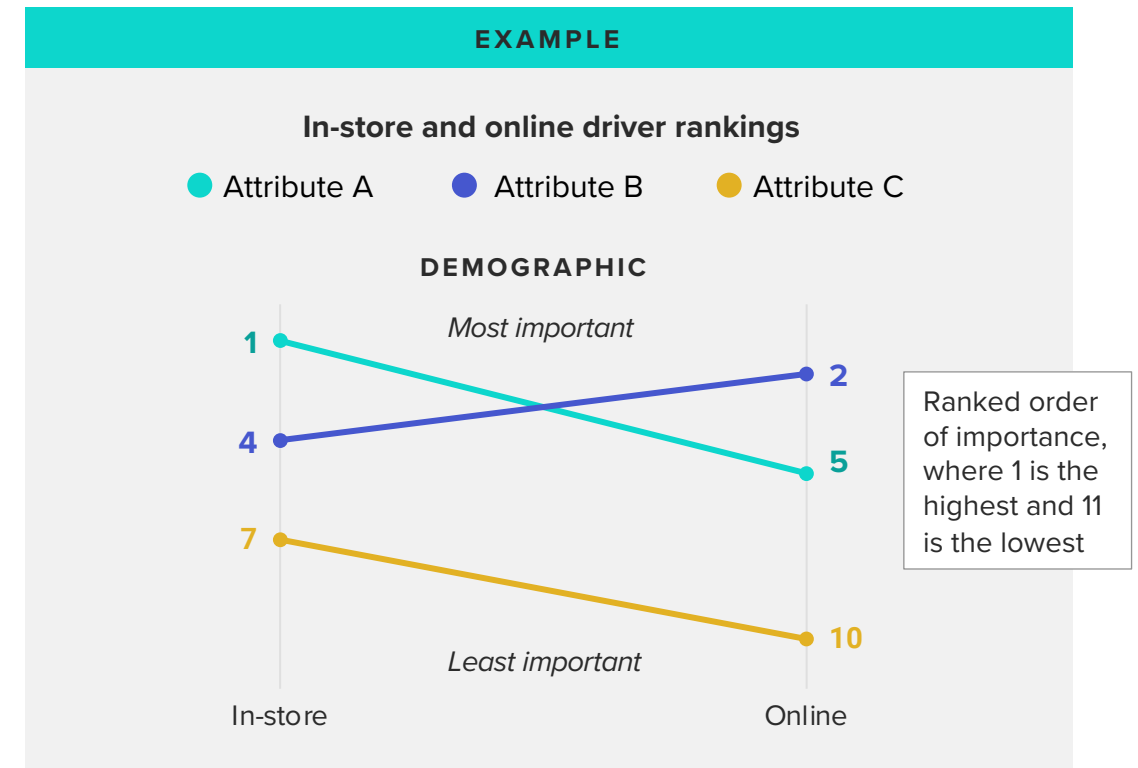


CONSUMER DRIVERS OF CHANNEL PREFERENCES PREDICT THE FUTURE OF BRICK-AND-MORTAR SHOPPING

Examining the value different consumer cohorts find in online and offline retail channels helps to explain the trends we're seeing in store openings and closures. For example, we can see why discount stores do so well with rural shoppers by comparing this group's stated importance of various shopping experience attributes to their channel preferences.

The rankings on the following slides were determined using a dual-model regression-based method that quantifies the relative importance of a series of predictor variables in predicting an outcome variable. The rankings represent how important different shopping qualities are in predicting whether someone is more inclined to shop online or in person, where 1 is the strongest predictor and 11 is the weakest predictor.

By comparing the rankings of shopping channel attributes, we're able to see why consumer cohorts gravitate to online or offline shopping



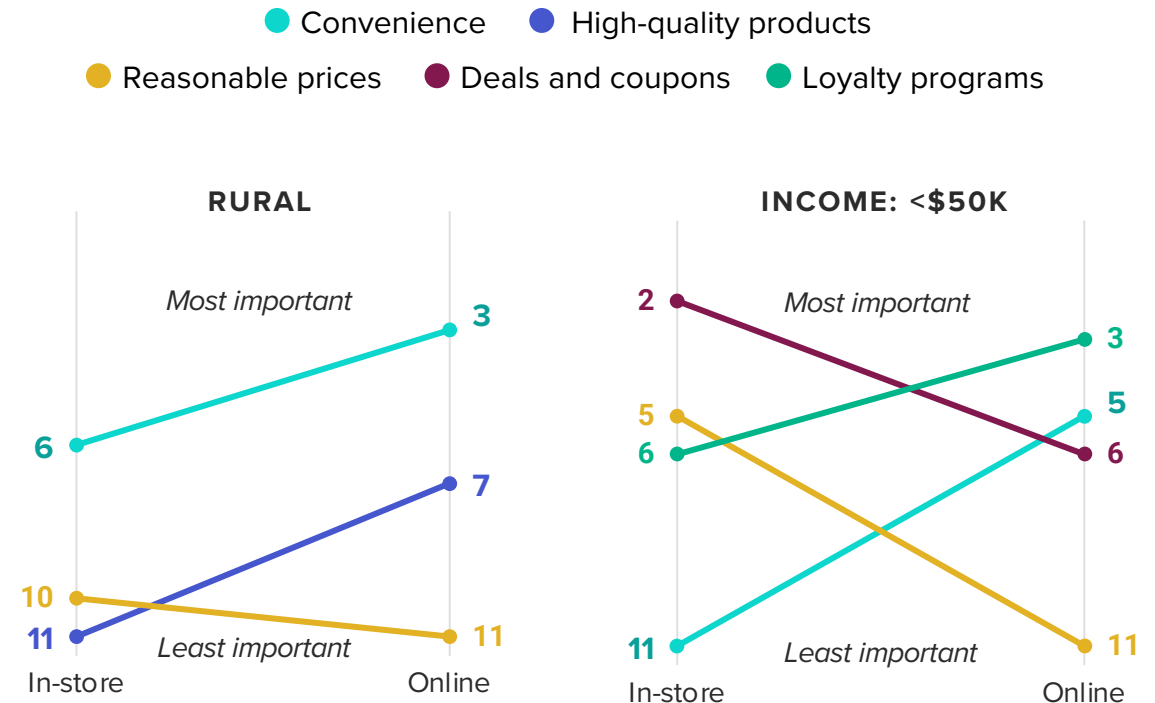
DISCOUNT STORES DRIVE BRICK-AND-MORTAR EXPANSION

Discount and off-price retailers are driving store growth in 2022, with an emphasis on expansion into rural areas. These store-first brands lure customers with low prices, the promise of a treasure hunt, or both.

For rural shoppers, physical retail lacks differentiation: There's little difference in perception when it comes to the value of promotions and prices between the two channels. Conversely, online shopping is seen as more convenient, with access to higher-quality products. As discount retailers continue their push into sparsely populated areas, rural shoppers seeking higher-quality products will increasingly turn to online channels.

Consumers with household incomes of less than \$50,000 are much more likely than higher-earning consumers to shop in stores. The former cohort sees lower costs as a key advantage for stores, with reasonable prices and access to deals and coupons as differentiated drivers for in-store shopping. These shoppers are more likely to go out of their way for access to deals, given that online shopping wins on convenience. Millennials are also more likely to head to stores for the best deals.

In-store and online driver rankings for rural and lower-income shoppers



Survey conducted Dec. 29-30, 2021, and Jan. 26-27, 2022, among a representative sample of 4,412 U.S. adults, with an unweighted margin of error of +/-1 percentage point.

LUXURY RETAILERS EMPHASIZE EXPERIENCES

On the other end of the economic spectrum, flagship stores and luxury brands are attracting customers with experience-focused efforts designed to emphasize brand values and differentiators, and to create buzz around new product launches.

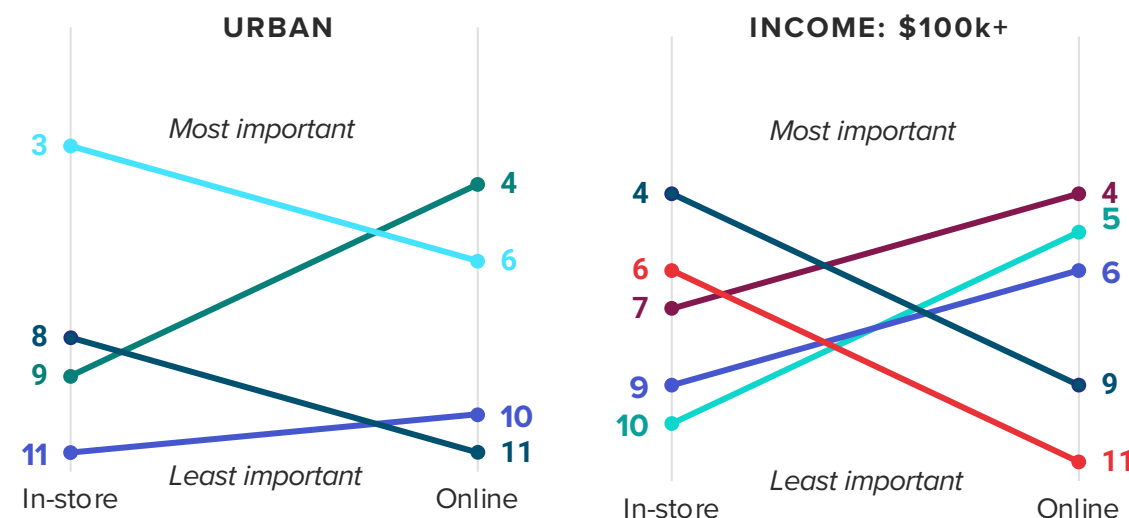
In addition, digital direct-to-consumer brands are increasingly opening permanent and pop-up stores that allow customers to experience their products in person. Even Amazon is expanding its physical footprint with announcements of the company's first Amazon Style store in Los Angeles and plans for more Amazon Go convenience stores. These efforts target urban and high-income customers who tend to prefer online shopping, and can help build brand loyalty in a more differentiated environment.

Urban consumers think shopping online is better for flexible return policies. Given that in-store purchases have lower return rates, retailers have good reason to draw such customers to their stores.

Meeting high-earning consumers' lofty expectations for in-store customer service may be difficult, as many retailers are currently struggling to maintain adequate staffing levels and product inventory.

In-store and online driver rankings for urban and higher-income shoppers

- Convenience
- High-quality products
- Deals and coupons
- Brand values
- High-quality customer service
- Flexible returns
- Brand trust



Survey conducted Dec. 29-30, 2021, and Jan. 26-27, 2022, among a representative sample of 4,412 U.S. adults, with an unweighted margin of error of +/-1 percentage point.

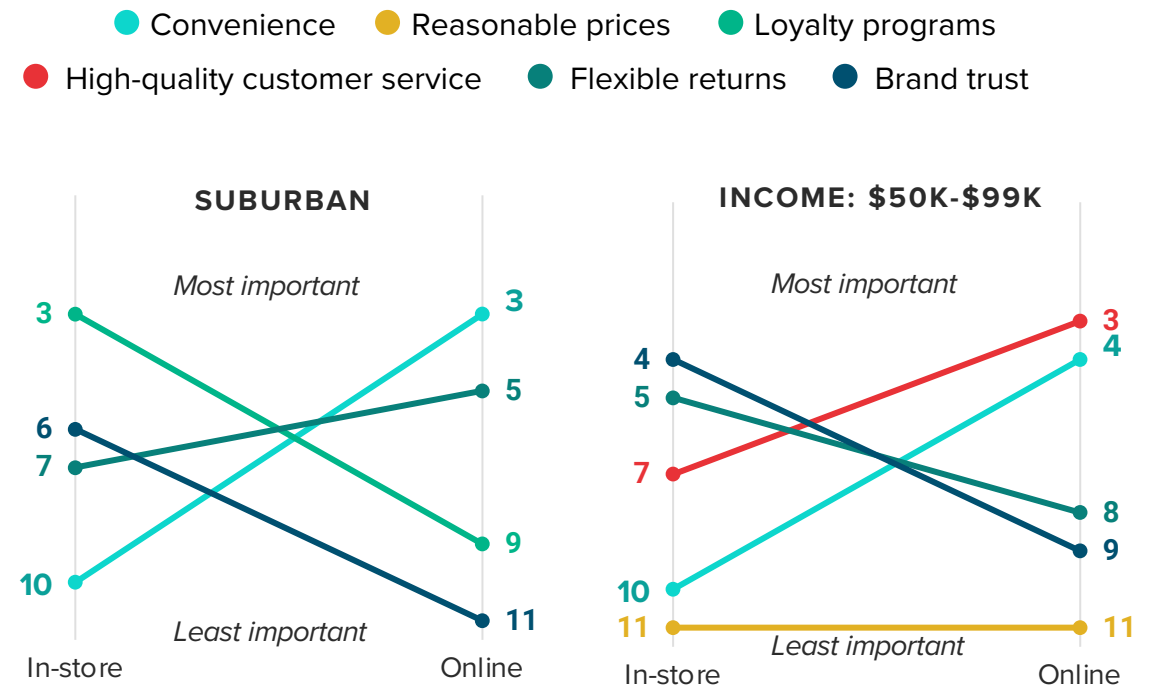
AND THE MIDDLE GOES DIGITAL

Department stores, suburban mall brands and specialty retailers are facing more store closures than openings. Unfortunately, these store types don't cater particularly well to consumers' drivers of in-store shopping. Labor constraints mean it's harder than ever for many stores to keep their shelves stocked and organized, and for customers to find a staff member when they need help. For these stores, shopping online is often a more satisfying experience.

Suburban and middle-income consumers see few reasons to shop in store. Convenience and even customer service are driving them online. Still, e-commerce is incredibly competitive, thanks to the rising cost of digital acquisition, high rates of cart abandonment and the likelihood of customers browsing multiple sites at once. Loyalty programs are one effective driver to lure suburban shoppers into physical stores.

The convenience of online shopping outranks the in-store experience, although Gen Z adults see the least differentiation on convenience while preferring flexible fulfillment options available online.

**In-store and online driver rankings
for suburban and middle-income shoppers**



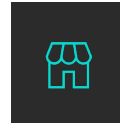
Survey conducted Dec. 29-30, 2021, and Jan. 26-27, 2022, among a representative sample of 4,412 U.S. adults, with an unweighted margin of error of +/-1 percentage point.

WHAT IT MEANS: THE FUTURE OF PHYSICAL RETAIL IS IN HIGH-END AND DISCOUNT STORES

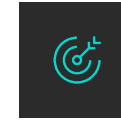
The reversal of the store closure trend is great news for retail, but brands that don't have differentiated store experiences need to become more competitive online.

The pandemic has hastened the reinvention of physical stores in the retail environment. A lack of differentiation — serving either deal-seekers or experience enthusiasts — leaves customers with little incentive to visit stores. As consumer preference for online shopping grows over time, middle-of-the-road retailers need to rethink long-term strategies for their physical footprints.

WHAT THIS MEANS FOR RETAIL BRANDS



The concentration of the discount retail expansion in rural areas serves a deal-seeking consumer cohort, despite few experience- or brand-related drivers for this group to shop in stores.



Targeted in-store experiences for high-value customers can lure urban, high-income shoppers into stores, creating more opportunities for retailers to build brand loyalty.



Improving e-commerce and logistics functionality should be a priority for brands that don't have enough sway to overcome the convenience of online shopping and draw consumers into stores.

A grayscale photograph of a person's hands using a handheld device with a card reader. The person is wearing a light-colored sweater. The background is blurred, showing what appears to be a retail or office environment with shelves and other equipment. The overall tone is professional and modern.

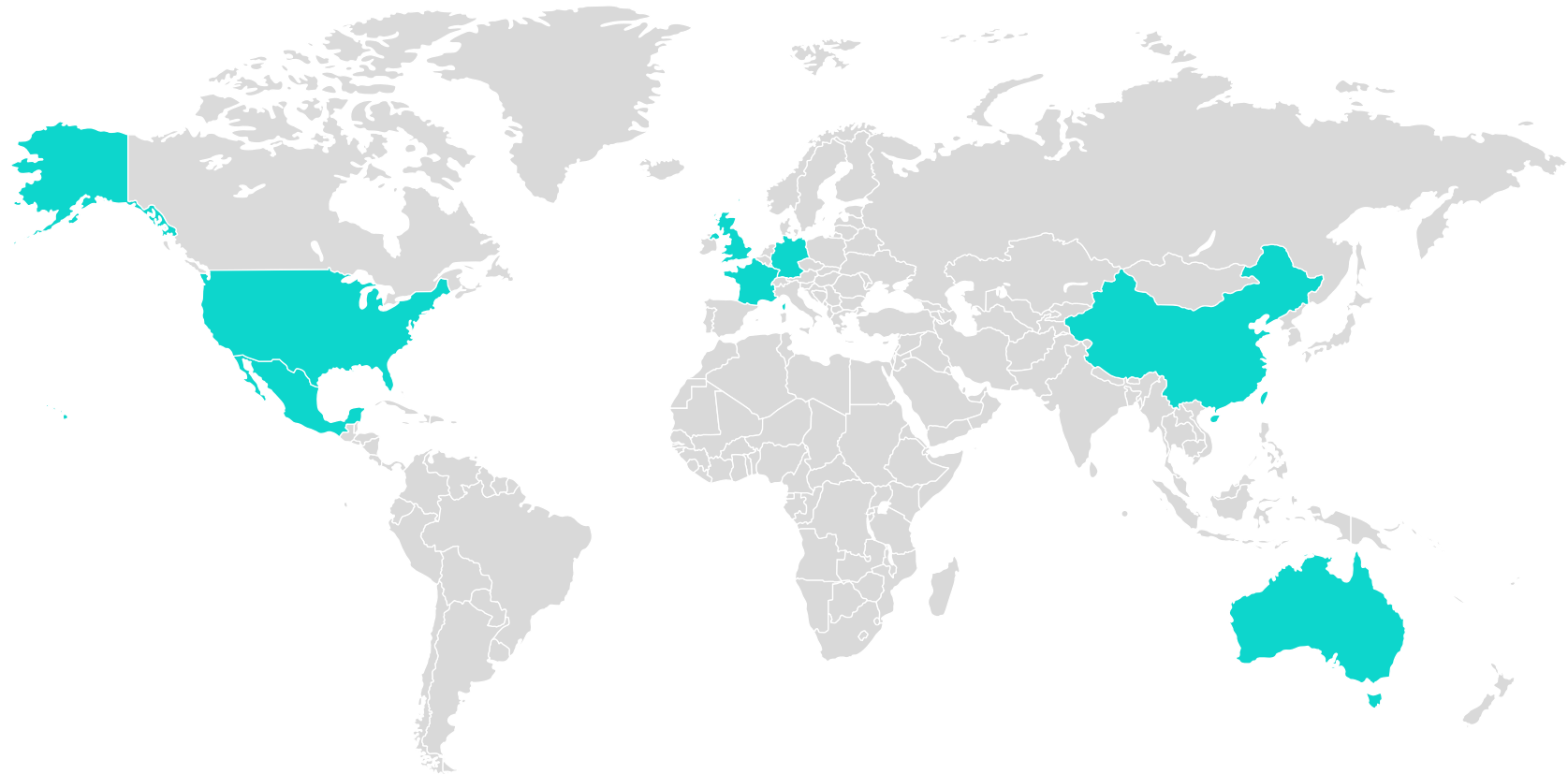
THE DATA BEHIND THE REPORT

Methodology and about the author

METHODOLOGY

This report draws from survey research conducted in December 2021 and January 2022 from among 8,208 respondents in the United States, Australia, China, France, Germany, Mexico and the United Kingdom. It also references Morning Consult's [Return to Normal](#) trend data, which leverages weekly surveys of roughly 2,200 U.S. adults.

The interviews were conducted online, and the data was weighted to approximate respective populations of adults based on gender, educational attainment, age, race and region. Topline results from the survey have a margin of error of up to +/-3 percentage points.



ABOUT THE AUTHOR



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Claire Tassin is the retail and e-commerce analyst at Morning Consult, where she leads the company's efforts to deliver real-time insights to industry leaders.

Before joining Morning Consult, Claire spent 14 years at Gartner, where she conducted research on shifting consumer behaviors and expectations, as well as trends relevant to marketing leaders in the retail sector.



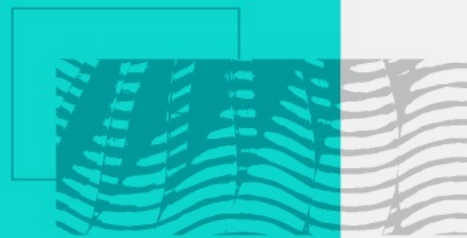
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JOIN THE WEBINAR

Join Morning Consult's retail and e-commerce analyst Claire Tassin at 1:00 p.m. EST on March 3 for a webinar on how global consumer trends are evolving, and what they mean for the future of the retail and e-commerce industry.

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