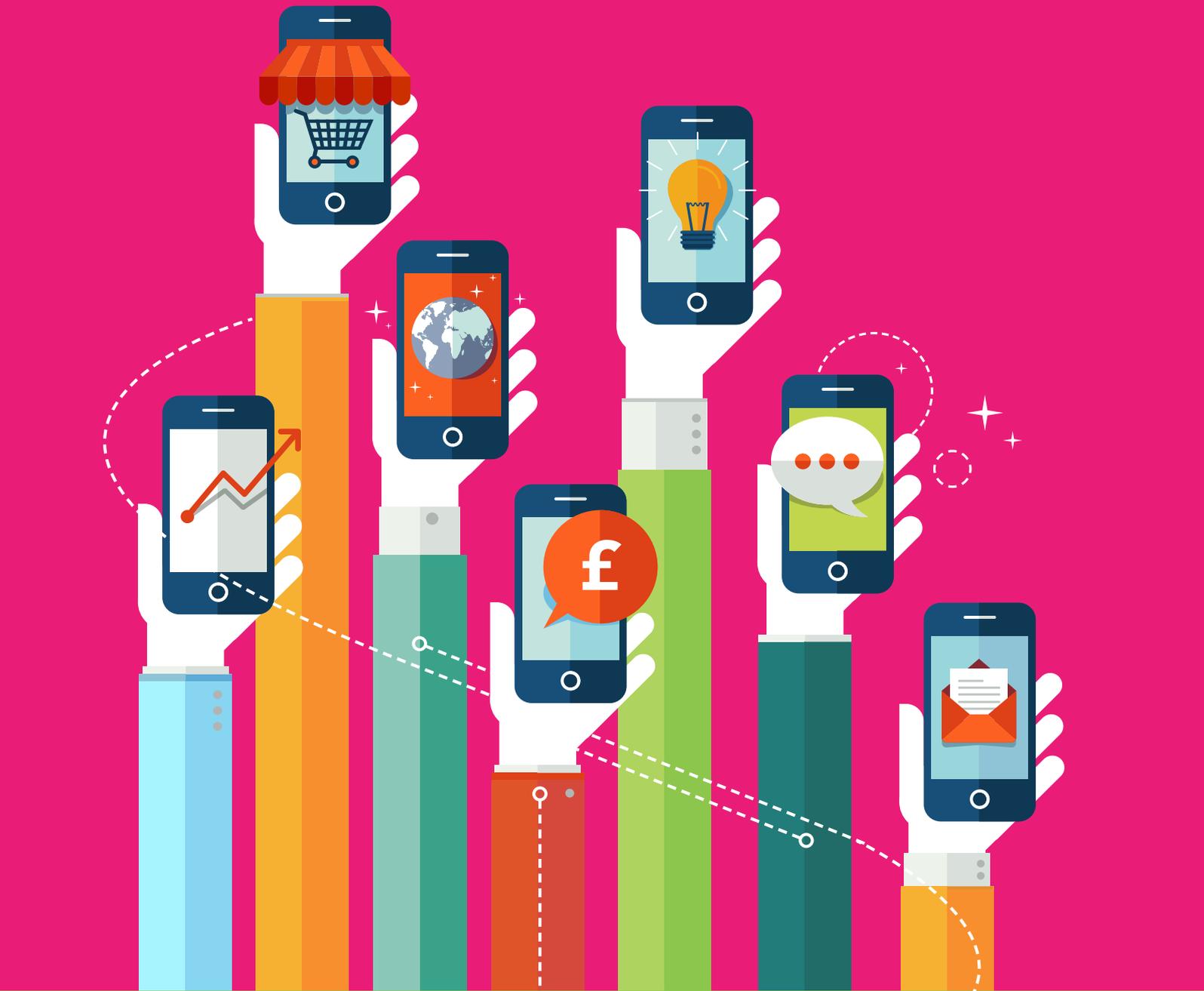


Ubamarket

Reviving Retail 2016





CATERING TO THE CONVENIENCE-MOTIVATED CONSUMER

Disruptive technologies and the rise of online shopping have long been cited as the British high-street's main challengers. Mobile apps have transformed conventional industries, such as taxi services, banking and clothing retail; however, they are widely introduced as means of diminishing the need for a storefront or a bricks-and-mortar outlet. In the retail space, we are beginning to witness a shift towards omni-channel shopping and a crossover between digital and physical retail, but the online/offline hybrid is yet to fully tackle the issue of consumer experience in the field of grocery shopping.

In this edition of Reviving Retail, we will examine the rise of the online grocery shop, its impact on the high-street and whether consumers have fully embraced online supermarket shopping over the in-store experience. By surveying more than 2,000 UK adults, we have been able to gather their online and offline grocery shopping habits, their attitudes towards both models and whether they are ready to incorporate technology into their grocery shopping rituals.

THE DEATH OF THE HIGH STREET AND THE PHYSICAL SHOPPING EXPERIENCE

The high-street is a British institution, but the act of physical shopping has been under threat since online retail came to prominence. In 2012, Saatchi & Saatchi discovered that one in six UK stores were boarded up, with footfall down by 10% over three-years. During that time, a quarter of high-streets around the country were failing, with an additional 11% in decline. Throughout this post-financial crisis period, online shopping was just one of several significant contributing factors that prompted UK shoppers to deviate from one large weekly shop at a warehouse-style supermarket.

Prior to that, the financial crisis of 2008 had instigated a wave of 'segmented shopping', where the weekly 'big shop' was superseded by smaller, more frequent visits to convenience stores, in a bid to minimise food wastage and tighten budgets. Research by Sainsbury's in 2012 found that 83% of consumers had changed their shopping habits at this time in response to squeezed family finances. However, in the wake of the financial crisis and as Britain's economy began to recover from the recession, the habit

of shopping for food little and often continued. This was partly fuelled by a nation that became more discerning about produce and interested in home cooking, which also coincided with the emergence of items such as artisanal foods and craft beers.

83% of consumers changed their shopping habits

THE RISE OF ONLINE RETAIL



The online model was once flagged as a real disruptor in the retail world, however research from IGD indicated that adoption may not have been as widespread as first anticipated. In 2014 the online market accounted for just 4.4% of total sales, with forecasts expecting this figure to reach only 8.3% in 2019. Nevertheless, in 2015, appetite for online food retail appeared to be rising, as the UK ranked in the top two largest online grocery markets in the world, second only to China, with the industry valued at £9.57 billion a year. By 2020, online sales are forecast to reach £17.2 billion. That same year, 11% of UK consumers did the bulk of their grocery shopping online, compared to just 6% in 2011.

Additional research from Barclays in 2015 also found that more Britons were using mobile devices to shop for groceries. The UK bank discovered that although clothing is the most commonly purchased item on a mobile device – amounting to £2.3 billion in 2014 (predicted to rise to £7.8 billion in five years) – more money is spent on food and groceries – £2.6 billion in 2014 (forecast to reach £8.8 billion in 2019).

The UK is ranked in the top two largest online grocery markets in the world



The increased spend online in recent years reinforced the on-going trend of the 'top up shop' which continued into the first half of 2016. Research from Mintel reported that more British families were abandoning the big warehouse-style supermarkets. Instead, families were buying bulk items online or at budget brands, then performing smaller shops at convenience stores. As a result, sales at 'open all hours' convenience stores rose by 1.8% in 2015/16, reaching £37.8 billion. The market is expected to expand by a further 13% in the next five years, and is set to hit £43.8 billion by 2020.

By 2020, online sales are forecast to reach  £17.2 billion

Sales at 'open all hours' convenience stores rose by 1.8% in 2015/16, reaching £37.8 billion



THE FAILINGS OF ONLINE RETAIL

The online market may have increased in size in recent years and have further scope for growth in the near future, but whether the model has the strength to undermine in-store shopping altogether is yet to be seen. Independent research commissioned by Ubamarket found that 43% of the UK does not buy food online. Although the majority have purchased goods over the internet, there is still a large proportion of shoppers yet to be swayed by the online model.

43% of the UK does not buy food online



Despite the expectations attached to online grocery shopping as the disruptor of British retail, those who do buy groceries online are far from satisfied. A staggering 71% of online shoppers said they are frustrated with their online supermarket experience to the point of nearly abandoning the model altogether. In a nationally representative sample, that is the equivalent of over 36 million UK adults.

Britain's online food shoppers also voiced their most significant inconveniences in the Ubamarket survey, with the biggest grievance emerging as the consumer's inability to select their own fresh produce when shopping online, with 38% of respondents stating this.

71% of online shoppers said they are frustrated with their online supermarket experience



How the UK's Online Shoppers Feel About their Online Food Shop



71%



of online shoppers are not satisfied with internet grocery retail

43%



Women are more frustrated with not being able to select their own fresh produce online than men

33%



Young people (aged 18-34) are more frustrated with receiving unwanted replacement items than older shoppers (aged over 55)

The UK's online shoppers aired the following frustrations, that would potentially deter them from internet grocery shopping:

38%



I am not able to select my own fresh produce = 10,690,890 people

29%



I receive unwanted replacement items = 8,145,440 people

18%



The items I buy are poor quality (bruised, discoloured or misshapen) = 5,599,990 people

12%



The delivery slots are inconvenient = 3,563,630 people

10%



It is difficult to check dietary information = 3,054,540 people

16%



I receive the wrong items = 4,581,810 people

43%



Over two fifths of UK adults do not shop for groceries online

6%



There are long waiting times before items can be delivered = 1,527,270 people

12%



I am confronted with too many options when I search for an item = 3,563,630 people

WHAT'S IN-STORE FOR PHYSICAL SHOPPING?

The inconvenience of the online shop has driven some UK consumers back to the store. In March 2016 a survey found that a substantial 78% of Britons still prefer to shop in-store and that only 20% favour the online experience. And yet, irrespective of the proportion of shoppers that prefer to go to the supermarket, the in-store model is not without its flaws.

Ubamarket's survey discovered that 66% of UK adults – the equivalent of 33.4 million people – have said they are frustrated with the supermarket and would potentially stop

66% of UK adults – the equivalent of 33.4 million people – have said they are frustrated with the supermarket

buying goods in-store. Amongst the UK shoppers surveyed, the most significant in-store peeve proved to be long checkout queues, with 35% of consumers – 17.8 million people – agreeing that waiting times could deter them from in-store grocery shopping. The survey also demonstrated

that UK shoppers are motivated by saving money or adhering to a budget. 8.1 million people (16% of the survey) said the difficulty in tracking their spend was an issue with in-store food shopping. In addition, 19% of Britons – 9.6 million people – find themselves buying items they do not need or already have, which was ranked the second largest irritation by UK shoppers.



17.8 million people said that waiting times could deter them from in-store grocery shopping

The same survey also revealed that 15% of consumers – 7.6 million people – find it easy to miss out on promotional deals and discounts, which could prove problematic for shoppers actively trying to save.

The lines between online and offline are beginning to blur in food retail, predominantly to increase awareness of in-store promotions. In a bid to personalise in-store shopping, retailers are starting to implement Bluetooth and Beacon technology to send customers targeted promotions

– the latter of which could be used at 85 of the USA's top 100 retailers and influence \$44 billion in retail sales in 2016. European retailers such as Tesco and Waitrose trialled similar services in 2014, and in 2016, French retailer Carrefour began to utilise costly LED lighting systems that transmit promotional codes to smartphones via lightwaves. However, none of the former technologies are focused on enhancing the in-store user experience or improving efficiency.

The inconvenience of online shopping that sent frustrated consumers back to the convenience store is still not being remedied by new technology, as reflected by results from the Ubamarket survey. The research found that 15% of shoppers, or 7.6 million UK consumers, said their biggest grievance in-store was the struggle to find items quickly and without assistance.

7.6 million consumers struggle to find items in-store 

Britain's Biggest Frustrations Towards In-Store Shopping



UK shoppers aired the following frustrations that would potentially deter them from in-store grocery shopping:

35%



I have to wait in long queues at the check-out = 17,818,150

16%



I find it difficult to track my total spend = 8,145,440

19%



I find myself buying items I already have or do not need = 9,672,710

15%



I struggle to find the items I want on the shelves quickly and without assistance = 7,636,350

15%

-50%

It is easy to miss out on promotional deals and discount offers = 7,636,350

66%



of Britons are frustrated by in-store shopping

44%



In London, people are more impatient in-store – 44% cited long check-out queues as a major frustration (9% above the UK average)

26%



18-34 year olds said buying items they already have or do not need was a big frustration in-store, compared to 13% of over 55s

24%



Young people (aged 18-34) are more than twice as likely as older shoppers (over 55) to find it difficult to track their total spend

THE DEMANDING SHOPPER

Neither the online or offline grocery shopping experience is fulfilling the needs of the UK consumer. Although we are now more engaged with our food, discerning about produce and more budget conscious, convenience overrides our decisions whilst inefficiencies in the food buying experience are evidently leaving shoppers frustrated. This is apparent to such an extent that the failures of both models prompted over a quarter (28%) of UK shoppers, or 13 million people, to say that grocery shopping is their least favourite shopping experience compared to other forms of retail. Consumer sentiment also revealed that 30% of shoppers – equating to 13.9 million people – said that grocery shopping was one of the least convenient parts of their week. However, one of the most notable findings to emerge from the Umarket survey was that 27% have reduced the frequency of their grocery shops – that is 12.4 million that are turning their backs on the supermarket.

28% of UK shoppers, or 13 million people said grocery shopping is their least favourite shopping experience



How the UK Feels About their Grocery Shopping Experience

30%



Grocery shopping is one of the most inconvenient things I have to do each week
= 13,976,512

28%



Grocery shopping is my least favourite shopping experience (when compared with other forms of retail)
= 13,088,712

27%



I have reduced the frequency with which I buy groceries either online or in a supermarket
= 12,429,203

18%



I feel let down by the grocery shopping experience
= 8,446,785

36%



of 18-34 year olds said grocery shopping was their least favourite type of shopping
= 4,667,292 people

33%



of 18-34 year olds have reduced the frequency of their grocery shops
= 4,261,441 people

25%



of 18-34 year olds felt let down by the grocery shopping experience
= 3,246,812



Umarket
shop smarter.



27% have reduced the frequency of their grocery shops



The high number of disillusioned younger consumers (18-34 year olds) is a troubling statistic for the future of food retail. Given that this age bracket will serve as our next generation of shoppers, the British high-street and the online supermarket model are both reliant on their satisfaction in order to prosper. As around 4.2 million young shoppers have already reduced the frequency of their food shops and are subsequently turning their backs on the supermarket, this does not bode well for food retail's prospects. When asked if consumers would embrace a hybrid solution that combined the efficiency of online retail and the benefits of in-store shopping, with the addition of automatic loyalty points, this age group was the most receptive. Over four fifths (82%), or 11.9 million 18-34 year olds, would use such a product, whilst 69% of UK adults overall would welcome a solution like this.

Although as of June 2016, Waitrose began to implement an app to allow shoppers to scan barcodes as they shop in-store, very few food retail brands have embraced a solution to fully acknowledge the consumer's grievances towards the in-store user experience. As the in-store and online experiences have failed to meet shoppers' needs and prompted a decline in grocery shopping towards the latter

half of 2016 (27% who have reduced their food shopping), this has correlated with the rise of takeaway apps and delivery services. According to 2015 research, expenditure on takeaways such as pizza, curry and Chinese food is set to rise by 28% by the end of the decade to hit £7.6 billion a year. In the first half of 2015, the UK's largest takeaway business JustEat saw sales increase 54%, whilst in 2016 Deliveroo witnessed 25% month-on-month growth.

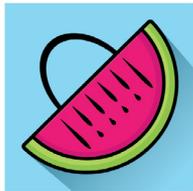
The correlation between the rise of delivery services and the decline in food shopping overall illustrates a clear disconnect between consumers' appetite for ease and the stores' inability to deliver. We are clearly a nation of demanding shoppers that seek quality but above all convenience; as reflected by the 38% of online shoppers who are frustrated by being unable to select their own fresh produce and the 66% of Britons frustrated by the supermarket. The 69% of UK adults and 82% of 18-34 year olds that would embrace a hybrid solution combining the benefits of online with the in-store shopping experience is testament to this. A failure to acknowledge the needs of the disillusioned shopper could reduce footfall at bricks and mortar outlets and minimise spend online, driving consumers to the other amenities such as food delivery services.

Although initial statistics post-recession saw us shopping little and often, the 2016 findings from Ubamarket suggest that

82% of 18-34 year olds would use a solution combining the benefits of online with in-store shopping



consumer peeves are resulting in over a quarter of UK adults reducing the frequency of their online and offline food shopping. This was reflected by data from the Confederation of British Industry (CBI) which showed that retail sales dropped sharply in the weeks following the EU referendum and, in July 2016, the BDO monthly High Street Sales Tracker recorded 0% growth, confirming a sixth successive month of no growth for British retailers. The reduction in visits to the supermarket and shopping online has also coincided with the decline in sales for the UK's 'big four' supermarkets. In August 2016, data from Kantar Worldpanel revealed that all four of the UK's major stores saw sales decrease in a 12-week period. Although discount chains Lidl (+12.2%) and Aldi (+10.4%) enjoyed a successful three months, Tesco (-0.4%), Sainsbury's (-0.6%), Morrisons (-1.8%) and Asda (-5.5%) all witnessed a decline in sales figures. These are troubling statistics for a country once cited as a "nation of shopkeepers" and if we are to revive grocery retail in a period of decline, then listening to the needs of the consumer and responding with innovation that meets their demands could be the solution.



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