



The retail world, fast-moving and forever changed.

2020 Adobe report on essential retail
in the post-COVID-19 world



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Executive summary

As brick-and-mortar locations reopen, the fear of closing again is never far off with COVID-19 cases seeing new spikes. With so much uncertainty, the global pandemic has retailers wondering what comes next. Yet they've also begun to realize that the only way to prepare is to swiftly adjust strategies.

"Retailers have to embrace digital, and they need to move quickly," says Michael Klein, global director of industry strategy at Adobe. "The data shows that no matter which demographic we talk to, there's a desire to interact digitally with brands, whether retail or consumer."

[Tractor Supply](#), a rural lifestyle retailer, proves that adapting to market shifts and changing consumer behaviors as they happen is the key to coming out ahead. By focusing on the digital customer experience, they saw their e-commerce sales grow by triple digits, and plan to open between 75 and 80 new store locations this year, reports [Chain Store Age](#). In order to keep their businesses thriving, other retailers will have to adjust their strategies in the same way.

To learn more about how COVID-19 has affected shopping behaviors at essential goods retailers like food and beverage, health and wellness, personal care and beauty, and household goods, we surveyed 1,000 U.S. consumers across five generations:

- Gen Z (21 – 24 yrs. old)
- Millennials (25 – 39 yrs. old)
- Gen X (40 – 54 yrs. old)
- Baby Boomers (55 – 69 yrs. old)
- Silent Gen (70 – 84 yrs. old)

This survey and benchmark report, conducted by research firm PK Global, is a deep dive into changing retail models, COVID-19 shopping patterns across demographics, practical tips for how to adjust to the current crisis, and guidance on what you can do to come out ahead on the other side.

Here are the biggest takeaways from this report:

Retailers that create strategies for merging physical and digital shopping will thrive.

While shoppers still prefer to visit physical stores for essentials, more shoppers are choosing digital for certain categories. In the past six months, food and beverage has seen the highest increase in online activity (59 percent), followed by household goods (44 percent), and health and wellness (38 percent). In the next 12 months, 85 percent of consumers say their online spending will increase or stay the same.

On the road to recovery, safety and security will be front and center, especially for older shoppers.

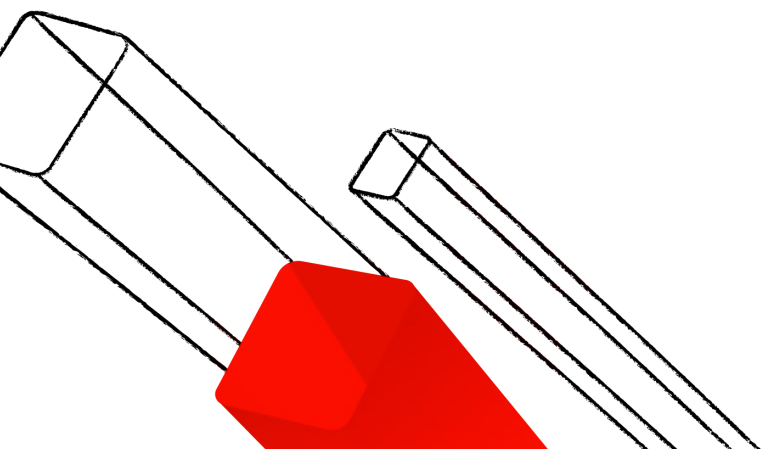
Visible safe store practices are the third-highest priority for Silent Gen shoppers as they decide which physical store to choose, while safety lands in the top four across all generations.

Personalization is essential to engaging customers of all ages, but generations define it in different ways.

While older generations define personalization as being known physically through interpersonal interactions, younger shoppers want to be known digitally, receiving personalized product recommendations and special offers.

Most consumers want retailers to provide them with the basics, not the latest bright and shiny objects.

While 87-90 percent of Baby Boomers and Silent Gen are happiest with a website that's easy to navigate, and the promise to protect their data, Gen Z and Millennials are more likely to want personalized product recommendations and automatic order fulfillment or subscription services.



Getting the lay of the retail landscape

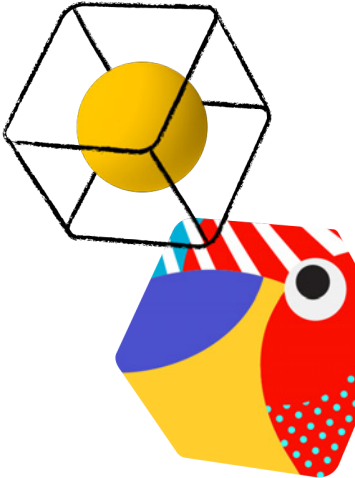
Tracking retail's race to digital

While pandemic shutdowns have forced some retailers to close store locations because of lost profits or bankruptcy, others have adapted by changing the way their stores operate. For example, [Best Buy](#) is converting some of their locations from show floors to local distribution centers that fulfill online orders.

Essential retailers are following suit. Both Whole Foods and Kroger have converted some locations into "[dark stores](#)" that only fulfill online orders. These examples highlight the importance of reaching consumers through a variety of channels.

"The idea of omnichannel is more critical than ever, because whether it's by choice or by regulation, we don't know which locations may still be open," Klein says.

This means retailers will have to lean more on digital to attract and keep consumers. But despite these store closures, most people still prefer to visit a store to buy essentials, especially older shoppers.



How generations shop in physical stores

	Gen Z	Millennials	Gen X	Baby Boomers	Silent Gen
Food & Beverage	88%	88%	93%	87%	90%
Health & Wellness	71%	67%	75%	74%	83%
Personal Care / Skincare / Cosmetics	63%	64%	77%	76%	79%
Household Goods	76%	69%	82%	75%	85%
Home Improvement	66%	64%	82%	81%	91%

Younger shoppers, on the other hand, prefer the product availability and personalization that comes with online shopping—especially in categories like personal care, skincare and cosmetics, as well as home improvement.

How generations shop online

	Gen Z	Millennials	Gen X	Baby Boomers	Silent Gen
Food & Beverage	30%	38%	35%	35%	29%
Health & Wellness	50%	60%	58%	58%	54%
Personal Care / Skincare / Cosmetics	65%	69%	60%	51%	55%
Household Goods	42%	53%	46%	50%	44%
Home Improvement	49%	47%	41%	40%	33%

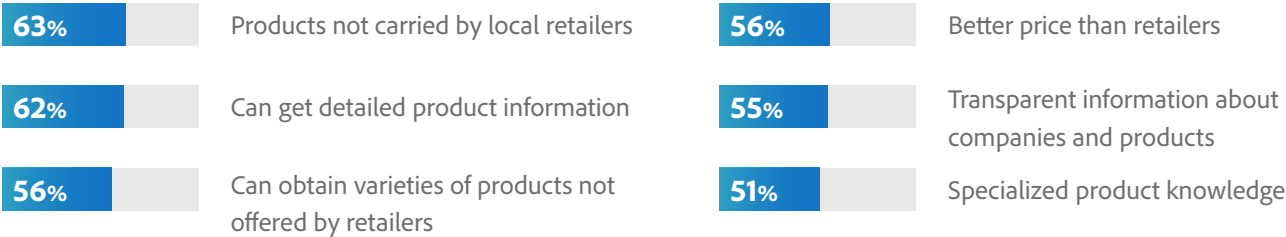
Overall, in the last six months, food and beverage saw the biggest jump in online purchasing than any other category, with 59 percent more consumers choosing digital to purchase. And with 85 percent of consumers saying they'll increase or keep their current online spending the same, retailers should increase their investment in e-commerce if they haven't done so already.

Breaking down brand switching

Due to store closures, many consumers found that their favorite stores were no longer open, so they opted for local retailers instead. Our research shows that similar brand switching is happening between national brands and private labels at the product level. For example, when shoppers were frustrated with Amazon's delivery delays, or online retailers applying COVID-19 product quotas, many consumers started going direct to manufacturers to purchase branded goods at lower prices and get detailed product information.

"Consumers are looking to try new brands," says Klein. "The younger demographics tend to be more open to new brands—whether private label or emerging—while the older demographics are more accustomed to the brands that they've had for decades and likely won't switch."

Why Gen Z and Millennials buy direct-to-consumer brands



Grasping the pandemic and the paradigm shift

Before the pandemic, the goal of retailers was to get as many people in the brick-and-mortar store as possible, and to keep them there as long as possible. In the current pandemic, that model no longer works.

“The paradigm of physical retail has completely shifted from where we were pre-COVID,” says Klein. “We now want to get the right customer in the store, and not just browsers. So if we have 100 customers come into our store or go to our digital website, we want to have as high a conversion rate as possible for both channels.”

As essential retailers are looking to get customers in and out of their brick-and-mortar stores quickly—with a purchase, of course—research from [Adobe Digital Insights](#) shows that consumers are spending more time in digital aisles.

Retailers like H-E-B grocery are a prime example for how to handle this paradigm shift. H-E-B has a history of withstanding crisis. In the case of COVID, the grocer was one of the first to limit purchases of certain products at the start of the crisis, curb store hours, and add more employees to warehouse duties to reduce fulfillment strain, reported [Texas Monthly](#). They also launched a dedicated delivery service for seniors, shut down in-store restaurants, and limited services in their bakery, floral, and deli departments, noted [Grocery Dive](#).

To further reduce supply chain issues, they partnered with a food distributor to keep hot meals, lunch meats, and other products in the store, as well as with a beer distributor to deliver eggs to their locations. The grocer was prepared, as it's been refining its pandemic and influenza plan since the 2005 H5N1 threat, according to Justen Noakes, director of emergency preparedness at H-E-B. He says the important thing for retailers to consider is “to make sure that we're really paying attention to what our customer does, and to actually respond to it.”

Time shoppers spent in online stores at the peak of the pandemic

New customers:

320% more time

Return customers:

250% more time

Loyal customers:

180% more time

Source: Adobe Digital Insights, Grocery in COVID-19, 2020



Starting down the road to recovery

Safety and security lead the way

When it comes to choosing a physical store to purchase essentials, consumers name visible safe store practices as one of their top priorities—fourth in line after product availability, convenience, and speed. Safety ranks even higher for Silent Gen consumers, making their top three list. When compared with other priorities, customers are also most satisfied with how retailers have implemented safe store practices.

Customers are most satisfied with the following safe store practices:



“Coming out of the study, we see that the idea of safety and security is going to be critical on the road to recovery,” says Klein. “Credit card touch-and-go, as well as mobile payment contactless options including scan-and-go, are technologies we’re going to have to see more retailers adopt properly.”

Retailers are also seeing a shift in preference as consumers value more basic services over the latest technical offerings.

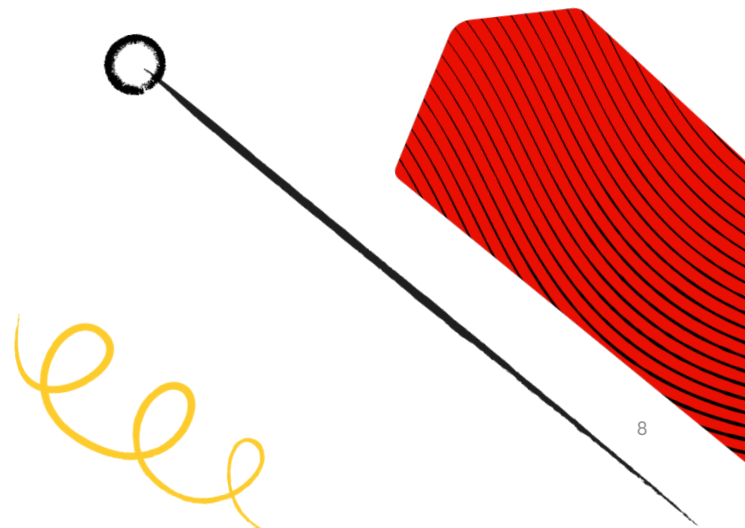
For older generations, this means offering services like a website that’s easy to navigate, free shipping, privacy protection, and detailed product information. Younger generations expect convenience and relevance, prioritizing personalized product recommendations and automatic order fulfillment or subscription services.

Home Depot is a good example of the types of services consumers now want. Although the home improvement store has had their mobile technology in place for several years, it’s especially relevant in the current retail environment. On their website or mobile app, you can see which products and how many of each are available in the store on their shelves. And because Home Depot stores are massive, the mobile app can also help you find your way, in person, to the shelf where the item sits.

“ Things like wayfinding or inventory availability are going to facilitate a more seamless trip into the physical location. For grocers in particular, there could be a huge adoption of that type of technology to help consumers find what they need quickly and be on their way.”

Michael Klein

Global Director, Industry Strategy and Marketing at Adobe



And even though younger generations are more interested in retail innovation when shopping for essentials, product availability and product findability are winning over things like drone delivery and augmented reality (AR) or virtual reality (VR). For example, Gen Z and Millennials find the ability to search for a product by uploading a picture to a retailer's app more valuable than services like voice ordering. They also value being able to text a retailer to find out if a certain product is in stock.

On the content side, brands will need to engage consumers who prefer to stay home with video, AR, and VR experiences. Ulta Beauty created an app to help shoppers identify their skin type and find products to address skin care concerns.

"This new skin analysis tool uses augmented-reality technology and AI to assess skin care needs and offer personalized recommendations and skin care tips," said Ulta CEO Mary Dillon in a [Retail Leader](#) interview. "To support these launches, we've increased our storytelling through our marketing vehicles and elevated the visibility of our stylists via social media."

In addition, brands like [Gucci](#) have been engaging with customers through video to provide virtual shopping experiences. And many wineries are now offering [virtual vineyard tours and tastings](#).

Personalization paves the path

As retailers try to make it easier for consumers to transition to online shopping for essentials, they'll need to make sure personalization is part of the plan. While marketers know the importance of getting a complete view of the customer, few are doing it effectively.

"For many years, marketers have talked about this idea of a 360-degree view of the customer, meaning I know everything that happens online, offline, their behaviors,

and their transactions," says Klein. "In order to meet the demands of personalization and relevancy, knowing the complete view of your customer has become table stakes."

However, Klein cautions that there are different levels of personalization. Knowing that someone is a return customer versus a new customer isn't enough.

"As we try to get a little bit more sophisticated around trying to segment out different groups, we really need to be careful around the context and the time of day," he says. "It's not just about the products and having a full understanding of the customer. It's a combination of data points, plus context like space and location that really needs to be brought into the equation of personalization and the data underneath it."

When looking at age differences, we found that older generations define personalization as having an interpersonal relationship with their local retailer.

75%

of Silent Gen and 67% of Baby Boomers believe they contribute to their community by shopping at local stores.

77%

of Silent Gen and 71% of Baby Boomers still shop at local retailers, even if the brands they usually buy are out of stock.

Younger shoppers want to be known digitally—based on the data they provide. This group prefers receiving personalized product recommendations based on their needs and preferences.

Likelihood to shop at a retailer

	Gen Z	Millennials	Gen X	Baby Boomers	Silent Gen
Advanced personalized profile Personalized shopping profile on the retailer / brand's website that saves your preferences	59%	52%	44%	34%	25%
Real-time shopper observation When fulfilling your online order, a personal shopper wears a camera so you can view the items they select in real time	59%	52%	44%	34%	25%
Appointment scheduling You can schedule an appointment to shop at a physical store	52%	49%	44%	37%	25%

Some brands that are doing personalization well include Nordstrom, Home Depot, Amazon, Whole Foods, and H-E-B. Kohl's also stands out for its quick transition to digital amidst the pandemic, seeing growth in online sales that would have taken five years to realize otherwise. CEO Michelle Gass told [WWD](#) in an interview that she attributes this growth to staying in tune with customers and providing them with the products and services they want.


“So even as our stores have begun to open, we’ve seen the digital business continue to perform at very high levels,” she says. “And that’s driven off of a lot of things. It’s driven off of relevancy,

adapting our site to be focusing on categories that people are interested in right now, like active and home and kids' products. It's about the marketing that we put in place. And lastly, it's about the innovation, things like curbside drive-up that we [instituted] very quickly."

Privacy closes the loop

Success in personalization is based partly on the amount and type of customer data you can gather. However, due to privacy concerns, many consumers—especially older generations—are suspicious about providing their personal preferences. In fact, keeping personal information safe, such as credit card details and addresses, is the third-highest priority across all generations when considering shopping in an online store—even amongst younger shoppers who are more likely to share their preferences.

Consumer priorities when choosing an online store




	Gen Z	Millennials	Gen X	Baby Boomers	Silent Gen
Free shipping	61%	76%	82%	85%	92%
An easy-to-navigate-and-use website	65%	71%	83%	87%	90%
Keeps my personal information safe	55%	70%	84%	88%	90%
Detailed product information	61%	70%	75%	79%	88%
A generous return policy	71%	63%	76%	77%	84%

In addition, consumers who share their data expect some value in return, such as personalized services and offers.

"As more retailers respect the information that's given to them, providing a level of confidence that they're not going to abuse customer data, consumers might be more apt to share their information—especially if they already have a relationship with the brand," Klein says. "For brands and retailers, it's about really understanding the signals that I may have in personalization to make sure that the information I provide is relevant and valuable."

For instance, if a consumer provides a retailer with information about their dog and its eating habits, they expect that retailer to know exactly when to drop off a new bag of dog food on their porch. While Amazon has already been doing this successfully, other retailers such as pet stores, beauty, personal care, vitamin, and food and beverage brands can learn from this subscription model.



Pushed to transform, retail can now pull ahead

As retailers continue to find their way through the fast-moving shift to digital, all eyes are on what shopping will look like once the current pandemic is brought under control.

According to Klein, the future may be brighter than you might think. "While things have been challenging, I don't see a retail apocalypse coming. Just like before COVID, there will be winners and losers. Those who have already begun or who are putting in place the tools and technologies to be agile and shift with the times will come out on top."

Adobe can help

Adobe Experience Platform transforms customer data from internal and external sources into real-time customer profiles that allow you to deliver the right experiences, every time. Stream data in from Adobe Analytics, Adobe Target, or any other source. Activate that data in Adobe Experience Manager, Adobe Campaign, or custom applications. With capabilities for dynamic personalization, customer journey creation, and a rich set of APIs, you can get so much more from your data. Rigorous security and privacy activities are integrated into our product and platform so you can deliver trusted experiences to your users every day.

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