Shoppers have shifted to omnichannel. What's next?

The new buying norm incorporates online and in-store

If everyone is now an omnishopper, brands and retailers need a new data approach

NielsenIQ

The great shopper shift to omnichannel has become the great shopper reality. As brands and retailers prepare for —and adapt to—how consumers now shop, they require a more intelligent understanding of omnichannel behavior and the entire omnichannel landscape. That's here to stay.

As of late March 2022, 86% of consumers now buy FMCG products in-store and online, with only 14% of consumers solely shopping inside brick-and-mortar locations.[1] Compare that to December 2019, when 81% of consumers had never even bought groceries online.

Within grocery, online sales of food and alcohol have slowed from the height of the pandemic, seeing sales near $70 billion in calendar year 2021, a 22% share of total sales.[2] But total CPG online sales are still up $21 billion versus last year, which is hardly worth dismissing.

Of course, assessing online and in-store shopper behavior in 2022 must take into consideration the impact of inflation: the sharpest price increases in 40 years. As of July 2022, inflation overall has eased slightly, but food prices—up nearly 11%--continue to pressure consumers. Some categories have risen even more; for example, butter prices are up over 26% and eggs are up 38%.[3]

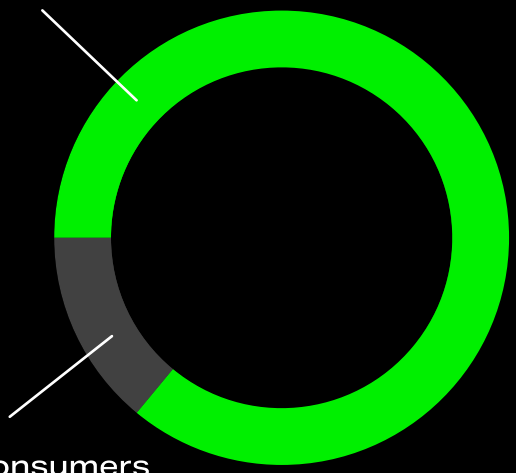
Omnishopper data can then be used to see how price hikes are impacting the quantity of shoppers and total store trips in certain categories. NielsenIQ, for example, has seen a CPG "stagflation" take effect. In the 10 weeks ending June 11, 2022, total volume has decreased in categories like dairy, dry grocery, and frozen meals, while overall sales are up nearly double-digits. It shows the rise in pricing is driving the growth, not overall units.[4]

Increased prices in products, gas and utilities have driven omnichannel shoppers to adjust in different ways to save money. Some shoppers are cooking more at home, others are buying larger economy sizes, and some shoppers are being more mindful of their overall basket spend. NielsenIQ's Consumer Outlook Survey data (featured in this infographic) finds that as of mid-year 2022, 77% of global consumers are cautious in their spending.

This change in shopping habits doesn't mean the shift to omnichannel behavior will slow, however. It means omnichannel behaviors could evolve slightly. For example, consumers might conduct more research online for the best price available or make fewer trips to brick-and-mortar locations to save money on gas.

Most consumers shop across all channels for all types of products

86% consumers purchasing FMCG products both in store and online



14% consumers who report solely shopping inside brick and mortar locations

[1] Source: NielsenIQ Omnishopper Panel 52W ending 3/28/22
[2] Source: NielsenIQ Omnisales, L52w/e 01/01/22
[3] Source: "Consumer prices rose 8.5% in July, less than expected as inflation pressures ease a bit," CNBC, 8/10/22 https://www.cnbc.com/2022/08/10/consumer-prices-rose-8point5percent-in-july-less-than-expected-as-inflation-pressures-ease-a-bit.html
[4] Source: NielsenIQ, Total US x AOC, Q2 '22 Preview: 10 weeks ending June 11, 2022

For brands and retailers, consumer cautiousness is another factor to consider when predicting what's next in the great shopper shift to omnichannel.

Who is the omnichannel shopper?

Over a year ago, NielsenIQ released The Great Shopper Shift: Part 1, a report that highlighted the sudden and almost immediate impact that COVID-19 had on online shopping. The study reported online grocery sales in the U.S. grew to $95.82 billion in 2020, representing 7.4% of all grocery sales and a 12% share of total U.S. e-commerce sales.

Review the shopping landscape today and it's safe to say the vast majority of consumers are shopping online and in-store. Across total CPG products, online purchases topped $191 billion in the last year, a 12% increase year over year, yet online remains only representing 16% of total CPG dollars.

Categories like beauty and pet care are driving a far greater share of total sales online, while grocery lags slightly, representing 8.7% of sales online. But as the shopper shift grows, grocery food is projected to surpass health and beauty as the largest CPG sector online by the end of 2022.

As click-and-collect orders and grocery home delivery orders continue to grow, shoppers are becoming increasingly comfortable around e-commerce grocery shopping. For example, 51% of U.S. shoppers bought groceries online at least once in 2020. That number rose to 56% in 2021. Similar gains were observed in areas such as personal care and household care, categories which had already attracted large numbers of buyers online.

Another notable shift today: consumers are planning pickup orders along with in-store shopping runs. NielsenIQ data found more than 1 in 5 shoppers (22%) plan an in-store trip combined with an online order placed for pickup. Think of it as shopping that is more than click-and-collect; it is Click + Collect + Complete™ .

And it's likely that new shopping behaviors will emerge within the great shopper shifts, as options for how consumers can get all of their groceries and essential items online continue to evolve.

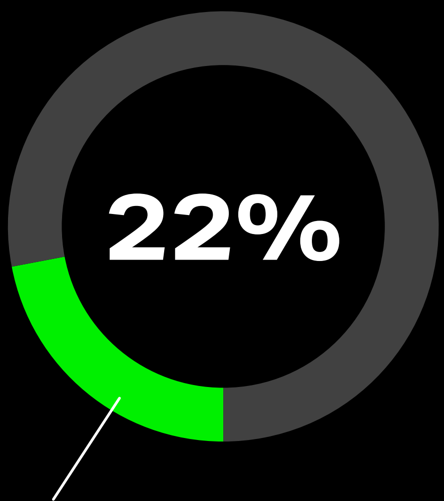
It's likely that even more new shopping behaviors will emerge within the great shopper shifts, as options for consumers to get all their essentials online continue to evolve.

Continuous evolution of consumer shopping behavior

NEW Click + Collect + Complete™

Why shoppers run into the store at pick up:

I just browse for anything that looks interesting	**60%**
I shop for specific items I did not order online	**52%**
I look for seasonal items	**44%**



22% of shoppers plan an in-store shopping trip combined with a prior online order

[5] Source: Progressive Grocer, "The PG 100: Ranking Top Food Retailers in North America," May 16, 2022,

Quicker, faster, easier delivery and pickup

Consider a recent ranking of the top 100 retailers by Progressive Grocer.[5] For the first time in the ranking's history, the 89th annual report included a mix of an online-only delivery disruptor, an online-only subscription platform, and the usual titans of retail across grocery, convenience, and mass retailing—many with their own subscription services, delivery services, and ever-growing e-commerce innovations.

Add in delivery services such as Shipt, Getir, Instacart, Postmates and more, and delivery is getting faster, and futuristic through the testing of autonomous cars. For shoppers, e-commerce is moving at a rapid pace—perhaps even faster than the scooters that deliver groceries to their doorstep. Some of these online platforms will come and go, but the shift to omnichannel shopping—and the need for brands to stay ahead of changing consumer behaviors—will be imperative.

This omnichannel imperative poses a common question among manufacturers and retailers: How do we increase our share of omnichannel sales?

It starts with the same basic principles as traditional category and brand management. Tracking holistic omnichannel sales data should be a foundational industry expectation at this point. Additionally, understanding online and offline consumer dynamics, including switching behaviors and sales cannibalization, is paramount to tailoring strategies that match today's omnishopper needs.

All that can be achieved with omnisales and omnishopper data: companies can evaluate the ROI of different strategies, whether to increase penetration by growing trial rates or gain market share. Otherwise, companies are reliant on partial data or an incomplete view of shopper behavior and brand performance that doesn't reflect broader market activities that could also influence outcomes. This tactic is just as dangerous as making decisions without any data at all.

For brands, having accurate omnichannel data and insights connects their entire online and offline picture, and it reveals how they're performing among shoppers. To stay relevant to those consumers, brands must meet shoppers where and how they want to shop—delivery, click-and-collect, and in-store—and having precise and reliable data is central to successfully achieving that.

Target optimizing their digital shelf

Target reported that last year almost all of its sales both in stores and digitally were fulfilled by its brick-and-mortar locations.

[6] Source: https://corporate.target.com/article/2022/07/sortation-centers

Optimizing the digital shelf

For CPG brands, the majority of sales run through the physical store: shoppers not only heading to locations for a traditional in-person shopping trip but also to fulfill an online order. Target, for example, reported last year that 95% of its sales both in stores and digitally were fulfilled by its brick-and-mortar locations.[6] For this reason, the digital shelf plays an essential role in the omnichannel shift going forward, as brands need to optimize their e-commerce activity and avoid out of stocks.
For instance, view the digital shelf as a pyramid (see the diagram below), and it is evident that products must be in stock in order to keep the flow of the online shopping journey moving upward. If a product is out of stock—the anchor and foundational piece of the pyramid—then content, promotions, paid search, product visibility, and ultimately sales all go to waste.

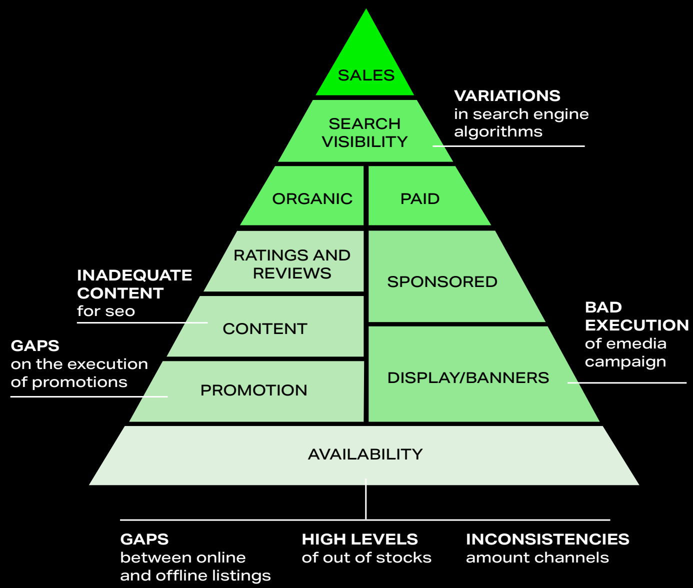
After product availability, all of the other fundamental pieces of the pyramid must be working in concert, marching a consumer forward toward sales, the tip of the pyramid. Video and product imagery need to be delivering an immersive feel of the product. Product detail pages need to inform shoppers of what's inside a product, meeting dietary requirements and answering sustainability questions. Promotions should be tracked by location and against competitors; products should be optimized to appear in the highest order possible within search; ratings and reviews need to be available; and additional paid media on a retailer's site and data analytics help build an efficient and powerful digital shelf.

To be most effective on the digital shelf, **software such as Data Impact**, a platform powered by NielsenIQ, helps monitor all of these key pieces of the pyramid to ensure online product gets into a shopper's cart and fulfilled in-store.

Dig into omnishopper behavior

Knowing who is behind sales growth is also an essential component to understanding this ongoing shift. Take for example, the surprising and nuanced insight of the latest shopper shift online. Many pundits incorrectly predicted that older generations would abandon online shopping by this point. In fact, in some areas—such as health and beauty—older generations are leading the buyer shift to online adoption. The initial forced exposure to online shopping has now highlighted the convenience and more personalized options of e-commerce. And while busy millennials continue to fuel the buyer growth and increase in spend online for grocery food, older generations have not abandoned the market.

Managing the digital shelf to avoid out of stock spirals



The levers CPG manufacturers can control to drive sales all depend on maintaining the availability of products. While there are pitfalls to avoid and mitigate as brands build from that foundation, ultimately without reliable product availability no other strategies will succeed.

Brands shouldn't assume the same products appeal to everyone, and they certainly shouldn't assume the best-selling categories or products in-store will necessarily translate online. Deep insight of your loyal and emerging customer demographics can influence everything from the featured products on your homepage to the digital imagery used in marketing.

Demographic data tells the story of who a typical omnishopper is in a given market. This critical story can help retailers and brands understand what motivates a purchase and uncover what triggers they should pull to reach those shoppers.

Omnishopper data can also reveal how brand sales are leaking across retailers and help retailers accurately identify converted and missed shoppers across channels. By monitoring leakage closely, retailers and CPG brands can assess the ratio of converted shoppers to missed shoppers and spot trends early. Without that deep analysis, companies risk watching shoppers (and their dollars) flow out to waiting competitors.

Retailers and brands can miss out on sales volume when buyers exit the category or switch to a competitor. Sales-based reporting identifies the sales volume changes, but it won't indicate whether those shifts are primarily attributable to brand switching, category growth or attracting new shoppers. Omnishopper data shines light on the exact drivers of sales volume decline or growth.

Brands can leverage omnishopper software to see how shopper groups are shifting habits online and offline due to inflation. They can dig deep by market, by store, and across various shopper characteristics to see who is shopping their brand. They can also see precisely where and how shoppers want it: in-store or online, curbside or delivered.

Data working in concert delivers a complete omnichannel view

Omnichannel sales data working alongside omnishopper behavior tracking, and doing a deep dive in digital shelf analysis, sets up CPG manufacturers and retailers for fully optimized growth and performance. Omnishopper demographics can be indexed to channel sales performance, directing brands and retailers to understand who is driving channel growth or which demographics might need a boost from promotions, pricing or various marketing efforts. Omnichannel sales data spotlights opportunities by channel and highlights category performance by market. They can work together: channel by channel, highlighting leaked customers through omnishopper data and reconciling that intelligence through omnisales data.

The data aims to supply a complete view of the omnichannel market, following shoppers inside stores, out of home and online. The data blends individuals and households, analyzes behavior across mobile and non-mobile receipt capture, and uses various collection technology to provide a robust panel of consumers that yields a complete picture of the marketplace. Validated with a retail measurement services (RMS) truth set for sales tracking, a comprehensive view of in-store behavior, digital behavior, consumer sentiment and consumption can be achieved to ensure you're getting the most reliable data. It all works together.

With data in hand, following these key principles ensures that brands and retailers can reach optimal measurement and make impactful decisions:

- **Accuracy** – actual, confirmable data, not guesses or extrapolations
- **Reliability** – repeatable panels and advanced data hygiene
- **Verifiability** – backing panel data with an RMS truth set
- **Breadth of Coverage** – capturing a full view of the marketplace and sampling the largest possible groups of consumers

"How NielsenIQ can help"

NielsenIQ knows omnichannel insights. We position CPG businesses to understand the nuances of the omnishopper journey. Our data granularity, underpinned by rich reference data, unlocks marketplace views to support brand and retailer business needs. We integrate, harmonize, and de-duplicate data sourced from POS, ecommerce and consumer panels to provide unparalleled accuracy and precision.

Learn more about how our omnisolutions can help you understand the "what" and "why" of your omnichannel performance.

Get in touch with our data experts today.

NielsenIQ

Who is NielsenIQ?

NielsenIQ, a global information services company, delivers the gold standard in consumer and retail measurement, through the most connected, complete, and actionable understanding of the evolving global, omnichannel consumer. NielsenIQ is the source of confidence for the industries we serve and is the pioneer defining the next century of consumer and retail measurement. Our data, connected insights, and predictive analytics optimize the performance of CPG and retail companies, bringing them closer to the communities they serve and helping to power their growth.

NielsenIQ, an Advent International portfolio company, has operations in 90+ markets, covering more than 90% of the world's population. For more information, visit NielsenIQ.com.