



The edges of experience



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Introduction

According to a Deloitte study, discount and premium retailers are opening nearly three stores for every one their “balanced” rivals are closing. In tandem with this, premium retailers have seen revenue grow a staggering 40 times quicker than that of their mid-market competitors.

Ahead of the all-important winter sales period, Bazaarvoice commissioned investigative research with 4,000 consumers from the UK, France and Germany to explore how shoppers are going to behave by discount, mid-market and luxury preference.

Strikingly, when it comes to personal shopping, 69% of UK respondents state they will now opt for a budget brands such as Argos, TK Maxx, H&M and Tiger. A further 12% will now choose from luxury brands such as Selfridges, Burberry, Mulberry and Omega.

Certainly this seems to reaffirm recent headlines spelling doom for the mid-market. However, this report also finds a huge opportunity in the run-up to Christmas. Over half of UK, French and German shoppers plan to purchase gifts for friends and family from mid-market brands.

With the holiday season fast encroaching, this report looks at what both mid-market brands and retailers ought to be doing to capitalise on seasonal peaks including Black Friday and Christmas.

KEY QUESTIONS THIS REPORT ANSWERS;

- How have budget and luxury brands achieved market expansion at the same time?
- How much of a threat does Amazon pose to the mid-market from the online realm?
- Where can mid-market brands and retailers find natural advantages to capitalise on at such an important point in the retail year?

Assessing the threats

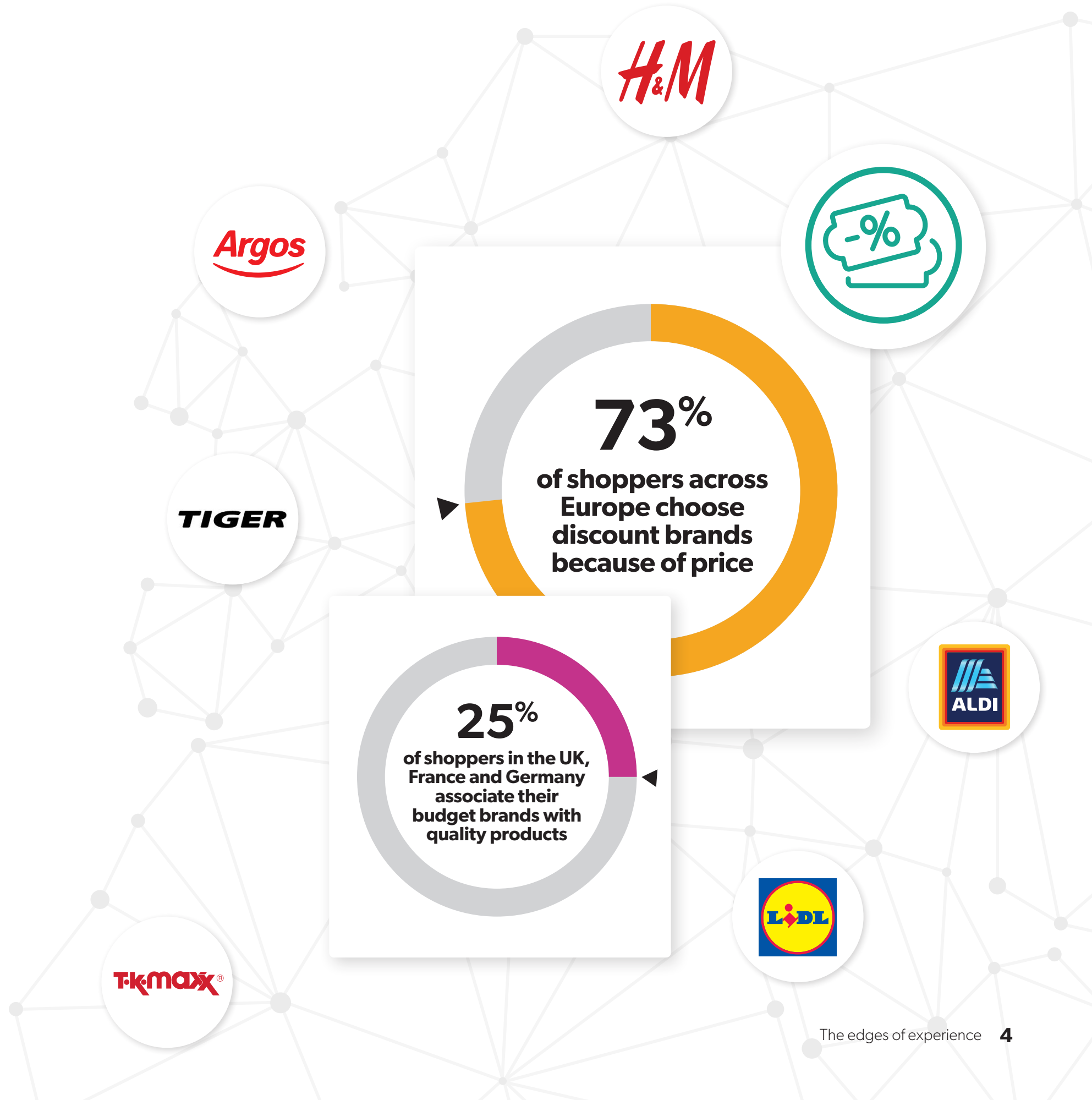
ASSESSING THE THREATS

1 Budget Britain

69% of UK consumers now shop with budget brands such as Argos, T.K. Maxx, H&M and Tiger. This compares to 47% that regularly shop with mid-market names such as Next and Debenhams.

Not only are shoppers across Europe now choosing budget brands because of price (73%), but a quarter of shoppers in the UK, France and Germany associate their budget brands with quality products.

Looking to the grocery sector, it's clear budget labels such as Aldi and Lidl have exemplified the transformation in perception of budget brands. Low risk and easy to try and test, as many as a third of shoppers from across Europe now state they are most likely to buy their Christmas groceries from Aldi and 27% from Lidl.



ASSESSING THE THREATS

2 Luxury goes mainstream

Another big threat for mid-market brands is the luxury sector

when gift buying. 76% of UK shoppers who usually shop at mid-market brands are likely to switch to Selfridges, Burberry, Mulberry, and Omega at Christmas. This is also true in France and Germany, where 59% of customers opt for luxury brands when gift shopping.

The growth in luxury shoppers has come from two sources, the rise of discount days and overseas shoppers.

Firstly, 61% of consumers who associate themselves most closely with brands like Burberry and Omega are looking to buy gifts at a discount on Black Friday. They are also the most likely to buy gifts on Boxing Day (46%) when the sales start.

Secondly, 25% are buying gifts for friends and family that live overseas and 59% of both male and female shoppers explain they like to be organised when it comes to gift buying. As a result, 35% of luxury shoppers do some of this discount gift shopping on Prime Day, which takes place in July!

All of this means that where you might expect luxury shoppers to react negatively to sales and discounts, as much as 66% of consumers in the UK, France and Germany react positively. The proportion that react negatively is just 23% and of those, just 6% would stop buying from the brand because it took part in a discount day.

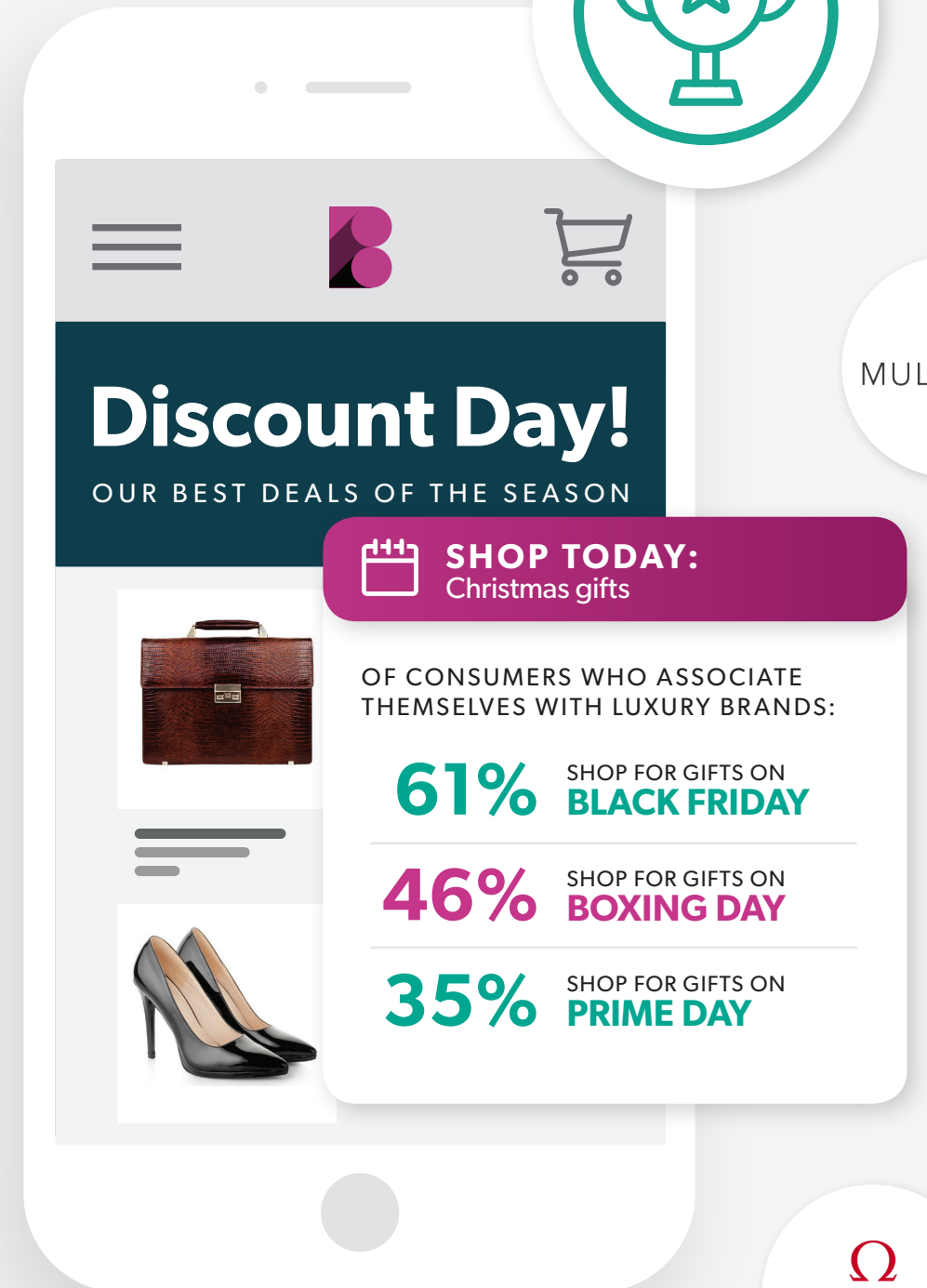
bazaarvoice:

SELFRIDGES & CO



MULBERRY

BURBERRY
LONDON ENGLAND



OMEGA

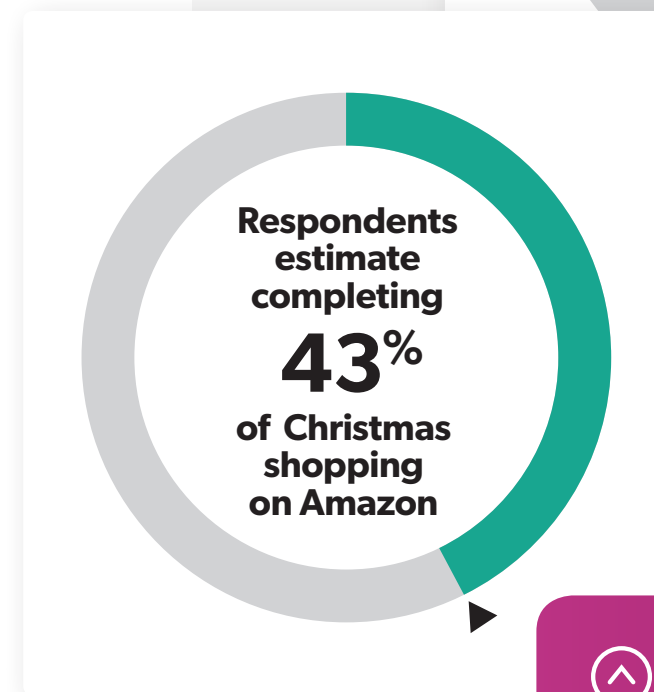
ASSESSING THE THREATS

3 Amazon's online advance

Paired with both of these trends is the rise of global marketplaces such as Amazon. In the online realm, Amazon has a monopoly when it comes to consumer perceptions of where the best product deals are over the winter sales period, with 60% of all shoppers placing it at the top.

As Amazon continues to grow its stake of the Christmas shopping frenzy with UK, French and German consumers estimating that they will conduct 43% of their shopping on the platform this year – a 4.3% increase from what they spent on Amazon for Christmas in 2017.

For mid-market retailers in particular, the challenge is in finding the areas of ecommerce where they have an advantage over the huge marketplaces, that seem to have become consumers' first port of call.



4.3% INCREASE FROM 2017

How can the mid-market defend itself?

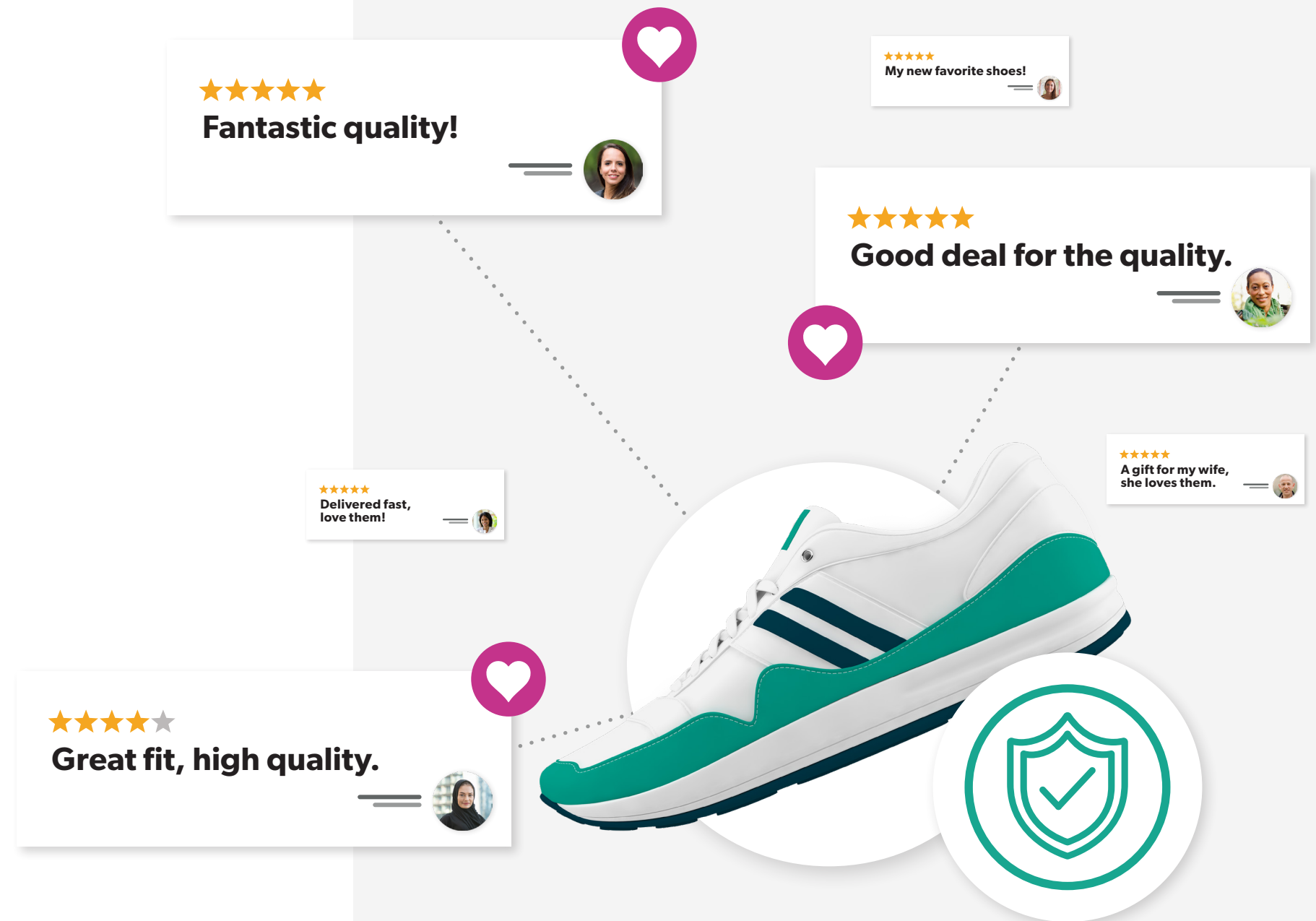
HOW CAN THE MID-MARKET DEFEND ITSELF?

1 Product quality

While discount shoppers remain steadfast in their choice of the best prices, the UK, French and German mid-market shoppers still base their buying decisions on the quality of products (60%). While budget brands have worked hard to serve this preference, true mid-market brands should be leveraging every asset they have to redress shopper confidence and loyalty.

Joe Rohrlich, General Manager, EMEA, Bazaarvoice, comments, "Ratings and reviews help customers make informed purchase decisions, they also assist in product discoverability and give brands and retailers valuable product insights. The mid-market has enormous opportunity to use the voice of the customer to create more meaningful shopper experiences which will ultimately result in increased basket value and customer loyalty."

Importantly, in contrast to the luxury market, the mid-market should never look to compete through price. A fifth of mid-market shoppers feel discounts around days like Black Friday and in the run-up to Christmas negatively impact their perception of the brand.



WATCH-OUT FOR COMPETITION THROUGH PRICE: In contrast to the luxury market, the mid-market should never look to compete through price. A fifth of mid-market shoppers feel discounts around days like Black Friday and in the run-up to Christmas negatively impact their perception of the brand.

HOW CAN THE MID-MARKET DEFEND ITSELF?

2 Gift ideas

In the run-up to Christmas, 54% of shoppers value the in-store experience for the gift ideas they get while visiting. In fact, nearly three fifths of consumers across Europe are planning gifts they don't believe Amazon can help them with.

This is predominantly associated with travel orientated gifts (21%) and experience-based gifts such as track and spa days (20%). But opportunities are there for any brand with a high street presence to reach out and engage shoppers with free tasters and samples – over a third of UK consumers associate a great brand experience with what they can physically try first.

Effective product sampling is one of the best ways retailers and brands can get to grips with what will successfully inspire shoppers browsing the aisles. Sampling not only provides significant opportunity for brands to get their products into shoppers' hands, but also to collect feedback and content to use as advocacy ahead of a wider product launch.



HOW CAN THE MID-MARKET DEFEND ITSELF?

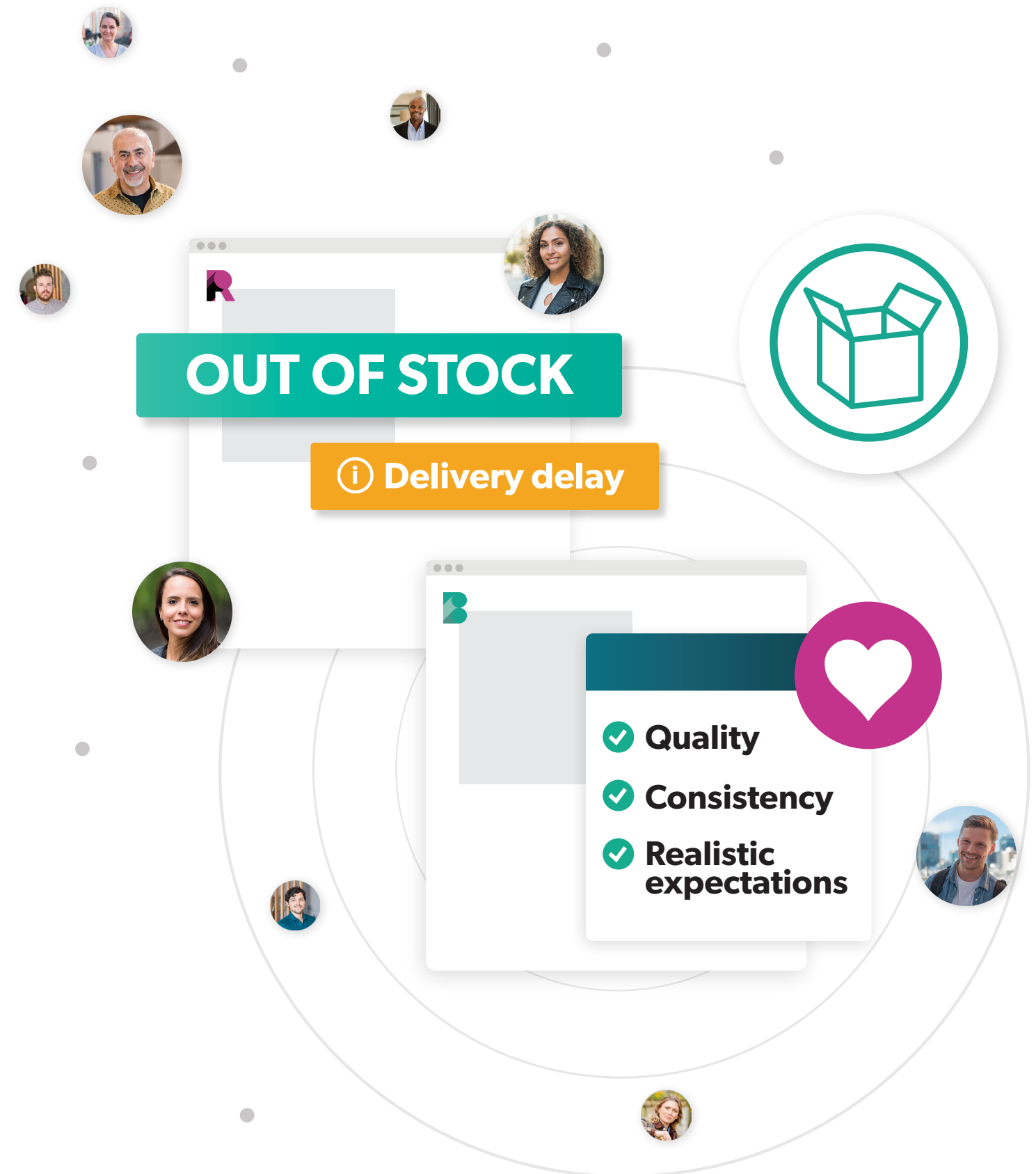
3 Supply chain and delivery

Just over a quarter (27%) of shoppers in the UK, France and Germany state that the experience on Black Friday is best on online marketplaces such as Amazon. In fact, budget, mid-market and luxury shoppers all find the experience best on brand websites.

Our respondents said the contributing factors to not choosing global marketplaces for Black Friday deals are the delays in delivery (42%) and articles selling out (28%). This has been caused by so many shoppers flooding the site and completing purchases simultaneously.

Many mid-market brands are institutions of the high street and compete for much smaller proportions of the market. They must stick to what they know, delivering consistent online and offline experiences, planning the supply chain expertly to ensure they meet demand with exemplary service that cuts above pureplay online rivals.

Equally, it may be that they can't promise such fast delivery, but the customer knows what they're getting. Customer reviews and content also helps to do this because the expectations are grounded in reality.



HOW CAN THE MID-MARKET DEFEND ITSELF?

4 Seasonal experiences

Recent Bazaarvoice research in the US highlighted another area of strength for the mid-market – seasonal shopping experiences. Interestingly, UK shoppers are actually more likely than their US counterparts to be using the in-store experience for the sights, sounds and ambience of Christmas. In the US, 42 % of holiday shoppers said they brave the crowds and shop in-store because they enjoy the festive ambience, placing them 13% behind the UK.

One watch-out is special holiday activities, such as visiting Santa or ice skating being offered at a store. These are perhaps a cultural step too far for the Brits, with just a quarter taking part as opposed to nearly one third (32%) of Americans.

Ultimately, the more the brand knows about these customers, the more closely it can craft experiences to cater to key market segments and other prospective customers.



THE BOTTOM LINE

Conclusion

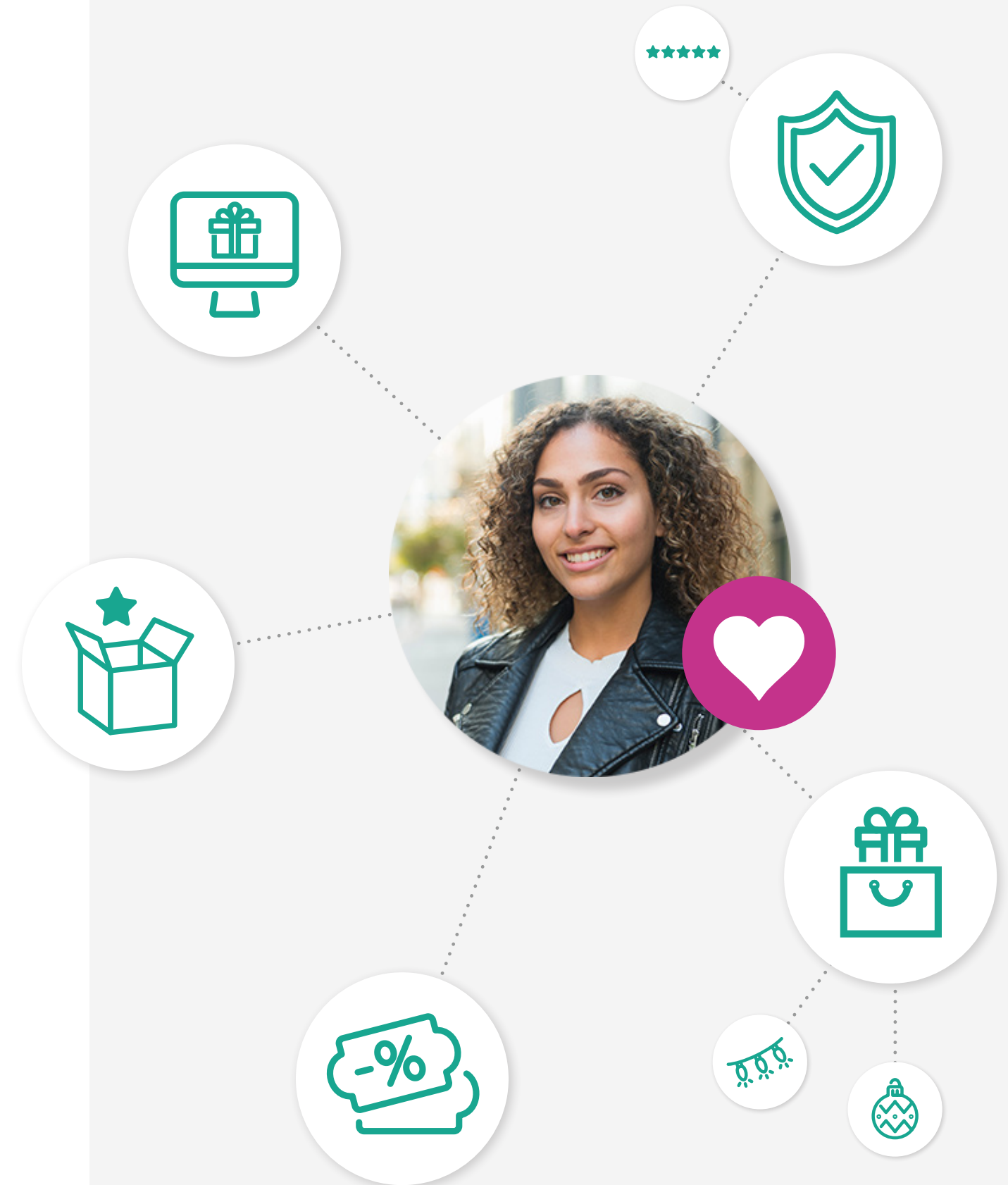
Economic disruption and uncertainty in the political sphere have taken their toll on customer confidence. Brands, retailers and marketplaces positioned around the best prices and deals have enjoyed several bumper years at the expense of the mid-market.

But countering 'budget' and 'discount' led offerings is entirely possible. Regardless of price, customers want authentic experiences both on and offline, and it's up to brands and retailers to create these experiences and stand out amongst such a competitive retail landscape.

The most important takeaway is that customers aren't prepared to compromise on quality when it comes to buying gifts. Too often in the online realm products are poorly described, untested or simply copycat versions of the genuine article. These consumer pain points are why the mid-market is so important.

By contrast, when it comes to the offline environment, shoppers have an intrinsic trust of long-established high street stores to inspire their purchase decisions. It's up to these retailers and brands to return this trust with great experiences.

To this end, customer content is a brand's north star. It's about using content – such as social posts, images, videos and reviews – to ensure the quality is consistent, build relevant experiences and imbue the consumer with the confidence to buy.



About Bazaarvoice

Bazaarvoice connects brands and retailers to consumers, so that every shopping experience feels personal. From search and discovery to purchase and advocacy, Bazaarvoice's solutions reach in-market shoppers, personalise their experiences, and give them the confidence to buy. Each month in the Bazaarvoice Network, more than one billion consumers view and share authentic content including reviews, questions and answers, and social photos across 6,000 brand and retail websites. Across the network, Bazaarvoice captures billions of shopper signals monthly - data that powers high-efficiency digital advertising and personalisation with unmatched relevance.

Founded in 2005, Bazaarvoice is headquartered in Austin, Texas with offices in North America, Europe, and Australia. For more information, visit www.bazaarvoice.com/uk

