2019 PwC Irish Retail & Consumer Report:
Investing in Experience

pwc.ie/retailconsumerreport

Understanding Irish Consumers in an Evolving Retail Market
Megatrends are driving change and the way of doing business. The ‘new consumer’ is generating opportunities, demands and markets.

Understanding consumers in an evolving retail market.

Demographic Shifts
Accelerating Urbanisation
Shift in Global Economic Power
Climate Change and Resource Scarcity
Technological breakthroughs

Global and Local Food Market Efficiency & Effectiveness

Food Safety  Food Scarcity  Food Waste  Regulation  Testing & Certification  Innovation

Evolving Value Chain
PwC Global Retail & Consumer Survey 2019
Total Respondents 21,480 (Ireland 1,005)
Who took part in the survey?
Demographically Representative and a deep dive on Millennials

Who took part? A view across generations

- ‘Mature’ Gen Z
  - 17-22
  - 17%

- Millennials
  - 23-36
  - 33%

- Generation X
  - 37-51
  - 27%

- Baby Boomers
  - 52-71
  - 23%

- Greatest Generation
  - 72+
  - 0.4%

*Young Millennials (23-29), Core Millennials (27-31), Mature Millennials (32-36).
Consumer Sentiment is cautious and value conscious.
Invest in Experience
Five Key Trends influencing Consumer Behaviour

1. Customer experience is a key differentiator
2. Store remains front of mind
3. It's all about Mobile first
4. Creating a sustainable customer experience
5. Engaging consumers through emerging technologies

Return on Experience (RoX)
Customer experience is a key differentiator
Customer Experience
Experience is everything for the digitally empowered consumer

Who took part? A view across generations

<table>
<thead>
<tr>
<th>Generation</th>
<th>Age Range</th>
<th>Digital Natives</th>
<th>Social Influences</th>
<th>Data exchange for value</th>
<th>Second wave adoption</th>
<th>Tries new brands... Influences</th>
<th>Not one cohort</th>
<th>More loyal to established brands</th>
<th>Independent</th>
<th>Embraces technology</th>
<th>Supports of local economy</th>
<th>Slower adoption of new media</th>
<th>Enabled by younger gen</th>
<th>Prefers the human touch</th>
<th>Willing to pay a premium experience</th>
<th>Enables by younger gen</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Mature’ Gen Z</td>
<td>17-22</td>
<td>17%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millennials*</td>
<td>23-36</td>
<td>33%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation X</td>
<td>37-51</td>
<td>27%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>52-71</td>
<td>23%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greatest Generation</td>
<td>72+</td>
<td>0.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Young Millennials (23-26), Gen Millennials (27-31), Matures Millennials (32-36).

Understand the differing needs, touchpoints and expectations for experience

Align experience with value proposition to command higher RoX
Channel Preference – Multiple Paths to Purchase
An integrated approach is needed to satisfy each customer journey

Buying behaviours - Frequency of shopping by channel (daily and weekly, excluding grocery)
How often do you buy products using the following shopping channels?

<table>
<thead>
<tr>
<th>Channel</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-store</td>
<td>16%</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>PC</td>
<td>46%</td>
<td>21%</td>
<td>10%</td>
</tr>
<tr>
<td>Tablet</td>
<td>10%</td>
<td>7%</td>
<td>13%</td>
</tr>
<tr>
<td>Mobile/Smartphone</td>
<td>41%</td>
<td>14%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Shoppers say they prefer to see and interact with products before they make buying decisions.

Online shopping is gaining momentum and a digital first strategy will deliver growth.

For each of the following categories, how many of your purchases have you made online in the last 12 months?

- Books, music, movies and video games: 26%
- Clothing and footwear: 18%
- Groceries: 14%
- Consumer electronics: 13%
- Health & Beauty: 12%
- Jewellery/Watches: 11%
- Toys: 11%
- Do it yourself/home improvement: 9%
- Sports equipment/outdoor: 7%
- Furniture and homeware: 7%
- Household Appliances: 7%
Customer Experience is a key differentiator

1. Understand your Customers
2. Fuse Customer & Employee Experience
3. Build Social Network
4. Identify Magic Moments
5. Respect Data in Return for Value
2 Store remains front of mind
The Store – An Experience Destination?
The Top 3 demands are for Navigation, Wifi and Easy pay

Buying Behaviours – In-store
Store navigation reigns supreme
Which of these attributes would significantly improve your in-store shopping experience?

47%
Ability to quickly and conveniently navigate the store
(54% Baby Boomers)

34%
Quick and easy payment methods (including mobile and contactless)

34%
Sales associates with a deep knowledge of the product range
(35% Baby Boomers)

Top three attributes influencing store experience (out of 14).
Which of these attributes would significantly improve your shopping experience?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to quickly and conveniently navigate the store</td>
<td>35%</td>
<td>42%</td>
<td>39%</td>
<td>50%</td>
</tr>
<tr>
<td>In-store Wi-Fi with fast simple login</td>
<td>32%</td>
<td>37%</td>
<td>33%</td>
<td>38%</td>
</tr>
<tr>
<td>Quick and easy payment methods</td>
<td>31%</td>
<td>35%</td>
<td>33%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Convenience, Speed and Easy-pay are critical for Experience

The Human Touch in store is essential for Baby Boomers (52-71)
Delivering a Seamless Experience
Shopper expect a complementary service across channels

Of young millennial consumers undertake micro trips (spending less than 5 minutes in store).

The ‘Micro-Trip’ is an emerging grocery trend based on changing lifestyles, eating habits and growing urbanisation.

(25% of all consumers)
Store remains front of mind

1. Understand your shoppers
2. Make the store a destination
3. Integrate online and in-store
4. Win The Trip
3 It’s all about mobile first
Mobile is the Touchpoint for Consumers
The ubiquity of m-commerce is been driven by fast consumer adoption

Weekly or more frequent purchases via mobile device

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>11%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>UK</td>
<td>21%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>US</td>
<td>17%</td>
<td>16%</td>
<td>25%</td>
</tr>
<tr>
<td>China</td>
<td>52%</td>
<td>52%</td>
<td>56%</td>
</tr>
</tbody>
</table>

20% of Irish respondents buy products (at least weekly) with their mobile/ smartphone, up from 10% last year

Mobile technology is an enabler for friction-free shopping experiences.

Do you use your mobile device to make in store payments?

- 2018: 16% (Ireland), 24% (UK)
- 2019: 22% (Ireland), 34% (UK)
The Message about Social Media

Social media is a significant influencer on purchasing decisions

What’s going on vs. what’s on sale; Social media’s main use is to stay in touch.

Thinking about social media channels and how you use them, which of the following activities describes your online behaviour?

- **25%** I browse social media to seek inspiration for purchases.
  - 37% Gen Z and Young Millennials

- **28%** I have been influenced to buy a product or service following reading positive reviews.
  - 38% Gen Z

- **15%** I have made a purchase directly from social media.
  - 29% Core Millennials

“Shop now!” – shopping straight from a social feed occurs most within fashion and technology

In which of the following categories do you feel social media has influenced your purchase decisions most?

- **51%** Fashion
- **49%** Tech
- **38%** Travel
- **30%** Food

Social media is used to research, review and purchase

Categories that have led with online integrated purchasing

PwC – Understanding consumers in an evolving retail market.
Delivering and receiving the message through changing channels
Brand engagement must reach the right audience with the right message

What type of adverts are most influential?

45%
Traditional TV advertising
[35% for Gen Z but 57% for Baby Boomers]

22%
Social media advertising
[30% for Gen Z but 14% for Baby Boomers]

The right mix of Paid, Owned and Earned Media should reflect media consumption behaviour.

Social Media has a real influence on Gen Z and millennials.

Traditional media is a key influencer. However, the role of social is growing especially amongst younger shoppers.
Which source do you turn to first for news or to keep on top of current affairs?

34% go directly to traditional media
Baby Boomers = 52%

36% go directly to new media
Core Millennials = 45%

22% go directly to a social media channel
Gen Z = 45%

PwC – Understanding consumers in an evolving retail market.
It’s all about mobile...

1. Lead with a mobile first strategy
2. Understand the role of social
3. Blend traditional and digital media
4 Creating a sustainable customer experience
Sustainability is good for long term relationships
Understanding consumer segments based on needs, motivations and values

Consumer typologies based on approach to purchasing sustainably

Please indicate which statements best reflect how you purchase in a sustainable way?

<table>
<thead>
<tr>
<th>Plastic activists</th>
<th>Protectors and promoters</th>
<th>Environmental activists</th>
<th>The green travellers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seeking an end to plastic pollution</td>
<td>Decision-making on protecting and promoting sustainable behaviours</td>
<td>From origin to end – considering the impact</td>
<td>Carbon footprint concerns</td>
</tr>
<tr>
<td>I buy items with less packaging</td>
<td>I choose sustainable products to help protect the environment</td>
<td>From origin to end – considering the impact</td>
<td>Carbon footprint concerns</td>
</tr>
<tr>
<td>I avoid the use of plastic where possible (i.e. plastic straws, cutlery)</td>
<td>I choose sustainable products to set an example to others</td>
<td>I choose products with a traceable and transparent origin</td>
<td>I consciously choose more sustainable ways to travel</td>
</tr>
<tr>
<td>I buy brands that promote sustainable practices</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consumers are seeking to engage with brands where trust exists.

Behaviour is influenced by cluster needs and motivations.
Sustainability is good for the environment
Irish consumers show a high awareness of the environmental impact

Please indicate which statements best reflect how you purchase in a sustainable way.

Reduction in plastics and packaging are priority

- I avoid the use of plastic where possible (Baby Boomers = 67%)
- I buy items with less packaging (Baby Boomers = 65%)

41% of Irish consumers are prepared to pay a premium for sustainable products

32% shoppers say they choose sustainable products to help protect the environment.
Sustainability is good for business
Irish consumers are very aware of the impact their purchasing power has

<table>
<thead>
<tr>
<th>What are your main reasons for purchasing Irish products?</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying Irish has a positive effect on the Irish economy</td>
<td>62%</td>
<td>67%</td>
</tr>
<tr>
<td>Quality of the product as it is locally produced</td>
<td>45%</td>
<td>58%</td>
</tr>
<tr>
<td>To support local retailers</td>
<td>52%</td>
<td>57%</td>
</tr>
<tr>
<td>Food traceability is more guaranteed as the food is local</td>
<td>44%</td>
<td>43%</td>
</tr>
<tr>
<td>Products are only available in Ireland</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>I do not purchase Irish products</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Supporting local business, local product quality and traceability, are key influencers which have increased in 2019.
Sustainability can build long term relationships
The challenge is to engage with younger shoppers on the local impact

Gen Z are willing to pay more for brands well known for sustainable practices.

Sustainability heightened amongst Gen X.

Two thirds of consumers buy Irish products to support the Irish economy

What are your main reasons for purchasing Irish products?

Buying Irish has a positive effect on the Irish economy

To support local retailers

PwC – Understanding consumers in an evolving retail market.
Creating a sustainable customer experience

1. Address the packaging challenge
2. Maximise the potential to obtain a premium
3. Make local important to the younger shopper
5 Engaging consumers through emerging technology
The Connected Home and the Digitally Empowered Consumer
Technology convergence and consumer adoption will drive smart shopping

Getting Vocal
The customer journey begins in their connected home and integrates many touchpoints.
The power to purchase will be driven by voice.

<table>
<thead>
<tr>
<th>Own/Plan to Own</th>
<th>Smart Appliances</th>
<th>Smart Energy Meter</th>
<th>Smart Home Apps</th>
<th>Smart Home Ent</th>
<th>Smart Home Voice Assts</th>
<th>Smart Wearables</th>
</tr>
</thead>
<tbody>
<tr>
<td>I currently own</td>
<td>18%</td>
<td>15%</td>
<td>14%</td>
<td>40%</td>
<td>13%</td>
<td>28%</td>
</tr>
<tr>
<td>I plan to purchase in the future</td>
<td>30%</td>
<td>35%</td>
<td>28%</td>
<td>29%</td>
<td>24%</td>
<td>19%</td>
</tr>
</tbody>
</table>

9% of global consumers are using Smart Voice Assistants to shop online every week.
The Future of Connected Mobility
Connected vehicles will integrate mobile and smart technology

A driverless future – consumers are ready to embrace driverless cars

Which of the following statements best describes how you feel about a vehicle like this?

- **22%**
  - 🌟 Excited, I would like to have one now
  - Generation Z = 32%

- **21%**
  - 👍 I would consider it in the future
  - Generation Z = 25%

- **19%**
  - 📜 Quite interested to find out more

- **17%**
  - 🚨 Unsure how I feel about it

- **14%**
  - ✗ I would dislike this type of vehicle

- **8%**
  - ✗ I don’t think this type of vehicle will ever be commercially viable

Gen Z are have a very positive outlook and connected vehicles are in their consideration set.
Engage consumers through emerging technology

1. Accept Disruption
2. Intelligent Digital
3. People are still at the heart of business
Invest in Experience
Gain sustainable business growth

Customer experience is a key differentiator
Store remains front of mind
Its all about Mobile first
Creating a sustainable customer experience
Engaging consumers through emerging technologies

Return on Experience (RoX)
Like to know more?
Contact grace.mccullen@pwc.com