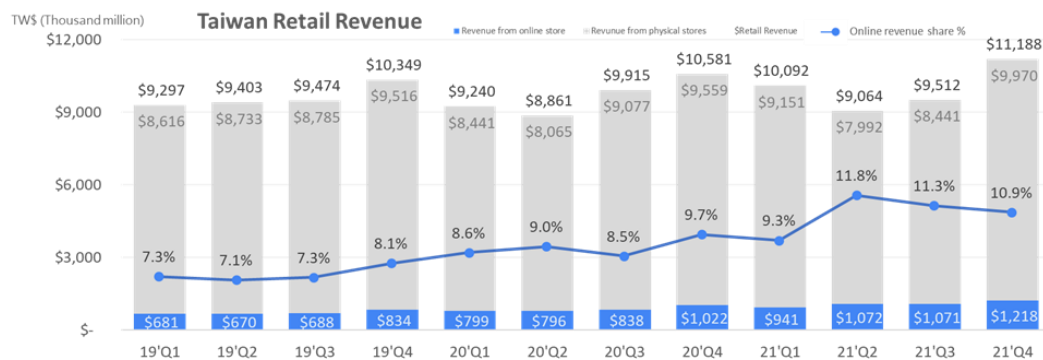


How retailers react in the post-pandemic era

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As the vaccination rate grows, the border worldwide has been reopened and the international economy has gradually revived. According to the Directorate-General of Budget, Accounting and Statistics, the GDP growth in Taiwan in 2021 achieved 6.28%, which was the high point in the past 11 years. Although Taiwan faced the challenges of pandemic roughly one year later than other countries, it has been seen that the consumer behaviors have been shifted due to the impacts of COVID-19 since 2020. Based on the data released by the Department of Statistics, compared to 2019, retail e-commerce had expanded by nearly 19% in 2020. Additionally, in H2 2021, the COVID-19 further pushed more customers to online shopping. Despite the steady growth of overall retailers in 2021 with a 3.3% annual growth rate, offline retailers comprised the majority of sales. Nevertheless, e-commerce sales mushroomed explosively, which increased 24.5% annually, and its proportion continuously extended. Omnichannel which covers both online and offline platforms has become the trend in retail.

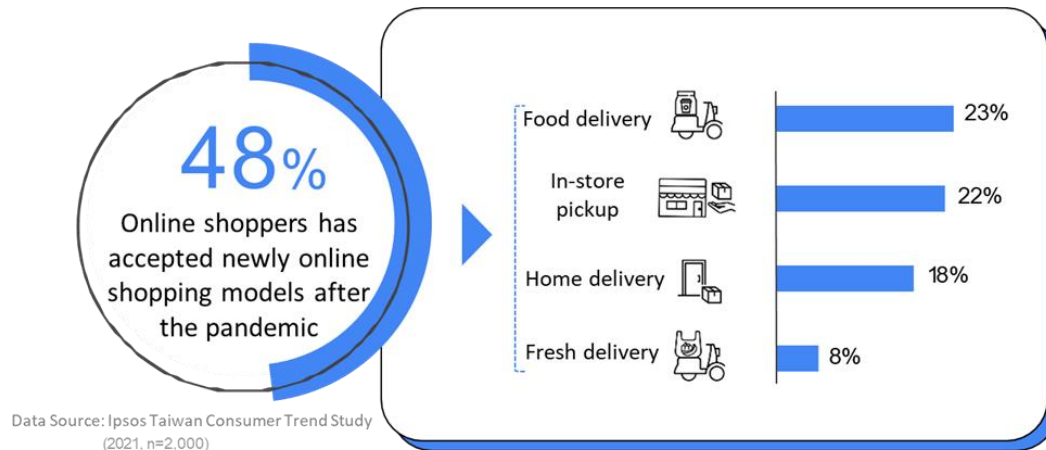


When Taiwan has steadily controlled COVID-19 and consumers have returned to the shopping areas, would consumers return to physical stores as pre-pandemic, or they would not? Multiple studies and research show that, although the government has progressively eased the lockdown restrictions, consumers have already been accustomed to online shopping. Retailers seem unable to return to the traditional business model in the post-pandemic era.

According to TWNIC 2020 Taiwan Internet Report, 82.9% of respondents surf the internet via mobile phones, and there are “no fixed hours” to connect to the internet for the majority of consumers. In average, they will spend around 2 hours on social media, with 94.2% on Facebook, followed by Instagram (39.2%) and LINE (35%), and nearly half have shopped on Social media. It shows that social media has an increasing influence on consumer behaviors and decision makings.

The pandemic is deemed as the catalyst of digital transformation in Taiwan, which motivates offline channels and brands to participate in e-commerce and pushed consumers to get used to diverse consumption patterns. Elder consumers have begun to learn and acquire skills in digital services. Based on the Yahoo! Shopping data, the age groups of online shopping have widened. Since the outbreak of the pandemic, the expansion of mid-aged groups, 45-65 years old, has stood out, and the elder group, over 65 years old, has consistently grown by 20% per annum in 2021.

Google and Ipsos collaboratively published the 2021 Smart Commerce Study, and the study showed that consumers began to attempt new online shopping methods to mitigate the risks of COVID-19, and 77% of Taiwan consumers have downloaded apps released by brands or digital businesses. In addition to the increasing usage rate of digital tools, online shopping methods have become more diverse with various business models like food delivery and in-store pickup.



The pandemic noticeably drives the popularity of online shopping, also encouraging the growth of digital payments. According to the latest data released by the Financial Supervisory Commission, by the end of December 2021, the total users of digital payments were approximately 16.09 million, and the total amount of top-up services reached 22 billion dollars, hitting the historical high. The percentage of digital payments increases month by month. When consumers become more used to the different consumption patterns with minimum contact, the key strategies of retail transformation in the future will be: whether retailers can react to the changes of consumption patterns and develop new business models and marketing strategies?

Post COVID-19, the boundaries between online and offline are becoming blurred, in addition, the O2O business model accelerates the transformation, and numerous traditional physical stores have shifted to the internet. On the other hand, digital businesses collaborate with offline channels, and even some launch offline stores, including Shopee, online cosmetics brands, clothes, and virtual kitchens. It can be expected that Online Merge Offline (OMO) retail business model or endless aisle, will likely be the key to success Omni-channel retailing strategy in a new retailing era.

The changes caused by the pandemic have become the “New Normal”. The industries have returned to the normal standard, people have reconnected, but the essence has drastically differed from the pre-pandemic era. For retailers, there are four key trends and insights:

With decreased customer loyalty, brand core value wins their trusts

During the pandemic, consumers not only have switched to or increased the usage of online shopping, but also explored new stores and brands on the internet. Meanwhile, social isolation forced customers to interact with brands online and fundamentally transforms their behaviors,. 2020 Smart Commerce Study indicated that nearly 90% of consumers have decided brands and products in mind before entering the stores, and they researched and compared prices online in advance. The pandemic also helped the elder consumers about their familiarity with digital tools and applications, and consumers now are aware that they can grab clear, transparent info and more discounted products via the internet or personal network. Moreover, the study indicated that more than half of consumers spend

much efforts on purchase journey. This makes the customers pickier and sharper, and their sensitivity towards price guides where they can get best deals on genuine brands.

On the other hand, consumers tend to evaluate the brand if it brings positivity to society. Based on the ESG branding survey conducted by BusinessToday and Ipsos in 2021, 53.9% and 53% of consumers value the brand's green image and CSR, respectively, while choosing the brands. Furthermore, according to the global survey conducted by Accenture, nearly two-thirds (63%) of consumers are more willing to purchase goods and services from companies with similar values and beliefs as theirs. 54% are more inclined to sustainable goods, and this preference is likely to continue in the future. Hence, sustainable products/brands may present huge business opportunities.

Omni-channel strategy, integration of online resources and offline channels provide seamlessly personalized shopping experience

Consumers nowadays are no longer bounded with shopping at a fixed time or fixed locations; instead, they now consume every time and everywhere. Frequently research and browse before shopping, which complicates the consumption patterns. The customer journey revolves from knowing the products from digital or traditional ads, understanding the product features on the website, exploring other feature-alike products via multiple information sources, evaluating the products in stores if matching the needs, reading reviews on forums, cross-checking the prices on e-commerce platforms, then to purchasing from online stores, apps, or directly from stores. Under this multilayered journey with multiple channels, touchpoints play a critical role. The seamless collaboration between online and offline channels, including offline stores, online stores, social networks, and customer service, provides a personalized shopping experience to the customers. Businesses can add values via AI, apply algorithms to accurately anticipate the desired products, and send relevant coupons and location-based service (LBS). OMO will drive the greatest business growth to the brands with omnichannel integration.

Regardless the development of VR and AR, offline experiential marketing is non-replaceable by e-commerce

Physical channels will re-position to be the touchpoint to improve the customer experience. This means that offline channels are much more than sales. Experiential marketing will be the core value provided by offline channels, which includes the engagement and feelings during purchase, the in-store space and atmosphere, enjoyment of shopping, touchable, visible, ready-to-have products, and emotional connections with people.

Capitalize social media to hasten the customer journey and implement the interconnected OMO synergy

Social media has become a crucial part of the customer journey. According to the latest study conducted by Accenture, the total sales amount of social commerce will reach 1.2 trillion US dollars in 2025, which is more than doubled in 2021. This points out that retailers should reflect on how to reach the correct target audience with the supports from social commerce and social networks, and to ensure potential customers receive correct information via their preferred sources. Meanwhile, the utilization of digital tools (e.g., machine learning) can help predict the best time and price for selling, and with a highly interactive live stream, which can directly communicate to the customers and rapidly respond to their questions, can expand the business to the stay-at-home economy. The provision of a warm-hearted online experience creates value and benefits to grasp future opportunities.

With the new normal in the post-pandemic era, consumer behavior has significantly changed. The transformation of numerous consumption patterns and shopping styles has brought unprecedented marketing challenges to retailers. Retail in the future will shift to the more deliberately designed individual-oriented core value to adjust its business models and strategies to react to the ever-changing customers' needs for better performance in the post-pandemic era!

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