

CONNECTED CONSUMER

May 2018



How Consumers Shop And Buy Clothes

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Introduction

Apparel and accessories merchants are feeling the squeeze. Yes, they account for approximately \$400 billion in annual consumer spend – 8 percent of all retail spending in the U.S. – but both the level and composition of that spend are changing.¹ In fact, Americans are now spending less on clothing than they used to.

Meanwhile, retailers are wringing their hands over how black yoga pants, sneakers and jeans have replaced tailored suits and high heels as the go-to office attire, meaning consumers who once spent money on both business and weekend wardrobes are now perfectly happy to have their go-to getups serve both purposes.² All that makes purchasing clothes online easier than ever, and the rise of online retail giants like Amazon has introduced new competition for those shrinking consumer dollars.

Traditional retailers have reacted by getting creative. Drawn in by the hype suggesting younger consumers must be enticed by experiences to bring their feet into a physical store and buy, many are investing in in-store offerings they hope shoppers will want to try on for size.

For example, vaunted department store Barney's New York recently introduced a weekend event featuring young models wearing streetwise fashions and artists manning pop-up tattoo studios and piercing booths.³ Nordstrom announced stores without inventory so sales associates could more fully address shoppers' personal preferences and, in Rebecca Minkoff's Soho store, consumers can try on clothes in digital mirrors while sipping on a glass of complimentary champagne. Meanwhile, Warby Parker, often viewed as the poster store for the future of retail, is experimenting with



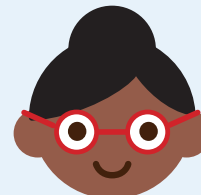
MILLENNIALS

22 to 37 years old



BRIDGE MILLENNIALS™

30 to 40 years old



GENERATION X

38 to 54 years old



BABY BOOMERS

55 to 72 years old

¹ Based on Census data and allocates mass merchant sales based on Walmart, Target and Costco annual reports.

² Bhasin, K; Rupp, L; Townsend, M and Whiteaker, C. The death of clothing. Bloomberg. 2018. <https://www.bloomberg.com/graphics/2018-death-of-clothing/>. Accessed March 2018.

³ Jackson, Benjamin. Get an inside look at thedrop@barneys. Barneys New York. 2017. <http://thewindow.barneys.com/thedropbarneys-recap/>. Accessed March 2018.

a “green room” where shoppers can try frames and create 15-second, shareable videos using props.⁴

Other firms are offering ways for customers to handle checkout through mobile phones, or allowing them to scan items in store with an app and then order online.⁶

Even Amazon, the pioneer of frictionless checkout, and big-box retailer Walmart are making larger investments to improve customers’ shopping experiences. These include better logistics to expedite delivery, and technology to make the mobile and online experiences more intuitive, among others.



88%
of all Americans still
purchase apparel and
accessory items annually.
Most buy them monthly,
with the average
respondent purchasing
such products **more than
15 times per year.**

So, what matters most to a shopper when he sets out to buy clothes? To answer that question, and better understand consumer shopping habits, PYMNTS surveyed more than 2,500 Americans in February 2018 to learn about their apparel and accessory purchases from enterprise retailers. We’re defining enterprise retailers as the 250 largest retailers in the U.S., including Macy’s, The Gap, Brookstone and other stores one might find in a mall. The list also includes online retailers like Amazon or Zappos, and more details about our method can be found in our Methodology section at the end of this report.

We also looked at experiences retailers offer in-store and online, and found that a seamless experience across multiple channels is fast becoming status quo. In fact, consumers now expect to shop across different channels without any hassles. Meanwhile, many retailers are moving to offer features such as scan-and-go, voice-enabled shopping and digital mirrors — features, which are relatively nascent and still have a long way to go. But, are consumers latching onto them?

⁴ Author unknown. Can in-store ‘experiences’ save retail? Wharton School, University of Pennsylvania. 2017. <http://knowledge.wharton.upenn.edu/article/can-store-experiences-save-retail/>. Accessed March 2018.

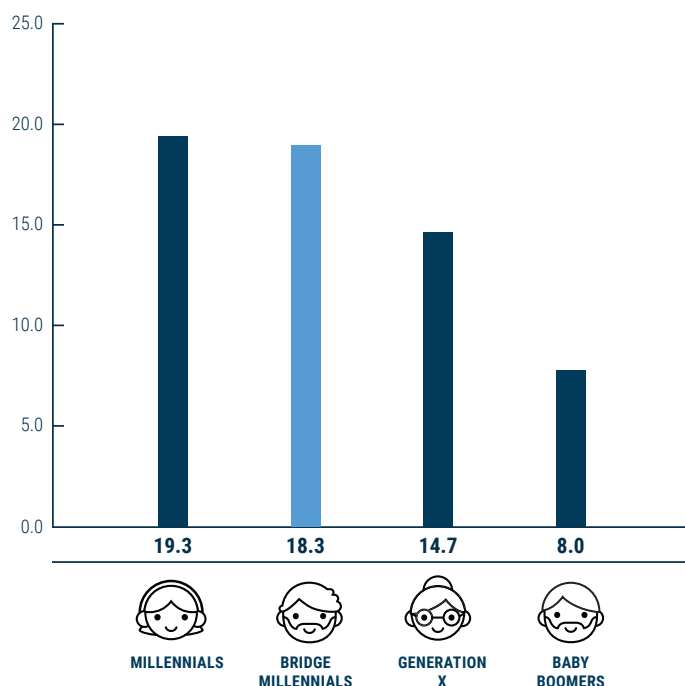
⁵ Turensine, D. Nordstrom: integrating digital with retail. Digital Innovation and Transformation. 2017. <https://digit.hbs.org/submission/nordstrom-integrating-digital-with-retail/>. Accessed March 2018.

⁶ Kolodny, Lora. Two ways Nordstrom is adapting to the Amazon era. CNBC. 2017. <https://www.cnbc.com/2017/08/11/nordstrom-expands-its-digital-business.html>. Accessed March 2018.

According to our survey respondents, a good retail experience has very little to do with in-store fashion shows, body piercing stations or celebrity appearances. Consumers value things that make shopping and buying from a retailer easier across various shopping channels, with 71 percent reporting they would shop with a merchant if it offered such meaningful experiences. Consumers still largely shop in stores, but 42 percent now prefer to shop online using mobile devices. Even more interesting, though, is how consumers are using brick-and-mortar stores today – and it's not always to buy there. Stores as showrooms seem very much in vogue, and retailers' ability to offer a better experience for consumers who shop in those stores to buy will create more value than hosting fashion shows or food tastings.

We examined the shopping habits of millennials, Generation X and baby boomers when buying apparel and accessories. We also identified a new consumer group – the Bridge Millennials – comprised of consumers between 30 and 40 years of age who are maturing as millennials, established in their careers and setting down roots.

Figure 1: Average number of purchases made annually, by generation



Customers just want their shopping experiences to be meaningful.

This group is accumulating things for themselves and other members of their households, and may be of particular interest to enterprise retailers. They are mobile-centric, shop both on and offline and spend more on apparel and accessories than most of the other groups. They also value convenience over price and product selection, and tend to take a liking for Amazon more than any other generation. Overall, nearly half of the Bridge Millennials either go online to find and buy clothes or peruses in the store and purchases online. When it comes to payment preferences, though, the group has more or less the same payment habits as others, preferring debit more than credit.

In the end, what we found comes down to one simple truth: Customers just want their shopping experiences to be meaningful. In other words, they want it to be easier to shop and purchase a quality product from a retailer they trust to deliver it. That means retailers looking to win consumers' hearts and wallets must perfect the basics, and do so in a whole new digital age. After all, for digital and physical channels alike, it's all about products, value, service and trust.

Spotlight:

Consumers Have Favorite Merchants — *Lots Of Them*

We analyzed why consumers shopped with the merchants they shopped and which they list as their favorites. As it turns out, consumers like to shop, and to do so with a lot of different retailers — more than 70 enterprise merchants annually, according to our sample. Consumers listed “Other” as their favorite two-and-a-half times more often than they listed Amazon, Walmart and Kohl’s, the three companies with the highest concentration among our respondents.



Figure 2: Percentage identifying merchants as their favorite for apparel and accessory products

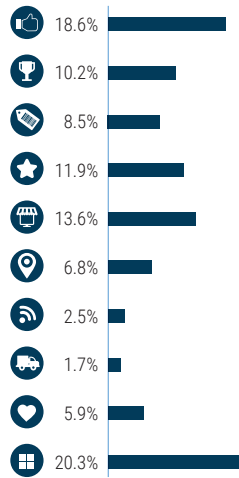


Approximately one-third of shoppers visited one of 70 different merchants, and Appendix A shows all the enterprise retailers identified by our sample. Of the 73 merchants on the list, 63 were combined into the “Other” group displayed in our chart. None of these were identified by more than 1.8 percent of consumers as a preferred merchant for apparel and accessory products.

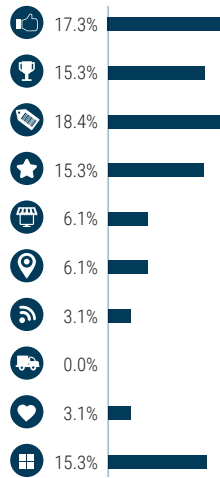
Figure 3: Respondents’ most important reason for identifying their favorite merchant



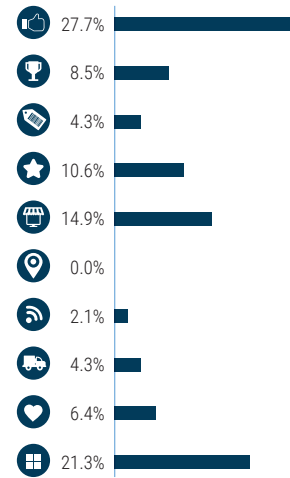
TARGET



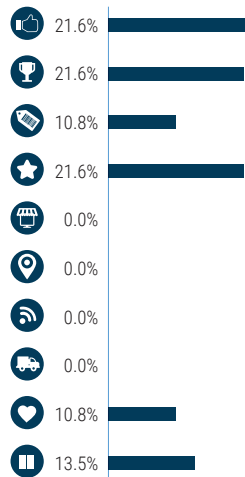
JCPenney



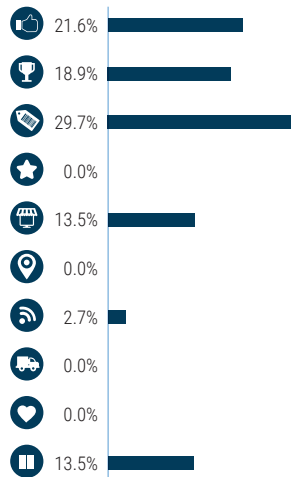
NORDSTROM



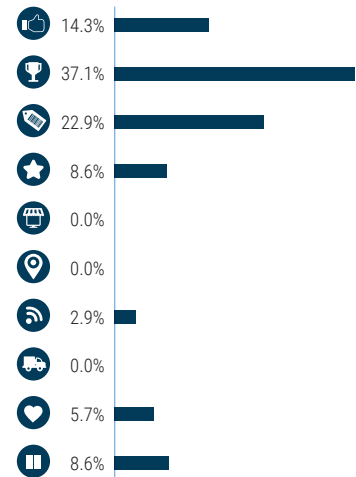
TJ-maxx



OLD NAVY



FOREVER 21



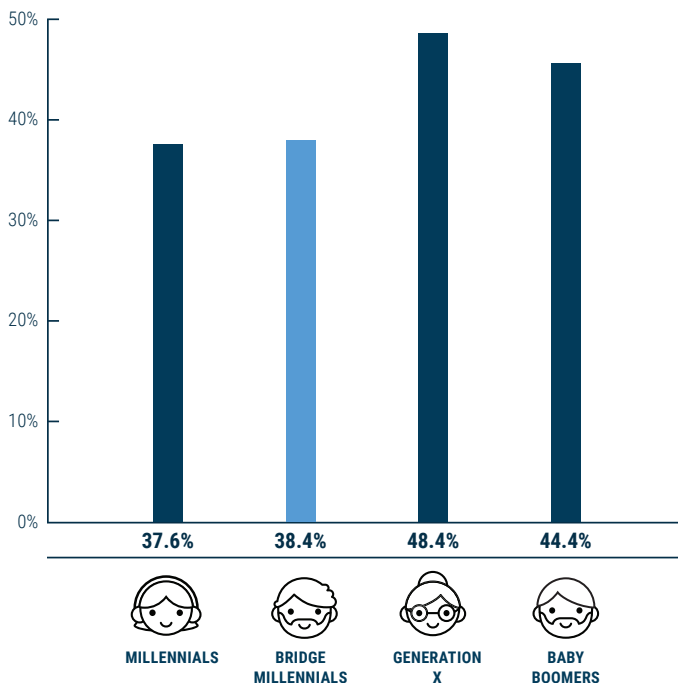
Shoppers are drawn to Walmart because of its convenient locations, Macy's for its selection and Forever 21 for its prices. Sales drive spend at brands like Forever 21 and Old Navy, with younger demographics as their primary shoppers. Kohl's position in the top three, above Macy's, is notable, and perhaps resultant from its status as a returns center for Amazon purchases. More foot traffic into its stores for that purpose could increase consumers' interest in, and spend with, the company.

The Buy:

Stores Are Showrooms

Consumers are increasingly shopping both on- and offline to purchase their clothes. Consumers' need to inspect clothing drives them to the store to buy, representing the purchasing pattern of 43.2 percent of respondents. By comparison, 26.9 percent shop and buy only online. The nature of what people are buying now — mainly athleisure clothing and sneakers — makes online purchases easier and less risky. Unsurprisingly, the oldest shoppers are more likely to use stores to both shop for and purchase products.

Figure 4: Percentage of respondents who shop and buy in stores, by generation



How Today's Consumers Shop For Clothing & Accessories

U.S. consumers spend an average of \$1,827 per year on apparel and accessories. Nearly 60 percent of them shop at least once per month, in-store or online, with the average consumer making as many as 15 purchases every year.

But consumers come in all shapes, sizes and ages, each with his or her own shopping habits and expectations. A large portion, 43.2 percent, prefer to shop and buy in-store, but 26.9 percent prefer to shop and buy online. The remaining 29.9 percent use both online and in-store channels in a variety of ways.

We see some interesting trends when we examine consumer shopping habits by income level, too. Nearly one-third of consumers who earn more than \$150,000 annually prefer to shop and buy online. On the other hand, nearly half of those earning \$50,000 to 70,000 per year tend to shop and buy in stores.

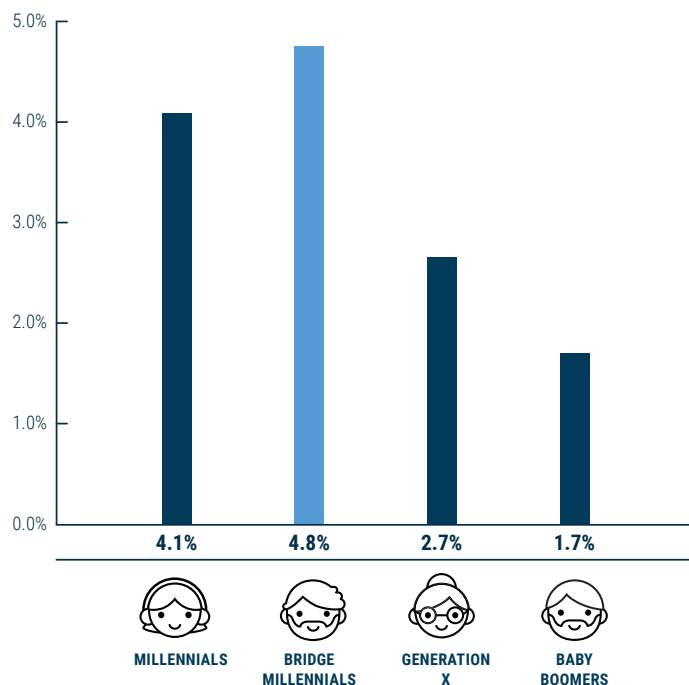
No matter what consumers earn, they all seem to value product selection over anything else. Twenty-three percent even cited their favorite merchant's product selection as the most important reason they shopped with that merchant.

Similarly, when we consider what consumers value when they switch brands — broken down by gender — men and women couldn't be further apart. Thirty-two percent of women prefer better prices, as do 20 percent of men. Meanwhile, 22 percent of men value recommendations from friends, compared to 12 percent of women.

All things aside, whether online or off, consumers value various merchants for myriad reasons. Amazon is preferred for its online experience and free shipping, Walmart for its convenient locations, Macy's for its selection, Old Navy for its sales and Forever 21 for its price points.

That said, consumers are a tough bunch to please, and winning their loyalty can be difficult. Nearly one-quarter of them reported trying a new merchant in the past three months, with younger consumers much more likely to try new merchants than their older counterparts.

Figure 5: Percentage of respondents who shop through voice assistants, by generation



We even saw 3.2 percent of respondents use a voice-activated personal assistant like Amazon's Alexa or Google's Home to handle their clothing shopping needs. These early adopters tend to be younger, mature individuals in the Bridge Millennial group. Millennials are the second-most likely to use voice assistants to shop, by far.

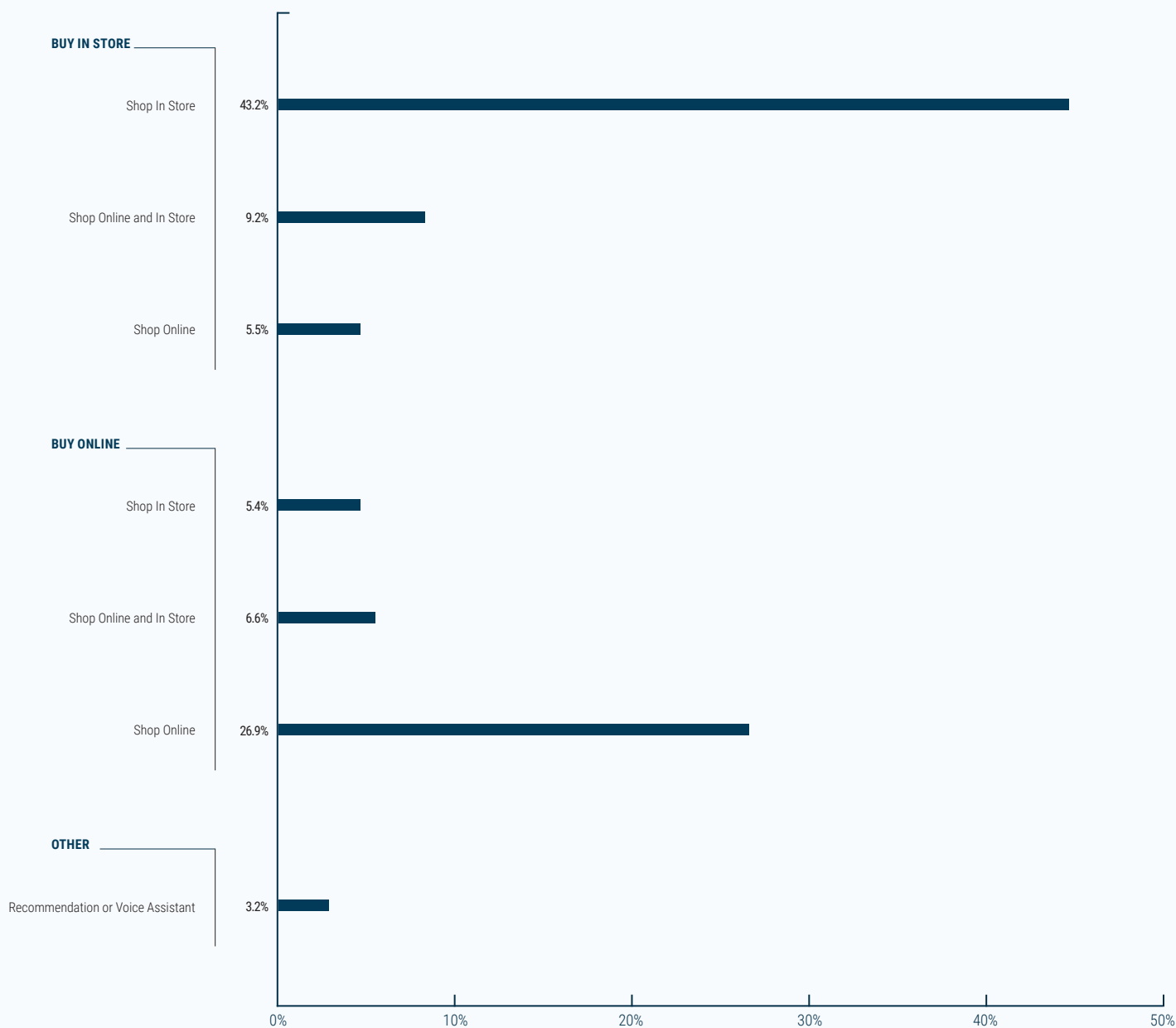
That interest in inspecting clothing and/or accessories before making a purchase is also driving consumers to the store to look but not buy. Roughly 12 percent reported browsing online, visiting the store to see products and then making their final purchases online.

Twenty-nine percent of shoppers who use stores as show rooms and purchase products online say Amazon is their favorite merchant. In fact, 48 percent of shoppers in our sample identify the eCommerce giant as one of their favorite apparel and accessory merchants. According to our data, consumers who rate Amazon as their favorite also shop more frequently, and fewer than 5 percent both shop and buy in brick-and-mortar stores.

APPROXIMATELY 15%
of consumers browse online and in-store,
then make their purchases in the store.

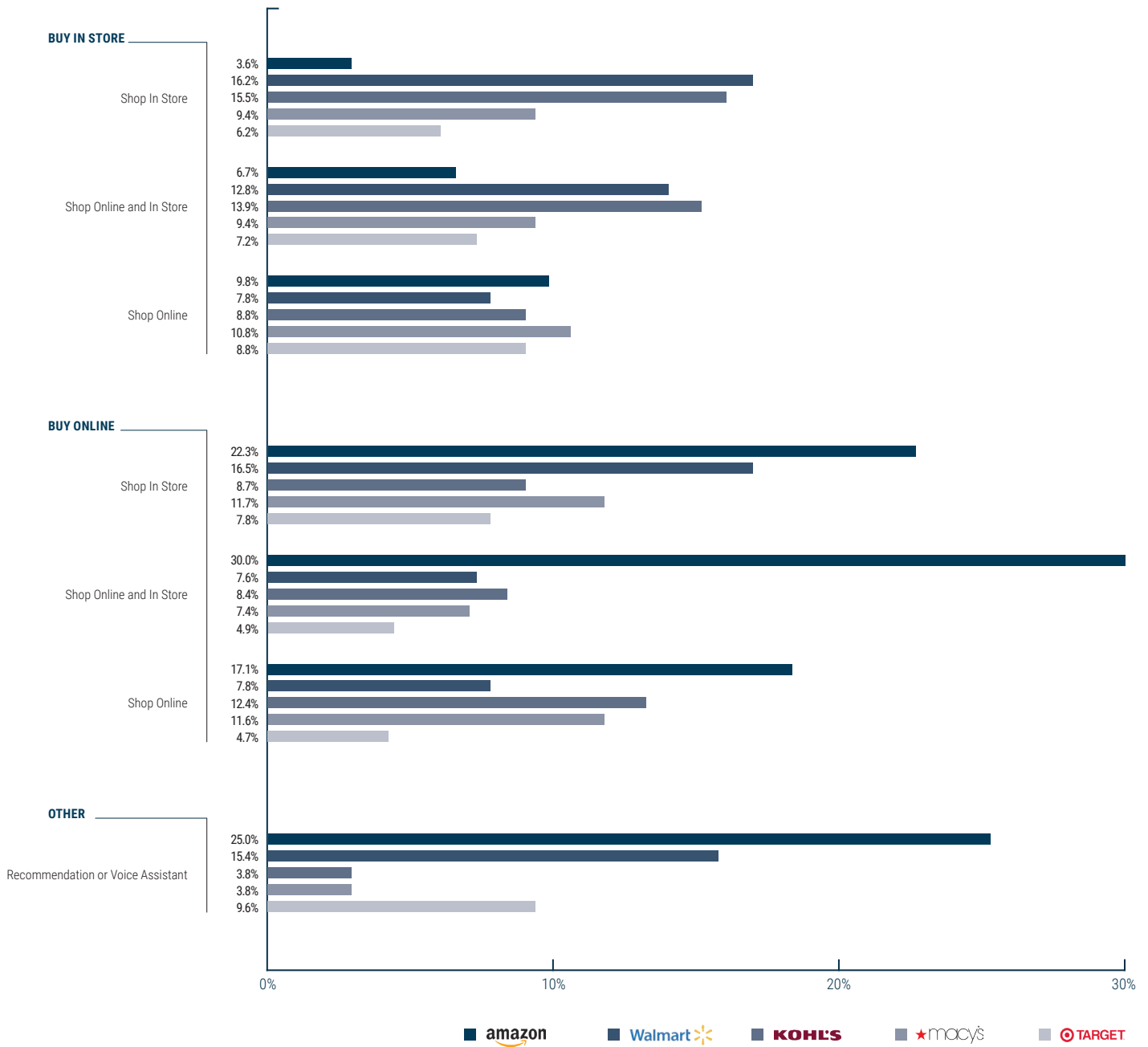
**Another 12% browse online,
visit the store to see the items,
then make their final purchases online.**

Figure 6: Percentage of respondents by typical apparel/accessory shopping habits



Interestingly, the 15 percent of consumers who prefer to browse online and buy in stores make nearly 20 apparel and accessory purchases every year – more than any other group. These individuals are more likely to be college-educated males earning more than \$50,000 per year. Almost 40 percent of them are Bridge Millennials, and offering experiences that enhance the effectiveness of their omnichannel experiences will go a long way toward converting them into loyal customers.

Figure 7: Favorite merchants, by how consumers shop and buy products



The most successful merchants will be those that offer seamless online and in-shop experiences so customers can browse at their leisure, try on items in person and purchase in store or online – whichever they prefer. While brick-and-mortar stores may no longer be the end point for making a sale, they remain a necessary part of consumers' apparel and accessory purchasing journeys.

Meet The Bridge Millennials™:

Retail's Future

We identified Bridge Millennials as consumers aged 30 to 40 years old and spanning from older millennials to younger Gen X members. This group is young, has an established life direction, displays shopping habits identical to those of millennials and is more likely to use mobile devices to make a purchase. Bridge Millennials frequent brick-and-mortar less often than millennials, but they spend nearly as much as Gen X.

This group also enjoys browsing for products in store and online, then buying those items online. In addition, when it comes to their favorite stores, Bridge Millennials love Amazon more than any other generation.

It may be retailers' dream audience, but this group is also hard to please. Bridge Millennials will not shy from switching merchants, should they feel the need. In fact, they are far more likely to have switched to or tried a new merchant during the past 30 days: 30 percent compared to the average of 25 percent.



Tech Habits of The Bridge Millennials

Anna Wintour, *Vogue* magazine's editor-in-chief, once famously quipped, "You either know fashion or you don't."

That's perhaps truer for Bridge Millennials than for anyone else, especially based on the number of shopping trips they take and the money they spend. On average, the group takes 18.3 shopping trips annually, spending an average of \$2,225. While the number of trips is slightly below that of millennials, Bridge Millennials spends nearly as much as members of Gen X.

What truly sets them apart, however, is their affinity for technology — and that holds up whether they are shopping in stores or online. Today, 17 percent of Bridge Millennials buy apparel and accessories using mobile devices, slightly higher than the 16 percent of millennials. Though the bulk of Bridge Millennials love shopping in stores, they use mobile devices to research and make decisions on the go. In fact, nearly one-third shop in stores or online, then purchase their products online.

But where do they prefer to buy? As it turns out, Amazon is Bridge Millennials' go-to online retailer. This group is also known as the "Amazon generation," with nearly 19 percent picking Amazon as their favorite merchant over other retailers like Walmart, Kohl's, Macy's and Target.

This group is seemingly more open to experimenting with and adopting new technology, too. Nearly 5 percent of Bridge Millennials buy using voice assistants like Amazon Alexa and Google Home — higher than millennials, Gen X or Baby Boomers. As the data suggests, it appears Bridge Millennials are the most enthusiastic when it comes to using tech for finding and defining their fashion styles.





Tod's CEO On

Finding Retail's Sweet Spot

Much like any other sector, finding success in the shoe industry is about channeling the right mix of online and in-store offerings. But online sales today are soaring on the back of brick-and-mortar stores, leaving many grappling to understand the shift in consumers' buying preferences.

That's a trend Diego Della Valle, CEO of luxury shoe brands Tod's and Roger Vivier, describes as "a constant war machine." The retail world is changing much faster, he said, and making the latest innovations and designs obsolete at a dizzying pace. At the center of these changes is the mobile-loving, ever-connected millennial generation, a group that seems to bestow its loyalty based on a seamless shopping experience in stores and online.

"Millennials are a marvelous thing, but not for everyone, and certainly not all the time," said Della Valle in a recent interview with the *Financial Times*.⁷

Millennial shoppers' expectations are changing how businesses like Tod's — which has long banked on selling classic designs — operate. The 40-year-old Italian designer brand is now reportedly looking to shutter a few stores and improve the look and feel of its remaining locations.

Instead of meeting the expectations of attention deficit shoppers by constantly changing the look of its signature leather shoes, however, the brand has identified its sweet spot: magic number 35. According to Della Valle, a 35-year-old consumer has more success, more money and an appreciation for quality manufacturing. He is also someone in whom a 55-year-old shopper can see his younger self.

"Young people like changing," he said. "It is a game, it is part of being [in] a club and of changing which club they are in. It is no longer based on what is beautiful or well-made. As a result, there are some companies that are going to have outstanding results for a while, but in the long term, that could be a dangerous situation to be in."

⁷ Rachel Sanderson. Tod's owner Diego Della Valle: 'Millennials are not for everyone.' *Financial Times*. 2018. <https://www.ft.com/content/e1b90918-11a7-11e8-8cb6-b9ccc4c4dabb>. Accessed March 2018.

MEET CHELSEA



Chelsea Johnson

Senior Financial Analyst

Age: 33

Location: New York City

Education: Master's Degree

Salary: \$87,323

Marital Status: Engaged

Goals and Challenges:

- Make fast and accurate decisions
- Save time online

Values and Fears:

- Values dependability
- Excellent UI
- Fast support

"Alexa, is that **black dress**
I saw last week still on sale?"



"This one,
Chelsea?"



YES!

OK!

"Do you want to **reserve** it for three hours
to go into the store and **try it on?**"



"Thank you!
Here is **your dress.**"



"I like it, and I can buy it
through this mirror.
Wow, very convenient!"



WHAT WE KNOW ABOUT

Bridge Millennials



THEY ARE
30 to 40
YEARS OLD.



They take an average of 18.3 shopping trips every year, and **spend nearly \$2,225 annually** — almost as much as Gen X.

WILLING
TO TRY



They are every retailer's dream, but are as **hard to please.**

30%

switched or tried a new merchant during **the past 30 days.**

THEY ARE THE
AMAZON
GENERATION



They love shopping in stores, but use mobile devices to research and **make decisions on the go.**

THEY LOVE



more than any other generation.

25%

that buy online **prefer Amazon.**

They like shopping in stores, but

**BUYING
ONLINE**

17%

use mobile phones to buy apparel and accessories.

Overall, **48 percent prefer buying online.**



19%

prefer Amazon over retailers like Walmart, Kohl's, Macy's and Target

The Market:

Buy, Buy, Buy

Though the level of spend on clothing and accessories is shifting, consumers still appear to be buying clothes. Eighty-eight percent of them purchase apparel and accessory items annually, with more than 60 percent of our respondents making a purchase at least once per month. According to our research, the average respondent buys apparel and/or accessory products more than 15 times per year.

That spend and frequency seems to be dependent on age. As

shown in Figure 8, millennials average nearly 20 purchases each year, or approximately two purchases per month.

Millennials are not big spenders, however. Generation X has more money and averages a higher annual dollar total compared to millennials at \$2,367. A very close second is the Bridge Millennials, whose purchase frequency nearly matches that of Millennials, but whose spend is closer to that of Generation X. As such, we believe this 30- to 40-year-old age group represent an interesting sweet spot for retailers.

Figure 8: Annual apparel and purchases, by generation

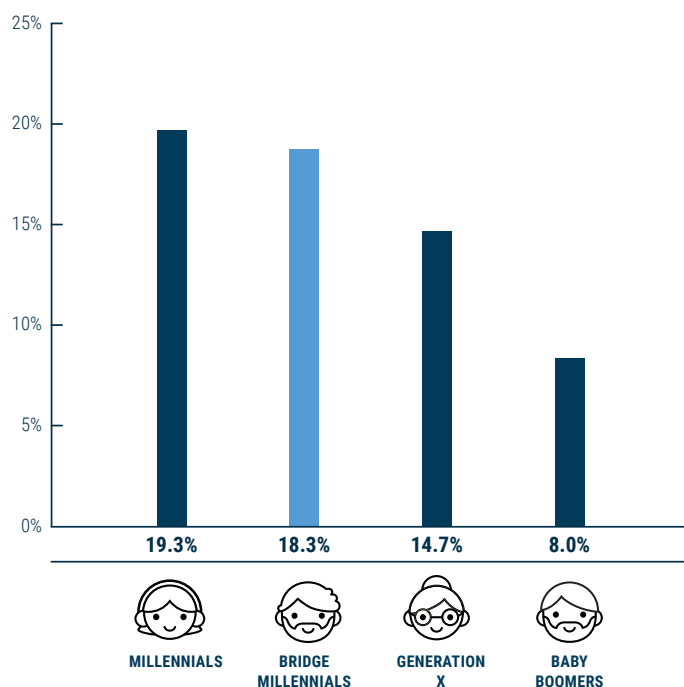


Figure 9: Average annual apparel and accessory products spend, by generation

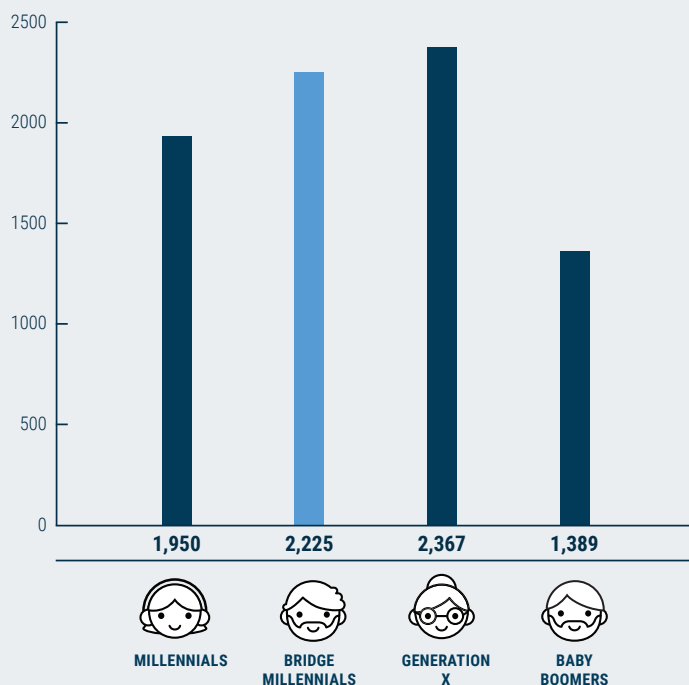
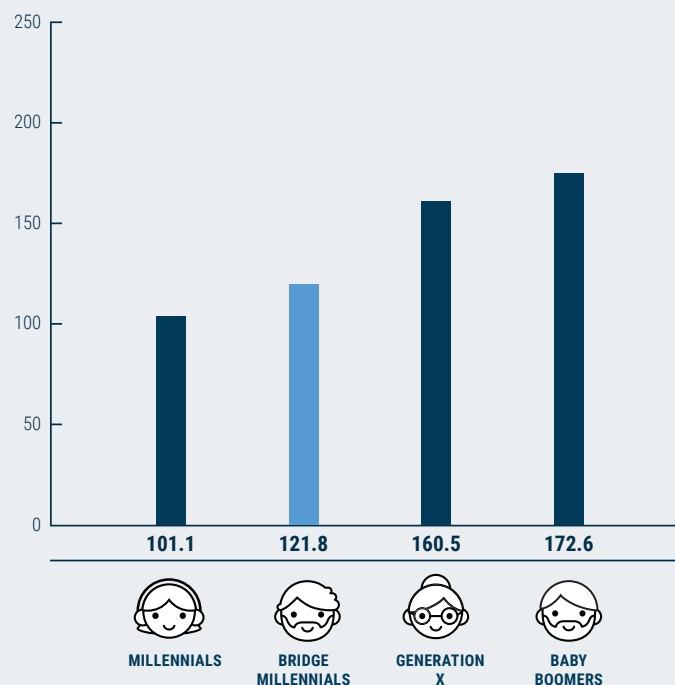


Figure 10: Average amount per apparel and accessory transaction, by generation



88%

of all Americans still purchase apparel and accessory items annually. Most buy them monthly, with the average respondent purchasing such products **more than 15 times per year.**

The Why Behind The Buy:

The Two Ps Of Consumer Spend

While customers zigzag between online and in-store purchasing channels, there's one more question that's plaguing retailers: What makes consumers' favorite merchants their favorites? Respondents gave a variety of answers, but two rose to the top as the most important: price and product selection.

Nearly 50 percent of respondents say selection and price — in that order — were the primary reasons they chose and stuck with a merchant. Conversely, the things on which merchants

spend a lot of their time — like social media prompts, having a fun in-store experience and order tracking, among others — barely registered.

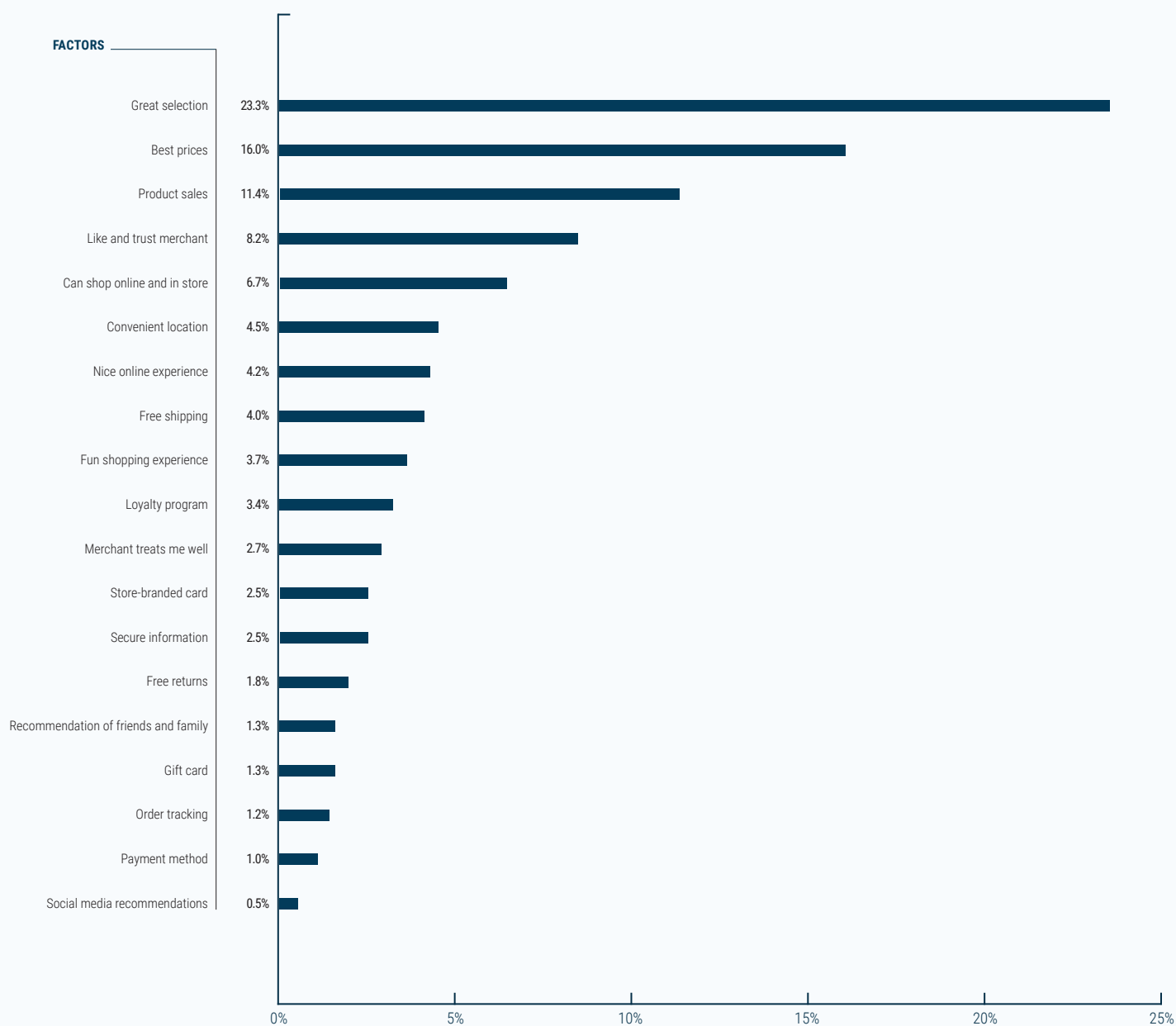
Interestingly, trusting a merchant was the fourth-most important factor, and remained third- or fourth-most important regardless of demographics. In other words, trust is important, but it's not as important as product and price.



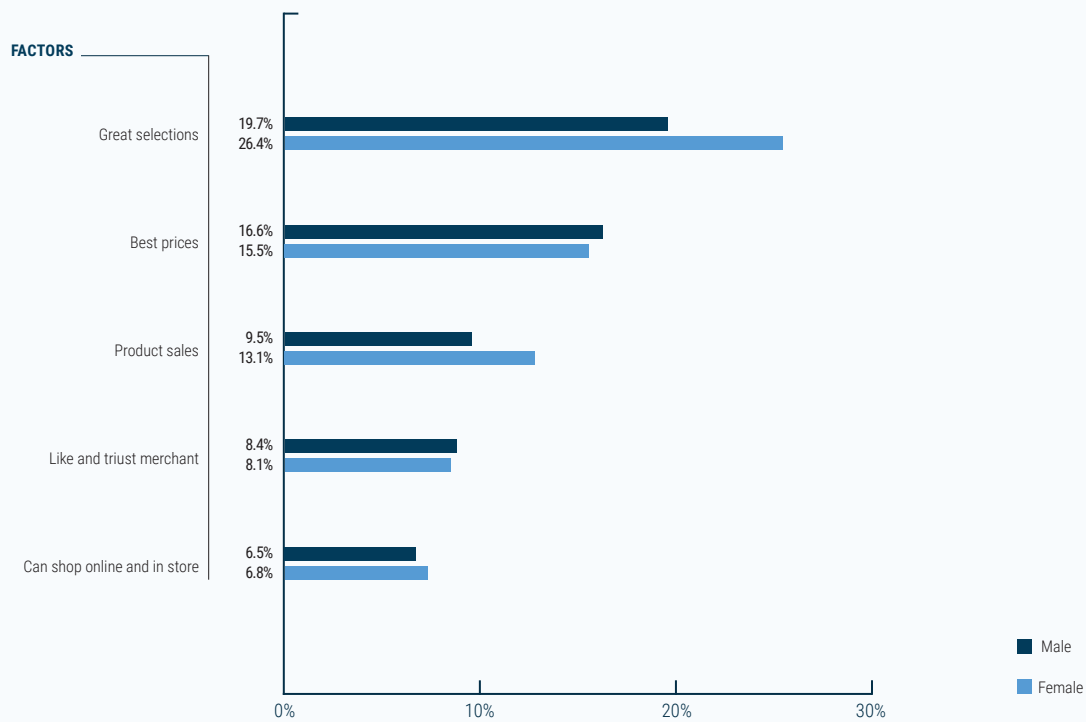
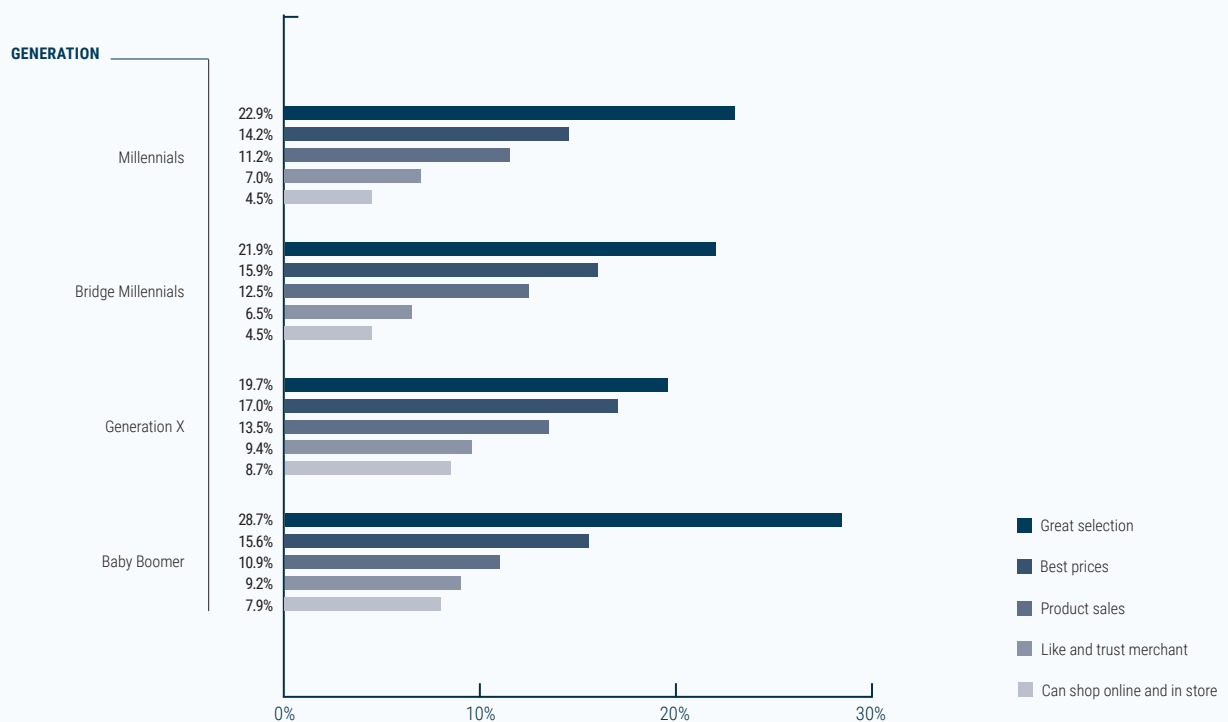
NEARLY 50%

of respondents cited **selection and price** as their top reasons for choosing a merchant. Perks like order tracking, recommendations and social media had comparatively little impact.

Figure 11: Most important for selecting a favorite merchant



Surprisingly, customer demographics had very little impact on the reasons behind shoppers' favorite merchants. Older consumers and women had a slight preference for greater selection. Men tended to place more importance on pricing, while women expressed more interest in sales. This is good news for merchants: They don't have to worry about pleasing an audience that's divided into various segments with different needs. Instead, they just need to figure out what everyone wants and deliver.

Figure 12: Primary purchasing decision influences, by gender**Figure 13:** Primary purchasing decision influences, by generation

The Reason For The Switch:

Selection And Gift Cards



The apparel industry is very large and fragmented across on- and offline channels, with thousands of contenders vying for their own shares of customers' wallets. With supply comes the worry that demand will follow, and retailers are deeply aware there's always a chance their loyal customers could switch and go somewhere else.

This fear is well-founded, too, as nearly 25 percent of our sample told us they had tried a new merchant or completely switched their go-to over the last 90 days. As shown in Figure 14, younger consumers and those who work full-time are more likely to make a switch.

Gift Cards:

A Free Merchant Acquisition Tool

Americans spent \$147 billion on gift cards in 2017 – 10 percent more than they did the year before, and approximately 10 percent less than they are expected to spend in 2018.

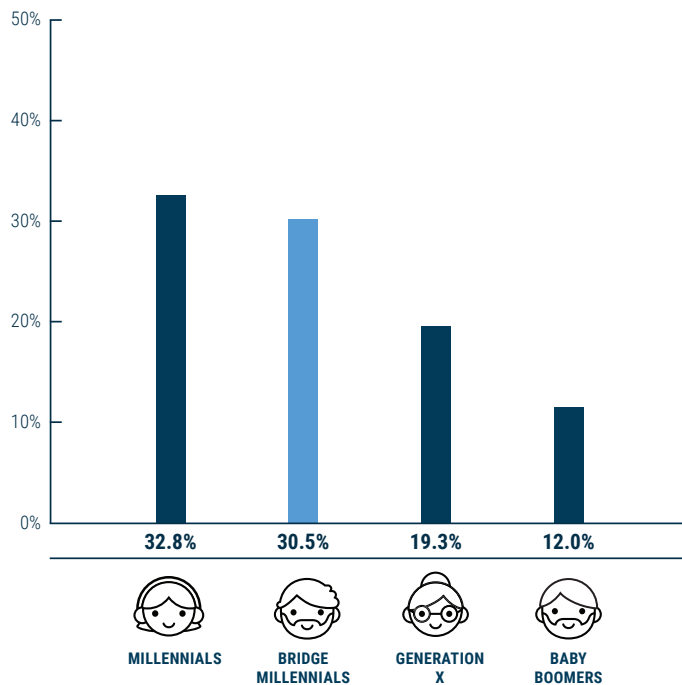
Since their debut in 1990, gift cards have emerged as a popular way to give the gift of cash that can, in the case of closed-loop cards, be spent at a particular store or, in the case of an open-loop card, anywhere a network-branded gift card is accepted. Consumers buy and gift such cards six times per year, on average, and digital gift cards are now an important part of the gift card mix.

Gift cards are a free customer acquisition tool for merchants – one which sees consumers spending more than the face value of the card approximately 75 percent of the time. It's perhaps the penultimate consumer recommendation, as a good customer spends his or her own money to purchase the card so someone else will use it to shop at that store.

For a consumer, gift cards represent a risk-free way to experience a new merchant. After product selection, price and location, they were cited as the most common reason consumers in our study switched to a new merchant. In fact, getting a gift card was one of the top reasons consumers across the board cited for making a switch to a new merchant.

This suggests merchants should think of gift cards as a strategic element of the marketing mix, not simply a tent card at checkout or a choice in an online drop-down menu. Creating programs focused specifically on getting existing customers to buy more of them – then using redemption as an opportunity to encourage repeat purchasing – could deliver benefits well beyond the face value of this \$160 billion market opportunity.

Figure 14: Respondents who have switched or tried new merchants in the last three months, by generation



Consumers are driven to switch largely because of price and product selection. As shown in Figure 11, of the consumers who switched away from their favorite merchants, more than 13 percent did so because they were able to find the product they wanted there. Nearly as many broke away from their favorite merchant cause they found better prices elsewhere. Gift cards also play a role in consumers' decision to switch from their favorite merchants. Getting a gift card was the fourth-most popular reason causing consumers to switch loyalties, and only slightly lower than product sales — an indication that consumers are open to experimenting with other brands when using someone's else money to make a purchase.

Gift cards for wooing consumers offers new insight into how retailers should design and support their gift card strategies. These products take the risk out of consumers using their own money to make a purchase in a store they may not know. A multipronged approach toward enabling gift cards online, then delivering a great follow-up experience both online and in store, could prove valuable in turning a one-time experience into a longer term relationship.

Figure 15: Respondents who have switched or tried new merchants in the last three months, by employment status

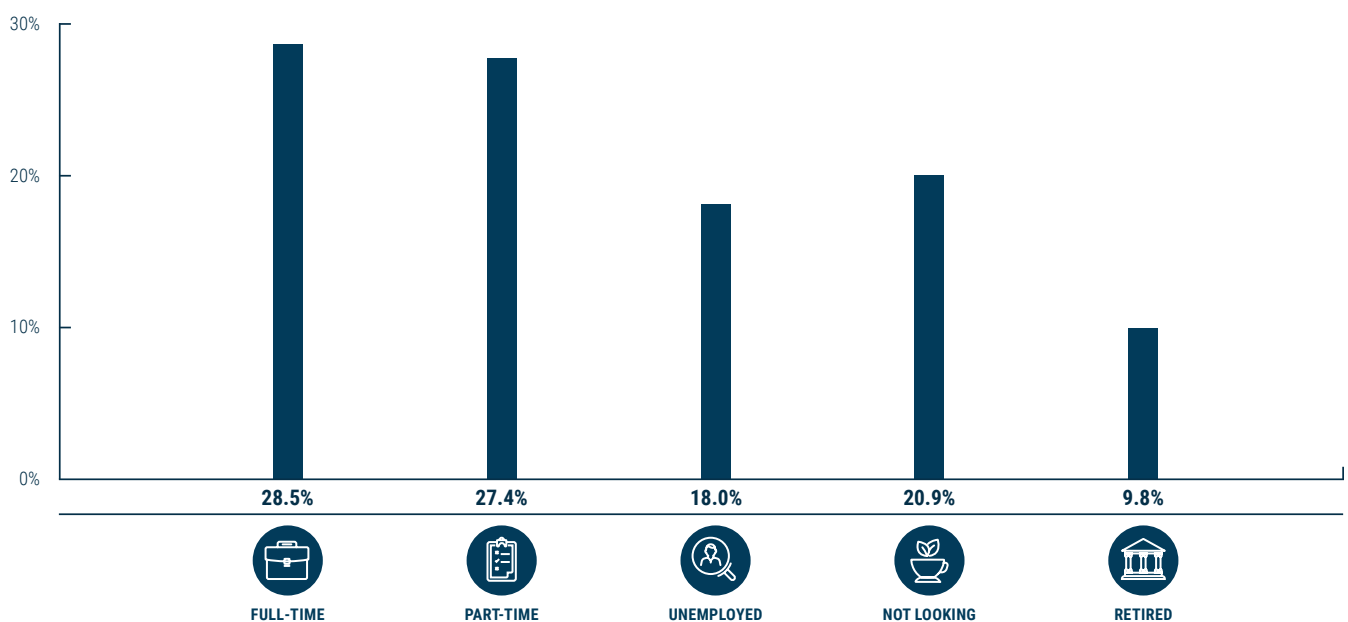
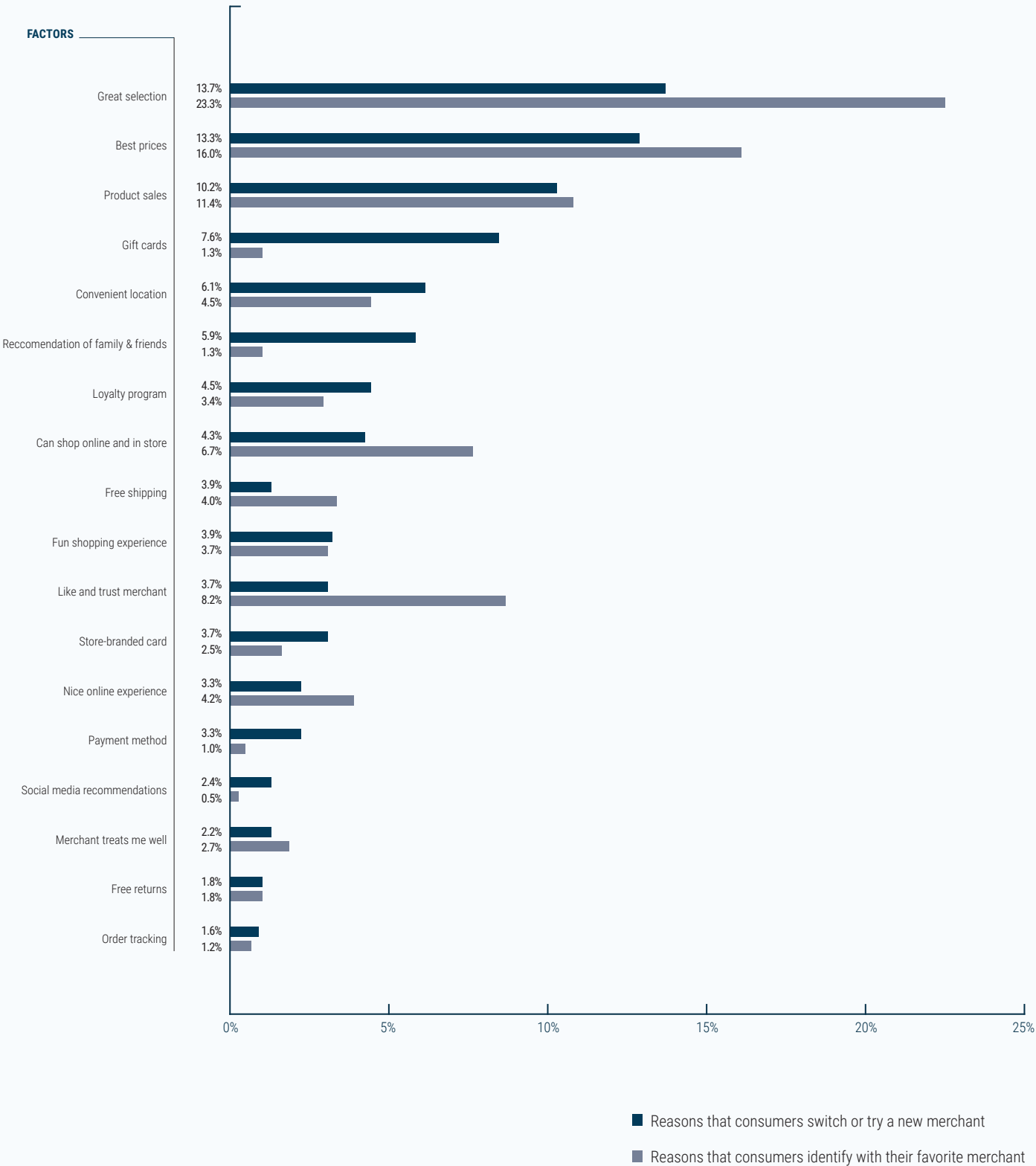


Figure 16: Respondents who switch or try new merchants, compared to reasons for having favorites

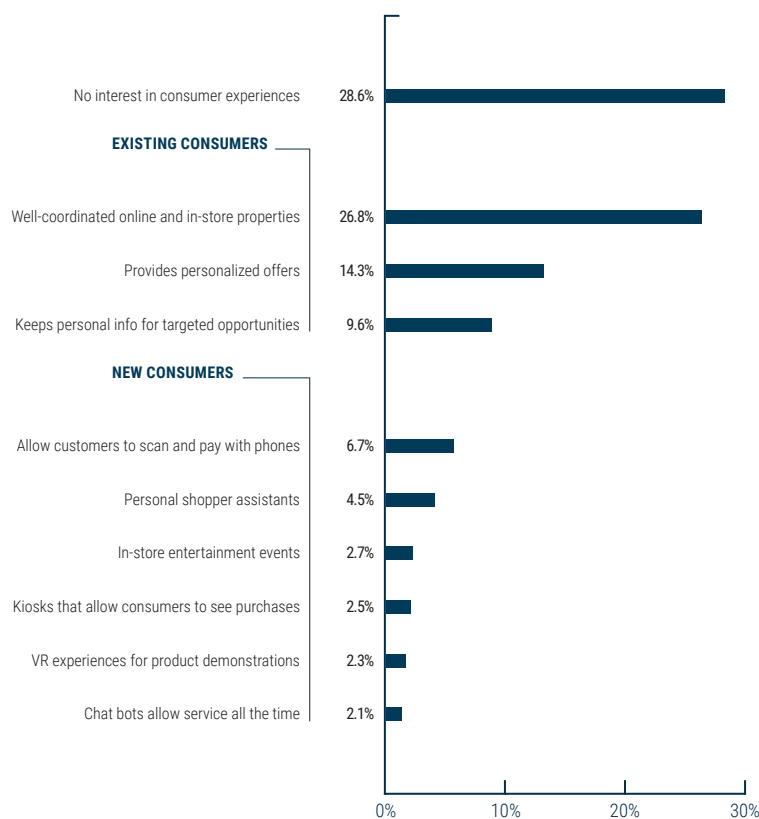


The One Big Thing:

It's All About The Experience

Consumers don't want retailers to entertain them while they're shopping for clothes or accessories. They want them to deliver an experience that makes it easy to shop, cited by 70 percent of our sample. In addition, 50 percent said the most influential consumer experiences were those enabling seamless shopping in store and online with the same merchant.

Figure 17: Percentage of respondents indicating the most influential consumer experiences

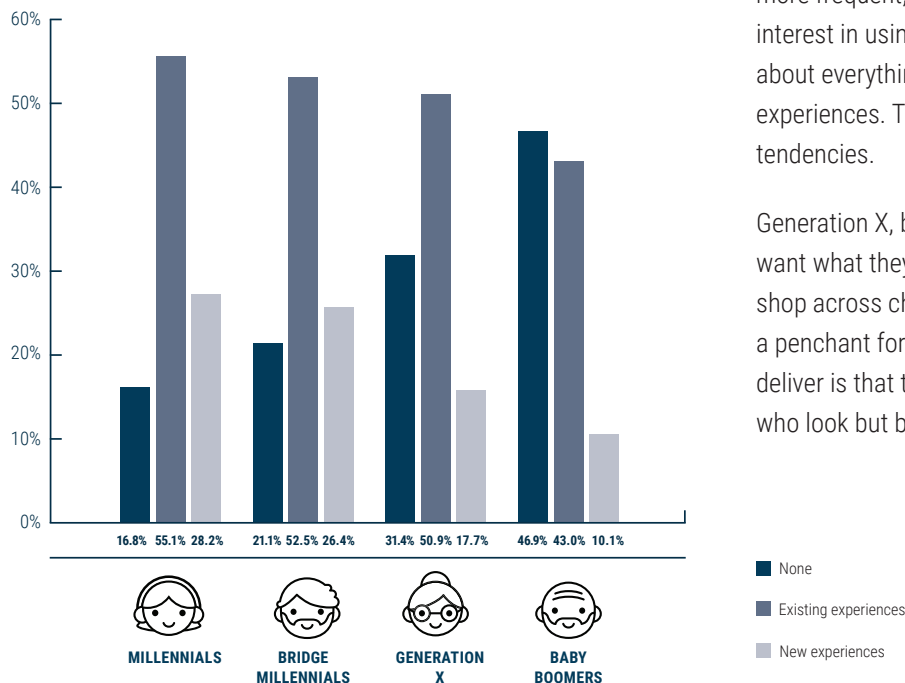


Consumers may not call that “omnichannel,” but that’s clearly what they want their favorite merchants to enable for them.

They also value technology that improves the efficiency of interactions with their favorite merchants. This includes personalized offers that reflect their buying preferences, using their phones to scan a tag and place an online order for an out-of-stock item or the ability to scan a tag and have it automatically charged to their preferred payment methods — all of which are highly valued by consumers.



Figure 18: Percentage of respondents driven by experiences, by generation



Age was a big driver of consumer expectations. Younger, more frequent, but lower-spending millennials showed more interest in using their phones or virtual assistants to do just about everything on the more leading-edge of technology experiences. The Bridge Millennials showed similar tendencies.

Generation X, baby boomers and the Bridge Millennials just want what they consider to be the basics: making it easy to shop across channels. Since we know those shoppers have a penchant for online shopping, the risk if merchants don't deliver is that their stores become showrooms for consumers who look but buy elsewhere.

WITH MORE CONSUMERS SHOPPING IN STORES AND BUYING ONLINE, **NORDSTROM** has a new game plan.

The retail giant is rolling out experience-driven stores that allow shoppers to browse, but carry no inventory for sale.

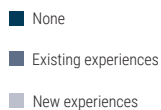
The 3,000-square-foot mini-stores will come equipped with eight dressing rooms, enabling shoppers to try on clothes, interact with personal stylists, order a glass of wine and place in-store orders for delivery at home.

The slimmed-down version of the stores will also offer services like buy online, pick up in store.

Other retailers — including Bonobos, Sears and Warby Parker — are also experimenting with the showroom concept.

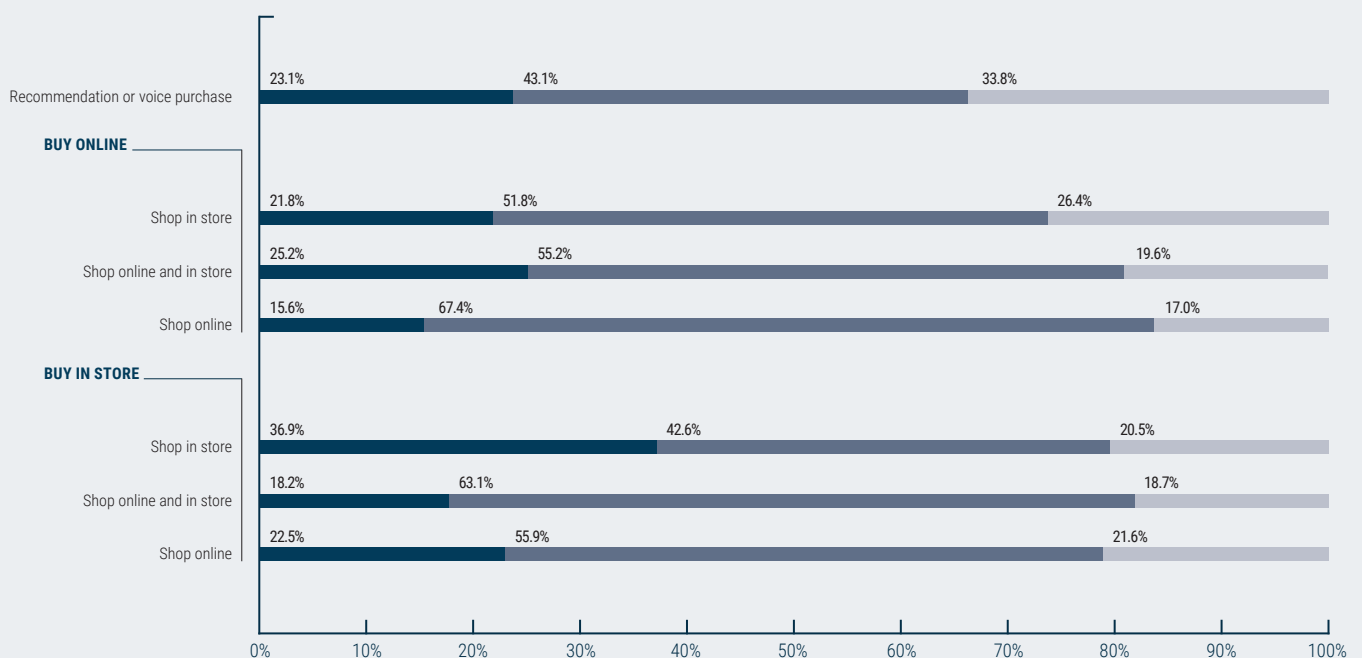
Unsurprisingly, consumers who shop and buy in stores are least likely to be interested in consumer experiences. In contrast, the largest group displaying interest in new consumer experiences includes both those who rely on new product recommendations and early adapters who purchase using voice assistants. This tracks, given that anyone using a voice assistant to purchase is bound to have a large appetite for the latest and greatest innovations.

Most customers lie somewhere in between these two ends, however, which retailers must consider in their quests for the latest and greatest. Shopping is ultimately about making a purchase, and every new experience should be about making it easier to find and pay for that purchase.



50%
of respondents said the most influential experiences were **omnichannel offerings:** either personalized offers or those that coordinated online and in-store shopping.

Figure 19: Interest in new experiences, based on how people shop and buy



Paying For The Buy:

Debit Gets The Nod

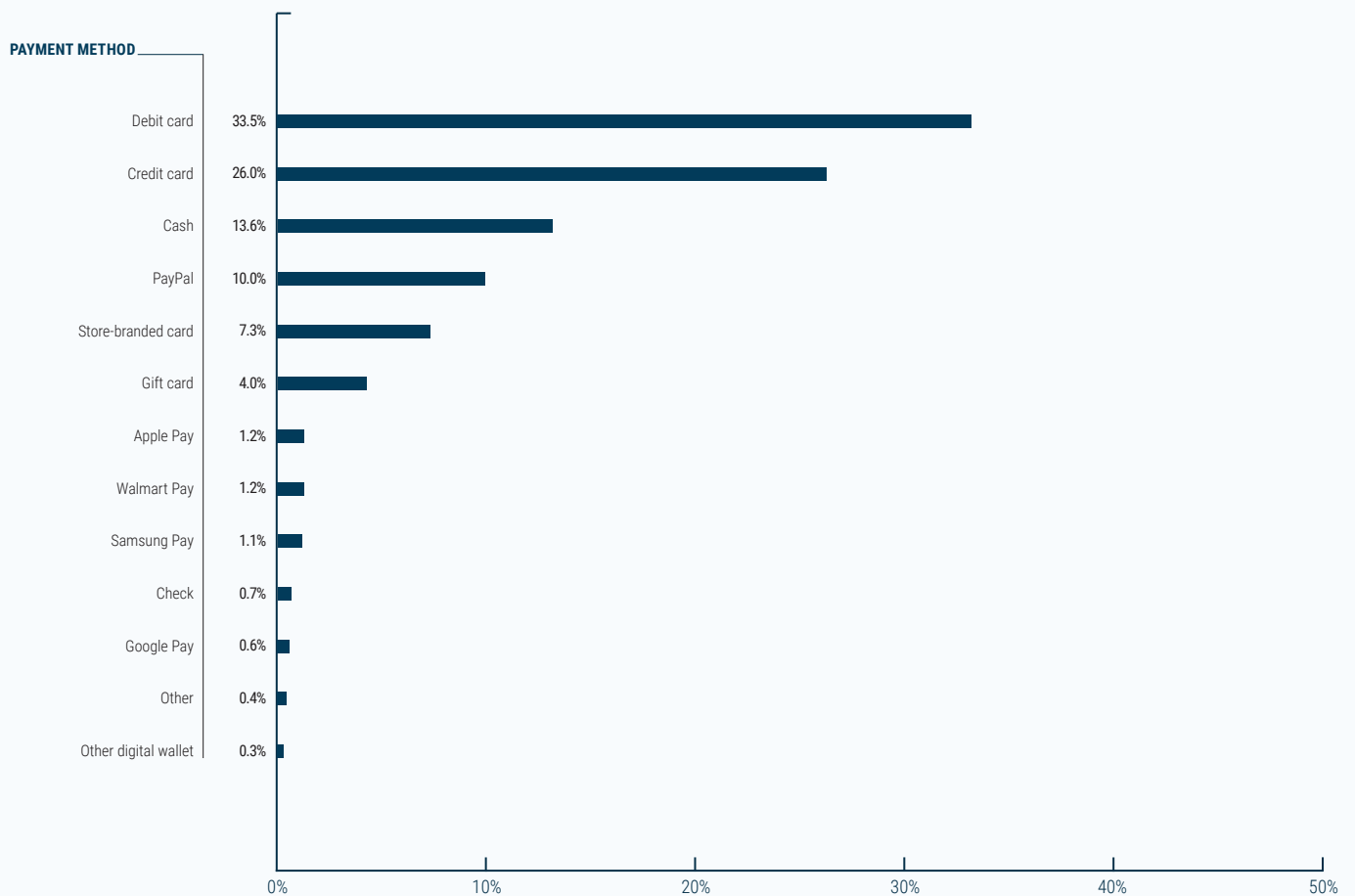
One of the most important pieces of the puzzle for merchants is understanding how customers like to pay. Abandoned shopping carts account for 77 percent of online purchases⁸ and, according to the PYMNTS Checkout Conversion Index™, many speedbumps remain on the way to a friction-free online checkout process. At the top of that list is making it too difficult for consumers to use a preferred payment method, most notably a “buy button” that sidesteps site login and registration. It’s one of the reasons shopping in stores remains so appealing to consumers: They can buy what they see with whatever form of payment is convenient, including cash.

Cards rule, according to our sample, with 33 percent using debit and 26 percent using credit cards to pay for their purchases. PayPal remains a popular payment choice for online shoppers, too. Despite all the talk about branded digital wallets, they barely register outside of PayPal. Interestingly, gift cards are preferred by 4 percent of respondents. This seems small, but consider that these are shoppers who otherwise might not enter a store to make a purchase and are now drawn in because they have a gift card they want to use.



⁸ Walker, Tommy. How to reduce shopping cart abandonment by optimizing the checkout. ShopifyPlus. 2017. <https://www.shopify.com/enterprise/44272899-how-to-reduce-shopping-cart-abandonment-by-optimizing-the-checkout>. Accessed March 2018.

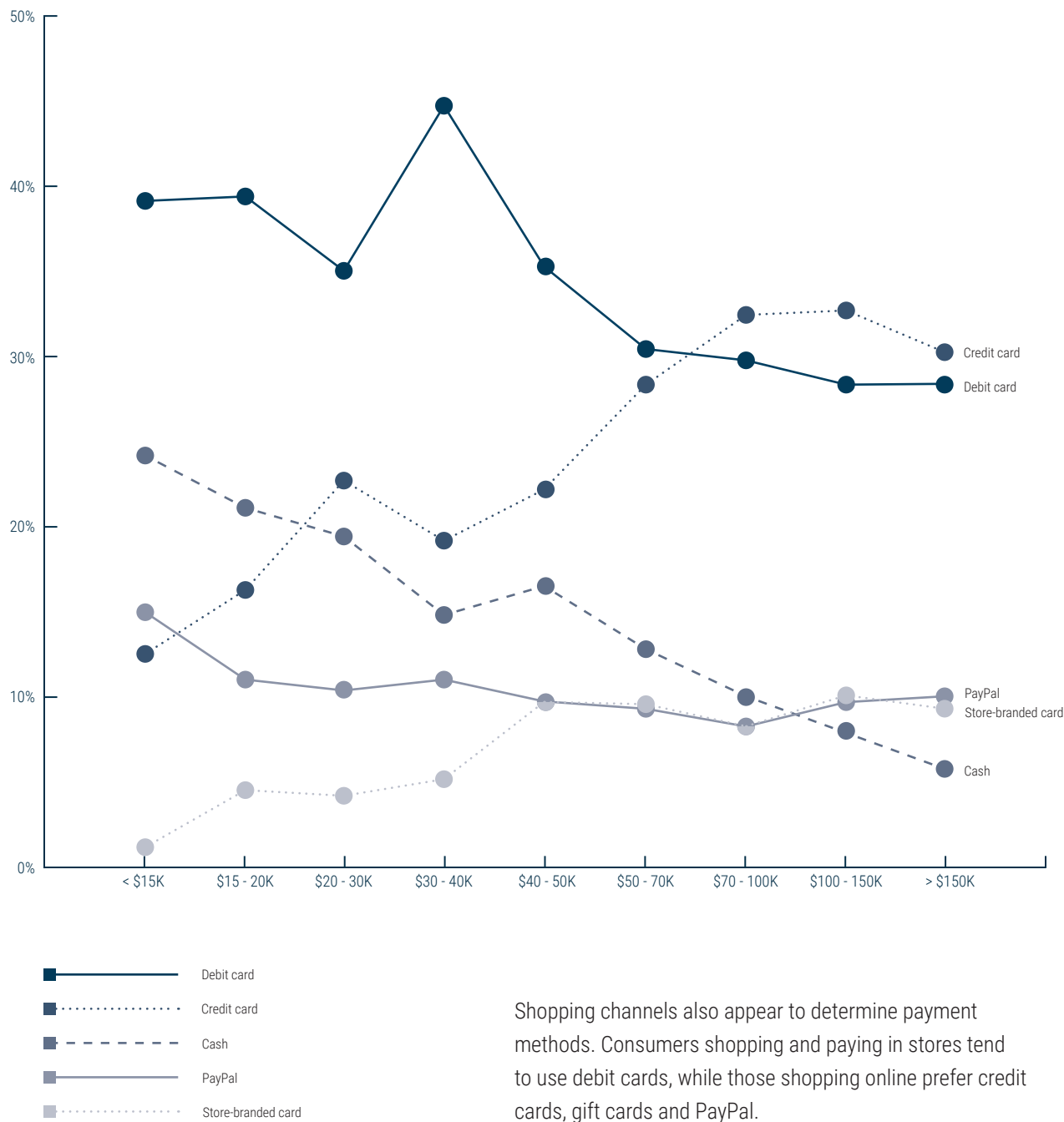
Figure 20: Preferred payment method for apparel and accessory products



Payment method choice is highly correlated with income. As Figure 21 shows, people with lower incomes generally prefer debit cards and cash, likely because they either lack or don't want to use credit cards. That changes when a consumer's income reaches the \$70,000 threshold, a level at which they tend to use credit and store-branded cards more frequently. Even then, debit and cash remain quite popular – nearly as popular as credit and store-branded cards.

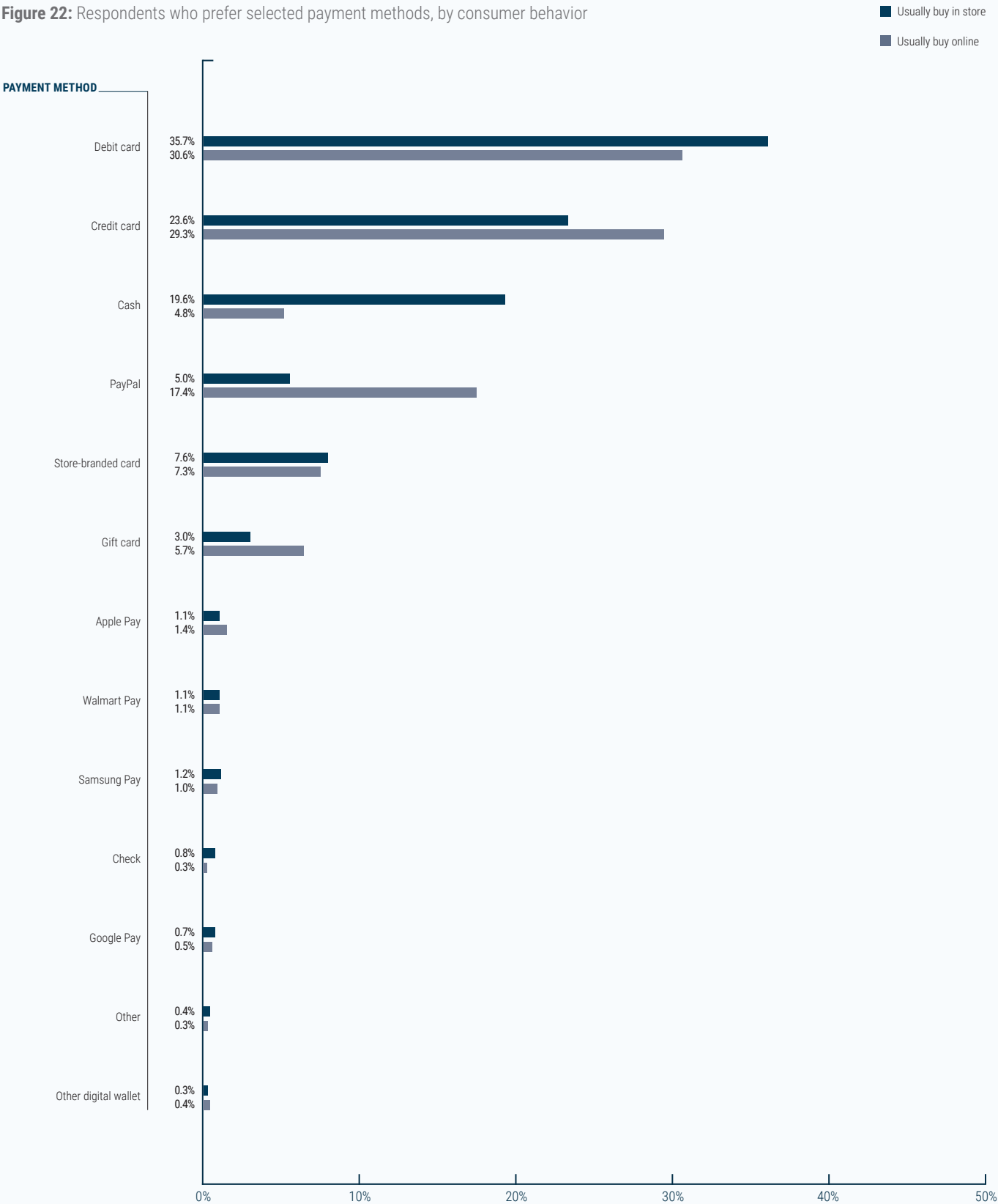
Cash remains resilient, though, and still ranks as the third-most common payment method overall. It is used by consumers of all age and income levels.

Figure 21: Percentage of respondents who prefer selected payment methods, by income range



Shopping channels also appear to determine payment methods. Consumers shopping and paying in stores tend to use debit cards, while those shopping online prefer credit cards, gift cards and PayPal.

Figure 22: Respondents who prefer selected payment methods, by consumer behavior



Retail's Sweet Spot:

A Deep Dive Into The Bridge Millennials

As part of our analysis, we examined shoppers across the typical age bands and generational segments of millennials, Generation X and baby boomers. One new persona revealed itself to be of particular interest, largely because it bridged two influential generational groups. This persona, the Bridge Millennials, is comprised of consumers aged 30 to 40 years and includes maturing and more established millennials – those growing into the shopping habits and patterns of their slightly older Gen X counterparts.

In this section, we'll explain the Bridge Millennials' profile and compare it to the other three:



MILLENNIALS

22 to 37 years old



GENERATION X

38 to 54 years old



BABY BOOMERS

55 to 72 years old

48%

of the **Bridge Millennials** either went online to find and buy clothes or went to the store and bought online.



BRIDGE MILLENNIALS™

30 to 40 years old

The Buy

The Bridge Millennials tends to spend money on clothes, spend more overall and spend more on each item they buy. With college education and a good portion of their student loan debt in their rearview mirrors, this group has established careers, steady incomes and even some disposable income. They're using at least some of that disposable income on clothes .

Figure 23: Total apparel, in dollars spent

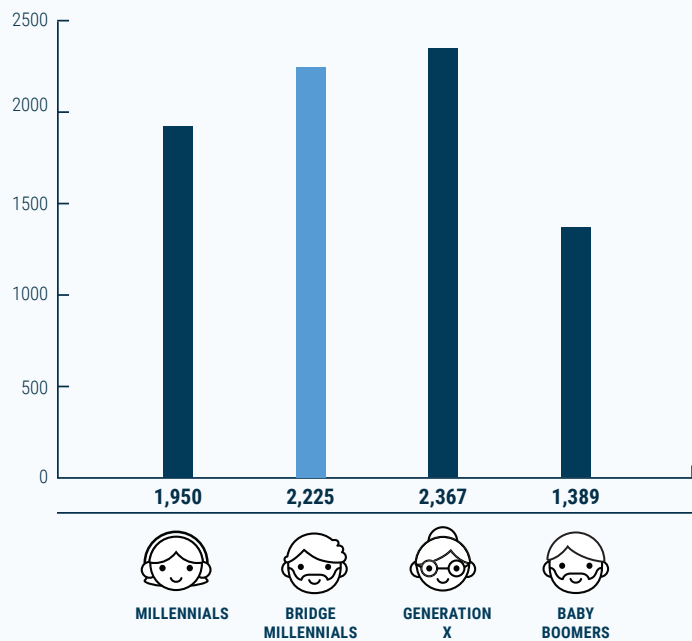


Figure 24: Average transactions per year

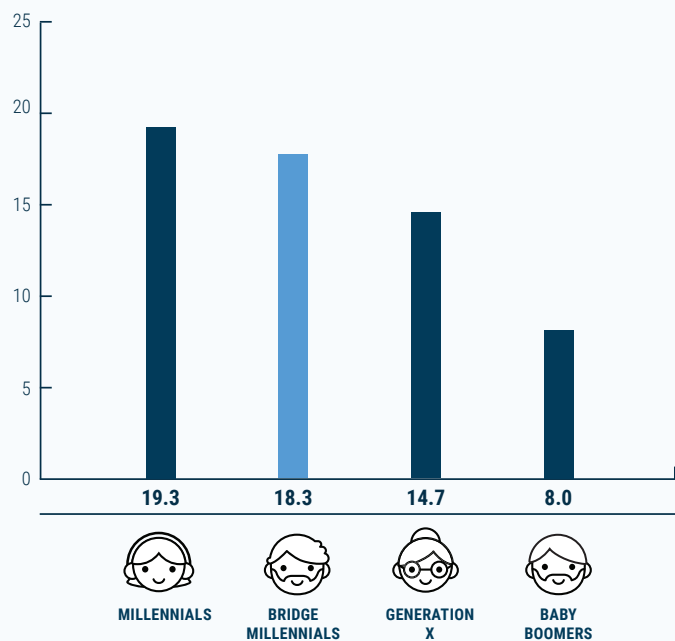
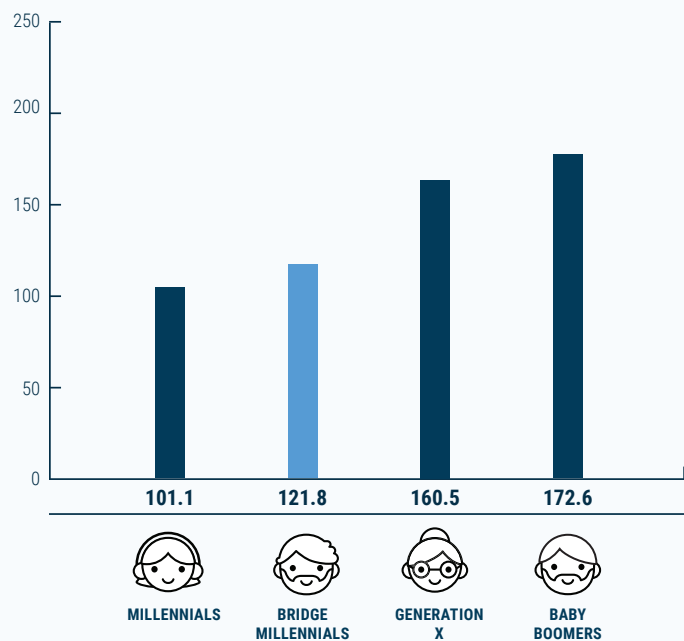


Figure 25: Amount per transaction



How They Buy

Not surprisingly, the Bridge Millennials shop both in stores and online, but they use stores as showrooms more than any other generation. That's likely because this group is also the Amazon generation, the bracket that both favors the eCommerce giant and uses mobile phones to find and make purchases. On that point, the Bridge Millennials even outpace their younger millennial selves.

Figure 26: Percentage of respondents who purchase using a mobile device

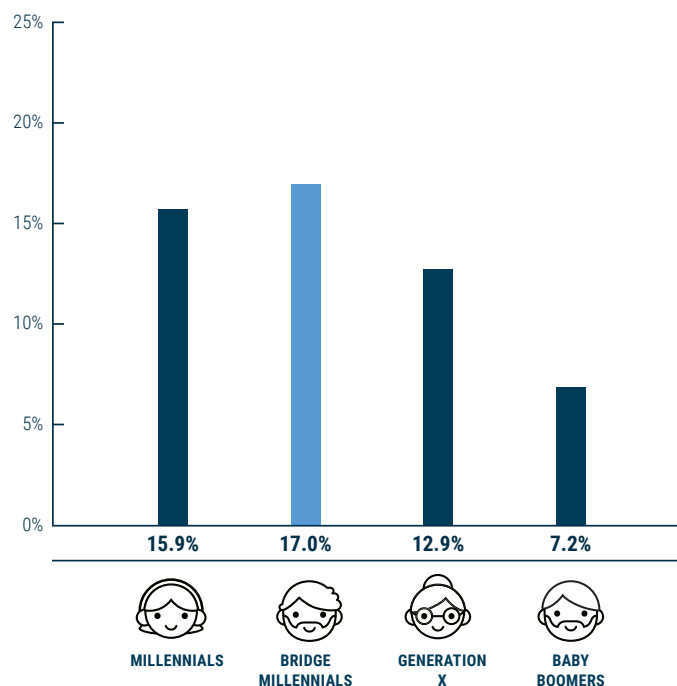


Figure 27: Shopping habits of all respondents

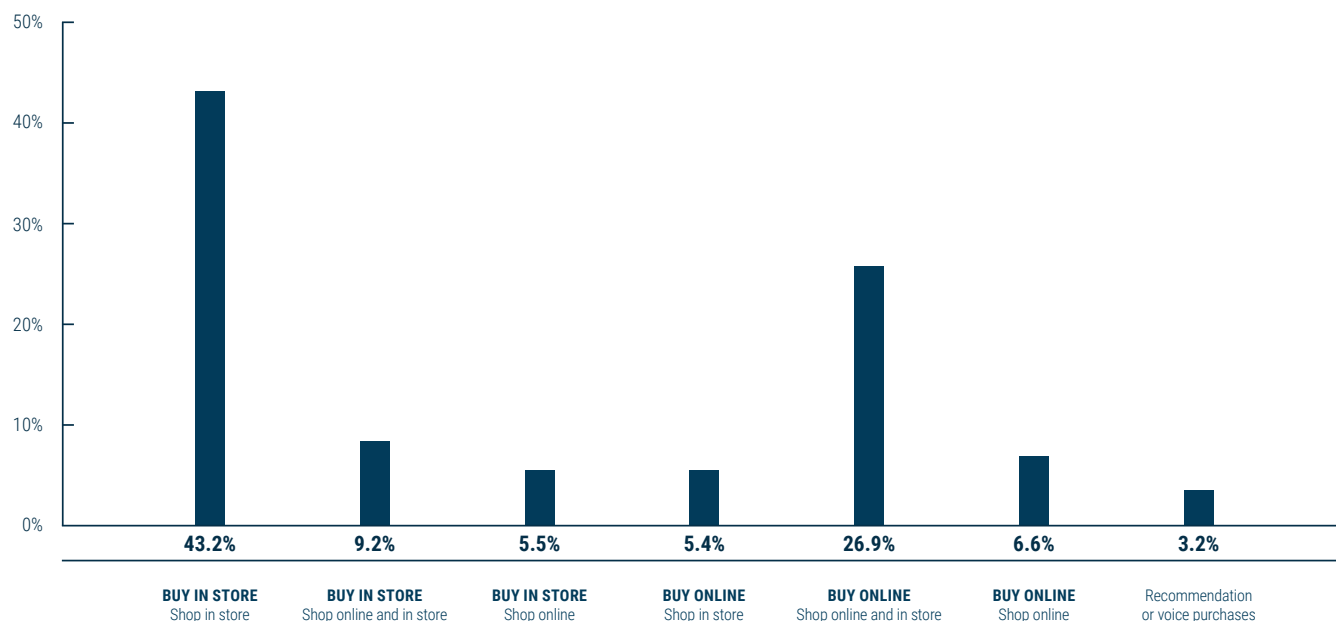


Figure 28: Shopping habits of millennials

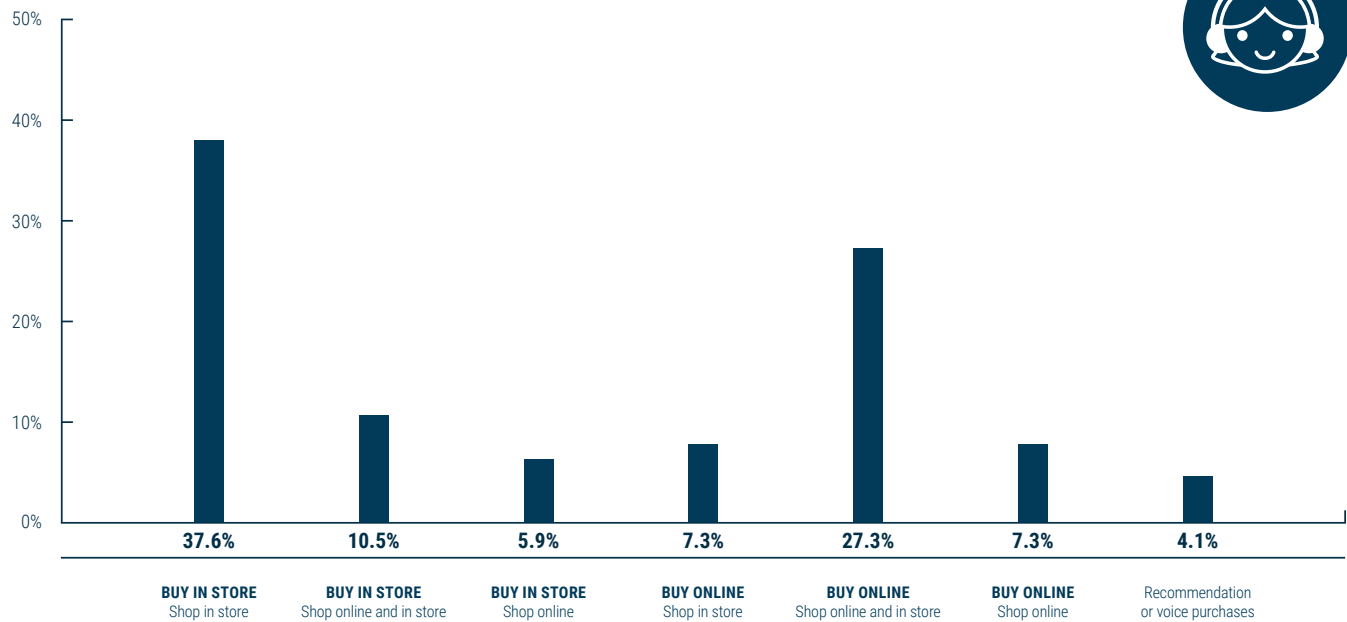


Figure 29: Shopping habits of Bridge Millennials

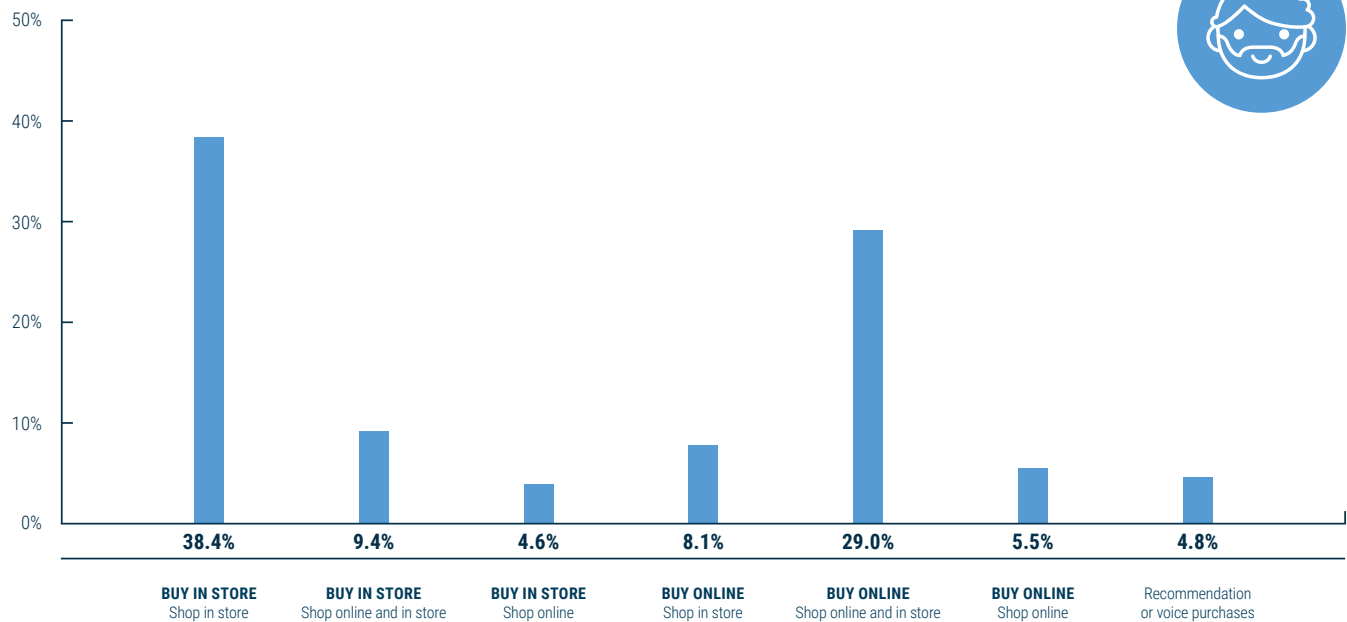


Figure 30: Shopping habits of Generation X

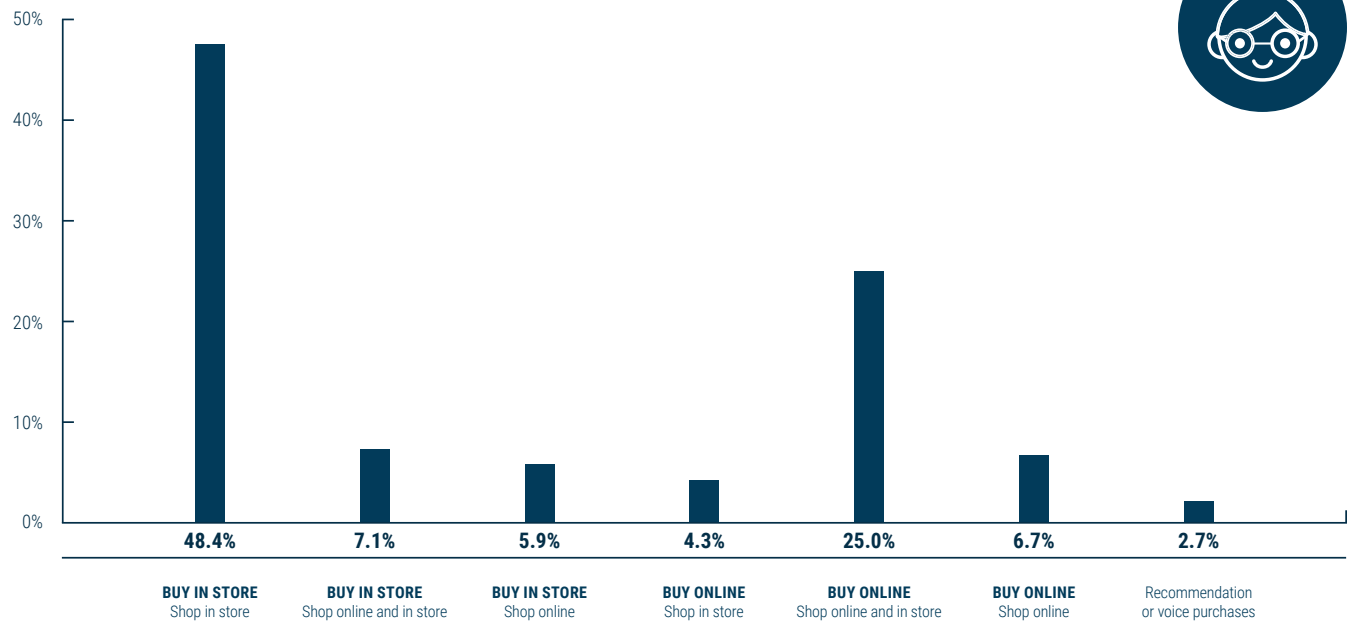


Figure 31: Shopping habits of baby boomers

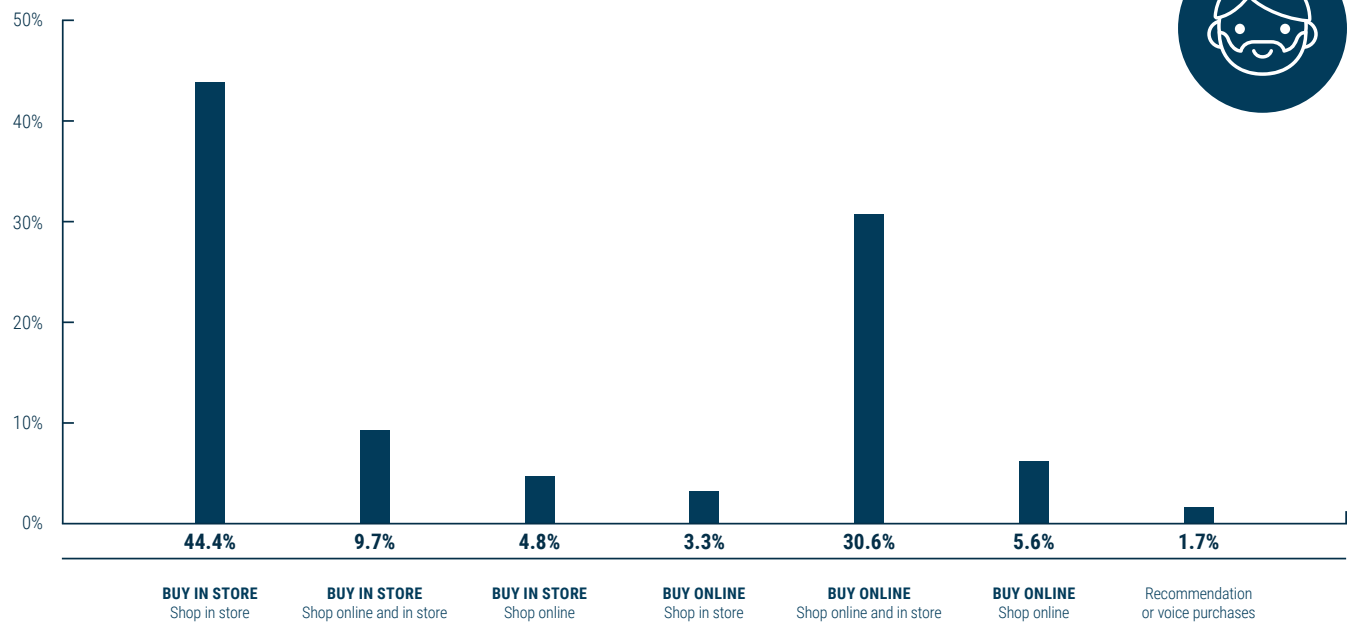
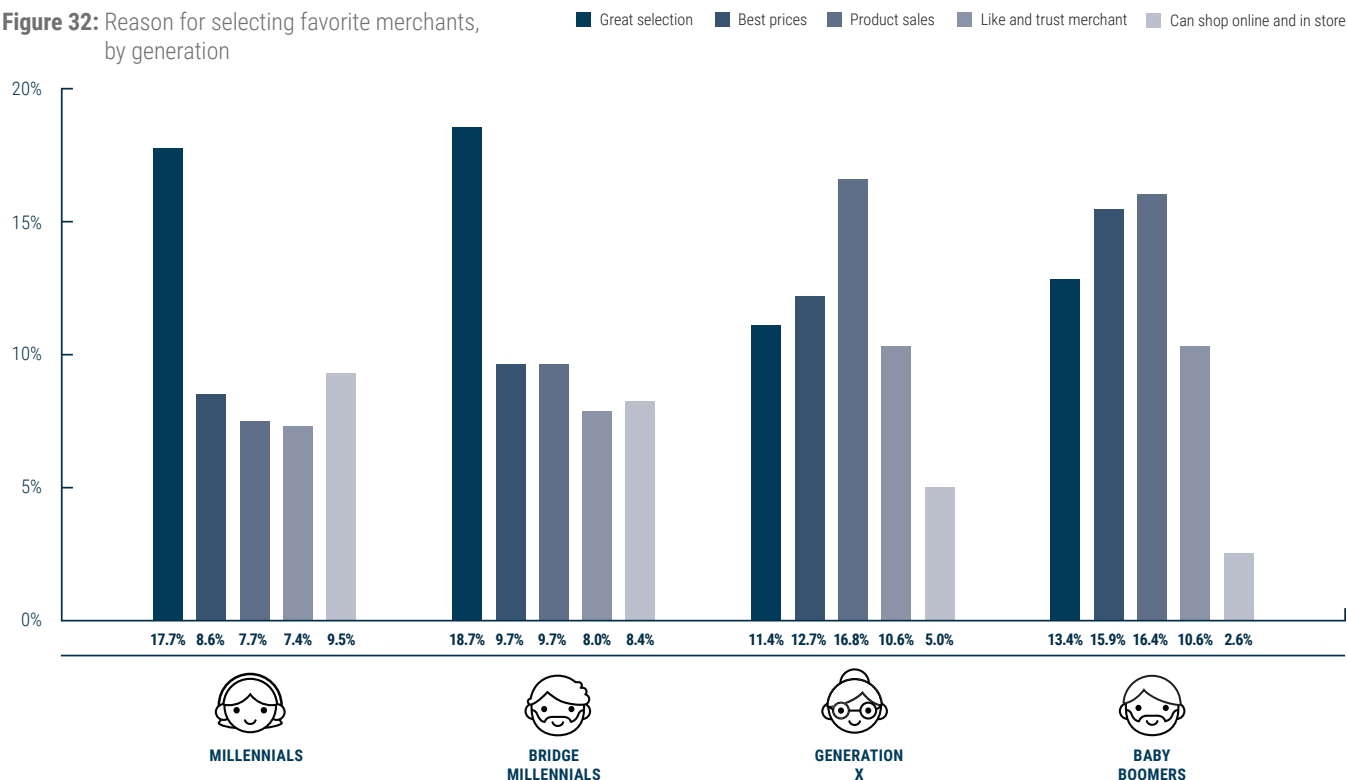


Figure 32: Reason for selecting favorite merchants, by generation



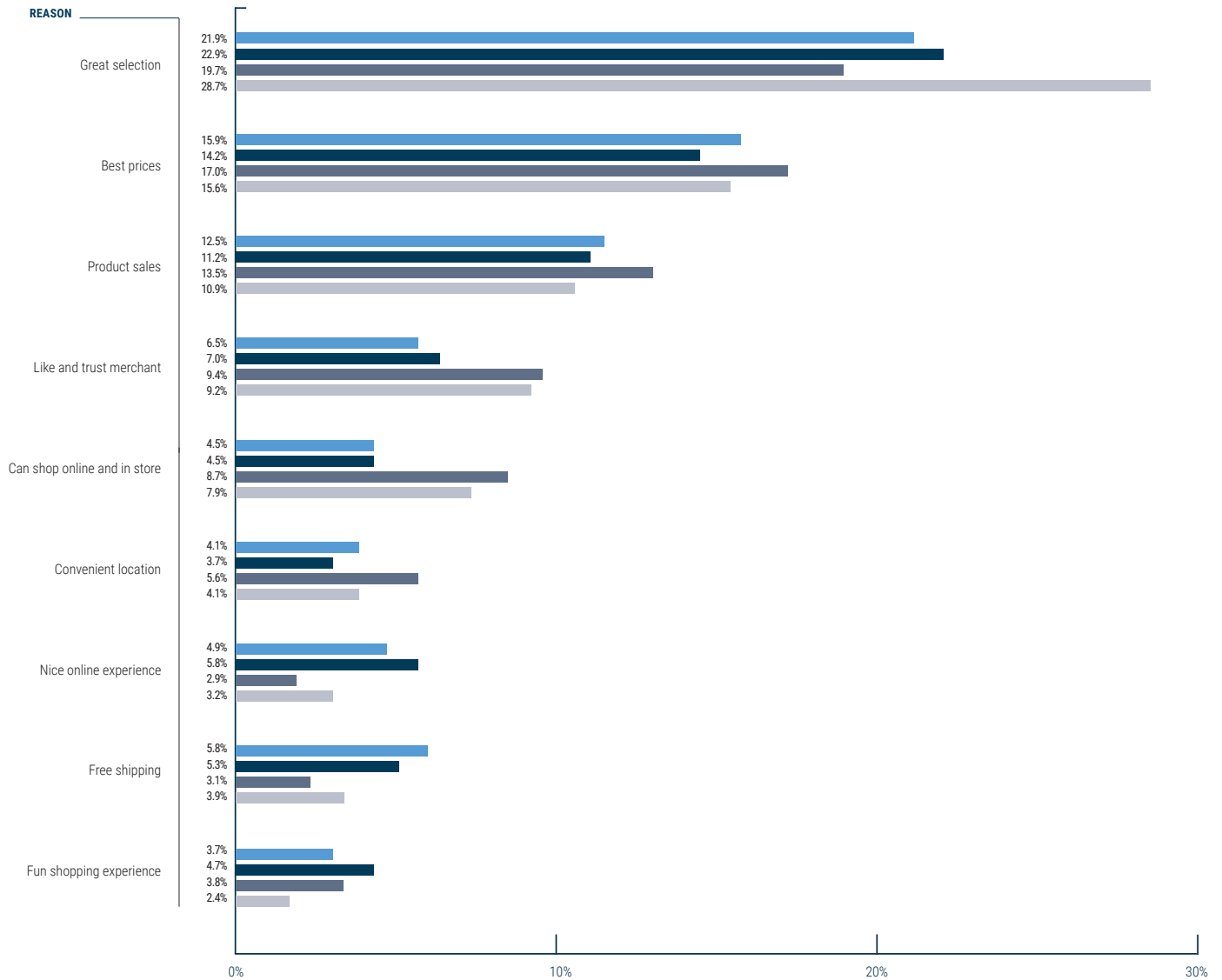
Why They Buy

Like all other generations, the Bridge Millennials value product selection and price. Meanwhile, millennials and Gen X put more value in liking and trusting a merchant. Since the Bridge Millennials, more than all others, prefers Amazon to other merchants, we wanted to see how those in its ranks who favor Amazon compared to the preferences of the overall group. Convenience — defined by free same-day or two-day shipping — topped their lists, above even product and price. Bridge Millennials are willing to trade product selection for convenience, and are among the early adopters of voice commerce. The group is most likely to use voice, too, with 4.8 percent preferring the method compared to 4.1 percent of millennials and 2.7 and 1.7 percent of Generation X and baby boomers, respectively.

Bridge Millennials are much more likely to have switched or tried a new merchant during the past 30 days. Thirty percent of the group said they switched to a new merchant, as did 19 percent of Gen X consumers and 12 percent of baby boomers.

Also interesting is how little payment options and social media influence the Bridge Millennials' choice of merchant, as these attributes come in at the far bottom of the list. That could be somewhat surprising news to enterprise retailers investing in beefing up social media profiles and enabling a variety of new digital payment types. The features just don't resonate as much as investments in technology, particularly those that deliver convenience as part of the apparel shopping experience.

Figure 33: Most important reason shoppers prefer a merchant, by generation



**BRIDGE
MILLENNIALS**



MILLENNIALS



**GENERATION
X**



**BABY
BOOMERS**

How They Pay

The payment preferences of the Bridge Millennials mirror those of the overall consumer, with debit used more often than credit, but in slightly more equal measures. They are also heavier users of PayPal, given their higher-than-typical online shopping habits. In fact, 48 percent of the Bridge Millennials either went online to find and buy clothes or went to the store and bought online. PayPal is the third-most preferred payment method behind debit and credit.

Figure 34: How consumers pay, by generation

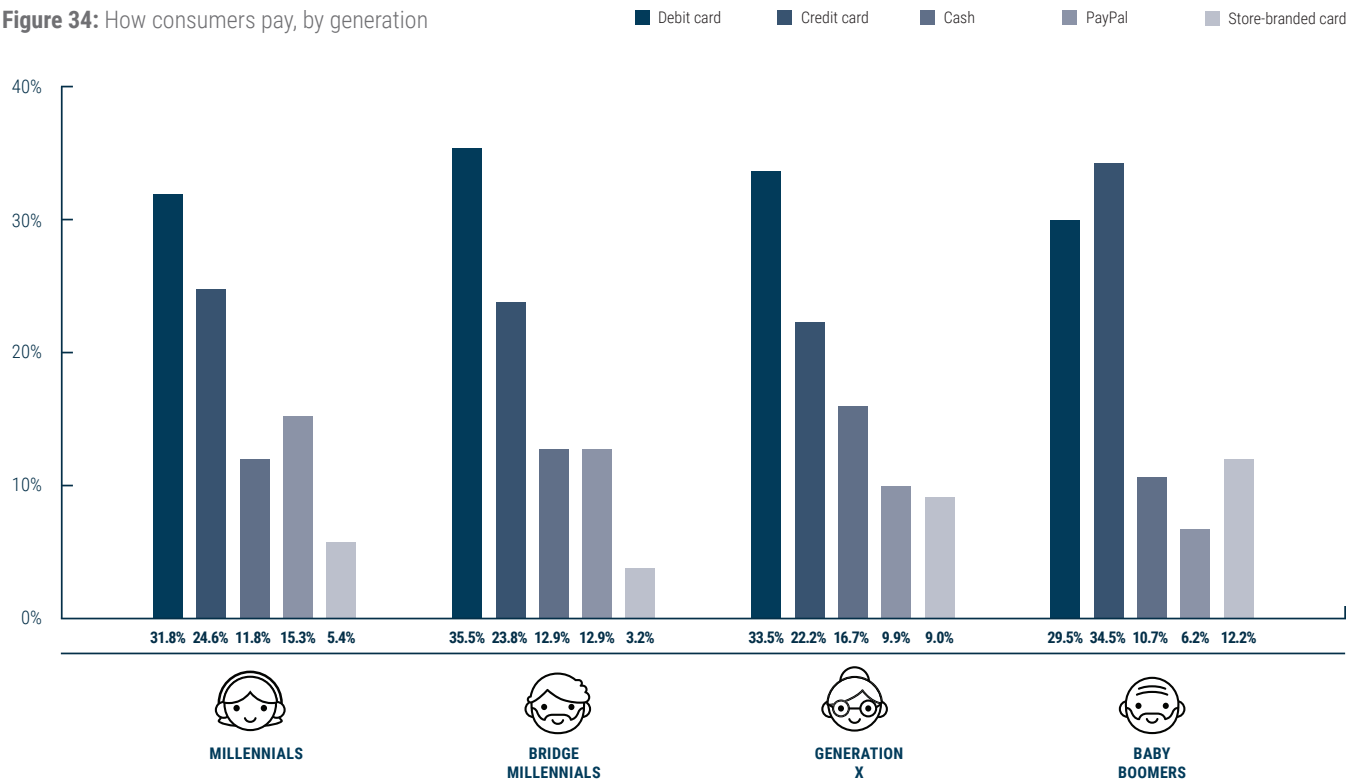
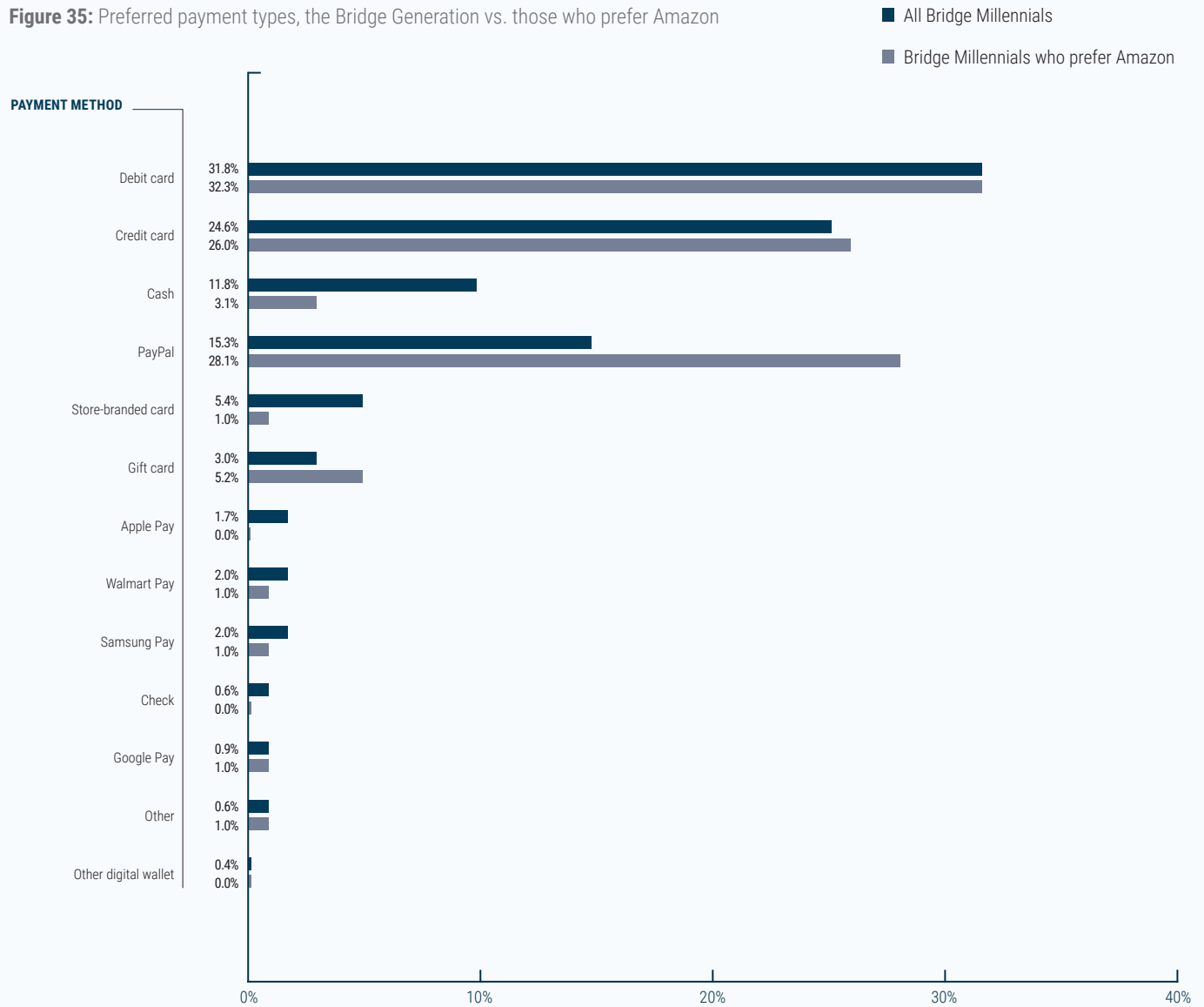




Figure 35: Preferred payment types, the Bridge Generation vs. those who prefer Amazon



Shopping For The Answers

Despite the near-daily reports of retail doom and gloom, retailers that sell apparel and accessories have a lot to celebrate. Consumers across every generation are buying clothes about 15 times each year, and they buy those clothes and accessories from a wide variety of merchants. Most of our sample reported that their favorite merchant falls into the “Other” category, meaning the long tail of retail remains relevant to the consumer’s apparel and accessories shopping mix.

But being one of those favorite merchants means making investments in what’s important to these shoppers, and that’s first in terms of selling items through their virtual and physical stores at a fair price. Sales may draw some shoppers in, particularly younger shoppers, but they aren’t what makes a favorite merchant a favorite merchant.

Technology that makes it easier for consumers to find what they want to buy, then purchase it from the same merchant, does, though. What keeps a consumer loyal isn’t a loyalty program or even a store-branded card offering goodies or rewards. It’s providing a more personalized, more efficient and more convenient way to shop and pay. That means embracing the tools and platforms that consumers, particularly the Bridge Millennials, use on their paths to purchase.

It also means allowing them at the physical stores most customers still visit to inspect what they want to buy before

they purchase. Making the physical store as digitally efficient as its online version is key to getting those consumers to purchase from the same merchant, not enabling them to use one merchant’s brick-and-mortar space as a showroom while another gets the sale.

New digital tools, like gift cards, only help to acquire and retain new customers. They are among the most effective tools in making a new merchant a favorite, according to our respondents.

Retail success is also about planning for what’s next. Technologies like voice commerce might be nascent today, but they represent capabilities that the high-spending Bridge Millennials group is already using to make purchases. Keeping consumers means embracing these technologies early on so the race to capture spend doesn’t become a game of catch-up instead.

Retail’s future shoppers — millennials, Generation X and the all-important Bridge Millennials — are spending more than their wealthier baby boomer parents and grandparents. In fact, that comes out to 55 percent per year, or an average \$769 more annually, on something that ranks second on Maslow’s hierarchy of needs, right behind food. Making sure those shoppers continue to need their favorite merchants to fulfill those basic needs is very much every retailer’s game to win.

NEARLY
25%

of consumers have
**tried a new merchant
or completely switched**
to a new go-to merchant
in the last three months.

NEARLY
40%

of consumers switched
favorite merchants
because of **price, selection
and/or product sales.**



Methodology

In February 2018, we conducted a survey of 2,535 respondents that focused on consumer apparel and accessory product purchases from U.S.-based enterprise retailers. For the purposes of this report, we defined “apparel and accessory” purchases and “enterprise retailers” as follows:

Enterprise retailers include the largest 250 retailers in the U.S., stores one might typically find in malls and shopping centers — Macy’s, Nordstrom, Foot Locker, The Gap and Brookstone, among many others. This category also includes large, online-only merchants like Amazon or Zappos. Many enterprise retailers have both online and physical store presences.

Apparel and accessory products include most types of clothing, shoes, belts, coats and accessory items such as jewelry.

Twelve percent — or 303 of the 2,535 responses — indicated they had not made apparel or accessory purchases from enterprise retailers within the last 12 months, which excluded them from survey participation. Of the remaining 2,232 responses, 197 were excluded because the respondent did not complete the survey.

The results presented in this report are based on the 2,035 complete responses.



Appendix A: Merchants

NO	MERCHANT	NO	MERCHANT	NO	MERCHANT
01	Aeropostale	26	Ebay	51	Rue 21
02	Abercrombie	27	Eddie Bauer	52	Saks fifth avenue
03	Adidas	28	Express	53	Sear's
04	Alibaba	29	Foot Locker	54	Sephora
05	Amazon	30	Forever21	55	Shopify
06	American Eagle	31	Gap	56	Sierra Trading Post
07	Ann Taylor/Loft	32	Gordmans	57	Sportsman's Warehouse
08	Ashley Stewart	33	H&M	58	Stein Mart
09	ASOS	34	Hollister	59	Sunglasses hut
10	Athleta	35	JC Penney	60	Talbots
11	Banana Republic	36	Kohl's	61	Target
12	Bass pro shops	37	K-Mart	62	The Children's place
13	Beall's Outlet	38	Lane Bryant	63	Tilly's
14	Belk	39	Lululemon	64	TJ Maxx
15	BJ's Wholesale	40	Macy's	65	Torrid
16	Bosco's	41	Marshall's	66	Under Armour
17	Brookstone	42	Maurice's	67	Urban Outfitters
18	Burlington Coat Factory	43	Meijer	68	Victoria's Secret
19	Cabela's	44	Men's Wearhouse	69	Walmart
20	Calvin Klein	45	Neiman Marcus	70	Wish
21	Campmor	46	Nike	71	Woman Within
22	Carter's	47	Nordstrom's	72	Zappos
23	Costco	48	Old navy	73	Zulily
24	Dick's Sporting goods	49	QVC		
25	Dillard's	50	Ross		



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