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A Major Shift for Shopping: how Digital Trends are Transforming Customer Behaviour in Europe

#2 of PwC Europe Consumer Insights Series

pwc

About this study

For ten years now, we have been conducting our annual survey of consumers' shopping habits around the world. For the first time, this year's survey looks at the specific patterns that exist for shopping habits within Europe – exploring the areas in which European consumers show similar purchasing behaviour and those in which they differ. In our analysis, we focused on consumers in six major European retail markets that represent 64% of the total European retail market: France, Germany, the Netherlands, Poland, Spain and the United Kingdom. In doing so, we also considered differences when compared to the behaviour of consumers in the US and China.

Our analysis aims to provide retailers and consumer goods manufacturers with valuable information about how they can successfully position themselves as a strong presence in the minds of European consumers.

For this study, we surveyed 9,700 representative consumers in 11 European countries in the summer of 2018. This report is the second in the PwC Europe Consumer Insights Series. The first report in this series is called "Surviving the Retail Apocalypse – What to learn from Clicks-to-bricks" and it focuses on the changing role of the store, as well as ways of digitising store-related operations and business models.[1]

[1] Cf. PwC (2019): Surviving the Retail Apocalypse – What to learn from "Clicks-to-bricks", www.pwc.de/de/human-resources/studie-surviving-the-retail-apocalypse.pdf.

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A Online Shopping

The new normal

1 Online shopping drives retail sales growth in Europe

Online shopping has become a normal habit for consumers across Europe. Two out of every three Europeans (68%) shop online at least once a month, while one in three (30%) shop online at least once a week. The heaviest online shoppers are:

- British consumers (82% monthly, 43% weekly)
- Polish consumers (81%, 48%)
- German consumers (75%, 35%)
- Dutch consumers (71%, 33%)

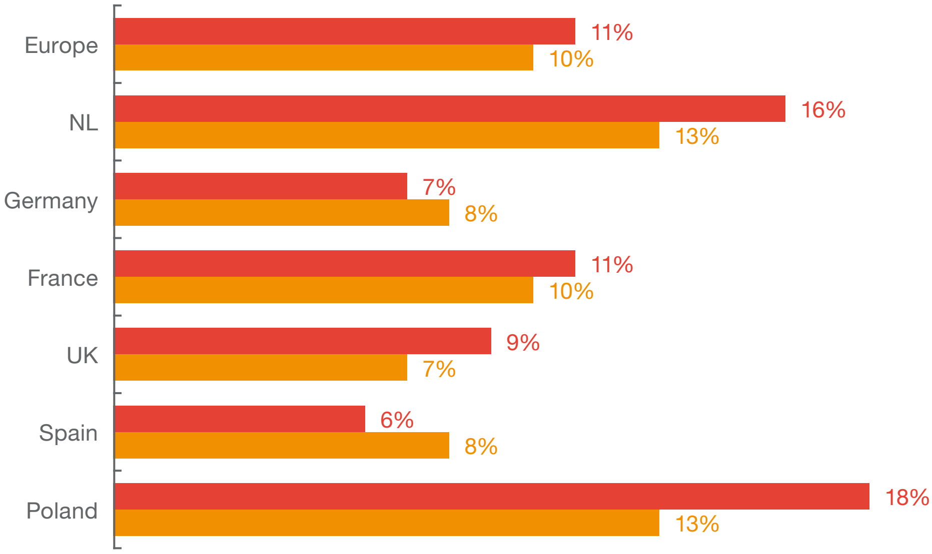
These groups shop online more frequently than US consumers (67%, 33%). Belgian (59%, 22%) and Swiss (57%, 21%) consumers shop online less than the European average.

Online retail has been the main driver of retail sales growth in Europe in the past four years. Between 2014 and 2018, online retail sales grew at an average annual rate of 11%, while offline sales grew by just over 1%.

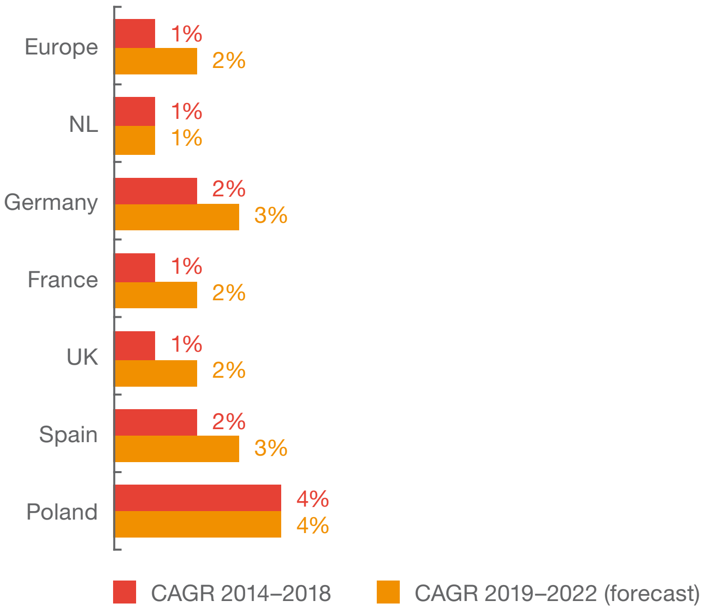
This trend is expected to continue in the next few years. However, online retail will grow at a slower pace (CAGR 2019–22 forecast for Europe: 10%) in many European territories, while offline retail sales will start rising again.

Fig. 1 Online shopping drives retail sales growth in Europe

Online retail sales growth



Offline retail sales growth



Source: Euromonitor, PwC analysis.

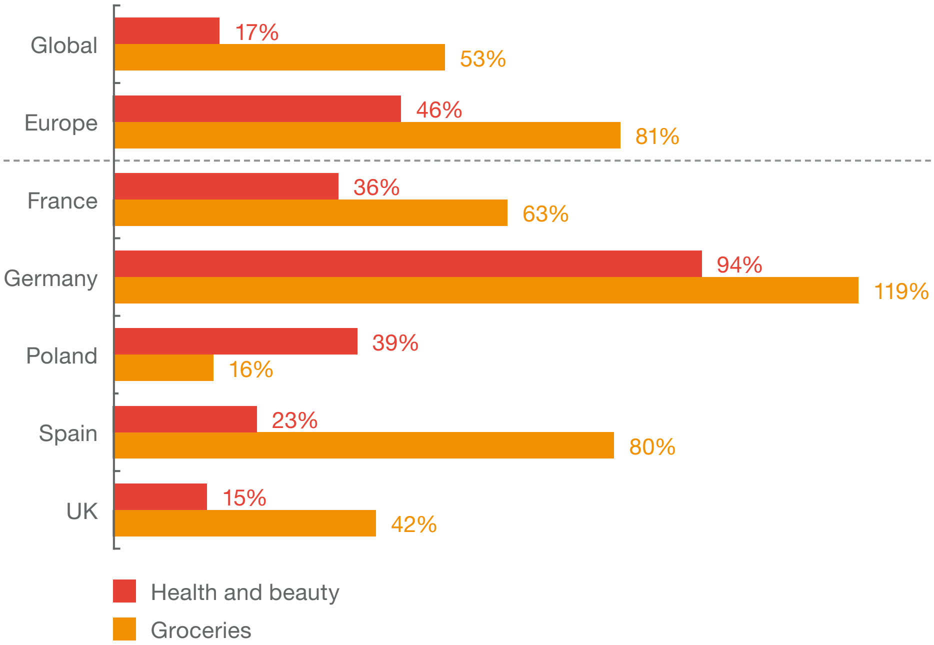
2 Online shopping for fast-moving consumer goods (FMCG) is on the rise

For many years, the FMCG sector seemed like an impenetrable stronghold for offline retail. However, new online offers from traditional retailers, as well as direct-to-consumer offers from manufacturers and offers from new online retailers, have led to the breakthrough of online retail in the FMCG sector. The share of European consumers who buy all or most of their FMCG products online has grown rapidly in recent years. Since 2015, this share has increased by 46% for health and beauty products and by 81% for groceries. Almost one in five (18%) Europeans now buy most of their FMCG products online. This trend is particularly evident in Germany, where the share of consumers who buy the majority of their FMCG products online has doubled in the past three years, rising by 94% (from 9% to 18%) for health and beauty products, and rising by nearly 120% (from 8% to 17%) for groceries. However, this trend is not yet reflected in the share of online retailing sales for groceries in Germany, which remains low at 1.2%.[2]

Growth in the categories that were among the first to achieve high levels of online sales – such as books, music, movies and video games – has slowed down significantly due to the increasing use of streaming services. In fact, the proportion of consumers who make the majority of their purchases in this category online has actually declined in Germany and the UK.

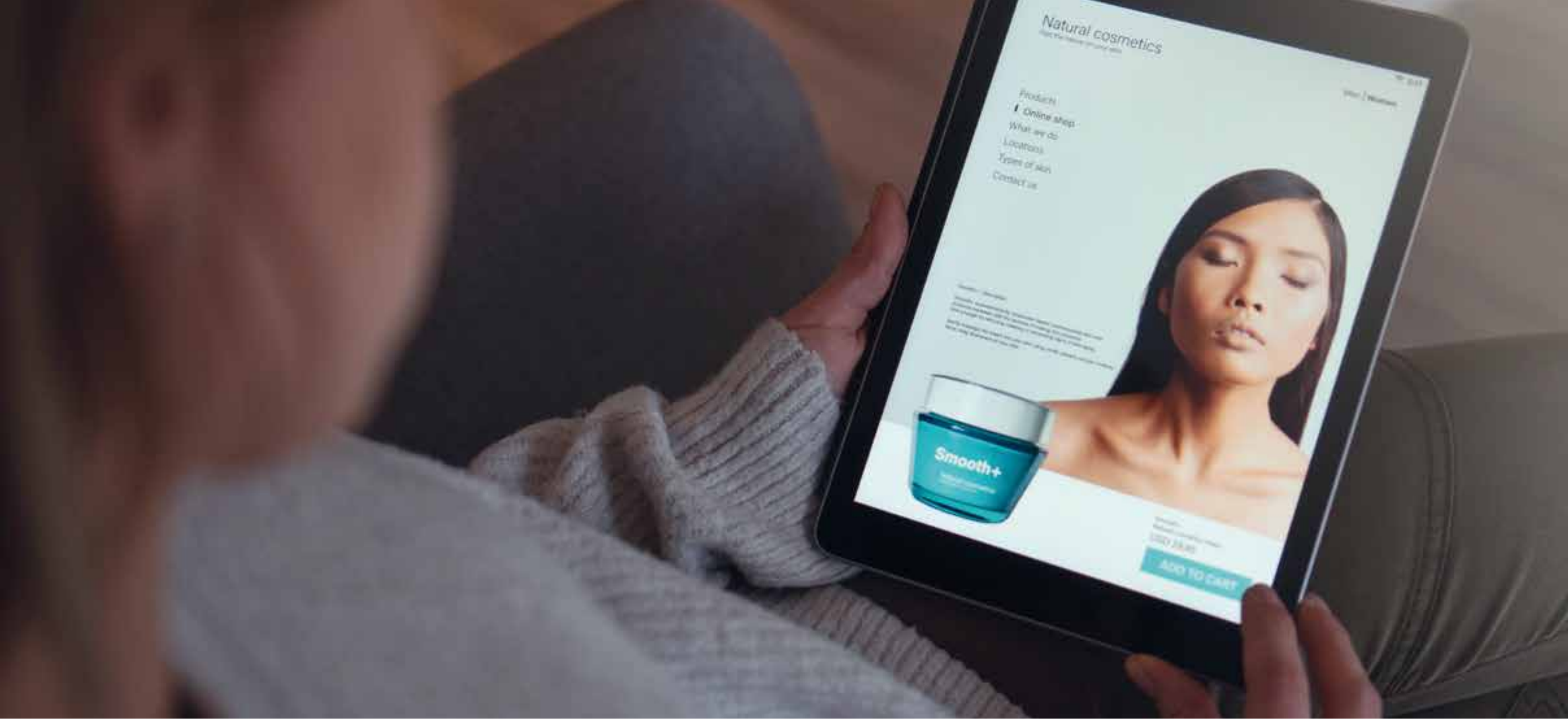
Fig. 2 Online shopping in FMCG is on the rise in Europe

Growth in percentage of consumers making all or most of their purchases online, 2018 vs 2015



Q: For each of the following product categories, how many of your purchases have you made online over the last 12 months? Answers: "exclusively purchase online" and "most of my purchases".

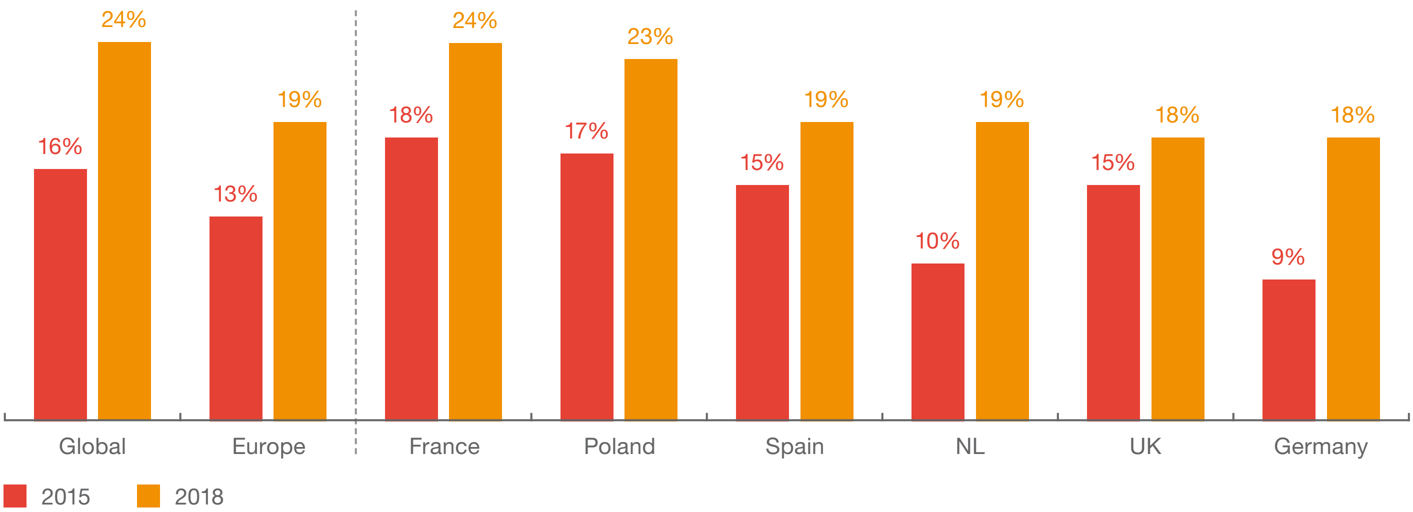
[2] Cf. HDE Handelsverband Deutschland (2019): Online Monitor 2019, www.einzelhandel.de/online-monitor.



The health and beauty sector is particularly attractive because almost 20% of European consumers shop in the premium segment across channels. China is the global leader, with almost half of Chinese consumers buying the majority of their beauty (49%) and health (47%) products in the premium price range.

Fig. 3 Online shopping in the health and beauty market segment

Percentage of consumers making all or most of their purchases online, 2018 vs 2015



Q: For each of the following product categories, how many of your purchases have you made online over the last 12 months? Category health and beauty, answers: “exclusively purchase online” and “most of my purchases”. Thinking of the majority of your purchases across the following categories, please indicate whether you tend to buy low, mid or premium price ranges. Categories: beauty and cosmetics, health and wellness products.

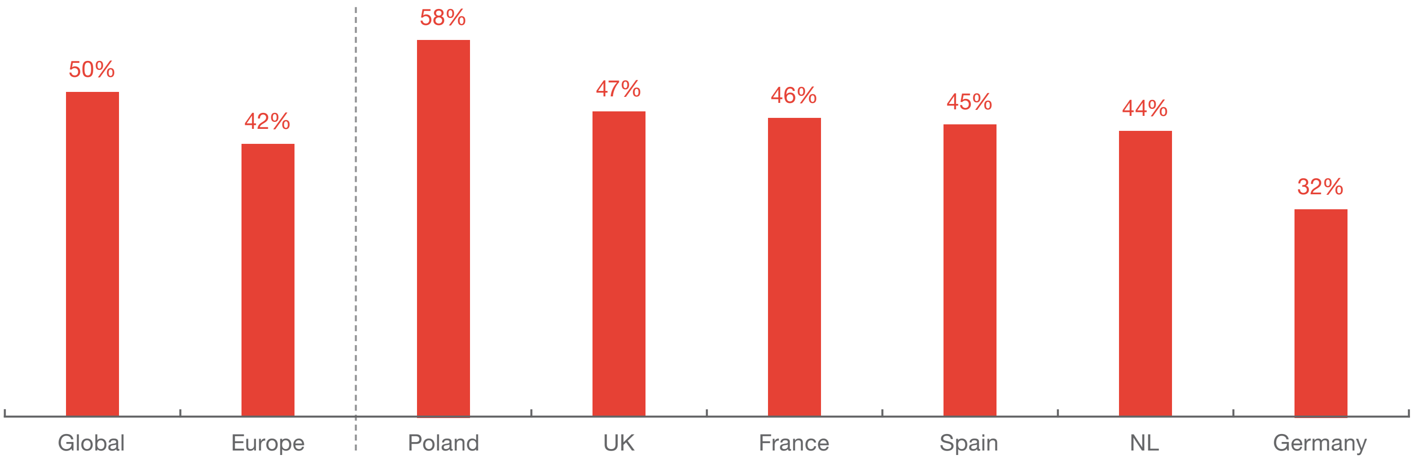
3 Approaching a breakthrough moment for online grocery shopping

Grocery shopping is still very different to other categories. The majority of European consumers prefer buying groceries in stores because they want to see and touch the products (64%). They are also concerned about product quality (29%) and delivery costs (28%) when buying groceries online. However, online grocery shopping is gathering momentum in most of the European countries surveyed. Almost one in five (18%) European shoppers (24% in France, 23% in the Netherlands, and 22% in the UK) now make the majority of their food purchases online. Since 2015, this share has grown by 80% – a faster rate of growth than any other product category. When it comes to the market share of online retail for groceries, the UK is clearly leading the way in Europe, with 7% of total grocery retail sales in 2018. This is forecasted to reach 10% by 2023.[3]

About half of consumers in France, the Netherlands, Spain, Poland and the UK are likely to buy groceries online over the next 12 months. German consumers, however, remain hesitant (32%). This is also reflected in the very low market share of online retail for food in Germany (1.2%) compared to other European markets. German consumers are very price-sensitive when buying food, and also benefit from a high density of grocery stores. The food sector is the online segment that presents the greatest challenges for retailers in terms of profitability, but is also the most attractive segment due to the overall size of the market.

Fig. 4 Online shopping in the grocery market segment

Percentage of consumers who are likely to purchase groceries online



Q: Over the next 12 months, how likely are you to purchase grocery online? Answers: "extremely likely" and "likely".

[3] Cf. Mintel (2019): UK Online Grocery Retailing Market Report, www.store.mintel.com/uk-online-grocery-retailing-market-report.

4 Dominant platforms – winner takes all

Amazon is the most commonly used online shopping platform for the large majority of European consumers (67%) and has set the bar for a convenient online shopping experience. More than 80% of consumers in France, Germany, Spain and the UK shop on Amazon.

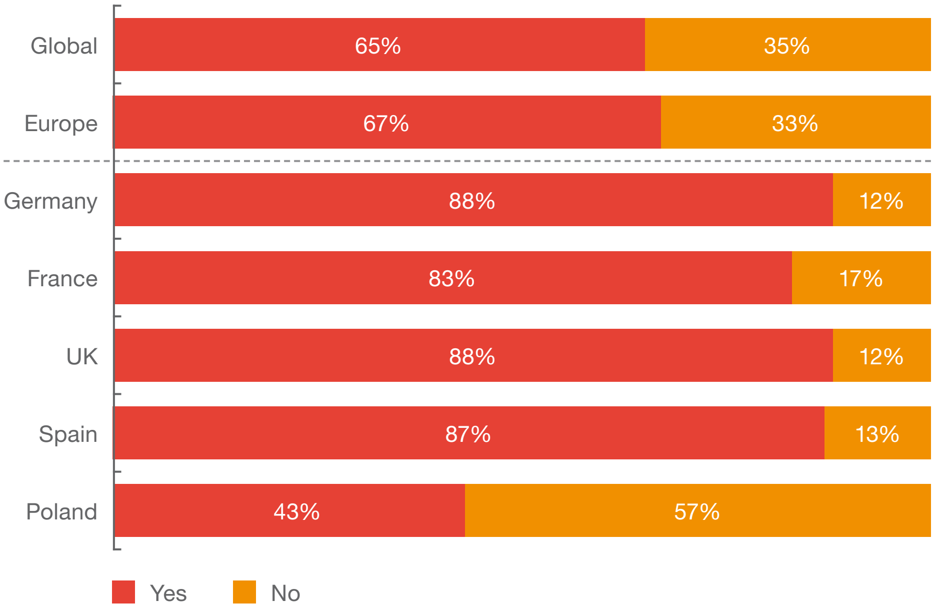
Consumers have integrated Amazon into every stage of the customer journey. One in three European consumers checks prices on Amazon (34%), starts their product search on Amazon (29%), or reads product reviews (28%).

Nearly 40% of European shoppers have an Amazon Prime account. Prime membership across Europe has increased by 19% compared to 2018 and is particularly popular among Spanish (53%), German (47%) and British (38%) consumers. This has significantly changed the way people shop, with one in three Europeans now shopping via Amazon more frequently, and one in five shopping at other retailers less often.

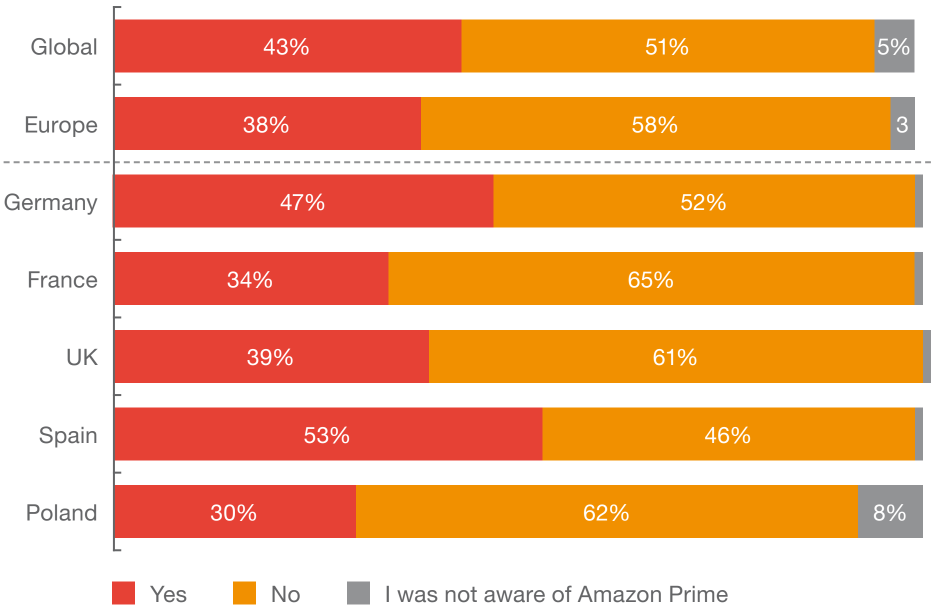
Amazon is even more important in the US, where more than half of consumers (56%) stated that they are a member of Amazon's loyalty programme. However, the Chinese market has the most dominant online platform: 95% of Chinese consumers shop with Alibaba and 76% are members of Alibaba's 88 Membership programme.

Fig. 5 Amazon is the most commonly used online shopping platform in Europe

Q: Do you shop with Amazon?



Q: Do you have an Amazon Prime account?



B Retail Technologies

From mobile to voice

1 From mobile-first to next-generation voice commerce

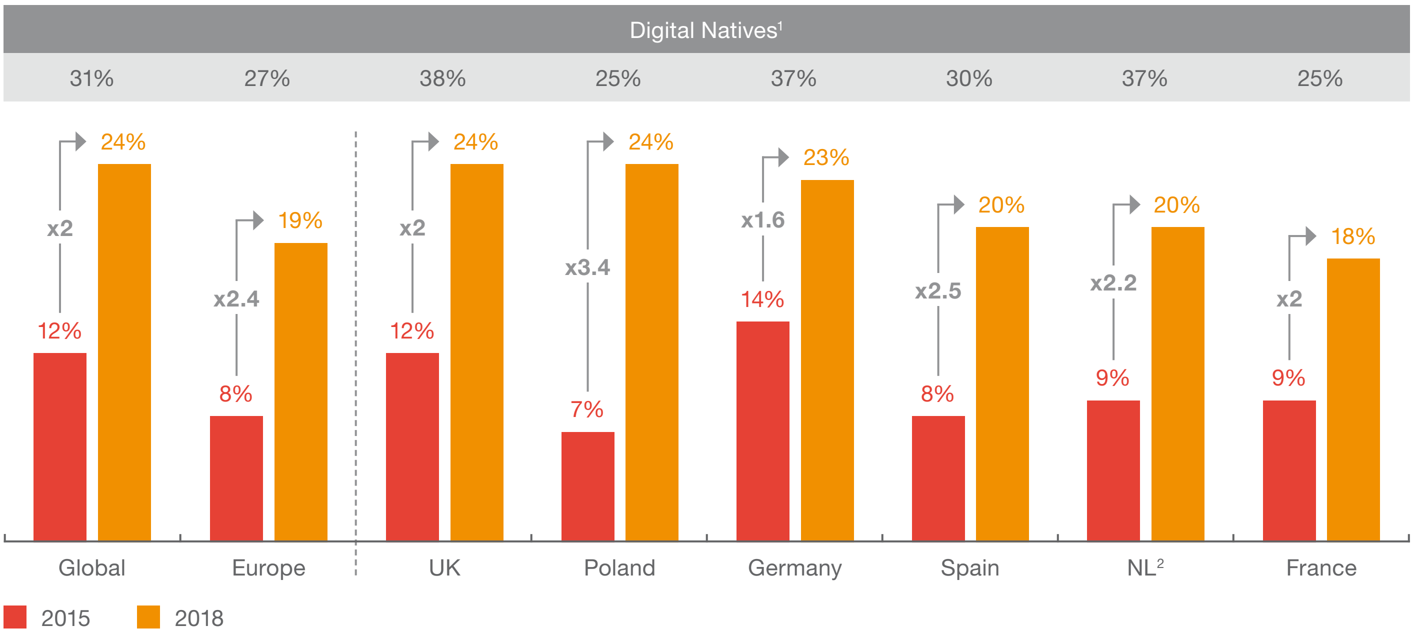
Today, almost 20% of European consumers shop via their smartphone at least once a week – with particularly high levels among consumers in the UK (24%), Germany (23%), Poland and Spain (both 20%). The younger generation is the driving force behind the rising acceptance of mobile shopping. As digital natives, they are accustomed to having immediate access to information and products, and are also used to having their needs met instantly. One in three (28%) European consumers under the age of 35 shop using their smartphone at least once a week. British, Dutch and German consumers are far ahead of their European peers, at 37%.

Despite this considerable growth, purchasing via smartphone in Europe continues to lag well behind levels of mobile shopping in China, which remains a category of its own. More than half (55%) of Chinese consumers across all generations, and 61% of younger Chinese consumers, use their smartphone for shopping every week.

With smart home voice assistants and wearable devices on the rise, the next major change in the way retail companies interface with customers is about to occur. In Europe, 8% of consumers (11% in Germany and the Netherlands) already shop via smart home assistants such as Amazon Echo or Google Home at least once a week. From a global perspective, China is leading the way at 14%. This new shopping trend is amplified by the growth of digital natives. In Germany, 19% of consumers under the age of 35 shop via smart voice assistants, and 15% shop via wearable devices every week. Similar shopping habits are developing in the Netherlands (17% voice, 19% wearables) and Belgium (13% voice, 15% wearables).

Fig. 6 Smartphones have become the go-to technology for online shopping

Percentage of consumers using their smartphone daily or weekly to buy products



Q: How often do you buy products using a mobile or a smartphone? Answers: “daily” and “weekly”.

[1] “Digital Natives” refers to consumers aged under 35.
[2] Data for the Netherlands is for 2017 and 2018.

Looking at the spread of smart devices, it becomes clear that there is considerable potential in the near future. 11% of European consumers already own a smart voice assistant and 21% plan to purchase one. If only half of the consumers who plan to buy a smart device implement this plan within the next two years and then use the device for shopping, voice commerce could increase from 8% today up to 18% – giving it the same relevance as mobile shopping. This will depend on making sure voice commerce is just as convenient as shopping via smartphone or PC, and that it offers the same level of security in terms of data privacy.

Fig. 7 Considerable potential for voice commerce

Voice commerce	Shop daily + weekly via smart voice assistant	Own a smart voice assistant	Plan to purchase a smart voice assistant
Germany	11%	13%	19%
Netherlands	11%	12%	17%
France	9%	14%	23%
Switzerland	9%	9%	16%
Belgium	8%	11%	17%
Poland	7%	9%	26%
Spain	7%	10%	30%
Hungary	7%	5%	15%
Ireland	7%	13%	24%
UK	6%	17%	24%
Denmark	6%	8%	17%
Europe average	**8%**	**11%**	**21%**

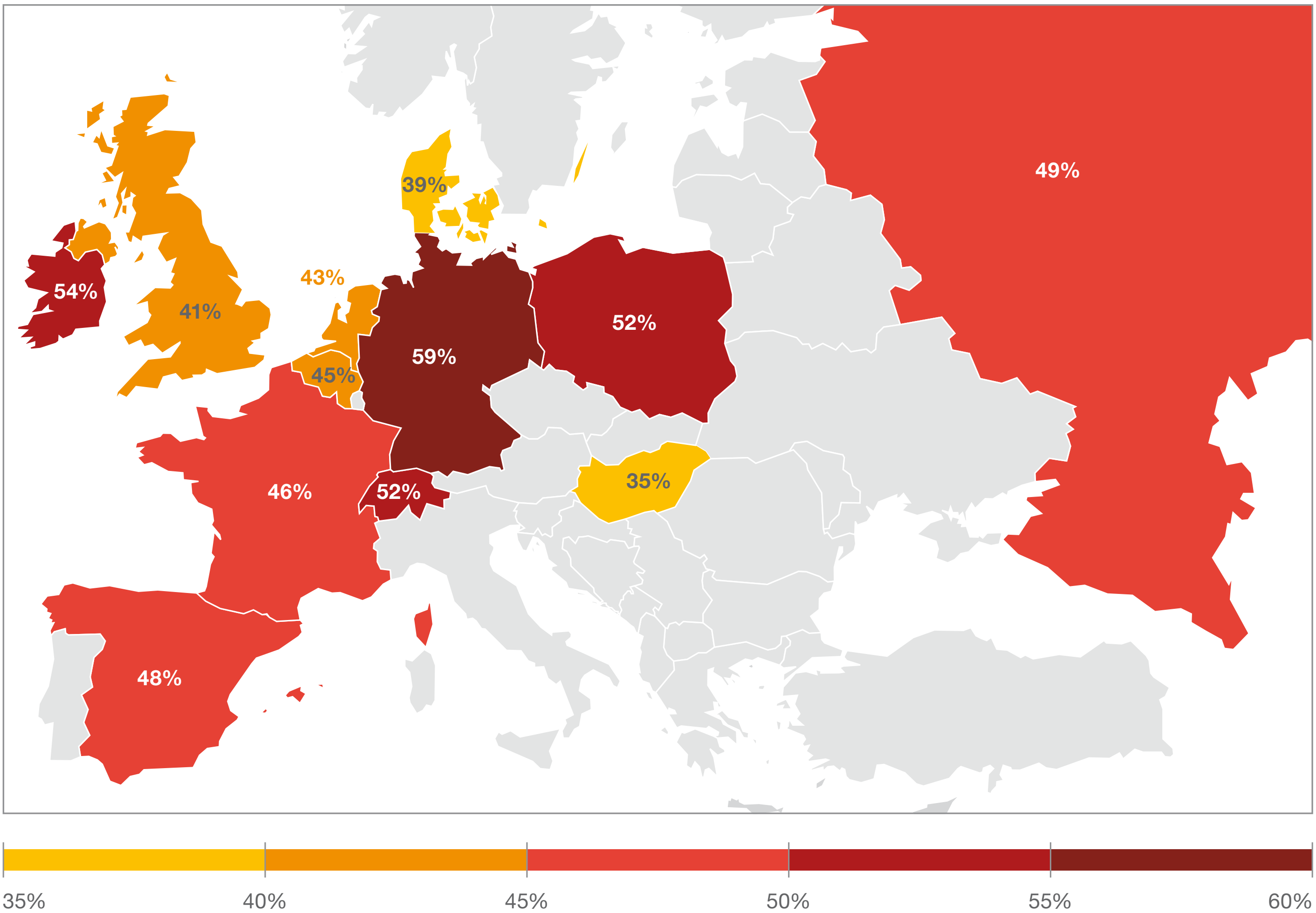
Q: How often do you buy products via smart home voice assistants?, Which of the following smart home devices do you currently own or plan to buy in future?

2 Mobile payment makes in-store shopping more convenient

Stores are still a relevant shopping channel in Europe because of high store density, long opening hours and increasing urbanisation. At least 40% of European consumers make an in-store purchase at least once a week, with German (59%), Irish (54%), Swiss (53%) and Polish (52%) consumers leading the way. The younger generation is particularly active in this regard. 70% of digital natives in Germany, for example, buy products in stores.

Fig. 8 Stores remain an important channel for consumers

Percentage of consumers that shop in-store at least once per week



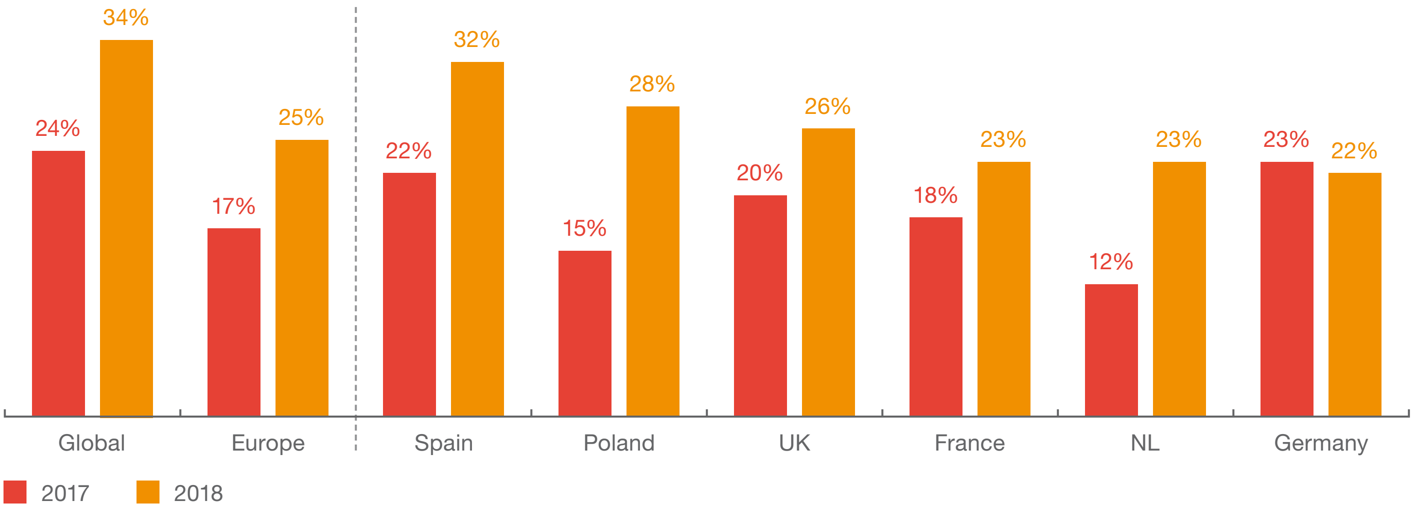
Q: How often do you buy products in-store?

Nevertheless, consumers see a need to improve the in-store shopping experience. In particular, they want more convenient store designs (42%) and more knowledgeable sales staff (36%), as well as quick and easy checkouts (32%). These factors are specifically important in situations where a consumer's visit to a grocery store or supermarket takes less than five minutes. More than half of European consumers (53%) make such microtrips two or three times per week, especially consumers in Poland (73%), Spain (64%) and Hungary (63%). Retailers can significantly improve the shopping experience for microtrips by offering quick and easy payment methods like mobile or contactless payment.

A quarter of European consumers already use mobile payment to pay for their purchases in-store. This is still a relatively small number compared to China, where almost all consumers (86%) use Alipay for in-store payment. However, there has been a significant year-on-year increase in mobile payment adoption in Europe (up from 17%), driven by new payment services. Germany is the only country where this development is stagnating, at 22%. However, due to the introduction of new payment apps from German banks as well as the launch of Apple Pay and Google Pay on the German market in 2018, the use of mobile payment can be expected to increase significantly in the next few years. Seven out of every ten Germans under the age of 40 intend to use mobile payment in the next five years.[4]

Fig. 9 Mobile payment is gaining traction

Percentage of consumers that have paid in-store by mobile payment



Q: Which of the following payment activities have you undertaken using your mobile/smartphone/wearable device when shopping in-store? Summary by region (paid for my in-store purchase using mobile payment).

[4] Cf. PwC (2019): Mobile Payment Report 2019, p. 15, www.pwc.de/de/digitale-transformation/pwc-studie-mobile-payment-2019.pdf.

C Consumer Habits

Digital, sustainable and easy

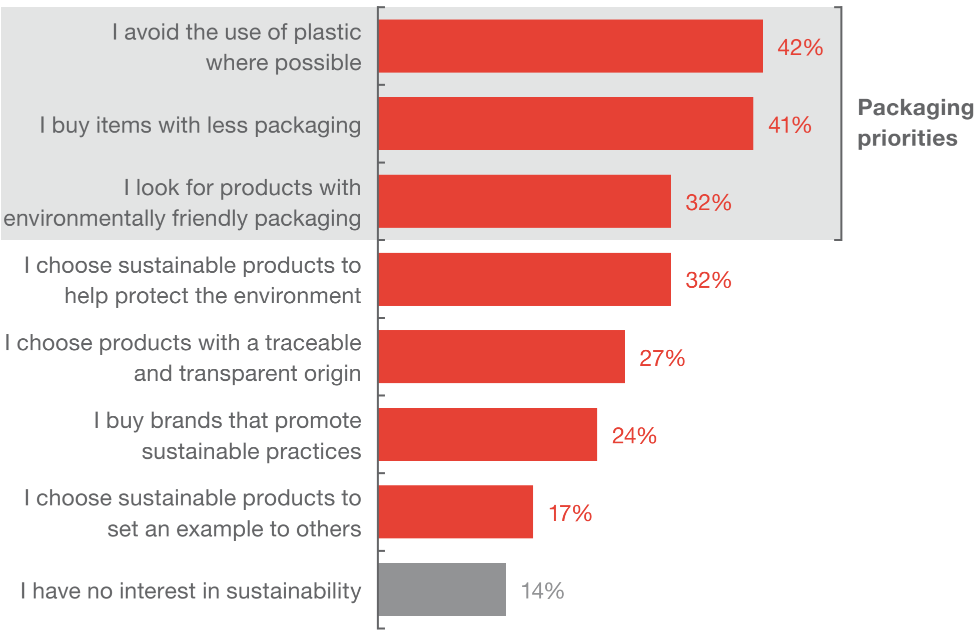
1 The conscious consumer – rising awareness of sustainability

European consumers are concerned about the environment while shopping. The most popular ways for consumers to reduce their negative impact on the environment are by avoiding the use of plastic where possible (42%), buying items with less packaging (41%), and looking for products with environmentally friendly packaging (32%). Packaging plays a particularly important role in sustainable shopping for consumers in Germany, Ireland and Hungary, where around half of consumers are reducing their consumption of packaging and plastics.

Traceability and transparent product origin are of above-average importance for consumers in Poland (46%) and Hungary (42%) compared to the European average (27%). Irish (31%) and Spanish (31%) consumers are most attracted to brands promoting sustainable practices compared to the European average (24%).

One in five British, Danish and Dutch consumers have no interest in sustainability. One interesting finding from our survey is that consumers from traditionally industrial countries are more likely to have no interest in sustainability: 23% of US consumers and 34% of Japanese consumers do not consider sustainability while shopping. Sustainability is a very relevant issue for consumers from emerging markets, especially those from China, the Philippines, Thailand and Vietnam.

Fig. 10 Packaging plays a key role in sustainable shopping



Above European average
Ireland (52%), Spain (51%), Hungary (48%), Germany (47%)
Germany (53%), Ireland (49%), France/UK/Switzerland (44%)
Hungary (48%), Poland (41%), Ireland (37%), Germany (34%)
Switzerland (38%), Spain (35%), Denmark, France/Germany (34%)
Poland (46%), Hungary (42%), Ireland/ Switzerland (32%)
Ireland (32%), Spain (31%), France (24%)
France (21%), Hungary (20%), Switzerland (19%)
Netherlands, UK, Denmark (19%), Belgium (18%)

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

European consumers are becoming more focused on sustainability, and they are also willing to pay a price premium for sustainable food products. The majority of European consumers (79%) are willing to pay a price premium when buying food, especially for locally produced items (63%) and organic food (48%). Consumers in Poland (75%), Switzerland (73%) and Hungary (72%) show a particularly strong preference for local food products. Organic food is specifically relevant for Danish, Irish and Swiss consumers (all 55%). On the other hand, almost half of British consumers (43%) and one third of Belgian (30%) and Dutch (29%) consumers are not willing to pay a price premium for any sustainable attributes for food items.

Fig. 11 Consumers are willing to pay a premium for sustainable food products (Top 5)

Food	Europe	Above Europe average	Germany	UK	USA	China
Locally produced	**63%**	Poland (75%), Switzerland (73%), Hungary (72%)	59%	52%	66%	70%
Organic	**48%**	Denmark, Ireland, Switzerland (all 55%)	49%	34%	48%	70%
Sustainable packaging	**43%**	Ireland (49%), Poland (48%), Switzerland (48%)	45%	38%	37%	48%
Eco-friendly offering	**42%**	Poland (52%), Spain/ Switzerland (51%)	42%	29%	33%	46%
Sustainably produced	**39%**	Poland (51%), Switzerland (49%), Spain (44%), Germany/Ireland (41%)	41%	29%	34%	47%
None of the above	**21%**	UK (43%), Belgium (30%), Netherlands (29%)	23%	34%	21%	5%

Q: Which of the following are you willing to pay a premium for when purchasing food items?

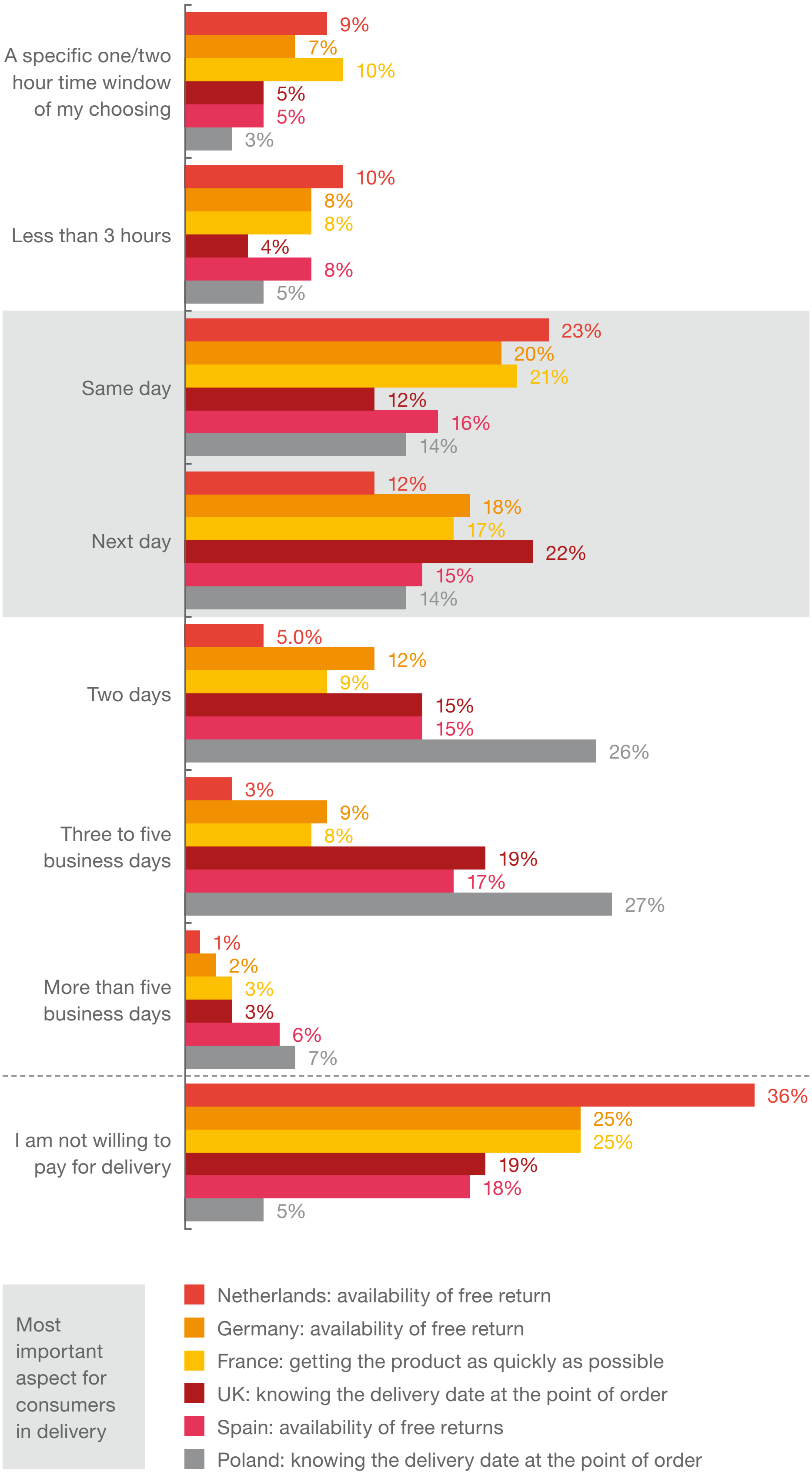
The willingness of European consumers to pay a higher price for sustainable attributes for non-food items is significantly lower. Around one third of consumers are willing to pay a price premium for sustainably (38%) or ethically produced (37%) items, or for products that have eco-friendly properties (34%). In Hungary (44%), Spain (40%) and Ireland (37%), sustainable packaging plays an important role for non-food items. Again, British (42%) and Dutch (37%) consumers are reluctant to pay a price premium for any sustainable attributes.

2 The last mile – a major delivery challenge

European consumers are very demanding when it comes to the delivery of their online orders. The majority are willing to pay for delivery as long as the order arrives on the same day or the next day. Dutch consumers are the most demanding, with more than one in three (36%) not willing to pay anything for delivery and one in three (36%) expecting same-day delivery. European consumers consider free returns (46%), fast delivery (43%) and a specific delivery date (43%) to be the most important factors in delivery. These are also the key factors worldwide.

Fig. 12 Europeans are willing to pay for same-day and next-day delivery

Percentage of consumers willing to pay for delivery



Q: For the majority of your online purchases, what is the longest delivery lead time you are willing to pay a charge for?

3 Generation Z sets new rules for advertising

Customer touchpoints have multiplied with the increasing importance of smartphones and social media. In our survey, we asked consumers which types of advertisements they find most influential. European consumers across all generations are still very much influenced by traditional media such as TV (37%) and personalised email (25%), as well as magazine and newspaper ads (25%). However, digital channels are becoming increasingly relevant for shopping decisions. In France, Poland and Spain, social media advertising already ranks among the top three channels. The trend towards digital advertising channels is amplified among the younger generation. Generation Z consumers (18–24 years old) expect more flexible and individual approaches to advertising.

In Germany, for example, young consumers consider social media advertising such as sponsored ads on social media (33%) or ads with famous influencers (29%) to be more relevant than traditional TV ads (25%). 76% of German Gen Z consumers have become aware of a product through influencers and 51% have purchased products recommended by social influencers.[5]

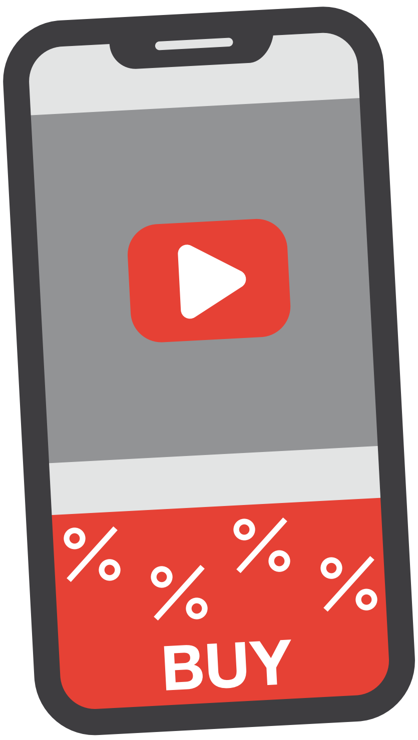
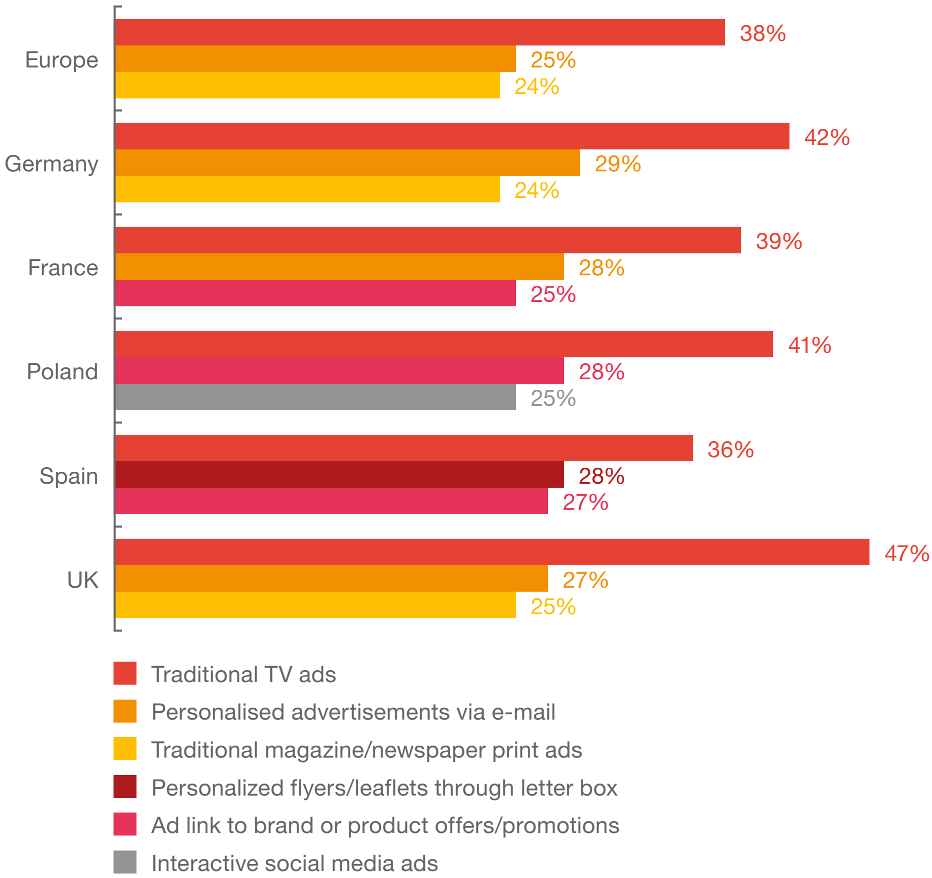


Fig. 13a Traditional ways of advertising are still the most influential in Europe

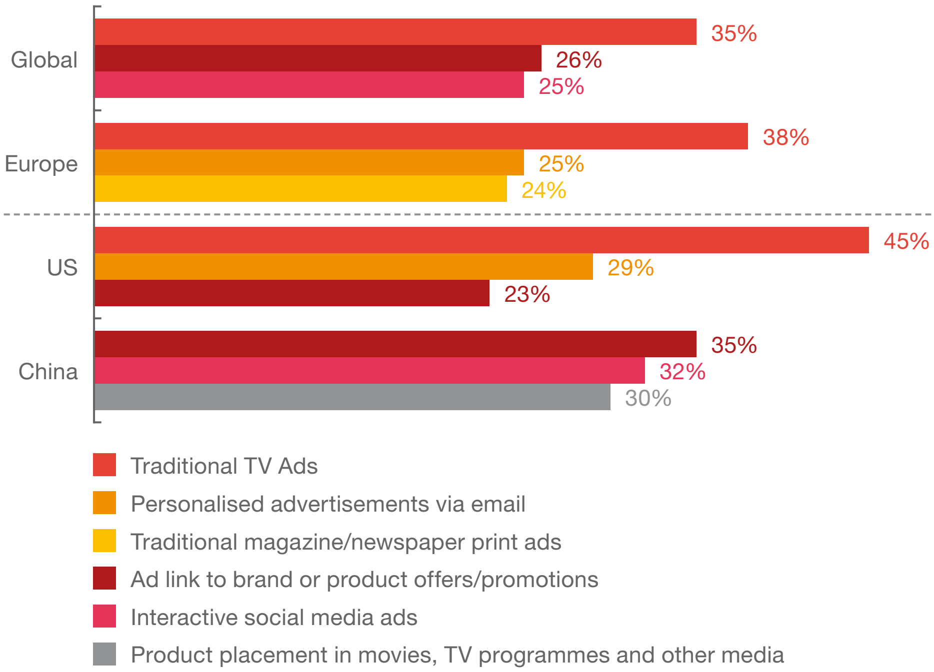


Q: Which types of advertisements do you find most influential? Ranked top 3.

[5] Cf. PwC (2018): Zwischen Entertainer und Werber – Wie Influencer unser Kaufverhalten beeinflussen, www.pwc.de/de/handel-und-konsumguter/pwc-zwischen-entertainer-und-werber.pdf.

Digital advertising is replacing traditional advertising channels worldwide. The relevance of media channels in China is completely different to Europe. The majority of Chinese consumers of all ages prefer ads with direct links to the product (35%), followed by social media ads that allow them to interact (32%), traditional product placement in movies and TV programmes (30%), and ads with famous influencers and celebrities (30%).

Fig. 13b Digital advertising is replacing traditional advertising channels worldwide



Q: Which types of advertisements do you find most influential? Ranked top 3.

4 Consumer habits in Europe – same or different?

Overall, consumption patterns across European countries are homogeneous. However, there are differences between consumers in Eastern Europe. While Polish consumers have fully adopted Western European shopping behaviour, Hungarian consumers have preserved a more traditional approach to shopping. Only 22% of Hungarian consumers shop online every week compared to over 30% across Europe, while only 8% use their smartphone at least once a week for shopping. However, Hungarians are more likely to buy groceries online (41%) than German consumers (32%), and they are leaders in Europe when it comes to the use of smartphones for accessing loyalty coupons for payment.

China is in a category of its own for online shopping. Two out of three Chinese consumers buy products online at least once a week. Using a smartphone every week for shopping (55%) and for paying in-store (86%) are very common. China has the highest share of premium shoppers worldwide, especially when it comes to beauty and cosmetics (49%), and health and wellness products (47%). China also has the most dominant online shopping platforms: 95% of Chinese consumers shop with Alibaba and 76% are members of Alibaba's 88 membership programme. Chinese consumer behaviour shows what the future of retail may look like.

Today, European consumers are still very different to Chinese consumers. However, our survey shows how quickly European consumers have adapted to new trends over the past three years. With new retail trends evolving, European retailers must continue to adapt their business models and offers to remain relevant to consumers.

D Retail Way Forward

How to keep pace with European shopping trends

Get the data right
Managing product and customer data are key enablers for retail operations. Retailers must have robust and fast IT systems with high-quality data in order to offer services like same-day delivery. However, most retailers today do not even have the quality of data needed to run their current omni-channel business models. Retailers should take a holistic approach to create data transparency throughout the entire supply chain and across various systems, from the supplier through to the customer. This is the key factor in success in the next wave of mobile shopping and voice commerce.

Make in-store shopping an experience

The role of the store in the relationship between customers and retailers will be different in 2025, but the store will continue to be one of the most important touchpoints for customer loyalty. However, stores will become social meeting points and showrooms where it will not be necessary to have all items from the product range in stock in every possible size and variation at all times. Retailers should ensure an appealing and intuitive store design, as well as a well-trained team in order to meet the minimum expectations of customers. Digitising store operations can free up time for staff to interact with customers, and investing in new point-of-sale systems and offering different payment methods can ensure quick checkout – which will eliminate one of the largest pain points for consumers, especially when buying groceries.

Expand digital advertising channels

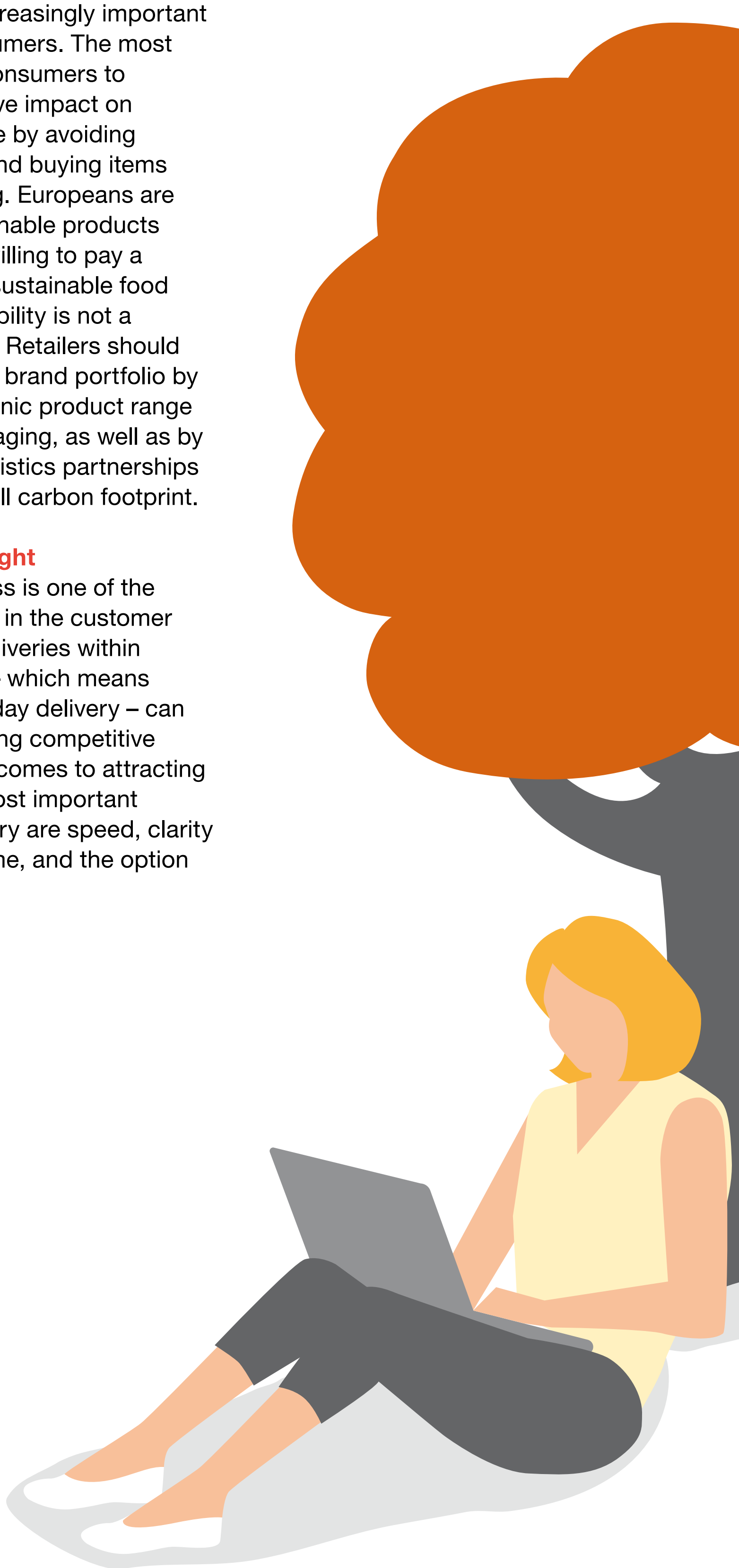
While traditional types of advertising, especially TV ads, are still the most influential forms of advertising in Europe today, social media ads are on the rise worldwide. This trend will also become mainstream in Europe because younger generations expect a more flexible and individual approach to advertising. Retailers should find meaningful ways of engaging with customers, for example by building communities using mobile and social tools – because engagement on these platforms is growing. They should also be sure to deliver seamless, end-to-end experiences that are tailored to a specific shopping context, rather than segmenting customers by demographics alone.

Go green

Sustainability is increasingly important for European consumers. The most popular ways for consumers to reduce their negative impact on the environment are by avoiding the use of plastic and buying items with less packaging. Europeans are buying more sustainable products and they are also willing to pay a price premium for sustainable food products. Sustainability is not a marketing initiative. Retailers should redesign their retail brand portfolio by enlarging their organic product range and reducing packaging, as well as by developing new logistics partnerships to reduce the overall carbon footprint.

Get the delivery right

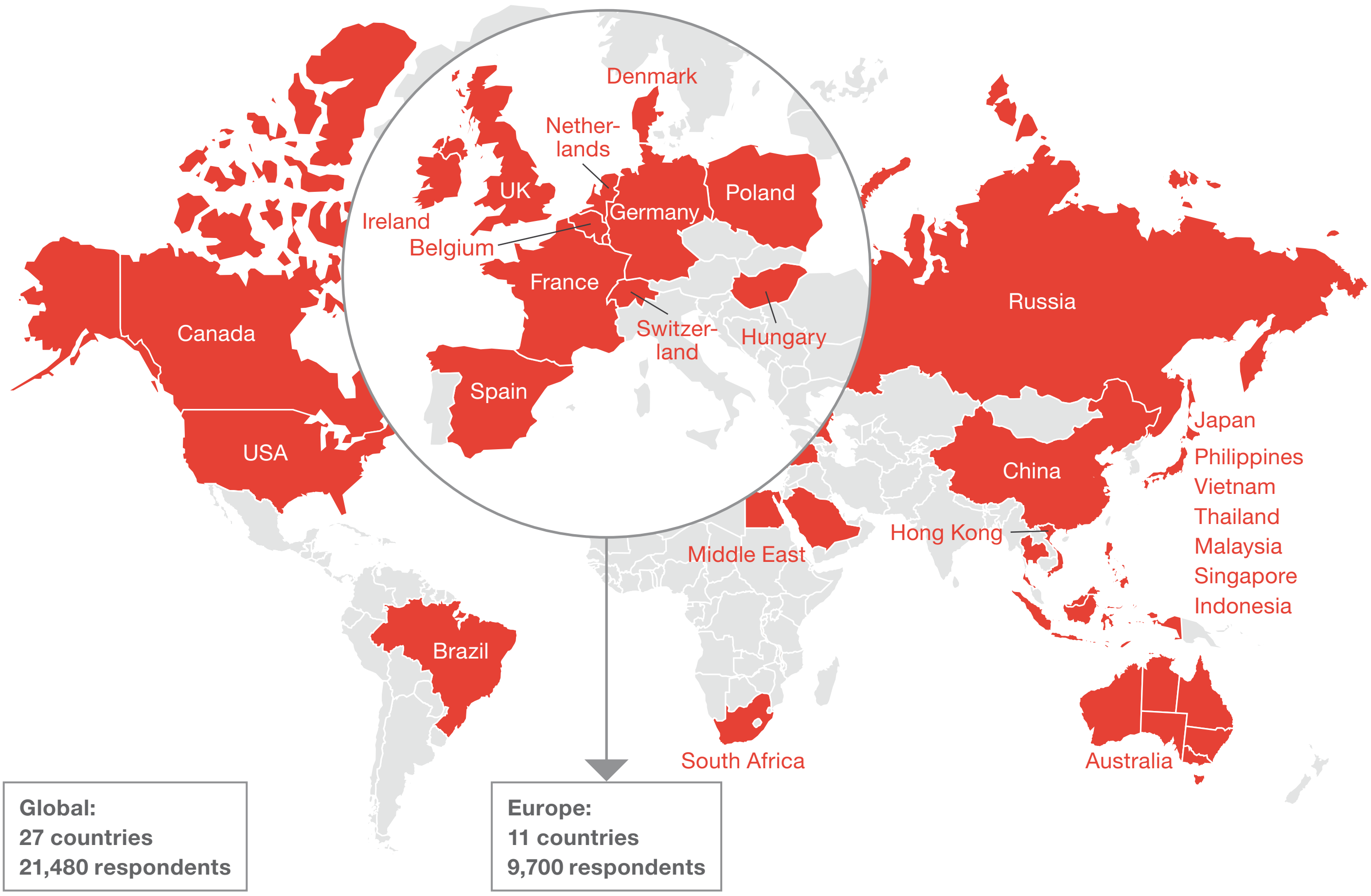
The delivery process is one of the biggest pain points in the customer journey. Getting deliveries within a short timeframe – which means same-day or next-day delivery – can give retailers a strong competitive advantage when it comes to attracting consumers. The most important attributes for delivery are speed, clarity regarding arrival time, and the option of free returns.



Methodology

In the course of our annual "Global Consumer Insights Survey", we interviewed almost 22,000 consumers across 27 countries about their shopping preferences. As a result, we are able to present how and where consumers shop and what they expect from retailers. We can provide you with detailed analysis of consumer behaviour in all 27 countries.

Fig. 14 The "Europe Consumer Insights Survey" covers 9,700 respondents in 11 countries in Europe



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About us
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