



Retail Experience **INDEX**





Source: Maru/Matchbox.
TD Customer Experience. September 2021 Survey.

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In our last Retail Experience Index report released in January 2020, I opened my introduction with this note: “The retail landscape is continually changing.”

Little did we know just how much would drastically change in the months that followed. Our lives were upended by the COVID-19 pandemic, and retailers were forced to contend with a new reality—one which brought challenges in the way of supply chain issues, labor shortages, and managing a shift in shopping to the online channel while creating safe in-store experiences.

Nearly two years later, it’s clear the pandemic will have lingering—and potentially permanent—impacts on consumer behavior. So, to dig deep into the shifts that have occurred, we once again surveyed 1,000 consumers about their prior and planned big-ticket purchases, which we’ve defined as \$500 or more across all product categories.

At TD, it’s important to us to understand the trends that will affect how consumers shop, spend, and seek financing. Their shifting preferences create demand for new approaches and offerings, and our goal is to share the insights we’ve gathered so that retailers can continue adapting.



Mike Rittler, General Manager of Retail Card Services,
Personal Lending and Business Development, TD Bank, N.A.



“ ”

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—Mike Rittler

Spending Is Still Trending

Major purchases are categorized as a single purchase of \$500 or more

The 2021 R.E.I. survey reveals optimistic outlooks and changing expectations.

The pandemic changed a lot of things, including how people shop. The retail world saw subtle shifts in how much shoppers spent, their financing preferences, and their online shopping habits. But one thing sure hasn't changed: people are planning to spend more money. As consumers ponder their next major purchase, it's important for retailers to capture their valuable dollars and time by providing the kinds of options and services customers have come to expect.

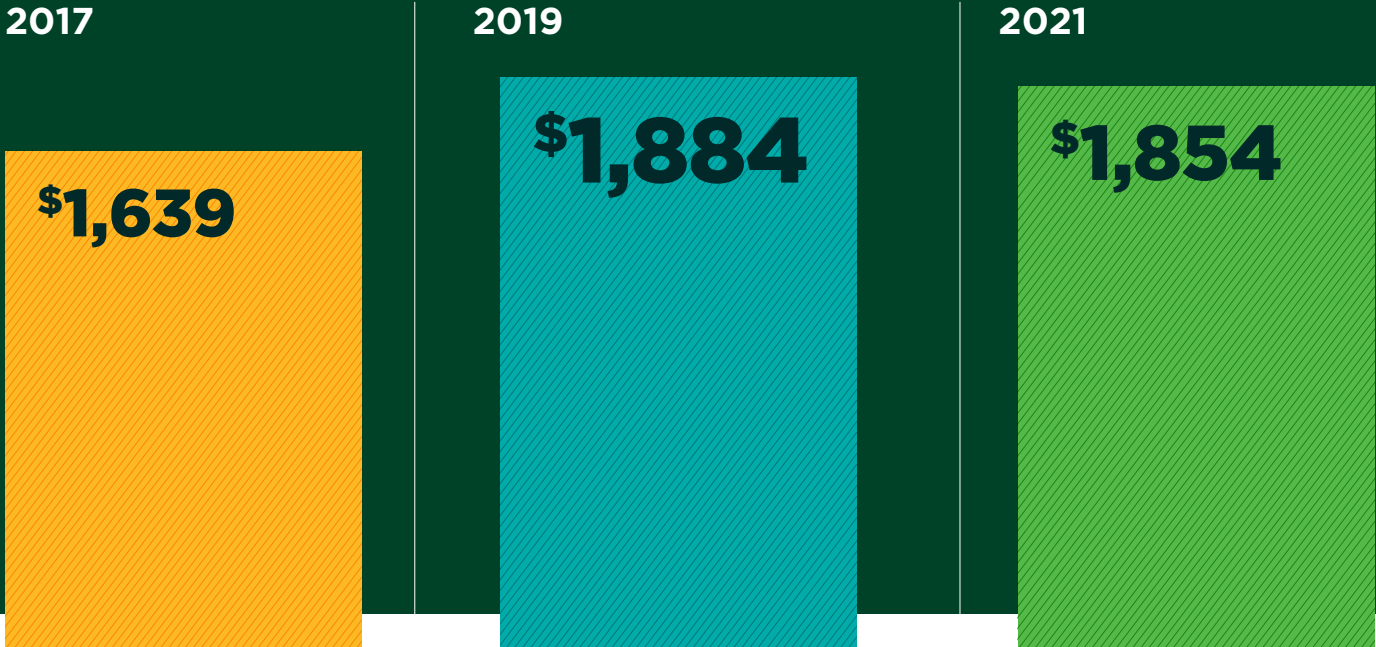


JAMES MARPLE
TD ECONOMIST

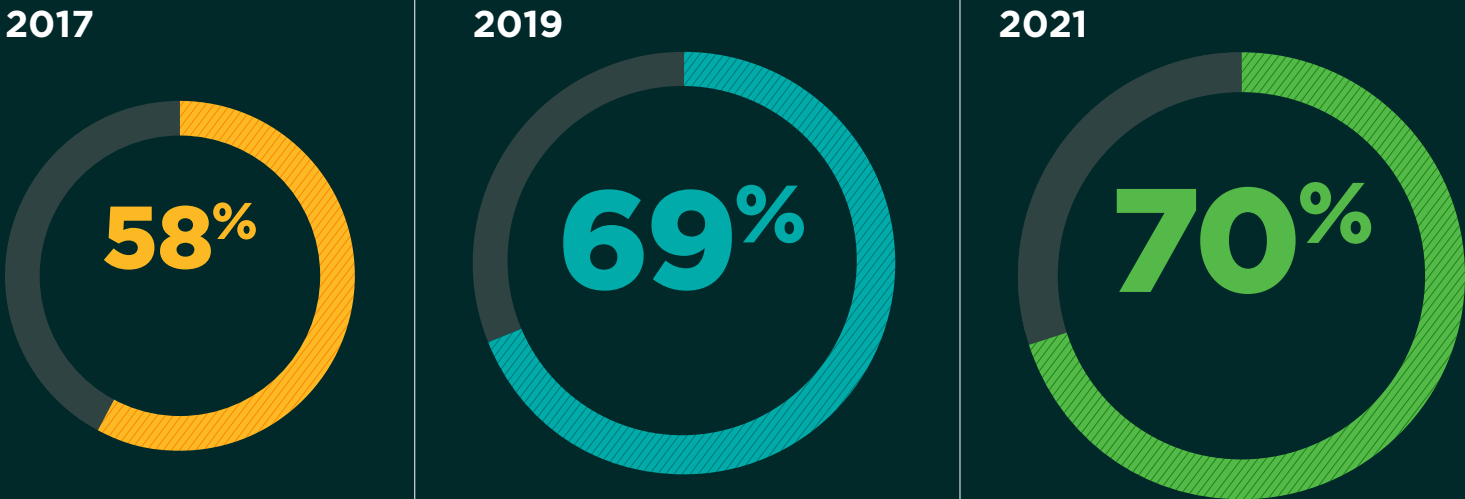
VACCINE ROLLOUTS REVITALIZED SPENDING

Consumer spending growth has averaged 2.1% monthly over the first three months of 2021. We usually see average growth around 0.3%-0.4% on a monthly basis, so a 2% increase is akin to putting several years of spending into a single quarter.

THE ANNUAL AVERAGE SPEND ON MAJOR PURCHASES DIPPED SLIGHTLY



BUT THE LIKELIHOOD OF CONSUMERS MAKING A MAJOR PURCHASE IN THE NEXT SIX MONTHS HAS STEADILY GROWN



Next Generation

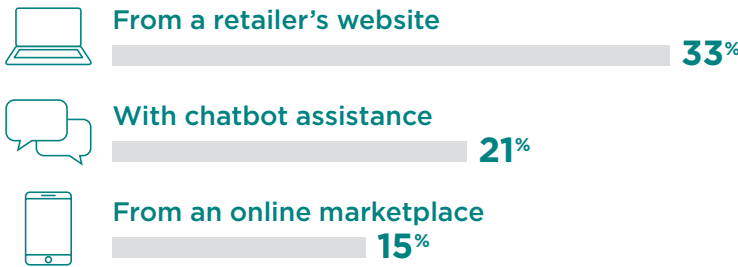
80%
of Millennials are likely to make a major purchase in the next six months—**more than any other age group**

Shoppers under 40 show strong spending and plenty of preferences.

Millennials, born between 1982 and 1996, continue to be big spenders who rely on technology to make major purchases. But keep an eye on younger shoppers in Gen Z (ages 18–22) as their spending habits begin to shape buying patterns that are more similar to their grandparents than their older siblings. Gen Z is more likely than any other age group to have made their last major purchase in a brick-and-mortar store, with the help of retailer financing, and spurred by a major life event like graduation, a first apartment, an anniversary, or a new job.

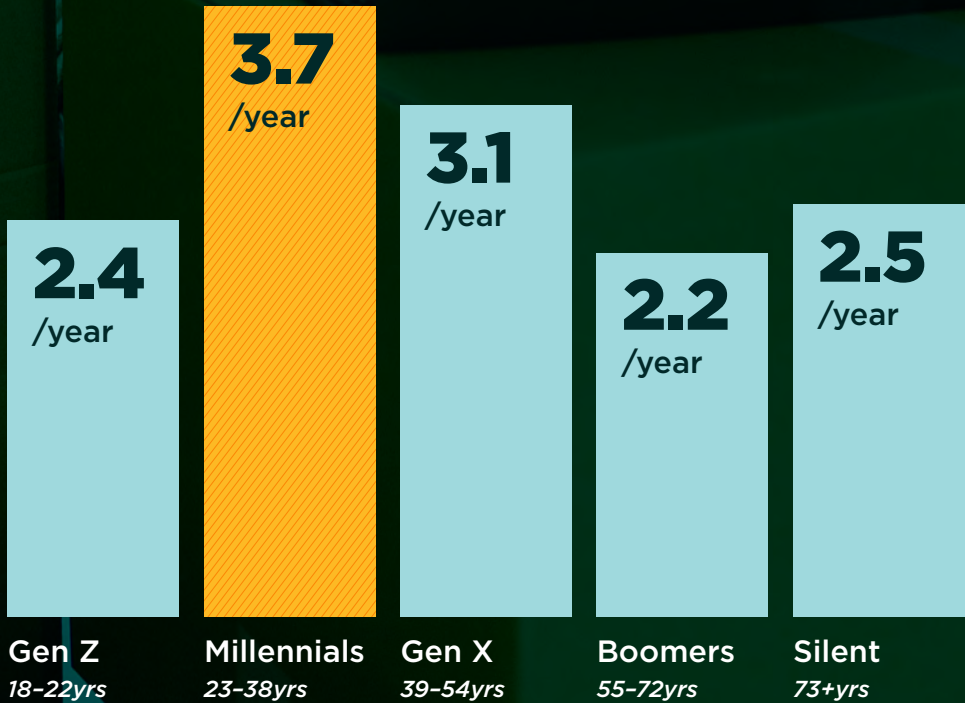
TECH-ENABLED TRANSACTIONS

Millennials made their last major purchase:



MILLENNIALS ARE OUTSPENDING OTHER AGE GROUPS

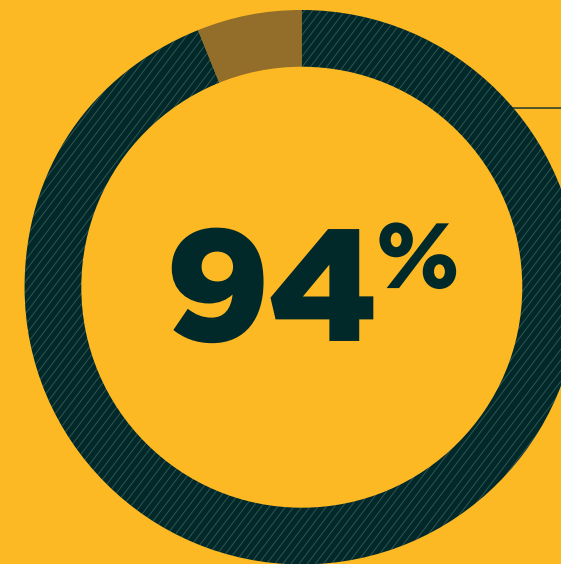
Number of major purchases per year:



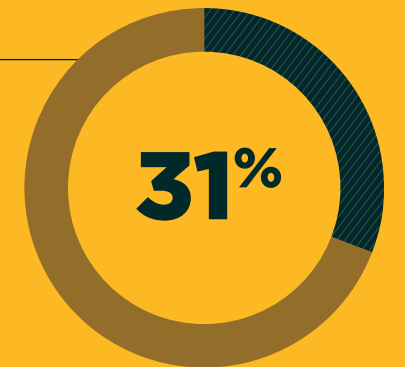
On a Screen or at the Counter?

Brick-and-mortar and virtual showrooms each play essential roles.

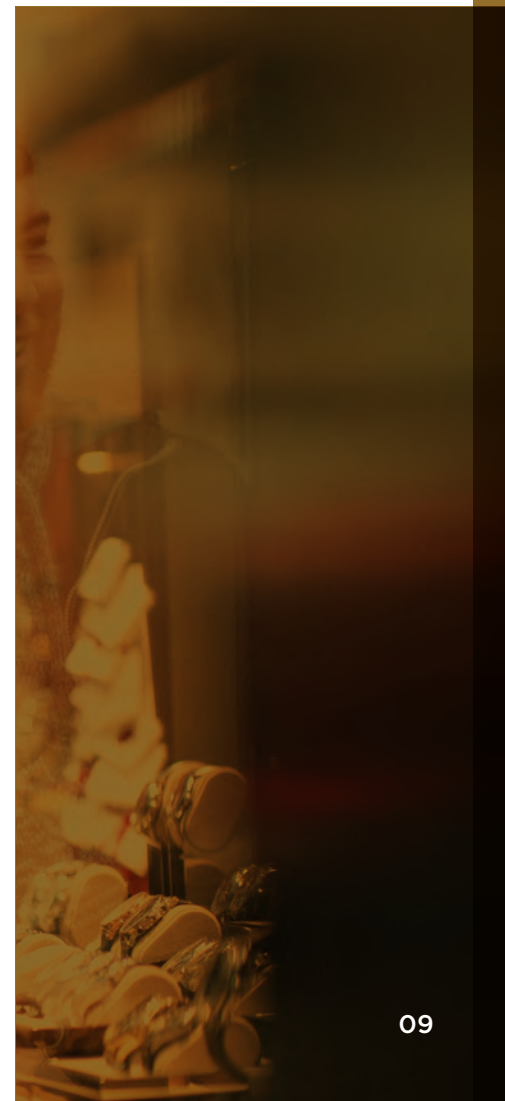
When it comes to large purchases, many consumers still prefer to research items online and buy them in-store. The preference for people to patronize both underscores the importance of creating shopping experiences that are consistent across channels, including making sure the same offers and sales, financing options, delivery expectations, and inventory availability are presented in person and online.



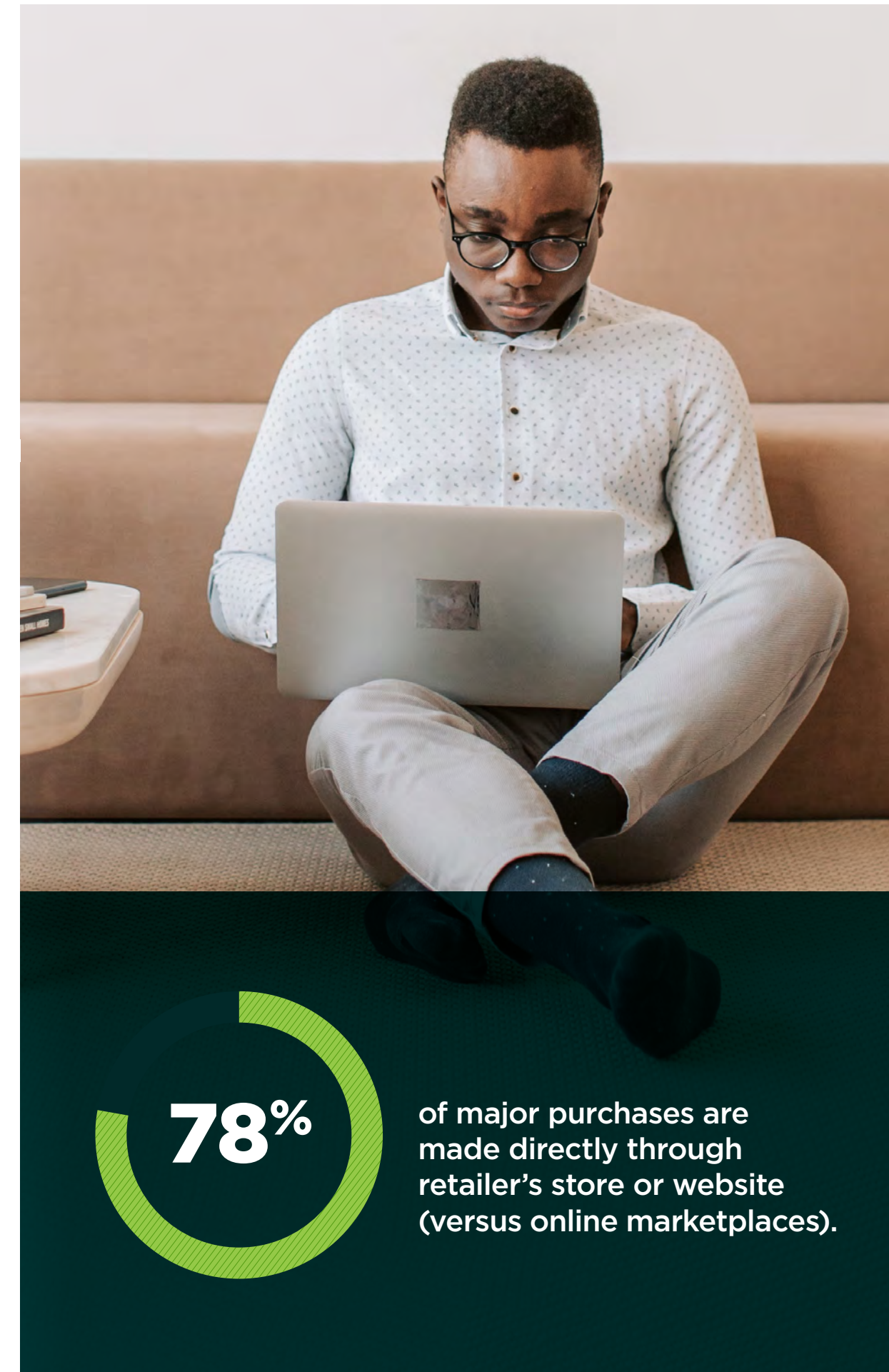
An overwhelming majority of respondents research a product before making a large purchase.



Many consumers say the retailer's website was the biggest influence in making their last major purchase.



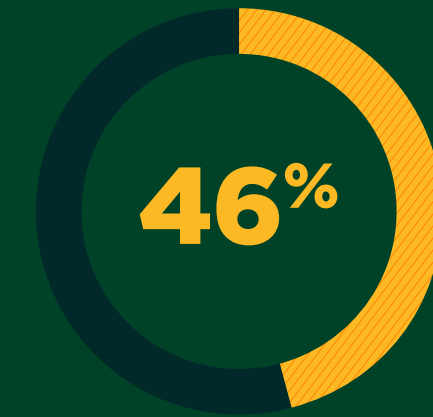
According to consumers,
both online and in-store
buying have benefits.



Payment Preferences

Retail cardholders simply spend more.

While it's true that many consumers take advantage of savings on the spot when signing up for a retail credit card at the register, the reality is that spending doesn't stop there. Consumers who carry a store-branded credit card tend to make more large purchases per year and spend more overall than those without retail cards. Making the application process as easy as possible both in-store and online can help build long-term loyalty and keep those dollars in-store.



Almost half of consumers who have a store-branded credit card have at least 3 store cards.

PERKS DRIVE PURCHASES

Benefits of using a store-branded credit card:

Additional discounts on purchases

61%

Financing options

37%

The Financing Factor

TOP 3 REASONS why consumers seek financing:

1. To set a monthly payment
2. To stick to a budget
3. To build credit

Consumer financing continues to be an essential tool for retailers who want to increase sales. And options are important: Consumers prefer to pick the terms that fit their financial goals from a variety of products including deferred interest plans, equal payment plans, low-interest rate plans, revolving products, and installment loan products.

39% of shoppers are more likely to shop with a particular retailer **if they offered a no- or low-interest installment loan option**



One in five consumers applied for retail financing of their last major purchase.



Of those consumers, **three out of four** said the ability to finance their purchase affected the amount they were willing to spend; this is **especially true among Millennials** (81%).



With the rise of buy now, pay later offerings, we've seen increased interest in installment loan products among retailers. It allows them to make higher-end products accessible to more consumers. The biggest difference between installment lending and revolving credit is that fixed payment plans don't provide opportunities to re-engage with consumers to build loyalty in the same way an open line of credit does.

—Mike Rittler



Pandemic Purchasing

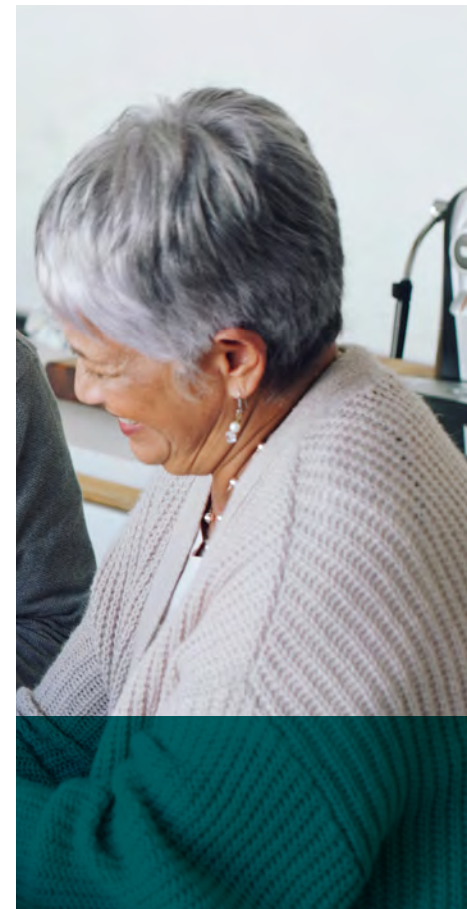
Changing restrictions shaped where people shopped.

Not surprisingly, the pandemic changed the way people shopped. As stores closed or reduced capacity and hours to limit the number of people in contact with one another, more consumers turned to online shopping for everything from self-care splurges to basic groceries. Economic uncertainty led many to consider taking advantage of payment plans to stabilize spending and move forward with purchases that helped make their increased at-home time more comfortable.

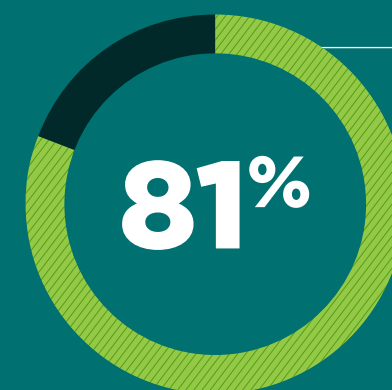


JASON THACKER
TD HEAD OF
CREDIT CARDS
& UNSECURED
LENDING

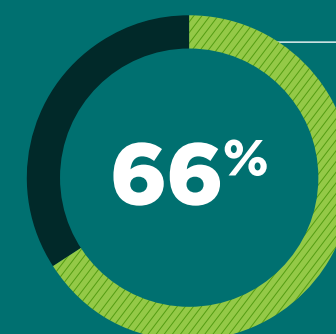
We are all watching economic indicators, and importantly, consumer indicators. The truth is, even if society fully opens back up across the country, we've all fundamentally changed during this pandemic. Consumer priorities are different now. The way we choose to live our lives moving forward will be different.



DURING THE PANDEMIC



of consumers shifted at least a portion of their typical in-store shopping online.



of consumers sought financing options for major purchases more frequently than they had prior to the start of COVID-19.

AS COVID-19 RESTRICTIONS IN STORES BEGAN TO EASE IN 2021

44%

are trying to minimize time spent in retail stores.

38%

of shoppers have fully resumed typical in-store shopping routines.

28%

only go into retail stores with an intended purchase, not to browse.

15%

did not change shopping habits.

Inventory & Waiting

91%

of consumers are more likely to make a major **purchase from a retailer with faster delivery**

Inventory issues cause delivery delays.

The pandemic created an imperfect storm of factors that left many store shelves and showrooms empty of the exact items consumers sought more of, such as furniture, electronics, exercise equipment, and home improvement supplies. Supply chain disruptions, labor shortages, weather, and import issues have meant that many big-ticket items remain scarce and wait times for goods continue to be historically long. For retailers, availability of inventory has become a competitive differentiator.



RETAIL INDUSTRY
LEADERS ASSOCIATION,
“RETAIL SPEAKS”
REPORT, 2021

The speed of order fulfillment has become more critical than ever. In response, retailers are setting ambitious targets that will require significant investments to propel their supply chain fulfillment capabilities. Our survey found that 80% of retailers plan to concentrate their 2022 supply chain spending on addressing the constant demands on e-commerce fulfillment.



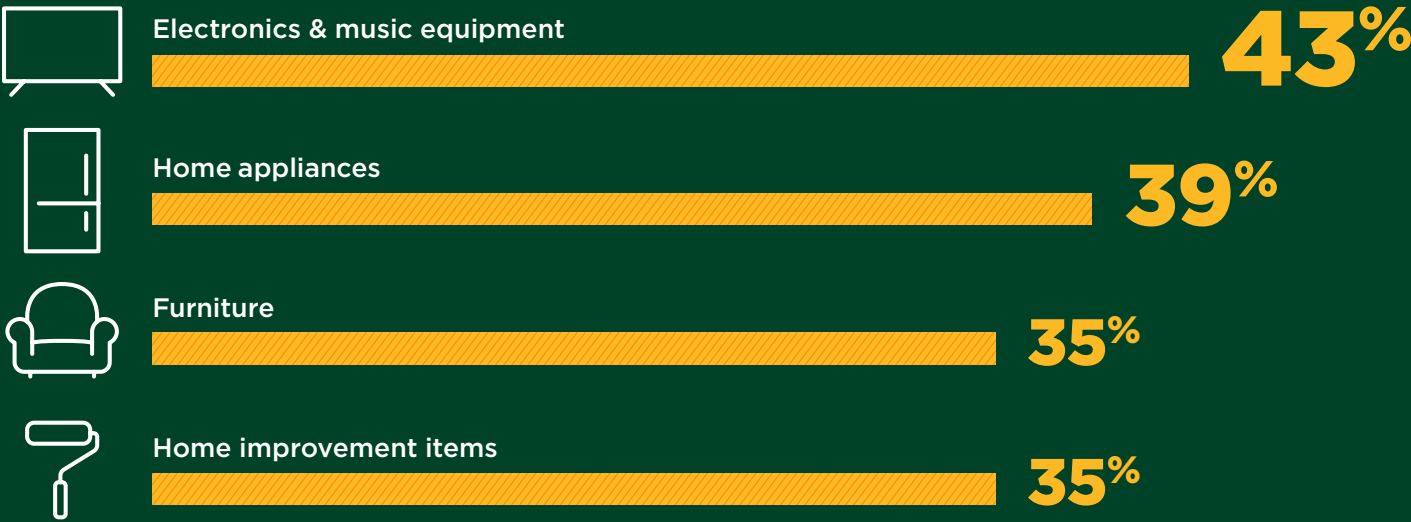
Furniture Focus

Sprucing up living spaces spurred major spending.

As Americans continued to spend more of their time at home, the boom in home improvement spending skyrocketed. Budgets normally spent on travel, entertainment, and dining out were channeled into projects and products that made it possible for people to work, exercise, and recreate more comfortably at home, driving the majority of large purchases made in 2021.



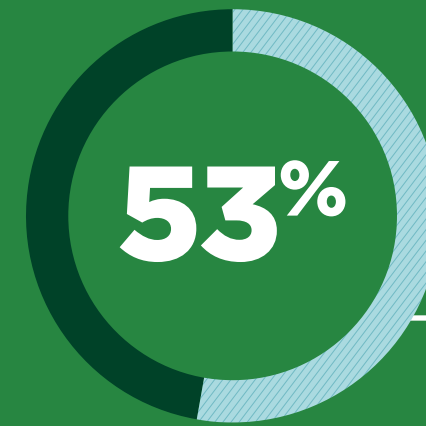
Home-based products were the top choices for consumers who made at least one major purchase last year:



Longer lead times are upending financing norms for retailers.

Typically, when a sale is made, furniture retailers will take a down payment. The remainder, financed using store credit, usually won't be charged until delivery. For consumers, that's a nice feature of using credit. Unfortunately, long lead times for sold products due to supply chain issues are creating challenges. Stores are authorizing transactions that won't be posted until two, three, or more months down the road. Longer lead times increase the chance for consumers to cancel orders and items to arrive piecemeal—frustration points for both retailer and consumer. But there is opportunity for retailers specializing in home-based products and merchandise to evaluate the financing solutions they offer and prioritize good, clear customer communication to retain those sales. Some retailers are also rethinking how they manage their financing programs in light of current challenges.

Find out how customized financing programs or the TD Complete solution can help your business. Contact our Retail Card Services team at uspartnerships@td.com to learn more.



of consumers who purchased in-store sought the help of a sales associate before making their last major purchase.



Three out of five of those who researched financing options before their last major purchase, did so with an in-store associate.



Purchasing Priorities

Good old customer service matters more now than ever.

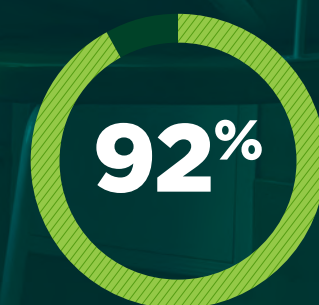
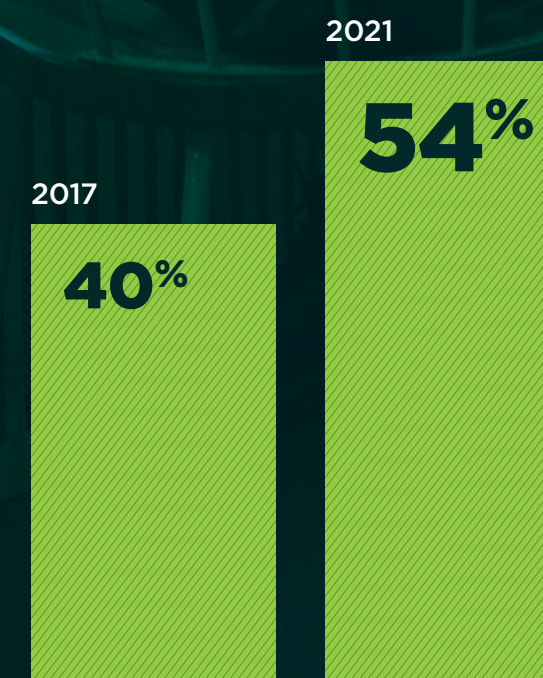
Although disruptions to labor and supply chains have meant postponed arrival of big-ticket goods for most of the past year, time-to-delivery isn't the only factor fueling purchasing decisions. Consumers value clear communication, trustworthy transactions, and realistic expectations set by retailers, even if it means costs or wait times are a little higher.

PRICE IS LESS OF A PRIORITY

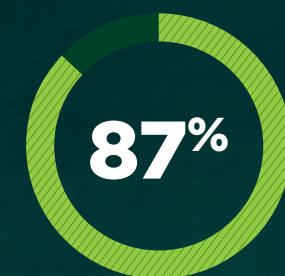
↓15% The number of people who prioritize finding the best price has fallen 15% in the past four years (57% to 42%).



The number of people who look for a deal but ultimately consider other factors in purchasing an item has risen.



are more likely to purchase from a retailer they **trust**, regardless of delivery speed.



are more likely to purchase from a retailer that provides **accurate delivery timing**, even if there's a wait.

Brand Buys

Loyalty lingers, but market factors force shopping around.

Considering the amount of time, effort, and money companies pour into building brands, it's no surprise that consumers develop an affinity for favorite brands and buy based on that relationship. But supply chain issues during the pandemic have also pushed consumers to explore new brands out of necessity: If their go-to label isn't available for an item they need, consumers are forced to try a new name instead.

THE MAJOR PURCHASES MOST LIKELY TO BE MADE WITH BRAND LOYALTY IN MIND



Home improvement



Electronics/
music equipment



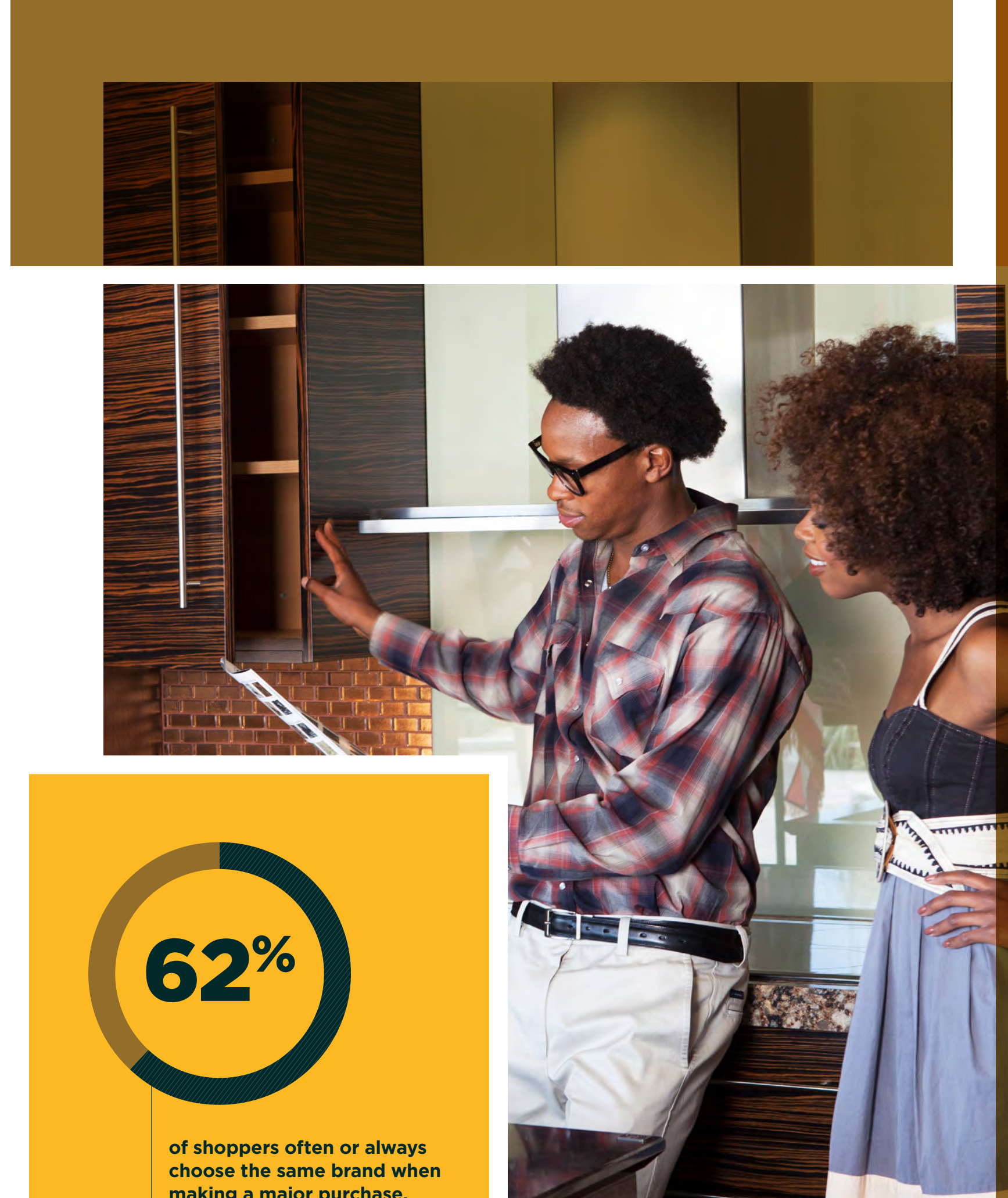
Auto parts/
service/tires



Home appliances



of shoppers often or always
choose the same brand when
making a major purchase.



Reasons for All Seasons

34%

of those who anticipate spending more during the 2021 holiday season than last year expect to **spend more on updating/outfitting their house for hosting holiday festivities**

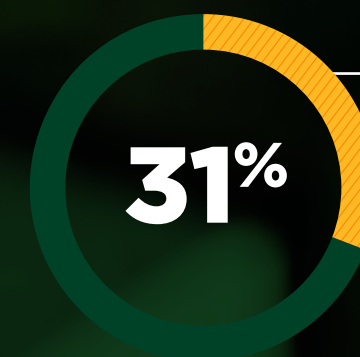
Holidays and hosting will influence demand through 2022.

As the holiday season approaches and shortages loom, retailers will need careful inventory management and advanced ordering to match supply to demand starting now and through next year. Seasonally driven large purchases will spill into spring as consumers get a jump start on making sure they're not left empty-handed this summer for lawn and garden, home improvement, and furniture items. The desire to invest in living spaces that began during the pandemic will linger as people feel more comfortable hosting gatherings in their homes.

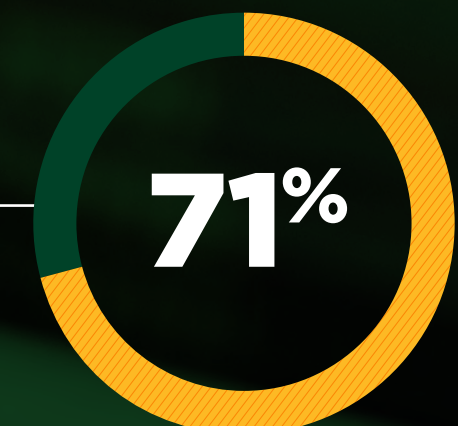
AS HOLIDAY SPENDING RAMPS UP

46%

of consumers report they are more likely to purchase from retailers who offer a variety of financing options like installment loans and credit cards.



Almost a third of consumers expect to spend more during the 2021 holiday season than they did in 2020.



The majority plan to spend more on gifts for friends and family.

Looking Ahead

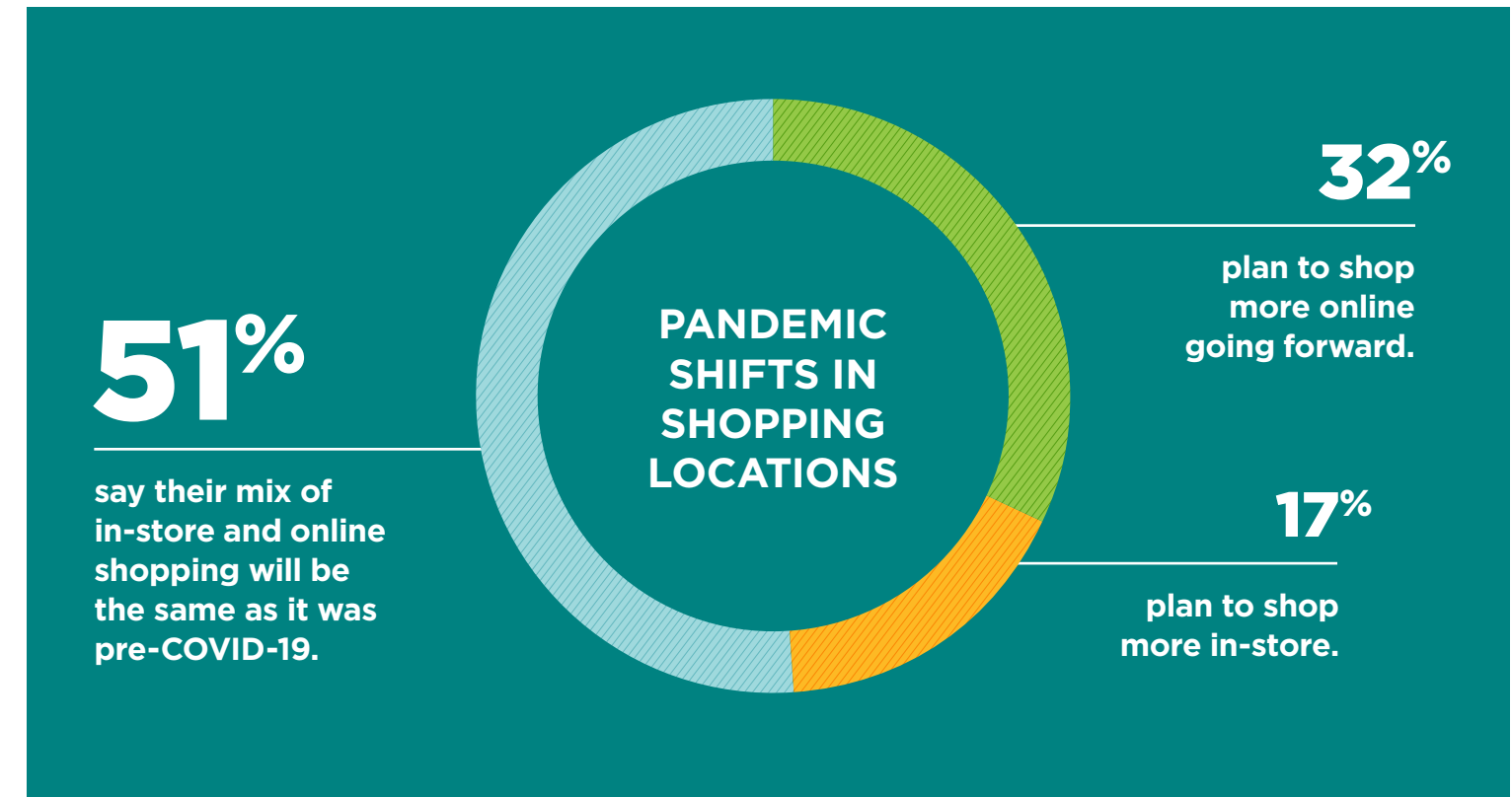
Pandemic pivots are here to stay.

COVID-19 accelerated a variety of conveniences that consumers will expect to continue post-pandemic, like tap-to-pay, contactless shopping, curbside pickup, QR code access to information, and much more. As a “new normal” emerges, retailers can claim a greater share of spending by being mindful of consumer preferences around safety, access, and ease of shopping moving forward.



MIKE RITTLER

Heightened health and safety concerns have accelerated our move towards contactless technologies that allow shoppers to more easily self-serve in a retail setting. Our ‘Snap to Apply’ capability is a critical step in allowing retail partners to put the entire finance application experience in the hands of their customers, on their own devices, from the application all the way through to the terms and conditions.



**Let's talk about
how TD Bank
can improve
the way you
do business.**



For more insights and information, visit
Stories.TD.com or contact our
team at uspartnerships@td.com

