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Jonathan Knowles  
Patrick Lynch  
Russell Baris  
Richard Ettenson

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RESEARCH HIGHLIGHT

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Jonathan Knowles, Patrick Lynch, Russell Baris, and Richard Ettenson • September 22, 2020

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The COVID-19 pandemic and associated lockdowns throughout the U.S. have dramatically impacted shopping behavior and shifted priorities for retail customers. While the pandemic has resulted in revenue declines for the majority of businesses, some brand owners and retailers have seen significant growth by adapting their offerings and communications to capitalize on new customer needs and behaviors.

We investigated the scale and variation of the lockdown's impact on shopping behaviors across a number of product categories, fielding three surveys (in late March, late April and late May 2020) among a representative sample of more than 5,000 U.S. households. The key findings of our March survey formed the basis of our article ["Growth Opportunities for Brands During the COVID-19 Crisis."] (<https://sloanreview.mit.edu/article/growth-opportunities-for-brands-during-the-covid-19-crisis/>)

As it became clear that the re-opening of the economy would be phased, we extended the focus of our April and May research to identify a new spectrum of customer segments and the factors influencing their likelihood to return to in-person shopping. This article draws on these findings to identify how retail stores and brand owners who rely significantly on physical retail can re-engage with former customers or tailor their offerings and communications to appeal to these new customer segments.

### **The Research**

- The authors conducted three surveys in late March, April, and May 2020 that represented a total sample of more than 5,000 U.S. households.
- Respondents were asked about more than 60 situational, attitudinal, and behavioral factors related to in-person shopping as pandemic-related lockdowns were eased.
- In order to understand the factors that might motivate customers to return to in-person shopping, respondents were asked about their quarantine experience and associated emotions and attitudes, including the degree to which they had missed nine aspects of the in-person shopping experience.
- Using a machine learning technique (statistical k-means clustering), the authors identified five major COVID-19-related shopper segments: functional, tactile, experiential, diversion, and reluctant.

### ***What We Found***

Our research shows that, as the lockdown eased, retail shoppers could be grouped into five segments, each of relatively equal size, based on their motivations for in-person shopping — for example, whether shopping is an activity that they enjoy in its own right; or as part of a sociable lifestyle; or simply as a means to an end.

In order to understand the factors that might motivate each customer segment to return to in-person shopping, we also researched respondents' quarantine experience and associated emotions and attitudes. This revealed a wide variability in these "situational factors" that greatly exceeded the differences observed on traditional demographic factors.

Studying the situational, attitudinal and behavioral factors at play (more than 60 in total) has allowed us to develop detailed and actionable customer segment profiles, together with recommendations for how retailers and brand owners can appeal to each segment in a relevant and emotionally compelling way.

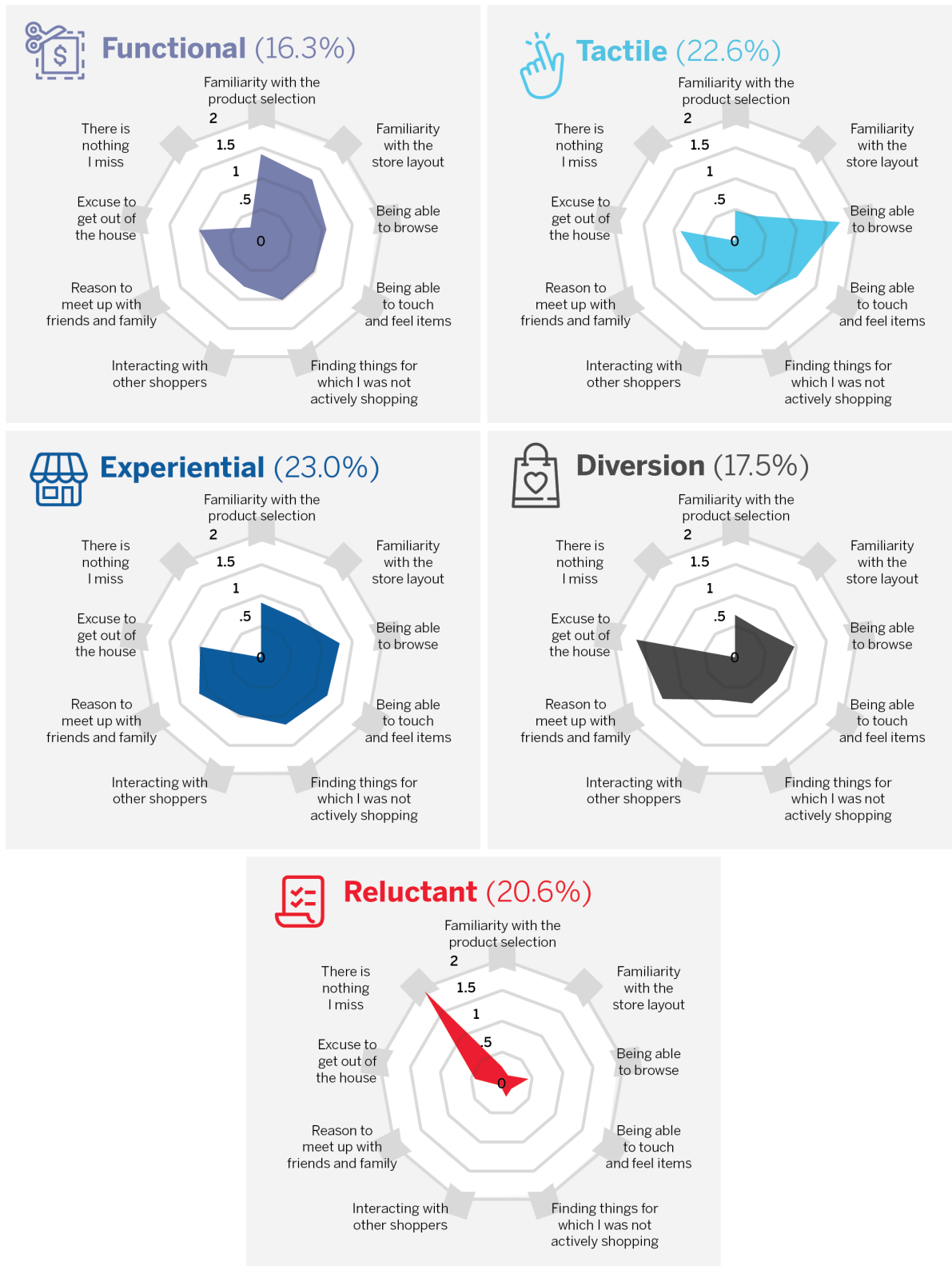
### ***Segmenting Shoppers Based on their "Job to be Done"***

A key component of our approach was to ask respondents to evaluate the degree to which they had missed nine aspects about the in-person shopping experience. These ranged from functional aspects such as "familiarity with the store layout" to experiential aspects such as "being able to touch and feel things" to social factors such as "shopping with family and friends as a social activity." We also included the option of "there is nothing I miss about in-person shopping".

Using a machine learning technique (statistical k-means clustering), we identified five major COVID-related shopper segments: functional, tactile, experiential, diversion, and reluctant. (See "Relative Importance of Nine Shopping Factors to Each of the Five Segments.")

## Relative Importance of Nine Shopping Factors to COVID-19 Customer Segments

Scores represent the log values of the raw weights given by each segment to each of the nine shopping factors. The percentages represent each customer segment's share of the overall population.



*Functional Shoppers* are willing to return in-person to retail environments where they are familiar with the layout and range of products offered. However, they remain concerned about health risks and won't be going out without their hand sanitizer. This segment also values the experience of coming across new items and interacting with other shoppers as long as the store has good safety protocols in place. They are keen to try something new, especially if it comes with a discounted price tag.

*Tactile Shoppers* have been bored at home and are eager to hit the stores as they perceived a relatively low health risk during the pandemic. They feel lucky to have kept their jobs but have overdosed on Zoom calls and Netflix and now are excited to get away from the internet browser and back to in-person browsing. When they are finally able to visit their favorite retailer, they'll be thrilled to actually touch (assuming this is allowed) the items that they have reviewed online and will be open to trying new brands if they feel as good in real life as they looked on screen. Tactile shoppers have high standards, though, and will not repurchase if the experience is less than great.

*Experiential Shoppers* aren't at the store just to check off items on a shopping list. For this consumer, a shopping trip is an event in itself, offering the promise of novelty and the joy of finding something they weren't actively looking for, plus the opportunity to bring a friend along for the experience. They are especially responsive to brand recommendations from people they trust and always keep an eye out for items they can recommend to others.

*Diversion Shoppers* are just eager for the excuse to get out of the house and were among the most excited about stores reopening - a little retail therapy is what they need to end the monotony of lockdown. A price discount might convince a Diversion shopper to try a new brand and they'll buy again if they like it but won't be chatting much to their friends about it. Diversion shoppers can take or leave the social aspect of shopping.

*Reluctant Shoppers* were never ones to be excited about in-person shopping, even when there wasn't a pandemic. Whether they go to a store or shop online, they just want to get what they need, avoid distractions, and get out again. This shopper appreciates the greater range of options now that stores are opening up, but for them shopping was and always will be a chore – convenience and simplicity are the main drivers that keep them coming back. To the extent that they have adapted to online shopping, reluctant shoppers are among the least likely to return to stores.

We profiled each segment across a large number of situational, attitudinal, behavioral and demographic variables. (See "COVID-19 Customer Segment Profiles.")

## COVID-19 Customer Segment Profiles

This table indicates the most significant differences between the customer segments across attitudinal, behavioral, and demographic questions. The blue/yellow shading indicates a score significantly above/below the average.

Attitudinal, Behavioral, & Demographic Profile	Functional Shoppers	Tactile Shoppers	Experiential Shoppers	Diversion Shoppers	Reluctant Shoppers
<b>Perceived Health Risk</b>	 32% Greater 29% Lower	 30% Greater 37% Lower	 31% Greater 29% Lower	 26% Greater 38% Lower	 17% Greater 40% Lower
<b>Quarantine Mood</b>	 38% Negative 42% Positive	 35% Negative 38% Positive	 36% Negative 44% Positive	 40% Negative 37% Positive	 24% Negative 42% Positive
<b>Financial Situation</b>	 40% Worsened 12% Improved	 40% Worsened 13% Improved	 44% Worsened 17% Improved	 40% Worsened 12% Improved	 32% Worsened 10% Improved
<b>Level of Stress</b>	 30% High 39% Low	 30% High 38% Low	 39% High 26% Low	 32% High 35% Low	 15% High 64% Low
<b>Supervising Children's Schooling</b>	 24%	 17%	 33%	 21%	 11%
<b>Have Tried New Brands</b>	 60%	 52%	 60%	 48%	 31%
<b>New Brands as % of Overall Shopping Basket</b>	 34%	 36%	 37%	 30%	 29%
<b>Average Net Promoter Score Given to New Brands</b>	1%	-11%	19%	-15%	-12%
<b>Influenced to Try New Brands (Index vs. Overall)</b>	1.20	.94	1.36	.96	.54
<b>Sociability (Index vs. Overall)</b>	1.00	.99	1.09	1.01	.93
<b>Age 45 or Younger</b>	 42%	 50%	 56%	 50%	 32%
<b>Household Income Over \$100,000</b>	 28%	 23%	 36%	 23%	 19%

Perceived health risk, quarantine mood, financial situation, and level of stress were each assessed on a seven-point scale. The percentages shown are the proportion of respondents in each segment who rated their experience as higher/lower on this dimension. (The remaining respondents said things were “the same as elsewhere,” “neutral,” “no change,” and “moderate,” respectively.)

“Supervising children’s schooling” represents the percentage of respondents in each segment who reported having children aged 14 and under at home who required assistance or supervision with remote schooling.

The “influenced to try new brands” score is an index based on the percentage of respondents in each segment who reported having been influenced to try a new brand by either a promotion, discount, or recommendation, relative to the percentage of trial among the overall population.

Finally, we measured sociability on a six-point scale ranging from “sociable” to “reserved,” with index scores above one representing greater sociability.






### ***How Retailers and Brand Owners Should Target Each Segment***

In our previous article (<https://sloanreview.mit.edu/article/growth-opportunities-for-brands-during-the-covid-19-crisis/>), we put forward a framework for action based on a modified version of the 4Ps of marketing (product, place, price, and promotion) that we call SAVE (solutions, access, value and education).



## Applying the SAVE Framework to COVID-19 Customer Segments

This framework highlights what each segment is looking for in terms of solutions, access, value, and education (SAVE). The percentages represent each customer segment's share of the overall population.

	SOLUTION	ACCESS	VALUE	EDUCATION
 <b>Functional Shoppers</b> (16.3%)	<b>Focus on the breadth of assortment</b> and ease of <b>navigation</b> (in both physical and virtual environments).	<b>Familiarity is key:</b> Focus on the consistency of the experience across all channels.	This is one of the <b>most responsive segments</b> to discounts and promotions.	Brands should <b>provide practical and factual communication</b> .
 <b>Tactile Shoppers</b> (22.6%)	<b>Focus on how to promote browsing</b> and the opportunity to experience the product in use (even if online).	<b>Make the shopping experience as visually rich</b> and immersive as possible (whether in-store or online).	This segment <b>values quality and delight</b> .	<b>Focus messaging</b> on the novelty and intrinsic quality of your offering.
 <b>Experiential Shoppers</b> (23.0%)	<b>Focus on the sociability and surprise of shopping</b> , not just what is available for purchase.	<b>Encourage social interactions</b> while maintaining appropriate health protocols for the in-store environment.	<b>Social currency is a more important</b> motivator for this segment than discounts or other forms of promotion.	<b>Influencers</b> are an effective way to reach this segment.
 <b>Diversion Shoppers</b> (17.5%)	<b>Focus on shopping as entertainment and self-care</b> , where your offerings are valued as much for the emotions and distractions they provide as for their utility.	<b>Experiment</b> in terms of the <b>physical environments</b> used — this segment wants an excuse to be out and about.	The <b>selective use of discounts and promotions</b> is key to encouraging initial purchases.	<b>Position shopping as a self-care</b> activity to relieve the stress of excessive time in front of screens.
 <b>Reluctant Shoppers</b> (20.6%)	<b>Focus on removing any friction in the shopping experience</b> , whether online or in-store.	<b>Provide omnichannel access</b> to allow for the repeat of familiar or newly adopted behaviors.	<b>Convenience and speed are drivers</b> of satisfaction and repeat purchases.	<b>Recognize that this segment wants information</b> and clarification, not inspiration.

**Functional Shoppers:** These customers desire routine and familiarity despite the disruption. Office supply chain Staples recognized that this segment represented a majority of its customers and that many did not like to order online. The retailer now provides personal shoppers who take orders and source the items in the stores while customers remain in their cars. Extending this model, convenience store chain Wawa will have its first drive-thru-only location (<https://www.cnn.com/2020/08/03/business/wawa-drive-thru-store/>) by year end.

Safeway has taken a different approach to meet this segment's need for familiarity by expanding the search options on its website. It is common for grocery store customers to search online by brand or product, but Safeway's innovation was to simulate the in-store experience online by enabling shopping by aisle.

**Tactile Shoppers:** This segment seeks opportunities to engage with products. The concept of a personal shopper is not new for many people familiar with high-end fashion brands, but the introduction of the service by thrift store Uptown Cheapskate is a welcome development for the tactile shopper in the age of COVID-19. Based on the responses to an online questionnaire, an Uptown Cheapskate employee selects garments matching the customer's specifications. The retailer keeps customers coming back by featuring new outfits each day to entice them to connect with personal shoppers in their local markets.

Tactile shoppers love the browsing experience. Ted Baker (a U.K.-based luxury brand) launched a digital pop-up shop during the lockdown that featured limited-edition pieces and donated 100% of profits back to the community. This kind of event-based, product-centric customer experience speaks to the motivations of the tactile shopper.

Sephora recently joined traditional retailers H&M, Abercrombie & Fitch, and Target in using Instagram's digital store platform to allow shoppers to buy products directly from its Instagram feed, expanding opportunities for new kinds of browsing, engagement, and sales generation.

**Experiential Shoppers:** For this segment, it is as much about the people as the products — the “who” and the “how” of shopping as much as the “what.” Brick and mortar store owners might respond to the continuing health concerns of these customers by creating exclusive shopping hours for this segment (similar in concept to “senior hours” offered by many warehouse clubs and grocery stores) or even dedicated venues. An example of the latter is the concept of [“the retail closet”] (<https://www.cpexecutive.com/post/retail-trends-that-will-remodel-the-industry-in-2020-and-beyond/>) - small retail spaces within commercial or multifamily properties, where brands can bring their collections in front of customers who can come in solo or with a few guests. This type of personalized and exclusive shopping environment is safe and entertaining, especially for the Experiential Shopper.

In the online environment, fashion retailer Madewell caters to this segment by satisfying their curiosity with unique grid-style curated collections and “inspiration boards” complete with videos. In an effective replication of valued aspects of the in-person shopping experience, customers can watch each product in use as it would be on a “typical day” while also receiving recommendations based on their selections. Madewell, along with other brands such as home goods retailer West Elm, have been ahead of the curve by using this strategy even before the pandemic. They are leaning into this strategy, appealing to the experiential shopper by allowing discovery and exploration while mitigating health concerns.

**Diversification Shoppers:** These shoppers are looking to escape the monotony of their daily routines during the pandemic. The start-up COVID-19 Essentials (<https://www.miamiherald.com/miami-com-news/article243762737.html>) provides you with an unchallengeable reason for getting out of the house: stocking up on COVID safety essentials. The pop-up shop features an array of face masks, UV light sterilizers, and other pandemic accessories.

Atelier Restaurant in Canada was renowned for a dining experience that was as much about abstract art as food, featuring fantastical dishes reminiscent of snow globes, flower arrangements, and fashion accessories. When pandemic restrictions forced the restaurant's closure in March, Atelier quickly pivoted to a pick-up version of their multi-course tasting-menu. Chefs compressed 12 courses into five and sold limited tickets at \$100 per person, 10 vehicles per service, weekends only. In what was often their first outing in months, customers brought their own picnic tables to set up tailgate-style in nearby parking lots or drove around the block before returning to pick up the next course.

**Reluctant Shoppers:** These customers are a key focus for businesses that pivoted to digital offerings during the pandemic in order to continue to serve their core customers by migrating them online. Buffalo Exchange, a thrift and clothing consignment store, has transformed its consignment process to be completed totally online and by mail. A consignment customer can request a bag through the mail and fill it with 20 to 40 items of clothing. Once the bag is received by Buffalo Exchange, the commission payment for saleable items is digitally transferred to the customer, and any items not suitable for resale are mailed back. This example provides a practical road map for physical retailers to reimagine their shopping experience online, or for brand owners considering a move to a direct-to-consumer model.

The coronavirus and associated stay-at-home restrictions have given rise to new and evolving customer needs. Now that nonessential stores are starting to reopen, the segmentation presented in this article provides an actionable framework to help brand owners and retailers understand and address this new spectrum of consumer needs and preferences. Specifically, we highlight how businesses can tailor their offerings and communication, whether the objective is to reengage former customers or to retain new customers acquired in the age of COVID-19 — major challenges at a time when marketing budgets are being curtailed.

#### ABOUT THE AUTHORS

Jonathan Knowles (@typetwo) is the CEO of Type 2 Consulting. Patrick Lynch (@patrickdlynch) is a clinical assistant professor of analytics and leadership at Arizona State University's Thunderbird School of Global Management. Russell Baris is president of eLumindata, a data science company in Westport, Connecticut. Richard Ettenson is a professor and the Kieckhefer Fellow of Global Marketing and Brand Strategy at Thunderbird.

## APPENDIX

### SUPPLEMENTARY INFORMATION ABOUT THE RESEARCH

The data in this article comes from the third survey in our longitudinal study of how lockdowns in the U.S. had impacted the location and timing of shopping habits (in-person and online) and the trial rate of new brands (in terms of frequency, motivation, and product category).

We extended the April and May versions of the surveys to include questions about the nature of respondents' quarantine experience, their levels of mood and stress, and the degree to which they missed different aspects of the shopping experience (14 aspects were tested in the April survey, allowing us to refine the May survey to the 9 key aspects reported in this article).

Our goal was to understand how quickly different segments of the population might return to in-person shopping as stores began to reopen, and how retailers and brand owners could tailor their actions and communications for each of these segments.

Each of the 2,250 respondents to the May survey provided information on how their quarantine experience had varied across a wide variety of situational and attitudinal dimensions, including:

- Their domestic situation during quarantine:
  - Living alone or with others
  - If there were school-age children at home
  - If so, whether their schooling required active supervision
  - Their ease of access to outside space
  - Whether they had a pet at home
- How the pandemic had impacted their financial situation
- Their perception of the health risk in their neighborhood
- How the pandemic had impacted the closeness of their local community
- How stressful they had found the experience of quarantine
- How positive or negative their mood had been during quarantine
- The degree to which they were naturally sociable or reserved
- The aspects of the in-person shopping experience that they missed most