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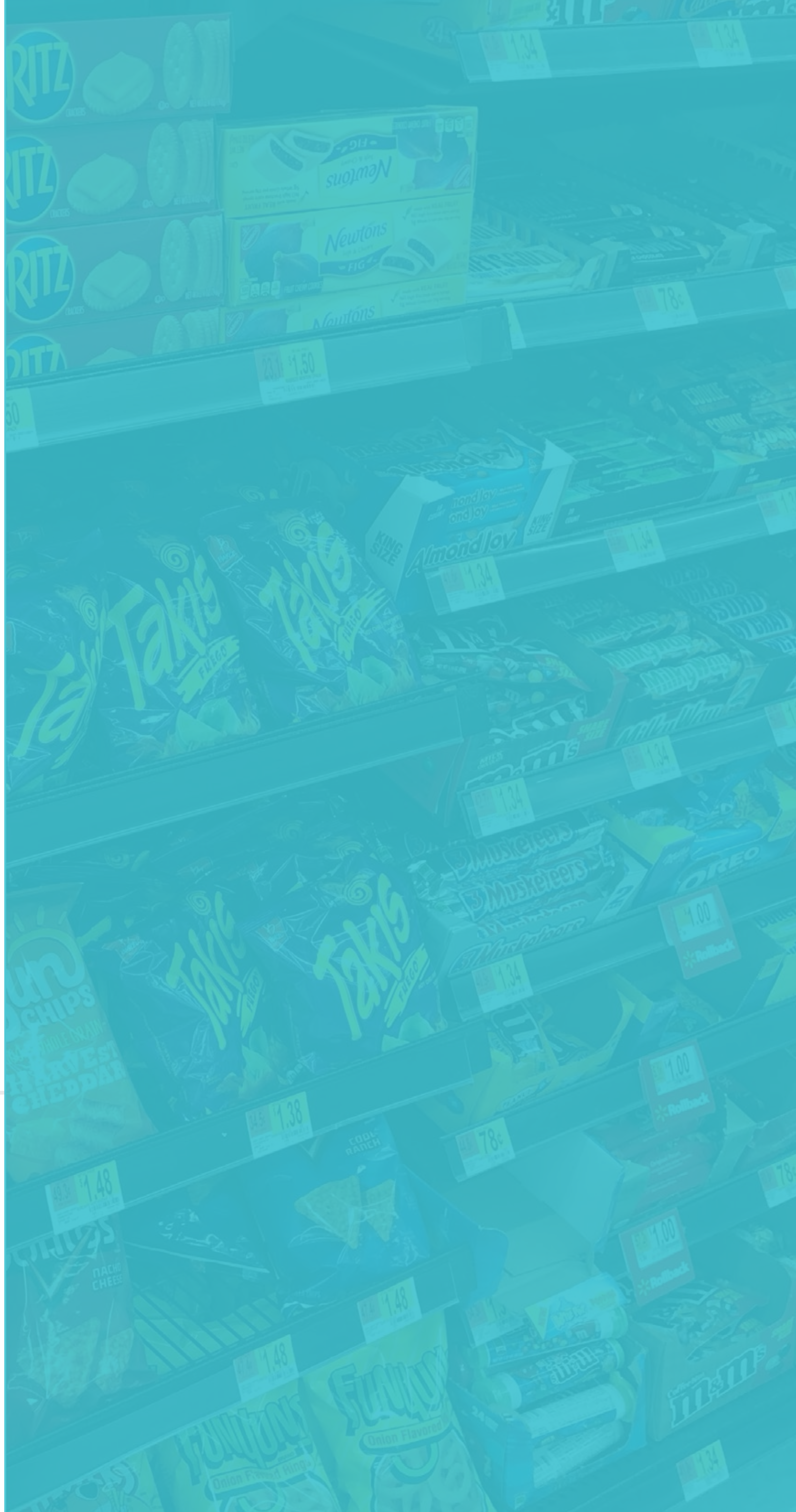
CATEGORICALLY SPEAKING:

IMPULSE GOODS

IN THE OMNICHANNEL AGE



> “Online shopping is killing a category that retailers have been relying on for years...”

This headline, skimmed from a quick Google search, is of course a reference to impulse-purchase goods. Not impulse purchases per se, because anything, anywhere can be purchased on impulse, but impulse *goods* specifically. We're talking convenience goods—gum, batteries, single-serve drinks and snacks—that generally dominate the checkout area of traditional brick-and-mortar stores.

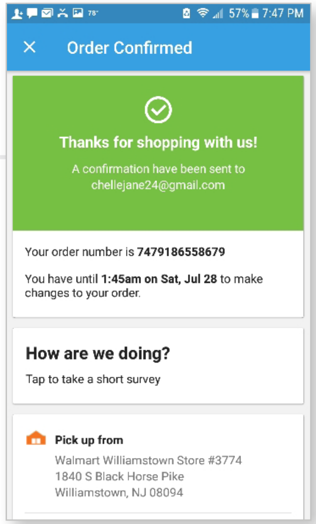
As this ominous headline suggests, online shopping has done a real number on the category in recent years. These effects, moreover, have become even more pronounced as shoppers have begun flocking online for groceries and household consumables—a trend only fueled by omnichannel developments like mobile shopping, in-store and curbside pickup, and local, "fresh" grocery-delivery.

Understandably, many retailers and brands are asking:

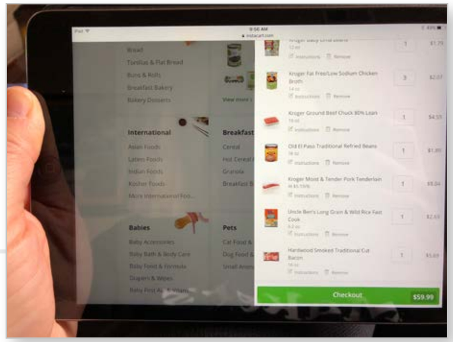
How do you sell impulse goods like ice-cold soda or tubes of ChapStick in a digital, often delayed-gratification marketplace?

To understand the challenges and possibilities of selling impulse goods online, retail-auditing and insights firm Field Agent conducted two studies examining the attitudes and behaviors of shoppers toward the category in an online context.

The following pages encompass insights and analysis to help impulse goods, and the retailers who sell them, plot a course forward in our increasingly digital, omnichannel age.



Agent Photos/Screenshot



Digital Shopping: The Pulse on Impulse Purchases

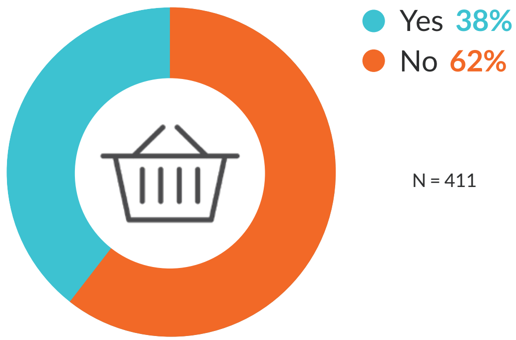
Just how common are impulse purchases—on which impulse goods rely—when shoppers go online for their grocery and household consumable (HC) purchases?

It's true: Unplanned, impulse purchases appear less common online than in-store. When Field Agent surveyed 1,008 online grocery-shoppers,

65% said they make fewer, and only 18% more, impulse purchases online compared to in-store.

Field Agent also conducted post-shop surveys with 411 online shoppers immediately after they purchased at least $30 of groceries/HCs for pickup or local delivery through an online grocer or third-party service with pickup/ local delivery capabilities. The sample consisted predominantly of Walmart pickup users.

Did you make any unplanned, impulse purchases while shopping online today?



Fewer than half, 38%, indicated they made unplanned, impulse purchases while shopping online for groceries/HCs.

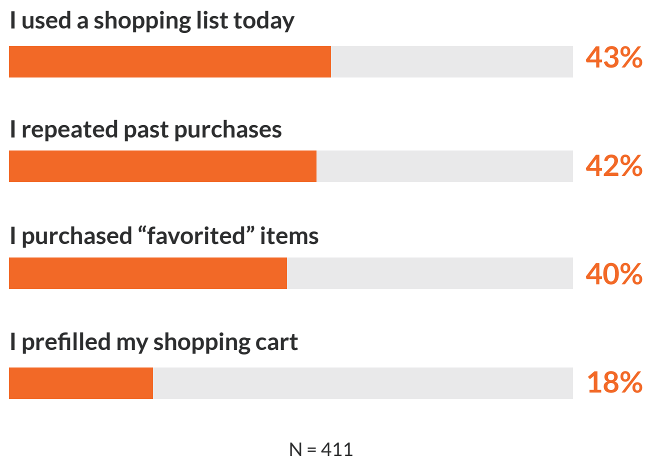
Do online grocery-shoppers even plan their purchases?

An impulse purchase is an *unplanned*, spontaneous decision to buy a particular product. But to what extent do online grocery-shoppers plan?

Of 411 shoppers in Field Agent's post-shop study, the overwhelming majority, **87%, indicated they planned all or some of their purchases prior to going online.**

Shopping lists, too, remain a fairly common feature of online grocery shopping. Yet, online grocery-shoppers also have other ways of remembering what to buy:

Which statements accurately describe how you shopped for groceries/HCs online today?



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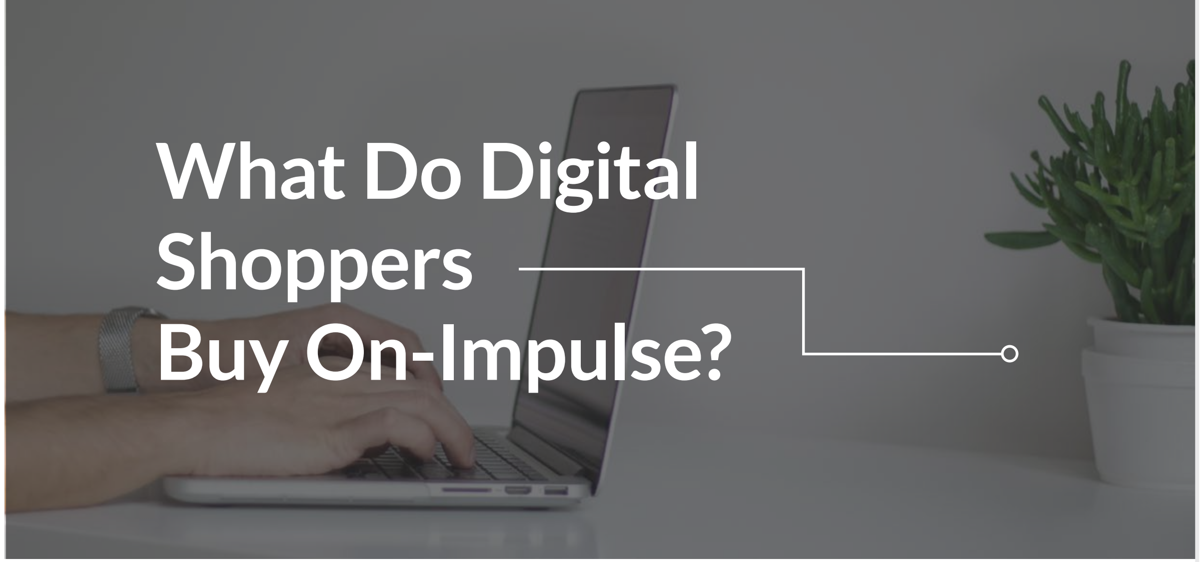


What Do Digital Shoppers Buy On-Impulse?

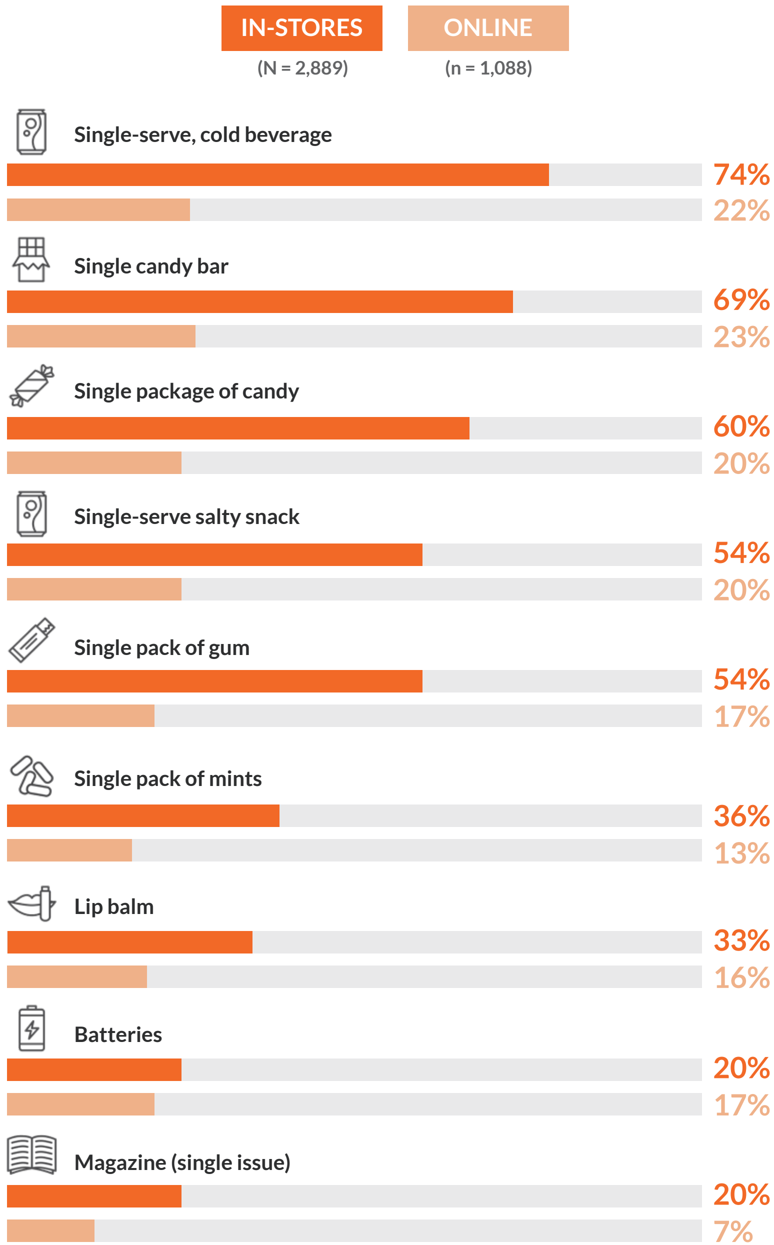
Of those who made impulse purchases in Field Agent's post-shop study (n = 157), only a fraction actually bought traditional impulse goods on-impulse. We invited these shoppers to list their impulse purchases from the day, and the top responses were items like cheese, pickles, and frozen pizza, not traditional impulse goods.

And when asked specifically whether they bought particular goods on-impulse, **only 6% reported purchasing single-serve beverages and 4% single-serve candy bars.** No other item presented—batteries, gum, mints—amassed a purchase rate of even 1%. However, the results from the post-shop study were based on a single online purchase, and therefore it's not surprising impulse goods, or other goods for that matter, would reflect low purchase rates.

Consequently, Field Agent ran a separate survey with 2,889 shoppers, including 1,088 who purchase groceries/HCs online. The results to the right, though dependent on recall, show a slightly more optimistic picture.

As you can see, for traditional impulse goods, a sprawling "impulse gap" exists between in-store and online shopping.

Which of the following do you sometimes buy on-impulse in stores, online?



The Impulse Gap:
A Matter of Perception

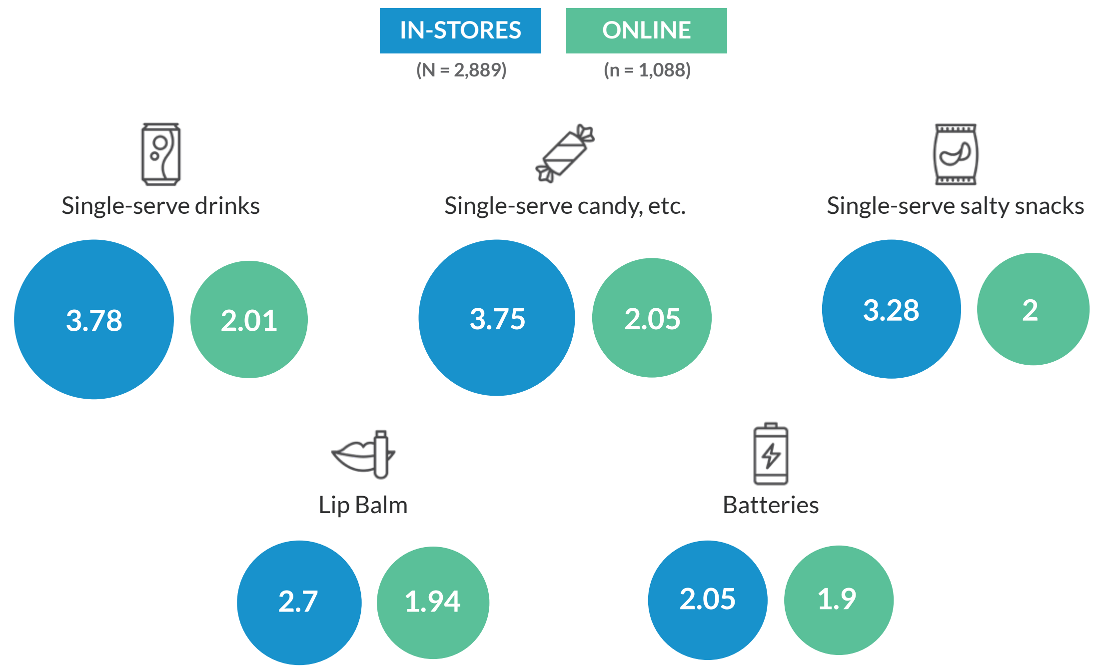
Perceptions drive behavior, so it's worthwhile to consider shoppers' perceptions of the, if you will, impulsive*ness* of various goods.

Field Agent presented 2,889 shoppers, including 1,088 online grocery-shoppers, a basket of five impulse goods. We asked them to rate each product by how likely they are to purchase it on-impulse when shopping in stores and/or online for groceries/HCs, where 5 was "extremely likely" and 1 "not at all likely."

As the figures demonstrate, the "impulse gap," one we've already seen manifested in shopper behavior, starts at the perception-level. **Roughly speaking, the average shopper in our survey is "very likely" to buy, for example, single-serve beverages and snacks in stores but "not very likely" to do so online.**

As suggested by the lack of variance in the "online" ratings to the right, shoppers, even those who purchase groceries/HCs online, are not yet acclimated to buying "everyday" items online. Unlike in-store shopping, many don't yet know how they'll behave toward impulse goods online.

Where 5 is "extremely likely" and 1 "not at all likely," how likely are you to buy the following on-impulse in stores, online?



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Digital Challenges to Traditional Impulse Goods

One of our objectives was to understand the challenges impulse goods face in the digital shopping environment. That is, what makes it so difficult to sell impulse goods online?

After crunching numbers and analyzing hundreds of qualitative remarks, we isolated four overarching digital challenges with which impulse goods are contending today.

**Quotes are from Agents*

Invisibility

"Out of sight, out of mind. Which makes it easy to skip the impulse."

Impulse goods, which usually flourish by just being seen, are hidden online.

Of 1,088 online grocery-shoppers surveyed, **61% didn't even know single-serve beverages and snacks could be purchased online.**

Delayed Gratification

"These items would not be instant gratification anymore but more...treats for later."

Immediate gratification is hard to exploit online.

Among 273 shoppers in the post-shop study who *would have* bought impulse goods if shopping in-store, **35% didn't do so online because they couldn't enjoy them immediately.**

Unlisted & Unbudgeted

"Shopping online gives...more time to plan and think about what you're getting for your money."

Online grocery-shoppers may be more disciplined than their in-store counterparts.

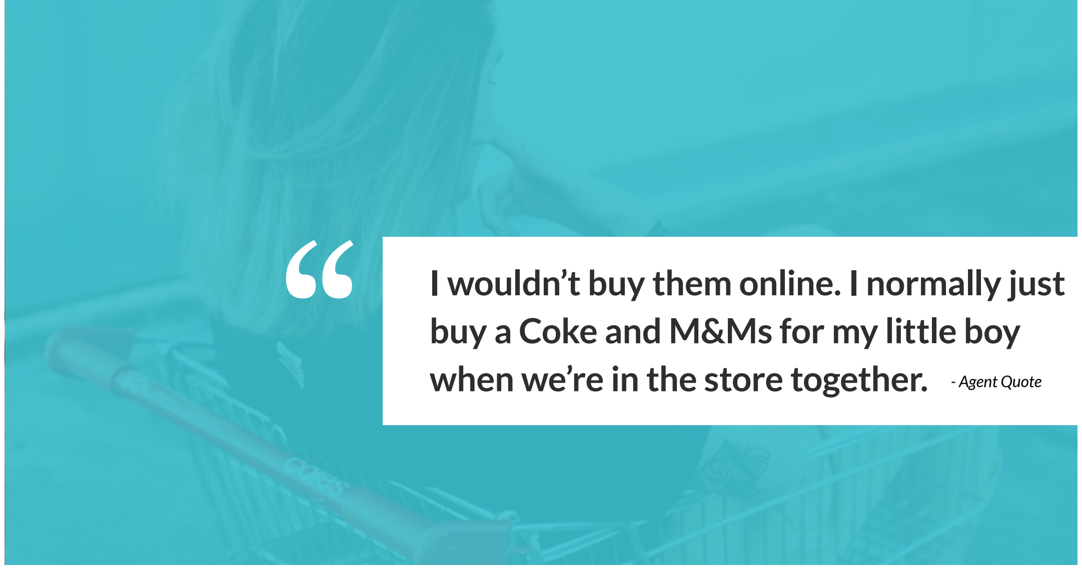
In our survey of 934 online grocery-shoppers who use shopping lists online, **62% said they follow a list more closely when shopping online for groceries/HCs than they do in stores.**

Efficiency Mindset

"I am more inclined to shop online because retailers don't push the instant gratification items."

The "get in-and-out" mentality may be even more pronounced online.

Many post-shop participants said **they're even more disciplined online** with respect to both time and money.



> “I wouldn’t buy them online. I normally just buy a Coke and M&Ms for my little boy when we’re in the store together. *- Agent Quote*

What Could’ve Been: Reasons Shoppers Didn’t Buy Impulse Goods Online

In our post-shop study with 411 shoppers immediately following an online grocery-shopping “trip,” we asked, “Which of these goods do you think you probably would have purchased today if you had made your purchases in-store?” **In all, 66% said they would have bought one or more of the impulse goods presented, if only they had done their shopping in-store rather than online.** Indeed, 32% indicated they probably would have purchased a single-serve beverage, 28% a single pack of gum, and 23% a single candy bar.

So why didn’t these shoppers buy impulse goods online that, admittedly, they would have in-store? The graphic shows their reasons…

Why didn’t you purchase certain [impulse goods] online today if you probably would have purchased them in-store?

36%
I follow a shopping list/ plan more closely online

35%
The item is meant to be enjoyed immediately

27%
I didn’t see the item online and so didn’t think to buy it

19%
I buy the item for others in-store (e.g., kids) and don’t have to online

16%
I usually buy the item to enjoy while waiting/ shopping in-store

11%
I didn’t know the item was even available online

Among shoppers who probably would have purchased one or more impulse goods if shopping in-store rather than online (n = 273)

Silver Linings: Digital Possibilities for Impulse Goods

Let's be real. The transition from brick-and-mortar to digital is not an easy road for impulse goods. As seen, online shopping isn't perceived by shoppers as especially conducive to impulse purchases and, by extension, impulse goods. But there *are* silver linings.

We posed a single free form, qualitative question to all 411 participants in our post-shop study: "What could companies do to entice you to buy traditional impulse goods when shopping online for groceries/HCs?"

Here are four general ideas forwarded by these online grocery-shoppers:

**Quotes are from Agents*

Be Visible

"If I saw the item at checkout and it was presented enticingly, I might think to purchase it."

Most online shoppers don't even realize traditional impulse goods exist online.

Suggestion: Appealing photos and ads could work. But embrace the new "visibility" of online shopping. Get on shoppers' lists of "favorites," and realize that online grocers like to spotlight past purchases to elicit repeat purchases.

Up the Value

"...add somewhere [on the website], 'save $1 when you add 3 candy bars to your cart'."

Online shoppers are less willing to pay the significant markup on impulse goods.

Suggestion: Offer discounts (e.g., BOGO, 3 for $.99), and work with retailers to find innovative ways to get your goods in their hands (e.g., rewards for shopping online).

Prompt Shoppers

"I think these items could be suggested at checkout..."

A nudge at the right time can make all the difference

Suggestion: Work with retailers to recommend impulse goods during the online checkout process. But, these tactics shouldn't impede efficiency-minded shoppers.

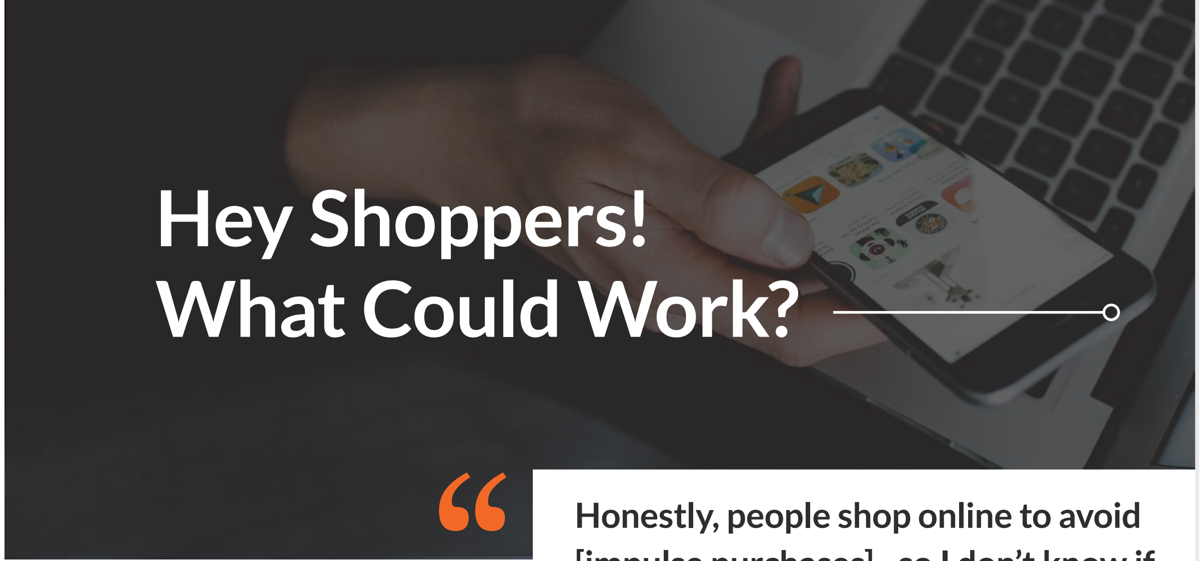
Embrace Omni

"Sometimes I know I'll be wanting a snack as I'm picking up my groceries...

Omnichannel retail has a physical dimension with opportunities for impulse goods.

Suggestion: Partner with retailers and third-party delivery services to include your products in pickup/delivery processes. And market them as special treats.

Hey Shoppers! What Could Work?



> Honestly, people shop online to avoid [impulse purchases]...so I don't know if [my suggestion] would be helpful.
>
> *- Agent Quote*

From these shopper-generated ideas, Field Agent developed a lone survey question which, in turn, we posed to a larger sample of 1,088 online grocery-shoppers.

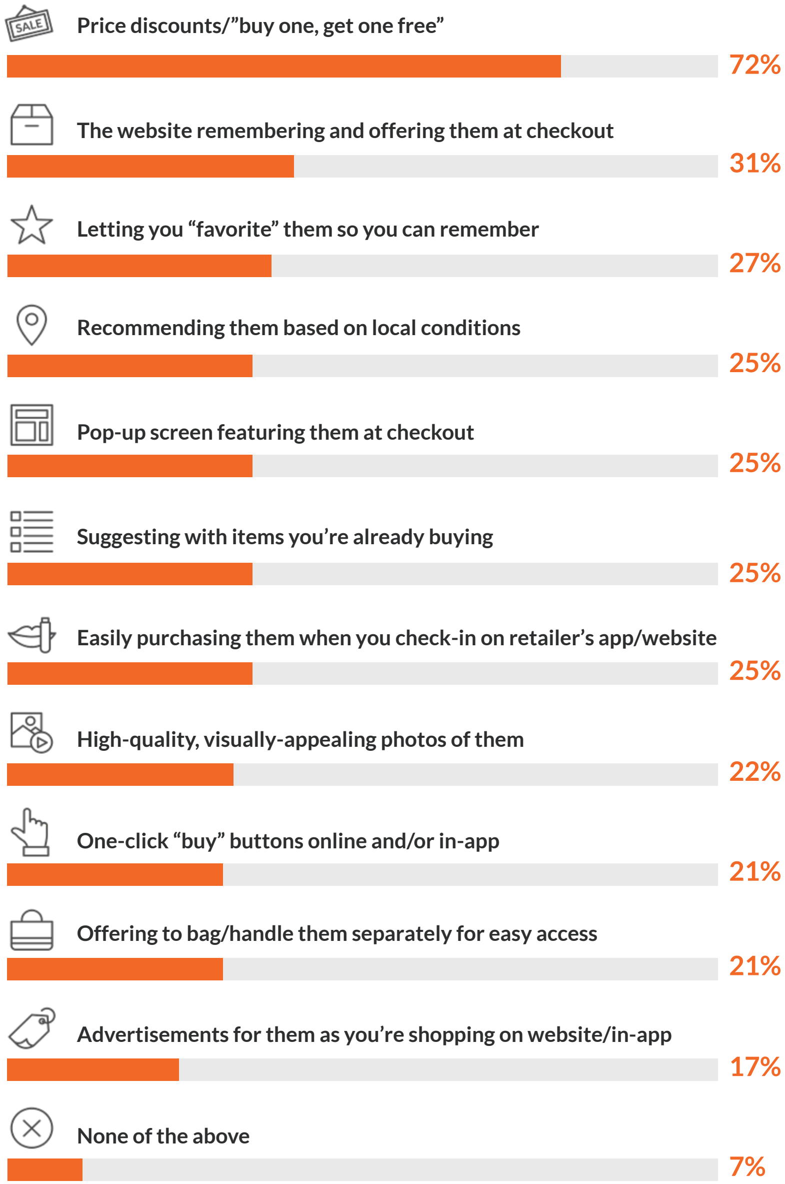
As the results clearly show, online grocery-shoppers are most optimistic about the efficacy of price discounts and incentives to spark online purchases of impulse goods.

Of course, what shoppers say they'll do and what they do are two different matters. These suggests do, however, offer a shopper's perspective on what it takes to sell impulse goods online.

Word of warning: *Whatever tactics retailers and brands use to sell impulse goods online...they shouldn't slow down online shoppers.*

Agent Photos

Which of these, if any, would be highly effective at getting you to purchase [impulse goods] while you're shopping online for groceries/HCs?



N = 1,088
online grocery-shoppers

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Methods & Demos

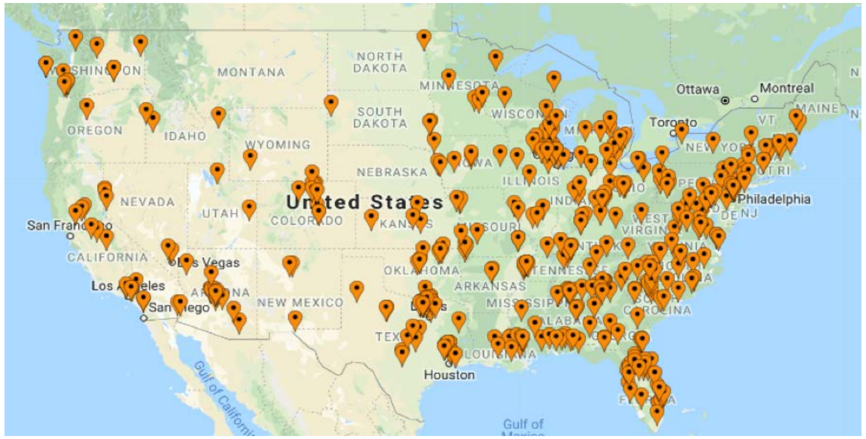
The data, insights, and analysis in this report are based on two Field Agent mobile studies, conducted July 27, 2018-August 4, 2018.
All data were collected entirely through the Field Agent mobile app, and all respondents were U.S. adults and smartphone owners at least 18 years of age.

Post-Shop Study (N = 411)

Field Agent conducted post-shop surveys with 411 shoppers immediately after they purchased at least $30 worth of groceries/household consumables through an online grocer for local pickup or "fresh" delivery (e.g., Walmart pickup, ClickList pickup, Instacart, AmazonFresh)

Female	79%
Male	21%
18-24	2%
25-34	33%
35-44	36%
45-54	20%
55-64	7%
65+	1%

Caucasian or some combo	83%
African-American or some combo	8%
Hispanic or some combo	4%
Other	6%
< $35,000	8%
$35,000-$49,999	19%
$50,000-$74,999	33%
$75,000-$99,999	18%
$100,000-$124,999	10%
$125,000-$149,999	6%
$150,000+	6%

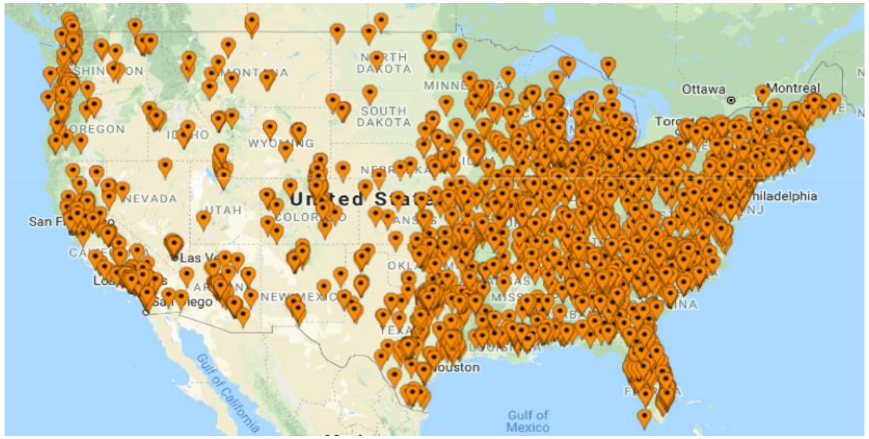


Shopper Survey (N = 2,889)

Field Agent surveyed a total of 2,889 U.S. adults, including 1,088 who purchase groceries/household consumables online

Female	69%
Male	31%
18-24	5%
25-34	27%
35-44	34%
45-54	22%
55-64	10%
65+	2%

Caucasian or some combo	76%
African-American or some combo	11%
Hispanic or some combo	6%
Other	7%
< $35,000	25%
$35,000-$49,999	22%
$50,000-$74,999	25%
$75,000-$99,999	12%
$100,000-$124,999	7%
$125,000-$149,999	3%
$150,000+	5%



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Checking Out

What We Learned

Impulse goods have a hard, uphill climb in the digital, omnichannel age. The impulsiveness of goods, from single-serve drinks to lip balm, appears to be higher inside stores than online. Call it an "impulse gap," and it exists at both the perceptual and behavioral level.

And not without reason. Impulse goods tend to be hidden online, and shoppers may be relatively more disciplined and efficiency-minded when shopping online for groceries/HCs. Let's not forget either that many impulse goods have prospered on the promise of immediate gratification, which is hard if not impossible to provide to online shoppers.

But there are silver linings. Shoppers had several recommendations for sparking impulse purchases of impulse goods online:

Be Visible: We [the shoppers] can't buy what we can't see. Many of us don't even realize your goods are available online.

Up the Value: We know about the substantial markup on impulse goods, which we're willing to pay when we're hungry or tired inside stores. Enhance the value proposition if you want to grab our attention.

Prompt Us: If you combine a good deal with an enticing visual and/or phrase, we may bite. Only, don't slow us down. We're online partly to avoid the tactics of B&M retailers.

Embrace Omni: Many of us go to stores—inside or curbside—to retrieve our online orders. Why not incorporate impulse goods into these retrieval processes?

It'll require a different mindset from shoppers, retailers, and brands, all three, but these parties could hew out a new place for impulse goods in the increasingly digital, omnichannel age. Traditional impulse goods still have pull—but it'll take new perspectives and more than a little innovation to get them in the hands of today's digital shoppers.