



# Retail Insights 2024: Delivering more than you bargained for

OC&C's Retail and Consumer Insights

US Market Report

January 2025



**OC&C**  
Strategy consultants



A woman in a blue dress is walking, carrying several shopping bags. The image is used as a background for the infographic.

## The Retail Proposition Index in Numbers

What causes a shopper to choose one retailer over another?

The OC&C Retail Proposition Index answers this through the sector's most comprehensive analysis of consumer attitudes

First Launched

**2010**

Ratings analysed since launch

**67.7m**

Consumers surveyed in 2024

**48,171**

Countries included in 2024 survey

**9**

Number of retailers rated

**568**

### There are promising signs of new priorities in the retail economy....

- We are seeing **green shoots** in consumer retail behavior as **inflation recedes** in many markets
- This **does not mean Value for Money has gone away** as a decision criteria – after years of austerity and inflation putting pressure on wallets, **consumers remain ingrained in looking for value...**
- .... But importantly other factors, **traditional elements of product quality**, and **delivering on a fun customer experience** are increasingly being seen as **elements to differentiate** on
- This is even more **vital in winning the hearts and minds of younger consumers** who now **represent a material share of spend**, and there is a delicate balance to be struck between the needs of different generations
- Lastly a report on retail would not be complete without a **comment on AI** and its impact on the retail sector...
  - While we see **impact on consumer behavior today as limited**, a **material proportion** of consumers have started using it as part of their regular shopping process
  - More importantly, it should be seen as a **facilitator of delivering great consumer propositions**

### ...which provides a set of imperatives for retailers to consider



#### Compete on Value, Win Through Trade Up

*Anchor on competitive entry price points while investing in top-tier premium and sustainable ranges to drive trade-up*



#### Don't Forget the Fun

*Inject excitement and enjoyment into retail experiences both online and offline to re-ignite customer engagement*



#### Navigate the Generation Game

*Balance the divergent needs of different age groups through targeted product ranges and propositions catering to different lifestyles*



#### Accelerate with AI

*Make targeted strategic bets on AI where it has the most meaningful potential to enable both operating models and customer propositions/experience*

# Compete on Value, Win Through Trade Up



1

Value-seeking behaviors are entrenched in consumer memories, and entry prices will remain highly competitive

2

However, importance of other factors is rebounding, with quality important in assessing value for money

3

Price leadership will not be enough to win, and retailers must act to ensure they deliver value beyond price

4

Variety and quality of trade up ranges should be key areas of focus and investment to re-establish differentiation

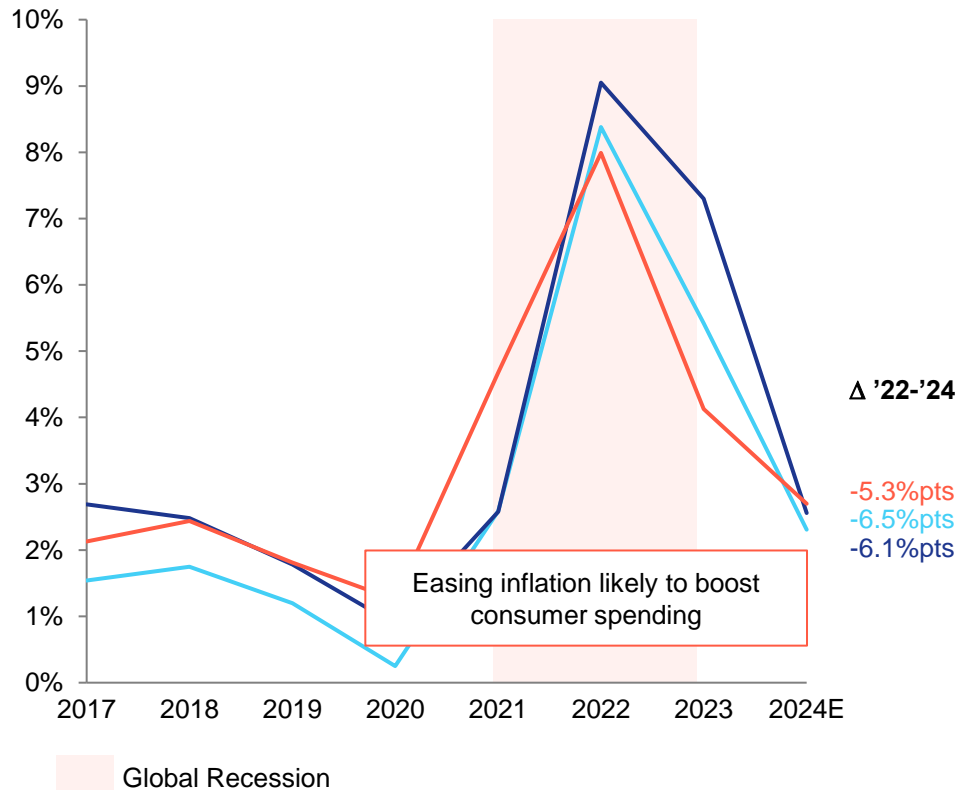




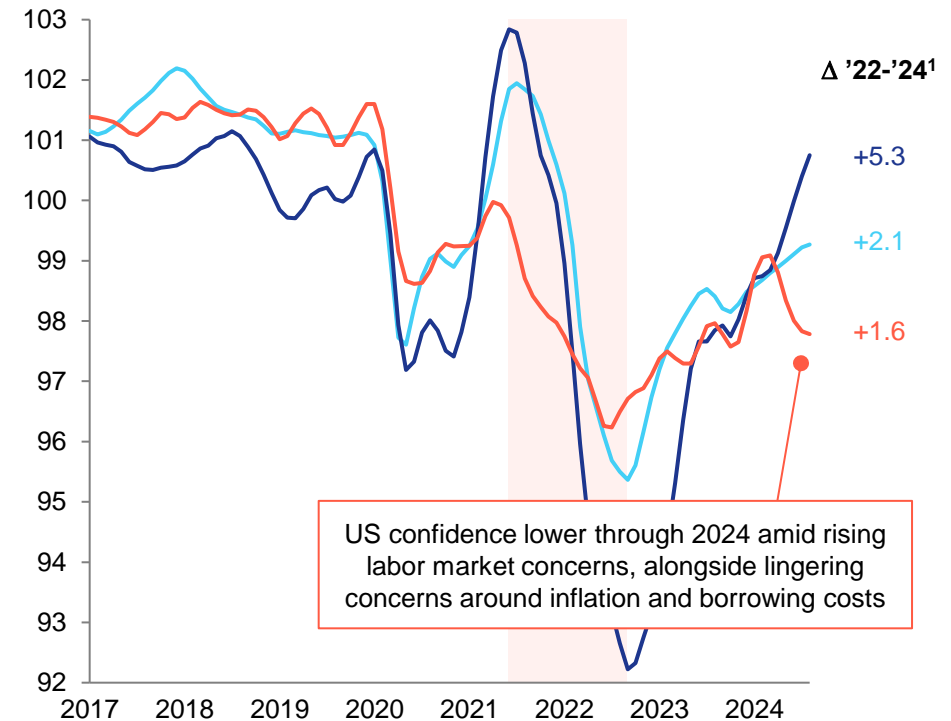
# Despite a faster initial recovery on macroeconomic metrics, US consumer confidence has fallen through 2024 due to labor and cost of living concerns

## Consumer Confidence

Annual Consumer Price Inflation  
2017-24E, (% YoY)



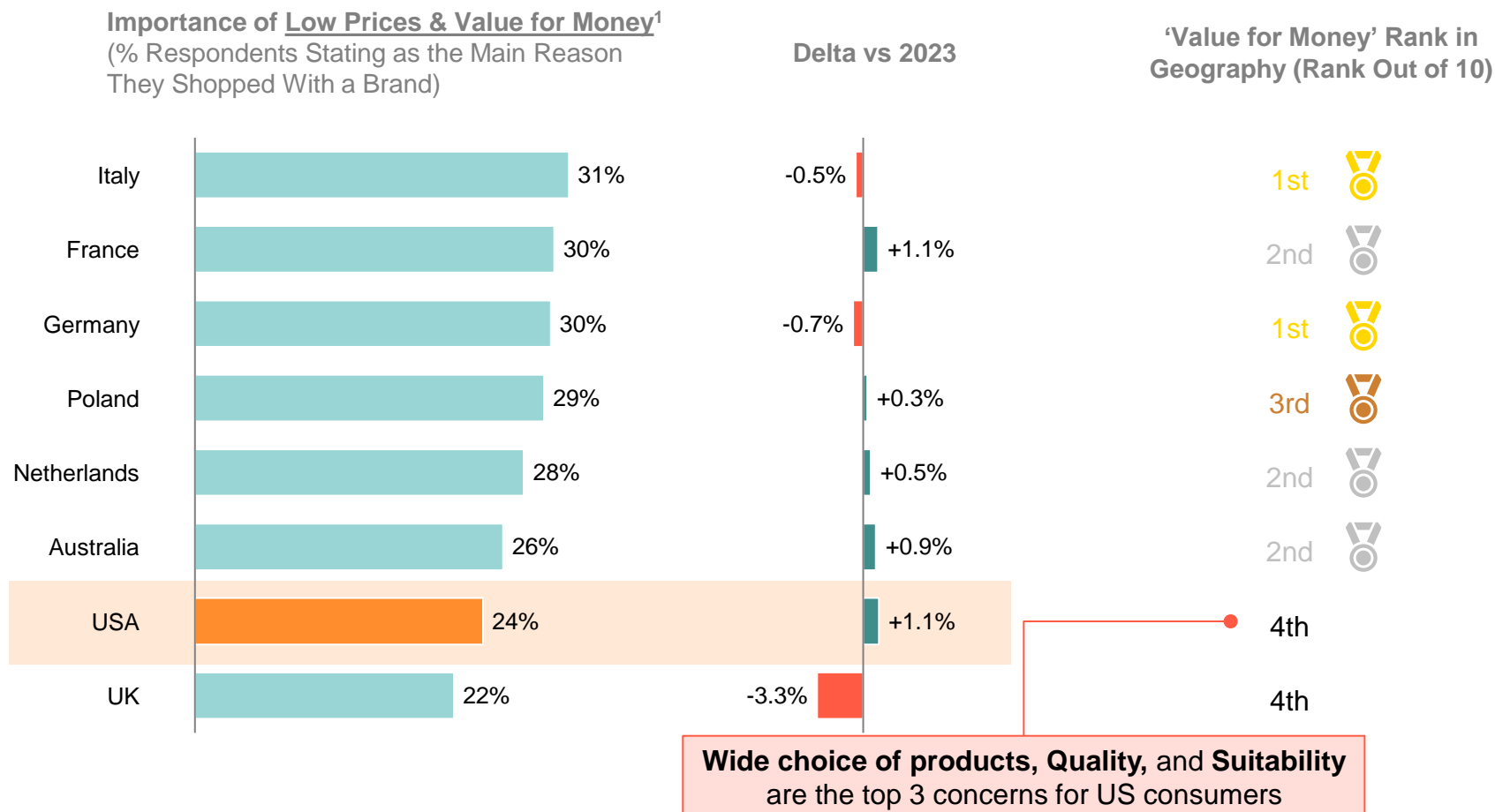
OECD Consumer Confidence Index  
2017-YTD24, (100 = Index of Long Run Average)





# As a result, the importance US consumers are placing on value has risen slightly year on year, although sits lower than many international peers

Importance of Low Prices & Value for Money When Choosing a Retailer



1. What was the main reason that you shopped with [brand]: low prices / value for money?

Source: OC&C Retail Proposition Index 2024, OC&C analysis





# Consumers consider quality as core to perception of value for money, and this is accelerating in importance ahead of low prices

## Increased Importance of Quality vs 2023

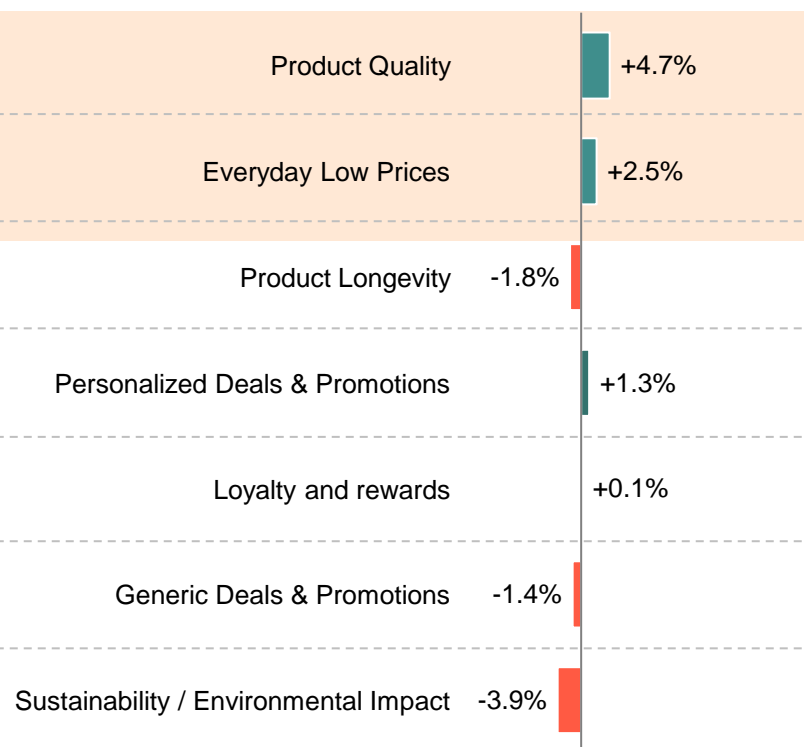
Product Quality remains top component for the perception of value for money...

'What does Value For Money Mean to You': Change in % Respondents Including in Top 3 Factors 2024<sup>1</sup> (US)



...and it has seen the biggest increase in importance vs other components since last year

'What does Value For Money Mean to You': Change in % Respondents Including in Top 3 Factors 2024 vs 2023<sup>1</sup> (US)



1. Thinking about retail more broadly, what does 'value for money' mean to you? Please rank your top 3 | Quality of product  
Source: OC&C Retail Proposition Index 2024, OC&C analysis



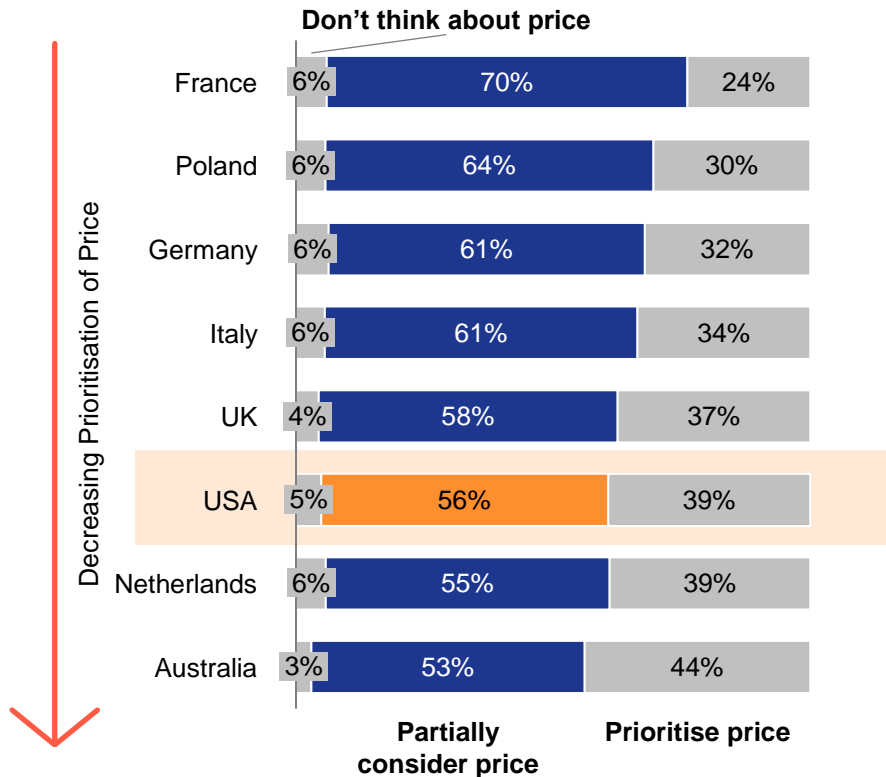


# Price leadership alone is no longer enough to win, and customers generally look beyond discounters for most missions

## Consumers' Consideration of Price

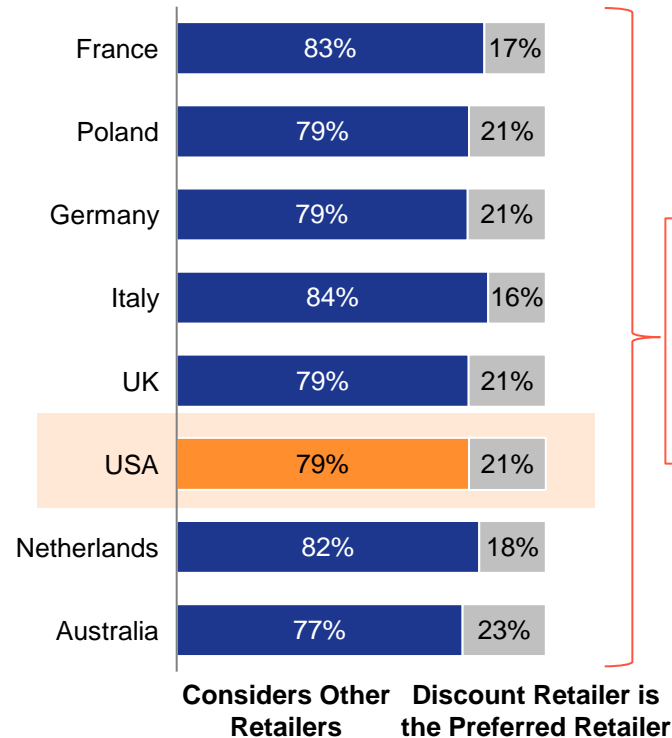
The majority of consumers factor in price alongside other considerations when shopping...

Respondents' Attitude to Price When Shopping<sup>1</sup>  
(% Respondents, 2024)



...and discounters are rarely consumers' preferred retailers, opting instead for those that can offer other elements

Respondents' Loyalty to Discount Brands<sup>2</sup>  
(% Shoppers of a Discount Brand Stating that the Brand is Their Preferred Retailer When Shopping for Relevant Products)



<25% of discount brand shoppers in each geography said it was their preferred retailer for the purchase: consumers look for more than just low prices

1. What statement best describes your attitude to price when you are shopping?

2. Which of the following best describes your relationship with [brand]: [brand] is my preferred retailer/brands when I am shopping for interesting products

Source: OC&C Retail Proposition Index 2024, OC&C analysis



# Don't Forget the Fun



1

Consumers continue to prioritize leisure spending over retail, and retailers will need to work hard to win spend

2

Fun has been lost from retail experiences, and retail underperforms the new bar set by digital leisure platforms (e.g. Airbnb)

3

Temu and Shein are gaining traction through both fun experience and low prices, and should provide both inspiration and urgency for incumbent retailers

4

Retailers need to find ways to re-inject fun and excitement into both online and offline customer journeys to drive engagement

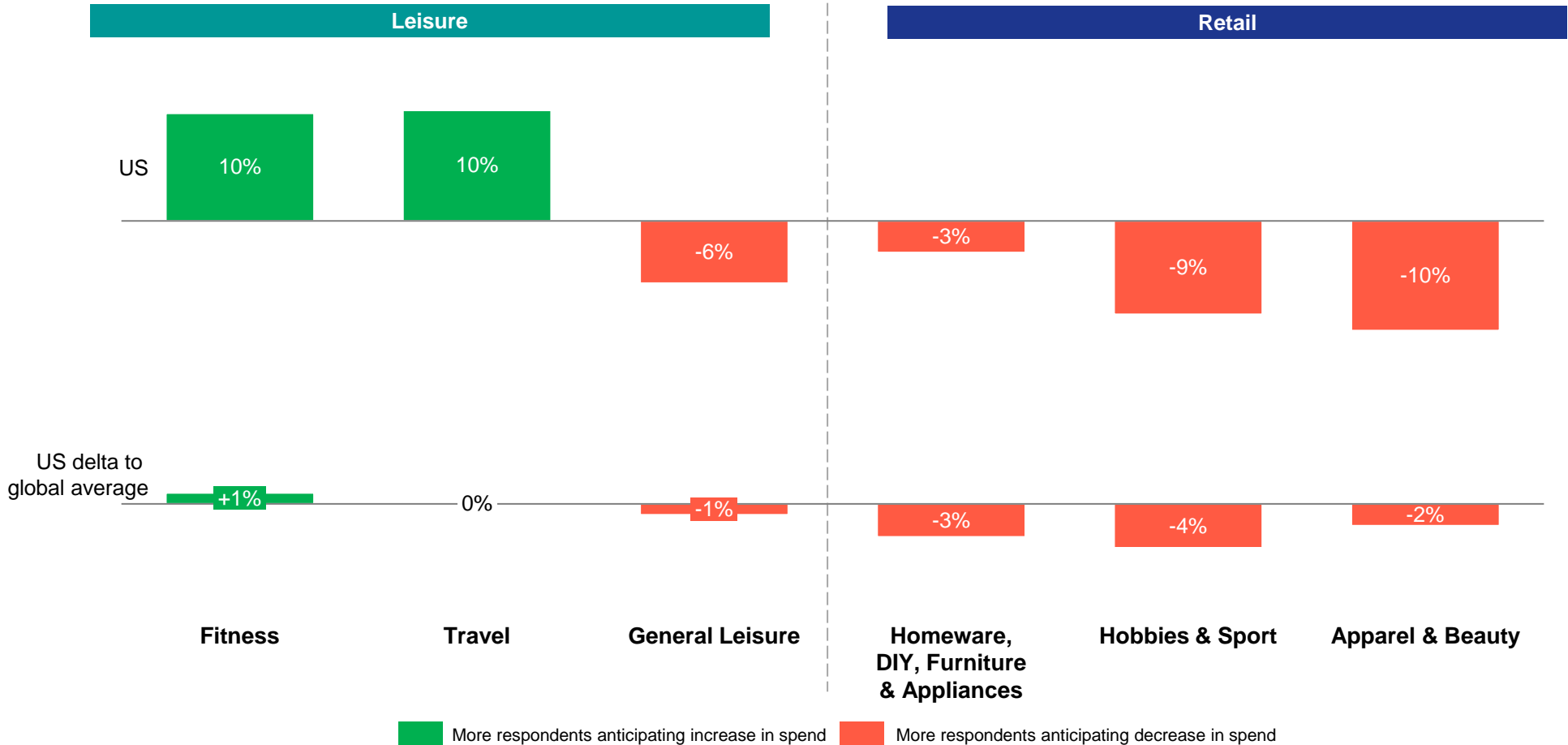


Don't Forget the Fun



# US consumers are continuing to prioritize spend on services vs things, with long term tailwinds backing the experience economy

Anticipated Net Spend Change in Next 12mo, by Discretionary Spend Category<sup>1</sup>,  
(% Respondents, US Market)



1. Looking forward to the next 12 months, how do you think your spend on these different categories is likely to be different relative to the last 12 months?

Source: OC&C Retail Proposition Index 2024, OC&C analysis

| © OC&C Strategy Consultants 2024

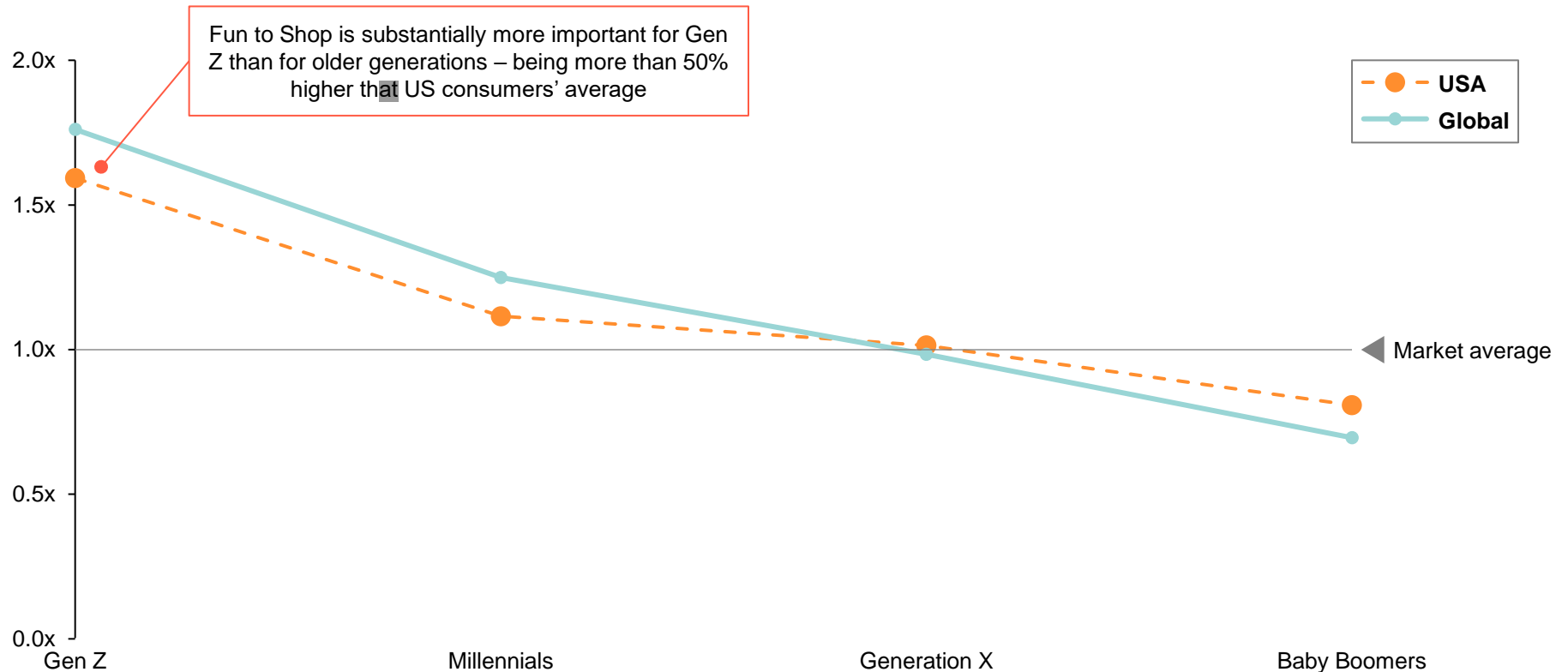




# Experience is also becoming an increasingly important factor when shopping, with a 'Fun' retail experience being critical for younger generations

## Importance of 'Fun to Shop' in Decision to Choose Retailer by Generation<sup>1</sup>

(Respondents Stating as the Main Reason They Shopped With a Brand: Indexed Avg. Across Generations = 100)



1. What was the main reason that you shopped with [brand]: fun to shop?

Source: OC&C Retail Proposition Index 2024, OC&C analysis





# The next generation of retail disruptors are re-inventing fun customer experiences, with propositions anchored on both fun and low price

## Chinese Disruptors Ratings & Rankings

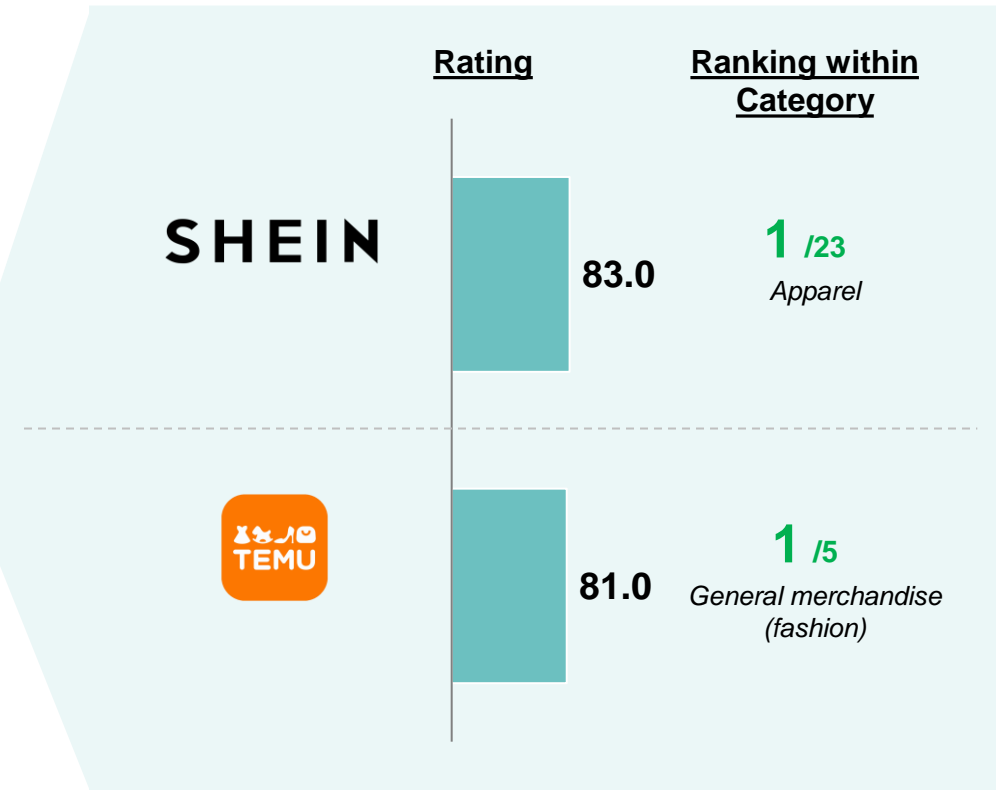
Shein & Temu are beating more established online retailers in their categories on low prices and fun to shop...

US Ratings by Brand<sup>1</sup>



...and are the highest ranked brands for 'fun to shop' in their categories

Fun to Shop Ranking & Rating<sup>1</sup>: US



1. Please rate [brand] on the following criteria

Source: OC&C Retail Proposition Index 2024, Global Data, CapitalIQ, Desk Research, OC&C analysis





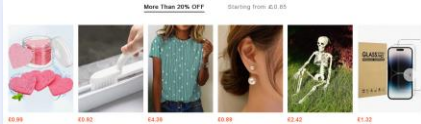
# These platforms generate 'fun' through a myriad of features which encourage engagement, interaction, and excitement; other retailers can learn from these

## Approaches to creating a fun retail experience

1

### Eclectic product range

*Diverse range of product categories within which the inventory is constantly updated creates a new experience at every visit, and a sense of anticipation of not knowing what you will come out with*



2

### Gamification of purchase journey

*Features such as daily check-in rewards, referral bonuses, and prize wheels creates a buzz and sense of excitement within the journey. Personalized offers or coupons also give the shopper a feeling of agency over the experience.*



3

### Flash sales

*Frequent limited-time sales and special offers create an impression of urgency and the fear of missing out, which makes the purchase feel more rewarding and keeps the customer coming back*



4

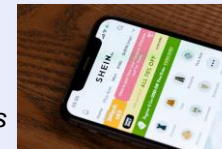
### Hyper-personalisation

*Fast-moving and granular algorithms identify individual users' preferences in real time to generate constantly updated recommendations, which are also influenced by real-time trend monitoring and A/B testing*

5

### Attention-grabbing UI

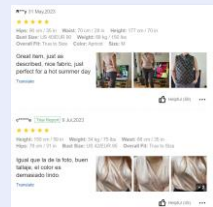
*Bright and stimulating UIs which incorporate colours, banners, and animations create an energetic and exciting experience. Frictionless design features such as infinite scroll and adaptive homepages also create a seamless purchase journey.*



6

### Social-proof, community-driven model

*Collaborations with influencers and encouragement of sharing photo-reviews on products creates a sense of interaction and community, as well as increased trust and confidence in the purchase*



# Navigate the Generation Game



1

GenZ/Alpha are now material spenders (25% of expenditure) but this needs to be weighed carefully against the 50% held by GenX/Boomers

2

Generational needs are increasingly polarized and few retailers are managing to resonate consistently across generations

3

Retailers face an impending decision-point on whether they can credibly deliver ageless appeal, or whether a more targeted approach is required

4

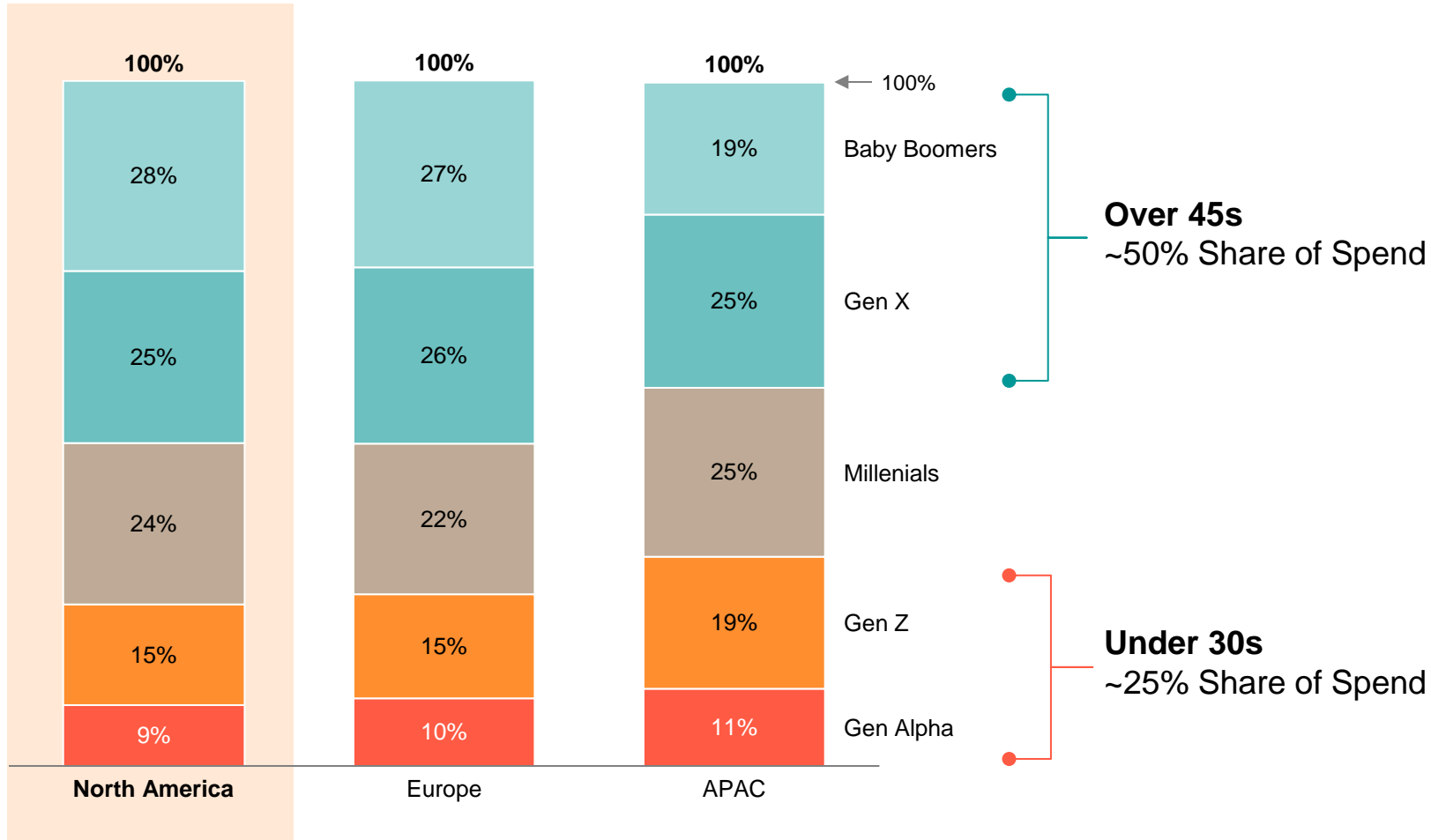
Propositions will require careful tailoring to meet the needs of the target generational mix and ensure continued relevance





# Gen Z and Alpha now contribute a meaningful share of consumer spend (25%+) – but this must be weighed against the 50% of GenX/Boomers

Consumer Spend by Generation, 2024



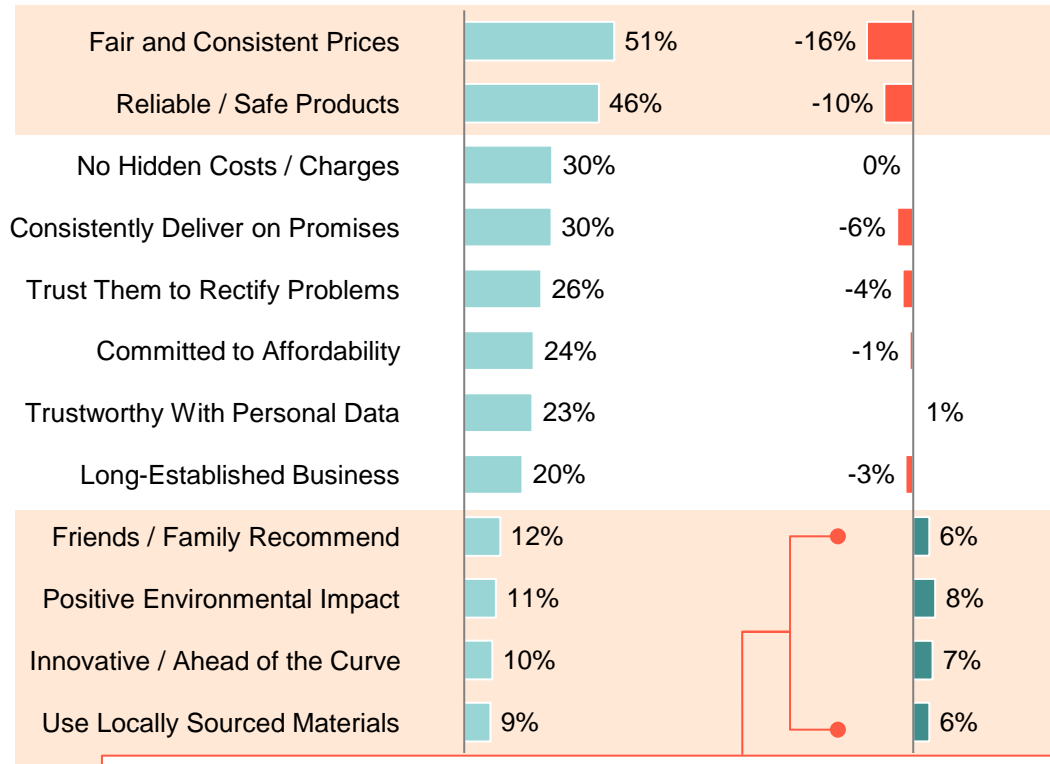


# The emerging generations show diverging needs and requirements from their predecessors

## Gen Z Differences in Perception of Trust & Value for Money, US Respondents

### Importance of Factors in Perception of Trust<sup>1</sup> (% Ranking Factor in Top 3)

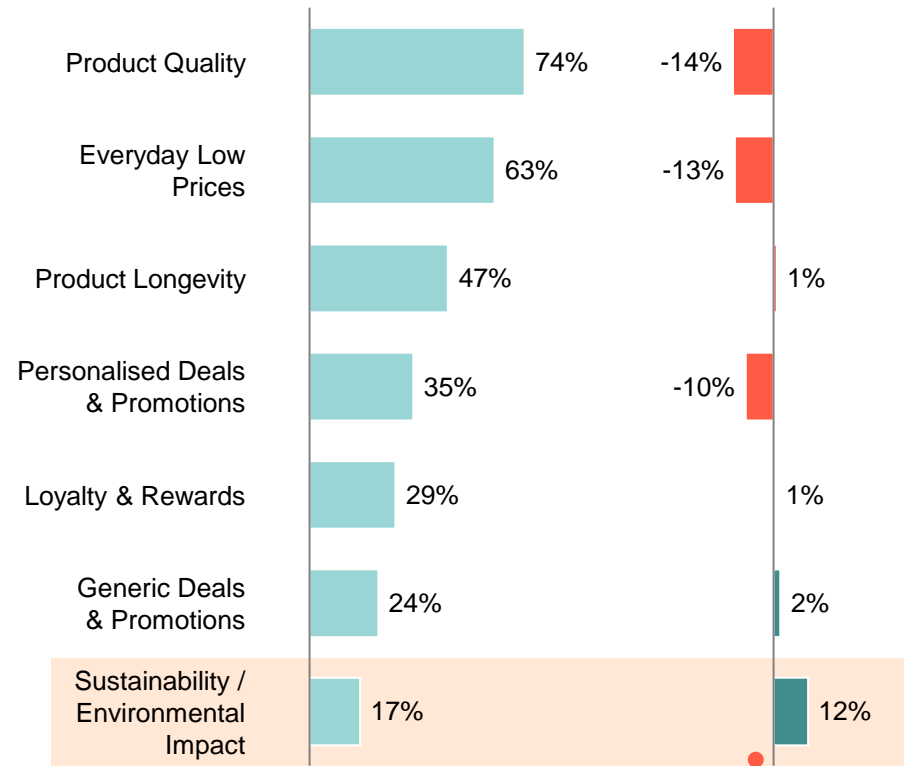
### Delta Gen Z vs Other Generations



Gen Z uses recommendations from family & friends much more when considering their trust of a brand, and cares significantly more about a brand's environmental impact, innovation, and the local sourcing commitment

### Importance of Factors in Perception of Value for Money<sup>2</sup> (% Ranking Factor in Top 3)

### Delta Gen Z vs Other Generations



Sustainability is a much more component of value for money for Gen Z

1. When you think of 'trust' in a retailer, what is the most important factor to you? (Please rank top 3)

2. Thinking about retail more broadly, what does 'value for money' mean to you? (Please rank top 3)

Source: OC&C Retail Proposition Index 2024, OC&C analysis

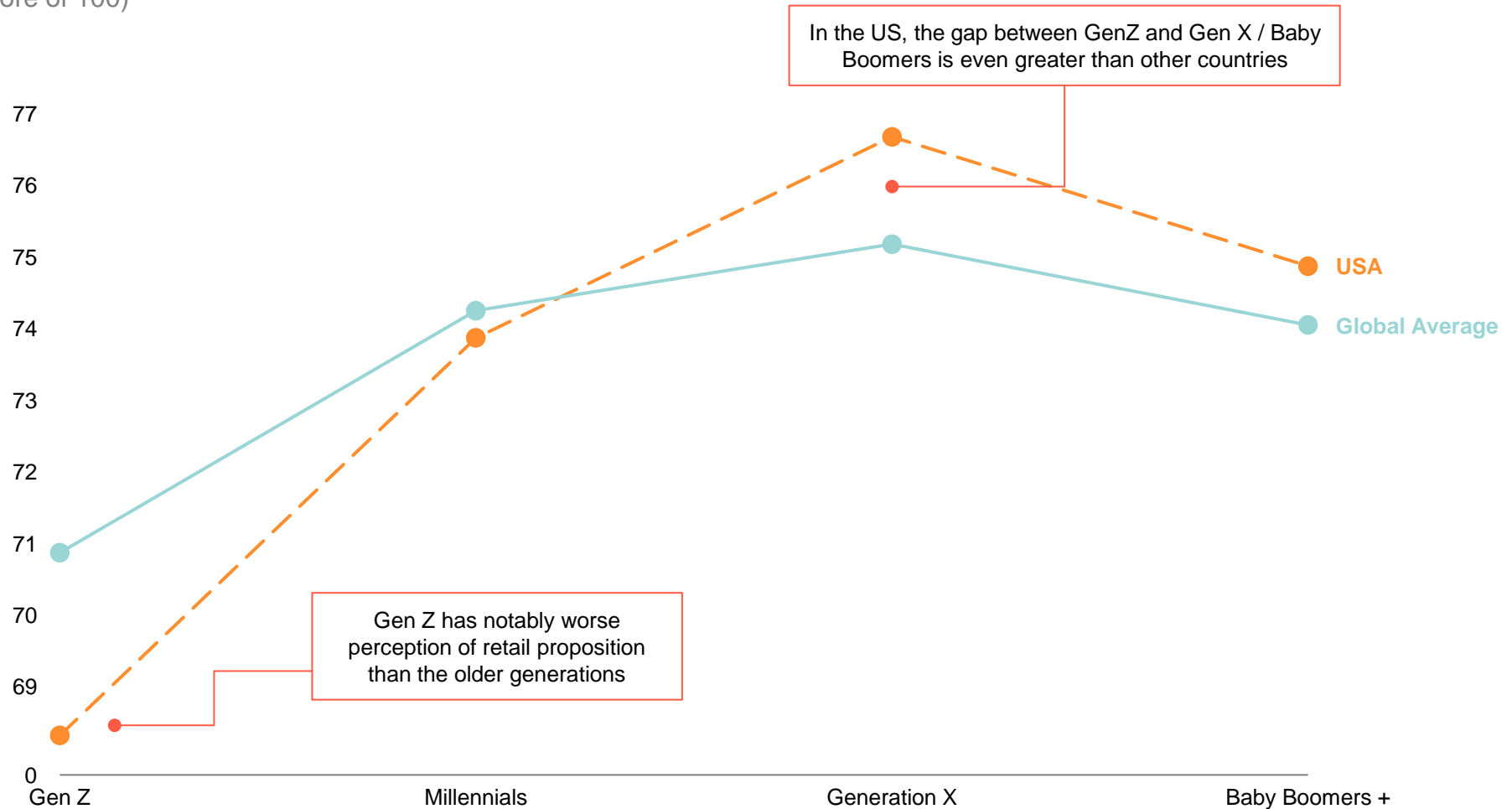




# And today's retail propositions are not resonating with them, leading to them having worse perceptions of retailers overall

Average Overall Rating by Generation

(Score of 100)

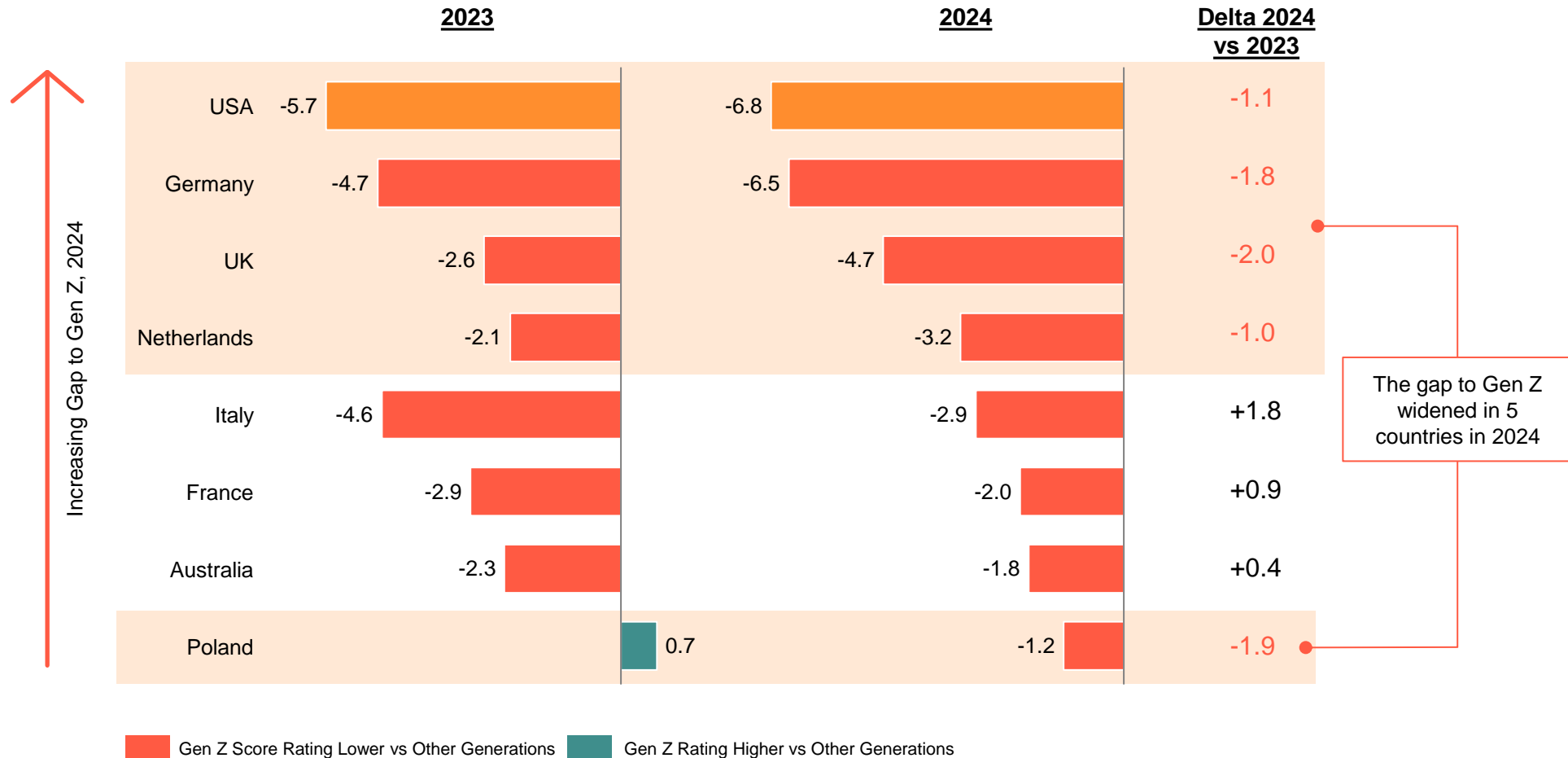




## ...and the generational gap shows signs of widening

Delta Average Overall Rating: Gen Z vs Average of Other Generations

(Score out of 100, 2023 vs 2024)





# Retailers are faced with an impending choice on whether they can deliver ageless appeal – or to double down on a side of the generational divide

## The Generational Choice

### Pursue the New Consumer

Example Gen Z Winners 2024



SEPHORA



Ensures longevity of relevance and provides opportunity to win share on a hard to serve consumer...

...But the size of prize is smaller, requiring high share of wallet...

...And moving too fast risks alienating today's core consumer

### Deliver Ageless Appeal

Example Cross-Generational Winners 2024



Common themes of cross-generational winners can include:

Wholesome brand position	Targeted curation / sub-brands
Discovery-led retail experiences	Truly omnichannel model
Strong innovation cycle	Technical credentials

But this playbook will not fit all categories or operators

### Double Down on the Known Opportunity

Example Gen X/Boomer Winners 2024



POTTERY BARN

Largest pool of consumer spend – and supported by an aging population...

....But succession-planning is needed if Gen Z don't age into the proposition over time...

...And there are risks if millennials and Gen X follow GenZ-led trends



# Accelerate with AI

1

AI will enable the next wave of retail transformation, improving both operating efficiency and customer propositions

2

Customer and retailer adoption is already growing but retailers need to be choiceful on where and when to act / invest

3

AI is a strategic rather than operational topic and should be firmly on CEO and board agendas (as opposed to CTO)

4

Impactful deployments are likely to be those which align with underlying operational / propositional strengths and enhance competitive advantage





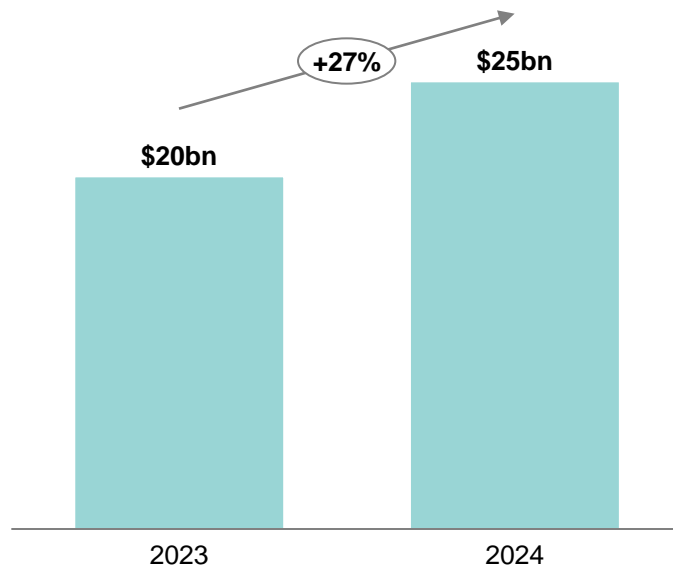
# AI will be a fundamental unlock in driving the next phase of efficiency in retail operating models, with c.80% already using the technology to some degree

## Retailer Investment in AI Tools

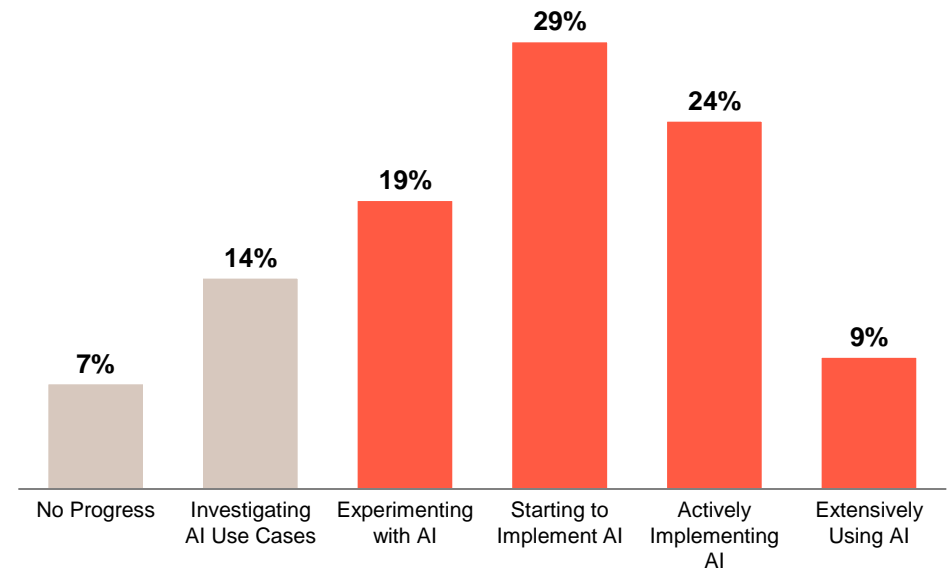
AI spend in retail is growing rapidly, with retail being the 3<sup>rd</sup> largest spender on AI after Software & Information, and Banking industries

Almost 80% of retailers have begun using AI, with many of these actively implementing it into their businesses

Global AI Spend<sup>1</sup> by Retailers, 2023-2024 (\$bn)



AI Adoption by US Retailers, 2024 (%)



1. Including software, hardware and services for AI-centric systems  
Source: IDC, GlobalData, Colliers, OC&C analysis

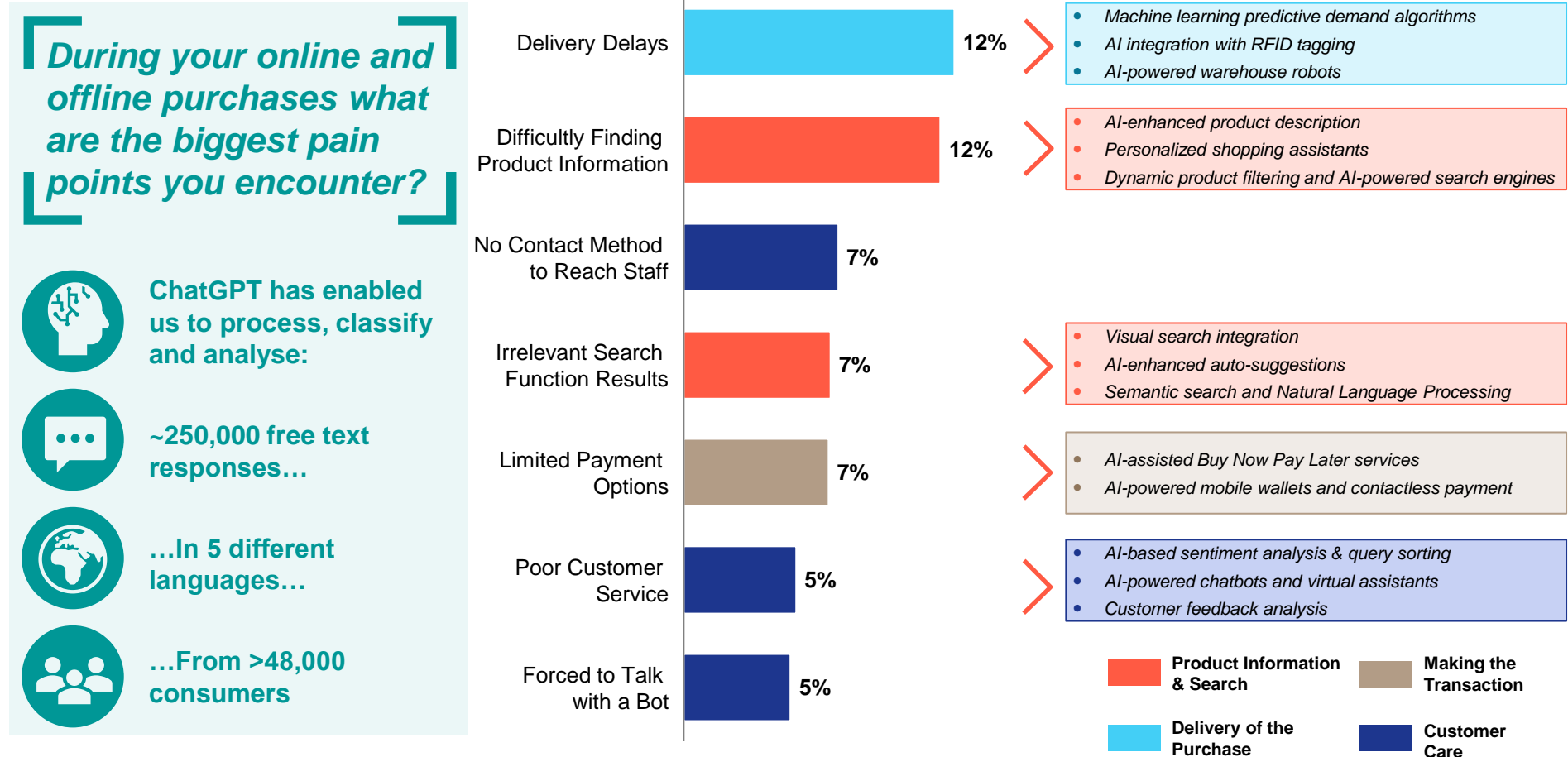




# Retailers can generate a significant competitive advantage by effectively addressing customer pain points through technology and AI...

**Consumer Pain Points During Shopping Missions<sup>1</sup>**  
(% of Respondents: N=48,171)

**Potential AI-enabled solutions:**



1. Q62n22: During your online/offline purchases, what are the biggest pain points you encounter during each of the following parts of the shopping journey?

Source: Colliers, GlobalData, OC&C Retail Proposition Index 2024, OC&C analysis



# ... and there are already examples of retailers using AI throughout their operating models and customer propositions

## Retailer AI Implementation Case Studies

### Inventory Management

Walmart



AI-powered inventory mgmt. system - **machine learning** predicts demand and manage stock

Reduction in out-of-stock incidents, and **c.15% increase to employee productivity**

### Pricing & Promotions

amazon



**AI dynamic pricing algorithm** considers competitor pricing, demand and inventory levels to set competitive prices

Price change on avg. every 10mins for each product, resulting in **optimal price point to maximize revenue**

### Marketing & Advertising

Michaels



Integration of Gen AI to analyse customer marketing engagement

**Personalized email campaigns to 95%** (from 20%), with click-through rate for emails and SMS campaigns increasing by **25%** and **41%** respectively

### Purchasing Experience

FARFETCH



**In-app visual search function** allowing customers to find similar items based on image upload

**Decreased irrelevant search results**, and enhanced user experience through creation of a personalized shopping experience

### Customer Service

LIBERTY LONDON



AI-based **sentiment analysis** to route customer queries and equip agents with insights to better serve customers

**c.11% decrease in ticket resolution time** and **c.73% decrease in first reply time**

Carrefour



'Hopla' **ChatGPT based bot**– offers customer support in choosing products on website

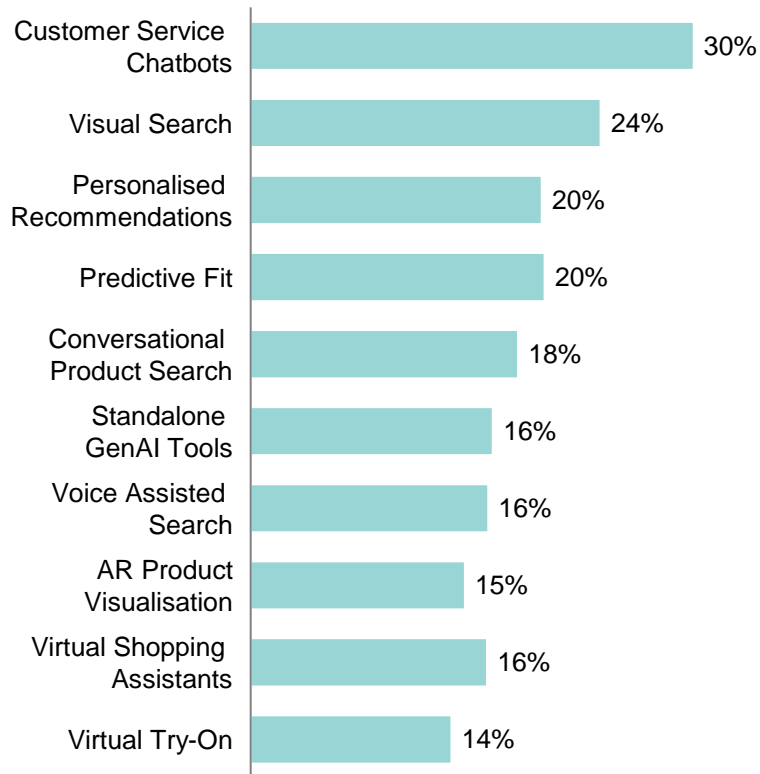
Significant **enrichment of brand product sheets for over 5k online SKUs**



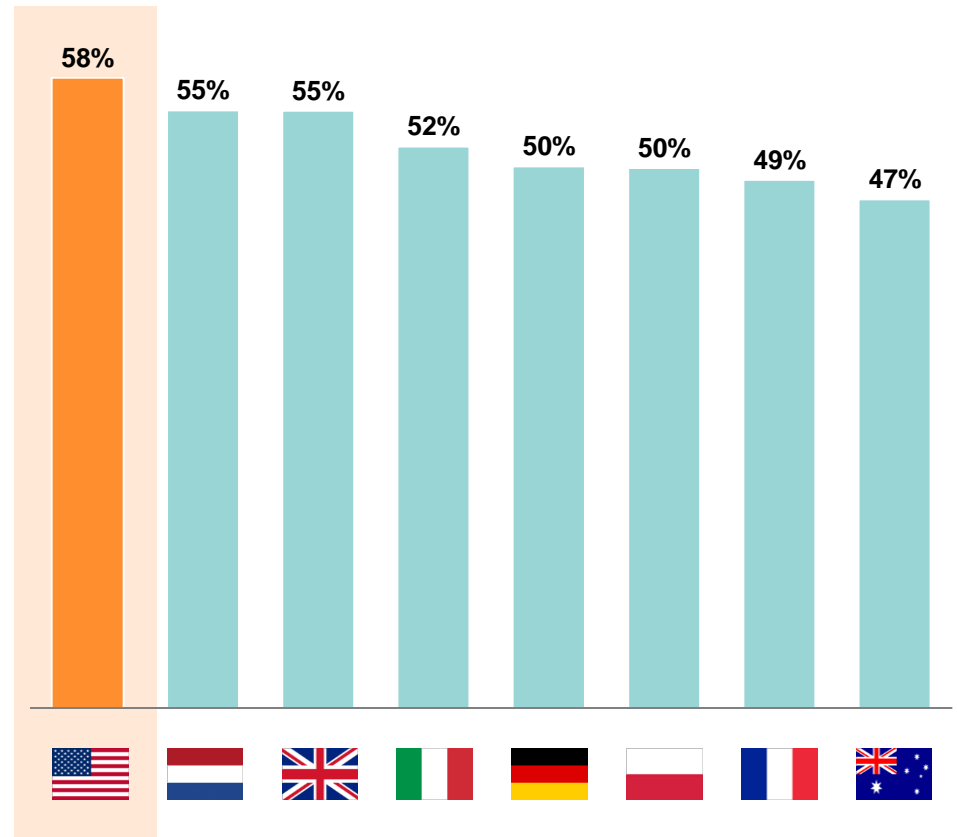
# Consumer adoption in retail remains nascent, but there is already evidence of emerging use in the US and across global markets...

## Current Consumer AI Adoption

AI/Tech Feature Usage in Retail, US<sup>1</sup>  
(% of Respondents Using in Last 12 Months)



Usage of At Least 1 AI/Tech Feature when Shopping by Geography<sup>1</sup>  
(% of Respondents Using in Last 12 Months) - Global View<sup>2</sup> Excl. China



1. Q62n24: Which of the following features have you used for online/offline shopping in the past 12 months, or would consider using? [Have used in the last 12 months]

2. Includes Australia, Germany, France, Italy, Netherlands, Poland, UK & USA

Source: OC&C Retail Proposition Index 2024, OC&C analysis

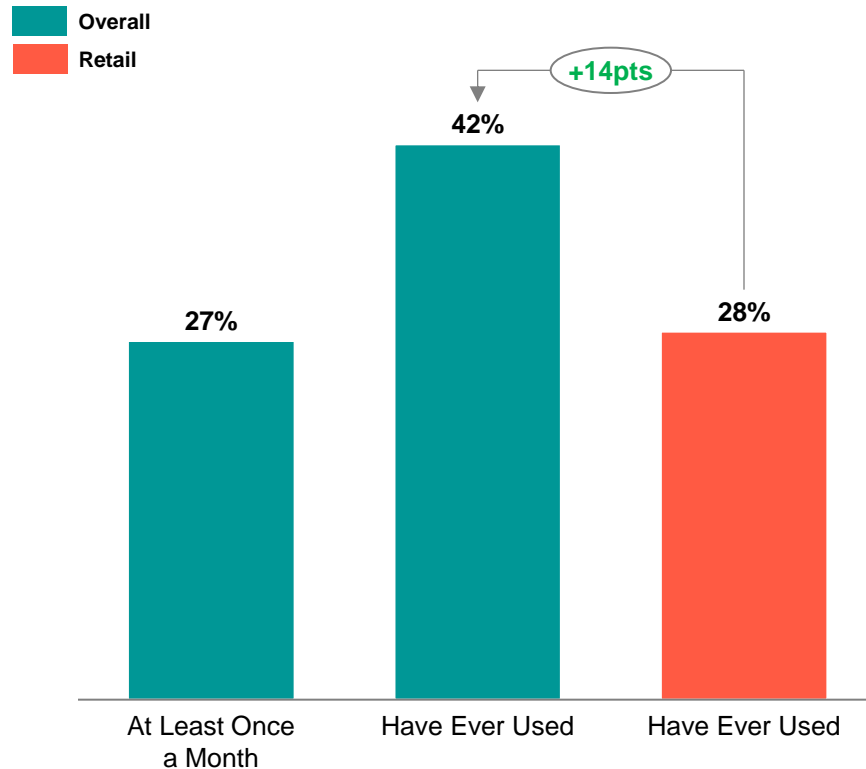


# ...with potential for rapid acceleration in retail as use cases are developed

## GenAI Tool Usage by Use Case<sup>1</sup>, US Respondents Only

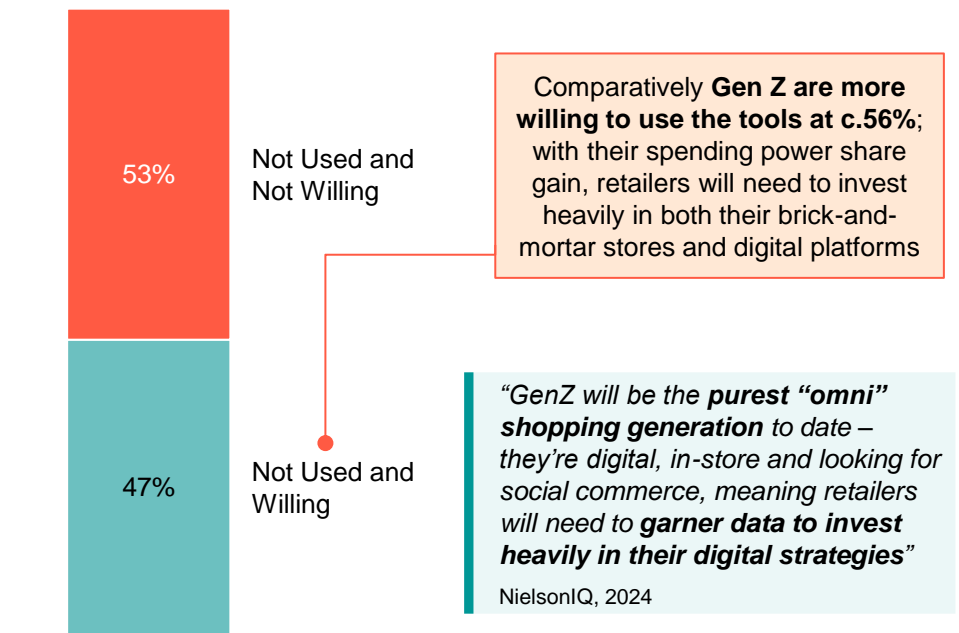
AI tool usage is c.14%pts lower in retail than overall use, indicating significant headroom...

GenAI Tool Usage in Retail vs Overall<sup>1,2</sup>  
(% of Respondents)



...and nearly 50% of those that have not used AI tools before are open to the idea

Willingness to Consider GenAI Tool Usage in Retail<sup>2</sup>  
(% of Respondents)



1. Q62n23: How often do you use standalone GenAI tools (e.g. ChatGPT, Bard, ERNIE, Claude, etc.)?

2. Q62n24: Which of the following features [GenAI tools] have you used for online/offline shopping in the past 12 months or would consider using?

Source: OC&C Retail Proposition Index 2024, Opinium, NielsonIQ, OC&C analysis

