

GBU 20

ANNUAL RETAIL REPORT CARD

EXECUTIVE SUMMARY





Introduction

The state of retail can be summarized in one word: Reformation. Consumer preference is shifting faster than we can say “Hey Alexa”, brand awareness is rapidly eroding, and the market is being dominated by niche brands birthed from the ecommerce and social media boom. And to top it all off, we are truly in the midst of a mass exodus towards online shopping; by 2040, nearly 95% of all purchases will take place on ecommerce channels.¹ But despite this online affinity and the fact that brick-mortar retailers closed around 7,000 stores in 2018,² not all hope is lost for traditional brands. They have existing consumer bases and a wealth of data that even the most established start-ups couldn’t compete with. And now, both of these players are vying for consumers’ attention.

We created the Good, the Bad, and the Ugly to find out which brands are sinking and swimming in this time of unparalleled change. Our third annual report evaluates which brands are dominating the new consumer market (the Good), which brands are barely getting by (the Bad), and which will flatline soon if they don’t make some big changes (the Ugly). We weighed data from 2017, 2018, and 2019 in order to identify year-over-year industry trends with 100 brands, 92 of which were featured in last year’s study.

Over the past three years, we have polled over 11,000 consumers with incomes over \$35,000 across the United States to evaluate 100 of the most well-known brands in retail today. The questions we asked respondents were simple:

1. Which of the following retailers are you aware of?
2. Considering each of the retail brands you are aware of, please rate them as:
 1. **GOOD:** This retailer 'gets me', takes care of me and has a great future
 2. **BAD:** This retailer is just ok, they're not my favorite, but they serve a purpose
 3. **UGLY:** I don't care if this retailer disappears tomorrow
3. Name any retailer that serves you and its customers the Best/Worst. Then share some of your thoughts on what makes this retailer the Best/Worst.

In this year's study, it became evident that we needed to implement tighter generational dividers in order to gain a deeper insight into how each demographic behaves, and how they feel about brands based upon that. We all know that generations are becoming more divided than ever, so instead of splitting consumers into Digital Natives and Digital Immigrants as we have done in the past, we segmented this year's report into five traditional demographics based on birthyear:



GEN Z

18 to 22



MILLENNIALS

23 to 38



GEN X

39 to 54



BOOMERS

55 to 73



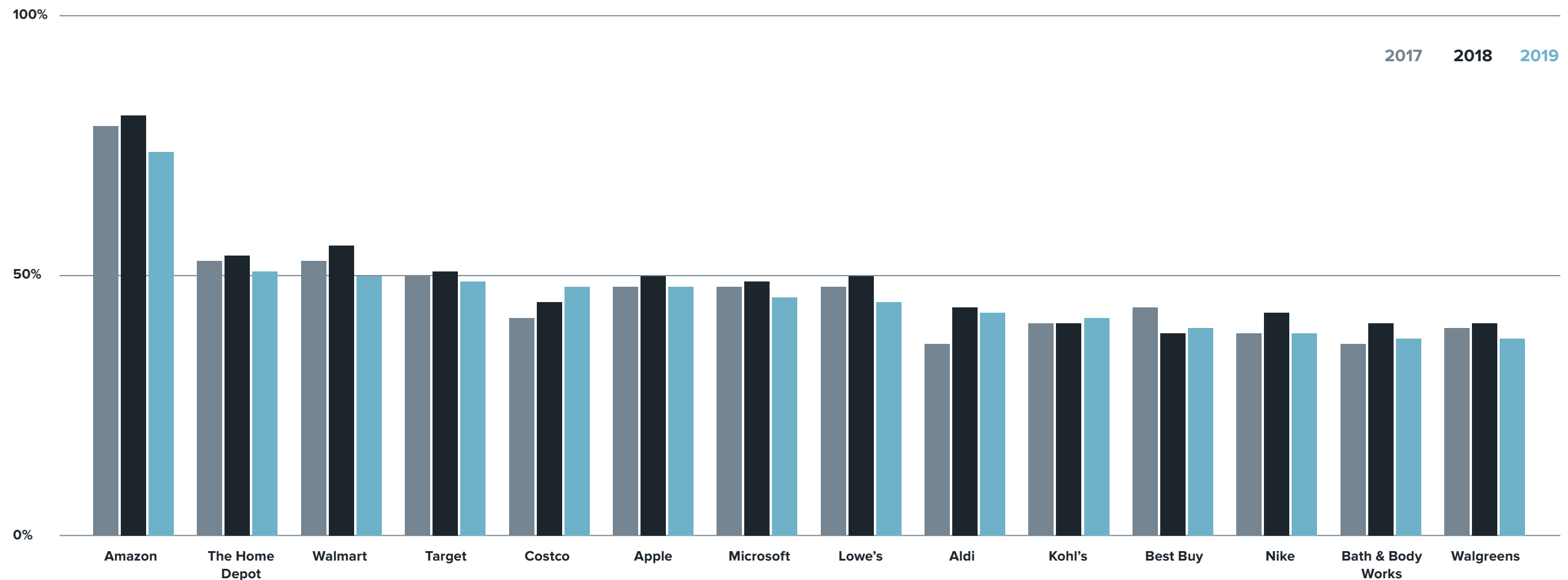
THE SILENT GENERATION

Over 73

The Good

This year, respondents made it abundantly clear that becoming consumer-centric is the way to succeed, especially with younger cohorts. They want what they want how they want it and are definitely not afraid to let retailers know, ultimately pushing them to evolve in the face of impending irrelevancy. And 2019 showed which brands were truly willing to go that extra mile to keep their consumers (and their profits) around.

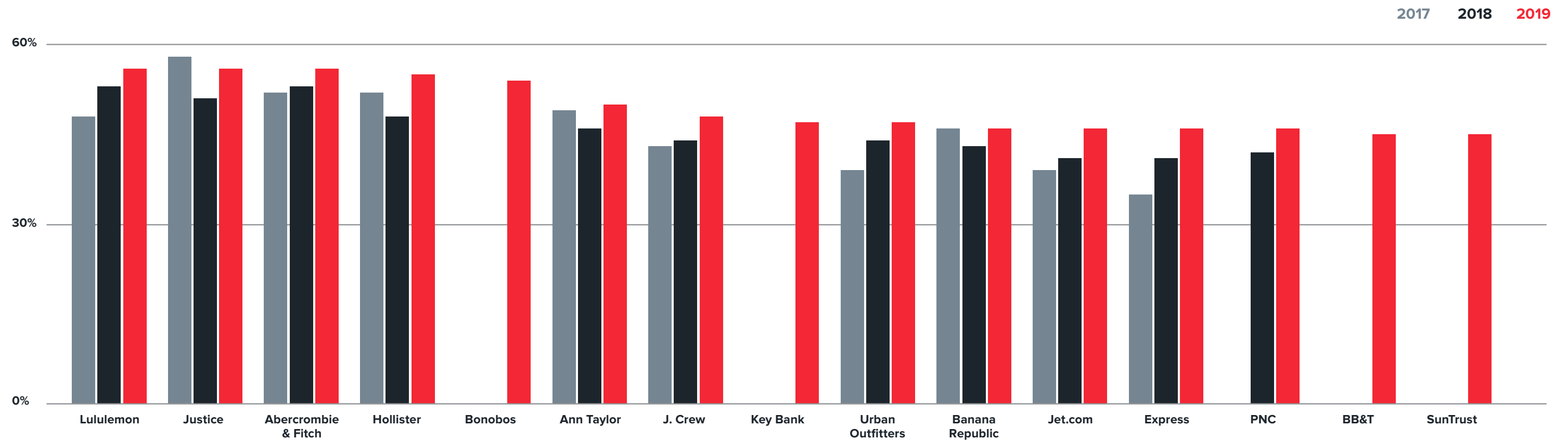
Good = This retailer “gets me”, takes care of me and has a great future



The Ugly

The retail apocalypse is challenging brands across the gamut to become more consumer-focused. But for them to truly zero in on consumers, they first need to understand their core customer base. Customer service, quality, prices, and employees were the arenas where consumers found the top Ugly brands to be lacking. The findings also point to the fact that many specialty apparel retailers—Lululemon, Abercrombie & Fitch, Hollister, J. Crew, Urban Outfitters and Express—are struggling in these areas, which explains why these brands' Ugly classification is increasing over time.

Ugly = I don't care if this retailer disappears tomorrow



The Best

Additionally, we asked consumers to name any retailer that served them and its customers the Best/Worst. Unsurprisingly, Amazon dominated the Best list for the third year in a row, being trailed by its big box counterparts. When categorizing these brands, consumers used words like prices, customer, great, quality, and service—all areas in which Amazon, Walmart, and Target are thriving in.

BEST* RETAILER	2017	2018	2019
Amazon	22%	21%	20%
Walmart	15%	13%	13%
Target	9%	7%	9%
Costco	4%	4%	6%
Kohl's	4%	5%	4%
Macy's	3%	3%	3%
Best Buy	3%	3%	2%
Nordstrom	2%	2%	2%

*Named (unprompted) by respondents as a brand that serves its customers best.

The Worst

The Worst list saw some unexpected guests; Walmart took the lead as the Worst brand in the study despite being named one of the Best. In fact, Target, Macy's, Kohl's AND Amazon all can be found on both the Best and Worst lists, implying consumers have a love/hate relationship with these brands. When asked what makes a Worst brand, respondents cited customer service and employees.

WORST* RETAILER	2017	2018	2019
Walmart	27%	21%	24%
Target	5%	5%	5%
Kmart	6%	5%	4%
Sears	6%	5%	3%
Macy's	3%	2%	2%
Wells Fargo	0%	1%	2%
Amazon	1%	1%	2%
AT&T	1%	1%	2%
Kohl's	2%	1%	2%

*Named (unprompted) by respondents as a brand that serves its customers worst.


Vertical Deep Dives

The Good

When looking at how each vertical performed, there were clear winners and losers. Overall, the box and drug verticals were the best performing in the study. Online trailed close behind, followed by department and grocery. Grocery is a unique industry as it's dominated by big boxers Walmart and Target, yet experiential and convenience factors (hey BOPIS) are beginning to play a role in where consumers buy their food.

The Ugly

Financial and specialty verticals dominated the Ugly list. Specialty apparel specifically is being disrupted as consumers are taking a harder look at where to spend their hard earned cash; although mall traffic continues to decline, we can see customer preference for value and sustainability on the rise with the resale market. Consumers are also taking a liking to brandless retailers that give them a sustainable product with a cheaper price tag (like the Brandless brand).



This retailer 'gets me', takes care of me, and has a great future	2017	2018	2019
Box	44%	46%	43%
Drug	38%	40%	36%
Online	36%	37%	33%
Department	29%	30%	33%
Grocery	34%	35%	33%
Discount	32%	34%	30%
Pet	29%	33%	28%
Specialty	26%	29%	27%
Office	27%	24%	23%
Financial	N/A	26%	21%



I don't care if this retailer disappears tomorrow	2017	2018	2019
Financial	N/A	35%	38%
Specialty	28%	28%	27%
Online	25%	24%	27%
Grocery	25%	24%	25%
Department	25%	24%	24%
Discount	25%	22%	24%
Pet	25%	21%	24%
Office	19%	19%	23%
Box	18%	16%	16%
Drug	13%	13%	14%

The Good by Generation

Over the past three years, we have discovered that age plays a huge factor in how respondents choose to shop. Older consumers are still interested in maintaining loyalty with legacy brands, but younger generations are overtaking their purchasing power and doing so with a whole new set of shopping preferences (and start-up retailers). With more stringent generational divides comes more contrasting consumer opinions, and these cohorts had no problem telling us which brands they felt serve them best. Each generation's top five retailers, no matter their age, are known for either low prices, exemplary customer service, or both. And (spoiler alert) Amazon topped every single generation's list of the top Good brands. There are also a few disruptors on this list: Costco, which uses a membership-based pricing model; tech disruptor, Apple, which has changed the world as we know it; and, of, course, Amazon and Walmart.

Top 5 GOOD Brands by Generation



GEN Z

Amazon	74%
Nike	69%
Bath & Body Works	68%
Apple	67%
Finish Line	58%



MILLENNIALS

Amazon	81%
Target	58%
The Home Depot	52%
Nike, Apple, Aldi	51%
Costco, Walmart	50%



GEN X

Amazon	77%
Walmart	54%
Lowe's	49%
Costco	48%
Target	47%



BOOMERS

Amazon	68%
The Home Depot	58%
Lowe's	51%
Allbirds	50%
Walmart, Microsoft	47%



SILENT GENERATION

Amazon	64%
The Home Depot	61%
Costco	60%
CVS	59%
Apple, Lowe's	53%

The Ugly by Generation

But when it comes to which brands each generation finds to be the Ugliest, we were interested to see that around 75% of the brands on their lists are traditionally Millennial—meaning they either caught on with a Millennial audience in the early 2000s, or they were startups that caught on in a big way with 20 and 30-something Millennial consumers. Forever 21, for example, started targeting 18 to 21-year-old customers a decade ago and now that Millennials are getting older, the brand is having trouble reaching the next generation. Bonobos, Hollister, Abercrombie & Fitch, and REI were also on the Ugly list, which begs the question: Are consumers' negative opinion of Millennials spilling over into brand sentiment?

Top 5 UGLY Brands by Generation



GEN Z

Restoration Hardware	100%
SunTrust Bank	80%
Justice	75%
Crate & Barrel	71%
REI, Williams Sonoma	67%



MILLENNIALS

Abercrombie & Fitch	54%
Justice	53%
Ann Taylor Loft	51%
Citi Group	50%
J. Crew	50%



GEN X

Bonobos	71%
Hollister	61%
Justice	60%
Key Bank	57%
Abercrombie & Fitch	56%



BOOMERS

Glossier	68%
Hollister	67%
Lululemon	64%
Forever 21	59%
Abercrombie & Fitch	58%



SILENT GENERATION

Bonobos	100%
Forever 21	80%
Lululemon	79%
Express	75%
Hollister	75%

Conclusion

Our findings this year ultimately showed that in order for brands to continue garnering positive public perceptions, they need to meet consumers where they are: Ecommerce brands are now dominating the industry, and traditional retailers that have implemented online offerings like BOPIS that marry their physical and digital spaces are seeing success. Younger generations are driving this change as they carefully choose brands based upon values (like environmental and sociological impact).

So, what should be done now that we know who's reigning in the world of retail? We recommend using these GBU results as a starting point for change within your own brand, and using our eight brand attributes (value, choice, convenience, customer service, brand reputation, seamless purchase experience, speed, and intimacy) in your evaluation is a great place to begin.

Would you like a copy of the full report? If you want to make sure your brand ends up on the Good list next year, WD is here to help. Email us at TalkToUs@wdpartners.com to find out how you can learn from these results and improve your brand's standing in the eyes of consumers.

Sources

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2. <https://www.forbes.com/sites/gregpetro/2019/01/04/10-predictions-for-retail-in-2019/#154f69c95f13>
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