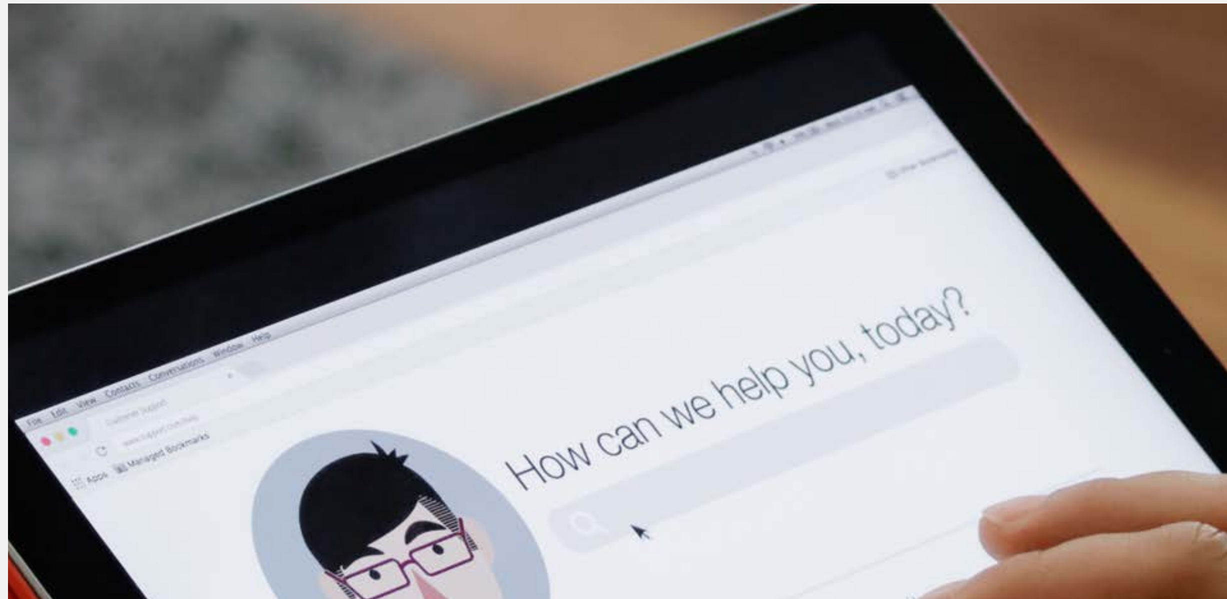
Global Consumer Insights Survey 2018

Global consumers, CEOs aligned in their optimism

Where the bywords of PwC's annual consumer research project were once terms like 'digital,' 'multichannel,' and 'online,' the label that best describes what's happening now is 'convergence.' All manner of companies that serve consumers are taking on the characteristics of leading companies in other industries. Whether it's Amazon buying Whole Foods, CVS announcing a deal to purchase the health insurer Aetna, Target buying delivery company Shipt, or retailers opening pharmacies, entire industries have been served notice that the nature of competition has changed: technology is allowing *everyone* to become a competitor. Even more sobering, these same advances are allowing competitors from left field to mimic once formidable competitive advantages.

All of which leaves consumers with more choice, more channels, and more information than ever before. In this article, we'll explore how the consumers surveyed in our research—as well as CEOs around the world—view the state of their respective national economies.



The nature of competition has changed: Technology is allowing *everyone* to become a competitor.

Consumers' view of the world

In the past, we have mined our tranche of consumer data to answer narrow questions around shopping behaviour. Given the growing power of the consumer and how connected the world is becoming, we devoted several questions of our 2018 survey to overall consumer confidence.

The results, coupled with PwC's 21st 2018 CEO Survey data, were startling. Despite the much publicised recession-induced 'New Normal' that has been tamping down consumer spending power and corporate investment since 2008, the data says that both consumers and CEOs are very confident about the next few years. In fact, when we ask consumers about their impression of the overall economy in their country for 2018 (see Figure 1, on the next page), one-third say that the economy will perform better than the previous year, and, further, 41% say the economy will perform the same. Just 21% believe the economy will perform worse in 2018. We also ask survey respondents to quantify their personal spend in the next 12 months, and almost three-quarters say they plan to spend more, or the same, than the previous 12 months.

Overall, given predictions from economists about the nature of global GDP over the next few years, there is a clear difference between expert projections and the confidence that consumers on the ground, as well as CEOs, are experiencing. The International Monetary Fund's most recent World Economic Outlook, published in October 2017, projects global GDP growth as under 4% annually through 2022, the continuing of a sub-4% trend since 2012. This is in stark contrast to the pre-global recession days of global GDP growth of 4.9% in 2005, 5.5% in 2006, and 5.6% in 2007.[1] Despite the prospect of no real uptick in global GDP, then, consumers are nonetheless decidedly upbeat about their national economy, as well as their ability to thrive within it. As we'll see later, CEOs around the world are even more confident than consumers when it comes to the global economy.[2]

Of course, there are stark differences from country-to-country. For example, the Asian territories tended to be the most optimistic, likely because of the consistent GDP growth in China and several emerging economies in Asia. In fact, the top four countries most positive in their outlook of how their national economy will perform are all Asian: Philippines, Indonesia, China and Vietnam.

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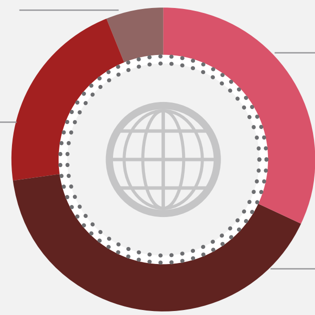
Figure 1: Globally, consumers are upbeat about the economy and their personal spend

Impression of overall economy:



Q: Not taking into account your personal circumstances, what is your impression of how the overall economy in your country will perform in 2018?

Confidence of personal financial situation:

Q: Do you feel confident about your personal financial situation in terms of your shopping spend plans for the next 12 months?

Base: 22,481
Source: PwC, Global Consumer Insights Survey, 2018.

Meanwhile, as can be seen in Figure 2, those countries most pessimistic in their outlook each hail from a different geographic area: South Africa, Malaysia, UK (Western Europe), and Hungary (Eastern Europe), implying that the concerns of these survey respondents are particular to their country. Indeed, what's not apparent in the chart, but present in the underlying data, is that each of these groups of respondents who plan to spend less in the next 12 months cited some of the following concerns: economic recession and inflation in South Africa, Brexit in the UK, inflation and economic recession in Hungary, and fuel and gas concerns in Malaysia. In other words, any weakness in confidence doesn't seem to result from contagion related to one or two big issues.

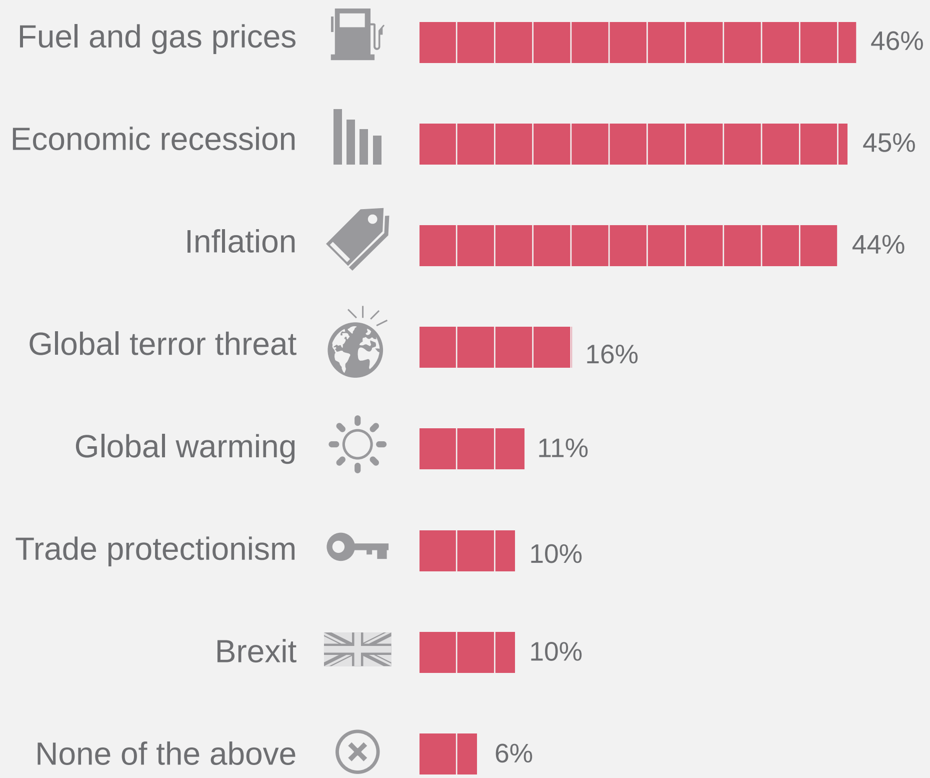
Figure 2: Asian countries are the most positive in their outlook when asked how the overall economy will perform this year

Q: Not taking into account your personal circumstances, what is your impression of how the overall economy in your country will perform in 2018?
Source: PwC, Global Consumer Insights Survey, 2018

All that said, there are particular areas of unease for consumers. Looking specifically at those survey respondents globally who expect to spend less in the next 12 months, worries around fuel prices, recession, and inflation dwarfed other concerns (see Figure 3). Interestingly, each of these three concerns clearly have a direct impact on the consumer purchasing power for our survey respondents, while some of the other factors we include as survey choices that don't register as big concerns with our survey respondents—global terrorism, global warming, trade protectionism—are, typically, perceived as having a far more indirect effect in a consumer's ability to purchase a latte or fill the cupboard with organic, high-end groceries.

In Figure 4 on the next page, we sum up the data more completely at the regional level to help provide some further insight as to why specific groups of global consumers are spending less or holding back spend. For countries in Africa and the Middle East the biggest concerns were around fuel and gas prices and economic recession (in other words, basic needs); in Eastern Europe inflation was the biggest concern; while in Western Europe, fuel and gas prices and economic recession were the biggest concerns.

Figure 3: Those with concerns about the economy have mixed reasons at a global level



Q: Which of the following external factors do you think will most impact your spend on shopping over the next 12 months?

Base: 5,118
Source: PwC, Global Consumer Insights Survey, 2018

Figure 4: Regional differences are evident in what external factors will impact the economy

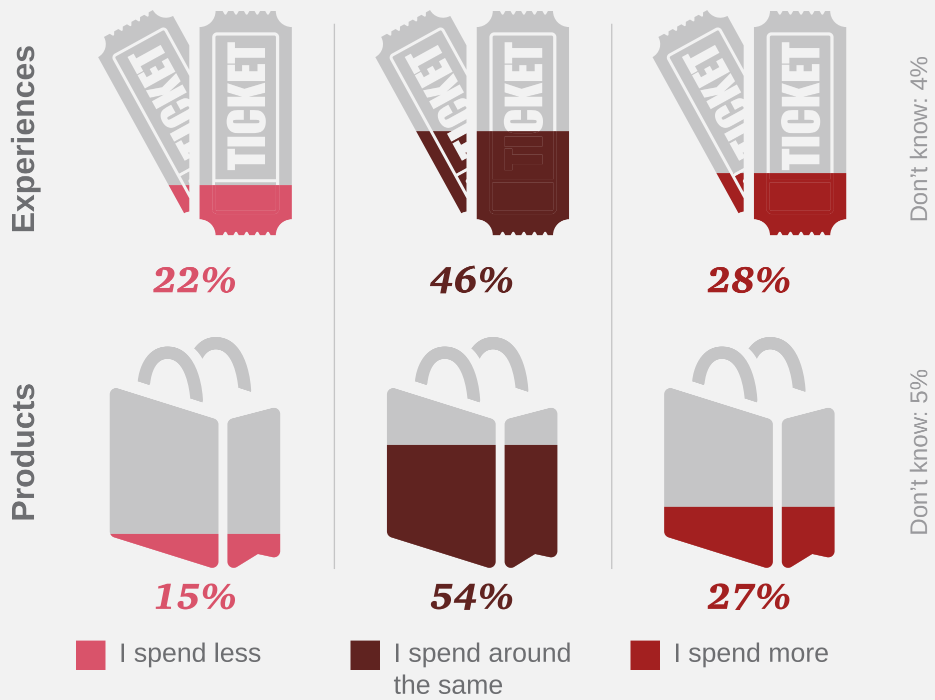
	Africa & Middle East	Asia Pacific	Eastern Europe	Western Europe	Americas
Fuel and gas prices	**60%**	47%	48%	40%	47%
Economic recession	**64%**	55%	20%	36%	55%
Inflation	55%	53%	**56%**	36%	44%
Trade protectionism	7%	12%	**16%**	9%	11%
Global terror threat	11%	17%	11%	**20%**	13%
Global warming	7%	12%	6%	**13%**	9%
Brexit	4%	4%	4%	**18%**	2%
	Base: 594	Base: 1,075	Base: 326	Base: 2,275	Base: 848

Q: Which of the following external factors do you think will most impact your spend on shopping over the next 12 months?
Source: PwC, Global Consumer Insights Survey, 2018.

Consumer confidence looked at another way

This year, we also asked consumers about how they view purchasing products versus unique experiences. While we specifically wanted to learn how consumers in different age groups behave when it comes to buying ‘stuff’ versus purchasing a valued experience that can be remembered, shared on social media, etc., these questions have shed some more light on overall consumer confidence as well. Among the questions we asked was how respondents’ disposable income spending habits had changed in these two categories over the previous 12 months. At the same time, 28% spent more on experiences, and 27% spent more on products. Forty-six percent spent the same on experiences and 54% spent the same on products (see Figure 5). This is another indication that, overwhelmingly, people are confident about their continued ability to spend on additional products and experiences.

Figure 5: Over a quarter of consumers are spending more on products and experiences



Q: Not taking into consideration price inflation, how has your disposable income spend changed, if at all, in the last 12 months in the following categories?

Base: 22,481

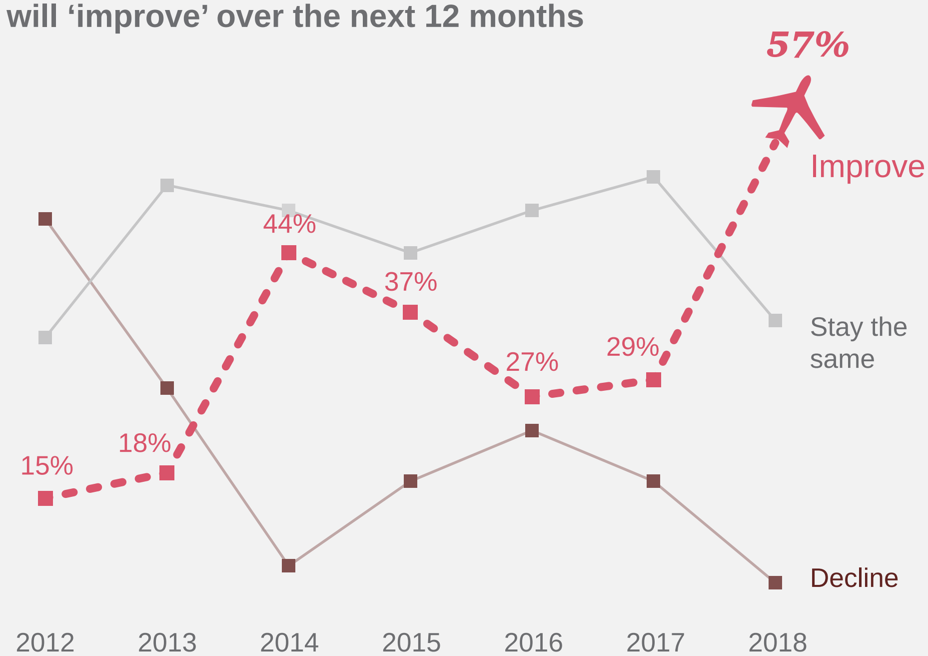
Source: PwC, Global Consumer Insights Survey, 2018

Confidence in the C-suite

PwC has been publishing our annual CEO survey for more than 20 years, but in our 2018 research we're encountering some never before seen phenomenon. In particular, as the chart below illustrates, this year saw the highest-ever jump in CEO optimism regarding global growth. When we ask whether CEOs believe that global growth will improve, stay the same, or decline over the next 12 months, 57% said they thought global growth would improve, up nearly 30 percentage points from 2017's 29% of our CEO respondents that believed global growth would improve. Moreover, as Figures 6 and 7 indicates, this optimism is fairly evenly distributed all around the world.

Lastly, while consumer confidence is firmly rooted in Asia, 46% of our respondents say the US is the top spot for investment. CEO confidence is rooted in a US market that has strong corporate profits, new tax laws that will lower the US corporate income tax, an eight-year bull market in the Dow Jones Industrial Market, and historic lows of unemployment.

Figure 6: A majority of CEOs believe global economic growth will 'improve' over the next 12 months



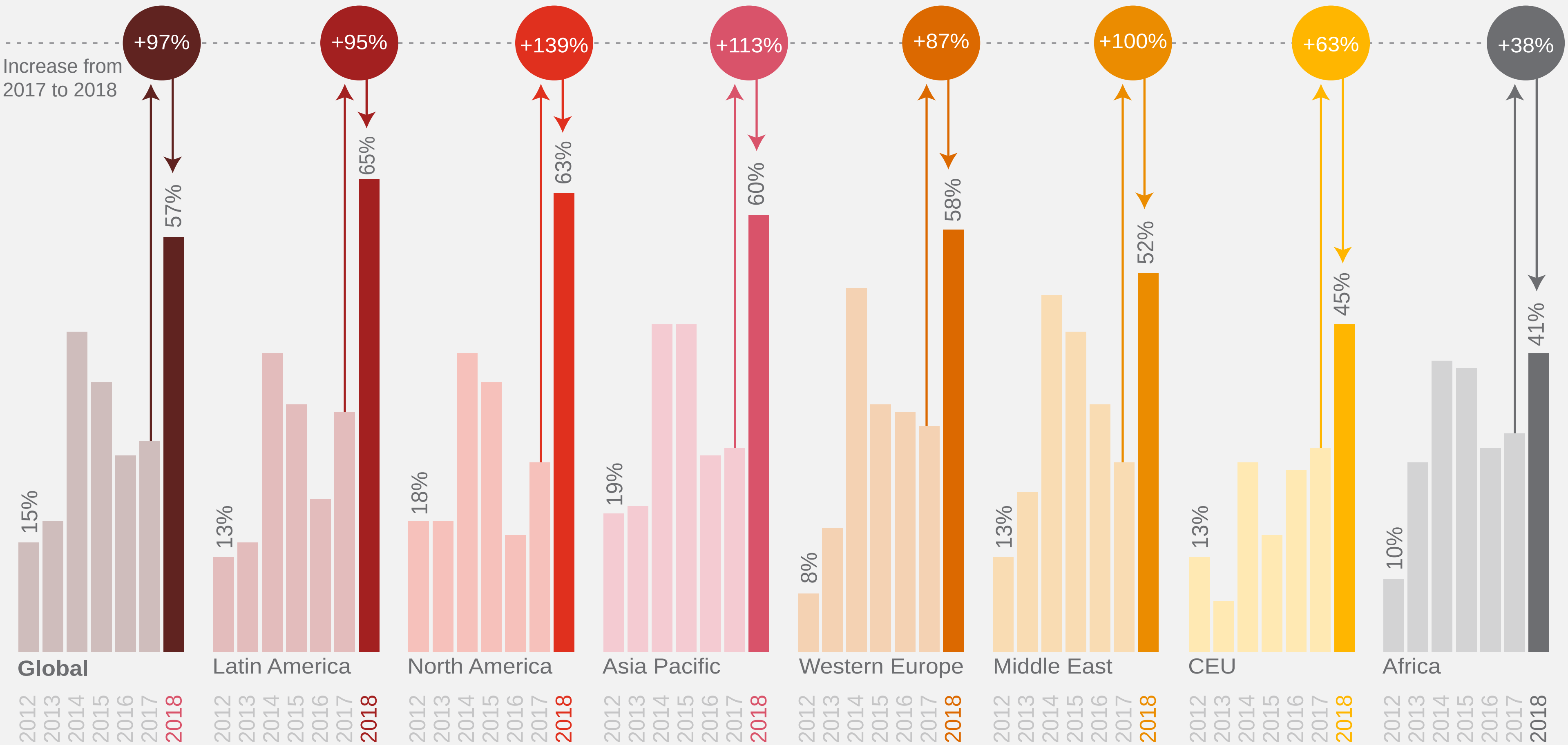
Q: Do you believe economic growth will improve, stay the same, or decline over the next 12 months?

Base: All respondents (2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330; 2012=1,256)

Note: From 2012-2014 respondents were asked, "Do you believe the global economy will improve, stay the same or decline over the next 12 months?"

Source: PwC, 21st Annual Global CEO Survey

Figure 7: All regions are at record levels of optimism in 2018



Q: Do you believe global economic growth will improve, stay the same, or decline over the next 12 months? (showing only "improve")

Base: All respondents (2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330; 2012=1,256)
Note: From 2012-2014 respondents were asked, "Do you believe the global economy will improve, stay the same or decline over the next 12 months?"

Source: PwC, 21st Annual Global CEO Survey

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2 PwC, *21st CEO Survey: The Anxious optimist in the corner office*, January 2018.

Global Consumer Insights Survey 2018

Artificial intelligence: Touchpoints with consumers

Artificial intelligence (AI) is moving very rapidly into the consumer packaged goods (CPG) and retail sectors. Already, more and more shoppers are using so-called ‘voice commerce’ on home-based devices to replenish household supplies and groceries. AI is also helping stores optimise real-time inventory and improve shelving techniques. The technology is also transforming logistics and delivery, as well as revolutionising how companies profile and segment customers. In the next two to three years, the industry’s first movers will capture major advantages over the laggards. PwC’s latest research offers insight into how fast AI is gaining ground and which consumers are the most likely early adopters.

> PwC’s 2018 Global Consumer Insights Survey reached out to more than 22,000 consumers in 27 territories across the globe.

Home-based devices are finding a voice

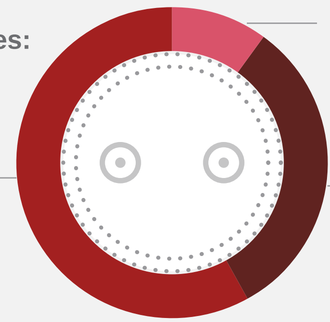
PwC’s 2018 Global Consumer Insights Survey reached out to more than 22,000 consumers in 27 territories across the globe. Our survey found that, even though it’s still early days for the technology, the outlook for AI devices is promising. While just 10% of respondents globally said they currently own AI devices, such as robots and automated personal assistants like Amazon Echo or Google Home, nearly one in three (32%) said they plan to buy an AI device. “I think that’s a healthy sign,” says Anand Rao, PwC’s Global Leader of Artificial Intelligence.

"As it stands now, personal assistants are still relatively primitive—they can understand single commands but not context and patterns of behaviour. You are going to see a lot more capability in the next three-to-five years." Although 58% said they have no interest in owning an AI-based device, interest is likely to increase as the technology matures (see Figure 1).

Voice commerce is in its infancy and it's unclear what impact it has had so far on sales. Among consumers who own an AI device, nearly half (48%) said that they spend around the same amount on shopping as they did without one, while 18% said they spend more. Thirty percent said they spend less, which may reflect the fact that early adopters are more likely to shop in a very targeted way by shopping list, ordering bulk purchases of everyday items (70%), rather than making impulse purchases inspired by visual displays, for example.

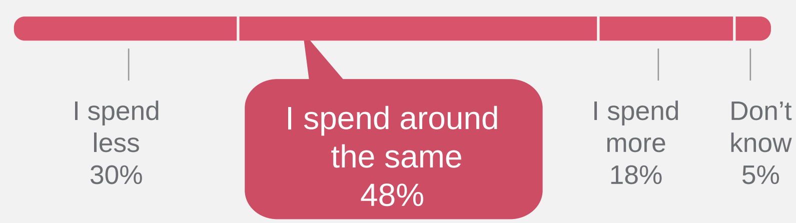
Figure 1: Artificial intelligence (AI) devices are gaining traction in the home but it's still early days

Respondents who currently own AI devices:



Q: Do you currently own any artificial intelligence (AI) devices (robots, automated 'personal assistants') such as Amazon Echo or Google Home?
Base: 22,480
Source: PwC, Global Consumer Insights Survey, 2018

How AI devices affect shopping spend:



Q: How has the use of an AI device affected your shopping spend?
Base: 2,355
Source: PwC, Global Consumer Insights Survey, 2018

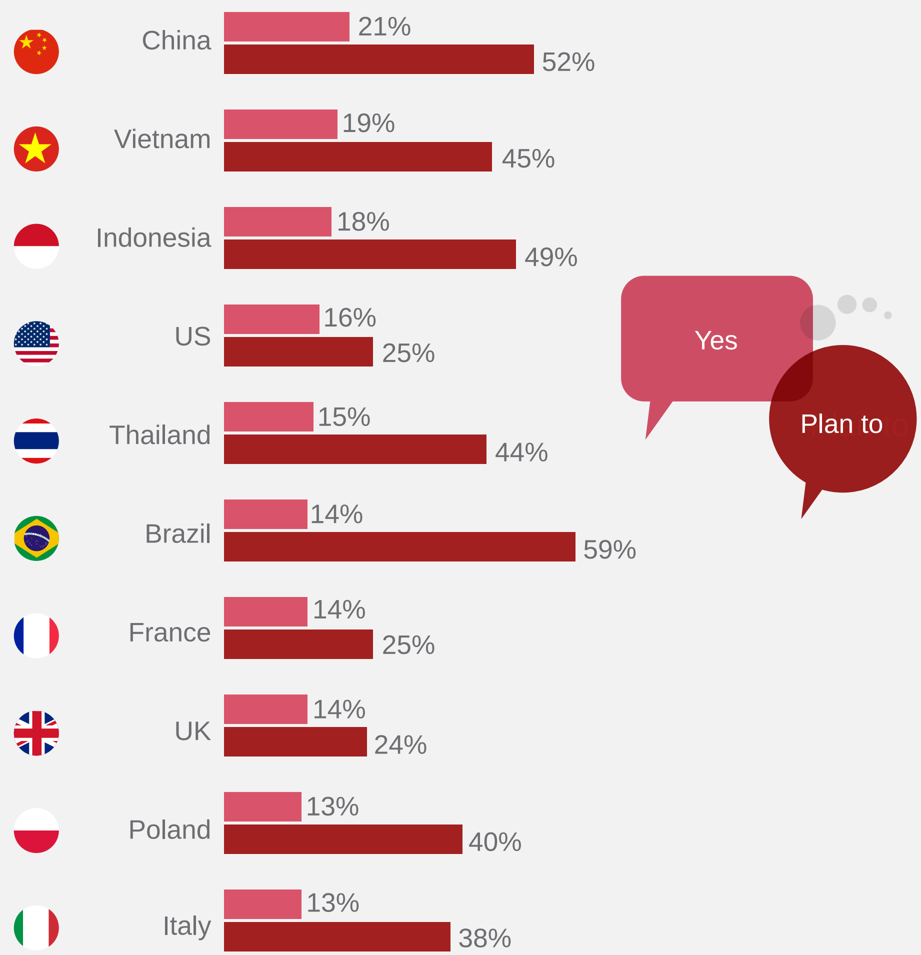
Go east, Alexa

Asian consumers appear to be the most receptive to adopting AI devices for shopping. In China's massive consumer market, more than one in five respondents (21%) already own an AI device and more than half (52%) plan to buy one. The story is similar in Vietnam (19% own, 45% plan to), Indonesia (18% own, 49% plan to), and Thailand (15% own, 44% plan to). Asian consumers' openness to buying AI devices reflects their preference for voice interaction with electronics, as well as lower levels of concern about online privacy and security.

In contrast, demand is generally lower in developed markets: in the US, the UK, and France, current adoption levels are—as Figure 2 illustrates—around 15%, and about a quarter of respondents in these countries say they plan to buy an AI device.

Brazil stands out as the market having the greatest upside potential, with 59% of respondents looking forward to buying a device. Rounding out the top 10 countries, respondents in Italy and Poland also showed strong interest going forward, as around 40% of respondents plan to buy an AI device.

Figure 2: Ownership of AI: Top 10 countries



Base: 22,480
Source: PwC, Global Consumer Insights Survey, 2018

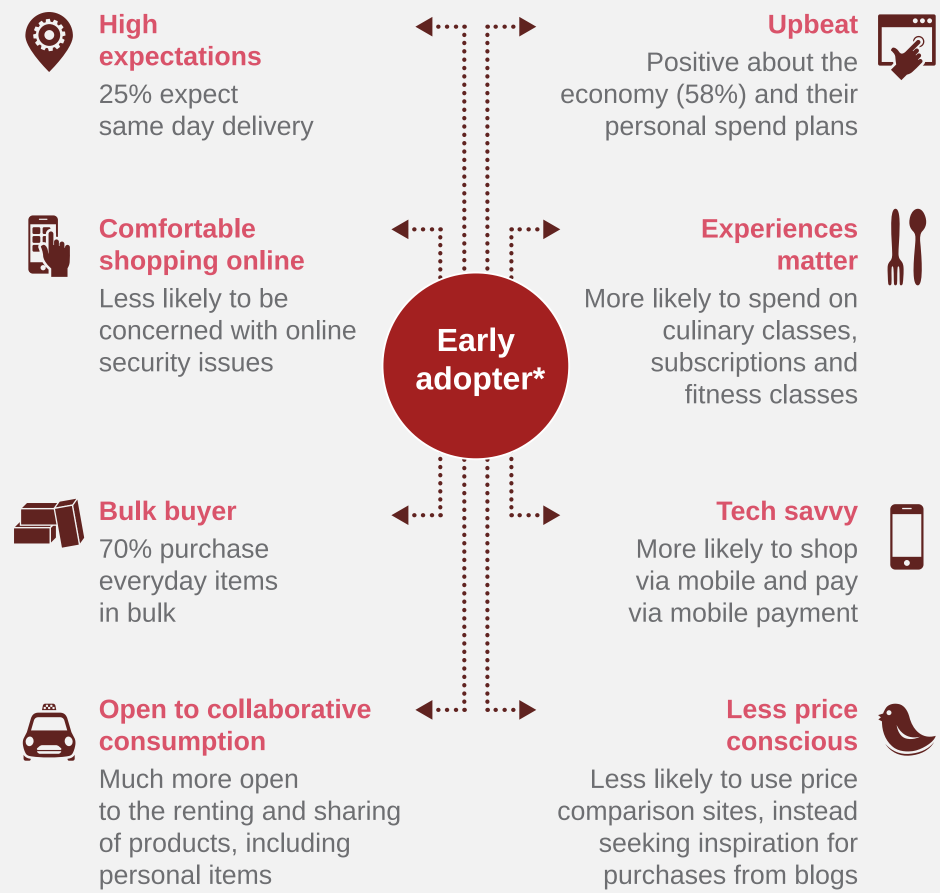
A portrait of the early adopter

Connecting the dots across our survey responses, we were able to discern the characteristics of the early adopters of AI devices (see Figure 3). They are most likely men, aged 18 to 34. They are more likely to shop via mobile on a daily and weekly basis, pay via mobile payment, more comfortable shopping online, and less likely to take action to reduce the risk of online security issues and fraud. The gender discrepancy is particularly interesting. For our female respondents, 9% indicated ownership of an AI device, while 27% planned to buy one and 64% had no interest. For our male cohort, 12% indicated ownership while 36% planned to buy and 52% had no interest.

Recommendations matter more than prices to early adopters, as they seek inspiration for purchases from blogs and social network and are less likely to use price comparison sites. They are also open to collaborative consumption, expressing a willingness to rent and share products—even personal items such as footwear. They place large orders, with 70% purchasing everyday items in bulk, and they want these orders to reach their doorstep fast, with one in four expecting same-day delivery.

Finally, these early adopters seem to be looking for opportunities to spend money and enjoy new experiences. They have an upbeat attitude about the economy and personal spending plans, and they are more likely to spend on culinary classes, subscriptions and fitness classes.

Figure 3: Characteristics of the early adopter of AI



*More likely to be male, aged 18-24
Source: PwC, Global Consumer Insights Survey, 2018

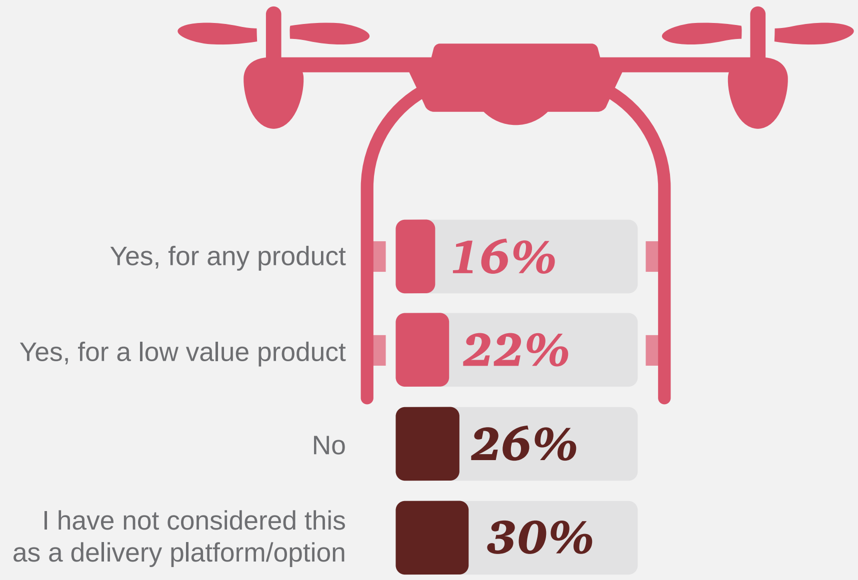
Drones, coming soon to a doorstep near you

AI is having an impact not only on how consumers place orders, but also on how retailers fulfill and deliver orders. The technology is enabling autonomous vehicles—whether ground-based delivery robots or aerial drones—to manage many more warehousing and logistics jobs and improve last-mile delivery to consumers.

Are consumers ready to have the delivery person replaced by an autonomous vehicle? Among our global sample, almost 40% of consumers said they would trust a drone as a delivery method, especially for low-value products (see Figure 4).

Amazon has been testing drones for several years, but the online giant is not alone in exploring the technology. In China, JD.com already does drone deliveries to rural areas. As for other delivery technology, Postmates, the on-demand delivery service, has partnered with Starship Technologies, a developer of delivery robots, to test the use of autonomous vehicles for delivery in Washington, DC. The robots are especially valuable for short-distance deliveries (like getting a sandwich from the corner deli), for which it is usually not worth paying a delivery fee.

Figure 4: Almost 40% of consumers would consider a drone as a delivery method



Q: Would you trust a drone device to deliver your package?

Base: 22,480 (7% of consumers selected 'Don't know')
Source: PwC, Global Consumer Insights Survey, 2018

Looking ahead, Postmates expects the use of robots to drive down the cost of short-distance deliveries by 80% to 90%.[1] The Starship delivery robot is also being introduced in Europe. In London, for instance, take-out restaurants are using the technology and the German retailer Metro is testing it domestically.[2]

But there are 'Last Mile' challenges to using autonomous vehicles. Within urban environments GPS technology is notoriously unreliable for pinpointing a location, so successfully navigating the final few hundred feet may require a different solution. Computer visioning technology, for example, uses photos of milestone markets to create high density urban maps. These maps could be part of a robot's software and allow it to home in on the correct address for delivery. An app like What3Words, which divides geo-locations into three-by-three metre squares and labels them with three words, might be a suitable partner to help with identifying exact delivery places. This would be ideal for robots, certainly, but also for human delivery in countries where street signage and the building address system isn't well developed.

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The disruptive power of next-generation technologies

AI—including the Internet of Things (IoT) and image recognition—is among the next-generation technologies that are considered to be disrupting consumer goods and retail. These technologies have applications in the home and in the store and are providing companies with a valuable trove of consumer information. Here are some of the many examples:

- Samsung has developed a smart refrigerator, called the Family Hub, which is integrated with the company's SmartThings ecosystem. Using a touchscreen on the refrigerator door, household members can control or monitor their connected home, including adjusting the thermostat and seeing who's ringing the doorbell. The SmartThings app enables users to see inside their refrigerators when they're in the supermarket and remotely manage connected devices. The 2018 edition of the Family Hub includes Bixby, Samsung's voice assistant. Bixby recognizes individual voices, allowing it to provide tailored responses to a household member's questions.[3]

- Retailers are exploring the use of facial recognition technology and biometric data to analyse patterns of buying behaviour. The technology could be used to improve customer service—for example, a customer who appears to be struggling to choose among various brands could receive a text or voice message offering assistance. Retailers could also use the technology to gauge the effectiveness of displays and store layouts.[4]

- The Sephora Virtual Artist app lets customers take their picture to try on—through an augmented reality (AR) overlay—eye, lip, and other make-up products and receive customised suggestions for looks to try. Similarly, though in a different product category, IKEA's AR-based app lets shoppers preview furniture and interior design items in their own living space.

- In stores and warehouses, robots create new opportunities for improving customer service and provide the ability to automate manual processes. For example, Walmart is testing the use of shelf-scanning robots developed by Bossa Nova Robotics. The robots will save hours of labour activity by recognising the inventory on shelves in stores and fulfillment centres. The robots operate while the store is open, using 3D image to navigate around obstacles. By checking for stock levels and misplaced items even during store hours, the robots collect information constantly that sales associates can use in real time to keep shelves full and correct errors.[5] Given that for traditional retail managing the hourly workforce is a significant challenge, AI-powered inventory control could be a game changer. "Using image recognition software,

Retailers are exploring the use of facial recognition technology and biometric data to analyse patterns of buying behaviour.

robots can report which goods are running of stock, so you can improve customer satisfaction because you minimise out-of-stock goods," says Sanjiv Taneja, an entrepreneur who focuses on computer vision/machine learning startups. "And because computer vision software can flag inaccurate and/or missing price tags, products can get priced more consistently, which also makes consumers happy."[6]

- Consumer goods companies and retailers have partnered with technology providers to develop the 'connected cooler.' For example, the Coca-Cola Company is using cameras, sensors, and other IoT technology to monitor the technical performance of its coolers at points of sale (such as compressor cycles and power consumption) as well as sales performance (such as how many times the door is opened).[7]

- Personalised design and production is one of the most-promising retail applications for next-generation technology. Instead of being produced uniformly, apparels and consumables can be tailored on demand. Take fashion and clothing, for example. The industry could eventually move to fully interactive and customised design and supply in which AI-created mock-ups of garments are sold online, made in small batches using automated production, and subsequent changes are made to design based on user feedback. Oregon-based textile innovation company Unspun, for example, uses 3D image processing and AR/VR to develop bespoke dresses, and then emails the designs to customers for approval.[8] Another example of small-batch, fast-to-market production of running shoes is the Adidas Speedfactory, which has produced runs of 500 pairs of a certain design. Manufacturers will eventually be able to anticipate customer demand—for example, retailers are beginning to use deep learning to predict customers' orders in advance. Ultimately, consumers will benefit from on-demand customisation and greater availability of what they want, when and how they want it. To reach this stage, businesses will need to adapt design and production to this more agile and tailored approach. They will also need to strengthen trust over data usage and protection.[9]

AI holds great promise for consumer brands and retailers, but the challenges are different. For CPG companies, their issue is that customer data is largely still owned by retailers. For traditional retailers, the challenge is using AI to enhance the customer experience so that the in-store experience is something consumers value enough to keep coming to the physical store. For Amazon and other big e-retailers, the challenges are concerns about privacy and security. Companies that implement AI while maintaining the human touch will likely be the winners in the years ahead.

Personalised design and production is one of the most-promising retail applications for next-generation technology.

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Global Consumer Insights Survey 2018

From mall to mobile: Adjusting to new consumer habits

pwc

Behavioural researchers have found that habits are essential to human happiness and accomplishment. Without steady habits, we're easily overwhelmed in many walks of life by the sheer array of options.

That's been good for business for manufacturers and retailers, which have long benefitted from stable consumer habits. People reliably shopped at the nearby grocer, grabbed last-minute items at the convenience store, and enjoyed the ease of drive-in restaurants. They stayed loyal to favourite brands for decades, encouraged by regular advertising and occasional discounting. That predictability reduced risks and lowered costs for everyone.

Fast forward to today. Digital disruption has spurred a creative reinvention of consumer habits over the past few years, collapsing some routines and creating entire new consumer behaviours. This is especially true for emerging markets, where many of the newly-minted middle class grew up without significant disposable income, and now find themselves with both the requisite purchasing power and the access to advanced technologies to participate in the global economy. This article explores where habits are developing and changing the most—channels used to shop, delivery speed of online orders, and inspiration of purchases—and how companies can benefit by adjusting their businesses accordingly.

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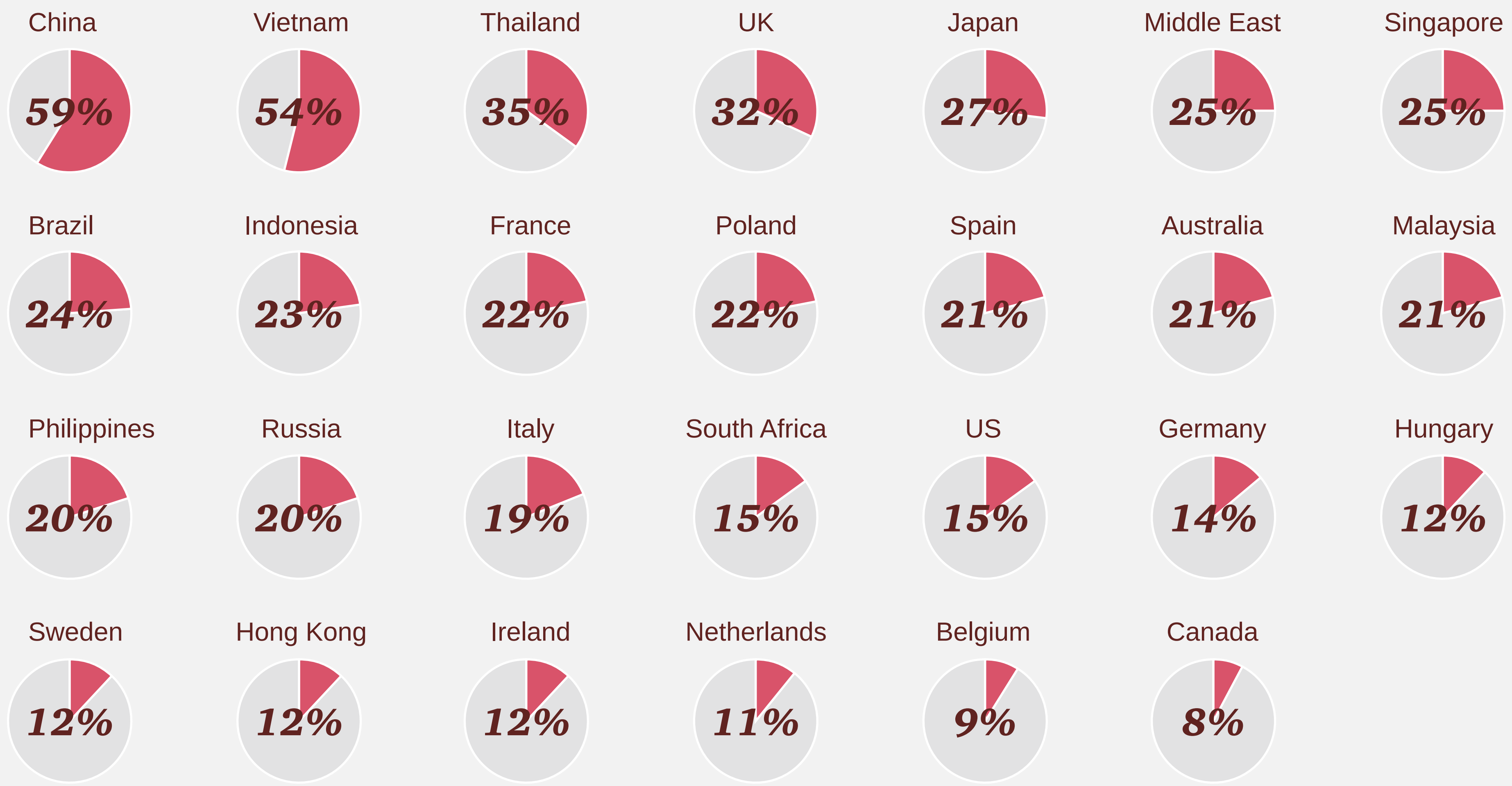
How channel habits are shifting

E-commerce has grown steadily, to the point where it accounts for an estimated one-tenth of worldwide retail sales. Emerging markets are especially keen on more online buying, as seen in those consumers' greater likelihood to buy groceries online in 2018 (see Figure 1, on the next page). But the more interesting statistic lies in how brick-and-mortar stores have remained a key channel. PwC has been surveying consumers worldwide annually since 2010. Initially, it seemed people were buying from physical stores less often. By 2015, only 36% of respondents said they shopped at bricks-and-mortar at least weekly. But the past three versions of PwC's Global Consumer Insights Survey (GCIS) have seen increases in weekly bricks-and-mortar shoppers, from 40% in 2016 up to 44% in this year's survey. Physical shopping is, in fact, not falling out of favour as an activity, a finding reinforced by the unexpectedly strong showing of physical retailers in the 2017 holiday season.[1] 'Order online, pick up in store' options may also contribute to physical stores' continued popularity.

50%

of all respondents use smartphones to complete payment at a bricks-and-mortar store, either through customised orders in advance, in-store apps, or a mobile payment platform at checkout.

Figure 1: The likelihood of purchasing groceries online: it's still niche with room to expand

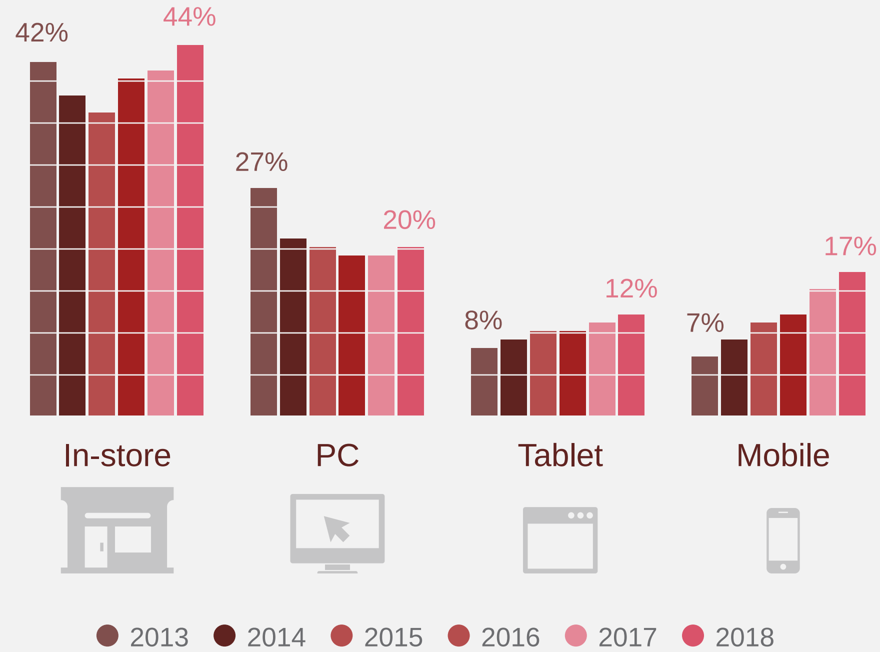


Q: Over the next 12 months, how likely are you to purchase grocery online?
Source: PwC, Global Consumer Insights Survey, 2018

The main drop-off has been in purchases by personal computer (PC), which fell from 27% to 20% over the six-year period, as the 'Six Year Reflection' table shows (see Figure 2). The same chart shows tablet buying rose only slightly, from 8% to 12%. But mobile commerce more than doubled, from 7% to 17%—and will likely soon surpass PC-based buying.

Another emerging consumer habit, especially in Asia, is a propensity for mobile payment. This year's survey asks new questions about mobile payment, and the results were striking. Half of all respondents use smartphones to complete payment at a bricks-and-mortar store, either through customised orders in advance, in-store apps, or a mobile payment platform at checkout. Nearly half of those respondents, or a quarter of the entire survey, say they now prefer mobile payment.

Figure 2: The six year reflection: store resiliency and the rise of mobile



Q. How often do you buy products (e.g. clothes, books, electronics) using the following shopping channels?

Base: 22,481 (Chart represents percentage of daily and weekly usage combined)
Source: PwC, Global Consumer Insights Survey, 2018

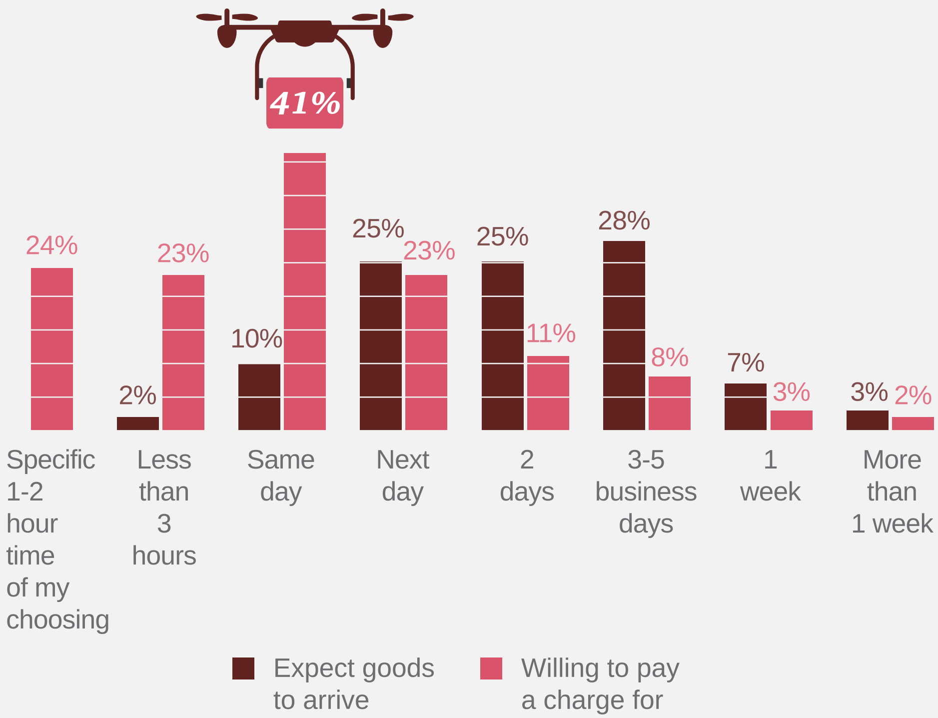
Shopping as experience, with delivery speed playing a key role

Consumers are shifting their shopping to instant gratification: as soon as they want something, they can order it, rather than think about it until their next shopping excursion. They don't even need to open their device; they can simply tell their digital assistant, such as Amazon Echo or Google Home, to make the purchase. That's happening even for groceries, the last bastion of physical retail. Almost half of all respondents surveyed expected to buy groceries online in 2018.

Indeed, with deliveries becoming ever quicker—especially in densely populated cities—the dream of instant gratification could eventually become reality. More than 40% of our respondents say they would pay an extra charge for same-day delivery. A similar percentage is willing to accept delivery by drone, at least for low-value products (see Figures 3 and 4).

If physical shopping is no longer so necessary from a utilitarian perspective, why have weekly store visits been on the rise, as shown above? It's likely that shoppers are seeking something else. Instead of a practical errand, they're seeing shopping increasingly as a sensory and social experience. Just think of the immersive experience of an IKEA or Sephora store visit.

Figure 3: Consumers expect their purchases to arrive promptly and are willing to pay extra for same day delivery

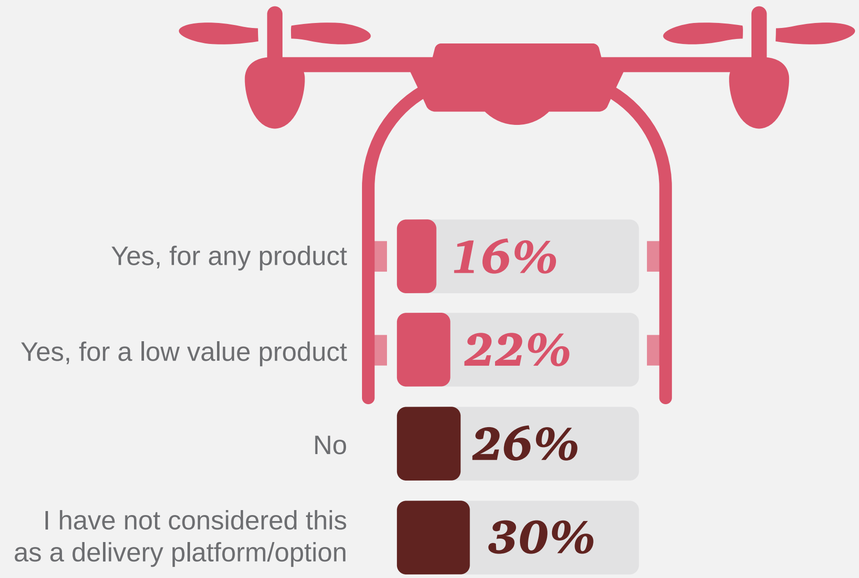


Q: For the majority of your online purchases how soon do you expect your goods to arrive? Which of the following delivery lead time frames are you willing to pay a charge for?

Base: 22,480 (Chart represents percentage of daily and weekly usage combined)
Source: PwC, Global Consumer Insights Survey, 2018

Together these new habits—smartphone-based shopping and the in-store experience—offer an opportunity for savvy retailers and manufacturers. They can reduce their on-site inventory and free up space for a more engaging showcase of their products, offering brand-complementary activities. And thanks to the ubiquitous smartphones, these investments may not be so capital-intensive. Instead of making room for large in-store video screens, for example, stores can simply invite shoppers to access videos on their smartphones from the cloud.

Figure 4: Almost 40% of consumers would consider a drone as a delivery method



Q: Would you trust a drone device to deliver your package?

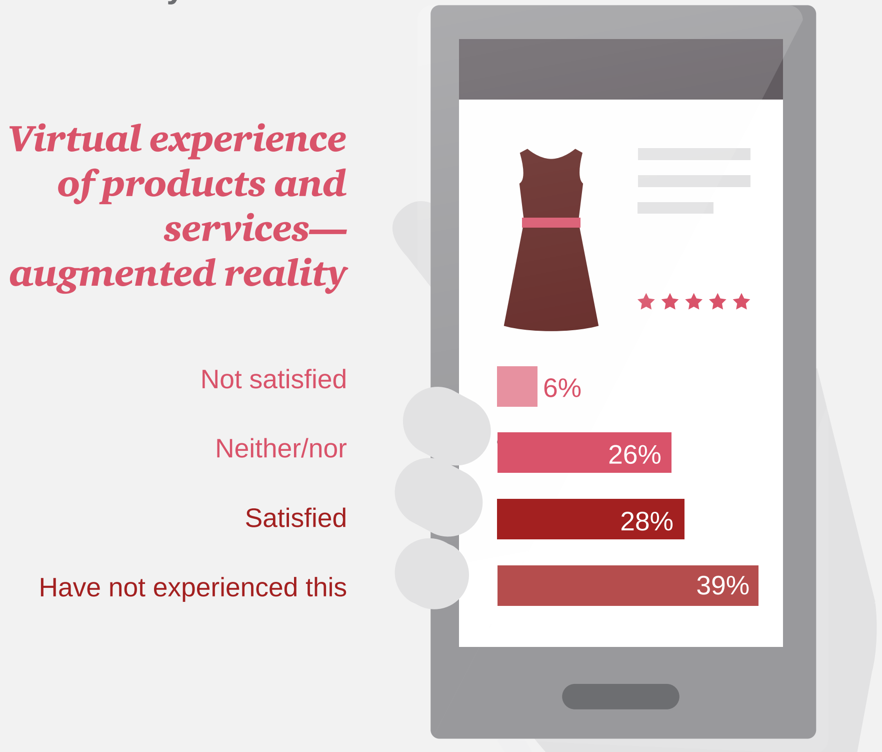
Base: 22,480 (7% of consumers selected 'Don't know')
Source: PwC, Global Consumer Insights Survey, 2018

Ambitious retailers can go further and offer virtual reality, but this trend is still moving slowly. More than a third of respondents still had not experienced this technology in stores, and of those who did, only slightly over half were satisfied (see Figure 5).

Sources of inspiration: the new influencers

Another new habit has major ramifications for how companies communicate sales messages: consumers want to know what their peers think. When asked where they went online to get inspiration for purchases, a plurality (37%) chose social media, with individual retailer websites at 34% (see Figure 6, on the next page). Perhaps most interesting was that emails from brands or retailers were named by just 14% of global respondents, meaning that that mode of outreach doesn't resonate with consumers rejecting intrusive sales pitches and searching for authenticity. Many companies are, in fact, reallocating a sizeable portion of their advertising budget from print and television to digital advertising targeting social media users, but the trick is to present their brands and products naturally in the social media discourse. Fenty Beauty, for example, founded by the Barbadian singer and songwriter Rihanna, gained credibility with its target consumers through a

Figure 5: Almost 40% of consumers have not yet experienced virtual reality in store



Q: Please rate how satisfied you are in relation to your in-store shopping experience for the following attributes.

Base: 22,481

Source: PwC, Global Consumer Insights Survey, 2018

network of beauty bloggers who tested and reviewed its products. Another example is the casual restaurant chain Sweetgreen which posts photos on Snapchat with a customer commenting on a favourite salad combination, together with the chef commenting on making it.

Companies can make their job easier by targeting their messages using the enormous amount of consumer behaviour data now available. But they must tread carefully. While 41% of our survey respondents are comfortable with retailers monitoring their shopping patterns to tailor special offers for them, just 34% want retailers sending special offers when they are in the vicinity of the store. Opposed outright to location-based offers are 37% of our global respondents.

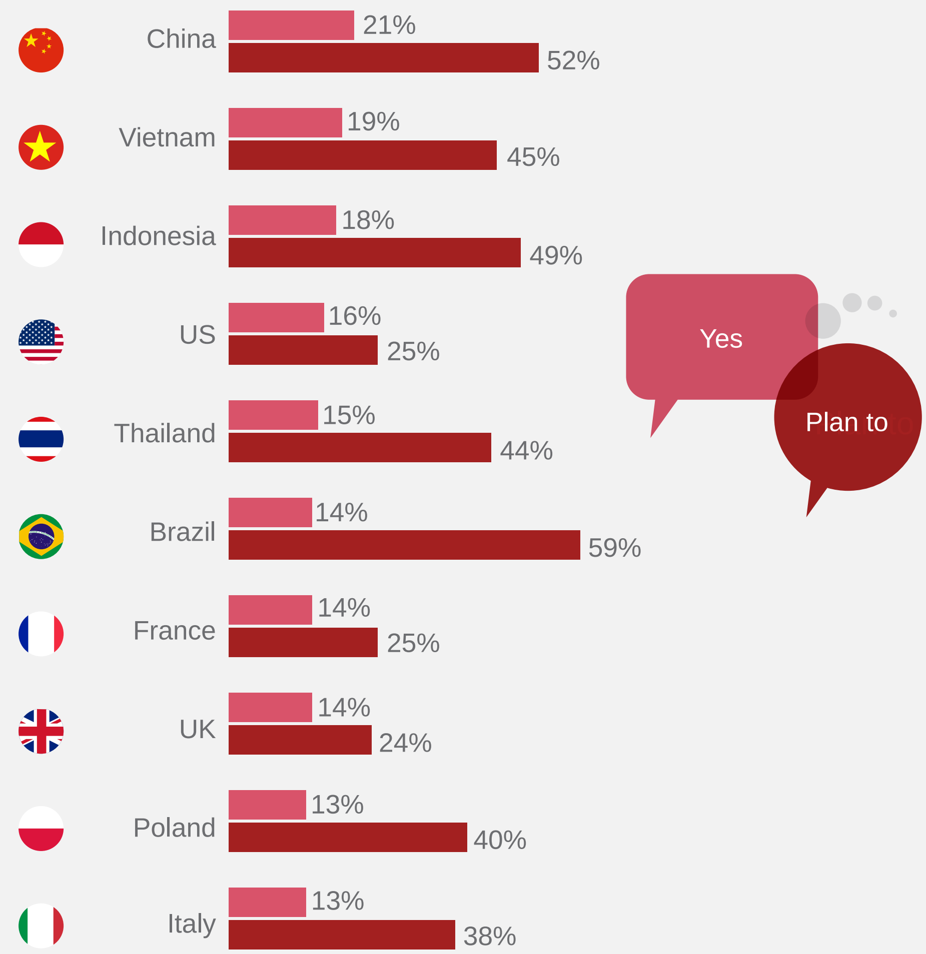
Figure 6: Social networks are most influential when finding inspiration

Q: What online media do you regularly use to find inspiration for your purchases?
Base: 22,481 (Respondents were asked to select **up to three** options)
Source: PwC, Global Consumer Insights Survey, 2018

When it comes to so-called artificial intelligence (AI) shopping assistants, it's unclear how habit-forming these devices are. A full 42% of our global respondents had either already purchased or plan to purchase an Amazon Echo, Google Home, or other consumer AI device. For those who already owned one, 30% said it had led them to spend less, a good deal more than the 18% who were spending more. Figure 7 breaks down the country-by-country respondents most likely to own or planning to own an AI device.

Companies should respond to these new consumer habits by shifting their focus and investments accordingly. That means more attention to smartphone dynamics, as well as investments in AI and store experiences—especially in emerging markets. New business practices to support these investments can help companies go with the flow of new consumer behaviours, rather than fight the current.

Figure 7: Ownership of AI: Top 10 countries



Base: 22,480
Source: PwC, Global Consumer Insights Survey, 2018

Sources

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Global Consumer Insights Survey 2018

New business models in the e-commerce era

2017 was the year that many retailers came to terms with the rise of online commerce. One-time giants such as Toys 'R' Us, Radio Shack, and The Limited declared bankruptcy. Even exceptions to the retail crisis, such as Walmart, gained largely on the basis of booming online sales—in this case its acquisition of Jet.com and other digitally-focused retailers such as Shoebuy, Hayneedle, and Bonobos. US retailers are especially vulnerable, as the country has twice the retail space as other nations.[1] Even one of the world's leading fast-fashion companies, H&M, announced store closures in late 2017 to adjust to consumers' channel shifts.

Yet retailers of all stripes can still prosper, as e-commerce still represents under 15% of global B2C commerce. The key is identify two to three competitive advantages that can provide the same sort of seamless types of interactions experienced online.

Yet retailers of all stripes can still prosper, as e-commerce still represents under 15% of global B2C commerce…

Making room for other business models

Amazon is, understandably, often used as a proxy for online consumer shopping habits. PwC's latest Global Consumer Insights Survey, conducted in summer and fall of 2017, found that 59% of respondents shopped at Amazon or its Chinese equivalents, online retailers JD and Alibaba's TMALL (see Figure 1 on the next page). But the fact remains that just 4% of total retail sales go through Amazon's platforms.[2] Indeed, online sales is far from a zero-sum game; the way that Amazon popularised online sales has bolstered the annual online sales growth of many traditional retailers.[3] In addition, other e-commerce giants, such as JD and TMALL, are just as dominant in their markets.

Room for other business models

Although the big names in e-commerce are cornering the market for efficiently sold, good-quality, commodity products, manufacturers and retailers have plenty of room to develop business models round differentiation, with personalisation, novelty, and a rich—not just convenient—buying experience. Europe's online fashion e-commerce platform Zalando is a great example of a retailer that provides a unique, rich, and convenient shopping experience.

Cloud-computing, while not a retail business, is instructive. Amazon got a big head start here with Amazon Web Services (AWS), and it still has the largest market share. But Google, Microsoft, Salesforce, and Oracle have also grown substantially there with strong margins. That's because they've gone beyond the basic AWS service and are offering premium packages with lots of hand-holding. There's room for both approaches.[4]

Likewise, Boxed.com differentiates itself by offering bulk-size consumer packaged goods specifically to customers who'd rather not drive to warehouse stores. One can buy the same products through other e-commerce channels, but Boxed.com charges less because it has a much narrower selection. Boxed.com sells to businesses as well, such as airlines that need a convenient way to order in bulk.

Some retailers invent entirely new business models to compete with the e-commerce titans. For example, in Germany, several retailers, including Kilenda, Otto and Tchibo, have launched rental services for baby and children's clothes—the sharing economy applied to a new product category and customer segment.

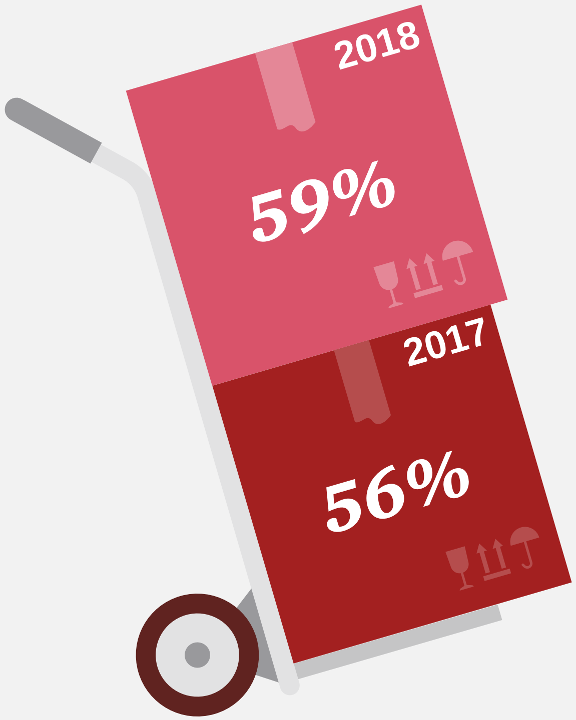
Getting back to physical retailers, look again at those premium brands. Through its third parties, Amazon offers Nike Air Max Torch running shoes and Louis Vuitton Neverfull handbags. But the brands' preferred channel for their coolest new stuff is not the e-commerce giants. Increasingly at Nike, for example, the hottest products are reserved for the company's own direct-to-consumer channels, both in-store and virtual.

59%

of respondents shopped at Amazon, or its Chinese equivalents, online retailers JD and Alibaba's TMALL. But the fact remains that just 4% of total retail sales go through Amazon's platforms.

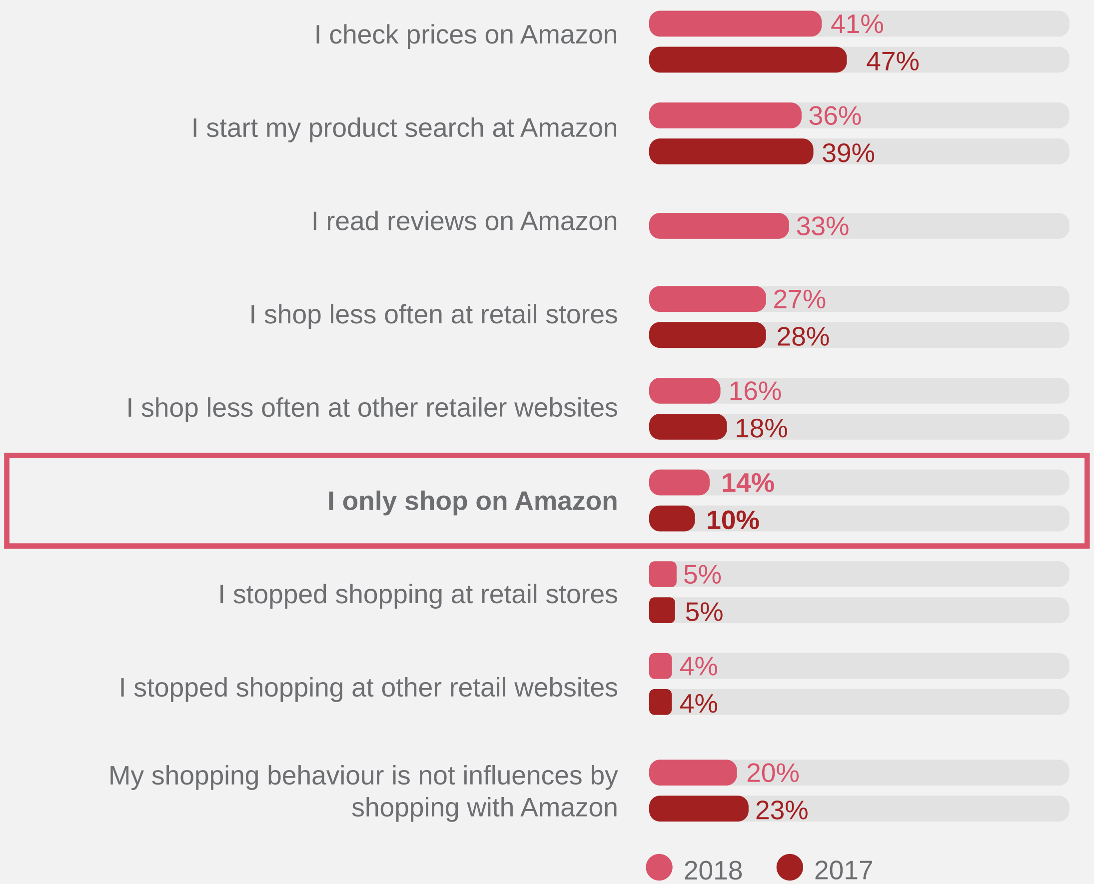
Figure 1: The age of Amazon continues

More consumers shopping at Amazon



Q: Do you shop with Amazon?
Base: 2018: 22,480, 2017: 24,471
Source: PwC, Global Consumer Insights Survey, 2018

And more 'Amazon only' shoppers on the rise



Q: How has shopping with Amazon influenced your shopping behaviour?
Base: 2018: 13,234, 2017: 13,675
Source: PwC, Global Consumer Insights Survey, 2018

Note: Respondents in China were asked these questions in relation to JD/Tmall and JD Plus

A number of retailers are trying to compete by finding the sweet spot between their physical and digital presences. RH (formerly Restoration Hardware) 'Nordstrom Local' in West Hollywood, and Sephora[5], for example, have transformed their stores into elaborate, curated showrooms to draw in buyers and stimulate their imagination. With improved logistics, they've been able to dramatically reduce inventory and ship purchases from warehouses, so the capital investment are not as much as might appear. Other retailers, such as apparel seller Dover Street Market, have emphasised curation from the beginning.

Traditional retailers also have an advantage that big e-commerce pure players don't: a human salesperson. From our survey, just half of respondents say they are satisfied with sales associates' deep knowledge of the product range, so there is clearly room for improvement. That means investing in engaging, informative salespeople. And many product categories lend themselves to companion offerings that can enrich the shopping experience and even turn it into a social draw with friends. Lululemon, which sells athletic apparel, offers yoga classes, while Nordstrom is trying out wine bars to attract affluent shoppers.

After all, the current profound changes in retail are not because people have actually stopped going to bricks-and-mortar. Our survey found a pretty consistent desire for the

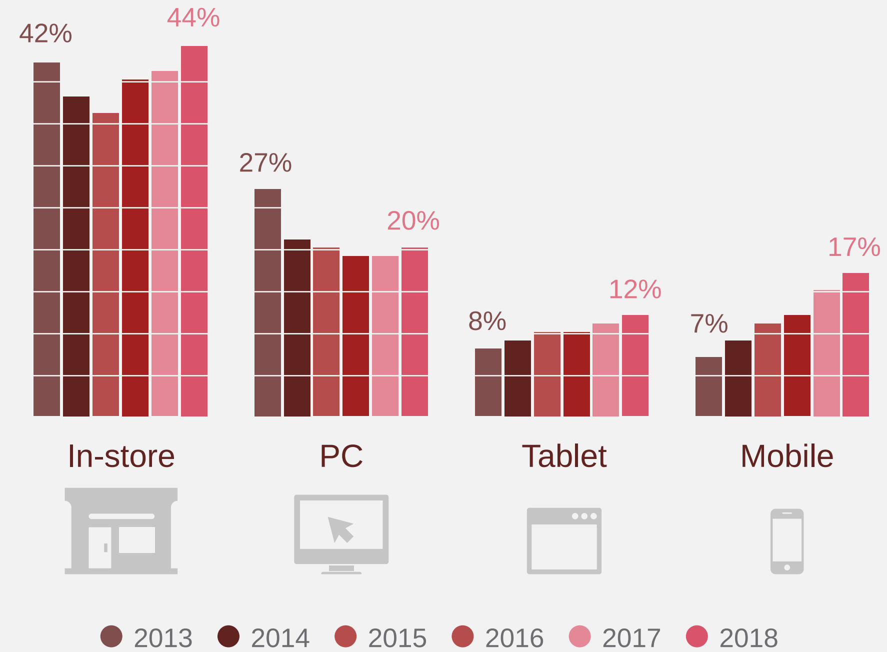
For all of the headlines about the rise and rise of e-shopping, the truth is that consumers still regularly visit brick-and-mortar stores.

physical store experience. The percentage of shoppers who visit a physical store at least weekly fell from 42% in 2013 to 36% in 2015, but since then has bounced back, all the way to 44% in this year's survey (see Figure 2). So the retail goal has to be captivating consumers with a sensory and social experience that draws them into buying from the store.

Manufacturers can get in the act as well. A growing number of producers are acquiring or partnering with direct-to-consumer sites, such as Unilever with the Dollar Shave Club, Target with Harry's shaving products and Casper mattresses, and Campbell Soup with Chef'D. This is especially important for manufacturers looking to control the buying and user experience with a dedicated platform.

For all of the headlines about the rise of e-shopping, the truth is that consumers still regularly visit brick-and-mortar stores. There is still all kinds of opportunity to experiment with—and thrive with—new business models. Companies that adjust their offerings accordingly can still prosper.

Figure 2: The six year reflection: store resiliency and the rise of mobile



Q. How often do you buy products (e.g. clothes, books, electronics) using the following shopping channels?

Base: 22,481 (Chart represents percentage of daily and weekly usage combined)
Source: PwC, Global Consumer Insights Survey, 2018

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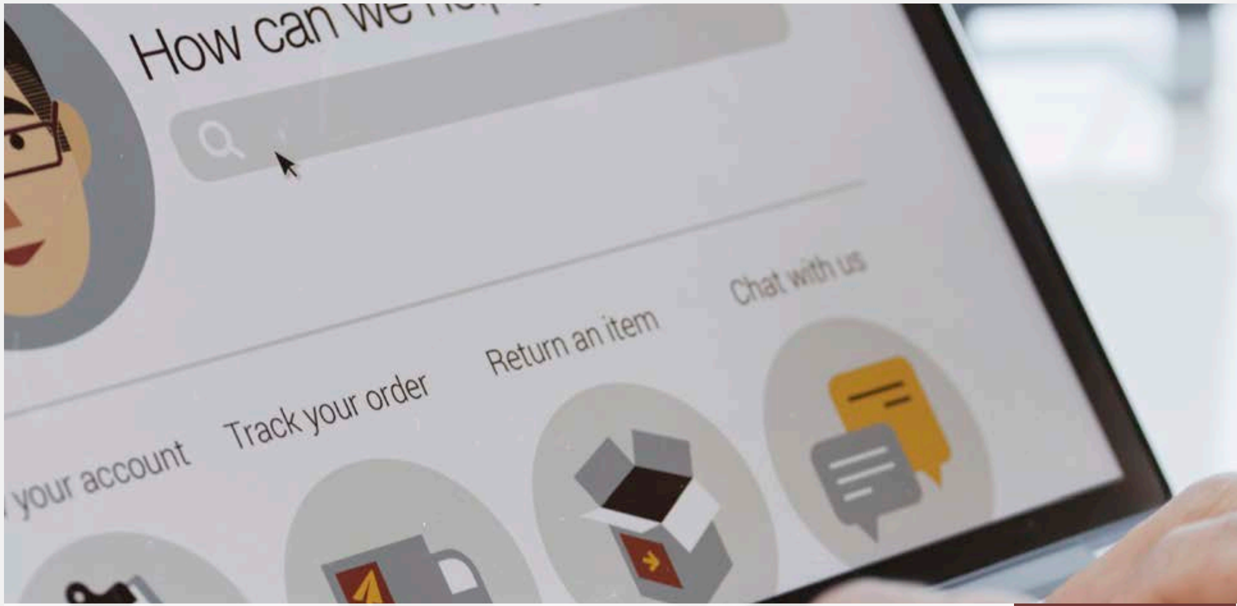
Global Consumer Insights Survey 2018

Signed, sealed, delivered (and regularly returned)

There was a day—not even that long ago—when a visit to a retailer was undertaken for the express purpose of buying products and bringing them home. Today, of course, 'shopping' often means ordering online and waiting for a box to show up at the door.

But even though business-to-consumer e-commerce is now mainstream—nearing 12% of total retail sales worldwide in 2018, according to some sources—product shipments remain one of the hardest problems for consumer goods companies and retailers to solve.[1] The sector is under acute and growing pressure to deliver better and better service at an ever lower cost.



Even though business-to-consumer e-commerce is now mainstream…product shipments remain one of the hardest problems for consumer goods companies and retailers to solve.

Consumers prize fast, flexible and reliable service—for free

In its latest Global Consumer Insights Survey, PwC asked more than 22,000 consumers in 27 territories. According to the survey, Amazon, Alibaba, Net-a-Porter, and other e-retailers have clearly raised shoppers' expectations about shipments: for a third of all Amazon customers who use the company's multi-faceted Prime service, far and away the most important benefit cited is unlimited free delivery—mentioned by 72% of Prime users (see Figure 1).[2] Those expectations aren't easing off: one-quarter of users say they prize Prime's free two-hour delivery option.

Figure 1: Three out of the top four noted benefits of Amazon Prime related to savings and deals

Q: What are the main benefits to you of using the Amazon Prime service?

Base: 22,480

Source: PwC, Global Consumer Insights Survey, 2018

Asked about what factors, other than price, sway them to buy from a particular retailer, survey respondents prioritised product availability, the retailer's brand and location, uniqueness, and then pointed to shipping and delivery. Nearly a quarter named fast/reliable delivery and 23% said they value a good returns policy. We then pushed for more detail by probing shoppers' delivery preferences if certain services were offered at no extra cost. Close to two-thirds of respondents were quick to pinpoint free return shipping as most desirable (See Figure 2).

For consumer goods companies and retailers, the implications of such expectations are profound. "Returns are such a big issue for online retailers," says Peter Kauschke, a director of global transportation and logistics at PwC Germany. "Some can't cope with the masses of returns that they get. For example, some sell returns to secondary retailers without doing any quality control, and those other retailers then export abroad. In other cases, online retailers may waive the return delivery for low-value items, which means the online shopper can keep the item without paying."

Figure 2: Consumers value free return shipping and quick deliveries as attractive benefits

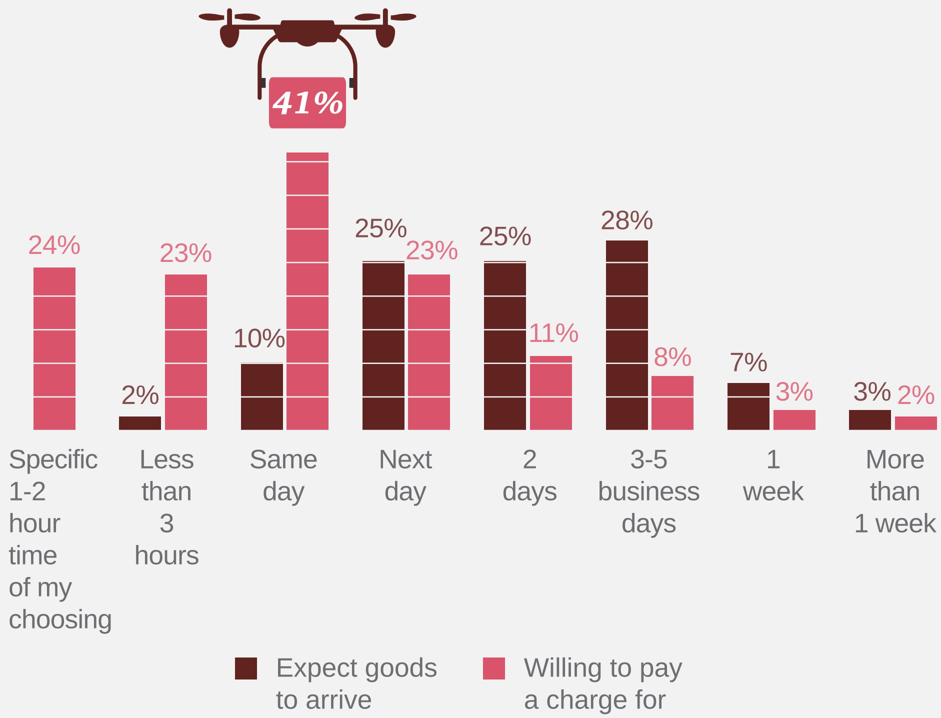
Q: Retailers may offer various options for how you receive your goods. Which of the following services are most attractive to you if offered at no extra cost?

Base: 22,480 (Respondents were asked to rank top 3)
Source: PwC, Global Consumer Insights Survey, 2018

Our research also looked at what delivery services shoppers would pay for. The survey seems to uncover a sweet spot for retailers and their delivery partners: consumers' willingness to pay more for same-day or faster delivery. A quarter of online shoppers said they would dip into their wallets to be sure of getting their packages within a one- or two-hour window of their choosing (see Figure 3). Older shoppers may place an even greater premium on narrow delivery time slots; according to the survey, shoppers ages 65 or over were 8% more likely (52% versus 44%) to choose "delivery at a specific time slot." Observes PwC director Kauschke: "I think it shows that people acknowledge that delivery on the same-day or even faster is a special logistics effort."

And effort it is. Fresh from an exhausting holiday delivery season, many leading consumer companies and their shippers are re-evaluating everything from caps on the numbers of packages shipped to pricing schemes. Having helped raise consumers' expectations, the pressure is now on to find ways to manage those expectations—profitably.

Figure 3: Consumers expect their purchases to arrive promptly and are willing to pay extra for same day delivery



Q: For the majority of your online purchases how soon do you expect your goods to arrive? Which of the following delivery lead time frames are you willing to pay a charge for?

Base: 22,480 (Chart represents percentage of daily and weekly usage combined)
Source: PwC, Global Consumer Insights Survey, 2018

The impact for transport and logistics businesses

Realistically, then, how does that happen? At this point, there is no clear, dominant answer—not least because 'consumer goods' covers such a gamut of deliverables. Solutions optimised for deliveries of footwear are unlikely to work perfectly for, say, shipping flowers or groceries or household appliances or furniture. In practice, given the disruptions throughout the sector, all bets are off. Anything and everything is worth trying: from 'last mile' tie-ups with hyperlocal delivery providers (shared-ride pioneer Uber is exploring this field[3]) to retailers' drop-shipping to purchases of logistics providers (think of Target buying Grand Junction and Shipt) to retailers' acquisitions of e-commerce players (Walmart bought Jet and Bonobos last year, and Belgian Post acquired Radial, a US-based e-commerce fulfillment company.)

In the Middle East, Fetchr, an app-based logistics service based in Dubai, uses consumers' geo location as the delivery address, eliminating the need for an identifiable address—a problem in some countries—and greatly mitigating the issue of customers missing deliveries. In Nigeria, where almost 80% of homes and businesses cannot receive door deliveries because of a similar address issue, What3Words, an app that divides geo-locations into three-by-three metre squares and labels them with three words, has worked with the Nigerian Postal Service to help with delivery challenges.

And over everything looms the shadow of e-retailers. Amazon, for example, is an innovator as it pushes into new corners of retail and experiments aggressively with everything from locker drop-offs to drone deliveries. In addition to tech innovation, Amazon has also built its own delivery network. For the 'last mile,' they often rely on local transport companies, but they do control the delivery chain from warehouse-to-door, and operate their own hubs and fulfilment centres. The delivery is 'Amazon-branded,' so the consumer gets a parcel delivered by 'Amazon Logistics,' as opposed to DHL Express or FedEx or United Parcel Service (UPS). And just this past February, Amazon announced plans to test a program deemed 'Shipping With Amazon,' in which Amazon couriers pick up products from retailers who sold items through Amazon for delivery to the appropriate Amazon warehouse. Currently, most of these pickups are being handled by the major delivery companies.[4]

The good news is that there is plenty of room for winning solutions to emerge—not only among consumer firms and retailers, but among the myriad transportation and logistics providers handling various stages of the shipping supply chain. PwC's research found that shoppers care much more about delivery method and speed than about who's doing the actual delivering. More than a third of all respondents indicated no preference about the 'who.'

The good news is that there is plenty of room for winning solutions to emerge—not only among consumer firms and retailers, but among the myriad transportation and logistics providers handling various stages of the shipping supply chain.

The leading transportation and logistics players—the DHLs and FedExs and XPOs—are likely to thrive, given their capital advantages and their savviness about the benefits of big data and analytics tools. Mid-sized and smaller firms that lack such advantages are at greatest risk from big moves by consumer producers and retailers.

PwC believes strongly that logistics companies will need to focus on 'digital fitness,' cost efficiency, asset productivity, and innovation if they want to meet the rapidly changing expectations of shoppers. Building and refining these and other capabilities, and then bringing them to scale across the enterprise, will be key as they translate the strategic into the everyday.[5]

It should go without saying that those revised priorities apply also to consumer goods companies and retailers. But PwC urges action on a higher plane: the need for far-reaching collaboration across the consumer-goods value chain. Nowhere is that more critical than in dense urban areas, where demand volume is rising fastest and the delivery infrastructure challenges are greatest. PwC's recent study on 'last mile' urban deliveries in Germany points out many of those challenges—from noise pollution to traffic congestion[6]—and emphasises the need for city governments to join coalitions of consumer-goods players and logistics service providers to address them.

That, in turn, calls for those industry players to reach out to government officials and to view them as valued collaborators in resolving increasingly complex delivery issues.

Make way for the drones—perhaps

But isn't there a simpler, technology-based answer to the complexities of last-mile delivery in cities? Aren't drones the way forward? Certainly, Amazon and DHL have captured the imaginations of headline writers with its experiments to date. And it's clear that consumers are curious: 38% of our respondents say they would trust a drone to deliver their packages.

PwC believes strongly that logistics companies will need to focus on 'digital fitness,' cost efficiency, asset productivity, and innovation if they want to meet the rapidly changing expectations of shoppers.

The truth is that the last-mile issue is ferociously complex. When so little about actual delivery is standard, automation has far fewer advantages. Drones that carry bulky, heavy packages as well as little feather-light ones? Delivery on the front doorstep, onto a balcony, or into the waiting customer's hands? At a neighbour's house? Under a covered area in the event of bad weather? And then come the social and cultural challenges. Drones equipped with cameras aren't loved by those who cherish their privacy. Others may object to the airborne congestion. Instead, PwC sees opportunities for drones to improve the effectiveness of many other stages of consumer-goods supply chains. One example: drones that monitor and update inventory in distribution centres.

The truth is that drones are just one of many options, which also include delivery robots, automated lockers, crowd-sourced delivery, and of course traditional delivery truck. There is not just one solution—delivery options are as diverse as consumers' preferences.

Nobody expects 2018 to be the year that shipping and delivery challenges are solved. But it is likely to be a year in which consumer goods companies, retailers, and their suppliers work more closely together to see what exactly shoppers will pay for—and what they won't.

The truth is that drones are just one of many options, which also include delivery robots, automated lockers, crowd-sourced delivery, and of course traditional delivery truck.

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Whom do consumers really trust?

Over the past decade, social media has changed the way consumers and brands interact, giving consumers more of a voice and placing higher demands on brands—to be authentic, respond to consumers' concerns, be accountable for mishaps, and even take a stand on relevant social and cultural topics. Clearly, consumers' trust has become more crucial for brands' success.

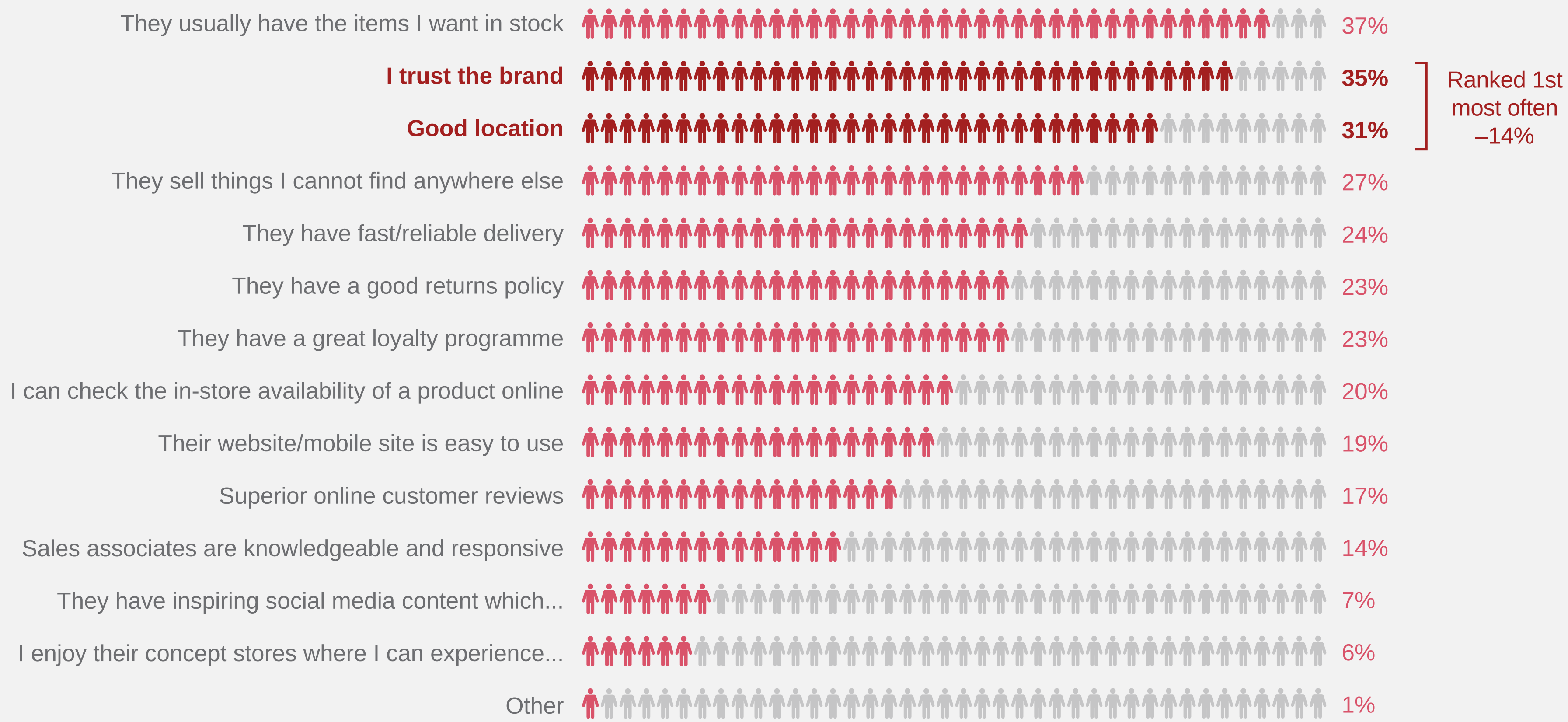
PwC's latest consumer research points to the soaring importance of social media—shoppers trusting the collective opinions of strangers—and the challenge, for brands and retailers alike, to be seen as authentic and trustworthy. The issue of trust should also be top of mind for executives as they consider how to deploy new technology and services to bolster the customer experience while protecting the security of an ever-expanding trove of customer data.

Trust in the brand matters

PwC's Global Consumer Insights Survey reached out to more than 22,000 consumers in 27 territories across the globe during the late summer and fall 2017. We asked these consumers which factors, other than price, influence their decision to shop at a particular retailer. More than one in three (35%) ranked 'trust in the brand' as among their top three reasons (see Figure 1, on the next page).

Over the past decade, social media has changed the way consumers and brands interact, giving consumers more of a voice and placing higher demands on brands…

Figure 1: Location and trust are what influence consumers to a particular retailer



Q: Other than price, what influences you to shop at a particular retailer?

Base: 22,481, (Asked to rank top 3)
Source: PwC, Global Consumer Insights Survey, 2018

Indeed, brand trust ranked among the top three reasons for more consumers than 'good location.' And it was only slightly less important to respondents than being able to find items they wanted in stock. Other reasons, such as loyalty program and knowledgeable sales associates, were cited much less often.

Among all respondents, 14% said trust in the brand is the number one reason (other than price) why they shop at a retailer. But among respondents in China's massive consumer market, 21% chose brand trust as their number one reason, more than any other country that participated in our survey. Among US respondents, 16% cited brand trust as the number one reason for choosing a retailer.

Building brand trust isn't easy, of course. Understanding individual consumers and consistently meeting their expectations is essential to making it happen.

Building brand trust isn't easy, of course. Understanding individual consumers and consistently meeting their expectations is essential to making it happen. For example, Kroger, a US retailer, uses robust consumer analytics to uncover trends in consumer behaviour, allowing it to adjust its offerings and tailor its digital promotions to individual shoppers.[1] And brand trust implies much more than understanding shopping behaviour, of course. Trust can be earned through transparency regarding sources/suppliers and ingredients, dependability and consistent quality products and services, genuine engagement in community and charity activities, admitting errors and making up for them—the list goes on and on. These trust factors hold not just for established brands but can also be used as guiding principles for newly launching brands.

The wisdom of the crowd matters too

Although trust in the brand plays a strong role in determining *where* consumers shop, they rely heavily on other people's opinions to decide *what* to buy. "Today's consumers trust the wisdom of the crowd, what somebody in their network says about something," says Rick Kauffeld, a PwC US principal. Our survey asked respondents which online media they regularly use to find inspiration for their purchases (allowing them to select up to three options). Social networks ranked first (37% of respondents), followed by individual retailer websites (34%) and price comparison websites (32%) (see Figure 2). Chinese respondents again stood out, as their preference for social networks soared to 52%, with retailers' websites (20%) and emails (10%) trailing far behind. But consumers in some other countries rely even more heavily on social networks in this regard, with 70% of respondents from the Middle East selecting social networks, 58% from Indonesia and Malaysia, and 55% from Hungary.

Figure 2: Social networks are most influential when finding inspiration

None of the above 11%

Q: What online media do you regularly use to find inspiration for your purchases?
Base: 22,481 (Respondents were asked to select **up to three** options)
Source: PwC, Global Consumer Insights Survey, 2018

These findings suggest that opinions and suggestions on social media sites—posted by friends and strangers alike—have more influence on specific purchase decisions than factors that retailers can control, such as advertising, promotions, and pricing. Recognising the importance of social media, many retailers have sought to use these sites as channels not just for getting their mass marketing messages out to consumers, but also to participate in ongoing conversations that are relevant to the brand. Consumers trust opinions on social media because they regard these as authentic and helpful. The challenge for brands has been to engage in the conversation on social networks in a way that consumers perceive as genuine and caring rather than self-serving. According to Kauffeld: "Brands have to think about what's the way for them to engage so that they come off as being authentic and caring and contributing to the network rather than doing something in the self-interest of the brand."

Patagonia, the outdoor clothing and gear brand, stands out for projecting authenticity and putting consumers' interests first in its approach to marketing on social media. The company is well known for communicating its commitment to environmental causes. In one campaign, the company actually told consumers, "don't buy this jacket," with the goal of encouraging people to consider the environmental impact of their purchases. Consumers respect the company's eco-friendly values, and its brand has thrived.[2] Another example is outdoor gear retailer REI, which has been going against the grain of the industry by closing its stores not just on Thanksgiving but also on Black Friday, both of which are key shopping days in the US, to give its employees time off for family and to enjoy the outdoors.

Beyond selling products, leading companies are using social media to provide services and help customers fulfill their aspirations. These companies are leveraging the power of social communities as online gathering places for consumers who share common interests and lifestyles. For example, Under Armour has developed an online fitness community in which participants create and share content on a wide range of social media, joined by Under Armour athletes like former number one golfer Jordan Spieth.[3]

Beyond selling products, leading companies are using social media to provide services and help customers fulfill their aspirations.

Consumers want benefits, not surveillance

Trust is essential for retailers seeking to harness data about consumers in order to provide a better experience. For the most part, our survey respondents seem to trust retailers to collect data about their interactions and use the information to make individualised offers. Over 40% of our survey respondents said they were comfortable having a retailer monitor their shopping patterns and purchases and expect a retailer to have up-to-date information on how they interact with it across all channels, including in store, online, and via social media. Only 27% said they did not have this expectation. (See Figure 3.)

Figure 3: In the age of increasing surveillance, the biggest concerns for consumers are around being tracked

Q: Please indicate how strongly you agree or disagree with the following statements.

Base: 22,481
Source: PwC, Global Consumer Insights Survey, 2018

For Chinese consumers, these expectations are amplified, as fully two-thirds expect retailers to be maintaining updated information about their interactions.

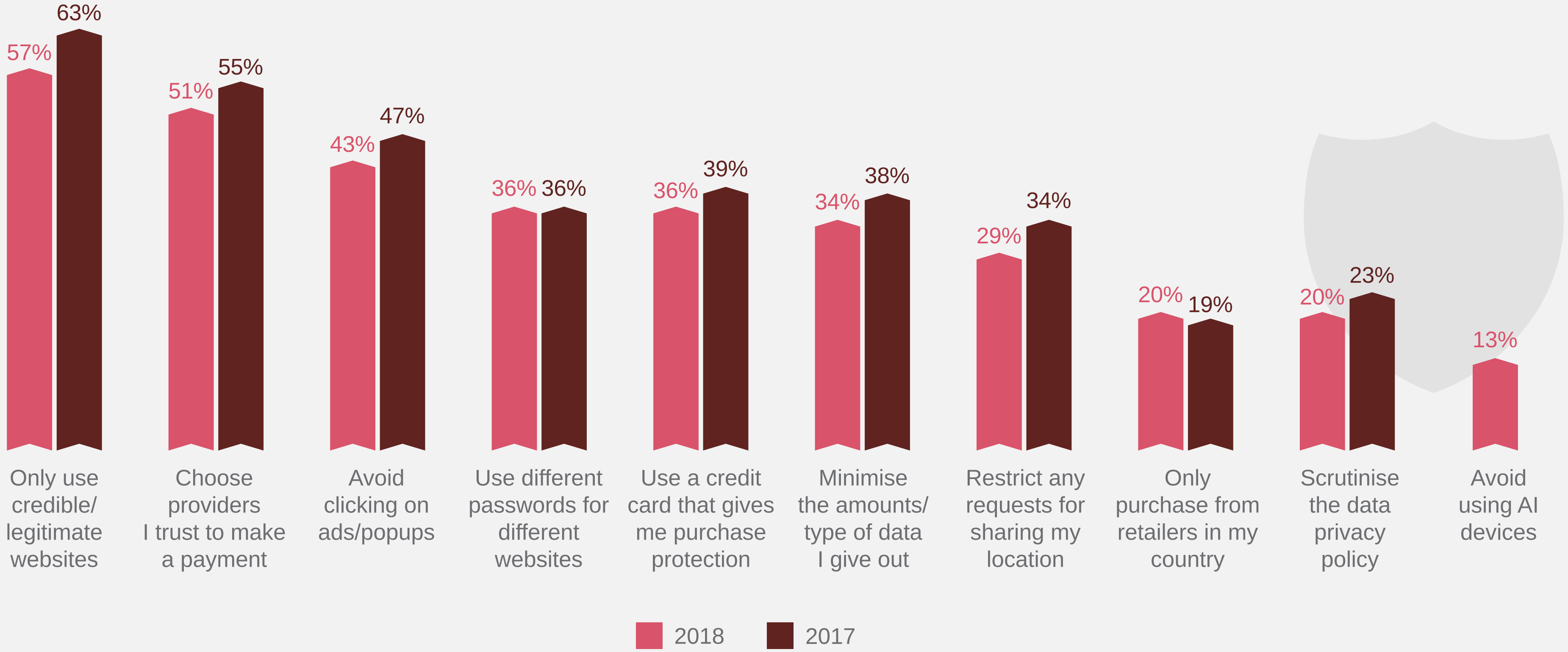
Consumers generally seem less enthusiastic about the prospect of retailers knowing their physical locations. Among all respondents, only 34% said they would be happy for a retailer to identify when they are nearby and send them personalised offers via a mobile device, while 37% said they would not be happy about such surveillance. Chinese and Indonesian consumers are an exception: 59% are happy to get personalised offers based on their whereabouts and only 14% of Chinese and 9% of Indonesian shoppers are not.

Trust eases fears about online security risks

Trust also plays an important role in how consumers evaluate online security risks. Our survey asked respondents how they reduce the risk of online security issues and fraud (allowing them to select all the options that apply). More than half said they only use credible and legitimate websites (57%) or choose providers they trust when making payments (51%). Other factors, such as minimising the amount of data given out and avoiding the use of artificial intelligence devices (like Amazon Echo), trailed far behind (see Figure 4, on the next page.)

Only 34% said they would be happy to get personalised offers based on their whereabouts.

Figure 4: Consumers remain conscious of ways to reduce online security risks



Q: How do you personally reduce the risk of online security issues/fraud?

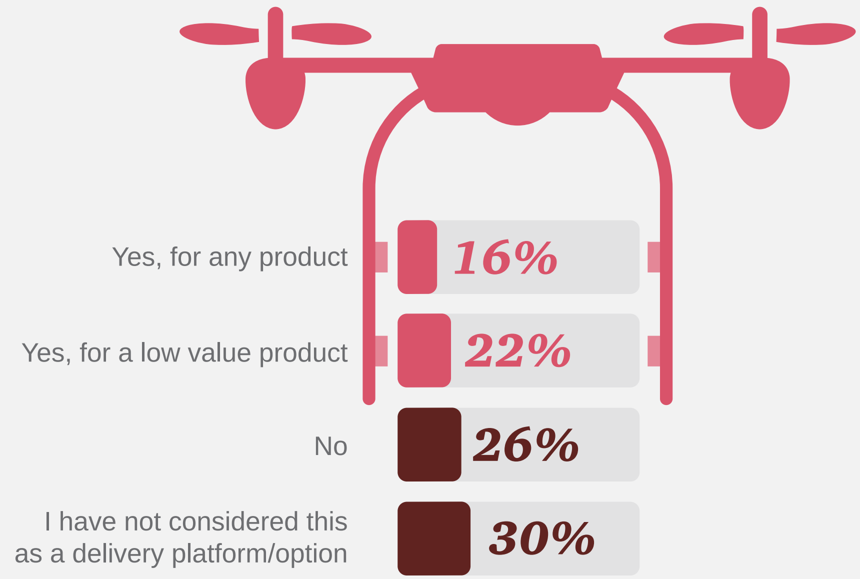
Base: 22,481 (2017), 24,471 (2016) – (Respondents were asked to select **all** that apply)
Source: PwC, Global Consumer Insights Survey, 2018

It is notable that overall consumers' security precautions seem to have decreased slightly since last year's survey. This could mean that shoppers trust retailers more, which would be good news, and at the same time it may also imply raised expectations for reliable security.

Will trust issues create headwinds for drones?

Beyond quality, authenticity, and security, trust affects consumers' attitudes toward technology. Drones are a case in point. The value of the drone-delivered product appears to make a difference to some consumers when it comes to trusting drones. Among our survey respondents, only 16% said they trust a drone to deliver any package and 22% said they would only trust one to deliver a low-value product. About one in four respondents said they would not trust drone delivery, an indication that retailers will need to promote confidence in this new delivery method if its use is to gain universal acceptance (see Figure 5).

Figure 5: The jury is still out on drone delivery



Q: Would you trust a drone device to deliver your package?
Base: 22,480 (7% of consumers selected 'Don't know')
Source: PwC, Global Consumer Insights Survey, 2018

Gauging trust in healthcare at retail locations

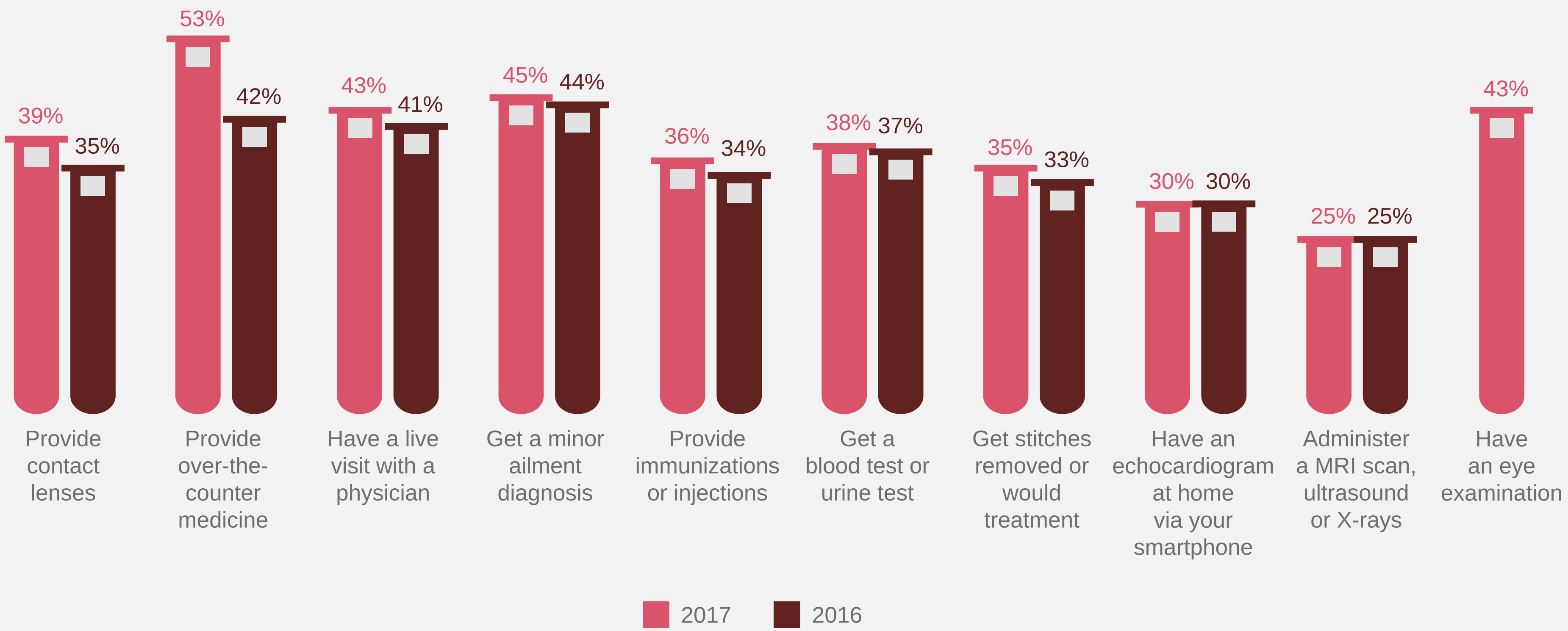
In the past decade, retailers have begun exploring opportunities to provide health-related services in-store. For many consumers, it's a natural fit: retail stores are more convenient and customer-centric than traditional healthcare clinics or physicians' offices. As retailers join the ranks of non-traditional healthcare providers, it's important to understand which types of services consumers trust them to provide. Among our global sample, more than half (53%) would trust a non-traditional provider to offer over-the-counter medicine, up from 42% in last year's survey. Consumer's trust in non-traditional providers dispensing contact lenses has also increased slightly from last year (35% to 39%), and 43% would have an eye exam. The trust level for other services was generally consistent from year to year. Services that more than 40% of respondents trust a non-traditional provider to offer include visits with physicians, diagnosis of minor ailments, and an eye exam (see Figure 6, on the next page).

In the old days, building trust with consumers was fairly straightforward: provide quality products when and where consumers need them. Today, the challenges have increased exponentially, as issues such as authenticity, community-building, and data security have become fundamental pillars of trust. Companies must understand their customers' aspirations, join in the conversation in a not overtly promotional way, and apply data effectively and securely. Brands and retailers that master the challenges will be the trust champions in the decades to come.

53%

would trust a non-traditional provider to offer over-the-counter medicine, up from 42% in last year's survey.

Figure 6: Healthcare in retail trend; similar results experienced year over year



Q: Would you trust such a non-traditional healthcare provider?

Base: 22,480 (Only those who responded 'Yes')
Source: PwC, Global Consumer Insights Survey, 2018

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About PwC's Global Consumer Insights Survey

Since 2010, PwC has annually surveyed thousands of consumers around the globe to track shopping behaviour, and then chronicled these findings in various global reports on the future of retail under the "Total Retail" banner.

This year we decided that a new umbrella term for our findings was warranted: PwC's Global Consumer Insights Survey. We want to acknowledge that the once bright lines demarking retailers, manufacturers, technology companies, logistics service providers, and healthcare organisations are becoming more and more obscured as consumers are more open than ever to non-traditional solutions.

www.pwc.com/consumerinsights

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