

AlixPartners

Consumer Sentiment Index

Want:

Understanding
shopper demands
across fashion
sectors

2024





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Today's consumer is less brand-loyal, inundated with marketing messages across all apps and channels, pressured by debt and inflation, and increasingly demanding. But as loyalty has waned, customer acquisition and demand costs have grown, and retailers' profits have shrunk. Retailers need a new playbook.

AlixPartners has rebooted the historic Consumer Sentiment Index to provide a tool for retailers to evaluate and prioritize resources, operational and technological advancements, and growth initiatives to stay ahead of the fast-evolving consumer. Today's customer has been in the power-seat for several years, as the digital world evolved, and they are now frustrated. They are fatigued from the constant stream of brand content. They are overwhelmed by information, choices, and the need to comparison shop. And, they have a different suite of needs and expectations as they move across the fashion spectrum, from mass and off-price up to luxury, and from the center of the age-spread—Millennials—to the fringes.

The Consumer Sentiment Index, first launched in the 2000s, provides data on consumer prioritization of five key pillars: access, experience, service, product, and price. We find that top-performing retailers like Chanel and American Eagle are delivering on core consumer demands for their sectors. In luxury, it's service alongside product. For young adults, it's price and product with a nod to experience. Looking across generations, we see that Millennials want it all, while Boomers are keenly focused on value. Although it's not surprising that Gen Z are the most motivated by social shopping, only 3% of Gen Z called Shein the number one retailer when shopping for fashion online, which should cause retailers to pause and invest wisely in shiny new capabilities.

The expectations of today's fashion consumer are higher than ever when it comes to loyalty. Eighty percent of consumers are looking for an attractive loyalty program, but less than a third think retailers deliver. Programs that are not engaging consumers or incenting behaviors are flushing money down the drain.

Whether it's one-click checkout, availability of floor associates, or adequate product information, consumers across the spectrum want a smooth shopping experience, and will abandon the sale (and in many cases, the retailer) when they meet with friction. Here, we discuss key strategies for avoiding these pitfalls and providing a satisfying retail experience for fashion consumers.

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1. Overview

The next generation
of the CSI

In this chapter:

- **Scope and pillars**
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- **Fashion sectors**
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History and re-launch

In 2009, when AlixPartners last ran its Consumer Sentiment Index, e-commerce accounted for just 4% of total sales, and the iPhone was not yet two years old. The first Apple Store had opened about eight years before, inspiring an experiential revolution focused on customer engagement and interaction, establishing a new standard for store design, setting a record for sales per square foot, and anchoring Apple as one of the first retailers to offer in-store services like technical support—but few retailers followed suit, at least not immediately.

Walmart was expanding across America, T.J. Maxx had record sales, and luxury houses like Chanel would not touch e-commerce. Top-performing retailers focused on physical location, cleanliness, hours, parking, associate interaction, customer service, and, most importantly, surviving the Great Recession.

As we relaunch the CSI in 2024, shopping is transformed. Access is about being able to shop in-store, online, through an app, and on social media. Consumers comparison-shop across brands and expect a more personalized experience across channels. Within fashion sectors and between generational cohorts, there are important differences that laud some retailers as leaders and others as laggards.

Over its 10+ year run, the CSI illuminated shifting consumer preferences and trends across retail sectors. It helped retailers prioritize where to focus, invest, and divest. Today, given recession, disruption, peak acquisition & retention costs, and a growing array of shiny objects to invest in, the stakes couldn't be higher for retailers to put their money where it will have the biggest impact with their consumer.

Scope and pillars

In a July 2024 online survey of 9,000 consumers, we assessed the importance of each of the five pillars of excellence:

1 Access: Ease and convenience in shopping, entailing reliable inventory, location of stores, early access to deals, and mobile apps.

2 Experience: Connectivity to the brand, including customer engagement, personalized experiences in-store and online, and store layouts.

3 Price: Baked into the price point are beliefs about realized and perceived value, and competitiveness.

4 Product: Details around the goods themselves, including quality, craftsmanship, trendiness, sustainability, and inclusivity.

5 Service: Tangible services that happen before, during and after the sale; and additional value-added services such as styling, and customization.

The reasons people shop haven't changed markedly in the 20 years since we started the Consumer Sentiment Index, but the way people shop has. Price, access, experience, product, and service all have profoundly different meanings in a world where free and fast shipping is seen as a baseline service, and where machine-learning is being used to deliver personalized product suggestions that speak to a customer's core identity. Investments in these areas have a strong ROI for some generations and a null-benefit or net cost for others. The differences between consumer expectations across these sectors have valuable implications for retailers' strategies.

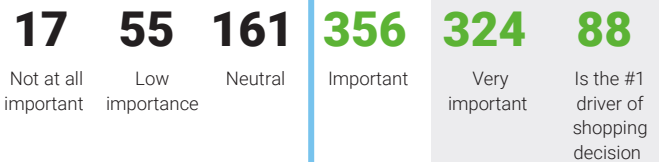
Ratings

For the 2024 CSI, we determined the importance of the five key pillars by asking respondents to assign an importance rating to each of 50 retailer attributes. Consumers rated "the ability to find new products," for example, on a scale of 1 to 6, with 6 denoting that the attribute was the "most important purchase driver" on down to 1.

Example question (or "attribute") from the survey and rating scale:

Question: When it comes to shopping for apparel at department stores, how important is "ability to shop the brand/retailer no matter where I am" to you?

Number of respondents that selected each option for this question



In most cases in this report, we refer to "important drivers," which include any responses where consumers consider attributes as "important," "very important," or the "#1 driver of shopping decision." The term "primary purchase driver" is used when discussing responses where consumers deemed attributes as "very important" or the "#1 driver or shopping decision."

Fashion sectors

Not all fashion retail experiences are created equal, and preferences understandably shift between consumers shopping luxury, where all pillars trump price, for example, and those buying fashion from mass retailers, where price is king (of course). Incorporating a view of preferences across nine fashion sectors was critical to helping retailers strategize how to best attract their unique consumer.

What we didn't expect were some of the nuances below the surface of the pillars. For footwear consumers, for example, high quality and craftsmanship is the number one attribute, followed by reliable sizing, whereas for luxury, although product was number one, the luxury consumer appears to assume that quality is there—it doesn't impact purchase decisions. They just don't waste time thinking about it.

Major findings by fashion sector

Sector	1	2	3	4	5
Luxury	Product	Service	Experience	Access	Price
Jewelry	Product	Experience	Service	Access	Price
Specialty	Product	Price	Access	Experience	Service
Outdoor & active	Product	Price	Service	Experience	Access
Footwear	Product	Price	Experience	Access	Service
Department store	Product	Price	Service	Access	Experience
Off price	Price	Product	Access	Service	Experience
E-commerce	Product	Price	Access	Service	Experience
Mass & club	Price	Product	Access	Experience	Service

Demographics

In addition, we layered in demographic information and found that while Millennials cared the most about every facet of the shopping picture, and proved the most demanding, Boomer consumers showed the greatest range. They care deeply about price and product, but their interest in the “experience” of shopping is much lower than for other generations. Gen Z, although highly followed and discussed, showed a less scrupulous view of all the pillars.

Although product and price take top spots, we found that the product/price “value equation” is unique to each sector and demographic.

Luxury & jewelry

customers expect the highest level of service during the shopping experience and are prepared to pay for it

Specialty & footwear

customers rank service the lowest, they cite easy & fast shipping & returns as top overall purchase drivers

Off price and mass & club

shoppers are shopping for deals; they cite “I feel like I am always getting the best deal” as the #1 driver of purchase

Top three retail CSI leaders by fashion sector

Consumers were asked to rank retailers in each fashion sector (126 in total) based on how well the company performs across the pillars

Sector	Subsector	1	2	3
Luxury	-	Chanel	Louis Vuitton	Gucci
Jewelry	Fine jewelry	Cartier	Rolex	Tiffany & Co.
	Fashion jewelry	Pandora	Fossil	Swarovski
Specialty	Designer	Hugo Boss	Michael Kors	Coach
	Lifestyle	Calvin Klein	Old Navy	H&M
	Contemporary	Ann Taylor	Express	Brooks Brothers
	Young adult	American Eagle	Abercrombie	Hollister
Outdoor & active	-	Columbia	Nike	Adidas
Footwear	Active footwear	Nike	Adidas	New Balance
	Fashion footwear	Crocs	Vans	Clarks
Department store	-	Macy's	Kohl's	JCPenney
Off price	-	T.J. Maxx	Marshalls	Ross
E-commerce	-	Amazon	Walmart.com	Target.com
Mass & club	-	Walmart	Costco	Target

Although consumer sentiment does not always align to recent retailer or brand performance, it does tip off retailers to important consumer preferences, as we see in standout rankings for retailers like Columbia (in the outdoor sector) and T.J. Maxx (in off-price). In luxury, Chanel won on four of the five pillars.

So, what does today's fashion shopper want?

Well, it depends—your bottom line is riding on whether or not you deliver on key consumer wants by sector and demographic.

2. Leaders and laggards in the CSI

Consumers have spoken. What they want varies widely by sector, and there are clear winners

In this chapter:

- Chanel is winning luxury, and no one comes close
- Nike leads the race to the top for athletic footwear
- Crocs have a winning foot in the fashion world
- Footwear fans still love the test drive
- American Eagle is ahead, but Abercrombie is in pursuit
- Shein is a disruptor, but Amazon is unbeatable
- Department stores are trying to hold it all together

Chanel is winning luxury, and no one is even close

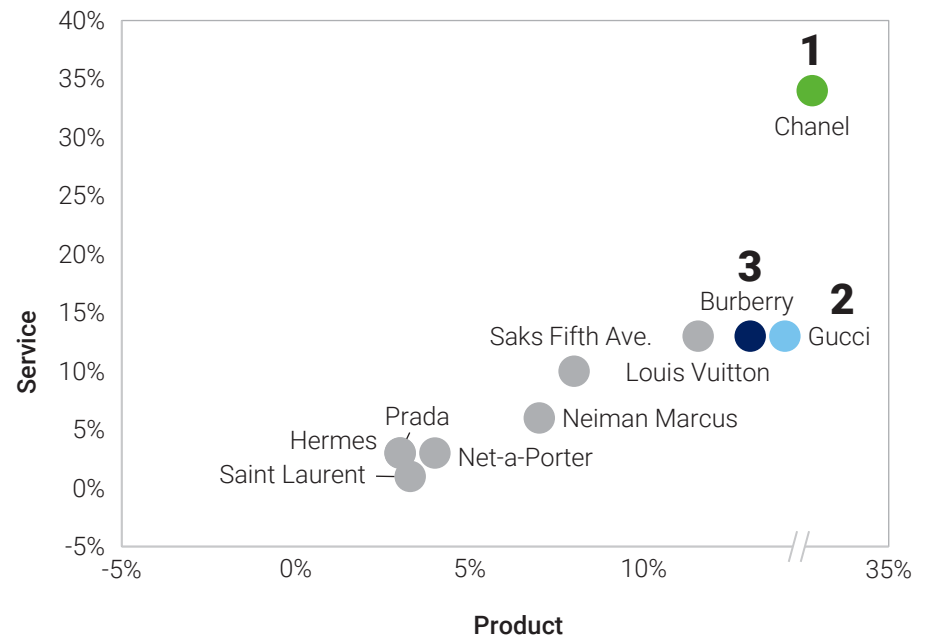
Chanel is the most followed fashion brand, with over 90 million followers across Instagram, Facebook, YouTube, and TikTok. Perhaps it's no surprise, then, that it was the top-ranked luxury brand, ahead of Gucci and Louis Vuitton, with **33% of respondents choosing Chanel as the top-performing brand across each of the pillars.**

While product is the most important pillar for luxury customers, service and experience are also critical. Chanel has engaged consumers through pop-up experiences like the Milan launch of the Rouge Allure Velvet lipstick, which offered free makeup and skincare consultations, immersive rooms designed to perform as backdrops for social media, and music; and the takeover and retrofit of a diner in Williamsburg for a fragrance launch.

There is a chasm from first to second place: anywhere from two to three times the number of respondents picked Chanel as the next runner-up, a spot filled by Gucci, Burberry or Louis Vuitton, depending on the pillar (with Saks Fifth Avenue not far behind). If service and experience define chic for luxury, the "Chanel & moi" service is a perfect example: the company's atelier sites are designed to keep all Chanel products looking like new, whether via leather repair or clothing alteration.

Among other top luxury players, Gucci made the royal court (after Chanel) for product and service, while Burberry came in second on experience. The distance between the second, third, and fourth spots for favorite on each dimension narrowed significantly, with no more than a 4-percentage-point gap between any of them (splitting ~40% of the vote).

Luxury retailer perceptions % ranked #1 by top retailer



Curiously,

while 86% of consumers expect the products they purchase to be of high quality, luxury consumers place the lowest value on the product pillar out of all sector consumers. This suggests that they are confident in the quality of the offerings and that retailers should focus on enhancing their white-glove service and other experiential offerings.

Asked to rank luxury retailers, Boomers rated Neiman Marcus number two, and Saks number three. Saks figured in the top three for Gen Z and Gen X consumers also, demonstrating that while luxury consumers value luxury service, many also value the product and brand assortment only available in department stores.

Second-hand luxury has grown an average of 22% CAGR since 2019 in North America and is expected to reach \$3.3 billion by 2028. Not only is this a way for new consumers to dip a toe into the luxury waters, 80% of luxury consumers demand recycling and resale programs (as very important).

#1 Luxury retailer ranking by generation

	Gen Z	Millennial	Gen X	Boomer
1	Chanel 28%	Chanel 32%	Chanel 45%	Burberry 27%
2	Burberry 16%	Gucci 16%	Burberry 20%	Neiman Marcus 25%
3	Saks Fifth Ave. 13%	Louis Vuitton 13%	Saks Fifth Ave. 7%	Saks Fifth Ave. 20%
4	Louis Vuitton 12%	Burberry 11%	Louis Vuitton 7%	Chanel 11%
5	Gucci 9%	Saks Fifth Ave. 8%	Neiman Marcus 5%	Gucci 7%
6	Net-a-Porter 6%	Neiman Marcus 7%	Gucci 5%	Louis Vuitton 4%
7	Neiman Marcus 6%	Net-a-Porter 4%	Prada 3%	Saint Laurent 2%
8	Prada 5%	Prada 4%	Saint Laurent 3%	Hermès 2%
9	Hermès 4%	Hermès 3%	Hermès 3%	Net-a-Porter 2%
10	Saint Laurent 1%	Saint Laurent 2%	Net-a-Porter 2%	Prada 0%

Nike leads the race to the top for athletic footwear

Newer entrants to the pickleball court and running track have been threatening to topple long-time leaders in the sector. On Running and Hoka stock saw jumps of 82% and 81% year-over-year as of September 26, 2024, respectively, ahead of mainstay Adidas, which grew by 34%, and Nike, which saw its stock drop 4% YTD. However, the CSI finds Nike, Adidas and New Balance in the top three positions for athletic footwear. Nike was the clear leader, with three times more respondents ranking them first compared to the next highest ranked on the list. The company shows staying power across age demographics, though as customers skew older, Hoka begins to creep up the list.

What explains the discrepancy in financial performance and consumer preference?

Faster innovation and development cycles, connection with a new, younger consumer, and retail expansion as a tool for customer acquisition have helped these brands grow quickly, but the volume overall isn't there ... at least not yet. These are the brands to watch as they continue to cut more deeply into the market share of legacy players.

Asked to rank athletic footwear retailers, Gen X and Boomers rated Foot Locker number two, demonstrating that the 45+ crowd may be more brand agnostic, preferring a one-stop shop to buy footwear for the entire family.

#1 Active footwear retailer ranking by generation

	Gen Z	Millennial	Gen X	Boomer
1	Nike 36%	Nike 44%	Nike 36%	Nike 28%
2	Adidas 21%	Adidas 13%	Foot Locker 15%	Foot Locker 18%
3	Foot Locker 12%	New Balance 9%	New Balance 13%	Skechers 13%
4	New Balance 8%	Foot Locker 9%	Adidas 10%	New Balance 12%
5	Finish Line 5%	Skechers 6%	Skechers 8%	Adidas 8%
6	Skechers 5%	All Birds 5%	Finish Line 6%	Hoka 7%
7	Puma 4%	Puma 4%	Hoka 4%	Finish Line 6%
8	All Birds 4%	Reebok 4%	Asics 4%	Reebok 3%
9	Asics 2%	Finish Line 4%	Puma 2%	Asics 3%
10	On Running 2%	On Running 2%	Reebok 2%	Puma 2%

Crocs have a winning foot in the fashion world

Consumers ranked Crocs the highest-rated fashion footwear player across the five pillars overall, and the brand was the major winner with Gen Z (25%) and Millennials (29%), followed closely by Vans. Since the company's runway debut at London Fashion Week 2017, it has used collaborations and customizations to penetrate the wider market. The company recorded 34% CAGR from 2019 to 2023, a rate that's sure to rise with the introduction of a new line of shoes for dogs!

Thirty-six percent of Boomers favor DSW as their top footwear company—twice that of their second choice, Clarks. DSW saw the largest spread of sentiment among generations, with only 8% of Gen Z choosing them for the top spot, but the brand holds obvious appeal for price-focused Boomer shoppers.

Boomers show a preference for DSW 2x greater than for the number-two retailer Clarks, again showing that the 60+ crowd prefers to shop in a spot where they can find multiple brands in one place.

#1 Fashion footwear retailer ranking by generation

	Gen Z	Millennial	Gen X	Boomer
1	Crocs 25%	Crocs 29%	Vans 24%	DSW 36%
2	Vans 18%	Vans 21%	DSW 22%	Clarks 18%
3	Clarks 18%	Clarks 16%	Crocs 15%	Crocs 13%
4	Birkenstock 9%	DSW 9%	Clarks 11%	Birkenstock 7%
5	DSW 8%	Birkenstock 8%	Journeys 7%	UGG 6%
6	Steve Madden 6%	ALDO 6%	UGG 6%	Dr. Martens 6%
7	ALDO 6%	Steve Madden 3%	Birkenstock 5%	Vans 5%
8	Dr. Martens 4%	Journeys 3%	Steve Madden 4%	ALDO 4%
9	Journeys 3%	UGG 3%	ALDO 3%	Journeys 3%
10	UGG 3%	Dr. Martens 2%	Dr. Martens 3%	Steve Madden 2%

Footwear fans still love the test drive

For shoppers of all generations, function is crucial, as indicated by an overwhelming emphasis on product and price. Consumers are seeking high-quality shoes that offer durability, and 86% of them say that quality and price must align. This tracks with the 2024 back-to-school AlixPartners U.S. Consumer Footwear Survey, which found that quality was consumers' top concern, well ahead of price (ranked number 6 of 7 factors).

High quality and craftsmanship is the number-one attribute for footwear retailers, followed by reliable sizing for consumers across age groups.

Interestingly, shoppers in this space are less interested in finding deals compared to other sectors, and say they are willing to pay more for a good fit.

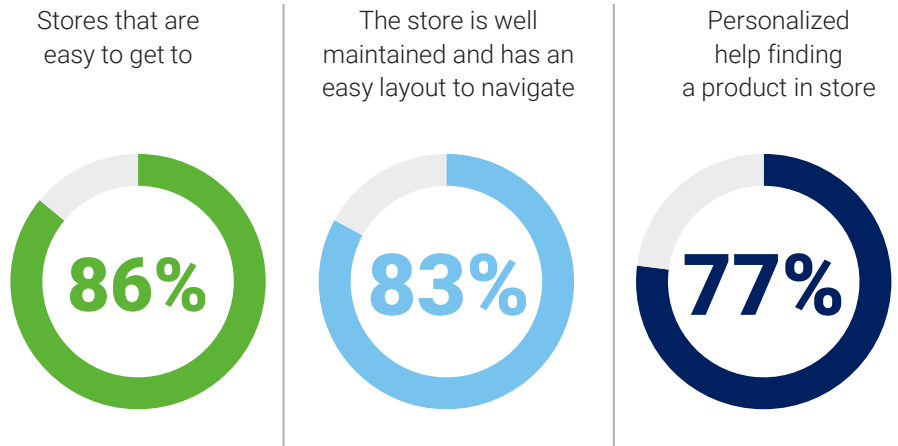
% of shoppers that ranked getting the best deal as primary driver of purchases



Brick and mortar is still a solid bet

The brick-and-mortar store is still a bastion of the footwear category. The U.S. Consumer Footwear Survey found that 45% intend to shop for the majority of shoe purchases in-store, compared to 27% who expect to shop exclusively online. Over three-quarters of consumers want stores that are easy to get to and well-maintained—particularly Boomers and Gen X, among whom almost 90% report this as the top purchase driver. Eighty-one percent of consumers said they want it to be easy to connect with a human and to receive personalized help finding products.

Consumers value these brick & mortar attributes



American Eagle is ahead, but Abercrombie is in pursuit

The eagle is soaring above its competitors in the youth sector. American Eagle Outfitters (AEO) ranked first for young adult specialty in the CSI, rated the **top retailer for the category by around 30% of respondents**, ahead of Abercrombie (16%) and Hollister (15%). AEO finished FY2023 with total net revenue up 5% year-over-year at \$5.3 billion, and is building out programs to ensure it resonates with youth shoppers—including the emerging Generation Alpha audience. The company claims it is the number one jeans brand for women of all ages, and number one for Gen Z men. Consumers across generations and income levels ranked it as #1 in the CSI.

AEO’s existing Live Your Life and Life on Film campaigns were boosted in July 2024 by promotion from 200 influencers, as well as celebrities like Coco Gauff, and speak to the company’s model for consumer engagement.

“We’re not just in the retail business—we’re in the entertainment business, and we want to continue to grab the attention of our core customer base,” Craig Brommers, chief marketing officer for American Eagle, told *Ad Age*.

The moose is in pursuit, however. AEO was the top performer for every pillar except experience, which Abercrombie dominated. The attributes that shape “experience” include time and space to shop, brand-aligned messaging, and customer ratings and reviews. In recent years, Abercrombie has simplified its offerings to “a reasonably priced uniform for the TikTok-adjacent life,” as *New York Magazine* put it. The lights are up, and consumers are finding plenty to satisfy their needs among the practical range of jeans, dresses, and tees—a strategy shift that landed the company record growth in Q2 2024.

Specialty retailer rankings by sub-sector

	Young adult	Lifestyle	Contemporary	Designer
1	American Eagle	Calvin Klein	Ann Taylor	Hugo Boss
2	Abercrombie	H&M	Express	Michael Kors
3	Hollister	Old Navy	Brooks Brothers	Coach

Shein is a disruptor, but Amazon is unbeatable

While Shein was part of our “e-commerce pureplay” sector along with Amazon, Target.com, Walmart.com, Asos, Fashion Nova and others, it’s worth noting that AEO considers the e-commerce giant their biggest rival, and for good reason—Statista projects social shopping to grow at 14% CAGR to become a \$1.1 trillion channel by 2028, with Shein and Temu leading that trend globally. In fact, 1 in 4 Gen Z consumers shop at online marketplaces like Shein, Temu and TikTok Shop at least once a week, per data from eMarketer.

Despite the global swell of social shopping (Gen Z in particular embrace the gaming approach), only 3% of Gen Z consumers rated Shein their top choice for e-commerce shopping. Amazon still wins with Gen Z when shopping for fashion, with 62% rating them number one. Across all consumers, 74% rank Amazon first on e-commerce pureplay.

Sixty-six percent of Millennials consider social shopping an important feature; Boomers on the other hand have yet to catch up, with only 27% considering it important.

E-commerce retailer rankings

1	Amazon	74%
2	Walmart.com	16%
3	Target.com	4%
4	Shein	1%
5	Temu	1%

Social shopping importance by generation

1	Millennial	66%
2	Gen Z	62%
3	Gen X	55%

Department stores are trying to hold it all together

Department stores are still holding up one corner of the American mall, with price and product their key pillars. They have trained the consumer to expect (and wait for) a deal with a highly promotional business model, making them price-conscious, and aligning their values closely with those of off-price shoppers.

Macy's, Kohl's, and JCPenney lead consumer rankings, together comprising over 50% of the vote and driven primarily by Gen X and Boomers. Nordstrom ranks second for Millennials, however, and resonates a lot less among the other generations (5 percentage points less with Gen Z and 10 pp less with Gen X and Boomer shoppers). Overall, Macys is winning on product and Kohl's is winning on price.

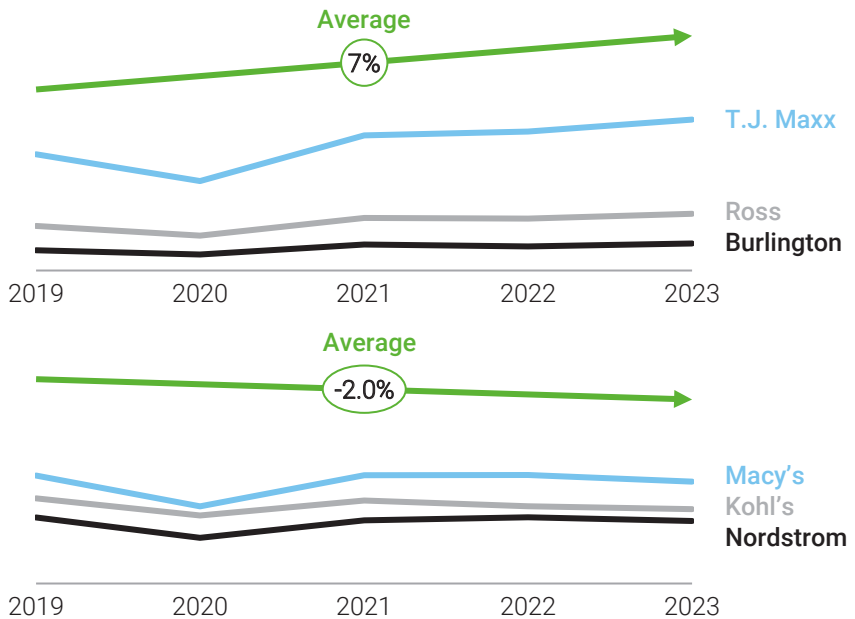
While department stores are struggling to attract younger consumers, Kohl's and Nordstrom are staying fresh, topping Gen Z and Millennials' department store rankings. While Kohl's is using its Sephora shops to draw young consumers into its stores, Nordstrom has been quick to sign deals with popular brands such as Skims, helping it stay relevant.

Department store retailer rankings

	Gen Z	Millennial	Gen X	Boomer
1	Kohl's 19%	Nordstrom 22%	Macy's 25%	Kohl's 32%
2	Macy's 18%	Macy's 21%	Kohl's 24%	JCPenney 23%
3	Nordstrom 15%	Kohl's 16%	JCPenney 18%	Macy's 16%
4	Dillard's 13%	JCPenney 14%	Dillard's 9%	Nordstrom 9%
5	Bloomingdale's 11%	Dillard's 9%	Nordstrom 8%	Belk 7%
6	JCPenney 10%	Bloomingdale's 9%	Bloomingdale's 7%	Dillard's 6%
7	Hudson's Bay 8%	Belk 5%	Belk 5%	Bloomingdale's 6%
8	Belk 6%	Hudson's Bay 4%	Hudson's Bay 4%	Hudson's Bay 1%

Ninety percent of department store consumers want to feel they are getting the best deal, similar to off-price, and a higher percentage than in any other sector. Eighty-eight percent expect frequent sales and discounts. However, unlike off-price customers, they also have incredibly high expectations for consistent fit (10 pp above off-price) and high quality and craftsmanship (9 pp above off-price). This puts department stores in a challenging position as they compete with off-price retailers like T.J. Maxx, Ross, and Burlington, which offer similar products at competitive prices, and do it without having to deliver the same product expectations. Since 2019, off-price retailers have grown at a 7% CAGR, while department store sales have declined at a 2% CAGR. Off-price retailers' continued success should serve as a warning to department stores: They must differentiate themselves from key value players if they want to maintain their market share.

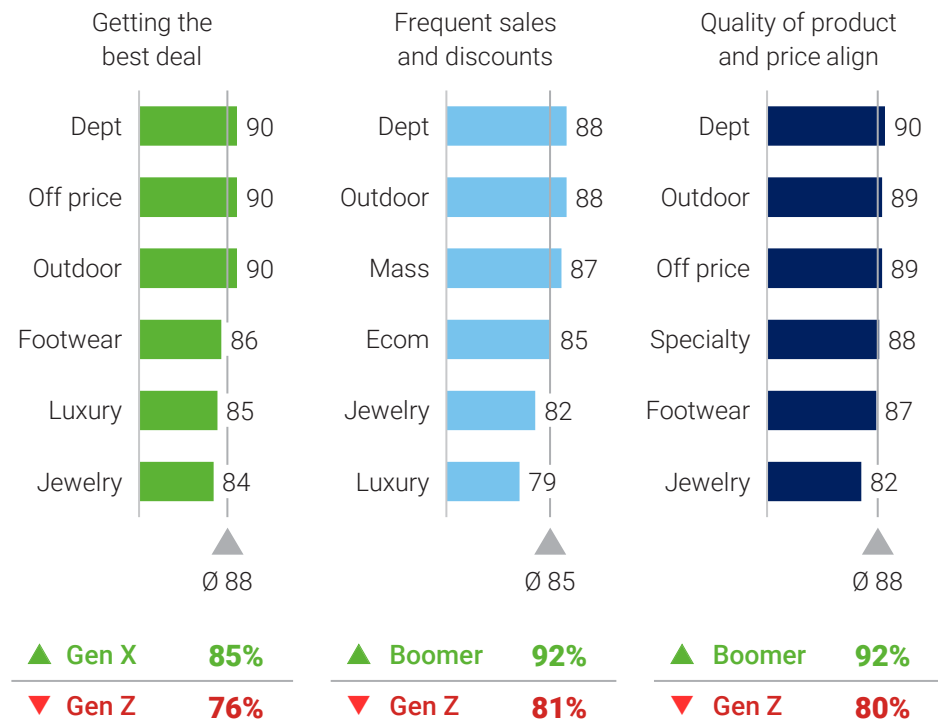
Sales trend 2019-2023 off price vs. department stores



Source: Public reporting of company financials

Another way department store customers find value is through free shipping and returns—the **highest across all sectors**. The department store membership card is also an enduring piece of the attraction, important to over 80% of department store customers and a key part of the sector's resonance with Boomer shoppers (Gen Z scores were 15 pp lower than other demographics).

% of consumers that ranked key attributes as important by fashion sector



3. What consumers really care about

Retailers need to stop chasing shiny objects and focus on keeping customers

In this chapter:

- 2 out of 3 consumers will shop at a different retailer if the product is not in stock
- Add-on services are high-effort, low-impact
- Dynamic pricing and inconsistency are risky bets
- It's the land of the fast and free

2 out of 3 consumers will shop at a different retailer if the product is not in stock

Once consumers have researched what they want online, they want to find it in stores. Fully 66% of consumers will shop at a different retailer if the item they want is not in stock or in-store, per the AlixPartners 2024 Holiday Survey.

“Right product, right place, right time” echoes in every retail conference room, yet as retailers have expanded online assortments and marketplaces to attract new customers and traffic, it’s become more challenging to avoid frustrating shoppers when they can’t find their size or their desired item in-store.

Stores are back. Retailers recognize stores as a powerful tool to showcase a brand and engage with customers and it’s working: store traffic is up and shoppers say they still matter, especially to Millennials (84%) and Gen X (82%), who believe stores that are easy to get to are very important. They also want stores to be well-maintained and easy to navigate (Millennial: 85%; Gen X: 85%).

While important across all sectors, finding an online product in-store is most important in higher-priced sectors, where over 80% of consumers see this as an important purchase driver; in-stock products are also important to around 85% of customers in the luxury, jewelry & watches, and outdoor & active sectors.

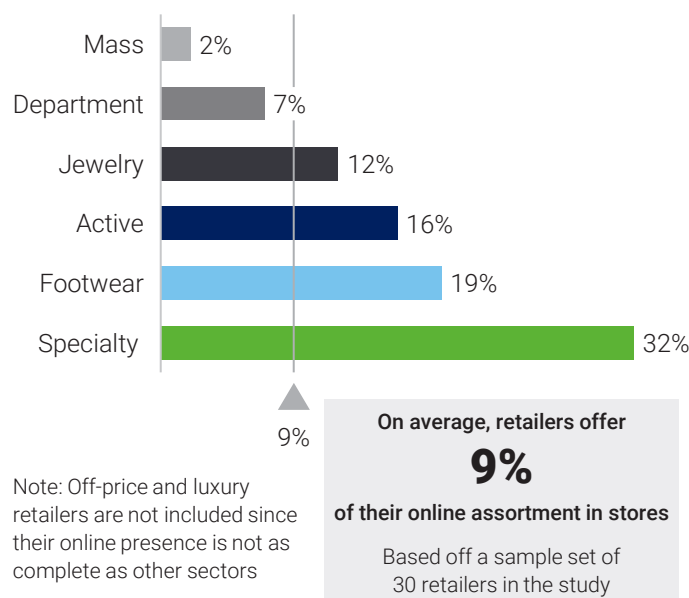
What happens when a product is not in stock



Looking at generations, in-stock product in stores is most important to Millennials and Gen X, of which 55% and 56%, respectively, cite it as a primary purchase driver.

Conversely, this is least important in off-price, where only 42% of consumers cite it as a primary purchase driver. The rolling inventory and “treasure-hunt” experience of shopping off-price is part of the appeal, though social media posts have undercut even this bedrock—take a recent video uploaded by a user who had visited multiple HomeGoods stores to source the “full” set of *Golden Girls* art. Discovery—even for off-price stores with no e-commerce arm—is increasingly taking place online.

% of online assortment available in store by sector (sample set)



When we see how this plays out in real life, it’s clear why consumers are frustrated. Macys.com has 24,000 women’s tops available online, but for customers who step foot in their Herald Square flagship in New York City, there are only 2,500 women’s tops available to pick up. For Gap.com, 158 tops and tees are available in women’s online, but only 50 are available for pick-up in the Herald Square location.

Across retailers, we see that in-store assortments are, on average, only about 9% as large as the online assortment.

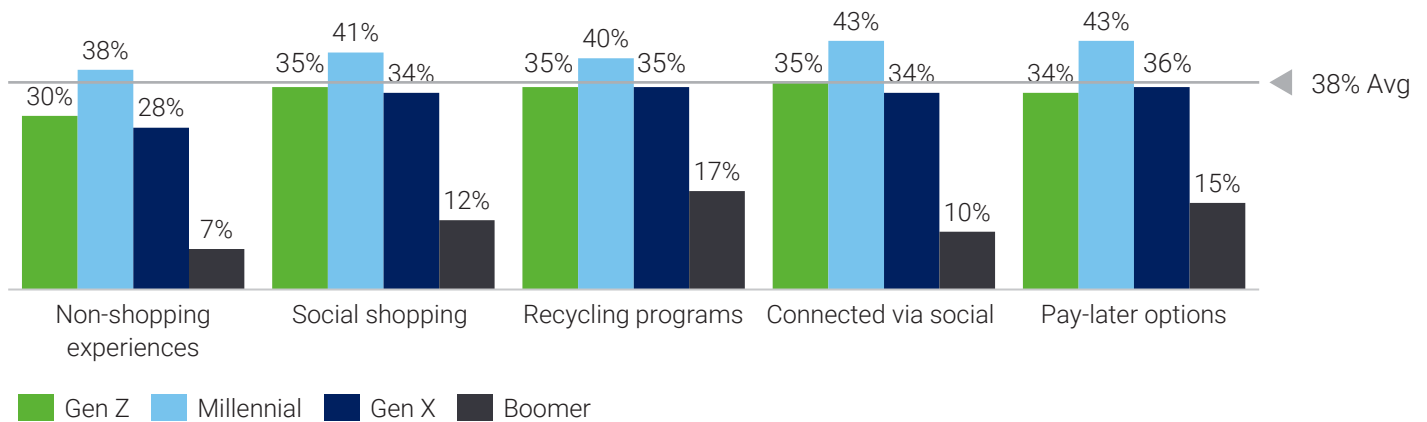
While retailers cannot afford take on the inventory cost and risk of carrying this breadth of product in store, the bar is high to appear seamless. To do so, retailers must improve their ability to integrate advanced analytics and logistics to boost their efforts to both forecast and move products more effectively ... and stop disappointing customers.

Add-on services are high-effort, low-impact

Retailers have spent the last decade experimenting with new strategies to differentiate themselves in an everchanging industry. However, it isn't clear that add-on services that are in place are enticing enough for new customers to be worth the investment.

Consumers across all demographics rank recycling programs, buy-now-pay-later (BNPL) offerings, social-media shopping, and non-shopping experiences (like classes, styling sessions, and customizations) as their least-important shopping consideration. Boomers are generally the least interested in add-on services, while Millennials—true to form—are the most receptive.

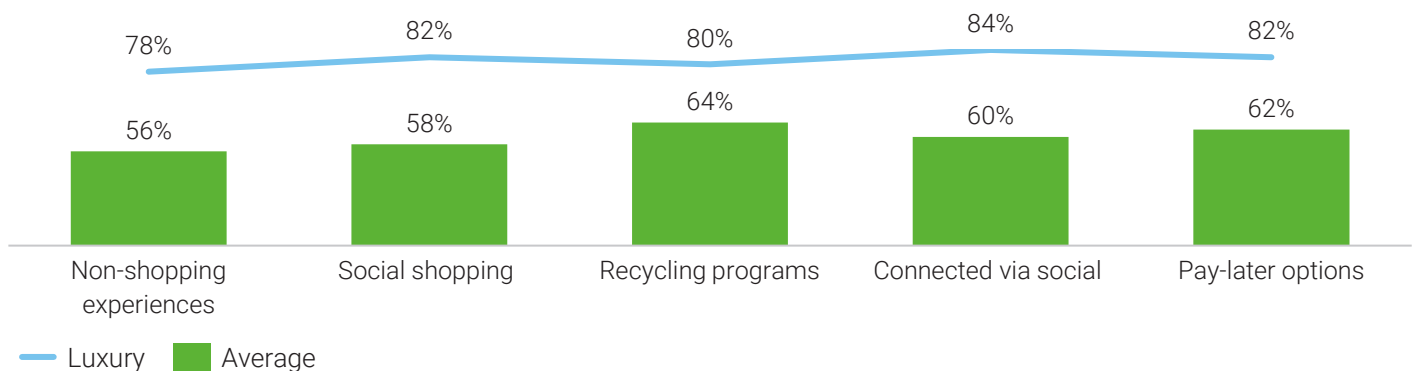
% of respondents that answered “very important” or “#1 driver of purchase”



Luxury shoppers ranked add-on services significantly higher than the average consumer

Boomers don't value social shopping. They rated “shopping via social media” and “feeling connected through social media content, influencers, and celebrities” as unimportant. In contrast, 41% and 43% of Millennials consider these aspects primary drivers. The results varied by sector, indicating that these services do have a place, particularly in luxury, jewelry & watches, and outdoor & active categories. In these sectors, around 50% of shoppers rated virtual try-on technology, brand collaborations, and social media connectivity as primary purchase drivers.

% of consumers who found add-on services important



Dynamic pricing and inconsistency are risky bets

What consumers want is simple: clear, consistent, and fair pricing; nearly 90% of consumers identify easy-to-understand and transparent pricing as an important purchase driver. **Nearly 85% of all consumers want to see consistent pricing in-store and online.**

Across all income brackets, transparent pricing ranks as the top purchase driver. But retailers have been using price and discounts as a lever to help them hit their forecasts, offering single-channel deals and changing online prices weekly to maximize margins.

Customers are savvy to this; they compare online prices for items they hold while waiting in line at the cash register and request price matches from associates, or buy items that will be discounted in the weeks ahead and later recoup the difference. Despite their ability to exploit price discrepancies, they prefer to see consistent pricing across all channels.

Boomers are the most sensitive to dynamic pricing, with 90% citing consistent pricing across channels as a very important purchase driver. This is particularly important in department stores and outdoor & active sectors, where 58% and 61% of consumers, respectively, say this is a primary purchase driver.

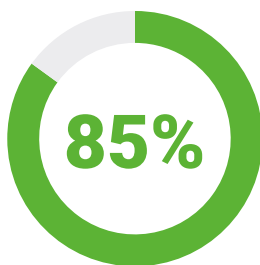
Retailer efforts to make price discrepancies “special” aren’t working either. Only 44% and 45% of consumers cite special in-store prices and exclusive pricing events to loyalty members or frequent shoppers as key purchase drivers, respectively.

Among all sectors, customers in the jewelry & watches category place the least importance on consistent pricing as a key purchase driver.

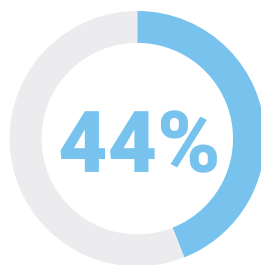
% of respondents that answered “important” “very important” or “#1 driver of purchase”

Consumer favorability of key pricing attributes

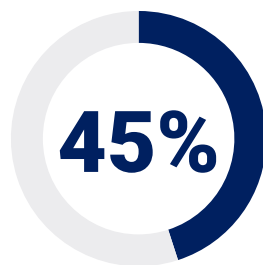
Consistent pricing in-store and online



Exclusive in-store prices or deals



Exclusive pricing for loyalty members or frequent shoppers



It's the land of the fast and free

Rising inflation and COVID-19 are a few factors that led to the reduction in fast and free shipping. While retailers are clawing back at this once expected perk, they should think twice about how this is impacting consumers' willingness to purchase.

While consumers value fast and free shipping and returns across all generations and sectors, this is especially important across department stores, e-commerce, and outdoor & active, with around 90% of respondents in these sectors deeming this a very important purchase driver.

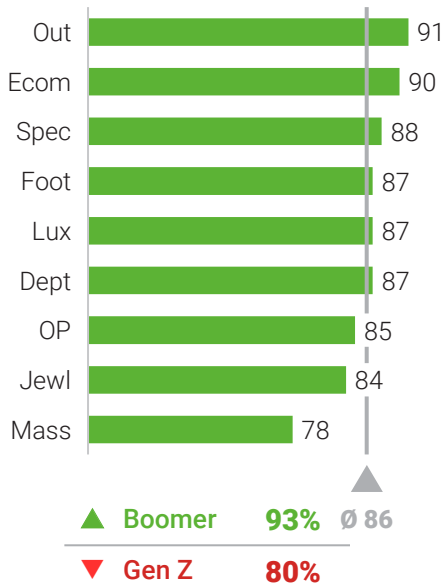
Retailers in the mass & club sector may want to reconsider their investment in fast and free shipping, as only 41% of

respondents view easy and fast shipping as a key purchase driver, and just 35% prioritize free shipping and returns. This suggests a potential opportunity to allocate resources elsewhere.

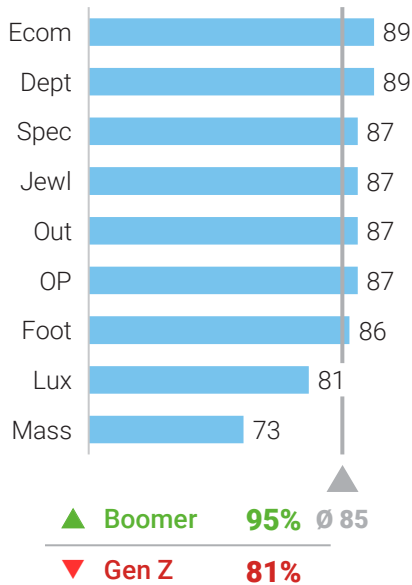
Younger consumers prioritize fast and convenient shipping, while Boomers place a higher value on the perk of free shipping: 73% of Boomers identify free shipping and returns as a key factor influencing their purchase decisions—this is 20 pp higher than those who prioritize easy and fast shipping and returns

% of respondents that answered "important" "very important" or "#1 driver of purchase"

Fast shipping & returns



Free shipping & returns



In fact, the AlixPartners Home Delivery Survey found that *3.5 days is the maximum acceptable delivery time* for free shipping and that 25% of consumers will shop elsewhere if their expectations are not met. This highlights the criticality of this service for a retailer's sector and customer segment.

4. Why demographics matter

Consumers are in the driver's seat, and Millennial expectations are steering the retail agenda

In this chapter:

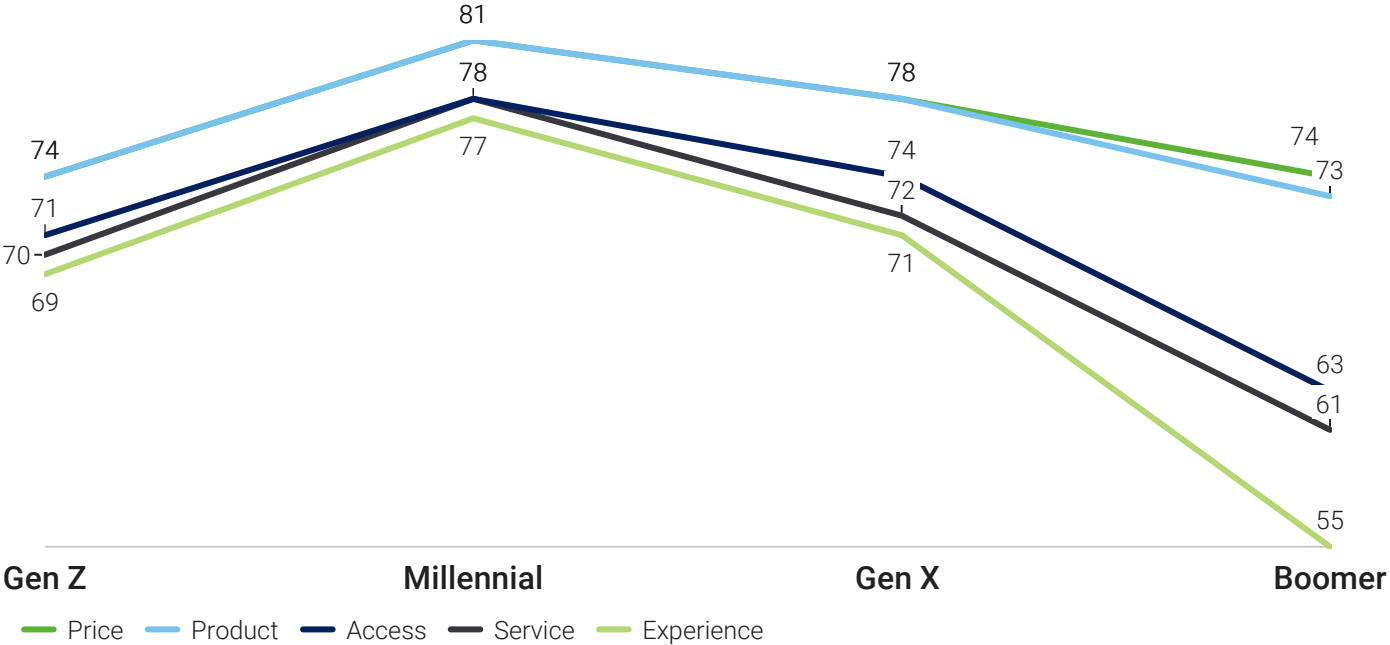
- Millennials have the greatest demands, and the spending power to back it up
- Retailers aren't getting points for loyalty
- Getting the personal touch right can mean backing off
- Everyone wants a deal, even high-earners

Millennials have the greatest demands, and the spending power to back it up

Millennials have the highest expectations across all pillars. They accounted for 50% of the respondents that rated purchase drivers “very important” or “#1 driver of purchase.” Gen X was the next most demanding demographic, accounting for 28% of “very important” and above ratings.

Retailers, take notice! Millennials also happen have the **greatest spending power** for apparel and footwear in the U.S.—accounting for at \$174 billion out of \$530 billion spent annually—and the highest share of wallet spent on fashion at 17%.

% of respondents who rated attributes in each pillar as important, very important, or the top driver of purchase



Millennials

are demanding; they rank all pillars at almost equal importance, and higher than all other generations. Retailers must perfect all elements to continue taking Millennial share of wallet.

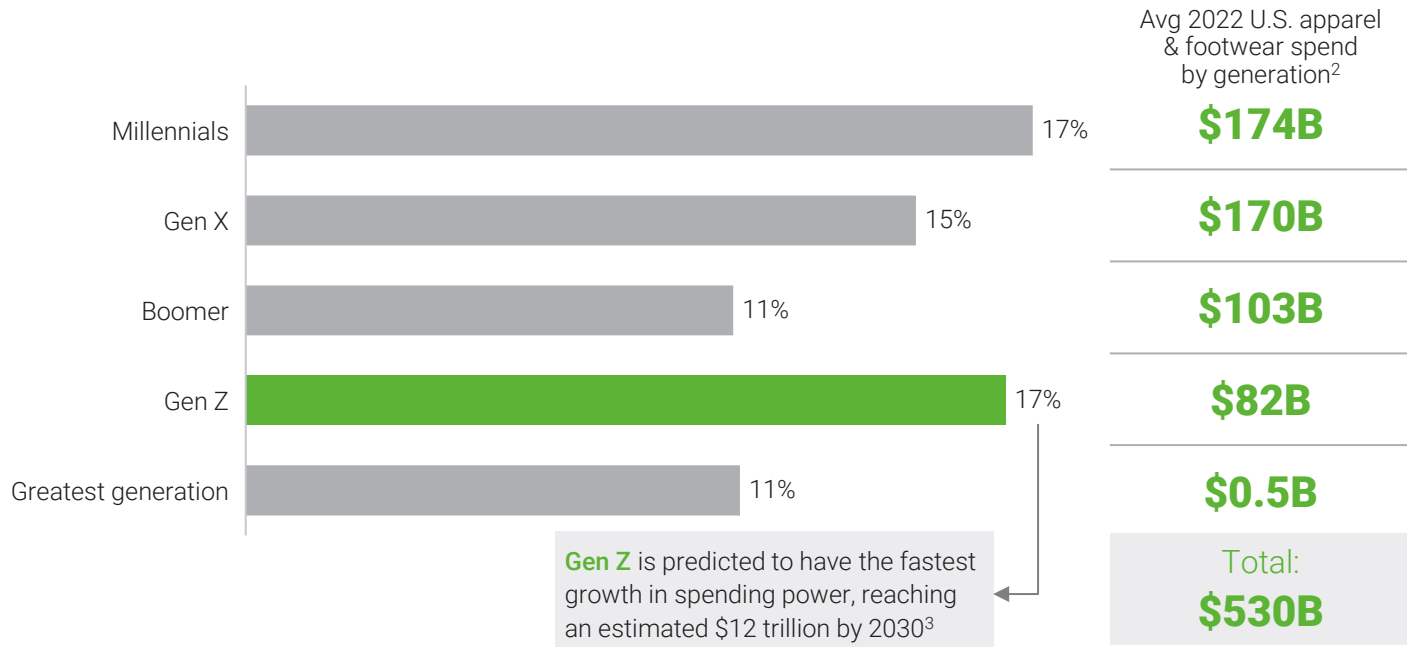
Boomers

however, are more easily appeased. While they rank price and product high, retailers targeting Boomers can reduce investment in add-on services.

Who wins with Millennials?

Millennials have the highest expectations when it comes to shopping outdoor & active. The retailers winning in these sectors are Adidas (active) and Columbia (outdoor) with almost 50% of the vote going to each. Adidas, New Balance, CK, Nordstrom, and Marshalls are examples of other retailers who are winning with Millennials when the vote is not unanimous. Millennials care most about price, followed by product, rewarding retailers with high-quality products and a wide range of these products when shopping a brand.

Apparel share of wallet by generation



While Gen Z is predicted to have the fastest growing spending power, reaching an estimated \$12 trillion by 2030, Millennials and Gen X are still leading the pack and combined account for ~50% of U.S. apparel spend.

In comparison, Boomers are the least particular of the generations and only 7% of this group rated any factor as a primary driver of their purchasing decision. The "I'll have one of everything" mentality among Millennials hangs on an overriding focus on whether quality aligns with price—the top driver of purchase decisions.

1. Consumer Expenditure Surveys, U.S. Bureau of Labor Statistics, September, 2022

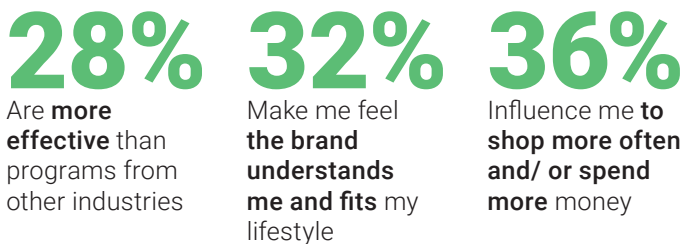
2. Estimated population of the United States from 2010 to 2023, by generation (in millions); US Census Bureau

3. NIQ/World Data Lab, Generations Analysis; NielsenIQ Spend Z Report

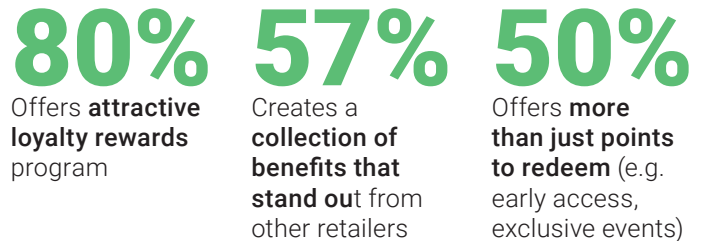
Retailers aren't getting points for loyalty

For card-carrying members of a given loyalty program, where is the value? Around 80% want attractive loyalty programs, an attribute rated important by almost 60% of outdoor & active, and jewelry & watch consumers (and ranked highly by 70% of Gen Xers in the latter category). But fully half of consumers think it's important to have more than just points to track loyalty.

Consumer perception of current loyalty programs

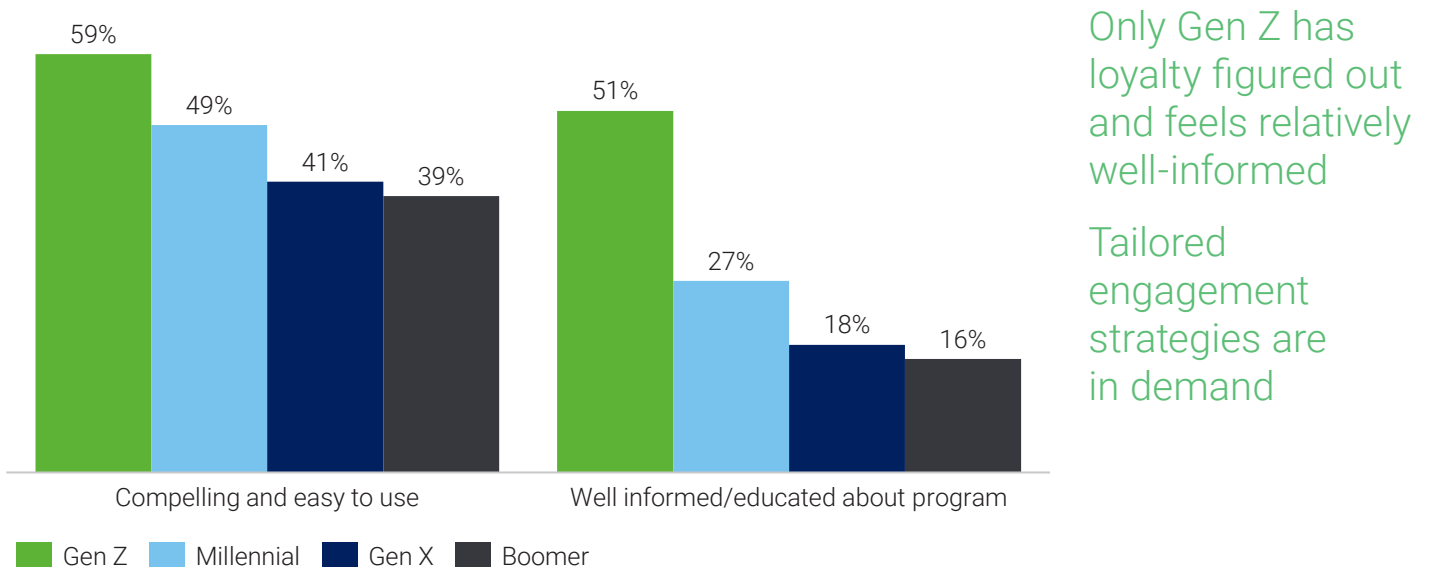


Consumer perception of key fashion loyalty program essentials



Many think it's not worth it at all. Less than a third of consumers think retailers' loyalty programs are effective, relevant, and incentivize them to shop more. Forty-five percent of Gen Z consumers—who are newer to the game—say loyalty programs help them to shop more, but only 26% of Boomers agree.

% of respondents who agreed with statement about fashion loyalty programs



Ease of use and education are key problem. Less than half of consumers (excepting Gen Z) find programs compelling and easy to use, and a majority say emails are not conveying the message. Less than a quarter of Gen X and Boomer shoppers say email communication about programs is helpful. While other generations feel informed, more than half of Boomers feel uninformed about loyalty programs, giving retailers a key opportunity to rethink both their design and communication strategies.

Getting the personal touch right can mean backing off

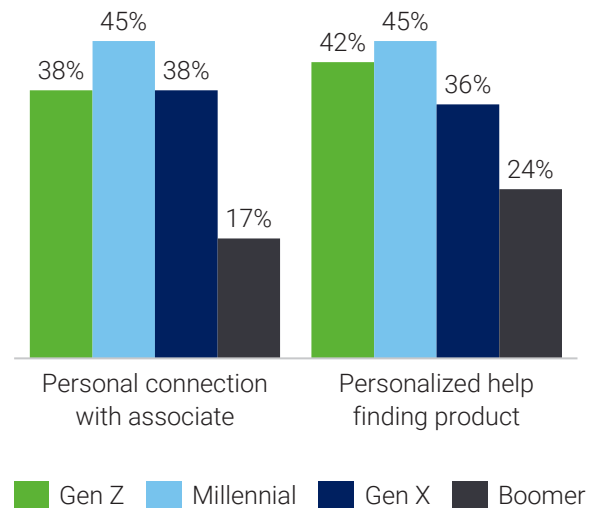
“Just browsing.” The CSI shows that customers want to be left alone while they shop, and not bombarded with ads and emails on their phones. Modern consumers are independent, researching purchase intentions through apps, websites, and social media; around 85% cite the freedom to make purchase decisions at their own pace as a key driver.

Less than 40% of consumers consider an intimate connection with a store associate a primary driver of their purchasing decision—consider rapid innovation in direct-to-consumer bras as proof of this trend.

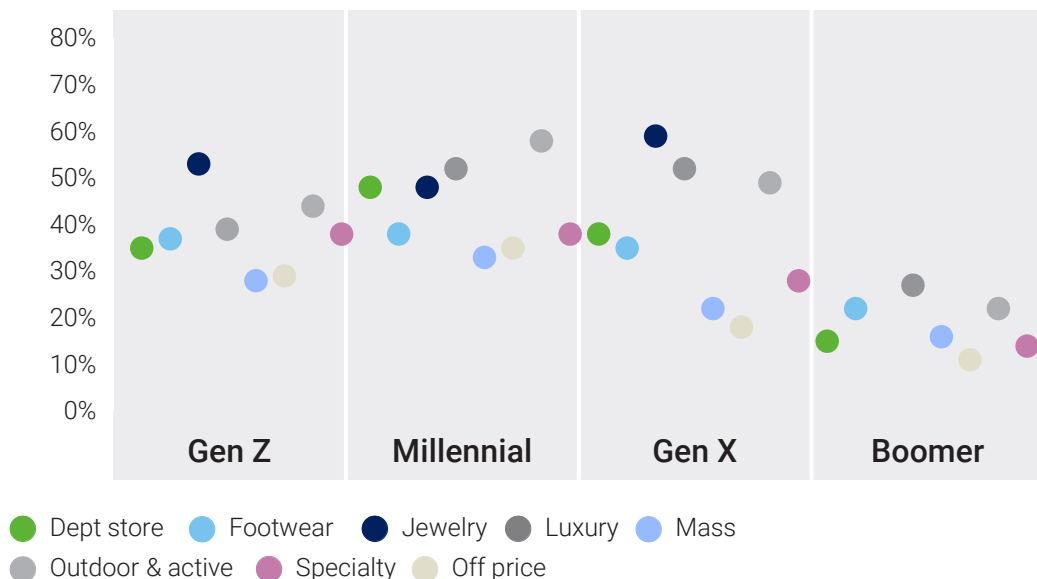
Boomers don't place much value on human connection throughout the shopping experience. **Boomers rank personal connection with associates the lowest of all generations**—only 17% say this service is a primary driver of their purchasing decision. Around 72% of consumers consider personalized assistance in finding products a key purchase driver, and 85% emphasize the importance of easy access to human support when needed.

This is a different story when we consider the luxury and jewelry & watches shopping experience. This consumer expects it all—know me, talk to me, and show me I'm the most important person in the room. Luxury and jewelry consumers cite personalized assistance as a key purchase driver. Customers from these sectors prioritize familiarity—including personal connections with associates and broader engagement with the brand through social media content and influencers, and social shopping—more than all other sectors.

% of consumers who found familiarity important by generation (primary purchase driver)



% of consumers who found familiarity important by generation and sector (primary purchase driver)



Boomers consistently rate personal connection with an associate low—but there are major swings in importance by subsector and generation.

Everyone wants a deal, even high-earners

Walmart has been making gains as it moves from mass to fashion apparel under leadership from a Saks Fifth Avenue alum. The company logged roughly \$29.5 billion in fashion sales in 2023, per an estimate by Coresight Research, and Chief Financial Officer John Rainey has said that Walmart is buoyed by growth in households making over \$100,000 a year. His theory is that higher-income shoppers are flocking to Walmart because of its increased convenience (e.g. same day grocery delivery, buy-online, pick up in-store (BOPIS)).

In the mass & club sector, high-income households ranked Walmart as the top performer across key pillars, followed by Costco, with Target.com coming in third, which is aligned to other income brackets.

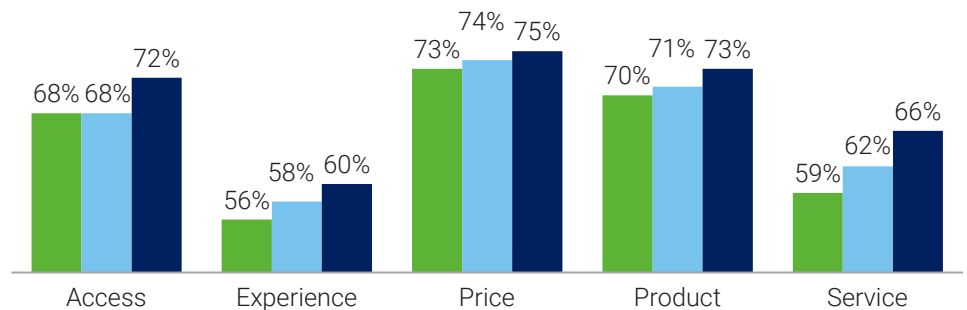
High-income households diverged from other income brackets in their off-price retailer preferences, ranking Marshalls first, followed by T.J. Maxx. Nordstrom Rack and Burlington tied for third place in their rankings; the other income brackets ranked T.J. Maxx first.

It's no coincidence that Costco has come up among the Real Housewives. High-income households shop at mass & club and off price for a one-stop shopping experience where they can get everything they need at a good price. They value a wide product range, with 91% of mass & club and 90% of off-price customers citing it as an important purchase driver, supporting Rainey's theory that convenience is crucial for affluent consumers.

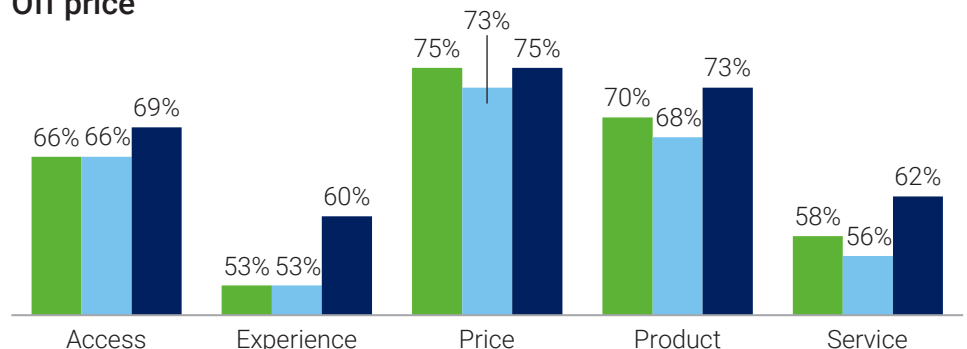
Transparent pricing is also an important driver for 91% of mass & club and 93% of off-price customers. Additionally, 90% of mass & club and 93% of off-price shoppers prioritize feeling like they're getting the best deal when making purchases. High-income consumer expectations are tempered when shopping at mass & club and off-price retailers.

High-income households frequent mass & club stores and off-price retailers in search of bargains. While all income brackets prioritize finding deals in these sectors, \$100K+ households have the highest expectations across all pillars

Mass & club



Off price



■ \$45K and below ■ \$45K-100K ■ \$100K+

5. What matters most

Fashion sectors

In this chapter:

Deep dive into each of the nine fashion sectors represented in the CSI:

- Luxury
- Jewelry & watches
- Specialty
- Outdoor & active
- Footwear
- Department stores
- E-commerce
- Mass & club
- Off price



Luxury

While Chanel is the top luxury brand, Louis Vuitton is coming in as the clear #2 with a narrow spread between Gucci and Burberry

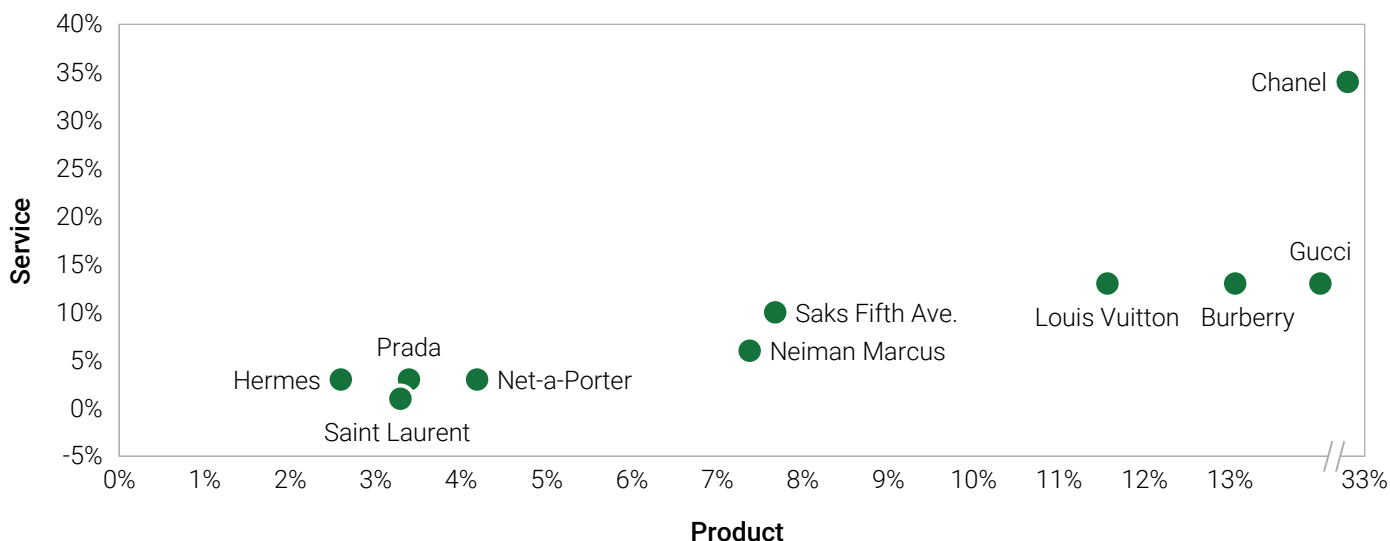
Emerging themes

- **No room for error** | Luxury consumers are more advanced and have higher expectations than typical retail shoppers.
- **Social media connection** | They are significantly more engaged with social media and influencers compared to other retail sectors.
- **Thirst for multi-dimensional experiences** | Enhanced shopping experiences are highly valued (e.g., repair services, trade-ins, cafes, spas, museums).
- **Need to be surrounded by luxury** | Proximity to other luxury retailers is crucial for attracting consumers.
- **Tailored experiences** | Consumers expect exceptional service to make them feel special.

Retailer insights

- While luxury growth has slowed in 2024, consumers remain enthusiastic about iconic fashion houses.
- Chanel topped the CSI luxury retailer survey, earning 1.6x more votes than the runner-up, Louis Vuitton, thanks to strong in-person and online customer engagement.
- Louis Vuitton, Gucci, Burberry, and Saks are all part of the race for grabbing a top-3 spot, with Saks ranking 3rd for Gen Z, Gen X, and Boomers.
- With its strong and iconic brand appeal, Burberry captured the #1 spot with Boomers, and the #2 spot with Gen Z, Millennials, and Gen X.
- While Gucci ranks #3 in overall CSI luxury rankings, only Millennials consider it a contender for #1 luxury brand, coming in at #2 of their top-rated brands.

The **most important pillars** for luxury consumers are **service** and **product**



% of respondents that ranked retailers #1

- ✓ Luxury consumers expect all five pillars (product, experience, service, access, price) to be exceptional in their journey.
- ✓ 77% of luxury consumers want to connect with brands via social media, and influencers—especially Gen Z and Millennials, at 85% and 87%, respectively.
- ✓ Shoppers rated additional experiences, virtual try-on technology, and brand collaborations in their shopping journey higher than any other sector; this is especially important for Millennials.
- ✓ Over three-quarters of consumers think it's important that luxury stores are located near similar-type stores.
- ✓ Free & fast delivery and exceptional personalized customer service are expected.

Jewelry & watches

The jewelry and watches (J&W) consumer is as demanding as the luxury consumer, and Pandora is exceeding all these expectations

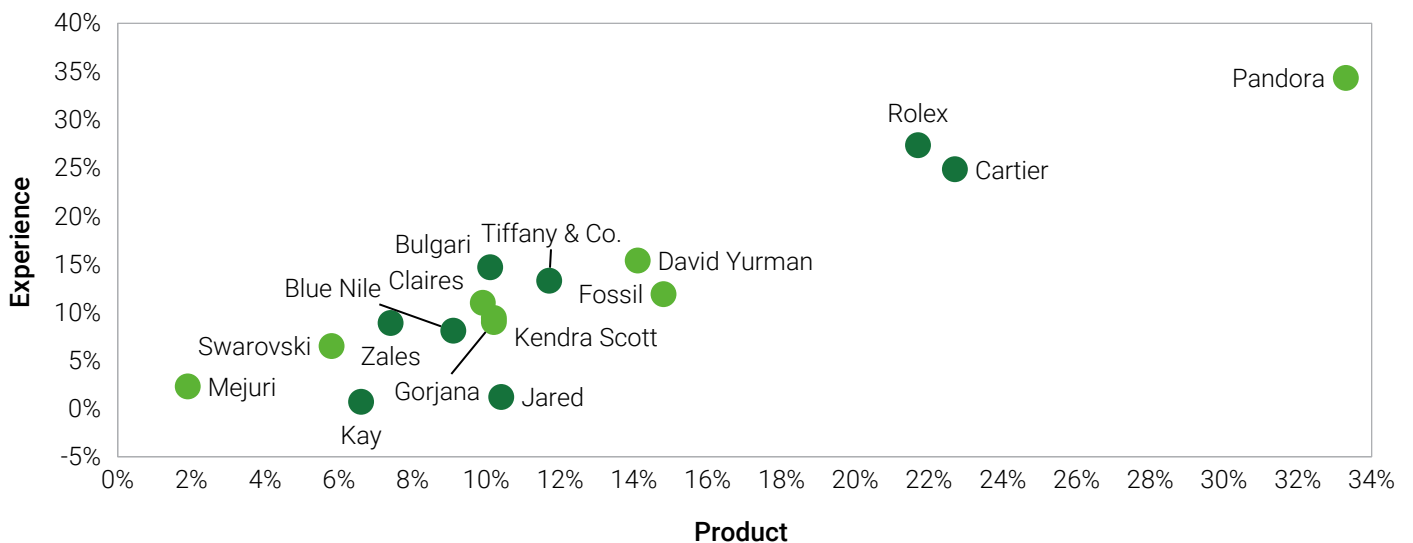
Emerging themes

- **No room for error** | J&W consumers are demanding and have higher expectations than typical fashion retail shoppers.
- **Social media connection** | They are significantly more engaged with social media and influencers compared to other retail sectors.
- **Thirst for multi-dimensional experiences** | Enhanced shopping experiences are highly valued (e.g., repair services, trade-ins, cafes, spas, and museums).
- **Tailored experiences** | Consumers expect exceptional service to make them feel special.

Retailer insights

- Pandora ranked #1 overall with nearly 2x the votes compared to the runners-up, Fossil and Swarovski.
- Gen X and Millennials make up 80% of consumers that consider Pandora their top J&W company.
- With a strong brand name and a diverse range of price points, Pandora reaches a broad consumer base.
- Cartier and Rolex almost tied for the #1 spot overall, with over 40% of the votes combined for fine J&W.
- Boomers voted for Rolex the *most* and for Cartier the *least*.

The **most important pillars** for off-price consumer are **experience** and **product**



% of respondents that ranked retailers #1 ● Fine ● Fashion

- ✓ J&W consumers act much like the luxury consumer, expecting all five pillars to be exceptional in their journey.
- ✓ 81% of J&W consumers want to connect with brands via social media, influencers—the highest of all sectors. Surprisingly, Gen X ranks this the highest importance with 84% wanting to feel connected.
- ✓ 78% of shoppers want additional experiences in their shopping journey to be surprised and delighted—this is the highest of all sectors.
- ✓ Free and fast delivery, and exceptional personalized customer service are expected by luxury consumers.

Specialty

Calvin Klein is creating viral moments that are boosting the appeal of their product offerings among younger consumers

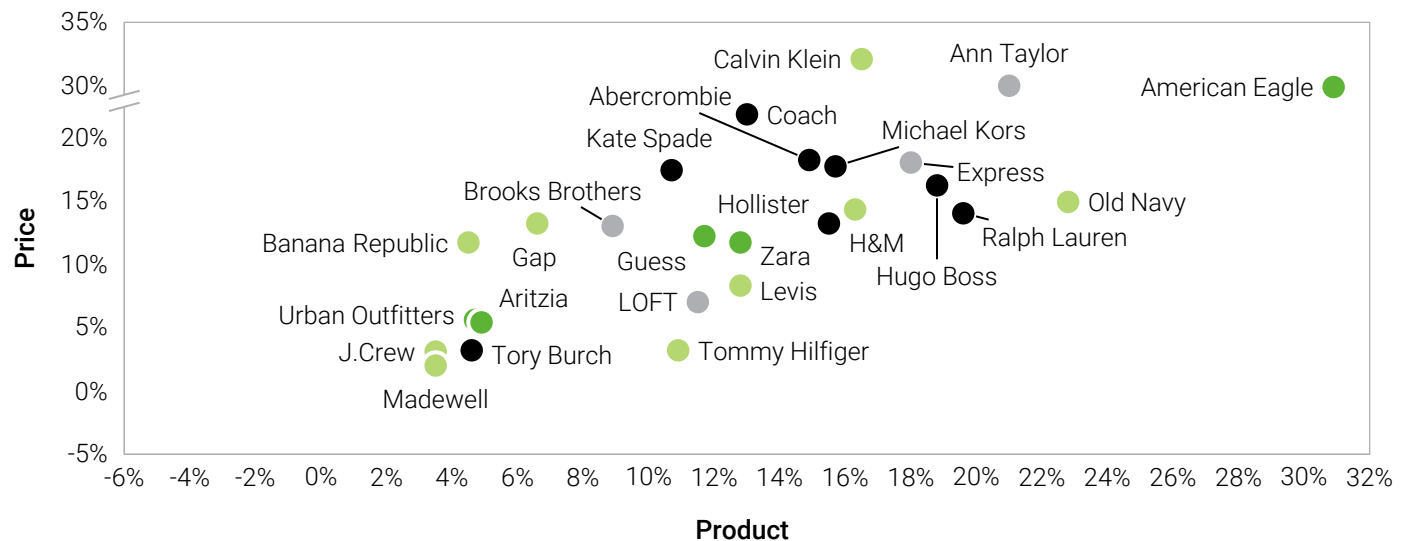
Emerging themes

- **High-quality expectations** | Consumers look to specialty stores to provide high-value products.
- **Transparency** | Consumers want to understand what they are paying for.
- **Stores still matter** | While store closings are weekly headlines, well-maintained brick & mortar locations are still important to specialty shoppers.
- **Nostalgia for free shipping** | While many retailers are now charging fees for shipping and returns, free shipping and returns are still highly valued by consumers.

Retailer insights

- Calvin Klein (CK) ranked #1 in the lifestyle subsector, with a strong showing among younger consumers, while Gen X and Boomers prefer Old Navy.
- A 2024 CK ad featuring Jeremy Allen White created a cultural moment, achieving \$13 million in media impact value within two days, highlighting the brand's strong connection to Millennial and Gen Z lifestyle culture.
- Ann Taylor was voted #1 among contemporary specialty brands, slightly beating out Express, and a favorite amongst all age brackets except for Gen Z.
- Ann Taylor LOFT has made its return to Canada, increasing its accessibility through a partnership with Hudson's Bay.

The **most important pillars** for specialty consumers are **price** and **product**



% of respondents that ranked retailers #1 ● Young Adult ● Lifestyle ● Designer ● Contemporary

- ✓ A significant 88% of specialty-apparel consumers consider high quality or craftsmanship important, with 17% identifying this as their top reason for making a purchase.
- ✓ Consumers across all income levels place similar importance on transparent pricing, product quality, and price alignment, with a quarter of respondents naming quality and price alignment as their primary purchase driver.
- ✓ 82% of consumers value easy access to retail locations, while 83% believe that stores should be well-maintained and feature an intuitive layout.
- ✓ 89% of specialty apparel consumers feel that retailers should offer fast, free, and easy shipping and returns.

Outdoor & active

Adidas' strong customer connection helped fuel its 2024 momentum in the outdoor & active space

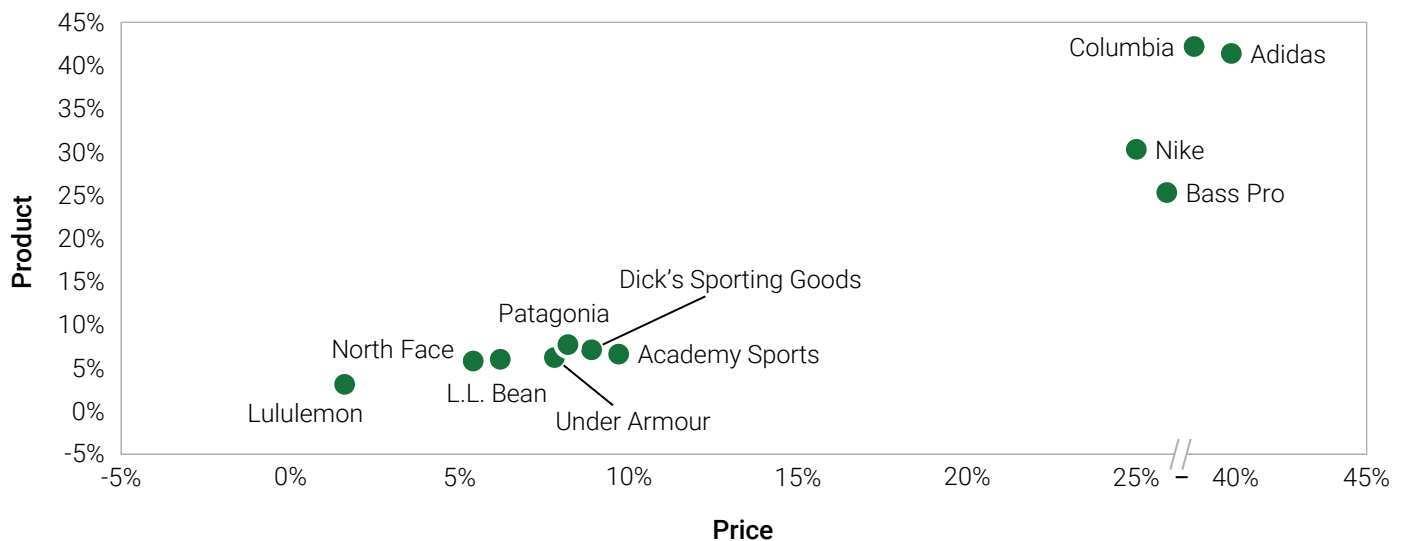
Emerging themes

- **Performance is key** | Consumers are purchasing outdoor and active apparel to last.
- **Brand ethos matters** | Sustainability, brand messaging, and connection are hugely important when choosing where to shop.
- **Collaborations** | Partnerships with influencers/designers/celebs are appreciated more so than in other sectors.
- **Consumer expectations are high** | Acts similarly to luxury sector and has more needs than the average consumer across all pillars.
- **Social shopping** | Shopping direct from social is an investment activewear brands should consider.

Retailer insights

- Adidas' recent Samba (indoor soccer shoes) resurgence and its collaborations with luxury brands like Gucci have elevated Adidas to a major player in fashion and streetwear.
- Adidas has excelled at resonating with the under-40 consumer, with Gen Zers and Millennials ranking Adidas as their #1; Columbia follows closely at #2.
- This trend was reversed for Gen Xers, with Columbia ranking #1, and Adidas following closely behind at #2.
- Boomers on the other hand prefer one-stop-shops for all brands, ranking Dick's Sporting Goods and Bass Pro Shops as their #1 and #2.

The **most important pillars** for active consumers are **product** and **price**



% of respondents that ranked retailers #1

- ✓ 90% of consumers state high quality craftsmanship + innovation as a purchase driver and 25% state this as the #1 driver of purchase.
- ✓ 50% of outdoor & active consumers view sustainability programs as a primary driver in their purchase decisions, expecting brand messaging to align with their values; more than in any other sector.
- ✓ 48% of consumers view collaborations as a key factor influencing their purchase decisions, second only to the luxury sector.
- ✓ 54% of active consumers prefer the option to shop directly from social media channels. This is especially true for Gen Z and Millennials, with 73% highlighting its importance, compared to just 39% of the average retail consumer.

Footwear

Despite competition from New Balance, Hoka and On Running, Nike remains dominant across all generations

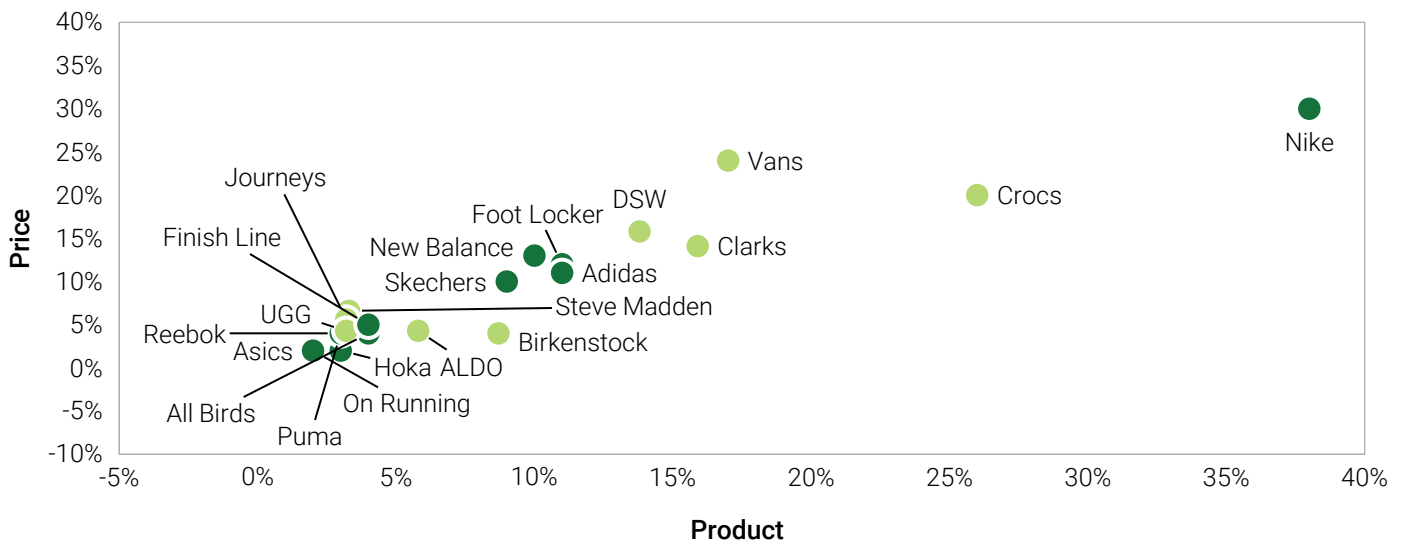
Emerging themes

- **Functionality is key** | Consumers are looking for high-quality shoes that last.
- **Consumers are willing to pay more for quality** | They are searching less for deals in footwear and more for quality.
- **Human connection is important** | The old-school retail model is still relevant in footwear.
- **Stores matter** | In a world where everyone is trying to build up e-comm capabilities, retailers can't forget to invest in stores, especially in the footwear sector.

Retailer insights

- Nike ranked #1 across Active Footwear, achieving a score 2x that of its closest competitor, Adidas.
- Both Nike and Adidas resonate highly with the under-40 crowd, as ~60% of Gen Z and Millennials chose these brands as their top 2.
- Footwear retailers like New Balance, Hoka, and On Running are actively competing for Nike and Adidas' market share.
- New Balance ranked #3 overall in the CSI survey, ranking highest with Millennials and Gen Xers, grabbing their #3 spot.

The **most important pillars** for footwear consumers are **price** and **product**



% of respondents that ranked retailers #1 ● Active ● Fashion

- ✓ High quality, craftsmanship, and reliable sizing are the top attributes footwear consumers are looking for.
- ✓ 86% of consumers agree that quality and price aligning is important when making purchasing decisions.
- ✓ Easy to connect with humans and personalized help finding products are appreciated by 83% when purchasing footwear, especially Gen X and Boomers.
- ✓ Over three-quarters of consumers want stores that are easy to get to, and well-maintained—Boomers and Gen X even more so at almost 90%.

Department stores

Convenience and low pricing are key for department stores to capture consumers, and Kohl's is leading the way

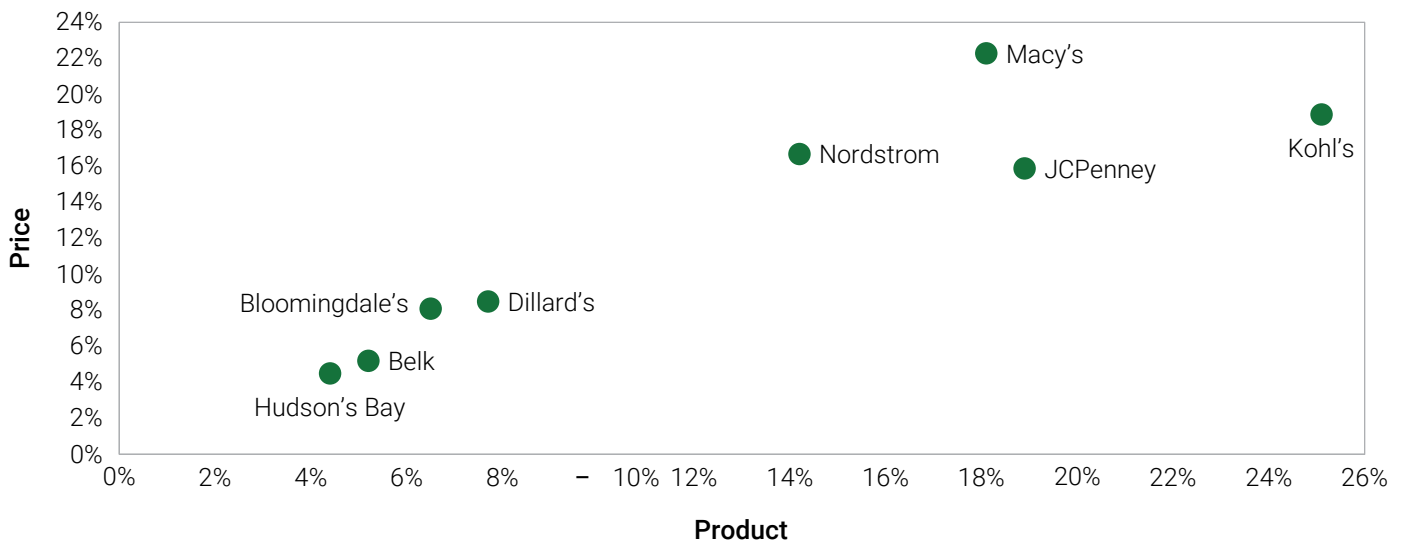
Emerging themes

- **Basics are key** | Assortment and pricing basics are the key to consumers' purchasing decisions; retailers can hold off on investments in additional experiences.
- **Hunt for value** | Consumers are reluctant to pay full price in department stores, as they have been conditioned to search for deals.
- **Sustainability alone doesn't sell** | Consumers say sustainability isn't one of the top purchase decisions.
- **Struggling to meet Gen Z preferences** | Successfully appealing to Gen Z remains a challenge that has yet to be solved for many department stores.
- **Human connection matters** | Shoppers want to be able to get personal help before, during, and after purchase when needed.

Retailer insights

- Kohl's ranks #1 in the price pillar across all demographics, as they are closely following Macy's which is the top department store overall.
- Kohl's is winning slightly among Gen Z and by a large margin with Boomers, but Millennials prefer Nordstrom, while Gen X likes Macy's best.
- Kohl's low pricing and couponing strategy resonate with both Gen Z and Boomers who are searching for value-driven appeal and low prices.
- Kohl's collaborations with Babies "R" Us and Sephora attract new shoppers, driving increased foot traffic to stores.
- Perks like the Kohl's x Amazon returns partnership enhance consumer convenience.

The **most important pillars** for department store consumers are **price** and **product**



% of respondents that ranked retailers #1

- ✓ Craftsmanship and fair pricing rank as the top two factors influencing consumers, with 20% indicating that quality and price alignment is a primary reason for their purchases.
- ✓ A significant 88% of department store shoppers anticipate discounts, reflecting a long-standing consumer behavior shaped by years of aggressive promotional strategies.
- ✓ Only one-third of consumers view sustainability practices as a major factor in their purchasing decisions, with even fewer Boomers—just 19%—considering it a priority.
- ✓ Gen Z demonstrates a shift in values, with only 47% prioritizing access to a human connection in their buying process (compared to 63% of Boomers), and 45% favoring a wide product assortment, versus 56% of Boomers.
- ✓ A substantial 85% of shoppers believe that establishing a human connection is crucial for making purchases in department stores.

E-commerce

Speed and ease of purchase is key for e-commerce consumers, and Amazon and Walmart continue to dominate

Emerging themes

- **Consumer feedback** | With the absence of a store to try on product, ratings and reviews are essential to the purchasing decisions from e-comm native retailers.
- **All about speed and convenience** | Seamlessness and ease of purchase win the day; consumers are conditioned to expect rapid shipping and free returns.
- **Countless options** | E-comm customers value the number of product choices, unconstrained by the four walls of a store.

Retailer insights

- 80% of consumers ranked Amazon and Walmart #1 and #2, respectively, overall, for e-comm.
- Amazon and Walmart's demographic splits are reversed—Boomers prefer Amazon the most and Walmart the least, while Gen Zers prefer Walmart the most and Amazon the least.
- Amazon leads the way in online shopping speed and ease, maintaining a competitive edge that prompts rivals like Walmart and Target to enhance their marketplaces.
- While Shein and Temu present emerging threats with their low prices, they remain significantly smaller than Amazon, highlighting the latter's dominant position in the market.

The **most important pillars** for e-commerce consumers are **price** and **product**



% of respondents that ranked retailers #1

- ✓ 86% of consumers consider ratings, reviews and accurate product descriptions important when making a purchase from an e-commerce website.
- ✓ 90% of consumers say fast and free shipping is important and 20% say this is the #1 reason for purchasing—this is even more prevalent in Gen X and Boomer segments, with 92% and 97%, respectively, expecting fast and free shipping.
- ✓ E-comm consumers value assortment breadth more than all other sectors, with 90% saying it's an important purchase driver.

Mass & club

Unsurprisingly, mass consumers are focused on price; surprisingly, higher-income households are spending more in this sector

Emerging themes

- **In-store convenience and speed** | Speedy end-to-end experience is imperative for consumers.
- **Human support** | Having people to talk to via chat or in person.
- **Stick to the basics** | Add-on services such as experiential retail, and virtual try-on technology.

Retailer insights

- Walmart is considered the #1 retailer for mass & club and got almost 2x the votes compared to the runner-up, Costco.
- Walmart ranked as the top retailer evenly across all generations.
- Walmart's dedication to everyday low prices has resonated with high-household-income groups (who are spending more at mass & club), particularly during periods of stubborn inflation, reinforcing its appeal as a value-driven retailer.
- By enhancing its fashion and premium beauty selections, Walmart aligns with its marketplace expansion strategy, attracting a broader consumer base and elevating its retail profile.

The **most important pillars** for mass consumers are **product** and **price**



% of respondents that ranked retailers #1

- ✓ Mass consumers have the highest expectations for in-store technology like self checkout, and inventory technology with 90% of consumers considering this important—this is consistent across all generations.
- ✓ 87% of mass consumers find BOPIS service important, ranking this the highest among all sectors.
- ✓ 86% of mass shoppers find associate support in-store important, more so than the average consumer.
- ✓ Experiential retail (i.e., cafes, popups), virtual try-on technology, and collaborations are not important as they rank lowest among mass consumers. Only 18% of consumers care, and even fewer Boomers at only 7%.

Off price

It's no surprise that off-price consumers prioritize price above all, and T.J. Maxx is a go-to destination for value-conscious shoppers

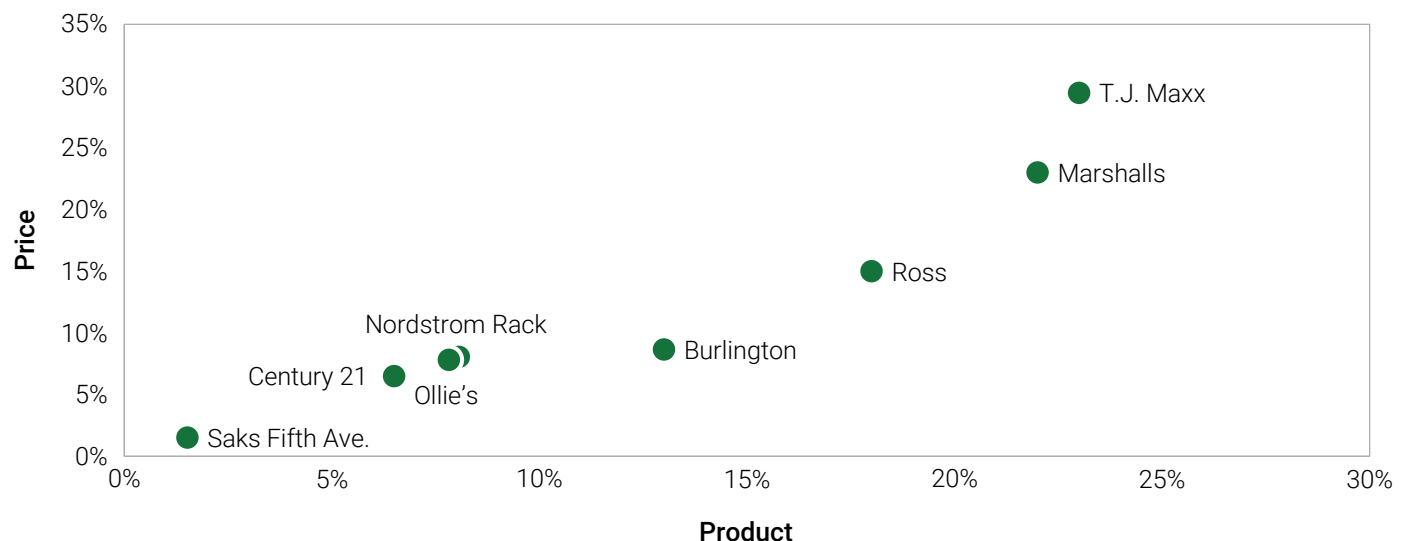
Emerging themes

- **Convenience** | Stores that are easy and convenient to get to are important to off-price shoppers as most purchases still happen in-store.
- **High-income households trading down** | Consumers have the same expectations regardless of income level; more high-income households are shopping off-price.
- **Wide assortment** | The treasure-hunt mentality means consumers want a wide variety of assortment at different price points.
- **No-frills store experience** | Consumers do not see technology, add-on services as a value-add.

Retailer insights

- T.J. Maxx (TJX) dominates the off-price sector through the lens of the five pillars, garnering 50% of the #1 votes; the next retailer, Ross, earned only 16% of #1 votes.
- Gen X and Boomers show a strong preference for TJX, while Millennials and Gen Z slightly favor Marshalls.
- T.J. Maxx is increasing its store footprint by taking over leases from retailer closures, such as Macy's and Best Buy, making it more accessible to a wider range of consumers.
- By offering a good/better/best pricing strategy, T.J. Maxx provides consumers with a diverse selection of price points and products, appealing to varying budgets and preferences.

The **most important pillars** for off-price consumers are **price** and **product**



% of respondents that ranked retailers #1

- ✓ The primary reason consumers choose off-price retailers is ease of access, with 21% citing convenience as their main motivator for shopping, highlighting the importance of optimizing store fleet locations.
- ✓ A substantial 87% of shoppers actively seek out sales and discounts, a trend that spans all income brackets. This consistent demand underscores the necessity for off-price retailers to maintain appealing promotional strategies.
- ✓ The vast majority of consumers express a strong preference for a wide range of product offerings, indicating that diversity in inventory is crucial for attracting and retaining shoppers in the off-price segment.
- ✓ Interestingly, only about 40% of consumers consider non-shopping experiences, such as in-store technology like virtual try-ons, to be important. This suggests that while some technological advancements can enhance the shopping experience, the primary focus for off-price consumers remains value and product selection.

6. Putting the CSI to work

In this chapter:

- Establishing your value proposition
- Aligning your business
- Your ability to shift and adapt
- Putting the data to work



At the core of the consumer sentiment index (CSI) is relevancy—how well a company’s value proposition aligns with the expectations and interests of its existing and target customers. Companies often fall short here. Either they are not clear on their value proposition, or responses reveal that customers do not share the same vision of the company. We asked thousands of consumers what matters to them across five pillars (price, product, service, access, and experience), then went deeper to understand which offerings are most important in each pillar and sector, how that differs by generation and demographic, and, finally, which retailers are winning or losing on the dimensions that matter to them most. Some retailers rose to the top, often with a gap over their competitors—how did they do it?

Establishing your value proposition

The first step is to establish your company’s value proposition, and the CSI is one tool to help do that. From your perspective, you must ask: what are the company’s two most important pillars? The first, you dominate on, and consumers would agree that it’s the number one reason to shop. The second, you differentiate on and stands you apart from competition. The other three pillars you need to perform on par with competition or it may negatively impact your value proposition. Otherwise, they should not be a focus.

It’s critical to check-in with your consumer and target consumer. Do they recognize your company’s strengths the same way, or is the value proposition misaligned? Are you prioritizing the right pillars? Companies that focus on being good at everything typically wind up being good at nothing. Identifying—and understanding—the two most relevant pillars to your core and target consumer is key.

Aligning your business

Relevancy is all about making choices. Once you’ve established your dominant and differentiated dimensions, all executives must be aligned and resource decisions made so that a disproportionate amount of time, investment and effort support these attributes in order to further strengthen your value proposition.

As we look across the fashion sectors, we see that it’s not enough to simply tailor investment to your major value proposition; 7 out of the 9 sectors value product-price, or price-product as the dominant and differentiated dimensions. This is where the deeper insights and tough decisions need to come into play. For example:

- Department stores need to ruthlessly focus on product design-to-cost capabilities, the right private label/national brand mix, and a deep understanding of margin levers to deliver quality and fit consistency at the discount that customers expect. Investments in promotion effectiveness capabilities and advanced pricing elasticity models could help to optimize margin dollars in a low traffic, highly promotional environment.
- If luxury doesn’t get product right, a brand can quickly fall out of favor, but expectations for white-glove, personalized service and connection are critical to maintaining high value customers. Luxury will tradeoff just about anything to maintain this service level which is core to the luxury value proposition. Investment priorities could include enabling store associates with AI-driven selling tools that reinforce knowledge of each unique guest’s shopping behaviors, personal details and preferences.
- For outdoor and active retailers, prioritizing product means investing in R&D, quality and innovation, while leaving no room for error when it comes to consistent fit. Marketing investment needs to focus on clearly communicating the value of the product, and given that the secondary pillar is price, all other costs need to be streamlined so that the customer still feels like they are getting value and even a deal.

Once the value proposition is defined, and priorities are understood through a consumer and competitive lens, every process and function, such as merchandising, marketing, store operations, ecommerce, supply chain, and technology, needs to be oriented to delivering that value proposition with the nuanced view of your company’s core and target consumer.



Your ability to shift and adapt

Unsurprisingly, consumers don't look exactly like consumers of 2009 when we last ran the CSI. Today's consumers are digitally savvy, more demanding, less loyal, bombarded with content and messaging, and highly susceptible to influence from many new sources. Consumers are evolving at a rapid clip, and retailers must possess the insight and agility to stay ahead.

That means that it's not enough to do the work once and "set it and forget it"—you could quickly find that customers are defecting or that you're losing market share. A regular cadence of reassessment could lead to potentially competing on different primary and secondary pillars. You will need to reassess how the definition of "service" or "product" has shifted for your customer and shift how you prioritize investments and tailor offerings accordingly.

Regular check-ins with your consumer and your organization are key to ensuring this alignment flows from leadership's vision and direction through prioritization to execution across all levels and layers of the operation.

Putting the data to work

In today's data-overloaded world, it's easy to be overwhelmed by it all—all the potential ways you could invest time and resources into technology, marketing, services, sustainability, AI tools, and on; how to prioritize investments; and how to ensure you are getting the biggest impact. The CSI is one tool in your toolbox to help clear the clutter.

Define and refine your vision and value proposition. Use the CSI to develop a roadmap of priorities aligned with your value proposition and what matters most to your consumer. Then ruthlessly execute against that vision, aligning the organization and operations and adapting and adjusting as consumer needs shift. It's all about relevancy, and consumer sentiment comes first.

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ABOUT US

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These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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