

Future Cities

CBRE Survey Reveals Five Key Trends for U.S. Retail

LOCAL RESPONSE RETAIL

Consumer preferences and the role of the store continue to evolve in far-reaching ways. A recent CBRE global consumer survey highlights five key trends with strong implications for U.S. retailers.

CBRE RESEARCH
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Five Trends

In the first survey of its kind, CBRE polled more than 20,000 people worldwide last year—from baby boomers to Gen Zers—to determine how they will live, work and shop in the future and how this will impact the retail real estate sector. Survey results are presented in our [Global Live-Work-Shop Report](#).

This report examines five retail trends that emerged from our 1,600 U.S.-based survey respondents.

1

Rural and small-town residents prefer in-store shopping more than city dwellers.

2

Gifts are mostly purchased online, whereas consumers prefer in-store shopping when buying products for themselves.

3

Many consumers are willing to pay more for faster online delivery.

4

Consumer spending has increased for leisure activities and other experiences.

5

People across all education levels are making efforts to consume less.

Rural and small-town residents prefer in-store shopping more than city dwellers

Rural and small-town residents largely prefer in-store shopping for groceries and essential goods, according to our survey. Conversely, city dwellers are more than twice as likely to shop online for groceries and essential goods than rural and small-town residents.

By the Numbers

- Grocery and essential goods have the highest share of in-store shoppers across all surveyed retail categories. Three-quarters of survey respondents said they prefer in-store over online shopping. Market research firm Forrester estimates e-commerce penetration of the food & drink sector is just 7.5%.
- Online sales of groceries can present opportunities for the physical store. Mercatus, an investment data platform, estimates that of the \$24.6 billion in online grocery sales in Q4 2022, only 17% were through ship-to-home services. The other 83% consisted of pickup by the consumer or a delivery service, both of which are fulfilled at the store.

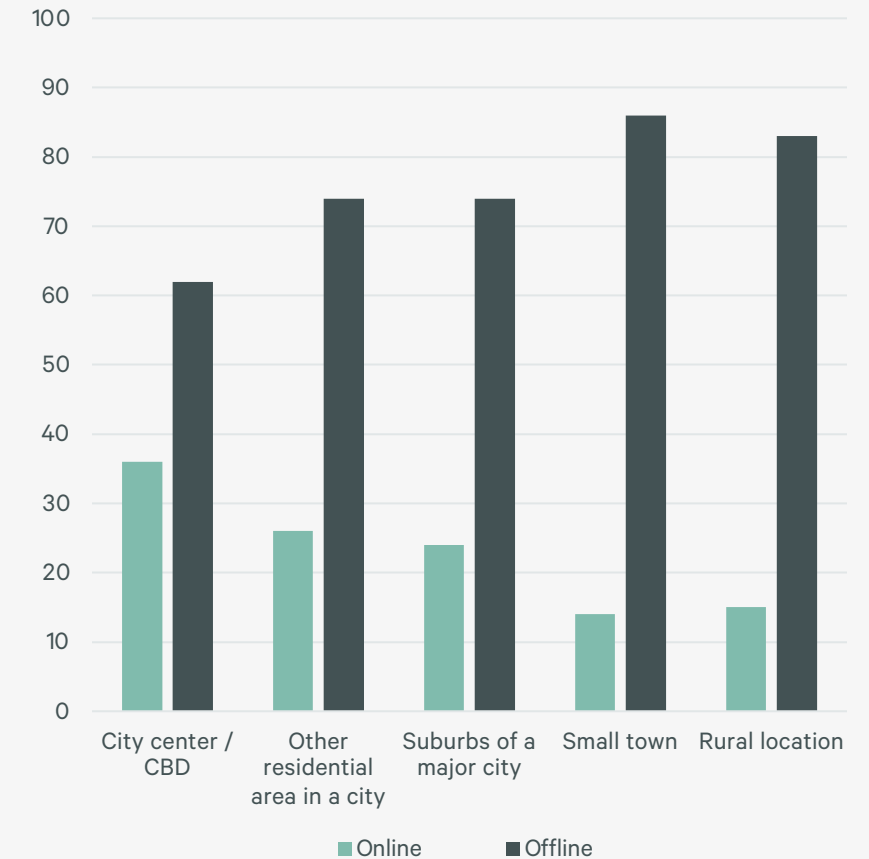
Opportunities

Inner-city grocery operators, which may lack large parking areas or curbside lanes, should adapt space for multichannel shoppers, such as pick-up lockers or a dedicated service counter for third-party delivery companies. Suburban and rural grocers can focus more on the in-store experience, such as wine bars and coffee cafes, and expanded food offerings such as international foods and deli counters.

FIGURE 1

Grocery and Essential Goods Shopping by Channel

% Share of Responses



Source: CBRE Global Live-Work-Shop Report, November 2022.

Gifts are mostly purchased online, whereas consumers prefer in-store shopping when buying products for themselves

Although seven of 10 surveyed product categories are mainly purchased in-store, gift purchases buck the trend. Nearly two-thirds of surveyed consumers prefer online channels for gift purchases.

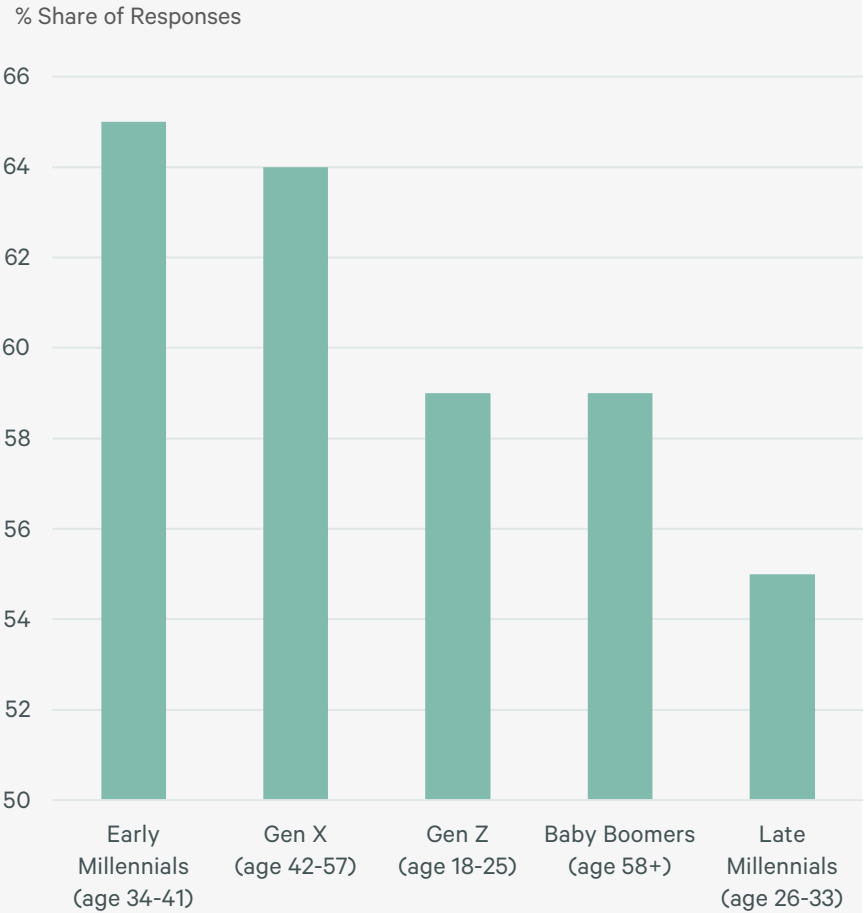
By the Numbers

- There is little difference in preference for online gift shopping between men (62%) and women (59%).
- Online gift shopping likelihood isn't correlated with age. Early millennials are most likely to buy gifts online, at 65%, followed by Gen X at 64%, and 59% for both Gen Z and baby boomers. Late millennials are least likely, at 55%.
- Apartment residents are more likely to shop in-store for gifts than those who live in houses: 40% to 34%, respectively. This could be a result of living within mixed-use neighborhoods, with convenient access to an assortment of retail offerings.

Opportunities

Although most consumers prefer buying gifts online, 54% return online orders to the store. This presents a strong upselling opportunity for brick-and-mortar retailers. Staff should give these consumers personalized attention, attempting to facilitate another product purchase. Examples of in-store opportunities that may aid in achieving more sales are gift guides, gift pairings or “similar gift” suggestions, “surprise boxes,” or consultation from staff on what gifts may fit certain interests or personalities.

FIGURE 2
Online Shopping Channel Preference for Gifts, by Generation



Source: CBRE Global Live-Work-Shop Report, November 2022.

Many consumers willing to pay more for faster online order delivery

CBRE’s survey showed 45% of respondents would pay more for faster online order delivery, versus 34% who said they would not. The rest (21%) were ambivalent. The most ambivalent were residents of small towns (26%) or rural areas (25%), who are used to waiting longer or traveling further for goods than city dwellers.

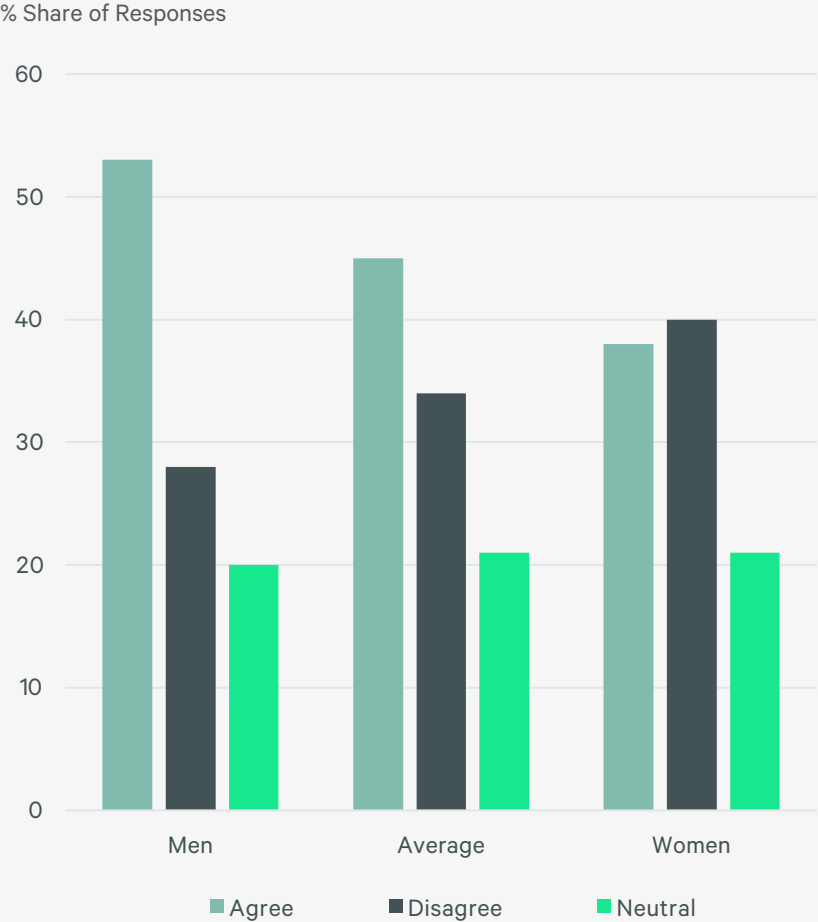
By the Numbers

- Men are much more willing to pay more for faster delivery (53%) than women (38%). Furthermore, women (40%) are less likely to pay for faster delivery, compared to men (28%).
- Three-quarters of city-dwelling respondents are willing to pay more for faster delivery.
- 74% of respondents with work commutes over 60 minutes are willing to pay more for faster delivery, as opposed to just 47% for those with commutes 15 minutes or less.

Opportunities

Retailers should consider segmenting customers to isolate the highest-probability targets for paid delivery services. These services should be fast and personalized. Men with long commutes seem to be the highest-intent target market. Lower-intent audience segments may also prove cost-effective to upsell, since those who want this service tend to strongly demand it.

FIGURE 3
“I am willing to pay more for faster delivery of online orders.”



Source: CBRE Global Live-Work-Shop Report, November 2022.

Consumer spending has increased for leisure activities and other experiences

Following two years of COVID-related restrictions, consumers are now spending more on travel, culture, in-store shopping, dining out, food-to-go orders and events.

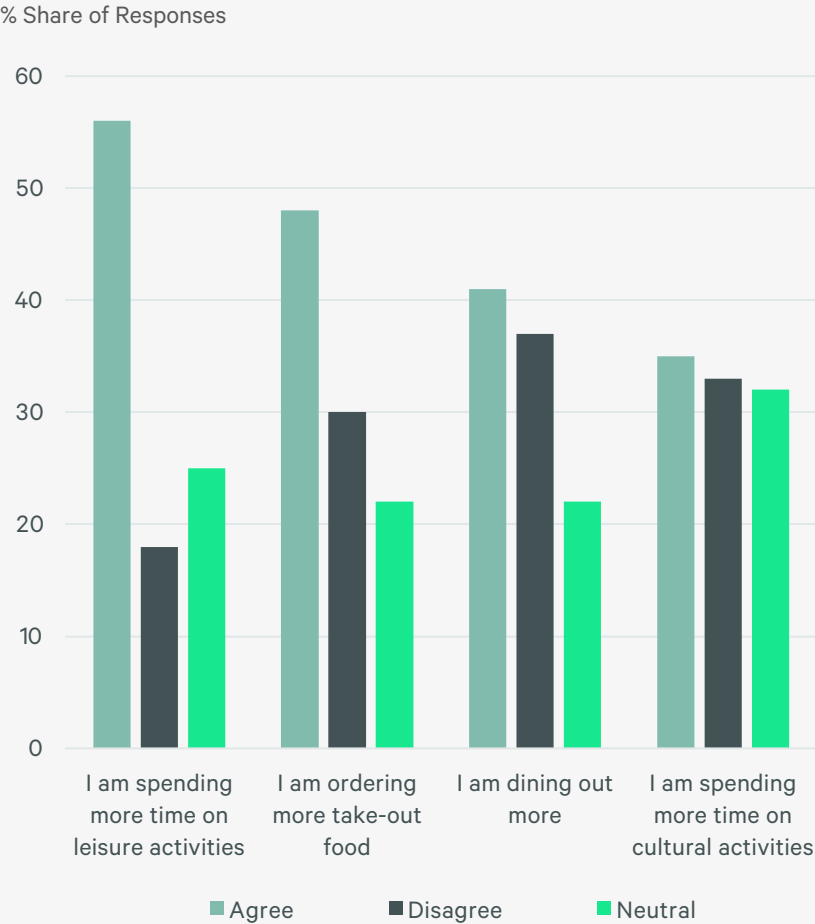
By the Numbers

- 56% of respondents stated they are spending more time on leisure activities. There was a much more balanced response regarding cultural activities. This outcome is consistent with data on museum and historical site visits. The trailing four-quarter average revenue for museums and historical sites has grown from pre-pandemic levels, with Q3 2022 up 11% over Q3 2019, according to the U.S. Census Bureau.
- Men are 11% more likely to spend money on leisure activities than women. Three-quarters of surveyed city dwellers are willing to increase leisure spending, versus 47% of rural and small-town residents.
- A big share of survey respondents say they are dining out and ordering take-out more than they did during the height of the pandemic. This is further confirmed by U.S. Census Bureau data, which show that restaurant sales were up by 13.4% year-over-year, as of Q4 2022, versus 7.8% growth for grocery stores.

Opportunities

Restaurant design should enhance both the dine-in and carry-out experience. Restaurants could entertain and upsell customers with a bar, arcade, live music, events or retail partnerships. Restaurant operators may want to consider prioritizing locations close to experiential retail, before prioritizing culture districts.

FIGURE 4
"Do you agree with the statement?"



Source: CBRE Global Live-Work-Shop Report, November 2022.

People across all education levels are making efforts to consume less

Generally, the survey showed education level correlated to changed behavior to consume less over the last six months. Likelihood of changed behavior rose with education level. However, there were exceptions.

By the Numbers

- 67% of respondents with master's degrees stated they are consuming less, followed by 62% with bachelor's degrees, 61% with associate's or vocational degrees, and 59% with high school diplomas.
- The Ph.D. cohort bucked the trend of high educational level/less consumption, with just 54% answering affirmatively.
- Other groups that stated they reduced consumption include remote workers (42%) and consumers with work commutes over 60 minutes (51%).
- Real personal consumption growth fell to 1.9% in Q4 2022 from the 20-year average of 2.3%, according to the U.S. Bureau of Economic Analysis.

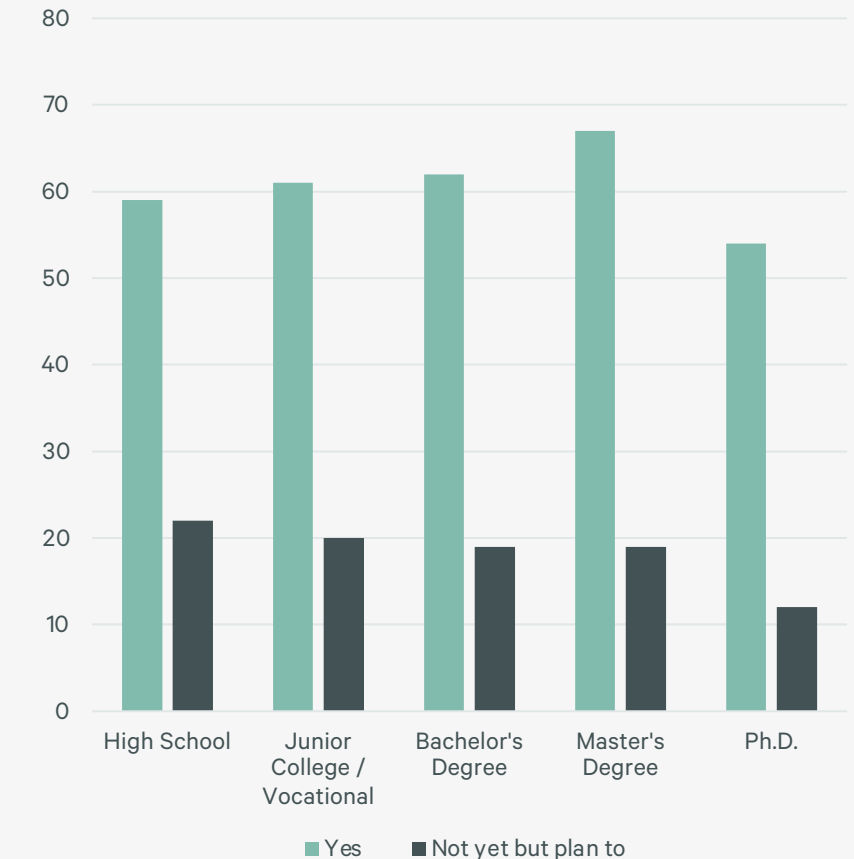
Opportunities

More highly educated consumers are generally targeted for corporate ESG initiatives. This targeting is appropriate. But, as evidenced by the survey results, consumers of all education levels are making efforts to consume less. Customer targeting should be more strategic than segmenting out certain education levels.

FIGURE 5

"Have you changed your behavior over the last six months in order to consume less?"

% Share of Responses



Source: CBRE Global Live-Work-Shop Report, November 2022.

Looking Ahead:

It is now clear that pre-COVID living, working and shopping habits are of a past era. It is critical for retailers to understand this new era to keep abreast of consumer needs and intentions.

There is no perfect blueprint to meet all retail requirements. Retailers have unique needs based on location, population density of the market area they are serving, product offerings and much more.

Consumers are also more keenly aware of how they spend their spare time, sometimes willing to pay extra for the basics, such as grocery delivery, to gain more time for leisure and cultural activities. Regardless of education level, most are spending less to reduce their consumption footprint on the planet.

Retail real estate must adapt to these changes. U.S. retail availability was at an all-time-low of 4.9% in Q4 2022, according to CBRE Research. Prime available space is scarce and development costs remain high. Retailers and developers should ensure customer acquisition and retention strategies, as well as store spaces, meet the evolving preferences of consumers.

[Global Live-Work-Shop Report](#)



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