Reimagining Retail: The challenges of impulse purchases online—and how to incentivize them

Audio

On today’s podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss how to define an impulse buy and some of the challenges in sparking them online. Then, for "Pop-
Up Rankings," we rank three suggestions for inspiring online impulse purchases. Join our analyst Sara Lebow as she hosts analyst Arielle Feger and director of Briefings Jeremy Goldman.

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Episode Transcript:

Sara Lebow:

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advertising, commerce, technology, finance and more. Each addition also includes suggestions on how you can use these charts in presentations and pitch decks. Visit the link in the show notes to sign up today. Hello, listeners. Today is Wednesday, November 8th. Welcome to Behind the Numbers: Re-Imagining Retail and E-Marketer Podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is How to Incentivize Impulse Purchasing Online. First, let's meet today's guests. Joining me for today's episode, we have in the studio with me, Senior Director of Briefings, Jeremy Goldman. Hey, Jeremy,

Jeremy Goldman:
Great to be with you in the studio at the same time for the first time ever.

Sara Lebow:
For the first time ever. Also with us today we have analyst Arielle Feger. Hey Arielle.

Arielle Feger:
Hi. Happy to be back.

Sara Lebow:
Happy to have you and happy birthday.

Arielle Feger:
Thank you.

Jeremy Goldman:
Happy birthday. I did not know that.

Arielle Feger:
Thank you very much.

Sara Lebow:
Let's get started with free sample. Our Did You Know segment where I share a fun fact tidbit or question. Today, I have a fun fact. Actually, Arielle, you found this one and featured it as a quiz in our free retail newsletter, so there's a shameless plug.
Arielle Feger:

Oh.

Sara Lebow:

Brach's makes 30 million pounds of candy corn each year according to CNN. So my question for both of you, have you contributed to consuming those 30 million pounds of candy corn this year?

Arielle Feger:

I haven't yet. I actually usually do buy at least one little bag of candy corn, but I haven't done that yet this year so...

Sara Lebow:

You're a candy corn enjoyer?

Arielle Feger:

I guess I would say that I like to have a couple pieces and then I'm done so...

Sara Lebow:

Okay.

Jeremy Goldman:

I don't know if this counts, but I didn't have regular candy corn this year, but I did have Nerds Candy Corn.

Sara Lebow:

What is Nerds Candy Corn?

Jeremy Goldman:

It's basically a trip to the dentist. It's this outer shell and then inside there's a different flavor. It's really good. You might be surprised it has sugar in it and citric acid and it's delicious.

Sara Lebow:
Nerds are really having a brand resurgence. I think if we do another episode on brands that are having a comeback, Nerds is a big one that I don't think enough people are talking about.

Jeremy Goldman:

Don't sleep on Nerds.

Arielle Feger:

I think that's a great idea. I've been a lifelong Nerds fan, so I'm on it.

Sara Lebow:

All right. Sorry Brach's, Nerds is coming for your seasonality. Okay, now it's time for our next segment, Retail Me This, Retail Me That, where we discuss an interesting retail topic. Today's topic is how to incentivize impulse purchases online. For the purposes of this conversation, we're using impulse buying to refer to those very fast, low consideration purchases where you're pulling the trigger on buying very quickly. Think, grabbing a Reese's Cup in the grocery store checkout line or a makeup brush in the Sephora line. Except for when you're buying online, you are obviously not standing in line, which is the whole advantage of e-commerce. It's frictionless. Before we go too far into the challenges though, let's discuss how e-commerce can encourage impulse buying because it definitely can. So Jeremy, why don't you kick us off with how can e-commerce inspire impulse buying?

Jeremy Goldman:

So I think that's a really good question. I think one of the first things that everybody has to acknowledge, it's that it's a very different paradigm. When it comes to online, people can just check out and conduct transactions as quickly as possible, but in store they have to wait and see all of those Hershey candies and magazines as you're getting closer to check out. So I think it's really a difficult thing. One of the things that people have tried to do is to, in addition, to have a frictionless checkout, try to say, "Hey, by the way, these are a few things that you might want that you haven't considered," or, "By the way, we have the sale going on, but it's only for three hours, so pull the trigger quickly," so really reinventing the haul wheel.

Sara Lebow:

Yeah, Arielle, you were talking about that on Instacart specifically, right? You could buy things like after checkout also.
Arielle Feger:

Yeah, so with Instacart they'll remind you, "Did you forget anything before and after you check out?" And that can be really great for inspiring those little extras that you forget. Maybe you forgot to get some soda for a party that you're going to or something like that. So reminding people after checkout of items that they forgot could be a great way to inspire impulse purchases without having them have to check out all over again. Because with Instacart, you can keep adding to your cart throughout the entire shopping experience, so there's no friction there of having to reenter your card information or anything like that.

Sara Lebow:

Yeah, Instacart has those hyper-targeted suggestions also right? So you mentioned a party, Instacart might realize you're going to a party because you are buying chips and cups, and in this scenario you are bringing everything to the party, so you're a very good guest. But yeah, it could potentially use that data to target.

Arielle Feger:

Exactly. And I think that's something that's very unique about the online world is that unlike shopping in store, when you're shopping online specifically with something like an Instacart or a Walmart that you have an account with and that you've bought previously with, they have all of that historical data to lean on to then present you with items that you may continuously buy or something that is contextual, like you forgot again, the party example. So I think that's kind of one of the strengths of e-commerce and inspiring impulse purchases is being able to lean on that data and those historical purchases from customers.

Sara Lebow:

The other strength is definitely shopability, right? So on CTV for example, or anywhere, but this is an example where it's changed, the ads are shoppable now. You can click buy from them. That makes it a lot easier to follow the impulse to buy something that I'm seeing rather than having to think all of the thinking that I do between seeing it, looking it up, entering my mobile wallet information. If I can just click buy, it's a way more impulsive experience.

Jeremy Goldman:

And I think when you think about a shoppable media, and obviously the QR code resurgence thanks to the pandemic, and also the fact that we know that as everybody's watching
something on a bigger screen in their home, they are also, they have their small screen, they have their smartphone with them. It's very easy to just scan something and then quickly within 14 seconds buy something and then say, "Listen, if I didn't need it, okay, I'll return it later." In reality, you don't, and then your wife yells at you probably around two or three days after she realizes you bought it. This is theoretical. It has never happened.

Sara Lebow:

Which can be two or three days after it comes too with how fast delivery is on these.

Jeremy Goldman:

Exactly.

Arielle Feger:

Yeah.

Jeremy Goldman:

Yeah.

Sara Lebow:

Are you guys multi screeners? Are you guys on your phone while you're watching TV? I definitely am.

Arielle Feger:

Absolutely.

Jeremy Goldman:

I'm Gen Alpha, so yeah. No, I mean it is something that I definitely-

Sara Lebow:

Jeremy is our 12-year-old podcast guest.

Jeremy Goldman:

I skipped a few grades. No, I think one of the things that it's such a trend and I definitely, until frankly, that's for a lot of people that's the only time that you can kind of get things done is
that if you're multitasking, which then also means by the way people have their guard down and then they'll say, "What the heck," on a deal as opposed to really when you're in that targeted kind of transaction like I need to buy something for a wedding coming up type of mentality.

Sara Lebow:

Sure. So impulse buying in a lot of ways is easier online, it's easier to click buy, it's easier to act on that impulse. There are also a lot of ways that impulse buying is more challenging online. So we were all at advertising week in October, and I attended a session where Hershey's US Head of Media, Vinny Rinaldi said, "Candy is impulsive, so we're missing that person that's not walking the floor anymore because they're not in the checkout line." In other words, you're not seeing those candies as you're waiting in line.

Barbara Connors, Vice President of Strategy and Acceleration for Kroger's Retail Media Network took this even further in a recent retail brew story. She said, "Shoppers are turning to e-commerce to avoid impulse purchases and to stay on budget getting exactly what's on their list without being distracted by say an end cap filled with pumpkin spice flavored treats." So she went so far as to say, "Well, people are shopping online because they don't want to impulse buy. They don't want to get that extra candy bar." In what other ways does e-commerce present a barrier to impulse buying? Arielle, why don't you take this one first?

Arielle Feger:

Yeah, I think one of the reasons we just talked about earlier is the speed at which people make their purchases. You're kind of going in, you're going out, you're adding things to your basket, and then you're checking out. And then even with Amazon's buy now button, there's lots of ways that you don't even have to go through the entire checkout process. You're just hitting one button and then you're done. So that obviously takes away any of the time people spend browsing or thinking about other things that they need. So that's going to kind of take away from the impulse purchase instinct.

Sara Lebow:

Yeah, you don't have those moments of delight, you want to call them that that you get in the grocery store. I'm not accidentally walking through the candy aisle because I need the coffee that's at the end of it. I am now just going for the coffee and if I've subscribed and save that
coffee if I have the Amazon thing where I can get it monthly, I'm not even going and searching the coffee. I'm just getting the coffee. There's not even that opportunity.

Jeremy Goldman:

I will say, just as a bit of a counterpoint, I think that there are a number of apps that do a good job at creating a bit of a habit forming open the app all the time kind of thing. If you have push notifications enabled, and I've seen this, Gopuff is one example, they do a really good job of this where they say spin a wheel basically every day and you're going to get some free points, and as a result, it becomes a bit of a thing where you start opening up the app more and more and then you purchase things even when you didn't necessarily need them just because there's a deal or there's some kind of limited window where you can get something that you wouldn't get normally.

And I think the other aspect that is worth maybe touching on is the fact that social media is getting really good from a targeting standpoint, and as a result, you sometimes have situations where people see something and then they pull a trigger really quickly on something simply because of really good personalization of ads. And we even have data on this from Bankrate and YouGov where Gen Z, 60% of them say that they've impulsively purchased a product they saw on social media.

Sara Lebow:

That's a good point. But at the same time on social media, you're not necessarily getting the candy bar. You're not getting that slight lift to the grocery order that you're getting. You are impulse buying the dress, and that's a big deal for that brand, but from Kroger's perspective, you are not getting that Reese's Cup that is a $2 lift. That adds up.

Jeremy Goldman:

Yeah. In some ways, you're right though that what an impulse purchase is kind of almost becoming reinvented a bit online.

Arielle Feger:

Well, going back to that grocery example, I think with another kind of challenge is basket sizes. Now that a lot of retailers are offering free shipping or they're kind of lowering their free delivery thresholds, customers aren't hunting around for, "Oh, I need to just add two more
dollars or three more dollars so I can qualify for free shipping." So that's going to cut down on impulse purchases too. So it really kind of depends.

Sara Lebow:

Yeah, that can really not just lose the impulse purchase but also be more expensive to the retailer. Amazon, I don't think is going to get rid of free shipping anytime soon, but if you're a Prime member, you might be buying that shampoo and that conditioner in two separate back-to-back purchases just because you remembered you needed shampoo and then you remembered you needed conditioner. And that's two rounds of shipping for Amazon potentially. And that's also no buying the... What's the impulse buy for there? The hair ties.

Arielle Feger:

Yeah, the hair ties.

Sara Lebow:

You're not buying that also while you're in the aisle, which is probably why I'm constantly out of hair ties.

Arielle Feger:

And also not great for the environment either, I'll tell you that.

Sara Lebow:

Not great for the environment either. Not great for my hair.

Jeremy Goldman:

Speaking of hair ties and kind of other categories, could I just share some random fun facts from last year? There are some category differences that are pretty major when it comes to impulse purchases. A Dynata study from last year found that actually 57% of females have impulse purchased clothes or shoes online versus just 38% of males. If you look at electronics, that impulse purchase number is 27% for females and 49% for males. So it really kind of shows that there are pretty stark differences in terms of what an impulse purchase is depending on the group.

Arielle Feger:
That's really interesting you say that, Jeremy, because it just came out that Best Buy and Home Depot are going to be doing livestream shopping during the holidays, and I thought that those were really interesting choices because I don't consider home improvement or consumer electronics to be impulse purchase categories, but maybe I'm wrong. And it seems like different people consider impulse purchases to be different types of things.

Sara Lebow:

I know that they're impulse purchase categories because every time I go to the hardware store, I remember I need batteries at checkout and I buy more batteries.

Arielle Feger:

There you go.

Jeremy Goldman:

Why do you always need more batteries?

Sara Lebow:

Because my computer mouse is always out of battery. I bought the cheapest mouse possible, and so the battery life doesn't last on it. I need a new mouse.

Arielle Feger:

Got to get a rechargeable one.

Sara Lebow:

I know, I know. Okay, let's keep moving. Now it's time for pop-up rankings, where we take a look at specific examples and we rank them. Today, we'll rank in no particular order our top three suggestions for inspiring online impulse purchases. Jeremy, why don't you go first?

Jeremy Goldman:

I think one of the main ways to get impulse purchases that I really love and recommend is just the idea of having limited additions that are only available at particular timeframes. When you do that, it's a great way to increase loyalty with particular people who are just really aficionados of particular brands or categories. Plus also, it's something that people essentially understand and don't argue with that it's only going to be here for a limited amount of time,
which then inevitably causes them to add a number of other things to their cart and increases average order value.

Sara Lebow:

This one is definitely not just for bigger ticket items too, but smaller ones. So an example if we're going back to the Reese's Cup is in Easter, they have those Easter Egg Reese's Cups or around the springtime, those are really popular because they have a much higher peanut butter ratio than the standard Reese's Cup. I had a roommate who would buy them up every Easter and that would be our Reese's stash for the year. If you're on Instacart, that same seasonality is still going to be effective. Maybe not quite as much because you do have the health conscious part of your brain being like, "Oh, I don't need these Reese's cups right now," but you might be a little bit more inclined because the eggs aren't always available.

Arielle Feger:

Yeah, I know. I definitely, if I'm passing by a Starbucks and I'm within pumpkin spice season, I'm definitely going to go in and get a pumpkin spice latte where I might not be doing that the rest of the year to save a little money.

Sara Lebow:

I didn't know you were a huge pumpkin spice head Arielle.

Arielle Feger:

I wouldn't say I'm a pumpkin spice head, but I do enjoy me some pumpkin spice latte. A very specific type of pumpkin spice latte.

Sara Lebow:

I haven't had my one pumpkin spice latte of the year yet.

Jeremy Goldman:

You have one every year?

Sara Lebow:

No, but-
You sound like Charlie from Willy Wonka where he saves up for-

Sara Lebow:
One candy bar of the year and yeah. Before we get too far down this rabbit hole, Arielle, why don't you give us another suggestion for inspiring online impulse purchasing?

Arielle Feger:
Yeah, well, it might seem a little counterintuitive. I think you can think about it through kind of the reverse logistics situation. Free returns is a great way to inspire impulse purchases because sometimes people are going to hem and haw, "Okay, if I don't like it, if it doesn't fit me, if it doesn't taste good, what am I going to do," and I think just removing that barrier to if returning the item is a great way to convince people to part with their money. And I know a lot of retailers around the holidays do extended return windows, so I think that's just another way that they can kind of capture some extra dollar share during the holidays by inspiring customers to splurge a little and not really having any consequences if it doesn't work out.

Sara Lebow:
Yeah, I mean this is where you get what Jeremy was talking about before you make the impulse purchase, you say, "Well, I'll return it so it doesn't really matter." And then you don't ever get around to returning it.

Arielle Feger:
Yeah, that's kind of a part of it.

Sara Lebow:
The downside here is that if you do return it, especially with e-commerce, it can cost the retailer those shipping costs, but I think it's worth hedging that you're probably not going to get around to returning it. I know I'm definitely that consumer that is never going to get around to returning it.

Arielle Feger:
I also like to think that you inspire a little bit of a brand affinity if we're making consumers' lives easier. Maybe you're not getting the $10 on the T-shirt, but you might have someone
down the road say, "Oh, I really enjoyed..." or maybe they didn’t enjoy the returns process, but if it was smooth enough to them that they would consider purchasing with you again.

Sara Lebow:

Yeah. I don’t know if you notice when you enjoy the returns process, but you definitely notice when you don’t enjoy the returns process.

Arielle Feger:

Absolutely.

Jeremy Goldman:

Absolutely. Which also just makes me think something that’s right beneath the surface that we haven’t really said is that if you start to trust a brand or a retailer, you are much more likely to conduct that impulse purchase buy with them. So I think that that point is 100%. You just have to make things frictionless and then you start to... it becomes habit-forming. And then there are certain people who it’s just like, "Hey, I haven’t visited so-and-so store in a while. I guess I should buy something," even if you don’t necessarily need it. And that’s one of those things where if you can create that habit, you’re more likely to create that impulse purchase behavior.

Sara Lebow:

I know that you’re right. And the reason I know you’re right is because I am a loyal Haribo fan and anytime I see a new shape of gummy candy that I haven’t seen before, I have to buy it to try it. And I’m not a grocery e-commerce person. I buy my groceries in person. But if I were buying them online, seeing a new shape on the digital shelf would definitely encourage me to make that purchase. Of course, that’s not impulsive because that’s for research because I need to know how they all taste. And Twin Snakes are the best ones.

Arielle Feger:

Okay, good to know. I don’t think I’ve tried those.

Jeremy Goldman:

Listen, we gave one, but I think it’s only fair, Sara, given that you’re a retail expert, if you tell us what your favorite one is.
Sara Lebow:

Wow, that's so unexpected of you to ask of me. My suggestion is low price samples. This is something that works really well in store. Sephora being the example there. When you are at Sephora and you're in line, you walk through a bunch of low price samples. One example is the Super Goop Sunscreen I think is a really common one, which is the best sunscreen, but it's really expensive, but you get that low price tube. They also have, we've talked about Sephora's loyalty program. I mean, they also have free gifts for birthdays, but these low price samples, you're still buying it. It's still that incremental lift to borrow a retail media term on your purchase. And now you might become loyal to a supergroup. If Sephora or another retailer offers these low price samples at checkout, it's just another way that you might make that impulse purchase. You may not buy the bag of Hershey's Kisses that costs... How much do they cost? Like $6? That's a lot.

Arielle Feger:

I don't know. A bag depending...

Sara Lebow:

Well, in this scenario it would be individual Hershey's Kisses, which may not be economical, but for the sake of an example, you might buy that individual candy bar. You probably won't buy that bag of it. So lower price samples are a good way to expose you to new brands, expose you to new products, but also encourage that impulsive energy.

Arielle Feger:

Yeah. And I think something that I think retailers should consider is not just the $3 candy bar purchase that they're going to be able to get, but also the long-term brand affinity that they could be getting from those samples. I think trying something and you love it, you're going to go back to it again and again and again. So impulse purchasing yes, is a great way to boost sales in the short term, but it can also be a good way to boost sales in the long-term too.

Sara Lebow:

Yeah, I mean this could lead us down an entirely other conversation, but what you're talking about here is the brand lift effect of retail media or that's not what you're talking about, but that's directly related to this, right? Like retail media, you are seeing search ads, you're seeing display ads while you're searching for other things. We think of that as a really performance...
oriented channel. It gets that incremental lift. We don't yet think of it as a brand marketing channel, a brand lift channel, but that's exactly what it is, trying that new product is brand lift, it is brand marketing. And so that's that example of where retail media can be brand marketing.

Jeremy Goldman:

Yeah, it's all connected.

Arielle Feger:

Yep.

Sara Lebow:

All right, well that is all we have time for today. So thank you for being here, Arielle, and happy birthday.

Arielle Feger:

Thank you. Happy to be here and happy to celebrate with you.

Sara Lebow:

And thank you for being here in the studio with me, Jeremy.

Jeremy Goldman:

It was a pleasure. My birthday was three weeks ago and you said nothing but so great to be with you.

Sara Lebow:

Did I say nothing?

Arielle Feger:

Happy belated birthday Jeremy.

Jeremy Goldman:

Thank you so much. See, one of you guys said something.

Sara Lebow:
Happy birthday, Jeremy. My birthday is in five months, so...

Arielle Feger:

Happy early birthday, Sara.

Sara Lebow:

Thank you Arielle. Please give us a rating and review wherever you listen to podcasts and follow us on Instagram @behindthenumbers_podcast. Thank you to our listeners and to Victoria who edits the podcast and keeps things totally frictionless. We'll be back next Wednesday with another episode of re-Imagining Retail and E-Marketer Podcast. And tomorrow join Marcus for another episode of the Behind the Numbers Daily.