



Alvarez & Marsal Consumer and Retail Group



**CONSUMER
SENTIMENT SURVEY**

Fall 2022

U.S. CONSUMER LESS LIKELY TO BUY AMID CONCERNS FOR FINANCIAL WELL-BEING

Alvarez & Marsal Survey of 1,500 U.S. Consumers Highlights the Serious Impact of Inflation

Retailers need to prepare for consumers to continue to tighten their wallets for the remainder of 2022



Consumers are **less optimistic** than in spring 2022, overall sentiment remains weak



Consumers are increasingly focusing their spending on only **basic needs**, with experiences seeing a sharp decline



In the eyes of consumers, **inflation** has **yet to peak** and is forcing shoppers to adjust in multiple ways



7 in 10 consumers are **altering their holiday spending** compared to last year, with an overall trend of buying less and actively looking to save money when purchasing



Even as the world continued to transition, consumer **shopping patterns** remain constant

In September 2022, Alvarez & Marsal's (A&M) Consumer and Retail Group conducted a survey of a representative sample of 1,500 U.S. consumers to understand their sense of optimism, their desire to shop, what they were looking to buy and how they planned to use different shopping channels. This survey points to **declining consumer confidence** in their financial well-being and highlights spending changes shoppers plan to implement this fall and through the holiday season. As dark clouds continue to gather over the US economy, many consumers are facing the pressure of inflation and are forced to adjust.





Overall consumer optimism is weak, with ~55% of respondents expecting to have the same or less money for them or their family in the next 6 months.

Compared to spring 2022, there is a slight downtick in optimism. Specifically, around consumer expectations to save money, which dropped 3% from spring 2022, and nearly 30% from fall 2021.



CONSUMER EXPECTATIONS – 6 MONTH OUTLOOK

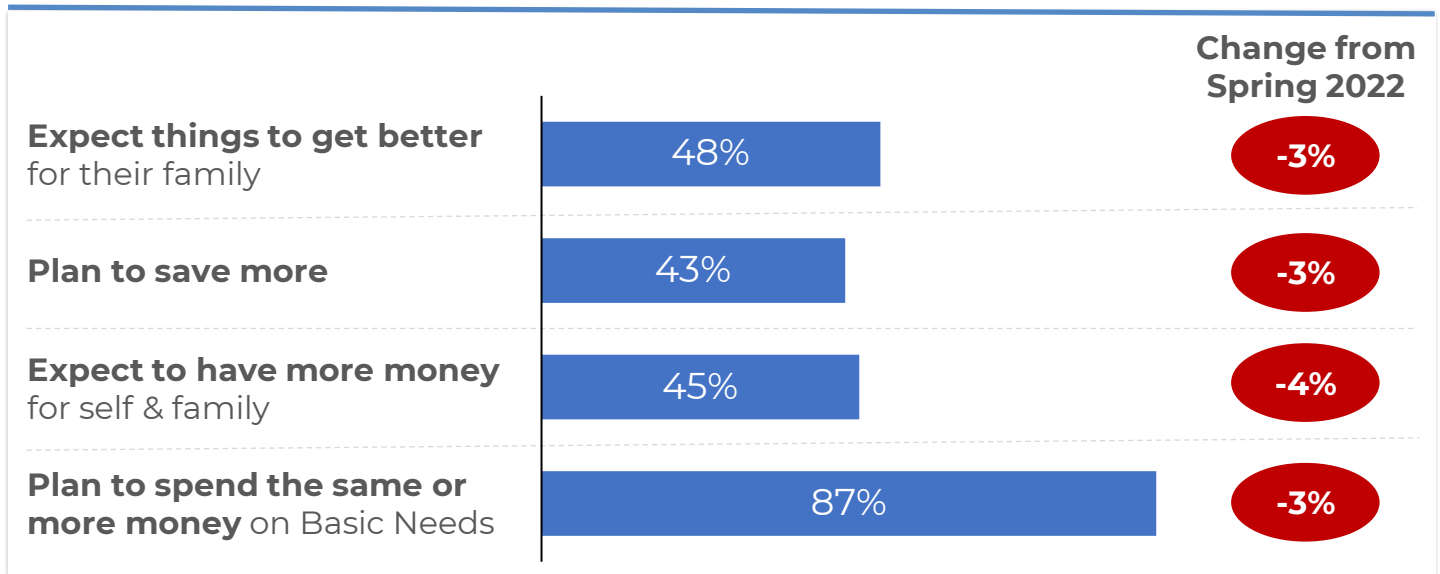


Figure 1: Consumer expectations on financial well-being

All ethnic demographics saw a decline in financial optimism relative to 6 months ago. The most notable drop is in the Asian community.



EXPECT TO HAVE MORE MONEY

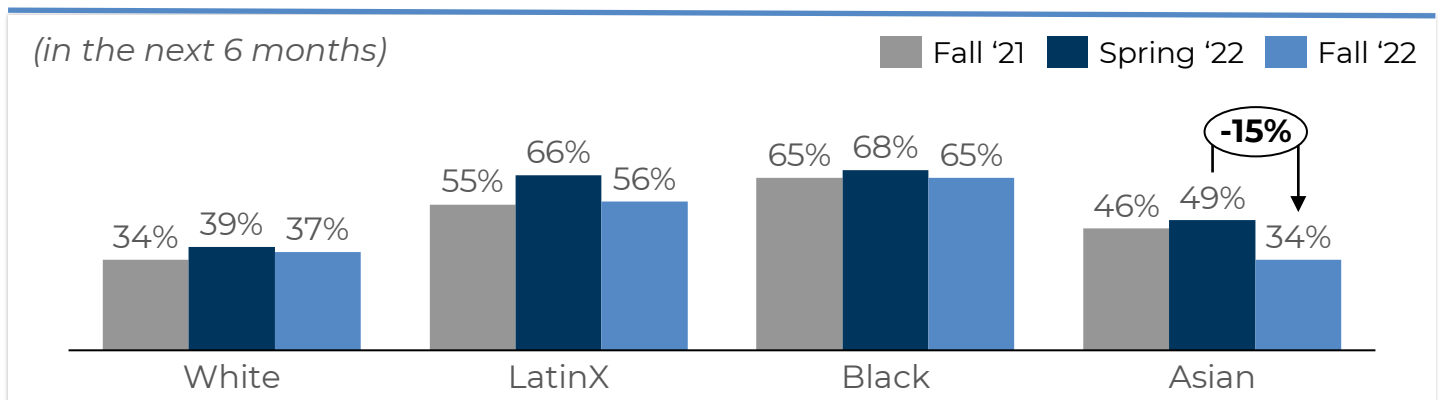


Figure 2: Consumer plans regarding their spending habits for the future, by ethnic group



CONSUMER SPENDING PLANS

This survey always asks about four main types of spending, and all four of them are down this fall. Echoing spring 2022, basic needs remains the most prominent spend. Experiences and indulgences share a marked reversal and speak to the entrenchment we are seeing in the face of ongoing inflation.



SPENDING PLANS BY TYPE OF CATEGORY

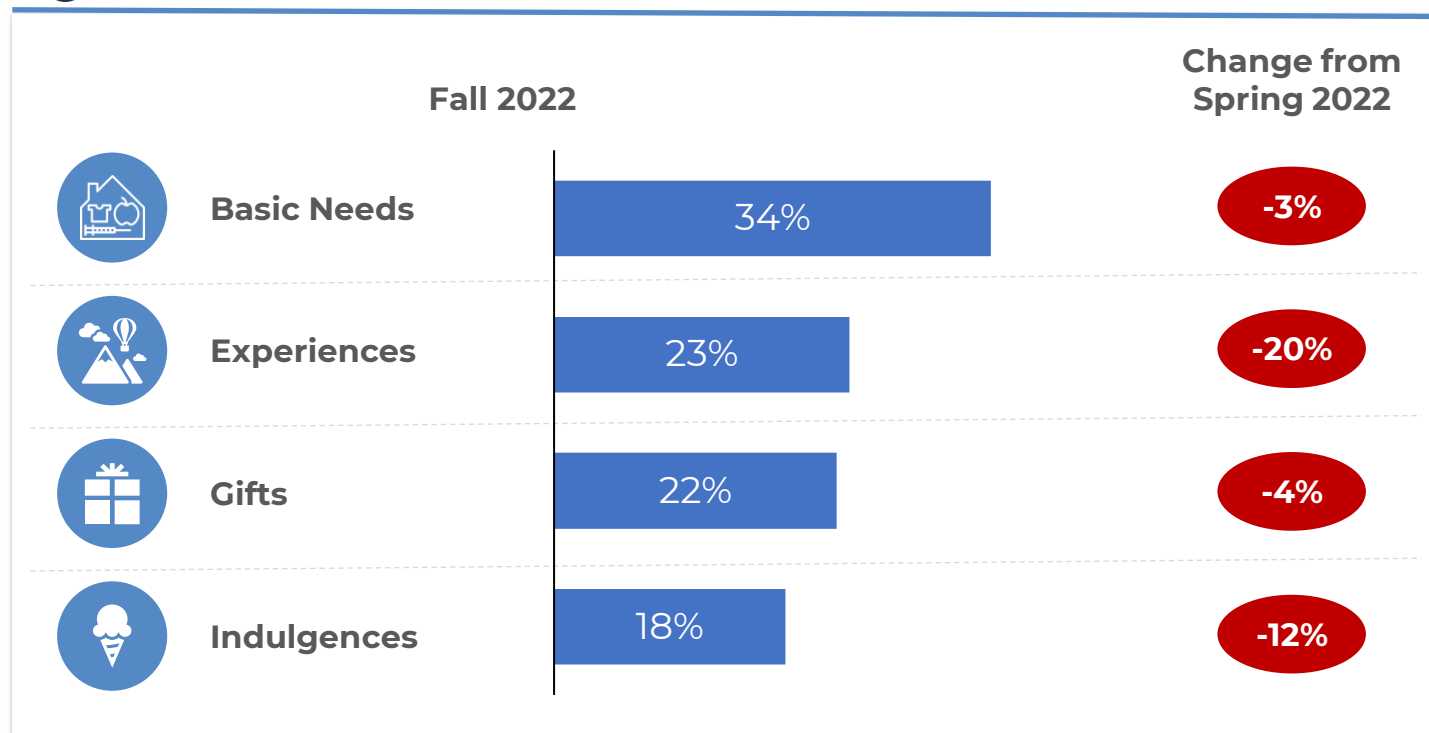


Figure 3: How consumers are planning their spend by type of category

This fall, consumers are cutting back non-essential spending and focusing on **basic needs**. Specifically, shoppers are reducing purchasing items seen as **indulgences**. This trend was seen across all age demographics, but the biggest drops were seen by older demographics..



PLANS TO SPEND LESS ON INDULGENCES BY AGE GROUP

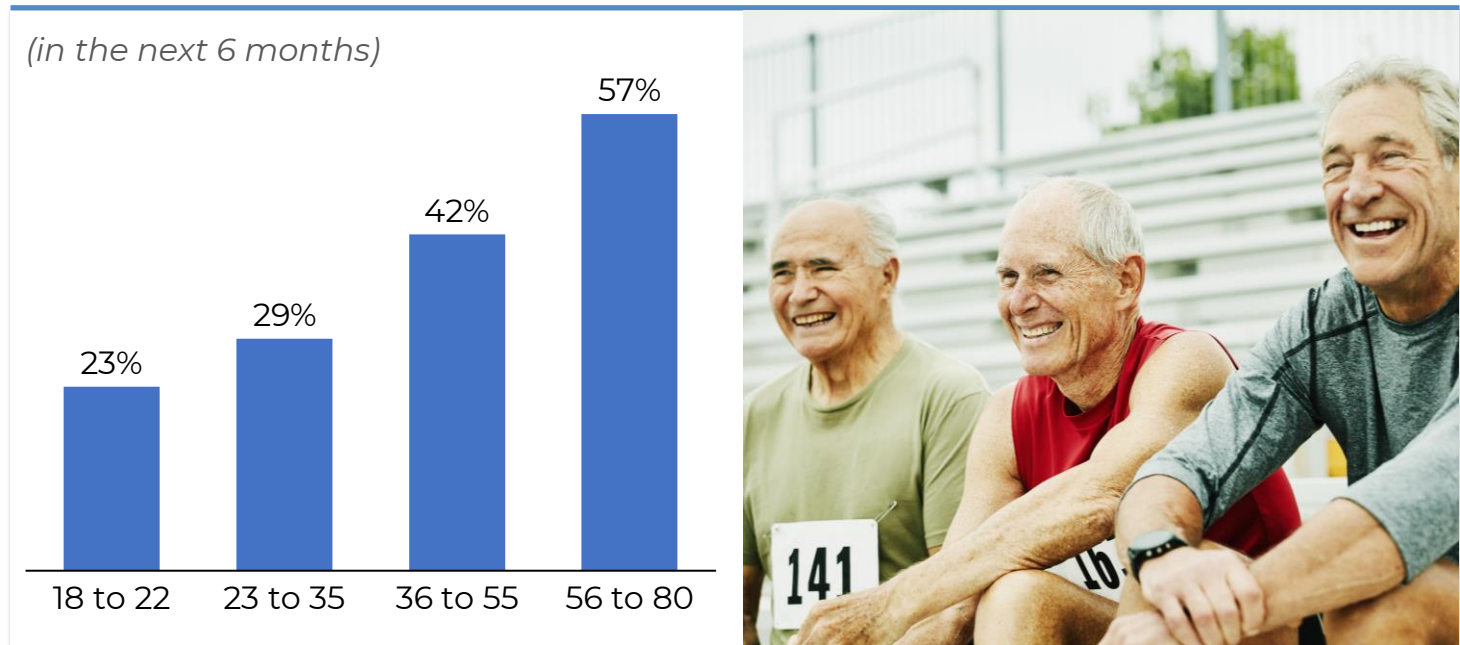


Figure 4: Older age groups plan to spend less on indulgences



Basic needs prioritization is further emphasized in future consumer spending plans. Only 3 categories, all basic needs, report a net positive in future spending plans. Additionally, the desire to spend more on fresh food has remained constant since fall 2021. This continues to be a priority for consumers and is the highest spend categories championed by younger age groups and higher income households.



SPENDING PLANS BY CATEGORY

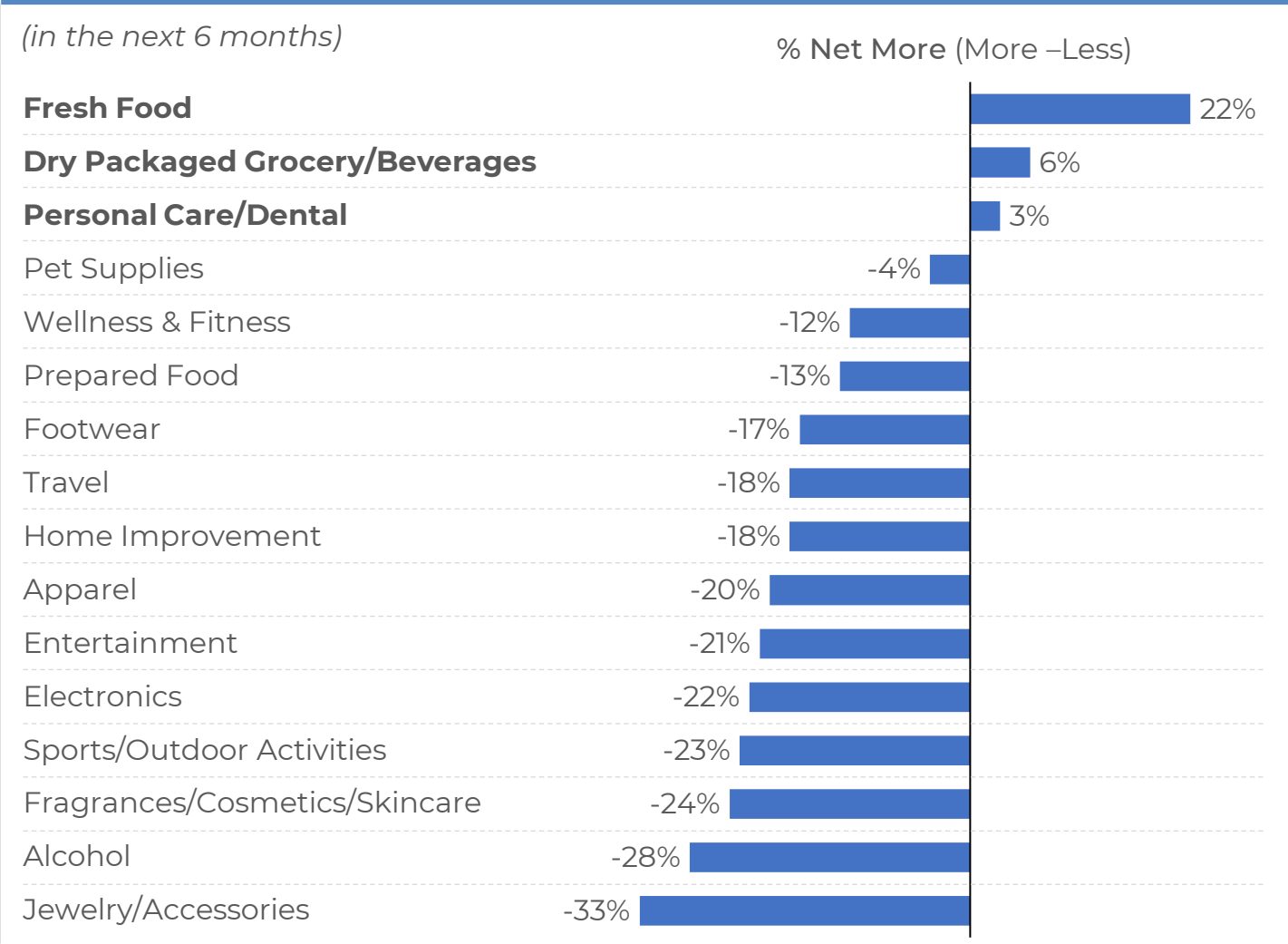
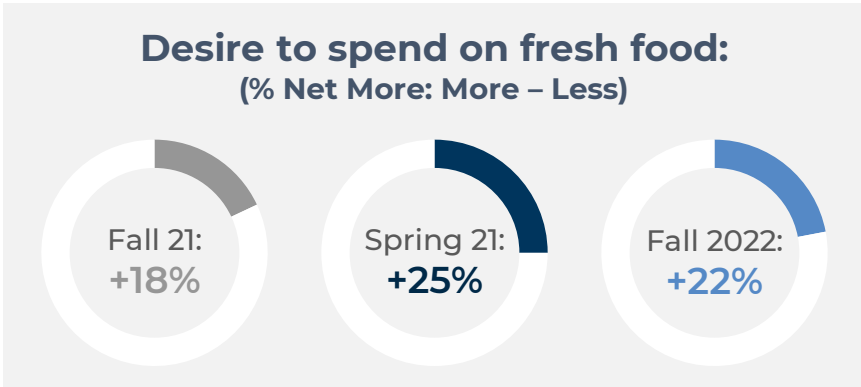
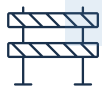


Figure 5: Net more (plan to spend more – less) spend by category





BARRIERS TO SPEND

Consumer price-based concerns have steadily increased with a growing number of respondents indicating that products and services have become too expensive. Health is still a barrier to spending, the surprising note is that younger age groups reported facing the biggest health concerns related to spending.

% of respondents:



59%

Products/services have become too expensive



26%

Products/services I want are not easily available



19%

The experience of shopping is not pleasant/the service is poor



20%

Worried about my health and/or the health of my family

Price remains the #1 barrier to spend, and has increased by 20ppt over the past year:

+10ppt from Spring '22
+20ppt from Fall '21



CONSUMERS FEELING THAT PRODUCTS HAVE BECOME TOO EXPENSIVE BY HOUSEHOLD INCOME

(in the next 6 months)

Fall '21 Spring '22 Fall '22

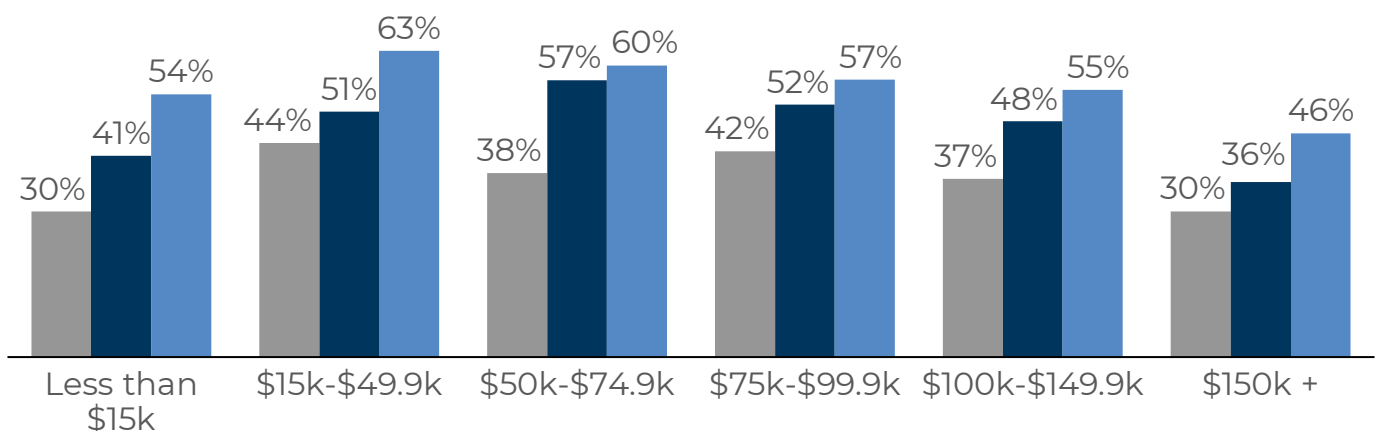
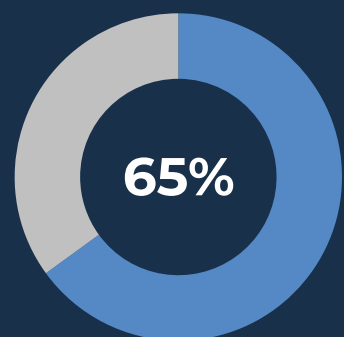


Figure 6: The number of respondents who felt that products and services have become too expensive steadily increased throughout all income brackets

INFLATION PRESSURES

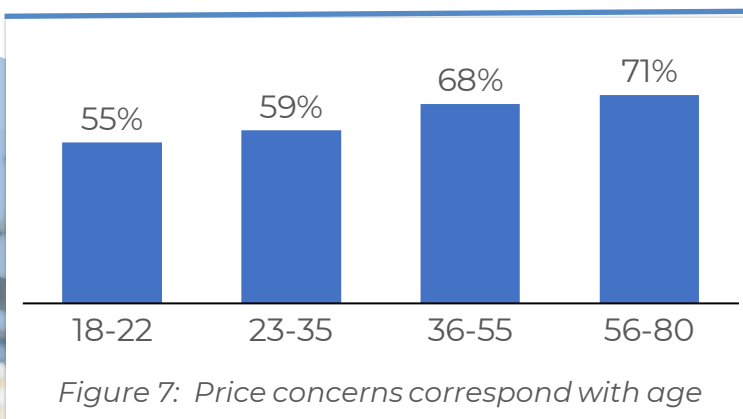
The pressure of rising prices has impacted consumers across the country and most of them are expecting prices to continue to climb



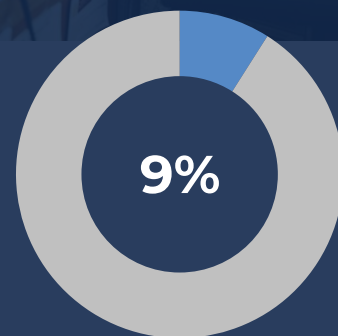
Expect prices to rise over next 6 months



PRICE CONCERNS BY AGE GROUP



Expect prices to fall over next 6 months



The overall sentiment is that inflation has yet to peak, and no one is immune. Previously, middle income demographics reported feeling inflation the heaviest, whereas currently higher income brackets reported some of the biggest increases in rising price barriers.



49%

indicate that as a direct result of rising prices they have been forced to alter how much they spend on various items

Inflation is reducing overall spending, and consumers are adjusting how and where they spend their money.

Basic needs are the priority

The sentiment of doubling down on basic needs continues to strengthen as we examine adjusted consumer categorical spending habits

Luxuries are being cut

The top categories consumers are cutting back on relate to luxury purchases or experiences



SHOPPING PRIORITIES BY CATEGORIES

	Category	% Net More (More -Less)	
Top 5	Groceries	●	+5%
	Rent	●	+1%
	Utilities	●	+0%
	Pet Supplies	●	-9%
	Personal Transportation & Gas	●	-10%
Bottom 5	Apparel & Footwear	●	-32%
	Entertainment	●	-33%
	Accessories & Jewelry	●	-35%
	Electronics & Appliances	●	-35%
	Eating/Dining Out	●	-40%

Figure 8: Customers continue to sway towards spending on essential goods and services

Price is the primary driver influencing customers' willingness to spend. Inflation is also forcing consumers to adopt new habits in an attempt to bring in more money and stretch their dollar further.



Almost 9 in 10 have adopted new habits in response to inflation



TOP 5 NEW HABITS CONSUMERS HAVE ADOPTED






 Switching to Generic Brands	 Hunting Sales & Coupons	 Checking Prices Against Competitors	 Avoiding Shipping Fees	 Postponing Minor Purchases
43%	37%	35%	30%	30%

Figure 8: Consumers are attempting to find less expensive alternatives while stretching their dollar

There is an interesting ethnic callout – In response to inflation, White and Asian respondents displayed a tendency to save money while Black and LatinX respondents are focused on bringing more money into their household.

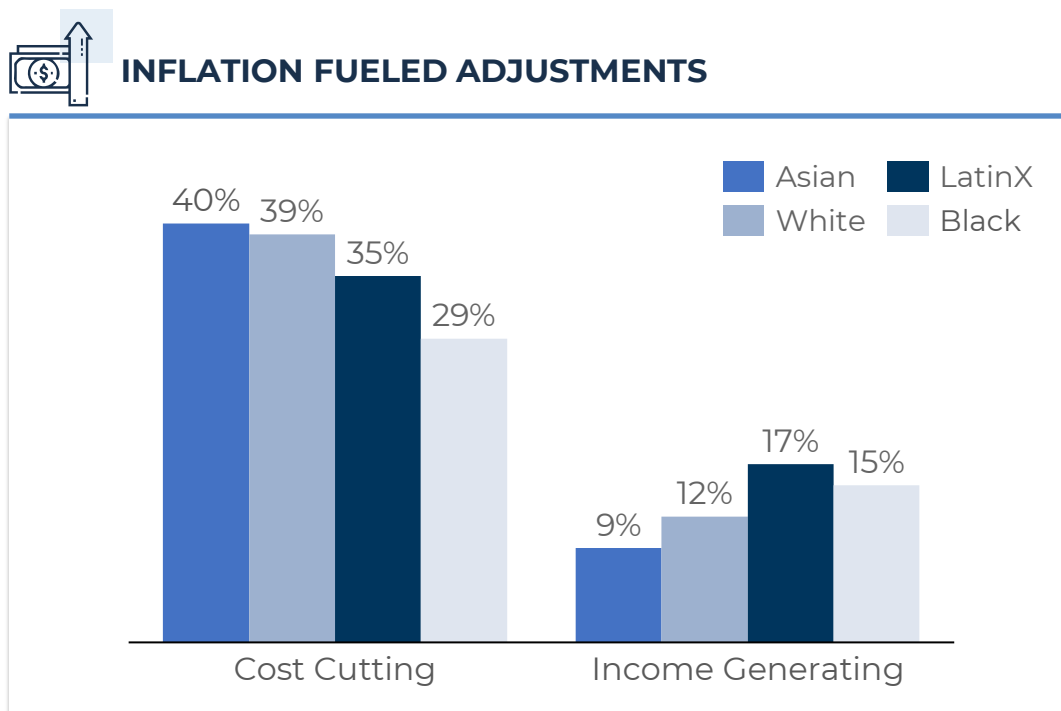


Figure 9: Changes consumers are making in response to inflation



Footnote: Cost cutting questions are an aggregate of responses indicating a switch to, purchasing generic brands, hunting for sales and coupons, actively price checking, and avoiding shipping fees, averaged across ethnicity. Income generating questions are an aggregate of response indicating a switch to, adopting a side hustle, picking up extra shifts at work, adding a second or third job, or switching to a higher paying job, averaged across ethnicity

HOLIDAY SPENDING PLANS

Even the holidays aren't escaping consumer spending reticence, the most significant changes people are making is a reduction in their overall gift spending. Younger demographics (18-35) are favoring a reduction on self-gifting, while older individuals (36+) are leaning into spending less on others.

38%

Spend less
on gifts for
myself

35%

Spend less
on gifts for
other
people

26%

Buy gifts
for fewer
people

23%

Reduce
non-holiday
spending

14%

Spend less
on holiday
vacations

70%

7 in 10 consumers are changing their spending habits compared to last holiday season



When it comes to holiday shopping, consumers are weighing multiple factors before finally making a purchase. Shoppers indicate that various elements related to price augmentation, return experience, and holiday availability could hinder them from buying a product. Shipping fees remain a constant pain-point for shoppers and are seen as having the biggest impact on their decision to buy.



FACTORS THAT WILL HAVE AN IMPACT ON PURCHASE DECISIONS THIS HOLIDAY

(at least a *moderate* impact)

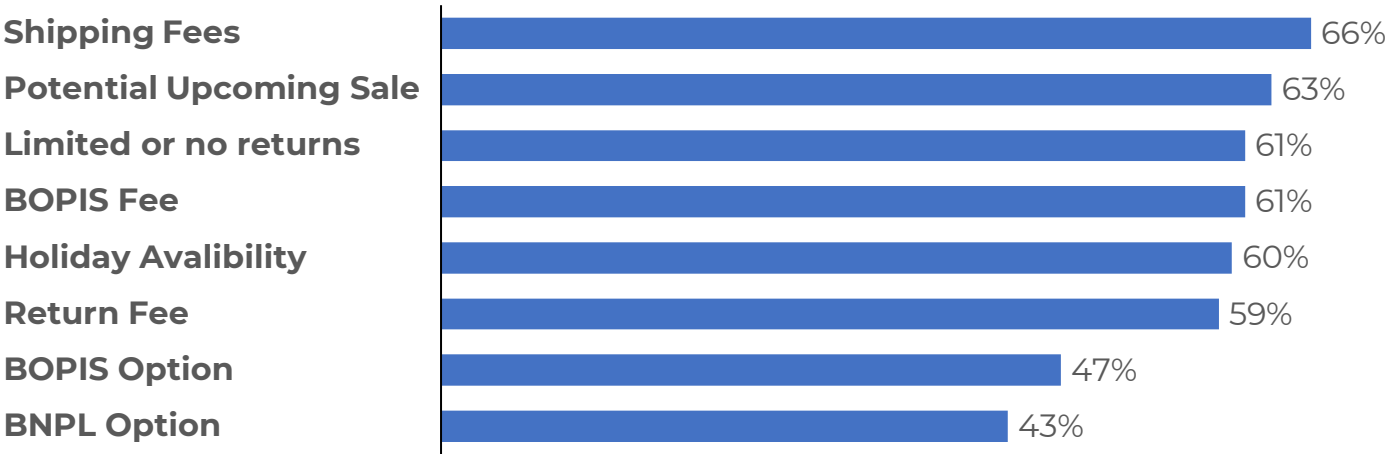


Figure 10: Customers indicate additional fees or the potential to save money as having significant impact on holiday shopping



DEALBREAKERS



While shipping fees have at the highest overall impact on consumers purchase decisions, there are two factors that will make or break a purchase decision this holiday season. Tied for the largest dealbreakers are limited or no return policy & fee for BOPIS; with 1 in 5 consumers saying these reasons alone are enough to purchase a different item.



**Limited or No
Return Policy**

**TIED FOR
FIRST**



**Fee for
BOPIS**

Sustainability: Even now, there are some things consumers are willing to pay for

63% of respondents
at least sometimes consider an
item's sustainability prior to
purchase

2/3rds of shoppers
are willing to pay at least slightly
more for a product that is
environmentally friendly

Sustainability Champions



Most
Concerned

Younger age groups –
1 in 3 always or frequently
consider sustainability when
shopping

Least
Concerned

White shoppers –
1 in 5 saying they never consider
sustainability compared with 1 in
10 across other ethnicities

Even amid significant inflationary concerns and the increased attention to stretching the dollar, shoppers indicate that they are willing to pay more for environmentally sustainable products. However, shoppers' willingness to pay more for an environmentally friendly product decreases as age increases. Additionally, white shoppers are much less likely to pay more for these products. Interestingly, these variations remained relatively flat when compared across household income brackets, with no particular demographic willing to pay significantly more or less than another.

CHANNEL HABITS

Despite the online purchasing surge sparked by the lockdowns, we are seeing a drift back to in-store shopping.



ONLINE & IN-STORE PREFERENCES WHEN PURCHASING

(in the next 6 months)

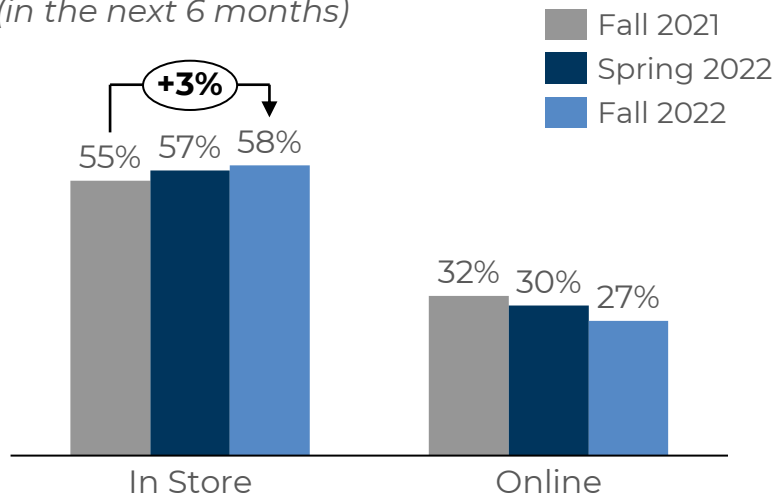


Figure 11: Consumers are slowly but surely increasingly returning to store



TOP 10 CATEGORIES PURCHASED IN-STORE, FALL 2022

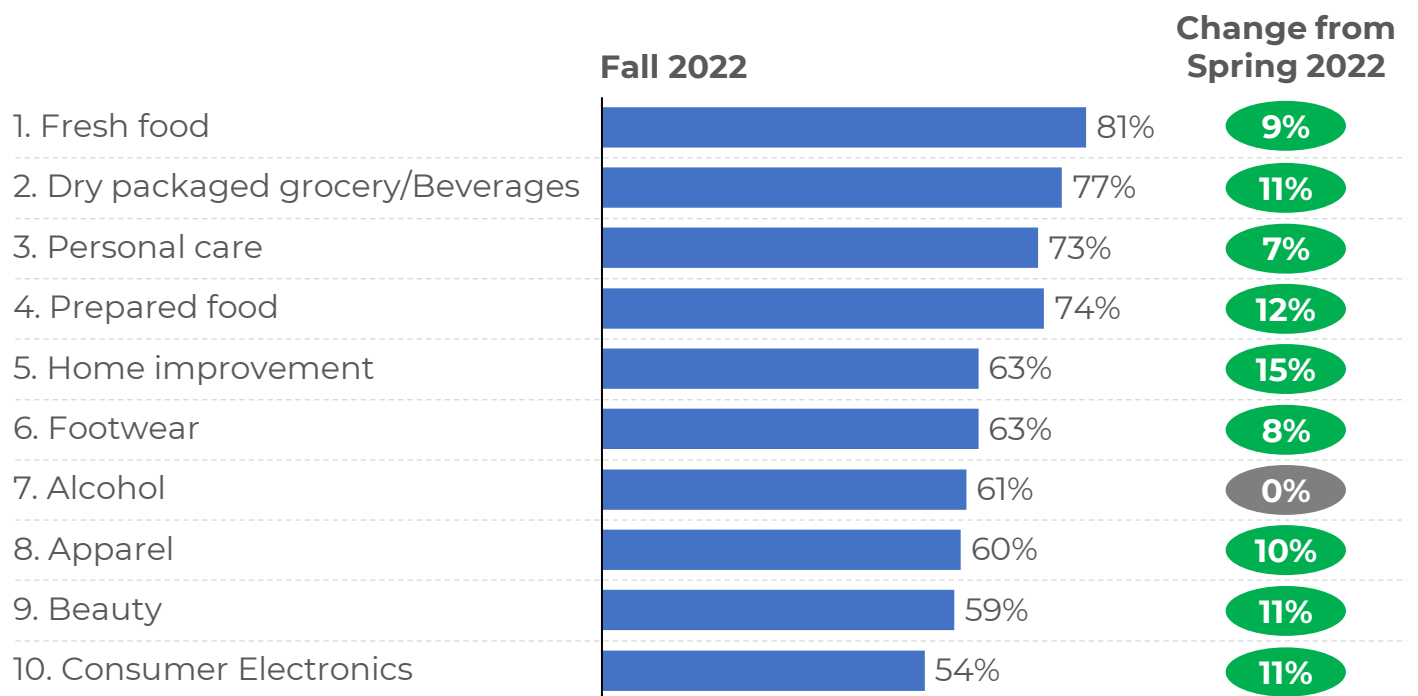


Figure 12: Customers show a strong preference for purchasing all food related items in – store

When shopping online customers prefer retailers that service multiple categories.

Amazon is the most frequently used shopping app by consumers, as it has been for all three of our surveys since 2021. Consumers show preferences for retailers that also offer basic needs services versus indulgences and experiences.



Customers currently prefer Walmart over Target, with Target suffering the second strongest decline in usage compared to spring. Surprisingly, social commerce saw the most significant drop. This could be the result customers' shift to spend on basic needs which are not typically purchased via social commerce.



RESPONDENTS USING RETAILERS' APP AT LEAST MONTHLY

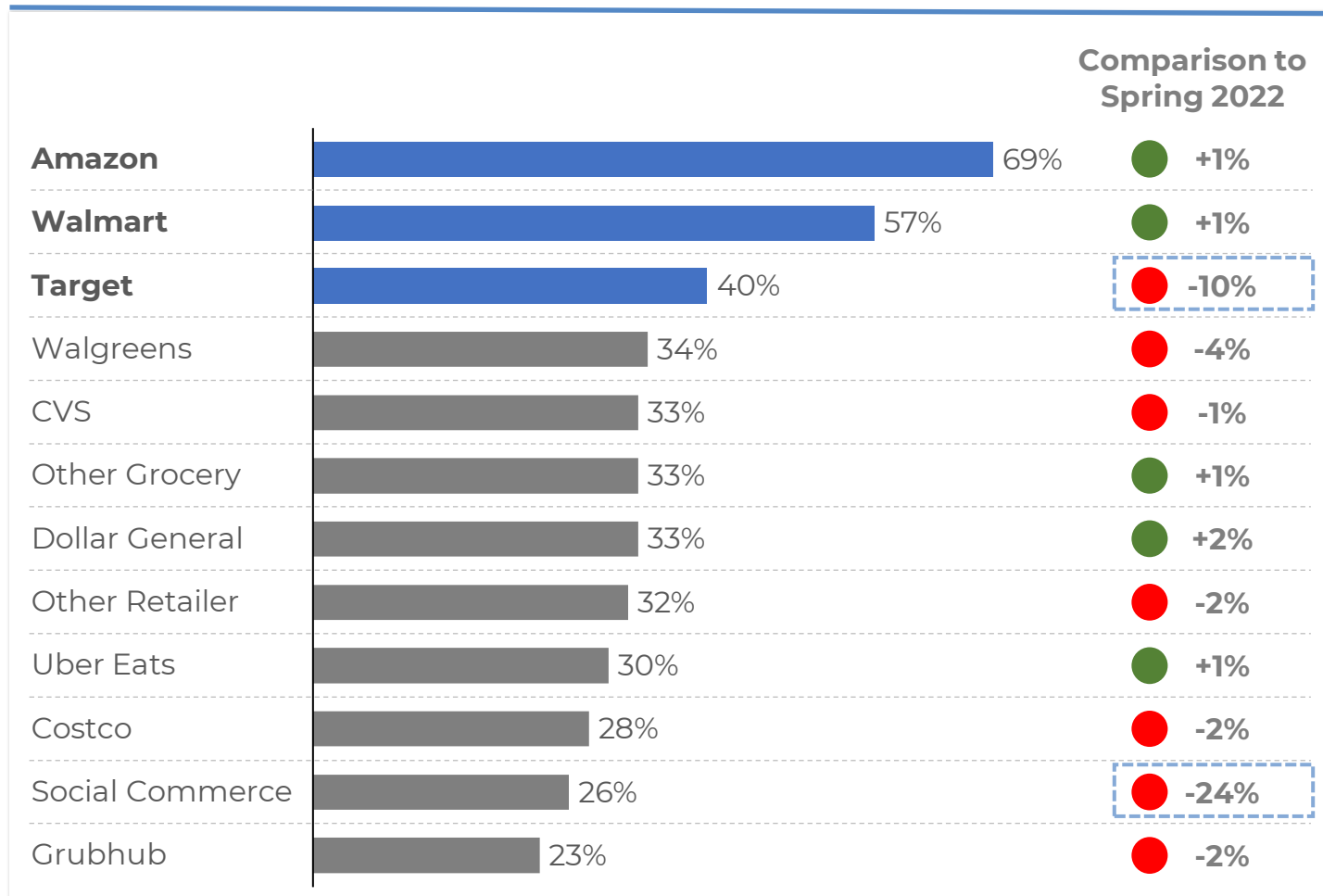


Figure 13: Mobile app usage for selection of retailers surveyed

This survey shows that extended inflationary pressures are causing US consumers to retrench further and curtail even more their discretionary spending. Even categories that had seemed somewhat immune in spring 2022 are now under pressure. Consumers are planning a savvy and lean holiday season. Retailers need to ensure their agility in responding to deal-hungry, penny-pinching consumers; inventory management, pricing and cost management will continue to be severely challenged.



METHODOLOGY

September 2022
1,565 respondents matching U.S. adult population according to gender, age, ethnicity, region & income