



Alvarez & Marsal Consumer and Retail Group



**CONSUMER
SENTIMENT SURVEY**
Spring 2023

U.S. CONSUMER LIKELY TO BUY DESPITE CONTINUED ECONOMIC UNCERTAINTY

Alvarez & Marsal Survey of 1,500 U.S. Consumers Highlights Increased Consumer Confidence this Spring

Retailers should act fast on this change in consumers' desire to spend this spring



Consumers are **more optimistic** than in fall 2022, overall sentiment is up for the first time in 4 survey cycles



Consumers have shifted their spending from focusing on only basic needs to **non-essentials**, with a sharp increase in **indulgences**



In the eyes of consumers, **inflation** has **yet to peak**, and a majority are preparing for a potential recession



Half of respondents are **taking a vacation** this spring/summer, and a majority of those traveling plan to stay in the U.S. rather than travel internationally



3 in 4 shoppers are willing to pay at least slightly more for an **environmentally friendly** product, a 10% increase from fall

In March 2023, 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 **increased consumer confidence** this spring and summer season. U.S. consumers clearly hear similar financial headlines: the 'recession is coming' drumbeat has got through to them and they expect a slowdown in the coming months. That's all theoretical for now and the reality is that the U.S. consumer is still punching – spending plans are up, inflation-fatigue is being overcome and optimism is back in fashion.



CONSUMER EXPECTATIONS



Overall consumer optimism is trending up, with only 12% of people expecting to have less money over the next 6 months, and more than half expecting to save more over this same period

Despite more than half of consumers believing prices will continue to rise and the U.S. will experience a recession within the year, personal optimism is trending up. Compared to fall 2022, there is a significant overall increase in financial optimism and plans to spend.

CONSUMER EXPECTATIONS – 6 MONTH OUTLOOK

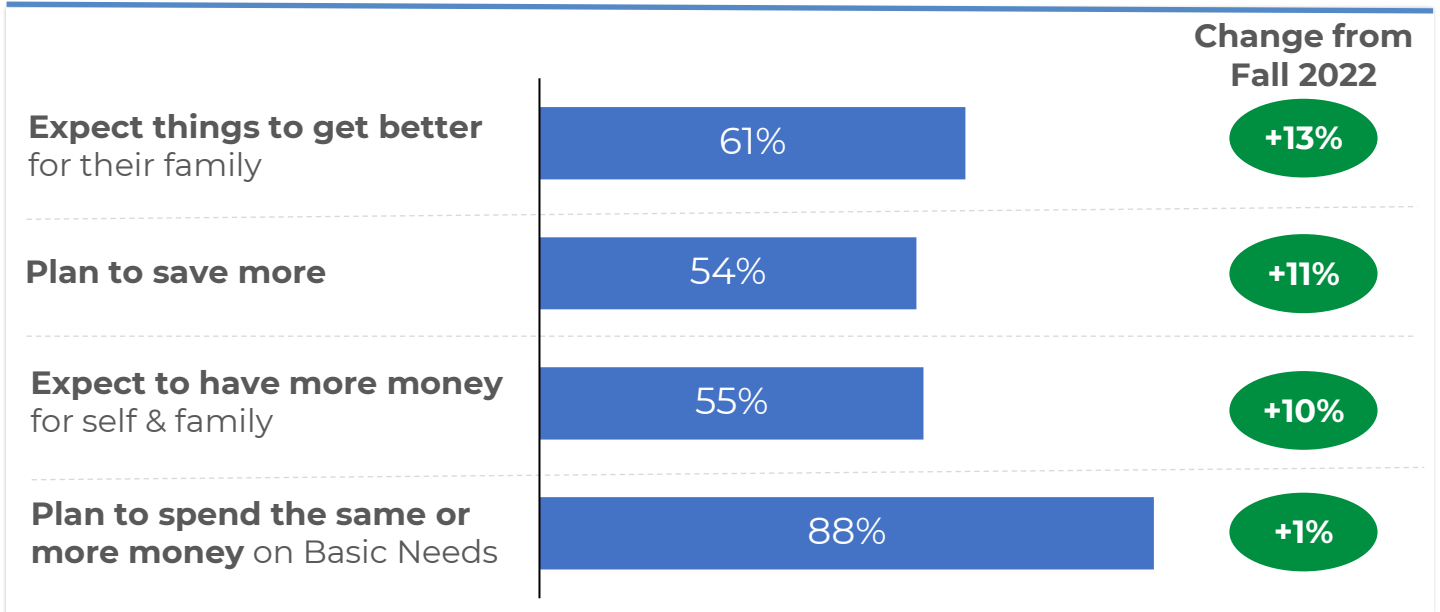


Figure 1: Consumers are more optimistic about the next 6 months

Younger age groups (49% of 23-35 year-olds) and higher earners (72% of \$200k+ HHI) are championing this positive outlook, with significant plans to spend more over the next 6 months. All ethnic groups except black respondents saw an uptick in optimism regarding how much money they expect to have over the next 6 months.

EXPECT TO HAVE MORE MONEY

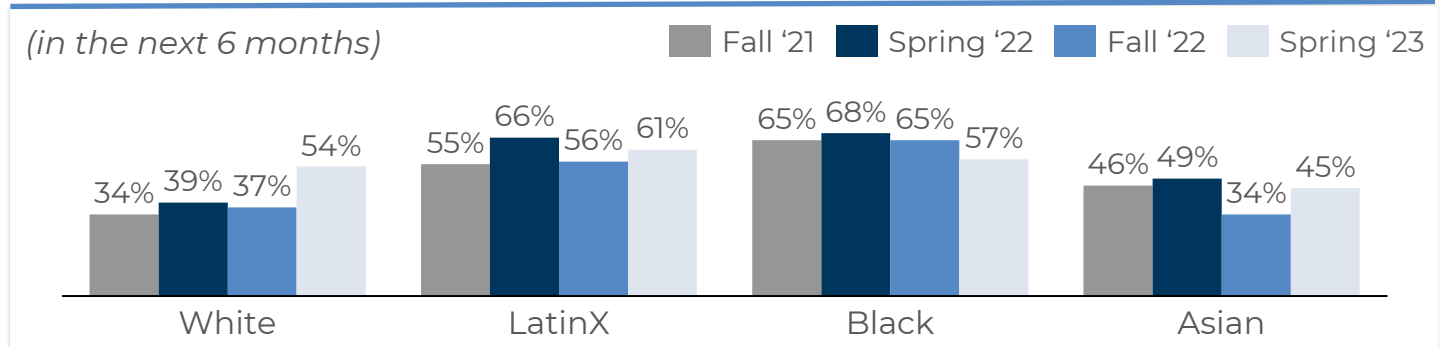


Figure 2: Consumer plans regarding their income for the future, by ethnic group

CONSUMER SPENDING PLANS

This survey always asks about four main types of spending, and for the first time, all four of these categories are trending up. While basic needs remains the #1 category for spend, this is the first cycle where the change in spending in the other 3 areas (experiences, gifts, and indulgences) outpaces basic needs, further demonstrating that the focus this season has shifted towards non-essential spend.



SPENDING PLANS BY TYPE OF CATEGORY

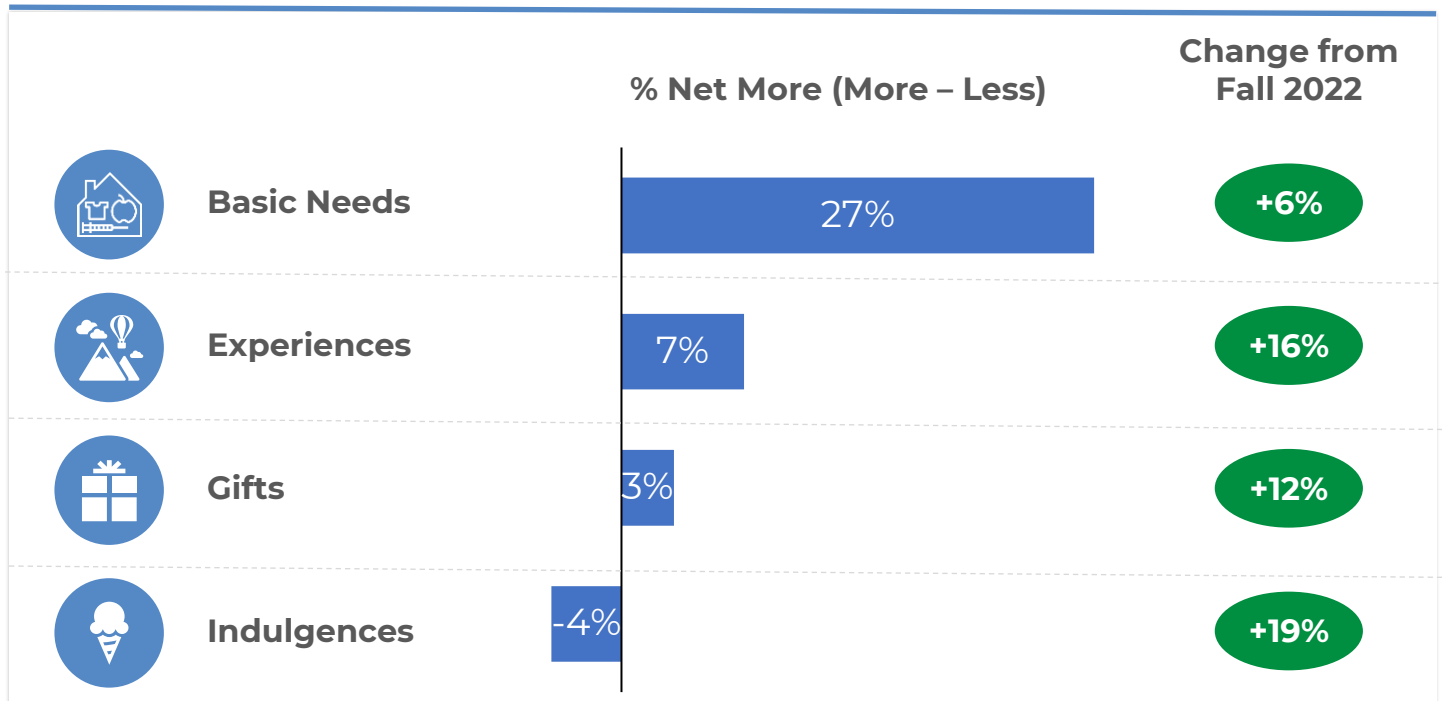


Figure 3: How consumers are planning their spend by type of category



HISTORICAL SPENDING PLANS BY TYPE OF CATEGORY

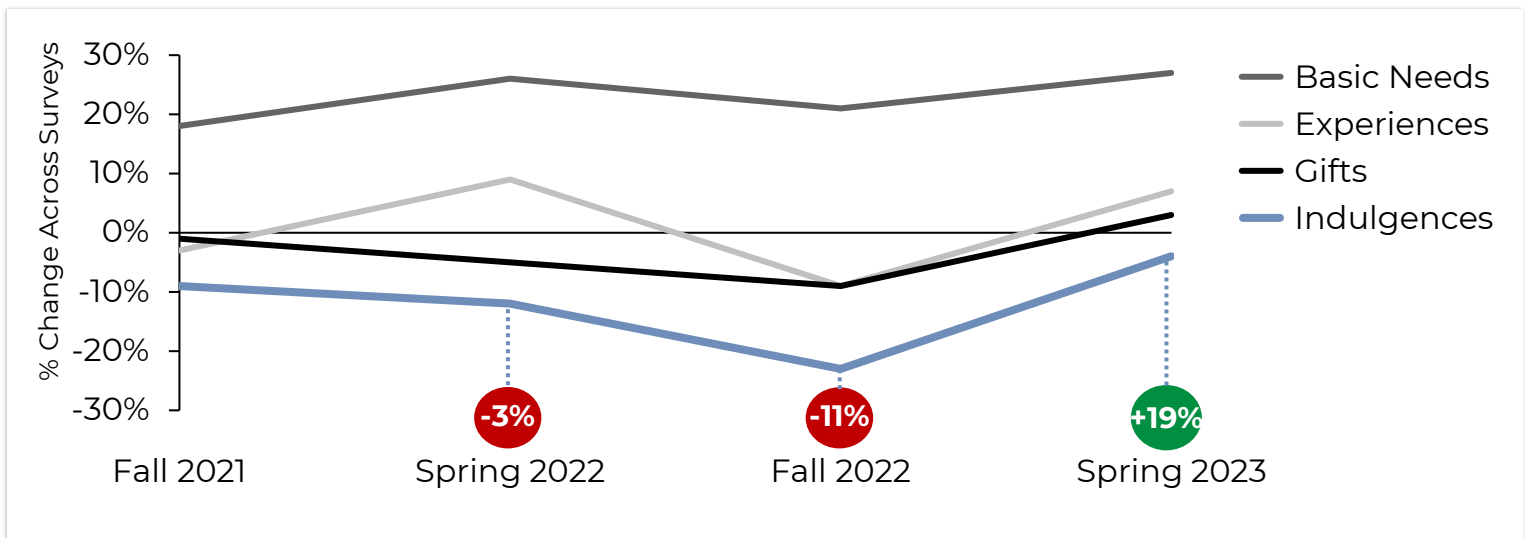


Figure 4: Consumers plan to spend more across all categories compared to Fall 2022

The demographics this spring are consistent with previous survey cycles – males and younger-aged consumers (23-35 year-olds) are planning to spend more than their counterparts (females and older age groups) in all four spend types.



SPEND CHAMPIONS: 23-35-YEAR-OLDS & MALES

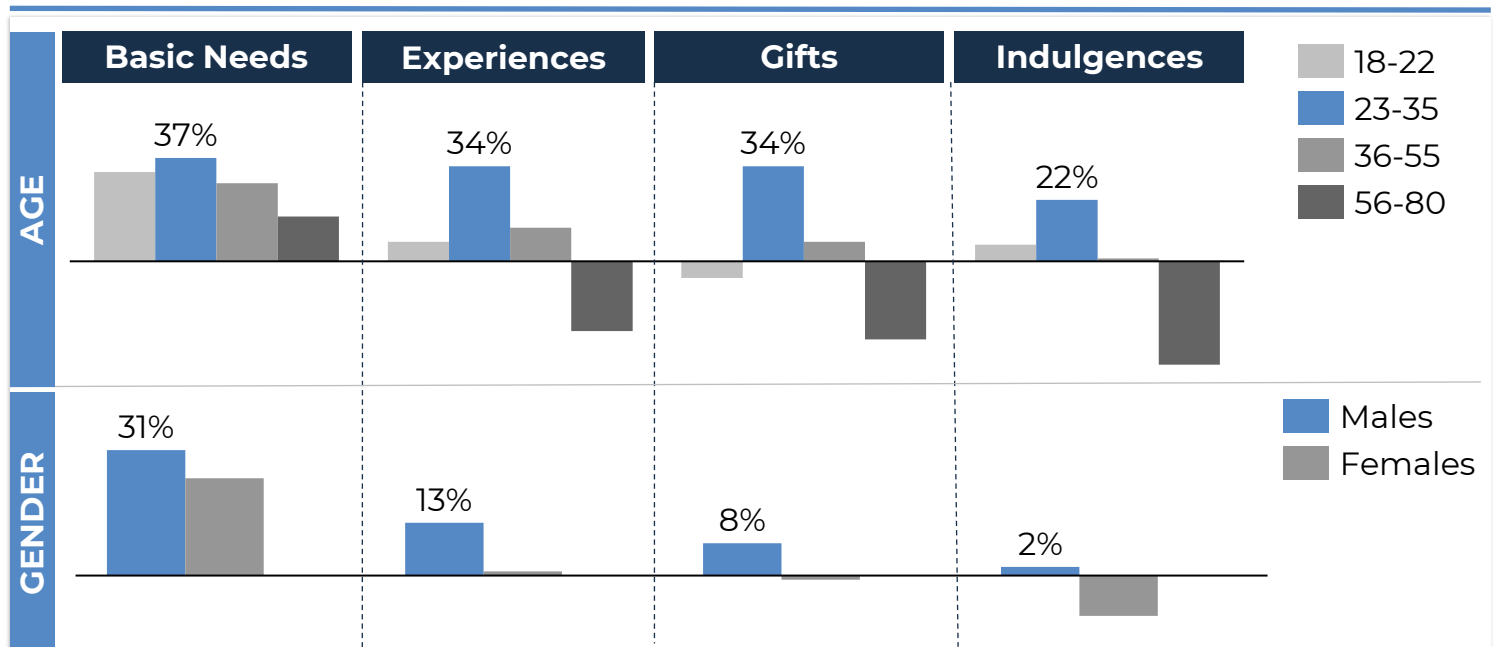


Figure 5: Consumer plans to spend across categories by age group and gender

Respondents' desire to spend by category further supports the notion that consumers are more optimistic and less concerned for their financial well-being. Consumers are purchasing in more non-essential categories compared to fall 2022. This reflects the optimism consumers expressed and shows they are now comfortable spending on more extravagant items. The categories that saw the biggest uplift from fall 2022 included jewelry/accessories, apparel, entertainment & travel.



SPENDING PLANS BY CATEGORY

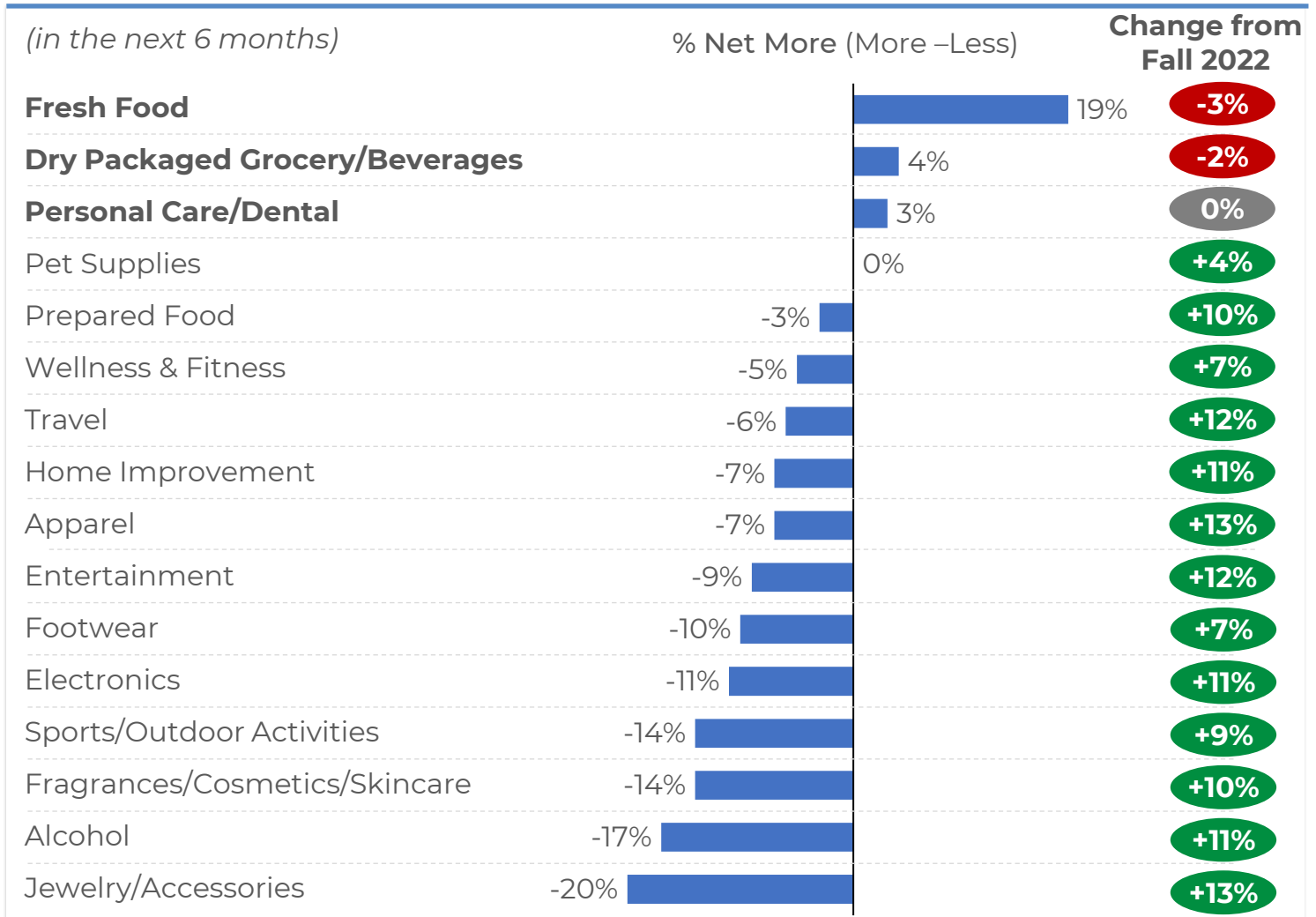
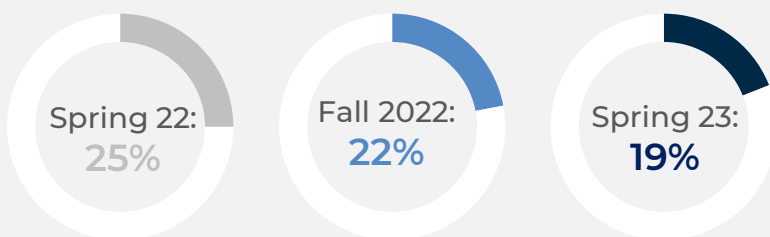


Figure 6: Net more (plan to spend more – less) spend by category

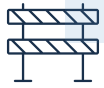
Desire to spend on fresh food:

(% Net More: More – Less)



BARRIERS TO SPEND

Over the past few survey cycles, price-based concerns had been steadily increasing with a growing number of respondents indicating that products and services have become too expensive. However, the recent survey shows a trend change with only 53% of respondents reflecting this as their largest barrier to spend. More-so than previous cycles, consumers seem to notice and express dissatisfaction at poor shopping experiences.



BARRIERS TO SPEND ACROSS SURVEY CYCLES

% of respondents:

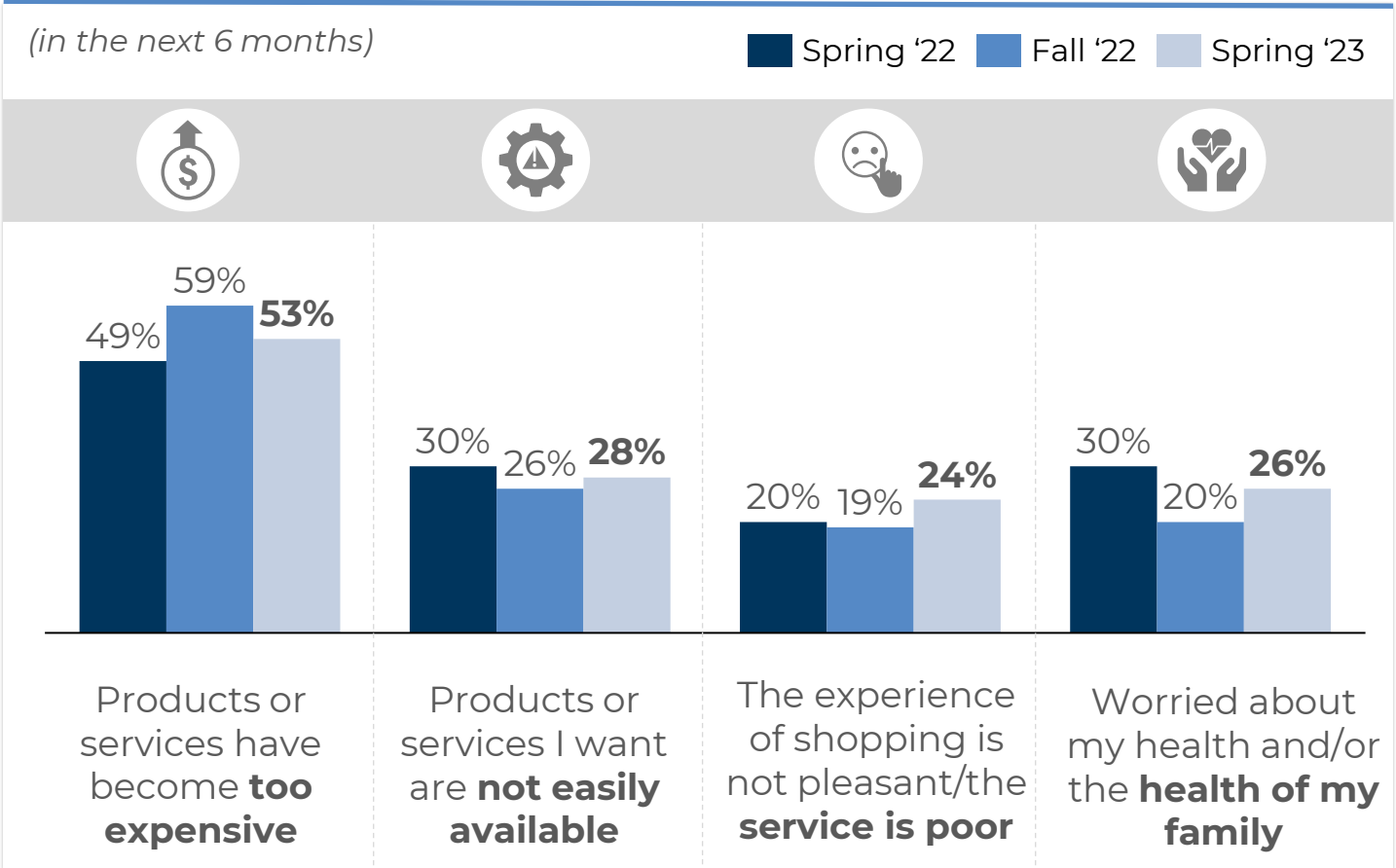
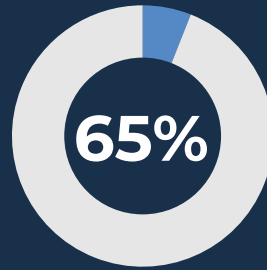


Figure 7: Expensive products/services remains the number one barrier to spend for consumers

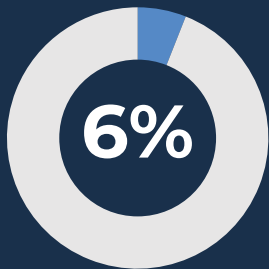


INFLATION PRESSURES

Inflation continues to impact consumers, with the number of people expecting prices to continue to rise is virtually unchanged when compared to fall 2022 (65%). Only 6% of consumers expect prices to fall in the Spring/Summer months, championed by low-income households (<\$15k).



Expect prices to rise over next 6 months



Expect prices to fall over next 6 months



PRICE CONCERNS BY HHI GROUP

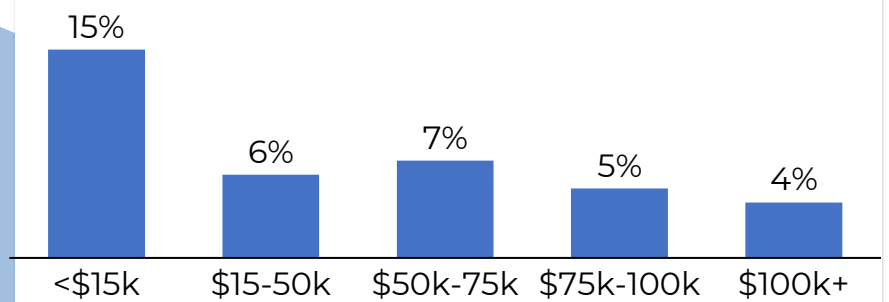


Figure 8: Price concerns correspond with HHI

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

Despite the increased consumer confidence this season, consumers were still feeling the continued impact of inflation since fall, they have strategically reduced spending in specific areas. While the desire to spend on non-essentials has increased this spring, basic needs remain on the forefront of the consumer spending agenda.



CATEGORY TRADEOFFS DUE TO RISING PRICES

	Category	
↑ Top 5 Categories Consumers are Spending More on	Groceries	19%
	Personal Transportation & Gas	18%
	Utilities	16%
	Rent	15%
	Home Improvement	14%
↓ Top 5 Categories Consumers are Cutting Back on	Apparel & Footwear	42%
	Home Improvement	43%
	Electronics & Appliances	43%
	Accessories & Jewelry	45%
	Eating/Dining Out	47%

Figure 9: In response to rising prices, customers continue to prioritize essential goods and services

RECESSION OUTLOOK

In addition to inflation expectations, we asked consumers about a potential U.S. recession, and the results are surprising. **Over two thirds of consumers believe the U.S. is already in a recession or will be in one within the next year.** Although consumers' personal financial optimism has increased this spring, 61% said they are already taking action to prepare for a recession.

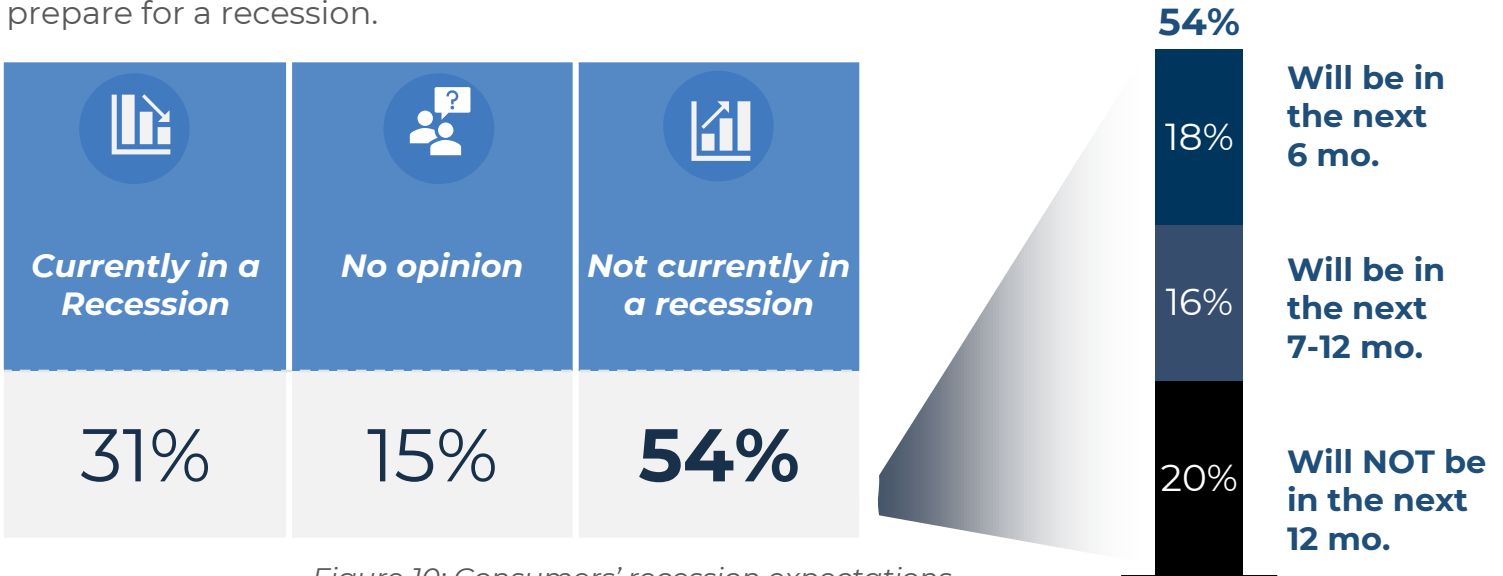


Figure 10: Consumers' recession expectations



6 in 10 consumers surveyed are actively preparing for a recession

Demographic data showed that the number of respondents who believe a U.S. recession will not occur within the next year increases with household income.



RECESSION OUTLOOK BY HOUSEHOLD INCOME

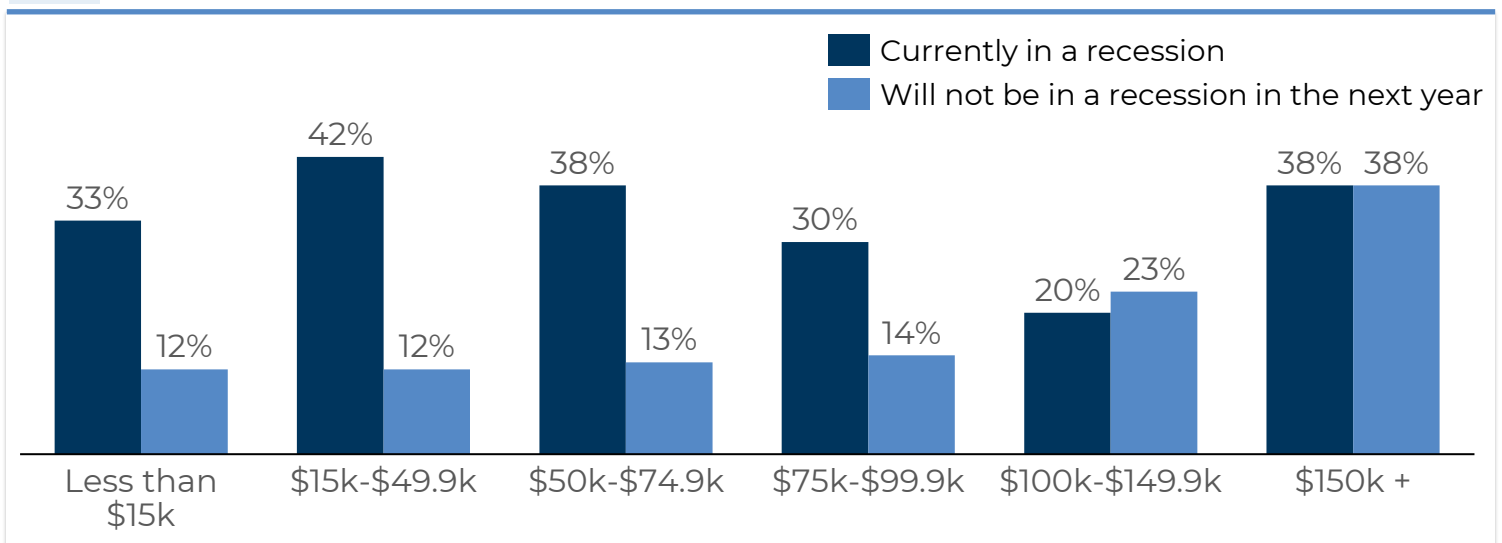
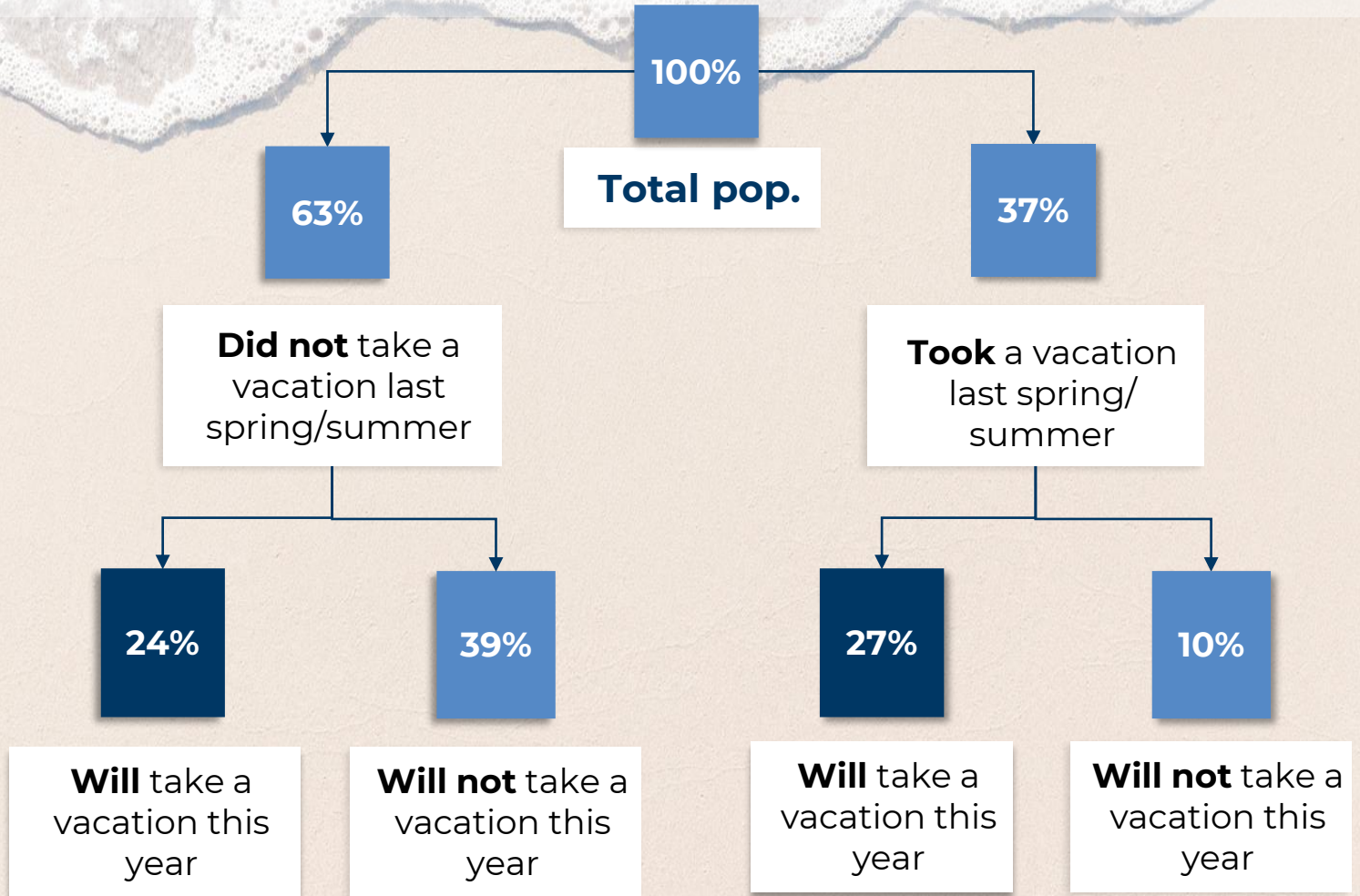


Figure 11: Wealthier households do not believe we will enter a recession soon

VACATION PLANS

Despite economic concerns, vacation spend is up versus last year, 51% of respondents are taking a vacation this year and only 37% reported taking one last spring. International travel plans have also increased versus spring 2022 with 31% of vacationers planning to travel outside of the United States, +12% to last year (spring 2022 survey).



Cost is the #1 barrier to taking a vacation this spring/summer, especially within older demographics



WHY CONSUMERS ARE NOT TAKING A VACATION THIS SPRING/SUMMER

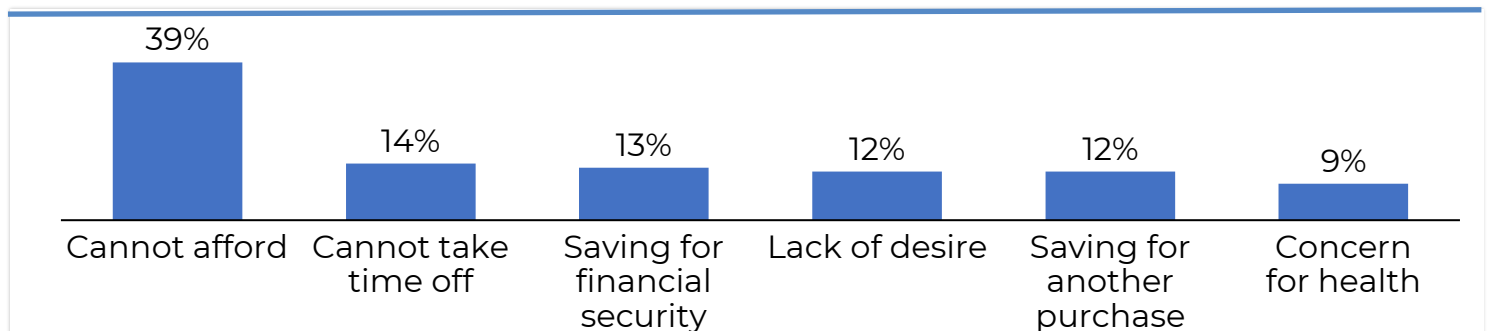


Figure 12: Barriers to consumers taking a vacation this spring/summer

Sustainability awareness continues to grow even during recessionary fears and inflationary pressures



Sustainability is continuously proving that it is an influential component of a purchase. Despite the consensus of economic uncertainty and the compounding inflationary pressure, attention to sustainability has only grown over the last 6 months. However, we are still seeing shoppers' willingness to pay more for an environmentally friendly product decreases as age increases. Contrary to 6 months ago, there is a much more even ethnic split when considering sustainability, but whites appear as the champions for both paying more and considering a sustainable product for purchase.

Sustainability Champions

	Most Concerned	Least Concerned
 <p>Age</p>	<p>23-35 year-old</p> <p>47% frequently or always consider sustainability before purchase</p>	<p>56-80 year-old</p> <p>44% rarely or never consider sustainability before purchase</p>
 <p>Ethnicity</p>	<p>White</p> <p>29% will pay at least significantly more for a sustainable product</p>	<p>Asian</p> <p>39% will not pay more for a sustainable product</p>

Figure 13: Younger and white respondents demonstrated the strongest preferences for sustainable shopping habits

CHANNEL HABITS

Channel habits remain consistent – consumers’ top channel preference is in-store. However, we are seeing a slight decrease in in-store shopping for a majority of spend categories compared to last fall.



ONLINE & IN-STORE PREFERENCES WHEN PURCHASING

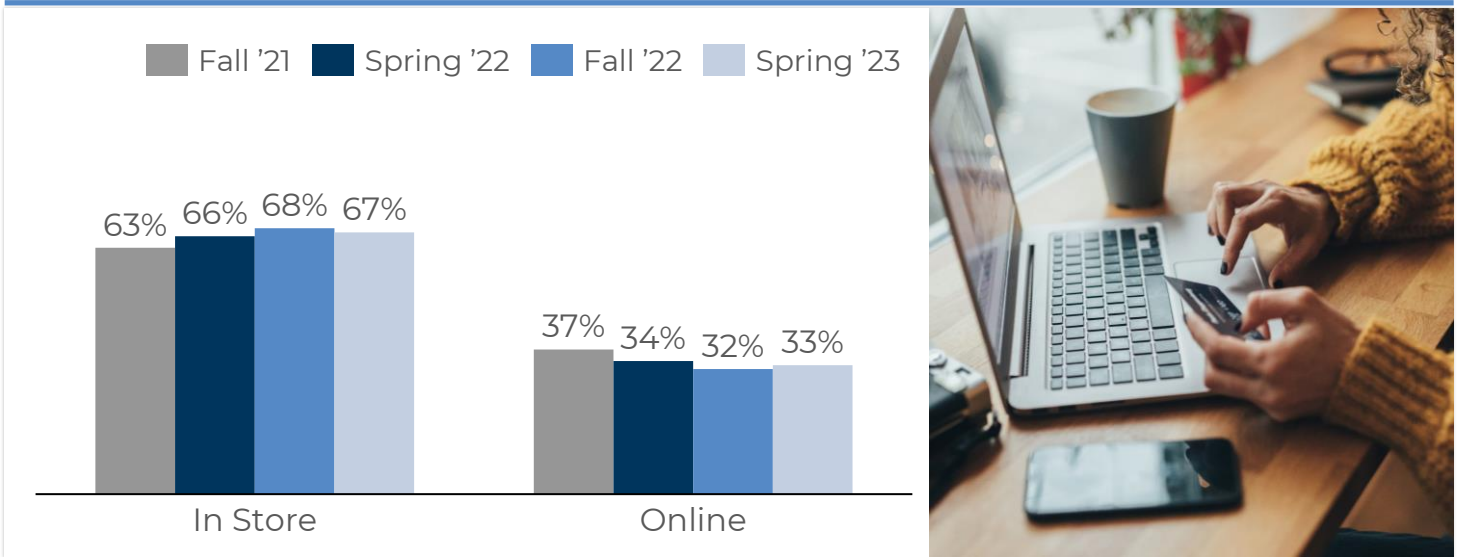


Figure 14: Consumer channel preferences remains consistent versus Fall 2022



TOP 10 CATEGORIES PURCHASED IN-STORE, SPRING 2023

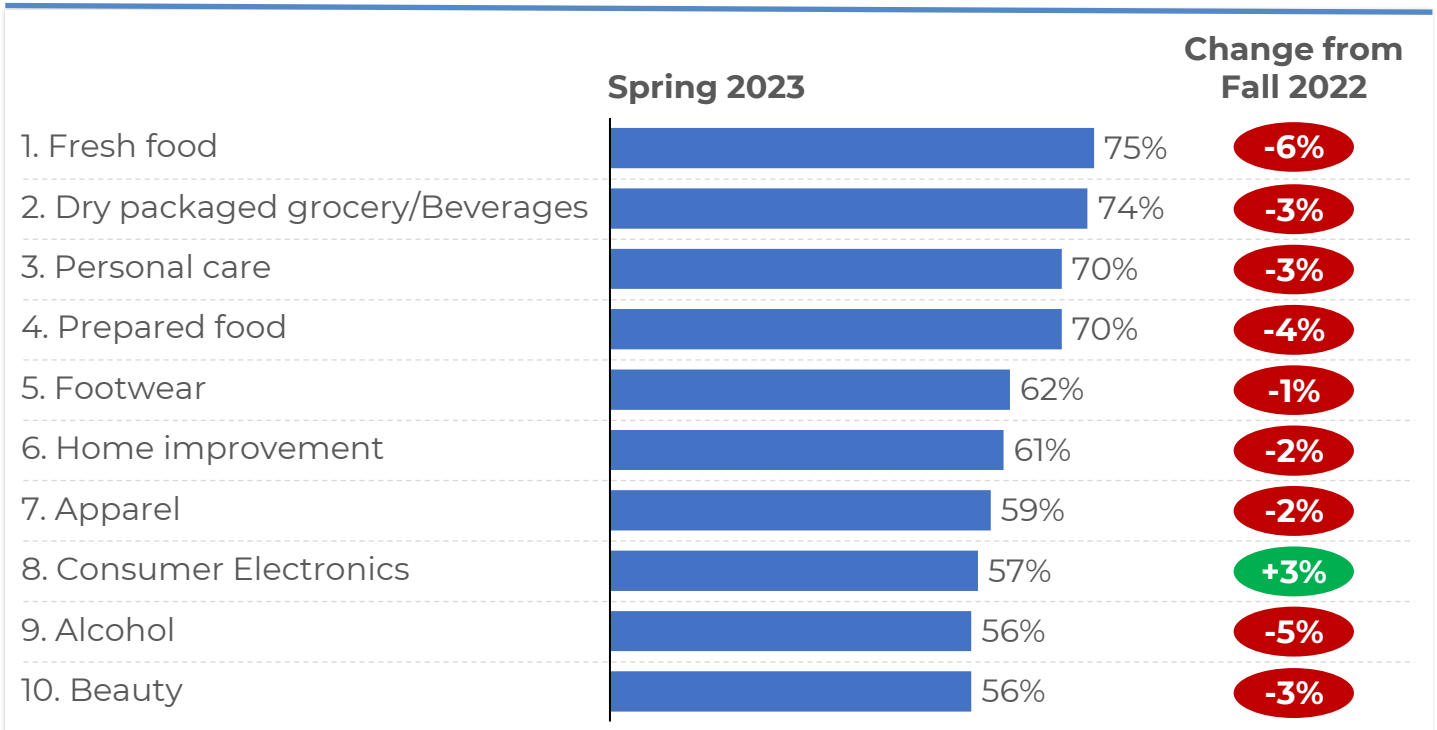


Figure 15: Customers show a strong preference for purchasing all food related items in – store

Regular App usage is surging.

All top 12 regularly used retail apps have seen an increase in traffic since fall. Amazon continues to dominate the app space, but Walmart has made significant strides, now trailing Amazon by only 7%. Target has strongly recovered from its slumping usage last fall, posting a solid increase of 10%.



Social commerce saw the largest up tick in retail traffic, jumping up 19% from fall after a drastic 17% decrease from last spring. This drastic shift emphasizes consumers' plans to spend more outside of just essentials. Additionally, Kroger and Sams Club were new additions to the top 12, while GrubHub fell off; showing the stability of basic needs spending and the growth of grocery app usage by consumers.



RESPONDENTS USING RETAILERS' APP AT LEAST MONTHLY

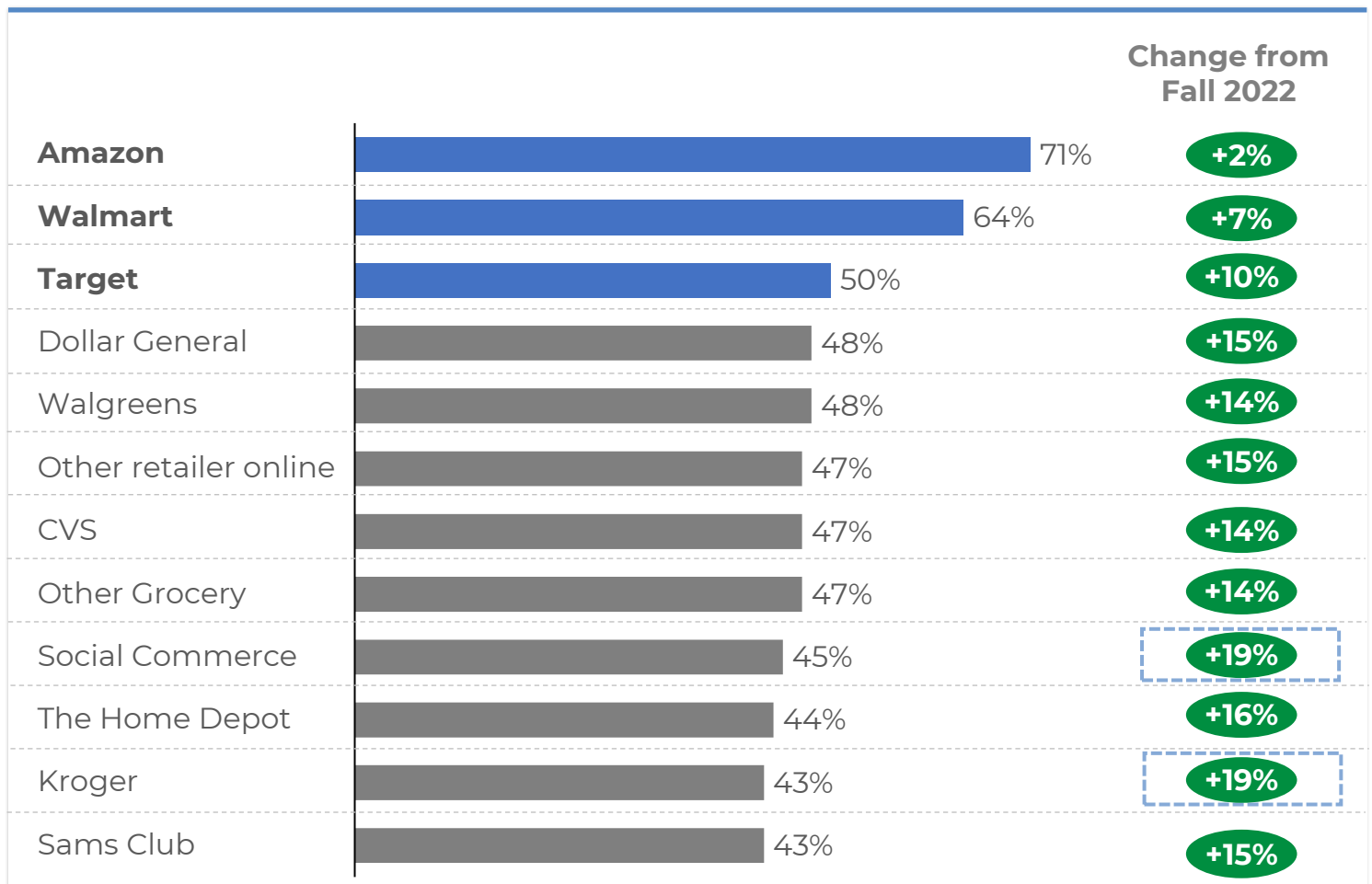


Figure 16: Mobile app usage for selection of retailers surveyed

This survey shows that US consumers are finally feeling optimistic about their own finances and are tired of pinching pennies and watching their spending. Although consumers are still expecting prices to rise and a recession to hit this year, they plan to spend more in every non-essential category this spring/summer. Retailers need to take quick action to capitalize on this inflation fatigue – we don't know how long it will last.



METHODOLOGY

March 2023
1,502 respondents matching U.S. adult population according to gender, age, ethnicity, region & income