



Alvarez & Marsal Consumer and Retail Group



**CONSUMER
SENTIMENT SURVEY**

Fall 2023

U.S. CONSUMER OPTIMISM IS WEAKENED ON THE BACK OF CONTINUED HIGH PRICES

Alvarez & Marsal Survey of 1,700 U.S. Consumers Highlights Lower Consumer Confidence this Fall

Retailers need to prepare for a more cautious consumer amidst ongoing economic uncertainty as their inflation fatigue begins to dissipate



Consumer optimism has weakened with **more cautious spend** than in spring 2023



Consumers have notably shifted their spending **back to essentials**, with a decline in indulgences, reflecting the impact of ongoing inflation



Increase in prices is the most concerning barrier to spend with majority consumers planning to **shop second-hand** across all income groups



Consumers aren't letting the economic climate negatively influence their spending this holiday season – spending is expected to be **stronger than fall 2022**



Majority of consumers participate in loyalty programs with **special discounts and redeemable rewards** the primary motivators for joining or staying

In October 2023, Alvarez & Marsal's (A&M) Consumer and Retail Group conducted a survey of a representative sample of 1,700 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 **weakened consumer confidence** this fall and winter season. There are mixed feelings about US economic conditions and inflation worries continue to weigh on consumers. Thus, consumers are emphasizing basic needs and cutting down on non-essentials.



CONSUMER EXPECTATIONS



Overall consumer optimism has weakened from spring, with 47% of respondents expecting to have the same or less money for themselves or their family in the next 6 months.

Overall, there is less consumer financial optimism compared to spring 2023. Consumers are still planning to spend the same or more money on basic needs. The Asian demographic will prioritize basic needs. 93% of Asians anticipate to maintain or increase spending patterns in basic needs this season. Although we see consumer confidence declining compared to the spring season, consumers do appear to be more confident versus fall 2022.

Optimism continues to vary based on ethnicity, age and HHI – younger age groups and non- white groups are more optimistic when it comes to having and saving more money.

CONSUMER EXPECTATIONS – 6 MONTH OUTLOOK

■ Spring'23

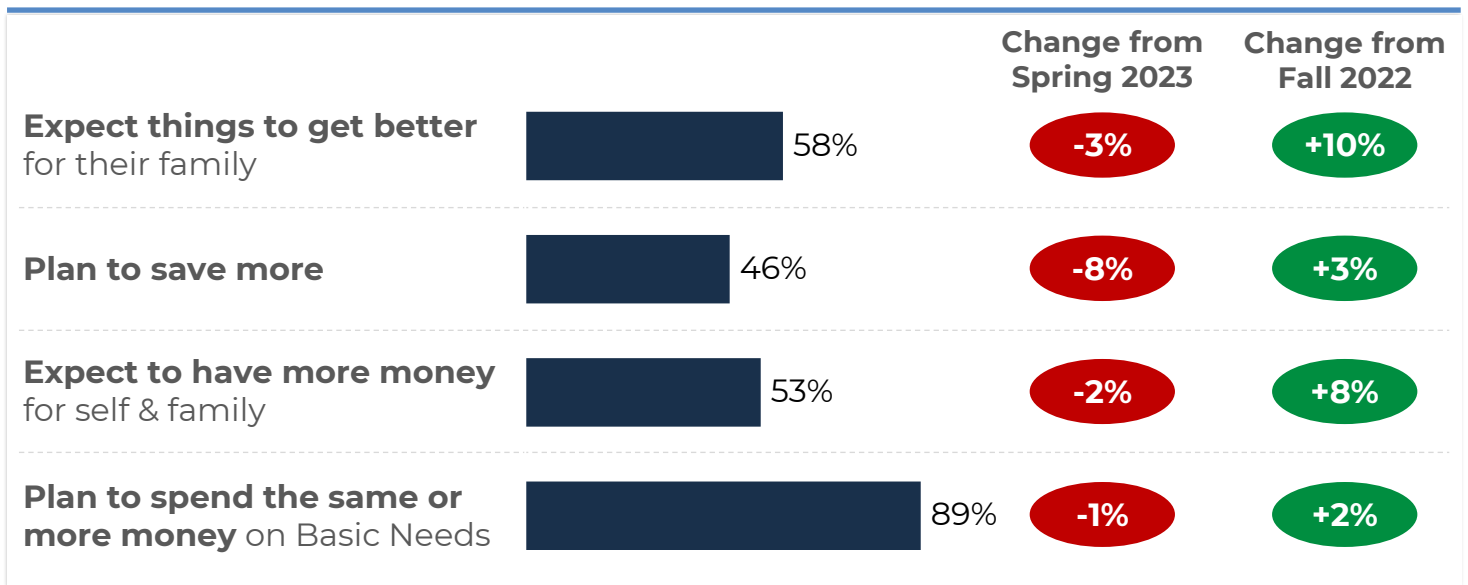


Figure 1: Consumers expectations on financial well-being



CONSUMER SPENDING PLANS

DESIRE TO SPEND – CYCLE OVER CYCLE

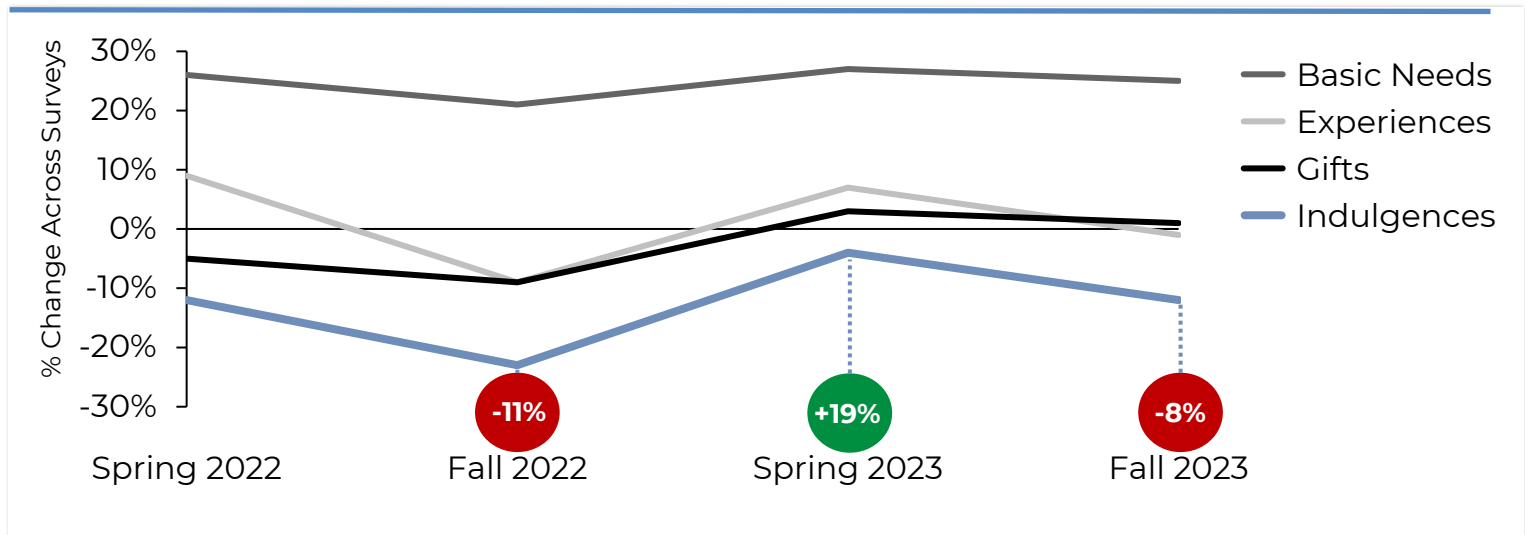


Figure 3: Desires to spend are down from spring '23 across all categories

Categorical spending trends echo a decrease in discretionary purchases this fall. This past spring, we saw all spend types up for the first time, but each has since fallen, with the biggest decreases coming from Experiences and indulgences (down by 8%), landing them in the net negative spending plans.

SPENDING PLANS BY TYPE OF CATEGORY

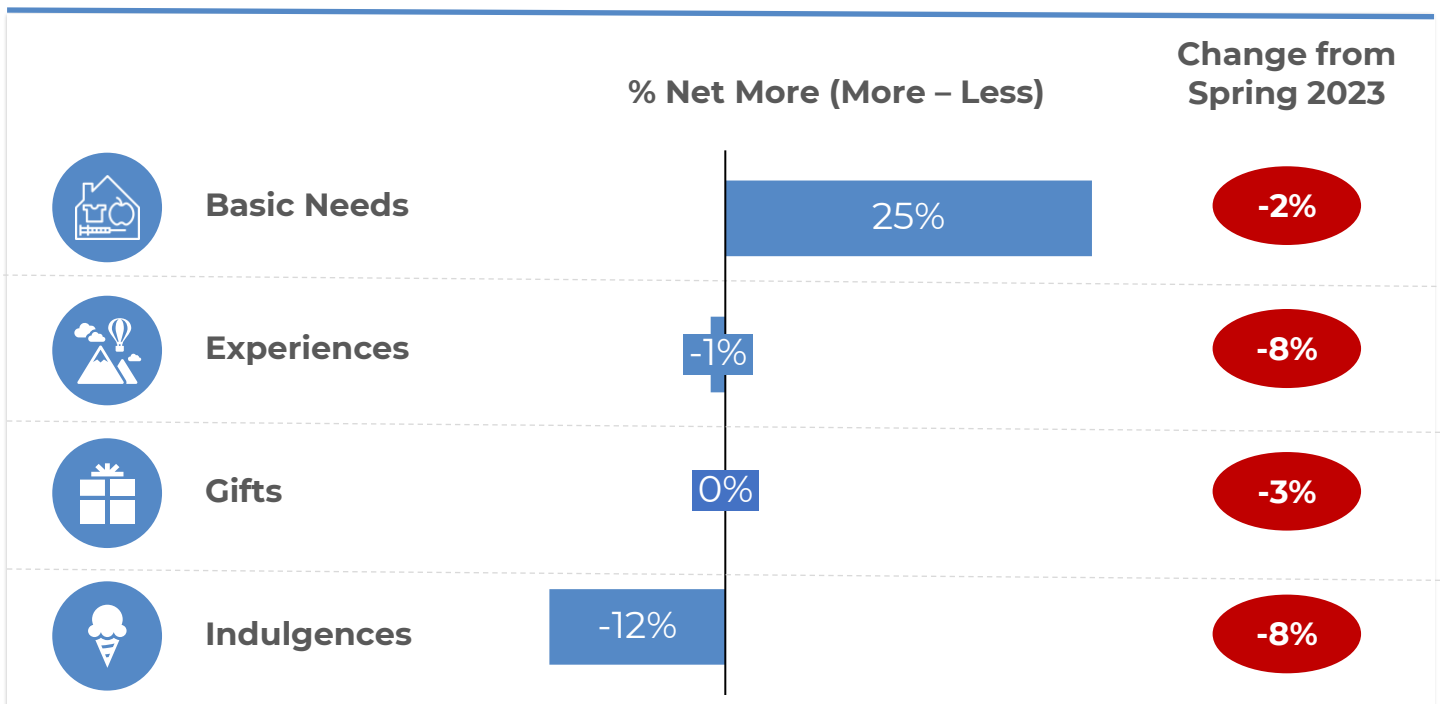


Figure 4: How consumers are planning their spend by type of category

CATEGORICAL SPENDING PLANS

Respondents show a desire to spend more on essentials and products tied to positive well-being, such as fresh food, personal care, and wellness & fitness. This shift may also represent a partial course-correction from spring '23, which showed a notable spike in the desire to splurge on non-essentials.



SPENDING PLANS BY CATEGORY

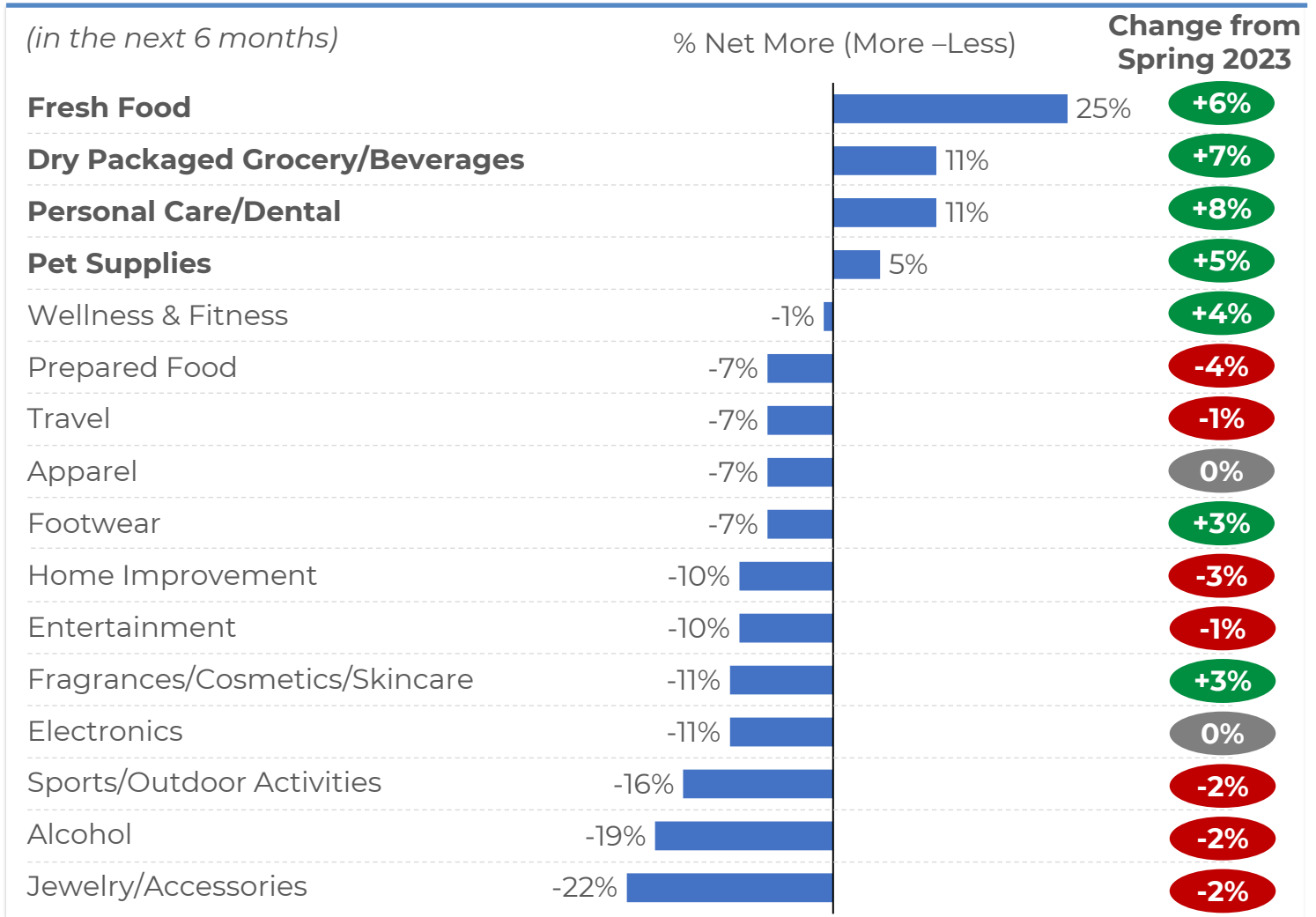
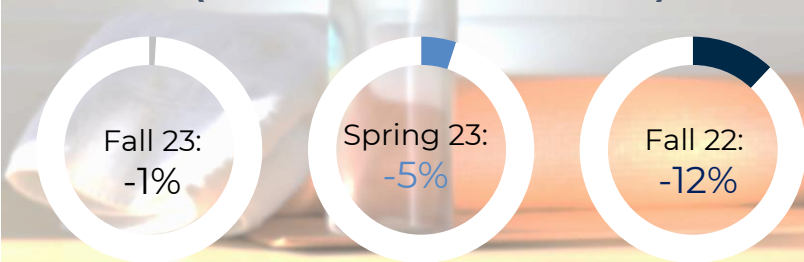


Figure 5: Net more (plan to spend more – less) spend by category

DESIRE TO SPEND ON WELLNESS & FITNESS (% NET MORE: MORE – LESS)



Wellness & fitness continues to grow despite consumers prioritizing basic needs - indicating it is either an exception to this rule, or that consumers are beginning to consider it a life priority.

BARRIERS TO SPEND

While price-based concerns are down compared to spring '23, nearly half of respondents indicate products/services are too expensive and **46% of respondents are prioritizing saving**; pointing to signs of a more cautious consumer amid inflationary and recession concerns.

BARRIERS TO SPEND ACROSS SURVEY CYCLES

% of respondents:

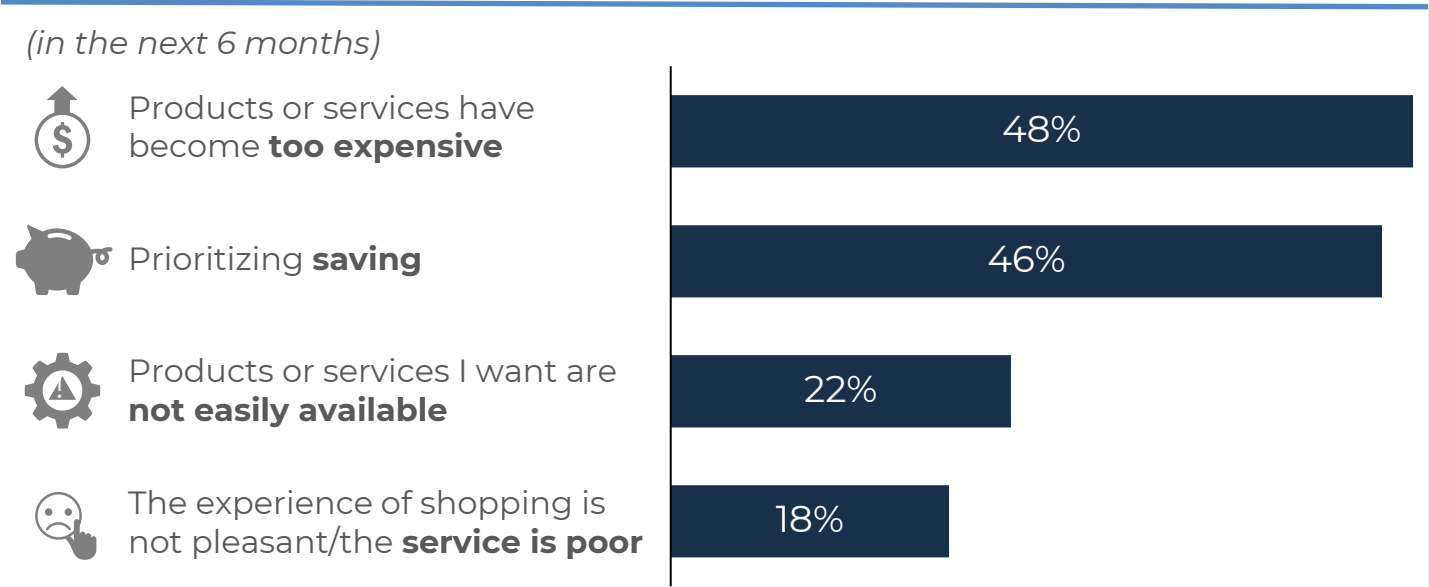


Figure 6: Expensive products/services remains the number one barrier to spend for consumers

SPENDING CONCERNS



Age

56-80 year-old

60% are saying products/services have become too expensive



Ethnicity

Asians

63% are prioritizing saving, which is significantly more than other ethnic groups



Income

\$15k to \$75k HHI

>50% believe that products/services have become too expensive



Figure 7: Spending concerns by demographic

INFLATION PRESSURES

Inflation has remained top of mind for consumers over the past year, as price expectations have remained relatively unchanged across the last two cycles (fall 2022 & spring 2023). Consistent with prior cycles, older age groups believe prices will continue to rise while younger age groups expect them to fall within the next 6 months.



67%

Expect prices to **rise** over the next 6 months



27%

Expect prices to **stay the same** over the next 6 months



6%

Expect prices to **fall** over the next 6 months

Demographic Callout: Age group with highest % expectations

Ages 56-80: 73%

Ages 23-35: 29%

Ages 18-22: 8%

Figure 8: Majority of consumers expect prices to rise over the next 6 months



RECESSION OUTLOOK

In addition to inflation, consumer expectations have not changed from spring 2023 regarding a potential U.S. recession – two thirds of consumers still believe we are currently in a recession or will be in one by next fall.

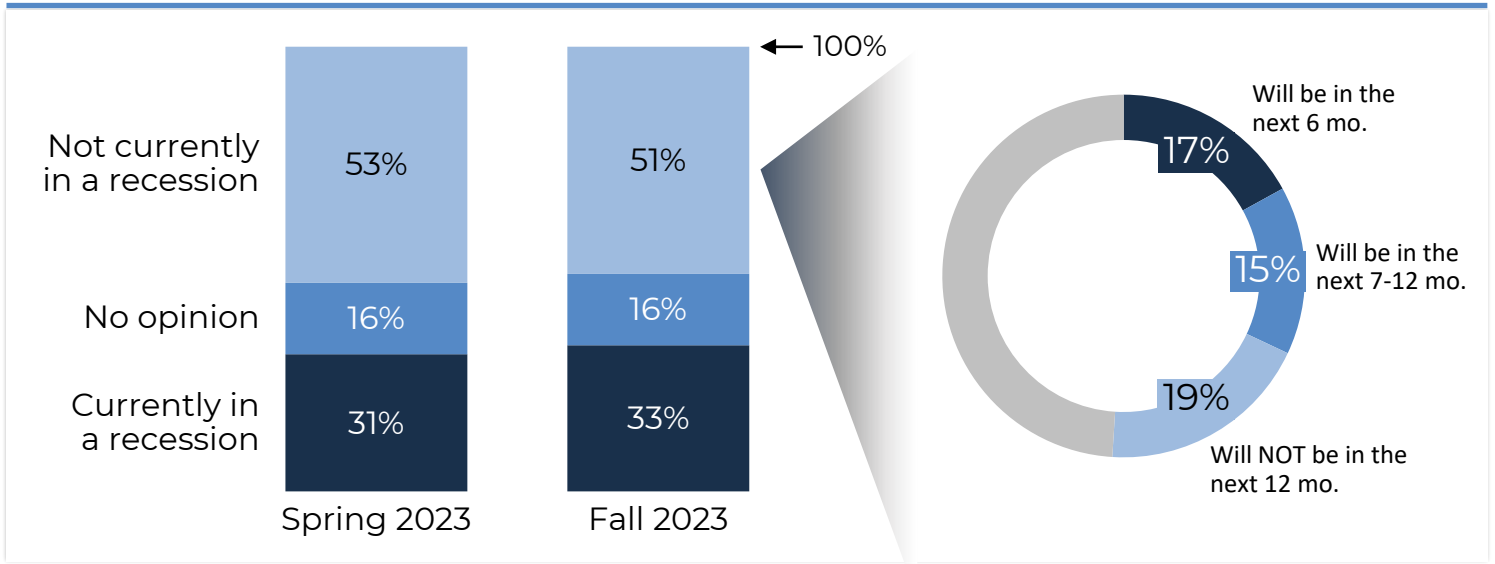


Figure 9: Consumers' recession expectations



5 in 10

consumers surveyed are actively preparing for a recession

Overall, the number of respondents that are actively preparing for a recession has reduced from 60% in spring 2023 to 50% this fall. This decrease has been driven as fewer young respondents fear a looming recession when compared to spring 2023.

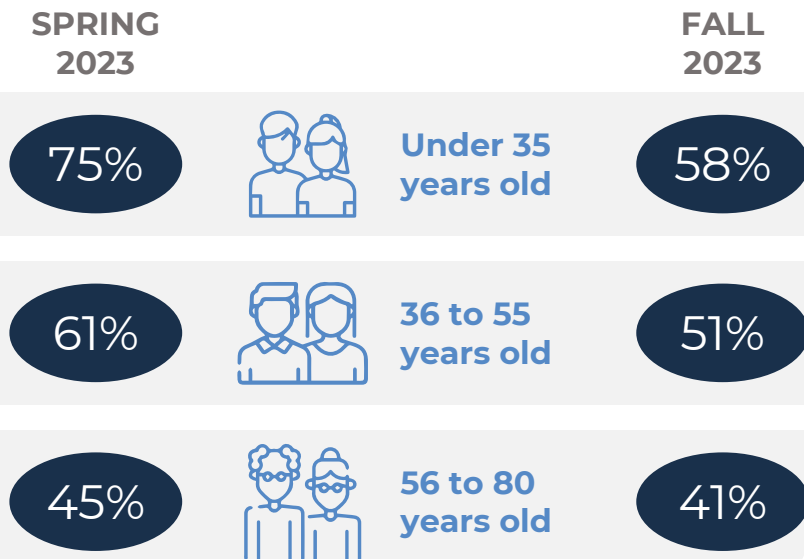


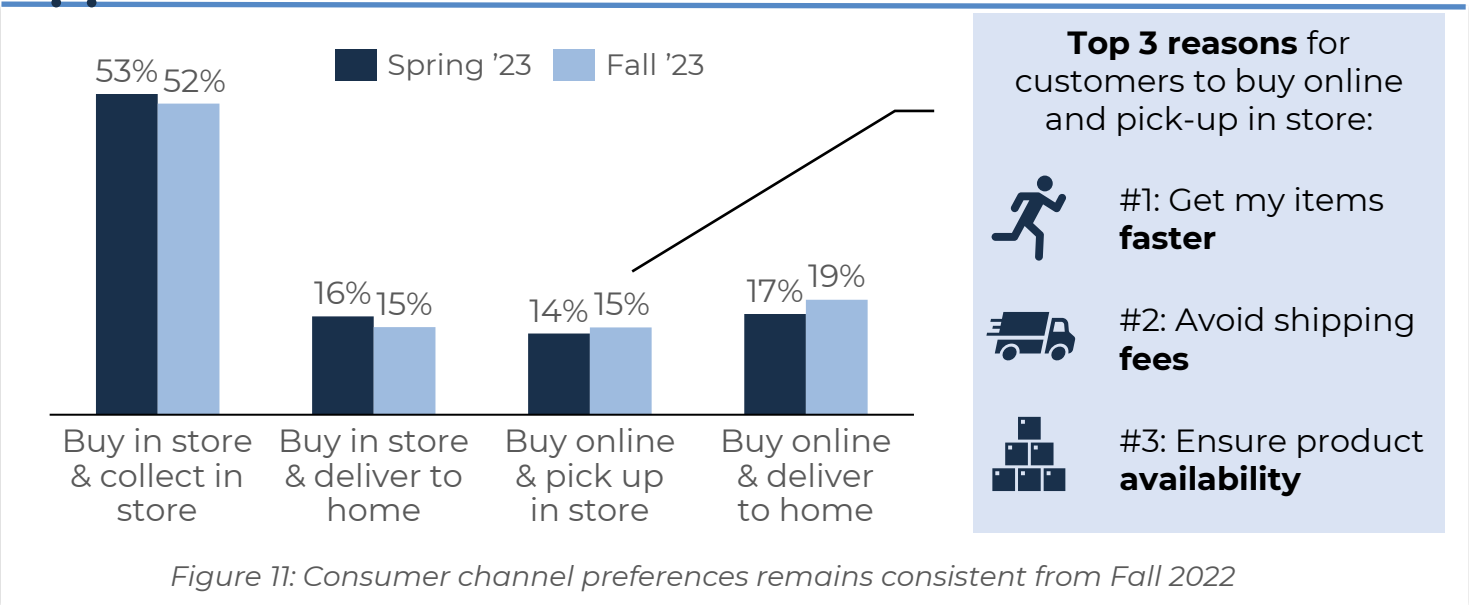
Figure 10: Younger demographic is more optimistic about the economy than in spring'23

CHANNEL HABITS

Channel habits mostly remain consistent – consumer channel preference is in-store. We are seeing only a 1% decrease in in-store shopping preferences when compared to spring '23. While in-store shopping reigns supreme, consumers are still making some purchases using retailer apps. Our top three retailers for app usage this season are once again Amazon, Walmart and Target. Retail app usage has declined since spring '23, with only Amazon seeing an increase in usage from spring 2023.



ONLINE & IN-STORE PREFERENCES WHEN PURCHASING



RESPONDENTS USING RETAILERS' APP AT LEAST MONTHLY

Change from Spring 2023

Amazon	72%	+1%
Walmart	61%	-3%
Target	47%	-3%
Dollar General	43%	-5%
Other Grocery	43%	-4%
Other retailer online	43%	-4%
CVS	42%	-5%
Walgreens	41%	-7%
Sams Club	37%	-6%
UberEats	37%	-1%
Costco	36%	-5%
Kroger	35%	-8%

Figure 12: App usage has gone down for nearly all major retailers



LOYALTY PROGRAMS

Loyalty programs are a hit with consumers, however not all retailers are capturing shoppers. We see a strong preference towards retailers who offer a variety of products versus those who specialize in a specific area.

90%

of respondents indicate they are active in loyalty programs



PREFERRED LOYALTY/REWARDS PROGRAMS

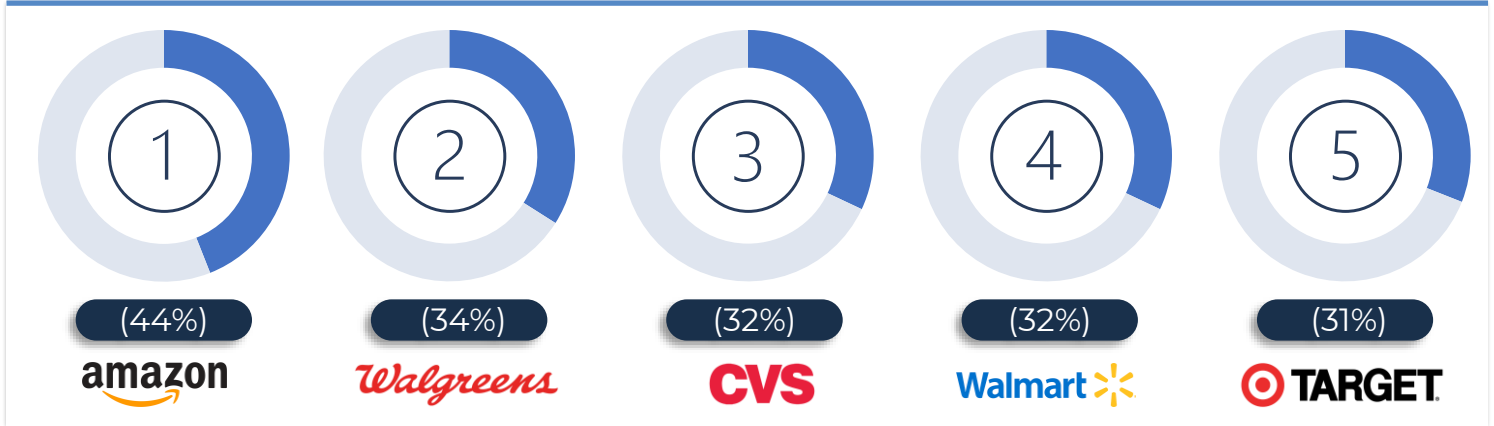


Figure 13: Top 5 most actively used retail loyalty programs

Additionally, we dug into what are the top motivators driving loyalty program activity. Our survey reveals that the top two motivating reasons for respondents to join or stay active in loyalty/rewards programs are special promos and discounts (36%) and redeemable rewards (33%). This is highlighted by high earners (47% of \$150-199k HHI) being motivated by special promos and discounts and older age groups (49% of 56-80-year-olds) being motivated by redeemable rewards.



MOTIVATIONS FOR PROGRAM ENGAGEMENT

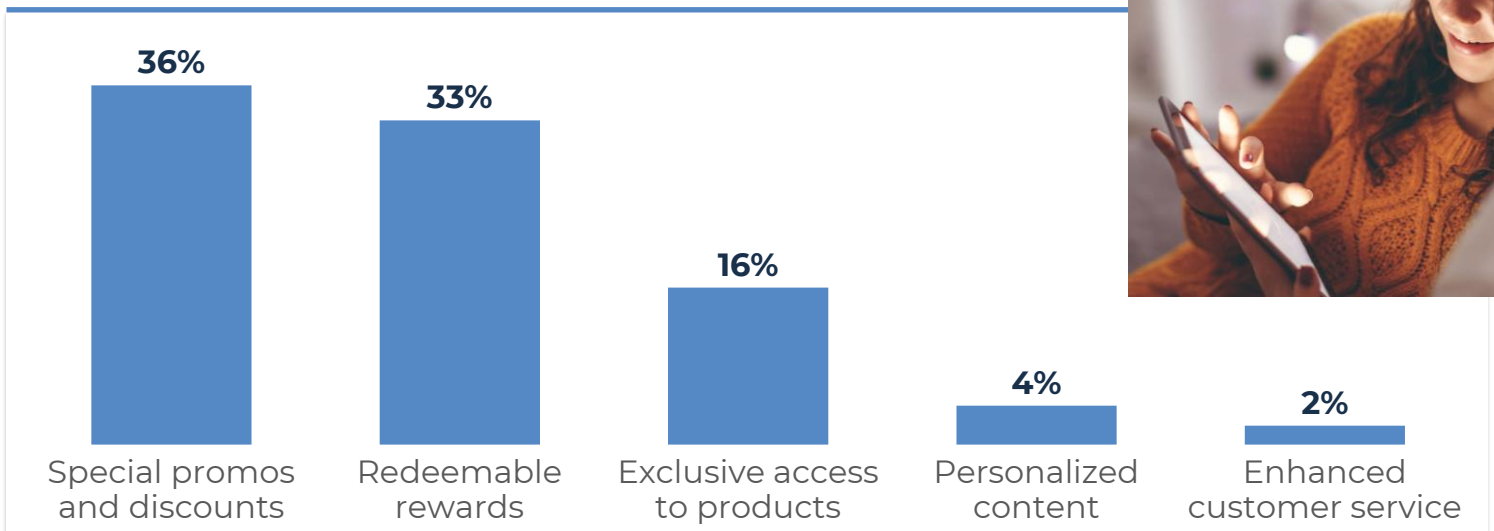
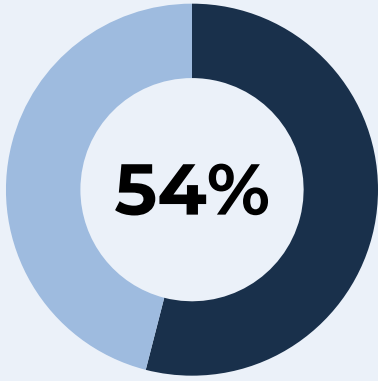


Figure 14: Top motivators for joining or continuing to engage with a loyalty program

SECOND-HAND SHOPPING



Of consumers shop second-hand



WHERE CONSUMERS BUY SECOND-HAND

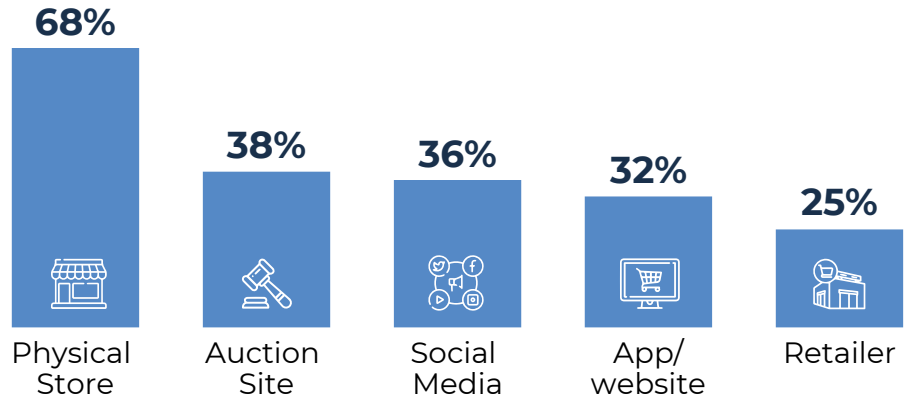


Figure 15: Where consumers are shopping second hand

Over half of consumers are shopping second hand or resale today, and the majority prefer to shop second hand in a physical store (68%). The number of retailers with resale programs such as Lululemon's Like New or Patagonia's Worn Wear is on the rise, and the results of our survey show these programs are quickly being adopted by consumers. 1 in 4 respondents are currently buying second-hand items from retailer's resale programs.

Most consumers are turning to resale to save money (71%), but they are also shopping to find items they can't find in a retailer's standard store such as rare/vintage items or items no longer sold by the retailers. .

LOWER PRICES DRIVING CONSUMER'S DECISION TO PURCHASE SECOND HAND



HOLIDAY SPENDING PLANS

Holidays aren't escaping customer spending reticence; consumers do not have an appetite to spend big this holiday season, yet they still plan to spend more on gifts for both themselves and others compared to last year. When comparing holiday spending plans across demographics, spending on gifts for oneself is deprioritized over buying gifts for others across all income groups. When looking at the preferences of men versus women, men plan to spend net more on gifts for others than women, but women will spend more than men on gifts for themselves.

MORE PEOPLE EXPECT TO SPEND LESS THIS HOLIDAY COMPARED TO LAST YEAR



Figure 16: Increase in participation this holiday season compared to last year

Consumers are planning to spend net less on their holiday travel this year, with 3 in 4 reporting that they plan to spend the same or less on travel this season compared to last.

HOLIDAY TRAVEL & VACATIONS



Figure 17: Desire to spend on holiday travel and vacations compared to last year

Our spend champions this holiday season are 23-35 year-olds – they plan to spend more than any other age group on both gifts and travel.

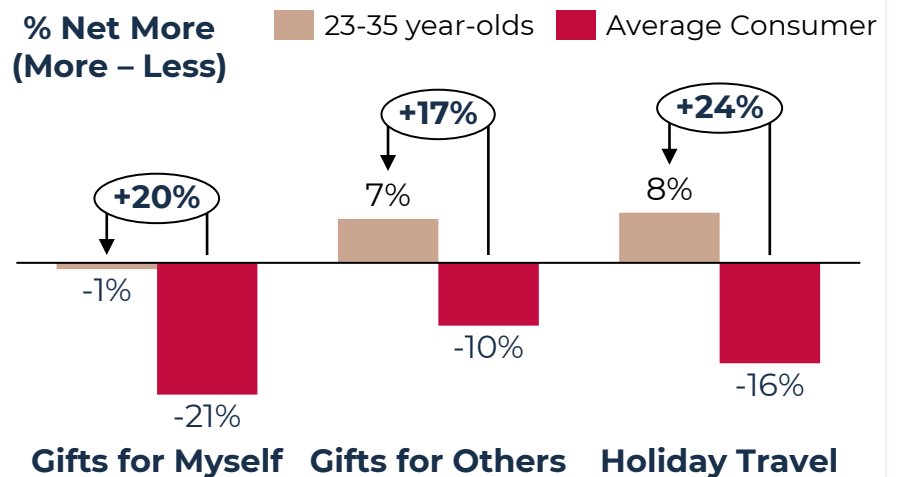


Figure 18: Desire to spend by age group compared to last year

While consumers still prefer to shop in store for everyday purchases, it will be a digital Christmas as a majority of respondents will be doing most of their shopping online this holiday season.



HOLIDAY SHOPPING CHANNEL PREFERENCE: IN STORE VS ONLINE

ONLINE 
71%

IN STORE 
29%



Figure 19: Nearly 3/4 of respondents prefer to do their holiday shopping online vs. in store

Our spend champions this holiday season are 23-35 year olds – they plan to spend more than other age groups on both gifts and holiday travel. These 23-35 year-olds also lead the charge this holiday for online shopping, with 79% going online to a retailer’s website, app, or a social media marketplace.



HOLIDAY SPEND CHAMPION SPOTLIGHT: 23-35 YEAR-OLDS

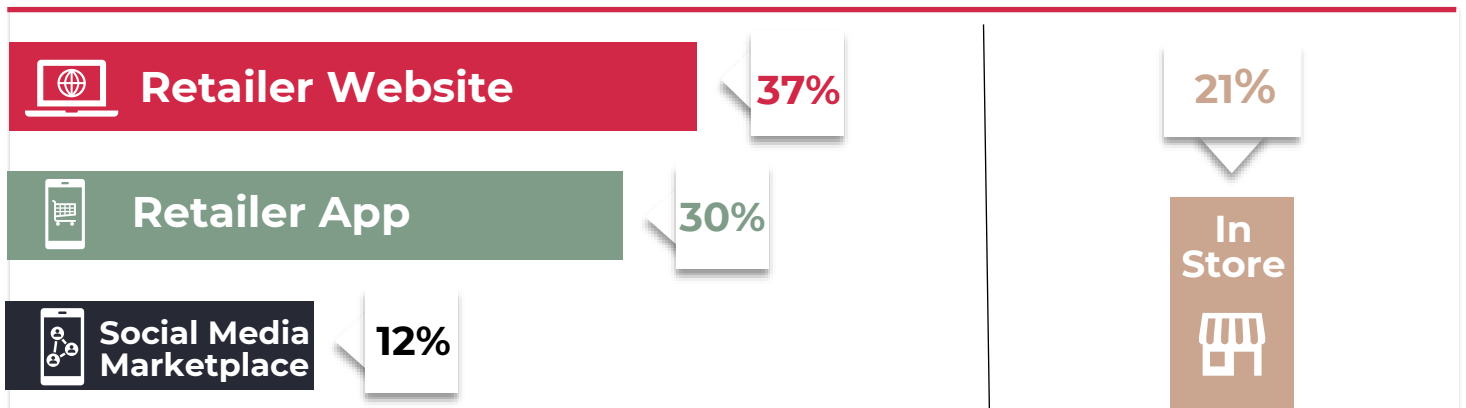


Figure 20: 23-35 year-olds plan to outspend other age groups this holiday season, especially online.

This survey shows that consumer confidence has waned from the extremely optimistic outlook of spring 2023. Consumers are hesitant to overspend with recession fears and are showing cautious optimism. That said, they are still willing to spend on certain lifestyle essentials like quality food or personal care. Retailers should respond to these consumer sentiments to offer promos and special discounts accordingly this holiday season.



METHODOLOGY

October 2023
1,727 respondents matching U.S. adult population according to gender, age, ethnicity, region & income