



**Alvarez & Marsal Consumer and Retail Group**



**CONSUMER  
SENTIMENT SURVEY  
Spring 2024**

# U.S. CONSUMER OPTIMISM IS WEAKENED DUE TO CONTINUED UNCERTAINTY

## Alvarez & Marsal Survey of 1,800+ U.S. Consumers Highlights Weak Consumer Confidence this spring



This Spring (2024), consumer confidence continues its **downward trend** over the past two survey cycles as consumers expect to have less money than both Fall and Spring '23



Consumers, particularly high earners, intend to reduce spending across almost **all categories**, while their expectations regarding recession and inflation remain largely stable.



**Rising prices and prioritizing savings** are the main obstacles to spending, with many respondents from higher-income households opting to wait for sales before making purchases.

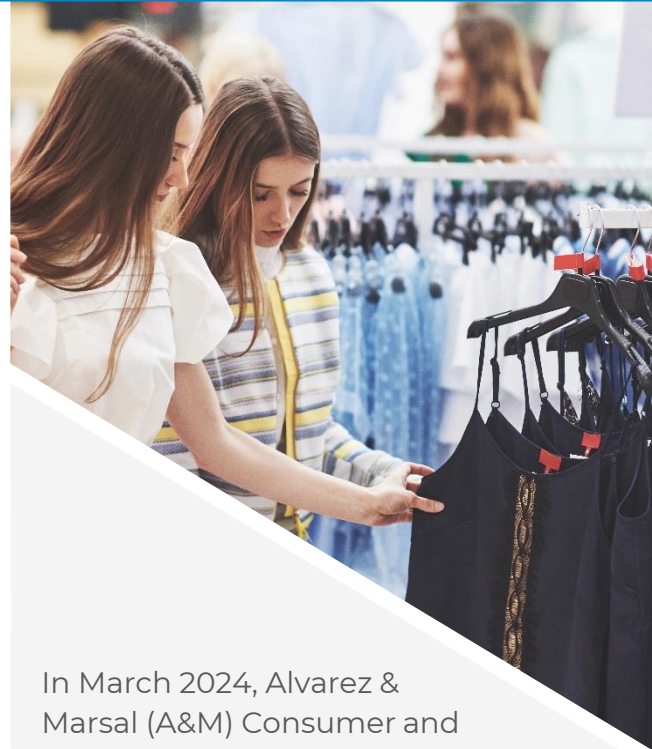


While this cautious approach largely affects regular spending habits, experiences such as **vacations remain a priority** for consumers this season.



Second-hand shopping is becoming increasingly popular among consumers of **all income levels**, who are turning to resale options primarily to **save on costs**.

**Retailers should anticipate a cautious consumer during ongoing economic uncertainty, as shoppers seek out deals and discounts.**



In March 2024, Alvarez & Marsal (A&M) Consumer and Retail Group conducted a survey involving 1,800+ U.S. consumers to explore their optimism levels, shopping intentions, desired purchases, and preferred shopping channels. The findings indicate a decline in consumer confidence for the upcoming spring and summer seasons. Mixed sentiments regarding U.S. economic conditions persist, with inflation concerns adding to consumer apprehension. As a result, consumers are prioritizing saving and reducing spending on non-essential items..



# CONSUMER EXPECTATIONS AND SPENDING PLANS (1/2)



## CONSUMER EXPECTATIONS – 6 MONTH OUTLOOK

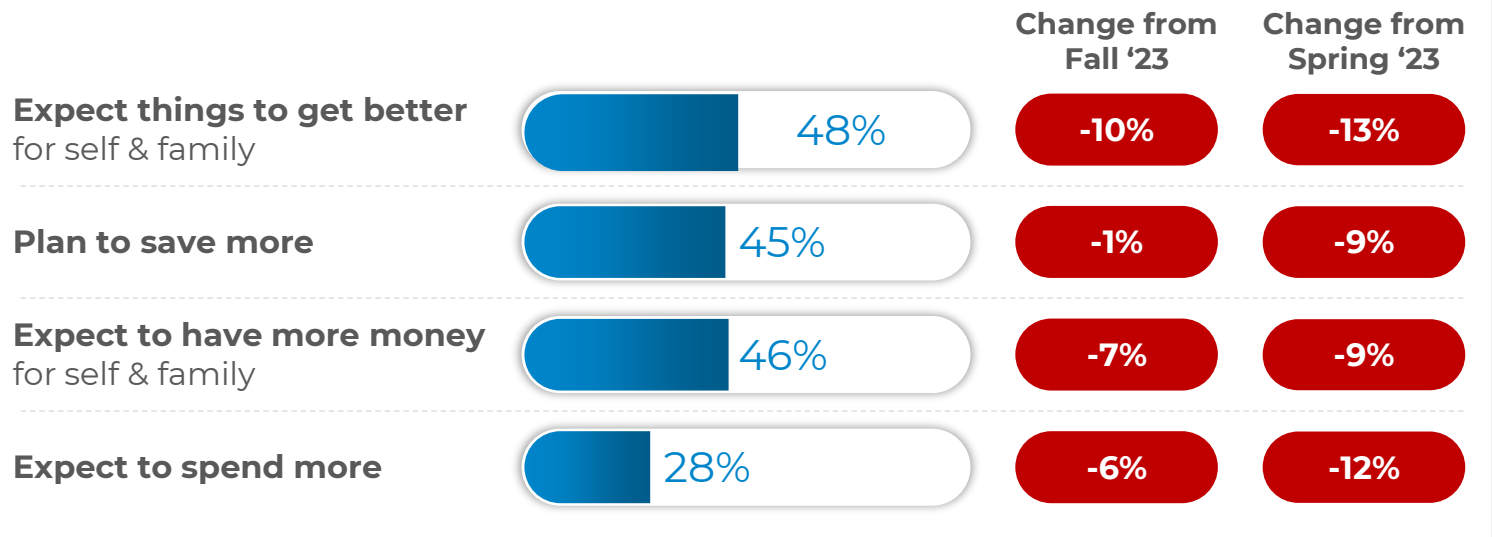


Figure 1: Consumers expectations on financial well-being over the next 6-months

Consumer sentiment has consistently declined across past cycles, signaling a prevalent sense of pessimism regarding improvements in current financial circumstances – consumers anticipate earning, spending, and saving less money than in 2023 (both fall & spring). This downward trajectory encompasses all types of spending, with the most substantial drop observed in gift purchases and the least significant decrease seen in spending on experiences. The urge to spend on gifts has hit an unprecedented low over the past two years.



## DESIRE TO SPEND – CYCLE OVER CYCLE

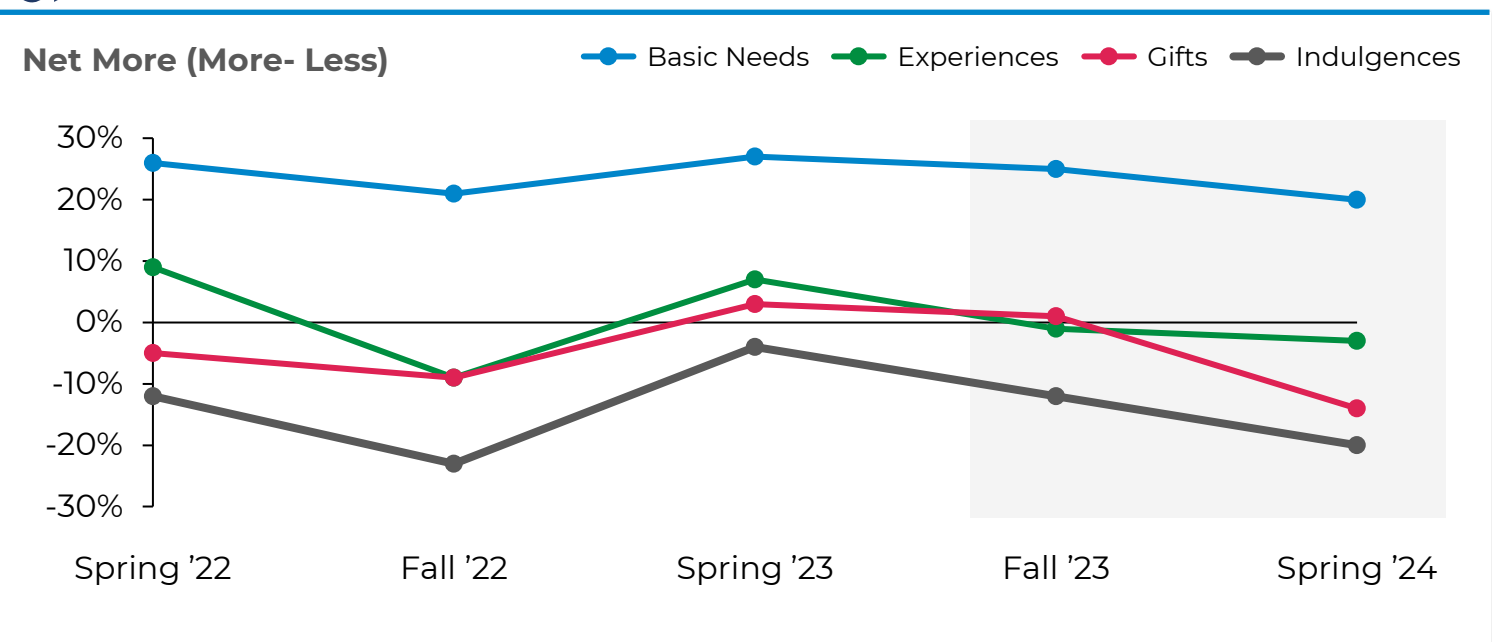


Figure 2: Desire to spend is down from Spring '23 across all spend types

# CONSUMER EXPECTATIONS AND SPENDING PLANS (2/2)

This spring cycle we witnessed the most significant decrease in willingness to spend among higher-income households (\$100K+). After being relatively flat from Spring '23 to Fall '23, this decrease was consistent across all four types of spend (Basic Needs, Experiences, Gifts, & Indulgences).

While higher income households are willing to spend less overall this season, it is surprising to see even Basic Needs impacted. This change indicates that higher-income households are making more substantial cutbacks this season compared to their historical behavior.



## DESIRE TO SPEND BY TYPE OF CATEGORY BY HHI - CYCLE OVER CYCLE

### Net More (More- Less)

HHI: ● \$0-100K ● \$100K+

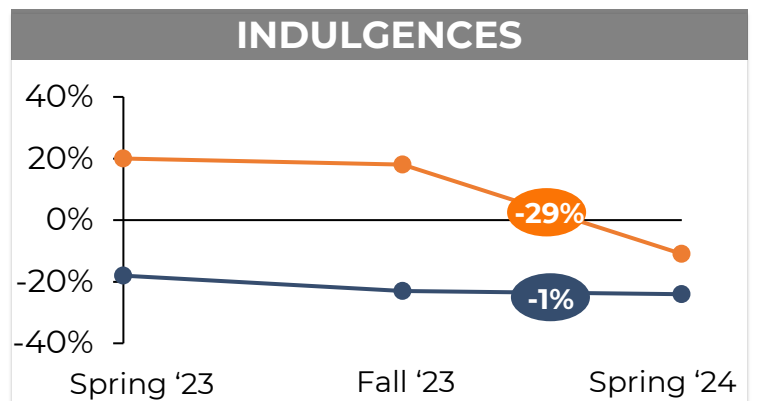
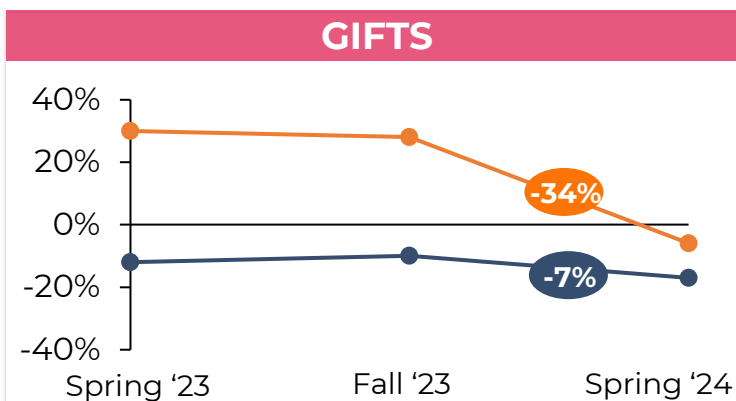
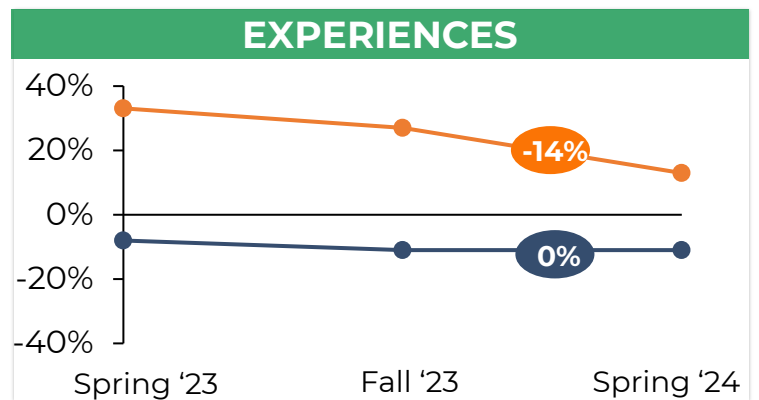
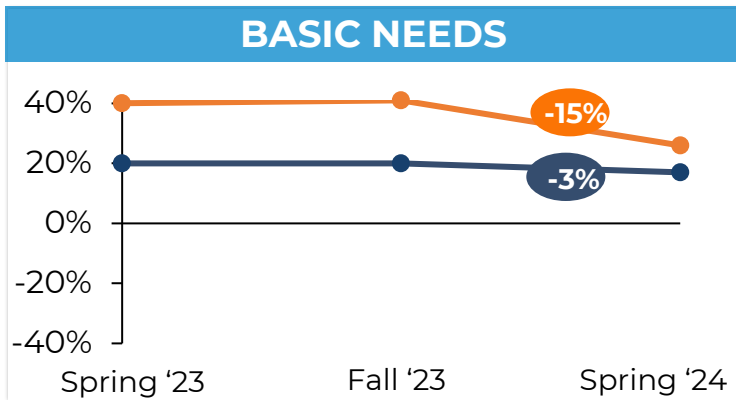
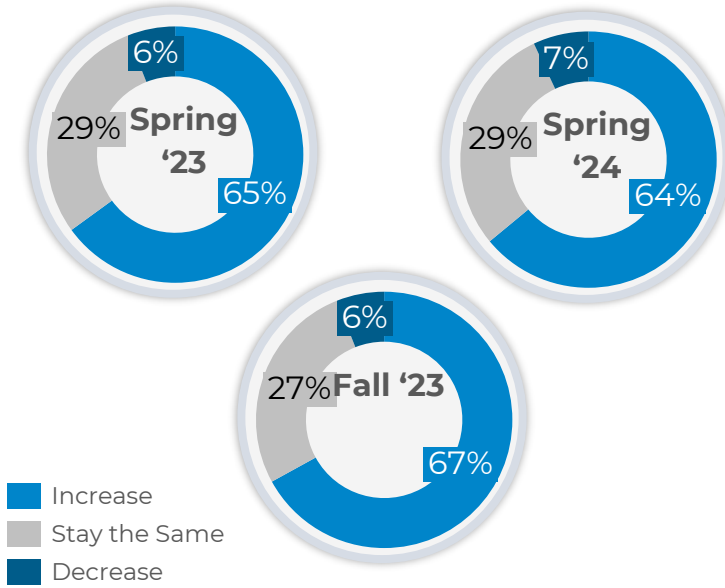


Figure 3: Higher income households plan to spend less in Spring '24 versus Fall '23

# ECONOMIC PRESSURES

Despite declining consumer sentiment, there has been minimal change in consumer worry regarding broader economic challenges such as inflation and expectation of a recession over the past three cycles.

## PRICE EXPECTATIONS OUTLOOK



Consumers expectations of price fluctuations have remained relatively flat over the last two cycles – the majority of consumers still expect prices to increase in the next 6 months. This outlook is likely a large contributor to their increasingly pessimistic position on their financial wellbeing.

While 64% anticipate prices to rise, they still plan to spend less (intention to spend is down by 7% from Fall '23). Since they don't intend to spend more to keep up with rising prices, they will either decrease the frequency of purchases, reduce basket sizes, or look for more affordable alternatives.

Figure 4: Inflation expectations remain consistent

## RECESSION OUTLOOK

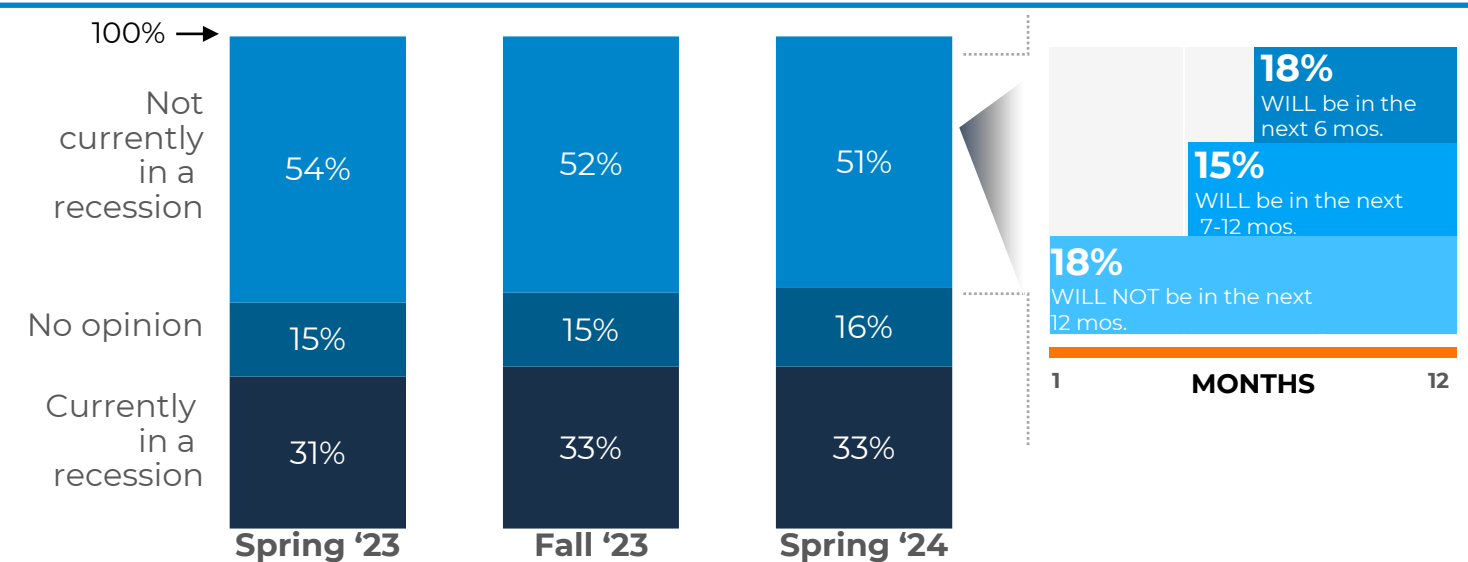


Figure 5: Consumers' recession outlook also remains unchanged from Fall '23

Recession expectations follow a similarly consistent pattern, indicating that decreasing consumer optimism is not a result of their perception changing regarding macro-economic trends. Within demographics, higher household incomes increasingly believe that we are in a recession or will be in the next 6 months, likely contributing to their plans to cut back on spending.

## BARRIERS TO SPEND (1/2)

47%

of respondents are prioritizing saving



The main obstacle to spending remains the high cost of products and services. However, this cycle there was a notable demographic shift in respondents who are prioritizing savings. 47% of overall respondents are spending less because they're focusing on saving for both long-term and short-term purchases. Consumers do anticipate having less disposable income overall. Consequently, their intentions to increase savings are slightly lower compared to Fall '23. However, with the money they do have, they remain focused on prioritizing saving. Higher income households are increasingly emphasizing saving this season with the number of respondents in the \$200K+ income bracket increasing by 12%.



### SAVINGS PRIORITY BY HHI

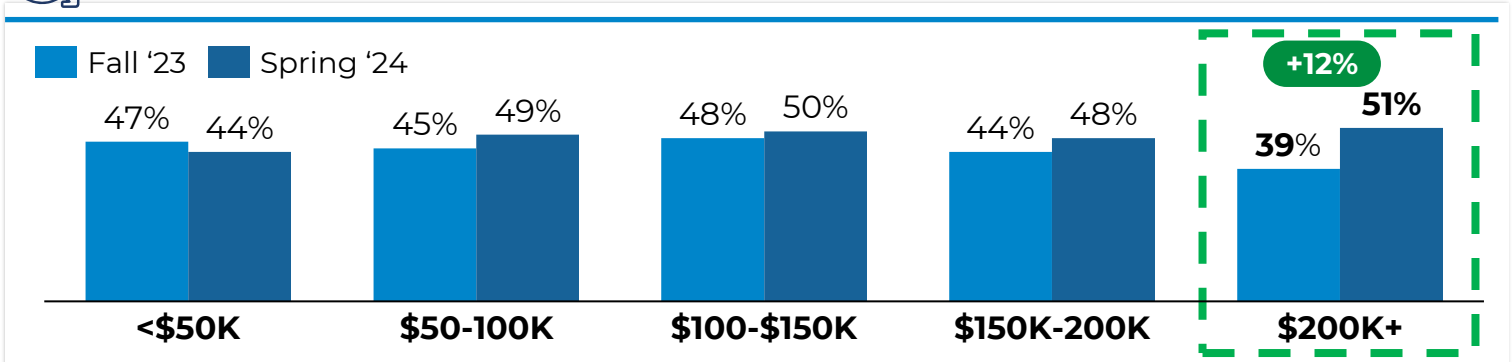


Figure 6: \$200K+ households saw the largest rise in prioritizing saving compared to Fall '23

## BARRIERS TO SPEND (2/2)

Consumers' cautious approach to spending is primarily fueled by rising prices, with a desire to build up savings as a secondary factor. Nearly half of the respondents stated that they couldn't spend as much as they'd prefer because they prioritize saving. Additionally, more than half of those prioritizing saving specified that they are saving for a particular purchase, while only 15% expressed concerns about job loss or income reduction.



**57%**

prioritizing savings for future purchases (long-term and short-term)



**28%**

prioritizing wealth creation and financial growth



**15%**

concerned with job/income loss



Figure 7: Of those prioritizing savings, the majority are doing so for a future purchase.



### EXPECT TO SPEND NET MORE Fall '23 VS Spring '24 BY HHI

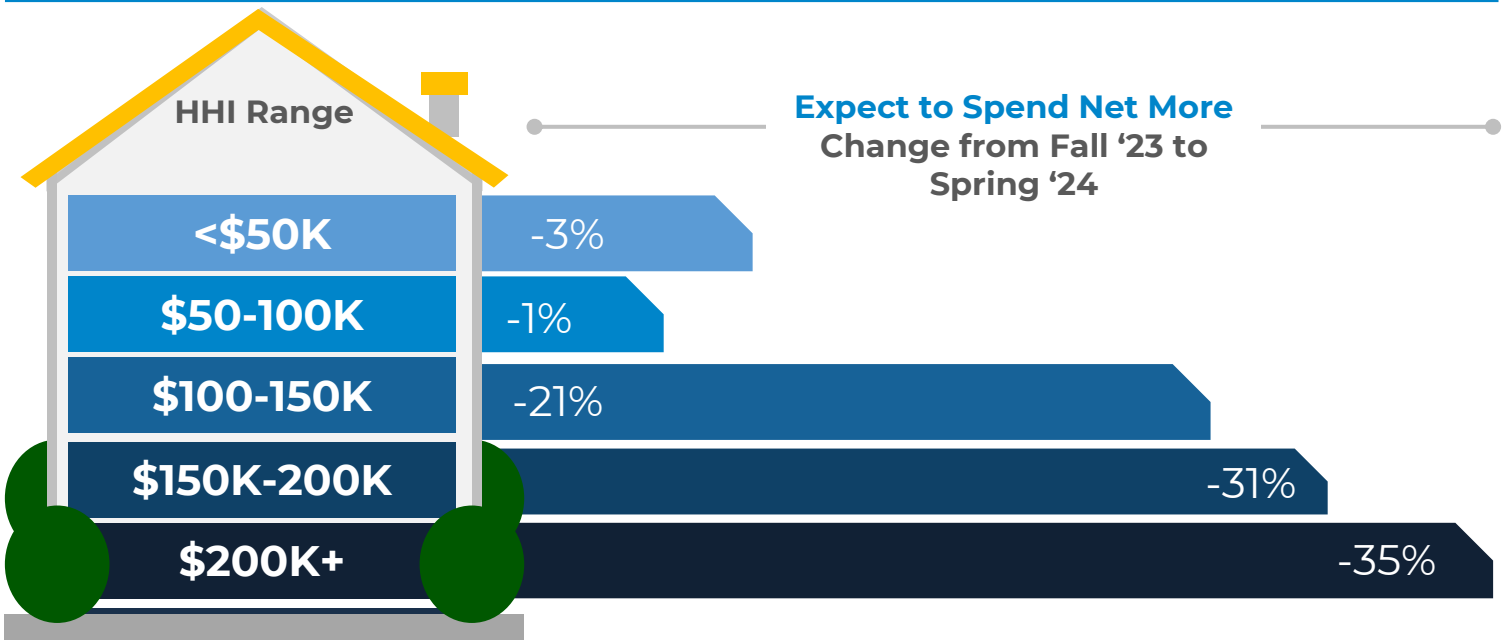


Figure 8: Higher-income households are leading the trend towards reduced consumer spending this season.

The biggest shift in spending expectations from Fall '23 to Spring '24 came from higher income households. Respondents in the \$100K+ income brackets still expect to spend net more than lower income groups, but this demographic expects to significantly decrease their spending from fall (by at least 20%).



## CATEGORICAL SPENDING PLANS (1/2)

As consumer spending habits fluctuate with changing economic conditions, retailers need to stay attuned to evolving trends within specific product categories to accurately gauge the broader shifts in consumer behavior. Respondents still plan to spend net more on basic needs such as Fresh Food, Personal Care, and Groceries. When we compare this to Fall '23, consumers **intend to reduce spending across nearly all categories**, with the notable exceptions of Fresh Food (up 5% from Fall '23) & Travel (same as Fall '23). Hispanic/Latinx respondents are the biggest champions of Fresh Food with their plans to spend net more up 13% from Fall '23. The overall trend to reduce spending in nearly every categories implies that consumers are exercising greater financial caution across the spectrum, building on initial signals of caution observed in Fall '23.



### SPENDING PLANS BY CATEGORY

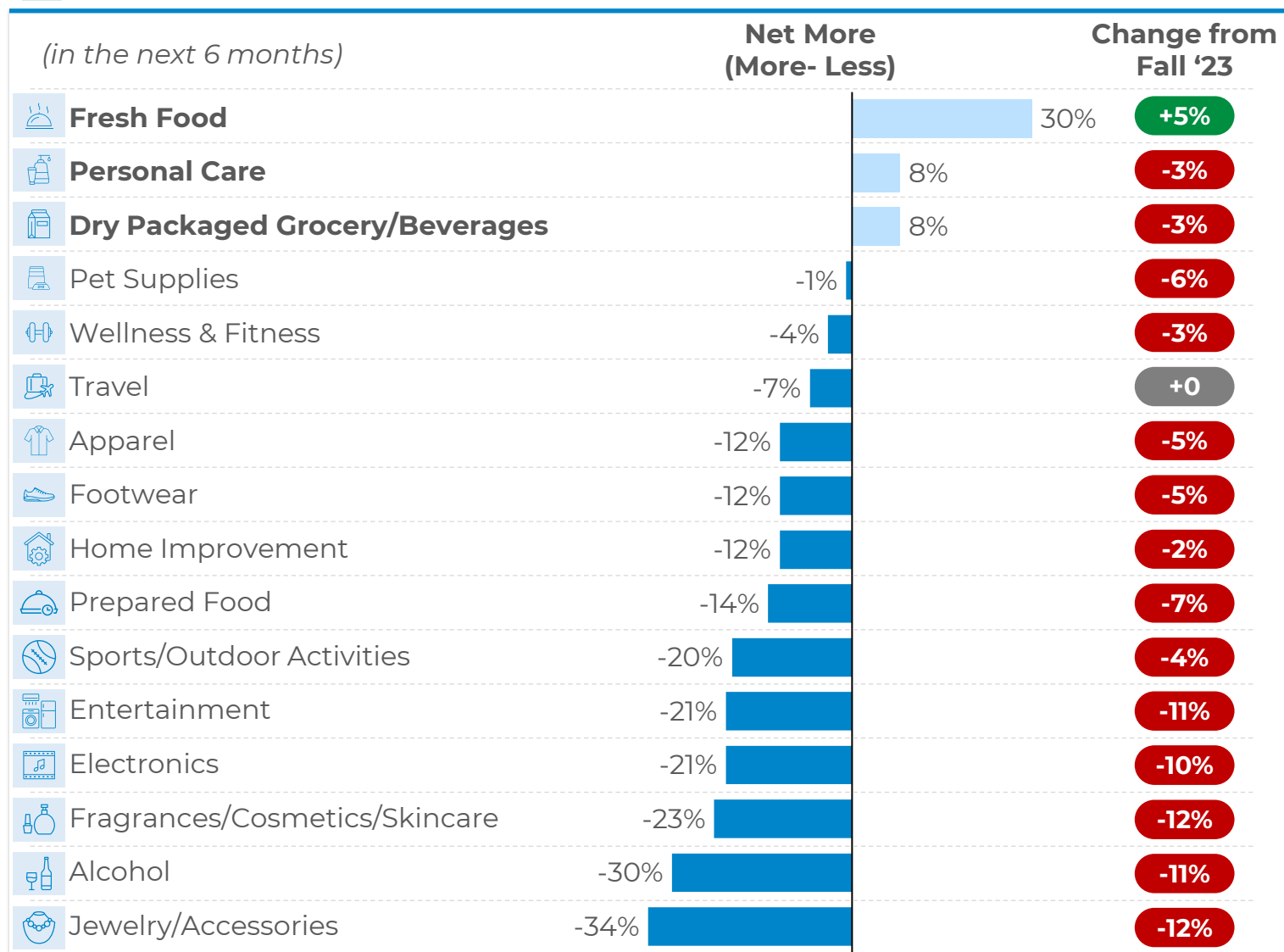


Figure 9: Consumers' spending plans have decreased from Fall '23 across all categories except for Fresh Food





# CATEGORICAL SPENDING PLANS (2/2)



## CATEGORICAL SPEND BY HHI FOR TOP 3 & BOTTOM 3 SPEND CATEGORIES

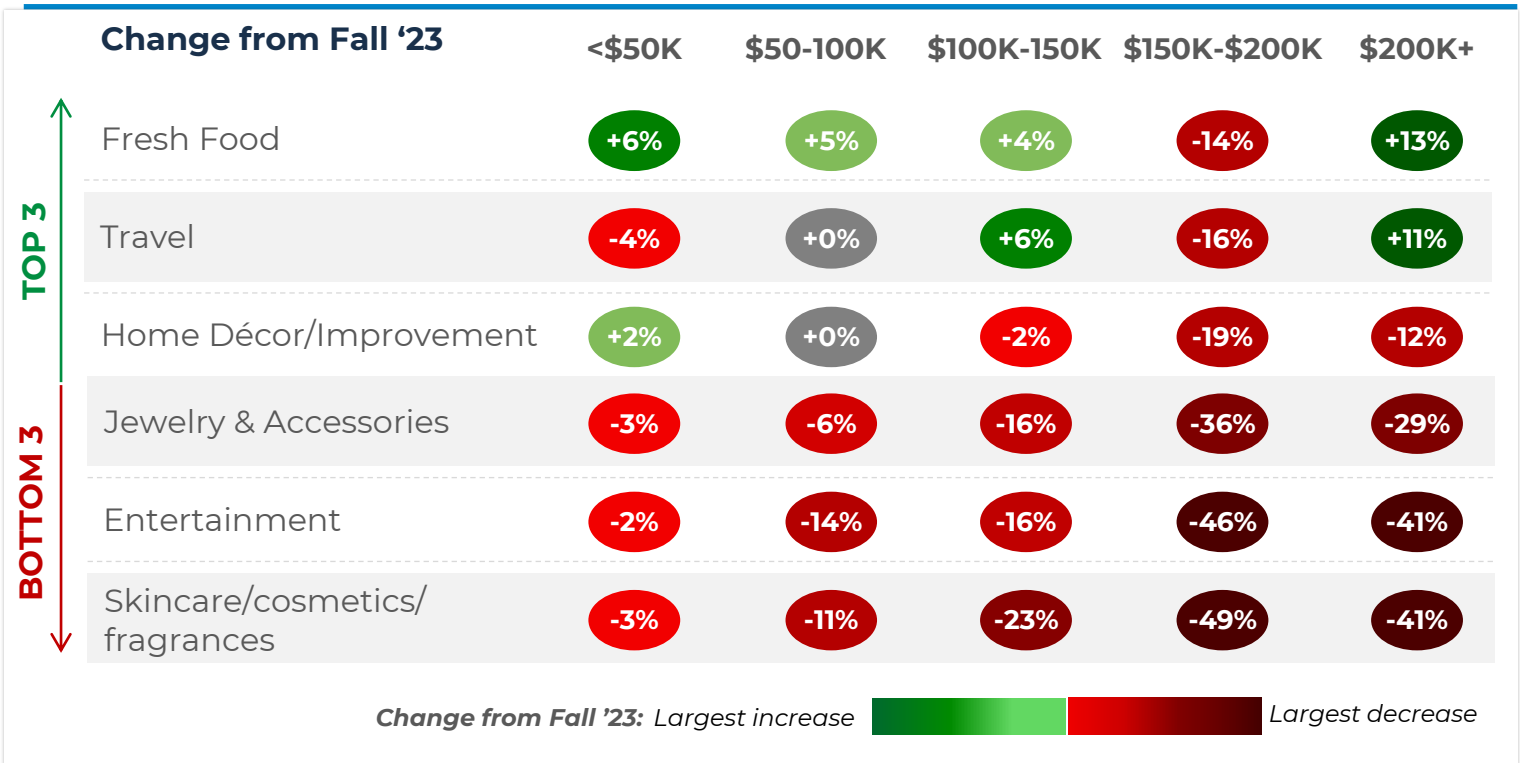


Figure 10: Higher-income households show the most significant spending decreases in the bottom 3 categories

We looked at the three categories that had the highest and lowest change in plans to spend from Fall '23 to understand which HHI group is driving the shift. We found that **the reduction in spend for the bottom 3 categories dramatically increases with income.** The top 3 categories are interesting as only Fresh Food is a basic need, and the \$150-200K group is a true outlier as they plan to significantly reduce spending across all categories. The highest earners (\$200K+) have also made a strong statement to double down on spending on Travel, indicating they view this as a priority even when more concerned about their financial situation.

Consumers with HHI \$150K+  
are spending an average of  
**27% less**  
than Fall '23 on all categories  
except Fresh Food & Travel



## SUMMER SALES EVENTS



Amid the rising popularity of summer sales events such as Prime Day, Nordstrom Anniversary Sale, etc., we polled consumers about their participation intentions for the 2024 season. **40%** of respondents indicated they plan to participate in summer sales events. Given that 29% are still undecided, retailers have the opportunity to spend the next months attracting these undecided consumers.

Who will be shopping these sales events? **48%** of households earning over \$200K plan to take advantage of these sales, in contrast to only 35% of households earning \$50K or less.

## PARTICIPATION PLANS

Nearly 1/3 of consumers are undecided on whether they will participate in summer sales

SALE

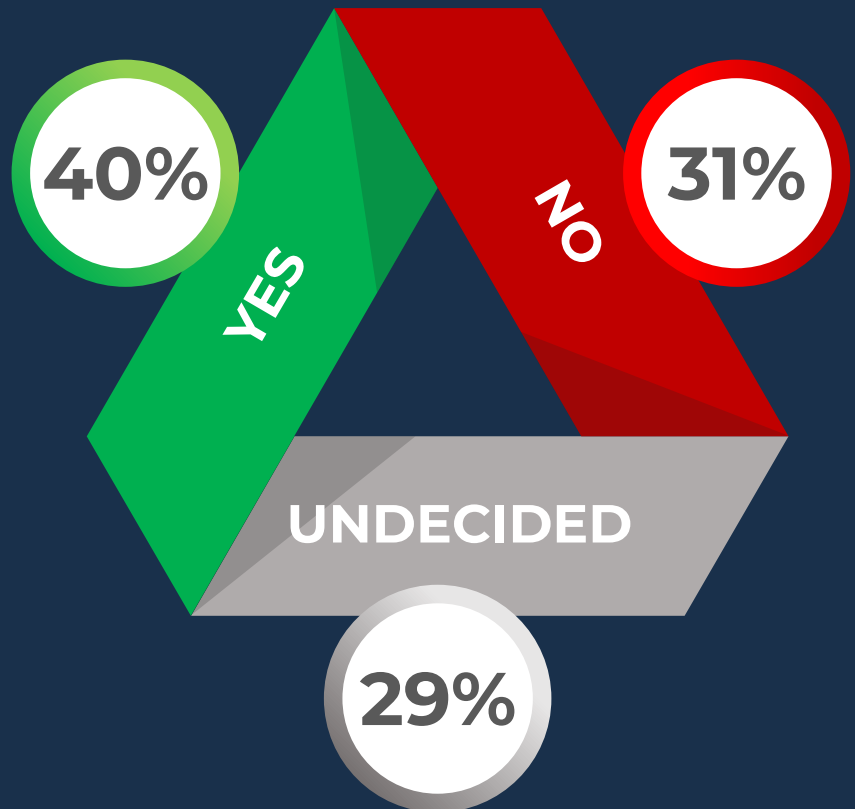


Figure 11: 29% of respondents remain uncertain about their participation in this year's summer sales

# SALES SHOPPING PARTICIPATION

As consumers seek ways to economize this spring, some may opt to wait for items to go on sale before buying. In this survey, it was noted that **higher-income households are more inclined to wait for sales before purchasing compared to lower-income earners**, especially in non-essential categories such as Apparel & Footwear and Home Décor/Improvement.



## CATEGORIES CONSUMERS WAIT FOR SALES TO PURCHASE

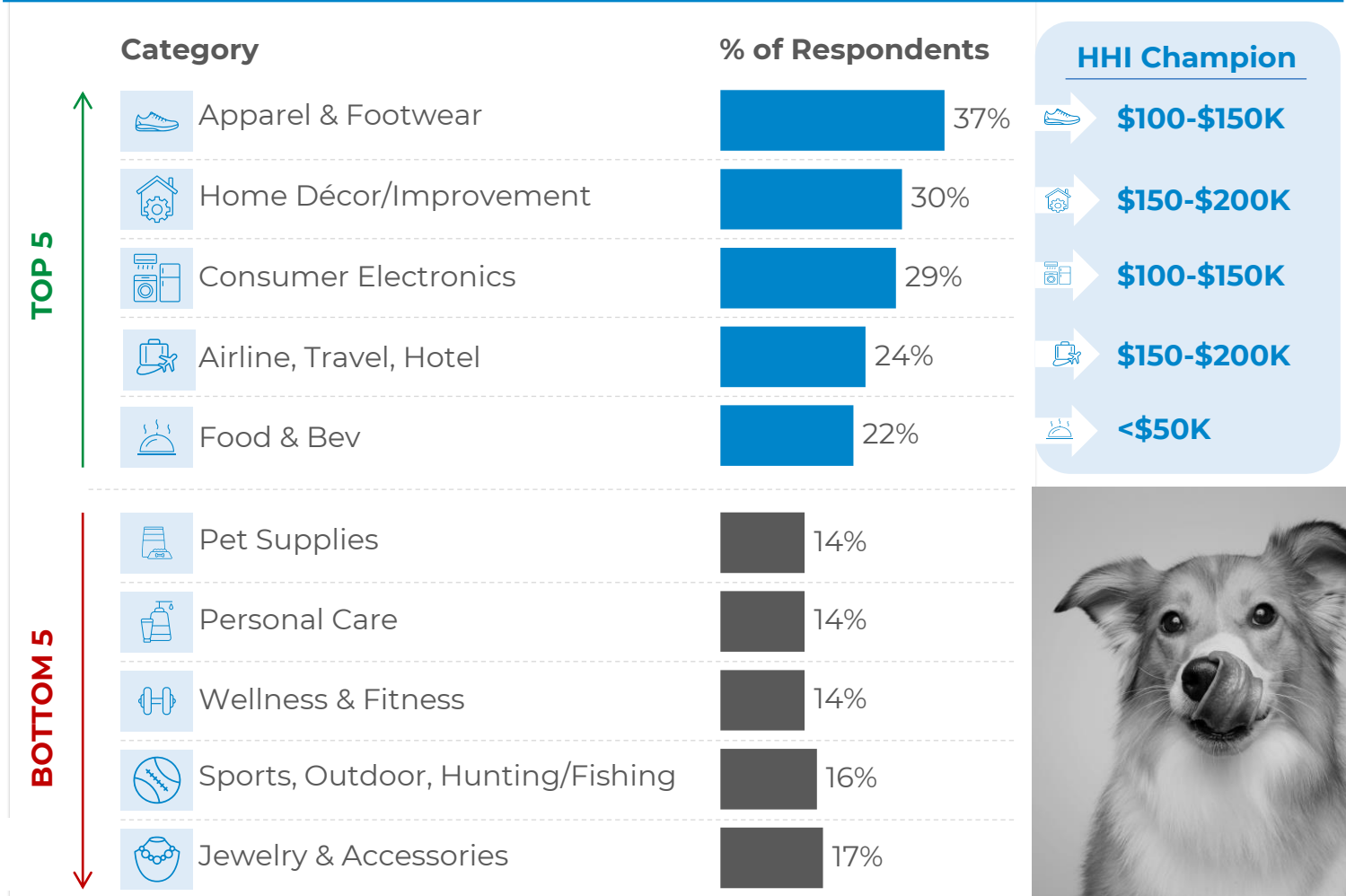


Figure 12: Higher income households indicated they are more likely to wait for items to go on sale

Consumers are less likely to wait for sales when purchasing daily necessities like Pet Supplies and Personal Care. They show awareness of retailer promotional patterns as categories such as apparel, consumer electronics, and travel go on sale more frequently than say Jewelry & Accessories, which follows a more traditional sales pattern.





## SECOND-HAND SHOPPING (1/2)

Second-hand shopping is popular among the increasingly cost-conscious consumer, with 57% of all respondents indicating they shop second-hand versus 54% in Fall '23. For households earning under \$200K, cost is the top priority by far. For the highest earners (\$200K+), cost is still their top reason for shopping resale, but it's followed closely by the preference to find rare or vintage items.



### REASONS FOR SECOND-HAND SHOPPING BY HHI

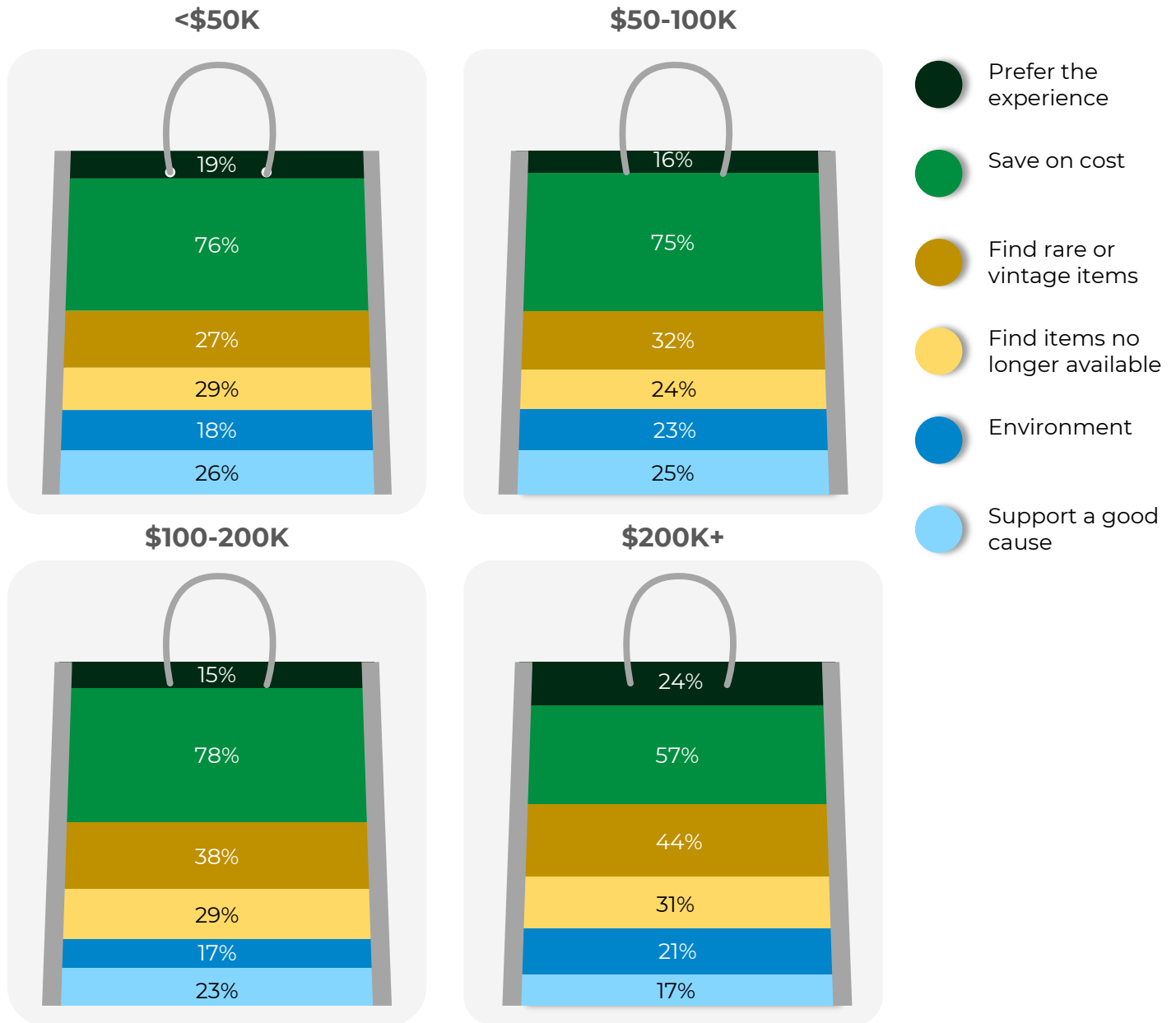


Figure 13: Saving on cost is the primary reason that consumers prefer to shop second-hand

**+10%**

Respondents with \$100K+ HHI shopping second-hand to save on cost versus Fall '23

## SECOND-HAND SHOPPING (2/2)

In-store is the preferred channel across all income groups when shopping second-hand, with auction sites as the second choice for all HHIs except \$100-150K. Those using Retailer Secondhand sites (e.g., Patagonia Worn Wear, Lululemon Like New, etc.) increases with income, with the highest earners (\$200K+) using this channel 10%+ more than other groups.



### PREFERRED LOCATION FOR SECOND HAND-SHOPPING BY HHI

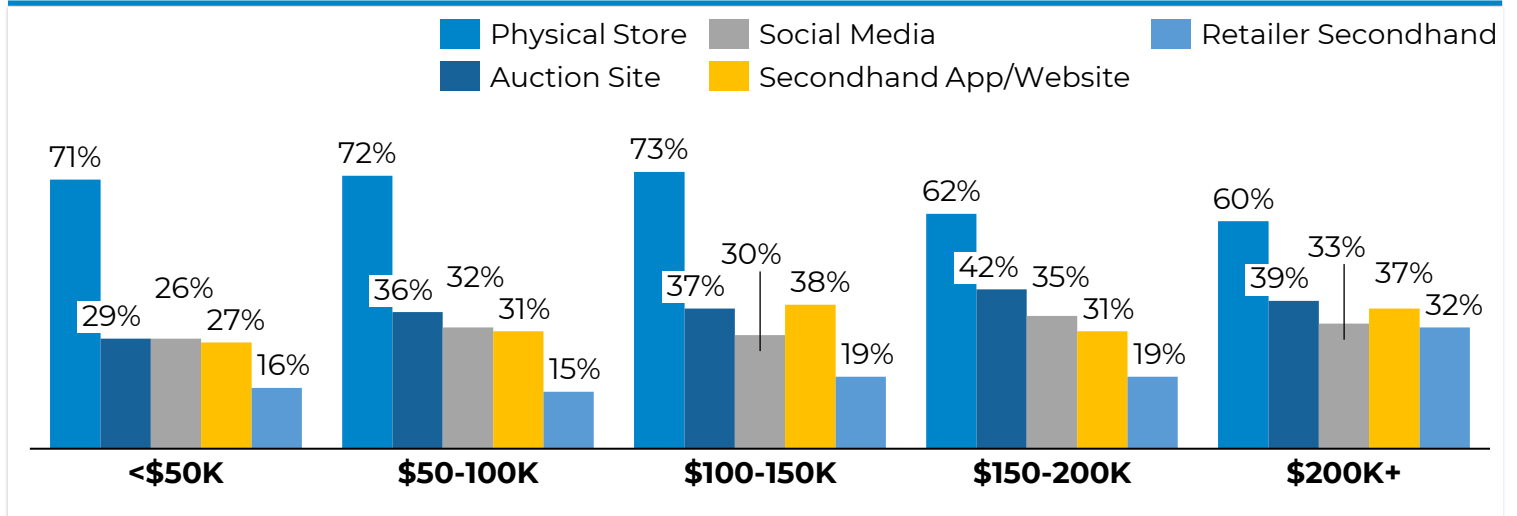


Figure 14: Consumer preferences to thrift at a physical store decreases with an increase in HHI



# LOYALTY PROGRAMS (1/2)

Loyalty programs continue to be embraced, and two-thirds of consumers are motivated by financial incentives to join. There's a notable distinction between enrolling for a loyalty program and actively engaging with it. For example, while enrollment rates in Personal Care are lower than other sectors, those who enroll are more likely to actively participate. This indicates fewer loyalty programs or reduced consumer awareness about loyalty programs in the personal care sector. However, upon joining a personal care loyalty program, consumers frequently utilize the benefits.



## LOYALTY PROGRAM ENROLLMENT VERSUS ACTIVE USE

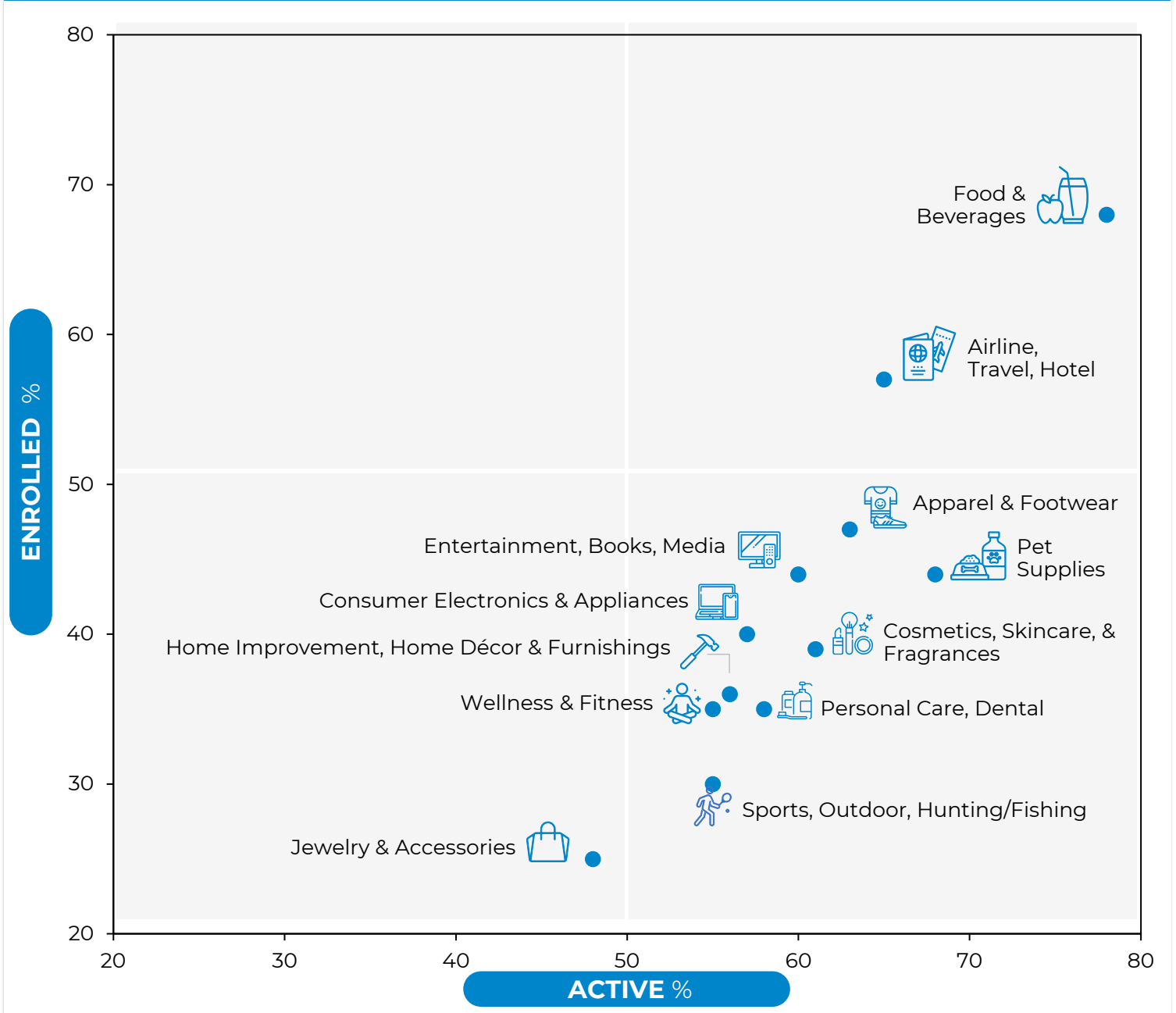


Figure 15: Food & Beverage and Travel have the highest loyalty program enrollment and engagement





## LOYALTY PROGRAMS (2/2)

Frequently purchased items like Food & Beverage and Pet Supplies see high active usage, while less frequent purchases such as Jewelry & Accessories and Sports & Outdoor have low participation despite enrollment. This could suggest to retailers that loyalty programs may not be expected by customers in these categories, and thus may not be necessary to offer.

### ACTIVELY USED VS. BARELY USED CATEGORIES AMONG CONSUMERS ENROLLED IN REWARDS PROGRAMS

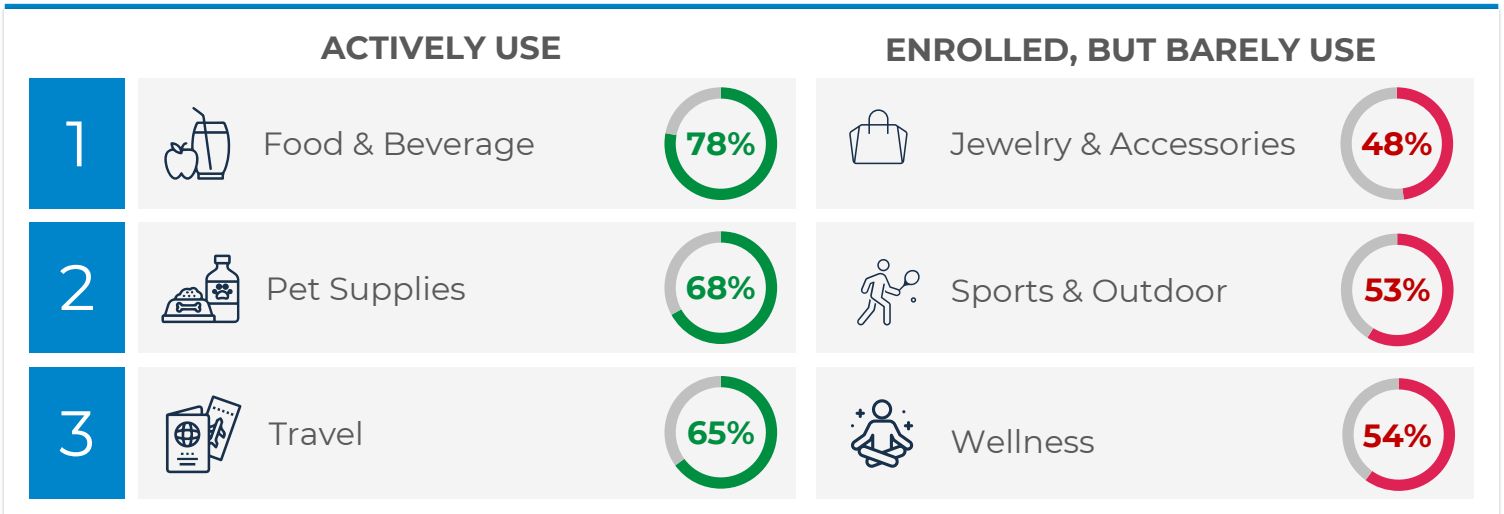


Figure 16: Consumers are most engaged in loyalty programs for everyday items.

Among those aged 22 and above, there is a strong interest in loyalty programs tailored to essential everyday items like Pet Supplies. Interestingly, respondents aged 18-22 show a distinct preference for loyalty programs focused on Electronics and Entertainment, diverging from the broader trend.

### TOP CATEGORIES FOR "ACTIVELY USE" IN LOYALTY PROGRAMS BY AGE



Figure 17: Food & Beverage, Pet Supplies and Travel are the top 3 most actively used loyalty programs in age 22+

# VACATION PLANS

Every spring, we inquire about vacation plans, and this year, there's a noticeable increase in interest in vacations compared to last year, even though consumers intend to cut back on spending on experiences overall. This could be because out of all categories, a desire to spend on experiences saw the least dramatic decrease from Fall '23 and travel as a category was flat from fall, signaling that consumers are still prioritizing vacationing.

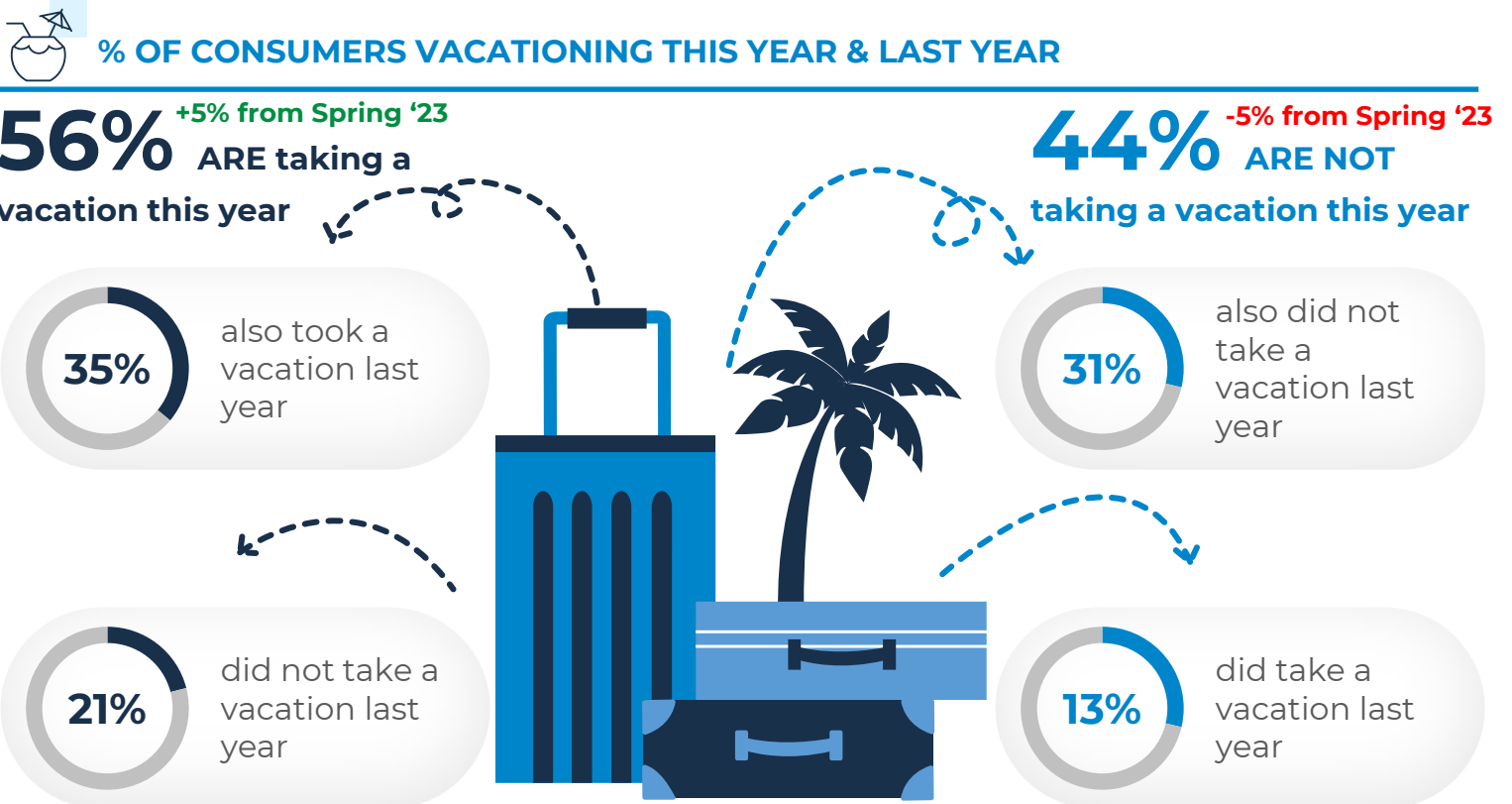


Figure 18: Vacation plans compared to Spring '23



Figure 19: Consumers are more inclined to take a vacation this spring/summer versus Spring '23 survey. More consumers are incorporating vacations into their annual budgets, transitioning from taking a vacation sporadically to making it a recurring part of their yearly plans. The number of multi-year vacationers, those taking a vacation this year who also took one last year, is up 9% from Spring '23. The overall sentiment in favor of vacation is unanimous, with most of every age group planning to take a holiday this year.

# CHANNEL HABITS

In-store shopping remains consumers' top channel choice, but online shopping is up this spring compared to Fall '23 (+6%). The primary drivers for shopping online versus in-store are that consumers can save time by not visiting stores and are able to purchase goods they cannot find in stores.



## GROWTH OF ONLINE SHOPPING BY AGE ACROSS PURCHASING CATEGORIES<sup>1</sup>

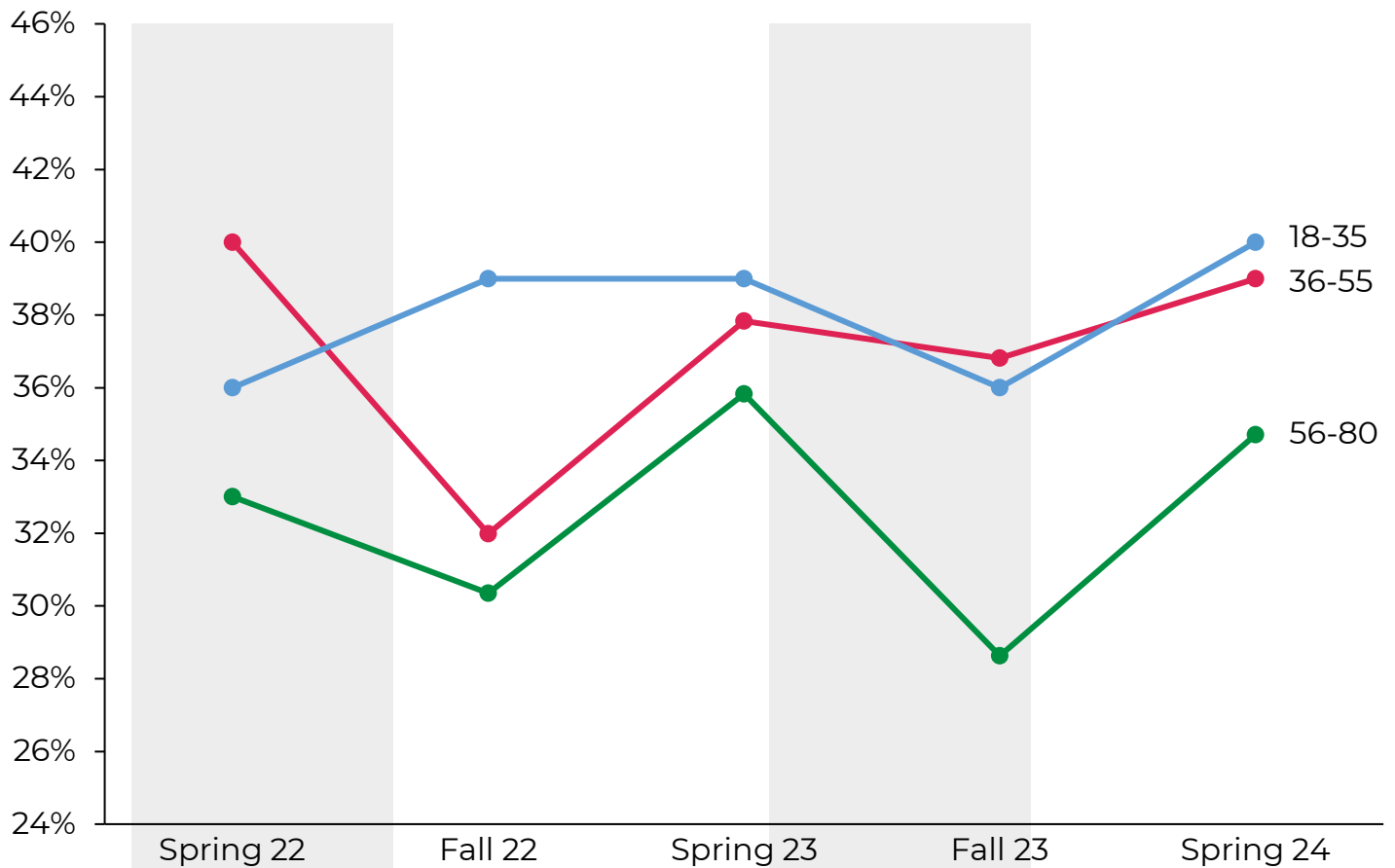


Figure 20: Consumers' preference for online increased across all age groups from Fall '23 to Spring '24.

In the past five survey cycles, a cyclical pattern in online purchasing has emerged for three categories (Apparel & Footwear, Jewelry & Accessories, and Home Décor/Improvement), marked by fall declines and spring surges, especially among individuals aged 36-80. 2022 still had a pandemic-focused consumer, but this trend is clear from 2023 to today across all age groups – online is surging in the spring. This could be caused by seasonal events, such as spring wardrobe refreshes, or increased interest in home improvement projects as the weather warms up. We'll have to wait until the fall to see if this trend continues.

1. Online purchasing for categories Apparel & Footwear, Jewelry & Accessories, and Home Décor/Improvement



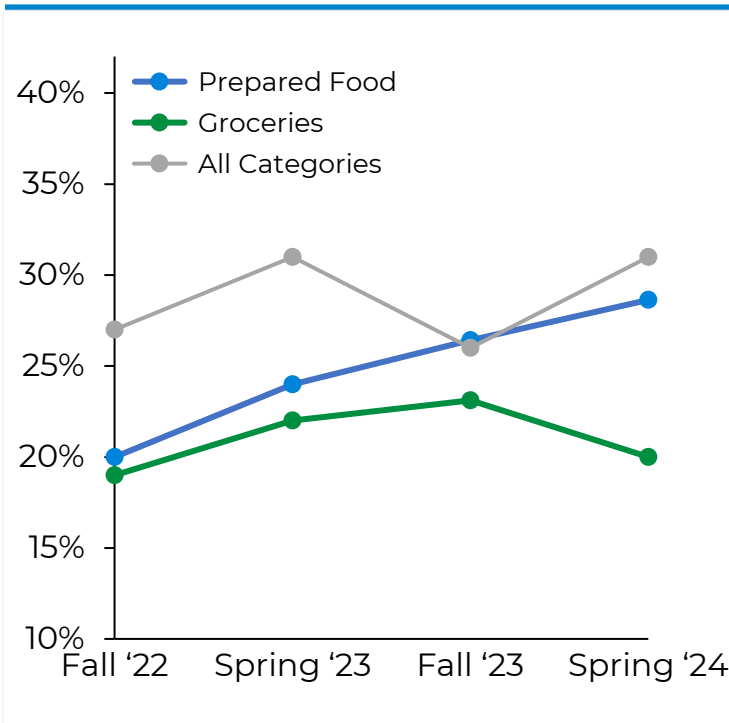


# CHANNEL HABITS BY CATEGORY

Though online as a channel is growing overall, when viewing it by category it becomes evident that not all areas are expanding at the same rate. For instance, consumers seemed to be warming up to the idea of both shifting Groceries and Prepared Food purchases online. However, this past cycle, while online sales for Prepared Food continued to grow, Groceries experienced a lag. The resulting aggregate reflects a gradual net increase in online as a channel. Meanwhile, essentials such as Personal Care and Pet Supplies are seeing substantial growth in the online channel versus Fall '23.

Respondents purchasing prepared food online has increased **+9%** Since Fall '22

## PREPARED FOOD vs. GROCERIES ONLINE PURCHASES



## NON-FOOD BASIC NEEDS ONLINE PURCHASES

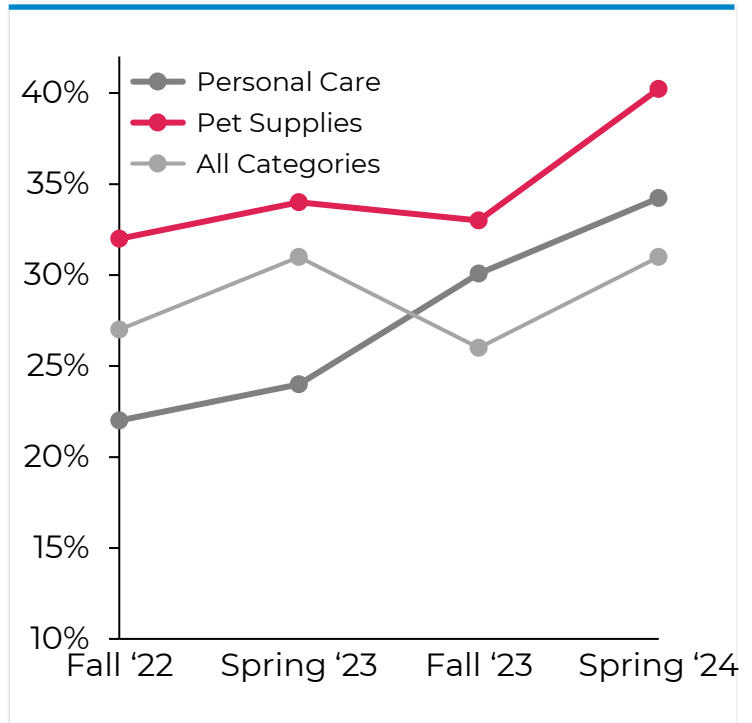


Figure 21: Online shopping for non- food essentials is growing faster compared to Prepared Food and Groceries

# ONLINE SHOPPING FEATURES

## NET POSITIVE EXPERIENCES WITH TECHNOLOGY AND CHANGE (+/-) FROM FALL '23

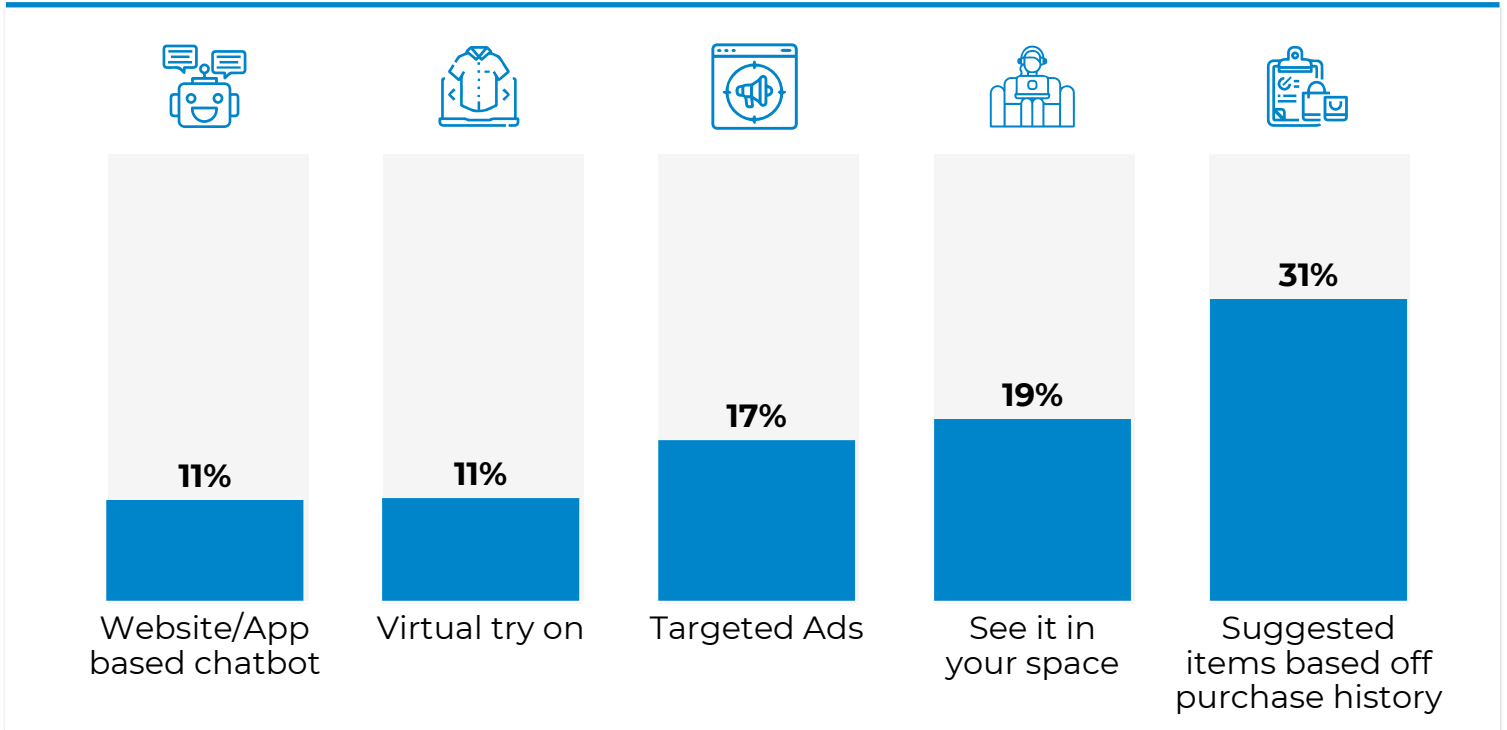


Figure 22: Consumers continue to have positive experiences with enhanced features of online shopping

The last two cycles we asked how technological advancements have impacted the shopping experience and the response was overwhelmingly positive. For both Fall '23 and Spring '24, every single one of the technology integrated shopping experiences we asked about had a net positive response. This is consumers giving a clear signal to the retail industry: personalization through technology helps improve the shopping experience, and consumers are open to new technologies that could continue to develop and fit their shopping needs.

Additionally, nearly every individual demographic slice across income, age, ethnicity, and gender showed a net positive experience with every category further underscoring that shoppers are benefiting from these new advancements.



# SOCIAL MEDIA AS A SHOPPING CHANNEL

As online channels gain popularity, driven by positive digital shopping experiences, we surveyed consumers on their frequency of social media usage.



## SOCIAL MEDIA PURCHASE FREQUENCY

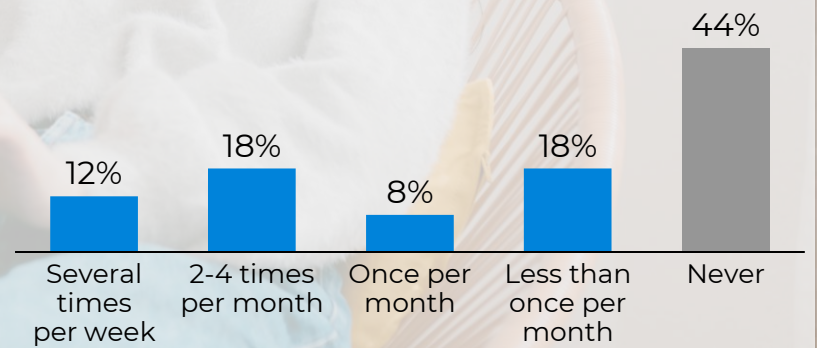


Figure 23: Social media shopping frequency

Unsurprisingly, younger demographics are the predominant users of social media for shopping purposes with nearly half of respondents ages 18-35 using social media more than once per month.



## RESPONDENTS USING SOCIAL MEDIA TO PURCHASE MORE THAN 1X PER MONTH

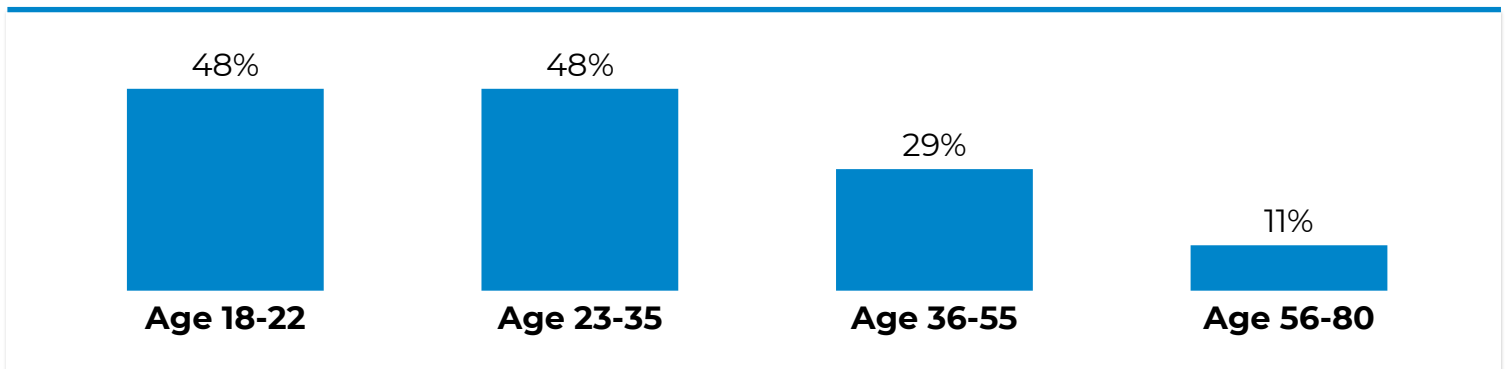


Figure 24: Use of social media as a shopping channel decreases with age





*Amid cautious spending, this survey indicates a persistent decline in consumer confidence fueled by economic uncertainty. However, this is mostly concentrated on regular spending habits, with experiences such as vacations still being prioritized. Retailers can adjust to consumer sentiments by offering appropriate promotions and discounts for the upcoming spring season.*



## METHODOLOGY

March 2024  
**1,824 respondents matching U.S. adult population according to gender, age, ethnicity, region & income**