

# Medallia Market Research

## Biggest Consumer Behavior Trends of 2022 (So Far)



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# Market Research Suite

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## Quantitative Analysis

Tap into consumer insights at scale with massive panels, real-time data, and unblinded visibility on competitors.



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panel



Foot traffic  
panel



Visit-based  
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Syndicated  
surveys



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2

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3

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Create, edit and distribute your own surveys. Analyze results with powerful reporting tools and dashboards.



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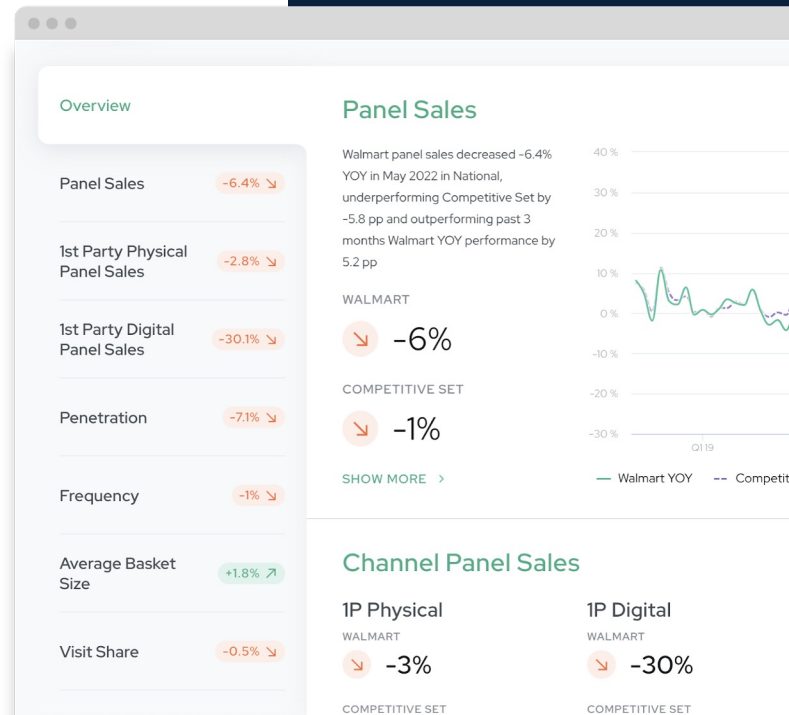
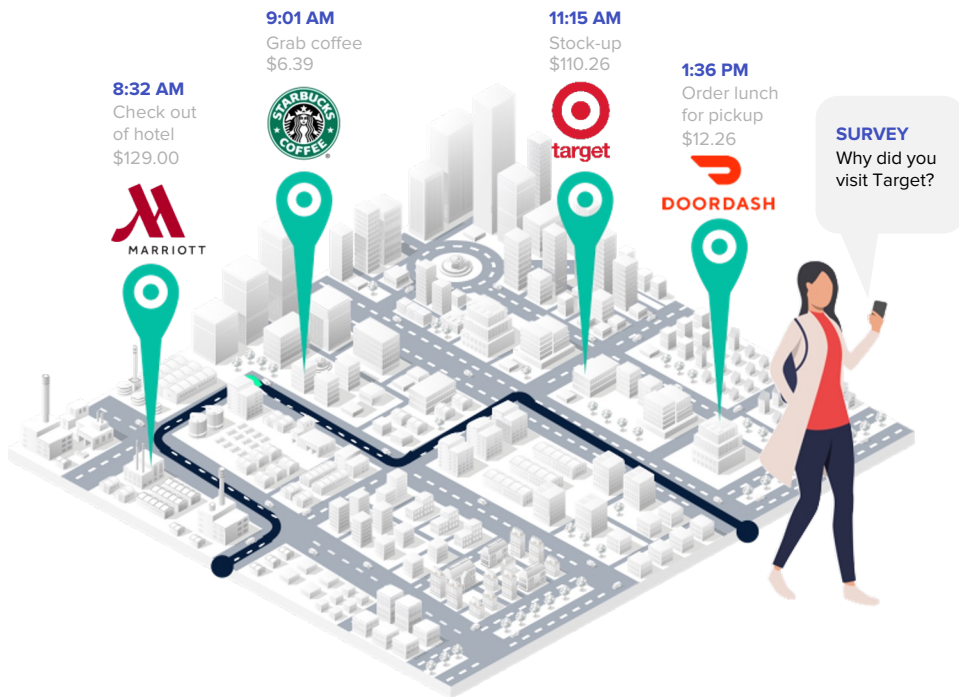
Easy-to-use  
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Expert  
support

Harness richer insights at scale so you can take action with confidence

# Real-world behaviors. One-click analysis.



# Session Contents

Biggest  
consumer  
behavior trends  
from the first half  
of 2022



From pandemic to new economic challenges: What's the state of everyday lifestyle in mid-2022?



The behaviors in response to inflation



Food & Beverage deep dive



Consumer outlook

From pandemic to new  
economic challenges:

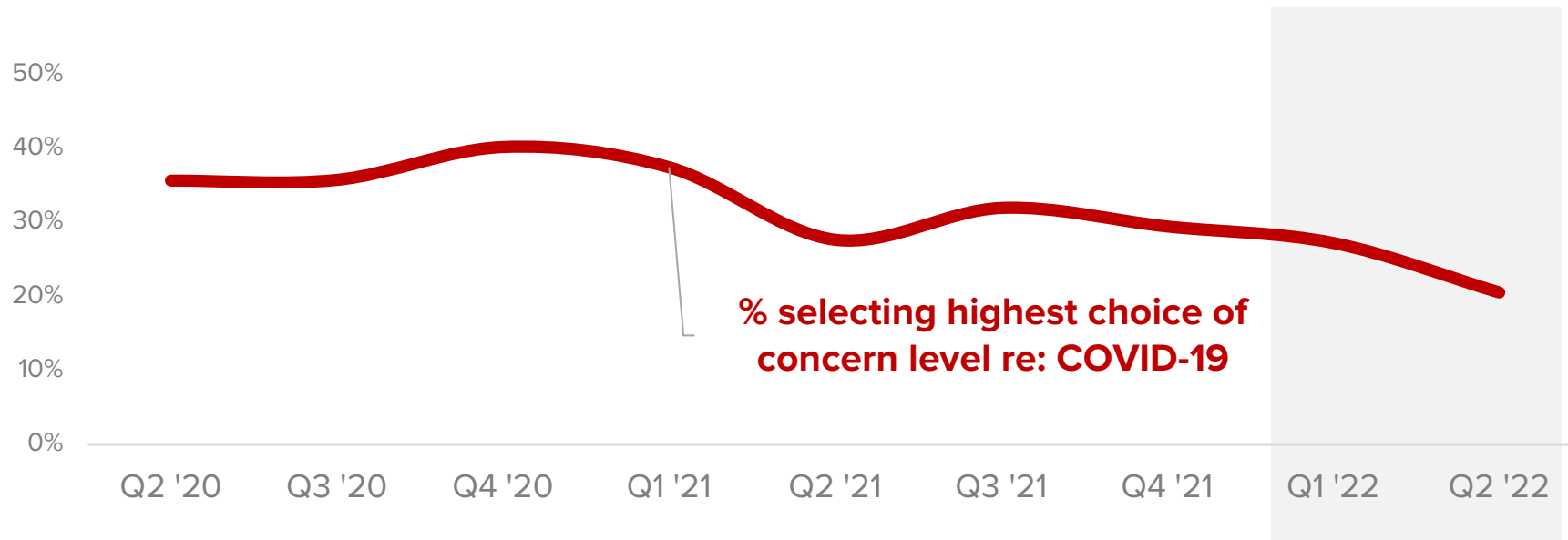
What's the state of  
everyday lifestyle in mid-  
2022?

# COVID concerns remain at lowest levels of pandemic

Only about 20% of respondents are selecting the highest choice presented re: concern level. It is about half of the total that was selecting it at peak in Q4 '20.

## COVID concern level trend

What best describes your current perception about coronavirus (COVID-19)? (Select one). 5 possible choices.

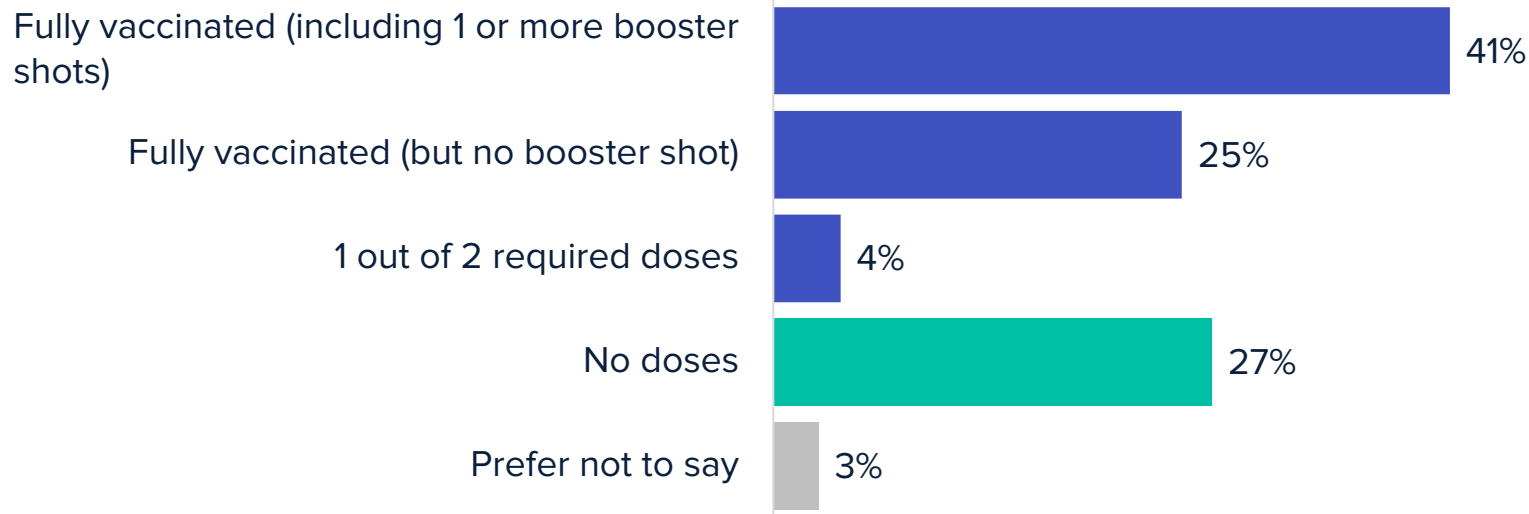


# A little under 1/3 American adults remain unvaccinated

Of those who are “fully” vaccinated, the majority also have 1+ booster shots.

## US adult population by vaccination status

Which best describes your current status with regard to COVID-19 vaccinations?

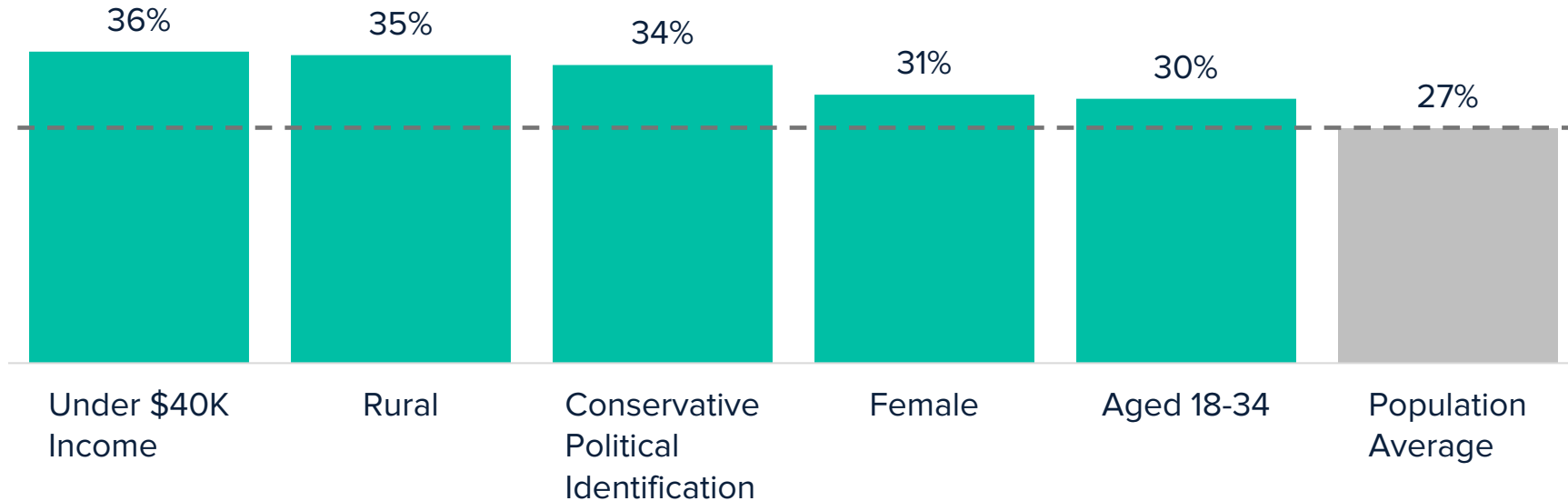


# Several demographic skews exist for those still unvaxed

However, several of these demographic groups also skew toward having little concern toward COVID and their shopping behavior was less impacted by the pandemic to begin with.

## Major demographic skews for those unvaccinated

Which best describes your current status with regard to COVID-19 vaccinations?

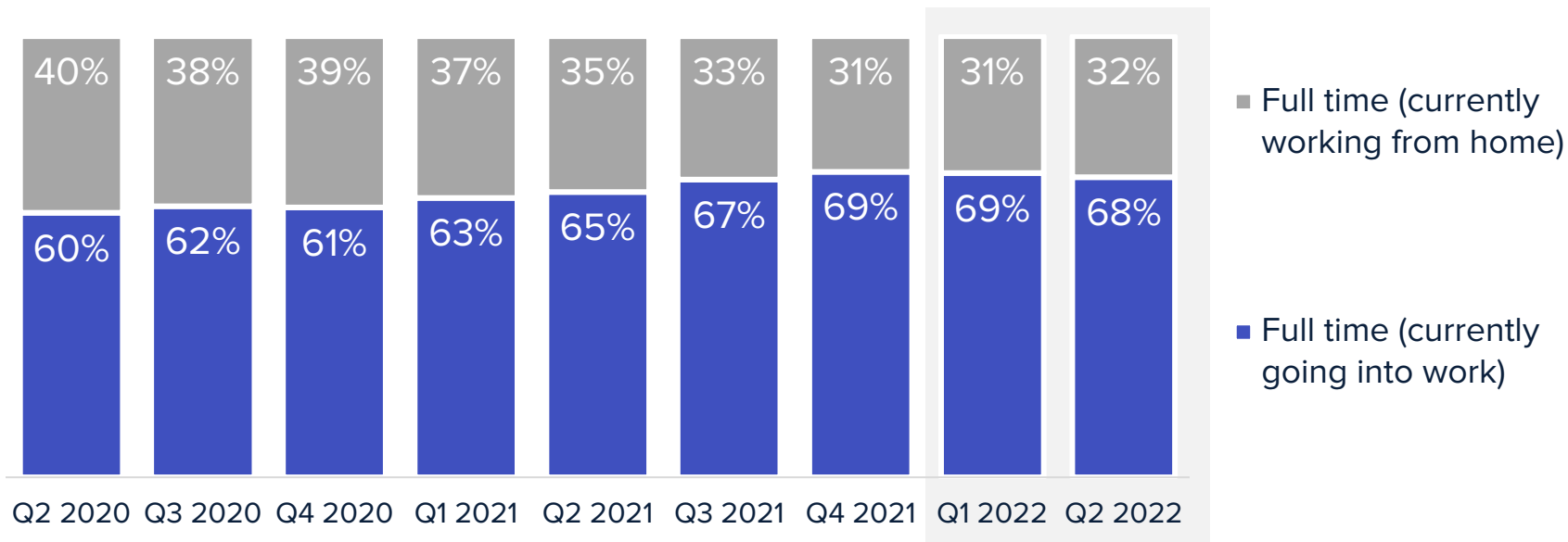


# The “return to work” didn’t further progress in H1 2022

The proportion of full time workers identifying as going into work (vs. working from home) has held steady since late ‘21 (but is up vs. early ‘21). Nearly 1/3 of full time workers still are primarily working from home.

## Full time workers: split by working from home vs. going into work

Which best describes your current employment status? Among those fully employed.



# Several at-home activities are being done less often

Home improvement / home maintenance and content viewing are being cited less often as things people are doing compared to this time in 2021, possibly due to both expense cuts and more time out of home.

## Q2 '22 vs. Q2 '21: Biggest drop in activities people are doing “more than they used to”

What activities (if any) are you doing more than you used to? Top 4 declines out of 22 total choices

**Home improvement /  
gardening**

**-3ppt**

**Cleaning home /  
workspace**

**-2ppt**

**Watching television  
(regular channels)**

**-2ppt**

**Watching content on  
streaming services (e.g.  
Netflix, Hulu, etc.)**

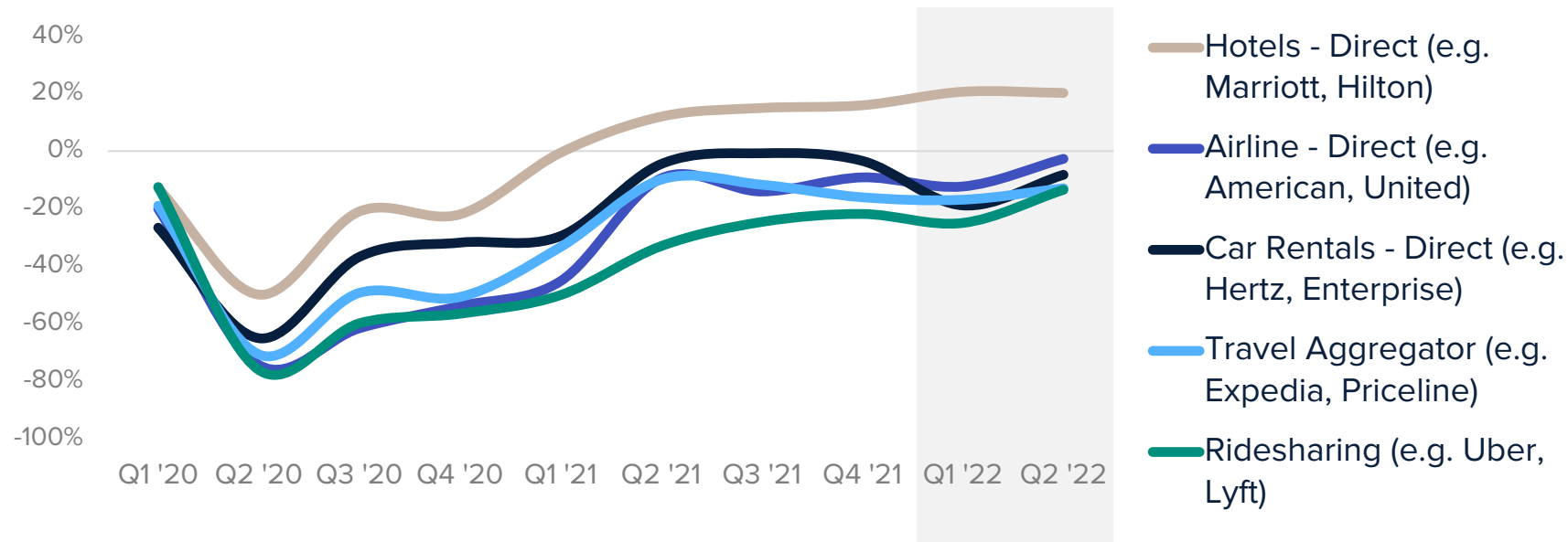
**-1ppt**

# Travel and Hospitality sectors continue with momentum

Though not fully back to pre-pandemic levels, pent-up demand for travel is likely counteracting high price concerns that normally would deter many would-be travelers.

## Travel and Hospitality category spend

Relative % change vs. equivalent quarter in 2019; US National

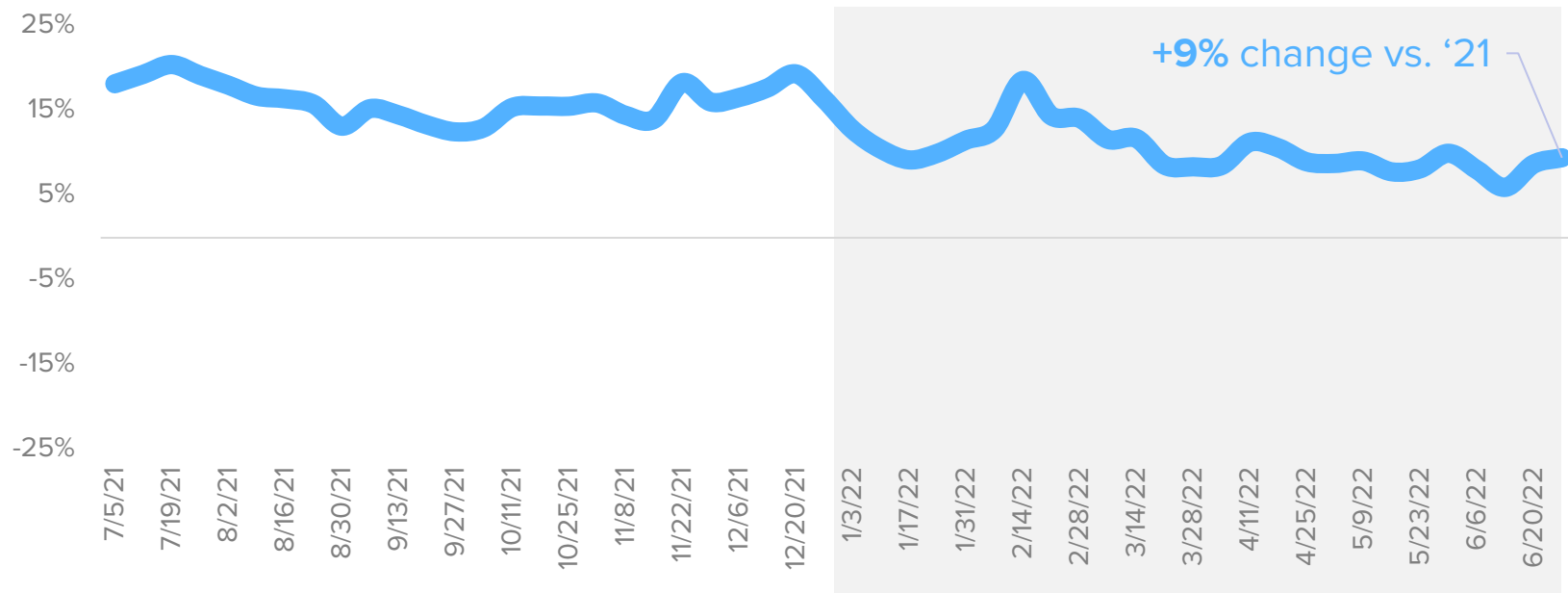


# Population mobility is still above '21, but decelerating

Despite concerns of high gas prices, consumers are still moving around at rates slightly above the equivalent months of 2021. Although decelerating, this is still a benefit to retailers like C-Stores.

## Average weekly miles traveled by population: year-over-year change

Relative % change vs. equivalent week in 2021; US National

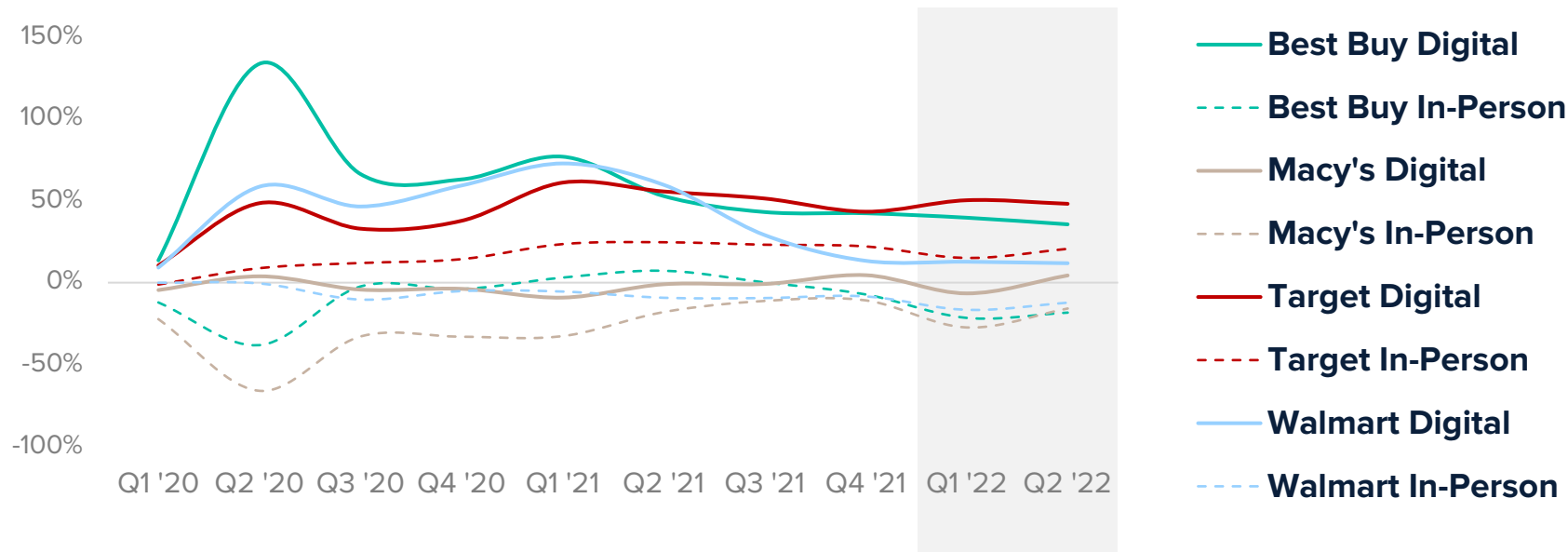


# Digital channel growth still outpacing in-person for Retail

However, this select group of retailers shows trends are not of equal magnitude for all. Target is sustaining Digital sales volumes first seen in 2020 and 2021, whereas Walmart is not to the same extent.

## Select retailer sales trend by order channel

Relative % change vs. equivalent quarter in 2019; US National

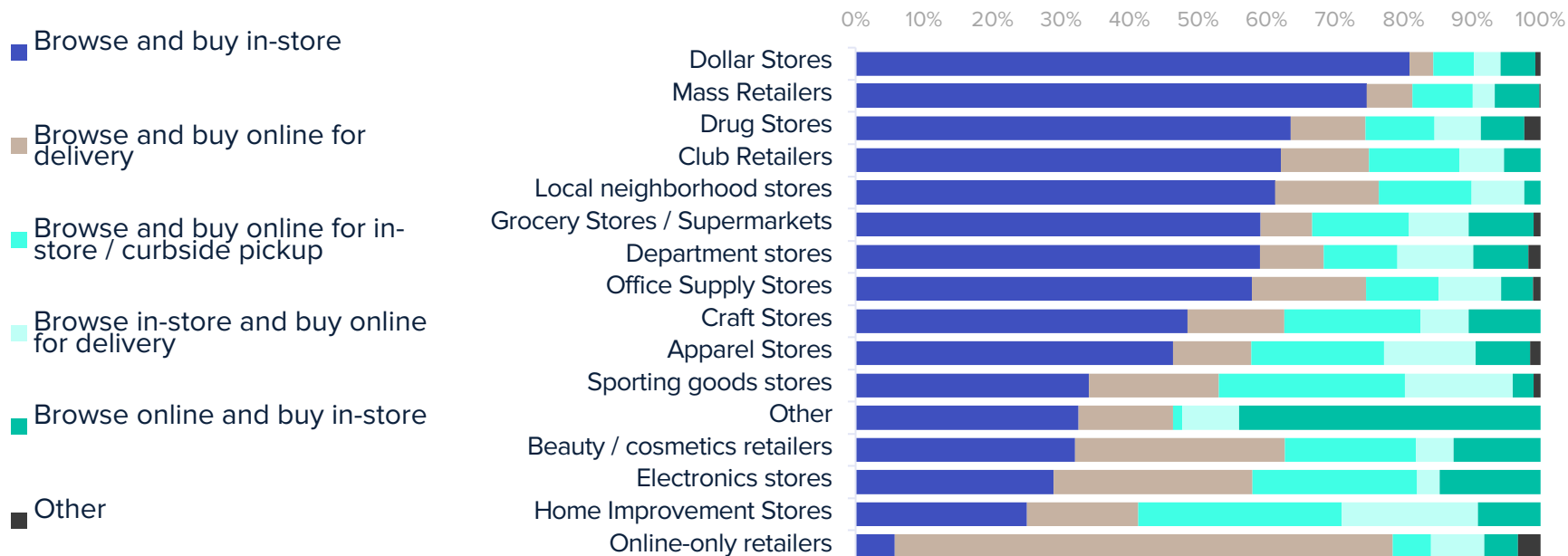


# Various omnichannel shopper journeys remain popular

For many retail categories, the % of intended shoppers for Back-to-School plan to use fully digital or a mix of digital and in-person channels for browsing and purchasing

## Planned use of browsing / ordering channels for Back-to-School shopping

For the stores you plan to use for “back to school” shopping this year, how do you plan to shop at... Sorted by % in-store

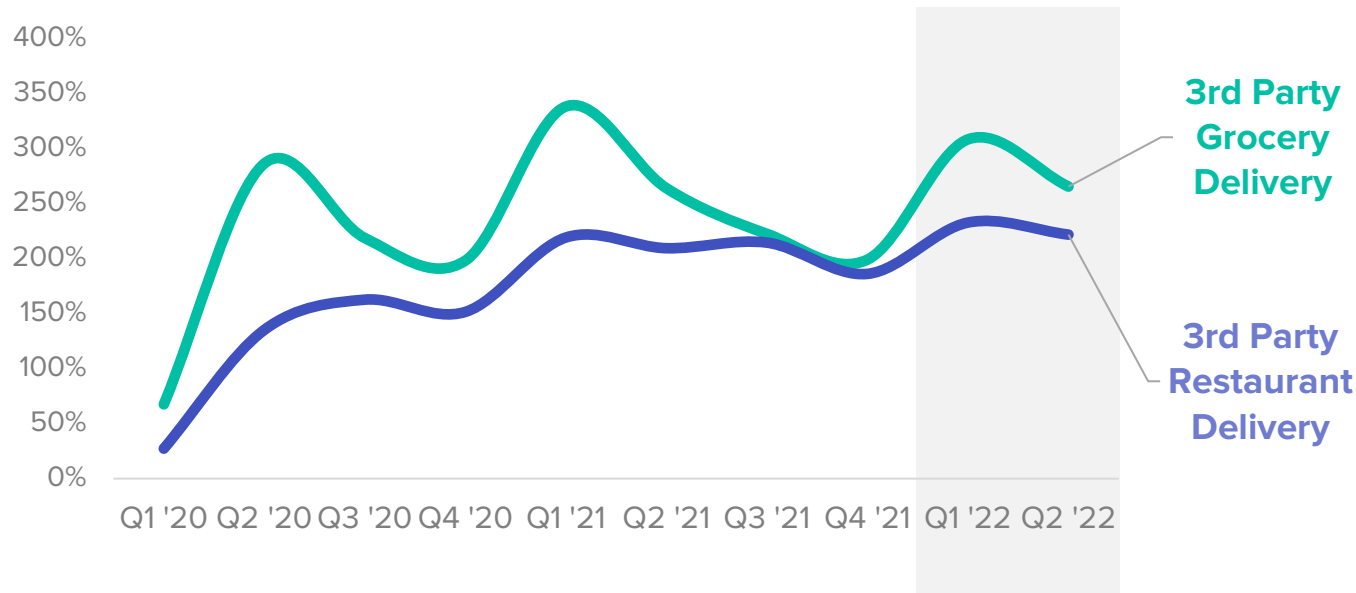


# Use of 3<sup>rd</sup> Party Delivery is also holding steady

Though not further accelerating like trends seen in 2020 and early 2021, 3rd Party Delivery platforms for grocery and restaurant are holding on at roughly flat levels year-over-year.

## Population spend on 3<sup>rd</sup> Party Delivery platforms, vs. 2019

Relative % change vs. equivalent quarter in 2019; US National



Although these platforms are holding steady in sales, **further growth is likely being stifled due to consumer resistance toward fees / tips.**

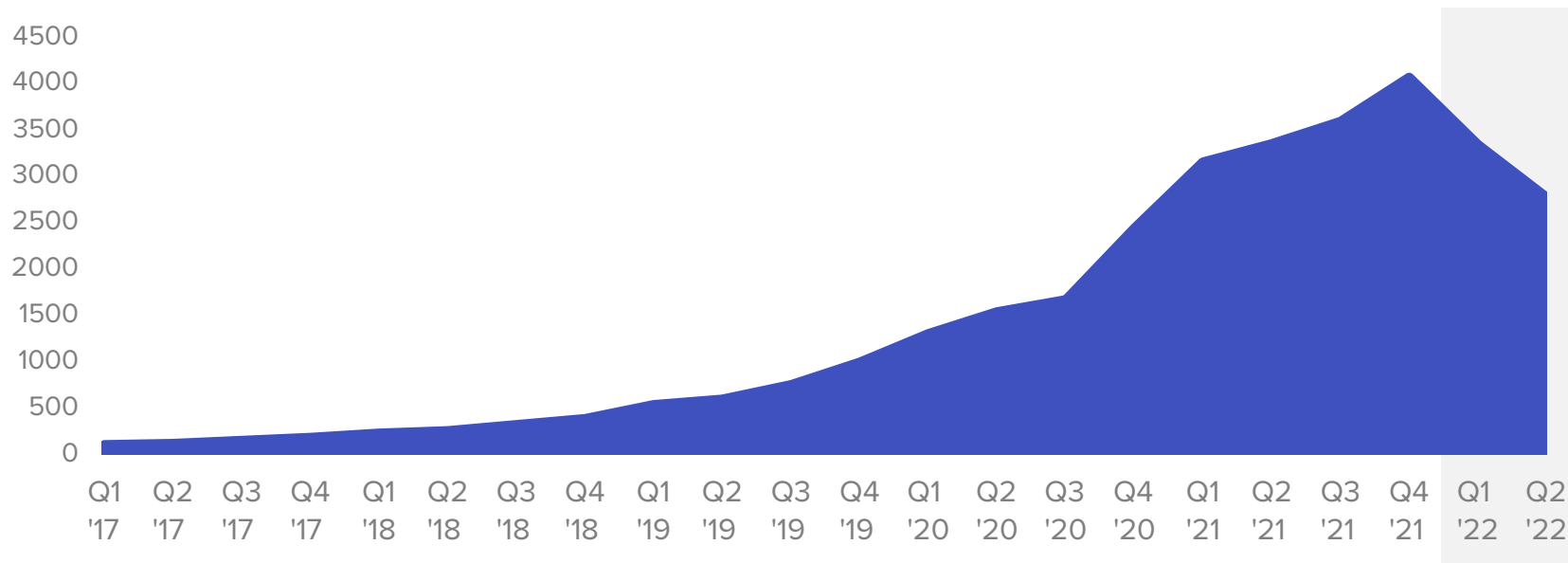
Not only is it the top reason why people don't use delivery, its frequency of being cited as the reason why not grew from 38% in Q2 '21 to 45% in Q2 '22.

# Buy Now, Pay Later is stalling after '20-'21 rapid growth

Though some Q2 activity will need to carry into Q3 due to the payment timelines of BNPL transactions, Q1 '22 being flat year-over-year is indication of a slowdown.

## Indexed spend on Buy Now, Pay Later platforms

100 = on par with Q1 2017; US National



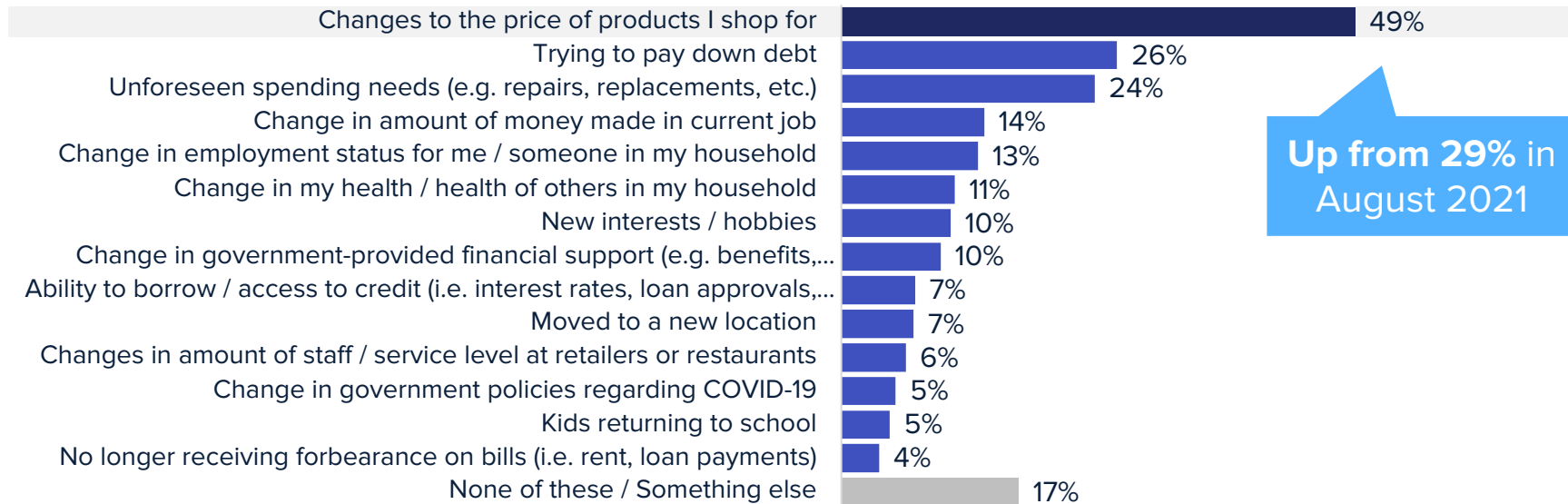
The behaviors in response  
to inflation

# Inflation is growing as top factor for household decisions

Consumers have substantially increased their selection of “changes to the price of products I shop for” as a top factor in household purchase decisions, already the top choice as of 11 months ago.

## Biggest factors affecting household purchase decisions

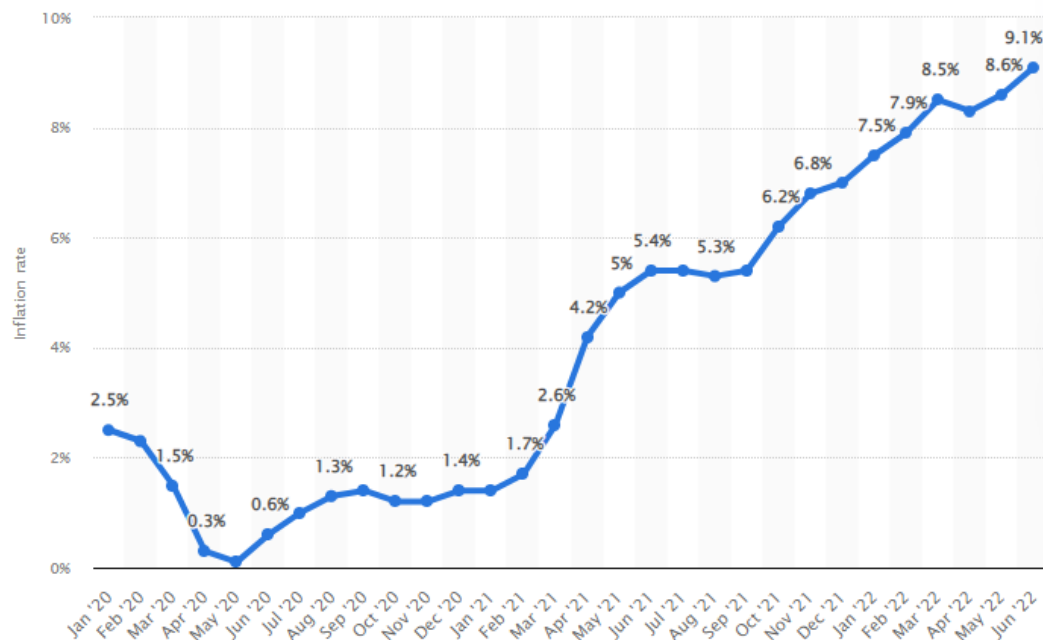
Which of the following, if any, have affected purchase decisions for your household the most over the last 3 months?



Inflation was already high as of summer 2021, but is significantly higher now

## Year-over-year US inflation rate by month

Change in Consumer Price Index (CPI)



From Bureau of Labor Statistics monthly inflation reports  
Charting by Statista

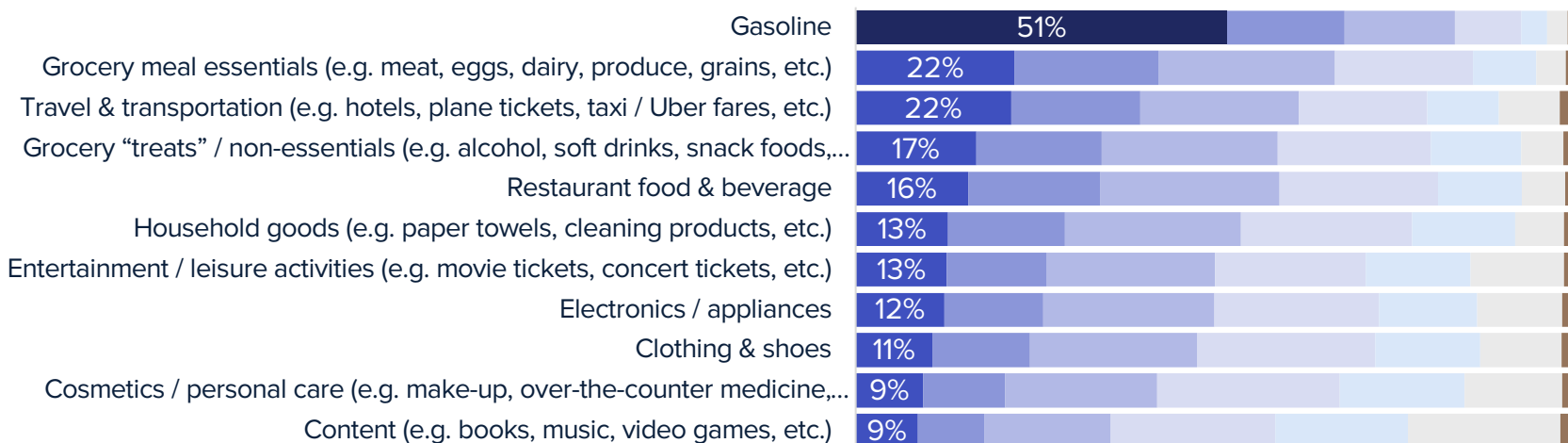
# Consumers have an accurate view of inflation's extent

Respondents tend to average out to a correct pulse on what product categories have increased in price the most compared to this time a year ago, especially regarding gasoline's oversized change.

## Perceived price increases by product category, vs. last year

For each of the following types of products, how much do you believe prices have changed (if at all) compared to 1 year ago?

■ More than 20% higher ■ 11-20% higher ■ 6-10% higher ■ 3-5% higher ■ 1-2% higher ■ No change - 0% ■ Have gotten cheaper

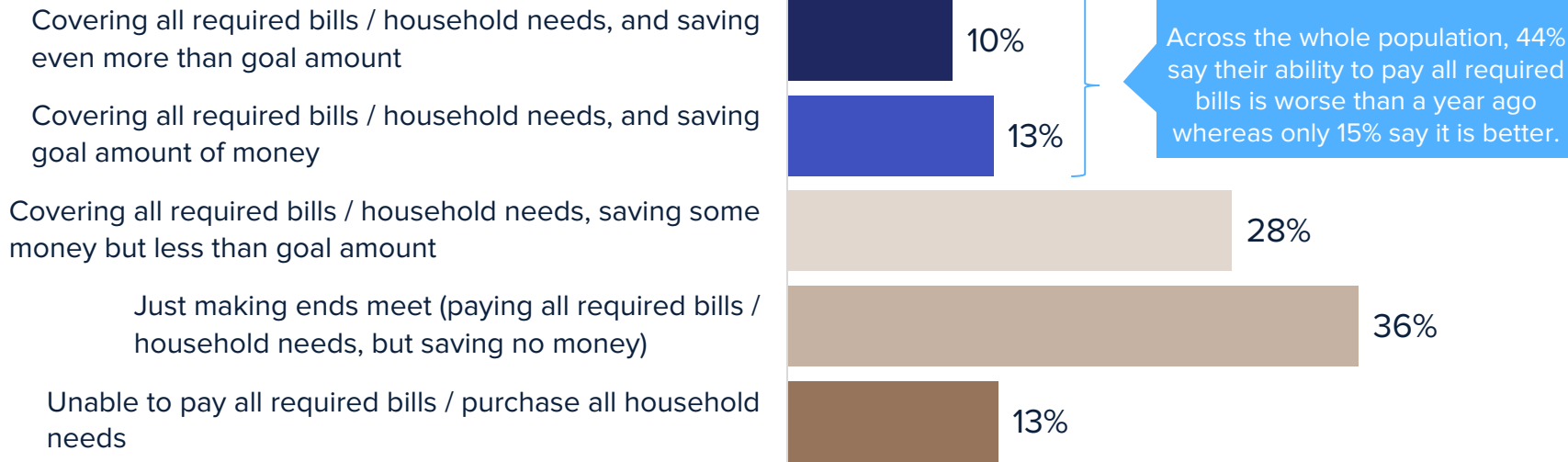


# Half of households are barely or not making ends meet

Only 1 in 4 households say they are not only covering all required bills / household needs, but also are saving at or above goal amounts.

## Status of household finances

Which of the following best describes the financial status of your household?

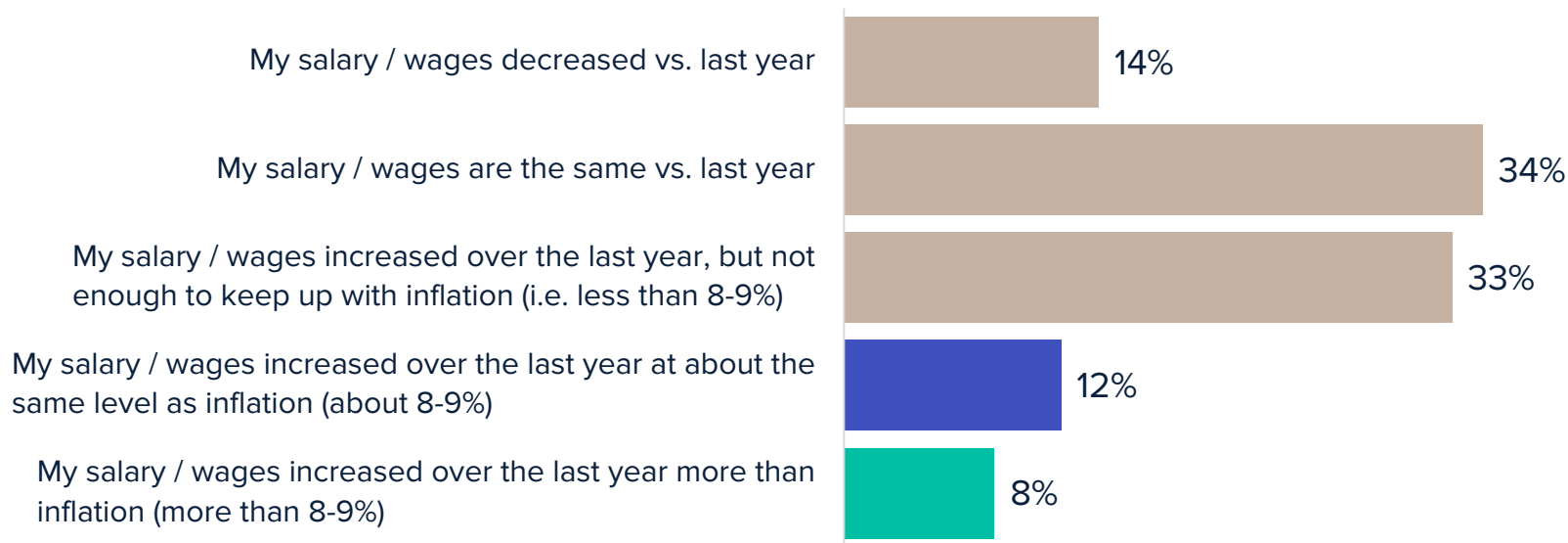


# Only 20% say their wages have kept up with inflation

Roughly half of full-time workers say they received a decrease or stagnant income vs. last year.

## Wage change vs. last year

Earlier you mentioned you are currently employed. Which best describes how your income has changed in the past year??  
Among full-time workers.

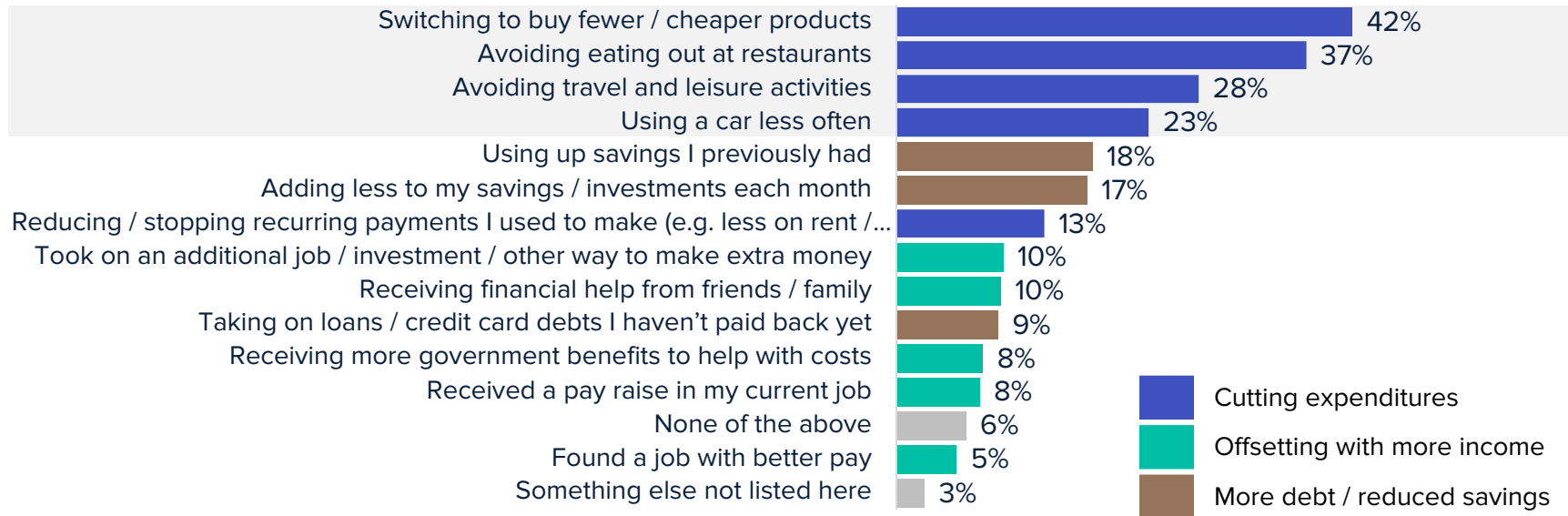


# Consumers say they've dealt most by cutting expenses

Though some respondents have found ways to cope with inflation through more income or more debt / reduced savings, the most common actions include cutting back or trading down in consumption.

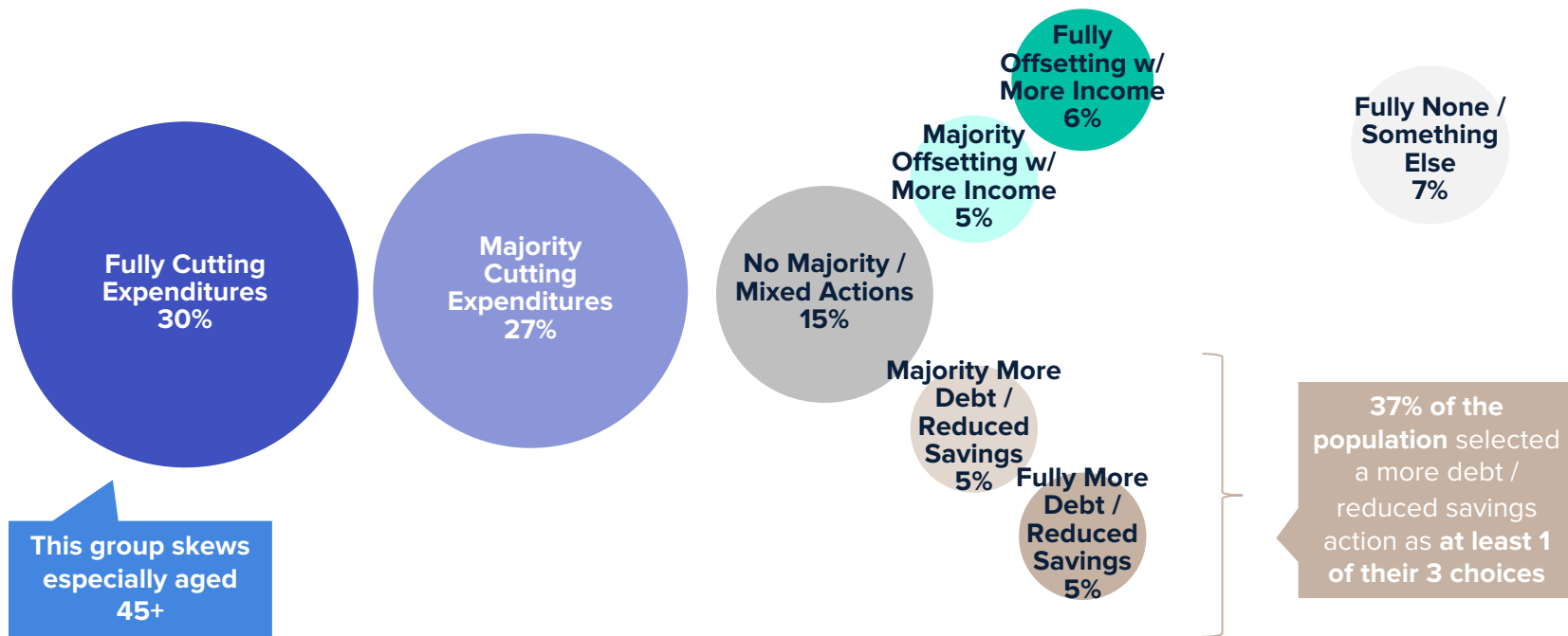
## How consumers say they are adapting to the challenges of inflation

Which of the following most describes how you have handled price increases over the past year? Max 3 choices selected.



# How the population breaks out across approaches

Fully Cutting Expenditures (3/3 choices fell into that category of actions) and Majority Cutting Expenditures (2/3 choices fell into that category) make up the bulk of all respondents.

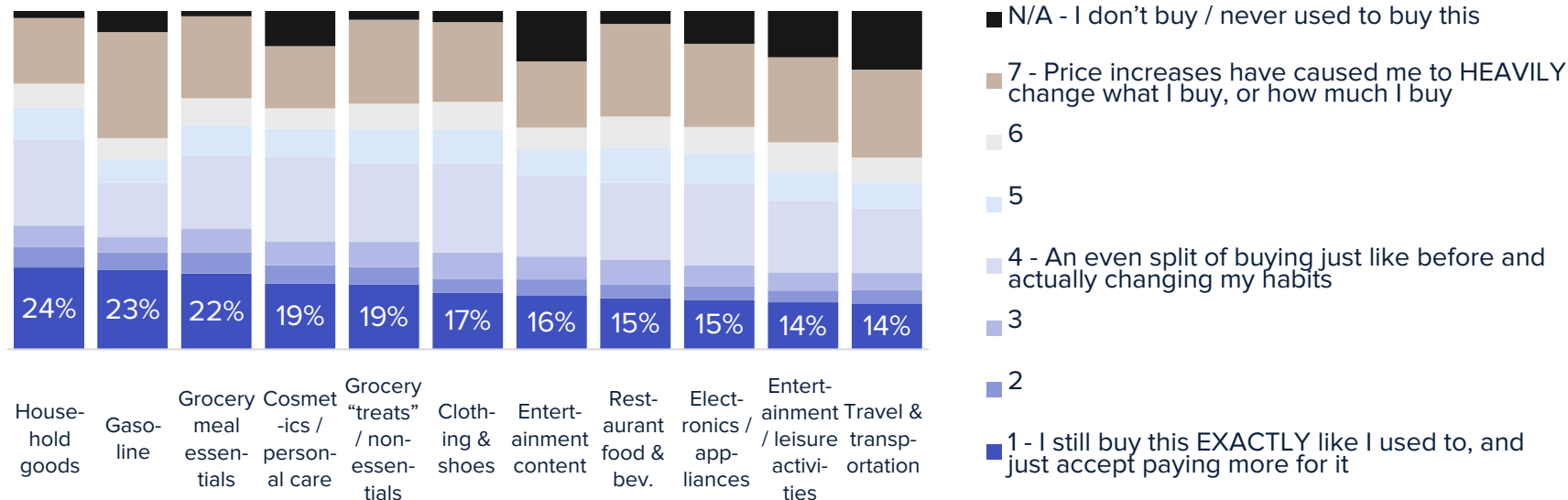


# People say they've cut transit and some entertainment

The most common categories for people to say “price increases have caused me to heavily change what I buy or how much I buy” are travel / transportation and entertainment activities. Least is household goods.

## Perceived changes in consumption by product category

Have your purchase habits actually changed for any of the following over the past year? Please select the best choice.



# Major retail categories are seeing declining txn trends

Although partially counteracted by higher basket sizes (primarily driven by inflation), sales are flat to slightly-down for many categories, especially ones like Office Supplies and Sporting Goods

## Year-over-year spend, txn volume, and \$ per txn by select retail category

Q2 2022 vs. Q2 2021 Relative % change; US National

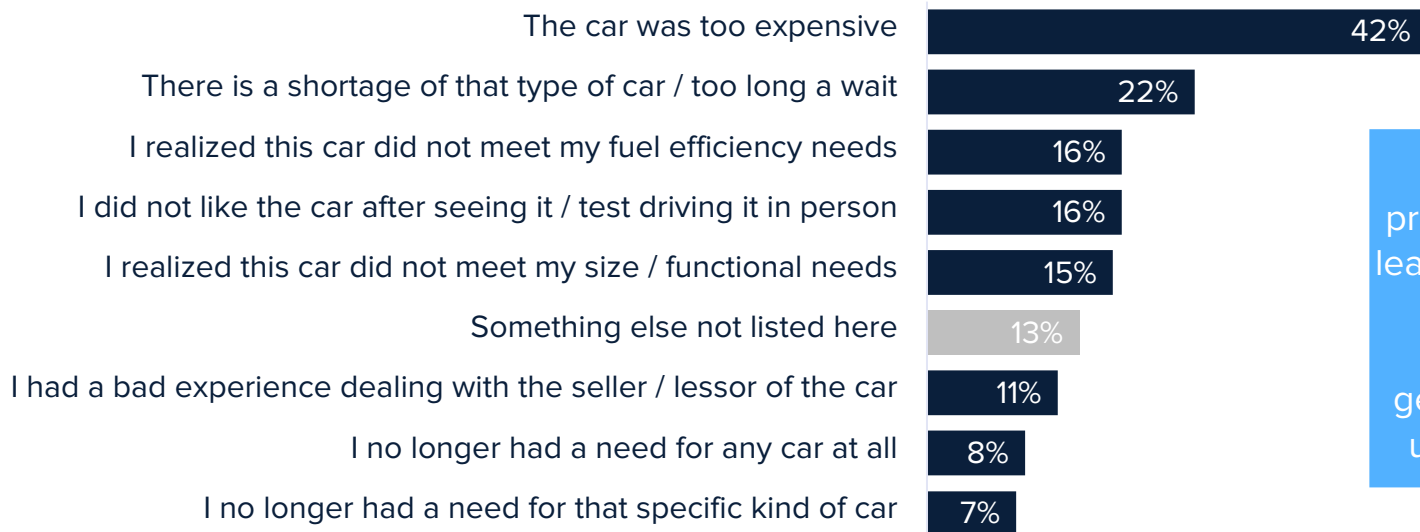
	Spend	Transactions	\$ per Transaction
Auto Parts (e.g. AutoZone, O'Reilly)	9%	-10%	20%
Apparel (e.g. Gap, H&M)	-2%	-4%	3%
Beauty Specialty (e.g. Sephora, Ulta)	-4%	-10%	6%
Electronics (e.g. Best Buy, Verizon)	-5%	3%	-8%
Department (e.g. Macy's, TJ Maxx)	-5%	-9%	5%
Amazon	-6%	-10%	4%
Home Improvement (e.g. The Home Depot, Lowe's)	-8%	-10%	2%
Office Supplies (e.g. Staples, Office Depot)	-15%	-15%	0%
Sporting Goods (e.g. Dick's, REI)	-16%	-17%	1%

# Prices are also the biggest barrier for auto shoppers

Only ~1/4 people who have been in the auto market in the past 6 months say their search is resulted in them getting the car they ultimately wanted. Price was the biggest barrier for the remaining 3/4.

## Reasons why prospective car buyers / leasers didn't get intended outcome

Why did you not end up getting the car you were originally looking for?" Among those who did not reach originally intended outcome in car search



Of past 6 month prospective buyers / leasers, **only 23%** say their search has resulted in them getting the car they ultimately wanted



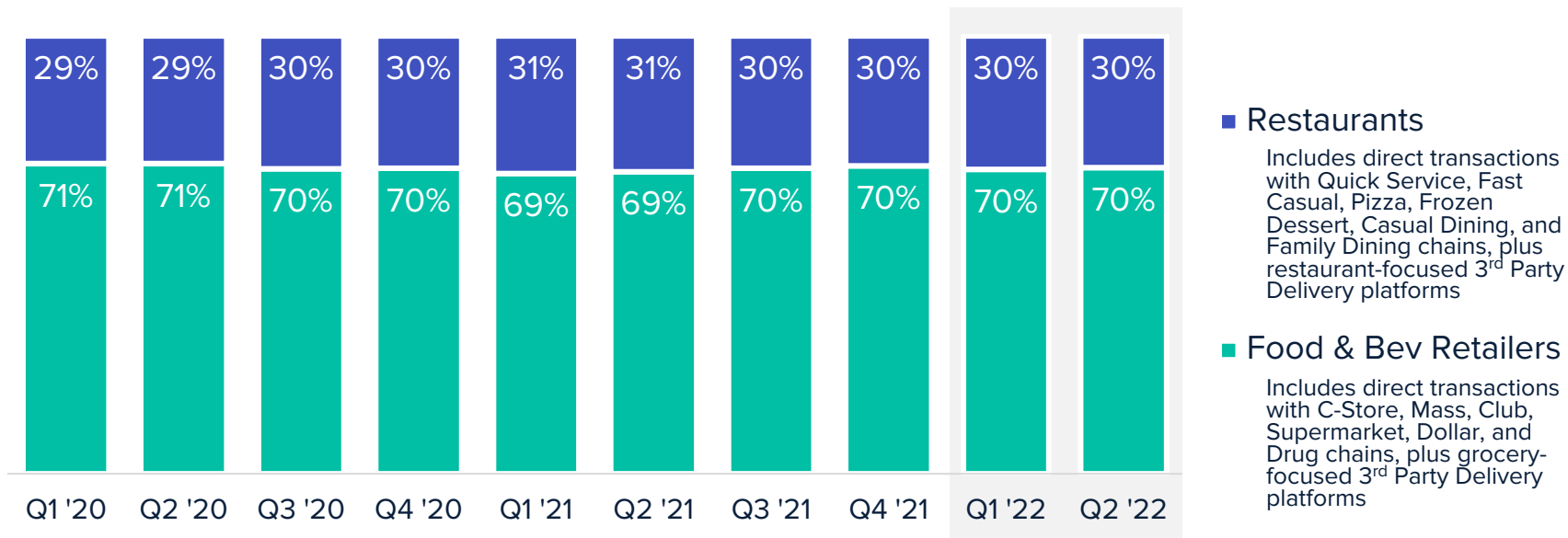
# Food & beverage deep dive

# Grocery vs. Restaurant share of stomach consistent

The proportion of transactions going to food/bev-focused retailers vs. restaurants has held stable over the first half of 2022. Though not shown, this is also generally true in proportion of \$ spent as well.

## Share of transactions by food / bev sector

US National; % of transactions going each industry category listed

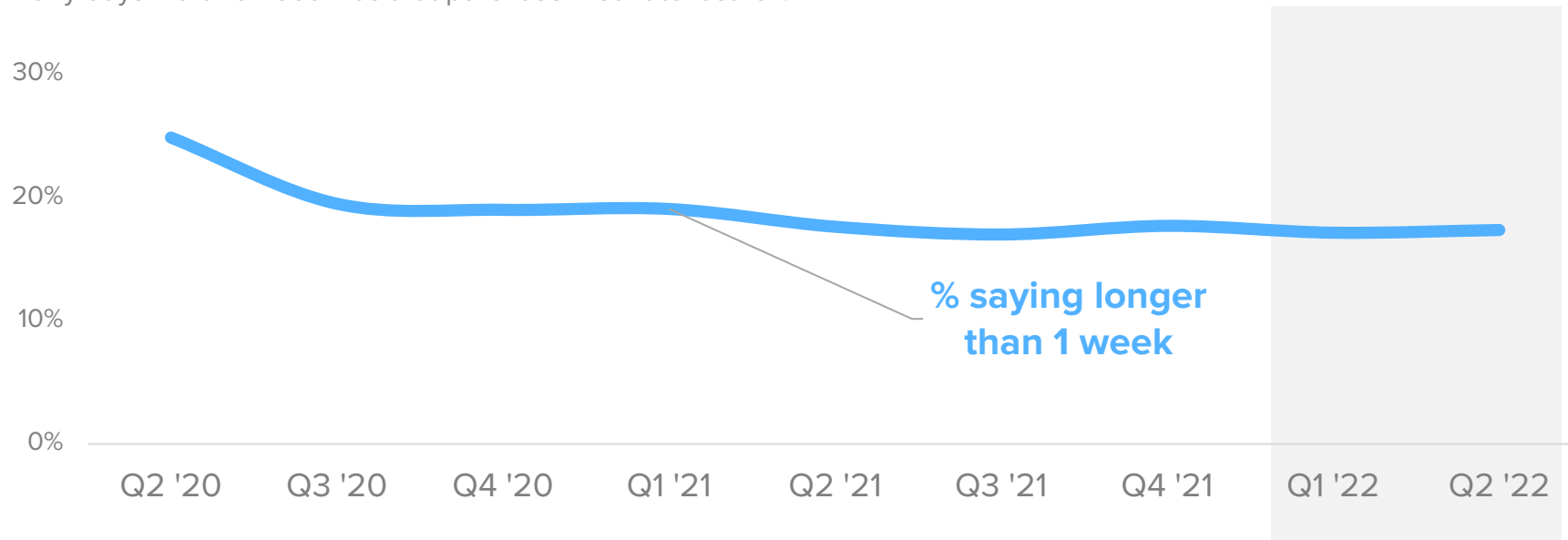


# This isn't also just a shift to bigger grocery stock-ups

The quantity of food purchases at a grocery trip also don't seem to have changed much, hovering below 2020 levels in terms of how long the food purchased is meant to last.

## How long grocery purchase was meant to last

You indicated at least some of your food yesterday came from a grocery store. When those groceries were purchased, how many days worth of food was that purchase meant to last for?

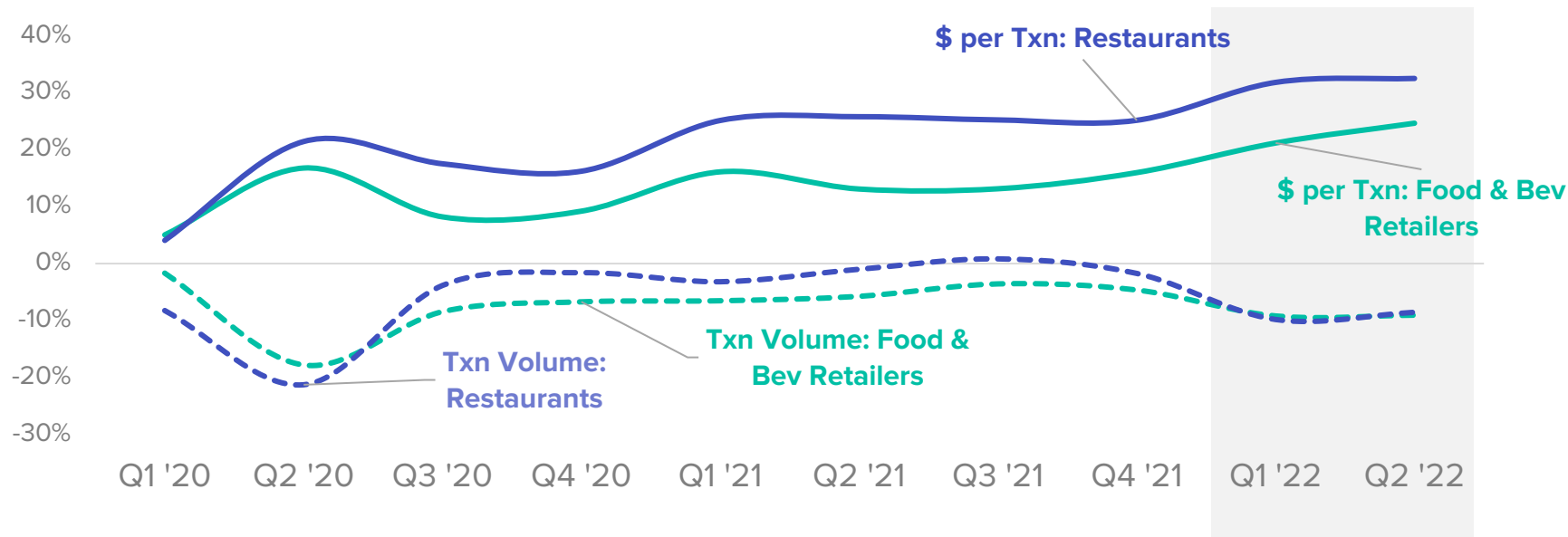


# Both sectors are seeing modest transaction declines

However, sales are partially trading water since check size continues to grow both year-over-year and vs. 2019 levels, driven by price increases.

## Food / Bev transactions and \$ per transaction trends

Relative % change vs. equivalent quarter in 2019; US National



# Groceries are being chosen over restaurants for value

When a consumer chooses to groceries over restaurant food, it is even more common now than in '21 to be for affordability reasons. Choosing restaurants is now more driven by lack of time to cook and promos.

## Biggest changes in restaurant vs. grocery choice drivers: Q2 2022 vs. Q2 2021

You indicated at least some of the food you ate yesterday came from a [restaurant; grocery / convenience store]. For that particular food, why did you choose to get it from a [grocery / convenience store; restaurant] instead of [[flip option]]?

When choosing to  
eat from **restaurant**  
over **groceries**

**Did not have time / interest  
to prepare food myself**

(ranked 1 of 13 choices)

+3ppt

**Noticed a promotion /  
deal for this restaurant**

(ranked 7 of 13 choices)

+2ppt

When choosing to  
eat **groceries over**  
**restaurant**

**More affordable than  
food from a restaurant**

(ranked 1 of 13 choices)

+7ppt

**Wanted to get through  
food supply I already had**

(ranked 3 of 13 choices)

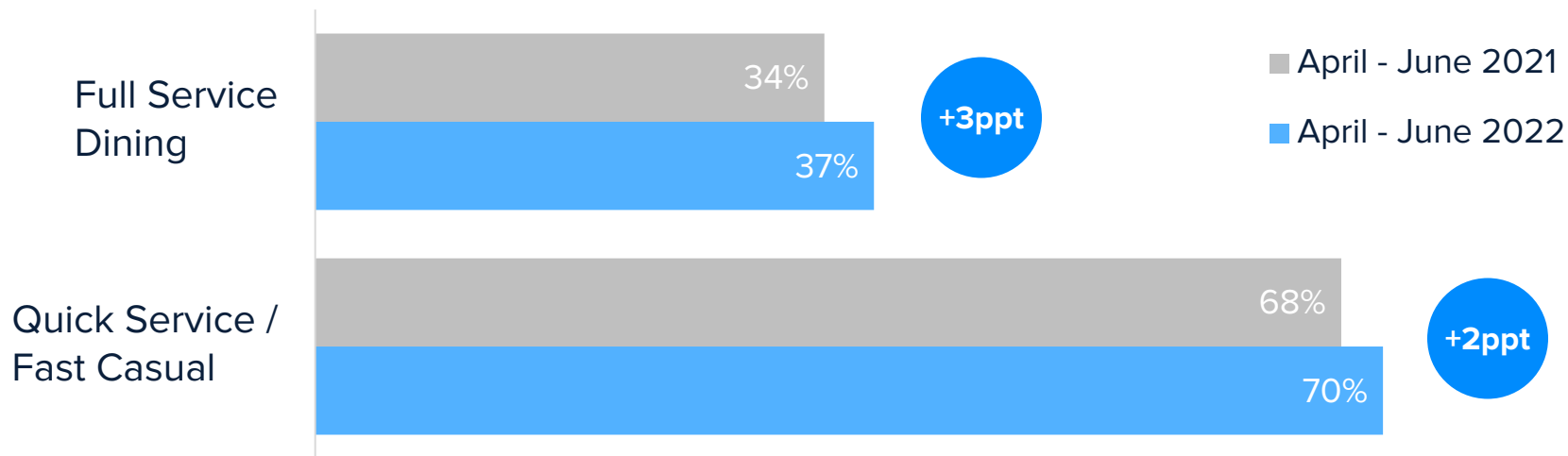
+2ppt

# Restaurant visits are getting a bit shorter in duration

Although many consumers are now back to dining-in after relying on delivery / to-go pickup earlier in the pandemic, many visitors seem to be relying on efficiency / convenience especially as labor is tight.

## Q2 '22 proportion of “short” visits at restaurants

Percent of visits to US restaurant category that lasted under 20 minutes in duration



# Club is a bright spot within food / bev retailers

Trending better than peers like Mass or Supermarket in terms of transaction volume, Club is rivaled in sales only by C-Store (which is getting most of its bump from gas price increases).

## Year-over-year spend, txn volume, and \$ per txn by select retail category

Q2 2022 vs. Q2 2021 Relative % change; US National

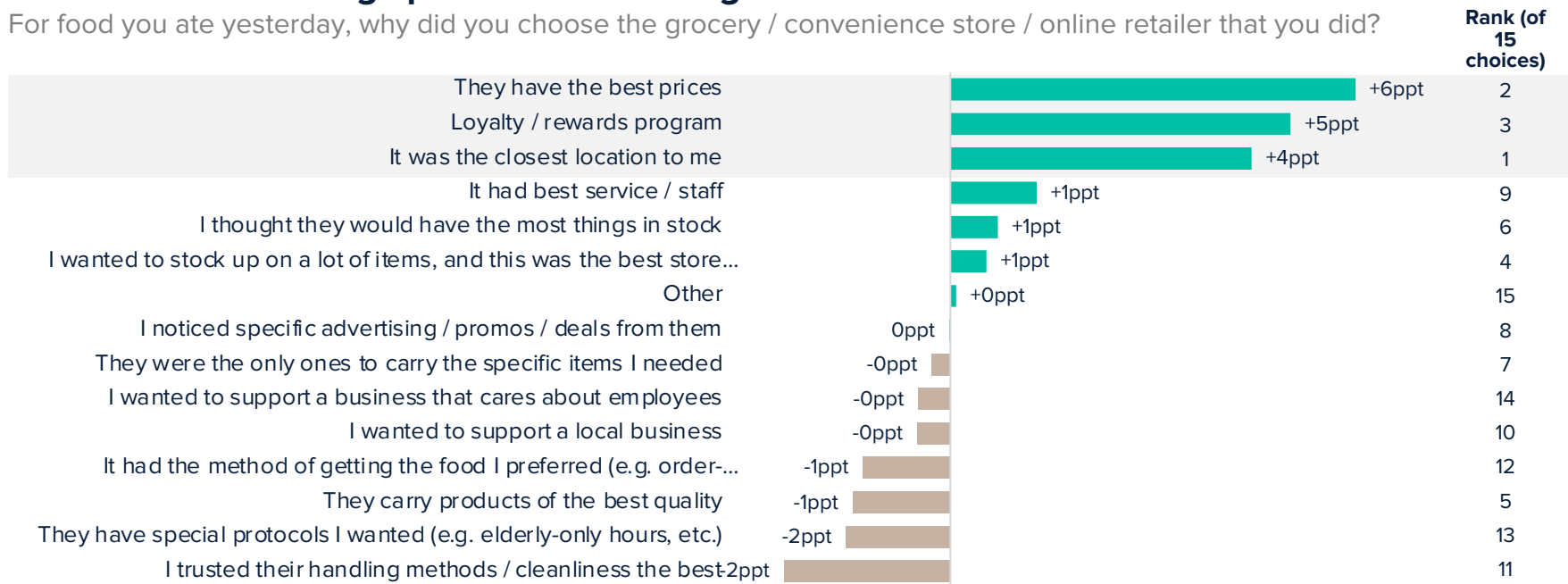
	Spend	Transactions	\$ per Transaction
C-Store (e.g. 7-Eleven, Circle K)	16%	-5%	23%
Club (e.g. Costco, Sam's Club)	13%	8%	4%
Supermarket (e.g. Kroger, Albertsons)	7%	2%	4%
Dollar (e.g. Dollar General, Dollar Tree)	0%	-4%	5%
Drug (e.g. CVS, Walgreens)	-1%	-3%	2%
Mass (e.g. Walmart, Target)	-6%	-7%	1%

# Subscription benefits are helping drive Club choice

One of the top growing reasons why consumers are choosing one retailer over another for groceries is “loyalty / rewards program”, alongside value and location convenience-driven reasons

## Reasons for choosing specific retailer for groceries: Q2 2022 vs. Q2 2021

For food you ate yesterday, why did you choose the grocery / convenience store / online retailer that you did?

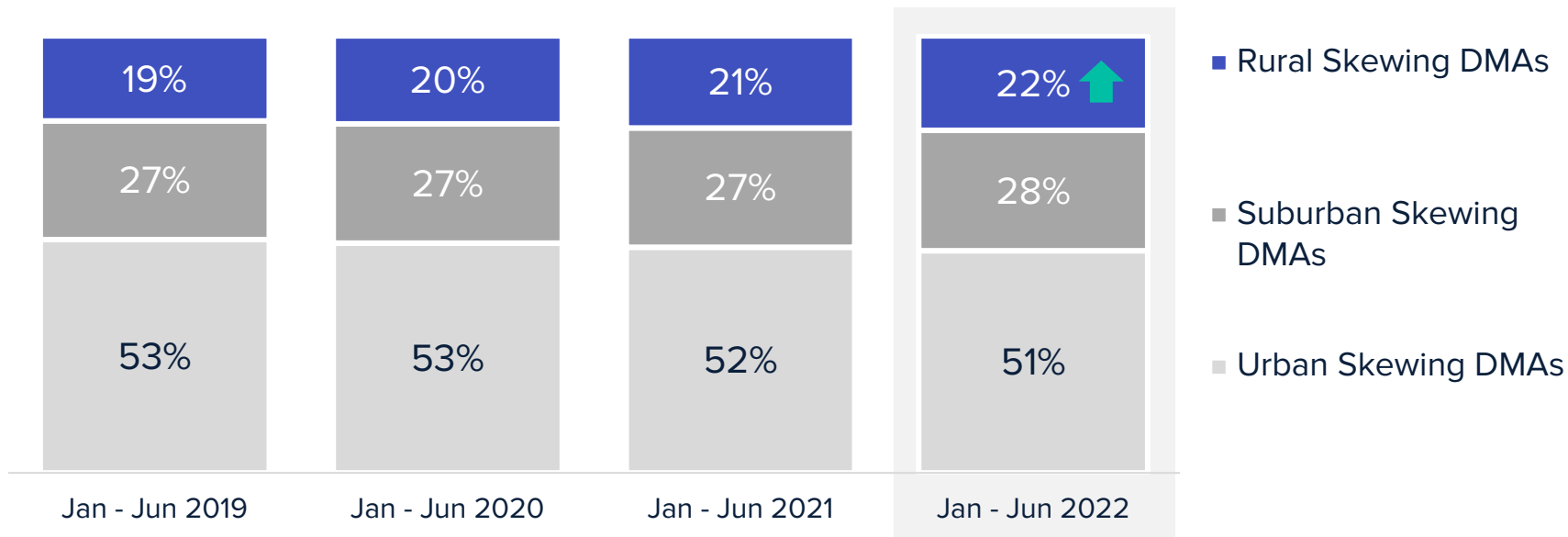


# Club's growth in rural geographies is also a key factor

The proportion of total spend on Club that is occurring in rural geographies continues to grow, and helping Club's presence in rural America catch up to its established presence in urban / suburban areas.

## Share of spend on Club category, by geographic region

US National; % of total Club spend by time period



# For restaurants, Pizza is one of year-over-year laggards

Once a bright spot for the restaurant category during the earlier parts of the COVID-19 pandemic, it has struggled year-over-year. Limited Service concepts like QS and FC are performing relatively better.

## Year-over-year spend, txn volume, and \$ per txn by select restaurant category

Q2 2022 vs. Q2 2021 Relative % change; US National

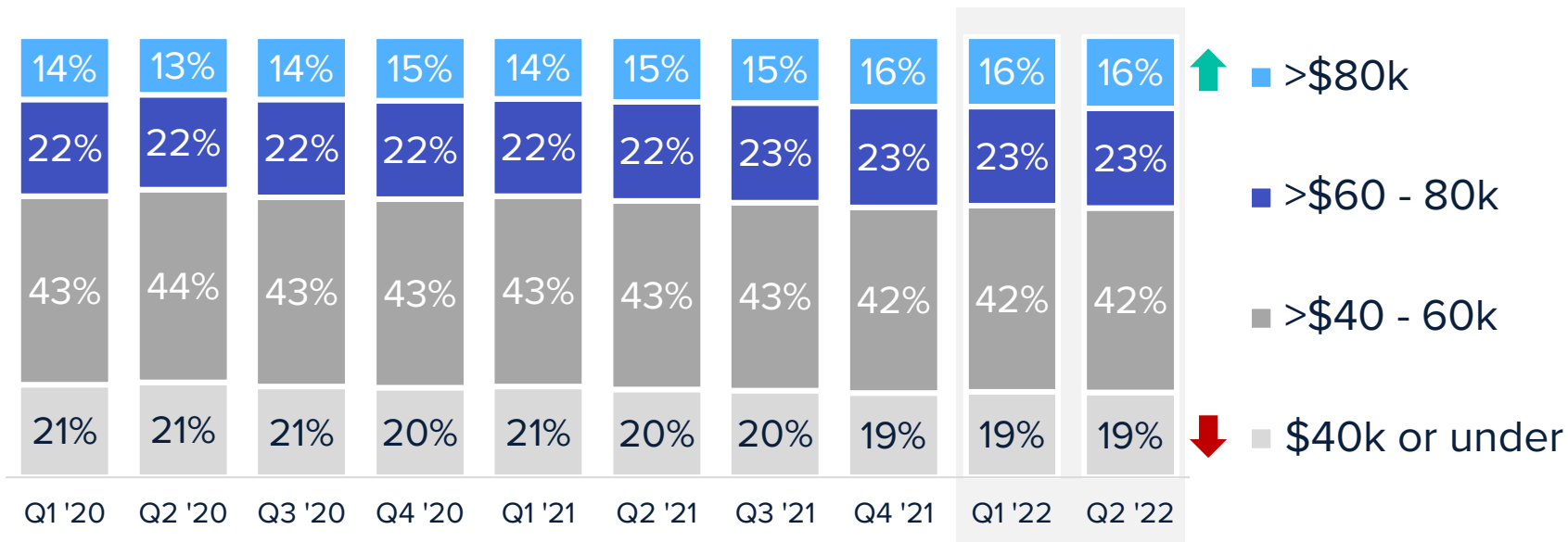
	Spend	Transactions	\$ per Transaction
Fast Casual (e.g. Chipotle, Panera)	0%	-5%	5%
Quick Service (e.g. McDonald's, Starbucks)	-4%	-9%	5%
Frozen Desserts (e.g. Baskin-Robbins, Ben & Jerry's)	-6%	-10%	6%
Casual Dining (e.g. Applebee's Olive Garden)	-6%	-10%	5%
Family Dining (e.g. Denny's, IHOP)	-9%	-14%	7%
Pizza (e.g. Domino's, Papa John's)	-11%	-15%	5%

# The low income are the ones cutting back on restaurants

The proportion of total restaurant spend that comes from higher income consumers has grown, with a corresponding decline in the proportion that comes from lower income consumers.

## Distribution of restaurant spend by household income level

US National; by quarter

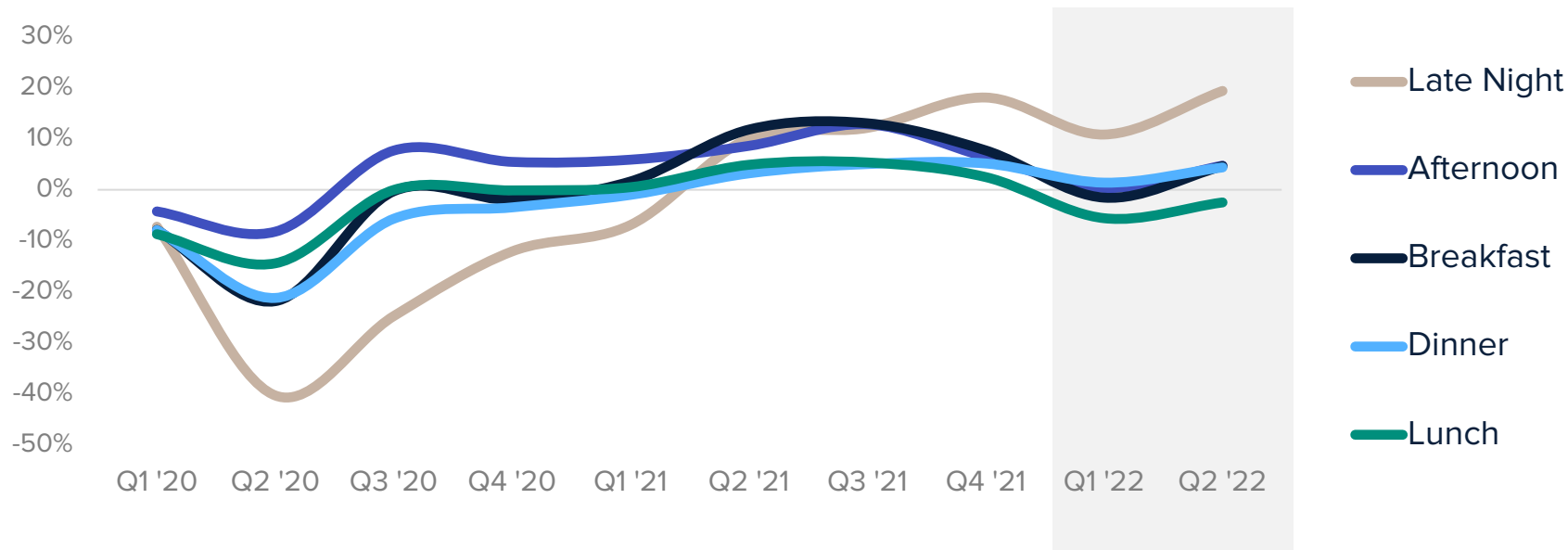


# Lunch and Dinner are the lagging dayparts

Though not further accelerating like trends seen in 2020 and early 2021, 3rd Party Delivery platforms for grocery and restaurant are holding on at roughly flat levels year-over-year.

## Restaurant Panel Sales trend by daypart

Relative % change vs. equivalent quarter in 2019; US National

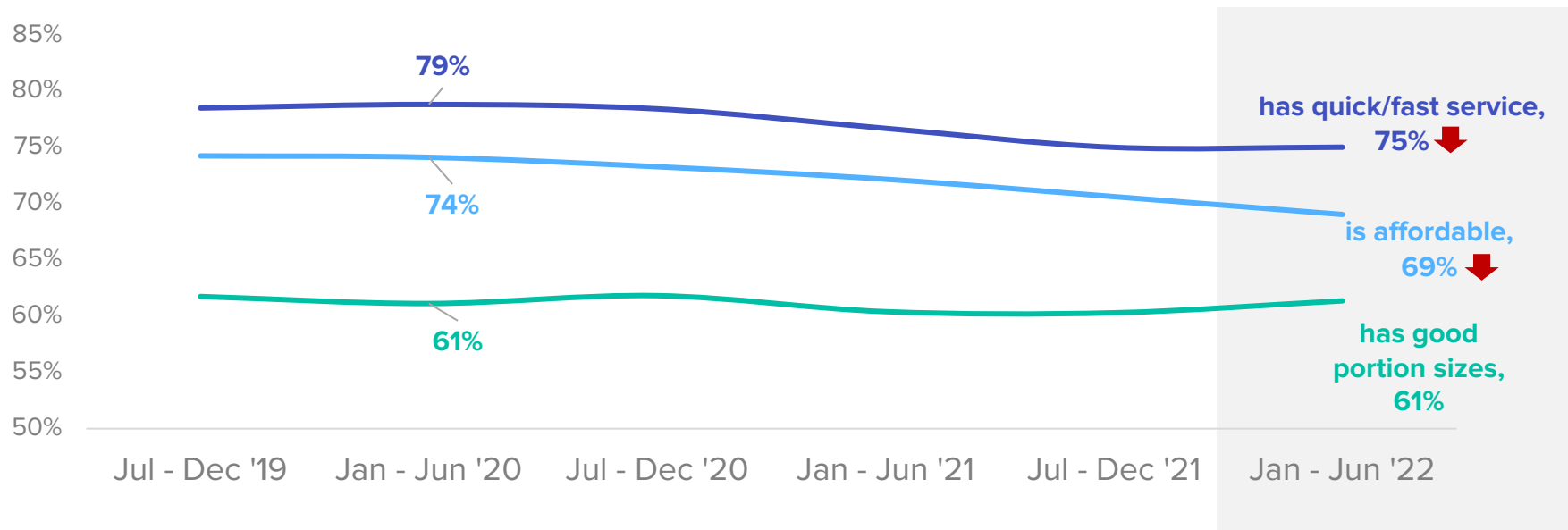


# Consumers are taking note of price and labor issues

Affordability and speed of service ratings are down for a group of QSR leaders, as inflation and labor shortages take effect. Consumers don't seem to notice skimping portion sizes, however.

## Average rating for group of QSR leaders, among prior 6 month visitors

US National; QSR Group = Burger King, Chick-fil-A, McDonald's, Sonic, Starbucks, Subway, Taco Bell, and Wendy's

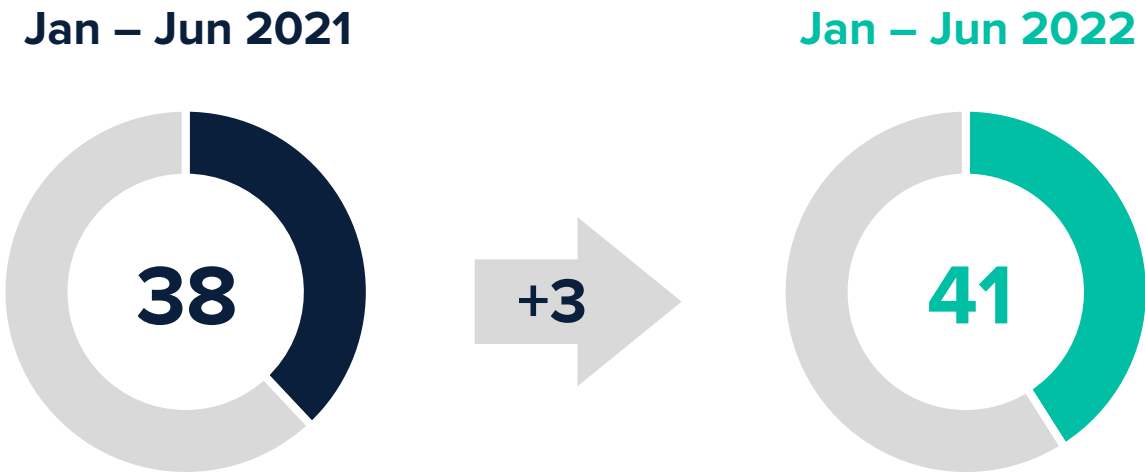


# Despite issues, likelihood to recommend (NPS) is steady

Despite declining perceptions for several attributes around affordability and service quality, the consumers that do still purchase from limited service restaurants are showing consistent satisfaction.

## Net Promoter Score (NPS) for average LSR restaurant: H1 '22 vs. H1 '21

US National; LSR group average of 26 quick service and fast casual brands





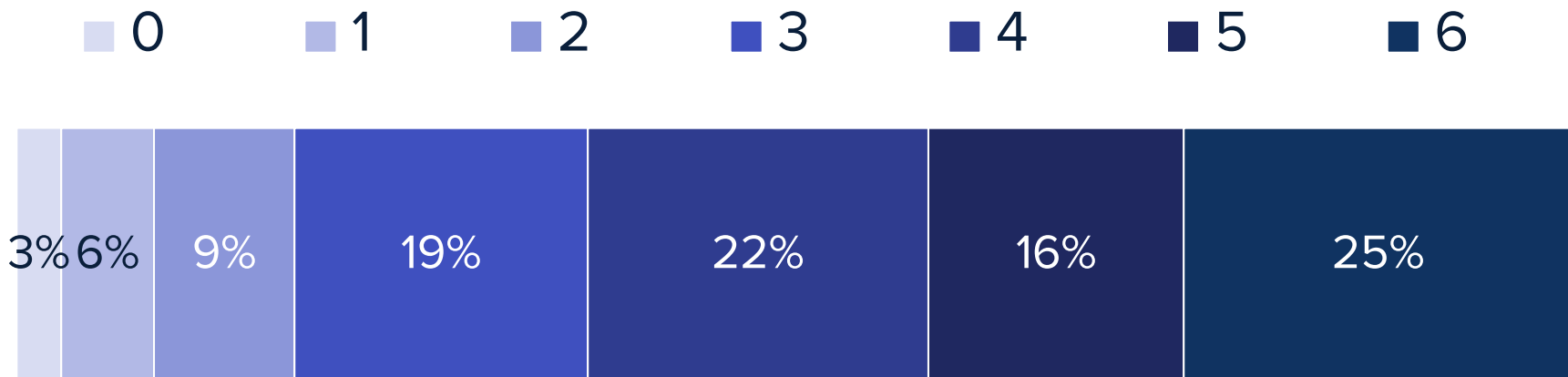
# Consumer outlook

# People say more price increases would affect them a lot

2 in 5 respondents believe the impact would be a 5 or 6 (on a scale of 6) for how much their purchase decisions would be affected by another 5% increase in prices.

## Perceived effect of another 5% price increase re: curbing shopper behavior

The latest data suggests inflation (prices being up) is, on average, about 8% to 9% compared to this time last year. If prices went up another 5%, where do you fall on the scale below in terms of how much that would affect your future purchase decisions?

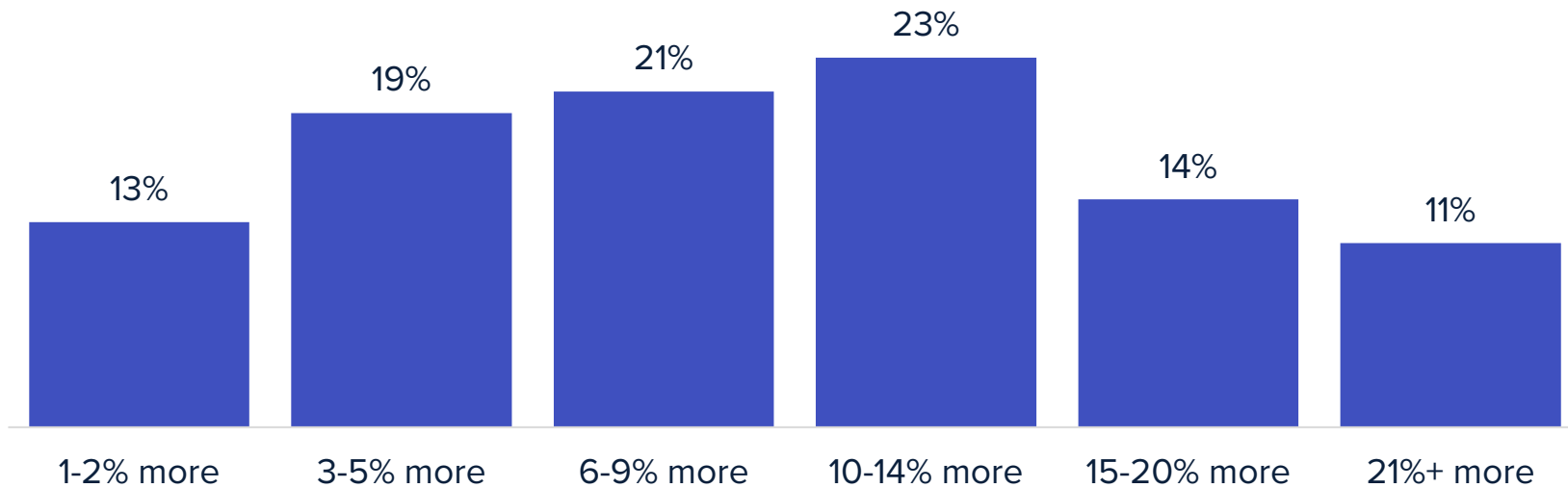


# If not feeling effects now, those would with 6%+ increase

Only about 25% of those who did not indicate an increase in prices is a top factor affecting their household currently say there would need to be another 15%+ increase to have a major effect.

## Those not feeling major inflation effects right now - when would they?

Earlier you did not select “increase in prices” as being one of the top factors affecting recent purchase decisions made by you / your household. How much more would prices have to increase before you would say they become a major factor in your household

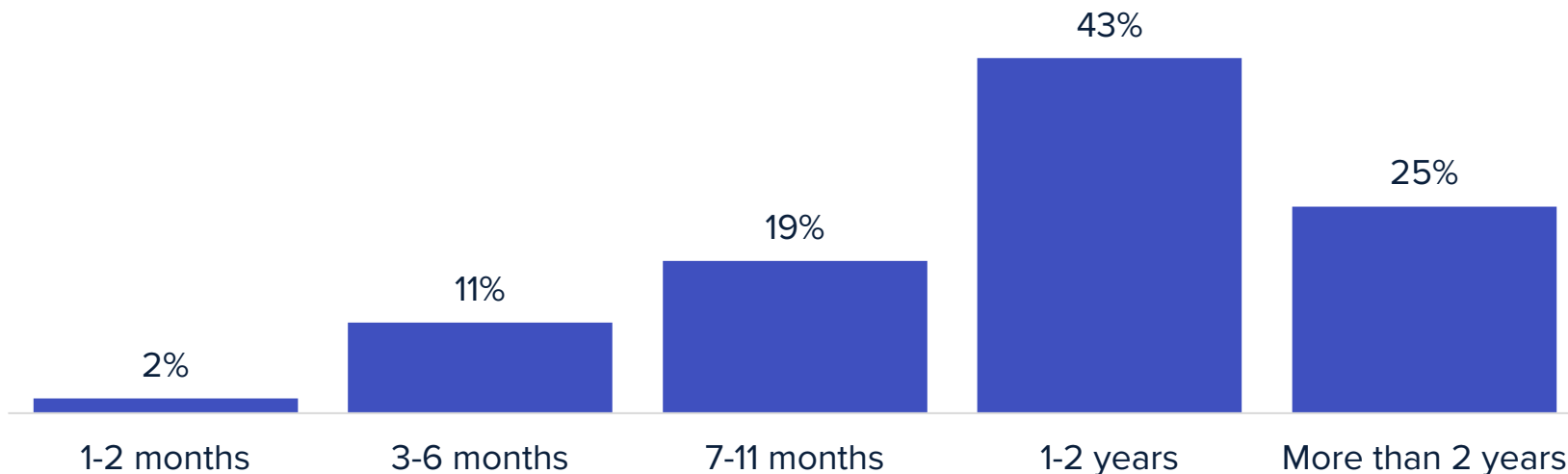


# People don't see inflation ending anytime soon

The vast majority believe it will be at least a year. 1 in 4 believe it will be more than two years.

## Expected length of time before inflation gets back to “normal” levels

Earlier you mentioned an increase in prices has had a large impact on the purchase decisions made by you / your household. How long do you expect this current wave of price increases to continue, before slowing down to a normal level?

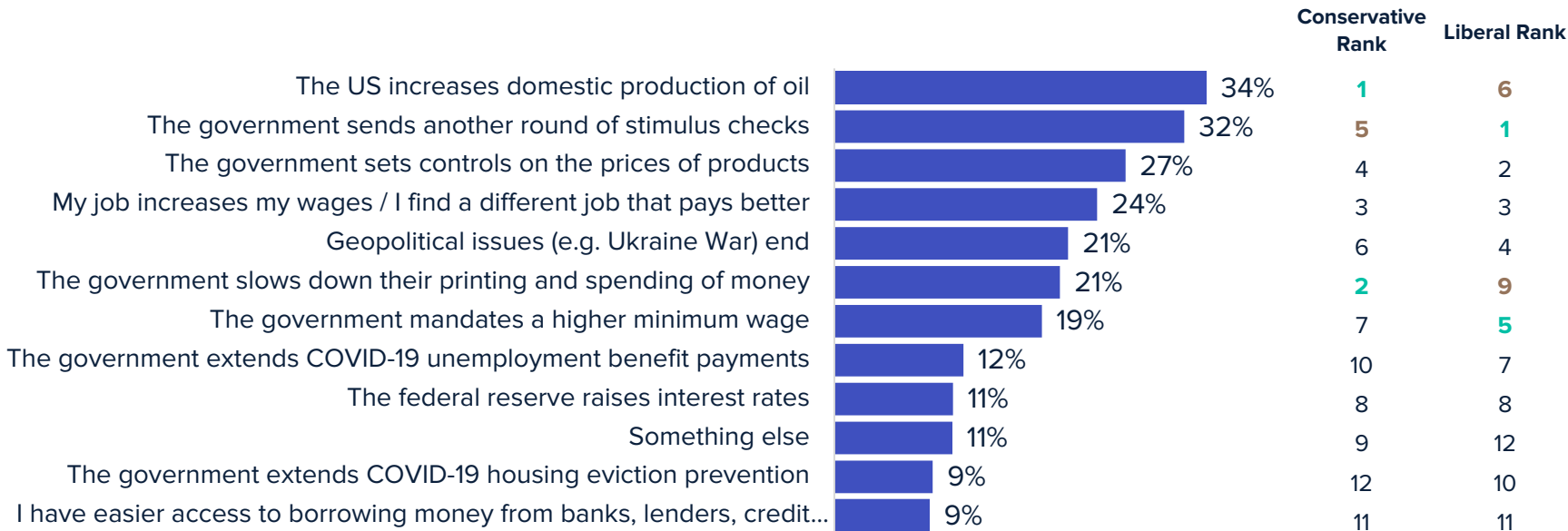


# There's little consensus on what is best to solve it

Political affiliation is an especially important driver in what people believe the best solutions are to alleviate inflation issues. But those ideas of solutions go in very different directions.

## Things believed to be best solutions to problems of inflation

What, in your view, would be the best things to happen in order to solve problems of inflation in the coming months?

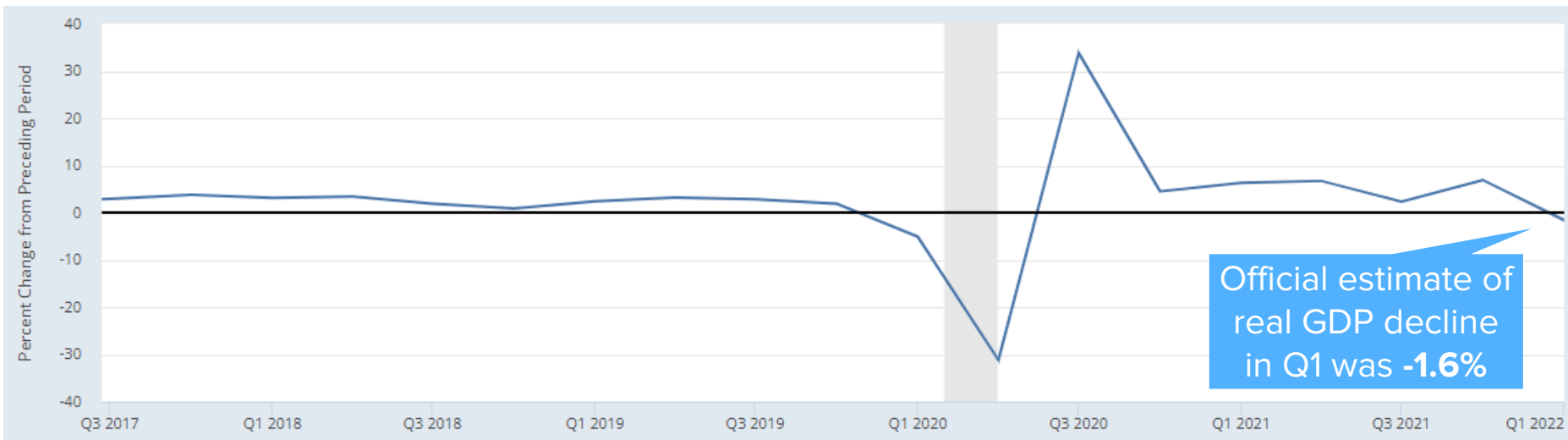


# It may be a close call on Q2 showing more GDP decline

With regard to the traditional definition of a recession (2+ consecutive quarters of Real GDP decline), the decline in Q1 2022 was evident but not extreme. If transaction trends for select retailers can serve as a rough proxy for official Q2 data, it may be a close call on if technically a recession has started.

## Real (inflation-adjusted) US GDP: Change from preceding quarter

Relative % change quarter-over-quarter



# Recap

## Biggest consumer behavior trends from the first half of 2022

- Public attention / fear toward COVID remains much lower year-over-year, with some lifestyle changes continuing toward “back to normal” like increased travel and reduced at-home activities. But digital ordering channel adoption and work-from-home have generally been sustained.
- Buy Now, Pay Later is an area of big change in H1 2022, with a reduction in use following massive growth in 2020 and 2021.
- Consumers increasingly cite inflation as the biggest factor affecting household decisions, and they widely indicate they have curbed consumption as a way of dealing with it (especially for “nonessential” product categories). Transaction data corroborates this view with weakened transaction momentum for many retailers.
- Changes in transaction volume with corresponding increases in \$ per transaction have been similarly felt across grocery and restaurant, leading to a near-stalemate in the share of stomach battle. Club retailers seem to be emerging as the biggest recent winners, due to their value proposition from subscription membership plus geographic expansion.
- Restaurants are holding on to market share primarily for speed / convenience at a time when people do not have the time or interest in preparing meals at home, and restaurant satisfaction has not taken a notable dip despite labor issues affecting the experience.
- Consumers indicate they are hitting a breaking point on tolerance of inflation, with many unable to make ends meet and indicating another 5% increase in prices would be substantial to their future purchase decisions. However, they also are pessimistic on expectation of when inflation will be under control and differ widely (and heavily along political lines) in ideal solutions to fix it.
- With a recession possible (as of 7/26) depending on government real GDP calculations for Q2, early indication from transaction data compared to Q1 trends suggests it will be a close call. The drop in real GDP in Q1 was under 2%, so a nearly-flat or slightly-down GDP trend may be on the horizon again.

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Thank You

# Food / Bev Industry Category Definitions & Example Brands

Supermarket



Club



Mass



Drug



Dollar



Convenience Store



# Food / Bev Industry Category Definitions & Example Brands

Quick Service (LSR)



Fast Casual (LSR)



Pizza (LSR)



Frozen Desserts (LSR)



Casual Dining (FSR)



Family Dining (FSR)

