Medallia Market Research Suite

The Biggest Consumer Trends of 2023 (So Far)

Andrew Custage
Head of Insights, Medallia Market Research
Real-world behaviors. One-click analysis.

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:32 AM</td>
<td>Check out of hotel $129.00</td>
<td>Marriott</td>
</tr>
<tr>
<td>9:01 AM</td>
<td>Grab coffee $6.39</td>
<td>Starbucks</td>
</tr>
<tr>
<td>11:15 AM</td>
<td>Stock-up $110.26</td>
<td>Doordash</td>
</tr>
</tbody>
</table>

1:36 PM  Order lunch for pickup $12.26

**Survey:** Why did you visit Target?

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**Panel Sales**

- Walmart panel sales decreased -6.4% YOY in May 2022 in National, underperforming Competitive Set by -5.8 pp and outperforming past 3 months Walmart YOY performance by 5.2 pp

**Channel Panel Sales**

<table>
<thead>
<tr>
<th>Channel</th>
<th>IP Physical</th>
<th>IP Digital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart</td>
<td>-3%</td>
<td>-30%</td>
</tr>
</tbody>
</table>

**Comparative Set**

- Walmart: -6%
- Competitive Set: -1%

**Detailed Analysis**

- Panel Sales
- Penetration: -7.1%
- Frequency: -1%
- Average Basket Size: +1.8%
- Visit Share: -0.5%
Session Contents

The Biggest Consumer Trends of 2023 (So Far)

- Evolving Lifestyles
- The Economy’s Effects on Shopper Mentality
- How Much has Consumer Spending Changed?
- How Shopping is Done in 2023
- Future Outlook on Consumer Spending
Evolving Lifestyles
People indicate a slight shift back to going into a workplace (vs. working from home)

**Work changes in ‘23 (so far) vs. in ‘22**

For you personally, how has each of the following compare in 2023 (so far) vs. this time last year (in 2022)? Select the choice that best applies.

<table>
<thead>
<tr>
<th>Category</th>
<th>Less than in 2022</th>
<th>More than in 2022</th>
<th>Net ppt difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of hours spent working at a job</td>
<td>-21%</td>
<td>21%</td>
<td>0ppt</td>
</tr>
<tr>
<td>Amount of money made working</td>
<td>-27%</td>
<td>22%</td>
<td>-5ppt</td>
</tr>
<tr>
<td>Amount of days spent working from home (vs. going into the workplace)</td>
<td>-19%</td>
<td>13%</td>
<td>-6ppt</td>
</tr>
</tbody>
</table>

From Medallia Market Research August 2023 US Gen Pop Survey (n = 2,276). Figures shown exclude “same as in 2022” and “N/A.”
Of full time employees, the % going into work has continued to slightly creep up over 2023

**Full Time Employment Distribution by Week**

<table>
<thead>
<tr>
<th></th>
<th>June '23</th>
<th>July '23</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>70%</td>
<td>71%</td>
<td></td>
</tr>
</tbody>
</table>

- Full Time (working from home)
- Full Time (going into work)

**“Full Time (Going into Work)”**

Trend by month, starting March '20

- Mar-23: 71%

Based on Sense360 Daily Food Diary (n = ~2000 monthly). Among those working full time
Concern over COVID has widely disappeared

“Safety precautions due to COVID-19 are non-existent in my daily life now”

48% Agree

COVID Concern changes in ‘23 (so far) vs. in ‘22
For you personally, how has each of the following compare in 2023 (so far) vs. this time last year (in 2022)? Select the choice that best applies

Worrying / caution regarding COVID-19

- Less than in 2022
- More than in 2022

Net ppt difference

-46% 11% -35ppt
People report 2023 has had a reduced focus on healthiness, and more at-home vs. away from home leisure

**Lifestyle changes in ’23 (so far) vs. in ’22**
For you personally, how has each of the following compare in 2023 (so far) vs. this time last year (in 2022)? Select the choice that best applies

<table>
<thead>
<tr>
<th>Category</th>
<th>Less than in 2022</th>
<th>More than in 2022</th>
<th>Net ppt difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of television / streaming content watched</td>
<td>-21%</td>
<td>26%</td>
<td>+5ppt</td>
</tr>
<tr>
<td>Amount of time on social media</td>
<td>-23%</td>
<td>24%</td>
<td>+1ppt</td>
</tr>
<tr>
<td>Healthiness of food consumed</td>
<td>-25%</td>
<td>21%</td>
<td>-4ppt</td>
</tr>
<tr>
<td>Amount of time exercising</td>
<td>-27%</td>
<td>21%</td>
<td>-6ppt</td>
</tr>
<tr>
<td>Amount of in-person events (e.g. theater, sports, concerts, etc.) attended</td>
<td>-35%</td>
<td>16%</td>
<td>-19ppt</td>
</tr>
<tr>
<td>Total amount of money spent on fun / leisure</td>
<td>-42%</td>
<td>16%</td>
<td>-26ppt</td>
</tr>
</tbody>
</table>

From Medallia Market Research August 2023 US Gen Pop Survey (n = 2,276). Figures shown exclude “same as in 2022” and “N/A”
Retail post-visit purchase logging corroborates the increasing indifference toward exercise, with sporting good / fitness item incidence down.

**Sporting Goods / Fitness Products: % of Retail Visitors Purchasing**
US National; Retail Average by Quarter (among 20+ Retailers Tracked)
Brand social media presence is increasingly important, even vs. last year

Generative AI tools may become the next frontier for product discovery as well.

“Social media is playing a bigger role in how I find out about products and brands now than it did a year ago”

41% Agree

% selecting true, by statement

I have found out about a new product or brand by seeing content on Facebook
42%

I have found out about a new product or brand by seeing content on TikTok
35%

I have found out about a new product or brand by seeing content on Instagram
33%

I have tried using an artificial intelligence tool like ChatGPT (for any reason)
29%

I have tried using an artificial intelligence tool like ChatGPT for ideas / lists of things to buy or where to shop
22%
Reaching Gen Z means being visible on user-generated content platforms

They are more likely to spend 15+ hours per week on video platforms like YouTube, Twitch, or TikTok than watching regular TV.

% saying they average 15+ hours per week on given activity
For each of the following, select the choice that is your best estimate of how much time you spend per week on average.

- Watching user-posted videos on video platforms (e.g. YouTube, Twitch, etc.)
- Watching user-posted videos on social media (e.g. TikTok, Instagram, etc.)
- Playing video games
- Watching streaming service original TV shows
- Watching live TV (e.g. network, cable, or satellite channels)

[Bar chart showing distribution of time spent on each activity by different age groups: Gen Z, Millennial, Gen X, Boomer]
The Economy’s Effects on Shopper Mentality
Price is still top of mind when people choose what to buy and where to shop

It is more often cited as growing importance than other factors like convenience / experience or brand identity / social-consciousness.

% Agreement re: retail drivers of choice
For each of the following, select the choice that best represents your feelings. % selecting 4 or 5 on 1-5 scale

“Price of products is more important to me now than it was a year ago”
61%

“Convenience of shopping (location, speed, experience) is more important to me now than it was a year ago”
51%

“Brands that are environmentally or socially-conscious are a bigger factor in my shopping decisions now than they were a year ago”
35%
“Changes to the price of products” continues to be the top factor for household decisions...

### 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?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes to the price of products I shop for</td>
<td>43%</td>
</tr>
<tr>
<td>Trying to pay down debt</td>
<td>31%</td>
</tr>
<tr>
<td>Unforeseen spending needs (repairs, replacements, etc.)</td>
<td>26%</td>
</tr>
<tr>
<td>Change in my health / health of others in my household</td>
<td>14%</td>
</tr>
<tr>
<td>Change in amount of money made in current job</td>
<td>14%</td>
</tr>
<tr>
<td>Change in employment status for me / someone in my household</td>
<td>13%</td>
</tr>
<tr>
<td>New interests / hobbies</td>
<td>12%</td>
</tr>
<tr>
<td>Ability to borrow / access to credit (interest rates, loan approvals, etc.)</td>
<td>11%</td>
</tr>
<tr>
<td>Change in government-provided financial support (e.g. benefits, stimulus..)</td>
<td>9%</td>
</tr>
<tr>
<td>Moved to a new location</td>
<td>9%</td>
</tr>
<tr>
<td>Something else not listed here</td>
<td>7%</td>
</tr>
<tr>
<td>Changes in amount of staff / service level at retailers or restaurants</td>
<td>5%</td>
</tr>
<tr>
<td>Change in government policies regarding COVID-19</td>
<td>5%</td>
</tr>
<tr>
<td>No longer receiving forbearance on bills (rent, loan payments)</td>
<td>5%</td>
</tr>
<tr>
<td>Kids returning to school</td>
<td>4%</td>
</tr>
<tr>
<td>None of these</td>
<td>12%</td>
</tr>
</tbody>
</table>
...but paying down debt is growing as a factor

“Changes to the price of products I shop for” has been stagnant in how often it is rated as a top factor, while “Trying to pay down debt” has grown heavily over 2 years.

Top factors affecting household purchase decisions: trend

Which of the following, if any, have affected purchase decisions for your household the most over the last 3 months? Top 2

From Medallia Market Research June 2023 US Gen Pop Survey (n = 2,001)
And promos / deals are growing as the specific way of drawing shoppers, vs. low base prices

### Retail Drivers of Choice

% of Respondents, of those who in day prior to taking survey ate food originally sourced from a grocery / convenience / online retail store

<table>
<thead>
<tr>
<th>For food you ate yesterday, why did you choose the grocery / convenience store / online retailer that you did?</th>
<th>Jan '23</th>
<th>Feb '23</th>
<th>Mar '23</th>
<th>Apr '23</th>
<th>May '23</th>
<th>Jun '23</th>
<th>Jul '23</th>
<th>MoM Change</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>It was the closest location to me</td>
<td>36%</td>
<td>38%</td>
<td>36%</td>
<td>37%</td>
<td>35%</td>
<td>38%</td>
<td>37%</td>
<td>-1ppt</td>
<td>-4ppt</td>
</tr>
<tr>
<td>They have the best prices</td>
<td>35%</td>
<td>37%</td>
<td>35%</td>
<td>37%</td>
<td>37%</td>
<td>40%</td>
<td>36%</td>
<td>-4ppt</td>
<td>-1ppt</td>
</tr>
<tr>
<td>Loyalty / rewards program</td>
<td>22%</td>
<td>23%</td>
<td>23%</td>
<td>26%</td>
<td>25%</td>
<td>25%</td>
<td>23%</td>
<td>-2ppt</td>
<td>0ppt</td>
</tr>
<tr>
<td>I wanted to stock up on a lot of items, and this was the best store for it</td>
<td>20%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>18%</td>
<td>19%</td>
<td>+1ppt</td>
<td>+1ppt</td>
</tr>
<tr>
<td>They carry products of the best quality</td>
<td>18%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td>18%</td>
<td>17%</td>
<td>18%</td>
<td>+1ppt</td>
<td>+1ppt</td>
</tr>
<tr>
<td>I thought they would have the most things in stock</td>
<td>16%</td>
<td>16%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>16%</td>
<td>+1ppt</td>
<td>+1ppt</td>
</tr>
<tr>
<td>I noticed specific advertising / promos / deals from them</td>
<td>10%</td>
<td>10%</td>
<td>11%</td>
<td>12%</td>
<td>11%</td>
<td>12%</td>
<td>12%</td>
<td>0ppt</td>
<td>+2ppt</td>
</tr>
<tr>
<td>I trusted their handling methods / cleanliness the best</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>10%</td>
<td>+2ppt</td>
<td>+1ppt</td>
</tr>
<tr>
<td>It had best service / staff</td>
<td>8%</td>
<td>9%</td>
<td>8%</td>
<td>9%</td>
<td>7%</td>
<td>8%</td>
<td>9%</td>
<td>+1ppt</td>
<td>0ppt</td>
</tr>
<tr>
<td>It had the method of getting the food I preferred (e.g. order-ahead, delivery, etc.)</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
<td>7%</td>
<td>9%</td>
<td>8%</td>
<td>9%</td>
<td>+1ppt</td>
<td>+1ppt</td>
</tr>
<tr>
<td>They were the only ones to carry the specific items I needed</td>
<td>9%</td>
<td>9%</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>0ppt</td>
<td>-1ppt</td>
</tr>
<tr>
<td>I wanted to support a local business</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
<td>9%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>0ppt</td>
<td>-2ppt</td>
</tr>
<tr>
<td>They have special protocols I wanted (e.g. elderly-only hours, etc.)</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>6%</td>
<td>+2ppt</td>
<td>+2ppt</td>
</tr>
<tr>
<td>I wanted to support a business that cares about employees</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>0ppt</td>
<td>0ppt</td>
</tr>
</tbody>
</table>

Based on Sense360 Daily Food Diary (n = ~2000 monthly).
Consumers do want price increases partially softened by quality / service reductions...

Less than 1 in 5 want higher prices without any change to the product / service.

How consumers want brands to respond to inflation
You may have seen over the past year that prices for products have gone up substantially. Assuming retailers also have higher costs which have forced them to raise prices, what would you most prefer retailers do in the current environment?

- Reduce the quality or size of products: 16%
- Reduce staff and amount / speed of service provided to shoppers: 14%
- Raise the price of products: 18%
- A mix of each, without any single one to the full extent: 52%

Proportions generally unchanged vs. Jan ‘23 responses
...but this doesn’t give brands a free pass on eroding customer experience

Larger proportions of shoppers have had skeptical or disappointed views on how brands have been treating them recently (and only a third having positive views).

% Agreement: the current state of the shopping experience
For each of the following, select the choice that best represents your feelings; % selecting 4-5 on a 1-5 agreement scale.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compared to last year, I am more willing to speak up or provide feedback if a company is providing me with a poor experience</td>
<td>52%</td>
</tr>
<tr>
<td>This year, I have given up on making a purchase due to receiving poor service</td>
<td>33%</td>
</tr>
<tr>
<td>Companies today seem to be taking shortcuts that are making the customer experience worse</td>
<td>50%</td>
</tr>
<tr>
<td>Stores are using higher costs or labor shortages as an excuse to provide worse customer service</td>
<td>48%</td>
</tr>
<tr>
<td>Companies are doing a better job considering the unique needs and preferences of each individual customer than they were a year ago</td>
<td>32%</td>
</tr>
<tr>
<td>When interacting with brands, I feel the experience is more personalized now than a couple of years ago</td>
<td>32%</td>
</tr>
<tr>
<td>I notice better customer service when interacting with brands that charge higher prices</td>
<td>30%</td>
</tr>
</tbody>
</table>
How Much has Consumer Spending Changed?
Consumers continue to say they’ve found where to cut expenses

Less common ways are through more income or more debt / reduced savings

How consumers say they are adapting to the challenges of inflation

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

- Switching to buy fewer / cheaper products: 37%
- Avoiding eating out at restaurants: 36%
- Avoiding travel and leisure activities: 22%
- Using up savings I previously had: 19%
- Adding less to my savings / investments each month: 15%
- Reducing / stopping recurring payments I used to make (less on rent / mortgage, paying down...): 15%
- Using a car less often: 13%
- Taking on loans / credit card debts I haven’t paid back yet: 11%
- Receiving financial help from friends / family: 11%
- Took on an additional job / investment / other way to make extra money: 10%
- None of the above: 10%
- Received a pay raise in my current job: 10%
- Receiving more government benefits to help with costs: 8%
- Something else not listed here: 7%
- Found a job with better pay: 6%

Cutting expenditures
Offsetting with more income
More debt / reduced savings

Medallia Market Research June 2023 US Gen Pop Survey (n = 2,001)
1st half of ‘23 has differed from ‘22 most through adapting to inflation + consistency

What made 1st half of 2023 different from 2nd half of 2022
If you had to compare the year 2023 so far to the final few months of 2022, what would you say have been the most important differences in your daily life during that change in time period?

- Made lifestyle changes to reduce amount of purchases needed: 22%
- Learned to accept higher prices and plan financially for it: 22%
- Inflation rates, though still high, are more consistent: 15%
- Gas prices are more consistent: 21%
- Decreased social engagement with others: 14%
- Had a change in health: 14%
- Developed new hobbies: 12%
- Learned to accept out of stock items / shortages and plan accordingly: 12%
- Had a change in work / life balance (e.g. new hours, work travel, etc.): 11%
- Nothing: 11%
- Received more pay / found new ways to make money: 10%
- Learned to accept reduced service / amount of staff at stores / restaurants: 9%
- Interest rates for borrowing money increased: 9%
- Moved to a new location: 7%
- Increased social engagement with others: 7%
- Had a change in family / household (e.g. new child / partner, child / partner moved out, etc.): 7%
- Received a reduction in pay / lost job: 7%
- Something else not listed here: 7%
- Made new investments (e.g. stock market, home renovation, etc.): 6%

Adapting to inflation
Macroeconomic changes
Personal life changes
Work life / financial changes

From Medallia Market Research June 2023 US Gen Pop Survey (n = 2,001)
Adaptation to inflation has driven a variety of shopper behaviors

Large proportions are turning to more substitutes and more price research.

% Agreeing with 2023 shopping behavior changes
For each of the following, select the choice that best represents your feelings; % selecting 4-5 on a 1-5 agreement scale.

- I am doing more research now than I did previously to find out which store has the best prices for things I need: 56%
- I am doing more research now than I did previously to see if there will be a large price difference buying something online vs. going to the store for it: 55%
- Compared to last year, I am now more often shopping for off-brand / knock off products instead of the brand-name version: 50%
- Compared to last year, I am more willing to buy things online (even if normally I would go in-person for those items): 47%
- I am now more often looking to see the price difference of buying food directly from a restaurant / store vs. using a service like DoorDash, Uber Eats, Instacart, etc.: 45%
- Compared to last year, I am more willing to buy things in-person (even if normally I would go online for those items): 42%
- Compared to last year, I am now more often shopping for second-hand / used products instead of new ones: 41%

From Medallia Market Research August 2023 US Gen Pop Survey (n = 2,276)
But let’s have proper context – total spending has held more steady than what shoppers claim.

For a Retail average, both transaction volume and average spend per transaction are holding near flat year-over-year, with Txn volume actually seeing upward momentum as inflation cools down.

Retail Spend Drivers: Year-over-Year Trends

US National; Transactions based on combination of 20+ Retail Sectors (excludes cash)
The nuances are in where - household essentials have sustained better than specialty retail

Consumers continue to prioritize the “need-to-haves” like food and household goods, over the “nice-to-haves” for leisure or products that can wait to be replaced.

**Year-over-Year Panel Sales Trends by Retail Category**

US National; Select Retail Categories; Relative % Change Year-over-Year Average for Jan-Jun Monthly

<table>
<thead>
<tr>
<th>Retail Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-Com Only (e.g. Amazon)</td>
<td>+6%</td>
</tr>
<tr>
<td>Supermarket</td>
<td>+6%</td>
</tr>
<tr>
<td>Club</td>
<td>+5%</td>
</tr>
<tr>
<td>Dollar</td>
<td>+4%</td>
</tr>
<tr>
<td>Electronics</td>
<td>+3%</td>
</tr>
<tr>
<td>Mass</td>
<td>+2%</td>
</tr>
<tr>
<td>Drug</td>
<td>+1%</td>
</tr>
<tr>
<td>Sporting Goods</td>
<td>-3%</td>
</tr>
<tr>
<td>Home Improvement</td>
<td>-4%</td>
</tr>
<tr>
<td>C-Store (incl. gas)</td>
<td>-10%</td>
</tr>
<tr>
<td>Furniture</td>
<td>-14%</td>
</tr>
<tr>
<td>Apparel</td>
<td>-17%</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>-18%</td>
</tr>
</tbody>
</table>

Based on Sense360 Credit / Debit Transaction Panel of 5M+ US Consumers
Consumers continue to shop at Amazon more and more, a continuing trend

Prime Day 2023 outperformed the equivalent period in 2022.

**Amazon: Panel Sales by Week**
US National; Index (100 = on par with week beginning 8/2/21)

The Week of Prime Day outperformed the preceding 8 week average by 43% and the prior year’s week (when Prime Day ’22 occurred) by 12%

Based on Sense360 Credit / Debit Transaction Panel of 5M+ US Consumers
Lower income spending differently than higher income for some retail categories

Relatively higher income consumers haven’t further increased spend on Club as much as others, but also haven’t cut back as much on the “nice-to-haves” like Sporting Goods or Office Supplies.

Retail Panel Sales Change by Household Income
US National; Select Retail Categories Shown; Relative % Change vs. Month in Prior Year

Based on Sense360 Credit / Debit Transaction Panel of 5M+ US Consumers (non-standard, custom metric subject to restatement)
The share of stomach battle hasn’t moved in favor of grocery (yet), despite claims of restaurant cutbacks

Proportions of spend going toward restaurant vs. grocery are within a percentage point of where they were in ‘21, and are still more toward restaurant than in ‘19.

Share of Wallet: Restaurant vs. Grocery
US National; % of Panel Sales on Categories, by Month

Based on Sense360 Credit / Debit Transaction Panel of 5M+ US Consumers
The restaurant market is surprisingly stable too—seeing way less volatility brand-by-brand compared to ‘21 and ‘22.

A much smaller proportion of the top 100 restaurants (by 2023 sales to-date) are seeing swings in sales year-over-year outside of a ±10% range.

**Top 100 Restaurants: Year-over-Year Panel Sales Change**

US National; relative % change in time period vs. equivalent period in prior year

```
1. Jan-Jun 2021: Sales change distribution
   - Most changes are between -20% and 20%
2. Jan-Jun 2022: Sales change distribution
   - Changes are more spread out, with a higher proportion between -40% and 40%
3. Jan-Jun 2023: Sales change distribution
   - Changes are the most concentrated, with a high proportion between -10% and 10%
```

Based on Sense360 Credit/Debit Transaction Panel of 5M+ US Consumers
<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick Service</td>
<td>+9%</td>
</tr>
<tr>
<td>Fast Casual</td>
<td>+8%</td>
</tr>
<tr>
<td>Frozen Desserts</td>
<td>+5%</td>
</tr>
<tr>
<td>Family Dining</td>
<td>+3%</td>
</tr>
<tr>
<td>Casual Dining</td>
<td>+2%</td>
</tr>
<tr>
<td>Pizza</td>
<td>-1%</td>
</tr>
</tbody>
</table>

**Year-over-Year Panel Sales Change: Restaurant Categories**
US National; Relative % Change Monthly Average Jan – Jun ‘23 vs. ‘22

Limited Service Restaurants are generally outperforming Full Service, reflective of consumer trade-downs.

Pizza may be feeling the pain of delivery labor shortages, trend reversion after success in the pandemic, and sticker shock for a menu that caters more to larger party sizes instead of individuals.

*Based on Sense360 Credit / Debit Transaction Panel of 5M+ US Consumers. Excludes travel aggregators.*
Despite persistent inflation and labor shortage narratives, average NPS score has been unchanged year-over-year for both limited service and full service restaurants.

**Net Promoter Score (NPS) by Quarter, Restaurant Category Averages**

US National; Likelihood to Recommend (0-10 scale) proportion selecting 9-10 minus proportion selecting 0-6

---

**Graph:**

- **Full Service Restaurants:**
  - Q1 '20: 25
  - Q2 '20: 26
  - Q3 '20: 27
  - Q4 '20: 28
  - Q1 '21: 29
  - Q2 '21: 29
  - Q3 '21: 28
  - Q4 '21: 27
  - Q1 '22: 26
  - Q2 '22: 26
  - Q3 '22: 26
  - Q4 '22: 26
  - Q1 '23: 26
  - Q2 '23: 26

- **Limited Service Restaurants:**
  - Q1 '20: 20
  - Q2 '20: 21
  - Q3 '20: 22
  - Q4 '20: 22
  - Q1 '21: 22
  - Q2 '21: 22
  - Q3 '21: 22
  - Q4 '21: 22
  - Q1 '22: 22
  - Q2 '22: 22
  - Q3 '22: 22
  - Q4 '22: 22
  - Q1 '23: 22
  - Q2 '23: 22

---

Based on Sense360 Syndicated Brand Perceptions Survey
Brand Perceptions are far more consistent and unchanged than what was the case last year. Far fewer attributes have 2+ percentage point movements.

**Limited Service Restaurant Average Ratings by Attribute: Year-over-Year Change**

US National; percentage point change in time period vs. equivalent period in prior year

- **Q2 ‘22 vs. ‘21**
  - “Is affordable” change in 2022 (only attribute trending down)
  - -4ppt, -3ppt, -2ppt, -1ppt, 0ppt, 1ppt, 2ppt, 3ppt, 4ppt

- **Q2 ‘23 vs. ‘22**
  - “Is affordable” trend unchanged in 2023
  - -4ppt, -3ppt, -2ppt, -1ppt, 0ppt, 1ppt, 2ppt, 3ppt, 4ppt

*Based on Sense360 Syndicated Brand Perceptions Survey*
Year-over-Year Panel Sales Change: Travel / Hospitality
US National; Relative % Change Monthly Average Jan – Jun ‘23 vs. ‘22

- Cruises: +72%
- Airlines: +1%
- Hotels: -3%

What about Travel?

Airline and Hotel travel spend is roughly flat, despite consumer claims of cutbacks.

Cruises, though a small part of the total industry, continue to recover from pandemic lows and are far up in ’23 vs. ‘22.

Based on Sense360 Credit / Debit Transaction Panel of 5M+ US Consumers. Excludes travel aggregators.
Many American still are, or will be, traveling in 2023. But they’re trying to do it more frugally.

**Travel in 2023**
% responding yes; among travelers, % citing ways travel will differ from prior years

“Do you expect to, or have you already had, a travel vacation at any point in 2023?”

![Circle chart showing 48% Yes]

**What do you expect will make, or has made, 2023 travel different from 2022, if anything?**

*Top 3 differences, out of 11 choices:*

- I will be planning a trip that will cost less money than what I would normally spend **23%**
- I will be traveling for a shorter number of days than what I normally would do **22%**
- I will be staying in a different type of accommodation (e.g. hotel, Airbnb, friend / family home) than what we normally do **21%**
As of a summer early pulse, holiday travel is expected to be *slightly* higher than ‘22 levels

### Holiday travel last year vs. planned this year
Which best describes how you spent December holidays (e.g. Christmas, Hanukkah, etc.) in ‘22? / will spend in ’23?

<table>
<thead>
<tr>
<th>Activity</th>
<th>2022 Holidays</th>
<th>2023 Holiday expectations</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Host in own home</td>
<td>37%</td>
<td>36%</td>
<td>-1ppt</td>
</tr>
<tr>
<td>Someone else's home nearby</td>
<td>24%</td>
<td>24%</td>
<td>0ppt</td>
</tr>
<tr>
<td>Did not celebrate</td>
<td>13%</td>
<td>11%</td>
<td>-2ppt</td>
</tr>
<tr>
<td>Traveled by car to another city</td>
<td>16%</td>
<td>16%</td>
<td>+1ppt</td>
</tr>
<tr>
<td>Traveled by plane to another city</td>
<td>6%</td>
<td>8%</td>
<td>+2ppt</td>
</tr>
<tr>
<td>Traveled by train/bus to another city</td>
<td>4%</td>
<td>5%</td>
<td>+1ppt</td>
</tr>
</tbody>
</table>

From Medallia Market Research Holiday Shopping Plans Survey, fielded July 2023 (n = 2,210)
How Shopping is Done in 2023
A sizeable minority of the population is showing how fintech / payment trends are affecting their behavior

2023 Banking / Payments Behaviors
For each of the following statements, select what best applies to you. % selecting “True”

“Flexibility of payment options (e.g. digital wallets, buy now pay later, etc.) has caused me to choose one store over other this year”

34%

“This year, I have moved money into an account that pays me a better interest rate”

29%

From Medallia Market Research August 2023 US Gen Pop Survey (n = 2,276)
Buy Now, Pay Later continues to grow in use, though not at its astronomical pace in ’20-’21

Leading platforms like Klarna and Afterpay still are holding on to a more than tenfold growth level vs. four years ago.

Spend on select BNPL Platforms
Indexed Sales by Quarter (100 = On par with Afterpay in Jan 2019)

These two platforms combine to have +19% growth vs. June ’22 and +1700% growth vs. June ’19

Based on Sense360 Credit / Debit Transaction Panel of 5M+ US Consumers
Omnichannel paths are still common for big retail events

For many retail categories, barely more than half of shoppers will have a solely in-person journey on events like Black Friday or Cyber Monday.

**Likely shopper journey paths for BF / CM shopping, by product type**

For the types of items you expect to shop for on Black Friday / Cyber Monday this year, how do you think you will shop for each of them? Select the choice that best applies.

- Browse and buy in-store
- Browse online and buy in-store
- Browse and buy online for in-store / curbside pickup
- Browse in-store and buy online for delivery
- Browse and buy online for delivery
- Other

![Bar chart showing likely shopper journey paths for BF / CM shopping, by product type](chart.png)

Digital purchase adoption still growing, but slowly compared to last year

For examples retailers below, the proportion of spend coming through their digital channels (vs. in-person) continues to grow above 2019 levels but is behind temporary heights in 2020 due to COVID.

Proportion of Spend from Digital Channels, Select Retailers
% of First-Party (non-Third Party Delivery) Spend through Digital Channels (e.g. App, Website, etc.) and not In-Person at Point of Sale. Excludes Cash.

Based on Sense360 Credit / Debit Transaction Panel of 5M+ US Consumers (non-standard, custom metric subject to restatement)
Food ordering is still holding steady despite consumers saying they’re cutting back

Total spend on 3rd parties is close its highest levels ever (even including pandemic heights). Restaurant-focused platforms are faring better than grocery ones.

**Spend on Food / Bev 3rd Party Ordering Platforms**
Indexed Sales by Quarter (100 = On par with restaurant-focused platforms in Jan 2019)

- **Grocery-focused 3PO Platforms** (e.g. Instacart, Shipt)
  - YoY Relative % Change: -10%

- **Restaurant-focused 3PO Platforms** (e.g. DoorDash, Uber Eats)
  - YoY Relative % Change: +5%

Based on Sense360 Credit / Debit Transaction Panel of 5M+ US Consumers
Smaller party sizes for food ordering have remained

The average order was for a larger number of people in 2020-2021 (likely due to more sheltering at home), but this trend has returned to pre-pandemic values.

**Party size of food delivery order: % for 1-2 people**
For how many people was that most recent order?

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q3 2021</th>
<th>Q3 2022</th>
<th>Q2 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>1P Phone</td>
<td>53%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1P Digital</td>
<td>53%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3P Digital</td>
<td>62%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From Medallia Market Research Delivery Survey, fielded April 2023. n = 1,386 prior delivery users
Quick to-go / pickup orders are slightly shrinking as a % of limited service restaurant visits

They make up 7 fewer percentage points of restaurant visits than they did in Q2 2020 at the height of COVID social distancing.

**Quick Service / Fast Casual Restaurant Visits: % 20 Minutes or Under**

Distribution of visits based on time duration (in-person restaurant visits only, excluding delivery)

<table>
<thead>
<tr>
<th>Year</th>
<th>74%</th>
<th>68%</th>
<th>70%</th>
<th>67%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on Sense360 Smartphone Location Panel (non-standard, custom metric subject to restatement)
Future Outlook on Consumer Spending
Many households are struggling financially, but it doesn’t seem to be getting worse over time

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

<table>
<thead>
<tr>
<th>% of Respondents</th>
<th>June '23</th>
<th>July '23</th>
</tr>
</thead>
<tbody>
<tr>
<td>9%</td>
<td>11%</td>
<td>Covering all required bills / household needs, and saving even more than goal amount</td>
</tr>
<tr>
<td>17%</td>
<td>18%</td>
<td>Covering all required bills / household needs, and saving goal amount of money</td>
</tr>
<tr>
<td>34%</td>
<td>33%</td>
<td>Covering all required bills / household needs, saving some money but less than goal amount</td>
</tr>
<tr>
<td>30%</td>
<td>28%</td>
<td>Just making ends meet (paying all required bills / household needs, but saving no money)</td>
</tr>
<tr>
<td>10%</td>
<td>9%</td>
<td>Unable to pay all required bills / purchase all household needs</td>
</tr>
</tbody>
</table>

Grouped: “Just making ends meet” or “Unable to pay required bills”

Trend by month, starting August ‘22

Based on Sense360 Daily Food Diary (n = ~2000 monthly).
People have concerns over the economy itself...

1 in 5 rate their level of concern as the highest possible, while under 1 in 10 rate their feelings as the most optimistic.

**Feelings on state of economy by end of 2023**

How do you feel about the future state of the economy by the end of this year (2023)? 0 = very concerned, 10 = very positive / optimistic.

<table>
<thead>
<tr>
<th>Level of Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - very concerned</td>
<td>21%</td>
</tr>
<tr>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td>4</td>
<td>9%</td>
</tr>
<tr>
<td>5</td>
<td>15%</td>
</tr>
<tr>
<td>6</td>
<td>7%</td>
</tr>
<tr>
<td>7</td>
<td>9%</td>
</tr>
<tr>
<td>8</td>
<td>5%</td>
</tr>
<tr>
<td>9</td>
<td>2%</td>
</tr>
<tr>
<td>10 - very positive / optimistic</td>
<td>8%</td>
</tr>
</tbody>
</table>
...but are still personally optimistic about their finances by the end of ‘23

Expectations, whether hopeful or backed by a plan, are more likely to have boosted savings and lower debt compared to vice versa.

**By end of ‘23: expected savings**
What best describes the amount of money you expect to have in your savings by the end of 2023, compared to now?

- Less than now: 25%
- The same as now: 44%
- More than now: 31%

**By end of ‘23: expected debt**
What best describes the amount of outstanding debt you expect have by the end of 2023 (e.g. credit card debt, loans not yet paid off, etc.), compared to now?

- Less than now: 33%
- The same as now: 48%
- More than now: 19%
And unsustainable debt / reduced savings, though present for some, isn’t a growing habit

How consumers say they are adapting to the challenges of inflation
Which of the following most describes how you personally have handled price increases over the past year? Max 3 choices selected.

<table>
<thead>
<tr>
<th>Approach</th>
<th>Jul-22</th>
<th>Jan-23</th>
<th>Jun-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switching to buy fewer / cheaper products</td>
<td>37%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avoiding eating out at restaurants</td>
<td>36%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avoiding travel and leisure activities</td>
<td>22%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using up savings I previously had</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing / stopping recurring payments I used to make (less on rent / mortgage, paying down...)</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adding less to my savings / investments each month</td>
<td>13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using a car less often</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taking on loans / credit card debts I haven’t paid back yet</td>
<td>11%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receiving financial help from friends / family</td>
<td>11%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Took on an additional job / investment / other way to make extra money</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None of the above</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Received a pay raise in my current job</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receiving more government benefits to help with costs</td>
<td>8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Something else not listed here</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Found a job with better pay</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Percentage picking “More debt / reduced savings” as one of their top approaches</strong></td>
<td>37%</td>
<td>39%</td>
<td>36%</td>
</tr>
</tbody>
</table>
• Major themes for consumer behavior of 2023 (so far) can be first analyzed with the context of how lifestyles and households have evolved over the past year. In this area, some of the biggest trends include slight, but noticeable, changes in the form of more often going back to the workplace instead of working from home, and more often turning to at-home forms of leisure / content viewing (especially the ever growing time spent on social media platforms like TikTok).

• The resulting effects have been said by consumers to be changes to how they discover new products, and also reduced focus on things like exercise / healthy eating habits as both increased mobility for work commutes and reduced COVID concerns are playing a role.

• The other obvious major factor in consumer behavior continues to be attention on inflation. Many households still express difficult financial circumstances, but the rate of this is not growing and consumers show optimism about their own financial situations in the future. They also cite increased attention toward paying down debt, but it isn’t affecting their stated price sensitivity in the process (nor are a larger % saying they are turning to debt / reducing savings to get by). Still, newer payment methods or money management decisions continue to emerge, with Buy Now Pay Later continuing to grow (but not at as fast a rate as 2020-2022) and about 1 in 3 consumers saying they have moved money to new bank accounts to get paid more interest.

• Despite consumers saying they are further cutting back on non-essential expenses, behavioral data is mixed. Restaurant (vs. Grocery) consumption remains stagnant, as does delivery vs. in-person use and 3rd Party vs. 1st Party ordering platform use. Travel and Hospitality spend is also not in major decline. Consumers, however, have demonstrated for retailers a prioritization of the “need-to-have” essentials from large format stores and a reduction in spend toward the presumed non-essentials like apparel, furniture, office supplies, and sporting goods.

• This more broadly fits the theme of 2023 consumer behavior, which is one of more consistency and stability than the major swings driven in prior years during the pandemic. Nuanced shifts in what categories are winning / losing, and which brands are doing well exist more so than a blanket trend of cutbacks driven by inflation. As the inflation trend has decelerated, and little evidence exists of worsening household ability to spend, subtle shifts and nuanced performance is likely to be the case through the rest of the year.
Questions?

Contact us at briefings@medallia.com
Thank You
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