

Medallia Market Research Suite

Consumer Behavior 2022 Roundup and 2023 Predictions



Andrew Custage
Head of Insights,
Medallia Market Research



Market Research Suite

1

Quantitative Analysis

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



Transaction
panel



Foot traffic
panel



Visit-based
surveys



Syndicated
surveys



One-click
analysis

2

Qualitative Analysis

Capture video surveys and uncover trends with AI-powered analysis tools.



Video
surveys



Capture
anywhere



Transcription
analysis



Filter &
categorize



Easily edit
and share

3

Self-Serve Surveys

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



Survey
builder



Distribute
anywhere



Powerful
reporting



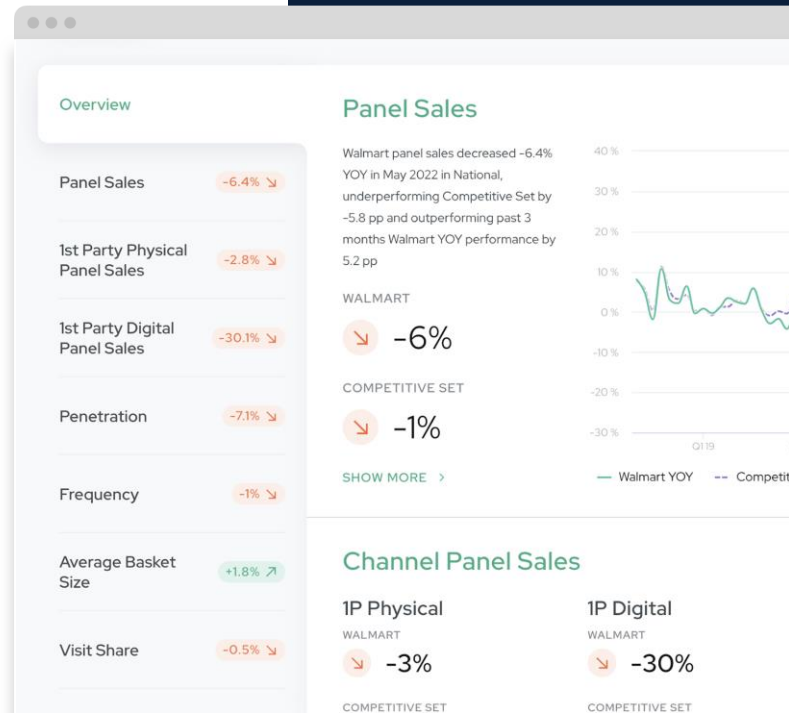
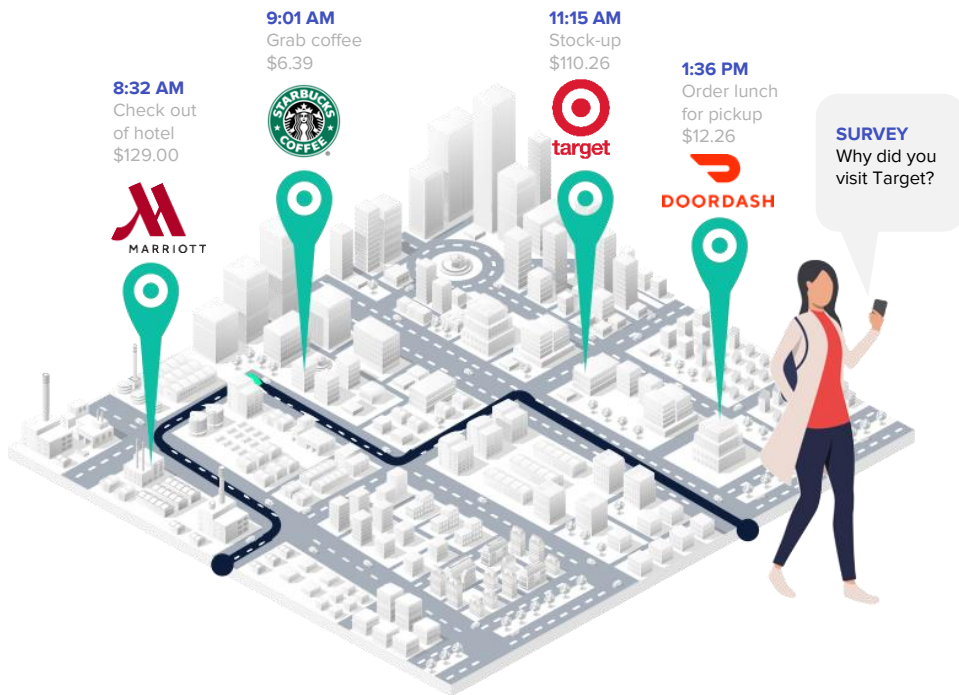
Easy-to-use
dashboards



Expert
support

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

Real-world behaviors. One-click analysis.



Session Contents

Consumer
Behavior 2022
Roundup and
2023 Predictions



2022 daily life trends: setting the stage for consumer behavior



Inflation and its effect on retail



Beyond inflation: digital purchase trends



Indicators of what 2023 may bring



2022 daily life trends: setting the stage for consumer behavior

2022 reflection: Costs and reduced service replaced COVID concern

Spread: People saying 2022 had MORE vs. LESS than 2021

For you personally, how did each of the following compare in 2022 vs. 2021? Select the choice that best applies.

**Worrying / caution
about COVID-19**

-18ppt

18% vs. 37%

**Amount / quality of
service received when
shopping / visiting a
place in-person**

-15ppt

13% vs. 28%

**Total amount of money
spent on fun / leisure**

-18ppt

21% vs. 39%

**Total amount of money
spent for household
needs**

+16ppt

36% vs. 20%

Video responses of US consumers, in their own words

Sample of responses to question:

**In own words, how did
your lifestyle and
shopping decisions in
2022 differ compare to
2021, and why?**

**Please answer in a 45-60
second video response.**



Additional quotes: video responses

“...I spend less this year than I did last year. Because from what I've heard and from what I've seen, the prices are also higher. **I only spend money on what's necessary**, which is food, groceries, and needs. But I don't spend much on lifestyle items like jewels and shoes and stuff like that...”

“...I spent so much more money in 2022 than I did in 2021. So **this year I'm going to try to spend less than I did last year** because in 2021, I barely spent money...”

“...The prices went up in 2022 due to the **Russia versus Ukraine war** last year. So it's kind of **like the COVID 19 pandemic** - it's different but just like a little bit of a **chaos again**. It's just like really, really chaotic...”

“...**In 2021**, I did a lot of grocery **shopping online** because at that time it was still kind of **unsafe to go outside** and be in crowded public places. Whereas in 2022, I still **kept some of those same adopted methods** of shopping for groceries online using Instacart and DoorDash for simple things, for simple items, but **started to return to stores...**”

“...To purchase anything right now is just so difficult. And then **certain companies don't want to give you a raise** or, you know, the ratio of knowing that everything's going up. It's not really helpful. To purchase anything right now is just so difficult...”

Household finances are worse off now than they were a year ago

It is more common for people to say they have smaller savings, and worse ability to pay bills, than vice versa.

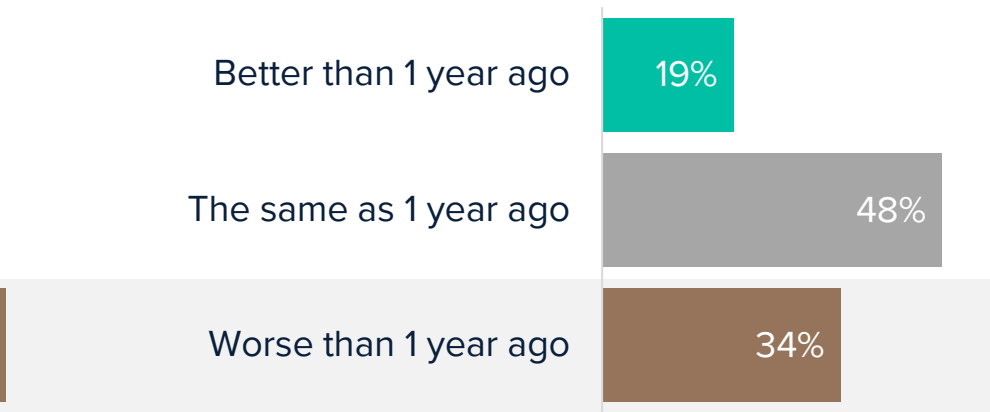
Household savings

What best describes the amount of money you have in your savings now, compared to one year ago (the start of 2022)?



Ability to pay required bills

What best describes the amount of money you have in your savings now, compared to one year ago (the start of 2022)?

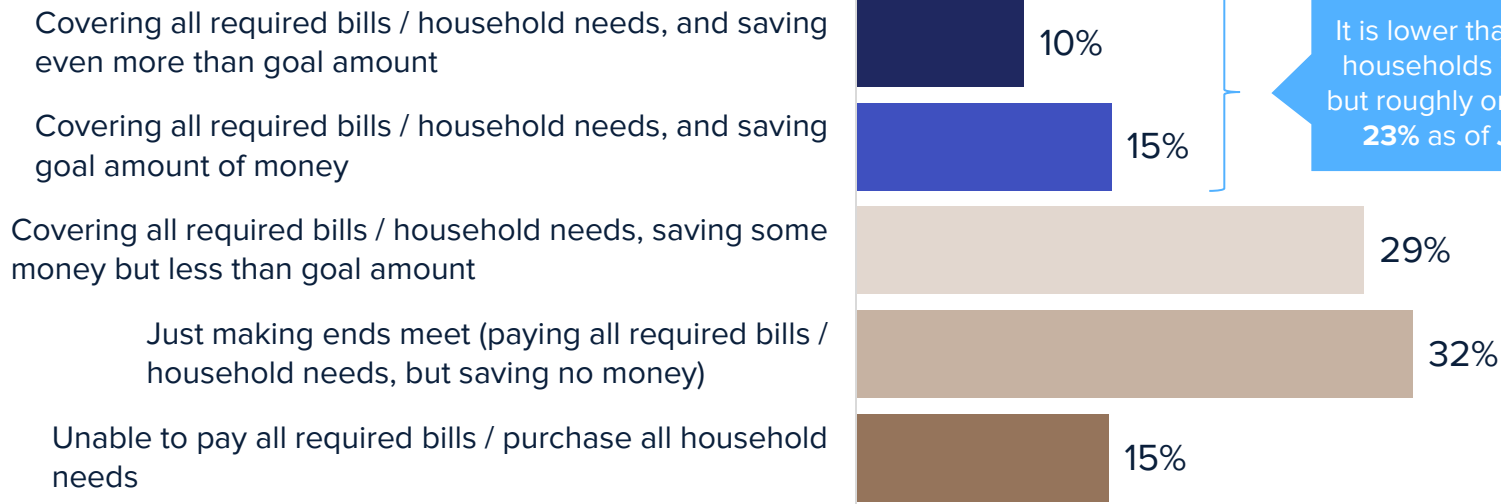


Many are struggling, more than in late '21 but unchanged vs. mid '22

Still roughly half say they are barely or unable to make ends meet.

Status of household finances

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



This group of those doing relatively “well” is **25%**.

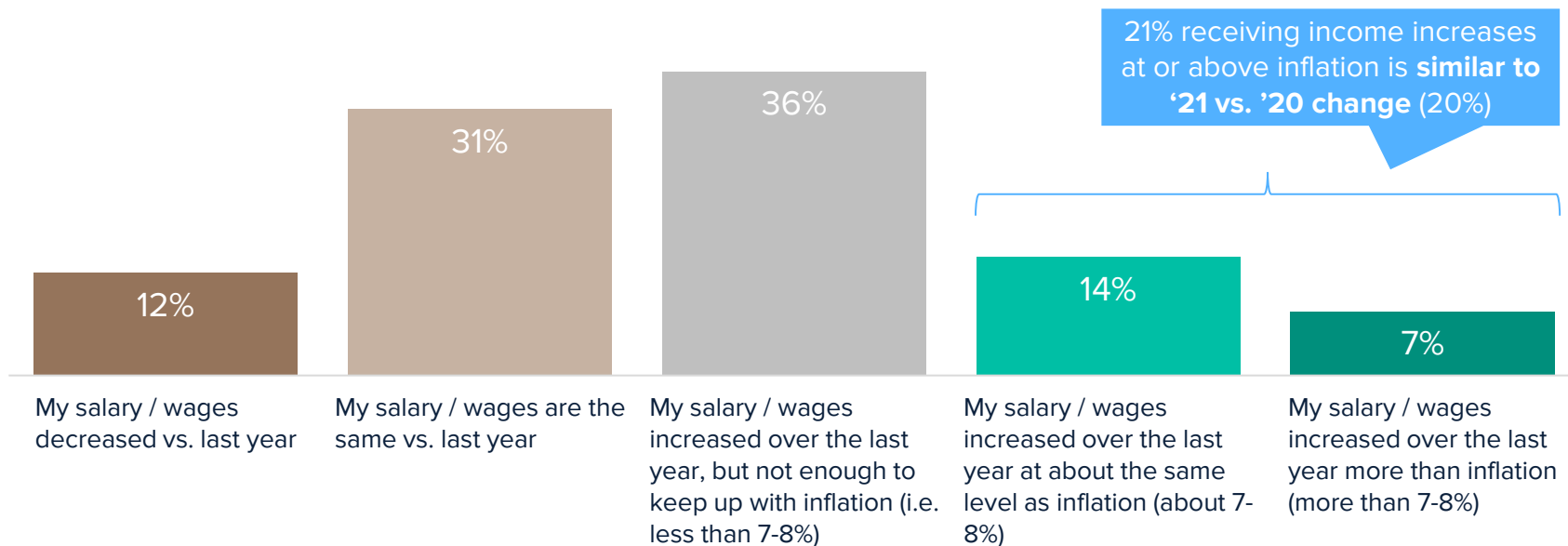
It is lower than the **31%** of households in **Aug 2021** but roughly on par with the **23%** as of **July 2022**.

Income didn't keep pace with inflation

For a second straight year, only about 1 in 5 workers experienced increases in income at or above the rate of inflation.

Change in wages vs. prior year

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

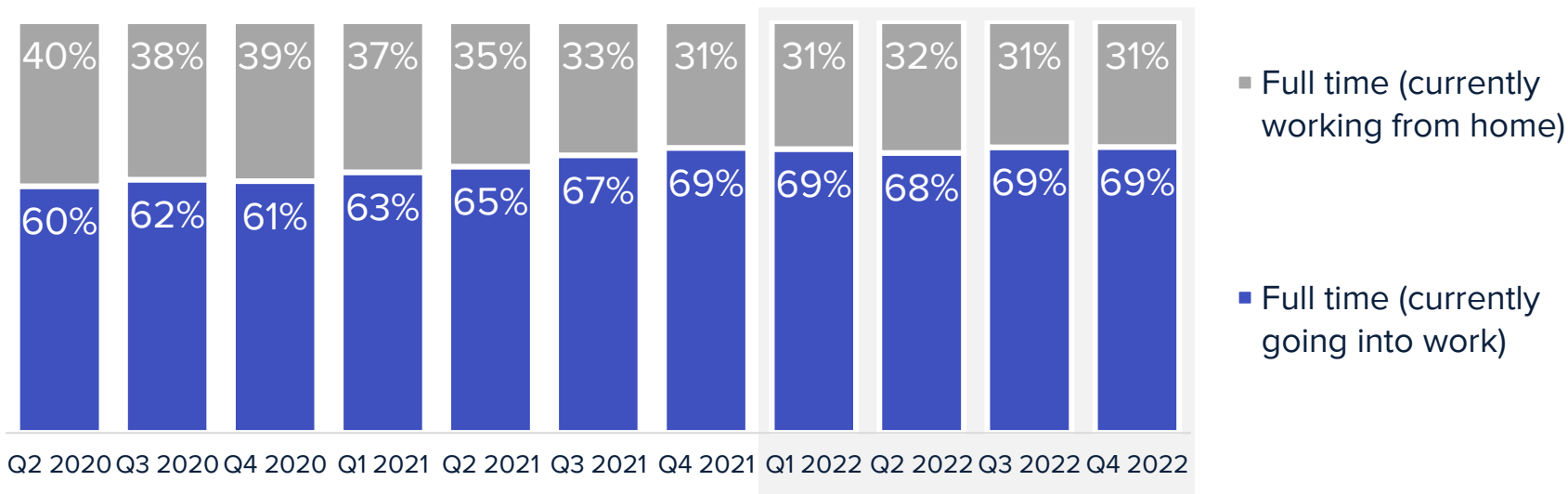


The “return to work” didn’t further progress in 2022

Holding steady since late '21, the proportion of those working from home remains ~1/3 on a given day.

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

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

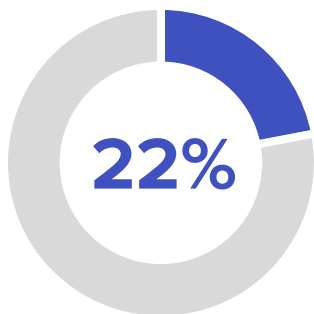


Fewer than half of Americans had major changes (e.g. new job) or expenditures (e.g. new car, major trip)

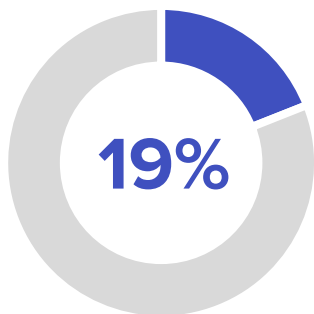
Notable life occurrences in 2022

For each of the following, please select if the statement is true or false. Over course of 2022, I...

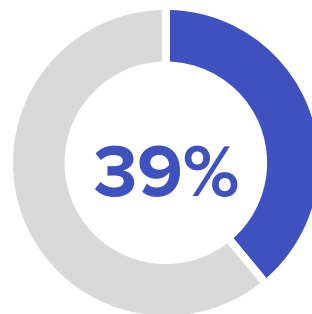
Got a new job



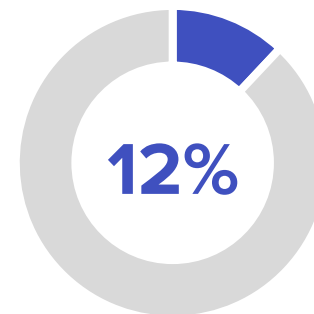
Got a new car



Traveled domestically



Traveled Internationally

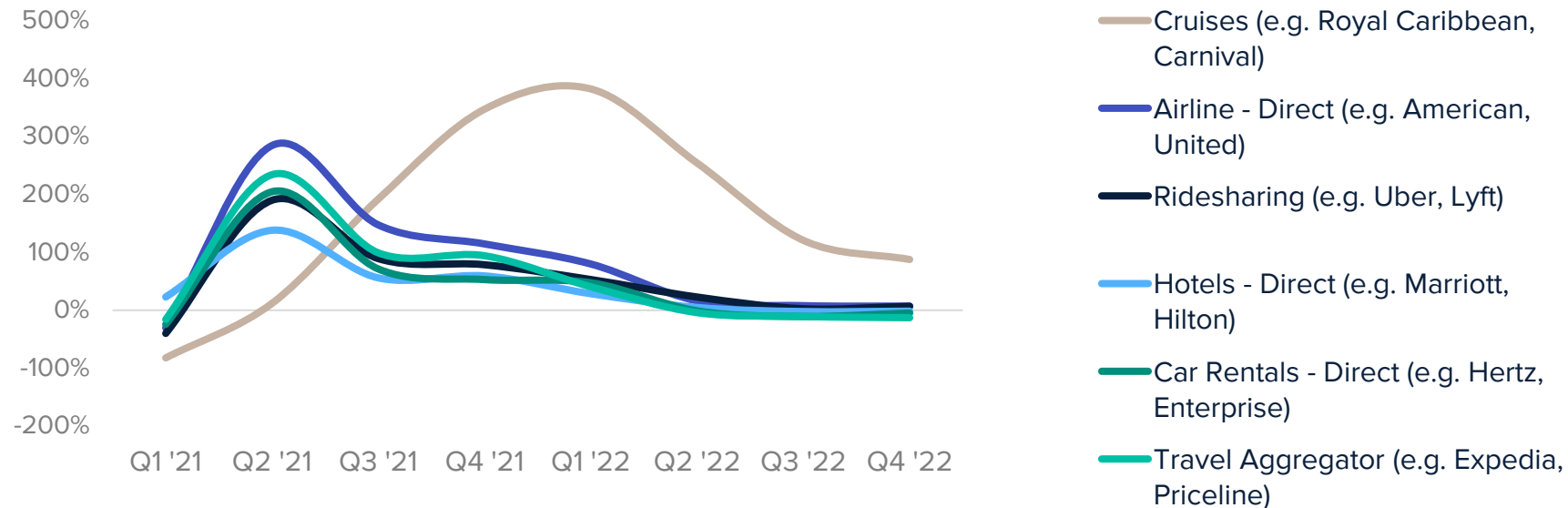


Travel / Transit mostly flat YoY, except for Cruises bouncing back from a weak '21

Others did not further build on a large 2021 bounce back over 2020.

Travel and Hospitality category spend

Relative % change vs. prior year; US National

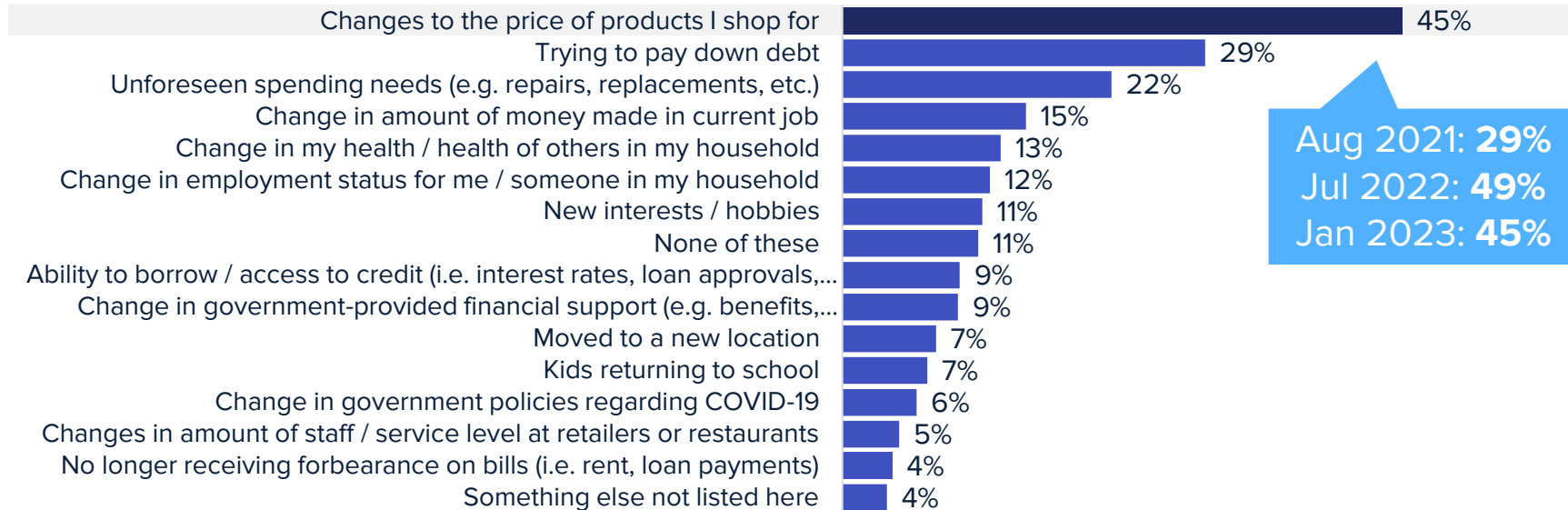


Inflation and its effect on retail

Inflation still top factor for household decisions, but not growing in importance vs. summer '22

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?

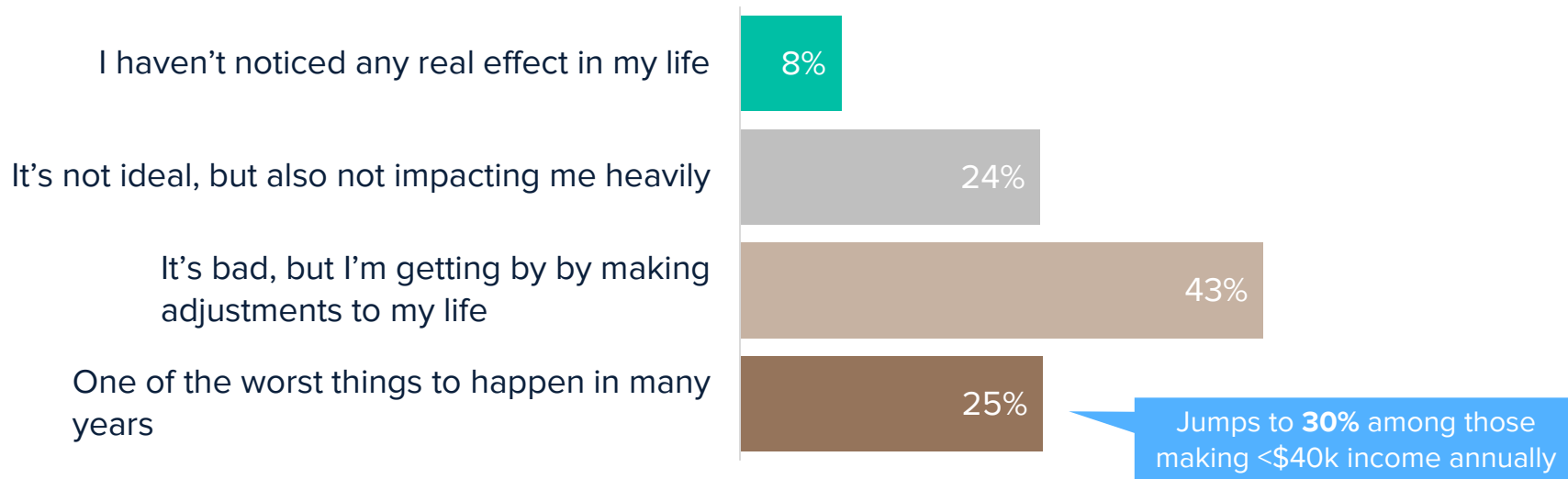


A majority say inflation has truly been “bad” or worse for them

Less than 1 in 10 say it hasn't had any real effect on them.

How much is inflation really hurting people?

Which best describes the impact price increases over the past year have had on your daily life?



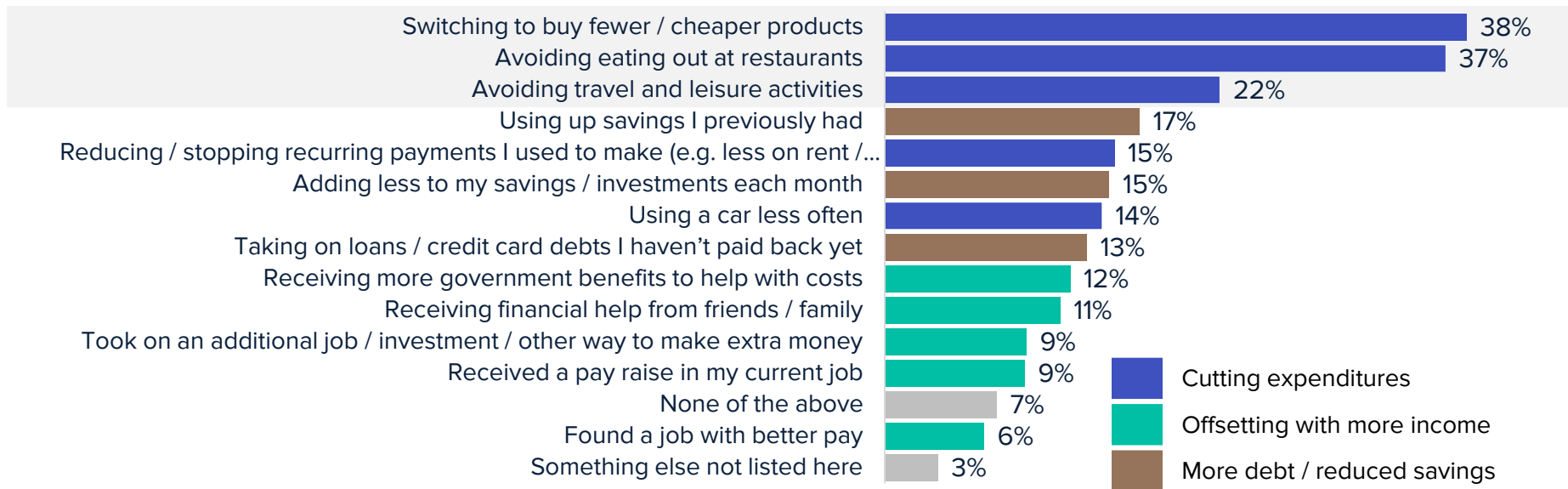
Consumers say they've dealt most by cutting expenses

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.



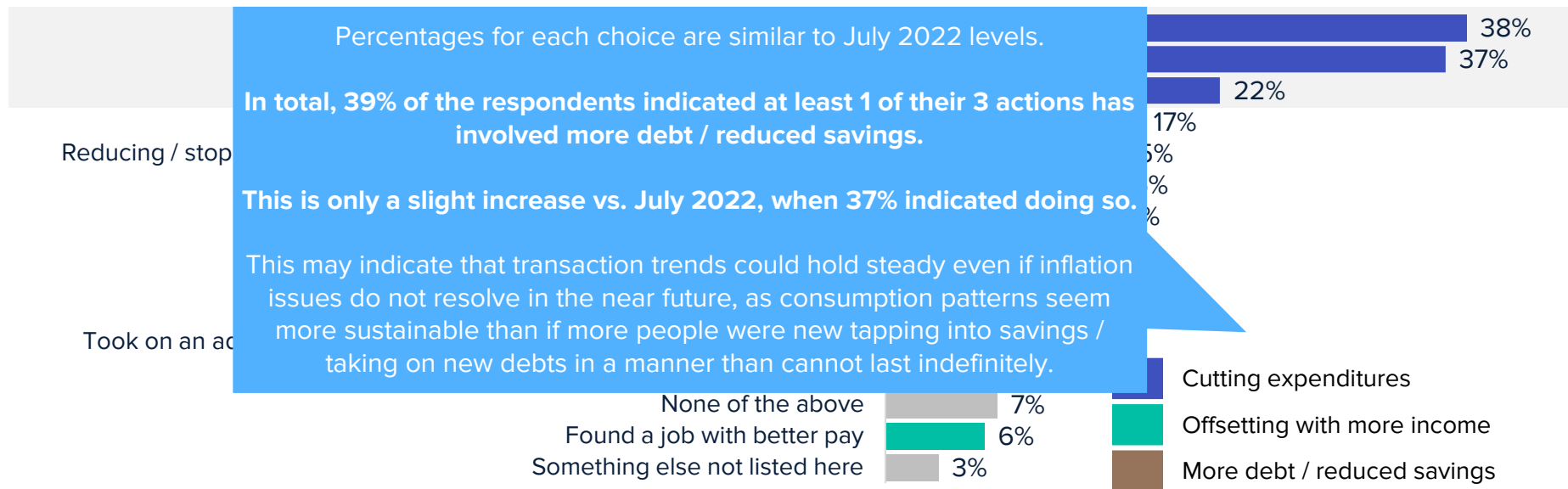
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How consumers say they are adapting to the challenges of inflation

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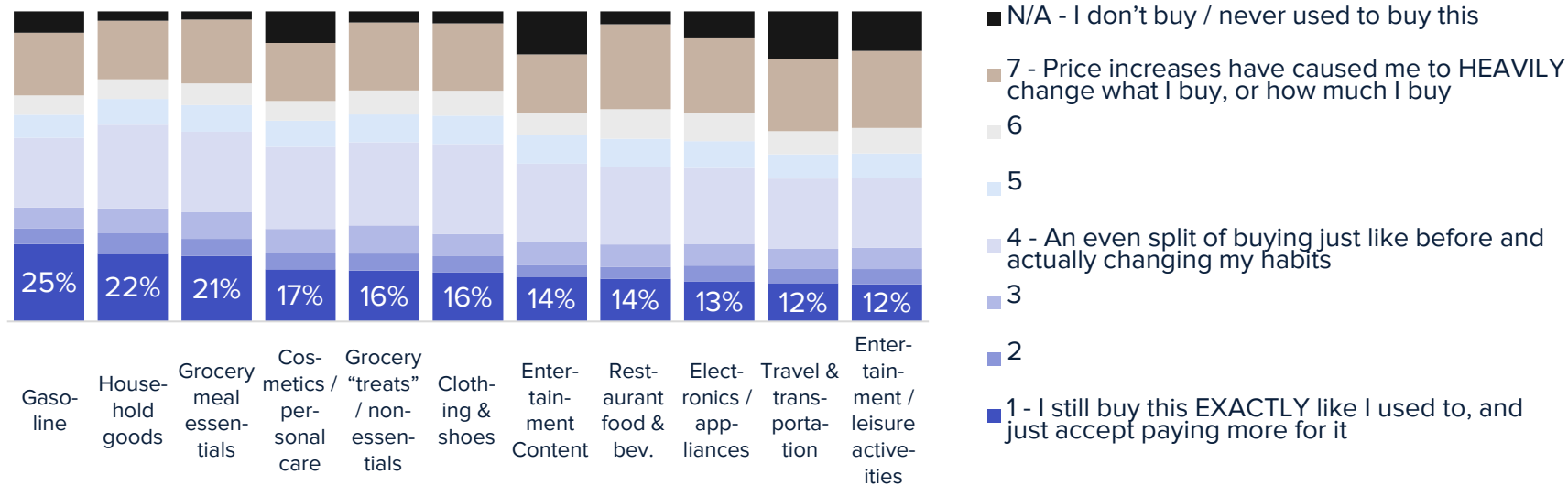


Cuts include transit and entertainment

The rank order of where consumption is the same despite higher prices is relatively unchanged vs. July '22. Gasoline, Household Goods, and Grocery Meal Essentials remain in the top 3.

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.

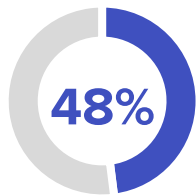


People say they've cut back on expenses like apparel and electronics / appliances specifically (vs. 2021)

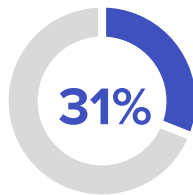
Notable retail activities in 2022

For each of the following, please select if the statement is true or false. Over course of 2022, I...

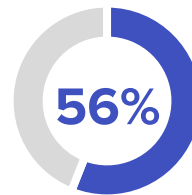
Got a new cell phone



Got a new TV



Made at least 10 clothing purchases



Both electronics / home appliances and apparel have a **-16 percentage point** difference between people who said they **spent more** on them in 2022 (vs. '21) **compared to the people who said they spent less.**

Many retailers are barely treading water or are down in sales year-over-year

Growing \$ per transaction is being offset by declining transaction volumes for many, leading to modestly down or flat sales.

Sales Trends: Select Retail Categories

Year-over-Year Change (Quarterly Average 2022 vs. 2021); US National

	Sales	Transaction Volume	\$ per Transaction
E-Commerce (e.g. Amazon, Wayfair)	-1%	0%	-1%
Electronics (e.g. Best Buy, Verizon)	-2%	-1%	-1%
Auto Parts (e.g. O'Reilly, Advance)	-2%	-8%	7%
Beauty Specialty (e.g. Ulta, Sephora)	-2%	-7%	6%
Home Improvement (e.g. Lowe's, Home Depot)	-5%	-7%	3%
Department (e.g. Macy's, TJ Maxx)	-6%	-10%	4%
Sporting Goods (e.g. Dick's, REI)	-9%	-9%	0%
Apparel (e.g. Gap, H&M)	-14%	-15%	1%
Office Supplies (e.g. Staples, Office Depot)	-17%	-17%	0%

Club has been a strong performer among food retail

C-Store is also up, primarily due to the price of gas, but also has held steady in transaction volume showing mobility has not diminished much despite gas prices.

Sales Trends: Select Food/Bev-Focused Retail & Restaurant Categories

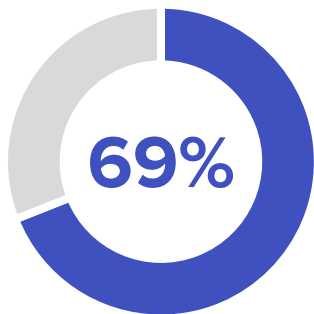
Year-over-Year Change (Quarterly Average 2022 vs. 2021); US National

	Sales	Transaction Volume	\$ per Transaction
Club (e.g. Costco, Sam's Club)	31%	21%	8%
C-Store (e.g. 7-Eleven, Circle K)	30%	-1%	31%
Supermarket (e.g. Kroger, Albertson's)	13%	3%	10%
3rd Par. Grocery Ordering (e.g. Instacart, PeaPod)	10%	15%	-4%
Dollar (e.g. Dollar General, Family Dollar)	9%	-2%	11%
Meal Kits (e.g. Blue Apron, Hello Fresh)	9%	-7%	16%
3rd Party Rest. Ord. (e.g. DoorDash, Uber Eats)	5%	1%	4%
Lim. Serv. Restaurants (e.g. McDonald's, Dunkin')	2%	-5%	7%
Full Service Rest. (e.g. Applebee's, Denny's)	0%	-6%	7%
Mass (e.g. Walmart, Target)	-3%	-6%	3%
Drug (e.g. CVS, Walgreens)	-3%	-7%	4%
Liquor (e.g. Total Wine, BevMo)	-8%	-7%	-1%

People think they're eating at home more, but are they?

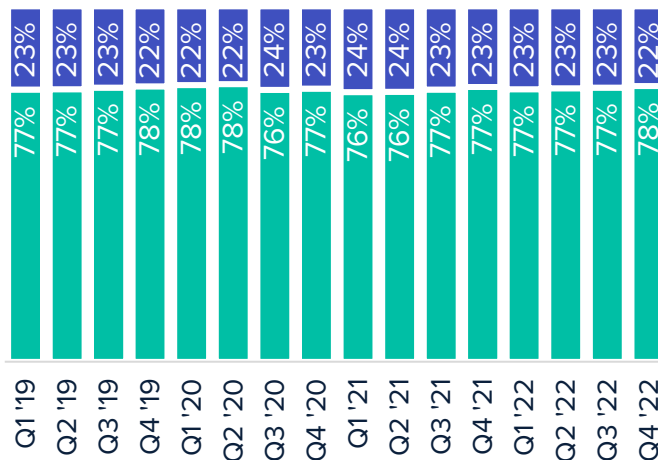
The share of transactions between grocery-focused retailers and restaurants trended quite flat throughout 2022

% of Americans who say in 2022 they **shifted more to groceries and away from restaurants**



Share of transactions: restaurant vs. grocery retail

% of transactions by quarter for categories* tracked



■ Restaurants

Includes direct transactions with Quick Service, Fast Casual, Pizza, Frozen Dessert, Casual Dining, and Family Dining chains, plus restaurant-focused 3rd Party Delivery platforms

■ Food & Bev Retailers

Includes direct transactions with C-Store, Mass, Club, Supermarket, Dollar, and Drug chains, plus grocery-focused 3rd Party Delivery platforms

Price and loyalty programs are increasingly influencing where people source their food

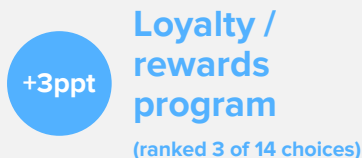
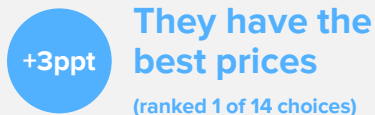
2022 vs. 2021 Changes: Notable Drivers of Food Choice

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

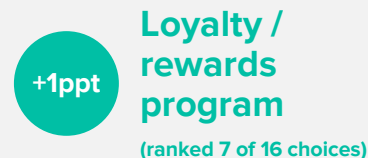
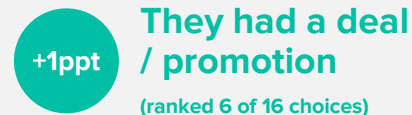
Why choosing grocery store over restaurant



How choosing which grocery store



How choosing which restaurant



Restaurant trade downs?

Collectively better performance existed for limited service over full service restaurant brands, but exceptions exist

Year-over-Year Panel Sales by Select Restaurant Brands

US National; Relative % change vs. Q3 '22 vs. Q3 '21

38 of biggest **100 (38%)**
restaurant brands are **Full Service**
(other 62 are **Limited Service**)

...but only

4 of best **20 (20%)**
restaurant brands in year-over-year %
sales trends are **Full Service**

Select Brands (sorted by size)

McDonald's
Starbucks Coffee
Chick-fil-A
Chipotle Mexican Grill
Domino's Pizza
Panera Bread
Buffalo Wild Wings
Applebee's
Texas Roadhouse
Olive Garden Italian Restaurant
Chili's Grill & Bar

Panel Sales YoY % Change

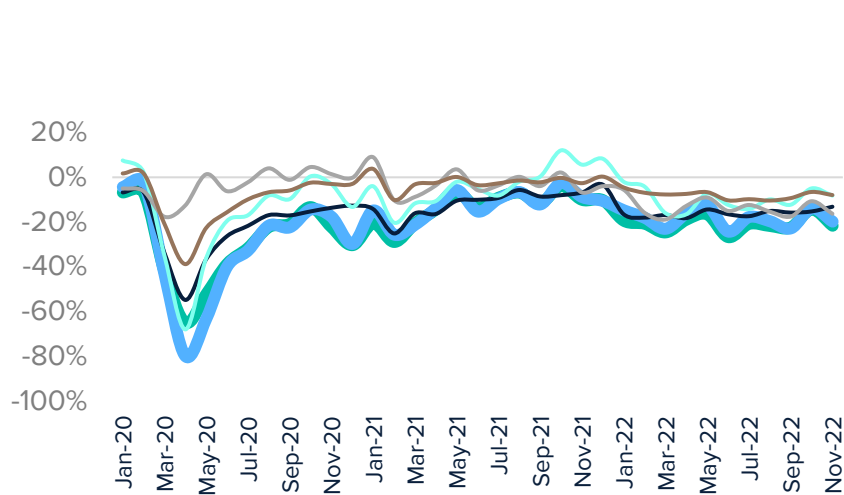
1.0%
8.5%
0.6%
-1.9%
-5.4%
-6.1%
-9.7%
-6.5%
3.5%
-5.6%
-9.4%

This is seen with both by Txn volume and check size trends better for Limited Service than Full-Service

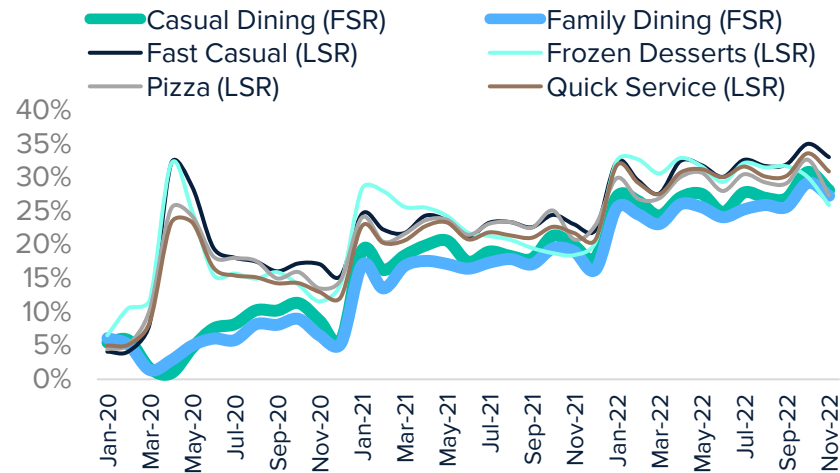
Transaction volume and \$ per transaction by Restaurant Category

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

Transaction Volume



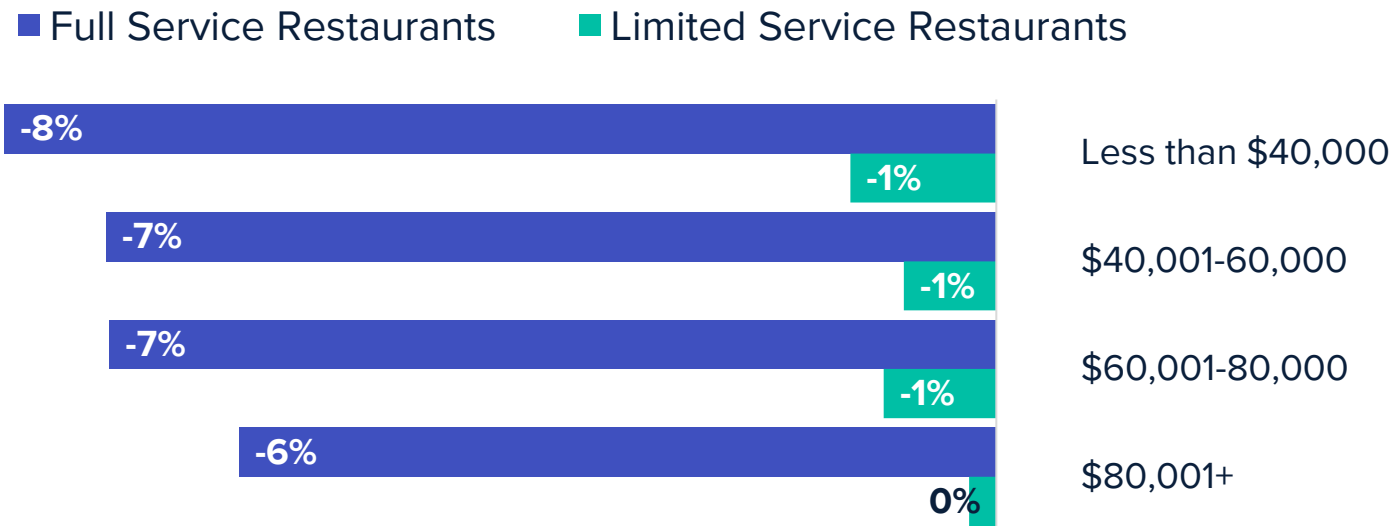
\$ per Transaction



The declines for FSR skew slightly lower-income, but that's also true for LSR

Panel Sales by Household Income Group: Past 6 Months Year-over-Year

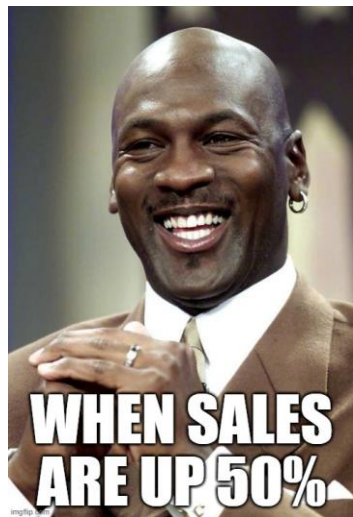
US National; Relative % change Jun-Nov '22 vs. Prior Year for Restaurant Category Shown



But brands shouldn't overreact to negative transaction trends

The magnitude of change in brand performance now is not in the same ballpark as the height of COVID, so “the sky is falling” narratives should be tempered.

In 2020...



In 2022...



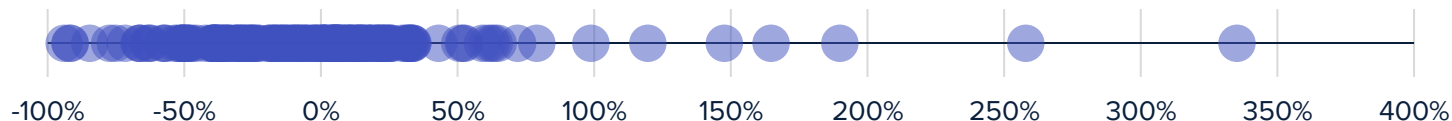
The market was FAR less volatile in '22 than '20

Brands are clustered together in performance of being slightly up or slightly down much more than they were at this time two years ago. The trends are not overly drastic, despite inflation-related doomsday narratives.

Top 200 Food / Bev Retail & Restaurant Brands: Year-over-Year Change

Relative % Change in Panel Sales; US National; Each dot represents one brand

**Q2
2020**



**Q2
2022**

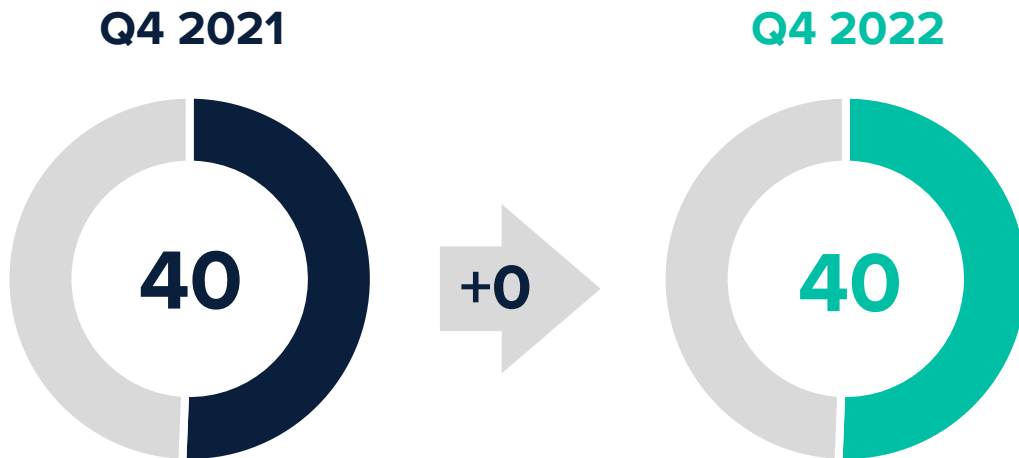


Brand perception for restaurants also didn't take a huge hit

NPS averaged flat year-over-year for leading restaurant chains, despite possible issues with service, inventory, and price-to-value perceptions that could have contributed to modest declines in transactions.

Net Promoter Score (NPS) for average LSR restaurant: Q4 '22 vs. Q4 '21

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



Flat year-over-year and also generally unchanged (1+) period-over-period when compared to Q3 '22



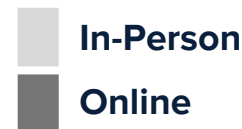
Beyond inflation: digital purchasing trends

Digital still a growing part of retail

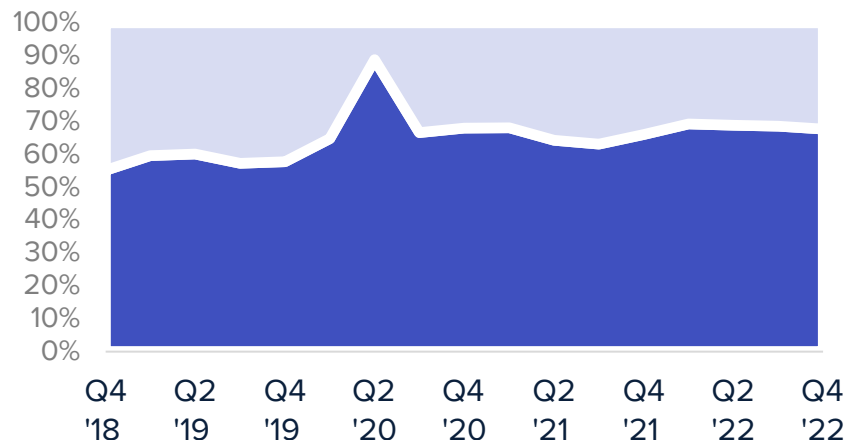
The proportion of sales going through digital vs. in-person continues to grow for many retailers, hovering about pre-COVID levels but not at the proportion of mid-2020 (COVID peak, when many in-person operations were closed).

Proportion of sales by channel, select retailers

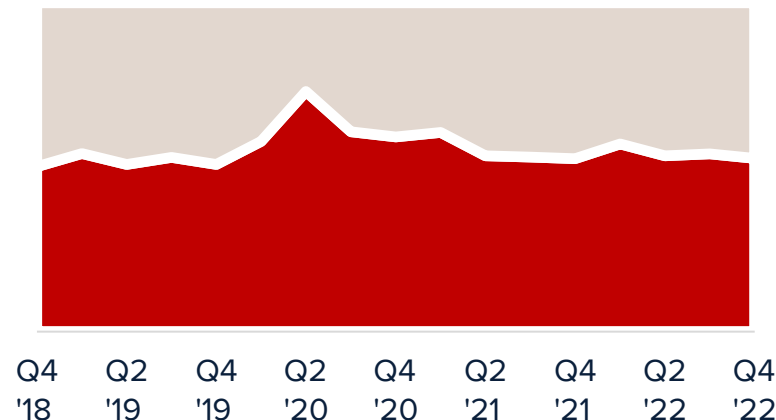
% of total by quarter (excludes cash and 3rd party platforms)



Best Buy



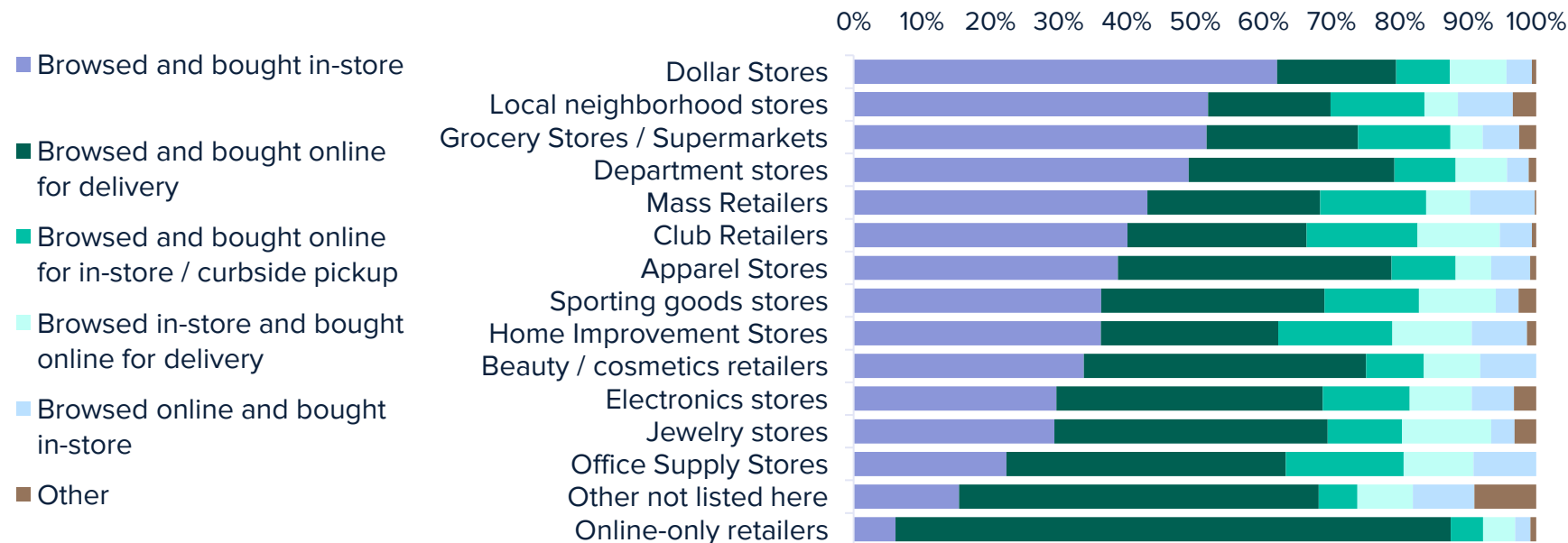
Macy's



Events like Black Friday / Cyber Monday also show how common omnichannel journeys now are

Shopper journey of retail categories used

For the retailers you shopped at during Black Friday / Cyber Monday this year, how did you shop at each of them? Select the choice that best applies. Among shoppers of each retail category, respectively.

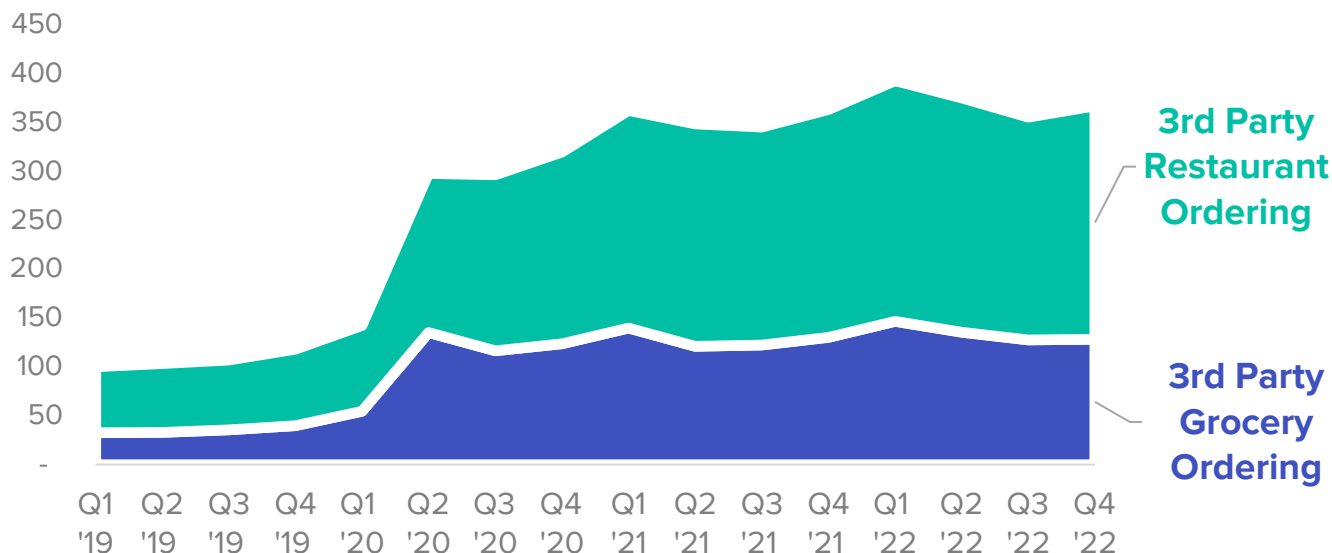


Use of 3rd Party Ordering is also holding steady

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

Population spend on 3rd Party Ordering platforms, vs. 2019

Indexed Spend (100 = on par with Q1 '19 totals); US National



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

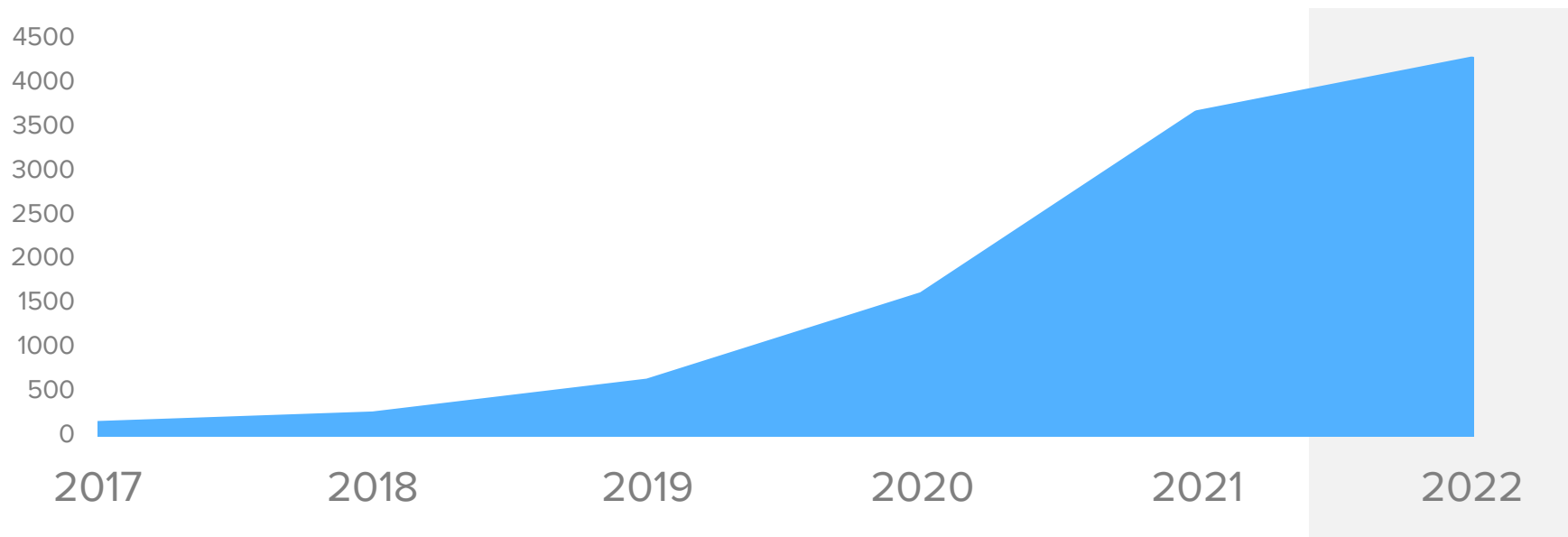
Not only is it the top reason why people don't use delivery, its frequency of being cited as the reason why not grew from 38% mid '21 to 45% in mid '22.

Buy Now, Pay Later growing but decelerating

Though BNPL still grew above 2021 total spend levels, it's rate of growth has been slower than the rapid acceleration of 2020 and 2021.

Indexed spend on Buy Now, Pay Later platforms

100 = on par with 2017; US National



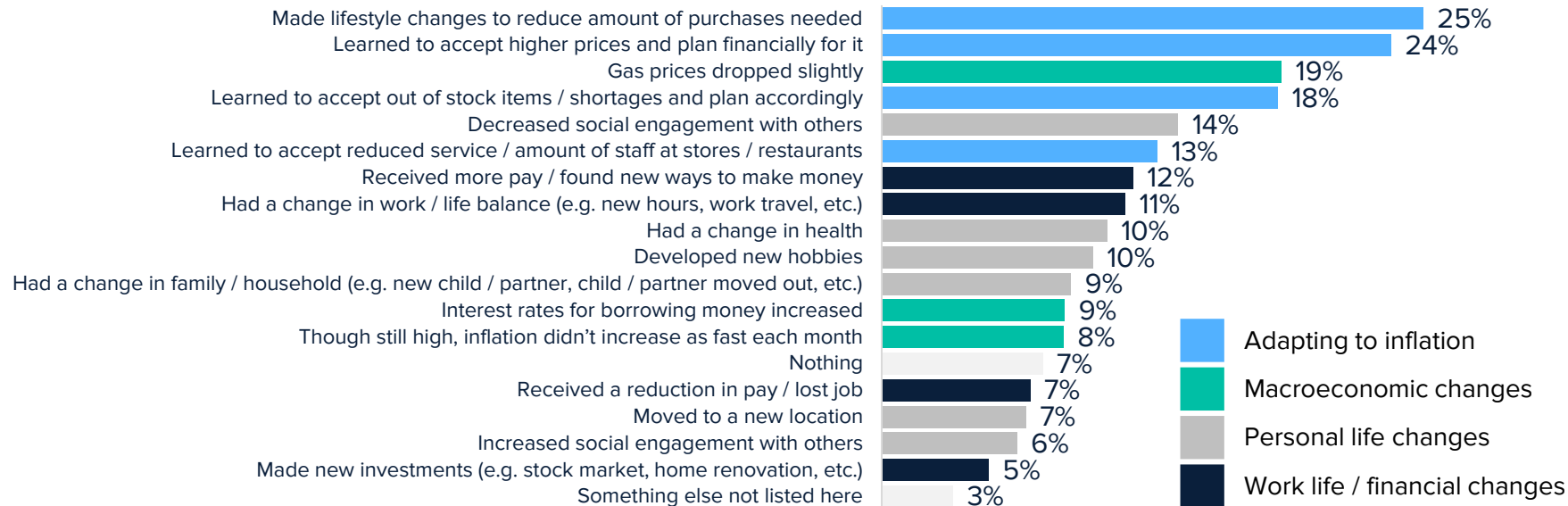


Indicators of what 2023 may
bring

2nd half of '22 differed from 1st half most through adapting to inflation

What made 2nd half of 2022 different from 1st half of 2022

If you had to split 2022 into the first 6 months vs. the last 6 months, what would you say have been the most important differences in your daily life during that change in time period?

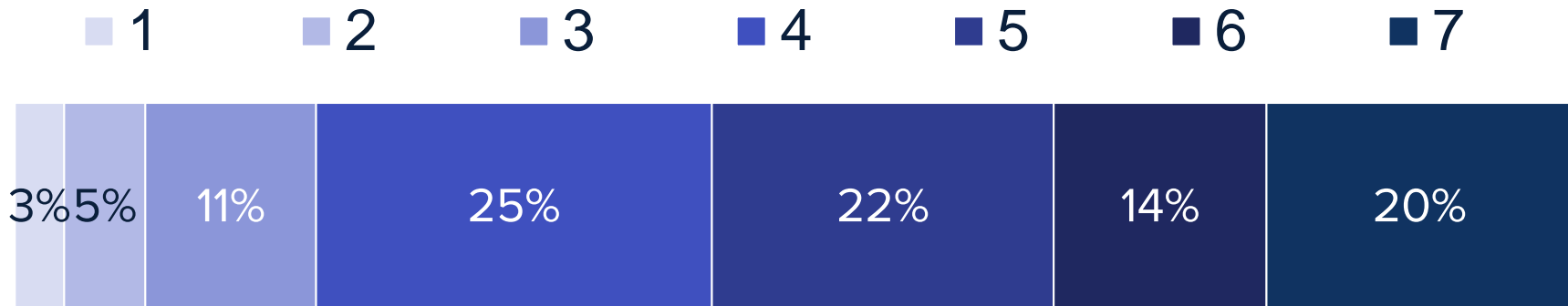


People say more price increases would affect them a lot

A majority believe the impact would be a 5, 6, or 7 (on a scale of 1-7) if prices went up another 5%.

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

The latest data suggests inflation (prices being up) is, on average, about 7% to 8% 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?

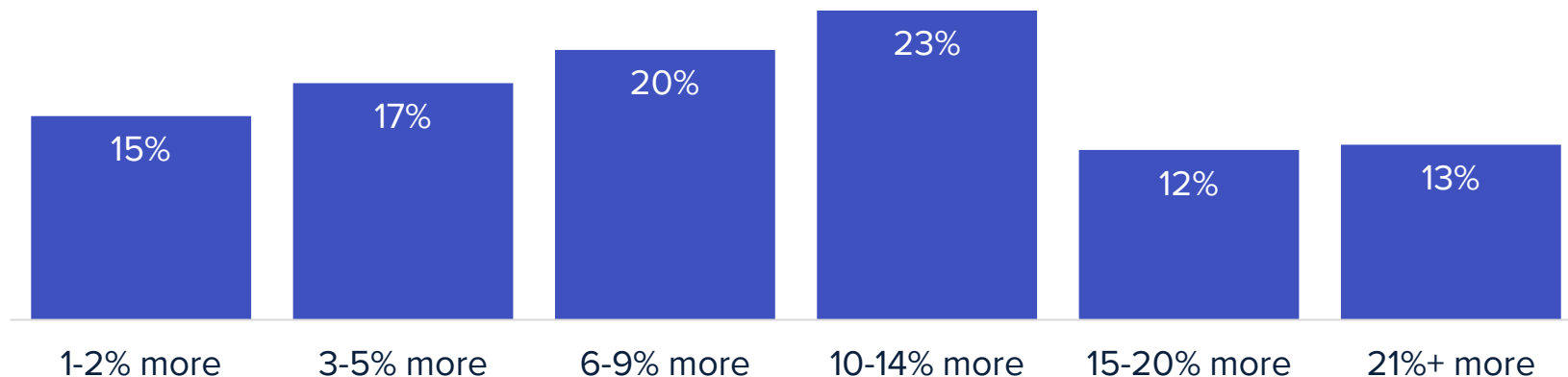


Those not feeling effects now would with another 6%+ increase

Only 25% say it inflation would need to get 15%+ higher to heavily affect them.

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 purchase decisions? (Among those who did not say prices have been a top factor so far)

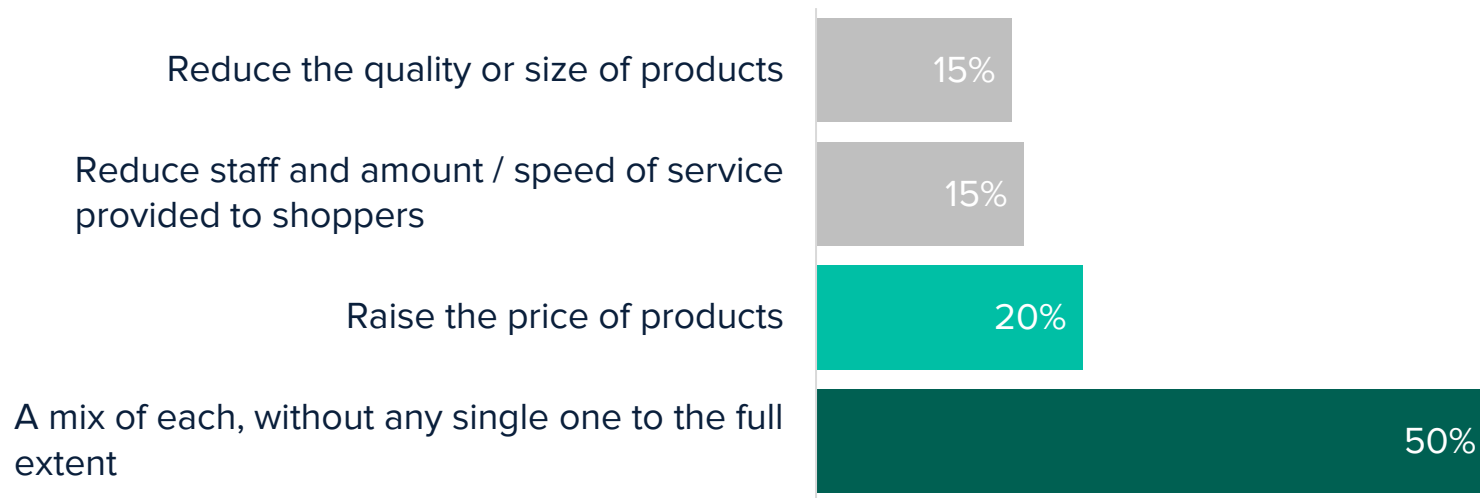


Consumers want price increases softened by quality / service reductions

Only 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?

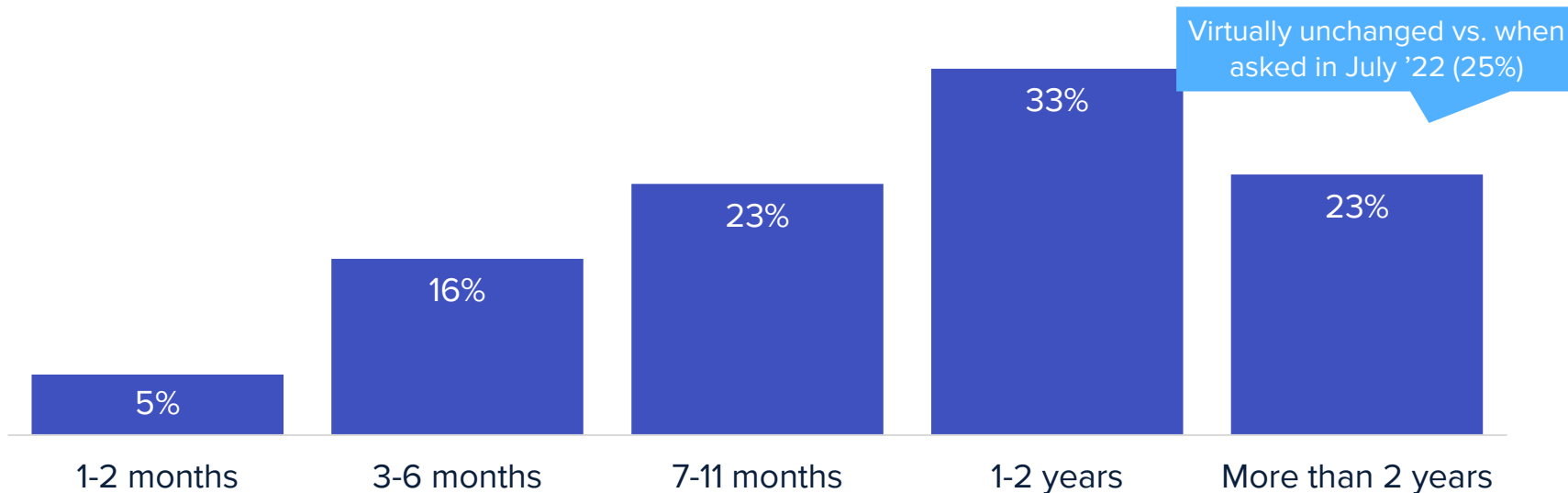


Inflation still expected to last a while

A majority think it will still take at least a year before getting back to pre-2021 trends, an expectation no different than when asked months ago.

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

How long do you expect this current wave of price increases to continue, before slowing down to a normal (pre-2021) level?

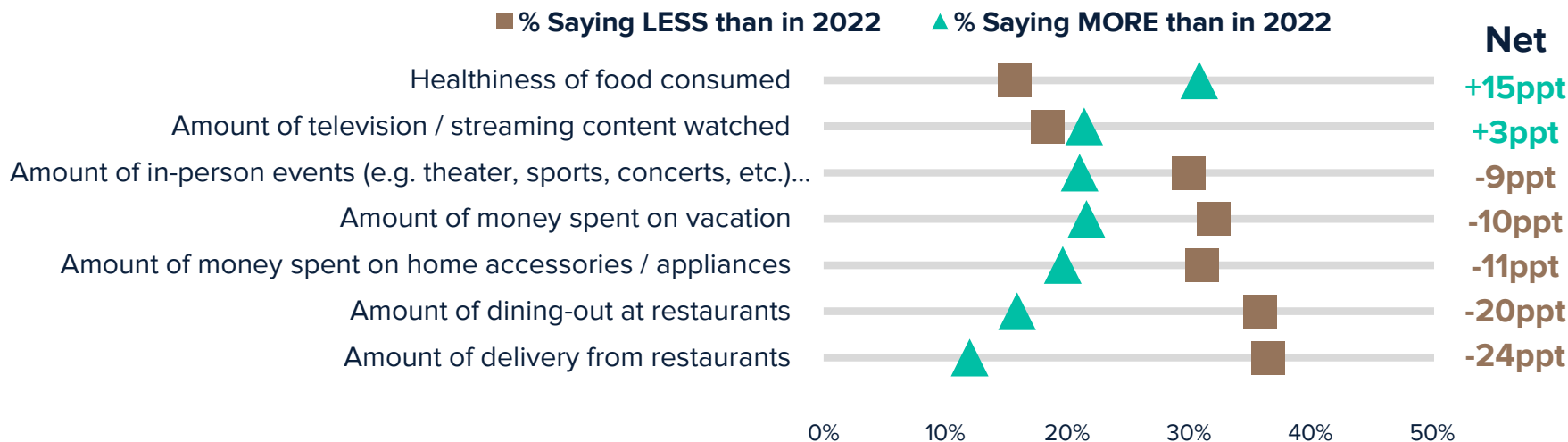


People say they expect to cut back on leisure and restaurant food in '23

Even more than travel and leisure changes, the spread between doing less vs. doing more in '23 leans highest toward reduced restaurant delivery use, but it remains to be seen if consumers will truly cut back on this.

Expected behaviors in 2023 vs. actual behaviors in 2022

For you personally, how do you expect your 2023 will compare to 2022? Select the choice that best applies.

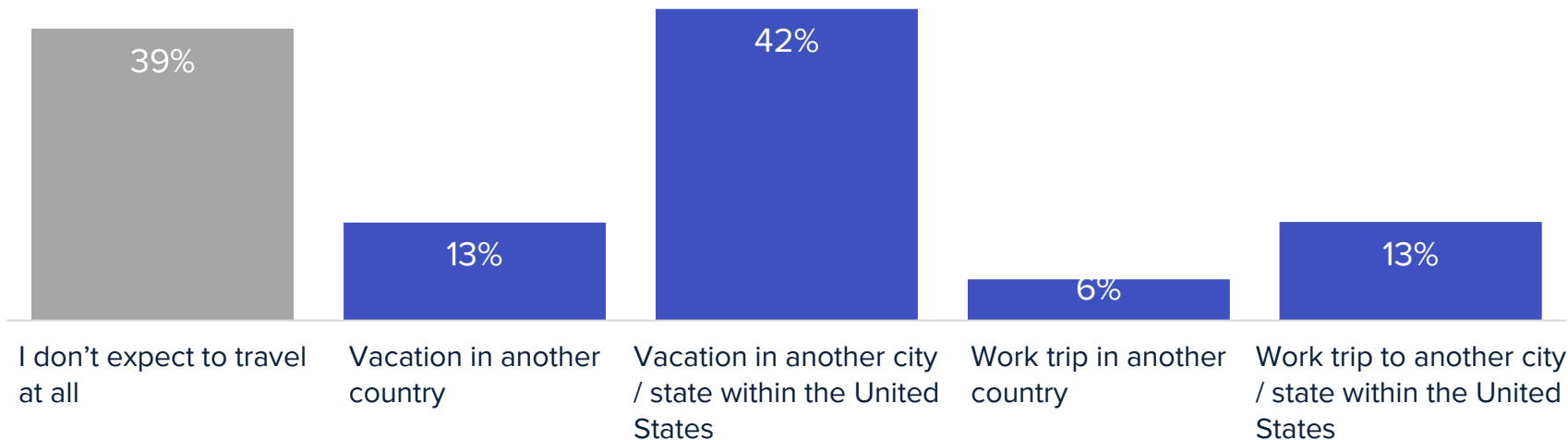


But 6 in 10 do expect to travel in 2023

Most expect to do so for personal reasons and stay in the US. This 6 in 10 represents a larger proportion of the population than who actually did travel in 2022.

Expected travel in 2023

Select the choice(s) that best describes the travel you expect to do in 2023, if at all. If more than one applies, select multiple.

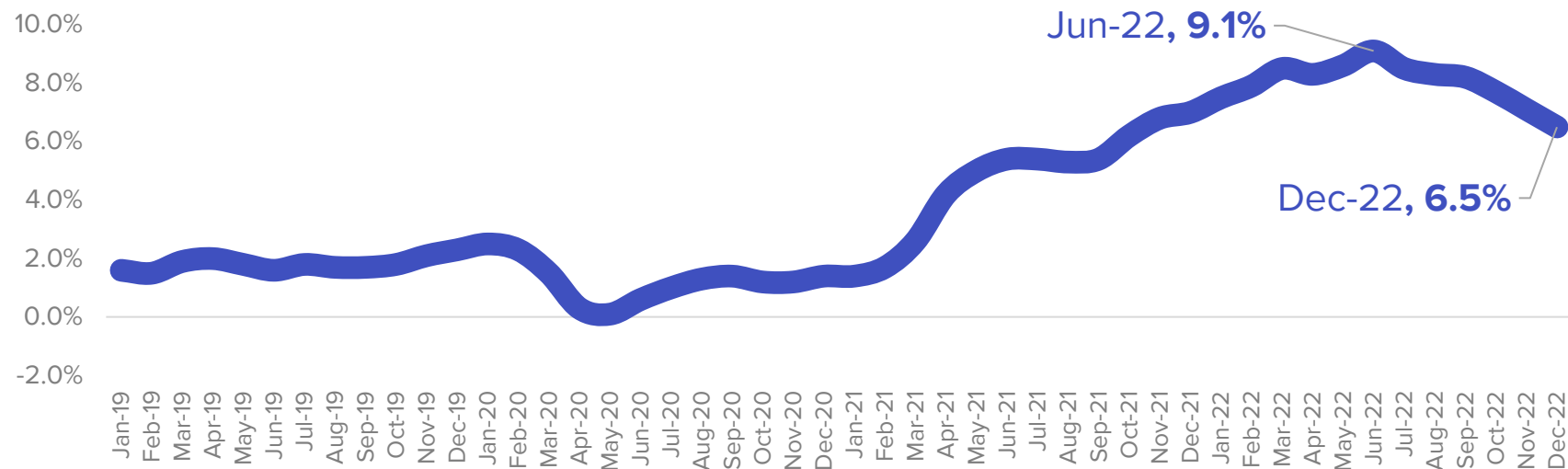


Inflation rate may be slowly getting back to “normal”

The month-over-month change in the year-over-year inflation rate has been declining.

Year-over-Year US inflation rate

Change in consumer price index vs. equivalent month of prior year



So what effect will inflation have in 2023?



Many reasons to believe it won't be worse for business than 2022...

- Consumers still rank inflation as the biggest factor in household purchase decisions, but the rate in which they cite it hasn't grown since summer '22 and many believe they've now adapted to it
- Consumers saying '23 will be met with even more cutbacks should be taken with a grain of salt, as many believe they already changed their spending in '22 more than they probably did
- The proportion of consumers saying they are getting by unsustainably (i.e. mainly through tapping into savings or taking on new debt) is only slightly higher than in summer '22 (and still only ~1/3 of total)
- 2022 retail transaction trends, though down for many brands, were still MUCH less volatile than COVID-driven effects of 2020
- Most importantly, the year-over-year inflation rate is still relatively high, but decelerating vs. earlier parts of 2022



But brands should still keep a close eye on a few things...

- Further raising of interest rates in response to inflation could tighten wallets for the group of consumers who currently getting by via taking on new debts, and also could affect corporate access to capital / drive unemployment
- Likewise, recession concern leading to mass layoffs and high unemployment rates could curb consumer spending power much more than what was seen in 2022
- Many US retailers are dependent on international suppliers and consumers, so foreign responses to inflation or unresolved COVID challenges could affect US market as well
- The sustained COVID-driven behavior trends of work-from-home and increased digital shopping could mark the end of brands who have counted on a return to pre-COVID in-person behaviors or have been stubborn to respond to change

**Lastly, 2023 will also demand that brands
focus more on Gen Z.**

The total number of Gen Zers who are aged 22+ (post-college and entering workforce) will increase ~20% in 2023 alone.

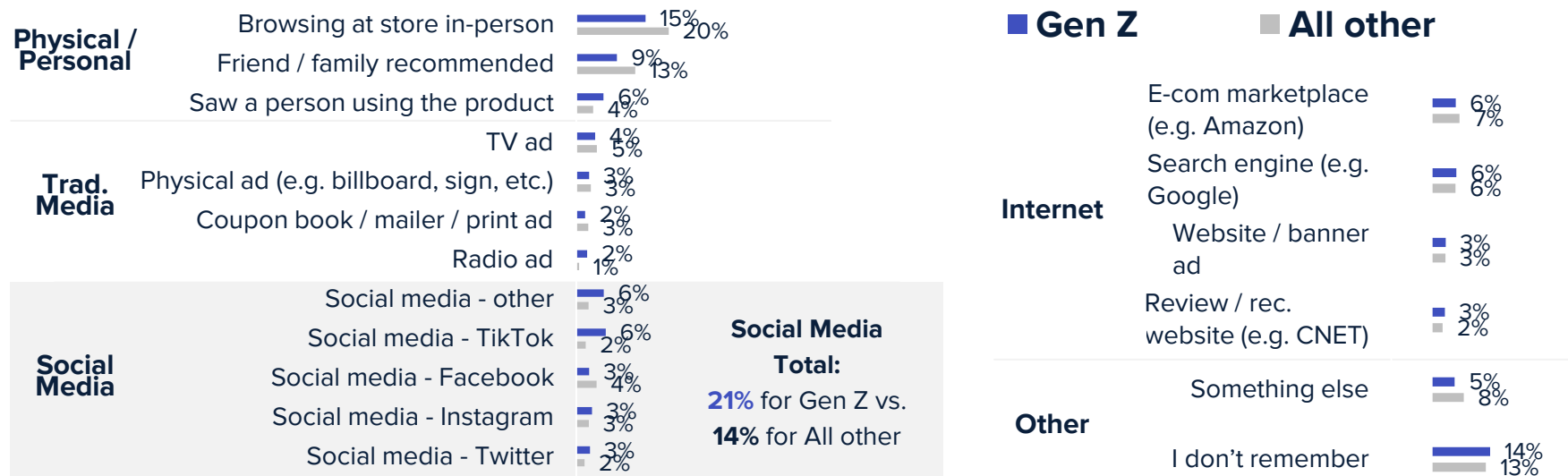
Gen Zers will occupy 27% of the total working population by 2025.*

Winning with Gen Z means capitalizing on the role of social media in product discovery

TikTok is 3x as likely to be used as it is for other generations, and it leads to product discovery as often as Google does for Gen Z.

How purchaser found out about item

For what you last purchased, do you remember how you first found out about that brand of product specifically?

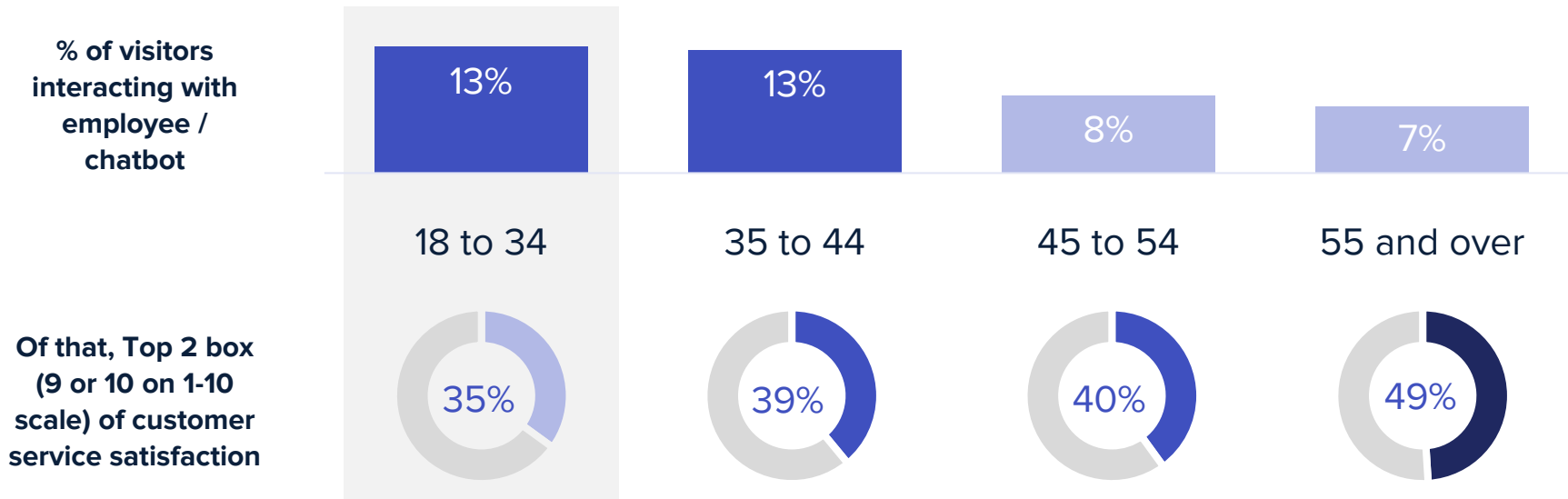


Customer service satisfaction for 2023+ will depend on tailoring to younger shoppers.

Younger consumers, like Gen Zers, are more frequent users but less satisfied with website customer service today.

Web visitors and customer service interaction: differences by age group

% of visitors selecting, by age group



Recap

Consumer Behavior 2022 Roundup and 2023 Predictions

- As was the case at the start of 2022, the past twelve months can be best summarized as consumer behavior changes driven by a reduction in COVID precaution being replaced by massive attention toward price increases, and to a lesser extent, labor and supply shortages.
- Consumers generally cite tougher household finances as a driver behind inflation-related cutbacks on some purchases (especially for “nonessential” product categories). Transaction data corroborates this view with weakened transaction momentum for many retailers, though these trends are nowhere near as volatile as those driven by COVID in 2020.
- 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 have emerged as the biggest recent winners, due to their value proposition from subscription memberships, as loyalty / reward programs are increasing as a driver of retail choice.
- Outside of the behavioral response to inflation, other notable 2022 trends include the sustained digital purchasing first driven by the pandemic, though the rate of growth for online shopping, 3rd party delivery platforms, and Buy Now, Pay Later platforms is not as rapid as it was in 2020-2021.
- Despite inflation being a major factor in declining transaction trends for many brands in 2022, there is a lot of evidence to believe 2022 will not be any worse. The year-over-year inflation rate has decelerated in recent months, and since the summer of '22, consumers have not increased the rate in which they cite rising prices as a factor in household shopping decisions nor has the proportion of consumers getting by through depleting savings or taking on debt unsustainably grown much. Barring other macroeconomic factors creating unemployment or global supply issues, it is reasonable to believe consumers will not make further big cutbacks on purchases in 2023.
- Beyond inflation, a key way brands will outperform others in 2023 will be how they respond to the growing influence of Gen Z as a shopper cohort – this will involve specific strategies around social media marketing, customer service, loyalty programs, to name a few.

Medallia

Questions?

Contact us at
briefings@medallia.com





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)

