

# Medallia Market Research Suite

## Insights on Inflation: Are Consumer Behaviors Changing Over Time?



**Andrew Custage**  
Head of Insights,  
Medallia Market Research



## Today's Co- Presenter



## Bill Staikos

Bill Staikos is Senior Vice President, Executive Advisor, at Medallia. He is a globally-recognized experience leader with over 20 years of proven expertise envisioning and executing holistic, customer-led strategies, and works with some of Medallia's most important clients to help accelerate their journey in Customer & Employee Experience.

# 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



Synergized 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

# Session Contents

Insights on  
Inflation: Are  
Consumer  
Behaviors  
Changing Over  
Time?



Setting context: household finances



The experience of inflation



Are consumers reacting differently to inflation over time?



Are current behaviors sustainable?



Looking to the future

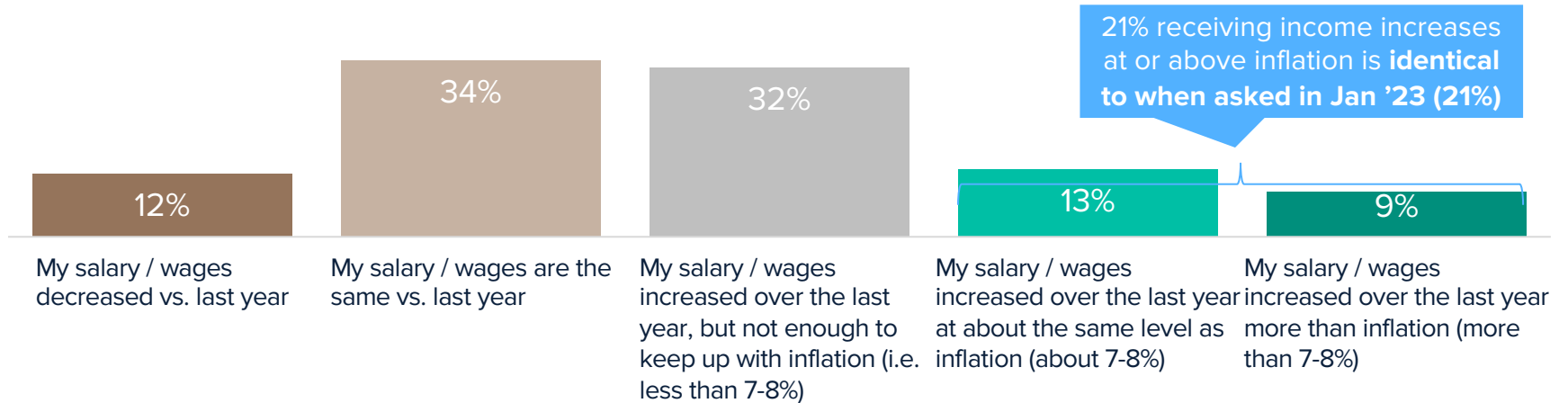
Setting context: the state of  
household finances

# Incomes still not keeping pace with inflation

Like trends last year, only about 1 in 5 workers are experiencing 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?

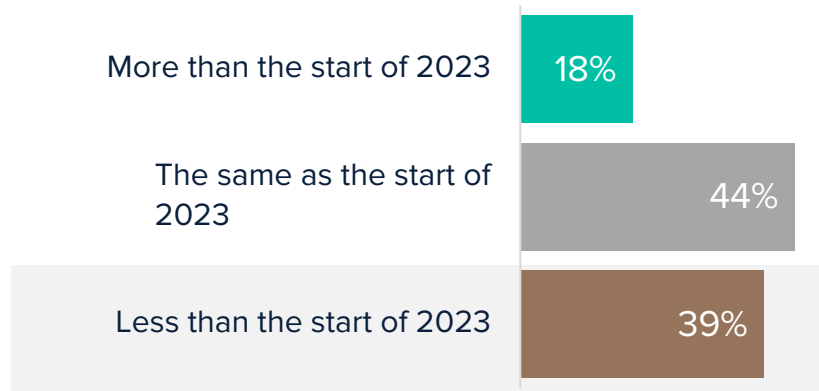


# Household finances are self-reported worse now than the start of the year

Vs. beginning of the year, people are more likely to say they've cut into their savings vs. added to them, and are slightly more likely to have added vs. reduced debt

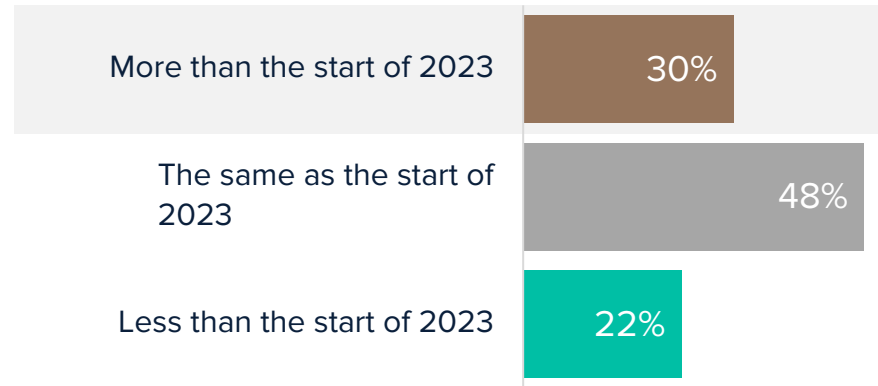
## Current household savings

What best describes the amount of money you have in your savings now, compared to the start of 2023?



## Current outstanding debt

What best describes the amount of outstanding debt you have (e.g. credit card debt, loans not yet paid off, etc.), compared to the start of 2023?

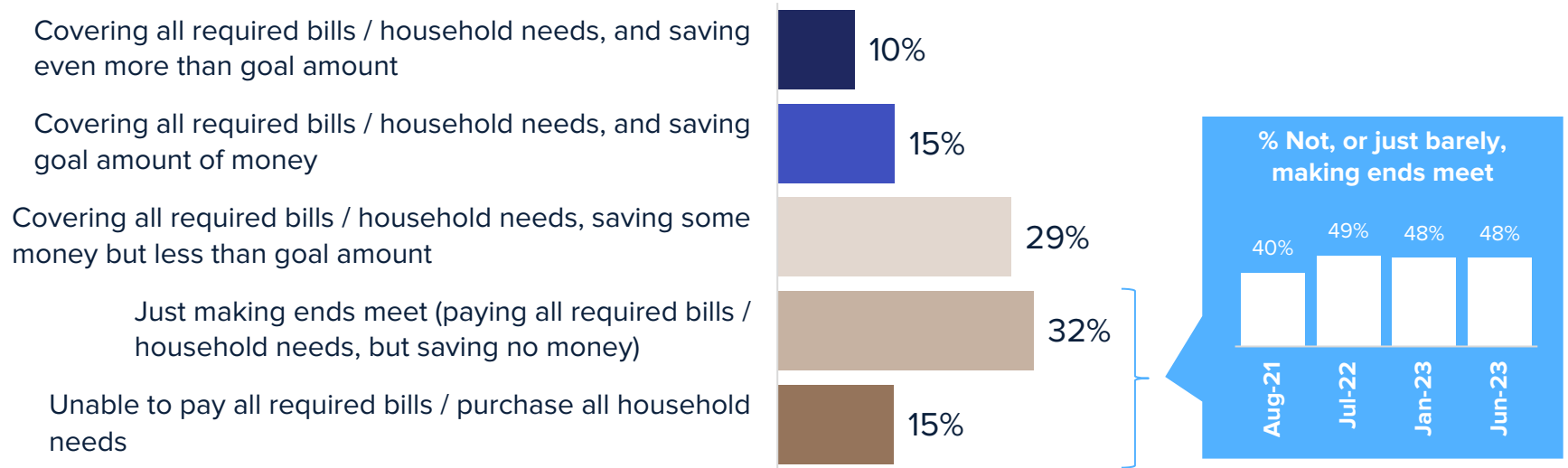


# Despite this, the proportion who indicate they are struggling is trending flat

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?



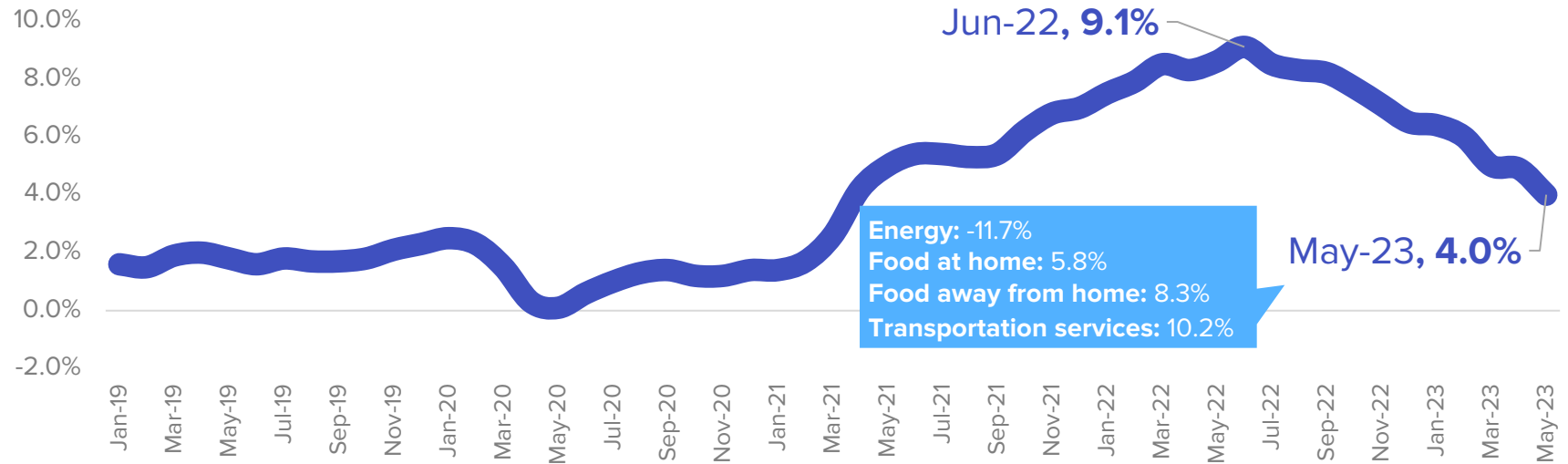


# Overall inflation rate slowly getting back to “normal”

However, this is primarily driven by declining energy prices, as other categories like food and transportation are still at abnormally high rates.

## Year-over-Year US inflation rate

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





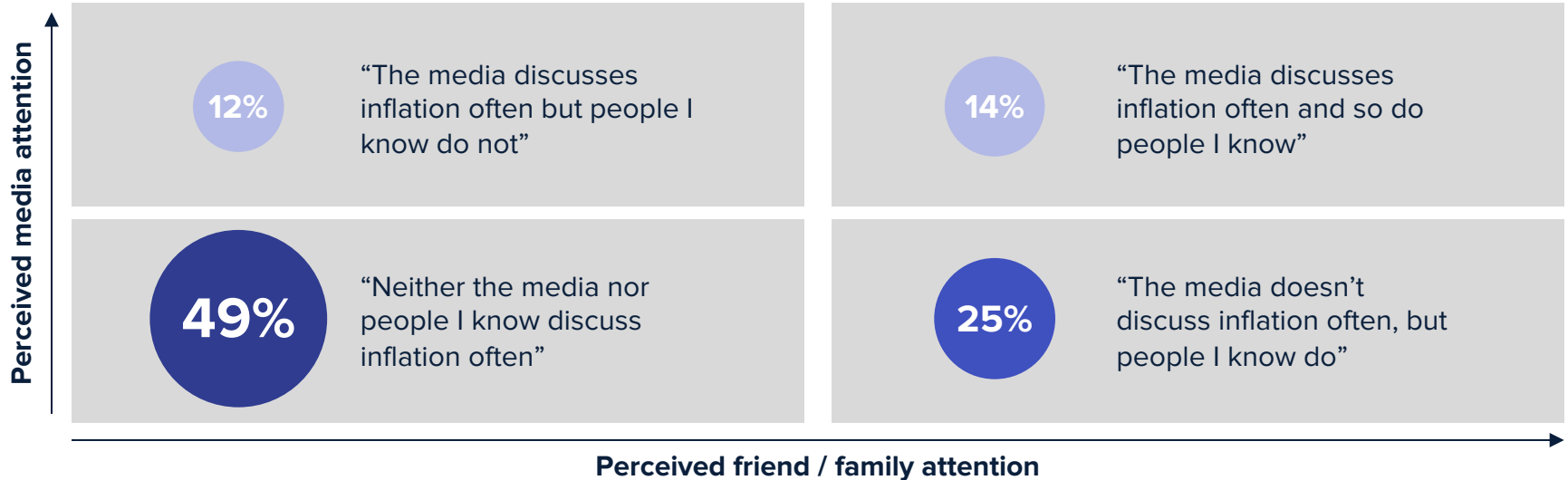
# The experience of inflation

# Attention on inflation is not just media hype

People are inclined to feel they don't encounter inflation narratives often, or if so, they are family / friend-driven more than media-driven.

## How regularly inflation comes up in every day life

If you compared how often you hear the news media discuss rising prices / inflation vs. how often it comes up in discussions with your friends / family in daily life, which of the following best describes the situation?



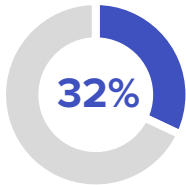
# Inflation is affecting perceptions of experience and resulting behaviors

## % Agreement: Sentiments on Experience

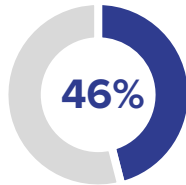
For each of the following statements, select what best applies to you. % selecting 4 or 5 on 1-5 scale

### Perceptions

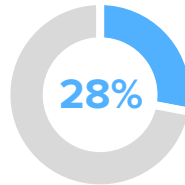
“When interacting with brands, I feel **the experience is more personalized now** than a couple of years ago”



“Stores are using **higher costs or labor shortages as an excuse** to provide worse customer service”

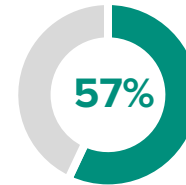


“I notice **better customer service** when interacting with brands that charge **higher prices**”

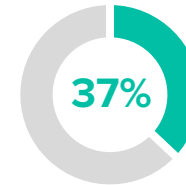


### Behaviors

“My choices to shop **online vs. in-person** are influenced by where I can find the **best prices**”



“I actively **prioritize shopping with brands** who still care about the **customer experience**, even if their costs are going up”



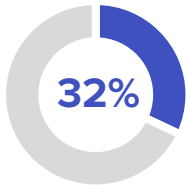
# Many brands have a way to go to convince customers inflation-related changes are justified

## % Agreement: Sentiments on Experience

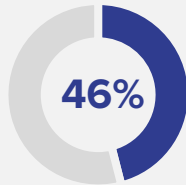
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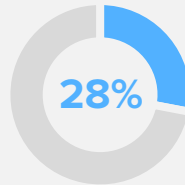
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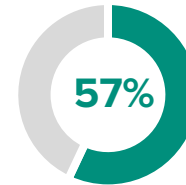


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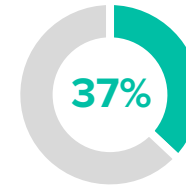


### Behaviors

“My choices to shop **online vs. in-person** are influenced by where I can find the **best prices**”



“I actively **prioritize shopping with brands** who still care about the **customer experience**, even if their costs are going up”



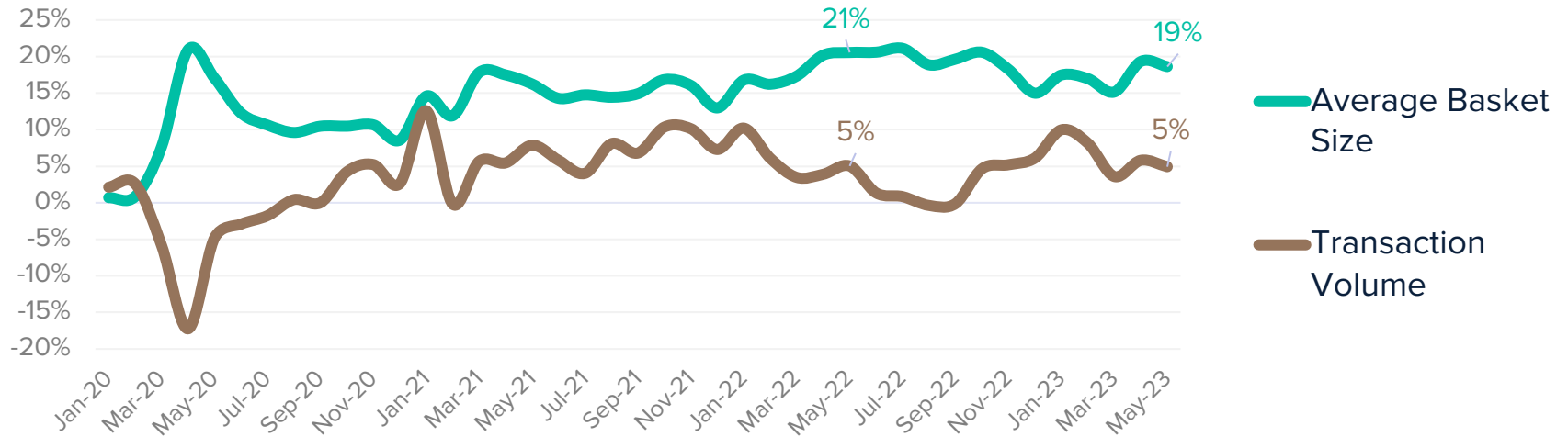


Are customers reacting  
differently to inflation over time?

# Total consumer spend activity for retail remains above pre-pandemic levels and is largely unchanged year-over-year

## Total Retail Consumer Spend Activity, vs. 2019

US National; Relative % Change vs. Equivalent Months of 2019; Sorted based on trend improvement



# Over the past year, Office Supply, Apparel, and Furniture retailers have taken hits

## Panel Sales Trends vs. 2019, by Industry Category

US National; Relative % Change vs. Equivalent Months of 2019; Sorted based on trend improvement

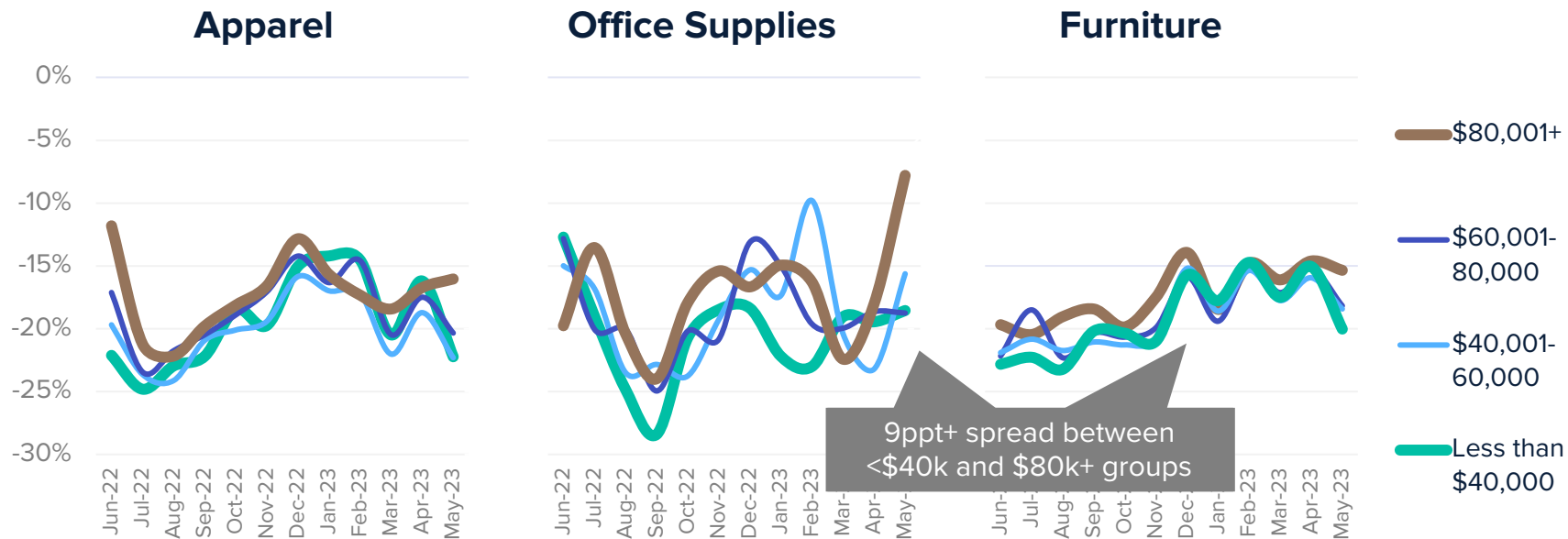
		Jan-May '22	Jan-May '23	Momentum change
<b>Retail</b>	Amazon	89%	101%	+12ppt
	Club	57%	65%	+8ppt
	Supermarket	14%	21%	+7ppt
	Dollar	41%	46%	+5ppt
	Beauty Specialty	15%	20%	+4ppt
	Electronics	5%	8%	+3ppt
	Mass	18%	20%	+2ppt
	Drug	2%	0%	-2ppt
	Department	-6%	-8%	-2ppt
	Sporting Goods	35%	30%	-5ppt
	Home Improvement	53%	47%	-6ppt
	C-Store	34%	22%	-12ppt
	Office Supplies	-7%	-23%	-17ppt
Apparel	3%	-16%	-19ppt	
Furniture	32%	13%	-20ppt	
<b>Restaurant</b>	Limited Service Restaurants	25%	34%	+9ppt
	Full Service Restaurants	6%	8%	+2ppt
<b>Travel</b>	Airline	9%	9%	0ppt
	Hotel + Airbnb	44%	39%	-5ppt



Higher income sustaining spend *slightly* better than lower income consumers on underperforming retailers, but both are cutting

## Select Retail Categories: Spend Trends by Household Income Group

US National; by Household Income Group; Year-over-Year Change by Month



# Major retail battles: Club and Dollar overperformance

## Panel Sales Trends vs. 2019, by Industry Category

US National; Relative % Change vs. Equivalent Months of 2019; Sorted based on trend improvement

**Other notable takeaways:**

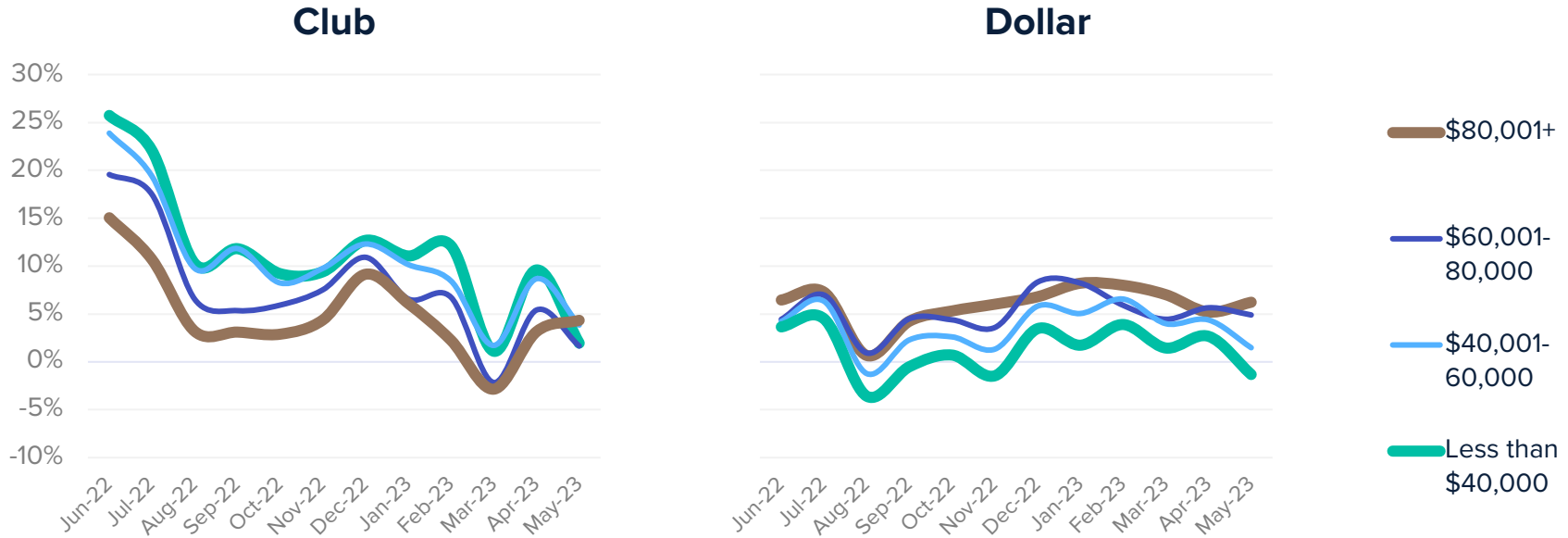
1. Club and Dollar continue to build on their outperformance Mass, likely due to increasing popularity both for value and subscription benefits

		Jan-May '22	Jan-May '23	Momentum change
	Amazon	89%	101%	+12ppt
	Club	57%	65%	+8ppt
	Supermarket	14%	21%	+7ppt
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<b>Travel</b>	Airline	9%	9%	0ppt
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# Lower Income have helped Club hold its growth, while Dollar is gaining w/ Affluent

## Select Retail Categories: Spend Trends by Household Income Group

US National; by Household Income Group; Year-over-Year Change by Month



# Gas price stability dropping C-Store's previously oversized share of wallet

## Panel Sales Trends vs. 2019, by Industry Category

US National; Relative % Change vs. Equivalent Months of 2019; Sorted based on trend improvement

### Other notable takeaways:

2. C-Store's declining momentum is largely due to more stable (or decreased) gas prices, which may be helping free up consumer spend elsewhere

		Jan-May '22	Jan-May '23	Momentum change
	Amazon	89%	101%	+12ppt
	Club	57%	65%	+8ppt
	Supermarket	14%	21%	+7ppt
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<b>Travel</b>	Airline	9%	9%	0ppt
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# Stagnant share of stomach battle: restaurant vs. grocery

## Panel Sales Trends vs. 2019, by Industry Category

US National; Relative % Change vs. Equivalent Months of 2019; Sorted based on trend improvement

		Jan-May '22	Jan-May '23	Momentum change
<b>Other notable takeaways:</b>  3. Restaurant vs. Supermarket share of wallet continues to be stagnant, despite expectation inflation would drive more consumers toward groceries	Amazon	89%	101%	+12ppt
	Club	57%	65%	+8ppt
	Supermarket	14%	21%	+7ppt
	Dollar	41%	46%	+5ppt
	Beauty Specialty	15%	20%	+4ppt
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	Hotel + Airbnb	44%	39%	-5ppt

# Trade-downs within restaurants

## Panel Sales Trends vs. 2019, by Industry Category

US National; Relative % Change vs. Equivalent Months of 2019; Sorted based on trend improvement

**Other notable takeaways:**

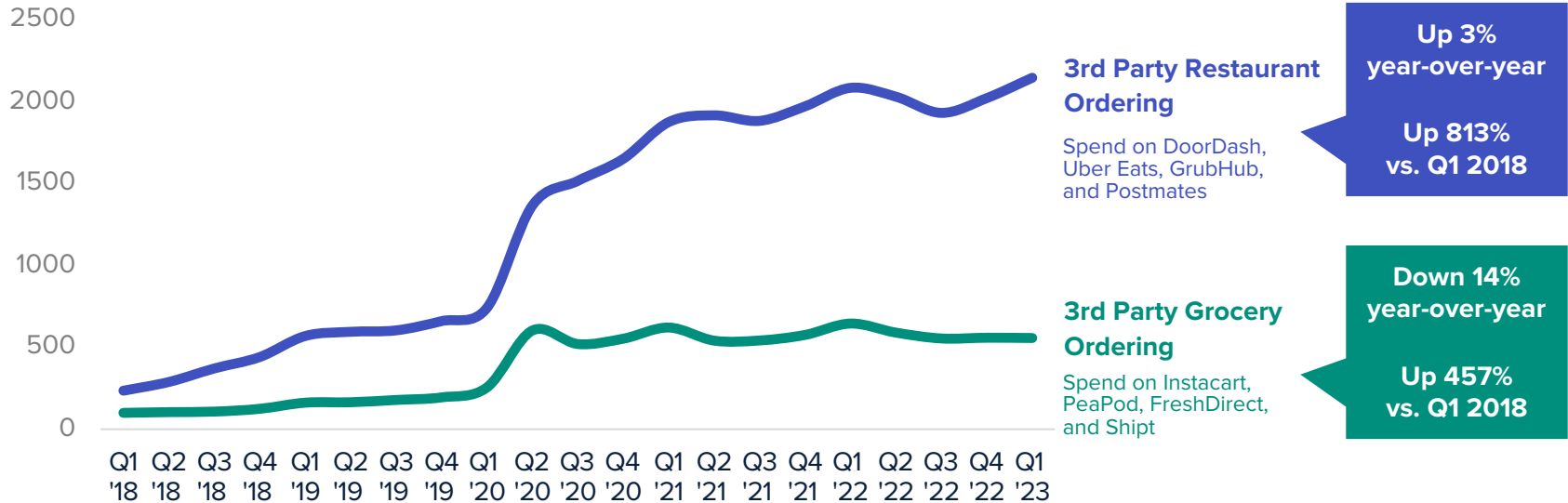
4. Within the Restaurant market, trade-downs appear to be occurring, as Limited Service is outperforming Full Service

		Jan-May '22	Jan-May '23	Momentum change
	Amazon	89%	101%	+12ppt
	Club	57%	65%	+8ppt
	Supermarket	14%	21%	+7ppt
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# Interestingly, restaurant food delivery is holding steady despite both inflation and reduced COVID relevance

## Estimated quarterly spend per person on Third-Party Ordering

US National; Spend per panelist on groups of platforms listed for 90 day periods (100 = on par with Groc. 3PO Q1 '18)



# Travel not taking as big a hit as many specialty retailers have

## Panel Sales Trends vs. 2019, by Industry Category

US National; Relative % Change vs. Equivalent Months of 2019; Sorted based on trend improvement

### Other notable takeaways:

5. Travel has only lost a slight bit of momentum and is still overall up in consumer spend vs. pre-COVID

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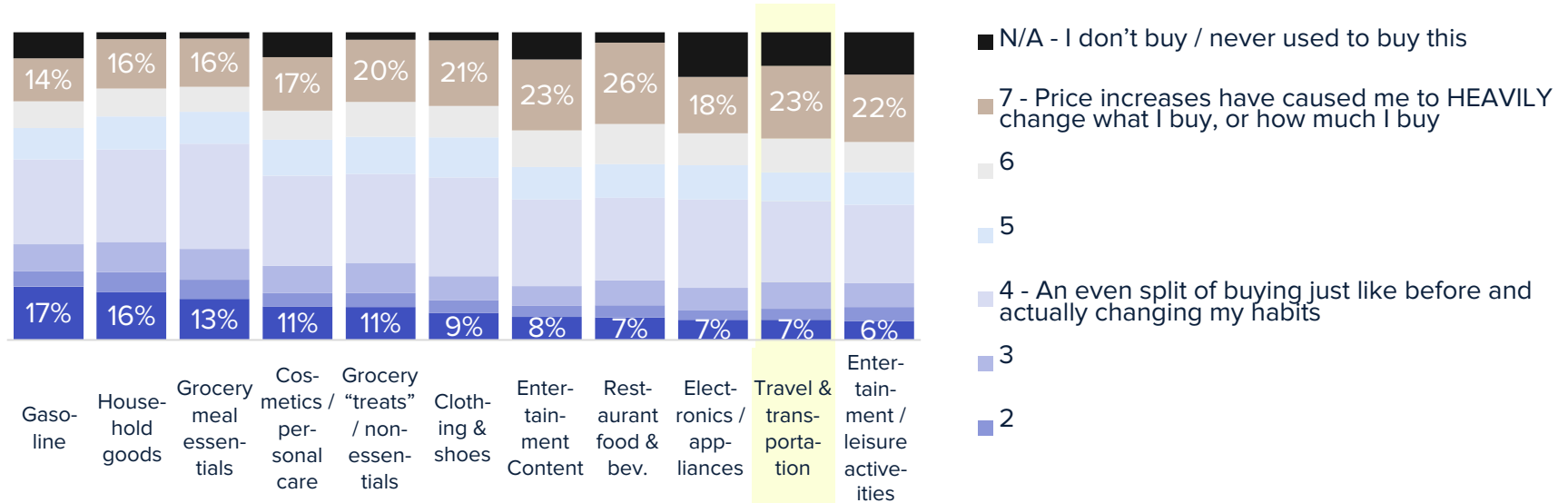


# Despite this, people think they've cut travel and entertainment the most

Gasoline, Household Goods, and Grocery Meal Essentials remain in the top 3 for stability of consumption, as was the case in Jul '22 and Jan '23

## 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.



# Lower Income have cut back more on travel, but this has been consistent for months

## Select Travel Categories: Spend Trends by Household Income Group

US National; by Household Income Group; Year-over-Year Change by Month

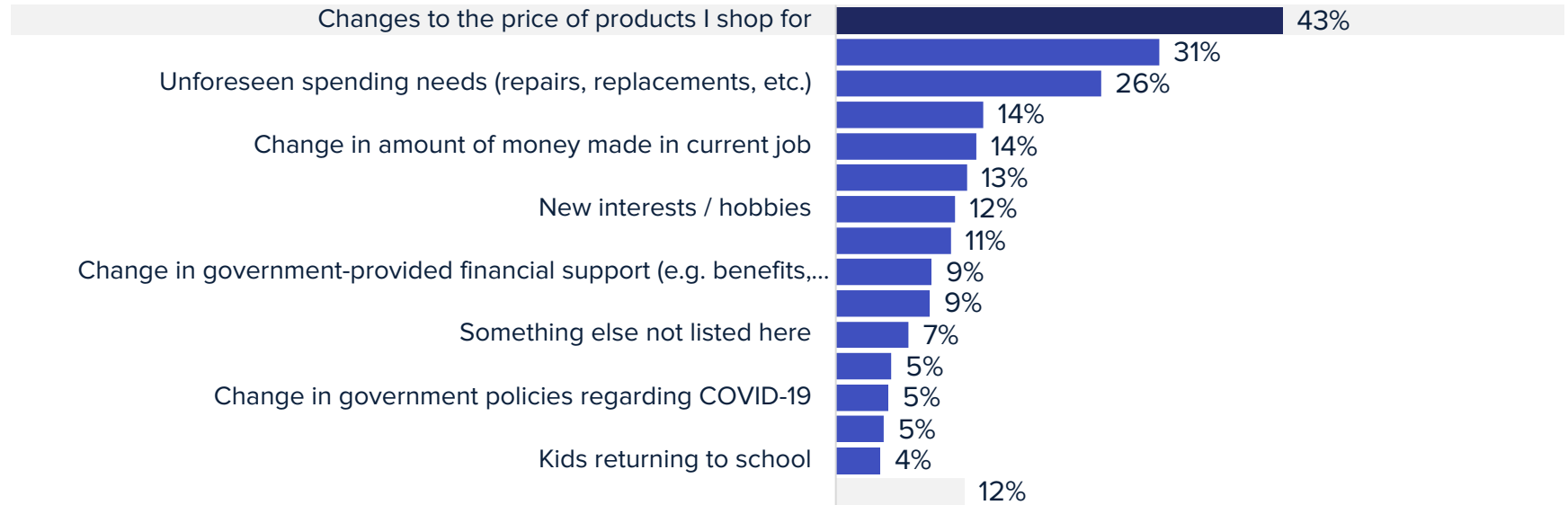


How sustainable is  
current consumer  
behavior?

# “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?

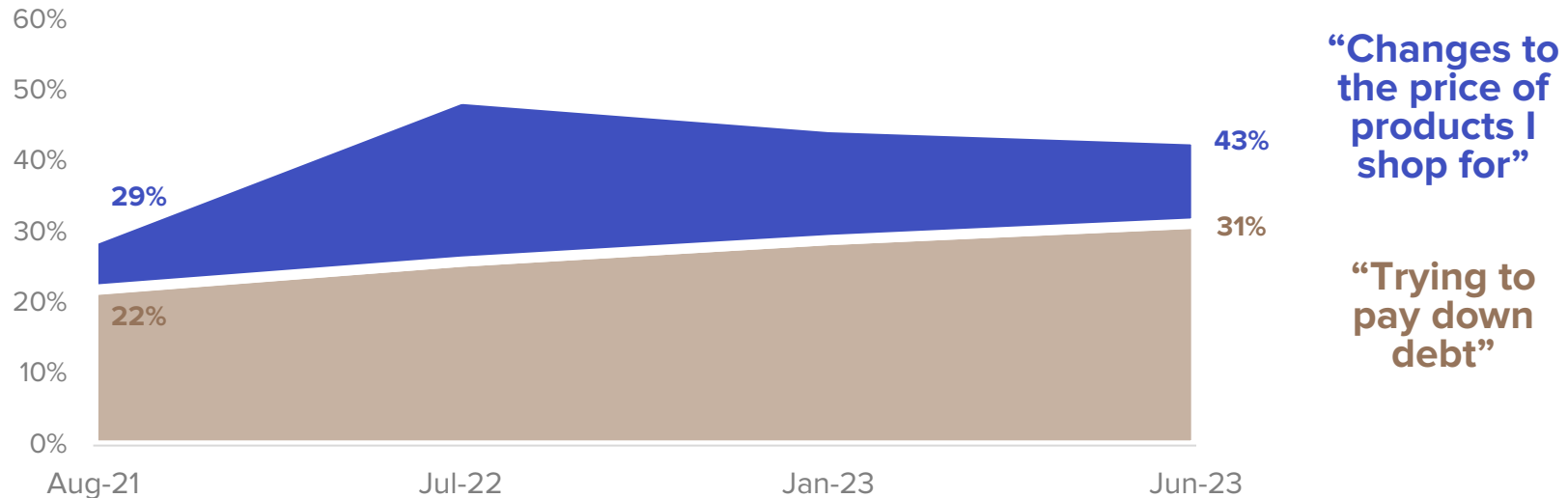


# ...but paying down debt is growing as a factor

“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



# 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.

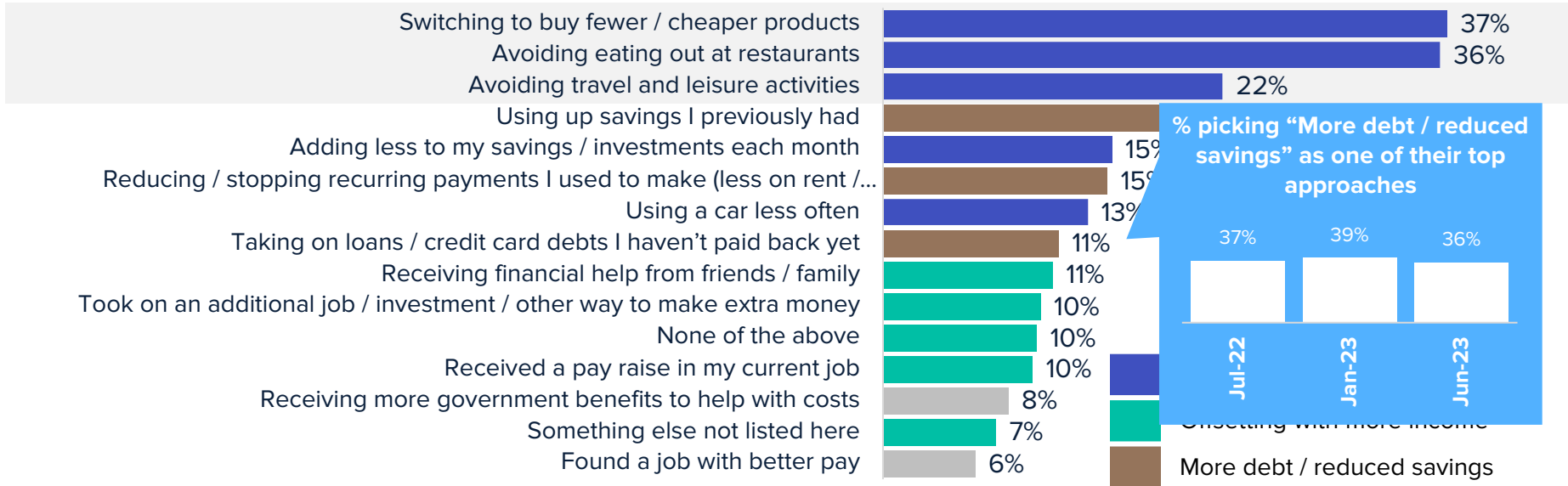


# Unsustainable debt / reduced savings, though present for some, isn't a growing habit

## 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?

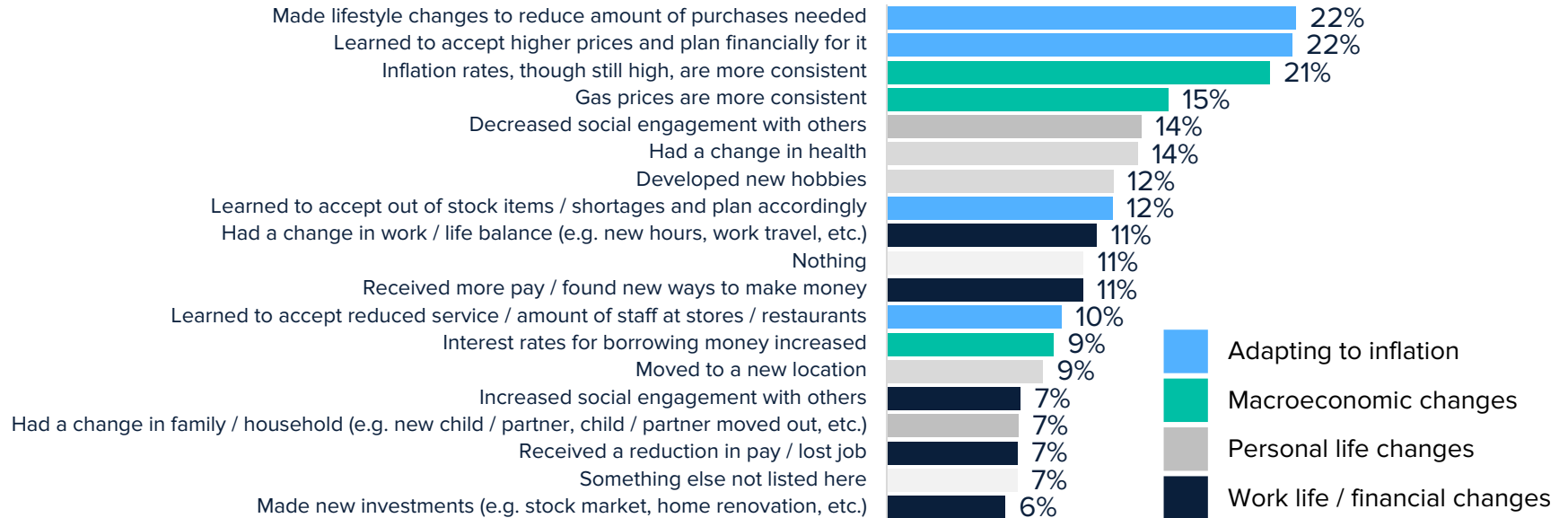
Max 3 choices selected.



# 1<sup>st</sup> half of '23 has differed from '22 most through adapting to inflation + consistency

## What made 1<sup>nd</sup> half of 2023 different from 2<sup>nd</sup> 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?





# Buy Now, Pay Later appearing resilient in face of interest rate hikes

Klarna and Afterpay, representative of the industry at-large, have grown tremendously over the past 5 years, and while slowing, have not receded.

## Spend on select BNPL Platforms

Indexed Sales by Quarter (100 = On par with Afterpay in Q2 '18)

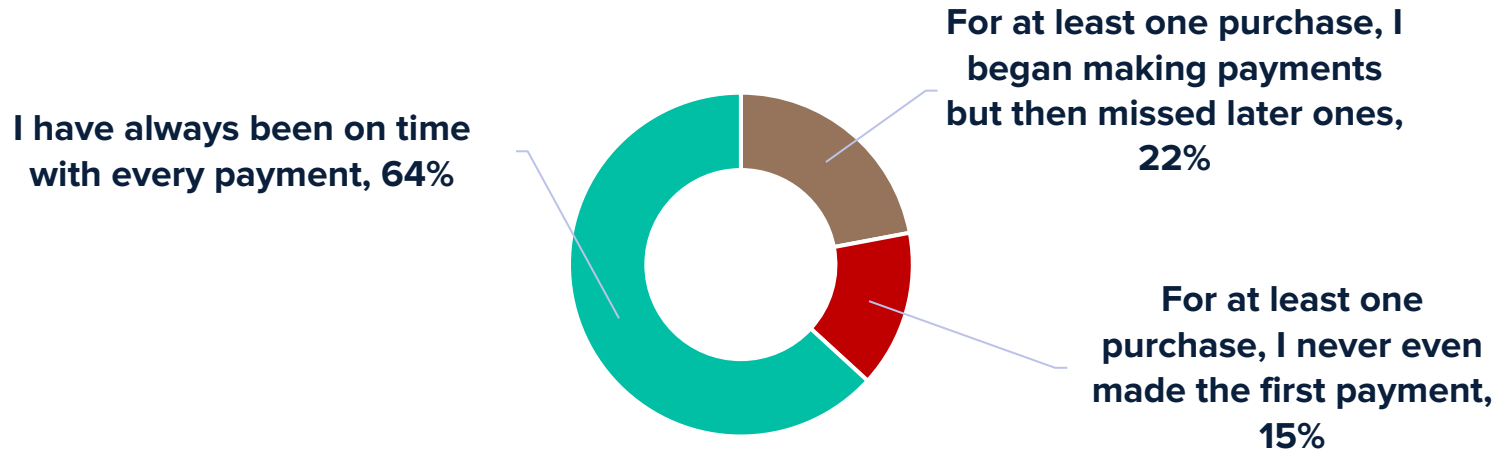


# But ~1/3 BNPL users have missed payments

These proportions are similar to when asked in Summer 2021.

## Delinquency in BNPL Payments

Which of the following are true about your history as a “Buy Now, Pay Later” user?





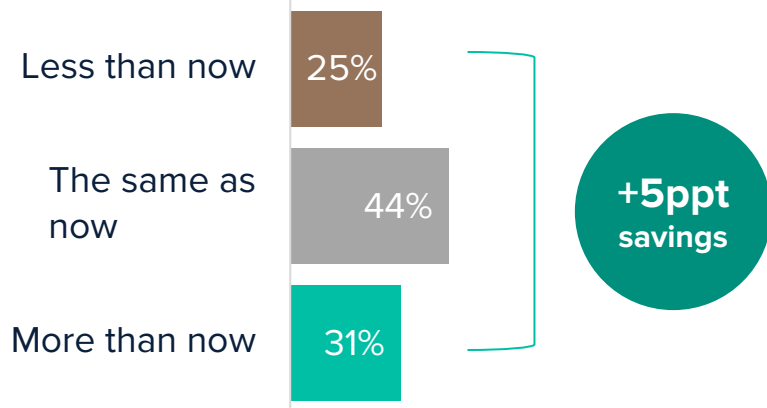
Looking to the future

# People are 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.

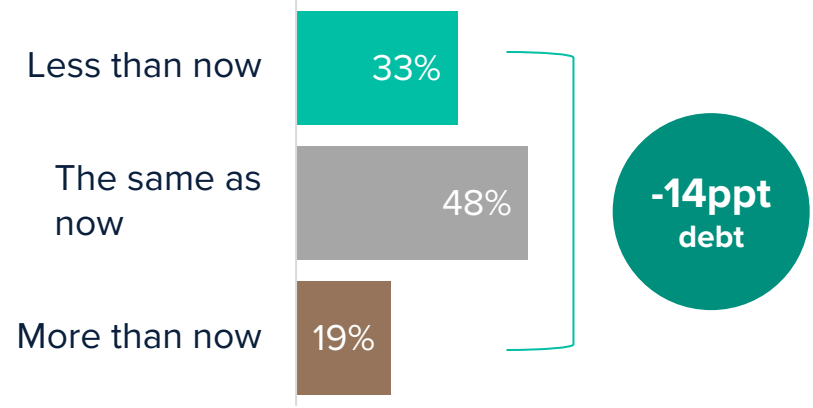
## By end of '23: expected savings

What best describes the amount of money you expect to have in your savings by the end of 2023, compared to now?



## 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?

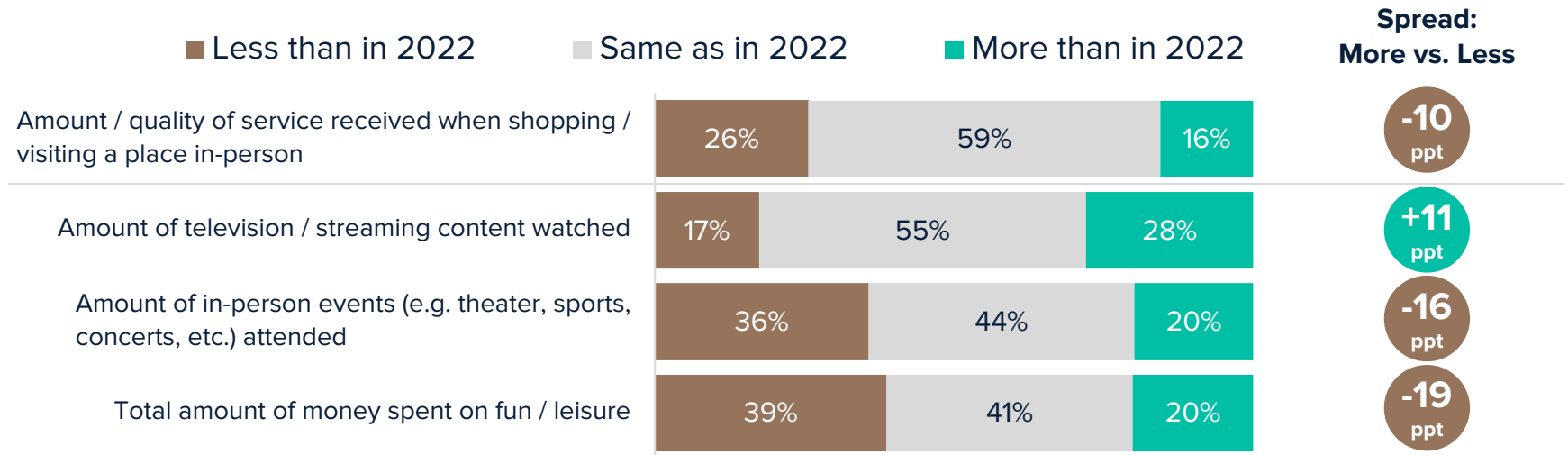


# People do expect to further cut back on out-of-home entertainment

Separately, they also see service at in-person locations being overall worse

## How 2023 will end up comparing to 2022

For you personally, how do you expect the full year 2023 will end up comparing to 2022? Select the choice that best applies. Select prompts shown (19 total)

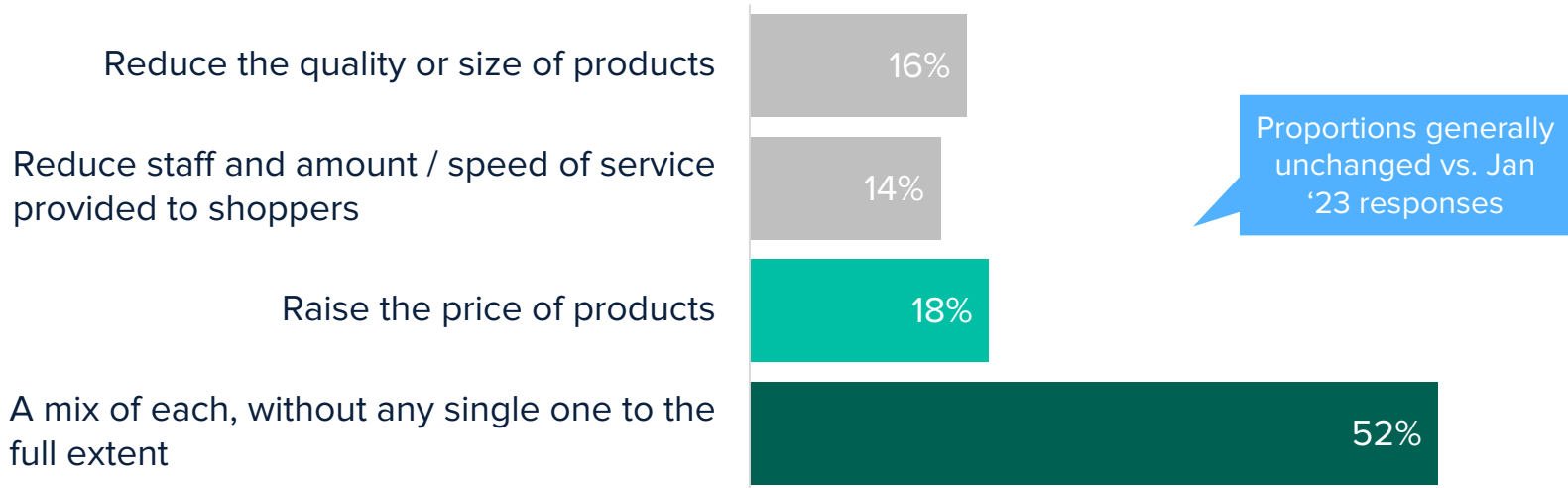


# Consumers do want price increases partially softened by quality / service reductions

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?

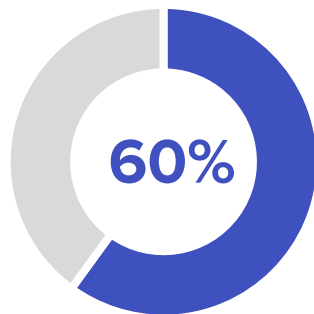


People want brands to message more about deals, and to do special things to help the most vulnerable customers

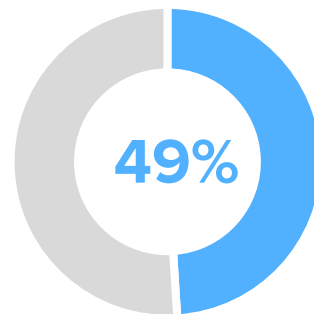
## % Agree / Strongly Agree

% selecting 4 or 5 on 1-5 scale

“Brands should do more to **help customers most affected by inflation**, like the elderly or low income”



“I want brands to **message me more about price deals** or good value products, **instead of other content**”



# Restaurants especially likely to get “splurge” dollars

## Where people would “splurge”

Where are your “splurge” dollars most likely to go, in cases where you want enjoyment or to treat yourself, even if you otherwise have a tight budget?

### Overall Top 5 (of 16 total)

- 31% Restaurants – dining out
- 25% Restaurants – delivery / pick-up
- 20% Personal care / cosmetics
- 18% Entertainment content
- 18% Premium groceries / ingredients

Others (in order): apparel, home improvement, gifts for others, **flights / hotels**, bars / clubs, live entertainment, jewelry, sporting goods, cruises



Though not in the top 5 overall, **flights / hotels** is the 2<sup>nd</sup> ranked option (23%) among those who say they are currently covering all bills and saving at or above their goal amount.

It's selected only 5% by those struggling or unable to make ends meet.





Thank You

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Questions?

Contact us at  
[briefings@medallia.com](mailto:briefings@medallia.com)

