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Consumer Culture Report



INSIGHT INTO THE COMPLEXITIES OF THE MODERN CONSUMER'S MOTIVATIONS, INFLUENCES AND PURCHASING HABITS

An Indifference to Inflation?

It will come as no surprise that the topic of inflation is a central focus of analyzing and understanding consumer spending behavior in 2023, with the term continuing to be a buzzword across news and media outlets. With prices and interest rates continuing to rise, we asked consumers how they truly feel about the impact of inflation. Overall, consumers expect to feel a financial impact for 1.64 years on average (around one year and eight months), while just a gloomy 5% think inflation will affect them for longer than two years.

Looking at a generational breakdown of sentiment, there is a clear divide among the generations, with consumers aged 45 and above expecting to feel the pinch for two years, while the majority of 16- to 44-year-old consumers estimate it will take just a year before inflation stops impacting their spending. An optimistic 14% of overall consumers believe they'll feel no effects at all on their spending for any amount of time.

Similarly, though it may feel like inflation is media's current buzzword, our analysis of more than 2,000 articles in 2022 reinforced that, while inflation may be top of mind, it's not spooking shoppers, with a majority of conversations about the effect of rising costs on consumer spending being either neutral (47%) or positive (37%).

With consumer sentiment indicating varying degrees of tightened purse strings, but not a need for a complete overhaul of their purchasing habits, the question becomes where are they willing to splurge, why does the benefit of saving money outweigh the impact of settling for less in certain categories, and what factors influence those decisions? It comes down to choice, and in 2023, consumers have more of that than ever before.



The Discerning Consumer: A Look at Today's Selective Shoppers

Just as consumers were eager to return to brick-and-mortar shopping in 2022, they are eager to spend on the products they want in 2023. However, brands should expect to work harder than ever on communicating with today's shoppers. In a market where options are limitless but consumers are aware that the value of their dollar is finite, why should they choose you?

The good news is that consumers remain willing to spend. 60% of consumers described their spending behavior in 2022 as willing to spend disposable income on goods and services beyond the necessary items, with shoppers between the ages of 25 to 44 among those reporting spending with the least restraint. And they've already given thought to how they will spend this year: over 80% started the year already having thought of the top categories where they will spend the majority of their 2023 disposable income.

So, where are they planning to splurge, and where are they looking to save, in 2023?

An overview reveals that in general, consumers will look to save more (choosing cheaper options) than they splurge (buying the best they can afford). The sole exception, where most of all consumers surveyed will spend (51%) rather than save (49%), is electronics & technology which – for the third year running – is set to be the top splurging choice. Consumers recognize the value in splurging on electronics and technology, it's a category where shoppers are often looking for good performance quality and product longevity, resulting in splurge pricing.

Here's a look at **splurge rankings year-over-year: comparing categories where consumers don't hold back**

	2023	2022	2021
1	Electronics & Technology (51%)	Electronics & Technology (57%)	Electronics & Technology (54%)
2	Health & Wellness (43%)	Health & Wellness (49%)	Travel & Experience (46%)
3	Home Goods & Furniture (42%)	Home Goods & Furniture (48%)	Dining Out (41%)
4	Dining Out (40%)	Dining Out (46%)	Home Goods & Furniture (41%)

When broken down by age groups, the data shows differences in the categories consumers are most likely to splurge on – information brands and retailers can act on: knowing which consumer markets are already primed to purchase this year, or with whom they may need to devote more intention.

	16 to 24	25 to 34	35 to 44	45 to 54	55+
Splurge #1	Electronics & Technology	Electronics & Technology	Electronics & Technology	Electronics & Technology	Home Goods & Furniture
Splurge #2	Health & Wellness	Dining Out	Beauty & Personal Care	Home Goods & Furniture	Electronics & Technology
Splurge #3	Clothing & Fashion	Health & Wellness	Clothing & Fashion	Health & Wellness	Health & Wellness

For example, all age groups except 35 to 44 ranked health and wellness in their top three splurge categories. This poses interesting questions for brands in this space to address. Are consumers within this age group the only ones not interested in their health and wellness, or are brands overlooking this age group or miss-marketing to them?

25–34 year-olds and this was the only “experience” based category to make the top-three list indicating that while this group continues to seek and spend on experiences, an opportunity for brands in the restaurant and experience space, other age groups may require more incentive or specialized messaging in order to splurge.

Conversely, the only age group who noted “Dining Out” as a top-three splurge-worthy category for 2023 were

Good news for BNPL companies:

the majority of consumers (60%) use the feature while shopping. And for brands, only 11% of those who shop with the feature suggest it impacts how they spend by a lot, indicating that price is not a barrier to purchase, rather BNPL is a value-add experience in the purchasing process.

Of those consumers who report using BNPL options, 80% are 25 to 34 years-old, making consumers this age the majority of shoppers who

take advantage of this feature, with over half reporting installment payment options impact how they spend either a little or by a lot. These consumers are most interested in spending on clothing & fashion in 2023, so retailers in the space should know offering installment payment options could be the influencing factor that secures their sales.



Comparing how consumers spent disposable income in the past two years:

When asked which of the following, if any, consumers spent the most of their disposable income on, here's what they had to say:

	2022	2021
Dining Out	42%	37%
Clothing & Fashion	35%	33%
Electronics & Technology	29%	32%
Beauty & Personal Care	20%	21%

While electronics and technology were the top-splurge for three years running, it was not the top category in which consumers spent their money.

The year over year rankings show consistency of overall spend, but similar to interest to splurge, share of wallet wasn't the same across all age groups.

For example, the youngest consumers, ages 16 to 24, spent more on clothing and fashion (46%) this last year than any other category, and were the only age group to rank this

industry as their top spending category. They are also considerably more likely to spend on beauty & personal care (30%). In fact, consumers in this age group indicated that they spent more of their disposable income on beauty products than electronics and technology.

Members of this age group are at the beginning of exercising their spending power. Incredible news for the industries they're keen to spend within, and a puzzle for the industries not yet piquing their interest.



2023 Spending Trends

As we indicated, over 80% of consumers have already given consideration to where they plan on spending the most of their disposable income in 2023. Here's what they had to say:

Areas where *disposable income* is most likely to be spent in 2023:

	Overall	16 to 24	25 to 34	35 to 44	45 to 54	55+
Clothing & Fashion	29%	38%	38%	35%	29%	19%
Dining Out	29%	26%	33%	28%	30%	28%
Travel & Experiences	25%	17%	26%	29%	31%	25%
Electronics & Technology	23%	24%	33%	32%	27%	11%
Health & Wellness	22%	28%	22%	18%	22%	22%

The number of overall consumers who will be looking to spend on clothing and fashion items has risen from 27% to 29% in the past year, giving it even ranking with dining out and, in a shift from last year, outranking travel & experiences. Dining out and travel & experiences were the top two categories last year consumers anticipated spending most of their disposable income for the year ahead. With clothing & fashion also making the top three splurge categories for two age breakdowns of consumers, 2023 may be the year shoppers are looking

to invest in high-quality items that last longer, rather than spending on fleeting goods including meals and one-off events.

However, again looking at age differences, those aged 45 to 54 indicated the opposite intent: intending to spend the highest share of their disposable income this year on travel experiences and dining out, while consumers 55+ are most interested in dining out above all else.

Limits to loyalty

Consumer loyalty is the goal, however in a world where choice is infinite and access is immediate, the barrier for consumers to change their mind or find another option is low.

66%

Around two-thirds of all consumers report they would likely switch away from brands they know and trust for a value-based alternative

Of these, 28% declare they'd be very likely to take such action, with those aged 35 to 44 being the most fickle (34%). Just one in seven consumers say they'd be unlikely to swap.

In such a world, the experience of buying the product can become as important as the product itself in terms of convincing consumers to choose, and continue to choose, the brands where they spend their money.

Ways consumers feel *retailers can help them save*

	Action	% Percentage
Action #1	Give product discounts	50%
Action #2	Waive shipping fees	38%
Action #3	Offer value-based alternatives	30%
Action #4	No particular ways	24%
Action #5	Make returns easier	17%

Unsurprisingly, offering discounts comes in at the top spot. While this isn't a marketing secret, it's encouraging for retailers to know that when possible, discounts are not overlooked by consumers. Excluding discounts, the remaining actions are influential in purchasing decisions.

It's the age of the curious consumer. Not only are they ready to make brands justify their prices, but, with so many options available to them, they are questioning not just the product but the experience and making decisions (or changing their minds) at each point throughout the checkout process. For example, when asked about shipping fees, three in 10 (30%) don't feel any same-day shipping fee is justifiable, and a

further 40% believe same-day shipping should only cost up to \$10. Adding to the negativity towards shipping fees, the average that consumers are willing to spend - \$6.64 - has dropped from \$6.78 in 2022.

Offering value-based alternatives and making returns easier are two more actions that are often over thought but should not be underestimated. In today's market retailers answer to the consumers, and these savvy shoppers are expecting their favorite brands to take on a majority of the heavy lifting. This could be through cutting costs or taking the commitment out of the purchasing decisions with free returns or try before you buy programs.

The Influence on Indulgence

Consumers are split when it comes to identifying what can influence them to splurge on a product. Half of those surveyed reported they find no factors influential in convincing them to splurge, while the other half were able to identify the marketing moves that have them spending more than they might have planned.

Upon a closer look: the gap happens between the 34 and under age bracket and the 35 and over age bracket with the data showing a 10% difference in those who identify a specific channel that can convince them to splurge (34 and under) and those

who say there is no channel that can convince them to splurge (35 and older). This jump can potentially be explained by generational differences, where the younger consumers can identify the marketing efforts that impact them because, being raised in the digital age, they're more aware of the moments where they're being targeted by an advertisement.

Of the half of consumers who identified a channel that convinced them to splurge, the top 3 channels indicate a preference for top-of-funnel tactics among consumers of all ages, with some generational differences:



3 in 10

reported they can be convinced to splurge through word-of-mouth rising to 4 in 10 of those ages 25 to 35, making it the most influential factor when it comes to splurging

The second most identified factor was paid ads on social media that appear within feeds, especially amongst younger consumers with 1 in 4 shoppers below the age of 34 reporting they're influenced to splurge by these posts.

The third most influential factor that convinced consumers of all ages to splurge was an influencer's post on Instagram or TikTok.

Good news for brand marketers, consumers under the age of 44 indicated that both 'paid ads on social' and 'an influencer's post on Instagram or TikTok' were influential in convincing them to splurge, with these categories receiving a near even split from consumers responses within these age groups.

In our 2021 report, we asked consumers to rank how they typically learn about new products or brands they want to try. The top three responses were in-store, word of mouth, and social media. Once again, a generational focus shifted the perspective. Shoppers between the age of 16 to 34 identified social media as the top source for them to learn about new products and brands, followed by word-of-mouth. Tied together with this year's insight into the platform's influence on splurging, social media clearly has an incredible impact over the purchasing power of the youngest generations of consumers. Whether paid ads or influencer posts, these consumers are shopping from their social feeds.

Comparing the prevalence of word of mouth across all ages with the success of social media marketing among younger generations, we're left with the question: what is the modern definition of word-of-mouth? Marketers would do well to dig into this question in search of the answer for their audience because it can mean something different across ages. Older consumers may consider word of mouth to be recommendations or reviews from users, others may envision street teams, while the youngest consumer might understand this form of marketing to be a micro-influencer making a TikTok.



What Next?

We've uncovered some fascinating findings about consumers' spending intentions in light of inflations buzzing around. Now it's time for brands to put this information to use.

To set you on your way, here are some ideas to consider and leverage, which we'd be happy to discuss further with you:

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1 **Buying decisions made fast:**

Talk of inflation hasn't impacted consumer desire to buy. If the intent is there, the purchase will be made.

2 **Word of mouth = rising sales:**

If you can deliver the experience consumers expect from you, chances are high that they'll pass along your brand. Nearly one-third of consumers consider word of mouth the best channel to persuade them to splurge, adding more weight to the power of brand awareness.

3 **Influence of social media:**

Social users are shopping, especially consumers younger than 34. When these consumers spot a paid ad or an influencer post in their social media feed it encourages them to buy.

4 **Brand loyalty could be waning:**

Consumers won't hesitate to leave a brand they trust if it means they could save money. About two-thirds of all consumers say they'd make the switch if it kept dollars in their pockets.

5 **Customer experience is part of the product:**

While brand loyalty may be tapering off, customer experience becomes the product, both in-store and online. Actions like easier returns or free shipping can be a single point of conversion from a one-off customer to a brand loyalist.