



CONSUMER INSIGHTS REPORT

The Inflation Edition

NOVEMBER 2022





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Preface

Surpassing a 'black swan' event like COVID-19 may have seemed like a challenge for even the most creative of thinkers, but here at the tail end of 2022, the retail industry finds itself, once again, beset by a new set of complex and challenging issues.

With the cost-of-living crisis dominating headlines across the globe (and at 40 year record highs for inflation - perhaps not unsurprisingly) a key concern across industries and verticals of all shapes and sizes, is how to help install confidence in an increasingly fragile consumer market.

The journalistic tendency to accentuate the negative does not always tell the whole story. Though the post-pandemic 'boom' may be over (at least insofar as the immediate injection of financial support from Governments) yet consumers are still spending – albeit within the boundaries of a very different context to even 3-4 months ago.

Scratch the surface and a picture begins to emerge of an evolving consumer mindset. There can be no doubt that increasing financial pressures are impacting how we shop, but to view the situation only through the lens of a search for the best deals or cheapest products is to fall victim to short-termism.

In this report we will look to tell a story that helps you orient your own strategy over the coming months, grounded in data collected from a truly representative cross-section of real consumers.

We hope that the ideas and thoughts here, can provide a sense that while times may be tough – opportunity remains for those willing and able to invest in meeting consumer needs in the moment, while keeping one eye on a future state at the same time.

01

Inflation Doesn't Impact Everyone the Same Way

It can be tempting to see the impacts of inflation as all-encompassing, but data collected by TruRating shows that many of the key inflationary impacts are not being felt equally by consumers across all life stages.

In a survey of over 6,000 consumers in August '22 – **81% of respondents said they had noticed a change in living costs, with 68% of those consumers identifying the change as significant.**

Broken down to a more granular level, it becomes clear that the brunt of the burden is not being felt equally.

When we split the difference across two retailers with notably different demographics (an athletic brand serving a typically under 30 market vs. a discount brand serving families and seniors) a 14-point swing emerges, **with 89% of older consumers answering Yes compared to 75% of youth.**

The emerging picture may not be surprising – that younger consumers are not as immediately impacted by the rise in food and energy costs as families/seniors is intuitively logical – but it raises an important point for retail at large:

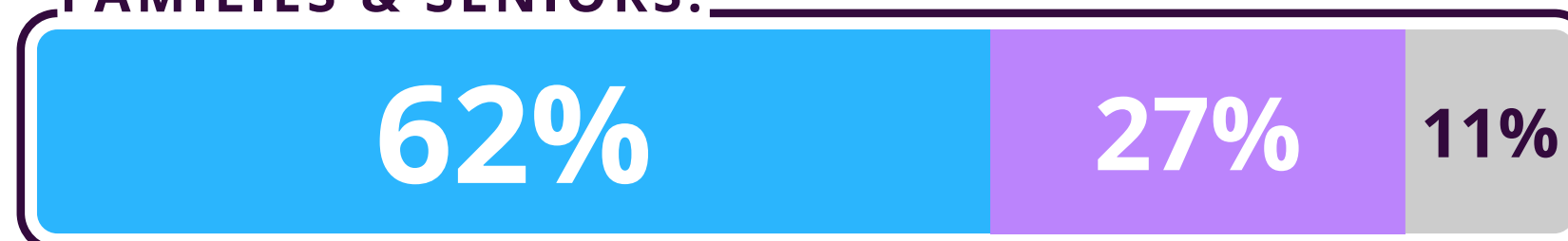
The impact of inflation on shopping habits and a consumer's likelihood to shop differently is going to depend to some degree on the target consumer group for that retailer.

Have you noticed a change in living costs?

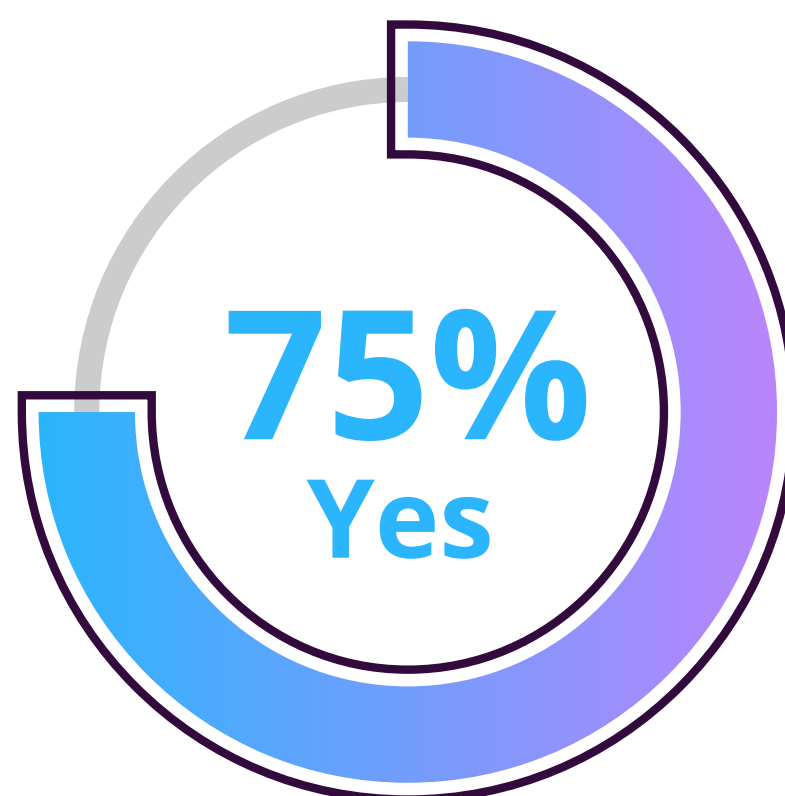
YOUTH:



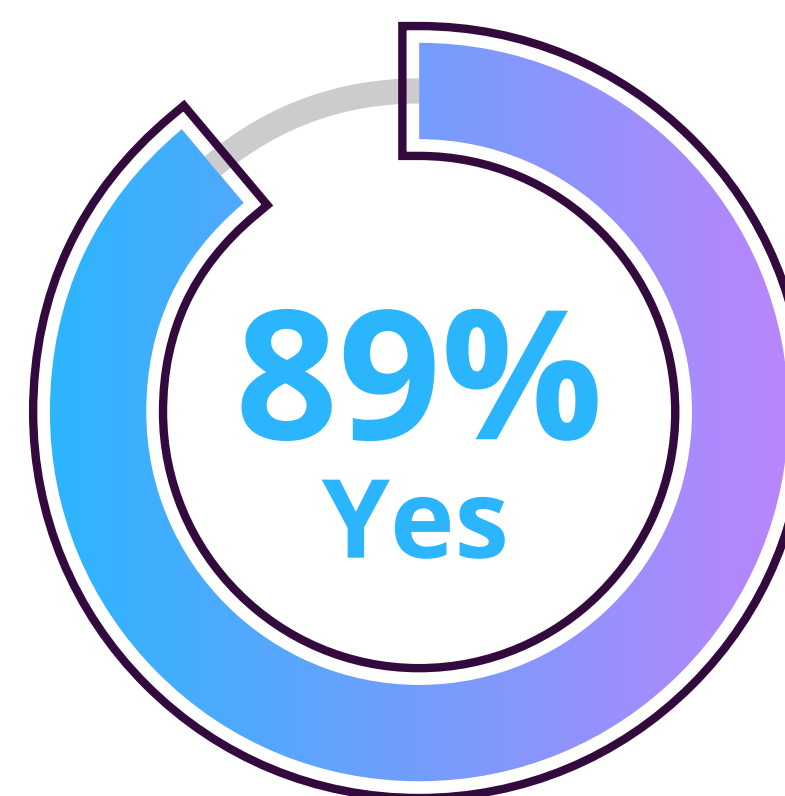
FAMILIES & SENIORS:



■ Big ■ Small ■ None | Date range: August 5th - 14, 2022 | n: 2.176



ATHLETIC RETAILER
(youth demographic)



DISCOUNT RETAILER
(families & seniors demographic)

While not unique to the contemporary moment – the importance of not ‘umbrella-ing’ your customer base into a single homogeneous bucket jumps out.

Rather than looking at inflation in a broad sense, you need to spend time seriously considering how inflation is impacting the specific demographics you serve and to ask yourself an important question:

What actions can I take to best serve the needs of my specific customer base to help them through this difficult time?

The data tells us that trying to apply a one-size fits all solution, is not likely to provide the best results.

KEY TAKEAWAYS

Inflation doesn't treat people equally

Understand the pain points of your specific demographic and **actively show what you're doing to help them**

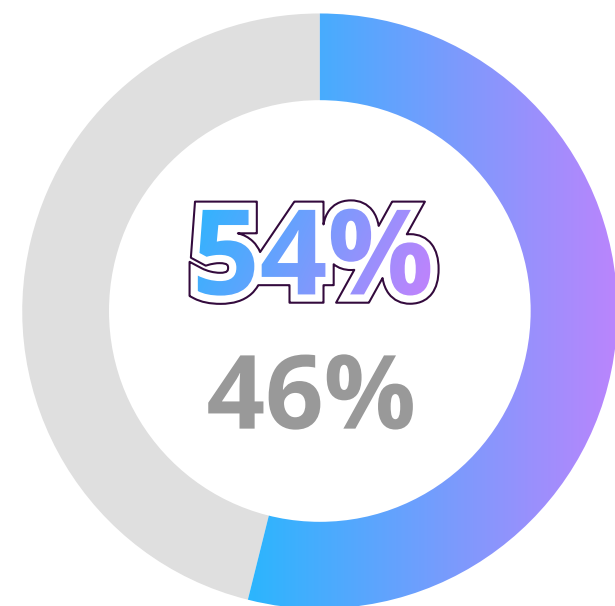
Wherever possible – do this at the **store and regional level**

Inflation Doesn't Impact Everyone the Same Way

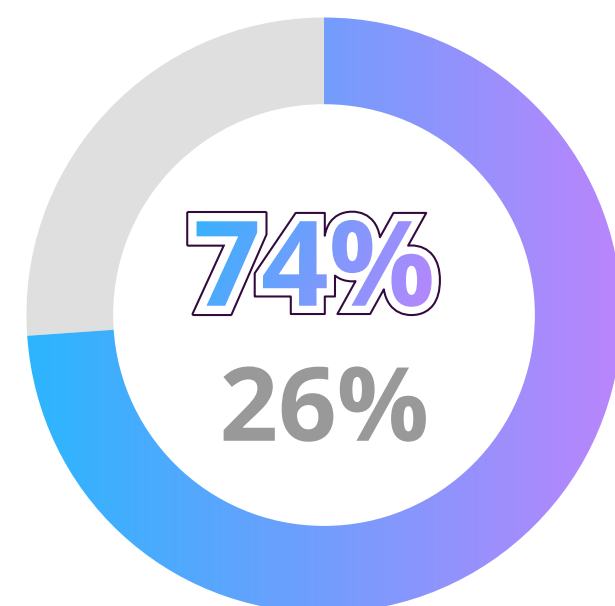
Are you taking actions to save on energy costs?

Yes No

YOUTH:



FAMILIES & SENIORS:



Date range: August 5th - 14th, 2022
n: 6,693



RETAILER TIP

Whenever possible, you should be measuring **customer sentiment at the store level** to enable comparisons across **your regional demographic segments**. Showing that you understand your shoppers' concerns is essential to building long-term loyalty – especially in trying times.

Questions for consideration:

- ❓ *Does your product range and price point match the needs of your core audience right now?*
- ❓ *Are you delivering targeted and granular messaging to your audience to show you're listening?*
- ❓ *Are you measuring and responding to localized needs in the moment?*



THE EXPERT VIEW

"Retailers often make the mistake of assuming Gen Z is the demographic with the strongest purchasing power. That's not the case: Baby Boomers have more wallet share than any other generation. The reason? Inflation at every level: housing, gas, food, apparel, student loans... and the list goes on. The youngest independent demographic may never know the financial freedom of their predecessors, which may help to explain their rebellious nature."

Jasmine Glasheen

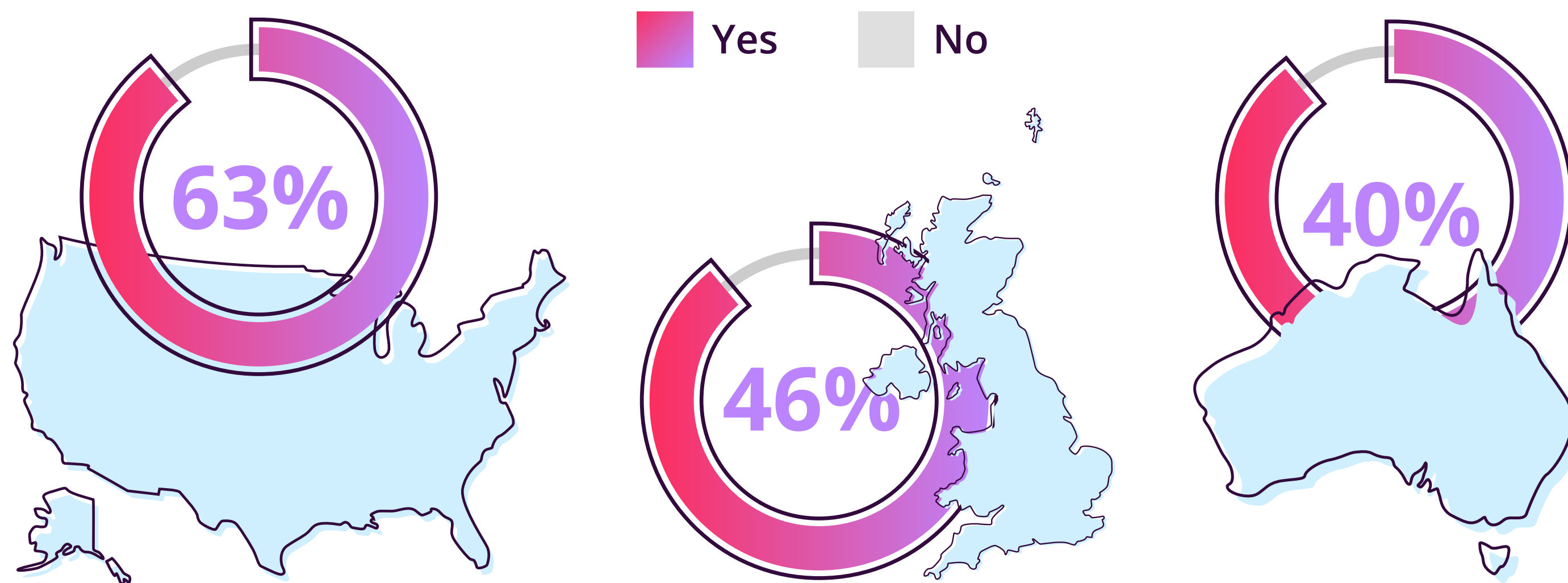
Content Marketing Manager, Surefront
Writer at the Robin Report & Retail Wire



02

Rising Prices, Changing Habits A GLOBAL VIEW

Are you driving less due to petrol prices?



Date range: August 15th - 28th, 2022 | n: 9.737

Though in 2022 we tend to view the world as a global marketplace, **it's important to remember that inflation rates are not equally felt in every region.** In TruRating's core operating markets – the inflation numbers for July 2022 vs. July 2021 were 6% for Australia, 8.5% for the US and 10.1% for the UK (Trading Economics – July 2022).

When we asked consumers in each of these regions specifically about the impact of inflationary effects on basic habits such as driving and food consumption, responses indicated that the degree to which these factors may impact discretionary spending also varied.

From a retail perspective, the key consideration is one of location:

In markets where consumers are more heavily reliant on private transportation to simply get to the store itself, the size of a catchment area becomes increasingly significant.

Retailers who have invested strategically in store locations in densely populated Urban areas will have noticed the benefits already. The significance of inflation as an effect with varying impacts can be seen – with younger, typically more affluent consumers (also those more likely to inhabit urban areas) feeling the impact of increasing costs for lifestyle 'necessities' (such as driving) less so than families and seniors.

While Governmental responses to the cost-of-living crisis in many ways are fundamentally impacted by localized factors beyond the control of retail at large, the consistent need to factor in the impact of wider economic trends as part of your strategic response remains a learning point for businesses across the globe.

Although the initial impulse may be to read any costs that bite into discretionary spend as a negative, it is important to consider the actions that can be taken to help build long-term substantial loyalty:

By helping your consumers to weather the storm of temporary cost increases, you can win long term customer trust.

If customers are going the extra mile to visit your stores, you need to ensure that you deliver on the fundamentals when they are there. Going beyond expectations in a time of need, will not be forgotten quickly.

KEY TAKEAWAYS

In hard times, **all footfall is more valuable than ever**

Help your customers now to win **long-term trust and loyalty**

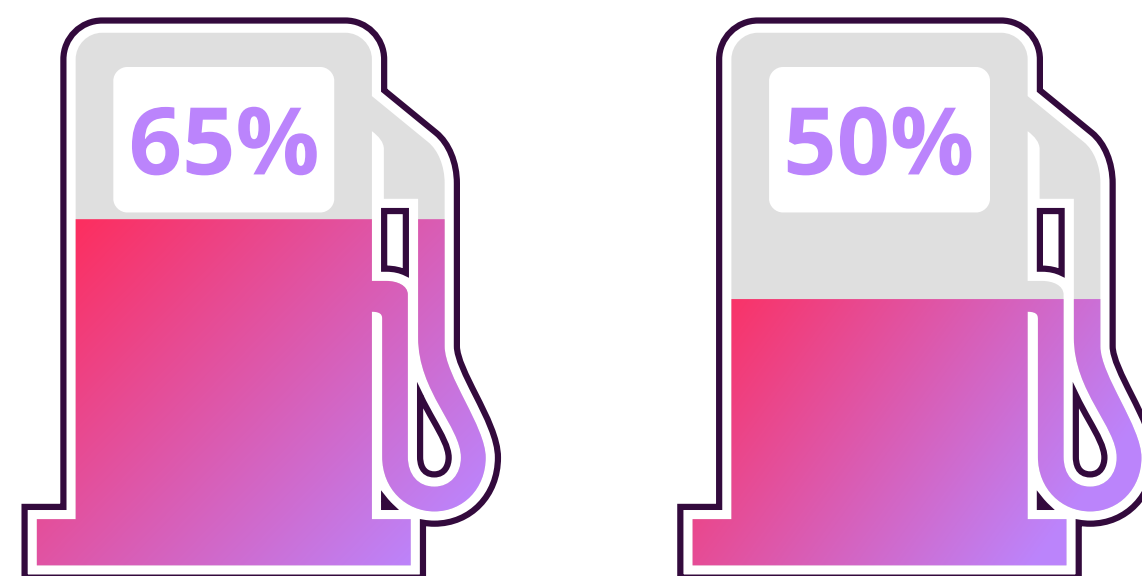
Challenging times present opportunities to **exceed expectations**



02

Rising Prices, Changing Habits | A GLOBAL VIEW

Are you driving less due to petrol prices?



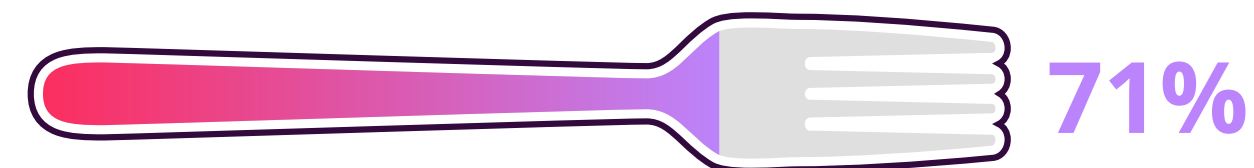
FAMILIES & SENIORS

YOUTH

Date range: August 5th - 24th, 2022 | n: 6,963

Are you cooking at home more this year?

AUSTRALIA / NEW ZEALAND:



UNITED KINGDOM:



Date range: August 1st - 14th, 2022 | n: 6,963

THE EXPERT VIEW

"Consumers are now more price-conscious and more selective with how they will spend their money and where. It's important for retailers to adjust prices to keep their margins as they are already tight enough but consumers need to see the value in the price increase which is a great opportunity to invest in loyalty programs, long-term offers, and subscription strategies."



Paula Macaggi

Head of Partnerships & Global Strategy,
RETHINK Retail



RETAILER TIP

By understanding which products and product lines have the strongest impact on your customers' perception of brand value, you can mitigate potential losses by strategically increasing prices for products that have a less noticeable knock-on effect. And remember – your most loyal customers are likely to notice any price increases first.

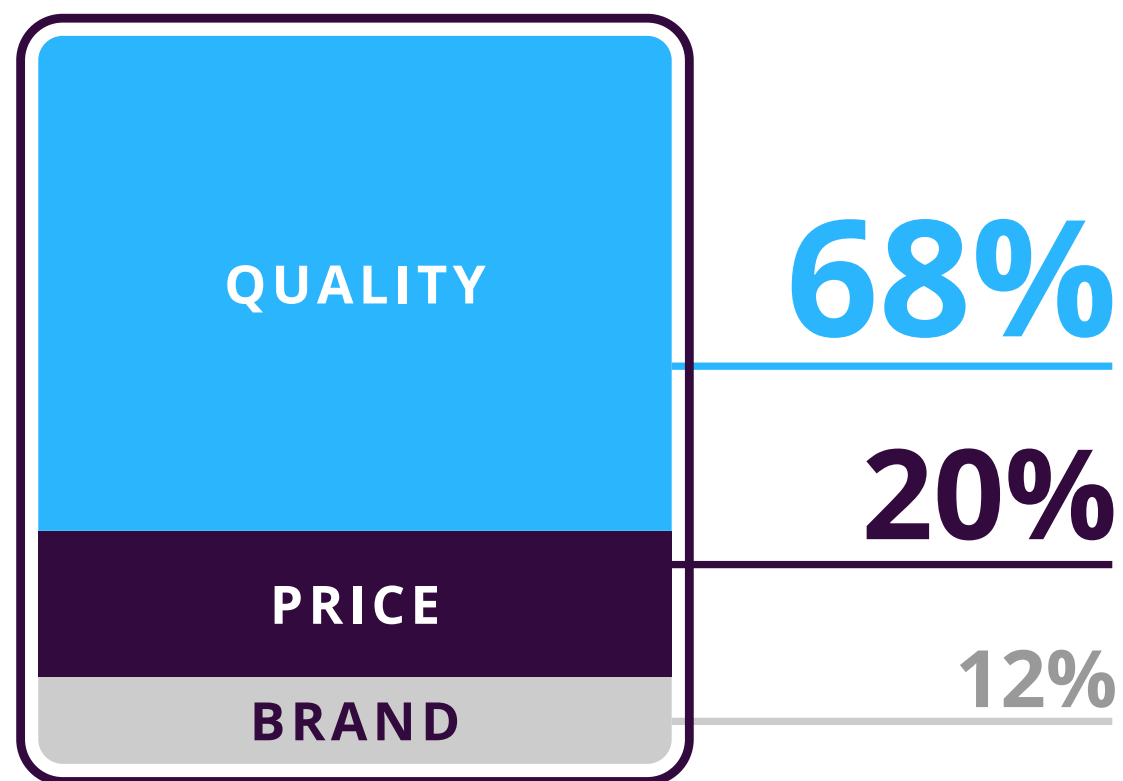
- ❓ *Are you testing pricing sensitivity by category and sentiment?*
- ❓ *Do you have the customer data to understand response to pricing adjustments in real-time?*
- ❓ *Do you know the potential impact of off-loading excess inventory at discount on perception of overall brand value?*



03

The Increasingly Thoughtful Consumer

What matters most to you when you shop?



Date range: May – August 2022 | n: 5,536

While location, stage of life and of course, relative income, all have an impact on consumer spending patterns – one overarching trend that can be seen across demographics is an increasingly thoughtful approach to consumption overall.

A tightening of the purse strings brings with it a natural inclination to be more cautious, but also impacts our willingness to shop around (and to try new retailers), to search out a good deal, and to invest more time in finding the best bang for our buck.

The very concept of 'value' is undergoing a re-evaluation in the current climate:

Quality of goods and not just price point is increasingly the key driver for customers who no longer see discretionary or frivolous purchases as desirable or necessary.

Verticals including Home, Electronic and Luxury overall, are also seeing a kick-back from the pandemic glut in spending on big ticket items (fueled by the catalyst of stimulus cheques) that helped many to get through lock downs with a semblance of sanity. And yet in spite of this, an analysis of our retail base shows that it is actually deep discount retailers who are now feeling the heat - as customers reign back on purchases seen as disposable or unnecessary.

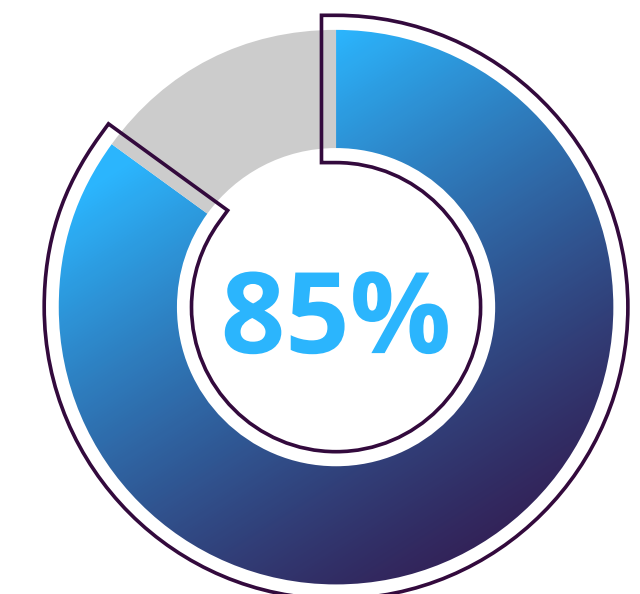
While customers may be more cautious, the flip side is that you have an opportunity to win them away from the competition through clever marketing and comms.

In a difficult market, retailers need to focus on talking much more about product quality, product benefits and unique selling points to convince customers to visit stores, make purchases and put an extra item in the basket.

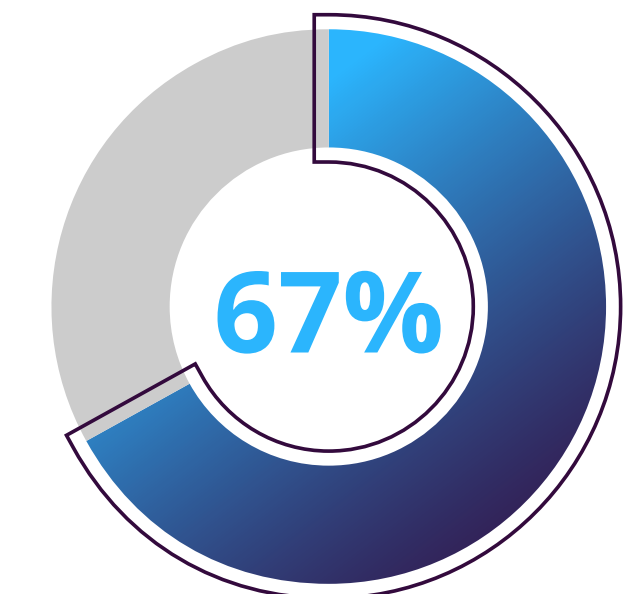
The rise in customers using a 'list' for shopping is another clear example of a loss on discretionary spend (customers who use a list have been shown to spend 15% less on average). **While you can't control whether customers use a list, you can control what's on it** – to ensure you capture the greater share of the 'more thoughtful spend'.

Do you shop around before making a big purchase?

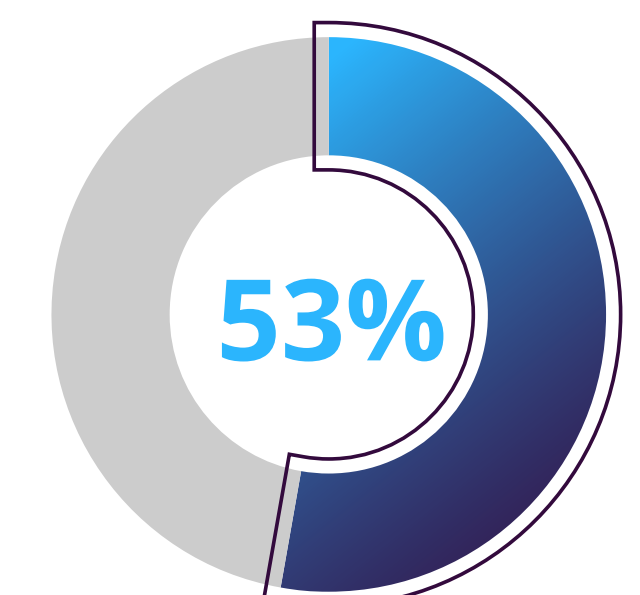
UNITED STATES



AUSTRALIA & NEW ZEALAND



UNITED KINGDOM



Date range: May 23rd - June 5th, 2022
n: 15,198

KEY TAKEAWAYS

Quality service and goods are **more important than simply cheap deals** to the thoughtful consumer

Expect discretionary purchases to drop in the coming months – **what can you do to make up for this?**

Don't ask, "How can I get them to do that?" — Do ask, "**What can I do to help them get what they need?**"

03 The Increasingly Thoughtful Consumer

RETAILER TIP

At a time where consumers are more conscientious about where they shop, the value of **staff in increasing perception of overall value and brand quality** at a holistic level can not be overstated. While retail staff have sometimes been viewed as throwaway due to high turnover, understanding **the impact of hiring and retaining good people for your brand** is key.

- ? *Do you treat your staff as **brand ambassadors** or simply as cashiers?*
- ? *Do you have any policies in place to help your staff as well as customers through difficult times right now?*
- ? *Are you aware of the increased value perception that knowledgeable staff can bring (+ resultant impact on increase in return visits & customer spend)?*

THE EXPERT VIEW

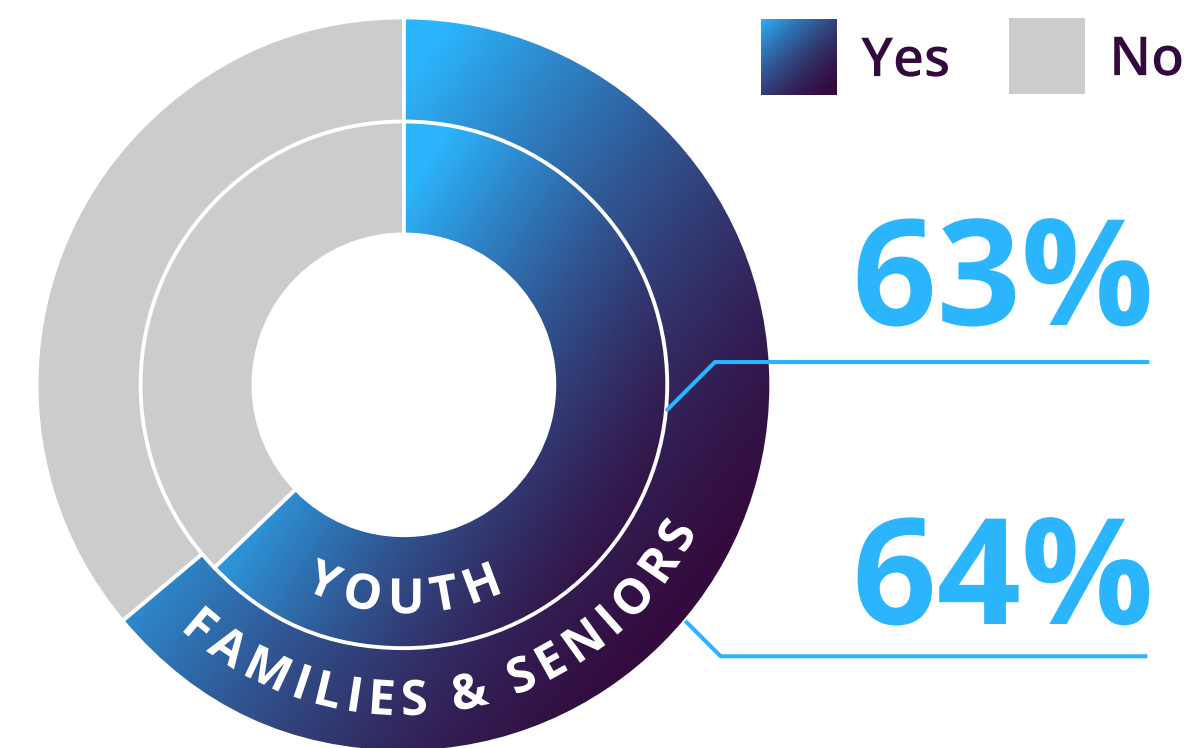


"The consumer is always evolving and the savviest of retailers should always be reacting to that. With inflation an increasing concern among consumers and influencer of overall spending trends currently taking place, it's critical for merchants to make inflation a top priority. This includes their efforts in customer communication, store marketing, and of course, inventory management."

Nicole Leinbach

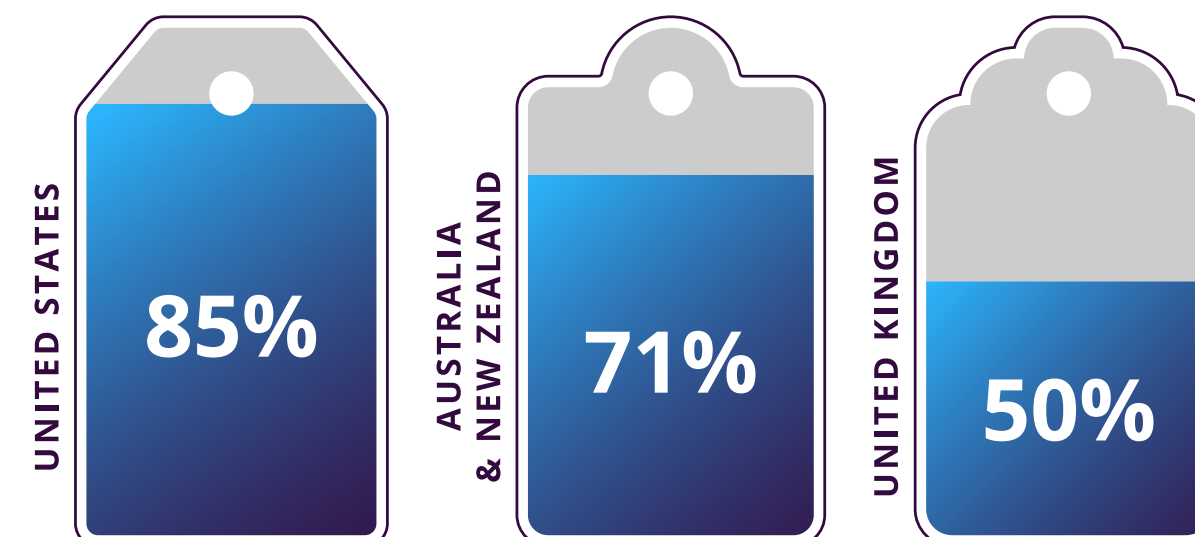
Founder & Publisher, Retail Minded
Co-Founder, Independent Retailer Conference

Has the cost of living changed where you shop?



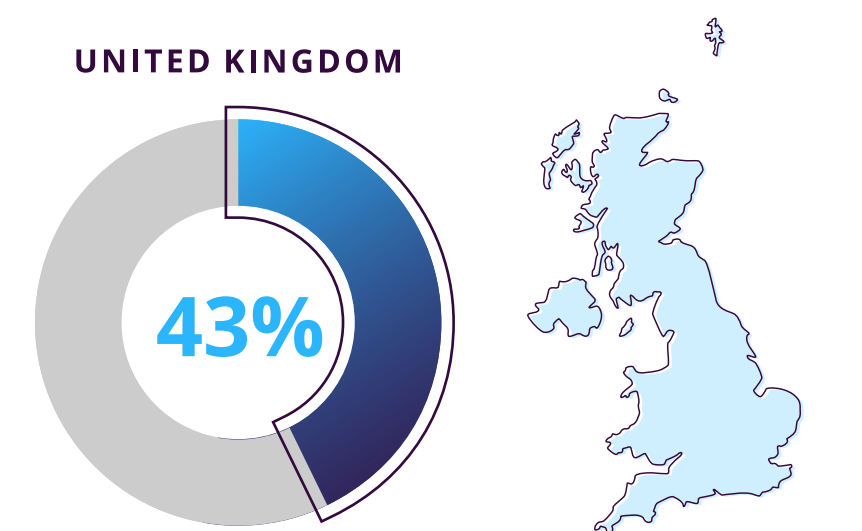
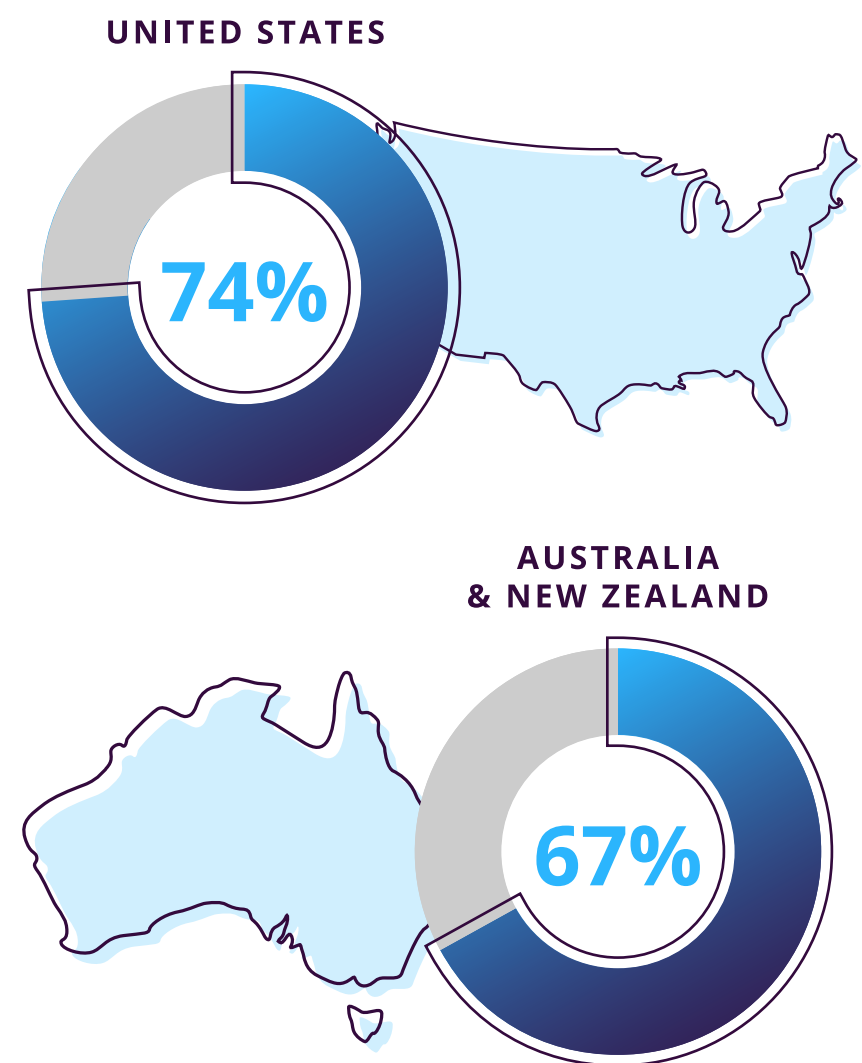
Date range: August 5th - 14th, 2022 | n: 2,176

Do you compare product prices when you shop?



Date range: May 23rd - June 5th, 2022 | n: 30,590

Do you shop with a grocery list?



Date range: May 23rd - June 5th, 2022 | n: 15,198

04

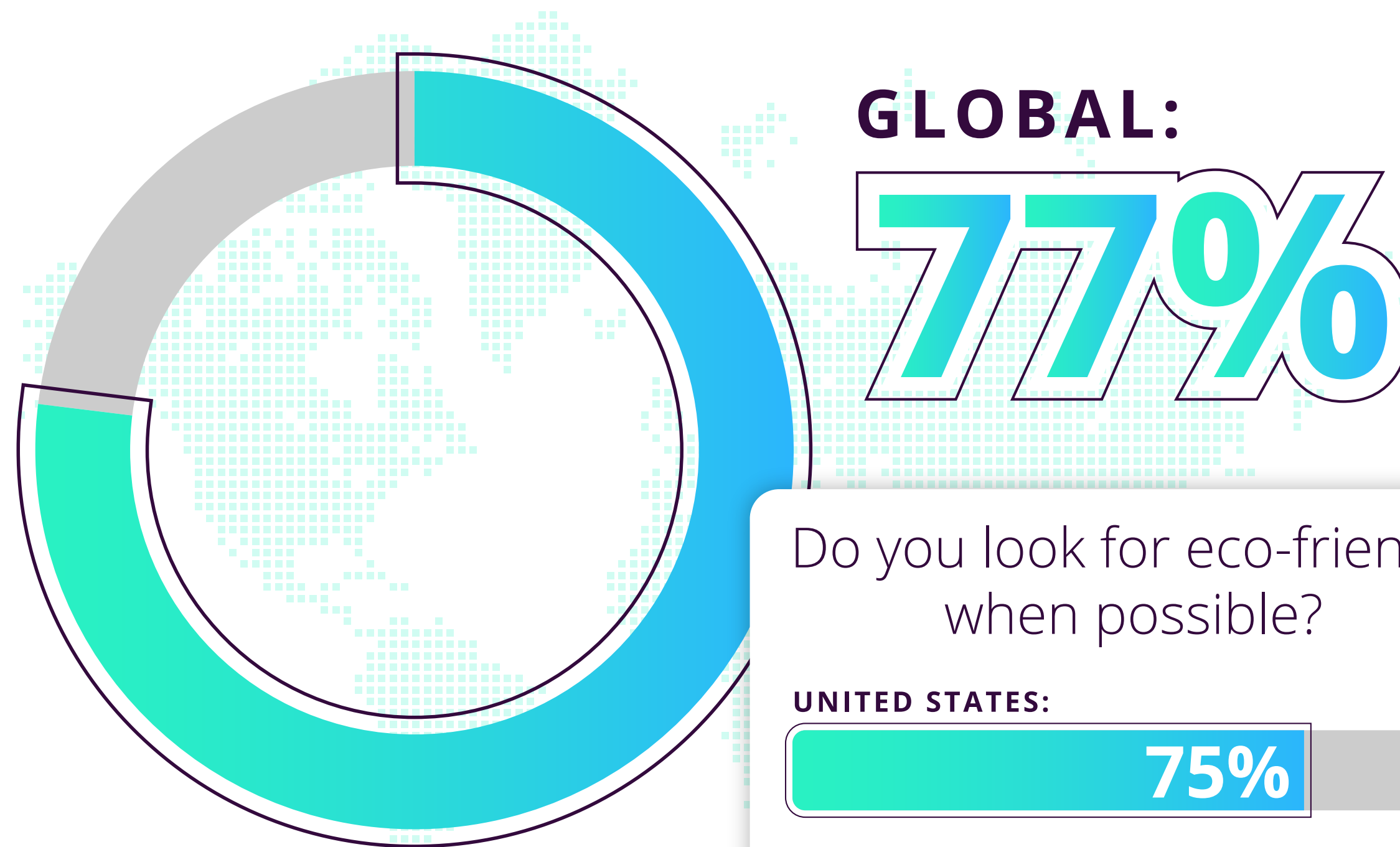
Why Values Still Matter

For further evidence that a 'race-to-the-bottom' pricing strategy is simply out of step with the modern consumer mindset, TruRating data reveals that not only are consumers more thoughtful about how they spend their money, but increasingly they want to buy from retailers that share their values also.

Data collected in the Summer of '21, when a majority of stores were fully operative once more after the long COVID shutdowns, showed that 77% of consumers are more loyal to retailers that share their values. A far higher proportion compared to those who claimed they were loyal to retailers who offered a loyalty program alone.

Loyalty in the modern age is driven by a complex set of drivers - economic, aesthetic and moral - you have to deliver on them all.

Do you consider a brand's values before purchasing?



Date range: July 13th - 20th, 2022 | n: 7,765

GLOBAL:

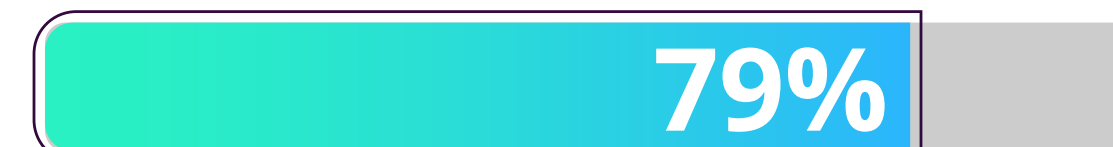
77%

Do you look for eco-friendly when possible?

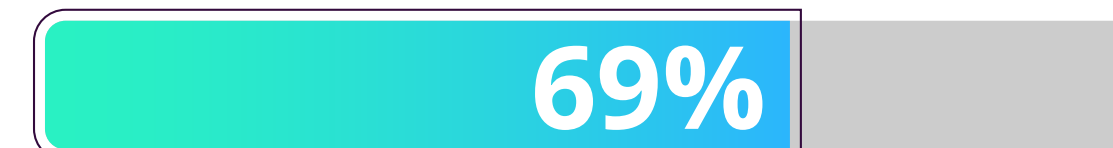
UNITED STATES:



AUSTRALIA / NEW ZEALAND:



UNITED KINGDOM:



Date range: July 5th - 13th, 2022 | n: 12,235

It might seem plausible that the ethical concerns of shoppers would become less important during times of economic hardship, but our data says this is not the case.

While customers are more willing to shop around for a deal and think twice before buying name brands - with many adopting private brand labels and the use of shopping lists - this does not mean that they are willing to sacrifice a commitment to buy ethically wherever possible.

75% of US consumers will still look to buy organic or from ecologically friendly suppliers whenever possible - even in times of inflation.

For retailers considering whether an investment in their own green initiatives is important or not in the current climate, the answer is an emphatic yes.

While this may be reflected in product range or where you source your goods from, it can also be an investment in operational activities that ultimately help decrease your green footprint and increase efficiencies. If you are savvy enough to be investing in such activities, make sure that you communicate this to your customer base.

Those who are able to take a longer view of how to both play to their customers' desires for a better world while future-proofing their own business are most likely to see their forward thinking rewarded in the long run.

KEY TAKEAWAYS

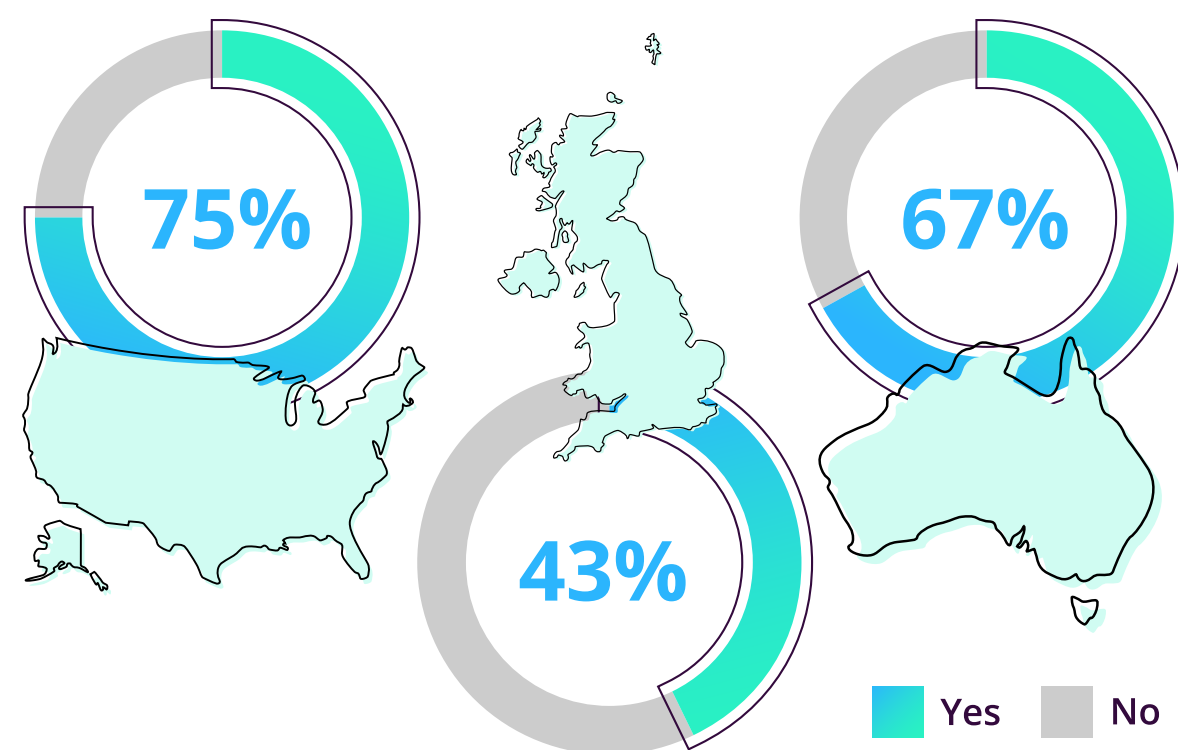
Customers have not lost their commitment to shop ethically even with inflation

Understanding and sharing your customers' values is the best way to win long-term loyalty

Provenance of goods is just as important as price

04 Why Values Still Matter

Do you buy organic when possible?



Date range: May 23rd - June 5th, 2022 | n: 15,978

RETAILER TIP

Learn to understand the values of your customer base and connect the shopping experience to those values in order to play the long game. If your customers value sustainability, embed it into the in-person and digital experience, incorporate it into value propositions, make it a part of your packaging and highlight it in promotional efforts.

- ❓ *Are you communicating clear brand values that resonate with your key audience?*
- ❓ *Do you have any metrics in place to measure emotional loyalty amongst your peers?*
- ❓ *Could an operational overhaul that improved emissions and efficiencies be beneficial to your business in the long-term?*

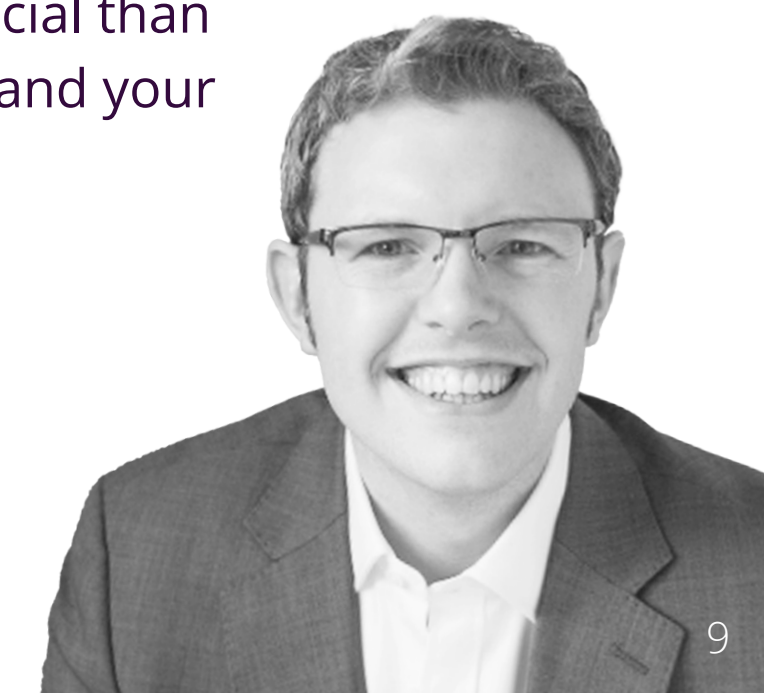


THE EXPERT VIEW

"The data shows that the growing idea of the 'conscious consumer' has now reached a critical mass. In the current market, choice of brand or retailer is an opportunity to demonstrate your values - making a purchase becomes a personal statement. There is a big opportunity to align and connect with your customers, but if your company's values do not align with the individuals, it presents a reason not to choose you, like how employees will disengage with a company when there are no shared values. It's a difficult decision - you can't be all things to all people - so it's more crucial than ever to consider how you want to position yourself and your corporate values."

Oliver Banks

Retail Change/Transformation Consultant & Advisor
Host of the Retail Transformation Show



05



More from the Experts



Retail fundamentals matter more than ever:

"Across the results one theme is clear – consumers are hard to group together into similar definitions. Yes, retailers can rely on demographic splits to a point, but this underscores the reason why personalization is so important. It's tough to generalize consumer behavior across large groups because there are so many variables that define each consumer's shopping and buying habits. Segmenting your customers across large groups can be a dangerous marketing strategy that won't produce the sales results you're looking for! There are no one-size fits all strategies! Tight segmentation and careful personalization are truly table stakes!

When the data shows consumers are driving less in a country like the US which has always had a deep love affair with cars in general, that means each visit to a retailer is done with purpose. Coupled with external data saying that consumers want to shop in-store more than they do online, it means each visit counts even more and conversion is absolutely critical now. If your store doesn't have what the consumer wants, you will miss what could have been a high value transaction. Consumers have a purpose when they come to your store – they're planning to buy, unless some other factor prevents them from doing so. Net takeaway for retailers – your inventory needs to be accurate, product must be in the store when the consumer gets there, and you need your store teams to be prepared, and properly equipped with the right technology, to work with that customer and deliver value because that consumer is ready to visit another store to get what they want if you don't have it! In other words – fundamentals of retail are more important than ever before!"



Ricardo Belmar
Director Partner Marketing for
Retail & CPG at Microsoft

Highlighting quality drives value perception:

As a result of inflation, we've seen some customers are more considered with their purchases, as they negotiate need vs want. This is not as prevalent in stores which are in more 'holiday' type destinations, where purchases seem to be made more freely, as opposed to part of a considered weekly spending budget. To help increase consumer confidence, we're making sure to talk to customers about features and benefits of products, with a focus on quality to ensure that value perception is front of mind when customers do buy. Conversations focusing on durability, comfort and hard-wearing have really helped in an increasingly sensitive marketplace.



Monique Sierakowski
Head of Retail Operations, Hanes Australasia

Know your customers:

We believe it's important now more than ever to understand and really get to know your customer. As the data suggests, not everyone is being affected by inflation the same and different consumers will need different actions taken by the retailer. Continuously capturing customer behavior over time combined with a robust loyalty system will only help the retailer get a better picture of their customers on a store level basis. This allows those decisions to become informed and actionable to create a more empowered and therefore loyal customer.



Michael Hess
CEO, Accuvia Software Group

Optimize your strategy by region:

The steepest inflation in decades is a global challenge impacting all parts of the retail supply chain. The best solution is to develop an overall strategy that achieves the right balance of prices, profits and customer satisfaction. A good place to start is by recognizing that inflation is affecting the country at different rates. Also supply chain disruptions vary by region. So, avoid simply taking a 10% price increase everywhere. It may be possible to take a 7% increase in Boston and a 4% increase in Ohio. The best plan is to create a comprehensive strategy that is optimized by region and such other factors as leveraging key items in the product mix, adjusting local prices based on competitive data feeds and advanced analytics, reducing promotion pricing, tapping private label products, and monitoring real-time data to make rapid adjustments. Finally, aim for improvement and not perfection. If a retailer takes surgically targeted steps that work together to achieve a business goal it should be counted as a big win in difficult times.



Joe Skorupa
Retail Influencer & Consultant
Top Retail Blogger & Former Editor, RIS News



06



A Final Word

TruRating was born out of a sense that for retail to survive and excel in the digital age, access to real-time, representative customer data was no longer a nice to have, but an essential.

The current climate, fueled by uncertainty for businesses and consumers alike, brings this to light in even starker terms than before. While the challenges produced by high inflation and rising prices may be of the time - the need for the retail industry to be able to quickly understand the pain points of their customers and to pivot and adapt their strategy in line with them, is as true as the day we started.

We're not ones to shy away from the fact that we believe that the most accurate source of truth is dependent on the quality of your data. What strikes me as I reflect upon the findings in this report, is how important it is to make sure you have an accurate compass to help you in your decision making - and that again and again it is your customers who can be relied upon to provide that North Star.

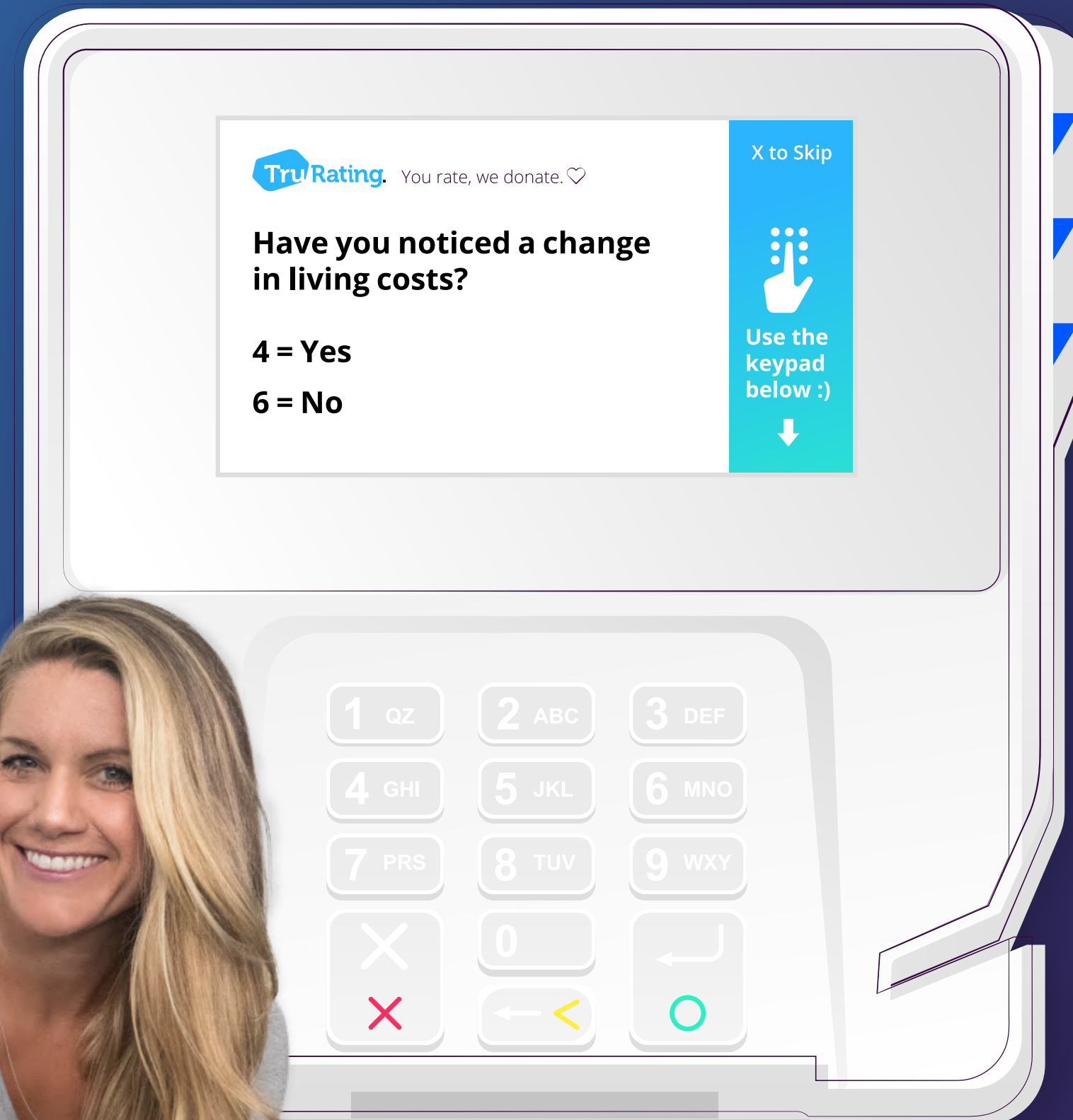
The coming months, while no doubt challenging ones, can be seen as a gift to retailers willing to step up and ask honestly, "Am I doing everything I can to support my

customer base?" When customers are more reliant on your ability to support their complex and varied needs than ever - there is a huge opportunity to truly build long-term and lasting loyalty if you can not only meet, but exceed expectations.

We are lucky enough to work with some of the most innovative and exciting retailers across the globe, and our database shows whether you're in Grocery, Sports & Apparel, Discount - a Tier 1 giant or a beloved local mom and pop setup - the businesses who do best, are those who put their customer voice at the heart of their decision making process.

We hope that this report provides a little bit of inspiration in the months ahead - and look forward to seeing how the dynamic and ever-exciting industry that is retail, rises to the challenge of the moment.

Georgina Nelson
CEO & Founder, TruRating



About TruRating

TruRating is on a mission to change the way retailers operationalize their customer experience data, to drive real-time, meaningful improvements. Founded in 2014 by consumer rights lawyer Georgina Nelson, TruRating captures consumer feedback via a patented system that delivers micro-survey questions at the point-of-sale to deliver industry leading response rates - 80% in-store, 50% online.

By combining payment validated responses with transactional data, TruRating helps retailers understand how each area of their customer experience impacts spend, sentiment and loyalty.

TruRating's data also fuels an online recommendations platform designed to challenge a broken model for online consumer reviews, combatting unrepresentative and inauthentic data, by ensuring every rating we publish is tied to a genuine transaction.