Intelligence Node

Consumer Buying Behavior Report, 2023

A detailed analysis of consumer trends, sentiment, and buying behavior in 2023

Contents

Introduction/Summary

2022 is behind us and entering into 2023 has invoked mixed emotions in all of us. Mainly due to the grim conditions surrounding the global economy, with inflation at an all-time high, job cuts and layoffs through the roof, and recession slowly inching toward us. But despite the economic instability, businesses will continue to prosper, sustain, and grow as long as they adopt newer, more innovative strategies and technology to understand their consumers better.

And while consumers too are feeling the pinch in their pockets, they will still continue to shop. Their shopping behavior will change, of course, but as seen through the pandemic and the instability close after, retail will flourish in one way or another, despite old and unprecedented challenges.

To help retailers and brands navigate these challenging times, we have put together a consumer survey report with responses from over 1000 US shoppers to bring you concrete, reliable insights into consumer trends, buying behavior, and changing outlook.

This report is a go-to guide for retailers and brands to understand consumer sentiments across the buying journey and leverage new insights that can feed top-line growth in the coming year. We highlight important factors influencing customer behavior and buying patterns beyond just the inflationary trends, including the rise in social commerce, the impact of a global recession, and the increase in conscious consumption amongst shoppers. We explore the various stages in the consumer buying journey and the ever-evolving role of digital and omnichannel in altering the wants and needs of today's consumers.

Let's dive right in.

Section 1

Inflation & Recession Fears Lead to Cautious Spending

Quick Facts

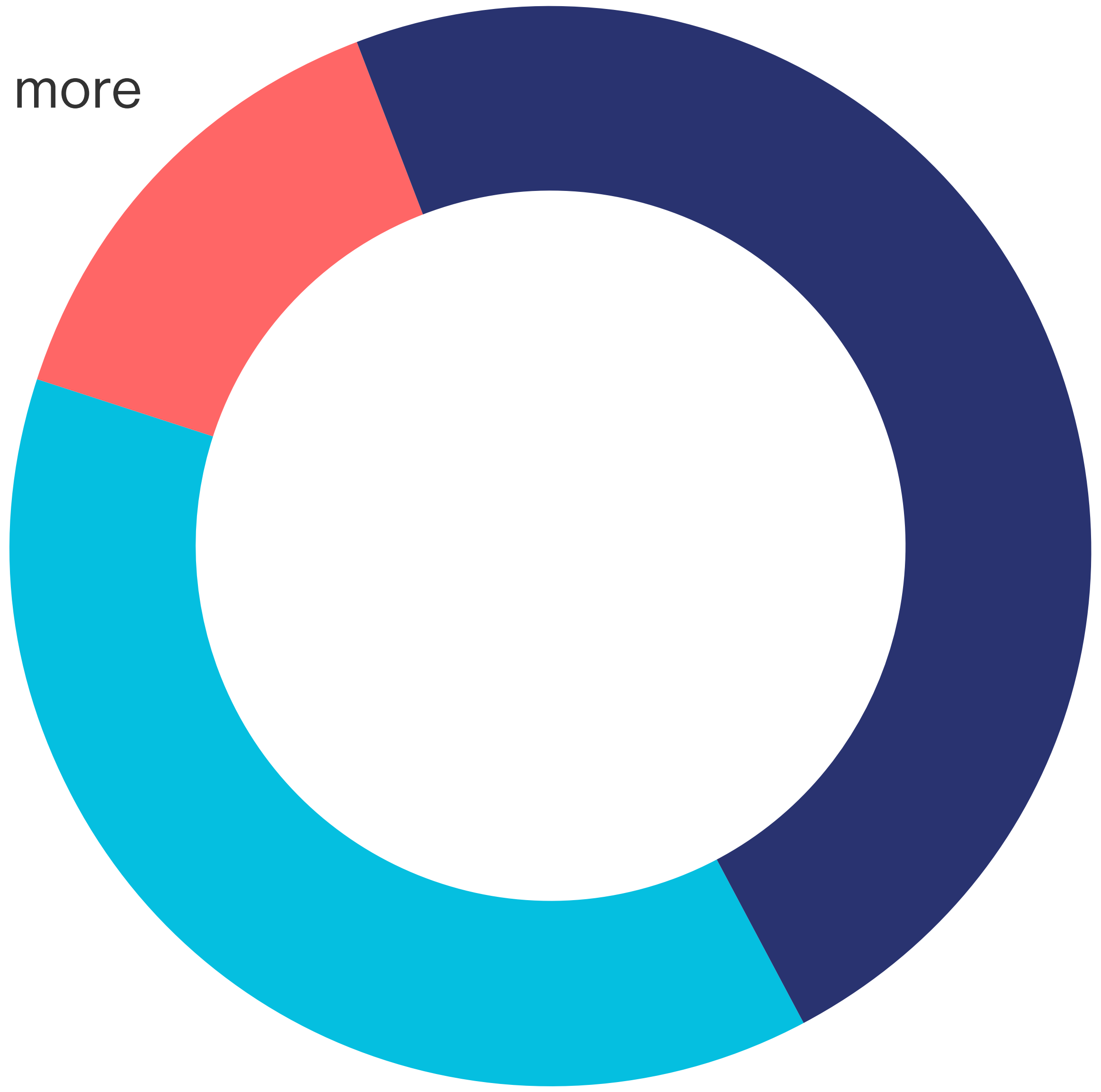
1 out of 2 shoppers might cut their retail spending in 2023

Luxury and **fashion** spending will be most affected by the recession

Q1

Entering into 2023, are you planning to reduce your retail spending amidst inflation?

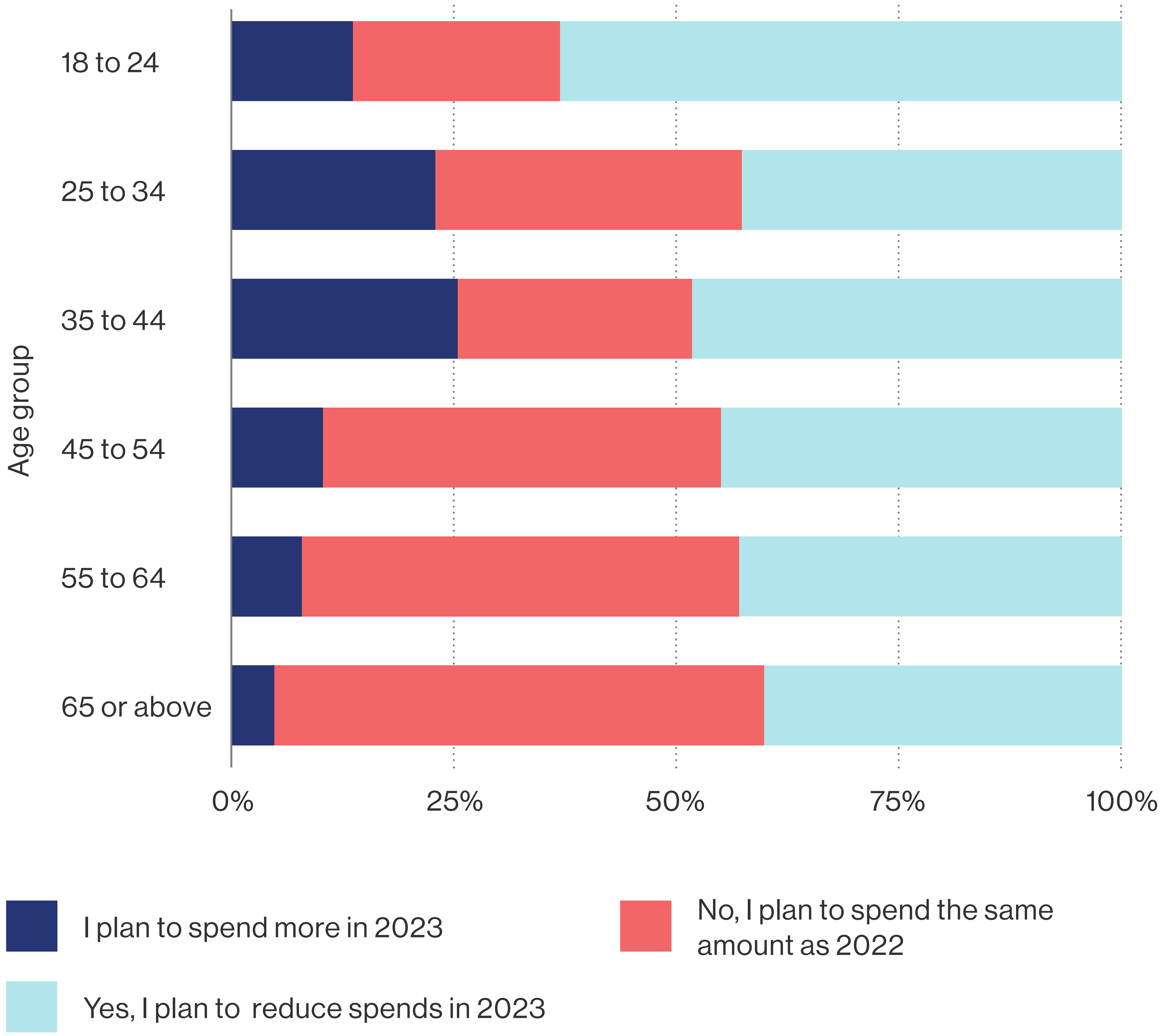
> “Almost 50% of shoppers plan to cut down their spending in 2023 to address inflation



Findings

- Nearly **50%** of respondents plan to reduce their spending in 2023 amidst inflation. This trend does not come as a surprise considering the instability surrounding the global economy and rampant job cuts across industries.
- A substantial number of shoppers plan to continue spending as they did in 2022 while a small section of respondents **(14%)** plan to increase their spending despite economic instability.

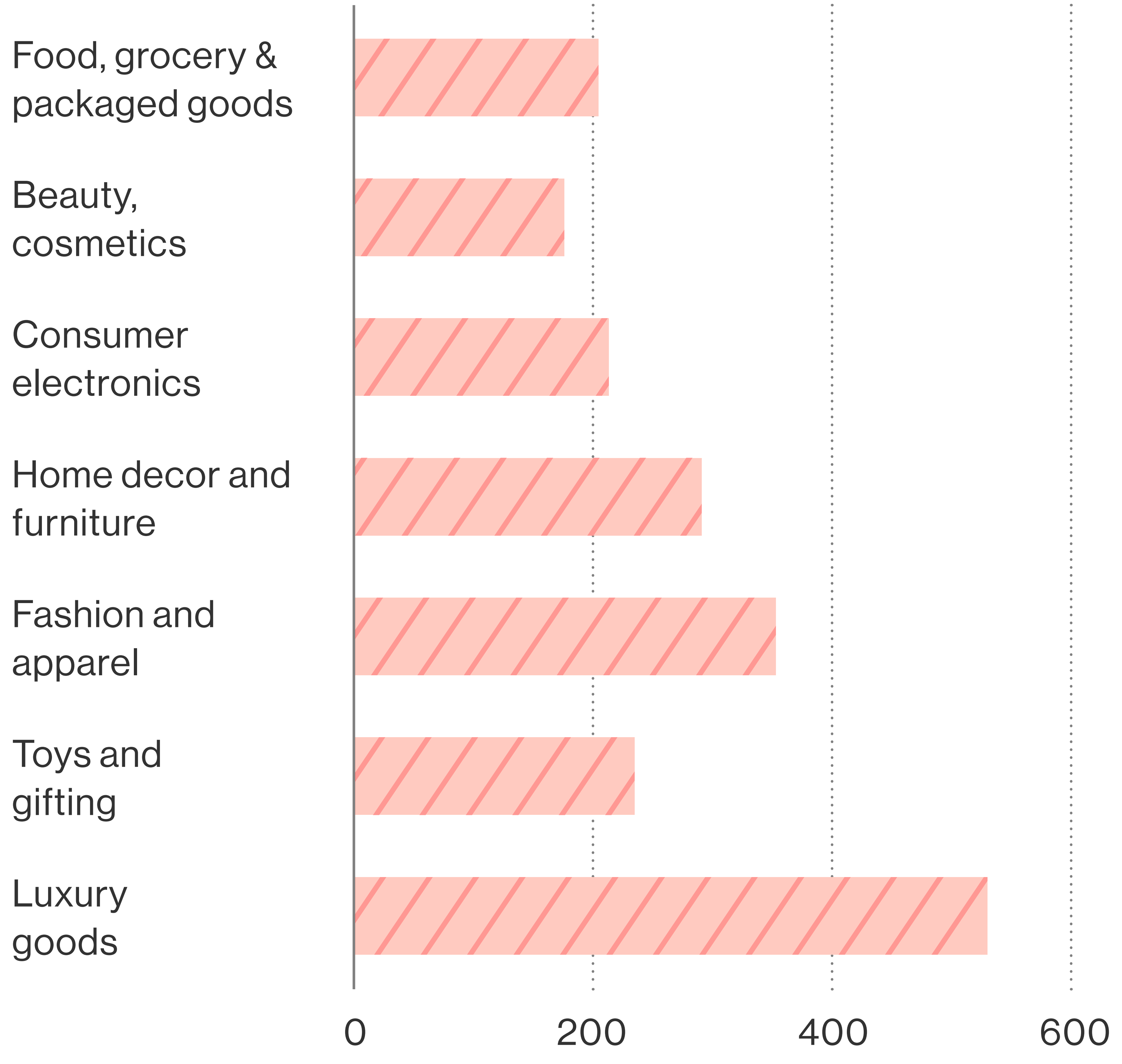
Respondents with an annual income of < $50,000 are most likely to cut costs in 2023, being the most vulnerable to pay cuts, layoffs, and price rises amidst inflation.



- The greatest reduction in spending is with the **18-24 age group**. 65 and above followed by 55-64 show the greatest propensity to spend the same. Retailers should understand the mix of their shoppers (ages) and make sure that they don't overlook these two age groups.
- On taking a closer look, **one in four respondents** in the **age group 35-44** plan to spend more this year. This shows that this age group is more cushioned against the economic blow or has enough savings to cover them through a recession.
- More people **above the age of 45** intend on maintaining their spending rather than cutting spends.

Q2

Which categories are you most likely to cut costs on in the light of the impending global recession? (select 2)



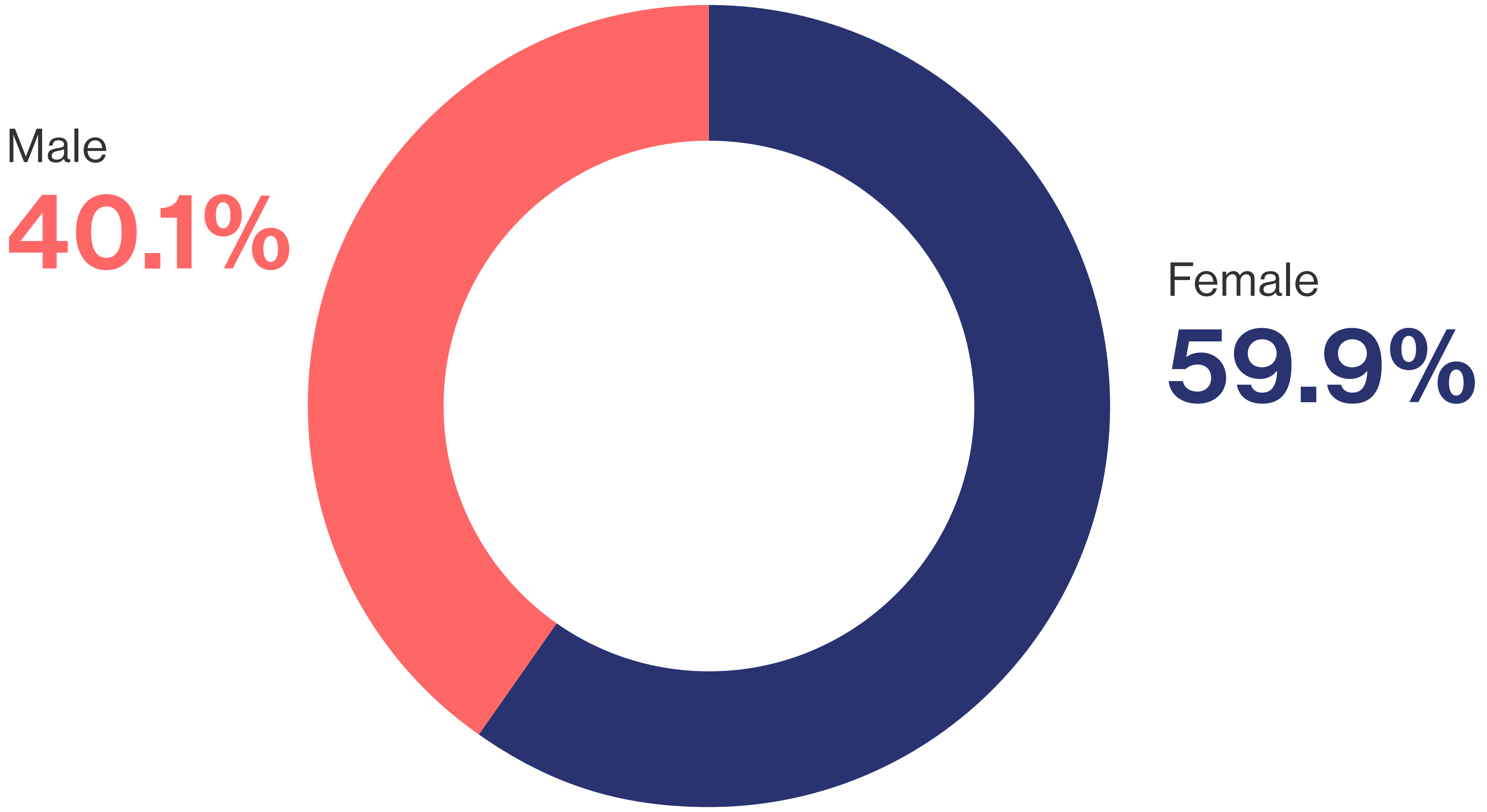
> **Global recession most likely to impact luxury and fashion industries first**

Findings

- **Luxury goods** are the top segment to show a projected reduction in spend. Luxury goods are typically more of a discretionary purchase, and historically have shown declines during recessionary times.
- The next category with the propensity for most cost cuts is **fashion and apparel** with home decor close behind. People aged 18-34 are also primarily looking to cut costs in fashion and apparel. This is a trend that isn't common amongst the older age groups.
- **Food and grocery, along with beauty and cosmetics**, are the two categories that people are the most unwilling to reduce their spending on. While food and grocery is an expected category for the least amount of expense cuts, beauty is a surprise amidst judicious spending patterns.

37%

of the respondents that are most likely to cut costs in Fashion & apparel are in the age group of 18-34.



Expenditure cuts in beauty & cosmetics

The biggest differences between men and women in their sacrificial categories come in beauty & cosmetics where a significantly larger amount of women are willing to cut costs as opposed to men.

Section 2

Price Sensitivity Drives Consumers to Hunt for the Best Deals

Quick Facts

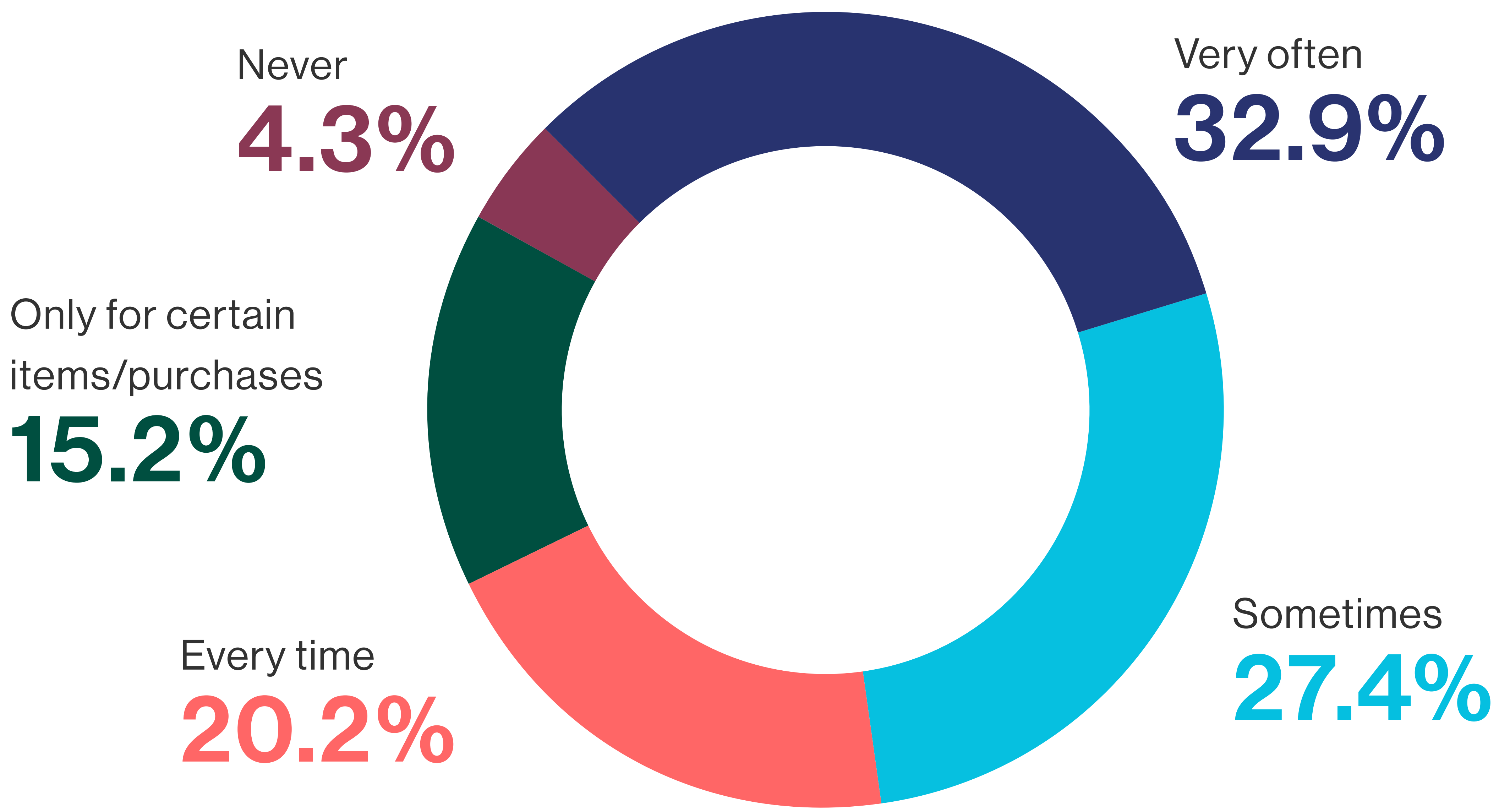
>70% of shoppers search and compare prices online very often while shopping in-store

Respondents rated food & grocery discounts **a solid eight** on a scale of 1-10, reflecting the strongest sensitivity to discounts as compared to other categories.

> **Most shoppers search and compare prices online while shopping in-store**

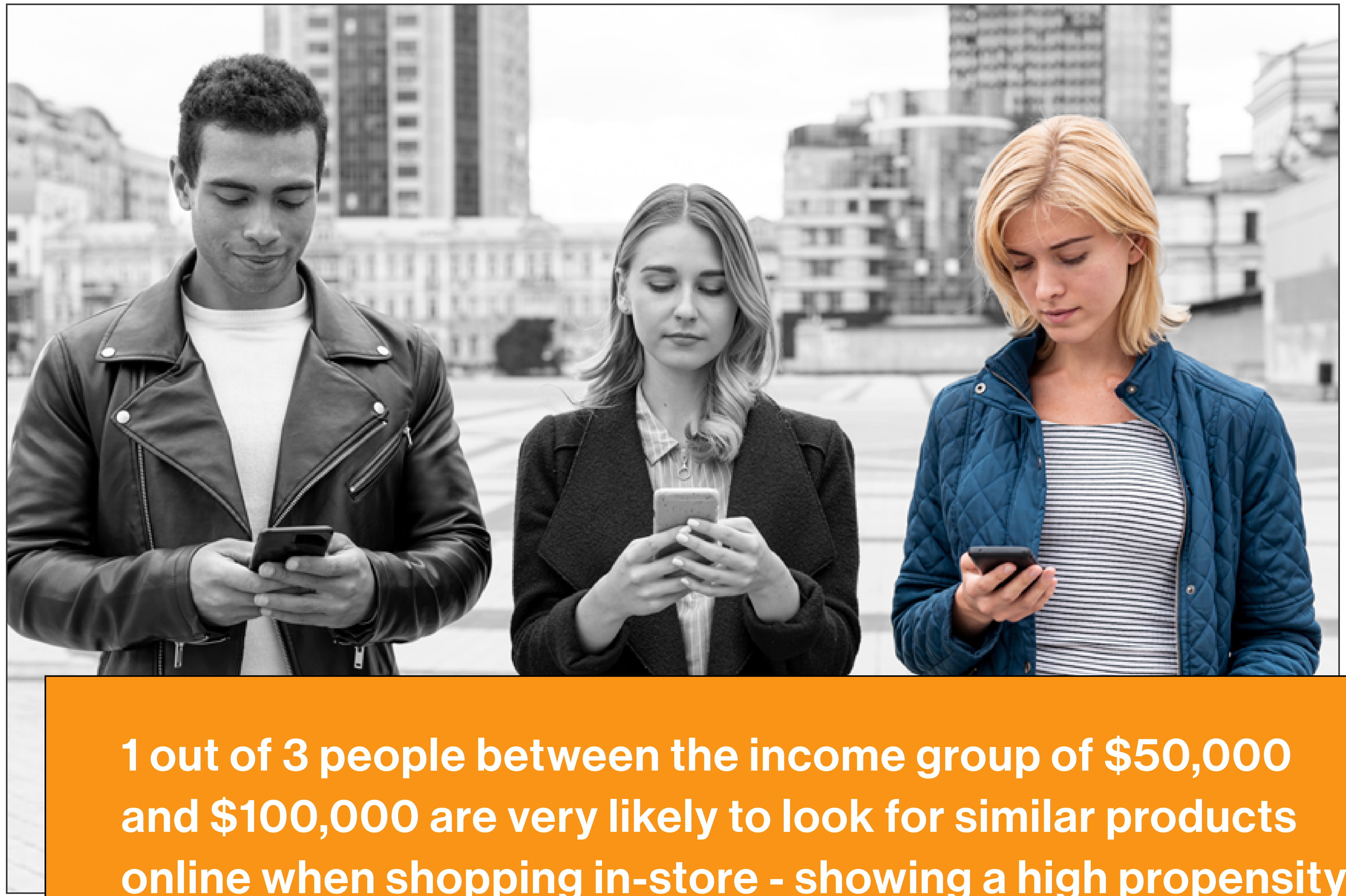
Q3

When shopping in-store, how often do you search for similar products online and compare?



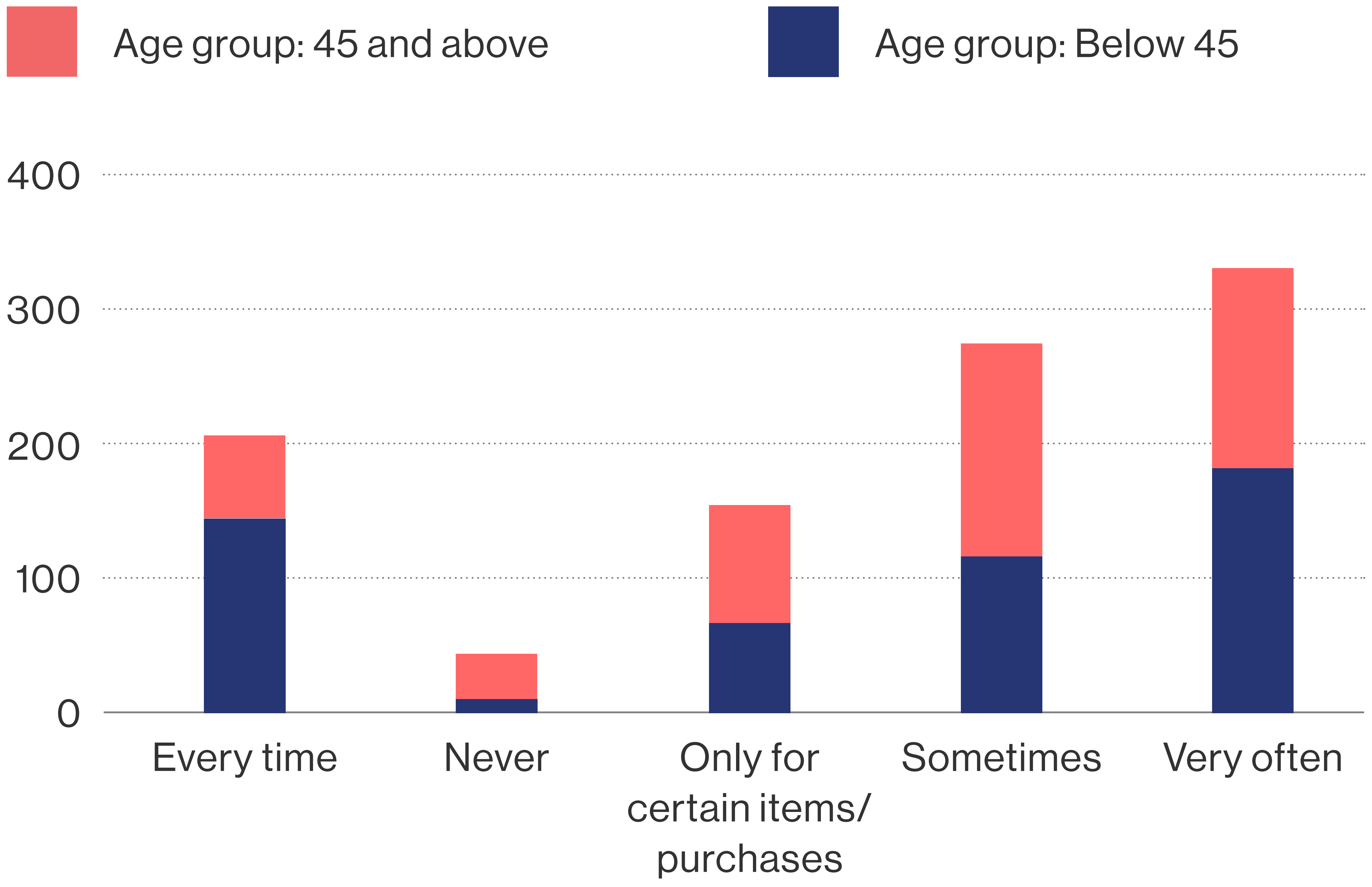
Findings

- Over 95% of respondents search for similar products online while in-store.
- Over half, 53.1% of shoppers are "very often or always" conducting online price comparisons while in-store. The take-away is that as shoppers look to reduce spending, being priced competitively will increase in importance for all retail segments.
- 1 out of 3 respondents compare products very often. And over 1 out of 4 shoppers compare products sometimes.



1 out of 3 people between the income group of $50,000 and $100,000 are very likely to look for similar products online when shopping in-store - showing a high propensity to price sensitivity.

A far greater proportion of men look up similar products online when shopping in-store every time compared to women.



- People **under the age of 45** are very likely to search for products online, either every time or very often.
- Over half the people **over 55** are likely to search for similar products online sometimes or very often.

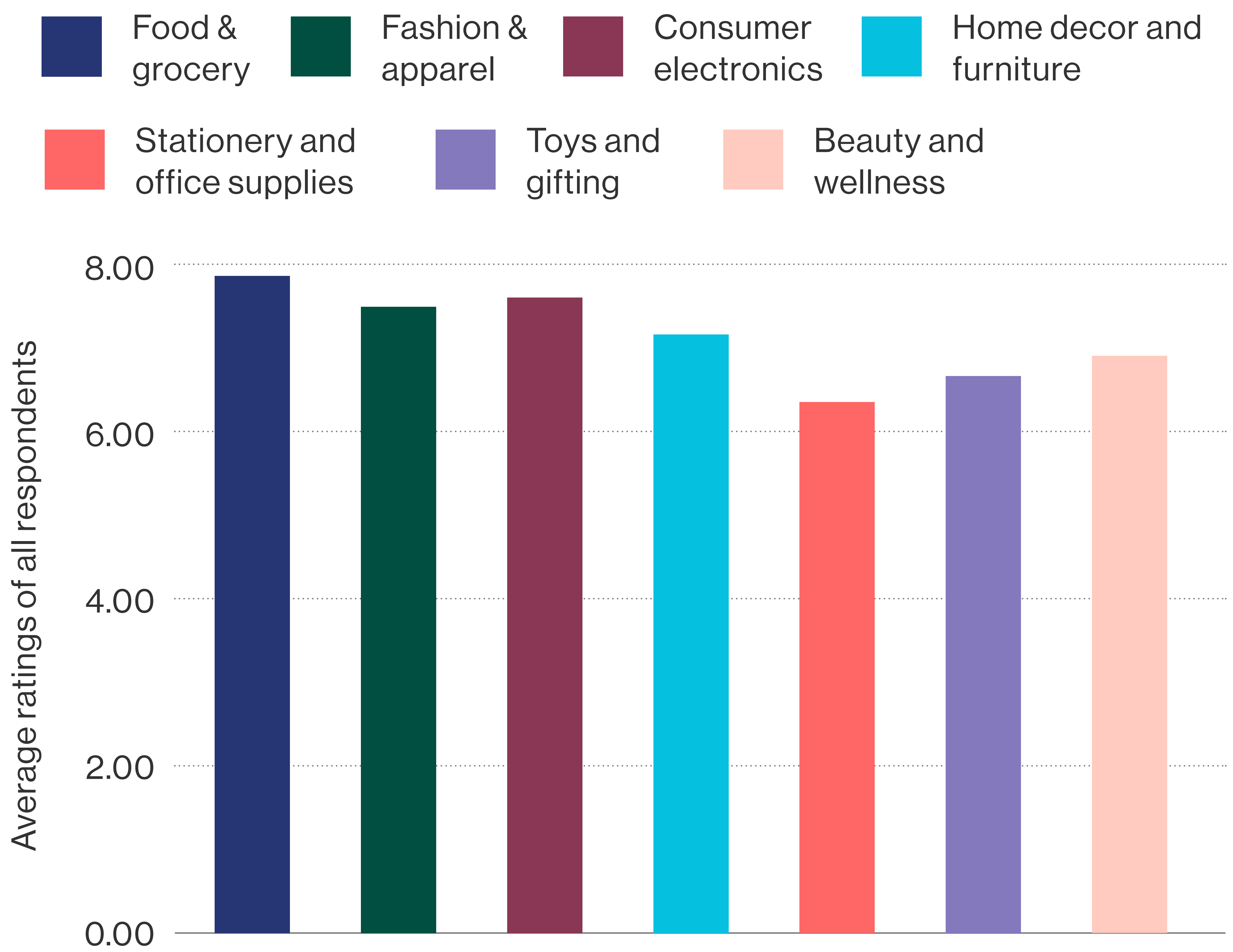
> **Discounts in the grocery segment are highly important for shoppers**

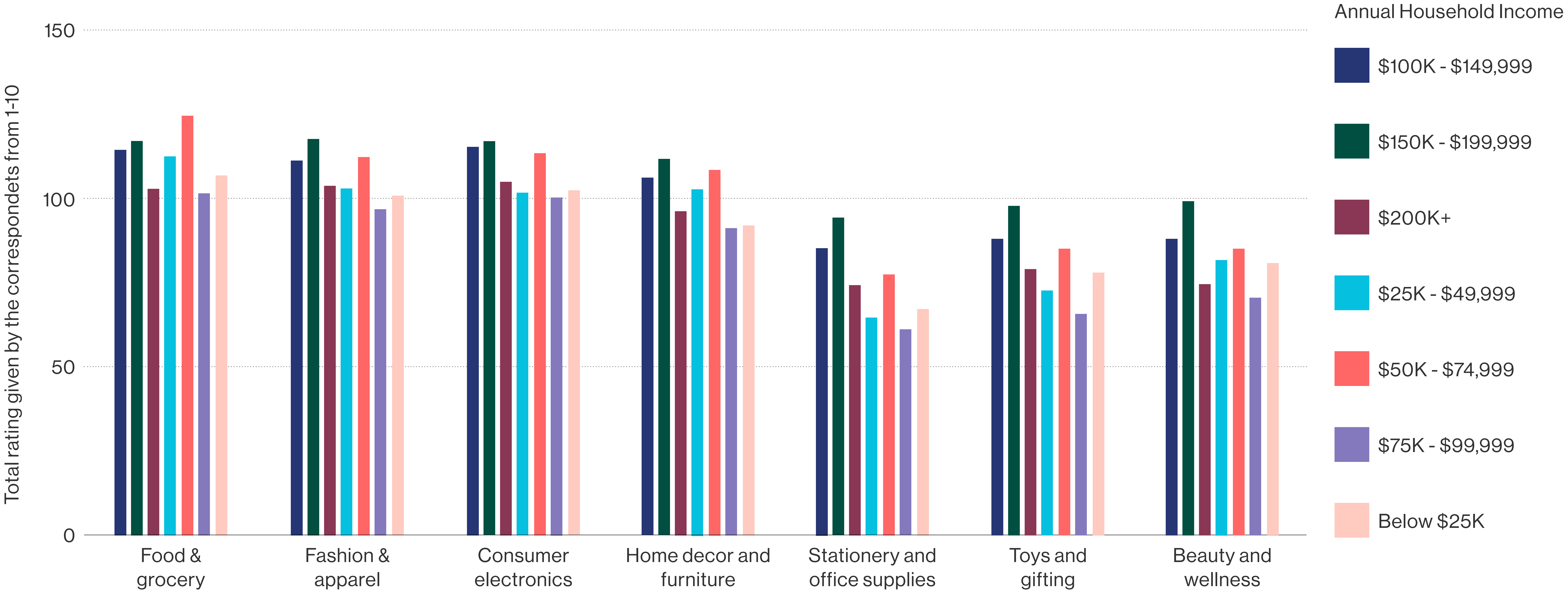
Findings

- **Discounts** are deemed to be most important in the **food and grocery** category, followed closely by consumer electronics and fashion. These categories have historically been heavily discounted and have set this as an expectation with consumers. The propensity to reduce spending has further coaxed retailers to price competitively to win shoppers. Retailers should closely monitor competitor promotional activity against their own to make sure that they are meeting their shoppers' expectations on discounts.
- Shoppers have the least discount expectations from the **Stationery & office supplies** category as it doesn't affect day-to-day consumption or needs.
- As seen in the graph, fashion & apparel, along with home decor, will show some reduced spending from consumers due to inflation. This would make the importance of discounts in these categories even greater.

Q4

How important are discounts while making a purchase decision across the below categories? (Rate from 1-10 : 1 being the least important and 10 being the most important)



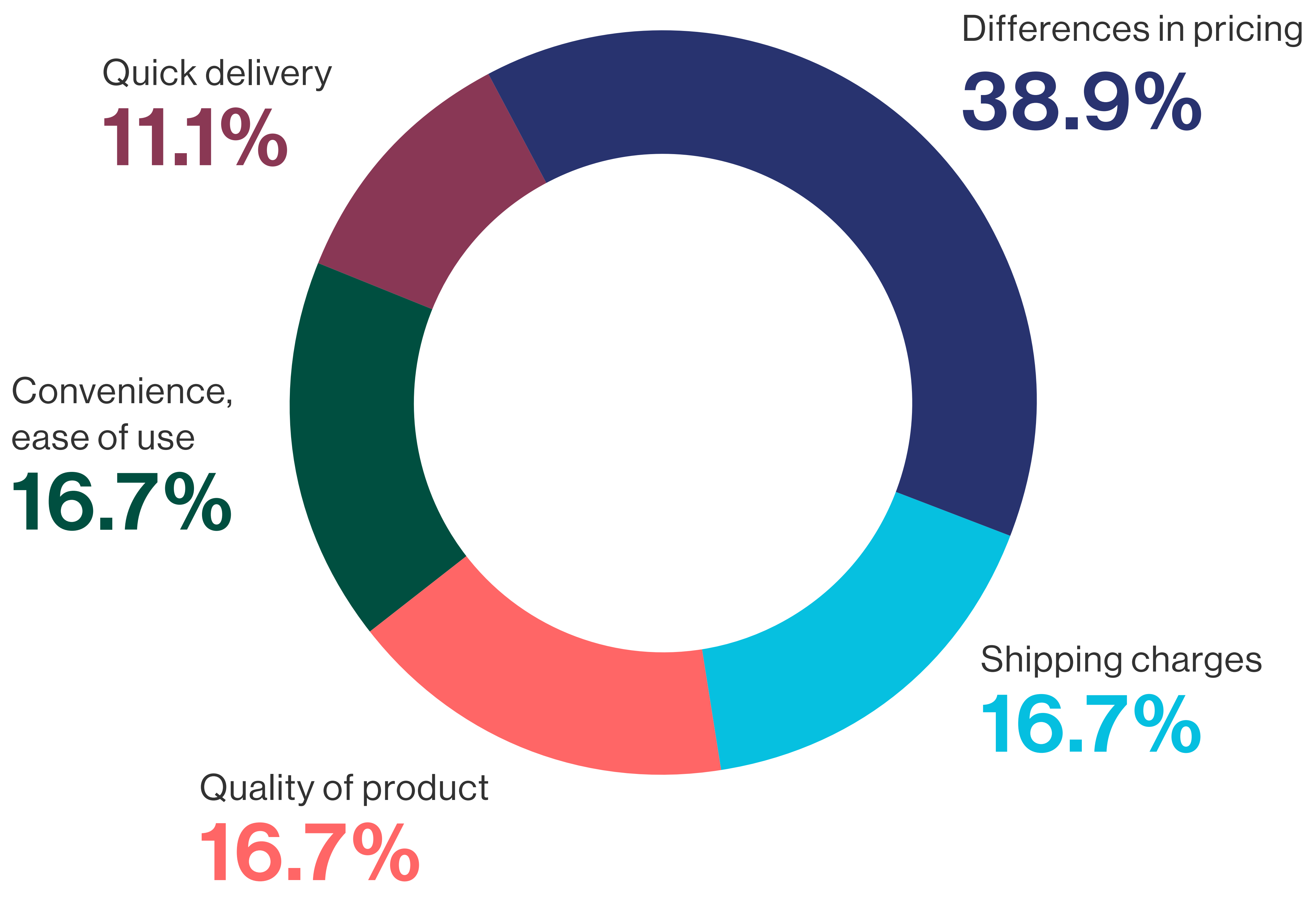


- For shoppers earning **below $100,000 a year**, grocery discounts were the most sought-after among all categories, considering the segment's everyday impact on the pocket.
- Shoppers earning **above $100,000 a year** prioritize discounts in consumer electronics and fashion more over the grocery category.

> **“ Price is the most important factor in deciding between DTC and Marketplaces**

Q5

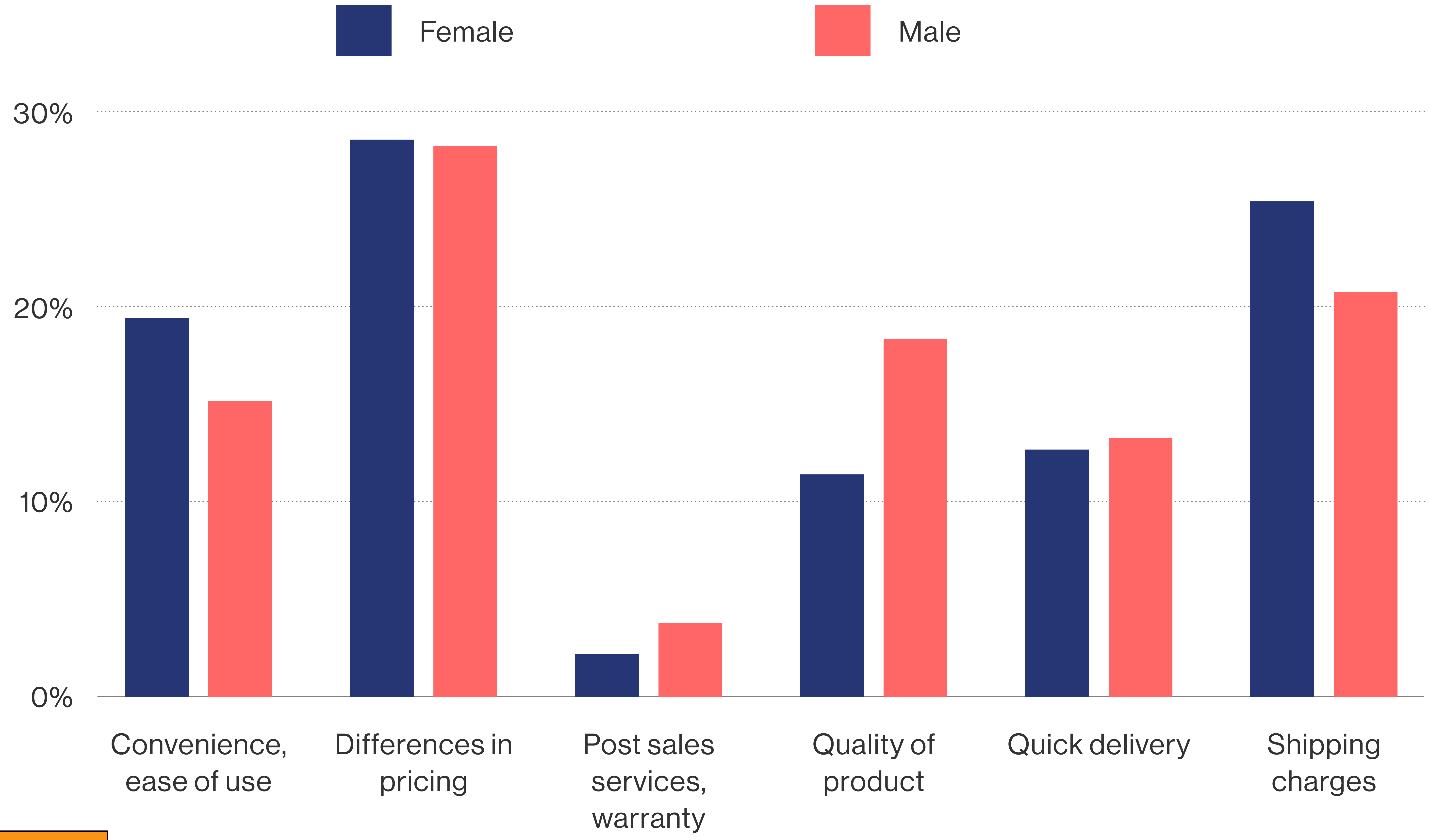
What sways your decision between DTC (direct-to-consumer sites) and third-party marketplaces like Amazon?



Findings

- For **nearly 40%** of respondents, pricing is the most important factor when picking between DTC and third-party marketplaces.
- Brands should recognize that **D2C websites** are competing not just with each other but also with marketplaces and need to expand their horizon of tracking the competition to win the customer as well as keep tabs on the marketplace pricing of their products (MAP violations).
- **Product quality**, the **platform's convenience**, and **shipping charges** are equally important to the consumer after pricing.
- **Shipping charges** affect the cost of pricing and can be seen as an additional price related factor that consumers see as a strong influencer while deciding where to shop.

Speedy delivery and convenience are far more critical for people aged 18-24 than shipping charges.



- **Shipping charges** followed by convenience are far more important to women than they are to men.
- **Men are 7% more likely** to have their decision swayed with respect to shopping channels if they get a better quality of product, as compared to women.

Section 3

Consumers Prioritize Sustainability and Conscious Consumption

Quick Facts

>35% of shoppers plan to prioritize sustainable fashion products in 2023

>90% of shoppers consider nutritional information on grocery packing important

1 out of 2 shoppers are willing to pay a premium for sustainable brands

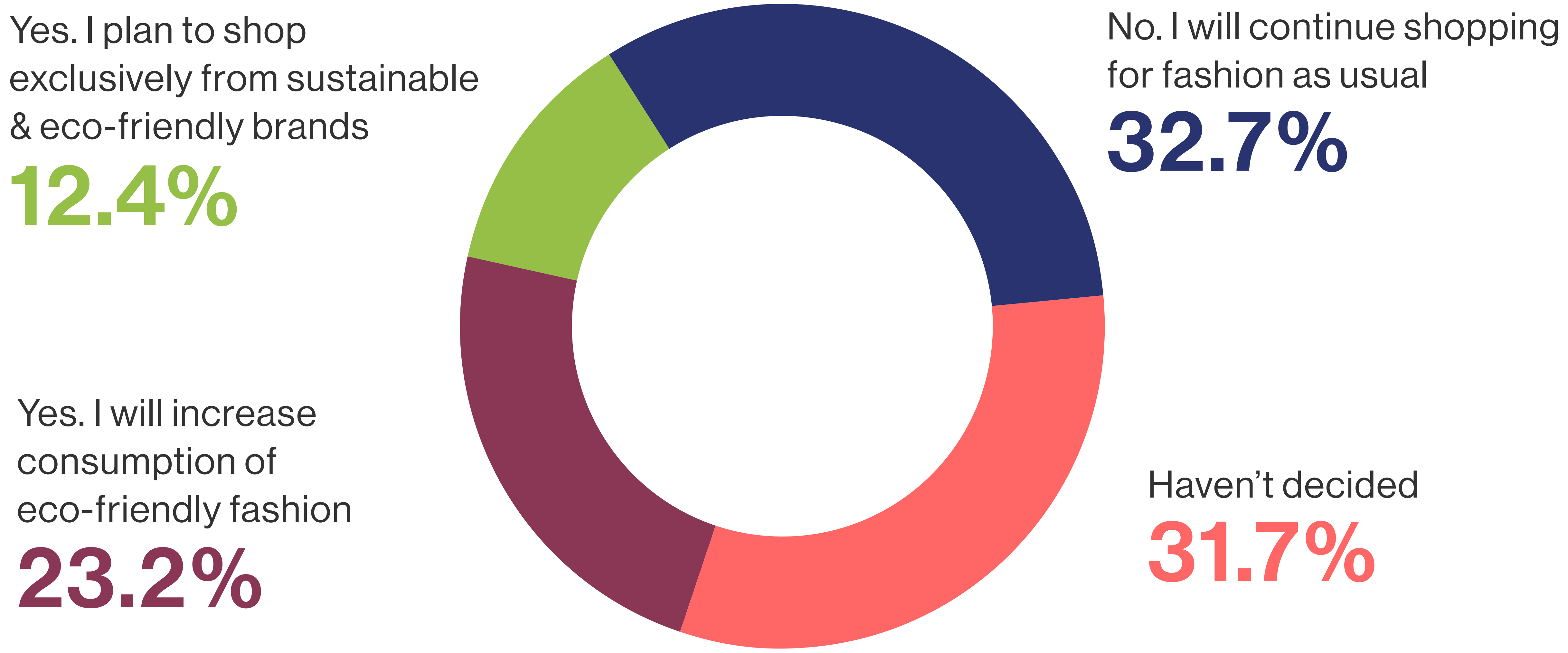
> **“For 1 out 3 shoppers, sustainability in fashion takes priority in 2023**

Findings

- There is a three-way split on people willing to seek out more sustainable fashion/apparel products in 2023. **A third of the respondents** do not wish to seek sustainable fashion/apparel specifically, but there is a third that is also willing to increase their spending or exclusively shop for sustainable fashion products.
- There is still a large section of people **(32%)** that are unsure if they wish to seek out sustainable fashion specifically. This could imply that many people have still not made up their minds on whether sustainable fashion is a cause they are invested in or whether they are willing to pay a higher price point in reality.

Q6

Do you plan to seek out more sustainable fashion/apparel products in 2023?

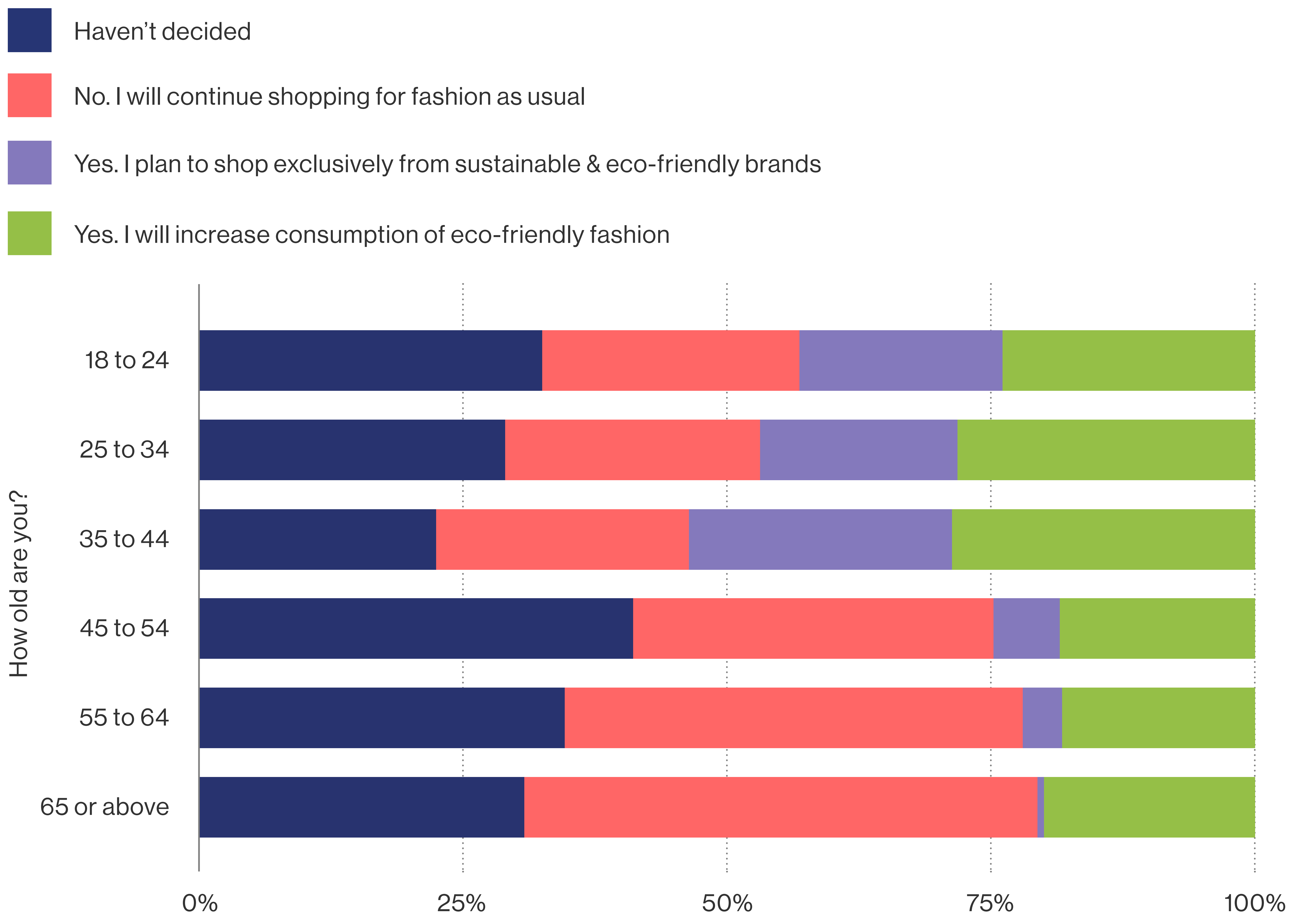


Over a third of respondents in the range of

150k-200k

were seen to be most willing to increase consumption of sustainable fashion.

Men are more willing to increase their spending on eco-friendly fashion and apparel as opposed to women.

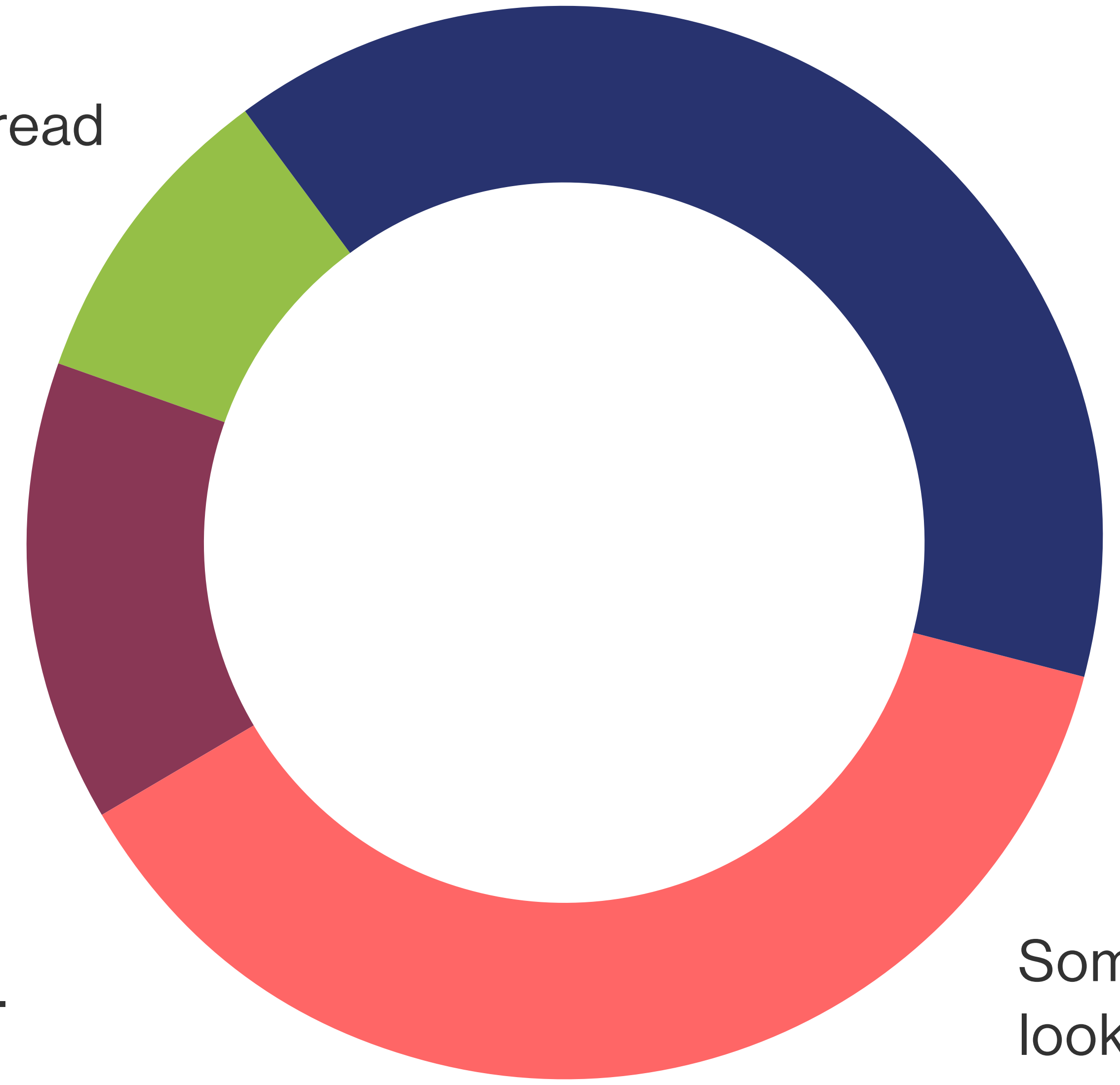


- **People under 45** (Gen Z and Millennials) are likelier to increase their consumption of eco-friendly fashion or even shop exclusively for it. This trend is a sign for brands to specifically target the younger demographic by curating brand and content campaigns targeted at them.
- **People over 45**, however, are more undecided on their sustainable fashion consumption and more likely to continue their shopping preference as usual. This trend is in line with the data we have seen across the fashion industry in the past. Fashion-specific sustainability is not at the forefront of their ethical conquest for this demographic.

> **Shoppers take nutritional information on grocery packaging seriously**

Q7

While shopping for grocery and packaged goods, how important is nutrition information to you?



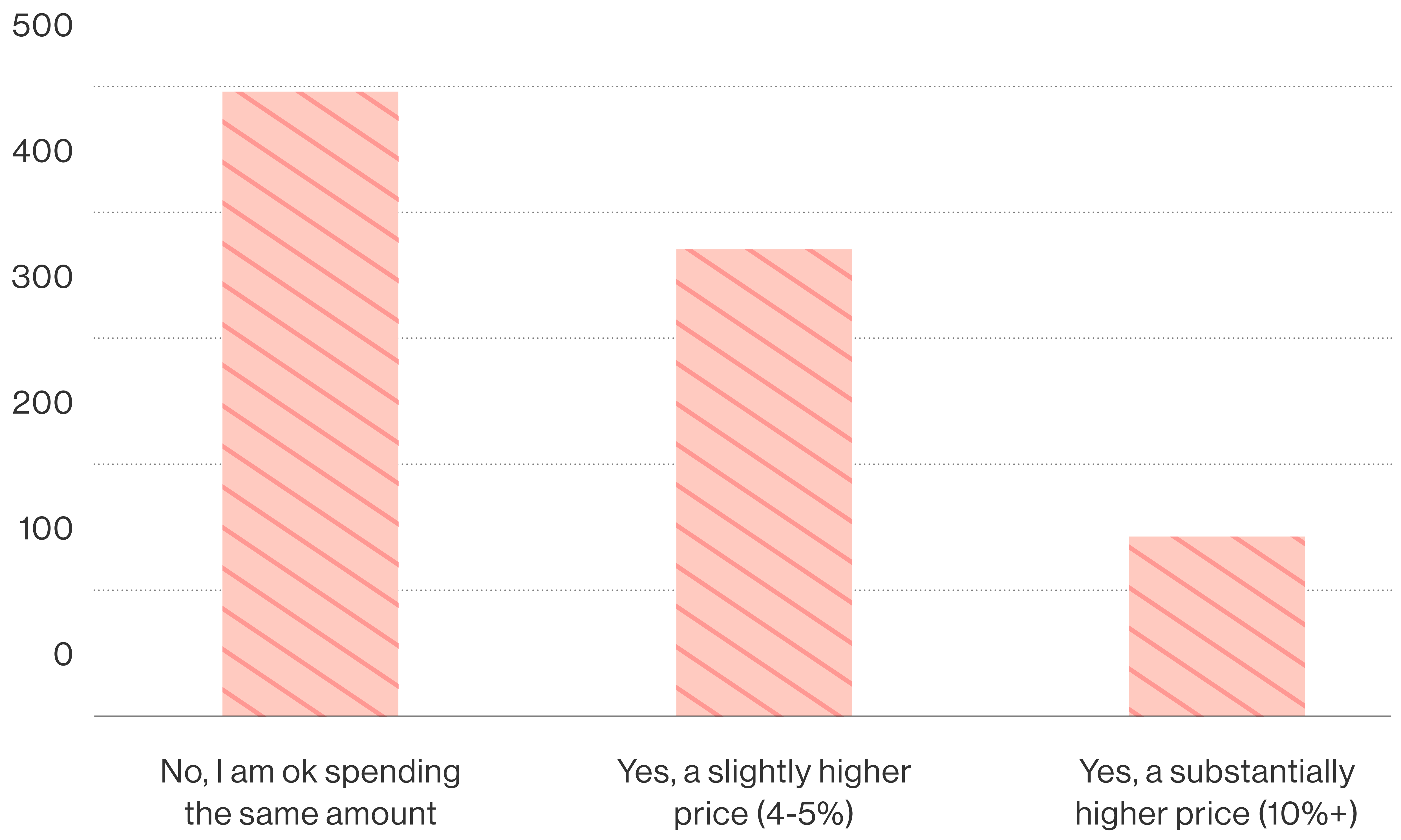
Findings

- **Over 90%** of the respondents consider the nutritional information on grocery and packaged goods as important.
- **Nearly 40%** of the respondents feel that nutrition information is vital for their purchasing decisions and another 37% often look at ingredients when shopping for certain food items.
- The respondents feel like products being labeled as healthy are not enough, and brands need to prove the healthiness to the consumers in their **nutritional information**.

> ## “Over half of the respondents plan to spend a premium on sustainable products

Q8

Are you willing to spend a premium on environmentally conscious, sustainable brands/ products?



Findings

- While half of the respondents do not wish to spend more on sustainable brands, another half are willing to shell out a premium.
- Nearly 40% said they would spend 4-5% extra to buy environmentally conscious products and another 15% are even willing to pay a 10%+ premium to hang on to their sustainability goals. These figures can imply that consumers are moving towards sustainability and are making conscious efforts to reduce their carbon footprint - brands can reciprocate by introducing more sustainable collections.

- The **25-44 age** demographic is the most willing to spend a little more to buy sustainable products. They are also willing to spend a substantially higher price than the other demographics. This is an important trend to note for brands as they could target this age group specifically through personalized marketing efforts.
- **Over 60%** of people over the age of 55 are happy spending the same amount and are the most averse to spending a premium on sustainable products.

Section 4

Evolving Digital Shopping Preferences

Quick Facts

60% of shoppers use Amazon to look up products online

Over 60% of respondents abandon carts due to delivery charges

Delivery fees trump all other factors when making an online purchase decision

> **Delivery charges is the #1 reason for cart abandonment**

Findings

- **Delivery charges** is the number one reason why shoppers abandon their carts closely followed by hidden fees.
- The next biggest reason to abandon their carts is **long delivery timelines**, chosen by nearly 50% of respondents.
- No free returns and inflexible exchange policies too were reasons picked by **nearly 40%** of shoppers for abandoning their carts.

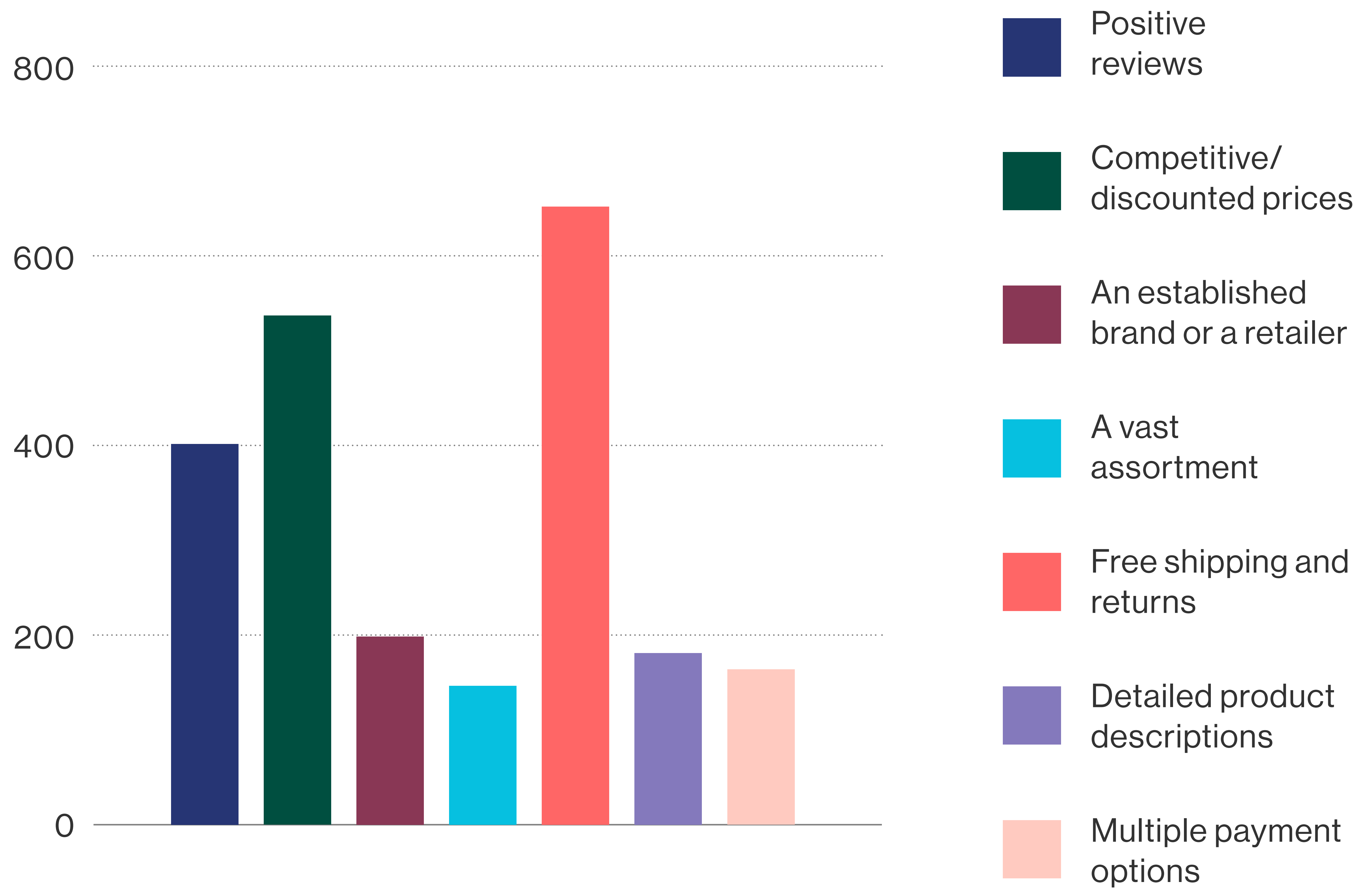
Q9

Select all factors that may push you to abandon your cart

> **"Free shipping outweighs discounts when buying goods online**

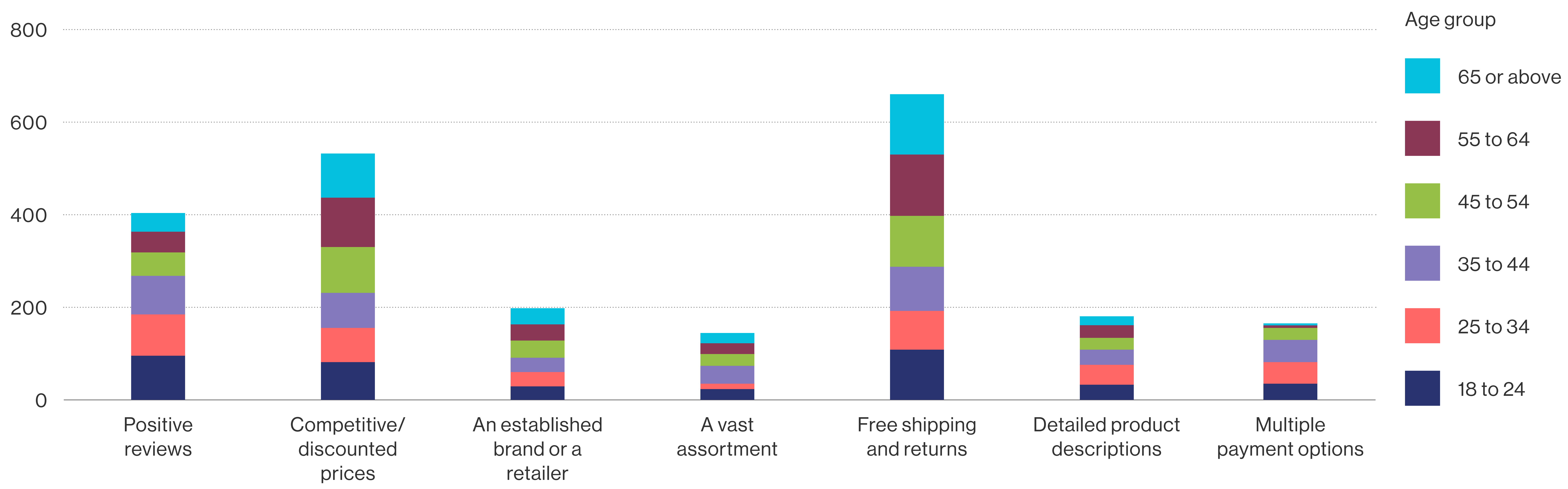
Q10

What factors sway your decision the most while shopping online? (select 2)



Findings

- Over **60%** of respondents picked free shipping as the biggest factor in swaying their decisions while shopping online, even before discounts.
- Competitive prices/discounts was the next most crucial factor with **over 1 out of 2 shoppers** prioritizing it when making a purchase decision.
- **40%** of respondents held positive reviews as an important factor in swaying their purchase decisions online, ranking it way above established brands, multiple payment options, a vast assortment, and detailed descriptions.

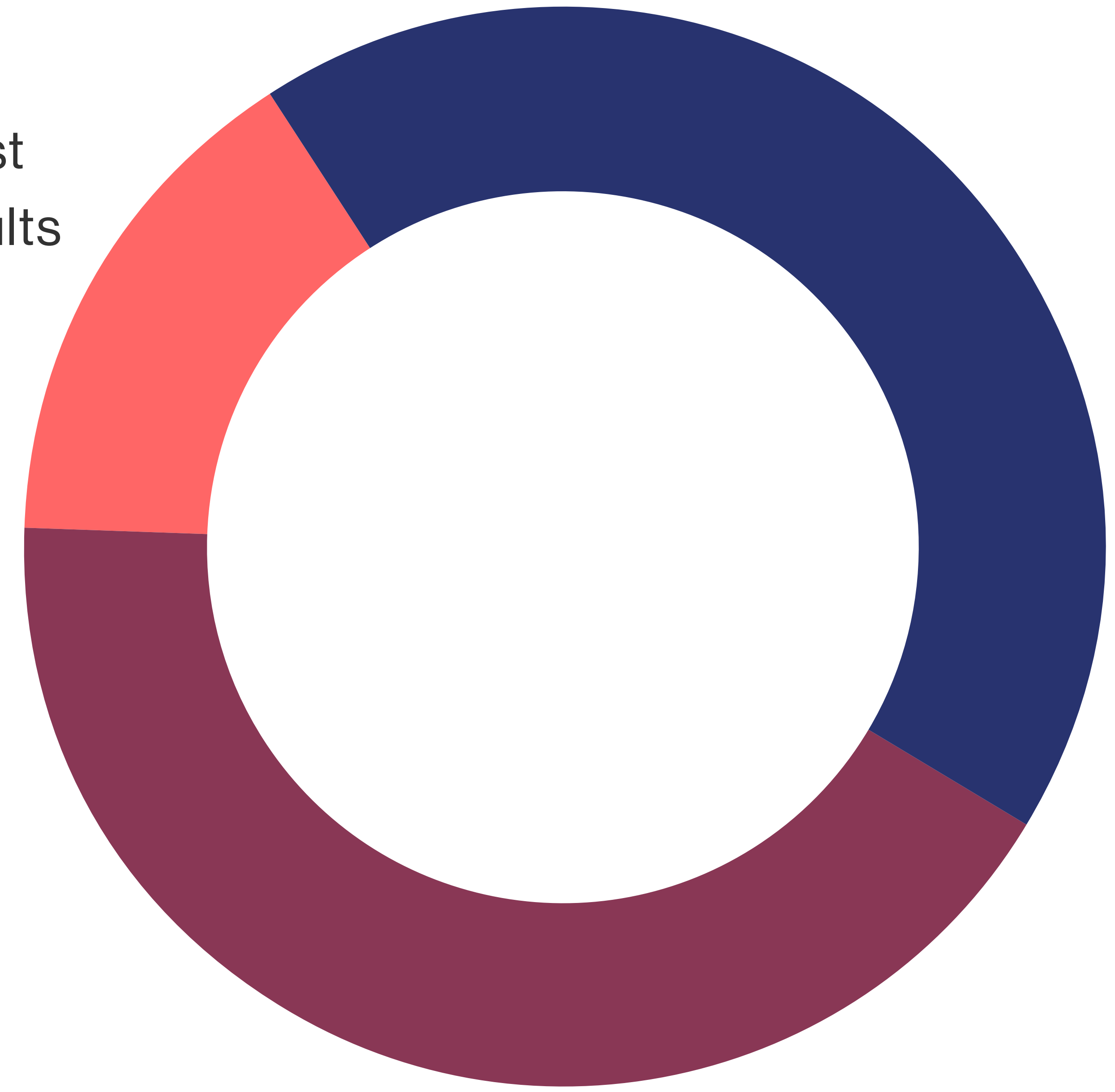


- Positive reviews mattered more than competitive prices for **age groups 18-44**, a trend that wasn't seen in the older demographic.
- For the **25-34** demographic, positive reviews ranked #1 in swaying their purchase decisions, even before free shipping and discounts.

> “Attractive product listings are a key factor in influencing product page clicks on marketplaces

Q11

What makes you click on a product page on an eCommerce marketplace?



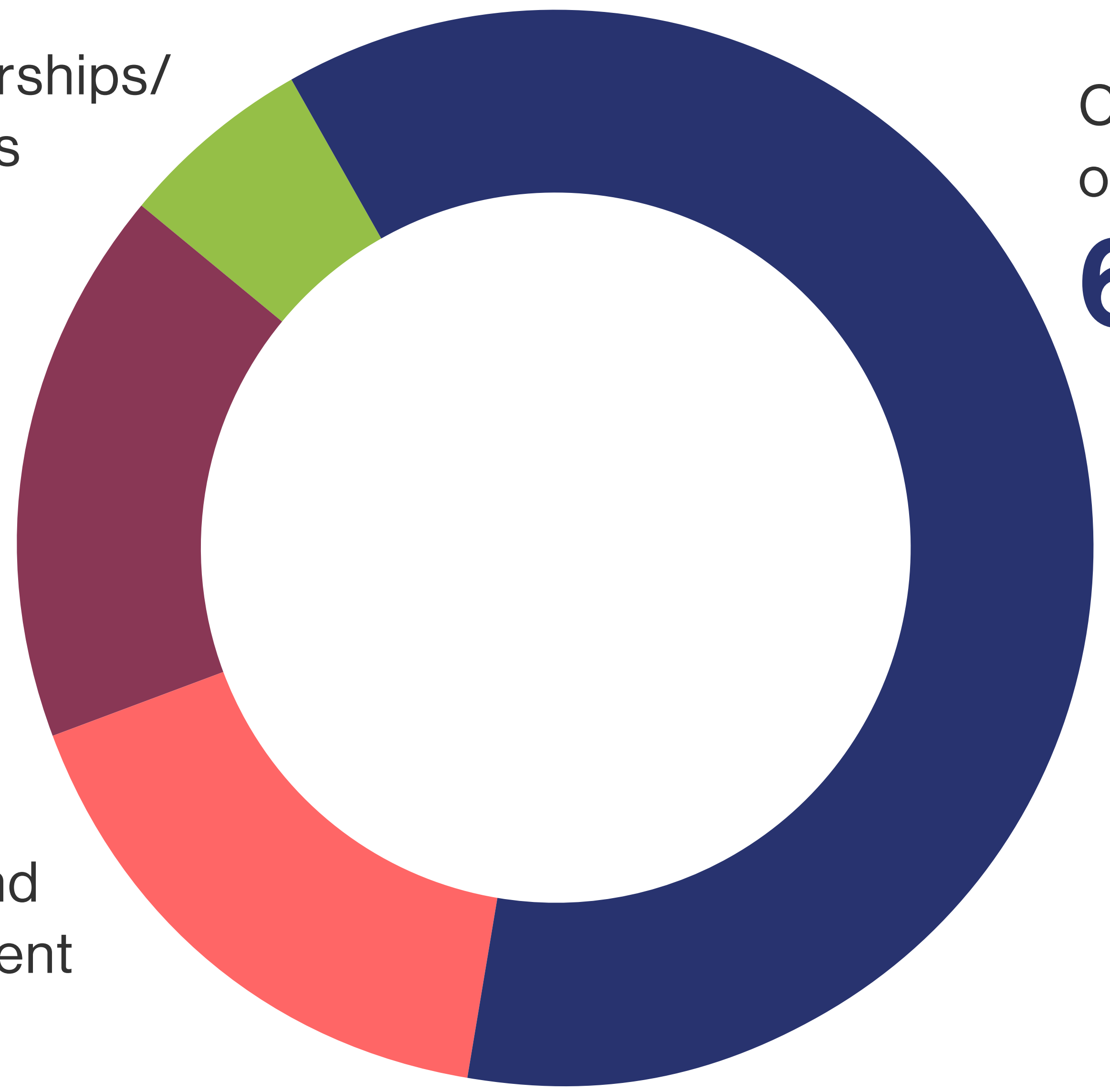
Findings

- A product’s first page rankings are not as important in getting consumers to click on a product page.
- Impressive product photos and images while navigating through an online marketplace is the biggest factor in getting people to visit a product page online, especially amongst Gen Z. Retailers and brands need to focus on curating their content, quality of product images, descriptions, etc., especially on marketplace websites to improve conversions.
- 42% of shoppers come to marketplaces with a buying intent, looking for products of a specific brand they have bought before.

> “Clear, easy-to-navigate catalogs are the number one influencer while shopping on social media

Q12

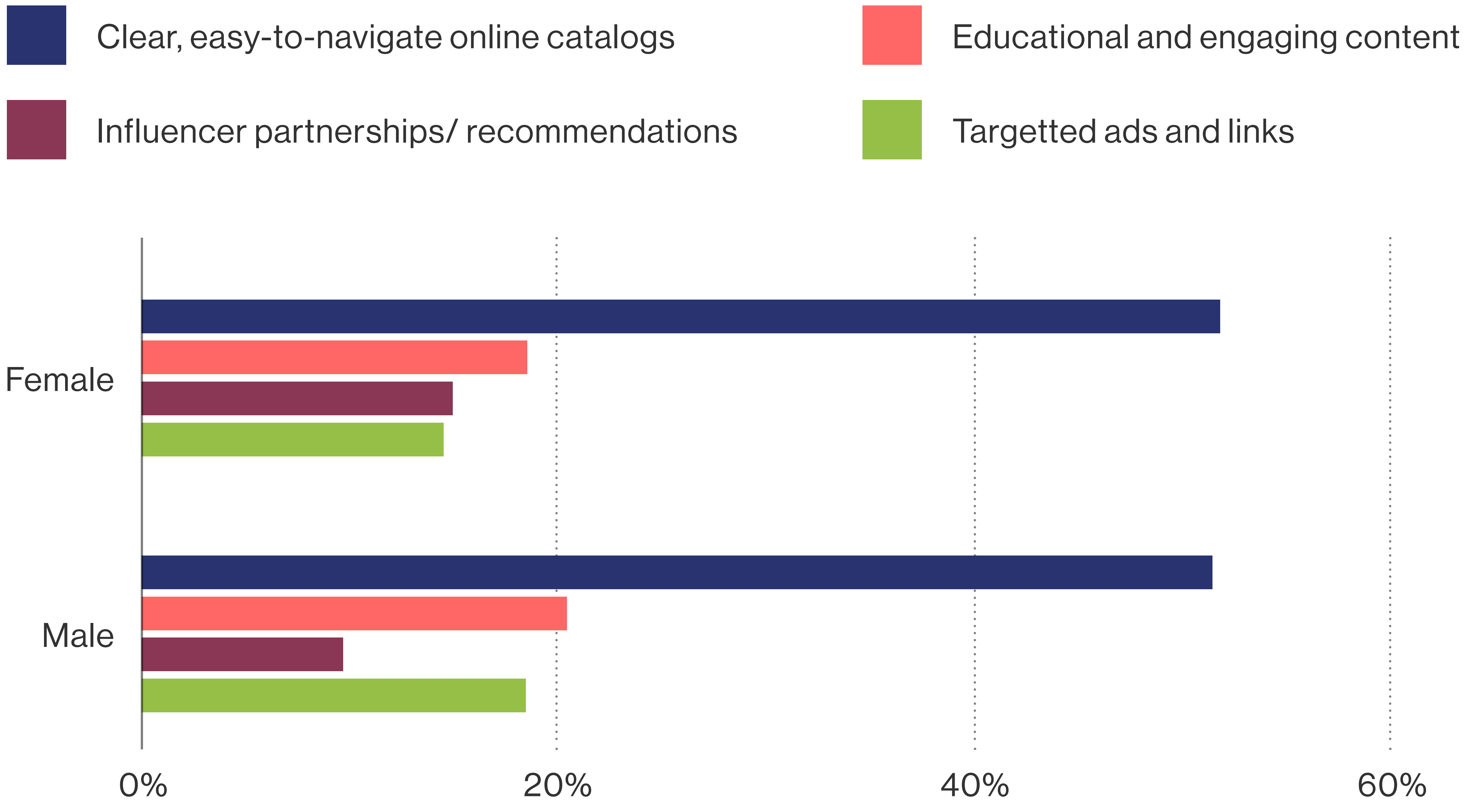
When browsing social media, what pushes you to make a purchase?



Findings

- Clear, easy-to-navigate online catalogs are the clear winners in converting sales on social media with **61%** choosing this option.
- Targeted ads and educational content together accounted for around **30%** of responses.
- Surprisingly, influencer partnerships were the least picked option for influencing purchases on social media.

Women are more likely to visit a product page if it looks impressive while navigating a platform as opposed to men.



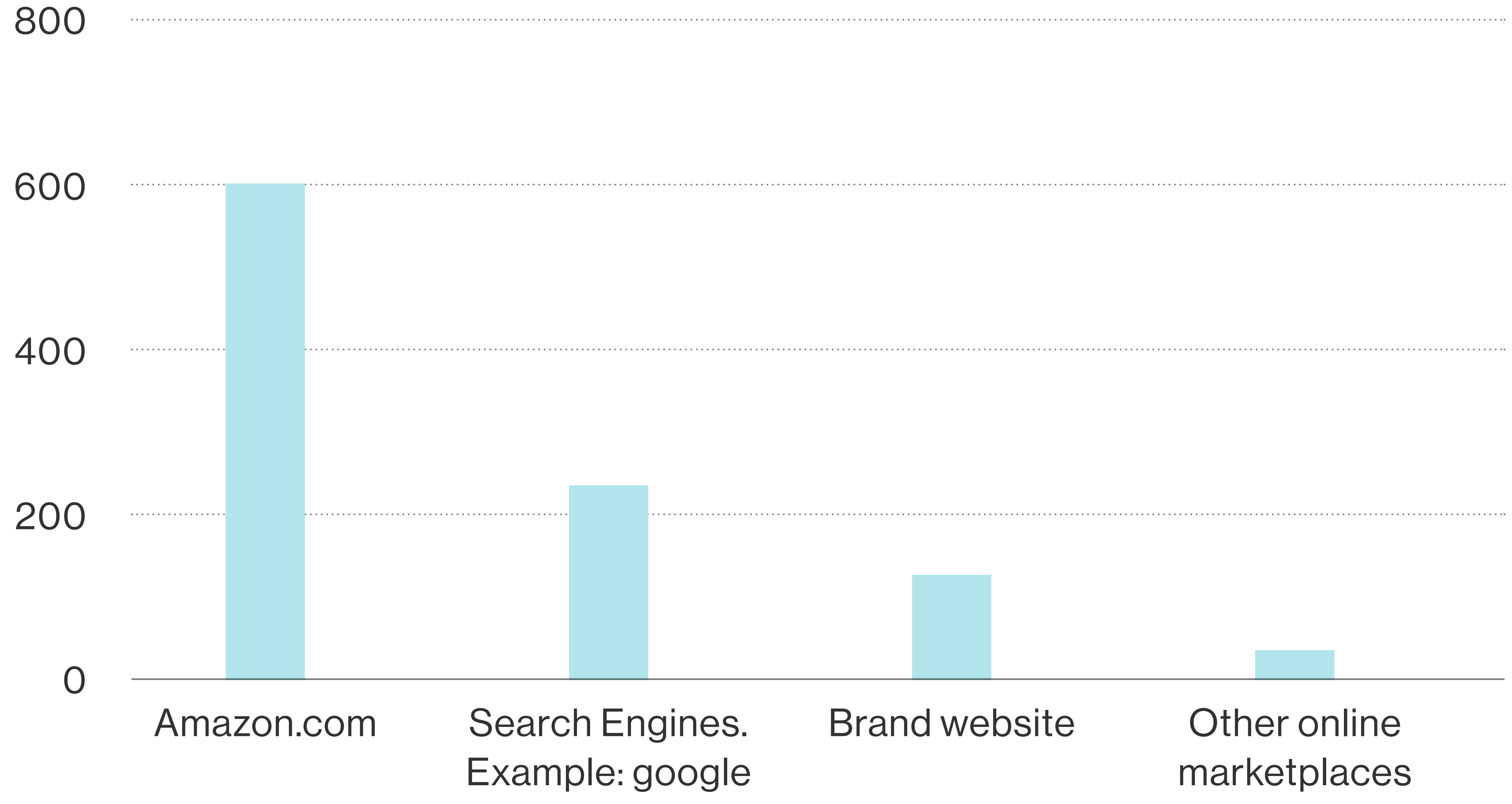
- **Influencer partnerships** matter far more to women than they do to men.
- Men respond better to **targeted ads** and links as compared to women.

Influencer partnerships matter more to the 18-34 demographic than the older generations.

> Amazon.com won the most votes as the platform of choice to search for products online

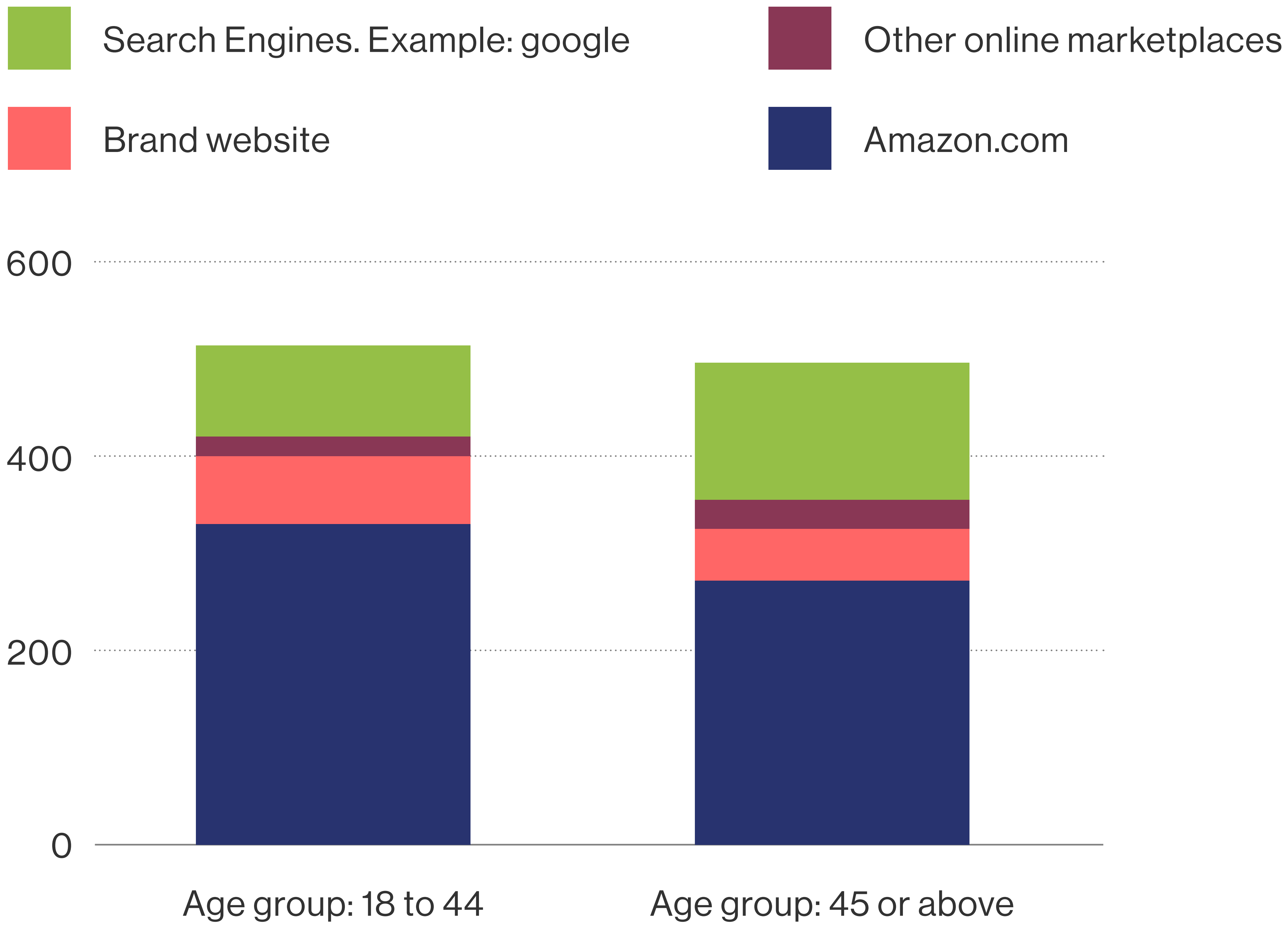
Q13

Which platform do you prefer the most to search for products online?

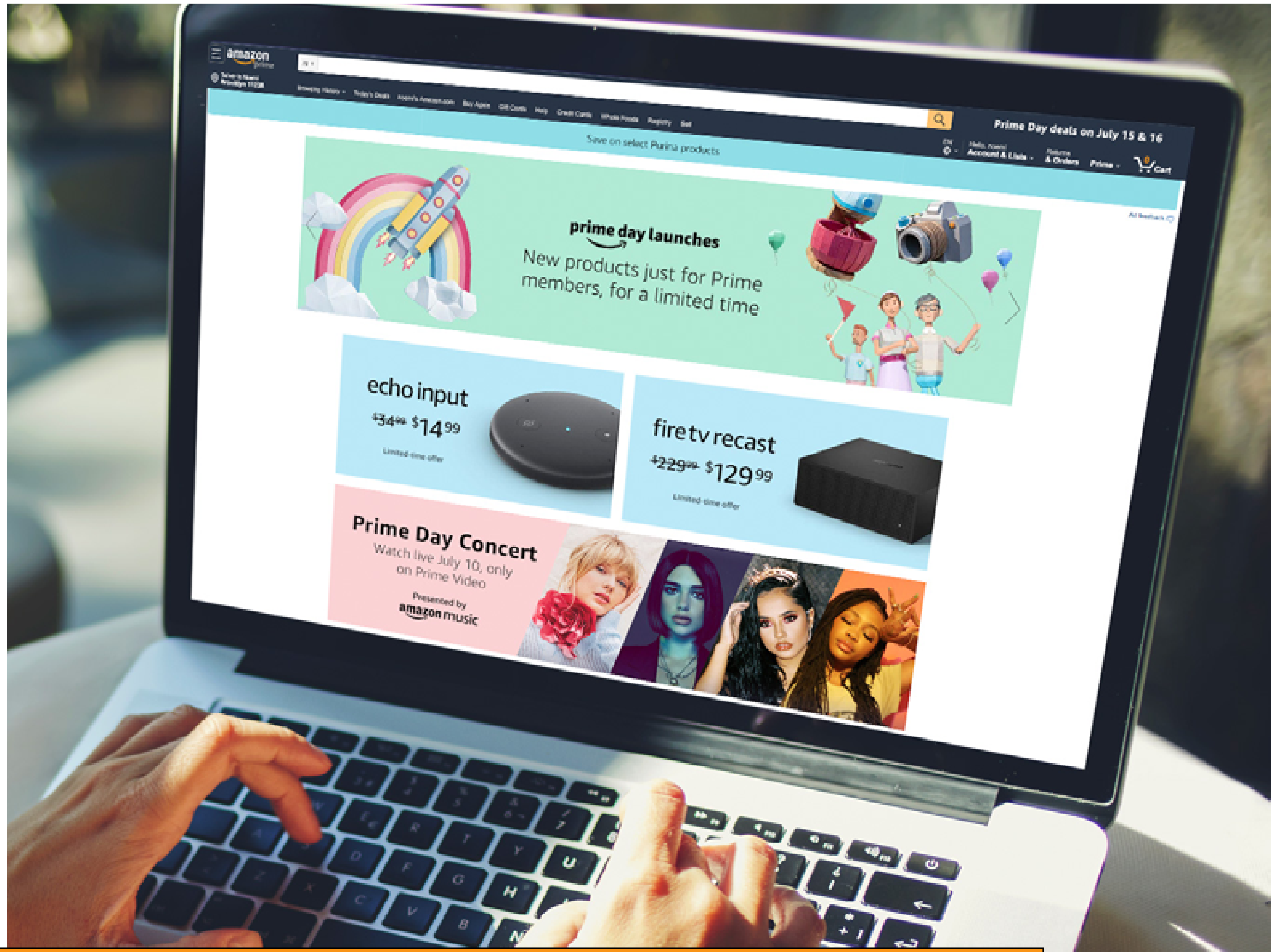


Findings

- Amazon.com was the most preferred platform when searching for products online, with over 60% voting for it.
- Nearly 25% of shoppers chose Search Engines like Google as their preferred platform for searching for products.



- As people cross the age of **45**, they are more likely to prefer searching for products **via a search engine**.
- People **below the age of 45** are far more likely to use Amazon than older consumers.



People over the age of 45 are far more likely to go directly to the page of a product that they've used before.

Section 5

Brand Loyalty Still Maintains Relevancy in 2023

Quick Facts

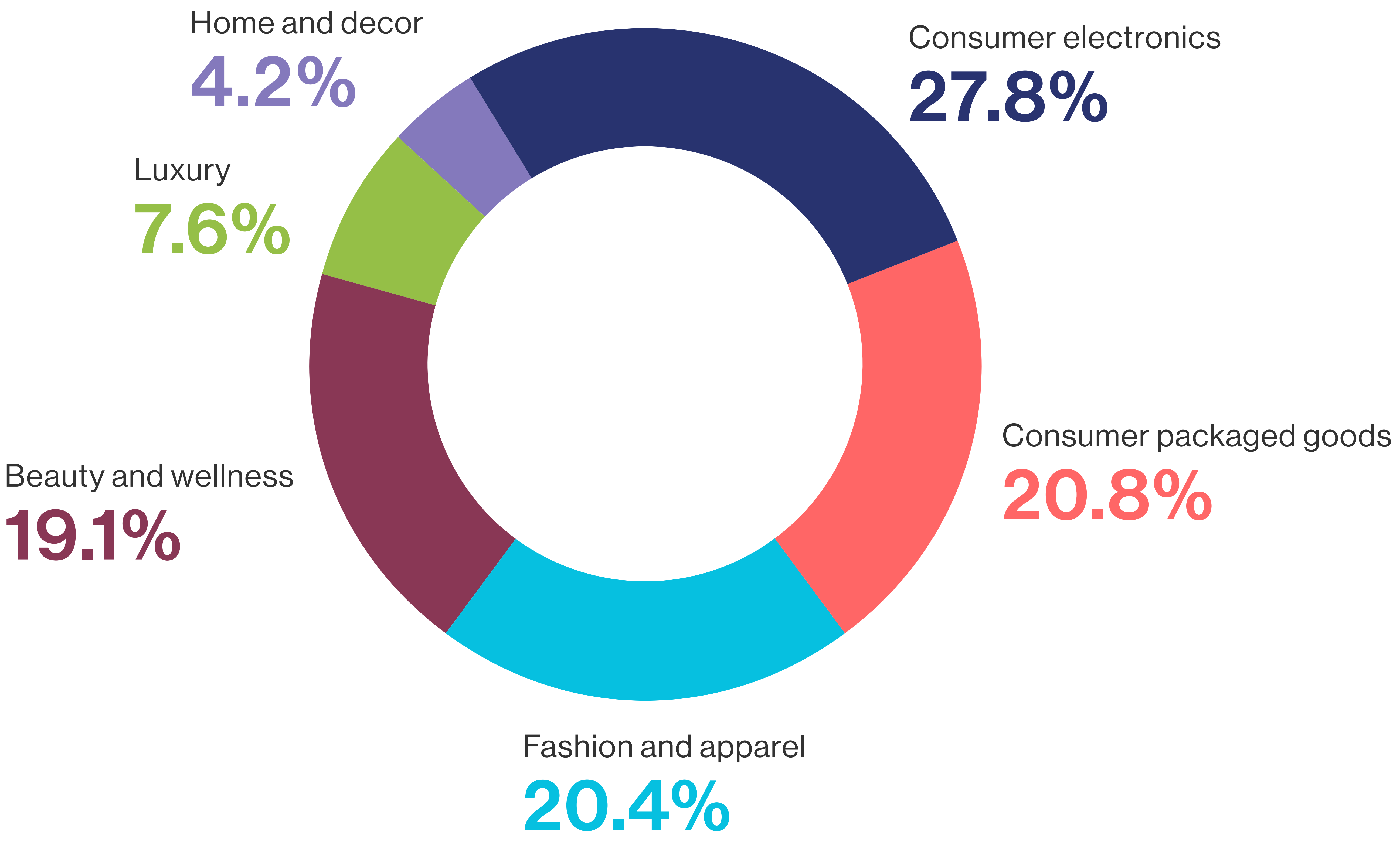
Brand loyalty is the most important in the electronics industry for a majority of respondents

>40% shoppers prefer buying daily essentials from trusted brands

> “ **Shoppers are most brand loyal in the consumer electronics category**

Q14

For which retail category is brand loyalty the most important for you?

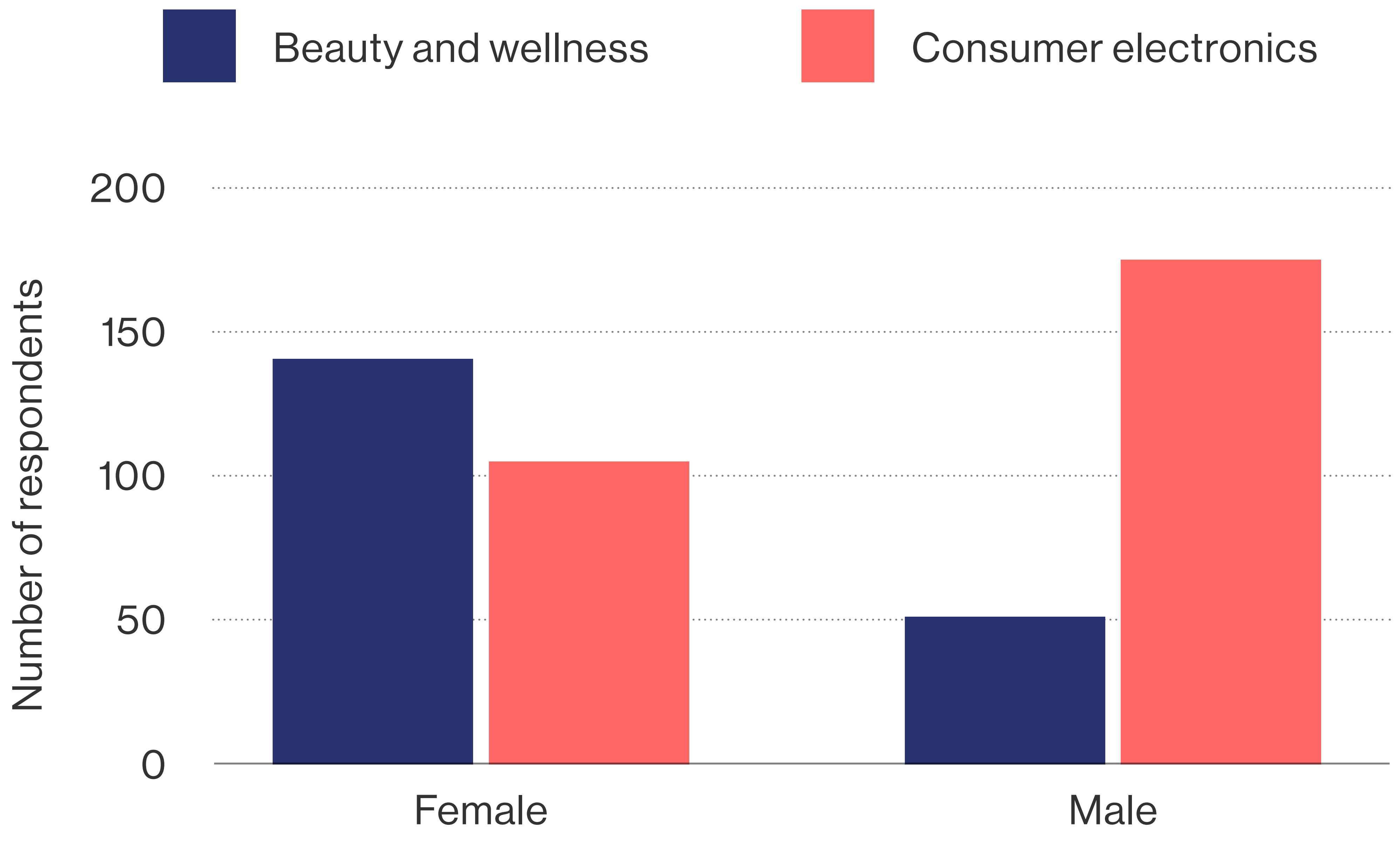


Findings

- **Brand loyalty** is most important to shoppers in the Consumer Electronics category with 1 out of 4 shoppers voting for it over other categories.
- **Fashion and apparel**, **beauty**, and **consumer packaged goods** are the next three categories where brand loyalty is important to consumers.
- **Home decor** is a category that garners the least amount of brand loyalty.

People in the income group of $100,000-199,999 consider brand loyalty for the Luxury category very important, even more important than people earning $200,000+.

The age group of 35 to 44 is likely to show brand loyalty to the luxury category to the extent that is more than double the average of what people across other age groups would show.



- Brand loyalty towards the **beauty and wellness** category is way more important to women than men.
- A far greater proportion of men consider loyalty to **consumer electronics** more important than women do.

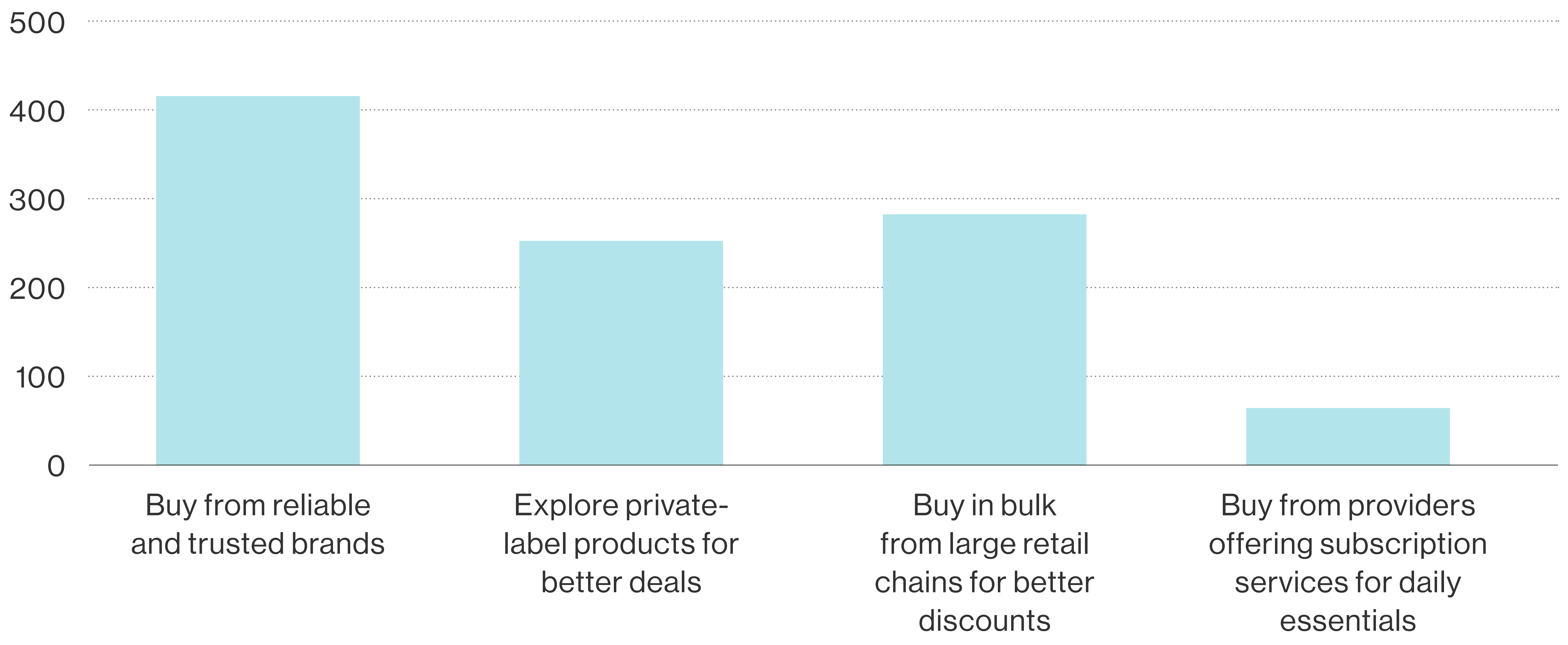
> “Over 40% of shoppers prefer buying everyday essentials from trusted brands

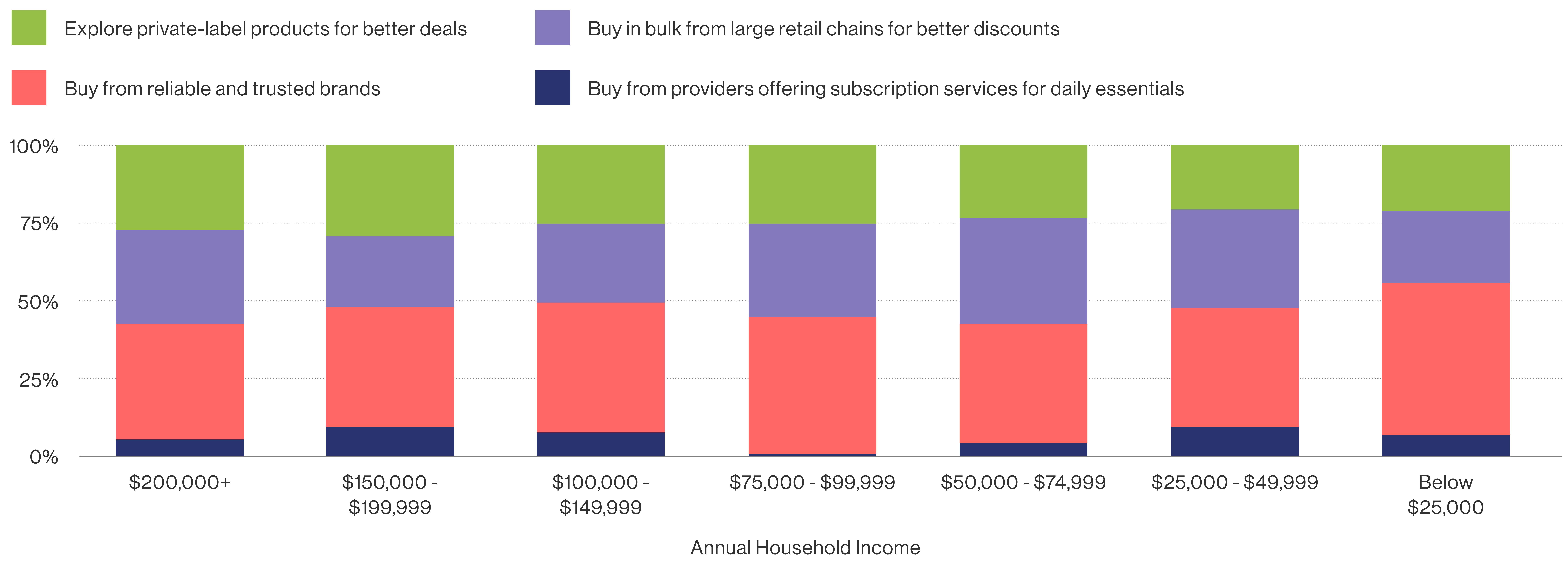
Findings

- **Over 40%** of shoppers prefer shopping for everyday items from reliable and trusted brands in 2023.
- People still do not use **subscription services** for daily essentials, despite its convenience. Although growing, this trend shows that the subscription industry is yet to penetrate the mass market for daily essentials.

Q15

When shopping for everyday items and essentials, are you likely to





- People earning **below $25,000** are far more likely to buy from reliable, trusted brands.
- People between the income range of **$25,000 and $75,000**, surprisingly along with people earning **above $200,000**, are the likeliest to buy in bulk from large retail chains for better discounts.

Key Takeaways

- Almost half of the respondents planned to reduce spending in 2023 amidst an inflationary environment. Luxury goods and fashion & apparel are likely the biggest casualties of the reduced spending.
- Half of the respondents are willing to pay a premium for environmentally conscious products. This suggests that consumers are getting more conscious and expect brands to offer sustainable clothing options.
- Over 50% of the respondents compare prices of products online while in-store. This implies a growing price sensitivity amongst consumers and a rising importance of price competitiveness across channels for retailers.
- Food & grocery, closely followed by consumer electronics, is the most discount-sensitive market. Retailers would need to keep a close eye on competitors' promotional activity to ensure that they meet the expectations of consumers in giving discounts.
- Pricing is the biggest factor for consumers when picking between DTC (Direct-to-Consumer) brands and third-party marketplaces.
- Shipping charges are an essential factor for consumers. High delivery charges can push a consumer to abandon her cart, while free shipping can sway her decision the most while shopping online.
- A product's appeal and attractiveness on the 'digital shelf' of the online marketplace is a major reason why consumers would click on that product's page and consider purchasing it.
- Consumer electronics garners the most brand loyalty, while home decor commands the least.
- Despite the heavy focus on low prices and discounts, brand loyalty still remains relevant in 2023

Intelligence Node Recommendations for 2023

Intelligence Node Recommendations for 2023

01 Brands and retailers must embrace advanced pricing and analytical tools to combat price sensitivity in shoppers with competitive prices and discounts.

02 DTC brands must find innovative ways to compete with marketplaces on price by offering personalized offers or discounts.

03 Brands should invest in sustainable fashion collections in response to shoppers' growing preference for environmentally conscious products.

04 Retailers and brands should invest in robust fulfillment options to offer free shipping in response to the growing aversion to shipping charges amongst shoppers.

Intelligence Node Recommendations for 2023

05 Omnichannel retail is becoming increasingly mainstream with shoppers comparing prices online while shopping instore. This trend is making it critical for brands and retailers to offer seamless shopping experiences across channels.

06 Brands should focus on improving their product listings as product imagery and descriptions play a key role in people clicking on product listings on marketplaces.

07 Shoppers pay a close attention to nutritional information on grocery packaging - brands must therefore ensure their nutritional information is clear, accurate, and accessible.

08 Grocery sector being the most price sensitive, retailers need to closely monitor competitor price movements and offer competing prices to avoid losing consumers.

Research Methodology

In partnership with Dynata, Intelligence Node surveyed over 1000 online US shoppers in December 2022 to gauge consumer shopping trends and expectations for 2023. With an extensive library of detailed business and consumer profile attributes collected directly from individuals through survey data, Dynata's survey methodology is designed and actively managed to deliver a variety of advantages, including precise audience selection, reliability, and superior feasibility.

Intelligence Node weighted the data by age, gender, income, education, ethnicity, employment, and region to demographically represent the U.S. online adult population. The survey demographic represents an equal male to female ratio lying between the age group of 18 to 65+, and an annual household income ranging from below $25000 to $200,000+.

About Intelligence Node

Intelligence Node is a real-time retail price intelligence platform that empowers businesses to drive product level profitability and grow margins using data-driven competitive insights. Leading as a premier independent data powerhouse, it has created the world's largest pricing dataset with unmatched accuracy - feeding the growth of more than **$600 billion** in retail revenue globally.

Intelligence Node's proprietary AI-driven algorithms are packaged in an intuitive and beautiful user interface, simplifying onboarding by providing easy-to-use plug & play capability.

It is the platform of choice for hundreds of retailers and brands worldwide, including category leaders like **Nestle**, **Clos 19**, **Li & Fung**, **Lenovo** and many others.


SALE
Up to 50% off