

Enabling cost reductions will be key for retailers to attract today's frugal consumer

New report finds most consumers (61%) are concerned about their financial situation and 69% are cutting back on non-essential expenses

Paris, January 09, 2023 – 61% of consumers are concerned about their financial situations, with Millennials¹ (66%) and Gen X² (64%) being the most worried, and Boomers³ (55%) the least. To navigate these pressures, almost half (44%) of consumers say they are reducing their overall spending; an increase from 33% of respondents who said the same in November 2020. This is according to the second edition of Capgemini Research Institute's annual consumer trends report, [*'What Matters to Today's Consumer.'*](#) which reveals the impact of an increased cost-of-living on consumer spending habits and preferences. The report indicates that while retail organizations continue to navigate disruptions there is a need to transform operations to meet changing consumer expectations of affordable products and pass on cost benefits to customers.

Nearly three-quarters of consumers cutting back on non-essential purchases during tough times
Purchasing behaviors are also changing. From its survey of 11,300 consumers in 11 countries, the report found that nearly three-quarters (73%) of consumers are making fewer impulse purchases, while 69% are cutting back on non-essential expenses such as electronics, toys, and dining out, as well as delaying the purchase of luxury items. Saving money is top of mind for many people, with 64% of consumers buying products from hypermarkets and discount stores and 65% buying cheaper private-label or low-cost brands.

"There's an opportunity for retail businesses to dramatically reimagine their operational strategy in order to weather this storm and pass on price benefits to consumers. By identifying new revenue streams, creating new markets, transforming operations, and optimizing costs, businesses can succeed without compromising on sustainability or overall customer experience," said Lindsey Mazza, Global Retail Lead, Capgemini Group. *"Harnessing technology for intelligent demand planning, inventory management and automated operations can not only help reduce costs and maintain margins, but also yield sustainability benefits for organizations."*

Consumers will not pay more for sustainable products

Sustainability continues to be an important factor when deciding which retailer or brands to shop with, yet only 41% of consumers globally say that they are willing to pay more for a product they believe to be sustainable. This is a marked decrease as compared to the report findings in 2020, when 57% of consumers said that they paid higher-than-average prices for products that they perceive as sustainable.⁴ The report highlights that brands and retailers must re-evaluate their pricing strategies to provide affordable yet sustainable options to consumers and offer loyalty programs that help customers navigate the current crisis while building customer loyalty in the long term.

¹ Survey respondent aged between 25-40 in November 2022

² Survey respondent aged between 41-56 in November 2022

³ Survey respondent aged between 57-75 in November 2022

⁴ Capgemini Research Institute, How sustainability is fundamentally changing consumer preferences, June 2020.



Retailers to rethink operational strategy for cost reductions, sustainability, and experience

Businesses too are grappling with challenges such as increased energy, labor, and transportation costs, yet according to the report, 67% of consumers say that brands and retailers should offer lower prices for the products their families require. The report highlights that retailers and consumer products companies will need to transform their operational strategy to achieve cost reductions in a way that also delivers on the sustainability and convenience expectations of consumers. Transforming the way organizations use labor, adopting a tech-led supply chain and automating warehouse operations can also go a long way in improving last mile delivery while also bringing down costs.

Opportunities to unlock new channel growth with personalized social media strategies

The report also suggests that by leveraging the power of social media influencers and expanding into newer channels to reach customers, brands can unlock new revenue streams and growth opportunities. According to the research, 70% of consumers buying products on social media said they trust influencers when they use the product and share their own experiences and reviews. For example, Gen Z shows the highest engagement here, with almost half (48%) discovering new products through online influencers and 32% going on to purchase.

Read the full report [here](#).

Methodology

The Capgemini Research Institute surveyed 11,300 consumers over the age of 18 across 11 countries: Australia, Canada, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, the UK, and the US. To qualify for inclusion in the survey, consumers must have purchased groceries and/or health and beauty products in the preceding six months. The global survey took place in October and November 2022.

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