WHAT MATTERS TO TODAY'S CONSUMER

2024 consumer behavior tracker for the Consumer Products and Retail industries

#GetTheFutureYouWant

Capgemini RESEARCH INSTITUTE

Executive Summary

In the 2023 edition of our annual research series, *What matters to today's consumer*, we found that consumers were worried about the cost-of-living crisis, with this concern naturally feeding into their expectations and purchasing behaviors. Many were worried, in particular, about the cost of feeding their families and buying essential items.

This report is the third in our annual research series that examines evolving consumer behaviors. This year, we find that many of the behaviors we noted in our 2023 report have persisted, with consumers continuing to express concern about their personal financial situations amid rising inflation. However, this concern has dropped significantly in the past twelve months as just 43% of consumers worry their personal finances will worsen over the next 6–9 months, compared with 80% who were concerned that they would worsen in the equivalent period last year.

New to this year's research, we also explore the rise of generative AI and its impact on consumers' purchasing behaviors. What we found is that around one in five consumers has used generative AI to shop and just over half of users have already acted on product recommendations made by generative AI tools, such as ChatGPT, with 55% of Gen Z having bought products recommended by generative AI tools.

Social commerce is a retail channel that is growing in popularity, with 46% of Gen Z consumers having purchased a product via social media platforms. We also explore how consumers have become more sustainability-conscious, demanding greater transparency on product origin and business practices and processes. Around 60% of consumers want brands to play an active role in consumer education and awareness in this regard.

We highlight three opportunities for brands and retailers to capitalize on these evolving trends. First, companies can identify and adopt innovative technological solutions to reduce costs, with savings passed on to consumers. New technologies such as generative AI are critical to businesses' becoming more customer centric. Second, brands and retailers can unlock channel growth by prioritizing social commerce, as this is a key area for channel growth, for example using influencers to amplify product promotions. Finally, organizations can educate consumers on the sustainability impact of their shopping and, in particular, seek to reduce food waste.

Introduction

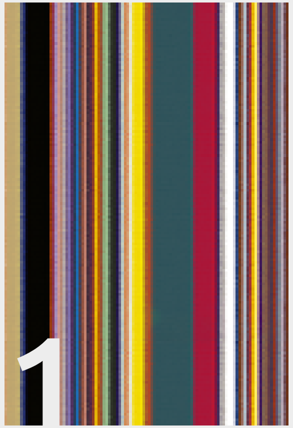
In this year's report, we explore the impact of the cost-of-living crisis on consumers and examine their strategies for coping with it with the aid of technology. We also examine the influence of generative AI on shopping behaviors and habits and look at the areas in which consumers use generative AI in their shopping experiences. The impact of social commerce – especially on Gen Z – is also a focus of this report. Finally, we examine the way in which consumers are becoming more conscious of the impact of their purchases and are increasingly demanding a positive attitude towards promoting sustainability on the part of the brands they use.

To address these themes, we conducted a global survey of more than 11,500 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. For more details on the survey sample, please refer to the Appendix.

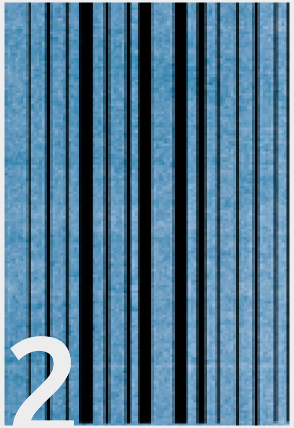
We close this report by suggesting the key actions for brands and retailers to consider in order to manage and adapt to the ongoing shifts in consumer behavior.

Introduction

This report explores five broad trends:

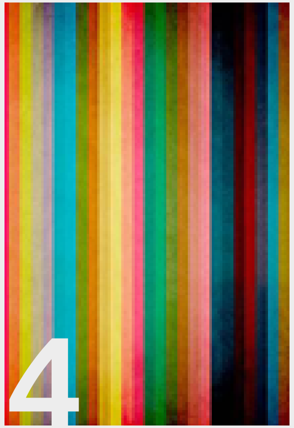


Consumer worries around cost of living

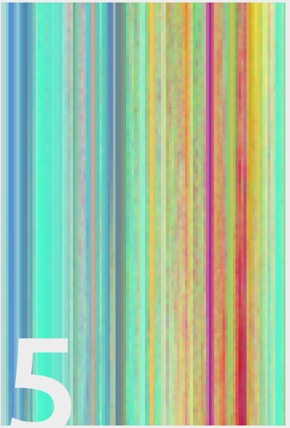


Use of generative AI in shopping

The rise of social commerce especially among Gen Z



Consumer awareness about the environmental and societal impact of their purchases



What makes for a positive shopping experience in the post-digital age

01 CONSUMER WORRIES AROUND COST OF LIVING ARE STILL HIGH BUT HAVE EASED SLIGHTLY

The cost-of-living crisis continues to seriously impact consumer sentiments but there is some relief

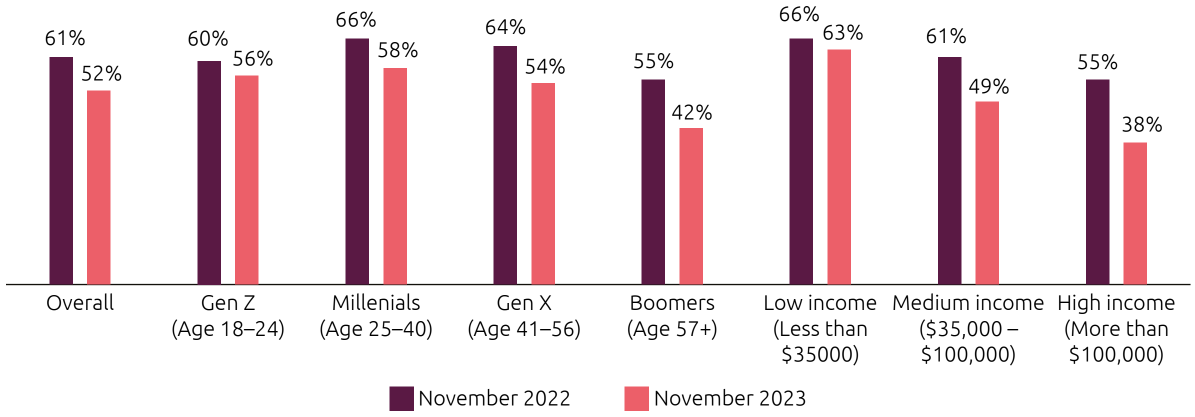
Overall, 52% of consumers are extremely concerned about their personal finances compared with 61% last year. In the US, the share has dropped to 53% from 65%. Consumer spending, which accounts for more than two-thirds of US economic activity, accelerated 0.7% in September 2023.[1]

In France (55%) and Spain (59%), this share is higher. In the EU, consumer food prices were 17% higher, year on year, in April 2023. The prices of basic food items in the EU have shot up: e.g., sugar has risen by 55%, fresh whole milk by 25%, eggs by 23%, and potatoes by 20%.[2] Alexandre Bompard, Chairman and CEO of French supermarket chain Carrefour, comments: ***"We are seeing a non-spending tsunami in France. When people go without essential goods, one must act."***[3]

FIGURE 1.

Consumers are less concerned about their personal financial situation this year

SHARE OF CONSUMERS WHO AGREE WITH THE STATEMENT: "I AM EXTREMELY CONCERNED ABOUT MY PERSONAL FINANCIAL SITUATION."



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023; N = 11,681 consumers: 1,048 Gen Z consumers; 3,358 Millennial consumers; 3,586 Gen X consumers; 3,689 Boomer consumers; Capgemini Research Institute, What matters to today's consumer, January 2023; N = 11,300 consumers: 992 Gen Z consumers; 3,264 Millennial consumers; 3,332 Gen X consumers; 3,712 Boomer consumers.

Of consumers in the lower income range (less than $20,000), 66% are more concerned about their personal financial situations, which is the highest proportion among all income brackets. This concern about personal finances is more pronounced among Millennials (58%), Gen Z (56%), and Gen X (54%) than among Boomer consumers (42%) (see Figure 1).

Overall, 43% of consumers fear their personal finances will worsen in the next 6–9 months, far below the 80% last year. In the US, 38% of consumers agree with this compared to 55% in the previous year. Brian Cornell, CEO of US retailer Target, sums it up aptly: ***"As we look at the consumer landscape today, we recognize the consumer is still challenged by the levels of inflation that they're seeing in food and beverage and household essentials."***[4]

Consumers continue to be stringent about their purchases

63% of consumers in our survey are buying private-label or low-cost brands over named brands this year, compared to 65% the previous year. As many as 70% of consumers say they are making fewer impulse purchases and 66% are cutting back on non-essential items, compared to 73% and 69%, respectively, in the previous year (see Figure 2). Jeff Gennette, CEO of US retail group Macy's, notes that, over the past several quarters, Macy's customers have pulled back aggressively on discretionary purchases and have generally become more deliberate in their purchasing behaviors. *"As we plan the remainder of the year and think about 2024, we remain cautious of the pressures impacting our customers, especially at Macy's, where around 50% of identified consumers have an average household income of $75,000 or under."*[5]

FIGURE 2.

Consumers exhibit stringent behaviors in response to the cost-of-living crisis

SHARE OF CONSUMERS WHO AGREE WITH THE FOLLOWING STATEMENTS

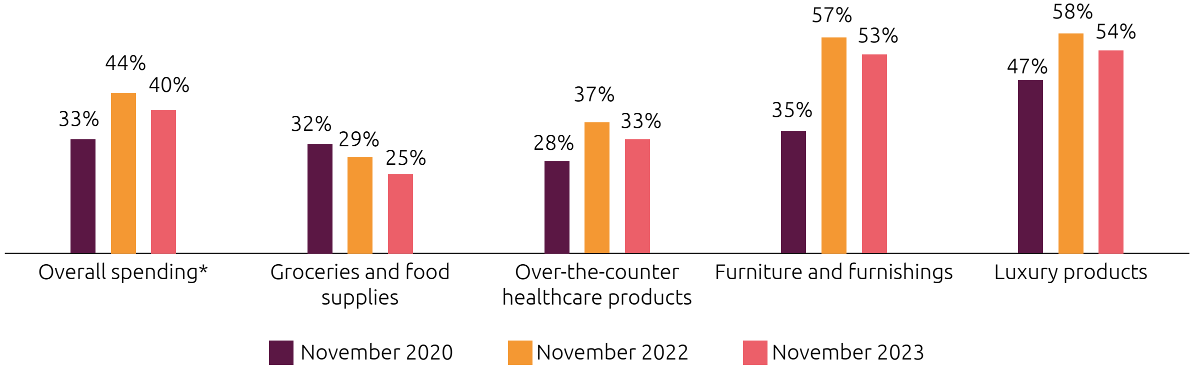
Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers.

Consumers remain choiceful, particularly in discretionary categories

Overall, 40% of consumers plan to cut spending across multiple categories, slightly lower than the 44% last year (see Figure 3). Consumers plan to cut spending on groceries (25%), over-the-counter (OTC) healthcare products (33%), furniture (53%), and luxury items (54%). CFO of US retailer Walmart John David Rainey comments: ***"At headline level, consumer spending has proven resilient but, below the surface, we continue to see signs that consumers remain choiceful, particularly in discretionary categories."*** [6]

FIGURE 3.
The share of consumers planning to cut discretionary spending has fallen in 2023

SHARE OF CONSUMERS WHO PLAN TO REDUCE PURCHASES, OVERALL AND BY PRODUCT CATEGORY



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers; Capgemini Research Institute, *What matters to today's consumer,* January 2023; Capgemini Research Institute, *What matters to today's consumer,* January 2022; Capgemini Research Institute, *The great consumer reset: COVID-19 and the consumer products and retail consumer,* November 2020.

*Overall spending includes groceries and food supplies; household supplies; personal care products; over-the-counter healthcare products; furniture and furnishings; consumer electronics/white goods; apparel and accessories; at-home entertainment/media; luxury products; takeaway food from restaurants; casual or fine dining; alcoholic beverages; tobacco; leisure travel; work-related travel.

Consumers expect retailers to provide “shrinkflation” alerts

Consumer expectations of retailers have increased; 65% expect retailers to alert consumers when brands reduce the weight of a product without reducing the price (a phenomenon known as “shrinkflation”) Carrefour, for example, now labels products to warn of this.[7] 64% expect retailers to alert consumers when brands start using lower-quality ingredients/raw materials without reducing the price (so-called “skimpflation”).

In line with the previous year’s expectations, 70% of consumers want more discounts on essential items and 67% want retailers to accept lower prices. 73% of consumers will be more loyal to companies that help them through this difficult time, and 71% of consumers plan to purchase more products/services from these companies.

64%

expect retailers to alert consumers when brands start using lower quality ingredients/raw materials without reducing the price

65%

expect retailers to alert consumers when brands reduce the weight of a product without reducing the price

02 ONE IN FIVE CONSUMERS HAS ALREADY USED GENERATIVE AI IN SHOPPING

High consumer awareness of generative AI continues in 2023, with 86% of consumers saying they are aware of tools such as ChatGPT and DALL-E. We found that awareness of generative AI as a shopping tool is also high. 72% of consumers overall are aware of the use of generative AI in shopping experiences and 20% have used it already. 28% of consumers mentioned they are not aware of generative AI for shopping (see Figure 4).

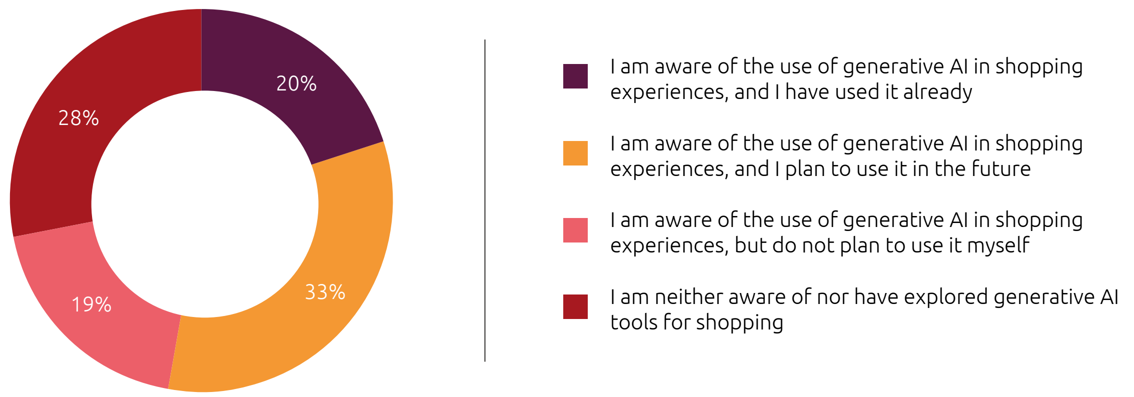
Nearly 55% of Gen Z consumers have bought products recommended by generative AI tools

Among consumers who are aware of the use of generative AI in shopping experiences, and have already used it, 66% are open to purchasing new products or services recommended by generative AI compared to 64% in April 2023. The shopping experience of 55% of users has been notably enhanced by generative AI tools. Gen Z and Millennial consumers lead the pack, with 56% and 61%, respectively, believing that generative AI tools improve their user experience, as compared with 52% for Gen X and 43% for Boomer consumers.

FIGURE 4.

One-fifth of consumers have used generative AI in shopping

SHARE OF CONSUMERS WHO AGREE WITH THE STATEMENTS BELOW



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers

Generative AI is transforming online purchase behaviors. Over half (52%) of users have replaced traditional search engines with generative AI tools for product recommendations (see Figure 5). Among these users, 54% are men and 46% are women. Gen Z and Millennials' preference for generative AI over traditional search engines for product/service recommendations are now at 54% and 56%, respectively.

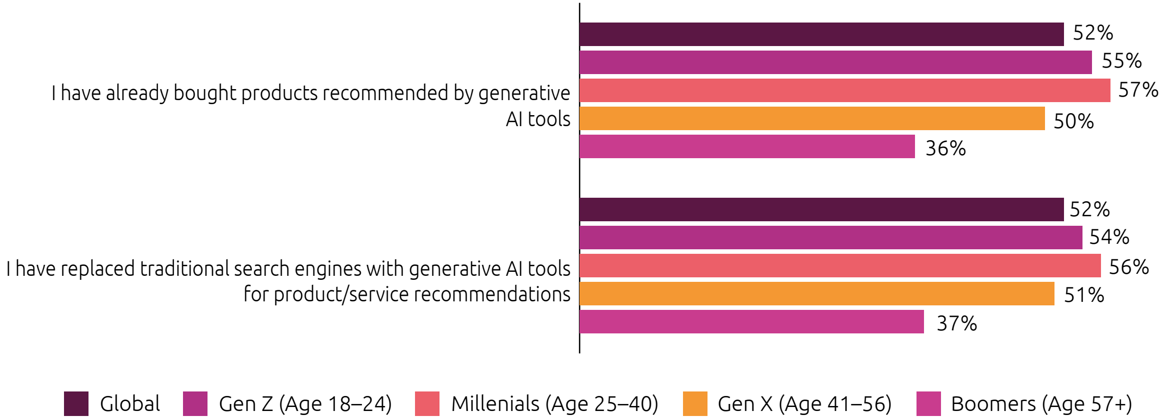
A significant 52% of users have already acted on product recommendations made by generative AI tools, with 55% of Gen Z having bought products recommended by them, compared with 57% of Millennials. Among these users, 55% are men and 45% are women.

German online retailer Zalando has launched a new fashion assistant, powered by ChatGPT, to enhance the consumer experience and improve consumer perceptions of the website. For instance, when a consumer enquires about suitable attire for a spring wedding in Spain, Zalando's fashion assistant can discern the formal nature of the event, anticipate weather conditions, and offer appropriate clothing

FIGURE 5.

Generative AI is not just used by Gen Z

GENERATIVE AI PREFERENCES BY AGE AMONG CONSUMERS, WHO ARE AWARE AND HAVE USED IT FOR SHOPPING

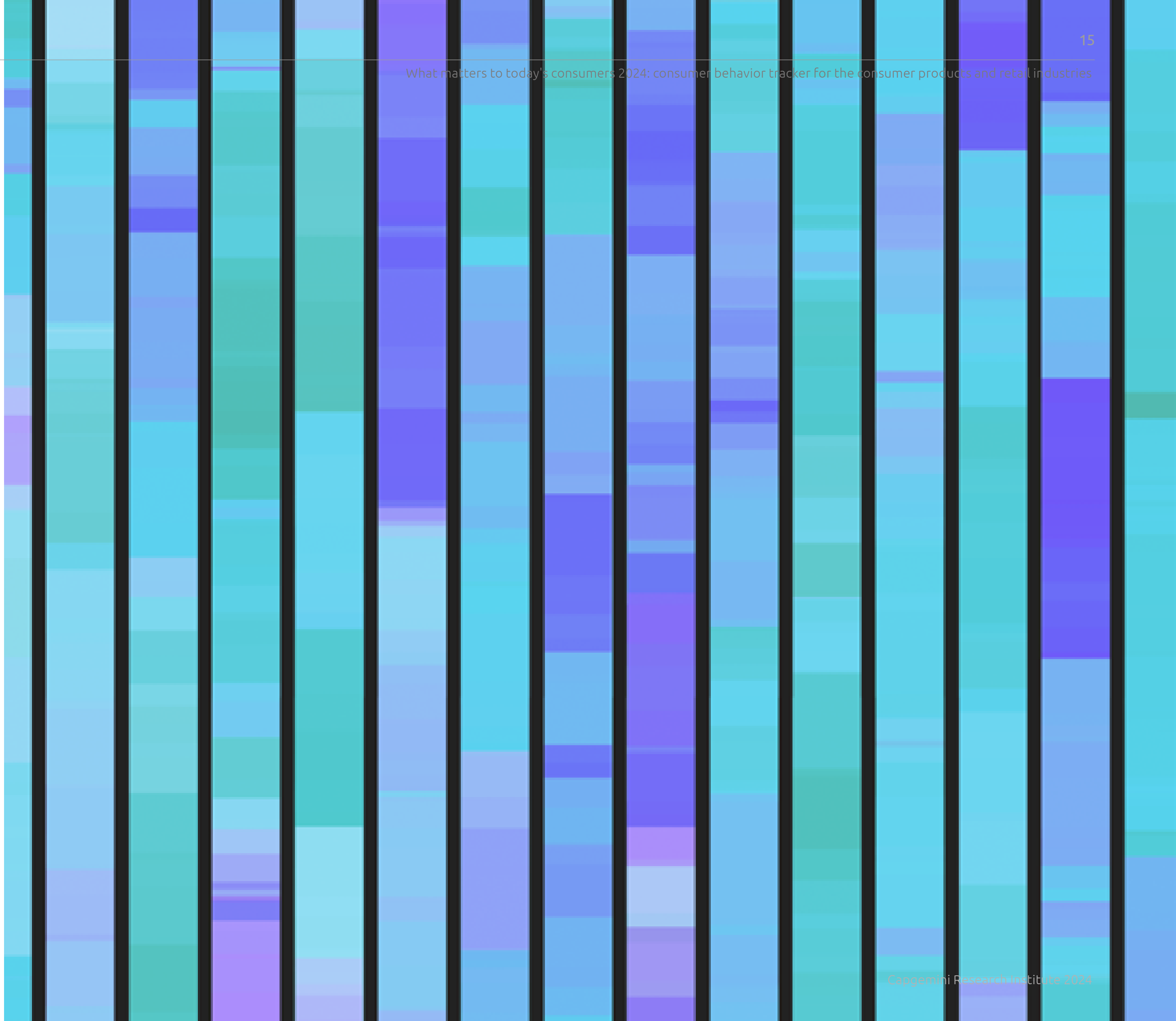


Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 2,299 consumers who are aware of the use of generative AI in shopping experiences and have used it already: 345 Gen Z consumers, 986 Millennial consumers, 635 Gen X consumers, 333 Boomer consumers.

recommendations. The ultimate objective is to train this feature on consumer preferences, including favored brands and availability of products in their sizes, to deliver a more personalized product selection.[8]

Using a new chatbot based on OpenAI's ChatGPT-4 technology, Carrefour's online shoppers in France will be able to choose products based on their budget and food constraints or seek new menu ideas. The chatbot can also suggest anti-waste solutions for reusing ingredients and compose baskets based on specific recipes.[9]

Using a new Chatbot based on generative AI, Walmart's online shoppers can compare and choose products, and receive recommendations based on their preferences and needs. It also lets customers try products virtually before buying. Walmart is testing this feature as part of its generative AI-powered search and shopping assistant.[10]



Consumers have a positive outlook on generative AI tools

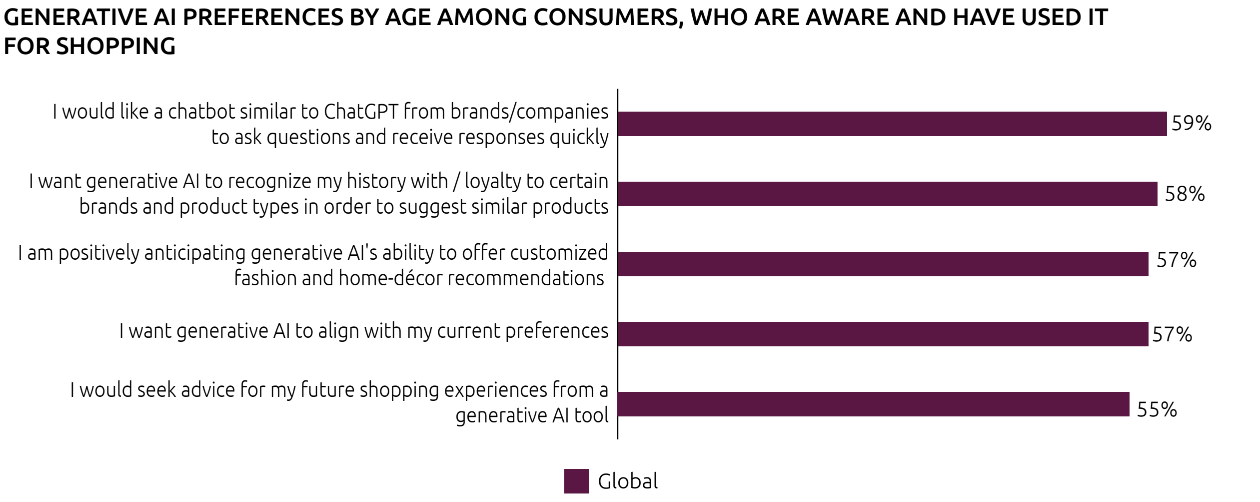
- A substantial 66% of users welcome product recommendations from generative AI.
- 60% of users trust services and products suggested by generative AI.

More importantly, a substantial 59% of users seek personalized recommendations from generative AI that align with their personality (see Figure 6).

- 55% of users seek advice in areas such as diet plans, make-up suggestions, and fashion combinations from a generative AI tool.
- 58% of users say generative AI should be able to identify their brand and product loyalty, thereby recommending similar products.

FIGURE 6.

Consumer preference for generative AI in different stages of the shopping experience



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 2,299 consumers who are aware of the use of generative AI in shopping experiences and have used it already.

While consumers may not always be aware that the tools they use include generative AI, 42% of users have used it in a chatbot to resolve queries and many other tasks (see Figure 7).

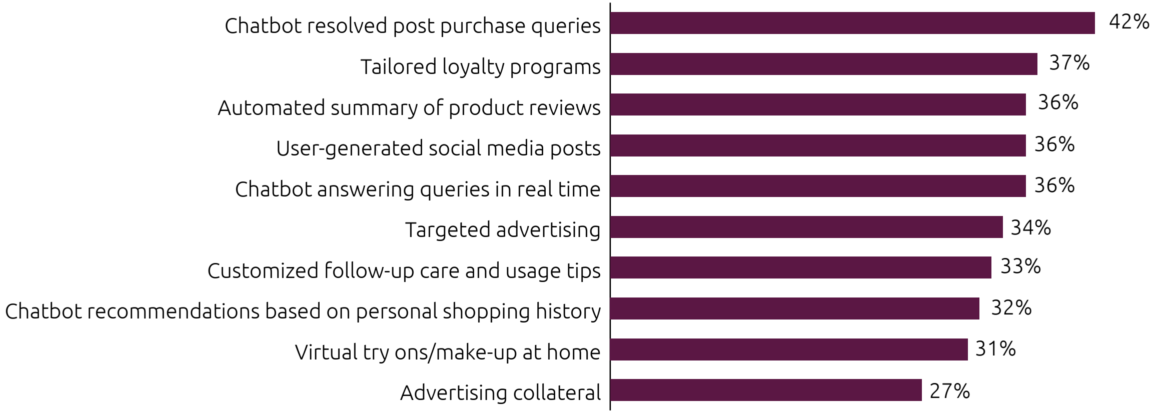
60%

of users trust services and products suggested by generative AI

FIGURE 7.

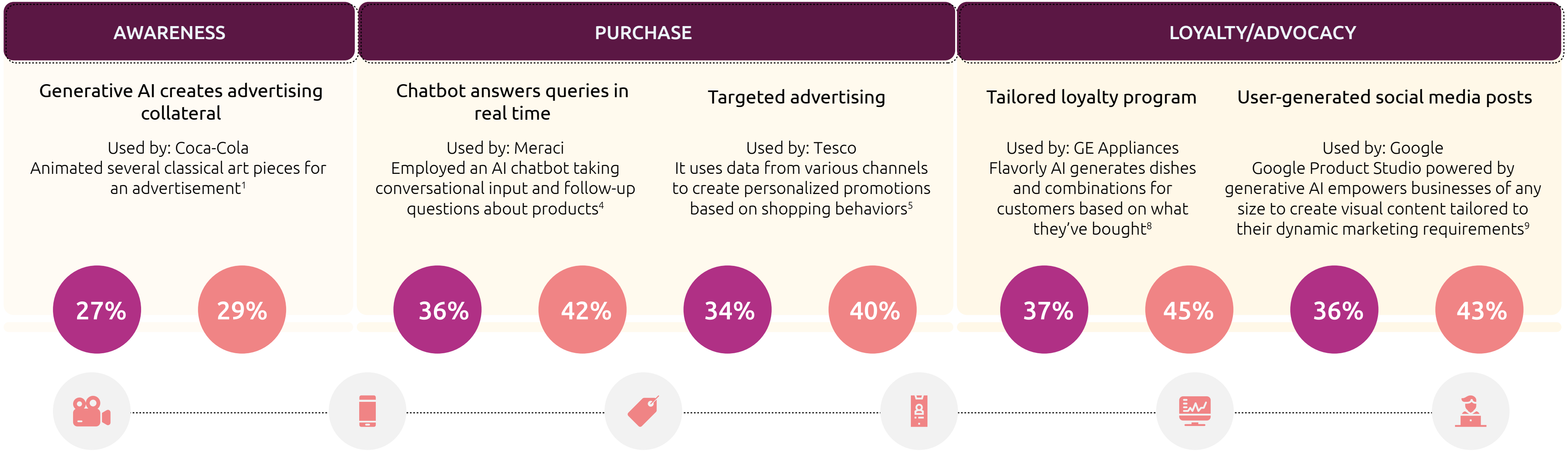
Consumer preference for generative AI tools for different tasks

SHARE OF CONSUMERS USING GENERATIVE AI TOOLS FOR DIFFERENT TASKS, WHO ARE AWARE AND HAVE USED IT ALREADY



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 2,299 consumers who are aware of the use of generative AI in shopping experiences and have used it already.

FIGURE 8.
Impact of generative AI on online shopping, for consumers who are aware and have used it already



Sources:
1. Forbes, "The amazing ways Coca-Cola uses generative AI in Art and advertising," September 8, 2023.
2. Ecommerce News, "generative AI in Ecommerce: A look beyond texts," July 3, 2023.
3. PYMNTS, "Luxury retailers try on AI to reduce returns," June 16, 2023.
4. Modern Retail, "Retailers are using ChatGPT to help people pick what to buy," April 27, 2023.
5. Analytics India, "How this company is redefining retail experience with generative AI," May 5, 2023

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CONSIDERATION		POST-PURCHASE		CUSTOMER SUPPORT
Chatbot recommendations based on consumer queries	**Virtual try-ons/make-up at home**	**Automated summary of product reviews**	**Customized follow-up care and usage tips**	**Chatbot resolves post-purchase queries**
Used by: Zalando Fashion assistant can recommend products based on contextual clues[2]	Used by: Valentino Autumn 2023 collection can be tried on virtually[3]	Used by: Amazon Offers concise summaries of reviews to improve CX[6]	Used by: Carrefour Perfado AI-generated messaging to hyper-personalize the language for customers[7]	Used by: Macy's Employing an AI-powered shopping assistant to automatically answer queries about products and receive responses[10]
32% / 40%	31% / 39%	36% / 42%	33% / 40%	42% / 49%

● Share of people using generative AI tools for these tasks, who are aware and have used it already

● The satisfaction level of respondents with respect to generative AI performing these tasks, who are aware and have used it already

6. Amazon, "How Amazon continues to improve the customer reviews experience with generative AI," August 14, 2023.
7. Persado, "How motivation AI-Generated language helps Carrefour engage customers," December 15, 2022.
8. Consumer Goods Technology, "GE Appliances and Google Cloud collaborate to create customized recipes using generative AI," August 29, 2023.
9. PYMNTS, "Google turns product images into merchant sales using generative AI," May 23, 2023.
10. CXOToday, "How generative AI is reshaping consumer insights and retail strategy," November 1, 2023.
Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 2,299 consumers who are aware of the use of generative AI in shopping experiences and have used it already.

Key consumer challenges about generative AI

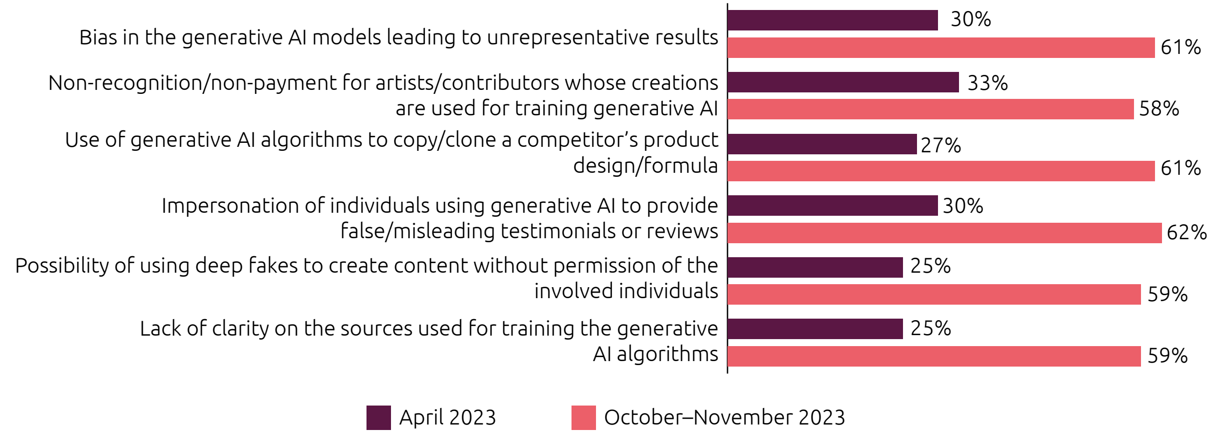
Extensive coverage of generative AI in the media means consumers are now more alert to the possibility of tools being used for unethical ends.

- 62% of consumers harbor concerns about generative AI producing false/misleading testimonials or reviews, compared with 30% in April 2023 (see Figure 9).
- The potential of generative AI to copy or clone competitors' product designs or formulas is a concern for 61% of consumers, compared with 27% in April 2023.

FIGURE 9.

Using generative AI to provide false/misleading testimonials or reviews is one of the biggest worries for consumers

KEY GENERATIVE AI CONSUMER CONCERNS, WHO ARE AWARE AND HAVE USED IT ALREADY



Source: Capgemini Research Institute, generative AI consumer survey, April 2023; N = 3,974 consumers who are aware of the generative AI tools and use them frequently; N = 1,247 (chatbots), N = 910 (gaming), N = 320 (search), N = 435 (text), N = 244 (generating synthetic data), N = 490 (video), N = 152 (images), N = 176 (audio); Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 2,299 consumers who are aware of the use of generative AI in shopping experiences and have used it already.

Consumers also want generative AI tools to be created and distributed responsibly:

- A significant majority (70%) of users appreciate prior disclosure if their interaction will involve generative AI. This response has been consistent for some years: in 2018, 66% of consumers stated the same.[11]
- When interacting with organizations or brands via generative AI, 70% of users prefer the option to escalate to a human representative in case they are not satisfied while interacting via generative AI.

70%

of users prefer the option to escalate to a human representative in case they are not satisfied while interacting via generative AI

03 SOCIAL COMMERCE CONTINUES TO GROW DRIVEN LARGELY BY GEN Z

Social commerce is picking up the pace

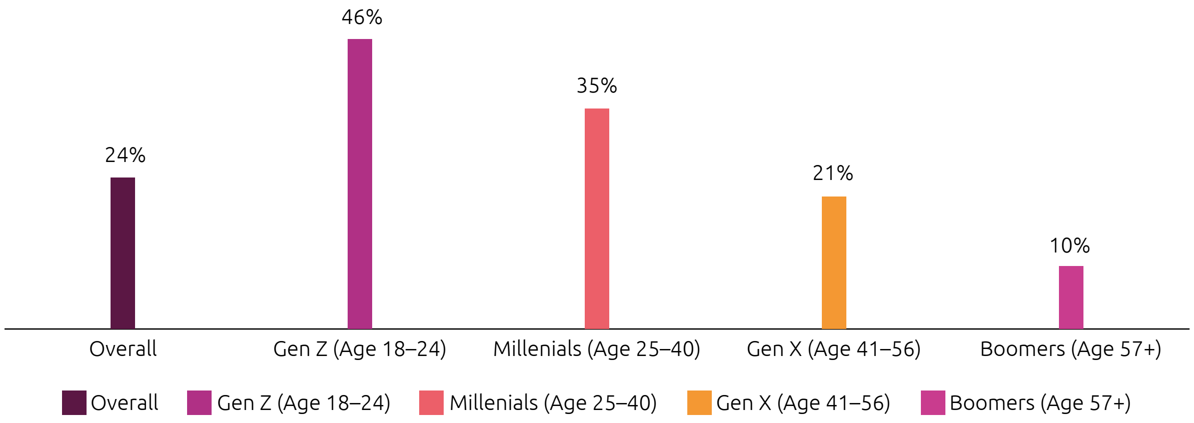
The global social commerce market was valued at $561 billion in 2021 and is projected to rise to $6,341 billion by 2030, showing a CAGR of 31.1% in 2022–30.[12]

BookTok, a reading suggestion platform from Chinese tech company TikTok, has become highly influential, with over 180 billion viewers at time of writing. BookTok helped in the sale of an estimated 20 million books in 2021, representing over 2.4% of total book sales for the year and nearly half of the book purchases from social media in 2021.[13]

FIGURE 10.

46% of Gen Z consumers have already bought products on a social media platform

SHARE OF CONSUMERS WHO HAVE BOUGHT A NEW PRODUCT/BRAND THROUGH SOCIAL MEDIA, BY AGE GROUP



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers: 1,048 Gen Z consumers, 3,358 Millennial consumers, 3,586 Gen X consumers, 3,689 Boomer consumers.

Consumers have already bought products via social media platforms

Social commerce refers to shopping experiences that occur directly on a social media platform, including clicking a link on a social network that leads to a retailer's product page with an immediate purchase option.[14]

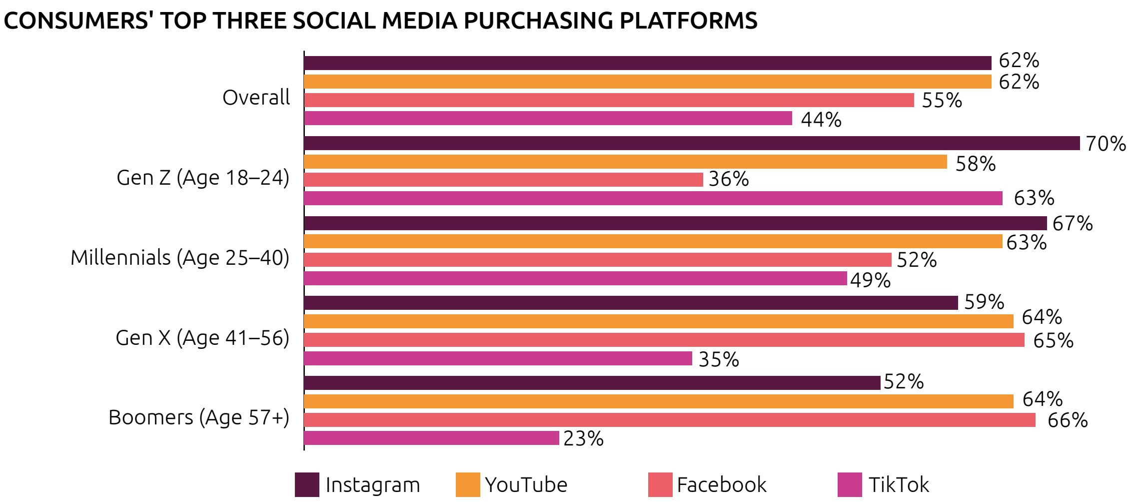
Around one-quarter of consumers have bought a product via a social media platform: 41% of consumers from Spain; 30% from the US; and 28% from Sweden. More purchases are made by households with children (36%) than households without children (17%).

As many as 46% of Gen Z consumers surveyed have made a purchase on a social media platform in the past year. Almost 48% of US Gen Z (aged 18–29) say they will do at least some of their year-end shopping on social media platforms such as TikTok or Instagram.[15]

Overall, Instagram (62%) and YouTube (62%) are the preferred purchasing platforms across generations of consumers, followed by Facebook (55%) and TikTok (44%). Gen Z consumers show a strong preference for Instagram (70%), TikTok (63%), and YouTube (58%) for their purchases, whereas Millennials primarily prefer to use Instagram (67%) and YouTube (63%)(see Figure 11). The most strongly preferred platforms for Gen X and Boomer consumers are YouTube, Instagram, and Facebook.

FIGURE 11.

Consumers prefer Instagram and YouTube as purchasing platforms



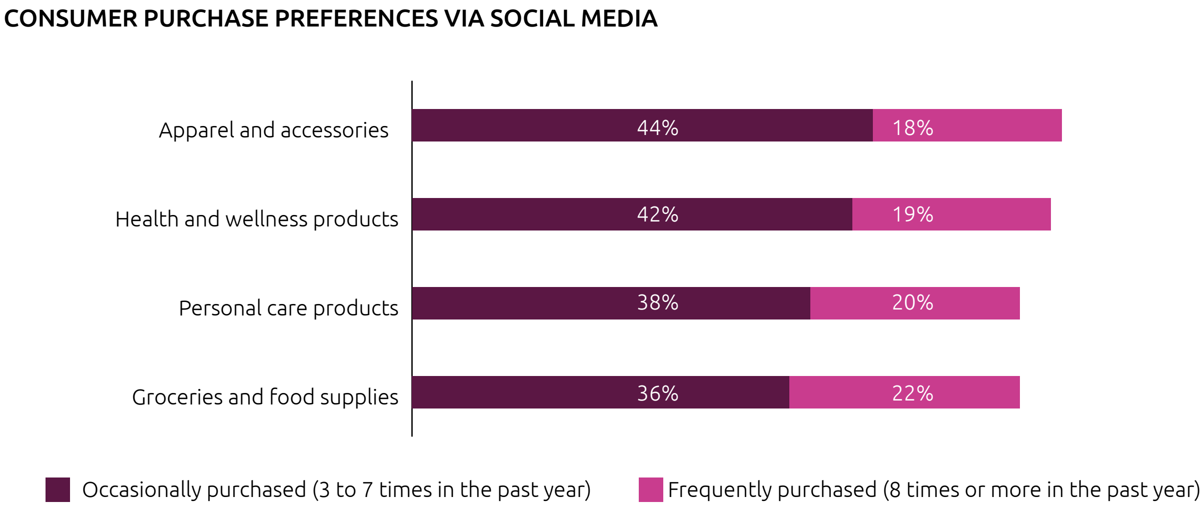
Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 2,774 consumers who have purchased on social media in the past year, 481 Gen Z consumers; 1,176 Millennial consumers; 766 Gen X consumers; 351 Boomer consumers.

In the past year alone, consumers have made products and services purchases through social media across categories. Among consumers who have purchased from social media, apparel (62%), health and wellness products (61%), and personal products (58%) are the categories in which they have most frequently purchased more than three times in the past year. It is interesting to note that 58% of consumers who have purchased on social media have purchased groceries through it in the past year (see Figure 12).

Of Gen Z consumers, 51% have occasionally purchased apparel and accessories via social media, as compared to 23% of Millennials.

Consumers in the United States have frequently purchased (8 times or more in the past year) groceries and food supplies (32%), personal care products (31%), and apparel and accessories (26%) via social media, making more purchases through this channel than consumers in other geographies.

FIGURE 12.
Apparel and accessories is the most popular purchase category via social media



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 2,774 consumers who have purchased on social media in the past year.

Why consumers prefer to buy on social media platforms

Around 46% of Gen Z consumers and 44% of Millennials are discovering products via social media. Over half (56%) of consumers who have bought on social media say they have accessed reliable reviews through their social media feeds.

Consumers feel that social media helps accelerate purchase decisions. Over half (53%) of consumers who have purchased via social media say they have been influenced by feeds, stories, reels, lives shows, and influencers in making purchases.

French personal care organization L'Oréal has been investing heavily in "live commerce," a type of social commerce, in the Indonesian market. L'Oréal has 14 different studios that live-stream the brand's products.

How are social media platforms using social commerce?

Social media platforms are integrating shopping features to cater to the impulse purchase behavior of consumers, while brands are setting up virtual shops on such platforms. Many social media platforms are running beta testing of their shopping features and slowly expanding to reach global markets.

Livestreaming sales in the U.S. has been estimated to reach $50 billion in 2023 and are expected to account for more than 5% of total e-commerce sales in the U.S. by 2026.[16] In the US, TikTok, Amazon, Walmart, Shopify, and YouTube are all getting in on the game. ***"People are excited by what you're seeing from China, where you see really high conversion rates on some of these experiences, much higher than a regular website would have. You're seeing potentially up to 40% in some cases,"*** comments Daniel Debow, Vice-President of Product at Shopify, which launched live-shopping capabilities with YouTube in July 2022.[17]

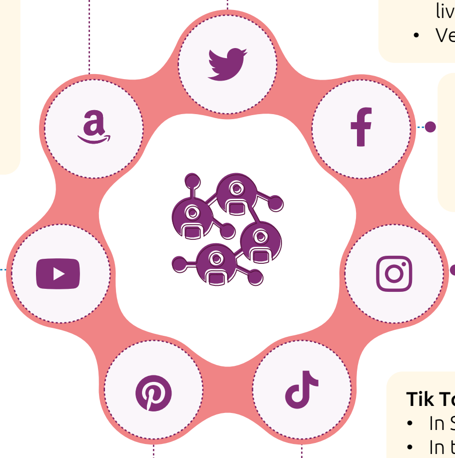
FIGURE 13.

Integrating social to retail and retail to social

Amazon Live Shopping
- Amazon Prime live day streams had more than 100 million views in the US and India, with simultaneous viewing peaking at 57,000
- For the Great Indian Festival, Amazon Live, introduced in India in 2022, will present over 1,000 streams, featuring more than 300 influencers across categories including tech, gaming, fashion, lifestyle, home, sports, and beauty to assist customers in making informed purchases

Pinterest Business
- Pinterest has signed a multi-year agreement with Amazon to enhance its shoppable content, making Amazon Pinterest's first third-party advertising partner

YouTube Shops
- YouTube has partnered with Shopify to enable onsite checkout for its sellers
- In June 2023, YouTube launched its first shopping channel, in South Korea



Twitter (Now X) Shop
- In November 2022 Twitter collaborated with Walmart to broadcast the first shoppable livestream
- Verizon (1.5 million followers) is involved in the testing phase, showcasing 11 products

Facebook Shop
- Meta is driving in-platform shopping on Facebook shops through in-app checkouts
- Around 1 million users make purchases from the shops monthly
- Top brands such as Burberry, Adidas, Lacoste and John Lewis & Partners have set up shops on Facebook

Instagram Shop
- Over 1.63 billion, or 70% of monthly active users have shopped on Instagram
- Top brands such as Adidas (34.2 million followers), Sephora (21.2 million followers) and Target (5.3 million followers) have set up shop in Instagram shop

Tik Tok Shops
- In September 2023 TikTok launched shops in the US, UK, and parts of South-east Asia
- In the US, >200,000 sellers have signed up
- Sephora has teamed up with TikTok to launch a joint content-creation program

Source:
Amazon Live Shopping
1. Estore factory, "Prime day 2023 breaks all the records, makes history," August 1, 2023.
2. Economic Times, "Flipkart big billion days vs Amazon Great Indian Festival: Sale discounts, card deals, and other details," October 5, 2023.
Twitter (Now X) Shop
3. Retail Dive, "Twitter tests Shops feature," March 10, 2022.
4. TikTok, "Guess the shop," accessed October 20, 2022.
Facebook Shop
5. PYMNTS, "Facebook shops top 1 million stores, 250 million users," March 19, 2021.
6. Sprout Social, "6 masterful examples of brands selling on Facebook Shops," April 6, 2022.
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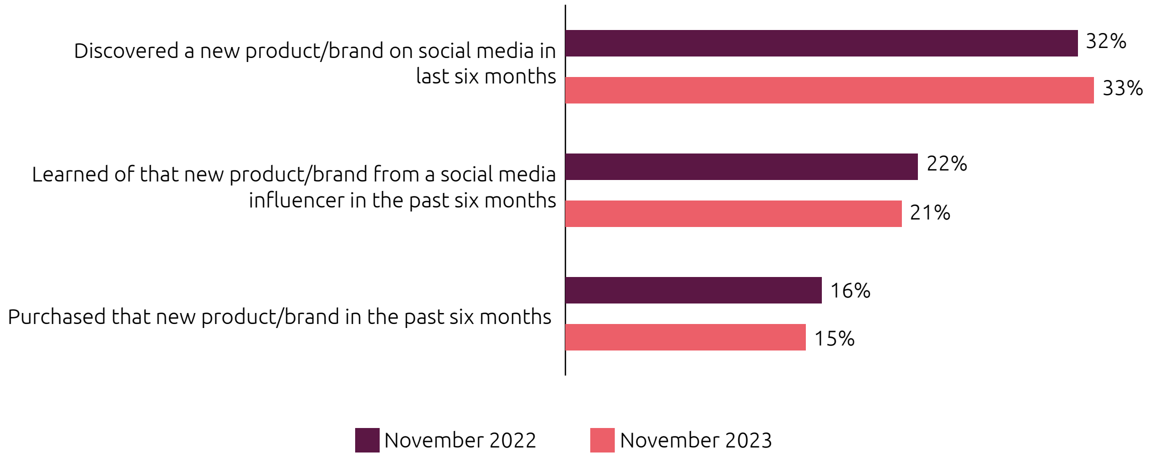
7. Capital One shopping, "Instagram Shopping Statistics (2023): User & revenue growth," March 8, 2023.
8. USA Today, "Sephora enables Instagram checkout for easy shopping without leaving the app," June 24, 2020.
TikTok Shops
9. Tech Crunch, "TikTok Shop officially launches in the US," September 12, 2023.
10. Retail Gazette, "Sephora teams up with TikTok to launch content creator programme," March 14, 2023.
Pinterest Business
11. PYMNTS, "Pinterest inks deal with Amazon Ads to fuel shoppable content," April 28, 2023.
12. Hoot suite, "The Pinterest shopping features you should know in 2023," March 8, 2023.
YouTube Shops
13. Tech Crunch, "YouTube rolls out new shopping features, announces partnership with Shopify," July 19, 2022.
14. Economic Times, "YouTube to launch its first official shopping channel in South Korea," June 21, 2023.

Social media influencers are impacting consumers' product discovery and purchasing processes

In the six months preceding November 2022, social media influencers were holding sway on the buying decisions of consumers. The current survey suggests that this trend continues.

In November 2023 we found through our survey that 33% of consumers had discovered a new product/brand on social media in the preceding six months, up slightly from 32% last November. Further, 21% had learned of a new product or brand from a social media influencer and 15% of the consumers purchased the new product.

FIGURE 14.
Social media influencers are still holding sway



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers; Capgemini Research Institute, *What matters to today's consumer,* January 2023.

Social media and influencers carry much more weight with Gen Z

As per our previous survey in November 2022, 61% of Gen Z consumers discovered a new product/brand on social media, and 60% say the same this year. In our current survey, 45% of Gen Z say that they learned of a product from influencers, and 32% say they have purchased the new product (see Figure 15).

Since 2021, US beauty product organization Estée Lauder has been focusing on TikTok influencers to capture the Gen Z audience. As per Estée Lauder's brand-equity data, Gen Z's purchase considerations have been steadily rising since mid-2022. This suggests that Gen Z's willingness to purchase Estée Lauder products rose throughout the second half of 2022 and into 2023.[18]

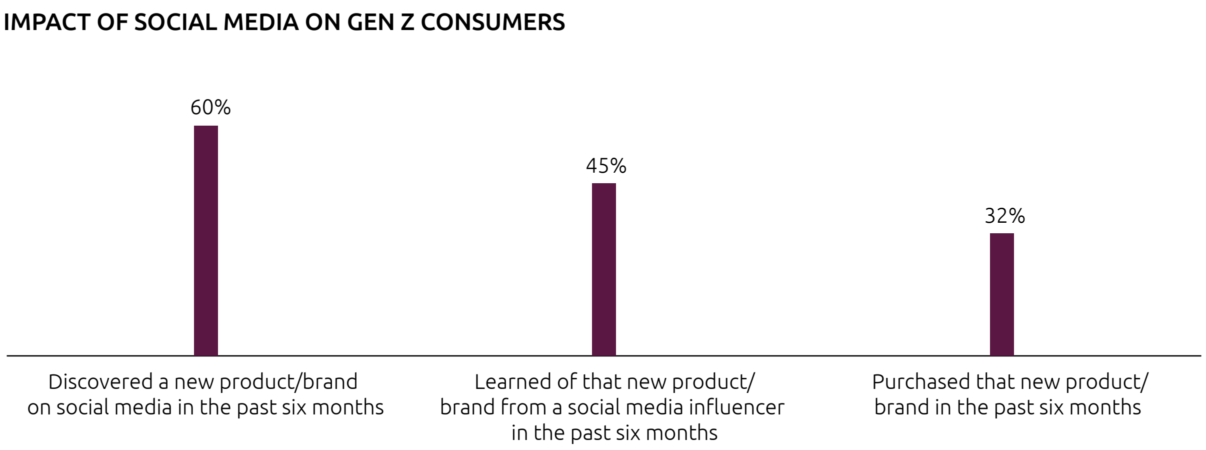
Influencers impact consumers' buying preferences

We found that 51% of consumers who have purchased on social media prefer to seek purchasing advice from influencers, claiming they give a clear breakdown of factors to consider before making a purchase.

Almost half of consumers who have purchased on social media (48%) prefer to buy products directly from an influencer based on their live recommendation and live discount offers. More than half of consumers (51%) also look for their influencers' social media presence to search for discounts and offers. Consumers who have purchased on social media (48%) feel a sense of belonging to their community through interacting with live events organized by influencers.

FIGURE 15.

45% of Gen Z consumers learned of a new product/brand from a social media influencer



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 1,048 Gen Z consumers.

Celebrity and influencer brands are attuned to the consumer mindset

Celebrities and influencers with huge numbers of followers are launching their own brands. In the US, having gained traction through digital sales and sales partnerships with chains such as Ulta and Sephora, some celebrity brands are now establishing their own physical locations, with 76% locating their shops in malls. US Celebrity brands are estimated to occupy more than 300,000 sq ft of physical retail space.[19]

- Among celebrity brands, Kate Hudson's Fabletics has the biggest physical presence, with 95 stores;
- Drake's October's Very Own is next with 11; and
- Sarah Jessica Parker's SJP Collection has 6.

Théo Spilka, Global VP of Strategic Licensing and Business Development at Swiss fragrance company Firmenich, is optimistic about the recent influx of celebrity brands, specifically in the beauty category. ***"Things have come back in a more managed way and this has coincided with a very strong trend in beauty companies, where the celebrity will invest in the brand themselves."*** [20]

Celebrity beauty brand sales increased by 33% between 2021 and 2022, with overall sales hitting $762 million in 2022 alone. Since 2019, there have been 42 celebrity beauty brand launches, including four new launches for the current year to June.[21,22]

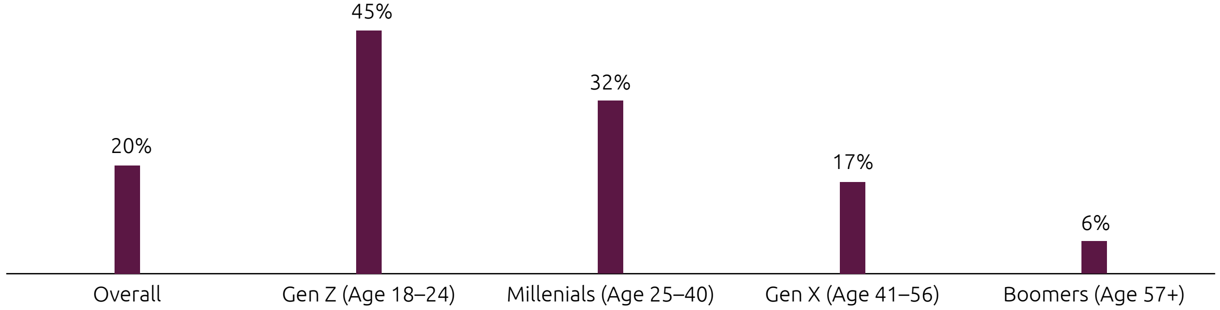
Consumers have already started buying from celebrity and influencer brands

Consumers across generations have started buying from celebrity and influencer brands. One-fifth of consumers have bought products from such brands in the past year, with Gen Z (45%) showing the highest interest, followed by Millennials (32%)(see Figure 16).

FIGURE 16.

45% of Gen Z consumers have bought a product from influencers and celebrity brands

SHARE OF CONSUMERS WHO HAVE BOUGHT A PRODUCT FROM INFLUENCERS AND CELEBRITIES



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers; 1,048 Gen Z consumers; 3,358 Millennial consumers; 3,586 Gen X consumers; 3,689 Boomer consumers.

In the past year alone, many consumers have already made purchases in various product categories from influencers and celebrity brands more than three times. For example, 45% of consumers have purchased personal care products three to seven times from celebrity and influencer brands in the past year (see Figure 17).

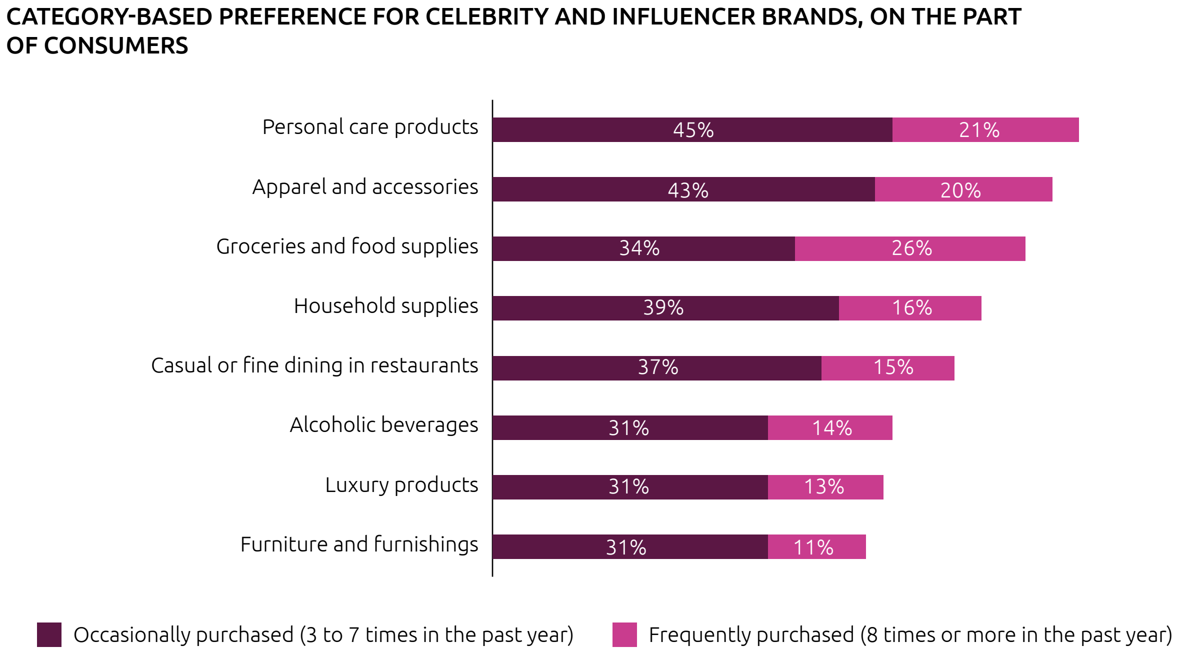
Top categories that have been frequently bought (more than three times) by consumers, who have made purchase from celebrities last year, are personal care products (66%), apparel and accessories (63%), and groceries and food supplies (60%).

Celebrities and influencers take advantage of their follower bases to launch their brands and convert them into sales:

- Kylie Cosmetics smartly tapped into founder Kylie Jenner's 300 million+ Instagram following and beauty industry connections to preview products and generate hype. Shoppable Instagram posts turned interest into sales. Kylie also partnered with mega influencers (including her sisters) to co-create products and advertise launches to a combined audience of 500 million+ followers.[23]

FIGURE 17.

Purchase preferences by product category for consumers who have bought from influencer and celebrity brands



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 2,365 consumers who have bought from celebrity/influencer brands.

45%

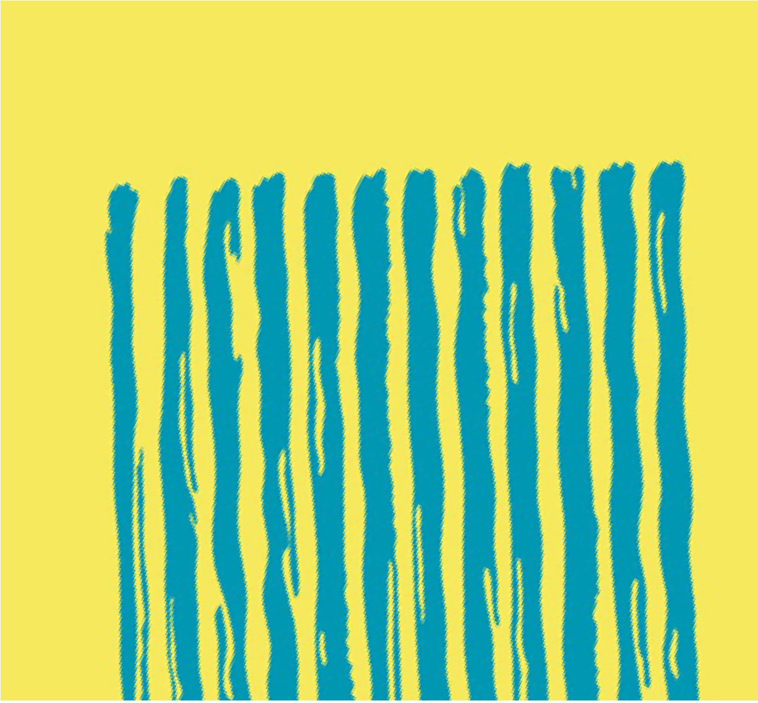
of Gen Z consumers have bought products from influencer and celebrity brands in the past year

Consumers trust and relate more with influencer and celebrity brands

Consumers across generations feel they can trust and relate to celebrity- and influencer-promoted brands. 54% feel connected with the celebrity/influencer through the transaction and 58% say that they are encouraged to buy products related to the celebrity/influencer's field/expertise.

Over half (55%) say they trust the celebrity/influencers and this trust converts to willingness to buy from them. Moreover, 54% of consumers who bought from celebrity and influencer brands say that they prefer such brands to traditional brands, and 55% of such consumers trust that the celebrity/influencer brands will be of good quality.

Since April 2022, Shopify has been working to position itself as a go-to partner for influencers and celebrity brands. Drake Related, the brand of Canadian musician and five-time Grammy award winner, Drake, was one of the first brands to test Collective, Shopify's native "shopdripping" tool. Fans were able to use the tool to buy Drake's merchandise as they were leaving one of his concerts. Shopify's collaboration with Drake represents a big shift from its traditional partnerships with brands and creators.[24]



04 CONSUMERS ARE BECOMING MORE CONSCIOUS OF THEIR PURCHASING IMPACT

Consumers across the world are becoming aware of the power of their purchasing and consumption decisions. This new class of conscious consumers, a group that wants to see change at global level through their public and private actions, demonstrates their consciousness regarding sustainability, price, food waste, and social justice, among other factors.

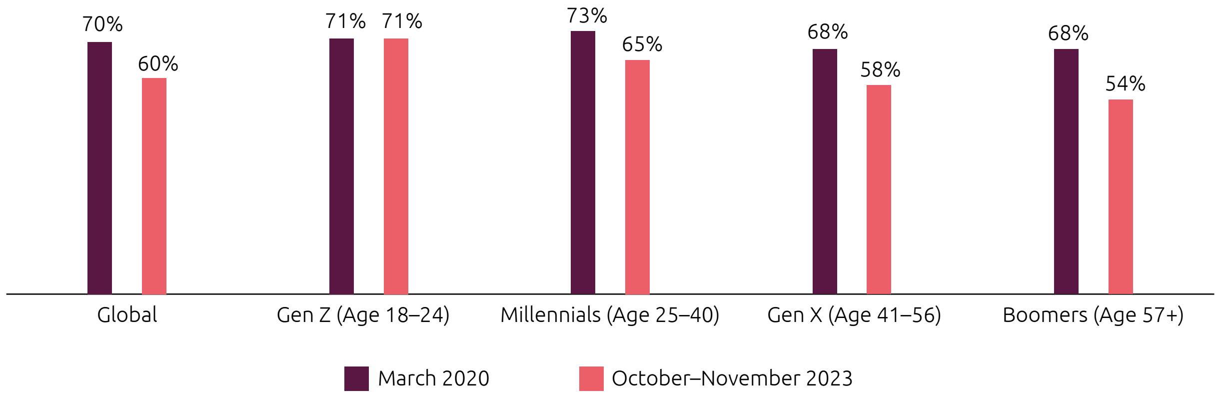
The majority of consumers still maintain a consistent demand for sustainable products especially Gen Z

60% of consumers globally indicate that they have purchased products from organizations they consider to be sustainable. While this figure has fallen from 70% in 2020, Gen Z, at 71%, has seen a rise across this period, showing a strong predilection for sustainable products (see Figure 18).

PepsiCo has initiated a practical trial involving paper-based outer packaging as a sustainable alternative to traditional plastic wraps for its Walkers Baked snack multipacks. These modified multipacks are currently accessible in more than 300,000 units at 800 Tesco stores in the UK. It is designed to encourage widespread recycling through conventional curbside recycling programs.[25]

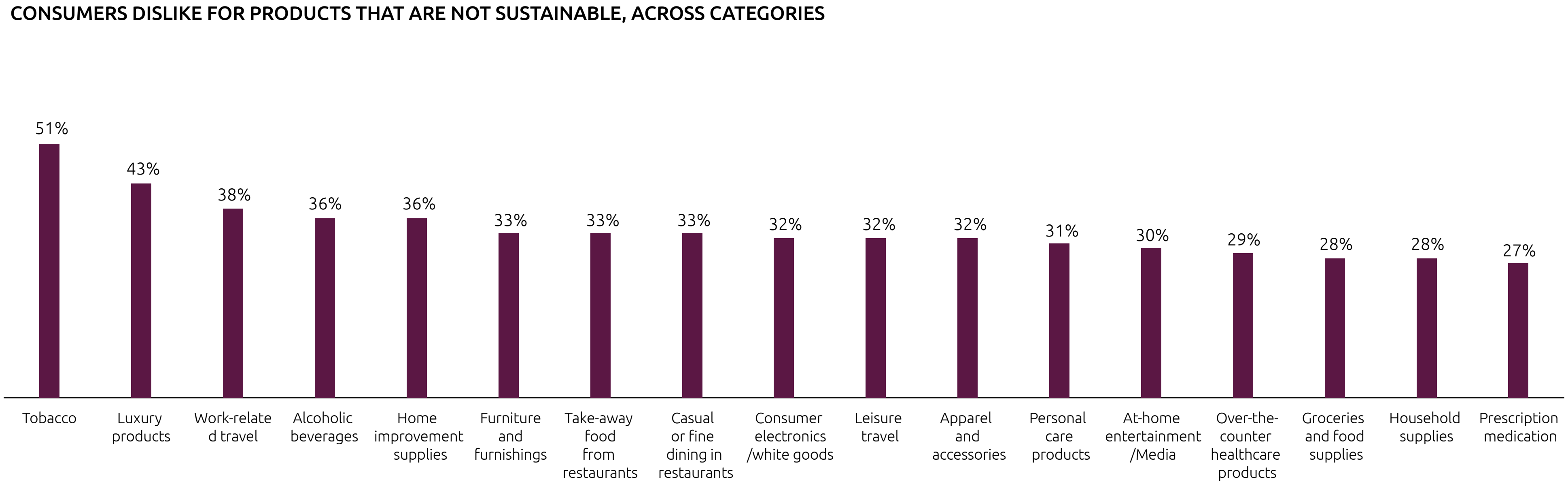
FIGURE 18.
Gen Z consumers still want sustainable products

SHARE OF CONSUMERS ACROSS AGE GROUPS WHO BOUGHT PRODUCTS FROM ORGANIZATIONS THAT ARE PERCEIVED AS SUSTAINABLE



Source: Capgemini Research Institute, Sustainability in Consumer Products and Retail survey, March 2020, N = 7,520 consumers: 849 Gen Z consumers, 2,294 Millennial consumers, 2,182 Gen X consumers, 2,195 Boomer consumers; Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers: 1,048 Gen Z consumers, 3,358 Millennial consumers, 3,586 Gen X consumers, 3,689 Boomer consumers.

FIGURE 19.
Consumers are not comfortable purchasing products that are not sustainable



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers.

Sustainability is a more influential factor in purchase decisions for non-essential and luxury items

Around one-quarter (27%) of consumers are uncomfortable buying non-sustainable prescription medication, and 28% are uncomfortable purchasing non-sustainable household supplies and over-the-counter (OTC) health products, and non-sustainably produced grocery and food supplies. For luxury goods (43%) and non-staple items such as tobacco (51%), alcoholic beverages (36%), and work-related travel (38%), we observe an even higher percentage of consumers who are uncomfortable if their purchases are not sustainable (see Figure 19). The cost per product or service for the earlier mentioned categories are much higher than the remaining categories. German herbal liqueur manufacturer Jägermeister has announced a change in its outer packaging from solid board to recycled corrugated outers, which, it says, are particularly compatible with its highly efficient packing machines.[26]

Consumers are conscious of the impact of food waste

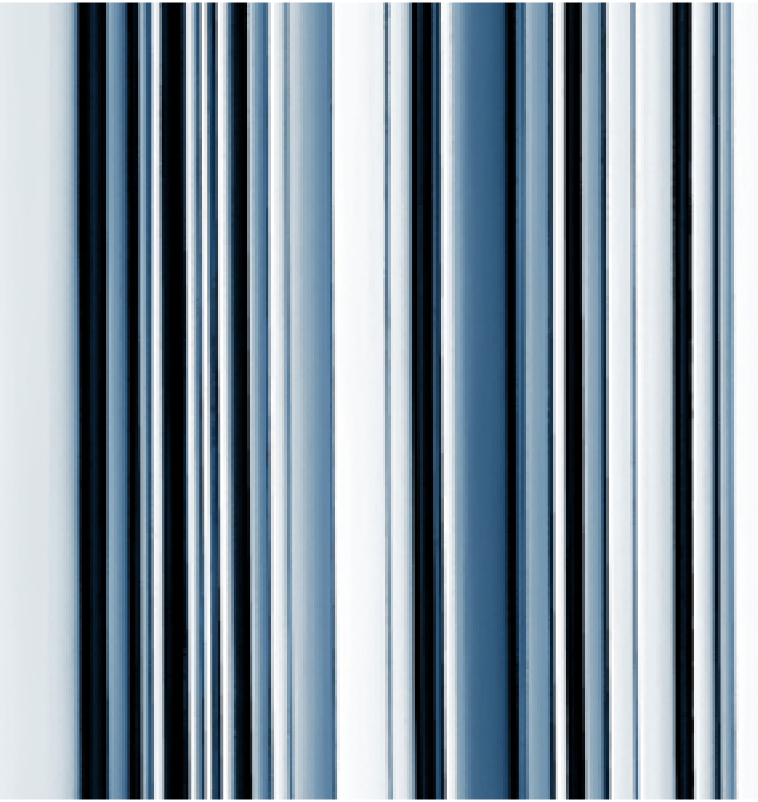
In 2022, 72% of consumers said they were conscious of their level of food wastage. This concern persists in 2023, with 69% voicing concern. As many as 71% recognize the contribution of food waste to environmental issues, and 73% believe that their behavior and choices on an individual level can help in addressing the issue. We found 67% of consumers want educational campaigns and awareness programs to address the issue of food waste.

67%

of consumers want educational campaigns and awareness programs to address the issue of food waste.

A further 61% of consumers felt brands, stores, and supermarkets should do more to reduce waste, and 57% felt disappointed in their efforts in 2022. More than half (58%) of these consumers increased spending with companies that focused on reducing waste in 2022.

According to our current survey, brands that demonstrate transparent food-waste reduction practices receive support from 57% of consumers, and 71% of consumers consider retailer policies and initiatives as key drivers of the reduction of food waste. German discount supermarket chain Aldi has committed to achieving zero waste in operations by diverting 90% of its waste from landfills through recycling, donation, and organic recycling programs by 2025, and to reduce food waste by 50% by 2030. To accomplish this, Aldi has rolled out non-food donation programs to nearly all its stores and distribution centers, expanded recycling and food-recovery initiatives, and has piloted and expanded composting initiatives.[27]



Price remains the main purchasing factor for consumers, followed closely by trust

While consumers are changing their habits, price remains the primary motivator behind purchases. Forty-one% of consumers are increasing second-hand product consumption, and the same proportion are moving towards a freecycle model (donating products to friends/neighbors/community members or accepting products for free, thereby reducing waste and promoting reuse).[28] However, 48% of consumers buy alternative, cheaper versions of name-branded products. Further, over half (51%) report that they are buying refurbished or imperfect products to get a better price.

Consumers across all age groups may be unwilling to meet high price points and expect to pay less for sustainable products. In 2023, 40% of consumers have paid 5–10% more for sustainable products, down from 45% in 2020 (see Figure 20).

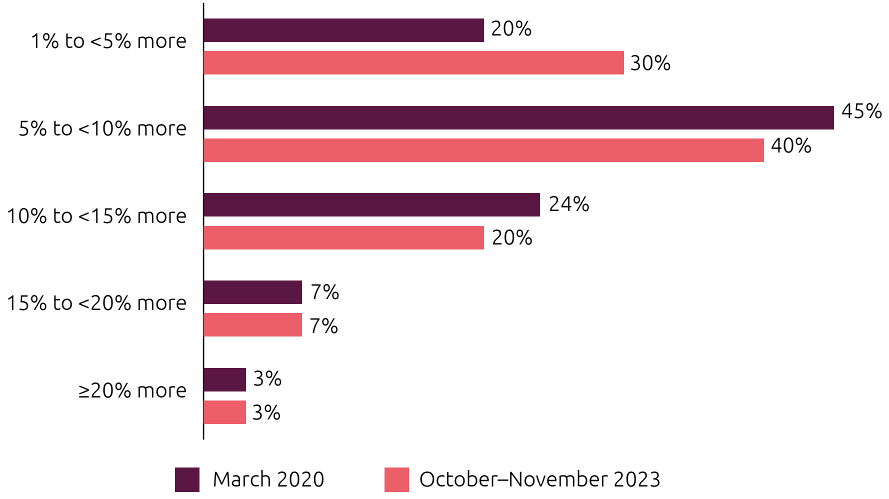
The next two major concerns both relate to the validation and verification of sustainable goods, with 52% of respondents reporting insufficient information to verify sustainability claims, compared with 49% in 2020,[29] and 50% reporting a lack of global standards for sustainability branding.

Another concern, reported by almost half the respondents, is that they are either unaware of how to differentiate sustainable products (43%), as compared with 38% in 2020, or they do not trust sustainability claims (46%, compared with 44% in 2020).

FIGURE 20.

Consumers are less willing to pay more for sustainable products than in 2020

SHARE OF ALL CONSUMERS WHO HAVE PAID MORE FOR A SUSTAINABLE PRODUCT



Source: Capgemini Research Institute, Sustainability in Consumer Products and Retail survey, March 2020, N = 4,779 consumers who have paid more for a sustainable product; Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 4,307 consumers who have paid more for a sustainable product.

Consumers need more information as awareness levels on sustainability remains low

Nevertheless, in many respects, current levels of awareness of the sustainability impact of consumer purchases remain low:

- In 2020, 61% of consumers were unaware of the water footprint of the production of a pair of jeans (7,500 liters in 2020); in 2023, 57% are unaware, confirming that the issue persists.
- In 2020, 78% were unaware of the water footprint of a bar of chocolate (1,000 liters); currently, 70% are unaware.
- Only 42% of consumers were aware that annual milk consumption causes CO^2 emissions equivalent to those produced by 1,140 km of driving a vehicle.
- 56% of consumers state they will switch to a sustainable product if they receive comprehensive information about its environmental impact.

Ahold Delhaize USA is launching its HowGood label program to provide product-sustainability ratings and traceability. Other programs include Champions 12.3, an initiative with multiple global partners focused on reducing food waste. Another is the U.S. Food Loss and Waste 2030 Champions program, run in partnership with the United States Department of Agriculture (USDA) and the United States Environmental Protection agency (EPA).[30]

KEY INFORMATION THAT CONSUMERS REQUIRE IN ORDER TO ACT MORE SUSTAINABLY

63% of consumers want brands to play an active role in their education around sustainable products and 55% believe that the greater a brand's sustainability effort, the more positive the consumer perception of that brand.

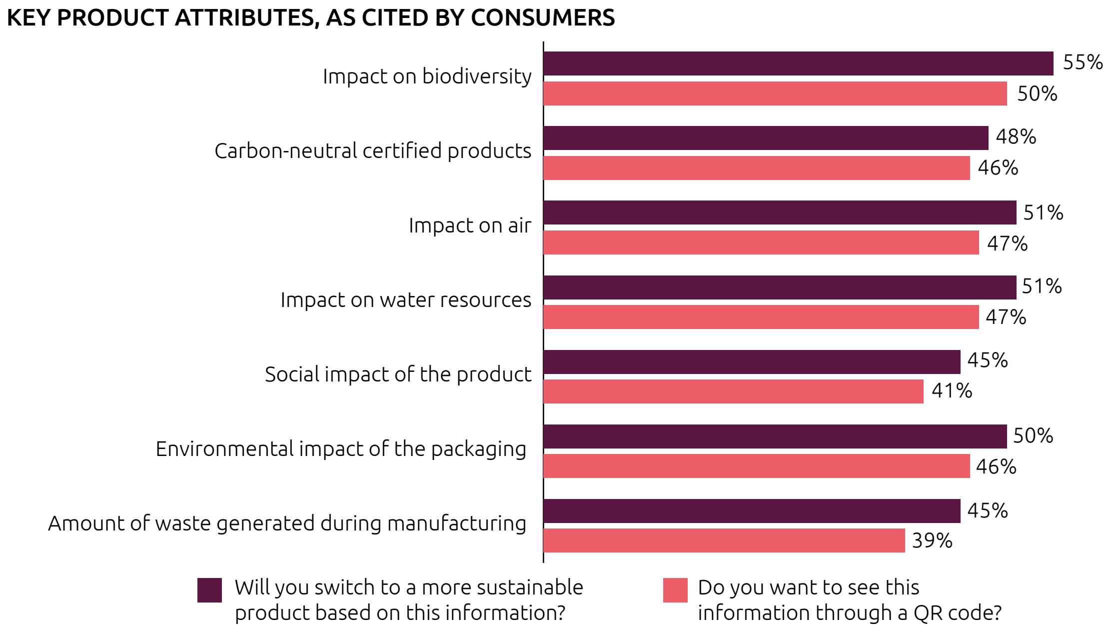
In terms of obtaining this information, 46% support the inclusion of detailed labels and scannable QR codes on product packaging that provide carbon, water footprint, and product recyclability attributes (see Figure 21).

63%

of consumers want brands to play an active role in their education around sustainable products

FIGURE 21.

Consumers want product information relating to deforestation, impact on water resources and air quality



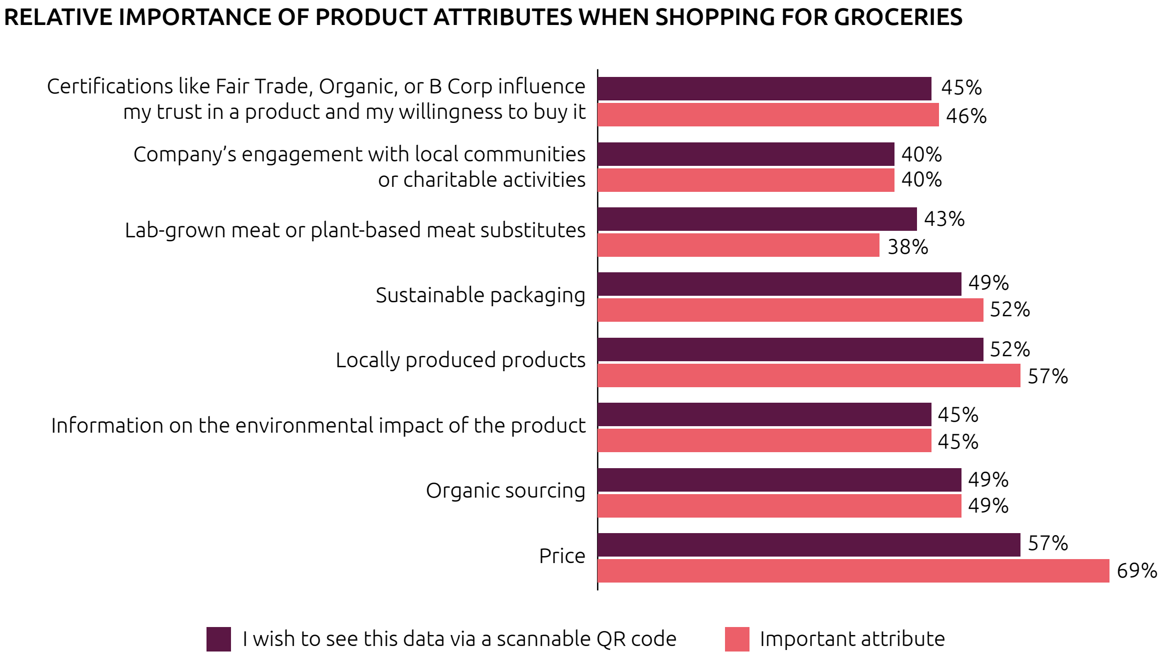
Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers.

Albert Heijn, the largest Dutch supermarket chain, is piloting a "true-pricing" initiative at three of its AH to-go convenience stores. When consumers buy a self-service cup of coffee in Groningen, Wageningen, or Zaandam, they'll see two prices: the standard retail price and the true price. The latter factors in CO_2 emissions, water use, resource consumption, and labor conditions related to the production of coffee, cow's milk, and oat milk.[31] Highlighting a few consumer preferences (see Figure 22), we found that despite the focus on buying responsibly price is still by far the most important influencing factor on purchasing decisions:

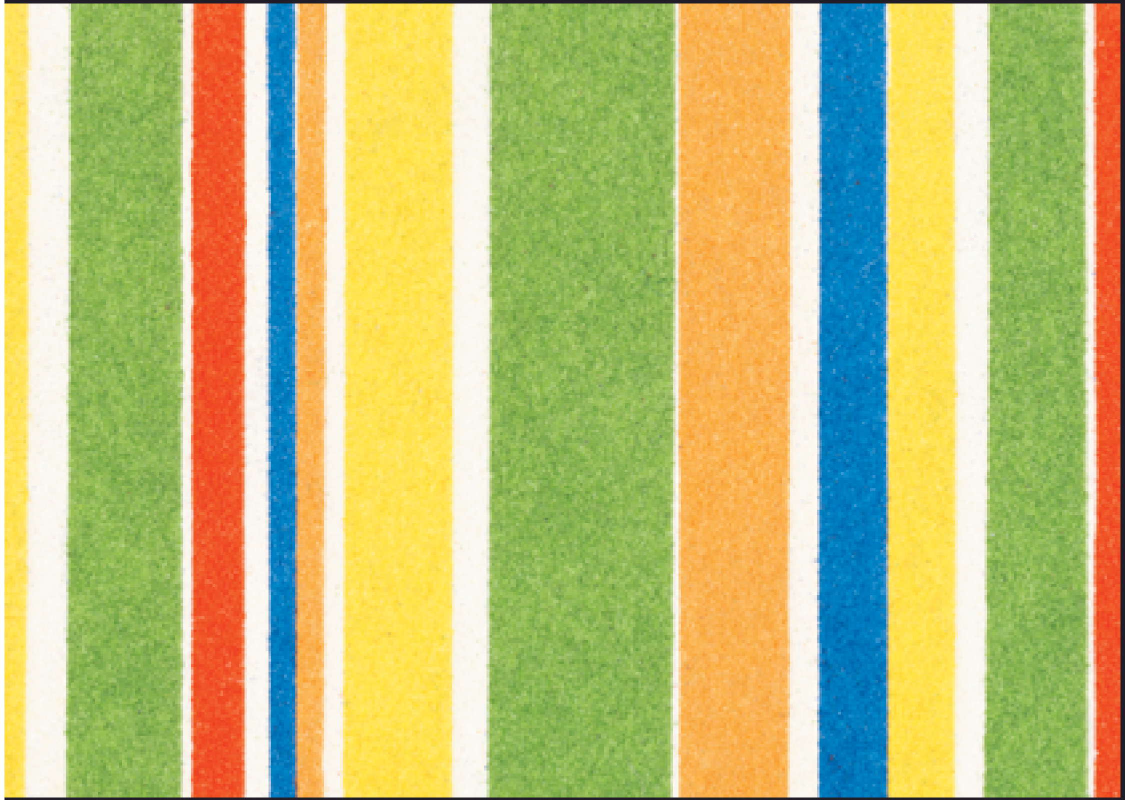
- 57% of respondents value local production products as a product attribute, and 52% want to see this data via a scannable QR code.
- 52% of respondents consider sustainability of packaging (e.g., eco-friendly, biodegradable) as an important product attribute, and 49% want to see this data via a scannable QR code.

FIGURE 22.

Consumers consider multiple important attributes for grocery purchasing decisions



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers.



IN 2023 BOTH IN-STORE AND ONLINE SHOPPING HAVE INCREASED

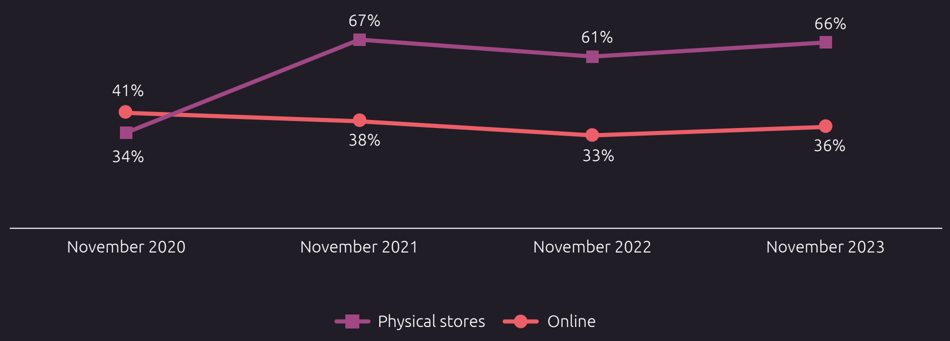
In November 2023, 66% of consumers said they had interacted significantly with physical stores, up from 61% in November 2022 as compared to 36% who shopped online in November 2023, up from 33% in November 2022.

66%

of consumers said they had interacted significantly with physical stores, up from 61% in November 2022

FIGURE 23.
Consumers' interactions with physical stores and online is gradually increasing

% OF CONSUMERS SHOPPING AT PHYSICAL STORES AND ONLINE WITH RETAILERS



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers; Capgemini Research Institute, *What matters to today's consumer,* January 2023; Capgemini Research Institute, *What matters to today's consumer,* January 2022.
Note: The question asked was "Please indicate your frequency of using physical stores when shopping with retailers. Please rate on a scale of 1 to 7, where 1 = very low interaction and 7 = very high interaction."

As in 2022, preference for in-store shopping increases with age:

- 72% of Boomers (aged 57–75), up from 69% in November 2022, say their level of in-store interactions is high today, compared with only 56% of Gen Z (aged 18–24), up from 45% in November 2022.

Our 2022 research revealed that consumers spread their purchases across physical and online channels, a trend that continues in 2023. In November 2022, 56% of grocery shoppers said they go to the store to purchase the bulk of their groceries, supplementing this with small online orders as required. In our November 2023 survey, a similar percentage of consumers (51%) say the same.

05 DELIVERY AND FULFILLMENT CONTINUE TO TAKE PRECEDENCE OVER IN-STORE EXPERIENCES

Grocery shoppers place greater importance on delivery and fulfillment in 2023 as they did last year:

- 43% of consumers say that delivery and fulfillment are the most important factors when shopping for groceries, compared with 41% in November 2022.
- 39% say the same for in-store experiences, up from 33% in November 2022.

Health and beauty shoppers:

- Similarly, 41% of consumers say that delivery and fulfillment are the most important aspects of shopping for health and beauty products, up from 39% in November 2022.
- 40% say the same for in-store experiences, up from 34% in November 2022.

Consumers' willingness to pay for fast delivery has increased from last year

In November 2022 and November 2023, consumers were asked what percentage of their order value they would be willing to pay for certain delivery speeds and services, assuming an average order bill of $30. Across all shoppers in November 2023, consumers said they would be willing to pay 6% for two-hour delivery, up from an average of 4% among all consumers in November 2022. This trend is consistent across key demographic segments (see Figure 24).

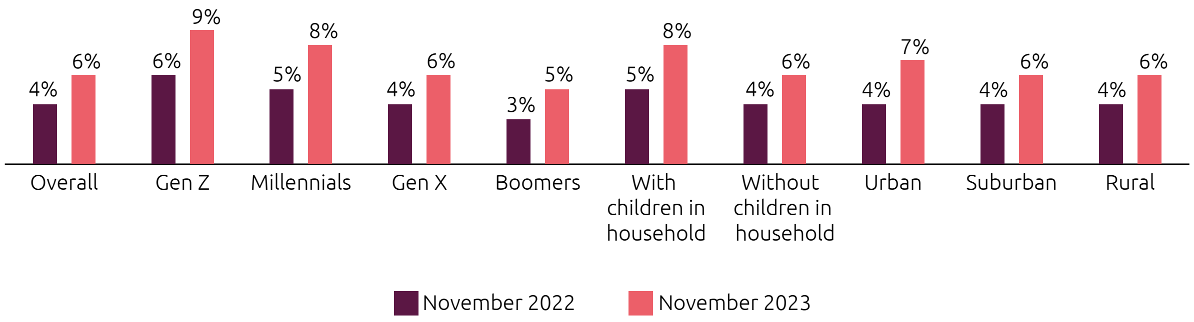
Amazon's Prime Air will offer air delivery within 60 minutes to consumers in California.

Likewise, Walmart sees delivery growth outpacing pick-up growth with sub-3-hour and sub-1-hour delivery segments showing the fastest increases in uptake.[32]

FIGURE 24.

Shopper willingness to pay for two-hour delivery is up from 2022

AVERAGE % OF ORDER VALUE SHOPPERS ARE WILLING TO PAY FOR TWO-HOUR DELIVERY, ACROSS CONSUMER SEGMENTS



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers: 1,048 Gen Z consumers, 3,358 Millennial consumers, 3,586 Gen X consumers, 3,689 Boomer consumers; 4,096 consumers with children in their household, 7,588 consumers without children in their household; 5,097 urban consumers, 4,936 suburban consumers, 1,648 rural consumers; Capgemini Research Institute, *What matters to today's consumer,* January 2023.

In our current research, across all consumers, 7% is the average they would be willing to pay for 10-minute delivery, compared with 4% in November 2022 (see Figure 25). The increase may reflect a desire to absorb inflation-driven prices for convenient service, even during an economically difficult period.

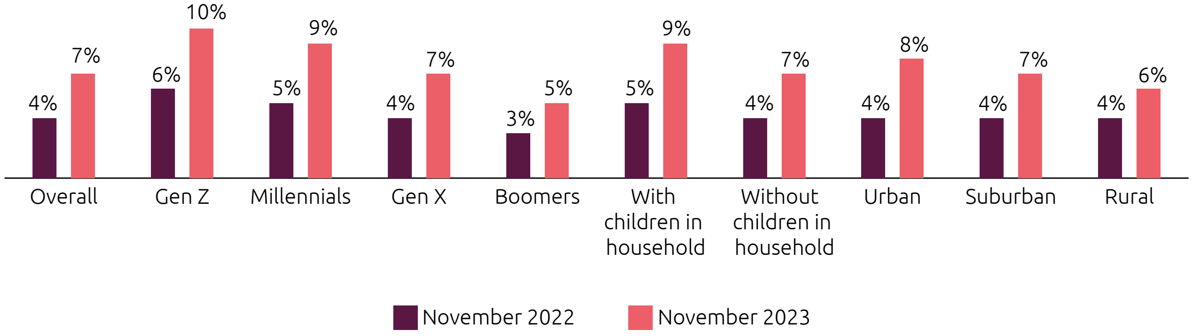
The key trends by age, location, and delivery satisfaction largely remain the same as last year:

- On average, Gen Z consumers are willing to pay 10% of the order value for 10-minute delivery, compared to 7% overall
- Willingness to pay for fast delivery decreases with age
- Urban shoppers are more willing to pay than suburban and rural shoppers

FIGURE 25.

Gen Z shoppers are willing to pay the most for 10-minute delivery

AVERAGE % OF ORDER VALUE SHOPPERS ARE WILLING TO PAY FOR 10-MINUTE DELIVERY, ACROSS CONSUMER SEGMENTS



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers; 1,048 Gen Z consumers, 3,358 Millennial consumers, 3,586 Gen X consumers, 3,689 Boomer consumers; 4,096 consumers with children in their household, 7,588 consumers without children in their household; 5,097 urban consumers, 4,936 suburban consumers, 1,648 rural consumers; Capgemini Research Institute, *What matters to today's consumer*, January 2023.

Consumers' in-store expectations

Consumers expect a level of ease while shopping in-store, including the ability to try new products in-store, availability of in-store sustainability stations, and for technology in-store to offer the same level of interaction as an app (see Figure 26).

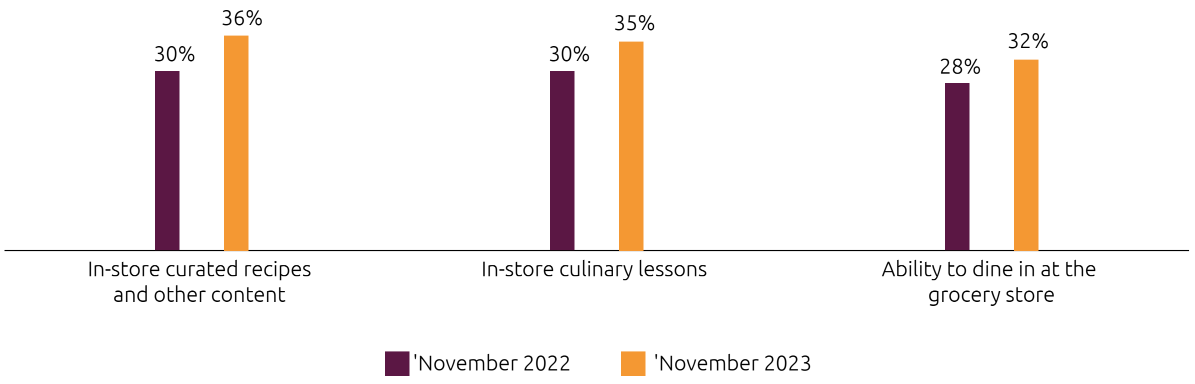
Stockouts are a concern for many consumers

47% of retail and 38% of consumer product organizations expect stockouts/product shortages in the 2023 holiday season, and nearly 40% of organizations expect late deliveries due to import delays.[33] While organizations employ a number of demand forecasting and demand-planning tools, seasonal stockouts and product shortages could still occur. Stockouts or poor substitutions could lead to loss of consumer trust, particularly in industries such as groceries.

FIGURE 26.

In-store curated recipes and other content is one of the most important attributes for consumers while shopping for groceries

IMPORTANT IN-STORE SERVICE ATTRIBUTES FOR CONSUMERS WHEN SHOPPING FOR GROCERIES



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers; Capgemini Research Institute, *What matters to today's consumer*, January 2023.

Consumers are concerned they will not be able to obtain the products they require or want

Given the ongoing unreliability of supply chains, many consumers are still concerned about the medium-term availability of essential products. In November 2023, 40% (41% in 2022) of consumers said that they were highly concerned regarding the potential unavailability of groceries and food supplies, and 39% (35% in 2022) voiced the same concerns in relation to prescription medication (see Figure 27).

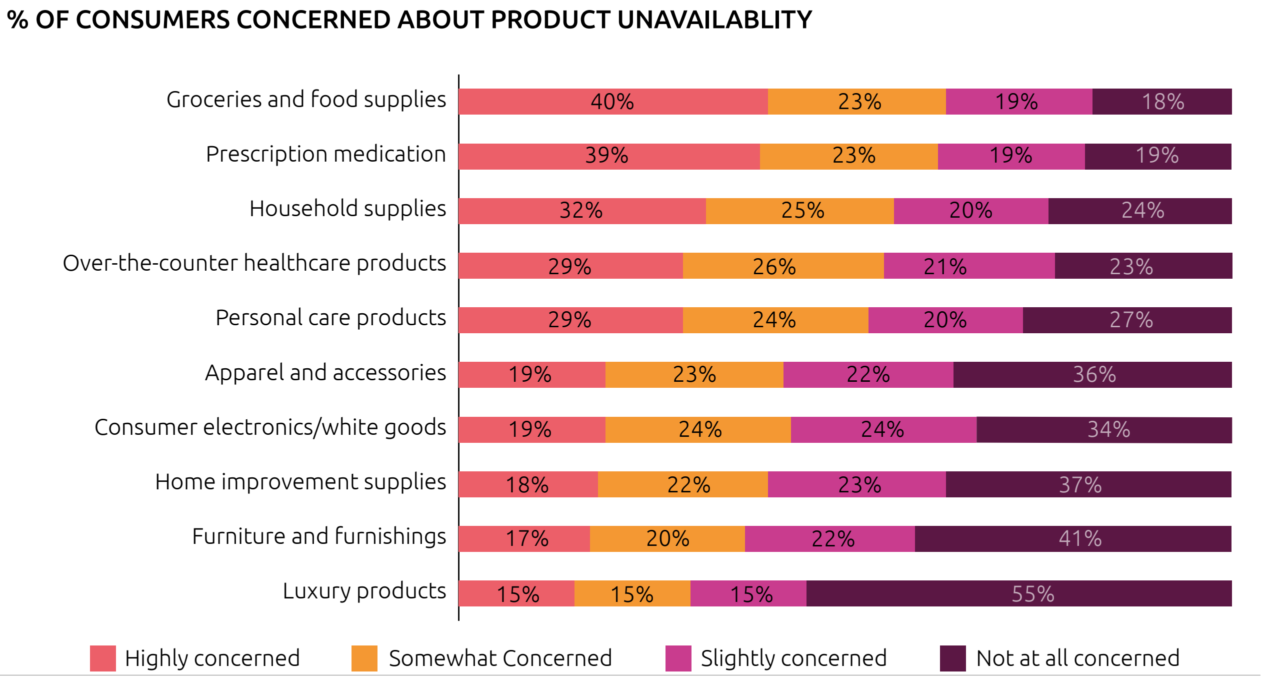
Changes in consumer shopping behavior in response to stockouts:

- In the event of a preferred product becoming unavailable, most consumers (60%) prefer to buy a similar product from a competing brand.
- Additionally, 55% say that they have bought an item of the same weight/size made by a different brand, at a lower price.

Consumer goods companies are increasingly giving their retail partners more visibility of inventory levels, a powerful data insight that they can use across their own supply chains, as well as convenience features that expedite processes. Unilever, for example, offers the Shikhar app, which allows Unilever's small-scale retail partners (or Kirana stores) the opportunity to connect directly with Unilever sellers and place orders 24/7.[34]

FIGURE 27.

Consumers are most concerned about the unavailability of essential products



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers.

06 HOW BRANDS AND RETAILERS CAN MANAGE AND ADAPT TO SHIFTS IN CONSUMER BEHAVIOR

Adapt to compete

Brands and retailers use generative AI tools to become more consumer-centric

There is no doubt that 2023 has been the breakthrough year for generative AI – and this was evident in its use for shopping across a range of categories. Already 20% of consumers globally and 27% of US consumers have used generative AI as part of their shopping for products or services in 2023, and the evidence is this trend will accelerate in 2024.

Indeed, we found 47% of Gen Z and Millennials would like a chatbot with features such as ChatGPT to facilitate asking questions and to receive responses quickly. In fact, 42% of Millennials would seek advice on future shopping experiences from generative AI tools based on their purchase history and loyalty to products.

We also found evidence that brand-owners and retailers recognize that generative AI tools provide a seamless, customized shopping experience that will become the new floor of consumer expectations going forward. Of the surveyed retail organizations, 93% say generative AI is a topic for boardroom discussion for them, and 83% of retail organizations agree that generative AI can be used to improve customer service by providing automated and personalized support. We found that 62% of retail organizations have established a dedicated team and budget to integrate generative AI into future product/service development plans. For instance, 63% of organizations have started pilots for the use case "Efficient, self-optimizing real-time customer-service chatbots," and 11% have already implemented the use case.[35]

A good example of this is Hopla, the AI chatbot that Carrefour.fr has integrated into its online platforms, Hopla enhances the consumer shopping experience by providing a range of consumer benefits from personalized product recommendations, budget-friendly shopping assistance, and menu ideas.[36]

Generative AI can also help drive cost out for retailers who are increasingly operating on tight margins. 79% of retail organizations say the use of generative AI can help improve internal operations and enhance facility maintenance. 62% of retail organizations expect benefits of more than 10%, within three years, in terms of an increase in operational efficiency and workflow automation. Retail organizations are prioritizing the use of Gen AI in their logistics function like route optimization (55%) and in operations management and supply chain optimization (45%).[37]

Wendy's, an Americal fast food chain is developing FreshAI – a generative AI automated ordering system in drive-throughs, to im-prove operational efficiency and reduce errors in food ordering and delivery.[38]

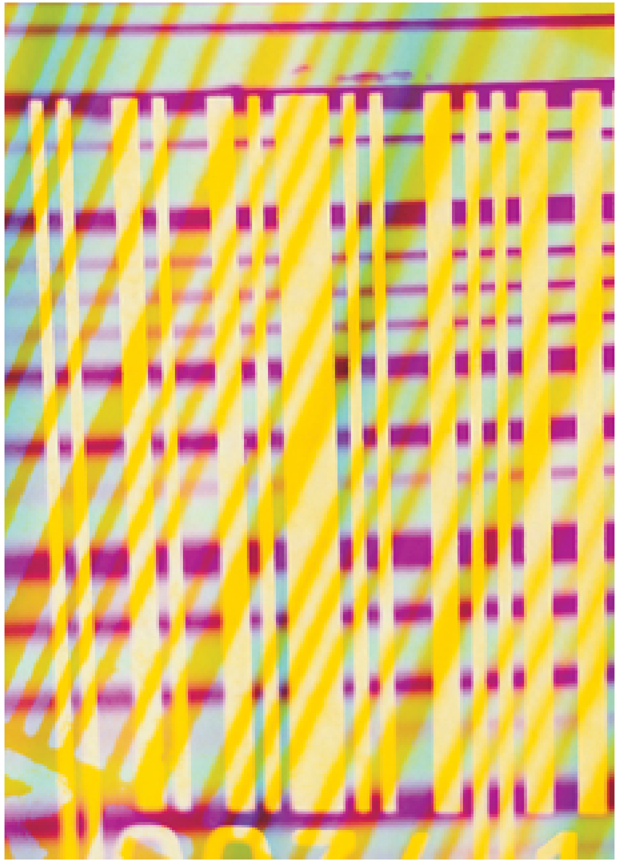
Leverage technology to reduce cost for consumers

In order to keep pace with consumer preferences and, more importantly, look to reduce overall in-store costs, brands and retailers are re-imagining physical stores. Identifying and adopting new and innovative technological solutions will be a critical enabler of this shift.

Retailers can embed Internet of Things (IoT) sensors throughout a store's tech and standard equipment (such as coolers and freezers) to remotely detect and even predict maintenance events before they disrupt store operations. These tech-enabled tools help to minimize the labor required for routine maintenance checks and also increase food safety.

Walmart uses sensors and IoT applications to monitor the temperature of individual refrigerators and the general status of equipment to take proactive measures and prevent breakdown. It also utilizes IoT sensors to control remotely its heating, ventilation, and air conditioning (HVAC) systems in stores, thereby reducing energy consumption and utility costs without negatively impacting the consumer experience.[39]

US consumer goods multinational P&G boosted sales and revenue by improving product visibility and accessibility using artificial intelligence (AI). The AI tools analyze consumer behavior and store layout to determine the most effective product placement.[40]



Unlock channel growth

Leverage social as both a feeder channel and a sales channel in its own right

The research shows social media plays an increasingly important role in discovery across all demographics and shopper journeys. Almost 40% of young people go to TikTok or Instagram when looking for something like a place for lunch.[41] Whereas 33% of consumers surveyed have discovered a new product or brand on social media in the last six months. This is already significant but becomes even more so among Gen Z(60%) and Millennials (45%).

Trust in the honesty of product reviews on social is also significantly high; 40% of Gen Z and 40% of Millennial consumers feel they get to know honest reviews in social media feeds.

There is also strong evidence that brand presence on social media is increasingly driving traffic to brand platforms and/or partner retailers. 42% of Gen Zs and 37% of Millennials claim that they are influenced to purchase a product by social media advertisements. Sephora has recently launched gamified experience through a feature called "Beauty Insider Challenge" in its Beauty insider program, members-only mobile and online social platform, appealing to the Gen Zs more. Customers are rewarded with bonus points for completing the challenges with tasks to drive instore traffic like buy-online, pick-up in-store, trying Sephora's in-store shade-matching tool, Color iQ along with other tasks.[42]

Consider social commerce as a sales channel in its own right, especially for reaching Gen Z audiences

Social platforms such as TikTok and Instagram are not just for product discovery but are also turning into preferred platforms for purchase. 46% of Gen Z consumers surveyed have already made a purchase on social media platforms in the past year across multiple categories (including groceries). Carrefour has partnered with Brut to form social commerce company Brutshop, an online platform through which users will be able to make purchases during events live-streamed on social networks. In France, 60% of Carrefour consumers say they are interested in live-shopping services. Commenting on the partnership, Elodie Perthuisot, Carrefour Group's Executive Director of e-Commerce, Data, and Digital Transformation, said: ***"By pooling our retail and social media strengths, our aim is to create the most powerful social commerce platform on the French market. This new community shopping experience will generate growth and value for both our companies."*** [43]

People buy from people: Brands and retailers increasingly tap into the power of influencers with specially designed programs for story-selling

2023 appears to be the year when brands have flipped from a reactive use of influencers to a proactive use of brand ambassadors. In the past few years, micro influencers[44] have been attracting consumer attention with high quality content and user interactions. Although macro influencers[45] have more reach, micro influencers are often better able to connect with a targeted audience. Finding authentic brand ambassadors from these communities and inviting them to share their real-life stories on brand platforms/promotions has been particularly salient in 2023. Of the surveyed consumers, 82% are highly likely to follow a recommendation made by a micro-influencer.[46] Brands are creating specialized creator and influencer programs to bring influencers on board for their product promotions:

- **Walmart** has launched **Walmart Creator platform**, which aims to build features and experiences to support creation and publishing of content. ***"We know our consumers are inspired by the content and stories they see from their favorite influencers in their social feeds every day,"*** enthuses William White, CMO, Walmart US. ***"This next step in our strategy will help fuel inspiration for our consumers by connecting their favorite creators directly with our brand and the brands they love at Walmart."*** [47]
- **Yeti**, who make quality coolers for a range of outdoor pursuits, dedicate a third of their website to Stories, in which brand ambassadors relate their real-life experiences across a range of use cases from angling, rodeo, barbecues, through to snowboarding. Together with the community engagement tools, such as their award-winning 2023 Year-in-Preview planner, these authentic stories create a strong basis for trust and loyalty and are credited with fueling much of Yeti's double-digit growth through the past 5 years.

Lead with purpose

Reduce food waste to help combat the cost-of-living crisis

Food waste is one of the biggest problems that we, as a global community, are facing. It is estimated that around one-third of all food produced globally is wasted every year.[48] This is not only a huge economic loss but also a major contributor to greenhouse gas (GHG) emissions.

Advances in AI technology can help reduce food waste by identifying and resolving issues early. Retailers can scan and identify produce that would normally be disposed of, but which is still edible. AI also allows retailers and restaurants with limited resources to manage their stock levels effectively. Retailers can also nudge consumers to modify their shopping behaviors to reduce food wastage.

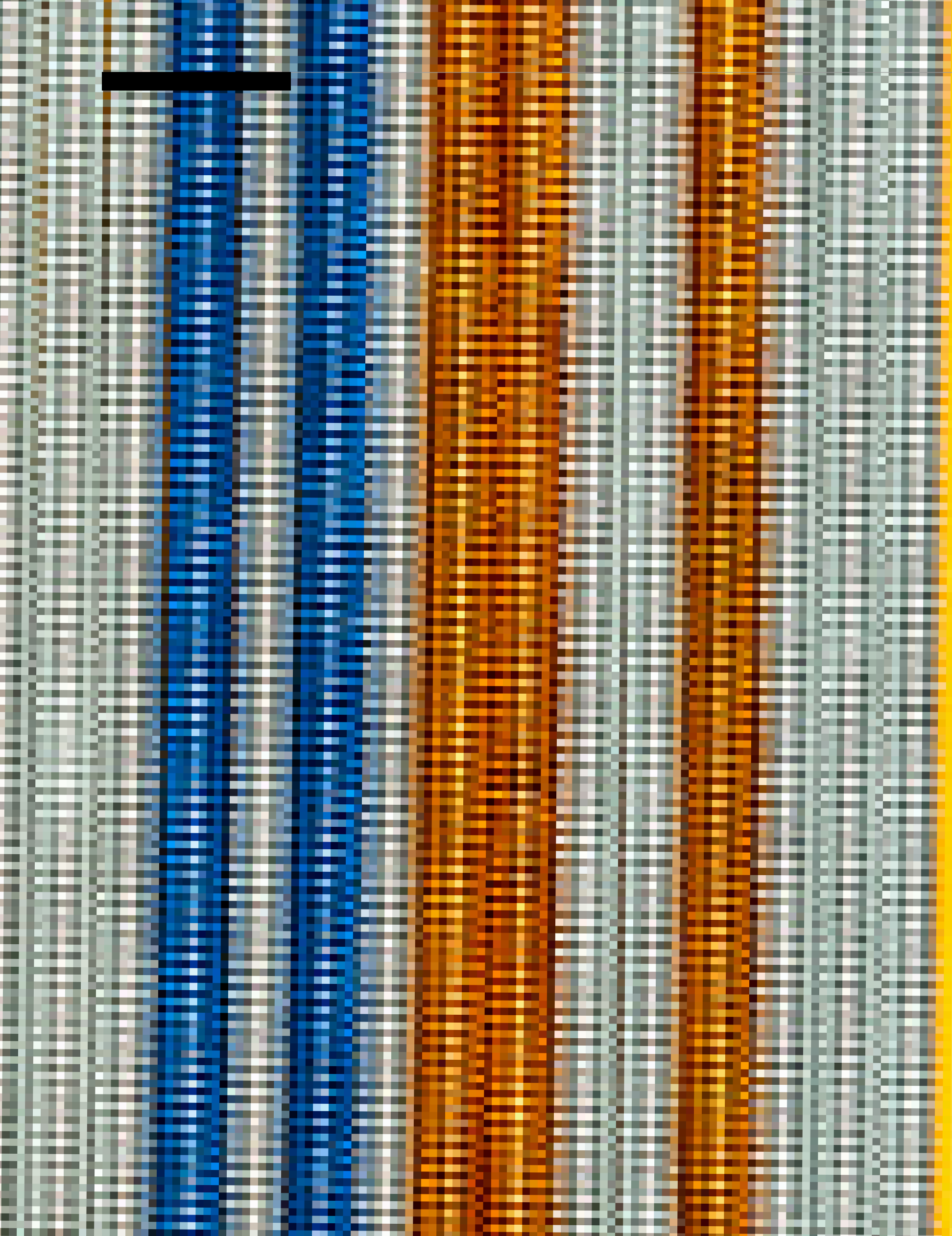
Brands and retailers have turned to technology to boost their food-waste initiatives. Supermarket Lunds & Byerlys offers employees the ability to scan and weigh food before it is added to the grocer's deli food bars and again before the food is thrown away. Albertsons has deployed fresh-food optimization technology on an AI-driven platform across its entire store network, with the goal of achieving a significant reduction in the company's food waste by 2030.[49]

Educate consumers on the sustainability impact of their shopping

Society requires that consumers achieve greater awareness of the impact of their purchase behaviors; 52% of consumers say that they do not possess the necessary information to verify sustainability claims, and half report a lack of global standards of sustainability branding as an issue. In this context, retailers and consumer product firms can foster awareness of the sustainability, climate change, and nutrition impact of consumer purchase decisions. This can be facilitated by multiple mediums, such as in-store sustainability stations, which 38% of consumers rated as a desirable in-store attribute. Around 45% of consumers want an accurate idea of the environmental footprint of a prospective purchase made available to them via a QR code.

In December 2022, L'Oréal launched its Product Impact Labeling system in the US (and in Canada in the following year). The initiative provides consumers with transparent scientific information about a product's environmental and social impact, and compares this with other L'Oréal products in the same category. Products are ranked on a scale from A to E that considers 14 planetary-impact factors, such as GHG emissions, water scarcity, ocean acidification, and impact on biodiversity, measured at every stage of the product's lifecycle, from ingredients to packaging, manufacturing process, transport, and ultimately use and disposal.

This initiative was first launched in France in 2020. *"L'Oréal's Product Impact Labeling system is a core component of the L'Oréal for the Future program, which outlines our sustainability commitments for 2030. Its roll-out in the US will help change consumer behavior, accelerating the beauty industry's progress toward greater sustainability,"* emphasizes Marissa Pagnani McGowan, CSO for North America. *"This comes at a time when sustainability is increasingly a focus for US consumers. Using principles of environmental science, this tool will empower consumers, support more informed purchasing decisions, and foster a culture of greater brand transparency."* [50, 51]



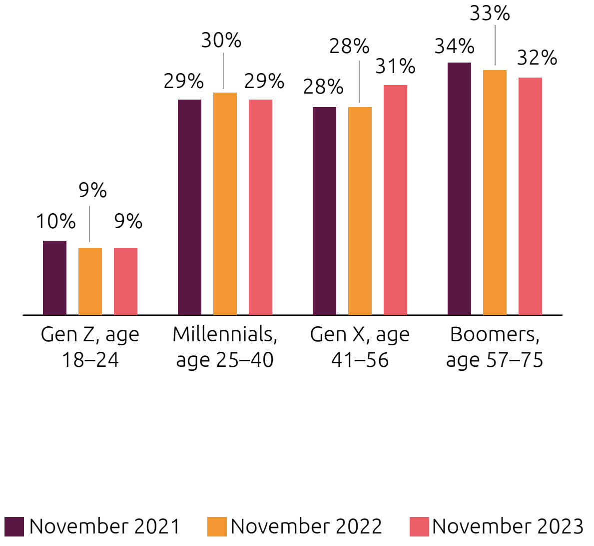
Conclusion

The cost-of-living crisis continues to dominate consumer sentiments in 2023 and looks set to remain high on their list of concerns for the foreseeable future. However, the impact in many geographies has eased from 2022 and consumers are interacting with stores and online channels more than they did last year, and are willing to pay more for faster delivery and fulfillment. Today, consumers are willing to explore new technological avenues in their shopping journey and want to use generative AI tools for search, recommendations, and support. Social commerce is a key channel, particularly in terms of its appeal to Gen Z consumers. With evolving technology preferences, consumers are becoming more conscious of their sustainability impact, demanding more sustainable options and information before making purchase decisions.

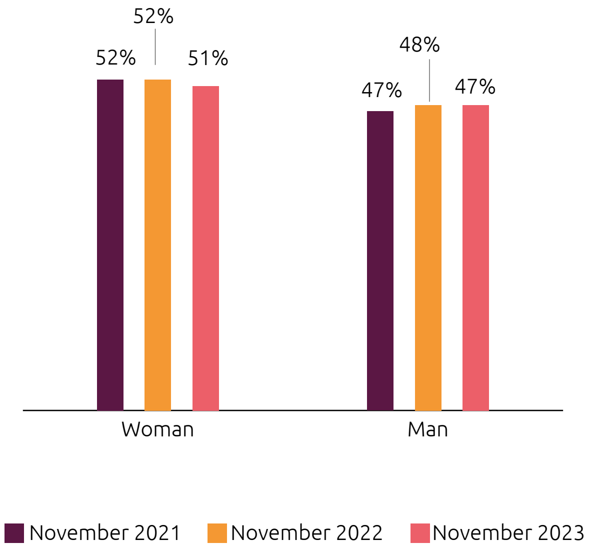
Research methodology

We surveyed 11,681 consumers over the age of 18 in 11 countries across North America, Europe, and Asia–Pacific. The global survey took place in October and November 2023. The demographic details of the consumers are below.

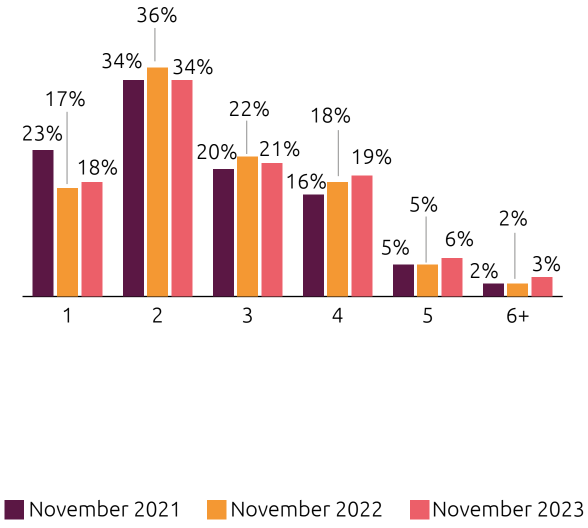
CONSUMERS BY AGE GROUP



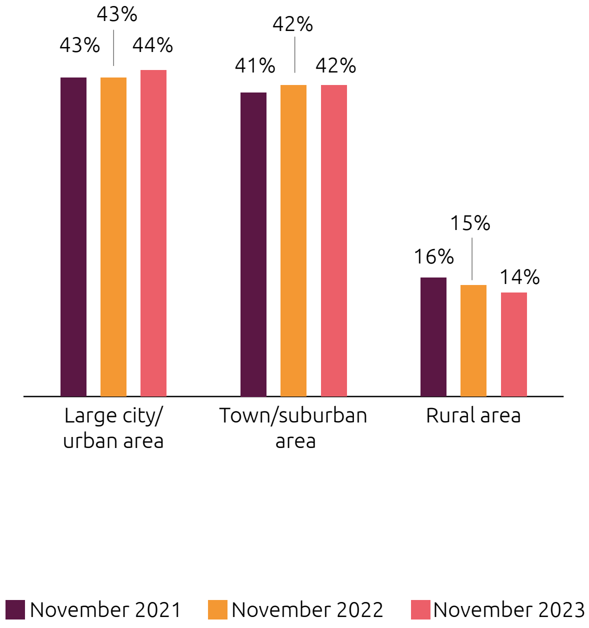
CONSUMERS BY GENDER IDENTITY



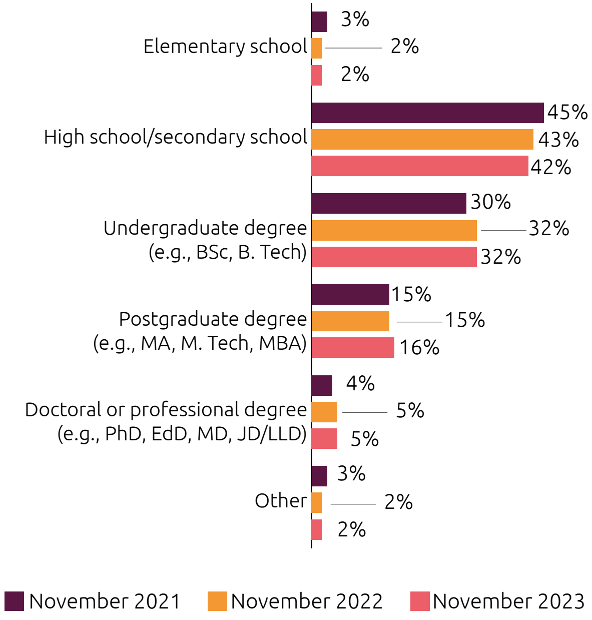
CONSUMERS BY NUMBER OF PEOPLE IN HOUSEHOLD



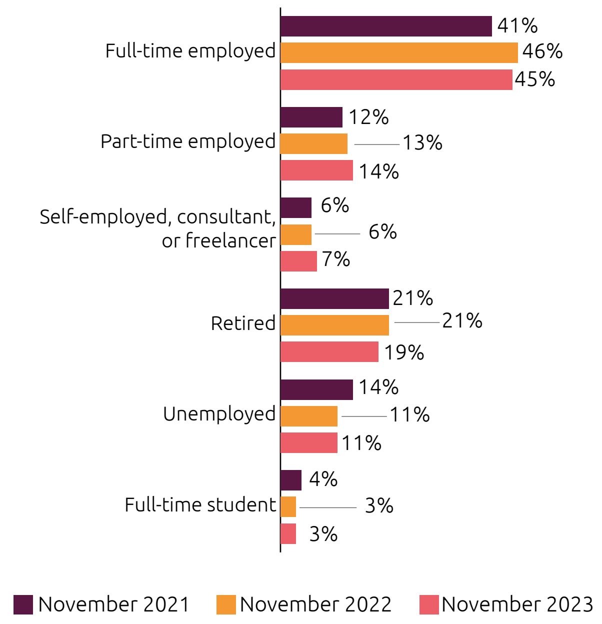
CONSUMERS BY SELF-IDENTIFIED RESIDENTIAL AREA



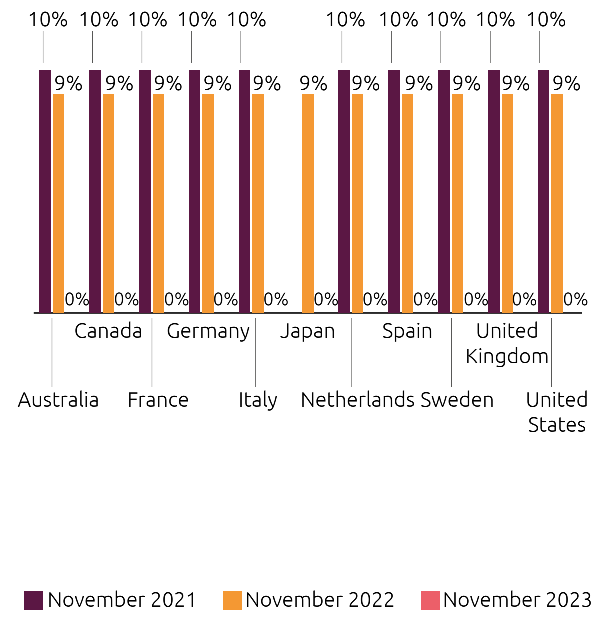
CONSUMERS BY HIGHEST EDUCATIONAL LEVEL



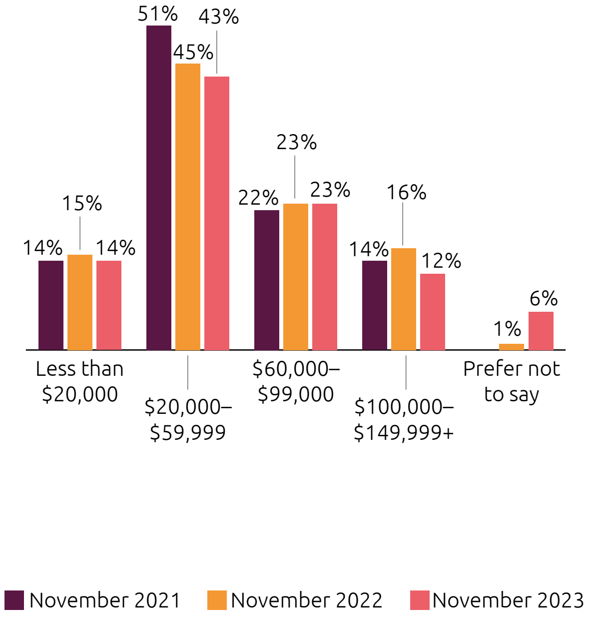
CONSUMERS BY EMPLOYMENT



CONSUMERS BY COUNTRY OF RESIDENCE



CONSUMERS BY ANNUAL HOUSEHOLD INCOME



Source: Capgemini Research Institute, Consumer demand survey, October–November 2023, N = 11,681 consumers; Capgemini Research Institute, What matters to today's consumer, January 2023, N = 11,300 consumers; Capgemini Research Institute, What matters to today's consumer, January 2022, N = 10,179 consumers.
*The study findings reflect the views of the respondents to our online questionnaire for this research and are intended to provide directional guidance.

Appendix

SERVICE ATTRIBUTES TESTED AMONG GROCERY AND HEALTH AND BEAUTY SHOPPERS:

Delivery and fulfillment-related services – Grocery and health and beauty

- Easy and clear return policies
- Ability to specify delivery time slot
- In-home delivery (e.g., front entryway, garage)
- Order online with same day home delivery
- One-click addition to online shopping cart (based on past purchases)
- Order in store with same day home delivery
- Order online, pick up curbside/at store
- Order online as a subscription/on a recurring basis

In-store experiences – Grocery

- Contactless checkout (i.e., self-checkout, no contact with store employee required)
- In-store curated recipes and other content (e.g., meal planning tips, ingredient suggestions)
- Ability to dine in at the grocery store
- In-store culinary lessons on how to cook healthy meals for less money

In-store experiences – Health and beauty

- Contactless checkout (i.e., self-checkout, no contact with store employee required)
- In-store makeup lessons/workshops
- Ability to personalize the product
- Technology to help with your decision (e.g., virtual try-on, skincare analysis)

Source: Capgemini Research Institute analysis.

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Key contributors

Tim Bridges
Global Sector Lead, Consumer Products, Retail Distribution, Capgemini
timothy.bridges@capgemini.com

Lindsey Mazza
Global Retail Lead, Capgemini
lindsey.mazza@capgemini.com

Kees Jacobs
Vice President, Global Lead for Insights and Data, Capgemini Consumer Products and Retail
kees.jacobs@capgemini.com

Owen McCabe
Vice President, eCommerce, Capgemini
owen.mccabe@capgemini.com

Bhavesh Unadkat
Vice President, Head of Marketing Services, frog
bhavesh.unadkat@frog.co

Jerome Buvat
Head of Capgemini Research Institute
jerome.buvat@capgemini.com

Subrahmanyam KVJ
Senior Director,
Capgemini Research Institute
subrahmanyam.kvj@capgemini.com

Marisa Slatter
Director, Capgemini Research Institute
marisa.slatter@capgemini.com

Sumit Cherian
Program Manager, Capgemini Research
sumit.cherian@capgemini.com

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For more information, please contact:

Global contact

TIM BRIDGES
timothy.bridges@capgemini.com

LINDSEY MAZZA
lindsey.mazza@capgemini.com

Australia

AMIT SINGHANIA
amit.singhania@capgemini.com

Germany

ANDREAS UNRUHE
andreas.unruhe@capgemini.com

France

ANNE-SOPHIE THAUMIAUX
anne-sophie.thaumiaux@capgemini.com

EMMANUEL FONTENEAU
emmanuel.fonteneau@capgemini.com

India

VIDHYA KRISHNASWAMY
vidhya.krishnaswamy@capgemini.com

Netherlands

THEO VAN ROEKEL
theo.van.roekel@capgemini.com

Spain

DAVID LUENGO RUIZ
david.luengo-ruiz@capgemini.com

Sweden

CAROLINE SEGERSTÉEN RUNERVIK
caroline.segersteen-runervik@capgemini.com

United States

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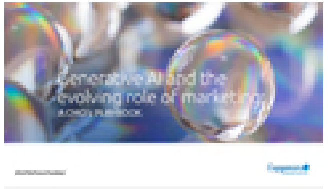

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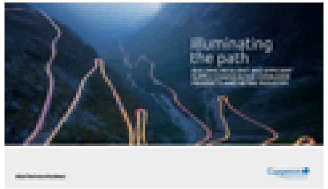

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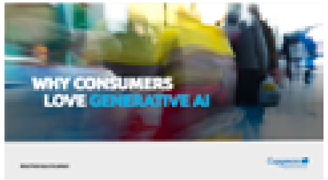

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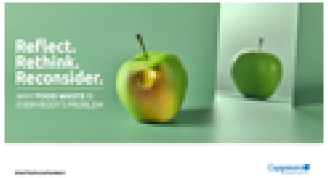

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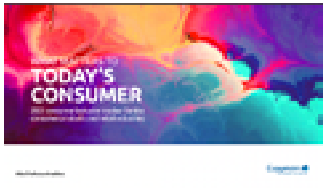

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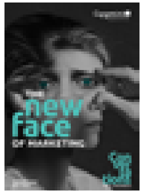

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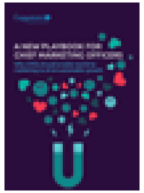

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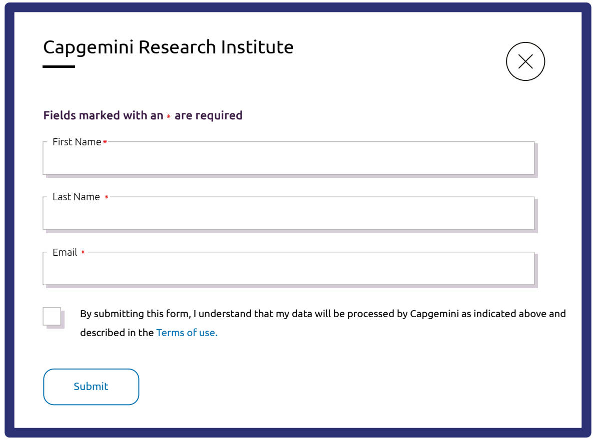

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