



What's really driving retail purchasing today?

Consumer trends on what, how, where and why people buy

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accenture

It's incredibly difficult for retailers to understand what motivates consumers' purchasing decisions. Global economic, social and cultural forces are in flux, and uncertainty is like oxygen—it's everywhere.

This is why we have been regularly surveying consumers over the last two years to understand their consumption habits—and what shapes them.

Our most recent survey includes more than 11,000 consumers in 16 countries and reveals how consumers are thinking, spending and living today.¹ It gets to the heart of what's really driving retail purchasing right now.

Offering the right products, prices and experiences at the right places and channels is about getting as close to individual consumers as possible. It's not enough anymore to target massive consumer segments based solely on demographics. Reaching consumers also involves the strategic and operational scaffolding that underpins the retail business, much of which customers never see but benefit from. Every business decision—whether it's about asset portfolios, partnerships, technology, the workforce or operating models—should be grounded in these trends.



Retailers can't get inside consumers' minds... or can they?

Our most recent survey suggests there are three consumer trends retailers should pay special attention to as they drive the business forward. While these trends will naturally morph, they will continue to have an impact in the long term.

1
The anxiety pivot
Economic worries have eclipsed health concerns

2
The spending shuffle
Spending patterns have shifted dramatically

3
The virtual reality check
Physical and virtual worlds are blurring and blending

1 The anxiety pivot

Economic worries have eclipsed health concerns

What's really driving retail purchasing today?

During the height of the pandemic, consumers were very concerned about their own health,² which is no surprise. Today, they are more anxious about the economy, which is also not surprising given the turbulent times we are living in.

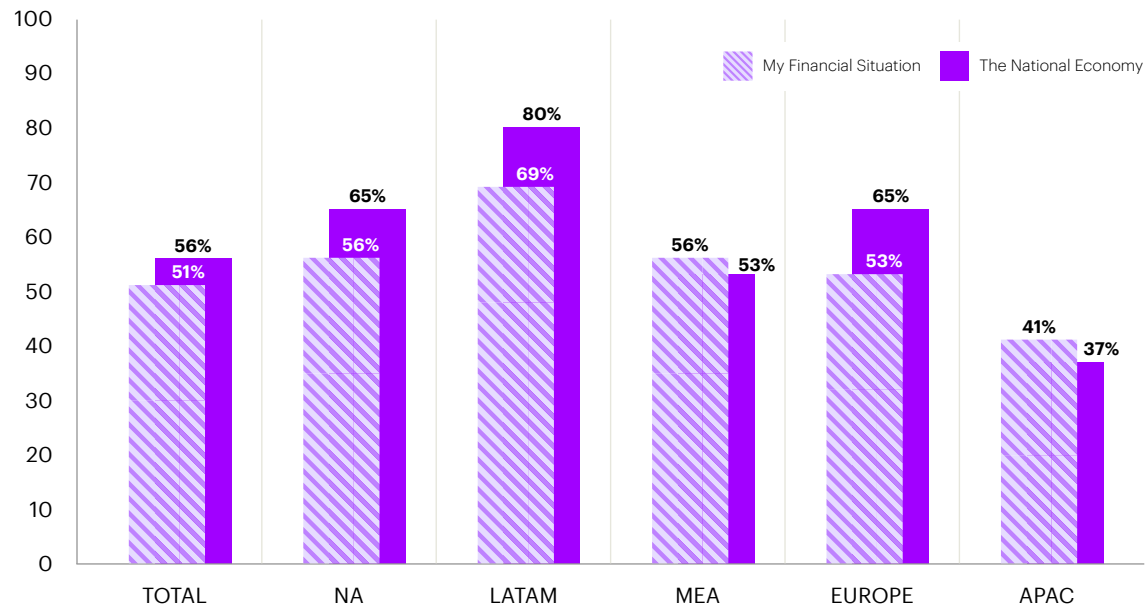
Forty-six percent of consumers across nations are concerned about their personal health, while 51% worry about their personal finances, and 56% worry about their country's economy.

People's concerns about personal finances vary widely depending on where they live. Consumers in Latin America (LATAM) worry the most—69% are concerned or very concerned. This is followed by consumers in North America (NA) (56%), the Middle East and Africa (MEA) (56%), and Europe (53%). Consumers in Asia Pacific (APAC) worry the least about personal finances (41%). When it comes to national economic stability, once again, consumers in LATAM worry the most—80% are concerned or very concerned. Consumers in APAC worry the least (37%) (Figure 1).³

A graphic consisting of a large purple outline number '8' followed by the text 'in 10' in a smaller purple font.

8 in 10 consumers say that inflation and the rising cost of living are their top economic concerns.

Figure 1 Consumers in LATAM are most concerned about their personal finance situations and their national economies



Source: Accenture Consumer Pulse Survey 2022
(Consumers responding as concerned or very concerned to the question: What is your outlook in the following areas today?)

Our research shows that retail leaders are not fully accepting of consumers' economic concerns. Case in point: 58% of consumers cite increasing prices as the top factor influencing their outlook. But fewer than one-quarter of retail leaders even think consumers have this concern. What's more, only 15% think consumers will have less disposable income in 2022.

How retailers can respond

It is a critical time for retailers to reinforce the relationships they have with customers by recognizing and responding to their economic concerns. Tracking data will be key to navigate how today's economic fears evolve.

What's key is providing opportunities for people to stretch their money further and providing reassurances where possible around stable pricing.

Two UK supermarkets—Asda and Iceland—have made changes to help consumers. Asda is “dropping and locking” prices of more than 100 items through the end of the calendar year in response to consumer worries about inflation.⁴ In addition, the grocer has launched its “Just Essentials” line, which is a new line of budget-friendly basics.⁵ Iceland is offering a 10% discount for customers 60 and over on all purchases

every Tuesday.⁶ By helping seniors who often struggle with cost-of-living increases, the grocer is building loyalty by treating shoppers in a positive way that they will appreciate—and remember.

It goes without saying that retailers should continually revisit product assortments and identify which SKUs are best suited for lower-priced options. US consumer electronics retailer Best Buy has taken this a step further. Responding to consumers' inflation fears, the company plans to open more outlet stores in 2022. The outlets will include an expanded product mix of clearance and open-box items.⁷



The spending shuffle

Spending patterns
have shifted dramatically

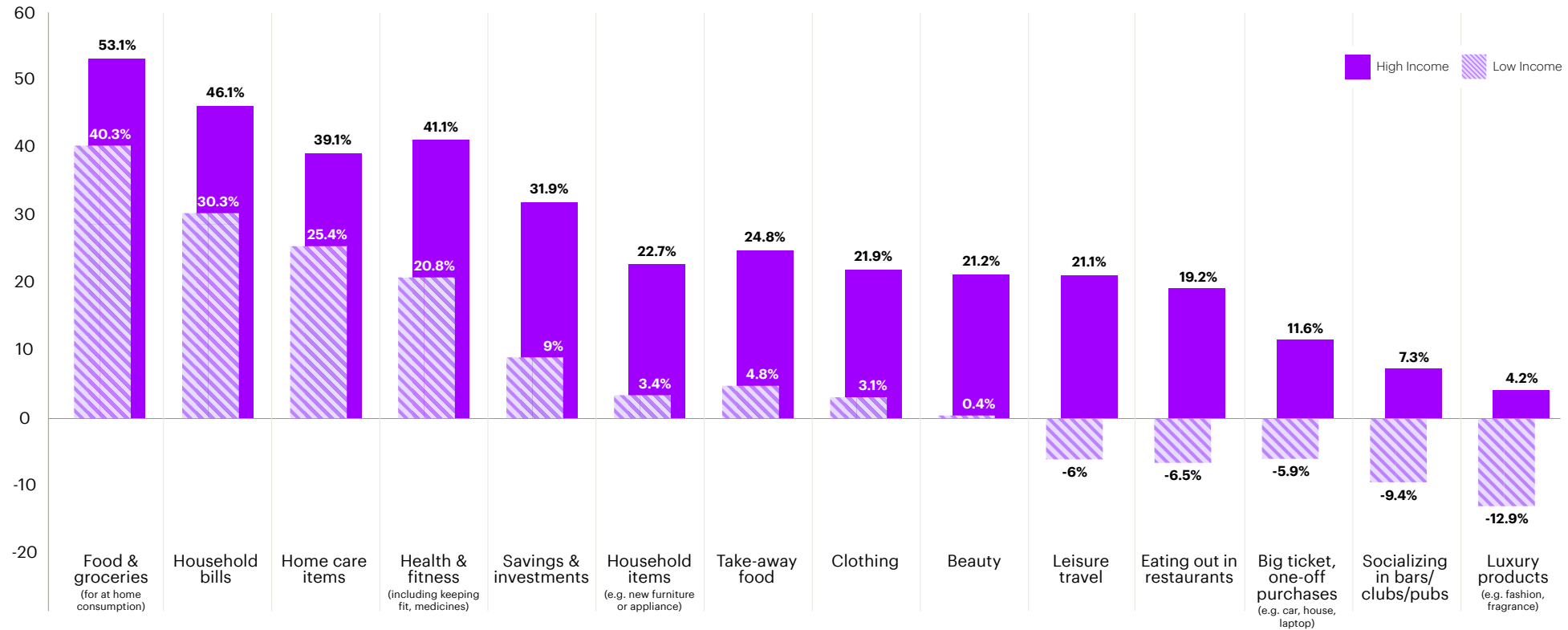
As consumers feel squeezed by the economy, they are making new and sometimes difficult spending trade-offs.

Consumers with lower incomes are the most likely to do this. They plan to spend substantially less money in 2022 on luxury items; socializing in bars, pubs and clubs; eating out in restaurants; and making big-ticket purchases like computers and cars (Figure 2).

Retailers will certainly feel the impact of these consumer trade-offs, just as they have before during times of economic stress. Those that sell products in personal and home essentials, and discounters, are likely to experience increased sales. On the other hand, retailers that specialize in non-essential product categories or luxury products may experience spending declines.



Figure 2: Consumers earning less will make more spending trade-offs to stretch their money



Source: Accenture Consumer Pulse Survey 2022
 (Net change in forecasted spending by income levels. The proportion of consumers who anticipate increasing their spend in the next 12 months, less the proportion who anticipate decreasing their spend.)

As tough as the spending squeeze is for certain retailers, it has a silver lining for sustainability. In some instances, the pressure on consumer budgets may well accelerate important sustainability trends.

With less discretionary income, consumers are doubling down on making do with what they have. Consumers who face budgetary pressures say they are repairing and upcycling their possessions (38%), buying reusable and refillable products (38%), buying second-hand items (30%), and purchasing recycled or refurbished things (29%).



However, there is a notable spending trade-off that consumers don't plan to make—regardless of their income. On average, consumers expect to spend 27% more on “health and fitness” in 2022. High-income consumers expect to increase their spend by 41%. Low-income consumers still plan to spend 21% more.

These expectations suggest a profound redefinition of essential categories. Post-pandemic consumers are embracing the importance of self-care. They consider things like gym memberships and vitamin subscriptions to be essential spend like food and groceries.

Also irrespective of their financial situation, consumers are more conscious of and intentional about what and how they buy. Put simply, they are focusing on needs over wants. Almost half (46%) are only buying items or quantities they need, mostly for cost or sustainability reasons. Forty-five percent are buying better quality goods so they will last longer. And despite the current economic challenges they are facing, 55% of consumers are trying to uphold their sustainability values.

28%

of consumers have realized that they can live happily with less—and have reduced consumption as a result.

How retailers can respond

Regardless of the reason that consumers are shifting spending patterns, it's clear that conscious consumption is top-of-mind for many of them. Retailers can play an active role here, which can translate into more meaningful relationships with consumers and new revenue opportunities.

One way to do this is by developing strategies that help customers extend the life of the products they buy. For example, Farfetch teamed up with The Restory to offer repair services for shoes, handbags and small leather goods. Other luxury retailers are also extending "warranties" on products. Givenchy and Celine will repair all products bought at authorized boutiques for up to two years after purchase.⁸ And in a first for the company, Apple is now selling 200 iPhone parts so that consumers have the option to repair their own phones at home.⁹

Retailers are also developing resale programs. Nike is accepting returns of gently worn shoes as part of its refurbishment program.¹⁰ In a similar spirit, Lululemon is inviting customers to trade in gently worn apparel in exchange for a gift card. Garments are resold on the brand's "Like New" site.¹¹

At times like this when consumers are reevaluating spending, retailers should take a hard look to understand the categories that consumers are the most focused on. The best offerings will be those that reflect and understand of human needs and deliver value for the price.

The virtual reality check

Physical and virtual worlds
are blurring and blending



In addition to changing what they buy, consumers are also interested in and willing to change how they buy. We saw this during the pandemic when consumers turned to digital channels out of necessity.

It is certainly true that some consumers who shopped online in 2020 and 2021 are likely to return to brick-and-mortar stores, and that the store of tomorrow¹² will look very different. However, there is an emerging group of consumers who are “all-in” on digital. We expect them to shift their digital experience of choice from ecommerce to social commerce and virtual reality and metaverse environments. After all, consumers’ lives are becoming more digital all the time. Over half (55%) say that more of their lives and livelihoods are moving into digital spaces.¹³

Consider consumers’ interest in virtual reality as a shopping channel. What’s surprising is that people of all income levels and generations

are interested in shopping for real-life products in virtual worlds. In fact, 63% of high-income consumers and 53% of middle- and low-income consumers are drawn to virtual reality. And while Millennials (61%) are the most interested, so are Gen Z shoppers (58%), Gen X shoppers (53%) and even Baby Boomers (34%). These findings dispel the myth that blending physical and digital worlds only interests the young and the rich.

Consumers aren’t just intrigued by immersive technologies like virtual reality and augmented reality; they are actively making purchases in these environments. Thirty-nine percent have bought clothing or accessories for an avatar or for themselves. And 38% of consumers have bought make-up or hairstyling that can be

applied to an avatar or virtually to themselves through a digital filter. Also, 39% of consumers have had a consultation in a virtual or augmented reality environment on topics from health and wellness to DIY projects.

51%

of consumers are interested in shopping for digital clothes to wear in a virtual environment in the next 12 months.

How retailers can respond

Many retailers that came to ecommerce late are still playing catch-up years later. And some no longer exist. We expect a similar dynamic to occur as virtual worlds become more and more mainstream over the next several years.

The metaverse has arrived, and the best thing that retailers can do today is start to experiment. Rather than waiting and watching, retailers should be exploring how—and at what pace—they will get into the metaverse.

We're already seeing this momentum across retail segments. A growing list of fashion brands like Gucci, Ralph Lauren and more are in the metaverse.¹⁴ Gap customers can collect a series of artwork of digital hoodies.¹⁵ Balenciaga has created a whole division devoted to its metaverse strategy.¹⁶ Chipotle was the first restaurant brand to open a virtual location on Roblox. Fans could experience the Boorito Halloween 2021 event in the metaverse, dressing up in costume and navigating a maze to unlock exclusive virtual items.¹⁷

It is also critical for retailers to experiment with the best ways to blend virtual and real-world experiences so they are seamless for customers.

While the metaverse is the ultimate destination, retailers should also explore interim environments. These include livestreaming, social commerce, 2D virtual experiences and virtual experiences that use high-definition technologies.

No crystal ball? Stay close to consumers.

So much has happened in our lives since 2019. Who we are as consumers has evolved—and continues to evolve. Economic and supply-chain demand challenges are shifting mindsets, behaviors and priorities while long-term changes to our way to life are still being established.

What's really driving retail purchasing today?



While there is uncertainty everywhere, retailers can manage through it by staying close to consumer trends and evolving fast to respond to them. The ability to regularly draw insights from reliable data sources is especially critical during these challenging times. Retailers should also plan to operate in an omnichannel way. They should understand that consumers' channel preferences will ebb and flow over time, and that the emerging virtual world is becoming more relevant—more real—all the time.

Retailers have always been good at innovating to solve problems. Innovation will become increasingly important moving forward. What's the best kind of innovation for the future of retail? It's thinking and doing grounded in data insight. That's how retailers can stay aligned with what's really driving retail purchasing.



References

- 1 Unless otherwise noted, all data is from the Accenture Retail Consumer Survey 2022
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About the research

The **Accenture Consumer Pulse Survey 2022** offers insights into consumer outlook, sentiment and behaviors two years on from the start of the pandemic (March 2020). This year's survey is relevant to all consumer industries but is focused on Consumer Goods, Retail and Travel. Accenture surveyed a representative sample of 11,311 consumers from 16 countries: Brazil, Canada, Chile, China, France, Germany, India, Indonesia, Italy, Singapore, Spain, Sweden, United Arab Emirates, United Kingdom, United States and Vietnam. The survey was conducted online and targeted consumers who have made purchases for their household in the past six months. Respondents were split evenly across gender and age group. This survey was conducted between February 7 and February 15 2022. This was supplemented with an additional consumer survey conducted between April 7 and April 25 2022, which included 10,085 respondents from eight countries from the original survey: Canada, China, France, Germany, India, Italy, UK and UK.

For the **Accenture Technology Vision 2022**, Accenture Research conducted a global survey of 24,000 consumers to capture insights into their use of, interactions with, and beliefs about technology in their everyday lives. In addition, Accenture conducted a survey of 4,650 C-level executives and directors across 23 industries to understand their perspectives and use of emerging technologies across their organizations. The surveys were fielded from December 2021 through January 2022 across 35 countries.

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