

THE **CRITICAL** CONSUMER 2024

How do Retail, Consumer Products,
and the Leisure sector respond to
the new financial realities faced by
their customers?

A lingering post-pandemic crunch, fuelled by inflation and interest rate rises, has cut household budgets in 2023, resulting in heightened brand competition for this constricted discretionary spend. This looks set to continue into 2024

Retail, Consumer Products, and The Leisure (Entertainment, Hospitality, Restaurants, and Travel) industries are among those hit the hardest. They rely heavily on the volume and frequency of discretionary spend, which can fade rapidly during periods of economic uncertainty.

For businesses to maintain share or grow in this climate, they must deeply understand how these changes impact shoppers. How are their purchasing habits evolving – and how do budgetary pressures and economic insecurities fold into these behaviours?

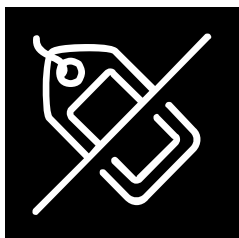
To find the answers, AlixPartners has conducted an in-depth consumer priorities study across the EMEA region.

OVER 10,000

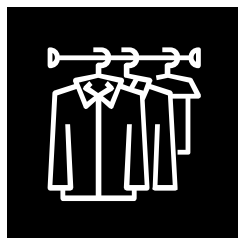
shoppers from France, Germany, Italy, Saudi Arabia, Switzerland, UAE, and the UK, were interviewed between Oct-Nov 2023, and shared their personal purchase intentions and shopping preferences heading into the new year.



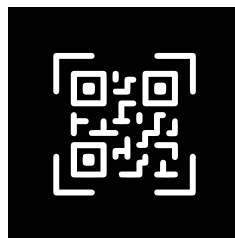
Our **Critical Consumer** 2024 report dissects how consumer sentiment has shifted across markets, and where spending **habits will turn next, broken into five areas of focus:**



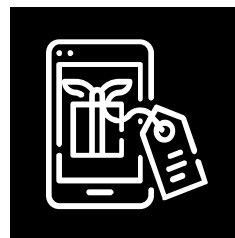
1 Spending intentions



2 Category evolutions



3 Omnichannel targeting



4 Customer personalisation and loyalty



5 Use of technology

We hope that you find the insights that follow informative and actionable. Swirling economic headwinds and digital disruptions will no doubt continue to reshape these industries, but forward-thinking players can overcome these challenges by proactively adjusting to market and consumer shifts to drive sustainable success.

EXECUTIVE SUMMARY

Retail, consumer products, and leisure companies must ensure their products are **"VALUE-RIGHT,"** providing strong perceived value for money and quality

37%

plan to spend less overall in 2024



RANK #1

Across all markets



I buy products in **PROMOTION** more often **OR** I switch to **CHEAPER** product alternatives

Consumer-facing companies across sectors should also turn to **PROMOTIONS AND LOYALTY OFFERS** that make customers feel they are getting a deal.



52%

enjoy offers tailored to them



40%

expect to spend less on entertainment

Shoppers that prefer buying certain products **IN-STORE VS. ONLINE** are most concerned about product quality and cost



I need to see/ touch the product before buying



Cost of delivery too high



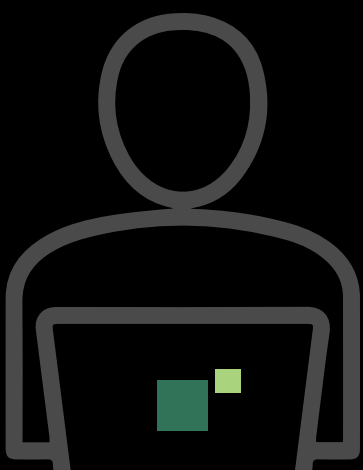
I avoid the hassle and cost of returning items

70%

prefer receiving information online

PRODUCTIVITY IMPROVEMENTS

are key to elevating the shopping journey across demographics, and are expected by the majority of the customers



WHAT DO YOU NEED TO KNOW?


Despite inflation slowing, consumers will spend less in 2024.

WHAT DID CONSUMERS SAY?

Against the backdrop of budgetary pressures and economic insecurity:

- 37% of all consumers plan to spend less in 2024 compared to 2023, while only 17% plan to spend more.
- 41% of consumers in the low-income bracket plan to spend less in 2024 compared to 2023, while only 16% plan to spend more.
- A quarter of higher earners (24%) will spend less in 2024, while 26% plan to increase spending.

Irrespective of income levels, price matters to everyone. In addition, data suggesting that spending levels across income groups will remain the same or increase may still translate to lower buying volumes, given the persistent effects of inflation.



37%
plan to spend less overall in 2024

WHAT DO YOU NEED TO KNOW?

Retail, consumer products, and leisure companies must ensure their products are “value-right,” providing strong perceived value for money and quality in categories where shoppers are targeting cutbacks, irrespective of their income levels.

Reviews of pack price architectures and defence of pricing for producers should therefore remain under close scrutiny, while careful curation of ranges must reflect consumer demand and affordability.

Consumer-facing companies across sectors should also turn to promotions and loyalty offers that make customers feel they are getting a deal.

Alternative offerings to promote waste avoidance in grocery or re-commerce models in non-food may find increasing acceptance, too, aligned to opportunities for upstream consumer products producers to increase sustainability credentials.


Affordability and curation of range are key due to lower disposable income.

WHAT DID CONSUMERS SAY?

Consumers plan to net spend less across all sectors. This applies particularly to non-food (where purchase decisions will be held back) as well as leisure sectors (where more time will be spent at home and the frequency of visits is expected to reduce):

- 43% of all consumers expect to spend less on consumer electronics, 40% less on home entertainment, and 36% less on restaurants and bars in 2024 vs. 2023.
- Only 14%, 12%, and 18% expect to spend more on these three categories, respectively.

The evidence indicates that spend will decrease in non-discretionary categories, and even more so in discretionary. This indicates just how much pressure consumer wallets are under.



43%
plan to spend less on consumer electronics

WHAT DO YOU NEED TO KNOW?

Value for money and perceived value is uppermost in the minds of EMEA consumers.

From an e-commerce perspective, consumer product companies must collaborate with retail partners to improve online merchandising and listing positions within category pages, which will boost consumer product awareness, understanding, and consideration.


Additionally, across all categories it is crucial to implement a clear 'good (price), better (feature), best (quality)' pricing architecture, ensuring consumers recognise the value proposition at each level, thereby aiding in informed purchasing decisions.

Channels must be optimised for a customer experience that caters to different types of consumer.

WHAT DID CONSUMERS SAY?

Age plays a significant role in preferred channel communications in the shopping journey:

- Nearly 70% of consumers in the 18-64 age range prefer receiving promotional information online rather than in print. The latter increases to 47% for consumers aged 65+, but still highlights the critical role that digital plays across all age ranges.
- More than 50% of consumers aged 18-34 prefer ordering at a terminal, while this drops to 21% for consumers aged over 55 (who prefer a served counter).



70%
prefer receiving
information online
(ages 18-64)

WHAT DO YOU NEED TO KNOW?

Productivity improvements are key to elevating the shopping journey across demographics, and are expected by the majority of the customers – but be careful not to push out groups less familiar with digital advances. Consider this data when designing marketing and promotional strategies, as well as new concepts at the POS.


Retail media businesses will continue to become more important as a method to get products in front of consumers.

Personalised shopping experiences are essential to improve loyalty and mitigate price wars.

WHAT DID CONSUMERS SAY?

With omnichannel and digital interactions increasingly becoming the standard:

- More than 50% of consumers enjoy receiving offers tailored to their specific demographics, as opposed to promotions inclusive of all consumers.
- This is especially true of high-income and younger consumers.



52%
enjoy offers
tailored to them

WHAT DO YOU NEED TO KNOW?

Efforts to enhance customer loyalty must extend beyond pricing. Consumers expect personalisation, and the companies that can tailor a user experience that resonates with different customer segments across touchpoints will be more attractive and can gain a competitive advantage.

Strategic technology improves the shopping experience while reducing cost to serve.

WHAT DID CONSUMERS SAY?

AI adoption for product discovery is catching on fastest in the Middle East:

- 41% of consumers in the UAE and 36% of consumers in Saudi Arabia are using AI tools to research products and holidays. Across the five European countries surveyed, Italian consumers showed the highest propensity for this activity at 23%.
- Consumers generally are willing to explore and adopt other new technologies as they emerge in consumer-facing industries. For example, more than two thirds of all consumers already use or are open to using click and collect, digital payments, home delivery services, or retailers' mobile apps.



41%

in UAE use AI to research products and holidays

WHAT DO YOU NEED TO KNOW?

Consumers show enthusiasm to try the latest digital offerings. This provides a key differentiating opportunity for retailers, given shoppers' willingness to adopt new technologies and their curiosity and desire to experiment.

Application of new digital tools and techniques will enable retail and leisure businesses to gather valuable insights about specific customer groups, optimising their offerings and marketing efforts (such as personalisation) for better engagement and profitability.

Quality is key to success in Leisure.

WHAT DID CONSUMERS SAY?

Net spend intentions will dip amongst consumers for discretionary leisure activities in 2024:

- 40% of consumers overall expect to spend less on in-home and out-of-home entertainment; just 15% say they spend more.
- In the restaurant and bars sector, whilst 'only' 18% of consumers said they will spend more, almost two thirds (63%) said they will spend as least at much as they did before.
- 35% expect to spend less on travel and holidays in 2024 vs. 2023; 26% expect to spend more.



40%

expect to spend less on entertainment

WHAT DO YOU NEED TO KNOW?

Whilst some consumers may reduce spend overall, there are also some individuals that are protecting their leisure spend and there is plenty of expenditure for operators to target. For those consumers looking to spend less, the data suggests they will be reticent to trade down on quality, instead reducing the frequency of activity to focus on special occasions or fewer, but higher quality, travel, and F&B occasions.

A clear brand identity that stands for high-quality experiences or excellent value for money will be critical. Operators in the squeezed middle are unlikely to benefit as customers prefer to stick with brands that they trust versus trading down.



IN-DEPTH INSIGHTS

1

SPENDING INTENTIONS

The holiday shopping season is well under way, and consumers face a heavy price pinch this year – inflation remains elevated and they are adjusting holiday spend accordingly.

We see a similar trend across the Atlantic where, according to our US Holiday Outlook Survey, **26% of consumers plan to spend less** this holiday season than last, and 24% will reduce spend on self-gifting.

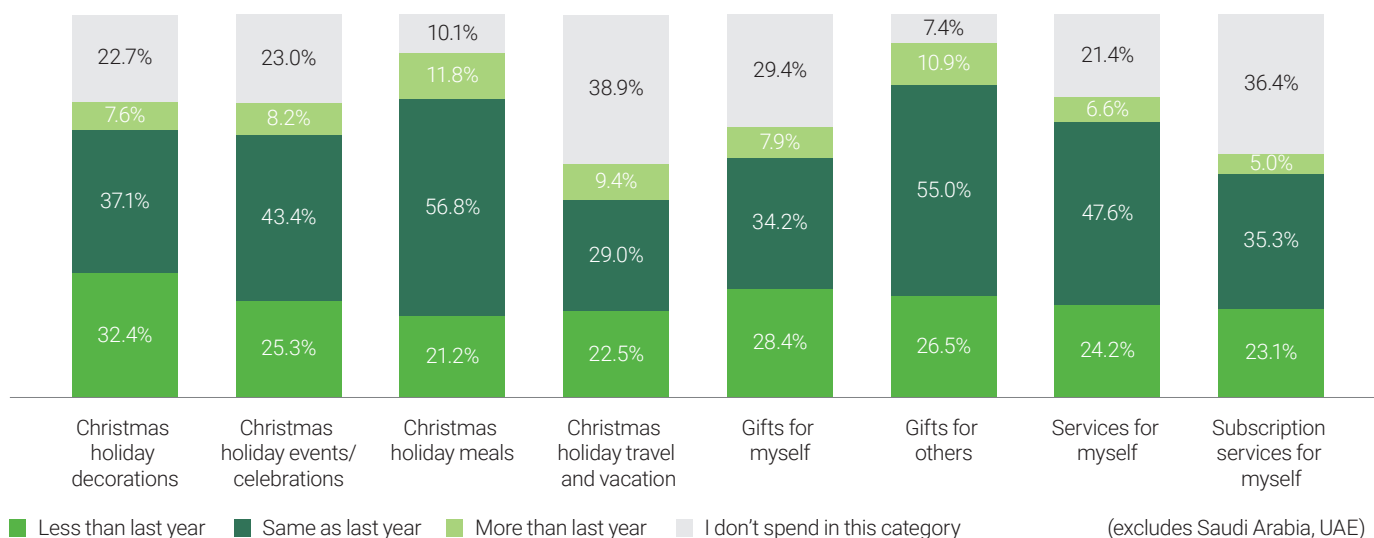
In China, **Singles' Day shoppers** are still willing to reward themselves with discretionary purchases – but these will be prudent as opposed to extravagant or indulgent gifts.

27%

of all consumers surveyed expect to spend less on holiday gifts for others this year, while only 11% expect to spend more.

2023 SPEND DURING THE HOLIDAY PERIOD IN EUROPE (VS. 2022)

Compared to last year (2022), how do you plan to spend during Christmas holiday period this year?



With an eye on the leisure aspects of the upcoming festive period, we see similar decreases in spending across Europe:

- 25% of consumers plan to spend less this year on holiday events and celebrations than last year (only 8% plan to increase), while 23% plan to spend less on holiday travel and vacations (9% plan to increase).

Trading down – whereby consumers choose more affordable brands as a saving mechanism – will proliferate this holiday season and into 2024 in retail. American consumers, per our Holiday Outlook Survey, are doing the same – 33% say they will trade down to more affordable brands and private labels.

To meet this need, retailers and consumer products companies must ensure their products are “value-right,” providing strong value-for-money in categories where consumers are targeting cutbacks.

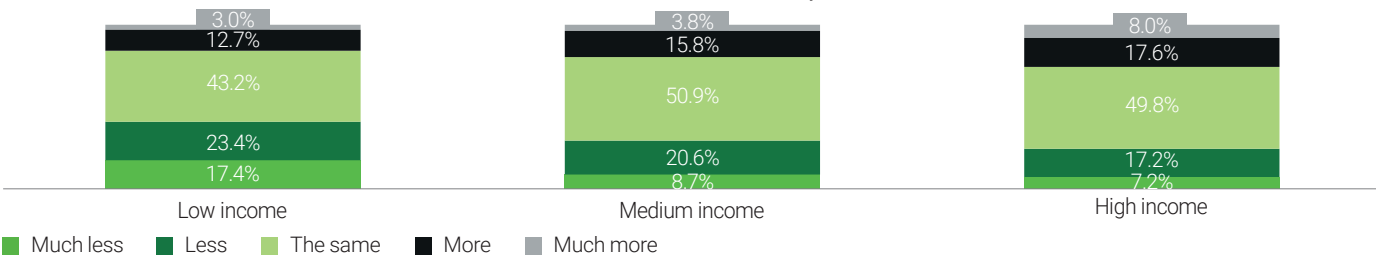
In EMEA, the companies that can offer trade-downs that feel like a deal to consumers are most likely to win share. However, product quality must remain high to meet the expectations of any new customer segments to secure their custom for the long term.

Across all countries surveyed, 41% of consumers in the low-income bracket expect to spend less in 2024 than 2023, while only 16% plan to spend more. This spreads to another net decline for the mid-range income bracket too – 29% say they’ll decrease spending in 2024, compared to the 20% that say they will boost spend.

PLANNED 2024 LEISURE SPEND ACROSS INCOME BANDS

Do you plan to spend ‘less’, ‘the same’ or ‘more’ in the following shopping areas next year?

CATEGORIES: Beauty and cosmetics | Groceries | Toys and books | Clothing | Consumer electronics | Home improvement and DIY | Sporting goods
Out-of-home entertainment | Home entertainment | Restaurants and bars | Travel and holidays

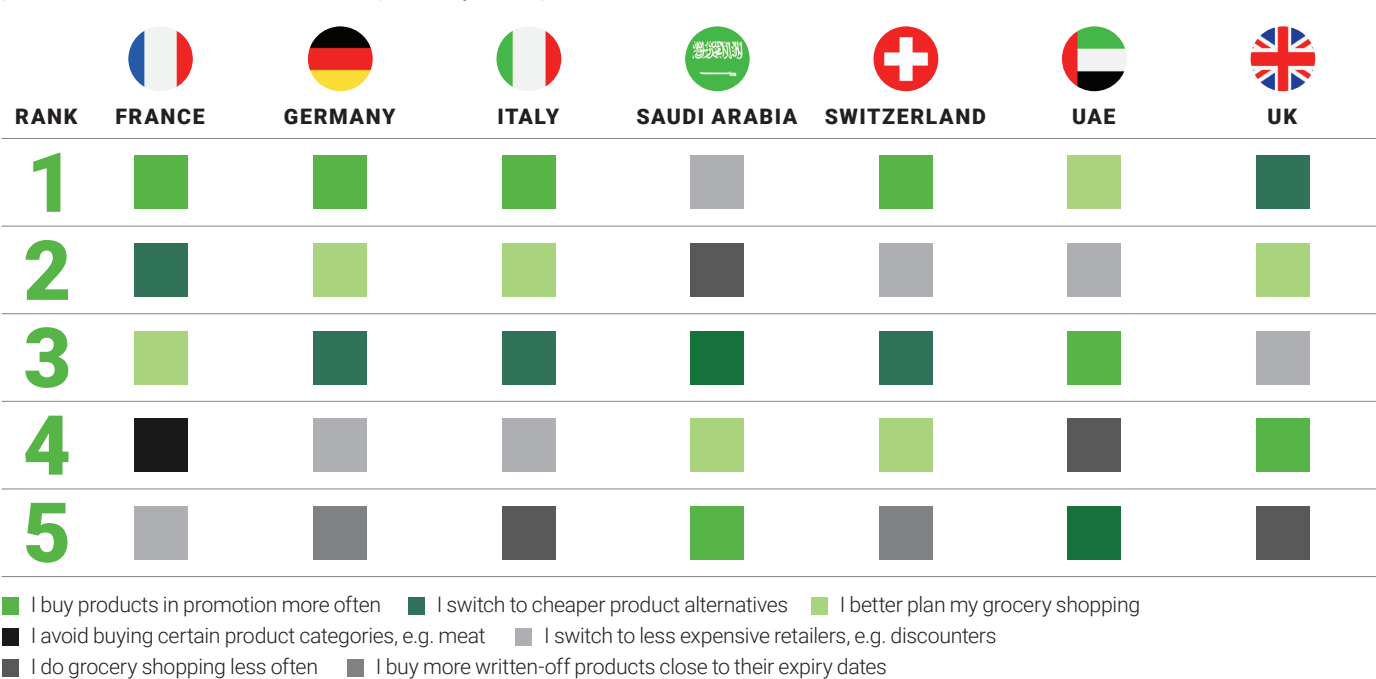


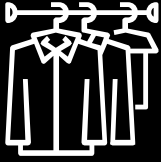
Pragmatic, price-sensitive European shoppers are turning to discount labels; in fact, many prefer them. In the UK, more than half of low-, medium- and high-income consumers regularly shop at budget supermarkets and discounters. Affordable mass-market brands in fashion are also at the forefront of brand popularity. We see similar trends in other European countries.

To mitigate price concerns, companies across sectors should turn to promotions and rebates that attract consumers who feel they are getting a deal. These marketing tactics are now an expectation of EMEA consumers who enjoy finding bargains and are, on the whole, more comfortable spending rationally rather than lavishly.

TOP 5 METHODS FOR MANAGING SPEND REDUCTION IN GROCERY BY MARKET

Consumer across EMEA are resorting to promotions, better planning and alternative products to maximise their grocery budget





2 CATEGORY EVOLUTIONS

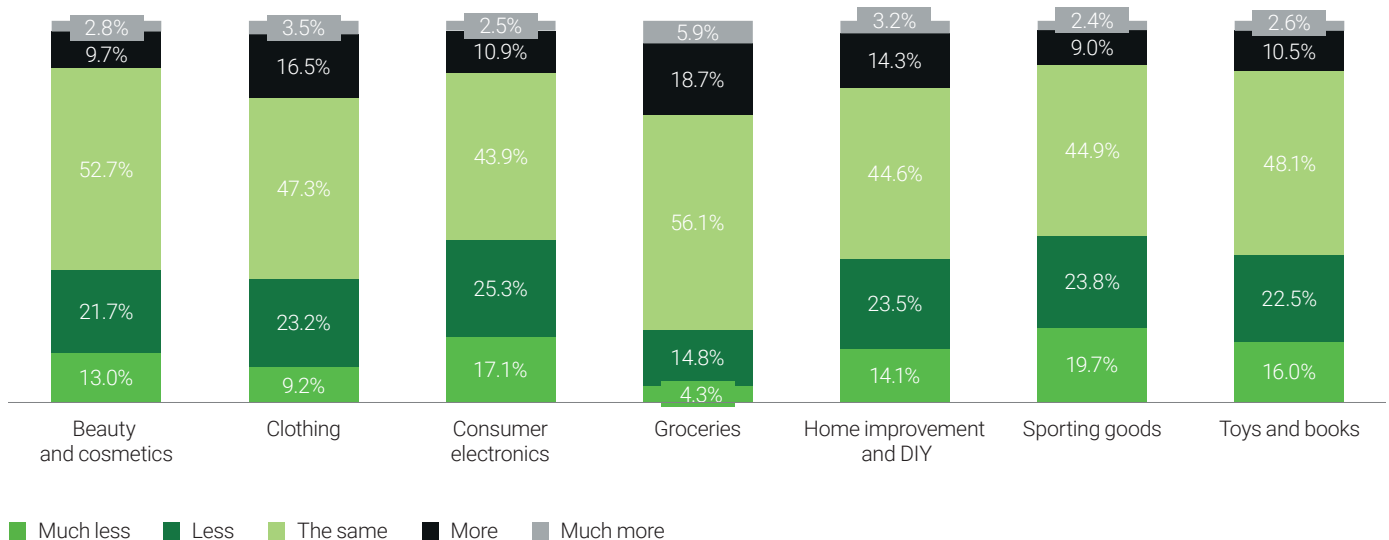
Retail & Consumer Products Breakdown:

Analysing category-specific data, financial difficulties will lead EMEA consumers to reduce spend across the board in 2024. Among the six retail and consumer product non-essential categories surveyed (excluding groceries), all see noticeable drops in purchase intent, with some sectors set for notable contraction.

- 44% of all consumers plan to spend less on sporting goods and 43% plan to spend less on the consumer electronics in 2024 vs. 2023, with only 12% and 14% planning an increase in these categories, respectively.
- In the US, 27% of consumers plan to decrease holiday spend this year on electronics and 22% on sporting goods.
- In China, Singles' Day shoppers do plan to spend more on consumer electronics and health and fitness gadgets compared to last year – though it is worth mentioning this one-day holiday emphasises steep product discounts.

PLANNED 2024 SPEND ACROSS RETAIL & CONSUMER PRODUCTS CATEGORIES

Do you plan to spend 'less', 'the same' or 'more' in the following shopping areas next year?



- Across the seven surveyed retail categories, 40% of low-income EMEA-based consumers plan to spend less in 2024 than 2023, compared to 29% of mid-income and 24% of high-income shoppers.
- In the UK, medium and high earners display an increase in purchase intent in the groceries and home improvement & DIY categories, while in France this trend is seen in grocery, beauty and cosmetics, home improvement and DIY, and toys and books categories.

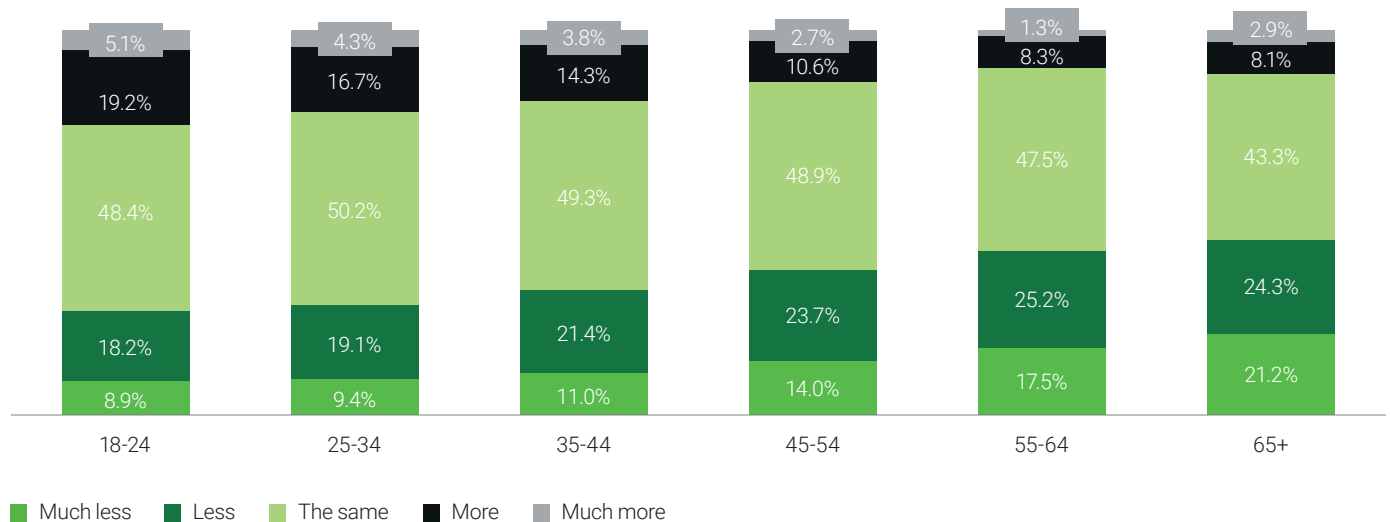
Age is a strong indicator of retail spend reduction, too, with younger consumers less willing to let economic conditions impact their lifestyle and consumption habits:

- 27% of respondents aged 18-24 age plan to reduce retail spend next year, while 24% plan an increase.
- 46% of consumers aged 65 and over say they will will reduce retail spend in 2024, compared to just 11% planning an increase.

PLANNED 2024 RETAIL AND CONSUMER PRODUCTS SPEND ACROSS AGE GROUPS

Do you plan to spend 'less', 'the same' or 'more' in the following shopping areas next year?

CATEGORIES: Beauty and cosmetics | Groceries | Toys and books | Clothing | Consumer electronics | Home improvement and DIY | Sporting goods



Overall, consumers plan to rather maintain spend levels into 2024 across groceries (56%), beauty and cosmetics (53%), toys and books (48%), and clothing (47%) categories. These categories provide opportunities for retailers and platforms to attract value-based consumers with thoughtful options.

Across all seven EMEA regions, the grocery industry received the highest percentage of maintained spend and was the only category to see a planned uptick in 2024 purchase intent compared to 2023.

However, when we focus solely on the five European countries, even this category saw a net decrease in 2024 purchase intent – 21% of consumers say they will spend less compared to 15% saying they will spend more. This provides strong evidence of the pressure that European consumer wallets are under.

“The message is clear for the Consumer Goods sector consumers behaviour is continuing to shift into 2024 and ability to pass inflationary increase prices without significant volume loss is over.”

– **ANDY SEARLE, HEAD OF EMEA CONSUMER PRODUCTS**

Leisure Breakdown:

Our data suggests material net decreases in spend across the four travel and leisure categories that we surveyed:

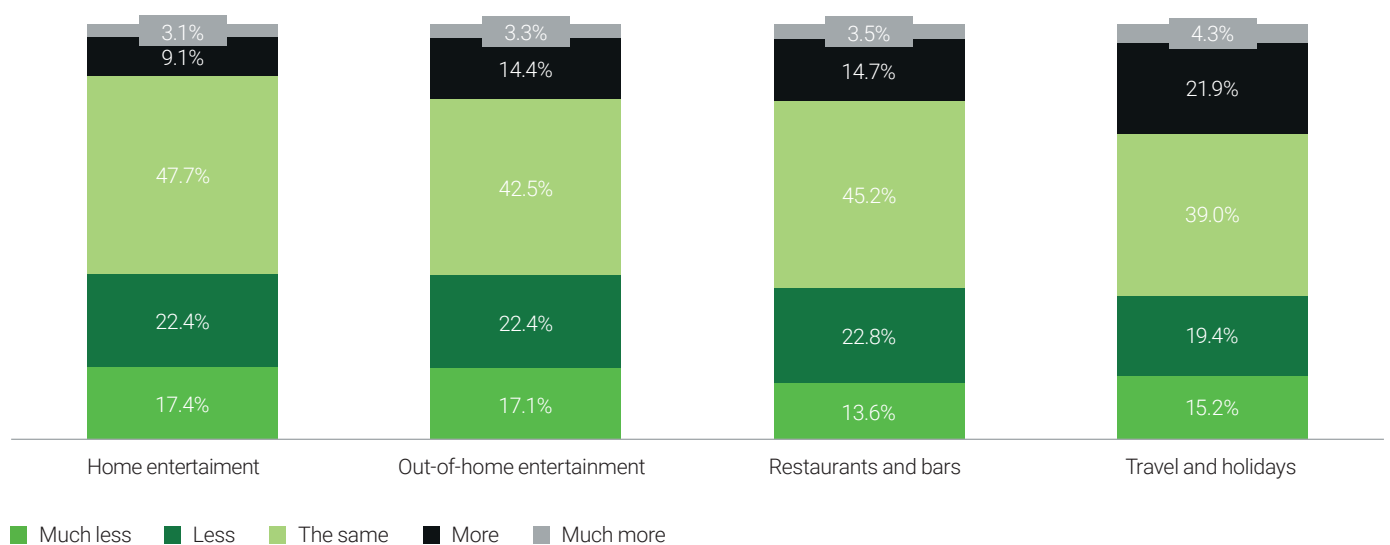
- 40% of consumers overall expect to spend less on both in-home and out-of-home entertainment; just 15% say they'll spend more.
- In the restaurant and bars sector, whilst 'only' 18% of consumers said they will spend more, almost two thirds (63%) said they will spend as least at much as they did before.
- 35% expect to spend less on travel and holidays in 2024 vs. 2023; 26% expect to spend more.

Given the highly discretionary nature of these categories, it may be of little surprise to see a strong correlation between spend and income levels.

Across all regions, 43% of low-income consumers expect to spend less on leisure categories in 2024 compared to 2023 vs. 25% of high-income consumers; high earners display a slight net increase in planned spend during 2024.

PLANNED 2024 SPEND ACROSS LEISURE CATEGORIES

Do you plan to spend 'less', 'the same' or 'more' in the following shopping areas next year?



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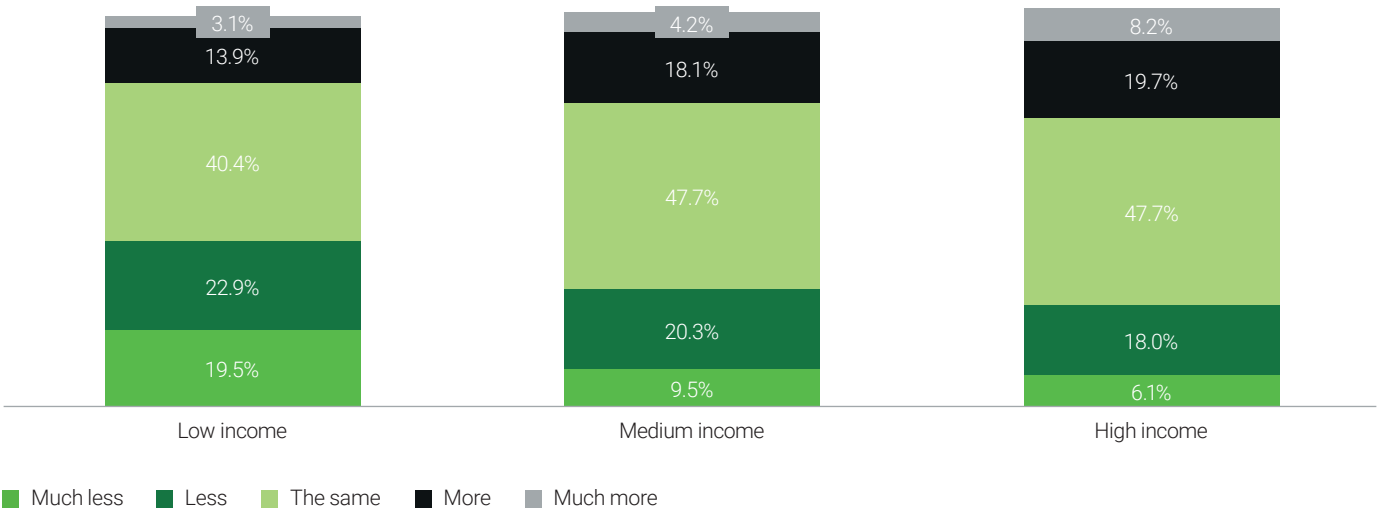
The winners will be those travel, hospitality and leisure companies who execute brilliantly on their product, and delight customers on every step of the journey."

– **STEVE BRAUDE, PARTNER & MANAGING DIRECTOR**

PLANNED 2024 LEISURE SPEND ACROSS INCOME

Do you plan to spend 'less', 'the same' or 'more' in the following shopping areas next year?

CATEGORIES: Out-of-home entertainment | Home entertainment | Restaurants and bars | Travel and holidays



Within the restaurant and bars sector, there is still a latent demand with the majority of consumers protecting their spend. Our data suggests that consumers will be reticent to trade down on quality. Many will instead reduce the frequency of meals and drinks out of home, rather than diminishing the quality of the experience, focusing on special occasions, especially for consumers in lower income brackets.

Consumers also told us that they spent far less in 2023 on travel and holidays than they did in 2022, despite our World In Motion travel study from Q1 2023 suggesting a more bullish approach to spend in this category this year. For example, 40% of UK respondents indicated they would spend more in 2023 (only 9% indicated less). However, our latest data indicates that 44% actually spent less vs. 2022, while only 20% increased spending.

The data also anticipates a further net spend reduction in travel in 2024. 35% of all consumers plan to spend less on travel than they did this year, with 26% expecting to spend more.

For those who say they'll spend less next year travelling, we believe cutbacks will take two key forms – the number of trips per year and the distance travelled. However, as with restaurants and bars, when respondents do travel, they may sacrifice frequency but will not compromise on quality.

This is important because operators must build and promote a clear identity to offer a high-quality experience or great value for money – those in the squeezed middle are unlikely to benefit as customers prefer to double down on dependable operators rather than trade down.



While frequency of spend or travel may suffer, consumers will still be less willing to trade down or compromise on precious occasion- and experience-driven moments."

– BEATRIX MORATH, GLOBAL CO-LEADER, HOSPITALITY, TRAVEL & LEISURE

“

Only those retailers at the very top of their game will retain or grow share of wallet.”

– **MATT CLARK, HEAD OF EMEA RETAIL**



KEY TAKEAWAYS:

- The implications for retailers, consumer products and leisure companies is clear: affordability is uppermost in the minds of EMEA consumers. An efficient product range and offering in retail is critical to remain attractive and capture reduced discretionary spend, while quality remains imperative for leisure operators to secure custom that may reduce in frequency in 2024.
- Product curation will take centre stage, as retailers and platforms compete to win consumers shopping less frequently and spending less. Precise curation requires prioritisation and optimisation online and in-store to ensure the right consumer segments are provided with the right products that meet their price point and category needs. Retailers must research their consumer base and analyse the data to provide a well-curated, affordable range.
- Groceries are the key outlier category in retail. As consumers commit to more conscientious grocery planning, consumer products brands must ensure that physical and online marketing and customer communications work harder to promote product awareness and value to drive consideration, in collaboration with retail partners.





3 OMNICHANNEL TARGETING

Omnichannel solutions are critical for retailers in their pursuit of different types of consumers.

Customers are using the convenience of the digital product comparison insights at their fingertips to shift spend across channels and categories to manage budgetary pressures. In turn, this is remodelling historical consumer segments that shop on certain platforms or for particular brands.

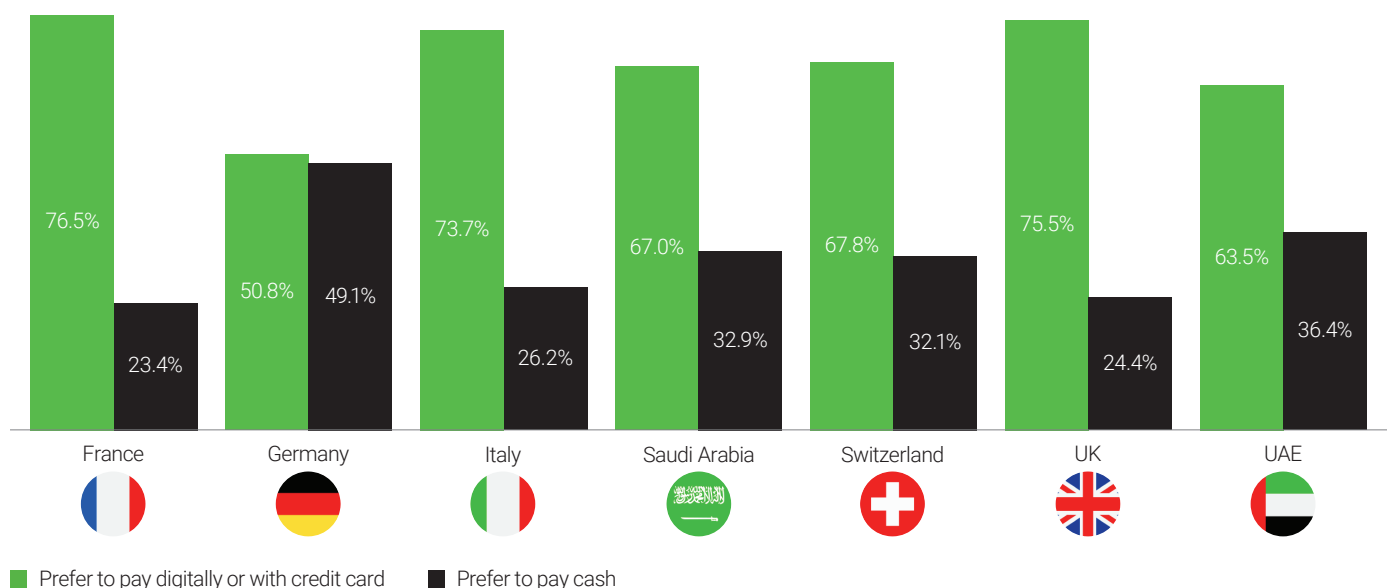
Care must be taken to avoid pushing out certain groups that have less familiarity with digital advances, especially those in lower-income households who use cash as a budgeting technique. This is even the case when comparing shoppers who prefer paying with cash vs. those that prefer paying with card:

- Across all seven countries surveyed, digital payment methods were preferred, although income level and age play a factor.
- While 79% of high-income consumers would rather pay with card than cash, this drops to 63% for low-income consumers.
- Similarly, more than 70% of shoppers under 44 prefer digital payment methods, but only 57% of shoppers aged 65 and over do as well.

French, British, and Italian consumers have the highest preference of paying with card vs. cash, at 77%, 76% and 74% respectively. German consumers, on the other hand, were evenly split, with 51% preferring card and 49% still preferring cash, in line with lower overall digital adoption in the country.

CONSUMER PAYMENT PREFERENCES ACROSS MARKETS

Which statement applies more to you?



Age also plays a significant role in preferred channel communications in the shopping journey:

- Nearly 70% of consumers in the 18-64 age range prefer receiving promotional information online rather than under 30% preferring print. The latter increases to 47% for consumers aged 65+, but still highlights the critical role that digital plays across all age ranges.

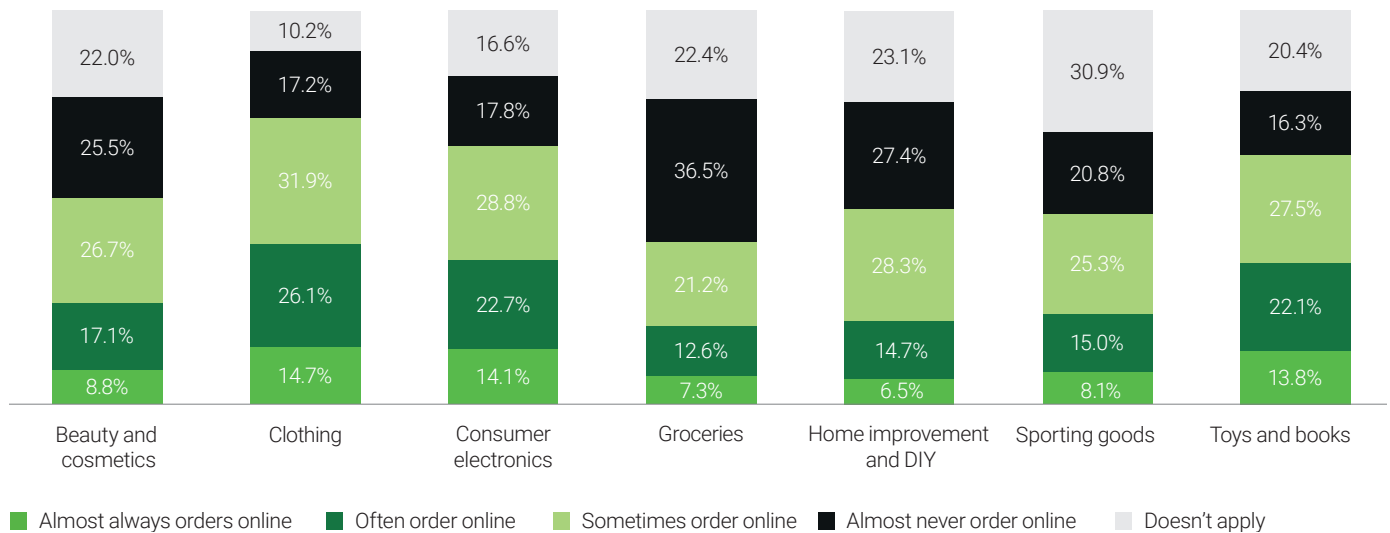
It is important for companies to consider this data when tailoring marketing and promotional strategies, to ensure they invest in the right areas. Preference for physical leaflets from older consumers is likely due to familiarity and lack of acceptance of digital alternatives.

We also asked consumers why they prefer shopping online rather than in-store, and two key themes emerged: convenience and product availability:

- "The higher prices in store compared to online" was the number one choice, followed by "it's less convenient to go to the store" and "narrower product selection in-store"
- Clothing and consumer electronics were the two most popular categories in online shopping – two areas where in-store supply can trail far behind online availability and the size of ranges.

ONLINE RETAIL PURCHASING HABITS ACROSS CATEGORY

We now turn to online retail purchases. Which of the following retail categories do you already order online (for home delivery) and how often?

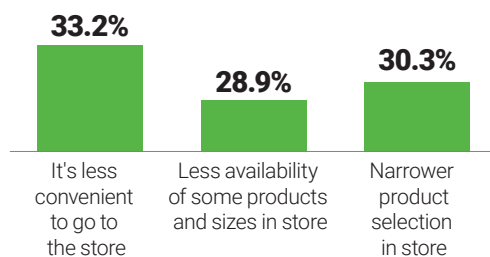


Shoppers that prefer buying certain products in-store vs. online are most concerned about product quality and cost.

- 51% of this segment need to see and touch the product before buying it – by far the top answer – while 33% believe the in-store experience alleviates product quality concerns.
- 34% said the cost of delivery is too high, while 28% eschew online purchases because of the cost and hassle of returns
- In travel, online players command the majority of consumers over traditional travel agents – with the top 3 choices: Booking.com (34%), Airbnb (14%) and Jet2Holidays (12%).

IN-STORE PURCHASE CHALLENGES FOR RETAIL

What are the top 3 reasons that prevent you from buying these products in-store? (please, select up to 3 answers)



Higher prices in store	38.0%
It's more stressful to go to the store	30.8%
I receive tailored offers for online purchases	19.0%
Going to the store costs too much	18.9%
It is inconvenient to take products home	16.8%
I find advice from store assistants annoying	13.6%
There is no shop near me	13.1%
Other	5.8%

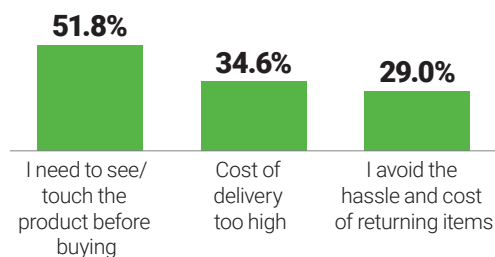
The topic of online delivery, once again, splits respondents by income level and age. Retailers must factor in the demographics of their target consumer bases when iterating channel operation strategies:

- 45% of high-income respondents often or always order online for home delivery, compared to just 27% of low-income shoppers.

While 62% of those under 45 years old shop online for home delivery at least some of the time, only 45% of shoppers aged 55 and older will do the same.

ONLINE PURCHASE CHALLENGES FOR RETAIL

What are the top 3 reasons that prevent you from ordering these products online for delivery to your home? (please, select up to 3 answers)



Concerns over product quality	33.8%
I want advice from a store assistant	22.8%
Delivery times are too long	18.8%
I fear risk of damage during shipping	17.7%
Less availability of product and sizes online	13.2%
Privacy concerns	8.7%
The products won't be delivered to my home	8.1%
Other	7.6%



IN-DEPTH INSIGHTS

4 CUSTOMER PERSONALISATION AND LOYALTY

As we covered earlier this year in our [Digital-First Retail Report](#) in partnership with World Retail Congress (WRC), consumers now expect a personalised experience.

A personalised and frictionless experience at every touchpoint in the omnichannel shopping journey is critical to satisfy consumer needs. An easy-to-navigate website and app are crucial, and by leveraging user data, savvy companies can serve customers the most relevant content, promoting engagement and extending retention. User-generated content such as reviews, ratings, and photos also help personalise online shopping journeys.

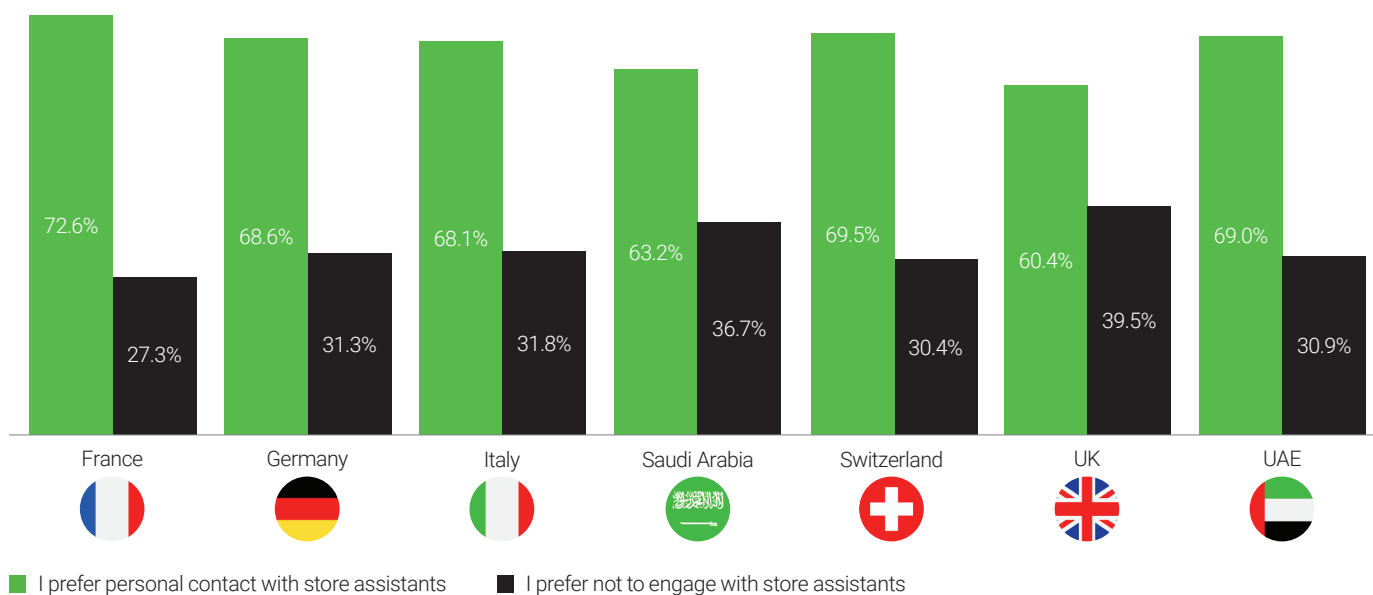
Despite the prevalence of online shopping, personal interaction remains an important source of inspiration for EMEA consumers – nearly two-thirds prefer personal contact with in-store assistants. This mirrors similar findings from our US Holiday Outlook Survey, where 41% of respondents plan to ask store employees for advice, information, or recommendations.

We also see from our study that older and lower-income consumers display a stronger affinity for in-store help: .

- Fewer than 60% of shoppers under 35 prefer engaging with in-store assistants, but more than 75% of shoppers aged 55 and older do.
- By country, French consumers most prefer personal contact with in-store assistants at 72%, followed by Swiss and Emirati shoppers at 70% and 69% respectively.

IN-STORE ENGAGEMENT ACROSS MARKETS

Which statement applies more to you?



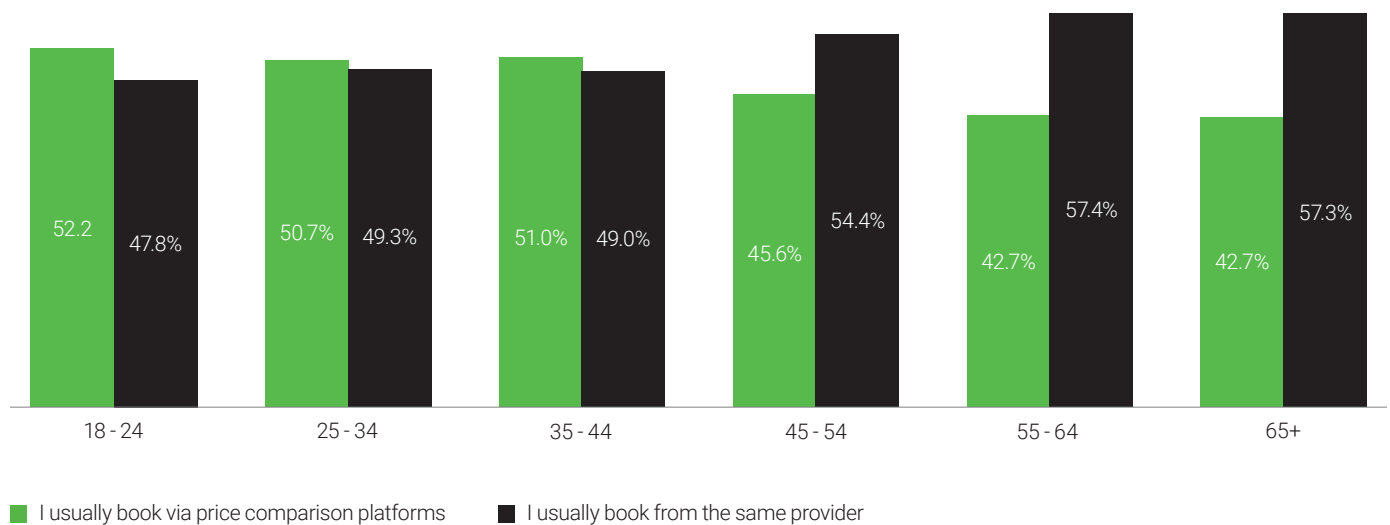
Across our data, more than 50% of consumers enjoy receiving offers tailored to their specific shopping behaviours and needs, as opposed to promotions inclusive of all consumers. This is especially true of high-income and younger consumers, and for those countries where loyalty schemes tend to be more widespread and advanced:

- In Switzerland and the UK, 54% and 52% of high earners, and 61% and 58% of consumers aged 18-24 prefer tailored offers, respectively.

When we investigate the leisure sector, the battle for loyalty is a fierce one. All age segments across all markets prefer price shopping online to lock in the best deal.

TRAVEL PURCHASE PREFERENCES ACROSS AGE-GROUPS

Which statement applies more to you?



As such, efforts to augment consumer loyalty must go beyond pricing, and a thoughtful, tailored user experience for consumers can gain a competitive edge. The companies that successfully execute personalisation initiatives across every touchpoint won't only improve consumer loyalty but can also reduce the need to compete in price wars.

“In times of shrinking consumer demand, it's more important than ever to have the right offer for the right customer group.”

– **NORDAL CAVADINI, PARTNER & MANAGING DIRECTOR**



IN-DEPTH INSIGHTS

5 USE OF TECHNOLOGY

The race to harness AI has gripped every business sector and industry in 2023, driven by the advancements of Generative technology. Within retail, this technology can improve the online buying experience, especially in sectors where consumers prefer to test in person such as beauty and cosmetics or apparel. For example, while AI's global market size for the beauty and cosmetics industry was valued at \$2.7 billion in 2021, it is expected to reach \$13.3 billion by 2030, according to a [market intelligence report by InsightAce Analytic](#). Companies are already using AI advances to allow consumers to [virtually apply make-up](#) or [discern their "skin age"](#), while the technology is also increasingly deployed to aid better customer product choices online and reduce return rates in apparel.

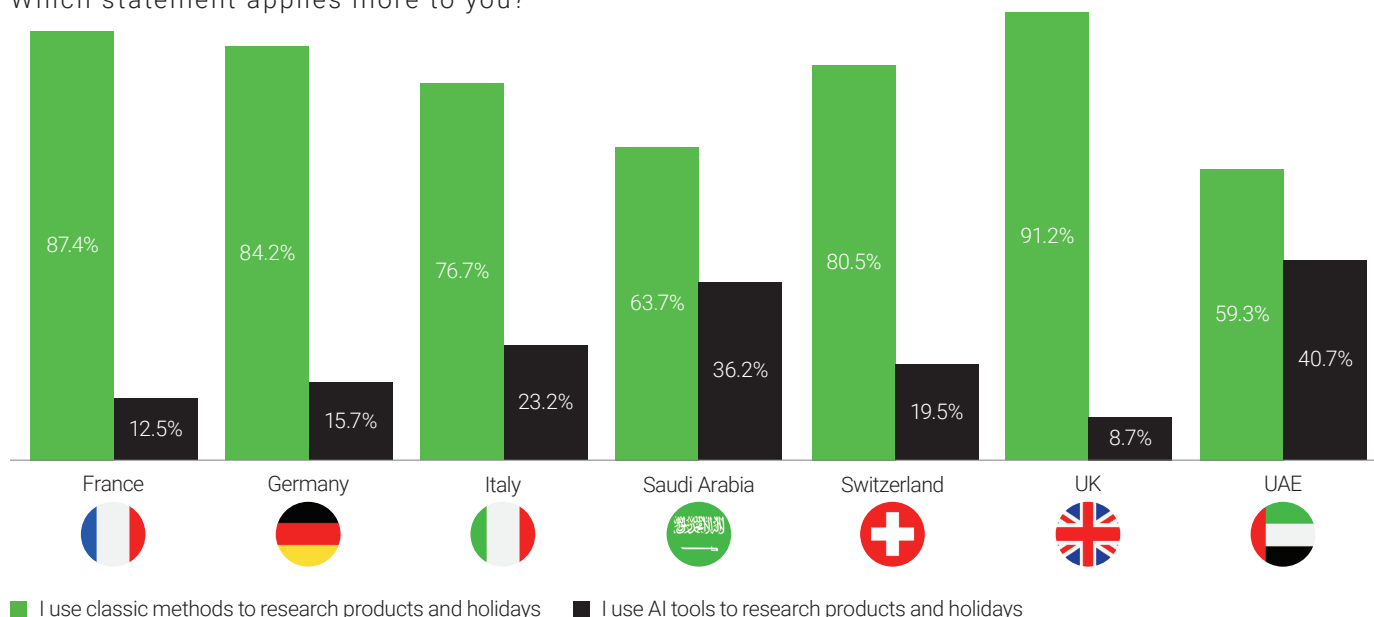
Beyond improving the shopping journey, Generative AI can serve a key role in supporting staff shortages or driving operational efficiency. GenAI solutions in contact centres present an alternative as a first point of contact for consumers, which can often answer more predictable questions, freeing up human customer service agents to handle more complex tasks. As a rule of thumb, while GenAI business use cases will continue to expand, the tech is currently best suited to automate repetitive tasks, as well as summarising vast amounts of content and data.

From a consumer perspective, AI adoption and usage for product discovery is catching on fastest in the Middle East:

- 41% of consumers in the UAE and 36% in Saudi Arabia are utilising AI tools to research products and holidays.
- Among the five European countries in our survey, Italian consumers scored highest in this respect, at 23%. Interestingly, while the UK uses the digital channel the most for purchases, it significantly trails the other four European countries in AI usage for research.

RESEARCH PREFERENCES OF TRAVEL CONSUMERS ACROSS MARKETS

Which statement applies more to you?

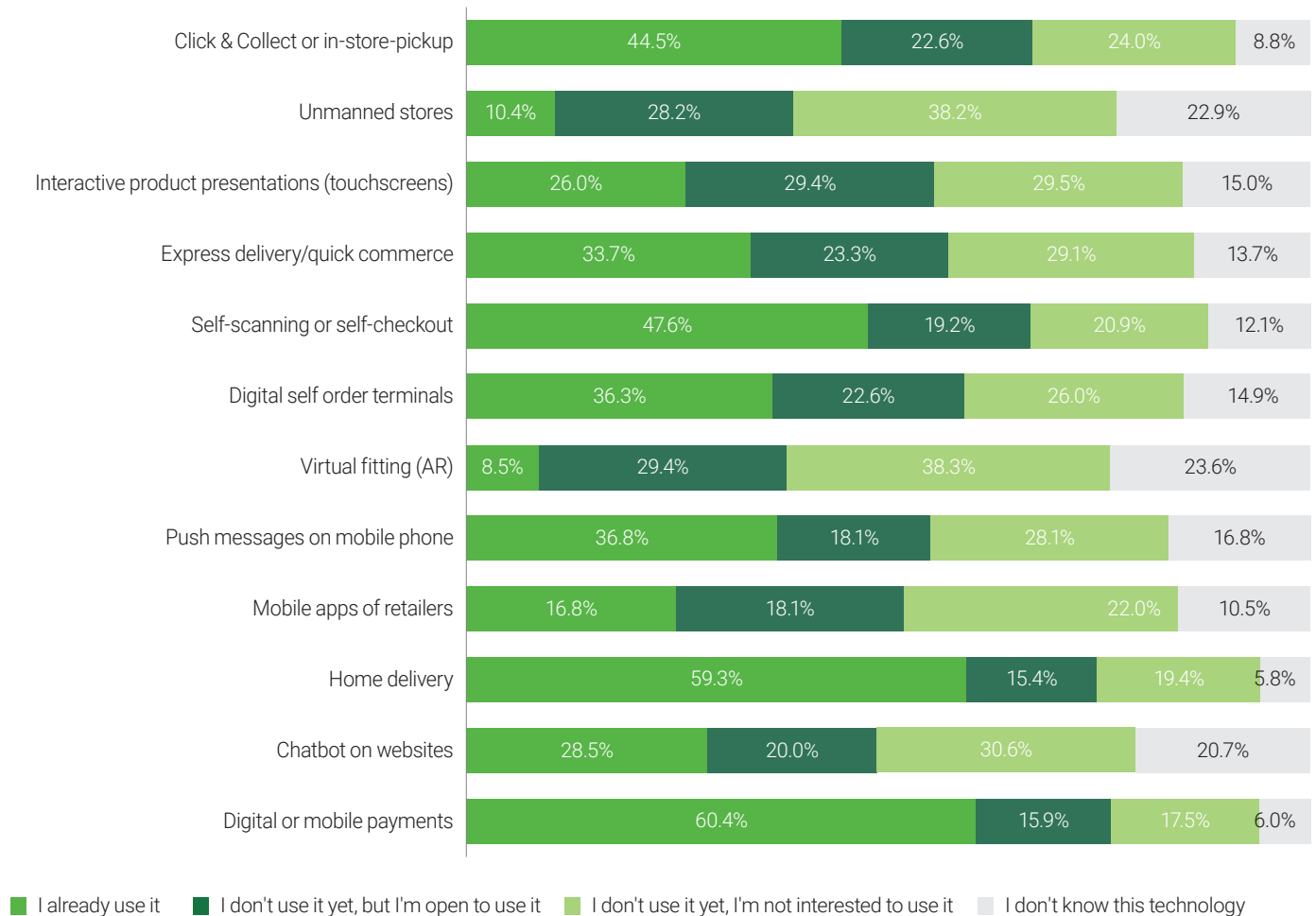


Consumers across regions show enthusiasm around other modern digital offerings too:

- While only 9% of all respondents currently use virtual fitting rooms via AR and only 10% shop at unmanned stores, 29% and 28% respectively say they're open to using this new technology. This provides a key opportunity for retailers, given shoppers' willingness to adopt new technologies and their curiosity and desire to experiment.

USAGE OF TECHNOLOGY BEING ADOPTED BY CONSUMERS

Which of the following digital technologies or applications do you use or are you interested in?



On the topic of personal interaction in digital payments, we see a pronounced shift along age and income levels:

- 55% of shoppers under 25 would rather pay at a digital terminal than at a counter with a cashier, while more than 80% of shoppers 65+ prefer the traditional cashier option.
- 67% of low-income shoppers prefer checking out at a served counter, but high-income shoppers are split nearly 50-50 between this option and a digital self-checkout.

It remains vital for retailers to carefully cater to older generations who may be less comfortable with automated solutions, as they hold considerable purchasing power. In our annual Singles' Day report this year, the silver economy of older shoppers proved to be the key demographic segment. Embedding comfort and convenience throughout the shopping journey is important for retailers to respond to this segment's unique behaviours and preferences, and retain their custom.



CONCLUSION

How hard and for how long the economic headwinds blow in 2024 will go a long way to determining where consumer sentiment shifts.

- As the persistent effect of inflation continues, consumers will tighten spend and manage costs more effectively. There will be trade-offs with purchases, with either a focus on reducing category or frequency of spend. This will have a direct impact on mid-market players, who will need to make important strategic decisions on positioning in the market.
- Businesses across consumer-facing industries must excel at the basics that drive value for customers. Ensuring relevancy – both at a category/product level and price point, Operational efficiency – across and through all channels, and marketing delivery – personalised to drive demand, are all working effectively.
- Outcomes of such turbulent times will likely accelerate transformation and consolidation in the sectors where fragmentation remains high. Increased competition will make it tougher for all players in saturated markets to survive or thrive across categories; whether that comes in the form of cost-out, working capital optimisation, or M&A activity, which will define sector differentiation.

Companies that carefully lay out business planning and operations to account for the shifts in 2024 that our data suggests can best position themselves to ride the waves of uncertainty until spending habits return to healthier levels. The pendulum always swings back – prepare today to take advantage tomorrow.

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These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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