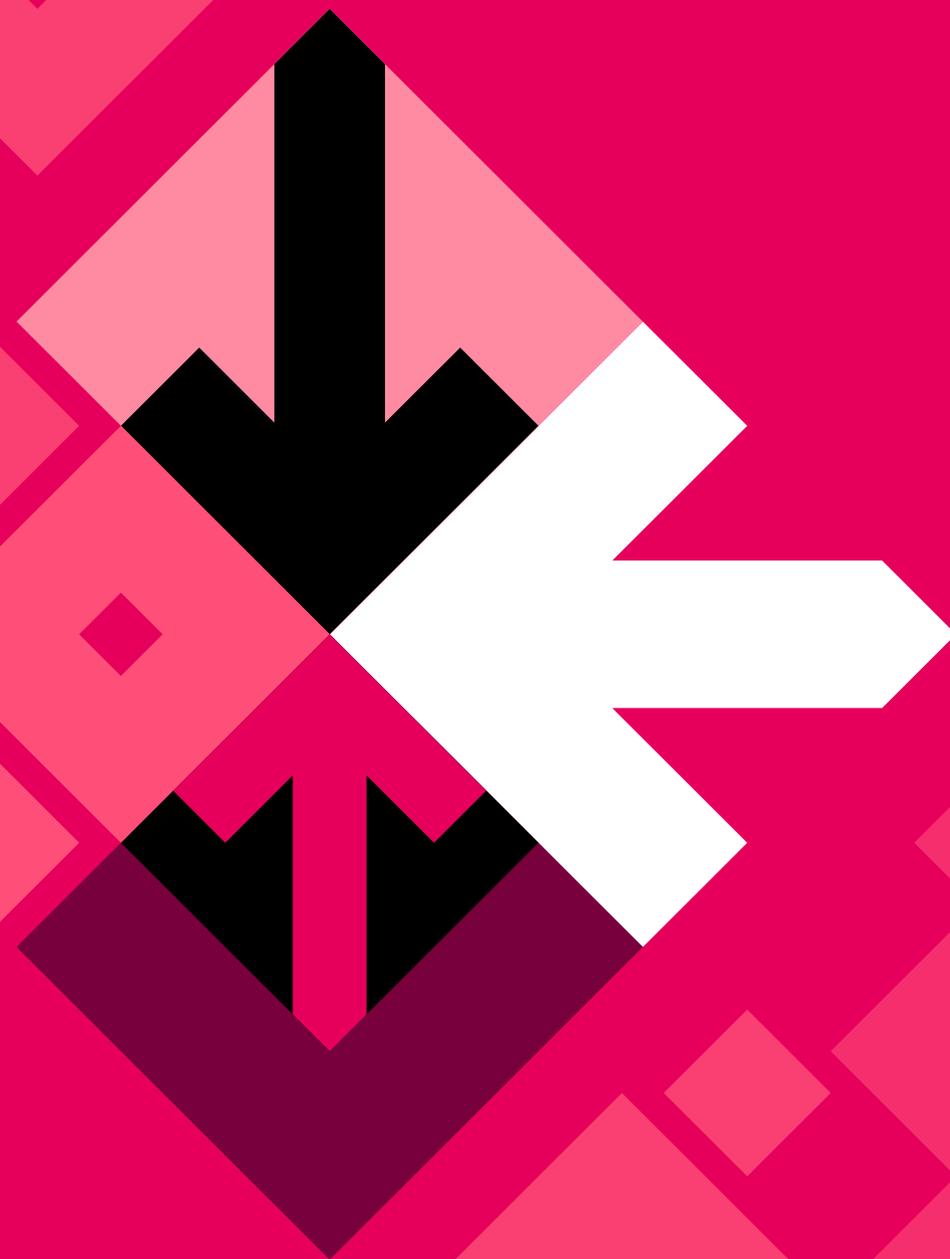


RETAIL BENCHMARKS

Adjusting for inflation.

Examining how shopping habits change in the face of economic uncertainty.





Overall shifts in shopping habits.

Have we entered the age of the budget conscious shopper?

It sure seems like it, as reports show [downtrends in overall consumer spending](#) in Q2 of 2022. When surveyed, three in four (75%) consumers in the U.S. and UK say they have cut their spending by at least 25%, but another 38% in the U.S have cut their spending by 50% or more.

However, the impact of tighter budgets isn't reflected in the amount consumers may purchase at one time. Average cart values have even grown over the past six weeks, reaching or exceeding values seen in 2021.

Where we're seeing cutbacks, is in the frequency of purchases, with weekly conversion rates declining 12% between May and July. With higher prices, one in three consumers (37%) are now pre-planning and purchasing items all at once to help keep to their budget. This change in shopping habits could pose a new challenge for retailers. One bad experience could not only threaten a purchase from that one shopping moment, but potentially months of planning or wishlist building.

Shopping frequency and value are just the tip of the iceberg when it comes to shifting consumer habits. Analyzing data from the Quantum Metric platform and our latest survey of U.S. and UK consumers, here are the top inflation behaviors retailers should take note of today:

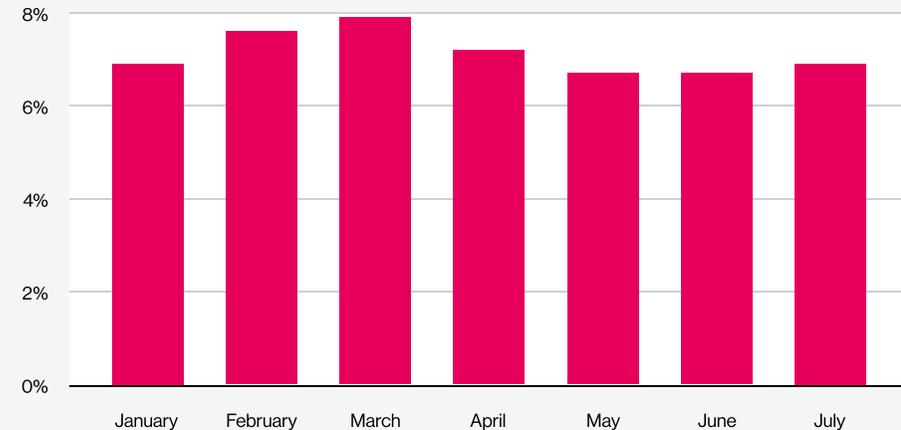
1. Consumers are turning to credit or Klarna for relief.

In the face of higher prices, many Americans are turning to credit cards with half (45%) opening a new card in the past six months to manage their spending. Charging for purchases doesn't always put consumers in the best financial position, though. In fact, 38% of Americans say their credit card balances have doubled in the past six months and another 46% even say their credit score has taken a hit due to higher balances. Debt challenges could have a lasting effect on future spending, especially following the holiday season when bills get high.

UK shoppers seem to be a bit more conservative with how they will use credit. With just 33% opening a new card in the last six months and 31% noting their credit balance has doubled.

Those who aren't charging items, are opting for buy-now-pay-later (BNPL) services to manage costs. Data from Quantum Metric's platform shows adoption of Klarna, Affirm, and AfterPay grew towards the end of Q1 as prices started to spike and usage has held fairly steady over the past five months (January - July). On average 6 percent of retail purchases in 2022 have been done through BNPL.

Percentage of consumers paying by BNPL: 2022



Breaking up purchases into monthly payments, consumers are more frequently purchasing what they need, when they need it, and folding the cost into their monthly bill pay. Two in five consumers (39%) admit they've had one BNPL payment every month in 2022 and another 39% admit they've had multiple payments occurring in the same month. Consumers buying bigger ticket items are more likely to use BNPL with the service seeing purchase values that are 24% higher than other transaction methods.

2. Generic store-brands are the new go-to.

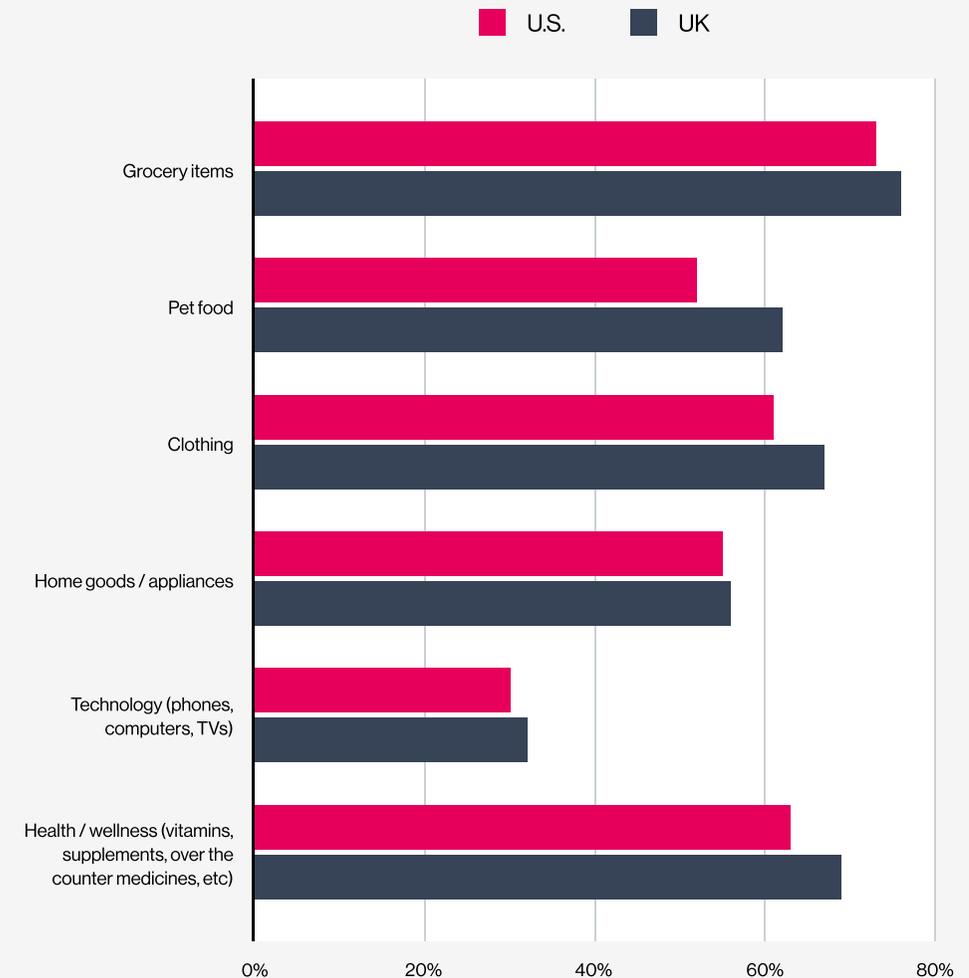
As costs climb, named brands can start to lose their shine—especially if consumers feel they can be easily replaced by a more generic item. This is especially the case in the UK, where two in three Brits will opt for generic or store-brand clothing items (67%), as well as health and wellness items (69%) to cut costs. Over half in the U.S. and UK (55%) would even go generic for home goods such as furniture, sheets, decor, or even appliances.

The items consumers are most likely to buy generic are in some ways the most important—food. In fact, three in four consumers in the US (73%) and UK (76%) will opt for generic grocery items to cut costs. Meanwhile, just 52% of Americans and 62% of Brits will buy generic pet food, proving that not even inflation can stop us from spoiling our fur babies.

Overall, groceries seem to be the area where consumers are most likely to make budget cuts. One in three in both countries (34%) have actually switched from their preferred grocer to a lower-cost option to make ends meet.

Survey responses:

To cut costs, which of the following item types would you consider purchasing generic over named-brands?



3. Out-of-stock is out-of-control.

Changing habits will add to the persisting inventory challenges facing retail. Out-of-stock concerns continue to plague the shopping experience, with 85% of Americans and 79% of Brits experiencing issues with stock on a monthly basis. For US consumers it's become almost a weekly occurrence as 42% run into out-of-stock issues three or more times a month!

If it's not out-of-stock, retailers are facing bloated inventory as consumer demands quickly pivot. The switch to low-cost items will do this again.

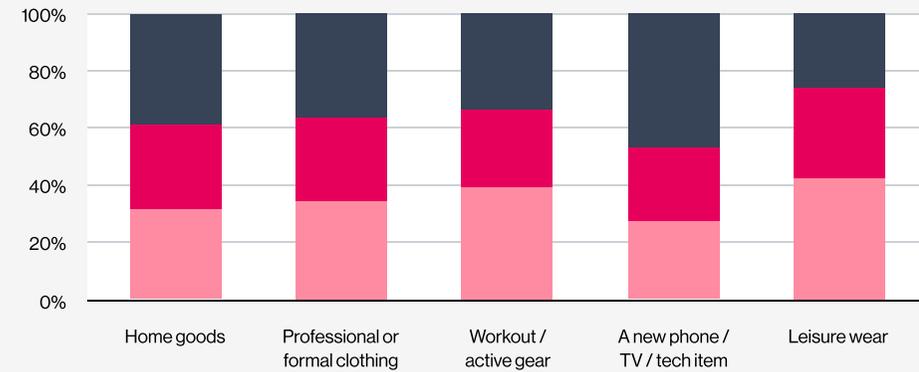
Take apparel as an example, where more than half will opt for generic options to cut costs, two-thirds of consumers don't plan to purchase more professional or formal clothing (65%) or even workout gear (62%) for at least six months. The clothing they are purchasing today? Leisure wear — with almost half (42%) planning to purchase comfy (likely generic) clothes in the next three months.

Survey responses:

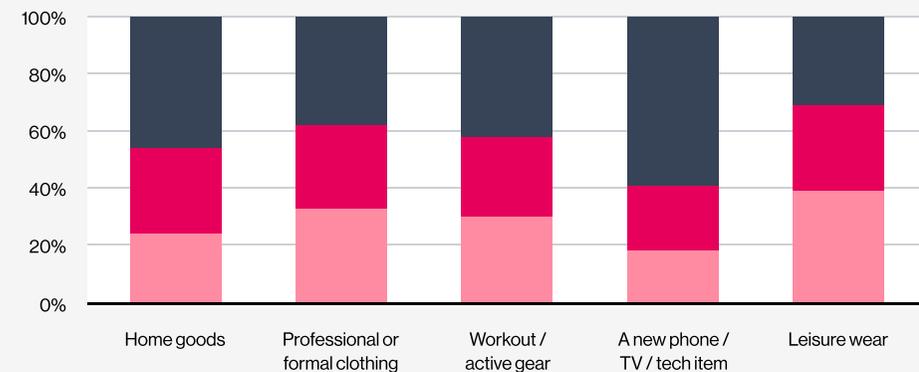
How likely are you to purchase the following items in the next 3, 6, or 12 months?

3 months 6 months 12 months

U.S. responses



UK responses



4. It's all about the value.

If retailers want to win consumer's business, they'll need to focus on offering the best value. As prices have climbed over the past three months, so have customer expectations. Price is not the only factor the budget-conscious consumer looks for. In fact, only 36% of consumers will pick a retailer to shop with based on price. For the rest, it's about value. Be that a high quality product (37%) or a high quality experience (27%).

Cost concerns may not always be in a retailer's control, especially during periods of economic uncertainty. The one thing that is always in their control - how consumers perceive the value of their shopping experience, both at the moment of purchase and long after they've received their product.



Inflation and back-to-school.

This year is all about back-to-school basics.

The only items on this year's school list will be the ones that parents deem as absolutely critical. Higher prices have prevented 41% of Americans and 34% of Brits from being able to purchase all of the school or college supplies that they had originally intended. Three in four of this group (71%) noted they will only purchase items they see as essential.

What could count as non-essential? According to our [mid-spring survey](#) on expectations for the back-to-school season, almost half noted that new tech, such as laptops or tablets, and home office needs would make up less than 10% of their budget for the season. With smaller budgets, it's safe to assume that these items were probably the first to come off of the supply list.

A recent decline in traffic for personal tech and big box retailers supports this hypothesis. Between March and June, 2022 personal tech saw a decline in overall traffic by 30%, while big box retailers saw a 19% drop. In comparison, average traffic across industries saw a 9% decline between March and June.

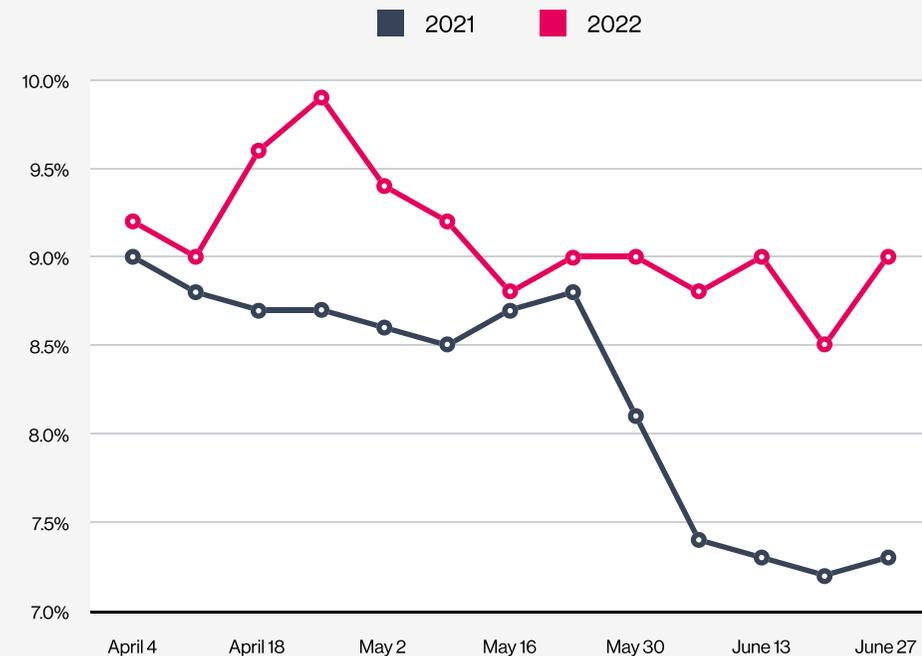
The mental toll of back-to-school shopping.

We might be talking about pencils and binders, but back-to-school shopping is still a stressful experience. As shoppers focus on just the essential items, two in three feel anxious that their decision not to get everything on their child's list could negatively impact their school year.

The emotional draw of back-to-school shopping drives more pre-planning and wishlist development. While 38% of all consumers use wishlists to plan purchases and prepare for sales, 69% of back-to-school shoppers do this at least once a month. Similar to the 2021 holiday season, wishlists are showing up as a spike in abandoned cart rates. Taking a close look at weekly abandonment rates from the Quantum Metric platform, we see a 23% average increase between 2021 and 2022.

What does this mean for retailers? Personalized promotions and offers will continue to be critical to fostering long-term loyalty. As purchases are more dependent on budget, there may be new opportunities to boost back-to-school sales into the fall or early holiday season.

Weekly abandoned cart rates: 2022 vs. 2021





Planning for the holiday season.

How will consumers be spending this holiday season?

Inflation will not be the end of Christmas gifts anytime soon. Despite higher costs, smaller budgets, and expected inventory challenges, the majority of consumers still plan to buy their holiday gifts. In fact, just 10% of consumers will buy fewer physical items and go for more experiences to cut down costs.

That said, we can expect to see a drop in overall revenue from the holidays. While most Americans (47%) planned to spend more than \$500 on holiday gifts in 2021, the majority (52%) now say they will spend less than \$500 on gifts for the season.

In the UK, there was less of a shift in consumers spending with the percentage spending over £500 dropping from 36% in 2021 to 33% in 2022. The majority of Brits will now spend less than £500 (61%).

How will consumers still find the best gifts on a budget? By shopping for a smaller number of people. One in three (33%) will forgo gifts outside of their immediate family, while nearly another half of consumers (47%) will significantly limit who they give presents to.

Survey responses:

How much do you estimate you'll spend on holiday gift shopping this year?

■ 2021 ■ 2022

U.S. responses



UK responses



Holiday shopping is now a year-round affair.

Financial concerns and the search for deals has pushed many consumers to start thinking about their holiday gifts long before there is even a chill in the air. For example, 20% even start budgeting for the holidays at the start of the new year! By the end of this summer, half of consumers will have started budgeting for the holidays, while 40% of Americans and 30% of Brits will have already started shopping.

As credit card use climbs in response to inflation, Americans admit they are taking advantage of being able to charge gifts. More than half (54%) reserve their credit card points or rewards to redeem for holiday gifts, while another 39% are looking for new cards that could provide promotional perks for the holiday season. The biggest focus for Brits is sales with 66% taking the time to strategize ahead of major sales to get the biggest bang for their buck.

The other side of holiday budgeting will be determining what other expenses to restrict or completely forgo to afford the holidays. With gas prices continuing to surge, nearly half of consumers in both countries (45%) are limiting their travel to conserve funds. This will put the brakes on social events with one in three (31%) planning to forgo holiday parties altogether and half (47%) being selective about what they attend.

For some the pressure to save goes beyond weekend activities and parties, directly impacting their monthly expenses. Half of consumers (47%) note they will try to limit groceries, along with the use of heat and electricity to cut monthly costs and reserve more for the holidays.

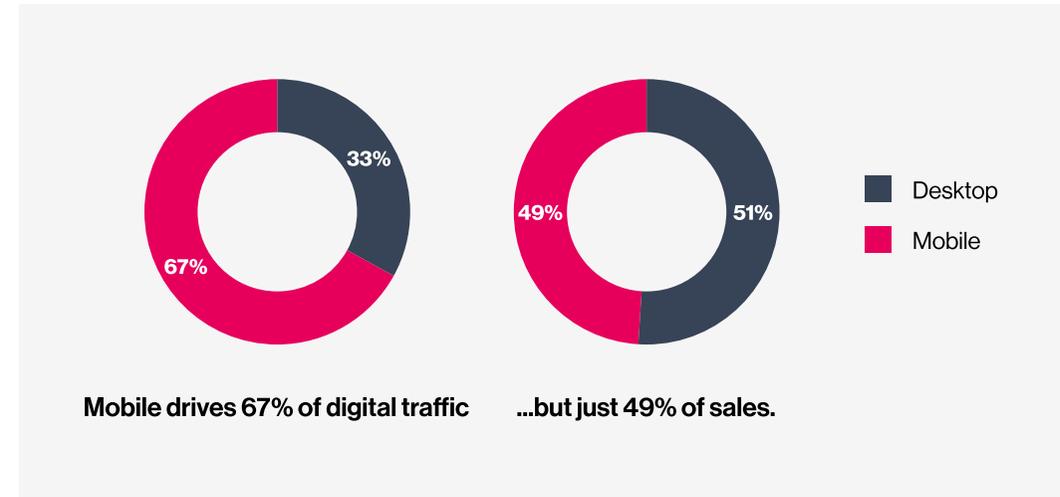
Similar to back-to-school shopping, this will make the holiday shopping season more personal, emotional, and stressful for consumers. It should be retailers prerogative to ensure that when they do choose to spend their money, every step of the purchase experience is effortless.

The return of Black Friday and Cyber Monday.

There's no doubt consumers are on the hunt for a good deal this holiday season, which will make Black Friday and Cyber Monday more important than ever. Four in five consumers (80%) already plan to shop Black Friday this year and 57% of those who will shop the sales have either never done so before or have just a few times in the past.

Despite storefronts being fully open, the majority of sales traffic will still happen online with three in four (75%) consumers noting they will do the majority of their shopping digitally. Recent trends in traffic and conversion rates by device show that we can expect the most traffic for the big sale days to be seen on mobile, but the majority of the purchasing action will continue to live on the desktop.

In fact, 2022 conversion rates on web are twice as high as what is seen on mobile. As more consumers crave the cross-channel shopping experience, it will be critical for retailers to offer a consistent experience, especially on major sale days.



The big question for Black Friday and Cyber Monday is whether all the packages will make it to their destinations. In the last year, packages have become more likely to be “ghosted” — either severely delayed or just lost within the mailing system. Three in four Americans (72%) and 67% of Brits have had this happen at least once in the past year, while more than one in three Americans (37%) have had it happen three times or more.

With higher volume expected for holiday sales, more packages could disappear. While retailers can't control deliveries, it's important to stay connected with customers in the post-purchase experience, offering easy access to support and reordering, if needed. Critical to minimizing holiday stress, it's this type of engagement that will foster long-term loyalty.

How retailers can combat the effects of inflation.

Our research shows that consumers will drastically cut spending in the coming months, making tough, emotional decisions on what to forgo and what to buy. In response, retailers will be put to the task of continuing to deliver a consistently great experience, while also cutting their own costs in light of economic uncertainty. What steps should retailers take today to find the balance?



Personalize touchpoints to build loyalty: Data from the wishlist many consumers are building monthly can be used to create custom recommendations or promotions. When budgets are tight these can go a long way versus more general sales or promotions.



Integrate business and marketing strategies: In the face of inventory challenges, retailers can turn to product design to boost sales of bloated stock and retain customers in the face of out-of-stock issues. Working with [Bass Pro Shops](#), Quantum Metric helped the brand see an 8% lift in conversions by offering alternatives when certain items weren't available.

3

Continue to experiment with product design and UX:

Experimentation continues to be key in economic uncertainty, especially when brands have less opportunities to win customers. Continue to test and analyze to understand how your customers engage with product information to find what they need today.

4

Ensure content is clear: While nimbleness and experimentation are important, change can also lead to consumer confusion. It's important that change is accompanied by clear and effective communications to ensure you don't lead customers down the wrong path.

5

Build a company-wide understanding of the customer

experience: From contact center to executive team, it's critical that every person in the organization can easily see, empathize, and act on behalf of the customer. This saves time, improves alignment, and enables your teams to iterate at the pace of changing customer demands.

Want to learn more about how a customer-driven approach to digital can save your organization millions?

[Check out](#) how retail leaders like Lululemon are partnering with Quantum Metric to understand shopper behavior, align internally, and exceed goal after goal.

About our methodology.

The findings presented in this report are based on anonymous and aggregated browsing information across a set list of retail sites and native apps collected via the Quantum Metric platform from Jan. 2020 through July 2022. Survey responses were taken from a third-party poll of 3,400 consumers 18+, split equally between the U.S. and UK.

DEFINITIONS FOR METRICS SHOWN ARE AS FOLLOWS:

Abandoned carts

refer to the number of sessions where consumers placed items in a virtual cart, but did not complete a purchase.

Average order value

refers to the aggregated average amount that consumers purchase per transaction.

Conversion rate

refers to the aggregated percentage of completed conversions, during a specific period of time, compared against total sessions.

Abandoned cart rate

refers to the aggregated percentage of abandoned carts, during a specific period of time, compared against total sessions.

Conversions

refer to the number of converted sessions, which in turn corresponds to sessions that have completed a purchase.

Frustration rate

refers to the aggregated percentage of consumers who expressed frustration during their session, during a specific period of time, compared against total sessions.

For more information on these findings, contact press@quantummetric.com.



About Quantum Metric.

Quantum Metric is the Continuous Product Design platform. We help companies build better digital products faster, by keeping business and technical teams aligned, efficient, and focused on what matters most to customers. Our platform gives businesses real-time visibility into how their digital business is impacted, where exactly customers are struggling or engaging, and what efforts need to be prioritized based on economic impact.

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