Consumers seek frictionless experiences in a world of disruptions

February 2023 Global Consumer Insights Pulse Survey

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As 2023 unfolds, powerful internal and external forces are weighing on consumers and companies, producing frictions that can gum up the gears of commerce and stand in the way of more satisfying customer experiences. Concerned about inflation and the cloudy macroeconomic climate, consumers are realigning their shopping habits and adopting cost-cutting behaviours. Fully half of all consumers are either very or extremely concerned about their own personal financial situation. And 96% of surveyed consumers intend to adopt some type of cost-saving behaviour over the next six months. Still, eager to resume their pre-covid habits, they're returning to stores and travelling again. Empowered by technology, they're seeking and demanding seamless in-store and online experiences that better suit their lifestyles—and pocketbooks.

To a large degree, covid continues to influence the experiences of consumers and the industries that cater to them. E-commerce grew massively during the pandemic in part because in many areas it was the only type of commerce available. Some of that boom is subsiding. But what seem like short-term declines may simply be mean regression in the context of long-term growth; 43% of consumers said they plan to increase online shopping in the next six months. These are among the central findings of the latest Global Consumer Insights Pulse Survey, conducted in December 2022 among 9,180 consumers across 25 territories.

The demand and supply shocks brought about by covid continue to ripple through the economy and factor into consumers' decision-making, habits and attitudes. The inflation that the world is experiencing can be chalked up in part to the covid-era macro fiscal and monetary response. But, in 2022, new disruptive forces were added to the mix: geopolitical issues, an energy crisis and rising concerns over declining growth or recession. According to PwC's 26th Annual Global CEO Survey, nearly 75% of leaders believe economic growth will decline in the coming year.

Even as they take defensive actions, consumers remain resilient, demanding and eager to experiment. Consumers are seeking less friction—but that doesn't necessarily mean opting only for e-commerce, or for physical experiences that are entirely mediated by technology. They're continuing to experiment with the next generation of digital platforms, including the metaverse. And as more of everyday work and leisure life continues to go digital, mobile and virtual, concerns about data security and privacy remain a significant source of friction.

The survey makes it clear that companies must go beyond responding to consumers' evolving attitudes, actions and aspirations. They must identify, isolate and mitigate the many frictions that stand between them and their customers, and between their customers and optimal experiences. Beyond meeting consumers where they are—physically and psychologically—companies must invest to ensure that they'll be able to meet them where they will be in the future.

1

Inflation deflates sentiment

In 2022, a source of friction rarely seen in our prior surveys entered the field: inflation. Though inflation in a number of markets is coming off the boil, it remains a powerful factor. It would be expected to dampen consumers' spirits, because prices have been rising more rapidly than incomes in many parts of the world. For many consumers, especially in the US and Europe, this may be the first experience of sustained increases in price levels.

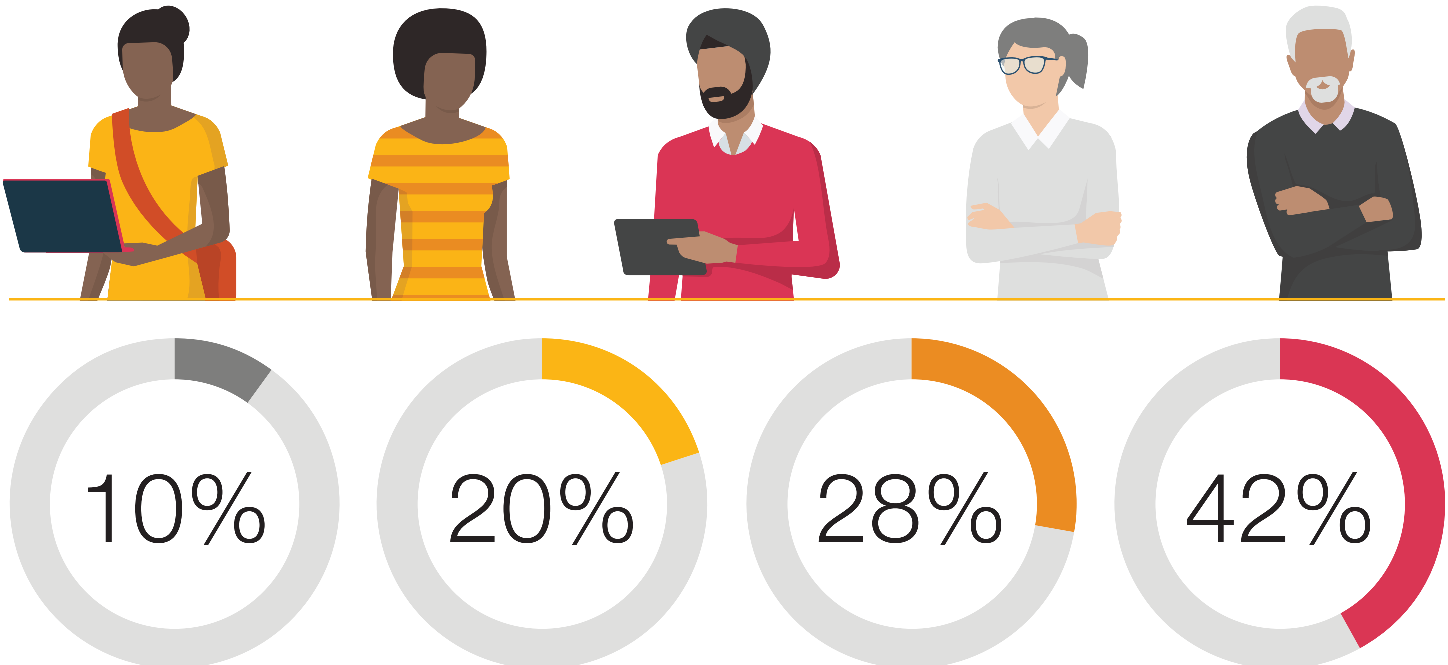
Half of consumers are extremely or very concerned about their personal financial situation (50%), with one-fifth extremely concerned (22%). More than two-thirds said they have changed their non-essential spending (69%), with 15% halting non-essential purchases altogether.

When it came to baseline concerns about the economy, personal financial situations and non-essential spending plans, four distinct groups emerged—albeit with notable regional variance. More than half (a combined 58%) comprise groups that are either not at all concerned or somewhat concerned that an economic crisis exists. The remaining 42%, the largest of the four individual groups, identify as the most concerned and have taken action to reduce non-essential spending. Looking across demographics, those aged 75 and older were among the least concerned (25% of the age group), while Generation X (ages 42–57) comprises the most concerned cohort (47%).

Four distinct consumer segments emerge

Question 1: Considering the current economic climate and potential cost-of-living impact, how concerned are you about your personal financial situation?

Question 2: Considering the current economic climate, which of the following statements best describes your situation regarding non-essential spending?



Not concerned and **haven't changed behaviour** on non-essential spending

Concerned but **haven't changed behaviour** on non-essential spending

Concerned to some extent and **have taken action** on non-essential spending

Most concerned and **have taken action** on non-essential spending

Source: PwC's February 2023 Global Consumer Insights Pulse Survey

96%

of consumers intend to adopt cost-saving behaviours over the next six months.

Looking ahead, however, it's a different story. Fully 96% of surveyed consumers intend to adopt cost-saving behaviours over the next six months. The most pessimistic group (42%) expects to significantly decrease their spending across all retail categories. They're less likely to travel, for instance, and more likely to switch to a cheaper brand of a particular product or even go without a regularly used one. In groceries, the area where consumers are least likely to cut back, 24% said they plan to decrease spending, compared with 12% in the prior survey.

There are some exceptions, though. Consumers have displayed a willingness to put their money where their values are. More than 70% said that 'to some or to a great extent' they're willing to pay more for food produced by local farmers and for goods made by a company known for ethical practices, such as supporting human rights or avoiding animal testing.

2

Pandemic patterns plateau

Diving deeper into consumers' shopping and behaviour trends, some shifts were evident from the prior survey, conducted early in 2022. When asked about their shopping frequency (daily, weekly, etc.) over the last 12 months across different channels, consumers in the present survey still chose shopping in-store as the most popular channel, holding steady at 43%. Use of mobile phones and smartphones was next (34%), followed by PCs (23%), though preference for both those channels dipped slightly, each by two percentage points, over the past six months. Consumers who aren't concerned about their personal financial situation and haven't changed their spending behaviour on non-essential products (excluding groceries) are significantly more likely to be shopping weekly in these channels.

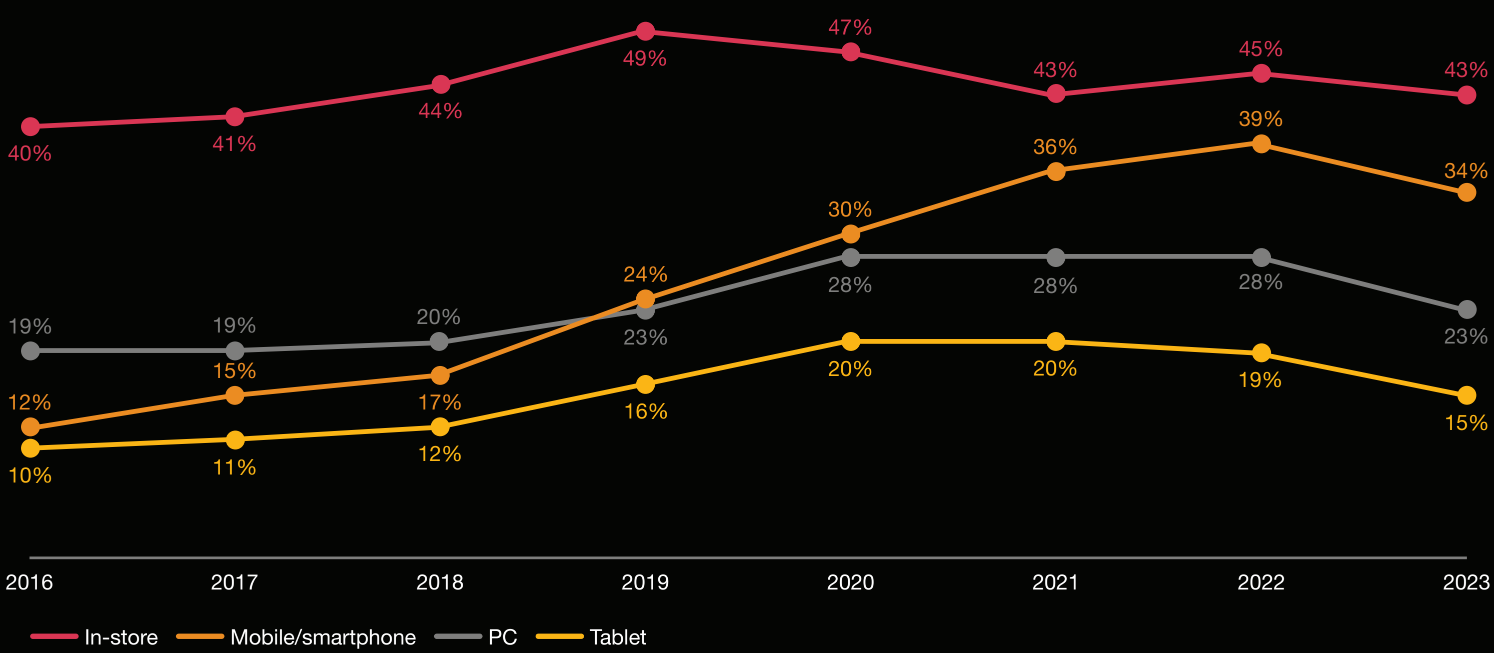
In a nutshell, many of the trends that got supercharged in the depths of the covid crisis, which is still ongoing in many parts of the world, have unwound. In-store shopping declined sharply in 2020 and 2021, but has rebounded. The share of those who said they engaged with various channels of e-commerce declined. But the data also shows that the long-term growth trends remain intact. And within digital shopping, as is the case in other areas of digital experience, mobile activities are gaining share at the expense of desktops and tablets (see PwC's *Global Entertainment & Media Outlook*).

Looking ahead, when consumers were asked about how their spending and shopping behaviour might change in the next six months, 43% said they plan to increase online shopping, down from 50% in our last survey. At the same time, plans to increase shopping in physical stores dropped significantly, too, from 33% to 23%.

Shopping habits stabilise

Question: In the last 12 months, how often have you bought products (e.g., clothes, books, electronics) using the following shopping channels?

Share of consumers stating they've shopped daily or weekly by each channel



Note: The 2020 survey had a city focus and is therefore not nationally representative for each country in the sample, but indicates trends. (Not including grocery.)
Source: PwC's February 2023 Global Consumer Insights Pulse Survey

3

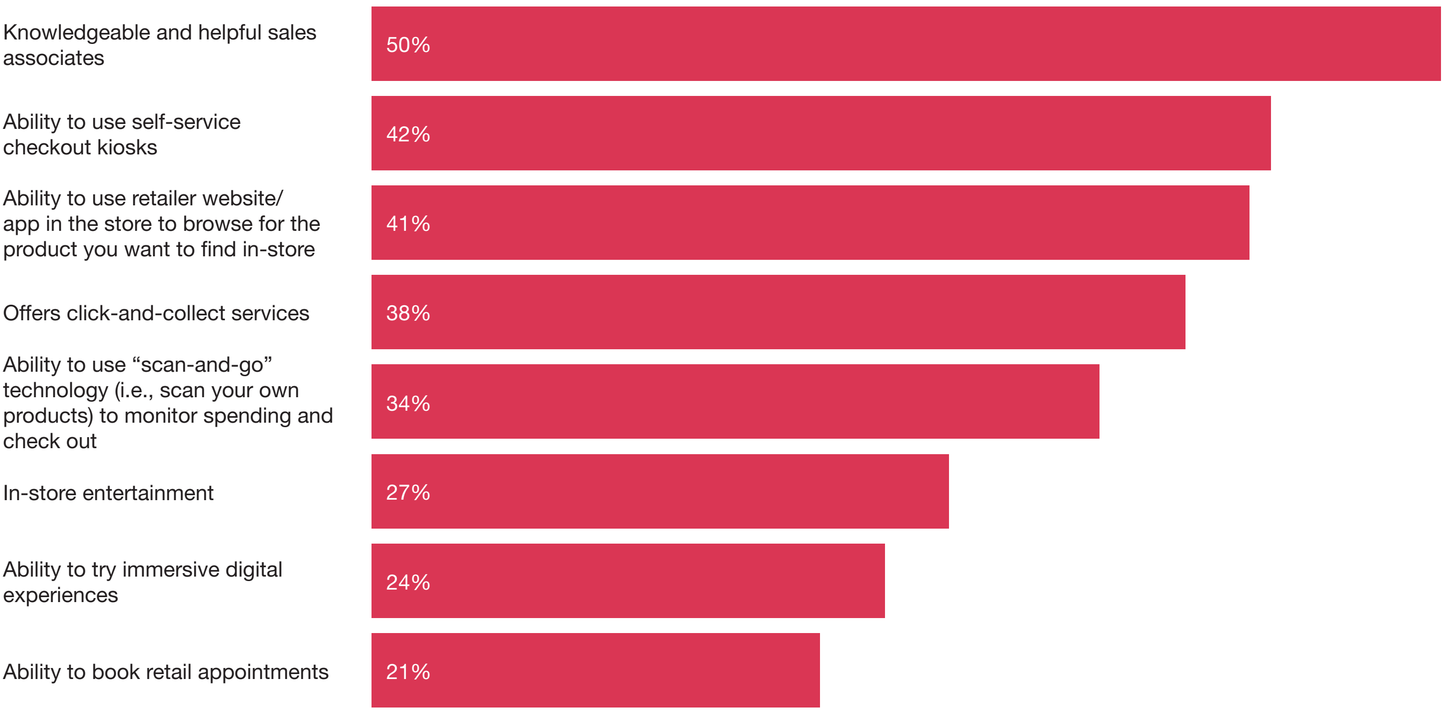
Changing expectations in a "phygital" world

What people expect and experience in all shopping environments—physical and digital—is changing. And it's incumbent on market participants to meet consumers in both physical and digital spaces—and to meet their changing expectations. As is evident throughout the survey, it's not an either–or proposition. Increasingly, consumers are saying that they want the physical shopping experience to be enhanced, facilitated or mediated by digital technologies: call it *phygital.*

Asked to rank what factors would most enhance their in-store shopping experiences, 27% of respondents put access to knowledgeable and helpful sales associates on top—with half of Baby Boomers ranking that as the leading factor. (This was also the most frequently cited factor, overall. See ‘Consumers seek physical and digital in-store experiences.’) At the same time, 16% of all respondents said the ability to use self-service checkout kiosks was their most-favoured attribute, followed closely by in-store use of a retailer’s website or mobile app to browse for particular products (15%). Next, at 12%, was the ability to use retailers’ “scan-and-go” devices and apps, allowing shoppers to bypass both staffed checkout lanes and self-service kiosks.

Consumers seek physical and digital in-store experiences

Question: Which of the following potential attributes of the physical store shopping experience do you find appealing?



Source: PwC’s February 2023 Global Consumer Insights Pulse Survey

More tellingly, consumers who said they intend to spend more time in brick-and-mortar environments in the coming six months signalled that they expect more technological bells and whistles. They said they’d be attracted by in-store entertainment (34%), immersive digital experiences (30%), such as donning a virtual reality (VR) headset to try out new products, and being able to book appointments with a sales adviser or personal shopper (28%).

Hybrid working

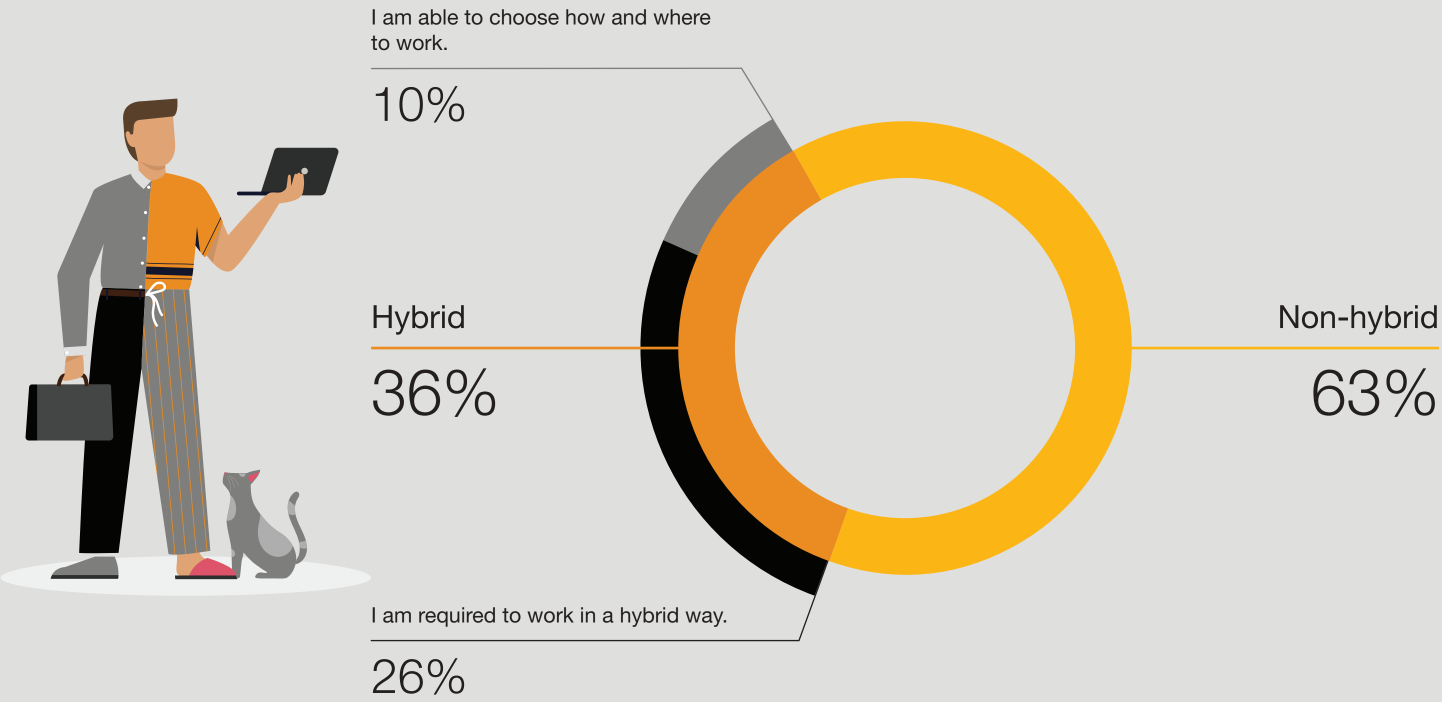
In this survey, as in the previous one, we asked consumers about their ways of working. More than one-third (36%) said they're in hybrid mode, in which they can work from home or the office or other job sites. That's down from 41% in the last survey. Indeed, 63% of respondents identify as non-hybrid, meaning they're *required* to be in their office or other place of work or at home all the time, up from 57% in the prior survey. Digging deeper, 56% of respondents indicated they're now required to be physically in their place of work all the time, a substantial increase from 47% in the previous survey. Only 7% said they work exclusively from home, down from 10% in the previous survey. As would be expected, these ways of work differ across territories, although the hybrid model is most prevalent in Southeast Asia.

56%

of respondents are now required to be physically in their place of work all the time.

Back to the office

Question: Thinking about what your employer requires at this time, which of the following statements best reflects a typical working week for you? (hybrid vs non-hybrid)



Note: Percentages shown may not total 100 due to rounding.
Source: PwC's February 2023 Global Consumer Insights Pulse Survey

4

Reducing in-store frictions

The goal of frictionless retail is to remove the barriers that customers face in stores, whether it's standing in a checkout line or having to swipe a card to pay. In PwC's recent US customer loyalty survey, 82% of respondents say they'd be willing to share some kind of personal data in exchange for a better customer experience.

Conveniently for retailers, frictionless technologies are seen as a way to reduce labour costs. But consumers also have high and growing expectations for assistance and convenience that would seem to introduce *more* friction. That dichotomy presents a mix of opportunities and challenges for retailers, which are explored in a recent PwC UK report on the future of frictionless retail. Computer-vision AI technologies—which enable consumers to enter a store, pick up their products and simply walk out without the need to scan, queue or check out—are slowly being rolled out across retail markets. Our research shows that both consumers and retailers can benefit from these digital developments.

But that doesn't mean retailers can reflexively reduce their workforces. They'll likely have the same number of employees, but they'll need to train new hires and reskill or upskill existing ones. Also, because data collection and analysis inherently grow with these systems, tech developers and retailers must be able to assuage consumers'—and regulators'—concerns about the privacy, security and dissemination of their personal information.

5

Confronting e-commerce frictions

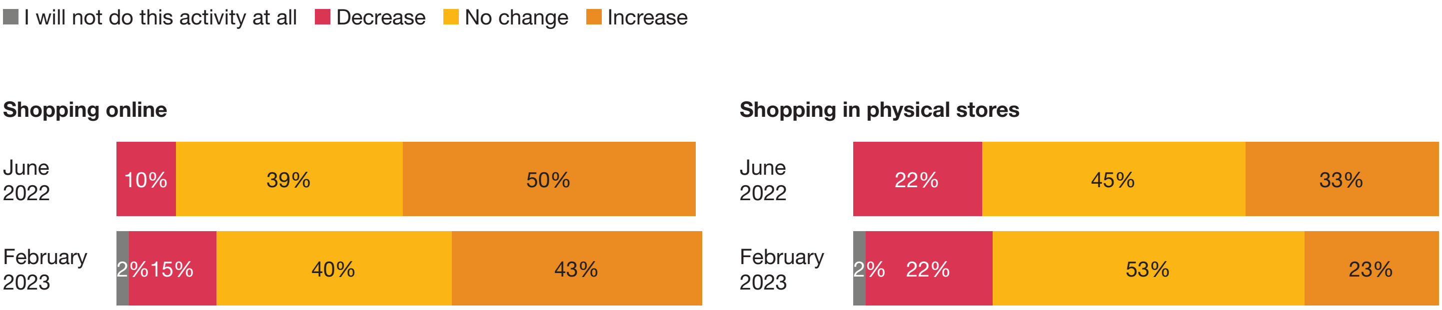
E-commerce, and the digital technologies that enable it, are designed to remove friction. But they also create their own frictions, many of which have been exacerbated or aggravated during the disruptions of the past two years. Since the onset of the pandemic, e-commerce consumers have experienced higher delivery costs, longer wait times, bungled deliveries and stock shortages.

In our survey, more than half of consumers who opt to shop in physical stores or to place orders online and pick up at the store (54%) said they do so because it offers them the ability to check that products are not broken or faulty and to be certain that they're the products they ordered. Another reason, cited by 41% of those planning to shop in physical stores, is that they simply missed doing so during pandemic lockdowns. The bite of higher costs and concerns over an economic downturn are also playing a role: 40% of consumers who intend to increase in-store shopping and decrease online shopping said it's because delivery costs are too high.

A slow pullback

Smaller numbers of consumers are saying they plan to increase the amount of shopping they do online and in stores in the next six months.

Expected changes in consumers' behaviour

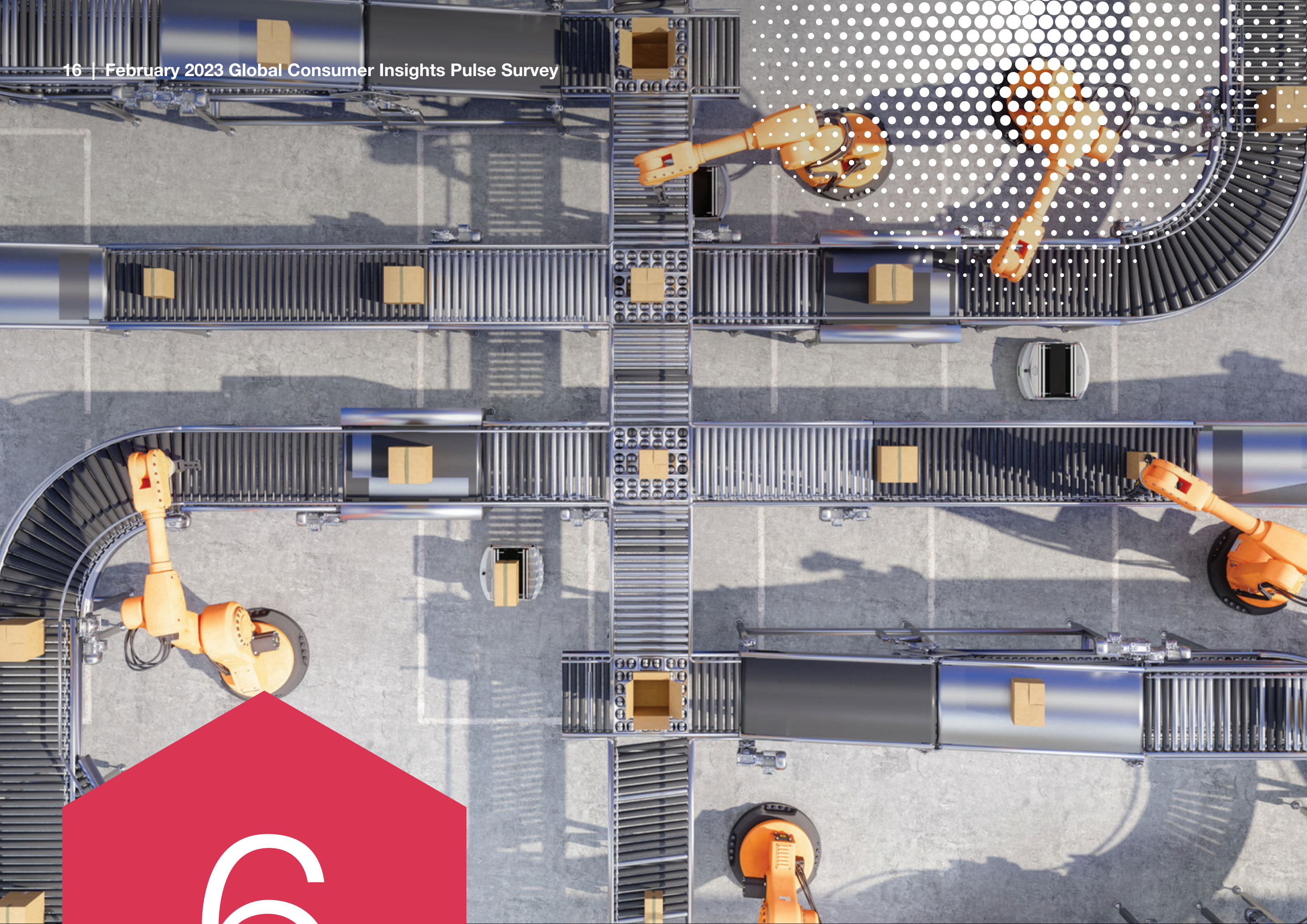


Note: Percentages shown may not total 100 due to rounding.
Source: PwC's June 2022 and February 2023 Global Consumer Insights Pulse Surveys

These trends in consumer preferences point to a hybrid shopping strategy that producers and retailers are grappling with: consumers aren't approaching where to shop, regardless of what's on their list, as an either–or proposition but as a this-*and*-that set of options. This duality was apparent well before the pandemic. Despite persistent economic and social headwinds, consumers aren't simply switching from online to in-store shopping. Rather, they're choosing one or the other—or both—based on preferred attributes of each, such as in-store technology or improving delivery times and costs for online orders. These trends are likely to continue throughout 2023.

Luxury gains

One-quarter of consumers intend to spend the same amount on luxury or designer products (26%), with 21% stating they will increase their spending in that category over the next six months. Motivating factors include wanting to treat themselves, better product quality and keeping up with trends.



6

Kinks in the supply chain

When asked to name the issue experienced most frequently when shopping in physical stores over the last three months, 56% of consumers cited rising prices of household goods, including groceries—the same percentage as in the previous survey—followed by busier stores and longer checkout lines (30%), and product availability (26%).

68%

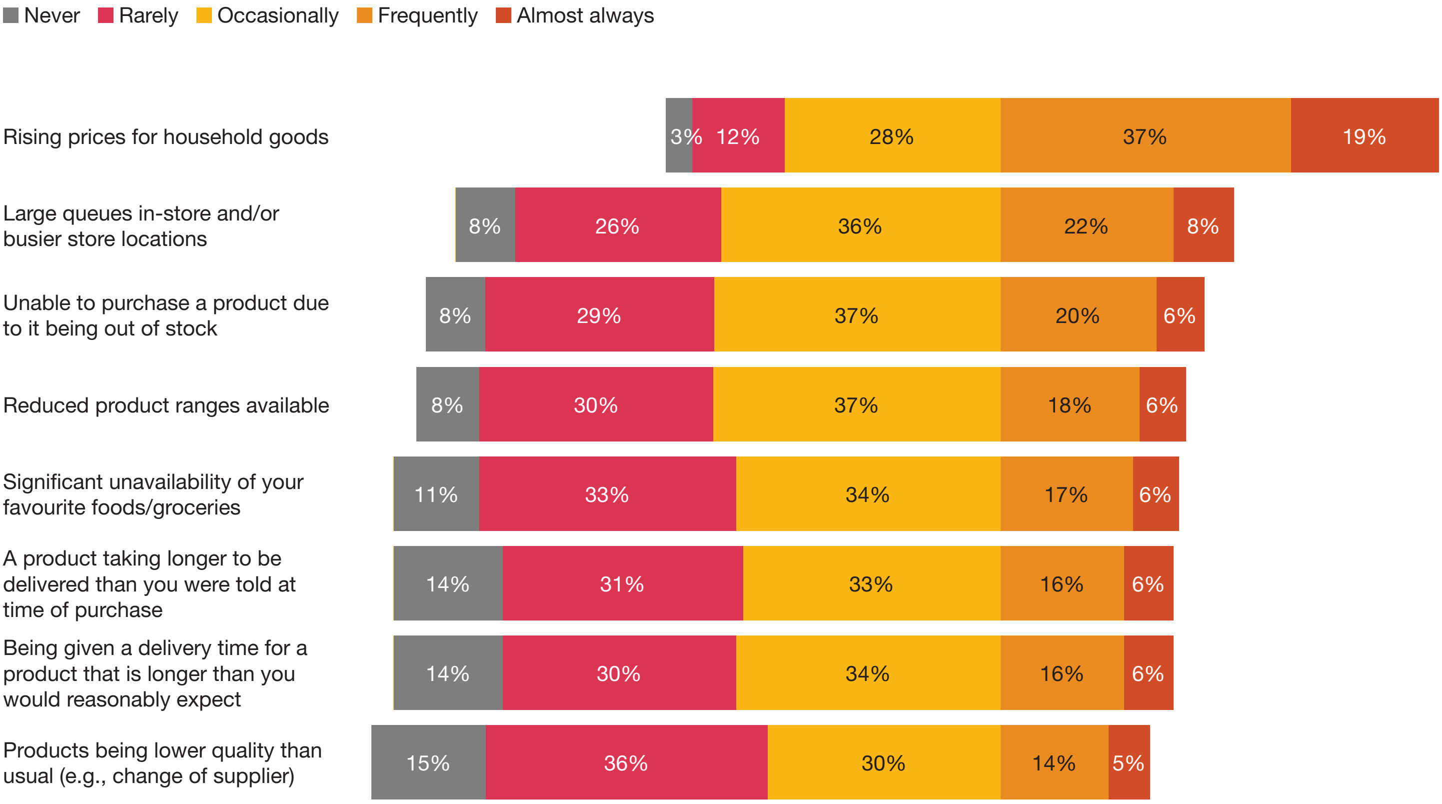
of consumers said that rising prices are having the greatest impact on their in-store experiences.

Disruptions in supply chains are among the factors driving inflation, along with higher energy and commodity prices. Although consumers might not specifically say that supply chain disruption is to blame for their shopping woes, the unpredictable flow of goods is seen and keenly felt. Among both in-store and online shoppers, supply chain disruptions are most prevalent in Australia, the US and India. Nearly seven in ten of those surveyed said that rising prices are having the greatest impact on their in-store shopping experiences (68%), followed by products being out of stock (42%) and the hassle of standing in longer queues (39%). When their responses are compared to our last survey, consumers in the current survey said that those first two issues continue to occur most often and have the greatest impact on their in-store purchasing experiences. Put another way, consumers are relatively more annoyed by high prices and products being out of stock than they are by having to stand in long lines.

Consumers continue to experience frictions in the aisles

Rising prices remain the most frequently experienced issue when shopping in-store, followed by busier store locations and product availability.

Issues experienced while shopping in-store in last three months



Note: Percentages shown may not total 100 due to rounding.

Source: PwC's February 2023 Global Consumer Insights Pulse Survey

Supply chain issues continue to plague online shoppers as well, an indication of the frictions that can build up in online environments. When asked to identify issues they've experienced 'almost always or frequently' while shopping online in the last three months, 48% named the rising prices of household goods. Nearly one-quarter cited the inability to buy a product because it was out of stock or that delivery time was longer than they were told (both 24%). And when asked which issues had caused them the greatest *impact,* those same three were named, with rising prices again dominating (59%).

There are continuing signs that supply chain disruptions are affecting day-to-day shopping behaviour, including which channels consumers choose to make purchases. Thirty-nine percent of those surveyed remain most likely to shop at multiple retailers—whether in-store or online—which is two percentage points higher than in our earlier survey. And more than one-third said that they visit multiple websites to check for availability of the products they want (38%).

Almost half of consumers said they're very concerned about their personal financial situation and have taken action to adjust their non-essential spending—both in-store and online—in response to supply chain issues (42%). Interestingly, *11% of the group who bought online said they'd switched to in-store shopping*. Other actions taken due to supply chain woes include changing product brands, spending more on alternative products, waiting for an out-of-stock product to be available again and going without a regularly purchased item.

7

Travel

The US$5.8 trillion travel and tourism industry is one of the largest single sectors for consumer spending and was among those most affected by the ravages of the pandemic. Around the world, consumers want to go on vacation again, to such an extent that it's sparked the newly coined "revenge travel" trend. They'll pay higher airfares and gas prices and eschew other non-essential purchases for the chance to bask on a sunny beach or schuss down snow-packed slopes. Here, too, we see friction in people's attitudes. Consumers' interest in getting on an airplane in the first half of 2023 remains up in the air. Nearly 40% said they're likely to travel on a domestic flight, while 34% want to fly internationally. Thirty percent said they plan to increase spending on travel in the next six months (down slightly from 32% in the previous survey), while 43% plan to decrease spending (up from 33% in the previous survey).

8

The next platform: The metaverse

Digital environments are evolving, whether it's the continuing rollout of 5G or the integration of shopping into social media apps. A great deal of attention is being paid to what may be the next large-scale digital platform: the metaverse. This platform, which promises to erase many of the frictions between the digital world and the physical world, is still very much in its infancy, and is riven by its own set of frictions. Consumers will have to wait for necessary technologies to come to full fruition, which will take years, before the potential of the metaverse is realised. As the PwC report *Demystifying the metaverse* concluded: 'The metaverse is an evolution, not a revolution. And it's one that business leaders should not ignore.'

26%

said they have participated in metaverse-related activities in the last six months for entertainment, virtual experiences or purchasing products.

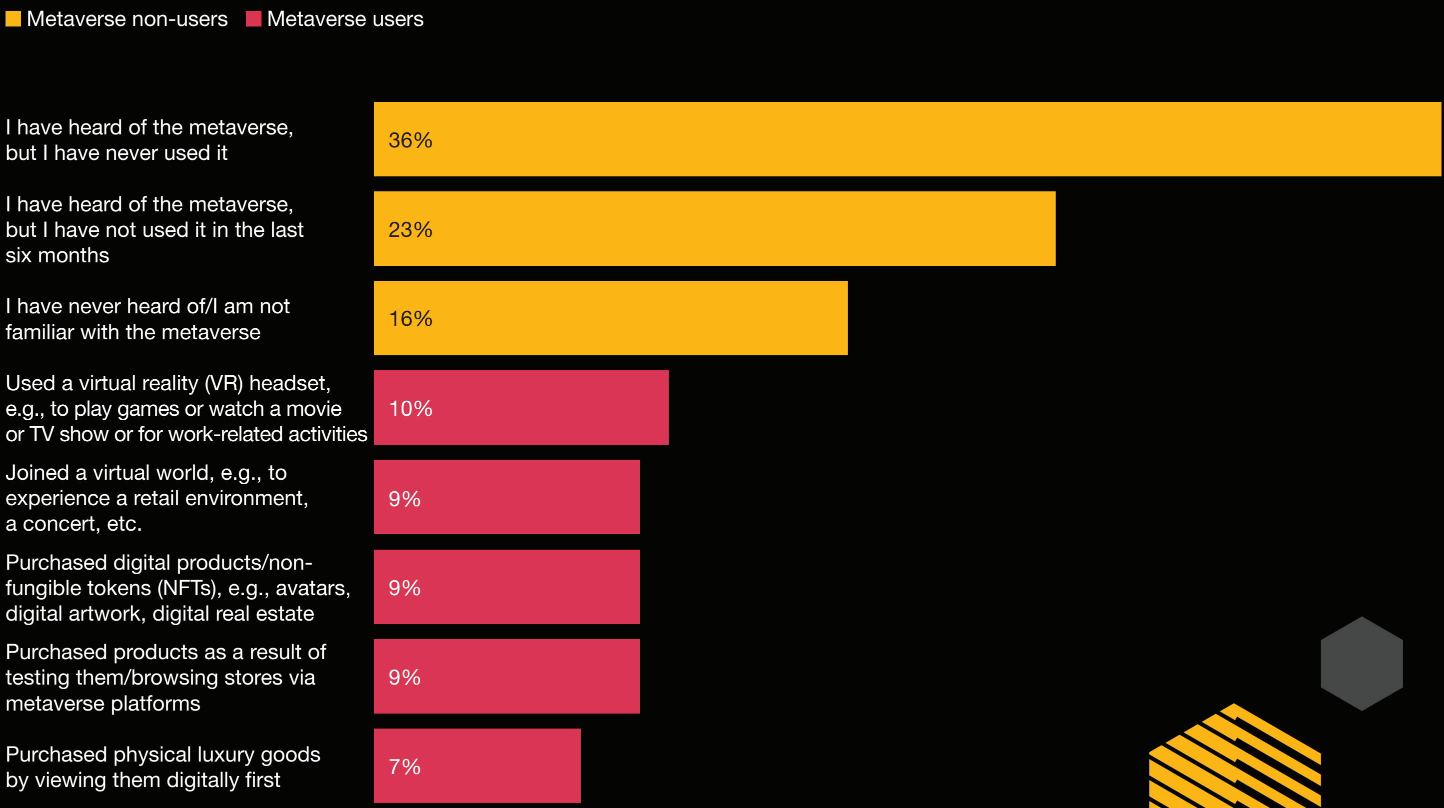
Our survey finds that various components of the metaverse are already available and being explored by consumers. Just more than one-quarter said they have participated in metaverse-related activities in the last six months for entertainment, virtual experiences or purchasing products (26%). For example, 10% have used a VR headset to play games or watch a movie, or for work-related activities. Nearly as many said they've experienced a retail environment or a concert virtually or they've purchased an NFT, or non-fungible token (both 9%).

Use of the metaverse varies widely by age and across countries. Not surprisingly, the younger the person, the more likely they are to engage with the metaverse. Demographically, young Millennials (36%) and Gen Z (31%) are the top metaverse users, while only 8% of Baby Boomers and 6% of the Greatest Generation cohort have used it.

An interesting dichotomy can be seen in the variation of use by country. Frequently, the metaverse is identified with the use of expensive VR headsets and other equipment, and that would suggest that adoption would be high in the wealthiest countries and much lower in lower-income countries. But that is explicitly not what the survey found. Indeed, the countries with the highest percentage of respondents who said they had used the metaverse in the past six months were India (48%) and Vietnam (43%)—countries with young populations and growing middle classes. By contrast, 90% of those in Japan and 88% of those in Canada identified as non-users of the metaverse. What accounts for this dynamic? It could have something to do with age; Japan is one of the oldest countries. But it speaks to the widespread availability of cheap, accessible digital experiences around the world.

Virtual experiences

Metaverse-related activities undertaken in the last six months

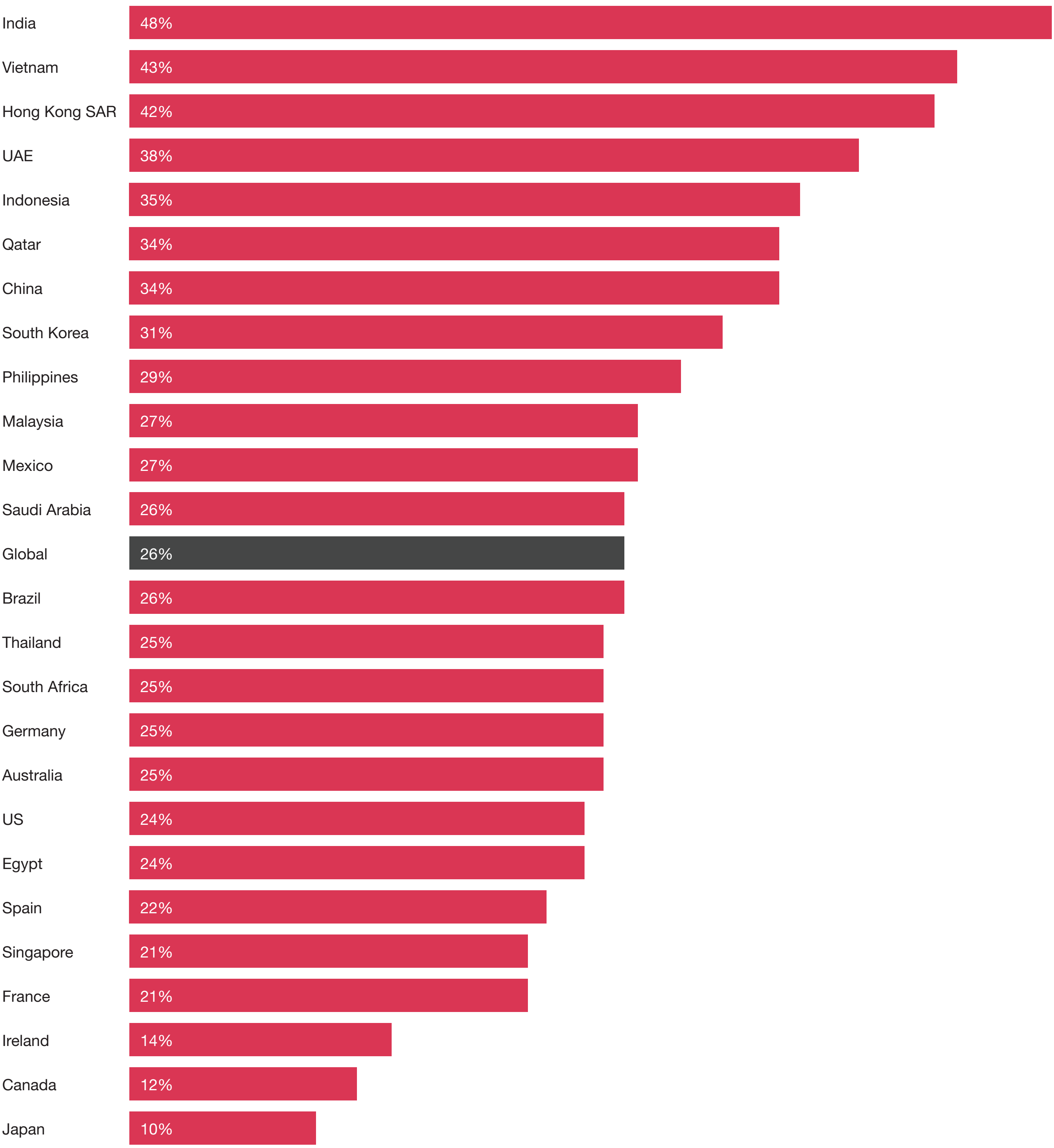


Source: PwC's February 2023 Global Consumer Insights Pulse Survey

Regional differences

Consumers in India, Vietnam and Hong Kong SAR are most likely to participate in metaverse-related activities.

Metaverse-related users in the last six months



Source: PwC's February 2023 Global Consumer Insights Pulse Survey

9

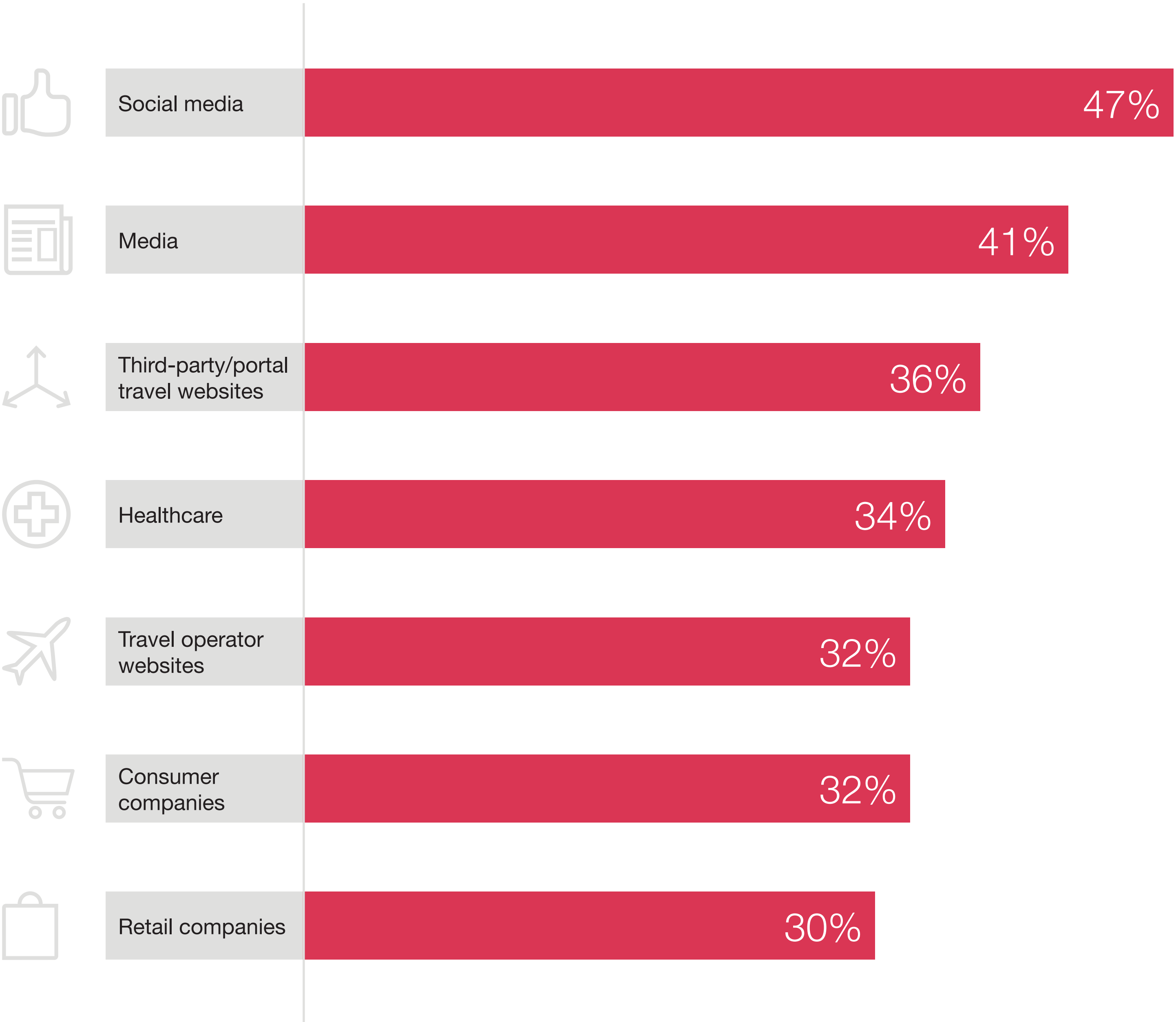
Data privacy is increasingly important to consumers

Whether they're using the metaverse or not, consumers already inhabit a thoroughly digital universe. The billions of daily transactions, interactions and downloads that occur digitally are both enabling and compelling a pervasive sharing, collection, analysis and dissemination of consumer data by companies, organisations and governments across the globe. Control over all of that data has become a source of friction for consumers. Asked about their level of concern about personal data privacy when interacting in routine activities and with various entities, nearly half said they are extremely or very concerned when engaging with social media (47%). Concern is also high regarding the media in general (41%), third-party travel websites (36%) and healthcare companies (34%).

There's lesser but still substantial concern among respondents when engaging with consumer companies (32%) and retailers (30%). It's possible that retail performs comparatively well here because the return for consumers on providing data is clearer and more transparent, in the form of vouchers, discounts and special offers.

Retailers gain greater trust on data

Question: To what extent, if at all, are you concerned about the privacy of your personal data when interacting with the following types of companies? (Respondents answering 'extremely concerned' or 'very concerned.')



Source: PwC's February 2023 Global Consumer Insights Pulse Survey

Consumers are acting on their concerns. Half said they don't share any more personal data than necessary (49%), and 32% opt out of receiving emails, texts and other communications. And this is another sort of friction. Companies will be more effective and efficient and provide better value to their customers if they have more data about them. And to a large degree, data is the new oil—an incredibly valuable fuel that is an important strategic input to a variety of commercial engines. But when it comes to both regulation and behaviour, there are efforts to reduce the flow and use of data.

Concerns over the security of personal information hardly occur in a vacuum. Data breaches by numerous large companies keep making headlines. Hackers and scammers continue to spread malware, the most calamitous of which locks up digital devices and then demands a ransom to unlock them. As such negative incidents proliferate, consumer trust in companies and other data gatherers is eroding. To regain that trust, leaders need to persist in their efforts to establish innovative data-privacy systems and operations—especially as lawmakers and regulators consider legislative remedies.

10

Building loyalty

The current array of global systems has been effective in ironing out the many kinks that arose in the past few years, but potential dangers are still very much with us. The landscape presents a series of hazards. The economic outlook is decidedly mixed. Growth is slowing, but there are signs that inflation and energy prices are declining. PwC's *2023 Global Economy Watch* projects that global growth in 2023 will slow to 1.6%, avoiding a contraction. Of course, there's always the potential for unanticipated events and forces that will affect the way consumers think and behave—and, in so doing, introduce new frictions. At the same time, there are new developments that create growth and opportunities for new experiences.

As we look ahead, there are three essential sets of frictions.

There's a set of frictions that are beyond the control of companies—macro levels of inflation, a global recession or contraction, wars, and disruptions to trade caused by the pandemic. In response, consumer-facing companies must focus on resilience, conduct scenario planning, and ensure that their supply chains, operating models and staffing levels are fit for a range of potential short-term outcomes.

There's a set of frictions that companies themselves can introduce relating to experiences—by not having sufficient staffing in stores or by failing to meet or manage expectations surrounding the experience. To guard against this, companies should focus on operational excellence and continue to experiment and innovate with the use of technology in stores and the creation of satisfying phygital experiences.

And there's a set of frictions that consumers themselves introduce into the system, including changes in behaviour due to economic or personal circumstances. In response, companies must monitor and stay on top of the latest trends, and plot investments and initiatives that will meet customers wherever they are and build loyalty.

The term *frictionless retail* may be an important buzzword and a worthy goal.
But a deep understanding of what consumers think, the stresses that concern them, and the demands and expectations they have should lead to a more sophisticated and strategic understanding of the frictions that exist—and the steps necessary to mitigate or remove them.

About this survey

The Global Consumer Insights Survey is a biannual study that seeks to keep a closer watch on changing consumer trends. For our February 2023 pulse survey, we polled 9,180 consumers across 25 territories: Australia, Brazil, Canada, China, Egypt, France, Germany, Hong Kong SAR, India, Indonesia, Ireland, Japan, Malaysia, Mexico, Philippines, Qatar, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Thailand, United Arab Emirates, United States and Vietnam. The respondents were at least 18 years old and were required to have shopped online at least once in the previous year.

Contacts

Global Consumer Markets Leader, PwC France
Sabine Durand-Hayes
sabine.durand@pwc.com

Global Consumer Markets Advisory Leader, PwC Canada
Myles Gooding
myles.gooding@pwc.com

PwC Australia
Donna Watt
donna.watt@pwc.com

PwC Brazil
Carlos Coutinho
carlos.coutinho@pwc.com

PwC Canada
Myles Gooding
myles.gooding@pwc.com

PwC China
Jennifer Ye
jennifer.ye@cn.pwc.com

PwC France
Helene Rives
helene.rives@avocats.pwc.com

PwC Germany
Christian Wulff
christian.wulff@pwc.com

PwC Hong Kong
Michael Cheng
michael.wy.cheng@hk.pwc.com

PwC India
Ravi Kapoor
ravi.kapoor@pwc.com

PwC Ireland
John Dillon
john.p.dillon@pwc.com

PwC Japan
Yasuyuki Kobayashi
yasuyuki.kobayashi@pwc.com

PwC Middle East
Norma Taki
norma.taki@pwc.com

PwC South Africa
Anton Hugo
anton.hugo@pwc.com

PwC South Korea
Seung-Whan Lee
seung-whan.lee@pwc.com

PwC Singapore (Southeast Asia)
Rakesh Mani
rakesh.s.mani@pwc.com

PwC Spain
Roberto Fernandez Humada
roberto.fernandez.humada@pwc.com

PwC US
Barbra Bukovac
barbra.bukovac@pwc.com

www.pwc.com/consumerinsights