



EY Future Consumer Index

How to serve consumers who rely on tech, but don't trust tech



By **Kristina Rogers**
EY Global Consumer Leader

Snapshot bio: Global leader for consumer industries. Marketing strategist. Worked in 20 countries. Harvard MBA.

Digital is transforming the consumer, and relationships shaped by trust, respect and value are critical.

In brief

- 1 Consumers will quickly adopt tools that save them time or money, but worry about the impact of technology on their lives, according to EY global research.
- 2 Continued investment in digital innovation is essential to driving business performance in a tight market, but only in ways that consumers value.
- 3 Companies need to stay ahead of the next wave of technological disruption, which will transform both what consumers want and how to engage with them.

Consumers around the world are trying to remain resilient in the face of continued cost of living pressure, economic worries and social disruption. Increasingly, they're adopting new technologies to help them shop, live and work differently – often with a focus on making their everyday lives more affordable.

The latest edition of the **EY Future Consumer Index** explores the way people around the world are thinking about the personal benefits of technology. Their experiences of using digital tools at home and at work are influencing what and how they consume. There are significant opportunities for brands that understand and shape these changing perceptions, and that anticipate the transformative changes they could lead to.

This isn't just a question of choosing the right technologies, managing their implementation, and building the infrastructure to support them. It's crucial that digital innovation protects and nurtures the relationship with

the consumer. Three things matter here: trust, respect and value. Can people trust you to use technology responsibly and safely? Do they feel you are using technology to help them, or to take advantage of them? Is the value they get from an innovation fair, considering how much your business benefits?

Get the balance between these three factors wrong and you can quickly do damage that can't easily be repaired. Get it right and you can strengthen your relationship with consumers now, while securing permission to develop and deepen that relationship in the future, as new technologies become mainstream.

Consumers find technology increasingly embedded into their lives

The pace of digital innovation and adoption is often so rapid now that consumers can quickly become dependent on new tools, without noticing they've become part of their daily experience. Consumers are increasingly relying on digital tools to make life easier, save them money and time, enable them to work from home, or reduce their environmental footprint.

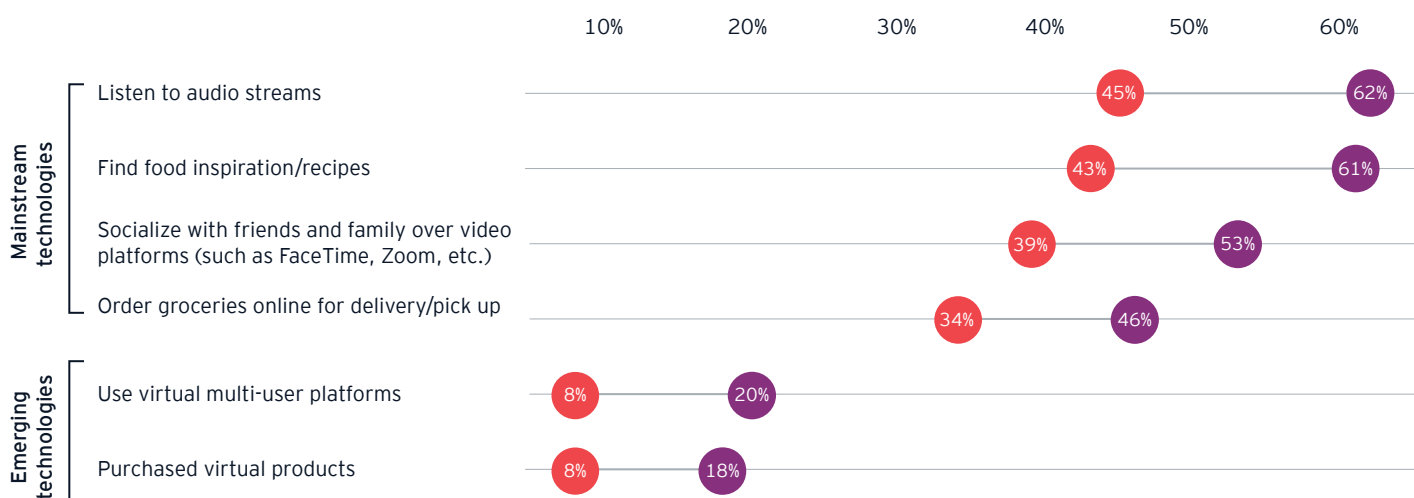
They're using digital to manage their budgets, curate the TV they watch and the music they discover, find alternative brands, stay in touch with friends, track their health, and multiple other reasons. For example, 33% of consumers use facial recognition on their cell phone and 42% use a smart device to track their exercise.

Mainstream and emerging technology is increasingly part of consumer life

% share of consumers

● June 2022

● April 2023

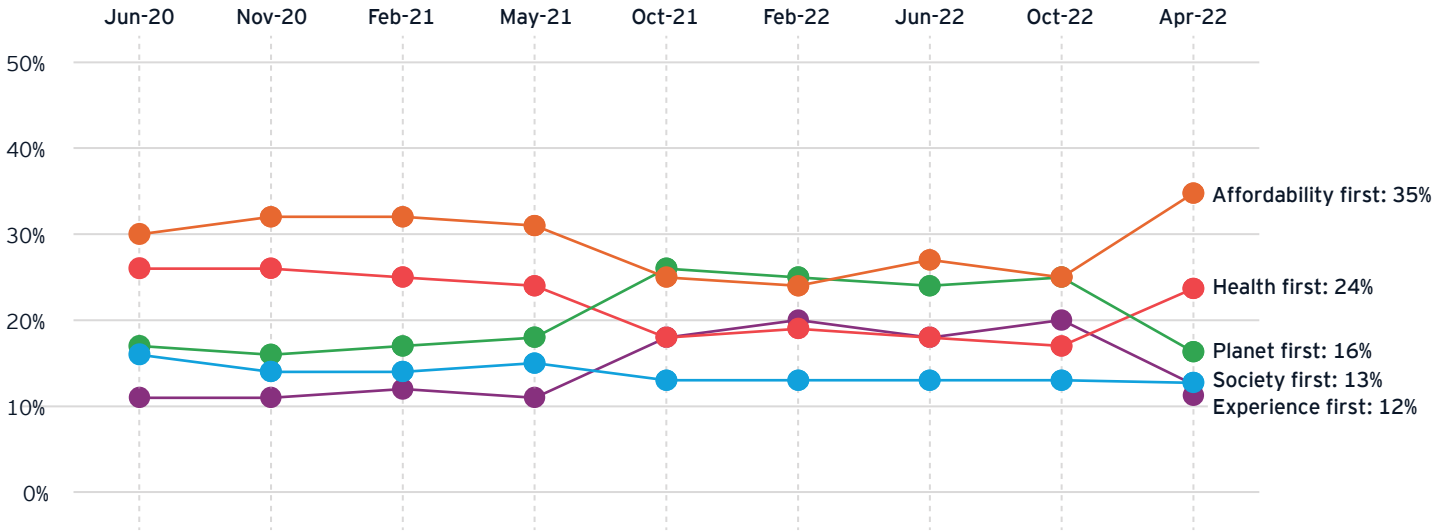


Consumers' use of mainstream and emerging technology across multiple aspects of their lives has increased dramatically in the last year, our global research finds. The increasing dependence on digital tools both at work and at home is coming at a time when consumers are

more worried about a wide range of economic and personal factors. However, after a period of relatively little movement, this new wave of our Index is tracking a significant pivot toward two concerns: finances and health.

Affordability first takes the top spot as consumers struggle to make their finances stretch

% share of consumer segments

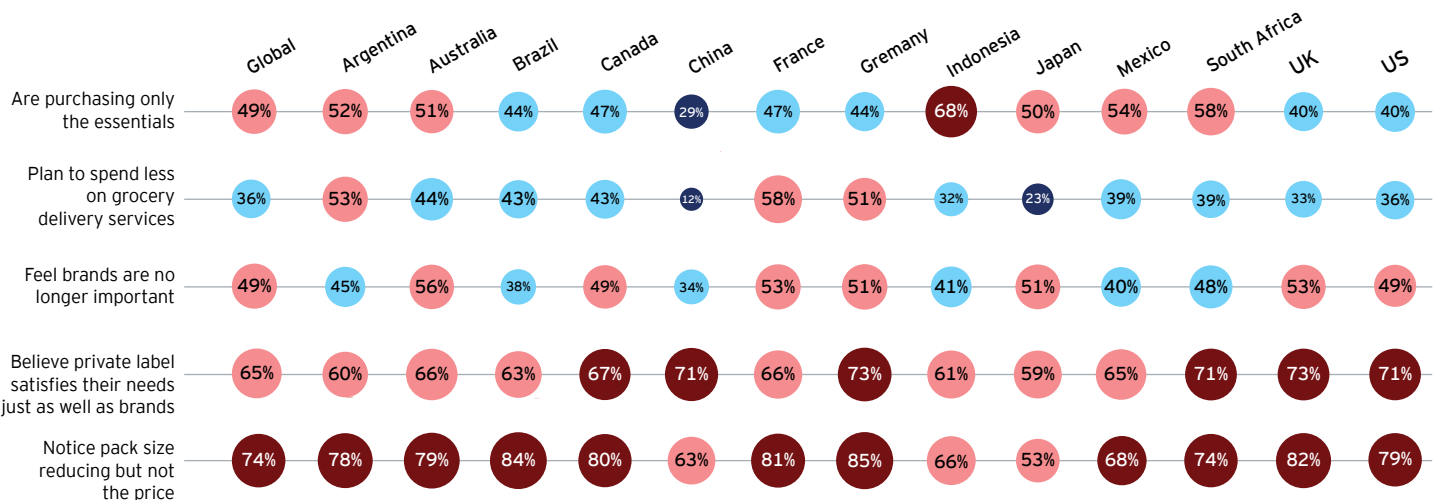


People are prioritizing issues that affect them directly as individuals, rather than those that feel like collective challenges, such as their concerns about the planet. Naturally, many are taking steps to curb spending but how they manage their

budget is dependent on where they live. Globally, consumers are focused on value, with 73% of consumers noticing pack sizes reducing but the price staying the same and 64% believing private label products are just as good as branded ones.

Consumers' response to the cost of living crisis varies by region, but their perspectives on brands is more aligned

% share of consumers 12% 85%



Consumers' concerns about price put business behaviors in focus

Retailers and consumer product companies should keep these financial and health worries in mind as they use new technologies to engage the consumer. Digital innovation can play a crucial role in improving performance by managing costs, keeping prices competitive, optimizing marketing and finding efficiencies. But the need to meet these daily business challenges should be balanced against a longer-term strategy that anticipates the opportunities continued technological change will create. We will see very different kinds of consumers, different business models to serve them, and different brand/consumer relationships.

Companies should be careful that they don't do anything for short-term gain now that locks them out of this future. As consumers ignore or abandon innovations that don't give them what they want, the risk of digital rejection can also be higher. Brands that disappoint a consumer risk closing the door to a future digital relationship with them. This is why it's so important to tune in to the way consumers think and feel about the digital innovations that are entering every aspect of their lives today.

Consumers remain wary about the impact of new technologies

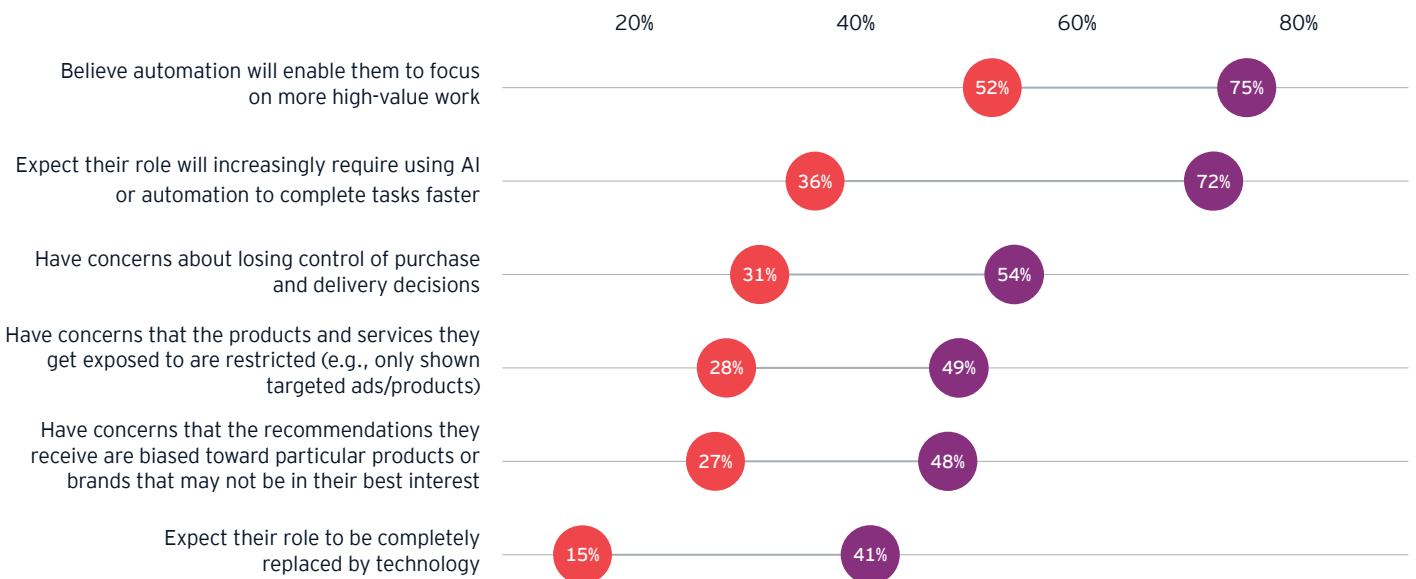
Consumers can have paradoxical relationships with new technologies. They can become highly reliant on a tool, while also worrying about its risks to their mental and financial wellbeing.

For example, people take the constant connectivity of their mobile devices for granted, yet they increasingly want to turn off alerts and reminders because they find that persistent connectivity overwhelming.

Familiarity alone does not build trust. While artificial intelligence (AI), for example, is becoming a normal part of brand engagement for many consumers, a significant proportion are worried about how it might be used, with 24% of respondents concerned it may completely replace their role. And people who use AI in the workplace are more worried about its impact on their life outside work.

The AI reality gap: managers and professionals who use AI in their work are more concerned about its impact on elements of daily life

Share of managers and professionals ● Do not use AI at work ● Use AI at work



The availability and accessibility of digital innovation is growing, but trust in technology and its usage of personal data is not. Across each wave of the Index, we've seen no significant change in the willingness of consumers to share data with companies or brands. Consumers remain wary:

55%

are very concerned about ID theft and fraud.

53%

are very concerned about data security/breaches.

53%

are very concerned about companies selling their personal information to a third party.

They want to weigh the benefits of sharing data against the risks and the value they receive in exchange.

Innovations in technology must give consumers tangible benefits

Companies are rushing to build data repositories they can mine for insights; consumers are increasingly aware that their data is prized. They expect more in return for sharing it, such as access to better deals. How companies balance this exchange is an important part of consumer engagement.

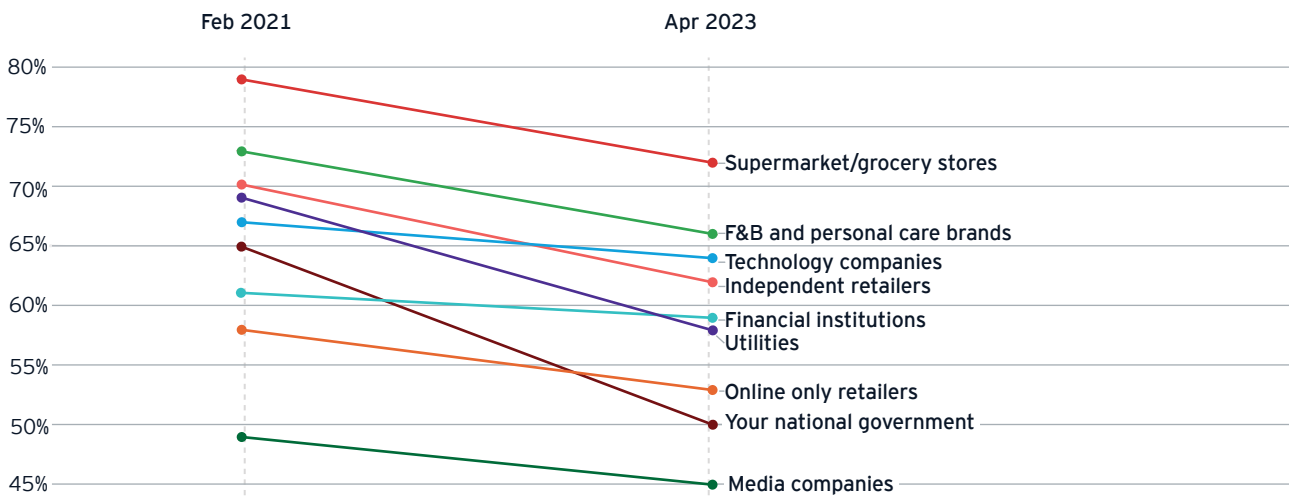
Companies are using technology and data to protect razor-thin margins and market share. They need to tread carefully, as consumers are already turning toward value, experimenting with new brands and re-evaluating what's essential. If they feel that participating in new technologies

doesn't benefit them, the business won't just lose their custom now – it could experience irreparable damage to the kind of consumer relationships that long-term success requires.

This latest wave of the Index shows that the high levels of trust consumers had in many companies after the pandemic are steadily falling. Retailers and consumer products companies have many more interactions with consumers than most companies, which is an opportunity to build trust or to damage it, if the consumer's needs and context are not considered.

Consumer trust in retailers and consumer products companies is eroding due to ongoing prices increases and product challenges

Share of consumers with moderate to high trust



Technology will fundamentally change how people live and work

The rapid pace of technological change is going to transform the way people live and work, and will redefine the future consumer. Small, seemingly unconnected changes in many areas can result in sudden unexpected shifts in behaviors and attitudes. And new technologies can slowly insinuate themselves into a consumer's daily life before anyone realizes.

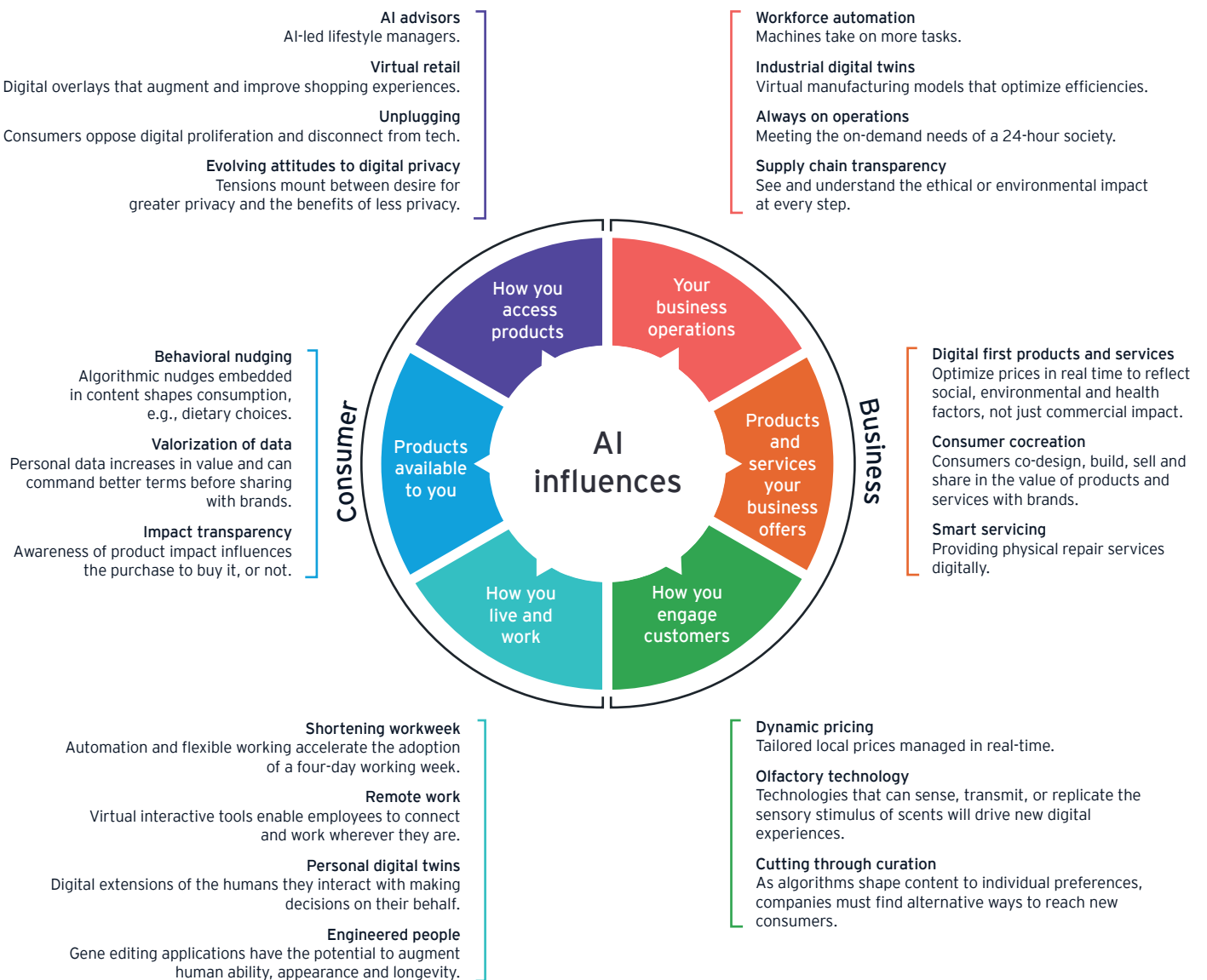
Half of the consumers in our Index say they work for companies that are taking on large technology projects designed to create more value for investors, employees and

consumers. One of the most significant drivers of change is AI, which will revolutionize the consumer experience, with new products and services, novel ways of accessing them, and entirely new modes of living and working on the horizon.

We've developed over 200 drivers of change and explored their possible impact on every aspect of the future consumer's world – from how they might shop, play and stay healthy to how they will consume, work, move, and use technology. Using them we can point to how AI could impact and shape multiple aspects of consumer life and business activity.

How AI will drive change across the lives of consumers and the businesses that serve them

Using EY Drivers of change research to explore AI's impact



Engaging with consumers to earn respect, give value and build trust

Consumers are retrenching and revisiting their values to address their affordability concerns. Companies must meet these short-term needs but can't afford to lose sight of the bigger picture. Technology will reshape consumer behavior in the future, and businesses must create value propositions that will remain compelling.

1 Do your consumers fully understand the value of your brand or product? Is it what they want?

For retailers and consumer products companies, this is a pivotal opportunity to be part of people's lives like never before. But it's important to offer benefits they value. For example, can you offer invisible, time-saving convenience? Do you solve their problems in ways that make you indispensable? Are you creating experiences that are satisfying, rewarding and differentiated? Is technology helping you deliver the ideal mix of these three components?

2 What are you doing to build consumer trust in your products and touchpoints? How do you know if it's working?

Trust is about giving value for money, keeping data safe, behaving in line with corporate values that the consumer shares, taking an ethical approach and being authentic among many other critical issues. If you become part of the consumer's inner circle of trusted brands, you can benefit from a much deeper and wider relationship with them. But at a time when trust in companies is eroding, relationships like this are hard to build and easy to break. With new channels proliferating, consumer-facing companies are in near constant contact with consumers, so they have lots of opportunities to get this right, and as many to get it wrong.

3 How are you adapting your strategy to shape the technology-driven revolution in customer engagement? What are you prioritizing?

Continuing innovation is going to transform the propositions available to consumers, how they access them, and how they live and work. In response, companies will need to evolve the products and services they offer, their business operations, and how they engage the consumer. Businesses also need to identify, implement and integrate technologies that are right today and for the future. This is complex, but the goals are clear: Build trust with the consumer, earn their respect, and give them value they appreciate.

Methodology

The EY Future Consumer Index tracks changing consumer sentiment and behaviors across time horizons and global markets, identifying the new consumer segments that are emerging. The Index provides regular longitudinal indicators and a unique perspective on which changes are temporary reactions to a current disruption and which point to more fundamental shifts. The 12th edition of the EY Future Consumer Index surveyed 21,000 respondents across the US, Canada, Mexico, Brazil, Argentina, Chile, UK, Germany, France, Italy, Spain, Denmark, Finland, Sweden, Norway, Australia, New Zealand, Japan, China, India, Indonesia, Thailand, Saudi Arabia, South Africa, Vietnam, Nigeria and the Netherlands between 16 March to 14 April 2023.

Summary

Consumer-facing companies need to innovate in ways that build consumer trust, respect their concerns, and give them value. Those that get this right will perform better now and position themselves for a future in which technology will transform the way people consume, work and live, and the opportunities for companies to engage them.

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