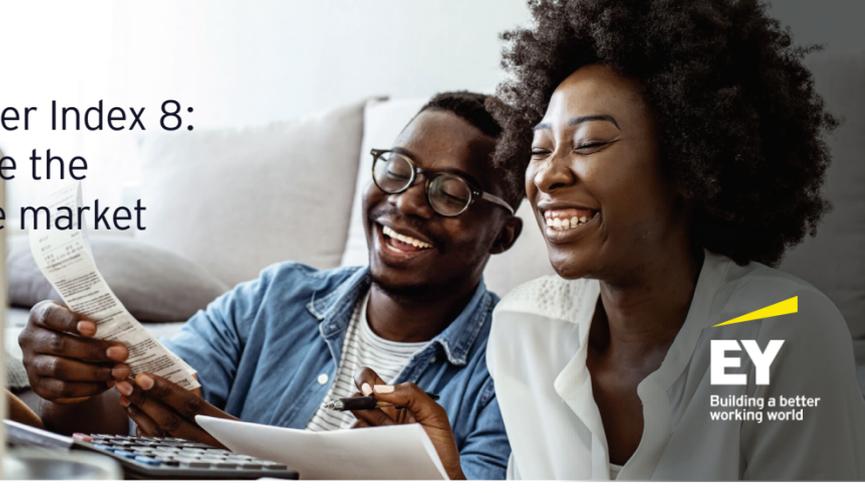


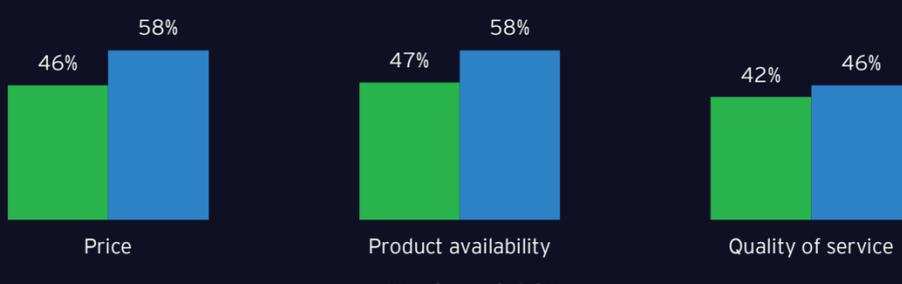
US Future Consumer Index 8: do consumers drive the market or does the market drive consumers?



We've come to believe that changes in consumer behavior force companies to shift and respond, but is that entirely true? Is the consumer driving the change? Or is the market driving change in consumers that then forces companies to adapt?

Since May 2021, purchase criteria such as price, product availability and service quality have risen significantly in importance, owing to current market dynamics such as supply chain disruptions, inflation-related pricing increases and labor shortages causing companies to run short-staffed and reduce hours and services offered.

Increase in importance in purchasing criteria since before pandemic



By all accounts, these macro challenges are transient, but what are the consequences? Have these challenges created permanent shifts in the consumer? In the long term, price, product availability and quality of service are expected to remain among the top five priorities when shopping in the future.

Most important purchase criteria in three years (in order of importance)



We find ourselves in an environment where, perhaps, the consumer doesn't always decide what's important. Instead, the market forces consumers to make new choices about what's important.

Even where the pandemic is concerned, we expected it to be temporary. We expected to "return to normal" as consumers, but we haven't.

54%

agree new behaviors adopted during the pandemic feel normal now

49%

say their life will remain significantly changed even after the pandemic

50%

say their values and the way they look at life have changed

45%

don't want to go back to living exactly like pre-pandemic

What this means is that consumers are more adaptable than we think. They can adjust quickly to short-term impacts, but those impacts can also leave a lasting impression, turning what may not have mattered before into a top priority that companies are required to now address.

A different mentality on finance

Between the financial troubles many faced as a result of the pandemic and current inflationary pressures, consumers have adopted a new way of thinking about their wallet. They own less, buy private label and generally are more concerned about their saving and spending than they were before the pandemic.

57%

trying to save more than in the past

60%

expect to save more in the long term and be more aware/cautious about spending

48%

are buying less to save money

58%

will be more focused on value for the money in the future

Inflation means prices are going up, but with the saving and value mentality, how long will consumers be willing to pay a premium for availability?

- ▶ Price considerations mean a tighter review of SKUs. As brands take price, ensuring products are the shelf will be critical to shoppers.
- ▶ Pricing strategies should include a pivot in mid- to long-term raw material procurement strategies. This will be critical for energy use and certain commodities over the next 12 months.
- ▶ Lastly, pricing will also have to be directly connected to direct-to-consumer service levels. The Future Consumer Index continues to reinforce that consumers no longer will tolerate slow or missed delivery window expectations.

The supply chain takes center stage

Retail and technology giants built a world where instant gratification and overnight delivery became the norm, so consumers have come to expect it. Then, the perfect storm in the supply chain disrupted that on-demand model. And what happened? Consumers started to care even more about availability and convenience.



The supply chain crisis is real, and it's testing the boundaries of brand loyalty. Consumers will not wait for retailers and brands to overcome it. They'll shop wherever they can find the product they want.

Companies must manage this disruption and become more responsive to bottlenecks. The top factors companies should consider in creating a resilient supply chain are:

- ▶ Digital technology to enable real-time visibility of inventory, last-mile channel visibility and manufacturing line flexibility
- ▶ Weekly sales and operations planning informed by integrated demand sensing
- ▶ Supply chain network optimization and near real-time scenario analysis
- ▶ Supplier diversity and sourcing agility with regional, local suppliers

Significant macro events will always have an impact on consumers. Identifying the level of impact – how much or how little – is at the core of what retailers and brands must try to uncover and respond to in this environment. The last two years have created mindsets like never before, forcing the consumer to not only adapt, but permanently adopt a mindset that companies were perhaps unprepared to respond to. So, with the impact of today's volatility in mind, what's the change driver that matters most – the market or the consumer? Perhaps it's not that simple. Perhaps the answer is always changing. Now and in the future, it will be about the push and pull between the market, the consumer and brands.



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About the survey

The eighth edition of the EY Future Consumer Index is based on an October 2021 survey of respondents in the US, Canada, Brazil, the UK, France, Germany, Denmark, Sweden, Finland, Norway, Italy, Spain, India, UAE, Saudi Arabia, China, Indonesia, Japan, Australia and New Zealand. Of those, the article above focuses on the 1,000 US respondents.

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US SCORE no. 14541-211US

CS No. 2111-3904562

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