

84.51° exec: Consumers remain concerned with inflation and retailers must balance digital and physical for success in 2024

Article

It may be a new year, but 2023 shopping habits aren't going anywhere, according to Barbara Connors, vice president of strategy and acceleration at 84.51°, a retail data company under The Kroger Co. Customers are still motivated by price and value, still expecting the shopping experience to seamlessly shift between online and offline channels, and still interested in buying private label goods.

While this may mean another challenging year for retail, brands can use last year's behaviors to prepare for what to expect in the coming months.

1. Inflation will still weigh on consumer shopping habits

Despite falling prices, the majority of consumers were worried about inflation throughout 2023, peaking in February with 67% of shoppers expressing "extreme concern," per the 2023 Year in Review report from 84.51°. That number dipped to 61% in July, but by October, it was back up at 65%.

Heading into 2024, it seems unlikely these anxieties will ease.

"The outlook around inflation going into 2024 is still clouded with uncertainty," said Connors. "When we ask consumers how long they think inflation will last, the percentage of uncertain shoppers across all age groups rose throughout the year."

To prepare for another year of cost-conscious consumers, retailers can expect customer behaviors to stay the same in 2024.

- The top three ways consumers responded to inflation last year were looking for sales/deals/coupons more often, cutting back on nonessentials, and switching to lower-cost brands, the 84.51° report found.
- "More than half of the population exhibited these top three behaviors last year, and I expect to see all of those continue," said Connors. "Price and value will remain top of mind for customers until we see something shift from a macroeconomic standpoint."

To appeal to deal-seekers, brands will need to use personalization to target the right customers with relevant offers, said Connors.

“Personalized offers are a better distribution of your investment to customers that matter most to you, and it helps customers because you’re making it easy for them to get value on the products that are most relevant to them.”

2. Omnichannel success is about harnessing the best of both worlds

The lines between the digital and physical worlds have blurred as consumers shift fluidly between shopping in-store and online.

- 27% of consumers say they’ll increase the amount of online grocery shopping they do in 2024, while 9% say they’re planning to do less, per 84.51°.
- Still, 39% of consumers say they don’t plan to shop online at all in 2024, illustrating that brick-and-mortar still plays a major role in retail.

This requires retailers to have best-in-class experiences across digital and physical channels, the key to which is understanding what motivates customers to shop in-store versus online (and vice versa).

The primary reason half (50%) of consumers prefer shopping in-store is their lack of trust in others to select their products accurately, 84.51° found.

“Discovery and inspiration are still top reasons to shop in-store,” said Connors, especially when it comes to certain occasions or times of year. “We see this come through in the holiday shopping. There’s a lot of fun displays and you can smell what’s cooking in the bakery. It makes it an exciting and enjoyable experience.”

Meanwhile, nearly two-thirds (66%) of consumers cite convenience as the No. 1 reason they shop online.

“Retailers need to find a way to bring inspiration and discovery to the ecommerce experience without detracting from the convenience that customers expect online,” said Connors.

On the other hand, retailers need to add elements of convenience whenever possible to the in-store experience, using technology to give customers control of the shopping experience and speed it up.

3. The battle between private label and national brands rages on

Consumers' preferences are inconsistent when it comes to store versus national brands, according to 84.51°.

- 29% say they prefer national brands but are open to purchasing store brands, while 16% say they prefer store brands but are open to national brands.
- Just 8% prefer only national brands and 31% prefer only store brands.
- 17% say they have no specific brand preferences.

For national brands, this reinforces the need to deliver personalized promotions, said Connors.

“If they trade away from your brand once, you want to make sure you give them a reason to come back. You may have lost that trip—you don’t want to lose all future trips.”

On the private label side, it underscores the importance of product quality.

“Now you have customers who previously may not have tried your brand, there is a real pressure to deliver on the quality so that you keep them and create brand loyalty,” she said.

It’s also essential to remember that this isn’t just a short-term concern.

“Even if inflation isn’t a concern for consumers, say, six months from now, some consumers will still be interested in getting good value out of their purchases. Brands have to plan for this to potentially be a long-term risk.”

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