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5 consumer behaviors that will define retail in 2023

Article

“The sky isn’t falling,” according to The New Consumer and Coefficient Capital’s “Consumer Trends 2023” report. But consumer habits are changing as a result of high inflation, shifting attitudes around COVID-19, and the battle for digital attention. Here are our key takeaways from the report.

1. Inflation is high, consumer sentiment is not. But it's rebounding.

- According to the US Bureau of Labor Statistics, inflation has seen some relief since hitting a 40-year high in June. But 64% of US consumers still say prices for everyday goods have increased a lot in the past six months, per The New Consumer and Coefficient Capital.
- The University of Michigan's index of consumer sentiment noted a 4.0% rise in consumer sentiment between December and November. But sentiments are down 16.3% since last December.
- Nearly half (47%) of US adults say inflation is the most important problem in the US right now, putting it far ahead of issues like gun violence, climate change, and COVID-19, according to The New Consumer and Coefficient Capital.

Vibe check: Sentiments have improved, but consumers are hurting from inflation. That will extend into next year, and consumers will keep searching for ways to cut back.

2. TikTok is making them buy it.

- The No. 1 use for TikTok is mindless entertainment, but nearly one-fourth (23%) of US users say they use the platform for discovering new products to purchase. One-fifth say they use it to keep up with brands, according to The New Consumer and Coefficient Capital's survey.
- Some 27% of those surveyed say they have purchased a product because of a TikTok video.
- According to our own data, 27.3% of US TikTok users have purchased something using the platform. By 2026, we forecast that number will reach 39.9%.
- Among Gen Z, 19% say they primarily discover beauty products on TikTok.

Vibe check: TikTok is converting users into shoppers with rapid speed. The app puts entertainment and shopping in the same place, offering users the same magical shine of going to the mall in the '90s. Despite rising inflation, ecommerce will continue to go viral on TikTok.

3. Creator- and celebrity-backed brands will keep their advantage.

- Creator- and celebrity-backed brands like Skims, The Honest Company, and Fabletics have a leg up in advertising, because creators already have a social media audience to whom they can advertise.

- An established audience will become even more advantageous as marketers sift through the loss of third-party data in the year ahead.
- Celebrity-founded beauty brands have an Instagram engagement rate of 13%, compared to non-celebrity-founded brands' 3% engagement rate, according to a Charm.io study reported by The New Consumer and Coefficient Capital.

Vibe check: Celebrity- and creator-backed brands will remain in vogue next year, especially as marketers struggle to reach consumers with targeted ads. But pairing with celebrities isn't always the safest bet. Take adidas and Gap Inc., which lost hundreds of millions in profits when they parted ways with Kanye West following his racist and antisemitic remarks.

4. Consumers would rather forget COVID-19.

- COVID-19 is the least of US adults' concerns right now (although the pandemic is not over), according to The New Consumer and Coefficient Capital.
- Metrics like air travel bookings and dinner reservations have effectively returned to what they were in 2019, according to the TSA and OpenTable data reported by The New Consumer and Coefficient Capital.
- Some pandemic habits have slowed but not stalled. Grocery delivery intermediary sales growth has decreased significantly from 215.5% in 2020, but growth remains in the double digits, meaning the behavior itself has stuck around.

Vibe check: A lot of retail behaviors have normalized, and people have returned to stores and restaurants. But a lot of accelerated ecommerce adoption will stick around, even as growth slows.

5. Consumers with wealth lean into health.

- Wealthy consumers (those making more than $150,000 per year) are more likely to make health and wellness a high priority next year, according to The New Consumer and Coefficient Capital.
- That could have major retail implications, considering the leading potential lifestyle changes involve food, exercise, and supplements.
- Health and personal care was the third-fastest-growing ecommerce category this year at 22.1% year-over-year growth, behind food and beverage and pet products. Next year, the

category will rise to the No. 2 spot, though growth will slow to 18.4%, according to our forecast.

- Delivery startup Gopuff is leaning into wellness with its private label line, Goodnow.

Vibe check: Wellness is a welcome ecommerce opportunity for retailers looking to diversify. Expect this category to stick around as consumers, especially younger ones, lean into purchases that offer wellness benefits.

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