

Consumers' purchasing behaviors are increasingly dictated by price

Article

The trend: Consumer spending is holding up, although shoppers' search for value is becoming more evident.

- **Total retail sales**—excluding autos and gas—**were up by 1.82% year over year (YoY) in the first four months of 2024**, according to the [CNBC/NRF Retail Monitor](#). However, an earlier

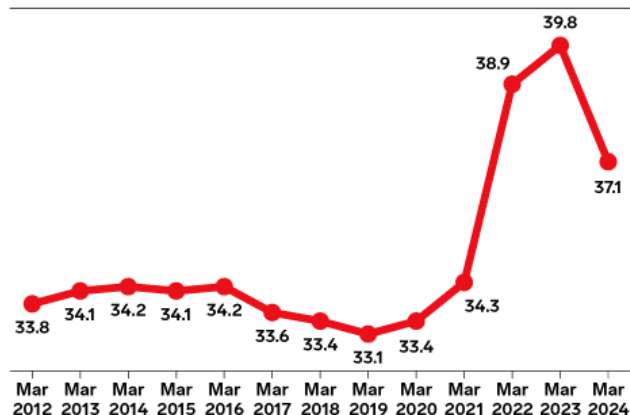
Easter led sales in April to fall 0.6% YoY.

- Ecommerce spending fared better: **Online sales rose 7% YoY to \$331.6 billion in the first four months of 2024**, according to **Adobe**, as consumers spent more on electronics and apparel and bought more groceries online.
- But Adobe's research also found that **shoppers are gravitating toward cheaper products**—a trend that companies like **Amazon, PepsiCo, and McDonald's** called out in recent earnings.

The big picture: So far, consumer spending is proving more resilient than pundits expected, due in part to the health of the labor market, larger-than-expected pandemic cash cushions, and an undiminished [desire to spend on experiences like travel](#) and entertainment. But persistent cost pressures are weighing on consumers' ability to spend, despite easing inflation and recovering wage growth.

- Expenses like rent and car payments are taking a bigger chunk out of household budgets—to say nothing of grocery costs, which are up nearly 25% compared with prepandemic figures.
- Between 2019 and 2023, rents rose 30.4%, while incomes grew 20.2%, per a **Bloomberg** analysis. Meanwhile, high interest rates put car and home ownership out of reach for more consumers, denting confidence as well as demand for big-ticket items.
- And households' pandemic savings finally ran dry in March, according to the Federal Reserve Bank of San Francisco, adding to consumers' financial concerns.
- That's driving up use of alternative payment methods like **buy now, pay later (BNPL)**, which **accounted for \$25.9 billion of online sales in the first four months of 2024**—an increase of 11.8% YoY, per Adobe.

Weeks of Income Needed for US Consumers to Purchase a New Light Vehicle, March 2012-March 2024



Note: Cox Automotive/Moody's vehicle affordability index (VAI) measures the ability of a household earning the median income to afford the purchase of an average-priced automobile

Source: Cox Automotive and Moody's as cited in company blog, April 15, 2024

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The shifting retail landscape: Adobe's report found that shoppers chose cheaper products across a number of categories, including personal care, electronics, apparel, furniture, and grocery.

- Likewise, Amazon CEO **Andy Jassy** noted that customers are “trading down on price when they can and seeking out deals”—a trend the retailer is hoping to capitalize on with a [series of category-specific sales events](#), including Pet Day, Gaming Week, and its latest offering, the Amazon Book Sale.
- Shoppers' quest for a good deal is boosting low-cost ecommerce players like **Temu** and **Shein** at the expense of platforms like [Etsy](#) and **eBay**.
- It's also why [off-price retailers](#) are gaining a larger share of the apparel market, as customers wait for their favorite brands to show up on the discount rack before making a purchase.

The takeaway: Despite the pressures on consumer spending, there's no need for doom and gloom just yet.

- While lower-income consumers are being more judicious with their purchases, other shoppers are [trading back up to premium brands](#) as they begin to feel more confident about their personal economic situations.
- Our forecast expects [US retail sales](#) to grow a respectable **2.8% this year**, with ecommerce sales growing significantly faster at 8.2%.

