

Cost of living concerns have eased in the last year but consumers still expect further discounts on essential items

Over half of consumers who are using generative AI for shopping have already acted on product recommendations made by these tools

Paris, January 11, 2024 – Consumer concern around the rising cost of living has eased slightly over the past year, with just 43% now fearing their personal finances will worsen in the next few months, compared to 80%¹ who felt that way a year ago. This is according to the third edition of the [Capgemini Research Institute’s annual consumer trends report, ‘What Matters to Today’s Consumer’](#), which reveals how continued growing inflationary pressures are shaping consumer expectations of retailers, their spending habits, and the channels they’re exploring. The report also found that generative AI, which is being increasingly used by consumers while shopping, can also help improve retailers’ operational efficiency and enhance customer experience.

Consumers’ expectations of retailers in terms of affordability of essential items have increased: Over two-thirds (70%) of consumers want these items to be discounted even further.

- **Consumers say they will be loyal to those retailers who support them:** In return for helping to alleviate some of the financial pressure today, nearly three-quarters (73%) of consumers said they will be more loyal to those companies that help them through this difficult time, while nearly the same proportion said that they would purchase more products/services from these companies in the future.
- **Consumers expect retailers to alert them of shrinkflation and skimpflation:** 65% of consumers are expecting retailers to tell them when brands reduce a product’s weight or quality, but the price remains the same – commonly known as shrinkflation and skimpflation respectively.

"Though consumer concerns have eased this year, they remain prudent about spending and are either unwilling or unable to spend more. It is crucial for retailers to transform their operations in order to pass on cost benefits to consumers, who are increasingly selective in their choice of products and brands." said Lindsey Mazza, Global Retail Lead, Capgemini Group. "Retailers need to rethink operational strategies and adopt innovative solutions, such as AI, automation, Internet of Things (IoT) to enable smarter demand sensing, touchless forecasting, efficient fulfillment options and offer improved consumer interactivity. All of these provide opportunities to reduce the cost of goods sold and unlock cross-channel growth."

Consumers say that generative AI has enhanced their shopping experience:

- **Consumer awareness of generative AI in shopping has increased:** According to the report, 72% of consumers are aware of the use of generative AI in shopping experiences, and currently one-fifth of

¹ Capgemini Research Institute, What Matters to Today’s Consumer, January 2023



consumers have already used generative AI while shopping. Of those that have used the technology, over half of consumers say that generative AI tools have notably enhanced the experience.

- **Consumer concerns need to be addressed:** The report highlights that concerns around generative AI's potential misuse must be addressed for the technology to be leveraged to its full potential. Nearly two-thirds of consumers are concerned about generative AI producing false or misleading testimonials or reviews.
- **Generative AI can also improve retailers' operational efficiency:** Nearly eight in ten of retail organizations say that the use of generative AI can help improve internal operations and enhance facility maintenance. Retail organizations also plan to use generative AI in their logistics functions like route optimization, operations management and supply chain optimization.² This in turn can help retailers adapt quickly to evolving consumer preferences.

Consumers seek advice from influencers when purchasing on social media: Social media is increasingly playing an important role not just for product discovery but is also emerging as the preferred platform for purchase, particularly among younger generations. Over half of consumers who have purchased on social media seek purchasing advice from influencers, claiming they give a clear breakdown of factors to consider before making a purchase. A similar proportion of consumers who have purchased on social media also look to influencers for discounts and offers.

Consumers are becoming more conscious of their purchasing impact

- **Consumers demand greater transparency from retailers on sustainability:** They want more information about the sustainability credentials of a product before making a purchasing decision, such as its impact on biodiversity, air quality and water resources. More than half of consumers don't trust the sustainability claims made by companies. If consumers did receive comprehensive information about a product's environmental impact, the majority say they would switch to it.
- **Consumers want brands to play an active role in educating them:** 63% of consumers want brands to play an active role in their education around sustainable products. To obtain more information on the sustainability of products, almost half of those surveyed support the inclusion of detailed labels and scannable QR codes on product packaging that provide carbon, water footprint, and product recyclability attributes.

Methodology

The Capgemini Research Institute surveyed 11,681 consumers over the age of 18 in 11 countries across North America, Europe, and Asia Pacific. The global survey took place in October and November 2023.

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² Capgemini Research Institute, "Harnessing the value of generative AI: Top use cases across industries," July 2023. N = 1,000 organizations



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