

A horizontal bar with a dark green segment on the left and a yellow segment on the right.

**10 trends**

# Consumer behaviour



# Overview

Consumer Behaviour - covering spending choices and associated attitudes - is one of 14 dimensions that we use to examine trends in UK consumers and society. Here we outline ten key trends in this area, from our larger trend bank, which will create continuing and new opportunities and risks to many organisations.

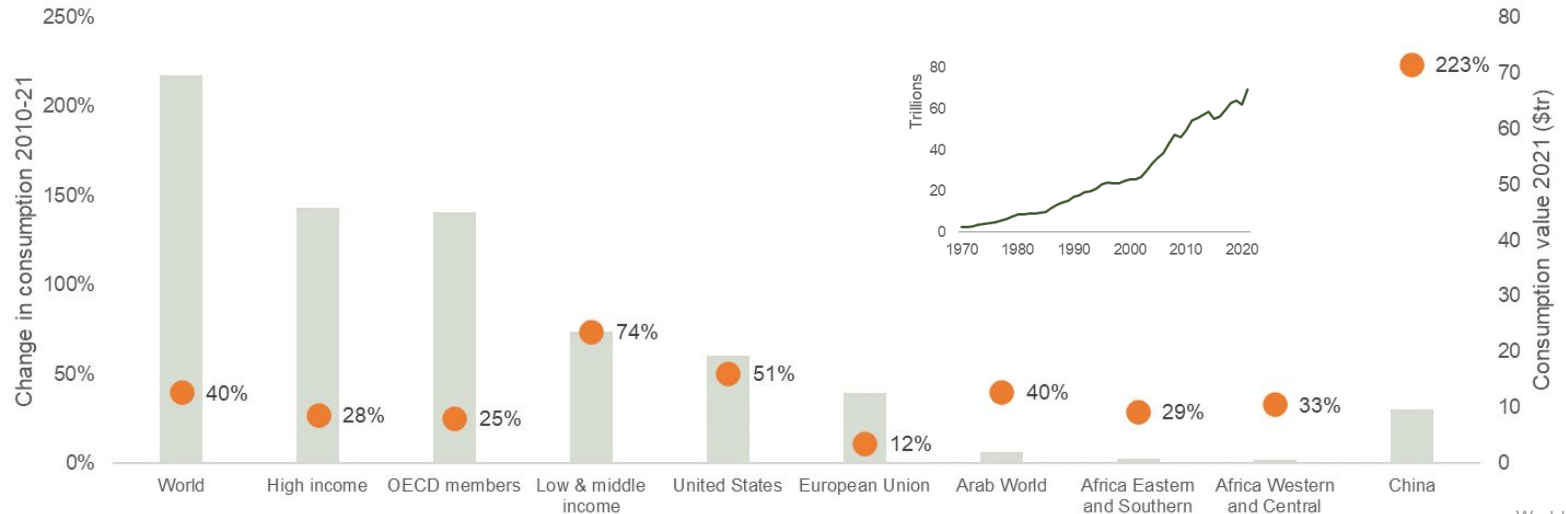
In recent times, declining prosperity for many in the UK is creating a new set of priorities and spending choices. However, concurrently, choices are being driven for reasons beyond tangible product features and price points. The shift to online purchasing has been creating challenges for offline retailers and many digital new entrants. We expect many trends to continue while emerging technology, including AI and blockchain, will disrupt.



# Global context

Excluding the blip from COVID, world consumer spending has increased steadily to reach c£50 trillion/year, representing an average of £5k per person/year on the planet. Total consumption has doubled since 2004. Over time, there have been changes in both the spending power of nations and the distribution of spending across categories.

Consumer spending for key regions and change 2010-21. The global trend is inset



# 10 UK trends



01. Budgeting

02. Digital-first

03. Loyalty-action gap

04. Second-hand

05. High St. decline

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# Budgeting

## 01



Photo by [Sarah Agnew](#) on [Unsplash](#)

**About:** 2 in 3 customers intent to cut out non essentials in 2023 (ONS). Consumer confidence hit a decade low in 2022 (Deloitte). Consumers have moved to lower cost retailers, driving a 26% YOY revenue growth for Aldi, for instance, while Ocado sales reduced.

**Responses:** Many high street retail chains have closed stores or closed altogether. Larger organisations are supporting vulnerable customers while spending on digital transformation to reduce their cost base. Innovators have launched budgeting propositions including apps like Plum, Emma and Snoop. Existing retailers have enhanced budget ranges and increased promotional activities.

**Future business opportunities & challenges:** The UK economic outlook remains challenging. Organisations that find innovative ways to save their customers money and/or create additional value stand to increase their market share.

# Digital first

## 02



Photo by rupixen.com on Unsplash

**About:** COVID accelerated the shift to online buying - with 4 in 5 people now buying at least one product online per year. The UK's e-commerce market is now worth about £100bn/year.

**Responses:** Amazon have taken a dominant position in the UK e-commerce market with revenues of >£15bn/year (c15% of the total market). Most organisations already investing in digital transformation expect to increase their expenditure further in 2023. Smaller organisations are also investing in web and cloud services offered by the likes of Wix (web) or Sage (accounting) to boost their online marketing and fulfillment capabilities

**Future business opportunities & challenges:** Consumers are notoriously impatient with online experiences that serve to frustrate or delay. Organisations will gain a competitive advantage from optimising their online journeys, which will include integrating multiple channels and adding new disruptive technologies like AI and virtual reality to further enhance the shopper experience.

# Loyalty-action gap

## 03

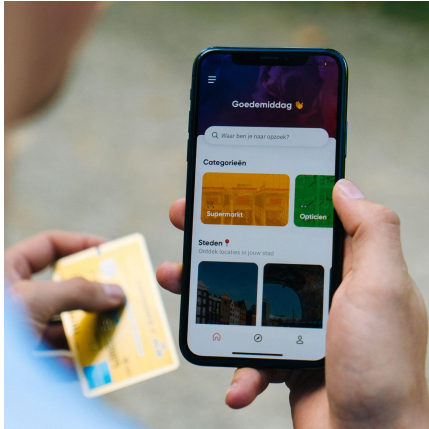


Photo by CardMapr.nl on Unsplash

**About:** Post-Pandemic research suggest customers' feelings of brand loyalty have increased but behavioural trends include reducing loyalty card membership and price-conscious decisions. Brands with a legacy of loyal customers, including John Lewis and Boots, are therefore struggling to retain customer against low-cost brands.

**Responses:** Many of the UK's favourite brands now offer value propositions, rather than luxury, with Aldi, Amazon, Tesco, Home Bargains all appearing in the top 10 (Brand Vue)

**Future business opportunities & challenges:** Organisations are moving from business models that prioritise high profit margins to those that attempt to generate longer term relationships as ways to grow. Offering strong value-for-money is now a brand asset, but brands need to manage their promotions carefully to avoid diluting brand equity.



# Second-hand

## 04



Photo by Shanna Camilleri on Unsplash

**About:** British consumers have long embraced the second hand market. The income of second hand stores rose 27% in 2021. The UK has already become the world's second biggest exporter of second hand clothing (Statista).

**Responses:** Greater pressure has been placed on traditional retailers to show sustainability benefits, while new trend-setting second hand retailers have emerged like Depop, One Scoop Store and Stashrak. Amongst larger organisations, electrical retailer Currys provides incentives for customers returning old goods and have started selling recycled computers.

**Future business opportunities & challenges:** The second hand market, and the market for recycled or upcycled goods, is becoming fashionable due to both price pressures and sustainability concerns: brands that help consumers to be more sustainable have the opportunity of new revenue streams.

# High-st decline

## 05



Photo by Harry Grout on Unsplash

**About:** Even before COVID, shopping trips were in decline, falling from 238 per person per year in 1995/7 to 181 by 2019, before a further fall during COVID (Statista). Vacancy rates of about 1 in 7 shops have been seen over the last 1-2 years.

**Responses:** High street independents and chains alike continue to face pressures to diversify and/or grow their online business to survive. Meanwhile, high streets are starting to see a gradual repurposing into business, residential and entertainment hubs. The “High Street Task Force” was created in 2019 comprising experts to help councils to embark on transformation programmes.

**Future business opportunities & challenges:** Different estimates have suggested that 25%-40% of high street stores are no longer needed to meet future consumer needs. As high streets evolve in purpose and function, new business models will become viable and old ones will die.

# AI interactions

## 06

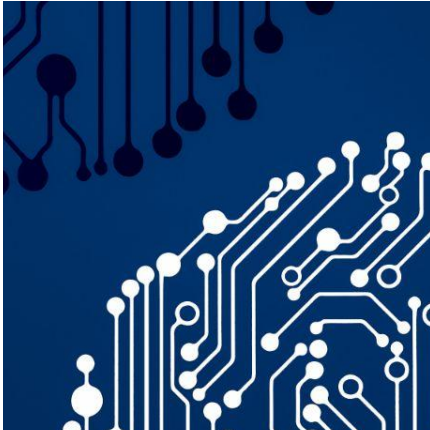


Photo by Steve Johnson on Unsplash

**About:** Consumers are evolving the ways that they connect to brands, with telephone declining from 90% in 2016 to 65% in 2021. AI chatbots are becoming commonplace and research is finding that over half of consumers are comfortable interacting with them.

**Responses:** Software companies have been providing increasing sophisticated AI solutions for several years, that allow consumers to resolve queries without waiting to talk to a human agent or for a response. In January 2021, a UK Government report found 15% of UK businesses had already adopted at least one AI technology.

**Future business opportunities & challenges:** The advent of ChatGBT and, notably, the ability to “plug in” applications represents a model whereby businesses will be able to enhance both internal and customer facing software using AI. Benefits will include productivity enhancements, automation and the creation of new services. However, businesses will also face ethical issues and difficult decisions as jobs are automated.

# Marketing fatigue

## 07



Photo by Tânia Mousinho on Unsplash

**About:** The most effective direct market responses are found through offering advice or discounts as consumers demand a value exchange when sent marketing (DMA). Elsewhere consumers report that, in the face of global advertising increases, they find most marketing that receive is irrelevant.

**Responses:** The use of ad-blocking software has doubled in the UK over the past ten years. Efforts to engage with consumers have seen brands increase their spending on video and social media, while providing enhanced content via email, which remains consumers preferred channel according to research by the DMA.

**Future business opportunities & challenges:** Marketing technology (Martech) provides both opportunities and threats for businesses in coming years. As AI chat services (e.g. Bard, ChatGBT) compete with traditional search, digital marketing strategies will need to evolve. However, AI increases the opportunity to provide “hyper-personalised” marketing, but consumers simultaneously demand greater control over their data.

# Privacy awareness

## 08



Photo by Towfiq barbhuiya on Unsplash

**About:** In 2018, 'Which' reported that only 1 in 4 consumers understood the main ways that organisations collected data about them. Consumers have become both more aware and cautious since: 3 in 5 consumers in the US and Europe are concerned about data privacy and 4 in 5 now expect control over their data (DataGrail, 2022)

**Responses:** Businesses have implemented policies, enhanced security (e.g. two-factor authentication) and consent mechanisms to meet new expectations. Some also offer data porting options. Cybersecurity has become a hot topic for businesses of all sizes and is a much sought-after skillset for IT roles.

**Future business opportunities & challenges:** Businesses will need to navigate a likely growth of Global Privacy Controls which will allow consumers to create one set of preferences across all devices and websites. Pressures are also mounting for stronger regulation than GDPR. AI offers the potential for better detection of data breaches, though also a potential intensification of more sophisticated attacks from hackers. Biometrics and blockchain further promise to disrupt personal security technology.

# Experiences

## 09



Photo by Yvette de Wit on Unsplash

**About:** Over the past c20 years, household expenditure has increased most on energy bills. However, amongst disposable-income categories, there have been strong rises in ‘Entertainment and culture’, “Hotels and restaurants” as well as ‘Communications’. Millennials have particularly exhibited preferences for experiences over possessions.

**Responses:** Experiential propositions have emerged over the last couple of decades while brands have paid more attention to the service experience they offer. Some have gamified customer experience (e.g. Coca Cola’s ‘Moments of Joy’ or Nike+’s ‘Leaderboard’). Others use social media to create communities and help consumers to share their experiences and memories with others. “Experiential” marketing agencies have emerged like Amplify and Backlash.

**Future business opportunities & challenges:** Brands face an increasing onus to cut-through marketing noise and stand out, irrespective of sector, but there are constantly new innovations to support them.

# Values-driven choices

## 10



Photo by Blake Guidry on Unsplash

**About:** As the quality of products, prices and services converge, dimensions of differentiation expand to a brand's ability to resonate with their consumers' values. Surveys consistently find a particularly strong sentiment amongst younger consumers that brands' social, ethical or environmental actions are influencing their decisions.

**Responses:** The internet has increased awareness about a range of global factors including climate change and inequality. Organisations large and small have responded by allocating resources on programmes to contribute to solutions. The UK is also home to a growing range of environmental startups like BritishVolt, Emitwise and Clim8Invest.

**Future business opportunities & challenges:** As younger generations become more powerful consumers over coming years, the onus will increase on brands to be transparent about all aspects of their business. From auditing supply chains for carbon emissions through to executive pay, actions will be influencing acquisition and retention.

# Factors affecting the future







**Perspectives on the future: David Ogilvy**

It takes a big idea to attract the attention of consumers and get them to buy your product. Unless your advertising contains a big idea, it will pass like a ship in the night. I doubt if more than one campaign in a hundred contains a big idea.

# Key factors affecting the future UK trajectory

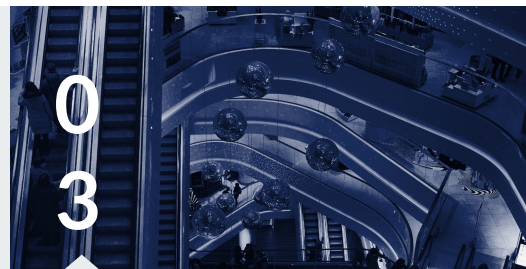


## Costs of commodities

With geo political factors affecting food, energy and commodity prices, retail prices will remain subject to shocks and volatility.

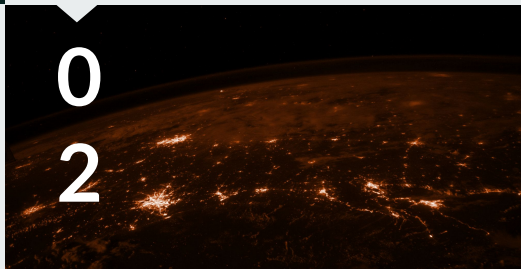
## Sustainability constraints

Prices will increasingly include a component for carbon. The potential advent of digital currently may also lead to constraints on unfettered consumer spending



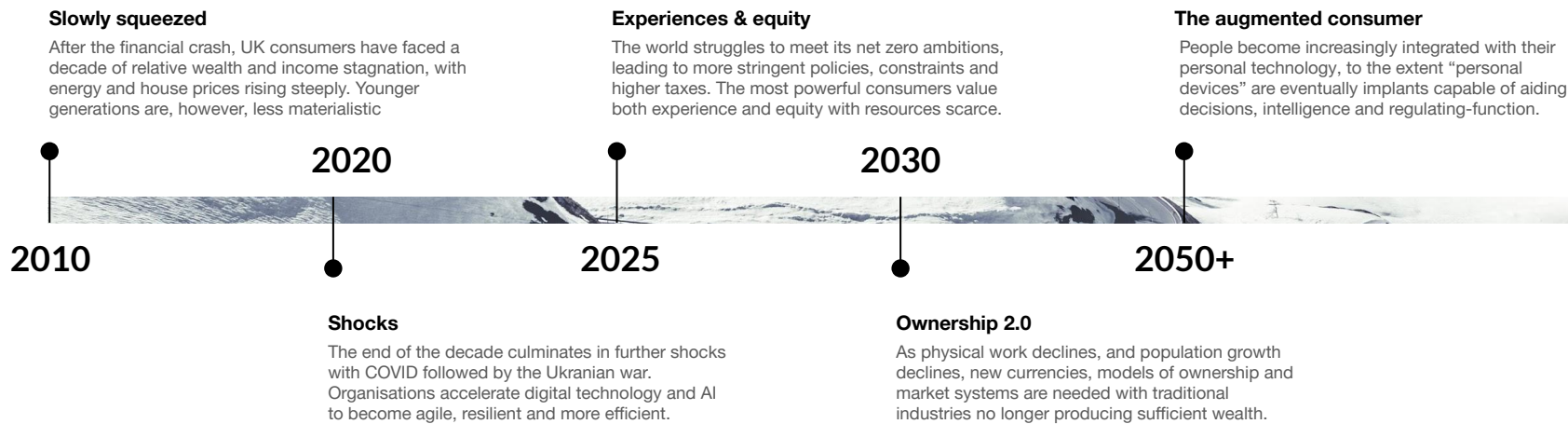
## Automated shopping


The smart home - in which devices become capable of sharing information about their status - offers the potential for fridges to order their own stock, or apps to switch energy providers.



# Timeline

Various scenarios are plausible. One sees technology advance to reduce the need for work, while constrained resources create a drive for a sharing economy i.e.





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