

Global retail and brands at a crossroads

Navigating economic uncertainty and varying consumer expectations in 2024

Decoding consumer behavior
Volume 3

Management summary

An uncertain economic and geopolitical climate paints a mixed picture for the international retail landscape. Rapid inflation and rising living costs are causing many people to cut back on spending and focus on essential purchases. In 2023, consumers prioritized grocery shopping, discount stores, and more time at home, sacrificing spending on travel and luxury goods. As affordability and convenience become increasingly important, businesses must also continue to navigate the shift from physical stores to e-commerce. Indeed, digitalization is affecting consumer behavior more than ever, despite growing skepticism of influencer-driven marketing, with social media now having a major impact on shoppers' purchasing decisions.

Amid the uncertainty, there is some positivity among consumers in certain regions. Admittedly, consumers in Europe are somewhat pessimistic about the current situation, but in China, the United States, and the Middle East, sentiment is more optimistic. So what does this mean for brands and retailers in 2024? According to the third edition of our "Decoding consumer behavior" study, conducted with Potloc in November 2023, value for money remains the top priority for consumers, followed by quality and durability. Shoppers also indicate that the shift toward health and wellbeing and more conscious consumption will continue. Supermarkets and malls are set to retain their appeal, but the convenience of e-commerce will see it further increase its market share. For luxury items, quality and brand reputation are the most important criteria for consumers, who favor multi-brand stores.

Adaptability and a tailored regional approach will be crucial to successfully navigate the rapidly changing retail landscape. Based on our findings, businesses should first focus on enhancing their operating model and value proposition, with a strong emphasis on quality. Promotions and exclusive member benefits can attract more customers, with digital technologies vital to leveraging data for more personalized offerings.

While 2024 is unlikely to spell huge shifts in consumer behavior, more than a third of respondents in our survey do expect to moderately increase their spending, with younger shoppers most bullish. This report will help brands and retailers enhance their consumer appeal and capture some of this increase amid an increasingly competitive, dynamic, and uncertain retail landscape.

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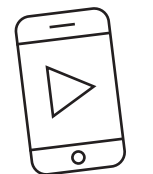
About this study

Roland Berger and Potloc conducted this study in November 2023 to gain detailed insights into consumer behavior trends around the globe. It surveys 1,800 people from six countries, with 300 participants from each country: Brazil, China, Germany, the United States, United Kingdom, and United Arab Emirates. Participants covered an even spread of women and men as well as a range of ages, from 18 to 55 and above. This is the third edition of our analysis of international consumer behavior and focuses on patterns observed in 2023 and forecasts for 2024 in light of current global economic and geopolitical instability. The first edition highlighted a shift toward frugality and digital reliance due to Covid-19; the second study looked at six key trends including the prioritization of sustainability and quality as well as the importance of fast, free shipping, among others. This third edition analyzes the latest spending patterns and provides valuable guidance for businesses and policymakers navigating the dynamic retail ecosystem.

Fast Facts

46%

feel optimistic about the current situation



Consumption of media and its impact on purchasing decisions differ.

52%

will increase spending in 2024



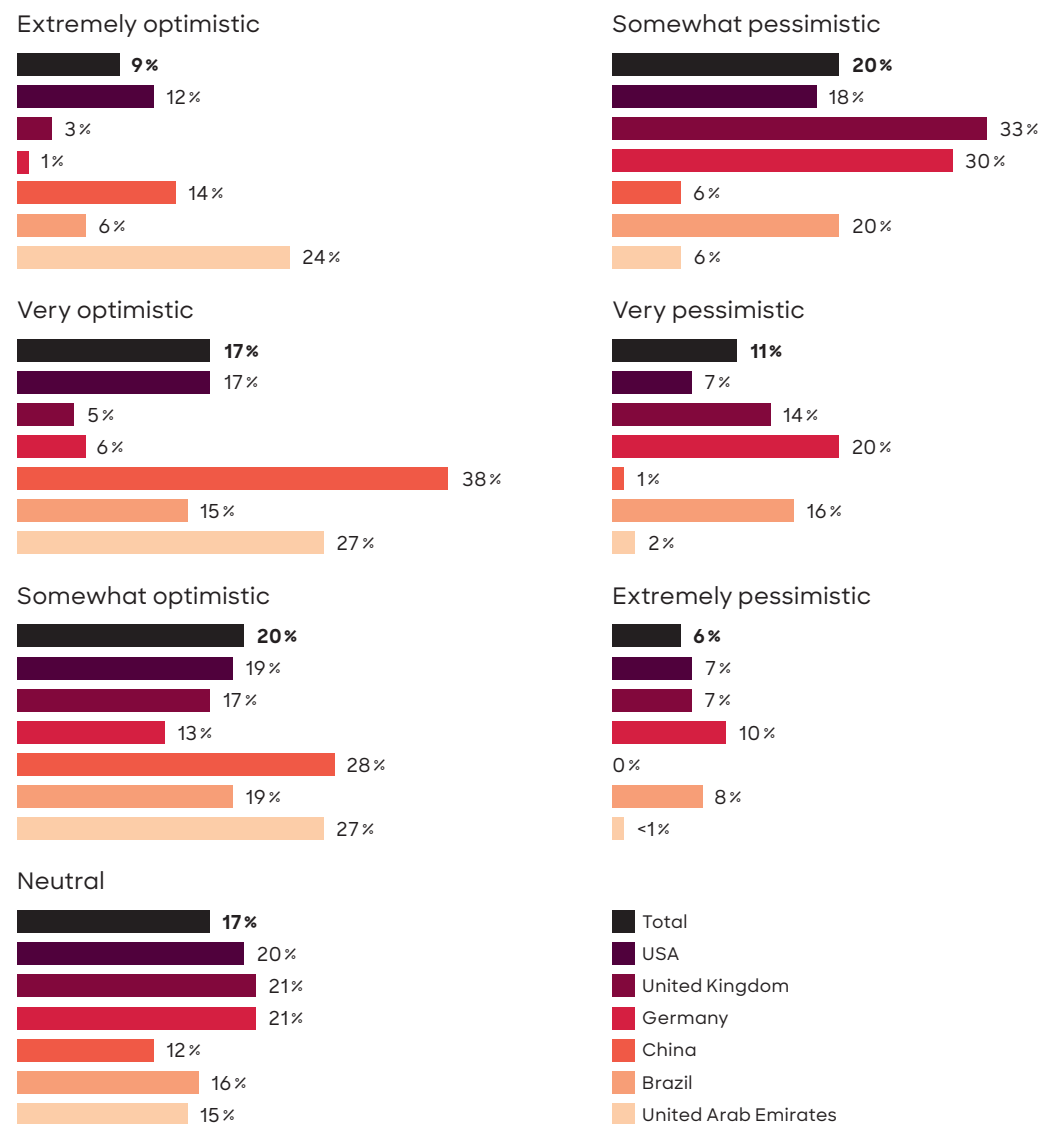
1 Consumer optimism varies as focus shifts to essentials

Regional variations in consumer optimism

Despite widespread economic and geopolitical uncertainty, it's not all doom and gloom for consumers. Almost half of the respondents in our survey feel at least somewhat optimistic about the current situation, especially those aged 18-24. Meanwhile, just over a third feel at least somewhat pessimistic, with the remaining 17% neutral.

This is very much a global average, though. Dig deeper and there are distinct regional variations in outlook between East and West. Participants from China and the UAE show the greatest optimism, while consumers in Germany and the UK have a gloomier view. ▶ **A**

A How do you feel about the current situation?



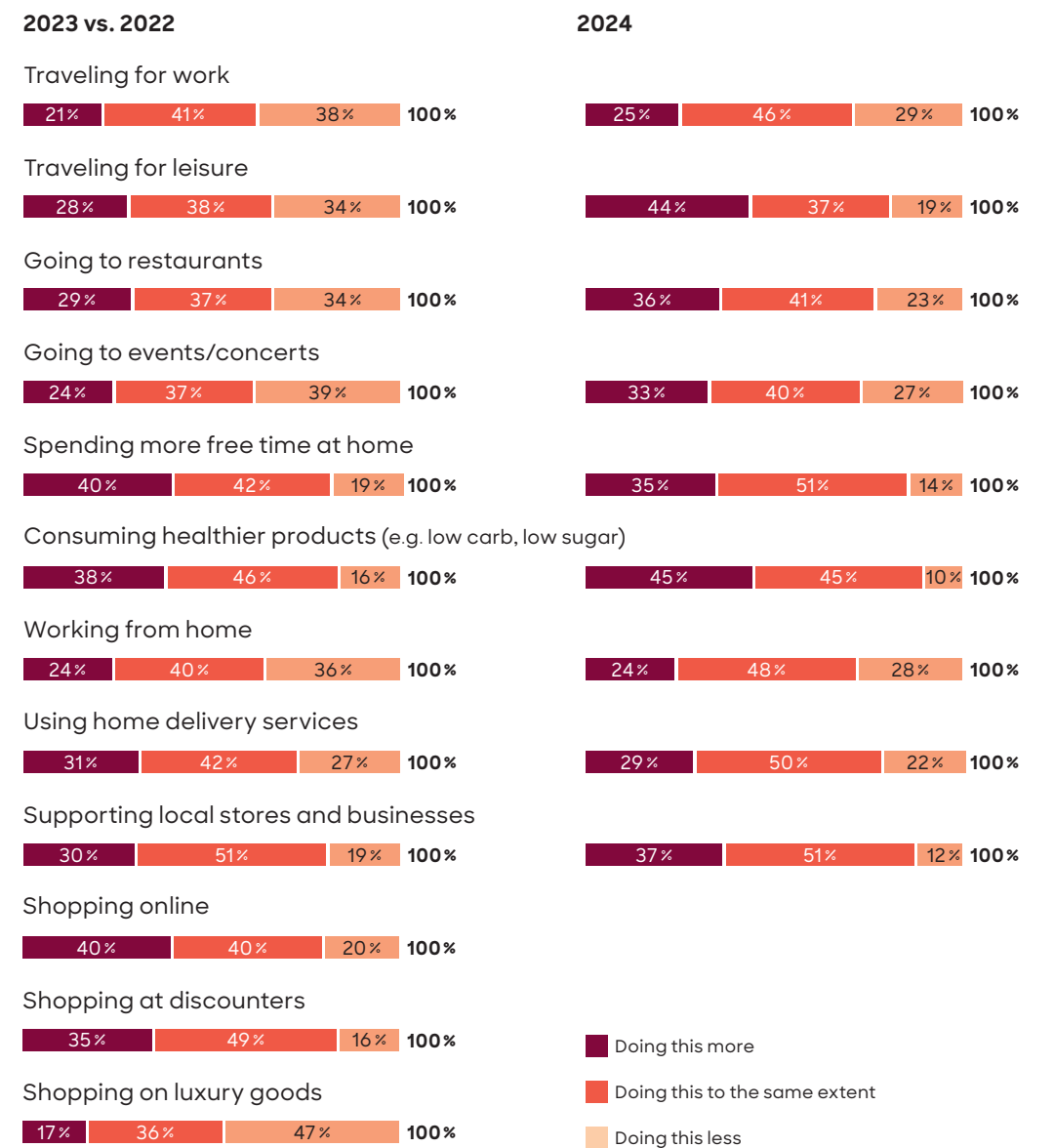
Source: Global consumer survey by Roland Berger and Potloc

Shoppers cut spending to focus on essentials

The rising cost of living in many countries meant consumers were more budget-conscious in 2023. They cut spending in numerous areas to focus on essentials while staying at home more frequently. These trends look set to continue in 2024, except for a significant increase in leisure travel.

Keen to save money, just over a third of respondents shopped more frequently at discounters in 2023. This coincided with significant numbers reducing spending on luxury goods, events, and visiting restaurants. Tighter budgets also hit travel for both leisure and work purposes. ▶ **B**

B As a result of the economic situation, did you or will you do more or less (or the same amount) of each of the following in the years indicated?



Source: Global consumer survey by Roland Berger and Potloc

It's unsurprising, then, that the most popular spending category in 2023 was food and nutrition (73%) followed by shoes (58%) and alcoholic and non-alcoholic beverages (49%). The least popular categories, including cars and mobility, cultural goods, and luxury goods, also highlight the prioritization of essential products and services.

Plenty of consumers expect their activities in 2024 to follow a similar pattern to 2023, although there will be some changes. After growing in 2023, the interest in personal wellbeing and more conscious consumption looks set to rise further, with almost half of respondents expecting to buy healthier products more frequently. After cutting back in 2023, 44% of respondents intend to travel more often for leisure purposes in 2024. Support for local stores and businesses will increase, reflecting a growing focus on community, sustainability, and the local economy.

2024 may signify a further shift in people's approach to the workplace. Globally, 29% of respondents expect to travel less for work, while 28% intend to work from home less frequently. This could imply a new balance between remote and in-office work. ▶B

Moderate spending increases expected in 2024

On average, monthly spending patterns are unlikely to change significantly in 2024, although younger consumers are more optimistic. Just over half of consumers said they plan to increase their monthly spending, with 28% expecting no change and 20% set to reduce their spending.

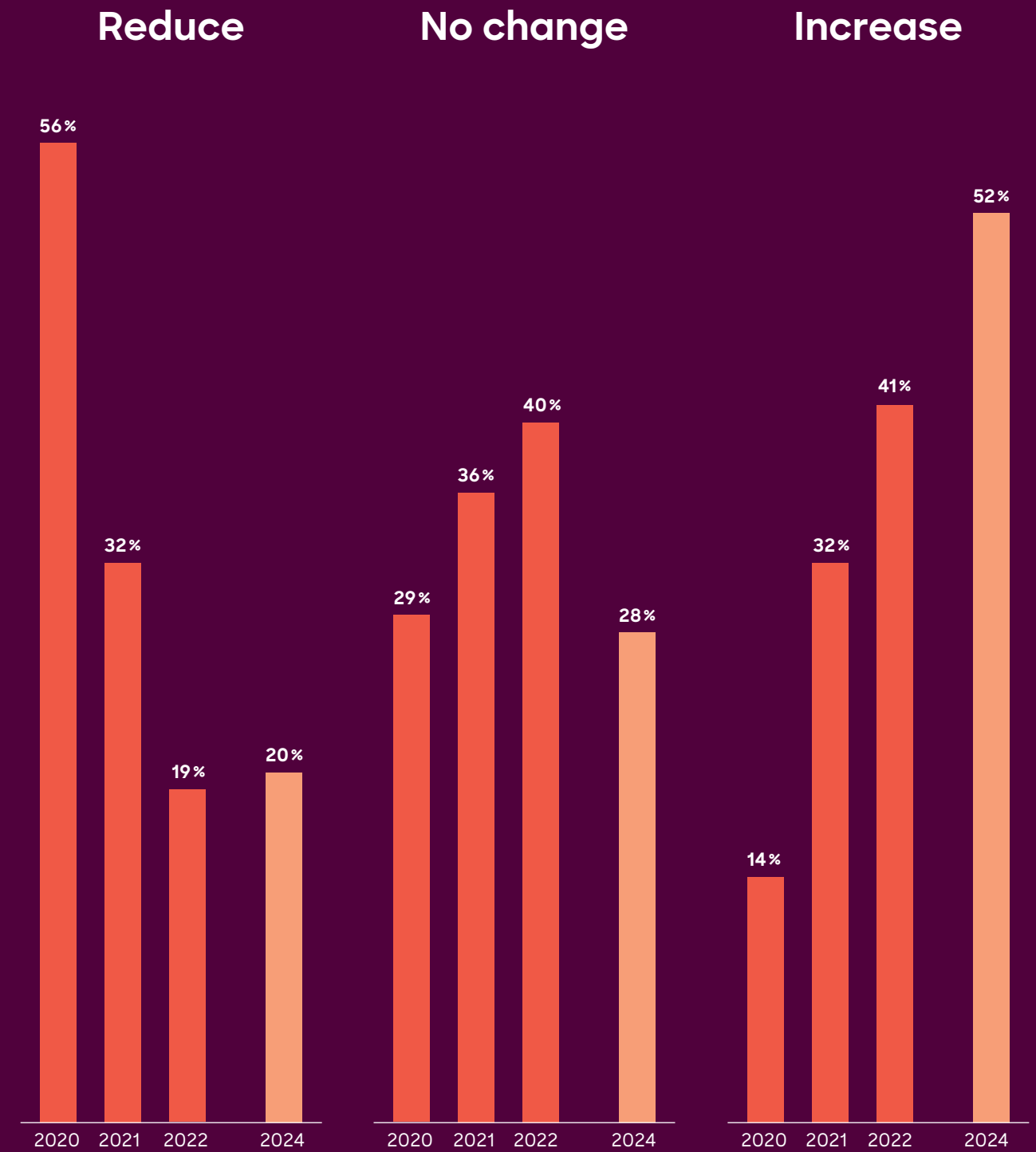
Consumers in China and the UAE are more optimistic about their finances, with just over two thirds of respondents in each country expecting to moderately increase their spending. German participants also show some optimism, while Brazilians are the most pessimistic.

Younger respondents are the most likely to loosen their purse strings in 2024. Almost a quarter of 18-24-year-olds expect to considerably increase their spending, with a further 44% planning a moderate increase. Around half of those aged 55 and over expect to either spend the same or moderately reduce their spending. ▶C

// There are distinct regional differences in consumer outlook: China, the US and Middle East are upbeat; Europe and Brazil less so."

Thorsten de Boer, Senior Partner

C How do you expect to change your overall monthly expenses in 2024 compared to 2023?



Source: Global consumer survey by Roland Berger and Potloc

Digital media shapes buyer behavior

Social media dominates media consumption, with Facebook the most popular choice, ahead of Instagram and TikTok. Broadcast TV and radio now rank behind TV and music streaming services. When it comes to influencing purchasing decisions, TikTok holds the most sway.

At a regional level, online videos and company websites are particularly popular in China, while respondents in the UAE enjoy social media and company websites. Traditional media is still relevant, though, especially among older people and those in Germany and the UK. Germans have a particular love of broadcast TV and radio, while Britons are the biggest fans of books and magazines. ▶D

While social media is now popular with all ages, younger users are much more likely to use visual platforms like Instagram and TikTok, with older respondents favoring Facebook. Meanwhile, China's use of TikTok is double that of the global average, partly due to access

restrictions on other apps like Facebook and Instagram. Consumers in the UAE also have a strong affinity for TikTok and Instagram, with the latter extremely popular in Brazil, too.

Of course, media has a major influence on consumer purchasing. Digital platforms now have the biggest impact, with TikTok leading the way, just ahead of company websites and online video tutorials. This is reflected in retail media's increased efforts to leverage digital data to create more tailored marketing and product offerings.

The influence of different media on purchasing decisions varies significantly by region. Interestingly, Chinese consumers cite podcasts as the most influential media, just ahead of TikTok, despite it not featuring in their top five consumed media types. Social media is particularly influential in the US, in line with their consumption, followed by print magazines and company websites, which don't feature among their most consumed media. A similar pattern can be seen in each country, with the most influential media not necessarily the ones consumed most frequently. This highlights the importance of using differentiated media to drive purchasing decisions as well as a comprehensive customer segmentation. ▶E

D Let's now focus on your media consumption. What are your 5 most used media?

	TOP 1	TOP 2	TOP 3	TOP 4	TOP 5
USA	Social media 73%	Online TV/ streaming 60%	Music streaming 47%	Apps (in general) 42%	Broadcast TV 35%
United Kingdom	Social media 76%	Online TV/ streaming 61%	Books/ literature 51%	Apps (in general) 49%	Broadcast TV 44%
Germany	Social media 77%	Broadcast TV 61%	Online TV/ streaming 49%	Radio 45%	Apps (in general) 42%
China	Social media 70%	Online TV/ streaming 57%	Music streaming 46%	Apps (in general) 42%	Online video tutorials/ MOOCs 41%
Brazil	Social media 82%	Online TV/ streaming 60%	Apps (in general) 57%	Music streaming 44%	Broadcast TV 43%
United Arab Emirates	Social media 84%	Online TV/ streaming 63%	Music streaming 41%	Apps (in general) 39%	Broadcast TV 36%

Source: Global consumer survey by Roland Berger and Potloc

E To what extent do each of the following media impact your decision to buy or consume some product or service?

	TOP 1	TOP 2	TOP 3	TOP 4	TOP 5
USA	TikTok 68%	LinkedIn 61%	Instagram 48%	Print magazines 47%	Company websites 46%
United Kingdom	TikTok 49%	Company websites 40%	Online video tutorials/ MOOCs 32%	Instagram 30%	Apps (general) + podcasts (both each) 26%
Germany	Company websites 53%	Online video tutorials/ MOOCs 43%	Instagram 29%	Podcasts 25%	Newspapers + books/ literature (both each) 24%
China	Podcast 66%	TikTok 65%	LinkedIn 60%	Facebook 55%	Online video tutorials/ MOOCs 53%
Brazil	Online video tutorials/ MOOCs 43%	Books/ literature 39%	LinkedIn 38%	Instagram/ company website (both each) 37%	Newspapers 31%
United Arab Emirates	Apps (in general) 67%	Company websites 64%	TikTok 63%	Instagram 60%	Print magazines 58%

Source: Global consumer survey by Roland Berger and Potloc

2 Looking ahead: Consumer trends for 2024

So, what does this mean for the coming year? We have compiled six key insights to help market participants excel in 2024, ranging from consumer product priorities to ways of boosting the appeal of physical stores.

Insight 1

Value for money, price, and quality remain crucial

Insight 2

Food and travel will attract increased spending

Insight 3

Supermarkets, malls, and discounters are set for more visits among physical stores

Insight 4

Promotions, membership benefits, and hygiene are key to boosting in-store shopping

Insight 5

Convenience is still king, with online marketplaces set to grow

Insight 6

Luxury goods players must go the extra mile to attract customers

Insight 1

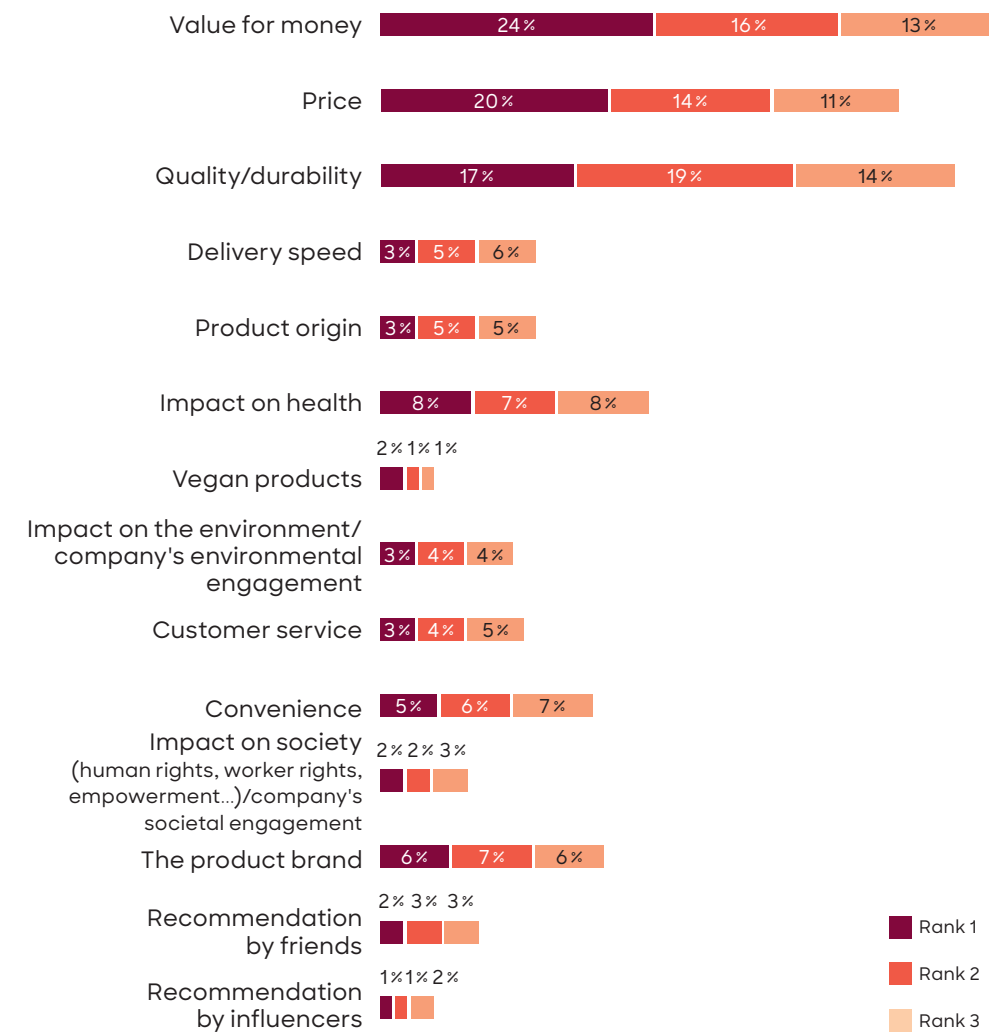
Value for money, price, and quality remain crucial

Value for money is the number one purchasing criterion, followed by price and quality/durability. Given the current uncertain economic climate, consumer emphasis on affordability and durability is unsurprising, although it could also be tied to a longer-term shift toward sustainability and a desire to invest in products that last.

Meanwhile, influencers are out: Their recommendations were the least important driver for shoppers, suggesting a shift in consumer trust and priorities as they become more skeptical of influencer-driven marketing.

There are very few regional differences here, except China, where quality/durability and impact on health rank joint first (17%), ahead of value for money (14%). ▶ F

F What are the most important criteria you take into account before buying anything?



Source: Global consumer survey by Roland Berger and Potloc

Insight 2

Food and travel will attract increased spending

Almost a third of consumers expect to spend more on food and nutrition in 2024, making it the most popular choice for increased spending. Both domestic and international travel will also be much more popular in 2024.

The rise in food spending is in line with results from previous years and reflects several global trends. As inflation continues to bite, consumers will have to allocate more money to this essential category. Greater interest in personal health and wellness also means more people are willing to invest in nutritious food and dietary supplements.

Covid has a major role to play in travel's growth: the spike in domestic tourism that was caused by international travel restrictions during the pandemic shows little sign of falling, while the broader desire to spend more on travel and experiences may still be fueled by pent-up demand from lockdowns. Domestic travel is also seen as a more budget-friendly alternative during tougher economic times.

Toys and games, and jewelry and watches are least likely to see more spending in 2024. The exception here is the 25-34 age bracket, where 10% expect to spend more on toys and games. This could be for young family members or it could also reflect the growing adult interest in video games.

On a regional level, consumers in China and the UAE are most bullish about increasing their spending, whereas Brazilians are most likely to cut their monthly expenditure. However, macroeconomic indicators may paint a different picture to consumer sentiment regarding their intentions going into 2024. ▶ G

“ Regionalized business and operating models are vital. Navigating declining and price-sensitive markets while simultaneously seizing opportunities is key.”

Richard Federowski, Partner

G In which of the following categories, if any, do you expect to increase your spending in 2024 compared to 2023?



Source: Global consumer survey by Roland Berger and Potloc

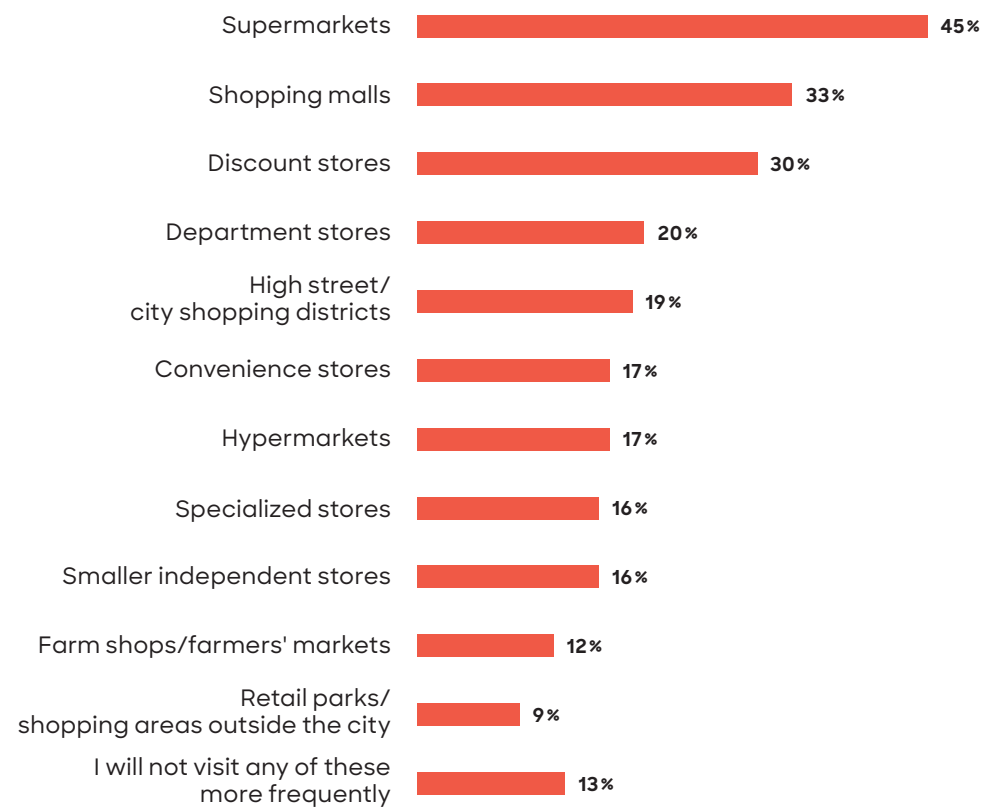
Insight 3

Supermarkets, malls, and discounters are set for more visits among physical stores

Supermarkets rank a clear first among the physical stores consumers plan to visit more often in 2024. This reflects the prioritization of essential purchases as well as the rising interest in healthy nutrition. Shopping malls and discount stores can also expect a significant jump in visits.

Shoppers in China, Brazil, and the UAE intend to enjoy the convenience and variety of malls more frequently; consumers in the US, UK, and Germany, by contrast, plan to visit malls less frequently. Meanwhile, consumers in Germany and the UAE are most likely to visit discount stores more frequently. ▶ **H**

H What are the three types of physical stores you expect to visit more frequently in 2024 compared to 2023?



Source: Global consumer survey by Roland Berger and Potloc

Plenty of businesses will want to know how consumer intentions for physical stores compare with those for online shopping. Little is expected to change, although a slightly higher proportion of consumers will ramp up their online shopping (30%) than those who plan to visit physical stores more frequently (24%), suggesting a continued shift away from bricks and mortar to e-commerce.

Insight 4

Promotions, membership benefits, and hygiene are key to boosting in-store shopping

Promotions and vouchers remain vital in attracting visitors to physical stores, with half of consumers saying it would make them more likely to visit. This lever requires careful management, though, to avoid wear-off and unnecessary margin drain. Special membership benefits are also a key factor, while hygiene and extended rights of return also rank highly.

The importance of promotions and vouchers across all regions highlights how budget-conscious today's consumer base is, with shoppers looking for immediate, tangible benefits. Meanwhile, the interest in membership benefits aligns with a trend toward personalized shopping experiences and loyalty programs. In a competitive retail environment, these benefits can create a sense of exclusivity and reward for frequent shoppers, encouraging repeat visits.

Hygiene has, of course, gained importance since Covid-19. Even though the pandemic has now faded into the background, clean public spaces remain a reassurance for consumers. China and the UAE place the most value on hygiene, possibly due to a strong cultural or systemic emphasis on cleanliness in public spaces, reinforced by recent health events like Covid. German consumers place the lowest emphasis on hygiene.

What Germans do value in stores, though, is personal service. Chinese consumers place a particularly high emphasis on enhanced in-store experiences, while Americans appreciate additional membership perks. These varying results underscore the importance of tailoring retail strategies to regional consumer behaviors and expectations. ▶ **I**

I What measures taken by retailers would increase your willingness to shop in physical stores?



Source: Global consumer survey by Roland Berger and Potloc

Insight 5

Convenience is still king, with online marketplaces set to grow

When it comes to online shopping, generalist marketplaces like Amazon or Alibaba are most likely to see more visits in 2024, well ahead of the online stores of retailers and supermarkets. Social media platforms and second-hand marketplaces follow.

Convenience and variety are key to the appeal of generalist marketplaces. Consumers can compare products and prices quickly and easily, helping them optimize their spending. The ability of platforms like Amazon to consistently provide competitive pricing and reliable delivery, even in times of inflation and supply chain disruption, is a further advantage.

The anticipated increase in use of the online shops of retailers and supermarkets likely reflects the growing preference for omnichannel shopping. Supermarkets may see growth in their online presence due to the increased demand for the convenience of grocery delivery services, a trend accelerated by the pandemic.

Generalist marketplaces are popular across all age groups. But while younger consumers are more willing to use a variety of online channels, including social media with seamless e-commerce integration, older consumers tend to stick with a narrower selection of platforms.

For online retailers looking to attract more shoppers, the message is clear: free delivery and free returns are what consumers value most. This continues the trend from our last study, emphasizing the importance of cost-efficiency and convenience. ▶ J

J What are the types of online buying channels you expect to visit more frequently in 2024 compared to 2023?



Source: Global consumer survey by Roland Berger and Potloc

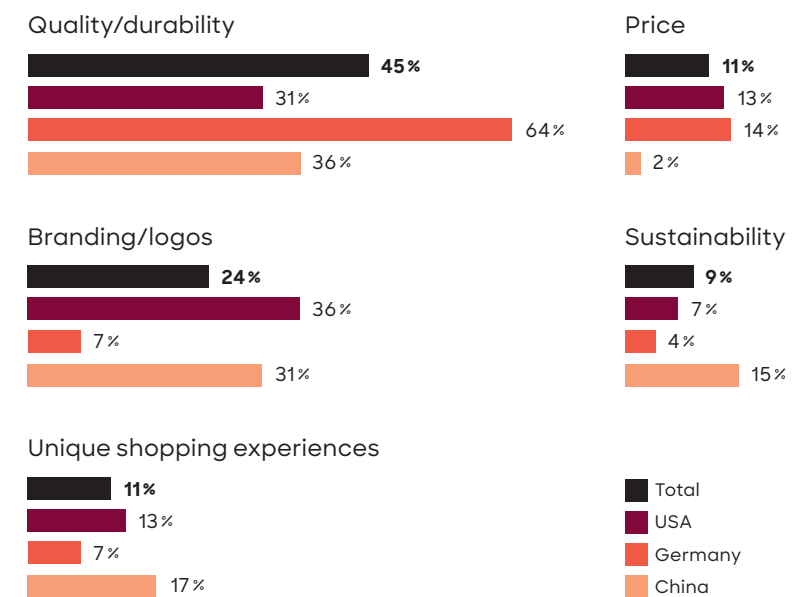
Insight 6

Luxury goods players must go the extra mile to attract customers

With consumers keeping a closer eye on their spending, retailers and creators of luxury goods will need to go the extra mile to attract customers. Quality and durability is the most important factor, particularly for those in Germany. Consumers expect their luxury investments to last, especially in an uncertain economic period and with sustainability growing in importance.

Don't discount aesthetics, though: branding and logos also rank highly, especially for US shoppers. Meanwhile, unique shopping experiences offer a further way for businesses to set themselves apart – something Chinese consumers appreciate more than most.

K What aspect is most important to you when purchasing luxury items?



Interested in more insights? Explore the full data set with multiple individual drill downs using the Potloc Interactive Dashboard.

Source: Global consumer survey by Roland Berger and Potloc

There are no clear favorites when it comes to where consumers like to buy luxury goods. The variety offered by multi-brand retailers makes them the most popular, with little to choose from between online and physical stores. The appeal of e-commerce shows that consumers are increasingly comfortable purchasing big-ticket items online.

Department stores are the likely losers in this shift. Consumers indicate they would be less likely to shop there for luxury goods in 2024. This reflects broader shifts in retail: department stores have come under increasing pressure due to the rise of e-commerce and changing consumer preferences. Shoppers want curated, personalized shopping experiences, which are often better provided by niche or specialized players, including online platforms. The convenience and variety offered by online shopping may also be drawing consumers away from the traditional department store model. ▶ K

3

Four steps for success in 2024

As this survey shows, today's consumer is increasingly budget-conscious - a reflection of the uncertain global economic climate. While this trend isn't set to change dramatically in 2024, more than a third of respondents do expect to moderately increase their spending.

There is no one-size-fits-all solution for companies to enhance their consumer appeal and capture this increase. The right approach will vary depending on location, target audience, and channel, among other things. However, by focusing on some or all of the four steps below, businesses will be able to strengthen their position in the dynamic and increasingly competitive retail landscape.

1. Step up your operating model and value proposition: Businesses should first focus on enhancing their operating model to identify and execute on efficiencies. An attractive pricing strategy, combined with high-quality products, should follow.

2. Enhance in-store experiences: Retailers, especially supermarkets and discount stores, can attract more customers by enhancing in-store experiences. This includes integrating effective promotions, offering exclusive membership benefits, making shopping convenient, and maintaining high hygiene standards.

3. Establish customer-centric technologies: Through the integration of customer-centric technologies such as a company-specific loyalty program, consumers can be individually rewarded for their purchasing frequency, while this rich pool of data and information can be leveraged to optimize promotion mechanics and extend into hyper-targeted customer interaction and marketing as well as the derivation of insights on assortment and product improvement potentials.

4. Elevate luxury brand strategies: For luxury items, where consumers prioritize quality and brand reputation, companies should focus on strengthening their branding and consider strategies like multi-brand stores to appeal to this market segment.

Social media dominates media consumption but purchasing decisions are influenced by everything from videos and podcasts to company websites and books.

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- [SERVICED COUNTERS AS A PROFITABILITY LEVER IN GROCERY RETAIL](#)

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