TCS Consumer Retail Survey

US Key Findings report:

Top Retail Trends and Takeaways for 2023

Contents

Tata Consultancy Services has conducted a five-question, cross-generational survey in the US and the UK to understand how their buying behaviors and values are changing, especially through the lens of increasingly challenging economic conditions.

We asked approximately 1,500 consumers in each country:

- Which technologies do you want from retailers to enhance your customer experience?
- How important are retailers' sustainability and social responsibility practices when shopping or buying?
- How much more have you paid in the recent past to choose sustainability produced and ethically sourced products and services?
- What are your plans for reducing spending on discretionary items and services compared to six months ago?

The survey covers every adult age group from Gen Z (18 – 25 years old) up to Seniors, or the "Silent Generation" (77+ years old), in the US and the UK. (See demographics section for more details.)

This report focuses on three of the most notable insights we uncovered from the survey's approximately 1,500 US respondents. Want more insights? Read the full UK report here. To read the US report, click here.

Executive summary

Despite forecasts of a challenging economic cycle and decreased consumer discretionary spending, some surprising opportunities await retailers in 2023, according to the survey.

Essential takeaways at a glance
Our survey uncovered three essential takeaways:
1. Millennials are more willing than other age groups to share their personal information in exchange for discounts, rewards or other exclusive offers.
2. Today's shoppers— regardless of their age group — are willing to engage more with retailers offering advanced technologies that enhance their customer experiences.
3. Sustainability matters across the board, and despite tighter household budgets, most respondents have been willing to put their money where their mouth is by buying sustainably-produced or responsibly-sourced products in the recent past.

This report examines the survey's key findings and offers recommendations about how retailers can:
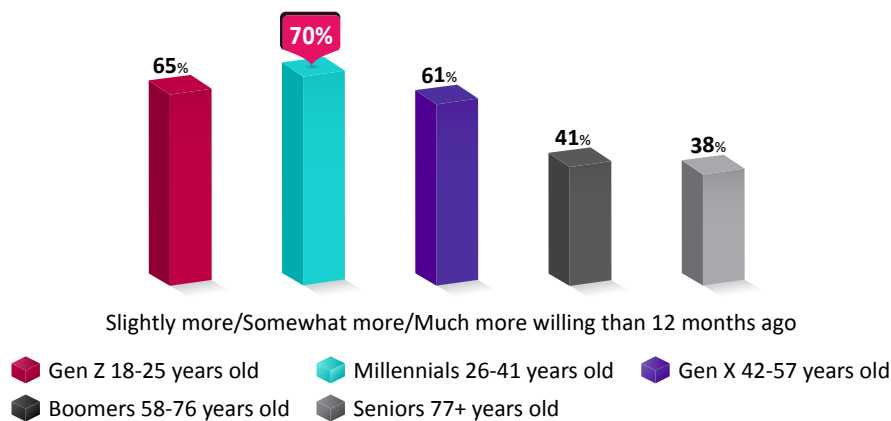- Segment in-store, online and loyalty programs to more effectively meet the unique preferences of every customer.
- Strategically design and deliver desired experiences and make the right technology investments for unique customer personas, now and in the future.
- Personalize sustainability rewards programs so customers can make smart, socially responsible, "feel-good" choices during tough economic times, creating new opportunities to build brand loyalty and attract new customers.

Top 3 takeaways

Takeaway 1: Millennials are more willing to trade their personal data for benefits compared to other generations.

The TCS Retail Survey shows that all age groups surveyed in the US plan on changing their spending behavior to adapt to challenging economic conditions. However, Millennials' spending behavior appears to be less impacted than other age groups. They are also more willing than other generations to trade their personal data in exchange for discounts and perks compared to twelve months ago, as shown in Figure 1.

Compared to 12 months ago, how willing are you to share your personal information to get a discount or perk?

Slightly more/Somewhat more/Much more willing than 12 months ago

- Gen Z 18-25 years old
- Millennials 26-41 years old
- Gen X 42-57 years old
- Boomers 58-76 years old
- Seniors 77+ years old

Figure 1. 70% of Millennials are more willing to share their personal information in exchange for discounts or perks compared to other age groups surveyed.

Despite coming of age in a totally digital world, Gen Z is not as comfortable as Millennials when it comes to sharing their personal information.

Why this matters: Millennials are the largest group of consumers, but Gen X spends the most money annually,[1] and Baby Boomers have the largest buying power. Gen Z's spending power is also on the rise.[2] As Millennials age and their incomes grow, their spending power will only continue to increase. The survey findings suggest that a focus on Millennials is essential for success. However, retailers cannot afford to ignore Gen X, Gen Z or to a lesser extent, Boomers. They need to consider that what Millennials seek in a customer experience is different compared to what Gen Z, Gen X and Boomers want. How can retailers customize the in-store and online experience for each of these age groups? They must consider new and much more targeted segmentation and greater personalization of their loyalty programs to deepen brand loyalty, grow market share and increase revenue.

Key takeaway

At 70% Millennials are more willing to share their personal information to get a discount or perk compared to the other age groups.

[1]*"How different generations in the US spend their income"; Oct 2022*
https://www.weforum.org/agenda/2022/10/americans-spend-their-money-by-generation/

[2]*"As Gen Z's Buying Power Grows, Businesses Must Adapt Their Marketing"; Jul 2022*
https://www.forbes.com/sites/jefffromm/2022/07/20/as-gen-zs-buying-power-grows-businesses-must-adapt-their-marketing/

The survey findings suggest that a focus on Millennials is essential for success. However, retailers cannot afford to ignore Gen X, Gen Z or to a lesser extent, Boomers. The caveat? What Millennials are looking for in a customer experience differs from what Gen Z, Gen X and Boomers want, with each generation having its own preferences.

Example: Noodles & Company, an American fast-casual restaurant, offers a tiered rewards program that turns their customers' "love of Noodles into offers, freebies and all kinds of tasty rewards." One recent campaign gamified mobile rewards to boost loyalty, targeting younger patrons. Another way Noodles & Co is acquiring information and feedback about customer preferences is enticing them to participate in surveys, requiring personal information (such as age group and residence ZIP code) in exchange for food products—a cookie, for example. The greater the customer participation in the program, the more they are rewarded—and the more information Noodles & Co has about its customers and the experience they expect.

Industry insight: The survey uncovered that more Millennials compared to other age groups are willing to share their personal information to get a discount or perk amid rising prices. Retailers need to fully capitalize on this opportunity to provide Millennials with a personalized and rewarding experience to build their loyalty. To do business with a generation that knows the value of its personal data, retailers must make sharing information comfortable, frictionless – even delightful.

In contrast to Millennials, members of Gen Z and Gen X are more reluctant to share their personal information. How can retailers tap into up-and-coming Gen Z customers and build their trust in information-sharing? Retailers should collect only the information they need to deliver relevant, memorable experiences and rewards, while giving shoppers confidence that their personal information is protected.

To entice more Gen Z customers to share their personal information, retailers need to consider whether they are doing enough outreach via social media, including loyalty offers. Gen Z consumers are different from other age groups in that they have grown up with social media, and they feel more comfortable engaging with retailers there. The retailer that aligns with Gen Z ideals through social media can build further trust. Retailers should also consider how to best tailor their offerings to Gen X, the "sandwich generation" busy taking care of young families and aging parents, who prefer to find products via in-store shopping, online search and television ads[3].

Value for retailers: Every business is unique, with different customer profiles. But there may be a hidden opportunity here for retailers to maximize the current economic climate by balancing the unique needs, wants, and demands of customers using a more tailored and highly "segmented" approach for each generation. By focusing more on Millennial buying power (with products, messaging, offers and discounts) retailers may be able to earn loyalty—and extract higher value from their Millennial customer base for years to come.

Big idea: This takeaway suggests that more granular customer segmentation for loyalty points and a highly personalized customer experience can be advantageous for retailers, especially amid challenging economic conditions. This approach requires advanced analytics and intelligent personal, demographic and behavioral data-gathering capabilities. Only in this way can retailers manage the complexity of segmenting a large, geographically dispersed customer base and effectively target disparate age groups.

[3] *"How Each Generation Shops in 2022 (Hubspot; Jul 2022)*
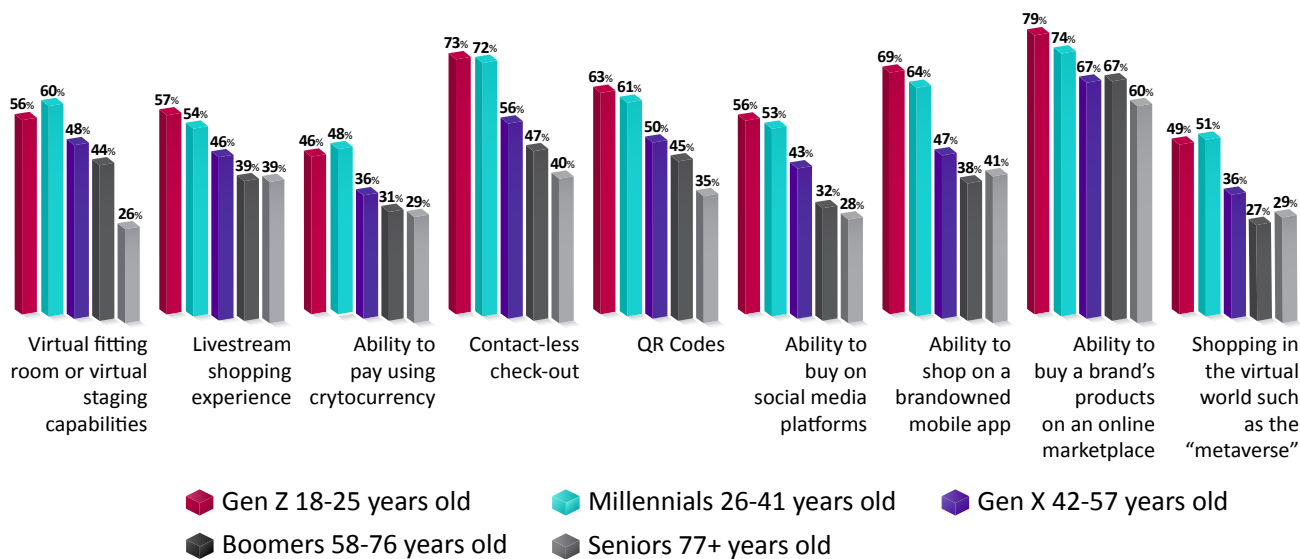*https://blog.hubspot.com/marketing/how-each-generation-shops-differently*

The survey findings show that across generations, consumers are interested in using tools and technologies to improve their customer experience, with online marketplaces, contactless check-out options, and rewards for sustainable purchases ranking highest. Depending on the generation, shopping options for the metaverse and the ability to pay using cryptocurrencies came in lower. Still, almost half (48%) of Millennials surveyed say they are likely or more likely to shop or spend more at retailers who offer the ability to pay with cryptocurrencies*, with 51% saying they are more likely to shop or spend more in the metaverse. (See Figure 2.)

Please rate your willingness to shop or spend more money with a retailer if the following technology is made available to you: Virtual fitting room or virtual staging, livestream shopping experience, ability to pay using cryptocurrencies, contact-less check-out, QR codes for discounts/information, option to shop on a brand-owned mobile app, ability to buy on an online marketplace, option to shop in a virtual world (metaverse).

Key takeaway

Consumers surveyed, across all age groups including seniors, have shown strong interests in the ability to shop or buy:

- Using virtual staging, livestreaming, cryptocurrency
- On social media platforms, brand-owned mobile apps, online marketplaces, virtual worlds (like the metaverse)
- Using contact-less payment option
- Using QR codes for personalized offers and information

Gen Z 18-25 years old   **Millennials 26-41 years old**   **Gen X 42-57 years old**
Boomers 58-76 years old   **Seniors 77+ years old**

Figure 2. Respondents in every age group said they were more likely or much more likely to shop with retailers offering these technologies.

* This survey was conducted prior to the recent cryptocurrency crash and is included as a future consideration for retailers as they evolve their payment options for customers.

TCS Consumer Retail Survey   Tata Consultancy Services

Why this matters: Retailers are focused on driving immediate profits during a challenging economic cycle. However, the TCS retail survey strongly suggests that while customers are planning to spend less on discretionary items, they crave easy, engaging, and informed ways of shopping. Most respondents are eager to embrace technologies that improve their retail experience and help them make smarter buying decisions.

Industry insight: Retailers need to assess those tools and technologies that will resonate with their most important customers and focus on the solutions that bring the most ROI. The survey findings showed significant differences in preferred technological shopping enhancements among age groups. For example, when asked about willingness to shop or spend more money with retailers offering virtual staging capabilities, 60% of Millennials are more likely to spend with those retailers compared to other groups, as shown in Figure 3.

How likely are you to shop or spend more money with a retailer offering virtual fitting rooms or virtual staging capabilities?
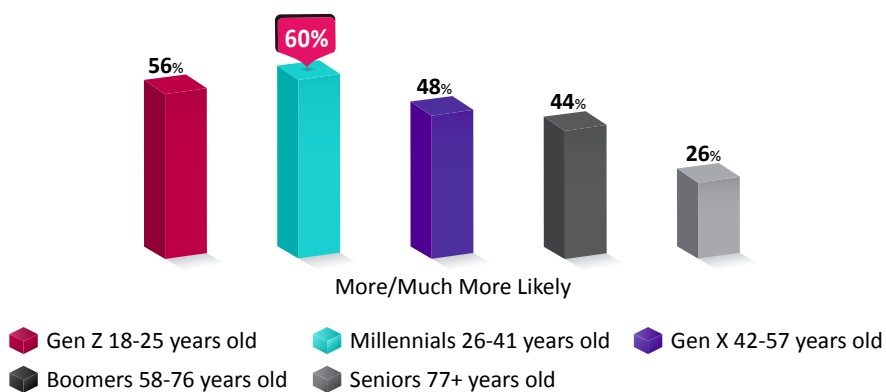

Figure 3. More Millennials expressed an interest in virtual staging capabilities compared to the other age groups surveyed.

Retailers need to assess those tools and technologies that will resonate most with their most important customers and focus on the solutions that bring the best ROI.

More members of Gen Z (57%), however, are interested in livestreaming capabilities than other age groups in the country, closely followed by Millennials (54%). (See Figure 4.)

How likely are you to shop or spend more with a retailer offering a livestream shopping experience?
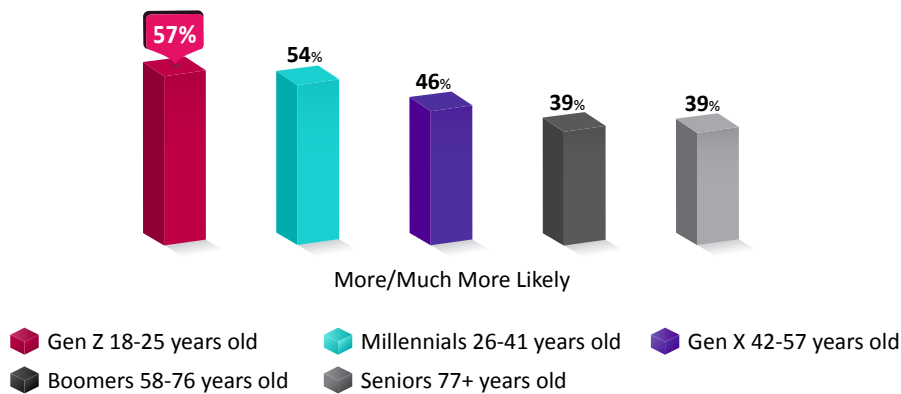
Figure 4. More members of Gen Z expressed an interest in livestreaming capabilities compared to the other age groups surveyed.

And as shown in Figure 5, Boomers and Seniors are significantly less interested in using QR codes for personalized information and exclusive offers compared to the other age groups.

How likely are you to shop or spend more with a retailer offering personalized information and offers using QR codes?
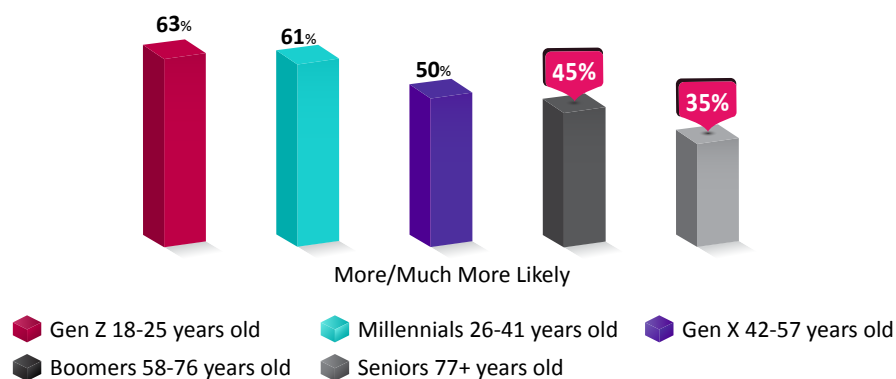
Figure 5. Boomers and Seniors are significantly less interested in QR codes compared to other age groups.

As they navigate current economic difficulties, retailers should look beyond the immediate and think long-term, plan strategically, and invest in the ideal online and in-store customer experience of the future. Because every customer age group (and region) has unique preferences, creating and delivering an optimal customer experience strategy across a large retail enterprise can be challenging. Retailers need to start by addressing the most pertinent and immediate issues that can impact the customer experience, from optimizing their supply chains to fixing lackluster front-end processes. But they also need to build a cost-effective, agile digital foundation that readies their business for future growth.

Value for retailers: Customers now have the resources to educate themselves and make purchases based on their preferences. Brands that understand precisely the type of experiences the customer wants (and can exceed their expectations) will foster lasting loyalty with existing customers—and build it with new ones. Designing and delivering the desired type of experience requires industry expertise and insights based on deep analytics that inform retailers, enabling them to make the right investments for customers.

Big idea: Deep, contextual data gleaned from an integrated digital foundation that goes beyond anecdotal evidence or disparate marketing tools will be essential in accurately assessing which shopping experiences—and how to deliver them—will resonate most with consumers in the future and provide the most compelling experience and the most ROI.
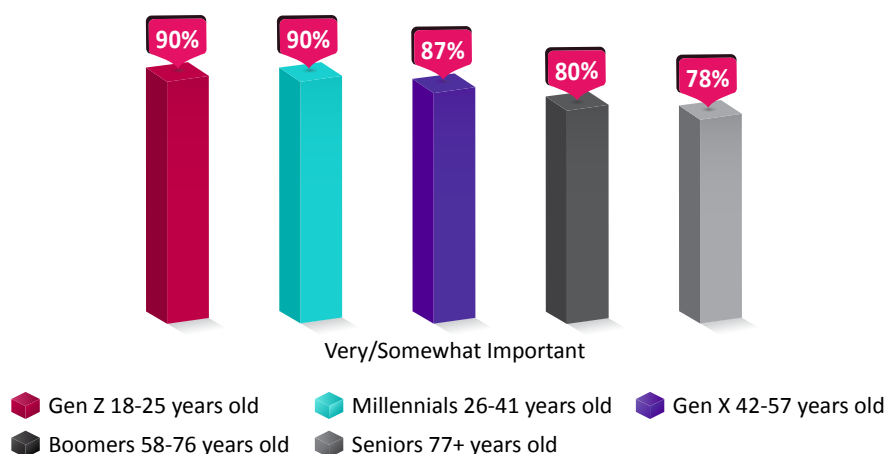
Takeaway 3: Sustainability can be a win-win-win scenario for retailers, consumers and the environment.

The survey findings show that consumers across the board are planning on spending less over the next 12 months on a wide range of discretionary items and services. It also uncovered that most consumers (an average of 86% of all surveyed) say when deciding to buy, it is somewhat or very important that an item is sustainably made and ethically sourced. (See Figure 5.)

When making a buying decision, how important is it that the item is sustainably made and/or sourced responsibly?

Key takeaway

The majority of all age groups said that when deciding to buy an item, it is important that it is sustainably made and responsibly sourced.

90% 90% 87% 80% 78%

Very/Somewhat Important

- Gen Z 18-25 years old
- Millennials 26-41 years old
- Gen X 42-57 years old
- Boomers 58-76 years old
- Seniors 77+ years old

Figure 6. Most respondents said that when making purchasing decisions, it is important that an item is sustainably produced and responsibly sourced.

Respondents also revealed that over the past six months they have spent more on sustainable choices, as shown in Figure 7.
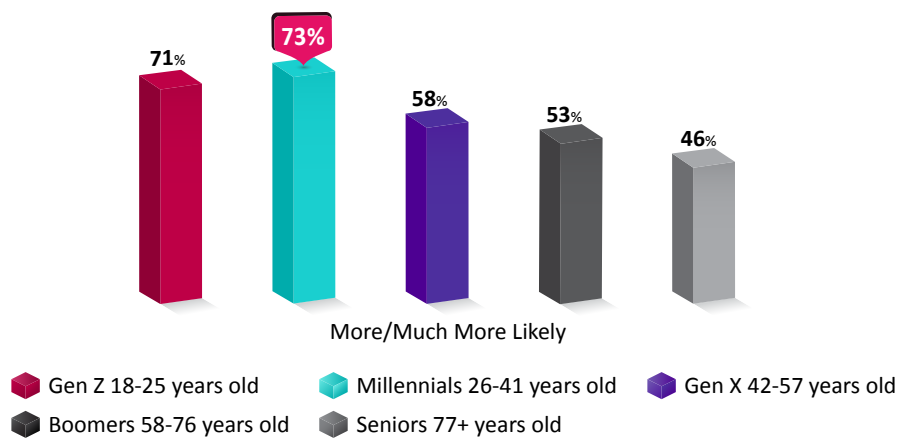
Thinking about your shopping behaviors for how responsibly or sustainably an item is made/sourced over the last six months, which statement most closely defines your actions?

84% **73%** **65%** **58%** **56%**

Paid a little more/Moderately more/Significantly more

- Gen Z 18-25 years old
- Millennials 26-41 years old
- Gen X 42-57 years old
- Boomers 58-76 years old
- Seniors 77+ years old
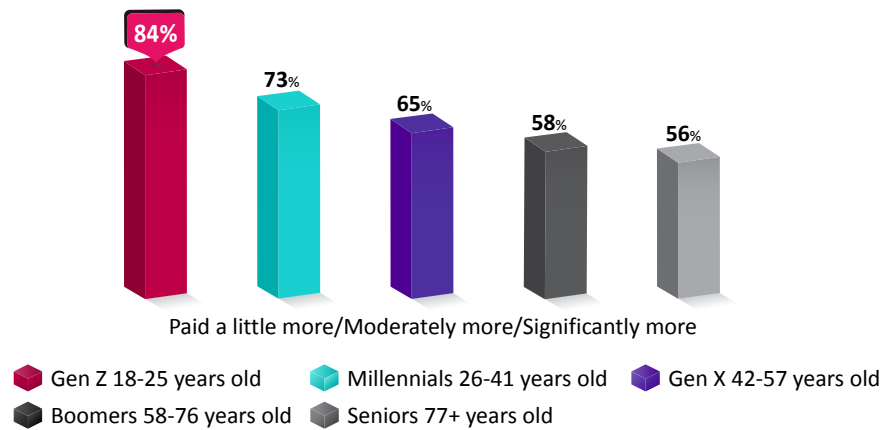
Figure 7. Most respondents in every age group said they had paid more for sustainably-produced and responsibly-made items, particularly Gen Z.

Most survey respondents, especially Millennials and Gen Z, would also like to be rewarded for making these choices, as shown in Figure 8.

How likely are you to shop or spend more money with a retailer offering the option to get rewards for sustainable shopping choices?

71% **73%** **58%** **53%** **46%**

More/Much More Likely

- Gen Z 18-25 years old
- Millennials 26-41 years old
- Gen X 42-57 years old
- Boomers 58-76 years old
- Seniors 77+ years old

Figure 8. Millennials and Gen Z are more interested in rewards for sustainable shopping.

Why this matters: Most consumers are spending less, but when they do spend, they want to make sustainable choices with retailers that have sustainable practices and ethically-sourced items. During tough economic times, this is a moral dilemma for shoppers, especially for Gen Z and Millennials who want to live their ideals but must contend with tighter budgets. How can retailers educate and reward consumers for making socially-conscious choices that make them feel good about shopping?

Most retailers want to provide sustainable purchasing options, but many are reluctant due to perceived higher costs. Any sustainable solution requires giving customers options while enabling retailers to see greater ROI from its operational benefits on top of the long-term customer trust and loyalty they will gain.

Industry insight: In response to mainstream customer sentiment, many retailers and brands are making efforts to provide sustainable purchasing options and implement greener supply chains, energy efficiency practices and eco-friendly packaging.

In this survey, most consumers say buying sustainably-made and ethically-sourced products and services is important to them. And many have recently opted to spend more to make socially responsible "feel-good" decisions. However, sustainable products are only one part of the customer journey, and there is much more that many businesses can do to integrate sustainability into their overall business strategy. All too often sustainability is considered only if it does not impact the bottom line – especially in tough economic times. These findings suggest it may be more valuable for retailers to revisit this approach and create greater choices and visibility for consumers around sustainability and sourcing. At the same time, retailers also need to continually balance more expensive sustainable options with more affordable products.

Most consumers are spending less, but when they do spend, they want to make sustainable choices. During tough economic times, this is a moral dilemma for shoppers, especially for Gen Z and Millennials. How can retailers educate and reward consumers for making socially conscious choices that make them feel good about shopping?

Retailers also need to consider how to best reward customers who choose, and can afford to make, sustainable choices (through loyalty points and/or gamification for discounts, and other exclusive offers). This type of rewards system can be a win-win-win proposition for the environment, retailers and consumers alike. Retailers who help consumers navigate a challenging economy with feel-good and do-good shopping experiences will reap the benefits of lasting brand loyalty. However, a continued focus on highly personalized choices for customers will need to remain top of mind.

Value for retailers: By communicating how their business is implementing sustainable and ethical sourcing, whether via app, product labels or other means, retailers can build brand loyalty and capitalize on the consumer's desire to do right and help them feel more optimistic during challenging times.

If sustainable options drive up costs, sharing these costs with the customer is an option to consider. Retailers will need a back-end analytics framework that allows the customer to make more personal choices around sustainability and affordability. Sustainable energy practices –particularly smart analytics of business energy usage – can reduce both environmental impact and costs at the same time. And communicating these practices and their benefits effectively can deepen loyalty among customers who want to know they are doing business with sustainable brands.
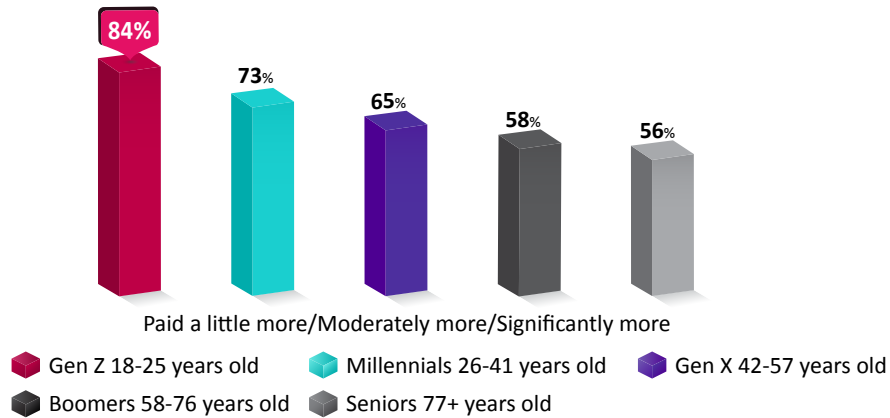
Big idea: Retailers need to help and reward consumers in making positive choices and make them feel good about shopping with them. However, in an increasingly tough economic environment, many customers are fighting an uphill battle of "walking the walk" of social responsibility while trying to choose between sustainable shopping and cost savings. But a sustainability strategy does not have to be a zero-sum game that pits doing good against costs: if done smartly — with an analytical and integrated approach — sustainability can be a win-win-win for the retailer, consumer and the environment.

Generational highlights for retailers

The survey was divided into five age groups, with respondents from 18 – 77+ years old in the US. Here are some of the key insights into each generation.
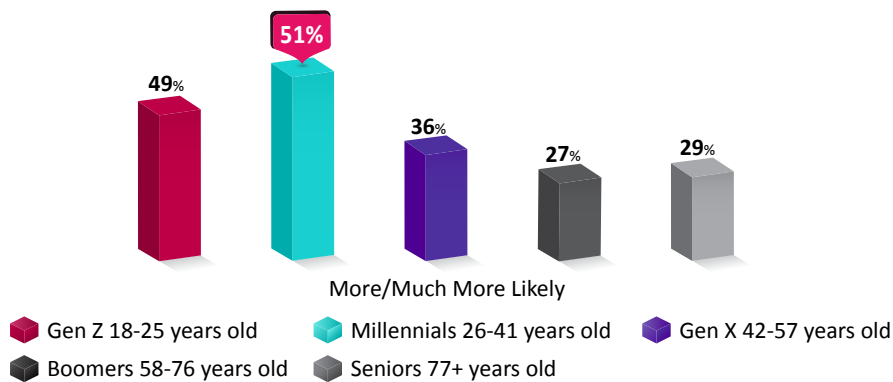
Gen Z

Sustainable shopping behavior over the past 6 months

Paid a little more/Moderately more/Significantly more

- ■ Gen Z 18-25 years old
- ■ Millennials 26-41 years old
- ■ Gen X 42-57 years old
- ■ Boomers 58-76 years old
- ■ Seniors 77+ years old

Figure 9. 84% of Gen Z respondents have been willing to pay more for sustainably-produced or responsibly-sourced products recently.
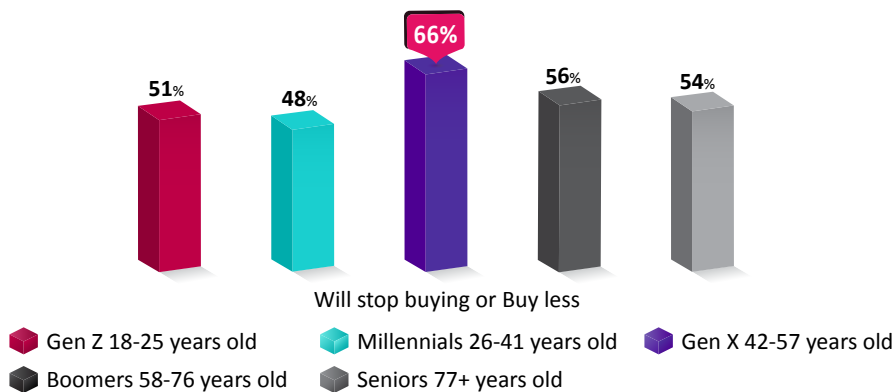
Millennials

Shopping in a virtual world ("metaverse")

More/Much More Likely

- ■ Gen Z 18-25 years old
- ■ Millennials 26-41 years old
- ■ Gen X 42-57 years old
- ■ Boomers 58-76 years old
- ■ Seniors 77+ years old

Figure 10. More Millennials, closely followed by Gen Z, are interested in shopping in a virtual world (like the metaverse), compared to other age groups.

Gen X

Discretionary spend (for the next 12 months)

Will stop buying or Buy less

- ■ Gen Z 18-25 years old
- ■ Millennials 26-41 years old
- ■ Gen X 42-57 years old
- ■ Boomers 58-76 years old
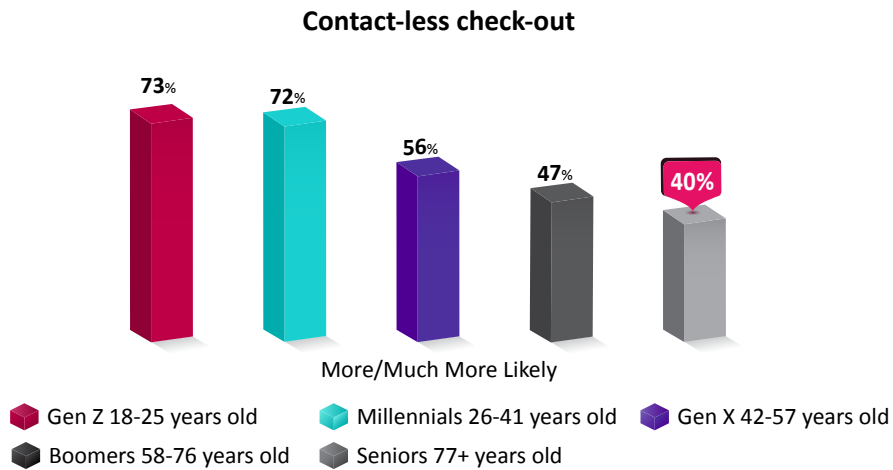- ■ Seniors 77+ years old

Figure 11. 66% of Gen X expects to spend less on discretionary items in the next year compared to other age groups.

Boomers

Ability to buy on brand-owned mobile app

69% **64**% **47**% **38%** **41**%

More/Much More Likely

■ Gen Z 18-25 years old   ■ Millennials 26-41 years old   ■ Gen X 42-57 years old

■ Boomers 58-76 years old   ■ Seniors 77+ years old
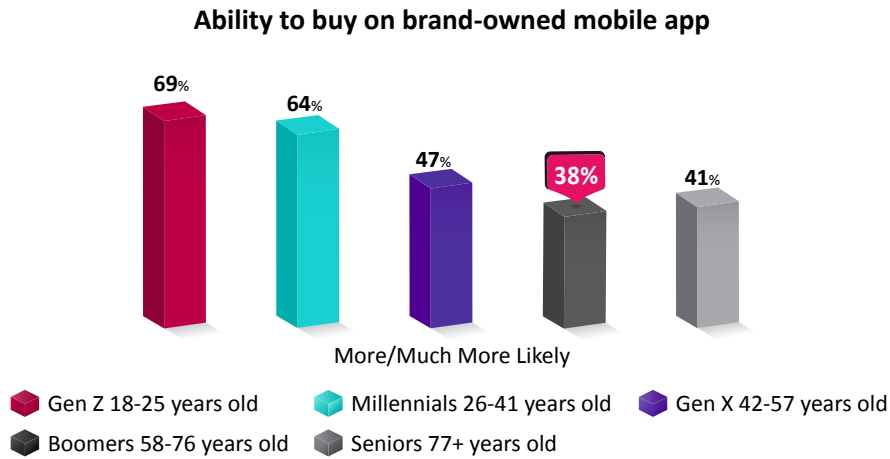
Figure 12. Fewer Boomers are interested in the ability to shop on a brand-owned mobile app.

Seniors

Contact-less check-out

73% **72**% **56**% **47**% **40%**

More/Much More Likely

■ Gen Z 18-25 years old   ■ Millennials 26-41 years old   ■ Gen X 42-57 years old

■ Boomers 58-76 years old   ■ Seniors 77+ years old

Figure 13. Fewer Seniors are interested in contact-less check-outs.

Conclusion

Retailers must continually seek new ways to retain the loyalty of existing customers while attracting new ones. At the same time, they also need to anticipate the expectations of the customer of the future. To thrive during an unpredictable economy, retailers need the tools and technologies to identify micro-opportunities, capture new market share and deepen customer loyalty. The survey findings suggest that the time is ripe for retailers to capitalize on the public sentiment around sustainability and consumer appetite for new and better customer experiences. It also suggests that investing in the right technologies, delivered to the right customers using a cost-effective, integrated digital strategy, will be essential to compete in 2023 and beyond.

Demographics

The respondents were random cross-generational US retail consumers of comprised of Gen Z (18-25 years old) Gen X (42-57 years old), Millennials (26-41 years old), and Baby-Boomers 58-76 years old), Silent Generation (Seniors: 77+ years old) as shown in the chart below.

Demographics (age groups)

- ■ Total
- ■ Gen Z 18-25 years old
- ■ Millennials 26-41 years old
- ■ Gen X 42-57 years old
- ■ Boomers 58-76 years old
- ■ Seniors 77+ years old
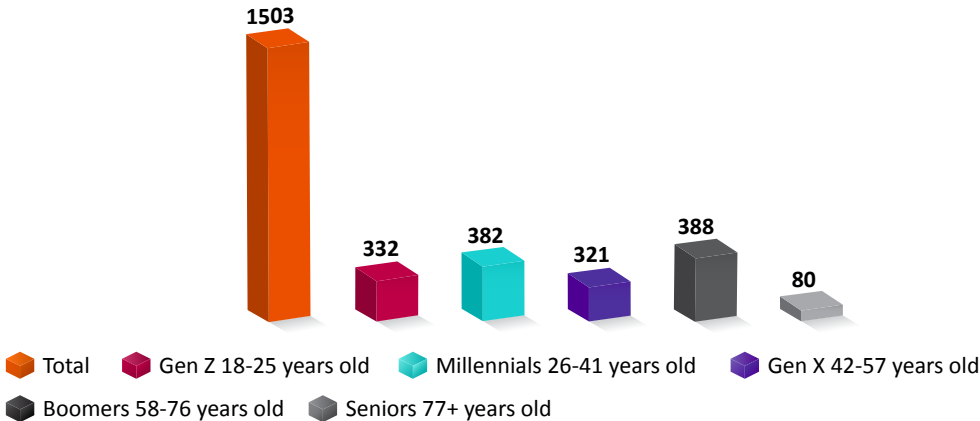
Get more insights

More insights from the TCS Retail Survey here.

Awards and accolades

- TCS ranked number one for ninth consecutive year in Customer Satisfaction by Whitelane Research Survey

- Ranked number one amongst top 10 companies, India by LinkedIn

- TCS recognized as the #1 Top Employer in the United States, Europe and Asia Pacific; #2 in Latin America

- Ranked amongst top 3 employers across 18 countries

- Recognized as a global top employer for sixth consecutive year by Top Employers Institute

- Named India's overall most outstanding company in Asiamoney's 2019 Poll

- Won 2021 CIO 100 award for workplace resilience solution developed during pandemic

- Won Four Stevie® awards at the 2020 International Business Awards

- Ranked overall best managed technology company in Asia by FinanceAsia Poll

- Won 2021 Data Breakthrough award for AI-Powered Software Suite

- HR Excellence Award 2020

- Recognized as sustainability leader in the Dow Jones Sustainability World Index

- Recognized as a most valuable global brand 2021 by Kantar Brandz

- Recognized as a U.S. Superbrand for strength of business reputation and community impact

- Recognized as a UK Superbrand for exceptional customer reputation and community contribution

- Recognized as one of the top 2 most valuable IT services by Brand Finance

About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services is an IT services, consulting and business solutions organization that has been partnering with many of the world's largest businesses in their transformation journeys for over 50 years. TCS offers a consulting-led, cognitive powered, integrated portfolio of business, technology and engineering services and solutions. This is delivered through its unique Location Independent Agile™ delivery model, recognized as a benchmark of excellence in software development.

A part of the Tata group, India's largest multinational business group, TCS has 592,000 of the world's best-trained consultants in 46 countries. The company generated consolidated revenues of US $25.7 billion in the fiscal year ended March 31, 2022 and is listed on the BSE (formerly Bombay Stock Exchange) and the NSE (National Stock Exchange) in India. TCS' proactive stance on climate change and award-winning work with communities across the world have earned it a place in leading sustainability indices such as the MSCI Global Sustainability Index and the FTSE4Good Emerging Index.

Visit **www.tcs.com** and follow TCS news **@TCS_News**.