



How Americans have redefined affordability, loyalty and trust in the age of AI

US Future Consumer Index



Building a better working world





For the last eight months, consumers have remained steadfast in their concerned-but-optimistic temperament. They expect economic impacts to be short-lived, and, as a result, they aren't materially changing their spending behavior. When compared to macro indicators, like consumer spending and retail sales, it tracks.

What doesn't track, however, is the stark shift in future priorities. In the 12th edition of the *US Future Consumer Index*, more consumers than ever before identify with "Affordability First." So, how can consumers remain the same and change all at once? My assertion is it's not concerns or behaviors at play here, but rather a new meaning for affordability, brand loyalty and trust.

With these core issues redefined, retailers and brands will need to pivot operations accordingly to drive agility and efficiency across price, product and data. And AI is the name of the game.

## Pricing and affordability: It is what it is ... or is it?

Consumers are feeling the challenges of economic conditions and rising prices. However, in a story much the same as we saw in our last edition, there's a grin, bear it and this too shall pass mentality.



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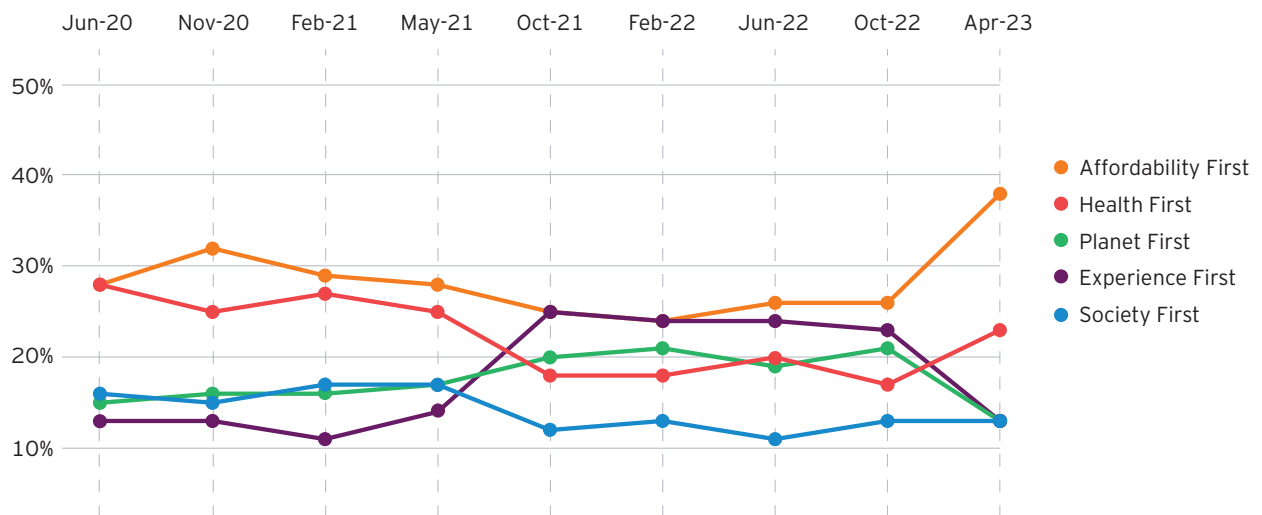
People have the means and desire to spend but are constrained by high inflation, high interest rates and ongoing volatility.

Gregory Daco  
EY-Parthenon Chief Economist

Overall, optimism wins in the medium term, even with the backdrop of three major bank failures. But there is more to the story. Sure, consumers think things will bounce back in about a year. When asked about three years from now, though, there's an affordability tension. Of the five future consumer segments, Affordability First jumped from 26% to 38%, its highest level to date.

How can consumers be willing to spend but prioritize affordability? Because they no longer buy “just because.” Economic concern hasn't made us spend less, but rather spend with intention.

Affordability First takes the top spot as consumers struggle to make their finances stretch



Affordability redefined:  
from “what I **can** afford” to  
“what I **want** to afford”



For retailers and brands, this still means a continued hyperfocus on price, but in a different way. Consumers are not far from their threshold of price increases, and, as a result, retailers will no longer take price at the shelf. But price decisions driven only by profitability goals won't hack it. Consumers aren't sacrificing what they want; they're just willing to do the work to find it at the price they want to afford. This will require brands to take an approach that is equal parts surgical in price pack architecture and agile in assortment to accommodate that sensitive tipping point.

## Second-guessing loyalty

One way this affordability shift is manifesting is in the demise of “brand is king” mentality. We’ve always associated loyalty in the shopping and buying experience with a brand or retailer name. But nearly half (49%) of consumers agree that brands are not very important in purchase decisions. When asked what the most important purchase criteria in three years’ time will be, only 14% said brand of product.

Illustrating this further is the increasing interest and confidence in private label, especially in the grocery aisle.

71%

say that private label satisfies their needs just as well as brands

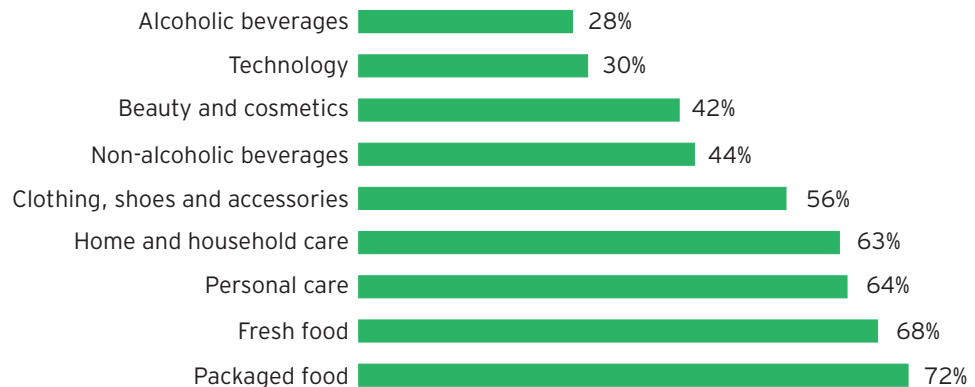
58%

say that private labels are increasingly better products

64%

say that private labels are the first they notice when shopping for a particular product

### Willingness to purchase a store brand product



As 64% of consumers will be more focused on value for the money in the future, the decline in brand importance, coupled with the increase in private label interest, can mean only one thing:

### Loyalty redefined: from “I’m brand loyal” to “I’m loyal to value”

For retailers and brands, this means that loyalty is going to be much more challenging to obtain. We’ve seen the prioritization of value in the Index data for some time now. It’s clear that a brand-focused proposition may not win in the long term, but a value-focused proposition will. Identify the sources of value for your target consumer beyond product availability and price. Is it product quality or choice? Experience? Personalization? Then evaluate how those sources of value change the attributes of your brand, your competitive set and your commercial strategy.



# In the age of AI, touch points become trust points

If a source of value is in the experience, then using emerging technology and AI is one way that you create that value. Our survey found that, while only 22% of consumers have a good understanding of AI, three in four (77%) are neutral or comfortable if it is used to improve purchase experiences.

The secret to AI applications in the shopping and buying experience is trust. Consumer trust is generally hard to come by. Fifty percent have minimal trust in online retailers, 45% have minimal trust in chain retailers, and 34% have minimal trust in consumer product brands. But the fact that consumers have come around to trust AI-driven experience so quickly was something that many companies did not expect, or prepare for.

But AI depends on data. And, while consumers trust AI, they may not trust you enough to provide its fuel. Only 18% are willing to share publicly attributable personal data to drive tailored advertisements, and only 21% are willing to share publicly attributable data to drive prepopulated shopping carts based on past purchase history. So, how can retailers and brands overcome the data trust gap?

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## Trust in AI-generated things

Auto-refill of shopping carts based on past purchases

47%

Automated order and delivery based on previous purchases

47%

Personally customized recommendations

53%

View in my space or virtual try-on functionality

56%

Product purchase reminders

58%

Tailored promotions and deals

61%

## Trust redefined: from “trust is human to human” to “trust is human to anything”

For retailers and brands, this means expanding the scope of trust - using every touch point, whether it's human to human, machine, company, interaction or information - as an opportunity to earn it. In the future, trust can make AI the steward for your consumers' cart and their experience. Achieving this takes a holistic front-, middle- and back-office view

of AI-enabled applications. Think AI-driven dynamic pricing; generative AI applications, like scheduling and labor management, to drive productivity in stores; and AI-enabled analytics to plan assortments, define product innovation investments and create a more holistic view of the consumer journey.

These applications build trust over time and increase relevance, profitability, productivity and competitive advantage. And in the age of AI, more than ever before, the first-mover advantage will be significant.



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### About the survey

The 12th edition of the EY Future Consumer Index is based on an April 2023 survey of respondents in the US, Canada, Brazil, the UK, France, Germany, Denmark, Sweden, Finland, Norway, Italy, Spain, India, the United Arab Emirates, Saudi Arabia, China, Indonesia, Japan, Australia and New Zealand. Of those, the article above focuses on the 1,500 US respondents.

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