

How the global economy is impacting consumer spend

15,000 US + UK consumers reveal new purchasing habits—and what those changes mean for home improvement retailers

Consumers are concerned about their financial wellbeing, directly impacting how they plan to allocate their discretionary spending. And with global events like energy caps, war, + inflation, these concerns are only expected to grow—meaning home improvement retail brands will have to adapt to a value-forward model to compete in such a volatile market.

How does this impact the retail home improvement industry? In both the US + UK markets, around 1 in 3 consumers plan to delay making purchases over \$300/£250. Also worth noting: 60% of UK—and 46% of US—consumers plan to reduce the amount they spend on retail items, with 9% in both regions planning to downsize their living space. As consumers opt to spend less and focus more on value, there is an opportunity to capture spend from DIY customers.

To prepare home improvement brands for these changes and drive conversions despite a challenging economy, we've compiled this brief of top consumer trends—including where consumers are planning to cut back, what factors are informing their purchase decisions, and how your brand can best prepare to meet customers' evolving needs.

Here's what we learned. >>



**FOR THE
HOME IMPROVEMENT
C-SUITE**

With consumers cutting back on spending—especially when it comes to dining out, there will be new opportunities for home improvement retail. Fewer restaurant visits means more consumers cooking at home, driving interest in items like kitchen appliances or outdoor grills (at a good price, of course). And customers considering home renovations may skip working with a contractor to take a more DIY approach and cut costs.

One thing is certain: Home improvement brands must define what value means to their customer and lay focus there.

METHODOLOGY

September 2022
STUDY

12,000+
US RESPONDENTS

3,100+
UK RESPONDENTS

Feedback
+ BEHAVIORAL DATA

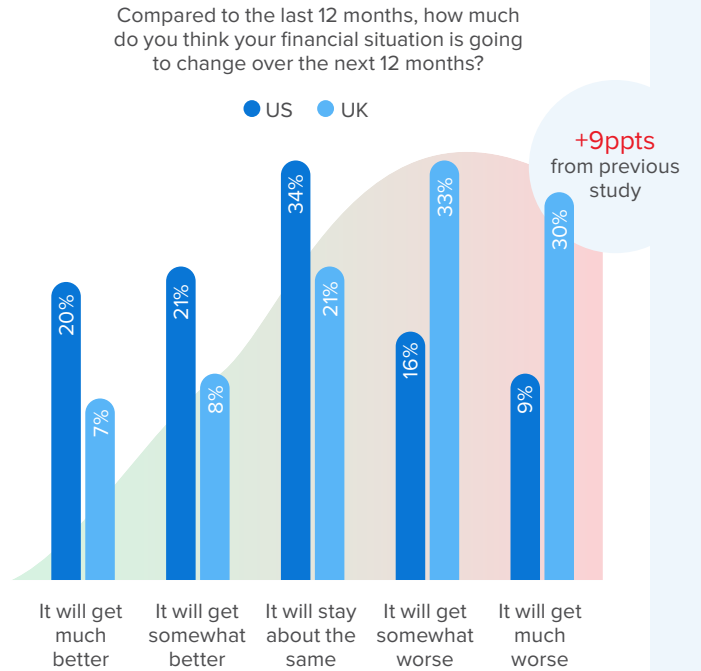


TREND #1

Consumers—especially those in the UK—are concerned about their financial situations

In light of recent political transitions, union strikes, energy caps, + inflation, 63% of UK respondents believe their finances will take a hit over the next year (a 9-ppt increase from April 2022). US consumers are slightly more optimistic, with 1 in 4 expecting their finances to worsen. Citing the most concerns are those making more than \$75K and retired individuals. In the UK, those most concerned are making less than \$25K, individuals working part-time, and homemakers.

Clearly consumers are prioritizing value, and brands need to start thinking about how they can deliver on that. Providing perks like loyalty reward programs and special promotions for frequent guests will help drive your retention efforts.



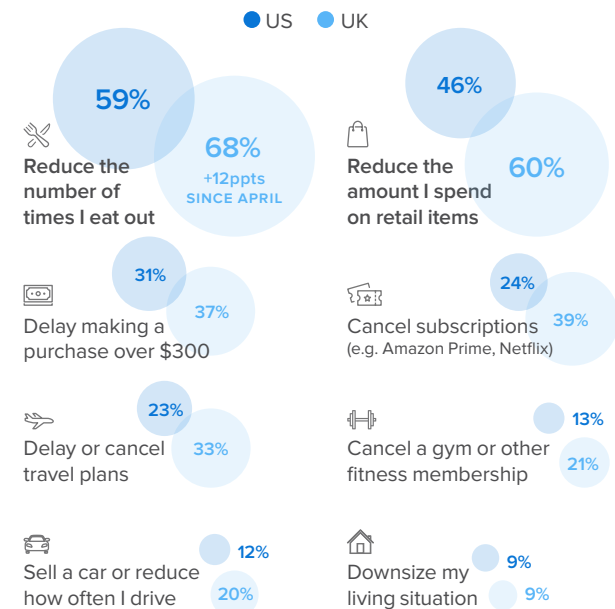
TREND #2

Consumers are planning to cut back on non-essential spending

To adjust to changes in their personal finances, consumers are making changes in their discretionary spending—with the UK seeing significant increases in plans to cut back. The restaurant industry is taking the biggest hit, with nearly 70% of UK respondents (a 12-ppt increase since April) and nearly 60% of US respondents planning to eat out less. Non-essential retailers will also feel the burn, with nearly half of US consumers and nearly 60% of UK consumers preparing to shop less.

With consumers limiting these engagements, it's even more critical for brands to focus on converting non-purchases into paying customers. Take the time to assess your customer journey—across touchpoints—and ensure all experiences are frictionless and driving conversions.

How do you plan to reduce spending over the next 12 months?*



*People who believe their financial situation will be worse in the next 12 months

TREND #3

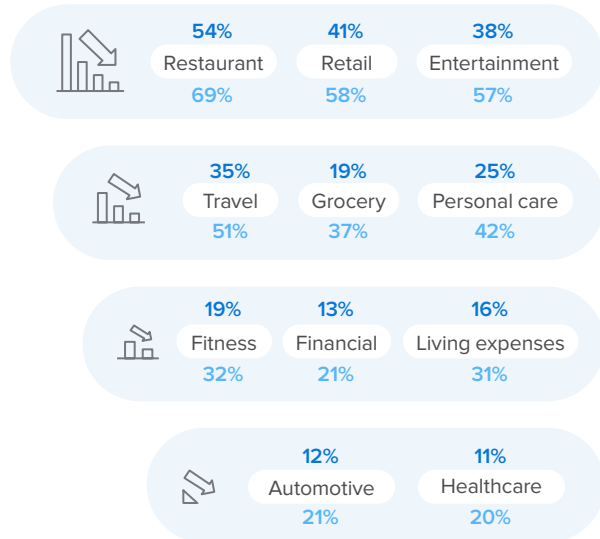
Consumers are now focused on the fundamentals

While a significant number of consumers are planning to spend less on non-essential expenses, fundamentals like groceries, automotive services, and healthcare are taking less of a hit. When it comes to regional differences, UK consumers are planning to cut back at a higher rate than US consumers across the board.

To get a better understanding of how your customers are allocating their spending, be sure you're measuring customer feedback across all channels. This will help inform where you can make improvements and drive conversion efforts—if customers are spending less with your brand, you need to know why.

In which of following categories do you plan to spend LESS over the next 12 months?

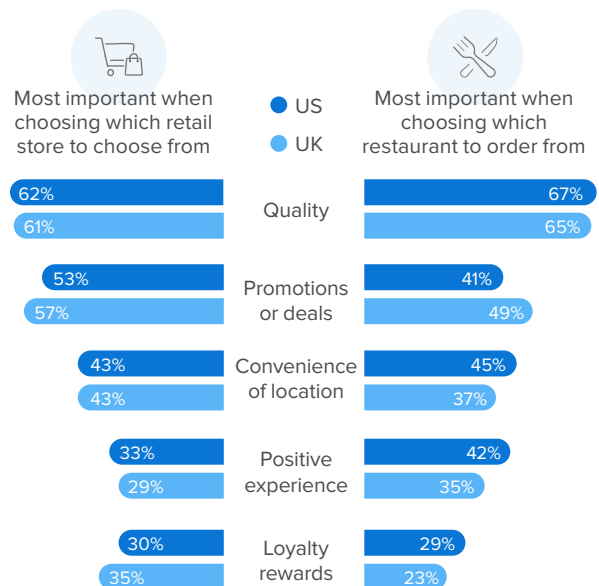
● US ● UK



TREND #4

Financially conscientious consumers are placing more emphasis on value

Brands across industries need to give their value offering a hard look—but higher value doesn't always mean less expensive. Though nearly half of restaurant + retail consumers list Promotions or Deals as a top factor in choosing a brand, more than 60% stated Quality of Food/Products as most important. To win customer loyalty, brands must prioritize value above all else—whether that's through lowering costs, providing exceptional service, or improving convenience measures.





SUCCESS STORY

TSC launches new touchpoints for customers + drives significant sales growth

See the 5 steps Tractor Supply Company took to successfully implement curbside service across locations—leading to 3 quarters of triple-digit e-commerce growth and a 130% increase in YoY comp sales.



LEARN MORE ►



SUCCESS STORY

Topps Tiles closes the gap on its cross-channel strategy to deliver consistent CX

With in-store customer satisfaction scoring consistently high, Topps Tiles was keen to deliver that same level of satisfaction with customers' digital experiences. Learn how the specialty retailer leveraged CX feedback to make targeted improvements + increase delivery satisfaction by 9-ppts.



LEARN MORE ►

Establish these 3 listening posts to stay ahead of consumer trends

- 1 **Location-level feedback** captured in real time, giving your brand the ability to act quickly
- 2 **Ratings + reviews management** that provides an aggregated view of top social sites
- 3 **AI-native text analytics** that provides deeper contextual understanding of feedback

Measure + improve experiences at each stage in the customer journey

SMG's unique software with a service (SwaS) approach combines platform technology with hands-on professional services to help brands stay on top of consumer behavior trends and turn experience data into real-world improvement strategies

GET STARTED ►



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