



New Realities Inflation Study

JULY UPDATE

A SINGLE DATA SOURCE. INFINITE INSIGHTS.



Highlights

Consumers are facing harsh financial realities with continued rising prices. A third of shoppers (33%) rate their current financial situation as somewhat or very tight, up six points from April 2022.

- **Financial struggles span income levels**— many high-income households are struggling just as much as low-income ones.
- **Inflation is more heavily impacting those already struggling**, and consumers expect it to get worse before it gets better.
- **Households with more financial flexibility are stocking up** on sale items and searching for deals rather than cutting back on non-essential spending.
- **Spending in non-essential categories was down** in the last three months, particularly among struggling households.

Key Takeaways

As consumer financial sentiment continues to decline, it's crucial for brands and retailers across the board to be empathetic and provide relief whenever possible in order to connect and best serve their shoppers.

- **Expect money-saving measures to intensify** as most consumers believe inflation will worsen before improving.
- **Engage with consumers uniquely based on financial health**— not all groups will respond well to the same offers.
- **Look to meet consumers where they are** in value-focused retailers and channels. Shifting will continue as consumers seek better value for their dollars.
- **Adjust assortment sets and reconfigure inventory** towards affordable essentials as non-essential spending declines.

About the study.

Numerator's New Realities Inflation Study leverages a custom segmentation analysis of more than 36,000 active shoppers, combining survey responses and verified shopping behaviors to investigate how inflation has and will impact consumers across five distinct financial segments. The study dissects the various market dynamics affecting today's consumers and provides an in-depth understanding of how consumers today are faring when it comes to their finances.

SURVEY DETAILS

- Focus of this analysis: July Survey
 - Fielded: **7/7/2022 – 7/19/2022**
 - Sample Size: **36,487 respondents**
- Referenced in this analysis: April Survey
 - Fielded: **4/8/2022 – 4/14/2022**
 - Sample Size: **10,010 respondents**



"New Realities" Inflation Segments



STRUGGLING + LOW PURCHASE POWER (19%)

This group's finances are extremely tight and inflation has impacted them heavily, leading to declining financial situations. Individuals in this group have lower incomes and are highly concerned about the future & making ends meet—half of the group members are not currently employed.

Group size **equal** to April



STRUGGLING + HIGH PURCHASE POWER (19%)

Finances are also tight for this group, though they have slightly higher incomes to work with than struggling low purchase power consumers. They've experienced heavy inflation impacts & declining finances over the past two years, and they are very concerned about the future.

Group size **+6pp** vs. April



PUSHING ON (20%)

Neutral or comfortable with finances, this group skews a bit younger and has only experienced slight inflationary impacts. These individuals are less worried about inflation or making ends meet, and their finances have generally improved or held steady in the past two years.

Group size **-9pp** vs. April



PROSPERING (31%)

This group feels comfortable with their current finances and has experienced little-to-no inflationary impact to-date. Their financial situation has generally improved over the past two years and they're more concerned with work, family and world events than they are making ends meet.

Group size **+1pp** vs. April



COMFORTABLY RETIRED (11%)

Comfortable with finances, individuals in this group have an average age of 66 and none are currently employed. The vast majority say inflation has not impacted their finances, and they're not worried about it in the future. Their financial situation has stayed the same in the past two years.

Group size **+2pp** vs. April

PURCHASE POWER DEFINED: the most accurate picture of a consumer's buying power which takes annual income and controls for household size and regional cost of living.

Segment Profiles

The layered nature of advanced segmentations allows for a more nuanced understanding of these groups and how they're truly faring. Demographically, struggling high purchase power consumers look similar to prospering consumers— high income, full-time employed, suburban homeowners— but they are living two financial realities.

SEGMENT PROFILES

% of group indexed vs. all shoppers



STRUGGLING (LOW PP)

50% Boomers+ (150)

64% Low Income (264)

33% Rural (120)

43% Retired or Disabled (200)

36% Rent Home (142)



STRUGGLING (HIGH PP)

44% Boomers+ (133)

64% High Income (137)

42% Suburban (108)

52% Employed Full-time (128)

73% Own Home (111)



PUSHING ON

39% Gen Z / Millennial (140)

59% Low Income (231)

39% Urban (117)

16% Student or Part-Time (153)

37% Rent Home (146)



PROSPERING

74% Millennial / Gen X (121)

78% High Income (168)

42% Suburban (109)

76% Employed Full-time (151)

73% Own Home (110)



COMFORTABLY RETIRED

74% Age 65+ (362)

55% High Income (117)

43% Suburban (133)

87% Retired or Homemaker (295)

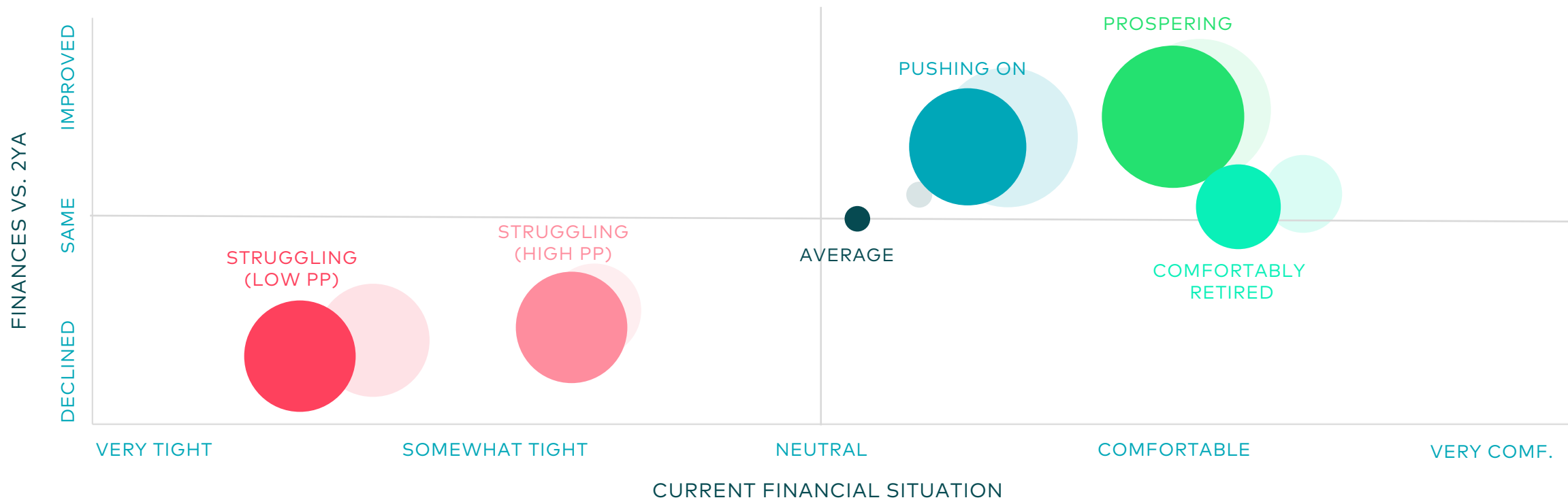
89% Own Home (134)

Groups are largely defined by their finances, which declined this quarter.

Compared to our April 2022 survey, groups identified in July all reported tighter financial situations. Struggling, low purchase power households and those who are comfortably retired have seen the most dramatic declines in the past 3 months.

FINANCES BY SEGMENT

July 2022 Survey (darker) vs. April 2022 Survey (lighter)



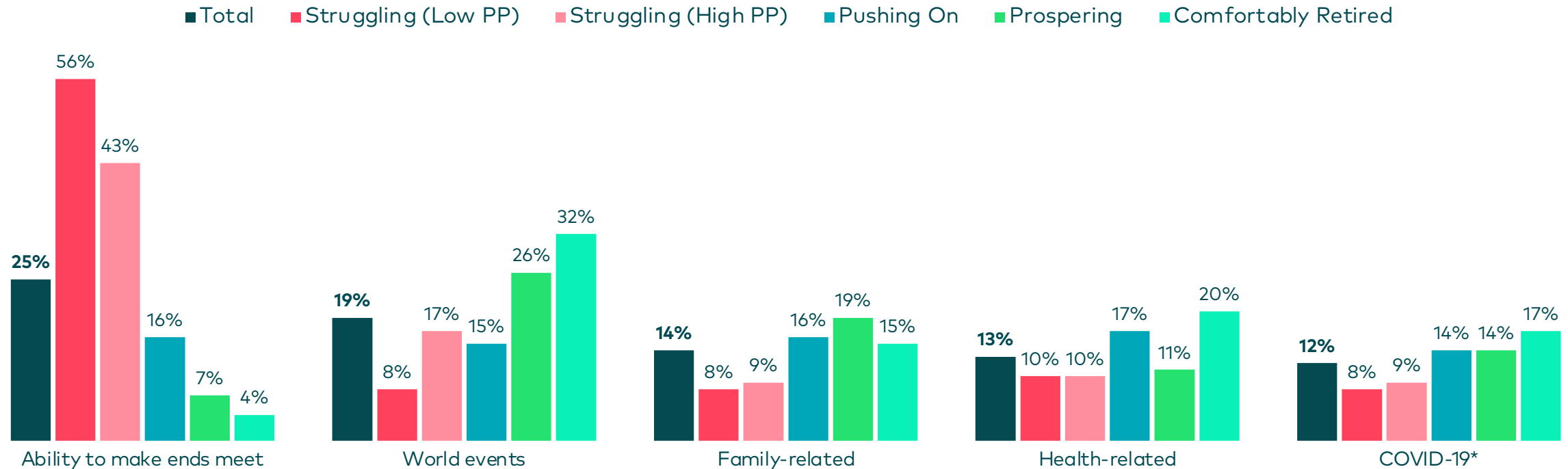
Numerator New Realities Survey 7/19/22 (n=36,487) vs. New Realities V1 Survey 4/14/22 (n=10,010) | *Bubbles sized by # of households
Which of the following best describes your current financial situation? / How would you compare your current situation to two years ago?

Ability to make ends meet rose to the #1 concern in July.

In April world events were the primary concern for most shoppers, but that concern has declined as financial concern increases. Struggling households are two times more concerned about their finances than consumers in all other financial groups.

FUTURE OUTLOOK

July 2022 Survey



Numerator New Realities Survey 7/19/22 (n=36,487) vs. New Realities V1 Survey 4/14/22 (n=10,010)

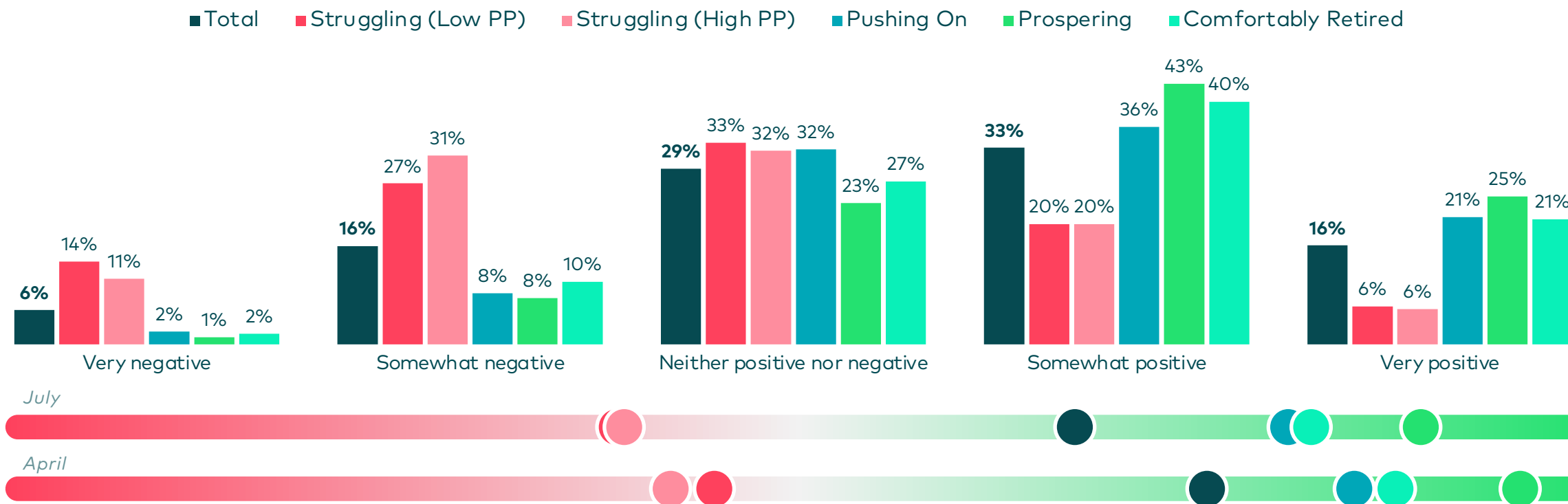
Thinking about your expectations for your life over the next year, would you say your outlook is...? | *COVID-19 new variant or lockdowns

As they look to the future, these groups have varying levels of optimism.

Overall, those in the Prospering or Comfortably Retired groups have the most favorable outlook, aided by their increasing financial security, while struggling households feel neutral or negative. All groups saw declining optimism compared to April.

FUTURE OUTLOOK

July 2022 Survey



Numerator New Realities Survey 7/19/22 (n=36,487) vs. New Realities V1 Survey 4/14/22 (n=10,010)
Thinking about your expectations for your life over the next year, would you say your outlook is...?

Inflation impact intensified across all groups in the past three months.

The percent of consumers reporting a large inflationary impact in the past few months grew across all segments between April & July, with those in the Pushing On segment increasing the most. Struggling households continue to face the heaviest impact.

INFLATION IMPACT – PAST FEW MONTHS

July 2022 Survey vs. April 2022 Survey

■ Large impact ■ Small impact ■ No impact



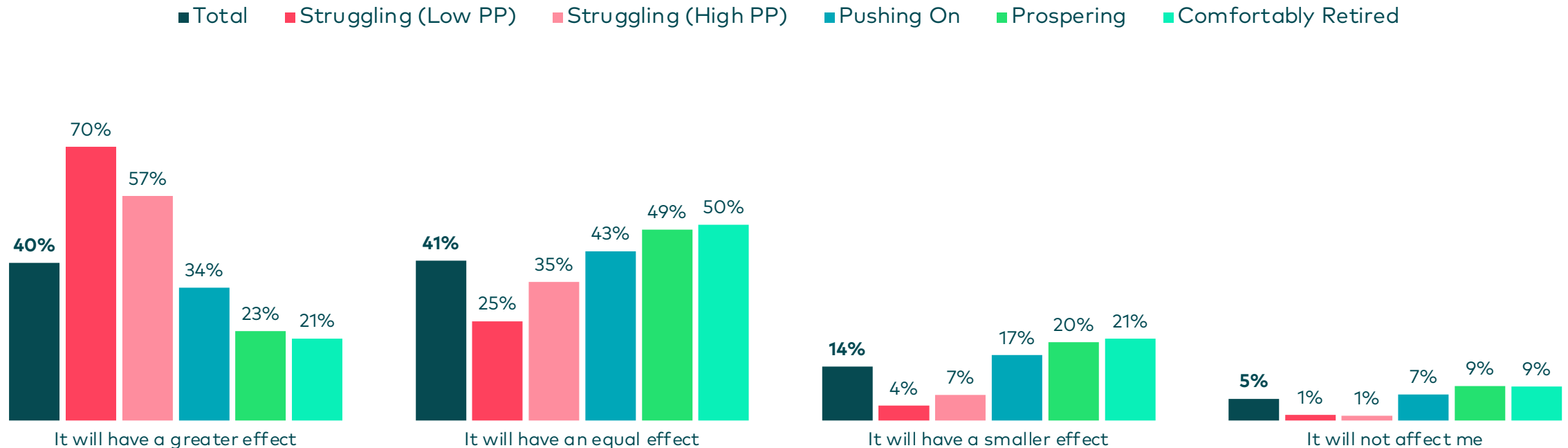
Numerator New Realities Survey 7/19/22 (n=36,487) vs. New Realities V1 Survey 4/14/22 (n=10,010)
What effect have rising prices/inflation had on your financial situation in the **past few months?**

Many expect inflation's impact to worsen in coming months.

Two-in-five consumers believe inflation will have a greater impact on their financial situation in the next few months than it has to date– a belief that nearly doubles among struggling households.

INFLATION IMPACT – NEXT FEW MONTHS

July 2022 Survey



Numerator New Realities Survey 7/19/22 (n=36,487)

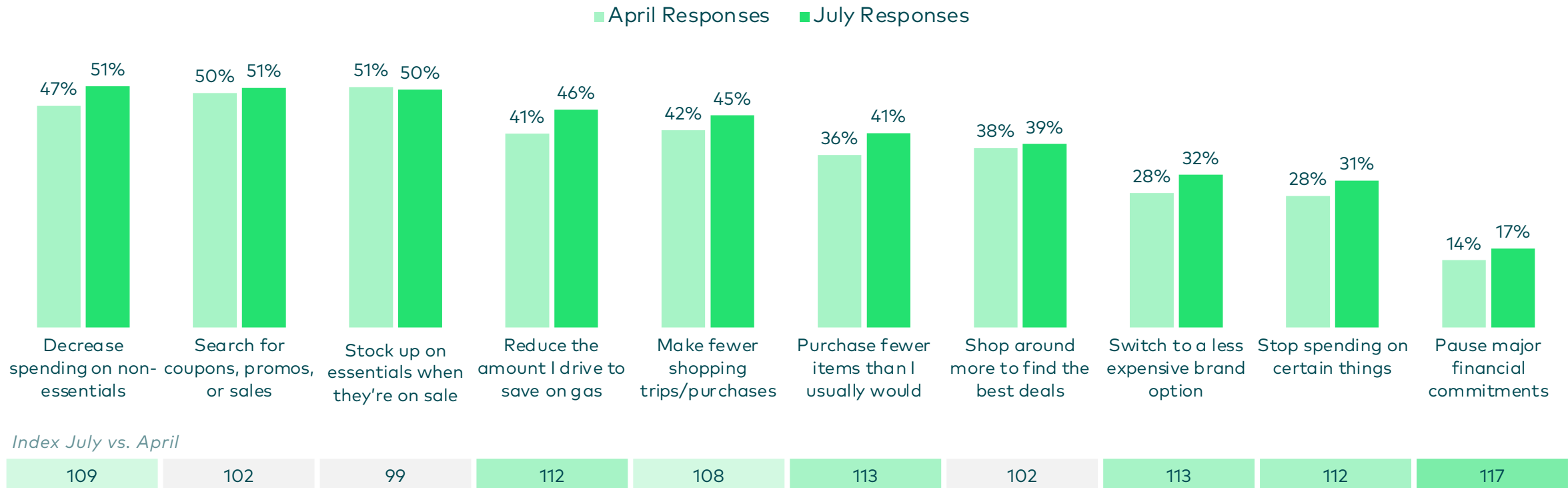
How do you expect rising prices/inflation will affect your financial situation in the **next few months**?

Consumers are increasing money-saving measures to combat rising prices.

Consumers increased their use of all money-saving measures in the past few months. The most common savings tactics are decreasing non-essential spending– up from the #3 spot in April– and searching for coupons & promotions.

INFLATION REACTIONS

July 2022 Survey vs. April 2022 Survey



Numerator New Realities Survey 7/19/22 (n=36,487) vs. New Realities V1 Survey 4/14/22 (n=10,010)
How do you expect rising prices/inflation will affect your financial situation in the **next few months**?

Inflation response varies by group, with struggling shoppers cutting the most.

Cutting out non-essential spending is the first step for most struggling households, something financially flexible consumers are avoiding when possible. Instead, these households are opting for coupons and stocking up on items when they find sales & deals.

TOP 5 INFLATION REACTIONS BY SEGMENT

July 2022 Survey



STRUGGLING (LOW PP)

- Decrease non-essentials **65%**
- Purchase fewer items **59%**
- Drive less to save on gas **58%**
- Make fewer purchases **58%**
- Search for coupons **57%**



STRUGGLING (HIGH PP)

- Decrease non-essentials **66%**
- Search for coupons **60%**
- Stock up on sale **58%**
- Drive less to save on gas **56%**
- Make fewer purchases **58%**



PUSHING ON

- Stock up on sale **43%**
- Search for coupons **43%**
- Decrease non-essentials **41%**
- Drive less to save on gas **38%**
- Make fewer purchases **38%**



PROSPERING

- Search for coupons **46%**
- Stock up on sale **46%**
- Decrease non-essentials **42%**
- Drive less to save on gas **36%**
- Make fewer purchases **36%**



COMFORTABLY RETIRED

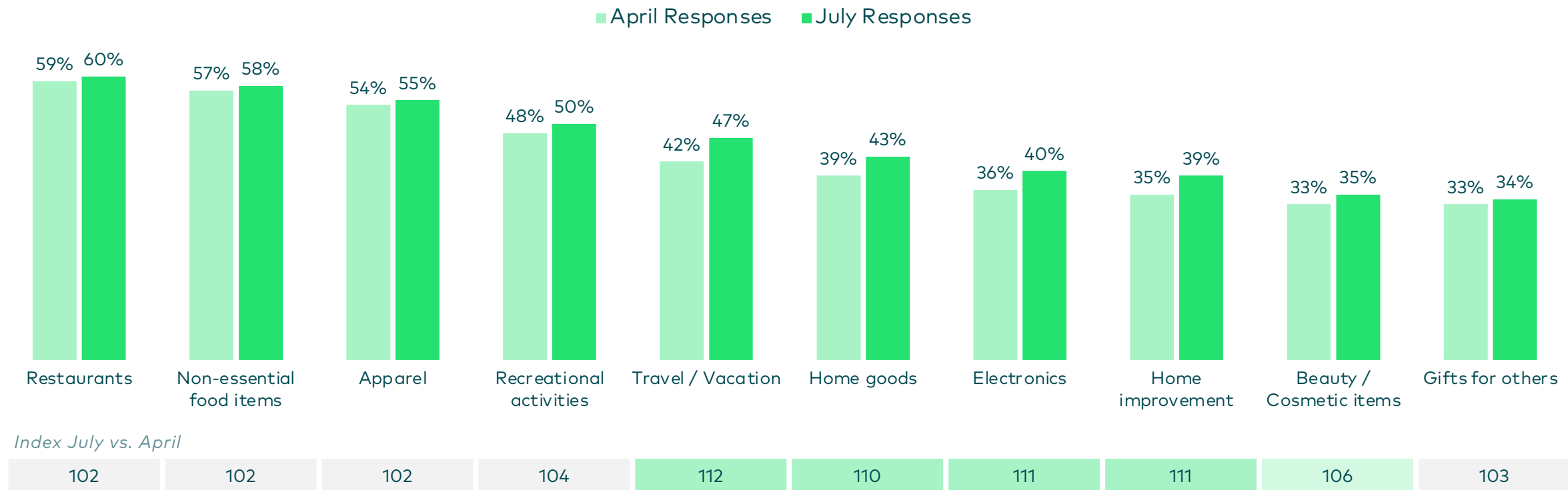
- Stock up on sale **57%**
- Search for coupons **48%**
- Drive less to save on gas **43%**
- Decrease non-essential **40%**
- Make fewer purchases **39%**

Moving forward, consumers are most likely to adjust dining expenses.

Of the 51% who said they'll decrease or stop spending on non-essential items, restaurant and non-essential food items topped the list for expected cuts, followed by apparel and recreational activities like movies & concerts– all of these are up from April.

EXPECTED SPENDING CUTS

July 2022 Survey vs. April 2022 Survey



Numerator New Realities Survey 7/19/22 (n=36,487) vs. New Realities V1 Survey 4/14/22 (n=10,010)
Where do you plan to decrease/stop spending in response to rising prices/inflation? *Among those who said they'd cut back on non-essentials

Non-essential spending cuts are evident across consumer groups.

Home & Garden, Electronics, and Tools & Home Improvement products have seen the most noteworthy declines across all groups, while apparel has seen slight increases with select groups. Struggling low-income households have cut back most significantly.

NON-ESSENTIAL SPENDING

Sector buy rate P3 months index vs. same period last year

	APPAREL	ELECTRONICS	HOME & GARDEN	TOOLS & HOME IMP.
● STRUGGLING (LOW PP)	94	87	81	90
● STRUGGLING (HIGH PP)	105	89	85	76
● PUSHING ON	96	93	85	94
● PROSPERING	112	96	91	93
● COMFORTABLY RETIRED	99	97	82	92

Mass, Club and Gas & Convenience stores are winning grocery dollars.

While struggling high purchase power households move grocery spend to club, prospering consumers are leaning into mass and others look to gas & convenience stores, potentially looking to consolidate trips with increased summer & post-COVID mobility.

GROCERY SHARE OF SPEND BY CHANNEL

Channel share of spend P3 months index vs. same period last year

	FOOD	MASS	CLUB	GAS & CONV.	ONLINE	DOLLAR	DRUG
● STRUGGLING (LOW PP)	100	101	96	102	93	104	98
● STRUGGLING (HIGH PP)	98	101	110	101	93	104	86
● PUSHING ON	98	102	100	110	96	91	89
● PROSPERING	97	110	99	97	102	103	83
● COMFORTABLY RETIRED	99	105	98	123	76	97	83



Learn more with Numerator's **new** **inflation segments.**

Leverage the inflation segments used in this study to learn more about your brand or retailer's buyers. Reach out to your Numerator representative or contact us at hello@numerator.com for more information about using these segments or conducting your own custom segmentation study to bring your shopper insights to life.