

Consumer Trends

AI, Ozempic, and the Economy

The New Consumer

Coefficient
Capital



The New Consumer

- Launched in 2019 by longtime business journalist Dan Frommer
- Exploring how and why people spend their time and money
- Analysis, research, trends, and advisory services
- newconsumer.com

Coefficient Capital

Coefficient Capital

- Launched in 2018 by Franklin Isacson and Andrew Goletka
- Investments in digitally powered consumer brands
- Focus on transformational consumer shifts
- coefficientcap.com

Coefficient Capital Portfolio

EXIT

NOM NOM

Personalized
pet nutrition

EXIT

**JUST
SPICES**

Cooking solutions for
the new consumer

hydrant

Sustainable, functional
hydration

Hawthorne

Personalized men's
personal care

IPO

THE ORIGINAL
OATLY!

Global plant-based
dairy leader

**MAGIC
SPOON**

Low-carb
breakfast innovator

HODINKEE

Content-driven
marketplace

SESAME

Direct-to-patient
healthcare

**MILANO
VICE**

Next-generation
restaurant brand

lemme

Innovative
wellness brand

katefarms

Clinical
nutritional formulas

Consumer Trends Report

- We're back with a 2023 mid-year update, with a special focus on AI, Ozempic, and the economy
- We look for profound changes in the consumer landscape and what matters most for the years ahead
- View the latest and our previous reports:
newconsumer.com/trends

Consumer Trends Survey

- A big part of our research is our proprietary **Consumer Trends Survey**
- We've now conducted seven surveys of 3,000+ US consumers, most recently in June 2023
- Powered by Toluna, “delivering real-time consumer insights at the speed of the on-demand economy” tolunacorporate.com

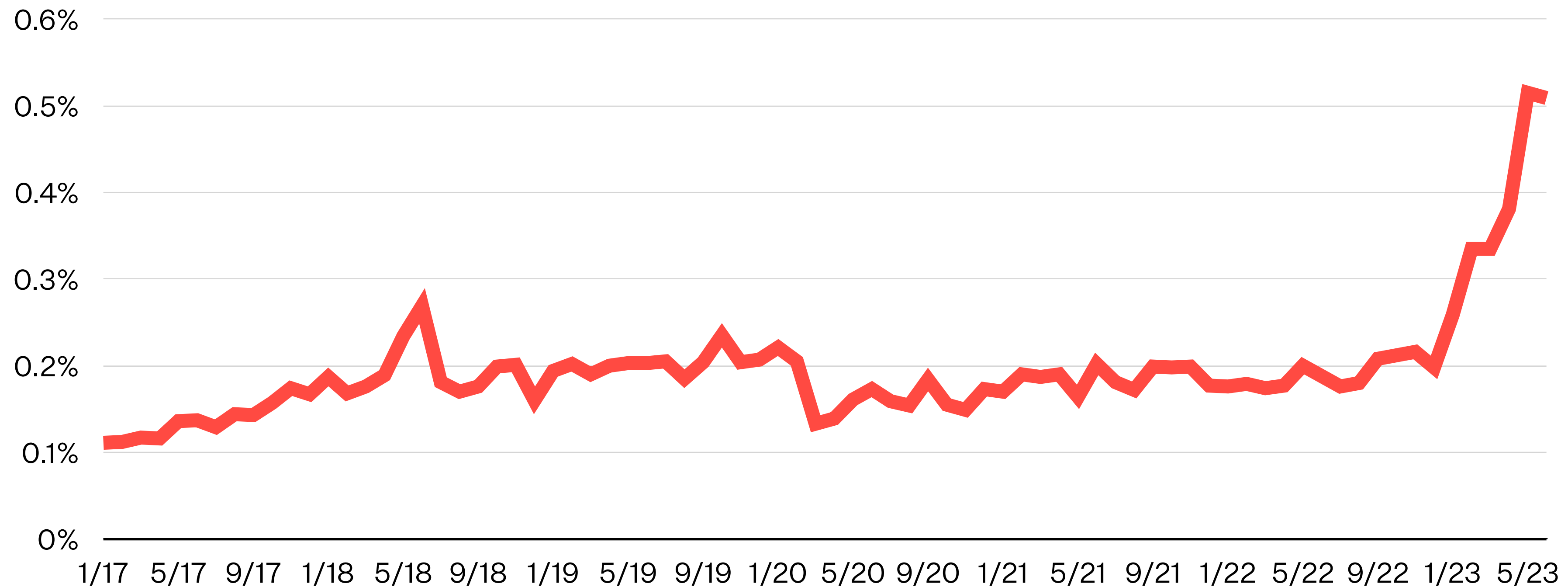
1

AI is the obsession of the year.

*How will it change work,
culture, and society?*

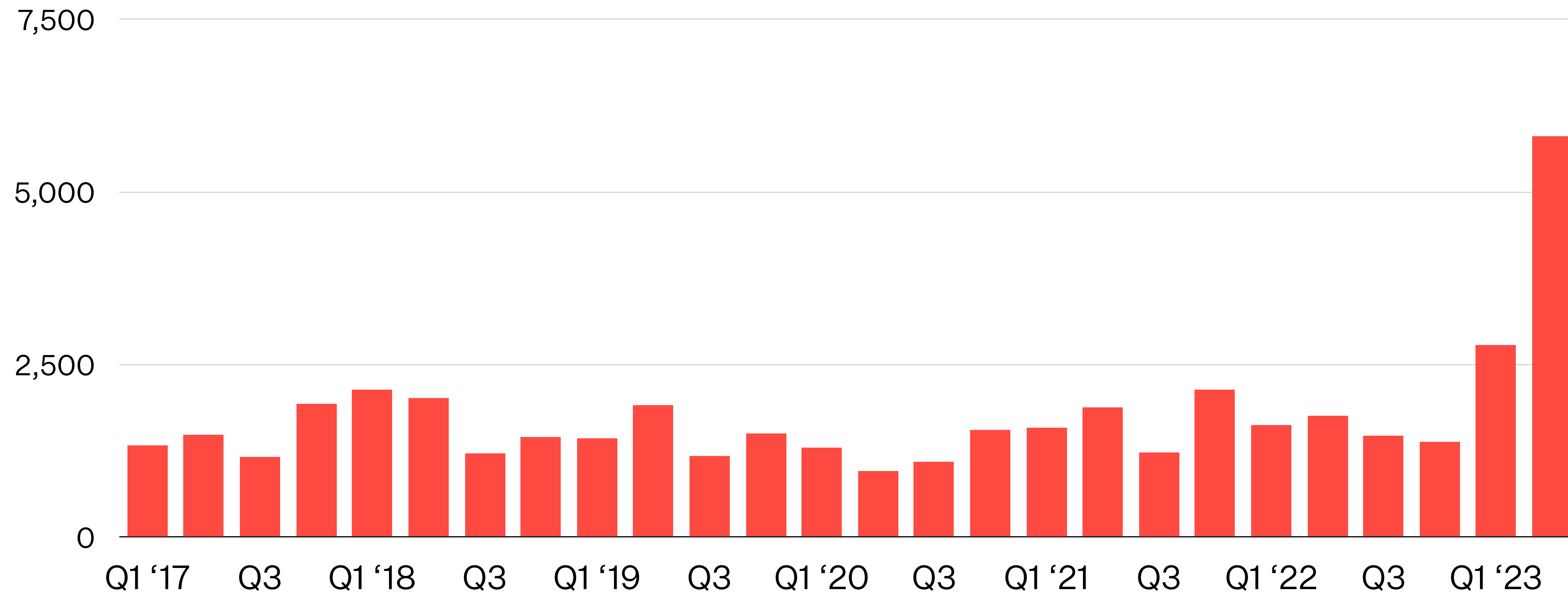
AI is suddenly everywhere: Online news articles mentioning it spiked in 2023

Percentage of monitored online news articles mentioning 'AI' or 'artificial intelligence'



Corporate America also can't stop talking about AI

Mentions of artificial intelligence on quarterly earnings call transcripts analyzed by Bloomberg

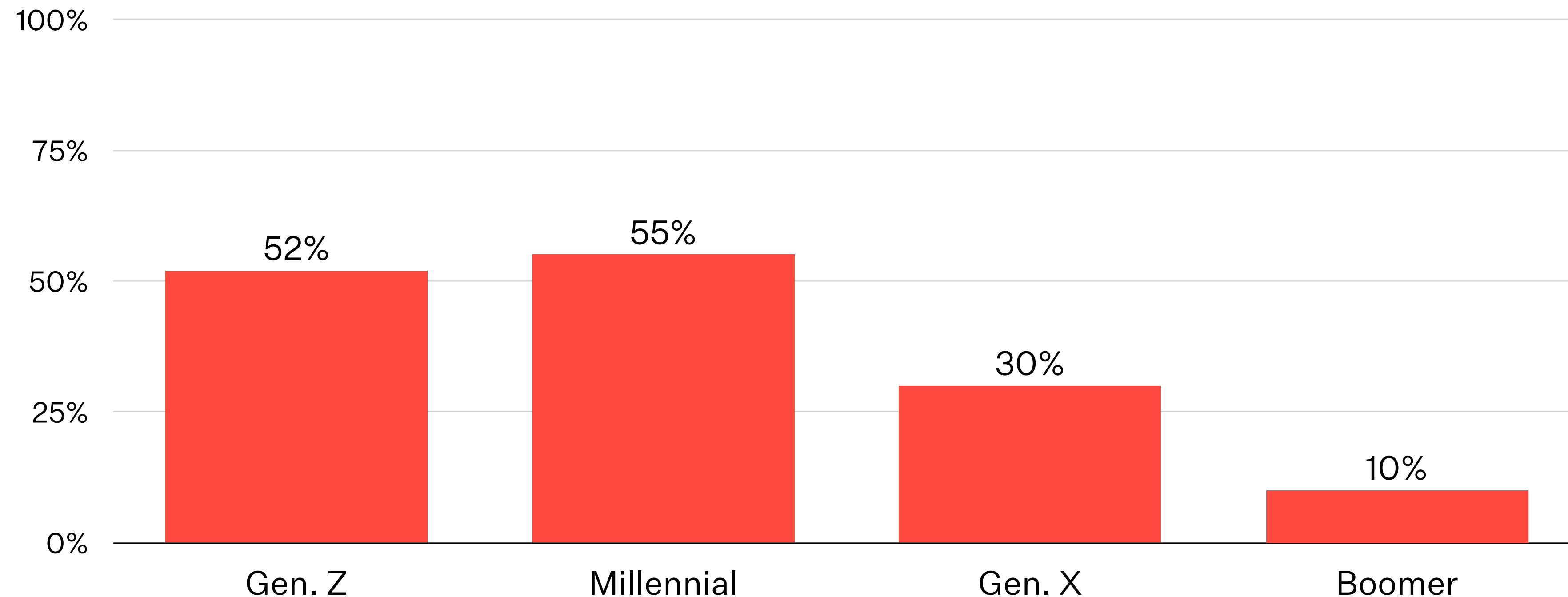


Why now for AI?

- Another decade of technological advancements in algorithms, computing power, data, network
- Useful and novel products coming to market, such as ChatGPT and Midjourney
- Consumers trained to rapidly adopt new tech
- Many companies need a new growth narrative, especially in dicey capital markets
- Productivity breakthroughs *are* possible

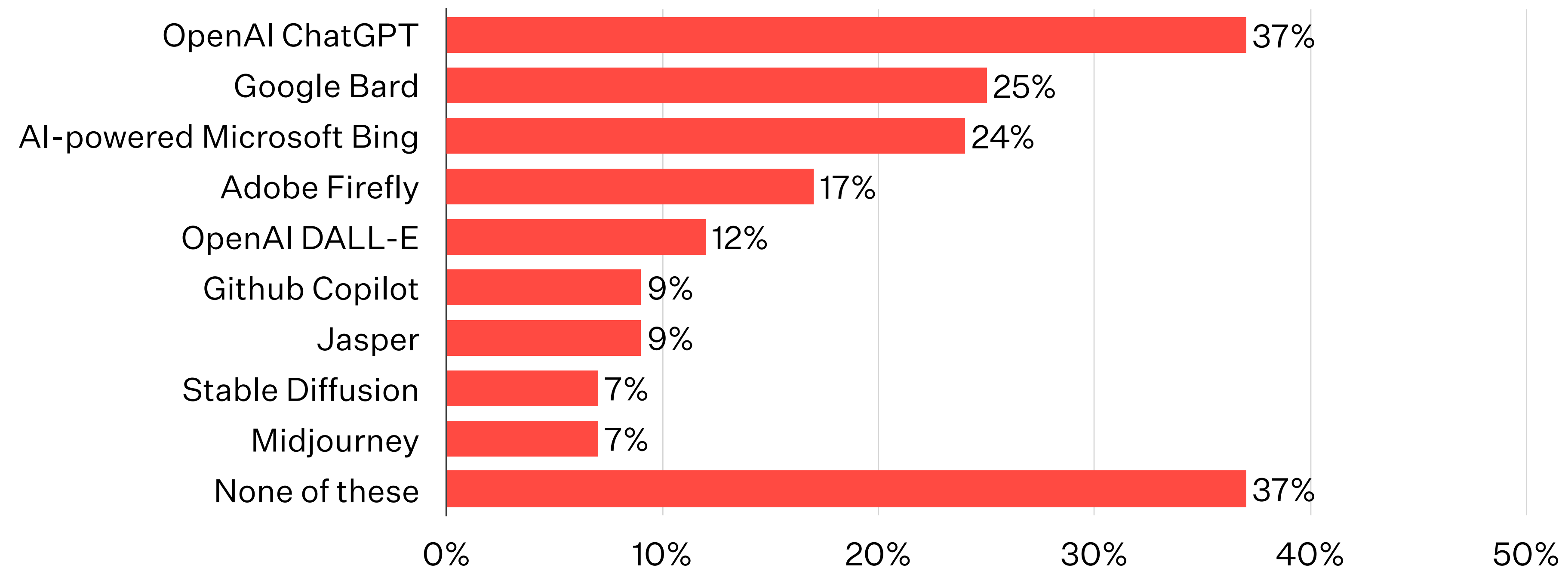
~Half of Gen. Z and Millennial consumers say they're very familiar with AI

Percentage of 'Extremely' or 'Very' responses by generation: How familiar are you with AI?



ChatGPT leads in awareness, so far, among next-gen AI tools

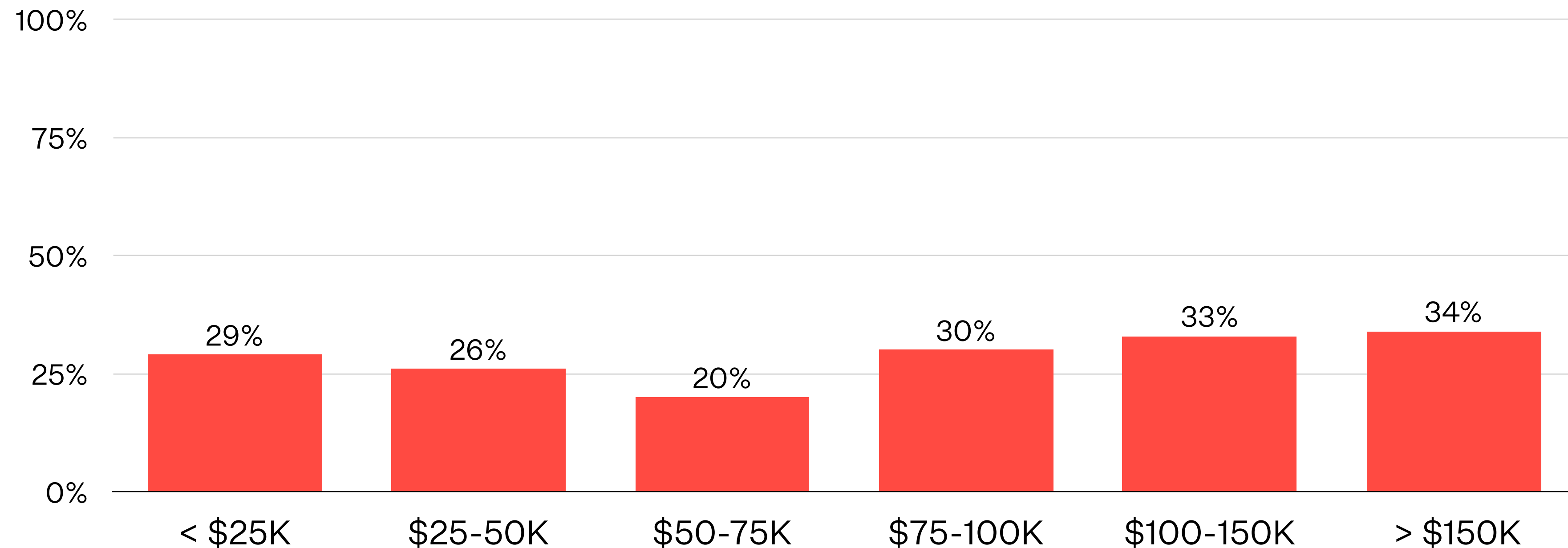
Percentage of responses: Which, if any, of the following AI tools are you aware of?



AI & Work

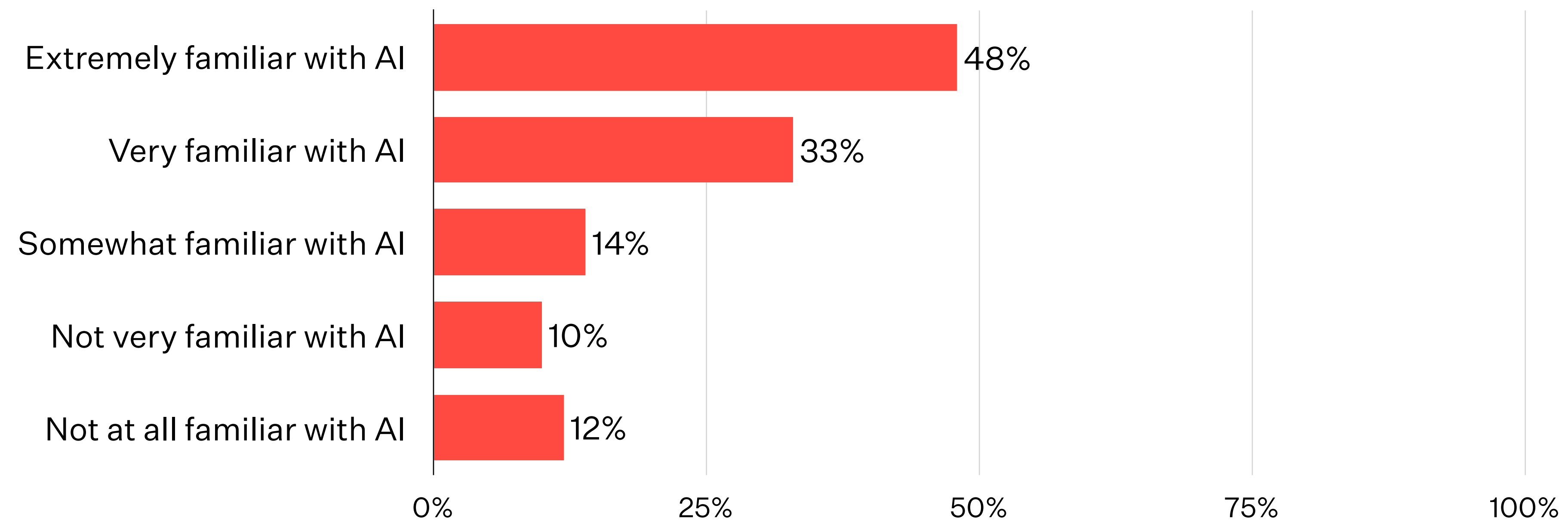
28% of US workers say they're worried AI will replace them at work within 5 years

Percentage of 'Extremely' or 'Very' worried responses by household income: How worried are you that AI will take your job or replace you at work in the next 5 years?



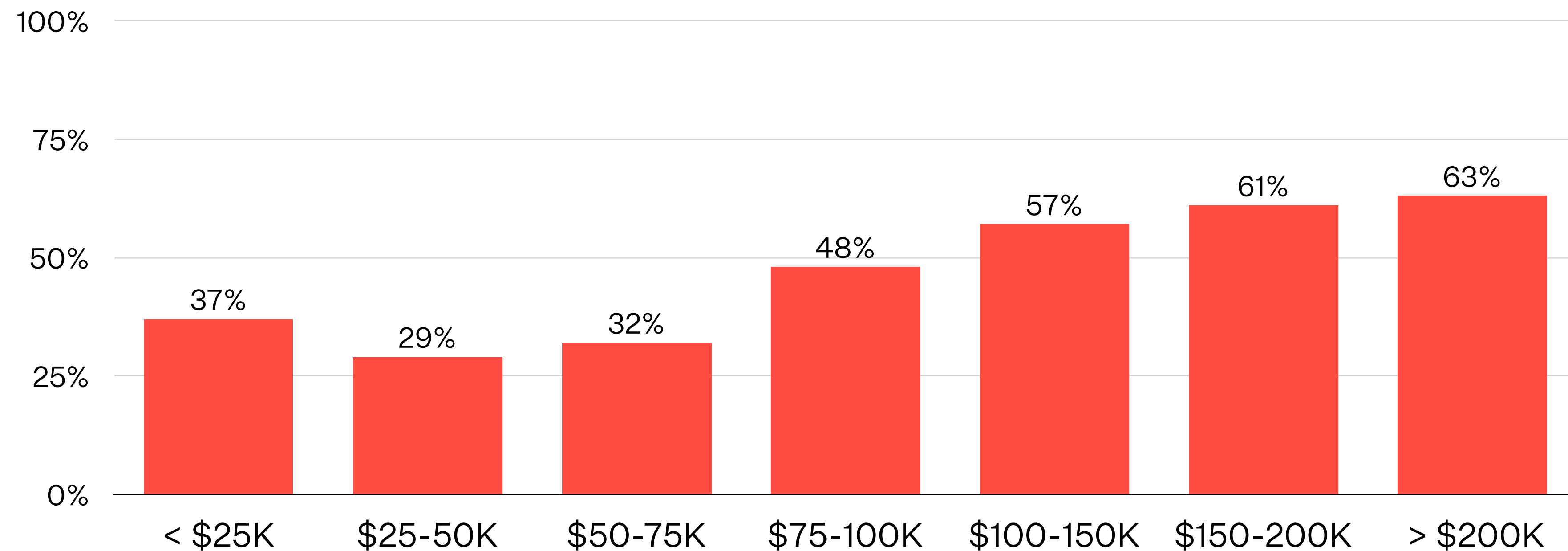
Workers 'extremely familiar' with AI are the most worried about getting AI'd

Percentage of 'Extremely' or 'Very' worried responses:
How worried are you that AI will take your job or replace you at work in the next 5 years?



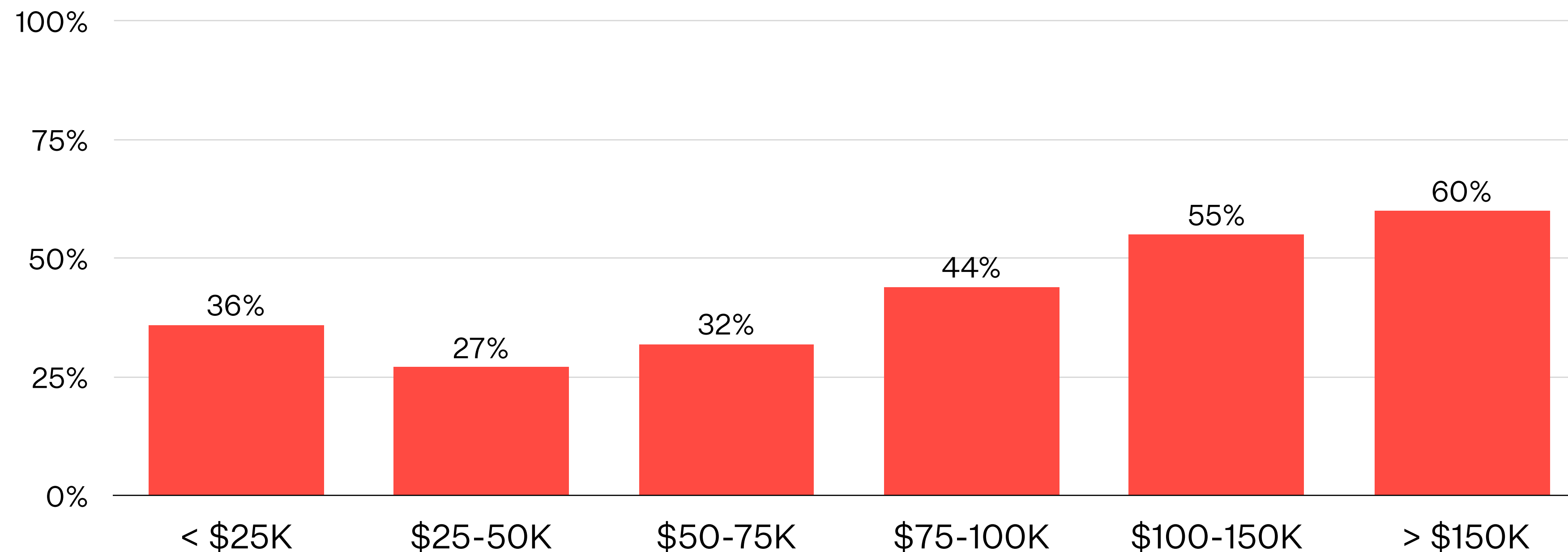
Most high-earning workers say they've already used AI tools for work — lower earners say they haven't

Percentage of responses by income bracket, among workers



Most \$100K+ household workers think AI will help them be more productive

Percentage of 'Extremely' or 'Very' likely responses: How likely is it that AI will help you be more productive at work in the next 5 years?

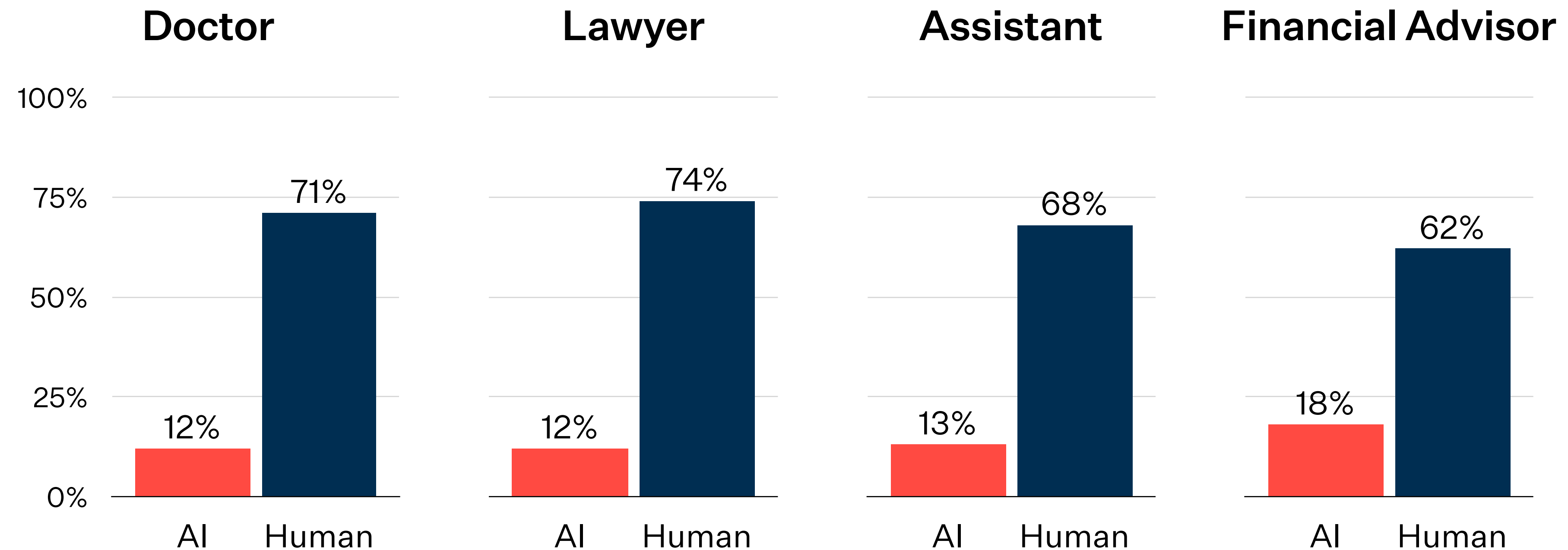


Where are we now?

- **GitHub's OpenAI-powered Copilot, Feb. 2023:**
“... An average of 46% of code being built using GitHub Copilot... and 61% among developers using Java.” (Up from 27% of code in June 2022.)
And helps developers code “up to 55% faster.”
- **AI-generated business and marketing ideas are already close:** In tests by data firm Dig Insights, human survey-takers equally preferred ideas generated by humans and by its AI tool.

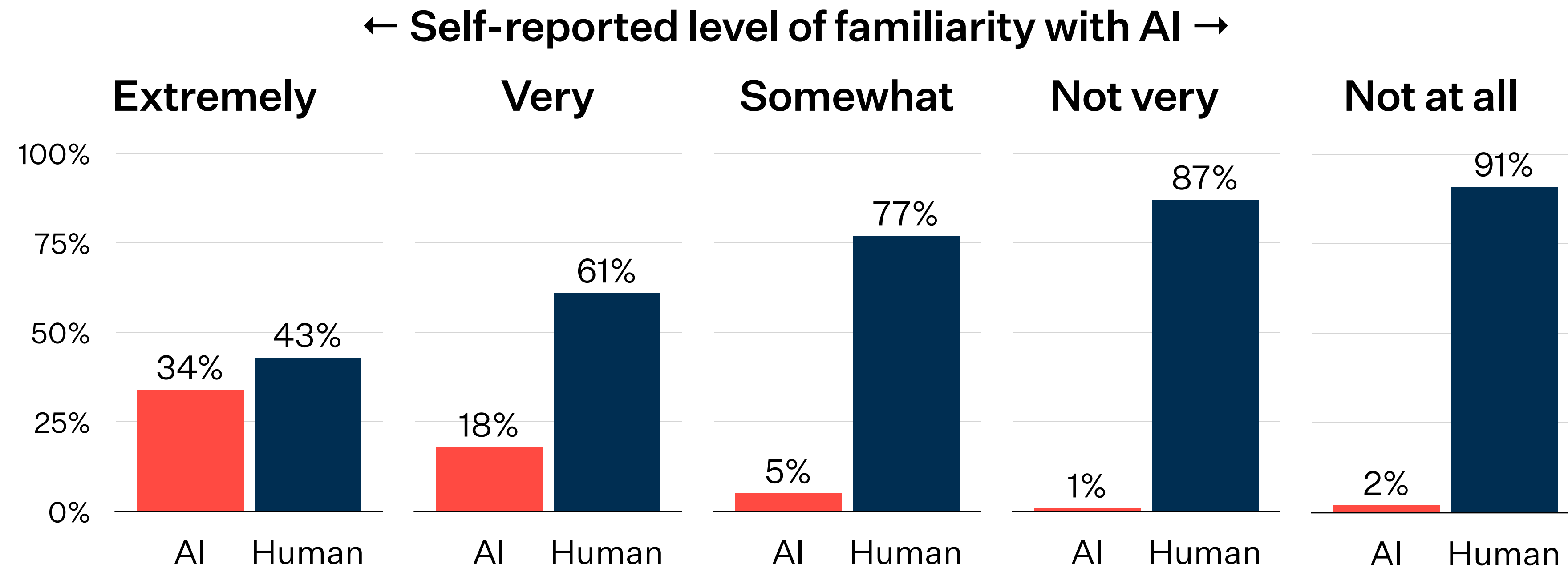
Most humans still want humans as their doctors and lawyers

Percentage of responses: Suppose you needed to consult or hire an x. Which would you trust more, AI or human?



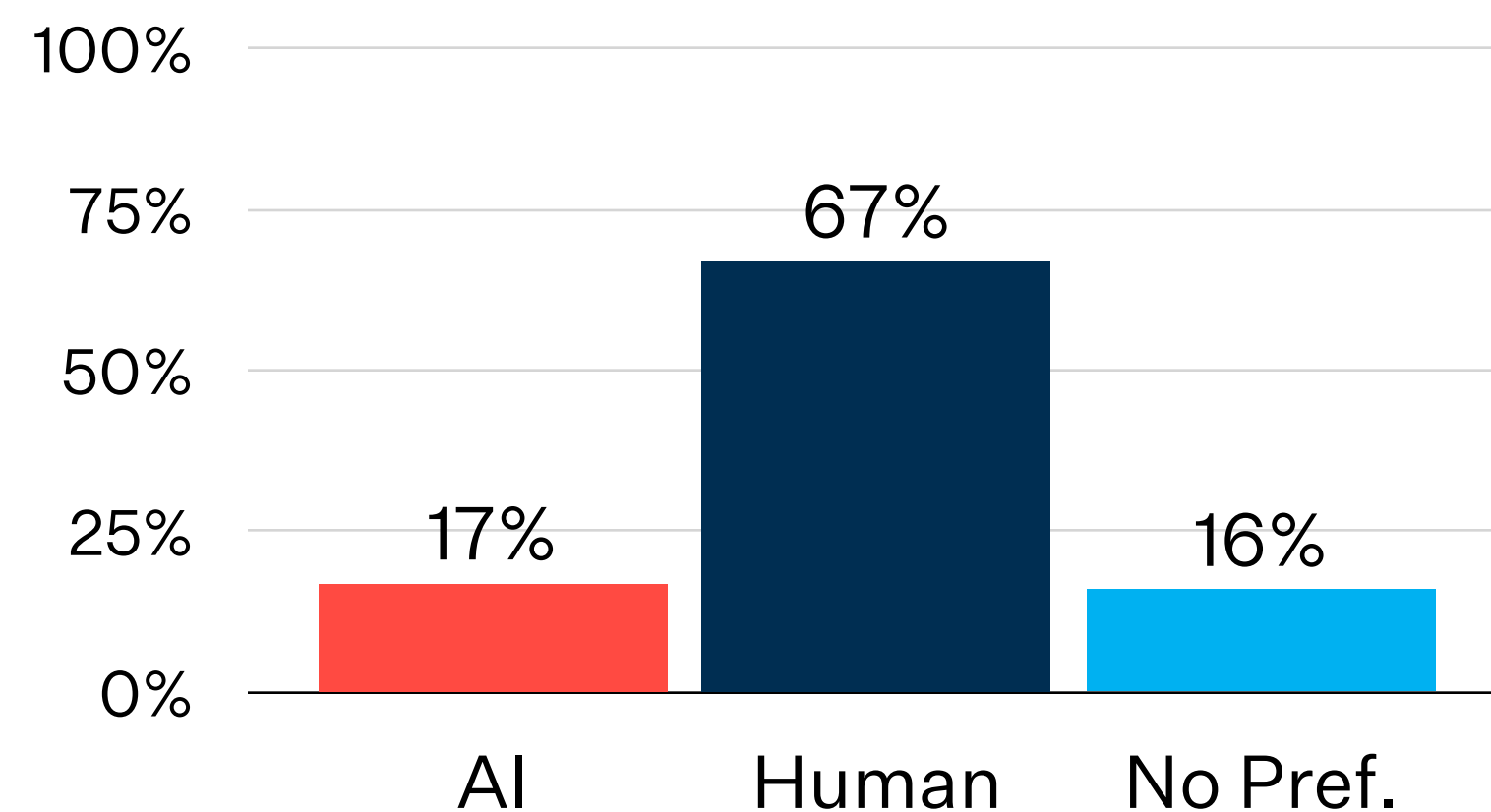
Self-proclaimed AI experts are more likely to say they'd trust an AI doctor

Percentage of responses: What diagnosis would you trust more: A diagnosis from AI or from a human doctor?

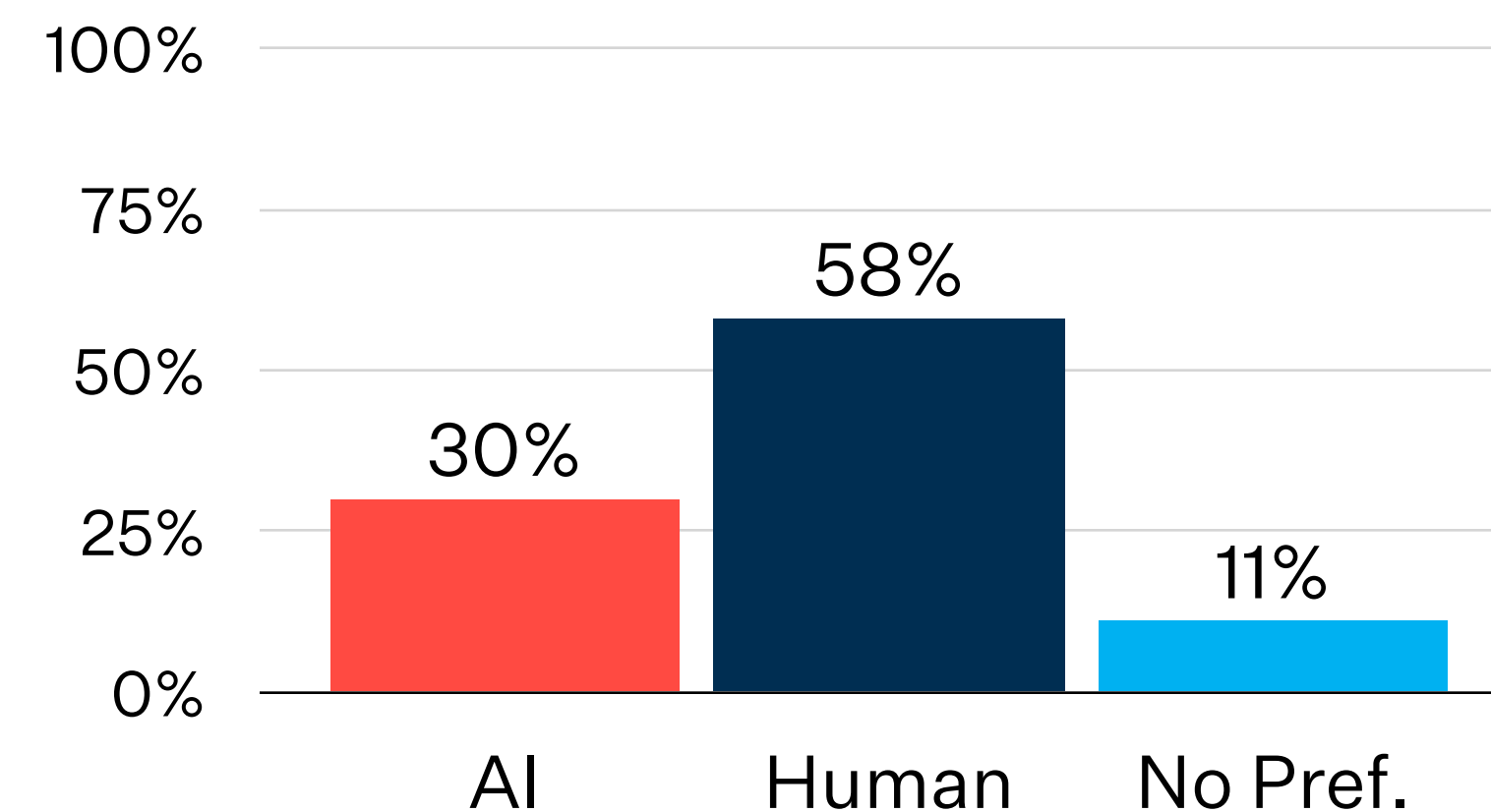


Cost matters: If they're paying for it, a cheaper, AI-powered x-ray analysis sounds better to more consumers

Percentage of responses:
Would you prefer an x-ray to be analyzed by a human doctor or by AI?



Suppose you needed pay out-of-pocket for the analysis. If it were 50% cheaper to get your x-ray analyzed by AI...



AI & Culture

Have you seen this picture before?

33%
Yes



61%
No

Have you seen this picture before?



33%
Yes

61%
No



Were you aware that this picture was generated by AI?

62%
Yes

33%
No

5%
Not sure

Have you seen this picture before?



33%
Yes

61%
No

What type of image do you think this is?

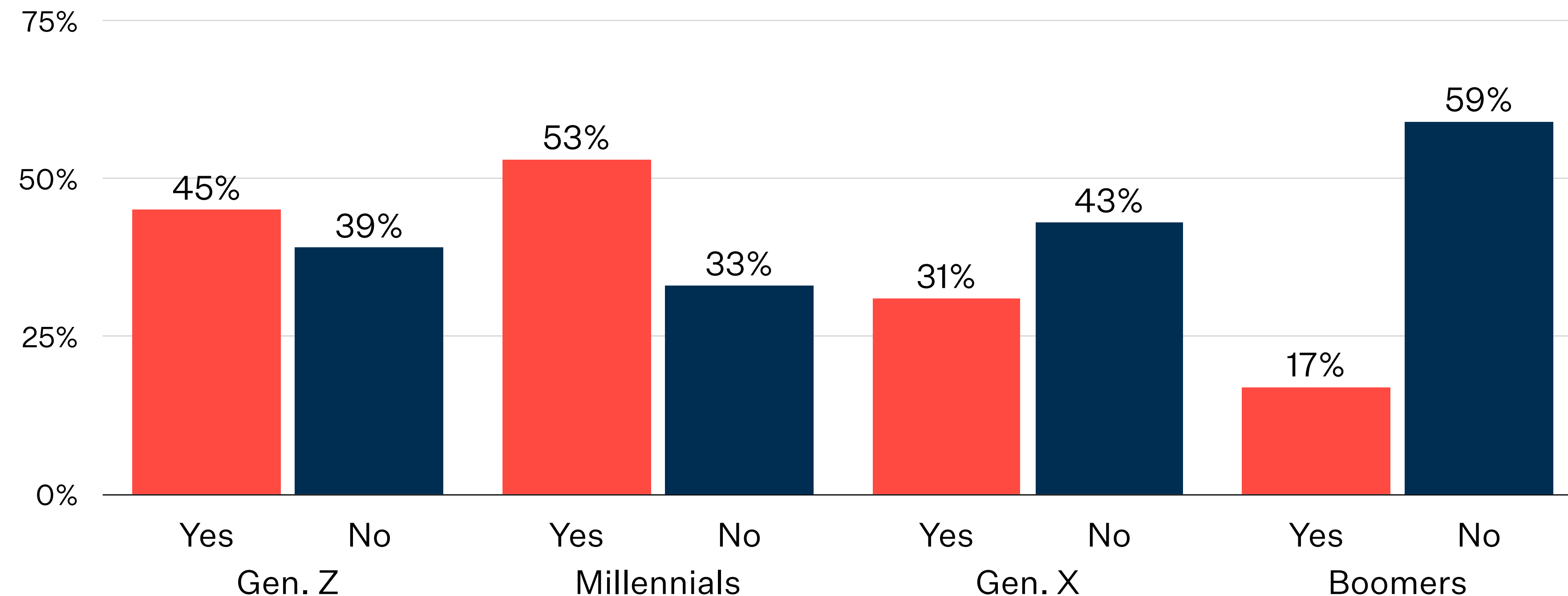
61%
Generated by AI

15%
Real photograph

24%
Not sure

Half of Gen. Z and Millennial consumers say they consider AI art to be art

Percentage of 'Yes' and 'No' responses by generation: Do you consider art created by AI to be art?



Will AI become the dominant form of entertainment?

41%

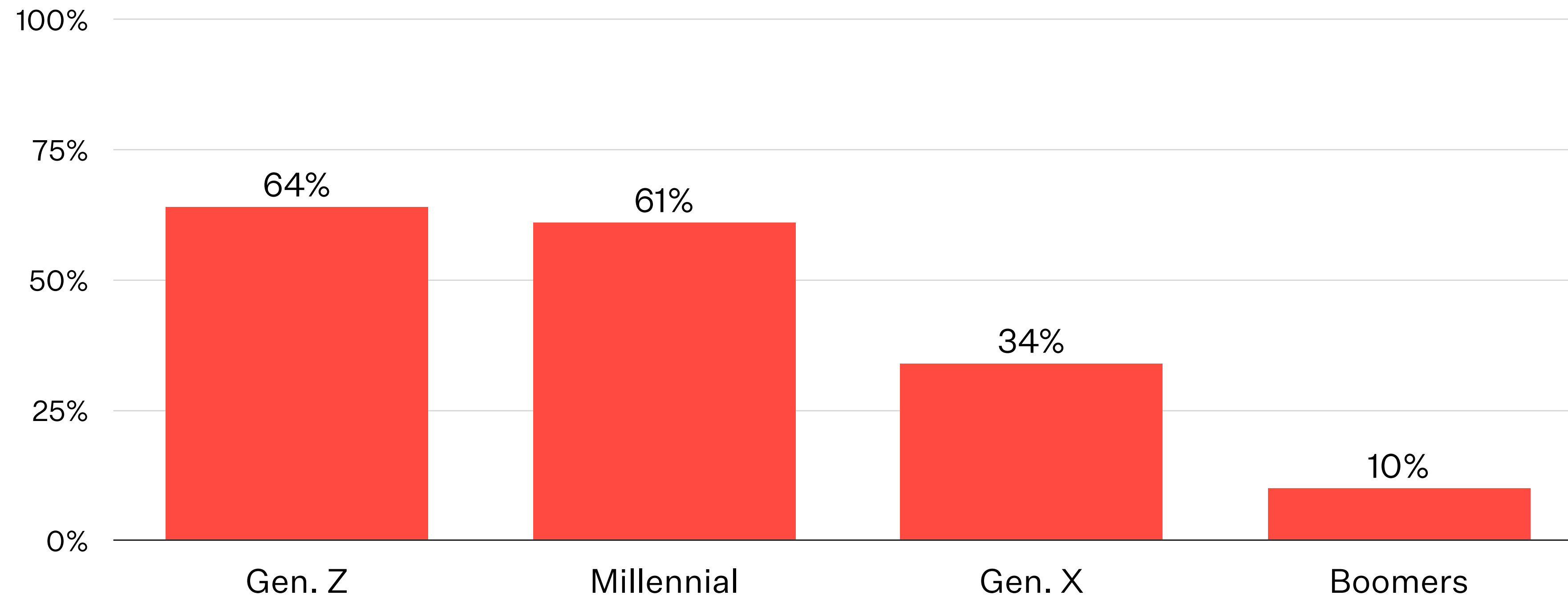
of Gen. Z and Millennial consumers at least “somewhat agree” that, 20 years from now, most movies, art, music, and books will be created by AI

39%

of Gen. Z and Millennial consumers at least “somewhat agree” that, 20 years from now, the best movies, art, music, and books will be created by AI

Most Gen. Z and Millennial consumers say they've used AI tools for fun

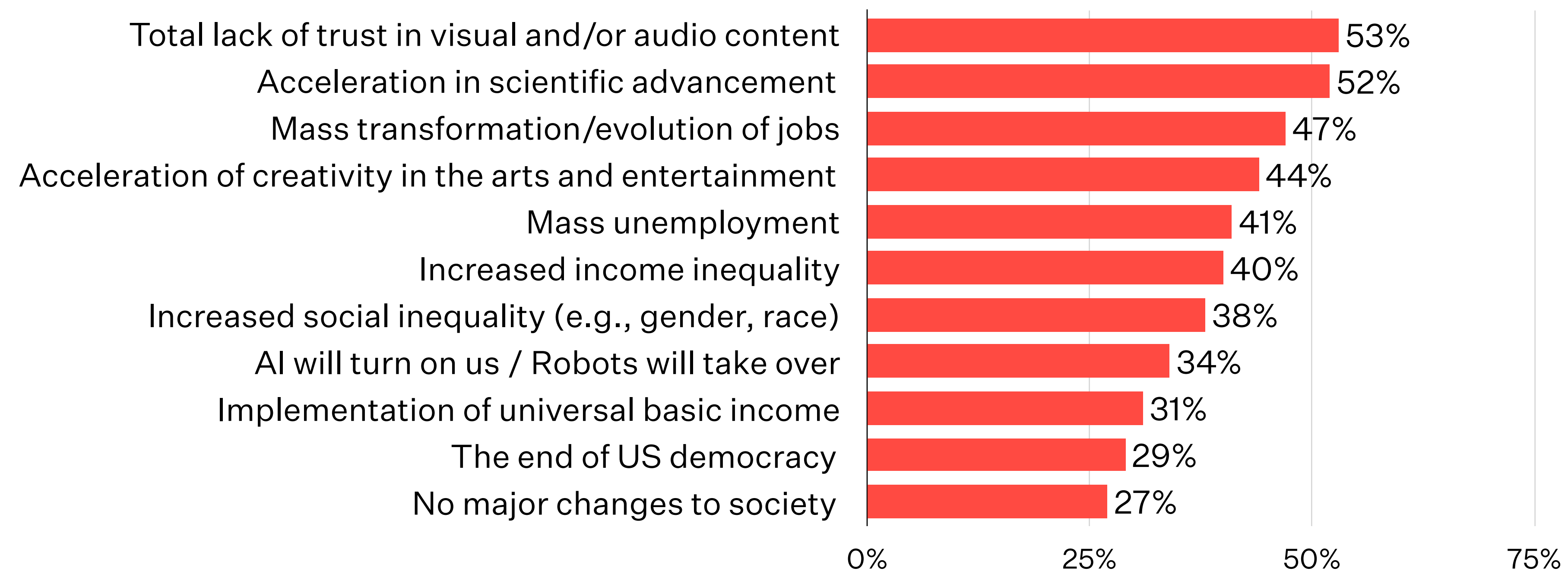
Percentage of 'Yes' responses by generation: Have you used AI tools for fun or entertainment?



AI & Society

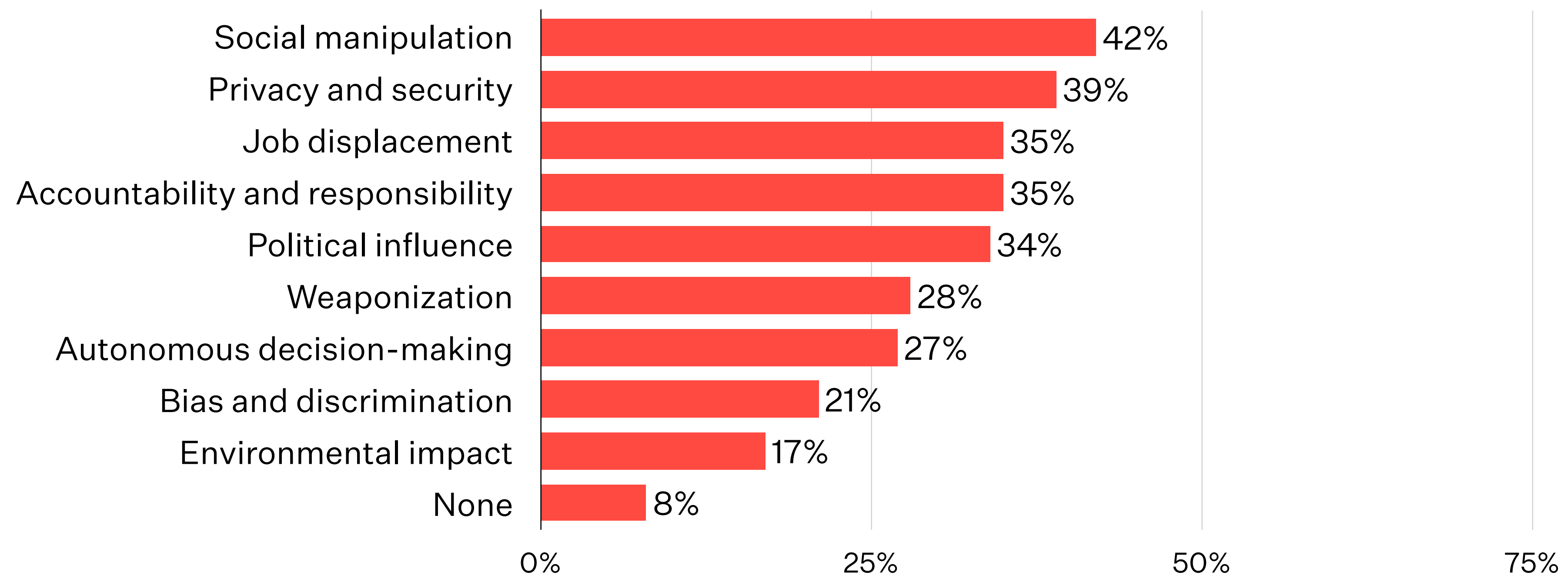
What will AI do to — or for — society?

Percentage of 'Extremely' or 'Very' likely responses: How would you rate the likelihood of AI causing the following outcomes in society in the next 20 years?



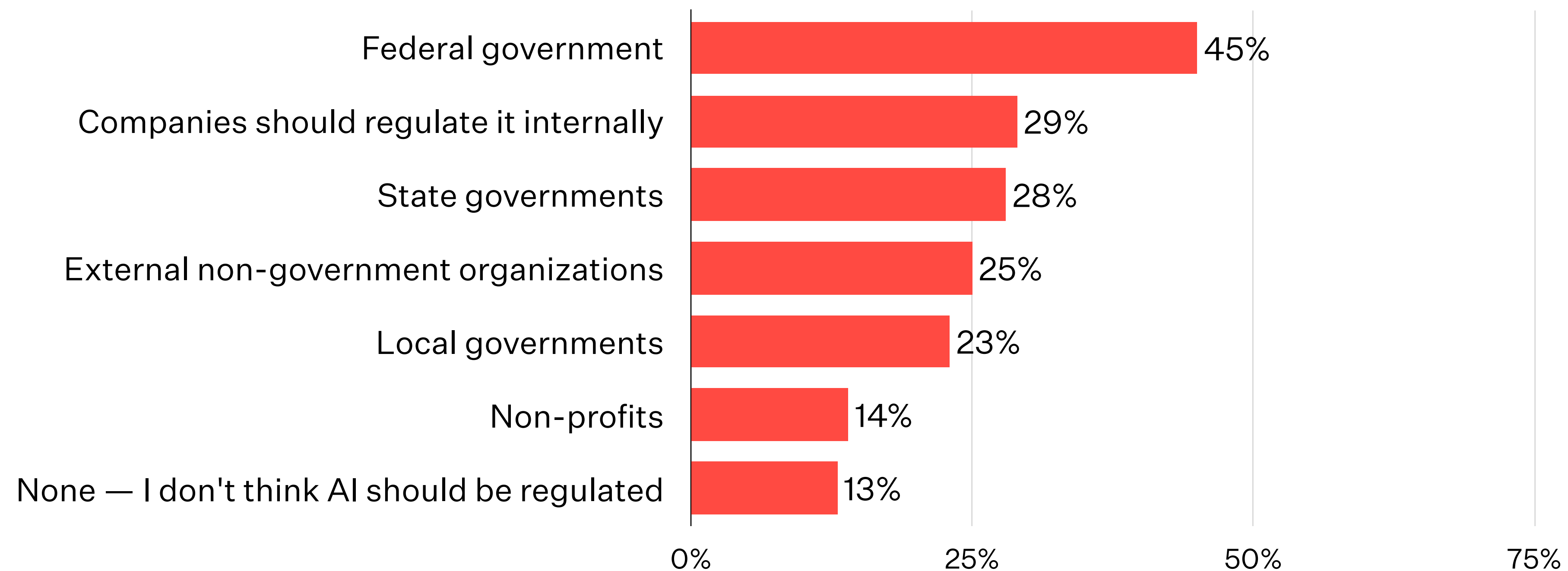
Top ethical concerns about AI: Social manipulation, privacy and security, jobs

Percentage of responses: What are your top ethical concerns about AI? (Choose up to three.)



Who should regulate AI? The federal government, and...

Percentage of responses: Who do you think should regulate the development and use of AI?



Does AI have political opinions?

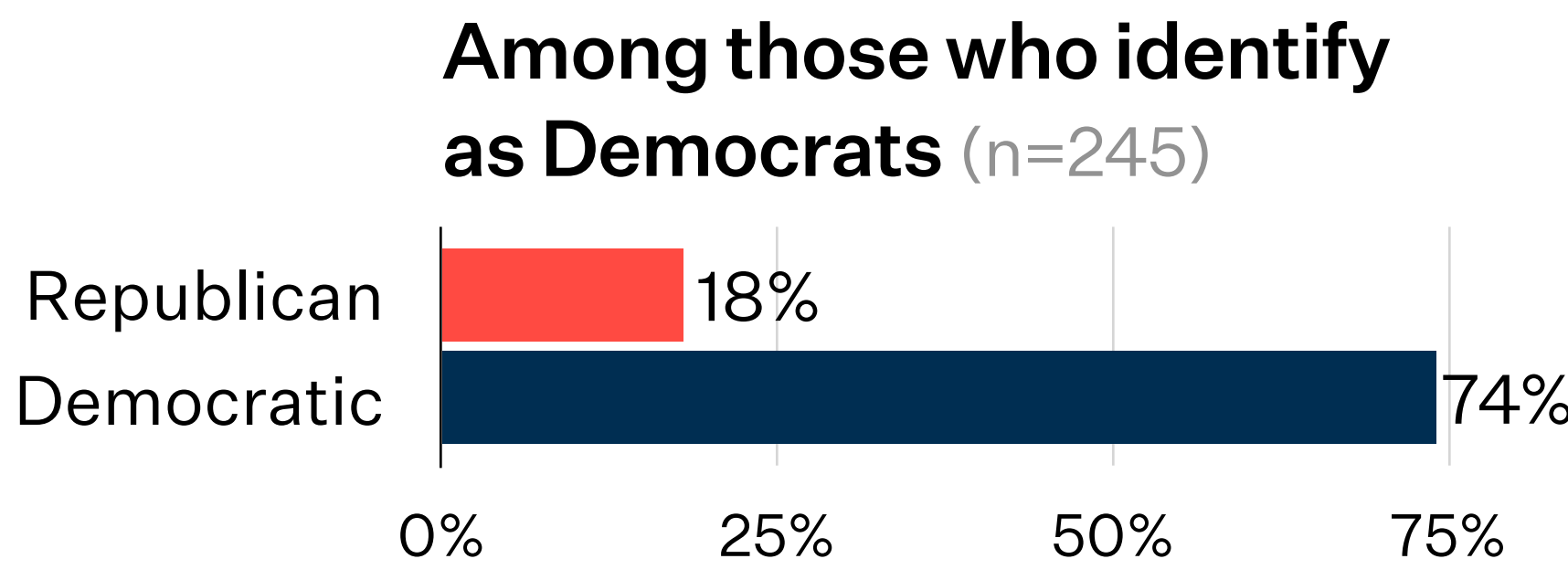
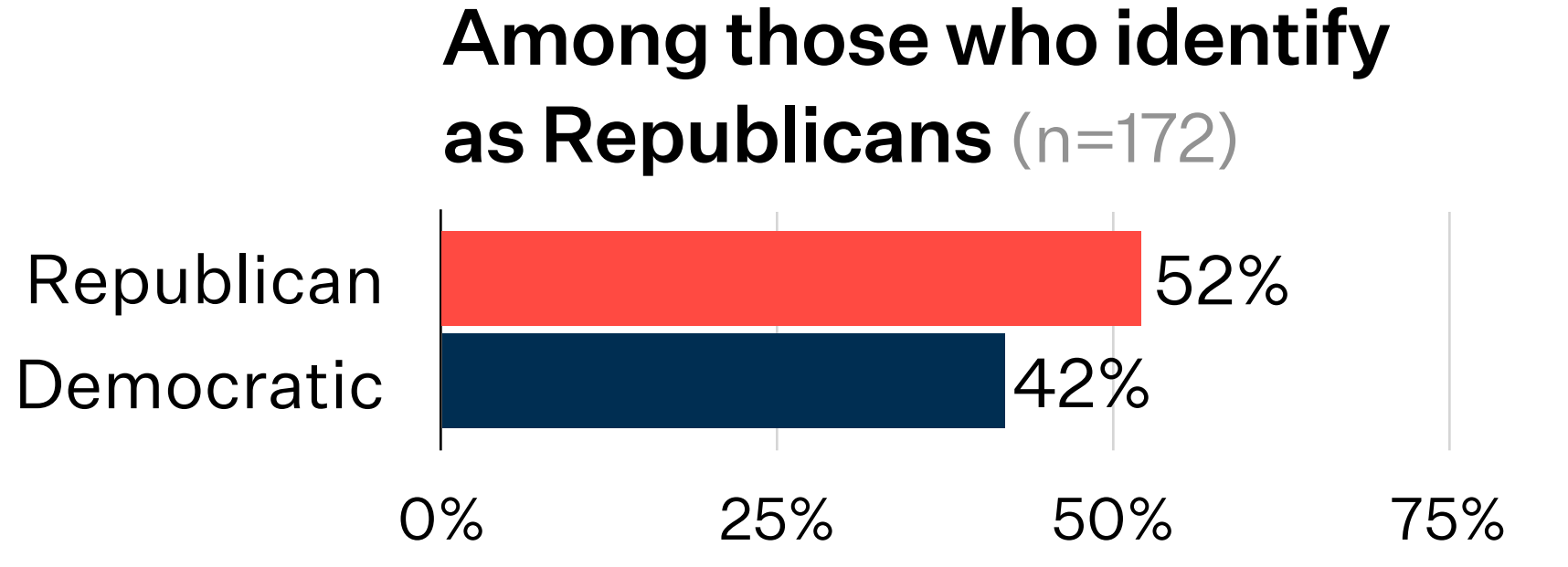
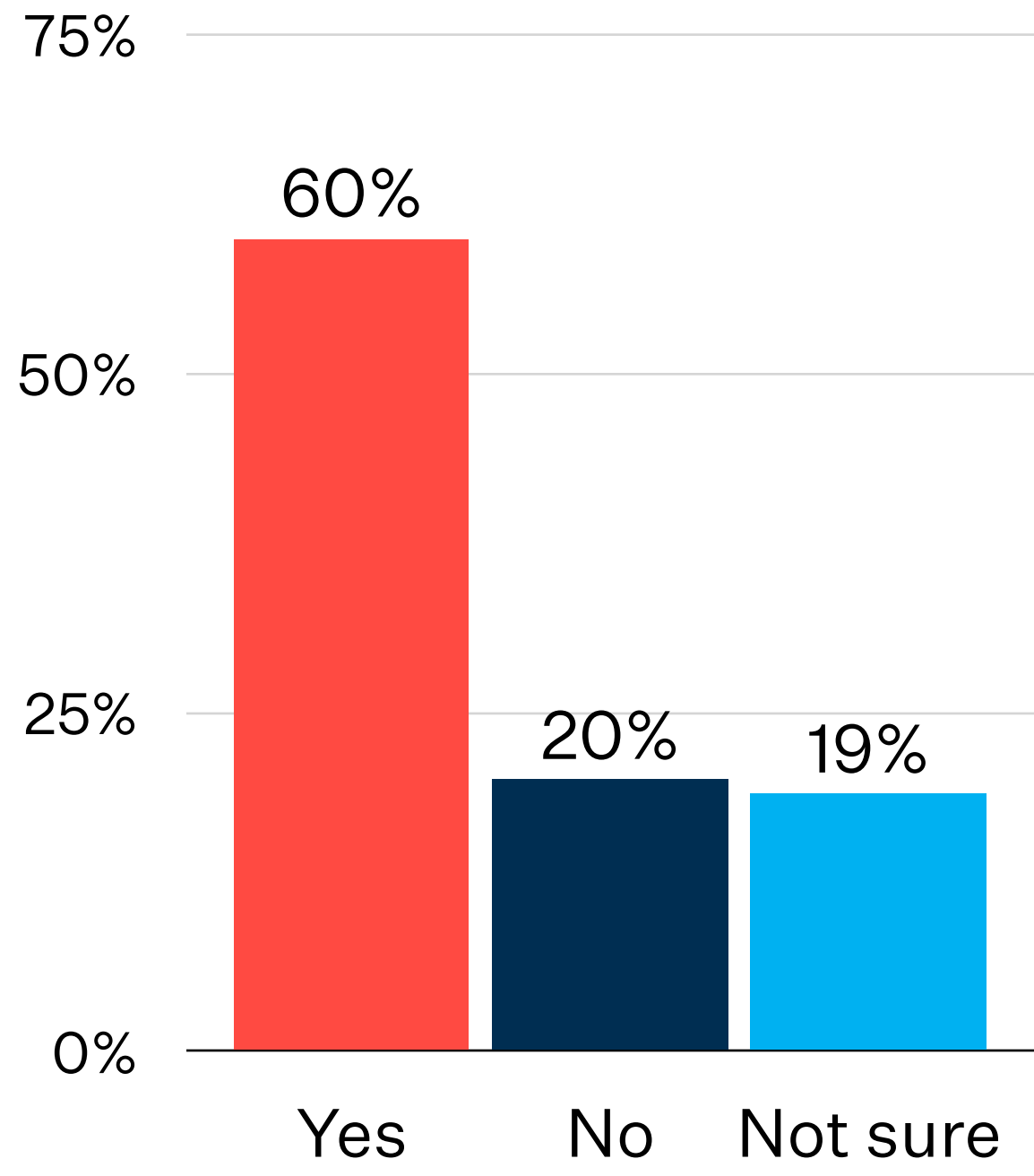
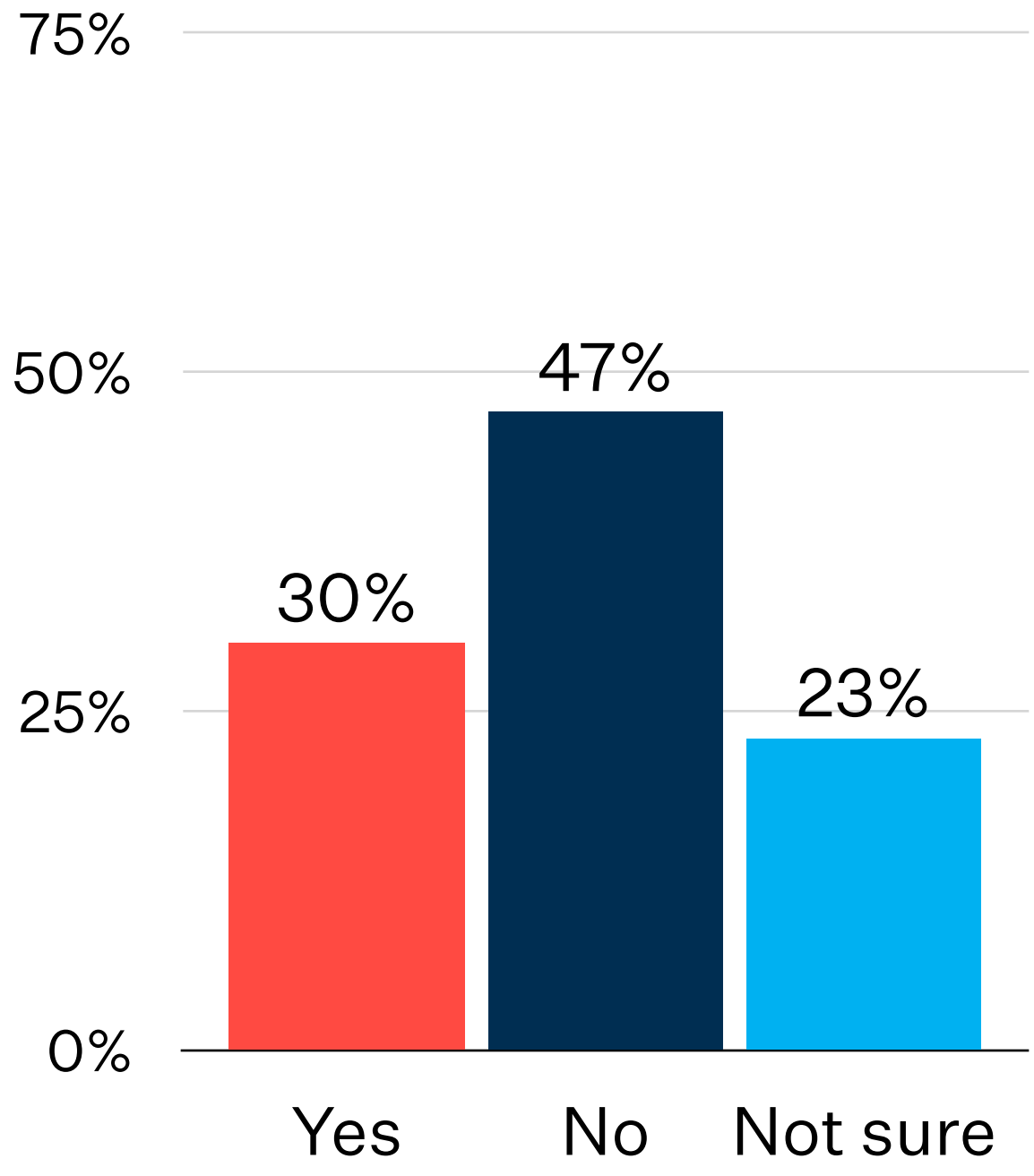
Does AI have opinions?



If yes, do they align with a US political party?



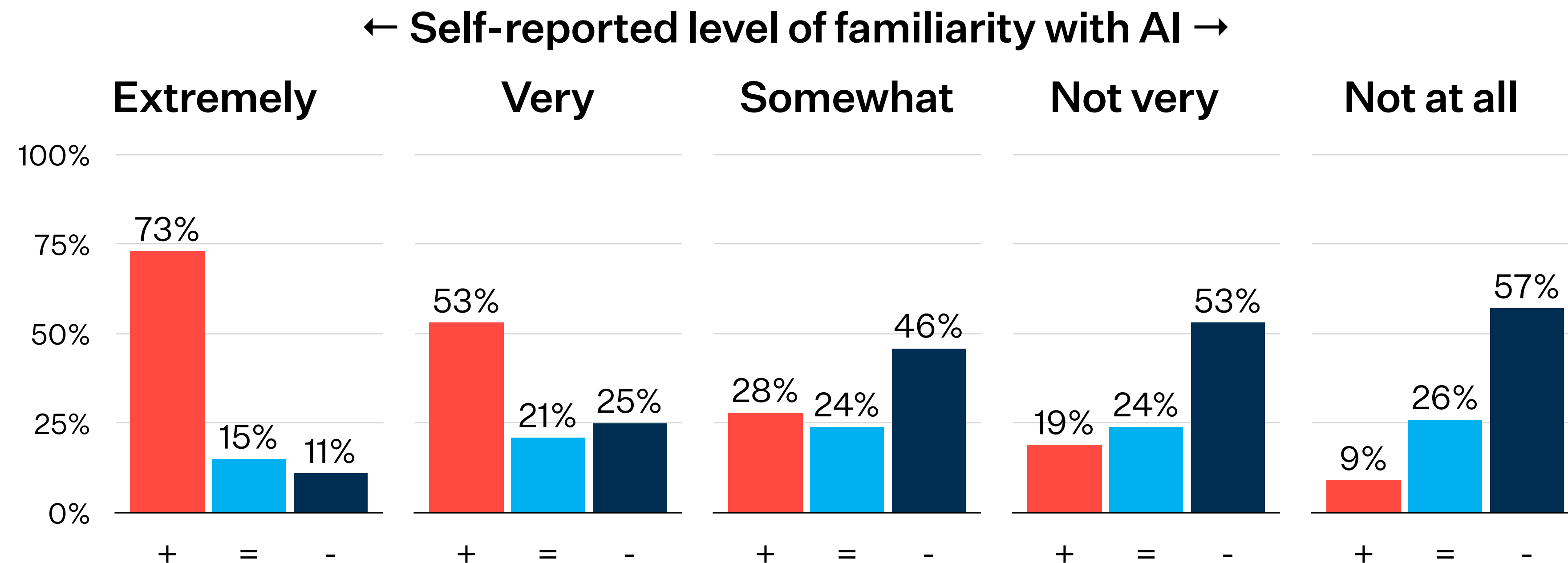
If yes, which one is AI most likely aligned with?



Data: Consumer Trends Survey, powered by **toluna*** (n=2764, 827, 499. Among those who have heard of AI. Other political parties not shown.)

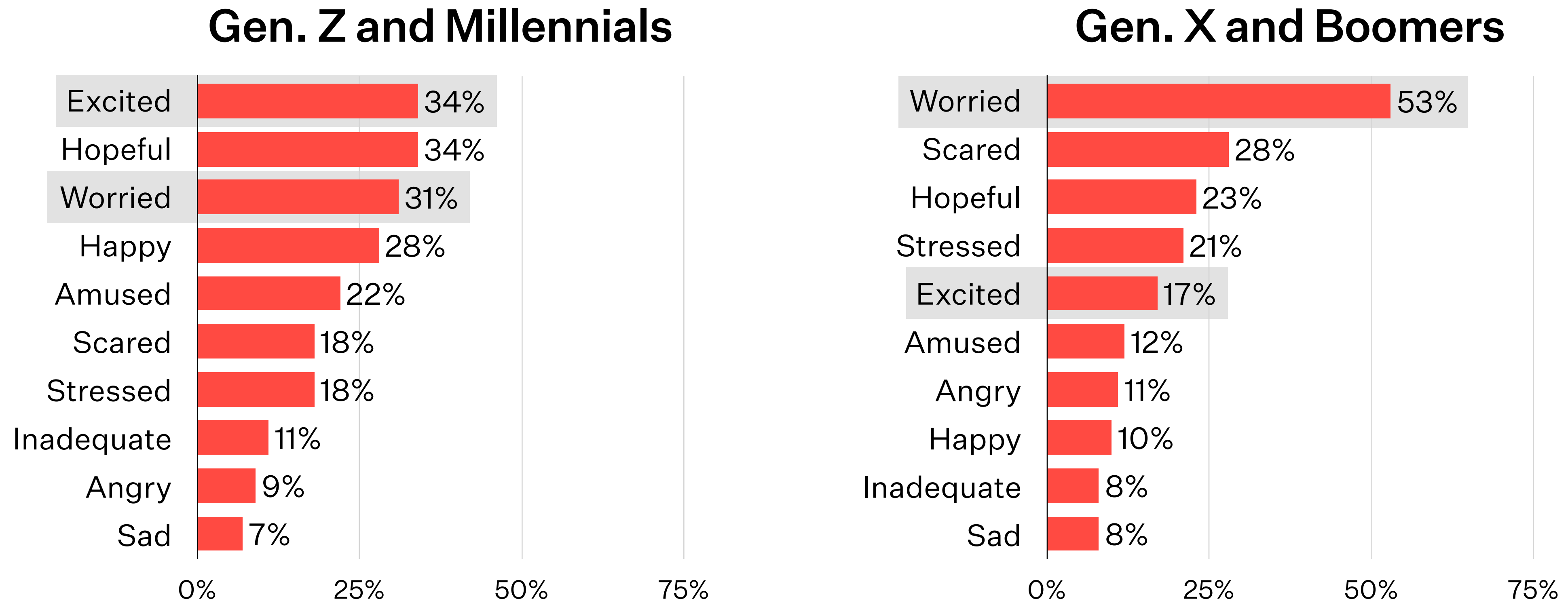
Americans are split on the sort of impact AI will have on society

Percentage of 'Positive', 'Neutral', and 'Negative' responses, by level of familiarity w/ AI: What kind of impact will AI have on society?



Younger Americans are more excited about AI — older generations are worried

Percentage of responses: How does AI make you feel?



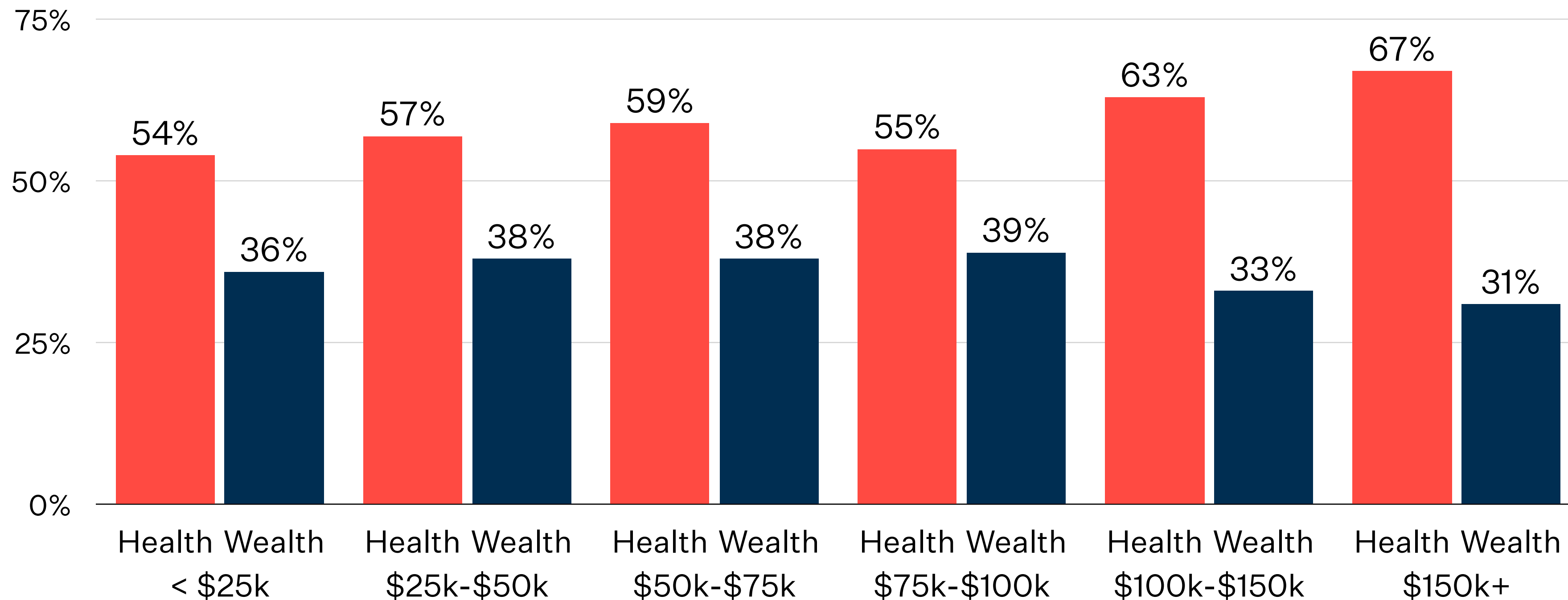
2

Drugs like Ozempic — intended to treat diabetes, but now prescribed for weight loss — are a hit.

What are their implications?

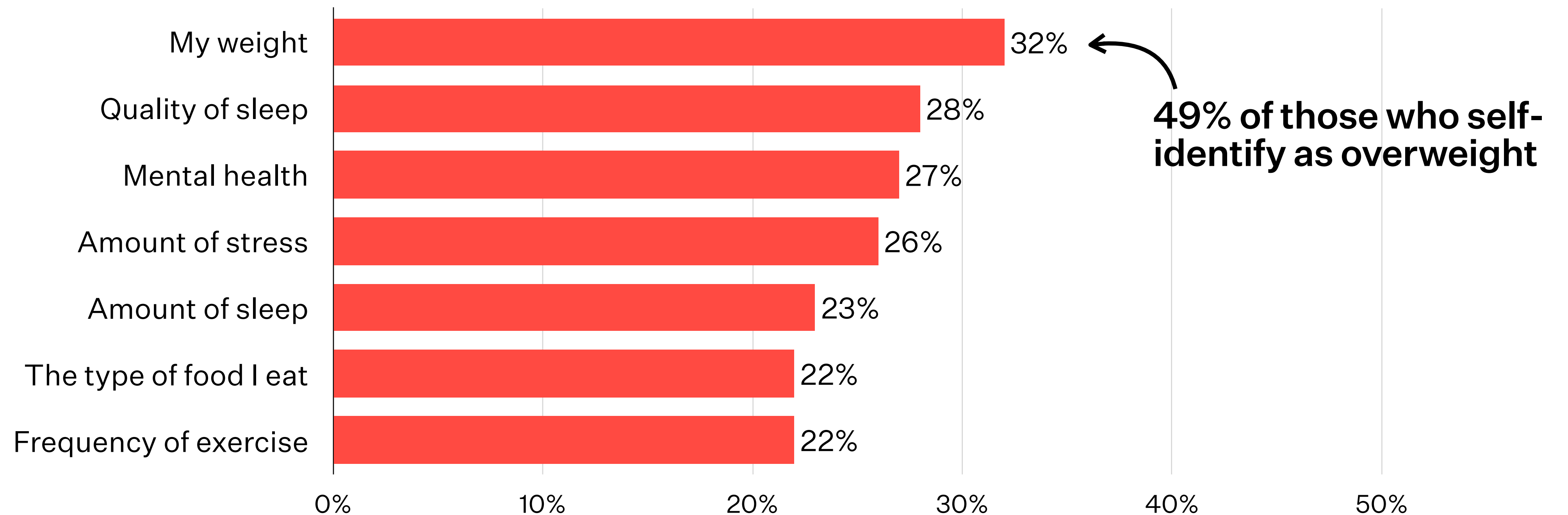
More Americans would rather feel 25% healthier than earn 25% more money

Percentage of responses: If you could only choose one, would you rather feel 25% more healthy or earn 25% more money?



Weight remains Americans' top health concern

Percentage of responses: What aspects of your health are you most concerned about? (Choose up to three.)



Almost half of Americans say they've felt pressure around their body type

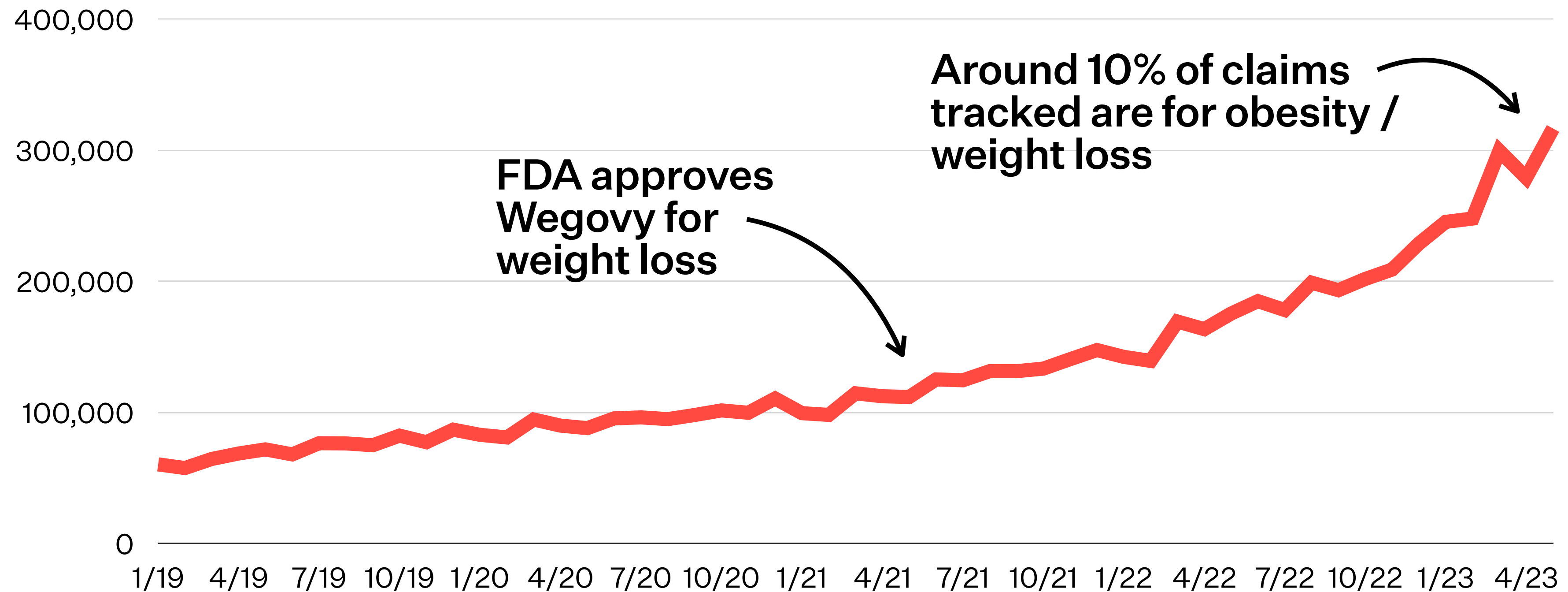
45%

of consumers say they have felt pressure to achieve a certain body type in order to be considered “well” or “healthy.”

It's 72% for those who self-identify as very overweight.

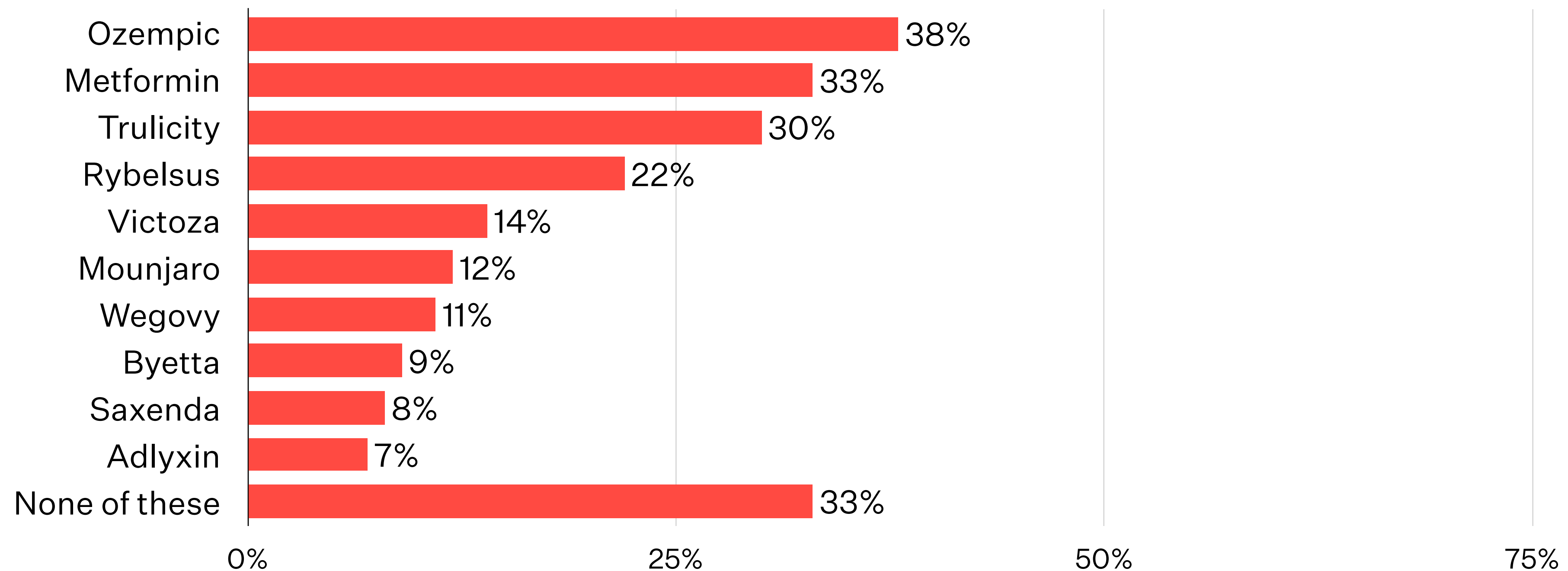
Diabetes drugs like Ozempic and Trulicity have soared in popularity

Monthly claims for GLP-1 prescriptions — Earnest Analytics



Almost 40% of Americans say they've heard of Ozempic

Percentage of responses: Which, if any, of the following pharmaceuticals are you familiar with?



These drugs appear *very* appealing to Americans who want to lose weight

56%

of consumers who want to lose weight and are familiar with prescription drugs for weight loss say they're “extremely” or “very” interested in using one.

This is highest among Millennials (73%), men (66%), urban consumers (71%), those with household income over \$100k (72%), and those who self-describe as “very overweight” (77%).

Many are concerned about diet drugs' long-term effects

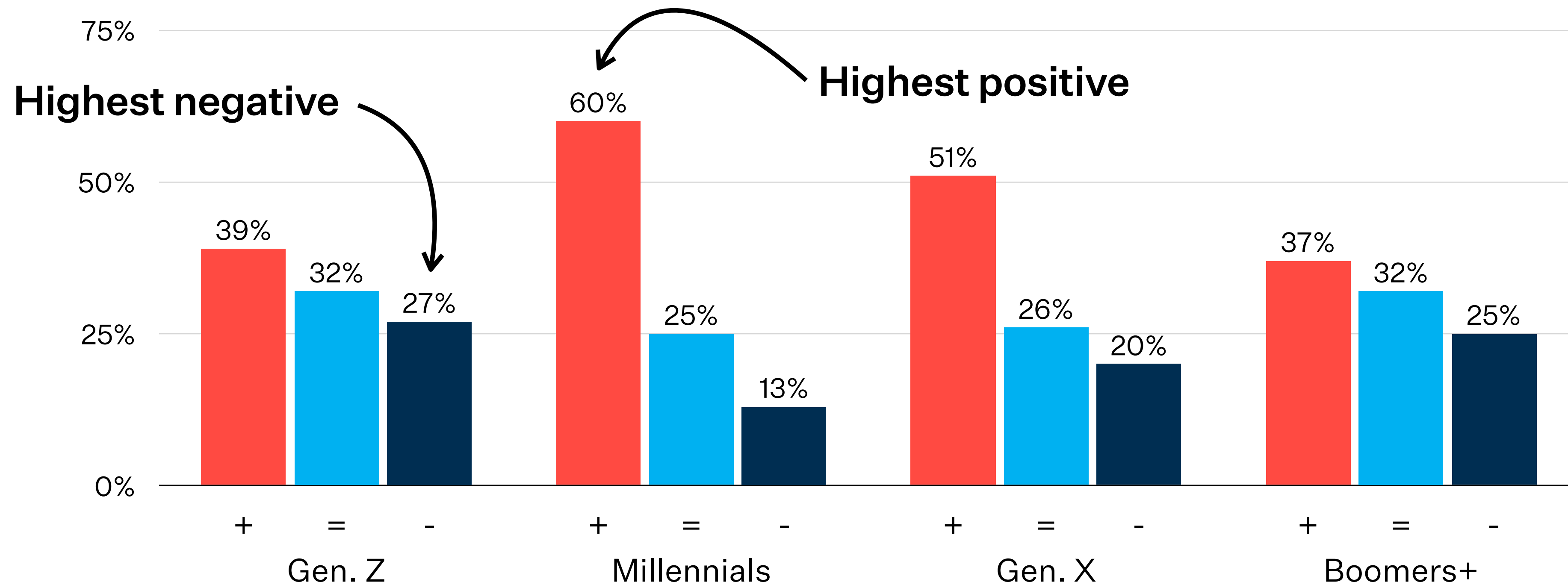
52%

of consumers aware of weight-loss drugs say they are “extremely” or “very” concerned about their long-term health impact.

This is higher among those who self-identify as “very overweight” (72%) and are “extremely” or “very” interested in using those drugs for weight loss (60%).

Americans are split on the sort of impact diet drugs will have on society

Percentage of Positive, Neutral, and Negative responses, by generation



When it comes to health and wellness, Gen. Z ≠ Millennials

- For Gen. Z, health and wellness is a high priority, but less likely to be the top priority than Millennials
- Millennials are more likely than Gen Z to say they consider weight as an indicator of how healthy someone is
- Given the choice, Gen. Z would rather improve mental health by 25% than physical health by 25%; it's the opposite for Millennials
- Gen. Z says it's more skeptical of weight-loss-drug science

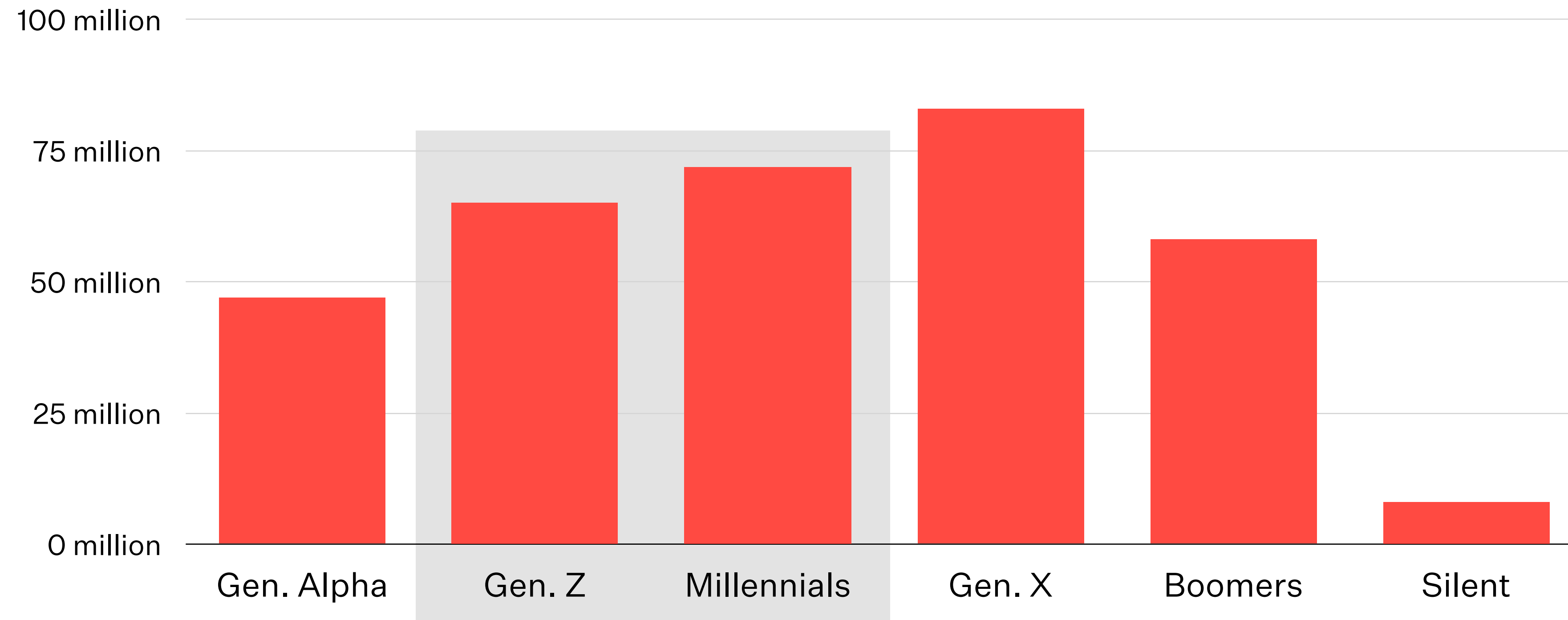
3

There's excitement around brands
founded by digital creators.

Do they have a special advantage?

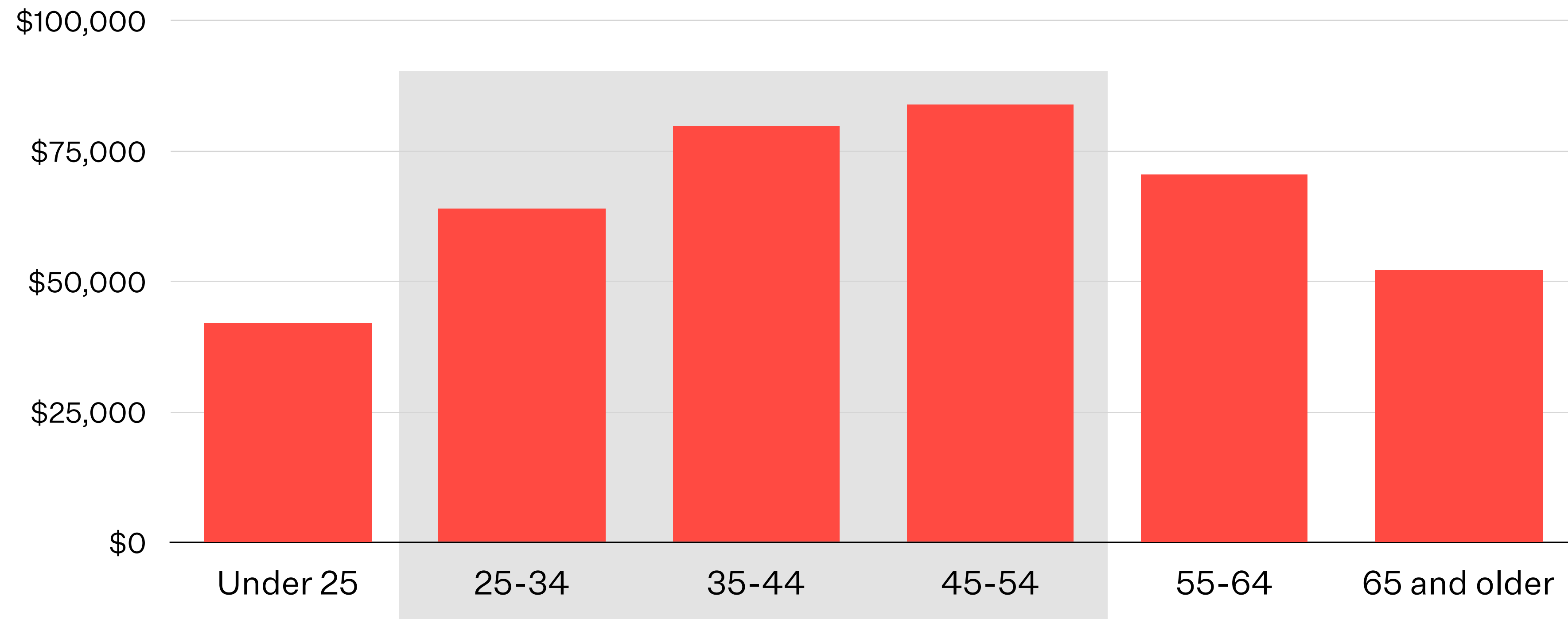
Gen. Z and Millennials, ages 12 to 42, represent ~40% of the US population...

Estimated US population by generation



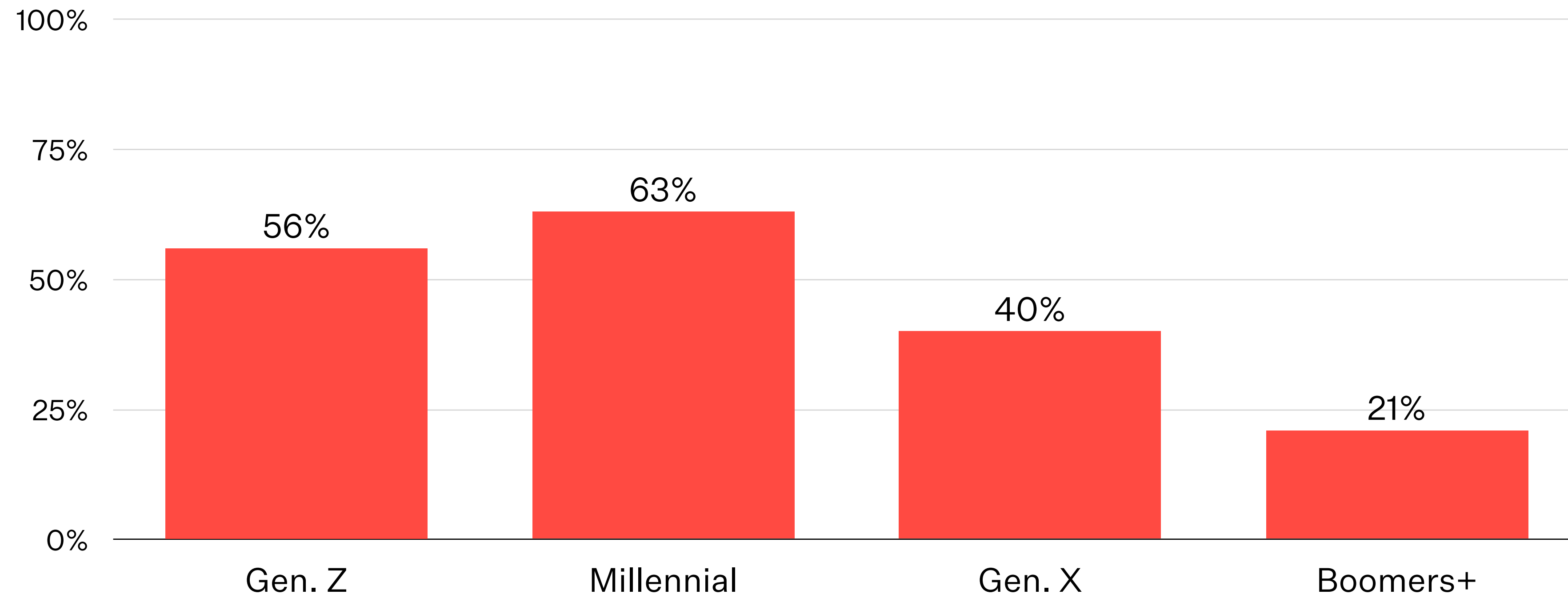
...and they're entering their prime spending decades

Avg. annual expenditures per consumer unit, by age group



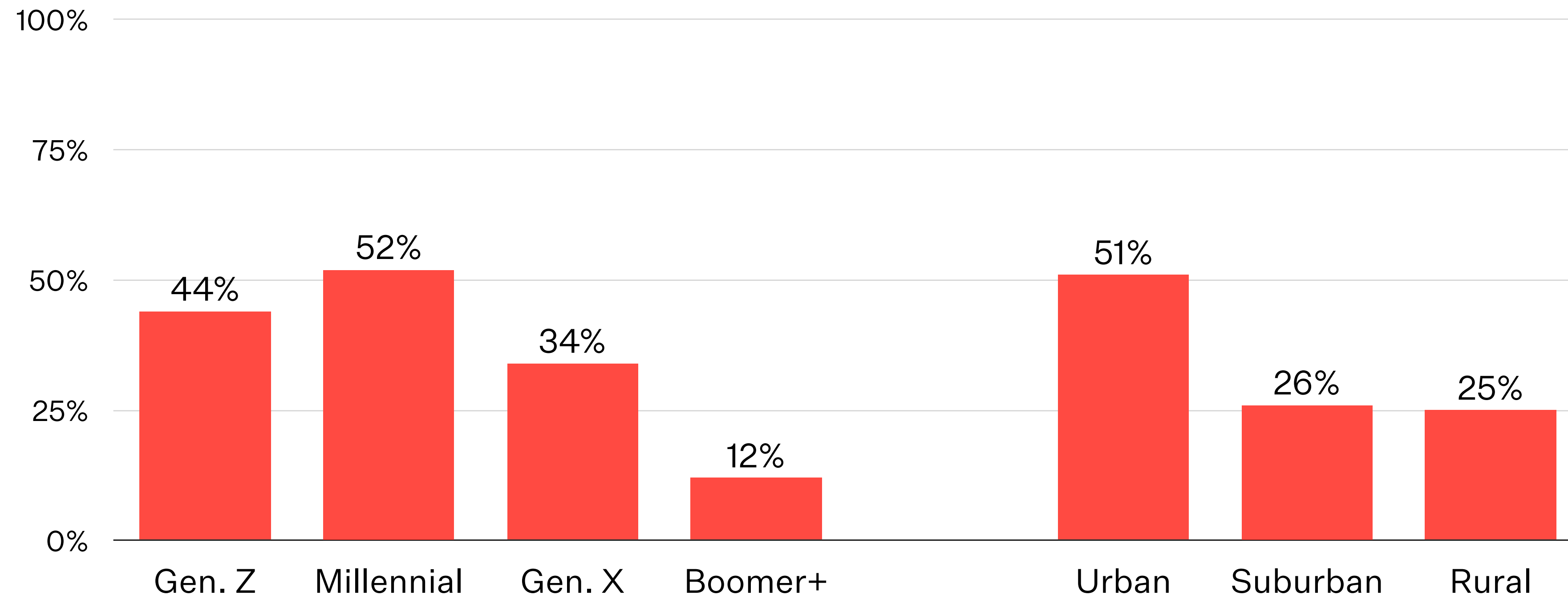
Gen. Z and Millennial consumers think about brands differently

Percentage of 'Extremely' or 'Very' responses: How important is it to you that a brand is founded by someone you trust or admire?

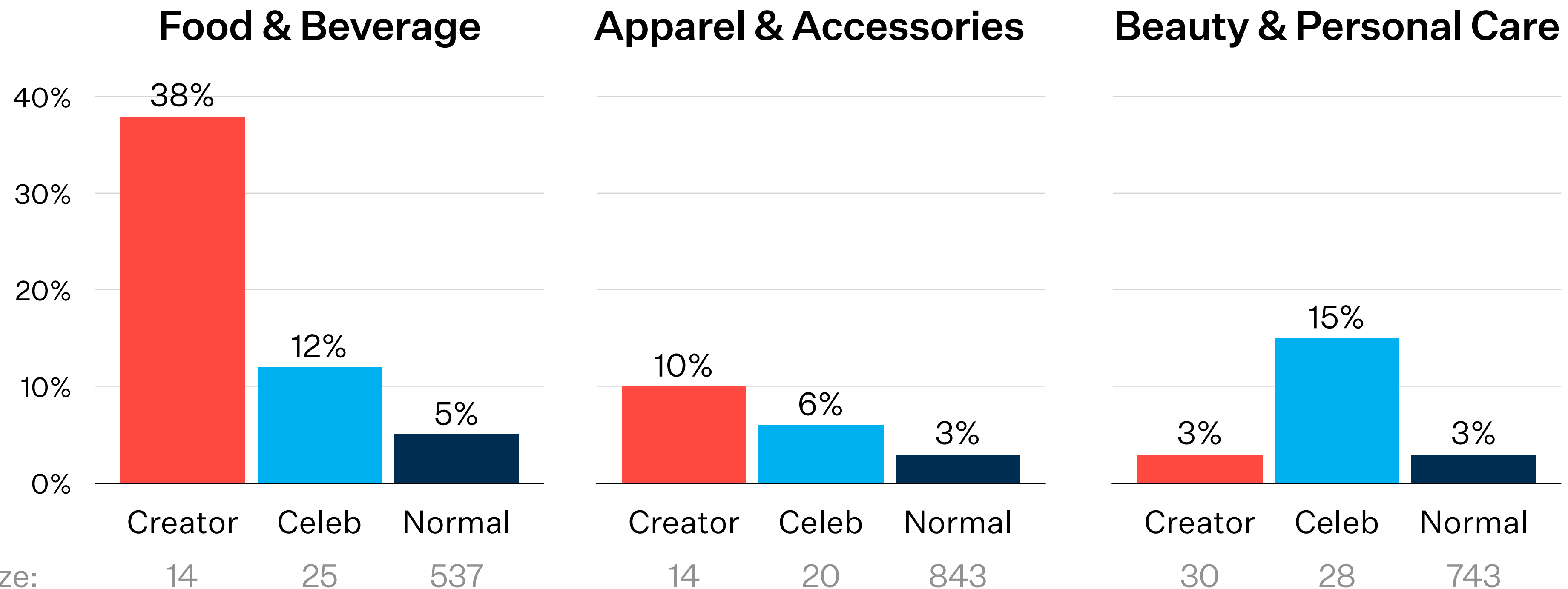


Interest in creator-founded brands skews younger, wealthier, and urban

Percentage of 'Strongly' or 'Somewhat' agree responses: I like creator-founded brands more than other brands



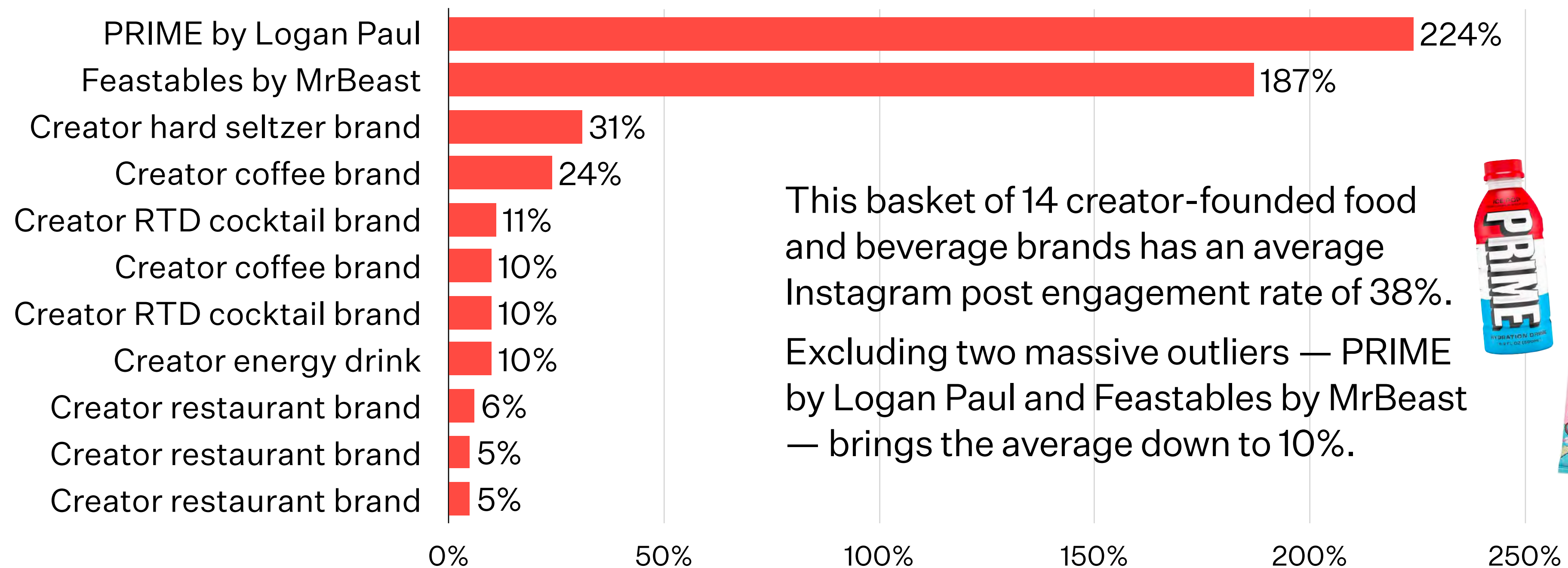
Creator-founded brands often beat 'celebrity' and 'normal' brands in our Instagram engagement rate analysis



Data: Charm.io, analysis by The New Consumer and Coefficient Capital. Engagement rate reflects the average number of comments and likes per post, as a percentage of total follower count. Measured over the 12 most recent posts per brand in mid-2023.

Huge outliers, however, skew Instagram engagement for our creator brand class

Instagram engagement rate among select creator-founded food and beverage brands



A creator founder can drive trial, even if a consumer already has a favorite brand

60%

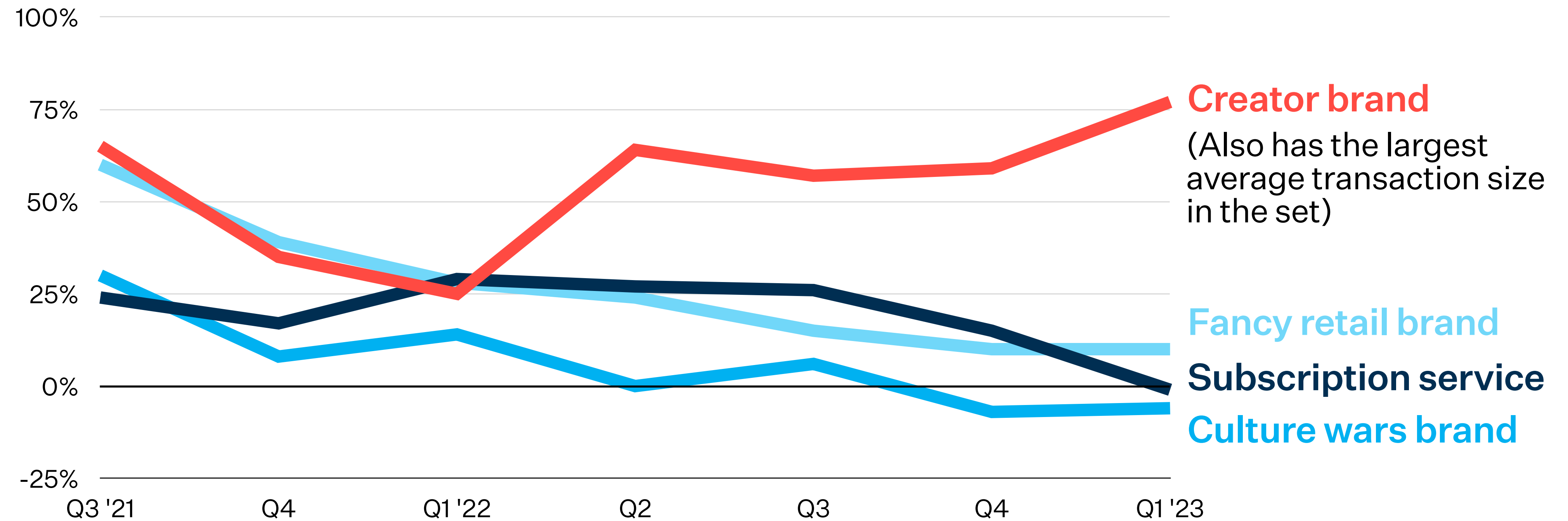
of Gen. Z and Millennial consumers say that if a creator they like were to start a brand in a category in which they don't normally buy products, they “probably” or “definitely” would purchase products from the brand

63%

of Gen. Z and Millennial consumers say that if a creator they like were to start a brand in a category in which they already have a different favorite brand, they “probably” or “definitely” would purchase products from the brand

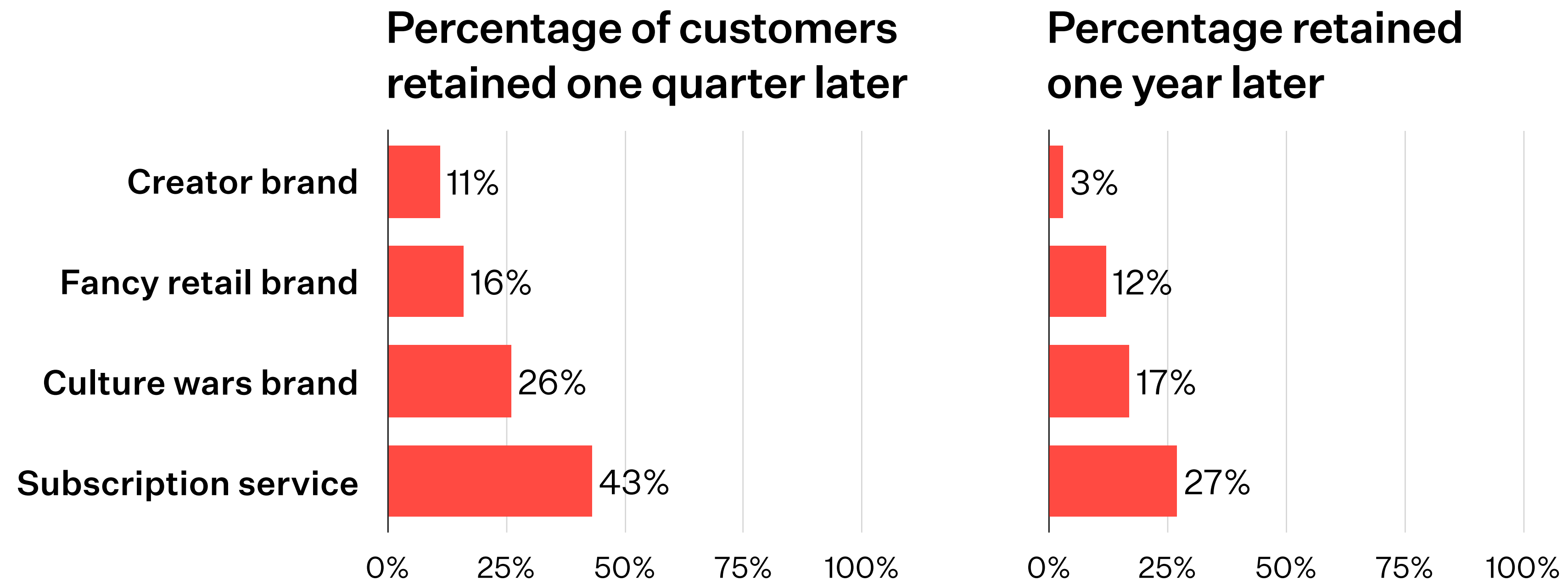
One example creator brand is growing direct sales fast in a competitive market

Year-over-year change in US consumer direct credit and debit card sales, as measured by Consumer Edge



The challenge for many creator brands is going to be customer retention

Our example creator brand trails some of its peers in customers making purchases in subsequent quarters, according to Consumer Edge's retention analysis. We averaged quarterly cohorts going back to the beginning of 2021.



Creator brands have clear potential, but within the bounds of reality

81%

of consumers 'Strongly' or 'Somewhat' agree that they **care more about the quality of the product than whether a creator founded the brand**

70%

of consumers 'Strongly' or 'Somewhat' agree that **creator-founded brands only make sense if the creator has expertise in the products they're selling**

4

Will TikTok actually be banned in the US?
Its Chinese ownership *is* an issue — especially
for those who say they don't use it.

TikTok's Chinese ownership is hardly a secret

81%

of consumers aware of TikTok say they know it's owned by a Chinese company

80%

of consumers aware of TikTok say they know the US government has been in the process of deciding to ban it

Active TikTok users — who say they use the service monthly or more — have vastly different opinions about the company than those who don't use TikTok.

“How concerned are you that TikTok’s Chinese ownership may expose your personal data to China?”

“Extremely” or “very” concerned among:

39%

Monthly+ Users

61%

Non-Users

“How concerned are you that TikTok’s Chinese ownership may influence content on the platform?”

“Extremely” or “very” concerned among:

37%

Monthly+ Users

64%

Non-Users

“What’s your perception of TikTok?”

“Favorable” among:

76%

Monthly+ Users

5%

Non-Users

“Do you think TikTok should be banned in the US?”

“Yes” among:

24%

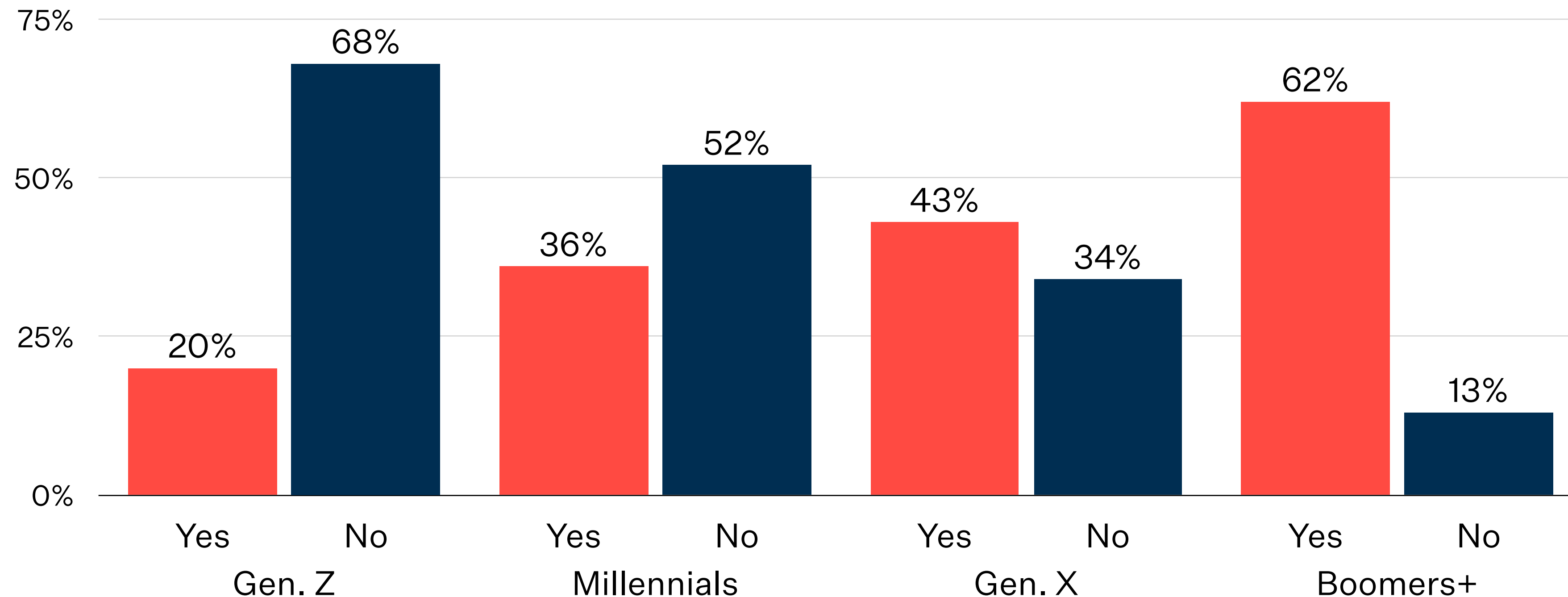
Monthly+ Users

65%

Non-Users

Support for banning TikTok in the US also increases with age

Percentage of 'Yes' and 'No' responses by generation: Do you think TikTok should be banned in the US?

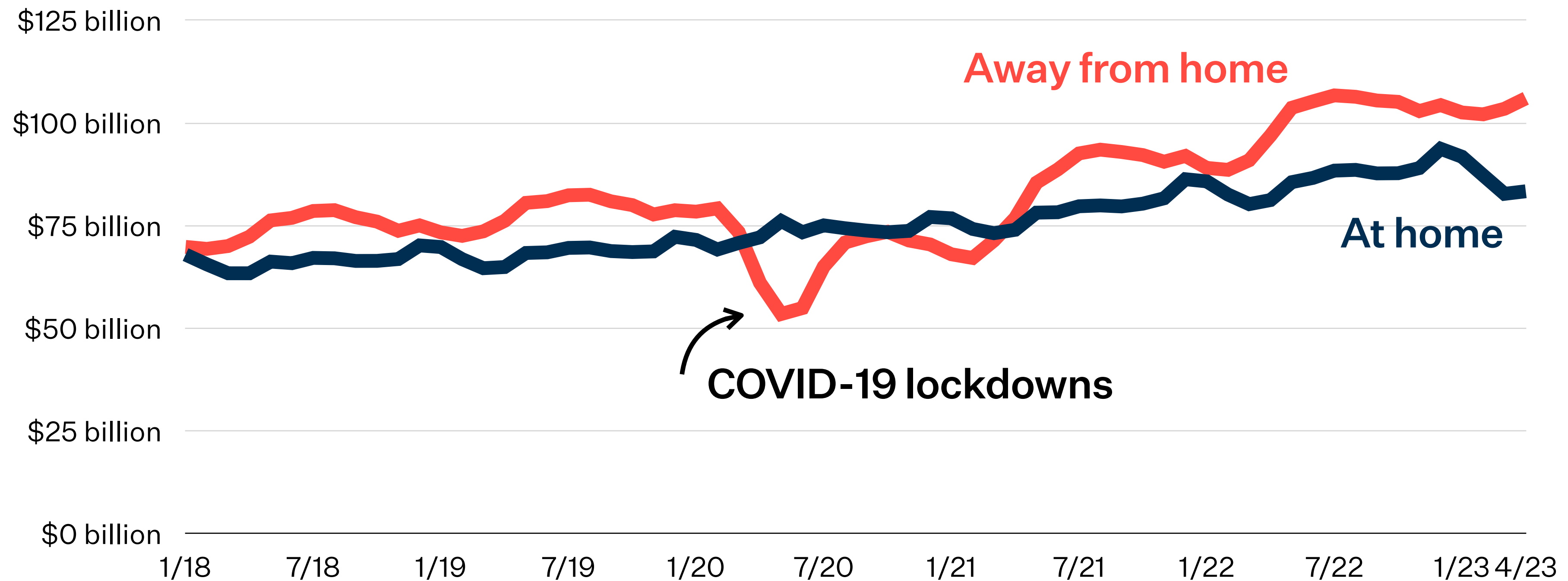


5

Food delivery and takeout kept its pandemic-era growth and remains a critical part of the restaurant industry narrative.

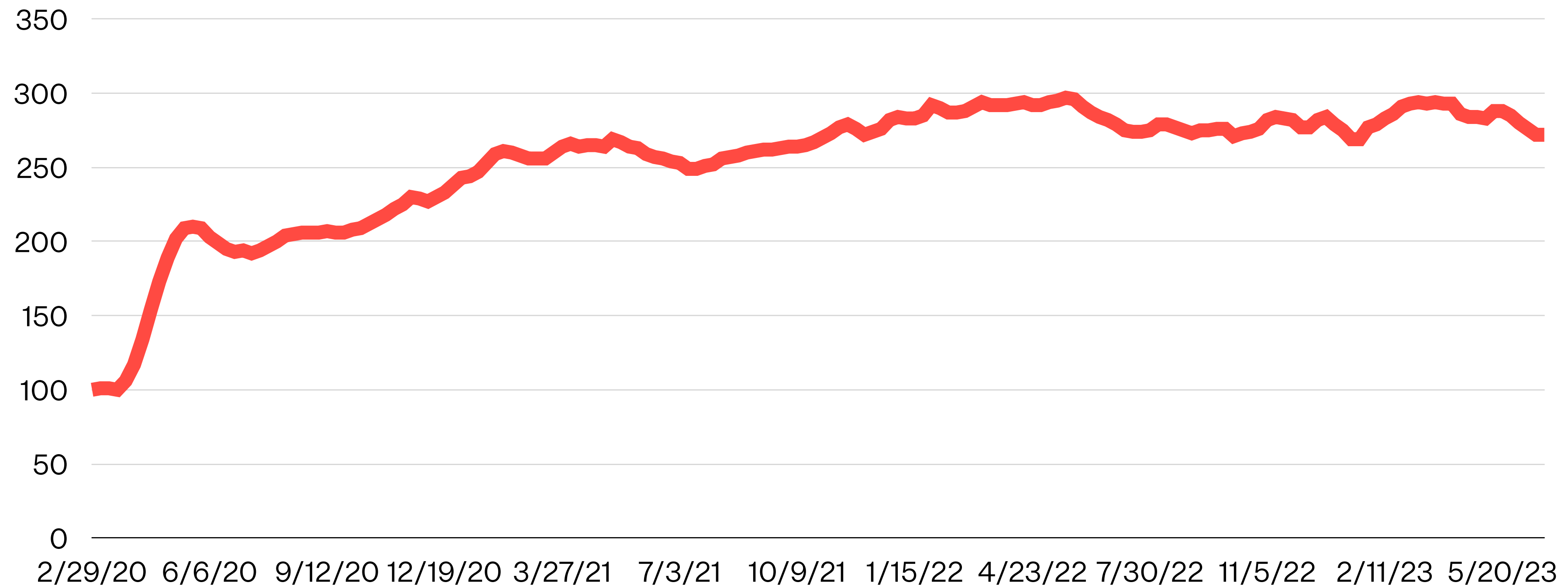
Restaurant spending has taken back the lead after a pandemic pullback

US monthly food sales, 3 month trailing average



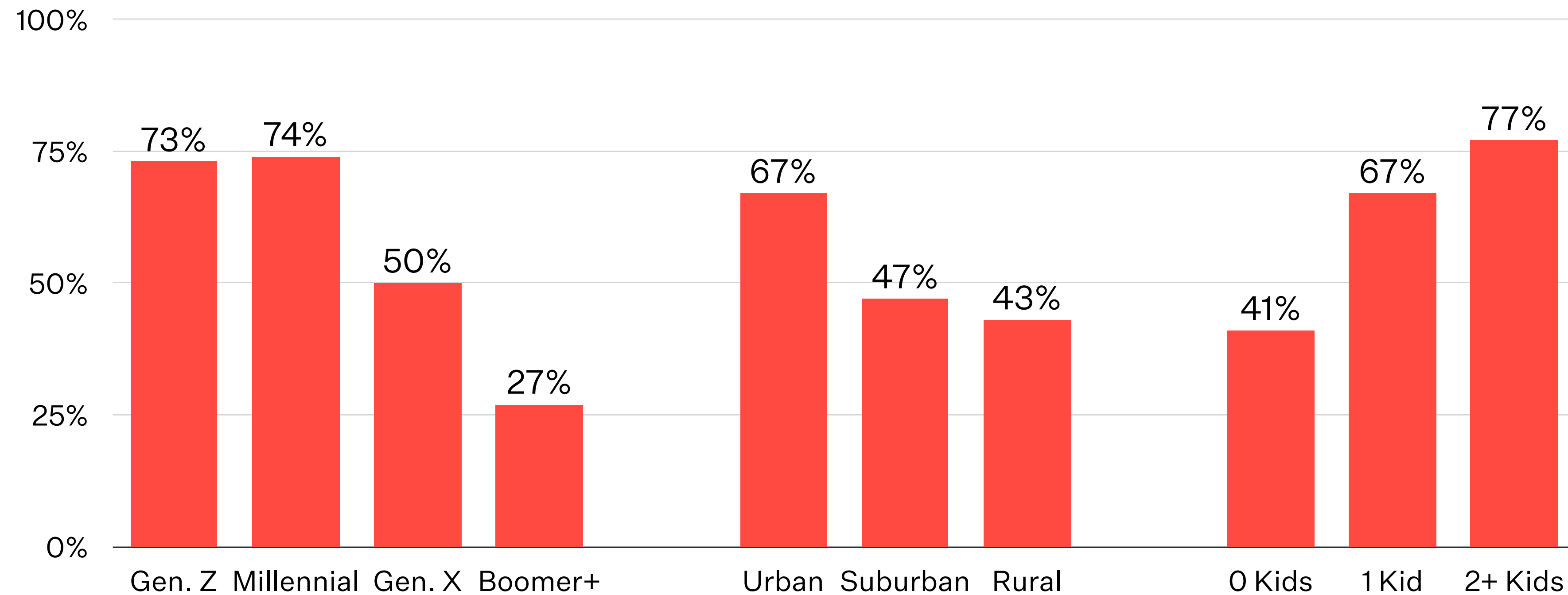
Restaurant delivery spending has mostly maintained its pandemic boost

Indexed spending at US restaurant delivery aggregators



~Half of Americans say they order food takeout or delivery at least weekly

Percentage of 'About once a week' or more frequent responses: How often do you order food takeout or delivery?



Restaurant delivery
has strong product-market fit:
Those who use it, love it.

“Takeout / delivery food tastes as good as it would in the restaurant”

“Strongly” or “Somewhat” agree among:

63%

Weekly+ Orderers

34%

Infrequent Orderers

“I prefer the takeout / delivery experience more than going to a restaurant”

“Strongly” or “Somewhat” agree among:

55%

Weekly+ Orderers

20%

Infrequent Orderers

“Ordering food takeout / delivery is a good value”

“Strongly” or “Somewhat” agree among:

57%

Weekly+ Orderers

21%

Infrequent Orderers

“Takeout / delivery services (e.g. DoorDash, Uber Eats) are good companies”

“Strongly” or “Somewhat” agree among:

63%

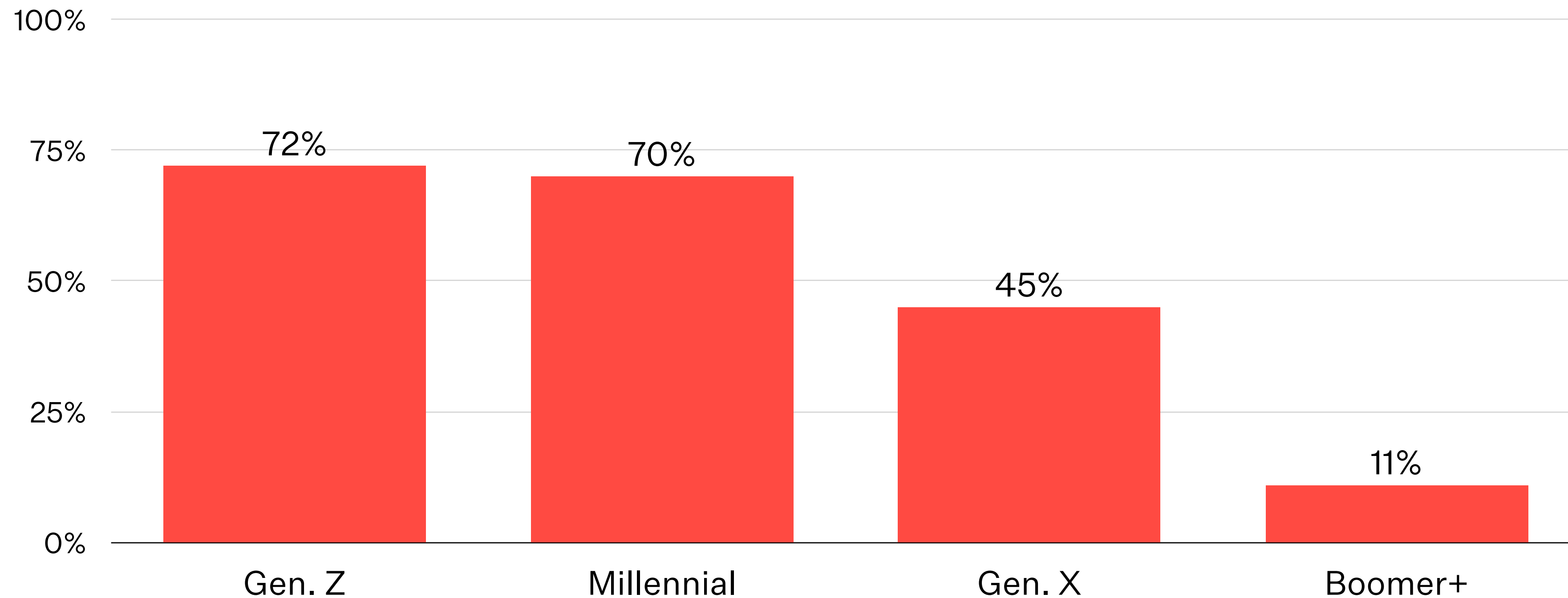
Weekly+ Orderers

32%

Infrequent Orderers

Delivery apps also open a wider range of options, including virtual brands

Percentage of 'Sometimes' or more responses: How often do you order from a restaurant you have never physically been to?



6

“Clinical” beauty brands represent almost one third of the US prestige skincare market.

Will consumers pay more for them?

Clinical brands represent a large and steady portion of the US prestige skincare market

31%

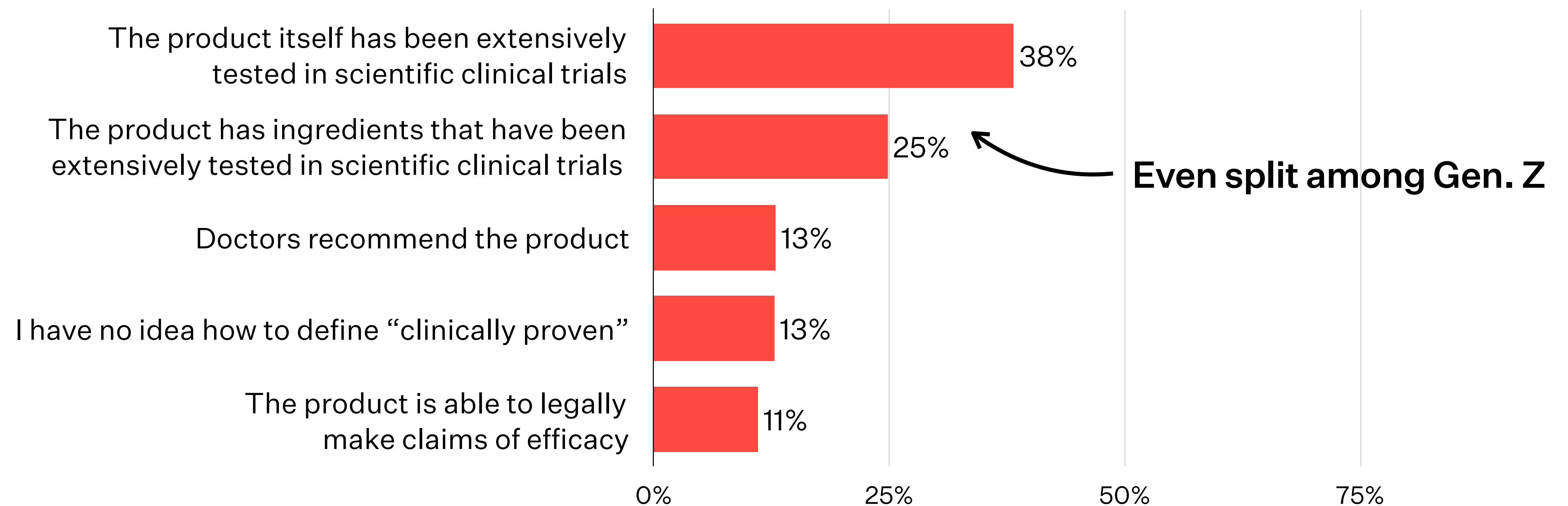
clinical brands share of the US prestige skincare market in Q1 2023, consistent with its 2022 and 2021 share

11%

year-over-year dollar sales growth in Q1 2023, consistent with the broader US prestige skincare market's growth, and faster than natural brands

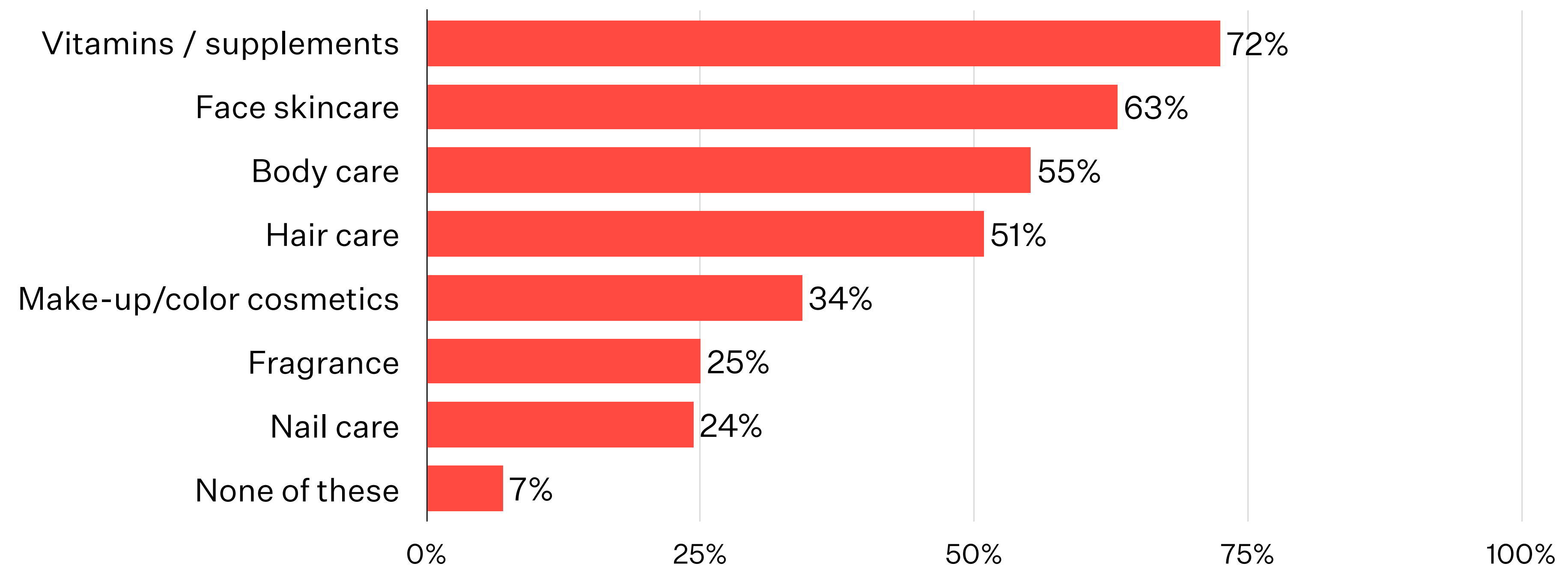
What does it mean to be ‘clinically proven’? Consumers aren’t all sure

Percentage of responses: How would you define ‘clinically proven’ in relation to beauty or personal care products?



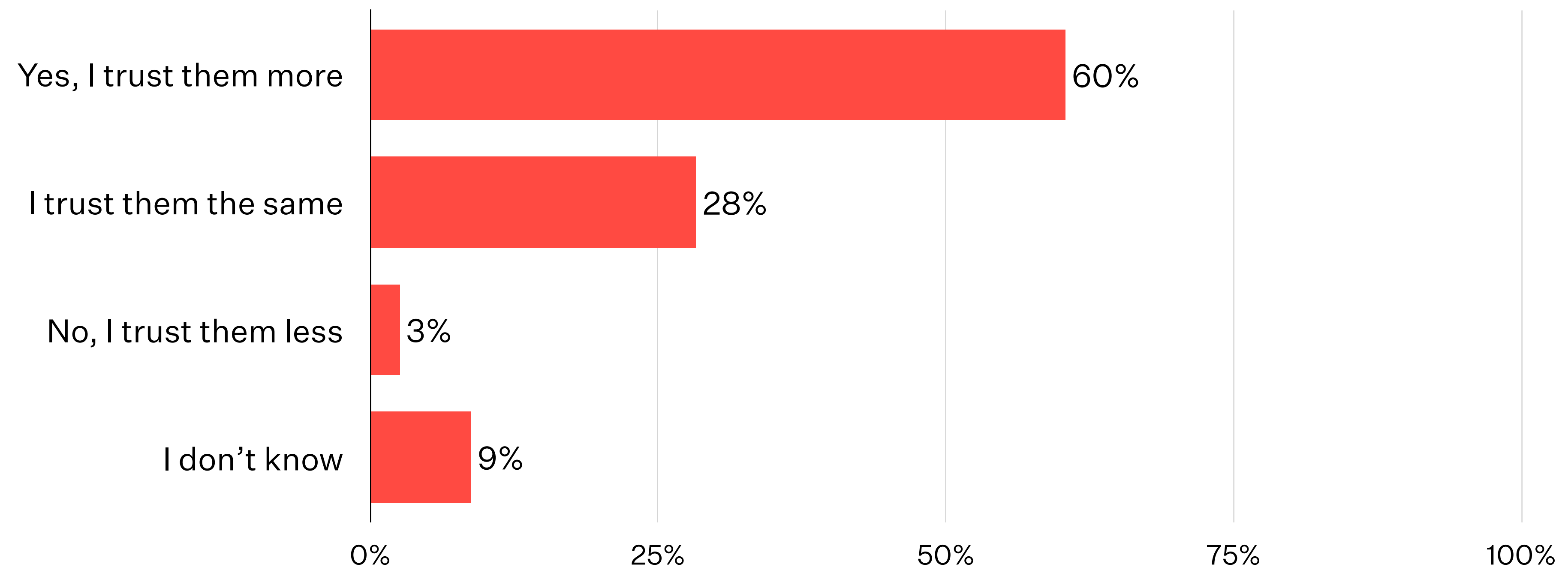
Within beauty, face skincare is where consumers most value clinical claims

Percentage of responses: In which, if any, categories is it important for you to purchase clinically proven products?



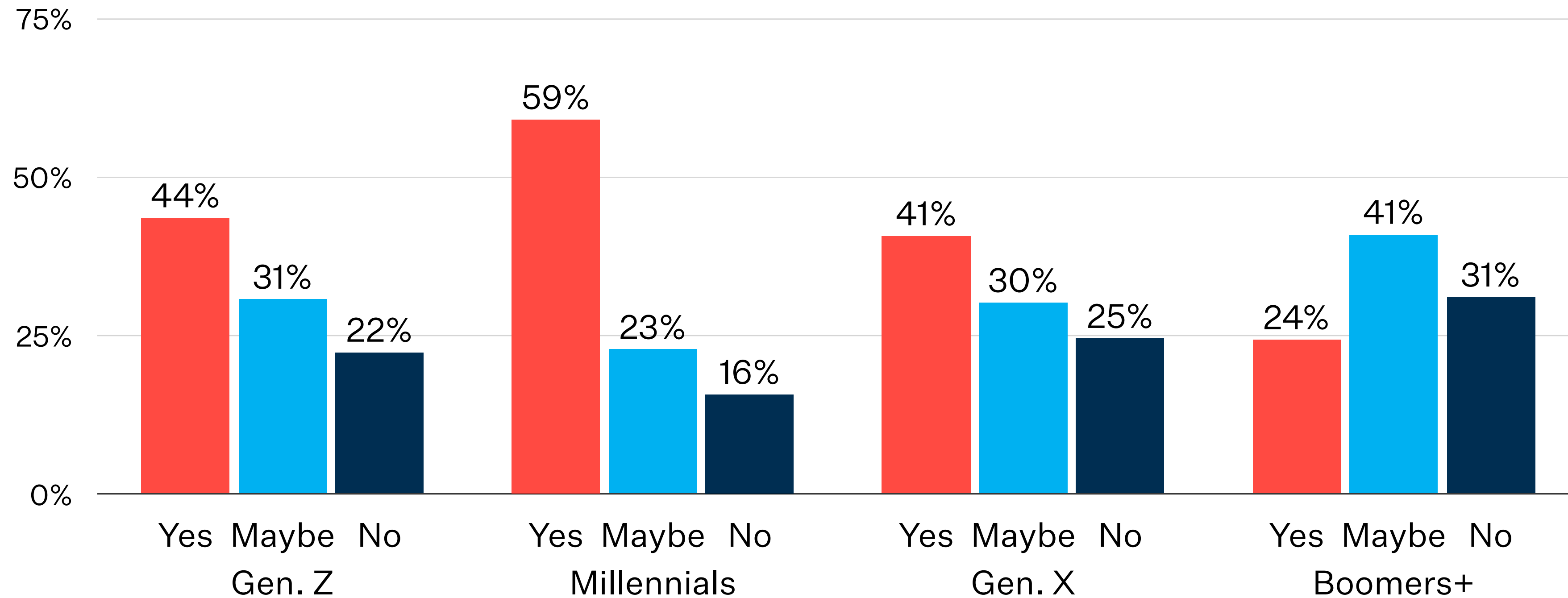
Most consumers say they trust clinically proven products more than non-proven

Percentage of responses: Do you trust beauty products that are clinically proven more than products that are not?



Most Millennials say they'd pay more for clinically proven products

Percentage of responses by generation: Would you be willing to pay more for a beauty product that is clinically proven?



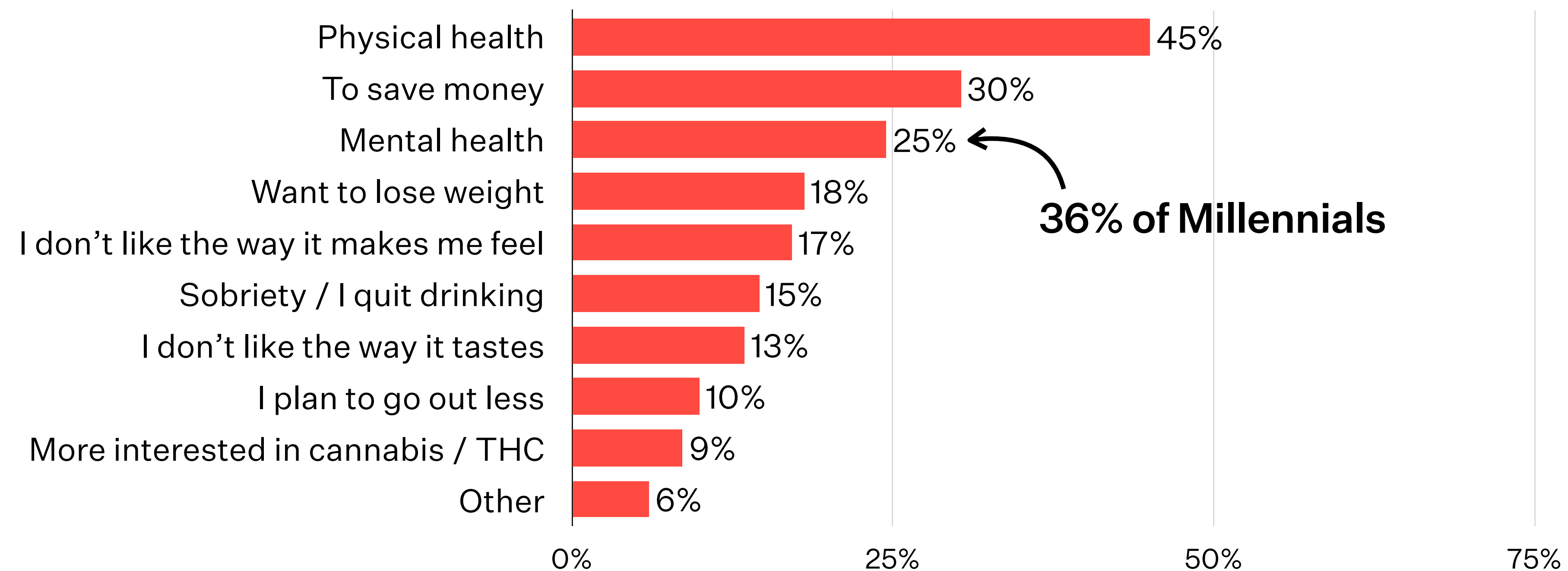
7

Almost a quarter of American adults 21+ plan to drink less alcohol over the next year.

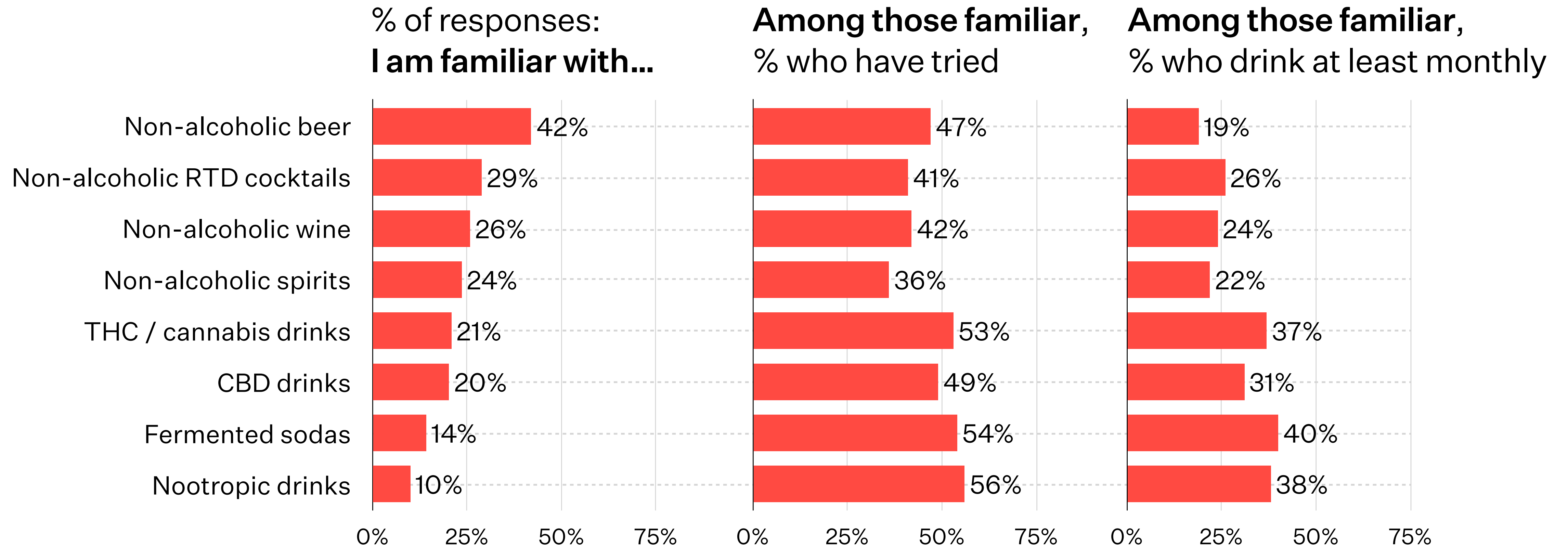
Will the nascent non-alcoholic spirits and beverage industry finally take off?

22% of Americans ages 21+ plan to drink less alcohol over the next year. Why?

Percentage of responses: You said you were planning to drink less alcohol over the next year. Why?

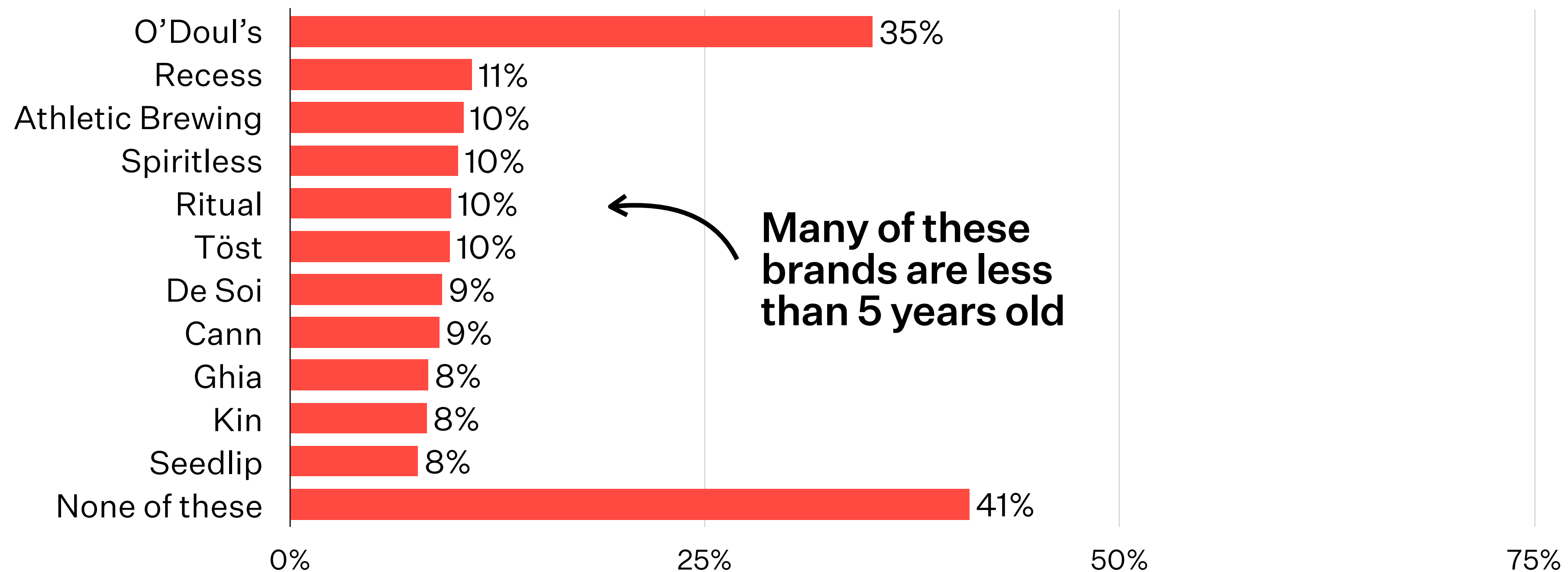


Among non-alc substitute formats, beer is most familiar to US consumers



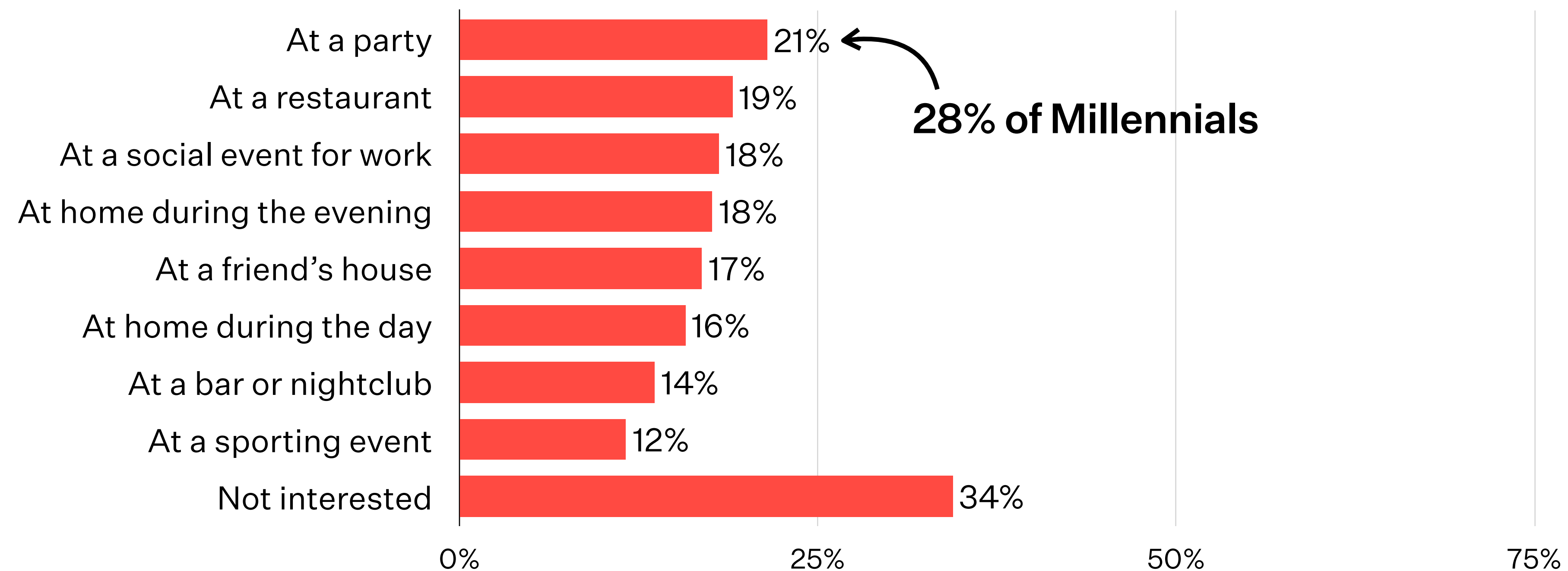
O'Doul's, launched in 1990, leads in familiarity among non-alc brands

Percentage of responses: Which, if any, of the following non-alc beverage brands are you familiar with?



There isn't a single dominant occasion opportunity for non-alc substitutes

Percentage of responses: In which scenarios are you most interested in replacing alcohol with non-alc substitutes?



Non-alc substitutes often cost the same or more as their alcoholic counterparts



Campari
\$27



Ghia
\$38



Bell's IPA
\$13 (6-pack)



Athletic Brewing
\$12 (6-pack)



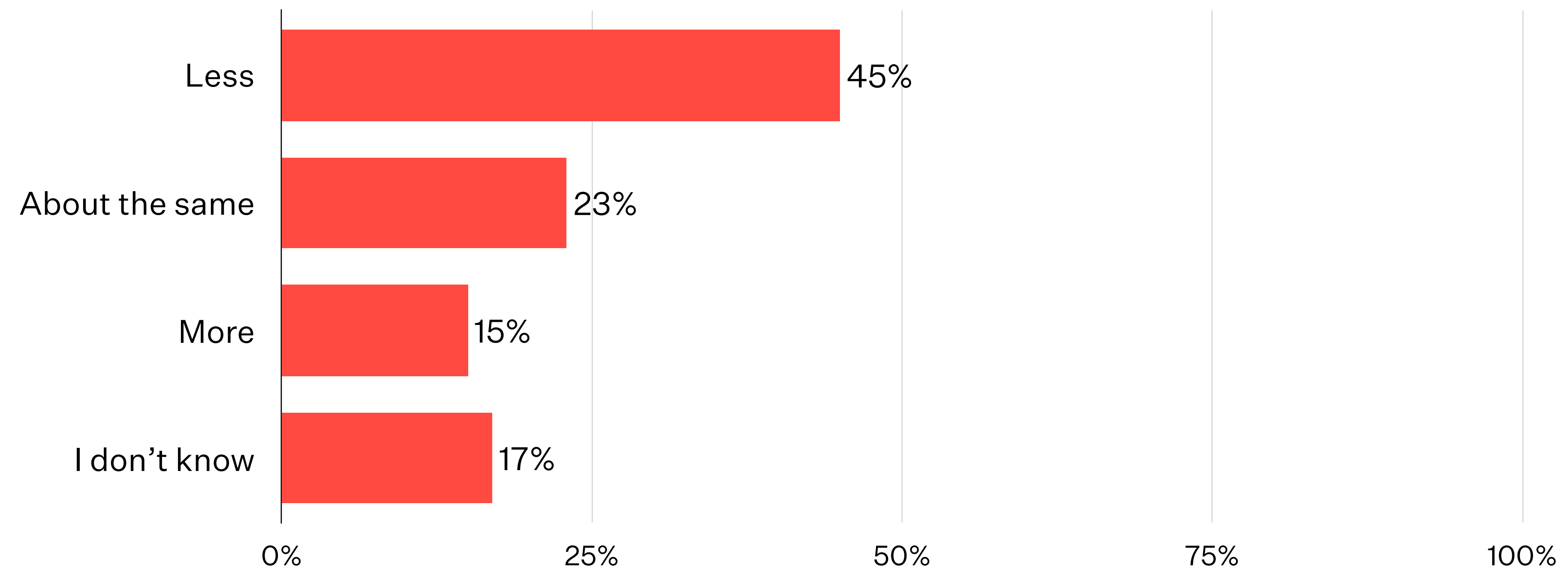
Summer Water
\$17



Proxies Rosé
\$25

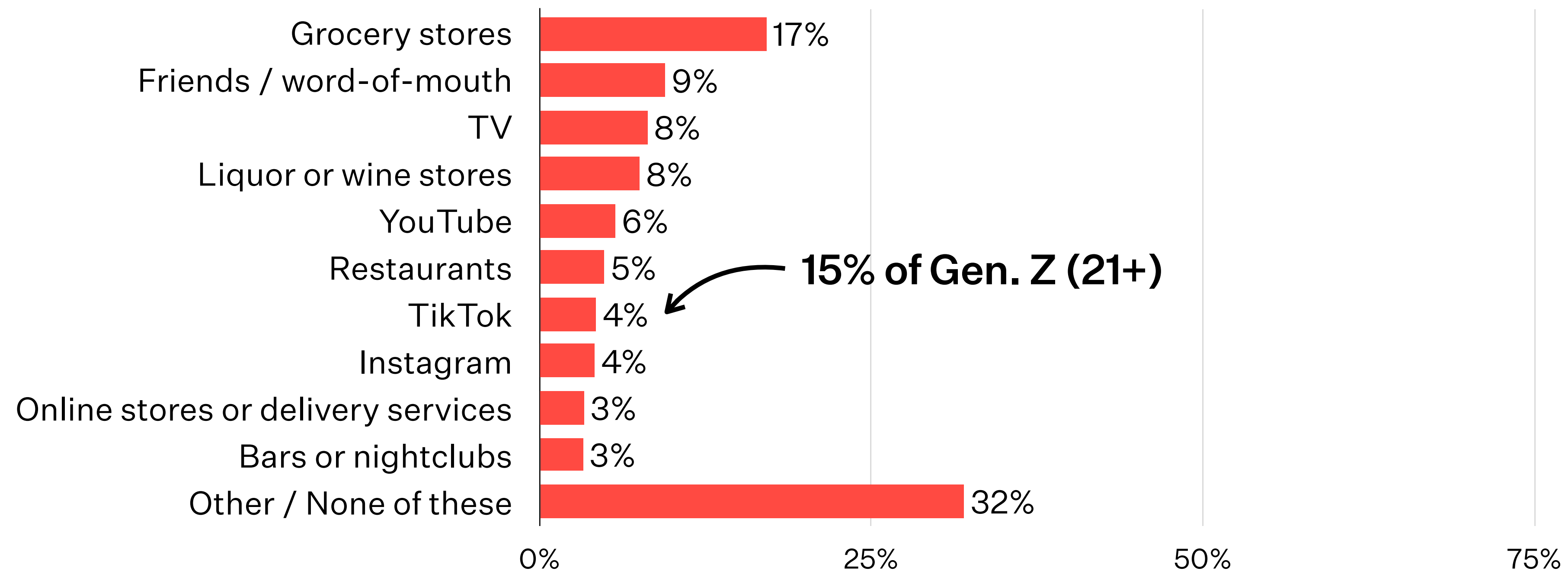
The 'value' of getting drunk: Consumers expect non-alc to cost less or the same

Percentage of responses: Relative to an alcoholic drink, how much should an equivalent non-alc substitute cost?



Grocery stores have the early lead for non-alc beverage brand discovery

Percentage of responses: Where do you primarily discover non-alc substitute beverage brands?



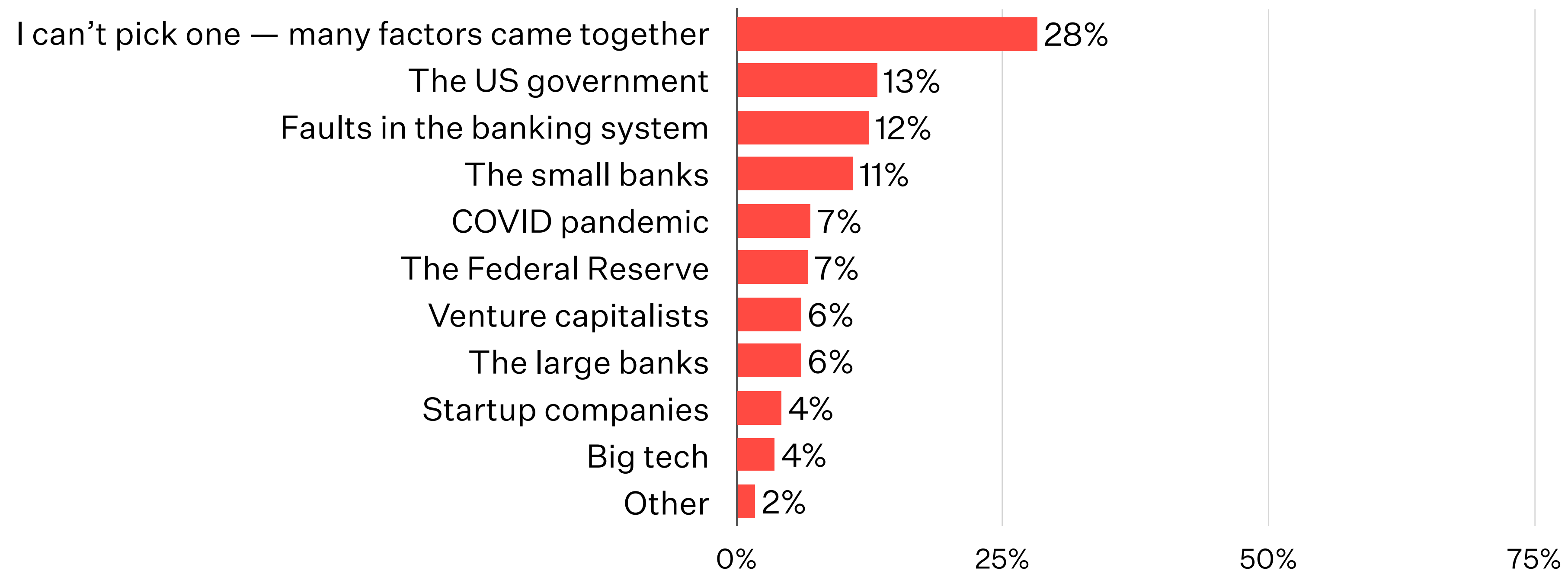
8

The SVB + First Republic
banking crises shook *our* world.

Most still trust the system. But there's
still real opportunity to innovate,
and to better serve consumers.

Most know about the 2023 banking crisis — few agree on who to blame

Percentage of responses: What do you believe was the primary cause of the current banking crisis?



Some say the banking crisis negatively changed their view of tech and startups

25%

of consumers say the banking crisis **negatively impacts their view of tech companies**

(21% say it positively impacts their view; 54% say it has no impact.)

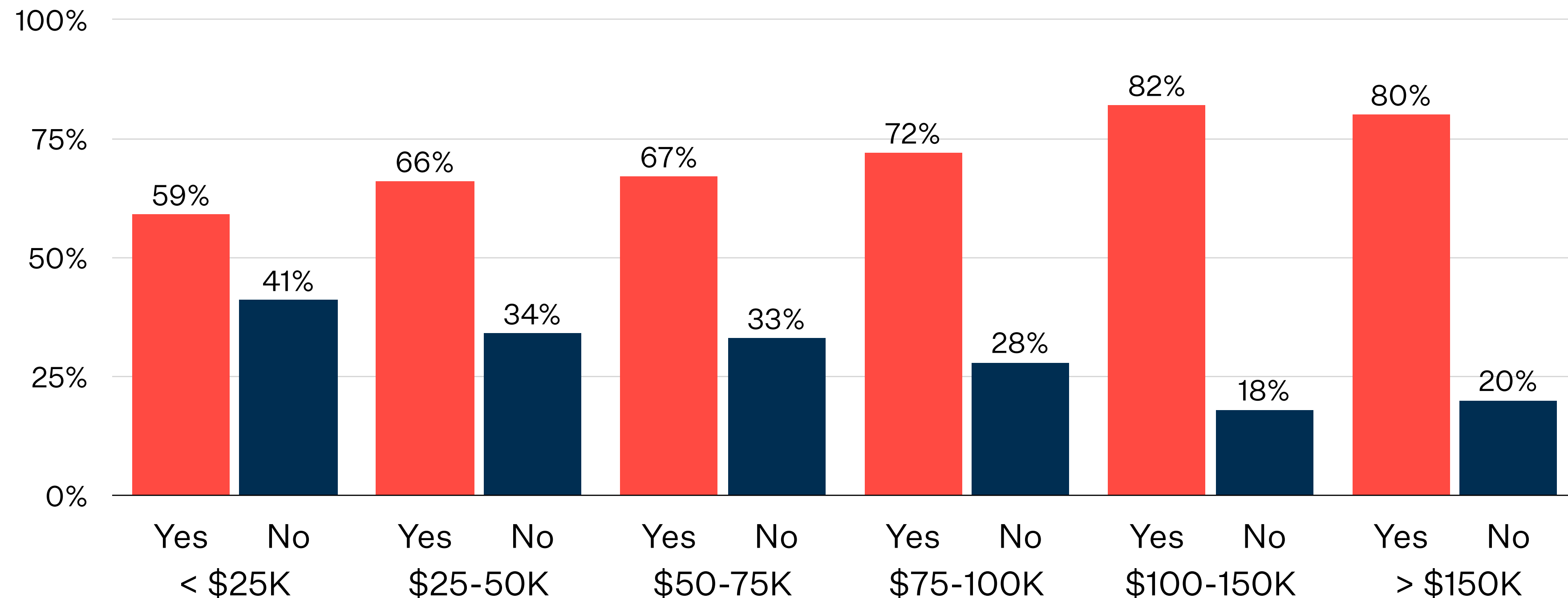
20%

of consumers say the banking crisis **negatively impacts their view of startup companies**

(23% say it positively impacts their view; 57% say it has no impact.)

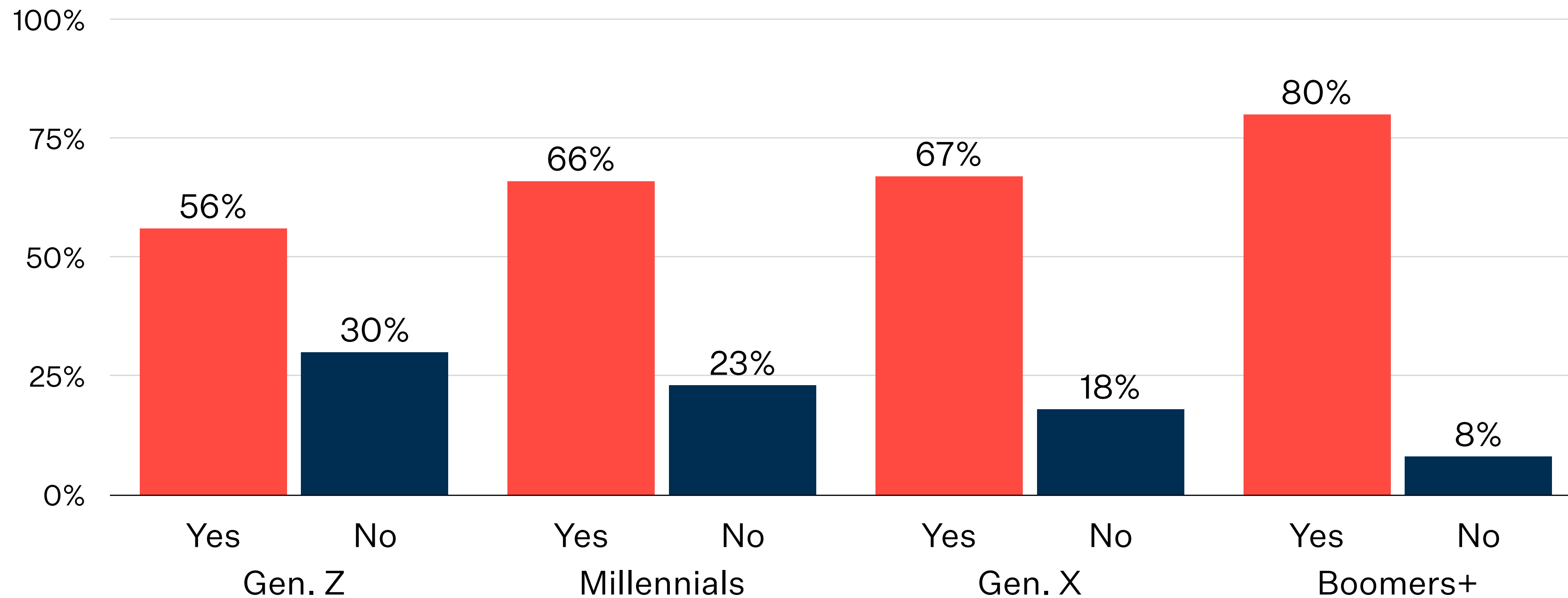
Faith in the US banking system expands and contracts with income

Percentage of 'Yes' and 'No' responses by household income: Do you have faith in the US banking system?



Most Americans trust banks with their money — Gen. Z is least convinced

Percentage of 'Yes' and 'No' responses by generation:
Do you believe your money is safe in your bank?



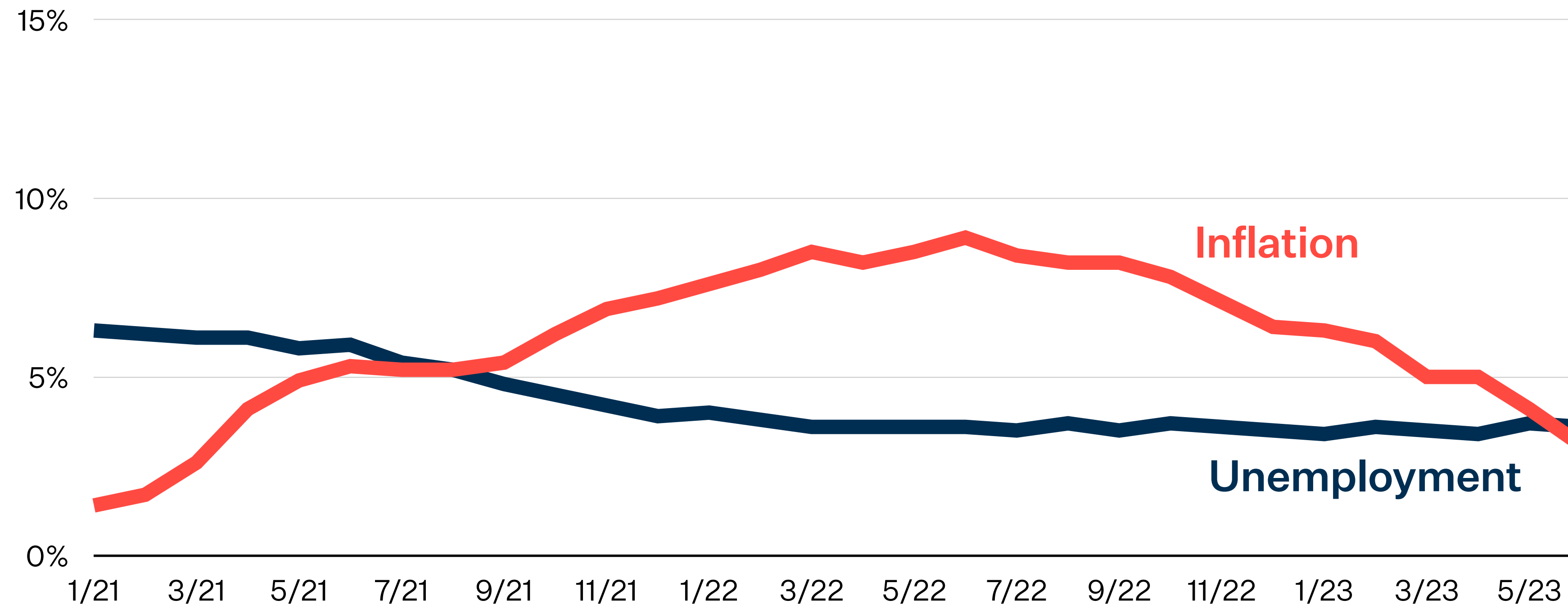
9

The US has managed to avoid
a post-pandemic economic collapse.

Consumers are still guarded,
but increasingly upbeat.

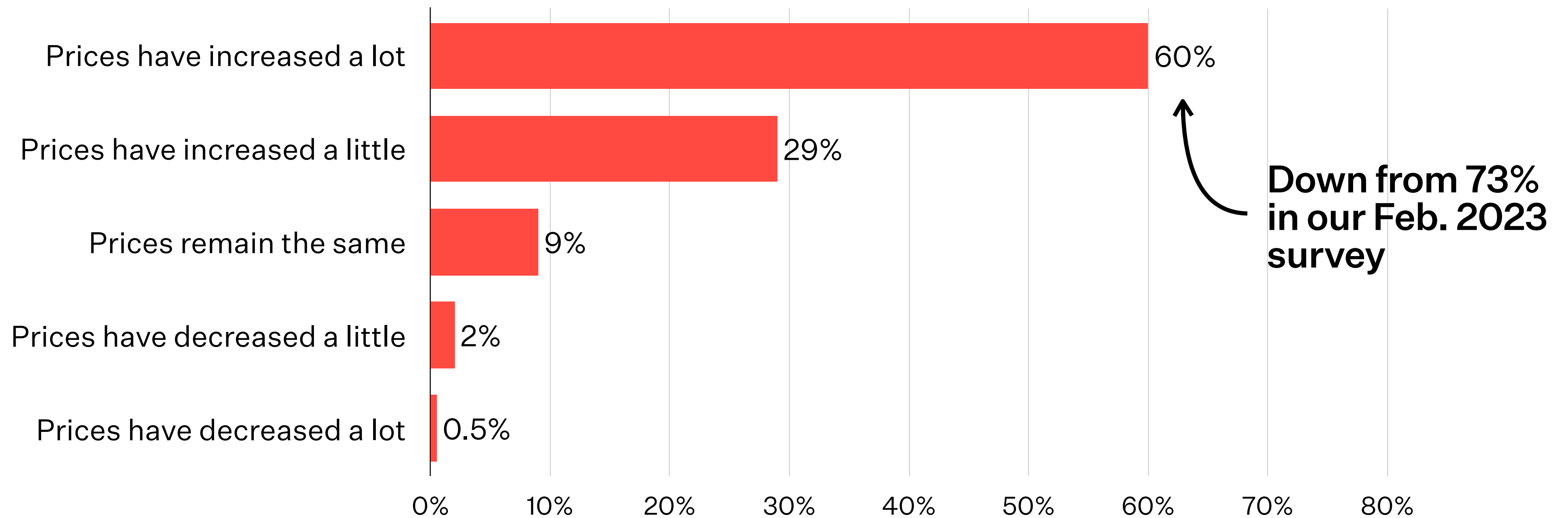
Inflation has decelerated while unemployment remains low and stable

US unemployment rate, and year-over-year change in US Consumer Price Index, seasonally adjusted



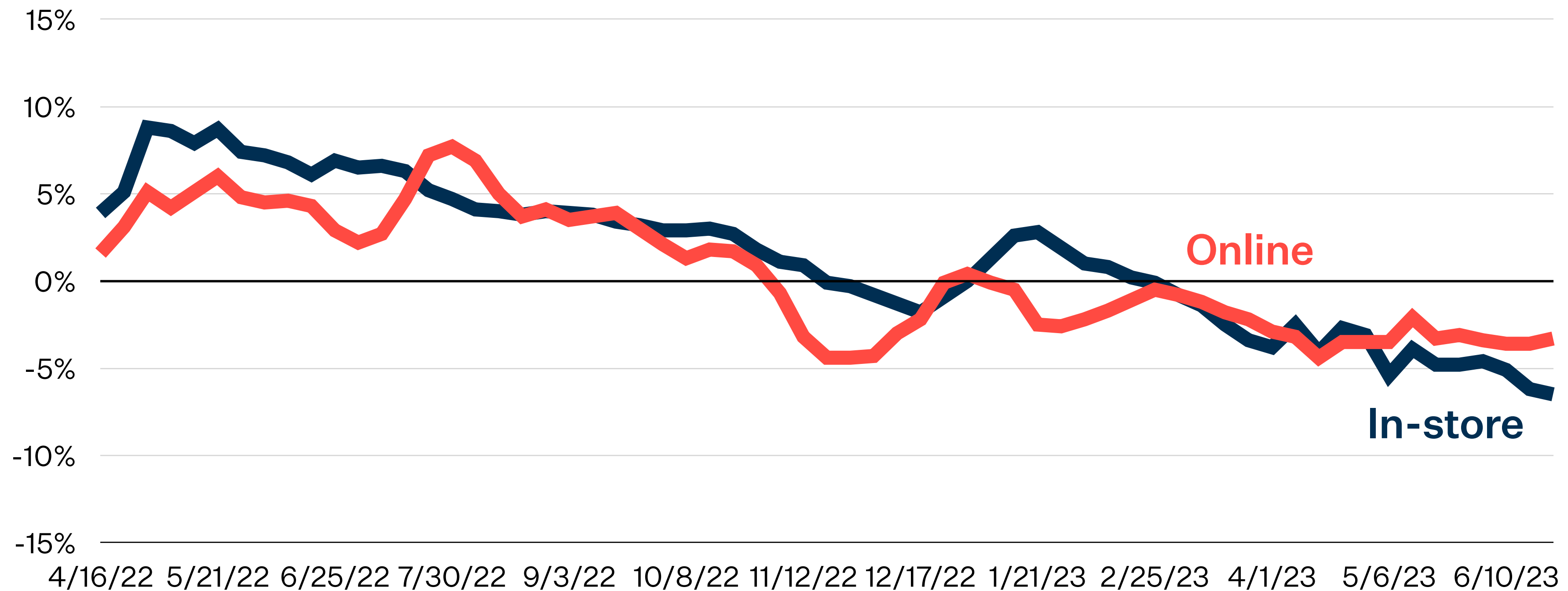
Even as inflation cools, it still feels like prices have increased ‘a lot’

Percentage of responses: How, if at all, have prices for everyday goods changed over the past six months?



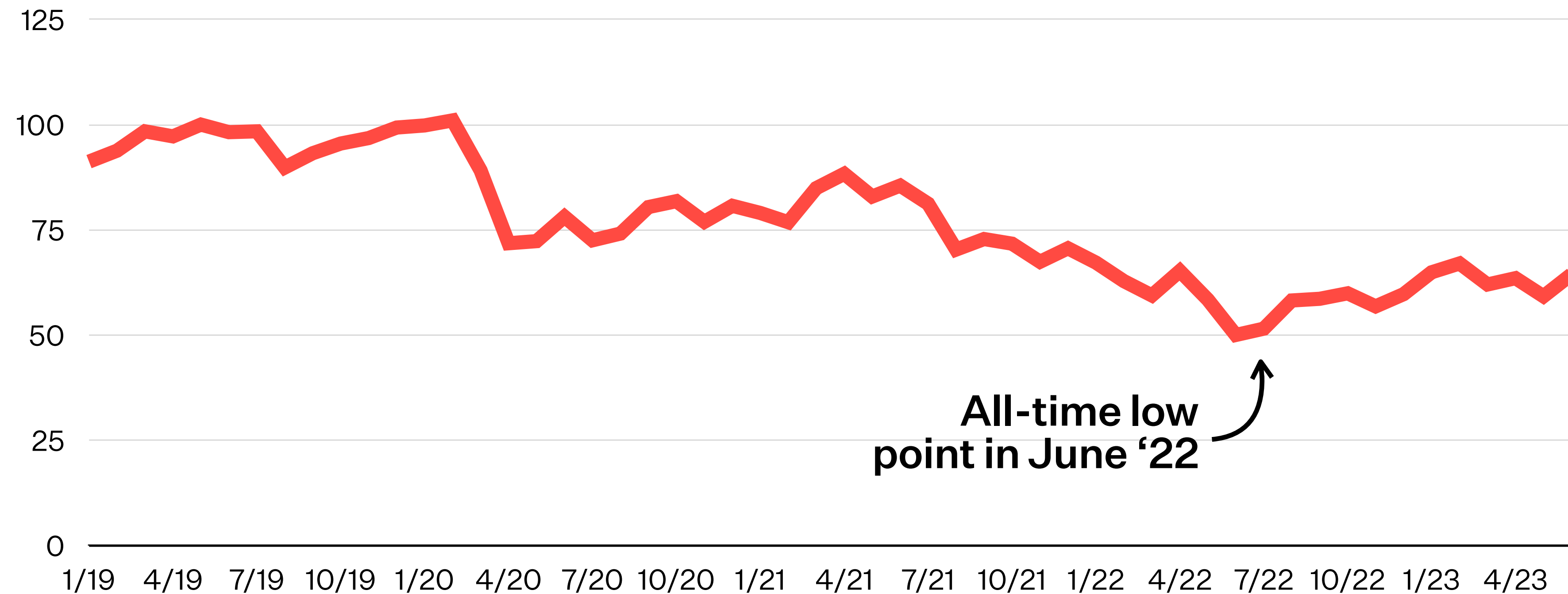
Overall US consumer spending is now trending down on a year-over-year basis

Year-over-year change in US consumer spending — Earnest



Consumer sentiment is up from last year, but still below pre-COVID levels

University of Michigan Consumer Sentiment Index



All-time low
point in June '22

The US consumer is modestly more optimistic than this time last year

45%

of consumers say they feel “moderately” or “very” optimistic about their financial situation right now, up from 33% in our survey last summer

47%

say they feel “moderately” or “very” optimistic about their financial situation over the next 12 months, up from 35% in our survey last summer

“Life Sat”

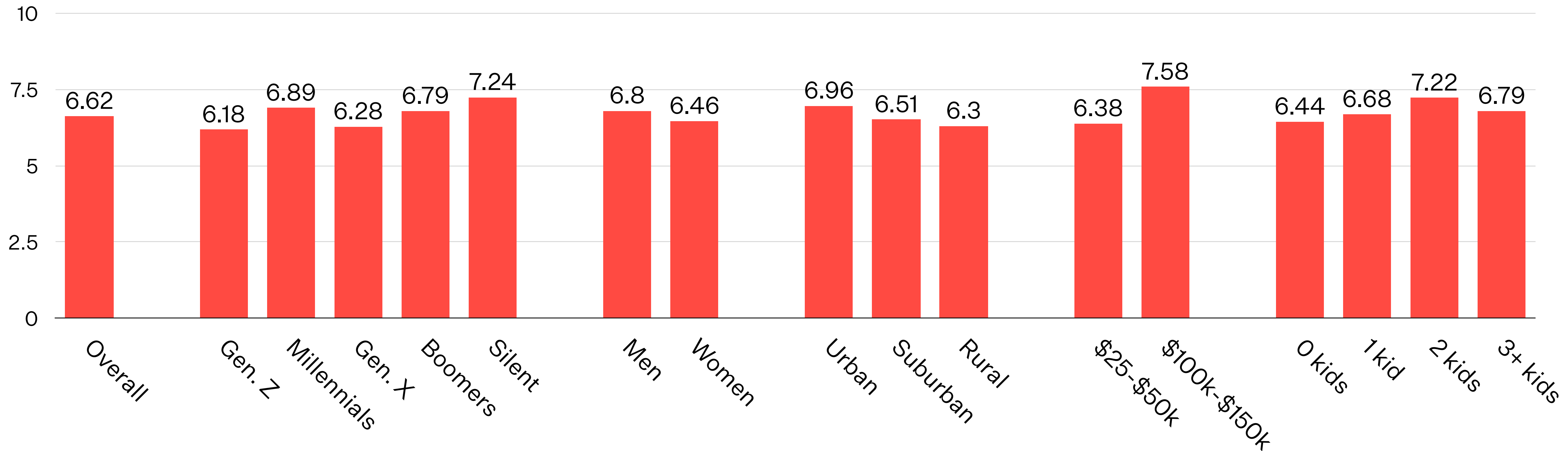
On a scale of 0 to 10, how satisfied are you with life as a whole these days?

6.62

Overall, June 2023

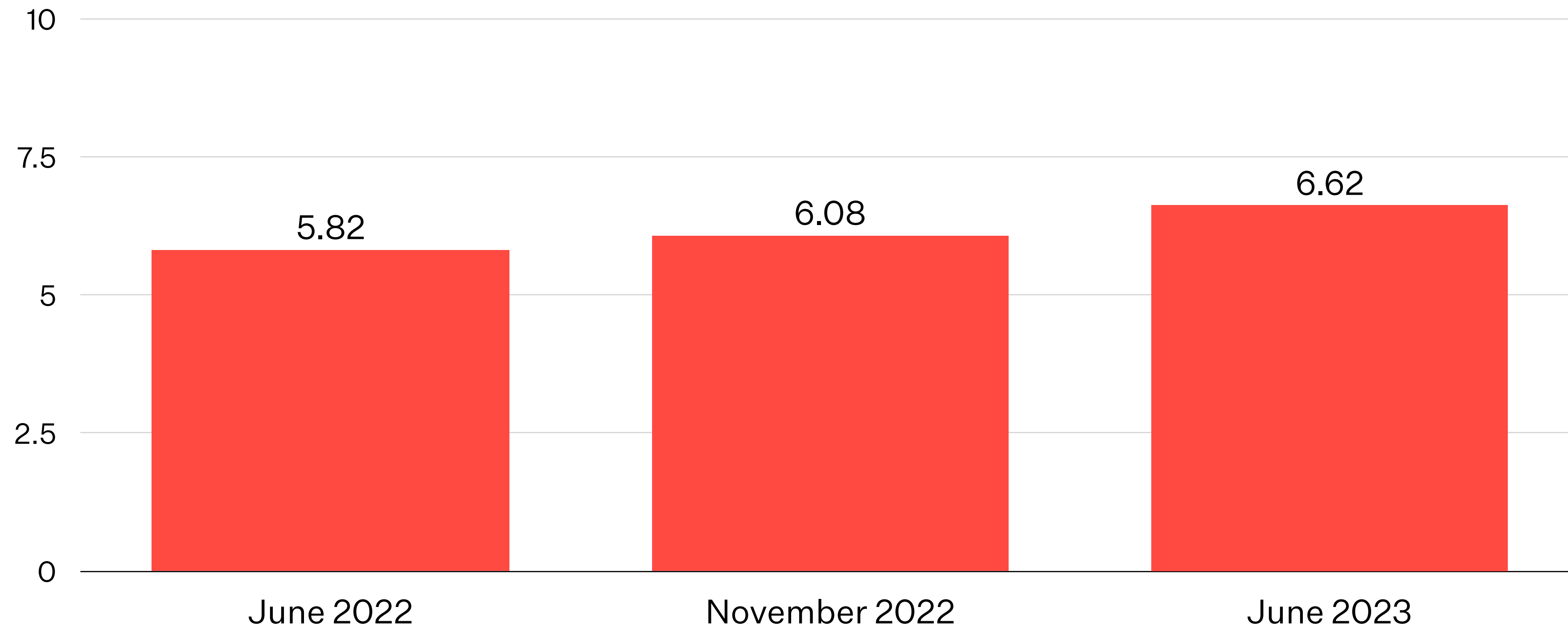
“Life Sat” varies across consumer groups

On a scale of 0 to 10, how satisfied are you with life as a whole these days?



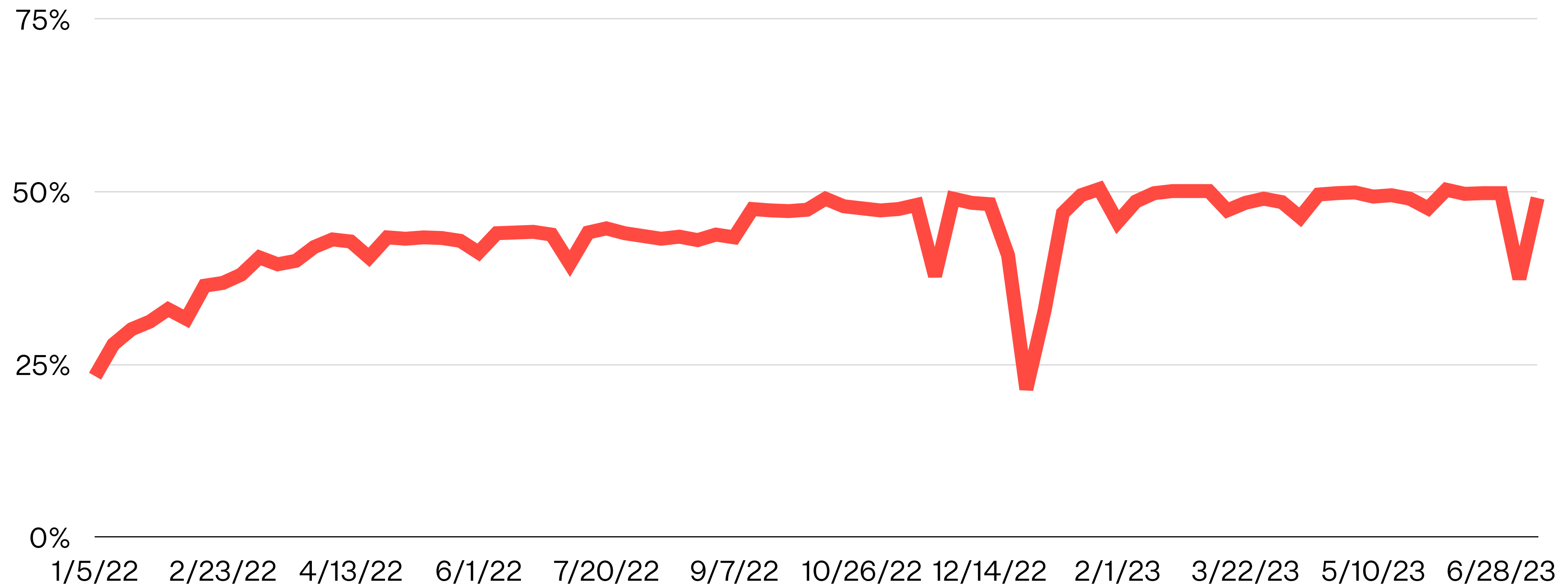
“Life Sat” is on the rise

On a scale of 0 to 10, how satisfied are you with life as a whole these days?



The 'return to work' seems stalled around 50%

Office occupancy in 10 major US cities, weekly average



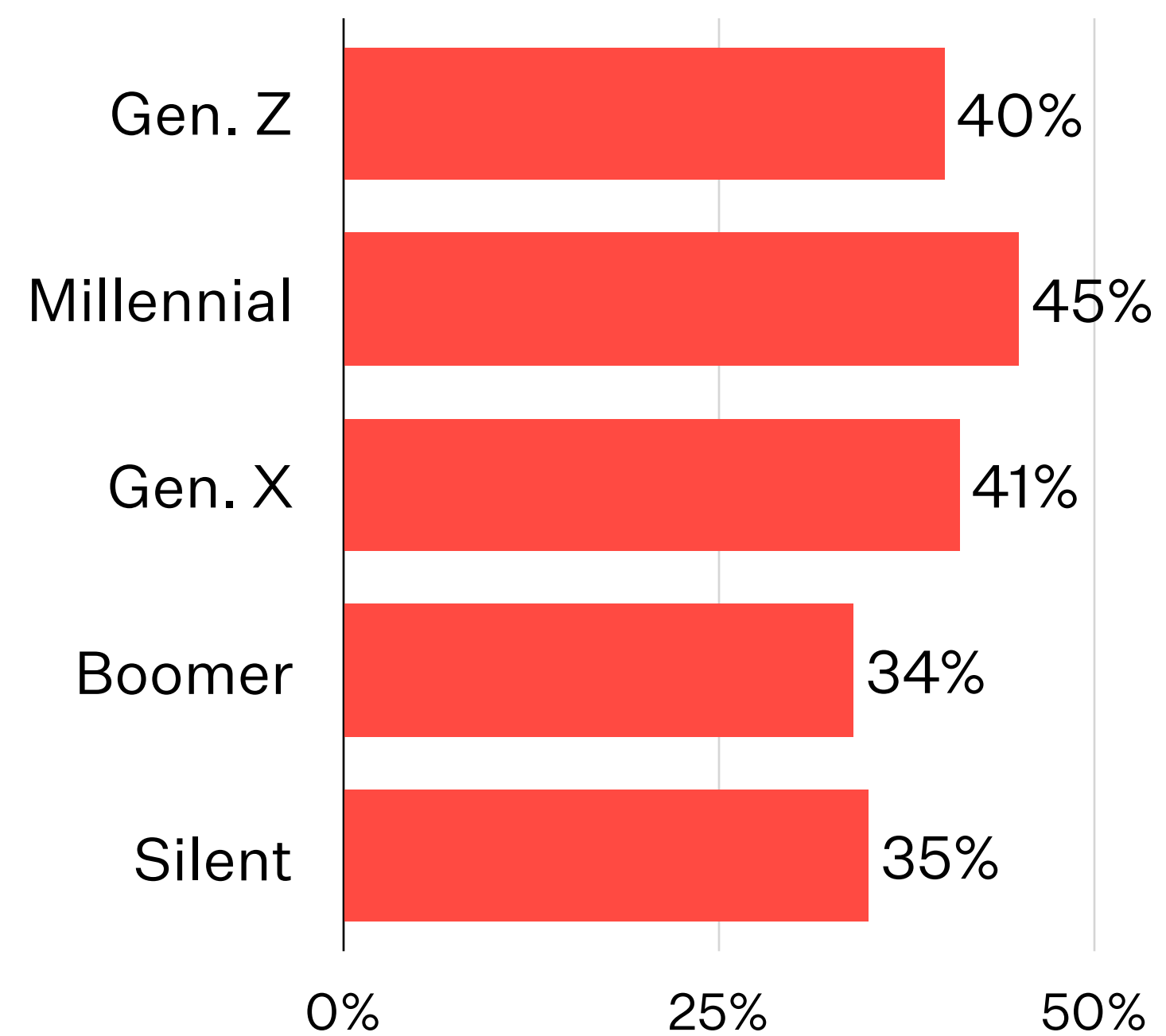
79%

of US consumers say **they believe they should have the legally protected right to work remotely** if technology and the nature of their work permits it.

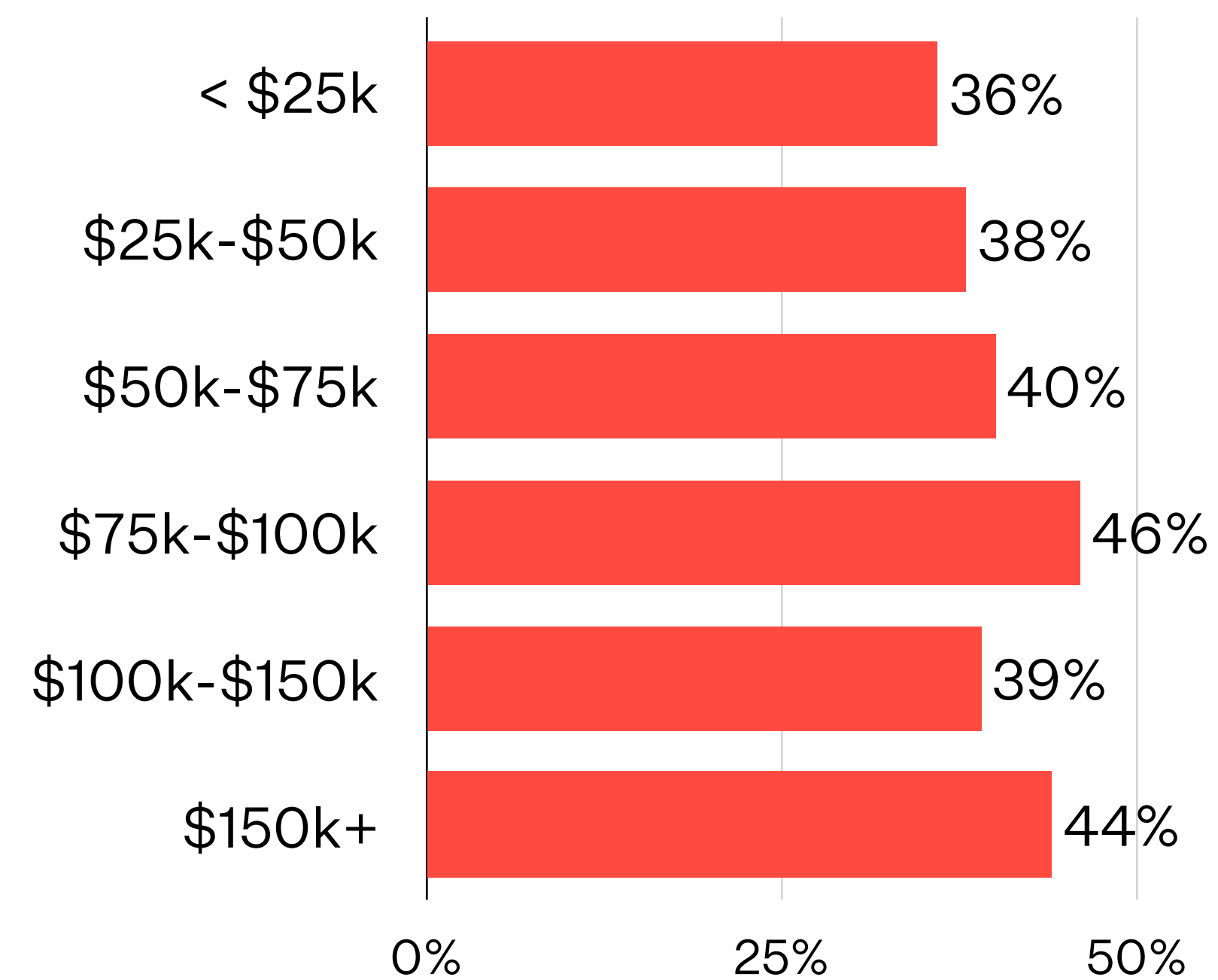
This is broadly consistent across income groups, and even higher among women, Gen. Z and Millennials, and people with children. (And it's up from 75% this time last year.)

40% of our survey panel says they'd vote for Donald Trump if he runs for President in 2024 — 12% is undecided

“Yes” responses per generation

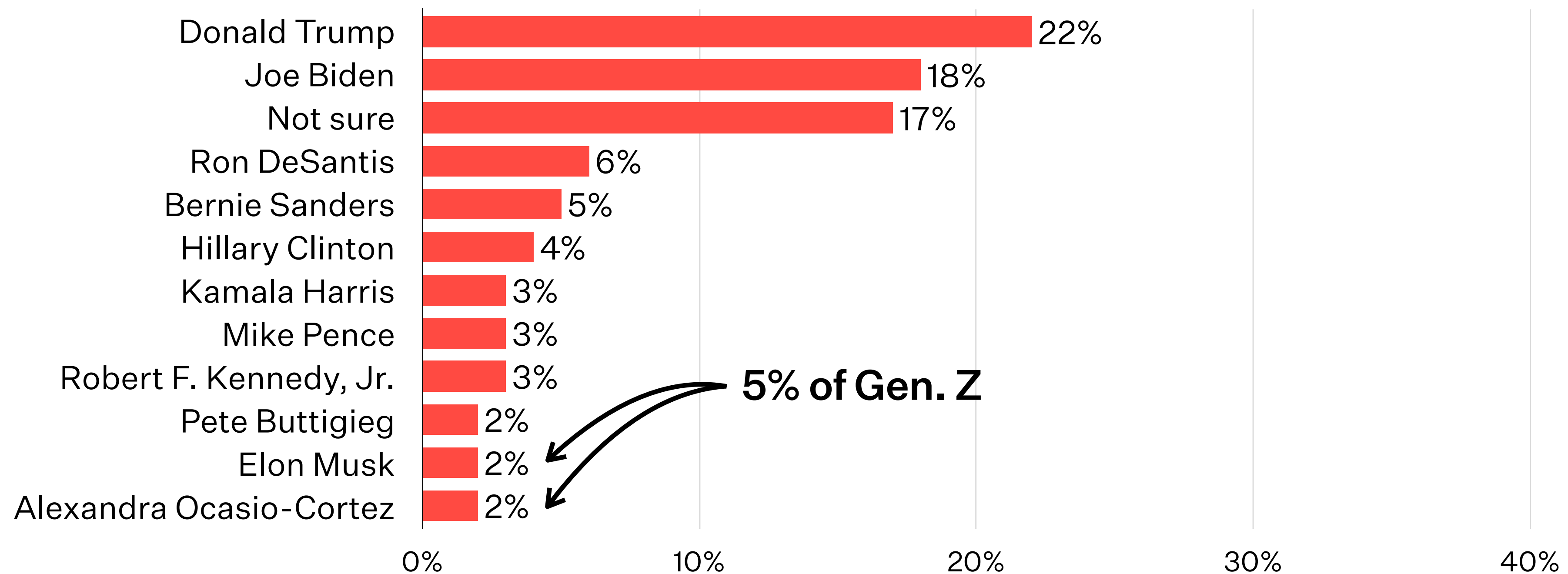


“Yes” responses per income group



Just 2% of US consumers say Elon Musk would be our best leader (down from 4%)

Percentage of responses: Who would be the best leader for the United States today?



Special Thanks:

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Toluna • Earnest Analytics • Consumer Edge • Knit

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