

Consumer Trends

2023

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
- Reporting, analysis, and research for anyone who cares what's next
- 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

NEW

lemme

Innovative
wellness brand

NEW

katefarms

Clinical
nutritional formulas

Consumer Trends Report

- Our goal remains to highlight the profound changes in the consumer landscape and what matters most for the years ahead
- Special thanks to Earnest Analytics for spending data: earnestanalytics.com
- View the latest and our previous reports: newconsumer.com/trends

Consumer Trends Survey

- We've now conducted five surveys of 3,000+ US consumers, most recently in November 2022
- For a closer look at Gen. Z, our survey panel again includes 15- to 18-year-olds
- Powered by Toluna, “delivering real-time consumer insights at the speed of the on-demand economy” [tolunacorporate.com](https://www.tolunacorporate.com)

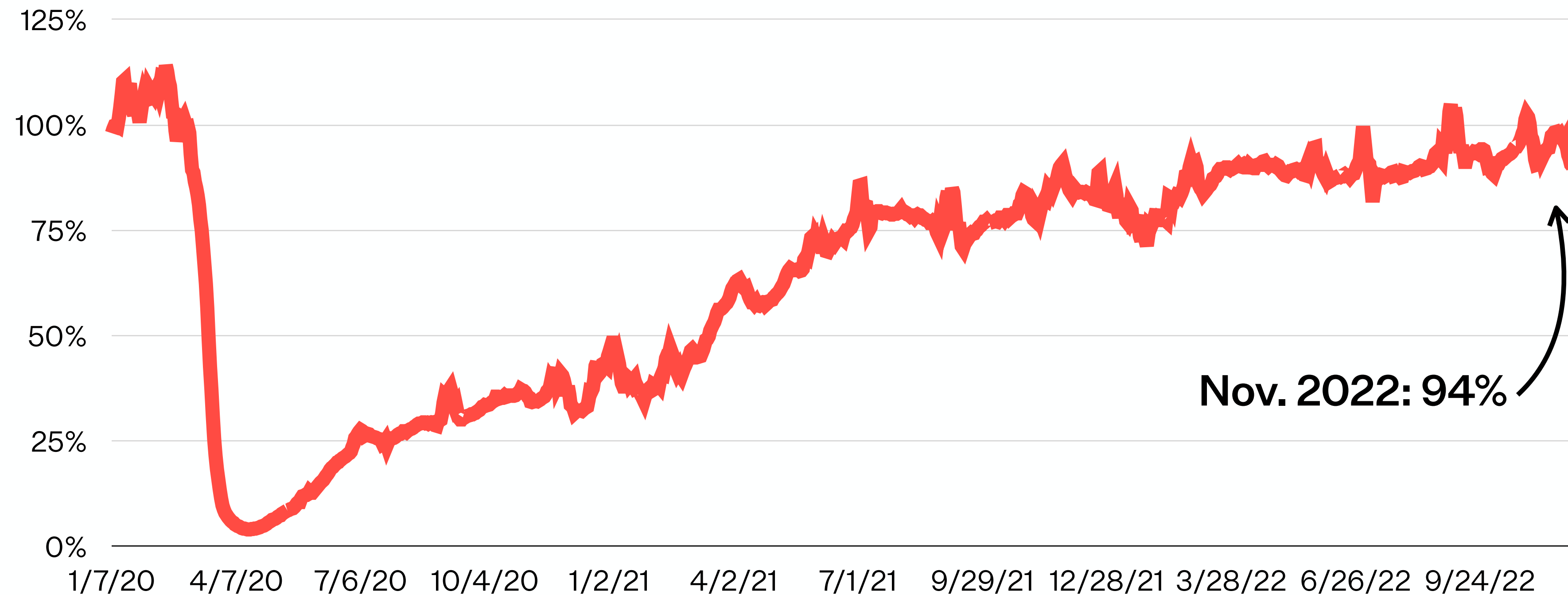
1

The “COVID economy”
mostly ended in 2022.

A high level of economic
uncertainty continues into 2023.

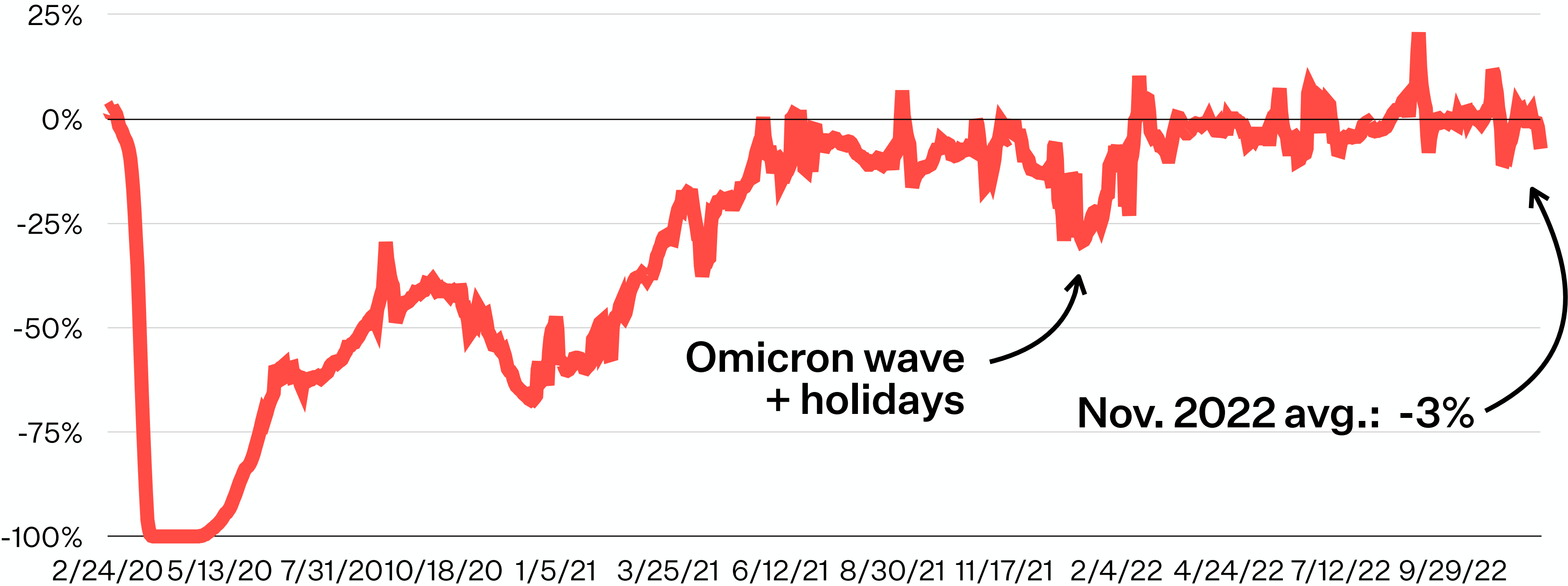
Air travel has now recovered around 95% in the US

Daily TSA traveler throughput relative to 2019 'normal'



Restaurant dining is effectively back to normal in the US

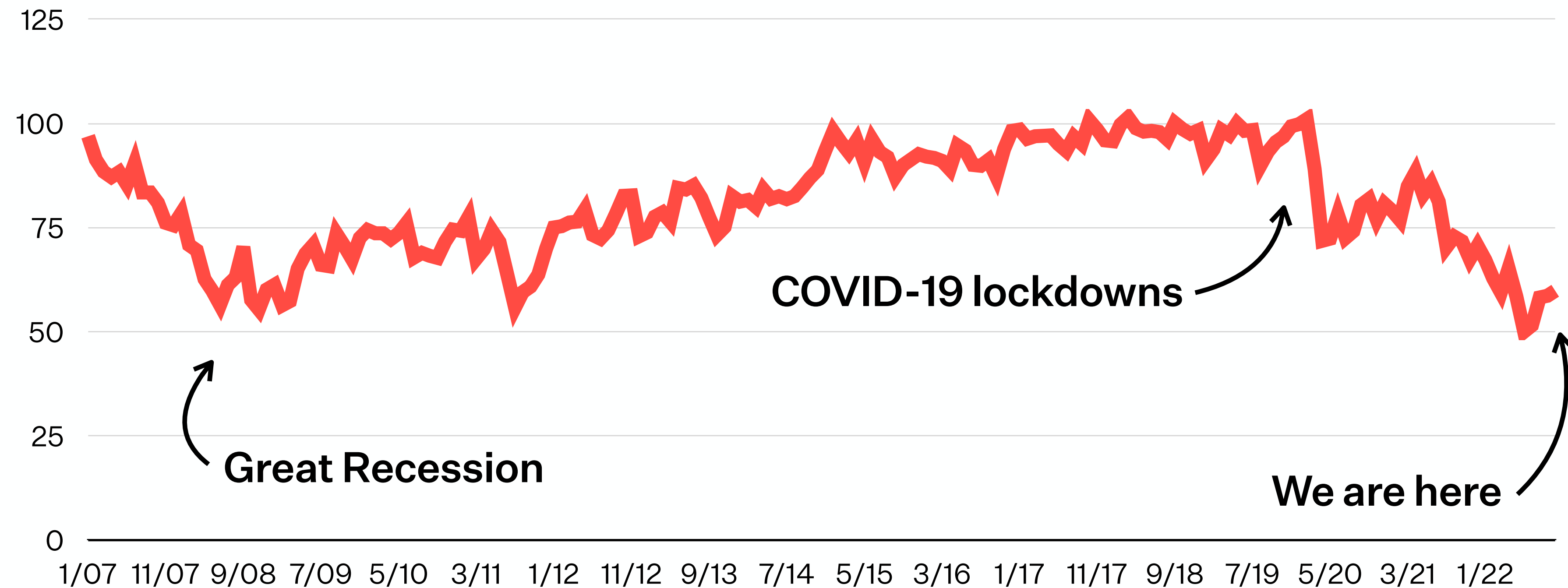
OpenTable seated diners change vs. 2019 'normal'



Data: OpenTable. 7-day average, same weekday.

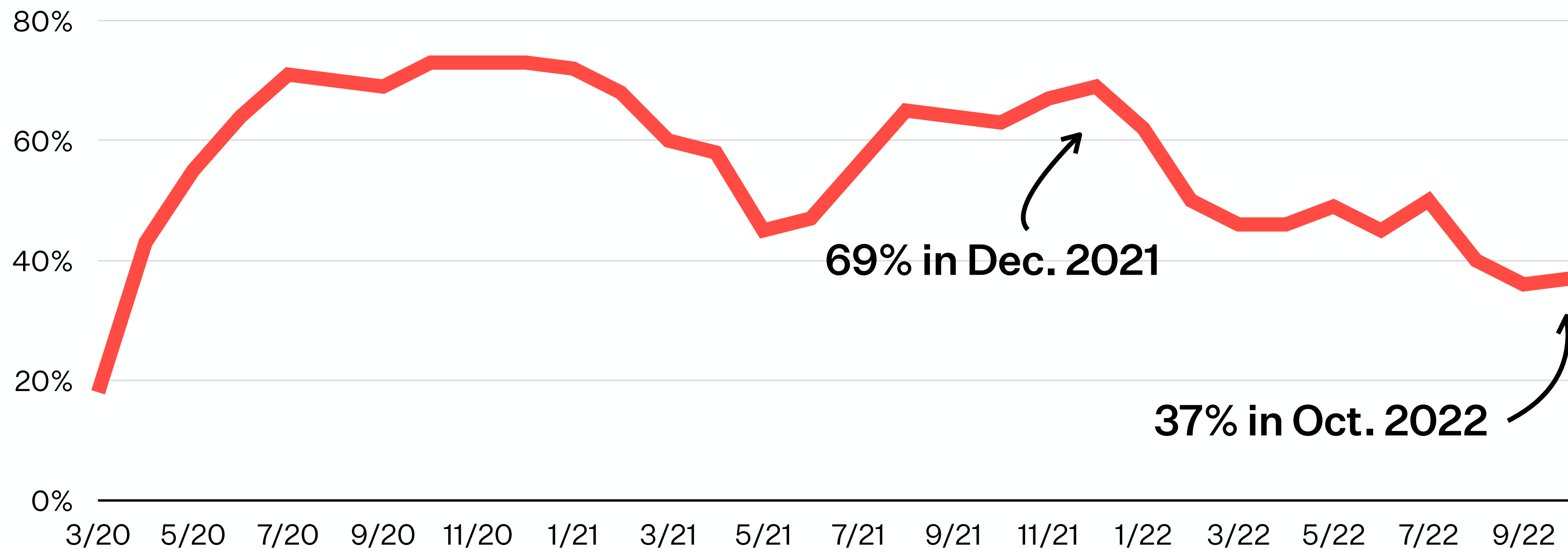
Consumer sentiment has rebounded slightly from June's all-time low

University of Michigan Consumer Sentiment Index



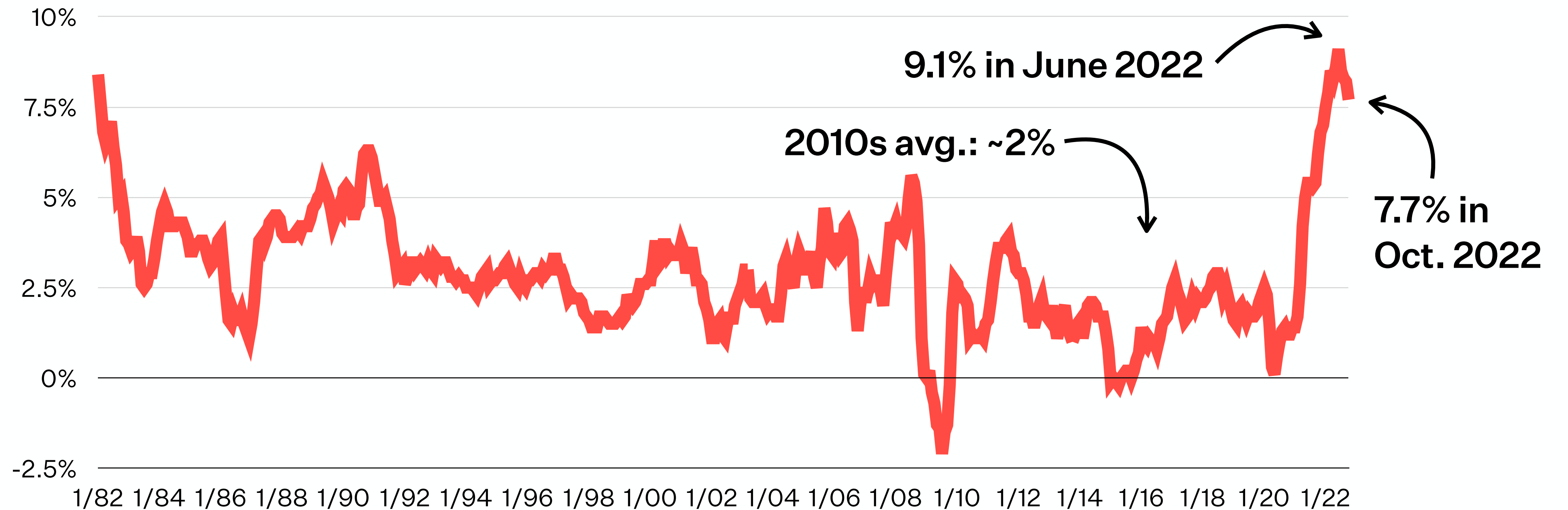
Just 37% of US consumers now expect the pandemic to be a long-term disruption, the lowest since March 2020

Respondents who believe COVID-19 will disrupt their life for more than 6 months



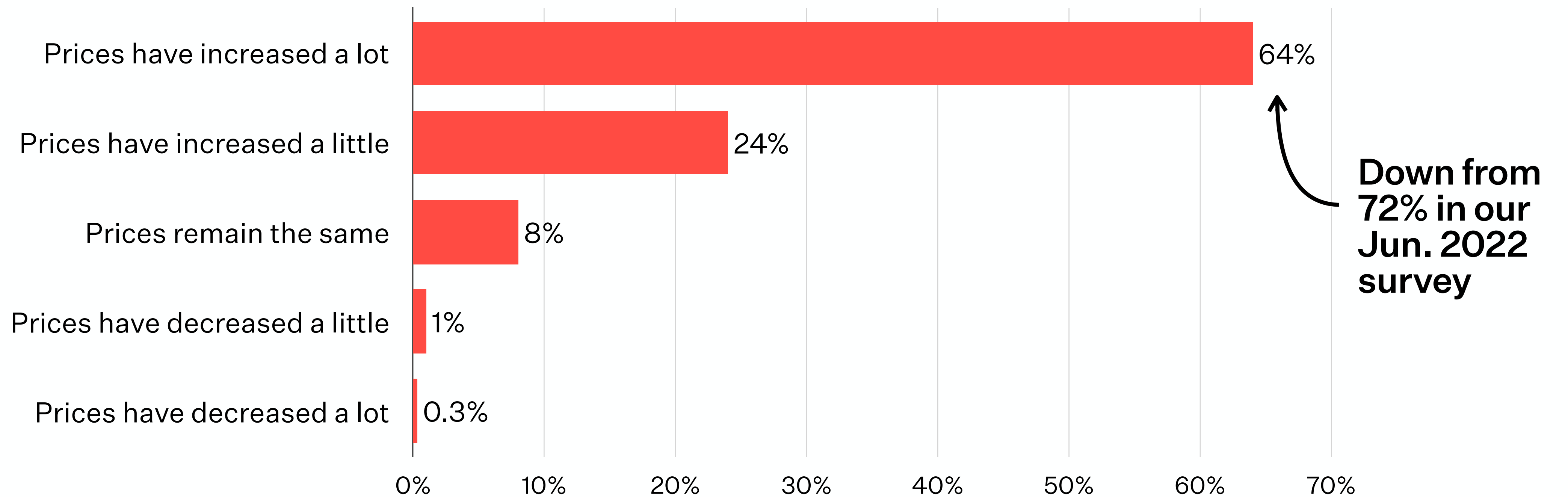
Inflation in the US remains at 40-year highs, despite some recent relief

Year-over-year change in US Consumer Price Index



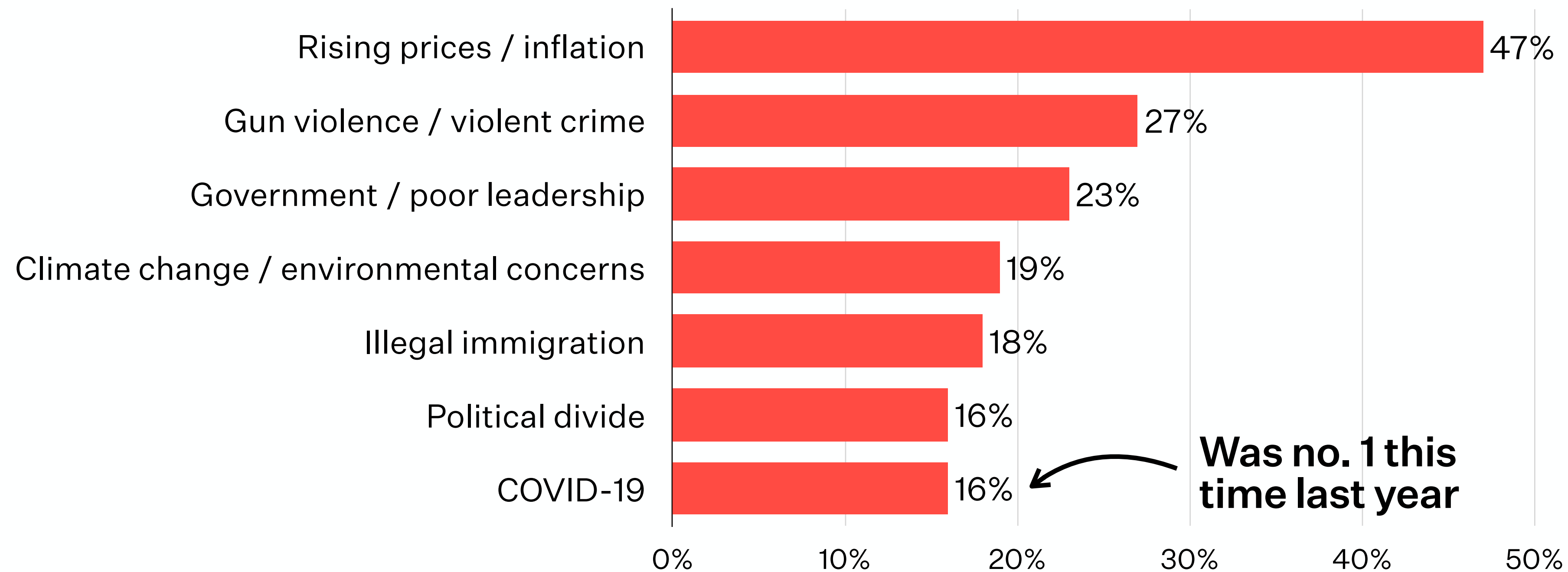
More than a year in to soaring inflation, it still feels like prices are increasing ‘a lot’

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



Americans say inflation is the biggest problem right now — COVID fell to 7th

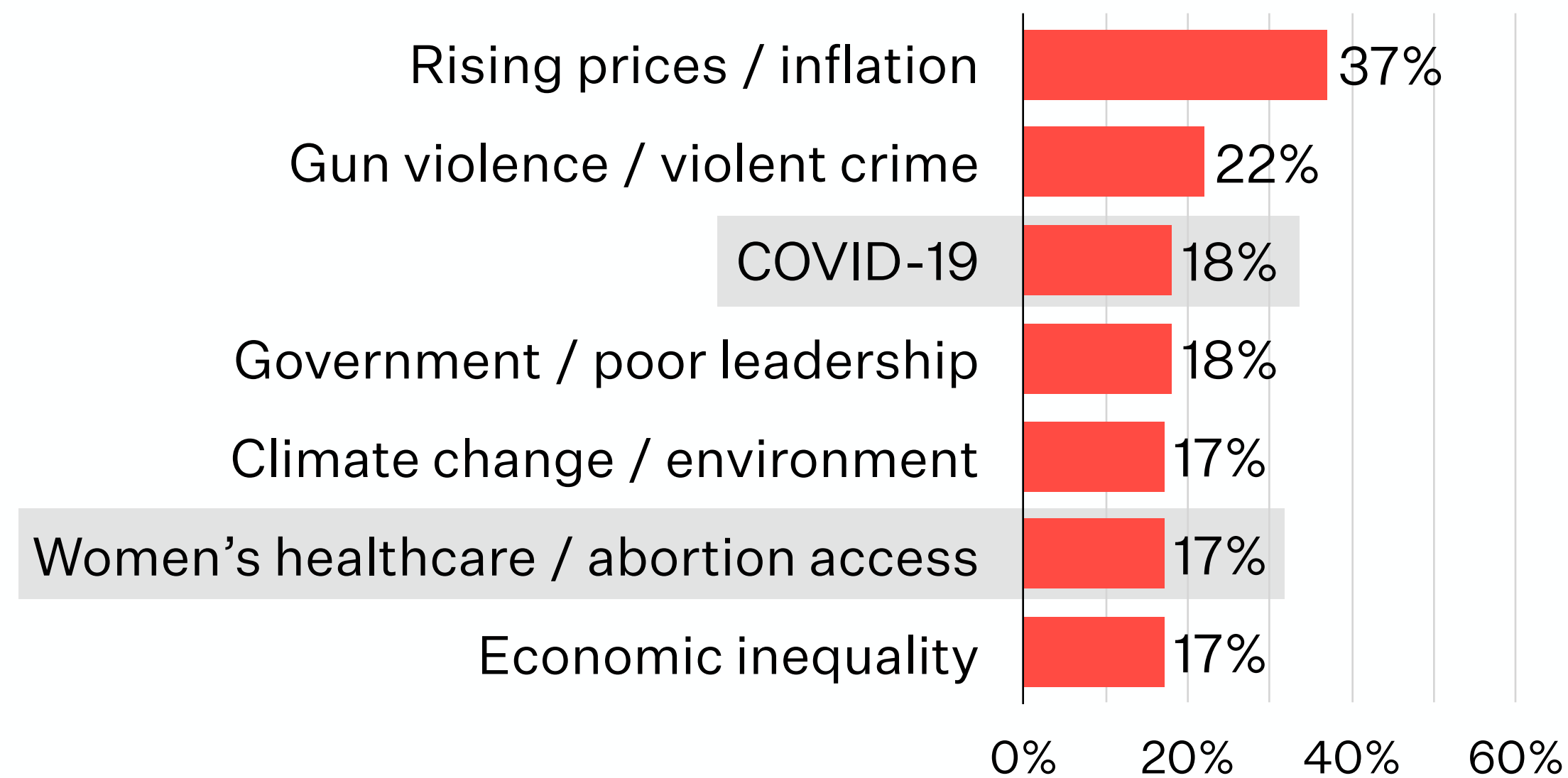
Percentage of responses: What's the most important problem in the US right now? (Choose up to three.)



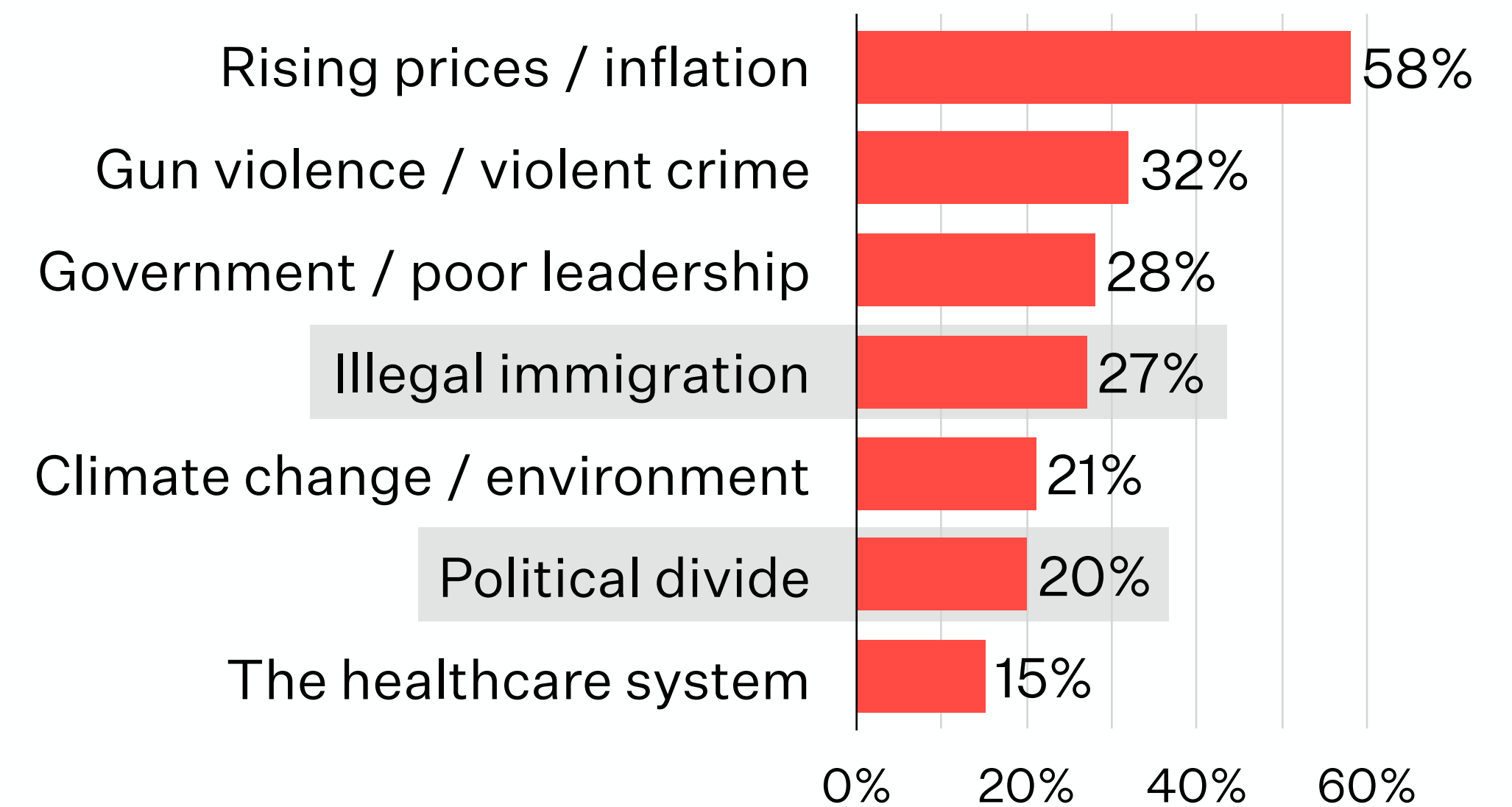
A generational divide: Older Americans see illegal immigration as a bigger problem

Percentage of responses by generation: What's the most important problem in the US right now? (Choose up to three.)

Gen. Z and Millennials

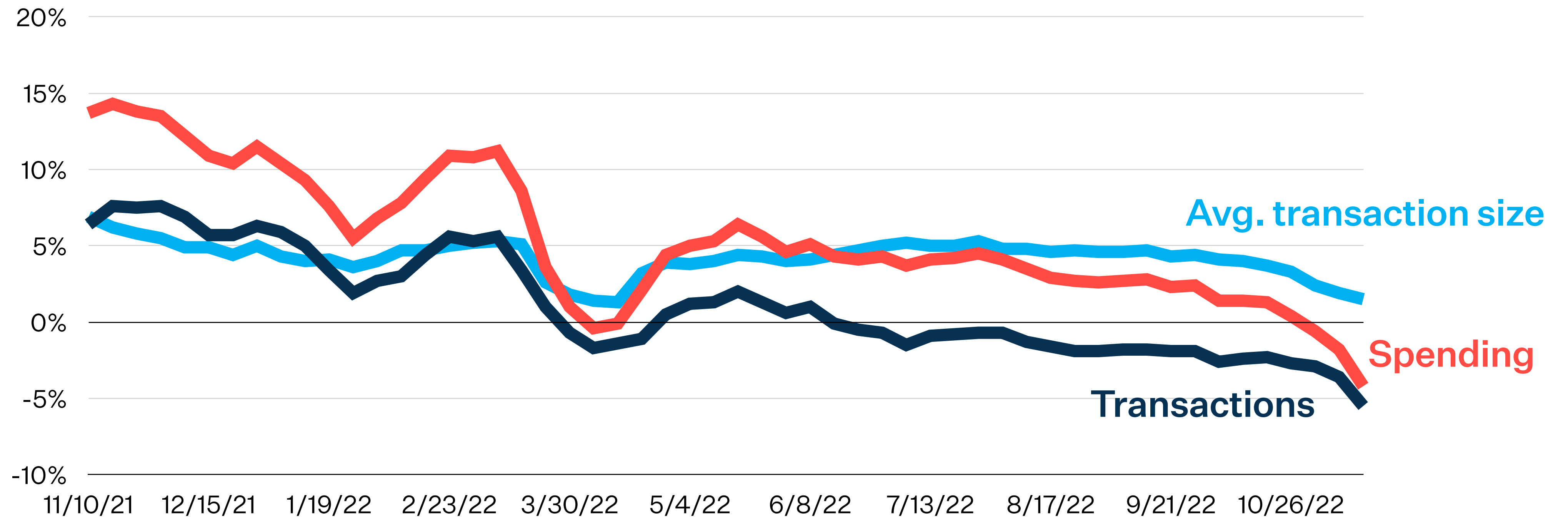


Gen. X and older



Consumers are now spending *less* than last year, making fewer, larger purchases

Year-over-year change in US consumer credit and debit card spending — Earnest Analytics



The US consumer is still hurting, but modestly more optimistic about 2023

37%

of consumers say they feel “moderately” or “very” optimistic about their financial situation right now.

That’s down from 51% in our July 2021 survey, but up from 33% in June 2022.

43%

say they feel “moderately” or “very” optimistic about their financial situation over the next 12 months.

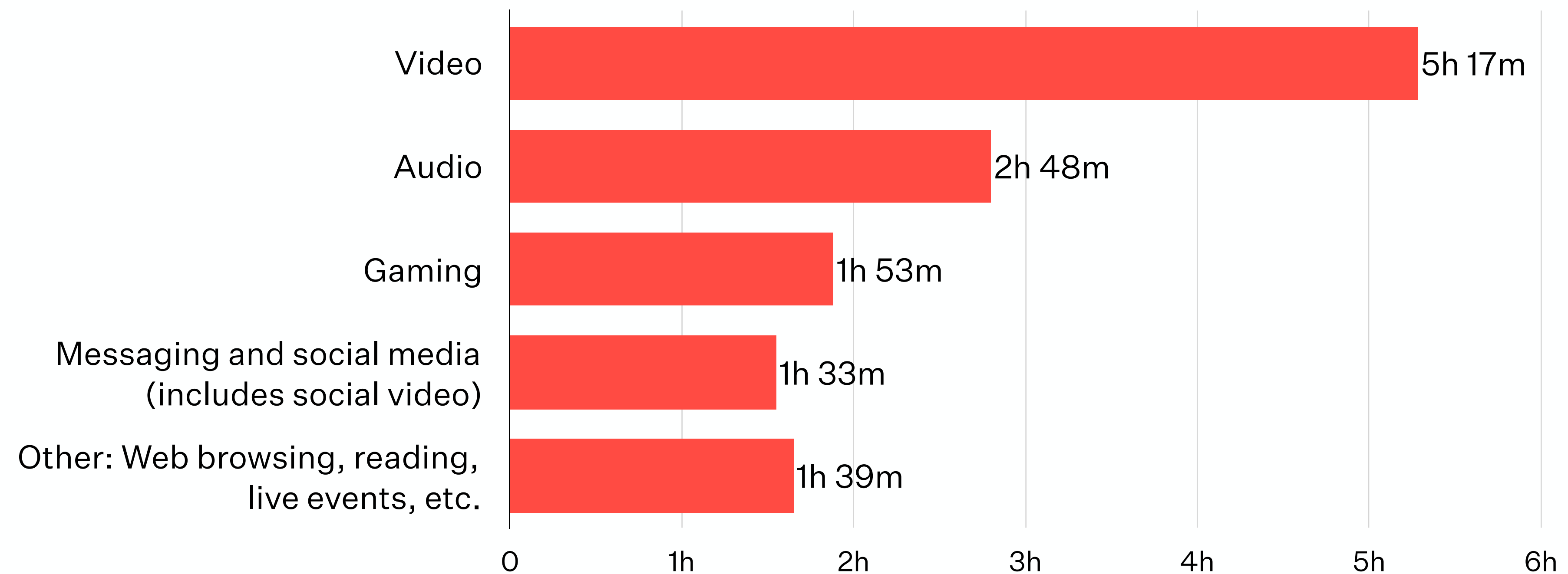
That’s down from 57% in our July 2021 survey, but up from 35% in June 2022.

2

The new consumer has
voted with their attention,
and the winner is TikTok.

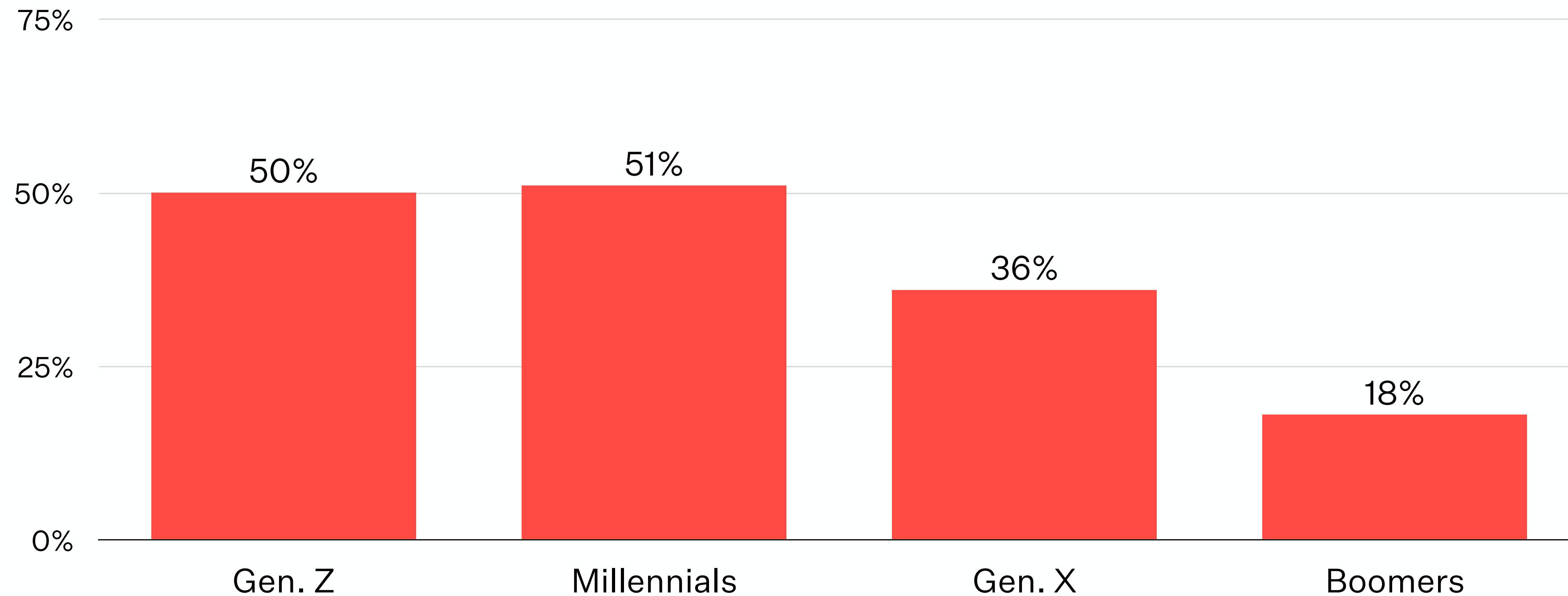
The average American spends about 13 hours per day using technology and media

Activate's average estimated daily media and tech consumption in hours and minutes



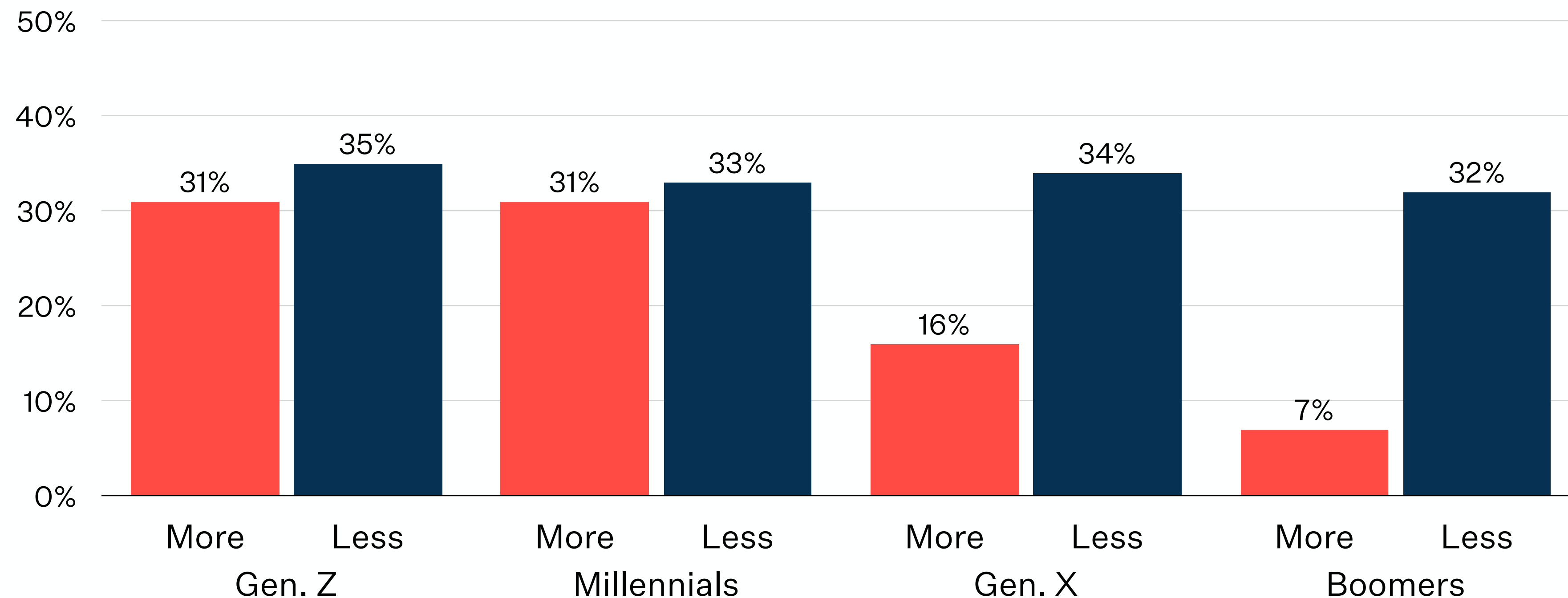
Half of younger Americans say they 'live online'

Percentage of 'Strongly' or 'somewhat' agree responses by generation: How strongly do you agree or disagree with the following statement: I live online



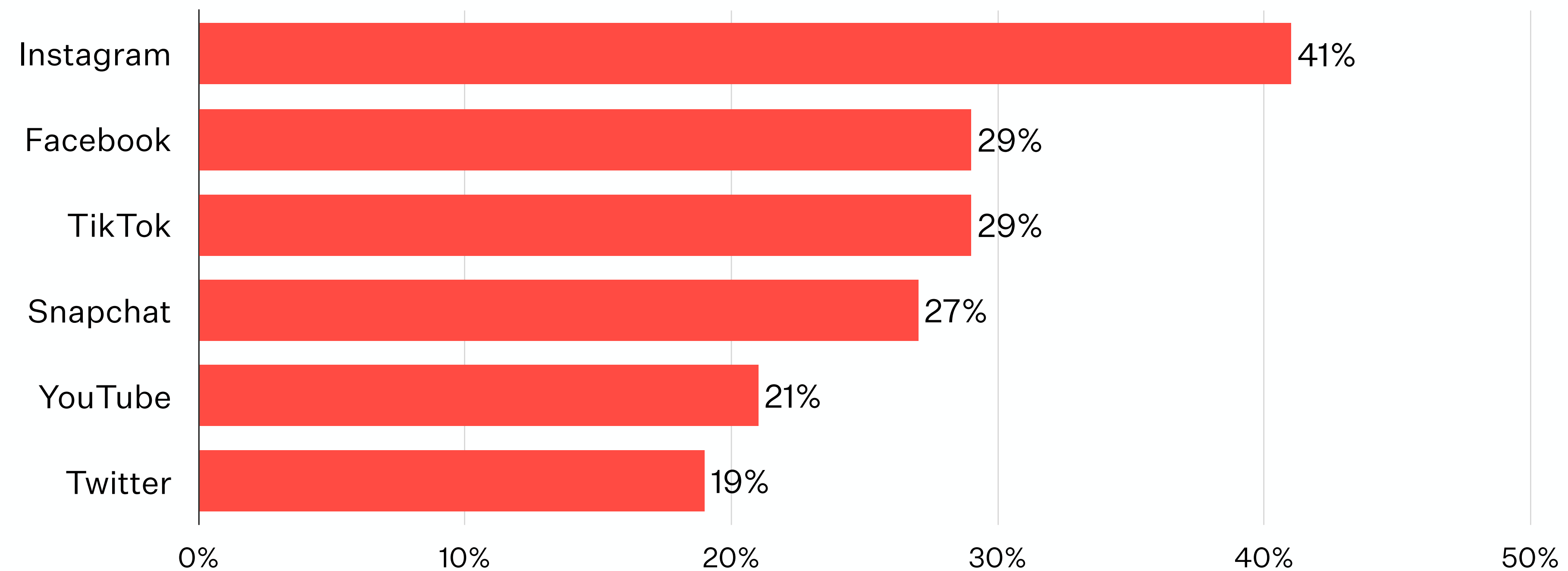
Do Americans want to spend more or less time online? Yes.

Percentage of responses by generation: Do you wish you spent more or less time online? (Includes 'much' and 'a bit' more and less.)



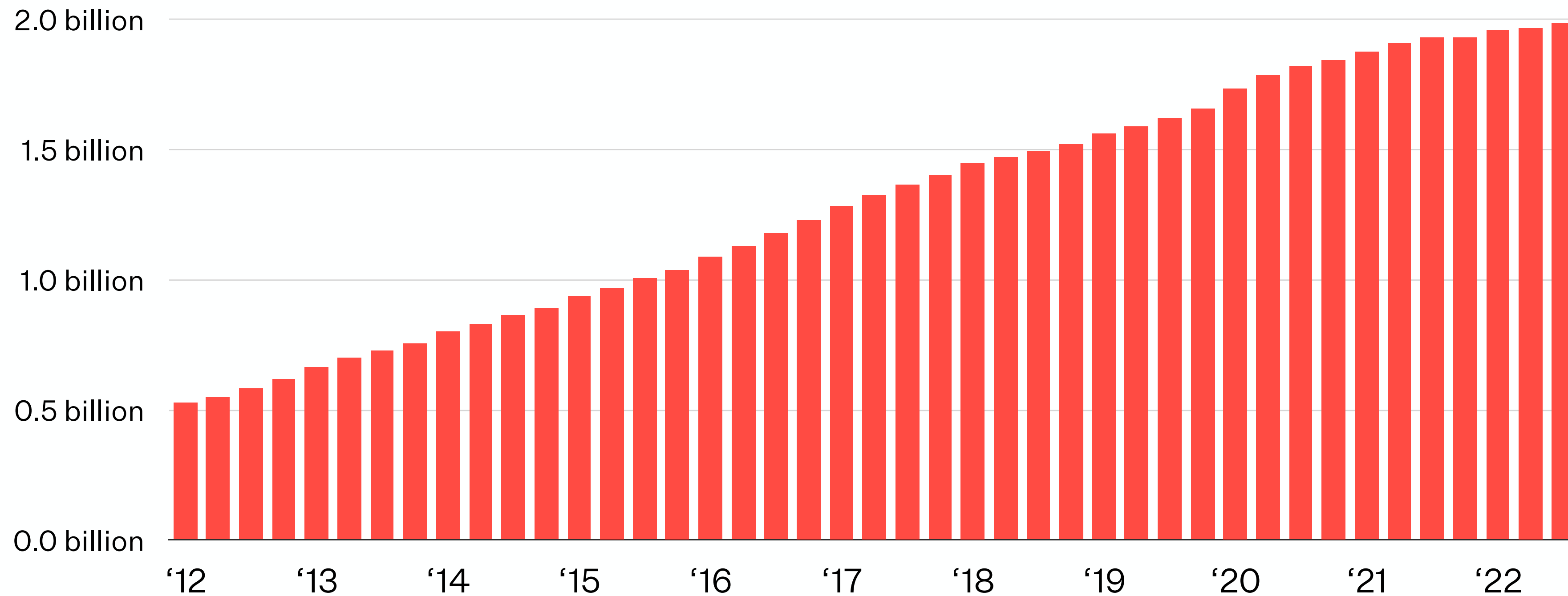
Social media apps maintain product-market fit with robust engagement rates

Percentage of active Android installs that opened app every day in Q3 2022



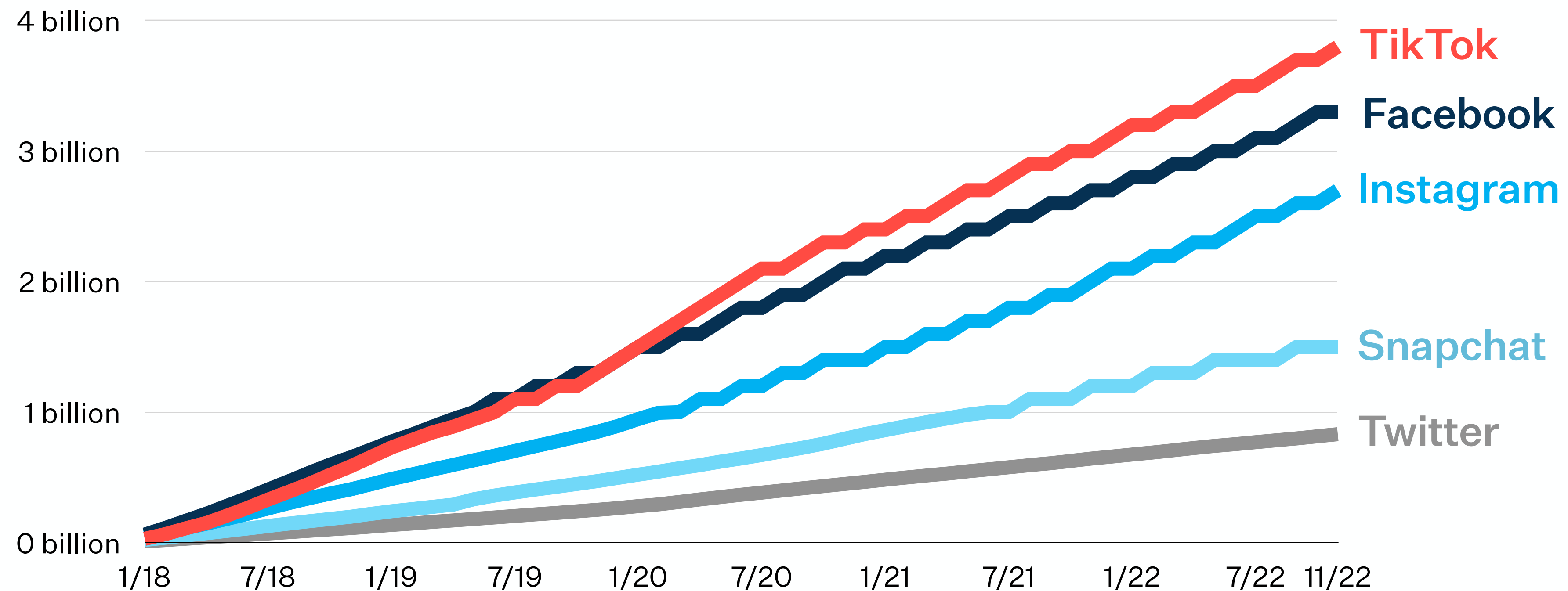
Facebook is still the most popular with around 2 billion daily active users

Facebook daily active users



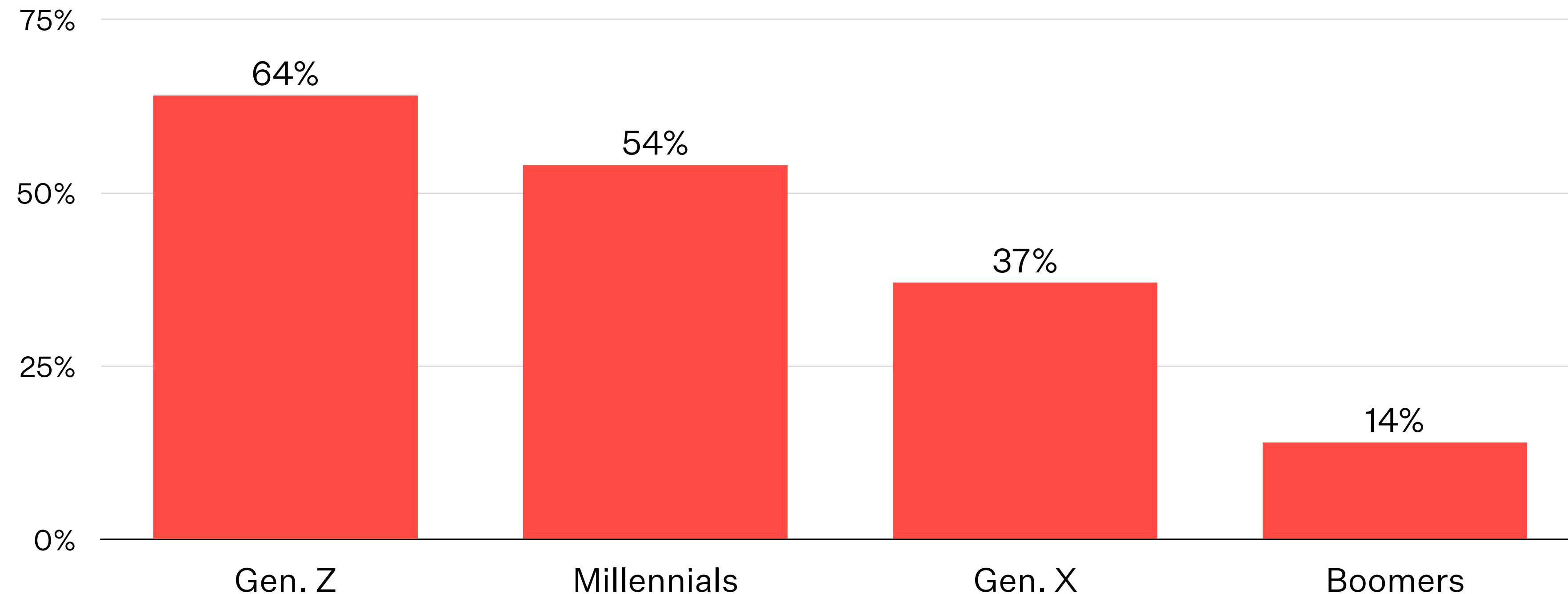
Since 2018, TikTok has been downloaded the most — around 4 billion times

Estimated cumulative global downloads from Apple's iOS App Store and Google Play — Sensor Tower



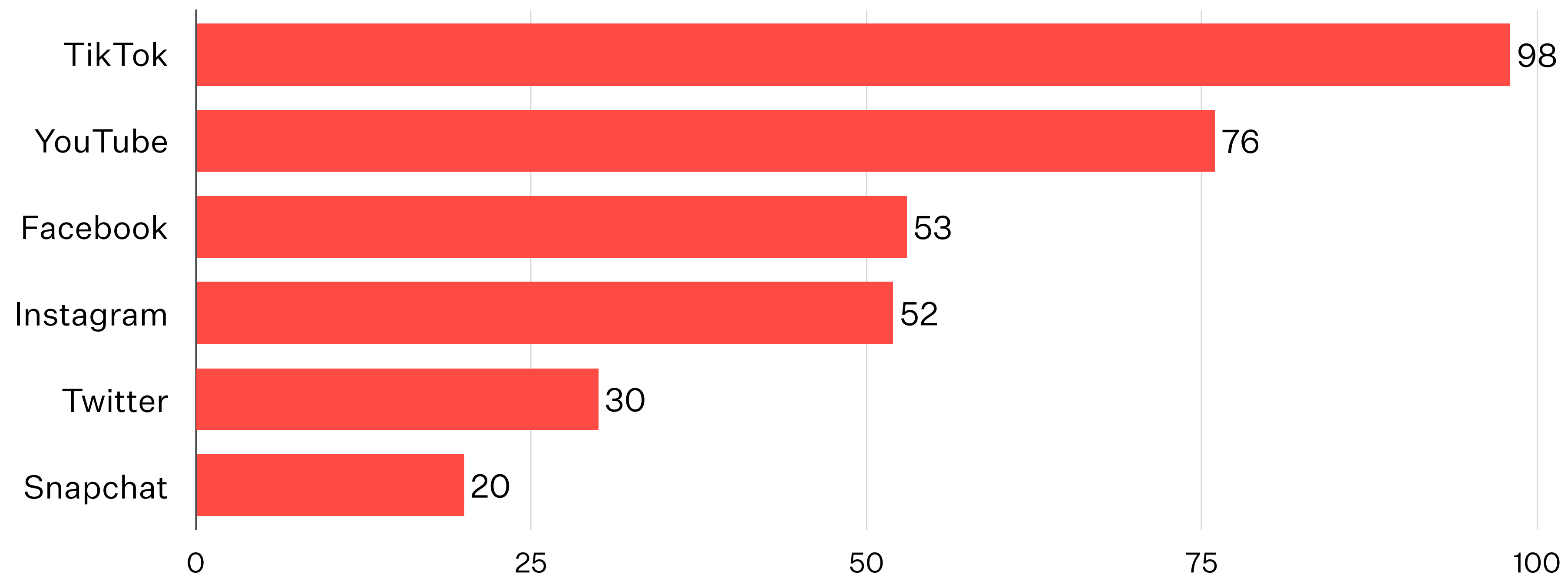
TikTok is most popular with younger consumers

Percentage responses by generation: Do you use TikTok?



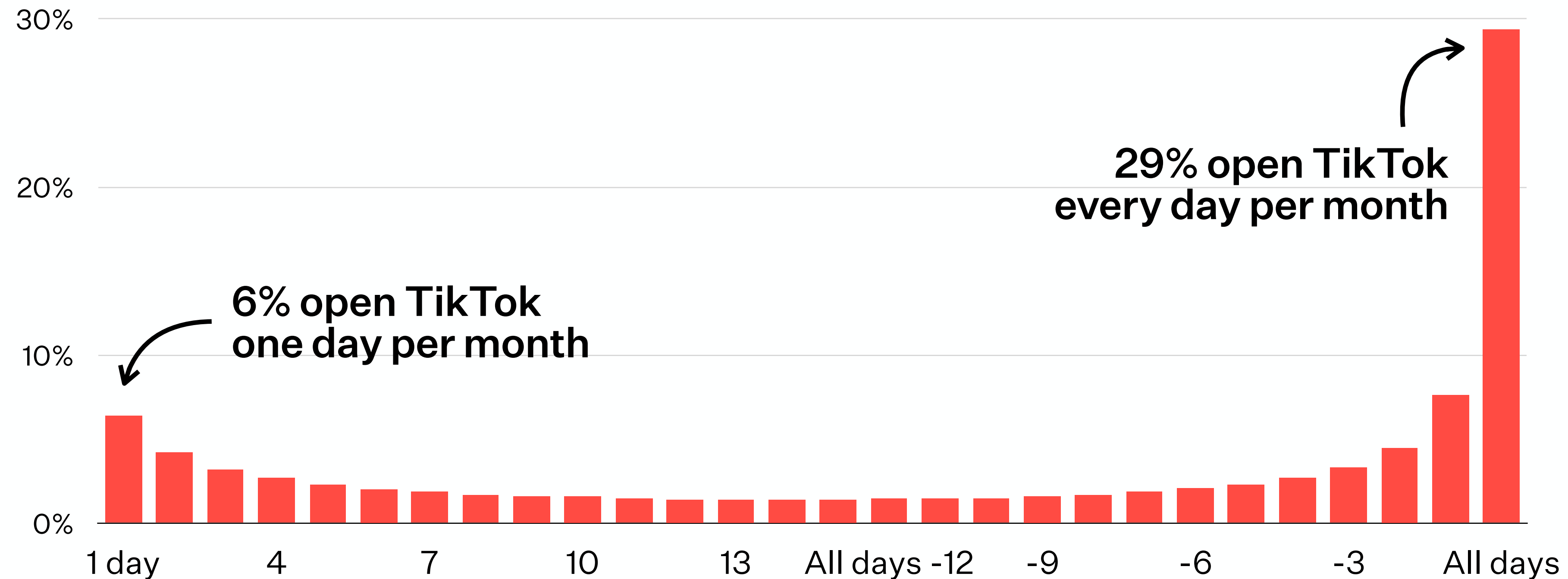
TikTok's addictive short-form videos drive ~100 minutes of app usage per day

Average daily minutes spent in-app, Android users only, during Q3 2022



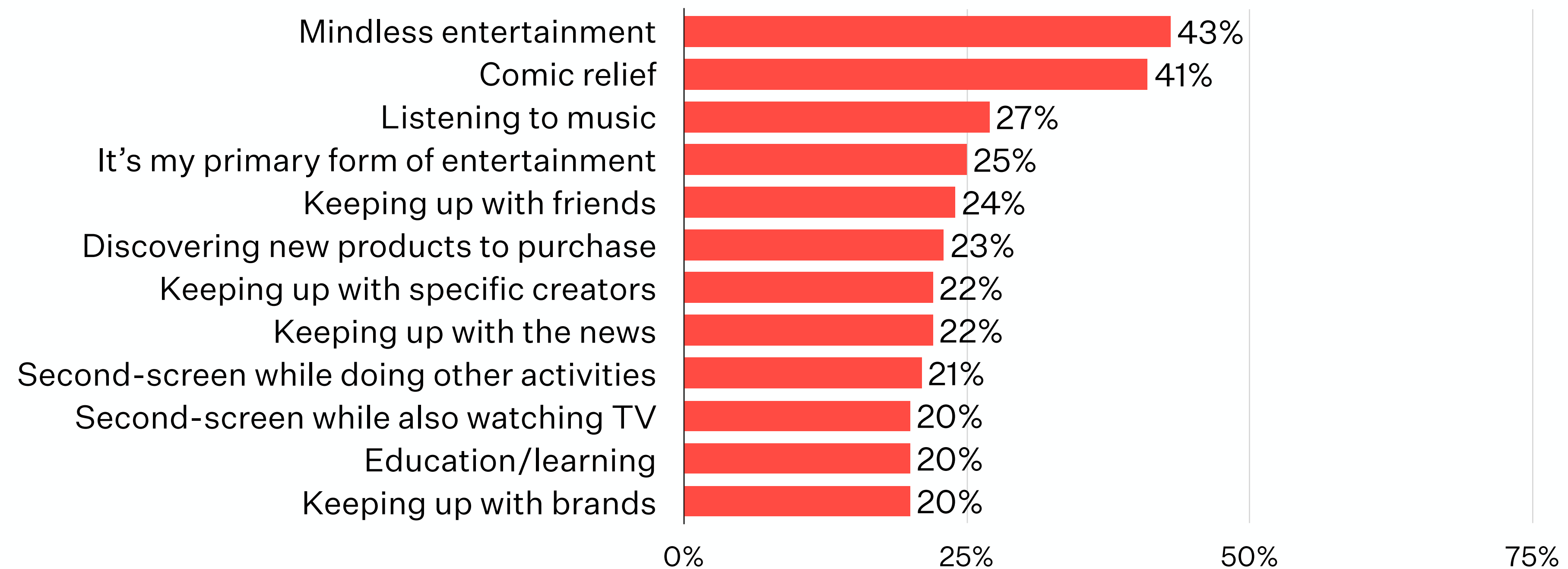
Almost 30% of TikTok users on Android open the app every day

Percentage of active TikTok for Android installs by number of days used each month, on average, in Q3 2022



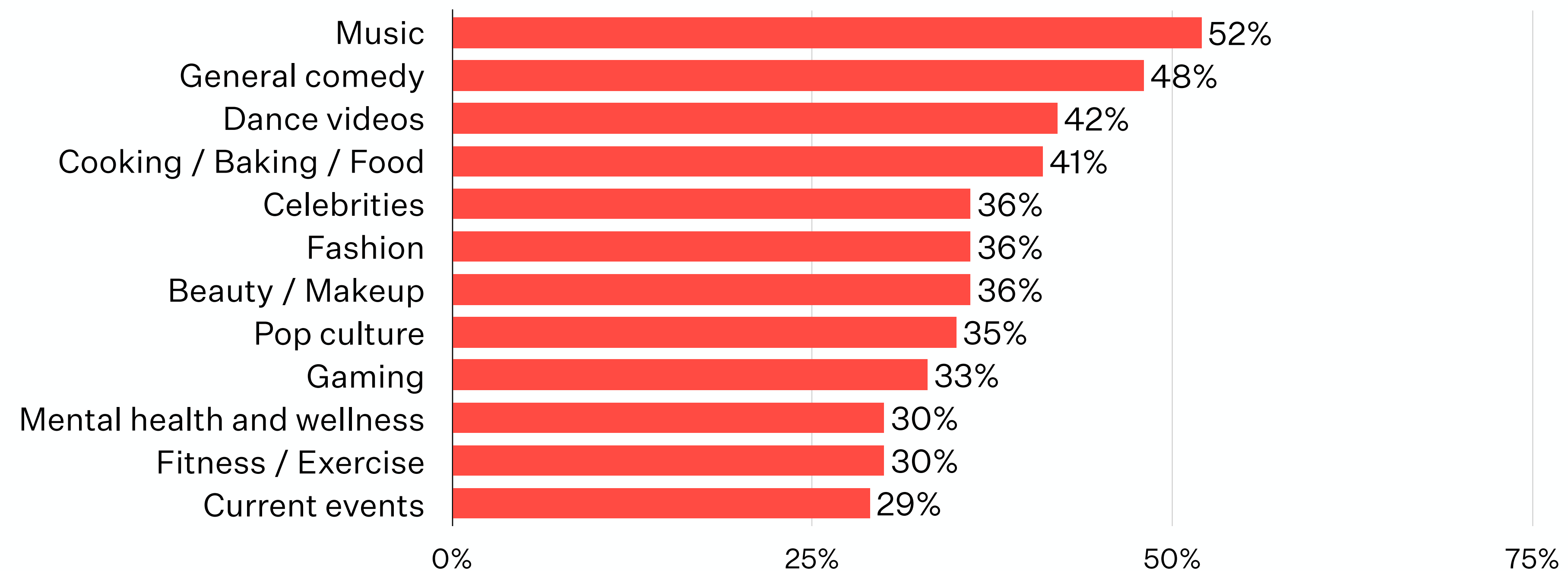
TikTok's top uses: Mindless entertainment and comic relief, but also much more

Percentage of responses: For which of the following purposes do you use TikTok? (Choose all that apply.)



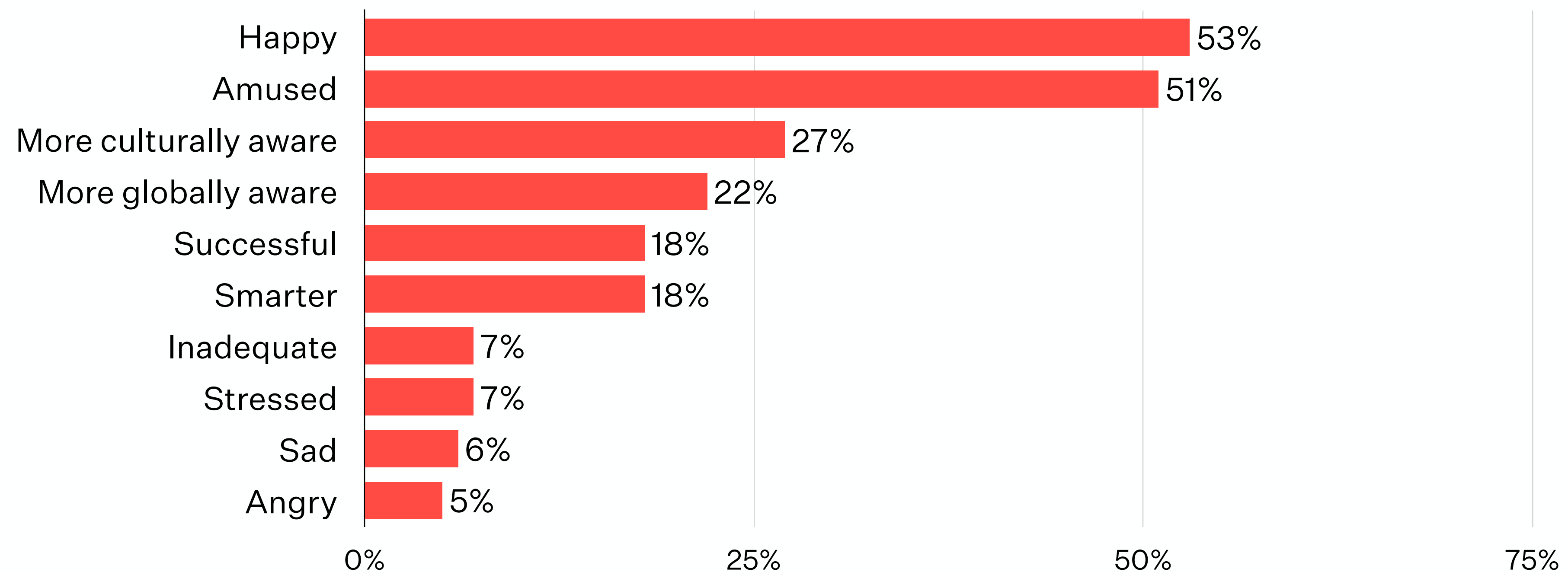
TikTok enables niche content but covers most mainstream genres

Percentage of responses: What topics do you see on your TikTok?



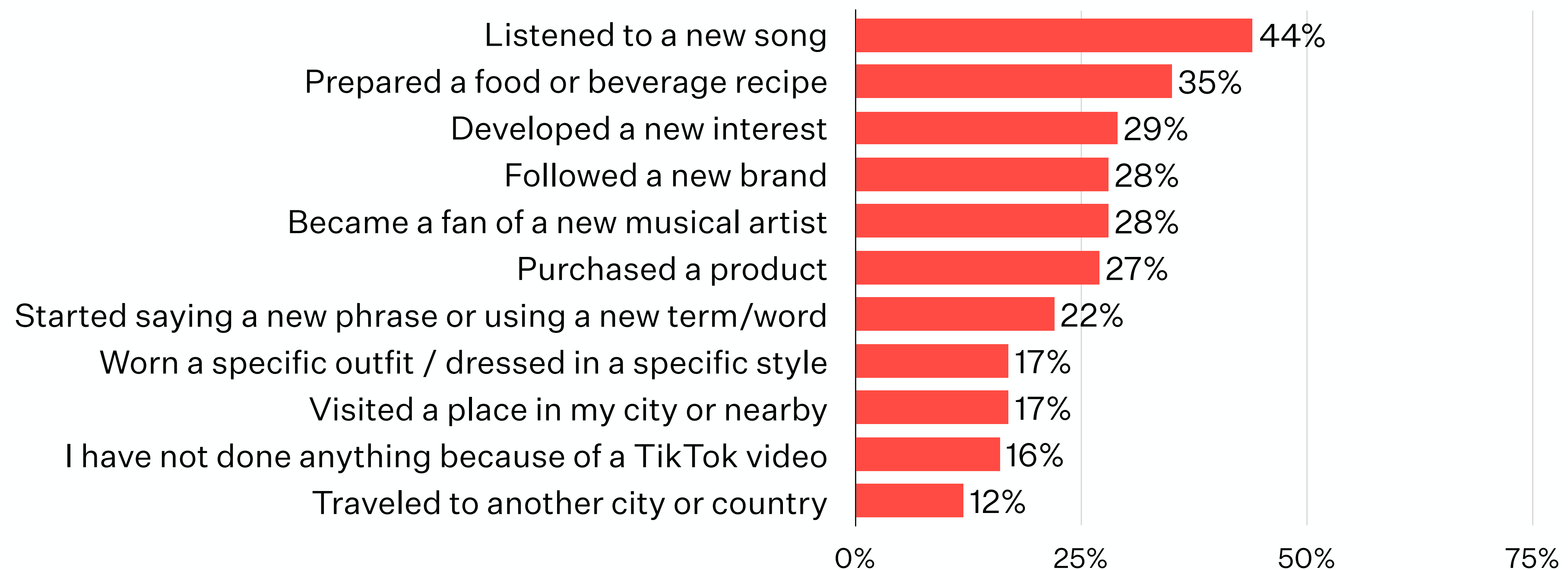
Half of TikTok users say it makes them feel happy — few say ‘inadequate’ or ‘stressed’

Percentage of responses: How does TikTok make you feel?
(Choose all that apply.)



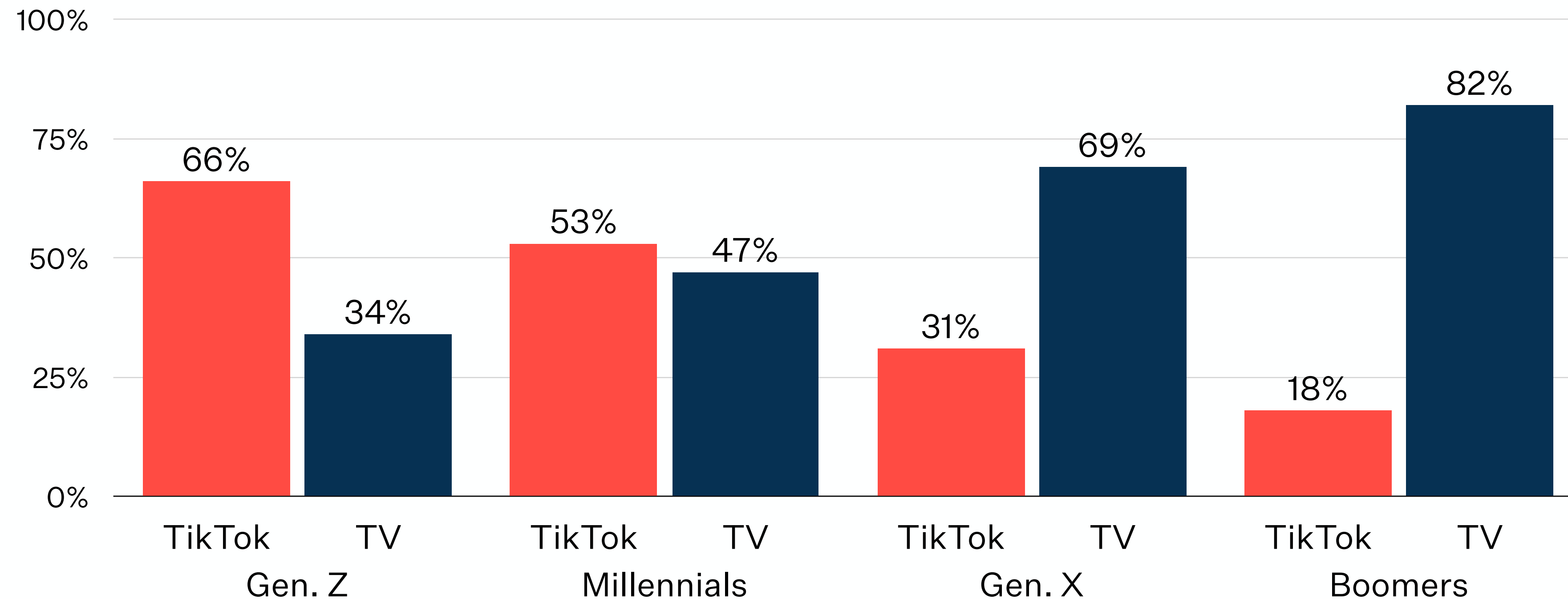
TikTok drives music discovery but also food trends and purchasing

Percentage of responses: Which, if any, of the following have you done because of a TikTok video?



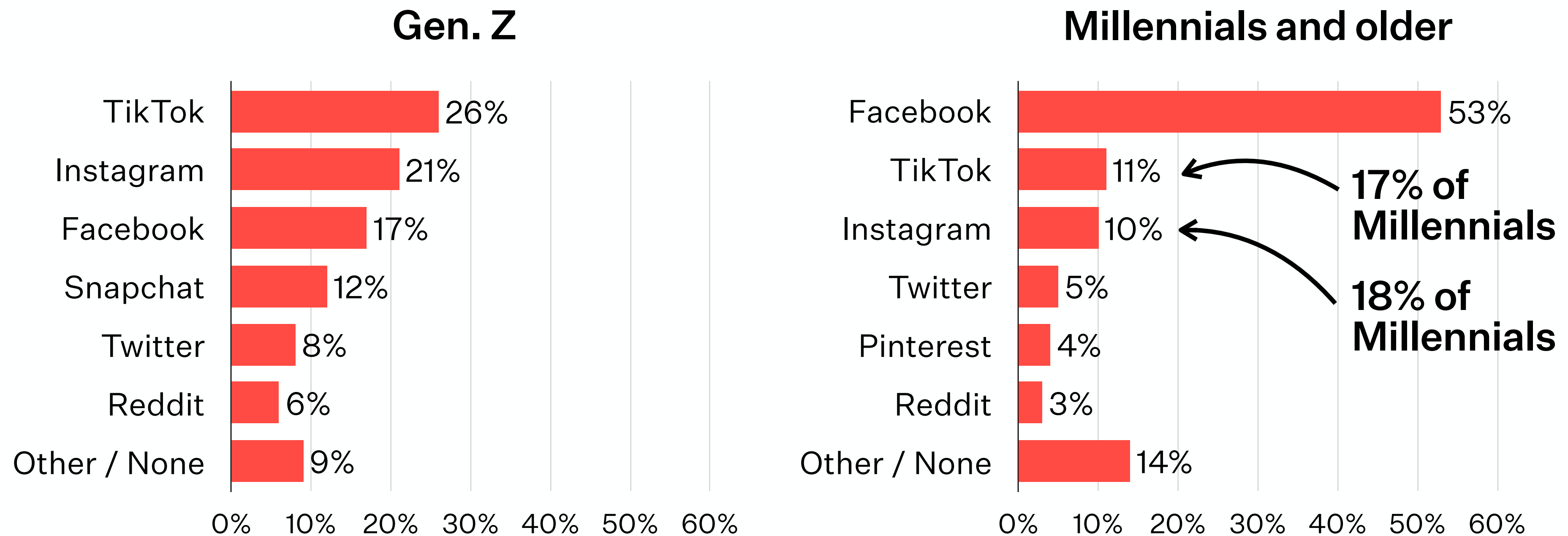
Most Gen. Z and Millennial TikTok users say they'd choose TikTok over TV

Percentage of responses, among TikTok users, by generation: If you could only watch TikTok or traditional TV/streaming shows, which would you choose?



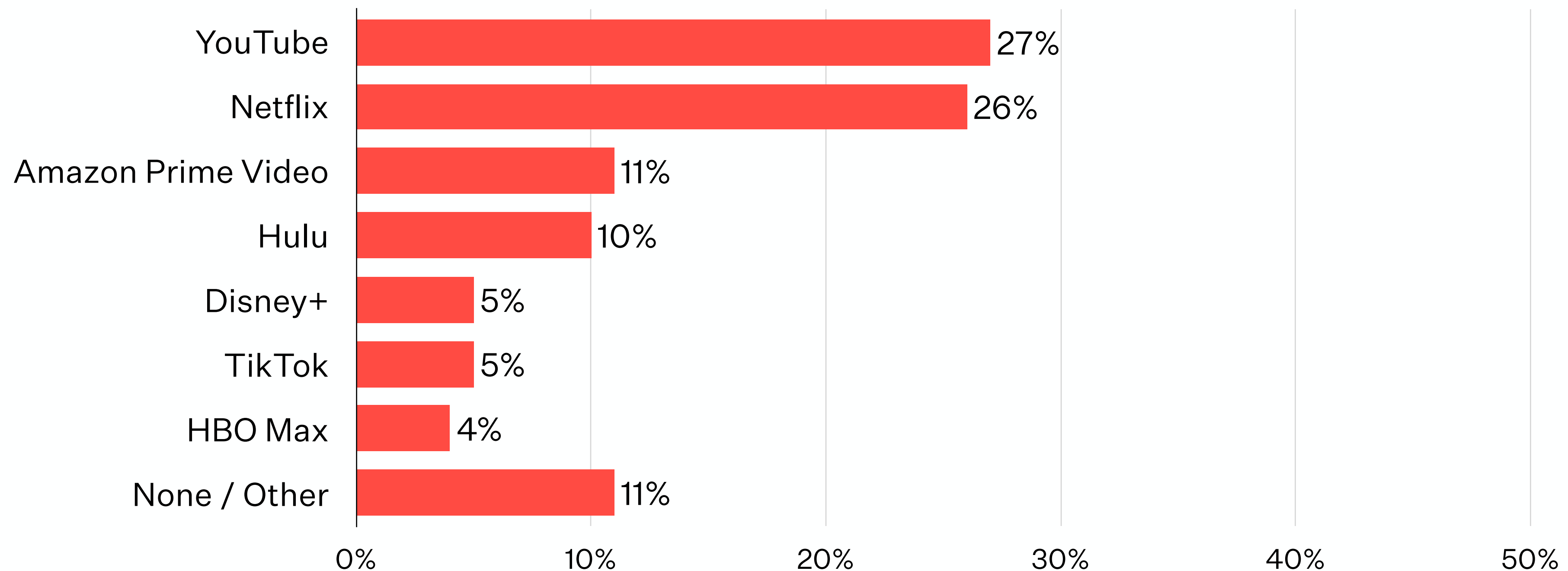
Gen. Z wouldn't want to live without TikTok — for everyone else, it's Facebook

Percentage of responses by generation: If you were trapped on a deserted island and could choose to access only one social media network for entertainment purposes, which would it be?



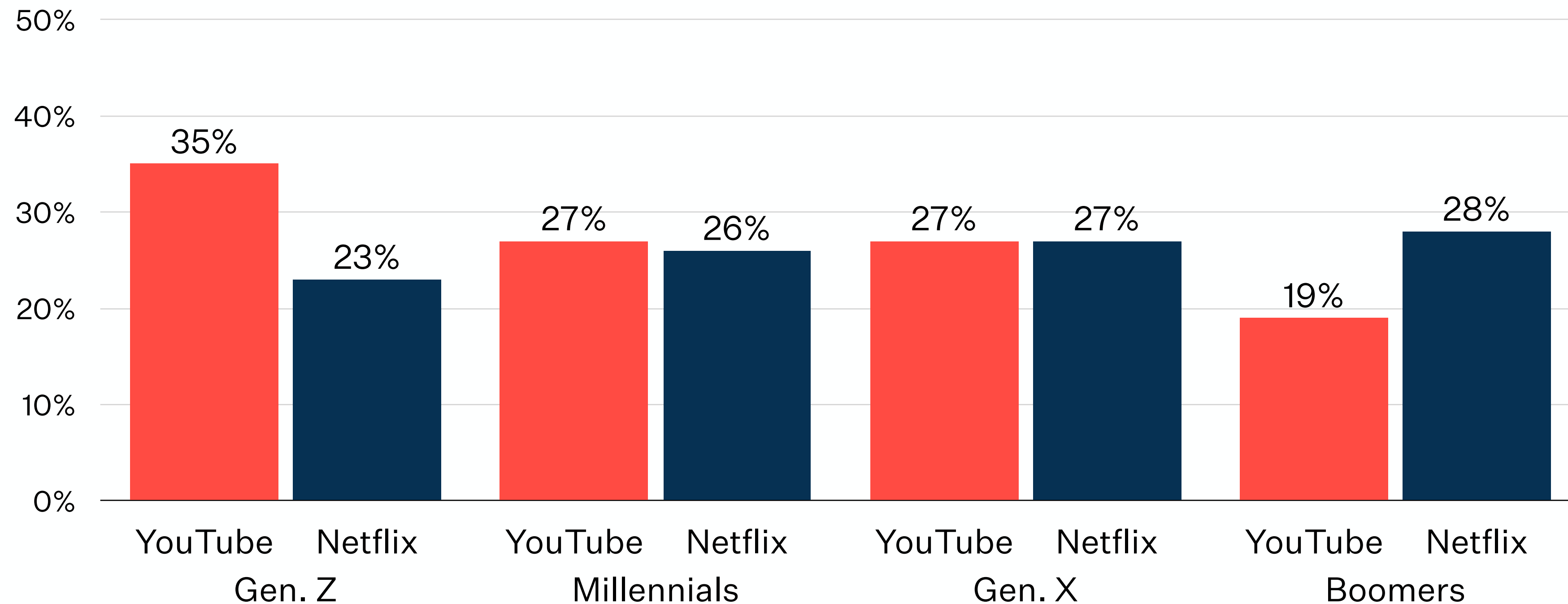
YouTube is arguably *underrated* in the future-of-TV conversation

Percentage of responses: If you were trapped on a deserted island and could choose to access only one streaming video platform, which would it be?



YouTube is impressively popular across generations

Percentage of responses: If you were trapped on a deserted island and could choose to access only one streaming video platform, which would it be?

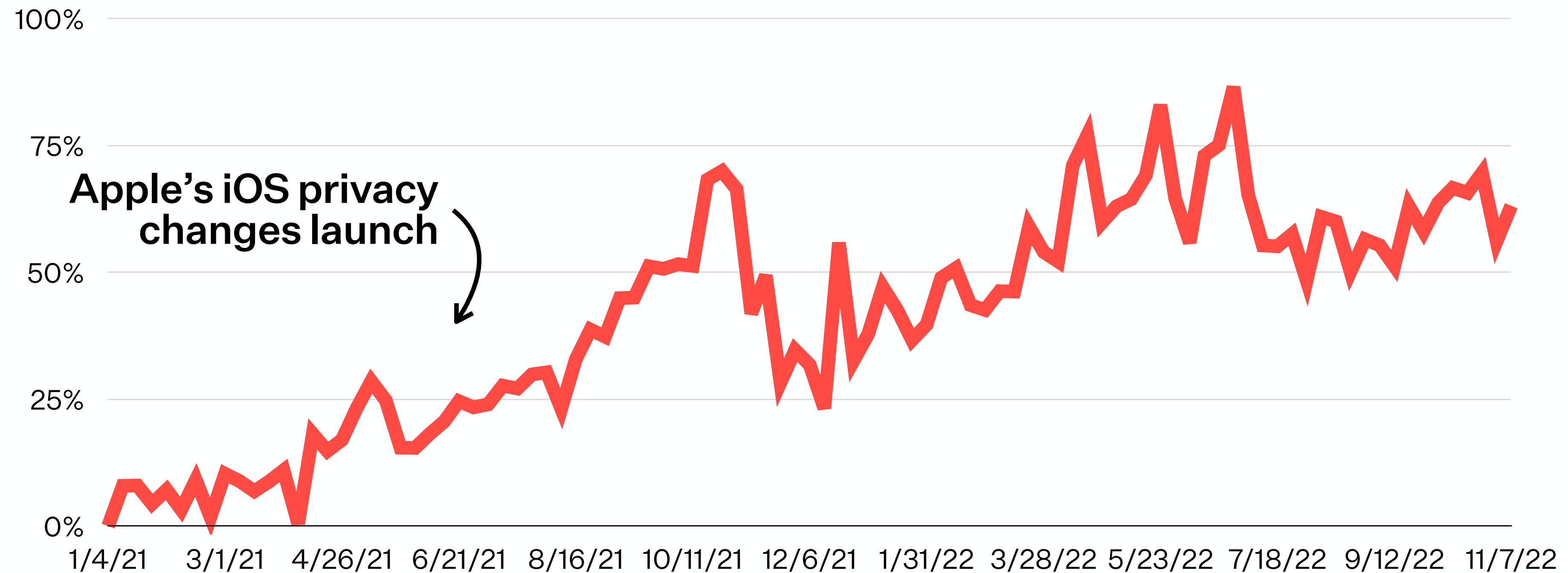


3

There's excitement around brands founded by celebrities and creators. Do they have a special advantage?

Rising customer acquisition costs have challenged e-commerce economics

Change in customer acquisition costs observed by Common Thread Collective's network of e-commerce merchants



Celebrity-founded brands have widely proliferated — here's just 40 current ones

Apparel

SKIMS

SJP
BY SARAH JESSICA PARKER

SAVAGE X FENTY
LINGERIE BY RIHANNA

F FABLETICS

GOOD AMERICAN

Jessica Simpson

Draper James

**IVY
PARK**

INAMORATA

yitty

Beauty and wellness

KYLIE lemme

Rare Beauty **rhode**

goop KKW BEAUTY

LE **DOMAINE**
SKINCARE **KINLÒ™**

KEYS
SOULCARE *happy dance!*

Spirits

818
TEQUILA

AVIATION
AMERICAN GIN

TEREMANA
SMALL BATCH TEQUILA

SWEETENERS
COVE

**PROPER
TWELVE**
IRISH WHISKEY

CASAMIGOS

De Soi

Onda
TEQUILA SELTZER

CINCORO™
Tequila

Skinnygirl
COCKTAILS

Food and CPG

**MRBEAST
BURGER**

Chamberlain
Coffee

GOOPLES

THE HONEST CO.
THE HONEST CO.

Hart
HOUSE

Made by
Nacho

**ONCE
UPON A
FARM**

TREJO'S TACOS
HECHO EN LOS ANGELES

Mariah's
COOKIES

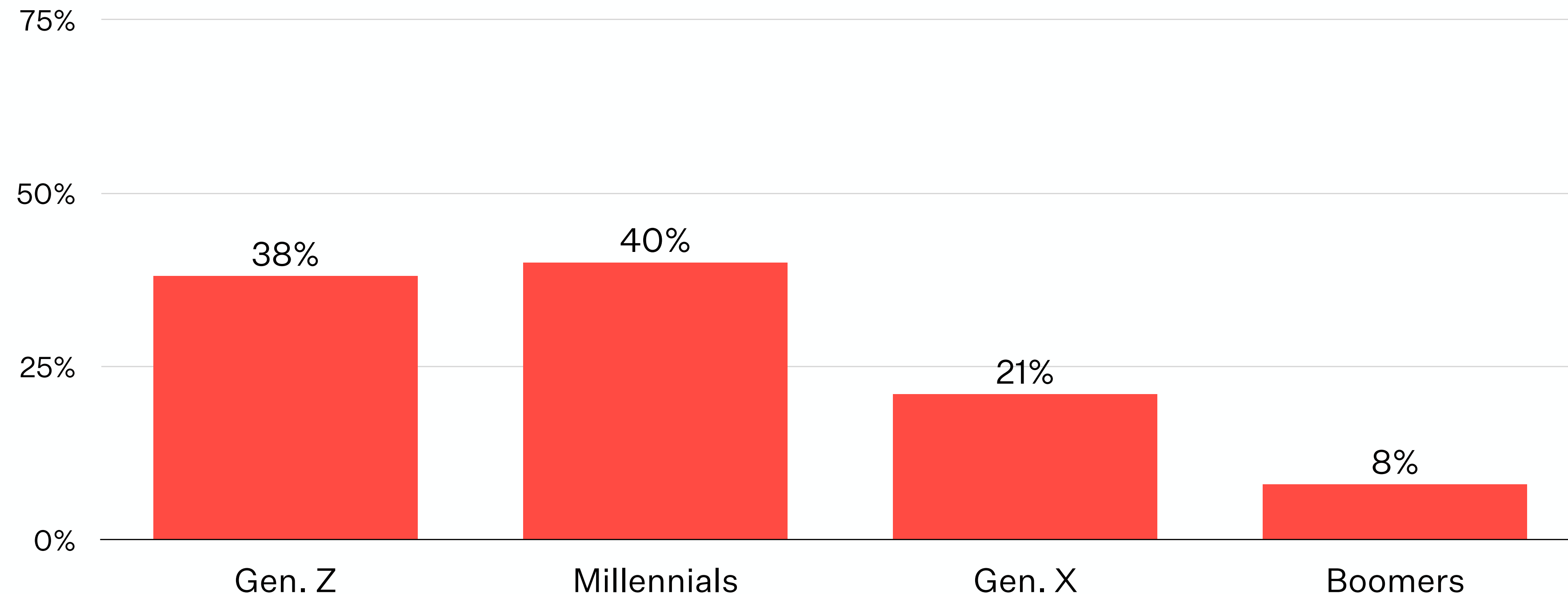
hello
bello

Why so many celebrity-founded brands?

- Many actors, musicians, athletes, and other celebs want to be more than ‘talent’ — they’re already entrepreneurial and want to be multi-hyphenates
- Social media allows celebs (and brands) to build direct relationships with customers at scale
- Their outsized followings drive attention and traffic, which could make growth more efficient
- Equity can have real value: A solid exit can generate generational wealth the way a commercial gig can’t

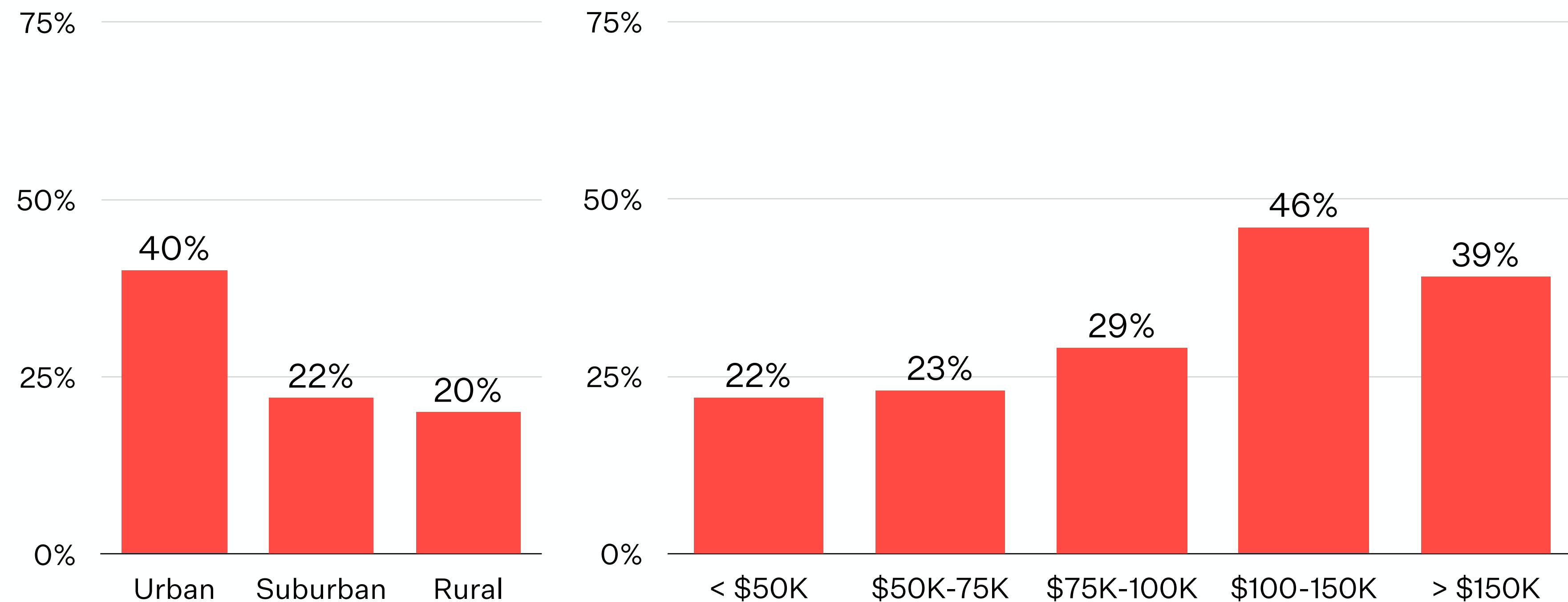
Many younger consumers say they prefer celebrity-founded brands

Percentage of 'strongly' and 'somewhat' agree responses by generation: I like celebrity-founded brands more than non-celebrity-founded brands.



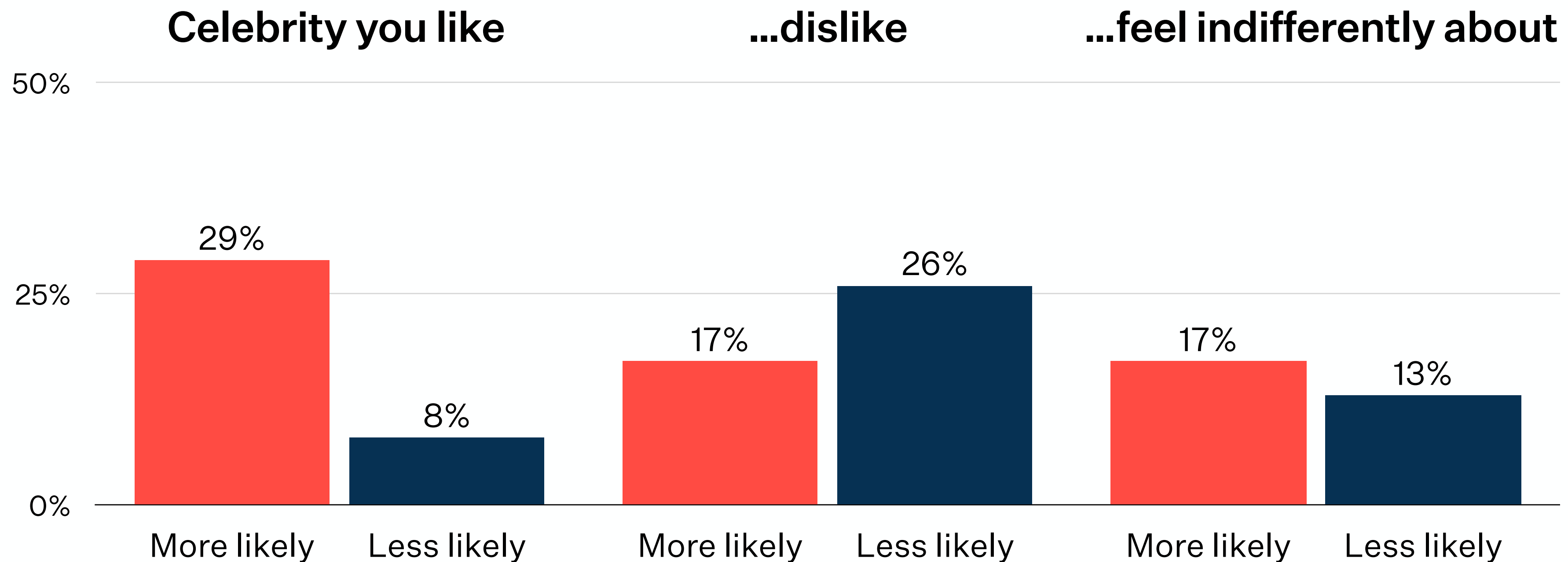
Preference for celebrity-founded brands also skews urban and higher-income

Percentage of 'strongly' and 'somewhat' agree responses: I like celebrity-founded brands more than non-celebrity-founded brands.



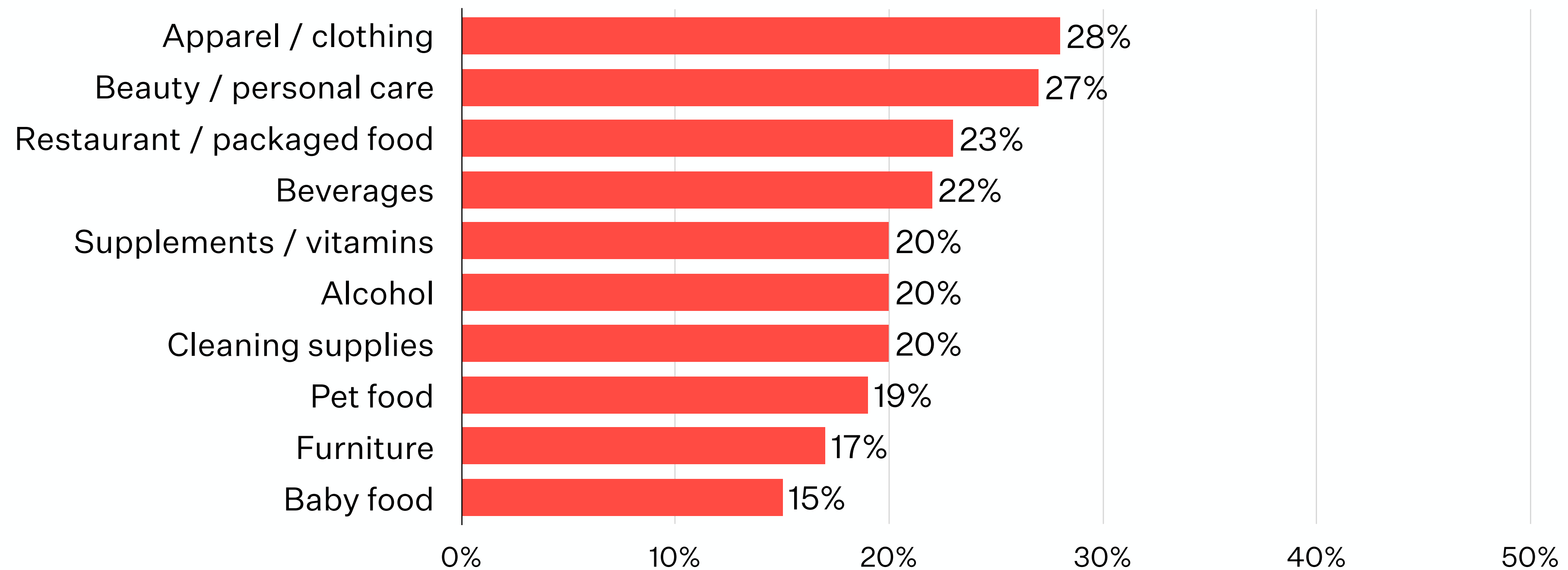
It matters if a consumer likes or dislikes the brand's celebrity founder

Percentage of responses: If a celebrity were to start a brand, how would that impact your decision to purchase?



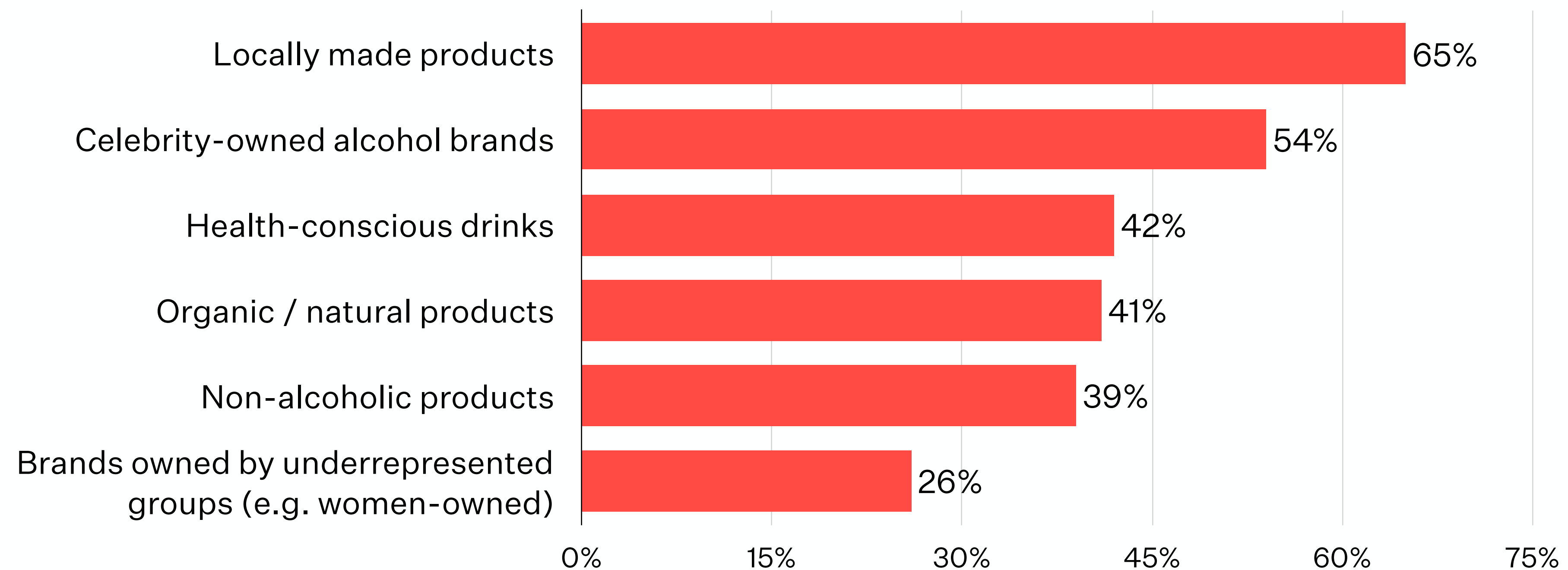
Consumer preference for celebrity brands varies by category

Percentage of responses: I would be more likely to purchase if a celebrity were to start or promote a brand in...



Half of liquor store owners say they intentionally stock celebrity brands

Percentage of responses: Do you intentionally stock any of the following types of products?



Celebrity-founded beauty and personal care brands have greater Instagram engagement than the competition

13%

Instagram engagement rate for a group of **23 celebrity-founded beauty and personal care brands.**

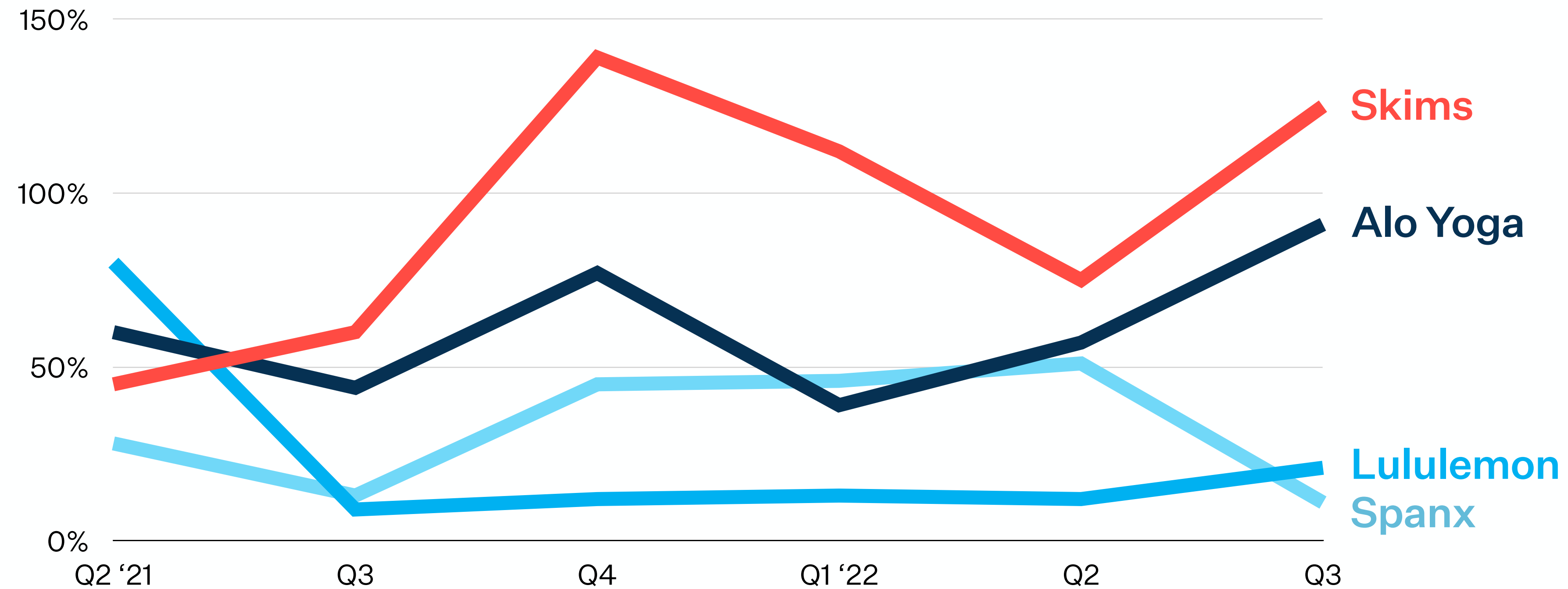
3%

Instagram engagement rate for a group of **548 beauty and personal care brands without celebrity founders.**

Engagement rate reflects the average number of comments and likes per post, as a percentage of total follower count. Measured over 12 recent posts per brand in Nov. 2022.

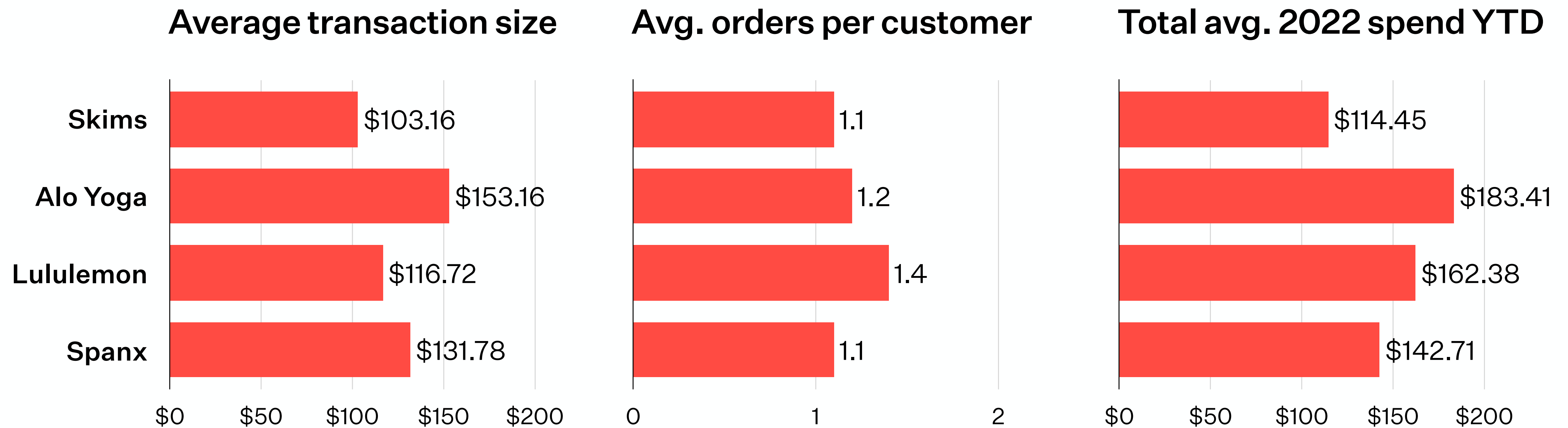
Skims, Kim Kardashian's apparel brand, is holding its own among top peers

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



Skims, Kim Kardashian's apparel brand, is holding its own among top peers

Skims, which sells a variety of women's clothing, from bras and underwear to loungewear and shapewear, is growing rapidly — roughly doubling year over year — according to Earnest Analytics' analysis of US consumer card spending.



Celebrity-founded brands have promise — but within limitations

32%

of consumers say they agree: **if a celebrity is an investor or backer of a brand, I trust the brand more.**

62%

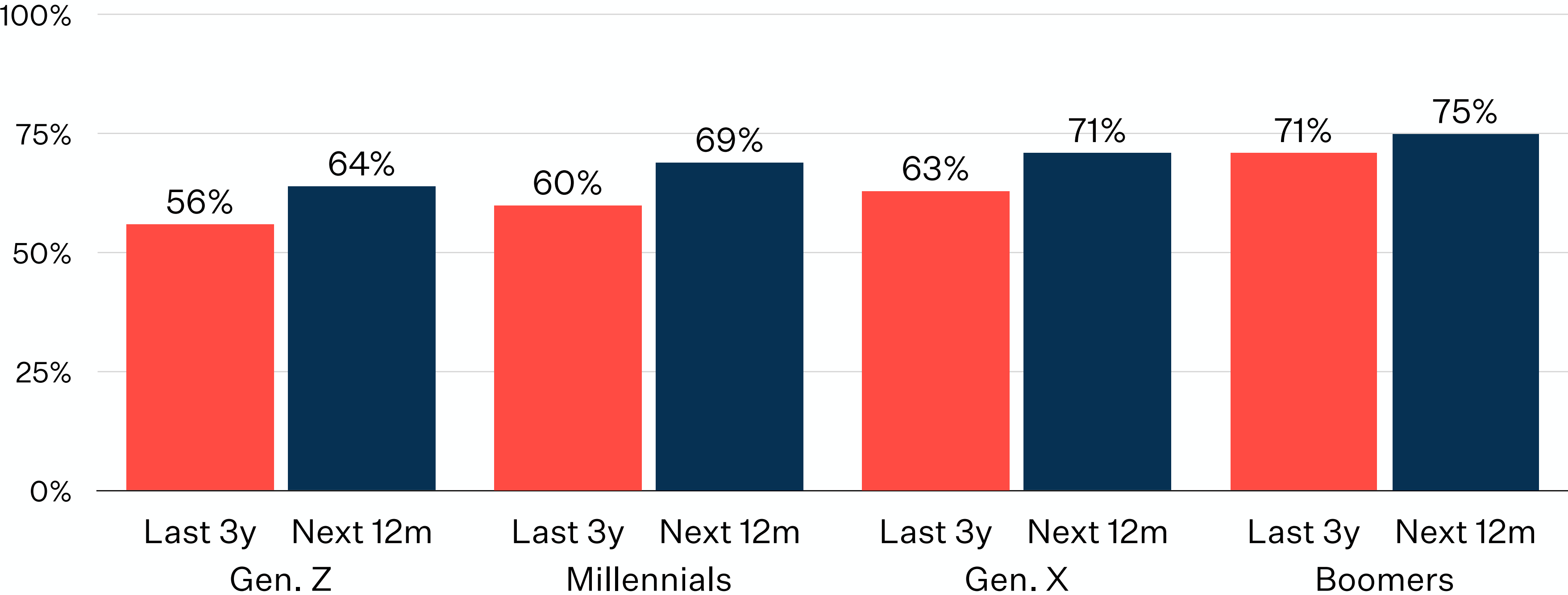
of consumers say they agree: **celebrity-founded brands only make sense if the celebrity has expertise in the products they are selling.**

4

Health and wellness will be
an even greater consumer focus
coming out of the COVID-19 pandemic.

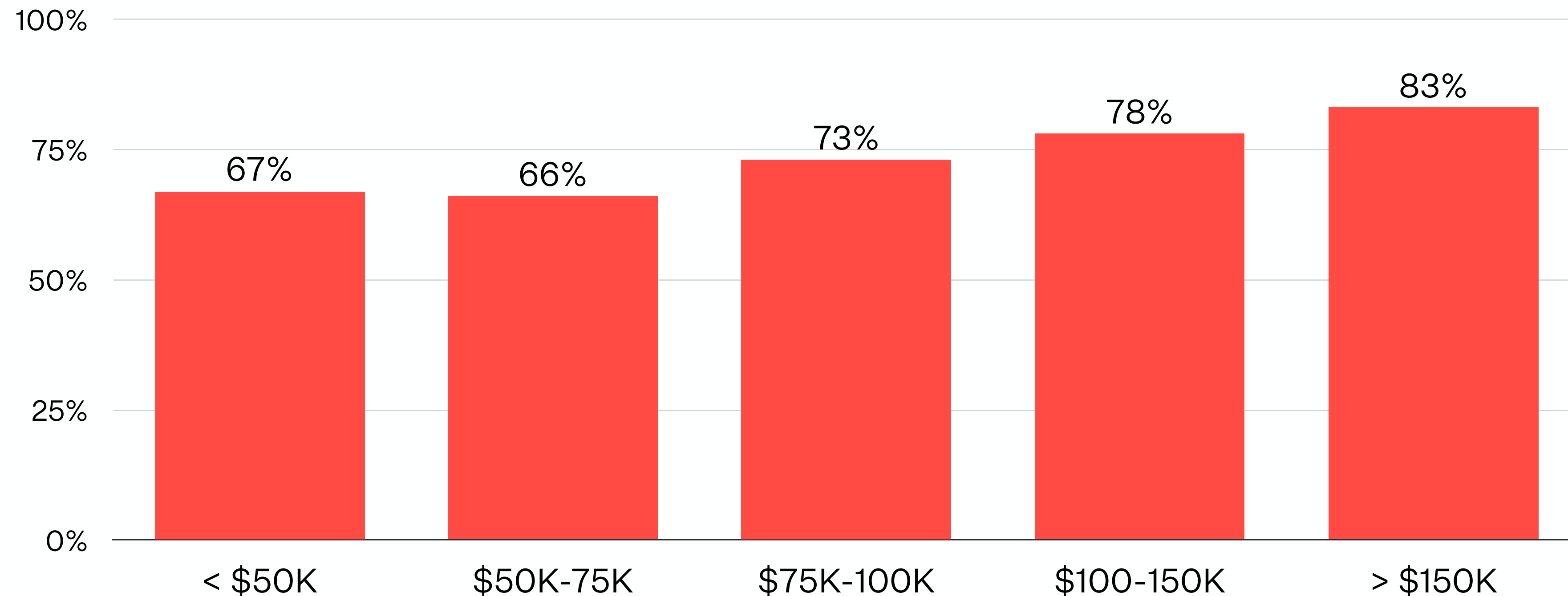
Most Americans plan to prioritize their health and wellness over the next year

Percentage of responses by generation: Over the past 3 years and the next 12 months, made / plan to make health and wellness 'the top' or 'a high' priority



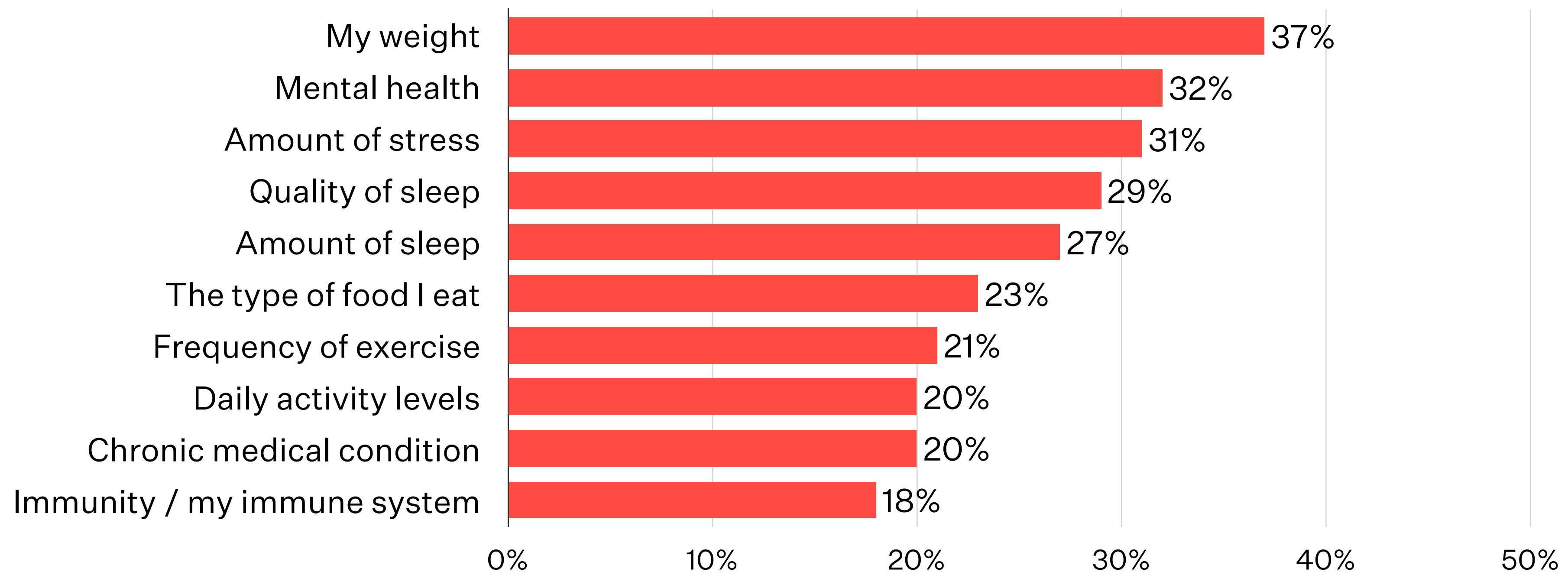
Wealthier consumers are also more likely to say they'll prioritize their health

Percentage of responses by household income: Over the next 12 months, plan to make health and wellness a 'the top' or 'a high' priority in their life



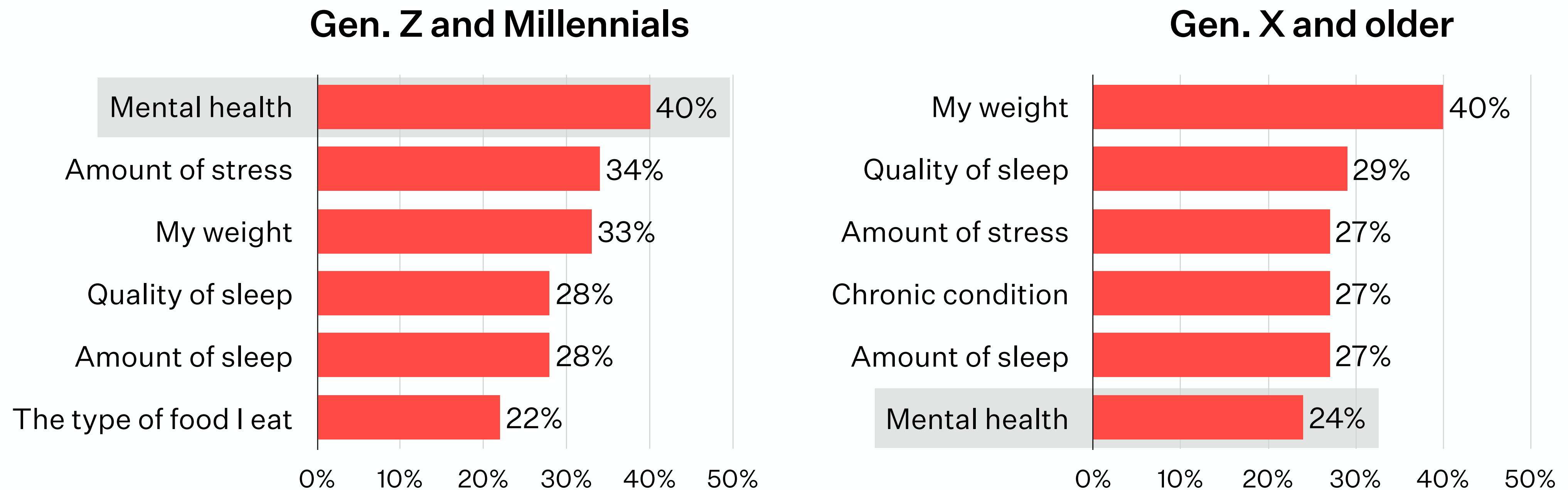
Americans say they're most concerned about their weight and mental health

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



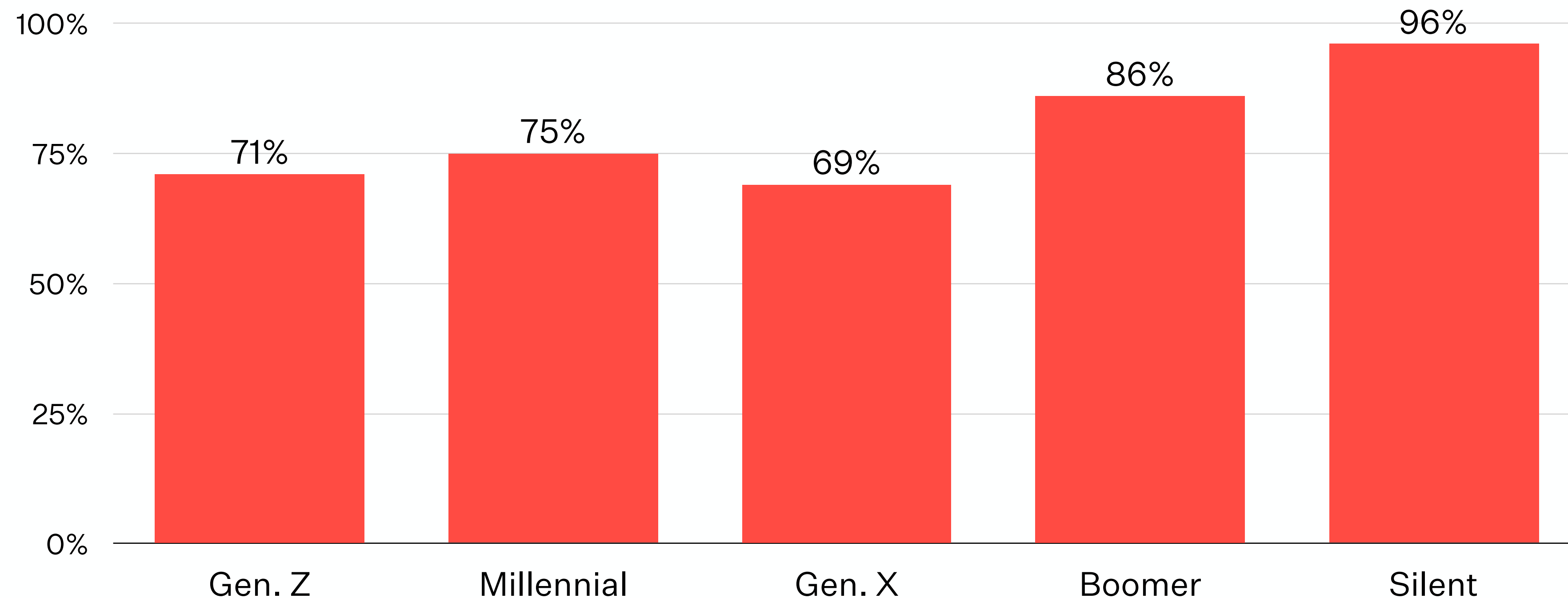
Younger consumers in particular say they're concerned about mental health

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



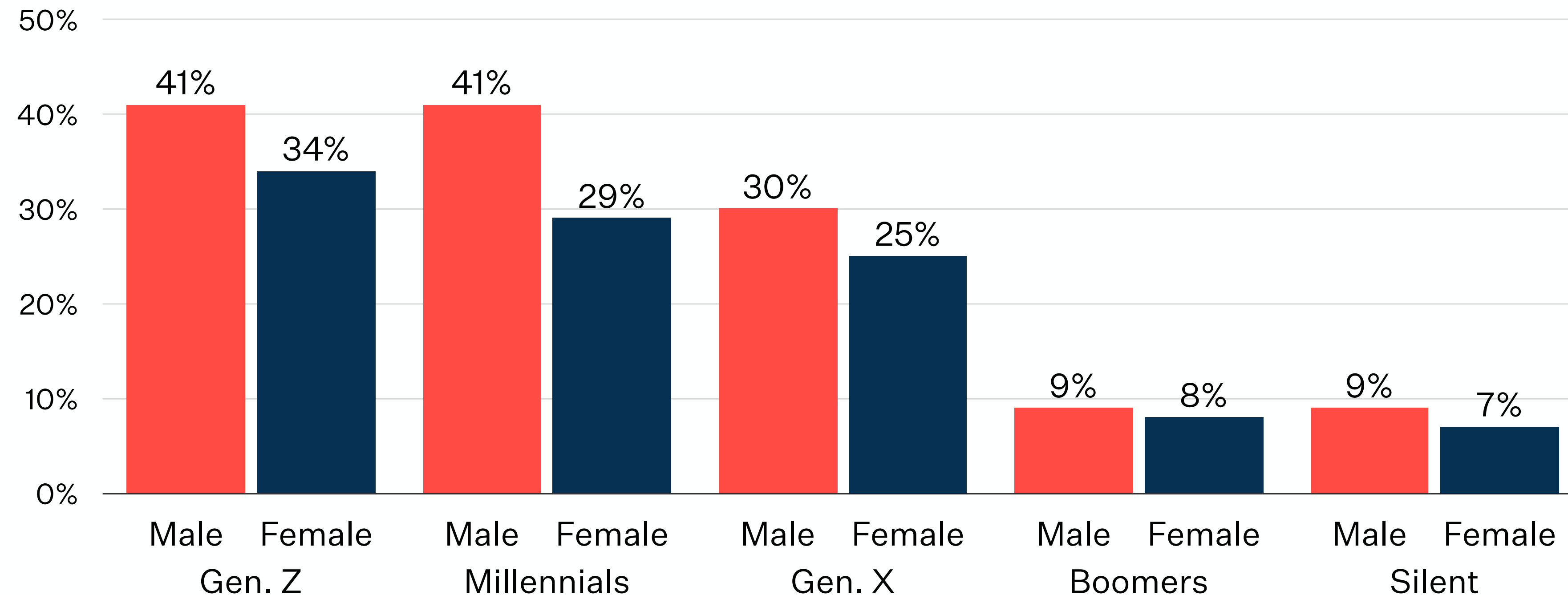
Older Americans generally say they feel better about their mental health

Percentage of 'Good' or better responses by generation:
How would you rate your mental health these days?



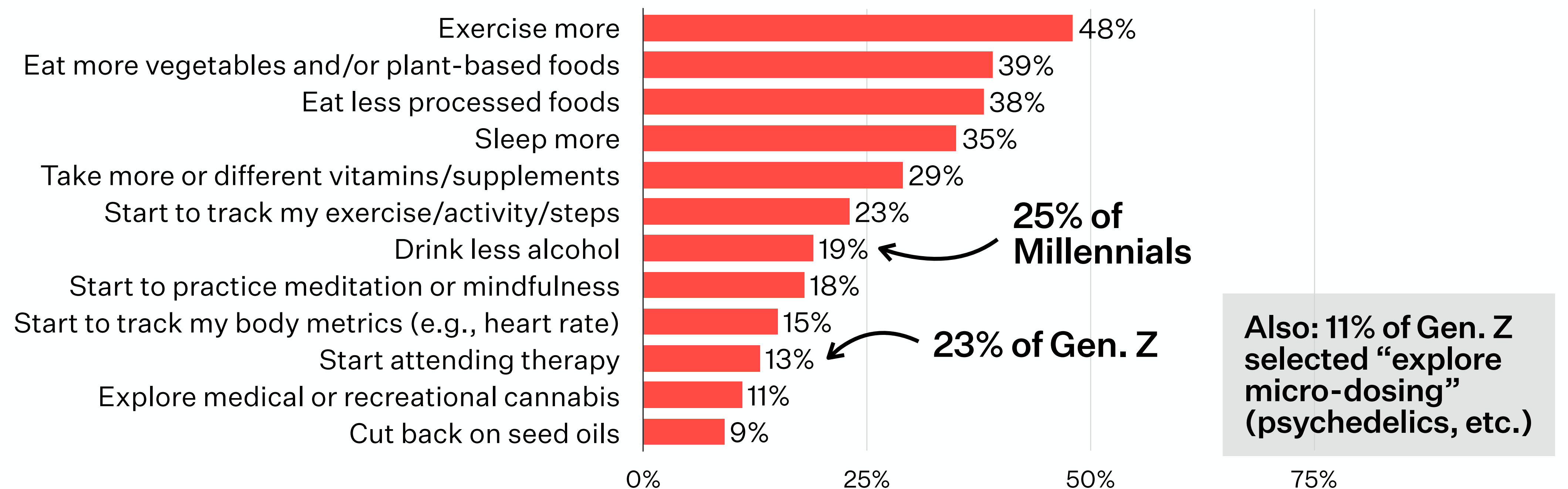
More than 1/3 of Gen. Z and Millennials — especially men — say they're very lonely

Percentage of 'Extremely' and 'very lonely' responses by generation and gender identity: How would you rate your loneliness these days?



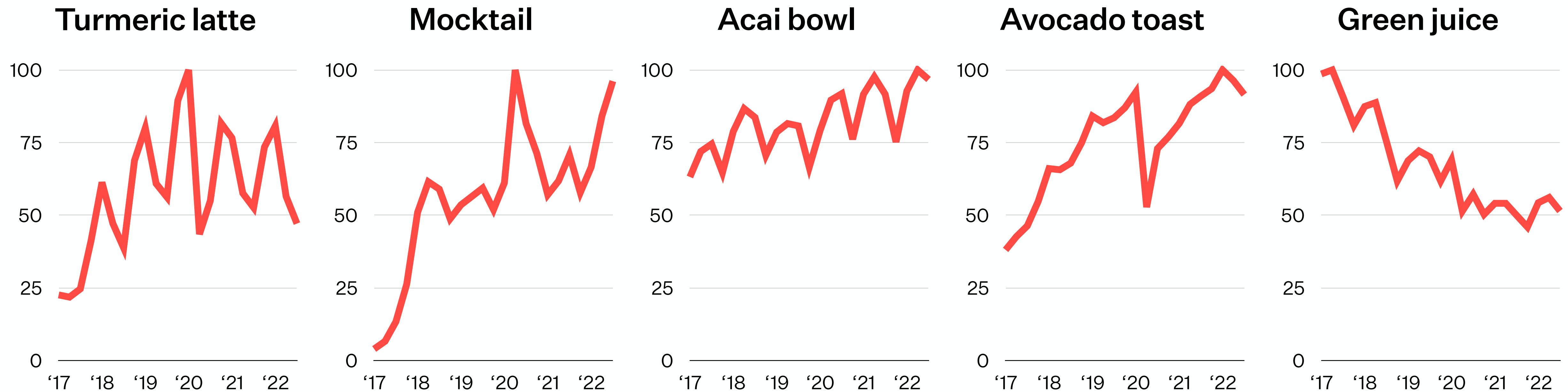
Top priorities: Exercise, diet, and lifestyle changes

Percentage of responses: Which lifestyle changes have you already made or plan to make over the next 12 months?



'Food as medicine' is a key trend we're watching (and investing in)

Purchasing trends of wellness-oriented menu items at merchants that use Square technology



Data: Square. Share of all food and drink transactions at businesses that use Square technology that mention the named product, indexed to 100, where 100 is the maximum for purchases of the named product over the period displayed.

Doctors have had their hands full, but remain influential over consumers' diets

76%

of consumers say that if a doctor were to make nutrition recommendations, they are at least somewhat likely to follow those recommendations.

70%

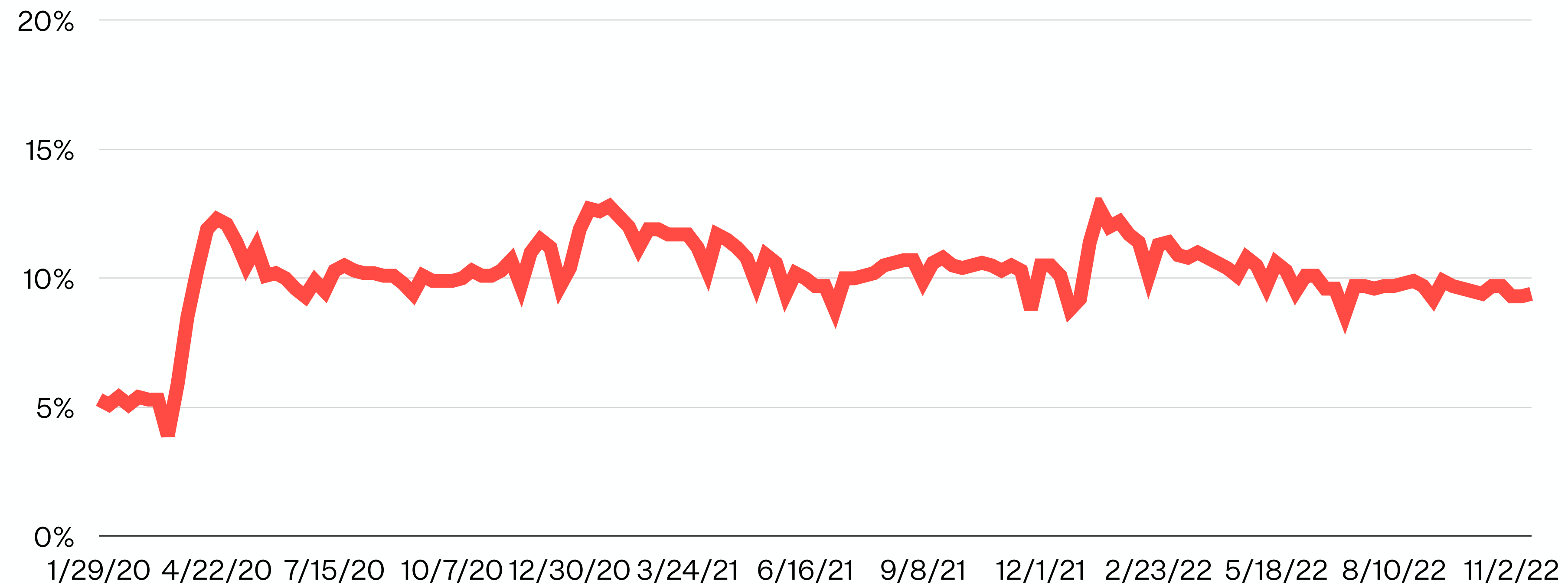
of consumers say that if a doctor were to recommend a food or beverage brand, they are at least somewhat likely to purchase and eat/drink products from that brand.

5

E-commerce will continue to
redraw the trillion-dollar
US grocery industry.

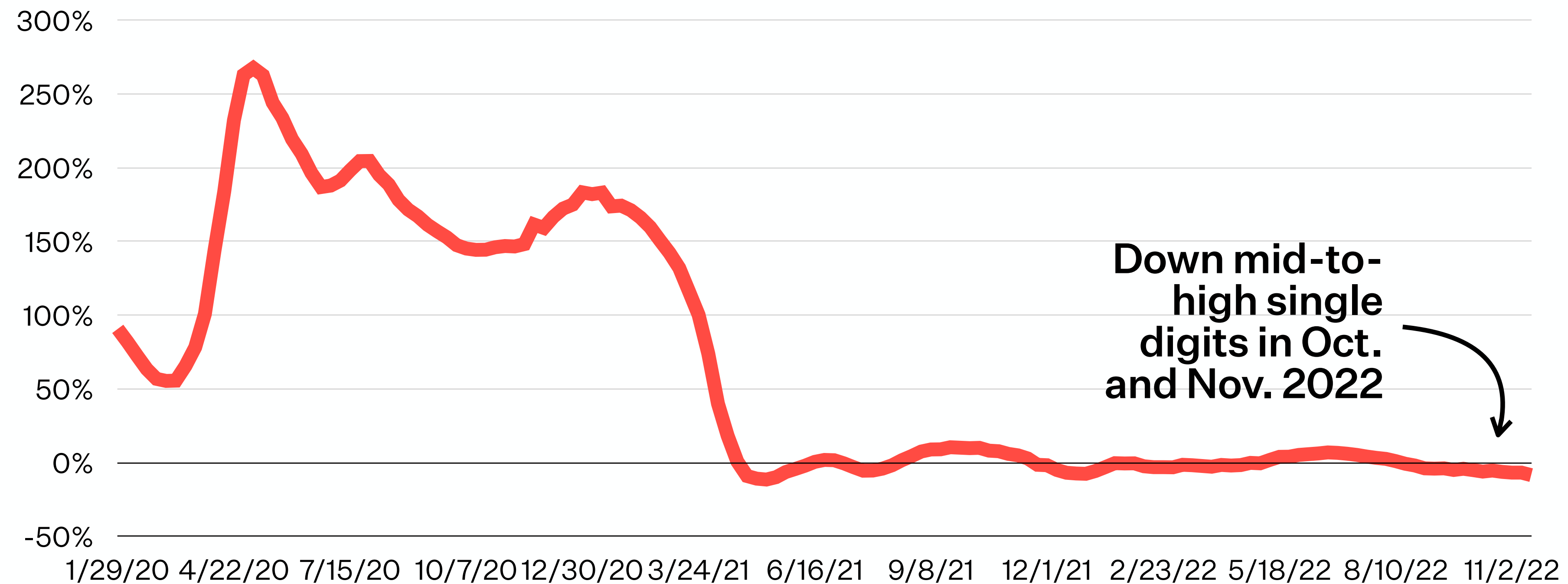
Online grocery got a huge pandemic boost and has maintained most of it

Online share of US grocery spending — Earnest Analytics



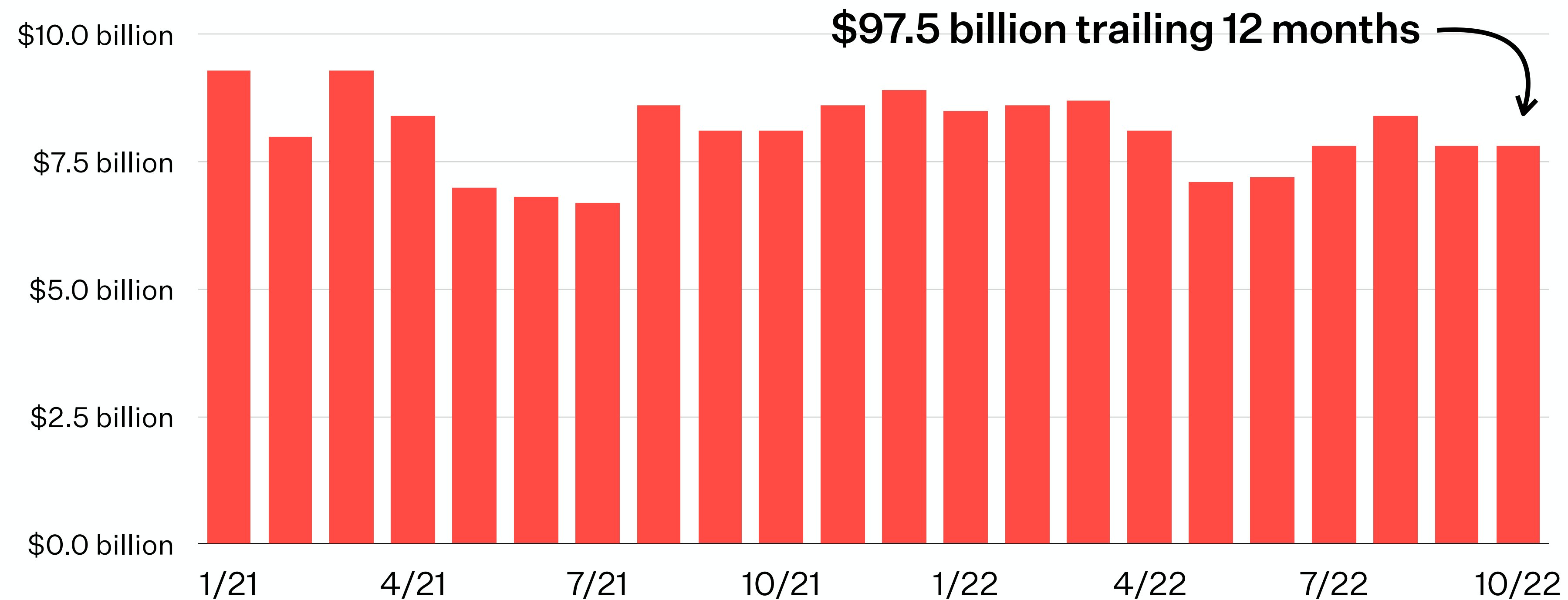
But online grocery *growth* remains flat to negative after its big COVID bump

Year over year change in online grocery spending



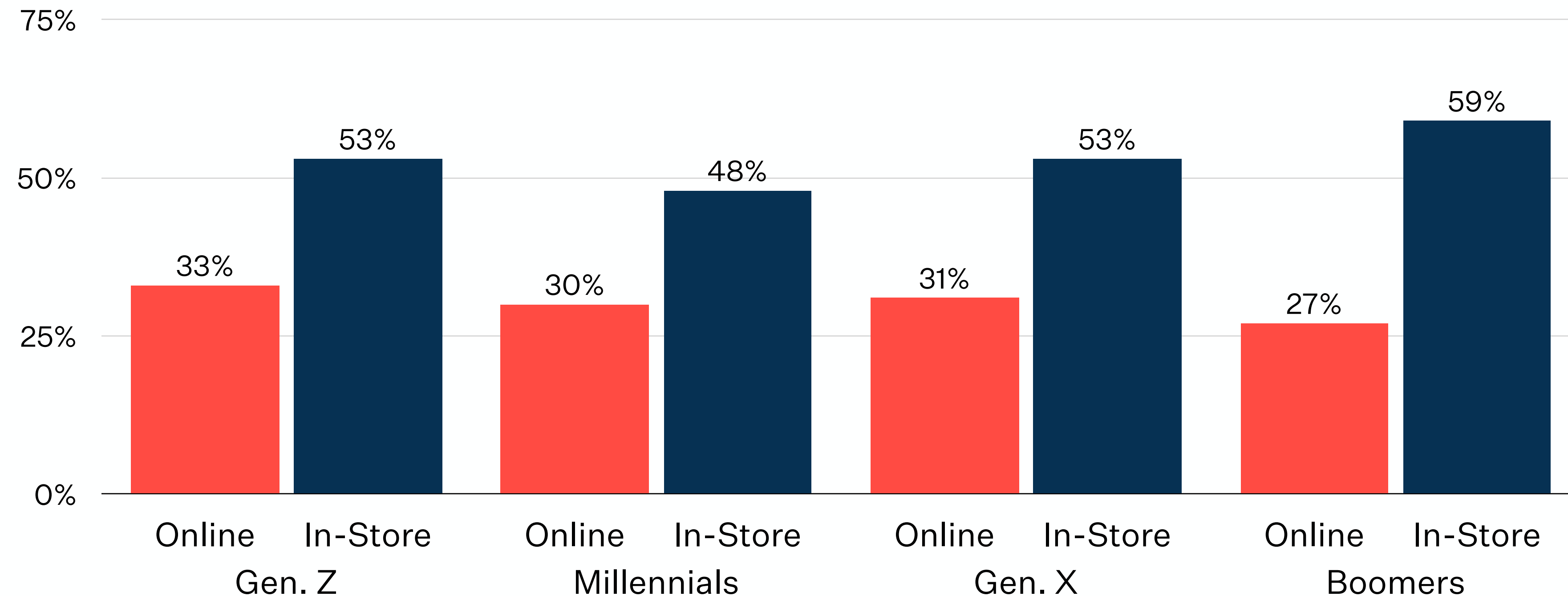
We remain interested because the market (and potential) is massive

Monthly estimated US online grocery spending



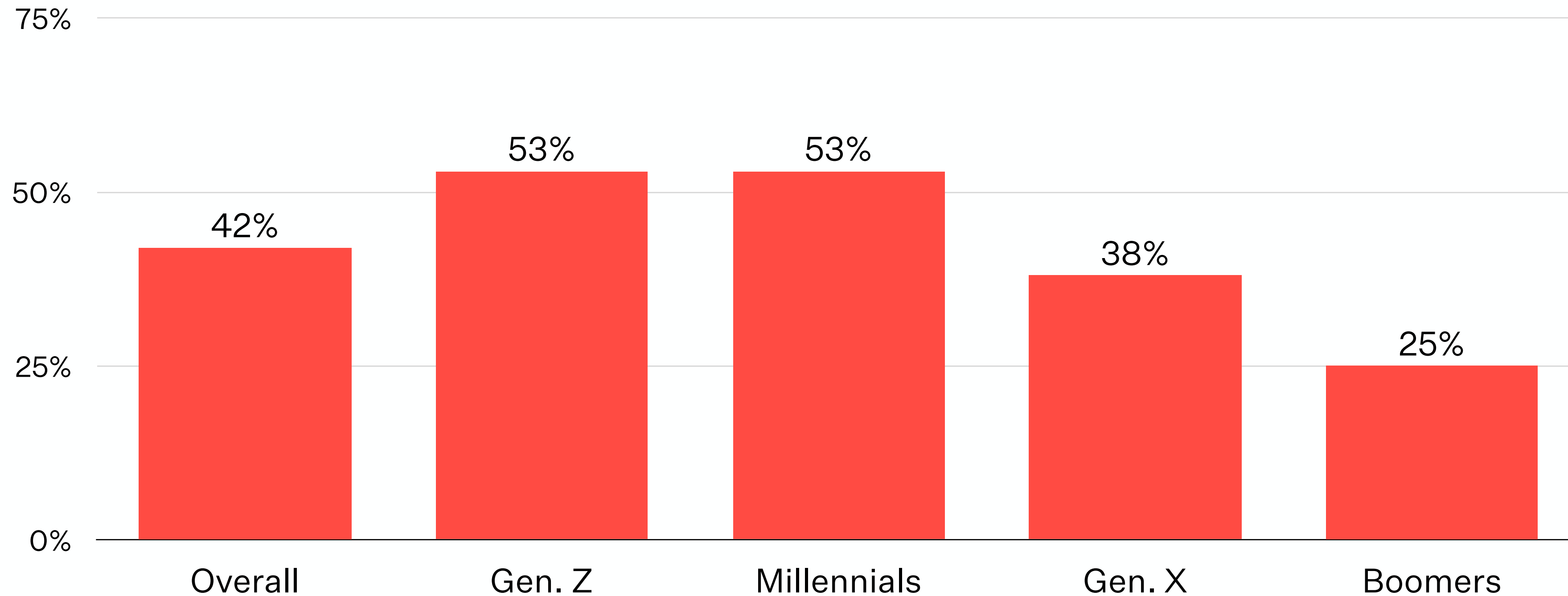
Today, most consumers still prefer shopping for groceries in-store

Percentage of responses by generation: Which do you prefer: Buying groceries online or in-store?



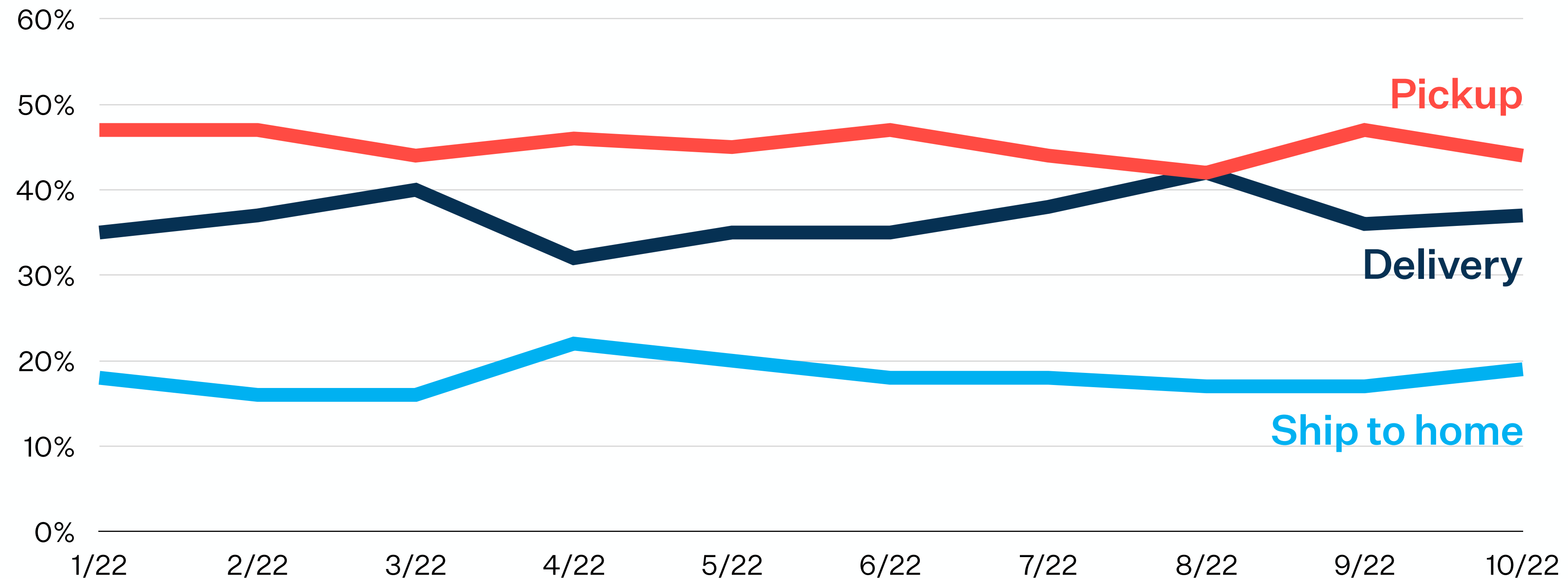
The grocery shopper of the future plans to spend an impressive amount online

Percentage of US consumers who say they plan to do 50% or more of their grocery shopping online over the next 12 months



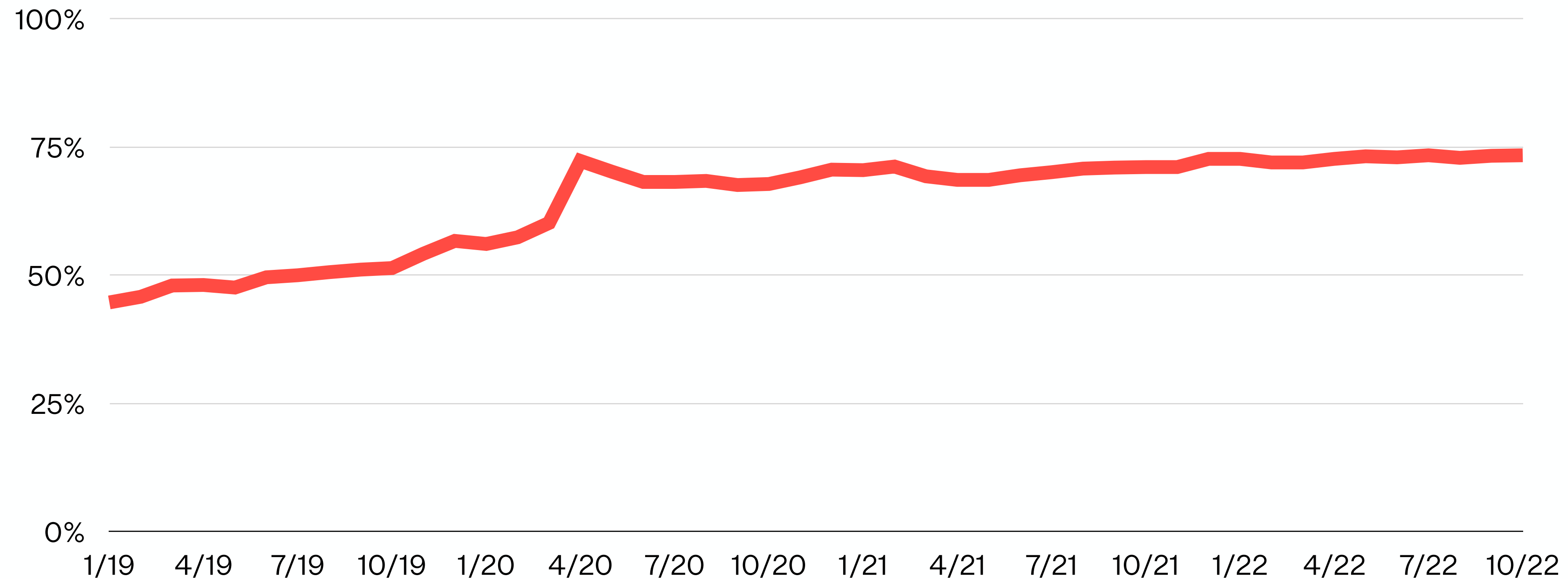
Grocery retail incumbents still matter: Store pickup and delivery dominate

Share of US online grocery spending by receiving method



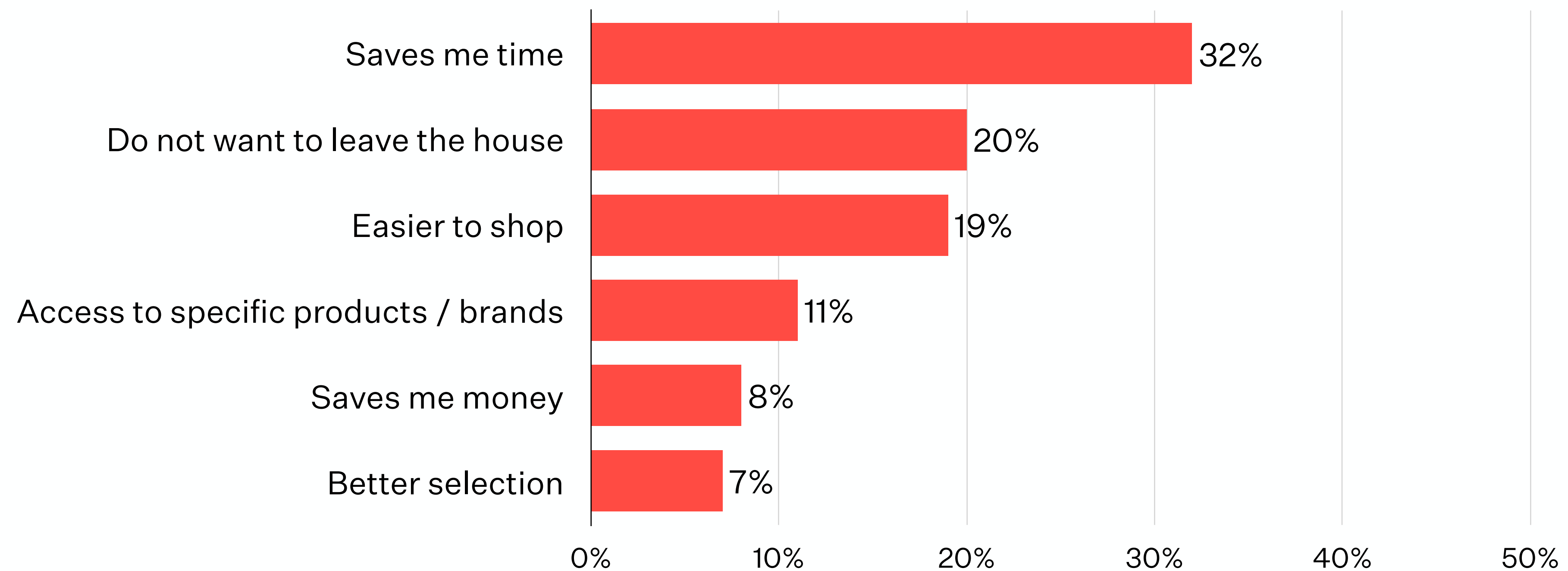
Instacart, which sits between consumers and grocers, has grown its market share

Instacart's share of US consumer credit and debit card spending at online grocers, as measured by Earnest Analytics



Convenience is the top reason people shop for groceries online

Percentage of responses: Why do you shop for groceries online? Please pick your top reason.

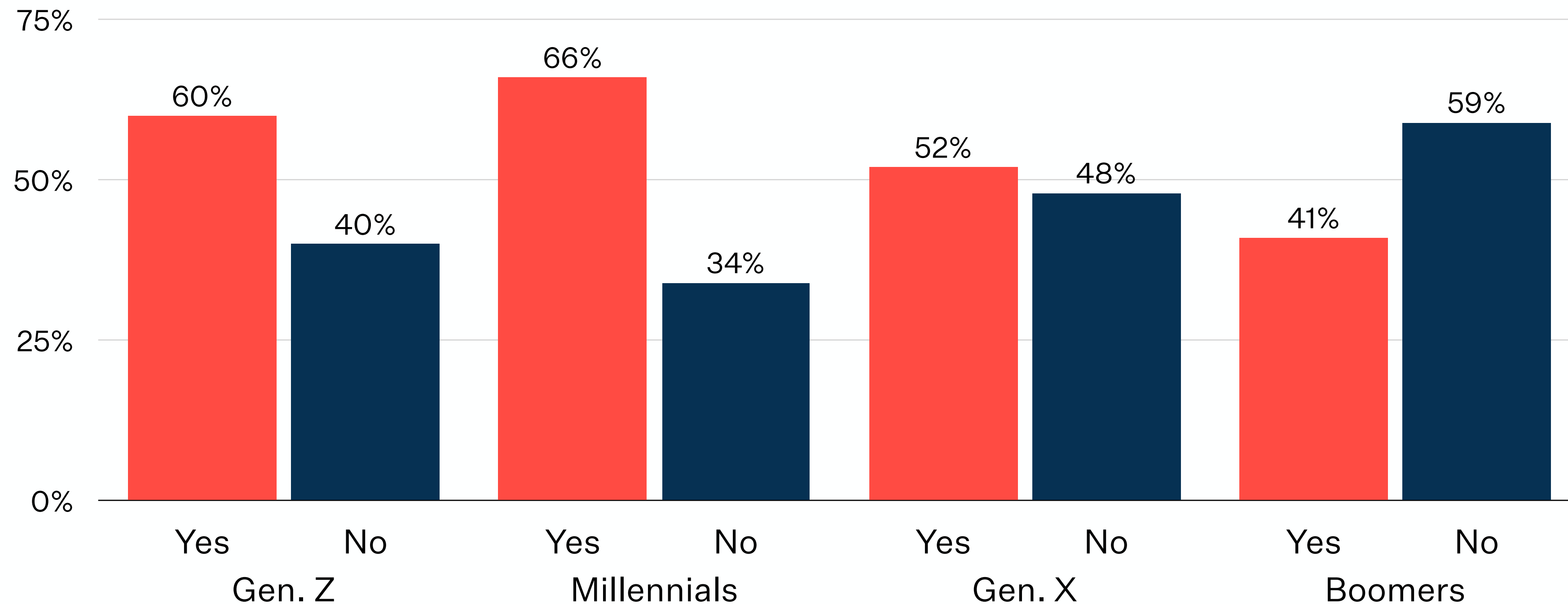


The next phase of grocery convenience is having the computer do the shopping

- Hungryroot, an online grocery startup, says 70% of groceries purchased are chosen by its algorithms, not its customers.
- Kroger said in 2021 that 60% of all items in customers' digital shopping carts were added through its “personalization science.”
- This *is* convenient! It also helps grocers as they try to build high-margin digital advertising businesses.

Algorithmic media consumption had many unintended consequences. Now food?

Percentage of responses by generation: Do online grocery stores have a responsibility to recommend healthy food?



Expect more changes to this slide as e-commerce adoption drives innovation

What's a grocery store?

Ultra-fast delivery



Meals and kits



Delivery apps



Internet-native grocers



DTC e-com.

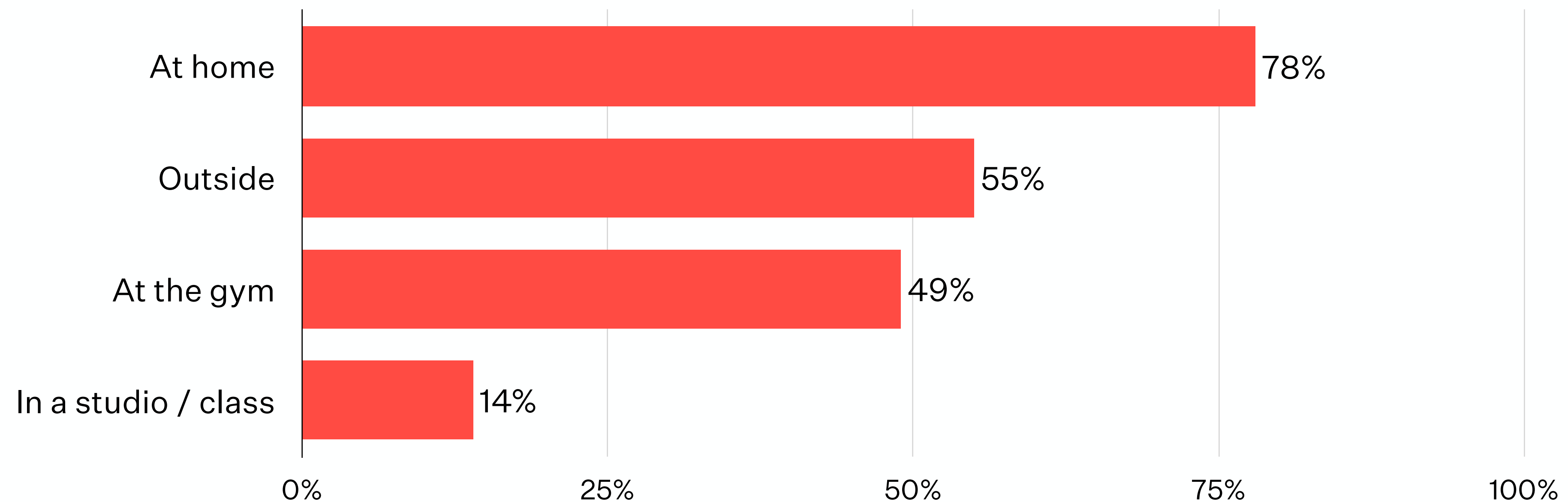


6

The future of fitness still looks like a hybrid digital and gym combination.

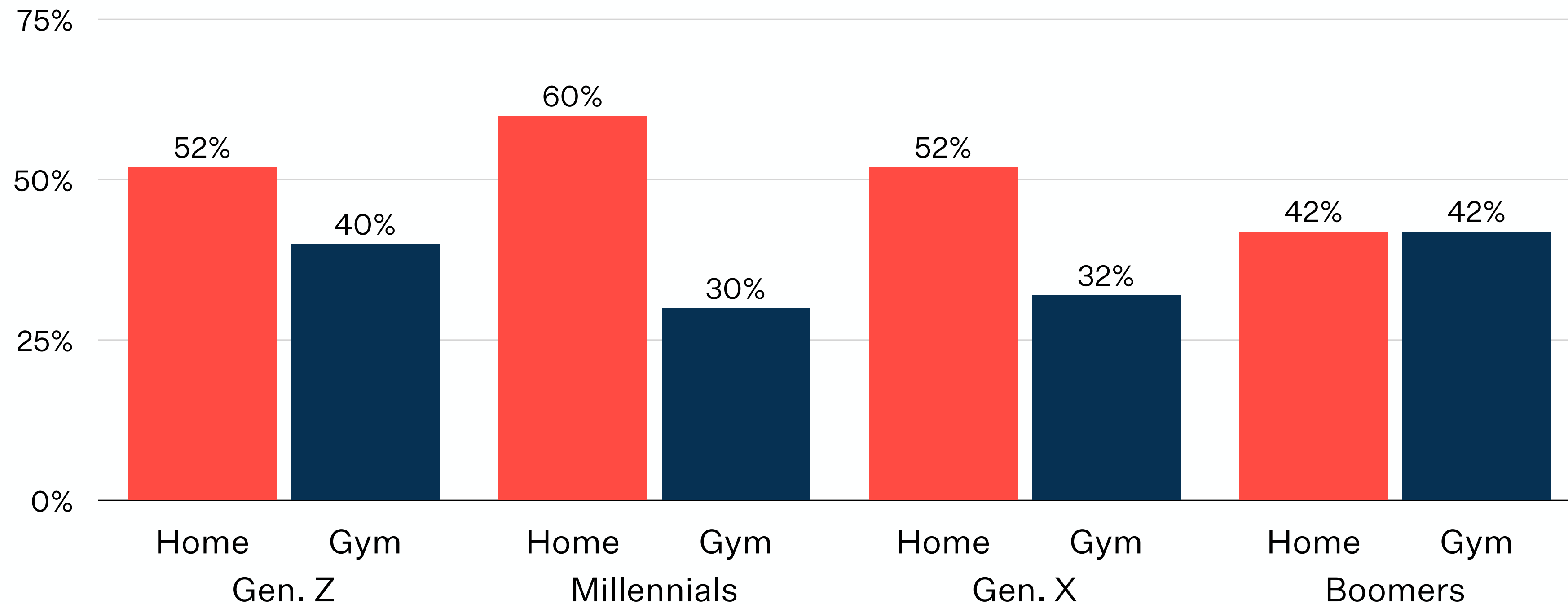
Entering the fourth year of the COVID era, most people who exercise say they've exercised at home

Where have you exercised?



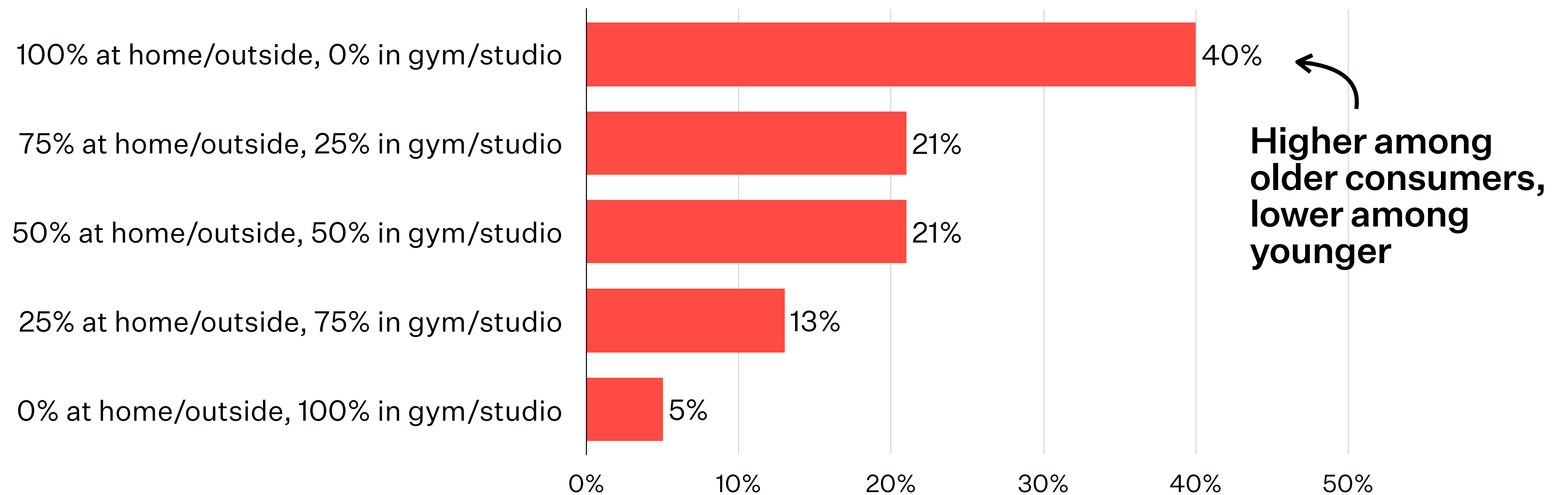
Millennials remain the sweet-spot target for digital fitness companies

Percentage of responses by generation: You said you exercised both at home/outside and at a gym/studio. Which do you prefer?

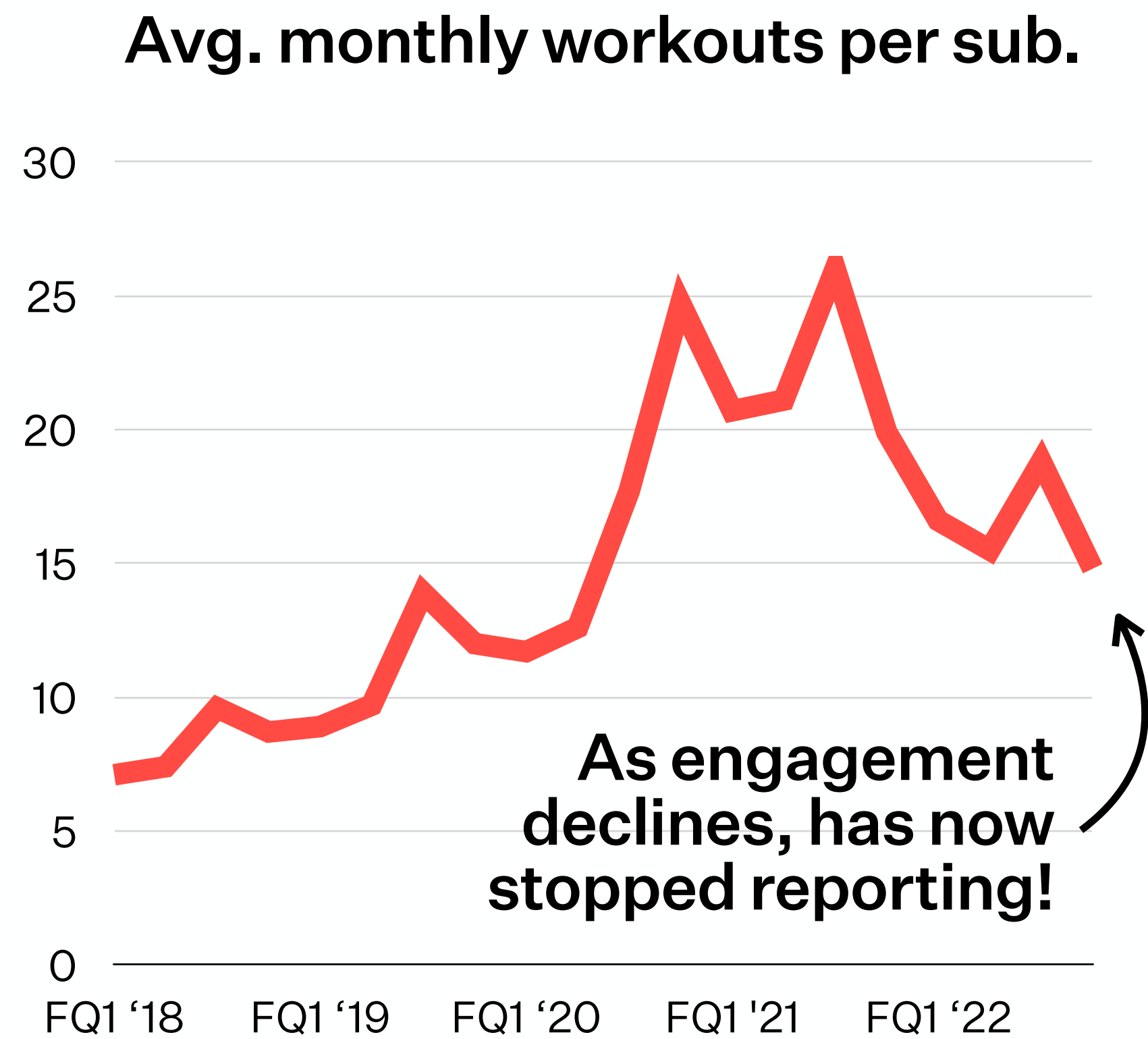
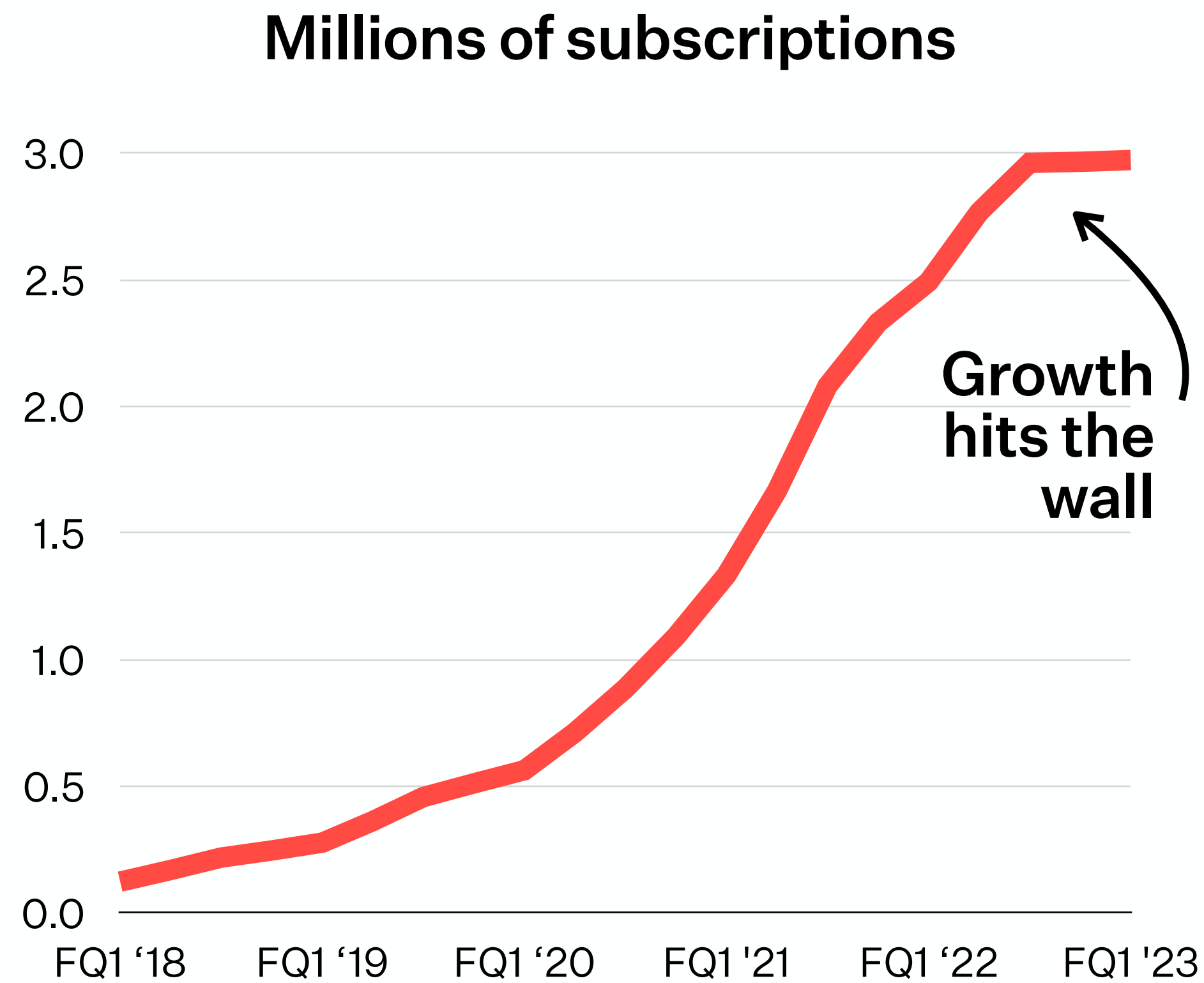


Home fitness is still a big story, but most people who exercise want gym access

Expected fitness routine split over the next 12 months



Peloton remains the ultimate post-COVID turnaround to watch

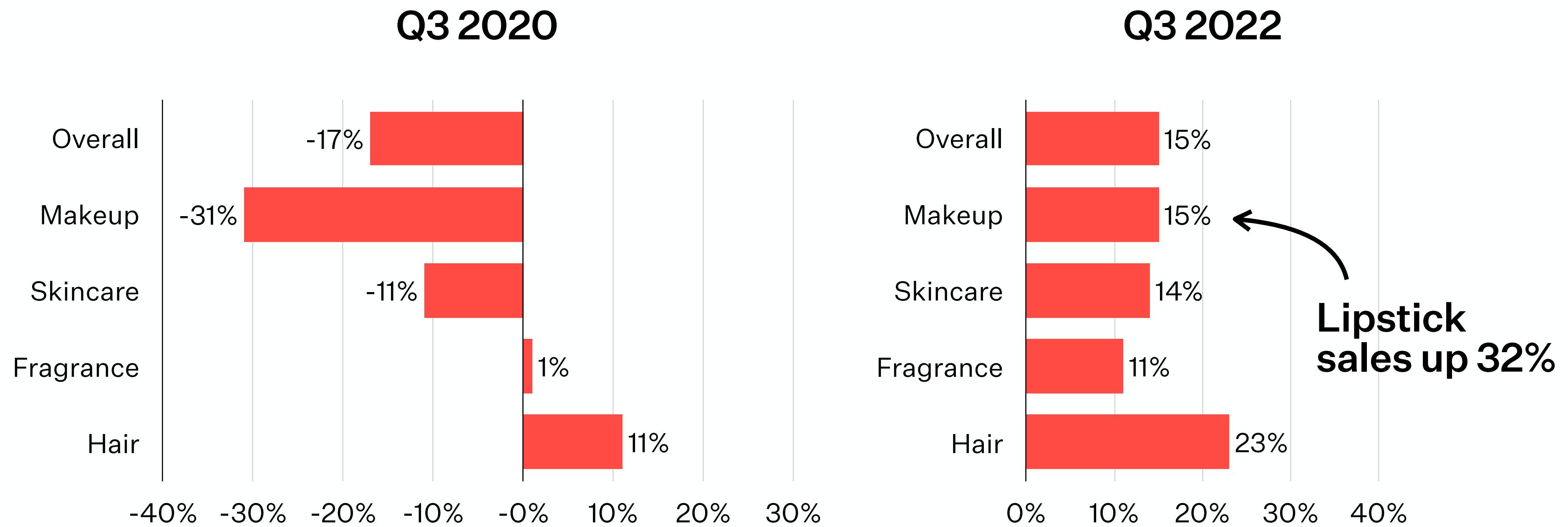


7

Prestige beauty sales are growing
and younger consumers are willing
to spend for super-premium.

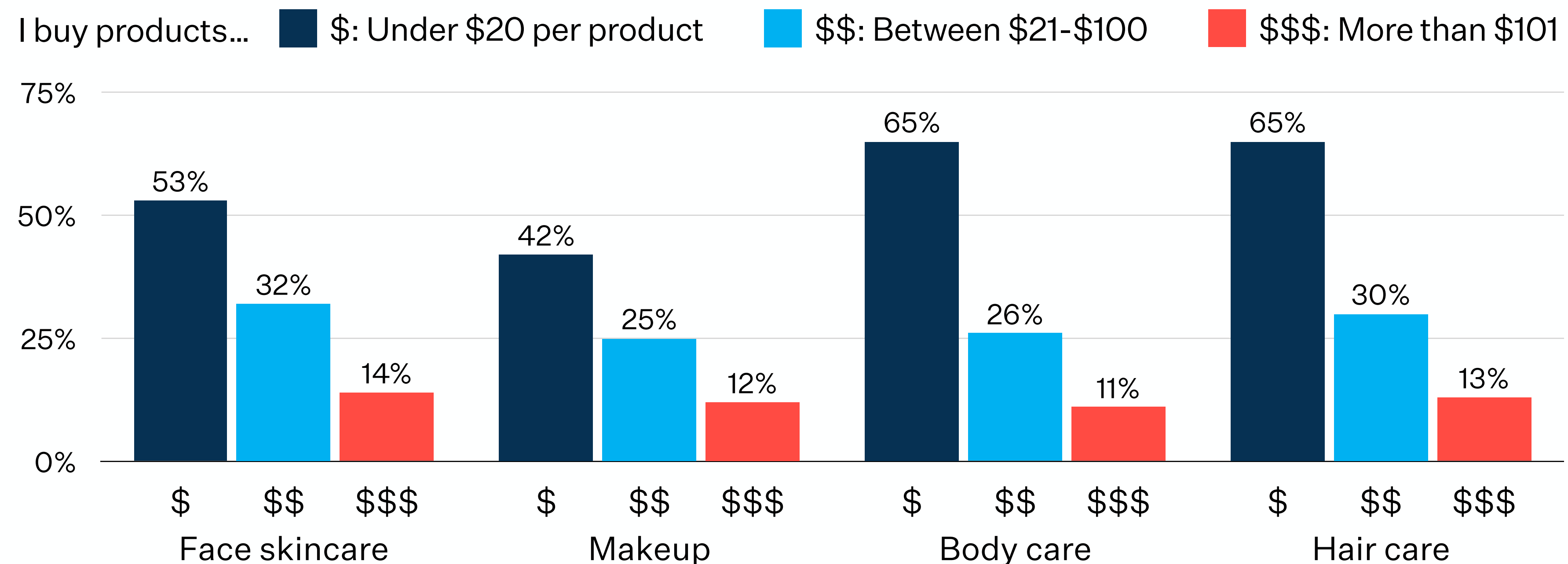
What a difference two years makes: US prestige beauty sales grew 15% in Q3

Year-over-year change in US beauty sales



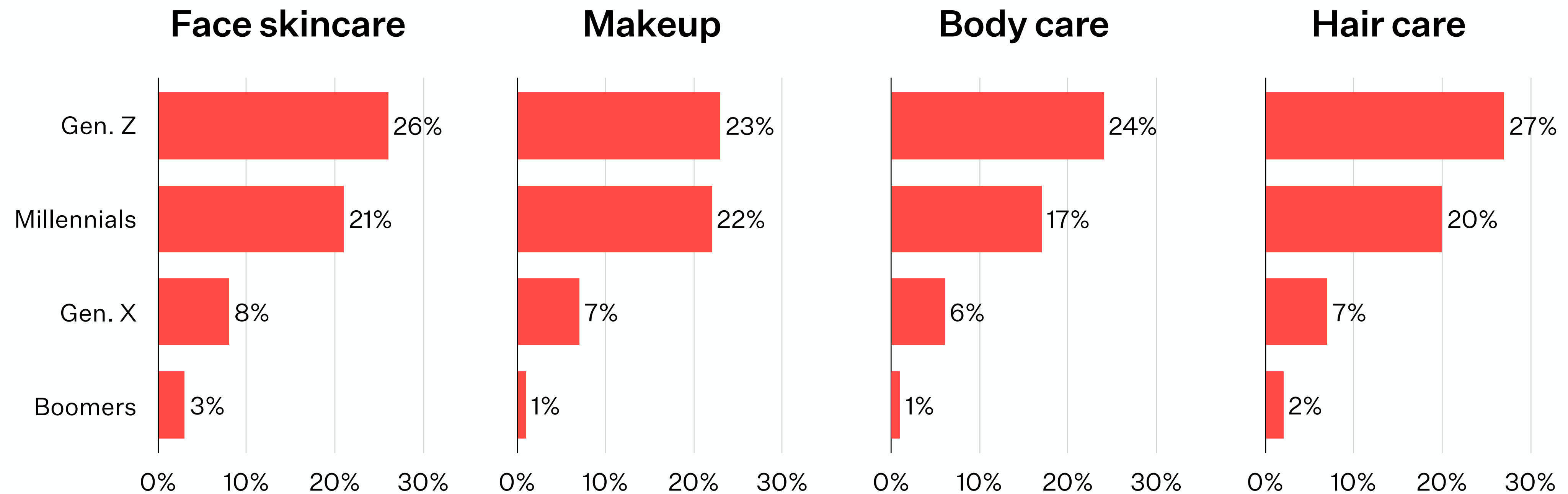
Most consumers tend to purchase inexpensive beauty products

Percentage of responses: Please select the price points at which you purchase the listed personal care categories



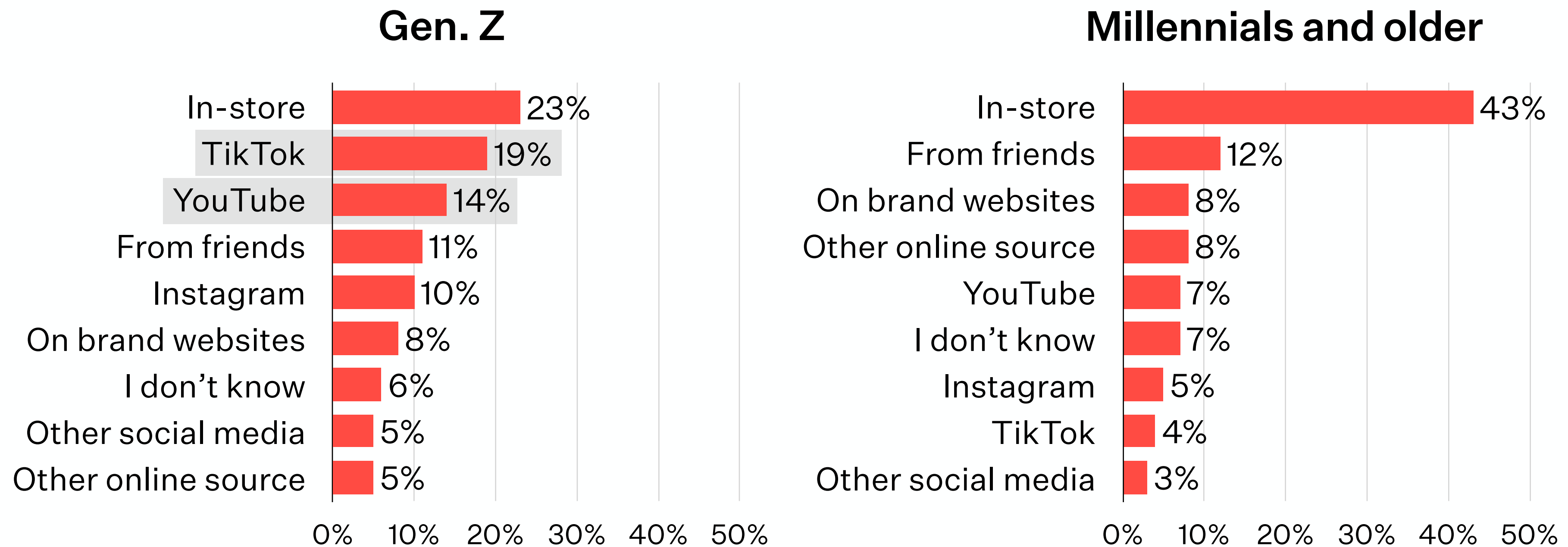
Across beauty categories, Gen. Z and Millennials are willing to spend more

Percentage of responses by generation: I buy products that cost more than \$101 per product



Gen. Z also *discovers* beauty products differently: On TikTok and YouTube

Percentage of responses by generation: Where do you primarily discover beauty or personal care products?

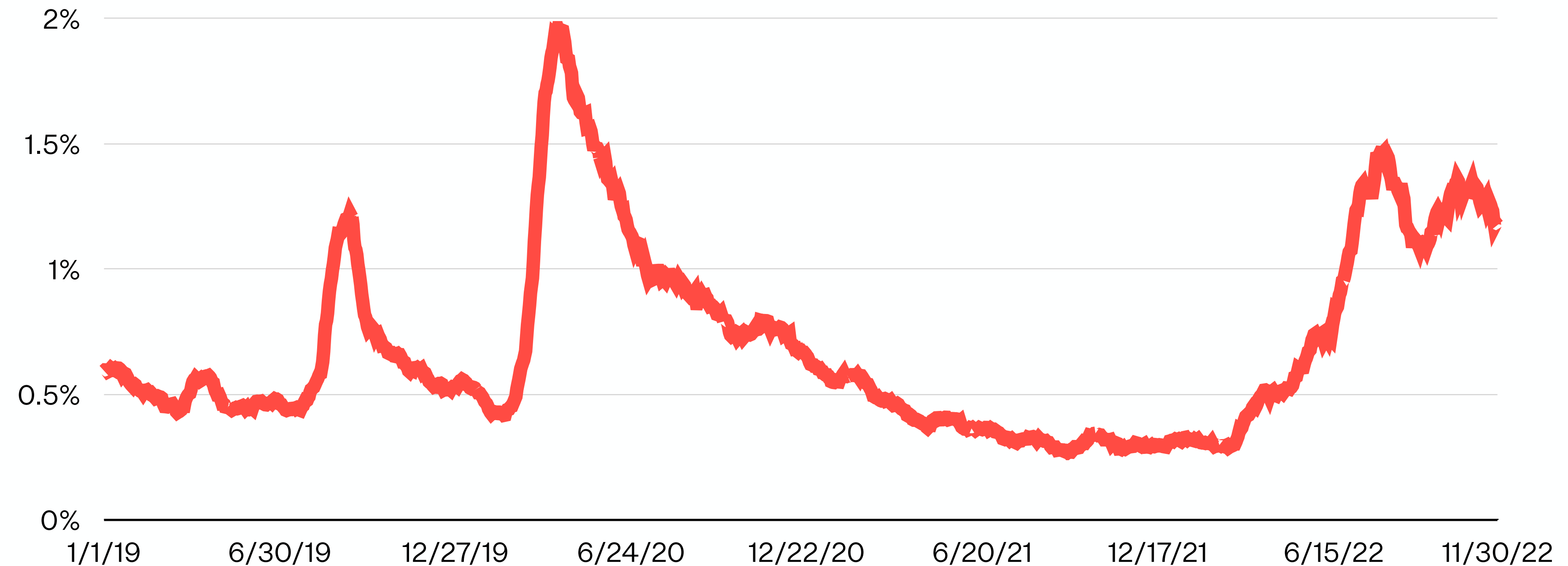


8

The big picture: In the US, the sky isn't falling. And we believe long-term consumer shifts will continue.

It sometimes feels like we're trying to talk ourselves into a recession

Percentage of monitored online news articles mentioning 'recession' or 'recessionary'



But US Holiday e-commerce sales are solid so far, growing from last year

Black Friday

\$9.12b

+2.3%

Nov. 1-28

\$107.7b

+8.7%

Holiday season forecast

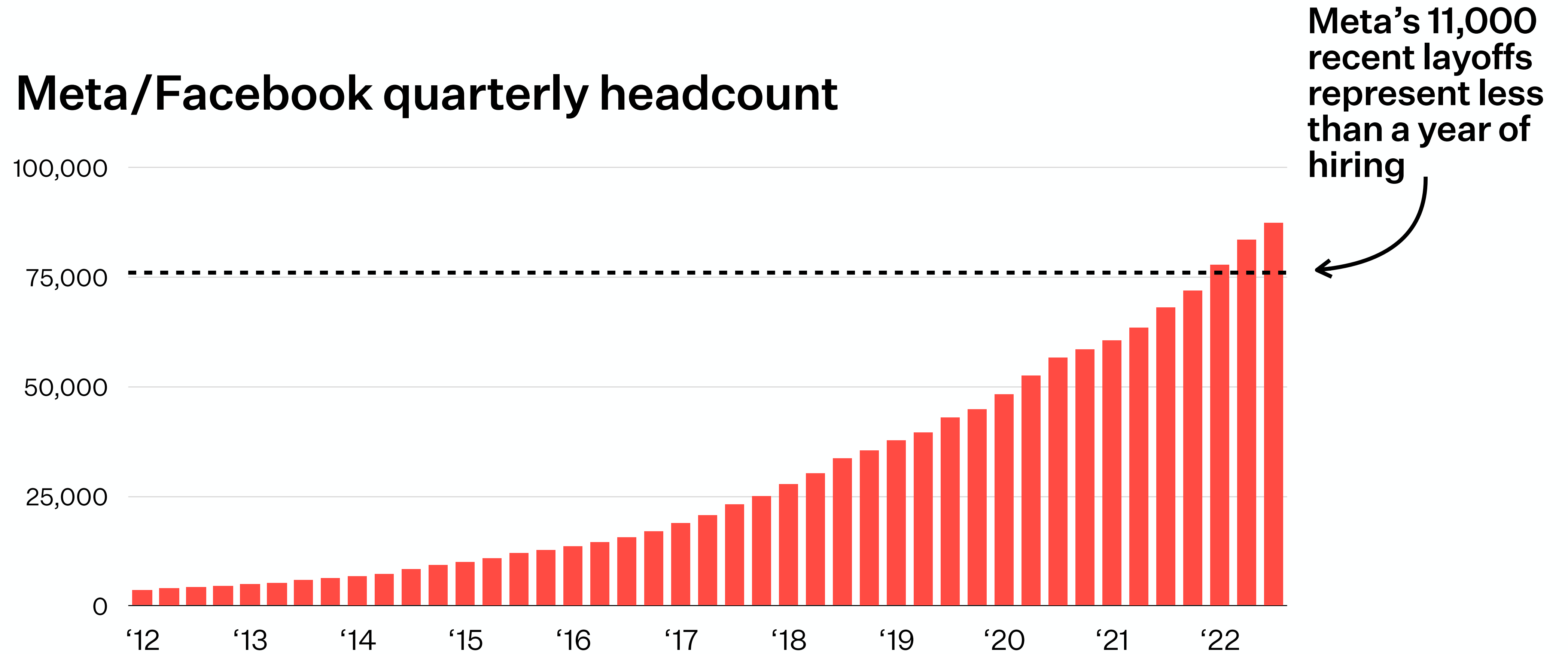
\$210.1b

+2.8%

Cyber Monday electronics discounts set a record high, peaking at 25% off listed price, vs. 8% in 2021. Apparel discounts were 18%, up from 13%.

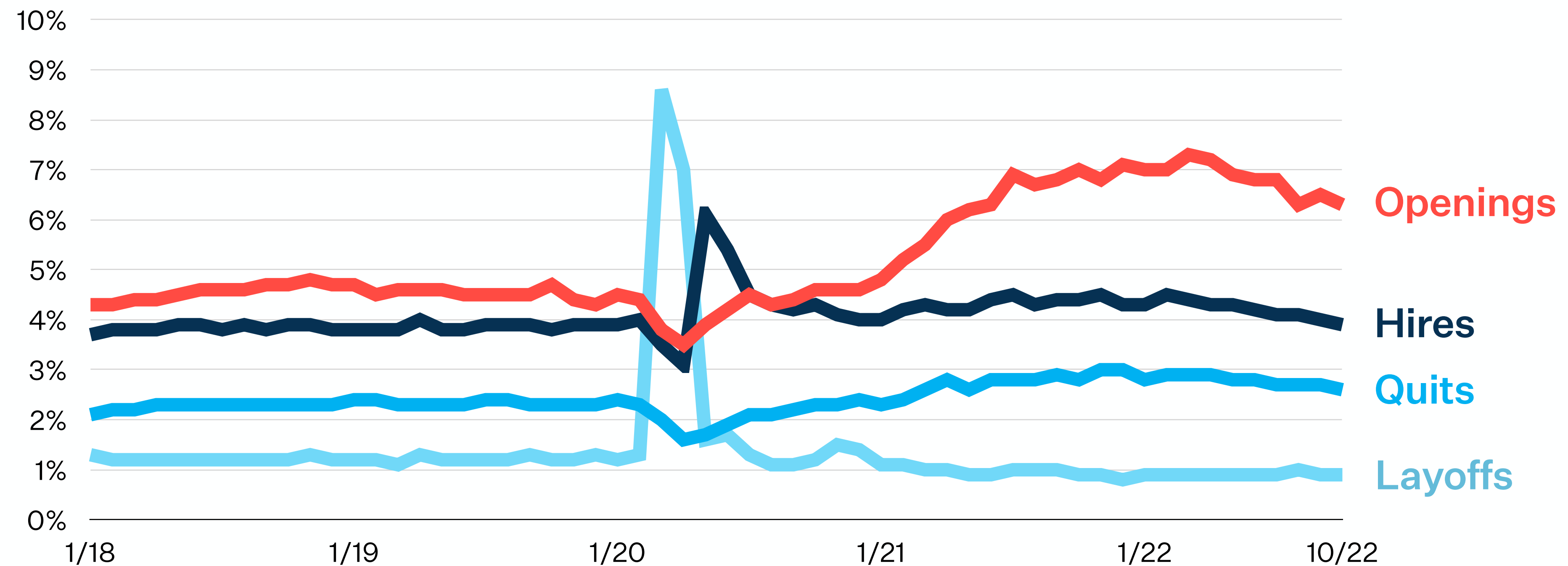
Tech layoffs are getting headlines, but so far, look like trims from over-hiring

Meta/Facebook quarterly headcount



Job openings and hiring are down this fall, but layoffs are still low and stable

Rates of US job openings, hires, quits, and layoffs



Data: US Bureau of Labor Statistics. Hires, quits, and layoffs are calculated as a proportion of employment. Openings are calculated as a proportion of the sum of employment plus openings.

Heading into 2023, we believe
the new consumer economy
is alive and well.

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Toluna

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