



Executive
Perspectives

War in Ukraine: Perspective on Consumer Sentiment

**BCG Global Advantage Practice Area, Center for
Customer Insight**

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Introduction to this document

The war continues to be first and foremost a humanitarian crisis, and the top priority for all continues to be the safety and security of people.

Moreover, the continuity of the war has resulted in profound economic impact, not only within Ukraine but globally—as supply chains face disruption, commodity prices rise, and unprecedented levels of sanctions take hold.

We continue to lean into the most pressing issues and questions on the minds of our clients and teams.

This edition shares a deep dive into the **Consumer Sentiment** through our survey of 9,000 consumers across 11 markets globally. Our snapshot sheds light on current consumer concerns and silver linings, as well as implications for business leaders.

War in Ukraine: Global Update and Consumer Sentiment

AGENDA

Perspective on Consumer Sentiment

- Global Consumer Sentiment trends
- Selected regional insights
- Implications for leaders

Introduction to BCG Consumer Sentiment Snapshot

What is Consumer Sentiment?



Periodic snapshot of consumer perceptions, behavior & spending changes at a given time



Comparison of consumers between different markets



Assessment of underlying causes for evolving consumer sentiment

Methodology

>9,000 respondents

Conducted online in
late April/May 2022

11 focus markets, including the USA, China, European and emerging markets



Summary | Trends & Implications of the War in Ukraine

Global trends

We see muted current consumer sentiment across the world, but for different reasons

- The **War in Ukraine is top of mind** for consumers, although its **impact is perceived most acutely in Europe and the US**
- Concern about **inflation** is the most global issue, with ~70% of consumers concerned about **potential economic impact**
- Lingering COVID concerns remain in select markets (China and Japan), though most consumers feel "the worst is over"
- Uncertainty forcing consumers to **prioritize spending on essentials in the short term**, and adding pressure on personal finances

However, **silver linings emerge** when we examine the forward-looking picture for the consumer sentiment

- Consumers are **optimistic about Covid recovery**, except for some of the more severely affected markets (e.g., China)
- **Pent-up demand strong** as **3 in 4 consumers globally expect to purchase more or the same** over the next six months. Highest pent-up demand expected in discretionary leisure categories like travel, eating out, live events or apparel
- **Digital momentum** continues to pick up speed as 1 in 3 consumers expect to step up online spending further

Regional insights

US | Concerns about inflation & potential recession drive buying behavior to affordability; Covid recovery and digital are silver linings

China | Consumers mainly concerned about Covid impact but relatively optimistic and resilient on all other accounts

Europe¹ | Few silver linings for European countries as war, inflation, recession and financial insecurity pose significant threats

Japan | Cautious sentiment due to pandemic, inflation and recession concerns; Japanese consumers usually show caution

Emerging markets² | Wide range of sentiment from muted in Brazil to more buoyant in India; digital adoption showing strong growth

Implications

5 areas of business action: (1) deaverage by market & product, (2) understand drivers of buying behavior shifts, (3) ensure availability through supply chain resilience, (4) employ dynamic pricing, and (5) invest in digital marketing strategies

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Sentiment | Consumer sentiment is muted globally at the moment, but for different reasons across regions

Concern ranking	 US	 China	 France	 Germany	 Sweden	 UK	 Japan	 India	 Brazil	 Indonesia
1										
2										
3										
4										



Ukraine War



Inflation



Potential recession



Covid

[illegible]

Believe the conflict will continue for a long time



61%

Think consumers in their country are suffering due to politics of the conflict

41%

Sentiment | Concern about inflation pressure persists, with most consumers concerned about potential economic impact

Concern about inflation pressures persists

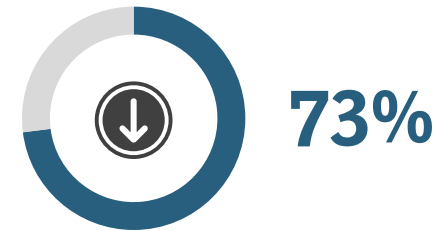
% of Strongly Agree and Agree

83% Are **concerned** by price increases, perceived across categories

Category group	Price increase % who perceived increase
 Essentials Food	87%
 Essentials Non-Food	76%
 Health & Wellness	70%
 Discretionary expenses	72%

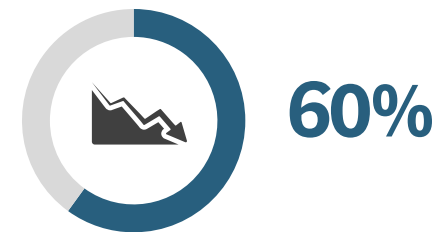
Consumers weary about potential recession

% of Strongly Agree and Agree



Worry that the **world** will struggle with **economic recession**

Most concerned countries



Think there will be an economic **recession in their country**

Most concerned countries



Sentiment | Uncertainty is forcing consumers to prioritize spending on essentials in the short term, and adding pressure on personal finances

Uncertainty affects consumption mix shift to essentials...



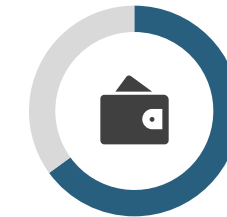
65%

Believe **prices increases will accelerate or keep rate** across all categories

Category group	Price increase	Spend shift	
	% who perceived increase	% who spend more today vs last 6 months	
 Essentials Food	87%		+26%
 Essentials Non-Food	76%		+19%
 Health & Wellness	70%		+5%
 Discretionary expenses	72%	-11%	

...and pressures personal finances

% of Strongly Agree and Agree



65%

Worried about **personal finances**



41%

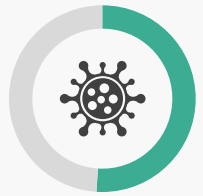
Say their **savings** have decreased

Silver linings | Consumers are optimistic about Covid recovery, except for those in some of the more severely affected markets

Consumers are optimistic about Covid recovery and return to normalcy...

Covid-related consumer sentiment

% of Strongly Agree and Agree



51%

Believe **worst** of the Covid pandemic is **over**

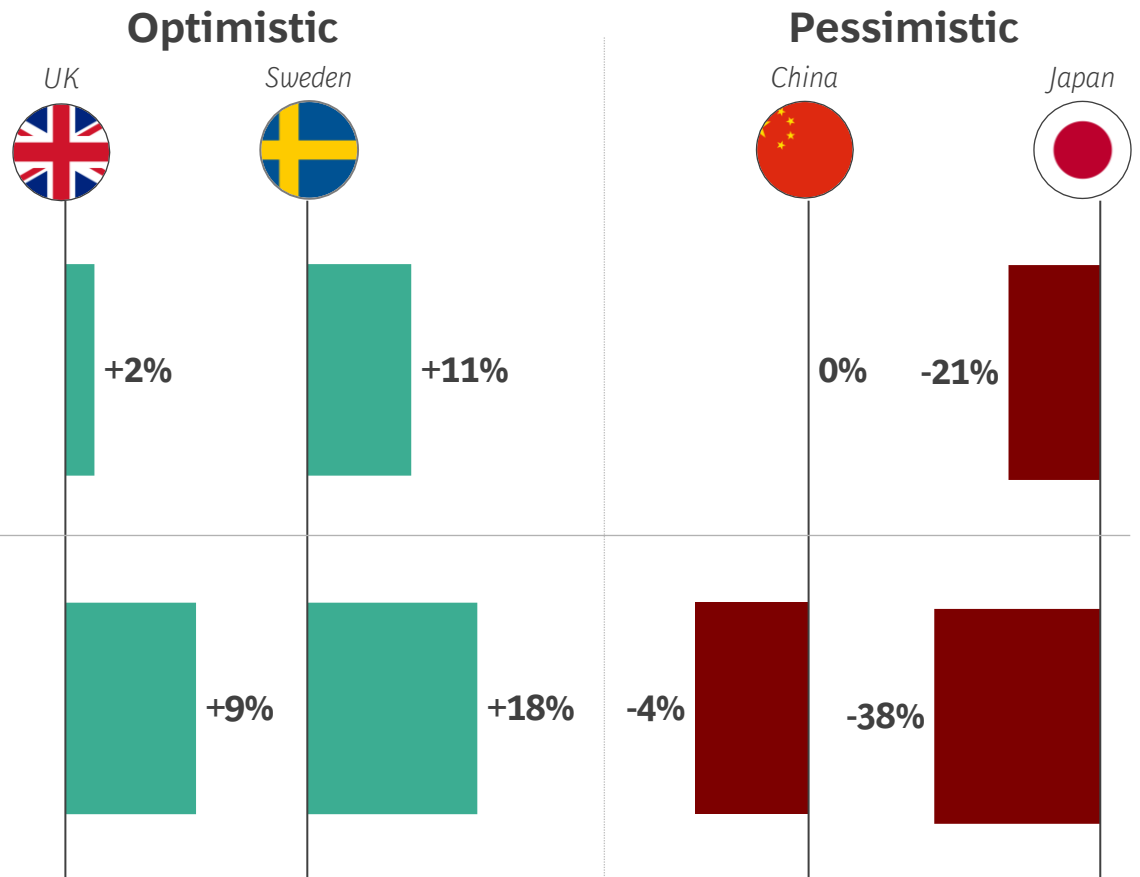


47%

Less worried about the impact of Covid

...except in some most affected markets

Difference between respondents who strongly agree / agree within the country and those who strongly/agree among total global respondents



~3 in 4

people indicated they are going to **spend more or the same** over the next 6 months

Silver linings |
High intention
to spend in
discretionary
categories such
as travel, eating
out, apparel
or leisure shows
evidence of pent-
up demand

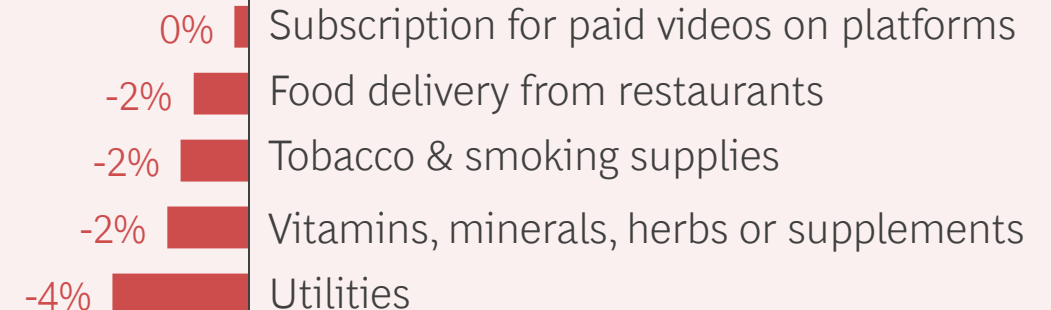
Top & bottom categories where consumers intend to spend more

% of people expecting to spend more in next 6 months than today¹

High growth



Low growth



1. Calculated by subtracting the % of respondents who said they would purchase these categories *less* in the next six months from the % of respondents who said they would purchase these categories *more* in the next six months. Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis

Silver linings | Digital momentum persists beyond Covid as 1 in 3 consumers expect to purchase more online in the next six months

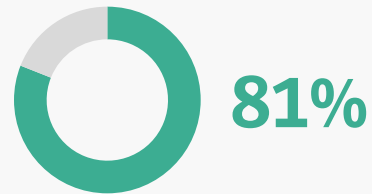
Consumer habits



Purchase online

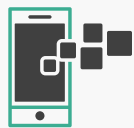
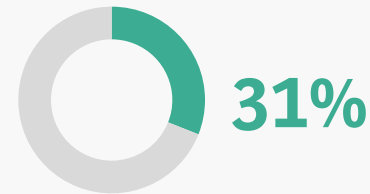
Today | Most consumers spend online and digitally

Used since last 6 months, at least occasionally

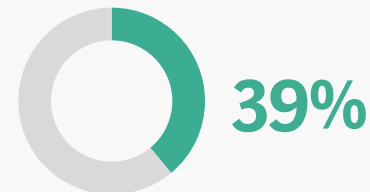
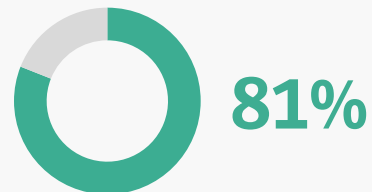


Future | 1 in 3 will increase online & digital spend further

Plan to increase in next 6 months



Use digital payments

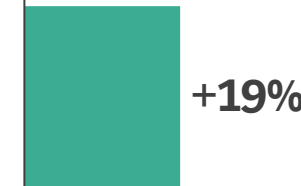


India and USA will experience even higher adoption growth according to consumers

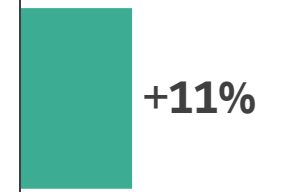
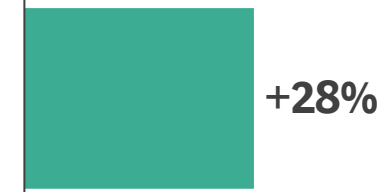
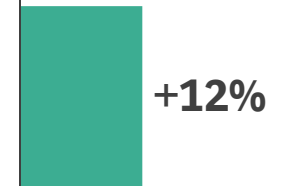
Difference between % respondents intending to increase online spend in next 6 months in the country vs overall



India



USA



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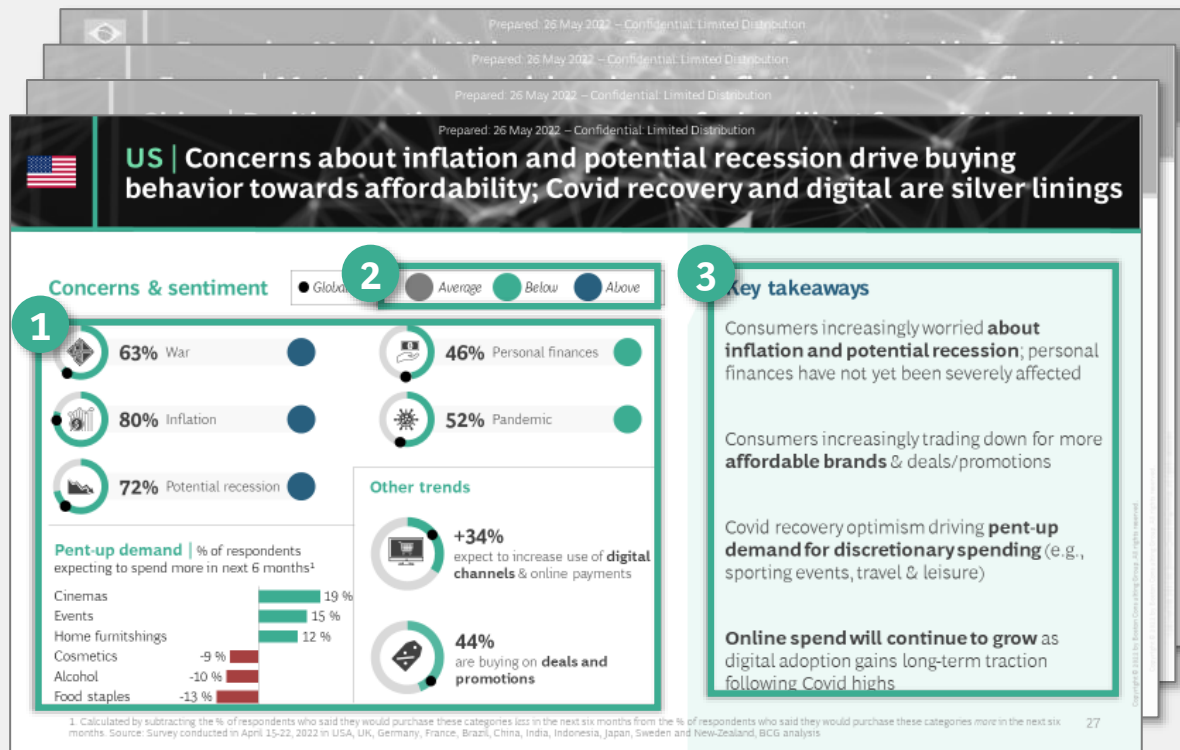
AGENDA

Perspective on Consumer Sentiment

- Global Consumer Sentiment trends
- **Selected regional insights**
- Implications for leaders

Consumer Sentiment developed in Regional Dashboards

Regional Consumer Sentiment Dashboards



1 Evaluated concern & sentiment quantitatively

War | Concerned about Ukraine War & impact in home countries

Personal finances | Concerned about finances and savings

Inflation | Concerned about price increases and their continuity

Pandemic | Concerned about Covid impact and return to normal

Potential recession | Concerned about recessions globally & in country

Pent-up demand | Expected to spend more in certain categories in the next 6 months, and country-specific demand trends

Other trends | Other relevant trends highlighted in the survey for the specific geography (e.g., digital channel growth)

2 Evaluated concern qualitatively

Average | Equal to total average or within 2% above or below

Below | Positive sentiment, >2% below total average

Above | Negative sentiment, >2% above total average

3 Distilled region-specific takeaways to support decisions



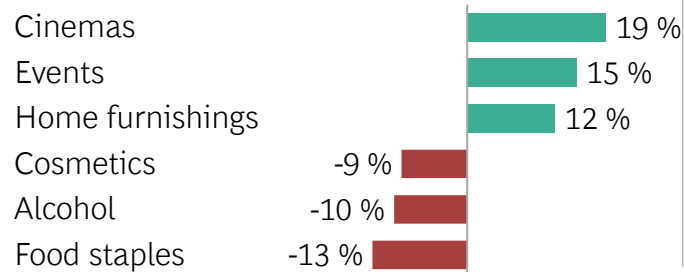
US | Concerns about inflation and potential recession drive buying behavior towards affordability; Covid recovery and digital are silver linings

Concerns & sentiment

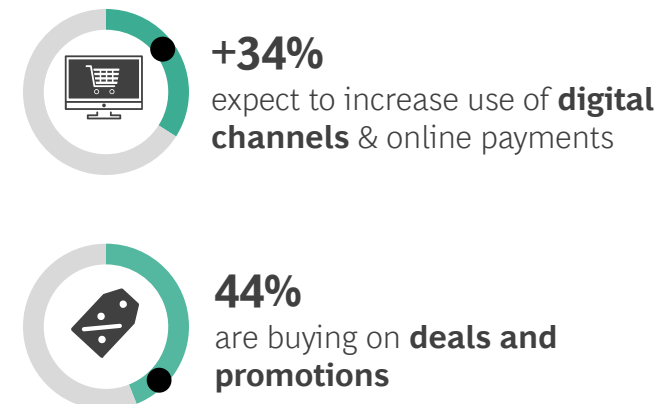
● Global average ● Average ● Below ● Above



Pent-up demand | % of respondents expecting to spend more in next 6 months¹



Other trends



Key takeaways

Consumers increasingly worried **about inflation and potential recession**; personal finances have not yet been severely affected

Consumers increasingly trading down for more **affordable brands** & deals/promotions

Covid recovery optimism driving **pent-up demand for discretionary spending** (e.g., sporting events, travel & leisure)

Online spend will continue to grow as digital adoption gains long-term traction following Covid highs

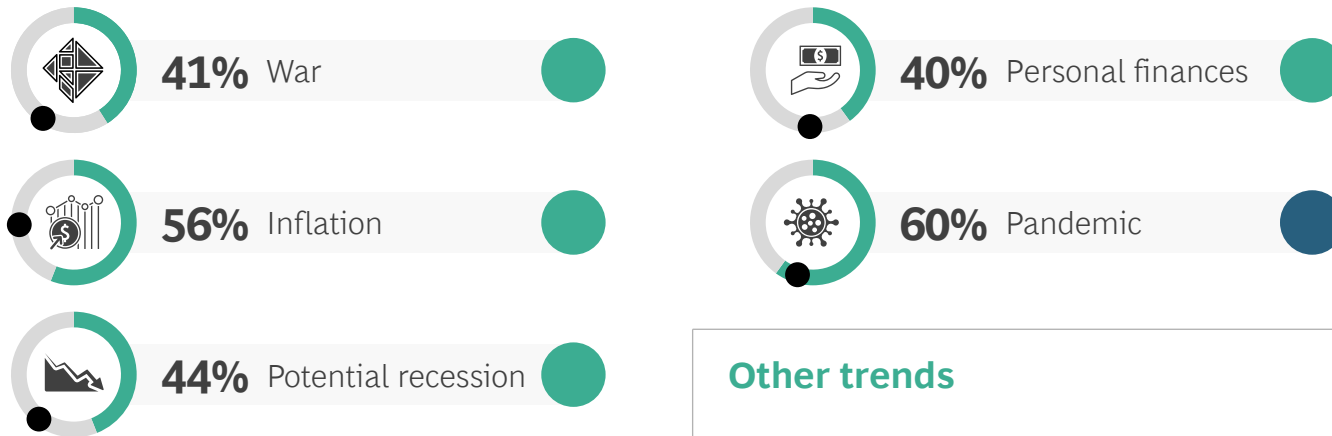
1. Calculated by subtracting the % of respondents who said they would purchase these categories *less* in the next six months from the % of respondents who said they would purchase these categories *more* in the next six months. Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis



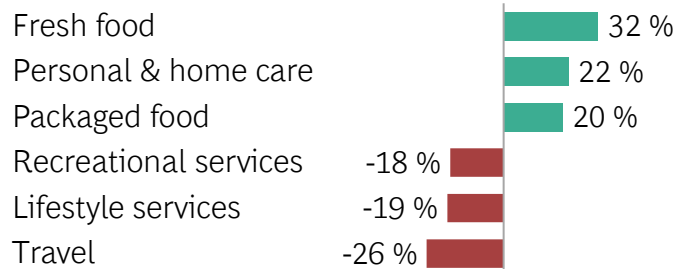
China | Consumers mainly concerned about Covid impact but relatively optimistic and resilient on all other accounts

Concerns & sentiment

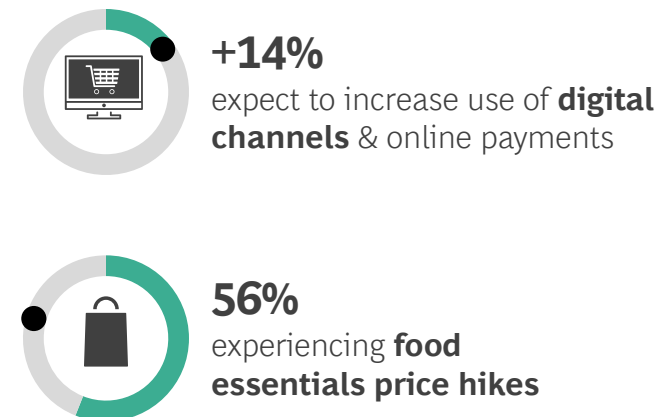
● Global average ● Average ● Below ● Above



Pent-up demand¹ | % of respondents expecting to spend more in next 12 months²



Other trends



Key takeaways

Sentiment less affected by war, inflation and potential recessions, signaling the resilience of the Chinese market

Covid remains **main concern**, an outlier

Spending currently focused on essentials as consumers concerned over lockdowns

Digital spending habits expected to **grow** despite existing high adoption rate

New digital channels (e.g., community commerce) to substitute traditional digital channels

1. Specific BCG survey ran in China in May 2022. 2. Calculated by subtracting the % of respondents who said they would purchase these categories *less* in the next six months from the % of respondents who said they would purchase these categories *more* in the next 12 months. Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis



Europe¹ | Few silver linings for European countries as war, inflation, recession and financial insecurity pose significant threats

Concerns & sentiment

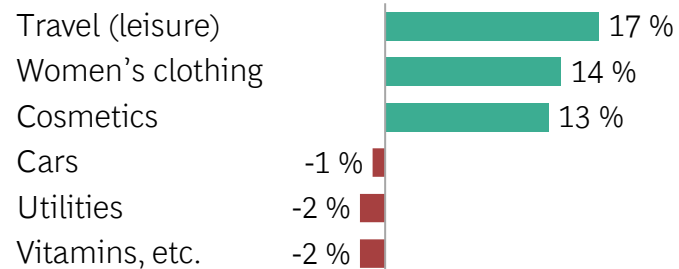
● Global average ● Average ● Below ● Above



Other trends



Pent-up demand | % of respondents expecting to spend more in next 6 months²



Key takeaways

Consumers most worried about direct impact of **Ukraine War** and **recession potential**

Inflation concern drives personal **financial insecurity** and current **spending mix shift to essentials & food**

European consumers **positive about Covid recovery**

Return to normalcy drives pent-up demand for **travel and leisure**

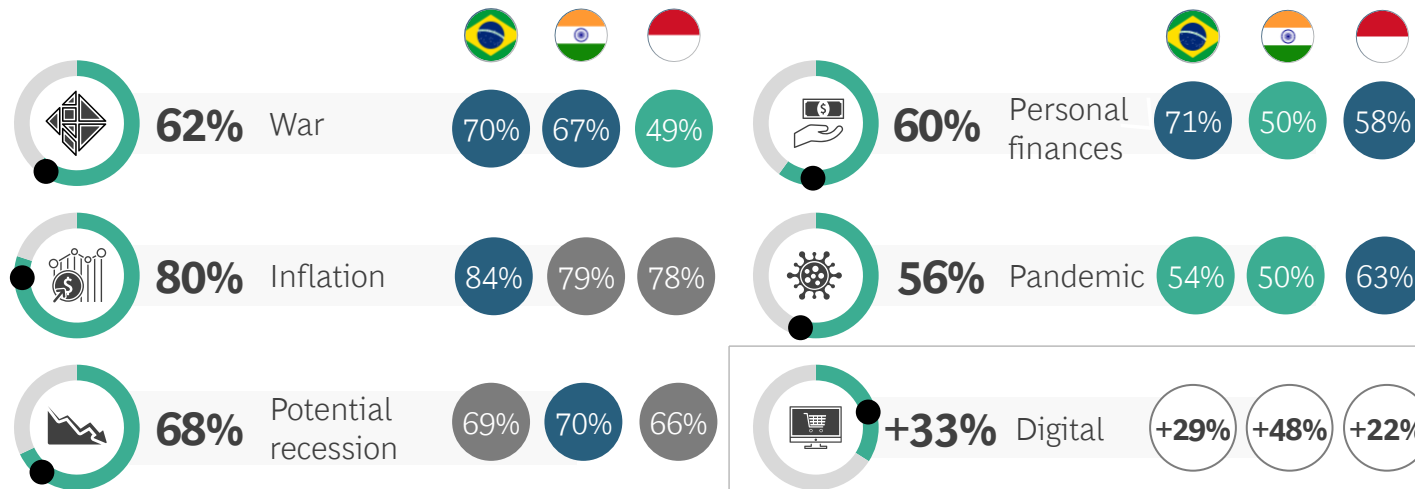
1. Countries covered: UK, Germany, France, Sweden. 2. Calculated by subtracting the % of respondents who said they would purchase these categories *less* in the next six months from the % of respondents who said they would purchase these categories *more* in the next six months. Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis



Emerging Markets¹ | Wide range of sentiment from muted in Brazil to relatively buoyant in India; digital adoption poised for strong growth

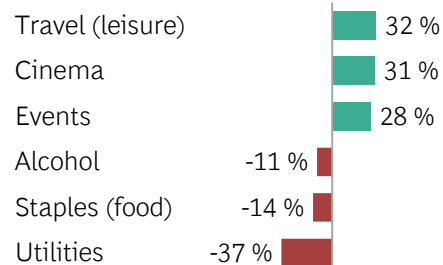
Concerns & sentiment

● Global average ● Average ● Below ● Above

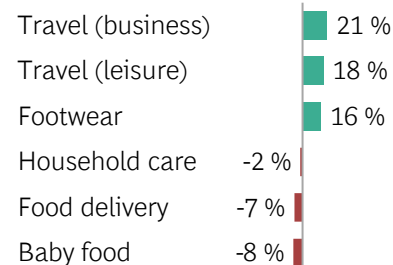


Pent-up demand | % of respondents expecting to spend more in next 6 months²

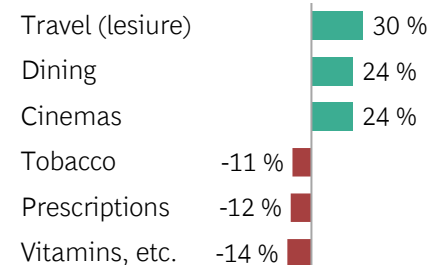
Brazil



India



Indonesia



Key takeaways



Economic insecurity highest in Brazil as consumers perceive income decline

Consumers confident worst of the pandemic is over but **remain cautious**



India **concerns over inflation high**, but most optimistic regarding pandemic

Growth in digital adoption strongest amid recovery in discretionary spending



Sentiment primarily muted **due to inflation**; pandemic remains a concern

Pent-up demand for discretionary spending high, consumers await pandemic to ease

1. Countries covered: Brazil, India, Indonesia 2. Calculated by subtracting the % of respondents who said they would purchase these categories *less* in the next six months from the % of respondents who said they would purchase these categories *more* in the next six months. Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis

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➤ Implications for leaders

5 areas of business action emerge from consumer trends

Implications for business leaders

- 1 Deleveraging** | Deaverage consumer insights and pricing strategies by market & product segment; use pricing ladders and portfolio strategies
- 2 Anticipation** | Understand drivers of change in buying behavior as preferences shift amid rising prices & pent-up demand in discretionary categories such as travel/leisure, clothing
- 3 Availability** | Ensure supply chains are ready to meet short-term pent-up consumer demand in Covid-hit goods; build long-term supply chain resiliency
- 4 Pricing** | Apply dynamic pricing (AI & data analytics) to capture opportunities in real time while keeping in mind price elasticity constraints
- 5 Digital** | Invest in digital marketing strategies to capture continued growth in online consumption and adoption of digital payments; data privacy remains key priority

Companies are taking immediate actions to adapt to consumer trends

Implications for business leaders

- 1 Deleveraging** | Coca-Cola announced price hikes to offset rising costs but aims to mitigate consumer impact through new package sizes & materials¹
- 2 Anticipation** | Walmart prioritizing better understanding changing consumer preferences due to price pressures and adapting product offering as a result (e.g., private brands)²
- 3 Availability** | Apple intends to expand manufacturing into India and Vietnam in effort to diversify supply chain primarily concentrated in China³
- 4 Pricing** | Cinemark plans to move to more dynamic pricing which could lead to increase or decrease in ticket prices based on demand⁴
- 5 Digital** | Burberry launched augmented reality feature allowing consumers to try clothes on virtually & livestreaming of fashion shows on Twitch; digital sales have grown by 50%⁵

1. The Coca-Cola Co. (KO) Q1 2022 Earnings Call 2. Walmart, Inc. (WMT), Q1 2023 Earnings Call, Retail Dive: Walmart's profits take a hit as fuel spikes and consumers react to inflation 3. Wall Street Journal: Apple Looks to Boost Production Outside China 4. Cinemark Holdings, Inc. (CNK), Q1 2022 Earnings Call, Hollywood Reporter: How Cinemark is Approaching Dynamic Ticket Pricing 5. MarketWatch: Burberry sales fall as COVID forces store closures, but strong Asia growth buoys investors Sources: BCG analysis and case experience.

Teams across BCG are actively monitoring impact

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