Retailers and Consumers are Recalibrating amid Recession Concerns

Despite strong economic fundamentals, including record-low unemployment rates, consumer spending has been volatile over the past few months.

Anticipation of a potential economic downturn and the impact of increased online sales tax resulting from the landmark Wayfair vs. South Dakota ruling are contributing to consumers’ caution, according to findings from BDO’s 2019 Consumer Beat Survey.

Meanwhile, brick-and-mortar stores are no longer suffering in silence as consumers are noticing abandoned and run-down store locations. These issues during a healthy economy mean more retailers need to act now to recession-proof their business.

Shoppers report brick-and-mortar decline

- 38% received poor customer service
- 29% noticed empty shelves
- 28% experienced limited product selection
- 24% saw run-down stores
- 18% noted deep discounts

48% of consumers have seen a retail store close in the past month

Recession concerns are high—especially among Millennials

- 67% of Millennials think a recession is likely in the next year, compared to 59% of consumers overall

But only 28% of consumers are changing their spending habits today, including:

- Millennials: 34%
- Gen X: 31%
- Baby Boomers: 21%

44% of retailers are actively planning for a market correction.

*BDO’s 2019 Retail Rationalized Survey

For more information, visit https://www.bdo.com/industries/consumer-business/overview
Consumers begin to feel *Wayfair* aftershocks

30% of consumers have noticed higher online sales tax in the past year. Among them, 60% are changing their spending habits.

In the wake of *South Dakota v. Wayfair*, some retailers now must collect sales tax for online purchases in states where they previously had not—and consumers are beginning to feel the impact.

#1 online shopping deal-breaker: high shipping fees

In the past month, consumers stopped shopping from an e-tailer as a result of:

- 25% High shipping rates
- 12% Delayed deliveries
- 11% Online sales tax
- 10% Difficult-to-navigate website
- 7% Cybersecurity breach

Muted concern over cybersecurity breaches indicates that some consumers may be experiencing breach fatigue—accepting the reality of constant data compromises. However, with cyber breaches increasing in both severity and frequency, it’s critical that consumers and retailers alike take necessary precautions.

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