

# HOW INFLATION AFFECTS CUSTOMER EXPERIENCE EXPECTATIONS

An Ipsos Point of View

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GAME CHANGERS



## KEY FINDINGS:

- As inflation rises, companies can expect to experience an inflated demand for great customer experience and value for consumers.
- Customers feel nearly two times more empathy for small businesses (81%) raising their prices compared to large companies (47%).
- Counteracting rising prices by reducing investments in experience and service is a sure-fire way to alienate both current and new customers.

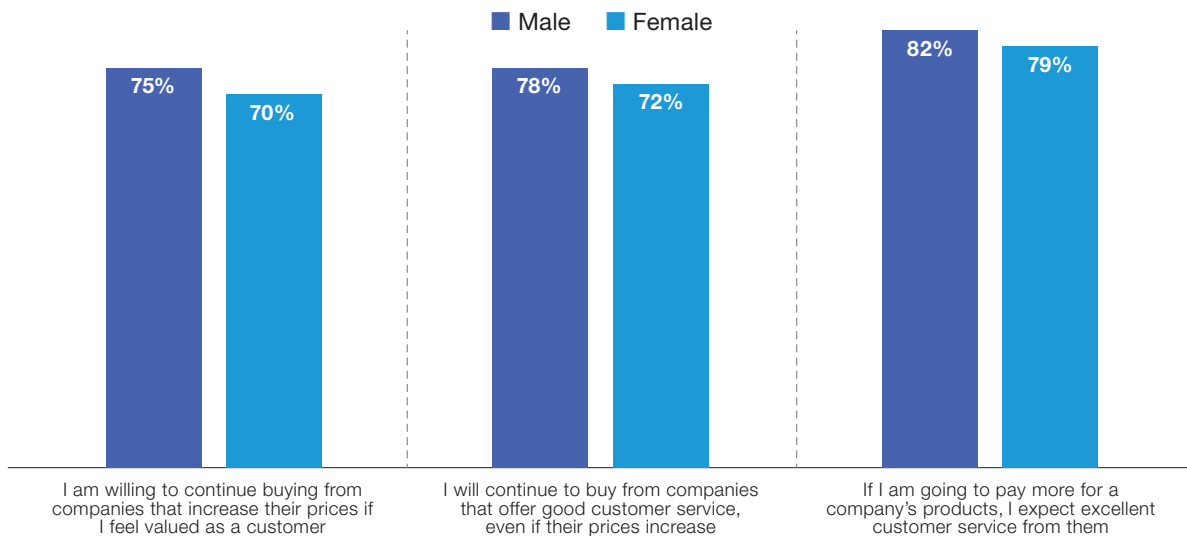
With inflation at +9.1% as of June 2022 vs. May 2021, the highest rate in four decades, Ipsos CX sought to understand how increased pressure on wallets translated (or not) to increased expectations within the customer experience.

In our [Human vs. Digital study](#), we uncovered that the pandemic led to heightened expectations across digital channels of engagement for all demographics. With people re-entering the physical world, expectations on human (employee) interactions are even higher.

When layering in inflation and its potential impact on spend decisions, we see even more demand from customers for meaningful, personalized experiences.

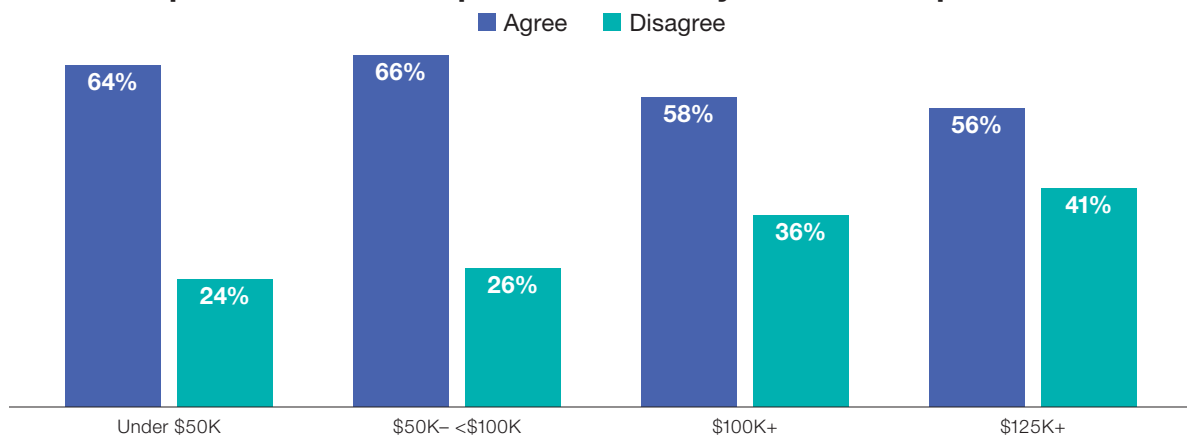
## Impact on expectations

As inflation rises, companies can expect to experience an inflated demand for great customer experience and value for its customers. Males (75%) in general are more willing to buy from companies that increase their prices if they feel valued as a customer compared to females (70%). Where the customer already has positive sentiments about customer service with a brand, again, more males (78%) than females (72%) will continue to engage with that brand as prices rise. Overall, increased prices translate to increased expectation, with nearly 80% of both males and females correlating higher prices to better experiences.



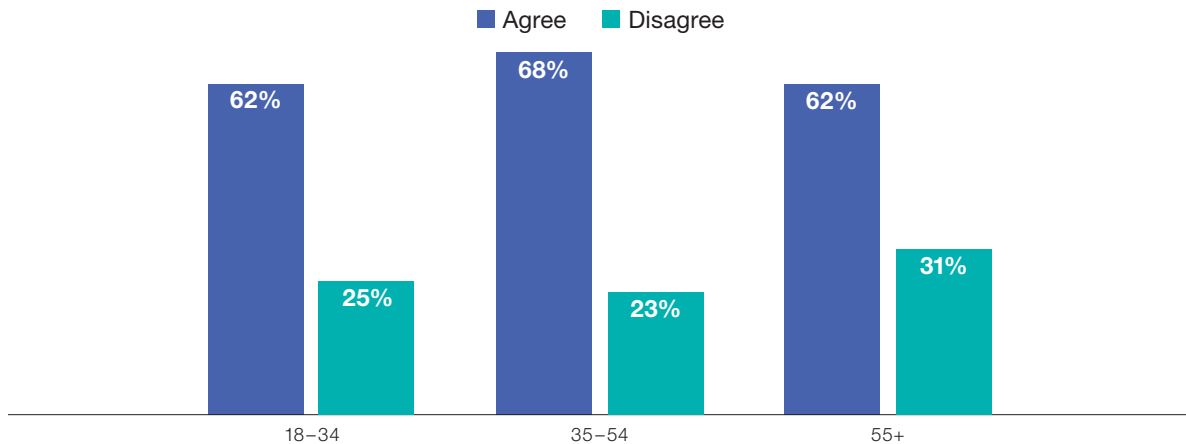
Higher expectations of great customer experience and value are especially tied to household income. When asked if they agree with the statement, “When a company raises its prices, I expect immediate improvements in my customer experience,” the delta between those who agree and disagree is most prominent for household incomes under \$100,000. As income increases and price sensitivity decreases, customers have fewer expectations of improvements in CX as they shell out more cash for the same goods and services.

### “When a company raises their prices, I expect immediate improvements in my customer experience.”



There is notable consistency across age cohorts: 62–68% expect immediate improvements in CX as prices rise. This highlights that companies who cater to certain age demographics should not expect to benefit from more tolerance in the inflationary environment.

### “When a company raises their prices, I expect immediate improvements in my customer experience”



Inflated expectations pose a conundrum for brands making decisions around passing costs onto their customers versus absorbing the impact into their margins. Lower-income households will translate their price sensitivity into experience sensitivity, and across the board, brands can expect customers to be more attuned to how valued they feel for choosing to continue to do business despite rising prices.



*Counteracting rising prices by reducing investments in experience and service is a sure-fire way to alienate both current and new customers.*

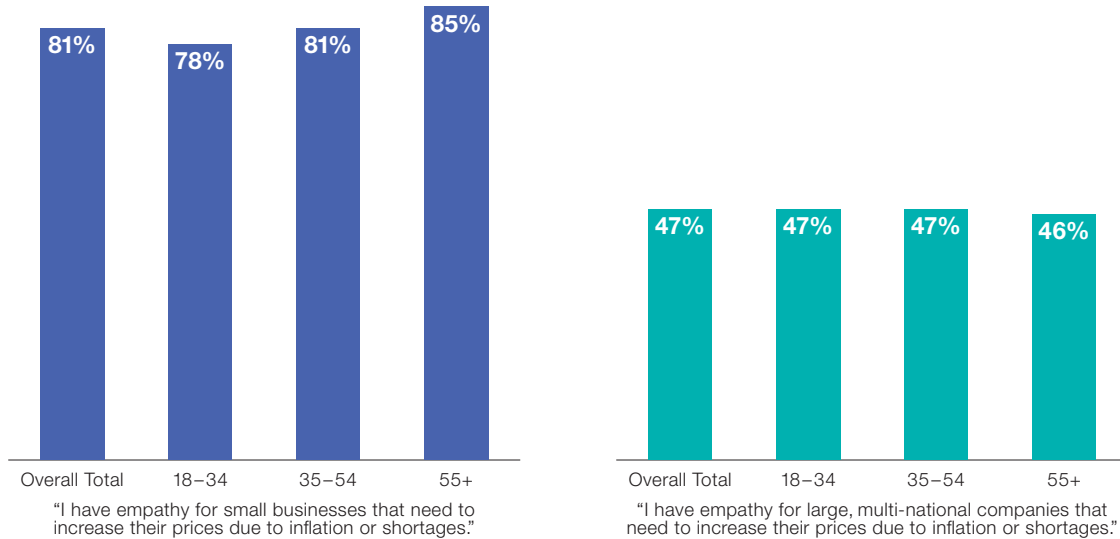




## Where empathy resides

Inflation impacts small and large companies differently, so we explored how customer sentiment and expectations vary when doing business with a small business compared to a multi-national organization. We found that small companies in fact have more to gain during inflationary periods.

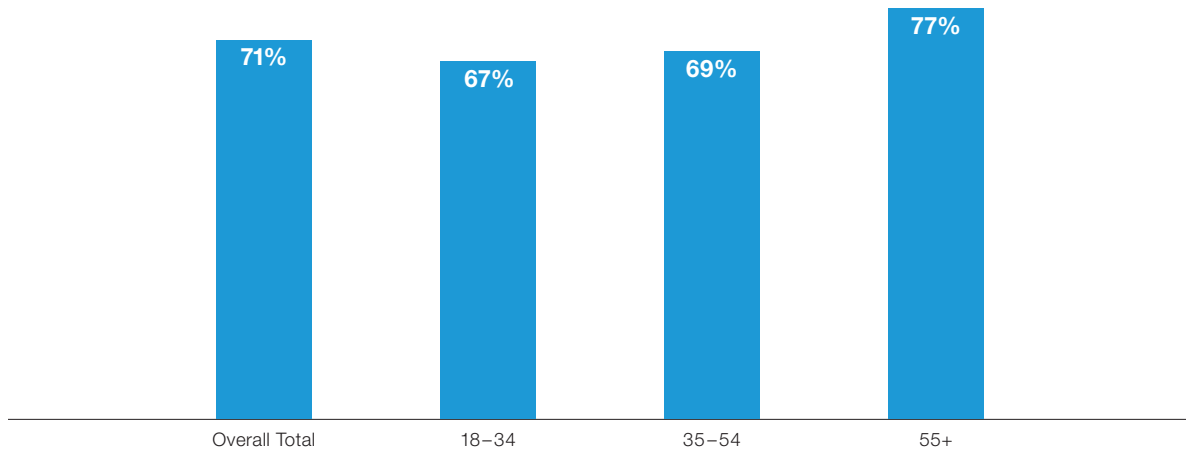
Customers feel nearly two times more empathy for small businesses (81%) raising their prices compared to large companies (47%). This empathy increases with age, which may reflect higher tolerance for inflation.



## Loyalty matters

(71%) of customers state that they have higher empathy for companies where they've been a long-time customer. This is highest again for customers over the age of 55 (77%), whereas those under 35 have ten-point lower incidences of agreeing (67%). This may be attributable to fewer years making purchasing decisions, but could also be indicative of the proliferation of options younger consumers have always known access to.

**“I have empathy for companies where I've been a long-time customer when they need to increase their prices due to inflation or shortages.”**



While loyal customers have empathy for increasing prices (71%), small businesses still garner a ten-point higher degree of understanding (81%). This poses a huge opportunity for small businesses to reframe the pressures of inflation and seize a unique opportunity to grow, while also increasing prices. Meanwhile, large multi-national organizations face the most pressure, and in-turn, must double down on delivering incredible customer experiences commensurate with higher prices to their customers.



## WHAT'S NEXT:

- Neglecting to deliver differentiated, impactful customer experiences that show customers how much you value them is a major risk.
- Customers are more accepting of inflation and willing to pay more if they have great customer experience.
- Younger consumers and households earning less than \$100,000 annually are most expecting of immediate improvements in the customer experience.
- Investments in driving retention and loyalty will pay off as prices rise and those customers reflect on their long-standing relationship with the brand.

## About the Author

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## About Ipsos CX

Ipsos is a global leader in designing, measuring, and delivering value from Customer Experience programs. We help organizations retain customers and recover those at risk, grow share of spend, increase advocacy, and drive up operational efficiency to deliver a Return on Customer Experience Investment (ROCXI). Our expert CX teams help organizations at all stages of CX measurement and management, using a unique blend of research, technology, analytics, and advisory solutions.

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