

# AS COMPANIES TACKLE INFLATION, A GENERATION GAP LOOMS

Many brands are struggling to keep customers loyal in a high-cost era. Here's how younger and older consumers differ on price hikes.

An Ipsos Point of View

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GAME CHANGERS



## KEY FINDINGS:

- **Companies** are being forced to tackle how to keep their customers loyal alongside managing rising prices and supply-chain issues.
- **Customers** from older generations have different expectations than their younger counterparts and brands must take these differences into account in order to retain their broader customer base.
- **Communication** will be key when delays or product availability are impacted and noticeable improvements to the experience will ensure that consumers stay loyal.

With inflation and supply chain issues continuing to impact the economy, Ipsos CX set out to determine if consumers had different expectations regarding the customer experience. In essence—do they expect more if they pay more?

The answer, as is often the case, is not a simple “yes” or “no.” Older consumers (Baby Boomers and Gen X) have different expectations regarding how companies should handle raising their prices and delays relating to supply chain issues than their younger counterparts (Millennials and Gen Z).

In order to keep customers loyal, brands must be willing to adapt to the needs of the **entire** customer base. While this may sound like a daunting task, we uncovered tactical steps companies can take to ensure that they do just that.

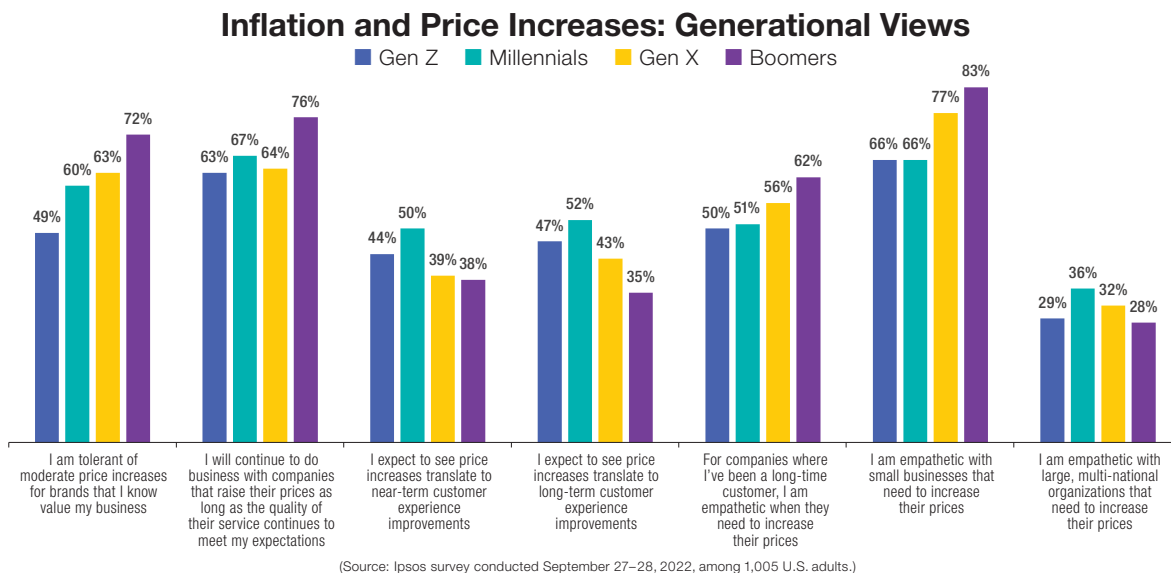
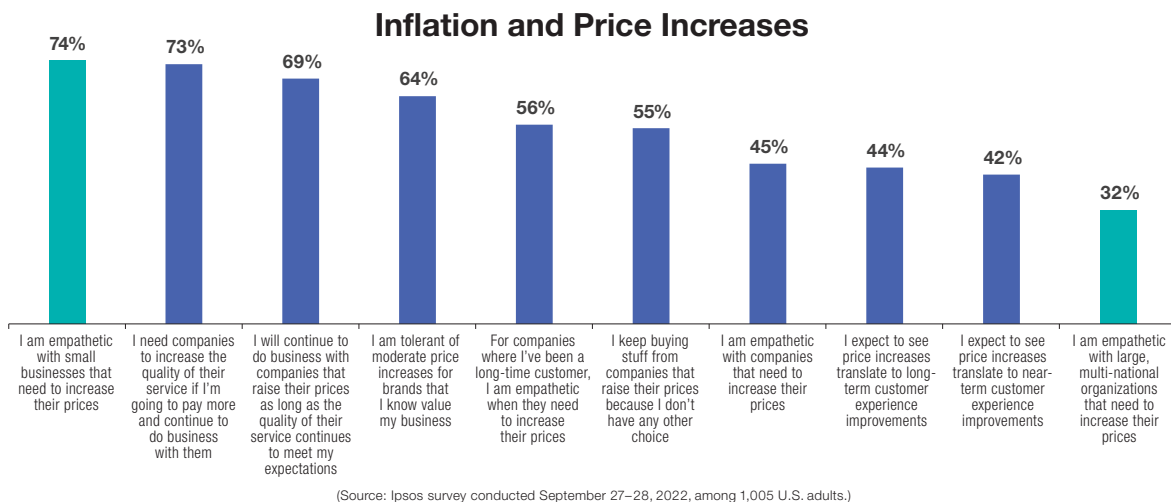
The persistence of inflation is having a dramatic effect on how Americans view brands that raise prices, especially as the holidays approach and customers decide what they can and cannot afford.

Ipsos took a recent look at consumers' willingness to tolerate price jumps or trade down for something cheaper, whether they're shopping at small businesses or with corporations. A key finding? The age of the customer matters—a lot.

## Generational impacts for Inflation & Supply Chain challenges

Similar to what we found in earlier consumer research about the impacts of inflation ([How inflation affects customer experience expectations](#)) customers feel nearly two times more empathy for small businesses (74%) raising their prices compared to large companies who do the same (32%). We have also uncovered significant perception differences among age groups regarding inflation and supply chain challenges.

Baby Boomers (*born between 1946 and 1964*) and Generation X (*born 1965 to 1980*) have a great deal of empathy for smaller businesses compared to larger corporations (83% and 77% respectively), according to Ipsos surveys. Boomers are also more empathetic towards companies where they have been a long-time customer (62%) and indicated that they will remain loyal to companies that are transparent about supply chain challenges and how it may compromise the customer experience (78%).



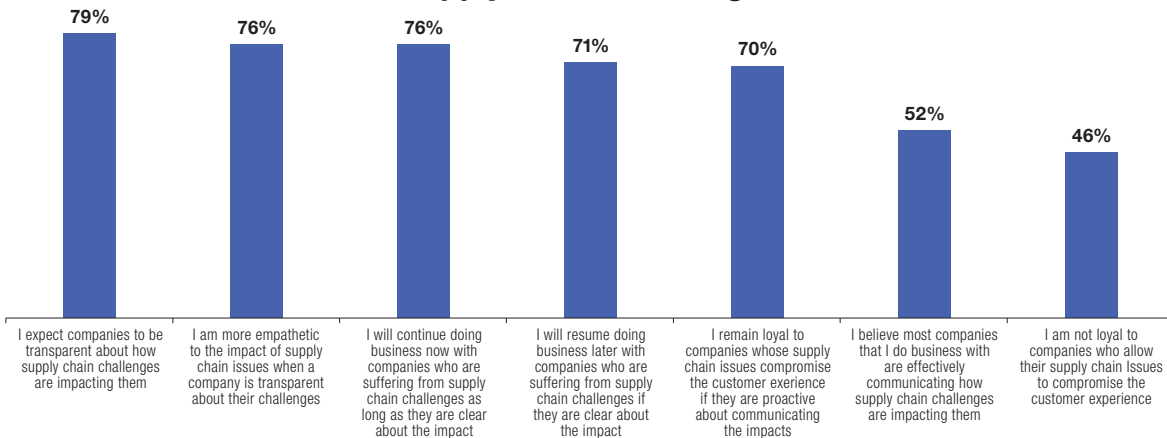
Meanwhile, Millennials (*born 1981 to 1996*) expect to see near- and long-term customer experience improvements if prices increase. Millennials, along with members of Gen Z (*born 1997 to 2012\**), do not care as much about companies being transparent about supply chain challenges (62% and 69%), nor are they as likely to remain loyal to companies that are proactive about communicating these impacts (62% and 63%).

This leads to a tricky challenge for companies who want to keep older, loyal customers while also appealing to younger generations. They can start by being transparent about their supply chain challenges, particularly with customer-facing impacts, like shipping delays.

But companies must also be aware that younger consumers have their own expectations for how the customer experience should change if prices rise. Millennial and Gen Z consumers expect to see a direct benefit for them in exchange for the price increase. Both large and small companies should leverage this sentiment by making younger consumers feel valued as customers and ensuring that there is a positive, noticeable change in the experience as prices increase.

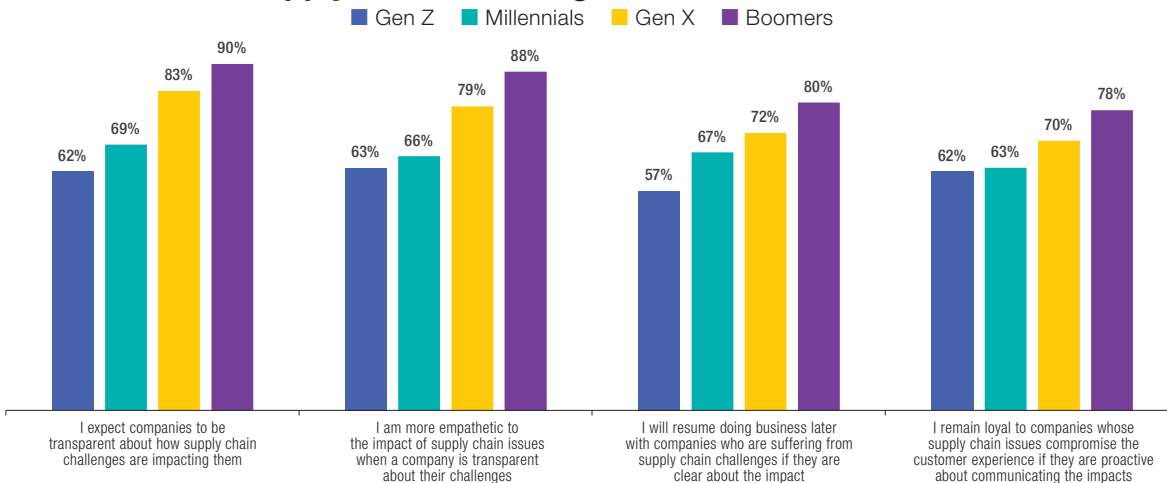
Boomers, on the other hand, are more tolerant of price increases if the quality of customer service continues to meet their expectations. Rather than expecting a change as a result of the price increase, they expect nothing to change regarding the experience.

### Supply Chain Challenges



(Source: Ipsos survey conducted September 27–28, 2022, among 1,005 U.S. adults.)

### Supply Chain Challenges: Generational Views



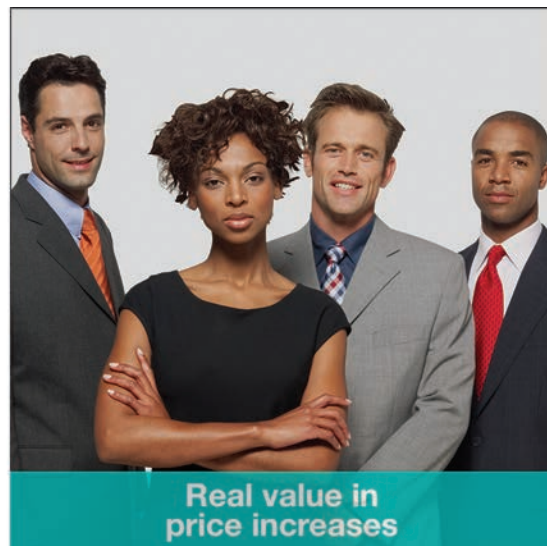
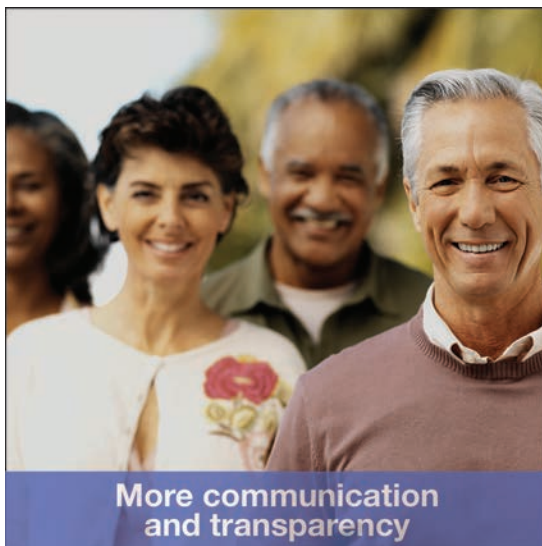
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## What can companies do about it?

These generational expectations require brands to adjust accordingly.

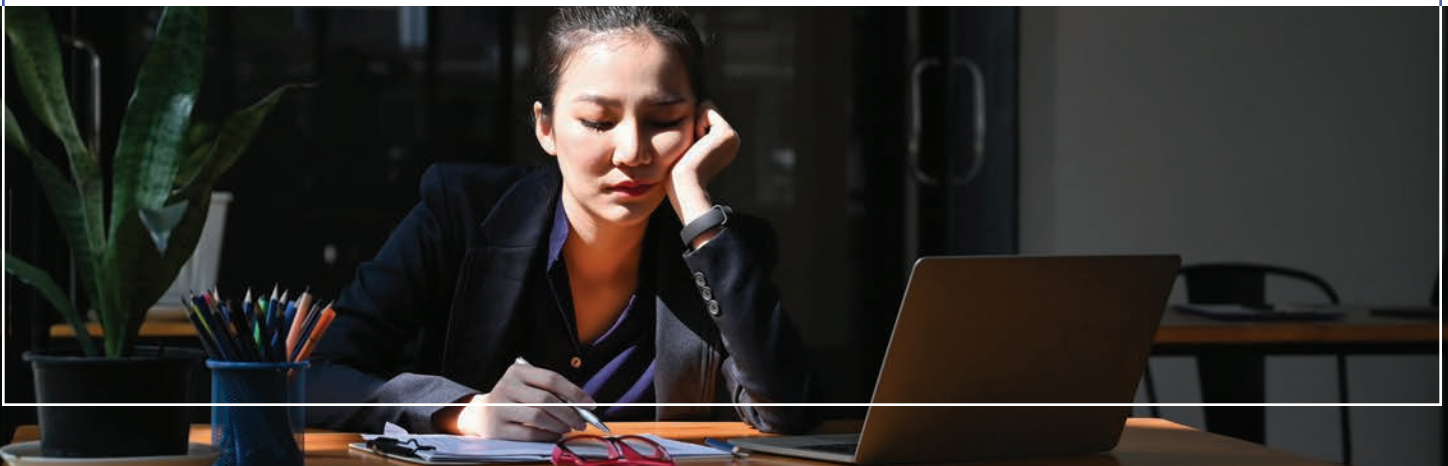
Older, retired customers will need more communication and transparency. Boomers, in general, show more loyalty and do not have lofty expectations for improvement compared to younger generations. They will stay loyal if companies are proactive in communicating their challenges and are transparent. Email is still the most preferred contact method for Boomers and companies would be wise to leverage that channel to communicate regarding customer-facing challenges and resulting delays. Managing expectations will be crucial to maintaining loyalty amongst older consumers.

Younger and employed customers need to see real value in price increases. Companies should be mindful of this generation's stage in life where many work full-time, have small children, or work multiple jobs and are seeking experiences that require less time and effort. Focusing on making the experience a more seamless one will garner more support from younger consumers as price increases become inevitable. Given that younger generations are less loyal overall, the experience itself will be critical to keep these customers coming back.



From delaying purchases to impulse-buy considerations, inflation continues to affect both consumers and businesses. As companies implement increases to cover their own rising costs, they must also keep an eye on the generation gap in consumer sentiment—and make thoughtful decisions for customers of all ages.

\*Generation Z currently includes those born from 1997–2012, per the Pew Research Center. For the purposes of this study, it encompasses those aged 18–25 as young adults were surveyed.



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