



FCXC



20
24

Franchise Customer Experience Conference

June 18 – 20, 2024 • Atlanta, GA

Economic Impact on CX in 2024/2025

FRANCHISE
UPDATE
MEDIA



What is influencing the economy?

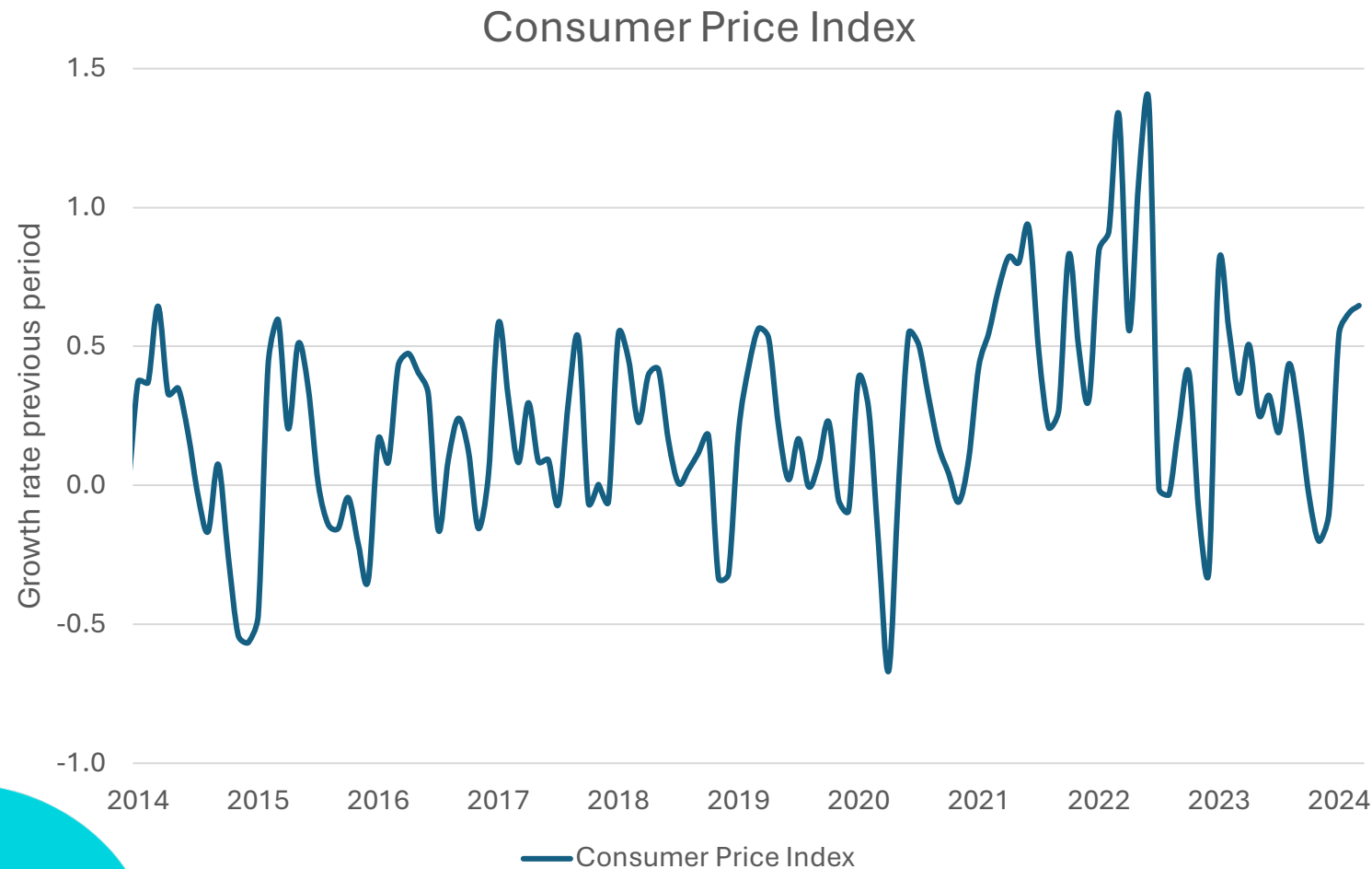
- 2024 Presidential Election – Not much
- **Inflation** – Much
- Unemployment – Not much
- **Interest rates** – Much
- **Rising delinquency rate** – A rising concern
- Next Pandemic/Virus like Avian flu – ?
- Geopolitical tensions – ?





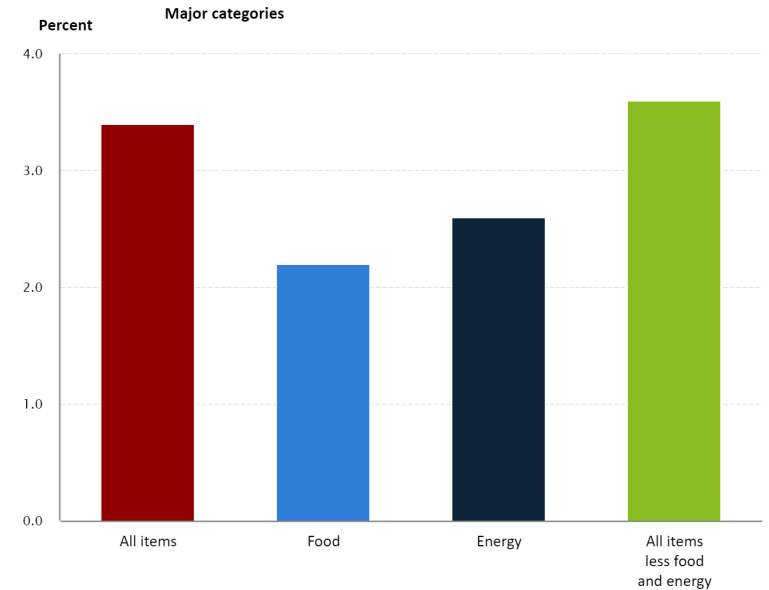
The Consumer and the Economy

Inflation is top concern for consumers



12-month percentage change, Consumer Price Index, selected categories, April 2024, not seasonally adjusted

[Click on columns to drill down](#)

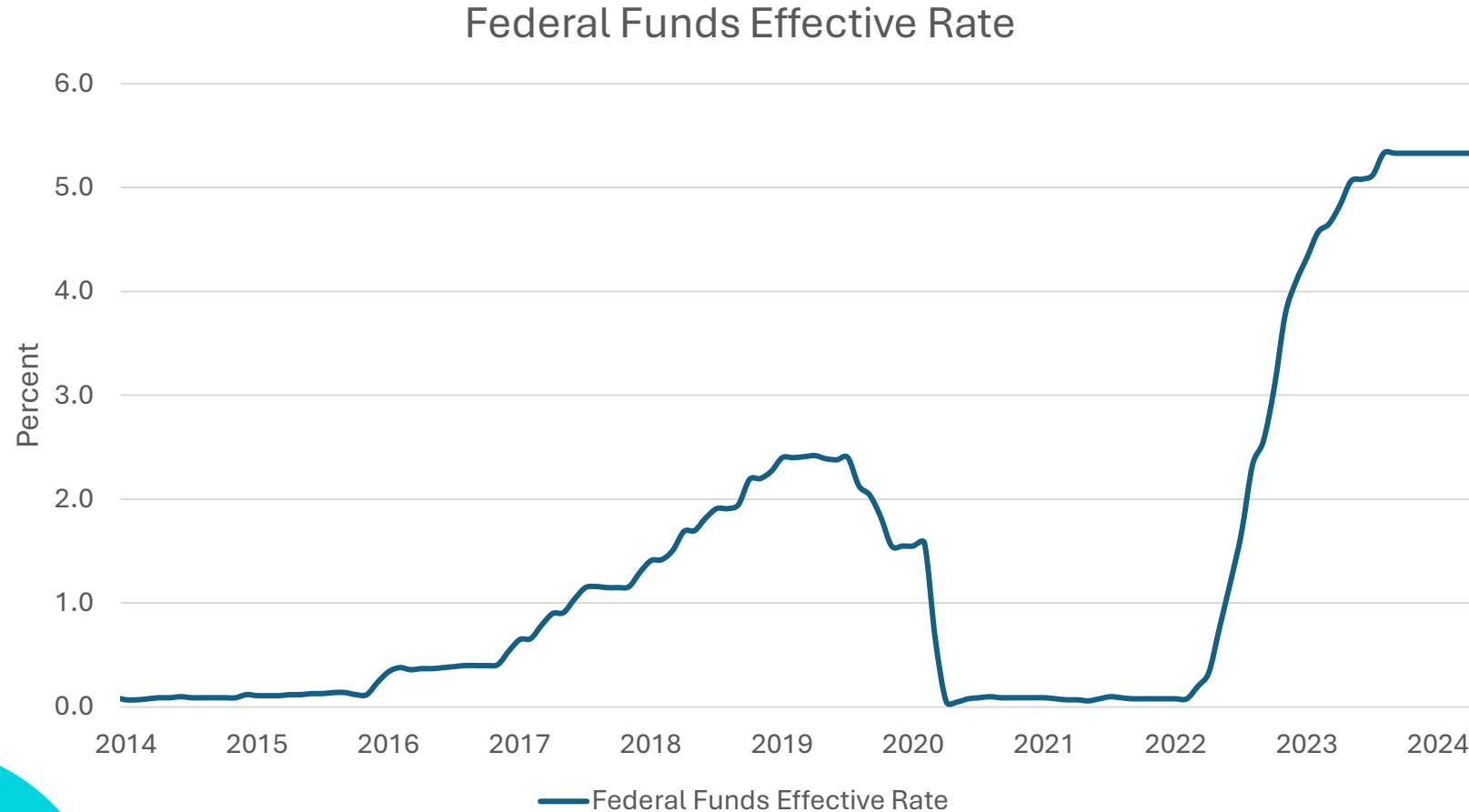


Source: U.S. Bureau of Labor Statistics.

CPI for all items rose by **0.3%** in April; shelter and gasoline are up.

Source: U.S. Bureau of Labor Statistics

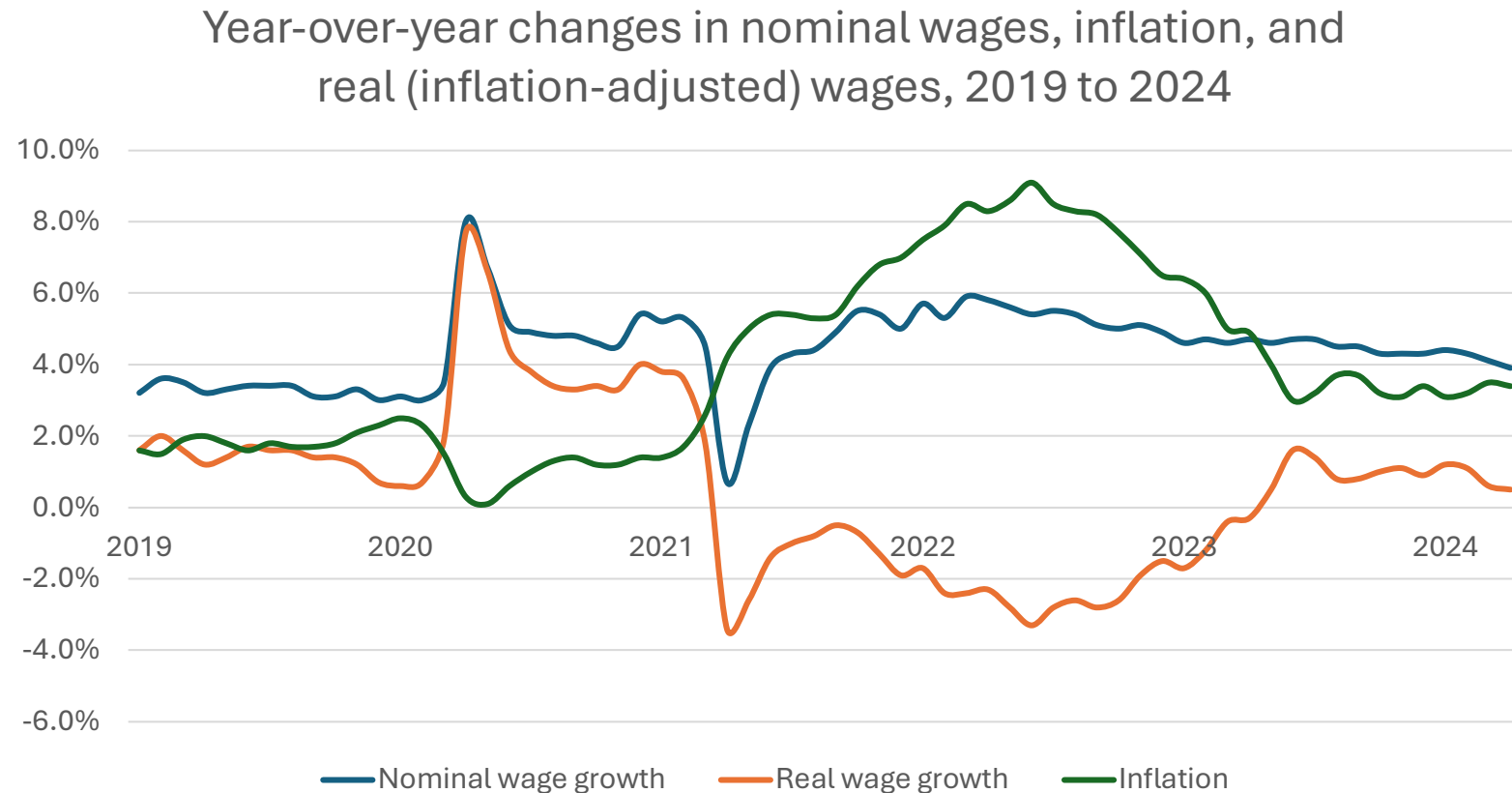
Longer path to rate cuts ahead



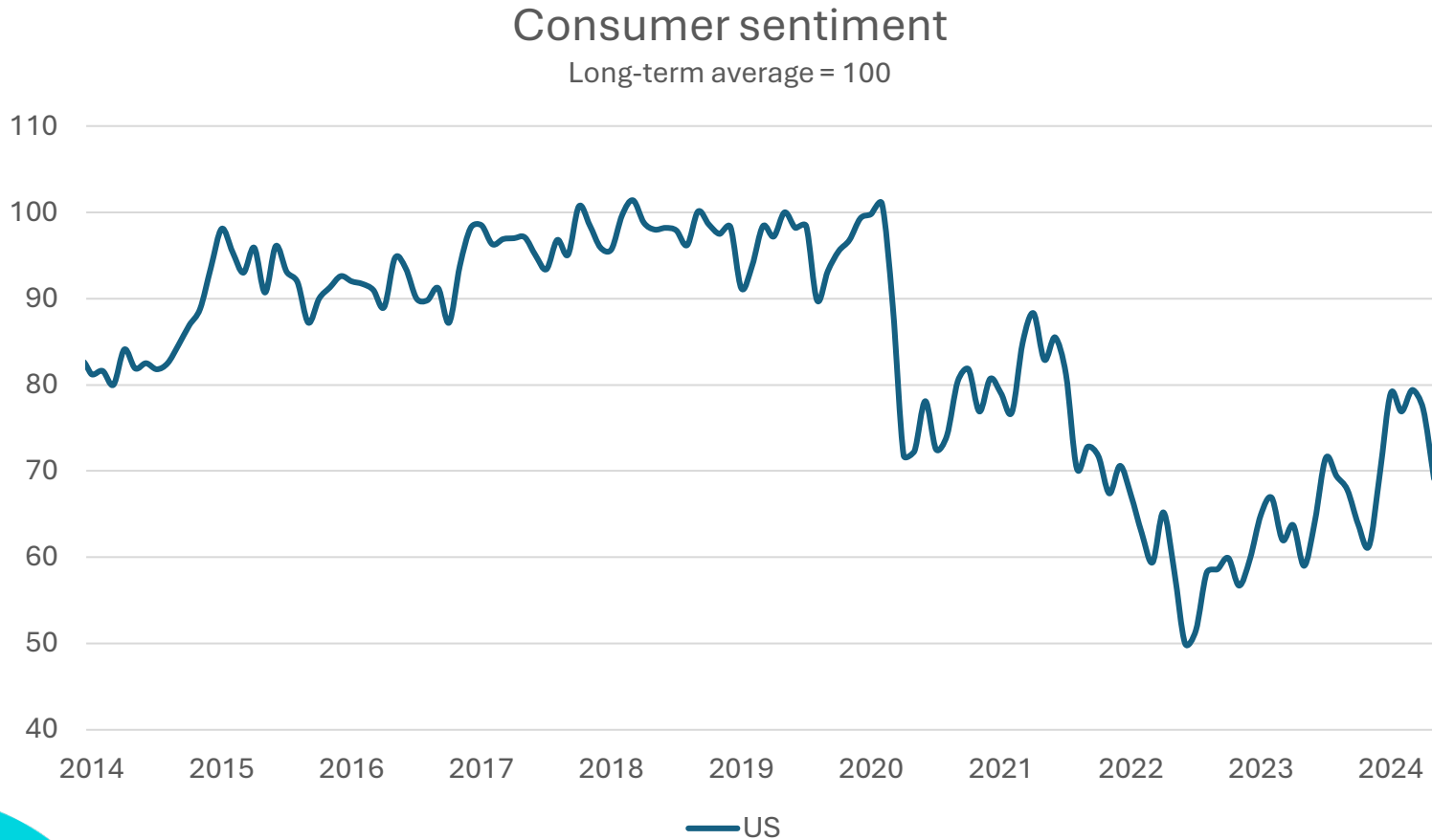
- Year-ahead inflation expectations rose to **3.5%** from **3.2%** in April, pushing back expectations for a rate cut.
- Additionally, consumers expect mortgage rates to continue climbing and are indefinitely putting off purchasing a home.

Average real wages rise for 12 straight months as prices decelerate faster than nominal wage growth

- Real wage growth continued to decline as inflation rose steadily due to supply chain bottlenecks and shifts in consumer demand.
- As quickly as inflation rose—peaking at 9.1% in June 2022—it fell, hitting 3.0% in June 2023.



Consumer sentiment falls to seven month low



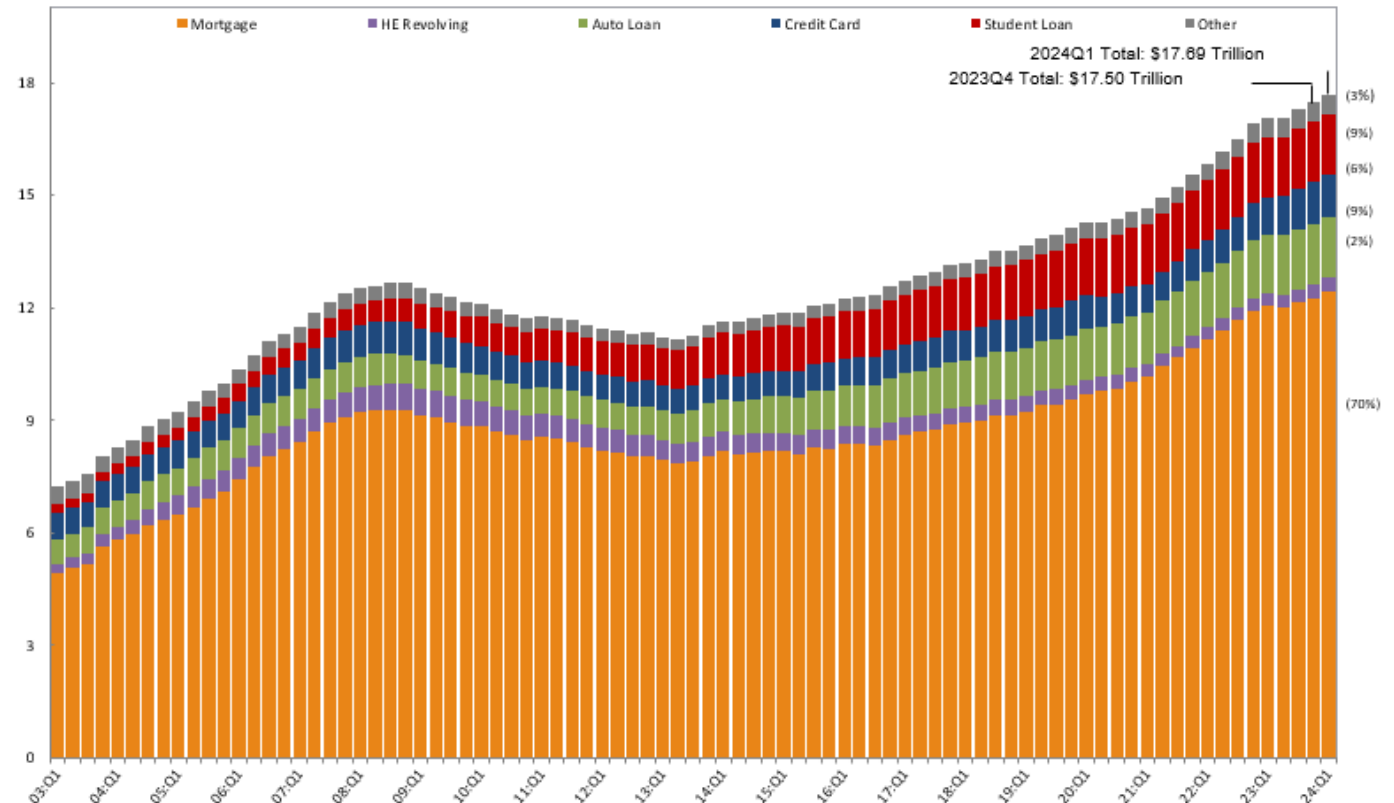
- The economy performing well, but consumers still not happy
- Consumer sentiment fell from **77.2** in April and 69.1 in May to **65.6** in June

Household debt by loan type

Total Debt Balance and its Composition

- Credit card balances decreased by \$14 billion during Q1 2024 but have increased by 13.1% year-over-year.
- Mortgage balances increased by \$190 billion and stood at \$14.44 trillion at the end of March 2024.
- Auto loan balances reached \$1.6 trillion.
- Student loan balances were effectively flat, falling by \$6 billion.
- In total, non-housing balances fell by \$22 billion.

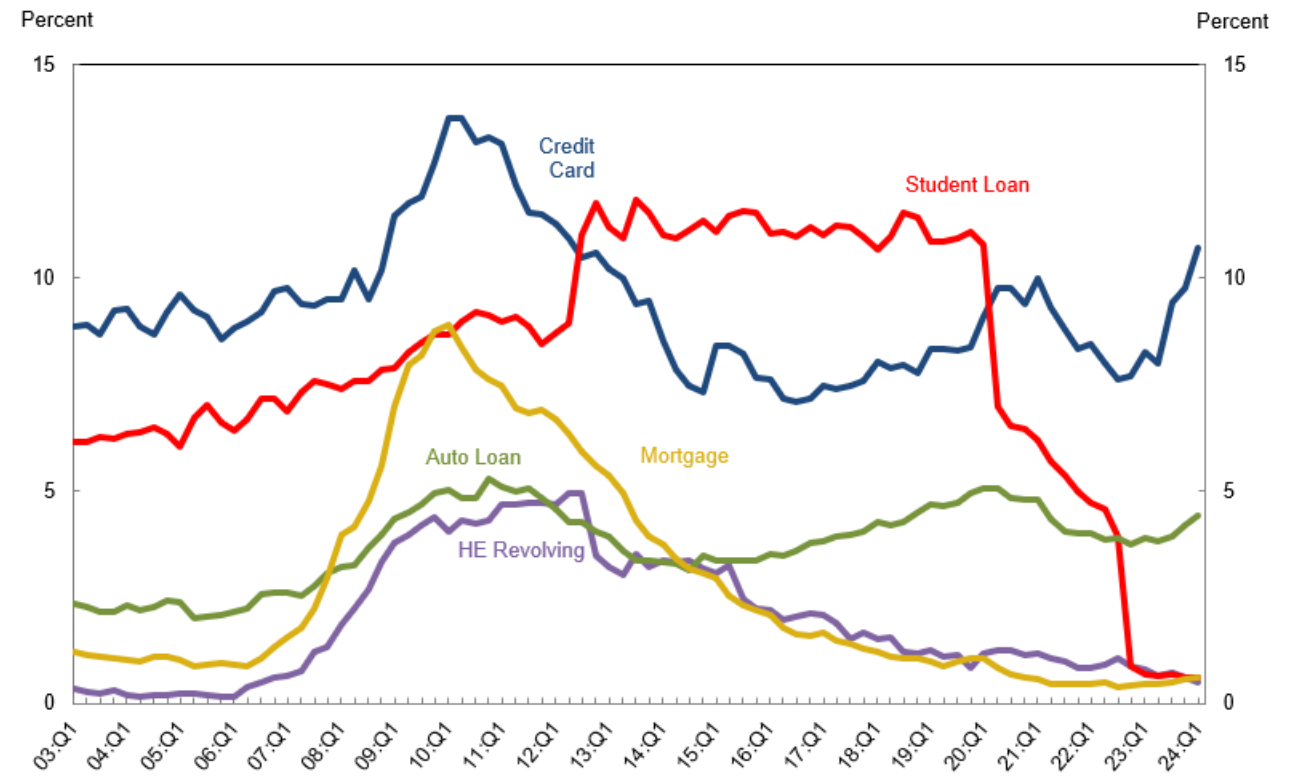
Trillions of Dollars



Delinquency rate by loan type

- Delinquency transition rates increased across all debt types in Q1 2024.
- Aggregate delinquency rates increased in Q1 2024, with 3.2% of outstanding debt in some stage of delinquency at the end of March.
- Approximately 8.9% of credit card balances and 7.9% of auto loans transitioned into delinquency.
- Delinquency transition rates for mortgages increased by 0.3 percentage points yet remain low by historic standards.

Percent of Balance 90+ Days Delinquent by Loan Type

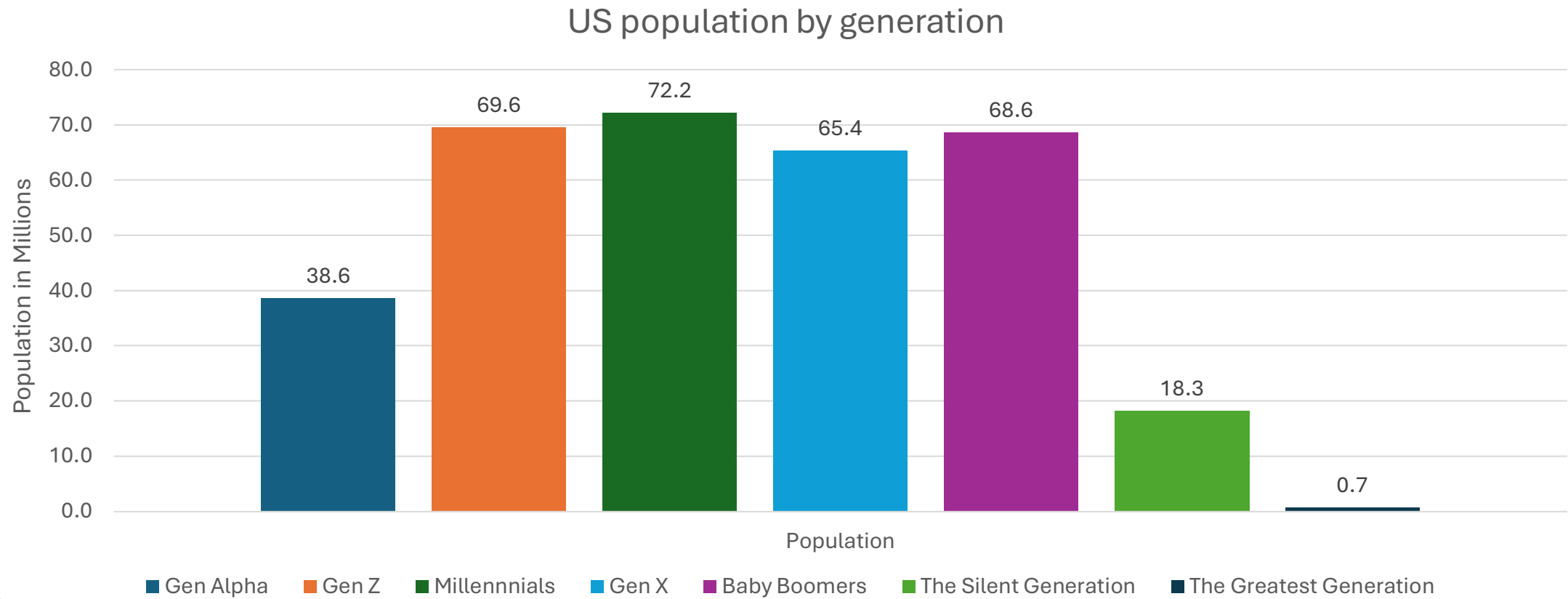


Source: New York Fed Consumer Credit Panel/Equifax



What does this mean for your '24/'25 target consumer?

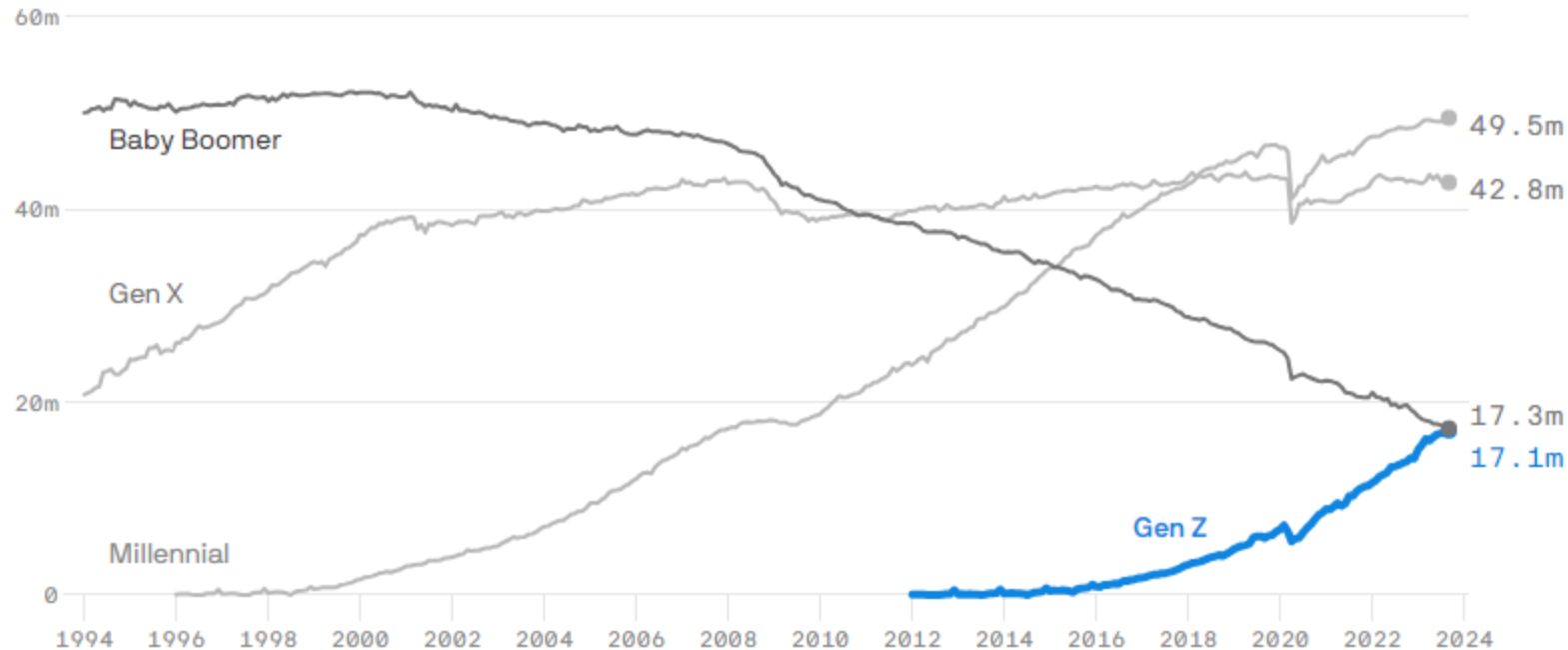
Understanding the US consumer



Gen Z set to overtake Baby Boomers at work in 2024

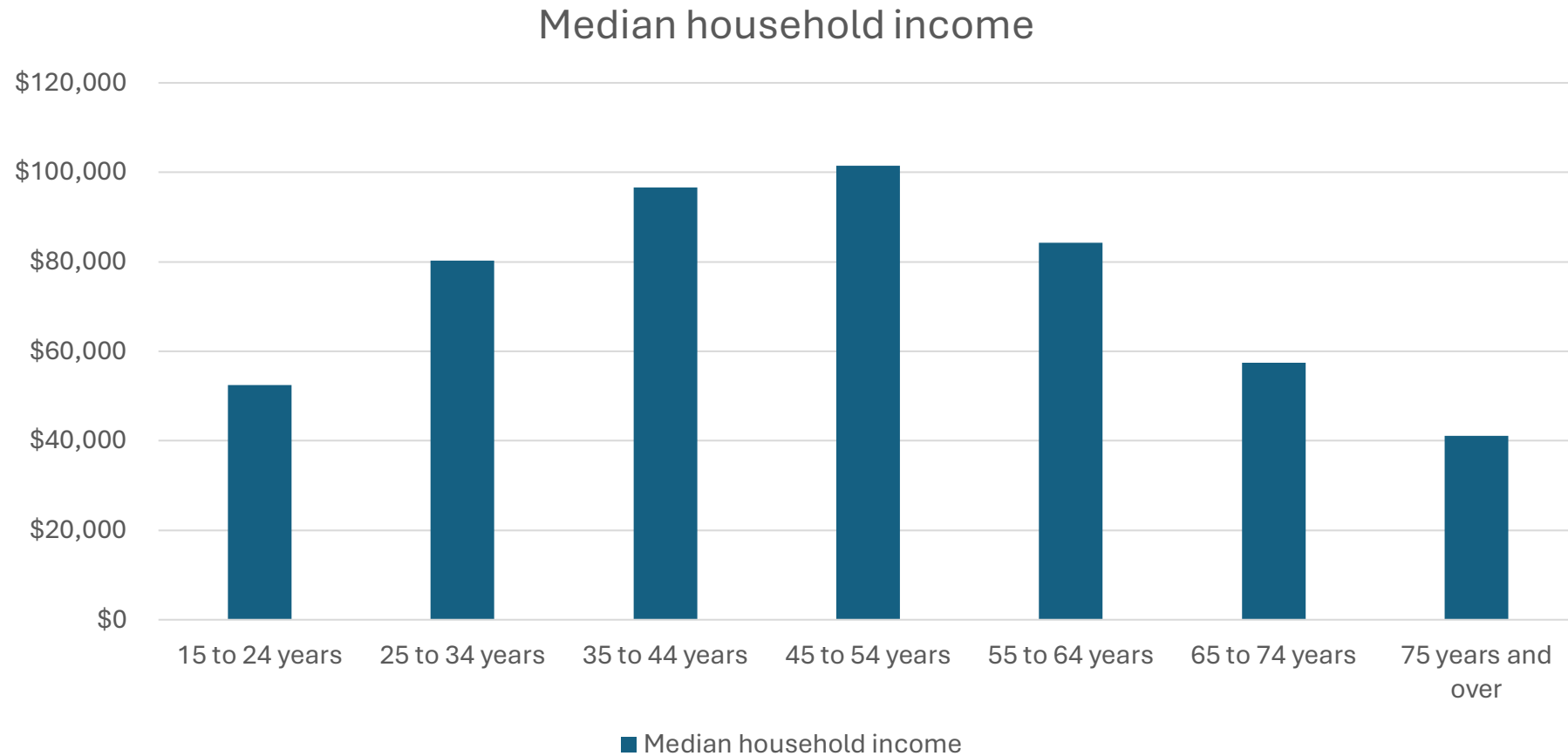
US full-time workforce, by generation

Seasonally adjusted; Monthly, January 1994 to September 2023



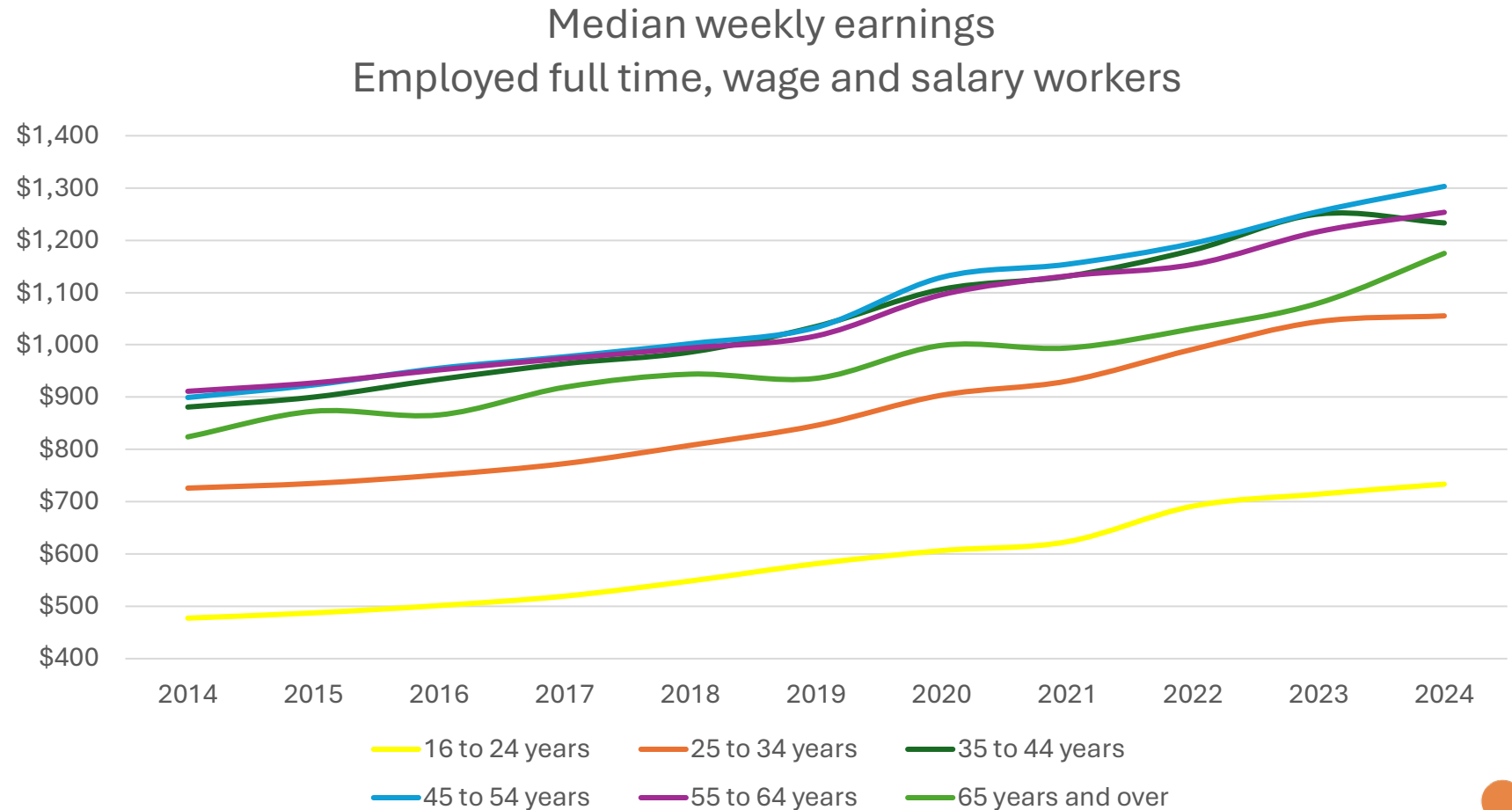
By 2030, Gen Z will
account for
30%
of the US workforce

Median household income by age



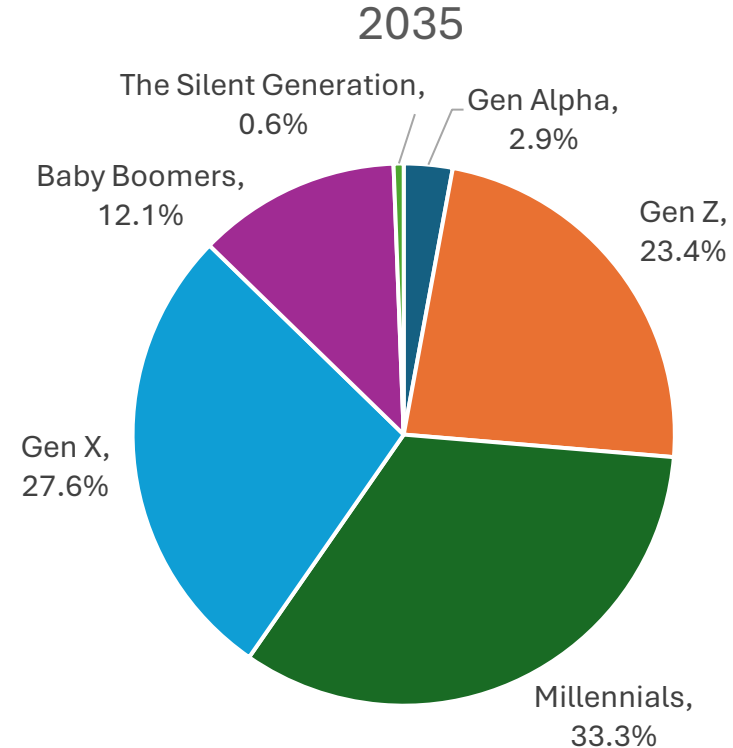
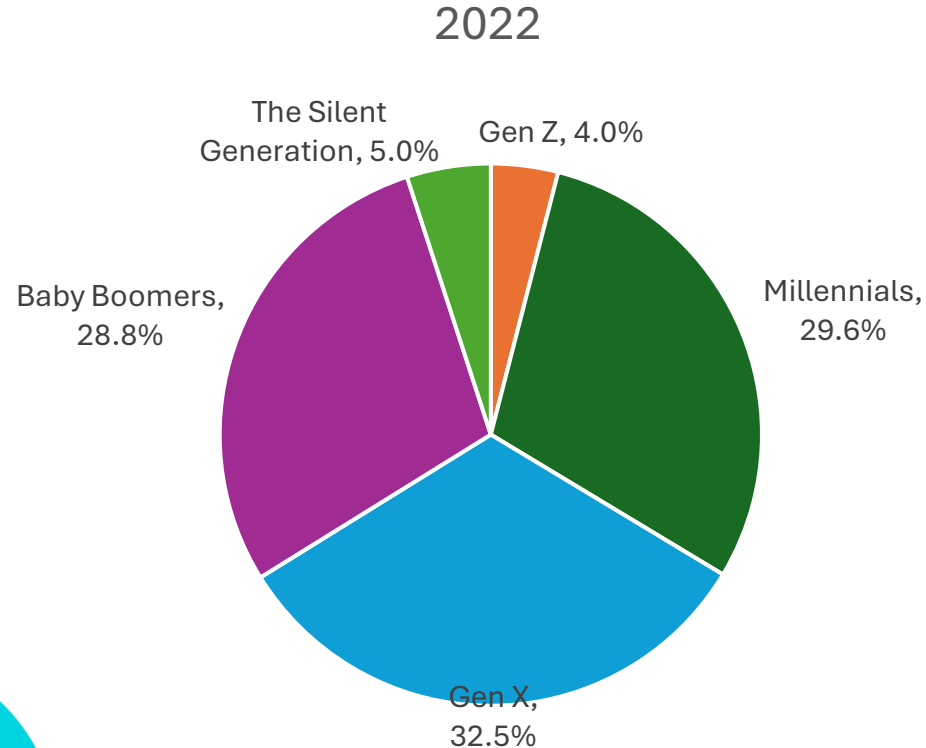
Wage growth

- Median weekly earnings for the **25-34** age group have remained flat compared to peers.
- The **35-44** age group is the only demographic to see median weekly earnings fall.



Gen Z to lead spending growth over the next decade

- While Gen Z currently contributes ~5% of spending in the US, by 2035, that number will grow to **23%**.





Franchise Consumer Marketing

Gen Z spending habits

Social media

- **29%** of Gen Z is more likely to buy from a brand with a social media presence.
- **97%** of Gen Z shoppers claim to get inspiration from social media.

Smartphone Shoppers

- Among Gen Z adults, **74%** opt for mobile shopping
- In 2022, **57%** of Gen Z prefer to be contacted by brands via email. **44%** prefer social media.

Brick-and-mortar

- **81%** enjoy shopping in-store and **73%** enjoy discovering new products in store.
- In person shopping helps Gen Z disconnect from the digital ecosystem.

Sustainable products

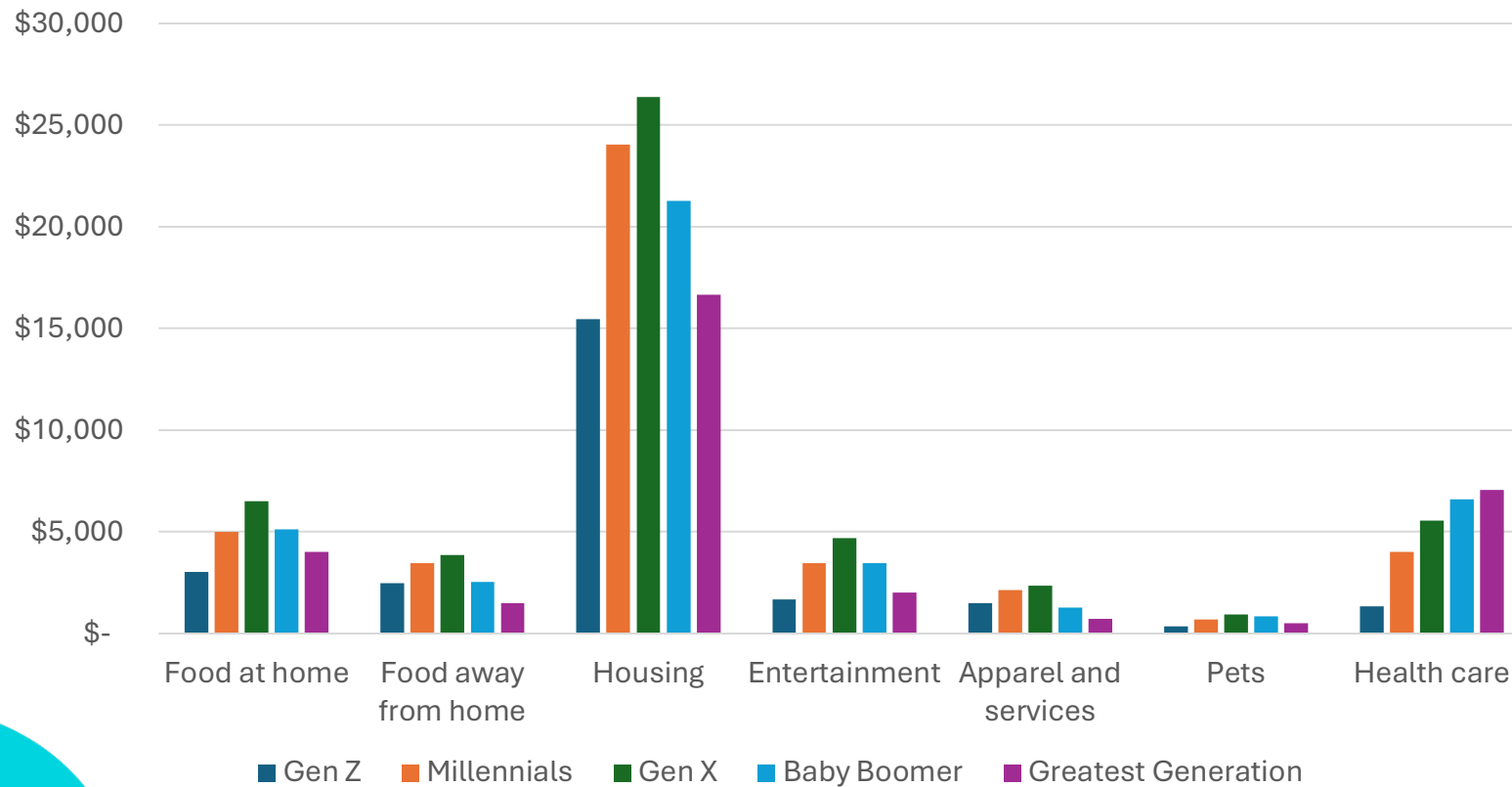
- **75%** of Gen Z respondents stated that sustainability was important to them when making purchasing decisions.
- **64%** of Gen Z participants said that they would pay more for sustainable products.

Authenticity

- Savvy consumers who understand digital marketing tactics.
- **82%** say they place more trust in a company if their ads feature actual customers.

Where are the dollars going?

Average annual expenditures

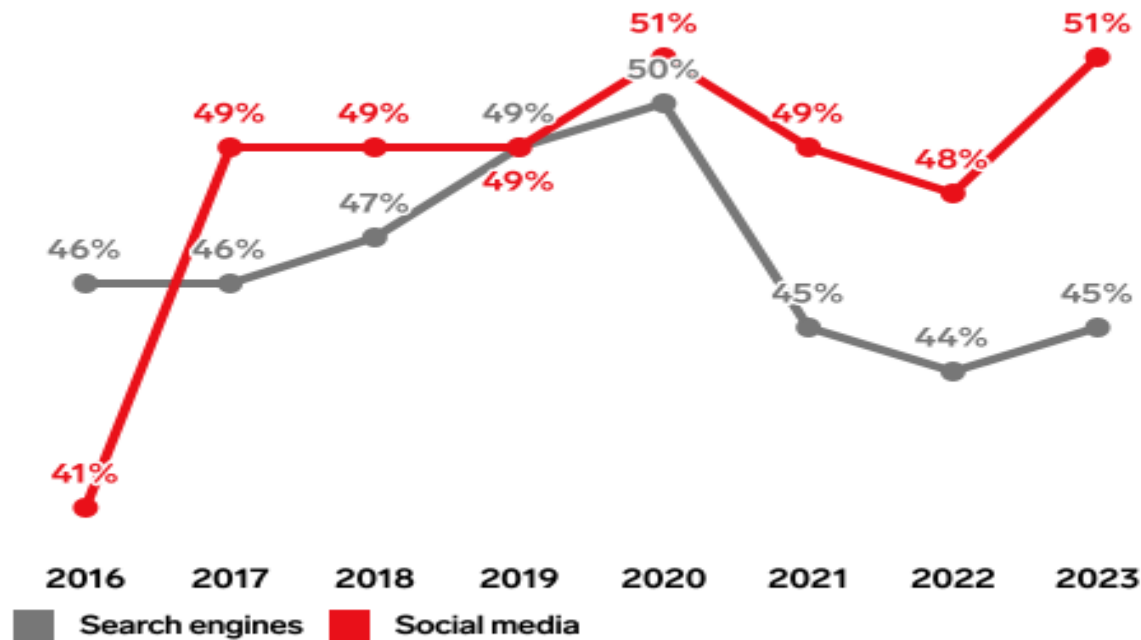


- According to PwC:
 - 36% of Gen Z surveyed said they would spend more on takeout food.
 - 36% also noted they would spend more on fashion.
 - 32% pointed out they would spend money on health and beauty.
 - 26% indicated they would spend more on travel.

Brand discovery

Gen Z Prefers Social Media Over Search Engines When Looking Up Brands

% of Gen Zers worldwide who use search engines vs. social media, 2016-2023



Note: n=967,381; Gen Z=1998-2008; Q: "Which of the following online sources do you mainly use when you are actively looking for more information about brands, products, or services?"

Source: GWI, Feb 6, 2024

How Marketing is changing in the face of AI

Search Engine Optimization

- Google now provides content summaries via AI overviews
- Being featured in AI overviews is highly beneficial as it will link to your site and allow marketers the ability to influence the answers given to users
- Voice Search Optimization: With the rise of AI-powered voice assistants, marketers need to optimize content for voice search, which often involves more conversational and question-based queries
- Content Discovery Algorithms: AI helps in improving the discovery of content through advanced algorithms that understand user intent and context better than traditional methods

Customer Insights and Personalization

- Dynamic Content Creation: AI enables the creation of highly personalized content for individual consumers. Machine learning algorithms analyze customer data to tailor content, offers, and recommendations to individual preferences and behaviors
- Customer Segmentation: AI can identify and create more nuanced customer segments by analyzing vast amounts of data, leading to more effective and targeted marketing campaigns
- Predictive Analytics: AI algorithms can predict future customer behaviors and trends based on historical data. This helps marketers to anticipate customer needs and preferences
- Sentiment Analysis: AI can analyze customer feedback and social media interactions to gauge public sentiment about products, brands, or campaigns in real-time

Automation

- Automated Campaigns: AI tools can automate the timing and targeting of marketing campaigns, optimizing when and how messages are delivered to maximize engagement
- Automated Content Generation: AI can generate written content, such as product descriptions, social media posts, and even news articles, at scale and with high relevance to the audience



Franchise Operations

How AI is Changing Franchisor Operations

Customized SOPs and Training Programs

- Tailoring standard operating procedures (SOPs) and training to each location's needs
- Creating interactive training programs based on experience level

Franchisee Support

- Implementing AI-powered chatbots and virtual assistants to ensure franchisees receive timely and accurate support 24/7

Operational Innovation & Predictive Analytics

- Automating routine tasks and operational content creation, such as social media posts, website updates, and product descriptions, to reduce the need for additional staff in a tight labor market
- **Optimizing inventory management/labor using predictive analytics to anticipate product demand**

Customer Feedback Management

- Using AI to analyze and respond to feedback promptly, enhancing customer service and satisfaction

Flexible and Adaptive Models

Micro-Franchising

- Smaller, more flexible franchise models that require less investment and can be operated in a variety of locations, including non-traditional venues

Remote and Mobile Operations

- Growth of mobile and home-based franchises, allowing franchisees to operate without a traditional storefront



Closing Thoughts

Thank you!

Darrell Johnson
FRANdata



**Download the
presentation**

