



**Golley Slater**

**NAVIGATING A  
FINANCIAL CRISIS:**  
THE IMPACT ON SHOPPERS AND  
HOW BRANDS CAN ADD VALUE

2022

# REPORT OVERVIEW

**At the start of 2021, we began to hear rumblings of the dreaded 'R' word as a nation.**

Our clients and industry peers started to look ahead to ascertain what they could do. Not only to survive as a business, but to understand what support shoppers and consumers might need as purse strings become tighter.

Reality certainly tends to hit businesses when the shopper stops spending!

As experts in Shopper Marketing for 20+ years, working with world-leading consumer brands – one of which even wrote the 'Recession Playbook' - we wanted to share our opinion on the issues, identifying what we can do to add value in times of financial hardship.

This report covers what others undoubtedly do - reviewing the market headwinds to identify success strategies from past recessions. However, what is unique about our report, is our partnership with Relative Insight, a text analytics company.

Relative Insight's technology helps to analyse and visualise text data, and we used the platform to analyse online conversations in forums and on social media. By taking a comparative approach, we were able to pinpoint the crucial why behind the what which enabled us to uncover surprising insights around consumer behaviour.

This unique form of voice of consumer research, when coupled with our own expert Shopper Marketing expertise, delivered actionable insights on how brands can succeed during challenging times.



# AT THE TOP OF THE RECESSION ROLLERCOASTER

When economic times are good, growing sales aren't just down to appealing products, great marketing, and strong business practices. Other factors play their part such as peoples' disposable income, confidence in the future, trust in the economy, and their willingness to embrace the values of consumption.

You don't have to look far to hear of the pressures facing not only the UK, but the wider Western World. Many news outlets are running daily stories of increased interest rates, fuel rises and food shortages.

## THE IGD STATES THAT CURRENTLY\*:

- Critical household items such as food, fuel and energy have driven annual CPI inflation to **+9.0% in April 2022**. The Bank of England expects inflation to peak at around 10% in Autumn, before falling back towards target (2%) in 2023
- The Office for Budget Responsibility (OBR) has forecast the deepest fall in living standards since records began. Few households will avoid inflation; however, it is clear the most vulnerable households will be hit the hardest

But as gloomy predictions of a recession loom, all these factors have been adversely affected.

The signs of a recession pending are clear to see; from the global energy crisis to businesses and supply chains struggling to recover from the cataclysmic effects of Covid. Many of the world's developing countries are now experiencing stalled economic growth, whilst the UK battles the highest 12-month rate of inflation since tracking began in 1997. Combine this with extreme weather events causing significant crop failure and a global grain shortage caused by war in the Ukraine and you have all the elements for a perfect economic storm.

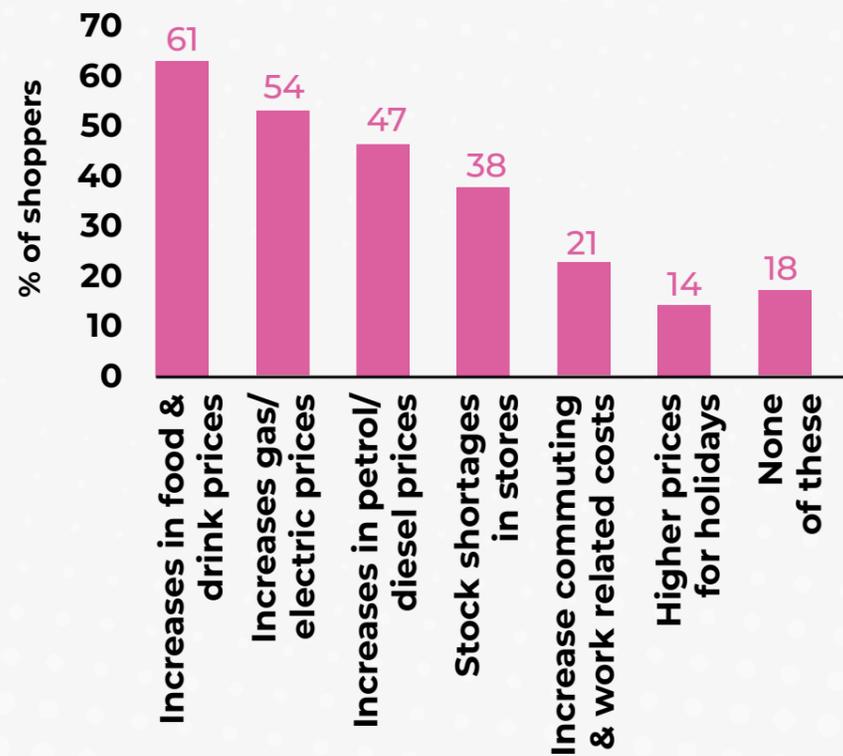


*\*Source: IGD, Viewpoint: Exploring the outlook for food inflation, June '22*

# ALREADY, THERE IS LESS DISPOSABLE INCOME TO COMPETE FOR...

WE ARE EXPERIENCING THE BIGGEST COST OF LIVING SQUEEZE THAT WE'VE FELT SINCE THE 50'S.

## UK SHOPPERS VIEWS OF PRICE RISES ACROSS A RANGE OF COST-OF-LIVING CATEGORIES



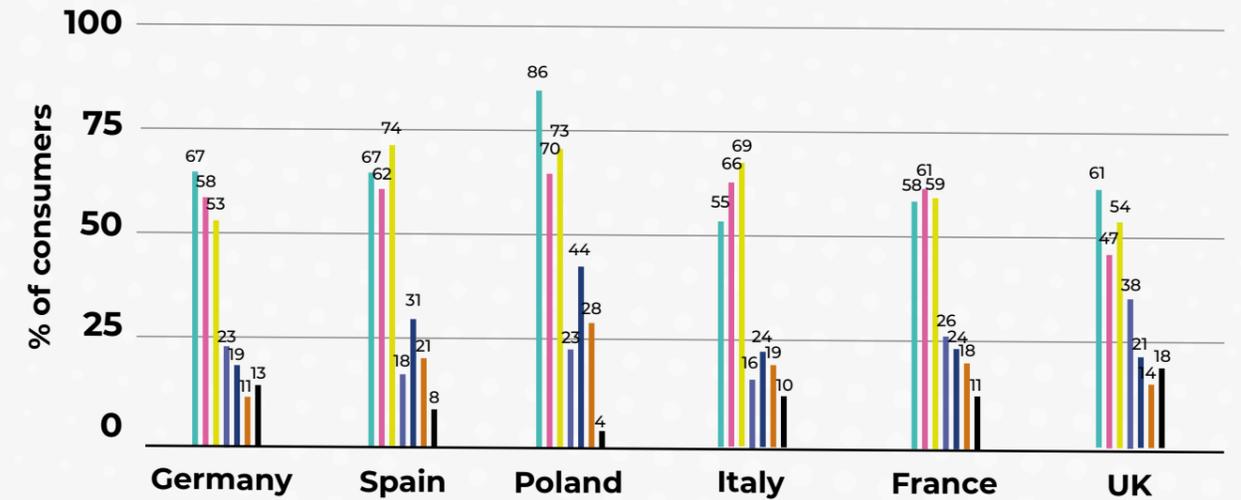
Base: UK: 1,000 internet users // Source: Kantar Profiles / Mintel January 2022

The disposable incomes of UK consumers have taken a huge blow with rocketing tax rates and runaway inflation far outstripping the growth of wages and benefits. Pressure is mounting from spiralling energy bills, rising fuel costs and food expenditure, with the effect being felt hardest by the UK's lower-income households.

Shoppers across Europe are increasingly aware of price rises across a range of cost-of-living categories.

UK consumer confidence has plummeted to its lowest level for nearly half a century as the cost of living escalates.

## EUROPE SHOPPERS VIEWS OF PRICE RISES ACROSS A RANGE OF COST-OF-LIVING CATEGORIES



Base: Poland, Germany, Spain, France, Italy, UK: 1,000 internet users in each market  
Source: Kantar Profiles / Mintel January 2022

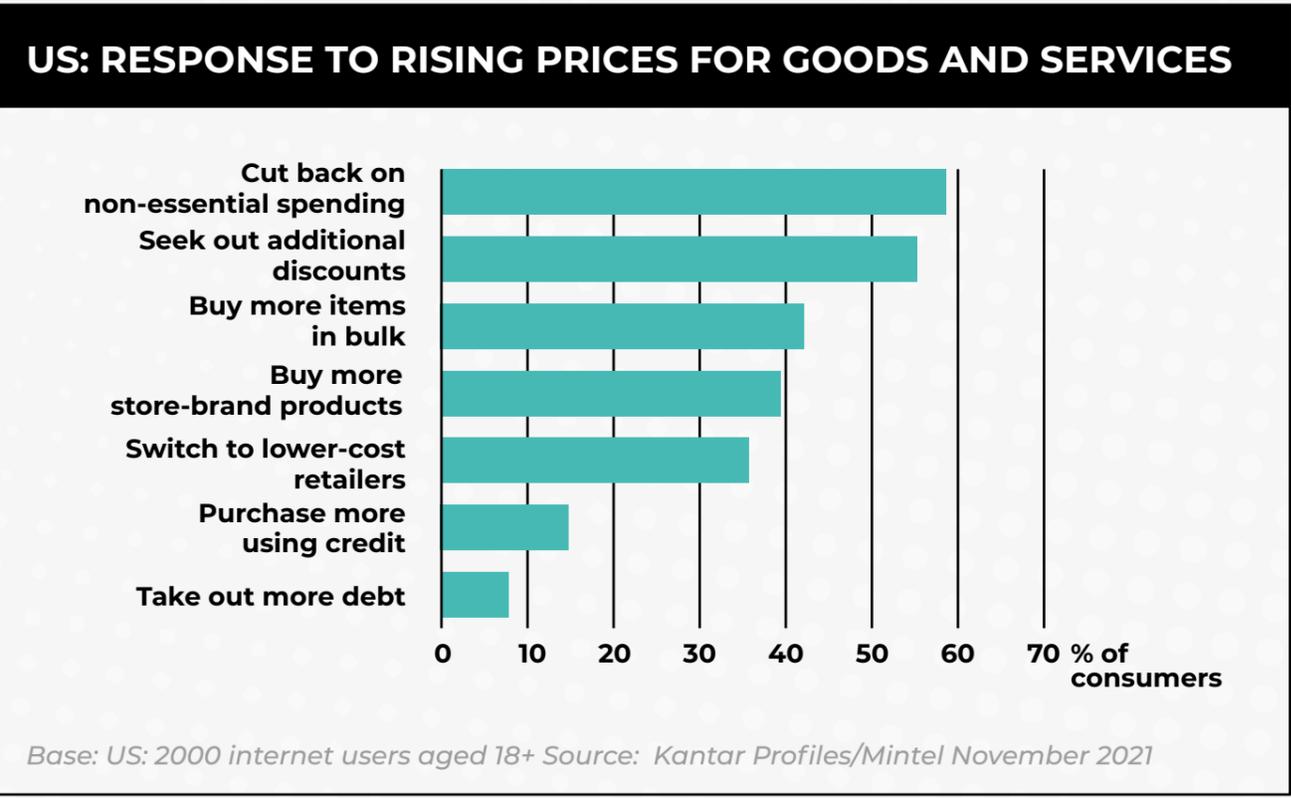
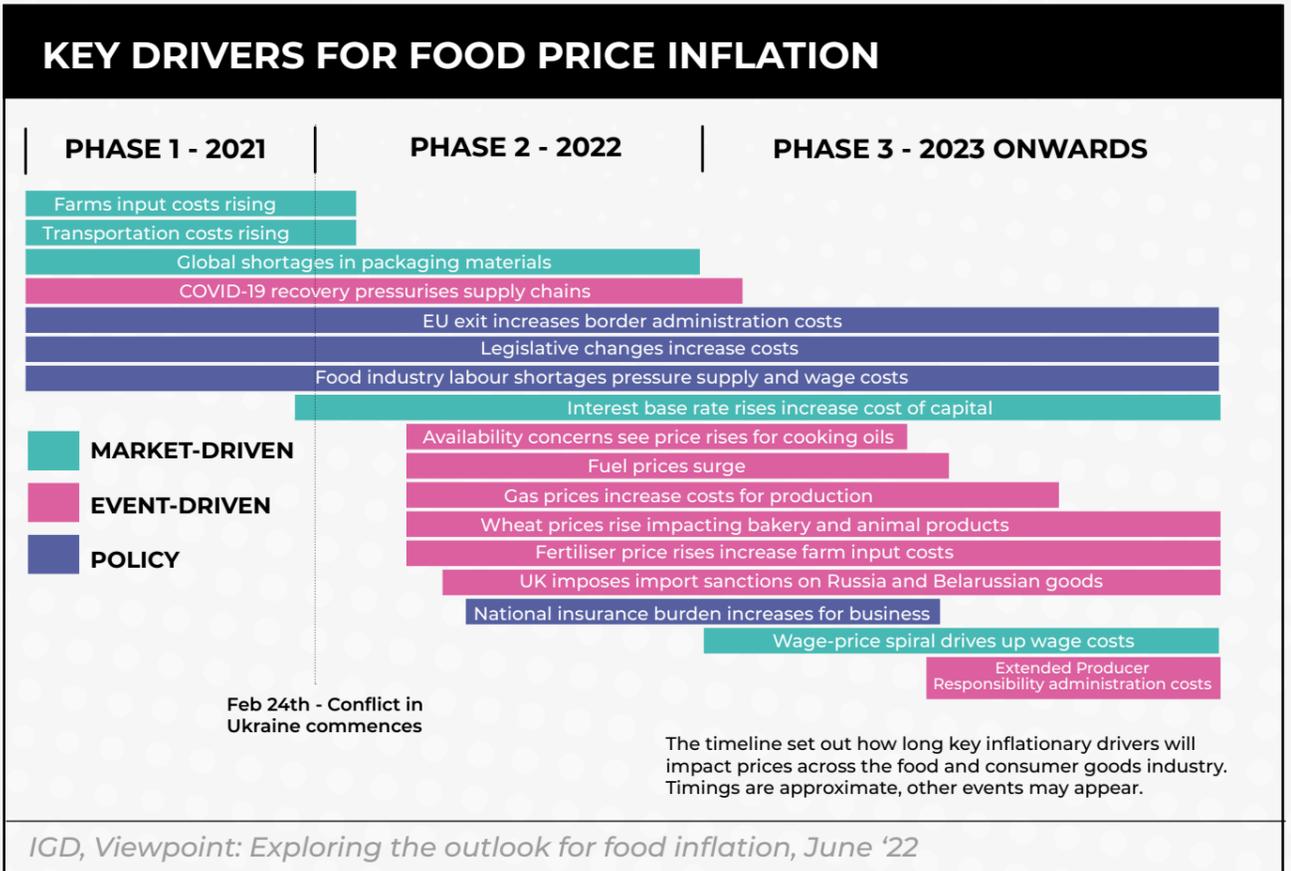
# SHOPPER BEHAVIOUR HAS ALREADY SHIFTED

The retail sector is no stranger to periods of inflationary or deflationary pressure. But on this occasion, almost all retail categories are experiencing upward pressure due to rising costs, energy prices, increased shipping expenses and a critical labour shortage.

According to the IGD predictions (based on historical precedent, using 2008 as a model), it appears that we will be here longer than Governments and some Financial Institutions are predicting.

This financial pressure from all sides will have a significant impact on shopper behaviour over the coming months. The majority of shopper food and grocery spend is classed as 'essential', which means levels are unlikely to change. But large

behavioural shifts are expected as shoppers become acutely value-conscious and adjust their loyalty between retailers and product ranges.



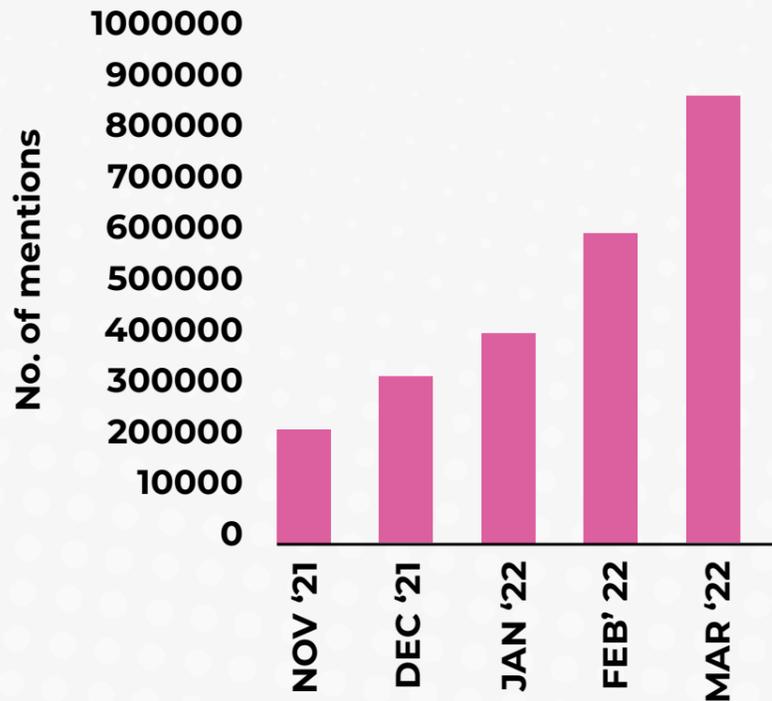
# SHOPPERS' VIEWS, IN REAL-TIME

We looked further into the mindset and attitudes of shoppers and what they have been saying over the past 12 months.

Longitudinal analysis was conducted on consumer and parent forums and twitter conversations to discover key themes associated with recession in the past year.

**! A recession is becoming very real and tangible concern to people.**

## RISE IN MENTIONS OF THE WORD 'RECESSION' IN GENERAL LISTENING ACROSS TWITTER



Source: Based on Relative Insight analysis, 2022

Taking a helicopter approach allowed us to identify themes that started to emerge as shoppers mentioned them.

**CHART KEY**

- Eating habits
- Bad politics & War
- Stock & housing market crash
- Energy costs
- Education & Childcare Costs
- Unemployment & low income
- Interest rates
- Mental Health
- Fuel Costs
- Discounts & Offers
- "Luxuries"
- Mortgage & Rent
- Shops
- Crypto currency
- Other measures

## KEY THEMES IDENTIFIED FROM LONGITUDINAL ANALYSIS OF RECESSION CONVERSATION ONLINE

MAR 2021	APR 2021	MAY 2021	JUN 2021	JUL 2021	AUG 2021	SEP 2021
Unemployment	Leisure	Unemployment	Crypto	Markets Collapse	Politics Public VS private sector	Crypto
Misplaced Attention	She-cession	Misplaced Attention	EU double dip recession	Economic literacy	Markets Collapse	Energy
Part & Past struggle		Part & Past struggle	Politics	Education	Lazy	Interest rates
Politics		Politics	Energy	Unemployment		Politics
			Looming effects			Fear
			Food			Fossil fuel
						Markets collapse
OCT 2021	NOV 2021	DEC 2021	JAN 2022	FEB 2022	MAR 2022	
Christmas	No on-the-go drinks	Credit card points	Takeaways	Takeaways	Stop eating out as often	
Universal credit	Discounts	Cancelling memberships	No on-the-go drinks	No on-the-go drinks	Rising fuel costs	
Interest rates	Markets collapse	Spreadsheets	Aldi, Lidl, Ebay	Aldi, Lidl, Ebay	New clothes	
Politics	Depression	Food	Energy costs	Energy costs	No luxuries left	
Energy		Tax credits	Less meat	Less meat	Gym membership	
Fossil fuel		Transport & car expenses	Meal planning	Meal planning	Beauty appointment	
		Interest rates	Markets collapse	Mortgage	Food shopping	
		Peace under threat	Tax relief	War	Less meat	
		Project fear - no doubt	Project fear - a reality	Fear	Takeaways	
			Groceries	Interest Rates	Energy costs	
			Price	Markets collapse	Recession	
			Pension contribution	Discounts/ Newspaper offers/ Supermarket apps	Saving	
			Joint accounts	Beverages	Tax	
			Childcare costs	Loans	Pension	
			Worry	Seeking advice	Discounts	
			Mortgage & rent	Childcare costs	The cost of living	
				Fossil fuel	Inevitable	
					War	
					Markets collapse	

Source: Based on Relative Insight analysis, 2022

# WHAT SHOPPERS ARE SAYING

**When reviewing Relative Insight's analysis and commentary from shoppers, we identified 6 key themes that people are discussing when it comes to the pending recessions...**

## 1. THE SUDDEN PRESSURE ON HOUSEHOLDS IS SHOCKING TOO MANY

“ Things had felt genuinely optimistic, with the Covid measures coming to an end and the UK economy starting to get back into decent shape. All of that money sloshing around last year- it was jacuzzis and new kitchens galore where we live. I can't believe how grim the picture looks just a few months later. ”

*Mumsnet, 09 Mar 22*

“ I think it's shocking, given that last year things were looking up. But there's going to be a massive recession. People will stop eating out, stop drinking down the pub, cut back on take aways, cancel gym memberships... anything they can do to save money which they need to divert to rising food, petrol, and energy prices. ”

*Mumsnet, 09 Mar 22*

## 2. PEOPLE ARE ALREADY CUTTING BACK WHERE THEY CAN – BUT WRESTLING TO DROP SOME 'TREATS'

“ Not much left to cut here. Haircuts, cleaner, waxes and nails, nights out, days out, Kid's clubs, Indian takeaway, cinema, new clothes, gym- all gone. The things that are left are things I seriously value, and not exactly spendy! Maybe fish and chips on payday? Netflix for dd (which is shared with my mum) ... ”

*Mumsnet, 03 Mar 22*

“ I don't have any luxuries! Never yet had my nails done/ any waxing/ expensive hair treatments (use a box dye, have my hair cut about every 4 months). I shop at Asda (may start going to Aldi). I could probably stop having dinner at the pub every Wednesday, but it's my one treat. ”

*Mumsnet, 16 Mar 22*

## 3. EVEN THOSE THAT REMAIN RELATIVELY COMFORTABLE ARE MAKING CUTBACKS

“ Big shop at Aldi rather than Sainsbury's. We had the fire on the other night, but I turned it off after half an hour rather than leaving it running, turned off the hot tub as that's heated all the time (I know ... first world problem) not just randomly buying things that are 'bargains' we've been lucky for many years, so these feel like small steps. ”

*Mumsnet, 03 Apr 22*

“ Increasingly doing more shopping in Lidl/ Aldi - tended to use Sainsbury's before. Using the car less to save on petrol. Fewer lunches out. Recently had to replace my trainers and bought an 'as new' pair on Vinted for a third of normal price. We've stopped short of turning off heating so far... ”

*Mumsnet, 03 Apr 22*

## 4. THE THINGS DEFINED AS ESSENTIALS OR TREATS ARE TOTALLY IDIOSYNCRATIC

“ Coffee shop drinks are such a waste of money. I only really buy them if I'm out with a friend or my partner and we stop for a break. Certainly not a regular habit or treat. Saying that I get either a takeaway (could be chippy not expensive ones) or cheap pub meal out most weeks so I can't talk...if a treat gets you through and if you can afford it then do it. ”

*Mumsnet, 11 Nov 21*

“ Cancelled magazine subscriptions too... It was a lovely little luxury but can't justify it... ”

*Mumsnet, 02 Mar 22*

“ Keeping: hairdressers- she is excellent. Gym membership too, need it for my mental health. Going: cleaner, can manage it if organised, extra beauty treatments so nails etc. Will be a bit more careful with my supermarket shop and am more mindful of using up what I already have in the fridge. ”

*Mumsnet, 16 Mar 22*

“ I had a little think about what I really liked in life. I love going out to restaurants, I don't want to stop just to save money. However, I've cut back on takeaways/ Deliveroo's because it really adds up .... other people will think completely the opposite- do what works for you. ”

*Reddit, 14 Apr 22*

## 5. TO CONTROL SPENDING, MANY ARE TAKING A SIGNIFICANTLY MORE ORGANISED APPROACH TO THEIR FINANCES

“Consumers talk about being organised – keeping spreadsheets as well as keeping up with economic developments and asking for advice online (the word ‘spreadsheet’ and the word ‘track’ appeared in December 2021). These measures start to appear as early as June 2021 (words such as ‘interest’, ‘inflation’, ‘trade deals’ are more likely to surface in June as compared to previous months).

I’ve taken control of my finances this year and a few things that have helped me are using the budget tracker spreadsheet from money saving expert. Changing my bank to Starling. It breaks transactions down into categories so you can keep track more easily. However, the saving spaces have been an absolute game changer for me. You can set up an automatic transfer every month into different ‘pots’ so I have ones to save for Christmas, birthdays, car maintenance etc. ”

*Mumsnet, Better Money Habits, 29 Dec 21*

“I actually like doing a spreadsheet. I keep a transaction log, which I pre-populate with my regular monthly expenses, then I manually add each time I buy something... I set up monthly payments into pension and ISA. I have another spreadsheet - told you I like spreadsheets - where once a month, I login to my investments and write the total value on the spreadsheet, so I track net worth. ”

*Mumsnet, Better Money Habits, 29 Dec 21*

## 6. PLANNING FOR SHOPPING MISSIONS IS SEEN AS A BIG WAY TO REDUCE IMPULSE SPEND

“Meal plan - and stick to it! Those takeaways on days where you cba to cook/ figure it out add up pretty quickly. We’ve already saved over £100 this month by sticking to our plans. ”

*Reddit, 22 Feb 22*

“Plan meals for the week including going out. This includes breakfast, lunch and dinner. Being clear about these make it so your funds are clear, and you don’t overspend... ”

*UK Personal Finance 21 Apr 22*

“Plan your meals and take a shopping list to the supermarket. It’ll focus what you buy and ensure you don’t pick up random end of aisle deals. Even better do online food shopping, it’ll save you a ton of time and you’re more likely to stick within budget/ buy what you set out to. ”

*UK Personal Finance 28 Apr 22*

## 7. SHOPPING MORE AT DISCOUNTERS IS DISCUSSED AS A MORE AFFORDABLE SHOP – BUT IS NOT SEEN AS A ‘TRADE DOWN’

“Shop at Aldi, Lidl, Sim only. Spreadsheet for outgoings, knowing what you spend on what is half the battle. ”

*Mumsnet, More ways to Save, 22 Feb 22*

“Aldi is the real deal tbh. The quality makes better sense than Lidl. ”

*Reddit, 28 Apr 22*

“Try Aldi, similar price but better quality especially fruit, veg, and meat. ”

*UK Personal Finance, 28 Apr 22*

“82x more likely to mention Lidl in Jan & Feb 22 (versus the previous six months) and 66.7x more likely to mention Aldi.

Wait until you discover Aldi. Top quality and great value. ”

*Reddit, 29 Apr 22*



# FURTHER INSIGHTS FROM ANALYSING SOCIAL DATA...



## HAIR & BEAUTY

This is a category many women are reluctant to cut back on, but pressure is forcing a reduction in the number of beauty treatments. For many, having their nails done was a regular treat, but now it may only happen before occasions like going on holiday.

The word 'salon' is **62.7x more likely** to occur in March conversation as compared to previous years. Moreover, the words 'hair' and 'hairstylist' are **21.7x** and **40.7x** more likely to occur in March as compared to previous months.



## SPENDING ON NEW CLOTHES

Both working from home and recessionary pressures are causing people to talk about spending less on new clothes. There is a shift towards clothes shopping in second-hand and charity shops, as well as a growth in interest in eBay and Vinted.

The word 'eBay' is infinitely more likely to occur in January when compared to the previous two months.



## LUXURIES & TREATS

In recent months, we've seen people cut back on certain 'luxuries' from 'coffee to go' in Nov 2021 to giving up broadband in Dec 2021. By March, many people commented they had no more luxuries to cut back on.

The word 'luxury' is **10.0x more likely** to surface in March conversation compared to all previous months.



## COFFEE ON THE GO

It's becoming harder to justify spending money on 'coffee on the go'. With discussions around food scarcity emerging in May 2021 and developing over the following months, this adjustment was first noted in Nov 2021 when people began to comment on cutting back on commodities such as drinks to go.

In November 2021, the word 'coffees' is **9.6x more likely** mentioned, and the topic of Drinks is **3.6x more likely** to be mentioned compared to December. In January and February, the word 'coffee' is **39.4x more likely** to surface compared to March.



## MEAL PLANNING & BATCH COOKING

People began to discuss the best way to ration and not waste food in Dec 2021. Meal planning, batch cooking and slow cookers were mentioned as cheaper cooking options. People also mentioned cooking from scratch and eating food from the freezer.

The word 'freeze' is infinitely more likely to occur in December, meaning it was not used at all in conversation before that point in time. Moreover, the word 'food' is **4.4x more likely** to occur that month. The phrase 'batch cooking' is **59.0x more likely** to occur in January and February when compared to March.



## GYM MEMBERSHIPS

People are starting to speak about different forms of exercise that do not require gym membership such as walking, running or home workouts.

The word 'gym' is **7.5x more likely** to occur in March as compared to previous four months.



## TAKEAWAYS & EATING OUT

Takeaways are now being classified as a luxury. Instead, there is talk of stocking up on frozen items such as pizzas. In March particularly, people talk about the future of restaurants and their intention to cut back on eating out. If they do eat out, it's important to them that it is from an independent business or to celebrate a special occasion.

In March, people are **6.3x more likely** to use the word 'restaurants', and **3.9x more likely** to mention the word 'takeaway' when compared to previous four months.



## BUYING LESS MEAT/MORE NON-MEAT OPTIONS

Over the past 3 months, discussion has continued to grow around saving money with people commenting on cooking at home rather than eating out or ordering takeaways. People are also choosing to eat less meat with the rise of plant-based alternatives and more options for vegan and vegetarian diets.

The word 'vegan' is **233.4x more likely** to occur, as well as the word 'veggie' (**70.7x more likely**) and 'beans' (**31.1x more likely**), in January and February compared to March. Moreover, the phrase 'eating less meat' is infinitely more likely to occur in March compared to the previous two months.

# WHAT THIS ALL MEANS

It is clear from our research that shoppers have been reviewing their finances and making cutbacks for some time, with some of the population discussing doing so from December last year. This has been driven by the reality of Government spending during the pandemic and increases in interest rates. With the Ukraine / Russia war in February, it suddenly became more mainstream and discussed more widely. It was at this point, we started to see people flip from general worry, to doing something about it as identified in our six themes.

What is interesting to us, is that some of these behaviours are what we would expect when reviewing past recessions – shopping at discounters, planned shopping trips to a reduced budget, a reduction in ‘treats’, etc.

**However, this time we are starting to see some other interesting insights emerge:**

- Meal planning and batchcooking, driven we suspect by a social community discussing these topics on platforms such as TikTok
- The reduction in meat, an effect of years of communication about the cost of meat vs. vegetables and a latent want to help fight climate change we imagine
- After the ‘boom’ of QSAs and FSAs in Covid, a sharp reduction in the perceived need for these as they are considered more expensive.

There will of course be nuances in behaviour that emerge that very few could predict, but what is clear is that the UK (and Global) population have had time to prepare for this financial crisis. Whilst a recession is a very difficult thing to predict – how long will it last, how impactful will it be, what will be the lasting implications for businesses? Shoppers have learnt from past recessions. Even if they were too young to be impacted, there is much more information through shared communities on how to ‘survive’ and cut back.

Just as shoppers have learnt from past recessions, so too have businesses. Again, whilst there might be changes in the landscape – discounters are fully established, ecommerce is finding its way, a much larger and more complex supply chain (grocery retailers, Amazon, QSAs, etc) – we can take some learnings from past recessions to try and navigate the best ways for businesses and brands to succeed.

Businesses have had to be much more agile as witnessed throughout the pandemic.



# IT DOESN'T ALL HAVE TO BE DOOM & GLOOM

WE'RE CONFIDENT THAT THERE ARE STILL OPPORTUNITIES FOR BRANDS TO HELP SHOPPERS NAVIGATE THROUGH THIS DIFFICULT PERIOD.

## DISCOUNTERS

We believe the current climate represents a HUGE opportunity for the discounters and the brands that are present in this channel.

- In the last financial crisis from 2008, Aldi and Lidl stole a share of grocery from The Big Four
- The Big Four's reaction in that period on the pricing front was too slow
- The picture is now different with The Big Four far more competitive on value
- The work over the past decade on private labels has been key to closing the gap
- Recent campaigns and initiatives such as the 'Aldi Price Match' create a marketable 'closeness' in pricing for consumers
- But now the discounters are also stronger with combined over 750 (72%) more stores in 2022 compared to 2012
- Importantly, over the last decade the discounters have done a lot to diversity their customer base
- As a result, customers of all household incomes shop with discounters and the savviness learnt in the past recession is now built into shoppers of all demographics

### OUR OPINION

There is a significant opportunity for Aldi and Lidl to capture a greater share of the more affluent basket during the coming period. However, it will be essential for brands and businesses to offer these retailers strong Account Management support.

## ONLINE GROCERS

More premium grocers can exploit the discounters' weaknesses in online grocery. Affluent consumers over-index in the online grocery market, reiterating the convenience of delivered grocers. This, combined with sharp pricing and other added elements such as testers and discounts for loyalty could minimize switching and be a powerful tool to hold onto these customers.

### OUR OPINION

Retailers will respond positively to brands that can offer online exclusives, a .com shopper marketing focus or sampling through online purchase, to reinforce the online differential.

## RETURN OF THE LOYALTY CARD

Outside of grocery, Boots has its Boots Advantage Prices, which is similar to the Clubcard in design and shares its simplicity in an increasingly complex retail landscape.

These schemes will help consumers navigate through this period of financial pressure with strong value overlays. In return, retailers will bring new customers into their schemes or increase frequency of use. Investment into price savings for shoppers is being made and businesses gain directly in return.

### OUR OPINION

Brands should give focus to pricing and added-value promotions through loyalty cards, as part of their shopper marketing plans.

## TRADING AGAINST RISING COSTS

Grocers and brands should use the opportunity to trade against the rising cost of out-of-home consumption. Especially as it's likely that the difference between in-home and out-of-home prices will continue to widen.

- In-home food and drink inflation was 4.2% in Dec 2021 – but out-of-home (restaurants & cafes) inflation was also running high at 4.1%.
- Grocers will need to focus on creating meaningful meal occasions and solutions against out-of-home.
- Out-of-home inflation outpaced in-home inflation for much of 2021. It's likely that this trend will reappear, creating a significant price difference between in and out-of-home prices.

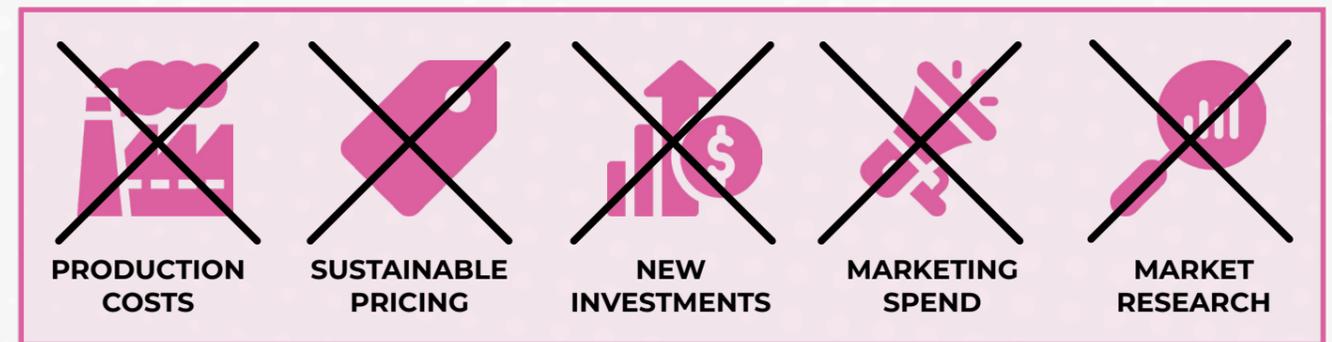
### OUR OPINION

Retailers can build loyalty by educating shoppers on ways to cut back on in-home spending through lower cost meal options and recipe suggestions. They will be receptive to brands that can offer this support. There are also opportunities for in-home replacement solutions that previously may have been out-of-home spend.

The need to 'create excitement' is greater after the in-home focus resulting from previous pandemic restrictions. Shoppers have had nearly two years of heightened in-home cooking, so in-home solutions need to work harder to increase their appeal based on convenience, uniqueness of the solution and ability to reproduce that 'special' element of going out. For alcoholic drinks, there is a significant opportunity to continue to tap into greater in-home consumption. Again, differences to usual ranges will be important to create 'excitement' around in-home hosting again.

# TAKING A HATCHET TO COSTS & SPEND IS SHORT-SIGHTED

In the face of mounting consumer challenges, an initial response is focused on reducing prices. As sales drop, indiscriminate cost-cutting often follows.



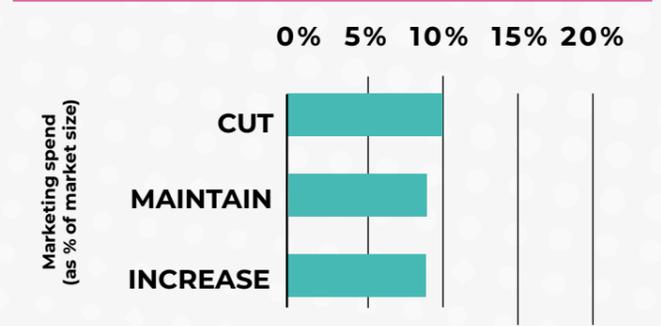
Although businesses do need to contain costs, failing to support brands or understand customers' changing needs can jeopardize growth potential and performance over the long-term.

The brands which focus on understanding their changing customers and shopper needs, take a scalpel, rather than a cleaver, to their marketing budget. They adeptly shift strategies and tactics in response to the changing market and are, in our opinion, more likely to survive and re-emerge stronger from a recession.

The benefits of maintaining marketing spend have been proven in almost every recession since 1920.

MARKETING SPEND AND RETURN ON CAPITAL EMPLOYED (ROCE) DURING A RECESSION AND RECOVERY, 2007-2008\*

INFLATION-CORRECTED ROCE DURING RECESSION (%)



INFLATION-CORRECTED ROCE DURING RECOVERY (%)



\*Source: Malik PIMS (2008)

Proctor & Gamble have their own view on how to succeed during a recession, which they again employed during the recent global challenge of Covid-19.

“There is certainly a subset of consumers for whom price becomes a significantly greater portion of their personal value equation. That will, in some cases, result in trading down to private label,” Jon Moeller, President and CEO at Procter and Gamble, said.

“Our job becomes having an offering and alternative for them that allows them to achieve the same objective within our branded portfolio.”

Even as the company wants to compete at every viable price point, the “overall value proposition really matters and at a time when there is

heightened concern about the need for a product to work and be efficacious as I take care of my family and my home,” Moeller said.

In fact, excellence – be it in making products or in its marketing – was a priority for the CPG business long before the coronavirus hit. “We’ve increased the superiority of our offerings, simultaneously increasing their value,” said Moeller.

To that end, in the current climate, “We’re emphasising performance-based value messaging ... So, the changes we’ve made there, I think, will put us in much better stead.”

**! It is critical for brands and businesses to strike the right balance.**

SHORT TERM PRESERVATION	LONG-TERM GROWTH
Delivering value	Retaining values
Giving shoppers what they need in a rapidly changing world and responding to their budgetary pressures	Not undermining brand value - as during recession, big brands often flourish as shoppers look for trust and reassurance
Whilst avoiding a price war, significant margin erosion or undermining quality perceptions	Giving genuine added value, having clarity on benefits and reinforcing quality perceptions

Source: WARC, 23.04.20, P&G’s Playbook for the Recession

**OUR OPINION**

- Maintaining marketing spend can grow shopper salience and consideration in difficult times, protecting market share and giving you a strong base for future growth
- Be creative and laser-focused to eek great returns from tighter marketing budgets, while ensuring regular shopper initiatives, content marketing, social media noise and shopper connection are delivered

**WHETHER THE SHOPPER CONSIDERS YOUR PRODUCT / BRAND TO BE ESSENTIAL (STOCK UP) OR NON-ESSENTIAL (BROWSE) WILL DETERMINE YOUR MARKETING STRATEGY.**

LOW	PURCHASE INTENT	HIGH
In a recession, customers spending capacity is compromised and your <b>product is considered to be NON-ESSENTIAL</b>	In a recession, customers still have the capacity to spend and your <b>product is considered to be ESSENTIAL</b>	
Invest in enhancing value perceptions, diversifying relevance and brand-building experiences	Keep investing in brand activities and maintain marketing presence	
<b>MAINTAIN PURCHASE INTENT &amp; PROTECT MARKET SHARE</b>	<b>GROW SALIANCE, EQUITY &amp; EXPAND MARKET SHARE</b>	

**! Ultimately, to protect the business in the long-run, you must go beyond just price to offer meaningful value for money to shoppers.**

# NOT ALL SHOPPERS ARE EQUAL

The cost-of-living crisis will affect different shoppers to different degrees. Some consumers will have created a buffer from savings built up over lockdown. But not everyone could afford to save.

Consumer spending could be partially supported by more than £200bn of savings built up by households during the pandemic. But the bulk of this savings glut is concentrated among the top 40% richest in society, while lower income households lost money.

**PREVIOUS APPROACHES TO SEGMENTING YOUR BRAND SHOPPERS WILL NEED TO BE REVISED.**



**DEMOGRAPHICS**  
e.g Over 40's



**LIFE STAGE**



**ATTITUDES**

In a recession, segmentations such as the above may be less relevant than a **psychological segmentation** that takes into consideration consumers' emotional reactions to the economic environment.

**WE HAVE SPLIT THE RECESSIONARY SHOPPER SEGMENTATION INTO FOUR UMBRELLA SEGMENTS:**

<b>1. HIT THE BREAKS</b>	<b>3. COMFORTABLY UNAFFECTED</b>
<ul style="list-style-type: none"> <li>• Lower-income shoppers: the most vulnerable and hardest hit financially</li> <li>• Can be anxious higher-income consumers too if they are worried that income circumstances might change for the worse</li> <li>• Reducing all types of spending by eliminating, postponing, decreasing, or substituting purchases</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Feel secure about their ability to ride out current and future bumps in the economy</b></li> <li>• Consume at near pre-recession levels, though now they tend to be a little more selective (and less conspicuous) about their purchases</li> <li>• Higher income brackets and those who are less wealthy but feel confident about the stability of their finances</li> </ul>
<b>2. PINCHED BUT POSITIVE</b>	<b>4. LIVE FOR TODAY</b>
<ul style="list-style-type: none"> <li>• Resilient and optimistic about the long-term but less confident about standard of living in the short-term</li> <li>• Economise in many areas, though less aggressively</li> <li>• Probably constitute the largest segment (unscathed by unemployment and covering wide range of income levels)</li> <li>• <b>Can migrate to 'Hit the Brakes' if news keeps deteriorating</b></li> </ul>	<ul style="list-style-type: none"> <li>• Spend-for-today attitude and generally carrying on as usual</li> <li>• May extend their timetables for making major purchases</li> <li>• Urban and younger: more likely to rent, spend on experiences rather than stuff (with the exception of consumer electronics)</li> <li>• Unlikely to change their consumption behaviour unless they become unemployed</li> </ul>

*Based on: Harvard Business Review, Marketing in a Downturn*

Whilst these four allow us to understand the umbrella psychological segmentation, it is important to point out shoppers may move between the four at different points during a recession. In addition, they may consider some purchases to be a more valued solution and therefore not reduce spend in this area / product. The 'Lipstick Effect' seen in past recessions is an indicator of this.

REGARDLESS OF WHICH SEGMENT THEY BELONG TO, **ALL SHOPPERS** SORT PRODUCTS / SERVICE INTO **FOUR** CATEGORIES:

<p><b>ESSENTIALS</b> Necessary for survival or perceived as central to well-being</p>	<p><b>TREATS</b> Indulgences whose immediate purchase is considered justifiable</p>	<p><b>POSTPONABLES</b> Needed or desired items whose purchase can be reasonably put off</p>	<p><b>EXPENDABLES</b> Items perceived as unnecessary or unjustifiable</p>
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Almost all shoppers typically re-evaluate their consumption priorities. But the assignment of brands and categories is highly idiosyncratic.

*Based on: Harvard Business Review, Marketing in a Downturn*

Categories that typically experience down-trading when shoppers are hard pushed are likely to have already seen these changes due to Covid. This means there may not be such a significant move away from trusted brands to cheaper alternatives.

**OUR OPINION**

**The challenge for us as marketers is to spot these insights or communities and offer the right solution (not commodities) for the shopper. Whilst this may be considered a challenge, we believe closely listening to shoppers using tools like Relative Insight's and reacting with speed is key.**

# MARKETING APPROACHES TO DRIVE VALUE PERCEPTIONS

**VALUE FOR MONEY IS A COMPLEX, SUBJECTIVE ASSESSMENT OF WHAT BENEFITS SHOPPERS ARE GETTING FOR THE PRICE.**

**THE MAIN BENEFITS WE HAVE IDENTIFIED ARE:**

					
<b>ABSOLUTE PRICE</b>	<b>PRODUCT PERFORMANCE</b>	<b>TASTE PERCEPTIONS</b>	<b>SPEED/ CONVENIENCE</b>	<b>BRAND ASSOCIATIONS</b>	<b>ADDED VALUE BENEFITS</b>

Every shopper has a unique way of looking at value for money, which is personal to them. This changes by product and by category. For example, a mum may pay more for a packet of branded crisps if it means their child will have a snack with little argument, therefore saving them time overall. Alternatively, a guest

may spend more on a bottle of gin, if it means they will look better in front of their friends.

It is our challenge as marketers to offer the shopper the right solution, that they consider will add value to their lives, and therefore combats price considerations.

# GOLLEY SLATER'S RECOMMENDATIONS FOR NAVIGATING THIS TRICKY (BUT TEMPORARY) RECESSIONARY PERIOD

## BRAND QUALITY REINFORCEMENT

Elevate benefits from commodity perceptions



e.g. Domestos promising the product power of effectiveness

## DELIVER ON VALUE

Be recognised for a consistent pricing/promotional programme for core lines



e.g. Aldi promotion of 'Special Buys' aisle driving footfall to stores

## INNOVATE WITH FORMATS

Packs which deliver genuine benefits: bulk saving packs; keep it fresher longer packs etc



e.g. P&G producing XL packs which enhance value through bulk-buying

## DELIVER ON SPEED & CONVENIENCE:

Some shoppers prioritise immediacy as benefit in the value assessment – be part of the grocery delivery shift



e.g. Spar, The Coop, Sainsbury's Local etc who are all working with partners to ensure delivery options in less than half an hour

WE BELIEVE THERE ARE SEVERAL MARKETING APPROACHES THAT CAN DRIVE VALUE PERCEPTIONS AMONGST KEY SHOPPERS. ALL OF WHICH REQUIRE A MAINTENANCE OF INVESTMENT IN BRAND BUILDING.

## ALIGN WITH SHOPPER CONCERNS

Shoppers don't completely stop caring about issues relevant to them, Still drive added-value perceptions through CSR



e.g. Ariel promoting lower carbon impacts with 'Wash Cold', Hellmans who are tackling food waste and Arla who support Magic Breakfasts.

## CUT THROUGH DIGITALLY

The huge online shopping migration means that brand and shopper campaigns need to reinforce value to be noticed especially for online 'stock up' shoppers through CSR



e.g. Aldi's strong, consistent social media presence – building the brand and value messages. Who can forget the Colin Vs Cuthbert cake war?

## BUILD ON SATISFACTION & VERSATILITY

Reinforce ability to address a range of needs or occasions



e.g. Baileys who are driving perceptions of value by making it more relevant to more occasions (this is Halloween campaign)

## LEVERAGE BRAND TRUST

comfort and reassurance of (affordable) familiarity



e.g. Lidl – who have such a strong value association already established

# OTHER BRAND STRATEGIES FOR SUCCESS IN A RECESSION:

## CREATE POSITIVE EXPERIENCES

CREATE WAYS TO MAKE VALUE TRANSPARENT OR TANGIBLE



To demonstrate **LIDL's** quality range and value for money, they enlisted five families to show the nation how much they could save by shopping with them. Every week, we catch up with one of the families as they shop, unpack and talk about their savings (reality show style).



**Clubcard** gives access to exclusive 'member prices' as a powerful way to save money and feel rewarded.



Wage Reduction Whopper: **Burger King (UEA)** have developed a simple app for those whose income has fallen. You put in your reduced pay or hours – and get a corresponding discount.

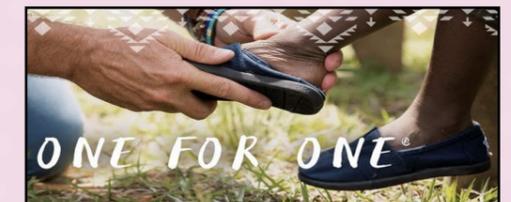
## ACTIONS SPEAK LOUDER THAN WORDS

BEING A FORCE FOR GOOD OR 'HAVING CUSTOMERS BACKS' WILL BE REMEMBERED LONG AFTER THE RECESSION HAS PASSED



**Innocent** have opened the world's most sustainable factory in Rotterdam in The Netherlands. Innocent invested 225 million Euros in producing this CO2 neutral – and fully electric – drinks factory. 'The blender', as the factory is named, is key to the company's strong sustainability mission.

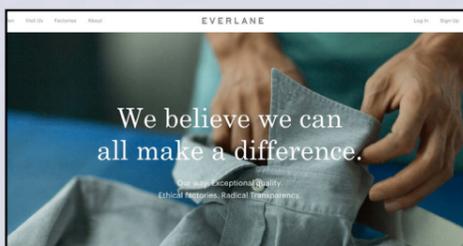
**TOMS's** sells premium shoes. They donate a pair of shoes for every pair they sell, resulting in the donation of over 100 million pairs of shoes to children in need. This is more important now as incomes are squeezed.



During the pandemic, **Microsoft** launched Global Skills Training Initiative - a free digital training programme for 25 million people who needed skills in the Covid era – or who had lost their jobs and wanted to up-skill.

## KEEP YOUR PROMISES

CUSTOMERS WON'T FORGIVE A BRAND THAT ABANDONS ITS PURPOSE - JUST BECAUSE A RECESSION IS HAPPENING.



**Everlane** are a premium clothes brand. They still appeal when incomes are under more pressure as consumers buy into their premise. 'We believe we can all make a difference... Our way: Exceptional quality. Ethical factories. Radical Transparency'.



**Barclay's** campaign to help customers take control of their finances (in the Moneyverse): developed a programme called Money Mentors to help their customers understand and control spending and hit savings goals.



**Innocent** sustain efforts to retain strong B-Corp accreditation despite pressures on revenues.

# OTHER BRAND STRATEGIES FOR SUCCESS IN A RECESSION:

## GET CREATIVE

VALUE MESSAGES DO NOT ALL NEED TO BE RATIONAL, SACRIFICE ON HUMOUR OR BE EXPENSIVE



**Tesco** launched a campaign with a colloquial tone of voice, to help shoppers spend less by reinforcing how a Clubcard can get you more for your money.



**Vauxhall Astra** Parody of the famous Diet Coke ad – while also getting across the message of fuel efficiency (and therefore cost savings)



**Just Eat** targeted billboards near/ opposite re-opening offices to keep encouraging lunch spend through benefits of taste and convenience.

## POSITIVE, JOINED-UP EXPERIENCES

INTEGRATED MESSAGES CREATING VALUE PERCEPTIONS THAT FLEX ALONG THE PATH TO PURCHASE, ARE A HUGE EFFECTIVE LEVER



Your marketing, commercial and sales teams should be totally linked up to build value perceptions. Understanding how you can package price cuts, combos and one-offs is crucial – and a creatively interesting challenge.

**The Tesco Finest\* £10 Dinner for Two** promotion is a great example of integrated value-based messaging that does not trade-off on quality, emotion or experience. It moves from focus on the emotional dimension of value (driven by taste, quality and experience) in the above-the-line communication – through to more rational value (range, bundled price savings and choice) at the point-of-purchase. All while maintaining the consistent sense of enhanced dining at home, and reinforcing value versus eating out with a take-away.

# TO SUMMARISE...

THE IMMINENT RECESSION DOES NOT HAVE TO SPELL DISASTER FOR BUSINESSES & BRANDS.

1

Some categories are more recession proof than others so consider whether your brands fall into 'stock up' or 'browse' and **develop campaigns accordingly**

2

**Keep supporting core brands** in the portfolio with the best chance to successfully re-emerge, in order to maintain market share, margins and future sales potential

3

**Play close attention to what your customers want**, what they are doing, and be fast and responsive to their shifting needs. Intelligence gathering and market research matters now more than ever. **Dive into the insight and react accordingly**

7

Cost-cutting pressures will increase – but ensure those elements of your brand which are valued by consumers and shoppers are not compromised in striving to achieve cost savings. You still need to **keep brand promises** or you will be damaged on re-immersion.

4

**Price accuracy is likely to increase.** Shoppers are more likely to know specifics of pricing across different retailers and good deals have social currency. **Be consistent in the value that you offer.** Look at your superiority claims and make sure you are delivering the right message, to the right person, at the right time!

5

Going low and slashing prices is tempting - but it could just blow your margins or spark a price war. Instead, you will need a **confident brand messaging, pricing and promotional plan to drive revenue**

6

**Keep a 'human' approach**, try to be on the side of your customers, **practice compassion and avoid being tone-deaf to your customers'** lives and concerns. Acknowledge that plans will change - make sure your team are agile enough to deliver

**ULTIMATELY, WE BELIEVE THAT BY DELIVERING MEANINGFUL VALUE TO SHOPPERS IT WILL PROTECT YOUR BUSINESS IN THE LONG RUN. IF A SHOPPER VALUES YOUR BRAND, THEY WILL FIND A WAY TO FIT IT INTO THEIR SPEND.**

Recessions are tough on everyone - businesses, consumers, communities, wider societies with this impending one looking no different. Having experienced a few ourselves in our 65+ year history, we know those who navigate them successfully always come through it stronger.

Not every approach or tactic we have outlined will work for every business and indeed the world has changed dramatically for shoppers since 2008 / 2009 (QCommerce, Online vs In Store, Amazon, etc). However, one approach

we believe always succeeds is when the consumer / shopper is central to your plans with the sole aim of **delivering meaningful value over price to them.** Doing this with speed and agility will protect your business in the long run.

**Thank you for reading this report from us at Colley Slater & Relative Insight. If you would like to discuss this or any of the tactics in any more detail, please do get in touch.**

# FURTHER INFORMATION ON RELATIVE INSIGHT

Relative Insight is a text analytics company that leverages comparison to analyse qualitative data at scale, helping you to understand how an audience, brand or organisation talks.

Adopting a comparative approach to text analysis, the platform surfaces statistically significant differences and similarities between two or more language sets, pinpointing the words, phrases, topics, emotion and grammar that are more prevalent in one data set over another.

Relative Insight makes sense of unstructured, qualitative data sifting through the building blocks of language – the ifs, buts, how's - to leave you with the interesting linguistic nuances. While the range of use cases for Relative Insight is expansive, all projects generally follow the same five stages:

## **QUESTIONS, DATA, COMPARISON, INSIGHTS AND ACTIONS.**

Both forum and social media data were used in order to discover key themes associated with the recession in consumer conversation over the last year.

*For more information, see [relativeinsight.com](http://relativeinsight.com)*





**Golley Slater**

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If you would like to discuss this report in more detail or would like to discuss how Golley Slater could help with your challenges, drop us an email at [bex.berry@golleyslater.co.uk](mailto:bex.berry@golleyslater.co.uk) or call us on **01943 484848**