

Untethered times

The cost-of-living crisis has come roaring to the fore. Brands need to be savvy and rethink their marketing strategies to successfully navigate the challenging times ahead, as Rob Gray reports

According to data from the Office for National Statistics, in the 12 months to April 2022 UK inflation hit a 40-year high of 9%. This alarming surge in prices has caused a drop in ‘real’ disposable incomes, and everywhere there are headlines about people looking for ways to save money, or struggling to make ends meet – and, worse, heartbreaking stories of poverty, desperation and foodbanks.

Sanctions and supply shortages triggered by the war in Ukraine have exerted strong upward pressure on prices, most notably in respect of everyday essentials such as food and energy. This comes on the back of inflation driven by the Covid pandemic. Affordability has become a hot issue globally, in a way that hasn’t been the case for decades and it is loaded with numerous social, political and economic implications.

Brands are understandably taking steps to get to grips with the changes consumers are making and what these mean for their business. Market research (MR) is, of course, central to this, and many MR companies are conducting research into how consumers are responding to cost-of-living challenges (COLC). Establishing what changes are being made by consumers who are feeling the pinch is a hugely valuable insight for brand owners that will probably shape marketing activities such as pricing, promotion, pack sizes and other actions.

“Consumers are having to change their shopping behaviours quite quickly,” says Lucia Juliano, head of research for the UK & the Netherlands at Harris Interactive, part of the Toluna group. “So, market research companies have to adapt quickly too. There is a real need to listen to consumers and make business decisions rapidly. You can’t have decisions that take 12 months to implement – it has to be now.”

Toluna uses two major intelligence platforms to

unearth COLC insights. First, there is the Global Barometer, an online survey covering 16 countries (with a nationally representative sample of 1,000 people in the majority of these markets). When it began in March 2020, the main focus was on the impact of the pandemic, but it has been tweaked to accommodate COLC questions as the crisis has moved to centre stage. The survey is conducted either monthly or every two months and, at the time of writing, 19 waves had been completed.

The other product is the UK-focused Instant Impact survey, using the Toluna Start consumer insights panel to provide a finger on the pulse. It is run rapidly; in a recent wave, 1,000 interviews were conducted in just five hours.

“It is designed to be very topical – very much a pulse of the moment,” observes Juliano. “We know it’s important to show brands what consumers are doing: where people are cutting back; what they want brands to do; how they are going to shop differently; where they might be holding back their spend – because that impacts so many brands. When it was first designed, we didn’t know it would be as popular as it is. Clients have loved it, responded really well, and asked for more.”

We’ll come back to some illuminating findings from Instant Impact and the Global Barometer a little later on. But first, let’s examine some of the reasons brands need to be on top of the COLC.

Getting to grips with the crisis

Brands don’t exist in isolation from the outside world. As Nikki Cunningham, managing director of creative branding agency Curious, observes, they are forever shaped by their surroundings, which calls for an understanding of the political climate and cultural shifts, and reaction to this based on their core brand. The fundamental nature of a brand is to represent a shorthand for how consumers should feel when using their product or service.

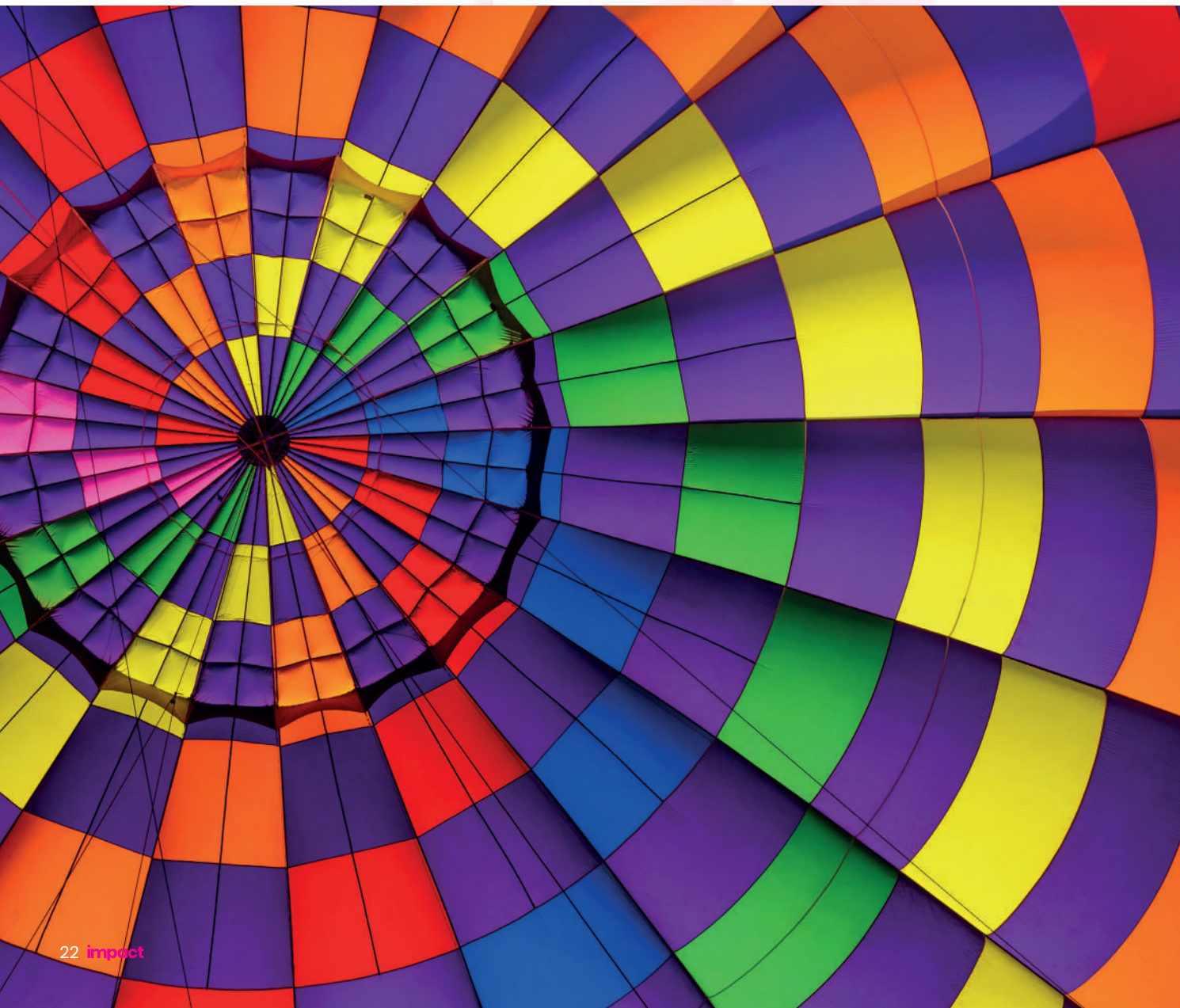
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“The cost-of-living crisis is one that can’t be avoided by brands, because it directly impacts how consumers spend their money,” says Cunningham. “Brands need to find a way to demonstrate how they relate to their customers’ needs and pay attention to what their priorities are. They need to show how they can support their customers and have a positive impact on their life that outweighs the need to cut down on spending. If they can do this, they will be able to remain a plus, rather than a minus.”

More people are now more worried about their finances (38%) than they are about catching Covid-19 (33%), according to researchers at University College London (UCL), who conducted the Covid-19 Social Study, something that is indicative of the seriousness

of the situation. These findings are based on a survey of 28,495 people, funded by charitable trust the Nuffield Foundation, public body UK Research and Innovation (UKRI), and the charity Wellcome, and show that the return to more ‘normal’ post-lockdown living has not had all the mental health benefits that people necessarily expected. Growing concerns about finances, says lead author Dr Daisy Fancourt, of the UCL Institute of Epidemiology & Health Care, suggest that new psychological stressors are becoming dominant for individuals.

“We know that when you struggle to make ends meet it will affect your mental health,” says Max Templer, research director at BritainThinks. “Yet, we also know that the effects of the COLC vary



considerably. What we need is nuanced understanding of how factors such as mental health, interaction with local communities, financial impact, socialising and increased working hours interact with one another. We also need to consider how we define 'essentials'. Twenty years ago, a mobile phone or internet access wouldn't have been thought of as essential. For some people, the ability to have a creative outlet might be considered an essential factor in maintaining their mental health. What does 'essential' mean for people in 2022?"

This is indeed an interesting question. Toluna's UK-focused Instant Impact survey findings from April show that a mobile phone contract tops the list of things people are least willing to forgo, followed by TV subscriptions and drinking alcohol at home. It seems many consumers do indeed consider their phones to be essential items. By contrast, 46% of people are prepared to cut back on eating out, a 6% rise on the previous month; 43% (+4%) are ready to reduce spend on takeaways; and 38% (also +4%) to cut down on drinking alcohol in pubs and bars. More nights in front of the TV are clearly on the cards.

These behaviours are being driven by real financial worries. The same Toluna research found 57% of UK consumers to be 'very' or 'extremely concerned' about their personal financial security, a 6% rise on the previous month. The cost of grocery shopping is where they felt most impacted, (55%) driven mostly by noticeable price rises in fresh and chilled produce.

In an effort to keep spending under control, there is evidence that some consumers are changing their shopping behaviour. For example, buying more own-label, changing brands, or visiting more stores in search of better value. Clearly, behaviour change of this kind has significant implications for grocery brands and retailers.

"All of this will come down to different people's personal situations," says Harris Interactive's Juliano. "How are they trading off everyday luxuries versus big-ticket luxuries? How are they apportioning the money that's left? How are they able to make ends meet from that perspective?"

Some people, she adds, will be determined not to give up a holiday abroad because Covid has prevented them from travelling for two years and they are prioritising that experience. Others feeling the pinch may consider that international travel is something worth sacrificing to balance the domestic books.

Brands have a big choice to make in terms of how this plays into marketing strategy. Do they talk about

price because it is so top of mind, or do they continue to plug their sustainability and social credentials, given that this still matters to consumers?

Toluna's Global Barometer research found that 67% of consumers want brands to be "sincere and authentic" in what they do, and 59% want to see real commitment to reducing packaging, especially plastics.

Tracking consumer sentiment

Toluna is providing a bespoke option for clients who want brand- or category-specific insights into how COLC is affecting their consumers. "Some clients have asked us to set up trackers to help them with their consumer empathy," explains Juliano. "We are helping them understand and listen to consumers in whichever markets are specific to them, around whatever categories are specific to them, and we are tracking that over time. We set that up quickly, but we have put a lot of thought into the design.

Obviously, we don't yet know where things are going to go next month or further out, so we've tried hard to develop trackers fit for the future evolution of this crisis."

Let's take the fictitious example of bespoke research for a yoghurt manufacturer. Juliano explains that this would begin by exploring how people might begin to change, starting at a macro level with what is impacting their lives and what their priorities are. Is their financial situation being affected,

and to what extent? The research would then drill down to the product/category level to establish whether consumers intend buying more or less of the brand, whether they have noticed price increases or availability issues, and whether they have tried different brands on promotion or substituted in favour of own-label products.

Perhaps it is a case of buying bigger pots to get better value – or maybe buying an alternative to yoghurt? Is yoghurt something they might happily live without – a nice to have, but not necessary – or is it a treat or essential that will still be bought, even if that means sacrificing something else?

This sort of granular information could make a big difference to sales performance, and brands will certainly need to stay on top of consumer behaviour as the crisis evolves. While studies such as Ipsos's 24-country Global Consumer Confidence National Index show that topline consumer confidence has recovered since the worst days of the pandemic, there is also a clear expectation of a fall in living standards. The poll finds that economic optimism has been declining in Europe and the US since mid-2021: in six

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out of 10 countries less than half feel they are on a financially sound footing.

“What is interesting about the current food and energy price crunch is that all sorts of organisations – from charities to brands to central bank governors – are interested in how people are reacting and behaving,” says Ipsos CEO Ben Page. “A key finding is that, in most countries, consumers are still underestimating how bad it might get. Of course, we can see people switching to private brands, moving to the discounters and cutting their discretionary spend on eating out, big-ticket items such as cars, and on major household goods – but, so far, not asking for wage rises. These remain well below inflation; we will be tracking how this changes.

“The cost-of-living crisis is only just beginning and its consequences are unpredictable. For countries that import fuel and food, it may be existential. Much of North Africa and some Asian countries face much more severe problems than the UK, a still relatively rich country. The long-term political consequences, as with the [financial] crash of 2008, are not immediately visible, but they will be in years to come.”

Page rightly points out that charities are taking a keen interest in the COLC, which is understandable given the potential revenue squeeze and rise in costs that many are facing. Research among 547 charity leaders, conducted by YouGov in April on behalf of the Charities Aid Foundation (CAF), found that one-third fear for their survival, and 86% are worried about the impact that rising living costs are having on people who rely on their services.

Responding to the findings, Alison Taylor, chief executive of CAF Bank and Charity Services, warns that the sector faces a “perfect storm”, with tightening household budgets impacting donations and rising operating costs – and, sadly, this means some charities are unlikely to survive this year. Many are on tenterhooks, waiting to see how far the squeeze on consumer finances erodes charitable giving and trying to figure out how they can mobilise those least affected by the crisis to do more.

In the private sector, brands are responding to some clear consumer behaviour shifts in several ways. Smart frugality is a mindset being championed by brands from IKEA to Barclays, where taking a more prudent approach is encouraged as the way all sensible shoppers should head. This has the double benefit of being positioned as financially astute and sustainable, as it better protects the Earth’s resources.

Continuing with this theme, several brands are embracing the second-hand marketplace. While eBay

and Depop have built businesses around this, brands and retailers are now getting in on the act – as seen with Cos Resell and Selfridges’ Resellfridges. Michela Graci, strategy partner at design agency Coley Porter Bell – where she works across clients such as Tesco, Müller, Fox’s and Premier Foods – says this is sustainable behaviour; it builds brand loyalty, potentially brings in new shoppers, and there is the halo effect of being seen to do the right thing.

Staying relevant and connected

But what of luxury brands? How should they behave given their well-heeled target market is far less likely to have to cut back on spending?

“The COLC is an interesting issue for the luxury end of the market,” notes Graci. “While luxury brands tend to be well insulated from the impact of the mass population having to tighten their belts, they do have to be cautious about coming across as insensitive and tone deaf. In this social media age, that is quickly jumped on and lambasted, which can damage brand value.

“For some luxury brands, this is an opportunity to come across as more relevant and better connected to local markets or communities. It requires an inclusive, rather than exclusive, approach and can help luxury brands appear more culturally relevant – especially to Gen Z.”

Laurent Manès-Murphy, general manager for new markets at customer agency C Space, says consumers have different “mental wallets” when it comes to spending. By which he means people still need moments of indulgence and seek status, while being prepared to compromise on more functional items. Manès-Murphy makes the point that it’s easy to be simplistic and assume that people are cutting costs across the board and looking for cheaper versions of everything – yet, decisions are often more nuanced and emotionally driven than that.

“Sustainable options are definitely feeling the pinch among those customers who are in transition between less and more sustainable living, down to those who still see it as a premium-driven enterprise that is out of reach completely,” Manès-Murphy remarks.

Whether it be EON sending socks to customers, SSE advising them to keep bills low by cuddling pets, or the CEO of Utilita suggesting people wear jumpers instead of turning on the heating, some brands have made gaffes when addressing the spiralling costs of their services. There is clearly a need to build customer empathy among marketers and leadership to help them better understand what their consumers are going through. “The disconnect that exists

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between the hipster-marketers and CEO-billionaires bubble and the rest of the country has rarely been more apparent,” observes Manès-Murphy.

This has led C Space to put greater emphasis on customer closeness in its COLC research project. For instance, arranging for the finance director of one of the big telecommunications companies, who is a Kensington resident, to go to Peckham with a student, armed with just a £20 note to do a week’s shop.

More generally, a change of mood has become evident. Manès-Murphy says he has seen a big discrepancy between some of the responses C Space was getting at the end of last year, and today. “When building an ideal lifestyle subscription with customers in Q4, the proposition was packed full of lifestyle and entertainment benefits – think cinema tickets, coffee vouchers, spa days,” he says. “On a recent UK-wide quant study, done on the same week that the energy cap was lifted, we got almost completely opposite results.

“Customers couldn’t care less about lifestyle benefits – it was all about financial benefits. Unsurprisingly, the trend was most severe for young families. This reflects a tendency to seek reassurance from rational levers in times of crisis, even if it will probably not make you happier or wealthier.

“A recent Which? survey indicates that 59% of the population had to make adjustments. The key question is this: what kind of trade-off between mental wallets and financial ones are people making when thinking about these adjustments?”

Supporting those who are struggling

What, though, can be done for those who are really struggling? Where will they look for help? Toluna’s Global Consumer Barometer found that 46% globally would turn to family if they needed financial help/support over the next few months, ahead of banks/building societies or asking a friend – both of which came in at 21%. But might some people be reluctant, out of personal pride, to be open and honest if they are in financial difficulties? Juliano believes not, at least as far as quant research is concerned.

“Research is so anonymous, you can say anything,” she remarks, “and people are used to talking about things very openly. We have some data where we ask people how your financial situation is now compared with before the pandemic, and how you think your financial situation is going to change in the next three months. People are reasonably happy to answer questions like that. Also, it’s not everybody who thinks they are going to be affected by the cost-of-living crisis; it’s the majority, but not everybody.”

Juliano accepts that qual research may be a different matter in terms of openness. There’s certainly a need

to proceed sensitively, as BritainThinks is doing with an ongoing series called the Cost-of-Living Diaries. These look to uncover overall concerns about the crisis, how people are adjusting to rising prices, and how they expect to cope over the coming months. Given that concerns and behaviour change are uneven, an important part of these studies is understanding how certain typologies and demographics are reacting to the COLC.

Research on financial difficulty and poverty can be a challenge, admits Templer. “Poverty, for many, feels pejorative – plus, there are challenges around how people define themselves. Many won’t want to admit that they are struggling. For some segments, such as parents, it can feel like an accusation. It’s important to be able to create the space in the qualitative process where people can open up and feel comfortable enough to talk candidly about the issues they are facing.”

From its own research, BritainThinks has found that half of those who are struggling most are either disabled or have long-term health conditions. In a similar vein, research among 2,000 people with cancer in the UK, by charity Macmillan, found that 24% – almost 750,000 people – say they “can’t afford life at the moment”, and have been buying less food or making fewer hot meals to try to cope with soaring prices. Meanwhile, research by thinktank The Food Foundation, published in May, found that more than two million adults in the UK have gone without food for a whole day because they cannot afford to eat, with 7.3 million (one in seven adults) estimated to be food-insecure, representing more than a 50% rise from 4.7 million in January.

It hardly needs saying that vulnerable people face many challenges over the coming months. The big question is, what can be done to help and support them? Also, there is no escaping that the COLC further highlights disparities and inequalities in society. Those who feel left behind may become ever more aggrieved and, from a political and social standpoint, it is important to understand and attempt to rectify this.

Even before the pandemic, the West faced a collective crisis of “the loss of the future”, says Page.

“The vast majority of people in the UK, for example, believe each generation should naturally be wealthier than the one before it. The challenge is that – whereas nearly everyone said this was what they expected their kids would achieve – now it has fallen to less than half the population, and many are expecting their children to be poorer than them.

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The pandemic and its uneven effects, and then the cost-of-living crisis, are just making this worse. More and more people will be forced into debt, and they will look for someone to blame.”

In this gloomy, and frankly frightening, context, high-quality insight into public attitudes will be essential. After a bounce in positivity following the worst of the pandemic, a lot of people are now very worried about what the future holds. Ipsos research found that nine in 10 (89%) Britons are concerned for the country as a whole, while 83% are worried about the impact on themselves personally. Eight in 10 (79%) are concerned about the effects it will have on people in their local area.

Overall, consumer confidence has taken a hammering. GfK’s consumer confidence barometer fell to -40 in May, from -38 in April, the lowest level since the survey began in 1974. That means consumer confidence is weaker than in the darkest days of the global banking crisis, the impact of Brexit on the economy, or the Covid-19 shutdown.

With many people now trepidatious or actually struggling, brands and organisations of every kind must ensure they are in tune with the mood so as not to alienate or offend. That calls for a clear understanding of how the COLC is developing



globally, nationally and even across different UK regions.

Successful navigation of the crisis requires insight and sensitivity in abundance. Many people are having to cut back, and some are having to tighten their belts much more severely than others. Brands should be aware of the psychological toll this is taking on our community, both locally and in a wider sense.

Delivering real-time tailored insights in a crisis

The rapid changes to consumer sentiment and behaviour prevalent since the beginning of the pandemic, and now exacerbated by the swiftly evolving cost-of-living crisis, have shortened research timeframes. Understandably, clients do not want to make decisions on the basis of insight that is outdated, or not entirely relevant to their particular requirements.

Toluna Start, the industry’s first end-to-end, real-time consumer intelligence platform, speeds up the time to insight dramatically. With a single log-in, insight professionals can perform quantitative and qualitative research, anytime, anywhere – either through self-service solutions or through custom research programmes built with the help of our research and service experts.

When it’s the former, projects can be launched within minutes. At a time when everyone is keeping a close eye on budgets, the ability to drive efficiencies by speeding up the time to insight is very important for agency and clients alike.

The seamless integration of our consumer panel means Toluna Start can deliver insights in real time, rather than having to wait for days or weeks. Moreover, the platform works for everything from quick-turn research to highly complex projects.

“Partnering with Toluna means we can deliver robust insight to our clients faster than we’ve ever been able to before,” says Cat Harwood, from market research agency Two Ears One Mouth. “Being able to script and launch ourselves means that we can work swiftly to turn around projects and we’ve been

delighted with how user-friendly the platform is.”

Our expert team is also available to provide support for more complex projects if required. It’s not a case of us saying, “here’s our technology, good luck”. If you need us or want to focus on other added-value tasks, we are there to share our knowledge and help unearth the answers you are looking for.

Given that Toluna Start provides on-demand access to 40+ million consumers across 70 markets, it can be used to generate a global view, or to drill down into what’s happening in specific markets. As the cost-of-living crisis bites, brands and agencies will need to keep their fingers on the pulse to stay competitive.

● **Jamie Clarke, director, market research, Toluna**