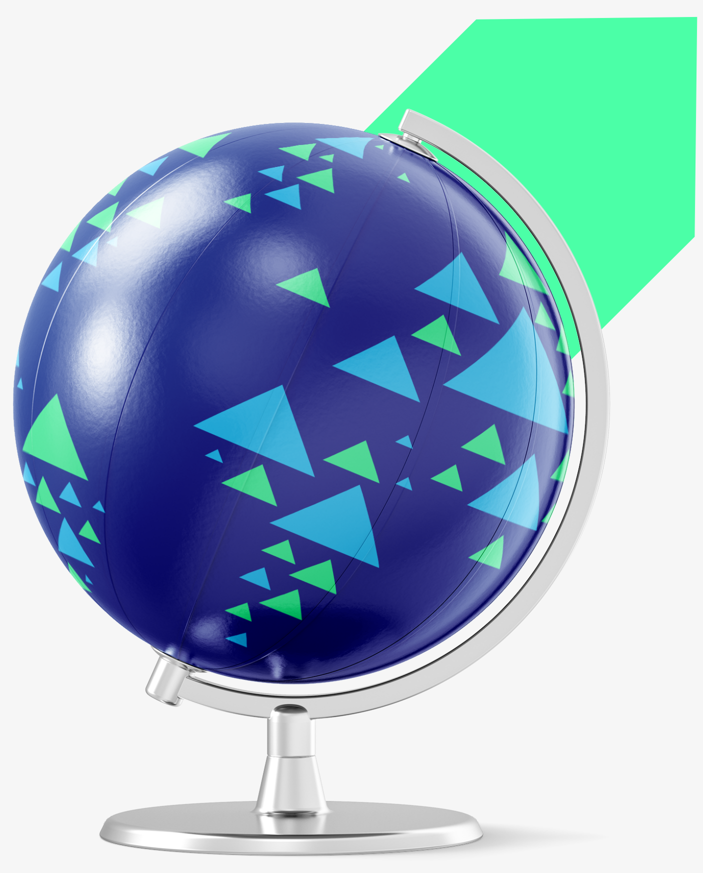
Consumer Behavior in a Recession

Ongoing inflationary pressures, coupled with geo-political threats and the slowdown of the global pandemic, have made the world an interesting place to live. Toluna surveyed 1,100 US consumers on the state of the economy and their current/future behaviors to determine how leading brands can adapt during these tumultuous times.



The recession is real...

72% of consumers believe the US is in a recession*

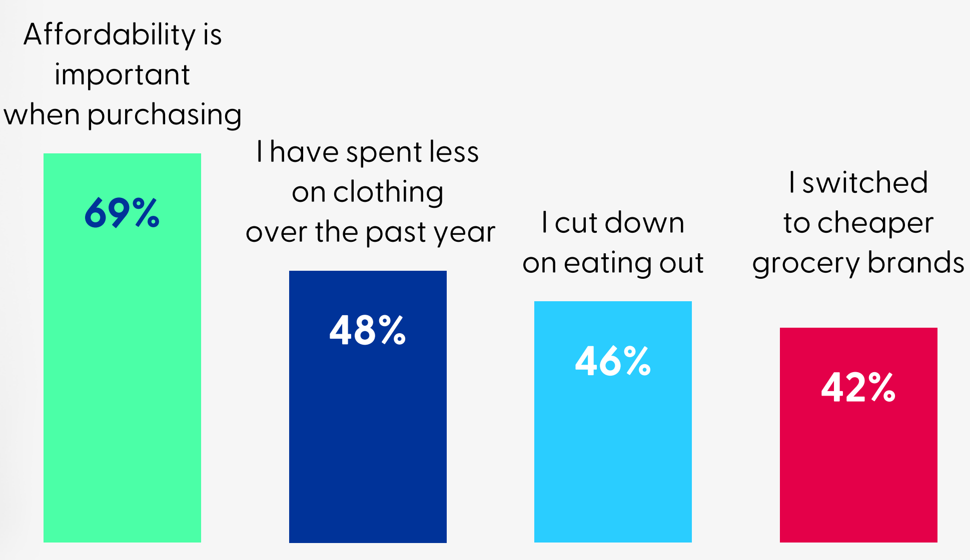
85% of consumers believe it will last longer than 12 months*

And it's impacting cash flow

Consumer savings rate has declined to **6.4%** from 19.9% Y/Y**

63% of consumers feel the biggest concern over the next 6 months is increasing food prices*

Changes in Spending



Q - Over the past year, what did you do to help save on household expenses?*

Key Factors Impacting Consumers

50% Feel **less financially secure** than they did prior to the pandemic

27% **Don't have spare cash** after paying their expenses

60% Biggest concern is the **increase in gas prices**

Strategies to undertake

01. Keep the foot on the gas

More than ever, it is **critical to understand consumers**, categories, and channels

Variety and convenience will take a **backseat to value**

Maintain and/or increase marketing spend

Over the past 50 years, companies that maintained aggressive sales and marketing efforts during recessions experienced an average revenue growth of **+275% during the first full year of recovery*****.**

Focus on your core competency

*Toluna Start Survey – 3/3/22
**Bureau of Economic Analysis
***McGraw-Hill Research's Laboratory of Advertising Performance (LAP), 1985

02. Use a recession to build your competitive advantage

When: 1932 Depression

Issue: The Great Depression is one of the most **catastrophic economic shocks** the United States has ever seen, a calamity that saw unemployment climb to 25% alongside a massive GDP drop.

Solution: Kellogg's doubled its advertising budget and re-invested in its workers shortly after the market crashed in late 1929. By 1933, **Kellogg's had increased its profits by 30%** and distinguished itself as the country's leading breakfast company[1].

When: 2008 Recession

Issue: Starbucks had grown aggressively, opening new coffee shops all over the world. By the end of 2007, they were **struggling** and unable to deliver the same quality of experience that they'd always promised to customers.

Solution: Starbucks transformed the customer experience by **returning the brand to its roots**, shifting the focus back to making customers feel welcome and cared for and being obsessive about the quality of the product[2].

When: 1991 Recession

Issue: Strong new competition had led to a 1.6 million **decline** in the number of AmEx cards in circulation, and those who kept their cards were using them less and less.

Solution: Refocus AmEx on its core business—charge and credit cards. They successfully challenged the elitist attitude in the company that opposed allowing customers to use AmEx cards at gas stations. They also broadened the pool of retailing partners, signing up Kmart in 1993 and Wal-Mart in 1995[3].

Sources:
HBR: "How to Market in a Recession, 2008" "Proactive Marketing During a Recession, 2005. "Marketing During a Recession. Get the Wind at Your Back, 2008." "Marketing Strategies During Recession," 1993
[1]https://www.ceotodaymagazine.com/2020/04/how-to-survive-a-crisis-lessons-for-todays-brands-from-the-2008-recession/
[2]https://www.cbinsights.com/research/business-strategies-survive-rebuild-crisis/
[3]https://hbr.org/2001/06/moving-upward-in-a-downturn