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% believe it will last longer than 12 months*
69% feel less financially secure than they did prior to the pandemic
60% feel less financially secure than they did prior to the pandemic

And it’s impacting cash flow

43% of consumers feel the biggest concern for the next 6 months is increasing food prices*
48% have spent less on clothing over the past year
42% have cut down on eating out
46% have cut down on eating out
69% have bought more generic brands

Changes in Spending

60% of consumers feel the biggest concern for the next 6 months is increasing food prices*
69% have bought more generic brands
46% have cut down on eating out
42% have cut down on eating out
48% have spent less on clothing over the past year

Strategies to undertake

01. Keep the foot on the gas

- Maintain and/or increase marketing spend
- Focus on your core competency
- 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***

02. Use a recession to build your competitive advantage

- Use a recession to build your competitive advantage
- Affordability is important when purchasing
- I have spent less on clothing over the past year
- I cut down on eating out
- I switched to cheaper grocery brands

Key Factors Impacting Consumers

- You feel financially secure
- You feel financially insecure
- Don’t have spare cash after paying expenses
- Religion comes to play a bigger role
- Consumer savings rate has declined to 6.4% from 19.9% Y/Y**


46%
42%
332x2361
332x2345
289x1658
27%
238x1603
106x1603
102x2345
102x2345
6.4%
19.9%
6.4%
19.9%

Variety and convenience will take a backseat to value

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.

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.

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.

References:

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

Sources:

https://hbr.org/2001/06/moving-upward-in-a-downturn