

Cutting back or doubling down?

How consumer goods brands are reacting to the cost of living crisis





A little bit about our data

ProQuo AI is a live brand tracking, testing and reporting platform for the world's consumer brands.

Every day, we ask consumers how they feel about a variety of brands, and categories. These daily readings are the reason why the ProQuo platform is now the largest database in existence of subconscious consumer feelings.

How do we ensure our consumer data is as accurate as possible?

We know that 95% of purchasing decisions are made in the subconscious. That's why our platform measures people's subconscious feelings towards brands – using a combination of methodologies including Implicit Response Timing and our single, proven framework, that measures the Drivers of brand strength.

These are the 16 key attributes that define how people feel about brands, and whether they want to interact with them. They give you granularity into how your brand is performing, showing you what areas need improvement in comparison to your competitors and category. It might be that one category is overly focused on emotional attributes, like attraction and popularity. Another could be more interested in rational attributes, like the consistency and quality of its products.



In the last three months alone, using these methods, we've evaluated over

900 brands

and gathered over

24,000,000

consumer feelings and thoughts.

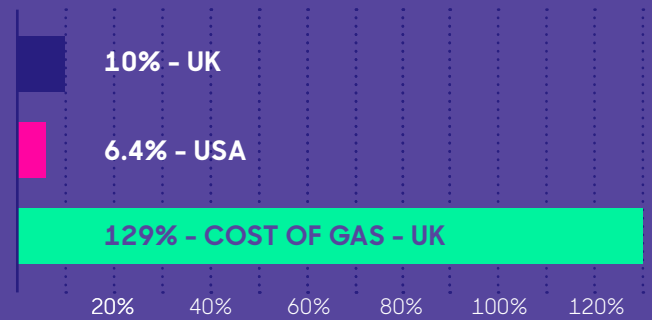
If you'd like to learn more about our data click [here](#).

In this report, we've looked across the last 6 months to understand how the pressure of rising costs is affecting buying behaviors in the Consumer Goods space.

As the world recovers from COVID-19, we're faced with new challenges. From supply chain difficulties to political turmoil in Europe, and energy shortages, there's a lot to contend with. This year, inflation reached a 40 year high, and consumers across the UK and US are feeling the effects.

As of January 2023, inflation stands at 10% in the UK and 6.4% in the US. And it's important to note that the UK is also facing an energy crisis on top of these price hikes, with the cost of gas rising by 129% YOY.

YOY increase in inflation Rates



How is each market responding to the rising Cost of Living?



In the UK, consumers are aware of the impact on their day-to-day spending and savings and are taking active measures to mitigate these effects. From seeking out deals to cutting spending on luxury categories and buying cheaper alternatives within these categories - there are many creative methods people are using to decrease daily spending.

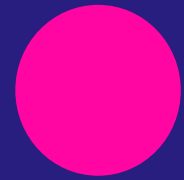
These consumers are noting feelings of worry, anxiety, or stress.



In the US, people are cutting back on spending, looking for cheaper brands and changing where they shop to seek out deals. However, the feeling is more positive than in the UK. Some consumers do report feeling concerned or apprehensive, but many see inflation and rising costs as a future problem and not something they are currently facing. Some still believe these categories are well priced and are buying the same products as they did before.

The responses collected are based on qualitative consumer feedback

In the next section, we will deep dive into individual categories within this space to see where changing consumer habits are most evident and in which markets.



Which categories are experiencing change?

Beauty & Cosmetics



In these categories, we see major differences between the US and UK markets.



In the UK, **40%** of consumers feel concerned or anxious and **25%** are cutting back or seeking cheaper alternatives.



In the US, **78%** still feel the category is well priced and aren't changing their behaviors. That being said, in the Beauty and Cosmetic category specifically, **70%** of people admit to feeling worried about the impact that the crisis will have on their lives.

Food & Beverage



Within food, consumers in the UK are re-evaluating their regular purchases – trading in premium items for cheaper alternatives. **70%** reported to be struggling to keep up with their usual buying habits and **26%** are feeling worried or apprehensive.



In the US, the impact differs with **20%** of consumers reporting they are not changing what they put in their shopping cart. When consumers do make changes, they choose to buy less rather than opting for cheaper alternatives. But there is a sense of worry. **59%** of consumers in this category are worried about their families and livelihoods, mentioning the lack of government support as a key challenge.



In the Beverage category, **63%** of UK consumers are cutting back on alcohol, choosing to buy these products for special occasions. **78%** of alcohol consumers note that they are feeling more worried or sad than usual.



When looking at coffee drinkers, we can see the category is more split than alcohol. In the US, **29%** are drinking less but **27%** are unaffected by rising prices.



How are consumers responding to these changes?



Looking at how consumers in the UK and US are responding to the Cost of Living crisis shows that, while this is an event that is affecting everyone, people around the world are responding differently.

In the UK, people are responding more practically than emotionally to the crisis. They focus on the strategies they are using to curb their spending rather than explicitly stating anxious feelings.

They have 2 clear strategies:



- **Make essentials last longer:** For brands or products that they are not willing to give up, like skincare, people are more conscious about how they are using these products. They are taking steps to avoid waste and are trying to make these products last as long as possible. Apart from skincare, this strategy is likely to be used for products that don't need to be purchased very frequently.



- **Look for the best deal:** People are obviously more price sensitive than before. Where possible, they are looking for cheaper alternatives for products that need to be bought regularly. As expected, this is affecting the Food and Beverage category since these are products that need to be bought fairly frequently. This brings about a great deal of price competition, as more people are likely to go on the hunt for promotions and be swayed away from the usual brand of choice, in favor of one that can "get the job done" at a lower price.



In the US, the responses seem more emotional, as people are still trying to wrap their heads around how their lives are going to be affected by the rising Cost of Living. These consumers are more likely to take action on their daily, regular spending habits rather than focusing on the longer term.

Strategies used include:



- **Buying less frequently where necessary:** People in the US are choosing to stick to the brands and products they love but are trying to buy them less frequently than they used to. They are choosing to pay for their preferred products, rather than switch to cheaper options.



- **Treats are important:** Even though people are worried about the impact that the rising Cost of Living will have on their lives, they still choose to treat themselves once in a while with things like daily coffees. This helps them manage the anxiety they may be feeling by adding some normalcy into their daily routines.

How to curb the impact of inflation

In periods of inflation, consumers have less disposable income to play with. Habits begin to change, compromises need to be made, and brands are forced to work harder to retain and recruit customers.

Demonstrating your value during these times is all about establishing your brand as more than just a commodity. Your brand should be thought of as an essential – a need rather than a want.

A need can be a true rational need like “coffee keeps me awake throughout the day” but can also fulfil an emotional need like “doing something special for myself distracts me from worrying”.

But how can you measure whether someone feels your brand is a ‘must have’ or a ‘nice to have?’

ProQuo can help. Our framework assesses brands and categories across 16 key attributes to understand where consumer needs are being met, and where opportunity spaces may lie.

In the next section, we will focus on some of these Drivers to help brands determine what is most important to consumers in these categories right now – and with this in mind, which direction to then take their marketing.



The 16 Drivers of Brand Relationships

	Seduction		Persuasion	
Emotional	Attraction	Empathy	Connection	Integrity
	Aspiration	Innovation	Transparency	Popularity
Rational	Clarity	Relevance	Consistency	Accessibility
	Performance	Differentiation	Value for Money	Familiarity

To curb the impact of inflation on your brand, let's look at 3 key areas:

1. How to navigate your consumers

Show empathy

Consumers are feeling the pinch right now. Authentic displays of empathy can help you to connect with your audience – but be sure to marry up your words with action.

Generic and empty communications about the difficulties of the Cost of Living Crisis, while not actively doing anything to help, will only worsen these relationships. Find ways to meet your consumers' needs and to deliver small moments of joy.

And as always, be guided by the data. Ask your consumers what they're struggling with to better understand their painpoints. This will provide a steer for your upcoming messaging, activations, and new product development.

Do the unexpected

You can use the 16 Driver matrix to understand the expectations of your category. Every category will be delivering on some expectations better than others. For example, the food category has always been highly rational – delivering well on functional aspects like taste, consistency and accessibility. In this category, what's important is quality. This differs in luxury good categories like perfume, where emotional factors, such as attraction are more impactful.

If you see your category is overly focused on one area, do the opposite. Surprise your consumers by doing the unexpected. This will help you to achieve cut through.

It can be costly and challenging to stand out in a crowded space when your brand is using similar messaging to its competitors. When you do something different, your budget goes further. And as budgets become tighter and tighter, optimizing the investments you make is even more important.

If you see a Driver is declining in your category, this should be your go-to. Say your competitors weren't overly transparent, you could lean into this to disrupt. Focusing your communications on your ingredients, processes and practices will give you an edge over your competitors, as people will see you as an open and honest brand.

Position as a treat

If consumers think of their morning coffee as an essential need, brand loyalty won't be as important when it comes to deciding which coffee brand to buy. If they view this same coffee as a treat, then psychologically they will be willing to spend more money on it rather than just buying the cheapest option.

Is there a way to position your brand as a premium item? In times like these, people are looking for cheaper ways to treat themselves.

Try to find ways to reward the people that purchase your products, so they feel happy when they buy from you. You could create exciting packaging, work on releasing bold new flavors or simply refresh your branding.



2. How to navigate your retailers

Position yourself as a category expert

Knowledge is power. Use real-time data to explain to your buyer what consumers want most from brands in your category right now.

In the example below, we've used the 16 Drivers to illustrate how you can do this. Our live platform looks across each of these Drivers, determining what's most expected by consumers (anything in green) and what's least expected (red) at any given moment.

Brands need to demonstrate their ability to perform against the four dark green Drivers first before they start strategizing on how best to disrupt the market. If you can prove your brand is delivering on the key needs of the category right now, your shelf space will be safer during these times.

Focus on building familiarity

As we see consumers trading down and changing their buying habits, it's important to position yourself in the right way to be picked as the alternative.

When deciding which new products to try, consumers are more likely to go with a familiar face.

Make sure your audience feel like they know you with brand awareness campaigns that deep dive into your origin story, purpose, ingredients, process, and culture.

When consumers feel like you're an open book, they'll be more inclined to trust you.

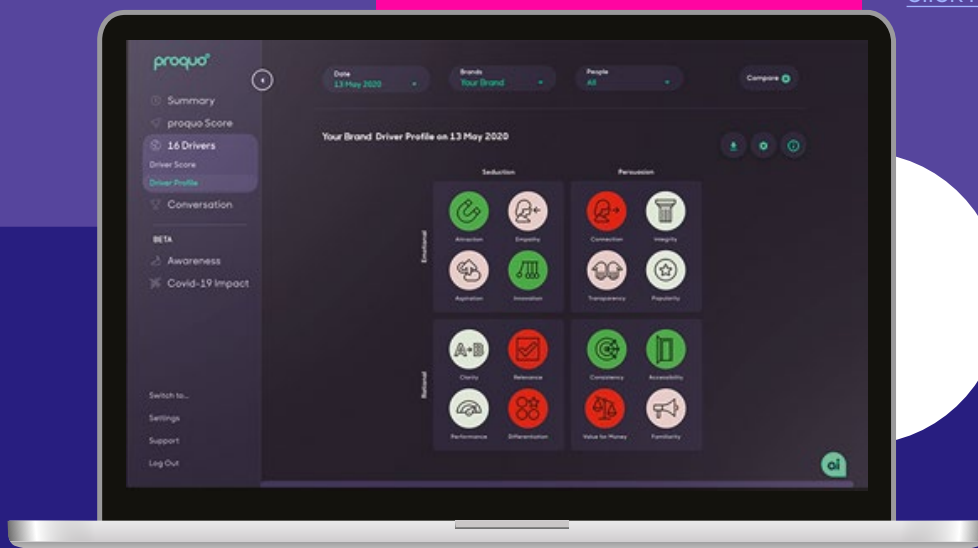
Build a compelling trade story

As retailers begin to consolidate their ranges, and sell-in becomes more difficult, your trade story needs to level-up.

Let your data do the talking. Less is more. A punchy presentation with charts and visual aids that demonstrate how your brand is delivering on key consumer needs versus your competitors is all you need.

Customization and personalization are also key here. A retailer will be able to sniff out a template a mile away. Make sure you've tailored your narrative to the retailer, looking into their objectives, performance metrics, and existing portfolio of brands.

If you're looking for more advice on building a compelling trade story, [click here](#).



3. How to navigate your colleagues

Competitor analysis is your best friend

Protecting your budget is an age-old problem in marketing. If something can't be easily measured or attributed to sales, often it's the first thing to get cut.

Save your budget with the help of market intelligence. When you really understand what your category and competitors are up to, you'll be able to build a compelling case to justify why your brand needs more investment.

What they aren't doing will tell you as much as what they are doing. When everyone is cutting budgets and slowing marketing, that's the time to act. As when things go quiet, your budget will travel the furthest.

Prove why your activation will be successful by explaining which needs aren't being delivered on in your category by competitors.

To learn more about competitor tracking, [click here](#).

Test. Test. Test.

The more creative tests you can run, the better. Any messaging, NPD, or assets you release will need to be shown to consumers first to ensure what you're putting out into the world will resonate.

In times like these, it's more important than ever to sense check your messaging to make sure you've struck the right tone. Testing product ideas is also necessary as your NPD may have been in the works before inflation. Reviewing these new products again, in line with the changing times, is key to avoiding a PR disaster.

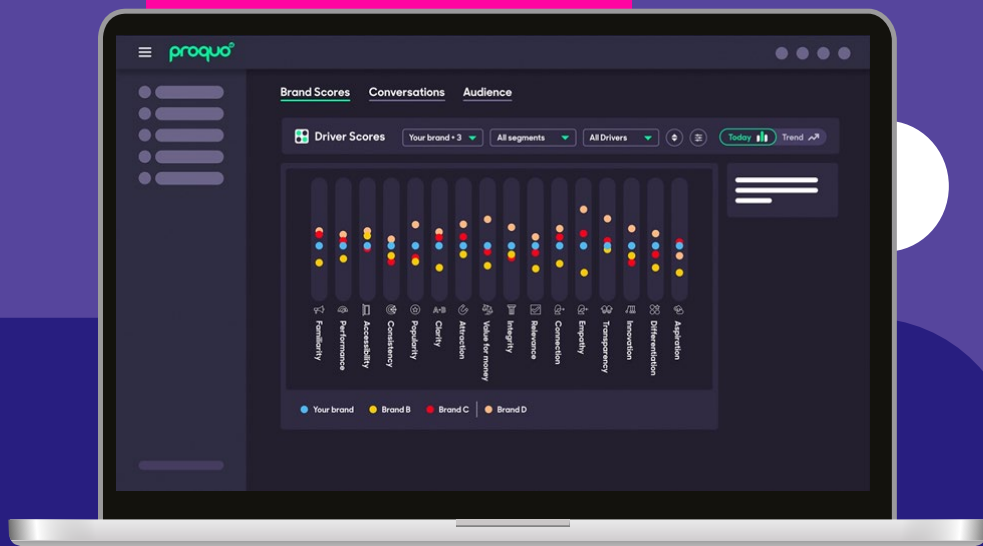
Another key reason for testing is to protect your investment in these launches - it's more important than ever to ensure you're spending your budget wisely.

Focus on brand-building

It can feel counterintuitive for leadership to invest in brand when profits are going down, but that's exactly what needs to happen to drive loyalty during these tougher times.

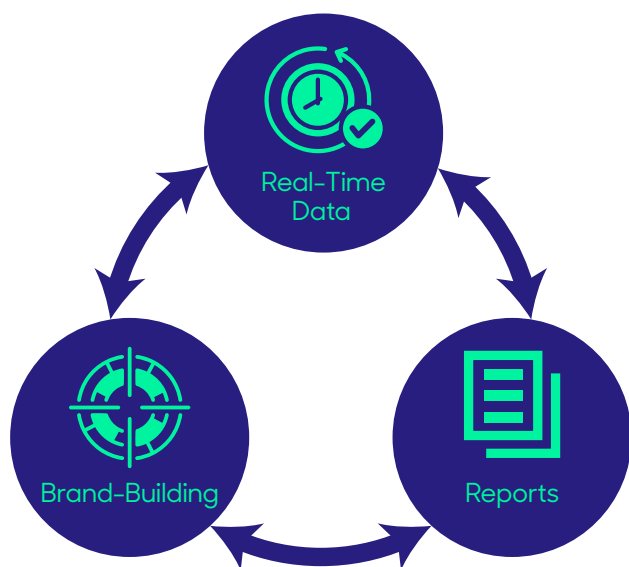
[Airbnb](#) is an example of a brand that reduced performance marketing and focused on brand-building during an incredibly difficult period, COVID-19. 2 years later, it has reported its most profitable ever Q4. This shows the [importance of continued investment into your brand](#) - even if the payoff is only seen later down the road.

To win over sceptical stakeholders, sway your leadership team with relevant case studies and examples of companies that have seen results after focusing on brand.



If your brand has these 3 things, you'll be better equipped during these times

- **Real-time data** – that shows you how your consumers, category and competitors are reacting to the context surrounding your brand.
- **A focus on brand-building** – to drive loyalty and achieve cut through during quieter times in the market.
- **Compelling reports** – to help you build a convincing trade story to maintain your shelf space in-store and online, as well as recruit new users.



ProQuo can offer all of this and more.

If you're interested in finding out how our live Consumer Intelligence platform can help your brand to stay afloat during these times, get in touch.

[Chat to us here](#)