

3 GUIDING PRINCIPLES TO HELP YOUR BUSINESS NAVIGATE INFLATIONARY TIMES

An Ipsos Point of View

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GAME CHANGERS



As news headlines repeat messages of inflation and a potential recession, business leaders and marketers find themselves operating in an ever-changing landscape.

It's easy in these times to be swept up in the chaos of uncertainty, to make rash decisions and let short-term crisis management detract from any long-term strategic planning.

The following **3 guiding principles** will provide an anchor for businesses as they navigate these inflationary times and the resulting shifts in consumer purchase patterns.

1. Beware the soundbites you read, they may not tell *your* story

As the market grapples with the impact of inflation, it's common to latch onto soundbites that provide a sense of comfort and strategic direction. But even those soundbites can be contradictory. Only days apart, one prominent newspaper predicted that inflation would begin to taper, while another predicted it will continue to rise rapidly. Just a few days apart, a marketing publication predicted that consumers would trade down to value brands, while then predicting premium brands will fare well.

The reason for inconsistency in these headlines is that there is no one-size-fits-all response. Not all consumers are created equal and not all brands and categories weather the storm in the same way. Some consumers are struggling financially, but for

others, inflation has been offset by higher wages. Some categories have seen consumers trading down to value brands, while others are seeing growth in premium brands. In short, this is not a time to buy into sweeping generalizations. Rather, it is a time to intimately know the nuances of your market, your brand, and your consumer.

2. Distinguish short-term responses from long-term behavioral trends

It is not uncommon for marketing media to hype “change” in a way that is disproportionate to how human behavior actually changes. We've all read the predictions that cinema is dead forever. Well, “Top Gun: Maverick” just surpassed \$1 billion at the box office. We've all read predictions that no one would go back into brick-and-mortar stores. Well, we've all walked into packed stores now that the worst of the pandemic is behind us.

Of course, human behavior shifts and evolves. None as dramatically evident as we witnessed during the pandemic. However, while some changes in behavior are here to stay—such as a more flexible working environment—in many cases, we are seeing a return to pre-pandemic trends. The reality is that consumers' deep-seated values remain constant even as behavior fluctuates on the surface. Being vigilant to market changes is critical, but when it comes to business and marketing planning, it is important to separate short-term responses today from long-term trends tomorrow.



3. Find the courage to drive growth, even when instinct tells you to contract

The COVID-19 pandemic is the perfect case study for how businesses responded in very difficult times. From small business to big corporations, the pandemic dealt overnight blows to many business owners and marketers. While some businesses were not able to survive and had to close their doors, there are many inspiring stories of those that pivoted and not only survived but thrived. These were the businesses who found the courage to drive growth—who not only focused on the bottom line, but found ways to add value to the brand and customer experience. Perhaps they fed nurses on the front line; perhaps they created a safe haven for locals; perhaps they developed initiatives that showed empathy for the times.

We can also look back in history to find inspiration from some well-known brands that were born in tough economic times. Mickey Mouse was introduced to the world in 1928. But Disney, knowing that America needed a reason to smile more than ever, pushed through the Great Depression and his first movie was released soon after. Trader Joe's was launched during the recession of 1958. Airbnb was born out of the financial crisis in 2007. In a crisis, it is natural to want to bunker down and contract. But, even in these inflationary times, there are strategic levers to pull that will drive growth now and into the future.

None of this is to underestimate the difficulty that businesses are facing. As consumer pressure flows down to business pressure, developing the right strategic responses is challenging. But these guiding principles will provide grounding amidst the instability:

1. Intimately know the nuances of your market, your brand and your consumer, so that you can make decisions from a place of knowledge
2. Distinguish a short-term response to a crisis, from long-term behavioral trends, so that you can be prudent with your forecasting and planning
3. Continue to look for growth opportunities even when the headlines are pointing to the opposite, so that you can ensure success beyond any crisis



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