

A woman with long brown hair, wearing a pink ribbed top and a blue denim shirt, is looking down at a white document she is holding. She has a worried or concerned expression on her face. The background is a soft-focus indoor setting. In the top left corner, there are diagonal stripes in teal and blue.

# NAVIGATING CONSUMER UNCERTAINTY IN TURBULENT FINANCIAL TIMES

A behavioral science perspective

An Ipsos White Paper

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GAME CHANGERS



## KEY FINDINGS:

- Behavioral Science unlocks a number of strategies and tactics that brands can use in-market to guide consumers to their offerings during economic downturns
- While people are currently reining in their spending, slashing prices is not the only way brands can create value
- Research shows that consumers direct their spending in predictable ways that brands can leverage to drive relevance—nostalgia, variety seeking, brand “favorite” status, positioning as a necessity, etc.





A quick scan of recent headlines or one's investment accounts make it clear that businesses and consumers alike are bracing for further possible economic downturn. As consumers shift their focus from COVID related risks and uncertainty, the spotlight on inflation and financial ambiguity looms large.

- Ipsos research shows inflation continues to be the No.1 concern for consumers globally—holding the top spot for 6 months now, with 40% of consumers indicating that inflation is a top 3 worry for their country.<sup>1</sup>
- The issue is even more pronounced in the United States, where 46% cite inflation as a top concern.<sup>1</sup>
- 67% of consumers indicate that they believe the current economic situation is “bad” (vs. good).<sup>1</sup>

Financial issues are unlikely to recede from the consumer psyche any time soon, and this possible downturn will create a number of expected and logical reactions and behavioral changes. We already see evidence of such shifts.

- **Fear of the future:** 32% of Americans say they could not cover an unexpected expense of \$400 if it came up—be it a car/home repair, appliance purchase, cell phone replacement, or modest medical expense, etc.<sup>2</sup>
- **Delayed spending:** Four in ten people (40%) have postponed or skipped a big-ticket purchase like a home, car, or home renovation in the past 6 months.
- **Curbed spending:** Roughly one-third (32%) have canceled a streaming subscription in the past 6 months.<sup>3</sup>
- **Reprioritized spending:** 70% have spent more on food to cook at home and less on experiences (like travel or dining out) in the past 6 months.<sup>3</sup>

<sup>1</sup> Ipsos What Worries the World Report, Sept, 2022

<sup>2</sup> Federal Reserve, Economic Well Being Report 2021 (<https://www.federalreserve.gov/publications/files/2021-report-economic-well-being-us-households-202205.pdf>)

<sup>3</sup> Ipsos COVID-19 Tracker, Wave 61, Sept 13–14, 2022

As consumers take a hedge against financial unpredictability and shift their spending to do more with less, brands brace for increased competition for share of wallet. While the current climate is marked by financial uncertainty and turbulence, behavioral scientists have long been interested in identifying the systematic ways that people react to economic ambiguity and feeling stuck.

As a result, we have a wealth of knowledge from prior academic literature that brands can leverage to better understand and harness the less obvious and overlooked systematic influences of consumer uncertainty. Brands need not default to simply offering more for less. Rather, they can use this knowledge to generate value, connect to consumer needs, resonate with current emotional states, and win market share.

Consumers wrestling with feelings of decreased financial confidence and predictability utilize two key strategies to deal with perceived limited control and resources. First, they stockpile and reserve goods, especially functional ones. Secondly, they use consumption as a way to restore their sense of control. These strategies have an impact on:

- Saving and spending on ‘necessities’
- Staying loyal by sticking to favorite brands
- Restoring control by seeking variety
- Connecting to others and brands through nostalgia
- Seeking higher-calorie foods

We will tackle each, in turn, to explore how brands can and have been positioning their products to resonate in a world of economic upheaval.

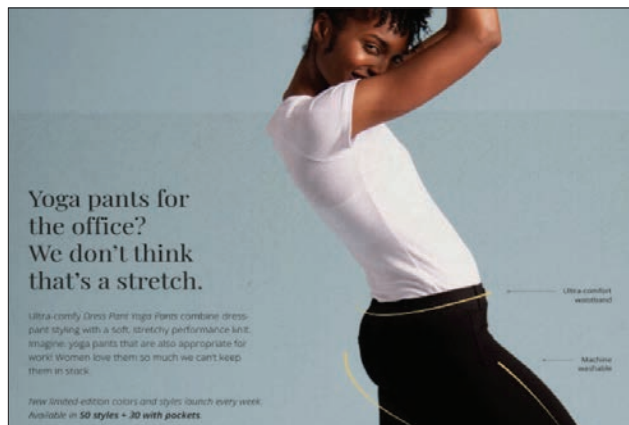


## Saving and spending on ‘necessities’

As noted, the first step most people take during an economic downturn is to tighten up their budget, looking for ways to control spending. Academic research has shown that saving is a coping mechanism to deal with this type of stress—indeed we saw the savings rate increase during COVID. While people seek to limit their spending by focusing on necessities, what people define as a necessity is not fixed. Consumers are motivated to justify steps that let them spend on their wants and desires. As a result, people’s conception of a “necessity” evolves and is more malleable during times of economic uncertainty.<sup>4</sup>

This suggests two key implications for marketers. First, providers of essential goods and services will be less impacted by any slowing in consumer spending. Even so, they should still provide more explicit messaging around the “need” they serve and how they give control back to the consumer by enabling them to solve their problems.

Second, for those who produce non-essential goods and services, find the occasions where you can credibly frame yourself as fulfilling a need. For example, Betabrand positions their pants as yoga pants you can work in: So, that new pair of comfortable yoga pants is not an indulgence, despite how much you may “want” them—but a legitimate part of your necessary work wardrobe.

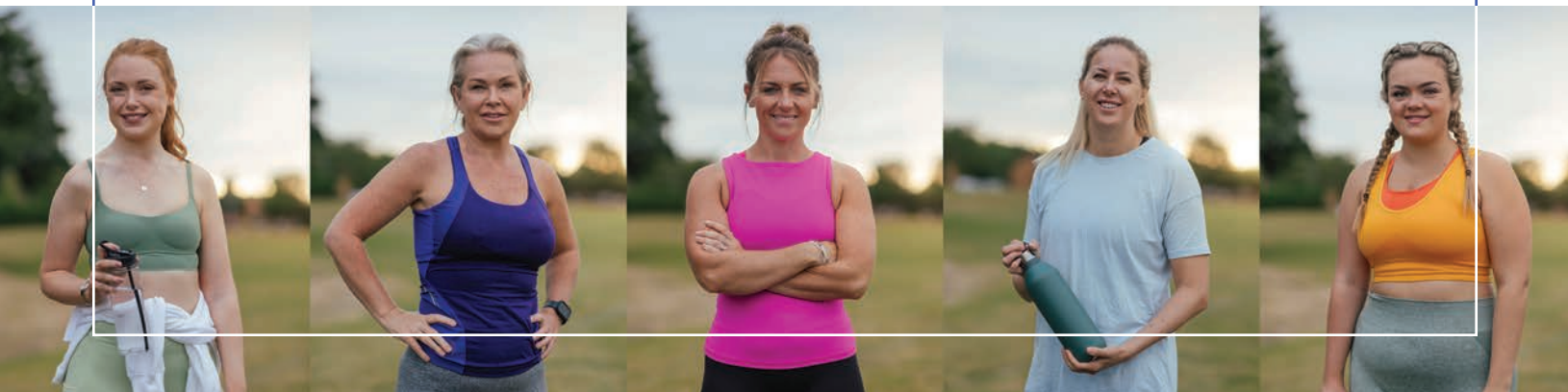


By providing a functional alibi for purchase, Betabrand enables consumers to justify their purchase. Along with fulfilling dual needs, brands can also consider ways to market themselves alongside more intuitively “necessary” items through co-branding, bundling, or partnerships.



**What you need to know:** It is critical to know whether people see your product as a need or want. Use research to identify the functional value of your products. If unsure, consider social listening or qualitative research to explore ways to more effectively frame the potential uses for and needs served by your brand.

<sup>4</sup> Durante, K. M., & Laran, J. (2016). The effect of stress on consumer saving and spending. *Journal of Marketing Research*, 53(5), 814-828.





## Staying loyal: Sticking to favorite brands

Recurring headlines on topics like inflation and uncertain financial times ahead reinforce anxious feelings of scarcity as people are reminded of their own reduced purchasing power. One way consumers deal with their perceived risk and scarcity is to turn to the security of their favorite brands and products.<sup>5</sup> We buy the products we know and love because we know they deliver quality. When things feel scarce, consumers double down on this behavior—they want to ensure they get what they pay for. Brand leaders should reinforce their status as fan favorites and trusted go-to's in their respective categories. They should also consider targeted efforts at their most loyal fans that reinforce brand loyalty and reward/acknowledge customers to enhance relationships with these core consumers—maintain favorite brand status. For brands that take this approach, it is imperative that they are in stock and available. Heightened desire creates dissatisfaction if the product is nowhere to be found.



**What you need to know:**  
*Why is your brand loved—  
what is the core attribute  
or benefit that sets it apart  
from other options?*

<sup>5</sup> Zhu, M., & Ratner, R. K. (2015). Scarcity polarizes preferences: The impact on choice among multiple items in a product class. *Journal of Marketing Research*, 52(1), 13–26.







## Restoring control by seeking variety

Consumers also try to regain a sense of control by seeking variety.<sup>6</sup> Having the flexibility to “choose” creates feelings of agency, restoring a sense of control. Research has shown that this effect is even more amplified for individuals that feel the most economically “stuck” (i.e., objectively lower socio-economic status paired with a subjective feeling of low upward social mobility).

When people feel financially stuck and lack the economic freedom to do the things they would like to or that they once could, they tend to select a variety of options when buying multiples. Rather than buy six vanilla yogurts, they are more likely to opt for two vanilla, two strawberry, and two blueberry.

For brands, this means that they should fight the temptation to rein in their own costs by limiting product variety. Instead, they may want to consider adding more varied options to their lineup to reduce brand switching. They can even counter variety-seeking behavior with delayed promotions that encourage repeat purchases (come back to us and save X%).<sup>7</sup> If possible, adding variety that taps into nostalgia may be especially appealing (see next section).

It is even more important to make sure that products or channels (i.e., dollar stores) that skew to lower-income consumers offer a variety of options, as these individuals are most likely to seek ways to retain/restore their sense of control.



### **What you need to know:**

*In addition to what varieties to offer, brands need to know not only which people are objectively constrained but who is most likely “feeling” squeezed. This information is critical to align assortment decisions to specific regions or consumer targets.*

<sup>6</sup> Yoon, S., & Kim, H. C. (2018). Feeling economically stuck: The effect of perceived economic mobility and socioeconomic status on variety seeking. *Journal of Consumer Research*, 44(5), 1141-1156.

<sup>7</sup> Kim, H. (2013). How variety-seeking versus inertial tendency influences the effectiveness of immediate versus delayed promotions. *Journal of Marketing Research*, 50(3), 416-426.



## Nostalgia

Feelings of collective stress enhance consumer preferences for nostalgia, the sentimental longing for better times.<sup>8</sup> Interestingly, nostalgia not only increases one's desire for products from one's past, but it also creates an increased feeling of empathy for others—including brands themselves.

First, regardless of price, nostalgic appeals are more likely to resonate with consumers. Take the McDonald's adult happy meal—the remixed versions of these iconic classic toys are now selling for triple the price of the full meal (sometimes even more!). Nostalgic products let us relive and reminisce about “better times” aligning with our own desires to have things be restored during tough times. Brands should consider ways to bring back classics, leverage pop culture references from past decades, use throwback packaging, etc.

Second, consumers' sense of shared longing and experience fosters increased perceptions of fairness when price hikes are necessary. Nostalgic consumers find it easier to empathize with businesses (and their need to increase prices) and are more likely to infer benevolent motives—rather than greed or profit. Marketing communications can utilize nostalgia to prepare consumers for inevitable price increases.



MarketWatch

McDonald's 'adult Happy Meal' toys are listed for up to \$300,000 on eBay

The limited edition 'Cactus Plant Flea Market Box,' aka 'adult Happy Meal,' sold out shortly after launching in early October.



### What you need to know:

*For brands with rich history, be sure you know what part of your brand heritage resonates with the public? What do they yearn to see make a comeback (older products, classic packaging, historic characters or spokesfigures)?*

<sup>8</sup> Xia, L., & Roggeveen, A. L. (2022). How collective stress affects price fairness perceptions: The role of nostalgia. *Journal of Business Research*, 152, 361-371.





## Consumers seeking higher-calorie foods

Humans have evolved to prepare for the worst when experiencing harsh circumstances (e.g., natural disasters, personal adversity, or in our case economic crisis). This evolutionary need drives people towards more sustaining and filling foods.

Interestingly, this high-caloric consumption reaction is evidenced across the population. When people feel poorer (regardless of objective socioeconomic status), they increase their caloric consumption.<sup>9</sup> Companies that aim to increase healthy food choices should focus on what their food provides over what it helps people avoid—focus on qualities like how the food is energizing, offers satiety and fuel, rather than describing it as low calorie, low sugar, etc. For less healthy options, now is the time to lean into how it satisfies and feeds our desire to indulge.



**What you need to know:**  
*How does your brand achieve satiety? What is it about your product that satisfies?*

<sup>9</sup> Bratanova, B., Loughnan, S., Klein, O., Claassen, A., & Wood, R. (2016). Poverty, inequality, and increased consumption of high calorie food: Experimental evidence for a causal link. *Appetite*, 100, 162-171.





## NEXT STEPS:

Today's economic environment makes feelings of uncertainty, stress, scarcity, and lack of control even more salient for all of us. It's critical for brands to empathize with consumers' evolving needs under these conditions and react accordingly. Brands can intuitively meet customer needs during turbulent times by:

- Helping consumers save money (be smarter) by showing how your brand meets a necessary need as opposed to desired want.
- Offering comfort through name brands. Assure your customers that your brand will continue to deliver the tried-and-true benefits they seek, every time (guaranteed outcomes/solutions in uncertain times).
- Offering them a sense of control by enabling them to seek variety. Restore a sense of agency by giving customers options that better fit their needs and emotional desires (i.e., offering variety within product lines).
- Reminding them of the good ol' days. Offer comfort and discourage price sensitivity through nostalgic references and bringing back the classics.
- Positioning foods and snacks as having greater nutritional value and satiating power.

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