THE LONG INFLATION IMPACT OF THE MIDDLE EAST CONFLICT

The Marketer's Inflation Playbook

CONTENTS

Inflation Pressure Will Continue

The conflict in the Middle East has created significant economic uncertainty, causing many businesses to delay investments and spending. While some expect inflation and supply chains to normalize quickly once the war ends, that assumption overlooks an important reality: Financial markets react quickly, but physical infrastructure and supply chains do not[i].
Even if a lasting peace agreement were reached in 2026 or early 2027, the inflationary effects of the conflict would persist through 2027 and 2028.

Businesses should prepare for a prolonged period of higher costs and evolving consumer behaviour rather than expecting an immediate return to normal.

Why Inflation Persist

1 Energy Production Recovery Takes Time

Restarting oil production is a complex and costly process. Wells that have been shut down may be damaged and produce less than before (Mayer [ii], 2020). If infrastructure has been harmed during the conflict, repairs can take months. According to Bloomberg [iii],returning to pre-conflict production levels could take 12–18 months, keeping energy supplies tight and prices elevated.

2 Higher Energy Costs Flow Through the Economy

Energy costs affect nearly every industry. Natural gas is essential for fertilizer production, influencing food prices, while petroleum is used in plastics, chemicals, and countless manufactured goods. Higher fuel costs also raise transportation expenses. These costs typically take 6–12 months to fully reach consumers (Foster & Dalhiemer[iv], 2026), extending inflationary pressure well beyond the conflict itself.

3 The Slow and Dangerous Process of De-mining

Clearing naval mines and restoring safe passage through critical shipping lanes such as the Strait of Hormuz is a slow and specialized process (Saul[v], 2026). As a result, disruptions to global oil and LNG flows are likely to continue long after a ceasefire.

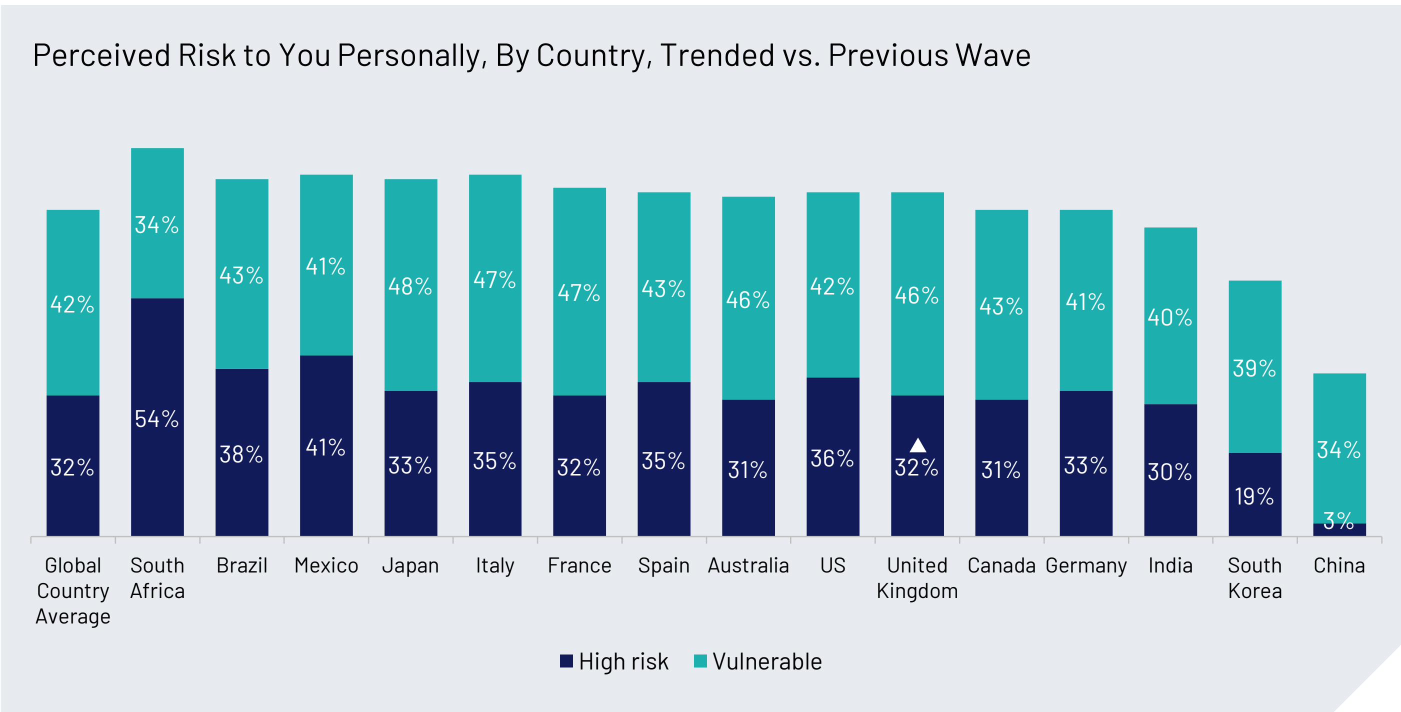
4 Elevated Maritime Insurance Premiums

Even after the region is declared safe, war-risk insurance premiums for vessels operating in the Gulf are likely to remain high (Snape[vi], 2026). These added costs will continue to be passed through supply chains, contributing to sustained inflation.

The Threat of Inflation is Real

In an Ipsos survey among 8,500 adults conducted from May 4-8, 2026 in 15 countries (Canada, United States, Australia, Brazil, China, France, Germany, Italy, Spain, India, Japan, Mexico, South Africa, South Korea, and the United Kingdom), almost **70% of consumers across these countries consider themselves vulnerable or at high risk to rising prices,** with the exception of China and South Korea. In essence, in the most impacted countries, almost half of the people are already bracing for impact.

Figure 1: Perceived vulnerability from rising prices (Ipsos Essentials[vii.])

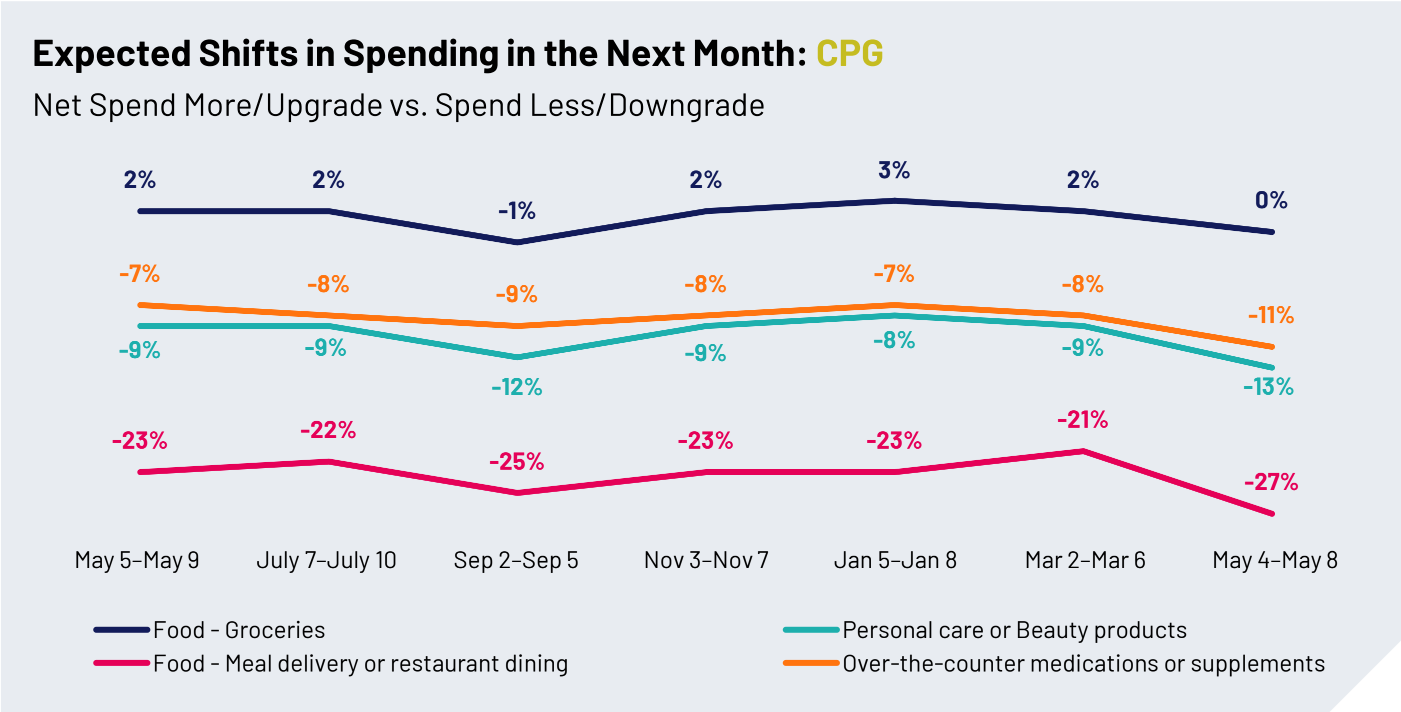


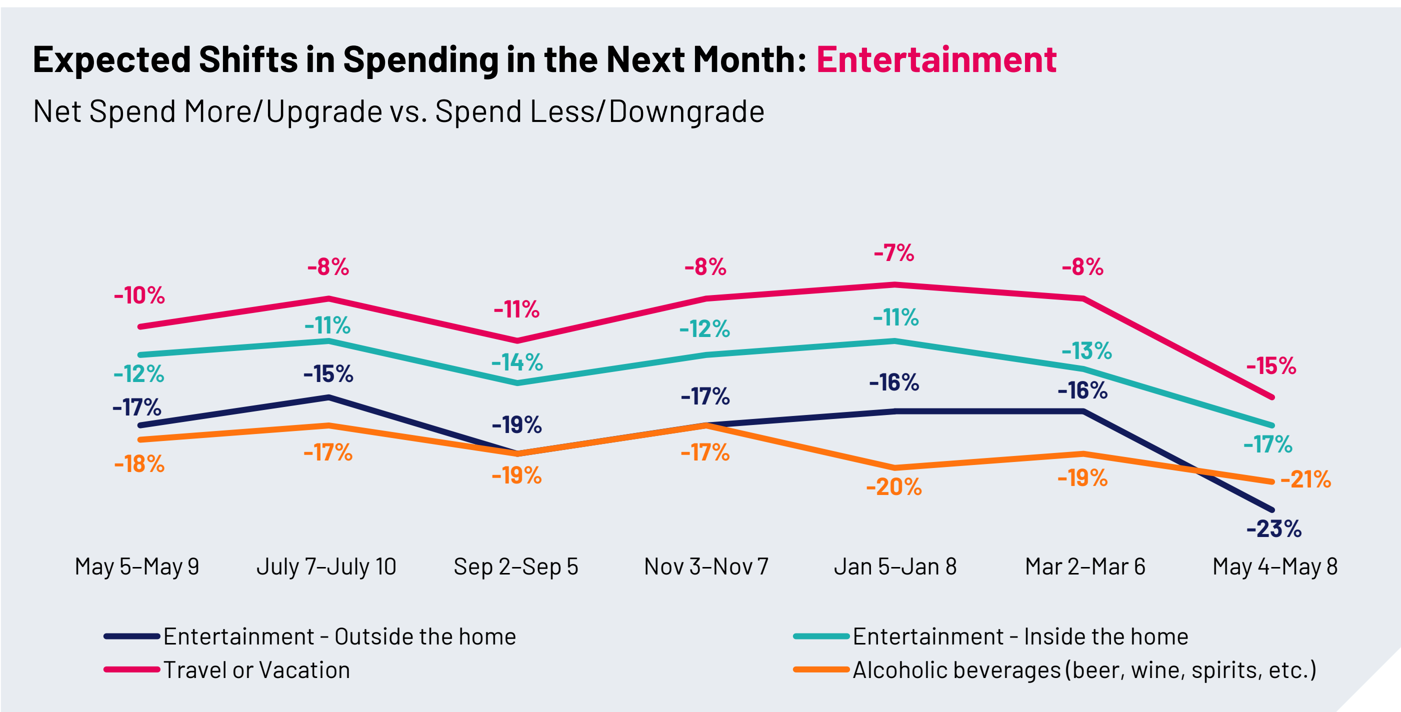
→ **What it means for Brands:** This high perceived risk is leading people to expect to shift their behaviour in the near future.

And, the shift has started.

The highest expected shifts in spending are hitting non-essential spends, like entertainment, alcoholic beverages and travel or vacation. Amongst CPG categories, the biggest efforts are made on OTC products, food delivery and beauty care while grocery necessities are less impacted. Not only are people worried about price increases, but they are already taking action.

Figure 2: Expected shifts in spending (Ipsos Essentials[vii.])





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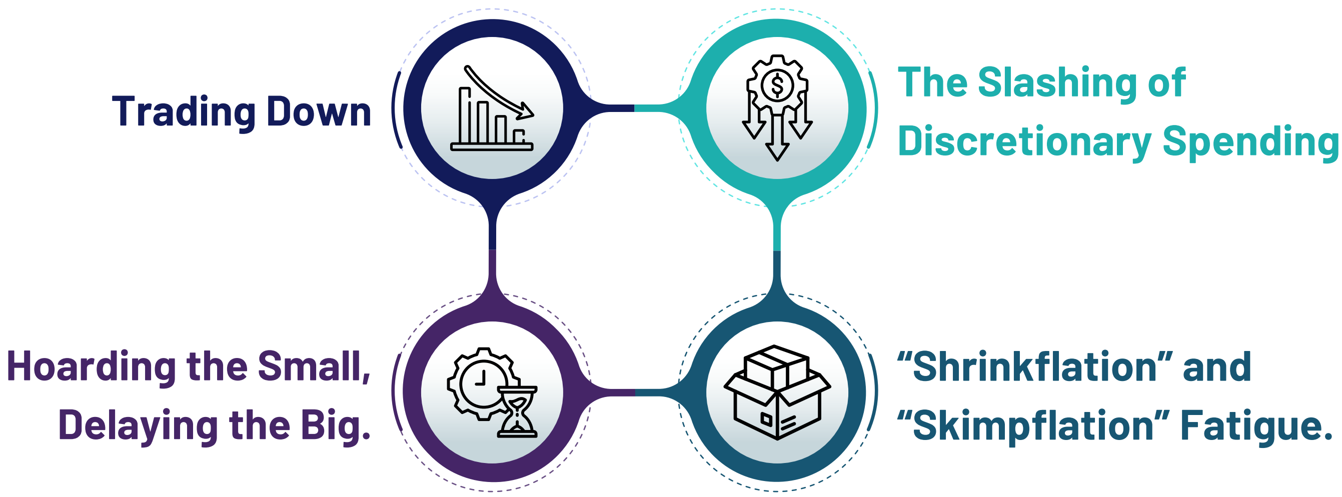
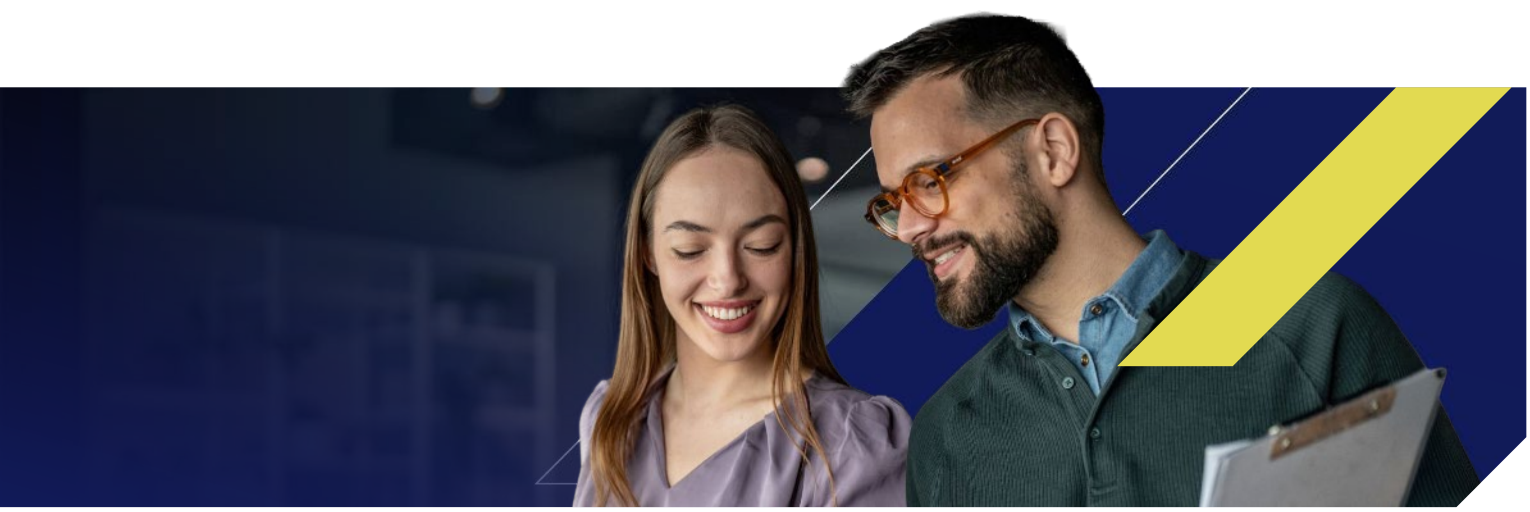
4 Strategies to Win Share and Build Loyalty

Having monitored and analysed people’s behaviours during crises for many years, Ipsos has acquired unique expertise that can help Brands navigate through the crisis by making the right decisions and evolving their strategies effectively.

When consumers perceive a financial threat, their behaviour changes rapidly. **To build resilience against these shifts, marketers must pivot toward empathy, utility, and transparency.**

Here is how brands can adapt to the four most common behavioural shifts we see during a prolonged inflationary squeeze:





The Threat: Trading Down

When budgets are squeezed, consumers quickly abandon brand loyalty in favor of affordability. Shoppers will swap premium name brands for moderately priced store brands (private label), or trade down across categories—such as substituting expensive beef with cheaper proteins like chicken (Ho & Murphy[viii], 2020). Foot traffic also shifts away from premium retailers toward discount chains and bulk warehouse clubs.

The Play: Introduce Value Tiers & "Fighter Brands."

You must meet consumers where their wallets are without devaluing your flagship product. Create a "Fighter Brand", a stripped-down, no-frills version of your product at a lower price point. Additionally, shift your loyalty programs to provide immediate financial relief (like instant cash-back or free shipping at the register). For your premium lines, shift the narrative away from the initial price tag and focus on longevity, proving that buying your higher-quality item is cheaper over time than replacing a low-cost competitor that breaks. In general, to build an inflation-resilient innovation portfolio, marketers must bring differentiation to the space to reduce substitutability (Mu, Abimerhy, Lu, & Reynolds[ix] 2022).

Example

Marriott expanded and emphasized multiple tiers of brands across different price points—from luxury brands like Ritz-Carlton to more affordable options such as Fairfield Inn and Moxy. This allowed consumers to remain within the Marriott ecosystem even when they needed to spend less.

The Threat: The Slashing of Discretionary Spending

Because consumers must buy food, fuel, and housing, the extra money required for these necessities is cannibalized directly from non-essential spending. Sit-down restaurant visits drop, “staycations” replace international travel, and people hold onto their smartphones and laptops for an extra year or two rather than upgrading.

The Play: The “Affordable Luxury” Pivot.

If people are cutting out big vacations and expensive dinners, marketers of discretionary goods need to position their products as the ultimate, affordable consolation prize. Historically, during economic downturns, sales of small luxuries (like premium lipstick, craft beer, or gourmet coffee beans) go up. Position your product as a necessary mental health break or a small reward for working hard. Show consumers how your brand helps them replicate the holiday or restaurant experience at home for a fraction of the cost.

Example

Starbucks positions its beverages as a small daily reward or treat (CNBCTV18[x.], 2022). During economic downturns, consumers often continue spending on relatively inexpensive luxuries even when cutting larger expenditures like vacations.

The Threat: Hoarding the Small, Delaying the Big.

If consumers expect the price of toilet paper, canned goods, or pasta to be 10% higher in six months, they will buy it in bulk today. Conversely, massive purchases that require financing—like cars, homes, or major renovations—may be delayed indefinitely.

The Play: Facilitate Bulk Savings & Subsidize Financing.

For everyday goods, offer consumers the ability to “lock in” today’s prices through subscriptions, giving them peace of mind against future inflation. Offer multi-packs that cost less than buying separately. For big-ticket items, brands should subsidize financing (e.g., offering 0% APR for 24 months) to maintain market share. Emphasize the return on investment (ROI) on durable products—if you are selling a new appliance, focus entirely on how much money it will save the consumer on their monthly energy and water bills.

Example

The business model for Costco, a US-based warehouse retail store, revolves around bulk purchasing and value pricing. During inflationary periods, consumers increasingly flock to warehouse stores to stock up on household essentials, food, and consumables at lower per-unit costs.

The Threat: "Shrinkflation" and "Skimpflation" Fatigue

Consumers are highly cynical and hyper-aware of corporate pricing strategies. They easily notice and complain about "shrinkflation" (paying the same price for a smaller box of cereal) and "skimpflation" (paying the same price for a hotel but no longer getting daily housekeeping).

The Play: Radical Transparency.

Consumers are tired of hidden fees and shrinking package sizes. Brands that treat them like intelligent adults will win long-term loyalty. If you have to raise prices, tell your customers exactly why. Even better, introduce a new benefit alongside the price increase to turn a hike into an opportunity.
In a market full of sneaky pricing tricks, honesty becomes a massive differentiator.

Example

The leadership for Arizona Iced-Tea publicly explained the difficulty of maintaining its famous 99-cent price and openly discussed cost pressures rather than disguising increases through shrinkflation (Calvario[xi.],2025).

The New Role of the Market Researcher

From data gatherers to empathy engines

To effectively navigate the turbulent economic waters of 2026 and 2027, marketers cannot rely on last year's data. When inflation fundamentally alters consumer psychology, traditional, backward-looking annual surveys become obsolete by the time they are published. Consumers often say one thing but do another when their wallets are squeezed. To get accurate, actionable insights into the behavioural shifts we discussed (like the trade-down effect), **marketers need to deploy a mix of real-time, behavioural, and empathy-driven research methods.**

Real-time

Capture behaviour as it changes

Behavioural

Observe what people do, not only what they claim

Empathy-led

Understand financial trade-offs and emotional pressure

Here is a sample of market research tools brands can use to guide their inflationary playbooks and pivot to the right approach:

Vision AI to accurately capture trade-down behaviour

AI moderation interviews to better empathize with consumers

High frequency "pulse" surveys to track financial anxiety

Vision AI Captures Trade-down Behaviour

You need to know exactly what consumers are swapping out at the register. Instead of asking consumers what they buy and risk inaccurate responses due to memory failures or biases, ask consumers to take pictures of what they buy, which can then be analysed by Vision AI.
You can run a "Market Basket Analysis" to see real-time substitutions (e.g., what they buy now versus a month ago). Are people who usually buy your premium pasta sauce suddenly buying the store brand, but still buying your premium noodles? Are they switching from beef to chicken? This tells you exactly where your brand is losing ground and where you might need to introduce a "fighter brand" or value tier.

Capture → **Analyse** → **Act**

BENEFIT

Using Vision AI for "Market Basket Analysis" allows researchers to catch consumers swapping beef for chicken in real-time, beating traditional syndicated sales data by weeks.
We can also ask consumers to record a quick video when they make a financial trade-off (e.g., "I put the name-brand cereal back today," or "I decided to skip getting coffee on the way to work"). This provides incredibly rich, qualitative data. With Vision AI, these videos can be collected at scale for quantitative projections.

Such insights can help marketers build deep empathy and understand why discretionary cuts are happening, allowing you to tailor your messaging to be supportive rather than tone-deaf.

AI Moderation Interviews to Better Empathize with Consumers

Consumers are highly vocal when they feel cheated by brands. You need to catch this sentiment before it goes viral. Use AI-moderation surveys to measure these beliefs or perceptions. This acts as an early warning system. If you see a rising tide of cynicism regarding your product's value, you know you need to get ahead of the narrative by explaining your pricing or ingredient decisions directly to the consumer.

AI moderation can also be used to ask consumers to share their thought process when they shop. Do they check "price per ounce" on the package or shelf tag? Do they abandon an online cart the moment they see the shipping fee?

BENEFIT

AI moderation can help you understand the logic that consumers are using when trading down. These insights can help you optimize your packaging, shelf placement, and promotional offers.

High Frequency “Pulse” Surveys to Track Financial Anxiety

Consumer confidence can change in a matter of days based on news about food and gas prices, or interest rate hikes. Instead of a massive 40-question survey sent out twice a year, send 3-5 question “pulse” surveys every four weeks, for example. Incorporating AI moderation in these pulse surveys will allow you to ask simple questions like, “How confident do you feel about your household budget this month?” or “Are you planning any major purchases in the next 30 days?” This gives you a real-time heartbeat of your specific consumer base.

If their financial anxiety spikes in October, you know your November holiday marketing needs to pivot heavily toward discounts, flexible payment options, and practical value. You need to understand the emotional toll of inflation and the daily sacrifices consumers are making. Diary-based survey apps, such as the one offered by Ipsos, allow for in-the-moment responses and the uploading of images if needed to capture changes in behaviours.

BENEFIT

By using high-frequency pulse surveys and diary apps, researchers are no longer looking in the rearview mirror and become co-navigators in helping a brand steer through the storm.

Conclusions

> **Stop asking “How do we convince consumers to buy?” Start asking “How do we help them manage this?”**

An end to the conflict in the Middle East does not mean an end to inflationary pressures. While there is hope that things will return to normal quickly, we believe that inflationary pressures will persist.
During this period, consumers’ attitudes and behaviours are likely to change. Once behaviours are changed, consumers are unlikely to go back to where they were before.

By shifting market research away from “What do you aspire to buy?” and toward “How are you managing to get by?”, marketers can gather the exact intelligence they need to be a resilient, empathetic, and successful brand during a prolonged inflationary period.

Ultimately, the most resilient marketers during an inflationary drag are those who stop asking “How do we convince consumers to buy?” and start asking, “How do we help them manage this?”

Brands that act as allies during the hard times of 2026 and 2027 are the ones consumers will remember and stick with when the economy finally recovers. At the start of this paper, we shared that almost half of consumers in the countries we surveyed are already bracing for impact. If your brand isn’t pivoting now, you are already behind.

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