

BBDO KNOWS

GET CRISIS SMART

Inflation

Inflation

We yet again find ourselves in another moment of global uncertainty and volatility, so soon after Coronavirus had a lasting impact on our lives. Once again, this crisis infiltrates our homes, this time threatening our two basic needs: energy and food.

Global inflation is on the rise, forecasted to rise to 5.1% in 2022, the highest rate in 40 years.¹ The cost of living has skyrocketed - consumer prices are 7.2% higher than they were a year ago.² With prices rising quicker than wages, and a shortage of skills within the labour market, we are seeing inflation balloon prices out of control. The ongoing conflict in Ukraine continues to decimate supply chains and the production of basic global produce: Russia is responsible for 40% of European natural gas, and Russia and Ukraine together produce nearly 80% of the world's sunflower oil and about 1/3 of global wheat.³ From April in the UK, we will see a tax increase and a rise in the energy price cap; these trends are being echoed around the world. These changes have the power to redefine the consumer landscape. How can brands face the external and internal challenges ahead?

“The combination of substantial tax increases and big increases in prices, particularly energy prices, will be a larger shock for households on average earnings than anything at least since the financial crisis and possibly for a long time before that”

- Paul Johnson, Director at The Institute of Fiscal Studies ⁴

WHAT THIS MEANS FOR CONSUMERS

Consumers are worried; inflation impacts their income, presents a paycheck squeeze, and reduces their spending power. Across Europe, 69% of consumers say that the cost of living is what worries them most, ahead of Covid-19 or climate change.⁵ There will be disparity between consumers, with low-income families hit particularly hard. 1 in 3 consumers will reduce their spend in 2022,⁶ and 50% of consumers will pursue promotions more aggressively.⁷ There will be an increase in credit cards and BNPL schemes, particularly amongst the younger generation, with 44% of Gen Z predicted to use the delayed payment method in 2022.⁸ Consumers are much more likely to switch between brands and brand loyalty will be shaken as price becomes the priority for selection.

¹ European Central Bank, March 2022 [Link](#)

² OECD, March 2022, [Link](#)

³ Canvas 8, March 2022 [Link](#)

⁴ Warc, March 2022 [Link](#)

⁵ GWI, March 2022 [Link](#)

⁶ The Drum, March 2022 [Link](#)

⁷ Forbes, January 2022 [Link](#)

⁸ Global Payments, February 2022 [Link](#)

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We know that the brands who most successfully navigated the 2008 recession are those that responded with warmth, humanity and understanding.⁹ Equally, consumers will demand more demonstrations of value, feeling and purpose from their brands. Transparency is key. So, how can brands walk the tightrope for success?

Consumer concern is evident: 63% of all consumers say their household budget cannot accommodate continued price increases—a startling statistic.

- Ipsos, March 2022

WHAT THIS MEANS FOR BRANDS

Overall, brands are seeking ways to reduce inefficiencies and build resilience across supply chains in an attempt to reduce long term financial disruptions. Some brands are opting for 'shrinkflation', the idea of reducing the size of their products without reducing the price, but with consumers more savvy and vocal than ever before, being upfront with changes is vital in order to avoid a customer service nightmare.

Brand owners need to quickly understand their audiences' financial reality and match communications to their priorities, behaviours and expectations. Faced with a barrage of bad news and uncertainty, consumers will look to brands to provide relief, show support and, where appropriate, humour. Brands need to need to show both relevance and value, helping their consumers navigate the day-to-day.

DEMONSTRATE EMPATHY

Consumers want their brands to be personable, they need to feel seen. More than ever, consumers need to be treated as people, rather than number. BBDO NY's advert for Home Depot, 'Early Risers,' draws attention to real life customers who rise before the shop is open (the spot focuses on 5.45am). The ad shows appreciation and admiration for their customers and recognition that each customer journey is unique and personal.¹⁰

⁹ Meta, Insights Live March 2022

¹⁰ MediaPost, February 2022 [Link](#)

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“We’re going through an evolution of our creative, focusing less on product and moving toward more emotional and people-driven stories,”

- *Adolfo Villagomez, senior vice president, online and chief marketing officer at Home Depot*¹¹

Ads like these will only grow will become more poignant and important as the crisis continues to define 2022.

DEMONSTRATE SUPPORT

Brands needs to show that they are agile enough to respond to changing consumer behaviour. By staying vigilant and using data to understand new trends, brands can stay ahead of the curve and understand how their consumers behave online and create meaningful transaction with them as a result. This is the moment to refine every customer touchpoint to make the journey as frictionless as possible. Colenso BBDO worked with Bank of New Zealand to produce ‘Dancer with a Dream’, celebrating individual passions, and reassuring their customers, particularly business owners, that they are there to help them adapt and thrive to whatever challenges are thrown at them.¹²

DEMONSTRATE ACTION

We’re see a doubling down on quality, performance and sustainability as brands recognise that they need to celebrate their values in order to keep their consumers attention. Consumers want to see brands acting upon ethics and causes that matter to them. BBDO Dublin worked with Lidl to create ‘A Better Tomorrow’, launching ‘Lidl Steps’ earlier this year to celebrate the ways that the supermarket is making changes for a ‘better’ future.¹³

LOOKING FORWARD

For consumer and brands to continue to navigate financial pressures associated with inflation, the need to build value-driven relationships is more crucial than ever. Inflation won’t stop consumers from buying, but decisions will be made more thoughtfully and with heightened emotion. Brands need to carefully evaluate their messaging as we continue in this era of growing economic polarisation, and create a narrative that resonates with consumers now, and in the long term.¹⁴

¹¹ MediaPost, February 2022 [Link](#)

¹² Muse by Clio, December 2021 [Link](#)

¹³ YouTube, January 2022 [Link](#)

¹⁴ Forbes, January 2022 [Link](#)

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ABOUT BBDO KNOWS

BBDO KNOWS is a planning resource for the BBDO network.

BBDO KNOWS offers thinking, strategy, insights and inspiration on key categories, key themes and consumer segments.

If you are interested in learning more about the way BBDO thinks please contact **BBDO Knows** bbdo@bbdoknows.com

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