

BBDO KNOWS

**GET CONSUMER
SMART**

*Trading Up,
Trading Down,
Trading Off*

Trading Up, Trading Down, Trading Off

In the context of a cost of living crisis we wake up. We pay attention to our behaviours and especially to our spend. Long held spending criteria and patterns shift, our shopping baskets evolve and our relationships with brands are tested. We trade up, we trade down, we trade in, we trade out. We trade off. We are now close to three years into a state of crisis. One. Crisis. After. Another. The word of the year for 2022 was “permacrisis”, defined as an extended period of instability and insecurity.

“To put it simply: we are facing a crisis on top of a crisis... In economic terms, growth is down, and inflation is up. In human terms, people’s incomes are down, and hardship is up.”¹

This crisis is different, it is prolonged and we have no end in sight. For those of us trying to plan for 2023, the inputs are changeable, the context uncertain and the outlook bleak. Just as businesses and brands scenario plan, so to do our consumers. When people feel they can’t control the external context, they spend a disproportionate amount of controlling what they can, their own spend, their own P&Ls, their own worlds. So how can brands support and stay in the basket. Here’s what you need to know.

HOW THE WORLD IS FEELING

This is not our first crisis...We’ve been here before. So why does it feel so different? The volume of negativity we are exposed to is ever increasing, and unsurprisingly this is impacting our mental health. For example, there has been a 247% increase in Google searches for ‘terrible morning anxiety.’² This anxiety also extends to our personal finances as globally 64% of high-income consumers; 77% of middle-class consumers; and 87% of global low-income consumers are concerned about their finances.³ This fear and concern surrounding finances is impacting our confidence and behaviour as individuals. We must not underestimate the impact of a prolonged period of instability and an undefined end point on our willingness to commit to spend.

And of course, the current impact of the cost-of-living crisis varies enormously, our individual circumstances are highly unique, and therefore so is our ability to weather the storm. Although our circumstances are unique, we are all concerned about what comes

¹ IMF, April 2022 [link](#)

² EdExec, September 2022 [link](#)

³ EY, June 2022 [link](#)

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next. The longer this goes on, more people who are currently “comfortable” will feel financially stretched, and more of us will feel the pressure to be guarded with spend. As a result, more people will be seeking the signals that brands are accessible, and spending is justified.

HOW THE WORLD IS TRADING

Our behaviours around spend are constantly evolving. In 2008 and 2009 BBDO conducted a study on our Trading behaviours, we found that our behaviours could be easily attributed to certain groups such as the crisis crusaders, the recessionistas. Unlike 2008-2009, in 2023 our decisions, behaviours and patterns are much more fluid and we can no longer simply segment consumers as we once did in 2009.

“People are predictable. Individuals aren’t.” ⁴

In order to navigate these highly complex trading behaviours and plan our communications effectively, BBDO KNOWS has devised a framework for messaging. This trading framework was developed to accommodate the hyperfluidity and highly variable consumer patterns. While the framework helps to shape our understanding of consumer decision making, it also helps inform our brand strategies in order to avoid the ‘danger zone’ where brands are traded out and replaced by more cost effective or valuable versions. If you want to learn more about BBDO KNOWS’ trading framework, please [get in touch](#).

WHAT THIS MEANS FOR BRANDS

Prices are increasing, budgets are stretched, and concern is far reaching. Consumers are craving certainty and reassurance when it comes to spending. We don’t often consider or appreciate that fear, concern, and a lack of funds means that paying can hurt consumers, quite literally. Studies have shown that the emotions associated with payments are felt deep in the insula – a region of the brain linked with negative feelings and pain. Brands rarely think about pricing in the context of pain.⁵

Now, more than ever, brands must remind consumers why their product is a non-negotiable and justifiable, despite increasing efforts to save money. Brands can

⁴ GWI Connecting the dots, 2022 [link](#)

⁵ Mi-3, 2022 [Link](#).

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circumvent this painful process by either reminding consumers of the rational value of their product (e.g., value for money) or the emotional value of their product (e.g., value for me), equally they can consider how they are supporting at the actual point of purchase.

An example of a brand that is successfully communicating its emotional value to consumers is M&S Food. M&S a UK grocer knows that consumers are trading out of eating out and are offering curated big night in offers. For families, for valentines, for Saturday night. A winning strategy to capture the trade off. They are also appealing to price sensitive consumers by putting together a budget meal planner with a celebrity chef, demonstrating its value and justifying its price.⁶ Alternatively, Ariel is appealing to rational value by launching its #WashColdChallenge to demonstrate the power of its detergent at cold temperatures — helping consumers save on energy bills and save the planet.⁷ This campaign speaks to consumers who are looking to save money whilst still supporting important causes such as lowering their carbon footprint.

We are all stretched and worried about what comes next, there is some highly complicated decision making happening at the point of purchase, brands have to elevate their messaging to ensure consumers understand why they are a relevant and justified purchase. Trading is here to stay.

⁶ M&S, 2022, [Link](#)

⁷ Eddie, 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 **Melanie Norris**, Global Planning Director, norrism@bbdoknows.com.

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