



A PEOPLE FIRST RESPONSE IN A CRISIS

**THE7STARS COST OF LIVING
CRISIS WHITEPAPER**

JUNE 2022

C O N T E N T S

A people first response in a crisis 4

Tracking the nation's mood 6



Resilience: adapting to new realities 8



Integrity: higher expectations 10



Purpose: a shifting emphasis 12

A PEOPLE FIRST RESPONSE IN A CRISIS

As the nation embarks on another phase of social and economic evolution, we see evidence of significant changes in behaviour emerging. If brands are to successfully navigate the months ahead, putting people first is a proven way to connect to new mindsets and priorities.

An evolving economic landscape

Despite the recent £15bn cost of living package of support announced by the Government, the headline statistics of the current economic climate for Brits don't make for easy reading.

People are seeing their income squeezed on a number of fronts; **inflation is at 9% – a level not seen for 40 years**, energy and fuel prices continue to go up, while the rising cost of food and essentials also put pressure on household budgets.

Ongoing supply chain issues that started with Brexit are now being exacerbated by the economic impact of the Russian invasion of Ukraine and the Covid lockdowns in China. Alongside this, inflation is outstripping increases in wages and changes in national insurance contributions instigated in April mean many are seeing less money in their take home pay.

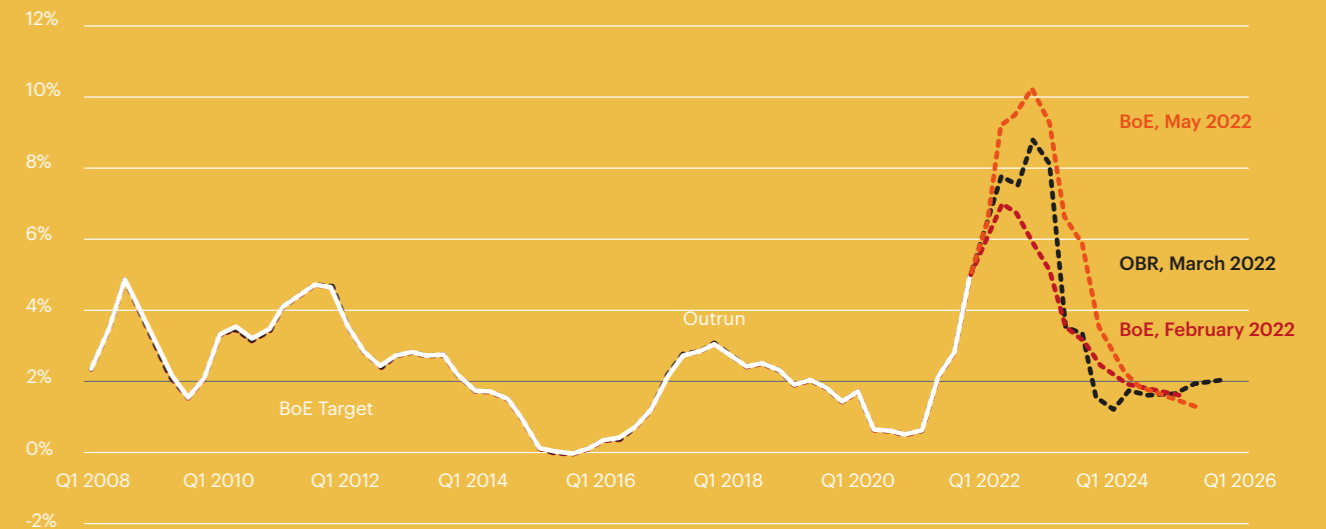
There's also a disproportionate impact of the crisis on lower income households. **Inflation rates for poorer families are forecast to hit 14%** due to energy bills accounting for a higher share of household budgets, and cheaper food products and goods increasing in price at a faster rate. A recent government report highlighted that **the cost of living crisis is estimated to push a further 1.3 million more Brits into poverty.**¹

Current predictions for the months ahead talk of a recessionary climate. Whether or not this transpires, the statistics point to real household incomes in the UK contracting at the sharpest rate since records began in the 1950s.

One thing we can predict with confidence is that change will be the constant. With this in mind, continuing to track the economic and social landscape, and the consumer response, will be critical.

¹The Times, 24th March

CPI INFLATION Q1 2008 TO Q1 2026, INCLUDING SUCCESSIVE BANK OF ENGLAND AND OFFICE FOR BUDGET RESPONSIBILITY FORECASTS



Source: Institute for Government analysis of Bank of England, Monetary Policy Report, February and May 2022 and Office for Budget Responsibility, Economic and Fiscal outlook, March 2022.

Inflation is at 9% – a level not seen for 40 years, energy and fuel prices continue to go up, while the rising cost of food and essentials also put pressure on household budgets.

000

TRACKING THE NATION'S MOOD

Latest data from the7stars' proprietary quarterly tracker (The QT) demonstrates that the initial optimism at the start of the year, as Covid restrictions lifted and the economy opened up, are being dampened again by the collision of economic and political headwinds.

The percentage of people saying they feel less comfortable with their income has jumped to **41% of the population compared to 31% in February**. Consumer sentiment regarding income is also markedly different than it was this time last year when only **17% said they felt less comfortable with their income**.

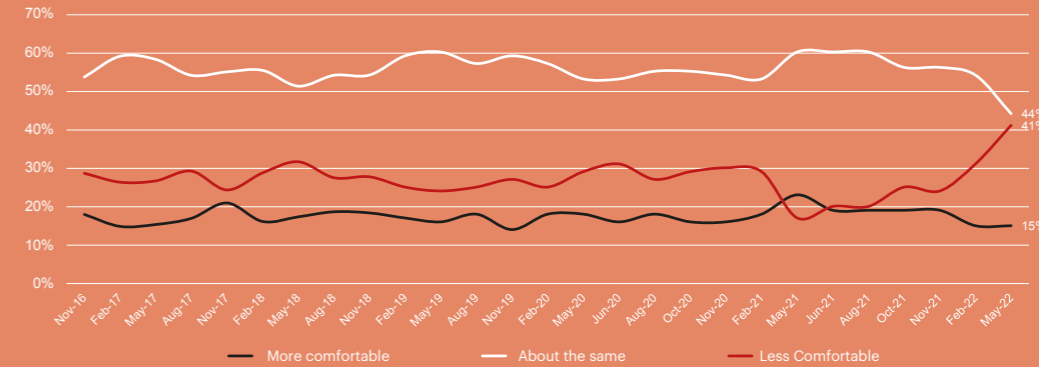
It is also evident that people are already making purchase compromises. **67% agree, 'I make compromises on what I buy or do to live life comfortably'**, with some groups in society more disproportionately affected. **50% of 18-24s agree that the energy bill increases have become too expensive for them to afford**, 9 percentage points above the average and reflective of their lower salaries. However, it's parents and the **45-54s that are feeling the pinch when it comes to everyday essentials, with 57% of parents and 60% of 45-54s agreeing they will downgrade or spend less on these items, compared to an average of 50% in the general population**. Between February and May of 2022, the percentage of British adults who said they have or will have to use a **food bank rose from 8% to 13%**.

Happiness levels of Brits in 2022 also continue to decline, after a short-lived peak in November 2021. There is an upward trend in those feeling less happy, with **21% of the population agreeing they are less happy than the same time last year**. Unsurprisingly, lower income groups are driving this trend with **1 in 4 on a household income of less than £28k feeling less happy**.

As the last two years have taught us, there are a myriad of opportunities to thrive in a crisis - so what must brands do to succeed? We have identified three themes reflective of the consumer mood and will ensure brands make the cut as consumers inevitably cut back.



Attitude to income compared to this time last year



Source: The QT, the7stars proprietary consumer tracking study
Base: All Respondents, Nationally Representative survey (n=2000 per wave)

Happiness compared to this time last year



Source: The QT, the7stars proprietary consumer tracking study
Base: All Respondents, Nationally Representative survey (n=2000 per wave)

Between February and May of 2022, the percentage of British adults who said they have or will have to use a food bank rose from 8% to 13%.



67%

agree 'I make compromises on what I buy or do to live life comfortably'

41%

feel less comfortable with their income

21%

are feeling are less happy

RESILIENCE: ADAPTING TO NEW REALITIES



Having navigated a pandemic, the optimism of many Brits has been replaced by resilience. The mood of the nation is largely buoyant, with **64% of Brits agreeing that, 'In difficult circumstances I keep calm and carry on'**. This original 'Blitz spirit' is consistent across regionality, class and ethnicity, although it is slightly lower amongst younger generations. This is not wholly surprising when considering that with age comes both experience and understanding – older generations are also more likely to agree that they accept that factors outside of their control might impact their life. **This is 87% for those aged 55+ but 10 percentage points lower for 18-34s.**³

Resilience alludes to an ability to bounce back, to be adaptable to new realities – something Brits have had a lot of practice doing during the last two years. Covid has, you could argue, prepared us for tough times. This does not mean that people aren't experiencing stress, emotional upheaval or misfortune. Instead, it means they are finding practical ways to work through the crisis and brands can help with this.

Brands that make consumers feel good will be those that offer practical and tangible support, but also those that offer light relief or tap into an increasing focus on wellbeing. Resilience is built upon an increasing awareness of the issues that affect our overall health. This appreciation naturally leads to an appetite to change habits that may be detrimental and introduce new ones that bring benefits.

One easy way that brands can help is by delivering on the small wins - **62% of consumers are looking to these to make them feel good.**

There's also room for advertisers to deliver the feel-good factor via light relief. This approach to advertising has been evidenced to have fallen out of favour in recent times. Both **Orlando Wood in 'Look Out'** and **Paul Feldwick in 'Why Does the Pedlar Sing?'** make a rallying cry for advertisers to use more humour in their advertising. Both support their case with compelling effectiveness evidence. Humour can be a simple, and smart, tactic that advertisers should be deploying more readily in the current climate.

³ the7stars QT, May 2022

⁴ TGI Quick Connection Study, April 2022



28%

of Brits agree they feel optimistic about the year ahead



64%

of Brits agree 'In difficult circumstances I keep calm and carry on'



62%

of Brits agree they look for small wins and pick-me-ups to feel good

However, the reality is that consumers are also demonstrating resilience by changing their behaviours when it comes to spending. the7stars QT identified that **54% of consumers are buying fewer things for themselves, 55% are using money off vouchers, 62% are eating at home instead of going out and 58% are budgeting for groceries more carefully.** These behaviour changes are all trending upwards from November 2021, with the most recent tracked data jumping up between 6 and 10 percentage points from February to May 2022. These compromises will have significant consequences for advertisers in terms of decreased frequency and potentially losing customers to cheaper brands.

And it's not just the everyday items that are likely to be hit. There will be significant consequences for brands selling big ticket items which consumers may have to put on hold. Data from a bespoke TGI Quick Connection Study, in April, highlighted that **38% agree they're going to postpone some big outlays that they had planned but are still going to enjoy little, everyday luxuries. This rises to 47% for those with children and is highest for the 25-34 demographic at 51%.**⁴

Resilience alludes to an ability to bounce back, to be adaptable to new realities – something consumers have had a lot of practice doing during the last two years.

02

INTEGRITY: HIGHER EXPECTATIONS



With rising costs and the corresponding changes in shopping behaviours, brands will need to work harder to justify both their price and position in the competitive landscape. Building strong emotional connections will be essential, with advertisers needing to protect brand equity.

In particular, brands must focus on trust and transparency. In the backdrop of parliamentary rule breaking over Covid, fairness has been brought into sharp focus. Since trust and confidence in institutions such as the Police are at an all time low, and overall confidence in the Government scoring a NET **-60%**, **this new focus has never been more necessary**.⁵ Given this context, brands need to show they are onside - any sense that there is distance between big business and the people on the street will not resonate. **58% of adults agree that big brands are disconnected from real life**.⁶ This highlights an opportunity for brands to invest in keeping people close, being consistent with brand values and delivering honest communication with customers to keep them loyal.

Transparency is also key when it comes to pricing. **73% of consumers believe 'Brands ought to communicate transparently if they decide to change their product due to rising costs', and this rises among 45+ and ABC1 audiences**. Even more prescient is targeting families, as parents in particular are most likely to be unforgiving, **with 72% saying that they will stop buying from a brand if their costs noticeably increase**.⁷

With all audience groups increasingly cautious, there will be an elevated need to justify purchases. Value and quality will be a battleground for many brands as living expenses increase. Advertisers will have to work hard to hold onto their loyal customers; promising and delivering on lasting value is the key to success. Alongside this, not compromising on brand integrity will be vital.

⁵ the7stars QT, May 2022

⁶ TGI Quick Connection Study, April 2022

⁷ TGI Quick Connection Study, April 2022

BRANDS

58%

agree 'big brands are disconnected from real life'

BRANDS

72%

agree 'now more than ever, brands must keep talking to their customers'

BRANDS

78%

agree 'brands must communicate honestly about passing on any rising costs of production/service to their customers'

In the backdrop of **parliamentary rule breaking over Covid**, fairness has been brought into sharp focus.

03



PURPOSE: A SHIFTING EMPHASIS

Purpose-based marketing, defined as supporting a social or environmental cause, has been a popular way to demonstrate brand integrity in recent times. Yet, it is also an area that has been subject to considerable backlash.

Brands have historically demonstrated their purpose through a commitment to everything from mental health to sustainability, and everything in between. In the current climate, the emphasis may need to switch to supporting vulnerable people, which in some instances could be the consumers of the brand. **69% of people believe, 'Brands should do more to support vulnerable people in the nation'. And 66% believe, 'Brands and companies have a duty to support local communities to cope with the current difficult economic climate'. This rises among those in urban areas, and is highest in London at 73%.⁸**

Brands have an opportunity to rethink the way they tackle purpose. For some brands, now might not be the right time to make changes in products or services that require passing costs on to customers. Yes, people expect brands to be more socially responsible during the crisis, **as 64% concur.** However, the emphasis is on brands taking on those costs themselves, with **70% agreeing that brands need to reduce their profit margins to keep costs down.**

Ultimately, it is vital that brands understand what is important to their particular audience. Sustainability, mental health, diversity & inclusion, and grassroots community activities are all valuable areas that can contribute to brand integrity as well as supporting important causes. However, what may have been a priority twelve months ago for consumers could have changed, and **65% agree they expect brands to understand these changing needs and circumstances in times of hardship.⁹**

We're seeing the focus regarding purpose led initiatives for many audience groups shifting to a 'me' rather than 'we' mentality. While the community spirit born during the pandemic hasn't disappeared, in times of hardship an inwards lens often takes priority, due to necessity.

Where opportunities do still exist to pursue broader social and sustainability initiatives that benefit wider society, careful consideration is required. The standard for brands now is that they are expected to be more altruistic and empathetic – and not obviously profiteering. Brands will need to scrutinise for authenticity and listen carefully to their audience's needs and priorities.

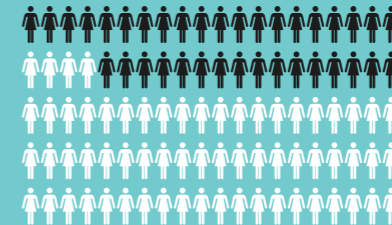
⁸ TGI Quick Connection Study, April 2022

⁹ TGI Quick Connection Study, April 2022



66%

agree 'Brands and companies have a duty to support local communities to cope with the current difficult economic climate'



64%

agree they expect brands to be more socially responsible during this crisis



65%

agree they expect brands to understand their changing needs and circumstances in times of hardship

Sustainability, mental health, diversity & inclusion, and grassroots community activities are all valuable areas that can contribute to brand integrity.

04

LOOKING AHEAD

There's a lot to be said for how one behaves in times of crisis. This has never been truer for brands. Of course, many companies are facing into their own financial challenges with rising costs of production and operations. However, there are both brilliant, and bad, examples of brand behaviour during previous critical times – all of which provide useful lessons.

Putting consumer and cultural insight at the heart of any brand strategy is a proven successful formula for finding opportunities to be relatable and memorable for all the right reasons. Whether that's tapping into resilient mindsets that provide positive contexts for engaging communications, practising trust and transparency in more modern and discursive ways, or reviewing purpose-led marketing initiatives that become more relevant and meaningful.

PARTNERSHIP AND METHODOLOGY

This paper has been produced in partnership between the7stars and Kantar.

the7stars' people first and agile approach ensures we are constantly abreast of changes in attitudes and behaviours in the UK. Our proprietary quarterly tracker (The QT), has been tracking people sentiment and behaviours since 2016. Sampling 2,000 nationally representative adults each quarter, we are experts in understanding British consumer. Our flexible approach means we focus on the topics that really matter, and stay on top of culture and trends. QT data quoted in this report from May was fielded between 11-13th May 2022.

Kantar has unrivalled richness and robustness in data. Kantar TGI provides an industry gold standard source of insight, with a breadth of robust data, refreshed monthly with a panel of 25,000+ British adults. Kantar's TGI Quick Connection platform provided additional bespoke insight on the topics of finance, community and brand behaviours relating specifically to the current cost of living crisis. TGI Quick Connections data quoted in this report was fielded between 22-26th April 2022.

