



Transform

## Marketer's Guide

Innovative thinking to make a lasting impact on your business growth.

2022

# Under Pressure

6 marketing strategies to successfully navigate your brand through inflation

# What You'll Learn...

During periods of inflation, consumers are increasingly price sensitive and may be looking more critically at what they purchase. As a result, many marketers are grappling with how they should pivot **their strategy to maintain market share and consumer relevance...**

*How do I ensure that consumers continue to believe my product is worth paying for?*

*How should I rethink my messaging, media touchpoints and investment approach to better resonate with distressed consumers...and protect my bottom line?*

This piece provides **guidance** to successfully navigate this challenging consumer environment:

- **See what consumers are saying about inflation** – to what degree do they feel impacted? Which categories are most vulnerable (and which aren't)?
- **Learn how the industry has begun to react** – what level of stagnation is predicted and what is the ad revenue forecast?
- **Equip yourself with the 6 marketing success strategies** – based on real brand examples and proven marketing principles, learn the winning formula that protects - and grows - brands during periods of economic stress

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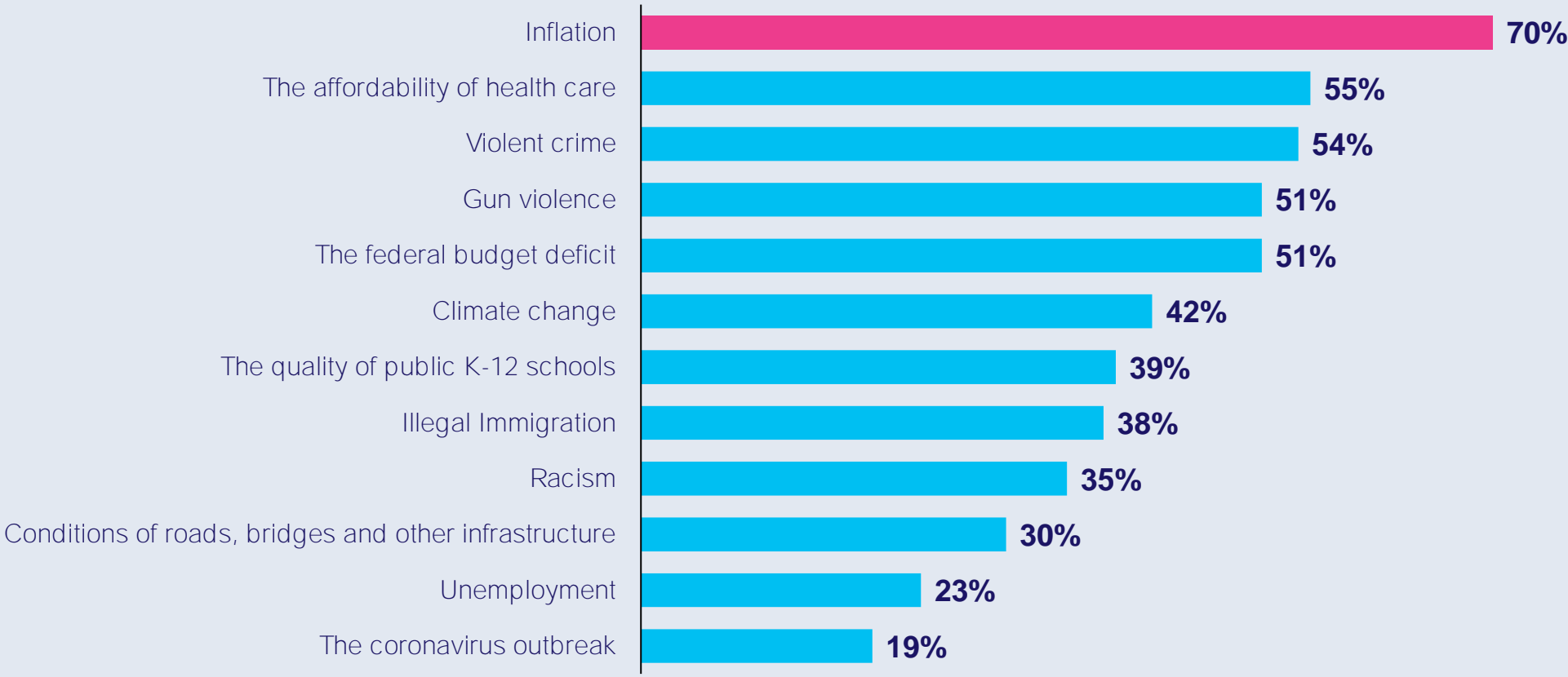
# Rising Prices, Rising Concerns

Inflation is impacting consumers minds  
and wallets



# As Americans navigate a turbulent time, inflation is overwhelmingly their top concern, even above gun violence, racism and unemployment

% who say each of the following is ‘a very big problem’ in the country today



Source: Pew Research Center, *By a wide margin, Americans view inflation as the top problem facing the country today*, 5/12/22. Based on survey of U.S. adults conducted April 25 – May 1, 2022.

# The current rate of inflation is at the highest it has been in more than 40 years, driven by a range of factors including the pandemic and its impact on supply and demand, as well as the war in Ukraine

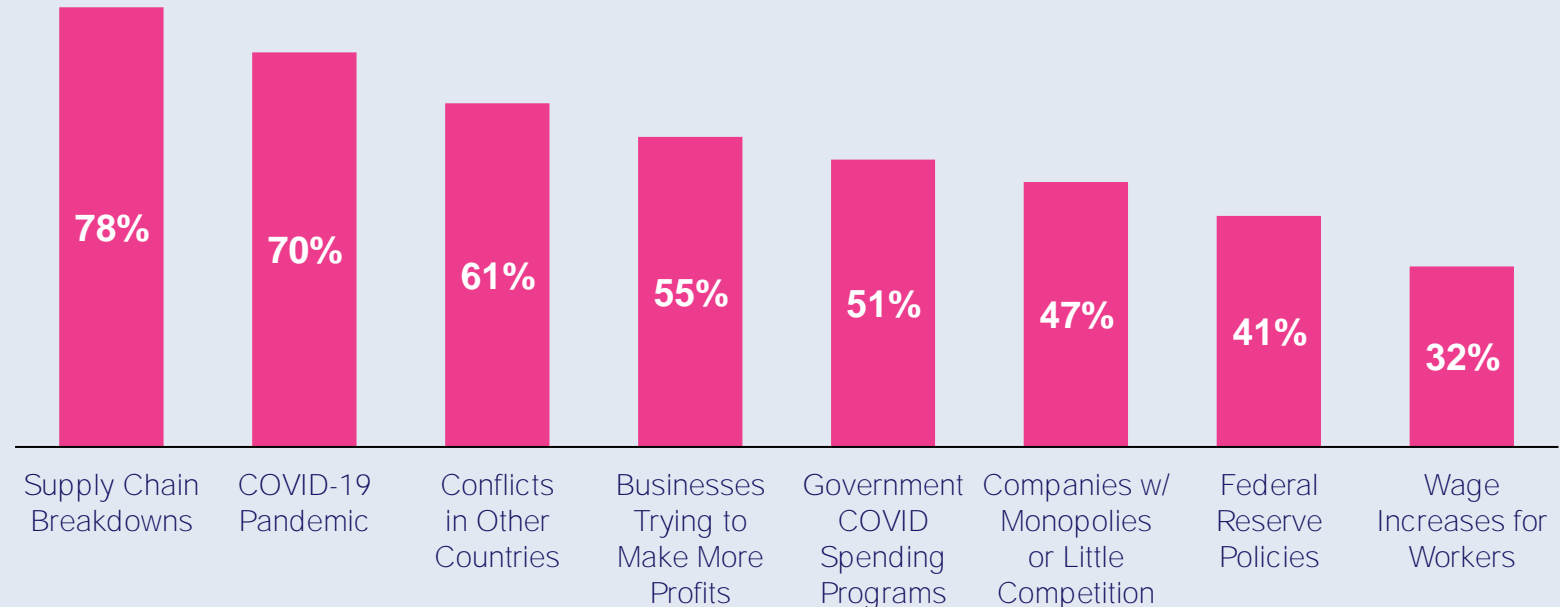
In June 2022, on average, the price of goods and services increased

**9.2%**

Increase in Consumer Price Index\* for all items in June 2022, reflecting the largest 12-month increase since November 1981

How much of an impact, if any at all, do you think the following have had on price increases in the past year?

% of respondents who answered 'major' or 'significant' impact



Source: Bureau of Labor Statistics Consumer Price Index News Release, 7/13/22. \*The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Ipsos & FiveThirtyEight, 2022 Election Tracking Survey. Data based on poll conducted April 27 – May 5, 2022 on behalf of FiveThirtyEight using the probability-based KnowledgePanel®. This poll is based on a nationally representative probability sample of 2,006 adults age 18 or older interviewed online in English and Spanish.





# As a result of rising costs and a decline in purchasing power, Americans are actively searching for cheaper alternatives

% of people who agree that the following statement applies to them

**I have noticed price increases in the products I buy**

**94%**

**Inflation is causing me to look for lower prices for the things I need to buy**

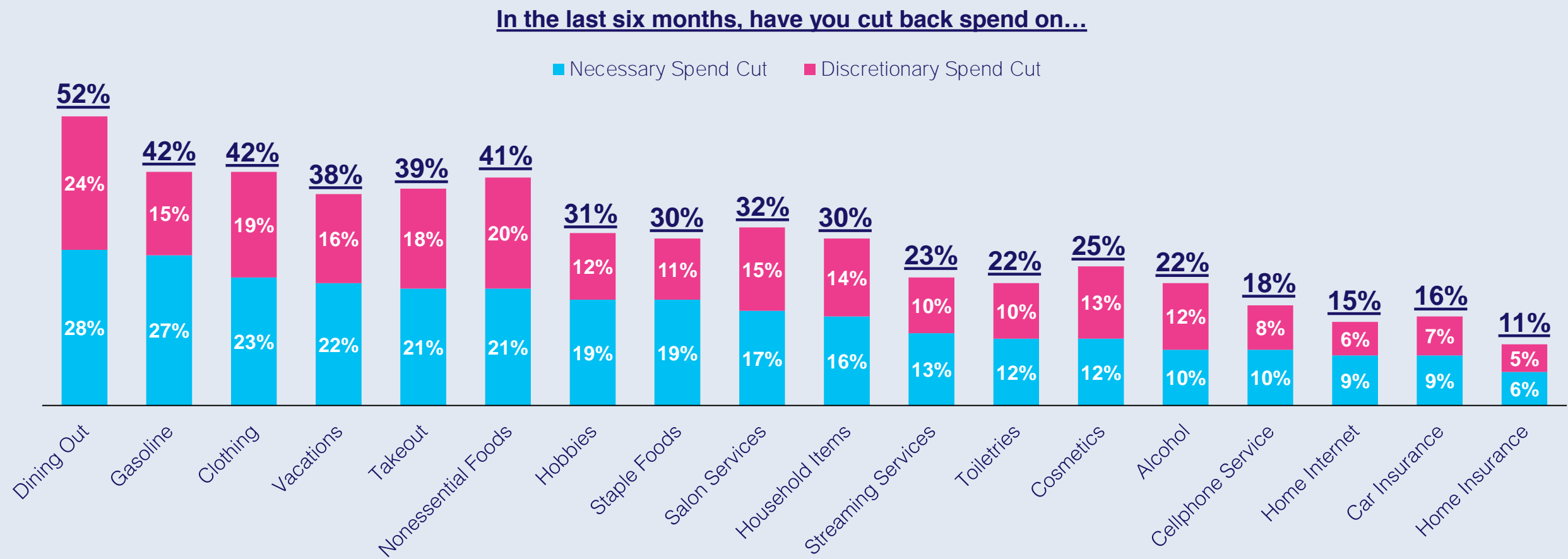
**81%**

**Inflation is causing me to cut back my spending on unneeded, but nice-to-have, items**

**77%**

Source: Ipsos, *Here's how inflation is affecting our shopping*, June 2022. Ipsos Coronavirus Consumer Tracker, fielded May 24 – 25, 2022 among 1,120 U.S. adults. Q: For each statement below, please indicate whether or not this applies to you. – 'Yes' summary.

# Many Americans have been forced to cut their spending in order to either stay within their means or to save money



Source: YouGov via [Adweek](#). Based on survey of nearly 2,300 Americans completed in early June 2022. “Necessary” spend cuts refer to those made by consumers to stay within their means. “Discretionary” spend cuts refer to those consumers willing make to save money.

# The type and severity of cutbacks vary by financial status, with lower income homes increasingly worried about affording the necessities

## Americans' Financial Worries, by Annual Household Income

% of respondents who feel very/moderately worried

■ <\$40K Household Income    ■ \$100K+ Household Income



Not Having Enough Money  
to Pay **Monthly Bills**

66% / 18%

+15% pp / +11% pp vs. 2021



Paying **Rent, Mortgage,**  
**Other Housing** Costs

59% / 15%

+12% pp / +8% pp vs. 2021



Paying **Medical Costs** in the Event  
of Serious Illness or Accident

72% / 37%

+10% pp / -2% pp vs. 2021

Source: Gallup Poll Social Series, *Americans' Financial Worries Tick Up in Past Year*, May 2022. PP = percentage point.



# While affluent homes have felt a less direct effect, they are more concerned about having savings for major milestones

## Americans' Financial Worries, by Annual Household Income

% of respondents who feel very/moderately worried



<\$40K Household Income



\$100K+ Household Income



Not Having Enough  
**Money for Retirement**

**75% / 54%**

+12% pp / +8% pp vs. 2021



Not Having Enough Money to Pay  
for **Child's College Education**

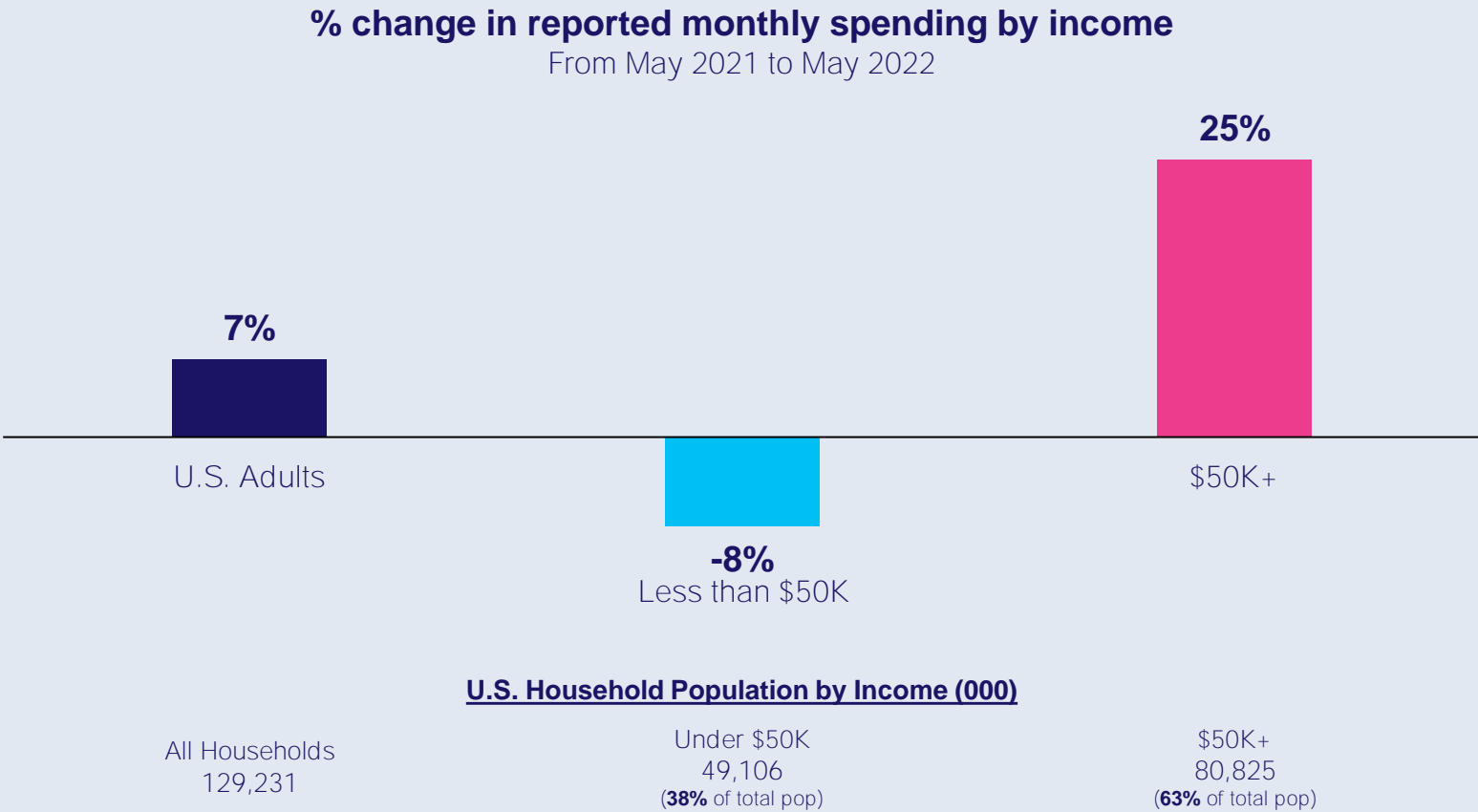
**37% / 31%**

-2% pp / N/A vs. 2021

Source: Gallup Poll Social Series, *Americans' Financial Worries Tick Up in Past Year*, May 2022. PP = percentage point.

# Regardless of the current economic uncertainties, the average American is still spending more than they were a year ago as they eagerly resume their pre-pandemic lifestyles

Increases in monthly spend are primarily driven by the more financially secure Americans

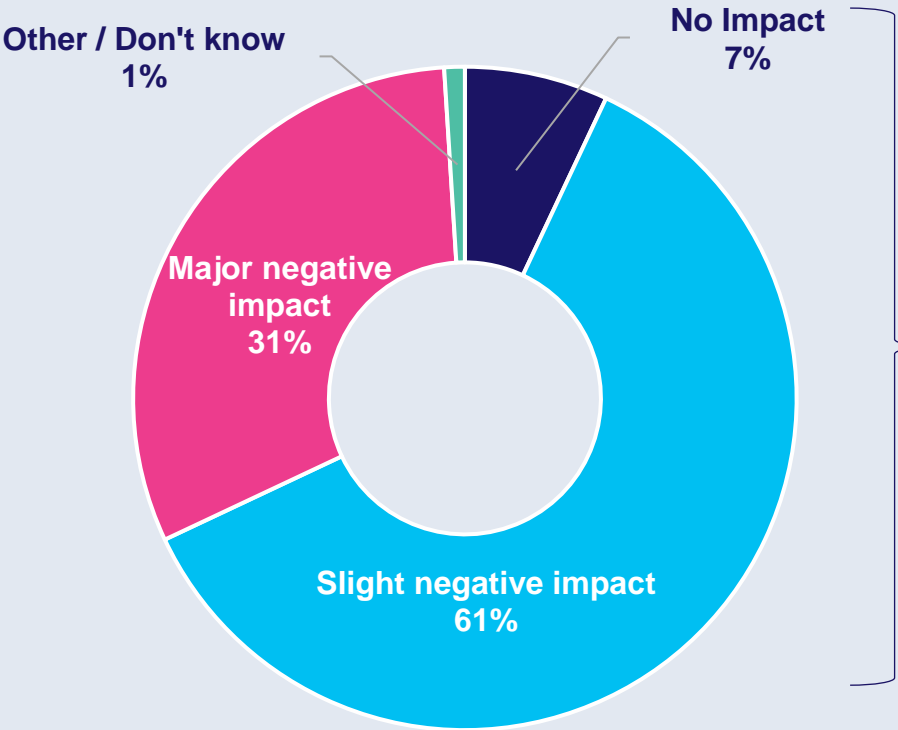


Source: Morning Consult, *U.S. Household Finances & Consumer Spending Report*, June 2022, U.S. adults. Morning Consult Economic Intelligence, Bureau of Labor Statistics. U.S. Census Bureau, Current Population Survey, 2021 Annual Social and Economic Supplement (CPS ASEC); *Selected Characteristics of Households by Total Money Income in 2020*.

# With many consumers still resisting changes to their post-lockdown lifestyle, most brands have not yet experienced a major impact to their bottom line

## Impact of rising inflation rates on business as of April 2022

Among Brand Marketers



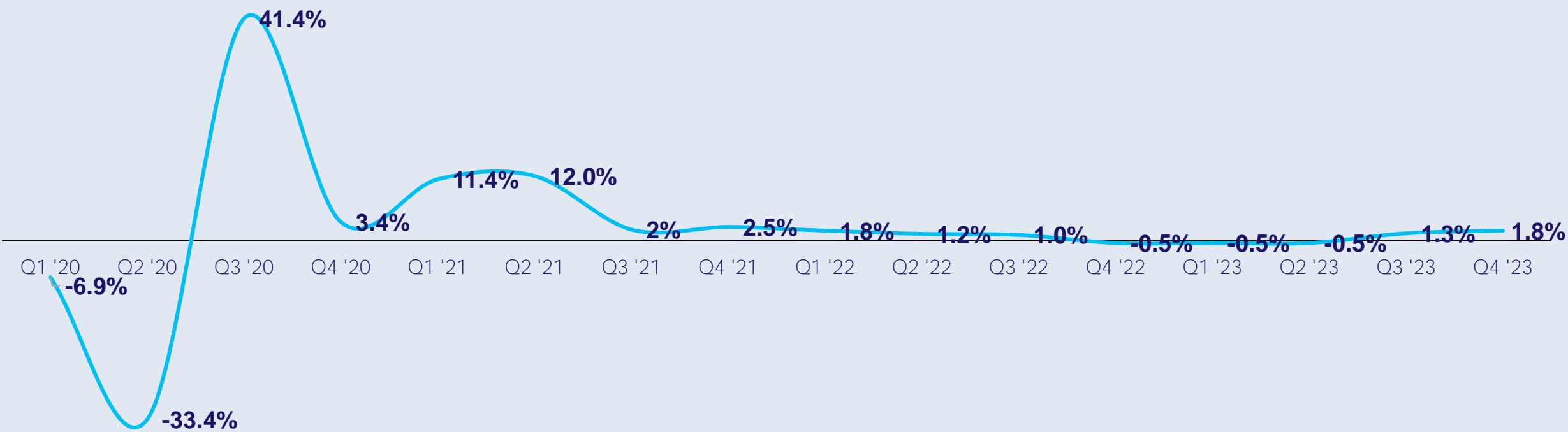
**68%**  
'No Impact'  
or 'Slight Negative Impact'



Source: Advertiser Perceptions, Monthly Omnibus, April 2022.

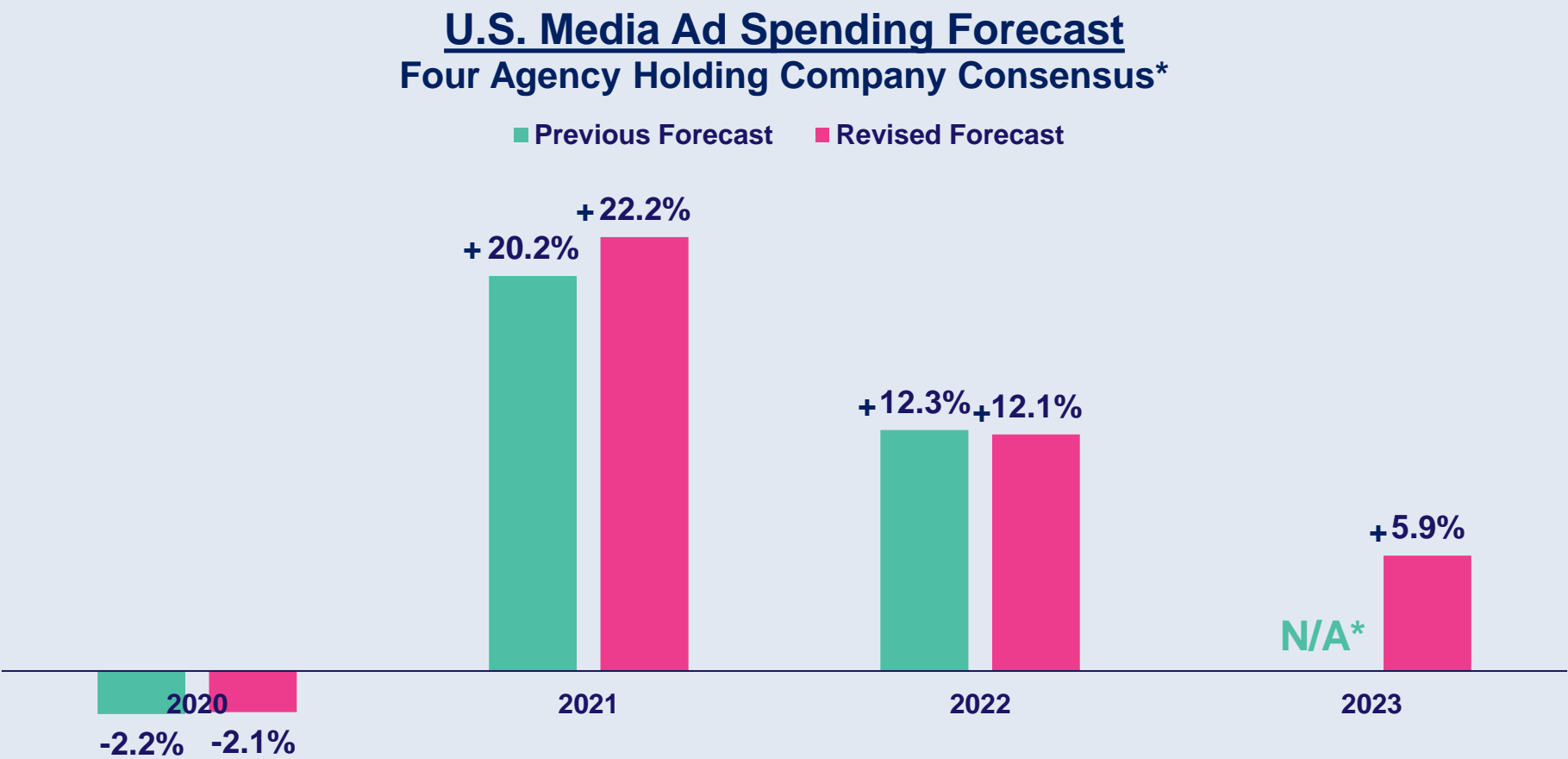
However, economists are predicting that economic challenges may persist into 2023, so marketers should prepare for stagnating consumer spending

**Real Consumer Spending Outlook, 2020 - 2023**  
percentage change quarter-over-quarter, seasonally adjusted annual rates



Source: The Conference Board Economic Forecast for the U.S. Economy, July 12, 2022.

Because of this predicted stagnation, marketer spend is also forecasted to slow down in the second half of 2022 into 2023



Source: \*Consensus = simple average across the media divisions of all four major agency holding companies (Dentsu, GroupM, Magna, Zenith). 'Revised Forecast' based on GroupM, Magna and Zenith U.S. media spend forecast from June 2022, Dentsu from July 2022. 'Previous Forecast' based on prior U.S. media spend forecasts: Zenith – July 2021, GroupM – December 2021, Dentsu – January 2022, Magna – 2022. \*NA = data not available as 2023 projections from GroupM and Magna were not available until their most recent forecasts ('revised') released in June 2022.



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## Higher the Stakes, Higher the Reward

Marketers who invest in advertising during an inflationary period reap long-term rewards



# Six Marketing Strategies to Successfully Navigate Your Brand Through An Inflationary Period

1



Continue building brand equity

2



Rethink creative with  
a focus on empathy

3



Leverage personalized messaging

4



Demonstrate your brand's unique  
value and point of differentiation

5



Prioritize customer service  
& experience to attract  
repeat business

6



Reward loyalty among  
new & existing customers

1

## Continue Building Brand Equity



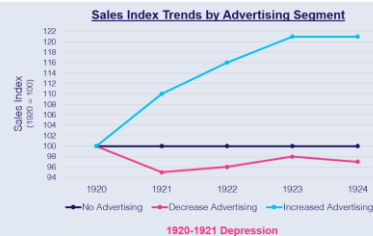
# 100 years of analyses demonstrate how brands that invest in their brand equity during times of economic uncertainty grow sales faster than their competitors – both during the time period and beyond it

For **100 years**, scholars have been demonstrating how brands that **increase their ad budgets** during an economic downturn **grow sales much faster** than their competitors – both during the time period and beyond it

In the 1920's, companies that decreased their advertising spend saw sales decline both during the recession and then for the following three years.

In relative terms, **these companies actually underperformed even those that elected to do no advertising at all.**

This was the first in a series of proof points over the last century to prove the ability of increased advertising during a recession to drive outcomes.

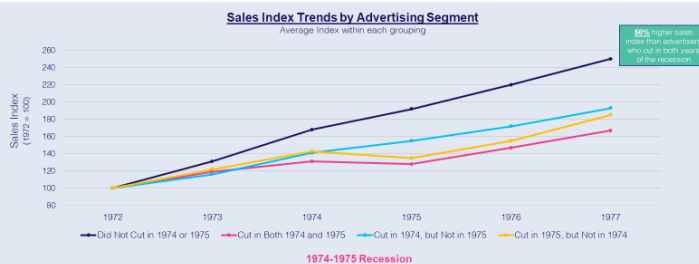


Source: Richard S. Vail, "The Use of Advertising During Depression," Harvard Business Review 5, April 1927. Analysis includes 250 companies. Specific sales index data points based on Mark Rosen, "Marketing in the Time of Commercial Meltdown," April 2009 Marketing Week, Harvard Business School.

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**1974-1975 Recession:** Similar patterns were seen in the 1970's as companies that **did not cut their advertising** budget not only remained strong during the recession but emerged even stronger after it

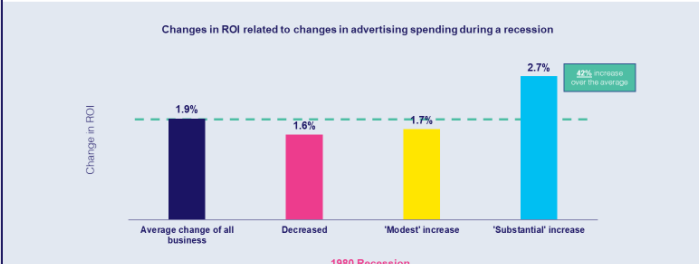


Source: Mark Rosen and Richard S. Vail, "Marketing in the Time of Commercial Meltdown," Harvard Business Review 5, April 1927. Analysis includes 250 companies. Specific sales index data points based on Mark Rosen, "Marketing in the Time of Commercial Meltdown," April 2009 Marketing Week, Harvard Business School.

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**1980 Recession:** An analysis conducted by WPP across almost 400 companies proved that **increasing advertising** during a recession has a positive impact on return on investment (ROI)

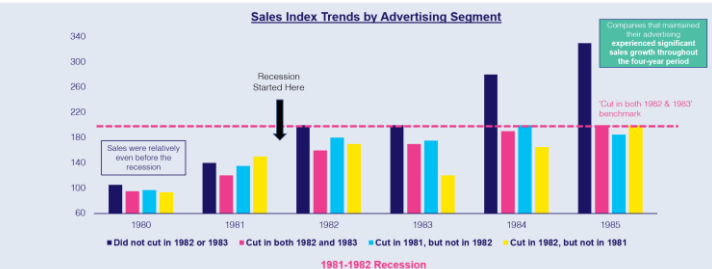


Source: Richard S. Vail, "The Use of Advertising During Depression," Harvard Business Review 5, April 1927. Analysis includes 250 companies. Specific sales index data points based on Mark Rosen, "Marketing in the Time of Commercial Meltdown," April 2009 Marketing Week, Harvard Business School.

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**1981-1982 Recession:** A McGraw-Hill research analysis of 600 companies showed that those who **maintained or increased their ad spend** averaged significantly **higher sales growth** for three years after the recession

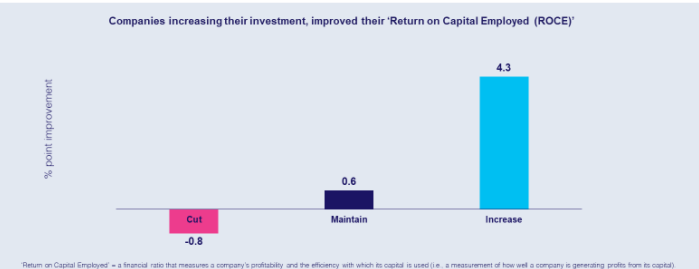


Source: McGraw-Hill Research, analysis of 600 companies covering 16 different industries from 1981-1982. Forster, "When a Recession Comes, Don't Stop Advertising," Brand Advertiser, 8/2/78.

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**1980s – early 2000s Recession Periods:** The same PIMS study demonstrated that companies **increasing their advertising investment** also improved their **'Return on Capital Employed (ROCE)'**



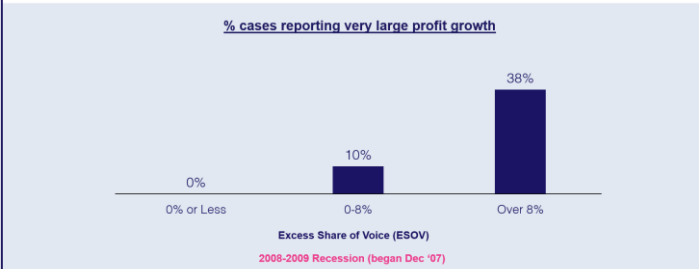
Return on Capital Employed = a financial ratio that measures a company's profitability and the efficiency with which its capital is used (i.e., a measurement of how well a company is generating profits from its capital).

Source: Richard S. Vail, "The Use of Advertising During Depression," Harvard Business Review 5, April 1927. Analysis includes 250 companies. Specific sales index data points based on Mark Rosen, "Marketing in the Time of Commercial Meltdown," April 2009 Marketing Week, Harvard Business School.

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**2008-2009 Recession:** Based on the same analysis, **investing in share of voice** during the recession **drove large, long-term profit growth** afterwards as well



Source: Richard S. Vail, "The Use of Advertising During Depression," Harvard Business Review 5, April 1927. Analysis includes 250 companies. Specific sales index data points based on Mark Rosen, "Marketing in the Time of Commercial Meltdown," April 2009 Marketing Week, Harvard Business School.

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To learn more, download: [Keep Calm and Advertise On: How to Successfully Navigate Your Brand Through an Economic Downturn](#)

# Brand building strategies particularly matter during economic downturns as they provide long-term sales growth and increased pricing power



Source: Binet & Field, 2013. 'The Long and the Short of It: Balancing Short and Long-Term Marketing Strategies. To learn more, download: [Keep Calm and Advertise On: How to Successfully Navigate Your Brand Through an Economic Downturn](#)





“Companies that have spent time, resources and focus on **building brand equity prior to and through COVID** may see the benefit of that investment, as they seek to convince consumers they are a worthy contender for their **diminishing discretionary income**.”

**Nancy Lan**

National Managing Director, Starcom

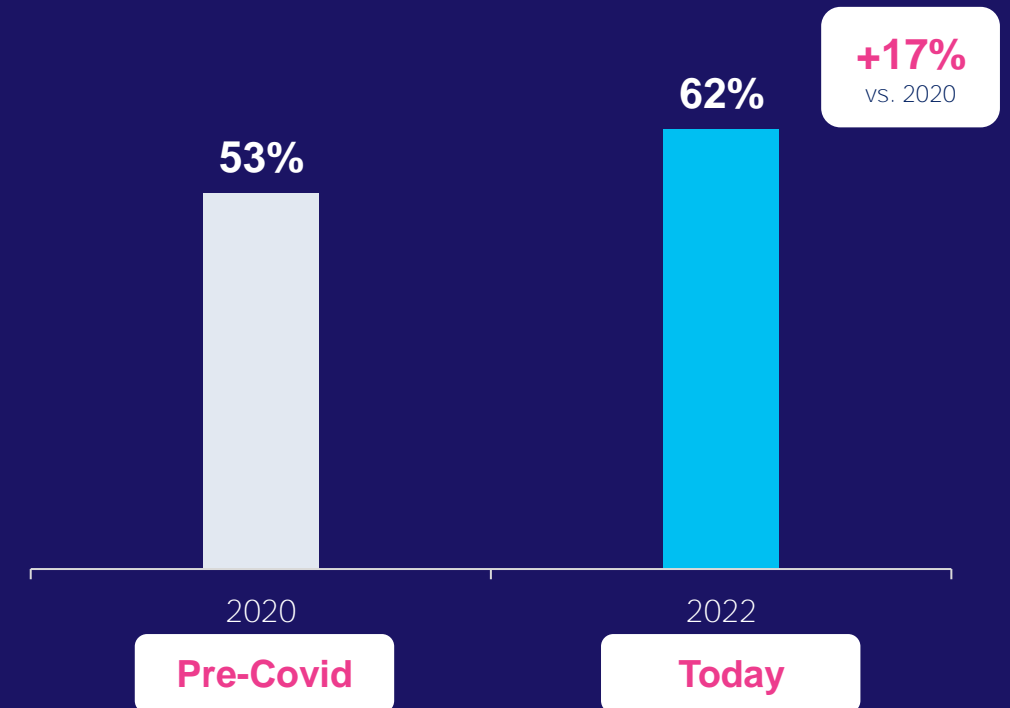
*AdNews, 6/8/22*

# During COVID, consumers built stronger emotional bonds with their favorite brands and companies, illustrating the outsized equity and love formed during uncertain times



*'I feel an emotional connection to the brand I buy from the most'*

% of consumers who agree with the following



Source: Salesforce, *State of the Connected Consumer*, 2022. Base = 13,020 consumers among 29 countries.

# Customers with strong brand love are more likely to overlook reasonable price increases, even citing “empathy” for the business

% of people that agree with the following statements



81%

“I have **empathy for small businesses** that need to increase prices due to inflation or shortages.”



73%

“I am willing to continue to buy from companies that increase their prices **if I feel valued as a customer.**”



71%

“I have empathy for companies where I've been a **long-time customer** when they need to increase their prices due to inflation or shortages.”

Source: Ipsos, *Here's how inflation is affecting our shopping*, June 2022. Ipsos Coronavirus Consumer Tracker, fielded May 24 – 25, 2022 among 1,120 U.S. adults. Q: How much do you agree or disagree with the following statements – agree summary.

# Recent examples of successful brands who have increased prices, relying on their strong customer relationships to retain business

► More than half (**56%**) of retailers have raised prices beyond inflation to boost profits, while **55%** have increased their prices by **20%** or more\*

## Ecommerce



Subscription prices for **Amazon Prime** in the US have recently risen by **17%**, a move the company felt confident about because of its brand loyalty.

## QSR



**Chipotle** [saw](#) “very little resistance” despite raising prices by around **10%** over the course of last year. In fact, the fast-food company reported **15% YoY growth** in Q4 '21 for its restaurant sales.

## Pet Care



**Petco** CEO Ron Coughlin sees the industry as “**resilient to inflation**,” because even as costs rise, pet parents will still need to provide food and care to their charges.

## Beverages



CEO of **Coca-Cola**, James Quincey says “**we’re going to err towards taking the price increase** rather than not taking the price increase”, with analysts predicting consumers aren’t as likely to cut back on small indulgences like a soda at lunch despite price increases.

Source: Raconteur, *For CMOs, inflation is both challenge and opportunity*, 6/17/2022. eMarketer Insider Intelligence, *Price increases wallop retailers as consumer behavior shifts*, 2/14/2022. eMarketer Insider Intelligence, *Petco’s CEO thinks the pet industry is inflation-proof*, 3/24/2022. Forbes, *Companies Rush To Raise Prices While They Still Can*, 5/2/2022. \*Based on a November 2021 survey from Digital.com.



# 1. Continue Building Brand Equity

## Why it matters

- ▶ Creating **strong emotional connections** with your brand can lessen price sensitivities among consumers, even during times of inflation and economic uncertainty

## How to apply to your media campaign

- ▶ Align your brand with equity-building content; **content that is premium, high-quality and engaging**





2

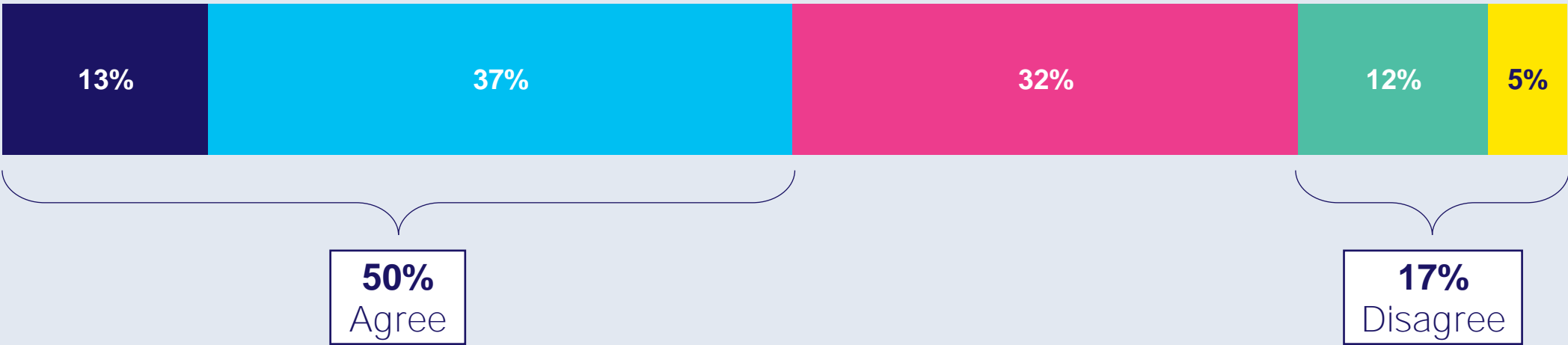
## Rethink Creative With A Focus On Empathy

# To compete for a shrinking share of wallet, savvy marketers understand they need to rethink their messaging

My (company / main client's) company will have to rethink our messaging in order to compete for a share of consumers' smaller discretionary spending

% of respondents who agree

■ Completely agree   ■ Somewhat agree   ■ Neither agree nor disagree   ■ Somewhat disagree   ■ Completely disagree

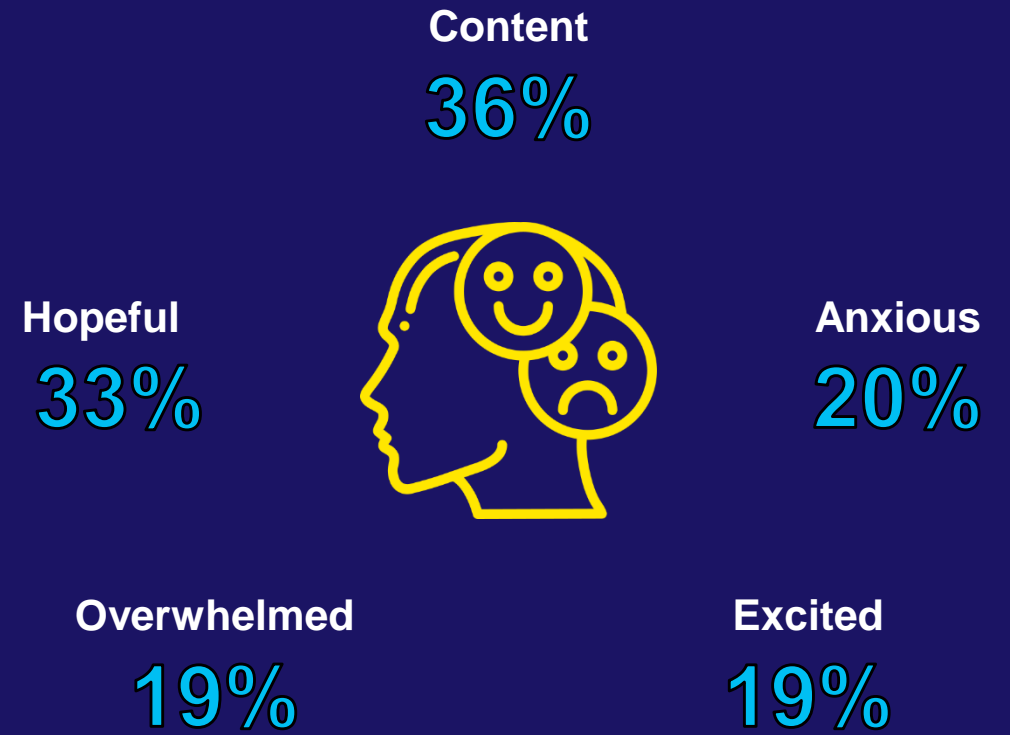


Source: Advertiser Perceptions, Monthly Omnibus, April 2022.

# Americans are experiencing mixed emotions as they celebrate their newfound Covid freedom while also encountering economic struggles



% of adults 18+ who are generally feeling...



Source: MRI-Simmons 2022 Q2 Trending Topics Study, A18+.

# During times when people are struggling and craving empathy and understanding, a shift to like messaging can drive greater effectiveness for advertisers

## Features of ads described as 'left-' or 'right-brained'

### Left Brain

- ▶ Flatness
- ▶ Abstracted product, feature, ingredient
- ▶ Abstracted body part (e.g., hands, mouth)
- ▶ Words obtrude during the ad
- ▶ Voiceover
- ▶ Monologue (e.g., testimonial)
- ▶ Adjectives used as nouns
- ▶ Freeze-frame effect
- ▶ Audio repetition (metered prose, sound effects)
- ▶ Highly rhythmic soundtrack



### Right Brain



- ▶ A clear sense of place
- ▶ One scene unfolding with progression
- ▶ Characters with agency (voice, movement, expression)
- ▶ Implicit, unspoken communication (knowing glances)
- ▶ Dialogue
- ▶ Distinctive accents
- ▶ Play on words or subversion of language
- ▶ Set in the past (costumes & sets)
- ▶ Reference to other cultural works (pastiche / parody)
- ▶ Music with melody

Ads about **humanity** and **community** are **more effective** and garner **greater attention** than those about self, self-image and performance



Source: System1, 'COVID-19: A right-brain reset for advertisers', 3/23/2020 System1's Orlando Wood via LinkedIn, 'What Should Ads Look Like in the Time of Recession?', 4/21/2020; Peter Field, 'Advertising in a Downturn Revisited', April 2020.  
To learn more, download: [Keep Calm and Advertise On: How to Successfully Navigate Your Brand Through an Economic Downturn](#).







For example, at the height of COVID lockdowns, marketers who evolved their messaging to foster greater connection with consumers and their community experienced new customer growth

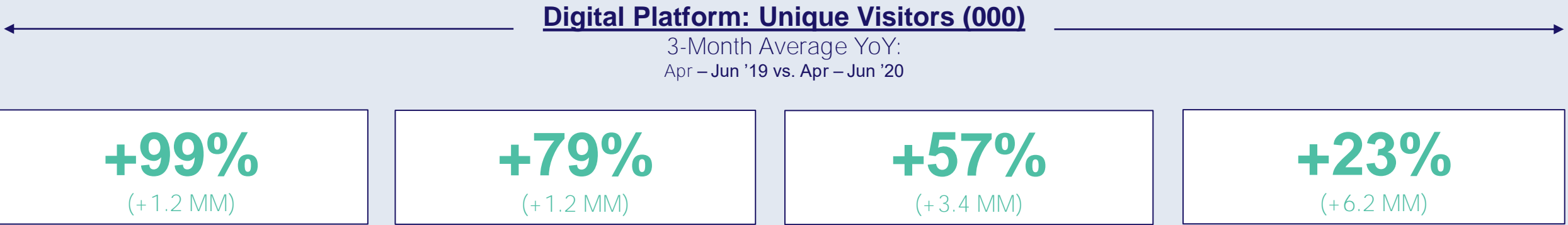


LARRY FITZGERALD









Source: VAB analysis of Comscore mediametrix multiplatform (website + mobile) media trend data, P18+. Three-month average: April – June 2019 vs. April – June 2020 (calendar months).



# Many marketers who offered reassurance, hope and practical help during COVID experienced increased interest and trial



## Digital Platform: Unique Visitors (000)

3-Month Average YoY:  
Apr – Jun '19 vs. Apr – Jun '20

**+35%**  
(+ 1.0 MM)

**+26%**  
(+ 10.2 MM)

**+15%**  
(+ 5.0 MM)

**+57%**  
(+ 1.0 MM)

Source: VAB analysis of Comscore mediamatrix multiplatform (website + mobile) media trend data, P18+. Three-month average: April – June 2019 vs. April – June 2020 (calendar months).



## 2. Rethink Creative With A Focus On Empathy

### Why it matters

- ▶ A campaign that **prioritizes emotion** can build relationships with consumers, often **leading to action** and favorable business outcomes

### How to apply to your media campaign

- ▶ Consider the environment in which you place your message. Look for moments and places where viewers may be **more receptive to messages of empathy or support**

The background of the slide features a large, dense crowd of stylized human figures. Most of the figures are white, while one figure in the center is a vibrant blue, making it stand out. The figures are arranged in rows, creating a sense of depth and scale. A dark blue diagonal band runs across the lower-left portion of the image, serving as a background for the text.

3

## Leverage Personalized Messaging

# Personalized messaging can help brands authentically connect with their most relevant target

% of consumers who are more likely to...

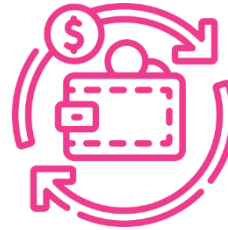
**Purchase**



**76%**

Consider **purchasing from brands** that engage with them in a personalized and tailored way

**Repurchase**



**78%**

**Repurchase from brands** that offer personalized communications and products / services

**Recommend**



**78%**

**Recommend brands** to their friends and family that offer personalized communications and products / services

Source: McKinsey & Company, *Next in Personalization 2021 Report*. Based on consumer survey fielded 9/7/2021-9/8/2021 (n=1,013), sampled and weighted to match the US general population 18+. Question: "Please indicate how much you agree or disagree with the statements below when it comes to personalized communications and products/services from brands/businesses."; **Purchase**: "I am more likely to consider buying from brands/businesses that engage with me in a personalized and tailored way."; **Repurchase**: "I am more likely to repurchase from brands/businesses that offer personalized communications and products/services."; **Recommend**: "I am more likely to recommend brands/businesses to my friends and family that offer personalized communications and products/services." Numbers shown indicate respondents that selected "somewhat agree", "agree" and "strongly agree".

For more information, download: [How Might Customized, Targeted Video Ads Help Create Stronger Engagement?](#)

# As marketers look to reach their best customer prospects, they can utilize an audience-based buying approach to target by income, life stage and buying habits across their premium multiscreen TV campaigns

## Sample Target 'A'

### Personal Characteristics



Under \$50K  
HHI



Expectant  
Mothers



College  
Students



Avid  
Gamers

## Sample Target 'B'



\$150K+  
HHI



Business  
Executives



Binge  
Streamers

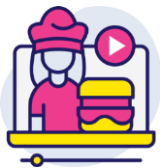


Health-Conscious  
Adults

### Buying Habits



Affordable  
Fashionistas



Trending  
Recipe Chefs



Ready-Made  
Meal Buyers



American-Made  
Auto Enthusiasts



Seasoned  
Travelers



Tech  
Junkies



Luxury Vehicle  
Buyers

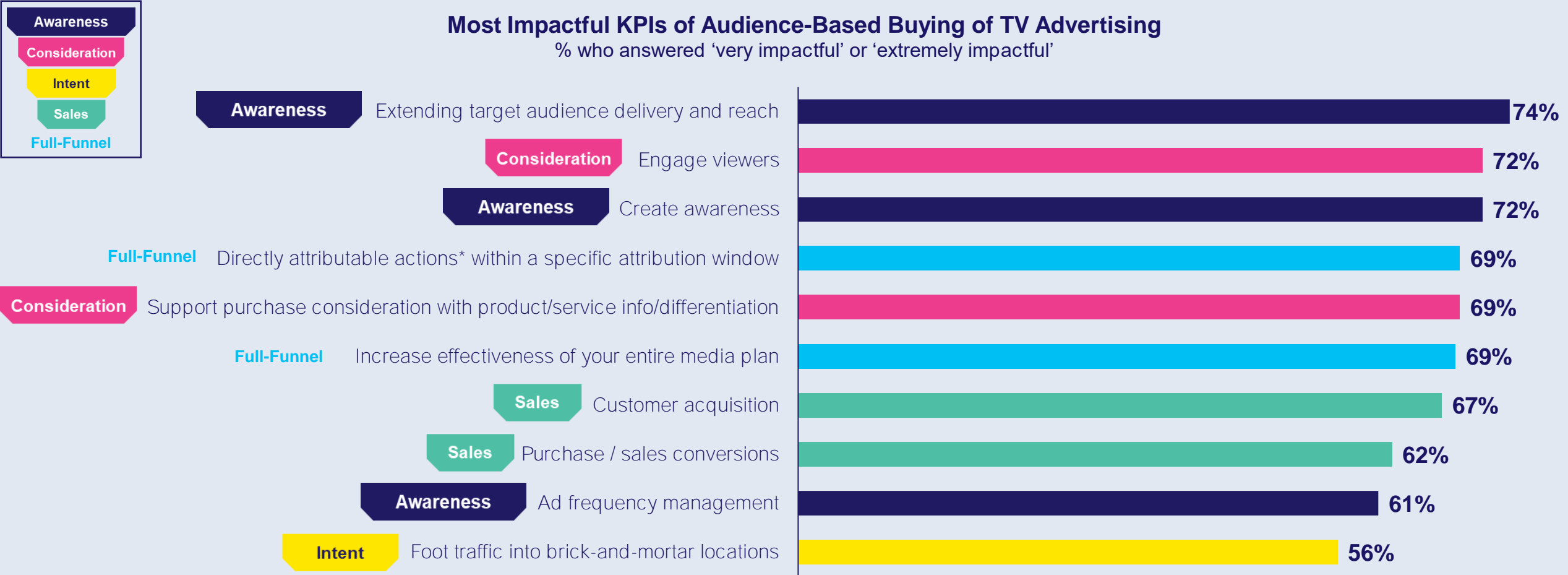


Organic  
Eaters

Source: MRI-Simmons Winter 2022 USA Study, A18+. Sample Target 'A' (21% of A18+ population) = (Household Income Under \$50K) + (Agree with 2 out of 5 statements: "The economy has a direct effect on my spending habits [any agree]", "I prefer road trips over trips that require a flight [any agree]", "I only save for a specific purpose [any agree]", "I like to experiment with new clothing styles [any agree]", "Meeting new friends on social media is important [somewhat important / very important]"). Sample Target 'B' (16% of A18+ population) = (Household Income \$150K+) + (Agree with 2 out of 5 statements: "I consider my work to be a career, not just a job [any agree]", "My friends and acquaintances look to me to organize our activities [any agree]", "My budget allows for me to buy expensive designer clothes [any agree]", "I am willing to pay more for a flight in order to travel on my favorite airline [any agree]", "I would be comfortable buying a "big ticket" item, like a car or appliance, completely online [any agree]". "Any agree" = somewhat / strongly agree.



# This audience-based TV buying approach drives business outcomes for brands through each stage of the purchase process, from awareness down to sales



Source: VAB / Advertiser Perceptions 'Audience-Based Buying Survey,' fielded March 23 – 31, 2021. Survey base: Advertising decision-makers who are involved in buying or planning digital video, cable / broadcast TV, or advanced TV (n=211). Q150. To what extent do you believe audience-based buying of TV advertising can impact each of the following KPIs? (extremely impactful / very impactful). Base: Total Respondents. \*such as site visits, sign ups, login ins, downloads. For more information, download: [The VAB Top 10](#).

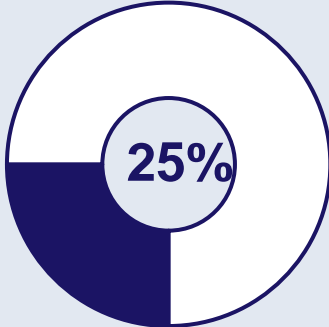
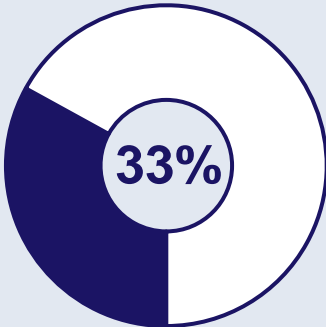
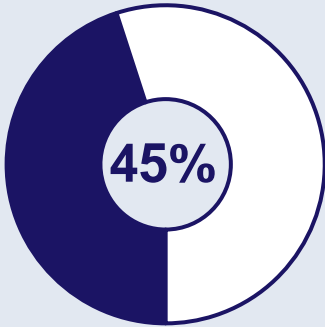


# As a portion of Americans struggle to pay for essentials, like groceries and gas, marketers can ensure message relevancy through audience-based buying

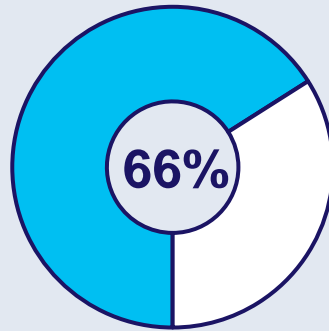
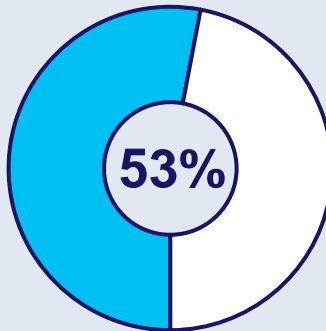
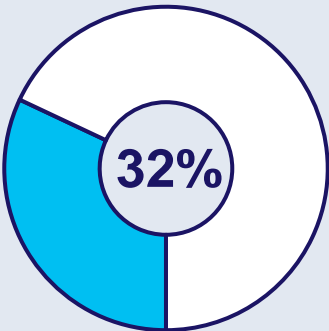
% who agree with the following statements  
by household income

Less than \$50k                      \$50k - \$99k                      More than \$100k

I worry about having enough money to afford groceries each week



I feel like I have enough saved in case something unplanned happens (i.e., home repairs, car repairs, etc.)



Source: Ipsos Consumer COVID tracker, survey fielded April 12-13, 2022, among 1,165 adults.



“We do believe that **there is a sort of bifurcation that has happened as a result of the inflation...Urban [Outfitters]** customer tends to be the younger...and they're making a little bit **less money** than their **Anthropologie** and **Free People** counterparts. And as a result of that, inflation is really **hitting them much harder**. That sort of **higher-income** bracket of those two brands, we **don't see any signs of inflation** impacting their buying decisions.”

**Richard Hayne**

CEO, Urban Outfitters

*Earnings Call Transcript via Seeking Alpha, 5/24/22*

As marketers develop strategies for engaging **inflation-wary consumers**, it is important to go deeper than financial status to understand who they are and what motivates them

VAB explored the core characteristics of **homes financially struggling** and developed a **custom archetype** to provide insight into this sometimes-overlooked segment



# While more vulnerable to economic shifts, ‘Living Life on a Budget’ consumers prefer to live in the moment and are passionate about showcasing their personal style and connecting with others on social media, including influencers and brands

► It is important for marketers to be mindful of the nuances of different consumer segments when targeting their ad campaigns, especially at a time when Americans are facing such varying degrees of financial security



## Key Characteristics of ‘Living Life on a Budget’ Consumers

|   |  |   |  |
|---|--|---|--|
| <b>Live in the Moment</b> <ul style="list-style-type: none"><li>● <b>58%</b> feel they are better off having what they want now as you never know what tomorrow brings <b>(125)</b></li><li>● <b>34%</b> tend to spend money without thinking <b>(125)</b></li></ul>                                      | <b>Socially Connected</b> <ul style="list-style-type: none"><li>● <b>48%</b> agree the Internet is a good way to meet new people <b>(122)</b></li><li>● <b>26%</b> like to create videos and other content to share on social media <b>(144)</b></li></ul> | <b>Inspired by Influencers</b> <ul style="list-style-type: none"><li>● <b>42%</b> agree celebrity chefs inspire them to cook/bake <b>(122)</b></li><li>● <b>21%</b> say a celebrity endorsement may motivate them to buy a product <b>(144)</b></li></ul> | <b>Deal Seekers</b> <ul style="list-style-type: none"><li>● <b>40%</b> like to receive coupons on their cell phone that are based on their location <b>(126)</b></li><li>● <b>34%</b> like to receive exclusive offers, coupons or other discounts via social media <b>(124)</b></li></ul> |
| <b>Aided by Advertising</b> <ul style="list-style-type: none"><li>● <b>40%</b> agree advertising helps them choose products to buy for their children <b>(121)</b></li><li>● <b>27%</b> think brands that are advertised are better in quality than brands that are not advertised <b>(136)</b></li></ul> | <b>Flair for Style</b> <ul style="list-style-type: none"><li>● <b>37%</b> often try different ways to style their hair <b>(141)</b></li><li>● <b>35%</b> like to make a unique fashion statement <b>(131)</b></li></ul>                                    | <b>Convenience Oriented</b> <ul style="list-style-type: none"><li>● <b>37%</b> appreciate receiving text alerts about deals while I am near a store <b>(129)</b></li><li>● <b>30%</b> often eat store-made, pre-cooked meals <b>(134)</b></li></ul>       | <b>Brand / Product Advocates</b> <ul style="list-style-type: none"><li>● <b>34%</b> feel social media is a good way for them to tell people about companies and products they like <b>(138)</b></li></ul>  |

% = percent of ‘Living Life on a Budget’ consumers. (xxx) = index vs. A18+

Source: MRI-Simmons Winter 2022 USA Study, A18+. \*‘Living Life on a Budget’ Consumer Target (21% of A18+ population) = (Household Income Under \$50K) + (Agree with 2 out of 5 statements: “The economy has a direct effect on my spending habits [any agree]”, “I prefer road trips over trips that require a flight [any agree]”, “I only save for a specific purpose [any agree]”, “I like to experiment with new clothing styles [any agree]”, “Meeting new friends on social media is important [somewhat important / very important]”).



### 3. Leverage Personalized Messaging

#### Why it matters

- ▶ With consumers facing varying degrees of financial security, it is better to **target audiences by life stage, buying behaviors and characteristics** than strictly age and gender demographics

#### How to apply to your media campaign

- ▶ Marketers can drive business results by **aligning different messaging with different demographic and behavioral segments** through audience-based TV





4

**Demonstrate your brand's unique value and point of differentiation**



# Amidst the highest prices in 40 years, many would still rather just spend more in order to get what they want from their favorite brands, illustrating the importance of reinforcing your brand's unique value

% of adults 18+ who agree with the following statements



**'Even though prices are rising due to inflation, I am not going to stop buying what I want'**

**54%**



**'I don't mind spending more money to get the products I want'**

**65%**

Source: Ipsos, *Here's how inflation is affecting our shopping*, June 2022. Ipsos Coronavirus Consumer Tracker, fielded May 24 – 25, 2022 among 1,120 U.S. adults. MRI-Simmons 2022 Q2 Trending Topics Study, A18+. "Any agree" = somewhat / strongly agree.

# Increasingly popular ‘Buy Now, Pay Later’ options mean price is less of a consideration when consumers are looking to buy the non-essential products they can only get from their favorite brands

► The value of the ‘Buy Now, Pay Later’ market is estimated to reach \$76 billion in 2022 and projected to almost double to \$143 billion by 2026

18%

of U.S. adults have used a ‘Buy Now, Pay Later’ service

As of June 2022

37%

Gen Z Adults

30%

Millennials

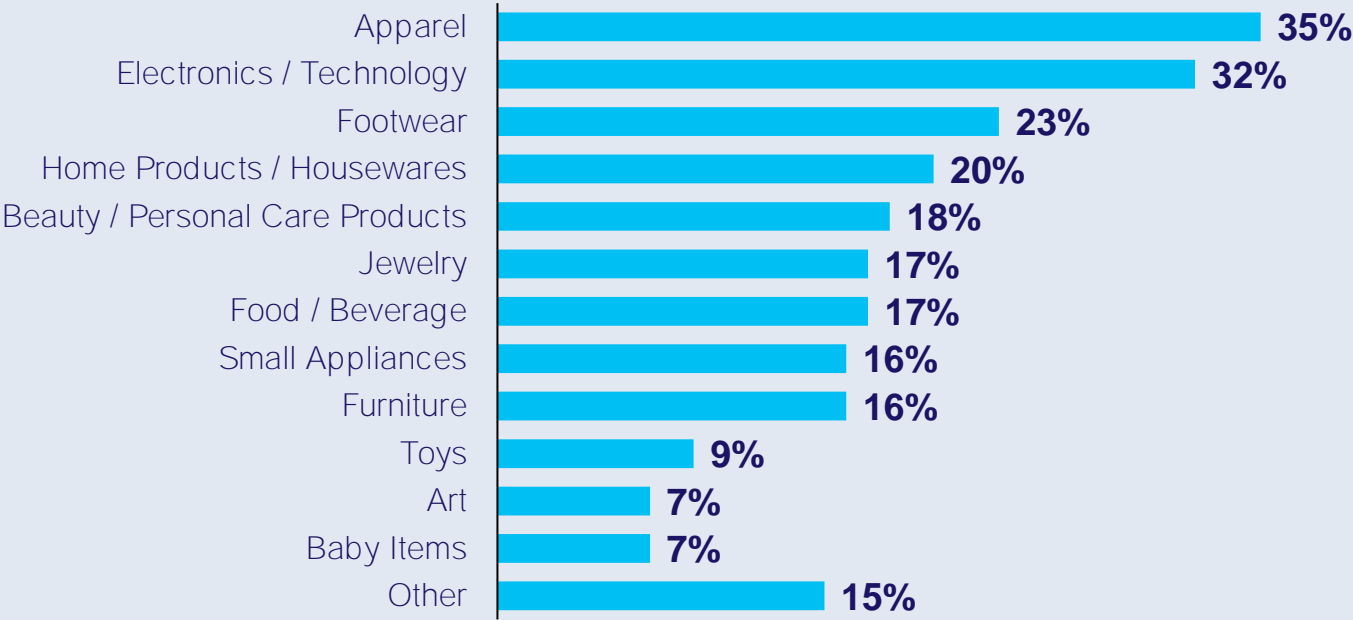
21%

Income \$50K-\$99K

20%

Income \$100K+

% of respondents who have purchased the following using ‘Buy Now, Pay Later’ (BNPL) services in the past year



Source: eMarketer Insider Intelligence, U.S. Buy Now, Pay Later Payment Value, June 2022. Buy now, pay later (BNPL) services are defined as installment loan solutions provided by third-party payment platforms that allow consumers to purchase and finance a product or service, and pay in scheduled installments. Morning Consult, *Inflation and a Possible Recession May Cement BNPL in Consumers’ Wallets Forever*, 7/12/22. Morning Consult Brand Intelligence; survey conducted monthly among a representative sample of roughly 2,200 or 4,400 U.S. adults, with an unweighted margin of error of up to +/-2 percentage points. Data based on survey conducted June 30 – July 1, 2022 among 541 U.S. adults who said they had used a BNPL (Buy now, pay later) service in the past year, with an unweighted margin of error of +/-4 percentage points.

# However discretionary spend is becoming more limited and brands need to establish their unique value beyond price in order to retain customers who might otherwise be tempted by competitors



## Inflationary times mean doubling-down on what your brand uniquely solves

Brands can't always control pricing – particularly during an inflationary cycle – but instead they can **focus on the other elements that got consumers buying** them in the first place.

### Example:

Warby Parker **eliminates the hassle** of getting a new pair of glasses by delivering frames right to the customer's front door rather than having to go to an optometrist. **People will pay for the convenience** of products and services that make their lives easier.



## Reflect your target audience's 'fantasy self' in your brand

Brands need to amplify the beliefs, bonds and emotional common ground that consumers consider to be value vindicators.

This is usually irrespective of price and more **about what each brand can make happen** – from fantasy and storytelling to imagination and emotion.

### Example:

People choose Noom's weight loss program because it helps them work towards **being their best self** without depriving themselves. **The brand reflects the kind of person they want to be** – healthy and mindful of not just what they eat, but why.



## Highlight what consumers can only get from you


Many of the elements that consumers value about their favorite brands have nothing to do with price but more to do with **what makes your brand proprietary**.

These “value vindicators” create a pathway toward being able to **create some protection when prices are rising**.

### Example:

While there are plenty of pet care brands out there, consumers like Chewy because of **their steadfast commitment to customer service**. By making the customer and their experience a top priority, they **remind people of what makes them stand out** and builds long-term relationships with loyal clients.

Source: WARC, *How role model brands add to brand value during inflationary times*, July 2022.



**“A differentiated brand can desensitize its customers to higher prices.** And just like that, you are no longer fighting against competitors on price and consumers feel that **paying more for your product or service is justified.**”

**Mary Kyriakidi**

Global Thought Leader, Brand Guidance,  
Kantar

**Graham Staplehurst**

Director, Thought Leadership,  
Kantar BrandZ

Source: Kantar, *Modern Marketing Dilemmas: Is brand differentiation an effective way to reduce customer price sensitivity?*, 5/12/22.

# Several large brands have already taken steps to combat price sensitivity by focusing on their unique product offering or benefit

## Examples of Brands Who Have Tailored Their Messaging in Response to Inflation



T-Mobile is launching a campaign dubbed [Coverage Beyond](#) targeted at enhancing the summer travel experience.

Through Labor Day, the carrier will provide savings at **Shell** gas stations, a complimentary one-year membership to **AAA**, free Wi-Fi on some flights and better international internet rates in a select number of European countries.



Del Taco's "[We Get It](#)" campaign promoted its "20 Under \$2" menu at a time when its competitors were abandoning their own value menus.

"We immediately noticed that the majority of our competitors were beginning to abandon that value area. And we thought 'Wow, that's a really great opportunity for us because we know how to do that very well for consumers and with inflation.'"



Kraft has [simplified the branding](#) for its macaroni and cheese to support the idea of "positive comfort," officially changing the name to Kraft Mac & Cheese based on how consumers refer to the product.

Kraft Mac and Cheese is reinforcing its unique ability to create "positive comfort" among American families at a time when they are looking for it.

Source: eMarketer Insider Intelligence, *How brands are responding to consumers' inflation concerns*, 6/27/2022.





## 4. Demonstrate your brand's unique value and point of differentiation

### Why it matters

- ▶ Consumers **need to be given a reason to pay more** for a product or service. Brands should highlight their point of difference and **unique value**, whether that is **rational / needs based** (e.g., a feature or benefit) or **emotional** (e.g., nostalgic, comfort-based).

### How to apply to your media campaign

- ▶ Create activations and programs that allow your brand to **showcase and reinforce its unique role, benefit and value** in the lives of its consumers



5

**Prioritize customer service &  
experience to attract repeat business**



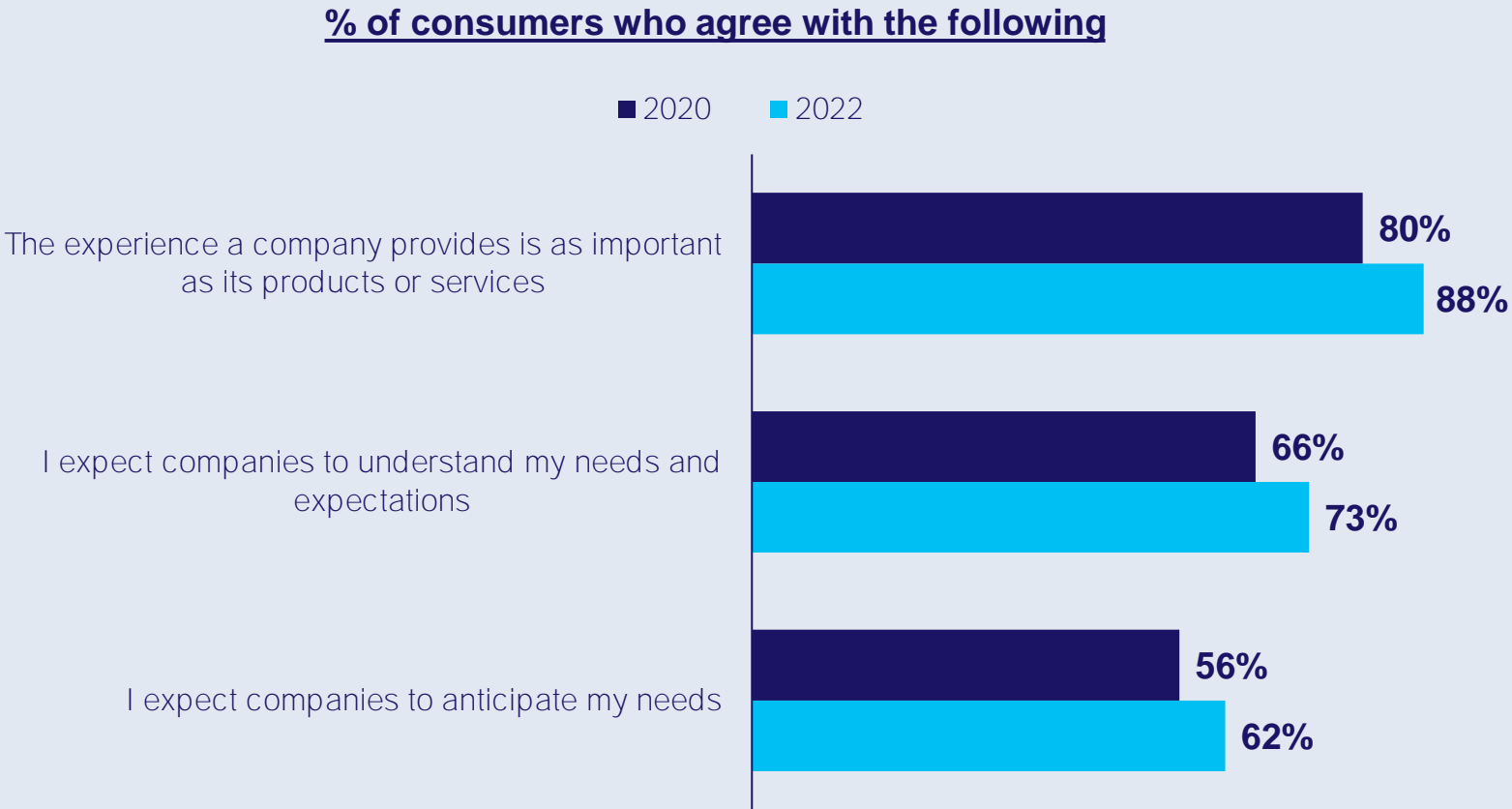
“From a customer experience viewpoint, **over 80% of consumers are willing to pay up to 15% more for products and services when the organization gets the customer experience right...**Customer experience has become more important than price in most cases now.”

**Patty Soltis**

eMarketer principal analyst at Insider Intelligence

*eMarketer Insider Intelligence, 2/14/22*

# As consumers navigate an uncertain post-pandemic world, they are searching for brands who understand their needs and simplify their lives



Source: Salesforce, *State of the Connected Consumer*, 2022. Base = 13,020 consumers among 29 countries, surveyed 12/8/21-2/1/22.

# And companies who prioritize improving in areas like customer support experience tend to achieve greater customer satisfaction and retention

## Customer-Related Objectives that are Very High Priority for Investment at Their Company

% of marketing and customer experience professionals



Source: eMarketer Insider Intelligence. Data is from the June 2022 Medallia report "Uncovering the Secrets Behind a Successful Customer Experience Program." 583 marketing and customer experience professionals worldwide were surveyed online during September 2021. Respondents were from companies located in North America (42%), Europe (35%), Australia/New Zealand (13%), or Latin America (10%) with annual revenues of \$99 million or less (34%), \$100 to \$999 million (25%), or over \$1 billion (30%) with number of employees of less than 1,000 (47%), 1,000 to 9,999 (34%), or over 10,000 (19%). \*Defined as a company that scored in the 90<sup>th</sup> percentile of an average measure reflecting the extent to which it was able to achieve customer satisfaction and retention. \*\*Defined as a company that scored in the 10<sup>th</sup> percentile or below of an average measure reflecting the extent to which it was able to achieve customer satisfaction and retention.



# By demonstrating how your brand can deliver on their expectations, quality customer service and a consistent brand experience can turn first-time buyers into reliable, repeat customers

% of respondents who agree the following would impact the likelihood of them continuing to do business with a brand



**Customer Service**

**77%**



**Consistent Customer  
Experience**

**75%**

Source: Merkle, 2022 Loyalty Barometer. Based on April 2022 survey of 1,500 consumers sourced outside of the loyalty marketing programs that Merkle manages for clients. Responses came from U.S. residents aged 18 to 65.



## 5. Prioritize customer service & experience to attract repeat business

### Why it matters

- ▶ A quality product combined with an exceptional experience can **attract new customers** and **keep existing ones coming back** with the knowledge that they will be consistently met with the same level of service, even when times are hard

### How to apply to your media campaign

- ▶ Consider the end-to-end experience of your consumer; from **when they first engage** with your brand through **nurturing that relationship post-purchase**

6

## Reward Loyalty Among New & Existing Customers



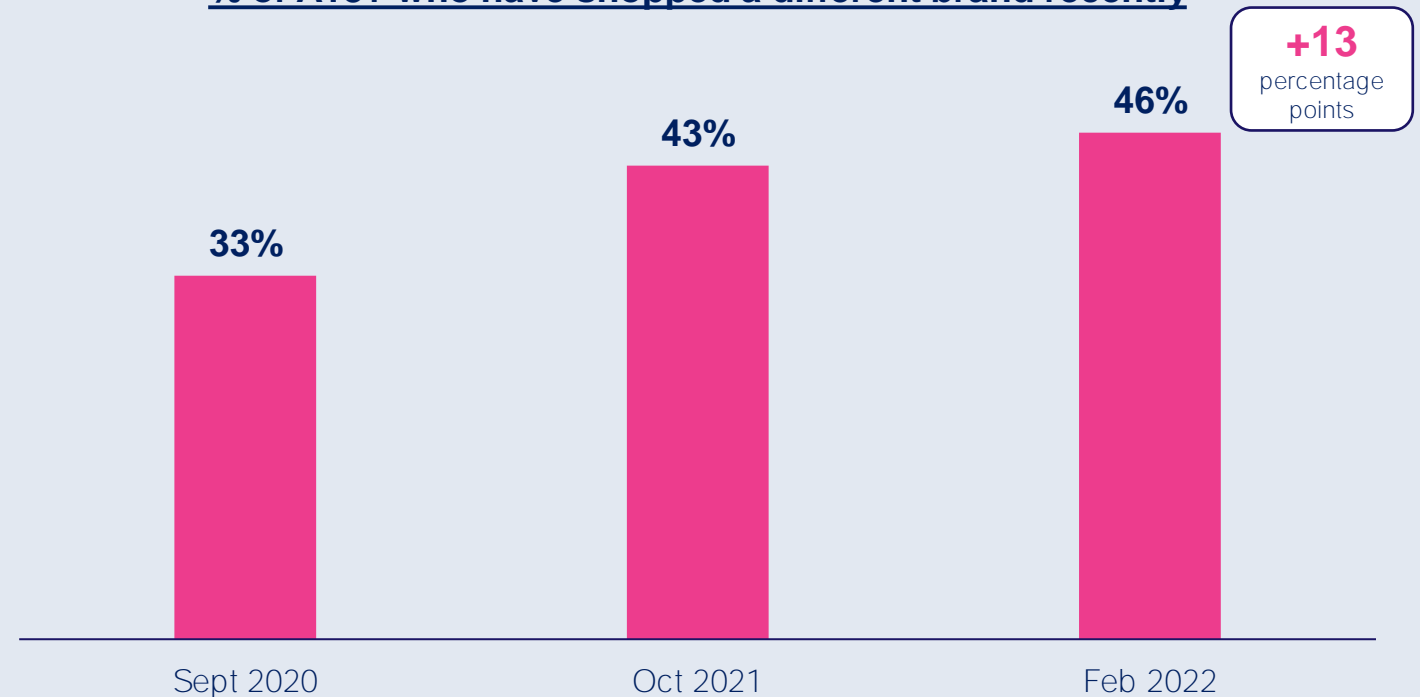
# Most consumers prefer to stick to their favorite brands, however, as they navigate rising costs many are forced to re-evaluate what they are buying

% of A18+ who agree  
any agree

86%

“When I find a brand I like,  
I stick to it”

% of A18+ who have shopped a different brand recently



Source: MRI-Simmons Winter 2022 USA Study, A18+. “Any agree” = somewhat / strongly agree. McKinsey & Company, *How U.S. consumers are feeling, shopping and spending – and what it means for companies*, 5/4/2022. McKinsey COVID-19 U.S. Consumer Pulse Surveys: February 25 – March 1, 2022, n = 2,160, October 9-15, 2021, n = 2,095, September 18-24, 2020, n = 1,026; sampled and weighted to match the U.S. general population aged 18 years and older.



# Sampling competitors or lower priced options often leads to adoption, reinforcing the importance of both customer retention and acquisition programs



**~90%**

of consumers who have switched brands or retailers plan to incorporate these new behaviors into their routine

Source: McKinsey & Company, *How U.S. consumers are feeling, shopping and spending – and what it means for companies*, 5/4/2022. McKinsey COVID-19 U.S. Consumer Pulse Surveys: February 25 – March 1, 2022, n = 2,160, October 9-15, 2021, n = 2,095, September 18-24, 2020, n = 1,026; sampled and weighted to match the U.S. general population aged 18 years and older.

# Loyalty programs boost sentiment around brands and the likelihood of turning someone into a repeat customer by providing more ‘rational’ value

**79%**

of consumers are *more likely* to do business with a brand because of its loyalty program



Source: Merkle, 2022 Loyalty Barometer. Based on April 2022 survey of 1,500 consumers sourced outside of the loyalty marketing programs that Merkle manages for clients. Responses came from U.S. residents aged 18 to 65.



# Consumers tend to think broadly about brand loyalty, with a quality product being a key component for many



## What are the top things that make you feel loyal to your favorite brand?\*

% of respondents

**60%**  
Great Product

**26%**  
Convenience

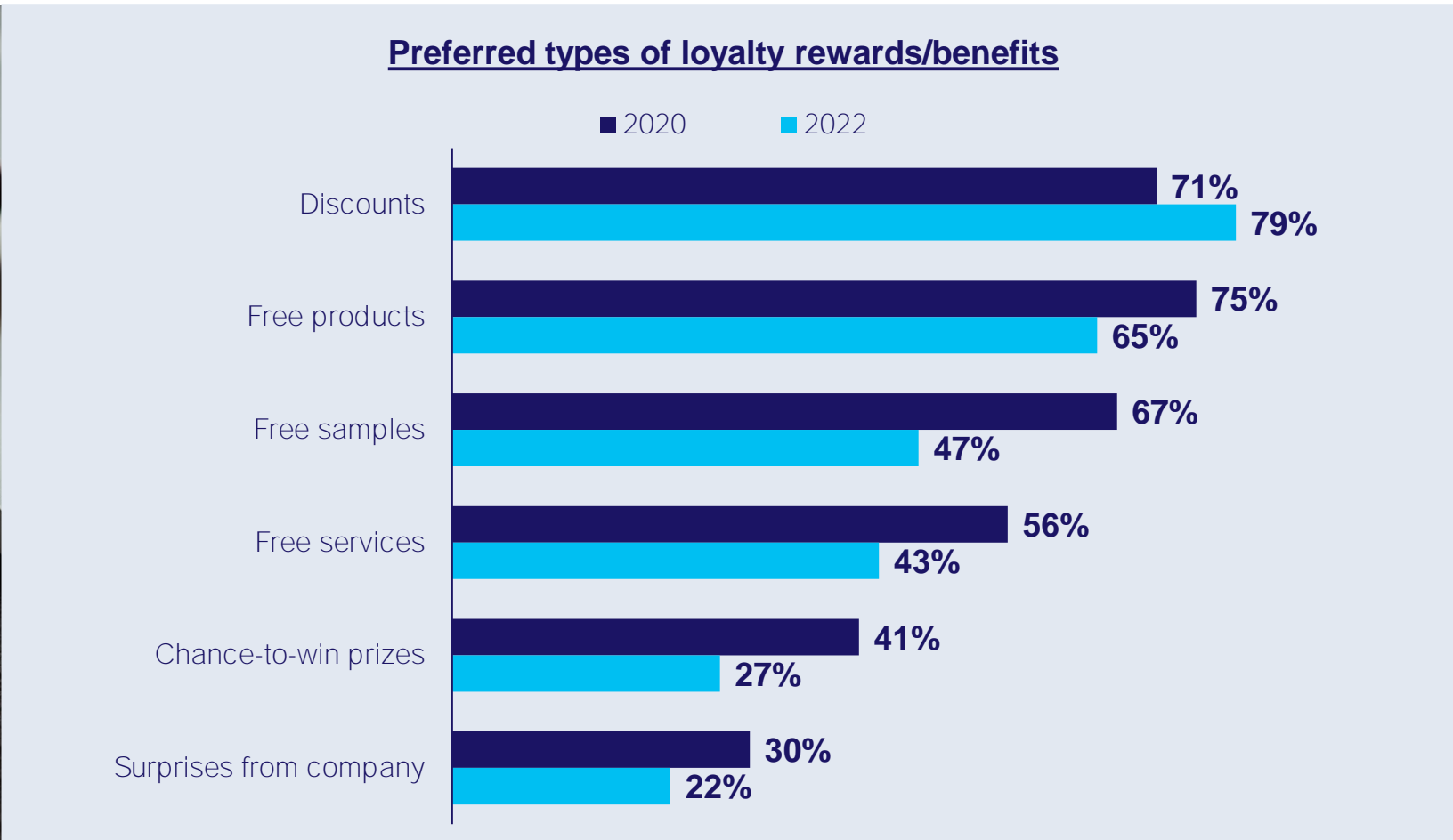
**24%**  
Enhances Life

**22%**  
Great Service

**22%**  
Loyalty Program

Source: Merkle, 2022 Loyalty Barometer. Based on April 2022 survey of 1,500 consumers sourced outside of the loyalty marketing programs that Merkle manages for clients. Responses came from U.S. residents aged 18 to 65. \*Based on respondents' ranking of the top two factors that make them feel loyal to their favorite brand.

# Discounts and ‘free’ rewards are the preferred benefits for loyalty programs, especially as households have been pushing to maintain their lifestyle amidst rising costs



Source: Merkle, 2022 Loyalty Barometer. Based on April 2022 survey of 1,500 consumers sourced outside of the loyalty marketing programs that Merkle manages for clients. Responses came from U.S. residents aged 18 to 65.

# Loyalty programs have proven successful for several big-name brands, boosting sales by attracting repeat customers with advantageous deals

## Examples of Brands With Successful Loyalty Programs



In its first six months, **McDonald's** US loyalty program enrolled **30 million members**, more than two-thirds of whom were actively earning rewards, president **Chris Kempczinski** said on the company's Q4 2021 earnings call. The fast-food brand has seen a **10%** increase in digital customer frequency since launching the program.



Subscribers to **Taco Bell's** Taco Lover's Pass were **three times more likely** to visit the fast-food chain monthly. Taco Bell's loyalty membership has grown by **20%** since the program's launch nationwide.



**Starbucks Rewards** added **more than 1 million members** to reach **24.2 million active US members** in Q2 2021 — up **48%** annually and **8%** over pre-pandemic levels. True to their loyalty status, they make up **51%** of the chain's US spending, per the company's earnings call.

Source: eMarketer Insider Intelligence, *Restaurants double down on loyalty programs to retain customers, maximize revenues*, 3/25/2022. eMarketer Insider Intelligence, *Starbucks' digital investments pay dividends—other eateries should take note*, 7/29/2021.



## 6. Reward Loyalty Among New & Existing Customers

### Why it matters

- ▶ Brand loyalty is a relationship often built upon trust, quality and convenience, but some customers are being tempted to switch to lower cost options in the face of rising prices

### How to apply to your media campaign

- ▶ Marketers can leverage their 1st-party shopping data as a resource to retarget and communicate directly with loyal customers to reward them with special offers

# The 6 strategies marketers can use to overcome price sensitivity among consumers



## Continue building brand equity

Brands that continue advertising during times of economic uncertainties build up brand equity and establish emotional connections among consumers which allows them to maintain, or increase prices, even during inflationary periods



## Rethink creative with a focus on empathy

Historically, during times of crisis, many brands that integrate empathy into their messaging have seen quantifiable business results through double-digit increases in their digital platform traffic



## Leverage personalized messaging

With Americans facing varying degrees of financial stability, marketers can reach their best prospects by utilizing personalized messaging and audience-based buying to target the most relevant consumers



## Demonstrate your brand's unique value and point of differentiation

Over half of adults still want to spend their money on products they want - give them a reason to buy yours by highlighting your brand's unique value and point of differentiation



## Prioritize customer service & experience to attract repeat business

Brands that offer a quality customer service and consistent brand experience can turn first-time buyers into habitual customers while even driving price increases



## Reward loyalty among new & existing customers

Effective loyalty programs that drive 'real value' can ward off competitors while bringing new customers in, lapsed customers back and increased purchase frequency from existing customer



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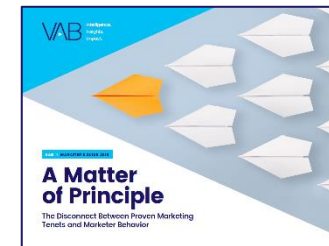
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VAB is an insights-driven organization that inspires marketers to reimagine their media strategies resulting in fully informed decisions.

Drawing on our marketing expertise, we **simplify** the complexities in our industry and **discover** new insights that **transform** the way marketers look at their media strategy.



We are committed to your business growth and proud to offer VAB members, brand marketers and agencies **complimentary access** to our continuously-growing Insights library. **Get immediate access at theVAB.com.**

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