January 2023

How to Use Behavioural Science for Recession Ready Marketing

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It's no secret that the hot topic of this year has been the rise of inflation, cost of living and the recession

The UK this year alone…

24th February
Russia invades Ukraine

21st June
Nationwide train strikes

6th September
Liz Truss announced as PM

1st October
Increased energy prices to start

Oct- Dec
Strikes taking place across multiple sectors

18th May
UK Inflation reaches 9%, a 40 year high

8th July
Boris Johnson resigns as British PM

8th September
HRH Queen Elizabeth II passes away

14th Oct
New Chancellor & New Budget reversing previous

In line with consumer confidence and other metrics, the FTSE 250 index in 2022 has declined since the turn of the year.

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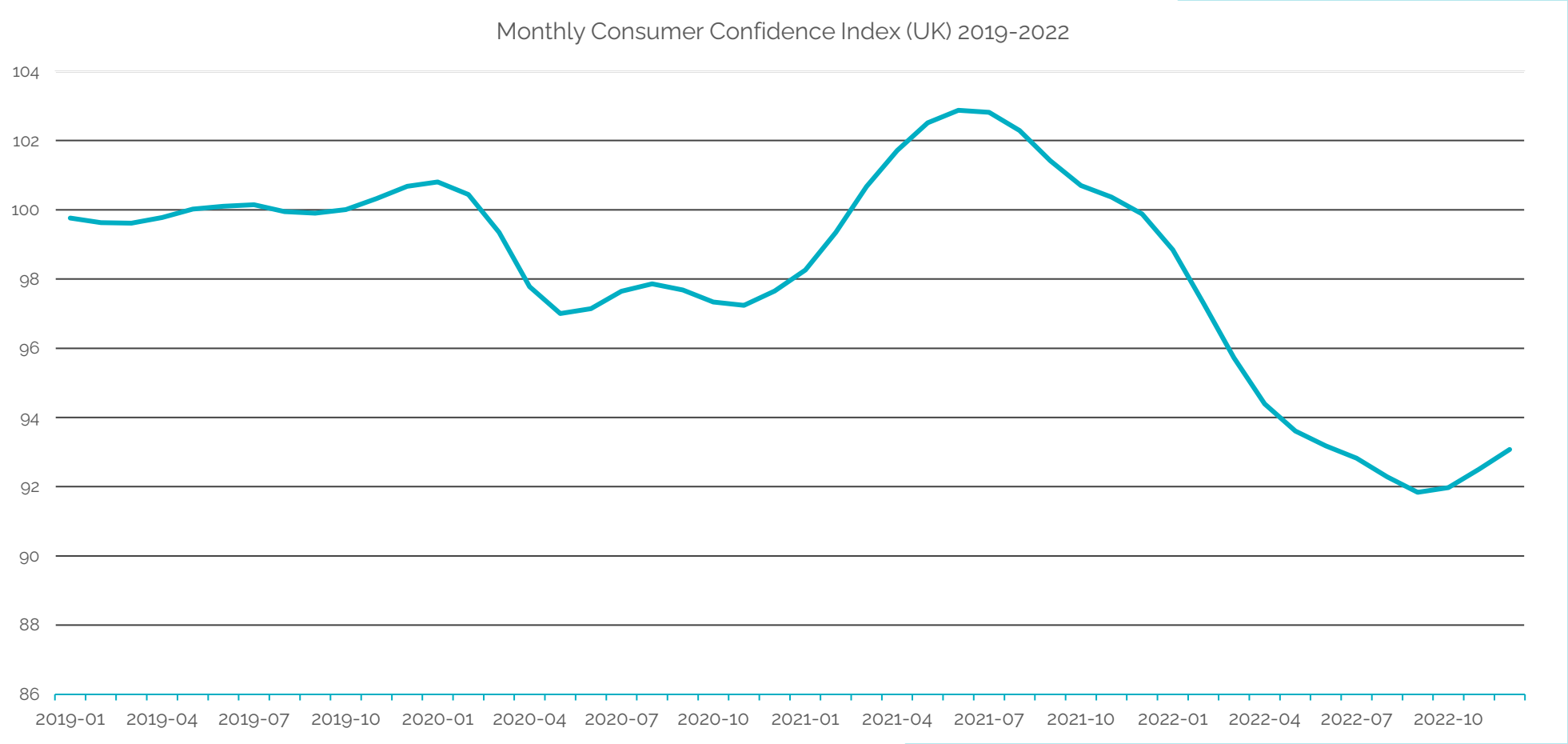
With a drop in consumer confidence...



Source: Consumer Confidence Index, 2022

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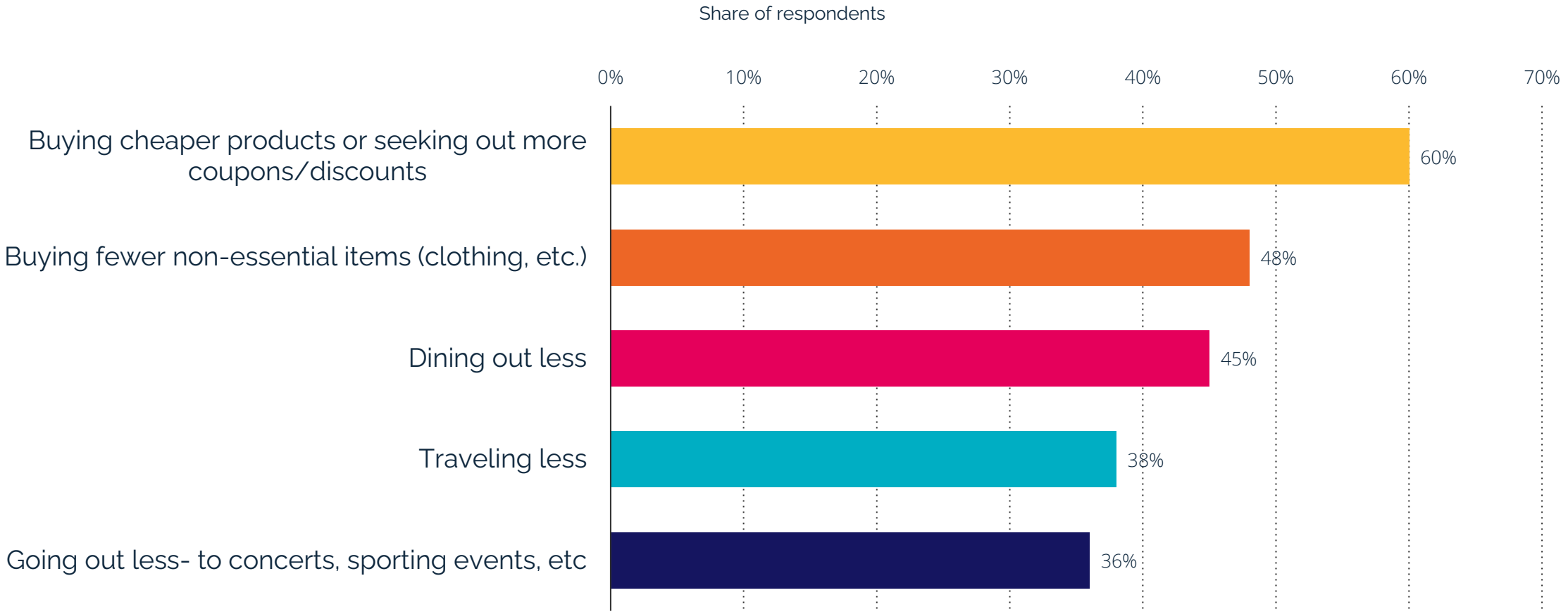
And changes in spending habits...

Ways of coping with the rising inflation among customers 2022



Note(s): Worldwide; April 29 to May 9, 2022; 16 years and older; 11,056 respondents
Further information regarding this statistic can be found on page 8.
Source(s): Dynata; ID 1317949

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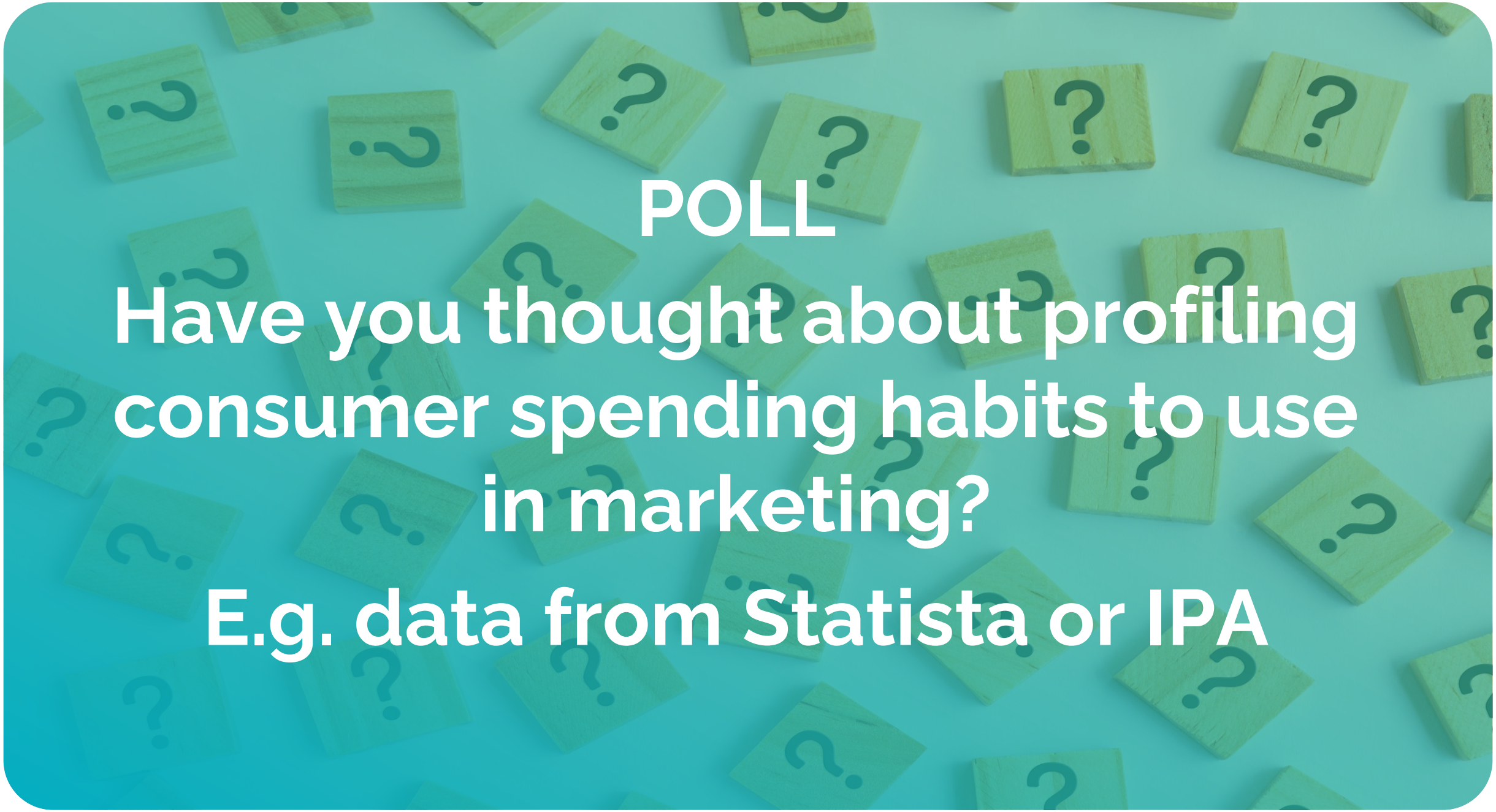
This means consumer spending has changed and advertisers and brands need to change with it


POLL
Have you changed your marketing efforts since the cost of living/recession crisis?


POLL
Have you thought about profiling consumer spending habits to use in marketing?
E.g. data from Statista or IPA

What are we going to talk about?

1. What is behavioural science and why do we need to harness this within marketing?
2. How does consumer spending change during a recession?
3. How does this impact what you do when marketing?

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Who am I?

Sarah Clarke - Head of Digital Paid Media, Data & Analytics

- Eight years experience in digital paid media
- Managing annual budgets of £3million for three global retail clients across EMEA
- Specialism in the psychology of digital marketing and applied behavioural science
- Masters in Digital Marketing

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So, why behavioural science?


The platform or channel that consumers interact with matters less than the interaction itself


Consumers are focused on finding
the right solution at the right time

Behind every number, click, conversion and data point is a human

Behavioural Science is the Study of Human Behaviour

As marketers, our job is to encourage users to take a specific action, so the best way to influence this behaviour is to understand it

Lets use a practical example (with some audience participation!)

Christian Aid wanted to increase door donations

Heavier Envelopes	Delivered by Hand	Change of Slot	Gift Aid Addition
Using higher quality paper for the donation letter and stronger paper for the envelope so they feel sturdier and more heavy duty	Recognising that the letters were delivered by hand, as opposed to the postman	Changing the opening of the envelope from the long side to the narrow side	Communicating that with gift aid, a £10 donation can become a £12.50 donation for no extra charge

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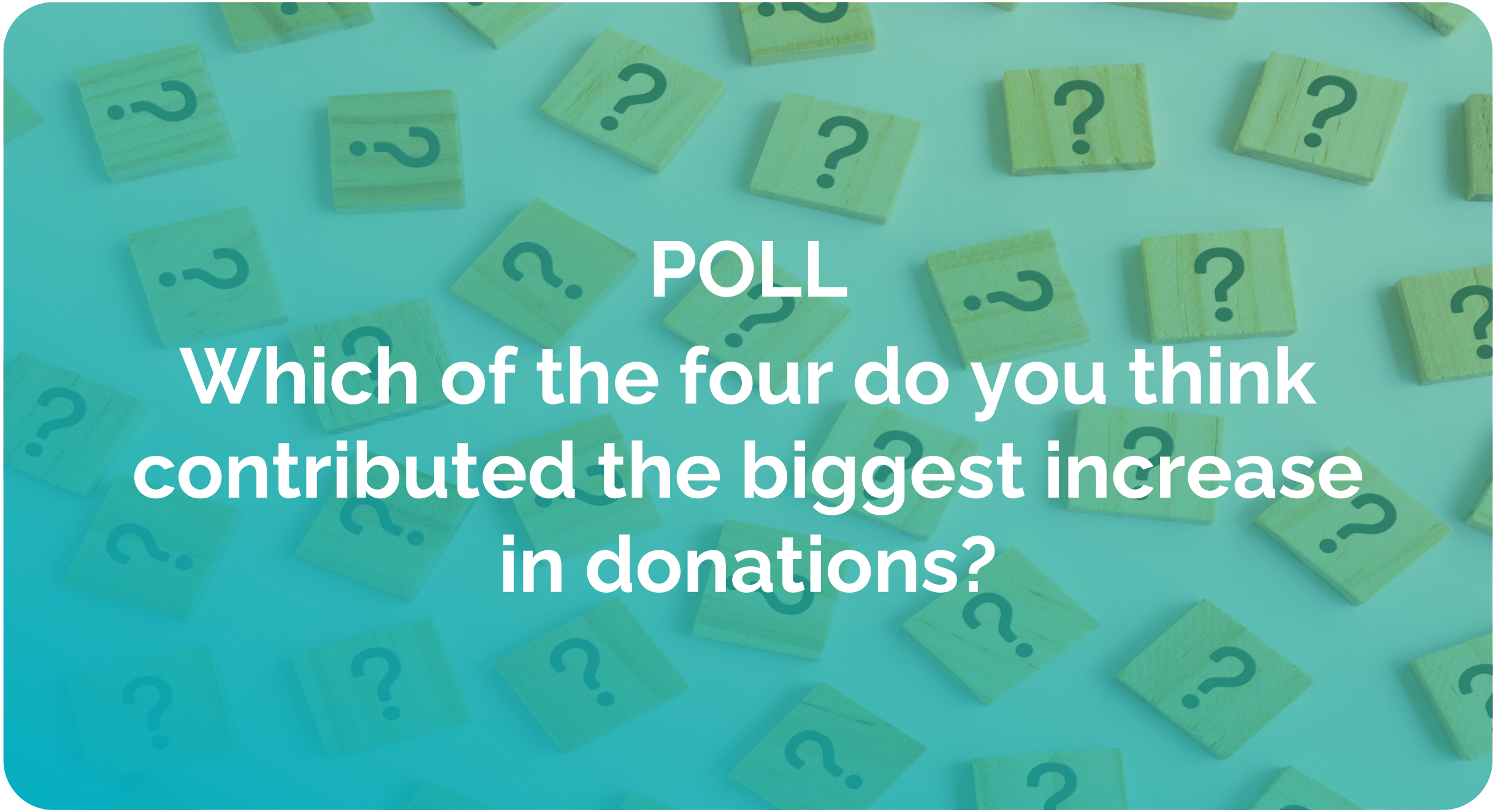
POLL
Which of the four do you think contributed the biggest increase in donations?

So how did they do?

Heavier Envelopes	Delivered by Hand	Change of Slot	Gift Aid Addition
Using higher quality paper for the donation letter and stronger paper for the envelope so they feel sturdier and more heavy duty	Recognising that the letters were delivered by hand, as opposed to the postman	Changing the opening of the envelope from the long side to the narrow side	Communicating that with gift aid, a £10 donation can become a £12.50 donation for no extra charge

+12-14% increase in donations (both size and amount)

-30% decrease in average size of donation

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“If I’d asked the consumer what they wanted, they’d have said a faster horse”
- Henry Ford

What have we talked about so far?

1	What is behavioural science and why do we need to harness this within marketing? ✓
2	How does consumer spending change during a recession?
3	How does this impact what you do when marketing?

This theory is founded in research

During this webinar, we're going to reference research from John Quelch and Katherine Jocz, published in the Harvard Business Review

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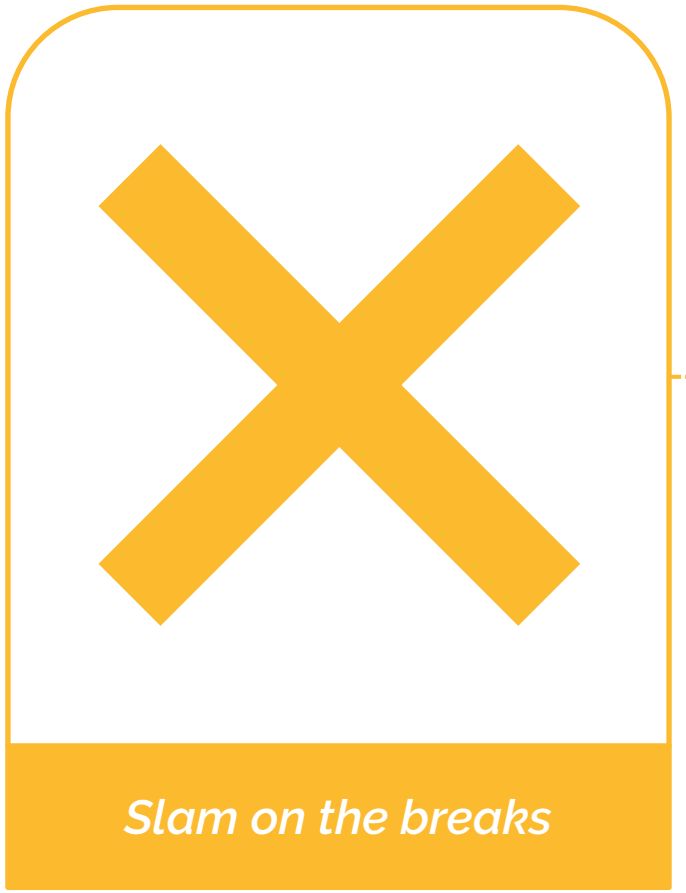


Slam on the breaks

Feels the most vulnerable and hardest hit financially.

This group reduces all types of spending by eliminating, postponing, decreasing or substituting purchases.

Although lower-income consumers typically fall into this segment, anxious higher-income consumers can as well, particularly if health or income circumstances change for the worse

Pained but patient

Tend to be resilient and optimistic about the long term but less confident about the prospects for recovery in the near term or their ability to maintain their standard of living.

Like slam on the breaks, they economise in all areas, though less aggressively.

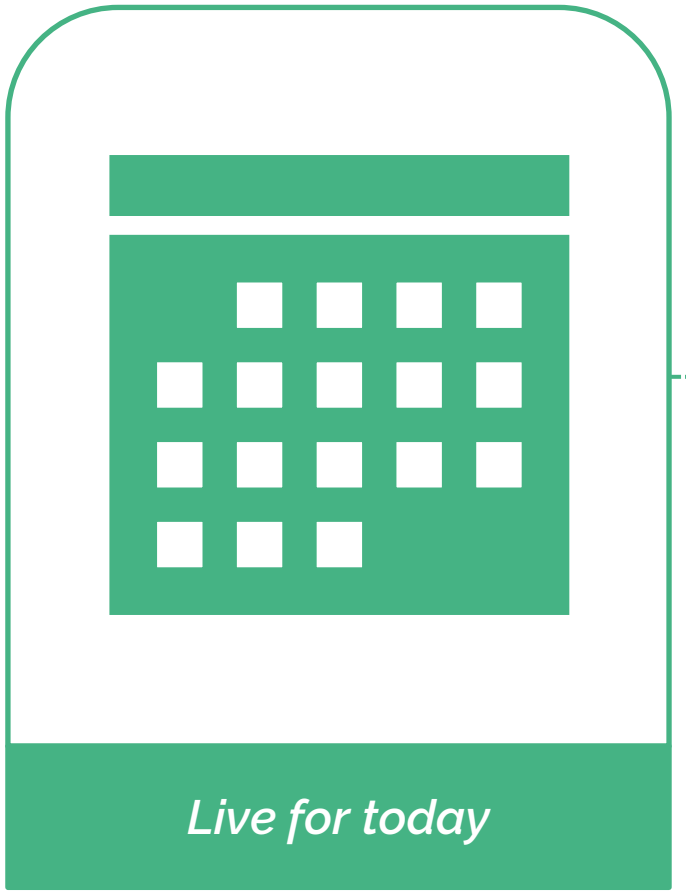
They constitute the largest segment and include the great majority of households

Comfortably well off

Feel secure about their ability to ride out current and future bumps in the economy.

They consume at near-prerecession levels, though now they tend to be a little more selective (and less conspicuous) about their purchases.

The segment consists primarily of people in the top 5% income bracket



Live for today

Carries on as usual and for the most part remains unconcerned about savings.

The consumers in this group respond to the recession mainly by extending their timetables for making major purchase.

Typically urban and younger, they are more likely to rent than to own and they spend on experiences rather than stuff.

They're unlikely to change their behaviour

So how do we use these audiences?

Audience

We need to profile the audience to see which of the four the consumer fits into

Product

We need to profile the product or service to predict how spending will change

Consumption

How do people justify continuing to spend during a recession?

Profiling consumer consumption

Essentials

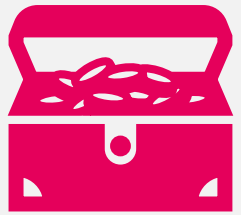
Essentials are necessary for survival or perceived as central to well-being

Treats

Indulgences are those things whose immediate purchase is considered justifiable

Postponables

Postponables are needed/desired items whose purchase can be reasonably put off



Expendables

Expendables are perceived as unnecessary or unjustifiable

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So now that we have audiences and consumption, what does this mean?

So for essential spending…

Slam on the breaks

- Will see lower cost brands / value options

Pained but patient

- Will seeks out favourite brands at lower prices but settle for lower cost alternatives, will stock up on good deals

Comfortably well off

- Will continue to buy favourite brands

Live for today

- Will continue to buy favourite brands at pre-recession levels

Compared to treats...

Slam on the breaks

- Will reduce or eliminate treats or seek lower cost substitutes

Pained but patient

- Will cut back on some, less frequent and less in quantity will emphasis value

Comfortably well off

- Will be more selective in purchasing luxuries

Live for today

- Will continue to buy favourite brands at pre-recession levels

Layering in postponables…

Slam on the breaks

- Will put off all possible spend unless forced to because of an emergency

Pained but patient

- Will delay major purchases, repair rather than replace, will seek value and low ownership costs rather than extra features

Comfortably well off

- Will seek better quality for the price, will negotiate harder

Live for today

- May buy if there is a great deal, otherwise may postpone

And reviewing expendables…

Slam on the breaks

- Will eliminate purchases in this category

Pained but patient

- Will deeply curtail expendables

Comfortably well off

- Rarely regards any purchases as unjustifiable but may reduce the most conspicuous consumption in this category

Live for today

- Is reluctant to regard any customary purchase as unjustifiable, may not want to expand consumption to new types of purchases

Producing a consumer spending framework

LOW — RISK OF SALES DOWNTURN — HIGH

	Essentials	Treats	Postponables	Expendables
Slam on the breaks	Will see lower cost brands / value options	Will reduce or eliminate treats or seek lower cost substitutes	Will put off all possible spend unless forced to because of an emergency	Will eliminate purchases in this category
Pained but patient	Will seeks out favourite brands at lower prices but settle for lower cost alternatives, will stock up on good deals	Will cut back on some, less frequent and less in quantity will emphasis value	Will delay major purchases, repair rather than replace, will seek value and low ownership costs rather than extra features	Will deeply curtail expendables
Comfortably well off	Will continue to buy favourite brands	Will be more selective in purchasing luxuries	Will seek better quality for the price, will negotiate harder	Rarely regards any purchases as unjustifiable but may reduce the most conspicuous consumption in this category
Live for today	Will continue to buy favourite brands at pre-recession levels	Will continue to buy favourite brands at pre-recession levels	May buy if there is a great deal, otherwise may postpone	Is reluctant to regard any customary purchase as unjustifiable, may not want to expand consumption to new types of purchases

HIGH — BEHAVIOUR CHANGE — LOW

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What have we talked about so far?

1	What is behavioural science and why do we need to harness this within marketing? ✓
2	How does consumer spending change during a recession? ✓
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When spending is slowing down across postponables and expendables, how do we maintain traction?

This is where messaging and strategy shines

LOW — RISK OF SALES DOWNTURN — HIGH

HIGH — BEHAVIOUR CHANGE — LOW

	Essentials	Treats	Postponables	Expendables
Slam on the breaks	Will see lower cost brands / value options	Will reduce or eliminate treats or seek lower cost substitutes	Will put off all possible spend unless forced to because of an emergency	Will eliminate purchases in this category
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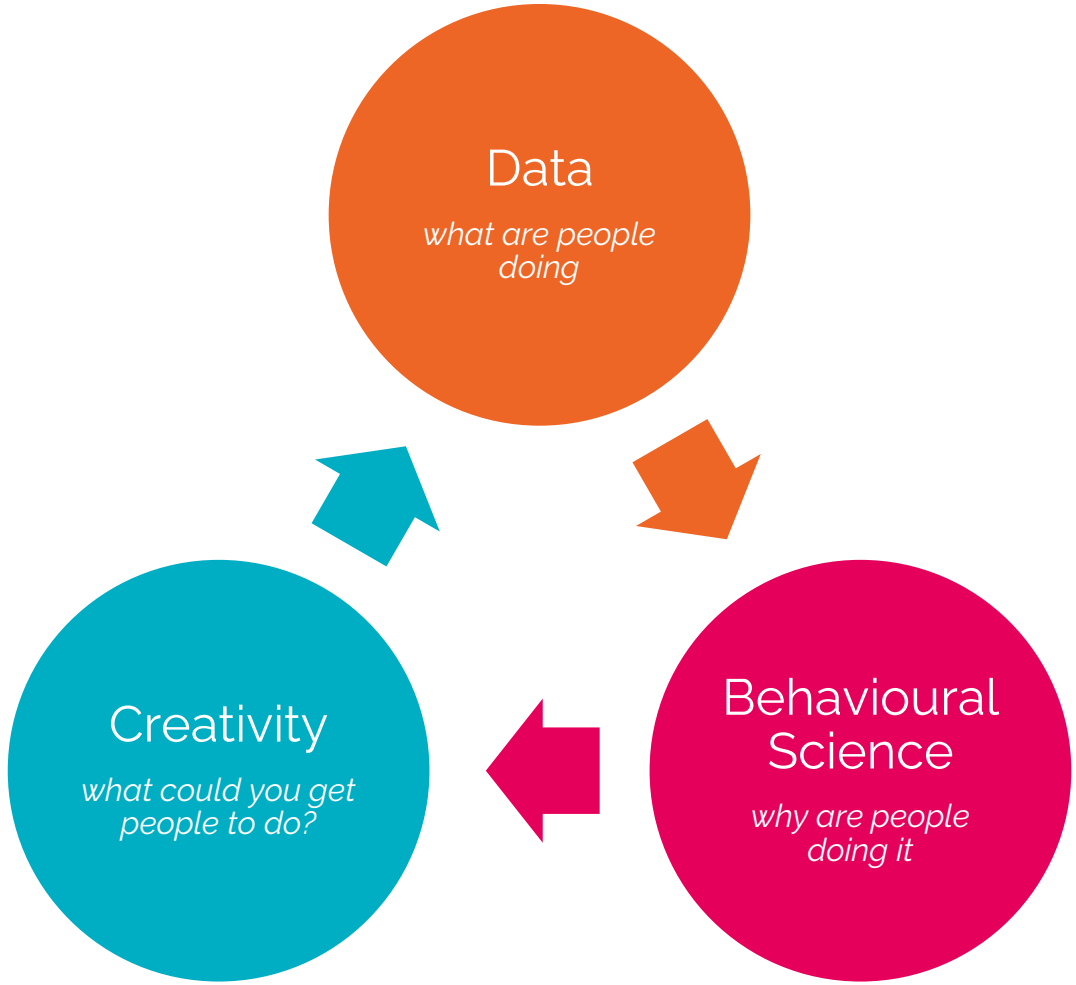
Using a framework for marketing success



Data

We need to know what people are doing, how they are behaving, what is working and what is not, in the eyes of the numbers

Behavioural Science

We need a theory of perception to unpick why people are behaving in that way, why the thing that's working is working and how we can understand it

Creativity

We need to imagine what else, given our insights on human behaviour, we can get people to do under circumstances, situations and conditions that don't yet exist

We then need to review the data, see what worked, what didn't and start the cycle again

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With a messaging focus for essentials…

Slam on the breaks

- Emphasise price; hit wallet-friendly retail price points
- Offer smaller pack sizes for less money
- Expand retailer private labels
- Promote low-cost value products
- Introduce fighter brand

Pained but patient

- Offer a lower-priced option
- Hit retail price points
- Promote bonus packs to encourage stockpiling
- Emphasise dependability of brand product or service

Comfortably well off

- Continue awareness advertising

Live for today

- Continue awareness advertising
- Remind consumers “you can’t live without it”

And alternative messaging for treats…

Slam on the breaks

- Shrink sizes
- Hold prices down
- Advertise as a “you deserve it” small indulgence

Pained but patient

- Reward loyalty consumers, even if they consume less
- Advertise products as morale raisers
- Advertise products as affordable alternatives to more expensive luxuries

Comfortably well off

- Emphasise outstanding quality
- Advertise as a product you deserve because you are successful

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- Offer convenient automatic credit card billing
- Promote as an opportunity to seize the moment

A different focus for postponables…

Slam on the breaks

- Offer layaway plans
- Provide low cost financing
- Promote exceptional deals
- Challenge penny-wise, pound-foolish behaviour

Pained but patient

- Offer simpler models, lower prices
- Promote lower-operation-cost models
- Promote repair services

Comfortably well off

- Promote savings from buying now
- Advise customers they're "missing out" by postponing

Live for today

- Offer monthly payment plans
- Promote quality of life benefits of buying now

And wrapping up with expendables

Slam on the breaks

- Offer do-it-yourself alternatives to doing without
- Continue awareness advertising (for instance, for future plans)

Pained but patient

- Continue awareness advertising
- Invest in core product improvements that will accelerate customers reentry into the market

Comfortably well off

- Enable discreet purchasing that avoids the appearance of flaunting infront of less wealthy people
- Advertise benefits of impressing wealthy friends

Live for today

- Offer exciting new products and promote as “must have”
- Advertise as products you can aspire to buy when your income grows

To produce an overall messaging framework

	Essentials	Treats	Postponables	Expendables
Slam on the breaks	Emphasise price; hit wallet-friendly retail price points Offer smaller pack sizes for less money Expand retailer private labels Promote low-cost value products Introduce fighter brand	Shrink sizes Hold prices down Advertise as a "you deserve it" small indulgence	Offer layaway plans Provide low cost financing Promote exceptional deals Challenge penny-wise, pound-foolish behaviour	Offer do-it-yourself alternatives to doing without Continue awareness advertising (for instance, for future plans)
Pained but patient	Offer a lower-priced option Hit retail price points Promote bonus packs to encourage stockpiling Emphasise dependability of brand product or service	Reward loyalty consumers, even if they consume less Advertise products as morale raisers Advertise products as affordable alternatives to more expensive luxuries	Offer simpler models, lower prices Promote lower-operation-cost models Promote repair services	Continue awareness advertising Invest in core product improvements that will accelerate customers reentry into the market
Comfortably well off	Continue awareness advertising	Emphasise outstanding quality Advertise as a product you deserve because you are successful	Promote savings from buying now Advise customers they're "missing out" by postponing	Enable discreet purchasing that avoids the appearance of flaunting infront of less wealthy people Advertise benefits of impressing wealthy friends
Live for today	Continue awareness advertising Remind consumers "you can't live without it"	Offer convenient automatic credit card billing Promote as an opportunity to seize the moment	Offer monthly payment plans Promote quality of life benefits of buying now	Offer exciting new products and promote as "must have" Advertise as products you can aspire to buy when your income grows

How does this impact what we do?

Creative

Use ads which include motivations which speak to the drivers of the personas

Content

Tailor these motivations across platforms, based on the things that are important

Conversion

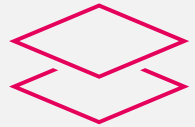
Continue this message across the website, providing a consistent experience


So what?

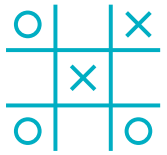
How should we be using this?

Profile your audience based on demographic data to know income and spending habits

Profile your product or service to review how it fits into consumption and what will happen with spending



Use this to layer together what spending will continue, what will slow down and what will stop



Use this to strategise, focusing your efforts across green, yellow and red, maximising on the funnel in-line with this

Keep the focus on awareness as although people are not ready to buy right now, they will be in the future, so remaining front and centre is key

Continue to test, learn and apply behavioural science principles to supercharge your digital marketing activity

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What have we covered?

1	What is behavioural science and why do we need to harness this within marketing? ✓
2	How does consumer spending change during a recession? ✓
3	How does this impact what you do when marketing? ✓

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How can you find out more?

I have written articles on the application of behavioural science (and will continue to!) so for further reading on consumer spending during a recession, check out these articles:

[Consumer spending during a recession]

[Messaging tactics during a recession]

Sarah

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What's next?

After the webinar is over, my colleague **Sonja Stewart will be in touch to share the webinar recording** with you.

Sonja can also **schedule a call to talk about how you can smartly manage your marketing during a recession** if that is something that your business is interested in.

If you can't wait, you can reach Sonja at sstewart@clickthrough-marketing.com

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We build organic visibility with **Technical SEO**

We tell your story with **PR & Content Marketing**

We get your brand seen fast with **Paid Search** and **Display and Programmatic**

We target your ideal audience with **Paid Social**

We use a conversion-focused approach with **Data-led Design ® and CRO**

We bring all of these key marketing channels together, to provide a **fully integrated, strategic approach to marketing and conversion generation.**

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