

Consumer Insights



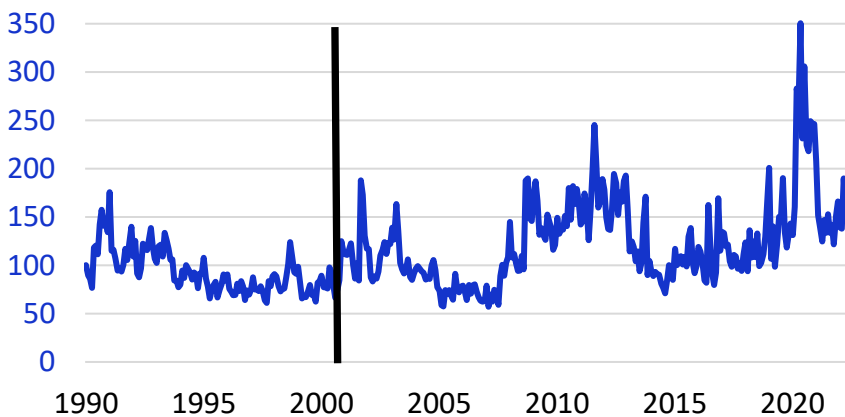
How brands differentiate in times of uncertainty: building trust

At the beginning of 2022, consumers were ready to be active again, see friends, dine out, attend movie theaters, and travel. By the fall, the freewheeling vibe had been interrupted by high inflation and economic and geopolitical events.

Unlike during the pandemic period, when people were largely fixated on either the economy or their health, the post-pandemic period has brought back many more issues of concern for consumers—adding things like climate change, personal safety, technology issues and many more into the mix again. This environment of increased uncertainty can impact consumer spending behavior.

Many consumers may now see uncertainty as “the next normal”. This is reflected in the Uncertainty Index - a normalized index of the volume of news articles discussing economic policy uncertainty. The volatility increases over time and in particular when comparing recent years to the 1990s (Figure 1).

Fig. 1: Uncertainty Index - Increased volatility since the turn of the century (Normalized index of the volume of news articles discussing economic policy uncertainty)



Sources: Visa Business and Economic Insights analysis; Haver Analytics; PolicyUncertainty.com; U.S. Department of Labor.

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Key Points:



Consumers desire to be active at the beginning of 2022 was interrupted by inflation, economic, and geopolitical issues.



Elevated economic and financial concerns lead to heightened anxiety among consumers.



Brands will thrive if they can allay the stressors that consumers face.





How brands differentiate in times of uncertainty: building trust (continued)

Fig. 2: Misery Index showed increased volatility during the pandemic
(Unemployment plus inflation rate)



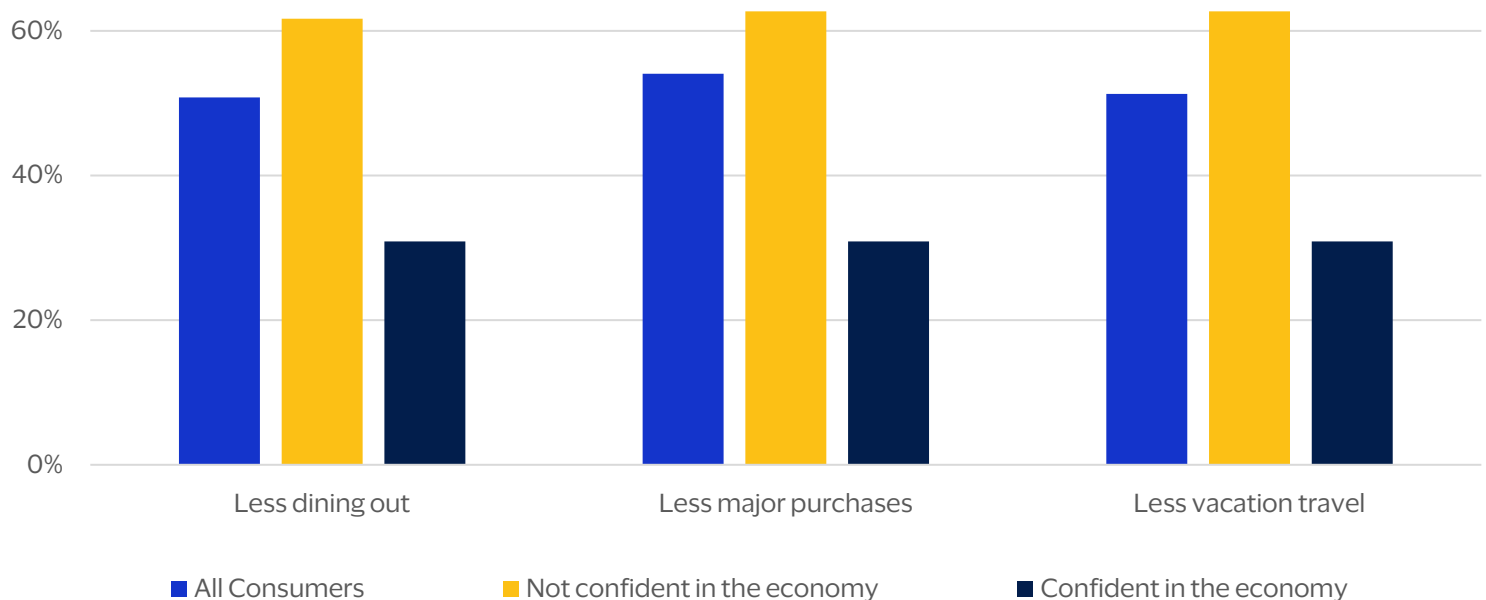
Source U.S. Department of Labor.

Similarly, the Misery Index – unemployment plus inflation – reached its most volatile point of the last 25 years in April 2020, remaining in double digits for most of the next two years during the pandemic (Figure 2). While all consumer concerns have increased from 2021 to 2022, the economy and a decline in savings or investments remain at the top of the list. However, those concerns manifest differently among different consumer segments. While 50 percent of all consumers lack confidence in the economy, women, the less affluent, and people who live in rural areas are less

confident compared to other segments. This highlights the need to apply segmentation to better understand various consumer populations and how their concerns create differences in actions. For example, according to a recent Visa survey, those who are not confident in the economy are dining out less, pulling back on major purchases or skipping vacation travel in higher numbers than those who are more confident in the economy (Figure 3).

Fig. 3: Confidence in the economy impacts consumer spending

As a result of changes in the economy, are you doing more or less of the following?



Source: Visa survey, conducted by Prosper Analytics, October 2022.

Trusted relationships help consumers manage uncertainty

Establishing longer-lasting, more profitable relationships becomes an even more important success factor in times of uncertainty. A trusted relationship with the company is no longer solely based on the goods or services it provides. Increasingly, consumers see businesses social leaders and “highly effective agents of positive change”—up 29 points globally from last year. Eighty-one percent say businesses should be personally visible to demonstrate work their company has done for society’s benefit and are expected to inform and shape conversations on policy.¹

We can use this information to build trust among customers. By recognizing the risk consumers feel and taking measures to allay that risk, brands can embrace this environment and the opportunity it offers to strengthen their relationships with customers. Some examples of customer stressors and antidotes are:

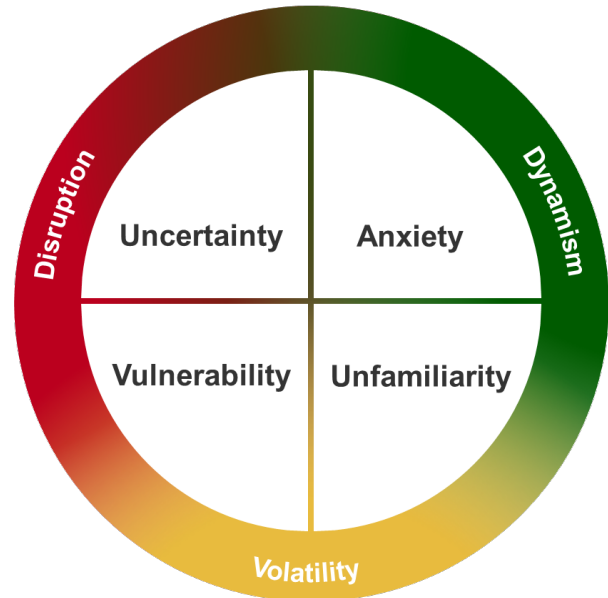
Unfamiliarity – Inflation is discomforting because it’s unfamiliar to consumers. As an antidote, brands need to provide reassurance, safe harbor, something to count on.

Anxiety – A stressor such as health or the environment. Antidote – brands need to promote or provide well-being or health in their messaging (healthy adds value).

Uncertainty – Loss of assurance or perceived value, for example, which can be addressed by offering flexible business relationships that take the risk out of shopping and buying.

Vulnerability – is most closely linked to financial insecurity – loss of income, or the declining value of savings or investments. Antidote – businesses need to promote and deliver value in the face of pricing pressures.

Fig. 4: The environment creates feelings of dismay



Sources: Visa Business and Economic Insights; Kantar Media



By recognizing the risk consumers feel and taking measures to allay that risk, brands can embrace this environment and the opportunity it offers to strengthen their relationships with customers.



¹ Visa Business and Economic Insights; ¹Edelman Trust Barometer 2022

Trusted relationships help consumers manage uncertainty (continued)

The current environment feels chaotic to consumers, and brands that help them to organize the chaos are the ones that will likely thrive. Here are some examples that resonate with consumers in addressing their needs and establishing trust.

Friction-free shopping - brands can add a human touch such as a free return policy or tap to pay, which gives a sense of value and safety to consumers when they shop.

Attainable luxury - brands can provide products or services that consumers perceived as luxurious before—something more consumers seek in the wake of the pandemic. Example would be an affordable vacation that seemed out of reach before.

Conscious careers, not only in business-to-customer but also business-to-employee relationships. When brands go through CEO changes, they need to understand the effect it can have on customers and employees. One way to address this would be career management—providing employees with tools and training to be more efficient and successful in their career development.

Communal wellness, as all generations want to be part of something larger—a community or society. Businesses that embrace this—by investing in affordable housing or community infrastructure, such as parks, for example—also engender a higher level of trust among consumers.

Consumers have faced a growing onslaught of uncertainty that has become their “new” normal. Brands can capitalize on this by staying attuned and flexible to consumers’ needs. Discontinuity will continue to be a feature of the marketplace as the uncertain environment is likely to remain for some time to come.





Accessibility Notes

Fig. 1: Line chart showing the index of the volume of news articles discussing economic policy uncertainty. The index ranges from 100.36 starting in Jan-1990 to a low of 57.20 in Feb-2007, a pre-pandemic high of 245.13 in Aug-2011 and a pandemic peak at 350.45 in May-2020. The line then moves down to 121.95 in 2021, and up again to 184.38 in Jul-2022.

Fig. 2: Line chart showing the misery index consisting of the unemployment and inflation rates. The index ranges from 8.3 starting in Jan-1997, to a high of 12.9 in Sept-2011, a low of 5.0 in Sept-2005, and a new high of 15.0 at the start of the pandemic in Apr-2020. The line remains mostly in double-digits after that to finish at 12.0 in Jul-2022.

Fig. 3: A group of three bar charts showing the percent of people doing less dining, fewer major purchases, and less vacation travel grouped by all consumers, those who are not confident in the economy and those who are confident in the economy. Among all consumers, 51% were doing less dining out, 54% were doing fewer major purchases, and 51% were doing less vacation travel. Among those who were not confident in the economy, 62% were doing less dining out, 63% were doing fewer major purchases, and 63% were doing less vacation travel. Among the confident group, 31% were doing less dining out, 31% were doing fewer major purchases, and 31% were doing less vacation travel.

Fig. 4: Circle with an outer ring and four segments: in the upper left corner is uncertainty; in the upper right corner is anxiety; in the lower left corner is vulnerability; in the lower right corner is unfamiliarity. The outer ring has three segments: upper left is disruption; upper right is dynamism; low central is volatility.



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