Streetbees

‘The Lipstick Effect’:
Which categories are winning or losing in the cost of living crisis?

August 2022

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Introduction

The rising prices we're dealing with today were provoked by an extraordinary demand for goods in 2021, as lockdowns lifted, shops reopened and spending resumed. This spike was so high that it overwhelmed supply, which resulted not only in shortages, but also in price increases, and this has only been exacerbated by the recent Russia/Ukraine conflict.

As a result, consumer behaviours are shifting. During COVID, we saw a general shift in behaviour across all consumers, as everyone was affected equally. However, with the onset of inflationary pressures, consumers are behaving in very different ways, depending on their lifestyle and their outlook.

So, how are consumers feeling right now and how is this impacting their spend across CPG categories? In this report, we'll investigate what consumers are choosing to prioritise or cut as the cost of living crisis evolves, and we'll share the emerging growth opportunities we've identified for food, beverage, alcohol, beauty and skincare brands.

"It's not just that you're seeing prices go up because supply today is constrained. Prices are also going up over concerns the war will disrupt future supply."
Paul Donovan, Chief Economist at UBS

[1] *Why is inflation so high and will it stay that way? An economist explains, WeForum, May 12*

But before we start, a quick word on our approach. 4.5 million “bees” (consumers) around the world use our app to share their consumption moments with us. We collect 1.5 million moments every month in real-time and in their own words, with photos and videos, to get a qualitative in-the-moment view at quantitative scale.

This report features insights from our Cost of Living Monitor, which has been launched to help you track the impact of inflation on consumer sentiment, spend and behaviour.

Let's dive in and take a look at how the consumer landscape is shifting and which categories are winning or losing during the cost of living crisis.

Who are the bees?

Our bees are 4.5 million mobile app users around the world who share details about their emotions, behaviours, purchasing decisions and more with us.

They share experiences using their own words, photos and videos, at the moment of consumption to give us insight that’s rich with context and emotion.

Markets featured:

Europe =

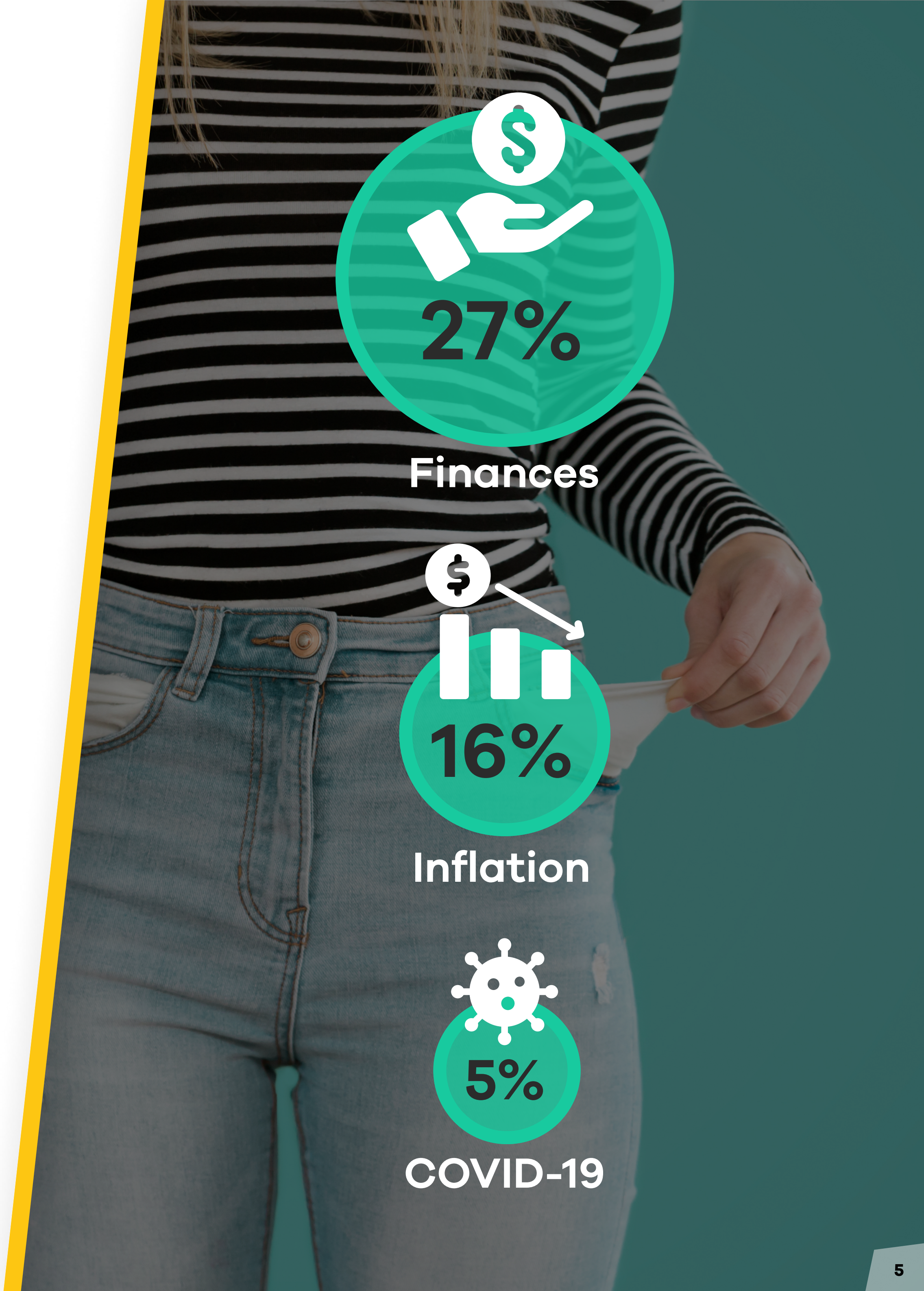
US & Mexico =

BRIC+ =

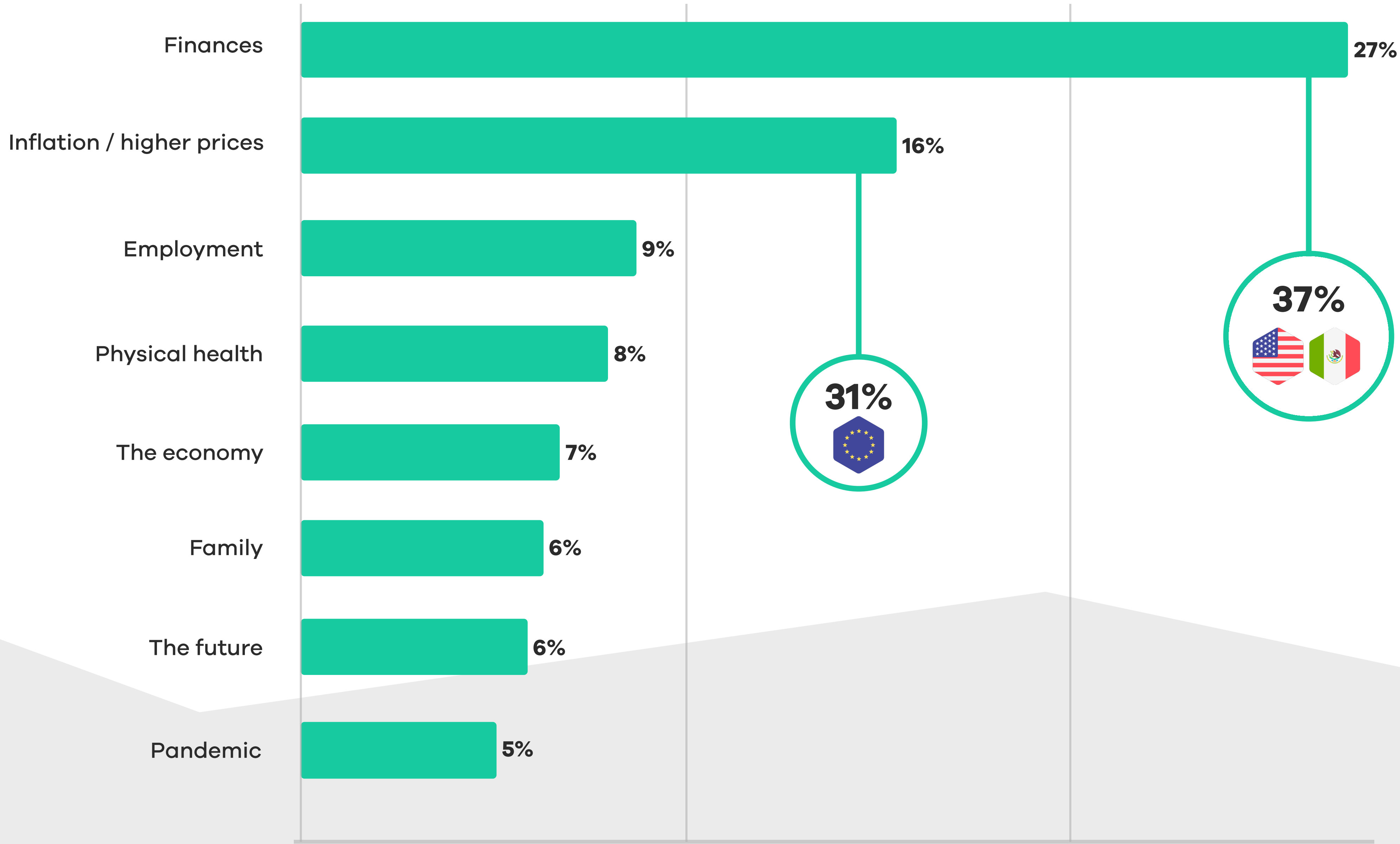
Overview
The consumer landscape

To truly understand consumer sentiment right now, we asked our 'bees' to describe their top concerns in their own words. The top unprompted concern is finances (27%), followed by inflation (16%). Unsurprisingly, this demonstrates that concerns around the cost of living are largely inward-focused right now, as consumers are worried about their own finances above the overall impacts of inflation. However, concern about the economy did rise from 4% in June to 10% in July, suggesting that consumers are becoming more aware of the wider impacts of the current situation.

Interestingly, COVID was rarely mentioned (5%) when consumers described their concerns. However, the pandemic was the fifth highest prompted concern (28%), which suggests that consumers are still worried, but that it's less front-of-mind right now.



Top unprompted concerns consumers have right now

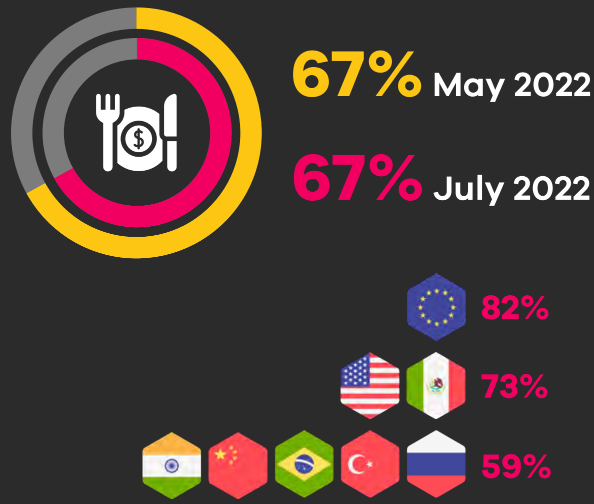


4,695 SAMPLE SIZE Global

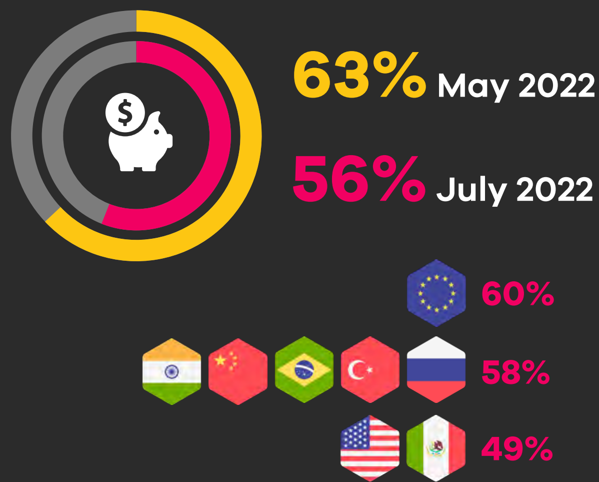
When we look at the proportion of consumers who feel that their cost of living has increased, this has remained consistent since May (67%). However, those who are affected are seeing a rising depletion in their savings, as they're being forced to dip into reserves to deal with rising costs. In fact, the proportion of consumers who have personal savings dropped from 63% in May to 56% in July.

Interestingly, the BRIC+ markets have the lowest proportion of consumers who say their cost of living has increased recently, despite these markets experiencing the highest levels of inflation. However, these markets have been dealing with rising prices for a much longer period of time, so many consumers here may not perceive their increased cost of living as a recent change.

The proportion of consumers who say their cost of living has increased

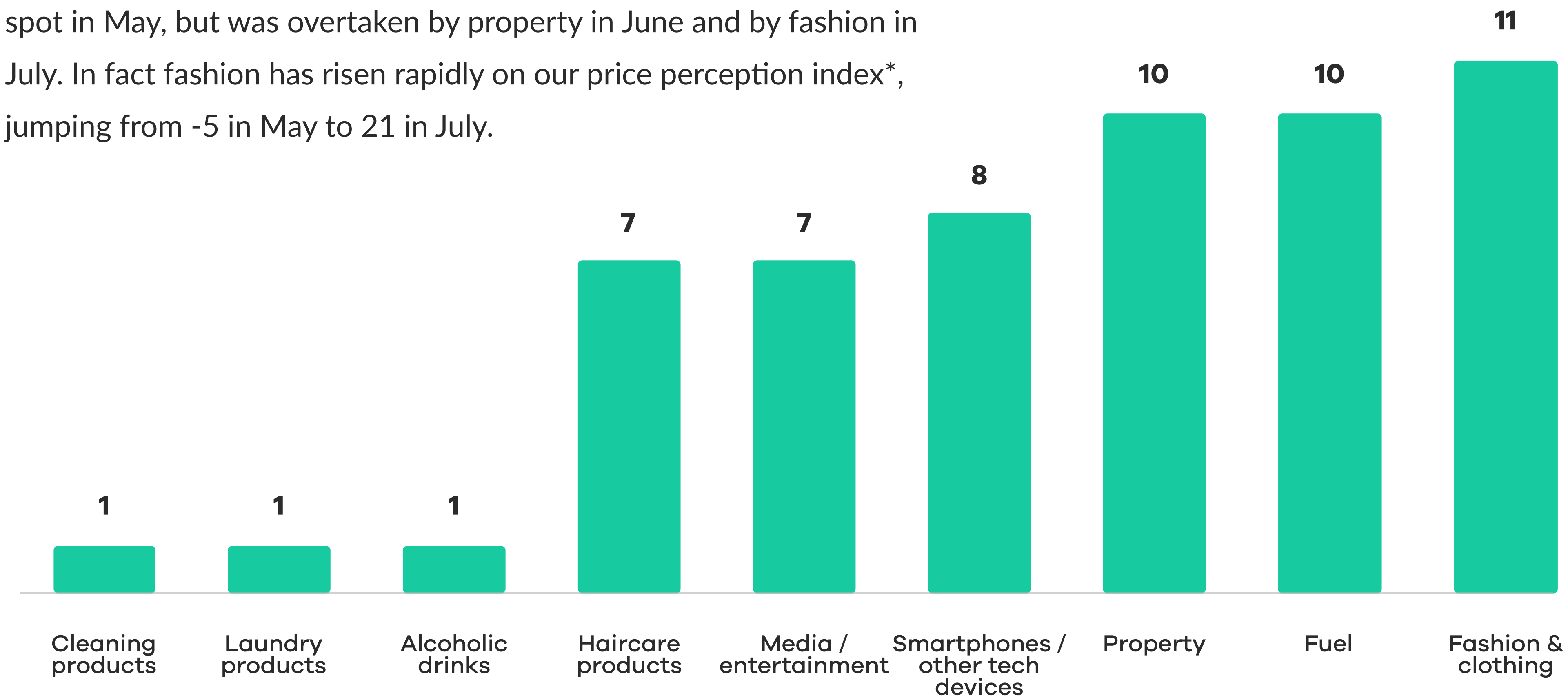


The proportion of consumers who have personal savings



Spending shifts

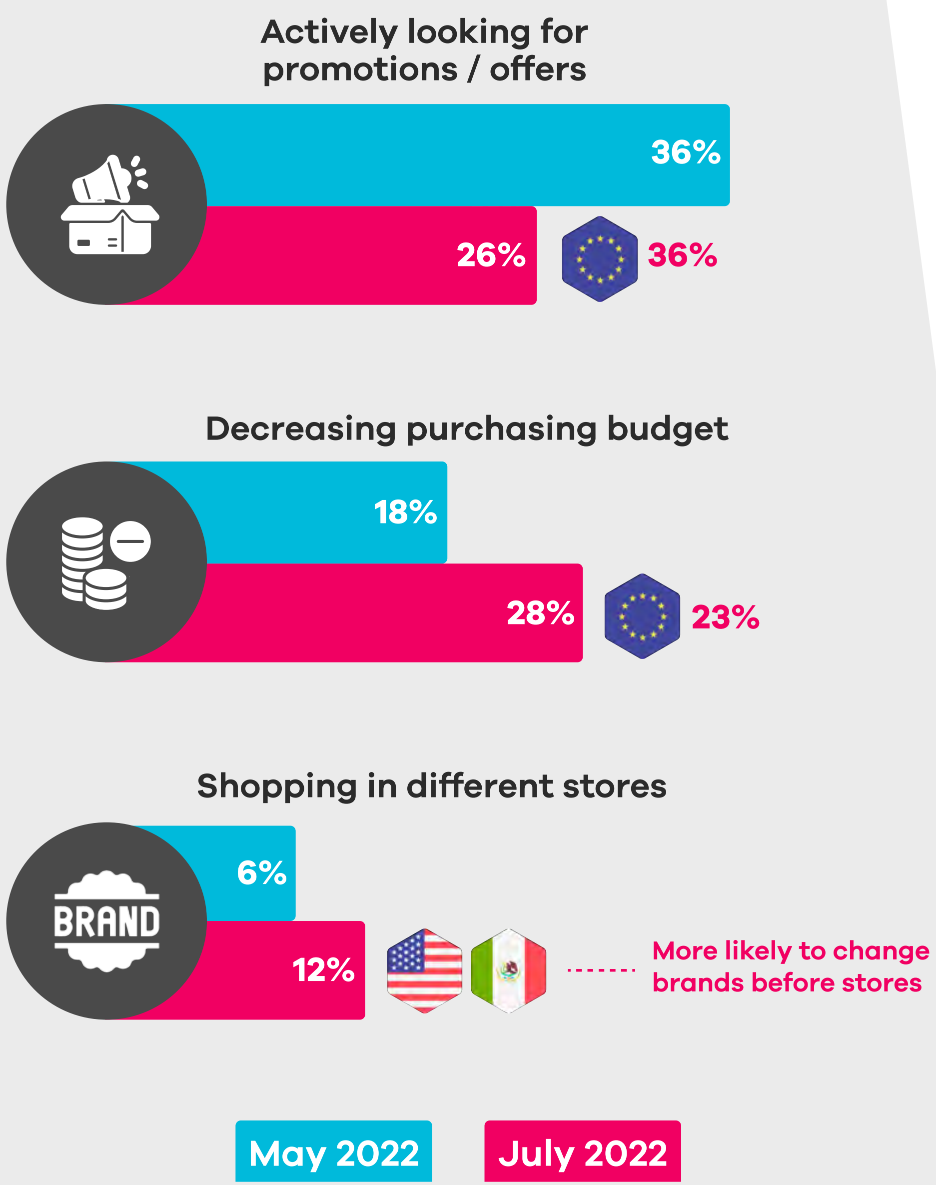
The top three categories consumers have noticed a price increase over the last three months are fashion, fuel and property. Fuel took the top spot in May, but was overtaken by property in June and by fashion in July. In fact fashion has risen rapidly on our price perception index*, jumping from -5 in May to 21 in July.



7,813 SAMPLE SIZE Global

Index calculated as the proportion who noticed an increase minus the proportion who noticed a decrease.

Changes in consumer purchasing habits



To cope with these increases, consumers have made conscious changes to their purchasing habits. While ‘looking for promotions or offers’ is the top change consumers have made within the last three months, this fell from 36% in May to 26% in July. In contrast, ‘decreasing budget’ has risen from 18% in May to 28% in July and ‘shopping at different stores’ has risen from 6% to 12% in the same time period. This suggests that consumers are making more active cuts, rather than just looking out for good deals.

When it comes to switching stores, consumers are more likely to do this before they consider switching brands or products. For example, 14% are using in-person discount stores more often than they were three months ago, while 18% are using online discount stores more often. On the flip side, 10% are using less natural health stores in-person than they were three months ago, while 8% are using less natural health stores online.

When looking at the impacts of these shifts on categories, it's clear they're not all in the same boat. While many categories have been hit hard, others are thriving. For example, Live Nation Entertainment, which owns concert venues and Ticketmaster, has seen interest in attending concerts remain strong and in movie theatres, blockbusters like "Jurassic World: Dominion" and "Top Gun: Maverick" have pulled in strong box office sales.

People's desire to get out and socialise again is also boosting products like lipstick and high heels, which resulted in Macy's and Ulta Beauty boosting their full-year profit forecasts earlier this year.

> **"There's a tug-of-war between the consumer's desire to buy what they want and the need to make concessions based on the higher prices hitting their wallets"**
>
> **Marshal Cohen, Chief Retail Industry Advisor for NPD**

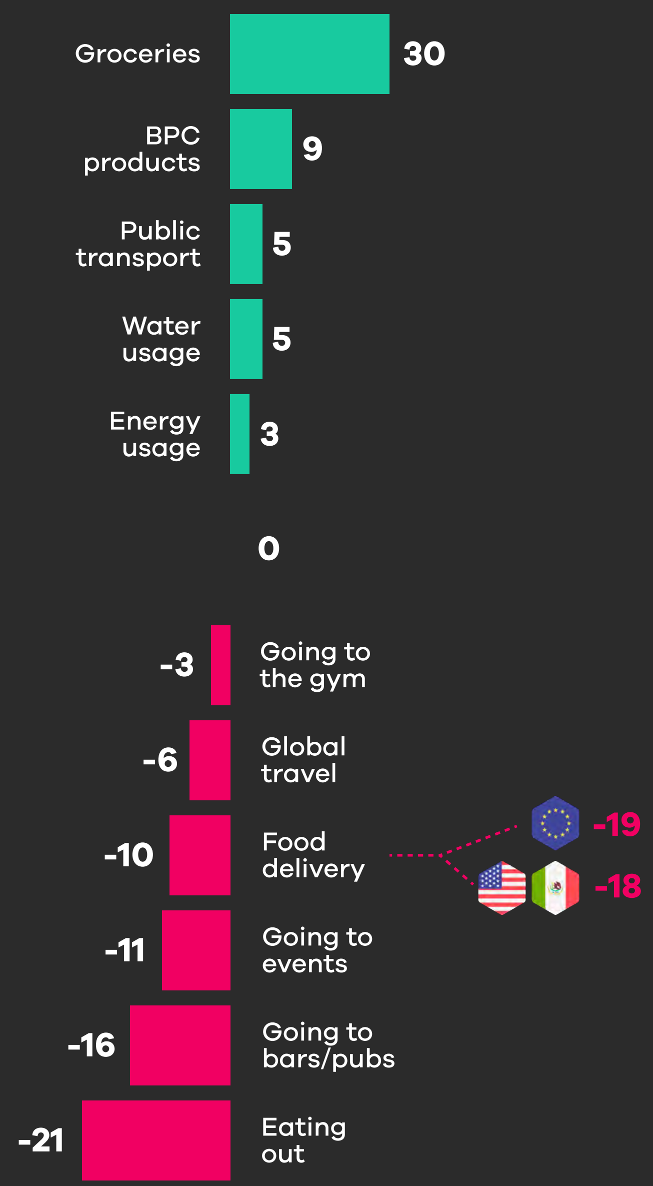
[2] *Inflation and recession fears are squeezing some industries more than others, CNBC, 19 June 2022*

The ‘lipstick effect’

These thriving categories are an example of the ‘lipstick effect’. This concept states that consumers will still spend money on small indulgences during recessions. Although they don't have enough to spend on big-ticket luxury items, many still find the cash for purchases of small luxury items, such as premium lipstick, to make them feel good without breaking the bank.

For this reason, companies that benefit from the ‘lipstick effect’ tend to be resilient, even during economic downturns. By giving consumers a way to treat themselves and forget about their financial problems for a small period of time, these categories help consumers justify the spend.

Our share of wallet index
(what people are spending more or less on)



*Index calculated as the proportion who are spending more or the same on a category minus those who are spending less. Sample: 7,813.

Which categories have the 'lipstick effect'?

Groceries take the top spot on our share of wallet index right now (30), followed by the beauty and personal care category (9). Such a large gap suggests that a notable proportion of consumers' money is being spent on food right now.

This is unsurprising, as the monthly food price index from the UN's Food and Agriculture Organisation (FAO), which tracks prices of globally-traded food commodities, reported an increase of 12.6% earlier this year, reaching the highest level since its inception in 1990[3].

12.6%
increase in price of globally-traded food

[3]Why is inflation so high and will it stay that way? An economist explains, WeForum, May 12 2022

In contrast, eating out at restaurants or cafes and going to bars or pubs has the lowest share of wallet at the moment. The top reason for reduced spending on eating out is because it's considered 'expensive', whereas going to bars or pubs is considered 'unessential' and 'not a priority'. However, eating out at restaurants or cafes rose from -31 in May to -18 in July and going to bars and pubs rose from -19 to -12 in the same time period, suggesting a slow and steady comeback.

Index calculated as the proportion who are buying more or the same of a certain category minus those who are buying less. Sample: 7,813

On our category purchase index, the food and beverage categories have seen the most notable uptake during the cost of living crisis. On the flipside, BPC and alcohol categories have taken a hit[3].

However, it's far from black and white. There's nuance within each of these categories and each has its winners and losers. Let's dive in to understand where consumers are cutting or prioritising spend in these categories and why.

Beauty and personal care

According to NielsenIQ, the beauty and personal care industry is dealing with a 10% average unit price increase every year, with makeup, facial skincare and haircare taking the lead[4].

Across our four CPG categories, for example, consumers have noticed the biggest price increase in hair products and this has risen rapidly on our price perception index from -1 in May to 15 in July.

Hair care rose to +15
on our price perception index in July

[4]2022 state of the beauty industry, NielsenIQ, February 09 2022

Beauty brands that are known for their affordable ranges are also increasing their prices to offset some of the rising costs. For example, E.L.F. released this statement on their Instagram page earlier this year: "As we face a world of rising costs, prices on many of our products will increase. Most products impacted will increase in price by $1, while prices on some of your favourites will remain the same."

But how are these shifts impacting consumer spend? Personal hygiene is performing particularly well, as it's considered 'essential' and many consumers are stockpiling these products to try and mitigate the risk of further price increases. Skincare is also maintaining a steal on spend, whereas beauty has seen a notable drop on our product purchase index.

Why are consumers buying more skincare products, but less makeup? Well, the top reasons for increased skincare purchases are similar to the drivers of personal hygiene products. Consumers consider skincare to be 'essential', they're stockpiling or bulk-buying it, and they're investing in it to improve their skin health.

"Because I'm taking more care of my body and skin using specific products that bring me benefits."
Female, 54, BR

"I've been buying more skincare products because I have taken my skin appearance more seriously."
Female, 21, US

“Because it's stuff that's not really needed right now I have more important things that I need to focus on buying.”
Male, 36, US

On the flip side, the top reasons why consumers are buying less makeup or beauty products are because they feel they ‘don’t need it’, because they consider it to be ‘unessential’, and because they’re trying to ‘save money’.

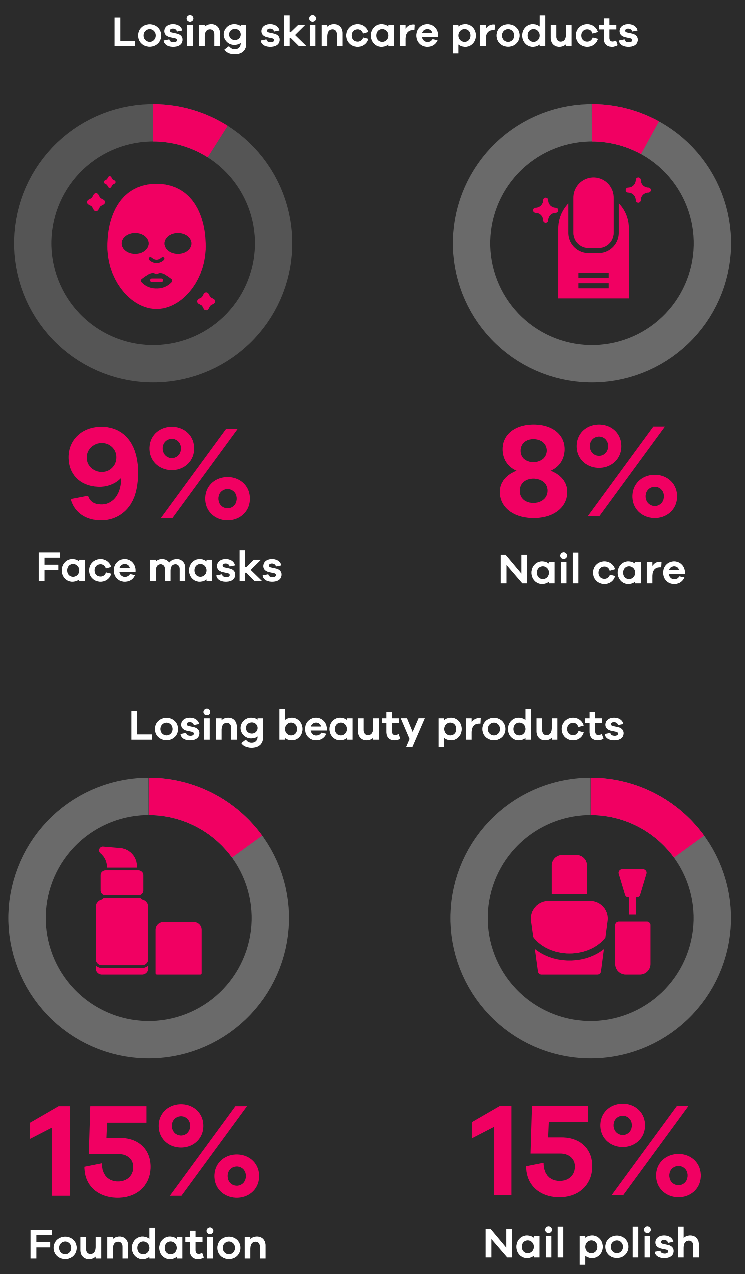
Let’s take a look into each of these subcategories to see what products consumers are cutting or prioritising and what’s driving their choices.

“I'm trying to spend less on clothes, I haven't been saving as much since I'm not home very much, and I rarely wear makeup anymore to save money.”
Female, 21, US

The winners in skincare and beauty

We asked our bees which products they've chosen to spend more on in the last three months. The skincare products consumers are prioritising right now are facial moisturiser (15%) and body moisturiser (15%). The top reason for increased purchases of moisturiser is 'switching to a more premium brand', which suggests many are trading up to higher-quality products, rather than simply buying more.

Within beauty, the winning products are lipstick/lipgloss (16%) and foundation (15%). Stockpiling is one of the top reasons for increased purchases of both of these products, which suggests that, in contrast to skincare, the increased spend here is down to buying more, rather than buying 'better'.



The losers in skincare and beauty

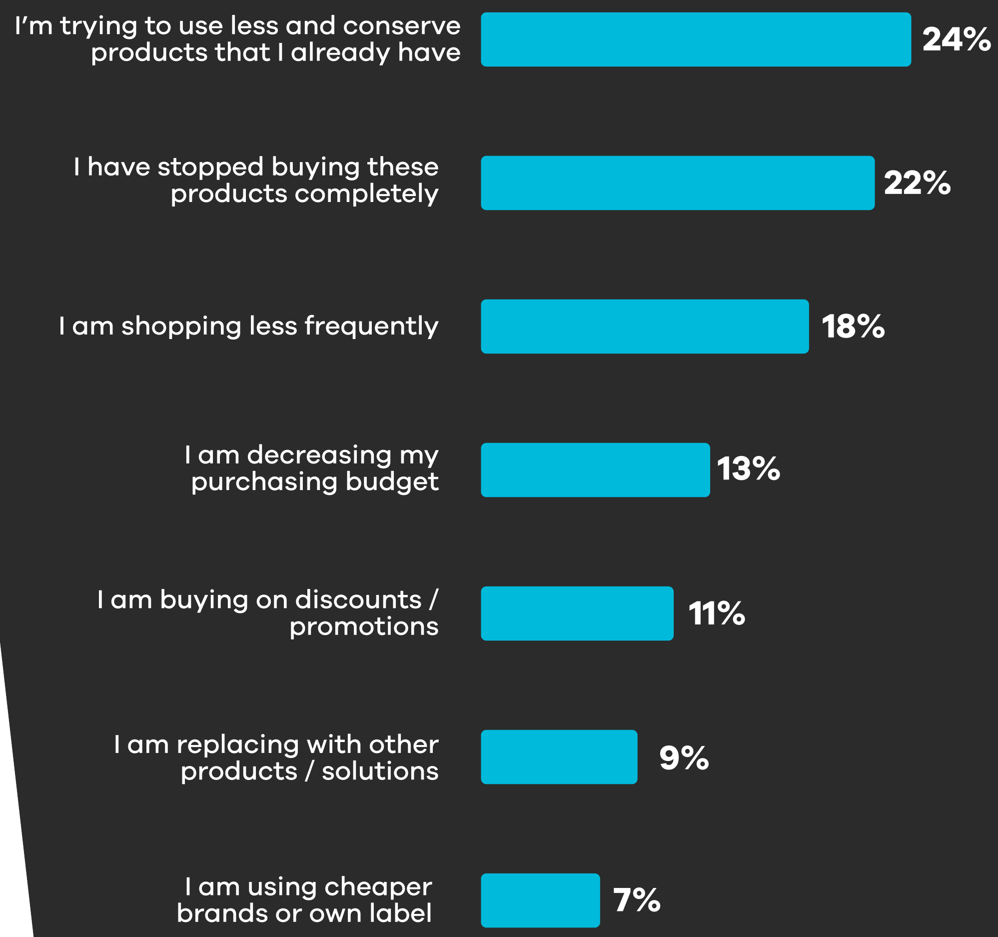
We also asked our bees which products they've chosen to limit or spend less on in the last three months. The losing products in skincare are face masks (9%) and nail care (8%). Unlike beauty, where consumers are likely to conserve or replace products, consumers are more likely to stop buying these skincare products altogether.

Interestingly, the losing product in beauty is foundation (15%), along with nail polish (15%). The fact that foundation is one of the top beauty products consumers have chosen to spend more on and is also one of the top beauty products consumers have chosen to spend less on shows a real divide between those who consider it to be 'essential' and those who consider it 'cuttable'.

The top reason for reduced beauty purchases is conserving existing products. However, consumers are also trading down from foundation to other beauty products, including concealer, powder, and tinted moisturiser. When it comes to beauty, consumers will trade-off the product before they trade-down on the brand, as 'using a cheaper alternative' sits low at 7%. This suggests that the reduced spend is down to reduced purchases, rather than cheaper purchases.

7%
of consumers are using a cheaper brand

How are you cutting your spend on this beauty product?



445 SAMPLE SIZE Global

What should beauty brands do?

Beauty brands should leverage the performance of skincare products

'I'm using more multi-use products' is one of the top reasons some consumers are spending more on beauty products. Look to leverage this by incorporating skincare benefits into your products. Not only will this provide better value for money, it will help you drive the perception of your products as a 'must-have' as skincare is more likely to be considered 'essential' than beauty.

SPF would be a great way to break into this category, as the proportion of our bees in the US who looked for makeup with SPF protection jumped from 43% in 2021 to 61% in 2022. Consider introducing SPF lipsticks or face mists to provide protective touch-ups throughout the day.

Brand spotlight: 'it's just a pigment of your imagination'

Kate Somerville offers a no-fuss SPF 50 face spray that instantly sets makeup, reduces shine and provides a matte finish for a soft-focus effect. The SPF 50 protects skin from the sun, while the spray blurs imperfections and keeps makeup in place.

Brand spotlight:
'keep your skin up'

Paula's Choice launched a simple guide to help consumers understand which skincare products are essential for them and their specific skin concerns. The brand has also created skincare sets, containing all of the 'essentials' consumers need in one place.

What should skincare brands do?

Skincare brands should lean into the 'it's essential' purchase driver

'It's essential' is one of the top drivers for increased expenditure across all categories, not just skincare. Essentials are clearly an important factor for consumers right now and should be a key area of focus.

Consider leaning into this through your communications by demonstrating the benefits of your products and what makes them a 'must-have' for your audience. Look at leveraging PR and online influencers too, as a way of mitigating any concerns about the quality of your product and removing the perceived risk of a purchase.

Food and snacks

In May 2020, food prices fell to their lowest levels in four years, partly due to the pandemic. However, since then, the FAO's Food Price Index has gone up by 55.2% and the Baltic Dry Index—an indicator of freight prices—has risen by nearly 400%.

As food prices continue to surge, those at the lower end of the income ladder are being hit the hardest. Low-income households typically spend a higher share of their income on food items and tend to spend more on the food types that have risen most in price, including staple foods like bread and cereal[5].

Back in May, our data showed that consumers were buying more fresh groceries than long-life groceries, despite noticing a higher increase in the price. One of the top drivers for this was that fresh groceries are considered essential for health.

However, the tables have now turned and consumers are buying more long-life groceries than fresh groceries. Stockpiling is the biggest reason for this, which demonstrates that consumers are really starting to feel the pressures of inflation and we're starting to see this pandemic behaviour return.

But which groceries and snacks are consumers prioritising right now? Let's dive into fresh groceries, long-life groceries and snacks to find out.

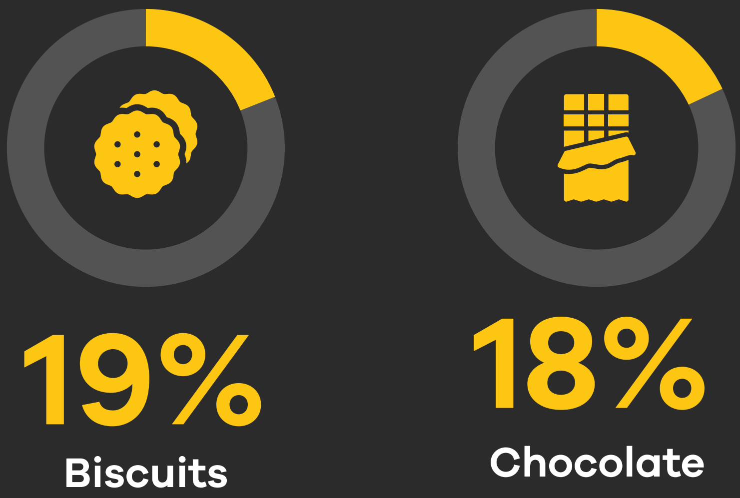
[5] *Sizzling food prices are leading to global heartburn, Deloitte, May 31 2022*

The winners in food and snacks

Within fresh groceries, the winning products are fresh fruit (46%) and fresh vegetables (39%). Consumers are spending more on fresh fruit and vegetables, because they're buying these products more frequently. Another reason for increased spend which is consistent across the two products is larger pack sizes. Not only are consumers buying these items more often, they're also buying more of them through larger packs.

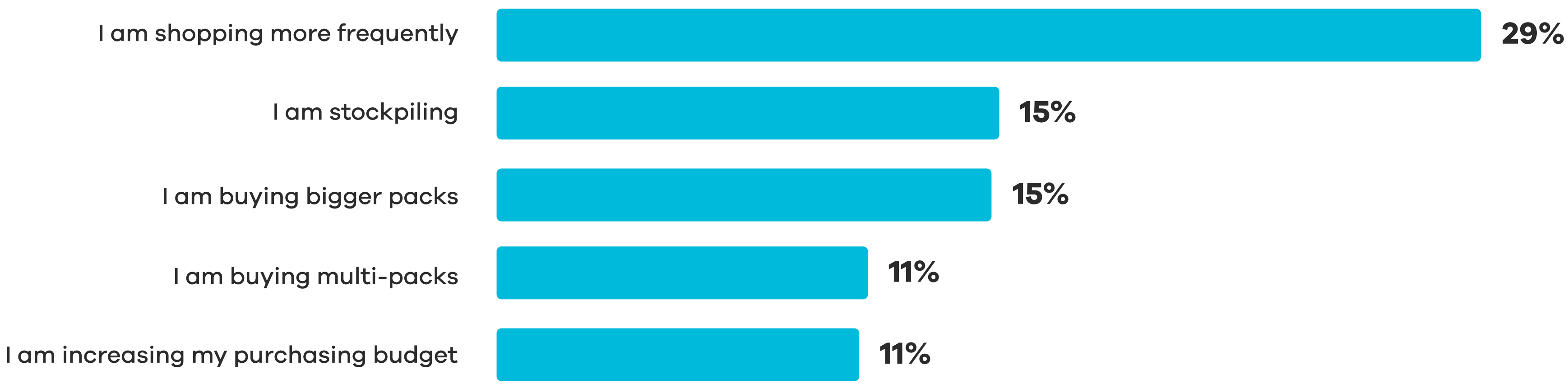
When it comes to long-lasting groceries, the winning products are pasta (20%) and rice (18%). Stockpiling is the top reason for this and similarly to fresh groceries, pack size is a consistent driver across both of these products, as consumers are opting to buy larger packs to get better value for money.

Winning snacks



When it comes to snacks, the majority of consumers are spending the same on these products. Among those who are spending more, the winning products are biscuits (19%) and chocolate (18%). Shopping for these products more frequently is the top reason for this, followed by buying bigger packs and multi-packs.

Why are you choosing to spend more on this snack product?



4,660 SAMPLE SIZE Global

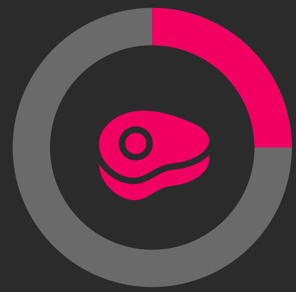
The losers in food and snacks

The losing products in the fresh groceries category are meat (25%) and fish (23%). Interestingly, the top reason for this is that consumers are trying to consume these products less.

Consumers are also more likely to opt for promotions or offers when it comes to meat. Whereas for fish, consumers are more likely to trade-down to cheaper brands.

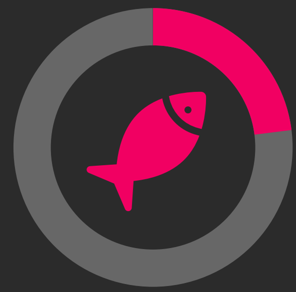
When it comes to long-lasting groceries, the majority of consumers are either spending the same or more on these products. In fact, 49% of consumers are choosing not to cut costs on long-lasting groceries, despite the rising costs.

Losing fresh groceries



25%

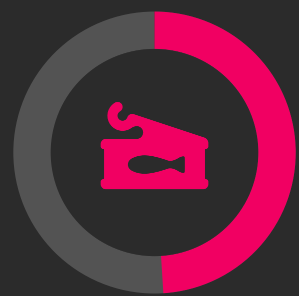
Meat



23%

Fish

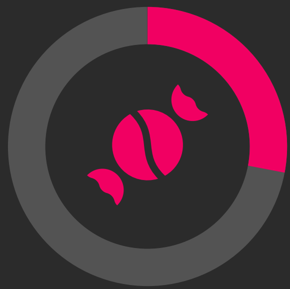
Losing long-lasting groceries



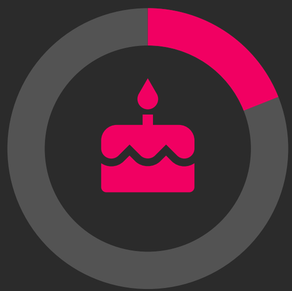
49%

of consumers are not choosing to cut costs on long-lasting groceries

Losing snacks



28%
Candy



19%
Cake / pastries

The losing snacks are candy (28%) and cakes/pastries (19%). The top reason for this is that consumers are trying to eat less of these products and many have stopped buying these products altogether. The fact that sweet snacks are in both the top and bottom tiers demonstrates that sweet snacks are being affected more by the rising cost of living. Savoury snacks on the other hand are in a more stable position. Crisps, for example, have seen a smaller shift in purchasing behaviour, with 14% spending more on crisps and 10% spending less.

It's possible this divide is a result of the 'lipstick effect' as sweet snacks tend to have a stronger connection to indulgence, which could be driving the increased purchases. However, sweet snacks are also considered by many to be more unhealthy than savoury snacks, which could be the reason for reduced purchases.

What should food brands do?

Food brands should explore pack size options to provide greater value for money

One of the top ways consumers are spending more on food products right now is through larger pack sizes. Across fresh groceries, long-life groceries and snacks, consumers are opting to purchase larger packs and multi-packs to get more 'bang for their buck', as these often represent greater value for money than buying multiple single-size packs.

This presents an opportunity for your brand to increase costs by offering larger packs of your products. This will also improve volume efficiency by providing greater value through existing products, rather than introducing new products to the shelf.

Brand spotlight:
'that's the feast of my worries'

Snackcidents has introduced a limited edition multi-pack offer of 8 cookie dough mini-tubs for £26, representing a cost saving of nearly 50%. The brand is encouraging consumers to 'go big to save even more dough (£)' with tubs that can be frozen for up to 6 months.

Brand spotlight: 'keep your skin up'

Ben & Jerry's have turned a fan-favourite ice cream into a more affordable bite-sized treat, offering consumers a small indulgence for a small price. These miniature bites feature vanilla ice cream with nuggets of soft cookie dough in the middle and a chocolate crumb coating.

What should snack brands do?

Snack brands should lean into the 'affordable luxury' driver through communications

While many consumers are cutting back, others are keeping money aside for small indulgences. Fuelled by a desire to 'make up for lost time' after two years of restrictions, consumers are treating themselves to non-essential items. This is the foundation of the 'lipstick effect'.

These items offer 'affordable indulgence' - a way to make consumers feel great without breaking the bank. Use this opportunity to create an indulgent snack experience with an accessible price point and champion the 'little luxury' angle in your messaging.

Beverages and alcohol

The beverage industry is also suffering from rising unit costs and many of the key players are struggling to alleviate the pressure. For example, although Fever-Tree has pricing power as a popular brand, it's already selling as a premium product, leaving less wiggle-room to increase prices. Elsewhere, Britvic is still in recovery mode, having been heavily affected by the COVID lockdowns, which froze its ability to trade via the on-trade and out-of-home channels[6].

In Euromonitor International's Voice of the Industry: Non-Alcoholic Drinks Survey earlier this year, 60% of beverage brands indicated that they intended to accept lower profit margins during the cost of living crisis, while 18% said they would reduce the number of products or services they offered in response to inflation[7].

[6] *How soft drinks brands can tackle inflation, The Grocer, March 31 2022*

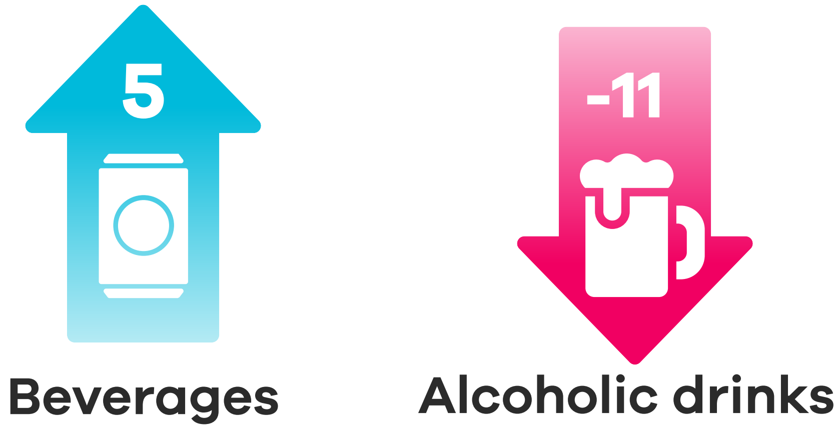
[7] *How is the Soft Drinks Industry Responding to the Challenges of Inflation?, Euromonitor, May 27 2022*

However, despite these growing pressures, non-alcoholic drinks are performing well on our product purchase index and after groceries, this is the top category consumers are choosing to spend more on right now.

In contrast, the alcohol category has been hit hardest by spending cuts and sits at the very bottom of our product purchase index. Among those buying less alcohol, the top reasons are that they perceive alcohol as a 'luxurious' and 'unhealthy' expenditure and something that they simply 'don't need'.

Other than 'I don't need it', the other top reasons for purchasing less alcohol are 'it's not essential' and 'saving money'. 'Spending more time at home', which was a key driver of reduced alcohol purchases during COVID, only accounts for a very small proportion, which suggests that consumers are going out and about, but are opting to consume less alcohol when doing so.

Let's look into this to understand which beverages and alcoholic drinks have been most affected by the cost of living crisis.



"I wanted to reduce my consumption of alcoholic beverages, so I chose to reduce my purchases of this type of thing. It's also very expensive and I'm not able to pay for this luxury."

Female, 55, BR

The winners in beverages and alcohol

The winning fresh beverages are fresh milk (35%) and fresh fruit or vegetable juice (29%). Fresh milk is considered ‘essential’, while fresh juice hits the ‘affordable luxury’ angle as it’s considered by many as a ‘healthy treat’. These beverages are also multi-use, providing greater value for money. For example, milk can be consumed alone, can be added to hot drinks like tea or coffee and can be used in cooking.

The winning long-life beverages are bottled water (27%), coffee (19%) and CSDs (19%). Similarly to the fresh beverages, bottled water is considered ‘essential’, while coffee and CSDs are considered to be ‘affordable luxuries’. However, we’ve seen some shifts since May. Bottled water, for example, fell from 30% in May to 27% in July, while coffee rose from 17% to 22% in the same time period.

* CSDs = Carbonated Soft Drinks

Winning alcoholic drinks

27%
Beer / ale / lager

8%
Red wine

8%
Low / no alcohol

The winning alcoholic drinks are beer/ale/lager (27%), red wine (8%) and low/no alternatives (8%). It's no surprise to see low/no alcohol alternatives here, as the market for this is booming. In fact, UK sales of low/no alcoholic beers have almost doubled in the last 5 years[8].

UK sales of low/no alcoholic beers have almost **doubled in the last 5 years**

[8]*UK Sales Of Low-Alcohol And No-Alcohol Beers Almost Double In 5 Years, The Financial Times, June 6 2022*

The losers in beverages and alcohol

The losing fresh beverages are fresh smoothies (17%) and fresh dairy alternatives (14%). Consumers are opting to cut these products out completely, unlike fresh milk and fresh juices, where they're more likely to switch brands before making cuts.

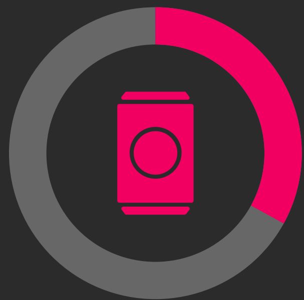
The losing long-life beverages are CSDs (33%) and coffee (17%). These two products are the top long-life beverages consumers have chosen to spend more on and the top long-life beverages consumers have chosen to spend less on, which shows a real divide between those who see them as an 'affordable luxury' and those who see them as an 'unhealthy expenditure'.

Losing fresh beverages

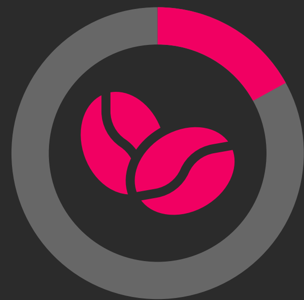
17%
Fresh smoothies

14%
Fresh dairy alternatives

Losing long-life beverages



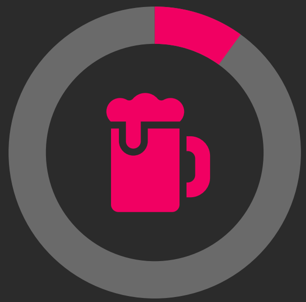
33%
CSDs



17%
Coffee

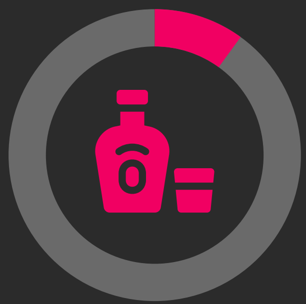
** CSDs = Carbonated Soft Drinks*

Losing alcoholic drinks



10%

Beer / ale / lager



10%

Liquers

These are also the two long-life beverages with the lowest brand loyalty, as 27% have changed or are planning to change the brand of CSD they buy in the next three months, while 22% have or are planning to do the same for coffee.

The losing alcoholic drinks are beer/ale/lager (10%) and liqueurs (10%). Beer/ale/lager is another example of a product sitting in both the top and bottom tier, showing polarisation between those who are prioritising or cutting it.

A consistent reason for reduced spending on these items is that consumers are simply trying to use less. However, consumers are more likely to completely cut out alcoholic beverages, like liqueurs and spirits, than beer. When it comes to beer, they're more likely to shop for it less frequently, as opposed to cutting it out completely.

What should beverage brands do?

Give consumers more ‘bang for their buck’ with added wellness benefits

With ‘value’ being so closely matched to ‘quality’ as a key driver across all categories at the moment, consumers will increasingly look to multifunctional products that offer more ‘bang for their buck’.

Provide more in terms of holistic health and wellness by innovating with mood-boosting ingredients, like vitamin B6 or serotonin, or exploring health-enhancing ingredients, like minerals, fatty acids or probiotics.

Brand spotlight: ‘find your inner tranquili-tea’

Innocent has launched an Innocent Plus range, which features fruit & vegetable juice infusions with added vitamins. For example, the Bolt from the Blue juice features added vitamins B1, B2, B3 & B6, which contribute to normal yielding metabolism, and vitamin C, which can help reduce tiredness and fatigue.

Brand spotlight:
'can you ima-gin that'

Crossip offers a taster collection, which features its three non-alcoholic beverages in small 'taster' bottles to mitigate any concerns about paying for a big bottle and not enjoying it. The collection allows consumers to try the beverage for half the price of a full size bottle.

What should alcohol brands do?

Lean into loss aversion through samples and guarantees

In times of uncertainty, consumers are looking for reassurance and reduced risks to minimise any personal loss. Consider reducing the perceived risk of purchasing your product by guaranteeing quality in your communications or by offering samples or small tester bottles through your purchase channels.

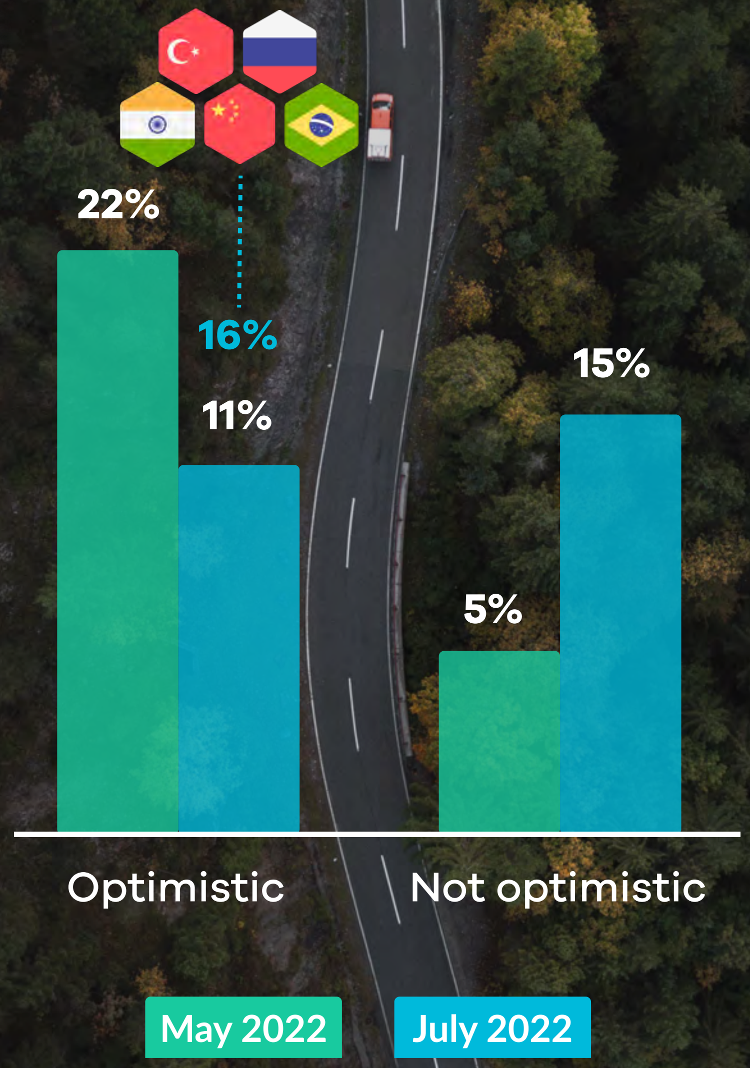
For example, explore cocktail bundles by offering free cocktail ingredients with a bottle of your alcohol, or create a miniature range of your products for a reduced price.

Conclusion
Looking forward

Optimism among consumers is waning. Back in May, more than 1 in 5 consumers (22%) felt optimistic about the future. However, this fell to around 1 in 10 in July (11%). On the flip side, the proportion of people who do not feel optimistic rose from 5% to 15% in the same time period. It's clear that consumers are really starting to feel the effects of inflation, which is dampening their outlook.

However, this sentiment is unlikely to last. Although optimism is low right now, things are looking up for 2023. According to the EU Commission, we're at the very bottom of the curve, as annual average inflation is projected to peak at historical highs for the EU in 2022 (8.3%). However, it's expected to ease in 2023 to 4.6%[9].

[9]European Economic Forecast - Summer 2022, European Commission, July 14 2022



So how can you win during the cost of living crisis?

Brand levers

While you might not be able to improve consumer outlook, you can improve the outlook of your brand by learning from the top-performing categories and utilising these three levers:

Value

Improve volume efficiency by providing greater value in existing products through multi-functionality and pack size.

Essential

Consumers are less averse to price increases when they consider the product to be 'essential'. Lean into this through your communications.

Affordable indulgence

Trigger the 'lipstick effect' by offering consumers small indulgences that won't break the bank.

However, you must take note of regional differences when deciding on your strategy moving forward. Just as every category has its nuances, so do each of the regions.

EU

This region has the highest proportion of consumers who say their cost of living has increased. As a result, optimism is lowest in this region and inflation is the biggest concern facing these consumers. This region is the most likely to actively search for promotions or offers to deal with rising costs.

BRIC+

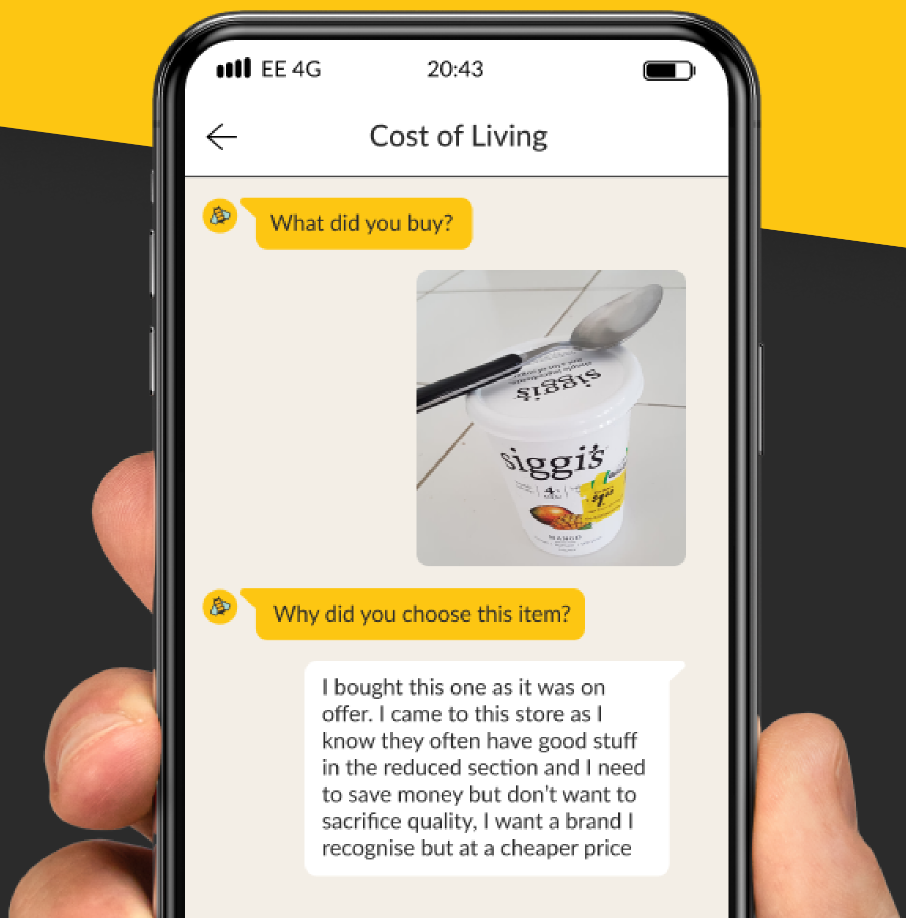
A lower proportion of consumers say their cost of living has increased here. As a result, optimism is highest in this region and when it comes to concerns, employment is more prominent than inflation. This region is the most likely to make cuts to their purchasing budget to deal with rising costs.

US & MX

A high proportion of consumers say their cost of living has increased here, and this region has the lowest levels of personal savings. However, there's an even split between those who are optimistic and those who aren't. This region is more likely to trade between brands before trading between stores.

Streetbees Spotlight -

Introducing Streetbees' Cost of Living Monitor



Remain close and relevant to your consumers with Streetbees' Cost of Living Monitor

Discover the impact on your brand and category with in-the-moment intelligence

Understand coping mechanisms in consumers' own words

Build a winning strategy with dynamic segmentation across all consumers

FIND OUT MORE