



WINNING IN THE REBOUND

What brands need to know to win
with Britain's post-Covid consumers

COLLABORATIVE

Insight . Ideas . Inspiration

February 2021

INTRODUCTION

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History teaches us that how the nation responds to a period of major disruption and catastrophe can be extreme. After the twin ravages of World War One and Spanish flu of 1918/19, the Roaring 20s were a period of hedonism and decadence, as the economy recovered and people rushed to enjoy themselves in the relative novelty of peacetime. Historians believe that a large driver of this exuberance was the fear or expectation that another period of disruption and war was only a short time away.

In contrast, after World War 2, rationing was maintained up until the summer of 1954, by which point the economy had recovered and the nation had enjoyed more than seven years of peace. However, the end of rationing didn't lead to a sudden shift towards mass consumption and decadence; although the means existed to do so, the rationing mindset had become heavily institutionalised.

We don't know which type of rebound we'll see in 2021, and it will of course not be a sudden transformation. But we can have a degree of confidence in predicting that both behaviours will be prevalent. We'll see a section of society adopting a Roaring 20s response, but also another section that has been deeply psychologically impacted by the pandemic and the behaviours of lockdown, and these people will take longer to resume normal consumer behaviour.

For those adopting Roaring 20s behaviour, the risk for brands is missing out on the opportunity to maximise the share of their spend in 2021. For those going down a more 1950s mindset, the risk is in wasting precious marketing investment on an audience that isn't ready to spend and may respond negatively to a "boom" mentality.

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Against this backdrop, we sought to map the varied impact of the pandemic, and identify the indicators that will ensure our client brands are much more attuned to the mood and mindset of their consumers if they are to win in this new rebound landscape.

Our key learning is that we cannot predict who these people are simply by looking at whether they have been financial "beneficiaries" of 2020 or have suffered major reductions in their income. CEBR estimates give us an indication of the additional funds that consumers have accumulated:

"The average household will save £7,100 in 2020 (including investments and pensions). Multiplying by the total number of households in the UK gives total savings of £197 billion over the whole year.

The £197 billion question, therefore, is what will households do with this money that they have accumulated when restrictions ease?"

Dec 2020
CEBR UK economic report

But equally valid statistics show that just because you've got the extra money doesn't mean you're psychologically ready to splash the cash.

"29% of British people [who typically travel abroad on holiday] said that they are not planning on travelling at all in the next year."

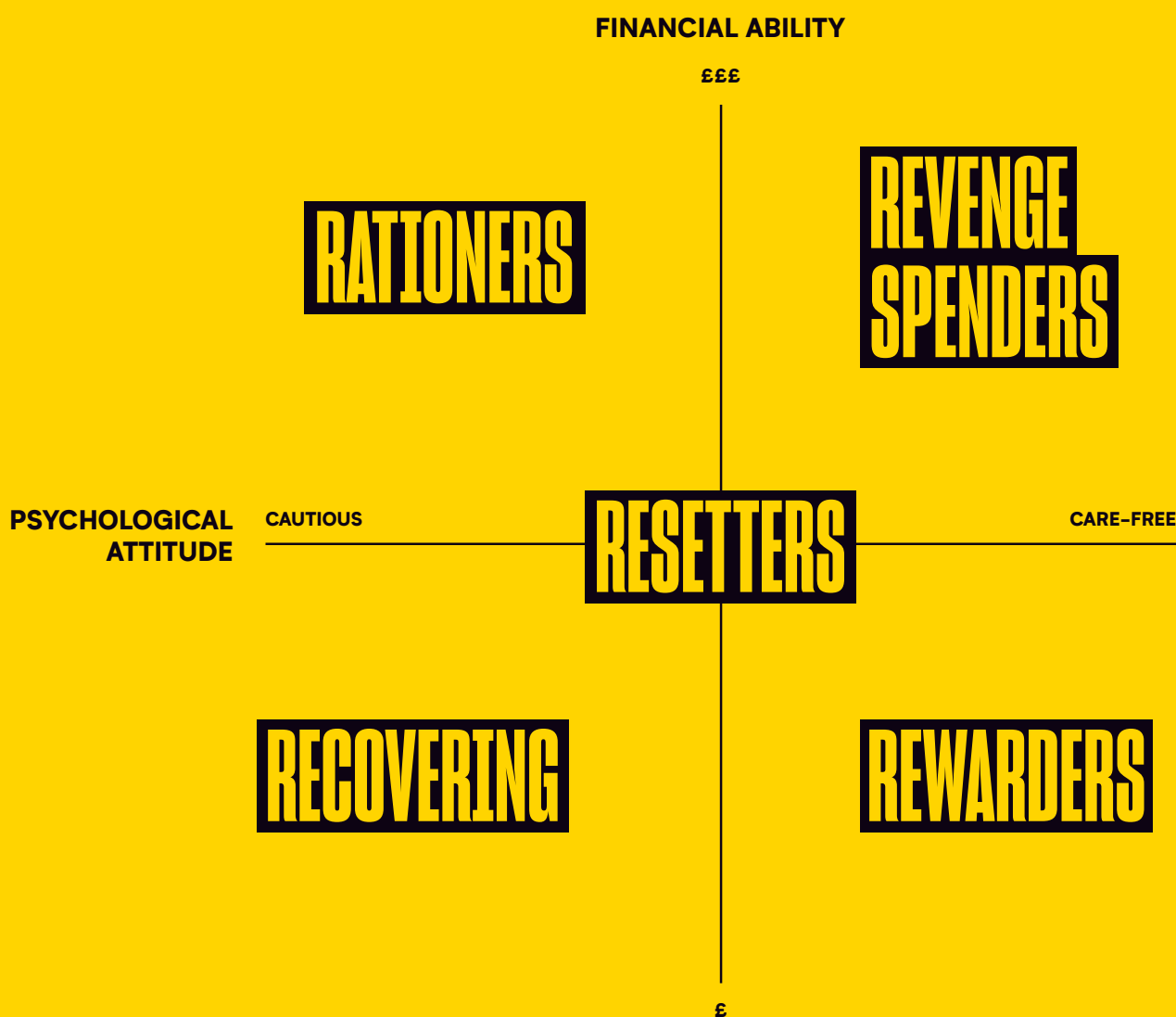
Dec 2020
YouGov Survey

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So how do you navigate this minefield? Well, this is where we believe that the brands that understand these different segments of the market can have an excellent 2021 and lay the groundwork for 2022.

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We've identified 5 distinct segments with the potential to display markedly different behaviours in 2021. Our findings indicate that psychology will be of equal importance as financial circumstance in predicting the spending behaviour of each segment.



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We used qualitative learnings and desk research to build our hypothesis and, using TGI 2020 analysis, VCCP Media was able to quantify and profile each audience segment, revealing the extent to which the more cautious or ethical Rationer/Resetter mindset might end up as the more dominant long term consumer behaviour over the more spendthrift Rewarders and Revenge Spenders.

Sizing our segments enabled us to understand that whilst 7.7m Revenge Spenders may feel ready to spend, spend, spend, 13.8m Rationers will want to move forward with caution and a sizeable 13.2m adults in the UK are feeling Recovering.

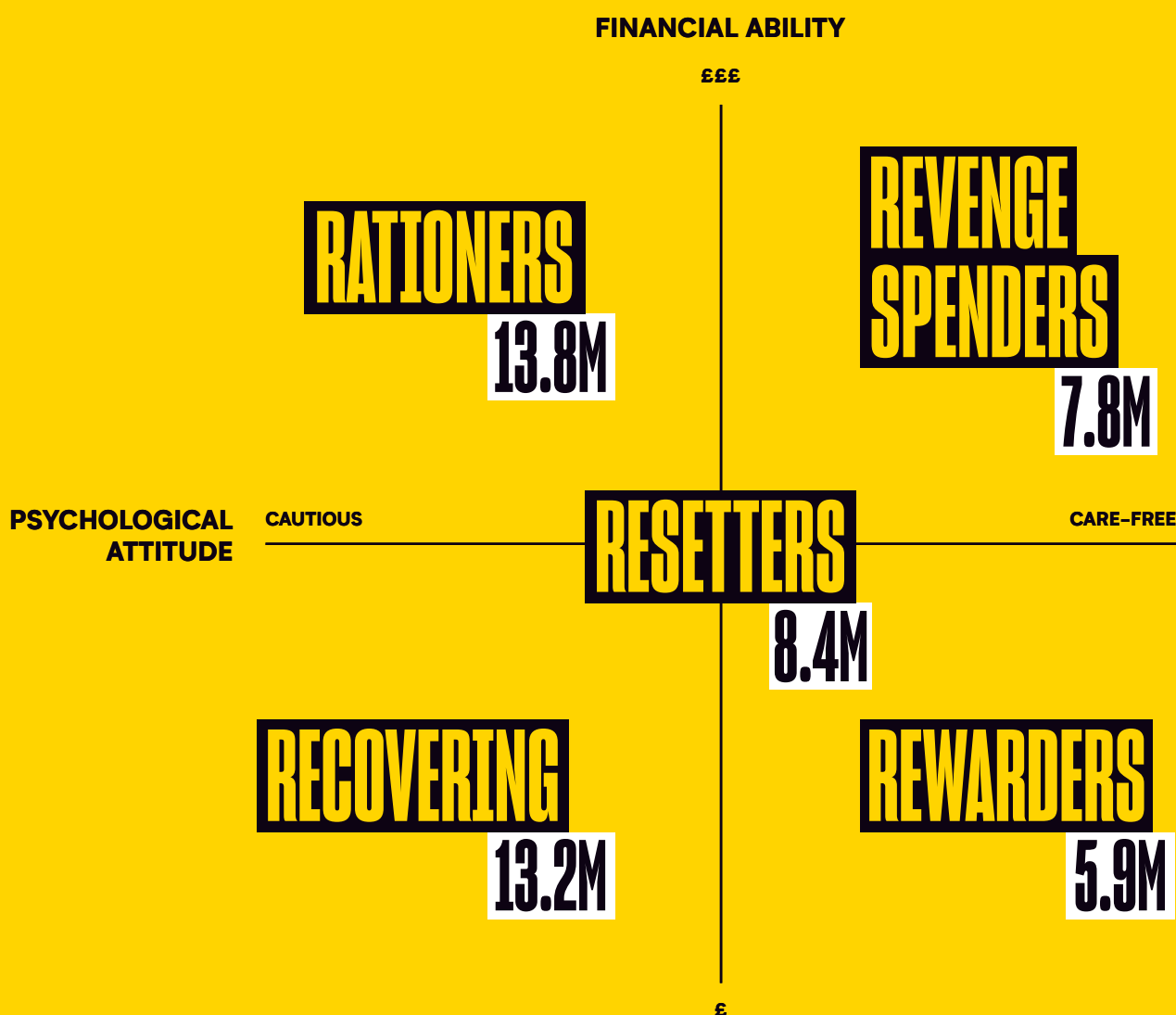
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This group represents a segment of society that has potentially doubled or even tripled in volume as a consequence of the impact of Covid-19. It is disproportionately populated by women and young adults, but also those across all age groups who have experienced loss of employment for the first time in their lives. Whilst it is easy to assume that this group is only of interest to the public sector or charitable organisations, we firmly

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believe that there is a critical role for brands in helping this segment to recover as quickly as possible.

This pandemic has only accelerated expectations that today's brands play a positive, tangible role in society, and segments such as the Resetters and the Rationers are highly likely to reward those that are demonstrably providing useful support to the Recovering.





MEET THE SEGMENTS

REVENGE SPENDERS

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This is the group that obviously seems the most attractive.

The Revenge Spender with lots of spare cash, chomping at the bit to make up for a lost year by doubling down in 2021. Several factors affect them, all are equally important:

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Financial / Employment Situation

- Cancelled big ticket spend in 2020
- Reduced expenditure throughout year
- Holds high performing equity investments
- Stable employment / business during pandemic
- Unexpected surplus by end of year

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Lifestage / Personal experience of Covid

- Older children / kids at uni
- Empty nester
- No significant health impacts from Covid
- Personal fitness is important
- Not perceived as vulnerable

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Brand needs

- Release
- Escape
- Indulgence
- Unique "bucket list" experiences

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Mindset

- Time to make up for lost year
- Moral reward for a tough 2020
- What if we have another pandemic
- You only have one life



**16% OF
UK ADULTS**

ARE REVENGE
SPENDERS

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Revenge Spenders don't offer all upside for brands. In the same way Zoom's share price plunged on the day the first vaccine was announced, there are brands who have done well in the lockdown that could well be unappealing in the post-pandemic era, simply because we want to get away from the activities we associate with this unhappy and restricted time. So our Revenge Spenders are likely to divert their spend away from pandemic beneficiaries such as Amazon and food delivery companies as they beef up their travel plans, go to the theatre, seek out live music and build up that new working wardrobe.

In the short term our 7.7m Revenge Spenders may provide rich pickings for brands offering experiences, indulgence and escape. However, we will be monitoring this group closely as we settle into a new reality, the urge to escape lockdown weakens and they have spent their financial surplus. Chances are that they will move on to new brands and new experiences.

RESETTERS

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Resetters, on the other hand, will take a considerably less hedonistic approach to the post-pandemic era. The disruption forced upon our day to day lives has triggered a very different psychological response to that of the Revenge Spender.

Resetters may have already had an existing predisposition to “reset” their behaviour prior to 2020, and the pandemic has simply accelerated and scaled up their intentions to effect a major reset of their previous consumer behaviours and attitudes. Pre-Covid Resetters often felt that the 9-5 society and traditional habits prevented them from living a life that helped to address over-consumption, pollution driven by commuting, stress on family life and our overarching lack of care for the future of our planet.

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Financial / Employment Situation

- Cancelled big ticket spend in 2020 – travel, festivals, car, moving home
- Reduced expenditure throughout year
- In employment / own business – very likely to have been furloughed

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Brand needs

- Responsibility
- Authenticity
- Facilitating positive experiences
- Enabling sustainable lifestyles

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Lifestage / Personal experience of Covid

- Spans all lifestages – focus on pre-family, young family and active empty nesters
- Impacted by Covid – poor uni experience, home schooling / working / caring for older family in isolation
- Covid serves as moment to take stock

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Mindset

- Purpose → Accelerated
- Time to act
- Putting values first
- Reduce airline travel
- Mindful shopping
- Adapt work / life balance
- Shift away from cities



**18% OF
UK ADULTS
ARE RESETTERS**

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Multiple lockdowns have enabled this segment to identify areas where they can improve work / life balance, save money and put in place purpose-led behaviours such as growing their own food, reducing travel and more local shopping.

A reset driven by environmental considerations may mean that airlines lose audiences that had never previously questioned air travel (esp for business) or had time to look at alternatives. Another trend, that of more responsible, localised purchasing, may see some of the more mainstream FMCG brands suffer amongst this segment. This applies in sectors where local options exist in plentiful numbers such as craft beers vs Heineken or Stella Artois, independent food delivery vs supermarket ready meals or facilities for charging electric cars.

We would however exercise a note of caution in this area. There is a high degree of wishful thinking in some of these trends, supported by media articles about the explosion of demand for, say, organic food box delivery. These numbers are still miniscule in relative scale terms, and the continuing increase in share of wallet captured by almost all the Big 6 supermarkets would arguably tend to contradict this phenomenon. In addition, as we get back to the reality of working out of home we may lose our ability to bake fresh bread or cycle everywhere. However, we have identified 8.4m Britons with a Resetter mindset and there is no doubt that this audience will make buying decisions based on brand purpose and impact on the planet. They will look also to employers to help them maintain lifestyle changes.

RATIONERS

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Whilst Revenge Spenders and Resettlers will be aiming to exit lockdown 3 with a new approach to life, our **Rationers** will be taking a much more “steady as we go” approach.

Rationers make up over a quarter of adults in the UK, they are comfortable with their standard of living and will have a surplus of savings post pandemic. However, this older audience has been here before – they have experienced recessions, are still very aware of 2008 and the austerity era that followed. They are conscious that money being spent on furlough and supporting the UK economy will have to be “paid-back” at some time in the future.

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Financial / Employment Situation

- May have experienced job insecurity for the first time – manufacturing, engineering and public service sectors
- Reduced expenditure throughout year
- Unexpected accumulated surplus by end of 2020
- Remain in full time employment in 2021 or moving toward retirement

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Brand needs

- Reassurance, simplicity and ease (an antidote to complexity of my life)
- Spend on needs not wants
- Reliable value for money (a justifiable, non-frivolous purchase)
- Affordable everyday treats
- Responsible and supportive to me during pandemic
- Helping re-build Britain

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Lifestage / Personal experience of Covid

- The sandwich generation – family, sizeable mortgage and family care obligations
- Families heavily affected by lockdown (eg furlough, homeschooling, mental health issues)
- Experience of close family / friends suffering from Covid
- Closely followed government guidelines throughout pandemic
- Remain cautious post-vaccine

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Mindset

- Cautious – Mindful of austerity / future lockdowns
- Government spending on Covid will need to be “paid back”
- Staycations are safer and re-invest in the economy
- Middle-England focus on supporting the NHS, community and the less well-off



**28% OF
UK ADULTS
ARE RATIONERS**

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Geographically and psychologically our Rationers are very much “Middle-England”, they want the government to focus on supporting our NHS, re-building post Covid and post Brexit Britain and they will also look to brands to reflect this. Rationers are busy with work and family, throughout Covid they have been managing older parents or empty nesters may be supporting their married children via child care or home schooling. They are stringent about following government guidelines and will want to see brands retaining a responsible approach to safety and community.

REWARDERS

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One group that clearly demonstrates that lack of money is no indicator of lack of desire to spend are the **Rewarders**, 5.9m adults who may not have much money to spend but will do what they can post lockdown to make life as enjoyable as possible.

They are looking forward to having family around, bbq's in the garden and a return to social society in the pub or bingo hall.

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Financial / Employment Situation

- More likely to be retired, unemployed or working part-time
- Reduced expenditure throughout year
- Increased debt / took payment holidays in 2020
- Unstable employment / business during pandemic
- May have had to continue working outside home during lockdown

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Brand needs

- Release
- Reward
- Buy now. Pay later
- Enabling positive moments / family fun

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Lifestage / Personal experience of Covid

- 45+, older family
- Frustrated by restrictions of lockdown but enjoyed family time and "weathered" the storm
- Believe that lockdown was too draconian
- No significant health impacts from Covid although will know of older fatalities

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Mindset

- Time to make up for lost year
- Moral reward for a tough 2020
- The usual rules don't apply this year (finance / affordability)
- You only have one life



**12% OF
UK ADULTS
ARE REWARDERS**

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Rewarders are life's optimists. They seek out everyday treats, they know that life is tough but they focus on small rewards and the pleasure in family and friends. They often look to brands like lottery and online gaming for escapism and may stretch themselves to taking holidays in the UK during 2021 in order to reward the family for getting through lockdown. However, they may also have taken on debt in 2020 so will be alert to buy now, pay later messages or staggered payment systems. For many FMCG brands this audience offers opportunities as they use their weekly grocery shop to incorporate treats into their lives.

RECOVERING

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1 in 4 UK adults will emerge from lockdown 3 in the Recovering segment. This group already existed pre-lockdown and consisted of long term unemployed, low paid, part-time employed and those with long term illness.

However, this segment has grown during the pandemic to include those people made redundant from the hospitality sector, service sectors and retail. This group of 13.2m includes 7.5m women – many are struggling mums who have lost part-time work. Also included are school leavers who feel that they face an uncertain future. Our findings are matched by the FCA's recently published Financial Resilience report which identified a 38% increase in financial vulnerability across this sector of society.

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Financial / Employment Situation

- Already unemployed or loss of stable income due to pandemic impact
- Forced to increase essential household expenditure throughout year
- Unable to secure stable employment in 2021
- Reliant on debt / family support to an unprecedented level

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Brand needs

- Reassurance
- Trusted on value
- Affordable treat
- Affordable escapism
- Sympathetic to those struggling due to pandemic impact
- Enabling Recovering audiences to reconnect and re-build

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Lifestage / Personal experience of Covid

- Young adult to empty nester. Female bias – 7.5m women in this group
- Live in regions heavily impacted by Covid
- Major mental health impact due to additional burden of care and insecurity of income
- Pandemic has not increased tech skills

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Mindset

- Embattled
- Living on a week by week basis
- High levels of anxiety and exhaustion
- Desperate for restoration of stability in personal life and at macro level
- Potential to rebound (slowly)

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**26% OF
UK ADULTS
ARE RECOVERING**

This group of 13m adults is our hidden Britain. They have suffered physically and mentally from Covid within their families and communities. They have grave concerns about the future and are feeling embattled at present. However, our Recovering segment is not a lost cause, our post Covid and post Brexit world offers an opportunity for the government and brands to reassess how we build a future that offers maximum benefit to all.

We must remember that brand purpose does not just relate to environmental credentials and creating craft beers, it also means brands contributing to communities, creating employment, connecting to education and seeking ways to address long term challenges. Our Recovering segment has potential to rebound, it will just be slower, but may be more important, than the spend and splurge rebound of our Revenge Spenders.

CONCLUSION

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As life slowly gets back to normal in 21/22, brands will have to navigate a much more complex consumer psychology; shaped not only by economics but also by the emotional impact the pandemic has had on them.

That might mean a brand has to rethink the tools and channels it uses to listen to its customers — to ensure subtleties are not lost. Social listening might become more important, whilst segmentations based on gross economics offer less useful outputs.

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And finally, this segmentation reflects a very particular point in time. We will be using our internal weekly trackers to listen to each group and monitor for emerging trends or behavioural shifts. Now, more than ever, we will need to be agile, our ears will be close to the ground and we stay close to consumers on the journey out of lockdown.

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In messaging, brands might have to look for new, psychological and emotional contexts to use as targeting cues (we've been thinking about this a lot so get in touch if interested to hear more).

And most importantly, the ways brands present themselves may need to tread a fine line, sensitive to the situation of the Recovering and the bunker mentality of Rationers, whilst benefiting from the Roaring 20s exuberance of Revenge Spenders.

For current VCCP clients we have created category maps to understand where opportunities lie and where some brands who benefitted in lockdown may see losses if their consumer communications do not reflect changing sentiment and behaviour. If you are interested in looking at your particular category, do get in touch.

METHODOLOGY

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Collaborative at VCCP brings together our planning minds on a regular basis to share insights and discuss the communications challenges facing our clients. Throughout 2020 we digested reports from CEBR, YouGov, WARC, FCA amongst many others. We felt that UK consumers were experiencing a unique set of circumstances but being evaluated via traditional methods. Our own qualitative work and social listening was

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picking up psychological shifts from many consumers and we felt there was a schism emerging which would affect post-Covid behaviours.

Fortunately Kantar's TGI incorporated COVID statements into its quarterly survey of 25,000 adults in March 2020 and this enabled us to test our hypotheses. For the segments included in this report we used TGI GB Q4 2020 with 24,000 people surveyed for this survey, proportionately representing the UK population. The groups were split using binary statements on the state of their finances, their thoughts on Coronavirus and their feelings about the future among other demographic and lifestyle factors. There is no overlap between these groups.

**FOR MORE INFORMATION OR DETAILED
SEGMENT ANALYSIS PLEASE CONTACT US AT:
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ABOUT COLLABORATIVE

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Collaborative is VCCP's insight platform, showcasing the collaborative thinking of its strategists from across the VCCP Partnership which include specialists in media, communications and experience design.

Winning in The Rebound is a collaborative research project undertaken by VCCP and VCCP Media.

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