

How to accelerate in a recession

.....
Data-backed facts retailers need to know
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Based on findings from a survey commissioned by YouGov on behalf of Visualsoft.
October 2022





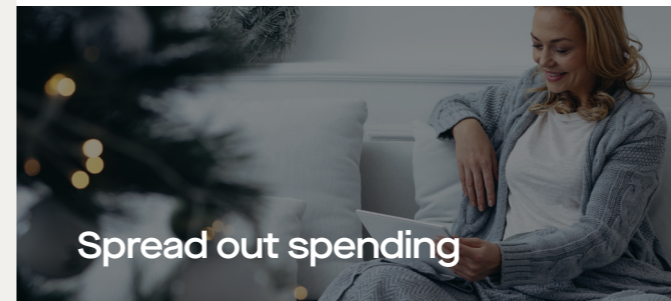
Build your data-driven recession strategy

With the current economic downturn expected to last until 2024, it's a challenging time for retailers as many shoppers are spending less on non-essential items.

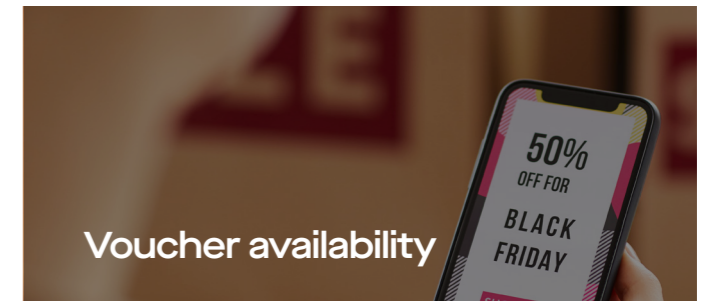
From previous recessions, we know that customers change their shopping habits as well as their budgets, so we recently surveyed over 2,000 UK consumers to help merchants meet evolving customer needs and expectations.

By highlighting updated preferences and concerns from thousands of shoppers, our findings provide real-world insights and reveal how retailers can secure market share amid financial uncertainty. Using our extensive eCommerce expertise, we've also made key recommendations in response to the results to help retailers successfully navigate their way through this difficult period, and win a larger customer base when the economy recovers.

Let's dive in →



Spread out spending



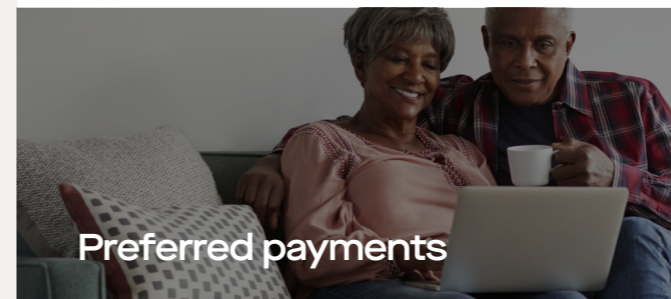
Voucher availability



Tightened budgets



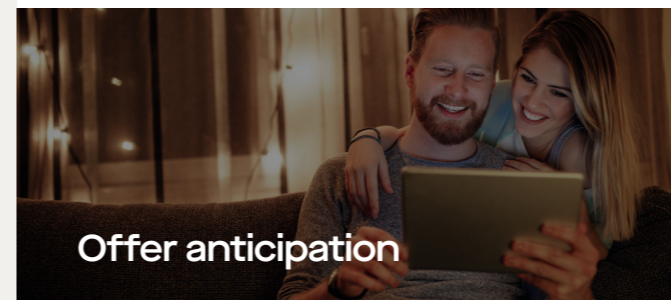
Visible value



Preferred payments



Recognised loyalty



Offer anticipation



Rewarded referrals



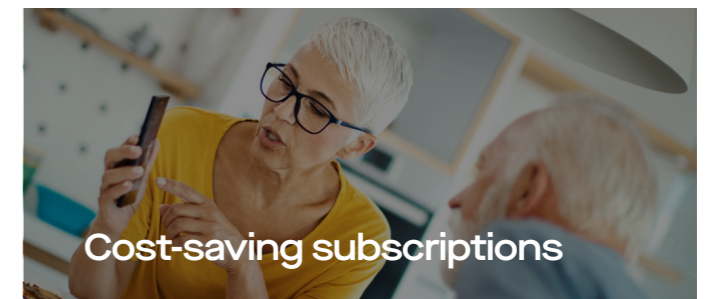
Clear returns



Brand familiarity



Diverse delivery



Cost-saving subscriptions

The people behind the numbers

To get a clearer understanding of what impact the cost of living increases are going to have on consumer shopping habits, we commissioned YouGov to survey 2,000 shoppers across the UK.

Consumers at a glance

✓ **Gender:** Male: 48%
Female: 52%

✓ **Location:**

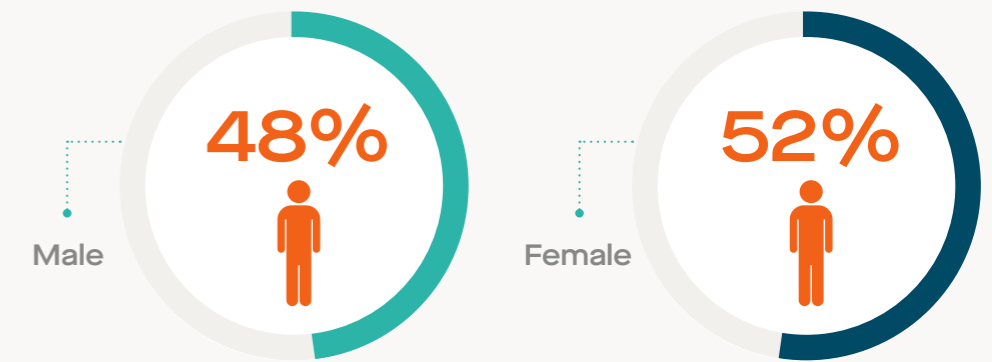
North East:	3%
North West:	11%
Yorkshire and the Humber:	9%
East Midlands:	8%
West Midlands:	8%
East of England:	9%
London:	13%
South East:	13%
South West:	9%
Wales, Scotland and Northern Ireland:	17%

✓ **Gross personal income:**

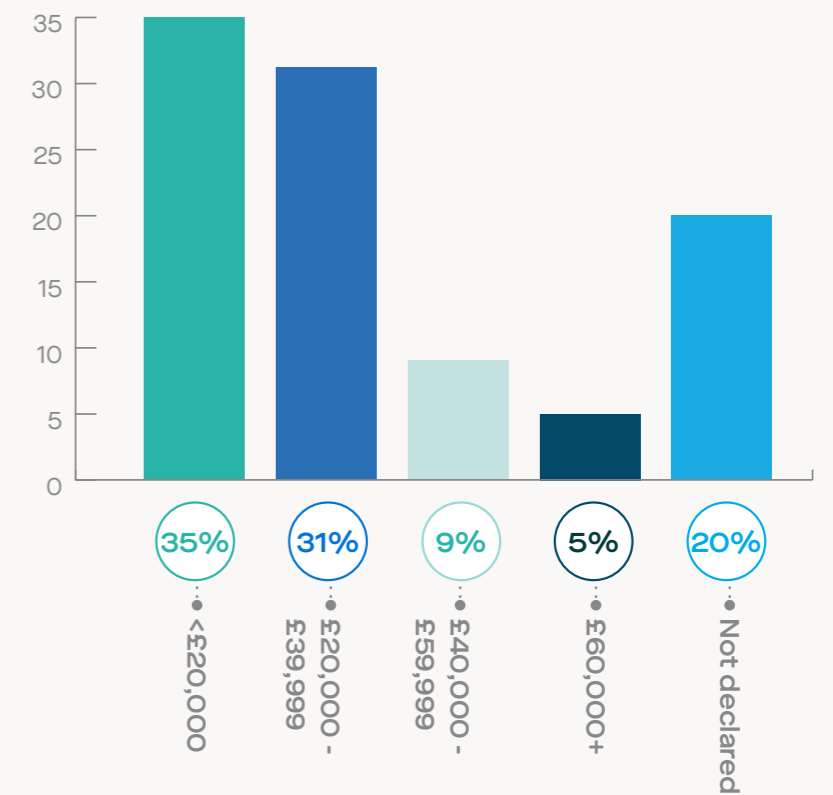
<£20,000:	35%
£20,000 - £39,999:	31%
£40,000 - £59,999:	9%
£60,000+:	5%
Not declared:	20%



Gender



Gross personal income





Tightened budgets

How consumers spend money changes during a recession, with shoppers more focused on bargains, budgets, and lower-cost alternatives to activities such as holidays or eating out.

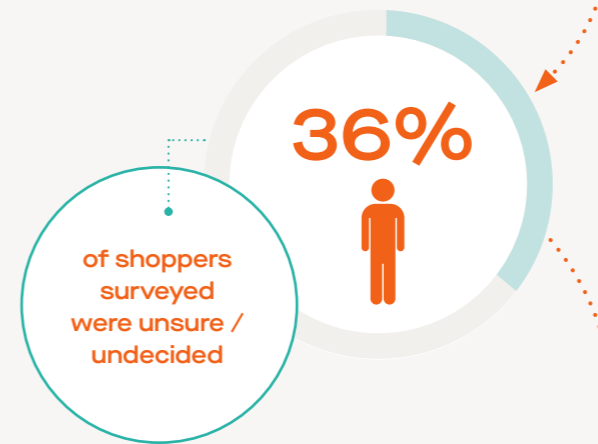
Historically, the consumption of services has often fallen faster than the consumption of goods, however, to get an idea of planned spending, we asked shoppers how their habits may change in response to the current economic climate. We found that **51% of shoppers intend to either spend less or place fewer orders**, with just **13%** stating that they're aiming to spend more.

Around **36%** of respondents were unsure whether their spending will increase or decrease, which is reflective of the level of uncertainty surrounding cost of living rises.

Although at first glance this may seem like a largely negative forecast for online retail, an alternative way to view these results is that **49% of shoppers haven't yet committed to reduced spending**, presenting a strong opportunity for merchants.



How will shopping habits change in the current economic climate?



Retailers top tips

Maximise opportunities

Focus on ways to increase the average order value on your store by introducing product bundles, up-selling, cross-selling, and rewards for spending thresholds.

Increase value perception

As most shoppers will be largely focused on making savings, ensure that you highlight offers and discounts, and emphasise any other ways that your products add value (e.g. as an alternative to higher-cost items).



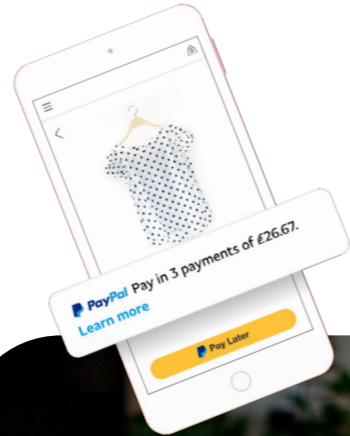


Preferred payments

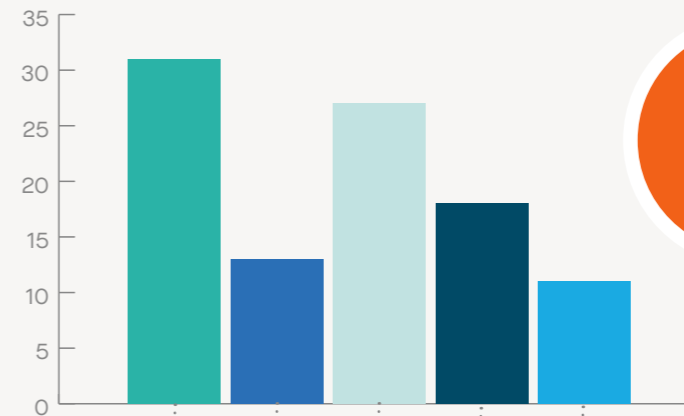
Research shows that the vast majority of online shoppers will abandon a purchasing journey if they're presented with insufficient payment options at the checkout, so retailers must understand customers' preferences.

Amid increasing financial constraints, it's also possible that some shoppers will be looking for alternative payment methods to help spread or delay costs, so we asked UK consumers to get a clearer picture of their expectations.

Our findings show that 31% of shoppers intend to stick to using a debit card for online purchases as the cost of living increases, and around 13% plan on paying via Apple Pay or Google Pay. Over half are expecting to rely on methods of delayed payment, as almost 27% confirmed that they'll use credit cards, around 18% stated that they'll make purchases via split payment options, and 11% indicated a preference for buy now, pay later options.



What payment methods are shoppers most likely to use when purchasing online?



Retailer top tips

Offer multiple payment options

For a stronger checkout conversion rate, we recommend that merchants offer more than a standard debit / credit card option wherever possible, and partner with a payment gateway provider that supports multiple payment methods.

Maximise convenience

With many respondents planning on using wallet payment options such as Apple Pay or Google Pay, providing payment efficiency is also a priority.





Offer anticipation

Today's shoppers are a lot more savvy when it comes to savings, and many are aware of the key dates and periods when retailers are more likely to apply discounts, but does that mean they hold off purchases in anticipation of upcoming offers?

To find out, we asked shoppers if they're more likely to delay an online purchase when faced with the cost of living increases. Unsurprisingly, **63% of consumers confirmed that they'll wait to see if items may be discounted before completing an order.** 27% believe that they wouldn't hold off on purchases, and the remaining 10% were unsure.

This means that businesses may need to work harder to encourage consumers to purchase at the point of interest rather than abandon sales in the hope of future offers.



Are shoppers more likely to delay an online purchase in order to wait to see if the product become discounted during peak sales?



Retailer top tips

Streamline the journey

Making it as easy as possible for customers to place an order, you can encourage them to complete their purchases immediately, rather than wait for potential discounts. Ensure that your purchasing journey - particularly the checkout process - is frictionless.

Leverage scarcity

Letting customers know if certain products are only available for a limited period, are low in stock, or selling out fast can convince them to place orders sooner rather than later.

Utilise remarketing

Where customers have engaged with your site but left without making a purchase, ensure that you have measures in place to attract them back to your store, such as targeted ads or a basket recovery system.



Clear returns

Returns policies have been a contentious issue within the eCommerce industry in more recent years, particularly for fashion and footwear brands that tend to experience high return volumes. With many online retailers looking to cut costs and reduce spending over the next year, charging customers to return goods is becoming a standard practice, and at present, it's unclear how this might impact conversions.

To gauge the importance of returns policies, we asked shoppers if they're now more likely to research an online store's returns policy before making a purchase. 54% of consumers confirmed that they intend to check returns policies before they buy, 34% felt that the cost of living rise won't increase the likelihood of them reading over returns policies in advance, and 12% were undecided.

This indicates that consumers' purchases are becoming much more considered, with shoppers concerned about making costly mistakes.



Are shoppers more likely to research returns policies before making a purchase online?



Retailer top tips

54% of shoppers

confirmed that they intend to check returns policies before they buy



34% of shoppers

felt that the cost of living rise won't increase the likelihood of them reading over returns policies in advance



12% of shoppers

were unsure / undecided



Diverse delivery

Insufficient delivery options are one of the leading causes of basket abandonment, with many shoppers looking for speed, convenience, and value. ★★

To understand the current delivery priorities in today's economic climate, we asked consumers which delivery option they'd choose above all others when shopping online, and the results reflect a focus on reduced spending. Over 6 in 10 consumers indicated that they'd rather pay for a service that took longer but cost less, which is in stark contrast to delivery expectations during the pandemic, where speed trumped savings.

Despite the majority of respondents suggesting that they'll happily wait longer for delivery in return for lower costs, 6% still want named / next-day delivery, while 22% of shoppers expressed a preference for an annual delivery subscription, and 10% had other delivery requirements. This very much highlights the need for diverse delivery options, giving customers the level of choice they want and need.



Which delivery option would shoppers choose when shopping online?

Over 6 in 10 of shoppers expressed that they'd rather pay for a service that took longer but cost less



The need for diverse delivery options



Retailer top tips

Offer varied options

It's widely recommended that retailers should offer multiple delivery services to accommodate varied requirements, as studies show that the majority of shoppers will switch to a rival store if their preferred delivery method isn't available. Relying on multiple delivery providers can also reduce your risk too, particularly during periods of peak shopping or industrial action.





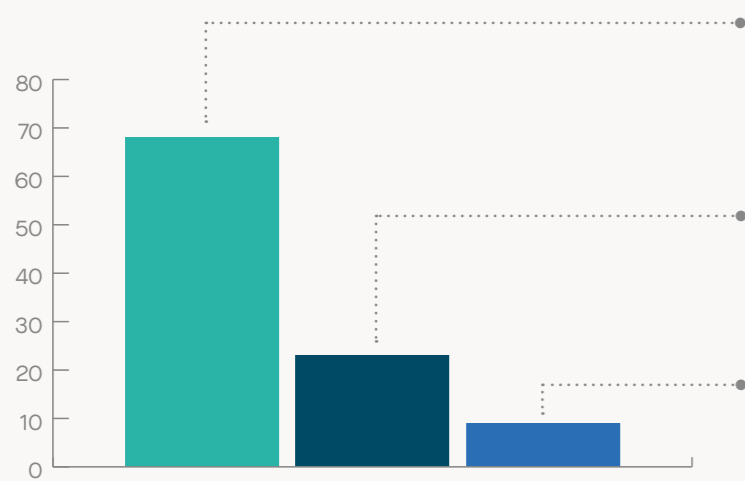
Voucher availability

Discount codes have played a significant role in the growing success of eCommerce, and some studies show that customers will spend more when using a voucher if they feel that they're getting a good deal.

Voucher appeal is also fairly universal in terms of customer demographics. Although women aged between 25-34 are slightly more likely to make use of them, generally they're attractive to almost every type of shopper.

To identify just how important vouchers may be during a period of financial uncertainty, we asked shoppers how the cost of living increase will impact their use. **68% of consumers confirmed that they're currently more likely to look for voucher codes when making online purchases**, while just **23%** disagreed and **9%** were unsure.

 **2,000** shoppers surveyed



68% of shoppers are more likely to look for voucher codes when making an online purchase

23% of shoppers are less likely to look for vouchers codes when shopping online

9% of shoppers felt unsure whether they'd look for a voucher code before purchasing online



Are shoppers more likely to look for voucher codes when making an online purchase?



Retailer top tips

Utilise voucher sites

With over 2 in 3 consumers looking for discounts when making online purchases, having a presence on voucher sites may be critical to avoid losing hard-earned consumers to a competitor.

Implement alternatives

For retailers who prefer not to rely on voucher codes, look at highlighting alternative incentives on your store - such as competitions and loyalty schemes - that remove the desire for customers to leave and search for codes.





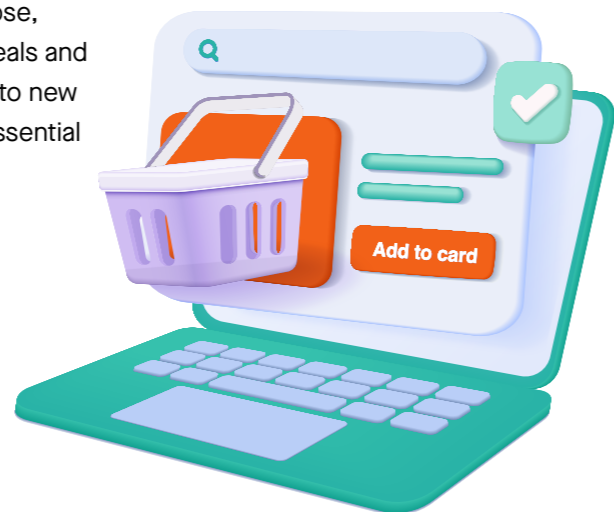
Visible value

Online shopping enables customers to make purchases at any time, from any location, in just a few clicks. While this level of speed and convenience remains to be a huge factor in the rise of eCommerce, shoppers may shift their priorities during a challenging economic climate.

To get a firmer idea of whether time-saving or cost-saving measures will help to drive purchases in the coming months, we asked shoppers if they feel that as the cost of living increases, they're likely to spend more time shopping to find the best value.

The results show that value will be a major factor, as 71% of consumers agreed with the statement, while a minority of 20% of shoppers disagreed, and 9% were undecided.

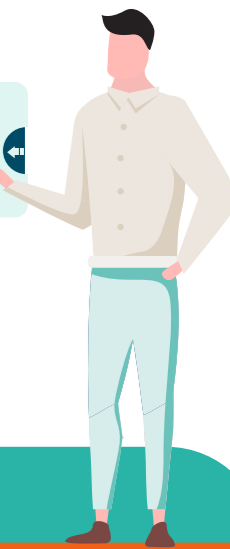
Offering competitive pricing alongside attractive offers and discounts will be a key tactic for many retailers, however, where margins are very tight, you may wish to provide value in other ways such as product bundling, free shipping, or product exclusivity. Whatever strategy you choose, ensuring that your offers, deals and discounts are highly visible to new and existing customers is essential to increasing conversions.



Are shoppers likely to spend more time shopping to find the best value?



SPECIAL Offer
* UPTO 50% *



Retailer top tips

Abandoned basket emails

Most shoppers are unlikely to place an order the first time they visit an online store, especially when bargain hunting, which is why a basket recovery system can be a highly effective eCommerce tool. By automatically emailing discount codes to shoppers who add items to their basket but fail to complete the checkout process, you can persuade them to return and purchase the items they've shown an interest in.

Exit intent pop-ups

Designed to keep customers on your store, exit intent pop-ups are only displayed to shoppers when it appears they're about to leave without making a purchase. By ensuring that the pop-up includes a personalised message and offer to entice a user to stay on site (e.g. Don't go yet - use the code XMAS to save 15% off your first order) you can reduce bounce rates and increase conversions.



Recognised loyalty

It's generally much more cost-effective to retain customers than acquire new ones, making shopper loyalty schemes a mainstay within the retail industry. As well as ensuring that customers feel valued, if properly utilised they can also help you to gather actionable insights and encourage customers to make repeat purchases on your store.

To understand just how much impact customer reward systems are likely to have during a recession, we asked customers whether they're more likely to purchase from a website that has a loyalty scheme, and the results were mixed. While 46% of surveyed shoppers confirmed that rewards can persuade them to place an order, 36% disagreed, and 18% were unsure.

This shows that although loyalty schemes can influence almost half of all shoppers, 54% aren't completely convinced, which suggests that schemes may need further refinement to appeal to an even wider number of potential customers.



46% of shoppers confirmed that rewards can persuade them to place an order



36% of shoppers are not persuaded to purchase by loyalty schemes



18% of shoppers were unsure / undecided

Are shoppers more likely to purchase from a website that has a loyalty scheme?



Retailer top tips

Introduce rewards

If you're yet to implement a loyalty scheme on your store, it may prove prudent to do so at a time when shoppers are looking for further value from their purchases. Keep in mind that there isn't a one-size-fits-all solution - any rewards you offer should be tailored specifically to your store, your customers, and how they shop.

Review and revise

For retailers with a loyalty program already in place, ensure that it's meeting its objectives. Look at how customers are making use of the scheme, measure its impact on your business, gather customer feedback where possible, and assess whether it's offering the right type of rewards at the right times to encourage repeat purchases.

Think bigger

Loyalty rewards don't always need to be monetary, as certain groups of customers may respond well to alternative offers and bonuses such as early access to sales, previews of upcoming collections, invites to customer events, and exclusive products.





Rewarded referrals

Although word-of-mouth is one of the oldest marketing methods, it continues to be incredibly effective as shoppers are hard-wired to trust the opinions of others when it comes to making purchases. With that in mind, many online retailers offer rewards to customers if they recommend their store to friends and family, but is this approach still appealing to shoppers in the current climate?



To find out how referral schemes are currently perceived, we asked shoppers **if they're more likely to refer a friend in exchange for a reward as the cost of living increases**. The results were mixed - **38% of shoppers agreed that they'll be more likely to make referrals**, however over half of the respondents were unconvinced, and either felt that they wouldn't refer people (**46%**) or that they were unsure (**16%**).

This shows that while there is still value in referral programs, they're unlikely to influence the majority of people, which means retailers may need to rethink their approach.



Are shoppers more likely to refer a friend in exchange for a reward?



Retailer top tips



Refine effort vs reward

Referral schemes aren't solely designed to attract new customers, they should also encourage loyalty from your existing ones, so carefully consider whether you're offering the right level of reward for what you're asking for in return.



Build brand advocacy

Some studies show that referred customers can be the most valuable ones, so ensure you have multiple methods in place that enable your existing customers to promote, highlight or recommend your store to others. This can include referral schemes, as well as loyalty programmes and review systems.





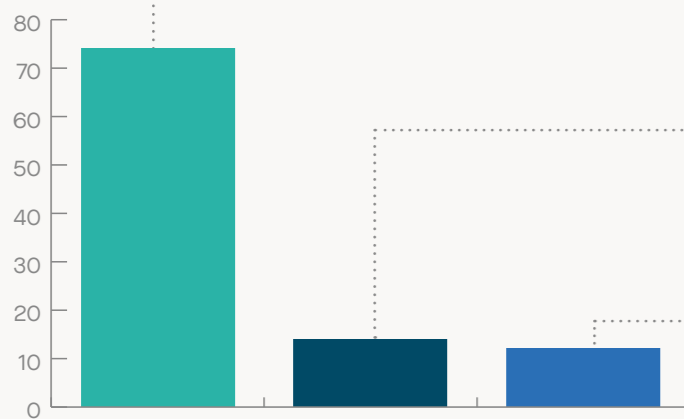
Brand familiarity

Shoppers prefer to buy from brands that they know and trust, even if they don't necessarily offer the lowest prices, but will that change in the face of financial constraints?

We asked UK shoppers to find out, and almost 3 out of 4 consumers indicated that brand familiarity is key. **74% of customers are more likely to purchase from a brand they've previously placed an order with** as the cost of living increases, while just **14%** stated that this isn't the case and **12%** were unsure.

This means that in the coming months it may be very challenging for you as a retailer to win over new shoppers who aren't already aware of your business, however, your current customer base is more likely to return to your store and help to maintain your market share when the economy recovers.

 **2,000** shoppers surveyed



74%

of shoppers are more likely to purchase from a brand they've previously placed an order with

14%

of shoppers are not loyal to brands they've previously purchased from

12%

of shoppers were unsure / undecided



Do shoppers prefer to buy from brands that they know and trust, even if they don't necessarily offer the lowest prices?



Retailer top tips

Target existing customers

During a recession you're much more likely to convert existing customers than gain new ones, so focus your efforts on shoppers who've previously purchased from your store and do as much as possible to reward their loyalty.

Reach lapsed shoppers

Invest in marketing activities that re-engage with lapsed customers rather than chasing new ones, while building on existing brand awareness and trust to encourage repeat purchases.





Cost-saving subscriptions

The subscription economy has continued to grow in recent years - not least due to consumer demand during the pandemic - with subscriptions now available for everything from socks to cappuccinos.

To find out if the appetite for a subscription payment model is set to increase during a recession, we asked shoppers if **they're currently more likely to sign up for a monthly subscription for items they purchase regularly**, in exchange for savings or rewards.

Most respondents (55%) indicated that they have no intention of taking on more subscriptions as the cost of living increases, which suggests that for most people, long-term payment commitments are unappealing during periods of financial uncertainty.

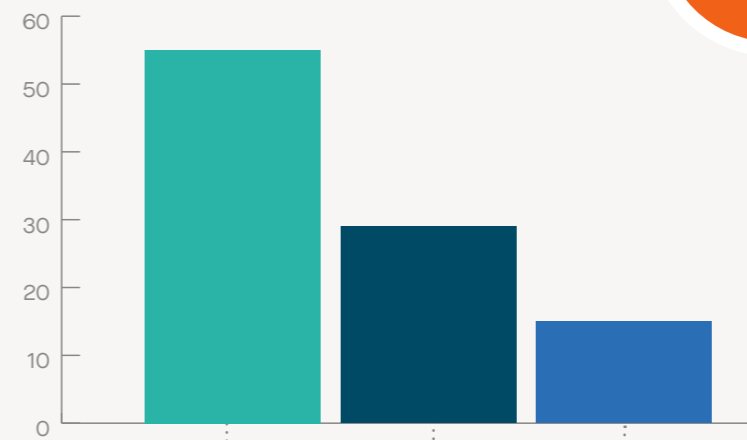
More positively, however, **29% of surveyed shoppers did expressed an interest in the subscription model**, with **16%** stating that they were unsure.

SUBSCRIBE



Would shoppers be more likely to sign up for a monthly subscription for items they purchase regularly?

2,000 shoppers surveyed



55%

of shoppers indicated that they have no intention of taking on more subscriptions as the cost of living increases

29%

of shoppers expressed an interest in the subscription model

16%

of shoppers were unsure / undecided



Retailer top tips



Increase incentives

Retailers that already offer subscriptions (or are planning to introduce them in the coming months) should look to engage shoppers by adding further value such as discounts or gifts.



Reduce entry barriers

Once consumers activate a subscription, many tend to continue with it, so reducing barriers to them subscribing can be critical during a recession. This means that shorter subscription periods may be key to persuade shoppers to sign up.





Key takeaways

Tightened budgets

Most shoppers confirmed that they'll be aiming to spend less or make fewer purchases, so focus on ways to increase AOV and emphasise product value.



Preferred payments

Customers are looking for more ways to spread and delay Christmas shopping costs, which means alternative payment methods will be key.



Offer anticipation

To save money, customers are waiting for seasonal discounts and sales, so review your customer journey and remarketing to encourage spending now.



Clear returns

The majority of shoppers now check out your returns policy before committing to a purchase, so make sure what you offer is fair and clear.



Diverse delivery

Although many shoppers are currently focused on cost over speed, choice is the key factor and retailers are expected to offer multiple delivery options.



Voucher availability

Most consumers are looking for discounts, so ensure your brand is visible on voucher code sites or implement alternative incentives on your store.



Visible value

With shoppers carefully monitoring spending, retailers need to demonstrate value to win sales, either via competitive prices, deals or product longevity.



Recognised loyalty

Most shoppers are more likely to buy from a store that rewards repeat purchases, however, loyalty schemes must be carefully tailored to suit your markets.



Rewarded referrals

Word-of-mouth marketing still carries weight, so empower your customers to become brand advocates with appealing, low-effort referral schemes.



Brand familiarity

Shoppers are looking to buy from brands they know and trust, so focus on winning sales from customers who are already familiar with your business.



Cost-saving subscriptions

Most shoppers aren't looking for extra financial commitments right now, so add more value to subscriptions and reduce barriers to sign-ups.





To accelerate your business through the current economic uncertainty, get in touch today and find out how we can help to build your data-driven recession strategy. Alongside a wealth of industry experience and expertise, we offer a powerful eCommerce platform, innovative growth strategies, and award-winning marketing services that enable retailers to thrive in changing conditions.

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Get in touch today