Numerator Dynamic Recovery Segmentations

Numerator's Recovery Planning Segmentation study aims to empower marketers with the critical insights needed to take the right actions in today's dynamic marketplace.

INTRODUCTION

The U.S economy is facing potentially its most significant challenge since the Great Depression in 1929. The global economic downturn and the recession we are now in is having a profound effect on consumers and their behaviors. When consumer behavior changes, the marketplace changes; some of these changes will be short term, others of lasting impact.

This recession is unique. The speed of job loss is unprecedented. The initial impact has been blurred as consumers retreated to home, decreased discretionary spending (as travel, concerts, sporting events, etc. were restricted), and received government stimuluschecks . **However, with additional layoffs anticipated, government stimulus likely ending, and the potential resurgence in COVID-19, the impact of the recession is expected to be both irregular and sustained.**

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AN APPROACH FOR BRANDS

We encourage brands to consider the recession and recovery planning in three phases shown in Figure 1: the retreat, the reset and the recovery of the market—with a special emphasis on phase 2, reset. Too often, there is a desire to move quickly from retreat to recovery. It has never been more important for brands to understand how consumers will retrench and reset—laying the groundwork for how they relate to brands for years to come.

FIGURE 1: Phases in Recovery Planning

PHASE	NAME	DESCRIPTION
1	Retreat	Demand has dropped globally, and entire sectors of the market have pressed pause indefinitely. These changes have revitalized many legacy brands while simultaneously scuttling innovation initiatives. At the same time nascent shopping trends such as buy online pick up in store (BOPIS) and home delivery have been accelerating.
2	Reset	The decisions companies make as consumers retrench and reemerge will determine their trajectory for years to come. Just because a company is experiencing success (or struggles) in the here and now does not mean those outcomes project into the future. Instead, companies need the agility to be passengers on the changing consumer journey.
3	Recovery	Understanding the evolution of, and alignment between, consumer attitudes and behaviors is the fuel required for business growth. Unlike the more habituated state in which businesses had been operating, the nature of recovery opens a rare window to rethink the marketing mix and dramatically impact future results. But it requires a dynamic view of consumer opinions and choices, versus the more static view that has become the norm.

To be able to understand and react to these ever evolving marketplace changes and needs, it is essential to understand what is driving consumer behavior. Much of that behavior is driven by attitudes as well as factors impacting their lifestyles (available income, health, fear, outlook, etc.). However, unlike the static/traditional attitudinal segmentations that have served marketers well over the years, today's marketplace requires measuring and evaluating attitudes on a longitudinal basis vs. on a fixed period of time. Attitudinal segmentations now need to be dynamic to reveal how key segments are changing in real time (in terms of size, composition, and shopping/purchasing behavior) as the marketplace continues to adjust to the "new normal". This allows marketers to be more agile in their responses.

Fluid environmental conditions suggest we'll see ongoing—and potentially unprecedented—**variance in consumer earnings, anxiety, and willingness to spend.**

To empower marketers with the critical insights needed to take the right actions in today's marketplace, Numerator has released a Recovery Planning Segmentation study. The study is conducted in four phases, done quarterly, to address the dynamic nature of the recovery. Understanding the alignment between attitudes and behaviors via a dynamic segmentation provides perceptivity into the "new normal" to drive decisions within the entire marketing mix.

RECOVERY PLANNING SEGMENTATION STUDY

Numerator's Recovery Planning Segmentation identified 6 distinct groups of households based on their differences in three factors:
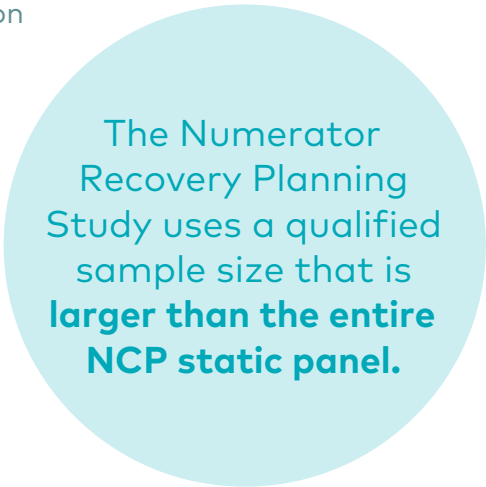
i.   their concerns (about their financial situation, health, job security)
ii. their shopping & buying behavior
iii. their attitudes and views (about the direction of the country and economy, interaction with others, etc.).

This robust segmentation schema was created by surveying ~70,000 Numerator OmniPanel households on their situations and attitudes—additionally, these same households provide ongoing purchasing and shopping data to enable direct links between attitudes and observed behaviors, easily accessible via the Numerator Insights platform.

The analysis looks at six segments in three themes: Unbothered (either Full Steam Ahead or Living My Frugal Life); Coping (Life on Pause or Pushing Forward) or Anxious (Scared & Struggling or Glass Half Full) who can be defined as below (and as shown in Figure 2):

Unbothered: Full Steam Ahead

Includes shoppers who were the least impacted by the pandemic. Their financial situation is stable, and their purchase behavior has remained largely the same as before the pandemic. With a relatively positive outlook on the economy, this segment is the most likely to pay more for their favorite brands, and to dine out at restaurants.

The Numerator Recovery Planning Study uses a qualified sample size that is **larger than the entire NCP static panel.**

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Unbothered: Living My Frugal Life

Includes shoppers who were price-conscious before the onset of the pandemic. Their financial situation is stable, yet they utilize a variety of methods to save money when shopping. With a relatively positive outlook on the economy, this segment continues to be strategic in where they shop, what brands they buy, and overall how they spend their money.

Coping: Life on Pause

Includes shoppers who place importance on their overall health, keeping them away from others and have delayed returning to pre-COVID normalcy. This segment is shopping online and avoiding restaurants for their safety. This is an affluent segment with low concern over financial or job security, but who are pessimistic about the economy and country overall.

Coping: Pushing Forward

Includes shoppers with moderate concerns over their health, financial and job security, who are trying to find a new normal. Life has not entirely returned to normal, but they are interacting with others. They prefer to shop in store not online, and they are not delaying large purchases.

Anxious: Glass Half Full

Includes shoppers impacted by the current environment but who are starting to find a way out or at least remain hopeful. While lower income, this segment looks forward to returning to normalcy. They do have high levels of concern about financial situations, health of self and others, and household job security. They are mitigating the impact of the current environment on health and finances while sticking to their normal behaviors whenever possible.

Anxious: Scared & Struggling

Includes shoppers who are most impacted by the current environment, with the greatest concern about finances, health of self and others, and the household's job security. This low income segment is gloomy about the economy and saving money, delaying purchases and turning to private label.

FIGURE 2:
Numerator Recovery Planning Segments
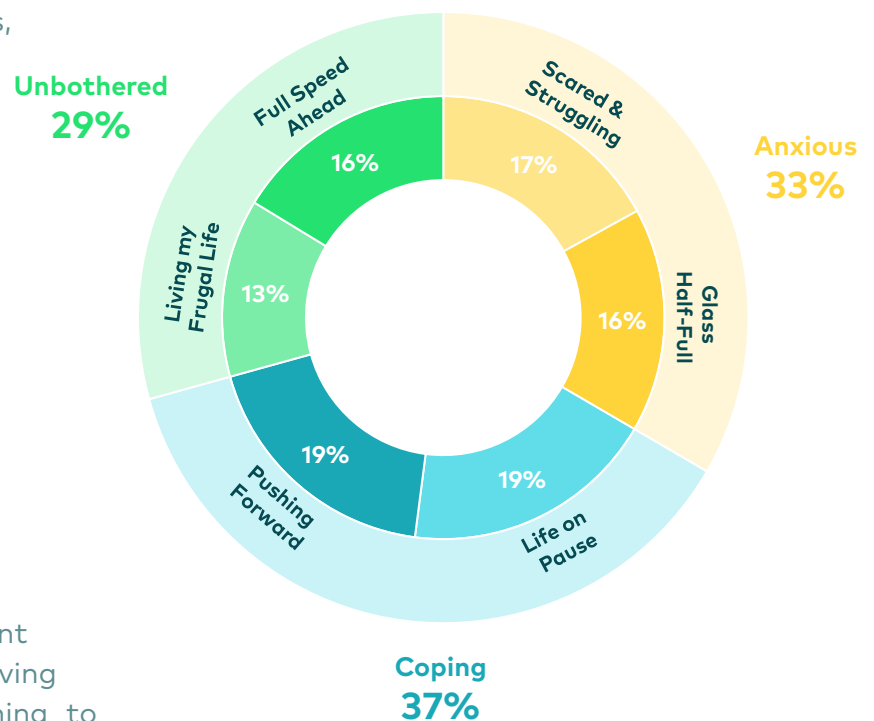
QUESTIONS FOR BRANDS TO EXPLORE

The challenge for brands rests in understanding their consumers at each stage in the retreat, reset, recovery journey. The types of questions brands can explore with the Recovery Planning Segmentation Study are detailed in Figure 3 below.

FIGURE 3: Questions for Brands to Explore

Retreat **Meet short-term consumer needs**	• Businesses are seeing contradicting macroeconomic indicators that go against expectations; which variables and situations explain the unique behaviors we are seeing across our brand or retailer targets? • How are shoppers shifting their spend across channels; where and with whom should we be placing our largest bets? • Does my existing portfolio meet the needs of shoppers at this point in time?
Reset **Redefine the Value Equation**	• Which elements does our business need to consider in addition to price, pack size, promotions? • How does value change within groups more or less impacted by the current state of the country? • How does retailer convenience, click & collect, price perception or assortment-based attributes influence where shoppers buy? • Are we seeing trade down to Private Label or increased loyalty as different consumers look for comfort in uncertain times?
Recovery **Growth with Increased Prosperity**	• Does our brand promise and product portfolio match the state of the consumer? • What is the pent-up demand for our products; when are shoppers that delayed larger purchases returning to the market? • Are we seeing these trends exist more or less within specific segments of the population? • Which consumer-driven trends might be with us longer term? • Are there any up-and-coming brands starting to accelerate and/or resonate with specific segments?

RECOVERY PLANNING SEGMENTATION DESIGN

Numerator's Recovery Planning Segmentation is not a traditional "point-in-time" segmentation but, rather, a dynamic segmentation. We adopted this new methodology to apply segmentation to a changing environment. This first release establishes the baseline to understand where we are today, as it will shape the future course and starts to build insights and understanding about the "new normal".

Future releases will assess segment-to-segment migration to get a pulse on the changes that are happening as we move through the recession. (For example, how large is the segment of households who say they are doing well now and how important are they to my brand, how is the size of that group changing over time, how many continue to stay in that group vs shift to another group, and what are the implications of that change to my brand's performance moving forward). (See Figure 3 for additional questions brands may want to explore throughout the phases.)

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This dynamic approach to segmentation allows for better scenario planning for what marketers should continue vs what may need to be adjusted to respond to how consumers and their behaviors are changing throughout the recession. The agility of using a dynamic segmentation can be applied in a myriad of ways. For example, marketers may need current consumer insights to inform regional strategies that may need to be changed or adjusted (driven by things such as a regional flare up that might lead consumers to be more fearful or stressed due to virus/economic conditions). Or, new delivery methods or marketplace options may surface as innovation continues to find solutions for today's consumers. Through change, marketers need the relevant consumer insights to help guide them to the most effective and successful marketing strategies for their categories and brands.

Another reason that a dynamic segmentation is required for this application is that some typical factors used in defining segmentation schemas, specifically demographics like income, may be changing during this time—however, those changes and how they impact attitudes and shopping/buying behavior are what we want to read and understand. For example, households that used to be "better off" and have now experienced a decrease in income may experience bigger changes in spending and behavior (not traveling, not going out to eat, cutting back on luxuries they used to buy, etc.) while others who were already "financially challenged" may not be changing their behaviors, as their purchasing habits were already based on necessity (were value focused).

ADVANCEMENTS IN CONNECTING ATTITUDES AND BEHAVIOR

Attitudinal segmentations have been used by marketers for many years to drive successful innovation, improve targeting efficiencies, and determine the best strategies for driving sales within key segments. The first advancement in activating attitudinal segmentations came from tying the segments to actual (vs claimed) purchasing and shopping behavior, leveraging purchase panels (such as Numerator's OmniPanel). The classification process involved sending panelists an abbreviated survey that allowed for the statistical classification of each household into the most appropriate segment.

Finally, the ability to provide a dynamic segmentation is another advancement within the attitudinal segmentation space. For example, as previously mentioned, Numerator's Recovery Planning Segmentation starts with a baseline view of consumers that incorporates characteristics and attitudes around marketplace phenomena (like the recession) that are driving major changes for consumers. In this case, the segmentation itself will be dynamic in that consumers will be reclassified on an ongoing (quarterly) basis to reflect their rapidly evolving attitudes and behaviors. This will enable marketers to stay more agile in reacting to and identifying the right strategies as consumers move through the recession (retreat, reset, and recovery phases).

Footnote: Numerator brings both survey expertise and panel expertise to the creation and activation of attitudinal segmentations. By creating direct connections between custom segments and actual purchase and shopping behavior data within the Insights platform, we arm you with essential and ongoing results that drive successful business decisions. Contact your Numerator Consultant for additional information.

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SUMMARY

The key to staying relevant in today's marketplace is the ability to be as dynamic as the consumer needs you are trying to understand and meet. Leveraging the powerful insights furnished via our Numerator OmniPanel, the Recovery Planning Segmentation provides marketers with critical information needed to weather the challenges faced in today's difficult environment. This is just the starting point for this important study, quarterly updates will follow to reveal new consumer reactions throughout the phases of the recession.

Given the current marketplace upheaval, shifting consumer attitudes requires marketers to review and update their pre-existing segmentations to ensure they stay relevant in providing the right insights about today's consumers. Additionally, as new segmentations are designed, ensuring they have a dynamic component to them (via ongoing/longitudinal purchase data and/or planning for the segments themselves to be dynamic due to marketplace change) will be essential in maintaining relevance in today's environment.

Numerator's expertise in understanding consumer behavior fueled by our industry-leading modern omnichannel consumer panel (Numerator OmniPanel) continues to provide answers to help form the right category and brand strategies for today's marketplace.

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