

“Prices war is a mistake”



According to a Manchester University review, companies must innovate to stimulate consumption during retraction

Englishman Daniel Hampson, Marketing Ph.D. for Manchester University, analyzed American and British consumers' behavior before, during and after 2008 economic recession. Visiting Brazil to start the same research model in the country, in partnership with Fundação Getúlio Vargas, Hampson gave the following interview to EXAME.

What is the most common consumer's behavior in the beginning of a crisis?

Planning more and researching prices. However, it is necessary to remember that entering a prices war is a mistake because it has implications for the long term. Moreover, recession will end one day. Companies with better results kept investing and launching products. That allowed them to raise prices in these new lines.

How to sell more for those who does not have money?

In the case of industry, you have to find niches where consumers are willing to spend more. Retailers must be creative in prices strategy and temporary promotions. One tactic is offering something that keeps consumers around, like a promotion “buy one and get another later”, giving a coupon. That makes the person come back to the store to get the prize and in the end willing to buy something else.

What happens to consumption when recession ends?

It depends on the context. It is very common to happen what we call “cyclical asymmetry” – economy gets back to normal, but the return to pre-recession level of consumption is much slower. Some consumers keep frugal behavior for the rest of their lives. That happened with people that achieved financial independence during 1929 crisis, for instance. It remained even years later, when they already had much money in the bank. At 2008 crisis, young adults, between 16 and 25 years old, were the most affected group. In Brazil, the question that retailers and marketers should ask is what generational group will be affected by this crisis.