



Commercial Insights with Regions Bank

Episode #26:

In a global marketplace, events halfway around the world can have ripple effects for your business — no matter the size. Everything from gas prices to inflation is increasingly intertwined. So just how much should a business owner pay attention to global news — and what can they do in response to consumer uncertainty? Vanderbilt Professor Kelly Goldsmith, an expert in scarcity and uncertainty, joins us to explore lessons for business leaders.

Episode Transcript

Kelly Goldsmith, Professor of Marketing, Vanderbilt University:

I think during the pandemic or during other times of uncertainty when people don't have a lot of control over important things of their life, ask yourself as a brand, how can we offer our consumers a sense of control? How can we add predictability to their life?

Chris Blöse, Host:

Uncertainty has been abundant in the past couple of years, which is partly why Kelly Goldsmith spends so much time studying and talking about it. Goldsmith, a professor of marketing at Vanderbilt University, is an expert not only in how consumers respond to uncertainty, but also how they react to scarcity — another familiar topic to anyone who lived through the news cycles of 2020 and beyond.

Welcome to Commercial Insights with Regions Bank. I'm your host, Chris Blöse, and we're lucky enough to have Goldsmith with us today to share her perspective on the rapidly changing world of global business.

That word, global, is crucial. As Goldsmith notes, even small businesses that previously thought of themselves as local-only have felt the effects of events halfway around the world, whether through delayed goods or materials that were simply unavailable. The people who make decisions at businesses often face as much uncertainty as the consumers they serve.

As an expert in marketing and behavioral decision theory, Goldsmith has helpful insights for businesses who want smart strategies for thriving in an era of global uncertainty.

Chris:

Professor Goldsmith, thanks for joining us today. I know a lot of your work focuses on scarcity, which is something on people's minds in the past couple of years. Let's start there. How have global events like the pandemic reshaped how we think about scarcity?

Kelly:

Yeah, it's been really, really fascinating. I started studying how consumers respond to scarcity and uncertainty really in 2009, 2010 in the wake of the great recession. We were interested in understanding not just how consumers make decisions when they don't have enough, but also how these reminders of resource scarcity impact the way we think, the way we feel, the way we treat each other. If you remember back to 2009, 2010, it just seemed like every time you turned on the news, every newspaper article had a headline about what the world was running out of. And I think today is actually no different. I think we've gone back to that.

And I think it's funny in retrospect, because I had kind of a hard time getting journals intrigued in publishing my results, 'cause they're saying, "Look, the average American grocery store has 60,000 SKUs. Like we don't see empty shelves here in the United



States. Why are you trying to understand, like, the decisions people make when they're confronted with product shortages?" And I said, "Well, you know, I think it's important. And I think that even if it doesn't occur that often, if it has a meaningful effect on our behavior, it's worth knowing. It does occur sometimes."

And then the pandemic happened, right? And now all of a sudden, there's tons of shortages. And I think we've been living in that world since 2020. I mean, still to this day, with labor shortages and supply chain shutdowns, a myriad of other factors, we still see product shortages and quotas and rationing of certain products at certain times. And my research took a lot of prominence just because I was one of the only people looking into that, you know, for the past, over 10 years when a lot of people thought it wasn't important. At least for me as a researcher, one thing the pandemic did was it showed us in, in real time, how consumers respond to not having enough in store, right? not just consumers, but also firms, right? How firms respond to not having enough inputs in order to engage in manufacturing, how we respond when we don't have enough workers, right, when there's a labor shortage, when there's the great resignation?

Chris:

And what are some of the biggest sort of lessons that you've seen the last couple years in terms of how consumers do react to that scarcity, and what do businesses need to know as a result of that?

Kelly:

One thing that we did see in the lab, and it was actually in our first publication that we had about scarcity, was that when consumers are exposed to these reminders of resource scarcity, they tend to wanna take care of themselves first. It doesn't mean that they wanna destroy their neighbor or steal their neighbor's toilet paper, et cetera, but it really means they're kind of looking to protect their own bottom line. And then they'll try to help others if they can. Kind of the model of on the airplane, you put your own mask on first, and then you'll help other people figure it out.

When you're worried the world is gonna run out of toilet paper, hand sanitizer, vaccines, et cetera, we tend to just focus on ourselves first, kind of protect ourselves, and then we'll think about other things. And I do think that played out during the pandemic,

Chris:

Since you teach marketing, let's talk about marketing. Knowing how consumer behavior changes based on events here and halfway around the world, how does the marketing for companies change based on scarcity? How do they need to change their messages?

Kelly:

Yeah. I think that's a really, really excellent question. And I think when you think about like, let's just take money, for example. Money and time are the two things everybody feels like they don't have enough of., so what I would say is, if you think about people who are running out of money, they get more protective with their money. They're less likely to want to part with their money and give it to firms, right, because what has the firm done for them? And I think it's that way of thinking, this what have you done for me, that you need to keep in mind if you're marketing to consumers during times of this type of resource scarcity. You need to emphasize what's in it for them to essentially give you their precious resources, to part with their money.

And of course, there's always something in it for them, right? If you're marketing a good product, you're delivering some sort of delight and value to your customer, but really emphasizing those benefits to the self, I think is important once you understand the psychology of scarcity and know people are self-protective and they're really looking to put themselves first during these uncertain times, really kind of protect and take care of themselves. So how can you speak to that?

So I work with a large consumer packaged goods company, and they sell a lot of soup. I would consider them to be an iconic American soup brand to the point where when you see their logo, you have expectations for what you're going to get in terms of flavors, in terms of their product line. So for that reason, they feel familiar to most people, and that allows them to thrive during times of uncertainty 'cause they are predictable.



And so I think during the pandemic or during other times of uncertainty when people don't have a lot of control over important things of their life, ask yourself as a brand, how can we offer our consumers a sense of control? How can we add predictability to their life? And I've worked with insurance companies, I've worked with financial services companies, lots of different companies tackling this question, and I have yet to find a company where I look at their product service, their brand and I say, "Nope, you can't offer a consumer any sort of sense of predictability or control." Everybody can. It's just a question of thinking through. I've worked with candy companies — even them, right? You're offering kind of a classic childhood sensation of having that sugary delight in a world full of chaos. Can you give yourself that moment to actually kind of rejuvenate and indulge yourself?

So I think there's almost no product that can't be positioned, product or service, as offering some way to restore control and predictability.

Chris:

So I'm glad you brought up uncertainty, as well, 'cause I know that's another big area of focus for you. So, you know, obviously, that is often linked with scarcity or one may follow the other, but what sort of global events or changes are most likely to cause that sort of uncertainty and what new facts have you learned about uncertainty here in the past couple years?

Kelly:

I think it's really interesting to observe how consumers respond to uncertainty, 'cause pre-pandemic, I would tell you if anything, a lot of times consumers were a little insensitive to factors that could be destabilizing or lead to uncertainty. I think when things are going well, we wanna turn a blind eye to things that might suggest otherwise, right? So if 90% of stuff is great, we're gonna try to just not look at that 10%, just not look at the room in the house where the closet is a mess. You shut the door, just pretend and keep going. But what's interesting about the pandemic is that it changed the way consumers process news and information, because I think what we saw during the pandemic is there was this threat, right?

Remember here in the United States, remember January of 2020, we're hearing all this stuff. There's a pandemic, there's a virus. It's in China. It might come here. It might not. It might end in two weeks. It might not. It might get killed when the temperatures pick up, it might not. There was so much uncertainty. And I think a lot of us, maybe even me, right, we try to just focus on the 90% of stuff that seemed okay and ignore the fomenting chaos in the news about this pandemic that could be coming our way. But then what we saw was that, look, it happened. It came here. And not only did it come to the United States, it was kind of a fast and furious situation where there was a lot of death and a lot of chaos.

So what that pandemic did was it really grabbed us all, and it kind of shook our foundation, right? It showed us, look, what you expected to happen, the predictability, the certainty, the control you thought you had as a US consumer in the kind of middle of the bell curve with respect to socioeconomic status, that was a fallacy, right? You don't have the control, the predictability that you thought you might have had. And now that we've had our foundation shaken, I think we are much more sensitive to global geopolitical information that suggests there could be looming uncertainty for us here in the United States.

So for example, if you look at the war in Ukraine, that's something that maybe pre-pandemic, a lot of us consumers would've kind of, you know, "That's sad," but turned a blind eye to it. Now that we've had our foundation and our expectations really shaken, people see the conflict in Ukraine, and they say, "Oh my gosh. How's that gonna affect my supply chain? How's that gonna affect what we see in stores? What does this mean for other European countries? Could our partners globally be disrupted? What does this mean?" And so I think both at the consumer level, but also at the firm level, like I said, we see this increased sensitization to

Chris:

So I'm glad you brought up the firm level too I mean, I know a lot of your research is focused on consumers, but obviously this affects the mindset of firms and, and people making decisions, as well. So do you find that business owners, decision makers seem to have a greater understanding of how everything is connected now? And if so, you know, do you find that they're taking the right lessons forward?

Kelly:



The short answer to your question is yes. I think people as consumers, as firms, as managers have a much greater attention that they're devoting to these geopolitical events and they are thinking through not only, "Okay, what are the dominoes that could fall, right? How could this affect me, my bottom line, my P&L, my partners, my customers." They're thinking strategically. And I think being forward-looking and strategic is something that it's, it's sort of the opposite of being fat and happy. It's thinking like a startup. You're being agile, you're being lean, you're being flexible. You're being adaptive. You're building contingencies. You're doing sensitivity analyses.

So I think this forward-looking strategic perspective is great for being flexible and adaptive and really allowing yourself to stay agile. The downside is it's exhausting, right? There's a reason why just kind of sticking with the status quo and being content is so attractive because thinking through those contingencies, and always having a plan B, it's exhausting. And thinking through that as a job every day, it's a grind. And I think we are seeing so much burnout and just so much frustration.

Chris:

Right, so uncertainty has mental affects on managers and employees just like it does on consumers. So what are some tactics a leader can use to give their workforce a sense of control or a sense of certainty?

Kelly:

A lot of people, a lot of the time work seems like something, just another uncertain thing in their life that they don't have full control over, right? But in actuality, work gives you a paycheck. A lot of times, work gives you benefits. There's a lot of things about your job that actually imbue your life with control and predictability. So how can you emphasize that to your employees, because that's what they're craving right now?

So you could think about that in terms of how you do your corporate communications. It's not taking everybody to the minor league baseball game and having fun beers and family events — it's not necessarily the time for that. It's really the time to emphasize the control, the predictability, the stability, the company is staying open, we are here for you, we understand you, you know, if you need to talk, come talk to us, having that transparency. Transparency actually goes a long way with respect to even if you're not in control, you have predictability because there's transparency about what's going on? This is not a time for secrets. And I know within a hierarchy, sometimes there have to be initiatives that not everybody has access to, but to the extent you can kind of demystify what's going on at the corporation. I think employees are really responsive to that, 'cause again, they're craving that certainty, that predictability.

Another thing you could give them is choice? Just simple choices in their day really can activate a sense of agency. And these can be choices about committees to join or whatever works for you internally. There can be these simple choices that maybe we haven't afforded to our employees just for the sake of expediency in the past, but just know this is a time when they're craving that predictability, they're craving that sense of control. And if they're the ones making choices, even simple choices, it can really remind them, "Look, professionally, you are in the driver's seat on some things, and we want to understand your opinions and, and bring them in."

Chris:

Let's shift to thinking about the future, based on everything we've seen in the recent past. Because there will be other global events that cause uncertainty, even if they're not on the scale of a pandemic. What kind of things should a business be doing now to be prepared? What areas of their operation should they look at so they're not surprised or overwhelmed by something?

Kelly:

Consumers aren't going to come to us anymore. We need to go to them. We used to live in a world where if you wanted to buy a new television, you went to your local big box store, and you looked at the prices, and you looked at the deals, and you took their word for it, and you bought something. Or maybe you thought about it, and then you came back and bought something. But that was the way it worked. You didn't really comparison shop, because the search costs were just so high, even in big cities, you didn't have a ton of options.



In fact, searching has become the norm. So how can you lean into that? I think the pandemic, that's one trend that has only accelerated. Consumers wanna be met where they are. They want you to deliver the product to their house. They want you to sell it to them online. They want you to have mobile. They want you to have an easy-to-search portal. You know, if you're hard to find, if your SEO's not optimized, this is not gonna be your time.

So I think even before going to market with a product, think through all of that. How can this product meet consumers where they are? Can you have it be a subscription service? Can you sell online? Can you sell through the phone? And this is not just, again, for B2C products, with healthcare providers, with insurance providers, all these things where consumers used to show up and shake a hand and do their banking or get their insurance. This is not the way they wanna be anymore. The pandemic trained us to wanna sit at home on our computers, make our decisions and, and be efficient in that way, and I don't think that's going to change. So how can you meet consumers where they are?

Chris:

I'm curious, too, for a company that doesn't think of themselves as international,?

We're talking about global effects here and I think maybe if you'd asked five years ago, some companies would've said, "Oh, well, we're not, you know, we just sell in one state-

Kelly:

Right.

Chris:

... we're just a local company."

Kelly:

Right.

Chris:

Do you find that people are more aware of how interconnected all of these events are and how they can be affected by something that they never had thought of before?

Kelly:

People are 100% more attentive to the fact that an event anywhere around the globe could possibly affect them. They may see themselves as a local brand, a local seller, a regional player, but that's not true. They've always got partners whether or not they're even thinking of it. I worked with a woman who worked in clothing retail, and she said they sourced their materials primarily from Italy when they manufacture their clothes. But she said on every single garment, there was always something from China. It was a zipper, it was a button, it was something. And for that reason, when the pandemic happened, 'cause it hit China first, they had to shut down their entire fall line, they never thought of themselves as a company that works with China that much, it was just one little thing here and there, but it still shut down their entire fall line, because they couldn't get those little things that they needed.

And I think when you think through your corporate structure, your partners, who are your partners' partners? Think it through. We are global, and we are interconnected. You might find yourself more embedded in the global supply chain than you think you are. And for that reason, being vigilant, staying on top of what's going on in the world is important because it could affect you. Then number two, you may enjoy being a local player. you may think you're a local player, regional player, but challenge yourself. If things were to get crazy again, is there a strategy that's a little bit bigger and more far-reaching that you could adopt that could allow you to stay afloat, because some companies really found success with that. So for everybody, staying vigilant is really important.

Chris

"Stay vigilant" is one key takeaway from today's episode.



When uncertainty is abundant because of global events, what certainty can your business offer to your many stakeholders, from the people who buy your products and services to the people who create them? Asking this question and answering it strategically can help with everything from marketing strategy to planning basic operations.

Thank you to Professor Kelly Goldsmith for joining us today, and thank you for listening. Get related resources for your business and listen to future episodes at regions.com/commercialpodcast. And subscribe to this podcast on your favorite podcast service.

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