

# Tackling the UK's Cost of Living Crisis

Five Key Takeaways for Business

*Brunswick Business & Society*  
*Cost of Living Crisis Team*

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*On March 1, 2023, Brunswick hosted a Cost of Living Crisis Conference, bringing business and civil society leaders together to discuss the role of business in responding to the crisis and supporting employees, customers and society at large.*

*The past eighteen months have seen a rising cost of living assert itself on corporate agendas. Once-in-a-lifetime collective pressures on household incomes are changing the environment in which businesses are operating. The World Economic Forum has identified the crisis as the number-one global risk for the next two years, and PwC has found that over four in five large UK companies are looking for ways to help their workforce. Brunswick is supporting many businesses of all sizes and sectors that are already grappling with the implications of the crisis for their colleagues, customers and the communities they serve.*

*The day's conversation focused on the nature and scale of the crisis, how it impacts different stakeholder groups and ideas for businesses to take practical action. The following note discusses the context and impact of the crisis and the top five takeaways for business.*

## The nature and scale of the crisis

### Macroeconomic context

Governor of the Bank of England Andrew Bailey discussed the latest release of data for the UK Consumer Prices Index (CPI), which shows an annual increase of 10.1% in January, down from a peak of 11.1% in October. The UK economy has been hit by a series of significant economic shocks, including the change in trading relationship with the European Union, the COVID-19 pandemic and the sharp rise in energy prices related to the war in Ukraine. CPI inflation is projected to fall this year as energy prices decrease, and while it is good news that pressures are easing, prices are still rising and are not forecast to return to pre-crisis levels in the near future.

The Governor also spoke to the importance of understanding the human stories to both interpret the data and to look at impacts down the road. The Bank's new insight [report](#) summarized what they have heard from people across the United Kingdom in the last 12 months and how they are using those insights to inform monetary policy.

### Front-line impact

The crisis is manifesting in myriad ways: exponential energy bill increases, double-digit price rises in telecoms, mortgage rate hikes, staple food price inflation. People across the UK are experiencing a fall in disposable income, increasing levels of debt and ultimately a fall in living standards. If 2022 was a prices crisis, 2023 may become a debt crisis for many.

The crisis is also affecting those with higher incomes – people working full time and earning salaries well above average income are struggling to pay their bills. Multiple voices in the room recognized that tackling this issue as soon as possible is important not only in the face of immediate challenges, but also to avoid longer-term, more sustained setbacks on related issues such as social mobility.

## Five key priorities for business action

While business can't fix the crisis, it has a critical role to play to help alleviate the pressures on its stakeholders, which can in turn drive sustainable commercial and reputational value. The question is *how* to play that role, drawing on the resources and capabilities of the core business as well as wider stakeholder relationships.

## 1. Understand the scale and impact of the issue

Understanding the scale of the crisis and its impact on employees, customers and communities is a critical first step. While there is extensive data on the crisis, human stories also play an essential role in learning how the crisis is manifesting on the ground. Stakeholders are poised to challenge business on this front if it fails to understand the lived experience of customers, employees or communities. While it was noted that nobody is looking for perfection, there were repeated citations of the need to show you are listening and seeking to understand.

Understanding challenges to access was also discussed at length – ensuring that your products and services, as well as any targeted cost-of-living related support, is reaching the intended people. An additional payoff from getting this right is building long-term trust from one of your key stakeholder groups. The planned Consumer Duty and other regulatory developments in the UK are expected to change the game for **financial services** on how they incorporate consumer concerns into their core business, with a greater need to focus on the customer when making decisions.

## 2. Prioritize actions with impact

Businesses will earn trust with actions that achieve results, not lip service to the crisis. This is pronounced for sectors that represent life essentials, including **energy, food, telecoms and finance**. Those industries in particular are under pressure to ensure support reaches those who need it most.

If customer financial distress is high enough, companies will struggle to have a profitable business. Reliable, sustainable revenues require financial stability for customers. Options include interest-free credit and debt forbearance where possible – and making sure these options are available, accessible and well-known among all customer groups.

On employees, speakers cited examples for action including paying the Real Living Wage, as accredited by the Living Wage Foundation, as well as the importance of secure employment grounded in contracts reflecting typical working hours, flexible working provisions where possible and good notice on shifts and cancellations. Speakers shared that in some cases, these initiatives – such as food for workers on shift or the option to draw down pay on a weekly basis – were having greater impact on their workforce morale and efficiency than other better-known response measures.

## 3. Take steps in partnership

There is potential for business and civil society to work in concert to mitigate the impacts of the crisis. Government and regulatory bodies are also a source of collaboration – with businesses stepping into advocacy roles to help facilitate.

An important component of the partner role that civil society can play is, as one participant put it, to “both support and challenge employers,” and bring issue expertise into business initiatives that might otherwise lack external perspective or support.

## 4. Show you care and communicate purposefully

Combining emotional intelligence with business intelligence can result in greater, more sustained and mutually beneficial engagement between businesses and their customer and employee bases. An ability to listen closely shows empathy and helps leaders understand the issues at play to make better decisions.

There is a clear link between financial distress and mental health issues: Half of those experiencing financial problems also experience mental health concerns. Businesses should consider using web chat functions to keep regular communications and checking in with customers when businesses recognize unusual spending patterns.

Regular, clear and transparent communication is key. COVID-19 demonstrated the importance of regular communication – and in the cost of living crisis it is necessary to help customers and employees access support. It's also important for companies to explain their decisions openly and transparently – silence can result in greater fear and uncertainty across an organization and frustration from customers.

## 5. Channel expertise to drive system-wide change

Businesses can bring their core capabilities to bear on the challenge – their knowledge of their sector, their customers' needs, their people and their own innovation can help source and scale solutions across the system and internally.

Businesses should develop their own distinctive voice as advocates, and may look to incorporate this mindset into their crisis response, identifying where interventions are working and illuminating shared challenges and barriers to progress.

### **To continue the conversation:**

If you are thinking through how to support your stakeholders and lead through the crisis, get in touch with **Brunswick's Cost of Living Crisis team** at [costoflivingcrisisconference@brunswickgroup.com](mailto:costoflivingcrisisconference@brunswickgroup.com).