



Think Forward with PayPal

The Role of Brands:
Empathy in Uncertain Times

Issue One





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Through good times and challenging ones, companies stay competitive by embracing new opportunities and staying ahead of consumer expectations. But in an era of constant change and economic upheaval, flexibility and adaptability has become core to business success.

PayPal has teamed up with TrendWatching to Think Forward to the future of business for enterprises. In this, our first of three reports for 2023, we explore how progressive companies are responding to turbulence and uncertainty. Emerging trends highlight how business reinvention incorporating people and prioritising empathy is helping to bolster brand value for both consumers and employees.



Savings by Design: Value, Redefined

Budgeting is important, particularly now. Shoppers appreciate brands that help them save — and that expectation will outlast the current cost of living crisis. Expectations around value are being recalibrated and brands need to demonstrate their product is worth the price.

Why is this happening?

Economic uncertainty is forcing many people to re-evaluate their priorities. Brands need to pay attention: 34% fail to justify their current price¹ and shoppers are switching up their behaviour — trying private and own-label, or second-hand.

With 34% of global consumers willing to buy previously owned items,² the global second-hand apparel market will grow three times faster than the apparel market overall by 2027.³ This behaviour, while born out of necessity, is increasingly reducing the stigma around shopping pre-loved.

Although 75% of global consumers agree that environmentally responsible products became more expensive from 2021 to 2022,⁴ the majority say they are at least somewhat willing to reduce their consumption by half to avoid environmental damage.⁵ Brands that are able to help consumers economise and live more sustainability will tap into the new perception of 'value'.



96%

of consumers surveyed intend to adopt cost-saving behaviours in 2023. 42% of those consumers reported their intent to significantly decrease their spending.⁶

1. Brand: your first defense against rising prices, Kantar, Jul 2022. 2. Euromonitor International Voice of Consumer: Lifestyles Survey, 2022. 3. ThredUp Resale Report, Apr 2023. 4. Healthy and Sustainable Living, GlobeScan, Nov 2022. 5. Healthy and Sustainable Living, GlobeScan, Nov 2022. 6. PWC Global Consumer Insights Pulse Survey, Feb 2023.



Carrefour added an anti-inflation button to its e-commerce site, enabling shoppers to easily find between two to six cheaper alternatives across 8,000 products. According to the company, in 21% of cases, consumers replace the original item with a substitute offered by the algorithm.⁷



UK-based skincare brand **The Inkey List** is helping people streamline their beauty routines with a 'Smart Skincare' service. Consumers share their current routine via AskInkey, a chat function on the brand's website, and a team member highlights which higher-end products can be swapped out for a more affordable option.⁸



Hoogvliet — a supermarket chain across the Netherlands — trialed Wasteless' AI-driven dynamic pricing solution. Instead of a one-off markdown, discounts are applied incrementally as goods approach their expiry date with the software adapting to customer buying habits. Wasteless estimates that it could lower waste-related costs by 30%.⁹



Everytable wants to make healthy food available to all. Prices are adapted to post codes, with people in disadvantaged communities paying less. To determine pricing, the delivery address post code is cross referenced with average income statistics of residents in the neighbourhood. Everytable operates in LA and New York.¹¹

15-20% of businesses have dynamic pricing capabilities.¹⁰

7. Le Parisien, Carrefour lance un 'bouton anti-inflation' en ligne pour aider les consommateurs à acheter moins cher, Nov 2022.

8. Glossy, The Inkey List adds swap-and-save feature for customers to save money, Jan 2023.

9. Food Navigator, AI-driven food waste solution rolls out in Netherlands, Dec 2022.

10. How retailers in Europe can navigate rising inflation, McKinsey, Dec 2022. 11. Everytable.



Tools and services that help consumers economise need to be integrated into existing customer journeys. AI can also play a role here.



Making savings by design seamless and intuitive is essential. See how Carrefour integrated the anti-inflation button into their existing UX.



AI-driven markdowns can improve a brand's bottom line and lower its environmental impact. Companies that move fast and make strategic investments are more likely to thrive during downward cycles.



Variable pricing models could appeal to socially conscious shoppers that want to give back. Everytable pioneered a savings by design strategy that allows consumers to help those that are less fortunate.

Collaborative Solutions: Doing Good Together

Complex and interconnected risks — such as inflation, trade wars and low growth¹² — won't be solved by just one company. Brands embracing collaboration and forming unexpected cross-sector partnerships are making a difference.

Why is this happening?

Consumers expect brands to be a force for good: 79% of the world's citizens think that brands can make money and support good causes.¹³

To meet this expectation, and face the risks and challenges at hand, collaboration is crucial. Partnerships, especially those that span industries and geographical borders, will help brands develop resilience through shared resources and knowledge streams.

26% of organisations are already partnering with established companies/competitors to create new sources of value.¹⁴ It's time for businesses to explore expanding their scope of collaboration to build cross-sector alliances that could start to tackle both longstanding concerns and new issues.

12. WEF Global Risks Report, Jan 2023.

13. Ipsos Global Trends 2023, Feb 2023.

14. PWC 26th Annual Global CEO Survey, Jan 2023.

15. Ipsos Global Trends 2023, Feb 2023.



79%

of consumers surveyed think that brands can make money and support good causes.¹⁵



In 2021, **Tony's Chocolonely** invited other chocolate brands to join Tony's Open Chain, a platform that helps fellow chocolate brands to clean up their supply chain based on five sourcing principles.¹⁶ Chocolate manufacturer Baronie (based in Belgium) and French chocolate maker Cémoi (France) signed up in February 2023; other partners include Ben & Jerry's, Albert Heijn and Aldi's Choco Changer line.



The British supermarket chain **Tesco** has created an online marketplace that connects suppliers with unwanted goods to others who can use them. Over 3,500 suppliers have signed up — advertising surplus stock for sale and posting requests for items they need.¹⁷



Located in Amsterdam, the United Repair Centre from **Patagonia** champions accessible sustainability. It's available to Patagonia customers and other brands, broadening repair services and helping more consumers extend the lifespan of their garments. The hub, developed in partnership with Makers Unite, aims to carry out 300,000 clothing repairs annually.¹⁸



The first phase of **Ford's** innovation hub Michigan Central is slated to open in Detroit in Spring 2023. When fully operational, the hub will be open to startups working on issues related to transportation. The space, which was developed with inventor community Newlab, will include workspaces and prototyping labs to accelerate applied research and development and collaboration.¹⁹



Manually marking down products close to expiry often results in human error and unnecessary waste. **Too Good to Go** (TGTG) has acquired CodaBene, a French retail startup which developed **FoodMemo**, an AI-powered software that identifies products close to expiring, with plans to roll it out across suppliers. The partnership will help retailers to cut waste more effectively while boosting TGTG's reach.²⁰



16. Tony's Open Chain. 17. Tesco, Tesco suppliers to use online swap-shop to cut costs and reduce waste, Nov 2022.

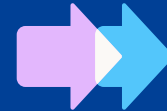
18. TrendWatching, Patagonia's new Amsterdam repair centre is designed to be shared with other brands, Jul 2022.

19. Axios, Sneak Peek: Detroit's Michigan Central Mobility lab opens soon, Feb 2023. 20. Too Good To Go.

Partnerships don't just benefit organisations — they can also benefit the consumer. Forward-thinking companies will collaborate with a host of brands and startups.



Collaborative solutions go beyond B2B. As Patagonia's repair centre highlights, they can deliver tangible consumer benefits — democratising sustainability, for instance.



Ford knows that mobility challenges like electrification and aerial mobility won't be solved by one brand working alone. The automaker's innovation hub will facilitate knowledge sharing with a community of entrepreneurs and startups.



Brands making progress on issues like sustainability or diversity could make initiatives available to others, creating a positive ripple effect. For example, Unilever-owned Lux made a training resource developed to combat workplace sexism available to everyone.²¹

21. Nasdaq, LUX creates bold new workplace training designed to stop everyday sexism in the workplace, Dec 2022.

Skills for All: Investing in Talent

The tech skills and core competencies required for work are changing at a more rapid pace than ever before. With AI and automation changing the workplace, reskilling and upskilling of employees will be key for business reinvention and future-preparedness. Forward-thinking brands are extending these initiatives to future employees too to truly deliver skills for all.

Why is this happening?

Global C-suite leaders are concerned about labour supply and the availability of critical skills to meet current demand. 38% of CEOs and CFOs plan to accelerate reskilling current employees.²² Talent is a crucial source of advantage and companies that focus on people can perform better in times of uncertainty.

The need for upskilling isn't relegated to the workplace. Young people are concerned their education is falling short: 37% of global Gen Z think that their school education didn't give them

the technology skills they need for their planned careers.²³ There's an opportunity for brands to step in to help fill this gap — after all, these students are potentially your employees of the future.

While there is a clear business imperative for upskilling, consumer sentiment is increasingly shifting towards brands that take care of their employees: 89% of global citizens expect CEOs to take a public stand on the treatment of employees (this ranks higher than climate change and discrimination).²⁴



25%

LinkedIn has observed that skill sets for jobs have changed by around 25% since 2015. They expect this number to double by 2027.²⁵

22. Mercer Beat the Crisis: How executives are responding to economic shocks and talent shortages, Jan 2023.

23. Dell Technologies Future-Proof, Jan 2023. 24. 2023 Edelman Trust Barometer, Jan 2023.

25. LinkedIn Workplace Learning Report 2023.

Upskilling employees: investing within.

Leverage partnerships to enhance upskilling. **Kroger** works with **Axonify** to push upskilling videos to employees' phones, allowing important training to be prioritised. Kroger has around 420,000 employees across the US; according to the brand, stores that are more engaged with the training had a higher net promoter score among consumers.²⁶



EDEKA, one of Germany's biggest supermarket chains, created a platform that allows employees to upskill from their digital device. The EDEKA Next curriculum can be tailored to learning goals and levels, and a chat function allows users to study together. The previous knowledge portal supported around 180,000 learners.²⁷

26. Grocery Dive, Jan 2023. 27. Edeka press, Jan 2023.



Upskilling the community: creating opportunity.

A partnership between nonprofit **Generation Australia** and **Microsoft** was established to help train unemployed or underemployed individuals in cloud computing, data analytics and cyber security. Learners are offered paid internships. To date, over 1,000 learners have undertaken a Generation Australia program.²⁸

28. Microsoft News Center, Jul 2022. 29. Spareka, Lancement de Génération Réparation, Jul 2022. 30. Amazon News, Feb 2023.



Spareka, a French online marketplace for spare parts, teamed up with the Environment and Energy Management Agency to launch Generation Reparation. The pair designed an online resource that provides school teachers with worksheets and instructions for hosting tech repair workshops with their students.²⁹



The **Amazon Small Business Accelerator** is a free online educational platform that helps entrepreneurs develop the digital skills needed to sell products on and offline. The program has trained 130,000 entrepreneurs in Germany, France, Italy, and Spain since launching; 60% said the programme had helped them expand their business internationally.³⁰

Assessing the existing internal skills gap against business priorities is the first step. Learning and development tools can be rolled out to consumers, creating new revenue streams.



Assessments will help HR and Learning & Development leaders identify skill gaps and develop customised training programs accordingly. Mapping gaps against business priorities will aid business reinvention.



Sharing programmes designed to upskill employees with consumers and other brands builds new enterprise opportunities, including additional revenue streams through monetisation.



The rise in employee-generated content (content created by employees and shared on social media) can mean that what happens within an organisation makes waves beyond the office walls. Fulfilled and engaged employees that share stories about upskilling and more can become brand ambassadors that drive visibility and positive opinion among customers and future staff.

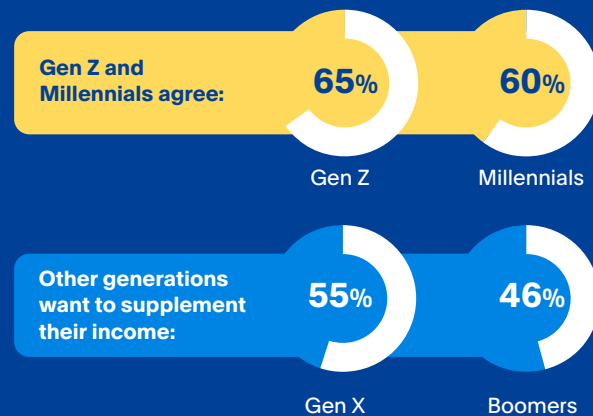
Side Hustle Heroes: The Value of Passion Projects

Faced with job precarity and a rising cost of living, many people are embracing side hustles to provide supplementary income and long-term resilience. Brands can unlock the value of consumers' passion projects by providing support and mentorship, a platform or integrating their niche skills within the business.

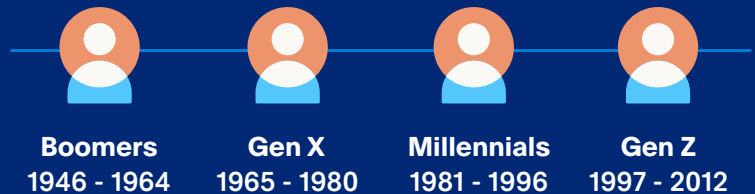
Why is this happening?

Economic uncertainty is prompting consumers to take on, or consider, a side job. This sentiment is stronger among younger demographics (65% of Gen Z and 60% of Millennials agree), but other generations want to supplement their income (55% of Gen X, 46% of Boomers).³¹

Hybrid working models make it easier to lean into entrepreneurship, and a widespread reckoning with professional fulfillment will ensure income diversification outlasts the cost-of-living crisis.



31. Connecting with the workforce, Kantar, Feb 2023.

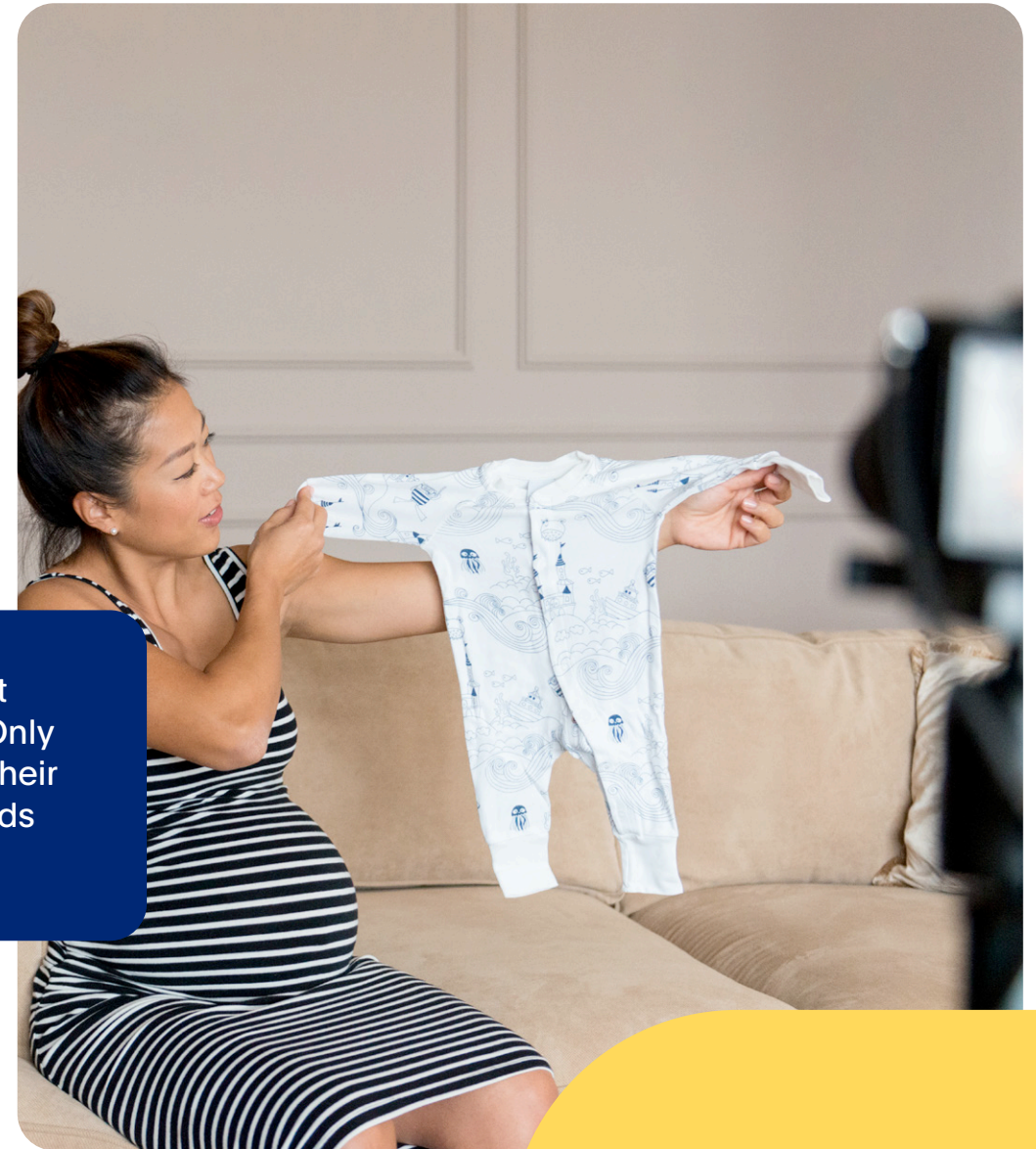


Online platforms like Shopify and Etsy make it easier for hobbies to be monetised, and social media platforms allow those pursuing passion projects to build out their own personal brands. Of course, social media influencing can also be a side hustle in its own right.

The global influencer marketing industry is set to reach \$21.1 billion in 2023, 67% of brands who budget for influencer marketing expect to increase their influencer marketing budget over the next year.³² Influencers can create more relatable and authentic content and help brands build personal — and profitable — connections with consumers.³³



31% of global citizens surveyed have started a business at some point. 29% of those surveyed hope to do so soon. Only 30% of individuals surveyed across 28 countries believe their government helps to foster entrepreneurship, giving brands an opportunity to step in.³⁴



³². The State of Influencer Marketing 2023: Benchmark Report, Influencer Marketing Hub, Jan 2023. ³³. The Era of Alignment Nielsen, May 2022.
³⁴. Ipsos Untapped Potential: Entrepreneurialism in Inflationary Times, Jul 2022.



H&M and **Ingka Group** opened Atelier100: an ideas factory that provides grants and hosts workshops and mentorship programs for creatives that live within 100km of London. The designers' work is then made available to purchase at the Atelier100 store.³⁵



Walmart Creator is a one-stop platform that allows creators to monetise shoppable products from the retailer. The platform, designed to increase product discovery through partnerships with content creators, is open to both new and established influencers; according to Walmart 'anyone can be a creator'.³⁶



The on-demand delivery service **foodpanda Malaysia** created the HomeChef initiative to help aspiring chefs earn an income from their passion projects. Via a partnership with Agrobank, the home-based chefs can apply for micro financing to grow their business. As of Q4 2022, there were more than 5,000 home chefs on the platform in Malaysia.³⁷



Brands that support the entrepreneurial endeavours of their consumers are being paid dividends through new experiences and improved loyalty.

Uplifting and integrating consumers' passion projects could help enterprises appeal to shoppers who are keen to support small, local businesses.

Developing new consumer-facing products and services that enable side hustles could provide a new source of revenue and strategic diversity. Business building can help brands weather disruptions: 34% of companies that prioritised business building during the pandemic kept their revenues from shrinking.³⁸

35. Atelier 100. 36. Walmart, Walmart launches new content creator platform, Oct 2022. 37. foodpanda & Agrobank, Nov 2022. 38. Why business building is the new priority for growth, McKinsey, Dec 2020.

78% of global consumers say they will be more loyal to companies that help them through presently existing difficult times, such as the rise of inflation, aftermath of the pandemic, and the current geopolitical crisis.³⁹

Periods of turbulence present a unique opportunity for companies to lead with empathy. Consumers appreciate, and remain loyal to, brands that help them navigate through uncertainty.

Practising empathy could mean supporting those looking to economise or staying attuned to customers' evolving perceptions of value. It could mean helping people and employees prepare for whatever the future holds shocks by upskilling or levelling up their side hustles. Or it could mean new, uncharted ways of supporting people through difficult times.

Organisations that support their consumers and employees in meaningful ways can enhance brand value and build loyalty in the longer-term.

³⁹. What matters to today's consumer, Capgemini Research Institute, Dec 2022.





About PayPal

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