

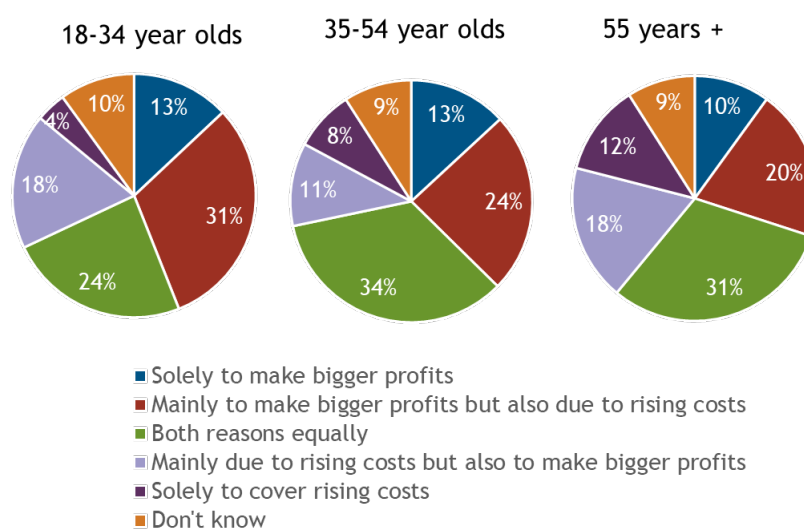
UK Plc can't ignore the reputational risks of inflation

Blog post by Senior Practice Lead Rebecca Park and Senior Associate Lilah Howson-Smith, 24 September 2021

UK businesses should be concerned by energy price spikes being experienced in Britain, not just because of the impact on their bottom lines, but also because of the reputational issues that come from skyrocketing prices. The UK government ignores the rising cost of living crisis at its peril, but crucially so does business. With the gas price hike in the domestic market, the end of the temporary universal credit increase and next year's national insurance rise, household budgets in the UK already looked squeezed. However, whilst Boris Johnson's government can confidently declare that energy bills will not rise, by maintaining the price cap, businesses will need to explain what they are doing to manage reduce prices.

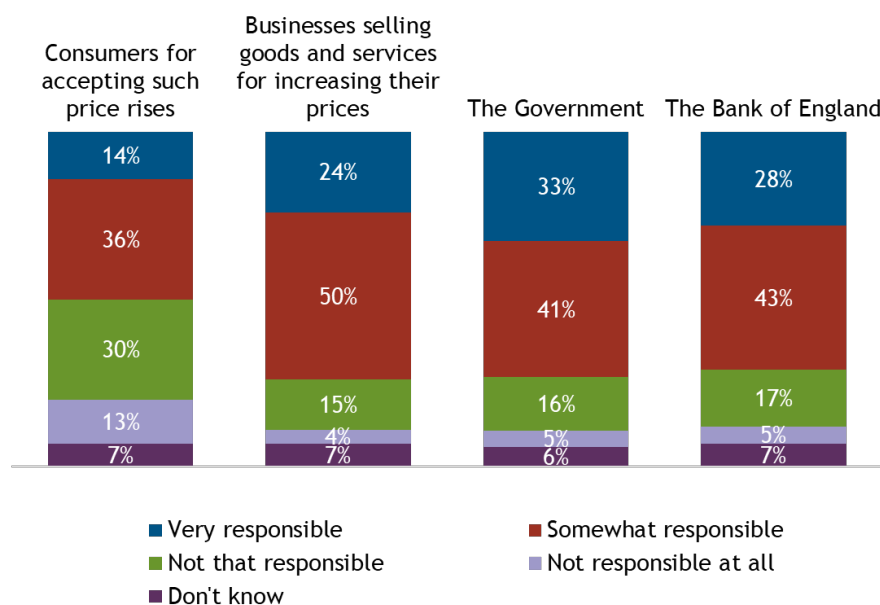
When it comes to rising prices, it will come as little surprise to many working in business in the UK that the public is somewhat sceptical about why they put their prices up. We know from our recent research that over a third of the public think it is solely down to profiteering behaviour and more than half the public believe it's as much about companies seeking to increase their profits as it is about trying to manage rising costs.

Q4. When the prices of goods and services go up, which of the following do you think best describes why?
Base = 2060

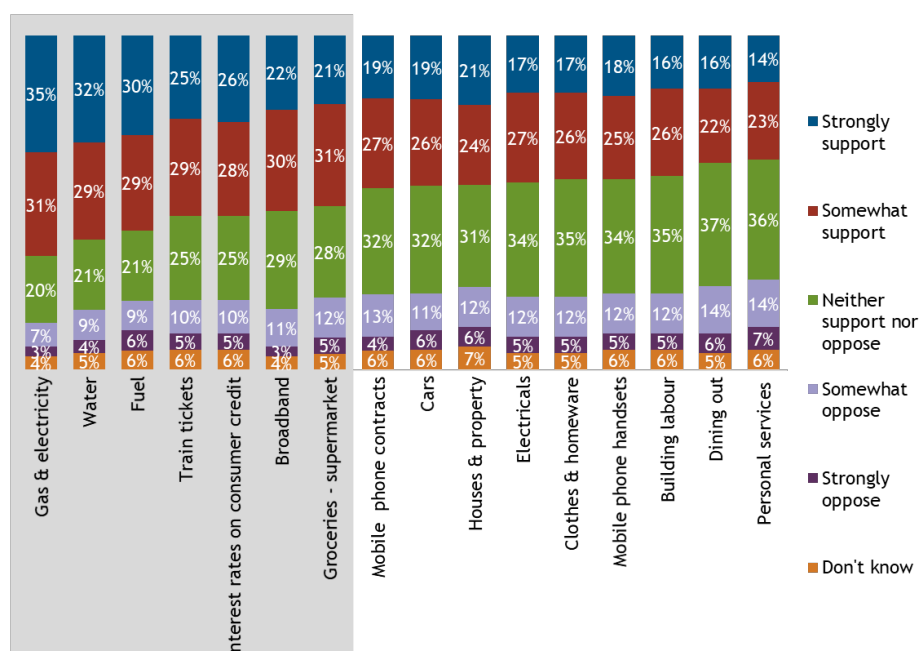


Moreover, in general UK consumers believe that the private sector is just as responsible for managing price rises and inflation as the British government and the Bank of England. Seventy percent of the UK public think that all three actors are jointly responsible for managing the rate of inflation. These are figures of violent agreement that a government can generally only dream about. And they are not just limited to any one demographic. Regardless of region, voting intention or age the public is agreed that business has an important role to play here and that they should be stepping up to the plate to help manage the challenges posed by rising costs and prices.

Q10. When inflation is higher than the preferred rate of 2%, as it is now, to what extent do you think that each of the following would be responsible for such a rise?
Base = 2060



Q15. To what extent would you support or oppose price controls set by government for the following types of products and services?
Base = 2060



Even where action by government is favoured, UK consumers specifically support the introduction of price caps to control rises of the kind that already exist in the retail energy market. While this will be comforting to UK Business Secretary, who has declared that the price cap will stay, these views should pose a concern for a wider group of businesses looking at how to manage the current supply chain shocks, driver shortages and now spiking gas prices. Simply explaining the challenge and the causes of why costs are rising is not enough - the public, who are ultimately customers and potentially even shareholders, want to understand what businesses are going to do to keep their costs as low as possible.

In this context, having a shopping list of public spending asks that will not directly ease the burden on British households will not be viewed favourably by consumers, and government knows this. If energy companies want to build trust with the public, they are going to need to articulate what they are doing to ease the crisis - even when they feel like some of the key solutions are outside their hands. At a time of fragile public confidence in the industry, finding the right way to show how you are helping - as we saw retailers do so well during the pandemic - could be an important building block in restoring reputation.