



THE NETWORK
OF LEADERS

CRITICALEYE

THE POST- RECESSION CONSUMER TRENDS

By Paul Flatters

When it comes to an upturn, will consumers slip back into their pre-recessionary ways or will behaviour be permanently altered by the experience of economic downturn? In this article for Criticaleye, **Paul Flatters** of **Trajectory Partnership** identifies and explains eight post-recession trends that consumer-facing businesses must be on the lookout for.

INTRODUCTION

Though no one can be certain precisely when economic recovery will come, most businesses are already thinking about what the post-recession landscape has in store. Of particular interest will be the behaviour of consumers. Will they simply slip back into their pre-recessionary ways or will behaviour be altered by the experience of economic downturn?

To help answer these questions we have been exploring the impact of the recession on a range of consumer trends and attempted to identify when they will return to their pre-recession paths and influence - if at all. In doing this we have conducted three types of analysis:

- Identifying how previous recessions have altered consumer psychology and activity, and shaped their subsequent behaviour
- Exploring how this recession is different to others. What are its distinctive causes and impact?
- Tracking the journey that consumers have taken to the present that will condition their reaction to the recession and shape their likely trajectory out of it.

This article highlights the findings of this analysis with reference to eight key consumer trends that are being significantly reshaped by the recession.

THE TRAJECTORY OF CONSUMER TRENDS

Our analysis revealed that the key to understanding the post-recession consumer is to understand the status of consumer trends in two senses:

- The trends that have deep roots, that are mature and well-established and that would take a sea change in consumer circumstances to dislodge versus those that are relatively new and are a more recent feature of consumer behaviour
- The trends that are propelled forward by the circumstance of recession and those that are halted by it. Recession tends to encourage caution, introversion, fear, anxiety and a concentration on securing the essentials in life. Some trends, regardless of their state of maturity, are amplified or accelerated in these circumstances; others are diminished by them and others still unaffected.

The matrix in **Figure 1** highlights how we expect a range of key consumer trends to be impacted by recession. Later we describe how they are likely to emerge from recession

First, we give some examples of each.

DOMINANT TRENDS

Demand for simplicity: a mature trend accelerated by the recession

The desire for simplicity comes out of the increased complexity and choice in all realms of modern consumer life (see, for example, Willmott & Nelson, *Complicated Lives*, John Wiley & Sons, 2005). Given the long-run development of consumerism from the post-war era onwards this has been a steadily growing trend that was already starting to impact many markets.

In a downturn, when there are more stresses and strains in life, there is an increased desire for simplicity and a renewed legitimacy in it - it becomes cool to go back to basics; to be straightforward; to be simple.

Edited retailing, the need for strong identifiable brands, seeking advice from friends and relatives (and the growth of social networks and word-of-mouth), the desire for a manageable work-life balance, more intuitive user-centric design in technology and the increase in advisors across all walks of life are all testimony to this trend.

With this in mind, we would suggest that companies offering both products and services think about stripping down their offers to the basic essentials and component parts. Basic offers might also serve to retain customers for premium brands during a recession. For example, we note the success of the new Waitrose 'Essentials' range in the UK in their attempt to battle for market share with discounters.

There is no reason to assume that consumers will not continue to seek uncomplicated, user-friendly products and services that



COMMUNITY COMMENT

Alan Giles,
Chairman, Fat Face

"Changes will depend on the length and severity of the recession. So far recovery has been surprisingly rapid. If it proves to be V-shaped there's a good chance previous trends, eg, ethical and green consumerism, will resume. A W-shaped recovery (or worse) will leave consumers more heavily scarred, and lead to more pronounced and uncertain changes in attitudes and behaviour."

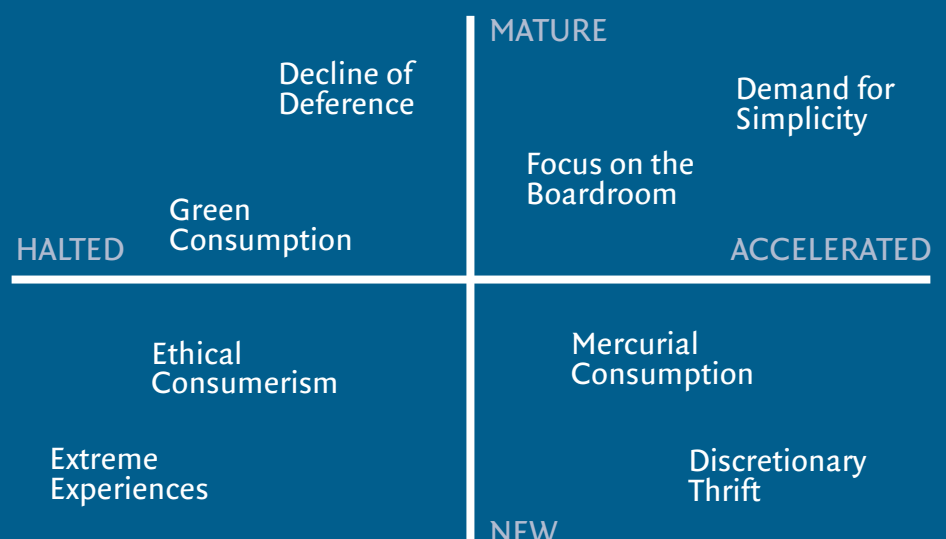
simplify their lives when recovery comes. Indeed, the notion of simplicity sits very comfortably with a number of the other trends – such as the rise of discretionary thrift and the decline of extreme experiences – and will be further reinforced by them.

Focus on the boardroom: a mature trend potentially halted by the recession

With capitalism itself under the spotlight as a result of the global economic difficulties and the perceived failings of the market system, the role and responsibilities of the corporate sector – how it behaves and the rewards given to its senior executives - is given increased focus. This has been building for many years (see, for example, Michael Willmott's *Citizen Brands* or Naomi Klein's *No Logo*) and the failings of the financial services sector and the excessive remuneration of its senior people merely follows those in telecoms (WorldCom) and energy (Enron).

The public and political outcry around the world over tax payers' money being used to support failed businesses will increase consumer awareness of the behaviour of all companies and not just banks and

FIGURE 1: IMPACT OF RECESSION ON TRENDS



Will consumers simply slip back into their pre-recessionary ways or will behaviour be altered by the experience of economic downturn?

THE NETWORK
OF LEADERS

CRITICALEYE

insurance companies. Issues of board room pay and appropriate corporate governance are now the most important part of the CSR agenda in our view. The recession means that hard pressed consumers people care a little less than previously about cheap labour in the developing world and more about executive pay and corporate responsibility to customers.

When recovery comes, consumers will be able to afford to vote with their feet and boycott any company that is thought to have misbehaved in this regard. This would suggest that the focus on boardroom probity should remain for the next five years at least. Beyond that, consumer memories of the causes of the current economic crises may dim, but it would be a brave company that relied on this and took their eyes off this particular ball.

ADVANCING TRENDS

Discretionary thrift: a new trend accelerated by the recession

Poorer consumers have no choice but to be thrifty and to make their resources stretch. Discretionary thrift, however, is a trend among more affluent consumers to economise and spend wisely even though they do not have to. This trend is relatively new and seemed to have developed in the last three years of the pre-recession

consumer boom. Both qualitative and quantitative research among more affluent consumers revealed a frustration at the excesses of consumption that were facilitated by the long years of economic growth. This created a desire for a more 'wholesome' less wasteful life. Re-cycling, buying used goods (from charity shops), learning traditional crafts (such as sewing and knitting) and generally reducing excessive spending are some of the hallmarks of this trend. For people in the family life stage one of the key impulses of this trend is to imbue children with 'traditional values'

Initially, many consumers were cautious about admitting to the attractions of this trend. It could be interpreted by others as being mean and joyless. The recession has changed all of this and makes it acceptable, even trendy to be thrifty.

We expect the lessons learned from 'trimming the fat' in the recession to persist into the longer term. We now have a cohort of affluent consumers who know they can live without a gym membership for example, and still find that life is worth living. Frivolous and excessive consumption is not only expensive, it is uncool.

A specific issue for companies to consider in light of this, is an increased consumer focus on price. One of the longer term impacts of the recession is that consumers are now shopping more attentively and scrutinising price ever more closely.

Mercurial Consumption

This phenomenon has been developing for a while as competition and choice in the high street has been growing. But it has become a major trend in recent years thanks to the capability of the internet to increase choice further, make purchasing easier and allow personal recommendation (or recrimination) to more easily influence consumer behaviour. Such word-of-mouth and network effects (increased further by

mobile technology) are clearly some of the major impacts of the new media. So this trend - the increase in volatility (and hence disloyalty) of consumer behaviour – is a critical one for companies and explains why there is so much interest in the management of networks and the spread of messages.

A new, and hot, trend this will be accelerated as consumers need to shop around more for the best deals and look to social contacts – friends, family and social networks – for recommendations. The impact will be significant exposing a whole new set of consumers to the concept. It will be an accelerated trend whose trajectory will continue long after the recession is over.

One key implication of this is the need to manage reputation as well as possible, especially online. This may require a different approach to reputation management, aimed more at facilitation of positive messages, rather than an attempt to control negative ones. Coca-Cola provide a good example of this approach. Coke has one of the most popular facebook sites dedicated to it, run by enthusiasts for the brand who are independent of the company. Rather than try to control it, or try to close it down, they have decided to support it.

SLOWED TRENDS

Green Consumerism: A mature trend potentially halted by the recession

Eco-consumption has taken a battering in previous recessions as consumers have had to focus on the basics of securing food and shelter. However, environmentalism and green consumption now seems to be so deep rooted in the consumer mid-set and wider public policy arena, that it is perhaps unsurprising it is retaining its share of attention in the recession.

In this recession green issues are still on the consumer agenda. However, the expressions of environmentalism are changing – they are



COMMUNITY COMMENT

Rakesh Patel, Chief Executive Officer, Goldshield Group Plc

"Customer insight has never been so important but businesses and brands should not forget what has always been crucial to long-term success, regardless of current trends – building trust through customer engagement, clearly communicating value and harnessing the power of advocacy. Remember this and you can emerge from any recession faster, bolder and stronger."



COMMUNITY COMMENT

Vince Mitchell, Professor of Consumer Marketing, Cass Business School, London

“This recession will be with us psychologically, if not practically, for a long time to come. Good behaviours, such as, getting better value for money by using shop bots and price comparison websites, will be a habit that will stick in many product categories. The decrease in consumer trust in the marketplace leaves an opportunity for some companies to develop proper relationship marketing strategies between people and people, rather than between people and technology as we have greater trust in the people we know than organisations. However, as good marketers know, these macro trends will vary by segment and product category, so checkout the general trend for your specific segment.”

now less about wearing your environmental badge on your sleeve by buying premium eco-brands, and are more about waste reduction (and thrift). There could also be an enhanced anti-capitalist undertone? As capitalism is seen to have failed then the anti-capitalist the green movement has been given a boosted legitimacy.

There are clearly great opportunities for companies that can help consumers manage and reduce their carbon footprint. Utility companies have an obvious role, but less obvious candidates (like Sky in the UK) are seeing advantages in promoting a green, energy reduction message to their consumers. This is likely to be more successful than, say, the approach of many airlines which ask their customers to pay extra for carbon offsetting.

Decline of deference: A mature trend potentially halted by the recession

This trend refers to the decreasing influence of traditional authorities on consumer behaviour. It is a long running trend as people have become more confident in their own choices and less dependent on public officials, professionals and scientists. The often noted change in advertising where the white coated scientist recommending a washing powder has been replaced by a celebrity who people aspire to be like is one manifestation of this.

This trend may be put on hold by the current recession for two reasons. First, in uncertain times, people are likely to look for guidance and seek the advice of experts. After all, we are relying on governments to get us out of the current mess. This isn't to mean

that people will suddenly start seeking the advice of bank managers again (something that has been in decline for many decades) but they might from other advisors.

Government suggestions on how to manage their finances and scientists' ideas on certain issues might have more resonance. We would expect this trend to return to normal pretty soon once the recession finishes (and we might add, sentiment towards government might sour too as the bill for the bail-out starts hitting our taxes).

ARRESTED TRENDS

Ethical consumerism: A new trend, halted by the recession

Issues such as fair trade, organic and locally sourced have not been around so long and are, therefore, less embedded in consumer culture than climate change or more general aspects of corporate citizenship. For this reason, and the inevitable strains the downturn puts on the consumer purse, means that ethical consumption will take more of a back seat than environmentalism or CSR.

Putting it bluntly, when you have your children to feed your worries about other children in other parts of the world, or animal welfare, gets pushed down the list of consumer priorities. This trend's progress has been halted and is likely to start the recovery era lower down the consumer agenda than pre-recession.

The key implication for business is to remain consistent throughout this period of change. Though consumers may be temporarily tuned out of these issues, they will tune back in when recovery comes. Companies must be able to defend their decisions and their track record in these areas when they do.

Extreme experience seeking: a mature trend halted by the recession

The desire to accumulate experiences, especially leisure experiences, rather than material possessions, is a well documented and mature trend in terms of consumer behaviour. This trend thrived in a period of economic growth when material possessions were relatively easy to come by. The way to really express your tastes and values was through having interesting experiences to talk about. The recession will put the focus back on the accumulation of things – particularly in markets for bigger ticket household items where the recession

will result in 'pent up' demand in the immediate post-recession period.

Some experiences, those that are relatively cheap and connect people to nature and the 'wholesome' values of new thrift will survive and thrive. However, in recent years the experience economy became associated with more 'extreme' or 'excessive' experiences such as days spent learning how to drive a racing car, hot air ballooning across exotic landscapes and zorbing. These experiences that are expensive or involve changing and challenging natural habitats are likely to fall foul of a new post-recessionary mood of seriousness and responsibility for experiences.

CONCLUSION

The trends, and their likely future trajectories, that are described here will affect most, if not all, consumer-facing business in the immediate post-recession period. Consumer behaviour will be shaped and defined by them. In this article, we have provided an overall steer on the future direction of travel. However, we would recommend two further courses of action for businesses that really want to get inside the heads of the post-recession consumer.

First would be to understand more precisely what these trends mean for your specific business sector and your own brand (or portfolio of brands). Second, would be to consider any other trends that may be especially, or uniquely, important to your sector or brand/s and subject them to a similar type of analysis. This way you can look forward to economic recovery knowing that you are fully prepared for the new, post-recession consumer psychology and, probably, better prepared than your competitors.

© Criticaleye 2010



Paul Flatters
Managing Partner,
Trajectory Partnership

Paul has previously worked as CEO of the Future Foundation, MD of Opinion Leader, Research Director of Which? and Head of Analysis & Research at BBC News. He is a regular conference speaker and is frequently invited to speak and run workshops across Europe and in America for the senior management of organisations such as Coca-Cola, Next, Bayer, Emap and IPC

Contact Paul through www.criticaleye.net