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WHAT POST-RECESSION BEHAVIOR MEANS FOR MARKETERS TODAY

NEW RESEARCH PREDICTS HOW WE WILL SPEND



Given the magnitude of the current recession, there continues to be ongoing discussion about what the post-recession consumer will look like. Will consumers return to pre-recession spending and continue to stimulate new growth in the near-future economy? Or will they fundamentally change their habits, ultimately altering the next stage of national and global economic development?

A majority of economic analysts and futurists perceive that we are in the midst of a fundamental paradigm shift in our economic behavior. They suggest that similar to the Great Depression of the 1930s, the current mentality and habits of consumers will indeed change, resulting in long term attitude and behavior modifications that likely will give rise to an economy less dependent on consumer purchasing as a stimulus for economic growth.

The Consumer-Purchasing Model

It has long been thought that consumer spending, and the purchasing of both common disposable and durable goods, was a main driver of economic growth and business development. Many manufacturers and retail outlets have depended on robust consumer spending as a main impetus for economic growth.

The current recession, however, has placed us on a different path—one that is more global in nature. At the same time it also has exposed major weaknesses in the domestic economy as it relates to consumer purchasing habits and lifestyles. Massive governmental intervention has become a critical tool in the stimulation of future economic growth, both in the United States and global markets. However the real question is whether the global economy can depend on consumer spending to drive economic growth. This was a fundamental condition of the pre-recession economy, but will it return and to what extent?

The Grounding of Consumers

In conjunction with macro-level lifestyle changes (e.g., the severity of unemployment, particularly among Boomers and educated sectors, as well as insecurity about global economic performance), it is the “new” consumer that will challenge manufacturers and retail stores alike as we move into the post-recession period. This may be the difference between a more robust economic recovery and a prolonged economic downturn. Several key shifts in the mindset of the consumer have already begun to take place:

- **Consumers are purchasing less in terms of goods and services:** The idea of “less is more” is now in vogue.
- **Brands will be required to offer “proof of value”:** Brands must add value to the products and services they represent. Many consumers will not purchase products and services based solely on brand reputation.
- **Consumers are conducting their own research:** The Internet and other information sources enable pre-shopping research and decision-making. Often, the targeted product consideration set has been narrowed or even decided upon before the customer has physically entered the store or the purchase decision stage of the shopping cycle.
- **Consumers are consistently becoming “value-driven” buyers:** They are looking more critically at bundled products and services, as well as deep-discount pricing.
- **Values are shifting:** From the more egocentric “me,” to group and family “we,” or even to the community “us.”
- **Many consumers are becoming procrastinators:** Consumers are delaying the purchase of durables, technology and other high-ticket items.
- **Concern about the U.S. middle class:** The current recession has threatened the very existence of the middle class. Will it survive or, more importantly, will it continue to be a major driver of the domestic and global economies?

While we cannot change consumer purchasing habits or predict the post-recession economy, a number of analysts—ourselves included—offer the following recommendations for marketers as we all move toward post-recession strategic planning:

- **Know your customer:** This is even more critical in a post-recession market. We need to get close to customers and be prepared for both micro and macro attitudes and behavioral changes. We need to continue to research customers and understand their lifestyles and values. Organizations that are flexible and nimble will be able to survive and prosper in the next-generation economy, and a realistic view of the customer will enable this.
- **Embrace innovation and ideation:** We will need to do more “co-creation” and develop other consumer-centric approaches for the development of new products and services. It will be critical to get it right the first time, as consumers will have less tolerance for missteps or missed opportunities.
- **Continue to build and reinforce your brands:** Leverage emotional connections to create psychological attachment, while enhancing your brand’s promise. Iconic brands are “top of mind” with customers. One should always strive for iconic status.
- **Accelerate new projects to “now”:** This is the time to come to market with innovative concepts—before somebody else does or the market passes you by.
- **Do not necessarily reduce prices:** Rather, add value.
- **Think globally:** Both European and North American markets have become saturated in terms of products and services. The next hot markets will most likely continue to rise from the developing, not the developed, world.

While the next wave of economic activity associated with the post-recession consumer may be fundamentally different from current realities, manufacturers and retailers should not just strive to stay alive, but with pioneering planning and thought, they can actually flourish.

This will be both the challenge and opportunity in the way we conduct business in a post-recession environment. One day as we look back on this era, we may say that we didn’t just survive the next great depression, but that we forged the next great opportunity.

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