



# The Game Changer

*How the recession has created permanent changes in consumer behaviour*



initiative



# The Game Changer

The convergence of technological, social and economic forces is unique and changing the face of marketing. Consumers are agile and are shaking themselves out of settled patterns of behaviour.

The internet is now a tool for life. It has moved beyond the rational world and into the emotional environment. Consumer control has been accelerated, and the dynamics of influence have shifted in favour of individuals and the communities to which they belong.

Consumer values are shifting away from brand heritage to integrity and authenticity. Brands need to demonstrate that they are on the side of the consumer.

# NEW OPPORTUNITIES ARISE AS CONSUMERS RE-APPRAISE BRANDS

Consumers in Western Europe and the US are showing significant and permanent shifts in their media consumption, purchasing behaviour and attitudes to brands as a result of the changing economy. Overall, the trends across these countries are very similar, with the exception of China, where the economy has been less affected by the global downturn. The figures in this report focus on Western Europe and the US unless otherwise stated.

Our research has shown that 70% of respondents feel that the economic crisis has now stabilised with some signs of optimism going forward. Overall, 63% of consumers have been directly impacted by the economic downturn and have changed their behaviour as a result. We have identified four distinct consumer segments that classify how people are coping:

**'Confidently Secure'** (11% in Western Europe and US, 28% in China) - Not impacted by the downturn, carrying on life as normal. Sufficient money in the bank and security to comfortably see them through tough economic conditions.

**'Live for Today'** (26%) - Not impacted and carrying on life as normal. Limited savings cushion but take a positive 'Live for Today' attitude to life.

**'Hurt but Optimistic'** (39%) - Directly impacted and cutting back on spending. Optimistic that things will improve soon.

**'Feeling the Brunt'** (24%) - Directly impacted and cutting back spending to the basics.

## The Methodology

Initiative used its proprietary online consumer panels, the Connections Panels to seek the opinions of 3,200 economically active family and pre-family online consumers to understand what the current economic climate means for them and how it has affected their behaviour. The research covered seven countries: UK, Germany, France, Spain, Italy, US and China.

# CONSUMERS TAKE CENTRE STAGE IN SHIFTING MEDIA LANDSCAPE

- **The internet (search, portals, news sites, forums) is providing the most balanced view of the economy**
- **Consumers are exploring multiple sources online before forming their own opinions**
- **Traditional newspaper brands are still key sources of information, but content is being viewed online**
- **The internet is now seen as a more reliable source of information than TV**

Across all markets, 45% of consumers keep up to date on the economic situation at least once a day. Television is still the most popular way of doing this, followed by the internet. 80% cite TV in their top three sources, with 41% saying it is their primary source. However, 71% cite the Internet in their top three with 27% as their primary source. So while TV has higher reach overall, it is the Internet that comes first in terms of being a reliable and detailed source of information (on average 35% more reliable/detailed than TV).



However, it is in the area of allowing consumers to explore every angle - therefore enabling them to make up their own minds about the economic climate - where the internet really comes into its own, scoring 50% higher than TV.

People are still relying on trusted and traditional brands for information such as the newspapers, but they are turning to them online. The primary information sources across all markets are a general search for information (64%), reading online newspaper websites (56%), and looking at the finance/business sections of portals such as MSN and Yahoo (44%).

While consumers generally aren't interested in the political twists and turns of the recession, they are interested in the detail of how each development is likely to affect them personally. There would appear to be a perceived distinction between newspaper content (fuelling the day-to-day sequence of political controversy) and online content

(which offers analysis, as well as opportunities to view reactions of real people on blogs and forums), even from the same media brands.

### Implications for Marketers

Recessionary pressures continue to accelerate consumer control as people embrace the behaviours, platforms and resources that enable them to take control. As communication dynamics shift from push to pull, so do the 'sources of influence' requiring brands to engage with consumers on their own terms, through a wider array of touchpoints. Consumers all around the world have learnt new behaviours. There is no going back - many of these changes are permanent

## CHANGING CONSUMER VALUES PRESENT OPPORTUNITIES FOR BRANDS

There has been a significant drop in the trust of the establishment as a result of the economic crisis. The least trusted institutions across all markets (excluding China) are 'government', 'financial services', and 'oil companies'. On average, just 9% of consumers trust their government – down 57% year-on-year. The figures are similar for financial services, 17% (down 56% YOY) and oil companies 11% (down 39%YOY).

Instead, we are placing our trust in each other, with 76% trusting friends and family, 48% trusting expert opinion and 43% trusting online consumer content (blogs, forums, review sites etc), compared to only 20% trusting editorial in traditional media.

What engenders trust in companies and institutions has also changed. It is no longer about being 'well known' and 'established'. Instead, the key words that consumers are using to describe the most important qualities in developing trust in a company or institution are 'reliable', 'competent', 'open and honest' and 'secure'. This suggests that the most important quality in the current climate is 'individual experience' either directly with the product or service or via word-of-mouth.

These findings are challenging to the marketing model where advertising is used to build trust and reassurance through persuasive claims about size and longevity. While the research emphasises that trust will not be easy to build or communicate, it does suggest that

- **Trust in institutions and the establishment continues to be eroded**
- **Individuals are seen as the most trusted sources of information**
- **Consumers are re-evaluating their understanding of trust**
- **'Reliability' and 'honesty' are more important than brand heritage**

consumers are more interested in knowing about how businesses conduct themselves, and there is an opportunity for some companies to convincingly separate themselves from the pack. An example is the financial services category that has long been 'low-interest' for consumers (with brand perceptions slow to change), where there is now an opportunity to become more differentiated and dynamic.



The most important qualities in developing trust in a company or institution are reliability, competence, openness and honesty

In contrast, supermarkets are increasingly seen as trustworthy in this current climate, with 40% expressing trust in them. This is a reflection of another big shift in perceptions. There is a recognition that supermarkets have responded to the everyday pressures on people's lives in small practical ways providing an authentic positive consumer experience.

#### **Implications for Marketers**

There is a need for a new approach to communications founded on integrity, transparency and authenticity. Forward-thinking brands will adapt business practices and re-think communication channels in order to deliver on the new consumer expectations. Shrewd marketers will tap into social platforms with authentic content in order to influence the influencers. Ultimately, brands need to demonstrate they are on the side of the consumer and communicate values that are increasingly personal and local.

# INTERNET AND MOBILE ARE CONSIDERED ESSENTIALS FOR LIFE

Having access to the internet at home has become an integral part of everyday life providing multiple offerings for entertainment, information, communication and shopping. It is viewed as the most essential technology platform by 75% of consumers (slightly less in Spain and Italy where internet penetration is lower). In addition, only 11% of consumers said that the internet would be the first or second thing to go if they were forced to cut spending in the area of technology and communications. Overall, consumers are 40% more likely to maintain spending on the internet compared with all other forms of technology and communication services.

The mobile phone is considered the second most essential form of technology, coming in at 56%. Only 42% of people now consider landlines to be essential, and while spending in this area is likely to be maintained, there is a clear downward trend, with pre-family consumers less likely to agree that landlines are essential.

While the internet and mobiles are considered essentials for life, the economic climate is still having a significant impact on technology and communications, with 25% of consumers reducing their spending in this area, and 15% cutting spending altogether. Only 30% of those 'Feeling the Brunt' have maintained spending in this area, compared with 80% of the 'Confidently Secure'.

Magazines are under pressure, with consumers saying they are 33% more likely to cut spending in this area. The other two areas likely to be hit by spending cuts are newspapers and premium digital TV packages, which are seen as non-essential. The fact that they are expendable is a reminder that in many households the budget is actively managed by the woman of the house - whatever the working circumstances or family configuration - and she is often the agent of change.

## Implications for Marketers

The internet is now one of the tools for life. It has also expanded beyond the rational environment. Consumers now have a strong emotional connection with the online world. This presents brands with a wealth of opportunities for emotional as well as factual communication. Communities have become increasingly important, requiring marketers to look more holistically at their social strategies. And there is still a clear need for marketers to work out how to communicate online with women – the household decision maker in many countries.

- **Cutting spending on the internet is an absolute last resort**
- **Mobile phones are now seen as more essential than landlines**
- **Magazines are considered less essential forms of media**
- **Premium pay TV is seen as expendable**

# MOST CONSUMERS HAVE CHANGED THEIR PURCHASING BEHAVIOUR IN THE PAST YEAR

- **75% have changed their purchasing behaviour in the past year**
- **A re-evaluation of needs versus wants is having a profound effect on many categories**
- **Brands are being re-appraised with shifts in loyalty taking place**
- **Bargain hunters proliferate with selective buying of treats**

There has been a re-evaluation of spending patterns as a result of the economic climate with consumers weighing up needs against wants. Looking across a variety of categories, on average 75% of consumers have changed their purchasing behaviour over the past year. Consumers are employing coping strategies ranging from trading down to cheaper brands to lifestyle changes. Consumers are being savvier about their purchases in some categories in order to treat themselves in others. It is within the 'Necessity' categories where coping mechanisms are most apparent. Consumers are reconsidering their requirements from brands and adjusting their spending accordingly.

If we take grocery as an example, we see that the key area in which consumers are most likely to maintain their spending is fresh produce: fruit (22% more likely to maintain spending compared with the all category average), meat (19%) and dairy (17%). This indicates that product quality and taste are areas where consumers are not willing to compromise. The figures do vary by market and category. For example, German consumers are only 5% more likely to maintain spending on fresh meat, while Italian consumers are 36% more likely.

It is the commodity categories that are experiencing the highest price sensitivity. This is impacting on brand loyalty as consumers seek to save money by trading down to cheaper brands/own label, or buying on promotion, of which the latter is the most common across all categories. An example is household cleaning and laundry where consumers are 34% more likely to buy a cheaper brand and 29% more likely to buy a retailer brand. There are product areas where consumers are prepared to compromise, but only to a certain extent. For example, people are less likely to buy food and personal care categories on promotion versus the non-food categories. Furthermore, in skincare and toiletries, consumers are more likely to buy cheaper branded products rather than own label alternatives. For example, UK consumers are 16% more likely to trade down to cheaper branded products in skincare, but show no skew towards trading down to retailer brands. This is clear evidence that it's not all bad news for brands. There are key categories where brands provide a reassurance of quality and consumers will spend a little more to avoid the risk of compromising on performance.



Another strategy we have observed is rewards in the form of 'Treats' in areas of overall cutbacks. This is happening in both smaller and, surprisingly, larger items such as holidays and eating out. This is an area of commonality between all consumer groups with on average 20% of those who are 'Feeling the Brunt' saying that they will treat themselves, while the figure for the 'Confidently Secure' is 17%. This shows that even the worst hit consumers are indulging themselves from time to time in order to cope with the pressures of the economic climate. Consumer motivations are often emotional, not rational, and the opportunity is for brands to continually strengthen their bond with consumers.



the more radical coping strategies are putting purchases on hold or, even worse, cutting spending altogether. Categories hardest hit are not surprisingly, the high-ticket items such as furniture, home entertainment and automotive. However, there are people who are still actively buying in these markets. Taking cars as an example, only 16% on average have entirely cut their spending in this area. Germany is least hit at 10%, helped by the government assistance program keeping sales afloat, and Spain most hit at 22% as a result of the lower availability of credit in a market where the vast majority buy cars using payment plans. Overall this implies that sales in these category areas can be best stimulated through more precise targeting.

### Implications for Marketers

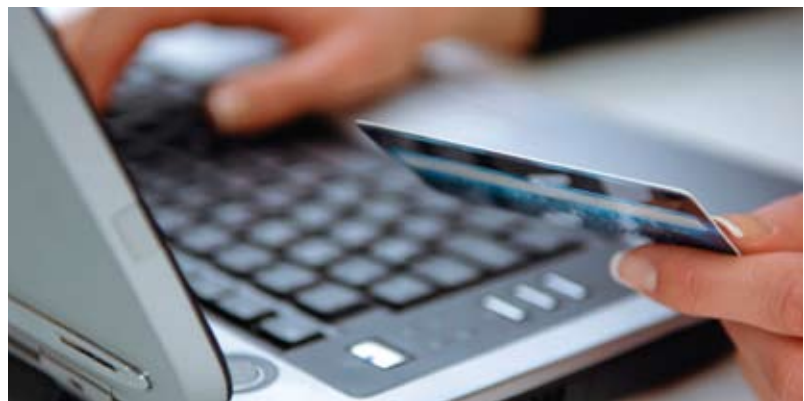
This recession is a game changer. Global economic changes have shown what is possible when consumers are presented with compelling information, communicated on their terms. It is an inspiring reminder of how consumers will change behaviour quickly and deftly to adapt to new circumstances. In the short term, marketers can benefit from impulsive and intuitive behaviour through offers and promotions. In the near and mid-term, marketers will need to satisfy consumers' need for information and advice. And while adapting to these changes, marketers must maintain brand equity in a world of shifting consumer priorities.

# THE RECESSION IS DRIVING ONLINE SHOPPING AND PRODUCT COMPARISON

- **Largest increase in internet usage is in searching for coupons and special offers**
- **Consumers are spending more time researching purchases across all categories**

Internet usage has increased across every country in our survey over the past year. However, the largest increase is coming through searching for coupons and offers, growing at 58% year-on-year. This is entirely in line with the current economic climate as consumers are looking to save money wherever they can.

The next key areas of growth are researching for information (+49% YOY), reading consumer content online (+48% YOY), and buying products online (+48% YOY). These findings show that the current economic climate is helping to accelerate the use of the internet for product purchasing. Consumers are spending more time researching products and gathering opinions from other people before purchasing. As a result, people are thinking more deeply about products, raising huge opportunities for brands to develop and strengthen their relationship with consumers.



## Implications for Marketers

Consumers have always given the most trust to recommendations and guidance from friends, family and experts. The recession has heightened this, presenting marketers with greater opportunities to help create and connect with online platforms that facilitate consumer information exchange. Discounts and promotions have become a new form of social currency. Money-saving offers are shareable and have given rise to great social connectivity. As communities become an increasingly important way to socialise and validate information, marketers need to ensure they understand the dynamics of influence.

# THE CURRENT ECONOMIC CRISIS IS A GAME CHANGER

The economic downturn is game changing in its effect on consumer behaviour, with 26% of consumers saying that they plan to continue with most of the changes they have made, with a further 40% continuing with some changes.

The attitude and behaviour change resulting from the economic downturn will continue to dominate in the upswing too, creating even more opportunities for brands to engage with consumers who are making new assessments of where they will spend their money.

Some consumers have experienced a life-changing attitude shift, and will make permanent changes in their values and attitudes. These will affect how they consume products, and what they expect from brands in the years ahead. There seems to be a particular momentum among family consumers for this values-led shift, reflecting not just their purchasing power (and now purchasing squeeze), but also a particular interest in bringing some old-fashioned perspectives to a young generation that have only ever known the good times.

- **Just under 70% will be maintaining some or most of their new purchasing behaviours**

### About the Connections Panels

The Connections Panels provide everything a marketer needs to know about consumer behaviour in order to build truly engaging brand activity. They provide a single source for information on touchpoints, consumers and purchasing. Panellists can be contacted anytime, in any place to obtain fast, fresh insights on just about any topic. We currently have Connections Panels in 20 countries, comprising 100,000 individuals. This will grow to 150,000 individuals across 30 countries by the end of 2009.

### About Initiative

Initiative ([www.initiative.com](http://www.initiative.com)) is a media, marketing and digital company that transforms media exchanges into marketing results. Owned by the Interpublic Group, Initiative is part of media management group Mediabrands and a partner of Magna, IPG's centralized media negotiation entity. Initiative employs more than 2500 talented professionals, working in 91 offices across 70 markets, worldwide. Initiative's comprehensive range of marketing-led communications services include: research and insight, media planning and buying, digital communications solutions, content creation, and evaluation and accountability services.

For more information about the Game Changer research, the Connections Panels, or Initiative, please contact:

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