DON'T EXPECT A QUICK RETURN TO NORMAL FOR AFFLUENT CONSUMERS: LESSONS FROM 2008'S RECESSION

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GAME CHANGERS

The on-going coronavirus outbreak has put us all in a situation we've never experienced before. While the country has been through great traumas, health crises and financial downturns in the past, there has been nothing quite like what we are all experiencing now for its combination health dangers, financial reverberations and the myriad, fundamental changes to our daily lives. Consumers, communities, and businesses all face the unknown, craving some amount of facts, information, surety. And yet, unfortunately, we have more questions than answers.

However, an analysis of attitudinal and expenditure data from the Ipsos Affluent Survey from 2009 (the first year the study included psychographic statements) the following years yields one key takeaway:

Any expectation that things will return to "normal" quickly post-crisis can be disposed of out of hand. Data suggests longer term effects of a crisis like this mean it's unlikely to be a fast return-to-norm. Here are three reasons why:

01. Economic anxieties likely persist for years.

While the economic pain peaked in 2009 and declined in the years thereafter, worry about the economy only softened in the vicinity of 10% each year, rather than plummeting as the financial outlook improved.

So we see that a full three quarters of Affluents were very worried about the state of the economy in 2009. And while we see a decline, 70% were still very worried in 2010 and 65% in 2011. Similarly, 31% said the economy is more important than the environment in 2010 – but 28% still agreed in 2010. And the 16% that said they were very worried about losing their jobs in 2009 only declined to 15% in 2010. This suggests that *anxiety and a healthy paranoia are likely to linger – possibly for a long time*

02. Data suggests that many discretionary behaviors resist immediate change, but then change/decline gradually over time –

and don't return to normal immediately upon economic improvement. Attitudes about discretionary types of behaviors (e.g., style, fashion, home improvement, etc.) actually went DOWN from 2009 to 2011, even as the economy improved. This suggests that early on in the crisis, consumers were still clinging to their habits and attitudes – but the economic context then caused them to change behaviors. And those behaviors stayed changed even as economy came back.

For example, in 2009 56% of Affluents said that fashion represents who they are as a person. In 2010, that declined to 52%, and then to 43% in 2011. Similarly, 58% said being well-dressed is important in 2009, but only 54% said so in 2010, and 49% in 2011. This pattern continues for attitudes from "I am willing to pay more for luxury toiletries/cosmetics" to "I enjoy purchasing new gadgets and appliances" to "I'm always looking to improve my home."

03. It's likely that certain industries will take a larger, and longer, hit than others.

Data from the Great Recession shows that intent in some categories softened upon the recession hitting and continued to decline for several years; while other verticals took an immediate hit but began to rebound thereafter. For example, intention to buy or lease a new vehicle in the next year dropped 20% from 2008 to 2009 – and then continued its steep decline the following two years.

International travel showed a similar trajectory. However, home redecorating / renovation / remodeling intent declined only about 10% from 2008 to 2009, and then began a slow return to normal. Similarly, intent to invest in stocks, bonds or funds declined immediately following 2008, but held relatively steady the following two years.

We also can see by expenditure data that personal insurance spending didn't suffer much if at all during the recession. Neither did Personal Care products nor Alcohol and spirits brands. These are all categories that perform more like necessities during a crisis – and are likely to behave similarly during the current period.

KEY IMPLICATIONS

01.

Brands should not “wait for things to blow over” before doing research. Past crises reinforce that consumer attitudes take a long time, post-crisis, to revert. Research that establishes the new baseline will be critical to measuring the effectiveness of rebound measures over the coming months and years. Traditional KPIs will need to be reevaluated and reset to reflect the “new normal”.

02.

The uniqueness of today’s coronavirus crisis amplifies the need for understanding starting now. Today’s reality is changing day by day – and what happens in the short term is sure to impact future consumer attitudes and behaviors. Research that helps dissect the impact of prevailing health concerns from lingering financial anxiety and from community/cultural displacement will be critical for understanding the changing priorities and concerns in people's lives – and how a marketer's products/service can best address those needs now and as things evolve as the immediate impact is lessened.

03.

Certain categories will suffer more and longer term than others. It’s critical for those hit harder to understand the dynamics of demand in order to counteract the downturn. And it’s equally valuable for those less impacted by effects of the crisis to understand how to capitalize without appearing too opportunistic. Research that tests the effectiveness of messaging and marketing communications are needed to see which are most persuasive and can break through the anxiety levels that consumers are currently facing, and ensure that brands are seen as useful to consumers and not self-serving for their own ends.

The key takeaway, again, is to recognize that consumers are going through anxiety – which will in turn lead to behavioral shifts – and this won’t likely snap back to pre-crisis norms post-crisis. It is more important than ever to begin measuring and understanding consumers and attitudinal/ behavioral change in real-time.