

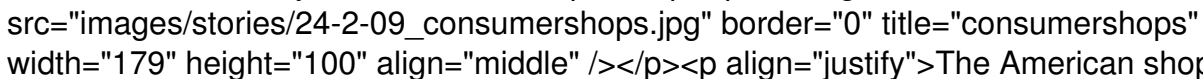
How Consumers Shop Differently Today

Written by Administrator

Tuesday, 24 February 2009 16:25 - Last Updated Thursday, 26 February 2009 15:05

By Sean Gregory

Sunday, Feb. 22, 2009



The American shopper is dazed and confused. What do I really want, versus what do I really need? Sure, I can afford the plasma television now, but should I save that \$2,000, in case I get laid off tomorrow? Can I really tell my snobby friends that I now shop at egads Walmart? To gauge the mindset of the American consumer, and the state of shopping during this recession, TIME checked in with respected retail expert Paco Underhill, the CEO of Envirosell, a consulting firm, and author of Why We Buy: The Science of Shopping.

Give us a snapshot of the American consumer landscape.

We can divide the American consumer into thirds. There are a third of us who are in immediate danger of being downwardly mobile. And this stretches across all classes. It's the hedge fund manager who lost his job, and was making a healthy seven figures. It's the GM retiree whose middle class benefits are being cut. So it's a spectrum of people who have basically slammed their wallets shut. And that effect is not only on luxury, it's on basics, it's on everything.

There's a second group that isn't in danger themselves but knows somebody that is. They feel reasonably secure, but they have slammed their wallets shut out of choice. And they are spending money much more carefully than they ever have. This results from the fact that there are lots of American who don't really know how much disposable income they have. They've just been spending it. And all of a sudden they've woken up and found, 'I have \$20,000 in credit card debt. All of a sudden I need to face consequences that are acute.' It's fundamentally healthy over the long term, but it's painful over the short term.

Then there's a third group, stretching across all classes, and they have very real piles of money. They range from hedge fund people who have stored it away, to trust fund babies, to a generation of Americans that have paid off their mortgages, and don't owe anybody any money. This group has learned that conspicuous consumption is bad manners. Also, there's an entangling of consumption and morality. I just heard a story about somebody saying, 'I can afford a new car, but I'm not going to get one, because I just had to lay a bunch of people off.' It's an interesting issue, just in the same way that green was political issue, and then it became a moral issue. There's the fundamental realization that Americans have woken up. Their bellies are too big, their cars are too big, their homes are too big, their debts are too big, and they have to go on some kind of a diet. The era of "bling" is over. (See pictures of expensive things that money can buy.)

What's going on inside the psyche of the American consumer.

People are choosing not to go to the mall at all. Why invite temptation? The second thing we're seeing here, which is really curious, is that as people shop in store, they are putting things in their basket as they move through the store, and then taking them out when they get to checkout. 'I put that cute blouse that I saw in Target into my basket, and I'm going... 'nah, maybe not.' Someone picks something up from their basket, takes it to another section, and then discards it. So the stores are just messier. And a basic rule of retailing is that you have to have a clean store.

Another key thing we are finding is that there are people in the parking lot of Trader Joe's and ALDI, and Goodwill and the dollar stores, that were never there three years ago. The demographic profile of people willing to shop down is expanding.

Also, the amount of label reading is going up. There is a basic concern with health issues. It used to be that label reading was linked to income and education. The more likely you were to have a degree from Princeton, the more likely you would be to read

How Consumers Shop Differently Today

Written by Administrator

Tuesday, 24 February 2009 16:25 - Last Updated Thursday, 26 February 2009 15:05

labels in a store. And now that's linked to literacy. Everyone is doing it. (See what businesses are doing well despite the recession.)

Is consumerism forever changed? First, I think there is a certain access to consumer information. Particularly as I shop durable goods, I can go down the aisle of a consumer electronics store and check the prices on my web enabled phone. So the whole pricing issue here is going to have to get much more transparent because consumers have much more access to information than they ever used to have. And that information isn't something that they need to get at home. They can get it on the fly. This is both exciting and frightening for the merchant.

One of the things I've seen over the last couple of years is the rising popularity of the vintage clothing store. This relates to the changing concept of secondary markets ♦ whether its EBay, whether it's goodwill industries, whether it's selling a previously owned Mercedes Benz ♦ the perception is changing. There's a willingness buy used, rather than necessarily buy new. You'll never sell used underwear or used socks. But the number of things that people are considering buying used, or buying previously owned, is considerable. (Read "How To Know When The Economy is Turning Up.")

What are some implications of all this for retailers? I believe we have reached the apogee of the big box. Growing the store any bigger does not translate into the customer spending any more time or money. It is actually starting to be counterproductive. Walking into Home Depot and seeing 28 coffeemakers, ranging in price from \$16.99 to \$116.99, is an overwhelming sense of choice. So that the merchant is going to have to edit.

As some retailer put it to me the other day, 'we acquire these 40,000 square foot stores, yet our ideal format is 25,000. And it means that in the 40,000 square-foot store, I have to keep that store filled.' That is counterproductive, because it's money [i.e., inventory] that is not turning. Stores on steroids will start making some choices.

Retailers will also have to be more female friendly. The retail world has historically been one owned by men, designed by men, and managed by men. Yet, we expect women to shop in these stores. If women are the engines of consumption here, the purchasing agents for the family, whether I'm hardware store, whether I'm an Exxon station, being female friendly is important.

Is the era of "chic" over? Well, at Fashion Week (in New York City), there's been a universal sense of horror at the diamonds and furs on the runway. We get to that basic theme ♦ conspicuous consumption is bad manners. But chic isn't gone. If anything, conservative chic is back, because looking good is often a real part of keeping your job or finding your job. So you may not spend money on Armani suits, but there are lots of people who are much more conscious of looking good. I have a neighbor who was laid off four months ago. I saw him walking out of our building yesterday and I knew he was going out to look for a job. Every hair was in place, there was a little gel, his shoes were polished, his accessories were there. I looked at him, and he said, 'yeah, I'm off to Washington.'" (See pictures of chic fashion.)

If you were launching a retail concept in today's economy, how would you approach it? I think, as a culture, we are over-stored. All store chains would be healthier if they were smaller. If I were to act on a new retail concept today, I would ask, 'how do I marry the idea of a physical asset with an online world?' So rather than saying 'I'm going to have Victoria's Secret and then have victoriasscret.com, can I stand back and conceive of an online business which has a physical manifestation that drives it?'

The cutting edge of retail has left North America. Look at the retail thinking that happens outside the US. For example, people are thinking about what it means when a customer uses public transportation and then shops. So

How Consumers Shop Differently Today

Written by Administrator

Tuesday, 24 February 2009 16:25 - Last Updated Thursday, 26 February 2009 15:05

there's a Swedish supermarket chain where you can shop at lunchtime, and put your purchases in a refrigerated locker. When you go home after work, you just stop off, pick up your bags, climb on the train and go home.

So is retail as miserable as it appears? Everybody has to eat. Everybody has to put clothes on their back, and drive to work, and take care of their homes and go about their routine stuff. They are still interested in products that save money. People are still going to be buying flat screen TVs, because they think it's a tradeoff with going to the movies, and it keeps the family at home. So I think there's a basic level of consumption out there that isn't going to change. I credit our President for giving a sense of confidence that something is happening. I don't think people are watching the stock market on a minute-to-minute basis like they were in the fall. I think there's a basic sense that yes, it may get worse, the market may go down, but the dust is settling. The dust is settling.

Source: <http://www.time.com/time/business/article/0,8599,1881098,00.html>