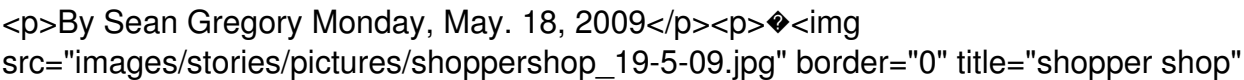


How Shoppers Make Decisions in a Recession

Written by Administrator

Tuesday, 19 May 2009 08:21 - Last Updated Tuesday, 19 May 2009 08:26

By Sean Gregory Monday, May. 18, 2009



In this groundbreaking 2008 book Buyology: Truth and Lies About Why We Buy, Danish brand consultant Martin Lindstrom showed how neurology, as much as economics, drives consumer behavior. One of TIME's 100 Most Influential People in the World, Lindstrom talks to TIME's Sean Gregory, during a business trip in Thailand, about what's buzzing around our brains in this recession.

There have been some signs, though fleeting, of a possible economic rebound. What's the consumer thinking right now? What is fundamentally different about the recession, except for the ones we had in the 1930s, is that we're putting bookmarks in our brains. When icons that we defined as stable, like Lehman Brothers, fall apart, you are suddenly questioning everything around you. So consumers now, if things start to get better, will not run into the stores and start consuming like there had never been a recession. That will not happen. At the end of the day, consumers will want something practical that will enhance their lives in concrete ways. And that's really a fundamental change from the past, right?

So what exactly is happening in the consumer brain? Consider the experience of a good friend of mine, who has always been afraid of escalators. I was always peeved with him for it. Whenever we were shopping, he was always taking the staircase. I asked why he was afraid of the escalator. He couldn't explain it. Then one day, his mother told me that when he was 5 years old, a little girl was on the escalator just in front of him. She had bare feet, and no socks on. And her feet got mangled. It was such a dramatic experience that he never forgot it, at least in his nonconscious part of the brain. In his conscious part of the brain, he totally forgot about it. But whenever he saw an escalator, an alarm system was basically saying, "Don't touch that."

That's really a survival mechanism we have as human beings. And we may even not at a conscious level be able to explain why we're cutting back. We're just doing it. You will just do it by intuition. And if you start to save money by intuition, you will never ever question it again.

So what else is hot in consumer psychology right now? Companies will start to play a mind game with consumers that is slightly different from what we've seen in the past. Some companies assume that the consumer doesn't have any money. But now they're learning that that's not the case. Consumers still do have money at least many do but the reason that they're not spending it is because they're afraid they may lose the money in the future.

So companies are trying to find the triggers they have to pull on in order to make people feel comfortable about spending money. The best example of that was Hyundai, which said you can return your car within a year if you lose your job and get a refund. That's a major change you will see in marketing. And then you will see companies start to build the very functional, practical dimensions of their brands. If you take Louis Vuitton as an example, they will say, "In the future, when you buy a Louis Vuitton bag, it's not just the most fashionable bag on the market, it also has a two-in-one dimension so you can turn it inside out, and it's red today and black tomorrow. You can use the bag both in the evening and the morning, and you don't have to buy a bag for four years because it has two color dimensions to it."

Also, companies will start to talk about the past rather than the future. We're seeing that happening a lot with brands now. They're saying, "Hey, if you talk about the past, people feel safe." For instance, I went on a summer holiday, and it was a disastrous holiday. The weather was crap, the food was bad and the hotel was bad. But when you look at the photos from that holiday two years later, you kind of forget all the bad memories you had. That's

How Shoppers Make Decisions in a Recession

Written by Administrator

Tuesday, 19 May 2009 08:21 - Last Updated Tuesday, 19 May 2009 08:26

exactly what's happening in our minds. Companies will start to push the past more than the future, because we feel kind of warm and soft for the past, and trust the past a lot more. Because brands are all about trust, they're going to push that dimension a lot more.

That's exactly what Louis Vuitton is doing. Take any of the latest Louis Vuitton ads they're running right now: they're actually promoting various actors who are not hot anymore. They're putting them in settings which are from the '60s, the '50s, and basically you feel you are buying the past.

Source: <http://www.time.com/time/business/article/0,8599,1899035,00.html>