CONSUMER BEHAVIOUR IN POST-RECESSION TIME
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INTRODUCTION

We live in times characterized by change and volatility, yet as business we need to make investment decisions that will equip to serve markets and consumers as they will be in 10 years-time and beyond. Of one thing we can be certain, consumer values, needs and behaviours will continue to evolve. The effects of the global recession of 2008 – 2009 that rattled consumer confidence around the world will continue to be felt in years to come. Significant as it is, however, the recession is but one of several developments that will have long-lasting impact on consumers. “A new middle class is being born in emerging economies with huge implications for demands on a range of essential and finite resources” (Lawrence Hutter).

The economic cycle can have an important impact on consumption patterns, with expenditure usually rising during periods of economic upturn. When an economy is booming, there is often an upturn in the consumption of luxury goods and consumer durables. In contrast, during periods of recession, disposable income is reduced and consumer confidence usually falls. A slowdown or contraction in economic activity often results in fewer luxury purchases being made, for example, lower sales of jewellery, holidays abroad, or other big-ticket purchase, such as cars or furniture [7, p. 19].

European consumers, as well as consumers of every other market, are considered to be a driving force for market competitiveness, if they seek out the best offers. Indeed, consumer spending is often cited as a key driver for growth and economic integration. Within the particular market there is a huge amount of consumer. In the middle 60th or 70th the population in Europe was quite young, but it is not the same these days. The market is mostly focused on so-called “silver generation” (55 years old and more) and on “head-to-silver generation of people in the age of 45-54 [8, p. 17].

Not only these consumer, but all of them, are oriented on purchasing products which they need and their purchasing behaviour has changed significantly. Consumption of luxury goods is very often postponed or simply deferred. The economic shocks of the past four years, since 2008, have created greater requirements for retailers and their suppliers to understand and respond to the new marketplace realities, especially to the new trends in consumer behaviour.

1 POST- RECESSION RETAILING

The recession of recent years has been completely different from the previous ones as it occurred at the time when people were already waking up to the need to be more and more efficient, responsible and aware of true values. But not only consumers but even the retailer has had to change a lot. The shift in consumer behaviour and changes in spending patterns have impacted both the local and international retailers. Retailers agree that the biggest effect of the global recession business has been on consumer behaviour. This means that the biggest challenge for any retailer is to interpret consumer trends and to gain valuable insight to help future planning. The inalienable fact is that the future customer, the one who experienced the global economic and financial crisis of 2008/2009, will...
continue to live with residual uncertainty. The threat of unemployment and of a questionable financial future will definitely stay in their conscience [10]. Thorn Blischok (president of IRI Group) described the new retail reality by stating that “retailers should expect consumers to continue to make shopping decisions through a lens of affordability”.

Value retailing is not necessarily based on providing either the lowest cost or the highest level of differentiation. It involves providing trade-offs of price and differentiation that are designed by the retailers target market [2]. Value is offered through offering only the services customers either absolutely require as a condition of purchasing goods or are willing to pay extra for because they view these services as meaningful. Successful companies usually start with a deep understanding of customer needs in segment and translate these needs into a value proposition. During the time of recession customers do not stop buying, they just stop overbuying [1]. In another words a customer rationalizes the need to purchase and what the purchase is intended for. That is of vital importance for all retailers to decide which strategy to adapt, if to be oriented on value strategy, low cost or differentiation strategy or the combination of these.

1.1 IMPLEMENTING A STRATEGY

There are several methods and ways how a retailer can choose which strategy to adopt, but some of them are to be mentioned according to JC Williams in 2011 [10].

A value compass is considered to be an effective tool to evaluate and assess the retailers unique value proposition through plotting its strengths on a scale of 0-5 (0 is of low impact, 5 of high impact). The value of compass will give a clear indication of an organisation’s key strengths and where the most important strengths of the retailer are more focused. This model can help retailers to determine future strategies. The compass consists of 4 main axis: ease (accessibility of store to consumers), economy (affordability of pricing structure), experience (overall in-store experience) and ego (emotional impact the brand has on customer). Based on research, companies usually do not have clear differentiation to any of the above mentioned axis. Companies therefore cannot be competitive in all four areas. For the company is therefore very important to define the point of differentiation in one or two areas and try to integrate it into the company strategy [10, p.11].

Figure 1: The value compass

[Graph of the value compass]


Another method, developed by Berman in 2010 is based on knowledge of following methods:

Value = benefits / costs = (results + process quality) / (price + customer access cost)

In this model, value can be defined as benefits divided by costs, whereby benefits include results and process quality, while costs include a products price and access cost [10, p. 12-12].
To be in topic with all the variables, brief description is presented. The focus of results must be on delivering value to the customer. Process quality concept includes several indicators which are the high level of support, high quality of sales person interaction, service recovery efforts, short check-out queues, high availability of items advertised, simplicity, private branding, providing recipe solutions. Price refers to the final purchase cost and is usually the primary competitive advantage in a low-cost strategy. The pricing structure must offer the best value to consumer and includes delivery charges and credit terms, promotional strategies, low pricing on volume core items, integrity pricing strategies, structuring packaged deals or pricing differentiation can effectively reflect greater value for customers. The last indicator is customer access cost which includes negative customer experience, namely ease of finding items, in-store communication, inventory scanners, tailored assortment, online channel and home delivery as well as a fun in store experience and adequate parking. Stores that are inconveniently located with little or no public transport accessibility has high access cost.

All recession changes have not been fully understood yet, but on the other hand they can provide enormous opportunity for companies to rethink and redirect their strategies in order to meet the emerging needs of the new consumer. For many organizations, avoiding insolvency by conserving cash and boosting liquidity is still the top priority; without a sound balance sheet and a robust cash flow position, any strategic initiatives are vulnerable to further market instability. For organizations whose market positions are painfully exposed as a result of the downturn, strengthening the core business is warranted in order to minimize share losses that may prove costly to recover. However, for companies with a strong balance sheet and stable cash flows, this is a great time to position for growth. It is an environment rich in possibility and highly conducive to disruptive change [5, ¶16].

In a market environment and competitive landscape that is likely to be fundamentally different from the past, and the companies and retailers were advised to focus on five critical activities in order to prepare their organizations for the next phase of growth:

- know the company’s consumers. It is very important to define the specific strategic implications for the organization: what segments to focus on, what channels/stores to prioritize, how go-to-market efforts should be organized, where resources should be allocated, and what organizational capabilities will be critical for success. This requires companies to go beyond the generalities of syndicated data and broad-based consumer surveys.
- understand the specific implications for company
- create a plan for the uncertain situation and predict with a reasonable level of accuracy how long the recession will last and how deep the downturn will take.
- define the meaning of and the role for innovation
- leverage the power of the balance sheet strategically and opportunistically. Organizations with the right vision and sense of direction can make strategic and opportunistic investments, taking advantage of depreciated asset values in order to obtain greater scale, increase market coverage, diversify their portfolio, and/or acquire valuable assets and capabilities [5].

The economic downturn has certainly created a challenging and environment for consumer product companies. It is also an opportune time to recalibrate brands and product assortment in order to capture the attention of the post-recession consumer.

2 CHANGES IN CONSUMER BEHAVIOUR

Consumers have to continue in purchasing products also in the time of economic recession. They buy products at different prices and they usually need more reason to justify the purchase. They refuse to buy a higher price unless they can perceive the noticeable quality advantage. If they are loyal to some particular trademark, they prefer to wait for price cuts.

Research question

Companies should accept that conditions on the market will never be the same as before, in the pre-recession time and they also need to accept the changes in consumer behaviour if they want to succeed. The thing is that the economic recession has completely changed the shopping behaviour: seventy-two percent of all shoppers recently indicated that their shopping behaviour has changed significantly or somewhat as a result of the economic environment, and only 7% have made no changes at all [9]. Consumers try anyhow to spend minimally and maximize their savings. To achieve the given objective they use many tools, techniques and programs to help them, e.g. they prepare shopping lists, plan meal, use coupons, vouchers or compare shops. Here the space for retailer arises, as they can build the loyalty of consumers by knowing their needs and finally to increase their own revenues. The research question is, if the consumers retain their recession behaviour also in the post-recession time and if their behaviour will still be characterized as purposeful.
Research methodology

Various researches were carried out by many companies to find the main changes in shopping behaviour of consumers. For the purposes of this paper, the following studies were analysed: Consumer Behavior Report [11], statistics data found on the websites of Eurostat [7], Sellsumers trendwatching report [13], Retail Systems Research [6], Retail& Consumer Insight [9], McKinsey research [3], Weahterchem manufacturer [14], Perspectives [5], and New Marketing Imperatives [4]. Thus, on the basis of these researches, the research from secondary sources was done, to highlight the main new trend in consumer shopping behaviour.

Research results

Traditional consumers were usually not involved in production, defined as conformists and most often uninformed. Their behaviour was largely motivated by a need for comfort. The author Bohlen in his research done for McKinsey in August 2009 found that, in any given category, an average of 18 percent of consumer-packaged-goods consumers bought lower-priced brands in the past two years. Of the consumers who switched to cheaper products, 46 percent said they performed better than expected, and the large majority of these consumers said the performance of such products was much better than expected. As a result, 34 percent of the switchers said they no longer preferred higher-priced products, and an additional 41 percent said that while they preferred the premium brand, it “was not worth the money [3, ¶2].”

For companies attempting to address the change in consumer behaviour, understanding the economic theory can help to inform decision making. Changes in the relationship between how much consumers are willing to pay, on the one hand, and their perception of the value they are receiving, on the other, supports behavioural changes.

Figure 2: Changes in consumer behaviour

Source: https://www.mckinseyquarterly.com/How_the_recession_has_changed_US_consumer_behavior_2477
As it may be seen in the figure 2; if consumers perceive enough value in a premium-brand product (Product A) they will favour it over the product of a more basic brand (Product B), despite the premium product’s higher price. In a recession, though, consumers become less willing to pay more and the preferences of some consumers begin to shift from Product A to Product B [3].

For companies attempting to recognize the changes in consumer behaviour, understanding the economic theory can help to inform decision making. It can be declared by the recent report by Retail Systems Research [6] listed the biggest changes in purchasing behaviour retailers are facing nowadays. They can be summarized as following: keeping up with evolving consumers shopping patterns, getting consumers to engage online, maintaining growth rates, managing the online assortment, uncertain consumer demand being difficult to anticipate and plan for, providing more ways for consumers to connect to their brand, stemming cart abandonment and balancing online growth against poor store sales.

The information found on the Eurostat [7] proves that the latest figures in the Central and Eastern Europe improved last year and this region starts to recover from the global financial crisis. Despite that, the consumer behaviour did not change and consumers continue in the trends acquired in the recession time.

The research published in Consumer Behaviour Report [11] noted some changes in American consumer behaviour due to changed economic conditions. The most significant ones are to be named. Some consumers started to practise “sellsuming” – it means that the increased need for cash forced them to sell their own extra space unwanted private services or product. Not surprisingly, information is the force that operated the consumers. Technology adoption and the recession are two key factors that have likely impacted consumer’ s definition of necessity [11]. Due to expansion of information technology and the Internet, information is now cheaper and available to almost all consumers. It is no wonder, that more and more consumers are buying online and online services and social media have become the main source of information. Smart shopping needs to be mentioned as many consumers more often look for bargains. On the other hand, consumers are less likely to visit entertainment centres, eat out, etc. and they incline to stay at home and spend time there.

As a consequence of all the economic changes, several new trends in shopping behaviour were set in Retail& Consumer Insight [9]. Deal-seeking behaviour is the one that is based on taking advantage of sales, using coupons, comparison shopping and will be only partly abandoned post-recession. The type of behaviour when consumers are buying only truly needed things, postponing purchases pr buying fewer thing is defined as limiting behaviour. This trend is in the post-recession time mostly expected by older shoppers. The last one, so called trading-down behaviour, is related to the choice of retailer, product or brand. Its essence can be found in private trademarks, especially those which guarantee high quality at lower prices.

In the research carried out by Weatherchem [14] was found that private label brands are associated with higher quality products than ever before. Consumers have been looking to save money wherever they can, which means that they are turning to private label brands. The recession gave an opportunity to the private label brands to shine and to prove to consumers that a private label solution can be associated with positive experience and quality. In addition, brand loyalty appears to have been a casualty of the recession as well. More than half of consumers (52%) who were highly loyal to a particular packaged goods brand became less loyal during the recession [14, ¶7]. Dominant brands with a strong consumer following managed to hold on to their market position. Although the trend during the recession has been away from brand loyalty and toward cheaper products, brands that truly dominate their markets have had staying power with consumers. Well-established brands that managed to retain their loyal following used the downturn to reinvest in their brands by creating different product formats or adding innovative packaging. Brands that have been selling at a price premium, especially brands targeting the mass affluent market, have taken a hit during the recession and are likely to continue to struggle as the economy recovers. Consumers are unlikely to go back to spending beyond their means on discretionary purchase. So the recession has caused that consumers are looking for value; and if premium brands cannot deliver a premium experience that justifies their higher price, they are likely to lose customers.

Bridge strategy group [5] issued in the Perspectives paper that many consumers quickly reassessed priorities and made major adjustments to their purchasing behaviour due to changed economic conditions. They cut back severely on durable goods, while prioritizing spend on essentials categories. This has had a tremendous negative impact on mass merchants. Consumer rituals are also changing drastically. According to a recent survey of 1,000 consumers by Time Magazine, 56% are eating out less at non-fast food restaurants, 46% are going to fewer movies, and 20% have not filled a prescription because of the cost [5, ¶8]. Several similar studies confirm these changes throughout the population. And more consumers are switching to the stores that they perceive as less
expensive. Consequently, discounters have gained share of grocery sales at the expense of mass merchants and specialty stores. The new consumers, consumers with changed behaviour due to economic crisis, will emerge from this economic cycle with different values and concerns than in the past. The recession has resulted in trade-offs that have forced consumers across income levels to reassess life priorities, rethink their attitudes towards consumption, and re-evaluate fundamental values. This post-recession consumer will live in an age where less is more and an emphasis on quality will be replaced by a desire for quantity.

Another study, e.g. New Marketing Imperatives, characterizes new consumer behaviour by following descriptions (based on research of Booz&Company consumer survey [4]): approximately two-thirds of the respondents (65%) say they now consider saving to be more important than spending, and that they frequently use coupons. More than half (55%) say they would rather get the best price than the best brand and more than half of consumers surveyed reduced discretionary spending on a range of categories, including dining out (58%), consumer electronics (53%), apparel (53%), and media and entertainment (51%). Further, these attitudes are translating into strong behavioural change going forward: nearly two-thirds (64%) of consumers say they‘ll shop at a different store with lower prices even if it’s less convenient for them. Only one-third (32%) of respondents believe that their household financial status over the next twelve months will change for the better, reinforcing focus on frugal shopping behaviours such as deferring spending, trading down to lower price points, or buying their favourite brands during promotions [4, ¶4].

Every change of the social or economic situation can change the way the consumer purchases, but especially what they do and why. In the European countries consumers’ purchases are more purposeful, economical and responsible. On the other hand, they evaluate all the possible aspects of product, its design, package, safety, origin, price etc. Thus, consumers have become more vigilant and their behaviour influenced by thrifty regime in the time of recession will, surely, continue in post-recession time. As their habit to be accustomed to limited offers and simple demand will continue, but they will ask only for greater utility. The main difference can is that post-recession shopping behaviour will more appropriately be characterized as purposeful rather than panicked as it seemed in the recession. While most consumers said that the quality of the lower-priced brand was higher than expected, their precise reasons varied. What companies need is a fact-based understanding of the principles of typical consumer behaviour to gauge how the willingness to pay for additional benefits has changed, the experience consumers have with products, and how perceptions of their value have changed. The second step is developing action plans based on consumer dynamics and how well positioned products are for recovery. That means deciding where to position them in a way that will optimize the trade-off between prices and benefits, on the one hand, and margins and volumes, on the other. Understanding this challenging shift in consumer behaviour is necessary for companies to compete successfully. It represents an opportunity for those that respond quickly and effectively to differentiate themselves from their peers.

CONCLUSION

As economic recovery gathers pace, consumption and spending will increase but the post-recession consumer is likely to consume very differently. The post-recession consumer thinks twice and sometimes three times about making purchases, big or small. The recession affected all social classes and has fundamentally changed how consumers consume. And also on the basis of the secondary research and other studies being taken into consideration in this paper, the research question can be answered. It is clear that during the economic recession many changes have made their presence, resulted in the new consumer shopping behaviour. And many of these changes will retain also in the post-recession time, as consumer got accustomed to behave purposefully and responsibly. The behaviour associated with wasteful, impulsive spending was replaced by thoughtful, responsible spending which is and also will be more socially acceptable.

Manufacturers face the same dilemma in the post-recession world – how to convince consumers to switch back to their ‘old’ brands or try new brands when they have experienced and been satisfied with the quality of a lower-priced option they’ve switched to during the recession. Success in the post-recession era is based on achieving the right combination of value, product innovation and competitive differentiation. In addition to product innovation, manufacturers now have to consider the impact of brand values and corporate responsibility on sales. Brand values used to be the domain of the marketer but these days, it has become a purchasing factor. The post-recession consumer has reassessed their lifestyle and has become a more socially aware and ethically-minded buyer. way.
LITERATURE


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Abstract

During the economic crisis, there were several changes in consumer behaviour, many of which will persist even when the economy recovers. These include a shift toward discount retail venues, a shift toward discounted private label products, a shift away from eating out and toward eating at home, a decline in the share of income spent on large discretionary items for the home, and greater price sensitivity in general. The negative social effects caused by the economic recession, in the recent years, led to the necessity of recognition of changes in the consumer behaviour. The recession has led the consumers to look for new trademarks and they became more economical, more responsible and more demanding. Consumers started to incline to be more pragmatic in their purchase. They are more purposeful in looking for products that meet their needs not to those they want. Researches carried out by many companies in various European and American countries are analysed in the paper in order to highlight the main changes in the consumer purchase behaviour in the time of economic recession.

Key words

Consumer, consumer policy, consumer trends, post-recession time

JEL Classification

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