



# THE NEW NORMAL

Consumer behaviours and attitudes in the continuing recession – and the lessons for advertisers

**MEDIACOM** REPORT  
REAL WORLD MONEY UPDATE  
Summer 2010

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## **Introduction**

At the beginning of 2010 MediaCom's Real World Insight division produced a report of findings from our Real World Money project. We took a comprehensive look at the past 16 months, outlining changes in society with regards to money, and focusing on consumer behaviour, attitude and value changes as a result of the recession. We carried out in-depth research, following 21 families since September 2008, and running quantitative research to complement this longitudinal study. Based on this insight we were able to offer our predictions for future consumer behaviour.

This report is an update to our January work and incorporates our latest research, a quantitative study of 1000 respondents.

## **What you can expect from the report**

This report revisits key themes identified at the beginning of the year, and explores how consumers are feeling in the summer of 2010, using data from our latest wave of Real World Money research.

We have explored key spending areas including grocery, cars, utilities, holidays, mortgages and home improvements, as well as people's general attitudes to the economy and to the historic results of the general election.

We'll tell you how consumers are feeling about the future, how they have changed their behaviour during the recession and how they anticipate this changing in the coming months.

Finally, we highlight some key things that advertisers need to be aware of when communicating with consumers across the rest of 2010.

### **Consumers are facing up to the new world**

Our Real World Money study found that during the course of the recession, consumers moved through different emotional phases - from the "blitz spirit" of preparing for the worst in the early days of the credit crunch, through a period of recession fatigue, and finally into an acceptance of the new reality and facing up to a new world at the beginning of the year.

Our quantitative research certainly bears this out. 45% of our sample believe to a greater or lesser extent that there is more to come in terms of economic uncertainty, with only 27% feeling optimistic that the recession is over. Older respondents were more likely to be pessimistic, with 55% gloomy about the state of the economy. Women were more likely to believe that worse is to come than men (21% of women vs 33% of men believing that the recession is over).

### **Money-Saving behaviour is becoming 'The New Normal'**

This uncertainty about the future is borne out in our respondents' own behaviour. Unsurprisingly, many have cut back on their spending throughout the course of the recession, and this habit look set to remain for the majority for the foreseeable future. We are seeing key behaviours becoming ingrained. Things that started out as trends are becoming the "new normal". Savvy shopping, seeking out discount vouchers online, and even negotiating with retailers over costs, are all now part of the day-to-day consumer toolbox of coping strategies. Areas that have seen the biggest cutbacks in spending are the discretionary sectors of holidays and travel, out-of-home entertainment and clothes and fashion. However, there is a sign that cautious optimism is creeping back in for a significant minority, as 41% of people said that they were spending more on groceries than 12 months ago.

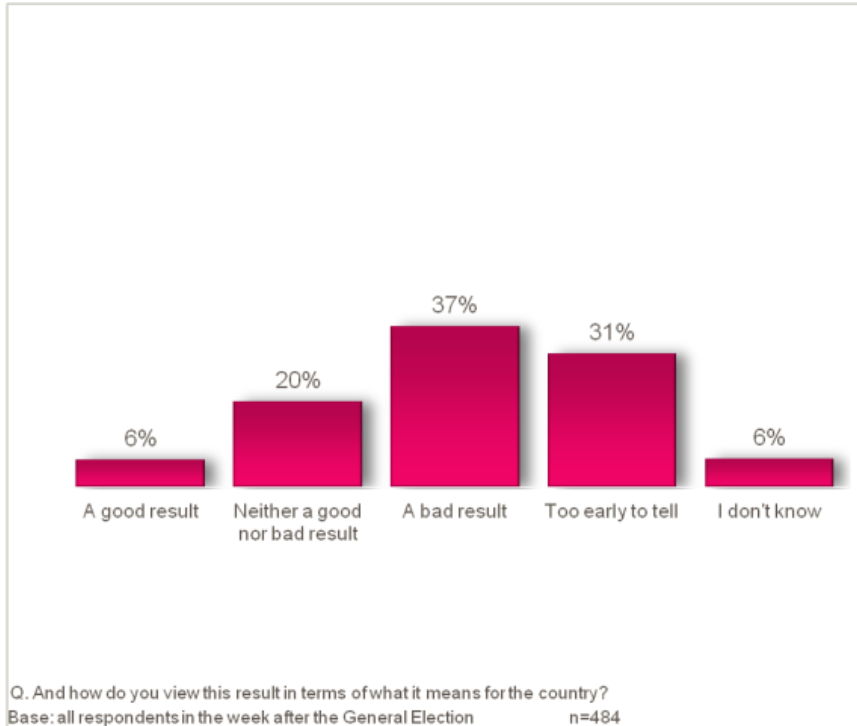
### **Consumers are taking a 'wait and see' approach to the new government**

A big part of facing up to the new world in the first half of 2010 was the general election - a new government for a new economic reality perhaps? Certainly, there seemed to be an unprecedented amount of interest in politics at this time. A desire for change, a willingness to have a voice in the future direction of the country after so many months of feeling helpless, and the success of the first ever televised leaders' debates contributed to the highest voter turnout in a decade.

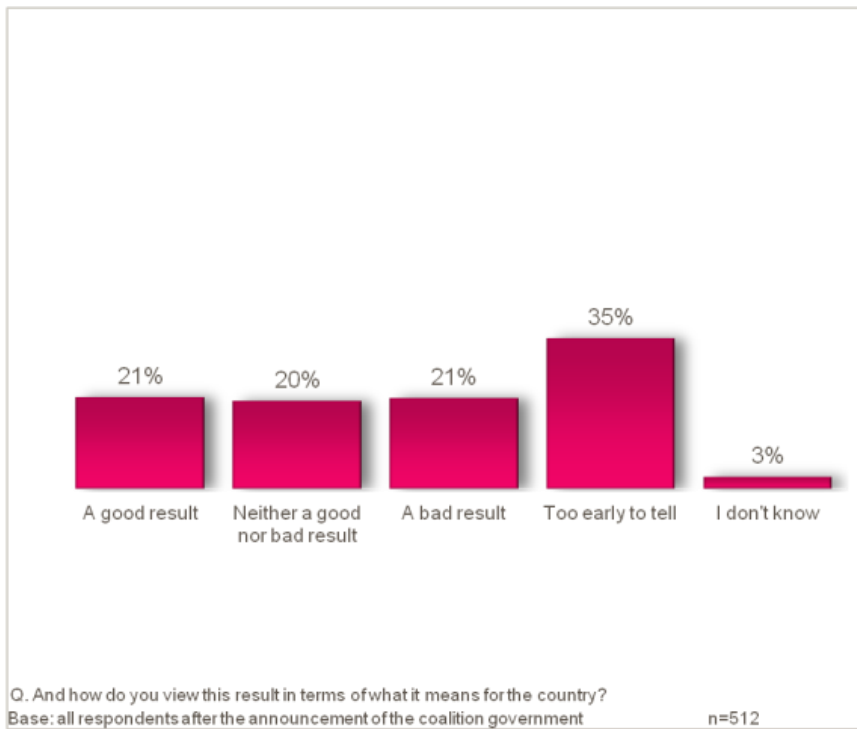
Attitudes towards a hung parliament were far from positive, with only 6% of our sample agreeing that it was a good result for the country. 44% of respondents reacted negatively to the news and similar number (43%) felt indifferent about it. However, once the Lib Dem / Conservative coalition was announced, respondents were more favourable with 35% of respondents feeling positive about it, a similar number feeling indifferent, and 21% agreeing that it was a good result for the country. These numbers, however, suggest that the country is not entirely behind the new coalition government, and with many taking a wait and see attitude the early months of the new administration will be a crucial time for Messrs Cameron and Clegg.

### **Consumers are looking for safe choices**

As the new coalition government announces swingeing cuts to public spending, and the prospect of a double dip recession looms large, consumers and mums in particular will look for reassurance and safe choices. Provenance, authenticity and trust will be more important than ever before as a counterbalance to a climate of political and economic uncertainty.



Attitudes towards announcement of a hung parliament



Attitudes towards announcement of the coalition

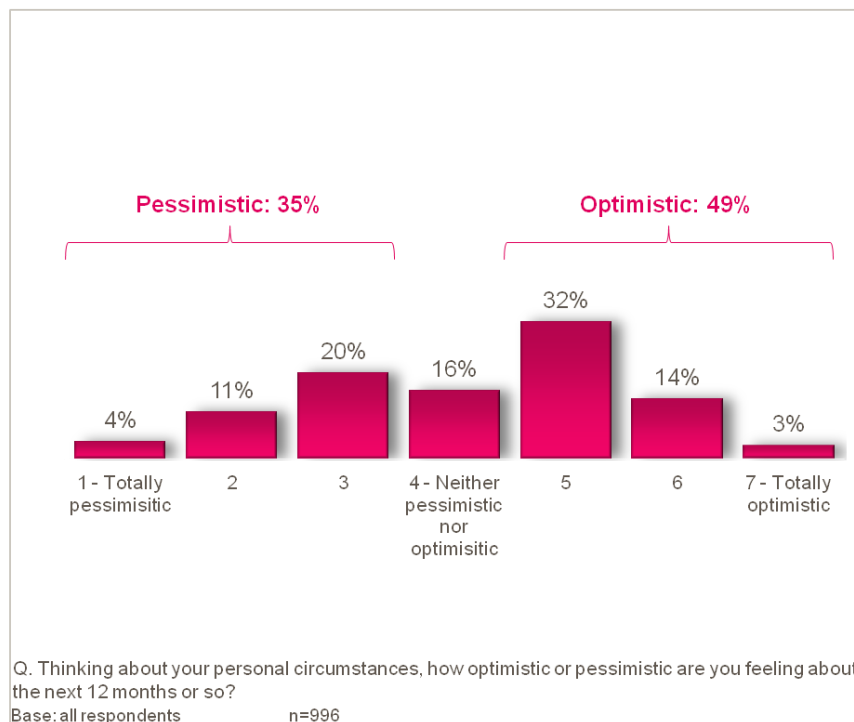
### Younger consumers are more hopeful for the future

Whilst our respondents were generally pessimistic about the wider economy and the results of the general election, there was a greater sense of optimism when it came to people's personal circumstances, with only 35% of respondents feeling pessimistic about their own situation over the next 12 months. Surprisingly, there was very little difference in attitude between respondents in the north and the south. We were expecting to see some regional variation, as it has been well documented in the media that the north has been hardest hit by the recession and the closure of local employers and industries but our research suggests that this is not the case. We did see differences in outlook by age, with our younger respondents more optimistic about their own personal circumstances than older respondents.

### Personal optimism exists alongside economic uncertainty

Personal optimism is more closely aligned to working status, with those in full time employment more likely to be optimistic than those who were not working.

The discrepancy between optimism about one's own circumstances and pessimism about the state of the economy as a whole seems at first surprising and contradictory. Throughout our study though, we have found consumers to be adaptable, smart and resilient and it may well be that this personal optimism derives from a sense of confidence in their own abilities to cope. New strategies and behaviours have been adopted and in many cases have become habitual.



### New consumer behaviours are becoming established

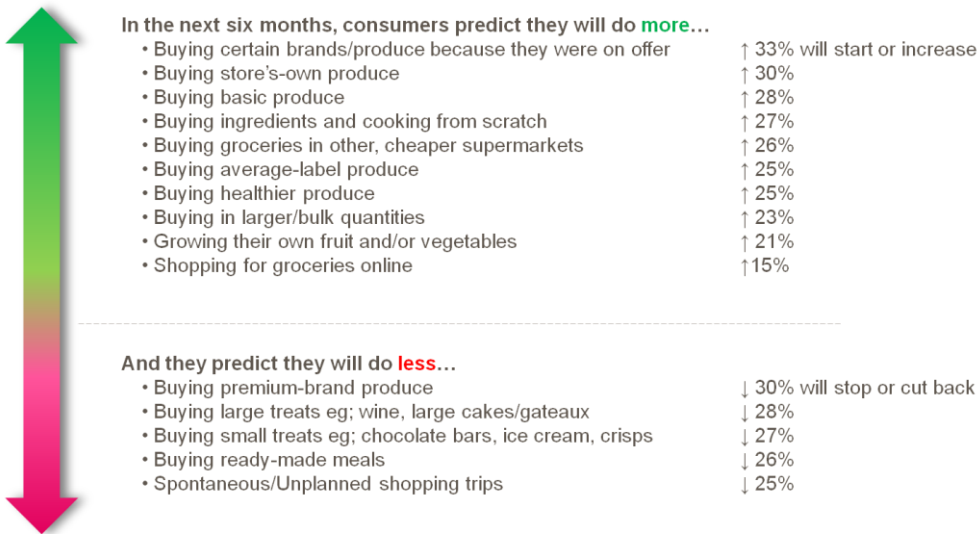
Our Real World Money report highlighted a definite progression in consumers' confidence. By this we don't mean consumer confidence in the economy, which has seen historic lows for much of the recession, but rather consumers' confidence in **themselves** and in their own abilities to cope with what is thrown at them. This started out of the necessity to learn new skills, for example cooking meals from scratch, household budgeting and growing fruit and vegetables. Our latest quantitative research demonstrates the extent to which these behaviours have been taken up.

A fifth of consumers said that they had started to or were increasing growing their own fruit and vegetables and 37% were starting to increase the amount they are cooking meals from scratch. These behaviours look set to remain for a large number of people, with around 90% of those who had made some sort of change to their spending habits over the last 12 months having to or choosing to maintain these changes for the foreseeable future.

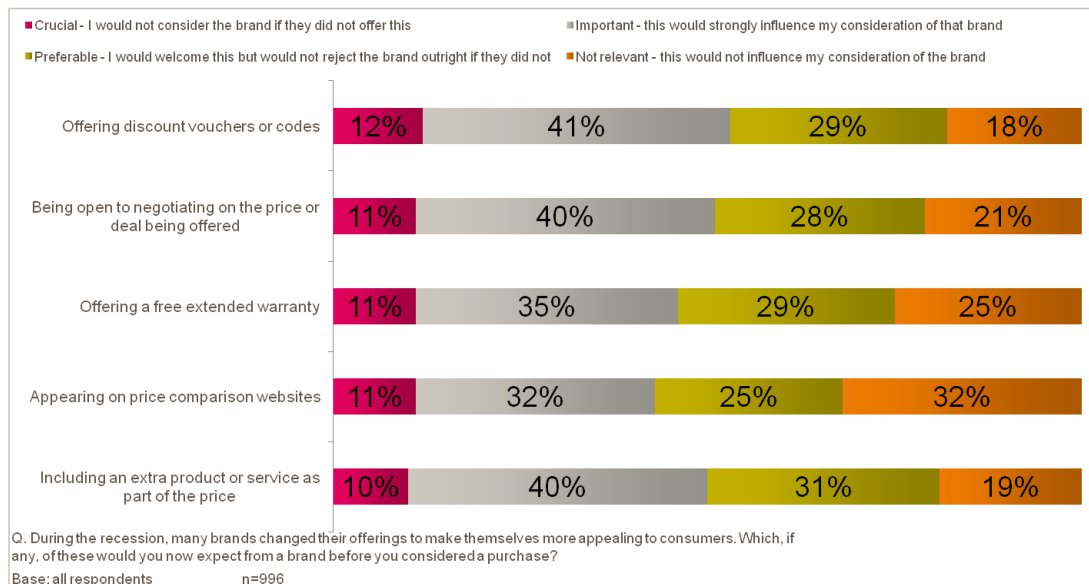
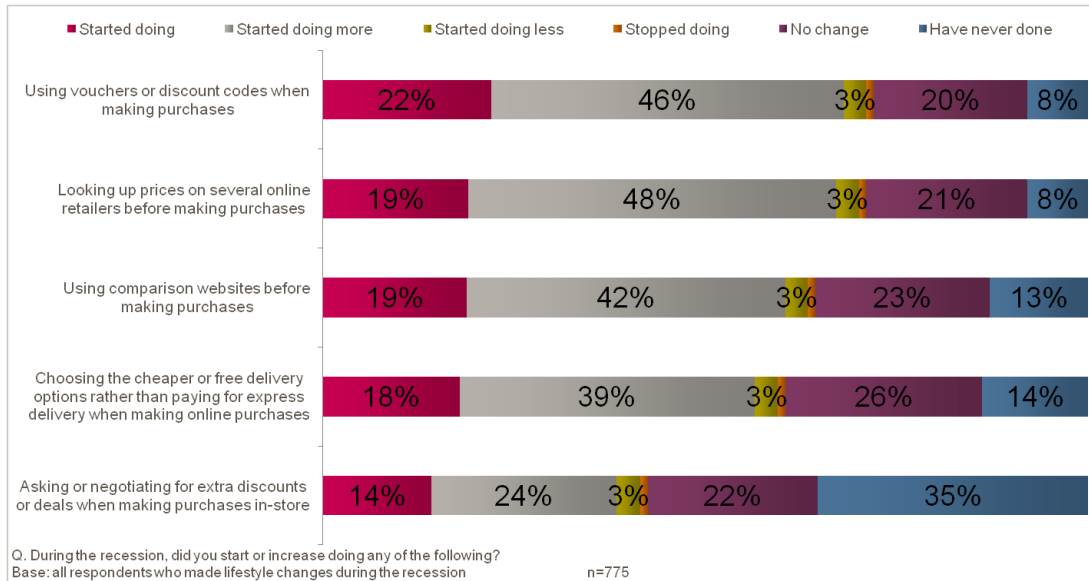
### Consumers demand more value from brands

With this new found confidence and resilience, consumers are now more demanding than ever before in the value they seek from brands. The emergence of voucher culture has been well documented and our respondents certainly agreed. Over half (53%) said that offering a discount voucher or code was crucial or important to their choice of brand, with only 18% saying that this had no influence on brand choice at all. But being demanding is not solely about the cheapest price; value is very important too, and being given a little bit extra was very important to 50% of our sample.

Consumers' insistence on value is set to stay, and is playing an increasingly important role in the purchase decisions people make. This isn't just about the lowest price but rather value for money on quality items.



Base: all respondents n=996



### Positive word of mouth is increasingly important for brands

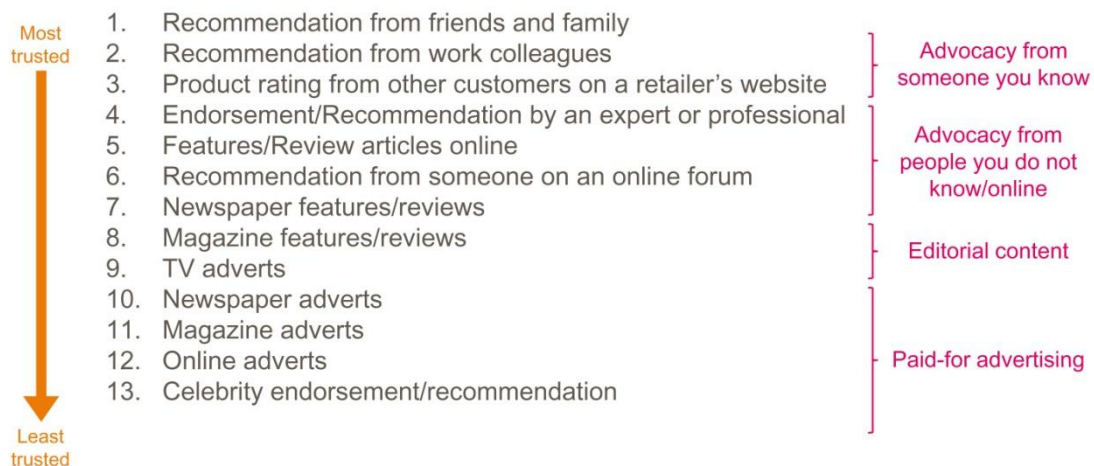
Our RW£ report highlighted that consumers have developed a “circle of trust” around them of people, resources, strategies and brands that they have relied on over the last 2 years to help them cope. Our latest quantitative research has identified a clear hierarchy when it comes to how trusted and influential different communications channels are.

Most trusted is advocacy from someone you know, then advocacy from people who aren't known to you, for example via online review sites, then editorial content and finally paid-for advertising. This demonstrates how crucial it is for brands to generate positive word of mouth in order to gain consumer trust. However, this doesn't mean that advertising has no role to play in creating positive brand associations, and it is certainly vital in driving brand awareness, creating familiarity with a brand and communicating positive brand imagery and propositions.

### Supermarket are the big winners of the recession

We asked which brands people felt had helped them the most in coping with the recession, and overwhelmingly the supermarkets came out on top. They are the big winners of the recession, having focused on delivering value to consumers and on communicating this widely.

Consumers highlighted that supermarkets offered great value across a spectrum of products including non-food items such as clothing. With Asda, for example, recently communicating their offer of a week's worth of school uniform for £10, this looks set to continue. The only non-supermarket brand to get a significant mention was Primark, with their high fashion low cost offering.



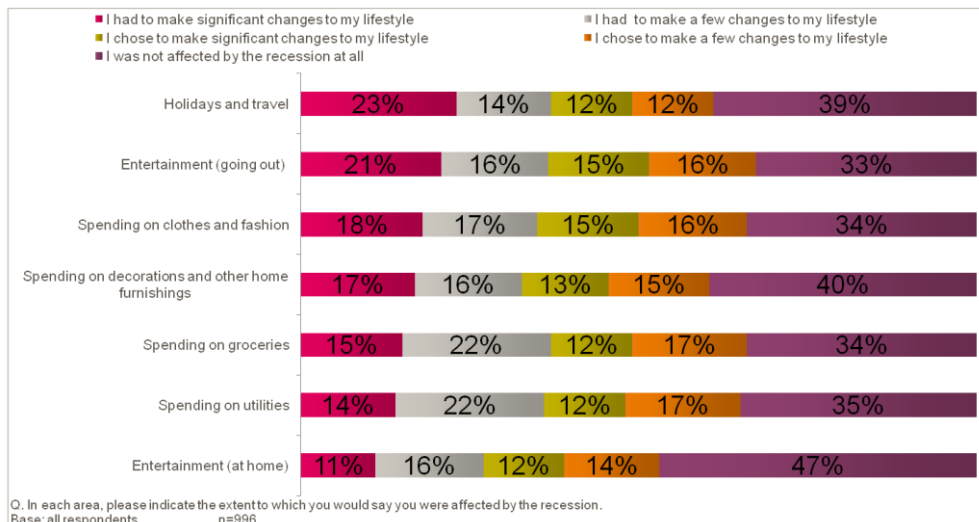


### A significant minority are increasing spending in certain areas

Throughout the course of our Real World Money study we have explored changes in people's spending habits both quantitatively and qualitatively. Generally we've found that mums have been cutting back the most – the first to sacrifice treats for herself in order to rein in family spending. Our latest research shows that this is still the case, with women far more likely than men to be cutting back spending in key areas, and particularly around shopping for groceries and for clothes.

Despite their greater optimism for the future, it is actually the younger respondents who have made the most cutbacks in their spending, coming out ahead in the in-home entertainment, utilities, holidays and groceries. This was the group most likely to have lost their jobs or cut back on their working hours, so these changes in spending may reflect a change in personal circumstances. This group is also likely to earn the lowest income and so any expenditure will make up a larger proportion of their income.

We have seen though, through our quant research that while most people anticipate maintaining their new habits, a significant minority think they will increase the amount they spend in some sectors, or are looking to maintain spending. 41% of people have increased their spend on groceries versus last year and 39% saying that their holidaying habits have been unaffected by the recession. Data from the Airport Transport Association reports that passenger numbers rose 12% year on year in May, suggesting that people are looking to make their escape and take a well-earned break. Certainly there is a temptation to revert to old ways as people tire of austerity measures and the caution that has pervaded much of the last two years. However, with further economic uncertainty looming, this abandon may be halted by necessity. As austerity bites (again), frivolity may well be out, but fun is still important and brands that can provide this without seeming flippant will engage consumers' lighter side



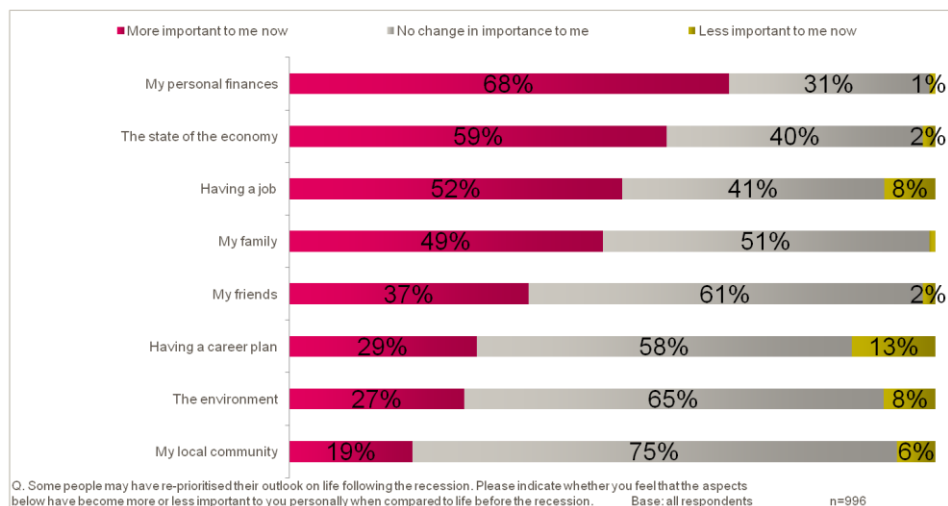
## People are rethinking what's important to them

One positive to come out of the recession is that many people have taken stock and reappraised what it is important in life. It has also led people to take a hard look at their own financial situation and make provision here.

Unsurprisingly, personal finance has become much more of a priority to people, with the recession prompting many to review their own circumstances and start saving in case the worst should happen. Over two thirds of our sample (68%) said that their personal finances were more important to them now than before the recession. This is backed up by figures from the Bank of England, revealing that for the first time in nearly 20 years, consumers are saving more than they are borrowing. In July, NS&I withdrew their inflation-linked savings product as it proved too popular with savers looking for a better return on their investment than the current 0.5% Bank of England interest rate.

50% of people said that family was more important to them now – a surprisingly large number if we consider that family is already so important to most people. And over a third said that their friends were more important now than they were before the recession. There is evidence that the recession is forcing families back together - our study found that 46% of 18-24 year olds live with their parents and according to data from the Office for National Statistics, an increasing number of 25-34s are moving back in with their parents as they face uncertainty over employment and increasing difficulties in getting on the housing ladder.

The biggest loser was having a career plan, with over a tenth of people saying that it is less important to them now than before the recession. Indeed, we have seen a move towards people reappraising what they want out of their career, and many are seeking more rewarding, though less well paid careers such as teaching. We are also seeing people looking towards more secure careers such as joining the armed forces, with The Army seeing record recruitment over the last 2 years, despite mounting coverage of casualties in Afghanistan.



### **How should brands behave?**

Our research has found people adapting to new circumstances. For the majority, the uncertainties of the last two years have not yet been put to bed. People have changed their behaviour significantly, and they do not look set to go back to the way things were any time soon. This learned resilience has meant that people generally feel optimistic about their own prospects, even if they are not so readily cheery about the state of Britain as a whole.

We have identified 3 things that advertisers should be mindful of when marketing their brands:

1. Saving consumers money  
Brands and advertisers should be mindful of the new normal – whilst consumers don't want to be constantly reminded of the fact that there is some economic uncertainty ahead, they are still on the lookout for brands that will help them get more for less.
2. Trust and authenticity  
These continue to be crucial as consumers scrutinise purchases and shop around more than ever. As public sector cuts take hold and consumers face an uncertain future (again), they will increasingly turn to brands they can trust.
3. Tap into the need for escapism  
Giving consumers a chance to enjoy themselves and let their hair down taps into the need for escapism and the latent temptation to revert to old ways. Just remember that as the new austerity takes hold, this should be about escapism and not extravagance.

For more information about our Real World Money findings please speak to your MediaCom planning team or contact Pauline Robson – [pauline.robson@mediacom.com](mailto:pauline.robson@mediacom.com)