Targeting new behaviour is key to marketing in a recession

Consumers' attitudes to spending in a recession fall into eight distinct types. M&C Saatchi's **Richard Storey** advises on how to target each one effectively

CONSIDER THE RECESSION' (no doubt you have been already). In particular, consider the use of the word 'the'. Almost without exception, the downturn that is now all but official is reported, interrogated and discussed as if it were a singular phenomenon.

As the meltdown of global financial systems infects the economy at large, we have become accustomed to the cataclysmic news headlines. We have also taken for granted the notion that there is one single, inevitable and all-enveloping global crisis.

This assumption is almost certainly wrong - or at least, as with most gross simplifications, inaccurate. The culprit here is macroeconomics. This would have us believe that the recession is a macro phenomenon with a single, reasonably predictable outcome.

Looked at from a macro perspective, there may well appear to be a single recession. But recessions don't happen to economies - they happen to the people who make up those economies.

This prompted us to look beyond the macro picture and ask the question: "Does one recession hit all?" After all, as people are all different, surely the impact of the recession will be different for each of them? We embarked on a programme of research to get beneath the macro picture, understand some of the nuances and identify how different people are likely to respond to the downturn.

Our hunch was that this might go some way to explain some of the counter-intuitive effects being reported, such as the uplift in Domino's Pizza sales, the growth of little luxuries, such as fake tan, and surging sales in Harrods, to name three phenomena that have been reported recently.

We contended that by understanding the dynamics that lay beneath these effects, we could identify more interesting and effective recession-beating strategies for our clients.

Using a programme of qualitative and quantitative segmentation, we identified eight different consumer typologies, defined as: Crash Dieters, Scrimpers, Abstainers, Clothcutters, Treaters, Justifiers, Ostriches and Vultures. Each has adopted a different predominant behaviour or 'strategy' to cope financially with the downturn, and it is this behaviour that defines each grouping.

As is often the case with this kind of analysis, the typologies are best understood through their attitudes. The characteristics that are particularly defining are: approach to risk, short-term versus long-term focus, leveis of optimism, approach to debt, desire to enjoy life and views of the significance of money generally.

Demographic factors, in particular income leveis, also go some way to understanding the different typologies. But one's financial situation only partly influences which typology you are. For example, you can be relatively well-off and still nurse a 'Crash Dieting' mindset.

We found many attitudes that are deeply ingrained, often handed down from parents. Mindsets such as "waste not, want not" persist long after the circumstances that bred them have changed.

I have ordered the typologies by the degree to which their spending is negatively affected by the downturn.

Crash Dieters

Crash Dieters are the largest segment, representing just over 20% of adults, and the most dramatically affected. This group aims to shed pounds from their weekly budget by cutting out all non-essential spending until things improve.

When the Prime Minister talks of the recession causing pain, this is one of the groups likely to be feeling it most. They are least enamoured with their standard of living and least likely to feel there is much they can do to change their lives.

Crash Dieters are a heavily cash orientated group. Debt clearly frightens them (or is unavailable to them). They live from week to week and, when the money runs out, they are forced to take drastic action.

Brands with more than 20% of their customers in this typology are particularly vulnerable in the downturn.

On a more positive front, it is worth considering what brands could do to get this group to regard their offering as "essential" and therefore less vulnerable.

Sky TV and the National Lottery are both well positioned in that respect.

Any public service marketer concerned with compliance would be reassured to know that those in this group are also relatively well behaved. They tend to believe in following the rales and doing their duty. They are also the group most likely to be engaged in recycling.

Scrimpers

Scrimpers are also looking to make savings. However, unlike Crash Dieters, they want to maintain their lifestyle and are reluctant to make sacrifices.

Scrimpers' strategy is to down-trade, rather than cut cnit altogether. They are much more likely to substitute brands with own-label products, rather than dropping them altogether. They are switching to cheaper stores, such as Primark and Aldi. At the top end of this group, they have also discovered that Prosecco makes a perfectly acceptable alternative to Champagne.

At 18.7% of the population, this segment provides a big opportunity for businesses that are able to offer a wide range of price points. They are bad news for businesses that are seen to offer no down-

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trading option. Scrimpers have, for example, deserted M&S in droves - a move reflected in recent trading figures.

On the bright side, unlike many other groups, Scrimpers still plan to replace their car in the near future - getting around comfortably and conveniently is something they are not prepared to compromise on. True to their scrimping nature, however, they are likely to be considering buying second-hand, or trading down to cheaper makes. This perhaps represents an opportunity for manufacturers looking to establish a new order in the motor industry.

Abstainers

Abstainers make up just under 10% of the population. Like Scrimpers, consumers in this group want to maintain their lifestyle and so haven't completely stopped spending on day-to-day items. Their response, however, has been to postpone big purchases until the situation improves.

This group has not started budgeting or chasing the lowest prices. It is relatively unmotivated by coupons and money-off deals. On the contrary, Abstainers are prepared to pay more for quality and convenience. They are more optimistic than average and are normally fairly open to risk. They have, however, changed their tune recently and reacted by putting a line through items such as holidays, furniture, items for the home and moving house.

In normal times, this group accounts for about 15% of the new car market and the effects of its self-imposed absence are acutely visible at the moment.

Abstainers do, however, have a weakness. They are very open to anything that allows them to have their cake now, but pay for it later. Interest-free credit, nothing to pay until 2010, 0% credit cards and balance transfers are all offers that fall neatly into this camp.

Clothcutters

Clothcutters adopt a slightly different strategy. Like Abstainers, they are reluctant to compromise on quality of life, but recognise the need to cut their cloth accordingly. Their approach is to rob Peter to pay Paul. They might sacrifice their holiday to do up the bathroom or stop going out to pay for a new sofa.

Clothcutters prefer sacrifice to compromise. They would rather buy one amazing dress and forgo other things than buy several less stylish options from somewhere cheaper. They represent an interesting opportunity for high-quality premium brands that can position themselves as Paul, rather than Peter, in the battle for discretionary spending.

Treaters

Treaters make up just over *12%* of the population. In many ways, they are similar to Crash Dieters, but they aren't very good at it. They know they have to cut back and they try hard to make savings. But they don't find it easy, so they reward their frugal behaviour with regular small treats. They will stop going out, but treat themselves to a ready meal and a bottle of wine. Their kids may lose out on toys or clothes, but are allowed the odd treat to make up.

Chocolate, fake tan and sexy underwear are all categories that are currently busting the recession, thanks in part to this group. Treaters present an opportunity for premium, non-essential products whose price can be argued to be low, such as indulgent toiletries, posh chocolate or glossy magazines.

Justifiers

Justifiers, at just under 15%, offer perhaps the clearest opportunity for marketers. Consumers in this group are happy to continue spending. They have definitely not been through their outgoings looking for savings and are more than happy to pay extra for quality.

However, what has changed in the current climate is that they are now looking for good reasons to justify their spending. It appears to matter less what exactly these good reasons are (and certainly cheapness is unlikely to be one of them). What matters is that there are enough incentives for Justifiers to defend their purchase, both to themselves and their partners.

Not surprisingly, this group is less interested in money-off deals, but is more motivated by limited offers, new models and added-value propositions.

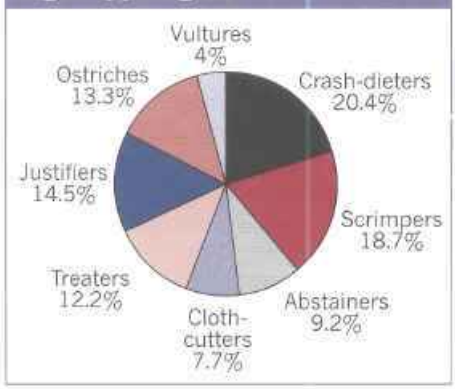
Justifiers made up a large proportion of the queue to buy the iPhone 3G on the day it came out. They were seduced by the many perceived reasons why they simply had to have one, and didn't blink at the price. This is also the group that can still be persuaded to buy a new car. But the degree of persuading needed to get them to sign might well have changed.

Ostriches

Ostriches' behaviour is self-explanatory and irrational. They feel unaffected by the financial chill wind and are happily spending as normal. They're young, carefree and unwomed about the future for the moment. So why should they have to compromise?

Some people in this group are well-paid enough to get away with this behaviour, but most are in denial. It will probably take external intervention, such as the withdrawal of credit, to make Ostriches change their ways. Given that this is exactly what the next phase of this crunch is likely to be centred on, Ostriches represent a double-edged sword for businesses. In the short term, they are

'Reacting to recession': eight typologies



great for the bottom line and represent nearly one in eight of the population. However, in the long run, many may be forced to pull their heads out of the sand and cut their spending as the economic crisis catches up with them.

Vultures

Vultures, at 4% the smallest but most distinctive typology, is a group quite unlike the others in that it loves a good economic crash. While others suffer, they are circling the high street, making a killing on all the bargains. They may even have a beady eye on the property market, looking to profit from others' misfortune.

This group sees the current situation as the ideal opportunity to spend more, and many are doing so. It helps that many are asset-rich, having paid off their mortgages or being too young to have one yet.

Vultures are another mixed blessing for businesses. They are one of the few groups holding up their spending and therefore represent an opportunity. The danger is that they feed on businesses' weaknesses. Vultures will happily pick up bargains at a substantial reduction when they could, and would, have happily bought at full price. Businesses, particularly high-end ones, that embark on massive fire sales need to make sure they are not simply cutting their margin to feed the vultures.

It takes all sorts

These descriptions give you a brief flavour of the different ways in which various consumer types are reacting to the recession. At M&C Saatchi, we have invested in understanding this in some detail. We have run three waves of the data so far in the UK and are rolling out the survey overseas.

One amusing snippet from the international picture is that there are considerably more Ostriches in Australia than anywhere else. These consumers are happily living for today, unconcerned about the financial implications for tomorrow. Who said national stereotypes were misleading?

The work raises a number of implications for businesses. The first and most obvious one is to identify the profile of your user base in terms of their recessionary tendencies. We have invested in linking the typology data with BMRB's TGI survey. This allows us to analyse and profile any client or prospective client's user base by the typologies.

The next implication is focus. Marketers must choose which segment, or segments, to target. The findings of this study indicate that tactics that work well among certain segments would not be as effective against others.

Businesses may choose to focus on segments in which they are over-represented, or aim to solicit customers from other segments. This is an interesting debate if you are long on Crash Dieters or Ostriches.

As ever, empathising with your prospects might be profitable. It may help to know that the money they are spending on your product is in lieu of something more expensive (and more desirable) that they have reluctantly had to put off. Alternatively, your product may be deemed entirely essential in the context of an otherwise squeezed repertoire.

Think outside the category

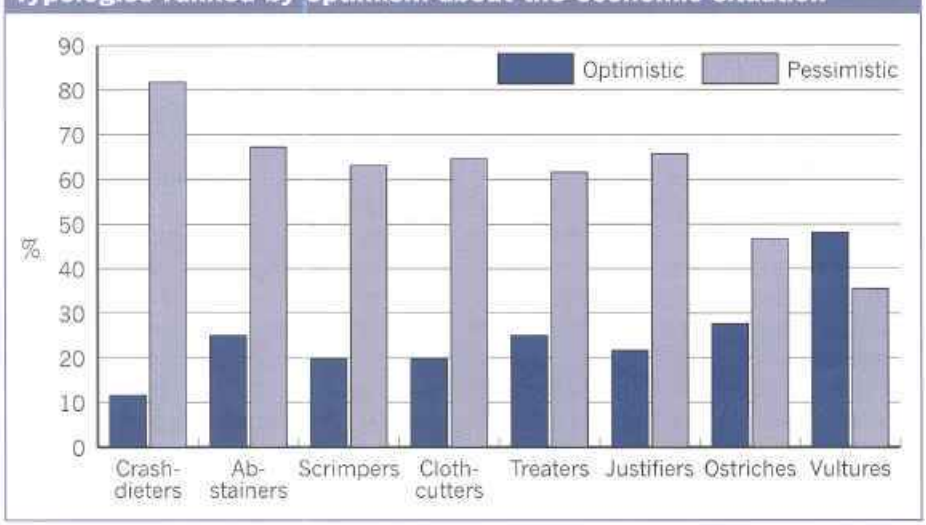
Perhaps the most interesting implication to emerge is that of frame of reference. More than ever, the recession gives marketers an imperative to think outside their categories.

Abstaining in one market might prove an opportunity to treat in another. McDonald's, for instance, has reported record sales, as families of Scrimpers opt out of more expensive sit-down dining options, such as Pizza Hut.

McDonald's is reported to be thinking of bringing in premium lines to cater for such a phenomenon - a move that might otherwise appear counter-intuitive.

So it seems the key to capitalising on 'the recession' is to drop the idea that there is simply one recession. Instead, a more enterprising approach is to interrogate which of the many effects among many different segments you can exploit to your brand's advantage.

Typologies ranked by optimism about the economic situation



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