

The Era of Postponement

Impact and Opportunities

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Have we outgrown historical segmentation models as we migrate towards the era of postponement? Do you believe consumers will revert back to their old ways of buying indulgence at the first sign of economic recovery?

Because of the changes resulting from the economic downturn, retailers must alter their consumer segmentation models to include new ways of thinking about retail, competitors and consumers. We need to understand what motivates consumers to buy some items and bypass others.

Consumers essentially buy a product or service based on two criteria:

1. **Logic** – One product has a measurable advantage over another with respect to a benefit or a service
2. **Emotion** – One product has a higher level of emotional satisfaction

Too often consumers lose their sense of logic in their purchase behavior and often lack consistency. Have you ever noticed how consumers will fight for a parking space close to the entrance of Jenny Craig office rather than park in a location where exercise should be the preference? Have you ever ordered a Big Mac with a Diet Coke? The noted lack of logic and consistency fueled by strong emotions has combined forces to challenge how we analyze product segments and predict consumer behavior.

Two Distinct Consumer Market Segments

There are essentially two ways to segment consumer markets, by:

- **Descriptive characteristics** such as demographic and psychographic profiles or geographic locations
- **Behavioral considerations**. Based on attitudes, beliefs, lifestyle and personality and are generally more difficult to measure.

Historically, these methods of segmentation served marketers well in targeting their preferred consumers. But today things are different. To adjust, we must ask ourselves some significant questions:

? What happens when income, lifestyle and behavioral characteristics fail to adequately represent and predict consumer behavior?

? What happens when consumers with similar income and behavioral models exhibit very different consumption patterns?

? Are these models passé or have they been impacted by a new model focused on savings lost rather than income earned?

? Are consumer models evolving into segments focused on lost wealth as a predictor of consumption?

? Are we really seeing our customers from the right perspective and do we need to go beyond the confines of promotion and price to find better indicators?

Era of Postponement

This is definitely the era of postponement as we are seeing a shift towards basic needs and fiscal restraint. We need to look at our consumers by key segment to truly understand what was gained and what was lost.

Most retailers have been impacted in some way, and probably not positively, by the current economy. Sales and marketing personnel struggle with figuring out how to change their game plan where a share of heart outranks share of wallet. The recession has impacted consumers' overall wealth and the historical focus on disposable income has shifted towards savings and replacing lost wealth. As wealth is lost, consumers have a greater propensity to postpone major purchases as they focus on savings and replacing what was lost.

Consumers today are cautious and somewhat fearful of their future and will often postpone purchases as they resort to more modest behaviors and beliefs. Consumers needs and desires have changed and marketers must be prepared for an era of conservatism and fiscal restraint at least until consumer confidence is restored. Disposable income can be restored with a new job or promotion, but how will consumers change their behavior with respect to lost wealth and savings?

Playing the Promotion Game

We see proof all around us as there has been an increase in the appeal of a sale and deep discounts. Consumers have an increased focus on promotions and price discounts as retailers see a resurgence in coupon use. Private Label sales also are increasing as consumers migrate towards savings without wanting to compromise on quality. They often postpone purchases to take advantage of promotions. As consumers play the promotion game they load their pantries when items are on sale.

Ironically, consumers who previously enjoyed significant savings and wealth then realized a loss are the most affected with respect to buying habits, whereas those with limited savings may not adjust spending patterns with the same reservations. But how do we adapt and evolve our current marketing mix to reflect the new economy? How do we create promotions where consumers can leverage what they have to create a new outfit or dining experience?

One way to reach today's changed consumers may be by creating a promotion such as "The black skirt event" where a consumer can build an outfit around what they already own. We must create an environment where consumers will continue to buy and feel confident rather than guilty.

Focus on Value, Service and Quality

Consumers have not changed who they are and what is important to them. Consumers still have the same expectations with respect to value, service and quality. Today's consumer wants to be treated with respect in an atmosphere of convenience. They essentially want the "Fountain of Youth" at a discount. Self esteem is extremely fragile and at an all-time low as families struggle to maintain their standard of living and their dignity. They don't want to be reminded that they can't afford what they want and they don't want to feel guilty for wanting things.

Many of us have been affected by the economy and many of us may never go back to our previous status, but that doesn't mean that we don't want it. We are all making sacrifices to make ends meet and we are sensitive to price but that doesn't mean that price discounts are the only way out.

Retailers can reach consumers by reaching out to them. Just imagine if you gave free coffee and a donut to all your customers for a day or gave every customer chocolate just to say thank-you. This is not about a new loyalty program but rather a way just to say thank-you. There is a reason why chocolate sales increases in sales in an economic downturn — it is an affordable luxury. Just think about how much you are paying for ads and promotions and specials and how quickly they are forgotten, and then think about how your customers would feel if you just did something nice just to say I appreciate your loyalty. Just imagine how a simple act of kindness could gain a share of heart whereas a simple act of rudeness could lose a customer for life. We all need to feel respected and valued and to treat ourselves and each other with respect and dignity.

The era of self indulgence has passed as we emerge more focused on who we are and what we truly need. The corresponding focus on people and relationships rather than products and personal gain will independently and collectively change how, when and why we buy. There will be a shift in the hierarchy of needs with a renewed focus on family relationships and values.

Consumers will most likely not return to their previous spending habits as they allocate their disposable income more responsibly. The wanton days of credit card dependence to maintain lifestyles will be displaced by a new fiscal conscience. Consumers will continue to evolve and their demands and expectations are destined to change, retailers' success will be dictated by the ability to accept consumers in their current state and develop products and services that will result in a greater share of heart. Consumers may forget what you said and did but they will never forget how you made them feel.

Inez Blackburn is a globally recognized speaker, industry leader, innovator and pioneer in launching global brands. She has worked with many Fortune 500 companies and led numerous executives through her "Positioned for Profit" seminars and "Marketing to the Max" workshops. She is currently the President of Market Techniques & Innovations Inc., and an Adjunct Professor at the University of Toronto and SP Jain University. Inez is co-author of "Pride Passion Profit - 7 Steps to Category Development". The book is well positioned to help companies poised for growth to capitalize on global trends through customer intimacy.