

SAMPLE – Marketing - Customer Frugality -Paper

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Introduction

According to a survey report released by Booz and Company, the Great Recession has caused a fundamental behavior shift among US consumers that is reshaping their consumption patterns. The report suggests that the changed behavior is likely to persist even as the US economy recovers and marketers need to modify their strategies to suit this changed environment. The suggestions made in the report are quite logical and well supported by statistics.

Suggestion1: Intense Focus on Value

The survey results clearly indicate strong value consciousness among US consumers. Retailers waiting for consumers to revert to their pre-recessionary behavior are taking a huge risk. Examining and making required changes in their offerings and pricing strategies is the best mode of action for marketers in these changing times.

Decreased per capita consumption has been observed across all demographic groups. Unlike pre-recessionary period, American shoppers are now choosing value over convenience and brand. Over the past year, reduction in consumer spending was observed in sixteen key categories. The cutbacks were most prominent in optional categories like apparel, electronics, entertainment and food away from home.

Only 20% survey participants said that they intended to revert to pre-recessionary purchase habits over the next year. This shows that the prolonged and deep nature of recession has hardened recessionary behaviors. It also indicates that this newfound frugality and value consciousness is likely

to persist even as the economy recovers. In this changed environment, consumer demand is likely to be centered on a different mix of retail formats, price points, and brands and private labels, and marketers certainly need to modify their marketing strategies accordingly.

Suggestion 2: Creation of a Path to Purchase Addressing Different Consumer Decisions

The adoption of new found frugality is not identical among all consumers. While all consumers are more value driven, the implications of value vary among different consumer groups. Consumers belonging to the 6 different segments identified by the survey demonstrate different traits, particularly with regards to online behavior and price sensitivity. Marketers dependent on traditional demographic targeting alone risk ineffective communication and inability to meet consumer needs.

Along with greater focus on value, innovative digital approaches and the use of new advertising and promotional capabilities can help marketers create a path to purchase that addresses consumer decision on aspects like where to shop. It is a well-established fact that marketers should identify shopper needs and behaviors at every stage along the path-to-purchase and deliver relevant experiences that shape purchase decisions (Wheat R., 2010). The importance of new digital marketing platforms like Facebook and Twitter is increasing. The success of Facebook contests like 'Show Us Your Red Lips' and 'The Recycling King' run by brands like Maybelline and Coca Cola respectively are signs of a rapidly changing marketing arena.

Shopper marketing is exploding, as marketers grasp the need to better understand shopper decision making process and deliver accordingly differentiated messages for maximum impact. While none of the retailers, and only 6% manufacturers, had significant shopper marketing organizations in 2007, the number jumped to 60% and 29% respectively in 2008 (Deloitte, 2008). Seamless integration



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of online and offline marketing efforts is also necessary. Companies that are able to achieve this are likely to have a competitive advantage over others.

References

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