

‘Less is moral’ economy puts consumer brands to test, opens prospects

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Panic. Fear. Those are the words we hear most in the media regarding the mental state of Americans in the face of the past year’s economic tsunami.

So what does an established brand do in response to this disruption in the marketplace? The natural reaction is to lower prices and promote products as the ultimate money saver. But in the end, lowering prices only devalues the brand.



VIEWPOINT
RICK MILENTHAL

So is there hope for established brands in this economic transformation? To answer that question, our firm recently conducted an online study that asked the experts – American consumers. What we found is they are still seeking to connect emotionally with brands, just as much as they are rationally seeking to save money.

This provides a new wave of opportunity for middle-tier brands – those somewhere between premium and private label. For years, this middle tier has been a no man’s land, with higher-end consumers trading up and cost-conscious consumers turning to generic brands, such as those that usually bear a grocer’s name.

In our study, led by behaviorist David Grzelak, we found that within the last few months alone, about 60 percent of consumers have begun purchasing lower-priced brands than they had in the past. An additional 13 percent are expected to do the same within the near future.

Armed with this information, we visited with consumers in Columbus to dig deeper into their lives and behaviors.

What we found was a surprising attitudinal shift surrounding trading down - revolt against the ideas of excess and premium, or badge, brands. Consumers aren't trading down just because they need to, but because they have a new-found desire to rise above the frivolity of overindulgent consumption.

As consumers continue to trade down, they are bringing forth a new belief system that replaces the indulgence of trading up with a feeling of empowerment and self-authenticity that comes from rising above look-at-me consumption. We call this attitude shift "less is moral."

THE RE-EMERGING MIDDLE

This new form of American consumerism provides a unique opportunity for middle-tier brands that are well-known and have enjoyed a long history. The majority of consumers in our study reported trading down, but not all the way to private label or generic brands. Instead, they are turning to familiar lower-priced brand names, ones they've trusted in the past. This suggests an opportunity for brands to re-establish themselves with a consumer base that moved past them during the previous decade.

Nowhere is this opportunity more clear than in the world of coffee, the poster child of excess that defined U.S. consumerism over the past decade. Consumers have now begun to not only question buying a \$4 cup of coffee, but reject it as a departure from the new moral compass that guides their behavior.

As a result, no-nonsense, back-to-basics retailers such as McDonalds, Dunkin' Donuts and Speedway are growing their coffee businesses at the expense of indulgent, badge merchants such as Starbucks, which is closing 300 stores and eliminating 6,700 employees. International Delight, on the other hand, makers of flavored creamers for coffee, is meeting with success in the marketplace by providing the upscale coffee experience at home.

To win over Americans, brands need to do more than just fill product needs with a less-expensive price tag. Nearly one-third of consumers in our study reported they no longer see themselves reflected in the brands they are now purchasing, clearly showing a gap between the way consumers view themselves and the brands they are choosing. Established brands must be able to reflect this movement in their communications, becoming champions and advocates for consumers that no longer want to be identified with excess or look-at-me consumption.

All of this yields three rules of relevancy for executives in the "less is moral" economy:

- Don't rely solely on price. Consumers are still seeking an emotional satisfaction and connection to the brands they invite into their lives. Price is only part of the equation.
- Champion the "less is moral" consumer mantra. Consumers want to see themselves reflected in the brands they choose. As their moral compass continues to shift from success and excess to being grounded and sensible, your brand communications should reflect these intentions, desires and beliefs.

- Invest in your opportunity. While most advertising budgets are tightening, embrace the unique opportunity that is offered. Your target consumers are up for grabs and more open to you as a brand than ever before. Using communications to create an emotional connection to consumers provides a new foundation for which to grow your relationship with them.

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