Prell ORGANIZATION
Brand Clarity

Post-Recession Consumer: Half-Empty or Half-Full?

August 2010 newsletter

I once misheard a television ad, thinking at first it said: "How much would you pay for tomorrow's Wall Street Journal?" Obviously, we would all pay a considerable sum to be able to know the future. However, thinking about the future and envisioning the post-recession consumer is a critical exercise almost every organization should be engaged in right now.

What will the post-recession consumer look like? Will this recession impact consumers as the Great Depression did, radically changing the behavior of an entire generation? Or will today's consumer bounce back quickly, just as he/she has done after every recent recession - when pent-up demand overcame any spending reticence?

Whatever the shape of the recovery ("U" or "V" shape, or possibly a "W," the dreaded double-dip), much of what the consumer has experienced through the length of this recession is already baked-in. A recent (May 2010) survey of 2,967 U.S. adults, conducted by the Pew Research Center, provides insight into "How the Great Recession has changed life in America."

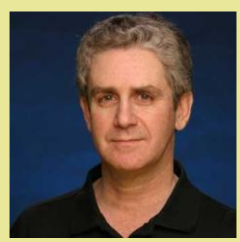
- **Slow-go for some**. Almost half of all Americans (48%) say that their household's current financial situation is worse now than it was before the recession started and 63 percent of these people (or 30 percent of all households) believe that it will take them at least three years for their financial situation to recover. There has also been a significant shift in how people view their economic class: fewer people are now labeling themselves as middle class and more see themselves as either lower or lower-middle class.

- **The New Frugality**. Echoing the Great Recession, the Pew study finds almost one-third of the country

This is a monthly newsletter from Prell Organization.

Prell Organization is a marketing research firm that uses qualitative and quantitative methods to help our clients and their agencies see their brands more clearly.

Brand Clarity is a process by which consumers reveal the essence of a brand to make sure that the products and services being offered are closely aligned to their needs.



(31%) say they plan to spend less once the economy improves than they did before the recession started, while only 12 percent say they plan to spend more. Even though a majority project that their future spending patterns will remain the same, these data show that the recent spate of discounting is likely to continue well into the future, producing pressure on margins.

- The **attitudes of the work force** may be the most enduring change. While unemployment may have peaked just shy of 10 percent, almost a third of the workforce (32%) have been out of work at some time during the recession and a majority (55%) have either been unemployed, taken a cut in pay, a reduction in hours or forced to work part-time. This means that workers will be grateful for any employment gains and might save, rather than spend, future pay increases because of perceived job insecurity.
- **Delayed retirement** is a likely outcome of this recession because many older workers are now unsure about how they will finance their retirement. One-third of those 62 years or older, who are still working (32%), say they have already delayed retirement and 60 percent of all workers in their fifties say they may have to do the same. Not only might this produce a bottleneck in the work force, hurting younger workers seeking to move up, but this trend might also hold down wages for all workers.
- Despite the fact that almost one half of all homeowners (48%) say that the **value of their home has declined** during the recession, 80 percent of them still believe that owning a home is the "best long-term investment a person can make." However, homeowners think that it will take – on average – about five years for their homes to recover the value lost during the recession. This means that homeowners will be less able to tap the equity in their homes as a source of easy credit.
- Finally we have to ask, just as a child might during a long family drive: **are we there yet?** On this topic, consumers are evenly split. About half (54%) say that the U.S. economy is still in a recession (as of May of this year) and the remainder feel we are beginning to emerge from it. And while nearly all Americans (91%)

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think that the recession has “changed the U.S. economy,” only quarter of the respondents feel that these changes are permanent.

There appears to be no clear consensus among consumers – or even among economists – so whether the glass is half-empty or half-full is basically unknowable. Instead, we should focus on what we know about the consumer of the future and plan accordingly.