

streetscope

A new level of customer intimacy



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Dear reader

Who knew? And who knows! Few guessed the size and shape of it, and fewer know where it's going. Most commentators openly state they don't know. For the rest of us, there are as many opinions out there as there are investors. And as Kevin Rudd found, there's no one easy fix.

No, in this weeks IO, we're not going to throw another financial opinion into the pot, but rather use consumer insight to hopefully give you some direction in how to gear your business to the one thing we are sure of, and that is a high end customer who is rapidly re calculating every value and lifestyle marker they have lived by for the last fifteen years.

Insight of the week

This is not an average Australian's problem; this is a high end consumer problem that is reshaping not only our financial market structures but is remaking the foundations of our current consumer segmentation psychology.

What this means is that most of everything you know about your customers, their aspirations, fears, indulgences, and lifestyles is being remade daily, and is not likely to ever return to their original positions I.E. your customers are now seeing themselves, your category, you and the world around them, differently.

As Bernard Salt has forecast (in a paper published on October 30th) we are about to experience the birth of the 'judicious' consumer and a new age of post recession morality.

Because in a nutshell **'The impact is not being felt equally'**

The problem is not universal; while the 'Ultimate' high income segments are experiencing life changing reality checks, the 'Basic' segments are 'confused'. For the battlers, the contradiction is being told to be alarmed, while they watch their costs coming down from the halving of the oil price, benefits from the fall in food prices, benefits from the RBA reduced rates, and benefits from the multitude of fiscal stimulus packages the Rudd government has announced.

Also, the average household has a far greater chance of maintaining job security than the high-end "city" employed household. It is likely that any rise in unemployment in Australia will exponentially be in "city" or "white collar" jobs.

So their point of confusion is; *what to do: laugh or cry? Buy a house or wait?*

But it's a very different story for the high end customer segments:

Why? To quote a recent Eureka Report article, the high-end consumer isn't about interest rates and stimulus packages. High end Australians leverage their assets and consume exponentially as their cash flow increases, so when the leverage cycle turns (as sharply as it has) how hard they bring the consumption shutters down and make the shift toward the Bernard Salt - 'Judicious' consumer is going to be the focus.

So it is important to understand that what we are watching is 'the great deleveraging' of high end Australia and the very real and protracted pain that this is likely to cause to most premium consumer segmentation models.

What should business decision makers do?

Here is an 8 point check list to give some thought to:

1. The first casualty is 'TRUST':

The first casualty of war is always 'TRUTH', but in this case it went one step further and included a massive breach of 'TRUST'. *'Believe me' will no longer wash* with the people who leveraged their lives on a conviction that the institutions and their management were both right and secure.

2. Shuffling the segmentation deck:

Consumer segments will not react equally, review your current customer segmentation model carefully, the rules have changed, what was once an aspiration isn't, what was once affordable isn't, what was once responsible isn't, what was once a benefit isn't any longer.

3. The 'battlers' are where you will find short term growth:

Recast your product value propositions to change 'alarmed' to 'alert' and someone else's problem to an individual opportunity.

4. Customer 'conversations' must change:

Critically the 'two way' conversations you must now commence with your high end customers needs to reflect their new reality. Review your communication platforms including the consumer insights they're founded on. And give some thought to Bernard Salt's 'new morality' as your tone now maybe more important than your message.

5. Gerry Harvey before Neil Shoebridge:

Neil Shoebridge in his BRW/Ad News article this week titled: Perfect time to brand ads an investment said this... *'Marketers know the theory - tough economic times are a good time to spend more, not less, on advertising. In theory, stressed consumers look for brands they know and trust, and a little push - that is, more advertising - will drive them to those brands.'*

Mr Shoebridges' reiteration of an old one dimensional theory, is not only simplistic it's downright dangerous – as everything we have known and trusted is now to blame for the problem.

In response Gerry Harvey has re-gearred his business to the new order by reducing advertising by 20% to reflect reduced consumer spending (that no amount of advertising is going to change) and increasing the effectiveness of the remaining 80% by subtly shifting gears from sales that drove indulgence, to sales that drive 'realistic' value (maybe he has read Bernard Salt too).

6. Don't keep running old ads:

Foxtel have changed their total campaign overnight to tell non customers that they have the solution to enjoying good entertainment while cutting household expenditure. Westpac customers have stopped seeing 'live better life' messages and are now seeing 'life security messages'.

But why do so many brands including luxury goods, services and destinations keep running their pre-crash messages of indulgence? It's times like these when you can separate the 'nimble' brands who are well used to running two way customer conversations and those who's monologue and lack of true customer connection has relied too heavily on high levels of demand.

7. Sitting on your hands won't get them off theirs:

But there's equally no point trying to blast them off either. Fear is an expression of loss of confidence in the absence of a greater support. Now is the time for leadership and the wisdom of parental direction. Be a part of a positive solution, don't be a part of the problem.

8. Hitting the wall means you have no choice but to own it!

Not surprising to anyone is the news of high end of consumption hitting the wall. But what should also be without surprise is that a few brands in every category will move successfully to 'own' the customers that remain fluid and committed to their lifestyles. Bottom line is market share is now everything and that will be the reward of those who know best who to talk to and how.

 **Quote of the week**

Whose fault is the crash and what should have been done?

Don't eliminate the public. They told their advisers that unless they performed they would be sacked. That instruction went down the line and sometimes led to people getting top jobs in funds because they were prepared to take big risks. We all share part of the blame.

Robert Gottliebsen

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