The Resilient Consumer

Where to Find Growth amid the Gloom in Developed Economies
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Where to Find Growth amid the Gloom in Developed Economies

Christine Barton, Catherine Roche, Emmanuel Huet, Naoto Saito, and Jane Danziger

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Although consumers in developed economies continue to tighten their belts and feel anxious about their financial future, they remain remarkably resilient. Except in the hardest-hit countries, consumers still plan to trade up to higher-end products in the categories that they care about most. They also continue to place a high importance on brands and hold a positive view of consumerism itself.

**The New Status Currency**
The priorities and values of average consumers in developed economies appear to have changed since the beginning of the global recession of 2008–2009. Consumers report putting less emphasis on ostentatious splurging and having more interest in brands that convey the new “status currency,” which includes traits such as value for money, personal enrichment, social awareness, and feeling good.

**Target the Silver Linings**
To seize competitive advantage, companies should adopt different investment and brand strategies, depending on whether they operate where optimism is improving or in crisis-ridden countries. Brand messages should align with the new status currency and local sentiment. Companies should target members of the Millennial generation, for whom brand affinity, consumerism, and optimism are particularly strong.
Five years after the onset of the global recession of 2008–2009, the sluggish pace of recovery and worries over employment and financial security continue to weigh heavily on consumer sentiment in developed economies. Consumers remain highly concerned about their jobs, personal finances, and economic future.

Yet amid the lingering angst expressed in The Boston Consulting Group’s 2013 Global Consumer Sentiment Survey, there are also encouraging signs. Consumerism has proved to be remarkably resilient. Yes, people from the U.S. to France to Japan said that they plan to forgo some luxuries, eat out less, and save more. But consumers in the world’s richer countries also said that they intend to upgrade their consumption in the product categories that they care about most. Consumers, especially those members of the Millennial generation who are 18 to 34 years old, continue to place a high importance on brands. And they do the same for consumerism: majorities of those surveyed said that buying makes them happy and that spending is good for the economy and society.

Our findings suggest that the fears of a few years ago—that prolonged economic crisis could permanently scar the consumer psyche and usher in a generation of retrenchment—have failed to materialize. It is true that consumers in developed economies are still tightening their belts, and we don’t expect the retail exuberance of 2006–2007 to return in the near term. But this is a symptom of the present economic condition, not some fundamental shift in peoples’ desire to buy or a wholesale rejection of consumerism.

To gauge global consumer sentiment, BCG recently surveyed more than 35,000 people in 20 countries. Among other criteria, responses were segmented by gender, location, generation, and income level.

Here we summarize and discuss some of the key findings from responses in nine developed economies: Australia, Canada, France, Germany, Italy, Japan, Spain, the U.K., and the U.S. The survey included around 23,000 respondents or, on average, 2,555 respondents per country. A subsequent report will explore our findings from the rapidly developing economies of China, India, and Brazil, as well as eight African countries.

The key findings deliver more bad news on consumers’ spending plans, but they also offer a silver lining regarding the near-term outlook in developed markets.
First, the less positive news:

- Pessimism remains pervasive. Fifty-nine percent of consumers in developed economies are anxious about the future, and nearly half do not expect economic improvement in the next several years.

- Many consumers feel at risk. Forty-three percent either do not feel financially secure or believe that they are in financial trouble; 19 to 35 percent said that they feared they could lose their jobs in the subsequent 12 months.

- Forty-six percent of consumers plan to cut discretionary spending. This represents only a slight improvement over responses to the 2012 BCG Global Consumer Sentiment Survey.

- Only 5 to 25 percent of consumers in developed countries believe that the next generation will have a better quality of life than their own. That is a notable decline from the results of the 2012 survey in each nation except for Canada, Japan, and the U.S.

Now for the good news:

- Fifty-four percent said that they are buying less expensive goods and services within the product categories that they care about most, compared with an average of 58 percent in 2012. Seventeen percent of consumers reported trading up in 2013, slightly higher than the percentage in 2012, and plan to do so most often in the categories of travel, major home appliances, housing, and children’s products.

- An average of 40 percent of consumers in developed economies cite brand names as a key reason for trading up to higher-priced products—a 16 percentage-point increase from the 2012 survey.

- Millennials have a significantly higher affinity to brands than do members of older generations in developed economies. Thirty-six percent of young Millennials believe that brands help express their values and who they are.

- Fifty-five to 65 percent of consumers in each developed country surveyed believe that consumerism is good for the economy and society. Fifty-six percent across all developed economies said that buying makes them happy.

These findings show that while global consumers feel fatigued and financially strapped from the prolonged economic slump, most are neither emotionally spent nor bankrupt, except for those in a few particularly hard-hit countries. By and large, people still place a lot of importance on what they buy. They see their choices of products and brands as reflections of their status and as personal expressions.

What has changed since the beginning of the global recession is what we call the “status currency”—the priorities and values of average consumers. Ostentatious splurging has given way to more emphasis on value for money and quality. Consumers are gravitating more toward brands that convey social awareness, environmental...
stewardship, and a healthy lifestyle, such as natural and organic ingredients, rather than brands that are simply more expensive.

To succeed in this challenging economic environment, companies must move past the doom and gloom. They should tailor their brand campaigns to the new status currency of consumers in different developed economies and of different generations, while being particularly sensitive to the economic circumstances of households in crisis-ridden economies. Luxury brands should continue to put less emphasis on conspicuous consumption and more on experiences, product performance, and artisanship. And companies should aggressively target Millennials now so that they remain engaged with their brands as they enter the stage of life in which they will have both more discretionary income and more control over essential household spending.

Coping with Continued Economic Gloom

A sense of gloom continues to pervade the world’s richest economies. Our survey found continued high levels of concern over the general economic outlook and about financial and job security in particular. This should not be surprising. Australia is the only country in our group that has been enjoying stable economic growth since 2006—yet even there consumer sentiment has declined in 2013 amid growing fears over the economic future and job security. Italy has been in a recession for three of the past five years, and Spain for four of the past five. France saw no growth in 2012 and is expected to dip into recession this year. Growth is decelerating in Germany. Modest recoveries remain on track in Canada, Japan, the U.K., and the U.S. But while consumer sentiment has improved in these nations, it generally remains below prerecession levels.

Lingering Pessimism. Fifty-nine percent of consumers surveyed in developed economies agreed with the statement “I am anxious about the future.” This share has actually increased slightly after holding steady at around 57 percent since 2010. While concern is especially high in the western European nations experiencing debt crises, more than half of consumers also agreed with that statement in Australia, the U.K., and the U.S. (See Exhibit 1.) More than 90 percent of people surveyed in France, Italy, and Spain also believe that their nations’ economies are in crisis.

Pessimism is also growing. In 2010, optimistic and pessimistic responses were balanced. Consumers reported 12 percent more pessimistic responses in 2011, 16 percent more in 2012, and 19 percent more in 2013. Today, 46 percent of consumers in developed countries don’t think their economies will improve during the next several years, compared with only 26 percent who do.

Again, the gloom is most pronounced in several western European nations. Sixty-two percent of respondents in France, for example, said that they don’t think their economy will improve, compared with only 17 percent who do expect improvement. Though to a much lesser degree, pessimists also outnumber optimists in the U.K., Australia, Germany, the U.S., and Canada. In Japan, however, optimism at the time of the survey was relatively high, with 42 percent of respondents agreeing that
the economy would improve in the next 12 months and 18 percent disagreeing. In the previous three years, more respondents in Japan disagreed that the economy would improve than agreed.

These findings suggest that companies operating in developed markets should continue to expect little overall improvement in consumer sentiment in the near term. Companies should acknowledge the emotional state and economic circumstances of the buying public in their brand communications and continue to stress value in their product lines and messaging. Companies should also recognize that they are no longer operating only in a two-speed world—slow-growing developed economies versus fast-growing developing economies. Consumer sentiment now is moving in very different directions in the beleaguered economies of southern Europe; recovering economies, such as the U.K. and the U.S.; and developed economies, such as Australia, that were able to maintain growth during the global recession.

Anxiety About Jobs and Savings. The overhang of the 2008 financial crash and the continuing debt crisis in the Eurozone are making global consumers worry
about their financial future. An average of 43 percent of respondents in developed economies said that they either do not feel financially secure or that they are in financial trouble. The sense of financial insecurity, while highest in Italy, is fairly even across all developed economies surveyed, hovering at around 35 to 45 percent.

Underlying this anxiety is concern about the ability to keep jobs. When asked about their employment prospects during the next year, one-quarter of consumers surveyed in developed economies said that they believe their current jobs are “somewhat insecure” or “very insecure.” This worry is highest in Italy (35 percent), Japan (30 percent), and Spain (29 percent); it is least prevalent in the U.S. (19 percent).

The picture became more mixed when consumers were asked about future earning power. Optimism is highest in the U.S., where 54 percent of respondents said that they expect to earn “more” or “significantly more” each year for the next ten years. Only 19 percent think they will be earning less. More than half of the respondents in Canada and Spain believe that they will be earning more a decade from now. In Germany, France, and Italy, however, only 39 percent, 33 percent, and 29 percent of consumers, respectively, believe that their annual incomes will be higher in a decade. In Japan, just 15 percent predicted that their incomes will be higher; 59 percent expect them to be lower.

Demographic differences account for much of this variance, of course. Older workers have more modest expectations of income growth than younger workers. Cultural differences also influence the way people respond to survey questions and thus affect results. But expectations of economic growth in those nations are also key factors. Optimism over earnings in the U.S. is, not surprisingly, highest among Millennials, who are young, less advanced in their careers, and generally more optimistic as a generation. Eighty-three percent of Millennials believe that they will be earning more in ten years, compared with only 3 percent who believe they will be earning less.

Another source of financial distress is declining savings. Compared with a few years ago, a greater number of people in each developed economy we surveyed reported saving less of their income than those who said they are saving more. A full 66 percent of respondents in Italy and Spain said they are saving less, compared with only 9 percent and 13 percent, respectively, who said they are saving more. In Japan, 46 percent said that they’re saving less, and 16 percent said they’re saving more. The contrast with consumers in India and China is dramatic and consistent with responses from previous years. In China, for example, 60 percent said they are saving more and just 11 percent said they are saving less.

Indeed, about 50 to 60 percent of consumers in developed economies reported that they save less than 5 percent of their income, including around 30 percent who said that they save nothing at all. (See Exhibit 2.)

Not surprisingly, then, consumers are increasingly worried that they don’t have enough money for retirement. Fifty-six percent of those surveyed in developed economies said that they worry about what their personal finances will be when
they retire. Concern has grown by a statistically significant increment of between 2 and 6 percentage points since the 2012 Global Consumer Sentiment Survey.

Because of these financial concerns, many consumers are trying to shore up their savings. Around half of respondents in Europe and the U.S. who are saving more said they are doing so as a general precaution in case of another economic downturn. Around one-third said they are doing so for personal or family reasons. Retirement savings or future health-care needs are other top reasons. Fewer than 20 percent of those who are saving more in Europe and the U.S. said that they are socking away money for big expenditures such as personal investments, automobiles, or real estate. Consumers in developing countries, by contrast, said that they are generally saving for big-ticket items.

These findings suggest that companies should look to the developed economies where optimism is somewhat higher to find greater potential for increased spending and trading up. Among the countries we studied, near-term prospects seem best...
in the U.S., Canada, Australia, and Germany. In the depressed economies of France, Italy, and Spain, companies should anticipate continued low levels of spending and sustained trading down in most product categories. Brand and marketing communications should be sensitive to the wide levels of financial stress. Companies should express that sensitivity by, for example, emphasizing promotions and bargains. The tone and message of campaigns should also be in step with consumer sentiment in each country.

**A Belief That the Best Years Have Passed.** Faith in the notion that children will live a better life than their parents continues to erode. In fact, a surprising number of consumers believe that the best times are behind them.

Even though the majority of consumers in most developed countries agree that members of their generation “live a better life than their parents” (France, Japan, and Italy are the exceptions), only 14 percent on average “agree” or “strongly agree” that the next generation will live better than they do. That is a notable decline since 2012. A mere 5 percent of respondents in France, 9 percent in Japan and Italy, and 11 percent in Germany agreed with the statement. In the U.S., where optimism is stronger, only 24 percent believe that members of the next generation will live a better life. By comparison, 69 percent of respondents in China and India think the next generation will be better off. (See Exhibit 3.)

One sign of encouragement is that Millennials are, on average, much more optimistic about the future. In the U.S., for example, 52 percent of Millennials agree that their generation will lead a better life than Americans currently over the age of 34. By comparison, 31 percent of Gen-Xers and only 23 percent of baby boomers agree with that statement.

**Signs of Consumer Resilience**

Despite all their expressions of anxiety and insecurity, the consumers we surveyed also exhibited considerable evidence of resilience. Over the past few years, they have learned to adjust to the economic hard times and cope with their new normal. The emotional state of the majority of consumers in developed countries appears to be healthy, considering the economic circumstances. And their attitudes toward consumerism remain hopeful.

**Consumers are learning to cope.** To get a general sense of the global consumer psyche, we asked consumers if they agreed with a basic statement: “I have peace of mind.” Fifty-two percent in developed economies agreed, showing no improvement since 2012. In Spain, a surprising 86 percent agreed—a gain of 5 percentage points since 2012—with 34 percent strongly agreeing. Fifty-three percent in developed economies agreed that they are “happy with my life right now,” although the percentage of people who agreed with this sentiment has declined since 2012 in the southern European countries that are facing financial crisis. The level of happiness rose in Australia, Germany, Japan, the U.K., and the U.S.

Responses to other questions also indicate that the psychological state of consumers is holding up well. More than 70 percent of people feel loved and cared for.
Around half of consumers in developed nations said that they “have enough fun” in their lives. More than half said they have a consistently high degree of social interaction—and more than 70 percent said that they have a low need for more recognition and respect at work.

**Consumerism is alive and well.** People in developed countries may have been tightening their belts for the past five years. But that doesn’t mean there has been a structural, societal shift away from consumerism. All things being equal, a positive outlook on life should translate into increased spending in some form.

Indeed, our survey found that the consumer ideal is alive and well. More than half of consumers surveyed in all nine developed countries, except France and Italy, agreed that “the desire and ability to buy new things progresses or moves our economy and culture forward.” The strongest level of agreement—62 percent—was in the U.S. Fifty-six percent of consumers in developed nations said that the ability to buy things makes them happy. Respondents in the U.S. again agreed most strongly, followed by...
those in Australia, Canada, and the U.K. The association between buying and happiness was lowest in Germany, coming in at 47 percent. Millennials are especially likely to associate buying with happiness: 71 percent of Millennials in developed countries agreed that the ability to buy new things makes them happy.

The psychological state of consumers in richer nations supports our belief that weak sentiment is primarily driven by current economic circumstances and financial realities—it is not a new anticonsumerism sentiment.

**Long live brands.** Just as consumerism is not dead, neither is popular affinity toward brands. Forty percent of consumers in developed economies cited “brand name and reputation” as a typical reason for trading up to higher-priced products. Thirty-seven percent of respondents in the U.S. and 36 percent of those in Italy, meanwhile, agreed that brands have the power to corroborate and communicate personal values and provide a sense of belonging.

Especially good news for companies is that brand affinity is stronger among Millennials—whose members constitute a critical market of the future—than among members of any other age cohort. Thirty-six percent of Millennials aged 18 to 24 in the nine developed economies we surveyed said that brand loyalty is personally important to them. That compares with 31 percent of consumers aged 25 to 34, and with 21 percent aged 50 to 64. In the U.S., for example, 50 percent of consumers aged 18 to 24 said that brands are personally important to them—a dramatically higher percentage than for Gen-Xers and even baby boomers. This pattern is similarly pronounced in Canada, France, Germany, Spain, and the U.K.

Loyalty to long-standing brands varies considerably by age group in different countries, however. For example, half of the Millennials in Canada aged 18 to 24—but only 31 percent of consumers aged 25 to 34—prefer brands that have been around the longest. In Japan, Millennials and people over age 64 reported the most loyalty to older brands. But in France, only 27 percent of Millennials aged 18 to 24 prefer long-established brands, compared with 45 percent of people aged 50 to 64.

This does not mean that all the brands that have reigned for generations will remain the most popular in the future. Only 38 percent of consumers in developed economies said that the best brands are the ones that have been around the longest.

The Millennials’ top 30 favorite brands across all developed economies do not include 15 brands that boomers have on their top-30 list, such as Ford, Kraft, Heinz, and Toyota. Similarly, Millennials have 14 brands in their top-30 list that are not among the favorites of baby boomers. Millennial favorites include relatively newer names, such as Google and Asus, but they also include older brands that have managed to position themselves well for younger consumers, such as H&M, LG, Puma, Nokia, Converse, Gucci, and Dior. Brands that perform well with both Millennials and boomers include the technology brands Apple, Samsung, and Sony; athletic-footwear and sports-apparel brands Nike and Adidas; automotive brands BMW, Audi, and Mercedes-Benz; and luxury brands Giorgio Armani and Chanel. (See Exhibit 4.)
While there is no guarantee that the powerhouse brands of the past will be favored by younger generations, neither can it be assumed that they will fall out of favor. It all depends on whether heritage brands can find ways to connect with younger buyers by marketing products and services that are relevant and using a tone in their campaigns and messaging that resonates with the new priorities and personal- ities of Millennial consumers.

Navigating the Shifts in Spending Behavior
A nuanced understanding of the ways in which five long years of economic dol- drums have influenced reported consumer behavior becomes essential if companies are to make smart strategic choices on how to approach developed markets in the near term. A ground-level view shows that consumers continue to consume—and even plan to upgrade what they buy in a number of product categories. But their priorities and perceived needs have changed.

**Signs of Retrenchment.** Forty-six percent of consumers in developed economies said that they plan to cut spending over the subsequent 12 months. This represents a 2 percent decrease since 2012, when 48 percent said they were cutting back. Only around 10 percent, however, said they plan to spend more.

In general, consumers plan to eat out less, buy fewer things, and make products last longer. Forty-three percent plan to cut spending on food consumed outside their homes, 32 percent said that they will spend less on luxury brands and goods, and 31

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**EXHIBIT 4| Only About Half of Baby Boomers’ Favorite Brands Are Also Favorites Among Millennials**

“Across any and all categories, what are your favorite brands?”

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<thead>
<tr>
<th>Brands in top 30 for Millennials but not boomers</th>
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<tr>
<td>Google</td>
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<td>H&amp;M</td>
<td>Kraft</td>
<td>Levi’s</td>
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<td>Heinz</td>
<td>Samsung</td>
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<td>Toyota</td>
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<td>Guess</td>
<td>Cadbury</td>
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<td>Zara</td>
<td>Kellogg’s</td>
<td>Coca-Cola</td>
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<td>Nokia</td>
<td>Marks and Spencer</td>
<td>Adidas</td>
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<td>Samsung</td>
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<td>Puma</td>
<td>Toyota</td>
<td>Sony</td>
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<td>Guess</td>
<td>Cadbury</td>
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<td>Nokia</td>
<td>Marks and Spencer</td>
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<td>Volkswagen</td>
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<td>Audi</td>
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Source: BCG 2013 Global Consumer Sentiment Survey.
Note: These results do not include data from Japan.

This question did not prompt responses.
percent anticipate cutting back on home furnishings and decor as well as on handbags and fashion accessories. Thirty percent plan to purchase fewer snack foods.

As consumers tighten their wallets, they can be expected to continue to place a high priority on value for money and to stay on the lookout for bargains. Eighty-three percent of consumers in developed economies said that they “will stay vigilant or alert for promotions or deals.” How do consumers plan to cut spending? The emphasis varies by country. In the U.S., “eating at home” is the top answer, cited by 65 percent of respondents. The next most-frequently reported behavioral changes are to buy fewer things, make products last longer, and check prices more often on the Internet. A large portion of respondents in Europe are also eating more at home, buying fewer things, and checking the Internet. But the biggest change, cited by 60 percent in the five European economies studied, is to make purchases that are more often based on deals and promotions.

In general, companies should anticipate that consumer spending in developed nations will not pick up in the near term. But companies in certain categories, such as fresh foods, natural products, and travel, should target consumers who are likely to increase spending.

Trading Down Less and Trading Up More. One way to get a sense of whether households feel flush or financially pressed is to look at whether they are upgrading or downgrading what they consume within product categories—and why.

We did find good news among the downbeat statistics, but first the negatives: 54 percent of consumers in developed economies still report trading down, compared with 17 percent who are trading up. The most extensive trading down, not surprisingly, is occurring in Italy and Spain. However, the percentage of people trading down declined by 4 points since 2012, led by consumers in Germany and Japan.

In most developed economies, consumers primarily are looking for less expensive alternatives to nonessential personal items. The most frequent categories in which they report trading down are fashion jewelry, mobile-phone contracts and services, handbags, fast-food restaurants, and luxury brands and products. All of these categories were cited by at least 60 percent of consumers. The other leading categories in which trading down is anticipated are hair care services, air travel, accessories, home decor, and watches.

The decline in trading down in nonessentials is occurring in most product categories across developed economies. Reported trading down in consumer electronics has declined by 14 percentage points. Consumers are also downgrading 5 to 8 percentage points less in big-ticket items, such as automobiles and large home appliances, as well as in sporting equipment, personal clothing, and fast-food restaurants.

Other signs of encouragement are the reasons for trading down that consumers in developed economies cite. Sixty-four percent of respondents told us that they want to “save money to spend elsewhere.” That represents an increase of 9 percentage points since last year, when the most important reason was “to balance the budget.”
What’s more, consumers in several countries are generally trading up slightly more—even in many of the categories just mentioned. Although consumers in France and Spain reported that they are trading up less, there has been an increase of at least 2 percentage points in consumers who reported that they are trading up more in Germany, Japan, and the U.K. Our survey indicates that in Australia, Italy, and the U.S., attitudes toward trading up are essentially the same now as they were in 2012. In developing economies, by contrast, consumers say they are trading up less.

In which nonessentials will consumers in developed economies likely trade up? The top discretionary category is leisure travel and vacations: 28 percent of respondents said that they are “willing to spend somewhat more” or are “willing to pay as much as I can.” While that represents no statistically significant change since 2012, it is an increase of 9 percentage points since 2010. The next highest reported trading-up categories are large home appliances, housing, washers and dryers, children’s clothing, furniture, and consumer electronics. In each of these categories, the trading-up sentiment is 3 to 8 percentage points higher than in 2012—a statistically significant rise. (See Exhibit 5.)

The top reasons for trading up are practical. Sixty-three percent of consumers in developed economies said that they plan to spend more on products that “give better results”—an increase of 10 percentage points since 2012—and 62 percent said that they want products that are “timeless, durable, or long lasting.” One of the sharpest increases in reasons for greater spending, rising 16 percentage points, is to buy products that are “healthier,” while 14 percent more said that they will spend a greater amount on categories that “are more important to me.”

What’s happening is that consumers increasingly are devoting more of their budgets to a handful of product categories and characteristics that they consider to be important. Two-thirds across developed economies agreed with the statement that they concentrate their spending “on the few categories that matter most to me.” These responses suggest that while most consumers anticipate that they will continue to trade down, many are reassessing their priorities and reallocating their funds so that they can pay more for the goods and services that are most important to them.

Producers and retailers of luxuries such as high-end handbags and watches should anticipate low growth in developed economies, including the U.S., in the next year. But companies in sectors such as leisure travel, home appliances, cars, and children’s products that position their offerings correctly appear to have opportunities to boost sales.

The New Status Currency
Even in tough economic times, people choose brands that say something about them—both to themselves and to others. They want brands that they believe will enhance their status. One clear message from our survey is that the status currency of brands has shifted and become more loosely defined since the downturn began.
Many consumers in developed countries reported that they prefer to spend money on experiences rather than physical products, particularly at luxury price points. On average, 45 percent said that if they pay luxury prices, they prefer to do so on “enriching, expanding experiences over things.” This response would be higher if the survey excluded Germany, where only 13 percent of respondents agreed with that sentiment. The preference for experiences over things is strongest in France, Italy, Spain, and the U.S.

Consumers also now appear to place a high value on social conscience. Surprisingly, 55 percent of consumers in most developed countries reported that brands should “do good”—that is, they should help those in need. Japan is potentially an outlier, with 38 percent in agreement. Again, consumers in the euro-crisis nations of Spain and Italy felt most strongly about brands that contribute to society. A healthy 46 to 58 percent in the other developed nations agreed. Across all developed economies, 64 percent of females, compared with 52 percent of males, as well

### EXHIBIT 5 | Consumers Reported Trading Down on Dining Out and Luxury Goods, and Trading Up on Travel and Big-Ticket Home Items

<table>
<thead>
<tr>
<th>Category</th>
<th>Top Ten Categories for Trading Up</th>
<th>Top Ten Categories for Trading Down</th>
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</thead>
<tbody>
<tr>
<td>Leisure travel and vacations</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Large home appliances</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>My home, apartment, or condo</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Washer/dryer</td>
<td>4</td>
<td>8</td>
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<tr>
<td>Children’s clothing</td>
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<td>3</td>
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<tr>
<td>Furniture</td>
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<td>2</td>
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<tr>
<td>Consumer electronics</td>
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<td>Automobiles</td>
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<td>5</td>
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<td>Athletic shoes/footwear</td>
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<td>Hotels</td>
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**Respondents in 2013 (%)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Top Ten Categories for Trading Up</th>
<th>Top Ten Categories for Trading Down</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion jewelry</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Mobile phone contracts and services</td>
<td>2</td>
<td>N/A</td>
</tr>
<tr>
<td>Handbags</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Fast-food restaurants</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Luxury brands and products</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Hair care services</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Airlines/flights</td>
<td>7</td>
<td>N/A</td>
</tr>
<tr>
<td>Accessories and sunglasses</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Home decor</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Watches</td>
<td>10</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Change from 2012 (percentage points)**

**Source:** BCG 2013 Global Consumer Sentiment Survey.

**Note:** N/A = not available.
as 64 percent of Millennials aged 25 to 34 of both genders, said that brands should help those in need.

Consumers suggested as well that these sentiments generally influence their purchasing decisions. Between 35 percent and 51 percent of respondents in each developed economy agreed that knowing a company “is mindful of its social responsibilities” makes them more likely to buy its products or services. Millennials and females of all age groups agreed most strongly. Brands perceived as eco-friendly are also in favor. Forty-four percent of consumers in developed economies said that they try to buy products from companies that show concern for the environment.

As a result of such issues, consumers are demanding more information and transparency. Fifty-seven percent in developed countries said that they want to know how products are made and where they come from.

A healthier, more enjoyable lifestyle is also high among consumer priorities. These values came across clearly when consumers in developed economies were asked in which product categories they plan to increase or decrease spending in the subsequent 12 months. Twenty percent said they intend to spend more on fresh fruits and vegetables, for example. Sixteen percent plan to spend more on vacation and leisure travel, 10 percent on “all or mostly natural products,” 10 percent on organic foods, and 9 percent on environmentally friendly home cleaning.

Companies should be encouraged by these findings, which show that the power of brands has remained strong despite prolonged economic problems. But as they promote their brands, companies must also be mindful that the status currency appears to have shifted. Consumers told us that they want products that offer new experiences and support values such as doing good, environmental stewardship, corporate transparency, and healthful living. Companies that better understand the new status currency will be better able to position their brands to use this era of economic turbulence to gain competitive advantage.

A Silver Linings Playbook for the Resilient Consumer

Hard economic realities dictate that overall consumer spending is likely to remain as sluggish across the world’s richest economies in the next year as it has been since the onset of the global recession of 2008–2009. But companies should no longer approach developed nations the same way. A pronounced divide in consumer sentiment is emerging between northern Europe and southern Europe, for example, and between generations. Yet even in crisis-ridden nations, there are signs of hope.

What follows is a “silver linings playbook,” if we may borrow a term from the Matthew Quick novel and 2012 movie by the same name, for targeting consumers in developed economies in uncertain times.

- Move on from doom and gloom. The first step is for companies to get past the mindset that stagnation is the new normal. Instead, they should focus on seizing competitive advantage and the opportunities for growth that are suggested by
consumer sentiment. It is true that a big part of the developed world continues to cope with economic hardship and financial constraints. But companies should recognize that consumers are in a different emotional place than they were a few years ago. A large and growing share of consumers is ready to spend more in certain product categories that offer the right benefits.

- **Continue to focus on value.** Consumers continue to look for bargains and good deals—and are as attuned as ever to product details. Companies should focus on communicating the value of products to consumers while making minimal compromises on quality.

- **Reflect consumers’ new status currency.** Companies should reassess the positioning and communications of their brands so that they are aligned with changes in consumers’ values and a sense of what conveys status. Consumers are likely to spend more of their hard-earned discretionary dollars on foods that are fresh, natural, and organic, for example. They are also likely to respond to messages that stress social good, respect for the environment, corporate responsibility, transparency, and stewardship of personal data.

- **Reposition in nonessential categories.** Companies should anticipate somewhat slower growth in the near term in categories that consumers do not regard as essential, such as luxury products, fashion accessories, dining out, and home furnishings. In their brand positioning, luxury-product companies should continue to de-emphasize conspicuous consumption and instead highlight themes such as experiences, superior performance, quality, artisanship, heritage, and local manufacturing.

- **Tailor strategies to specific markets around the world.** The investment, brand, and organizational strategies of companies must take into account that they are now operating in a multiple-speed world when it comes to consumer sentiment. Companies need distribution, marketing, and product development capabilities that enable them to be more segmented and country specific. And they may need greater divergence in their local go-to-market strategies now than they have in the recent past.

- **Gear up for the next generation of spenders.** Our survey shows that even Millennials in the 25- to 34-year-old bracket have greater brand affinity and engagement than do members of other age cohorts. They are also more likely to trade up than members of older cohorts, reflect the new status currency even more strongly, and be more optimistic. This may be a leading indicator of a future resurgence in consumption, as Millennials enter new life stages with more discretionary income and more control over spending on essentials. Companies that are not currently focused on capturing mindshare among Millennials may be falling behind in fortifying the long-term success of their brands.

Even in an era of economic uncertainty and consumer anxiety, there are many silver linings in consumer sentiment. Companies that execute strategies on the basis of these insights can take advantage of the opportunities in this challenging environment.
1. The sample sizes were large enough to make our survey results statistically significant at a difference of 2 percent or greater.
2. In Japan, for example, consumers tend to select more neutral responses than those in other countries and to avoid answers at the extreme ends of the scale.
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