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November 14, 2011

Consumer Behavior: The Psychology of Now

By EVAN CLARK



Amped-up change has supercharged the consumer and is frying retailers' brains.

Photo By Serge Bloch

People are angry.

And anxious, obsessed, hyper-informed, overwhelmed, demanding, confused, broke, underwater, overeducated, ill-prepared, exasperated by their leaders and disgusted with the economy.

Welcome to the psychology of now.

It ain't pretty, but it is who we are at this moment (literally, because the mood could change in a split second). It's the very human reaction to the one-two punch of economic havoc and the ever-quickenning pace of technological reinvention. And even though it's appealing to think that "the new normal" has arrived with those who still have jobs cautiously opening up their wallets for small luxuries, the popular idea that consumers simply ratcheted back spending for a time and are now carrying on as before too easily dismisses the fundamental shifts taking place in societies worldwide.

The world has gone mad with change—from the blossoming of the mobile Internet, the evolving green movement, the looming possibility of biotechnology, the rethinking of education and marriage to the Arab Spring. (Let's temporarily set aside the earthquakes, nuclear meltdowns, volcanic eruptions and threatening global pandemics, lest we short circuit completely.)

Consider that the world is now carrying seven billion people, that one in six Americans live in poverty, that toddlers are more comfortable with iPhones than crayons, that the emerging Chinese consumer is the great hope

of the luxury market and that there is little indication that the powerhouse U.S. economy will fully recover before the decade's out—all of which partially explain the general angst and confusion.

"We're just sort of huddling," says futurist Faith Popcorn, founder of Faith Popcorn's BrainReserve. "Everything's running away from us, so we're trying to find like people to talk to in any way. It's a societal tsunami. It's a wave underneath. All of our DNA is screaming and reaching out to others."

Popcorn calls it "life rage." She sees the mash-up of the "vigilante consumer," the fall of cultural icons and the ability to group together and plan digitally as nothing short of the demise of the world as we know it and the birth of the next one.

And no one has any idea what that new world will look like. Consumers and businesses are sailing uncharted waters almost every day.

"Consumer behavior's changed more in the last five years than it had in the previous 50," says Donna Sturgess, president of neuro-insight consulting firm Buyology. "Now we're leaning forward. We have relationships with these brands. We have expectations."

Perhaps the biggest consumer change is the switch to active player from passive receiver of the brand message. People are reviewing products online, following brands on Facebook, weighing in when they're happy or, even more, spouting off when they're not and participating in the design process—even becoming designers themselves through a host of Web sites that help them make individualized products.

In short, they are engaged more than ever.

Companies think they can interact with their customers on Facebook and through tweets, customization or model searches on YouTube. But that's only a minor step toward that elusive goal of understanding the consumer. And consumers want more than just understanding.

"People still love brands, but brands don't love people anymore," says consultant Marc Gobé, chief executive officer of the Emotional Branding Alliance. "They need to really try to understand what's driving people to buy and the type of communication that people want or are comfortable engaging with."

Brands that pay attention to social media might learn something important.

"They might find that luxury for the younger generation is less about the image of a brand and more about how responsible the brand is in society," Gobé says. "The new branding rule is not to have a branding strategy but to have a social voice, and that's very different."

On the other hand, social media brings with it certain dangers.

Philip Graves, author of *Consumerology: The Market Research Myth, the Truth About Consumers, and the Psychology of Shopping*, says peoples' days are being consumed by "more of less quality," creating the illusion that they have less time. "Our behavior tends to create our attitudes rather than the other way around," Graves says. "If people spend their time communicating on Facebook and Twitter, what you end up with is people starting to believe that that's all they have time for. So people will invest less time in things."

The question then becomes: How can global brands stay relevant in a world that has seen not just a revolution in tweeting but tweeting revolutions, where mobile technology helped organize the overthrow of entrenched leaders in Egypt and Libya?

Digitally connected U.S. voters reacted viscerally to the promise of hope and change when President Obama ran for office. But when the reality of governing set in, some began anew to craft their own narrative. The self-

declared “99 percent” rallying against the rich and powerful in the Occupy Wall Street movement have no clear agenda, but their angst has resonated broadly, morphing in Oakland to a movement that successfully shut down one of the nation’s biggest ports.

“We have a more unequal society than we’ve had in the past,” Federal Reserve chairman Ben S. Bernanke said recently. “Concerns people express across the spectrum are understandable.”

The psychology underlying the Occupy Wall Street protests and the consumer upheaval grows out of the same anxiety, says Kit Yarrow, a consumer psychologist at Golden Gate University. People both feel they don’t have control of their own futures and they have so many options that it’s hard to find steady ground.

“Choice actually makes people anxious,” Yarrow says. “We’re seeing consumers with a lot more emotionality in their decision-making process.

Emotions really affect the way we process information.”

To cope, consumers fixate on one aspect of a product. “They’re just obsessed with deals as a way, I think, to feel more in control of the purchase process, which is the antidote to anxiety,” Yarrow says.

“Consumers are just so fed up with everything that is going on,” Yarrow adds. “They’re looking for opportunities to express themselves, and it can be for or against [a retailer or brand].”

Kenneth Cole found this out the hard way in February when he responded to deadly antigovernment protests in Egypt by tweeting: “Millions are in uproar in #Cairo. Rumor is they heard our new spring collection is now available online.” The cyber backlash was swift and brutal, and the designer, who apologized, got seemingly little credit for his long support of social causes.

It is in these unsettled waters that companies find themselves swimming or sinking or simply being pulled along by the current.

“Really smart retailers are spending some of their serious money not on inventory and not on just throwing spaghetti against the wall...but on really trying to figure out where their customers are headed and how they can guide that journey,” says Nancy Koehn, Harvard Business School professor and retail historian. “The consumer is changing. It’s a long-term change. It’s bigger than the recession, and it’s incumbent on smart retailers to understand that. Anthropological research—that’s what we need right now. We need to be much closer to the consumer than traditional market research allows.”

Consumer forecasters who used to confidently look out five or even 10 years ahead are now struggling to make sense of the shopper’s mind-set more than six months or a year into the future.

The simplest way to catch up and stay ahead of the curve might be to look at younger shoppers.

Buyology’s Sturgess pointed to American Eagle Outfitters Inc.’s 77kids concept as a retailer that gets the future, emphasizing interactivity, letting its shoppers put together outfits on touch-screen displays in the store.

“When [retailers] start serving consumers in these ways, they’re priming them,” she says. “Those are your future consumers coming in the door, and they will not be satiated, perhaps, with the more typical retail experiences.”

But looking over the horizon has always been tough in fashion.

“Retail is a game of ‘what have you done for me lately,’ ” says Matthew Katz, a partner at The Boston Consulting Group. “So many management teams and many boards have historically shown they are focused on the near

term: We trade margin for revenue, we trade strategic decision for near-term growth so the market rewards us.”

The solution is not necessarily knowing the future but knowing that it’s coming and being flexible enough to jump at the opportunities.

“It’s being smart enough with the talent and the proficiencies you have inside to give yourself some room so you can be in a reactive mode when you need to be,” Katz says.

So there’s the answer: businesses need to be both reactive and proactive, plot the future but be flexible, listen to the customer yet give them things they haven’t even thought about.

Easy, right?

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