



Consumer Spending Shift

Consumers have stopped discretionary spending. If this is a permanent shift it originates from several sources and will impact critical areas in the future.

Trend: Consumers have dramatically reduced spending. In fact, they have made the amazing flip from consuming to – gulp – saving. The spending behaviors seem quite different from past recessions.

This could be a permanent change in the consumer. If so, it is leveraged by the convergence of three trends.

First, the recession is severe and economy-wide. Happening after excessive spending fueled by easy credit and inflated assets, the change was abrupt. Deep recessions with high unemployment will retard spending. Everyone is fear-frozen.

Second, is the transfer of power from Baby Boomers to Generation X. The influence of Boomers is fading through dropping numbers (retirement or death) and Gen X is asserting control. These generations have different attitudes about life style. Gen X is more quality-of-life driven and careful financially. So the emerging power group of the future is naturally a non-consumer.

Third, the Internet is making shopping, comparing, and purchasing easier than ever. The lowest possible price anywhere is available to everyone. Impulse buying from advertising or physical stores is not likely with such empowering technology. Frugality has technology as a partner.

Future Impact: After the recession the level of consumption will be lower. Oh, there will be the occasional small extravagance, but the deeper trend seems set. Obvious losers are economic growth, retail services and high-end consumables. Retail and commercial business properties are very vulnerable.

Increased savings will fuel capital investment in new age businesses. Robust web-based shopping will continue growing. Trust of web transactions will increase with third-party guarantees and transfer services.

[Note: Consumers is one of 10 areas with greatest future impact that I track in the “Way of Tomorrow” series.]

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