

2003: THE CONSUMER CONTEXT

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[1.1 Introduction](#)

The State of the Consumer was introduced in January 1996 as an annual snapshot of the trends, concerns, and issues affecting consumers. The title and the month of its publication echoed the President's annual State of the Union address.

But "consumer" can be a misleading word. It is now very clear that to understand people as consumers we have to understand them first as people. And that means focusing on the context of their lives, not just their consumption behavior.

To quote from a paper on researching Lovemarks, written by Saatchi & Saatchi's Worldwide Planning Board:

We need to recognize that we are all consumers and we are all much more than just consumers. We can't create and nurture Lovemarks, brands that have deep emotional bonds with people, without our understanding extending way beyond what and how people consume....To do this we have to look at people's lives in their entirety, the things they hope for and dream about, the things they fear, the things they love, the things they hate. We need to understand...what has meaning and significance for them, not just what they buy and use.

People don't park their beliefs and values, their fears and dreams on a bench outside the marketplace before they buy something. These are always with them, providing the background for all their life choices.

Of course, we can create lists of what's hot and what's not. This is the year we became obsessed by obesity and identity theft, the year that Botox became the number-one cosmetic procedure in America, the year of the colors silver followed by blue, the year soy milk entered the mainstream and an organic gin appeared, the year of the return of the suit. But such lists, while fun to read, ultimately tell us very little.

Rather it's the big picture-the context of people's lives-that influences their values, beliefs and consumption choices that this series examines. Hence the new title: *The Consumer Context*.

This year's analysis of *The Consumer Context* first examines the **Holding Pattern** of life since 2001 and the **Big Shift** in context that underlies that pattern.

Then it looks at the three main impulses of consumer life today:

- The **anxiety** of living in an uncertain world, what's being called the FUD Society, made up of the fear, uncertainty and doubt (change doubt to distrust) that people face today and consumer responses to it.
- **Seeking connections** with others-the quality-of-life trends that have figured so prominently in people's lives since the Big Shift, particularly all varieties of family focus.
- **Spending for the good life**, particularly through the trends of New Luxury and Technology.



2.1 In a Holding Pattern

An airplane circles over an airport, unable to land as yet, unwilling to go elsewhere. "We're in a holding pattern," the pilot announces, "circling until we're cleared for landing." Whatever anxiety the people on the plane may feel as a result of the delay, they go on as before—reading, watching TV, sleeping, drinking.

This image of what *The Economist* calls "stasis" fits what Americans are feeling at the beginning of 2003. 9/11 profoundly altered the context of our emotional landscape, the way an earthquake alters the topography of the earth. A survey conducted for Ad Age concluded that while behavioral changes like increased church attendance may have gone back to normal rates, psychological changes such as feelings of vulnerability, increased vigilance and the search for security are more permanent. In a *Time/CNN* poll, 32% of Americans said they think about 9/11 several times a week and 29% said daily. In another survey, Roper Reports found that "the vast majority" of Americans have been affected by 9/11: 83% say it has changed their lives. *Women's Wear Daily* claims that 9/11 "dramatically rearranged consumer spending," away from things like fashion and towards more durable purchases such as real estate, home goods, and cars.

Added to that trauma have been the events of the past year: the stubborn persistence of the soft economy, the continuing layoffs (2 million in 2001 alone), the disruptions caused by the dot com bubble and the stock market plunges (8 trillion dollars have been lost in the past few years according to NPR), the revelations of corporate wrongdoing, governmental incompetence and religious abuse.

Every survey of consumer mood testifies to the impact of these events. "Recession. Terrorism. Scandal." is the title of one such survey by the Roper social research company, which finds that consumer confidence is at recessionary levels; the percentage of people who feel the country is going in the wrong direction is up; the numbers of people who are optimistic about the future of the country and the economy are "declining sharply."

And yet in many respects, people's lives go on much the same as before. People seem to be personally optimistic in the midst of their anxiety about safety, the country, the economy, and business. An article in *The New York Times* points out that optimism is, in fact, more characteristic of the consumer mood today than the pessimism that marked people in the '70s, early '80s or early '90s.

However, the word that occurs most frequently in surveys of consumer attitudes is not optimistic but "resilient." Consumers are not down, depressed, or pessimistic. True, they are being tested by the persistence of the soft economy, the threat of war, the continuing revelations of scandals. But consumers are exhibiting what an article in the *Harvard Business Review* found to be three key characteristics of resilience: accepting reality, having strong values, and being able to improvise. Witness the great mass of consumers who accept the reality of uncertainty but go on with their lives. Witness also how important values such as corporate social responsibility are to consumers today. Finally, witness those people being called "recalibrated entrepreneurs," people who have been laid off from large corporations and form their own small companies.

Roper Reports has built its annual presentation around this quality of resilience, finding that "a broad array of measures show Americans moving into the future."

The clearest indication of resilience is that, contrary to typical behavior in a recession, people have not stopped buying. In spite of predictions of a slowdown to come in consumer spending, consumers seem to have decided, "to spend and worry at the same time," as an article in *The New York Times* puts it.

Two new books on shopping testify to the robustness of this consumerist behavior: *I Want That!: How We All Became Shoppers* by Thomas Hine, and *Why People Buy Things They Don't Need* by Pamela N. Danziger.

J. Walker Smith, in one of the white papers he writes for the social attitudes and values research firm Yankelovich, sums up the prevailing consumer mood as one of "cautious optimism." "Anxious resilience" doesn't sound as good but is probably more accurate.

The big issue for consumers a year ago was whether things were profoundly changed or whether life would go back to normal. It now seems that the answer is "both/and" not "either/or." Yes, the context of people's lives has changed and yes, life goes on for most people.

Nonetheless, holding patterns are not sustainable indefinitely. This year is being spoken of as "a time of transition" (Yankelovich), and a period of "flux" (*Nilewide*). We can't know what the outcome of flux will be, but if we consider the big-picture context of people's lives now, there are some clues as to what that transition will involve.



3.1 The Big Shift

Anyone who has been observing the American consumer this past year could not miss the shift to family, relationships and community. This refocusing or "reprioritizing," as it's being called, was occurring all through the late '90s of course, but 9/11 acted as a spur, accelerating the movement of this trend into the mainstream. As important as this shift is, it is just one indication of a deeper, more profound shift that has been occurring in consumer life.

In 2001, *The Futurist*, the journal of the World Futures Society, examined the "massive evidence" of "a cultural shift...emerging among generations who have taken survival for granted." It was, the journal wrote, a "shift from economic and political security to increasing emphasis on subjective well-being and quality-of-life." This shift from survival values to quality-of-life values sums up the trajectory of consumer life over the past decades.

The '90s saw these quality-of-life values move from alternative to mainstream: the expanded definition of health as well-being, spirituality, lifestyle simplification, self-expression and self-fulfillment, family focus, the emphasis on play and leisure over work, the valuing of experience over accumulation.

Now the big question in this time of transition is what will happen to this shift?

As Ian Mitroff in "Learning From Crises" (*The Futurist*) wrote, the events of the past year "have shattered the fundamental assumptions on which our lives are premised. We are (not) safe. We are (not) in control." The results of social interviews reported in a Monitor Minute underscore that "safety concerns have become a growing part of America's collective consciousness." Trend analysts such as the STAR unit of Havas put the desire for safety and security as the number-one trend this year.

Will the events of the last two years that have moved safety and security-survival issues-to the front burner stem the growth of quality-of-life values? Or will both thrusts of consumer life proceed together? This question is at the heart of this time of transition.

To understand the context of consumer lives in 2003, then, is to embrace contradiction. Yes, consumers are anxious, responding to an uncertain world, but they are also seeking to improve their lives through quality-of-life values, as well as looking for the good life through materialism and consumerism. **Anxious, Seeking, Spending** -those three impulses mark consumers' lives today.

4.1 Anxious in an Uncertain World

The FUD Society: Fear and Uncertainty

The FUD Economy is a phrase being used as shorthand for the effects of the big-picture context on consumers' lives today. FUD is an acronym for Fear, Uncertainty and Doubt.

What is living in a FUD society like and how are consumers coping with it?

While safety and security were on consumers' minds long before 9/11 and the economic turbulence of the past year, they have moved to front and center in consumer consciousness now. In fact, the social research company DYG puts these issues at the very top of a list of trends influencing people today. It sees consumers seeking to minimize risk and to find a measure of control in a world they can't control.

Two new books are typical of the preoccupation with these survival issues:

- *Risk: A Practical Guide to What's Really Safe and What's Really Dangerous in the World Around You*, and
- *Unforeseen Circumstances: Strategies and Technologies for Protecting Your Business World and Your People in a Less Secure World*.

In addition to the upsurge in products like insurance, bottled water and home security devices, and the growing availability of proactive health tools like full-body CAT scans ("Buy one. Get one free"), this year has seen the growth of private planes or time-shares in planes and the boom in the second-home market in remote locations. Apart from fears of renewed terrorism and biological agents like anthrax and smallpox, the domestic issue now on which fears about safety and security are focused is identity theft, which *Trend Letter* calls "the fastest growing crime in America." It's an issue, as *Newsweek* notes, that "can be a gateway to other crimes, including

terrorism."

The case of the Washington snipers that mesmerized the country for weeks is symbolic of the uncertainty underlying consumer fears. For that period of time before the snipers were caught, everyone felt vulnerable; no one was safe; death struck randomly, out of nowhere.

The one word that appears constantly in every discussion of life today is "uncertainty": political uncertainty concerning terrorism and war and America's future, and economic uncertainty around the recession, economic growth, layoffs, unemployment, and the stock market. "Launch war on uncertainty," says a column in *The New York Times*; America's "black mood" is made up of "uncertainty and distrust," says DYG in a presentation; Roper writes of *Managing Global Brands in Uncertain Times*. Any discussion of life in America today will contain phrases like the "uncertain future," or "this time of uncertainty." At the moment, economic uncertainty seems uppermost in consumers' minds, but this could change in an instant.

Responses to Fear and Uncertainty

How are consumers coping with the first two elements of the FUD society? Not surprisingly, in a number of different ways.

- **Compartmentalization**-keeping anxiety at bay by resolutely immersing oneself in daily life, trying not to think about the fear and uncertainty.
- **Pursuing** what *TrendWire* calls "**bulletproof**" **living**-trying to find things that make one feel safer and in control over what one can control-second homes in remote locations, or putting money into savings accounts again, for example.
- **Rising interest in antidotes to stress.** According to Trend Letter, "stress-related health problems are reaching epidemic proportions." Yoga, with its focus on calming through the control of breathing, has gone mainstream. This year saw the spread of Yoga parties, similar to the Tupperware parties of earlier decades, and Yoga cruises. The spa industry, as The Herman Group states, has grown 19% each year for the past five years and now accounts for \$19 billion in revenue, more than ski resorts.
- **Escape through nostalgia or fantasy.**

Though nostalgia is ever present in consumer life as a source of comfort, this year it provides a place to escape FUD feelings. Among examples to note this year are the come-back of '50s style drive-in movies and the rising interest in buying and restoring Sears houses, which were built from kits in the years 1908 to 1940 (Cool News). The games of childhood also provide escape. There is an adult Sand Castle Association, which, says an article in

The Wall Street Journal, has lead to a "cottage industry" in how-to manuals and tools. Dodge ball, too, is experiencing renewed popularity.

Diversion through fantasy and games also provides escape: the popularity of the Harry Potter and Lord of the Rings movies in the last two years; the immensely sophisticated online gaming world; the fantasy baseball or "rotisserie" league, around since 1980, but becoming more and more popular. There's a magazine called Cowboys and Indians, devoted to Cowboy High Style, which reflects one of our most enduring fantasies (Cool News).

Change Doubt to Distrust

As helpful as the acronym FUD is in summing up the consumer mindset, the meaning of one letter needs to be changed. Over the course of the last year with the revelations of corporate misconduct, "doubt" has evolved into "distrust."

We all know it as Enronitis: the revelations of fraud, misappropriation of funds, lying, collusion in one corporation after another-Enron, WorldCom, Global Crossing, Arthur Anderson, Tyco.

There has been a massive betrayal of trust, and it has led to what's being referred to as a "credibility gap" and a "crisis of confidence." Its effect on attitudes toward business has been devastating.

According to a study reported in *Research Alert*, 87% of consumers "lose trust in brands when they hear about misdeeds at major corporations." All through the year, the Roper organization has been tracking the "plummeting" of favorability ratings for business, documenting the loss of public trust in big business. The favorability ratings recorded in the past year, the company says, are "one of the lowest figures recorded...in the past twenty-four years." A survey by the Pew Forum documents that Americans now think more highly of politicians in the government than of business executives (*Trend Letter*). *Trend Letter* predicts that "more corporate management and accounting scandals, and the public disgust that accompany them, are certain to occur in the coming year."

A number of factors have intensified the impact of these revelations. First, the revelations of scandal and abuse are not confined to business but involve other important social institutions as well, namely the church and the governmental intelligence organizations of the FBI, CIA and INS. This has the effect of intensifying the consumer's sense of trust being violated throughout society.

Secondly the cynical disregard of values is in conflict with where consumers are at, the values embodied in the shift to subjective well-being. An article in *Nilewide* makes the point that Enron had a very good set of corporate values-communications, respect, integrity, excellence-but that these values were cynically for show only.

Finally these revelations are occurring at a time when consumers have moved to an expanded view of the role of business in society. As the trend letter *Growth Strategies* writes, "The role of business in society is the 21st century's most important and contentious public policy issue." Given the widespread belief in "corporate citizenship," the belief that corporations have responsibilities not only to their shareholders, but also to their employees and to society at large, the betrayal of trust is all the more serious.

Ian Mitroff, in his article "Learning From Crises," claims that feelings of betrayal are "among the deepest emotions that humans ever experience." Any understanding of consumer emotions this year has to deal with this primal betrayal.

Implications

So context this year is even more crucial than usual in understanding the consumer. The sense of stasis, the feelings of anxiety and distrust in the face of uncertainty and scandal, the profound shift in values that make the revelations about business even more of a betrayal—these make up essential strands in the consumer fabric this year.

The directions emerging from this context are very clear.

- Since brands are so much a part of our daily lives, they represent stability, a key quality given the consumer's need for safety and security. Brands, therefore, are faced with a great opportunity this year to address this overwhelming need.
- However, in order to be accepted, brands must stand for integrity. A key task for brands this year is to develop or maintain what the research company DYG calls "trust equity," to overcome the sense of betrayal that is so strong in consumer consciousness now. Trust, after all, is one of the most basic expectations consumers have of brands. The values the company stands for—and lives by—were never more important than now. The faces behind the company are also critically important at this time when so many executives walk the "perp walk" for the media like common criminals. Of course, consumers will fall back on recessionary strategies like shopping for price, but make no mistake, values are critical. An Ernst and Young study of values in America and Europe, *Corporate Relevancy*, asserts that "human values have become the contemporary currency of commerce."
- Central to the way consumers are coping with living in an uncertain world is their pride in American resilience. Given the sense of stasis in the country, Roper's theme of "moving forward" will resonate with consumers.



5.1 Seeking Connections with Others

The values connected with quality-of-life and subjective well-being have undergone a major shift since 9/11 radically altered the consumer context. Central to this shift has been the redefinition of the self. DYG sees this as a move away from "My Need" to "My Network." Roper points to the "new concept" of "the individual in a web of relationships, not the freestanding individual."

Whatever aspect of this shift is emphasized, the core is the recognition that the self needs others. This new ideal is a major turn away from the self-reliant, going-it-alone individual that is enshrined in American mythology. It is a quality-of-life value that grew during the '90s when it was tied to the increasing high-tech alienation of American life, which Robert Putnam's *Bowling Alone* traced throughout American culture.

It is not at all surprising that the events of 9/11 and the past year have accelerated this shift. A dramatic shift in context can lead to a shift in values, since values—those core inner beliefs about what's important in life—are most strongly influenced by the cultural context. The surge in patriotism, spirituality and volunteerism of last year is still present, but the focus this year is on Seeking Connections With Others.

The example this year that most clearly symbolizes this trend of Seeking Connections With Others is the One City/One Book movement. Started in Seattle, it spread to Chicago and then moved to cities and communities throughout the country. Having an entire community read the same book and come together in book groups and lectures to talk about it increases contact with others and develops a sense of community.

Home and Family

The results of the annual Roper Starch Worldwide Values Study, conducted in thirty countries, overwhelmingly support the fact that the most important value worldwide is Protecting the Family.

The growth of this trend throughout the '90s has been attributed to demographic shifts. The increasing number of single households, which now account for a greater proportion of total households than married- with-children households (over 27% versus under 25% according to the 2000 Census), no doubt contributes to an idealization of the family. This trend is also influenced by the creation of substitute families of friends or work families and the growing tribalism among the young.

However, since the context shift of 9/11, home and family have taken on more importance as the safe place in an uncertain and insecure world.

The signs of this shift are everywhere to be seen.

- Food has always been an arena for playing out cultural issues. "The most significant dinnertime trend in America" according to Harry Balzar of the NPD Group, is "dining at home on food cooked by somebody else." *TrendWire* also notes the paradox that while most people are cooking less, interest in home cooking and home-cooked meals is rising.

- The housing market of first and second homes and all related areas of home decoration have made home specialty shops like Bed, Bath & Beyond boom. Sales growth at Crate & Barrel was 15% in 2001 and 28% at Bed, Bath & Beyond (Report of the BCG group). Figures released by the Department of Commerce Bureau of Economic Analysis make it clear that spending on home-related goods continues to outpace spending on apparel. Historically the second-home market slumps during a recession, but sales of second homes are strong (*Dallas Morning News*), no doubt helped but certainly not accounted for, by favorable interest rates.
- The travel industry is witnessing a growing trend at conferences and trade shows of business people taking the family along (The Herman Group).
- A new rose recently developed is called the Home and Family rose.

This year the issue involving home and family in the public consciousness is mothers and work.

This issue is a consequence of the spread of the quality-of-life value of balancing. Balancing work and family, work and leisure has risen in importance over the past few years. It used to be an issue confined to women, but it has now become important to the under-35-year-old generation as a whole, men as well as women. *Nilewide* reports the conclusions of a study that found that young people are demanding a more balanced life: 57% of graduating business school students put work/life balance as their most important career goal compared to 45% in 1997.

As *Growth Strategies* notes, twenty-five years ago, 48% of Americans said work was the most important thing, 36% said leisure. Today there's been a dramatic reversal: 43% say leisure, 34% work. In survey after survey both men and women make it clear that they want "more time for my family" and "more time for leisure activities."

One trend that reflects the increased importance of balancing is the growing number of women who choose to stay home and not work when they have children. The book this year that has become a focus for this issue is *I Don't Know How She Does It*, which details the cost in stress of trying to do it all.

While the trend does not account for many families compared to those in which the mothers are at work, there has been a perceptible rise in the number of young families with one stay-at-home parent. More significant is the fact that it is not just affluent women who are choosing to stay at home. Fully half of all such families have incomes of less than \$47,000 a year (*U.S. News & World Report*).

Pets

During the last year, in Seeking Connections With Others, people have turned increasingly to home and family, friends, their community, the country-and to pets.

The "pets as people" trend, in fact, has become "pets as family." An article in *American Demographics* testifies to this morphing: 83% of Americans now refer to themselves as the "Mommy" or "Daddy" of their pets versus only 55% in 1995. No doubt, this trend can be traced to the growing number of single households in America and the expenditures on pets made possible by their disposable income. Whatever the factors influencing it, seeking connections through pets has become more and more significant.

Some particular signs of this trend this year:

- A number of states have passed legislation allowing for the creation of caretaking trusts for animals, a movement spreading to other states (*Growth Strategies*). Perpetual pet-care plans and pet-estate planning are new areas of legal specialization (*Trend Letter*).
- Dog-driven programming appeared on five networks this year, and Meow Mix sponsored cable shows for cats to watch (*Cool News*).
- Travel is becoming more pet-centered. Hotels increasingly cater to pets: One of the W hotels in New York has a "Bow Wow Concierge" who can arrange a day at a pet spa or pet gym (*Cool News*).
- Cars are being designed with pets in mind.
- Expenditures on pet health are skyrocketing as therapies once reserved for people are extended to pets: root canals and orthodontia, CAT scans and MRIs, kidney transplants, chemotherapy treatments.
- Takara Toys has developed Bowlingual, a radio microphone in a dog collar that translates the noises dogs make into speech, as interpreted by animal behaviorists.

Implications

- As important as the survival values of safety and security are now to consumers, they have not diminished the strong, broad-based movement to quality-of-life values. Brands need to ask themselves how the product or service "can establish and further favorable states of being" (Nilewide) or how the brand fits with the consumer's search for "the valuable life" (DYG). Brands have a whole range of these quality-of-life values to select from. Two to note this year:

-Well-being. There are early indications that health and well-being is returning as a major trend. Art Siemering in TrendWire points to this "rebound of interest in healthy eating" as "destined to be...one of the biggest trends directly ahead." The rising concern with American obesity, the spread of organic foods, which now are almost as prominent in the produce aisle as non-organic produce,

the rising criticism of fast food, new books like *Fast Food Nation*, *Food Politics* and *Fat Land* signal the importance of this trend to consumers.

-Home and family remain sacred themes with no sign of diminishment in sight. Rising interest in home cooking and eating at home, home schooling, work at home, and home decorating are indications of the strength of this trend.

- At the same time, brands need to recognize that we're in the midst of a shift back to values that emphasize social interconnectedness, not just individual fulfillment. How brands can promote or create community is another clear direction to follow in marketing and advertising.



6.1 Spending for the Good Life

As strong an impulse as Seeking Connections With Others is in American life now, any snapshot of consumers that did not reflect their materialism as well would be incomplete.

The New Luxury

But "materialism" or "consumerism" are inadequate words for what is a dominant consumer drive—Spending For the Good Life. Thomas Hine's new book *I Want That!* calls the world in which we shop "the Buyosphere," and sees it as "our chief arena for expression, the place where we learn most about who we are, both as a people and as individuals." Even if there is a slowdown in consumer spending as predicted, the robustness of materialism, its ideal of pursuing the good life through things or experiences, is here to stay. *Roper Reports'* annual presentation, *Trading Out/Trading In: Living With Uncertainty But Moving Into the Future*, sees consumers focused this year on figuring out how to get to the life they want. Seeking quality-of-life values is one way. Spending is another. Both co-exist in consumer behavior.

This ideal, after all, is our real global export, what "free market capitalism" actually means to people. Visit China to see the way this ideal is being joyfully embraced.

Professor James B. Twitchell, in *Living It Up: Our Love Affair With Luxury*, writes: "If you want to understand material culture at the beginning of the 21st century, you must understand the overwhelming importance of unnecessary material, the one unambiguous result of modern capitalism." Twitchell is referring to the joy people find in satisfying wants as distinct from needs. As an article in *Growth Strategies* asserts, "the great American revolution that is sweeping world markets is how to get more and more wants, not necessities."

The boom of the '90s may be over, but we have inherited the affluent mindset of the decade, what the Yankelovich *Monitor* called "the Affluent Attitude." In spite of the recessionary economy, the prevalence of survival values, the growing gap between haves and have-nots, this mindset prevails. *Roper Reports* has been tracing "the return of aspiration," the rising percentages of people who desire to buy luxury items.

Growth Strategies, in discussing the mainstreaming of affluence that occurred in the '90s, points to the spread throughout society of products like cell

phones, plastic surgery, café latte and sushi. It's not a bad list. This phenomenon has been given many names besides the Affluent Attitude: the Mainstreaming of Affluence, the Democratization of Luxury, the Upscaling of America, Luxury Creep.

A report of the Boston Consulting Group, *The New Luxury: Why the Middle Market American Consumer Wants Premium Goods and How Companies Create Them*, identifies a "sea change" in consumer spending, which it calls "one of the greatest shifts in consumer buying habits and taste since the 1950s." BCG notes, "despite the recession, the shift to 'New Luxury' has been mounting and constant." New Luxury has been defined as "the phenomenon of middle-market consumers, escaping the extraordinary stresses of modern life by carefully choosing high-quality, high-performance, emotionally satisfying goods and services."

That last phrase, "emotionally satisfying," is central to New Luxury. As *Research Alert* claims, New Luxury brands tend to be "inward-focused items that make one feel good, warm, relaxed, lighthearted." A research study by the American Affluence Research Center also identifies the shift in luxury to items that "embrace well-being."

An example of this New Luxury phenomenon comes from the world of food. Art Siemering, in *TrendWire*, describes what he calls "designer comfort food"- comfort food joined with fine dining. The introduction of upscale sandwiches in the shops of Pret A Manger coming to America from the U.K. is a case in point. David Brooks, author of *Bobos in Paradise*, sees the widespread acceptance of spas as an example of New Luxury.

The BCG report points out that consumers have not cut back on spending for New Luxury items even in the current economic climate. It cites sales of Mercedes, BMW, Starbucks, and Williams-Sonoma, luxury vodkas such as Grey Goose and Belvedere and premium chocolate. Central to the New Luxury ethic is that consumers will trade up for luxury benefits and pay for them. It fits with the New Luxury ethic that the fur industry is doing very well this year (*The New York Times*). Starbucks, of course, remains the best example of affordable luxury in its creation of a whole new market for premium coffees and the premium coffee experience.

The report discusses a number of factors behind the New Luxury phenomenon:

- The spread of affluence-25 million households with incomes of more than \$75,000 who account for 77% of discretionary spending.
- Access and exposure to New Luxury goods in mass merchandisers-Prada in Costco, for example.
- The ability of New Luxury items to satisfy key emotional drivers-"taking care of me, questing, connecting and investing."

It's important to see that the mainstreaming of Affluence has not touched the gap between the haves and have-nots. The gap remains stubbornly intractable. In fact, separate services are developing in response to this gap. One reflection of New Luxury in terms of services is the emergence of "wealth care" in medicine. This model, in fact, is increasingly redefining services as a

whole in America.

- "Boutique medicine" or "concierge care" in which the patient pays an annual fee, anything from \$1,500 to \$20,000, and gets same-day service, no waiting, the doctor's undivided attention.
- Private planes or time-shares in private planes.
- Buying into a private rail car club for Amtrak commuters.



Technology

The key trend affecting-and transforming-our lives is technology.

In recent years the excitement has centered around the Internet and the Web. This year it's clear from the diminished excitement that the Internet has become a part of our lives, assimilated to the way we live.

As *Nilewide* claims, "The Internet is now an unremarkable, even boring, part of everyday life for companies and a growing majority of consumers." Ipsos-Reid, the global market research firm, states that in the U.S. the Internet is in an advanced stage of growth and has become "a central way we navigate our lives."

Nevertheless technology is a central reason for consumer optimism and resilience. The Upgrade Society it creates stimulates the belief that our lives will get better and better. It is an area of our life that banishes the sense of stasis and gives us the feeling that life is moving forward. It's significant, as *Roper Reports* notes, that sales of gadgets like DVDs and CD Burners/Recorders have doubled over the past year. Technology is also an avenue through which we pursue the things and experiences of the good life and is, therefore, closely linked with the spending drive of consumers.

The acronym GRAIN is used by *Future Survey* as a handy way to make some sense of the flood of new technologies. GRAIN stands for:

- Genetics
- Robotics
- Artificial Intelligence
- Nanotechnology

In all of these areas, new inventions reported on in the media and seen in stores convey this sense of life getting better.

Some highlights of *Time* annual survey of the year's "coolest inventions":

- Roomba, a self-directed robot that vacuums your house.
- A vending machine that can deliver the inventory of a mini-mart through robotics.
- E-touch, a virtual ultrasound device that permits the fetus to be touched through a hand-held stylus.
- Smart clothing-pants with "nanowiskers" that repel stains and spills.
- Phone tooth-a phone embedded in a tooth to receive calls that only the user can hear.
- Vaccines engineered into vegetables.

- A car without engine, steering column or brake pedal.

The importance of the technology trend is exemplified this year by a new book by Professor Richard Florida: *The Rise of the Creative Class: How It's Transforming Work, Leisure, Community, Everyday Life*.

Florida's book is an analysis of the transformative impact of technology on American life. He writes:

The big story unfolding now-one that has been unfolding for some time-is the rise of the Creative Class, the great emerging class of our time.

This class consists of 38 million people in the workforce, amounting to 30% of all employed Americans, according to Florida's calculations. This is the class that creates new ideas, new technologies and new content. Its values are creativity, individuality, meritocracy, self-expression and diversity. The existence of such a class is of immense importance to marketers.

Implications

- In spite of the current forces in American life now that seem to argue against consumerism-the importance of quality-of-life values, the need for security, the soft economy, the pervasiveness of uncertainty-the acquisitive drive is alive and well among consumers. The New Luxury ethic has mainstreamed premium products and affordable luxuries. Two areas which seem particularly promising this year are:

-how brands can promote a sense of inner well-being, and

-the new "wealth care" model for services.

- Two divergent impulses have existed in American life from the beginning of its history, one toward spirituality, the other toward materialism. As the trend analyst Weiner Edrich Brown in an article in WWD writes, both impulses have been heightened since 9/11 as "Extreme events move people to the extremes."

However, the American consumer has done more than just embrace the contradiction between the two. Consumers apparently see both Spending for the Good Life and Seeking Quality-of-Life Values as paths to the goal of "life as I want to live it," and feel free to pursue both. A goal for brands is to reflect the deeper meaning consumers attach to spending.

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