

TREASURE HUNT

Inside the Mind of the New Consumer

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The Web site for this book is at www.bcg.com/treasurehunt.

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MAIN IDEA

Middle-class consumers now have far more tools available to help them make decisions about the products and services they choose to buy. As a result, they are becoming much more savvy. Many are embarking on a personal “treasure hunt” to come up with just the right combination of products and services which fits their needs and preferences like a glove.

More particularly, this treasure hunt phenomena is arising at the combination of two prevailing trends in consumer spending:



The fastest growing pools of consumer spending lie at the two ends of the product spectrum. In some product categories, consumers are trading up and are willing to pay a premium for high-quality products and services which are emotionally rich for them. To fund those purchases, consumers are also relentlessly trading down in other categories. They are buying basic, low-cost goods which still deliver acceptable levels of quality, reliability and elements of fashion. In between the trading-up and trading-down products lies a number of mediocre goods which offer neither distinctive emotional appeal nor better value. These goods are locked in a death zone which consumers steer clear of whenever possible.

The challenge for every business in the 21st century is to find practical ways to move their products and services out of the mid-market death zone and to align them with either the trading-up or trading-down trends. Companies that succeed in this increasingly polarized marketplace will do so on the strength of their understanding of the attitudes, behaviors and values of the middle-market consumers who are driving this transformation. This is not easy to do but it must be done.

1. The treasure hunt phenomena Pages 2 - 5

There are now so many goods available, in so many different configurations and so many different price points consumers look at the marketplace like some huge kind of bazaar filled with amazing finds and secret delights. With this in mind, it’s becoming almost impossible to characterize people by their demographics as in times past. Instead, middle-class consumers are becoming highly individualized in their expenditure patterns. They trade up in a few product categories of their choice, trade down in most and avoid some types of products altogether. Consumers freely mix upscale products with downscale goods to create customized lifestyles which are uniquely their own.

Overall, consumers are now developing their own personalized and ever-changing “value calculus” by which their purchasing decisions are made. Today’s consumers are using the tools of the information age to become shopping experts. They view the purchase and consumption of goods not as a simple life-sustaining activity but as an experience, a skill, a pastime and a duty. They care about the decisions they make as consumers – for better or for worse.

2. How companies can take advantage of the treasure hunt phenomena Pages 6 - 8

Of the \$3.7 trillion in annual consumer spending in the United States, the trading-up market accounts for about \$535 billion – and has been growing at more than 15-percent each year for the past three years. The trading-down market is substantially larger. It is now approaching \$1 trillion and will be larger than \$1.5 trillion by 2010. This is a global phenomena, with a similar growth in both the trading-up and trading-down markets in Western Europe, Japan and elsewhere. Pools of growth are forming at both ends of the market fueled by shrinkage in the middle of each market.

To get on-trend with the treasure hunt phenomena, companies need to get into action. Doing more of what worked in the past just won’t cut it because there have been too many changes in the way consumers think and act. Put simply, companies either have to learn how to take advantage of the treasure hunt phenomena or risk getting left behind by it. The call to action is:

What companies must do to prosper in the treasure hunt era

- ▶ 1 Try and stay ahead of the curve. Don't wait until you're forced to
- ▶ 2 Do everything you possibly can to engineer out dissatisfactions.
- ▶ 3 Be aware of both the trading-up and trading-down segments.
- ▶ 4 Continually search for cheaper, better and more value.
- ▶ 5 Attack your category like an outsider with a blank sheet.
- ▶ 6 Put loads of energy and relentlessness into everything you do.

