

THE VALUE OF VALUES

John Gerzema explains how consumers have rediscovered what's really important—and how they're reshaping the marketplace.

BY VADIM LIBERMAN

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The good news for retailers: American consumers will continue driving the global economy by purchasing goods and services. The good news for society: Those consumers are beginning to shift the way they buy.

As John Gerzema describes it, we somehow veered onto an exit ramp toward mindless consumption several decades ago, and now, thankfully, we're finding our way back to a road leading toward more mindful spending. This "spend shift," says Gerzema, chief insights officer at ad giant Young & Rubicam, results from a change in how each of us views our life and the role that consumption plays in it. Gerzema and Michael D'Antonio, a Pulitzer Prize-winning journalist, have documented this transformation in their new book *Spend Shift: How the Post-Crisis Values Revolution Is Changing the Way We Buy, Sell and Live* (Jossey-Bass).

Based on seventeen years of research into consumer attitudes about brands (polling 750,000 people each quarter), *Spend Shift* delves into an evolving retail landscape to examine consumer behavior and its implications for companies. The authors also crisscrossed the country to interview all sorts of individuals to gauge their beliefs about and experiences in the marketplace. Gerzema, 48, spoke from his office at Young & Rubicam about his findings and how our (not-so) new values are impacting the economy.



HOW ARE PEOPLE'S CHANGING VALUES FACTORING INTO THEIR BUYING DECISIONS?

Our old values focused more on outward expressions of wealth. Call it the *bling*, where we were focused on prestige, stylishness, trendiness, glamour. Now, we're seeing some really big value shifts away from such a consumerist society. Awakened by the economic crisis, about 55 percent of Americans are returning to old-fashioned values—optimism, self-reliance, practicality, hard work, thrift, community, honesty, kindness. Before, we were spending money that was not ours—it belonged to Capital One. Now that we're moving from a credit to a debit society, how we spend our money is becoming more important. Values have become a very important part of how people want to interact with companies. When we asked people what they look for most in a brand, answers shifted from values like stylishness to those like trustworthiness and reliability.

HOW DO YOU KNOW THAT WHAT PEOPLE SAY IS TRUE AND NOT A RATIONALIZA-

TION, OR THAT THEIR VIEWS TRANSLATE TO ACTION?

We can't draw a direct line to demonstrable changes in spending behavior; our research shows a correlation, not so much a causation. We asked survey respondents to rate more than three thousand brands based on the brands' attributes. For example, Whole Foods, Ford, Olive Garden, Facebook, McDonald's, and Disney were some of the brands that scored highest with consumers on attributes like "social," "socially responsible," "visionary," and "down to earth." We then created baskets of brands according to themes—or overall values—that the attributes represented. In this case, the overall value was "community." Afterward, we ranked the brands in the community basket according to how consumers ranked them based on usage, preference, and loyalty metrics. Finally, we compared the top brands in each basket against all the brands surveyed, and what we found was that these brands outperformed all the other brands based on the metrics. Therefore, this gave us a sense that there is greater

usage and preference for brands that connect with the values—like community—that people are rediscovering.

YOU JUST CITED MCDONALD'S, BUT, OF COURSE, THAT COMPANY WAS A MARKET LEADER LONG BEFORE THE VALUES SHIFT.

Yes, it was, but this isn't about buying X at one point and now buying Y as a result of the values shift. It's more nuanced than a direct shift from one product to another. This is about taking into account values when making decisions. So in the case of McDonald's, there was mindless consumption before, whereas now, people are making the decision to eat at least partly based on the values the restaurant represents.

SO IT'S NOT NECESSARILY THAT BUSINESSES SHOULD BE OFFERING DIFFERENT PRODUCTS TO CONSUMERS IN LIGHT OF THE VALUES SHIFT—IT'S THAT THEY SHOULD MARKET THEIR EXISTING PRODUCTS ACCORDING TO NEW CONSUMER VALUES?

At the core, companies should be

thinking differently about their entire organization, in terms of having values and value.

YOU SAY THAT OPTIMISM IS A VALUE WE'RE REDISCOVERING. IS TODAY'S OPTIMISM DIFFERENT FROM THAT OF THE 1980S?

Yes—this time, the consumer is restrained. The irony is that having fewer assets allows people to focus more on what really matters to them. In the '80s, people were optimistic about being able to purchase goods and services they probably didn't need. Now they're optimistic about a future in which they don't have to keep up with the Joneses or strive to be constantly projecting themselves in a way they don't feel represents who they really are. People feel a great release.

For example, when we went up to Detroit, there was a European film crew staying at the same B&B as we were, and they warned us that "Detroit is post-apocalyptic. It's just terrible!" So when we went out to speak with people, we did so with trepidation. But after three days on the ground there, we couldn't believe the things we saw—amazing optimism and excitement about the prospects of rebuilding, just this incredible sense of resiliency. It's very much like what they say about New York, but really, if you can make it in Detroit, you can make it anywhere. I guess when the average price of a house is \$18,000, it allows you to focus on what really matters, which includes developing a sense of community.

DESPITE ECONOMIC CONSTRAINTS AND HAVING LESS WEALTH, YOU SAY, PEOPLE ARE ACTUALLY HAPPIER.

Yes, because they are finding happiness in the value things bring. The rampant consumerism that we had up until

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recently took us to a place of ultimate unhappiness because we were working harder to pay off credit-card bills and bigger mortgages. To some extent, people are stepping back and reappraising why they were doing all this. We found 78 percent of people disagreeing with the idea that money is the best measure of success. More interesting, 63 percent of people now disagree with the statement, "The more I have, the more I want." That's up almost 25 points from before the recession.

IN YOUR BOOK, YOU HIGHLIGHT SELF-RELIANCE BY NOTING THAT MORE PEOPLE ARE MAINTAINING THEIR CARS RATHER THAN BUYING NEW ONES. BUT PERHAPS THEY AREN'T PURCHASING NEW VEHICLES BECAUSE THEY CAN'T AFFORD THEM. IN OTHER WORDS, MAYBE BEHAVIORS—NOT VALUES—HAVE CHANGED DUE TO THE ECONOMY.

Except we started seeing these trends even before the recession started. People were already conscious of their excess and started to adjust. We saw people cutting back on their spending binge as they wondered: Do I *really* need this fourth car or this second house? At first we thought this was a frugality shift, but we realized there was something far deeper underneath it, which was that America is moving away from debt-fueled excess toward saving and investment.

SO THE RECESSION SPED UP THE PROCESS?

Yes, there was gas in the room and the recession was the match. We'd been dealing with thirty years of runaway spending, we had fifteen years of massive lack of trust in institutions, and we had this huge awareness that we're doing bad things to the environment. More subtly, there was a feeling that we

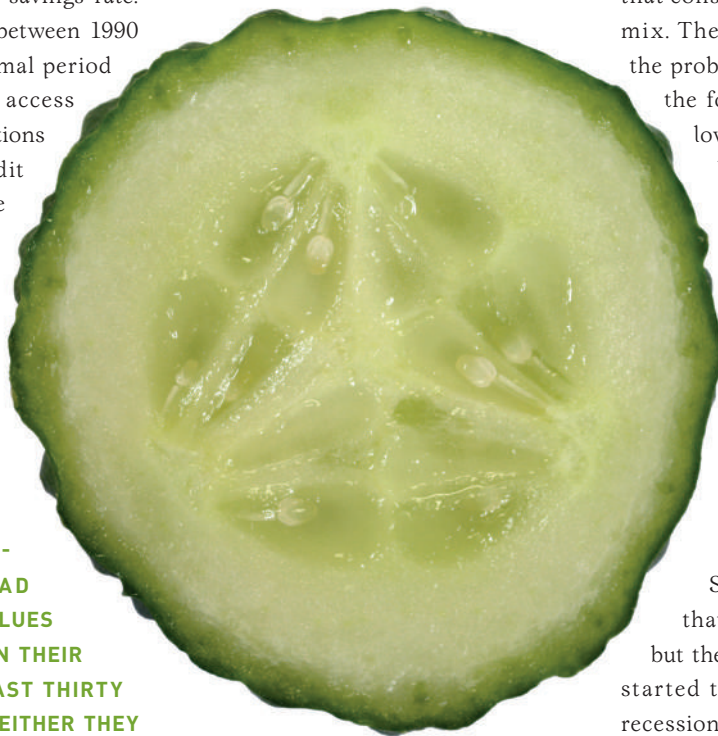
were losing a connection to what really mattered.

There's lots of discussion now about whether this new consumer outlook is a new normal. I think it's actually an old normal. If you go back and look at spending patterns in America, for fifty years prior to the 1980s, we were saving at an annual rate of about 10 percent. Then it took only the last thirty years to go to a negative savings rate. The biggest change was between 1990 and 2007, a crazy, abnormal period when there was massive access to credit—how many options did we all have for credit cards in the mail? There were also housing values that continued to accelerate, so people were entering the game of flipping and buying homes on the assumption that things would only go up, up, up.

BUT IF, AS YOU SAY, PEOPLE HAVE ALWAYS HAD THE OLD-FASHIONED VALUES YOU WRITE ABOUT, THEN THEIR BEHAVIOR OVER THE LAST THIRTY YEARS SUGGESTS THAT EITHER THEY DIDN'T REALLY HOLD THESE VALUES OR, AT THE LEAST, THE VALUES WERE FAIRLY WEAK.

I don't know exactly *why* behavior started to change. I can only say that now there's been a shift in behavior that reawakened core American values like self-reliance, thrift, and community, which lay dormant to some extent during this massive run-up of wealth when in this country it was socially acceptable, almost important, to flaunt one's riches.

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NOVICE WITH THE SISTERS OF CHARITY, YOU ALMOST COULDN'T AVOID PARTICIPATING IN THE CULTURE OF ACQUISITION THAT BLOSSOMED IN THE LAST THREE DECADES." THAT SOUNDS AS THOUGH YOU'RE ABSOLVING CONSUMERS OF BLAME FOR LETTING CONSPICUOUS CONSUMPTION TRUMP THE VALUES THEY SUPPOSEDLY HAD.

No, I'm recognizing as a researcher that consumers put themselves in the mix. They realized they were part of the problem. The economic crash cut the force of consumerism and allowed people to question their behavior and values. What started with cutting back and being practical turned into a realization that there's a separation between needs and wants, that maybe we don't need to have all the things we thought we did. People's values then started to permeate the way they thought about brands and companies. So it's not a change in values that led to a change in behavior, but the reverse. Everyone's behavior started to change as a result of the recession, and as a result of changing their actions, people began rediscovering these old values.

SO . . . THANK GOODNESS FOR THE RECESSION?

It's one of the best things to happen in America in recent years. I hate to belittle people's hardships or overstate the fact that it's tough for a lot of us today, but in the long run, the recession is a good thing.

SOME MIGHT ARGUE THAT THE SPEND SHIFT YOUR BOOK DESCRIBES IS MERELY A METAPHOR FOR A DROP

IN CONSUMER CONFIDENCE.

I disagree. There's actually *greater* confidence, which is powered by new technologies that have allowed for a massive movement of people to connect and reconnect with each other. There's now a whole notion of personal responsibility and a sense of community. We found this in Boston with a company called Recycle Bank, which gives people points for recycling their old electronic products that they could then use to buy a range of goods. And there's Groupon, which allows individuals to come together to get a discount on a product or service, a business model we saw played out in many places. Also in Tampa, we found people using social media to create "carrot mobs," which reward businesses for best practices relating to their carbon footprint or hiring practices or other areas that interest people.

HAVE LARGE COMPANIES BEGUN TO ADAPT TO THE SPEND SHIFT?

I thought the biggest companies would move the slowest, but we're seeing large companies make pressing moves to adapt to the new mindset. Take Microsoft. Apple is seen as the darling in the industry, but when we looked at our data, Microsoft performed stronger in terms of connecting to people's values. The Bill and Melinda Gates Foundation has seeped deeply into the culture of Microsoft. Bill has been able to create a set of values that comes from the way he's thinking about the world, and that's emerging in the way that people are thinking about the brand—like in Microsoft's creation of Elevate America, where the goal is to retrain two million Americans with IT skills. It doesn't cost the company a lot of money to do that, and it shows how you can use your business to connect with society and

to provide value. In today's environment, companies are just not going to win if they don't realize that in order to sell, they have to deliver value *and values* because consumers are expressing their values through their spending. The business model for capitalism for the past thirty years was more, more, more, quantity, quantity, quantity. Now

WHAT STARTED WITH CUTTING BACK AND BEING PRACTICAL TURNED INTO A REALIZATION THAT THERE'S A SEPARATION BETWEEN NEEDS AND WANTS.

it's about quality of interaction and the ethics of the company.

Wal-Mart realized this. In our data, the company was Darth Vader four years ago, seen as oppressive with unfair labor practices. Then they started to listen, interact, and engage. As a result, the company created Elevenmoms, a network of eleven mothers from blogs and other places to act essentially as an advisory board for Wal-Mart. The retail giant realized it couldn't just rely on low prices—it needed to understand where moms were coming from and what val-

ues were important to them in order to succeed in the marketplace.

OF COURSE, THE MARKETPLACE INCLUDES MORE THAN HIGH-VALUE, LOW-PRICE GOODS—THE LUXURY-GOODS MARKET IS REBOUNDED. DOES THIS SAY ANYTHING ABOUT THE VALUES OF THE WEALTHY?

Not necessarily. Many of the luxury brands we looked at have been driving old-fashioned values into their business, whether it's demonstrating craftsmanship or heritage or other ways of communicating authenticity. People need a tangible reason to buy luxury goods these days. I'd be completely naïve to say there isn't still a bling factor for some people, but quality, rather than showing off, has become more important.

WHAT ABOUT THE 45 PERCENT OF THE POPULATION THAT HASN'T EXPERIENCED THE SHIFT YOU DESCRIBE—CAN A CASE BE MADE FOR BUSINESSES TO MARKET TO THEM?

It's a viable strategy, I guess. But given the current trend, I'm not sure that doing so is in a business's best interests in the long run.

HOW DO YOU KNOW THAT PEOPLE WON'T REVERT TO MORE CONSUMERIST VALUES ONCE THE ECONOMY IMPROVES?

Well, there's no doubt there will be another societal shift. There will always be shifts. In the end, I'm not a psychic, just an observer, but I feel that people are definitely adjusting behavior more permanently. They are focusing on what really matters because they've been so burned by the economy, and now they want to be more in control of the world around them. And an obvious way to do that is through consumption. ■