Online Search Habits Help Explain Consumer Mindsets During The Recession

Contributed by Euromonitor
Friday, 29 May 2009

George Bernard Shaw once wrote, â€œIf you want to see how a society thinks, look at what it searches for.â€•

Thanks to the explosion in the use of internet search engines over the past decade or so, it is now easier than ever to gain insight into the motivations, hopes, fears and expectations driving consumers.

Key trends
- Crisis is the zeitgeist;
- Consumers hunt for bargains;
- ayaway makes a comeback;
- elayed gratification could spell trouble for disposable fashion;
- Social networking grows up;
- New challenges and opportunities for brands.

Â

Commercial opportunities
The main commercial opportunities arising from this trend include
- Second-hand items, particularly cars;
- Online flea markets, particularly E-Bay;
- Increasingly price-sensitive consumers will become even more receptive to discounting;
- Consumers will come to favour quality items over ephemeral trends, particularly in clothing;
- The potential of social networking as a marketing tool has grown substantially.

Â

Background
Data on internet searches demonstrates that, rather unsurprisingly, the global economic downturn is at the forefront of consumers' minds at the moment. More valuable is how this same data shows how these worries are being translated into new habits and preferences that could reshape patterns of demand.

Crisis is the zeitgeist
We are currently living through a time of economic uncertainty the likes of which have not been seen since at least the 1970s. According to Google Zeitgeist, the top economic search terms in the USA during 2008 as a whole were, in descending order, â€œfinancial crisis,â€• â€œdepressionâ€• and â€œbailout,â€• while â€œsubprime,â€• â€œcredit crisisâ€• ar top ten.

Consumers hunt for bargains
With consumers looking on askance as the value of their real estate and stock market investments shrink, it is hardly surprising that consumer confidence indices have fallen to historic lows.

As a result, sales of big-ticket items, particularly cars, have fallen sharply, while even sales of cheaper items are suffering as consumers increasingly turn to bargain hunting: Ask.com's Top Deals and Steals Searches of 2008 included cheap airline tickets (the most popular search term), used cars (second), cheap prom dresses (fifth), discount theme park tickets (sixth) and restaurant coupons (eighth). Such online flea markets as E-Bay are also likely to benefit significantly from this trend.

Layaway makes a comeback
Intriguingly, Google data also shows that the use of the search term â€œlayawayâ€• spiked markedly in the USA during October and November 2008, just as the credit crisis appeared to peak.

Layaway (called lay-by in the UK and Australasia), allows consumers to purchase items without paying the entire cost at once. However, unlike most instalment plans or hire purchases, the layaway customer does not receive the item until it is completely paid for.

This indicates that some consumers were finding it difficult to obtain credit in the run up to Christmas, an issue that has been widely publicised in the media. It may also be indicative of a subtle shift in the mindset of consumers, from â€œinstantâ€• to â€œdelayedâ€• gratification, a trend that may also be related to heightened environmental awareness.

Delayed gratification could spell trouble for disposable fashion
As a result, consumers may spend their disposable income on a smaller number of better quality items, particularly in such markets as clothing and footwear.

According to one forum poster:

â€œOf the people in my life, the ones with the best style shop the least because they're forced to be more creative.â€• This could lead to a reduction in impulse shopping and undermine the trend towards 'disposable' clothing that has come to dominate the mass market in recent years.

Social networking grows up
While social networks had already been popular for several years, 2008 was the year in which they ceased being primarily an activity for children and increasingly became a pastime for adults.

Although MySpace has been hugely popular with teenagers and tweens for several years, Facebook has now established itself as the social network of choice for adults worldwide: According to Google Zeitgeist, it was among 2008's fastest growing online search terms in countries as diverse as Argentina, Canada, the Czech Republic and Malaysia.

According to Facebook, it currently has more than 175 million active users, each of whom has an average of 120 friends on the site.

New challenges and opportunities for brands
As an increasing number of adults become enmeshed in these networks, their importance to marketers will grow. Not only will they provide a vast reservoir of data on consumer habits (although this issue remains bedevilled by privacy issues), their users will inadvertently influence each other's tastes, preferences, habits and, ultimately, purchasing decisions.

Brands and products are regularly praised, criticised and compared on the site: For example, when one user complained on the site about the reliability his Microsoft Xbox 360 video games consoles, several friends advised him to buy a PS3 (Sony's rival Playstation 3 console) instead. Although these types of comments are seen by relatively small numbers of people, their cumulative effect can be significant.

Outlook
We may well be at a pivotal moment in economic history, the impact of which will be imprinted on global consumption habits for generations to come, and data on web searches provides us with clues on how these impacts will play out.

Such long-run effects have ample precedence: For example, in Germany, where memories of the ruinous hyperinflation of the 1920s still linger, small investors rushed to buy gold in October 2008 (to a much greater extent than in other countries) as a hedge against a possible banking collapse.

Consumers are likely to become more cautious and much more price sensitive in their spending and less willing to incur large debts to finance their purchases, leading to an increase in savings rates.

Furthermore, they are likely to devote more time and effort to researching their purchases, increasingly utilising such online tools as social networking in this regard.

For further information on this article please visit the Euromonitor Homepage by clicking here .

April 2009