

TREASURE HUNT

Inside the Mind of the New Consumer

by

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with John Butman

In his acclaimed bestseller, *Trading Up: The New American Luxury*, Michael Silverstein examined why people choose to pay a premium for “new luxury” goods and services that they care passionately about, from cars and kitchen equipment to coffee and spa treatments. *Trading Up* has become a guidebook for countless companies that want to understand their customers better.

In *Treasure Hunt: Inside the Mind of the New Consumer*, Silverstein looks at the larger trend: how, in the United States and around the world, the consumer markets are bifurcating into two fast-growing pools of spending. At the high end of the market, consumers are trading up, paying a premium for high-quality, emotionally-rich, high-margin products and services. At the low end, consumers are relentlessly trading down, spending as little as possible to buy basic, low-cost goods that still deliver acceptable quality, reliability and, increasingly, elements of fashion and current design. In between the trading-up and trading-down pools lies a vast expanse of mediocre, often low-margin, goods that offer neither distinctive emotional appeal nor better value than cheaper competitors. Whenever they can, consumers steer clear of them. Many businesses, who have long prospered by bringing mid-price products to middle-market consumers, can suddenly find themselves facing “death in the middle.”

Consuming, in short, has become a treasure hunt — a constant search through the world’s incredibly vast and ever-changing store of goods and services, with the goal of finding the perfect value every time. There are so many goods available, in so many configurations and at so many price points, the consumer looks at the market as a huge bazaar filled with amazing finds and secret delights. It is a place where they can roam freely and always find something of interest, whether it is an unexpected item tucked onto a shelf at a Dollar General or a 30 percent mark-down at the Coach factory.

Of the \$3.7 trillion in consumer spending in the United States, the trading-up market — which has been growing at the rate of 15 percent over the past three years — accounts for about \$535 billion of the total. The trading-down market, however, is substantially bigger. It is approaching \$1 trillion and should amount to \$1.5 trillion by the end of the decade.

Companies that succeed in this bifurcated market do so by understanding the attitudes, behaviors, and values of the middle-market consumers who are driving the transformation, and constantly adjusting and reinventing their product offering to satisfy the ever-changing “value calculus” of the consumer. This is not easy to do, because today’s consumers are highly-skilled “shopping experts” who view the purchasing and consumption of goods as an essential activity of modern life — a skill, a pastime, an experience, and a duty. They are very good at separating truth from charade, and distinguishing marketing claims from real product benefits. They care about the application of technology, product quality, and features and accommodations to their specific needs. They spend their money with great individuality, trading up in a few categories, trading down in most, avoiding some altogether, mixing upscale products with downscale ones, and creating customized lifestyles and standards of living that are uniquely their own.

*Treasure Hunt* provides evidence that the great majority of American consumers trade down relentlessly. In surveys of 12,000 middle-market shoppers in the United States, 93 percent said there is “at least one category in which I will try to save a little money by spending less.” Eighty-four percent said they trade down in five or more product categories. Others are more selective; 62 percent said they focus their spending on just a few categories that matter and ignore the rest.

For companies, the trading-down market is as knockabout as it is massive, with ferocious price competition and virtually no consumer loyalty. Companies can’t succeed at the low end simply by tapping into the global supply chain, taking cost out, and waging a price war with their competitors; consumers still expect value and performance from their low-cost products. More and more, they demand emotional qualities in their low-cost goods and a pleasurable experience while shopping for them.

So, to succeed in the trading-down market, the mantra must be “basic, low-cost, and reliable.” The mission is always to find ways to make a product or service cheaper and better. And not only cheaper, not just better — but both at once. As soon as you think your price is low enough and stop trying to lower it further, a competitor will find a way to scrape a few pennies off the cost and offer the product at a lower retail price. As soon as you think your quality is good enough and stop trying to make it better, a competitor will incorporate a technical improvement or a functional feature that will grab the consumer’s attention. The trading-down competitor can never stop searching for ways to provide ever lower prices and better quality, because consumers will never stop searching for more value.

*Treasure Hunt* deepens the inquiry and broadens the scope of the work begun in *Trading Up*, with two main purposes. First, to help the reader better understand middle-market consumers, who are too often ignored or misinterpreted by business people, the press, and others. Second, to show how companies can take advantage of the treasure hunt phenomenon, or be left behind by it. To do so, Silverstein interweaves the consumer stories with stories of some of the most interesting companies that have affected, or been affected by, the transformation of the consumer goods market including *Aldi*, *Bath and Body Works*, *Best Value Inn*, *Dollar General*, *LG*, *McDonald’s* and many others.

*Treasure Hunt* is based on Silverstein’s work with companies of all descriptions during his 25 years as a consultant and expert on consumerism with The Boston Consulting Group (BCG). It also includes portraits of consumers and their habits gathered through a variety of channels and methods, including surveys and in-person interviews with some 250 consumers throughout the country. The ideas are supported by extensive data and analysis from a team of BCG researchers.