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DECEMBER 2009 • Betsy Bohlen, Steve Carlotti, and Liz Mihas

Source: Consumer Packaged Goods Practice



In This Article

Exhibit: Consumers make trade-offs between perceived value and perceived price.

While the downturn has certainly changed the economic landscape, it may also have fundamentally altered the behavior of numerous US consumers, who are now learning to live without expensive products. Many companies with strong premium brands are

anticipating a rapid rebound in consumer behavior—a return to normality, as after previous recessions. They are likely to be disappointed.

New McKinsey research¹ found that, in any given category, an average of 18 percent of consumer-packaged-goods consumers bought lower-priced brands in the past two years. Of the consumers who switched to cheaper products, 46 percent said they performed better than expected, and the large majority of these consumers said the performance of such products was *much* better than expected. As a result, 34 percent of the switchers said they no longer preferred higher-priced products, and an additional 41 percent said that while they preferred the premium brand, it “was not worth the money.”

As a result, a growing number of consumers are now in play. The percentage up for grabs varies by category and depends on how many consumers switch from higher-priced brands, their experience with cheaper ones, and the way they revise their buying intentions. We found, for instance, that only 12 percent of beer buyers switched to cheaper brands. Of those, 31 percent said that their experience was more positive than they had expected, which means that only about 4 percent of customers are in play. Among buyers of cold and allergy medicines, however, we found that more than 20 percent tried a lower-priced option, and 48 percent of those consumers said the experience was better than expected. That means 10 percent of the people who buy cold and allergy medicines are now in play.