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# THE CHALLENGE OF CHANGE

## (THE CHANGING FACE OF THE IRISH CONSUMER)

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### 1. Preamble

I am often asked what today's consumers want. That question can be answered in one word – MORE.

Ask yourself this question

- “What were the lifestyle ambitions of young couples getting married in 1970?”
- “What are their lifestyle ambitions/expectations today?”

We have moved from being a set-menu society to being an a la carte one.

This is true in all markets:-

- The food we eat
- Our repertoire of drinks
- Our shopping behaviour
- Our dealings with financial organisations
- Our entertainment options
- The way we use the media

In all of these areas, consumers are increasingly expecting:-

- What they want
- Where they want it
- When they want it

## 2. From Set Menu to a la Carte

Your teenage kids don't like what's available for dinner. They are very likely to ring a take-away for something they would prefer and they will have it delivered, probably within half an hour.

Banks have had to accommodate themselves to changing demands in regard to access to money:-

- How long ago was the bank hole-in-the-wall invented?
- At the time, how many people thought that they would find it difficult to adapt to it?
- How many people use it now?

We are no longer happy with a short menu of options. We want to see the *a la carte* menu.

When I was a young man, you were a GAA fan, a soccer fan, a rugby fan or whatever.

Talk to you kids now, they are just as familiar with the stars of Formula One, basketball, baseball, Australian rules or whatever.

There are still undoubtedly people who are willing to pay good money to brave the elements to go to watch Sligo Rovers or Clan na Gael. How much easier to have a glass of wine, sitting in your armchair watching a live match in Old Trafford, a world championship fight in Las Vegas or Michael Schumacher trying to kill whoever gets in his way on a track in Japan.

We want things *when* we want them. Why should I choose to wait until nine o'clock to watch the TV news, when it suits RTE. I am getting used to the idea of switching to Sky or CNN or tuning in to Aertel to find out what's going on, when it suits me.

There was a time when the Irish were regarded as somewhat reticent about making complaints if something wasn't to their satisfaction.

Try to make that argument now to anybody in charge of a customer helpline or to Charlie Haughey, Michael Lowry, Bishop Eamonn Casey or anybody who has felt the wrath of a dissatisfied customer base.

What has happened? How is it that we have become so much more:-

- Demanding
- Choosy
- Impatient

### 3. The Butterfly Effect

I think it was James Gleick who first brought the idea of the butterfly effect to public prominence. He suggested that a butterfly flapping its wings in the Brazilian rainforest could start a chain effect, which would eventually build up into a hurricane that might cause devastation in Florida.

A small change in one area, linked with another small change in some other area can have an unexpectedly large cumulative effect. That causes one wave which joins up with another wave, from a completely different source and the trend is magnified.

This, I believe, is what has been happening in Ireland.

In 1985 we were in the depths of recession. We had a record national debt, record unemployment and young people coming out of our schools and universities had very little chance of getting a job in Ireland. A lot of small changes started to stack up:-

- We had large numbers of young people looking for work.
- Thankfully, and credit where credit is due, there had been very significant investment in our education system so that a lot of our young people looking for work had better than average qualifications.
- The new technologies were beginning to come on stream and started to open up new possibilities.
- The waves started to build and gain momentum.

Young, well educated, men and women coming into the labour force in the mid-80's did something that no previous generation had ever done.

Traditionally, the only Irish people who left home before they got married were people moving from rural areas to Dublin, probably to work in the Civil Service.

The new breed were more independent. They probably worked abroad initially. They learned to cope and cater for themselves. They got used to having their own space, their own independence. They liked the experience.

When they came back they moved into their own flats, apartments, townhouses or whatever.

Over the next ten years the population of the Republic of Ireland grew by less than 2%: not much dynamic there to increase the level of demand for ice-cream, tea, frozen foods or whatever.

At the same time however the total number of households in the country grew by 15%, as people chose to live in smaller units. This gave a very significant boost to furniture manufacturers, toilet cleaners and anything that is tied up with household rather than personal consumption.

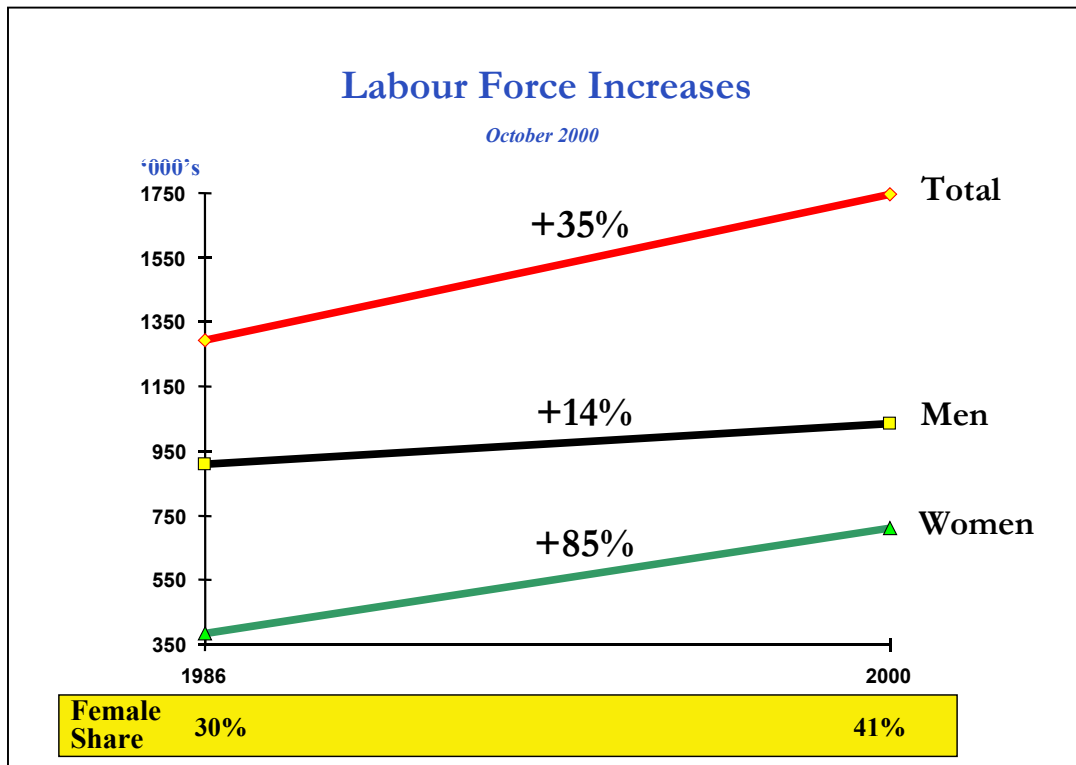
#### 4. The Need for Two Incomes

It had another side effect of course. It pushed up house prices.

This produced a further series of knock-on effects:-

- Young people coming together to share the burden of house purchase.
- Both partners continuing to work after marriage and the arrival of children.

The net effect was a massive growth in the labour force and particularly a change in the number of women in the work force.



## 5. Where Did The Jobs Come From?

This could have produced a disaster if the jobs had not materialised to meet this explosion in the numbers seeking work.

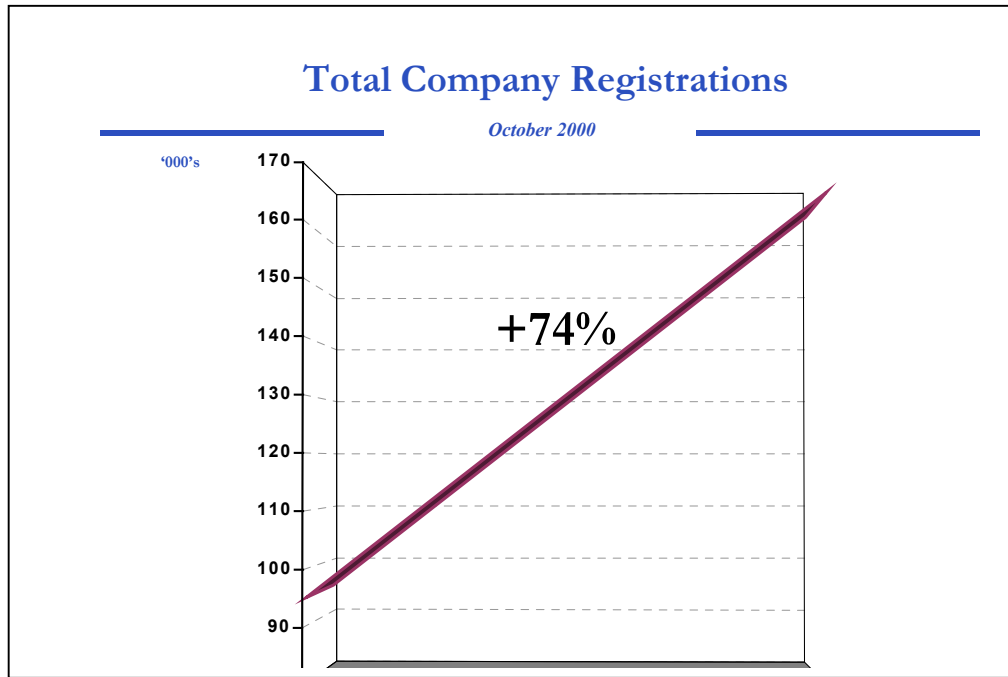
Where did the jobs come from? The large traditional employers were cutting back on staff numbers: Guinness, Telecom, Aer Lingus and so on. Not much joy there.

Foreign investors provided a significant number of jobs. They set tough standards, for their work forces with around the clock shift work for example. Thankfully the Irish workforce rose to the challenge.

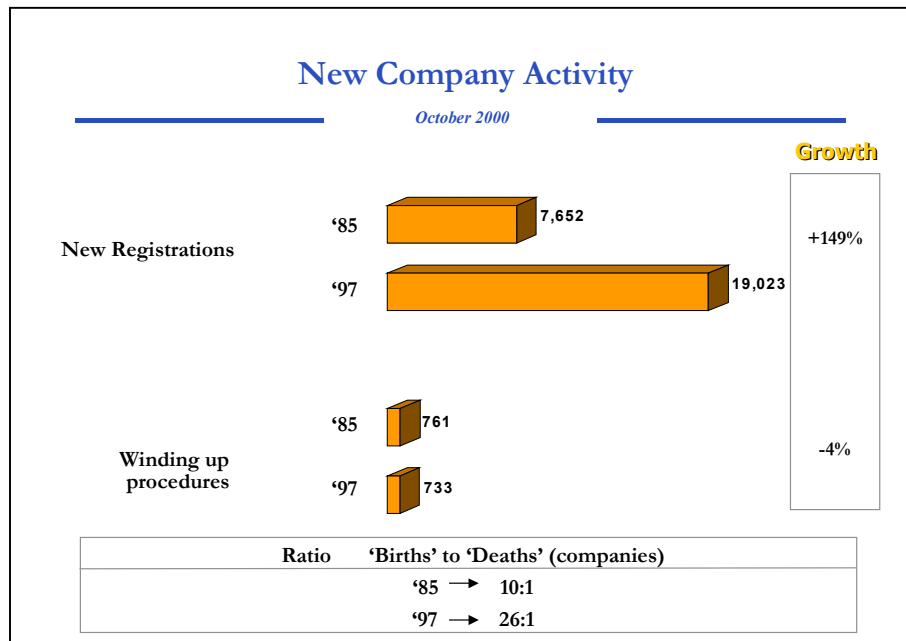
We were helped in this respect by the tough, well educated young new workforce that came on stream in the '80's. The banks have a name for these people. They call them Variety Progressives. They took whatever jobs were available to them when times were tough, probably on a low starting salary. They saw this as a stepping stone to something better. They were happy to gain experience and learn a skill before putting themselves on the transfer market. This added to their sense of independence, their willingness to take risks.

This is a more harsh environment but it is a good breeding ground for entrepreneurs.

Just look at what happened to the number of companies in Ireland over a twelve year period.



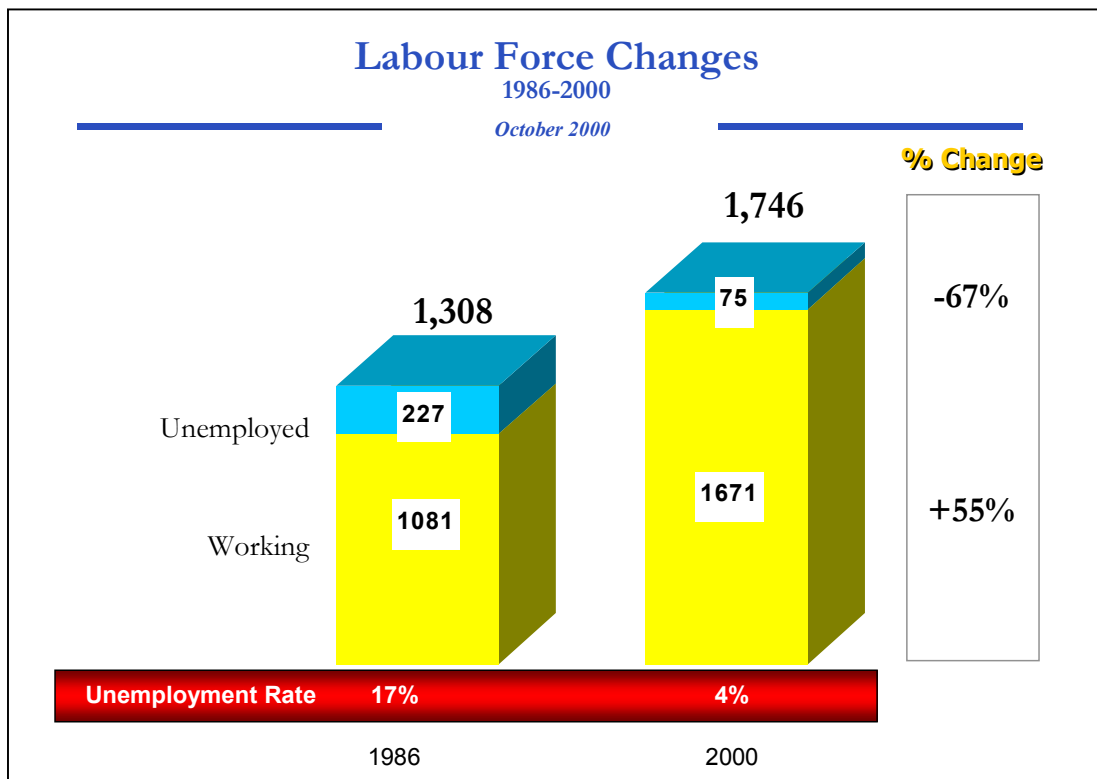
The yearly increases have been, if anything, accelerating. The following chart shows the number of new companies formed and the number winding up in 1997 and 1985.



This combination of foreign investment and local entrepreneurship provided the jobs to meet the demand that had built up in the labour force. The number of people in work increased by 38% over the period. The number of people on the dole declined by 44%.

In 1985 there were 10 new companies formed for each one that went out of business. Twelve years later the number of new companies formed in a year has more than doubled, so the ratio of births to deaths is now 26:1. The workforce increased much more quickly than the population

This had a very dramatic effect. In 1986, every income earner was supporting 3.3 individuals. Today each income earner supports 2.3 individuals in the population. The load is more evenly distributed.



## 6. From Time Rich to Cash Rich

Our incomes went up, probably not as quickly as we would have liked but, by international standards, we really did make progress. In the period from 1987 to 1995 (the last year for which we have reliable data from the Central Statistics office), average household disposable incomes rose by 12% in real terms – that is after allowing for inflation. Over the decade this would mean growth of 16%.

Remember we have two waves converging here: a 15% increase in households and a 16% increase in the real disposable income of those households: A gross increase of a third in real volumes. That is the basis of the Celtic Tiger.

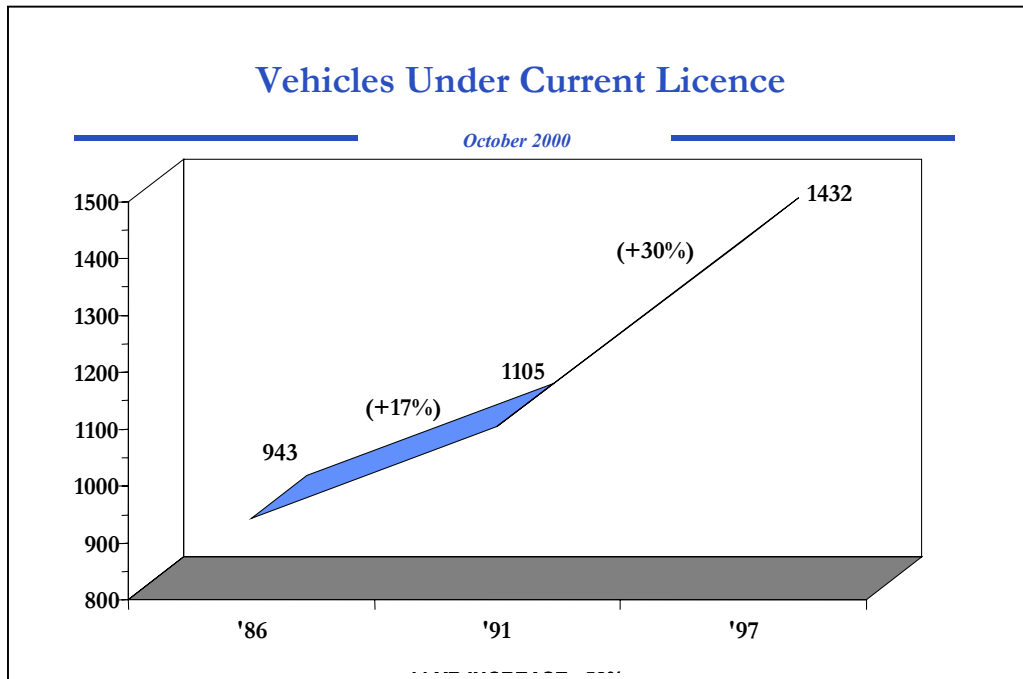
There has of course been a price to pay. When I started to work first, Ireland could have been described in simple terms as rich in time, poor in money.

The balance has shifted very considerably. A sizeable proportion of our population could now be described as cash rich but very short on time.

- Most working people are putting in far longer working days now than they ever did in the past.
- Their partners are also working. If they are really unlucky their working hours may not mesh very well.
- Dual income households create the need for, and the opportunity to pay for, two cars in the household.

In 1963, the year of the Beatles first LP, only one in four households in Britain had a motor car. Currently one in four Irish households has a SECOND motor car.

This chart shows that has happened to the total number of cars on our roads in the last fourteen years.



In this period there has been a cumulative increase of 52% in the number of vehicles on the road. In the past five years the car pool increased by nearly a quarter of a million extra cars. Worse, the number of valid licences went up by 363,000. So, for every two new cars going on the road, there are three new drivers. The result is cars that are used more intensively.

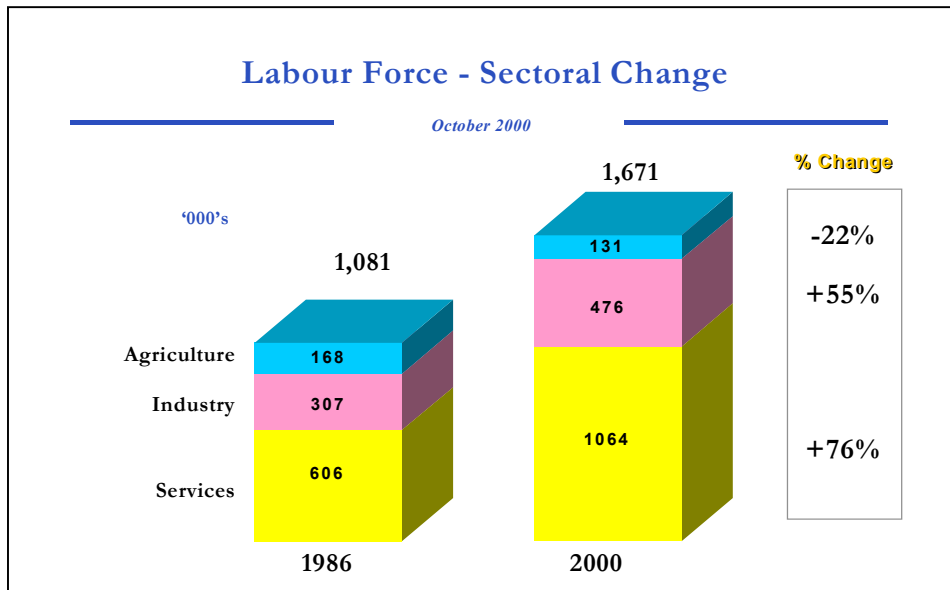
That is what has caused our present gridlock. That is why it is taking you an hour to make what used to be a 20 minute journey in the morning or evening rush-hour.

We are working longer hours and it is taking us longer to get to and from work. Our free time is being pinched.

Has the extra time spend in traffic jams made us nicer people? I don't think so. We have become tougher, more hard edged.

## 7. Increasing Service Expectations

Our expectations in terms of standards of service have increased dramatically. We can see one of the key influences here if we look at recent changes in the types of jobs that people work in.



The biggest growth area in jobs has been in the service sector. Currently 64% of our work-force are in service industries. One of the driving dynamics in those service industry companies has been an increased emphasis on quality service initiatives, customer care programmes and so on. In manufacturing industry there are parallel initiatives such as just-in-time delivery programmes.

When people spend a lot of their working time trying to improve their services to their customers, they inevitably look outside to other organisations and are more conscious of the service provided, or not provided to them as customers.

## 8. The Search For Compensation

At one stage, Dunnes Stores may have been able to get by on a promise of cheaper prices or better value. Now the customer wants

- Cheaper prices
- And better quality products
- And better shop layouts
- And late night opening
- And Sunday opening
- And a Value Card scheme

I think it was Sainsbury in the UK who had a pilot scheme of stores opened on Christmas day just past. I gather they did quite a lot of business.

We are working a great deal harder than ever before. Although we have fewer kids they are more time demanding. We might have played in the street as children. We worry if our kids do so. The problems of crime and drugs are the harshest manifestations of the tougher edge that has come into our lives.

How much time do you, or your partner, spend ferrying your children to football matches, training, horse riding, music or ballet classes.

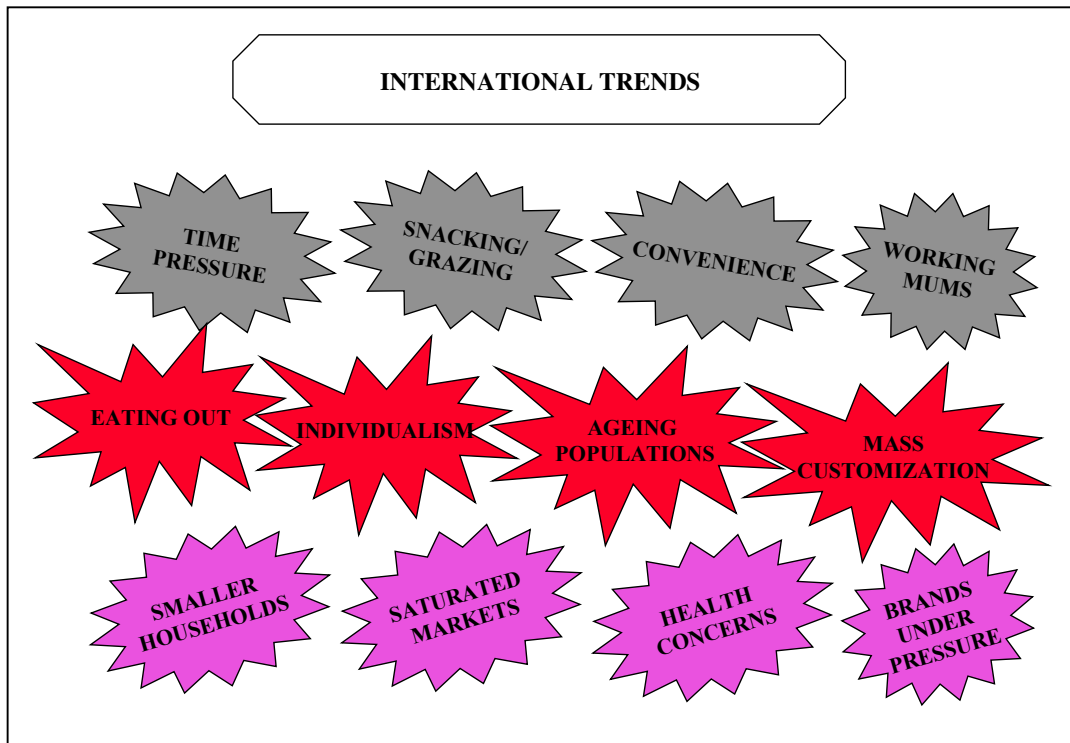
If your kids are involved in swimming, you are probably on a rota of parents who have to act as chaperones for the children when they are competing away from home. For reasons that I don't need to go into, there is a mandatory quota that I think may be as high as one parent for every three children.

How do we react to this changed world where we have rather more money, less free time and probably greater demands on that free time. One obvious response is to look for small treats as compensations for the added stress and the intrusion on our time.

- We go out for a meal more often. In the past eight years, the increase in spending on food outside the home has been four times as great as the increase in spending on food consumed at home.
- One of the major growth areas in recent years has been the boom in short holidays in the off season both in Ireland (look at the expansion in the hotel industry) or overseas. (Fancy a weeks golf in Spain).
- We pamper ourselves more. There has been a huge increase in expenditure on clothing, hair care, and beauty treatments. Time is passing so quickly that we want to extend our youth by involvement in fitness programmes or healthy eating.

## 9. International Trends

There are many consumer trends that seem to be crossing international boundaries.



- Are these trends inevitable?
- Do these trends drift into Ireland unperturbed or do they require some local modifications?
- Are there any specifically Irish trends that differ from the International pattern?

In the time available it will not be possible to discuss all of these developments but we can select a few and put them under the microscope.

## **9.1 Working Mums**

Starting with working mums. As we saw earlier there has been a dramatic change in female participation in the labour force in the last ten years.

In a survey of teenagers which we have just undertaken for IAPI we found that 50% of all teenagers have a mother who works outside the home. For younger kids, the percentage is even higher.

## **9.2 Time Pressure**

This has undoubtedly resulted in this situation where we are under much greater time pressure. How many people have you seen in a motor car recently eating, shaving, applying make up, and making a phone call (or any combination of the above?)

Another consequence of this greater time pressure is what one might call the crèche phenomenon. The number of crèches has increased greatly and we are seeing patterns now where even older kids go to the crèche after normal school hours to meet up with their younger siblings before being picked up later in the day.

One of the saddest commentaries I have heard in recent times was in an interview I did a while back with a school teacher. She suggested that the difference between kids today and their counterparts in earlier generations is that even sick kids today go to school. Their parents have nobody to look after them otherwise.

### 9.3 Cash Rich

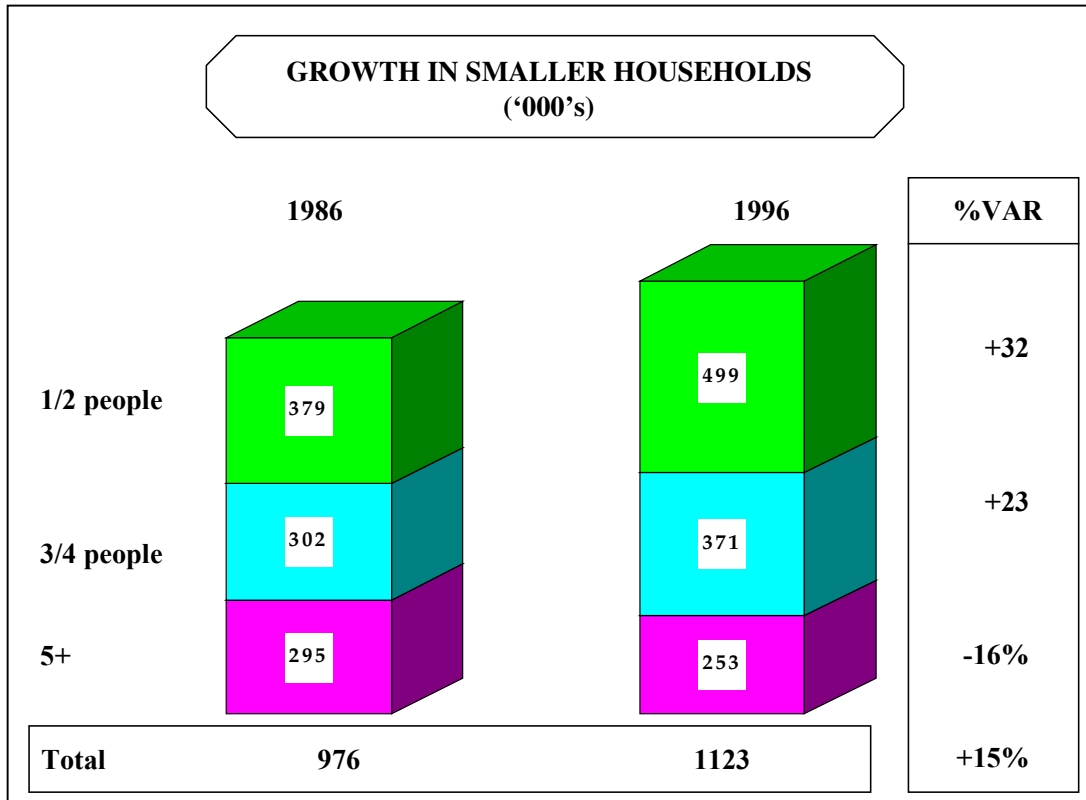
We have gone from being a society which was time rich but money poor to the opposite extreme. Not everybody has benefited equally from the Celtic tiger but, over the past ten years, the real gross earnings of Irish households (even allowing for inflation) rose by about 40%.

Of course we are spending that money in different ways. Our increased spending on food has only been about half the level of our general expenditure increase. Our spending on small luxury and treat items has been correspondingly ahead of average (1½ times the average growth rate).

One identifiable index of this greater wealth is the increase in car sales. You will only see the full picture however if you look beyond the figures and examine the models that we are buying now as compared to some years ago. Whoever thought that cars in Ireland would require air conditioning? Look at the number of soft top cars on the road. Linking back to some of the other trends we have been discussing, does your car have a holder unit for a can or cup? Ask yourself why?

## 9.4 Individualism

One of the strongest international movements is toward greater individualism. This is certainly changing apace in Ireland. We are choosing to live in smaller and smaller household units.



Better than four in ten Irish people now live in one or two person households. Many of these are young owners of apartments or townhouses. Their formative experiences are very different from those of earlier generations. Go to visit Pravda, Zanzibar or the Icon Centre in Leopardstown racecourse - it's a different world.

These young people do their own shopping but I bet that if you could examine their shopping trolley's, you would find that they spend more on toiletries than on groceries each week.

To get a really clear impression of how we are now catering for a much greater range of individual tastes, drop in to examine the magazine rack in your nearest Eason's outlet. Guess how many different magazine titles Eason's stock? I have checked, it's just over 2,000.

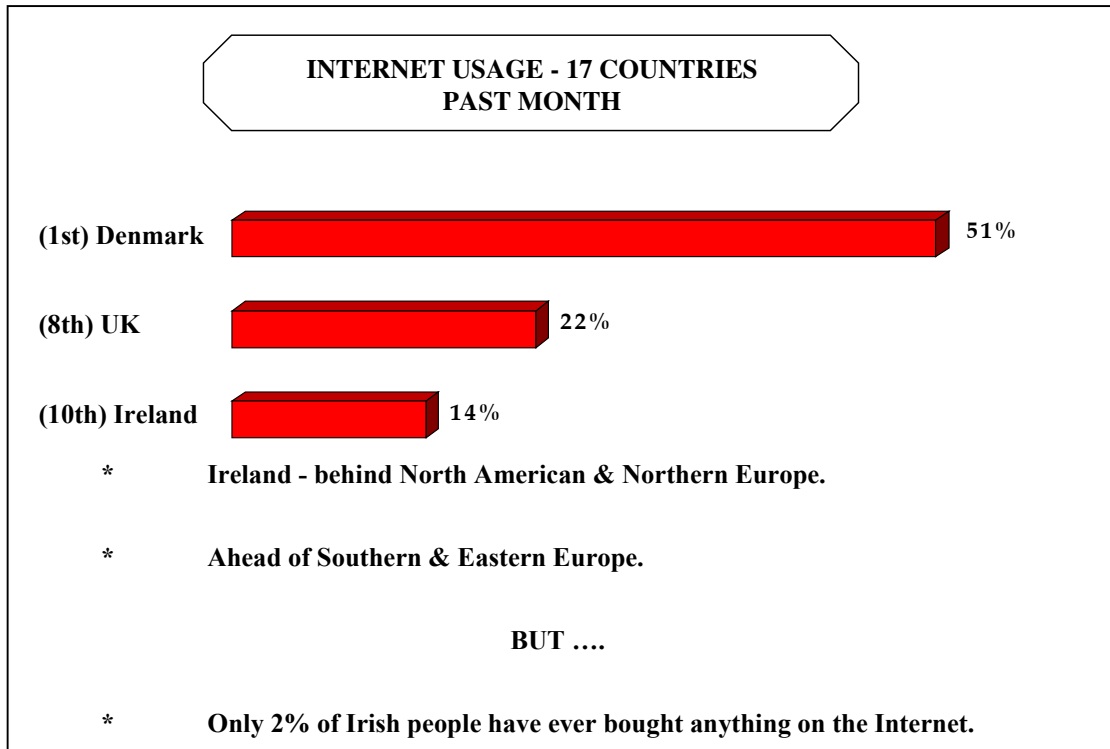
We are going to have to get used to the idea that people's purchase repertoires are getting wider and wider. The people you saw in Guilbauds last night will probably end up taking their kids to the local McDonalds this weekend.

### **9.5 Cosmopolitanism**

It is all part of a growing cosmopolitanism. How could it be otherwise. The teenager survey which I mentioned earlier, tells us that 85% of today's Irish kids have travelled overseas by the time they are 14. Add to that our returning emigrants (who will have acquired a different set of values during their time abroad) and the unprecedented intake of foreign nationals in recent years. I am not just talking about refugees', think of the restaurants and hotels you visit. They are becoming increasingly dependent on a non-Irish workforce. This is bound to have an impact; not least in relation to our eating habits.

## 9.6 Surfing the Net

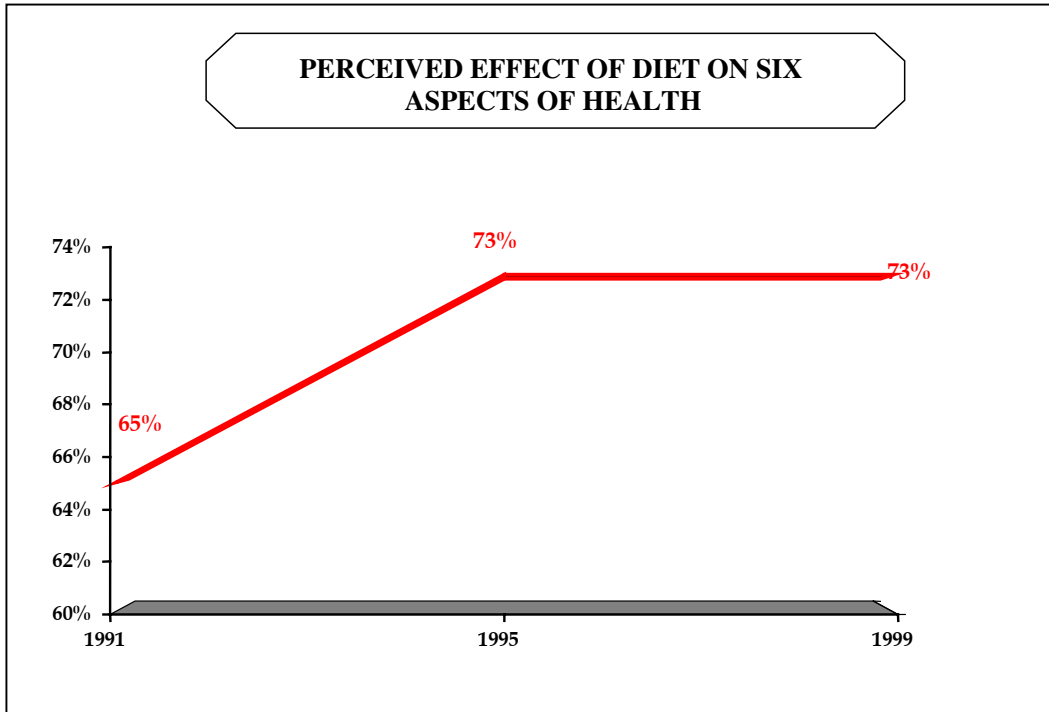
When people think of modern tendencies, use of the Internet almost always crops up. We recently conducted the Irish leg of a seventeen country study. You might be interested in these highlight findings.



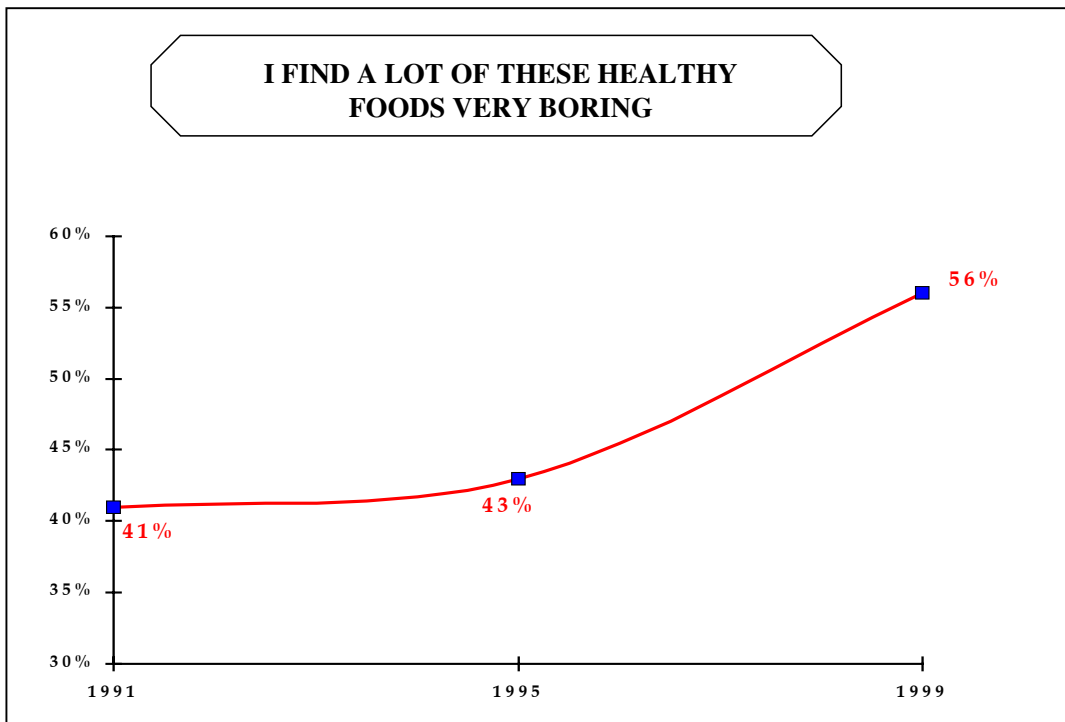
I am quite certain that Internet usage will grow significantly over the next five years but I think it will be some time before it is a really potent force in areas other than books, records and items of that kind.

## 9.7 Health Concerns

One of the strong international trends over the years has been a growth in health concerns. This chart suggests that some of the dynamism has plateaued in recent years.



At the same time there has been a significant increase in people finding healthy foods boring.

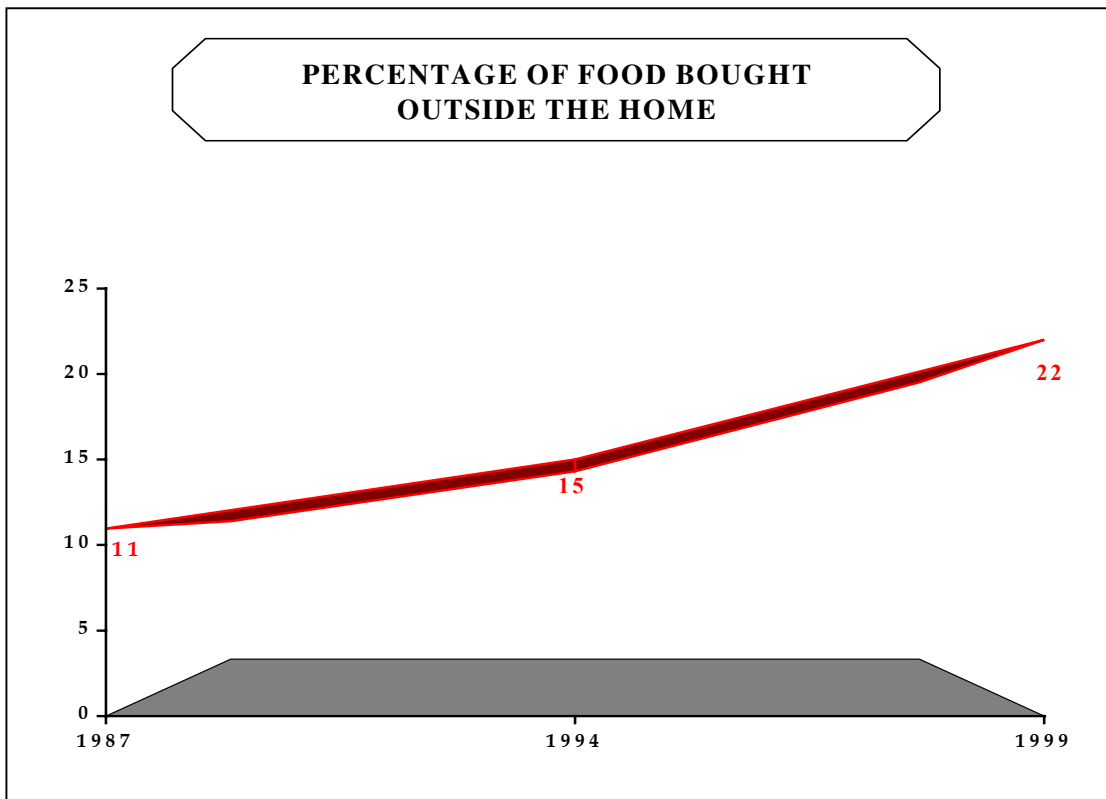


Peoples' need for new and interesting foods is competing with (and sometimes overcoming) their concern for healthy options.

One of the indicators of this is the re-emergence of interest in the hearty Irish breakfast. Look at the number of breakfast bars that have sprung up around town. Take a drive to Galway and keep an eye on the road signs encouraging you to stop for breakfast (each promising a shorter stop requirement). Look at the shops offering a traditional Irish breakfast packed into a roll. Just as a matter of interest a higher proportion of kids than adults have a full fried breakfast weekly (36% versus 29%).

### 9.8 Eating Out

The next major trend I would like to deal with is that of eating out. I gather that in the States 50% of all food is consumed outside the home. The European average is reported to be about 28%. We are slightly below that, but we are heading rapidly in that direction.



There are of course consequences from this. "I have tried something outside the home and liked it. Can I have it for home use, and in a convenient format please".

### 9.9 Convenience

One of the recurring themes in this paper is the idea of convenience. The cash rich, time poor consumer is willing to pay for convenience. And yet, we as producers can fool ourselves. Some years ago, the detergent manufacturers introduced micro powders and tried to sell the notion on the basis of convenience.

The reality from the consumer's point of view was that micro powers provided a limited additional convenience, primarily in reducing the bulk to be carried home from the shops. The housewife worried that she would use more of the micro powder than was necessary and end up spending more and perhaps damaging her machine or the clothes being washed.

It was only when the idea of tablets was introduced that the full package of convenience (both in purchase and usage) was delivered. The consumer is spending more per wash but she is doing so willingly. The lesson is, if you are trying to deliver convenience to the consumer, you must go "the whole hog".

### 9.10 Saturated Markets

One of the general concerns that has arisen in Western Europe in recent years has been the notion of saturated markets. Very often we allow ourselves to believe that there is no scope for further expansion. Going back ten years, one of the markets that must have looked saturated in Ireland (in every sense of the word) was the alcoholic drinks market. And yet, over the past ten years our per capita consumption of alcoholic drinks (measured in standard units of alcohol) has increased by approximately 60%. Just to give you a benchmark, that has happened since Ireland beat England in the European Championships in Stuttgart.

### 10. No Change

So far, I have focussed on change and relatively short-term change at that. There are some things that don't change, or at least they change so slowly as to be irrelevant from our point of view.

I spoke a moment ago of the tendency to eat healthy foods. We are influenced in this direction by advice from reliable resources. Many of us heed that advice and we make a rational decision that this is what we want to do.

Our bodies however crave certain types of foods. A large part of our bodily functions are given over to processing certain types of food in order to keep us alive. The survival instinct is our single strongest driver. It operates, quite literally, at a gut level.

Two of the food stuffs that our bodies know instinctively they need for survival (and therefore crave) are:

- Sugar
- Fat

Foodstuffs that offer a combination of these two elements – chocolate and ice-cream for example, have a tantalising appeal for us and there is very little we can do about it: it is encoded into our genetic make-up.

The confectionery and ice-cream businesses are good ones to be in. There will always be a demand for “sweet fat”. What is likely to change however is:-

- The types of products that people want
- The composition of the target market
- Where people consume
- Where they buy
- What sort of product offers will tempt them.

If you go back 15 years how many of us would have predicted the level of demand, or the willingness to pay the price, for brands like Magnum or Haagen Daz.

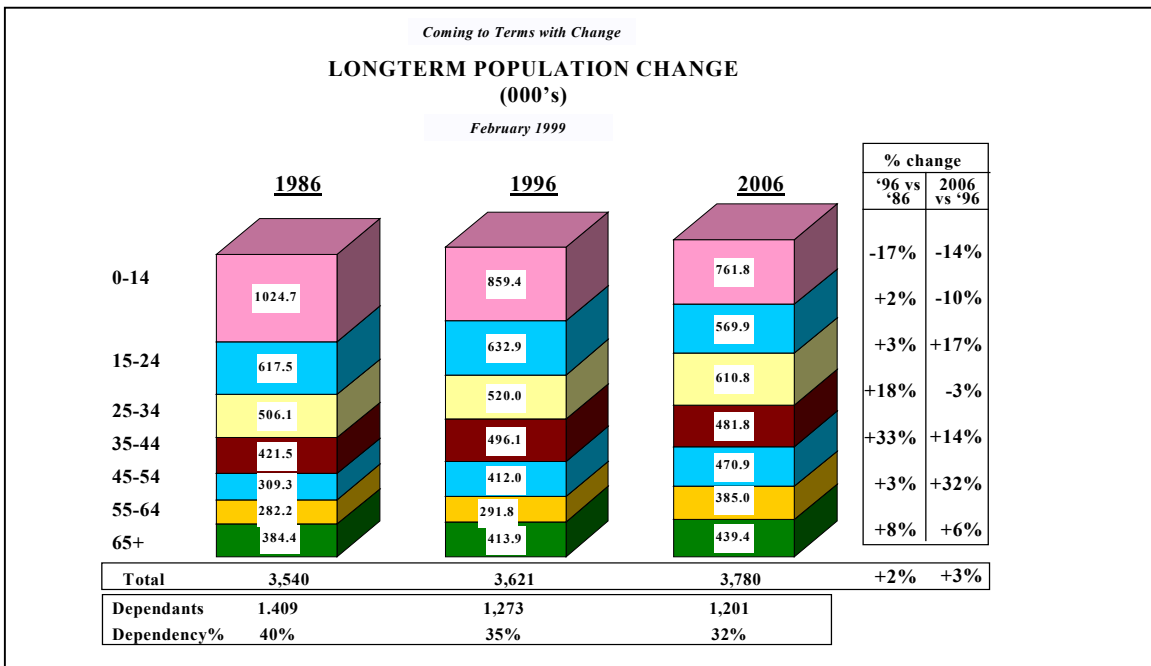
The success of those brands in Ireland was only made possible by the sort of economic and social change we have been discussing.

The point of product delivery has also changed quite significantly. Check in at almost any petrol station or Xtra-Vision video rental shop.

## 11. Looking Forward

Making predictions is a risky business. One thing that is relatively easy to predict however is the size of population we are likely to have in ten years time and the structure of that population in age terms. Most of the people who are going to be around then have already been born. The life insurance companies have perfected systems of predicting when most of us are going to die and at what age. Those who are lucky enough to survive know one thing for certain. We will be ten years older then, than we are now. The kids born this year will be ten-year-olds in ten years time. Those born next year will be nine years old then, and so on.

Pulling all the strands together it is possible to arrive at a pretty safe population prediction and this is what it tells us is going to happen.



There are going to be far fewer kids out there and far more older people. One very positive implication is however that the dependency ratio is set to decline further.

All manufacturers are going to have to rethink their product and brand mix to suit this particular demographic change.

It is tempting to think that older people in ten years time will be very similar to our senior citizens today or their counterparts ten years ago. I don't think they will be. One market that is going through absolute boom times is that of stockbrokers. In particular the number of private investors has more than doubled in the past three years. The amounts of money they have to invest has also increased significantly. Most of that new money is in the hands of people aged over 45. We are seeing a number of new elements coming into play:-

- The first generation of Irish people where a sizable number are inheriting wealth from their parents.
- Somebody who bought their first house 30 years ago for say £5,000 could probably sell that house today, move into a smaller house for say £150,000 and still have a tidy lump sum left over for investment.
- More and more people have taken early retirement packages which put similar lump sums at their disposal. They are going to have to learn a whole new set of techniques for managing their funds. Their options for investment are expanding. The trick will be to choose investment advisors wisely.

Predicting the age structure of the population is relatively straightforward. We are into much more dangerous territory in trying to predict the consumer mindset. One thing I would feel fairly sure about however is that consumers will become even more demanding, even more individualist in their tastes.

Our personalities and our social skills are formed very largely by our family experiences in early childhood. The kids who are growing up today are growing up in a very different environment from that of 20, 30 or 40 years ago.

In what our children insist on referring to as, the “olden days”, the typical family consisted of a father who worked outside the home, a mother who stayed at home and four, five or six children with probably relatively little gap in their ages. There probably wasn’t much money to go around and “beggars can’t be choosers” as the saying goes. We shared the same meals and probably the same clothes.

Mother didn’t have any of the labour saving devices that are available today. Living space was more cramped. The kids probably got under her feet a lot. To make life bearable, there was a need for discipline. If you didn’t do what you were told, daddy would hear about it when he got home – the ultimate enforcer.

Move on to today. Picture, in your minds eye, a typical teenager. Would they accept the same regimentation in terms of meals do you think? How about inheriting an older brothers trousers – (“they are only two years old”)

The very fact of being brought up in a smaller family gives more space for individualism. The working mother who only gets to see her children in the evening is in a very different position from her predecessor whose main concern may have been how to get the kids out from under her feet. In this setting, children are more encouraged to speak for themselves. Their parents treat them more like little adults and are more inclined to give in to their demands: partly because they can afford to do so, partly for guilt feelings about not spending more time with them or for a whole combination of other reasons.

Young adults in 2009 will be the product of this set of circumstances. They will be more used to getting their own way than any generation before them. They are going to be tough customers to satisfy.

Will things be better or worse in ten years time? Are things better or worse now than they were 25 years ago? The answer to both questions is the same. Some things are better, some things are worse and so it will be in the future. The only certainty is that things will be *different*. Our job is to cope with that change as we have coped over the last 25 years and our parents did before that and their parents before them.

Change is part of the human condition. We have to learn to adapt to it and, if possible come to enjoy it.

I will finish this section with a small personal thought. The company my father worked for, for most of his working life, no longer exists (at least in a form he would recognise). I have five children, four of whom are thankfully working. None of them works in a company that existed 15 years ago. Two of them are working in *industry sectors* that have only been developed during their lifetimes.

## **12. Lessons**

The general picture I see is one in which International trends will become increasingly apparent in Ireland but at different rates of progress and clever marketeer's will be conscious of these subtle differences.

I will leave you with two related thoughts.

Louis Pasteur, when asked to explain scientific breakthroughs pointed out that:-

“Chance favours the prepared mind”.

If you like your philosophy in rather more homespun form, the golfer Gary Player had the ultimate riposte to a playing partner who commented wryly on what he thought was a lucky shot by saying:-

“You know it's a funny thing, but I find the harder I practice, the luckier I get”.

The best practice, the best preparation for capitalising on chance, comes from gaining an intimate understanding of your consumer.