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WHAT CONSUMERS CLING TO IN LEAN TIMES

Cell phones are definitely in, but cable TV is not regarded as crucial

Consumers are cooling to cable. And they're not very satisfied with satellite TV. In fact, according to consumer research firm GfK Roper Consulting, about 40% of those surveyed during mid-2008 and early 2009 said they'd be willing to do without cable or satellite TV. Instead, they'd just as soon watch programming on free sites like Google's YouTube or buy videos à la carte from Netflix. Of those surveyed, only 37% said they were getting good value for the price they pay for cable or satellite subscriptions.

The trend is showing up at some of the biggest cable and satellite TV providers. Subscriber totals dropped last year for Comcast, Dish Networks, and Cablevision Systems, while Netflix sales are growing apace, and traffic to video sites including Hulu, owned by General Electric and News Corp., is surging.

None of this comes as a surprise to the researchers at GfK Roper Consulting, who have been studying consumer habits since the 1970s, paying special attention to how buyers behave when economic fortunes worsen. Amid recession, consumers behave in some predictable patterns. "People have a fairly consistent game plan for dealing with a recession," says Jon Berry, a vice-president at GfK Roper Consulting. "The list of things they cut back on is very consistent, and that points to opportunities for grabbing people through those shifts in their behavior."

GOOD VALUE FOR THE MONEY

People tend to eschew products deemed frivolous or overpriced. But that doesn't keep them from embracing new technologies—even items that carry high price tags. The condition, of course, is that the products are seen to deliver good value for the cost.

Consider the technological innovation that has taken wing during past economic rough patches. During the Great Depression, it was radio. Census data show that by 1940, 90% of U.S. households outside the South had radios, up from about half of U.S. households at the beginning of the decade.

Similar patterns emerge from GfK Roper Consulting research. Amid the recession of the early 1990s, ownership of personal computers increased. The percentage of PC-owning households rose to 24% in 1992 from 18% in 1990. Early the following decade, during the tech bust, cell phone usage surged. In 2002 the percentage of households that owned a cell phone jumped to 54% from 35% in 2000.

This time around, smartphones such as Research In Motion's BlackBerry and Apple's iPhone may turn out to be the breakout devices. In late 2008, GfK Roper Consulting asked survey respondents to identify the last nonessential thing they'd be willing to give up amid spending cutbacks. The response: 15% said their cell phone or BlackBerry would be last to go. The only item that ranked higher on that list, at 16%, was "driving where I want, when I want." Younger consumers felt even more strongly about their handsets; in that demographic, 23% said their phone would be the last thing given up, nearly twice the percentage of adults aged 45-59.

Consumer aspirations are seemingly impervious to recessionary pressure, GfK Roper Consulting research shows. In 1973 only 10% of households in GfK¹s sample considered a dishwasher "essential." By 2001, nearly one-third of households did. The trends lines are similar for such amenities as PCs, microwave ovens, TV remote controls, and in-car air conditioning.

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