

# **Part I**

The End

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# It's Not a "Recession"!



**IN THE SPRING OF 2006**, I was asked to lunch by the president of a major North American paint manufacturing company. The company had done outstandingly well over the last three decades or so, selling its products through independent retail outlets across the United States and Canada. So well, in fact, that many of the dealers had become unimaginably wealthy in the process. You might be dubious that one could get rich selling house paint, but that's exactly what had happened and was still happening with a fair degree of regularity. The owners of these paint stores were buying vacation properties in exclusive 'hoods such as Palm Beach, Florida, Salt Spring Island, B.C., and Scottsdale, Arizona. It seemed that they were all making money faster than they could spend it.

It wasn't unusual for this paint manufacturer to wine and dine its dealers at some of the most exclusive resorts in North America. Dealers were offered five-star meals, Cuban cigars and the finest single-malt Scotches. It was all strangely

surreal. On this particular day, the company president had selected a very nice restaurant on New York's Upper East Side. Being a Manhattanite himself, he frequented many of the best restaurants in the city. Over lunch we came to talk about one dealer in particular—a family-owned operation based in Manhattan and Long Island that had done astonishingly well. The dealer, founded in the 1800s, had a long history. What, for most of its existence, had been a grimy little New York paint operation, became a well-oiled money machine by the early 2000s. Indeed, by 2005, with only a handful of often tiny, nondescript stores, the business was closing in on \$100 million in sales. Its performance was nothing short of amazing.

The paint company's president was making the point to me that this particular dealer had been especially skillful in developing its business. He pointed to several innovations that he felt had largely fueled the dealer's success: modifications to its stores, new displays and new methods of selling, etcetera. The dealer was, in the president's estimation, a retail genius. At this point I (perhaps wrongly) interjected, countering that in addition to all the sensible and well-executed steps the dealer and his staff had taken with their business, they'd also gotten extremely lucky. I offered that given the unprecedented social and economic conditions of the late twentieth century, it would, in fact, have been very difficult for the dealer *not* to succeed. Being located in New York, I added, only helped to amplify the dealer's gains. All this was not to say that the dealer couldn't have failed along the way—some of its competitors certainly had. However, all other things being equal, the deck was so tremendously stacked in the paint dealer's favor that, short of doing something really stupid, it couldn't lose. Its success, I maintained, was ultimately as much a product of fortunate circumstance as it was prescience or extraordinary skill.

In that instant, it was as if all the air in the room had been suddenly sucked out. The president was very obviously

disturbed that I would suggest that dumb luck and not superior business savvy could be at the heart of his top retailer's outstanding success. "How could you suggest such a thing?" he asked, with a look in his eyes that said, "I hope you choke on your salad!" Clearly he took my comments as an insinuation that the last few decades in business had been some sort of cake-walk! It was as though he believed I was demeaning the business and financial achievements of an entire generation—my own included!

And he was absolutely right.



Fast-forward . . .

In September 2010, the U.S. National Bureau of Economic Research stated that the "recession," which this august body declared officially over in June of that year, was indeed the longest on record since World War II. Although history books will record its official duration as two years, it has really been almost six years since the show began, and it's clearly not over yet. Let's put that into perspective. If you had a child who was 12 when the shit hit the fan, he or she is now just about old enough to vote. Barack Obama was an Illinois senator when Wall Street crumbled. He's now (as I write this) preparing to begin his second term as president—and still struggling to right the economic situation. Since 2009, the retail industry in particular has been on what has become a week-to-week roller-coaster ride of global economic upset, from anemic domestic consumer demand to the black hole that is the European debt crisis to clear signs that the once-unstoppable economic force of China is now indeed weakening (albeit to what are still enviable levels of growth). Every week it seems that there's a new economic, technological or social headwind pushing retail off course. The consumer economy we knew in North America has become like a patient on life support, with analysts, retailers and brands

all gathered at its bedside searching for any sign of life—the blink of an eye, the twitch of a finger, anything! Monthly industry results have become as ominous as an EKG, showing a faint and erratic heartbeat, fluctuating between signs of hope and despair.

Perhaps most troubling is that many in the retail industry still appear to be holding out for a clean recovery—a point at which they can simply dust themselves off and get back to business as usual. In fact, I often hear executives commenting on their business in terms of whether it appears to be “coming back” or “not coming back.” But the question that most seem unable to answer is: Coming back to *what*? What are we hoping to return to? Far from projecting the future of their businesses, many of the corporate leadership teams that I speak to have yet to even fully come to an agreement on what exactly caused this disaster in the first place. It’s as though they were flying along the highway enjoying the scenery, when all of a sudden they crashed into something! The problem is that they had no idea what they hit or how much damage was done; they just knew that now something was terribly wrong. And their real troubles started when, instead of pulling over to properly assess the wreckage, they just carried on, trying to get back up to speed. The trouble being, of course, that they couldn’t.

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“Study the past, if you would divine the future.”

—Confucius

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The unsettling truth is that the *comeback*, which many are hoping for, will never happen. Just as the Spanish explorer Hernán Cortés scuttled his ships upon arriving in Mexico, we too are stuck in this strange, foreign consumer landscape. There’s no going back and we’d better start learning how to deal with it. The economic, social and technological change we’re experiencing now is not a mere recession but rather the beginning of something entirely new and uncharted.

Call it the new normal, call it, as author Brian Solis put it, "the end of business as usual," call it whatever you want, but know that it is *not* going to go away. In fact, the current economic event has only been the catalyst for other, deeper changes in consumer behavior, many of which likely would have occurred anyway, but were hastened along and significantly compounded by the economic downturn. This goes much deeper than being a recession—this is indeed, as General Electric's (GE's) Jeff Immelt said, a complete "emotional, social, economic reset."<sup>1</sup> It is a reset of our entire consumer economy. Perhaps the only way to fully understand this is by trying to answer a few simple questions. They are:

- How, in less than 34 years, did a local Atlanta lumber store, called the Home Depot become a global chain of over 3,000 locations with an average store size of 100,000 square feet (in total, 300 million square feet of hardware)?
- How did Best Buy, a Minnesota electronics retailer go from selling one million dollars' worth of goods in 1970 to over a billion in 1992, and then experience a sharp rise in sales to \$16.55 billion in 2010?
- How, in 50 short years, did Sam Walton's five-and-dime store grow to become larger than the economy of Sweden and employ more people than the entire population of Paris?

How was it exactly that these retailers and countless others experienced such unimaginable growth in such a short period of time? How did *they* grow so exponentially when the overall rate of economic growth in the United States since 1946 has been between 3 percent and 3.5 percent? Perhaps if we understand precisely why that happened in the first place, it will give us some insight into why it's coming to an abrupt end and why it simply can't happen again.

But first, humor me. Take a moment, close your eyes and think about your own business, regardless of what business you're in. What if I told you that I could grant you two things? For starters, I could deliver to you a steady and ever-growing stream of customers, all of whom have better earning potential than your current customers. Secondly, I could promise you that the needs and preferences of these customers would be narrow enough in breadth that you could satisfy them with a fairly tight assortment of goods and services. How would that be? Lots of new customers, all of whom want basically the same narrow selection? Of course, there isn't a business on earth that wouldn't kill for those sorts of optimal conditions. But that's the thing: if you were in retail in the 1960s, you didn't have to kill anyone. You had these exact circumstances delivered to you—by the stork!

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## WHERE WERE YOU IN '62?

In early 2012, I got a call from *Advertising Age* magazine. The editors were doing a special edition of the magazine commemorating the 50th anniversary of Kmart, Walmart, Kohl's and Target. It seems that each of these brands began life in 1962, and the editor wanted to know if I could contribute a piece projecting what the next 50 years might hold for them and for the big-box retail format in general.

I couldn't help being struck by the fact that four of America's most formidable discount department stores all happened to share a 1962 birth date. Was this just mere coincidence? I wondered. Of course, it was no mystery that the baby boom was a driving force behind retail growth. If these brands had had their respective starts at various points throughout the decade, it wouldn't have been a surprise at all. But they all came about in *exactly the same year!* I wondered what was so special about that particular year that it spawned these four behemoth retailers—one of whom (Walmart) became the

world's largest. What was it exactly about 1962 that was so damn good?

To satisfy my curiosity, I began exploring the date of origin for other brands from the same era. Here's where it gets interesting. My research proceeded like the plot of a detective novel. The more I investigated, the more suspects steadily began surfacing—brands that were also tied to the same 1962 date of origin. The year, it seemed, was significant not only to department stores, but to merchants of all categories and formats. And when I expanded the search to include the period from 1961 to 1969, the list became a veritable who's who of consumer brands and chains across just about every category of goods and services imaginable, and included names from around the world! Here are only some of the more notable brands I found:

- Arthur Treacher's Fish and Chips (1969)
- B&Q (UK) (1969)
- Bank of America Home Loans (1969)
- Best Buy (1966)
- Calvin Klein (1968)
- Crate and Barrel (1962)
- Frito-Lay (1961)
- Gap (1969)
- Home Hardware (1964)
- Hyundai (1967)
- JanSport (1967)
- K-Swiss (1966)
- K-tel (1968)
- Lands' End (1963)
- Limited Brands (1963)
- Little Tikes (1969)

- Long John Silver's (1969)
- Mac's Convenience Stores (1962)
- Mary Kay (1963)
- MasterCard (1966)
- Norwegian Cruise Line (1966)
- Peet's Coffee & Tea (1966)
- PepsiCo (1965)
- Petco (1965)
- Pier 1 Imports (1962)
- Princess Cruises (1965)
- Rite Aid (1962)
- Roy Rogers Restaurants (1968)
- Safeway (UK) (1962)
- *Sesame Street* (1969)
- Six Flags Over Texas (1961)
- The Children's Place (1969)
- The North Face (1966)
- Toll Brothers (1967)
- TOPS Markets (1962)
- Topshop (1964)
- Vans (1966)
- Wendy's Old Fashioned Hamburgers (1969)
- Woolco (1962)
- Yves Saint Laurent (1962)

I discovered that even businesses like McDonald's, founded in the late 1940s, experienced their most astonishing growth from 1962 onward. In fact, 1963 saw the chain's inception of clown mascot Ronald McDonald, an idea credited to McDonald's owner Ray Kroc, who had purchased the company one year earlier from the McDonald brothers. You might

wonder, why incorporate a clown as your mascot? And why the early 1960s connection again? As I would find out, the answer is simple mathematics.

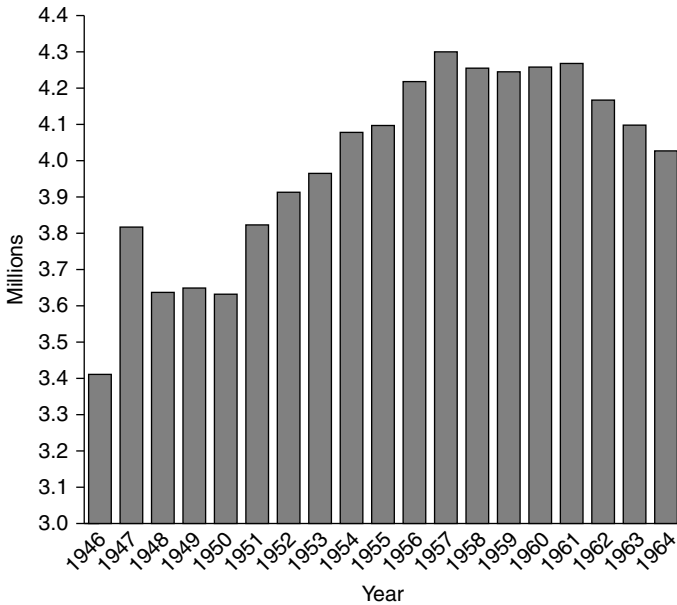


Scan this to watch McDonald's first-ever TV commercial with Ronald McDonald here. Warning: It's a little weird!

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### **MORE! AND MORE! AND MORE!**

David Foot and Daniel Stoffman's seminal 1996 book *Boom, Bust & Echo* put into crisp focus the impact that baby boomers had and would have on our economy. There isn't a business in North America that hasn't in some way been influenced by what was an absolutely unprecedented wave of population growth. Although the timeline is sometimes debated, most agree that the baby boom truly began in 1946 and lasted until 1964. To put the magnitude of the boom into perspective, in the years following World War II, mothers experienced fertility rates that were up to 30 percent higher than they were before the war began—a mind-boggling increase, and one that would ultimately fuel economic growth for many years to come. What fewer people might realize, however, is that the actual peak year for the live birth number in the United States was in fact 1957—11 years after the beginning of the boom. It was only after a strong surge in live birth numbers in 1947, and a subsequent drop until 1950, that the birth rate began steadily increasing in 1951, hitting an all-time high in 1957. From 1957 to 1961 the rate essentially plateaued and then began to decline again around 1962.



Source: Bureau of Labor Statistics, U.S. census data

No one could have known it at the time, but it was during these unusually strong birth years (1951 to 1957) that the foundation of seemingly boundless opportunity was being laid for retailers and brands. Wages were increasing, jobs were secure and American families were hungry for all the trappings of one of the nation's most embedded cultural paradigms: the middle-class life. In each of those seven years, the number of live births escalated well above the norm, and, as you'd expect, the impact on businesses in every category was profound! By 1962, the challenge for retail was simply keeping up with excess demand. This massive initial swell of baby boomers were now between 5 and 16 years old, and by virtue of their sheer numbers, needed more of everything: more shirts, shoes and bikes; more trips to Disneyland; more cheeseburgers; and more cartoons. More! More! More!

And *more* was precisely what they got. Malls and strip plazas popped up like weeds in towns across America. In fact, between 1960 and 1970 more than 8,000 malls were built! That is double the pace of development set through the 1950s. Then, with the advent of temperature-controlled malls and nighttime shopping, Americans could shop whenever they liked in complete comfort. Malls became increasingly larger, evolving to become two and three stories in an effort to meet the needs of an ever-expanding universe of merchants who were rushing to serve armies of consumers. The retail industry as a whole went into a maniacal state of overdrive to accommodate the boom in population and prosperity.<sup>2</sup>

The explosive pace of development continued for decades. And as this crescendo of the boom passed through the economy, the only things that changed from one decade to the next were the categories of products and services that were created to satiate the demands of the baby boomer children as they grew into young adults. You didn't have to be a marketing guru or operational genius to do well under these circumstances. With a reasonably convenient store location and a good supply of decent products, you could make money. If you added some business savvy and a strong work ethic into the mix, you could make a fortune—and many did! As Philip Kotler points out in his book *The Principles of Marketing*, as a result of the boom “Levi-Strauss & Co. and other jeans makers experienced heady 10–15 per cent annual sales growth [through the 1960s and 1970s], with little or no strategic or marketing planning effort. Selling jeans was easy—Levi concentrated on simply trying to make enough jeans to satisfy a seemingly insatiable market.”

There was no question that by 1962 a tipping point had been reached. The surf was up on what was the largest single wave of population growth in U.S. history, and brands like Walmart, Kmart, Kohl's and Target grabbed their boards!

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## CHOCOLATE OR VANILLA?

If the explosion in the consumer population wasn't cause enough for celebration, these new consumers also happened to share remarkably similar tastes and preferences. They basically liked the same stuff! Of course there may have been nuances here and there to meet circumstances of geography and income, but, broadly speaking, consumers were extremely similar in lifestyle, family composition and ethnic background. They were, on balance, white, middle-class children from two-parent, single-income homes.

Even immigration to the United States and Canada leading up to the mid-1960s was largely homogeneous. The United States and Canada were “white-settler” countries, and immigrants to these nations largely arrived from the UK and some other parts of continental Europe. It wasn't until the mid-1960s, when the “racial preference” language was removed from the immigration policies of both countries, that the nationalities of newcomers began to diversify significantly. The homogeneity of the 1960's market made identifying and projecting customer needs, tastes and preferences remarkably straightforward by today's standards. Flavors, colors, prints, patterns and styles were all fairly simple to select if you happened to be a buyer for Target. This ability to accurately project consumer preferences meant that large chains could comfortably count on selling through large quantities of inventory over several months to a year or more and not have to worry about changing up the mix. This in turn meant they could buy in bulk at sharp prices, sell across a narrow range of SKUs and discount prices at retail sufficiently to keep customers coming back for more. And for those rare needs that a retailer couldn't or didn't want to satisfy with its usual stock, the retailer could always rely on catalog sales or special orders—after all, consumers had very few alternatives when it came to getting what they wanted. In other words, for a retailer, this was paradise!

In terms of market positioning, *thrift* was a message that sat well with households raising large families on one salary, and people like Sam Walton knew it. There was nothing complex or heady about the marketing message that Walton and others crafted. It was a clean, pure message that resonated with families of the 1960s, many of whom still had wartime spending restraint firmly entrenched in their psyches. In fact, many of their children (leading-edge baby boomers) were still being taught the value of saving money in school through programs like the postal savings stamps program, which continued into the early 1960s, allowing kids to collect stamps that were redeemable for savings bonds. Thrift was a surefire winning message. So, with the average American shopper squarely in its sights, the first Walmart store opened in 1962 with a simple four-word tagline emblazoned on its signage. These four words would come to define an unprecedented era in retail: WE SELL FOR LESS. But the 1960s were a mere dress rehearsal for what awaited.

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## THE INDUSTRIAL DEVOLUTION

As the baby boomers joined the workforce, married and had children of their own, they paved the way for what would come to be known as the suburban power center and the era of the big-box. Main Street store formats (or, as British immigrants would still call them, the shops along "high street") did not have the capacity to serve the demands of the massive generation that was just embarking on its prime spending years. Stores swelled to the size of football stadiums, carrying every product known to man. The sheer gravitational pull of power centers laid to ruin most of the continent's Main Street retail shops. The vast majority of small- and medium-size merchants were annihilated, swallowed whole or simply forgotten in the frenzy.

Little did we know that what we were witnessing (and contributing to) was the *industrialization of retail*: the exact point

at which retailing ceased to be a craft and instead became an occupation. The new era would bear witness to the displacement of personal service, unique products and artful merchandising by stack-outs, blowouts and rollbacks. Quality would take a back seat to availability, and abundance would triumph over substance. Throughout the 1980s the big-box formula for domination was invincible and dauntingly repeatable. Commercial developers and large chains simply identified growth markets for residential development, built their stores on the commercial fringe of that development and waited a year or so for consumers to come. And by God they did! Like moths to a flame, shoppers flocked to them. Because in a pre-Internet, world nothing could top the mind-blowing selection, prices and convenience of the big-box store. The big-box was a wonder!

But that wasn't all. It was also around this time that the U.S. federal government, which had long advocated economic sobriety and encouraged consumers to save their money, abruptly began aggressively promoting higher levels of consumer spending and borrowing as the surest path to the country's economic prosperity. And as any economist will tell you, the real estate market is one of the best catalysts for stimulating the circulation of cash. Unfortunately, in the government's zeal to allow a free flow of cash in the economy, a series of bipartisan economic policy decisions that were made through the 1980s and into the early 2000s actually resulted in banks providing mortgages to less-than-qualified (or, subprime) homeowners (several million mortgages, in fact). These subprime mortgages facilitated millions of home purchases, which, before that time, would never have happened. This increased sales volume drove the real estate market into a frenzy. And because the government had removed the regulatory firewall between the investment and retail banking sectors, the banks were able to bundle up all these newly minted mortgages and sell them to investment firms. The investment firms in turn sold them to their clients under the harmless-sounding moniker *mortgage-backed*

*assets*—often carrying bogus triple-A ratings. With home prices escalating at an unprecedented pace, many Americans, encouraged by their lenders, succumbed to the temptation to use their home as a *live-in credit card*. This helped to subsidize household income, which had remained stubbornly stagnant through the same period. So, even though average Americans weren't actually earning more money, this rising well of home-equity borrowing made them feel as though they were managing. As a consequence, the household debt-to-income ratio redlined at almost 140 and the personal savings rate plummeted to almost nil. But no one cared. Everyone was living like a rock star! In fact, between 1980 and 2005 the U.S. economy grew by an incredible 100 percent, led by an army of baby boomers in the prime of their consumer lives. It was like one big toga party!

And then the unthinkable happened. As homeowners who couldn't afford their mortgages in the first place began to default on payments, stock of repossessed homes rose and the market became choked with inventory. Real estate values dropped like a rock, which in turn caused even more defaults. Soon, even those homeowners who *could* afford their mortgages began to walk away from homes where the value had fallen below outstanding loan balances. This crushed market values further—and so it went, on and on.

When all was said and done, the worst-hit markets saw home values decrease by over 50 percent. Consequently, all those nice little bundles of mortgages that Wall Street companies were peddling became worthless and caused even enormous investment firms and banks to implode. With these major institutions now falling into insolvency, the markets took a steep dive, removing over \$10 trillion (with a *T*) in wealth from the wallets and bank accounts of Americans alone—many of whom were depending on that money for their retirement. The entire economic house of cards, which had taken well over two decades to construct, had toppled, leaving most of the developed world in a state of absolute shock.

As one would expect, consumers took to the root cellar in a swift and certain flight to frugality, declaring a lockdown on spending through most of 2009. Since then, the industry has kept a daily vigil over consumers, waiting for any sustained signs of recovery.

And that, I'm afraid, is where the fairy tale ends. The magical set of circumstances that gave rise to 50 years of unprecedented consumption has run its course, and we now find ourselves confronting much more than what some still refer to as "just a recession." This animal is far more complex than a mere dip or cycle in economic activity. Rather, what we're reckoning with now is a complete reversal of the circumstances that brought us to this point in the first place. It is the end of something easy and the beginning of something much more difficult.

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## SCORCHED EARTH

Today, 50 years after the wave of 1960s consumption began, the very youngest baby boomers are 49 years old. According to the U.S. Bureau of Labor Statistics, it is a statistical certainty that spending among Americans begins to decline after the age of 50. We simply need less stuff once we reach 50 and beyond. In fact, most of us by that age are trying to pawn our junk off on our kids! This natural decline in spending typically comes gradually as a generation ages. What's happened, however, has been a more abrupt shutting off of the tap as boomers, many of whom lost ground in the stock and real estate markets, begin to reevaluate their situations. Many have found themselves standing at the edge of the precipice of retirement without a parachute.

Statistics aside, some would argue that boomers are still the wealthiest generation in history, and that their spending won't simply dry up, but will merely shift away from certain categories like electronics and housewares and toward others like travel and health services. And while this shift is already

taking place, there are other issues that are only now beginning to surface. One is that baby boomers are carrying record debt loads. Some of this debt resulted from refinancing real estate for other major purchases, paying for the kids' college tuition and assisting parents who were becoming infirm. In other cases, unforeseen medical expenses were to blame. Regardless of the cause, what is clear is that, at a time in their lives when boomers should have been squirreling money away, they were borrowing more.

So, while it is true that certain categories will experience monumental growth over the next 40 years as boomers continue to age, the economy as a whole will have to find a new workhorse. Boomers, for all intents and purposes, are done.

Taking up the mantle of consumerism for them is Generation X, the generation born between 1965 and 1984. The problem is that even by the most conservative estimates this generation is at least 15 percent smaller than the baby boomer generation, and hence is often referred to as the "baby bust." The generation's relatively small size, coupled with the rockier economic conditions that Gen Xers have faced throughout much of their work lives, have resulted in financial challenges. They have been deprived of many of the opportunities that boomers enjoyed, and now they suffer, waiting (im)patiently for their boomer bosses to retire. But it looks like that could be a while. In fact, in 2012, the percentage of the workforce working past age 65 hit an all-time high. All of this means more lost time (and opportunity) for Gen X. There should probably be a day each year where boomers send cards to Gen X to formally say they're sorry! Sorry for taking all the best jobs and making all the money before the music stopped.

Some argue, however, that Generation X may actually end up being the beneficiary of a colossal talent crisis as boomers leave the workforce over the next 20 years and the market struggles with small numbers of qualified candidates to take their place. However, one could easily argue that a large percentage of the jobs that boomers occupy today will

be eliminated in 10 years anyway; they will either be eliminated by technology or be outsourced. And I have to agree; many of these jobs are unnecessary today. For those reasons, I don't foresee the impending talent shortage that some do. So, short of arming the generation with limitless credit cards, the idea of Generation X saving the economy is actually somewhat of a mathematical impossibility. They simply cannot (and will not) spend with the same veracity that boomers did. And perhaps that's a good thing. That leaves Generation Y, or the Millennial Generation (as they're sometimes called).

Compared to Generation X, Gen Y is a huge generational cohort that has become almost mythical for its consumer prowess. By the mid 2000s, it was hard to attend a retailing conference that didn't have a number of workshops on how to tap this high-value consumer cohort—a cohort that was, by the numbers, spending 500 percent more than their parents did at the same age. By most accounts, members of Gen Y had more discretionary income than their parents, and were gaining an unusually early appetite for the finer things in life. And even if they weren't the ones making the purchase directly, they appeared to influence family buying patterns on everything from peanut butter to Porsches.

Gen Y, it seemed, was the one great hope for the economy. Regrettably, even the fortunes of Generation Y have not played out as hoped. In reality, Millennials appear to be caught in a crisis of their own. Because many of the generation's parents found it difficult to fund their children's educations, many Gen Y kids have had little choice but to borrow. According to American Student Assistance, in 2007–2008 lenders loaned \$19 billion in private student loans—an increase of 592 percent from a decade earlier. In fact, in each school year between 2000–2001 and 2006–2007, an estimated 60 percent of bachelor's degree recipients borrowed to fund their education. During the same time period, average debt per borrower rose 18 percent, from \$19,300 to \$22,700.

Perhaps even more frightening is that by 2008, half of all college students were carrying four or more credit cards and carrying record-high balances. But the most ominous of all is that a growing percentage of these loans are non-federal private loans by many of the same companies that were implicated in the subprime crisis.

The reality is that an alarming number of students are graduating with what amounts to small mortgages before they even begin working. And work is hard to come by—fully 50 percent of all American students graduating today with a bachelor's degree will find themselves unemployed or underemployed. It's a national crisis that could cause a decades-long hangover for us all.

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## **THE REVIVAL**

So, the unfortunate news for retailers is that this is by no means a mere recession. There is no neat and tidy recovery around the corner. There is no natural heir apparent to the baby boomer consumer. There is no one easily targetable group like the baby boomers out there to sell to. And unlike during the 1960s, there's no big fat homogenous segment in today's market. It just doesn't exist. The prototypical household that represented the big bull's-eye in the market is an increasing minority. In fact, today's consumer market comprises a myriad of lifestyles, family compositions, ethnic backgrounds and economic standings, and all of it seems to amount to less direct influence on who buys what. Identifying your "ideal target consumer" in this landscape is, as one of my most loved bosses used to say, like trying to "pick fly shit out of pepper." In other words, it's really hard!

What's making it even harder is that consumer attitudes, too, are in a state of flux. The fallout of 2008 has given us all reason to pause and take stock of our lifestyles, needs and economic frailty. For some this has meant cutting back

a little here and there. For others it has represented a wholesale change in the way they live. Even the tools we're using to measure our progress seem oddly antiquated in today's economy. The Consumer Confidence Index (instituted in the relative stability of 1967 for example, seems out of place today, in a world where catastrophic economic change can sweep from one side of the globe to the other in a matter of hours. Can consumers really be expected to project their future economic circumstances in a world moving so quickly? If our central bankers are unable to do so, how can the average consumer? Can they even be certain about their current state in a landscape that's shifting so dramatically?

In 2011, I interviewed author and social theorist John Gerzema, who had recently released his latest book entitled *Spend Shift*, which he coauthored with Michael D'Antonio. *Spend Shift* chronicles what John and Michael perceived as historic shifts in consumer behavior in the days following the 2008 financial crisis. In what he terms "the great unwind," John described to me what he sees as a hopeful horizon where consumers actually *take back* control of their behavior, holding themselves and the companies they do business with to higher business and social standards. It will be a time when responsible purchasing can mitigate the rampant consumerism that marked the boomer decades. His research pointed to a consumer who had become infinitely more mindful and considered in his or her purchasing behavior, and who had begun to anchor his or her brand choices to starkly different values than in years past. The more traditionally sought-after brand attributes of convenience, selection and price had begun, he found, to give way to new and deeper qualities like kindness, empathy and lasting quality. Consumers, it seemed, longed to return to a time when they could actually *like* the places they shopped and feel good about spending their money there.

There was one thing in particular from our conversation, though, that really stuck with me. John stated that while many were calling this post-crisis economic climate the *new normal*, he actually saw it as being the *old normal*. In John's mind, it was the last 50 years that were really more of an anomaly, relative to consumer behavior throughout the rest of history. This recession, in other words, wasn't causing a hiatus from consumerism; rather, it was reforming consumerism back to how it was intended to be: thoughtful, responsible and values based. Our very concept of capitalism, as he saw it, was shifting from being about consumers' desire for *more* to their preference for *better*.

For my part, I believe this is not a recovery at all but rather a revival—a revival of our values as consumers, our businesses as retailers and brands and a complete rethink of how the two harmonize in an entirely new era of consumerism. And unlike the recovery, which was spasmodic at best, the revival appears to be well underway and gathering steam—and brands that didn't sit idly by waiting for a recovery are leading the charge. Yoga and athletic apparel retailer Lululemon Athletica, for example, continues to take North America by storm. Nordstrom continues to post solid results and even in the darkest days of the recession, Apple still has a knack for getting massive crowds into its stores. While they are each very different companies, they have one important thing in common: a distinct and "own-able" position in their market based not on *mass*, but on *meaning*. For Lululemon it's an inspiring brand culture built around Eastern philosophy and yoga as a way of life. For Nordstrom it's an unwavering belief in quality service and the value of superior, transformative experiences, and for Apple it's about providing a place for people who want desperately to believe that they too are a little "different." Each of these organizations is as much a community as they are a brand or, as author Seth Godin might put it, a "tribe" unto themselves. These brands understand that they can no longer simply ride

a rising tide of population, credit and frenzied consumption. There is no excess, captive demand out there. Those days are gone. There's also no free pass to the future—in fact, the price of admission is extremely steep.

The brands that secure their place in the future will ultimately have to be trusted and loved—and above all, remarkable.