

# Female consumers in a recession – aka the Frugalistas



Euromonitor International

26 January 2009

Women across the world are responding to the recession through heightened thriftiness in their purchasing habits and the coining of the new term: “Frugalista”. Women's influence in making purchasing decisions is more important than ever, with many women extending their position as “Chief Purchasing Officer” to take in that of “Chief Thrift Officer” for the family. Women are being creative in order to keep up their fashion passions (through clothes swapping, going to charity shops etc.) and in order to keep their homes happy (through growing their own veg, for instance). Although Frugalistas are increasingly economical with budgets they are unwilling to give up what they consider as “vital luxuries”, particularly cosmetics. Indeed, Frugalistas are not sombre; they manage to combine frugality, fashion, family and environmental ethos and are very happy with the outcome – with negative blogs on the topic a rarity.

## Key trends

- The Frugalista;
- The family's “Chief Thrift Officer”;
- World War II skills;
- The Lipstick Effect.

## Commercial opportunities

- Advertise directly to the 'Frugalista' (“Embrace your inner domestic goddess!”);
- Advertise small indulgences: Consumers cut back on more expensive items and spend more on small indulgences in a recession (the “Lipstick Effect”);
- Increase budget brands for the essentials, not for luxury and personal care products;
- Concentrate more on advertising to women;
- Women are feeling the pressure of financial responsibility: advertise “stress-free” shopping, thriftiness, etc;
- Advertise low-priced, expensive-looking products (“No one will know how thrifty you are”);
- Induce a feeling of making amends for the materialistic excesses of recent years and learning how to appreciate things.

## Background

What started out as a banking crisis is now a worldwide financial crisis. Families are feeling the squeeze in mortgage bills, grocery bills, and credit card debt. Women, as the main financial decision-makers of nuclear families and in many single parent families and singleton households, are forced to come up with solutions to spend money wisely. Women across the globe are seeing the necessity of being prudent and are giving up some conveniences and entertainment outside the home, in favour of cocooning. Women are adapting to the smaller budgets they have, and are indeed embracing their thriftiness. Not all have enough spare cash to 'buy convenience' which means reduced ready meals, eating out etc. Competition among retailers is tough in an economic downturn. Retailers must, it seems, adapt to a new target consumer: The Frugalista.

## The Frugalista

The newest and biggest trend in consumerism since 2008 is the rise of the Frugalista. The Frugalista is a cash-poor, thrifty woman that is still keen on stylish consumerism and staying healthy. Frugalistas think of savvy ways of still being stylish and providing for themselves and their families. Frugalistas are not just cash strapped students but above all women over 35 that make spending decisions for their families and, according to the future editor of Shine.Yahoo.com (a website dedicated to female consumers), buy for 3-4 generations on a constant basis: “kids, nieces/nephews, their generation, and parents/grandparents”. One of the Frugalista's new-found shrewd ways is to swap. According to tabloid newspaper The Sun: “Swapping, it seems, is the new shopping.” Style exchange websites are mushrooming everywhere. The Sun declared the websites “look like fashion's biggest craze since eBay”. Indeed, the term is associated with being fashionable. One US online newspaper (Associatedcontent.com) entitled a January 2009 article: “How to be a Frugalista and other ways to be fashionable.” The same applies to the megatrend of staying in rather than going out: cocooning. Cocooning means that consumers are looking for alternative ways of entertainment at home, such as playing board games or computer games. Independent market research group, GfK, revealed in a January 2009 survey that G-rated (family) video games have sky-rocketed in Australia, up by 137% compared to 2008 despite the economic downturn.

The frugal attitude of women does not seem to have caught on among men. Psychologist Judy James commented to the online website of GMTV.com that the credit crunch “seems to be bringing out the Alpha Female 'warrior' side of women.” Women want to ensure that the home is as happy as ever, so they utilise their fiercely competitive and strategic skills. Men are taking more of a back seat.

If being frugal gives the impression of sobriety, this is not so, women are embracing thrift. One Frugalista interviewed by online newspaper The Daily Mail said: “I enjoy looking for clothes online and recently bought a designer leopard-skin dress, which would have been at least £200 new, for £25. That gives me such a buzz.” According to the ShanghaiDaily.com, young Chinese professionals are on a saving crusade, setting up all sorts of websites with saving tips. One website, for example, offers “Ten Mottos for the Financial Winter”, listing tips on how to avoid expenses linked to quitting your job, starting a business, buying a car, and having a baby.

Thrift has become so popular among women that the word “Frugalista” was even considered as the 2008 word of the year by the New Oxford dictionary as well as the American Dialect Society in Canada and the USA.

## **The family's “Chief Thrift Officer”**

The trend of the Frugalista will have a more far-reaching effect than one might think, considering that women are also the Chief Purchasing Officers for their families. Women in the role of the financial decision-maker has been an emerging trend in Western countries for some time. According to US consultants “She-conomy”, women made over 85% of the buying decisions in US households in 2008. This trend is also taking place in Asia. The Horizonkey.com survey of 2007 that studied the consumption patterns of Chinese women and the family found that women in China have the overwhelming say in family spending. This is the case whether the women earn more than their husbands or not. In families in which the wives earned a higher income, 86% of families said that women took control of the domestic finances. Taking control of the domestic finances means women decide on the family's monthly budget, what the money is spent on and when things are bought. In families where the husband is better paid, 90% of families said that the women make the budgeting decisions. Men earned more than women in about 69% of Chinese families.

Women all over the world are sharing ideas on how to be frugal when online shopping for family members. On US website “Cafemom.com”, where women swap tips under the flag of “Frugalistas Unite!”, blog contributions include statements such as “I love dressing my kids in nice clothes that I've found for US\$5 or less. It's become a hobby of mine.” Another blogger says enthusiastically “I am so full of ideas I can't wait for more Frugalistas to join the group!”

Since women make the purchasing decisions they also make the saving decisions. The position of the Chief Purchasing Officer has now been extended to include the position of Chief Thrift Officer.

## **World War II skills**

Amid the new austerity, World War II skills are back on trend. Growing your own produce, even if it is for economic reasons, is the craze of the moment, confirms UK newspaper The Guardian in 2008. The frugality has conveniently been combined with the issue of climate change and environmental awareness. Owning a farm – particularly amid the going green initiatives – is the trendiest way forward. Many celebrities such as Elizabeth Hurley and Julie Walters (although not as cash-deprived as the rest of the population) have taken to farming. But the motto is, if you can't own a farm then at least install a fruit and vegetable plot. Rich and poor are taking to this craze. A recent survey by American Express of its wealthiest customers (Centurion card holders) revealed that 11% had installed a fruit and vegetable plot. The firm predicts this will rise to a massive 40%. Women everywhere are growing their own vegetables and fruit and a (re)learning some cooking skills in order to save on readymade meals and eating out. Meanwhile, Germans, who have always been keen savers, are eagerly swapping “Grandmother's housekeeping tips”. German blogs are advising fellow “frugals” on how to use household products for cleaning and as natural medicines or how to mend old clothes.

The new do-it-yourself attitude towards cooking has triggered a rise in cookbooks and recipe-swapping. A new English cookbook by Rose Prince “The New English Table” has lots of recipes for leftover food. Online blogs and newspapers are awash with tips of how to recycle, reuse and reprocess things. Many of these tips refer to the skilful practices of women in the period of and following World War II in the 1940s and 1950s.

Not all consumers across the globe have to adopt new skills, however. Ever since the crisis in Asia in the 1990s – which was partly due to extended consumption – the Japanese, South Koreans and the population of Hong Kong have already acquired frugal ways. News provider Reuters therefore had a piece entitled “Frugal Asia to dodge much credit card beating”.

## The Lipstick Effect

Women sacrifice large expensive items but maintain their small indulgences – indulgences that one Frugalista referred to as “vital luxuries” on budgeting website Walletpop.com. Marketing experts describe this as the “Lipstick Effect”: In times of a recession, sales of lipstick rise. Beauty retail website feelingunique.com asked 1,000 women in the UK in 2008 about their shopping habits and revealed that nearly one in three female respondents would prefer to eat less than reduce their spending on “essential” beauty items. Women in the USA gave similar responses in a survey by ShopSmart. The survey showed that 67% of women would switch to less expensive brands for eggs and milk but only 30% would be willing to turn to cheaper cosmetics.

The Lipstick Effect means that women are willing to still dip deep in their pockets for luxury items in personal care. This implies that prestige products (scents, make-up, shampoo, etc.) are still much sought-after. Female consumers therefore seem to feel that products that can be hidden in the home (like staple foods) can be non-brand cheap products. A 2009 US report by Fitch confirmed this, stating “Consumers still appear willing to splurge on prestige items.” This has caused a huge wave of websites on how to be frugal but also keep up appearances. The Miami Herald, for example, has a sophisticated blog site named “The Frugalista Files – the frugal side of fabulous”, which has posts such as “The Cheap Chica”, “Frugal Fashionista”, and “The Frugalicious Fashionista”. These sites also include budgeting and debt management tips.

## Outlook

The financial crisis is expected to continue at least throughout 2009. The thriftiness of women will therefore be necessary in the short and medium term. It seems the shop-till-you-drop era has, for now at least, come to a close. This does not mean that retailers need despair, as The Daily Mail online stressed: “Saving money is big business these days”. Some retailers will have to alter their branding to appeal to the Frugalistas and competition will undoubtedly be tougher.

Some Frugalistas are embracing their new-found thriftiness so much that they are keen to continue living economically, even if the financial downturn ends. Another Frugalista interviewed for the Daily Mail said that “This isn’t a knee-jerk reaction to a trend – it is a long-term decision, and I think we will all be much more content if we can move away from rampant consumerism.” It is indeed possible that the downturn will change the attitude of a whole generation – or even the next too. Women are likely to pass on the newly acquired thriftiness and housework skills to their children.