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The changing consumer in the UK

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Abstract

For the UK, the 1980's was Margaret Thatcher's decade; the 1990's may be the decade of Europe. Thatcher's policies and her philosophy still have an impact on social and economic life. An examination is made of demographic changes, economic development, changes in consumption, changes in social attitude and changes in marketing channels that are taking place.

Wealth has become more evenly spread throughout society although the bottom is worse off. The UK consumer is becoming more cosmopolitan with increased preference being shown for food and drink from mainland Europe. Another shift is towards increased amounts of both time and money being spent on leisure and in the rapid adoption of new classes of consumer good. There is evidence of the "greening" of the economy but individuals only seem willing to take individual action to "green" their lifestyle for a financial incentive.

1. Introduction

For the UK the 1980's was Thatcher's decade, any analysis of the nation at this time is inevitably an analysis of something that she has played an enormous part in shaping and forming. From an economic perspective, the last decade has been like a roller coaster ride. Unemployment started low, rose to a painful high, then fell to one of the lowest in Europe. Inflation started high, came within a whisker of other EU levels then went up and down again. Growth dragged itself from the bottom of the growth league to world beating heights, ducked down again but is now one of Europe's best.

During this time of fluctuating change, the UK shifted closer to Thatcher's view of an enterprise culture. The privatisation of numerous state enterprises converted some one time drags on the economy into world class competitors, e.g. British Airways and British Steel. These factors have helped manufacturing productivity increase from one of the worst in the world (less than 2% in 1972–9) to one of the best (4% in 1979–93). It is also through privatisation that the number of shareholders in the UK has increased from 3 mill. in 1979 to 11 mill. in 1990. Other striking changes that have come about as a direct result of Thatcher policy have included a reduction in public spending from 44% to less than 40% of GDP, the collapse of Trade Union membership from 12 mill. to 8 mill., a reduction in the top rate of income tax to 40%, one of the world's lowest, and an increase in the percentage of people own-

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Table 1
Income distribution

After tax income range (£ sterling)	Earners (number in mill.)	Earners (%)	Value (%)
2,330– 4,999	4.6	20.4	6.4
5,000– 9,999	7.8	34.8	22.2
10,000–19,999	7.5	33.2	40.2
20,000 +	2.6	11.6	31.2
Totals	22.5	100.0	100.0

Source: Inland Revenue Survey of Personal Incomes, 1987–8.
London: Her Majesty's Stationery Office.

ing their own home from 56% to 67% (The Economist, 1990a).

Thatcher's policies certainly changed society but have consumer attitudes and behaviour changed in the same way? The remainder of this paper concentrates on confronting this issue. It will examine economic development, demographic changes, changes in consumption, changes in social attitude and include changes in the use of marketing instruments.

2. Economic development

The 1980's made the rich richer and the poor poorer. Despite real household disposable income per head increasing by more than a third between 1981 and 1991, there were still some winners and losers. In 1979 the top 20% of

households received 34% of total net income; by 1992 they were receiving 40%. The poor seem to have lost out in so far as their share of net income has dropped from 10% to 9% over the same time.

Income distribution (Table 1) indicates a profile of a developed economy with the bulk of employees and income being concentrated in the middle income levels. The high earners undoubtedly got richer as a direct result of the highest level of taxation falling to 40%.

Despite the gains at the top and losses at the bottom, wealth has become more evenly spread among the population. The top 1% have shown a significant drop in their share of marketable wealth from 31% to 18% over the period. This again reinforces the position of the middle class that is a reflection of a developed economy. But the least wealthy 50% share less than 18% of the nation's wealth.

A factor in this redistribution is the changed composition of the working population. Although the ageing of the population has taken men out of the workforce, this is compensated by the increasing number of working women, 43% of homemakers now working full or part time. Another striking change in the workforce is the increased number of self-employed, this being specially noticeable in females where the figure between 1979–1992 more than doubled. In 1980 there were less than 2 mill. self employed; by

Table 2
Economic variables

Variable	Year				
	1980	1983	1986	1989	1991
Inflation (Retail Prices% increase on previous year)	18.0	4.6	3.2	7.8	5.8
Wage Income received by households (Average earnings % increase on previous year)	n/a	2.5	6.3	7.3	4.7
Balance of Payments (Current Account – total for the whole year, £bill)	3.5	3.3	0.1	(21.7)	(6.3)
Consumer Expenditure (at 1990 prices, £bill)	155	187	243	330	350
Consumer Credit ^b (at 1991 prices, £bill)	13.4	18.8	30.1	48.9	53.6
Total Workforce (mill)	26.8	26.6	27.8	28.5	28.3
Government Employment (%) ^a	2.9	2.8	2.6	2.5	2.5
Unemployment (%)	6.4	11.6	11.1	6.3	8.1

^a Civil Service and Armed Forces.

^b Prior to 1987 figures exclude bank loans on personal accounts.

Source: Annual Abstract of Statistics, 129. London: Her Majesty's Stationery Office.

1990 there were over 3 mill. During the same time the number of females as part of this total rose from 357,000 to 761,000 (Central Statistical Office, 1991, p. 71).

The UK's sector employment is changing rapidly. For employment it has the smallest agricultural sector (2.3%) in the EU and one that is continuing to decline. This goes some way to account for the UK's aggressive stance on agricultural protection and EU subsidies. The UK is now entering the post industrial stage of its economic development with manufacturing, extraction and construction being replaced by a rapidly growing service sector, i.e. banking, medical and catering.

Table 2 illustrates the UK's switch back economy during the 1980's. Inflation fell steadily during the early years but began to rise dramatically again towards the end of the decade. Earnings remained higher than inflation throughout the time reflecting a steady rise in consumer expenditure. Despite the "laissez-faire" approach of the administration, Government spending continued to rise, partly due to the high level unemployment. The Balance of Payments started well but deteriorated.

Another major impact of government economic policy has been the declining influence of Trade Unions. Less than 50% of employees now belongs to a trade union and this number is declining (Millward, 1990). Part of the reason for this may be the reduced strength of Trade Unions in doing what people perceive to be their primary function, e.g. protecting jobs (30%), improving pay (29%) and working conditions (21%). Few workers in Britain now see trade unions as having broader industrial, political or social responsibilities.

3. Demography

Many who live in the British Isles are confused about its composition. Officially Great Britain (Britain) comprises the three nations of England, Scotland and Wales. The United Kingdom (UK) is Britain plus the six counties of Northern Ireland (NI). The UK's population of 57.2 mill. is

Table 3
Population projections

Group	Year		
	1980	1985	1990
Population (m)	56330	56618	57411
Age			
0–14 (%)	19.1	19.3	19.8
15–29 (%)	23.6	23.6	20.2
30–44 (%)	20.1	19.9	21.4
45–64 (%)	22.1	21.9	22.7
65+ (%)	15.6	15.0	15.9
England (%)	83.06	83.21	83.33
Wales (%)	5.00	4.97	5.02
Scotland (%)	9.22	9.07	8.89
N. Ireland (%)	2.72	2.75	2.76

Source: Central Statistical Office, 1991. Annual Abstract of Statistics 127, 6. London: Her Majesty's Stationery Office.

distributed unevenly across the four constituent parts, the breakdown being England 83.33%, Scotland 8.89%, Wales 5.02% and NI 2.76%. The population has grown slowly over the past ten years producing an increasingly ageing population (Table 3). This ageing population is a major market because of its size and potential influence.

The number of households in the UK in 1991 was 22 mill. This represented an average household size of 2.51 persons: a decline from 2.89 in 1971 and 2.71 in 1981. Household statistics show how family life cycles are changing (Table 4). Life is becoming more solitary. There is a rise in the number of one person households both above and below the pensionable age. In 1979 only 11% of all births were outside marriage; by 1989 the figure was 27%. A rise reflected in the increase in one parent households.

Those who marry have stretched the family life cycle. The average age of child bearing has risen from 26.2 years to 26.8 years and married couples with no children now outnumber those with. Married couples are trading their lives together before child bearing for their life together after their children have left home.

Over pensionable age many of the people are sole survivors living alone. This reflects the British trait of letting grandparents live alone and fend for themselves. Because of their long life, many

of these are old women (over 65) who constitute 53% of the 25% of head of households who are women. The tail end of this family life cycle has produced a rapid growth market for “granny farms”: private nursing homes where old people go when they are too old to look after themselves.

4. Consumption

The trend in expenditure on goods and services shows the effect of the increasing affluence of the last decade. The amounts spent on staple items such as food, energy, rent and rates have shown little increase while there has been substantial growth in expenditure on durable goods, clothing and services (Table 5). Reflecting the consumer optimism of the 80's, the increase in spending did not all come out of earnings. Between 1981 and 1991 savings declined from £22.62 bill./a to £13.6 bill./a, a collapse in the savings ratio (percentage of income saved) of 12.8% to 4.4%. At the same time, outstanding credit increased from £18.9 bill. to £48.1 bill. In this time the consumer switched from being a net lender to a net borrower (Central Statistical Office, 1992).

Table 4
Households by type: percentages

Group	Year			
	1961	1971	1981	1991
One person households:				
Under pensionable age (%)	4	6	8	10
Over pensionable age (%)	7	12	14	15
Two or more unrelated adults (%)	5	4	5	3
One family households:				
Married couple, no children (%)	26	27	26	28
1–2 dependent children (%)	30	26	25	20
3 or more dependent children (%)	8	9	6	5
Non dependent children only (%)	10	8	8	8
Lone parent with dependent children (%)	2	3	5	6
Non-dependent children only (%)	4	4	4	4
Two or more families (%)	3	1	1	1
All households	100	100	100	100

Source: Central Statistical Office, 1993. Social Trends 2, 41. London: Her Majesty's Stationery Office.

Table 5
Consumer expenditure

Category	Year			
	1980	1985	1990	1991
Durable goods (%)	9.7	9.3	10.1	10.6
Food (%)	16.9	14.1	12.0	12.0
Alcohol and tobacco (%)	10.6	10.4	8.7	9.1
Clothing and footwear (%)	7.1	6.9	5.9	5.7
Energy products (%)	7.9	8.5	6.4	6.8
Other goods (%)	10.5	10.5	10.8	11.5
Rent and rates (%)	11.6	12.6	11.3	11.6
Other services (%)	25.8	27.7	34.8	32.7
Total consumer expenditure at 1990 prices (£bill)	263	289	349	367

Source: Central Statistical Office, 1993. Annual Abstract of Statistics 129, 250. London: Her Majesty's Stationery Office.

The high interest rates used to bring down inflation therefore fell heavily on the consumer rather than the commercial sector (the net lender).

4.1. Housing

Much of the boom in consumer borrowing is in the private housing market, with private housing starts doubling between 1980 and 1988 (The Economist, 1992g). Besides making the UK a nation of householders and probably the best housed paupers in Europe, the distortion of the housing market has had other far reaching consequences. Firstly it has reduced the level of savings in other parts of the economy as there are few investments that are as tax efficient, certain and rewarding as private housing. Secondly, housing has provided a cheap source of credit since interest rates on loans to buy houses are low and can be for up to 100% of the value of the house. Finally, the country has a very active second hand house market with about 10% of houses changing hands each year. The British are geographically mobile but want to own a house to keep their tax free investments secure.

Britain's love affair with home owning may now be ending. The 1993 budget reduced tax relief on mortgages and falling house prices has left many people with negative equity (houses valued less than the borrowings used to buy them). The wealthy South East of England has been hit hard by this problem.

Table 6
Total consumption and consumption shares of non-durables, durables and other goods and services, 1980–1991

Year	Total Consumption (£bill)	Non-durables (%)	Durables (%)	Other goods and services (%)
1980	263	27.5	16.7	55.8
1983	276	25.4	16.2	58.4
1986	310	23.3	16.3	60.4
1989	355	20.6	17.0	62.4
1991	368	21.0	16.5	62.5

Source: Central Statistical Office, 1993 Annual Abstract of Statistics 129, 250. London: Her Majesty's Stationery Office.

4.2. Changing consumption

The changing pattern of UK consumption shows in the steady decline in the purchase of non-durable products and the increased use of services. The level of durable consumption has remained almost static as a proportion of total consumption over the decade (Table 6).

Food consumption has started to reflect medical views on healthy eating, in particular the perception that high cholesterol products such as red meat and eggs are detrimental to health. Cows are doing particularly badly, milk, butter and beef consumption are all down. Surprisingly, cheese, the other high cholesterol dairy product, is increasing in consumption. This may be due to the fashion for vegetarianism and the wider ranges of continental cheeses now consumed. Other than cheese, the growth areas have a distinctively healthy trend; up are poultry, fish, non animal oil and fat, along with salad vegetables.

The food trends also reflect the internationalisation of the UK consumption, the very rapid increase in imported processed vegetables and the major decline of tea in favour of coffee. At the current rate of convergence, coffee consumption will overtake tea shortly after the year 2000.

One area of consumption that indicates a Europeanisation of UK tastes is in the area of alcohol. The British still spend a smaller part of their expenditure (1.8%) on alcohol than do other Europeans. The traditional British beer has declined from 53% to 43% of the market over the

decade. Continental type lager beers and exotic beers are in favour. Whisky remains the dominant spirit but its share of the market has shrunk from 50% to 43%. The European wine has grown most in the alcoholic drinks market. The two sources that have always been the most popular in the UK, French and German, have shown an increase from 38% to 40% and 22% to 27% respectively over the decade.

Along with expenditure on alcohol, there are several other areas where Britain is among the lowest spenders in the world. These include personal care products, furnishing and food. Furnishing is an interesting case; although the British are well housed, their palaces are poorly furnished.

A final area in which the UK is a particularly low spender is personal health care that operates at the very low level of 1.5%. This probably reflects the impact of the National Health Service (NHS) which handles people's health needs. Oddly, for a system that seems to demand people spend so little themselves, the NHS is the least expensive health service in the developed world. It operates with a fraction of the doctors of any other developed country.

If the UK population is under spending in so many areas, where is it spending? The answer is: on fun. Particularly large amounts are spent on entertainment, the theatre, videos, gambling, recreation, buying recorded music, staying in hotels and eating out. These last two categories (12.7%) tend to balance the low expenditure on food. Much of the expenditure on catering is in public houses where "off sales" are the most profitable part of the business.

The UK car market is distorted by the population being split evenly between those whose employers provides a car and those who have to buy their own. The bargaining power of the corporate buyer forces the car dealers to seek particularly high margins from the individual buyer. This mechanism makes the UK one of the biggest spenders on personal transport in Europe (5.7%). The distorted market creates a thriving second hand car market, with cars having a very high level of interior fixtures and fittings in order for company purchasers to spend up to the specified

corporate limit. In this aspect, cars are the opposite of houses, plush on the inside and shabby on the outside.

A strong feature of the UK market is the rapidity with which the public have adopted new classes of consumer product. The country's love of entertainment may be why such products as teletext, video cassette recorders, compact disc players, camcorders and computer game machines are adopted so quickly by such an unaffluent market. But why did the microwave oven, in-car telephone and home computer diffuse so rapidly in the early stages of their life cycle? It does appear that the British consumer has a love of new gadgets comparable with that other island race, the Japanese. The only irony is that the Japanese make them and the British buy them!

5. Cultural environment

Despite the 80's emphasis on self interest and material gain there is a heightened concern for many social issues.

5.1. Natural environment

There is a high and increasing concern for ecological issues. Large percentages of the population consider issues such as nuclear waste (67%), industrial waste in rivers (75%), tropical rain forests (68%), acid rain (57%) and lead in petrol (45%) to be a serious hazard (Young, 1990). Where measurement has taken place this concern seems to be increasing.

Although there is concern it tends to be issue rather than knowledge based. For example people end up protesting at the disposal of low level nuclear waste that has the radio active emission of an illuminated clock face or expressing concern about synthetic pesticides when the average person consumes 10,000 times more naturally occurring cancer producing substances (Fishlock, 1990).

There is a stark contrast between the active concern shown for individual as opposed to institutional hazards. Lead in petrol had been a major issue in the early 80's but there was only a limited

take up of lead free petrol before the Government gave the product a tax concession and reduced prices. Even with this incentive only 25% were running lead free by 1990. There is a general attitude towards intervention to prevent ecological damage by industry and modern farming in the belief that "something should be done". In power generation, which brings together many ecological concerns, about half the population support "making do with what we have" (44%) rather than more coal (37%) or nuclear (very unpopular) power stations.

In contrast to the antipathy towards nuclear power generation, a stable majority of the UK population believes that the UK should keep a nuclear deterrent (77%). Most believe that the weapons make Britain a safer place (55%); their view of US nuclear weapons is the opposite, 55% think that they make the UK less safe.

5.2. Physical and mental health provision

There were two dimensions to the concern shown over health matters in Britain, firstly, the health service and, secondly, self help. The National Health Service is much esteemed by the British. The low consumer expenditure on health shows their trust in it (The Economist, 1990b, p. 104).

Changes in consumption show how some consumers are helping their own health. In the UK deaths from lung cancer are 102 for males and 41 for females per 100,000 of the population; one of the highest in the world (The Economist, 1990b, p. 143). The link between smoking and cancer is well known but, although the numbers smoking are declining, smokers maintain a similar level of consumption. In contrast deaths from cirrhosis of the liver, caused by drink, the other consumer vice, reflect the UK's relatively low alcohol consumption. At 6.3/100,000 for men and 4/100,000 for women they are some of the lowest in the world.

5.3. Women's movement

Despite the large proportion of working women in the UK labour force, society has very strong

views on a woman's role. In a five nation study (Britain, USA, Republic of Ireland, Netherlands and Hungary) 64% of British respondents agreed that a woman should not work but stay at home until any child born to the family has reached school age (Scott, 1990). This represented the highest figure in the study but was complemented by 68% of Britons believing that women should start work once their children were at school. The strength of these views does not reveal how quickly the attitude has changed. In 1980 67% of people agreed that a wife's job was to look after the family but in 1989 only 31% thought so. The view that "a job is all right, but what a woman really wants is a home and children", fell from 66% to 39%. These changes show in the large gap between the views of younger and older women.

6. Macro marketing mix

6.1. The product

The last decade has seen two shifts in the products consumed: the increased consumption of conspicuous luxury goods (The Economist, 1992h) and the greening of the consumer.

Despite being less wealthy and populous than other leading nations, at 9% of world sales Britain's share of luxury goods' purchases is high. Two forces drive the sale of these positional goods that are valued because of their expense, not despite it. Those at the top of Britain's class structure buy and display products that, by "in-

vidious comparison", show they are a class above the rest. Many of these goods – often sported by the royal family – have rural associations, for example Purdey shotguns, Range Rovers, Barbour jackets, Hermes head scarves, etc.

"Pecuniary emulation", or the signalling of group membership, produces a drive for luxury goods among the new rich who were such a feature of the 1980's. Their desired products are much more conspicuous and urban: Porsche, Rolex or Cartier watches, Mont Blanc pens, etc. The differences in the two groups of luxury goods show a general trend in British traditions and tastes in a way that new money does not. Like other anglophone cultures, the new British consumers show remarkably little preference for domestically produced goods. The pantries, homes and roads of Britain are therefore becoming increasingly European or even global.

The growth in luxury demand contrasts with the shift towards greener and healthier products. This new awareness was championed by The Body Shops, a retail chain that has grown from the South East of England to achieve global status over the past decade. Other prime drivers in this movement have been Marks and Spencer, and Sainsbury's, Britain's two leading retailers that are family driven and possess a puritanical streak.

Packaging trends reflect environmental concerns. While expenditure on packaging has grown over the decade its share of GNP has declined (Table 7). The use of lighter and more energy efficient plastic has increased by an average of 5–6% per annum while the use of more traditional glass and metal is down (by 2.7% and 1.6%

Table 7
Marketing expenditure

Year	Expenditure (£mill)			Share of GNP ^a (%)		
	Packaging	Advertising	MR ^b	Packaging	Advertising	MR ^b
1980	7,214	4,914	134	1.90	1.30	0.03
1985	7,897	6,148	181	1.90	1.48	0.04
1990	8,418	7,885	265	1.75	1.64	0.05
1992	9,204	7,825	293	1.78	1.51	0.06

^a Gross National Product

^b Marketing Research

Source: The Marketing Pocket Book 1994, 71, 96–7. London: The Advertising Association and The Advertising Association's Advertising Statistics Yearbook 1993, Table 2.1, 3.1.2. London: The Advertising Association.

pa respectively). Renewable sources of packaging material show growth: board up an average of 1.5% per annum and wood 2.4% (The Advertising Association, 1992).

6.2. Pricing

There is a belief that the price sensitivity of the British consumer is changing. Whereas the 80's showed consumers increasingly willing to spend in high price speciality outlets, the move is now towards bulk, self-help shopping. This is reflected in the increased penetrations of retailers like Aldi and IKEA, and discount chains like Superdrug, who have recently taken to selling luxury toiletries and cosmetics. This shift is also stimulating the growth of direct selling operations like Dell computers and First Direct banking.

Price sensitivity is also shown by the continued growth in own brands – again a trend led by Sainsbury's and Marks and Spencer. Over the past decade the relative market share of retailers' brands has increased in almost all grocery product areas. This trend towards own brands is changing. The German Aldi chain, American style warehouse clubs and a new breed of price fighting grocers sell manufacturers' brands. Grocers like Food Giant and Low Cost have little range, concentrate on bulk purchases but are clean and efficient. Their simple operations have the economics of the earlier price fighters, like Shopper's Paradise and Kwiksave, but in an environment more attractive to the mass market.

Price fighting is extending to culture, too. For generations Penguin Classics have dominated the highbrow market for classical literature. Wordsworth Classics then started selling their series – ranging from Homer, through Flaubert and Shakespeare, to Thackeray's thousand page tomes – for 99p in supermarkets. They now sell in book stores and have forced Penguin to slash some of their prices. Tring is doing similarly with boxed sets of CDs.

6.3. Distribution

The last two decades have seen a rapid decline in the number of retail outlets and a growing

Table 8
Retail Trade

Sector	Sales in £mill			
	1980	1985	1990	1991
Food	22.4	32.9	48.5	52.1
Large store share	66.5%	73.9%	79.0%	79.8%
Clothing and Footwear	5.5	8.6	12.2	12.3
Large store share	52.9%	59.5%	62.4%	62.1%
Household Goods	9.3	14.7	22.7	23.8
Large store share	48.2%	55.2%	56.2%	57.7%
Other Non-Food	10.0	15.7	24.0	24.9
Large store share	34.2%	35.9%	37.7%	38.1%
Mixed	10.9	15.9	21.4	21.8
Large store share	72.4%	75.4%	78.8%	79.0%

Source: Central Statistical Office, 1993. Annual Abstract of Statistics, 129, 218. London: Her Majesty's Stationery Office

percentage being taken by large retailers (Table 8). The grocery sector has seen particularly rapid change. In 1960 there were 142,000 outlets with only 26% of sales being through the multiples. The noticeable trend has been in the change in the type of retail space. Although the percentage of sales by multiple has been increasing by 1.6% per annum, the number of multiple stores has been declining at 4.2% per annum. This reflects the growth in hyper markets. This shift is from numerous downtown independent stores to out of town "sheds" owned by multiples. The UK has the most highly concentrated retail trade in the EU; the top 2% of shops account for 53% of commodity turnover while the top 10% account for 84% (The Advertising Association, 1990: 129). Food remains the largest retail sector (£49b) although in growth rate (2.9%) is significantly behind that for clothing (5.8%) and household goods (7.2%).

6.4. Marketing research

Britain continues to be Europe's biggest spender of bought-in marketing research (Table 7). However, this could be because British firms prefer to buy in research rather than doing it themselves. The major growth in recent years has been in the availability and use of geodemo-

graphic data bases. Pioneering CACI is now joined by CNN and other smaller operators.

6.5. Promotion

Over the last decade advertising expenditure has increased from 1.30% of GNP to 1.51% of GNP. This increase is across all the media (Table 9) but, befitting Britain's TV oriented society, the rate of growth on TV has been greater than elsewhere. Other growth areas are radio advertising (a very limited medium owing to predominance of the public BBC radio channels) and direct mail. Cinema advertising produced a small growth despite a long term trend away from cinema attendance.

The largest growth sectors have been the non traditional advertisers such as charities, education, entertainment, finance, institutional and industrial; all doubled their expenditure during the 1980's. The general economic trend towards services shows in the areas of growth in advertising.

Sponsorship of the Arts has continued to grow throughout the decade making the dramatic jump from £600,000 in 1976 to £33 mill. now. This rise could be a direct result of government funding being linked to the amount of external income raised. Sports sponsorship has grown less quickly but from the much higher base of £84 mill. in 1982 to £200 mill. in 1989. For individual sports the level of support has been sporadic. For example, in 1985 motor racing dominated the sponsorship stakes with £45 mill. but by 1989 the leading sport was horse racing with a much smaller £17 mill. (The Advertising Association, 1990, p. 96).

Thus far the new media of teletext, satellite and cable TVs have had little impact on the overall advertising spend. The reasons for this are relatively straightforward. Although Teletext is in 32% of British homes it lacks the impact of conventional forms of promotion. Cable and satellite TVs are clearly compatible with broadcasting in their impact but by the end of 1991 they were in only 1.57 m and 4.28 m homes respectively.

Surprisingly the promotional medium showing the greatest growth is one of the oldest: exhibi-

tions. They have grown from about £10 mill. in 1981 to over £600 mill. in 1991. This reflects how serious consumption is in the UK. Whereas most promotion runs piggy back on entertainment, it appears that exhibitions have become *the* entertainment.

The eighties saw major changes in the UK advertising and marketing scene. The rise of Saatchi and Saatchi dominated the decade. The Saatchis' meteoric rise to being Britain and the world's leading international advertising agency was accelerated by the handling of the Conservative party campaigns that brought Mrs Thatcher into power. The Saatchis have grown by advertising excellence, the acquisition of an American advertising agency, then by borrowing money for another acquisition to become a service conglomerate. Another organisation that made rapid progress was WPP (run by an ex Financial Director of Saatchi and Saatchi) which grew from being a manufacturer of supermarket trolleys to the owner of another highly geared service conglomerate owning J Walter Thompson, and Ogilvy and Mather. For a while the heart of the advertising world was wrenched from Madison Avenue, NY, to Berkeley Square, London. Now Thatcher, Saatchis and WPP are all down along with the retail chains that comprised the other half of the eighties boom, e.g. Next, Storehouse and Burtons.

Table 9
Major advertising trends

Media	Expenditure in £ sterling millions	Rate of change ^a
Press	2,938	5.0
TV	2,478	7.7
Direct mail	945	6.3
Poster and transport	284	5.4
Radio	154	4.9
Cinema	45	3.0

^a Annual average percentage rate of change: 1981-92.

Source: The Marketing Pocket Book 1994, 73, 81. London: The Advertising Association.

7. The future

7.1. *Economic development*

The short term economic prospects for Britain are good. Interest rates and inflation are at record lows and the economy is growing. The UK is again close to the bottom of the misery index (The Economist, 1992a).

In the medium term it is hard to see what the economic developments will be, but the economy should grow increasingly close to that of the rest of Europe. Due to moving closer to EU targets for inflation there are likely to be major shifts in the investment behaviour of the UK population. One consequence is already showing with the saving ratio quickly adjusting to take into account the low optimism of consumers and interest rates that induce people to save rather than spend.

This shift could represent a major long term change as the burst of high inflation that made borrowing for house purchase so profitable has (hopefully) become a thing of the past. The normalisation of the house market and tax relief on long term deposits (TESSA) and personal equity plans (PEP) will make personal investment less housing based.

Within the next decade demographics and economic factors will become increasingly linked through private pension schemes maturing as the population ages (The Economist, 1992b,c). Unlike for most other industrialised nations, much of the pension provision is through state specified and regulated investments that are managed by the private sector. The huge inflow of funds that this has caused has been one reason for the City of London's growth in importance as a centre of finance in recent years. As the population ages this huge inflow will become an outflow into consumption, so reducing the importance of London as a centre of global finance.

Because of these private pension schemes the financial impact of this ageing population will be very different to that in other developed economies. While most countries will have to raise their taxes on the working population to pay pensions, most of the British burden will come from liquidating investments. At the same time

major sources of funds will occur when the houses of the oldest members of the population pass on to the next generation who are themselves close to retiring age (The Economist, 1991a).

7.2. *Demography*

The ageing of the UK population is a major factor in any assessment of future trends. The older working population (45–64) will gradually rise until 2011. After that, it will fall. The younger pensionable population (65–79) will remain fairly stable for the next 20 years or so (Central Statistical Office, 1991, p. 24). One of the implications of this is that many of the population will be receiving the estates of their parents while they are in their 40–50's. The Economist (1991a) estimates that property transfers between generations will rise from £16 bill. in 1990–91 to £25 bill. in 1999–2000.

Another factor affecting the older end of the population is the recent European Court ruling on occupational pensions. This has implications for the UK where the state pensions go to men at 65 but to women at 60. Coinciding with the EU initiative a Social Security Advisory Committee to the UK's Department of Social Security recommendations will bring the retiring age of women into line with that of men. This will give a wind-fall of £3.5 bill. to the Treasury (Financial Times, 1992a). However before the Government starts to rejoice it must recognise that any impact of this change will be diluted by many over 55's who have already removed themselves from the labour market. O.E.C.D. figures show that 33% of men between the age of 55–64 are out of work. The explanations put forward for these high figures are the attractive redundancy packages and pension schemes encouraging people to opt out of work (Financial Times, 1992b). The critical issues that arise from this are, firstly, the under utilisation of what is in reality a highly skilled part of the labour force. Secondly, there appears to be little need to raise the retirement age as people are currently opting out of their own volition. Thirdly, there is a hidden cost of industrial restructuring with skilled people being prematurely retired and not re-employed. Some retailers have

begun to counter this trend by deliberately recruiting older personnel from this age bracket.

7.3. *Consumption*

It is likely that Britain will continue to become increasingly service oriented. There are also signs that the consumer is becoming more independent: package holidays are in decline as people travel independently especially to exotic locations and for long haul vacations (The Economist, 1992d) and consumers are more willing to take advantage of discount services such as groceries, furniture and consumer electronics by either mail order or large discount warehouses.

Dominant retailers are becoming a surprisingly powerful influence on the British taste (Financial Times, 1992c). In particular Sainsbury's and Marks and Spencer's combination of respectability, innovativeness and market power have an increasing sway over the British palate. Not only do these follow the lead taken by entrepreneurial producers but frequently use their massive marketing muscle to accelerate the diffusion of new ideas. Among recent successes have been the launch by Marks and Spencer of budget priced pre-mixed cocktails and Sainsbury's sale of specialist French dairy products. The strengths and successes of these retailers are of increasing concern to major manufacturers such as Procter and Gamble (The Economist, 1992e), who are battling to re-establish their direct links with the consumer. It looks as if major retailers are shaping up for a battle that is likely to alter the Value Chain as we know it.

7.4. *Cultural environment*

The people of the UK seem set to spend an increasing part of their income on services and, in particular, entertainment. This is true for popular entertainment (taxed) and the arts (subsidised). Following his election one of Prime Minister Major's first acts was to appoint a "Minister of Fun". An outcome of this will be the UK's relatively late introduction of a state lottery, the proceeds of which will support the arts and sport.

7.5. *Macro marketing mix*

7.5.1. *Product*

Quality is becoming a commodity and the speed of following such that it is increasingly difficult for companies to differentiate. Even major brands are now challenged by smart new competition, for example, IBM and Mercedes in the US market. This suggests a general uniformity in mass markets where only the cost leader or nicher can survive. In Britain the move towards uniformity will become increasingly pronounced as industry rationalises and the European Community has a few dominant firms in each sector rather than a network of favoured national suppliers.

7.5.2. *Prices*

Except for luxury goods, marketers find it increasingly difficult to maintain price differentials above the competitors. Unless markets become protected, it is hard to see how this pattern will break. But within the EU the price differentials from country to country are currently so wide that there must be some massive realignments in Britain and elsewhere. A few examples show how wide the gaps are. In Britain petrol, television, raincoats, butter and many other products are the cheapest in Europe. All the differences are not small: in Paris, Madrid and Lisbon the price of butter is twice that in London; in Amsterdam, Athens and Madrid TVs cost twice the price; the poor Berliner pays more than three times the London price for his raincoat.

The price differences are not all one way. The "Brit." could buy his or her entrecote steak for 41% of the UK price in Athens; whisky at 42% of the price in Rome; wine at 35% of the price in Madrid and beer 31% of the price in Lisbon. No wonder the British are such a sober lot (The Economist, 1992i).

7.5.3. *Distribution*

Major developments in retailing which started in the 80's have continued, these being the formation of edge of town complexes particularly involving bowling alleys, cinemas, fast food and American style diners. These are often at motor way intersections and parallel other retail devel-

opments at airports, railways and other transport nodes. Two out of town retail formats have developed, firstly, retail sheds with large car parks (Fosse Park, Leicester) and, secondly, integrated covered shopping complexes such as Meadowhall, Sheffield. Most of these initiatives have led to the decline in the traditional city centre shopping areas in the surrounding towns or cities.

Recently seven day trading and long shopping hours have become common. This trend will cause increased retail concentration with the local convenience stores (run largely by the Asian community) facing stiff competition (The Economist, 1992f).

The trend towards the depersonalisation of products and services is likely to continue: the National Westminster Bank has recently joined the Midland to provide branchless banking and more food is being consumed in fast food joints rather than pubs. A polarisation appears to be occurring between mass produced goods – be they expensive or cheap – bought as quickly and conveniently as possible, while luxury services provide increased amount of direct services, e.g., private medical care and schools, restaurants, etc.

7.5.4. Promotion

Narrow casting (satellite TV and cable) has so far had little influence on broadcasting but there is clearly a revolution on the way. Deregulation has led to projections that by the year 2000 cable and satellite receivers will be in more than half the homes in the UK (Zenith Media, 1992). This may have an impact on the BBC whose “poll tax” based funding becomes increasingly difficult to defend while audience figures decline in the face of increased competition.

Technology will continue to stimulate a proliferation of both printed and electronic media. This is likely to cause a reduction in the cost of individual advertising slots but it will make it increasingly complicated for advertisers to contact a broad target market. Communication with the final consumer is likely to become even more difficult for the producers; direct advertising becoming less reliable and retailers using their power to demand nothing but value based promotions.

Changes in promotional expenditure are putting brands at risk. Marketers now spend more on sales promotions than advertising with value based promotion being used far more widely than image building.

8. Conclusion

The Thatcher decade was something that people either loved or hated. The far reaching impact of her policies on both young and old is unquestioned. The UK consumer is, however, perverse. Mrs Thatcher's political policies faced consumer trends in the opposite direction. Her antagonistic attitude towards Europe fought trends towards increased consumption of European food and drink. Her emphasis on hard work and increasing productivity is being matched by increased spending on leisure. The Government's move to reduce tax flies against a desire of the population to see others pay more tax. Her alignment with the family and the traditional role of a housewife was matched by an increase in divorce and a rise in single parenting.

After the economy going through fundamental changes, the UK stands poised but unstable waiting for the next move. In the 1980's, Thatcher's will shaped the nation. John Major is as weak as she was strong. While she battled on the world scene, he is embattled at home. Major is European but a small but powerful part of his party is not. Major's small majority in parliament means that a few awkward politicians could control the agenda. But, whatever the politicians do, the 1990's are likely to see the British consumer becoming more and more European. Britain's minds may be unwilling but their wallets and stomachs are not.

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