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## TRADE UP OR TRADE DOWN FOR BUSINESS SUCCESS

In an age of mass differentiation and low cost chic, there has never been a worse time to be stuck in the middle. Consumers are abandoning mid-range products in their droves, often opting for cheaper alternatives and saving up to buy the occasional luxury. At one end of the scale thrifty customers are cutting costs by buying supermarket own brand goods, whilst at the other end easy access to credit makes it possible to trade up to a BMW rather than settle for a Ford Mondeo.

### The Low Cost Revolution

Throughout numerous consumer sectors, there are companies specialising in low cost goods and services. Everything from food to flights and cars to clothes can be bought at very low prices. As cost-focussed companies get bigger, they continue to find ways to reduce overheads in their operations and squeeze suppliers for better deals. Consumers are also changing their attitudes to low cost goods. Film stars and fashion models are setting the trend of low-cost chic, happy to wear value clothes alongside their premium brands.

However the low-cost sector is largely driven by economics. Increases in living expenses, debt and taxation are stretching the purse strings of the middle classes and forcing them to abandon their loyalty to mid-range products in favour of low-cost bargains.

### Luxury For All

In an increasingly globalised society, consumer aspirations for luxury goods and services have become much more demanding. The 'spend now, save later' celebrity fuelled culture encourages us to treat ourselves to products that signify individuality, success and status. By becoming more affordable and easier to access, exclusive brands are cashing in on increased consumer demand, buoyed by changing lifestyles and easy credit.

### How Should Mid-Range Brands Respond?

Businesses selling mid-range products and services should not be blamed for feeling the pressure -- with low cost and luxury brands squeezing from both ends. In certain markets, this pressure will be less extreme, whilst in others it could mean being forced out of business. One option to counter the threat is to decide to trade up and become a premium brand or trade down to become low cost. How effective this strategy is will depend on the market and the company's ability to change its business model and alter customer perceptions.

Another option is to launch completely new brands into the premium and low-cost sectors, a strategy frequently employed in the automotive and airline industries over recent years. Alternatively it may be more cost-effective to take-over competitors already operating in these sectors.

Whilst the writing is not on the wall for mid-range brands just yet, the outlook is becoming increasingly competitive and businesses will need to be much more innovative in finding ways to differentiate themselves.