

But Will It Make You Happy?

by Stephanie Rosenbloom Monday, August 9, 2010

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She had so much. A two-bedroom apartment. Two cars. Enough wedding china to serve two dozen people.

Yet Tammy Strobel wasn't happy. Working as a project manager with an investment management firm in Davis, Calif., and making about \$40,000 a year, she was, as she put it, caught in the "work-spend treadmill."

So one day she stepped off.

Inspired by books and blog entries about living simply, Ms. Strobel and her husband, Logan Smith, both 31, began donating some of their belongings to charity. As the months passed, out went stacks of sweaters, shoes, books, pots and pans, even the television after a trial separation during which it was relegated to a closet. Eventually, they got rid of their cars, too. Emboldened by a Web site that challenges consumers to live with just 100 personal items, Ms. Strobel winnowed down her wardrobe and toiletries to precisely that number.

Her mother called her crazy.

Today, three years after Ms. Strobel and Mr. Smith began downsizing, they live in Portland, Ore., in a spare, 400-square-foot studio with a nice-sized kitchen. Mr. Smith is completing a doctorate in physiology; Ms. Strobel happily works from home as a Web designer and freelance writer. She owns four plates, three pairs of shoes and two pots. With Mr. Smith in his final weeks of school, Ms. Strobel's income of about \$24,000 a year covers their bills. They are still car-free but have bikes. One other thing they no longer have: \$30,000 of debt.

Ms. Strobel's mother is impressed. Now the couple have money to travel and to contribute to the education funds of nieces and nephews. And because their debt is paid off, Ms. Strobel works fewer hours, giving her time to be outdoors, and to volunteer, which she does about four hours a week for a nonprofit outreach program called Living Yoga.

"The idea that you need to go bigger to be happy is false," she says. "I really believe that the acquisition of material goods doesn't bring about happiness."

While Ms. Strobel and her husband overhauled their spending habits before the recession, legions of other consumers have since had to reconsider their own lifestyles, bringing a major shift in the nation's consumption patterns.

"We're moving from a conspicuous consumption — which is 'buy without regard' — to a calculated consumption," says Marshal Cohen, an analyst at the NPD Group, the retailing research and consulting firm.

Amid weak job and housing markets, consumers are saving more and spending less than they have in decades, and industry professionals expect that trend to continue. Consumers saved 6.4 percent of their after-tax income in June, according to a new government report. Before the recession, the rate was 1 to 2 percent for many years. In June, consumer spending and personal incomes were essentially flat compared with May, suggesting that the American economy, as dependent as it is on shoppers opening their wallets and purses, isn't likely to rebound anytime soon.

On the bright side, the practices that consumers have adopted in response to the economic crisis ultimately could — as a raft of new research suggests — make them happier. New studies of consumption and happiness show, for instance, that people are happier when they spend money on experiences instead of material objects, when they relish what they plan to buy long before they buy it, and when they stop trying to outdo the Joneses.

If consumers end up sticking with their newfound spending habits, some tactics that retailers and marketers began deploying during the recession could become lasting business strategies. Among those strategies are proffering merchandise that makes being at home more entertaining and trying to make consumers feel special by giving them access to exclusive events and more personal customer service.

While the current round of stinginess may simply be a response to the economic downturn, some analysts say consumers may also be permanently adjusting their spending based on what they've discovered about what truly makes them happy or fulfilled.

"This actually is a topic that hasn't been researched very much until recently," says [Elizabeth W. Dunn](#), an associate professor in the psychology department at the University of British Columbia, who is at the forefront of research on consumption and happiness. "There's massive literature on income and happiness. It's amazing how little there is on how to spend your money."

Conspicuous consumption has been an object of fascination going back at least as far as 1899, when the economist Thorstein Veblen published "The Theory of the Leisure Class," a book that analyzed, in part, how people spent their money in order to demonstrate their social status.

And it's been a truism for eons that extra cash always makes life a little easier. Studies over the last few decades have shown that money, up to a certain point, makes people happier because it lets them meet basic needs. The latest round of research is, for lack of a better term, all about emotional efficiency: how to reap the most happiness for your dollar.

So just where does happiness reside for consumers? Scholars and researchers haven't determined whether Armani will put a bigger smile on your face than Dolce & Gabbana. But they have found that our types of purchases, their size and frequency, and even the timing of the spending all affect long-term happiness.

One major finding is that spending money for an experience — concert tickets, French lessons, sushi-rolling classes, a hotel room in Monaco — produces longer-lasting satisfaction than spending money on plain old stuff.

"It's better to go on a vacation than buy a new couch' is basically the idea," says Professor Dunn, summing up research by two fellow psychologists, Leaf Van Boven and Thomas Gilovich. Her own take on the subject is in a paper she wrote with colleagues at Harvard and the University of Virginia: "If Money Doesn't Make You Happy Then You Probably Aren't Spending It Right." (The Journal of Consumer Psychology plans to publish it in a coming issue.)

Thomas DeLeire, an associate professor of public affairs, population, health and economics at the University of Wisconsin in Madison, recently published research examining nine major categories of consumption. He discovered that the only category to be positively related to happiness was leisure: vacations, entertainment, sports and equipment like golf clubs and fishing poles.

Using data from a study by the National Institute on Aging, Professor DeLeire compared the happiness derived from different levels of spending to the happiness people get from being married. (Studies have shown that marriage increases happiness.)

"A \$20,000 increase in spending on leisure was roughly equivalent to the happiness boost one gets from marriage," he said, adding that spending on leisure activities appeared to make people less lonely and increased their interactions with others.

According to retailers and analysts, consumers have gravitated more toward experiences than possessions over the last couple of years, opting to use their extra cash for nights at home with family, watching movies and playing games — or for "staycations" in the backyard. Many retailing professionals think this is not a fad, but rather "the new normal."

"I think many of these changes are permanent changes," says Jennifer Black, president of the retailing research company Jennifer Black & Associates and a member of the Governor's Council of Economic Advisors in Oregon. "I think people are realizing they don't need what they had. They're more interested in creating memories."

She largely attributes this to baby boomers' continuing concerns about the job market and their ability to send their children to college. While they will still spend, they will spend less, she said, having reset their priorities.

While it is unlikely that most consumers will downsize as much as Ms. Strobel did, many have been, well, happily surprised by the pleasures of living a little more simply. The Boston Consulting Group said in a June report that recession anxiety had prompted a "back-to-basics movement," with things like home and family increasing in importance over the last two years, while things like luxury and status have declined.

"There's been an emotional rebirth connected to acquiring things that's really come out of this recession," says Wendy Liebmann, chief executive of WSL Strategic Retail, a marketing consulting firm that works with manufacturers and retailers. "We hear people talking about the desire not to lose that — that connection, the moment, the family, the experience."

Current research suggests that, unlike consumption of material goods, spending on leisure and services typically strengthens social bonds, which in turn helps amplify happiness. (Academics are already in broad agreement that there is a strong correlation between the quality of people's relationships and their happiness; hence, anything that promotes stronger social bonds has a good chance of making us feel all warm and fuzzy.)

And the creation of complex, sophisticated relationships is a rare thing in the world. As Professor Dunn and her colleagues Daniel T. Gilbert and Timothy D. Wilson point out in their forthcoming paper, only termites, naked mole rats and certain insects like ants and bees construct social networks as complex as those of human beings. In that elite little club, humans are the only ones who shop.

At the height of the recession in 2008, Wal-Mart Stores (NYSE: [WMT - News](#)) realized that consumers were "cocooning" — vacationing in their yards, eating more dinners at home, organizing family game nights. So it responded by grouping items in its stores that would turn any den into an at-

home movie theater or transform a backyard into a slice of the Catskills. Wal-Mart wasn't just selling barbecues and board games. It was selling experiences.

"We spend a lot of time listening to our customers," says Amy Lester, a spokeswoman for Wal-Mart, "and know that they have a set amount to spend and need to juggle to meet that amount."

One reason that paying for experiences gives us longer-lasting happiness is that we can reminisce about them, researchers say. That's true for even the most middling of experiences. That trip to Rome during which you waited in endless lines, broke your camera and argued with your spouse will typically be airbrushed with "rosy recollection," says Sonja Lyubomirsky, a psychology professor at the University of California, Riverside.

[Professor Lyubomirsky](#) has a grant from the National Institute of Mental Health to conduct research on the possibility of permanently increasing happiness. "Trips aren't all perfect," she notes, "but we remember them as perfect."

Another reason that scholars contend that experiences provide a bigger pop than things is that they can't be absorbed in one gulp — it takes more time to adapt to them and engage with them than it does to put on a new leather jacket or turn on that shiny flat-screen TV.

"We buy a new house, we get accustomed to it," says Professor Lyubomirsky, who studies what psychologists call "hedonic adaptation," a phenomenon in which people quickly become used to changes, great or terrible, in order to maintain a stable level of happiness. Over time, that means the buzz from a new purchase is pushed toward the emotional norm. "We stop getting pleasure from it," she says. And then, of course, we buy new things.

When Ed Diener, a psychology professor at the University of Illinois and a former president of the [International Positive Psychology Association](#) — which promotes the study of what lets people lead fulfilling lives — was house-hunting with his wife, they saw several homes with features they liked.

But unlike couples who choose a house because of its open floor plan, fancy kitchens, great light, or spacious bedrooms, Professor Diener arrived at his decision after considering hedonic-adaptation research.

"One home was close to hiking trails, making going hiking very easy," he said in an e-mail. "Thinking about the research, I argued that the hiking trails could be a factor contributing to our happiness, and we should worry less about things like how pretty the kitchen floor is or whether the sinks are fancy. We bought the home near the hiking trail and it has been great, and we haven't tired of this feature because we take a walk four or five days a week."

Scholars have discovered that one way consumers combat hedonic adaptation is to buy many small pleasures instead of one big one. Instead of a new Jaguar, Professor Lyubomirsky advises, buy a massage once a week, have lots of fresh flowers delivered and make phone calls to friends in Europe. Instead of a two-week long vacation, take a few three-day weekends.

"We do adapt to the little things," she says, "but because there's so many, it will take longer."

Before credit cards and cellphones enabled consumers to have almost anything they wanted at any time, the experience of shopping was richer, says Ms. Liebmann of WSL Strategic Retail. "You saved for it, you anticipated it," she says.

In other words, waiting for something and working hard to get it made it feel more valuable and more stimulating.

In fact, scholars have found that anticipation increases happiness. Considering buying an iPad? You might want to think about it as long as possible before taking one home. Likewise about a Caribbean escape: you'll get more pleasure if you book a flight in advance than if you book it at the last minute.

Once upon a time, with roots that go back to medieval marketplaces featuring stalls that functioned as stores, shopping offered a way to connect socially, as Ms. Liebmann and others have pointed out. But over the last decade, retailing came to be about one thing: unbridled acquisition, epitomized by big-box stores where the mantra was "stack 'em high and let 'em fly" and online transactions that required no social interaction at all — you didn't even have to leave your home.

The recession, however, may force retailers to become reacquainted with shopping's historical roots.

"I think there's a real opportunity in retail to be able to romance the experience again," says Ms. Liebmann. "Retailers are going to have to work very hard to create that emotional feeling again. And it can't just be 'Here's another thing to buy.' It has to have a real sense of experience to it."

Industry professionals say they have difficulty identifying any retailer that is managing to do this well today, with one notable exception: Apple (Nasdaq GS: [AAPL - News](#)), which offers an interactive retail experience, including classes.

Marie Driscoll, head of the retailing group at Standard & Poor's, says chains have to adapt to new consumer preferences by offering better service, special events and access to designers. Analysts at the Boston Consulting Group advise that companies offer more affordable indulgences, like video games that provide an at-home workout for far less than the cost of a gym membership.

Mr. Cohen of the NPD Group says some companies are doing this. Best Buy (NYSE: [BBY - News](#)) is promoting its Geek Squad, promising shoppers before they buy that complicated electronic thingamajig that its employees will hold their hands through the installation process and beyond.

"Nowadays with the economic climate, customers definitely are going for a quality experience," says Nick DeVita, a home entertainment adviser with the Geek Squad. "If they're going to spend their money, they want to make sure it's for the right thing, the right service."

With competition for consumer dollars fiercer than it's been in decades, retailers have had to make the shopping experience more compelling. Mr. Cohen says automakers are offering 30-day test drives, while some clothing stores are promising free personal shoppers. Malls are providing day care while parents shop. Even on the Web, retailers are connecting on customers on Facebook, Twitter and Foursquare, hoping to win their loyalty by offering discounts and invitations to special events.

For the last four years, Roko Belic, a Los Angeles filmmaker, has been traveling the world making [a documentary called "Happy."](#) Since beginning work on the film, he has moved to a beach in Malibu from his house in the San Francisco suburbs.

San Francisco was nice, but he couldn't surf there.

"I moved to a trailer park," says Mr. Belic, "which is the first real community that I've lived in in my life." Now he surfs three or four times a week. "It definitely has made me happier," he says. "The things we are trained to think make us happy, like having a new car every couple of years and buying the latest fashions, don't make us happy."

Mr. Belic says his documentary shows that "the one single trait that's common among every single person who is happy is strong relationships."

Buying luxury goods, conversely, tends to be an endless cycle of one-upmanship, in which the neighbors have a fancy new car and — bingo! — now you want one, too, scholars say. A study published in June in *Psychological Science* by Ms. Dunn and others found that wealth interfered with people's ability to savor positive emotions and experiences, because having an embarrassment of riches reduced the ability to reap enjoyment from life's smaller everyday pleasures, like eating a chocolate bar.

Alternatively, spending money on an event, like camping or a wine tasting with friends, leaves people less likely to compare their experiences with those of others — and, therefore, happier.

Of course, some fashion lovers beg to differ. For many people, clothes will never be more than utilitarian. But for a certain segment of the population, clothes are an art form, a means of self-expression, a way for families to pass down memories through generations. For them, studies concluding that people eventually stop deriving pleasure from material things don't ring true.

"No way," says Hayley Corwick, who writes the popular fashion blog *Madison Avenue Spy*. "I could pull out things from my closet that I bought when I was 17 that I still love."

She rejects the idea that happiness has to be an either-or proposition. Some days, you want a trip, she says; other days, you want a Tom Ford handbag.

Ms. Strobel — our heroine who moved into the 400-square foot apartment — is now an advocate of simple living, writing in her spare time about her own life choices at Rowdykittens.com.

"My lifestyle now would not be possible if I still had a huge two-bedroom apartment filled to the gills with stuff, two cars, and 30 grand in debt," she says.

"Give away some of your stuff," she advises. "See how it feels."