

Consumer Confidence: It Needs A Boost From You

Dateline: October 24th, 2008

Back in June we reported that Consumer Confidence had hit an all time low – and that was while we still had Bear Stearns, Lehmann Brothers, Wachovia and money in our 401ks. No surprise consumer confidence is even lower now. Even the great news of dropping gas prices is being overshadowed by the economic gloom. And yet, in all this there is real creative thinking coming from brands and retailers with ideas that benefit all. Read through the data and onto the conclusions.

The PULSE survey reports:

Looking at our key trend measures, consumer confidence is at rock bottom. (See Table 1)

- Only 12% of consumers say their own finances have improved over the past six months, down from 19% in June and 25% in 2006-7.
- The number of people worried about losing their jobs has almost doubled since last year, from 10% to 20%, though this measure at least is unchanged from June (19%).
- Americans' natural optimism about the future is shaken. We used to be a glass half full nation, but the number of us who think our finances will improve over the next year has dropped steadily from 44% in 2006 to 38% in June and 31% today.

The bright spot of falling gas prices has been overshadowed.....

All of our metrics around shopping related to gas prices have improved (driving to stores further from home, trips to the store), but don't get your hopes up. (See Table 3)

- Agreement with the statement *"I am cutting back on spending when I shop because of gas prices"* declined from 65% in June '08 to 48% now. That's good.
- Except that only 10% agreed *"I have more money to spend now that gas prices have come down."* Gas to fuel the car may cost less, but it costs more to buy the food to fill up the family, thanks to the fallout from years of soaring oil prices.



- And fully 64% agreed with a new statement we added this time around, “I am cutting back on spending because I am just not sure what will happen next with the economy.”

Lucky you if you sell the basics, ‘cause shoppers have moved into “armadillo” mode for everything else (See Table 3)

What does “Armadillo mode” mean?

- For fully 75% of us it means agreeing with the statement: “I don’t want to shop for anything I don’t really need,” and that crosses all income groups.
- 47% are still “trying to make it from paycheck to paycheck,” the same percent reported in June, and 22% of those making over \$100k felt the same way.

However, shopping is still a great escape from it all – especially the browsing and entertaining kind of shopping.

- Only 20% agree with the statement “I’m so angry about what’s going on that I’m staying out of stores.”



Overall, it’s an equal opportunity shopper recession.

- Men and younger people remain a little less nervous and more optimistic than women and older people in general (though all that means is that they’re feeling the same low level of optimism we all felt in June.)
- Otherwise, this is an equal opportunity recession. The affluent (as they look at their mutual fund statements) and least affluent (as they look at their grocery bills) are worried and reacting to an equal degree.

You can give the economy a boost. It’s time to be very, very creative.

It goes without saying that this is the worst time of the year for consumer confidence to fall into the pit since it cannot fail to impact Holiday spending. So what can you do?

Be festive! This is not the year to cut back on holiday decorations in the store or good service on the floor. People feel bad, and many are looking for a few hours of shopping to escape the blues. If you create a place they want to be, and service them with upbeat, well-trained associates, then they just might buy something.

Pull out your copy of How America Shops® 2008 MegaTrends. Turn to the **Shoppers' Bill of Rights** and begin to find creative ways to deliver against what shoppers have told you are their new values.

Value My Values. Money is tight but I want to live in a healthy and eco-friendly way.

- *Kellogg's* is featuring its lowest priced cereals in ads to provide affordable healthy breakfasts and to keep shoppers from straying to private label. Think Corn Flakes instead of Special K.
- At the *Home Depot* website there is a slide show of money saving/energy saving additions to the home that begins with adding a fire place as an alternative source of heat.
- Ann Taylor Loft now makes two-thirds of its clothes washable – avoiding dry cleaning chemicals and saving shoppers money and making their P&G partner happy.



Help Me Be Responsible Shoppers can't afford to overspend and need to get the most value for their money. There's lots of creativity around this one.

- *Sam's Club* is offering \$10 membership for 10 weeks for new members – what a great way for shoppers to get holiday savings and to bring them to Sam's Club.
- *Kmart's* Lay-away ads remind shoppers that they can buy gifts with a little from each paycheck.
- *Target's* ads for \$25 gifts for the whole family reassure shoppers that there are affordable gifts out there.
- *Barbie*® Buck\$ from the makers of the doll who never ages. Parents who spend \$100 on Barbie toys receive a \$50 Visa Prepaid Card – and the offer specifically suggests using this card for groceries or gas, not just more Barbie stuff. (www.barbiebucks.com)



Earn My Trust Shoppers have come out shouting that the sources they trust least for advice is the information delivered by manufacturers and retailers. This is a big moment in time to win them over.

- Wal-Mart's www.makeyourdollarstretch.com site is a virtual community where shoppers can get advice from a financial expert and share stories with the people they trust, their peers. And it's all taking place on a Walmart site.



Send us your ideas to boost the economy and your company.

PLEASE GO TO THE TABLES

Table 1: Consumer Confidence and Spending

| | Total | | | | | Gender | | Age | | | Income | | | Ethnicity | | | |
|---|-----------------|-----------------|----------------------|-----------------|---------------------|---------------|--------------|---------------|--------------|------------|------------------|-----------------------|----------------|------------------|------------------|-------------------------|--|
| | <u>May 2006</u> | <u>May 2007</u> | <u>November 2007</u> | <u>May 2008</u> | <u>October 2008</u> | <u>Men</u> | <u>Women</u> | <u><35</u> | <u>35-54</u> | <u>55+</u> | <u><\$50K</u> | <u>\$50K - \$100K</u> | <u>\$100K+</u> | <u>Caucasian</u> | <u>Hispanics</u> | <u>African American</u> | |
| Average Gas Price | \$2.90 | \$3.00 | \$3.01 | \$3.90 | <u>2.88</u> | | | | | | | | | | | | |
| Base: Total Sample | (1514) | (1491) | (1527) | (1500) | (1503) | (763) | (740) | (476) | (592) | (435) | (647) | (515) | (240) | (1138) | (212) | (181) | |
| | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | |
| | % | % | % | % | % | % | % | % | % | % | % | % | % | % | % | % | |
| Confidence | | | | | | | | | | | | | | | | | |
| I believe my household's financial situation will improve over the next year. | 44 CD | 42 D | 40 | 38 | 31 | 34 G | 28 | 38 IJ | 30 J | 24 | 30 | 35 | 29 | 29 | 37 N | 39 N | |
| I am concerned that I, or another member of my household, may lose a job or be laid off in the next 6 months. | 12 | 10 | 11 | 19 ABC | 20 | 20 | 20 | 22 J | 23 J | 13 | 20 | 23 M | 15 | 19 | 24 | 23 | |
| My household's financial situation has improved over the past year. | 25 D | 25 D | 25 D | 19 | 12 | 12 | 11 | 17 IJ | 11 J | 6 | 10 | 14 K | 15 A | 12 | 10 | 10 | |
| I believe the economy, in general, has improved over the past six months. | 13 D | 13 D | 11D | 6 | 3 | 5 G | 2 | 6 IJ | 3 J | 1 | 4 M | 3 M | 1 | 3 | 6 | 2 | |
| Spending | | | | | | | | | | | | | | | | | |
| I am cutting back on spending when I shop because of gas prices. | 50 BC | 43 | 42 | 65 ABC | 48 | 45 | 51 F | 48 | 50 | 46 | 51 M | 50 M | 40 | 47 | 52 | 68 | |
| I am cutting back on spending because I am just not sure what will happen next with the economy. | n/a | n/a | n/a | n/a | 64 | 59 | 69 F | 56 | 67 H | 69 H | 65 | 65 | 61 | 64 | 64 | 10 | |
| <p>How America Shops® ...Everyday PULSE Report is based on a national Internet survey of 1503 adults conducted October 10-16,2008 Q: Please indicate which, if any, of these statements describe your current economic status. Please select all that apply. Upper case letters = Significantly higher than specified column at 95% confidence level.</p> | | | | | | | | | | | | | | | | | |

Table 2: Impact of Gas Prices

| | | | <u>Gender</u> | | <u>Age</u> | | | <u>Income</u> | | | <u>Ethnicity</u> | | |
|---|-----------------|---------------------|---------------|--------------|---------------|--------------|------------|------------------|-----------------------|----------------|------------------|------------------|-------------------------|
| | <u>May 2008</u> | <u>October 2008</u> | <u>Men</u> | <u>Women</u> | <u><35</u> | <u>35-54</u> | <u>55+</u> | <u><\$50K</u> | <u>\$50K - \$100K</u> | <u>\$100K+</u> | <u>Caucasian</u> | <u>Hispanics</u> | <u>African American</u> |
| Base: Total | (1500) | (1503) | (763) | (740) | (476) | (592) | (435) | (647) | (515) | (240) | (1138) | (212) | (181) |
| | A | B | C | D | E | F | G | H | I | J | K | L | M |
| | % | % | % | % | % | % | % | % | % | % | % | % | % |
| I am driving less because of gas prices | 64 | 57 | 56 | 58 | 52 | 59 E | 60 E | 59 | 57 | 53 | 58 | 58 | 56 |
| Now that gas prices have come down I have more money to spend when I shop | N/A | 10 | 13 D | 7 | 14 FG | 8 | 8 | 12 I | 8 | 8 | 10 | 8 | 10 |
| I am shopping closer to my home because of gas prices | 50 | 45 | 44 | 47 | 43 | 48 | 44 | 49 | 45 | 43 | 44 | 50 | 49 |
| I am making fewer trips to shop because of gas prices | 62 | 52 | 47 | 56 C | 46 | 53 E | 57 E | 53 | 54 | 50 | 53 | 51 | 46 |
| I believe gas prices will go up again | 79 | 62 | 64 D | 59 | 60 | 62 | 63 | 62 | 63 | 56 | 63 L | 52 | 66 L |
| None of these | 7 | 13 | 14 | 12 | 13 | 13 | 13 | 12 | 11 | 18 HI | 12 | 17 K | 12 |

Q: Please indicate which, if any, of these statements describe your reaction to gas prices.

Table 3: The Shoppers' New Mindset

| | | | <u>Gender</u> | | <u>Age</u> | | | <u>Income</u> | | | <u>Ethnicity</u> | | |
|---|------------|----------------|---------------|--------------|---------------|--------------|------------|------------------|-----------------------|----------------|------------------|-----------------|-------------------------|
| | <u>May</u> | <u>October</u> | <u>Men</u> | <u>Women</u> | <u><35</u> | <u>35-54</u> | <u>55+</u> | <u><\$50K</u> | <u>\$50K - \$100K</u> | <u>\$100K+</u> | <u>Caucasian</u> | <u>Hispanic</u> | <u>African American</u> |
| Base: Total | (1500) | (1503) | (763) | (740) | (476) | (592) | (435) | (647) | (515) | (240) | (1138) | (212) | (181) |
| | A | B | C | D | E | F | G | H | I | J | K | L | M |
| | % | % | % | % | % | % | % | % | % | % | % | % | % |
| I don't want to shop for anything I don't really need (T2B) | N/A | 75 | 70 | 80 C | 68 | 78 E | 77 E | 75 | 76 | 74 | 75 | 72 | 76 |
| I'm so angry about everything that is going on that I'm staying out of stores (T2B) | N/A | 20 | 20 | 20 | 21 | 19 | 20 | 26 IJ | 16 | 12 | 19 | 21 | 23 |
| I feel like I am just trying to make it from paycheck to paycheck | 48 | 47 | 43 | 51 C | 49 G | 55 EF | 31 | 57 IJ | 43 J | 22 | 45 | 52 K | 57 K |
| I owe more on my credit cards than I did a year ago | 26 | 24 | 25 | 23 | 28 G | 27 G | 16 | 26 J | 29 J | 13 | 24 | 29 | 29 |

Q: Here are some things other people have said about how rising food & gas prices as well as the current credit crunch are affecting them. Please tell us whether you agree or disagree with each one. Q: In current economic conditions, which of the following are you starting to do or doing more of?

How America Shops® ...Everyday PULSE Report is based on a national Internet survey of 1503 adults conducted October 10-16, 2008 Q: In current economic conditions, which of the following are you starting to do or doing more of?

Upper case letters = Significantly higher than specified column at 95% confidence level. (A/B/C/D/E, E/F, H/I/J, K/L/M, N/O)

Sign me up for The PULSE reports by these retailers...

(please put check marks below each retailer's name that you want to order)

| | TOTAL | DRUG STORES | | | MASS MERCHANDISERS | | DEPARTMENT STORES | | | WAREHOUSE CLUBS | | SUPERMARKETS | | | | DOLLAR STORES | |
|--|--------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | CVS | Rite Aid | Walgreens | Walmart | Target | JCPenney | Macy's | Kohl's | Costco | Sam's | Kroger | Safeway | Publix | Albertsons | Family Dollar | Dollar General |
| | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Base: Will vary by retailer for each report but a minimum of 100 is guaranteed | (1503) | (192) | (100) | (283) | (499) | (259) | (100) | (105) | (109) | (215) | (251) | (202) | (125) | (106) | (126) | (106) | (108) |
| | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q |
| | % | % | % | % | % | % | % | % | % | % | % | % | % | % | % | % | % |

CONSUMER CONFIDENCE BY RETAILERS

CONFIDENCE

I believe my household's financial situation will improve over the next year.

| | | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 31 | 31 | 29 | 33 | 36 | 41 | 32 | 35 | 24 | 36 | 31 | 41 | 33 | 41 | 37 | 34 | 30 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

I am concerned that I, or another member of my household, may lose a job or be laid off in the next 6 months.

| | | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 20 | 22 | 16 | 18 | 23 | 22 | 22 | 24 | 19 | 21 | 17 | 22 | 27 | 25 | 22 | 24 | 22 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

SPENDING

I am cutting back on spending because I am just not sure what will happen next with the economy.

| | | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 64 | 67 | 67 | 62 | 68 | 72 | 72 | 70 | 68 | 65 | 62 | 65 | 62 | 63 | 67 | 62 | 67 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

I am cutting back on spending when I shop because of gas prices.

| | | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 48 | 46 | 50 | 48 | 57 | 55 | 51 | 50 | 51 | 52 | 50 | 52 | 50 | 55 | 55 | 43 | 55 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

Q: Please indicate which, if any, of these statements describe your current economic status. Please select all that apply.

IMPACT OF GAS PRICES BY RETAILERS

I am driving less because of gas prices

| | | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|-----------------|----|----|-----------------|
| 57 | 58 | 58 | 60 | 66 | 66 | 65 | 53 | 65 | 59 | 65 | 60 | 58 | 71 ^M | 66 | 54 | 68 ^Q |
|----|----|----|----|----|----|----|----|----|----|----|----|----|-----------------|----|----|-----------------|

I am making fewer trips to shop because of gas prices

| | | | | | | | | | | | | | | | | |
|----|----|----|-----------------|----|----|-----------------|----|-----------------|----|----|----|----|----|----|----|-----------------|
| 52 | 45 | 54 | 58 ^B | 63 | 64 | 67 ^H | 46 | 60 ^H | 54 | 62 | 51 | 50 | 55 | 62 | 49 | 69 ^Q |
|----|----|----|-----------------|----|----|-----------------|----|-----------------|----|----|----|----|----|----|----|-----------------|

Now that gas prices have come down I have more money to spend when I shop

| | | | | | | | | | | | | | | | | |
|----|---|----|----|----|----|-----------------|---|----|----|----|---|----|----|----|---|-----------------|
| 10 | 8 | 12 | 10 | 11 | 13 | 14 ^H | 4 | 10 | 11 | 10 | 8 | 10 | 12 | 12 | 7 | 16 ^Q |
|----|---|----|----|----|----|-----------------|---|----|----|----|---|----|----|----|---|-----------------|

I believe gas prices will go up again

| | | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----------------|
| 62 | 61 | 64 | 58 | 68 | 67 | 66 | 65 | 60 | 63 | 65 | 69 | 60 | 60 | 67 | 56 | 70 ^Q |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----------------|

Q: Please indicate which, if any, of these statements describe your reaction to gas prices.

THE NEW SHOPPERS' MINDSET BY RETAILERS

I don't want to shop for anything I don't really need (T2B)

| | | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 75 | 74 | 76 | 77 | 76 | 75 | 86 | 81 | 76 | 78 | 76 | 74 | 72 | 74 | 77 | 76 | 75 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

I'm so angry about everything that is going on that I'm staying out to stores (T2B)

| | | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 20 | 20 | 20 | 19 | 19 | 19 | 17 | 16 | 17 | 18 | 21 | 21 | 21 | 15 | 17 | 25 | 21 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

I feel like I am just trying to make it from paycheck to paycheck

| | | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 47 | 49 | 53 | 46 | 54 | 51 | 48 | 41 | 48 | 40 | 47 | 50 | 50 | 44 | 48 | 44 | 57 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

I owe more on my credit cards than I did a year ago

| | | | | | | | | | | | | | | | | |
|----|----|----|----|----|----|----|----|-----------------|----|----|----|----|----|----|----|----|
| 24 | 27 | 21 | 27 | 28 | 32 | 16 | 21 | 32 ^G | 28 | 26 | 23 | 26 | 28 | 29 | 42 | 36 |
|----|----|----|----|----|----|----|----|-----------------|----|----|----|----|----|----|----|----|

Q: Here are some things other people have said about how rising food & gas prices as well as the current credit crunch are affecting them. Please tell us whether you agree or disagree with each one.

Q: In current economic conditions, which of the foll

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Uppercase letters = significantly greater than specified column at 95% confidence level.

*P3M= Past Three Months

| DRUG STORES | | MASS MERCHANDISERS | | DEPARTMENT STORES | | WAREHOUSE CLUBS | | SUPERMARKETS | | | DOLLAR STORES | |
|-------------|---|--------------------|------------------------------|-------------------|---|-----------------|--|--------------|--|----------------|--|--|
| CVS | Shopped CVS and No Other Drug Stores in P3M* | Walmart | Shopped Walmart in Past Week | JCPenney | Shopped JCPenney and Not Macy's or Kohl's in P3M* | Costco | Shopped Costco and No Other Warehouse Club in P3M* | Kroger | Shopped Kroger and No Other Supermarket in P3M* | Dollar General | Shopped Dollar General and No Other Dollar Stores in P3M | |
| Rite Aid | Shopped Rite Aid and No Other Drug Store in P3M* | Target | Shopped Target in Past Week | Macy's | Shopped Macy's and Not JCPenney or Kohl's in P3M* | Sam's | Shopped Sam's and No Other Warehouse Club in P3M* | Safeway | Shopped Safeway and No Other Supermarket in P3M* | Family Dollar | Shopped Family Dollar and No Other Dollar Stores in P3M | |
| Walgreens | Shopped Walgreens and No Other Drug Store in P3M* | | | Kohl's | Shopped Kohl's and Not JCPenney or Macy's in P3M* | | | Publix | Shopped Publix and No Other Supermarket in P3M* | | | |
| | | | | | | | | Albertsons | Shopped Albertsons and Not Other in P3M* | | | |