

Eyes Wide Open 2.0

INSIGHTS INTO THE “IN-CHARGE” CONSUMER

agilvy

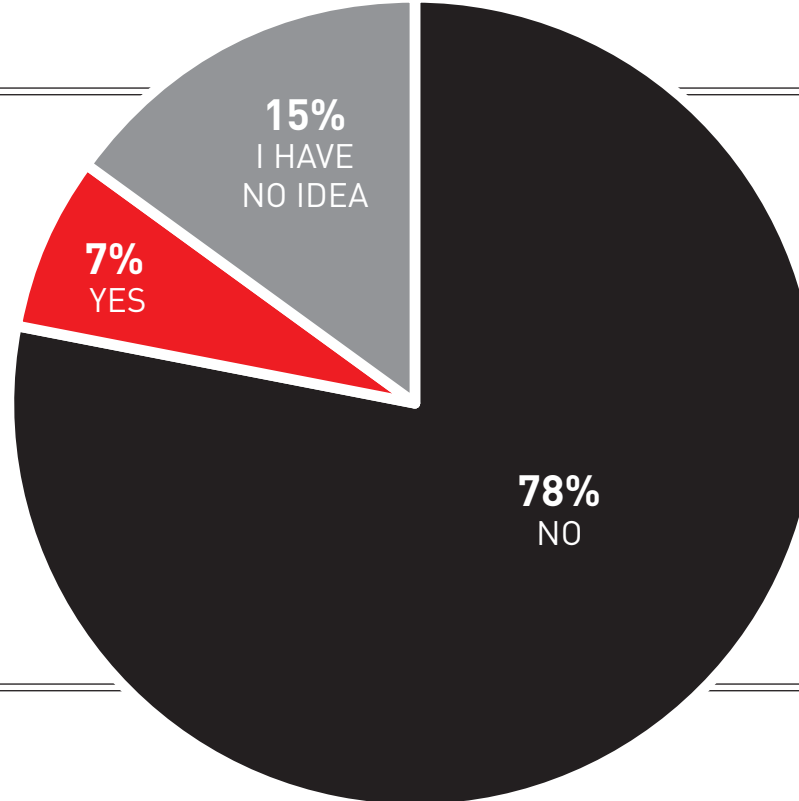


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Consumers see no signs of economic recovery: what's ahead for 2011

New research from Ogilvy & Mather and Communispace reveals extreme new consumer shopping behavior and spending priorities. This report looks at what this means for the 2010 holiday season and at how consumers will go to market in 2011.

DO YOU THINK
THE RECESSION
IS OVER?



Consumers spend on crazy deals, shiny objects, tech products

WHAT 2010 TELLS US ABOUT THE 2011 “IN-CHARGE” CONSUMER

The 2010 consumer wallet is not opening up for big purchases this holiday season, according to a new study by Ogilvy & Mather in partnership with the consumer insight firm Communispace. The study documents the holiday shopping game plan of today's much smarter, budget-minded shoppers – 78% of whom say that the recession is not over and 51% of whom say that economic recovery will take another two to three years.

Over a third of consumers polled say new technology products are on the top of their must-have lists; but when making purchases they have a price limit, bargain-hunting mentality, and they are using more coupons. One consumer said they would buy a Kindle if the price drops to \$119. Another said they would buy a combo Blu-ray/Netflix player only if the price was “under \$125.”

“Consumers’ lust for new shiny tech gadgets is high, as these products offer a relatively affordable escape from the reality of a difficult economic climate,” explained Graceann Bennett, Director of Strategic Planning at Ogilvy. “But paying full price is not realistic. They want deals that satisfy desires on the things they want.”

As one of the Communispace community members in the study said:

“I really analyze my purchases... no more full-priced new video games for me. I have started doing more research to make smarter purchases.”



Marketing strategies that work — it's all about the deal

The findings reveal how aggressive new marketing tactics must be used to drive both consumer wants and needs. To activate consumer desire, deals with time limits are driving consumer purchases, say Ogilvy and Communispace. They cite recent creative sales promotions by specialty retailers as evidence of the ticking clock *buy now* game retailers are using to get shoppers in stores.

“Breaking through the holiday clutter with eye-popping deals that practically scream *We're giving it away!* is getting consumers into stores,” explained Manila Austin, Ph.D., Director of Research at Communispace. “The reality, however, is that consumers are exercising a newfound power and control. While there may be higher traffic numbers, we found that consumers are actually saying they will be spending less this year than last year—when spending was greatly reduced from previous highs.”

“I am using more coupons for groceries and shopping for deals online and in weekly ads. I will continue to do all these things into 2011...”

THE DEAL

Best Buy	Spend \$400, get a \$200 gift card
Gap	50% off until 10 a.m. on Black Friday
Abercrombie	Spend \$100 before noon, and get a \$50 gift card
Borders	40% off IN STORE only, buy before 11/30

The 2011 consumer — from powerless to powerful

Also on consumers' shopping lists are food, clothes, and personal care and beauty products—items they are planning to buy BUT only by spending less. Bigger ticket items—cars, computers and home furnishings—are being put off for later, and at lower cost. Off the list: vacations with 21% of respondents saying they are eliminating vacations this year.

“Consumers today know they have the power,” explained Ms. Bennett. “At the early stages of the recession, they felt powerless and confused. Now the majority

have budgets and a plan. They've gone from powerless to powerful. This is a huge transition.”

The holiday holdouts research reveals a well-thought-out game plan for gift giving this year and buying in 2011.

“I am buying fewer gifts for the kids, focusing on the things they might really like and that will last a longer time than the usual junk they get. I am not asking for much for myself, and plan to do crafts or baking for the extended family this year.”

“Big consumer spending trends we see continuing into 2011 are a much higher focus and practice on budgeting, more do-it-yourself activities and a rejection of the having-it-all lifestyle of the past,” explained Dr. Austin.

This idea is echoed by another consumer who said, “My goal is to get people things that are practical and that they will use. I'm tired of ‘stuff’ and am transferring that to other people.”

NEW APPROACH TO GIFT GIVING

52% will buy less-expensive gifts

45% are setting a budget

44% are scaling back on the number of gifts they are giving, a further 10% decline from last year's frugal giving

24% are making gifts, an increase from last year

What's ahead for 2011

The holiday holdouts of 2010 will continue their thrifty ways for the foreseeable future, according to the research. Over a third of respondents said that economic recovery will take longer than expected—at least 10 years for full recovery.

“We have stopped eating out as much and renting movies instead of going to the theater. We don’t use a credit card, unless it is an emergency and found we can do more with less.”

The new study follows the “Eyes Wide Open, Wallets Half Shut” study that Ogilvy and Communispace partnered on one year ago. That initial research revealed significant changes in consumer lifestyle choices, in their pursuit of the American Dream and in their buying and shopping behaviors.

Among the coping strategies consumers have adopted that will continue over the next year are:

MONEY SAVING SOLUTIONS

52% cook dinner at home more often

33% keep a car longer than normal

30% pay down debt

27% won't take a vacation

26% create and stick to a budget

Marketing strategies for 2011

With consumers spending more time shopping and comparing online, marketers must align their online and offline communications. A brand can't promise one thing online and deliver something different in the store.

“Marketers have to follow the path the consumer takes, even making sure that if they say something about their brand on Twitter, there is a response,” said Ms. Bennett. “A website isn't enough today. Consumers follow their own circuit from Facebook to Groupon to review sites. A brand has to work much harder to gain trust, loyalty and fans. But those that do, will be well rewarded.”

40% of men and young adults plan to purchase new technology products in 2011.

Among the new tactics Ogilvy says marketers need to employ:

DAZZLE ME WITH DEALS

Marketers have to go beyond coupons and percentage-off deals. Creative, attention-getting offers where the deal itself is the news is what drives consumer holdout today. Stores opening at midnight, 3 a.m. and other off-hours with limited *special price* offers are getting shoppers in the door. To get these buyers to look at your brand, marketers must close the sale even before the customer is in the store. The presale is more important than ever before.

MAKE ME WANT YOU

Selling isn't just about value and price. Marketers have to take both a right- and left-brain approach. Suave recently moved into the aspirational space with its newly reformulated Salon Professionals line, positioning the brand as one with the quality and desirability of a salon product. This appeals to what the consumer desires. They already know when they get to the store that Suave is a great value, but now

they are buying it because they want the salon experience. What makes this approach work is that it taps into that emotional side and the rational side, giving the consumer permission to buy the items that fulfill their wants and needs at a great price. Brands have to understand the complicated calculus that consumers consider before permitting themselves to buy and that they can't just work on the rational price side of the equation—desirability is more important than ever.

TEMPT ME WITH TECHNOLOGY

New innovations at the right price will get consumers spending on “not so big, but big enough” purchases that satisfy the need to indulge in a controlled and limited way. There is a pent-up desire for shiny new objects. Consumers are more deliberate in their spending but are budgeting for the tech products that deliver both function and fun.

How the research was conducted

A variety of quantitative and qualitative research was conducted for this study; a nationally representative sample of 1,000 consumers was polled by Ogilvy & Mather Chicago, and several facilitated discussions were conducted in Communispace's proprietary online communities. The study builds upon the Ogilvy and Communispace research conducted together last year on a nationally representative sample of 1,200 American adults through a robust online survey.

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