



PLANNING FOR CHANGING *CONSUMER CONFIDENCE*





TODAY'S HIGH STREET

- A recent Guardian poll found that 91% of people thought more retailers would go bust as a result of falling **consumer confidence**
- Dixons saw a 20% fall in its share price after poor 1st quarter results, which it blamed on weak **consumer confidence**
- The British Retail Consortium announced the worst drop in retail sales since 1995, citing **uncertainty** around jobs and income



DO WE UNDERSTAND CONSUMER CONFIDENCE?

- **Retailers:** Do we understand the potential impact of consumer confidence across our business, not just in the round, but on the specifics e.g. category, region and customer segment?
- **Researchers:** Have we developed the right measures to help retailers understand how consumer confidence today will affect retail outcomes tomorrow?
- **This presentation** will make the case for a new perspective on consumer confidence. To get there we will cover: Problems with current measures, A category-up approach to confidence, Retailing applications

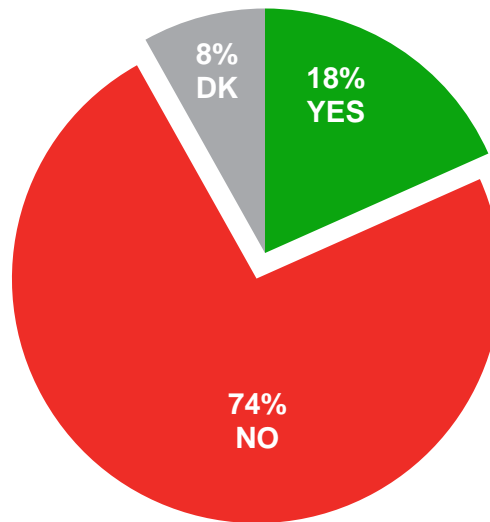


A TOXIC LEGACY

- Cheap credit combined with confidence about asset prices fuelled a boom in consumer spending pre-2009
- The credit crunch led to a significant deleveraging of Western economies at all levels, including governments, businesses and consumers
- Amongst consumers we have seen a rise in down trading and savvy shopping. A recent YouGov study found that **32%** of the GB adult population had **shopped in pound stores** in the last 3 months



CREATING A GENERATION OF SAVVY SHOPPERS?



Will you switch back (from pound stores) to spending more on these items from a supermarket if the economy improves?



...ARE BEGINNING TO LOOK DATED

The problem is...

- They often fail to predict retail outcomes. During most of 2010 retail sales grew whilst GfK's consumer confidence index fell, leading Retail Week to ask: *"If confidence is down...why are sales rising?"*
- They are top down, rather than bottom up. They tell us when a general problem might exist, but do not provide the granularity about where and by how much



WHAT RETAILERS WANT

- **Predictive:** We need to give retailers the tools to look 3-4 months out and identify 'at risk' categories as well as predict retail outcomes accurately
- **Specific:** We need to get down to category and sub-category level detail to make findings more actionable
- **Comparative:** We need to know how consumer confidence is affecting our business versus our peers within categories



HOW YOUGOV ARE DOING IT...CATEGORY PREDICTOR™

- A proprietary tracking study, conducted quarterly
- 2,000 interviews **per** each retail sector, including DIY, Consumer Electronics, Clothing, Homewares
- Macro, category and retailer level confidence – typically 15 categories per sector
- Continued development and cross referencing to retailers sales data



A COMBINATION OF MACRO & MICRO CONFIDENCE

Job Security



Income



Property value



Bills



Debt



FUTURE IMPACT ON SHOPPER BEHAVIOUR

Brand loyalty



Basket effect



Purchase Drivers



Category Confidence



Next purchase

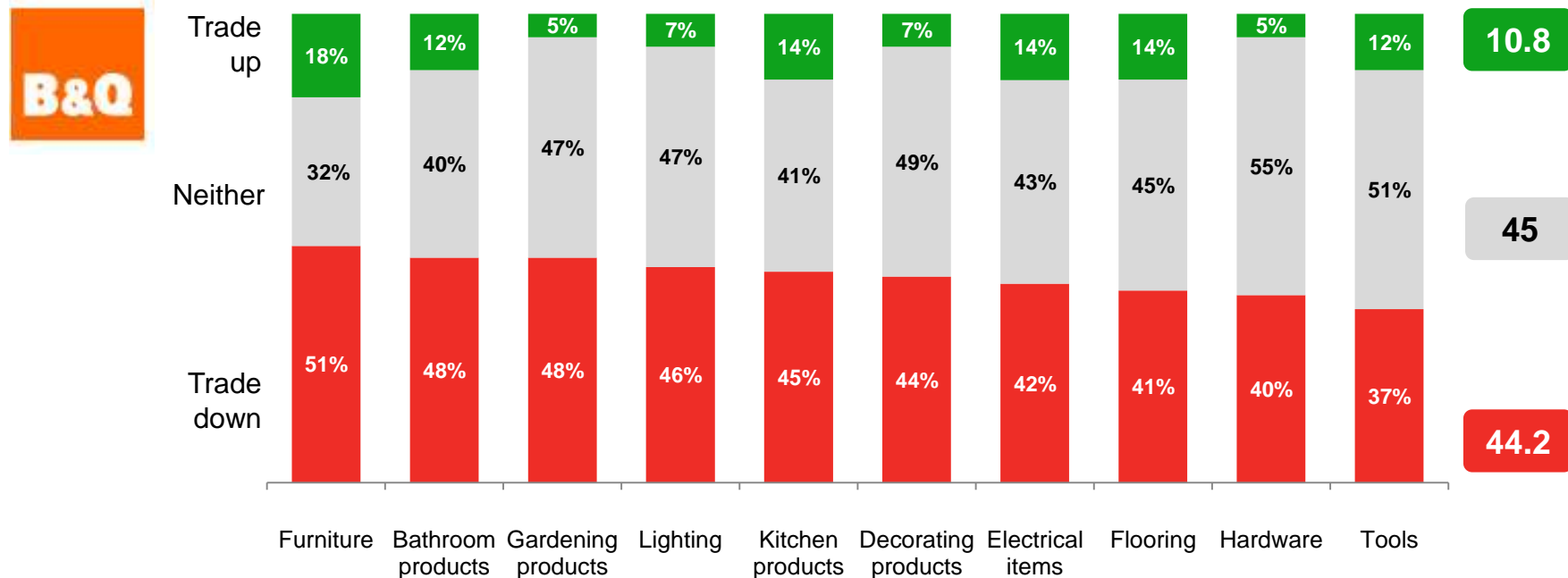




CRUCIALLY....A CATEGORY LEVEL VIEW BY BRAND

2011 Q1 – Next 3 months
(DIY Sector)

Average across all
categories (%)





LESSONS LEARNED

- **Never average across categories.** Confidence affects categories differently and the nuance is crucial
- **Ignore regions at your peril.** There are striking regional variations
- **Customers have a unique confidence profile.** Retailer brand is as significant as category



NEVER AVERAGE ACROSS CATEGORIES

Confidence affects categories differently.

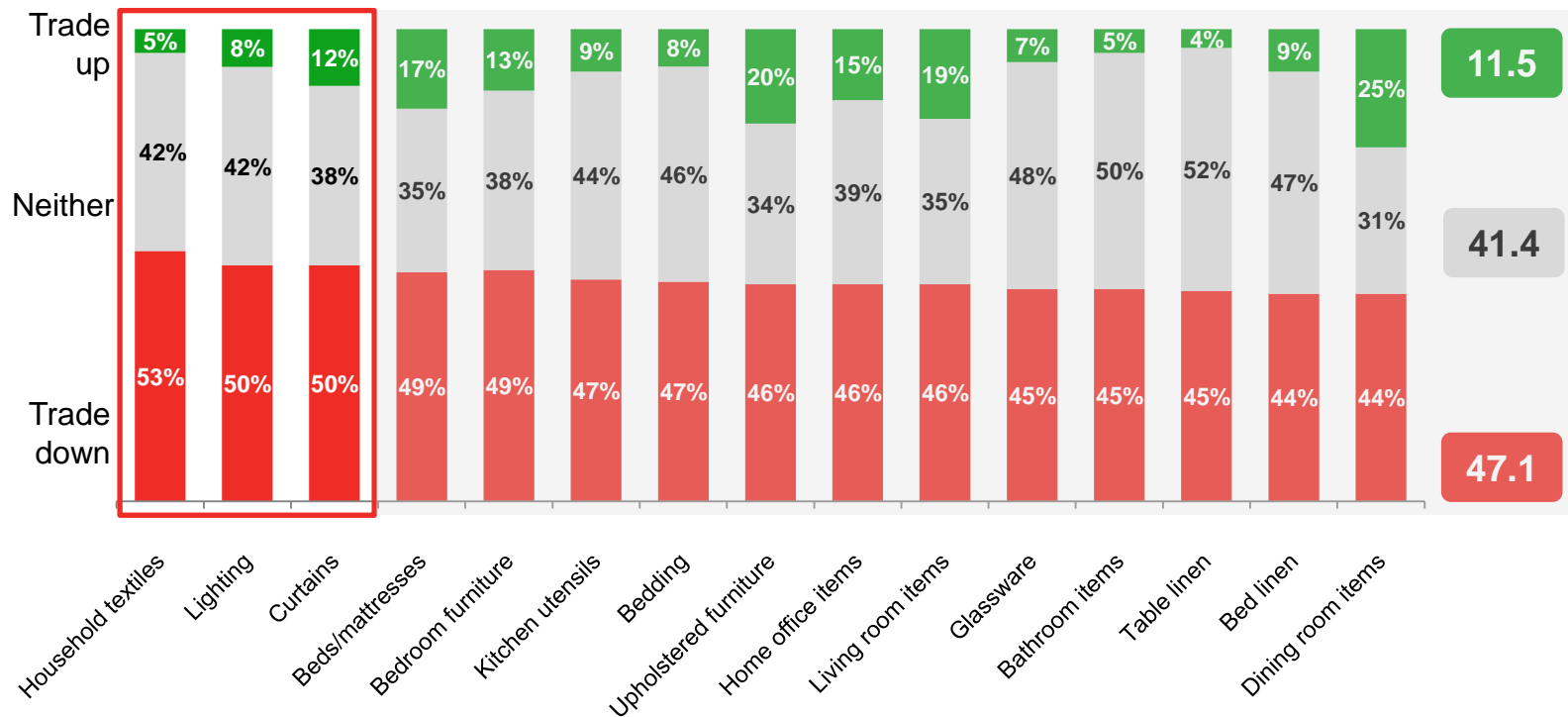
- Some retail categories are at greater risk of down-trading (shoppers trying to save a little by spending less) than others
- **Homewares:** Shoppers are more likely to down trade on lighting (53% plan to down trade) over the next 3 months than they are on dining room furniture (44% to down trade)
- **Women's clothing:** Shoppers are more likely to down trade on trousers (46% plan to down trade) over the next 3 months than they are on jackets (only 37% to down trade)



HOMEWARES – HOUSEHOLD TEXTILES & LIGHTING MOST AT RISK

2011 Q1 – Next 3 months
(Homewares Sector)

Average across all
categories (%)

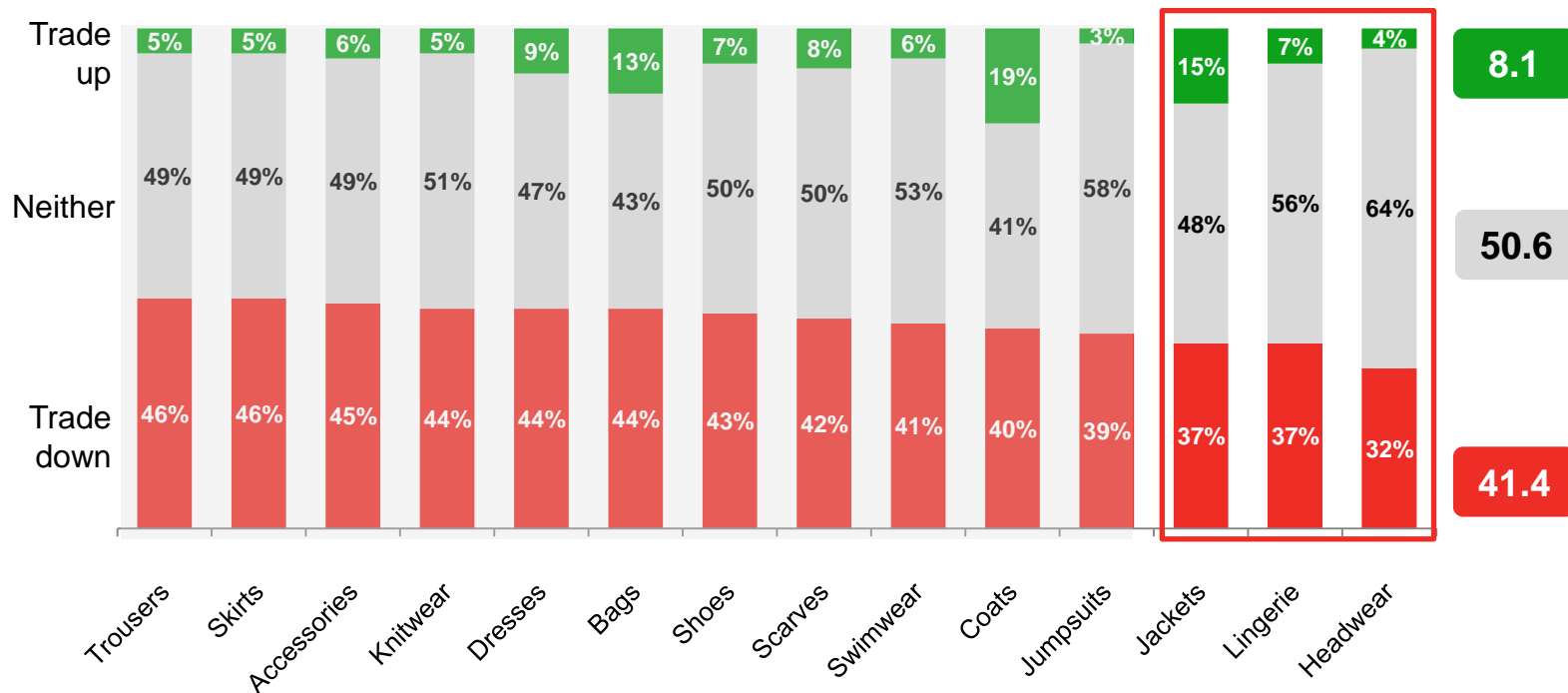




WOMEN'S CLOTHING – JACKETS A SAFER BET

2011 Q1 – Next 3 months
(Women's clothing)

Average across all
categories (%)



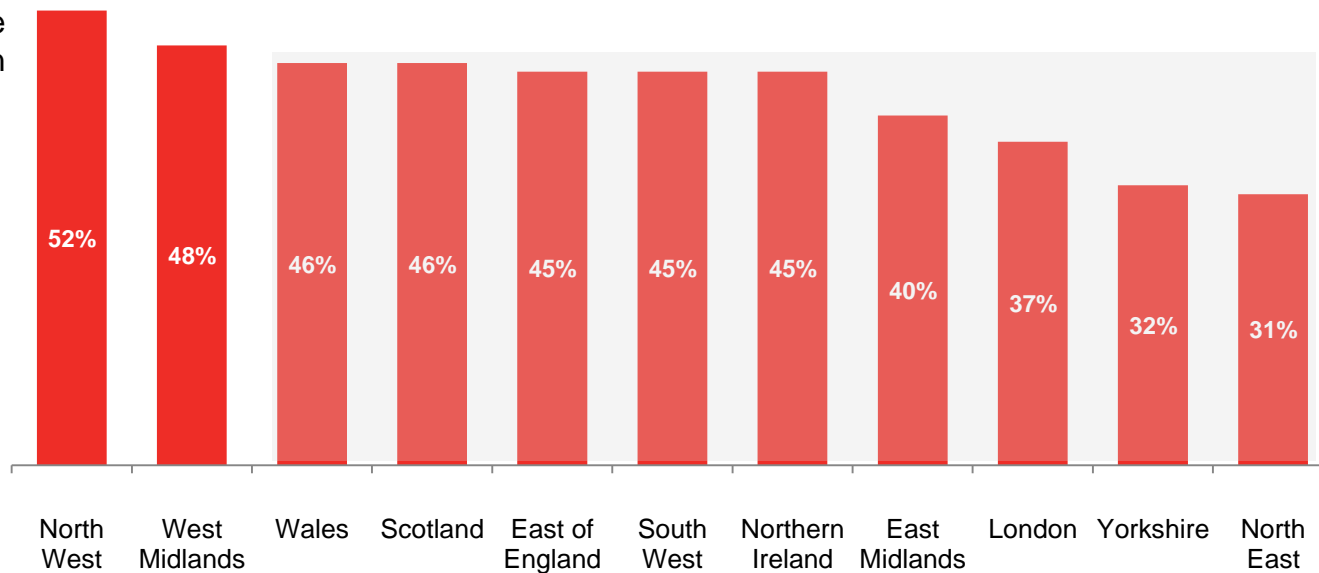


IGNORE THE REGIONS AT YOUR PERIL

2011 Q1
(Women's shoes)



Trade
down





CUSTOMERS HAVE A UNIQUE CONFIDENCE PROFILE

Retailer brand is as significant as the category.

- **Consumer electronics:** 46% of Curry's' shoppers are likely to down trade on TVs and DVDs, but only 37% of Comet shoppers intend to down trade
- **Clothing:** 62% of Littlewood shoppers are likely to down trade on women's tops, but only 30% of John Lewis shoppers intend to down trade
- There is compelling evidence that understanding your customers and their category confidence levels is key to prospering in a downturn



PRIMARK 'RED LIGHTING' AHEAD OF ANNOUNCED SLOWDOWN (MARCH)

PRIMARK



REUTERS

Primark's slowdown hits AB Food

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By David James
LONDON | Sun Feb 28, 2011 10:34am GMT

(Reuters) - A slowdown at discount fashion retailer Primark's British stores hit the shares of owner Associated British Foods Plc (ABF.L) as tax rises and inflation squeezed consumer spending in the first two months of this year.

Figures: NET down trading (down minus up)



SO WHAT DO WE KNOW?

- On average, consumers are responsible for **2/3** of the nation's economic activity. Whether they are confident about spending, and on what, matters
- The '**flight to thrift**' is a threat to many retail business models. This is an issue which is not going to go away in the medium term
- Consumer confidence is complex and varies across categories, regions, customer segments and retailer brands



WHAT SHOULD RETAILERS DO DIFFERENTLY AS A RESULT?

- Store
- Ranging & merchandising
- Promotions



INVEST WHERE THERE IS PROVEN 'CONFIDENCE'





GIVE 'CONFIDENT' CATEGORIES GREATER PROMINENCE IN-STORE

Position paper and ink near POS to encourage confident segments to impulse purchase

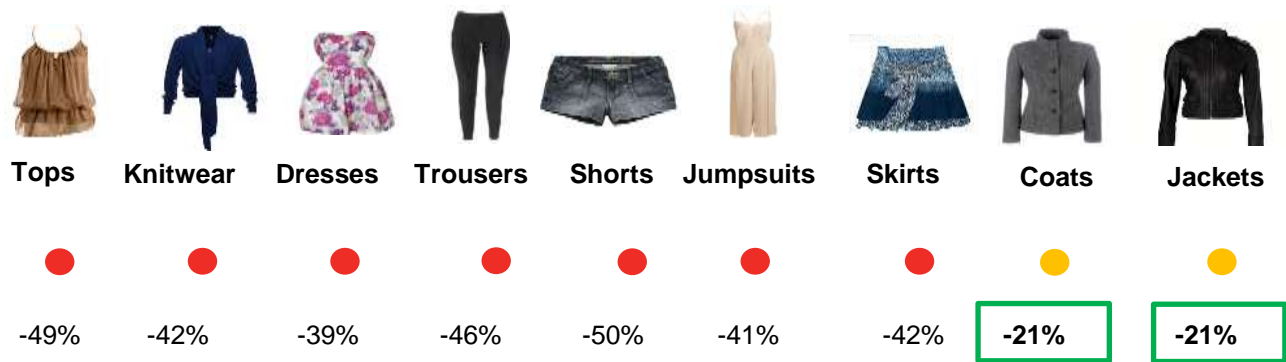
Position laptop bags by core line as confidence about this category remains buoyant



Accessories to experience the greatest down trading so move to the back of the store



FOCUS PROMOTIONS ON 'TIPPING POINT' CATEGORIES



These are categories where **down trading is relatively low** and customers could be tempted to spend with the right incentives



SO, CONFIDENT ABOUT THE FUTURE?

- ‘**Category confidence**’ is what we should really be focussing on. It should be part of every retailers planning tool kit.
- **Savvy retailers** won’t just be the one’s planning ahead – they will be the ones polling ahead.
- Savvy retailers will base their confidence **not** only on last month’s sales figures, but on next month’s **category confidence levels**.



QUESTIONS OR COMMENTS?

- **E:** info@yougov.com
- **T:** +44 (0)20 7012 6000
- **W:** yougov.co.uk