



# Silver Linings: Insights and Opportunities in the Current Downturn

A Special GfK Roper Consulting Presentation on the Economy

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Wednesday, June 18, 2008



## New Research from GfK Roper Consulting

2

### GfK Roper Reports® US

- \* Surveys from the past six months
- \* Part of monthly Roper Reports studies of US consumers 18 and older
- \* Mix of online and phone, 1,000-2,000 respondents per survey

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### GfK Roper Reports® Worldwide

- \* Insights from the 2008 global survey
- \* 31,538 in-person interviews with consumers 13 and older
- \* 25 countries in Europe, Asia, Africa, and North and South America
- \* Represents 1.1 billion consumers worldwide
  - \* Nationally representative in North America and Western Europe
  - \* Urban population in Developed Asia, Eastern Europe, Turkey, South Africa
  - \* Urban excluding lowest SES in Latin America, Developing Asia, and Egypt

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## Downturn Has Become a Focus of GfK Roper Surveys This Year

3

### Warning signs in consumer gauges...

...decline in perception that it's a "good time to buy"

...widespread sense of stress over consumer debt, assets, income

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### ...spurs deeper probing in successive Roper Reports surveys

...how worried are consumers about keeping up with their mortgage?

...how worried are they about gas prices? Inflation generally?

...where are they planning to cut back? Are people still planning to take vacations this summer? Buy a car? Purchase tech and electronics?

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### What's happening in the rest of the world?

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# 1

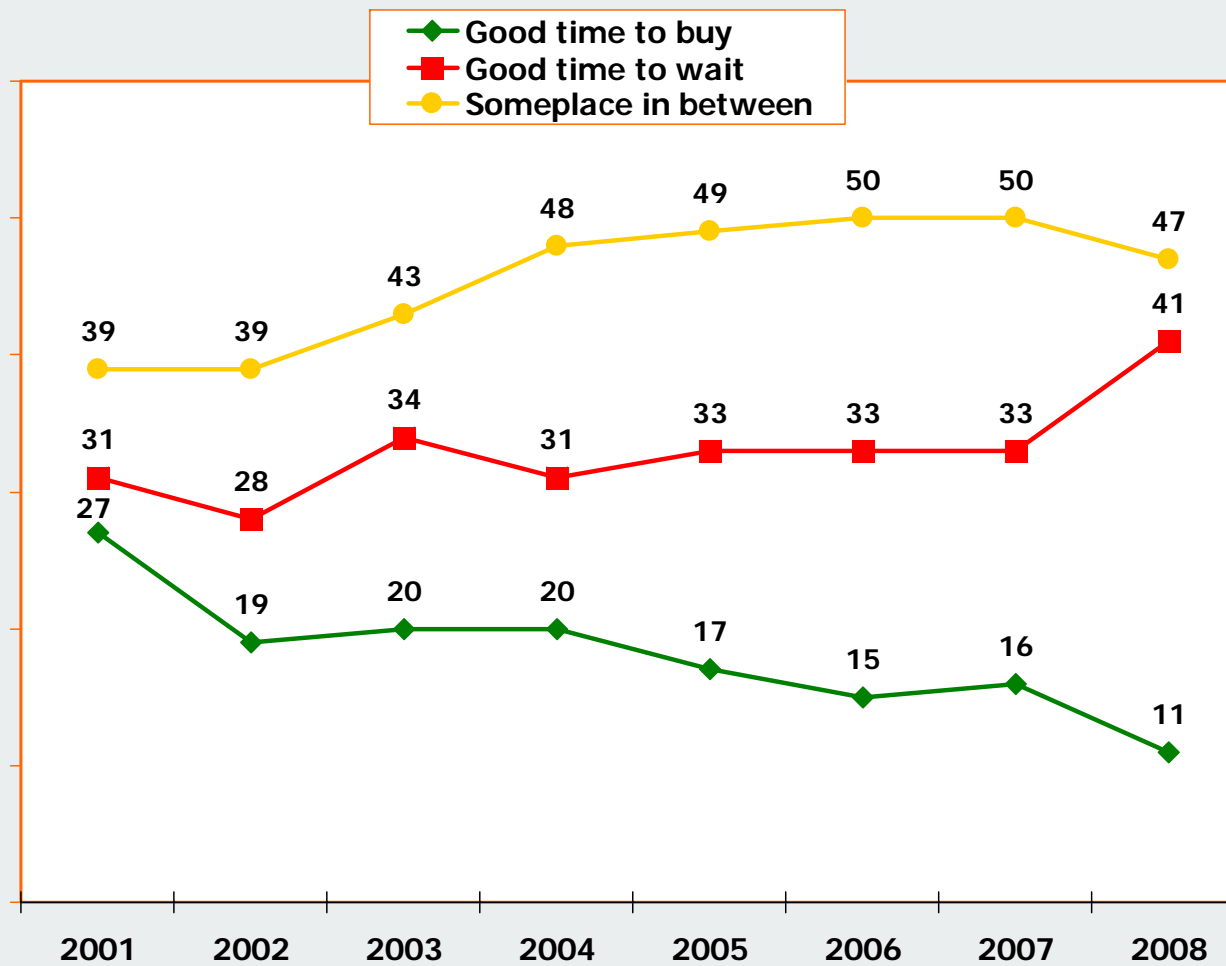
## Don't Put on Your Blinders

- > Many important – and new – stories in this downturn
- > Marketers who respond will do better
- > Not just one problem to fix
- > Different problems for different people
- > Keep a particular eye on GenX

## US Consumer Confidence Is Half the Level of Post-9/11 2001

5

% of adults 18+ saying it's a good time to buy things they want and need (annual avg.)



**60%** say negative economic news is making them at least "somewhat anxious" about their own financial situation; 22% are "very anxious"

**GenX** is especially concerned (68% vs. 58% for Boomers, 54% Pre-Boomers, and 52% GenY)

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RRUS 08-4, Q1 "good time to buy" (phone) and previous phone surveys; RRUS 08-2, Q2 (phone)

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# Many Economic Problems to Be Dealt with



6

## Last Recession: Feb. '02

1. Terrorism
2. Crime, lawlessness
- 3. Rising cost of healthcare**
4. Relations with foreign countries
4. Wrongdoing by elected gov't officials
- ...money enough to live right ranks 6<sup>th</sup>
- ...recession is 8<sup>th</sup>

## Top Five Last Year

- 1. Rising cost of healthcare**
2. Terrorism
3. Crime, lawlessness
- 4. Inflation and high prices**
5. Breakdown of the family
- ...money enough to live right, pay bills ranks only 9<sup>th</sup>
- ...recession and rising unemployment is 17<sup>th</sup>

## Top Five Concerns: Today

- 1. Rising cost of healthcare (51% are extremely concerned)**
- 2. Inflation and high prices (50%, +5 from Feb.)**
- 3. Having enough money to live right, pay bills (48%)**
- 4. U.S. dependence on non-renewable energy like oil (43%)**
- 5. Recession, rising unemployment (41%)**
- ...terrorism tied for 9<sup>th</sup> (31%)
- ...crime, lawlessness is 11<sup>th</sup> (30%)

RRUS 08-5, QA5 (online); RRUS 07-1, Q18 (in-person); RRUS 02-1, Q16 (in-person)

Note: In addition to the shift online, question wording changed in 2008 to a five-point scale of concern. Previously respondents were asked to cite 2 or 3 items they were most concerned about. % changes are thus less important than rank order.

## Rising Gas Prices Are Having a Real Impact

**54%** say they and their household are being hurt "a lot" by gas prices

28% hurt somewhat, 12% a little, 6% not at all

% saying they're hurt a lot is +18 points from Oct. 2006

Rural areas among most impacted (69% vs. 52% suburbs, 45% urban)

Less affluent also hit (63% for <\$50K hhs vs. 36% for \$75K+)

Parents with kids under 18 at home, too (60% vs. 50% for non-p's)

Economic toll: Those hurt a lot are less inclined to buy (-3 pts. from avg.) and more inclined to wait (+9 pts.)



7



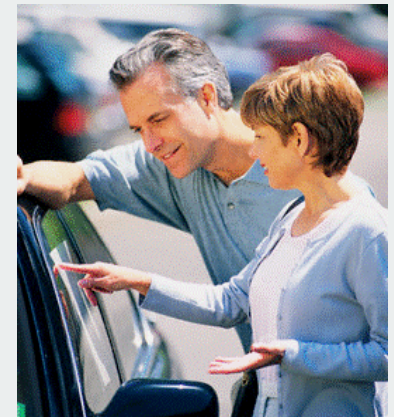
## Many Are Delaying Big-Ticket Purchases

**42%** of those planning to buy an auto at some point in the future say they're "putting off buying a vehicle right now because of the economy"

Less affluent are particularly likely to be postponing (56% in <\$50k hhs)

But many better-heeled consumers also delaying (including 25% in \$75k+ hhs)

Double-ouch: Those hurt a lot by gas prices among those most likely to be delaying (60%)

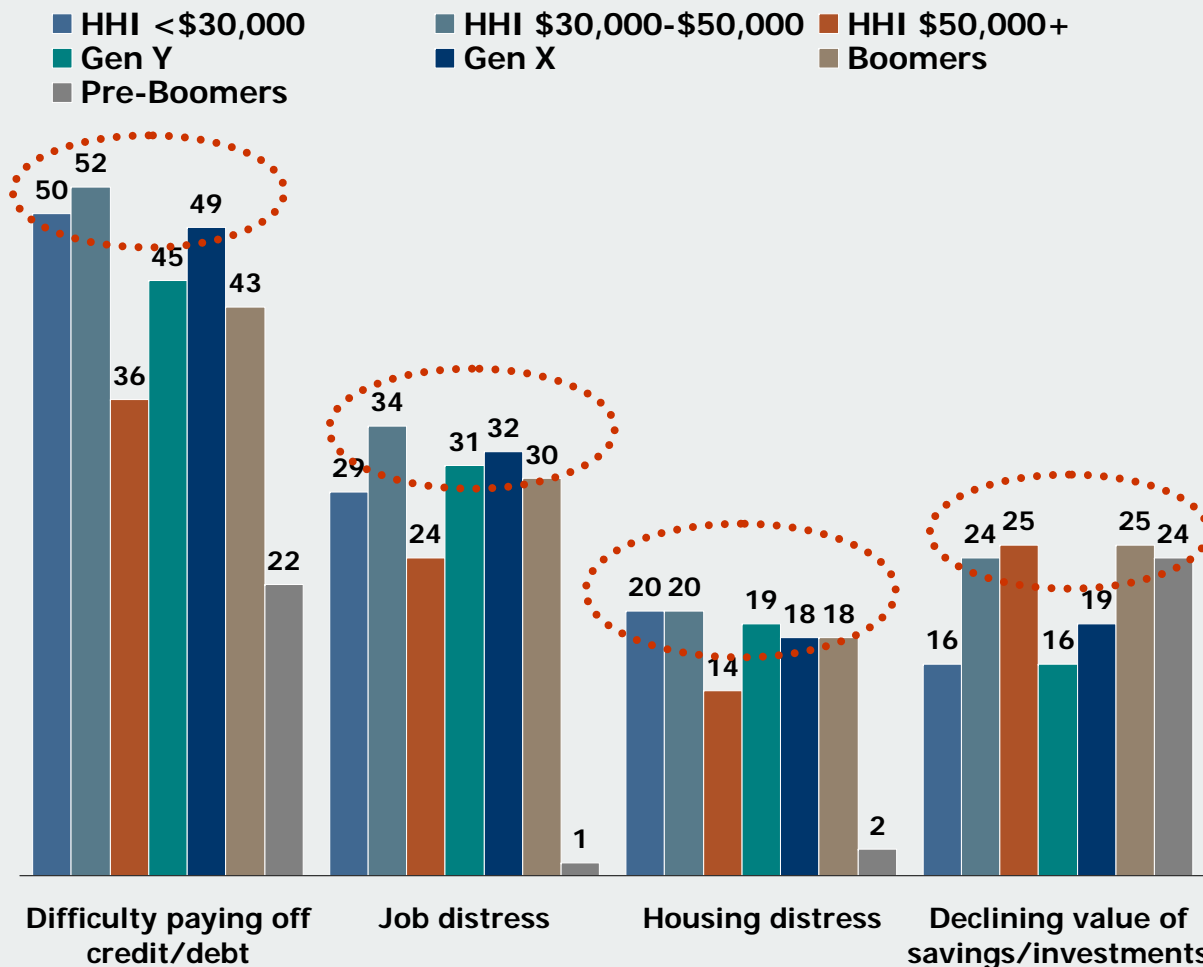


"Just looking, thanks"

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## Many Feeling Stress – but Pain Points Vary by Segment

% of online adults 18+ whose household has experienced in past 6 months



### We're All in the Middle Class?

Tiffany CEO cites "weakness in mid-tier luxury consumer" for stores' downbeat 2007 holiday season.



"The middle class today is less prepared for an economic emergency, such as losing a job or visiting an emergency room, than at any time since the late 1970s, concludes a new study from a political think tank in Washington, D.C."\*

\*<http://articles.moneycentral.msn.com/SavingandDebt/SaveMoney/MiddleClassLivingOnTheEdge.aspx>, *NY Times*

## A GenX Downturn?

# Strong Life-stage Component to Worries over Mortgage

10

**37%** of online adults are “somewhat” or “highly” concerned about making their mortgage payments (with 19% “highly concerned”)

### Who are they?

More likely to be in **young family** years

- > Gen X (44%, +7 from total public)
- > Dual-income married households (45%, +8)
- > Parents of kids under 18 years old (48%, +11)
- > ...especially kids 7 or younger (50%, +13)

In the **middle class**

- > \$30k - \$49.9K households (44%, +7)



*How can you help GenX work through their worries – and understand what for many is a very different experience?*

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## On a Financial Tightwire Mortgage-Distressed Are More Anxious over Everything

Online adults highly concerned over mortgage are also more likely to have...

11

\* **Higher debt:**

**58%** have more debt than a year ago, +21 total pop

\* **Less in the bank to draw on:**

**45%** have less savings, investments than year ago, +17

\* **More worries about the economy**

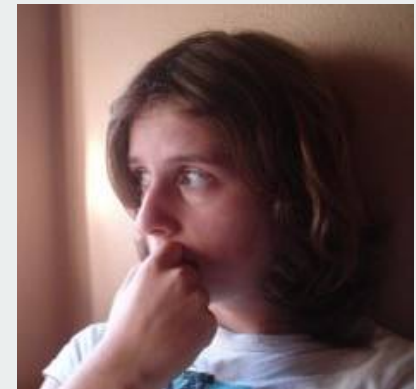
**53%** are worried about all five “lunch-bucket” issues, +18

(Rising cost of health care, inflation and high prices, recession and rising unemployment, having enough money, reducing federal deficit)

\* **A feeling of apprehension:**

**45%** say now is a good time to wait rather than buy, +8

*Help them sort out what's real and what's psychological*



## Caution Light Even 'Safe Haven' Affluent Have Questions



12

Though the affluent are **less impacted** by gas prices (27% are hurt a lot among \$100K+ hhs, -27 pts. from total public)

...and have a **better balance sheet** than the average person (42% of online \$100K+ hhs report higher savings/investments than a year ago, +11 from total online, vs. 31%, -6, reporting higher levels of debt)

They're **not especially** more likely to feel it's a good time to buy (14% among \$75K+ hhs, +2 pts. from total public, vs. 29%, +13, in Oct. '06)

...with many at least somewhat **concerned about the mortgage** (34% among online \$100K+ hhs, only -3 total public)

...and expressing **declining optimism** about the economy (34% among online \$150K+ hhs, -12 from January)



## 2 The Checklist Emerges – and, with It, Some Good News

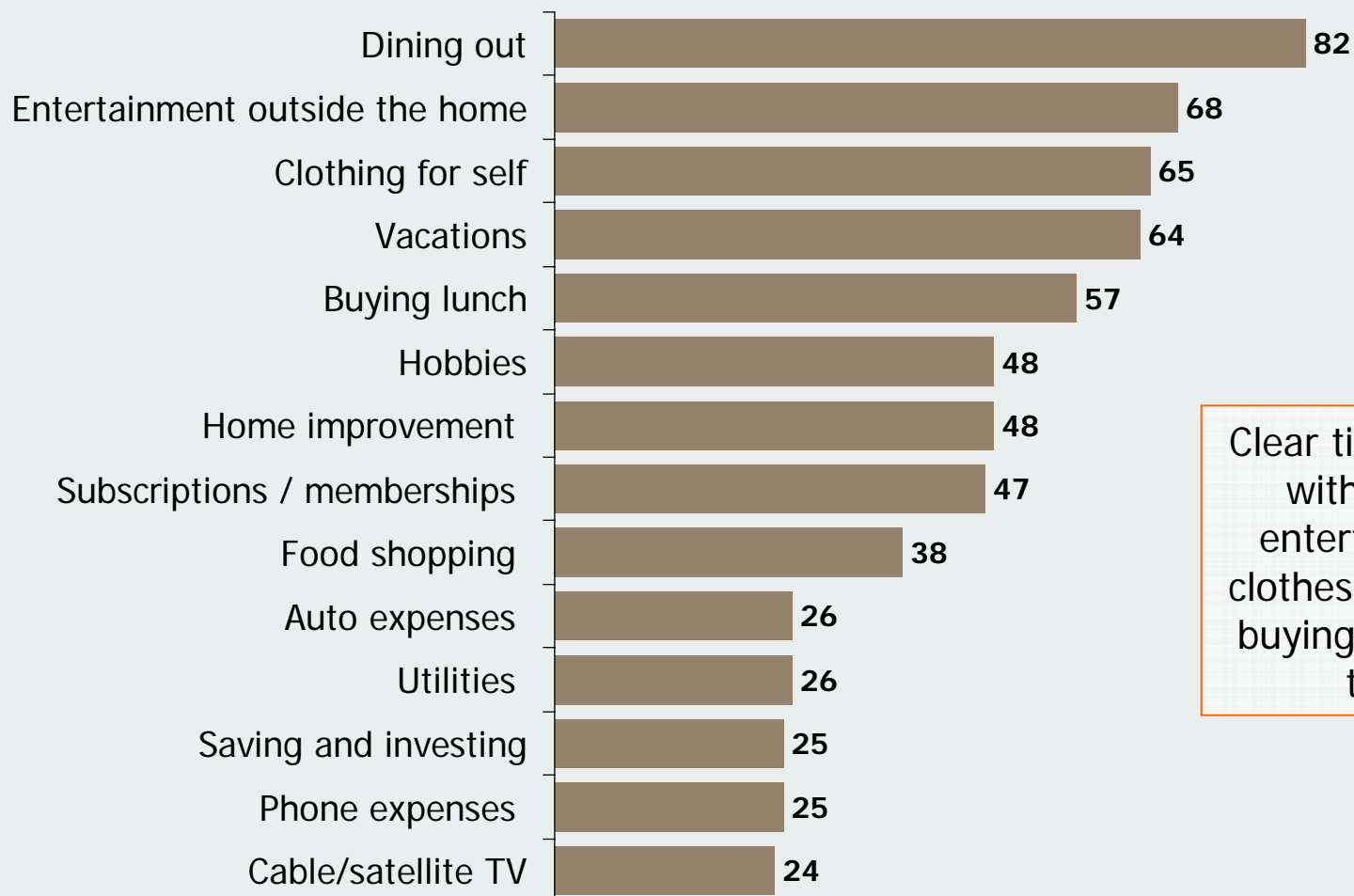
- > Clear priorities in where consumers will cut back
- > Let's stay home and spend money
- > Many plan to feather TV nest
- > Opportunities in home entertaining

## The Priority List

# Consumers' Strategies for Cutting Back Are Emerging

**73%** of online Americans anticipate having to cut back on expenses in the next 6 months. Among them, the leading targets for cutting back are:

14



Clear tiers to priorities with dining out, entertainment out, clothes, vacations and buying lunch the first to be cut

## Staying at Home Should be Fun, Right?

# Many Planning to Spend Money on Feathering the TV Nest

15

**50%** of online Americans plan to buy an HD or flat-panel TV in the next year (including 57% of men, 44% of women)

*...with little difference between those planning to cut spending and those who are not*

**1 in 5** plans to buy a Blu-Ray or HD-DVD player

Consistent with industry reports:

Growth in U.S. consumer electronics is projected to slow in 2008, but still be a healthy +6.1%

Wal-Mart flat-panel TV sales are up triple-digits in some months during this downturn

"Videogame marketers are finding the recession **more friend than foe**... Sales are up 31% through April." (*Ad Age*)

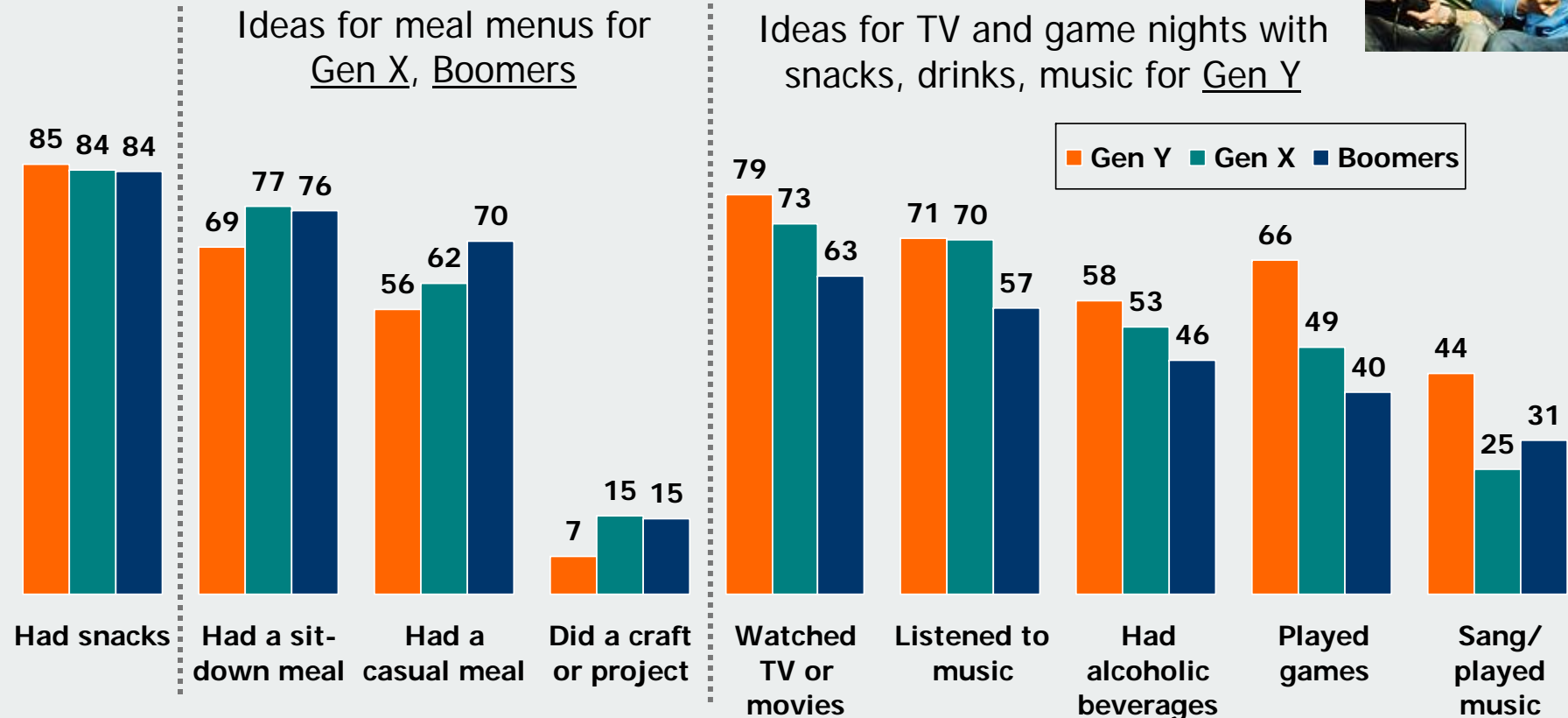


## Context

# With Fewer Going out, More Opportunities in Home Entertaining

16

**49%** of Americans entertain at least a few times per month



\*% of adults 18+ who did the following when they entertained guests at home last time (Based on those who entertain)  
RRUS 11-06, Q4, 7 (phone)



## 3 Automobiles: Smaller, but Stylish

- > Many want to downshift to smaller, higher MPG cars
- > But consumers want vehicles to fit their needs
- > And be stylish, too
- > Hybrids clean up (especially with women)

## New Priorities Utility Moving Front and Center in Car-buying

Among those planning to buy a vehicle at some point in future:

**Fuel-efficient:** 50% are “seriously considering” an alternative engine for next vehicle (47% among those in market in the next year)



18

**Smaller:** 36% of Americans plan to buy a smaller vehicle than they have now (45% among those in market in the next year)

**Pre-owned:** 34% of Americans say they usually buy new vehicles but plan to buy a used one next time (40% in market in next year)



**Affluent** following suit: 53% in \$75K+ hhs considering alternative engine, 35% plan to go smaller and 27% plan to buy a used vehicle

## Hybrids Cleaning up



19

**88%** of Americans are aware of hybrid-engine vehicles  
(+21 percentage points from 2003)

**49%** of those aware of hybrids are interested in buying  
one in the next 4-5 years (+24 points from 2003)

Clean-diesel has high awareness (81%) but low interest (27%)  
...ditto electric engines (91% awareness, 27% interest)  
...hydrogen (66%, 29%), bifuel (65%, 29%),  
flex fuel (64%, 35%), too



Women especially interested in hybrids (54%, +11 men)

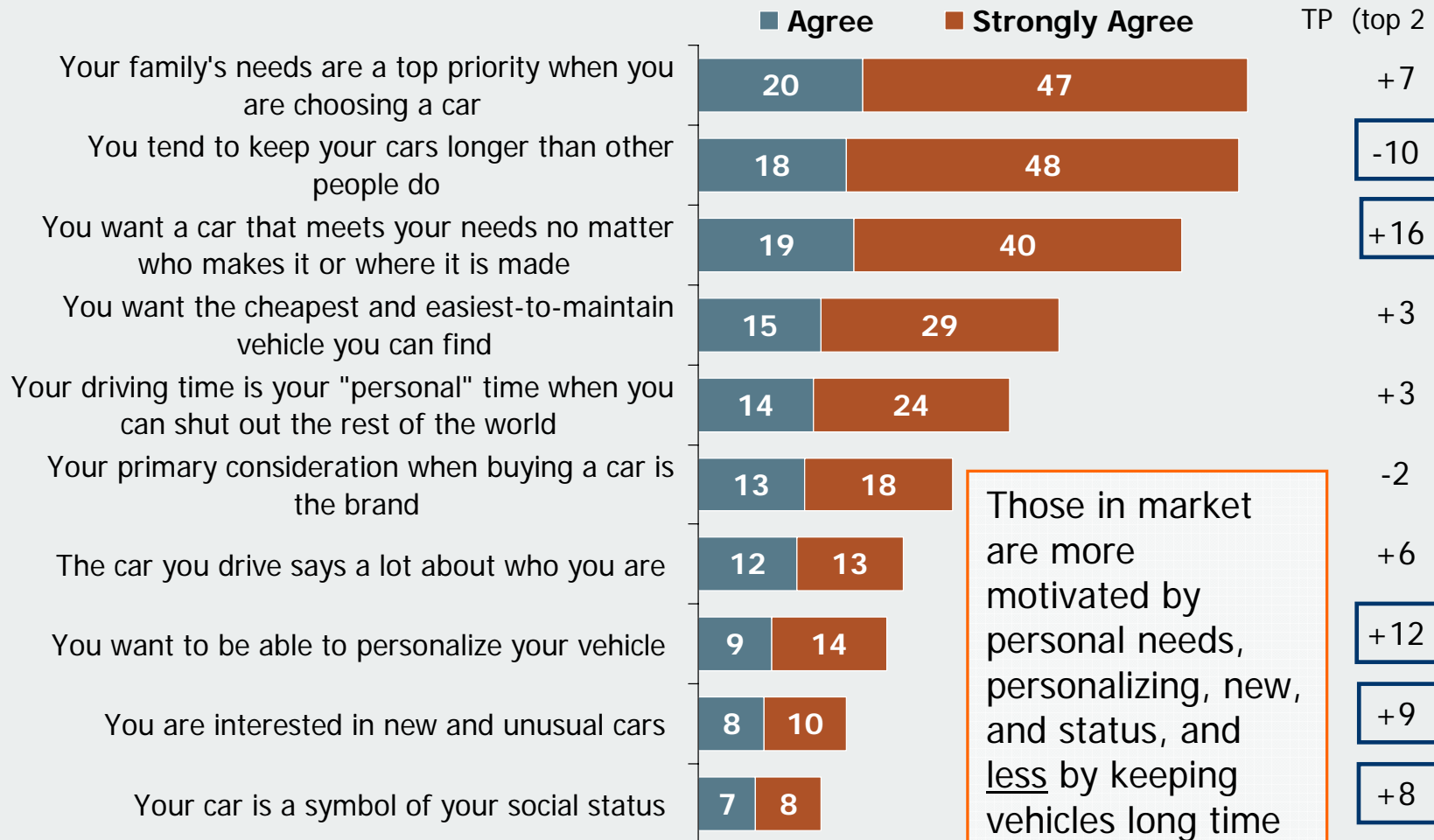
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# Personal Stamps also Key ...But Utility Is Only Part of What Consumers Want in Vehicles

% of adults 18+ who agree with statements

Those planning to buy in next 12 months vs. TP (top 2 box)

20



Those in market are more motivated by personal needs, personalizing, new, and status, and less by keeping vehicles long time





## 4 Travel: The Trip Is on – Now Help People Spend Less

- > Little decline in numbers planning to travel
- > But big jump in plans to spend less
- > Opportunities for easy meals, cheap fun
- > A sharper focus on R&R and relationships

## Getaway Time

### Americans Not Ready to Sacrifice their Vacations

**Still Going:** 59% of Americans plan to take a personal or vacation trip of 100 or more miles in the next six months (only slightly below 61% average of recent years)



22

**But more will be on a budget:** 31% will be spending less (+14 points from 2005)

...with fewer saying they'll spend more (27%, -7) or the same (40%, -4)



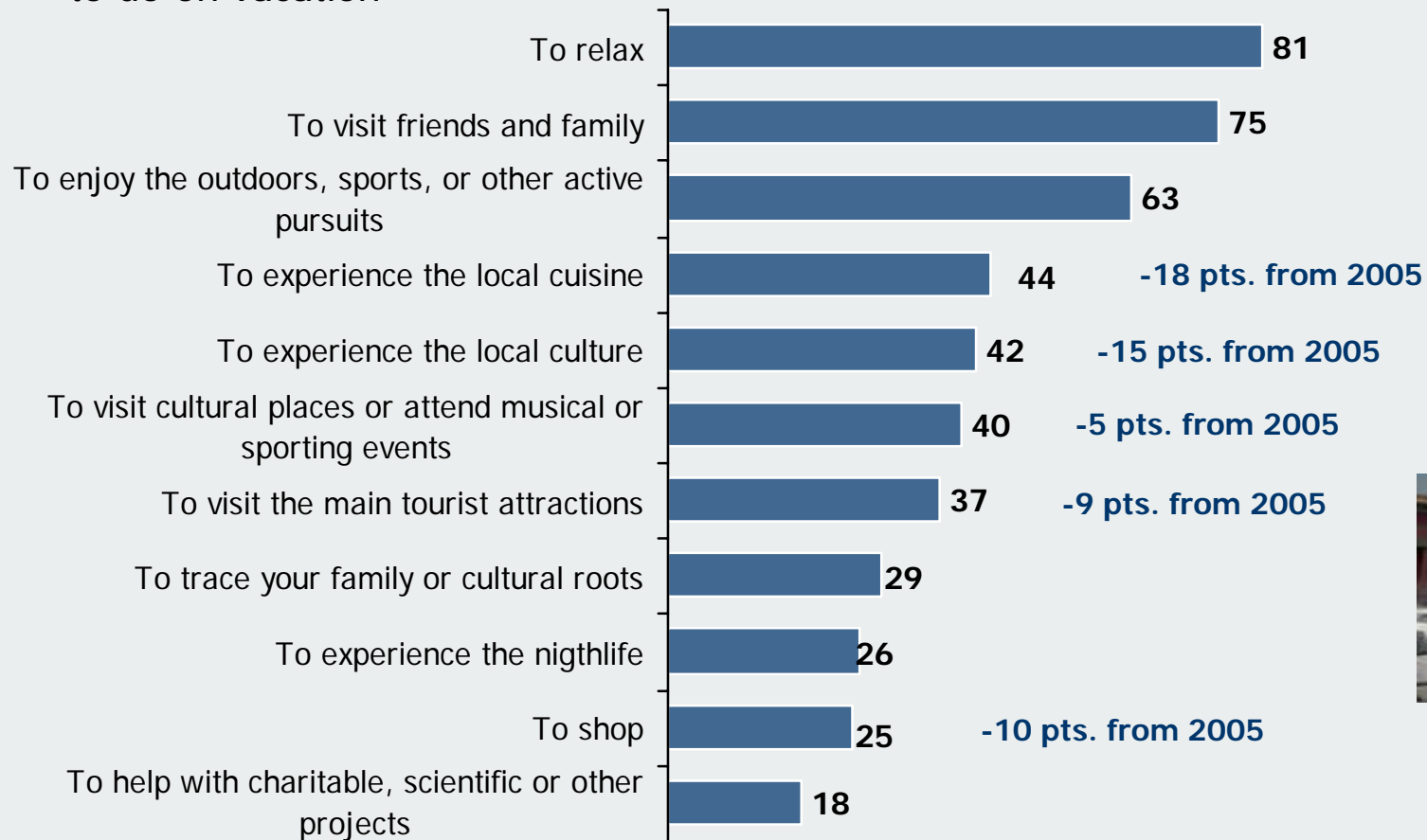
**Opportunities** to help consumers stretch travel dollars:  
Vacation packages (Disneyland instead of Europe)  
Easy, inexpensive meals for cooking on vacation  
(cross-promotions with food cos., supermarkets)  
Ideas for "simple pleasures"

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## Going Out, Shopping Less Important Travel Priorities More Clearly Focused on R&R, Relationships

23

% of adults 18+ who say factors are very or somewhat important in what like to do on vacation



**Definitely!**



**Maybe not this time**

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## 5 Personal Finance: Rehabilitate the Value of Risk-taking

- > Avoiding debt is a Mom & apple pie belief
- > But consumers comfortable with risk do better than their peers who are focused on debt
- > Debt-averse often have problems with debt

# A Test: Who Is Doing Better? Debt-averse Consumers?

25

## Debt-averse are the 15% of online consumers who agree that...

- > "I do not like to be in debt at any time"
- > "I am not the kind of person who takes risks or chances in life"
- > "I need help making financial decisions"

## Debt-averse demographics are..

- > 55% female
- > 62% married
- > Median age 39.9 – similar to generational norms
- > Median HHI \$67.8K

## GfK Roper Values that Debt-averse index high on:

- |                        |              |
|------------------------|--------------|
| > Wealth               | > Thrift     |
| > Freedom              | > Equality   |
| > Modesty              | > Simplicity |
| > Respecting ancestors | > Tradition  |

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## ...or People Who Are Comfortable with Risk and Borrowing?

26

### Risk-takers are the 8% of online consumers who agree that...

- > "When investing, I don't mind taking risks for the possibility of greater returns"
- > "I don't mind borrowing money when I need to"
- > "I like to have fun now and let the future take care of itself"

### Risk-takers' Demographics: Male, educated, well-off

- >68% male
- >63% married
- >55% college graduates
- >52% executive/professional
- >79% homeowners
- >Median HHI \$79.4K
- >Median age 35.0 – 47% Gen X, 47% Parents

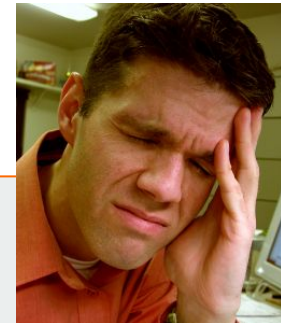
### GfK Roper Values that Risk-takers index high on:

- |               |                |             |
|---------------|----------------|-------------|
| >Status       | >Ambition      | >Power      |
| >Adventure    | >Excitement    | >Having fun |
| >Beauty       | >Sex           | >Pleasure   |
| >Looking good | >Self-interest | >Creativity |



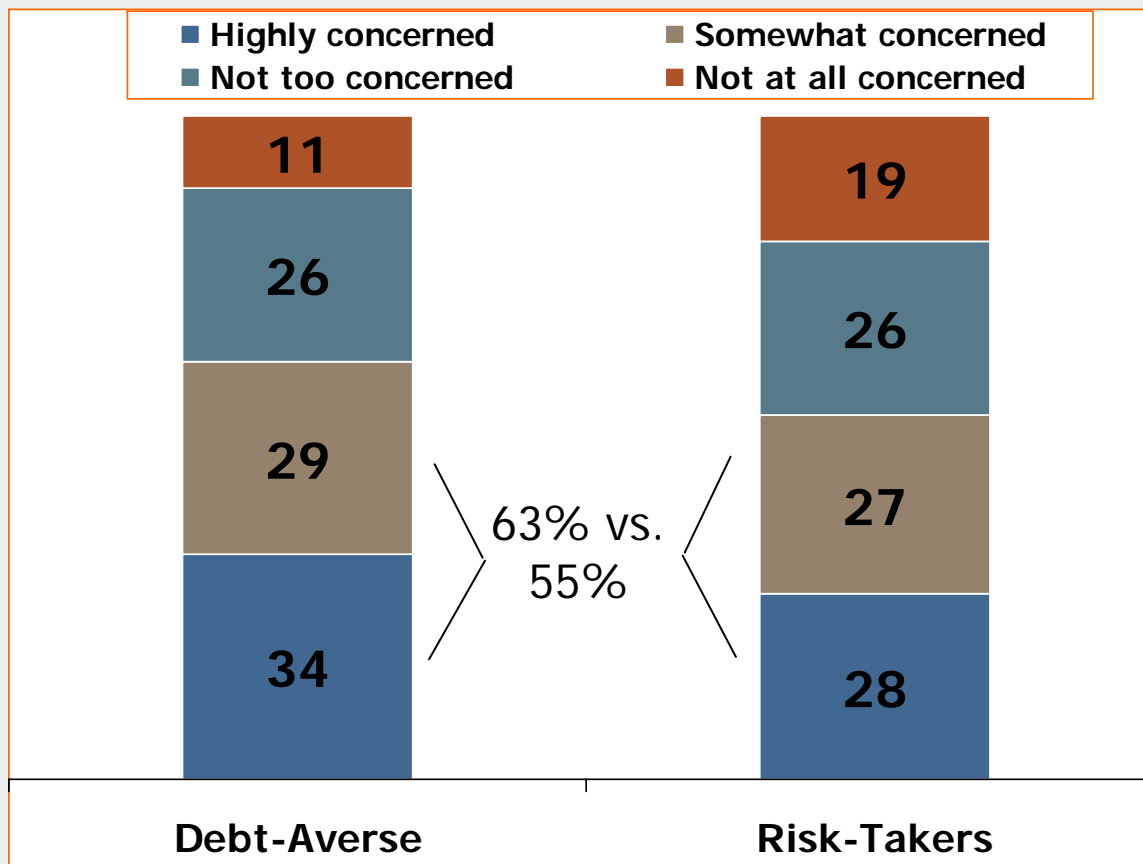
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## Debt-averse Are Struggling More with Finances



27

Debt-averse are more likely to worry about making mortgage (base: homeowners who have not paid off mortgage)



- > Debt-averse are almost as likely as Risk-takers to have more debt than a year ago (39%, -4 Risk-takers) and less likely to have more savings, investments (33%, -9)
- > Debt-averse also worry more about outside forces like rising cost of health-care costs (87% at least very concerned, +15 Risk-takers) and inflation (82%, +9)



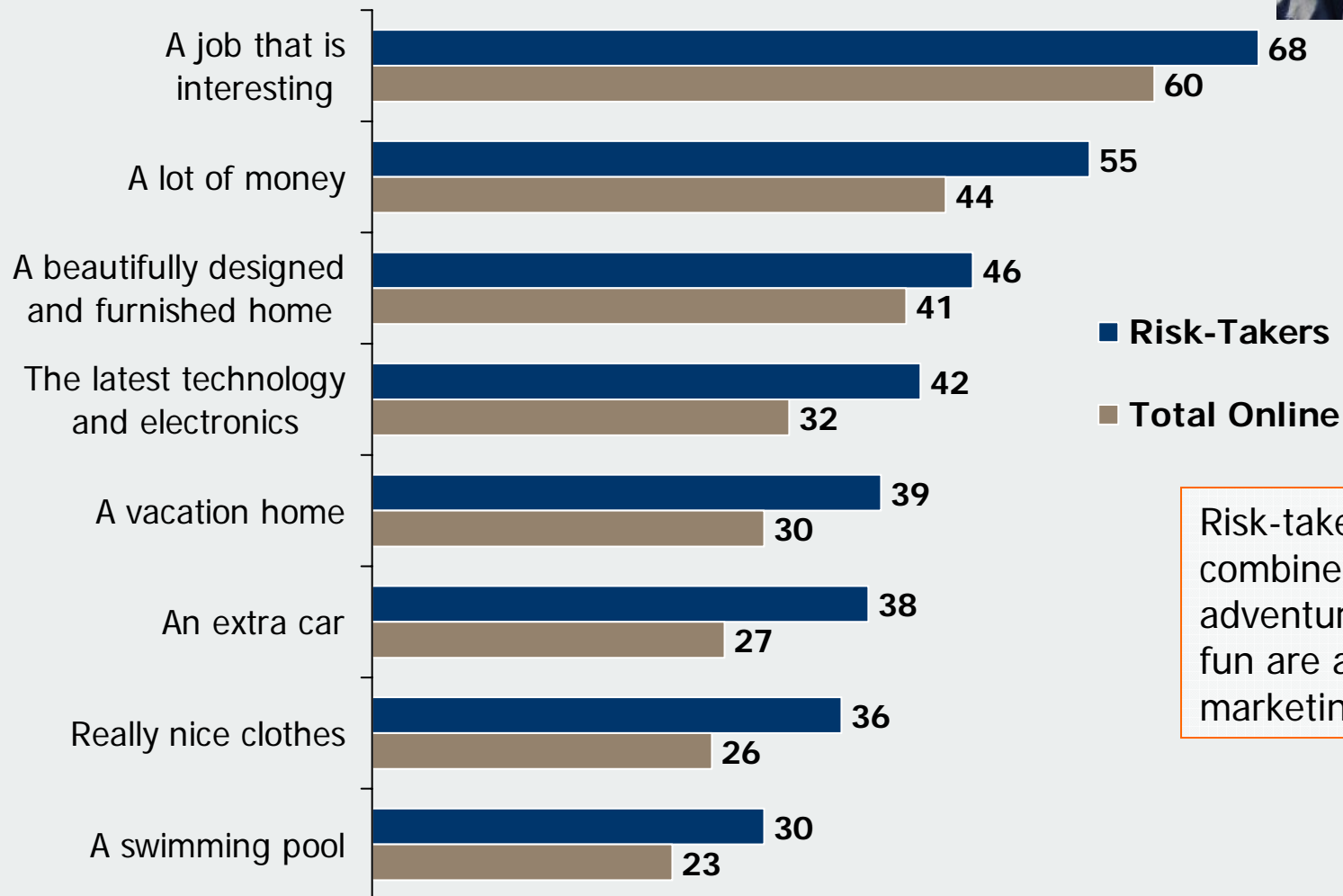
## Aspirations of the Good Life

### Risk-takers Have Motivations to Get ahead



28

% who feel the following are part of the "Good Life"



Risk-takers' aspirations, combined with values like adventure, ambition, and fun are a template for marketing to Risk-takers



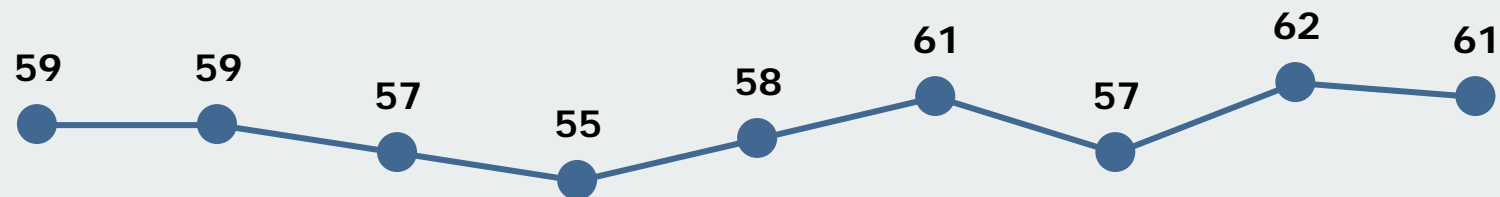
## 6 The Worldwide Story: Not Everyone Is Feeling Down

- > If marketing at home is too hard, look elsewhere
- > Focus on the global bright spots
- > Think BRIC

## Among Consumers, Global Confidence Is Actually Fairly Stable in Recent Years

30

% of global consumers age 13+ who are very/somewhat confident they will be better off in 12 months



After rising last year more sharply than in any single reading (5 points) to the highest figure in the post-millennial period (62%), **the share of consumers globally who are confident they will be better off in the next 12 months has changed by only a point this year, slipping to 61%.**

2000 2001 2002 2003 2004 2005 2006 2007 2008

RRW08, QA1 (using 2005 weights) and earlier surveys; country set varies

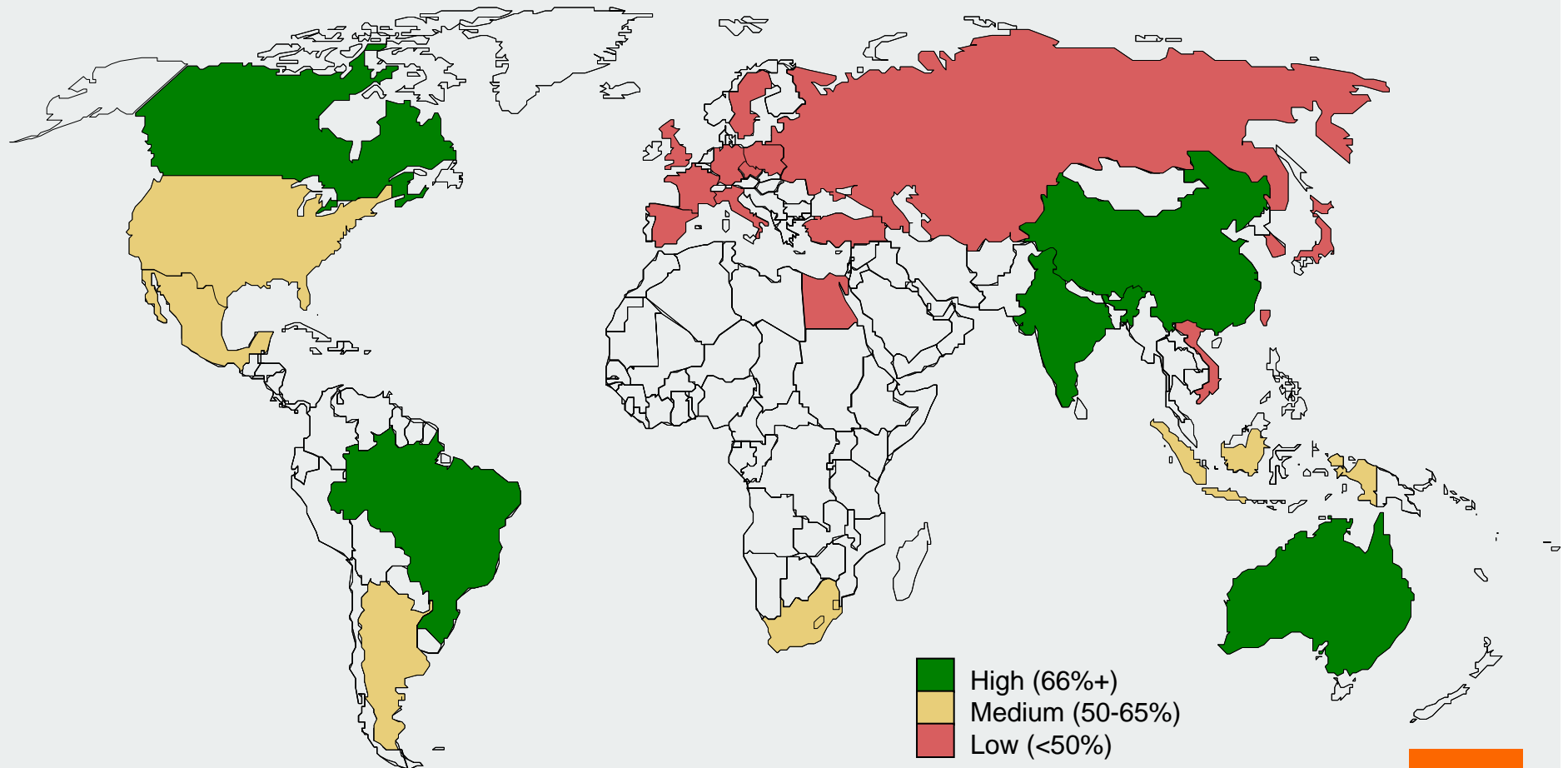
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# China, India, Brazil among the Leaders in Confidence

% age 13+ confident they will be better off in 12 months

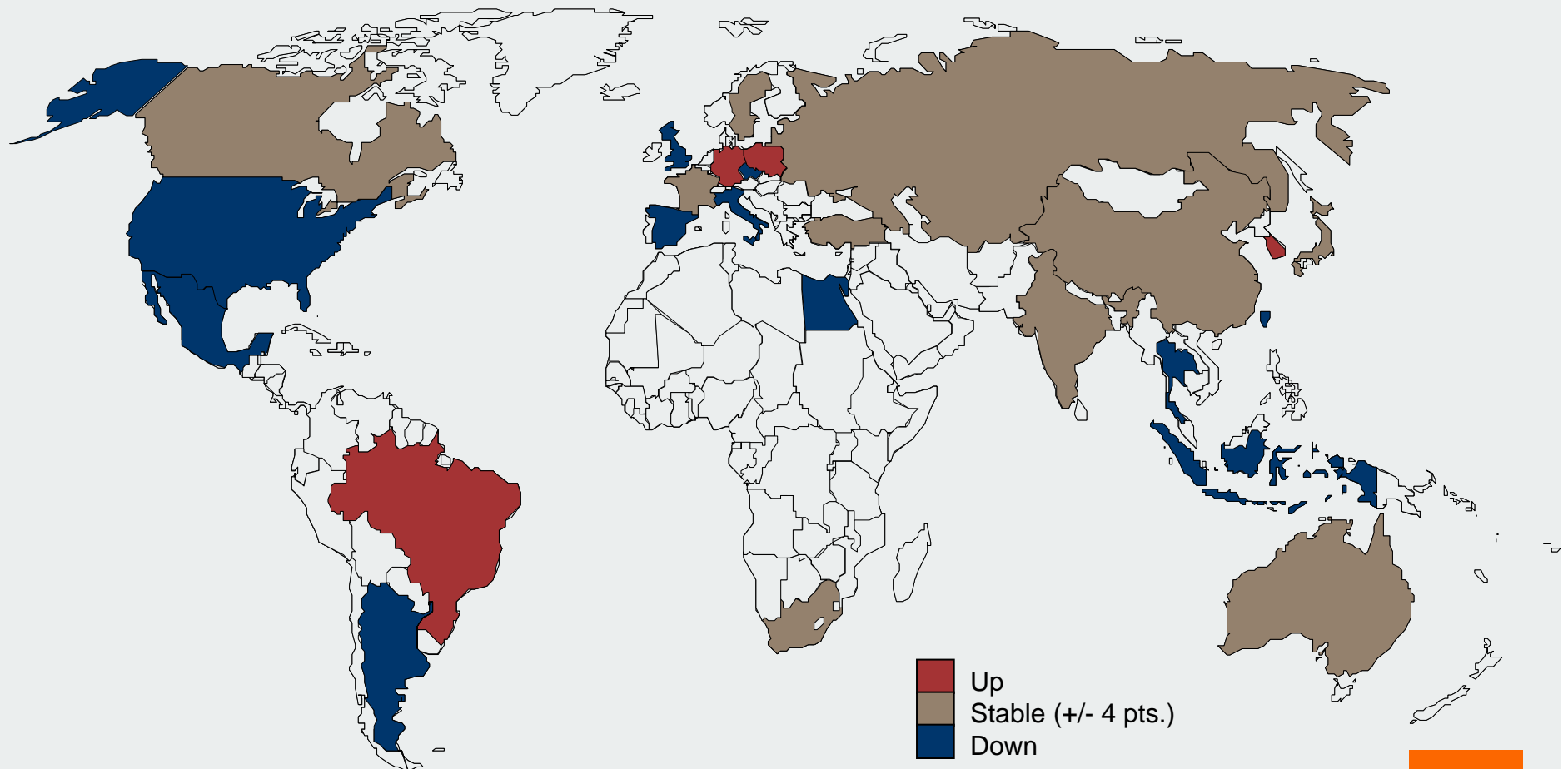
31



# Despite Global Stability, Countries Show Short-term Ups and Downs

Pt. change 2007-8 in % age 13+ confident they will be better off in 12 months

32



RRW08 and RRW07, QA1



## 7 Inflation Is the Big Economic Issue Globally

- > Worry is about paying more for less
- > If you can, offer more

## Inflation Is the #1 Concern Globally

**41%**

List "inflation and high prices" among their top concerns

**+11 pts**

On last year



**#1**

Concern globally\*

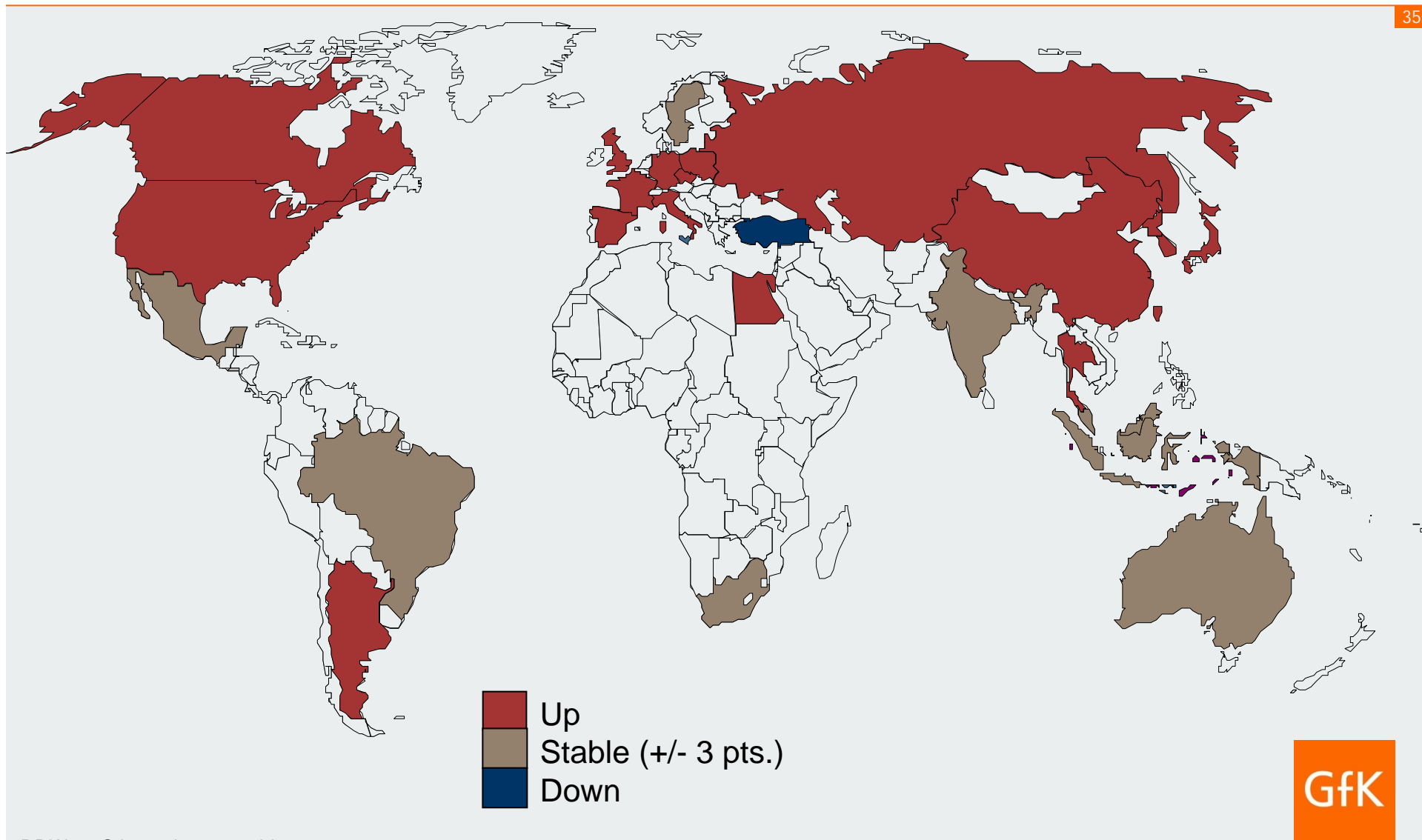
Up from #4 last year

**#1** in

Egypt, China, Russia, Czech Rep,  
Germany, Korea, Indonesia, France

\*from a list of 21 items

# Inflation and High Price: Changes from Last Year





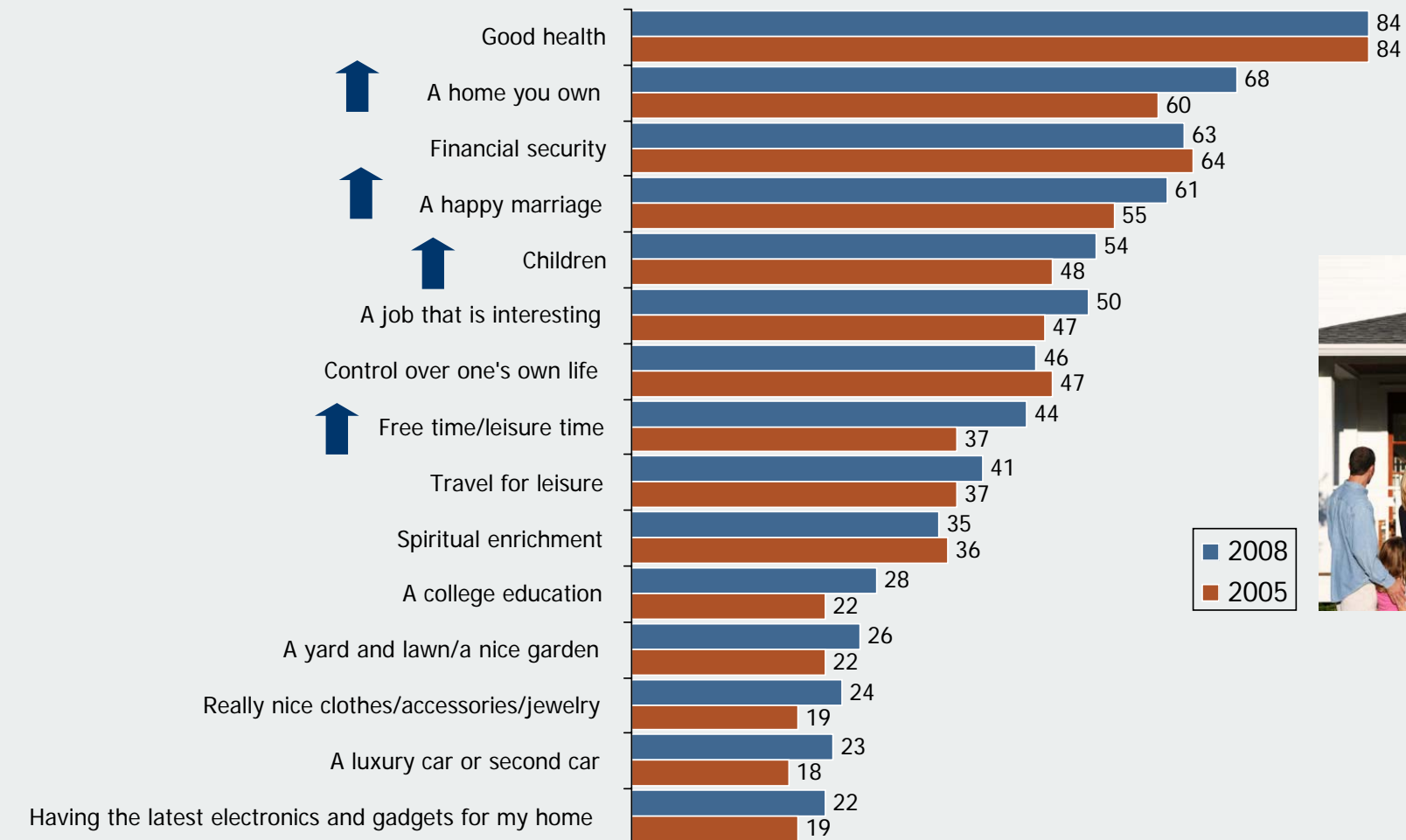
## 8 A Global Dream? Long-term Aspirations Shared by Many

- > Look to the long-term
- > Help people fulfill their dreams ahead of schedule
- > Help people to rescope their dreams

# Growing Number See Home Ownership, Happy Marriage and Children as Part of Good Life

37

% of global consumers 13-65 who consider things part of the "good life"



■ 2008  
■ 2005

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RRW08, QE1 (using 2005 weights) and RRW05

## Reasonable Global Consensus on Key Attributes of "Good Life"

38

### Good Health

#1 definition of  
the "Good Life"

In

**24**

Countries (of 25)

### Financial Security

Is one of top-3 definitions  
of the "Good Life" in

**19**

Countries (of 25)

(Top-5 in **24** countries)

### A Home You Own

Is one of top-3 definitions  
of the "Good Life" in

**18**

Countries (of 25)

(Top-5 in **21** countries)

### A Happy Marriage

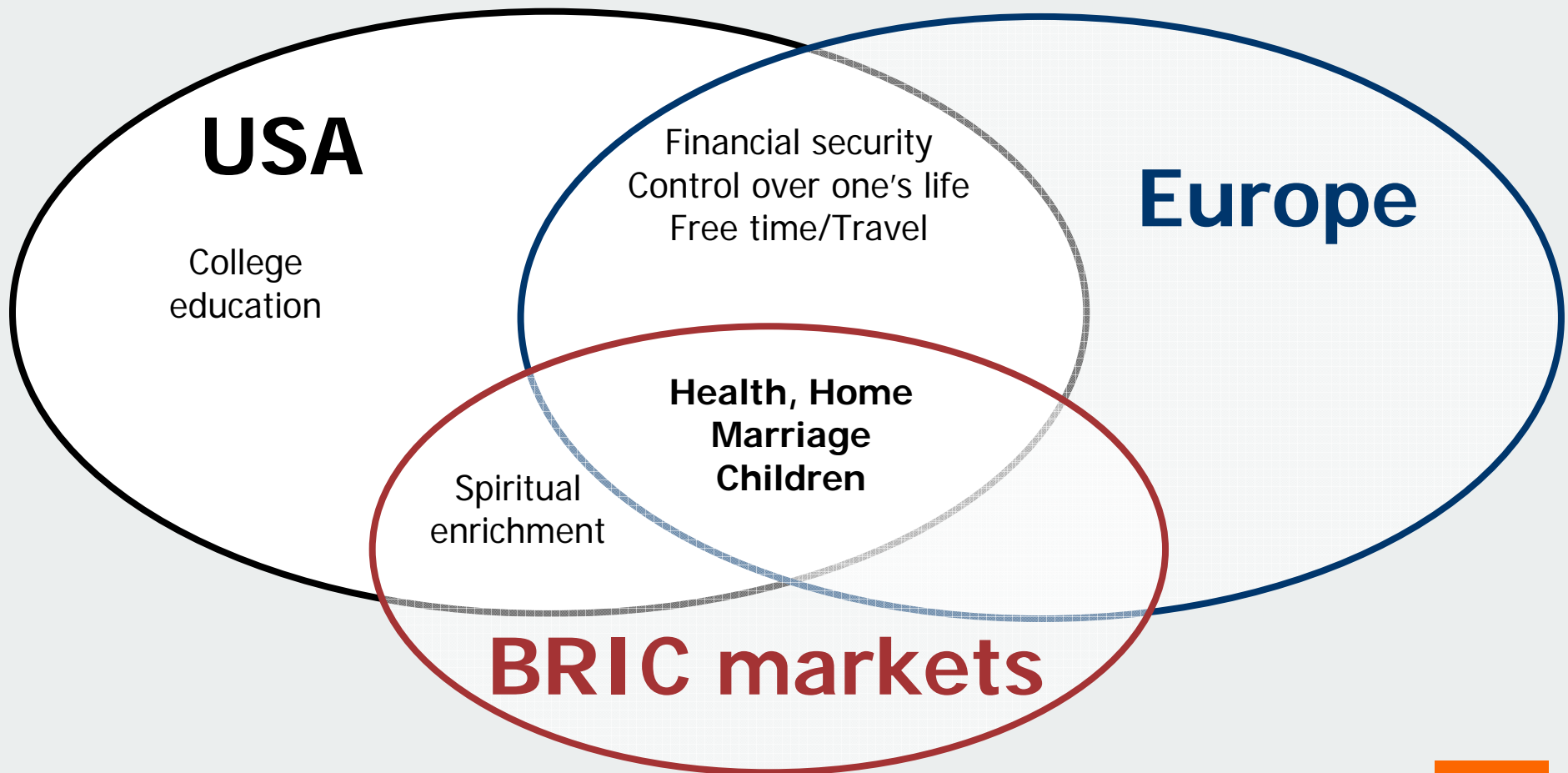
Is one of top-5 definitions  
of the "Good Life" in

**22**

Countries (of 25)

# The BRIC Dream Has Elements in Common with American and European Dreams

39



## As China's Economy Grows, Individual Dreams Begin To Emerge

### Hearty Gong

Marketing Executive  
*"Money's important  
 but it doesn't equal  
 happiness."*

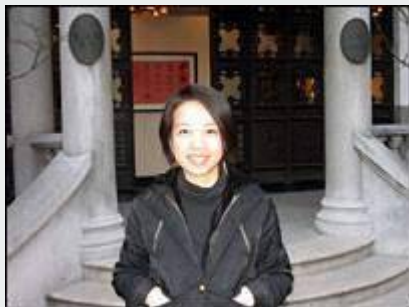


### Ling Zheng Gu

Executive Chef  
 Blue Frog restaurants (Shanghai)  
*"I see my daughter maybe once  
 or twice a week, because I'm  
 really busy with the restaurant  
 and I do a lot of travelling.  
 I don't see her much, she lives  
 with her grandparents. But at  
 least once day I give her a call."*



**Didi Meng**, Former Dancer.  
 She now owns a nail bar and  
 two clothing shops.  
*"I think being creative is  
 very important, but of  
 course you can't survive  
 without money. You need a  
 balance, but being creative  
 is much more interesting."*



### Annie Ye

Property Developer  
*"I think what's very important  
 for us is to have the freedom to  
 honestly pursue our dreams.  
 Our country should facilitate us  
 in pursuing our dream."*

*"China's young entrepreneurs."* (news.bbc.co.uk)

## Summary

### Silver Linings: Insights and Opportunities in the Current Downturn

41

- 1 Don't Put on Your Blinders
- 2 The Checklist Emerges – and with it, Some Good News
- 3 Automobiles: Smaller, but Stylish
- 4 Travel: The Trip Is on – Now Help People Spend Less
- 5 Personal Finance: Rehabilitate the Value of Risk-taking
- 6 The Worldwide Story: Not Everyone Is Feeling Down
- 7 Inflation Is the Big Economic Issue Globally
- 8 A Global Dream? Long-term Aspirations Shared by Many

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# Thank You!

42



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