



## A NEW LOOK AT OLD SUMMER RITUALS

ANALYZING CONSUMER SPENDING AND BEHAVIOR TRENDS

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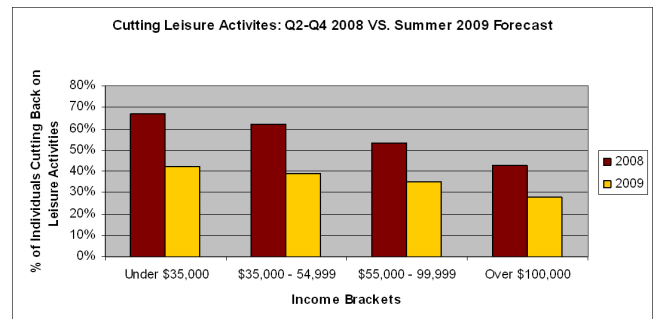
**Consumers continue to test new money-saving strategies and will retain those that best balance the tradeoffs between quality and cost.**

During the past 12 months, American consumers have been hit with an onslaught of economic pressures, forcing them to rethink their day-to-day rituals and spending strategies. In December of 2008, IRI reported the results of a consumer panel survey highlighting both subtle and drastic changes consumers had made in their shopping attitudes and behaviors in Q2 through Q4 of 2008 to weather the recession and save money, while attempting to maintain their lifestyles. IRI has dubbed shoppers' changing behaviors as the "Transforming Economy," as significant percentages of consumers across income segments are dining out less, cooking from home more, replacing premium brands with value and private label brands, and spending less money on their favorite leisure activities.

As the summer 2009 season continues, many consumers are revisiting their budgets to determine what kind of excursions, vacations and other adventures will fit into their more frugal lifestyles, as well as take a new look at their summer meal rituals.

What are Americans planning to do and eat this summer? IRI's new study, "A New Look at Old Summer Rituals," reveals a glimmer of hope compared to last year. Shoppers will spend less on food and vacation this season, yet are avoiding some of the most drastic

practices that characterized their behavior last summer and fall.



Shoppers have thrown off the panicked cost-cutting of last year and have adopted much more nuanced, sophisticated and strategic attitudes regarding their shopping behavior. Consumers continue to test new money-saving strategies and will retain those that best balance the tradeoffs between quality and cost. A very significant difference from past recessions is the emergence of a "Downturn Generation," a strong plurality of shoppers who will retain their more frugal ways long after the recession ends. IRI reported on this group in detail in its recent "IRI Point of View: Dissecting the Downturn Generation: Recognizing and Leveraging Permanence in Today's Transformational Economy." The urgent need for savings in order to survive may diminish, yet consumers will see the options available



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to them with extra cash in their pockets and continue to do what it takes to build more disposable income. If a shopper can save \$400 a month using private label brands with similar quality to national brands, why would they stop this habit even when their situation improves? The answer is they won't. They'll funnel that cost savings into another desirable activity or plan and continue purchasing private label.

**U.S. consumers say they are planning to spend less on vacations.**

### NEW MONEY-SAVING HABITS FOR SUMMER

IRI's "New Look" study included surveying 1,000 shoppers regarding their meal and vacation plans for summer 2009. Results show that a number of consumers in all income brackets are planning to spend less on vacation activities and dining out this summer and are coming up with unique ways to cut costs. One-third of individuals across all income brackets state they will "only" be going on short day trips this summer and 41 percent said they will pack homemade meals to eat while traveling, rather than purchasing them. Close to half of respondents reported that gas prices are influencing their plans to travel this summer, and 24 percent are going to use time off from work for a "stay-cation" at home this summer, instead of traveling.

Generally, consumers at all income levels are cooking at home more often, and they're enjoying it. Consumers are prioritizing cooking at home for four main reasons: to save money (74 percent), eat healthier (61 percent), spend quality time with the family (29 percent) and to relax more (27 percent).

### LEISURE ACTIVITIES AND SUMMER SPENDING PLANS REBOUND

IRI's special research series, "Competing in a Transforming Economy," which first appeared in June 2008, noted that every major income group reduced spending on food, energy, dining out and their favorite activities in order to save money while riding out nationwide economic woes. The "New Look" survey also points to consumers on every level planning to spend less on food and vacation plans. However, results reveal the new, more strategic approach to spending less.

In Q2 – Q4 of 2008, 67 percent of consumers earning \$35,000 or less reduced spending some or entirely on their favorite activities. These percentages were also significant amongst higher income households. Sixty-two percent of those earning \$35,000 - \$54,999 and 53 percent of those earning \$55,000 - \$99,999 reported they also had to cut back or eliminate spending on favorite activities during the last nine months of 2008. At the highest end of our scale, 43 percent of those bringing home more than \$100,000 also cut out their preferred activities as a means to conserve funds.

In comparison, in summer 2009, U.S. consumers say they are planning to spend less on vacations or will not spend at all, yet the cutbacks are less alarming than those as reported for 2008. Forty-two percent of surveyed shoppers earning \$35,000 or less and 39 percent of those earning \$35,000 - \$54,999 plan to be more frugal this summer than last.

Of those making \$55,000 - \$99,999, 35 percent are planning to reduce or eliminate summer vacation spending and just 28 percent of those earning



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\$100,000 or more will cut down, while no one in this bracket anticipates spending nothing at all on vacation.

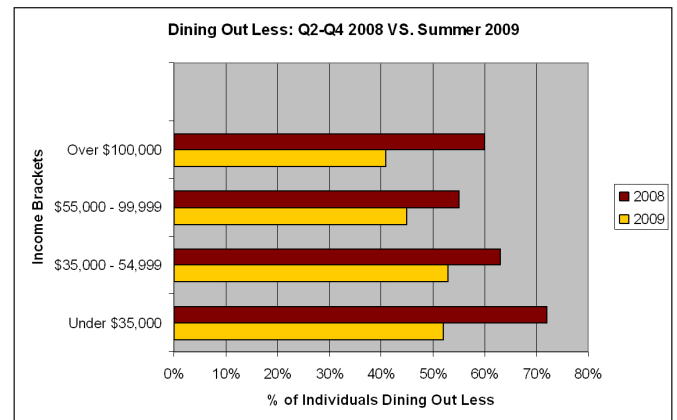
### AMERICANS CONTINUE COOKING AT HOME AND DINING OUT LESS

A common cost-cutting strategy seen across the United States is to cook meals at home, foregoing dinners out. At year end 2008, IRI reported that during Q2, Q3 and Q4 more than 50 percent of consumers in every income level ate out less often to help minimize spending.

This summer, the cooking at home trend will continue; however, the blow is not as hard hitting with fewer consumers reporting plans to cut out their nights on the town. Across the board, 58 percent of all consumers surveyed say they plan to eat out this summer during excursions, while 41 percent are planning to pack self-made meals rather than purchasing meals.

**What's for dinner at home is evolving as well.**

In the \$35,000 and under income bracket, 52 percent plan to dine out less this summer, compared to a staggering 72 percent, who said they ate out less in 2008. Down 10 percent from reported behaviors in Q2 through Q4 of last year, 53 percent of individuals making \$35,000 - \$54,999 and 45 percent of those making \$55,000 - \$99,999 intend to cut out nights on the town. Among those making more than \$100,000, 41 percent say they will eat out less this summer compared to 60 percent last year.



To offset dining out less, there has been a significant rise in the amount of meals cooked at home. Based on consumers responses last year compared to their plans for summer 2009, this trend is continuing to rise. Consumers are implementing this money-saving strategy as an ongoing habit, presenting numerous opportunities for CPG retailers and manufacturers.

What's for dinner at home is evolving as well. Across every income bracket, there is an 18-28 percent increase in individuals planning to alter their cooking habits at home in hopes of squeezing out extra savings. Sixty-two percent of those making \$35,000 or less were cooking from scratch more often in 2008, while now 80 percent of consumers in this bracket say they intend to change their cooking habits at home this summer.

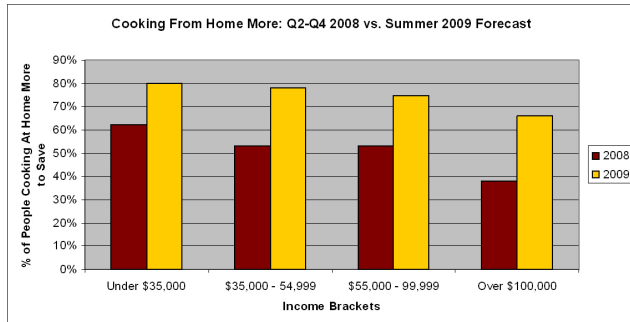
Similarly, 53 percent of individuals in the \$35,000 - \$54,999 and \$55,000 - \$99,999 ranges were cooking from home during the last nine months of 2008. Now, 78 percent and 75 percent of these individuals are planning to do so in the summer season, respectively. Most surprising of all, with a 28 percent increase, 66 percent of those earning more than \$100,000 plan on changing their cooking habits at



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home for the summer, when only 38 percent of this group was doing so in 2008.



### GAS PRICES CONTINUE TO CONCERN CONSUMERS

Gas prices remain an important factor in consumers' minds when planning shopping trips, day trips and vacations. Even during a period of significantly lower priced gas last fall, most consumers were still careful to monitor their gasoline spend. Eighty-seven percent of drivers said then that they were trying to conserve gas despite lower prices, 85 percent reported they were still cautious even with lower prices and 74 percent said they weren't making big changes, such as driving more, because they didn't believe the lower priced gas would last very long.

This summer, vacationers are taking gas price into consideration as a factor for making fewer trips. Sixty percent of those making \$35,000 or less say gas prices are influencing their plans to travel less this summer, 51 percent in the \$35,000 - \$54,999 say the same and 48 percent earning \$55,000 - \$99,999 also agree. Even 28 percent of those bringing home \$100,000 or more are eyeing gas prices as a decision influencer for summer plans.

### PROGNOSIS FOR CPG: POCKETS OF OPPORTUNITIES—IF YOU KNOW WHERE TO LOOK

While shoppers continue to maintain a wide range of frugal shopping strategies, it would be a mistake for CPG, healthcare and retail leaders to focus on simply providing low-cost solutions for shoppers. There are countless opportunities for growth if leaders maintain a highly-detailed understanding of shoppers and shopping trends.

In IRI's recent Times & Trends, "The Value/Premium Dichotomy: Growth at Both Ends of the Spectrum," research revealed in addition to the dollar sales growth of value and private brands, significant growth also occurred in premium brands. Between the end of Q1 2007 and 2009, value brand dollar sales jumped 9.7 percent, while premium brand dollars sales surged 8.7 percent.

**Gas prices remain an important factor in consumers' minds.**

Sustainable products, given the assumption of higher price points, should be suffering from declining sales in today's economy. In fact, many sustainable products are performing well among many shopper segments. IRI's February 2009 Times & Trends: "Sustainability: CPG Marketing in a Green World," reported that unit sales of concentrated liquid laundry detergent, for example, which contain one-third to one-half less the water of traditional detergent, grew nearly 400 percent between January 2008 and January 2009.



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These anecdotes demonstrate that the CPG manufacturers and retailers that will win in today's transforming economy are those that build and maintain a highly-detailed understanding of the shopper, frequently revisit the value proposition they offer these shoppers and continuously and aggressively search for new ways to innovate. This is true this summer, as it has been throughout the entire recession.



Thom Blischok is President of Consulting and Innovation for IRI. A seasoned executive possessing more than 25 years of industry expertise, Thom leads the company's strategic consulting, thought leadership, innovation and marketing practices. A recognized futurist and thought leader, Blischok is known around the globe for his innovative thinking and strategies to help retailers and manufacturers fundamentally transform their go-to-market economic models using innovative approaches to understanding the consumer with new forms of marketplace information.

### About IRI

IRI is the world's leading provider of consumer, shopper, and retail market intelligence and insights supporting 95 percent of the FORTUNE Global 500 consumer packaged goods (CPG), retail and healthcare companies. Only IRI offers the unique combination of integrated market information, automated and predictive analytics, innovative enabling technologies, and domain expertise. With IRI, leading retailers and manufacturers are able to quickly discover breakthrough insights driving smarter decisions and actions across the enterprise for breakthrough results. Companies around the world depend on IRI for improved productivity, stronger brands, and dramatic revenue growth. For more information, visit <http://us.infores.com>.

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