Sign of the Times 2013

Emerging Trends

February 2013

Introduction

- This is our fourth annual review of consumer sentiment.
- It brings together the findings from fresh research conducted early in 2013 and a view on trends from our in-house team of senior analysts.
- This year we have focused on emergent consumer behaviour that we feel signals how we are changing and what this means for business.

Primary research

Qualitative

- Six extended group discussions amongst key groups in Dublin and Cork.
- Interviews conducted in January 2013.
- Targeting of:
    - Facebook addicts
    - Online bloggers
    - Discounter main shoppers
    - Single parents
    - News Junkies
    - Quality shoppers

Female	20-23	BC1	Dublin
Male	30-40	C1C2	Cork
Female	40-50	C2DE	Cork
Female	25-35	C2DE	Dublin
Male	50+	BC1	Dublin
Female	50+	BC1	Dublin

Quantitative

- Barometer survey of 1000 nationally representative adults with interviews conducted in January 2013

Recruitment detail

- Heavy Facebook users use social media 3+ times daily and prefer to use it as a source of news.
- Bloggers regularly publish their own blogs and post comments on discussion sites 2+ times weekly.
- Discounter main shoppers consider Aldi or Lidl their main shop (only use other supermarkets for branded goods and topping up).
- Avid news readers read newspapers daily (online or on paper) and also listen to radio news/watch TV news and current affairs programmes.
- Quality shoppers use M&S for full basket shopping at least once a month.
- Single parents have primary school children and are welfare recipients.

2012 Snapshots

International events 2012

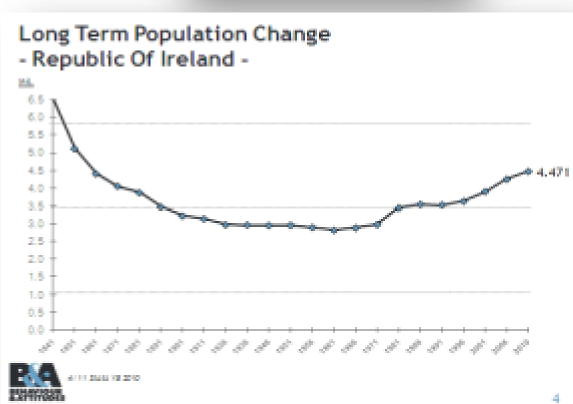
"Katie Taylor winning at the Olympics caught everybody's attention."

Irish events 2012

Where are we now?

There's more of us…

The good news is, there are now 4.5 million of us, an increase of a quarter of a million in just four years



And with a growing birth rate

And declining death rate

....Despite emigration

Emigration/Immigration 2003 - 2012

	Emigration '000	Immigration '000	Net migration '000	Population Change
2003	29.3	60.0	+30.7	+62.6
2004	26.5	58.5	+32.0	+65.3
2005	29.4	84.6	+55.1	+88.6
2006	36.0	107.8	+71.8	+106.0
2007	46.3	151.1	+104.8	+142.9
2008	49.2	113.5	+64.3	+109.2
2009	72.0	73.7	+1.6	+48.3
2010	69.2	41.8	-27.5	+21.4
2011	80.6	53.3	-27.4	+20.1
2012*	87.1	52.7	-34.4	+10.5

**** Preliminary Estimate***

Source: CSO

We can expect our population to continue to grow, albeit at significantly lower levels depending on net inward migration levels. There are still plenty of thirsts to quench, and bodies to sooth!

Its an aging population...

	2006	2012	2016
18-24	466,718	423,947	417,928
25-34	723,071	887,098	885,066
35-49	893,976	1,047,725	1,187,335
50-64	650,048	761,974	833,848
65+	462,364	574,212	648,585

CSO: Population Projections (2006) Change in Age Demographics (Total Population 18+)

	2006	2012	2016
18-24	15%	11%	11%
25-34	23%	24%	22%
35-49	28%	28%	30%
50-64	20%	21%	21%
65+	14%	16%	16%

Change in Demographics as a percentage (Total Population 18+)

= Decline

= Increase

With a more gender balanced workforce

The average age of first time mothers is increasing

Av. age 1989: 22 yrs
Av. age 2009: 32 yrs

The average 10 year old will be the child of 42 year old parents – at the height of their earning power!

The size of the average household is shrinking

In 1986 39% homes had 1-2 people.
By 2006, this had grown to 50%.

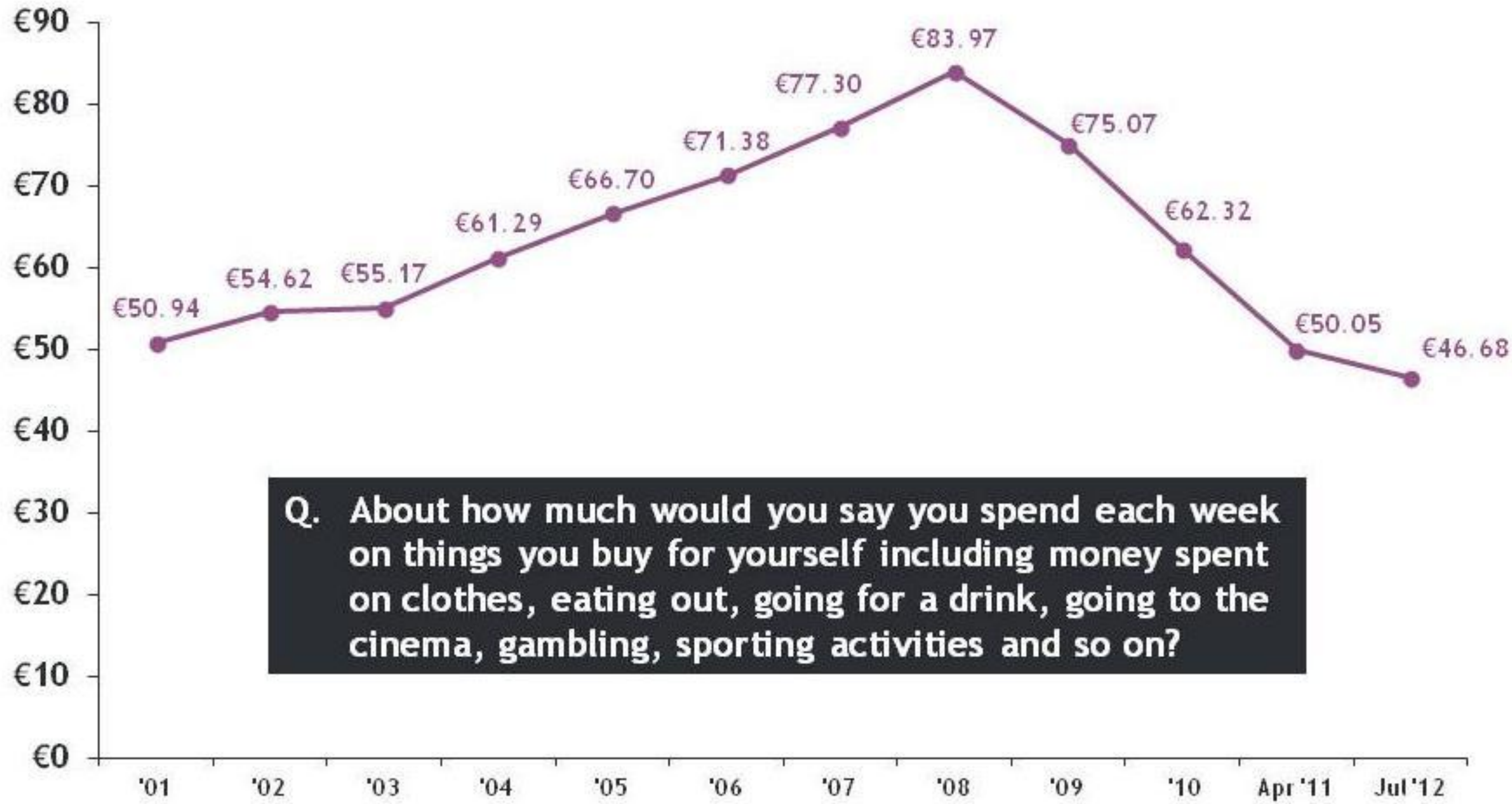
This has significant implications from a household needs perspective.

While unemployment has grown, the gap between male and female labour force participation narrows.

In 1986 27% of labour force participants women.
By 2010 this figure had risen to 45%

The working parent family is here to stay, along with the need for convenience-based NPD solutions

Discretionary income plummeted..



Source: B&A Consumer Confidence Report

..Unemployment is stabilising

As of January 2013…

- The total numbers on the Live Register dropped for the seventh consecutive month to a still phenomenal 430,000 people.
- Representing a year on year decrease in unemployment from 14.9% (Jan ‘12) to 14.6% (Jan ‘13).
- Although….
- Much of this decrease will have been driven by emigration
- While, ‘beneath the surface’, long term unemployment has risen year on year by 3% to 190,000 people (representing 44% of everyone on the Live Register.

Source: CSO January 2013

So, relief at a levelling off of unemployment, but heartache as the next generation leave in planeloads while the pool of long term unemployed expands

Consumer mood

Divisions are now deeper...

Whether we look at :

...People in work versus these people out of work

...People in the cities versus those in country

...Affluent versus hard pressed

Implications: Make sure that your market information includes a full geographic and demographic spread.

Society has fragmented

- Unemployment biting amongst minority
  - Unemployment stabilised at 14.7%
  - But 60% long term unemployed
- Taxes and cuts impacted severely
  - Water and property taxes soon
- Working class feel under threat
  - 100 Garda stations closing
  - Banks cut back on branch network
- Protests have been sporadic so far

Implications: While most are content to 'move on' there remains a significant minority who feel financially trapped and disenfranchised

Community life appeals

- Since the start of the Recession people claim to have more time for their community:
  - Volunteering
  - Local sports clubs
- But actually, we have never spent more time at home than we do now
  - At home drinking
  - Multichannel TV

Implications: The idea of participation certainly appeals. But actual involvement needs to made easy or rewarding to be effective

We are battening down the hatches

- We're staying in a lot more than we did
- 18-30 year olds don't go 'out' till midnight

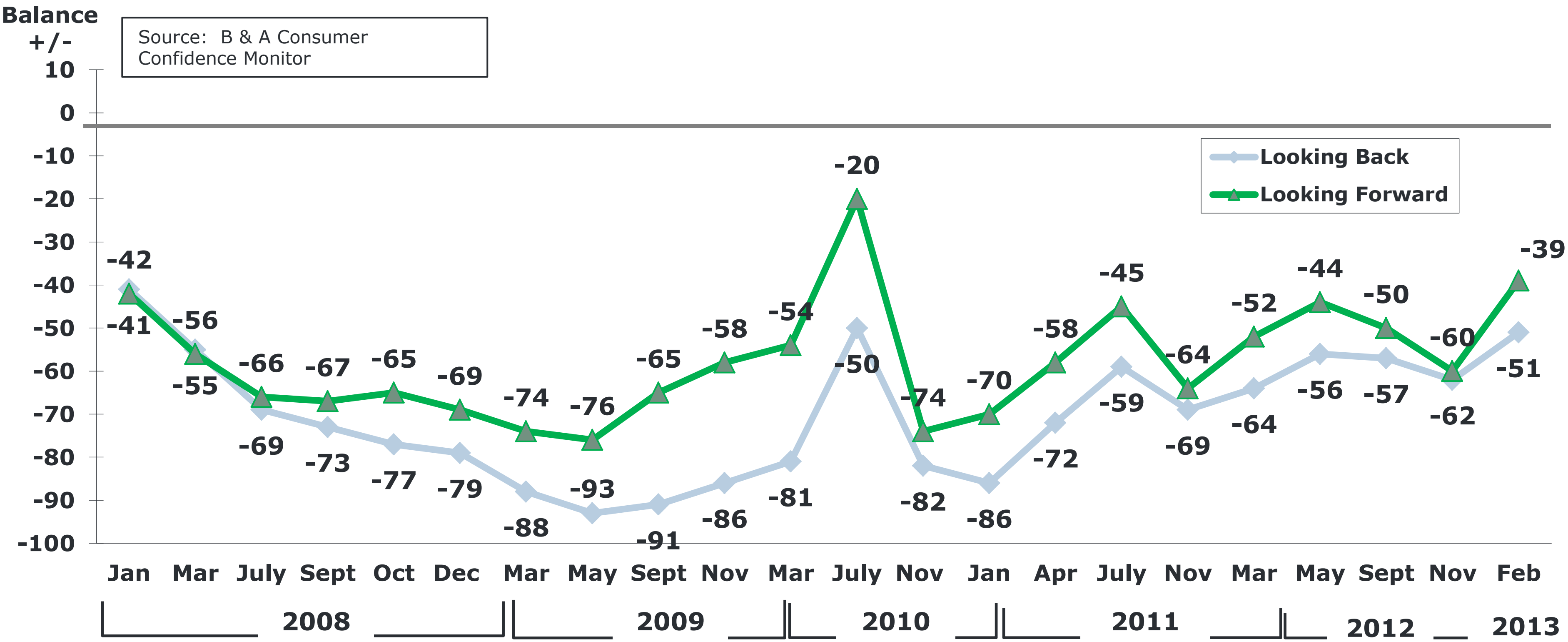
- Almost 80% of households now have a Sky/UPC package
- Expensive, but justified on value grounds.

Implications: Brands that have crafted offers specifically for the home have benefitted

Ireland has seen highs and lows…

Implications: Pride in Ireland can be fickle. Not everyone feels that they ought to support Irish products and brands, just because they are Irish

Psychologically, we may be ready to move on…



Initial shock!

- But widespread belief that:
  - This was a 'speedbump'
  - Things would return to 'normal'
  - Spending reined in – but not in any planned or strategic manner

Despair! (IMF Bailout)

- Spending habits and behaviour changing for good
- Value sought everywhere

Readjustment

- People adjusting to 'new reality'
- Less focus on (or interest in) doom and gloom

Green Shoots?

- Things are looking up! (again)

Source: B&A Consumer Confidence Report

Some people are coming...

- Despite some cynicism
  - If nothing else, it's an excuse to throw a party
  - (And we don't need much of an excuse!)
- Community will be highlighted
  - With local events hosted around the country

Implications: The Gathering is likely to lift the national mood over the coming year

But many are going…

- Emigration remains a key issue, particularly for 18-30 year olds

Implications: The population is changing with emigration accentuating a decline in the numbers of 18-30 year olds – which has implications for brands targeting youth culture

" I know it's hard to find jobs… but it kind of gives you a push to travel…"

Life moves on

- Many struggling to make ends meet
- But life goes on…. we detect a growing sense that people are looking to the future
  - They've had to re-calibrate their spending patterns and purchasing behaviour
  - But they're trying as best as they can to move on and enjoy life
  - And have grown tired of 'obsessively' worrying about the economy.

Implications: A growing sense that people are ready to move on – live life, have fun and be entertained. Thus, brands have licence to entertain and engage – not just focus on value

Emerging trends

Recession strategies

Online while in high street

Quality & discount simultaneously

Continued growth of online shopping

Discount swooping

Hoarding

Deals network

Striking this year is the re-emergence of the occasional premium purchase. This is always accompanied with well rehearsed arguments: Quality lasts longer… It's fresher… I'm more confident about the source etc.

Hoarding

- To avail of value deals
  - Household products – washing powders etc.
  - Personal treats – chocolate for the car, for work, etc.

Implications: Bulk buying deals have become important and many now store additional goods in garages, bedrooms, etc.

Waste management

- Reaction to volume deals in fresh food has become 'modulated':
    - Too much product means it might be wasted
    - Strategic freezing for later use

Implications: Consumer configurable volume offers might facilitate better matching with needs (and less waste).

Quality seeking

- Although somewhat 'counter culture' we find many are now driven to find better quality...
  - To ensure a limited budget is not wasted
  - And the product lasts longer

Implications: a quality platform has relevance, particularly when it is paired with improved value or the assurance of lower risk for the buyer.

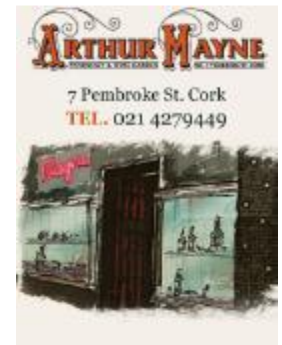
The unique experience

If people are spending hard-earned cash, they want it to be a distinctive experience - in the on-trade, outlets that provide this are performing well

Craft beers
and whiskeys

Upscale tapas
and cocktails

Cool music
and hip layout



Large selection of
wines by the glass

Implications: Innovative and distinctive experiences still resonate with consumers: we may not go out as frequently as we once did, but when we do we want a distinctive experience.

Retail cynicism

With prominent advertising campaigns and strong signage at point of sale we are being encouraged to buy Irish… But some shoppers are switching off.

No Confidence in Label

- Recent awareness (media coverage) of 'packed in' Ireland not 'produced in' Ireland.
- Irishness constantly promoted at point of sale diluting sense of differentiation, and confidence in accuracy of Irish labelling.

Rip Off Resentment

- Sense that in the past Irish companies have always charged more.
- Now with more choice of discounted products consumers can feel 'released'.

Who is Helping Me?

- This is not just a tactical selection of discounted/shops own brand.
- There is often a sense of emotional connection or 'partnership' with product/brands and retailers who can bring cheaper products (even if they are not Irish).

Implications: Consumers are increasingly pragmatic and many who are on a tight budget express cynicism about supporting Irish products & brands. There is an urgent need to re-establish a sense of Irish value

"They are cutting children's allowances, taxing benefits, why am I worried about buying Irish products to keep somebody in a job…"

Icon confusion

- Sensitivity to genuine Irishness remains.
  - With meat and dairy in particular
- But even here there are signs of shifting priorities under the pressure to cut back still further…Many say they buy Irish only if price is right.
- There can be confusion about who to believe when irishness is claimed. Indeed there is an array of icons, symbols and descriptions to navigate:

Implications: Many still want to buy Irish, particularly in sensitive food areas, but there needs to be a unified labelling scheme.

"You've got Irish smoked Salmon and Smoked Irish Salmon...

Irish Smoked Salmon comes from Argentina and is flown in and smoked for two days, whereas smoked Irish Salmon is actually Irish Salmon."

Cheap AND simple

Following the excesses of the past, there is a need for control of spending

Multiples are now selling wine at simple, transparent rounded pricing

€10 a month for calls, text and data

Over 300,000 people visit Done Deal every day

All of the main banks have introduced budget planners

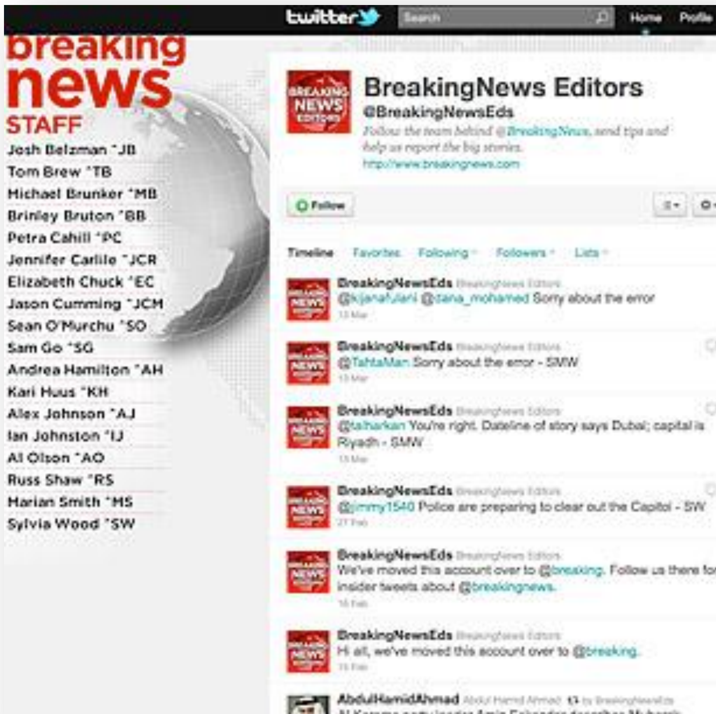
Implications: People aren't just looking for cheap deals, they're looking for simple, transparent pricing and tools that will help them control their budgets effectively – Eurosaver is an example of this

Over promised and under performs

- Reaction to offers and discounts have matured
  - ➢ While many navigate shelves by using special price signage (rather than brands)
  - ➢ There is increasing scrutiny of how the deal actually works...
- Fear of disappointment with the eventual product/service experience inhibits involvement.

Implications: Any deal should deliver on the full brand experience rather than offer a suboptimal version.

Bite size news



- There has been a fall-off in newspaper purchasing, with many accessing news online via smartphones
- The manner in which news is accessed online is different
  - Links forwarded by friends
  - More focused on bite-size snippets, breaking news
  - Blurring of boundary between news comment and gossip

Implications: There is evidence that this trend may be impacting how consumers access and connect with brand messages: shorter, snappier messages are likely to resonate more effectively.

Is this the News?

People under 30 are just as likely to mention You Tube material as real news.

A Magazine is a Broken iPad

Child gets run over and ignored

Swooping Eagle Snatches Baby

Jiving Baby

Sleeping in Class

Implications: Is it photo-shopped? Is it funny? Is it real? Are much more often the questions asked… Not is this the news?

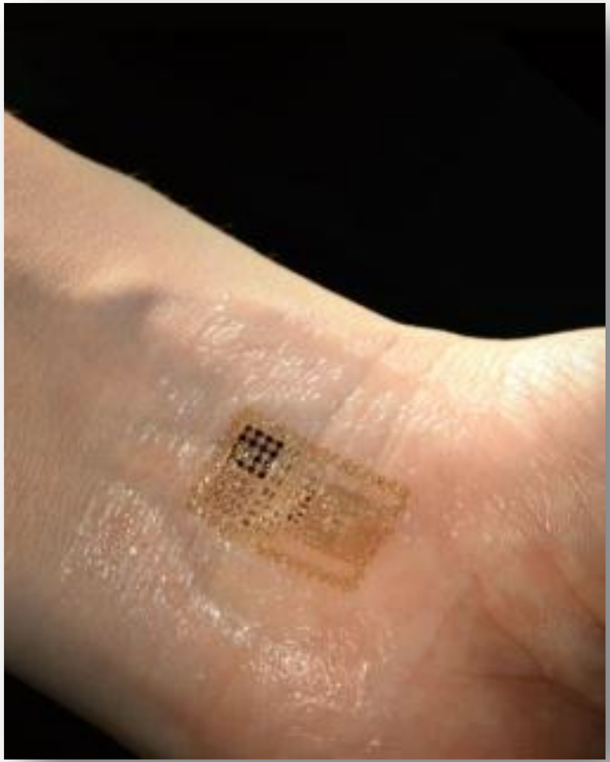
All about apps

- Smart phone ownership is 50% in Ireland and still growing
- Recent figures indicate that
  - One-third prefer fun, entertaining apps
  - Two-thirds prefer useful, productive apps
- Mobile banking apps highly popular
- The Budweiser weather app – with offers taken in pubs – was downloaded by so many people that it crashed the system
  - And that was in 2011!

Implications: Development of apps has potential, but needs to be useful and meaningful (or entertaining!) to grab attention.

Augmented shopper

- Online access is there while we watch TV, when we go to the pub or a café and when we are shopping.
- It provides immediate answers to stupid questions, connects us to opinion, gossip and events.
- We now augment real world shopping with technology and smart retailers help rather than resist this trend.
    - Fashion retailers refer shoppers to their online shop if an item is not on the shelf.



Implications: There is a need to recognise that the online and high street experience are increasingly interlinked.

Brand strategies

Success stories

Implications: While discount and store brands continue to grow, there are some quality brands which remain buoyant. Like teenage vegetarians – who have the occasional burger – we all like the odd luxury.

Ethics on display

- People expect brands and companies to behave ethically and transparently.
- But this means more than a CSR policy
- Comments posted online can create a PR impact so quickly…
  - An ill considered tweet by a staff member suddenly put Cinnamon restaurant in the spotlight
  - Less than 1000 people were 'talking about' Spar Ireland on Facebook one week…. Following a reported incident 15,000 are talking about it the next week

Implications: Social media is a dynamic co-created medium. You don't have exclusive control over how your brand is presented. Monitoring is essential. An ethical and socially responsible stance is now expected.

Rooted and authentic

- There is interest in food and ingredients that are:
  - Fully traceable
  - Produced in Ireland
  - Have the Bord Bia Quality Mark
- Heightened in the wake of the horse burger scare.

Implications: High value, price and taste remain key factors, there is growing awareness of and interest in the idea of where our food comes from and how it is produced.

Brands need TV

- In the rush to put more advertising spend online, perhaps we need a bit of perspective:
  - Major online brands are using traditional media to extend their reach (Done Deal, Facebook this year for example).
  - And most consumers still recall big TV campaigns before they mention any online advertising.

"When I watch a Marks & Spencer ad I am literally sitting at the television. I want to get into the television just to taste that food because of how they made it look".

Implications: TV is still where brands build connections. Indeed even online the best viral campaigns look and feel like TV.

Get real about Facebook

- Media spend online grew by 12.8% in 2012 (reported by Nielsen) and this trend is predicted to continue. But are we getting value from this online spend?
- Many consumers question tactics of some brands, particularly on Facebook.
- They report:
  - 'Banner blindness'
  - Ignoring 'random' ads
  - See no logic in targeting friends of friends
  - Consider 'Friending' a tactic not an indicator of brand affinity.

Implications: Social media may be right for your brand, but it requires specific tactics not just an allocation of budget.

"Facebook targets who you are and Google targets what you are looking for. I would click on Google ads, I would rarely click on Facebook ads."

Effective online strategies..

- Relevant
- Entertaining
- Character consistent with brand.

Continues/ extends unique brand personality

- Fun
- Irreverent
- Accessible

Humanises brand

- Relevant special offers and events

Acts as call to action

Implications: Online spend needs to deliver relevance and engagement to really connect, and it must be true to your brand's character.

Online and high street overlap

- Many have predicted the death of the high street.
  - Some big brands have gone already.
- Yet we anticipate a shift rather than a demise.
- Neither retail spaces nor online will be fully independent
  - High street is the 'show-room' for online purchase
  - Social media discussion directs high street store selection

Implications: Retail spaces can increasingly become spaces in which to engage consumers, involving them in the brand experience – rather than just selling the product

"I tried on this skirt and they just didn't have my size and the young girl in there said: "I'll give you the code and you can go online…"

New retail habits…

- Surf Facebook photos to compare styles and looks
    - Tag photos
- Post query about where is good for specific item
- ‘Friend’ preferred retailers to get the latest deals…
- Check out range/styles and prices on retailers websites..
- Compare with other sources (ASOS, eBay etc)
- Visit high street or order online **or do both**.

Implications: Make it easy for shoppers to browse and share your range so your products can ‘participate’ in planning.

High street integration

- Interactive pictures online
- Order shoes to shop nearest you and try before you buy

- Never rains but pours app
- Free pint for summer rain

- Reward code printed inside jars
- Supporting eco-friendly strategy

Implications: Successful integration of technology can bring your brand closer. Connecting and involving consumers at a deeper level

Some Thoughts for 2013

Our shifting profile…

- There are now 4.5m people in Ireland, and we are living longer.
- The population is growing amongst those over 35…
- But 18-24 year olds are still leaving in large numbers.
- More women are in workplace than ever before and they are having children later.
- Household size is shrinking.
- We have less spare cash with discretionary income below 2001 levels.
- While unemployment has stabilised, 60% are long term unemployed.

Our shifting focus…

- 1 in 5 now consider one of the discounters their main shop.
- We are all reading blogs more often particularly the 4 in 10 of digitally engaged 16-24 year olds.
- While Facebook dominates Social Media usage Twitter is growing rapidly at 19% of online users.

So we need to be flexible…

- We need to recognise that recession behaviour has 'matured'.
- Deal communications should not overpromise. Ideally keep them bite sized so consumers can share/text on our behalf.
- Household sizes are shrinking and people don't want to waste, so we need to match incentives to their needs.
- Get real about Facebook its not just another media spend…
- Stimulate with the character of a brand online and offline.
- Provide multiple routes to retail with effective links between the high street and online in both directions.
- People are suspicious of fake offers and fake Irishness. We need to reassure and build trust through the 'patina of the real'.

And enhance our brand dialogue…

- The character of a brand should come through clearly
  - Tone of voice has become particularly important in registering credibility
- Impact and memorability are enhanced with novel content:
  - In essence we must pay for attention with something entertaining
- Clarity on quality is critical. Ideally tell stories that support this message.

Essentially this is about building a convincing brand story based on authenticity

Brand authenticity examples...?

Ummera Smokehouse

- Family business over two generations in West Cork
- Quality in every aspect of production
- A micro enterprise producing high quality smoked products
- Practical and effective environmental procedures to minimise impact on Argideen valley

"Ummera understands that it has a potential impact on the environment in a number of ways and commits itself to using all reasonable means to minimise negative impact." Anthony Cresswell

Brand authenticity examples…?

Hiut Denim

- Boutique company in North Wales
- Family business investing in skilled local workers
- Register your jeans at HistoryTag.com to see pictures of your jeans being made.
- Quality in every aspect of production
  - 6 month waiting list
  - Premium product

"There is a deep desire in people to know where things have been and where they come from. Products tell stories." David Hiett

Or just go viral....?

TNT-We know drama

Tic Tac- worst breath in the world

VW – The Bark Side

Coke Zero- 007 challenge

Thank you.

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