

Ireland in Flux

*Where we've got to
& where we're going*

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1. Country Overview

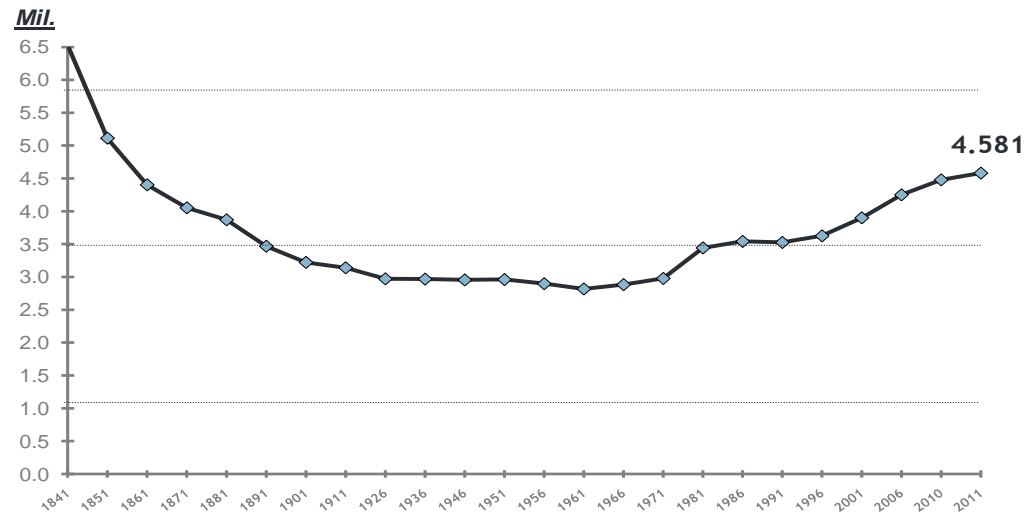


Population Growth Continuing

The good news is there are now 4.5 million of us, an increase of over a quarter of a million (8.1%) in just five years



LONG TERM POPULATION CHANGE - Republic of Ireland -



The highest population since 1851. Growth has been greatest in commuter belt counties such as Laois, Cavan, North Dublin and Meath over the past 5 years. Laois has had the highest population increase of any county, increasing by 20%.

Emigration is a reality

**c.75k to leave
Ireland between
2011/2012.**

** ESRI 30 Nov '11*

Emigration/Immigration 2003 - 2011

	Emigration '000	Immigration '000	Net migration '000
2003	29.3	60.0	+30.7
2004	26.5	58.5	+32.0
2005	29.4	84.6	+55.1
2006	36.0	107.8	+71.8
2007*	42.2	109.5	+67.3
2008*	45.3	83.8	+38.5
2009*	65.1	57.3	-7.8
2010*	65.3	30.8	-34.5
2011*	76.4	42.3	-34.1

** Preliminary Estimates*

Source: CSO

Notable rebalancing in the age structure

<u>Population ROI '000</u>	2006	2007	2008	2009	2010	2011	2010 to 2011	Change (%)	2006 to 2011	Change (%)
18-24 yrs	461	473	456	421	406	360	-46	-11%	-101	-22%
25-34 yrs	722	749	791	786	778	757	-21	-3%	+35	+5%
35-49 yrs	898	894	938	939	917	940	+23	+3%	+42	+5%
50+ yrs	1122	1155	1164	1216	1251	1285	+34	+3%	+163	+15%
<u>Total Population over 18</u>	3204	3271	3349	3362	3352	3342	-10	-0.3%	+138	+4%

Population of 18-24s fell by 46k or 11% in 2011. At the same time 35+ population is increasing. Analysis of 2006-2011 data shows that these are longer-term trends with 18-24s falling by 22% in the last six years.

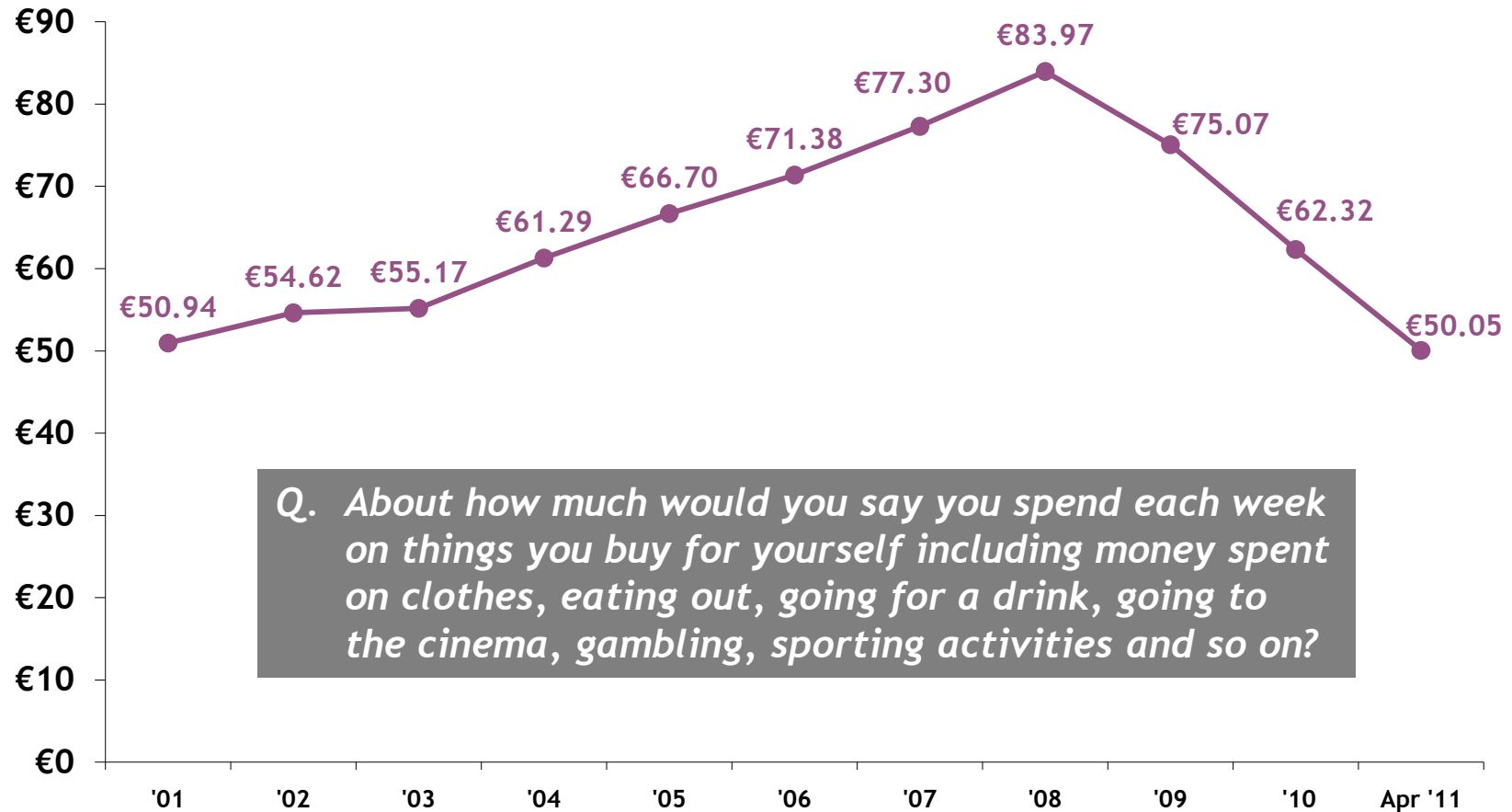


Diversity

- ❖ We remain more diverse as a society:
 - ❖ 188 countries are represented in the non-Irish natural population.
 - ❖ However 82% of these came from only 10 countries: UK, Poland, Lithuania, Nigeria, Latvia, US, China, Germany, Philippines and France.



Discretionary Income Has Plummeted



**We have just lost a decade of our discretionary income.
No wonder it's so painful!**

The underlying economic picture is of course pretty grim....

With unemployment levels at 14.8% in July 2012



60.6% of whom are now long-term unemployed (2nd Quarter 2012)



And retail sales still in year on year decline

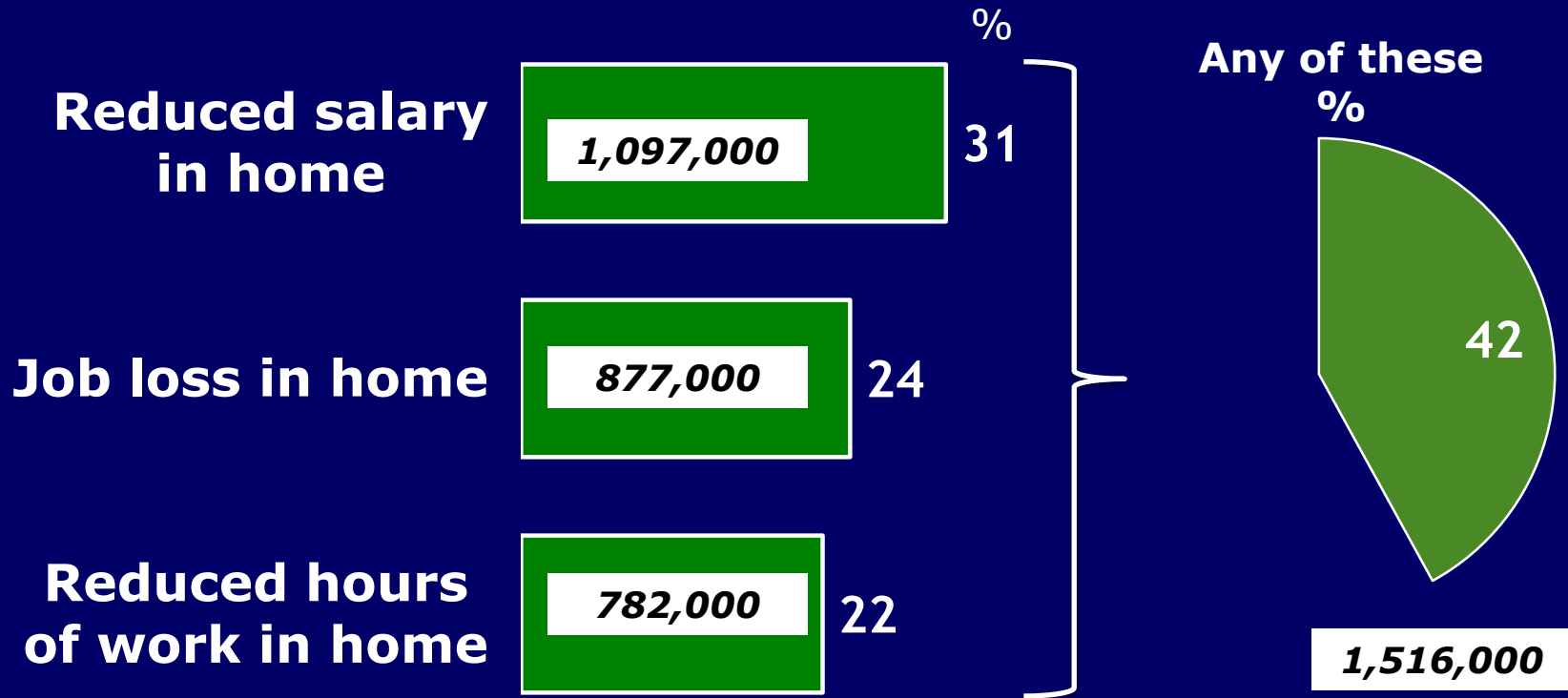


Recessionary cuts that we are making



Fundamental shifts over 3 years but in some areas signs of an improvement in past year.

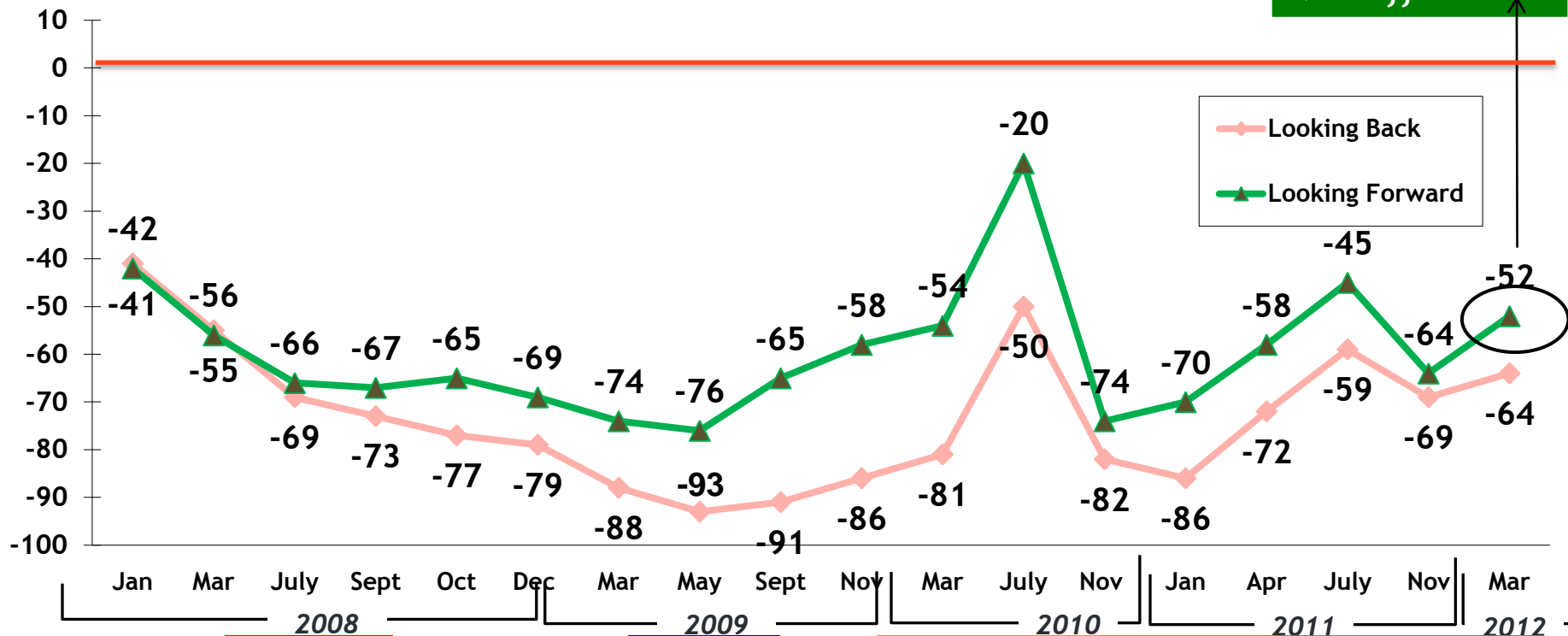
Slightly more than 2 in 5 adults live in a home with a *profound recession impact*



Those most affected are aged 25-49.

Irish Consumer Confidence: A Psychological Journey

Better off 9%
Worse off 61%
Net diff = -52%



Shock

Anger

Acceptance

Despair

Keeping going

Shock as we head for recession

Economy in a worse state than we thought

We seem to have hit the bottom

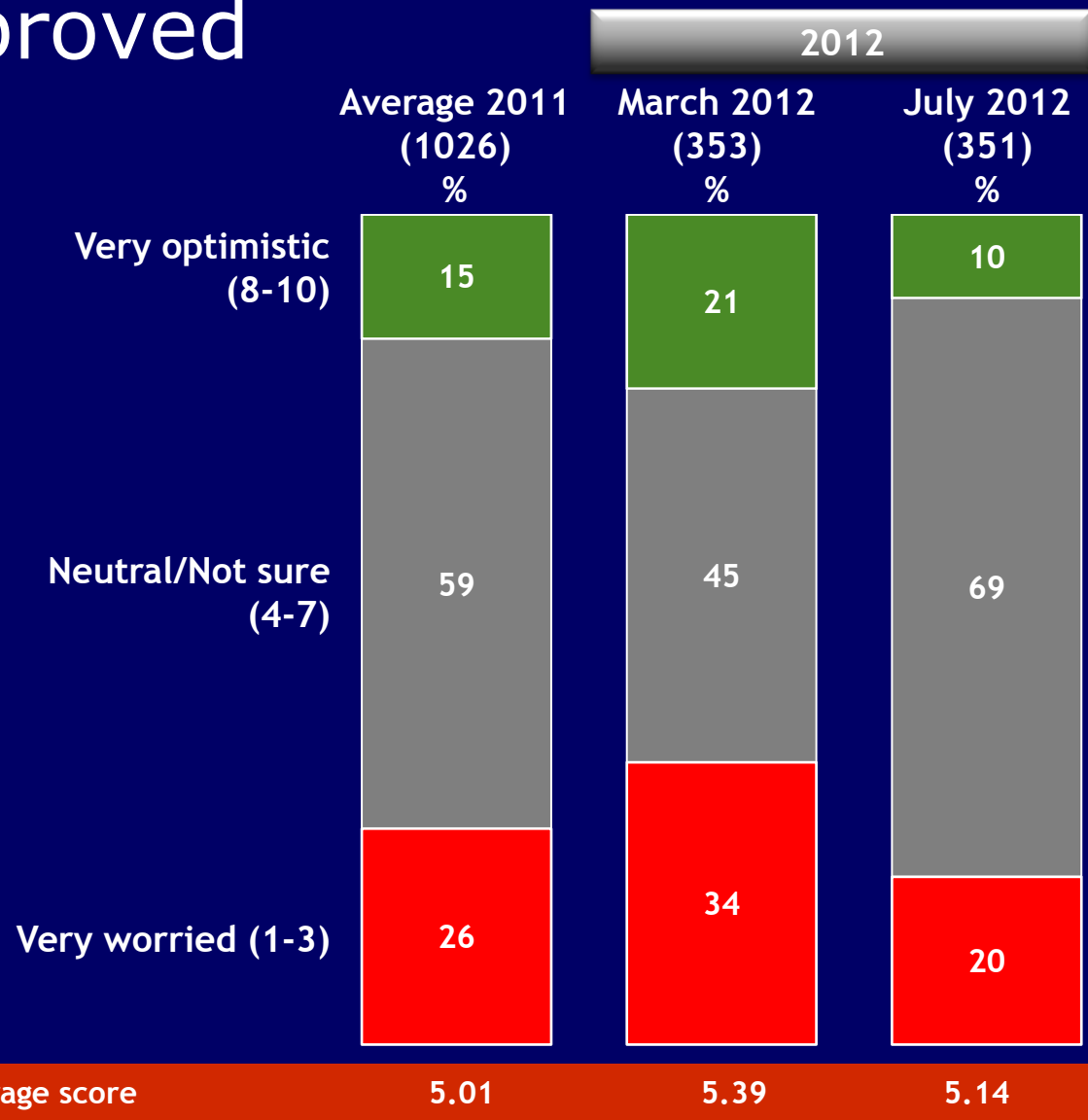
IMF Bailout

Many 'keep on keeping on'

Generally a depressing state of affairs, but emergent signs of optimism.



The Mood of Business Owners Has Slightly Improved

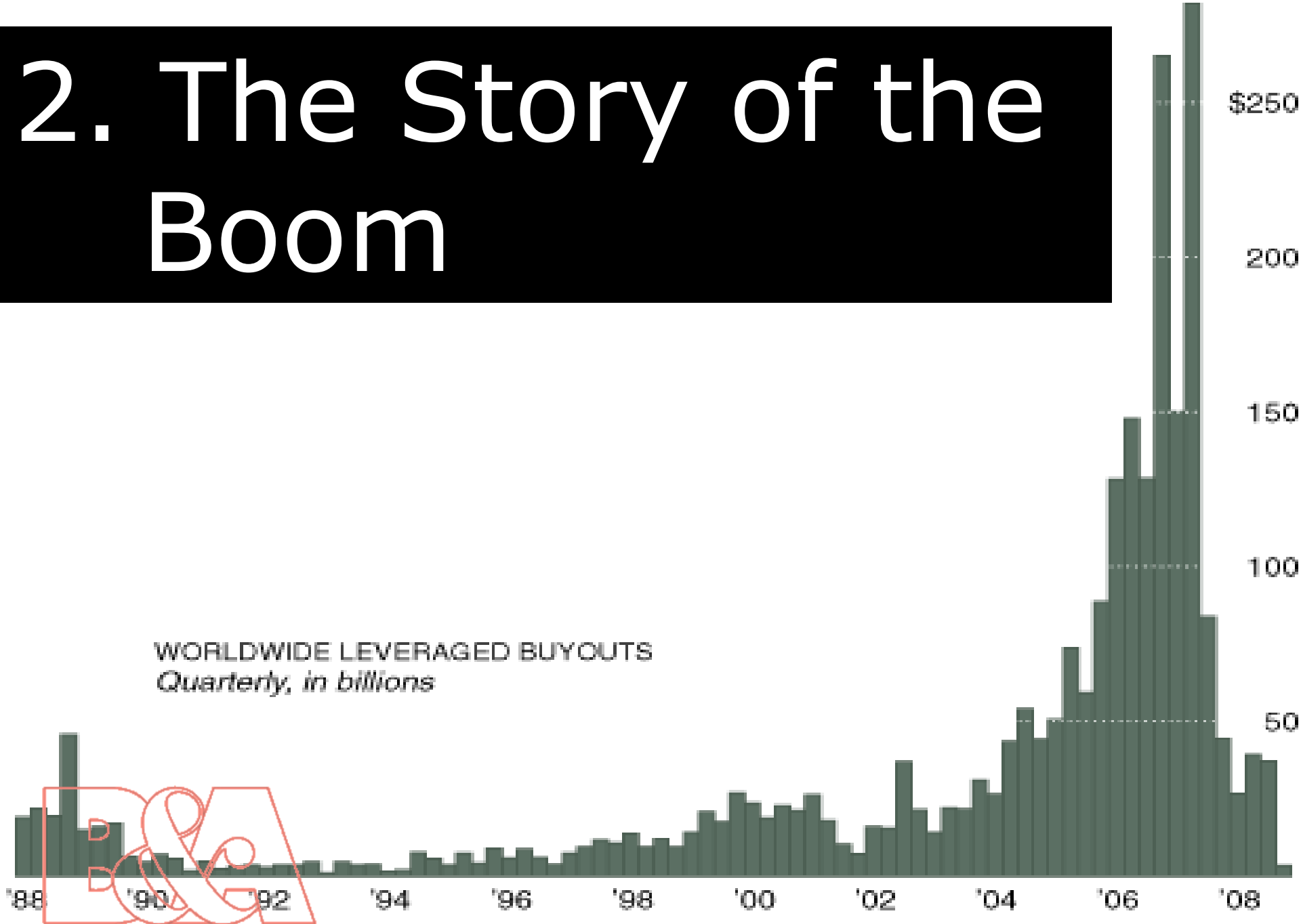


For 2012 as a whole, there continue to be more worried business owners than optimistic ones. This may change if their more positive expectations about the next quarter are realised.



Q.5 And looking forward to the remainder of 2012, how optimistic are you for a favourable business environment by end December 2012. Lets use a scale of 1-10 where 10 means you are very positive about prospects and 1 means that you are very concerned or worried. On this scale, how optimistic are you?

2. The Story of the Boom



Components of the Boom

- Access to credit
- Bank deregulation and lack of control
- Debt 'leverage'
- Education
- Travel
- Returning emigrants
- Erosion of respect for authority: off pedestal
- Not staying in your place



Components...

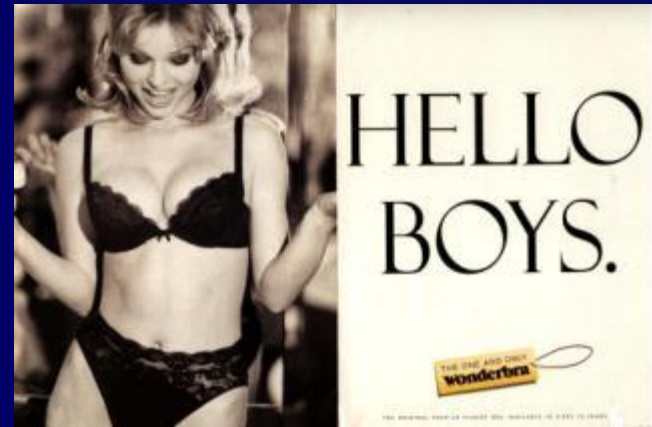
- Entrepreneurialism
- Confidence

- Self belief
- Re-birth of a contemporary appealing Irish culture



Effects of the boom

- Massive amounts of consumer credit
- Non postponement
- Superman syndrome
- Not watching your back
- The Wonderbra effect
- Loss of values, selfishness



The Psychological Dividend

- Lack of wariness
- No sense of consequences
- Arrogance
- 'Up with Jones'' flashiness
- Individualism
- Boastfulness
- Never known hard times
- Lack of resilience and resourcefulness



The Crash

- The severity and impact of the crash fuelled by its denial
- Misinformation from Government etc
- Duplicitousness of the banks
- Many false bottoms
.....and followed by a beating



Dividends

- The re-separation of society
 - A resilient group
 - A failing group
 - A younger group who don't feel to blame
- Growth in disparity
- Re-evaluation of life priorities



What has the crash produced

1. Recalibration of requirements

Shopping in cheaper stores
Using cheaper options
Abandoning brands
Recognition of different priorities

2. Self containment

Not going out/pre-drinking
Home is castle
Cocooning
Boom in SKY
Self improvement

3. Rebirth of Community

Taking time
Volunteering
Doing free things



Some predominant states

Still in Shock

Indebted
25-45s
Negative equity
Stunned into inactivity
Back sliding

**Slipping below the
waterline**

Low/No skill
Vanished sectors
**Unused to money & unable to
keep/juggle**
Lacking in resilience

Drawing a line

Weren't excessively imprudent
Pragmatic
Taking action

**Looking for new
solutions**

Reinventing & Re-engineering
New entrepreneurs
**New technologies & Modes of
commerce**

Business as usual

Recognise cyclicity
Not so badly hit
**Realise will have to sink or swim, retire
later, survive on less**



Winners & Losers

Geographically

Dublin	Rest of Leinster Larger working class towns
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Age

50 plus Under 25	25-50
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Working

Multinational employees Mid-large companies Tech/Pharma Professional Skilled	Indigenous Building related Low skill Post 2005 rents
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Ireland Score Card

What We've Lost

- Some of our joie de vivre
- Faith (banks, politics, companies, authority)
- Innocence
- Self determination

What We've Still Got

- Education
- Get on with people
- Hard work
- Adaptability
- Ability to reinvent
- A young population
- Inherent positivity



3. Consumer Trends



What Trends are Emerging or Apparent?

- We have identified a broad group of quite general trends
- Their relevance differs widely by company
- Implications need to be debated and reviewed company by company
- Additionally there are many different micro trends that can have a unique bearing, beholding companies to regularly review the broader context of their business



Key Trends

- Lack of attention
 - Internet focus
 - Snippet-ism
 - Sampling & grazing
 - No memory
- Lack of engagement
 - Harder to cut through
 - Desire to engage has diminished
- Massive amounts of stimulus
 - A white noise of ads, offers, pitches



Implication: Keep it simple.

No Growth

- Long term low/no growth prognosis
 - A zero sum game
 - Last man standing
- Most have not experienced this
 - Need to be cuter and smarter



Implication: Incremental growth will need to come from your competitors.



Urbanisation

- From least urban to approaching the European average
- Big shift in shopping focus
- A continuing process with wide implications



Implication: Shopping patterns can shift for no clear reason and many will travel further to shop in more concentrated locations.



Trust

- Trust deficit
 - Brands will need to work extra hard and not mess up
 - Older consumer the quickest to walk if unsettled
 - Won't get tricked again
- Questioning
 - Previous certainties are no more



Implication: Work harder to build it and harder to maintain. People have longer memories.

Authenticity & Transparency

- The appeal of authenticity is undiminished
 - Brands and experiences that seem more real
 - People value successful & genuine brands
- Consumers place greater faith in honest, clear brands with direct propositions.



Implication: The traditional 'veneer' placed on products and brands may look false.
Keep it simple.



Enough-ism

- Non conspicuous consumption
- Not acquiring status symbols (Cars To Go enormous across N America)
- The rise of more utilitarian positionings



Implication: We can't project everything through the same aspirational lens: many younger people are less greedy.



Quality & Value

- Recalibration of Quality & Value cues
 - The boom in Kia, Skoda, Hyundai etc
 - At the expense of 'premium' marques



Implication: Make the basic bundle more desirable and don't oblige customers to pay a lot more for simple add-ons.

Feminisation

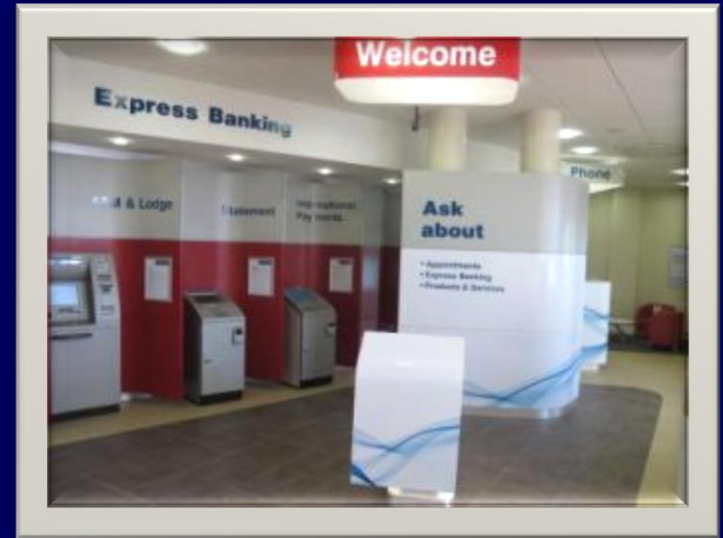
- Feminisation of society & decision making
 - Balance of power has shifted
 - More female involvement
 - Female income starting to surpass male in some countries



Implication: With women the key decision maker we have to ensure that offers are projected through a female lens.

The Death of the Clerk

- Technology & re-engineering has eliminated them at a stroke
- This poses a challenge for how companies manage customer service



Implication: Companies may want to eliminate the human dimension but this may run contrary to the shopper wishes.



Age & Lifestage

- While still a young country there will be a doubling of over 65s by 2020
 - Massive need for changes in media, products, positioning to suit and adapt
 - Also how we think about “old” people



Implication: Older people have to be dealt with differently, are less loyal and are quickest to walk.



Age & Parenting

- Adult children remaining at home with parents (Hotel Momma)
 - Implications for parents (stress)
 - Implications for kids (money/freedom trade off)
- “Helicopter gunship parenting”
 - Protective to the extent of being obsessive



Implication: Conventional societal structures have shifted and we need to think about ‘the family’ and how it is ordered.



Socially Responsible Business

- It's not all about value and price cuts. People expect businesses and brands to behave in a more ethical fashion.
- A major global study by Havas found that 74% of consumers think that business bears as much responsibility as governments for driving social change.

Dulux - Let's Colour



Ballygowan - Breast Cancer



Implication: There is growing consensus that the most successful businesses of the future will be those that are most socially responsible



Aspirational Lifestyle Still Matters

- We can't row back on all the trends that developed in the Celtic Tiger years.
- Café culture is an example of this.



- ➔
- A poster child from the boom years.

- Young adults especially, still need their 'fix' of coffee.
- They've just become more value conscious when doing so.



- ➔
- McCafé from McDonalds increasingly seen as:
 - Great coffee
 - At the right price..... and sales are booming

Implication: Just because we are poorer doesn't mean we don't want to feel special.



Implications

- Consumers are more wary: expect social responsibility and ethical basis.
- Trust needs to be earned & demonstrated
- Value perception & image has fundamentally shifted
- Many companies have over-focussed on discounting and let their brand wither
- Simplicity and clarity of offer is vital
- Now more than ever, companies need to be much more sensitive to their customers, their competitors and the market context



Thank you.



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