

CHRISTMAS 2007

How ICM predicted the biggest retail event of the year

BACKGROUND

Christmas is widely reckoned to be a make or break time for retailers each year. No effort seems to be spared in wooing customers over the festive period as businesses across the country vie for a share of the estimated £17bn spent on gifts, seasonal items and groceries, and the £4+bn spent on socialising and partying.



THE DEFINITIVE GUIDE

- With so much at stake ICM formulated the definitive Christmas shopping measurement tool.
- Predictive insight was provided in early November on anticipated spend (how much, on what & when).
- This was followed at regular intervals by detailed feedback on what was actually bought, when, where from/channel, how much was spent, whether on promotion, key choice drivers, plus other channels/destinations visited in the process.
- Further client-specific insight was provided by the inclusion of additional questions at each stage of data collection.



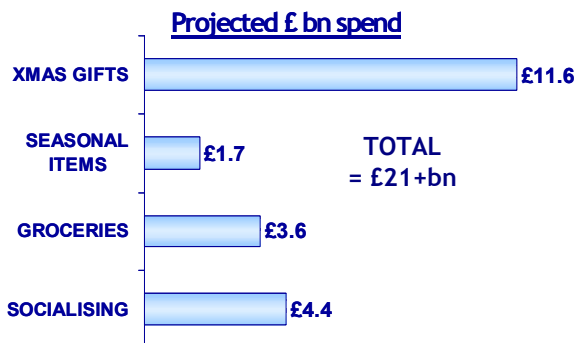
BUILDING THE STORY

- Across the country a representative sample of 1,500 consumers aged 18+, and 200 16-17 year olds were asked to keep a diary of the purchases of gifts, seasonal items (card/wrap, decorations) and household grocery purchases for the festive period itself.
- At the outset of the survey in October the panel was asked in detail what they intended to buy, how much they intended to spend and when this was likely to take place in order to provide an early indicator of what was to come.
- Also included were questions relating to anticipated expenditure on socialising and household spend on food & drink for the festive period, again to provide an overall feel of consumer activity.



EARLY NOVEMBER - THE CHRISTMAS TO COME

➤ In early November we predicted a total level of seasonally-related consumer expenditure of around £21bn as per the chart at left.



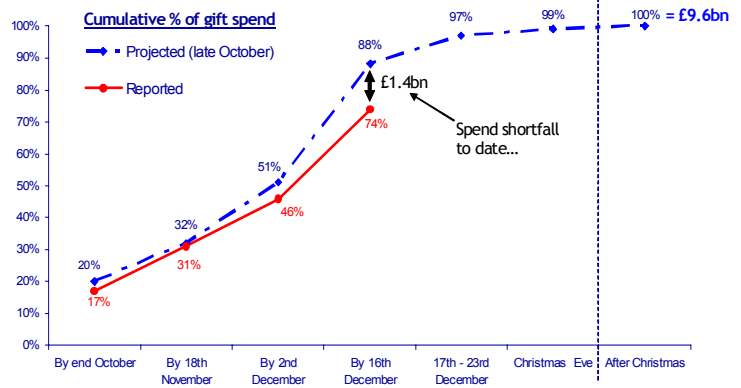
- Furthermore, we predicted that almost 50% of all gift spend would be deferred until December, with 10% falling in the week before the Big Day.
- We highlighted clothing, CD/DVD, books and health & beauty products as the products on most people's shopping lists.
- A third of people planned to give cash to a total projected value of £2bn worth of potential deferred spend.

CHRISTMAS UNFOLDS

➡ At regular fortnightly intervals up to the week before Christmas we issued a report updating spend patterns and providing authoritative feedback on key purchase decision drivers and the impact of Christmas gift guides.

➡ Insight from base survey data was enhanced on an on-going basis by feedback from supplementary questions (bespoke & confidential) for each client.

➡ In our analysis issued the week before Xmas (shown right) we revealed that consumers were not spending as readily as they had anticipated: we predicted a shortfall in consumer spending of £1.4bn on gifts (and £0.7bn on seasonal items).



CHRISTMAS REVEALED

➡ Our final analysis showed that actual spend on Christmas gifts was in fact £1.4bn (14%) short of forecast and that spend on seasonal items was £0.5bn (30%) down.

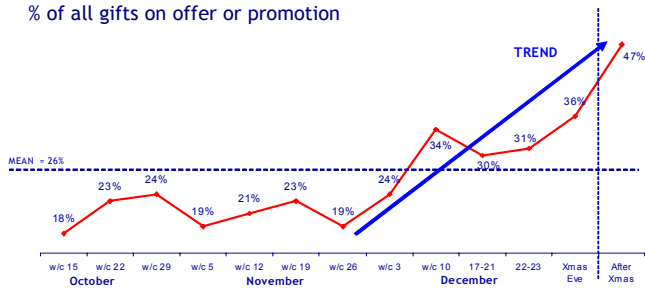


➡ This begs the questions as to whether our initial prediction [in early November] was reliable. The facts suggest it probably was given the deterioration in the economic climate of the last quarter of 2007 and dwindling consumer confidence fueled by general doom-mongering in the media which are likely to have been instrumental in causing spending to stutter.

➡ Cause or effect? As Christmas approached retailers began discounting widely: around a third of all gifts bought during the week before Christmas were reduced in price.

➡ Our data showed that more than £2 in every £10 spent on gifts went through the tills after 17th December (rising to almost £3.50 among men aged 35-54).

% of all gifts on offer or promotion



CHRISTMAS 2008...

? The critical question for retailers is how will Christmas 2008 play out in light of the credit crunch, rising energy, fuel & food prices, mortgage worries & the stagnating housing market and the general lack of consumer confidence?

? Which retailers will be the winners and which the losers?

? At what rate will on-line continue to take share from the High Street?

? Will consumers continue to play cat & mouse with retailers by deferring purchases until the last minute in anticipation of reduced prices (and, conversely for retailers, ever-decreasing margins)?

For answers to these and other critical questions contact
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