

REPORT REVEALS MANY CONSUMERS TO ENJOY BETTER LIVING STANDARDS IN A RECESSION

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Many believe recession will be “short lived and economic prosperity will return”

10 key pointers of consumer behaviour in a recession revealed

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Some consumers groups may as a consequence of falling interest rates be better off during the recession and will benefit from businesses slashing retail prices. These are two key findings of “Media in a Recession,” a report by Arena BLM, the Havas-owned media planning and buying group.

Despite the credit crunch, consumers with reasonable security of employment who don't need to move house will have more disposable income than they had several months ago, thanks to recent interest rate falls, even if high street lenders are slow to pass on the savings.

The report finds that while consumers are completely aware of the economic situation and are less prone to making rash decisions or impulse purchases, they believe the recession will be short lived and economic prosperity will return.

Already it is clear that certain brands are benefitting from the change in consumer habits. Like for like sales for Domino's Pizza increased by 17.8%, DVD sales are up 6.5% year on year for the third quarter of 2008.

Outside these sectors the high street – virtual and real – is filling up with bargains and consumers will take the opportunity to spend on cheaper high ticket items. The new Westfield Shopping Centre in West London attracted half a million shoppers in its opening weekend.

Consumers believe that media is increasingly important in a recession; delivering cheap entertainment, reassurance and escapism. Brands that offer escape and indulgence in conjunction with value will be winners in a recession. Early winners are also feel-good movies such as Mamma Mia, High School Musical 3, and Quantum of Solace selling out at the box office.

The report found that consumers are avoiding high ticket or debt funded purchases that they consider non-essential. Car and property sales have collapsed.

Consumers are searching harder for value and are utilising internet tools such as price comparison websites and search engines. Broadband connections are still growing despite the downturn and two thirds of homes now have high-speed web access.

Consumers are more likely in a recession to switch brands, ditching lifetime favourites in pursuit of value, trust and reliability.

Consumers will interrogate brands and their communication harder. Facile or unbelievable claims will be rejected. Consumers will support the brands they think are helping them.

Consumers still want low-cost indulgence and are prepared to make sacrifices to be able to afford high-ticket non-essential products and services.

10 KEY POINTERS OF CONSUMER BEHAVIOUR CHANGE IN A RECESSION

1. Consumers will still make high-value purchases, but will require greater reassurance. They are less likely to debt fund significant purchases.
2. The current expectation is that both interest rates and inflation will stay low, perversely putting consumers who remain in employment in a better economic position. The main issues will be confidence and reassurance.
3. Consumers will be massively price sensitive. They will price compare and use digital channels to facilitate this. Given every retailer is offering some form of promotion, consumers know they can access value.
4. But they also want entertainment and escapism. Brands that help them achieve great value and enjoyment are most likely to succeed.
5. There is significant evidence that advertising through a recession drives sales, preference and both long- and short-term success.
6. Media rates will fall more steeply than the downturn in the economy. The real reduction in rates will be greater than headline inflation figures. Advertisers who approach media owners with strong, long-term business cases that demonstrate support will generate substantial improvements.
7. Digital will drive huge benefits and drive purchasing behaviour and will be a low risk way of communicating with consumers. Digital response will improve if campaigns run in conjunction with targeted offline media exposure.
8. Creative production costs should drop and media owners will invest in production to help access new budgets.
9. Flexibility will massively improve value creation, both in terms of negotiation and clients who are prepared to test and learn.
10. Brief agencies in a different way. Briefs are frequently executional, with the channel already defined. We suggest sharing the business problem and getting the agency to challenge conventions; if you believe you need to be on TV and your budget is drastically reduced, challenge your agency to find to come up with an approach that will allow it, in the current market it may well be possible. Also get them to produce a strategy that will stand scrutiny from a CEO or CFO. Predicting and demonstrating effect will be an essential starting point for convincing stakeholders in client companies to invest; media owners will help provide this information, working in conjunction with media agencies.

Charlie Makin, chief strategic officer of Arena BLM and author of the report said: "It's a tough

market but it's not all doom and gloom. The credit crunch and recession offer a massive opportunity for many consumers who take advantage of internet tools and businesses slashing retail process and offering interesting new deals.”

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About Arena BLM

Arena BLM is the new brand launched in 2008 following an investment from Arena Media Communications, part of Havas Media. Founded in 1990 BLM is the only media agency to have won five IPA Advertising Effectiveness Awards. In 2007 BLM Group had 115 employees, managing billings of £123 million. Arena BLM has two offices, one in London and regional specialist, Arena BLMC, based in Bristol. In 1998, it launched digital agency, (this week voted Agency of the Year) BLM Quantum growing to be the UK's second biggest independent digital agency. In 2007 BLM Quantum was voted Digital Agency of the Year. BLM also comprises of BLM Azure, a specialist in the toy and kids sector that was launched in 2002. In 2006 the company acquired Red Media, a media specialist focusing on the premium and luxury sector, to create BLM Red. Arena BLM's clients include: Bulgari, Character Options, The COI, Dolland & Aitchison, Domino's Pizza, Setanta Sports Network, MBNA, Pathe Films, Paul Smith, Scotts Miracle-Gro Company, Suzuki, T-Mobile, TK Maxx and Young's Seafoods.

Arena is Havas Media's fastest-growing tailor-made communications network and now operates in eight markets: UK, Spain, Portugal, France, Mexico, Argentina, Chile and Colombia. In most markets established prior to 2008, Arena is ranked within the top five agencies. Arena's global client list include brands such as Santander, Movistar (Telefonica), Wal Mart, Bwin, Damm Group, Aero Mexico, Bebidas, Fox Channel, Paris, Bayer, Parmalat, Quala, Pritty Cola, Comunidad de Madrid (feria de artesanía & Plan Fico, and Cetelem) and Mitsubishi.