Nearly Two-Thirds of U.S. Consumers to Put the Brakes on Discretionary Spending

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Nielsen: Rising Gas Prices Force Nearly Two-Thirds of U.S. Consumers to Put the Brakes on Discretionary Spending

New Report Shows Significant Levels of Consumers Combining Shopping Trips, Eating Out Less and Staying Home More

Increasingly feeling the pain at the pump, more U.S. consumers are taking steps to compensate for rising gas prices, according to new research from The Nielsen Company.Â Nearly two-thirds (63 percent) of consumers are reducing their spending, up 18 points since June 2007 and up 14 points in the last six months alone.

Nielsenâ€™s research also finds that more consumers are combining shopping trips (78 percent), and more than half of consumers are now eating out less (52 percent) and staying home more often (51 percent). (Please see chart "Impact of Higher Prices on Consumer Driving and Spending Habits " in Full PDF Download version of PDF).

â€œWith gas prices passing the $4 per gallon mark, consumers are altering their driving and spending habits at dramatic levels,â€• said Todd Hale, senior vice president, Consumer & Shopper Insights, The Nielsen Company.Â â€œWhile discretiona spending is likely to be a challenge for most low and middle income shoppers, even affluent consumers are looking for ways to make their dollars go further.â€•

High Gas Prices Drive More Consumers to Clip Coupons, Shop Supercenters
Increased fuel prices are leading nearly one-third (32 percent) of consumers to use more coupons as a way to save money, up from 25 percent in December 2007. Seeking to get the bulk of their errands done while using less gas, 28 percent of consumer report doing more of their shopping at supercenters, where more items are in one store. (Please see chart 2 on driving and spending habits in Full PDF Download version of release.)

â€œConsumers tell us that they are using more coupons, an opportunity for consumer packaged goods (CPG) manufacturers to align coupon and other promotions in stores serving consumers feeling the greatest impact from high gas prices,â€• said Hale.

Trading Down
Nielsenâ€™s research shows that more consumers (35 percent) are buying less expensive brands, up 12 points since December 2007.Â While private label and lower-priced brands stand to benefit from higher gas prices, Hale suggest retailers need to be cautious when making decisions about private label products. (Please see chart 3 on driving and spending habits in Full PDF Download version of release.)

â€œMany retailers are increasing their focus on private label to help shoppers cope with rising gas and food prices,â€• said Hale.Â â€œWhile private label shows significant growth, itâ€™s important to remember that more than half of private label sales growth comes from only four product categories - - milk, fresh eggs, cheese and bread or baked goods - - categories greatly impacted by inflationary pricing resulting from higher livestock feed prices or higher raw ingredient prices.Â Â Retailers need to be judicious in selecting categories where private label opportunities exist.â€•

Slight Increases in Online Shopping, Carpooling
Although a small base, Nielsenâ€™s research shows some consumers are shopping online and carpooling or using public transportation more often. (Please see chart 4 on driving and spending habits in Full PDF Download version of release.)

â€œCPG manufacturers and retailers should not ignore consumersâ€™ desire for online shopping,â€• said Hale.Â â€œWhile w suggesting a big increase in online food sales, this could mean opportunities for general merchandise, non-food and health and beauty manufacturers.â€•

While the outlook for the remainder of 2008 and 2009 are certain to be challenging, Hale suggests that CPG manufacturers and retailers can be creative, for their benefit and the benefit of their customers.

â€œSwings in fuel supply will continue to have a tremendous impact on consumer shopping and buying behavior,â€• said Hale.Â
â€œRetailers can take a creative approach to promotions, pricing and partnerships, such as aligning themselves with gas retailers to reward loyal customers with less expensive gas, while manufacturers can minimize the impact of high gas prices by targeting products and advertising around at-home or at-work meals and at-home entertaining.â€•