

## The Deloitte Consumer Review Serving the connected consumer



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# Foreword

Welcome to the first issue of **The Deloitte Consumer Review**.

While the current economic turmoil is causing consumers in the industrialised world to reassess their purchasing decisions, many in the developing and emerging markets are continuing to experience growth. With a projected 900 million new middle class consumers in Brazil, Russia, India and China in the next decade, it is imperative that consumer-focused businesses adapt to this shift in economic power.

Beyond the economic uncertainty, the pace of technological development is also having an impact on consumer behaviour. A more complex and confident consumer is emerging. Thus consumer-focused businesses need to understand these developments and adjust their strategic priorities.

The Deloitte Consumer Review aims to provide an insightful and impartial view of selected consumer trends that we believe will have a significant impact on your business.

Each issue of the Review will contain three sections:

## **The consumer focus**

In this section we examine, distil and aggregate the key messages for a chosen trend, based on evidence from our research. This issue focuses on the connected consumer and examines their increasing sophistication and empowerment.

## **Client imperatives**

In this section we pose a series of questions businesses need to answer when considering the impact of consumer trends on their strategy and operating models.

## **The Deloitte Consumer Tracker**

The Deloitte Consumer Tracker is a forward-looking economic update, focusing on consumer spending attitudes and behaviours. Through our proprietary consumer survey and statistical analysis of Google search data, we have gained detailed insight into the patterns of consumer spending on a category-by-category basis, as well as the underlying drivers of spending behaviour.

We hope this report gives you the insight and data you need to enhance your understanding of consumers and welcome your feedback.



**Nigel Wixcey**

Industry Leader, UK Consumer Business  
Deloitte LLP

# Executive summary

The Internet has become an essential part of the way we as consumers purchase goods and services. It has made us more resourceful, more confident and more connected. These 'connected consumers' have become influencers in their own right, engaging across multiple touch points and driving changes in the way businesses engage with and respond to their customers. But the pace and scale of this change has introduced a new challenge for producers and suppliers: they must address an emerging disconnect between strategic goals and operational realities.

Drawing on the results of our own research into multichannel consumer behaviours, this report examines the dynamics that influence decision-making at key stages in the shopping journey.

Before the explosion of the digital marketplace, consumers engaged with businesses primarily through single channels and had limited access to information or opinions about the product or service. Now, they are benefiting from higher levels of pre-transaction research and evaluation. Our research indicates that about 40 per cent of non-food transactions are now digitally influenced.

While the store remains the biggest single channel by volume and value, it now forms just one part of a shopping experience involving numerous channels. The digital revolution has created a new 'path to purchase' for consumers.

The report also considers the range of possible strategic responses, including service-driven models, channel transformation and the role of digital technologies in merging offline and online.

The current economic climate is accelerating the rate at which consumers are adopting digital behaviours as they rebalance their spending and turn to digital solutions to seek out savings and value. Disposable incomes are being squeezed by the combination of rising unemployment, inflationary pressures and subdued wage growth. Consumer confidence has also been dented by a decline in purchasing power and uncertainty over the broader outlook for the UK and global economy.

To help our clients understand the changing patterns of consumer spending, Deloitte has undertaken new research to track consumer confidence. The Deloitte Consumer Tracker has found some cause for optimism. While consumers are behaving cautiously, they are also spending 'smarter' to enjoy some inexpensive non-essential items.

Looking ahead, the pattern of consumer spending is changing, with non-discretionary expenditure rising due to higher energy and food prices, and discretionary spending falling as consumers continue to save money by trading down, entertaining at home, planning ahead and delaying the purchase of big-ticket items. In a shrinking consumer market the question remains: who will benefit from these changing spending patterns.

# The connected consumer

The Internet has become a pervasive and inevitable part of daily life, giving rise to a more resourceful, confident and connected consumer.

## The connected paradigm

Consumers have embraced digital media and are increasingly confident about interacting and transacting online. With trust in traditional sources of influence from brands to politicians decreasing, they are turning to their peers or communities online for advice and to share information and opinions. The depth and breadth of information available gives consumers a powerful collective voice and greater capacity to become shapers and influencers in their own right.

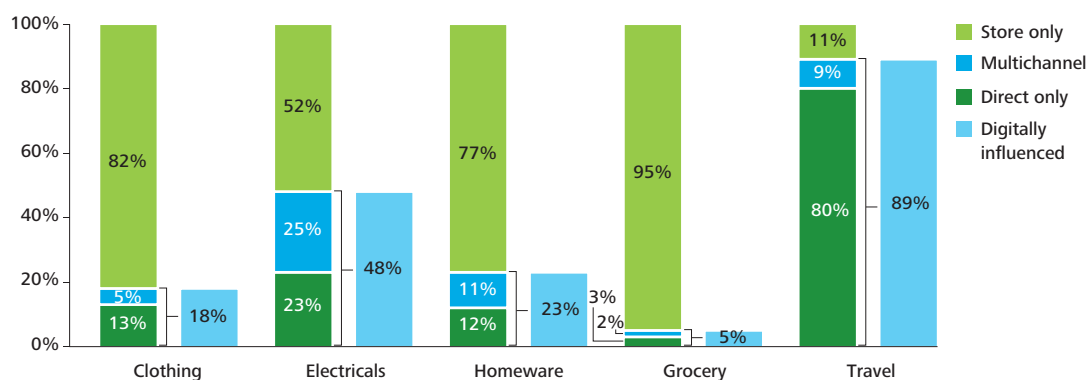
The digital revolution, led by the expansion of the Internet, has created a new paradigm for the shopping journey: one with multiple interactions, each having the potential to influence and enrich the consumer experience. As consumers navigate across channels and become more indifferent to traditional marketing methods, suppliers and retailers are being increasingly challenged to map and serve them along a more complex decision-making process.

Consumers can, of course, still be characterised by age and affluence, with affluent adults in their mid-20s to mid-40s most likely to be multichannel or online shoppers.

However, segmenting the population of connected consumers needs more than simple demographics; it requires an assessment of distinct online behaviours and conversations. The Deloitte Multichannel Consumer Survey also demonstrates that consumer shopping habits vary considerably across sectors.<sup>1</sup> The travel industry, for instance, is dominated by 'direct only' transactions, with 80 per cent completed online, while half of electrical goods transactions are influenced by some form of digital interaction, compared with only one in five in clothing and one in four in homeware (see Figure 1).

Purchases of electrical goods involve high levels of engagement and planning for the consumer, with a substantial price gap still evident between channels. At the other end of the scale, sales of clothing are often driven by more impulsive behaviour. Still, online clothing sales have the potential to grow because of the combined online presence of mail order players (having successfully crossed into multichannel retail) and niche pure online players, offering flexible, intelligent shopping and service delivery.

Figure 1. Transaction volumes in the past three months by category and channel



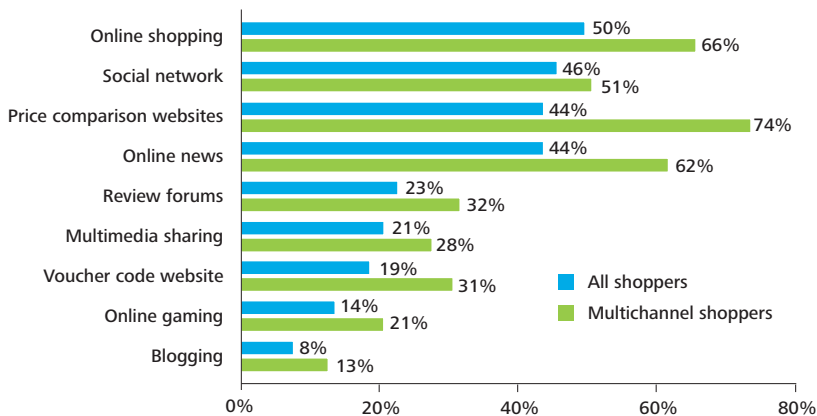
Source: The Deloitte Multichannel Consumer Survey, September 2011

### With power comes control

Before the explosion of the digital marketplace, consumers engaged with businesses primarily through single channels and had limited access to information or opinions about the product or service. Now, they are benefitting from higher levels of pre-transaction research and evaluation, including a variety of online research activities such as catalogues, brochures and price comparison websites. Our research shows that multichannel transactions are likely to involve higher levels of research activity than transactions made in a single channel environment.

Our research also shows that 44 per cent of the UK population have used price comparison websites, 23 per cent accessed consumer-led online reviews and 19 per cent have taken advantage of voucher code sites (see Figure 2). A product or service that does not pass the consumer test on review sites or social networks is likely to be eliminated from the selection process, particularly in the case of high-value items. As 'push' marketing gradually becomes superseded by consumer 'pull' behaviour, consumers are moving out of the traditional purchasing funnel with an additional active evaluation phase, i.e. pre-transaction research (see Figure 3).

Figure 2. Level of online activity

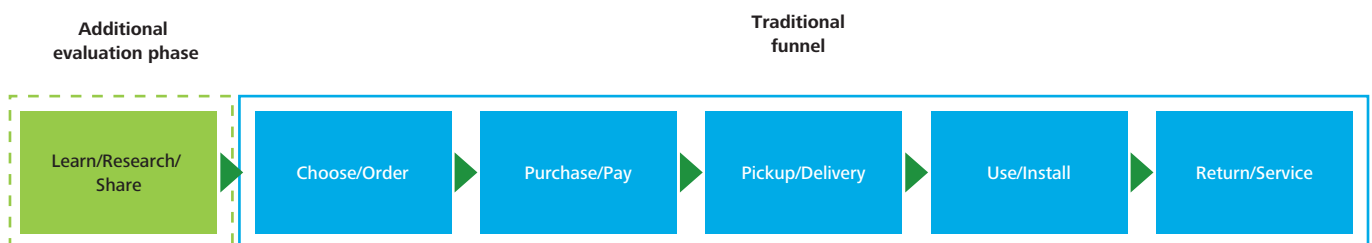


Source: The Deloitte Multichannel Consumer Survey, September 2011

Furthermore, our research suggests that digitally influenced shoppers spend more per transaction than 'store only' shoppers, with digitally influenced shoppers accounting for 39 per cent of the total value of non-food transactions but only 28 per cent of the volume (see Figure 4).<sup>2</sup> Our research also highlights that digitally influenced transactions increase during the Christmas season.

Multichannel shoppers are also more loyal: 46 per cent are willing to share personal data with retailers in exchange for special offers or discounts compared with 35 per cent of 'store only' shoppers. Still, direct digital marketing on the whole appears ineffective, with less than five per cent of transactions directly attributable to digital advertising. Industry participants need to track the consumer's path to purchase online and make real-time customised propositions to encourage conversion.

Figure 3. Consumers have moved out of the traditional purchasing funnel with an additional active evaluation phase



Source: Deloitte Research, 2011

The willingness to respond to change has created a gap between strategic goals and operational realities. Businesses must continue to rethink and realign their models around connected consumer behaviours.

#### A service-based model

The size of the digitally influenced segment suggests that identifying and understanding digital trends and adopting appropriate value propositions are essential to retaining a relevant retail offering. Despite a weak economic environment, digital uptake continues to accelerate, suggesting that further multichannel integration represents a retail growth opportunity.<sup>3</sup> Single channels need to be integrated into a service-based framework designed around the connected consumer's path to purchase.

#### Channel transformation

'Store only' remains the biggest single channel for non-food transactions (excluding travel) with 72 per cent of total volume (see Figure 4). However, the store now forms just one part of a shopping value chain made up of numerous virtual 'connect' or 'touch' points. 'Direct only' represents the second biggest channel with 16 per cent of transaction volume, while multichannel has 12 per cent.

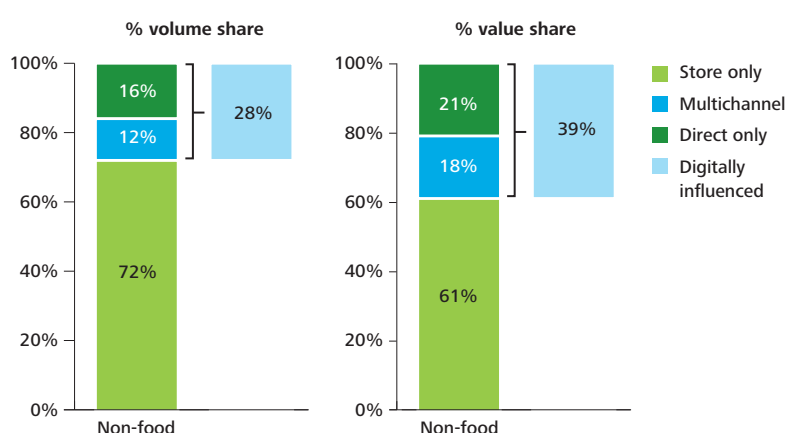
The convenience and choice offered by multichannel solutions suggest that they have the greatest potential for growth, although consumers will still expect single channels to play their part in creating a seamless, service-based multichannel offering. A recent Deloitte publication, "The changing face of retail", discusses how physical space should not only encourage a personalised consumer experience, but also help with integrating online and direct sales, and managing delivery and after sales service.<sup>4</sup> In short, the service offering approach is transforming the role of the store and its staff.

In response, businesses need to develop and reward sales staff based on their ability to deliver a multichannel experience, and invest in technology to support sales and streamline distribution across online and offline.

#### Merging offline and online

The fragmentation of the digital environment has led to consumers shopping across multiple touch points. Our research shows that 50 per cent of consumers have shopped online, and 20 per cent have used a mobile phone to engage in shopping activities.

Figure 4. Non-food transactions in the past three months by channel



Source: The Deloitte Multichannel Consumer Survey, September 2011

As mobile commerce matures, bridging the gap between offline and online, its influence will continue to grow. Our research shows that while only six per cent of consumers have used a mobile device to make purchases online, mobile devices play a role in the shopping journey, from searching for a store to accessing product information.

Mobile solutions may support easier payment options, or be used to check stock availability in real-time. Our research also indicates that four per cent of consumers have used a tablet to engage in shopping activities. As tablets partially replace PCs, these may become the dominant platform for shopping online or on the move, allowing users to browse the Internet in-store or on the high street.

Looking ahead, we expect a period of continued digital fragmentation, to be followed by the emergence of a 'personal cloud' multichannel environment, comprising an integrated resource for organising, preserving and sharing personal information and media.<sup>5</sup> Although some security risks need to be addressed, we anticipate personal digital devices will increasingly be synchronised and the resulting cloud applications will lead to direct information-sharing with goods and service providers.

# Client imperatives

Despite a weak economic environment, digital uptake continues to accelerate. Thus it is essential that businesses not only focus on guarding against downside risks, but also continue to invest to grow and respond to an increasingly connected consumer.

## A sector perspective

Consumers' perception of the distinction between manufacturers, retailers or service providers is rapidly blurring with the fragmentation of touch points through which consumers experience goods and services.

Although the different consumer focused sectors are exposed to varying levels of connected consumer behaviours, the level of multichannel experiences in some sectors is increasing the pressure on others to enter into more cross-sector collaboration, to merge channels and to adopt more seamless delivery of goods and services.

While companies serving the connected consumer need to understand their behaviour across all channels and for all products and services, the focus and opportunities are different in each sector as highlighted below.

<b>Consumer Packaged Goods</b>	<b>Benefiting from direct access to consumers</b> <ul style="list-style-type: none"> <li>• <b>Going direct:</b> The expanding level of discretion available to consumers in areas such as price comparison and peer-to-peer discussions, is offering an additional opportunity for manufacturers to engage with consumers and supply them directly.</li> <li>• <b>Collaborative innovations:</b> Consumers are exercising their increased power by demanding more involvement in customising experiences and products. This new level of involvement is giving rise to the phenomenon of co-creation and customer-led innovations as manufacturers benefit from the two-way conversation taking place between them and consumers.</li> </ul>
<b>Retail</b>	<b>Multichannel capabilities now adopted by a majority of players in the sector</b> <ul style="list-style-type: none"> <li>• <b>Multichannel industrialisation across retail:</b> Our research shows that about 40 per cent of all non-food retail sales by value are digitally influenced. The significant role the Internet plays in retail is driving the industrialisation of multichannel integration across the retail sector and the restructuring of the high street.</li> <li>• <b>Channel rebalancing:</b> Although 'store only' continues to command the largest proportion of sales, with 72 per cent of total volume, according to our research, it provides the lowest return per transaction. Each channel needs to be rebalanced to serve the consumer at the actual point of need, whether in the store, online or on the move.</li> </ul>
<b>Travel, Hospitality and Leisure</b>	<b>A sector dominated by digital behaviour</b> <ul style="list-style-type: none"> <li>• <b>Growing availability of digital functionality in completing transactions online is driving the travel sector out of the high street:</b> But at the same time we are witnessing the development of new travel sector retail formats. According to our research, over 85 per cent of travel transactions are now digitally influenced, with 80 per cent of transactions researched and completed online. The choice of booking channels also continues to shift, with a growing proportion of consumers now booking through mobile devices and smartphones. Almost one-fifth of travel queries are now made on mobile devices. <sup>6</sup></li> <li>• <b>Major influence of consumer-led content:</b> Consumer-led review sites form an integral part of the travelling decision-making process for a majority of consumers. Our research shows that 48 per cent of consumers are reading reviews by other travellers when booking a holiday (compared to 23 per cent of the UK population across all sectors).</li> </ul>



## Questions for business leaders

The framework below helps to identify the context and the associated priorities businesses need to consider to remain relevant in the digital environment.

Context	Questions	Priorities
<b>Absence of overall domestic market sales growth</b>	<ul style="list-style-type: none"> <li>• How can you create new consumer markets?</li> <li>• How can you take market share from competitors?</li> <li>• How can you optimise price and value?</li> <li>• Where can cost be taken out?</li> <li>• What role do emerging markets play in your growth strategy?</li> </ul>	<ul style="list-style-type: none"> <li>• Investing in new channels</li> <li>• Responding faster than competition</li> <li>• Innovation</li> <li>• Rebalancing physical store portfolio</li> <li>• Rebalancing marketing investment by channel</li> <li>• International expansion</li> <li>• Consider tax efficiencies embedded in multichannel propositions</li> <li>• Lower cost of capital market entry</li> <li>• Leveraging assets to extend reach</li> <li>• Tax and duty aligned to new market fulfilment and returns</li> </ul>
<b>Connected consumers</b>	<ul style="list-style-type: none"> <li>• What services do your consumers expect?/Do you provide them?</li> <li>• Where do you deliver value to consumers in your proposition?</li> <li>• How do you identify the most important 'communities' for your organisation and how do you best connect with them?</li> <li>• Does the existing method of planning, buying and merchandising meet the needs of a multichannel/ multi-country model?</li> </ul>	<ul style="list-style-type: none"> <li>• Enabling consumers via mCommerce, location tools, Wi-Fi connectivity and convenient payment solutions</li> <li>• Obtaining a single view of the consumer and providing him with a single view of your business</li> <li>• Establishing data governance</li> <li>• Establishing a single view of content and data</li> <li>• Enhanced analytics capabilities</li> <li>• Risk and data security</li> <li>• Strategy to exploit and manage price transparency, enhance promotion capability and evaluation</li> <li>• Direct-to-consumer model</li> <li>• Enhanced planning, buying and merchandising</li> </ul>
<b>Structural changes in the high street</b>	<ul style="list-style-type: none"> <li>• Is your business offering the right combination of online and offline customer services?</li> <li>• Do you understand the role of your physical space?</li> </ul>	<ul style="list-style-type: none"> <li>• Define the role of the store of the future</li> <li>• Define new ways to measure value of retail estate, i.e. return per feet (RPF) when store acts as showroom for online</li> <li>• Review existing store portfolio</li> </ul>
<b>The mCommerce opportunity</b>	<ul style="list-style-type: none"> <li>• What services are required via the mobile channel for your business and your customers?</li> <li>• With the fast growth of mCommerce, are you considering the strategic role mobile devices play in merging offline and online?</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile rendered website</li> <li>• Constant connectivity, i.e. Wi-Fi enablement</li> <li>• Location based offers and services</li> <li>• Mobile payment solutions</li> </ul>
<b>Rise of new touch points</b>	<ul style="list-style-type: none"> <li>• Are you investing in the right new touch points?</li> <li>• How do you measure return on investment for those new platforms?</li> </ul>	<ul style="list-style-type: none"> <li>• Social media engagement</li> <li>• Contact centres</li> <li>• Video assistants</li> <li>• Video sales</li> </ul>

# The Deloitte Consumer Tracker

## Making more of less

### Key points:

- Consumers' disposable income is being squeezed by a combination of rising unemployment, high inflation and subdued wage growth.
- Declining disposable income and the uncertain economic outlook are combining to undermine consumer confidence.
- Despite the squeeze on disposable income and the decline in consumer confidence, the UK economy grew by 0.5% in the third quarter.
- Consumers are adapting their behaviour in response to the current economic environment in two ways. First, they are reducing discretionary expenditure and increasing savings, and second, they are adjusting their patterns of expenditure to make the most of reduced budgets.
- Within the discretionary segment, reductions in expenditure present opportunities, as well as threats, for consumer-facing businesses.

### Introducing the Deloitte Consumer Tracker

The Deloitte Consumer Tracker is a forward-looking, economic update focused on consumer spending attitudes and behaviours. Through our proprietary consumer survey, we gain detailed insight not only into the patterns of consumer expenditure on a category-by-category basis, but also the underlying drivers of spending behaviour, notably household disposable income and consumer confidence.

Our survey results are complemented by statistical analysis of Google search data to provide an up-to-date picture of economic activity. In addition to the approximate £26 billion that UK consumers spend online each year, the Internet is widely used to research purchases as part of the growing multichannel activity taking place in the retail sector.<sup>7</sup> As a result, data on what consumers are searching on Google can be used to measure future patterns of expenditure.

The models Deloitte constructed specifically for this briefing document establish the statistical relationship between changes in search activity on Google for different categories of consumer products and subsequent product sales. As data on Google Insights for Search is available on a near real-time basis, this approach can be used to estimate current levels of sales in a category ahead of the release of official data.

We supplement our consumer survey and Google modelling with an analysis of key macroeconomic indicators to provide a comprehensive, forward-looking overview of the UK consumer's financial position and spending patterns.

# Household disposable income

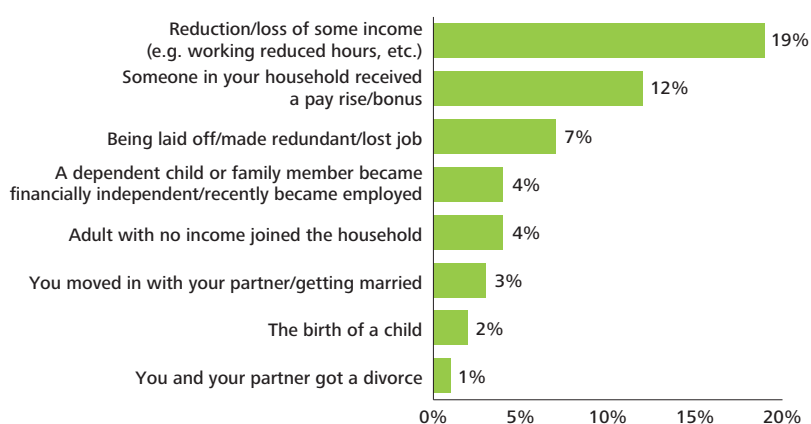
Consumers' disposable income is being squeezed by a combination of rising unemployment, high inflation and subdued wage growth.

- Nearly 20% of respondents reported some reduction or loss of income over the past three months, while 7% of households reported a job loss.
- This is consistent with the official unemployment rate figures which rose to 8.3% in September, indicating that 2.62 million people are out of work.

**Figure 5. Changes in personal household circumstances in the past three months**

% of UK consumers

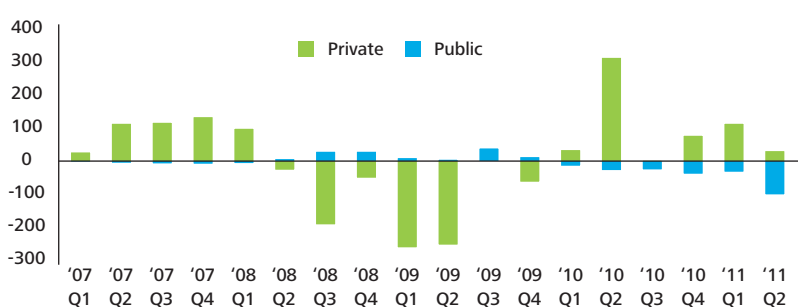
**Question:** Thinking about your household circumstances in the last three months which of the following apply to you or someone in your household?



- With the prospect of significant further public sector job losses as the result of the government's austerity drive, and private sector employers trimming recruitment expectations, the unemployment rate seems likely to rise over the coming quarters.

**Figure 6. Number of jobs added/lost each quarter, private sector v. public sector**

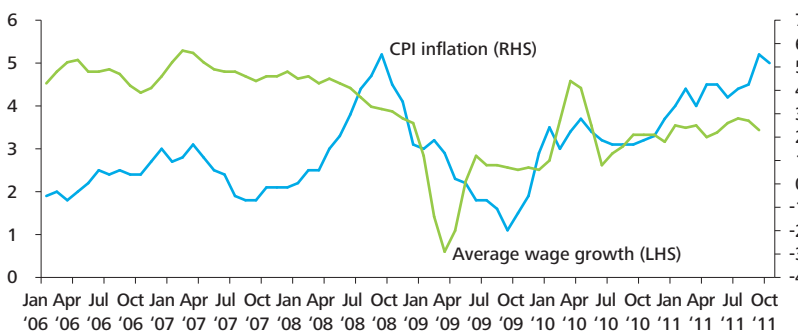
Number of jobs ('000)



Source: Office for National Statistics (ONS)

- For those in work, real wages are falling by around 3% per year as wage growth of 2.1% is failing to keep pace with consumer price inflation of 5% (as of October).
- With the effects of January's increase in VAT falling out of the inflation numbers over the next quarter, and commodity prices levelling off or declining, UK inflation seems likely to edge lower in 2012.

**Figure 7. Average wages v. CPI inflation growth**



Source: ONS

# Consumer confidence

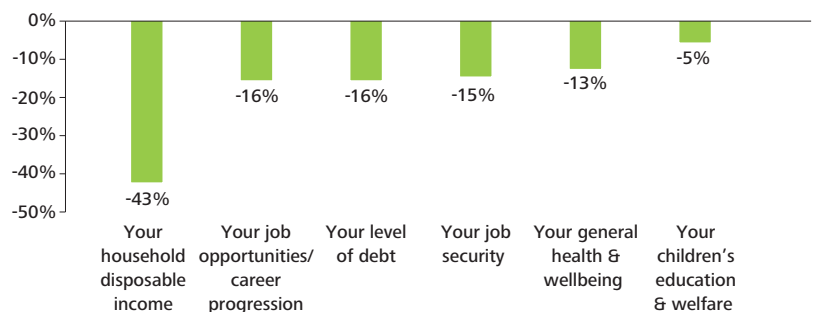
Declining disposable income and the uncertain economic outlook are combining to undermine consumer confidence.

- A net balance of 43% of respondents reported a reduction in confidence regarding their own disposable income over the past three months, while 15-16% were more pessimistic about job opportunities, job security and their level of debt.

Figure 8. UK consumer sentiment

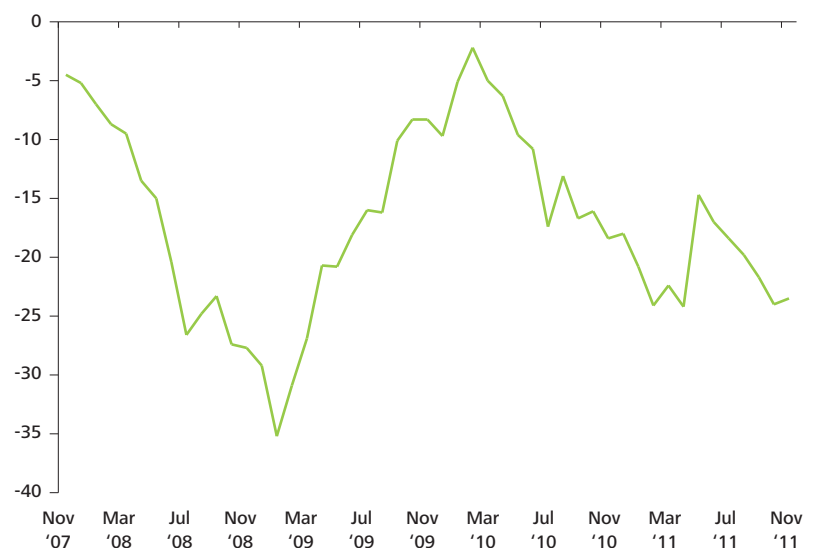
Net % of UK consumers who said that their level of confidence has improved over the last three months

Question: Thinking about the following aspects of your life, over the last three months, would you say that your level of optimism/confidence in each area is better, the same or worse?



- Other measures of consumer confidence reflect this trend. The UK confidence indicator stood at -23.5 as of mid-November.

Figure 9. UK consumer confidence index



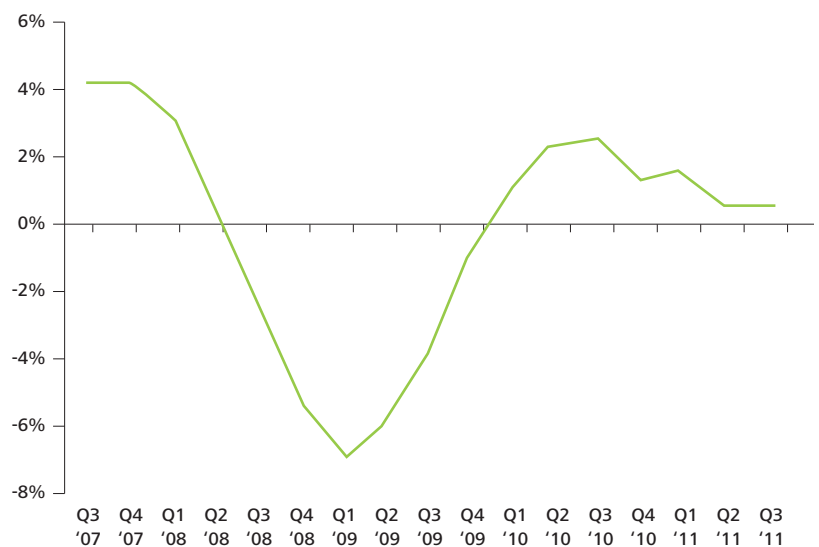
Source: European Commission, November 2011

# Economic outlook

Despite the squeeze on disposable income and the decline in consumer confidence, the UK economy grew by 0.5% in the third quarter.

- Initial estimates indicate that GDP growth reached 0.5% in the third quarter, up significantly on the 0.1% growth in the second quarter and ahead of market expectations.
- Despite this strong showing, economists have downgraded the UK's GDP growth forecasts for 2011 and 2012 over the last three months. In its latest forecasts, the Office for Budget Responsibility expects GDP to contract in the fourth quarter and remain flat for the first half of next year, before picking up in 2013.
- This weakening of sentiment is due to growing concerns over the euro area debt crisis, currently high levels of inflation and weak consumer incomes and spending. The Bank of England expects inflation to fall sharply in the first half of next year, providing some support to real household incomes and spending. However, a lot will depend on whether policymakers show the willingness and determination to craft a robust response to the crisis plaguing Europe.

Figure 10. UK GDP Growth



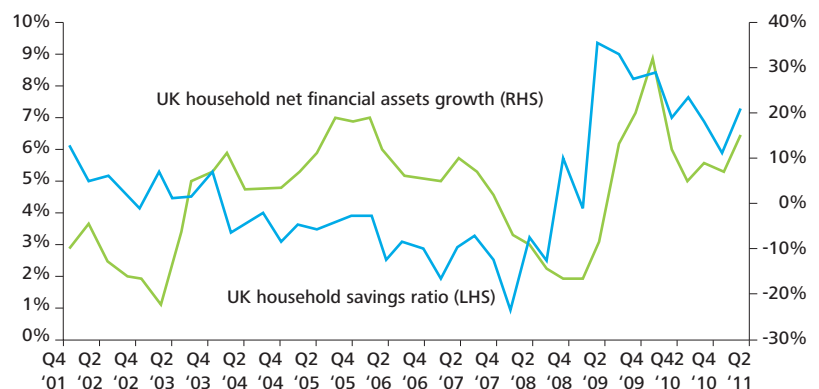
Source: ONS

# Consumer spending behaviour in the third quarter

Consumers are adapting their behaviour in response to the current economic environment in two ways. First, they are reducing discretionary expenditure and increasing savings, and second, they are adjusting their patterns of expenditure to make the most of reduced budgets.

- The UK savings ratio increased to 7.4% in the second quarter. This compares with an average savings rate of around 5.5% over the past 15 years, highlighting consumers' increased caution since the beginning of the financial crisis.

Figure 11. UK household net assets growth and savings ratio



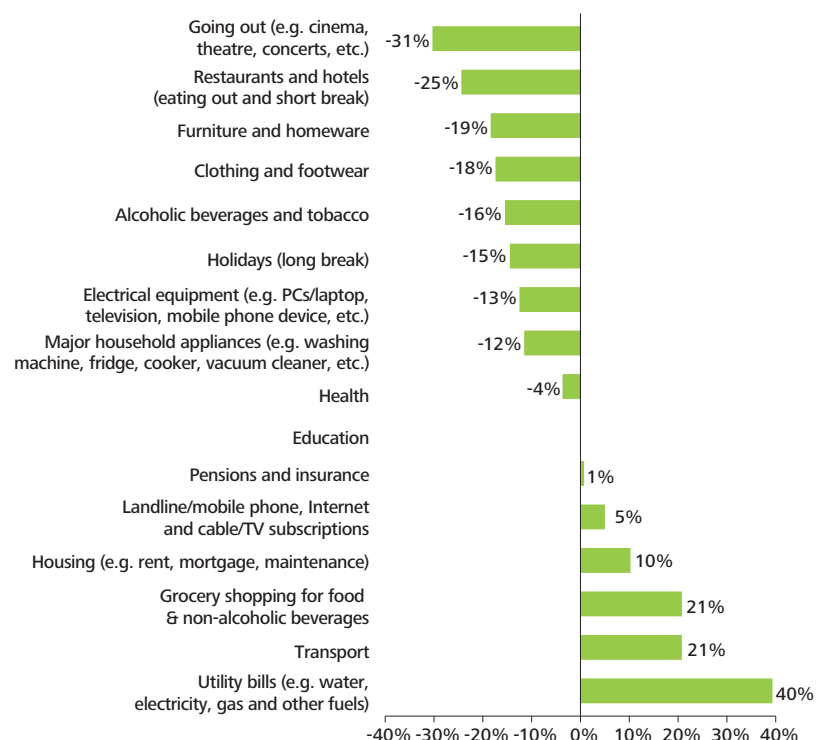
Source: ONS

- In response to economic pressures consumers are seeking to rebalance their expenditure. As the price of groceries and energy-based goods, such as utilities and transport continue to rise, households are reducing their discretionary spending.
- In the past three months a net balance of 31% of consumers have cut back on going out, 25% on eating out and short breaks, followed by clothing and footwear, furniture, furniture, homeware and electrical equipment.
- Consumers also need to spend more in the staple categories affected by rising energy costs or high inflation, such as groceries (net balance of 21%) and utility bills (net balance of 40%).

Figure 12. Category spending in the last three months

Net % of UK consumers spending more by category

**Question:** Thinking about all the expenses in your household, for each of the following, would you say you have spent more, less or the same in the last three months compared to what you spent four to six months ago?



# Consumer spending outlook

Within the discretionary segment, reductions in expenditure present opportunities, as well as threats, for consumer-facing businesses.

## Trading down

- About 40% of consumers indicated that their increased expenditure on groceries was due to price rises. As a result, one in ten consumers is planning to trade down to save money, buying more own label products.
- Our analysis of Google searches indicates that the volume of food and drink purchases will have grown slightly in the third quarter, perhaps showing that not all of the increase in reported expenditure was due to price rises. However, current Google activity indicates that in the fourth quarter grocers are likely to see sales volumes similar to last year's level, although rising prices will push up values.

## Staying in

- One in four consumers consciously cut down on going out by spending more time entertaining their family at home. While this may be bad news for restaurants and cinemas, it offers opportunities for takeaways, subscription television and DVD rentals.

## Fewer impulse purchases

- In the category of clothing and footwear, consumers are trying to limit impulse purchases (17%), and planning what to buy in advance.
- Google search activity in the apparel sector indicates that the volume of sales is likely to be flat in the early part of the fourth quarter perhaps reflecting a desire to maintain the volume of purchases but reduce expenditure by moving down the value chain. This was highlighted in our research with consumers trying to save money in the clothing category by buying less expensive brands (7%).

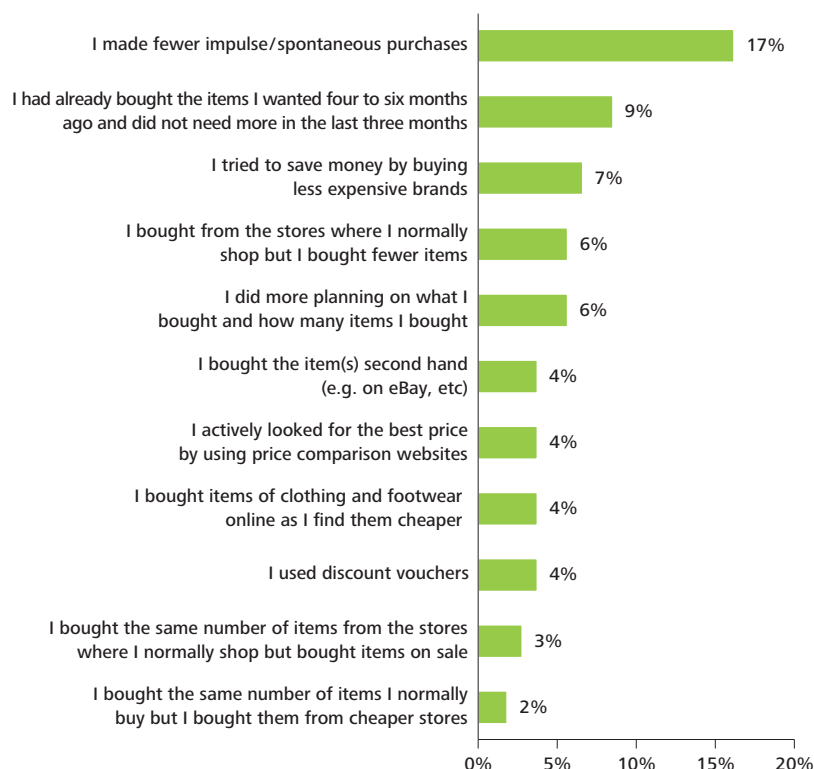
## Postponing the purchase of big-ticket items

- Consumers have reduced spending on big-ticket items such as furniture, homeware, electrical equipment and major household appliances. Those who did spend in these categories claimed they were only replacing an existing item. For example, in the past three months one in ten consumers said they had temporarily abandoned their plans to buy a car.
- This pattern matches the results of our Google analysis that highlighted a 3% decline in car sales in October as compared with October 2010. Interestingly, new cars sales were up by 2.6% on the year in October, indicating that a two-tier market may be emerging.

Figure 13. Reasons consumers spent less on clothing and footwear in the last three months

% of UK consumers

Question: You just mentioned you spent less on clothing and footwear in the last three months, which of the following reasons apply to you?

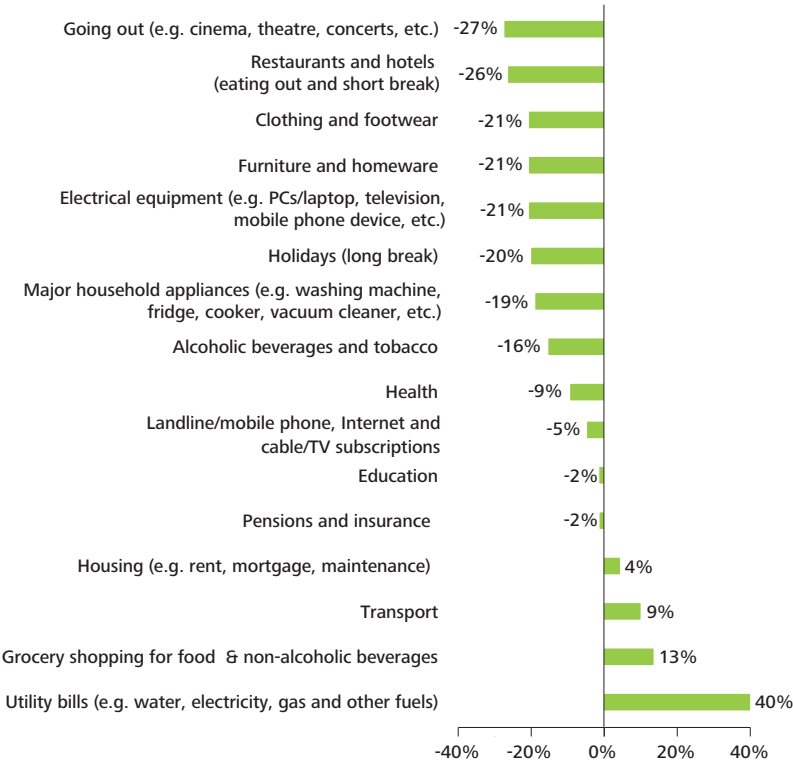


- Looking ahead, similar patterns emerge from the data. Consumers reported that they intended to reduce spending in 12 out of 16 categories, with a strong focus on discretionary items.
- Once again, households expect to spend more on non-discretionary items, such as utilities (+40%), groceries (+13%) and transport (+9%). According to respondents, increased spending on groceries is being driven by price rises rather than consumption.

Figure 14. Category spending in the next three months

Net % of UK consumers spending more by category

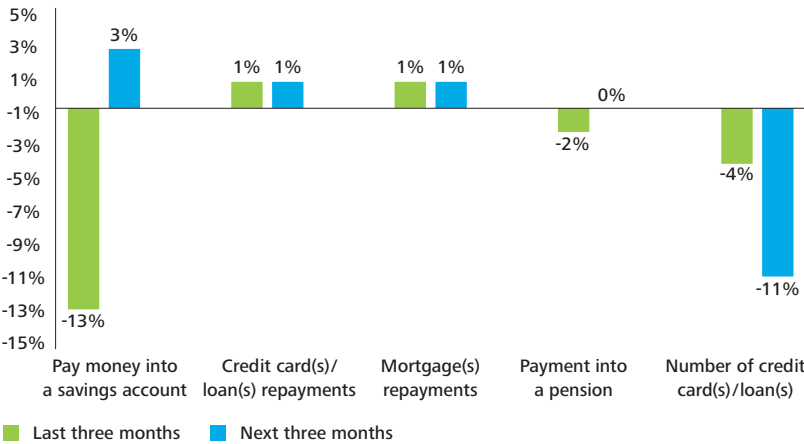
Question: Thinking about all the expenses in your household in the next three months, for each of the following, would you say you will spend more, less or the same compared to what you spent in the last three months?



- In an effort to cut debt, consumers are planning to continue reducing the number of credit cards/loans they hold into the fourth quarter.

Figure 15. UK consumer attitudes to financial obligations

Net % of UK consumers adopting expansionary attitudes



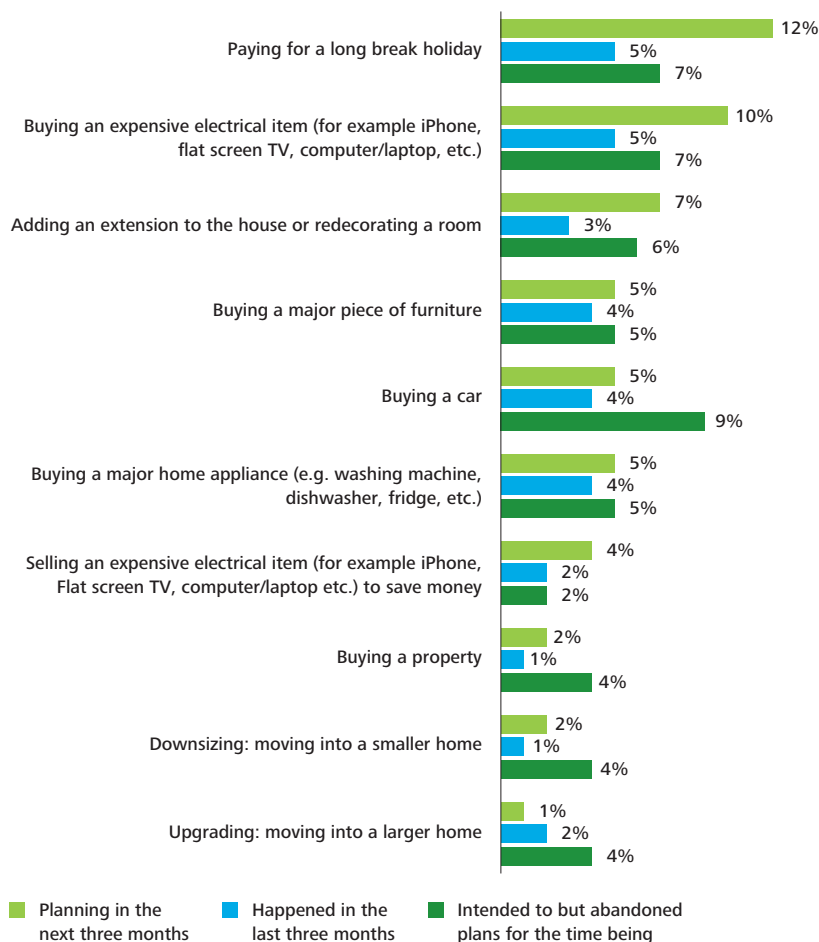


- Despite consumers being cautious about how they spend, there is evidence they are still interested in the latest technology. Our research shows that 10% are planning to buy an expensive electrical item in the next three months.
- Looking at the top five search terms on Google for the consumer electronics category, the iPod remains the top search item (and has been for a number of years), but the Kindle has been one of the fastest growing over the past 12 months.

**Figure 16. UK consumer major purchase intentions**

% of UK consumers

**Question:** Below is a list of statements that may apply to you/your household, can you please indicate which of the proposed circumstances best apply to you/your household?



**Figure 17. Top Google search terms in the consumer electronics category\***

Top search terms	Last 12-month level of interest normalised	Rising searches	% growth (Last 12 months)
iPod	100	Amazon Kindle	400%
Sony	60	Kindle	350%
iPod touch	35	BlackBerry apps	110%
Panasonic	30	BlackBerry	90%
Samsung	30	iPhone	70%

\* Top searches refer to search terms with the most significant level of interest. These terms are related to the term entered. The data is displayed on a scale of 0 to 100, after normalisation; each point has been divided by the highest point or 100.

Source: Google Insights for Search, November 2011

# Notes

- <sup>1</sup> The Deloitte Multichannel Consumer Survey is a face-to-face consumer survey of a UK nationally representative sample of 2,000 adults aged 18+ interviewed on their purchasing behaviours over the past three months. The research took place in September 2011 and was carried out by independent market research agency, TNS, on our behalf.
- <sup>2</sup> All transactions that involved multiple channels or are 'direct' influenced.
- <sup>3</sup> "Bye-bye PC, hello smartphone", 15 November 2011. See: <http://www.bbc.co.uk/news/technology-15740777>
- <sup>4</sup> The changing face of retail, Deloitte LLP, December 2011.
- <sup>5</sup> The Personal Cloud: How Individual Computing Will Shift From Being Device-Centric To Information-Centric, Forrester Research, July 2009.
- <sup>6</sup> Google research, August 2011.
- <sup>7</sup> Deloitte analysis based on ONS data.

## About this research

The Deloitte Consumer Tracker is based on a consumer survey carried out by independent market research agency, YouGov, on our behalf. This survey was conducted online with a nationally representative sample of over 1,000 UK adults aged 18+ on 26 October 2011.

## A note on the methodology

Some of the figures in this research show the results in the form of a net balance. This means that in a survey of 100 respondents, assume that 30 reported they are spending more, 50 reported no change and 20 reported they are spending less. The net balance is calculated by subtracting the number that reported they spent less from the number that reported they spent more, i.e.  $30 - 20 = 10$ . This means 10% of consumers reported that they spent more rather than less.

# Contacts

The Consumer Business specialists at Deloitte have extensive experience in providing innovative, industry specific solutions across Audit, Tax, Consulting and Corporate Finance.

If you would like to discuss any of the topics in this report, or our services to the Consumer Business industry, please contact one of our specialists below.

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## About the Consumer Business Practice at Deloitte

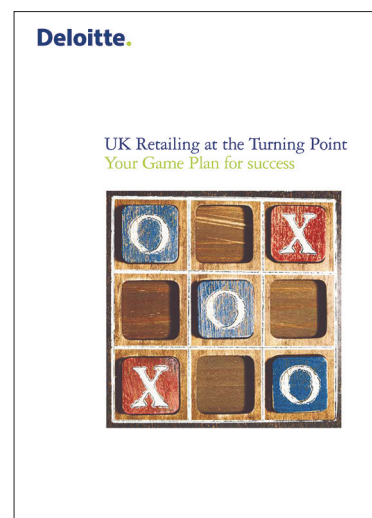
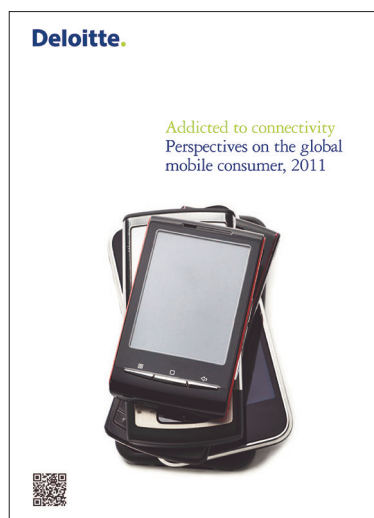
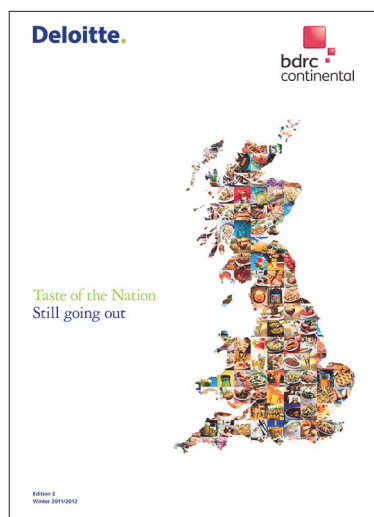
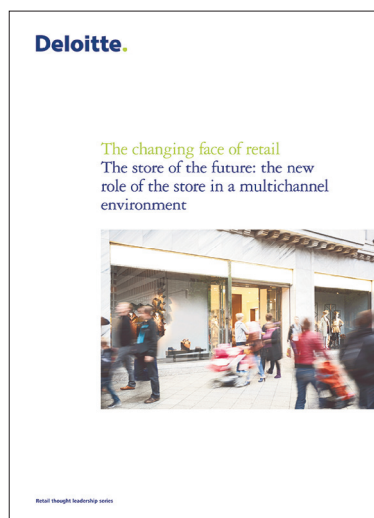
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We present our clients with exceptional analysis and a unique perspective of the consumer market during these challenging times and provide an outstanding service with a focus on creating value for our clients, enabling them to make informed decisions to maximise their opportunities.

Our Consumer Business team has longstanding relationships with all major players in the industry. Each client relationship is focused through a lead client service partner to ensure we provide maximum value to our clients.

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