Deloitte.

# Xmas 2009 : the rebound?

Romania Report

# Contents



# Foreword

This is the twelfth consecutive year that an annual survey of European holiday shoppers' intentions has been published by Deloitte. This year, 18 countries are included in the survey. For the first time, Poland and Luxembourg are among the countries considered.

Exceptional economic circumstances form the inescapable backdrop to the survey.

On this occasion, several weeks before the holiday season begins, we poll a large, representative sampling of consumers (17,567 in all) to gauge their mindset and their planned holiday gift budget, in addition to food shopping for holiday meals and entertainment expenses.

The holiday season, apart from the family celebration and religious aspects, is also an atypical period in terms of consumer habits. Many retailers and manufacturers log at least double the amount of purchases compared to any other equivalent time period during the year, and sometimes much more. The holiday season is therefore critical to ensure sound economic results for players in the consumer goods sector.

Accordingly, it is highly important to be able to forecast business volumes during this period and, where applicable, to make use of this information so as to act upon the drivers available to companies in the sector to boost demand or move it in a new direction.

# Foreword

If the consumption profile during the holiday season is atypical in comparison with the rest of the year, a precise snapshot of the consumer mindset at this season is highly instructive with respect to longer-term prospects and the structural measures to be developed to meet expectations.

In the last decade, European consumers have seen their buying power rise and fall depending on the buoyancy of their economy: controlled growth in Scandinavia; very rapid growth in Great Britain, Ireland and Spain; the steady infiltration of consumerism into Eastern Europe spurred by openness to the West. This contrasts with the perception of a pervasive erosion in buying power in other European countries, especially France and Germany.

Since 2008, consumers across Europe have been hit hard by the worst economic crisis to have plagued the Western world since the thirties. This crisis, whose effects are strongest, paradoxically, in countries that had been experiencing the most robust growth, will leave an indelible impact upon consumer behaviour. This year's survey therefore aims to shed light on the precise repercussions of the crisis so as to draw lessons and devise solutions to be put in place by retailers and manufacturers.

We feel strongly that this new edition of our European Xmas Survey is essential reading, at least as much if not more so than ever before.

# Editorial

# Editorial

## Better things in store

European consumers are sending out clear, convergent signals that their vision of the situation is improving: they believe that the economy will probably start to pick up in 2010. Moreover, a majority of them state that that they have not been affected personally by the crisis and in defiance of economists' most frequently cited prognoses, most European consumers do not feel concerned about job security and are confident that their income will remain secure.

Please note that despite the government financial aid packages in Europe, these same consumers are unanimous in their critical opinion of their governments, none of which have found favour in their eyes. Yet, unsurprisingly, their negative judgment is directly proportional to their perception of the magnitude of the crisis in each of their countries.

The apparently positive chart of consumer sentiment with regard to their personal situation becomes more nuanced when certain aspects of their responses to our questions are analysed more closely, particularly when it comes to their precise spending intentions for the Xmas holiday period: a 0.2% increase of spending in Romania and a 0.7% increase in Eastern Europe as a whole where forecasts are positive in all the countries surveyed except Czech Republic. The European average is brought down by the weight of very negative forecasts in Ireland, the United Kingdom and Spain.

# Editorial

Even though forecasts are pointing downwards this Xmas, it is important to note that the drop in the trend noted over the last few years has been halted. Consumers intended to increase their spending by 3.9% in Romania for 2008. They are therefore less negative this year.

Consumer spending is manifestly at a turning point and forces are acting in opposing directions so that we can see many indications of a ‘deceleration in pessimism’. We can hope that such a deceleration may be the first sign of a rebound, which will be perceptible more explicitly in 2010 if other anticipated recovery factors also come to fruition.

Although pessimism may be waning in Western Europe, a growing awareness of the crisis can be detected in Eastern Europe, albeit less drastic that that experienced in the West in 2008. If and when the rebound occurs in the West, the same can be expected in Eastern Europe, but probably with a time lag as well.

Having said that, after the most serious economic crisis since the 1930s, it comes as no surprise that consumers can see the writing on the wall. They have understood the importance of being prudent and have been progressively influenced to structurally reduce their spending habits.

# Editorial

## Five emerging consumer trends

Over and above the projected trends for Xmas spending, what structural changes come to light through consumers' statements during this survey?

### 1. Propensity to consume is curbed by anxiety

Several years of a perception of lower purchasing power and the experience of a protracted economic crisis have contributed to creating a pessimistic atmosphere, which is constraining Europeans' propensity to consume. A psychological barrier, but a real barrier nonetheless, which is by far the predominant factor affecting consumer spending, having a much greater effect than consumers' concern to set aside savings as a cushion for difficulties arising from unforeseen circumstances. A resounding majority stated during the course of our survey that once the crisis has blown over, they do not plan to resume their former spending habits. It will be difficult and take a long time to make them forget the experience of the hardship they have experienced and the new spending criteria that they have adopted. One of the challenges that the retail sector needs to overcome will involve boosting consumers' motivation to revert to more liberal consumer spending patterns.

# Editorial

## 2. New consumer trade-off criteria

Consumers wish to purchase less, but they still want to buy better and buy right, particularly given that the amounts spent during the Xmas holiday season are particularly significant. New trade-offs are being made in favour of utility rather than futility; the durable rather than the ephemeral; conscious, well-planned rather than impulse purchases; innovations which genuinely offer something substantially new, etc. Retailers need to be attentive to these trade-offs when they select their product ranges and the messages they communicate. They should also devise responses for specific segments where consumer demand is no longer satisfied by the standardised offers generally offered by the mass retail sector.

## 3. Consumers are exploiting new media resources

The greater transparency and speed at which information circulates via the internet and new media mean that these channels are getting better and better at meeting consumers' concerns to seek out and find the best offers almost instantaneously and above all the best prices. This need to be satisfied is particularly key during the Xmas purchase season, during which consumers are on the lookout for gift ideas. The traditional media are progressively being superseded and deemed to be less credible. Supply and demand are now converging without any viscosity, so that the consumer is able to optimise his/her purchases in an unprecedented manner. Retailers that perform less well are now punished immediately. We think that the consequences of this trend will be significant, both for the retail sector as a whole and for the communication sector.

# Editorial

## 4. National brands are losing ground

Retailers' own brands are increasingly encroaching on national brands for day-to-day purchases. This priority is thus beginning to be expressed by consumers in the run-up to the Xmas holidays. In the past, retailers' own brands were only regarded as a second-best alternative to national brands. The preference of consumers has reversed: an increasing number of consumers now intend to purchase retailers' own-branded products, whereas national brands are becoming a potential solution if they manage to prove that they contribute supplementary added value. Since price is becoming the primary selection criterion, retailers will need to make their best efforts to understand, control and reduce the cost price structures of their own brands. Given their increasing dominant position, retailers' brands will set their reference sale price based on the markets which national brands will need to refer to and adjust to, as is already being observed in Germany.

## 5. Big potential for sustainable development

An increasing number of consumers are convinced that sustainable development needs to move up the ranking of purchase decision criteria. They express this in strong terms throughout the questions asked in this survey. They also want retailers and manufacturers to meet their ethical concerns, for example by refusing to sell products made by children in countries without minimum social protection systems. Having said that, they do not trust retailers, who in their opinion may use sustainable development as a pretext to increase prices. They have not received clear and reliable information on this subject. An important point: assuming more or less equivalent prices, an increasing number of consumers purchase products that meet such criteria.

# Editorial

## Expected responses by retailers

These trends call for appropriate responses on the part of retailers who are themselves experiencing their own structural difficulties.

Indeed, retail formats are growing at a significantly faster pace than demand. Business formats are diversifying, sales-floor areas are growing and the Internet has become a sales format in its own right, representing a significant proportion of the market as a whole. In all, supply has increased considerably, fragmenting and diversifying in the process. However, demand has failed to keep pace, which means that the retail sector is suffering from a dilution in its sales, leading to a structural drop in sales per square metre and thus in the economic performance among the numerous market participants.

In the environment of this negative-sum game, the consumer has become king. He/she may therefore raise his/her requirements even higher.

Competition between store formats is intense and in the midst of this stand-off, hypermarkets have competitive advantages that meet the needs expressed through our Xmas survey of consumers. Indeed, the majority of year-end holiday shoppers in Romania expect a wide range of products to be offered in one place at attractive prices. Hypermarkets still need to precisely meet expectations during this period and beyond, to refocus on the attributes that lie at the heart of their success and to integrate others that some of their competitors have already taken on board.

# Editorial

## 1. Gaining a competitive edge on price

It comes as no surprise that, as has been the case during the rest of the year, the price criterion associated with quality is far from being the primary decision factor when it comes to Xmas shopping purchases.

Since their inception, hypermarkets in Romania have captured a dominant market share thanks to their capacity to maintain a price edge over their competitors. The price advantage which they have benefited from can be put down to their cost structures, which are lower than their original direct competitors. This competitive edge was blunted by the arrival of hard discount competitors whose strategy involved minimising costs through an industrial approach to logistics and procurement and fixing prices as the lowest point possible.

In this context the reference sale price on the market is no longer the sale price for national brands but that of retailers' own brands based on the reference cost price. This is the industrial rationale which has up until now eluded hypermarkets, which have left too much free rein to their hard discount competitors, towards some products categories.

The challenge for hypermarkets therefore involves reconfiguring their cost structures to establish a stronger position given that they also have a scale advantage that is denied to hard discounters by the very nature of their business structure.

# Editorial

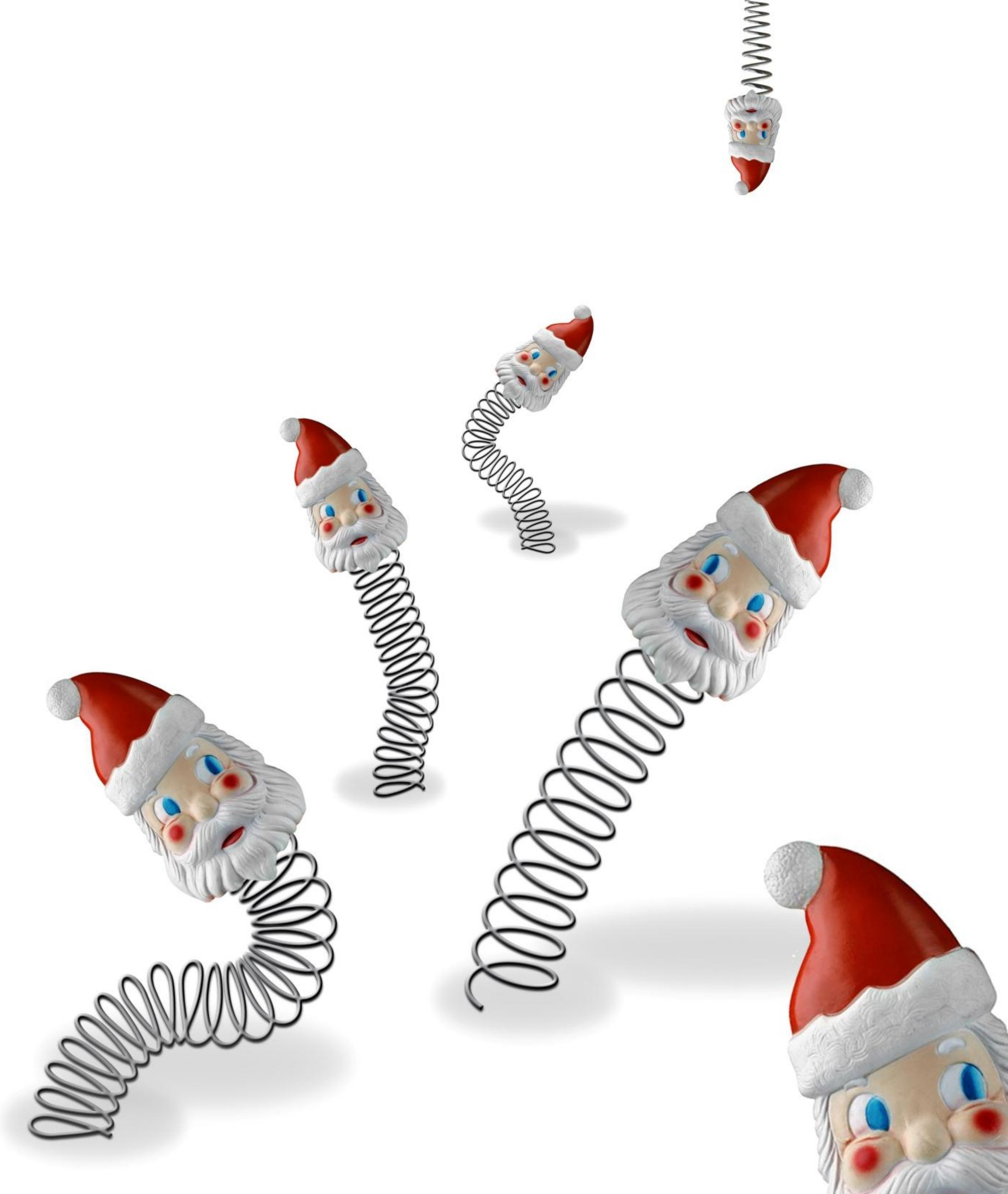
## 2. Going beyond the traditional retail distribution model to tell customers what's best for them

A wide selection of products is the 2nd criterion cited by consumers deciding to shop at one store rather than another.

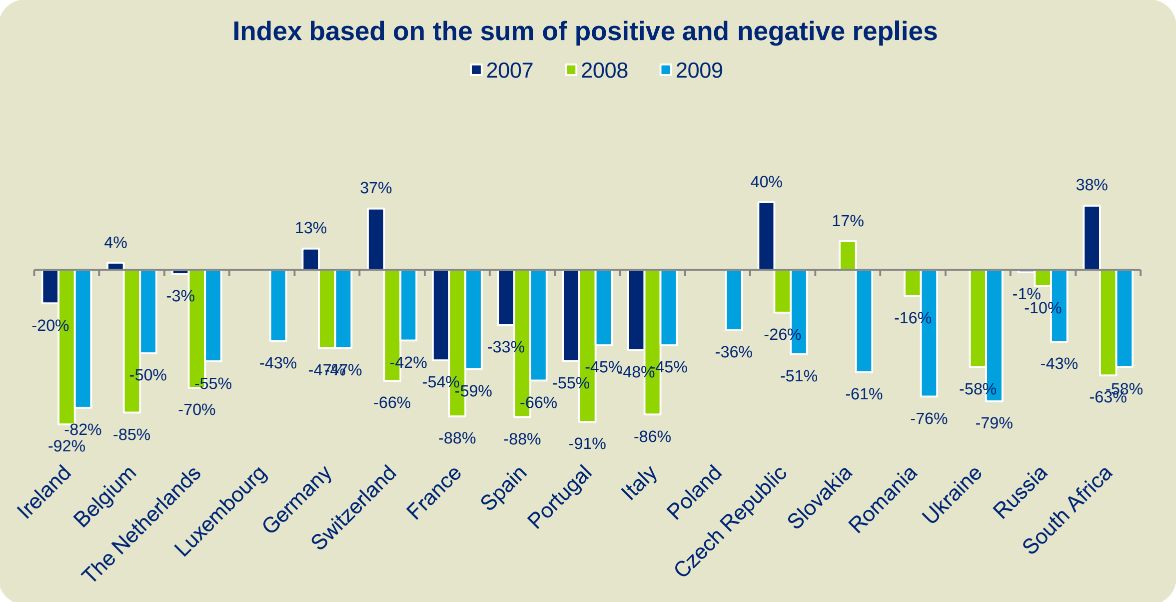
However, for the Xmas holiday period, consumers tend to get confused when they have to make their choices among too many different products on offer. They expect to be given advice by retailers and also expect that the assortments reflect the efforts made by the retailer to make the most appropriate product selection.

Hypermarkets' other traditional development lever was their commitment to be a one-stop-shop. More recently, specialist competitors have been able to respond better than hypermarkets to consumers' expectations for many categories of non-food/drink products. Specialists' key strength resides in their ability to offer a targeted selection of products meeting a specific demand. Being a specialist therefore means being able to make trade-off decisions and prescribe what is best for customers based on their needs.

# Inside the consumer mindset



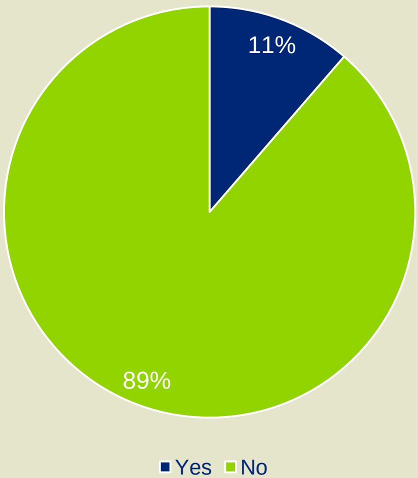
# What do you think of the current state of the economy?

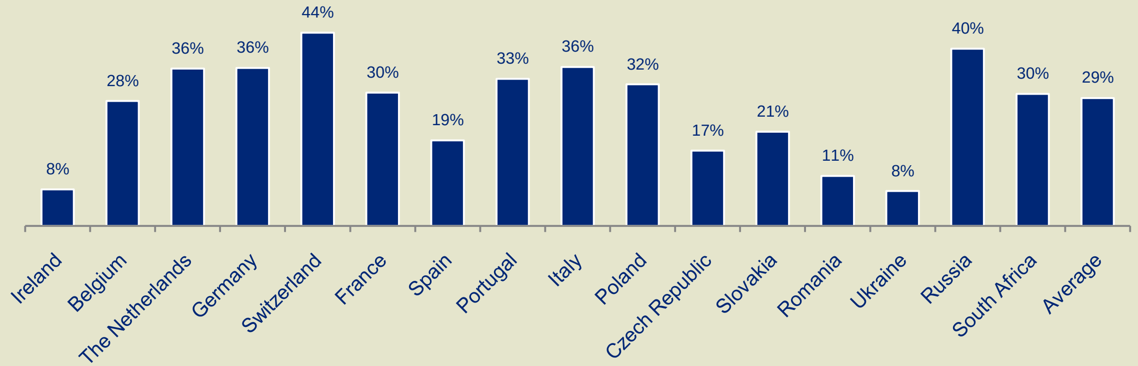

- **Pessimism is waning in Western Europe, with a growing awareness of the crisis in Eastern Europe, especially in Romania**
  - Although Eastern Europeans had seemed more optimistic in 2008 compared to respondents in the West, the situation appears to have reversed itself in 2009. The former have clearly grown more pessimistic, with Ukraine in the lead;
  - Western European countries such as Belgium, the Netherlands, Switzerland, Italy and France have seen a decline in the pessimistic perspective that prevailed at the time of our 2008 survey;
  - Ireland stands as the only exception to this trend reversal in Western Europe. Its consumers remain very pessimistic, as the crisis has delivered a severe blow to this country's economy. Although Ireland's tax advantages had prompted many firms to set up operations in the country, it has now seen a drop in domestic demand generated by a widespread slowdown in business activity.

# Do you think the government has properly reacted to the crisis and has taken appropriate measures in time?

## Romania



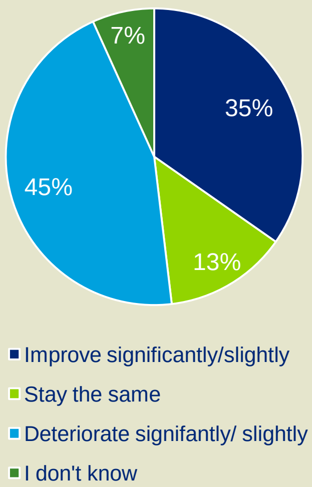

## Yes, the government has properly reacted

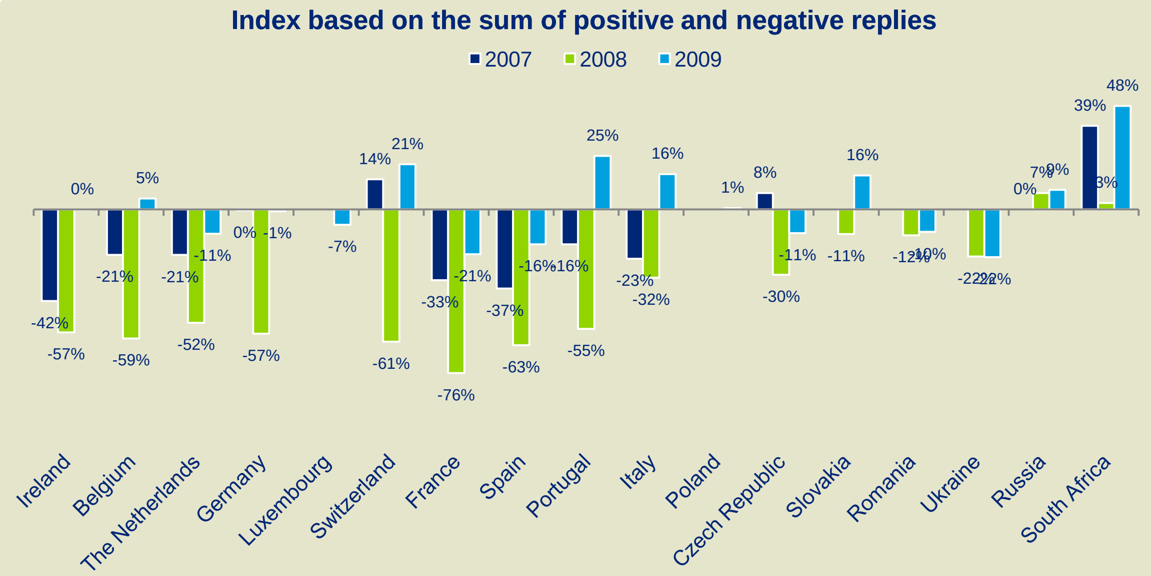



- **It is no easy matter for governments to find favour with consumers in times of crisis: no government in Europe now reaches the 50% mark**
  - In Western Europe, about 1 in 3 respondents are satisfied with the performance of their governments. Ireland and Spain, both severely impacted by the crisis in 2009, stand apart from the pack, expressing a nearly complete lack of confidence in their leaders. Switzerland, the country in the best position despite the crisis, garners the highest satisfaction rate. Satisfaction in France is on a par with the European average;
  - In the countries of Eastern Europe where the crisis is gaining ground, respondents are the most sceptical with regard to measures implemented by their governments. Russia proves an exception to this tendency (although it is worth noting that the population surveyed was concentrated in the country's large cities);
  - 89% of Romanians consider as lousy the government reaction against the financial crisis. The Romanian's government was in coalition (Liberals and Democrats) until 2009. Also, Romania is mentioned in the Transparency International 2009 report as one of the most affected countries by corruption in parliament/legislature systems, what accounts for a worst confidence in decisions made by the politicians.
  - Despite their efforts, governments are still having difficulty communicating well about the measures taken to stem the crisis, which are poorly received more often than not;
  - In the United Kingdom, where the government has decided to reduce VAT by 2.5%, only 5% of consumers state that they have decided to purchase more to make the most of this decrease;

# Compared to 2009, do you think the economy in 2010 will…

## Romania

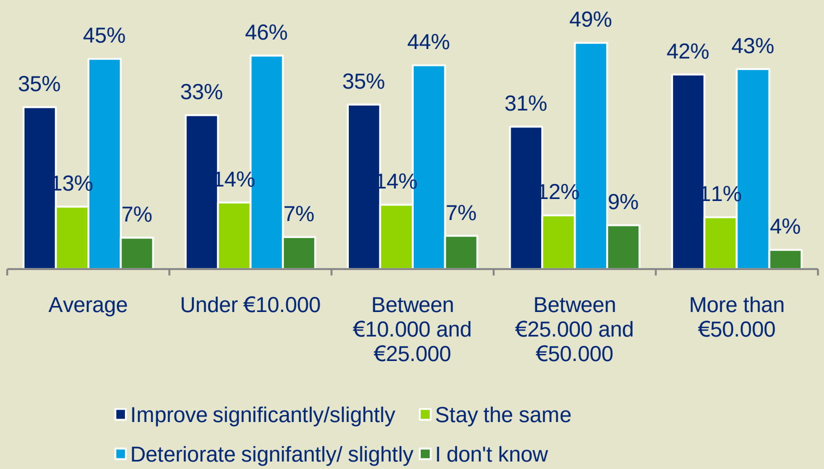


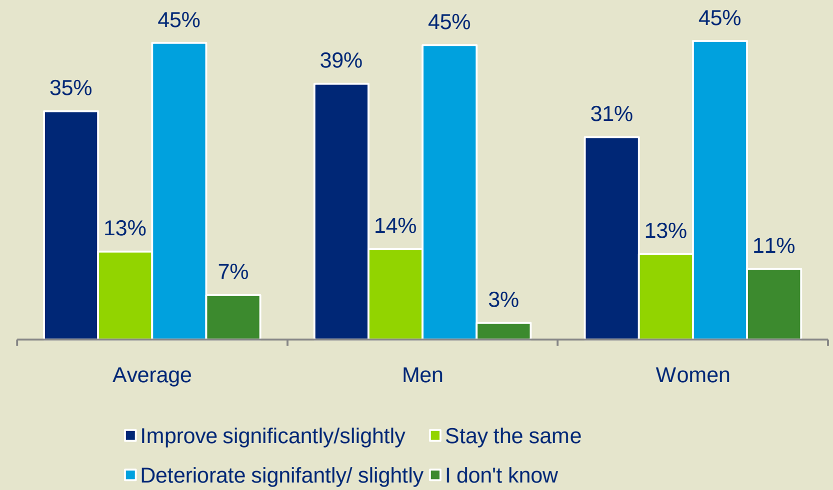

- **Across Europe, consumers are recovering optimism for 2010, more slowly in Romania**
  - We are seeing a trend reversal reflected in a decrease in the number of consumers having a negative view of economic growth;
  - Such a return to optimism in relation to economic prospects for the coming year has not been seen in more than 3 years;
  - In Western Europe, the net balance of replies is even positive in Switzerland, Portugal and Italy;
  - Eastern Europe is less positive, with the exception of Slovakia, where a positive trend reversal is seen, and Russia, where optimism continues to gain ground. Romanians are slowly recovering optimism.

# Compared to 2009, do you think the economy in 2010 will…

## Romania



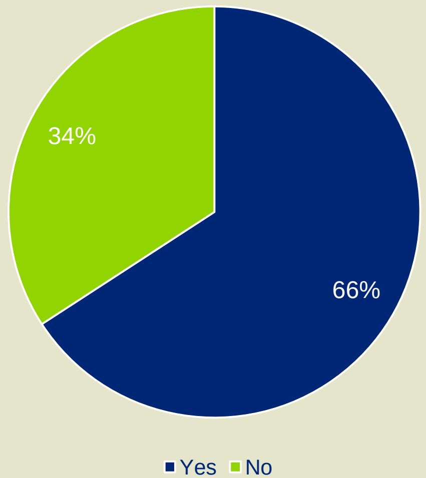

## Romania



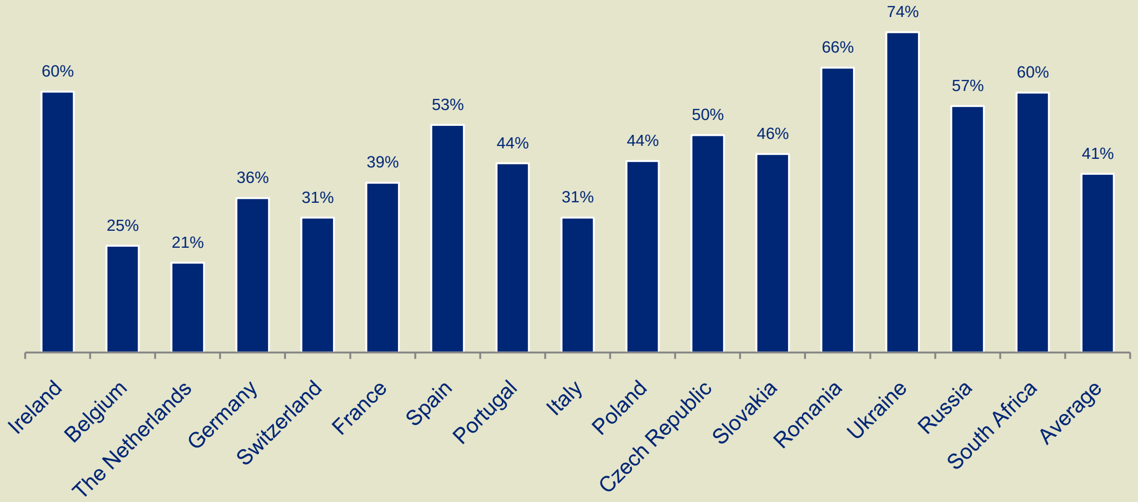

- **Greater optimism expressed by more affluent and men respondents**
  - More affluent respondents are more confident that 2010 will see economic growth and are one-quarter as likely to express this belief than lower-income respondents;
  - Women are the most skeptical about economic growth in 2010. They are one-quarter as likely as men respondents to say that the economy will worsen.

# Does the economic downturn (lay-off, factories closing down) has an impact on your personal financial situation?

## Romania

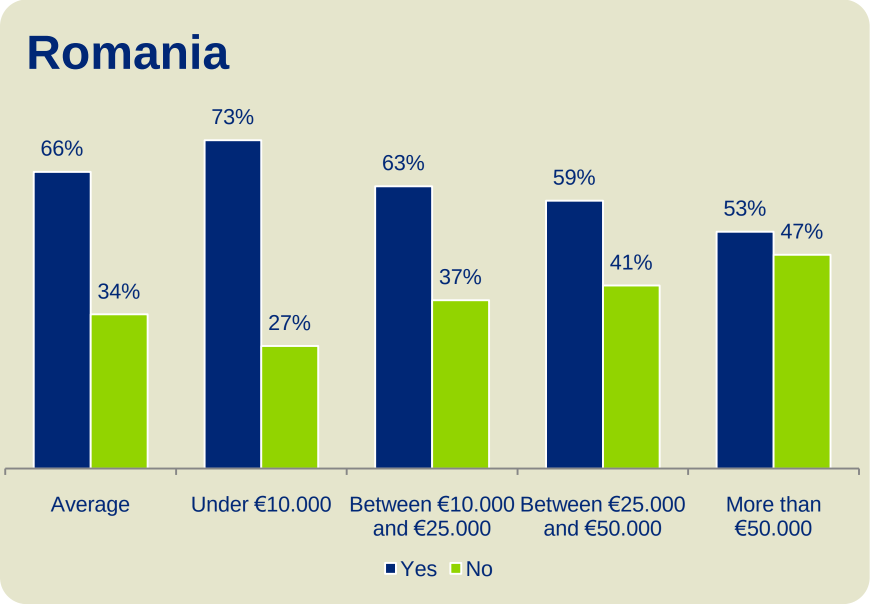


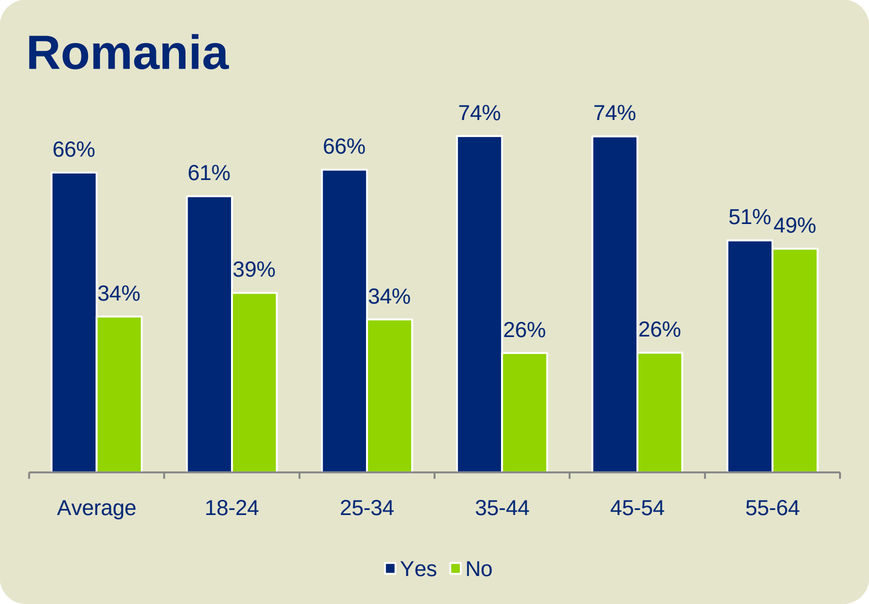

## Yes, it has an impact




- **A large majority of European consumers are not personally affected by the economic crisis**
  - In Western Europe, we observe a real difference between the crisis respondents read about and the effect of the crisis on their daily lives. On the whole, the crisis has only a limited direct impact on consumers. The psychological aspect of the crisis seems to prevail over the reality of household finances;
  - However, Ireland and Spain break rank here, since a majority of respondents in these countries say they are personally affected by the crisis. It is important to recall that economic euphoria reigned in Spain and Ireland in the years leading up to the crisis. The downturn is understandably more pronounced and more deeply felt in these countries;
  - The crisis took hold only this year with consumers in Eastern European countries, as they had been out of step with their counterparts in the West. 66% (against 50% last year) of Romanians consider that the crisis will have a direct impact on their personal financial situation.

# Does the economic downturn (lay-off, factories closing down) has an impact on your personal financial situation?

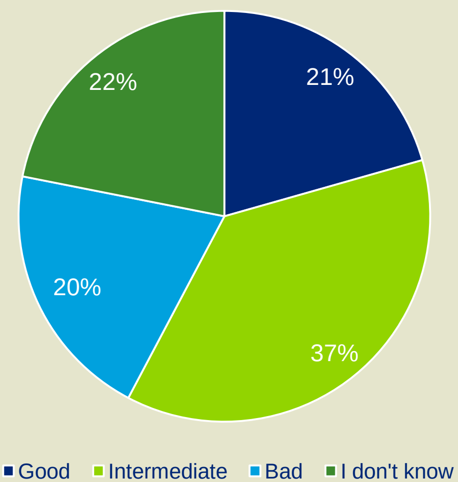


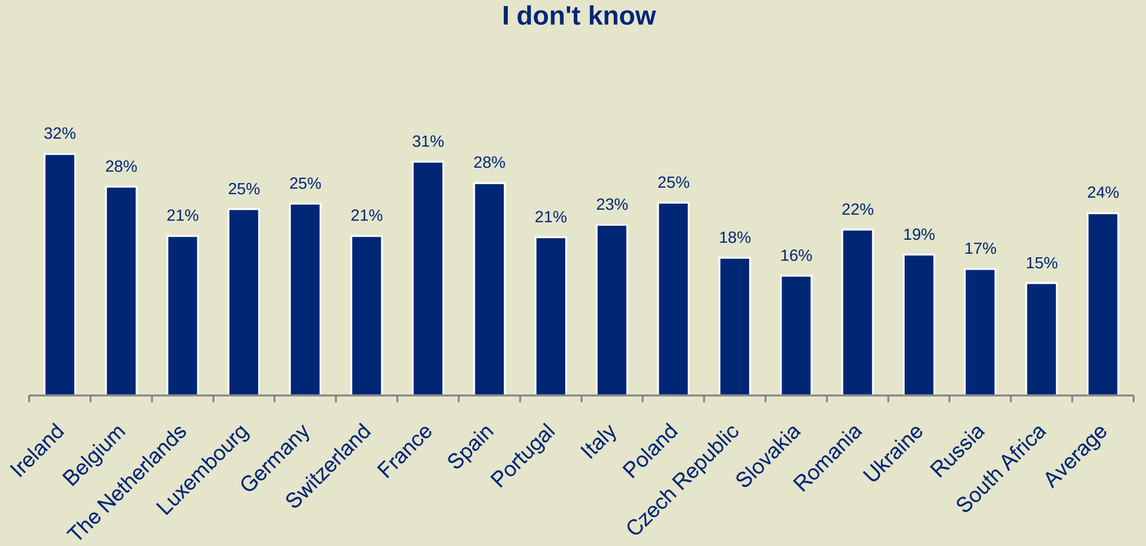




- **In Romania, the eldest and youngest age group and the highest income bracket are the best protected**
  - This survey reveals crisis affect much more the lowest social class than the wealthiest one. Indeed, 53% of the wealthiest people (against 73% of the lowest) consider the financial crisis will have an impact on their personal situation. Again, the richer they are, the more confident on their personal situation in view of the crisis they are;
  - For the youngest Romanians (aged 18-24), who still live with their parents, we understand that the crisis won't really impact their personal life. With more professional experience and overall a more stable financial situation, 49% of the oldest employees are more able to overcome difficulties due to the crisis.

# How would you describe the financial situation of the company you are working in?

## Romania

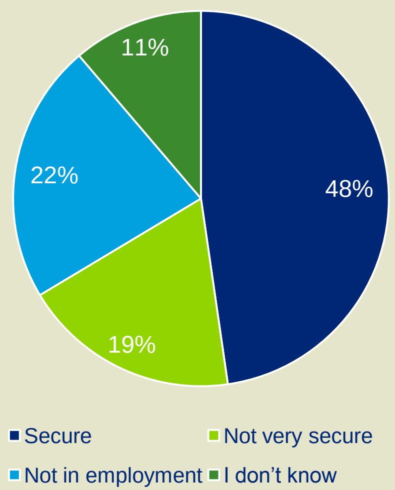


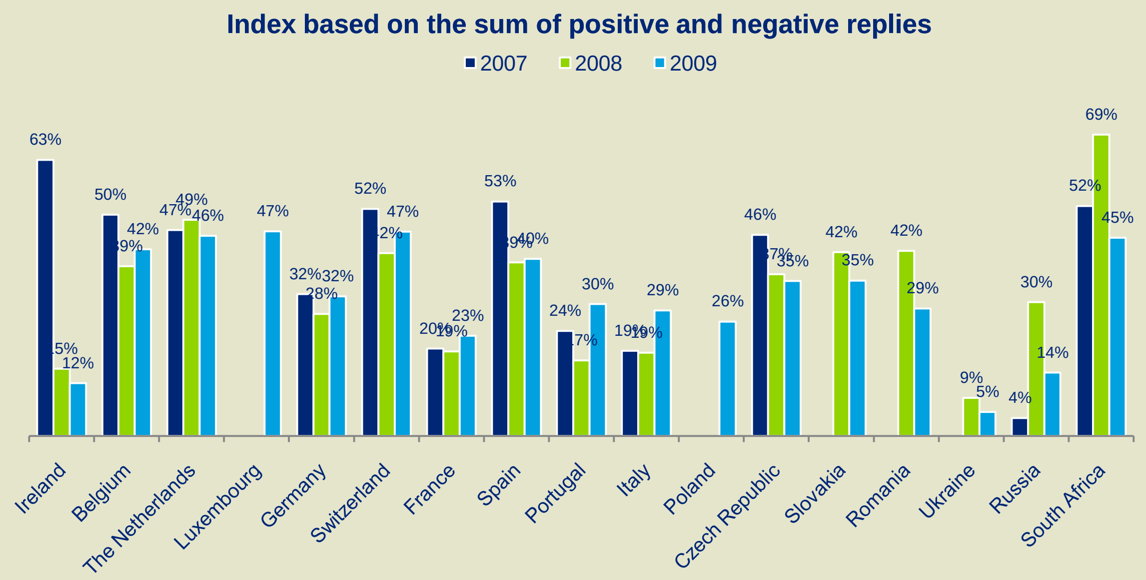




- **Nearly 1 in 4 Romanians and Europeans have little interest in the economic health of the company they are working in**
  - The large number of respondents unable to express an opinion on the financial situation of the company where they work is quite revealing;
  - Ireland, Spain, Belgium and France are the countries in Europe where consumers share this apparent disinterest as employees to the greatest extent;
  - Companies are therefore having trouble helping at least a portion of their employees understand the difficulties they may experience, especially in times of crisis.

# How secure do you consider your employment to be in 2010?

## Romania

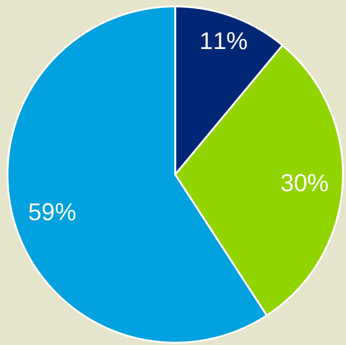


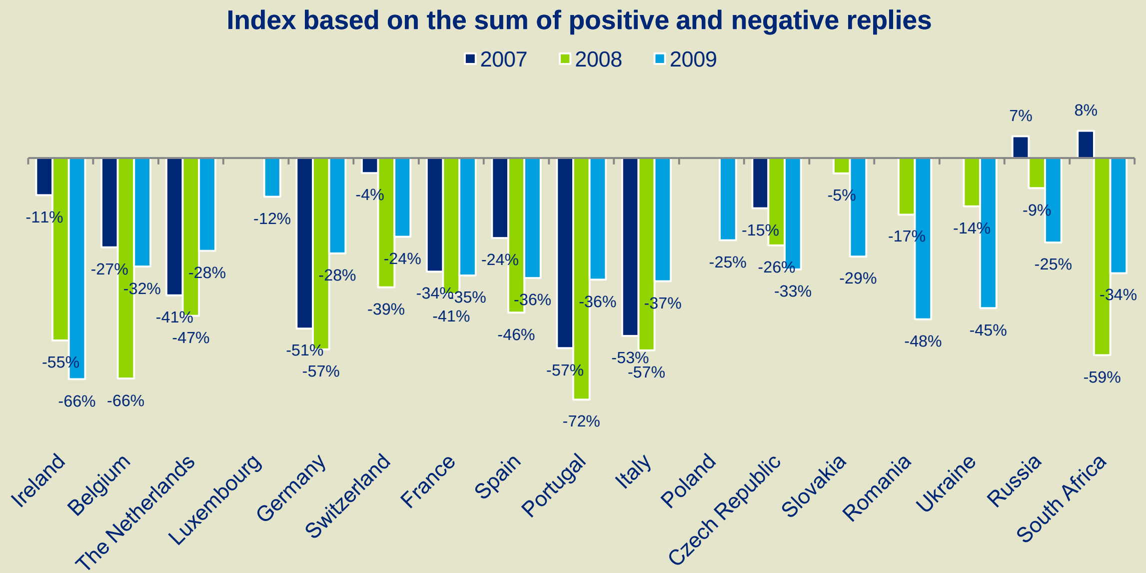




- **Romanians and Europeans are relatively confident with respect to job security, despite the predictions of most economists**
  - A return to optimism is seen across Western Europe and is slightly more evident in Portugal, Italy and France;
  - Belgium, Germany and Switzerland are more confident than last year, though without recovering the level of confidence attained in 2007;
  - Irish confidence continues to decline;
  - In Romania, 62% of the respondents were secure about their job in 2009, this year they are only 48% (-23%). Like last year, 19% of Romanians are not very secure.

# How would you describe your spending power today versus the same time last year?

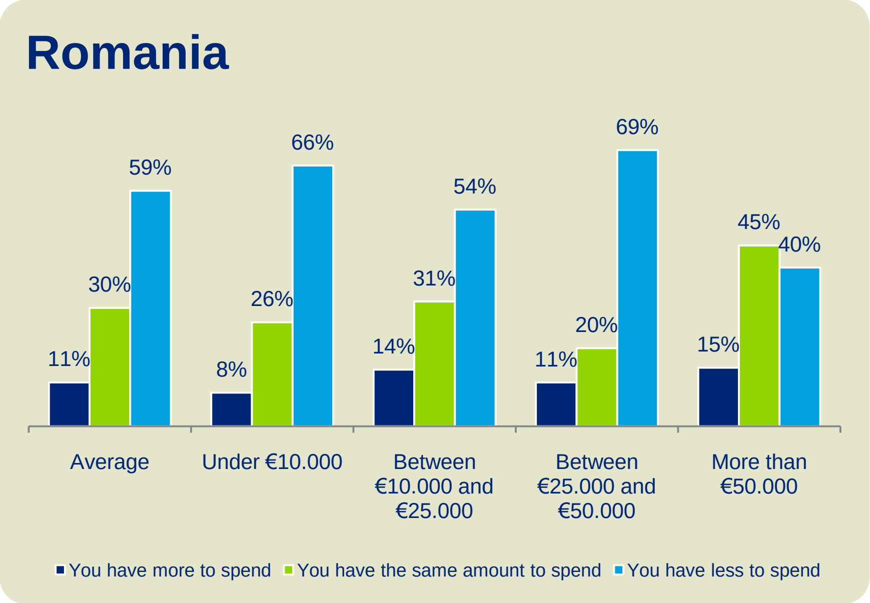
## Romania

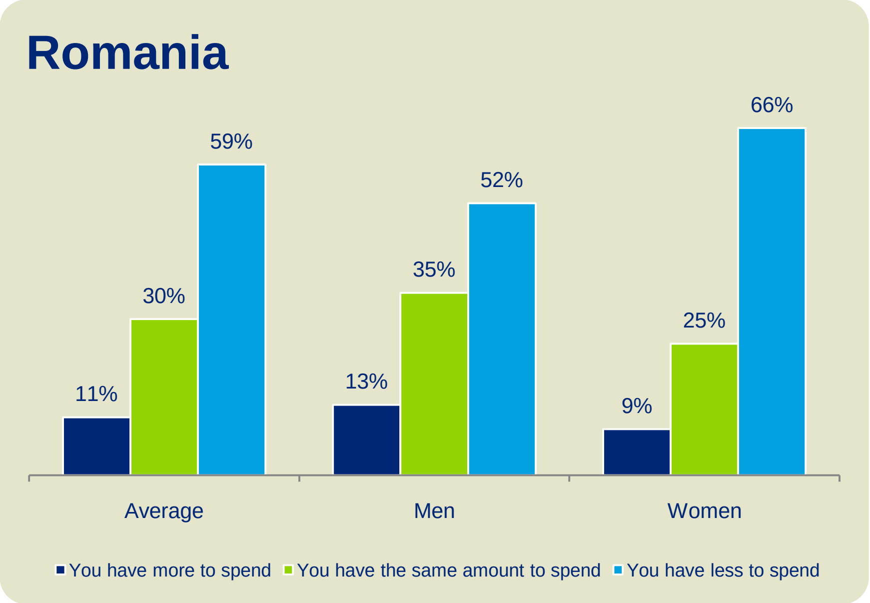



- **Perception of a decline in spending power recedes in Western Europe and gains ground in Eastern Europe, especially Romania**
  - Consumers who feel that their spending power has weakened remain in the majority, but the index based on the sum of positive and negative responses has improved in Western Europe. On the other hand, it worsened in Eastern Europe, where the crisis has begun affecting consumption more recently;
  - Ireland is again the exception to this trend, since consumers in this country are suffering the combined impact of inflation, rising unemployment and interest rates, and poor stock market performance;
  - Bear in mind that most consumers say they have the same amount to spend as last year, which already represented a meagre level at the time.

# How would you describe your spending power today versus the same time last year?

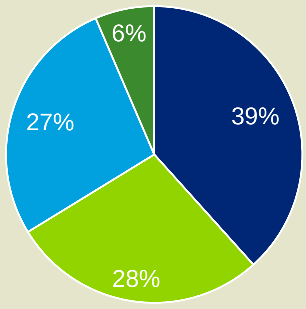


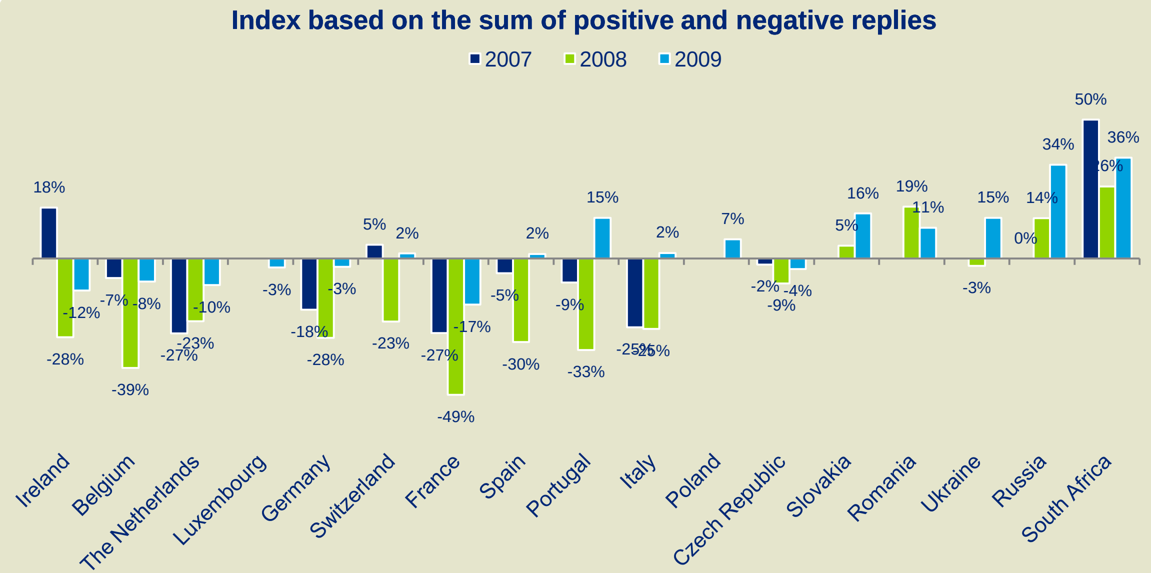




- **Higher-income individuals feel the drop in spending power less acutely**
  - The majority of respondents with higher incomes report that their spending power is stable, contrasting with less affluent segments, a majority of whom feel that their spending power has fallen;
  - Women respondents are more likely than men ones to say that their spending power has decreased.

# On the same theme do you think that the financial position of your household will improve, remain the same or deteriorate over the next 12 months?

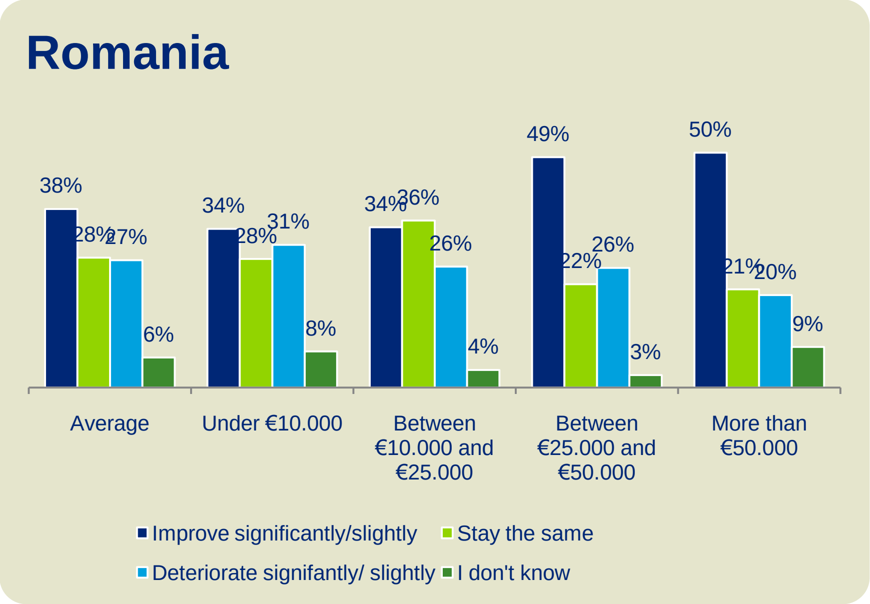
## Romania

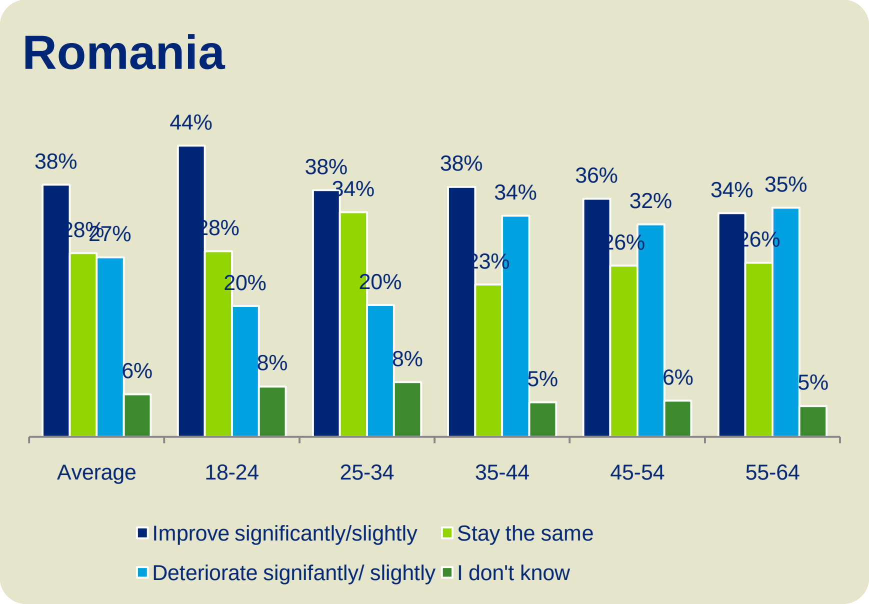



- **Signs of improvements are finally palpable across Europe, following the deep pessimism overshadowing the close of 2008**
  - We observe the same perception of ongoing improvement with the most positive balance of replies in the last 3 years;
  - Only 24% of Europeans feel their financial position will deteriorate, whereas 42% of them expressed this view last year.

# On the same theme do you think that the financial position of your household will improve, remain the same or deteriorate over the next 12 months?



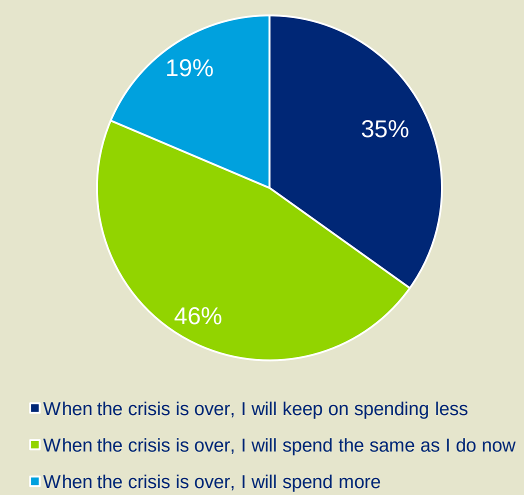




- **Differing perceptions depending on the population segment**
  - Fifty percent of the most affluent respondents feel that their financial position will improve;
  - It is no surprise that younger respondents are more likely to consider that their financial position will improve than their elders.

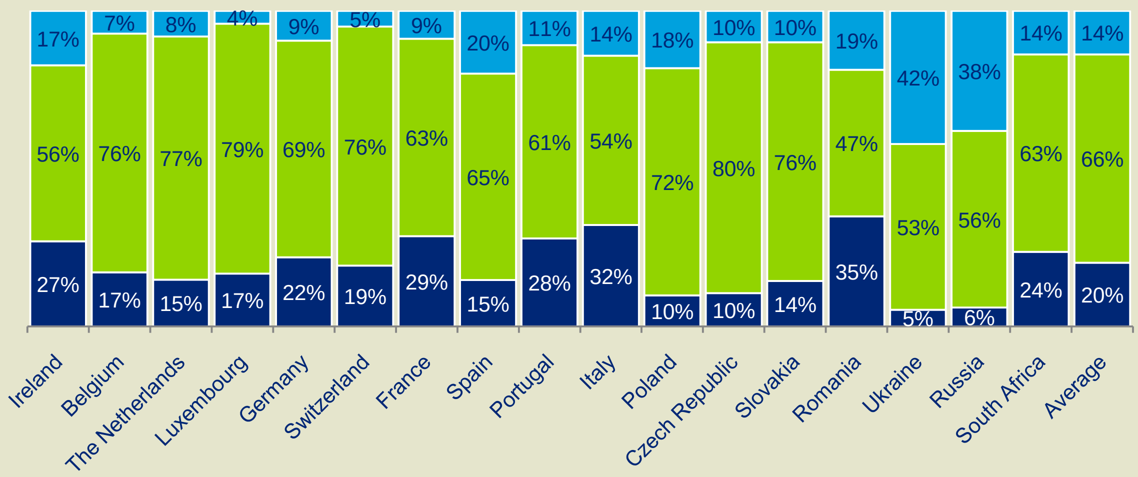
# How shoppers make decisions?

# When the crisis is over, what would best describe your purchasing behaviour?

## Romania




## Europe




- **The crisis has been sufficiently lengthy and far-reaching to bring about structural changes**
  - After exiting the crisis, two-thirds of Europeans and almost 50% of Romanians consider that they will maintain their current level of spending. Whereas 20% of Europeans and 35% of Romanians anticipate spending even less than they do now once the crisis is over, only 14% of Europeans and 19% of Romanians plan to spend more;
  - Italian, Portuguese, French, and Irish consumers are more likely to spend even less in the future than other Europeans;
  - These structural changes are found throughout Europe with the exception of Russia and Ukraine, countries where consumers are avid spenders, eager to close the gap with their Western counterparts.

# Regarding shopping, what would best characterize your purchasing behaviour?

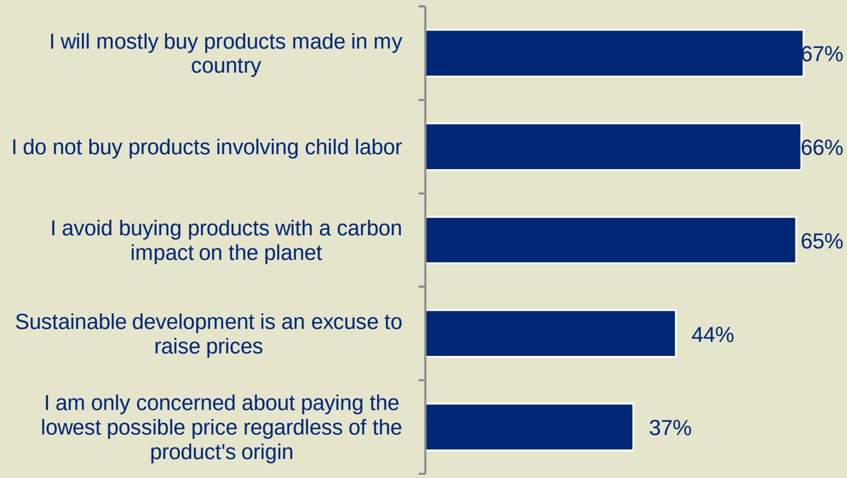
## Romania


## Europe

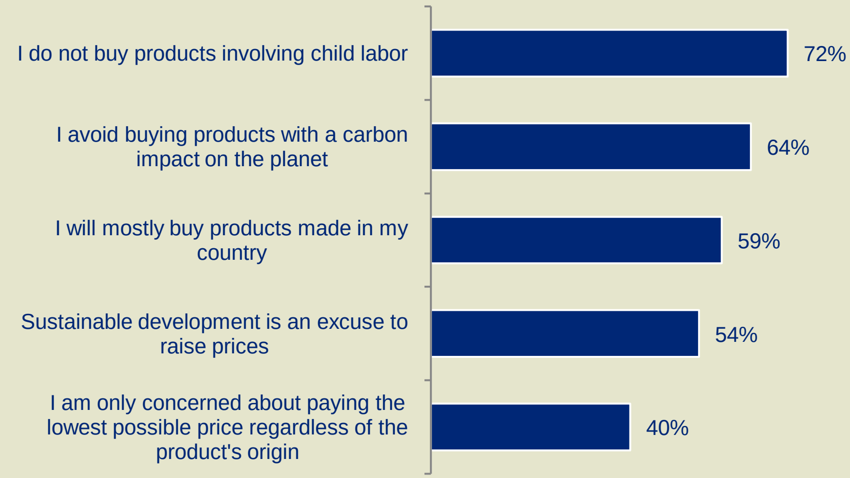

- **After 2 years of crisis, focusing on useful gifts and resisting impulsive spending are the most popular purchasing strategies among European and Romanian consumers**
  - For their Xmas shopping, all types of consumers are moving away from impulsive purchases and are placing more emphasis on useful gifts;
  - Unsurprisingly, low prices and items on sale are key factors and brands continue to lose ground to discount and retailers’ products;
  - The most successful retailers will be those who bring to the fore the useful aspects of their products and include low-priced gifts among those on offer.

# For the following propositions, please indicate to what extent you agree with them

## Romania



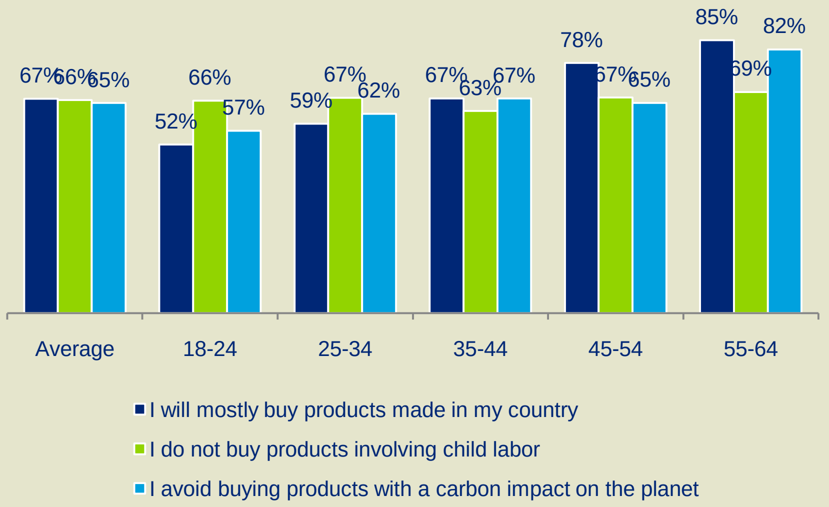

## Europe



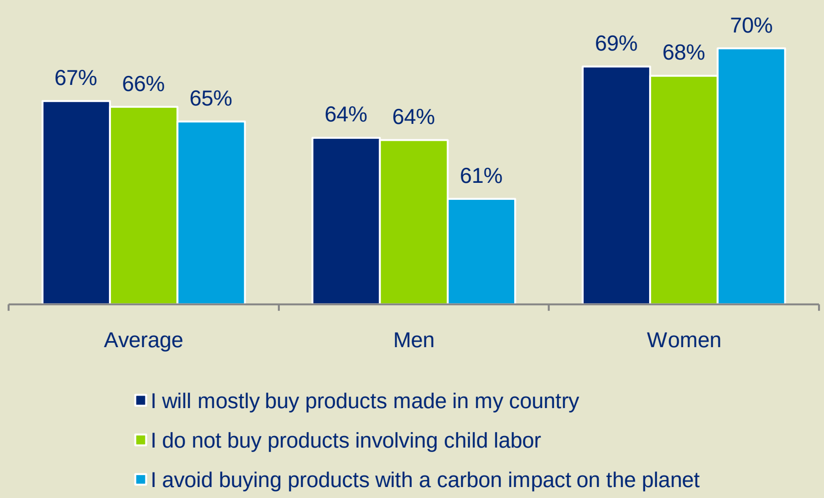

- **In Romania, patriotism is dominating. Romanians are also deeply concerned with environmental and fair trade issues**
  - 2/3 of the Romanians prefer home made products. This trend is becoming keener as they get older;
  - Three-quarters of Europeans and two-thirds of Romanians are opposed to buying products manufactured using child labour while two-thirds of Europeans and Romanians are aware of the carbon impact of imported goods and prefer to buy those produced domestically;
  - However, 40% of Europeans and 37% of Romanians declare that they favour price over any other concerns. It is our opinion that, in practice, consumers are certainly far more likely than they would admit to seek the lowest price, without giving attention to fair trade or environmental issues;
  - Moreover, consumers tend to believe that retailers use sustainable development and ethical concerns as excuses to raise prices;
  - Retailers need to build their credibility in this regard since this is clearly an area offering real growth potential: for an equivalent price, consumers will choose fair trade products and those that protect the environment. Retailers therefore have every interest in improving their communication with shoppers, for example by explicitly informing them about the procedures used to verify compliance by the products they sell.

# For the following propositions, please indicate to what extent you agree with them

## Romania




## Romania

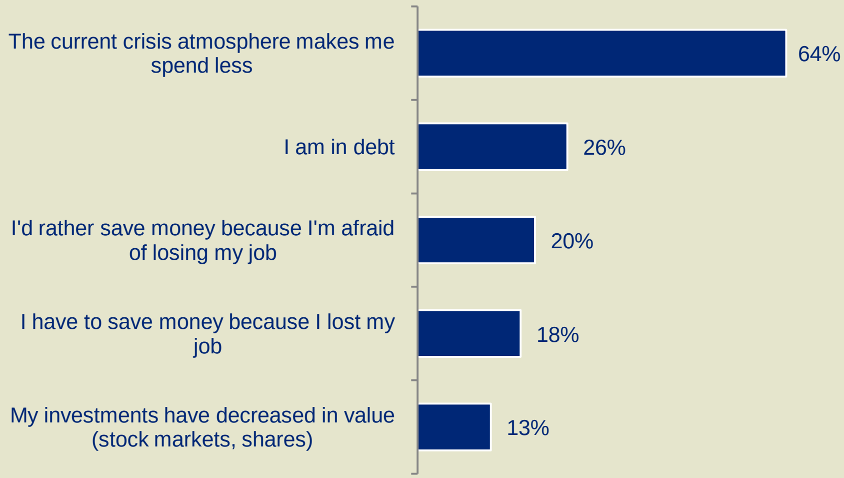



- **Different population segments react to varying degrees depending on which issue related to fair trade or the environment is raised**
  - Older and women consumers attach more importance to the environmental and ethic issues;
  - Younger and men seem less involved.

# What would be the reasons driving your decision to spend less during year-end festivities?

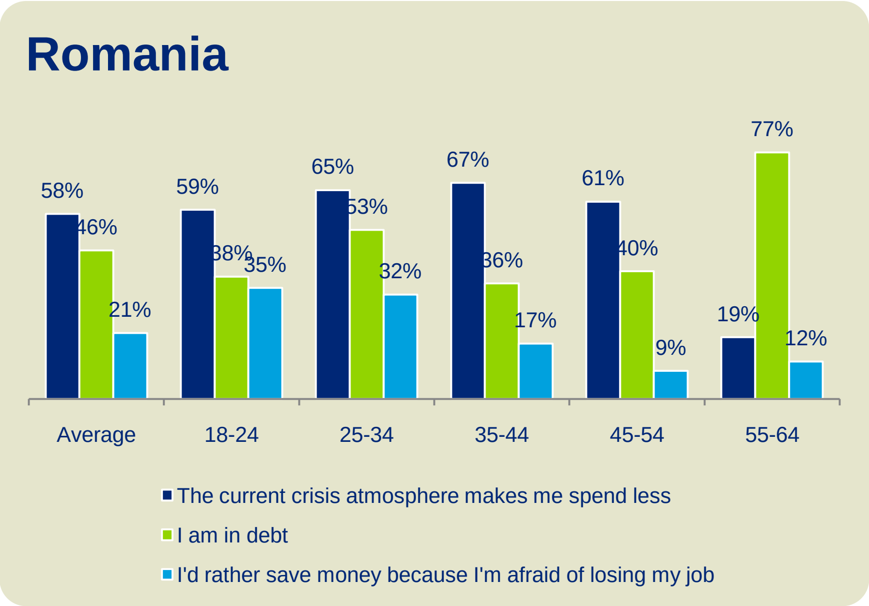
## Romania

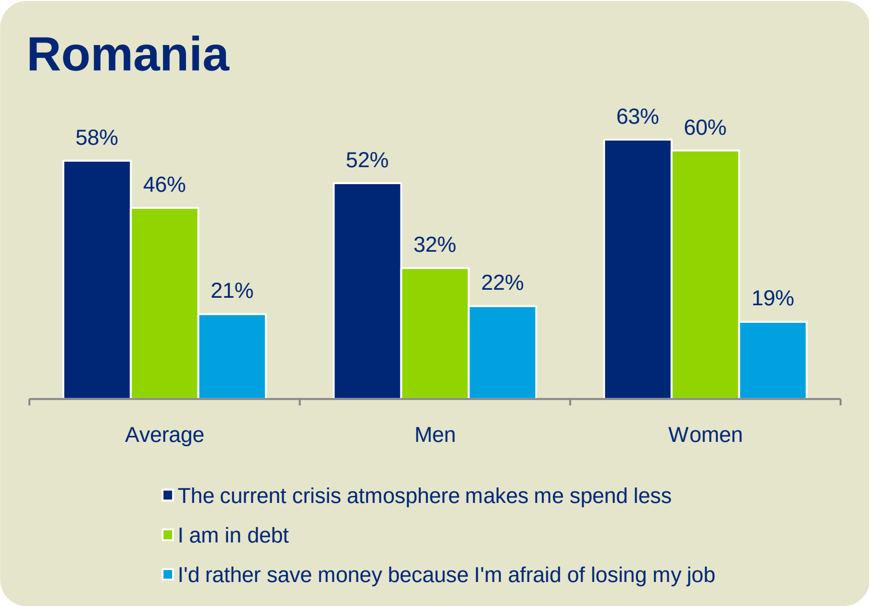

## Europe




- **The European and Romanian inclination to spend is held in check by the crisis**
  - Two-thirds of Europeans and 58% of Romanians plan to limit their holiday spending due to the current crisis atmosphere;
  - This is an ostensibly finding insofar as consumers also indicate that 79% of them do not fear losing their job and more than half of them are not in debt;
  - Consequently, the leading cause of lower consumption is above all that morale in Europe and in Romania has reached a low point;
  - This is an important finding to take into account in the context of advertising messages conveyed by manufacturers and retailers: offering reasons for optimism and reassuring consumers as to the reasonableness of their purchases by promoting usefulness and low prices.

# What would be the reasons driving your decision to spend less during year-end festivities?




- **Objective versus subjective reasons**
  - Romania is one of the European countries where the gearing is the most significant. The rate of people in debt is twice more important than in Europe;
  - Older and women individuals offer completely objective reasons for spending less (debt);
  - Conversely, the youngest respondents refer to psychological motivations for spending less (morose atmosphere of the crisis).

# What would be the reasons driving your decision to spend more during year-end festivities?

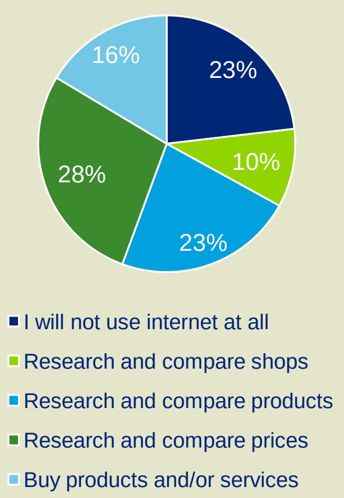
## Romania


## Europe

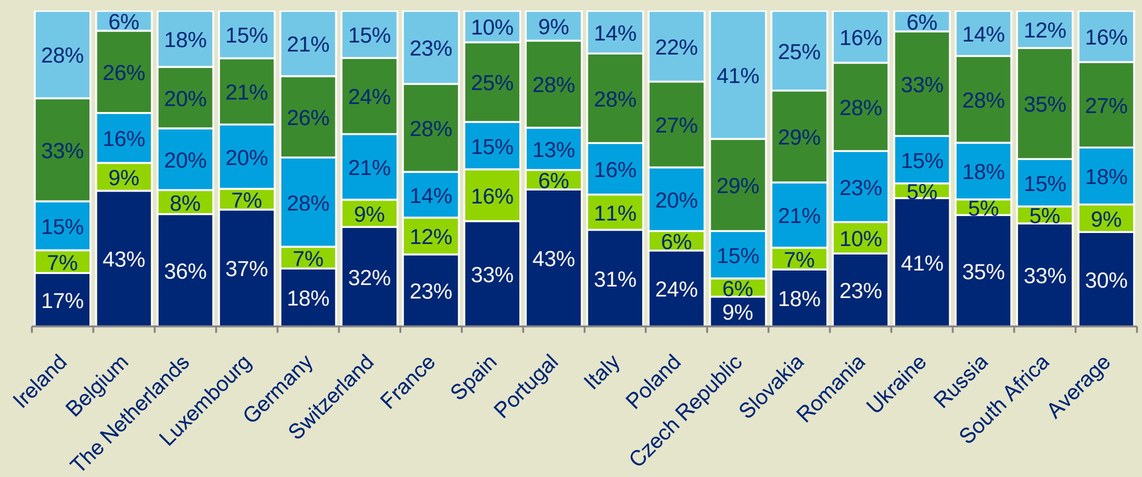

- **Ignoring the crisis to spend more**
  - This is a general trend across Europe. Consumers seek to avoid thinking about the crisis by spending more;
  - Europeans and Romanians who appreciate the finer things in life and have had an increase in their disposable income are those who will spend more for year-end festivities;
  - Flagging consumption cannot be attributed to a lack of innovation. In fact, consumers are not in the market for more innovation in order to spend more but desire above all to forget about their worries.

# In what manner do you think you will use the Internet to do your year-end shopping?

## Romania



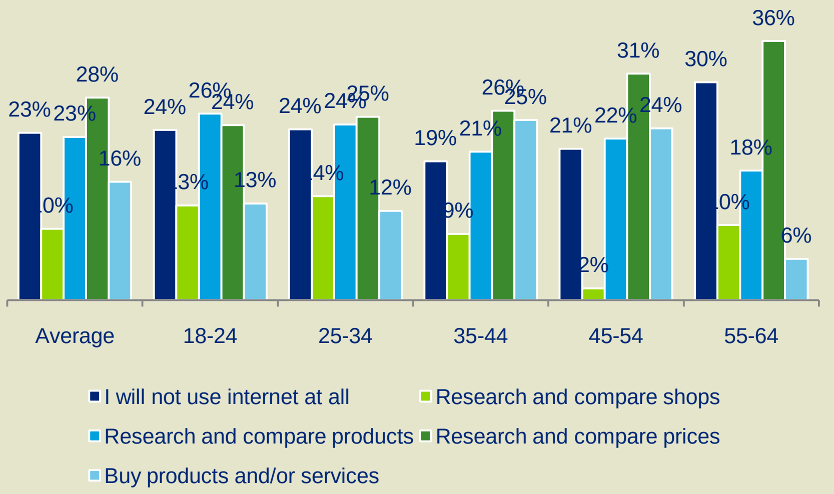

## Europe



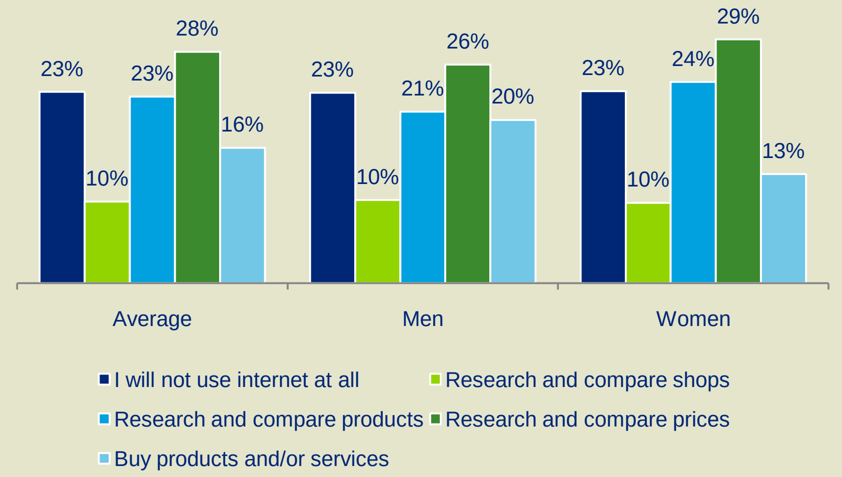

- **The Internet is mainly used to research and compare**
  - Romanians follow the global trend, Europeans use the Internet a great deal;
  - For half of Europeans and 2/3 of Romanians, the Internet helps consumers find products to buy, select places to shop and compare prices efficiently. With the Web, supply and demand intersect more easily;
  - Price, a key motivator for the purchase decision, has become transparent thanks to the Internet;
  - Social networking, a growing phenomenon, provides consumers with other information, such as good or bad feedback on purchases from other users.

# In what manner do you think you will use the Internet to do your year-end shopping?

## Romania



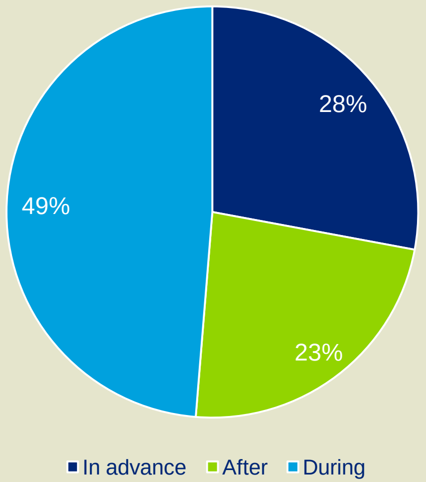

## Romania



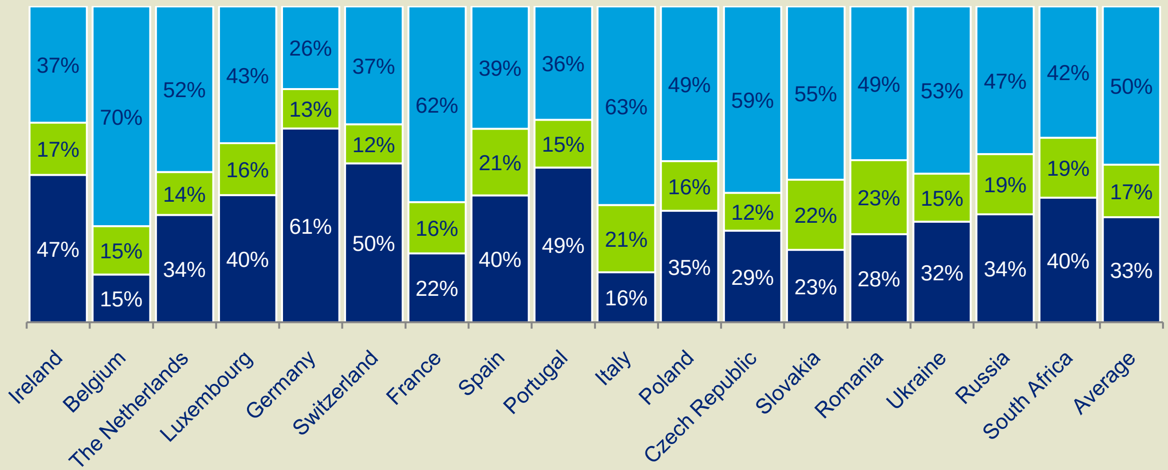

- **Purchase or compare?**
  - The oldest mainly use Internet in order to research and compare prices;
  - The men and the individuals aged 35-54 will more use the internet for purchases;
  - Conversely, women and older consumers use it to do research and compare prices.

# What is the percentage of your year-end gifts which were purchased in advance during the 2009 sales and promotions periods, or will be purchased during the 2009 After-Christmas sales?

## Romania



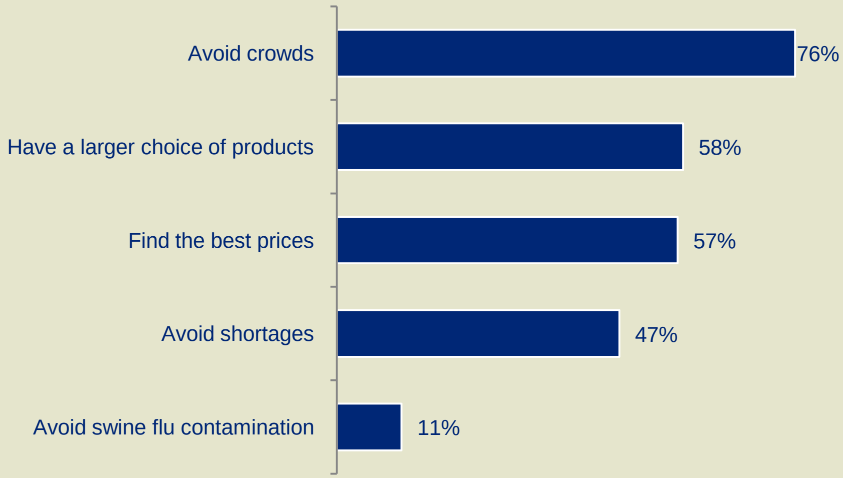

## Europe




- **In Europe and in Romania, half of all gifts are purchased in advance or after Xmas**
  - This statistic varies significantly from one country to another in Europe: 70% of purchases by Belgians are made during the Xmas period, whereas 61% of purchases by Germans, who show the most foresight, and 50% by the Swiss, are made well in advance of the holiday season;
  - On the other hand, Italians, Romanians and Slovaks make the most purchases after Xmas to benefit from the best prices.

# Will you buy your year-end gifts in advance in order to

## Romania

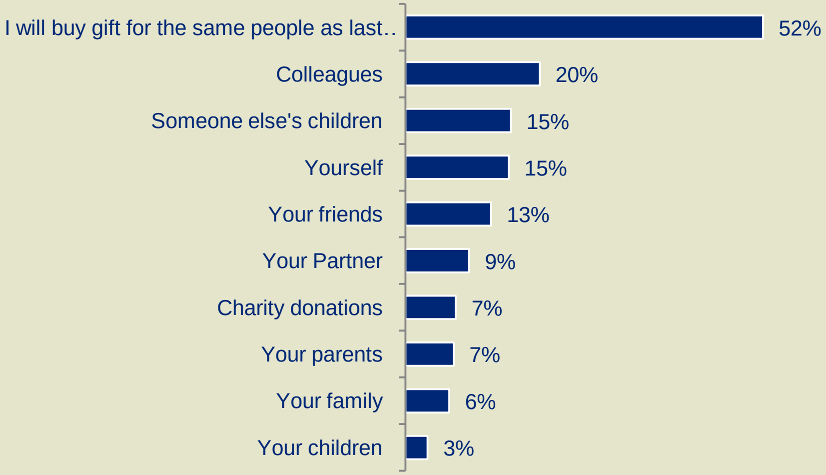



## Europe

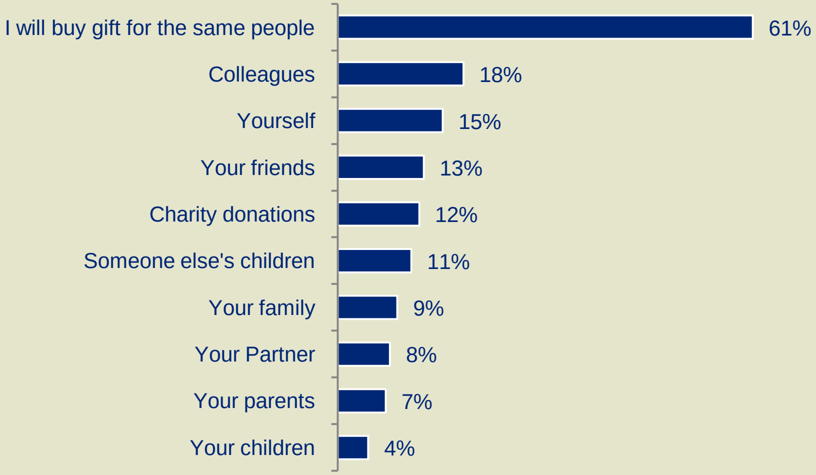

- **Benefiting from the best prices, avoiding crowds and a wide selection of products remain the main motivations of those Romanians who purchase their Xmas gifts in advance**
  - As opposed to the other countries surveyed, Ireland, France, Spain and Italy give predominance to prices;
  - The wealthier Romanians consumers are, the greater their desire to get away from the crowd, rather than follow a purely financial rationale;
  - In Romania as in Europe, women seem to be more sensitive to prices than men;
  - Swine flu is proving to be a false alarm in terms of consumers' purchasing behaviour, which is unaffected.

# For whom will you not buy any gifts this year, although you did last year?

## Romania




## Europe

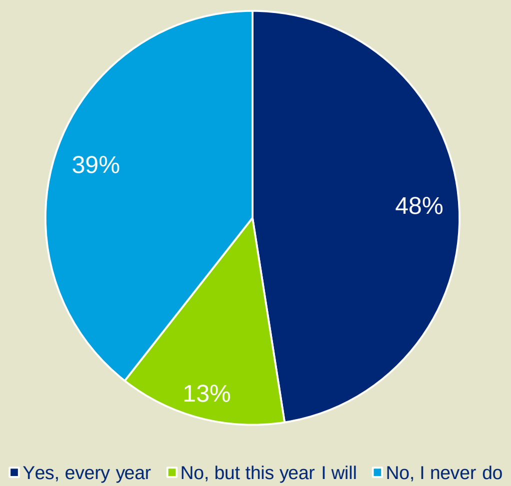



- **The family unit is still preserved and donations done for charities in spite of this crisis period**
  - In Romania, charity donations are not suffering from the crisis. Only 7% of Romanians are eager to sacrifice their selves to give to charities;
  - Romanians tend to sacrifice someone else's children gifts so that please their children.

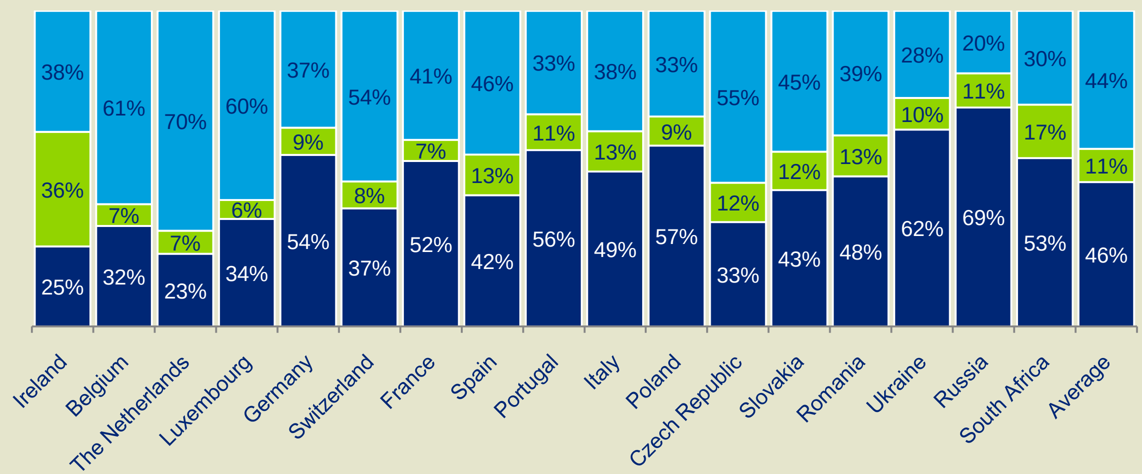
# 2009 holiday budget

# Do you usually prepare a budget for your Christmas shopping and socializing ?

## Romania

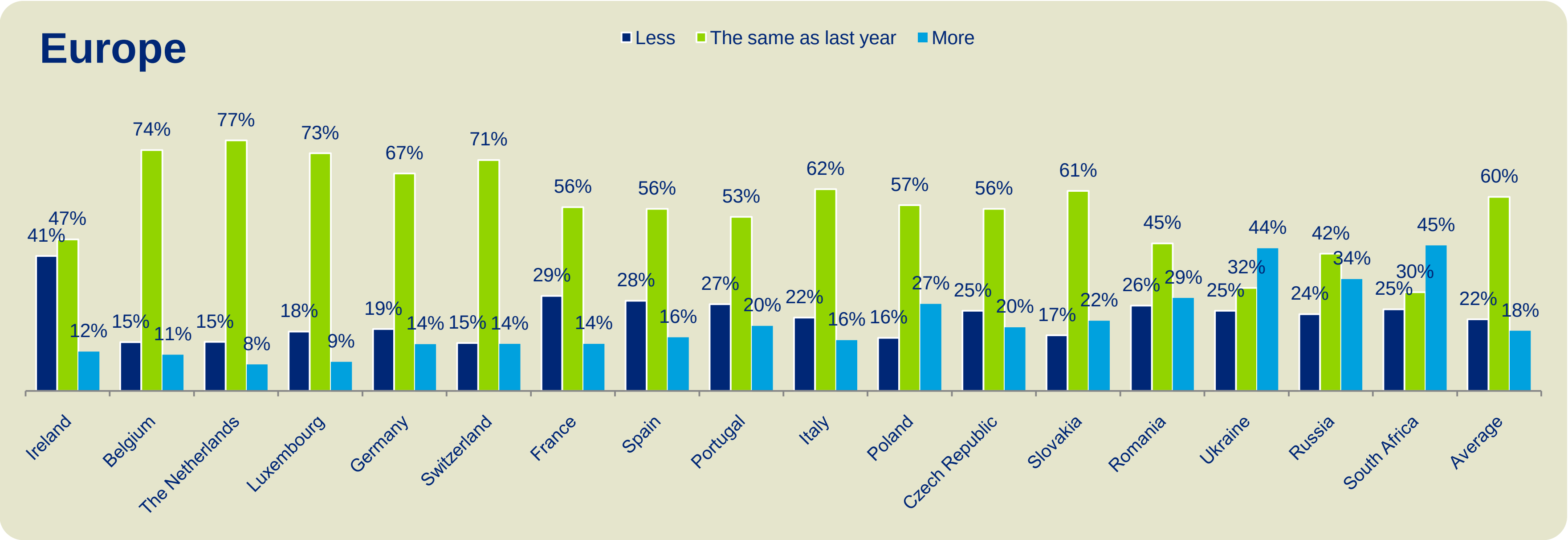



## Europe




- **The crisis has led to new consumer behaviour patterns**
  - The trend detected last year is being confirmed and is becoming applicable to all European countries. More than half of all Europeans are being more rational and focused on utility, aiming to keep to a budget in order to keep their end-of-year spending under control;
  - The Irish, who have been hit hard by the crisis have decided to prepare a budget this year, whereas they were not in the habit of doing so when it was easier to obtain credit;
  - In the Netherlands, most consumers do not prepare a budget (70% of respondents). We should note that the Netherlands is one of the lowest-spending European countries and they therefore do not feel as great a need to prepare a budget.

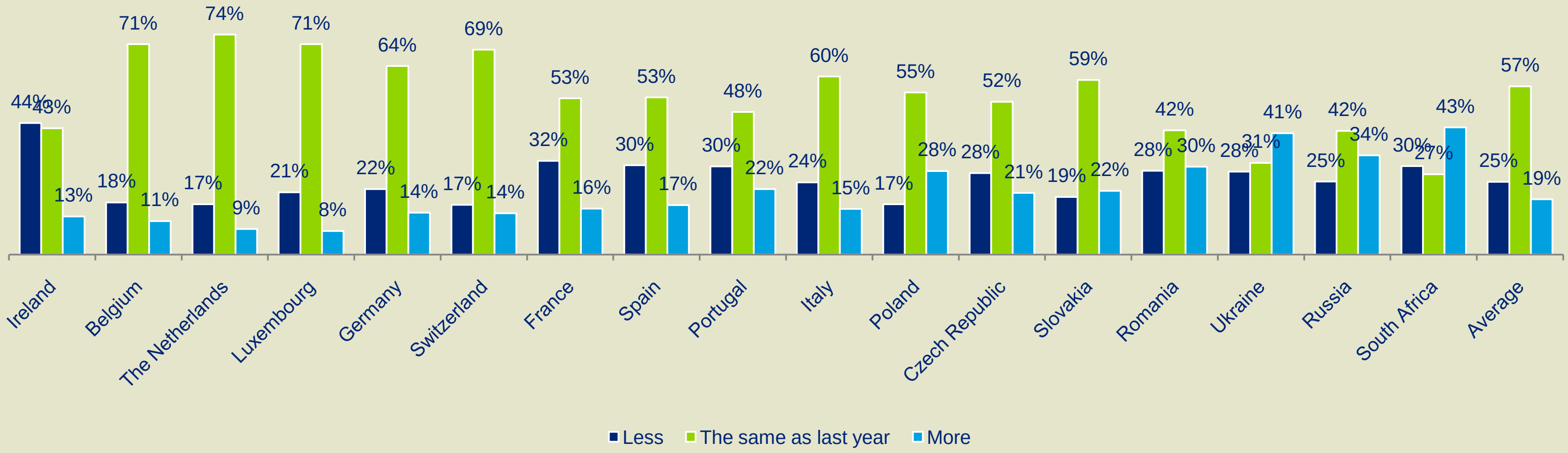
# Do you intend to purchase more or less than last year?




- **How should you read this chart?**
  - We asked consumers if they intended to spend more or less during the year-end holiday season. This question was followed by another question to determine by how much more or less. In certain cases, even if more people express their intention to spend more, the overall balance may in reality be lower if those people that intend to cut their spending, plan to cut their budget by an amount higher than those that plan to increase it.

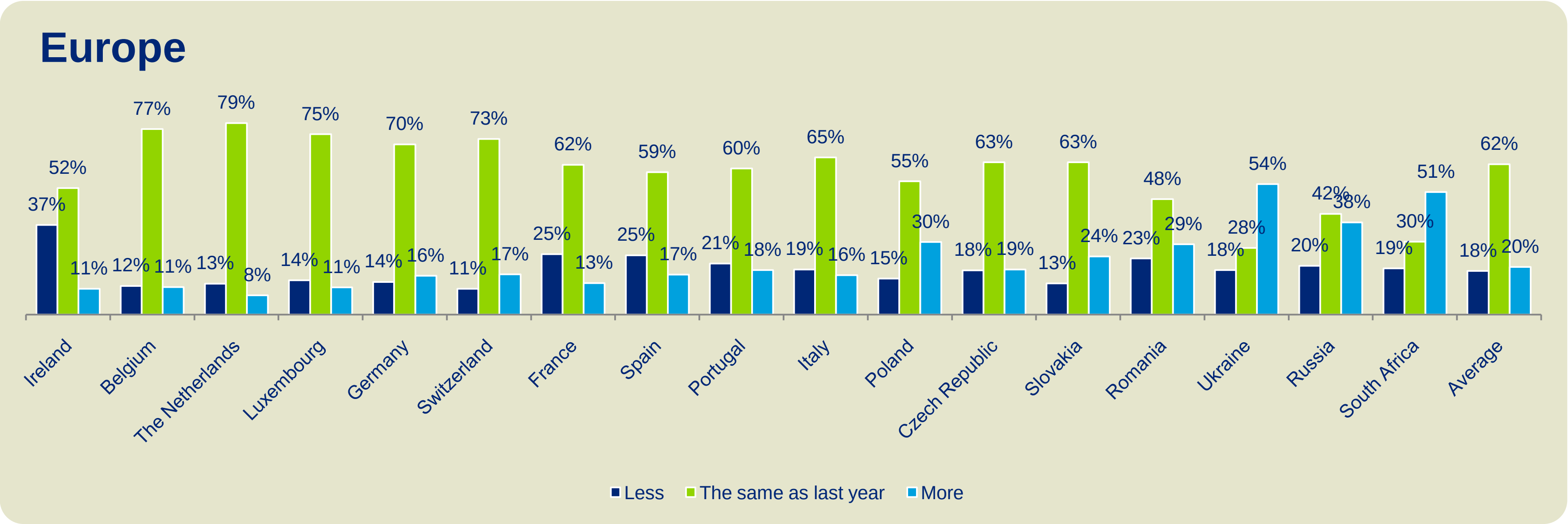
# Compared to last year do you think you will globally spend more, less or the same amount on gifts this year?

## Europe



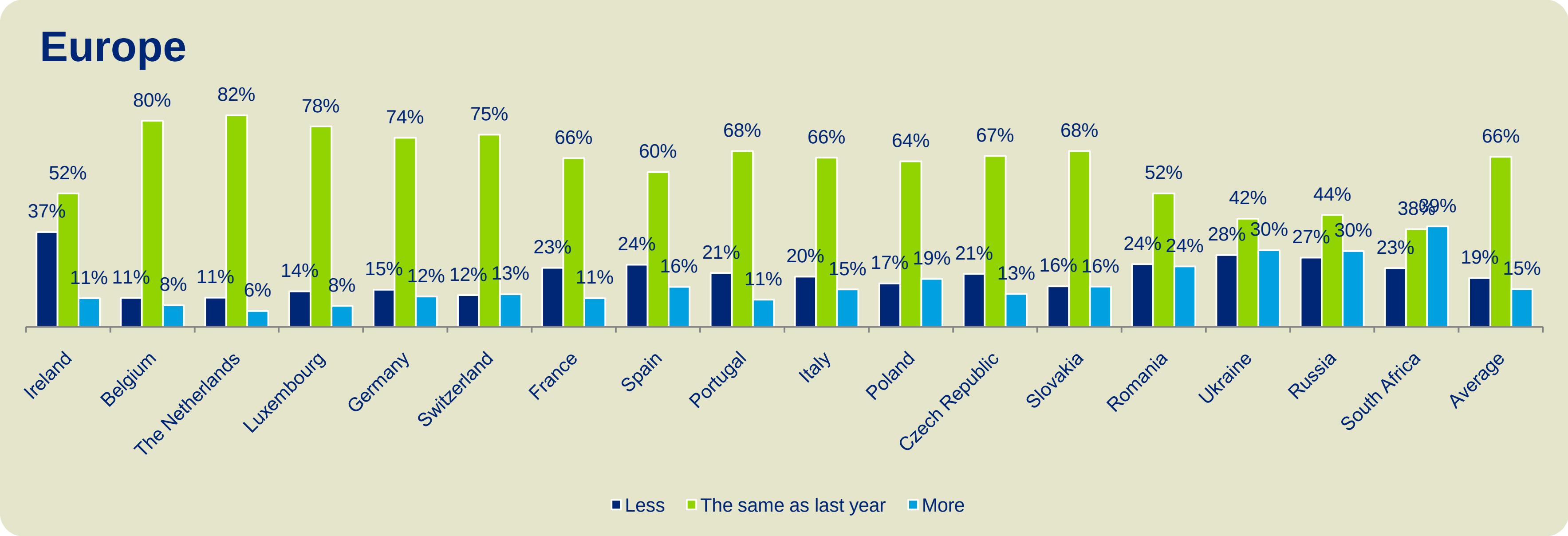

- **Gifts represent the main variable in spending between Eastern and Western Europe**
  - In Western Europe, a large majority has decided to remain on the same, already lacklustre trend-line as last year and plans to devote the same budget to gifts. Moreover, the difference between those that intend to spend more and those that intend to spend less is unfavourable;
  - These European consumers seem to be in the same state of mind as last year, which was marked by the crisis and the downturn in consumer spending;
  - Ireland and the United Kingdom represent an exception. The Irish and British are suffering from a steep downturn and are becoming the Europeans who will as a whole spend less this year. It should be noted that they were previously the highest spenders;
  - Despite being less pessimistic than last year, the French distinguish themselves by their higher proportion of intentions to spend less than most Europeans, followed by the Spanish;
  - In Eastern Europe, the trend is reversed and, with the exception of the Czech Republic, consumers intend to spend more. In Romania, 30% of consumers intend to spend more versus 28% intend to spend less.

# Compared to last year do you think in total you will spend more, less or the same amount on food & drinks this year?




- **Food/drink spending won't be cut back as much as gifts when consumers seek to make savings**
  - The vast majority of West Europeans intend to spend as much on food/drink as last year and changes in both directions will be small;
  - Please note, however, that the food/drink budget of Germans and the Swiss will grow this year;
  - Almost half of Romanian people will spend as much or more than last year, and the higher income-earning segments will tend to increase their spending on food/drink;
  - In Eastern Europe, the trend for the majority of people is to spend more, notably in Ukraine.

# Compared to last year do you think in total you will spend more, less or the same amount on socializing this year?




- **Consumers will not change the amount they spend on socializing very much**
  - This represents the smallest proportion of the total Xmas budget (less than 12% of total spending) which, without exception, is not under threat;
  - Ireland is a notable exception, however, insofar as the Irish plan to make significant cuts in this expense, together with the British;
  - France, Spain and Portugal appear less pessimistic than last year. However, among West European countries, they once again stand out in light of the larger proportion of their populations that intends to spend less.

# Year-end holiday spending intentions (€)

| 2009 | UK | Ireland | Belgium | Netherlands | Luxembourg | Germany | Switzerland | France | Spain | Portugal | Italy | Western Europe |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total gifts | -15.0% | -29.1% | -2.1% | -3.1% | -4.0% | -3.6% | -0.5% | -3.9% | -12.4% | -3.6% | -2.7% | **-7.3%** |
| Total additional food | -19.4% | -6.1% | -1.4% | -1.7% | -1.7% | -0.7% | 1.6% | -2.2% | -2.9% | -2.3% | -1.2% | **-3.5%** |
| Total additional socialising | -21.4% | -21.9% | -3.4% | -3.8% | -3.2% | -3.7% | 0.0% | -4.5% | -9.1% | -8.4% | -4.6% | **-7.6%** |
| **Total** | **-17.4%** | **-22.4%** | **-2.0%** | **-2.7%** | **-3.3%** | **-2.9%** | **0.1%** | **-3.5%** | **-9.1%** | **-3.7%** | **-2.5%** | **-6.3%** |
| Total gifts | €340 | €660 | €320 | €225 | €690 | €300 | €420 | €420 | €415 | €390 | €435 | **€420** |
| Total additional food | €150 | €265 | €200 | €130 | €315 | €125 | €175 | €165 | €215 | €170 | €170 | **€190** |
| Total additional socialising | €110 | €185 | €60 | €45 | €145 | €60 | €90 | €65 | €105 | €60 | €60 | **€90** |
| **Total spending** | **€600** | **€1,110** | **€580** | **€400** | **€1,150** | **€485** | **€685** | **€650** | **€735** | **€620** | **€665** | **€700** |

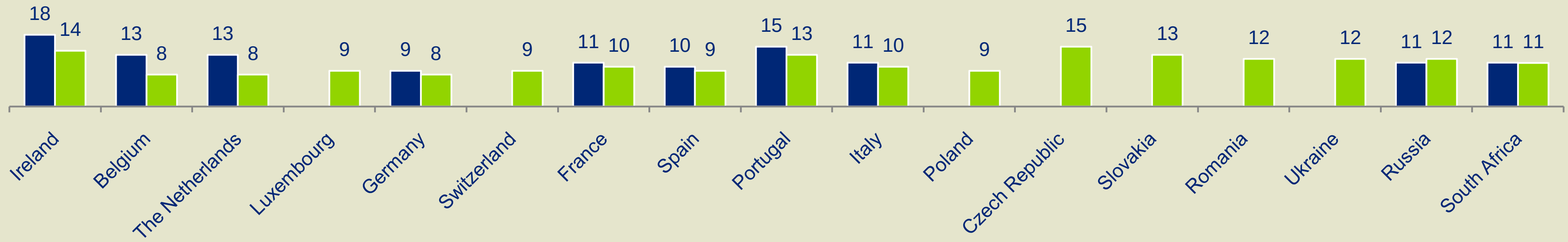
| 2009 | Poland | Czech Republic | Slowakia | Romania | Ukraine | Russia | Eastern Europe | European Average | South Africa | USA |
|---|---|---|---|---|---|---|---|---|---|---|
| Total gifts | 2.3% | -2.3% | 0.9% | 0.8% | 2.3% | 1.0% | **0.8%** | **-4.4%** | -1.3% | -15.0% |
| Total additional food | 2.3% | -0.8% | 2.4% | 1.5% | 10.0% | 2.8% | **3.0%** | **-1.2%** | 5.0% | N/A |
| Total additional socialising | -0.9% | -8.4% | -1.4% | -4.5% | -6.1% | -4.8% | **-4.4%** | **-6.5%** | -2.5% | N/A |
| **Total** | **1.6%** | **-2.5%** | **1.0%** | **0.2%** | **3.7%** | **0.5%** | **0.7%** | **-3.8%** | **0.5%** | **N/A** |
| Total gifts | €175 | €345 | €275 | €310 | €100 | €190 | **€235** | **€355** | 160 | 305 |
| Total additional food | €120 | €130 | €145 | €170 | €70 | €55 | **€115** | **€165** | 105 | N/A |
| Total additional socialising | €80 | €50 | €60 | €90 | €35 | €80 | **€65** | **€80** | 65 | N/A |
| **Total spending** | **€375** | **€525** | **€480** | **€570** | **€205** | **€325** | **€415** | **€600** | **330** | **N/A** |

FX rate: EUR/GBP: 1.12 – EUR/USD: 0.676 (29/10/09)

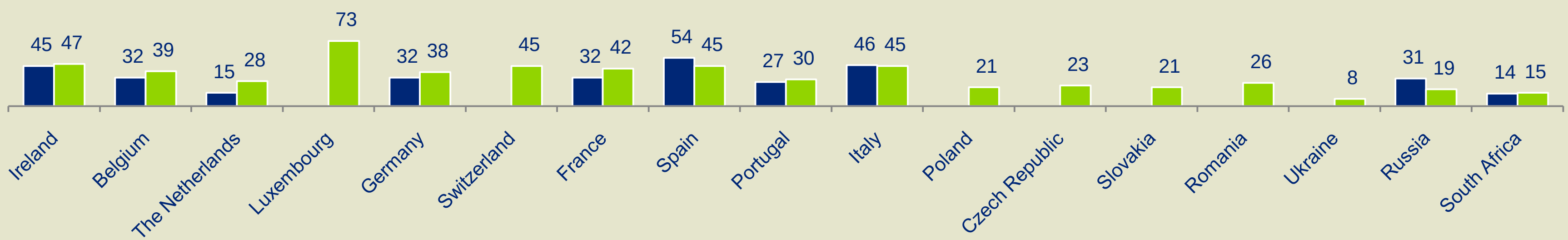
- **Spending forecasts: growth in Eastern Europe, under control in Western Europe, severely rationalised in the UK and Spain**
  - The 0.2% projected spending increased by the Romanians set them among the least cautious European consumers who despite the effects of the crisis wish to respect tradition and who probably aspire to sharing the same lifestyle as their Western counterparts;
  - The Irish, British and Spanish are reacting in proportion to the crisis affecting them directly. They forecast major cuts to their budget which was previously among the most generous since our previous studies showed that when their economies were in good shape, they were the biggest spenders in Europe;
  - Eastern European countries, who aspire to sharing the same lifestyle as their Western counterparts, all project positive forecasts, with the exception of the Czech Republic.

# Number of gifts offered and average value of gifts offered

## Number of gifts offered




## Average value of gifts offered

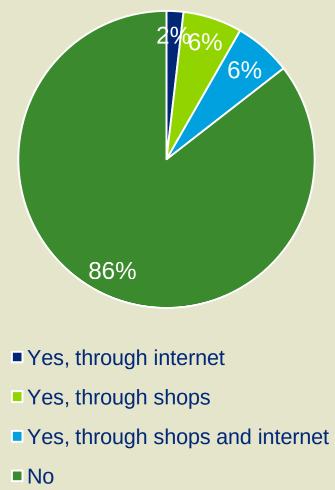



- **Fewer gifts in Western Europe, and more in Eastern Europe**
  - In the face of the crisis, there will be fewer gifts offered in Western Europe, whereas the number will increase in Eastern Europe;
  - However, the average value of gifts offered tends to increase slightly in Western Europe, since people have chosen only to offer gifts to the closest members of their family circle.

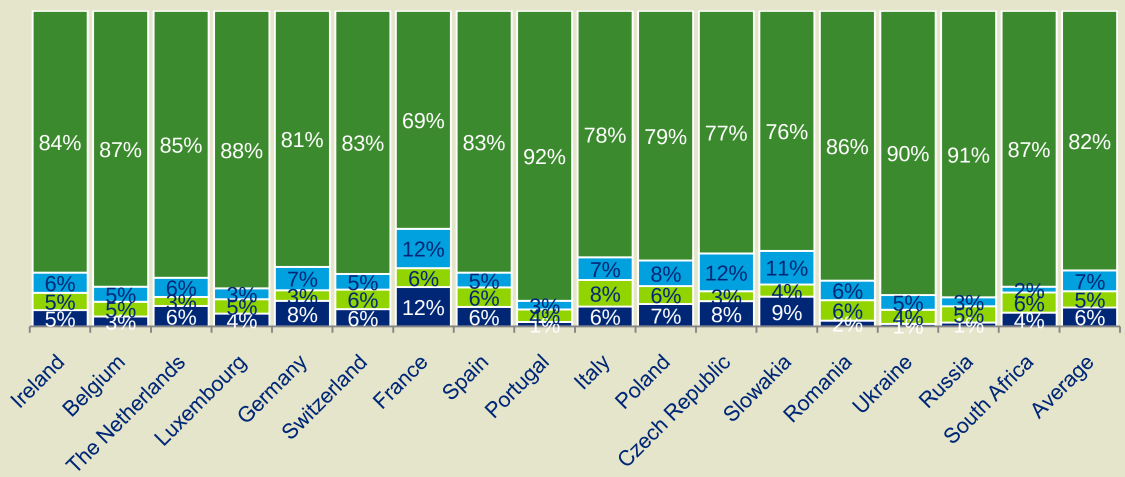
# Most desired and most popular holiday gifts

# Do you intend to offer second-hand products as year-end gifts ?

## Romania



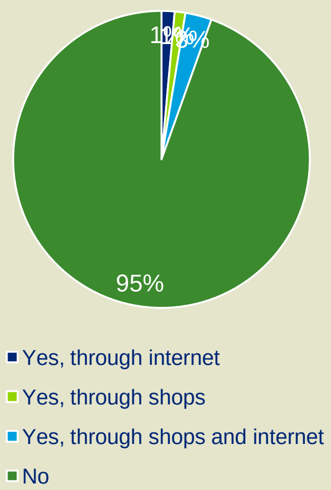

## Europe



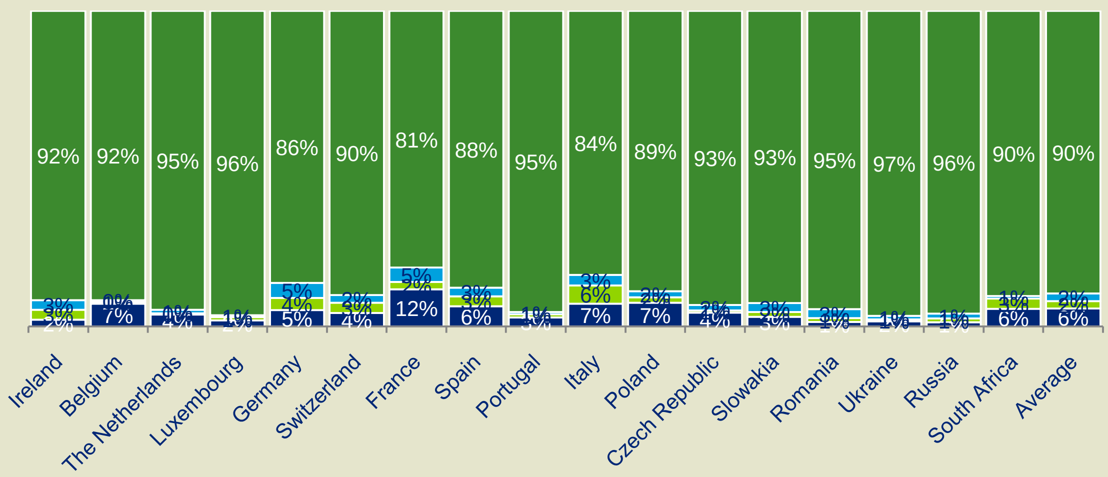

- **Few Europeans are tempted by second-hand goods**
  - France is the only country to show an interest in second-hand goods, with twice as many French people offering such gifts than the European average;
  - Young Europeans show a slightly more pronounced interest, and almost 1/5 of them indicate that they will offer second-hand gifts. This is certainly attributable to their high degree of internet use;
  - One idea for retailers could be to develop a department dedicated to second-hand products, allowing them to attract this segment of the population.

# Do you intend to sell back some of the gifts you get during the year-end festivities ?

## Romania




## Europe




- **Few Europeans are tempted to re-sell their gifts**
  - France, once again, proves to be the exception with French consumers intending to re-sell their gifts than the European average;
  - Germany, Spain and Italy also show an interest for this practice.

# What types of presents would you most like to receive?

| Top 10 | 2009 |
|---|---|
| Cosmetics / Perfumes | 46% |
| Clothes / shoes | 44% |
| Jewelery / watch | 36% |
| Interior design | 35% |
| Books | 35% |
| Cash | 33% |
| Laptop | 32% |
| Travel | 28% |
| Food/Drink | 25% |
| Mobile telephone (other than an iphone) | 23% |

| First choice | |
|---|---|
| **Ireland** | Books |
| **Belgium** | Gift vouchers |
| **The Netherlands** | Books |
| **Luxembourg** | Books |
| **Germany** | Books |
| **Switzerland** | Books |
| **France** | Cash |
| **Spain** | Clothes / shoes |
| **Portugal** | Books |
| **Italy** | Books |
| **Poland** | Cosmetics / Perfumes |
| **Czech Republic** | Books |
| **Slowakia** | Books |
| **Romania** | Cosmetics / Perfumes |
| **Ukraine** | Cash |
| **Russia** | Cash |
| **South Africa** | CDs / Music |

- **Cosmetics/Perfumes stay at the top of the gift wish-list in Romania**
  - Against 41% last year, Romanian mostly expensive beauty gifts as Cosmetics or jewelery. It means that they want to indulge themselves and forget the crisis during Christmas;
  - However, the demand for cash is pretty high for middle classes (About 38% of them desire it) because they need to cover every day expenditure;
  - Across Europe, books are experiencing a major breakthrough this year with 9 countries out of 17 placing them as first choice compared to 6 last year. Receiving money is in second position in the top 10; this is the most frequently requested present for modest income earners.

# Which of the following types of presents do you think you will buy for your friends and family this year (apart from children and teenagers)?

| Top 10 | 2009 |
|---|---|
| Cosmetics / Perfumes | 50% |
| Clothes / shoes | 41% |
| Interior design | 36% |
| Books | 34% |
| Chocolates | 33% |
| Food/Drink | 27% |
| Jewelery / watch | 23% |
| CDs / Music | 20% |
| Don't know | 17% |
| Work of art | 14% |

| First choice | |
|---|---|
| **Ireland** | Books |
| **Belgium** | Gift vouchers |
| **The Netherlands** | Books |
| **Luxembourg** | Books |
| **Germany** | Books |
| **Switzerland** | Gift vouchers |
| **France** | Books |
| **Spain** | Clothes / shoes |
| **Portugal** | Books |
| **Italy** | Books |
| **Poland** | Cosmetics / Perfumes |
| **Czech Republic** | Cosmetics / Perfumes |
| **Slowakia** | Cosmetics / Perfumes |
| **Romania** | Cosmetics / Perfumes |
| **Ukraine** | Cosmetics / Perfumes |
| **Russia** | Cosmetics / Perfumes |
| **South Africa** | CDs / Music |

- **Cosmetics/Perfumes, clothes and interior design in the top-ranked purchases**
  - There are always gaps between the gifts wished for and those actually purchased. The example applied is for the jewelery, which is more desired than given. 23 % of the Romanians plan to offer jewelery whereas 36 % of the people want to receive it;
  - Cosmetics/Perfumes are often a gift that is desired and offered, and are the top-ranked gift for prospective givers (first position) and receivers alike (first position);
  - The middle class is definitely out of the trend of the forecasted Romanians purchases. 39% of them are willing to offer chocolates;
  - On the contrary, the European trend is on books as top position. Europeans, who are highly motivated to receive cash, will not be satisfied. Whereas it is their 2nd most desired gift, it only ranks in 10th position in terms of the classification of gifts offered;
  - Irrespective of the segments of the population, gifts offered as a priority will be the same: books, cosmetics, music and clothes.

# If purchasing a gift for anyone under the age of 12 this Christmas, what do you think you will buy?

| Top 20 (1-10) | 2009 |
|---|---|
| Educative games | 44% |
| Books | 38% |
| Clothes / shoes | 33% |
| Drawing and Painting sets | 24% |
| Chocolates | 23% |
| Creative, Constructions (e.g. Lego, Mega Blocks, Painting and Drawings) | 22% |
| Stuffed animal (bear,…) | 19% |
| Board games / Traditional games (inc. Puzzles) | 18% |
| Food/Drink | 17% |
| scooter/rollers | 16% |

| Top 20 (11-20) | 2009 |
|---|---|
| Vehicle | 16% |
| Vehicle & Radio Control | 16% |
| CDs / Music | 13% |
| Barbie/bratz | 13% |
| Dolls, play sets & accessories (Baby Annabelle, my little pony, polly pocket) | 12% |
| Games for PC | 12% |
| Bicycle | 12% |
| Sports equipment / Sportswear | 10% |
| Action figures & Play sets (eg action man, Dr Who, Spiderman, Transformers, ) | 10% |
| Cash | 10% |

- **Educative games still hold their ground**
  - In Romania, Educative games remain ubiquitous. Consumers declare somebody under 12 will ask first for Educative Games (44%), then for books (38%) and in third position for Clothes/shoes (33%);
  - Most of toys are in the top ten: Educational games, drawing and paintings, creative, constructions, stuffed animals, board games, scooters.

# If purchasing a gift for a teen between the age of 12 to 18 this Christmas, what do you think you will buy?

| Top 20 (1-10) | 2009 |
|---|---|
| Books | 36% |
| Clothes / shoes | 29% |
| CDs / Music | 25% |
| Cosmetics / Perfumes | 20% |
| Sports equipment / Sportswear | 20% |
| MP3 Player/IPod | 16% |
| Jewelery / watch | 15% |
| Games For PC | 14% |
| Cash | 14% |
| Chocolates | 14% |

| Top 20 (11-20) | 2009 |
|---|---|
| scooter/rollers | 14% |
| Mobile telephone (apart from iphone) | 13% |
| Bicycle | 11% |
| Laptop | 11% |
| Food/Drink | 10% |
| Football / other sports items | 9% |
| Educative games | 8% |
| Travel | 8% |
| Board games / Traditional games (incl. Puzzles) | 8% |
| Home Consoles : Sony PS3, Nintendo Wii, Microsoft Xbox | 8% |

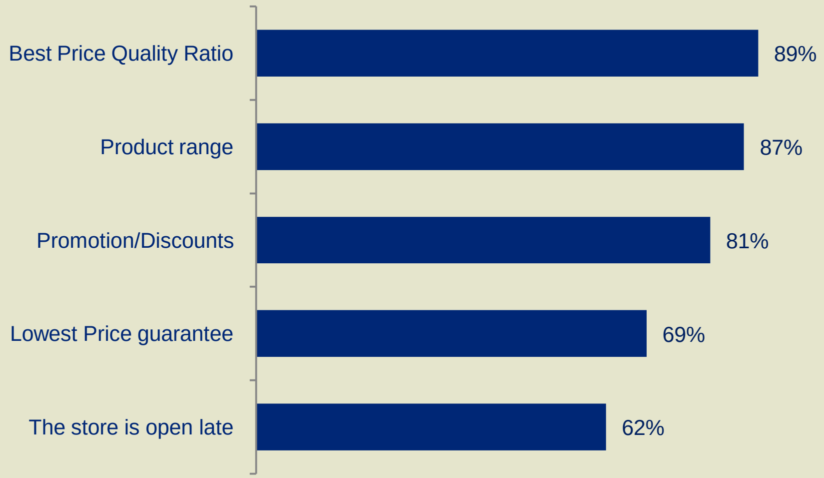
- **Books, Clothes, shoes and music are the top-ranked teenagers gifts to buy**
  - It should be noted that high-tech products are not among the most popular gifts for teenagers, whereas they definitely rank among those they most hope to receive.

## Where do consumers plan to do their holiday shopping?

# What are the main reasons behind your decision to shop at a particular store when doing your year-end food shopping?

## Romania

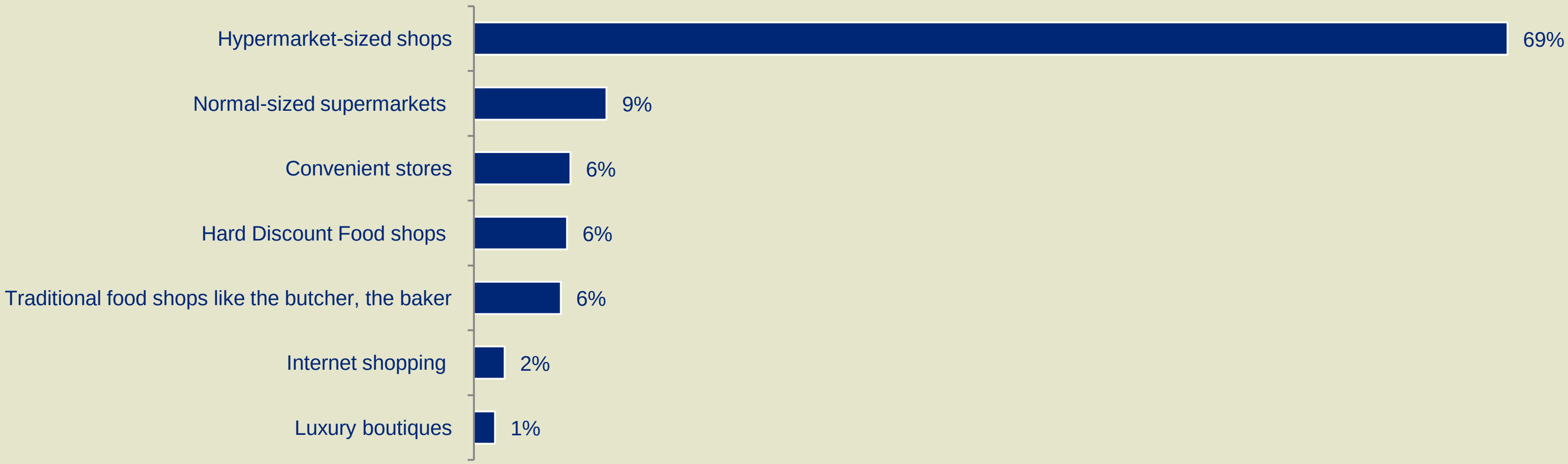

## Europe




- **Price and product range are the two main decision criteria for European and Romanian consumers**
  - These criteria are important for all categories of consumers;
  - Women pay much more attention than men to promotions for food/drink products;
  - The concept that will function best will be the one that will meet the consumer's twin expectation (price and choice) and attract all population categories.

# Where will you do your year-end food shopping?

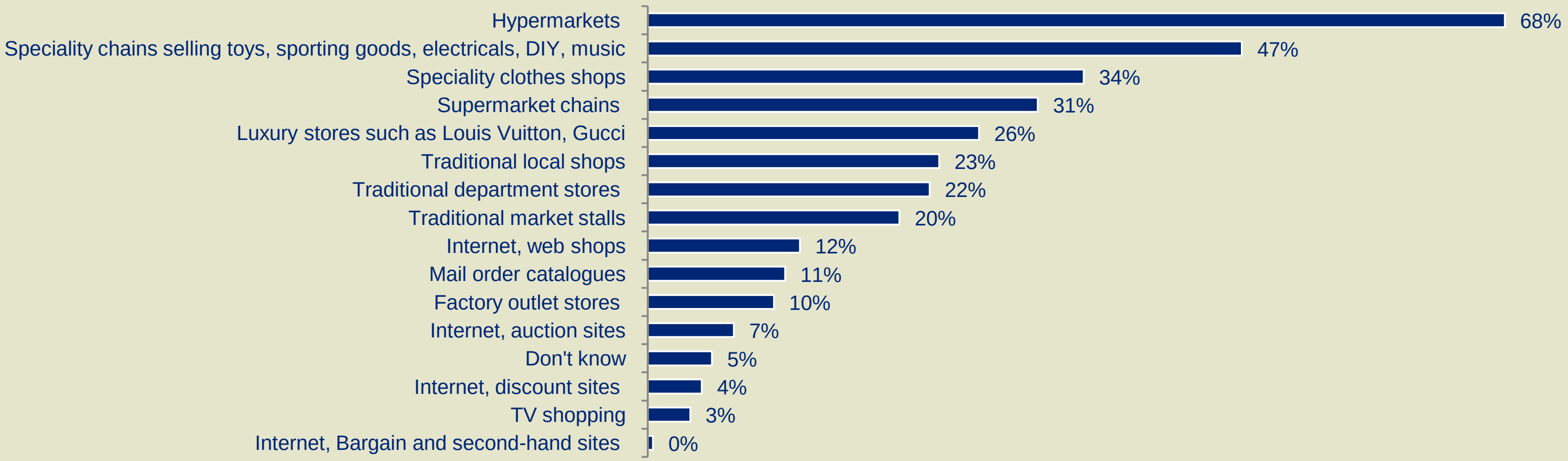
## Romania




- **Mass retail dominates the market for Xmas food/drink purchases in Romania**
  - The retail format varies in each country in Western Europe and has not yet reached maturity in Eastern Europe;
  - In several European countries, hypermarkets and supermarkets are at the top of Europeans' shopping lists for holiday season food/drink sales. Russia is the only exception, since Russians mainly shop locally;
  - The lower the income levels, the greater the proportion of hard discount sales.

# Where will you do your year-end gift shopping (non-food only)?

## Romania




- **Hypermarkets are leading in Romania regarding Christmas shopping**
  - Romanians will do their Christmas shopping in Hypermarkets (68%);
  - In Europe, traditional department stores continue to be the first choice for consumers (47%). This trend is even more marked for higher-income earners (56%). Conversely, relatively modest income earners will be more likely to shop at hypermarkets.

# What is the most important reason for you to buy products on the internet during year-end shopping?

## Romania


## Europe


- **Avoiding crowd becomes the main motivation for Romanians to do their year end shopping on the internet**
  - 62% of Romanians wished to avoid crowded stores this year. The choice of product is not the first motivation this year with only 51% of Romanians feeling concerned by this point;
  - 59% of Europeans and 58% of Romanians who use the internet will use it for practical reasons: home delivery. This trend is particularly more pronounced among high income earners (65%) and more modest income earners, who see it as a way to avoid the crowds;
  - The younger and better educated the consumer, the more he/she will see the internet as a way to find products and have more choice;
  - Swine flu, once again, proves to be a false alarm for consumers insofar as it will not have any effect on the development of internet use.

# What type of sites do you use?

## Romania


## Europe


- **Department store websites are on the crest in 2009**
  - Department store websites are focused by almost 6 Romanians out of 10;
  - According to the reasons why Romanians are shopping online : avoiding the crowd and benefiting from the home delivery. It seems logical that almost 58% of them are visiting department stores websites.

# What are your main reasons for not shopping online at all?

## Romania


## Europe


- **Seeing and touching products are impediments to using the internet**
  - As is the case each year in Europe, the main reason for not using the internet is not being able to touch products;
  - Retailers that manage to develop interactive websites allowing consumers to improve their ability to visualise the product, or even to try it out, will establish a competitive advantage by recuperating consumers who would otherwise continue to avoid using the internet.

# Methodology

# Survey methodology

- Deloitte realised the survey about the consumption during year-end period in 18 countries from Western Europe, East Europe, and in South Africa. A similar survey was conducted in USA.
- Each country has a specific report.
- The conclusions of this study are based on consumer's data which have been collected during a survey realised by Deloitte in co-operation with Q&A Research and Consultancy.
- The fieldwork was executed in September 2009 (last week) & October 2009 (first week).
- In the UK, the fieldwork was executed by Internet between 12th – 15th September 2009. The sample was 1,000 nationally representative consumers.
- Among the countries we have 2 new countries which are Luxembourg & Poland. For the other countries we are able to make analyses compared with previous years.
- Respondents are aged 18 years and older. Information has been collected via internet, with a structured questionnaire for a sample of individuals, within controlled panels.

# Survey methodology

- Each consumer in the panel is identified through the following aspects
  - Socio-demographics;
  - Personal interests;
  - Consumer behaviour;

- To adjust the Internet population regarding the population of each country, we used ex-post statistical weighting on
  - Gender (number equal to the population balance);
  - Age classifications (18-65);
  - Regions;
  - Income;
    - Below €10.000;
    - Between €10.000 - €25.000;
    - Between €25.000 - €50.000;
    - More than €50.000;
- As in previous years, we will use indexes in the graphs to compare countries. The indexes are created in the following way
  - We deduct the negative responses to a certain question from the positive responses to the same question;
  - Therefore, a response to a question on the current state of the economy that is 42% positive and 12% negative will result in an index of 30%;
  - If the same question is asked for another country, a consumer response that is 25% positive and 32% negative will result in an index of -7%.

# Survey methodology

| Countries | Sample |
|---|---|
| Ireland | 500 |
| Belgium | 2 078 |
| The Netherlands | 953 |
| Luxembourg | 614 |
| Germany | 1 754 |
| Switzerland | 801 |
| France | 1 795 |
| Spain | 1 215 |
| Portugal | 712 |
| Italy | 1 781 |
| Poland | 903 |
| Czech Republic | 523 |
| Slowakia | 501 |
| Romania | 518 |
| Ukraine | 702 |
| Russia | 706 |
| South Africa | 511 |
| Great-Britain | 1 000 |
| **Total** | **17 567** |

- The sample in Russia was conducted through the Internet in cities with a population of over one million people
  - Moscow : 31%. The city is the capital and largest city of Russia, and the country's leading economic, political, cultural centre;
  - Saint-Petersburg : 31%. This is the second largest city and seaport in Russia, located in the north-western part of the country;
  - Nizhniy Novgorod : 9,5%. The city is located in western Russia, at the confluence of the Oka and Volga rivers and is a major river port, railroad hub, and industrial centre specially in automobile factory;
  - Yekaterinburg : 9,5%. Located on the eastern slope of the Ural Mountains Yekaterinburg is a major industrial centre;
  - Rostov-na-Donu : 9,5%. The city is an important commercial, industrial, and transportation centre connected by a canal to the Sea of Azov, and by the Volga-Don Canal to the Caspian, Baltic, and White seas. It is also linked by pipeline with the petroleum fields of the Caucasus area;
  - Novosibirsk : 9,5%. It is the capital of Novosibirsk Oblast, in southern Siberian Russia and the largest city of Siberia. Factories produce mining equipment, turbines, textiles, chemicals, and heavy machine tools.

# Survey methodology

- The sample in Ukraine was conducted through the Internet. 80% respondents mainly lived in one of the cities below

  Kharkov (23% of the sample) is the second largest capital in Ukraine. It is a city with a lot of industrial companies;

  - Kiev (20% of the sample) is the capital and the largest city of Ukraine with 2,6 million inhabitants. Kiev is an important industrial, scientific, educational and cultural centre of Easter Europe;
  - Lvov (8% of the sample) is one of the largest cities in Ukraine and is growing rapidly. It is regarded as one of the main cultural centre of Ukraine. Industry, Banking and money trading are an important part of the economy;
  - Odessa (8% of the sample)  is the fourth largest city in the Ukraine with 1.1 million inhabitants;
  - Nikolaev (7% of the sample) is the administrative centre of the Mykalaiv Oblast and a major shipbuilding centre of Ukraine;
  - Dnepropetrovsk (6% of the sample) is Ukraine's third largest city with 1.1 million inhabitants. Dnipropetrovsk is a major industrial centre of Ukraine. It has several facilities devoted to heavy industry that produce a wide range of products;
  - Donetsk (4% of the sample) is the fifth largest city in Ukraine with 1 million inhabitants;
  - Sumy (4% of the sample) is a smaller city in Ukraine with 290.000 inhabitants.

# Survey methodology

- The South African sample is more representative of middle and upper social classes, since the survey was done via the Internet. The survey was conducted in 9 regions:
  - Gauteng Area (49% of the sample): Two major cities were included in the study: Johannesburg this is the business and financial centre and carries out 40% of the GDP and Pretoria this city is located in the most populated area and is the third city of South Africa. These cities account for 19% and 7% of the South African sample;
  - Western Cape (21% of the sample): This is a tourism province and Cap town is the capital of the area and represents 13% of the sample;
  - Eastern Cape (7% of the sample): Is one of the poorest provinces in South Africa. The two major industrial centres, Port-Elizabeth and East London have well-developed economies, based on the automotive industry. The survey was conducted in these cities which accounts for 4% of the South African sample;
  - Free State (3% of the sample): Bloemfontein : In the region surrounding Bloemfontein, farming, livestock raising, and mining are the main occupations. The city is a road and railway hub;
  - Kwazulu Natal (14% of the sample): This is the most populated area of South Africa;
  - Mpumalanga (3% of the sample): This is a province in Eastern South Africa. In 1995 the name was changed from Eastern Transvaal to Mpumalanga;
  - North West (2% of the sample): North West is a province of South Africa. The capital is Mafikeng;
  - Limpopo (1% of the sample): Limpopo is the most southern province of South Africa. A big city in Limpopo is Polokwane;
  - Northern Cape (1% of the sample): This is a large and most sparsely populated province in South Africa. The capital is Kimberly;

- Results from the USA & UK survey have been compared with the other considered countries when it was relevant.

# Deloitte Contact

# For any question concerning this survey please contact

- **Name of the local CB Partner**

  Tel. +00 00 00 00 00 00

  Fax +00 00 00 00 00 00

  email@deloitte.com