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Holiday spending not expected to rise with the rebound in consumer confidence

Despite some improvements in Americans' perceptions of the economy, most will be spending the same or less on holiday gifts this year.

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Consumers' perceptions of the economy have improved since the end of September, 2005. Currently, 47% are *less* secure with the economy compared to 61% two months ago, as indicated by Directive Analytics' online panelists in a November, 2005 study.

However, most Americans (63%) will be spending the same amount of money on gifts this year as they did in 2004. Just over one quarter (27%) will be spending less, and a mere 10% plan on spending more this holiday season. Not surprisingly, many who indicated they will spend less this holiday season, report having less disposable income this year (71%). Some specific reasons for reduced spending include:

- *Gasoline prices are causing me to budget more carefully this year (47%)*
- *Prices are higher than last year (42%)*
- *Home heating prices are causing me to budget more carefully this year (41%)*
- *Given current events, I feel less inclined to spend money on gifts (33%)*

Those cutting back on gifts this holiday season are likely to eliminate gifts for adult members of their family (72%), gifts for friends (52%), and fewer holiday decorations (46%). However, preserving the holiday for younger members of the family is a priority. Of those cutting back on spending, only 31% will reduce spending on children.

Online shopping for holiday gifts and merchandise was a popular choice in 2004, with 71% of consumers indicating they had made holiday purchases online—spending an average of \$266 on gifts. Anticipated online holiday shopping for 2005 is likely to remain at or close to 2004 levels, with only 10% of online shoppers anticipating an increase in holiday spending overall and 15% anticipating increasing their online spending.

Heavy online shoppers (21% of respondents) spend more and shop at more locations (\$500 on average, across 3 outlets). Though even among these champions of cyberspace (those purchasing more than 50% of their 2004 holiday gifts online), only 12% plan on spending more this year. Though enticements (e.g., free shipping), may have some effect (60% state this as a reason for increasing their online shopping this holiday season), this data suggests online shopping will not show a marked increase in net sales, but rather hold the bar at last years levels.

Though some are cutting back on holiday spending this year, charitable involvement is not likely to change significantly, with, 62% planning to participate at some level this year (vs. 58% in 2004). Food bank donations (35%) and Toys for Tots (27%) were the top charitable activities in 2004 and continue to be the top choices for 2005 (36% and 27% respectively).

Survey Methodology

An online questionnaire of approximately 10 minutes in length was fielded using a random national sample of Directive Analytics online panel members. The surveys were conducted between November 11-16, 2005. A total of 1,001 interviews were completed among adults 18 years and older. For results based on the total sample of 1,001 adults, at 95% confidence, the sampling error is +/- 4%.

About Directive Analytics

Directive Analytics is a full service Marketing Research company, located in Norwalk CT. Independently owned and operated; we have been in business for four years. With over forty years of cumulative market research and consulting experience, DA's senior management is comprised of executives who have previously served at Millward Brown, TNS, Harris Interactive, The Gallup Organization and Greenfield Online. We provide our clients with top-notch market research and consulting expertise combined with hands-on involvement typical of smaller research organizations. For more information please visit our website www.directiveanalytics.com or email us at info@directiveanalytics.com.