

Consumer Behavior Report

Economic Trends in Consumer Spending



✧ *Designed to give media, industry analysts, and merchants insight into online consumer behavior*

Executive Summary

The recession is a catalyst driving many online consumers to discover saving strategies and reevaluate necessities. PriceGrabber.com's survey results reflect how the tough economy has impacted online consumers differently within age groups and gender.

Motivated to economize, 67 percent of online consumers made a concerted effort to cut back as compared to 57 percent of consumers surveyed in January 2009. Online consumers have spent less on eating out at restaurants (69%), engaging in entertainment outside the home (67%), and purchasing consumer goods and services in-store (63%) in response to the tough economic times over the past three months. These current saving and spending strategies will likely have a long-term impact as 90 percent of online consumers said they will continue to use the strategies enabling them to save money even after the economy improves.

In these tough times, online consumers reevaluate and redefine the line between luxury and necessity in their everyday lives. Survey findings show that while online consumers 18 to 24 years of age indicated that the cell phone and portable music player are necessities they cannot live without, 80 and 29 percent respectively, older age groups feel differently. Also, the largest disparity between men and women in defining necessity versus luxury exists with flat screen TVs. Twenty percent of men think that a flat screen TV is a necessity, while only 10 percent of women feel the same way.

What is the PriceGrabber.com Consumer Behavior Report?

The *Consumer Behavior Report* is designed to give merchants, industry analysts, and media insight into online shopping trends, purchasing behavior, product pricing and market share. Each month, a different topic will be the focus of the report.

This report examines data sourced from 3,156 U.S. online consumers who completed the Impact of the Economy on Online Consumers Survey, fielded from May 7, 2009 to June 12, 2009 and Market Reporter, a statistical database that tracks actual consumer shopping behavior on PriceGrabber.com.

PriceGrabber.com, a leading comparison shopping engine, has 26 million unique users per month and up-to-date daily pricing on millions of products supplied by 13,000 sellers. PriceGrabber.com has an iPhone™ Mobile App coming soon to provide consumers with a fast and easy mobile comparison shopping experience to make smarter purchase decisions on the go.

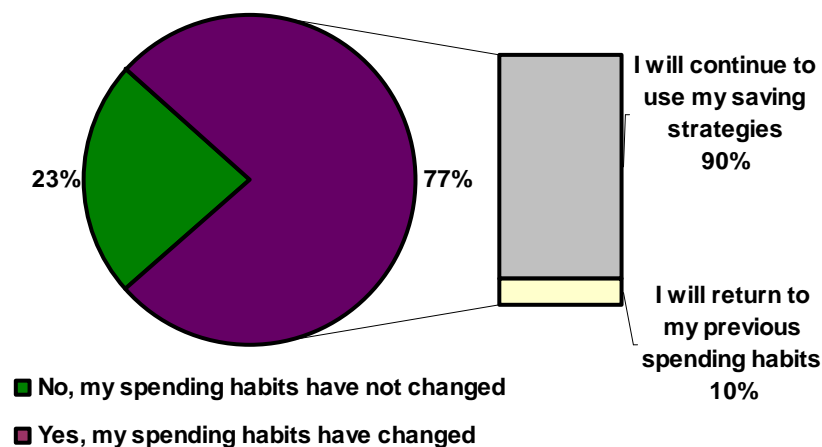
Economic Trends in Consumer Spending

PriceGrabber.com's Impact of the Economy on Online Consumers Survey, conducted between May 7 and June 12, 2009, asked online consumers about a range of money-saving strategies, recent adoptions in behavior, and perceptions of necessities triggered by the state of the economy. According to 3,156 U.S. online consumers who completed the survey, nearly eight in 10 have changed their spending habits and 67 percent have made a concerted effort to curtail spending as a result of the recession. This report also provides insight into consumers' economic outlook and the factors that may be impacting their confidence.

Online Consumers Responding to the Economic Climate

- **Survey findings point to a long-term impact of the current saving and spending behaviors developed as a result of the recession.** Of those 77 percent of consumers who indicated that their spending habits have changed, 90 percent said they will continue to use the saving strategies enabling them to save more money even after the economy improves [see *Table 1*]. Consumers were asked the same question in PriceGrabber.com's March 2009 survey and results showed that 71 percent said they will continue to use their saving strategies after the recession, a 19-point increase. At this point, a significant majority of consumers believe they will be keeping their current saving and spending patterns in future years.

[Table 1] As a result of the U.S. recession (2007-2009), have any of your spending habits changed?



Source: PriceGrabber.com

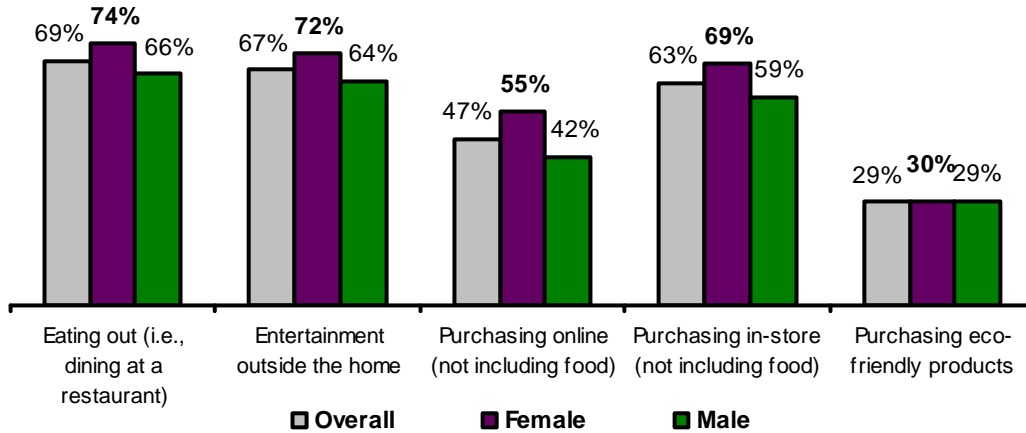
Base: Impact of the Economy on Online Consumers Survey 5/07/09-6/12/09 | Question 6: In the past 30 days, have you engaged in any of the following money-saving activities? | n = 3,156 US Online Consumers | Question 7: Once the economy improves, will you continue to use the money-saving strategies you are implementing to weather this tough economy or will you return to your previous spending habits? | n = 2,435 US Online Consumers

Image link: http://www.pricegrabber.com/about_pr_img.php/img=2009_06_26_01

- **Women 'spend less' consistently more than men 'spend less'.** Interestingly, a higher percentage of women reported that they made an effort to spend less on dining out (74%), entertainment (72%), and purchasing online (55%) or purchasing in-store (69%) as compared to men. Overall, the majority of consumers have spent less on eating out at restaurants (69%), engaging in entertainment outside the home (67%), purchasing consumer goods and services

online (47%) and in-store (63%) in response to the tough economic times over the past three months [see Table 2].

[Table 2] In the past 3 months, how has the current state of the U.S. economy impacted your money-spending on the following: "I spent less"

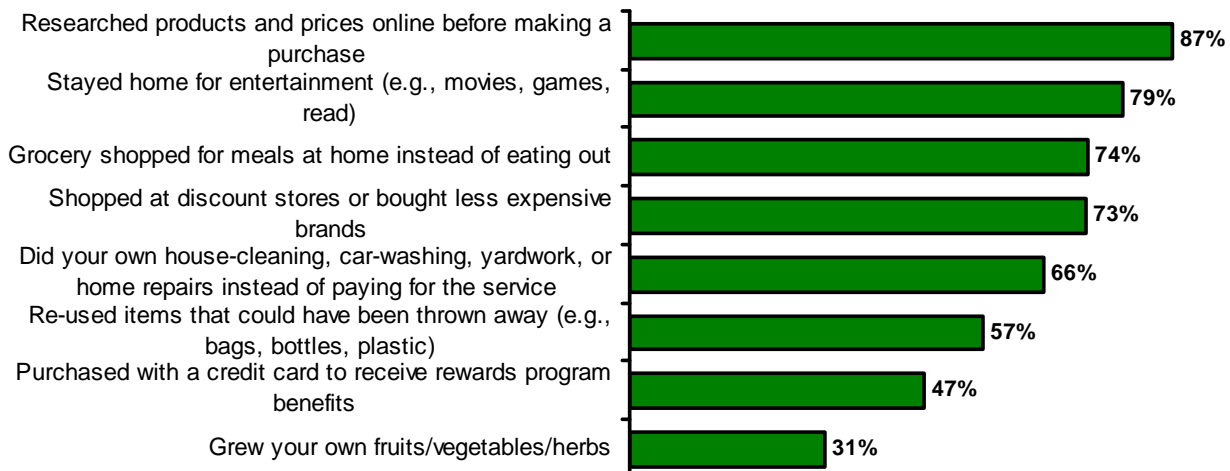


Source: PriceGrabber.com

Base: Impact of the Economy on Online Consumers Survey 5/07/09-6/12/09 | Question 5: In the past 3 months, how has the current state of the U.S. economy impacted your money-spending on the following: | n = 3,156 US Online Consumers
Image link: http://www.pricegrabber.com/about_pr_img.php/img=2009_06_26_02

- **If you need to spend, spend online.** Sixty-three percent of consumers say they spent less money in-store, whereas less than half of consumers backed off on spending online [see Table 2]. On the contrary, more consumers indicated that they ‘spent more’ on purchasing eco-friendly products (12%) and purchasing online (10%) as compared to any other category.
- **Consumers have incorporated money-saving activities into their everyday lives.** In the past 30 days, the majority of consumers have been checking prices online before making a purchase (87%), staying home on occasion instead of paying to go out (79%), economizing meals by shopping at the grocery store (74%), doing repairs and housework instead of hiring a service (66%), and recycling plastic bags and bottles (57%) [see Table 3].

[Table 3] In the past 30 days, have you engaged in any of the following money-saving activities?



Source: PriceGrabber.com

Base: Impact of the Economy on Online Consumers Survey 5/07/09-6/12/09 | Question 6: In the past 30 days, have you engaged in any of the following money-saving activities? | n = 3,156 US Online Consumers

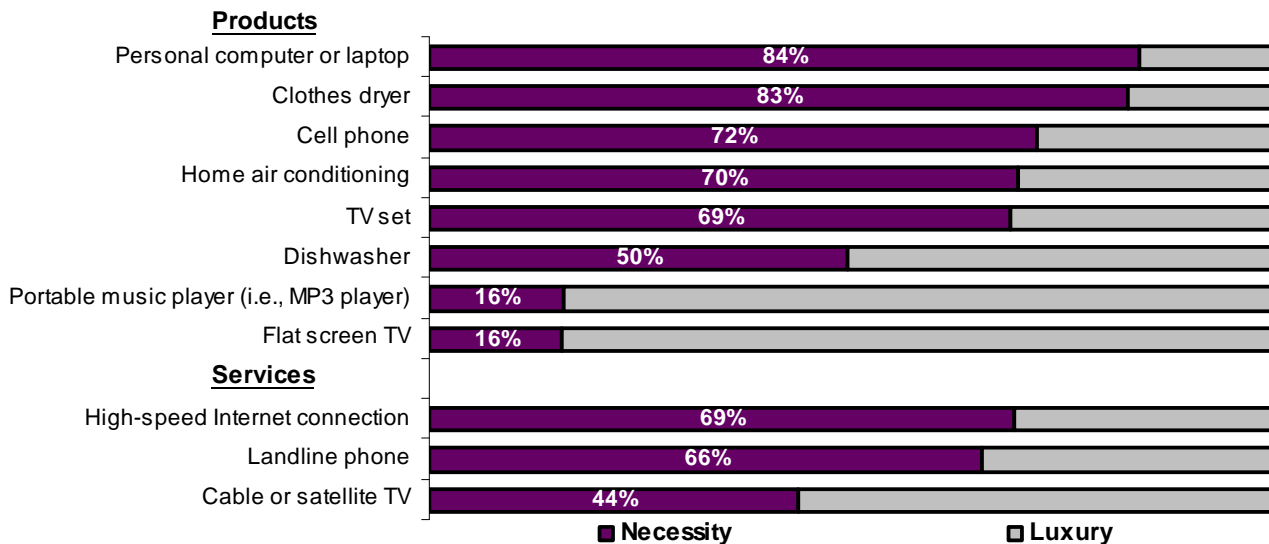
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Definition of ‘Necessities’ in the Tough Economy

Technology adoption and the recession are two key factors that have likely impacted consumer’s definition of necessity over the past few years. Consumers were asked to indicate whether they perceive each product or service as a luxury or a necessity they could not live without. As a result, the PriceGrabber.com survey finds that more than eight in 10 consumers absolutely need to have a personal computer or laptop and 83 percent said that a clothes dryer is an essential item. This section further analyzes the differences in priorities based on age group and gender. In these tough times, consumers may be reevaluating their lists of essential consumer goods and services and possibly redefining the line between luxury and necessity in their everyday lives.

- Necessity or Luxury?** Tech gadgets such as cell phones and personal computers are seen as a necessity by more than two-thirds of the consumer population. A standard TV set is a necessary item in the majority of consumer households; however, less than half indicated cable service as a necessity and fewer indicated flat screen TVs as a necessity. Consumers prioritize a clothes dryer (83%) over a home air conditioning system (70%) and a dishwasher (50%). When it comes to at-home services, seven in 10 consumers see high-speed Internet connection as a necessary service in this tough economic climate [see Table 4].

[Table 4] For each item, please indicate whether you think of it as a NECESSITY or a LUXURY you could do without:



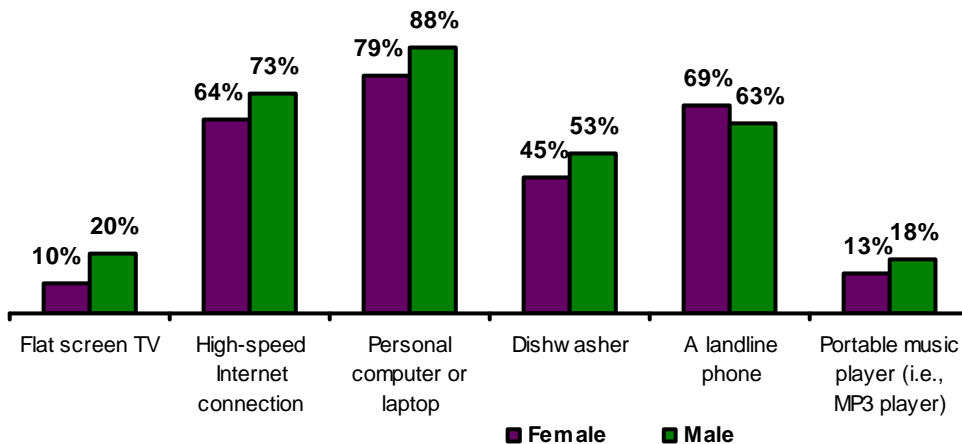
Source: PriceGrabber.com

Base: Impact of the Economy on Online Consumers Survey 5/07/09-6/12/09 | Question 8: For each item, please indicate whether you think of it as a NECESSITY or a LUXURY you could do without: | n = 3,156 US Online Consumers

Image link: http://www.pricegrabber.com/about_pr_img.php/img=2009_06_26_04

- Men see flat screen TVs and dishwashers as more of a necessity than most women.** Men and women must agree to disagree when it comes to some necessities. More men than women can't live without: high-speed Internet (73%), laptops (88%), dishwashers (53%) and portable music players (18%). The largest difference between men and women when deciphering the boundaries of necessity versus luxury exists with flat screen TVs. Twenty percent of men think that a flat screen TV is a necessity, while only 10 percent of women feel the same way. On the other hand, 69 percent of women as compared to 63 percent of men cannot live without a landline phone [see Table 5].

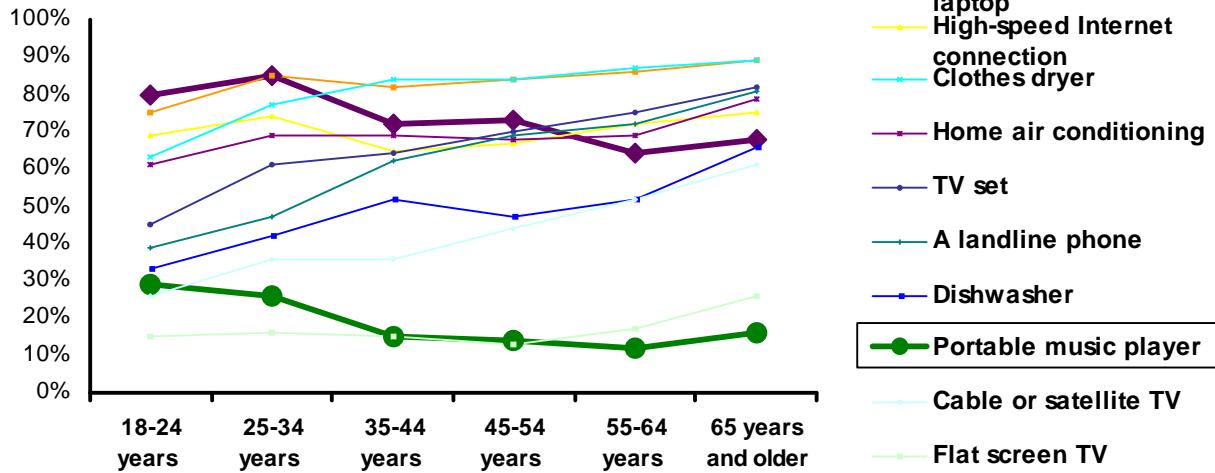
[Table 5] Online Consumers think of the following items as a NECESSITY they cannot live without – by Gender



Source: PriceGrabber.com
 Base: Impact of the Economy on Online Consumers Survey 5/07/09-6/12/09 | Question 8: For each item, please indicate whether you think of it as a NECESSITY or a LUXURY you could do without: | n = 1,254 Female US Online Consumers & n = 1,902 Male US Online Consumers
 Image link: http://www.pricegrabber.com/about_pr_img.php/img=2009_06_26_05

- As a result of earlier tech adoption, younger age groups are less likely to be without cell phones and portable music players.** Consumers 18 to 24 years of age indicated that the cell phone and portable music player are necessities, 80 and 29 percent respectively, while only 68 percent of consumers 65 years of age and older indicated that the cell phone is a necessity and 16 percent indicated that the portable music player was a necessity [see Table 6]. The bold lines below, representing consumers' perception of necessity for a cell phone and portable music player by age group, show that the older the age group the less they considered those items necessities. In contrast, for the remaining items, such as clothes dryers, TV sets, landline phones, dishwashers and cable or satellite TV, results show that the older the age group the more they considered those items necessities.

[Table 6] Online Consumers think of the following items as a NECESSITY they cannot live without – by Age Group



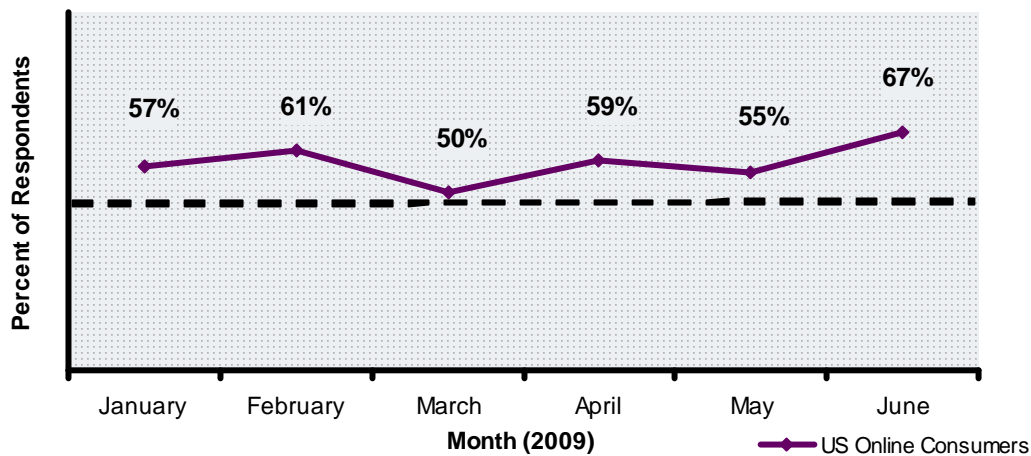
Source: PriceGrabber.com
 Base: Impact of the Economy on Online Consumers Survey 5/07/09-6/12/09 | Question 8: For each item, please indicate whether you think of it as a NECESSITY or a LUXURY you could do without: | n = 3,156 US Online Consumers
 Image link: http://www.pricegrabber.com/about_pr_img.php/img=2009_06_26_06

A Factor Impacting Consumers' Economic Outlook

- Consumers are increasingly cautious about spending.** With the uncertainty about the economic recovery, online consumers continue to make a concerted effort to cut back where they can. Since the beginning of this year, the majority of online consumers have made an effort to cut back more. Fifty-seven percent indicated making a concerted effort to spend less money in January 2009 as compared to 67 percent six months later in June 2009 [see Table 7].

[Table 7] Have you been cutting back on spending because of the current U.S. economy?

"Yes, I have made a concerted effort to cut back in the past few months"



Source: PriceGrabber.com
 Base: Impact of the Economy on Online Consumers Survey 5/07/09-6/12/09 | Question 2: Have you been cutting back on spending because of the current U.S. economy? | n = 3,156 US Online Consumers
 Image link: http://www.pricegrabber.com/about_pr_img.php/img=2009_06_26_07

Supplemental Material

Methodology

The data, market trends and analysis in this report were prepared by PriceGrabber.com. The data included in this report is sourced from the Impact of the Economy on Online Consumers Survey.

For the PriceGrabber.com Impact of the Economy on Online Consumers Survey conducted between May 7, 2009 and June 12, 2009, we designed and fielded an online survey to reach each consumer who recently made an online purchase from one of our 13,000 retailers and sellers. After completing an online purchase, each online consumer received an email confirmation, which included the URL to the Web-based survey. Approximately one million U.S. online consumers were invited to take the survey and 3,156 validly completed the survey. The online survey was comprised of 11 closed-ended questions. Respondents were asked about their online shopping behaviors and opinions as they related to their situation in the current state of the economy.

The sample set represents online consumers purchasing products over the 36 days the survey was administered. The demographic variables collected include: age, gender, place of residence and estimated household income. The survey completion results showed that 80% of total respondents completed the survey and 20% partially completed the survey. All cross-tabulation statistics for this report were analyzed using only quality-controlled, completed responses. Respondents that inappropriately answered a trick question (potentially flagging a fraudulent response) and/or completed the survey considerably faster than the average respondent speed were removed from the sample set. The maximum sampling error for the survey data based on a statistically sound sample size of 3,156 respondents is +/- 1.74 percentage points at the 95% confidence level or +/- 2.29 percentage points at the 99% confidence level.

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For media inquiries, to schedule phone interviews, or for journalists who would like to request additional data and a custom survey for their needs, please contact Sara Rodriguez by email at sara@pricegrabber.com or by phone at (323) 601-1282.