

# Consumer Behavior Report

## Economic Climate Shifts Consumers Online



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

**March 25, 2009**

### **Economic Climate Shifts Consumers Online**

*By Sara Rodriguez*

#### **Executive Summary**

A majority of U.S. online consumers changed their mindsets from 'cutting back' to 'spending cautiously' and shifted more of their shopping habits online. Online consumers have taken advantage of aggressive sales on big-ticket items, and invested more time in comparing prices and searching for coupons online. According to a recent survey, 91 percent of consumers said that researching products online made them feel more confident about their purchases. While consumers are uncertain about their financial situations and hesitant about their purchases, they have shopped and plan to continue shopping for products in home improvement and electronic categories. In summary, consumers indicated that the time invested in searching for online savings as part of a strategy to weather the economy will not only help them save money in the current downturn, but will also apply to their spending habits after the recession. Furthermore, one in three online consumers expect that the economic downturn, in terms of retail spending, will last two more years.

#### **What is the PriceGrabber.com Consumer Behavior Report?**

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

The *Economic Climate Shifts Consumers Online* report examines data sourced from 4,239 online consumers who completed the *Online Consumer Confidence Survey*, fielded from February 10, 2009 to March 9, 2009, and Market Reporter, a statistical database that tracks actual consumer shopping behavior on PriceGrabber.com (*see page 10 for survey methodology*).

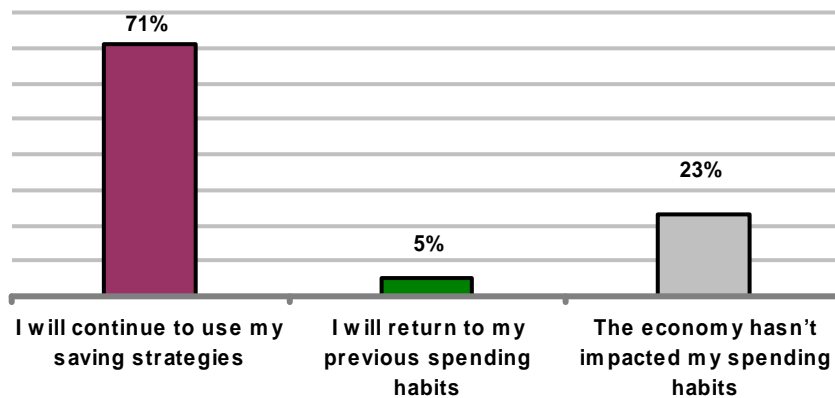
[PriceGrabber.com](http://PriceGrabber.com), a leading comparison shopping engine, has more than 26 million unique users per month and up-to-date daily pricing on millions of products supplied by more than 13,000 sellers. PriceGrabber.com also has a free shipping site <http://FreeShipping.PriceGrabber.com/> which provides consumers with comparison shopping tools for evaluating free shipping offers on almost 6 million products from more than 1,000 retailers.

## Economic Climate Shifts Consumers Online

In the past month, uncertainty about the climbing unemployment rate significantly impacted online consumers' decisions to spend and dampened their confidence. In this report, online consumers share insight on how the economy has impacted their financial stability, online consumption and overall online behavior. Not surprisingly, the majority of online consumers have changed their spending habits and implemented saving strategies to adjust to the economic climate.

- **Consumers plan to implement recession savings strategies permanently.** The majority of online consumers, 71 percent, have implemented savings strategies not only to weather the economy, but also to use once the economy recovers. Online consumers researched money-saving services and employed smart spending habits to increase their savings in the uncertain economy (see *Table 1*).

**[Table 1] Once the economy improves, will you continue to use the saving strategies you are implementing to weather this tough economy or will you return to your previous spending habits?**



Source: PriceGrabber.com

Base: Online Consumer Confidence Survey 2/10/09-3/9/09 | n = 4,094 US Online Consumers

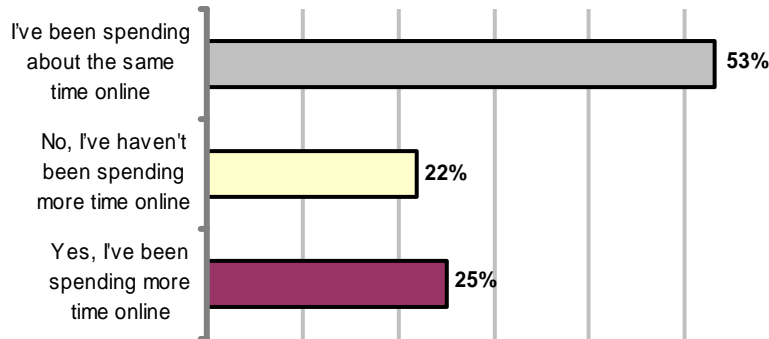
Question 6: Once the economy improves, will you continue to use the saving strategies you are implementing to weather the economy or will you return to your previous spending habits?

## Online Consumer Behavior Shifts in a Challenging Economic Climate

Online consumers surveyed continued to utilize the Internet in the midst of a tough economy. The Internet helps consumers save time and money by delivering low-budget in-home entertainment, information and communication services. In addition to purchasing products, online consumers primarily used the Internet to compare prices, search for information and news, visit social networks and print coupons.

- **The recession drives consumers online.** One in four consumers indicated that they spend more time online because of the tough economy and 53 percent of consumers said they spend about the same amount of time online (see *Table 2*).

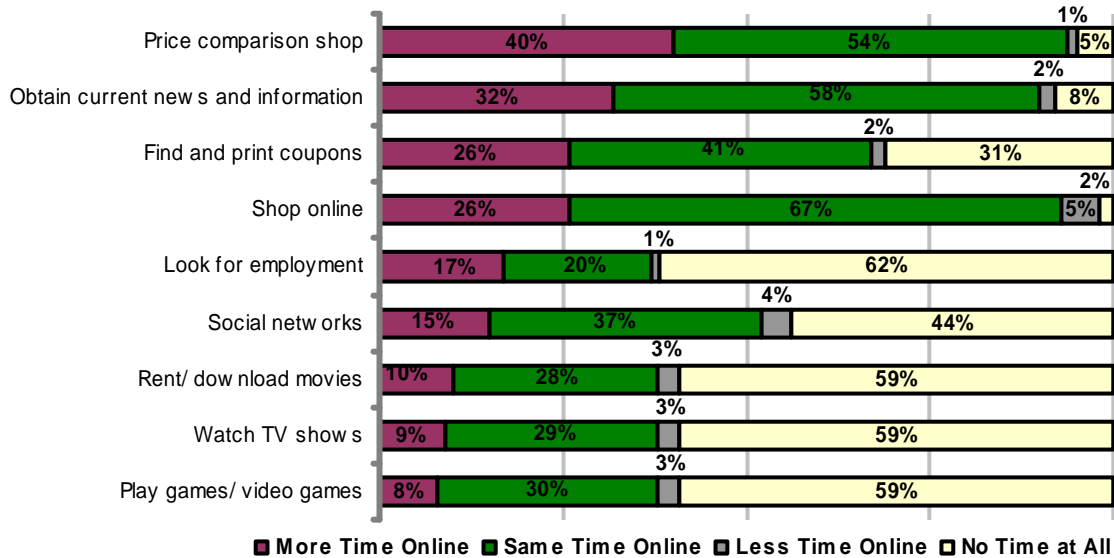
**[Table 2] Consumers Spend More Time Online**



Source: PriceGrabber.com  
Base: Online Consumer Confidence Survey 2/10/09-3/9/09 | n =4,101 US Online Consumers  
Question 8: As a result of the recession, have you been spending more time online overall?

- Spending time online is a cost-effective way to weather the current economy.** As a result of the tough economy, the majority of online consumers spent more time or the same amount of time shopping online (93%), comparing prices (94%), browsing for current news and information (90%), searching for coupons (67%) and visiting social networks (52%) (see Table 3, red and green sections only).

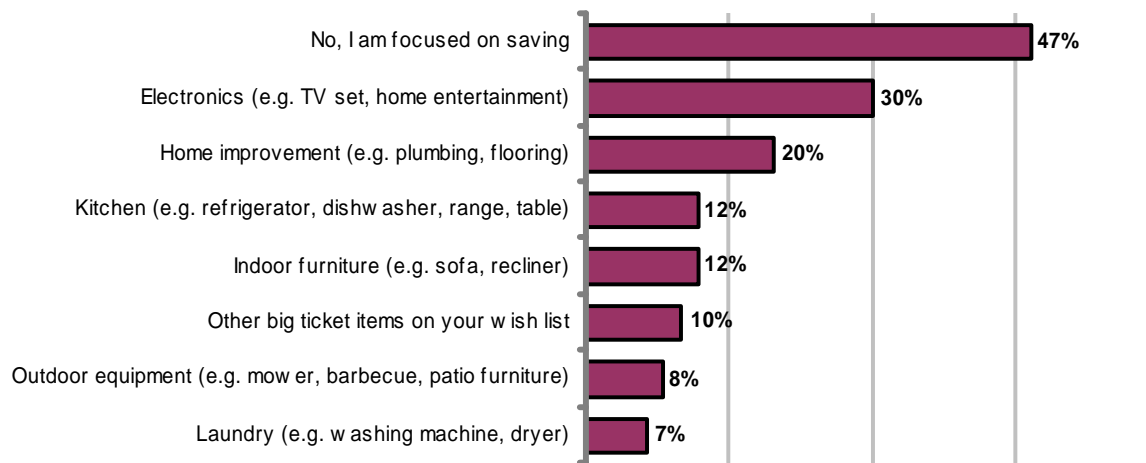
**[Table 3] Online Behavior in a Tough Economy**



Source: PriceGrabber.com 3,819 US Online Consumers  
Questions 9: Please indicate whether you are spending more time online, less time online, same or no time at all for each of the following online activities

- Online consumers are purchasing big-ticket items when the price is right.** Despite the widespread perception that retailers are offering steep price discounts, some consumers are hesitant to purchase. In this economic climate, online consumers' spending habits varied from in-home replacements to price-conscious entertainment indulgences. Online consumers surveyed said that they will take advantage of aggressive pricing on big-ticket items. In the past few months 53 percent of online consumers said they have, or plan to, take advantage of aggressive sales on big-ticket items relating to one or more of the following categories: electronics (30%), home improvement (20%), kitchen (12%), furniture (12%), outdoor equipment (8%), and laundry (7%), including washing machines and dryers (see *Table 4*).

**[Table 4] With many online merchants offering aggressive sales to generate business, have you purchased (or plan to purchase) big-ticket items in any of these categories? Select all that apply**



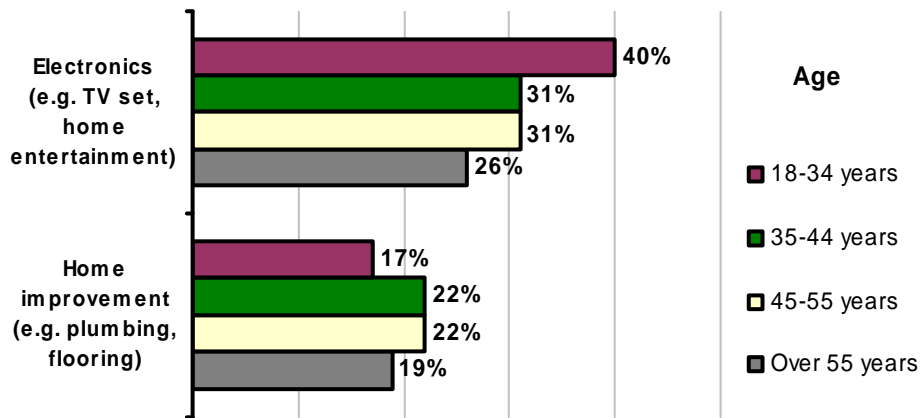
Source: PriceGrabber.com

Base: Online Consumer Confidence Survey 2/10/09-3/9/09 | n = 4,046 US Online Consumers

Question 7: With many merchants offering aggressive sales to generate business, have you (or do you plan to) purchase big-ticket items in any of these categories? Select all that apply

- Older online consumers are not as likely as younger online consumers to buy into enticing sales in electronics.** Forty percent of online consumers 18 to 34 years of age indicated they have purchased or are planning to purchase big-ticket electronics on sale compared to only 26 percent of online consumers 55 years of age or older (see *Table 4a*). Consumer age segments 35 to 44 and 45 to 55 purchased or are planning to purchase big-ticket home improvement items from online merchants, 22 percent respectively. The 18-34 and the 55 and over age segments were slightly less likely to purchase big-ticket home improvement items, 17 and 19 percent respectively (see *Table 4a*).

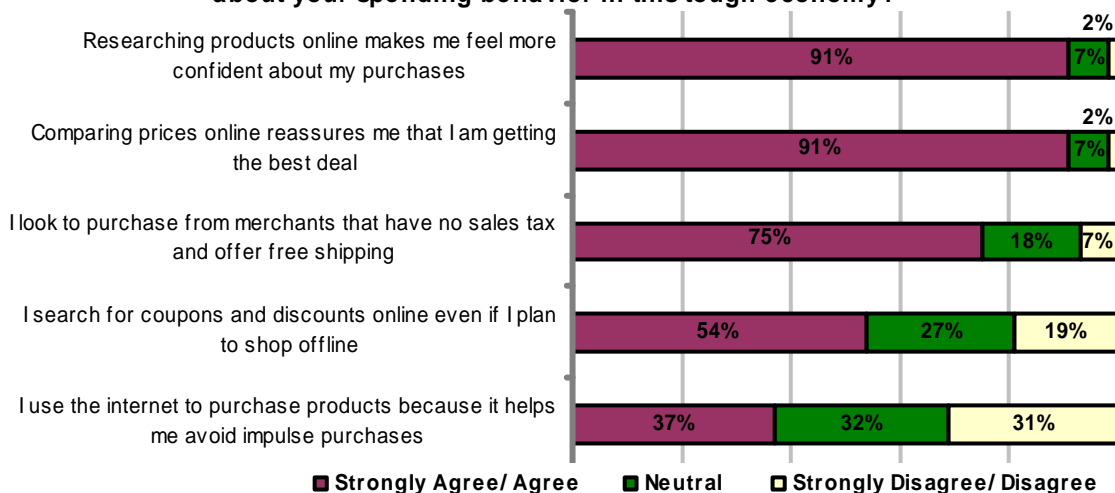
[Table 4a] Online Planned Spending by Age Segment



Source: PriceGrabber.com  
 Base: Online Consumer Confidence Survey 2/10/09-3/9/09  
 Question 7: With many merchants offering aggressive sales to generate business, have you (or do you plan to) purchase big-ticket items in any of these categories? Select all that apply  
 Question 17: What is your age?  
 Answer 17: 18-34 years old, n = 593 | 35-44 years old, n = 873 | 45-54 years old, n = 1,117 | 55+ years old, n = 1,152

- **Online consumers struggling in a weak economy continue to use the Internet to shop.** Seventy-five percent of online consumers looked to purchase from merchants that do not charge sales tax or offer free-shipping. Another 37 percent of online consumers used the Internet to purchase products because it helped them avoid impulse purchases (see Table 5).

[Table 5] How much do you agree with the following statements about your spending behavior in this tough economy?



Source: PriceGrabber.com  
 Base: Online Consumer Confidence Survey 2/10/09-3/9/09 | n = 4,239 US Online Consumers  
 Questions 1: How much do you agree with the following statements about your spending behavior in this tough economy?

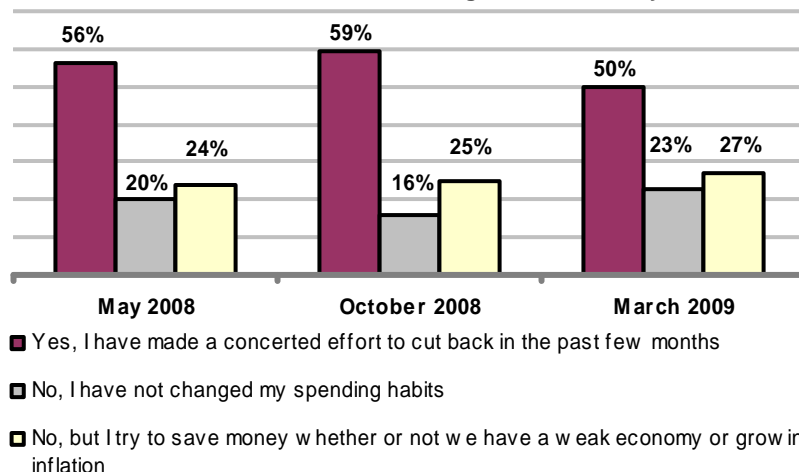
- Researching purchases and comparing prices online remains important to online consumers.** Ninety-one percent of online consumers were more confident about their product purchases after researching online. Likewise, 91 percent of online consumers said they felt reassured that they were getting the best deal after they compared prices online. In an uncertain economy, 54 percent of online consumers searched for coupons and discounts online even if they planned to purchase offline (see Table 5).

## Online Consumers Felt the Impact of the Economic Downturn

During the first quarter of 2009, PriceGrabber.com surveyed online consumers about their financial situations as it related to the current economy. Consumers were impacted by the heightened uncertainty about the banking crisis, freezing of credit markets, rising unemployment rates, declining home values, and depleting savings and pension accounts. Furthermore, consumer sentiment was 56.3 in February 2009, measured by the *Reuters & University of Michigan Index of Consumer Sentiment*, down 15.4 from 70.8 in February 2008 (see endnote 3).

- Online consumers' mindset changed from 'cutting back' to 'spending cautiously.'** In a series of three online surveys, beginning in May 2008 and ending in March 2009, online consumers were asked whether they were cutting back because of the U.S. economic situation. In May 2008 consumers implemented a number of savings strategies to cut back on grocery shopping (13%), energy consumption (13%), gasoline (27%), and retail shopping (46%) (see endnote 1). The October 2008 survey showed that consumers were reluctant to spend during the holiday season as 59 percent made a concerted effort to cut back (see endnote 2). The recent March 2009 survey reflected that online consumers' efforts to cut back have reached a plateau, possibly because they have implemented savings strategies and reassessed their budgets. In this survey, one in two consumers has not made a concerted effort to cut back because of the weakening U.S. economy (see Table 6).

[Table 6] Have you been cutting back on spending because of the weakening U.S. economy?



Source: PriceGrabber.com

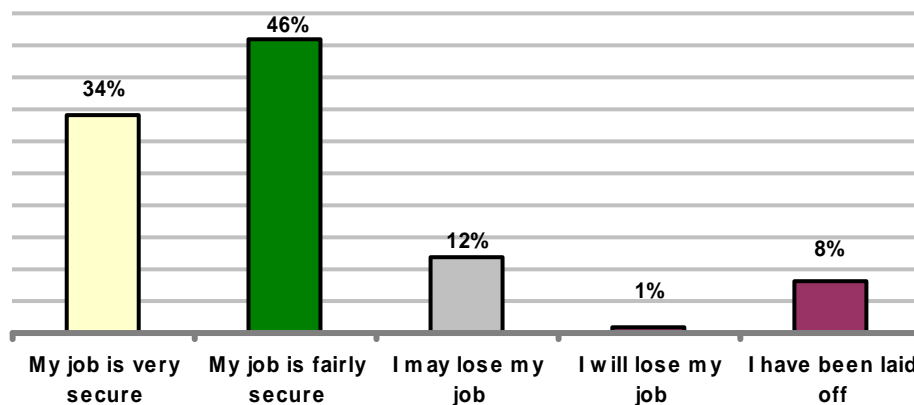
Base: Online Consumer Confidence Survey 2/10/09-3/9/09 / n =3,858 US Online Consumers  
 Holiday Spending Survey 10/20/08-11/10/08, n =3,460 US Online Users

Consumer Spending Survey 4/29/08-5/23/08, n =3,053 US Online Users

Question 8: As a result of the recession, have you been spending more time online overall?

- Changes in the White House modestly impact consumer confidence.** Changes in government, specific to the new President and the recently signed stimulus package, had an effect on consumer confidence and spending. When consumers were asked whether the outcome of the U.S. presidential election impacted their outlook on the economy, 35 percent indicated that they felt more confident about the economy. Forty-three percent said that the presidential outcome had not changed their outlook on the economy, and the remaining 22 percent felt less confident about the economy.
- Steep job losses dampened consumer confidence.** Nearly one in 10 online consumers said they have lost or will likely lose their job. Specifically, eight percent of online consumers indicated that they have lost their jobs and another one percent of consumers said that it is only a matter of time until they lose their jobs. In addition, 12 percent feared that they may lose their jobs (see Table 7).

[Table 7] As a result of the recession, how would you rate your job security?



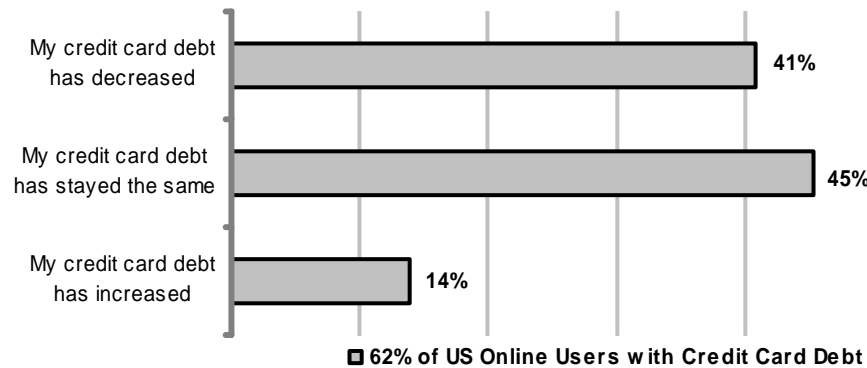
Source: PriceGrabber.com

Base: Online Consumer Confidence Survey 2/10/09-3/9/09 | n =4,276 US Online Consumers

Question 3: As a result of the recession, how would you rate your job security?

- Credit card holders focus to improve their financial situations.** Sixty-two percent of online consumers had credit card debt, 32 percent had no debt and six percent did not have a credit card. Of those 62 percent of online consumers with credit card debt, 41 percent indicated that their debt had decreased as a result of their credit card habits in this economic downturn (see Table 8).

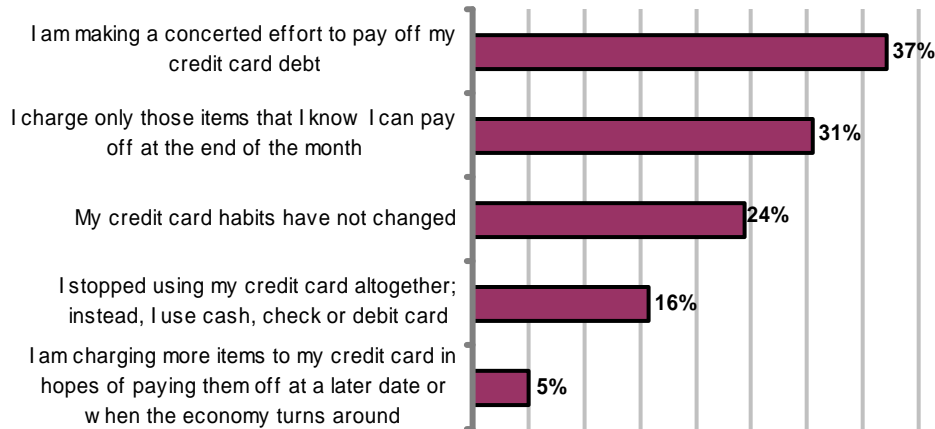
**[Table 8] As a result of the recession, which best describes your current credit card situation?**



Source: PriceGrabber.com  
 Base: Online Consumer Confidence Survey 2/10/09-3/9/09 | n =4,102 US Online Consumers  
 Question 5: As a result of the recession, which best describes your current credit card situation?

- Economic downturn changes consumer credit card spending habits.** Of those 62 percent of online consumers that have credit card debt, 37 percent are making a concerted effort to pay off their credit card debt. Moreover, 31 percent of online consumers indicated that they only charge those items that they know they can pay off at the end of the month (see Table 9).

**[Table 9] As a result of the recession, how have your credit card habits changed?**



Source: PriceGrabber.com  
 Base: Online Consumer Confidence Survey 2/10/09-3/9/09 | n =4,102 US Online Consumers  
 Question 4: As a result of the recession, how have your credit card habits changed? Select all that apply  
 Answer 4: "My credit card debit has increased," "My credit card debt has decreased," and "My credit card debt has stayed the same"  
 Question 5: As a result of the recession, which best describes your current credit card situation?

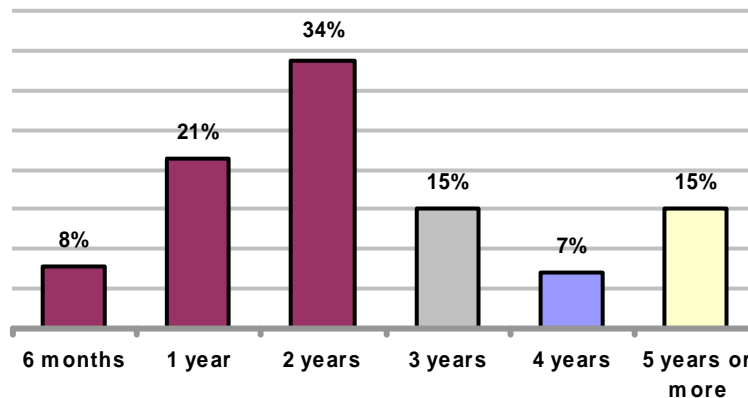


## Online Consumer Forecast for Online Retail Spending

Prior to the U.S. economic downturn, many consumers were overindulging and spending beyond their means. Now, as a result of the credit crunch and the deepening recession, many consumers are less wealthy and secure. This dramatic change in financial stability and consumer confidence has shifted consumer spending behavior and will force retailers to adapt accordingly.

- **A majority of online consumers believe the economic downturn, in terms of retail spending, will not last longer than two years.** Thirty-four percent of online consumers believe that it will take another two years before the economy improves enough to be able to resume the level of retail spending they had prior to the recession. Another 37 percent of online consumers believe the economic downturn will prevent them from resuming at the same level of retail for three years or more, while 29 percent believe it will take a year or less (see Table 10).

[Table 10] A Forecast for Retail Spending



Source: PriceGrabber.com

Base: Online Consumer Confidence Survey 2/10/09-3/9/09 | n = 3,921 US Online Consumers

Question 14: When do you think the economy will improve enough to where you could resume the level of retail spending you had prior to the recession (last quarter in 2007)?

## Supplemental Material

### End Notes

1. Source: PriceGrabber.com [Spending Trends in a Weak Economy](#), Q2 2008.
2. Source: PriceGrabber.com [Holiday Online Shopping Forecast](#), November 2008.
3. Source: Reuters/University of Michigan Surveys of Consumers Press Release, February 2009, "The Index of Consumer Sentiment was 56.3 in the February 2009 survey, down from 61.2 in January and last February's 70.8 and the cyclical peak of 96.9 set in January 2007." (<https://customers.reuters.com/community/university/default.aspx?>).
4. Source: Forrester Research, February 2009 "Consumers now view broadband as a necessity rather than a luxury and are thus not interested in disconnecting or even

downgrading their broadband services.”

(<http://www.forrester.com/Research/Document/0,7211,53418,00.html>).

## 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 Online Consumer Confidence Survey and the 2009 Market Reporter database.

For the PriceGrabber.com Online Consumer Confidence Survey conducted between February 10, 2009 and March 9, 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. A total of 4,239 online consumers completed the online survey. The online survey is comprised of 17 close-ended questions. Respondents were asked about their personal financial situations, behaviors, and opinions as they related to the current state of the U.S. economy. After completing an online purchase, each online consumer received an email confirmation, which included the URL to the Web-based survey.

The sample set was balance with demographic weighted variables – age, gender, and individual income level – to ensure they were representative of the online population purchasing products over the 20 days the survey was administered. The survey completion results showed that 88.9% of total respondents completed the survey and 11.1% partially completed the survey. All cross-tabulation statistics for this report were analyzed using only completed responses. The maximum sampling error for the survey data based on the sample of 4,239 respondents is +/- 3 percentage points at the 95% confidence level.

## Disclaimer

This report may not be reproduced, distributed or published by any person for any purpose without PriceGrabber.com's prior written consent. Please cite source when quoting.

Source: PriceGrabber.com

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](mailto:sara@pricegrabber.com) or by phone at (323) 601-1282.