2010
Coastal Empire and Low County

Holiday Shopping Survey

Prepared by:
Benjamin McKay, Research Analyst
Edward H. Sibbald, Interim Director
Bureau of Business Research and Economic Development
College of Business Administration
Georgia Southern University

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Executive Summary and Introduction

This holiday shopping season is generally going to be better than last years for retailers in the Coastal Empire of Georgia and the Low Country of South Carolina.

This is according to the annual consumer confidence and holiday shopping expectation survey conducted by the Bureau of Business Research and Economic Development at Georgia Southern University. This year survey was administered and developed with the help of Dr. Jacqueline Eastman and her marketing research class.

This annual survey began in 2004 as a tool to gain a better understanding of consumer purchasing behavior. The region covered by this survey covers 11 counties in Georgia and 2 counties in South Carolina which are located along the coastline or in contiguous counties such as Bulloch County. This year's survey was conducted between October 25 and November 1, before the 2010 mid-term elections. Therefore, these findings are not influenced by the outcome of the elections.

Major Highlights Included:

1. Consumers are looking for attractive bargains this year. Forty-seven (47%) report to be bargain shoppers and 80% often check prices before buying.
2. There is a decline in pessimism because fewer respondents see the economy as worse off when compared to last year. In 2010, 41% thought the economy was getting worse off compared to 56% in 2009.
3. Consumers are not planning to make major increases in how much they are spending over last year. Fifty-nine (59%) are planning to spend about the same amount as they did last year-an increase over the 2009 level of 47%.
4. The average planned spending on gifts per family member will be $87 compared to $75 last year. This is the first increase since 2005.
5. A small increase in planned spending on "fun items" was also noted this year. Fifty-nine (59%) will buy electronics in 2010 compared to 55% in 2009.
6. This year 60% of consumers are planning to buy Books/DVDs/CDs compared to 68% in 2009.
7. In 2010, 58% of respondents are likely to shop at department stores—significant decrease from the 70% level in 2009. Specialty stores (GAP, etc), designer stores (Coach, etc.) and outlet malls are expected to pick up most of the market share projected to be lost by department stores.
8. Based on consumers intentions, in this survey holiday sales are estimated to increase by 2% to 3% this year.

General Findings

Bargain hunting will be the name of the shopping game in 2010. Respondents were asked to define what kind of shoppers they are from several different categories including: convenience, bargain, brand conscious, impulsive and other. Forty-seven percent (47%) claim to be bargain shoppers. This is by far the most popular response; it was followed by the 16% who reported to be convenience shoppers. Based on these findings, good deals are very important to consumers and therefore to retailers as well.

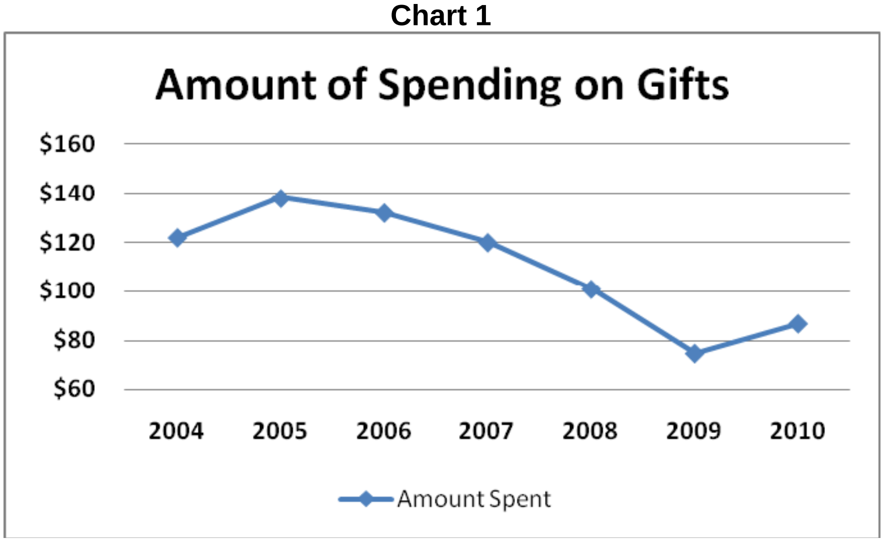
The hunt for bargains may be even deeper then this first result indicates. Shoppers were also asked if they often find themselves checking prices before purchasing. Eighty percent (80%) agreed or strongly agreed with this statement. It is clear that bargain hunting is a large part of the shoppers' mindsets this year.

Even though consumers are looking for bargains, this survey found a decline in pessimism. This year consumers surveyed, felt the economy is not worse off as compared to last year. In 2010, 41% felt the economy was worse than it was last year down from 56% in 2009. Finally a small planned increase in credit cards usage was noted this year. Fifty-percent (50%) of consumer surveyed are planning to use credit cards up from 46% last year. This could indicate that they are feeling better about their financial situation and the economy in general.

How much are Consumers Planning to Purchase?

The survey asked two questions relating to how much consumers are planning to spend this year. The first question was: How much are you planning to spend per family member this holiday season? Chart 1 displays this year's results and included data from past years.

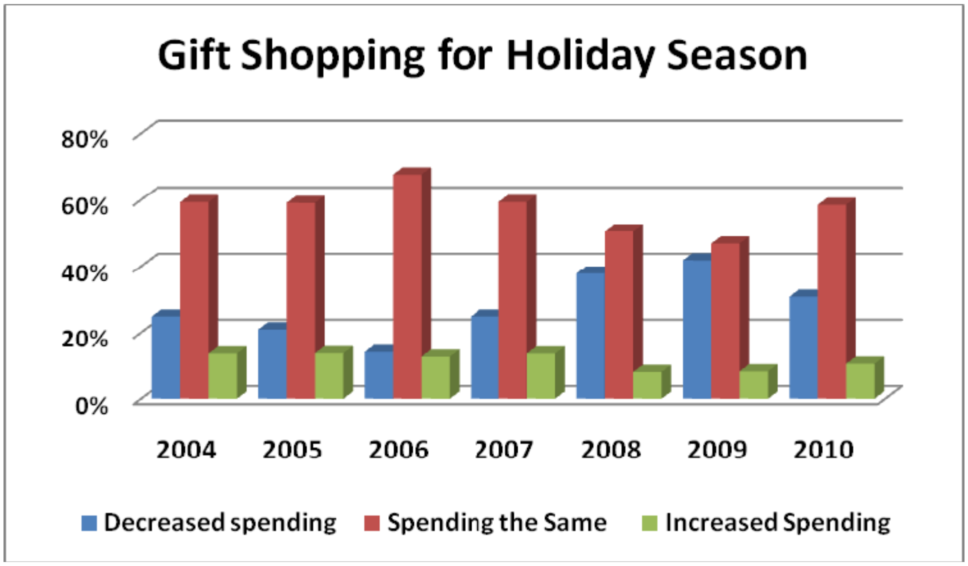
Chart 1



In terms of the average spending per family member it is estimated to grow from $75 in 2009 to $87 in 2010. This is a 16% increase over the previous year and is the first increase in spending since 2005! It is an initial sign that we are noticing a gradual recovery in consumer spending. An increase in consumer spending could provide a major lift to the local recovery. However, spending will not return to the 2007 level of $120 or the 2005 peak level of $138 each. In fact, it may be several more years before spending hits either of those levels.

The second question asked consumers to compare how much they are planning to spend compared to last year; whether it would decreasing, staying about the same or increasing. Chart 2 presents this year's results and it includes historical data since 2004.

Chart 2

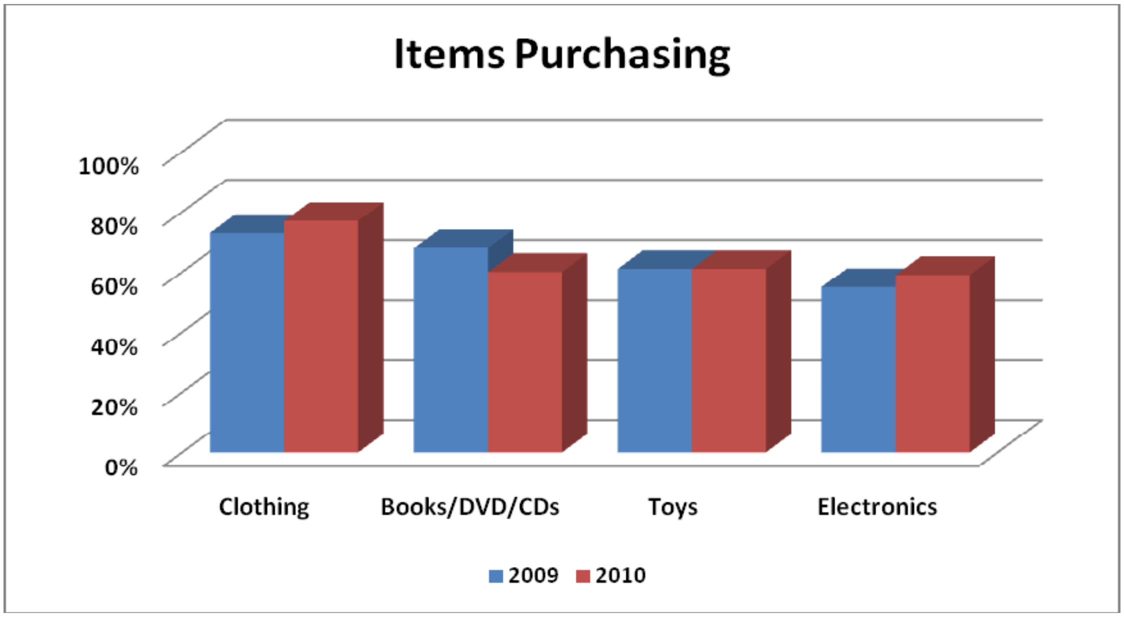


This year, 59% of consumers in our survey are planning to spend about the same amount as they did compared to 47% in 2009. It appears that consumers who responded to the survey are starting to adjust their spending habits. This could be another sign that consumer spending is starting to recover. Also, this could signal that hiring may pick up in the retail sector over the next six months to one year. Additionally, a decline was noted in the number of consumers planning to decrease their spending from 47% in 2009 to 31% in 2010. This is the smallest percentage of consumers who are planning to decrease their spending since 2007.

What are consumers planning to purchase?

Consumers were also asked some general questions about what they plan to purchase this year. Chart 3 illustrates what types of goods consumers are planning to shop for this year.

Chart 3



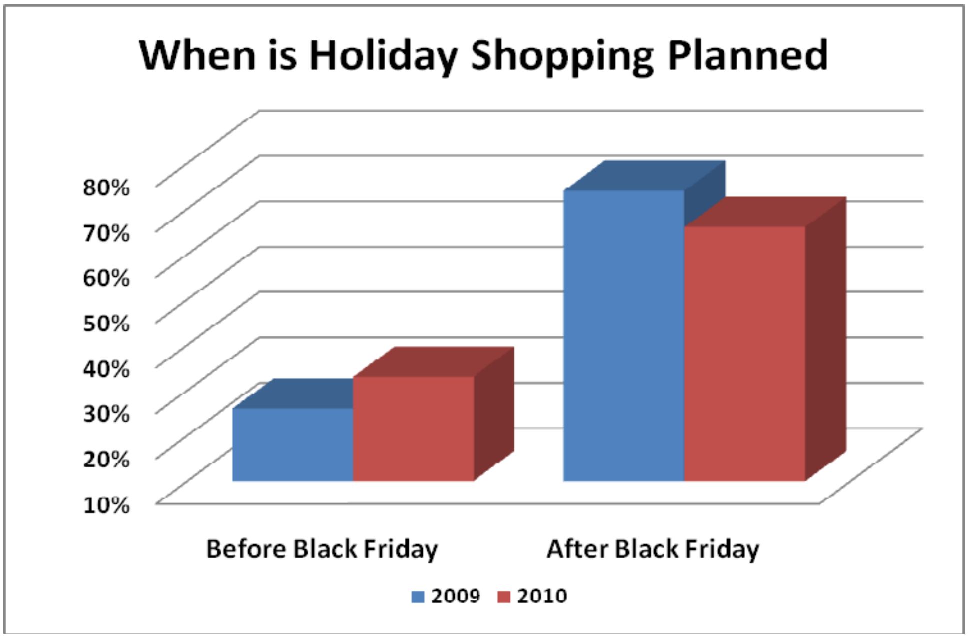
When most consumers make purchases, practical items will be the name of the game. However, small amounts of more enjoyable gifts will be mixed into their giving plans this year. In 2010, 77% plan to purchase clothing, 61% are planning to purchase toys and 59% will buy electronics. Only small changes where noted from 2009, when 73% of respondents planned to buy clothing, 61% planned to purchase toys and 55% planned to buy electronics. The increase in electronic gifts is note worthy because these items are often hard to sell during an economic downturn. This is a sign that this season will be better than last year.

This survey also found that 60% of consumers are planning to by Books/DVDs/CDs down from 68% in 2009. There are two key factors in this decline. One factor is the lack of the hit new release, such as a new Harry Potter book or a big summer blockbuster being released on DVD, when we conducted our surveyed. The second factor is that it could be a part of a longer term decline in sales for old media companies. Media companies need to change their business models or face losing more market share.

When are consumers planning to shop?

Chart 4 reveals when consumers are planning to shop this year compared to last year.

Chart 4

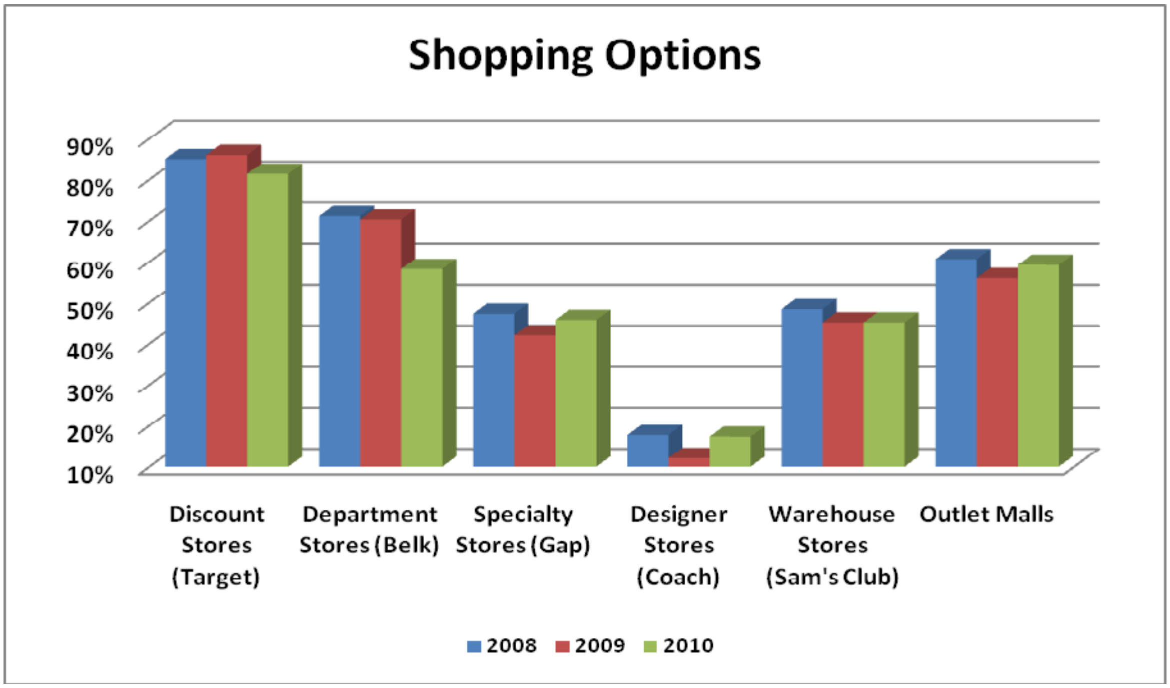


Consumers who responded to our survey are not planning to be last minute shoppers. Thirty-three percent (33%) are planning to finish shopping before Thanksgiving. This is up from 26% last year. In contrast, 66% are planning to do their shopping between Thanksgiving and the week before Christmas. This is down from last year's level of 74% during this same time period. This could mean that more consumers are trying to beat the crowds this year and/or that the push from retailers to start the holiday shopping season earlier is having a positive impact.

Where are consumers planning to shop?

Finally, where consumers are planning to make their purchases is an important part of holiday shopping. When consumers are feeling better about the economy and in a better financial situation they will tend to shop at more upscale stores. Chart 5 displays where consumers are planning to shop this year compared to last year.

Chart 5



Shoppers are not planning to make major changes to where they shop at this year. For example, 81% of consumers are somewhat or very likely to use a discount store in 2010; down from 86% last year. Consumers are planning to increase their shopping at specialty stores from 42% in 2009 to 46% in 2010.

Department stores may see a decline in sales this year. In 2010, 58% of respondents are somewhat or very likely to shop at department stores. In 2009, 70% of respondents were somewhat or very likely to shop at department stores. It appears that department store customers are planning to shop at specialty, designer or outlet malls instead. This could be a sign that department stores need to start their holiday promotions earlier in the fall or this could be a sign that consumer are still turning away for these types of stores.

Finally online retailers are not seeing a major growth in market share in our survey area. 53% of respondents are planning to do some online shopping, but limited to 10% or less of their overall purchasing. This is virtually unchanged from last year. Online retailers may need to begin a major new promotion to increase their market share. More free shipping or advertising their lower priced items may help reverse this trend.