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Gas Prices Changing Consumer Habits

A new study from The Nielsen Company finds that 49 percent of U.S. consumers are reducing their spending to compensate for rising gas prices, up four points from June 2007. 70 percent of consumers are combining shopping trips and errands, and 41 percent are eating out less, and 39 percent staying home more often.

Todd Hale, senior vice president of Consumer Shopping & Insights, said "... Large numbers of consumers eating out less and staying home more... signal a tough year for some restaurants... there may be an opportunity for consumer packaged goods (CPG) manufacturers and retailers to find... growth in... at-home meal solutions and at-work meals."

The survey finds that record-high gas prices likely contributed to 2007's less-than-stellar holiday sales season. Sixty percent of consumers surveyed said they had less money to spend during the holidays due to increased gas prices.

Hale continued... "... our research shows a jump in consumers shopping on the Internet as a way to deal with high gas prices... a wake-up call for manufacturers and retailers alike to step up their 'direct-to-consumer' efforts and utilize the Internet to communicate directly with consumers in 2008... "

The survey shows that 27 percent of consumers are reacting to gas prices by shopping more at supercenters, or megastores and big-box stores, where more items needed are in one store.

"Nearly a third of households still travel 11 miles or more to a supercenter, and high gas prices will likely reduce the number of quick trips these households make," said Hale.

Twenty-five percent of consumers are using coupons to save money, up from 20 percent in June 2007. Twenty-three percent of consumers indicate they will buy less expensive grocery brands to deal with higher gas prices, signaling a possible boost for private label or store-brand products and lower-priced branded products.

Impact of Higher Gas Prices on Consumer Spending and Driving Habits (% of respondents)

	June/July '05	June/July '06	June/July '07	Dec '07
Combine errands/trips	61%	68%	68%	70%
Eat out less	31	39	38	41
Do more at home	30	39	39	39
Reduce spending a little	26	33	29	31
Reduce spending a lot	10	15	16	18
Shop more on Internet	5	9	9	15
Shop more at supercenters	22	26	23	27
Switch to lower price gas stations	30	31	26	26
Use more coupons	20	24	21	25
Buy less expensive grocery brands	17	22	19	23
Use lower grade gas	16	18	14	15

Source: Nielsen Homescan Survey, December 2007

(The survey was conducted in December 2007, when regular gas averaged \$3.06)

"2008 will likely be a challenging year for U.S. consumers and the economy as a whole as we grapple with growing inflation, credit card debt, declining house values -- as well as expectations for gasoline to hit \$3.40 by spring," said Hale. "Manufacturers and retailers need to be alert to the fact that consumers are looking to save by altering where they shop, how they shop and what products and brands they buy. Value, convenience and competitive pricing will be more important than ever in the year ahead."