

Key Considerations for Effective Advertising Messages

Monthly Focus Topic



Verso simple.



The “average” US consumer can be a moving target



The average US consumer’s profile and interests are constantly changing. It is important for those who advertise to keep track of these shifts in order to make changes to their advertising strategy to maintain or boost the efficiency of their advertising dollar.

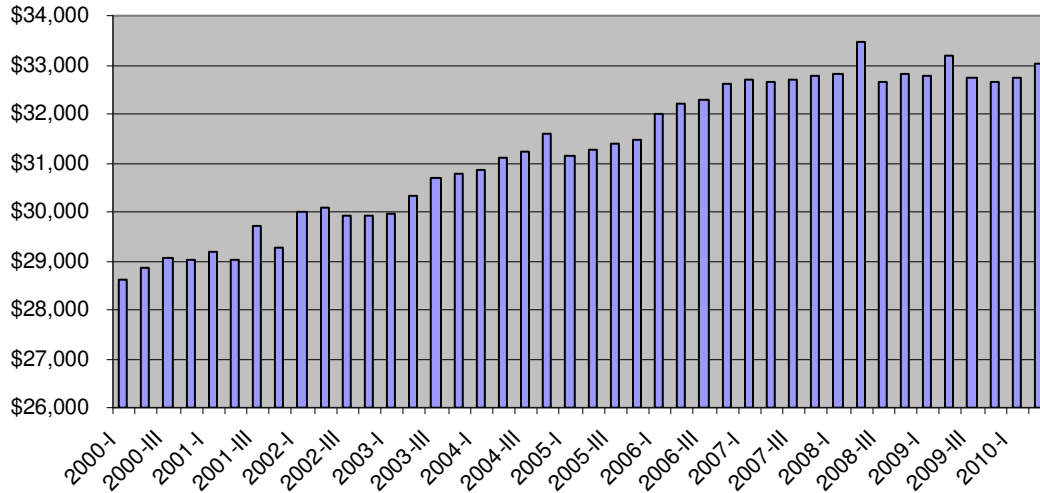
Here are a few of the reasons for the continuous shifts that occur:

- Demographics are continuously changing in the US including race, education, sex, age, etc. The best example would be that the baby boomers represent a very large percentage of the US population and their needs and interests are changing as they age.
- The financial health and consumer confidence is a function of the current economic conditions and future outlook. This has been the biggest factor to shape advertising strategy for the last 18 months.
- Family roles and areas of responsibility within the family unit are continuously changing. Knowing who does the purchasing and earns the wages for the family is important to the advertiser.
- Changes in pay cycles and tax laws impact the consumer’s confidence as they put together their spending plans throughout the year.

The current recession has had dramatic impact on the average US consumer



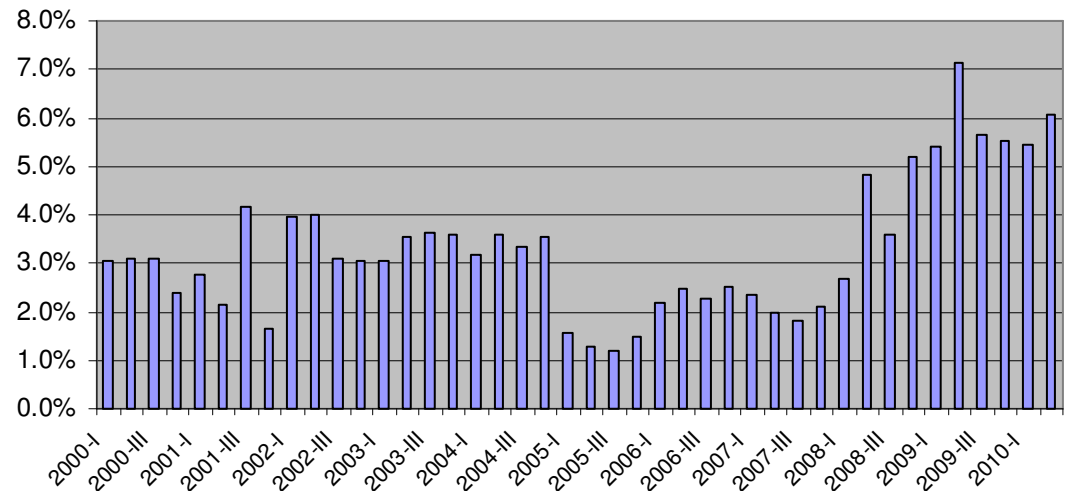
Disposable income per capita (chained 2005 dollars)



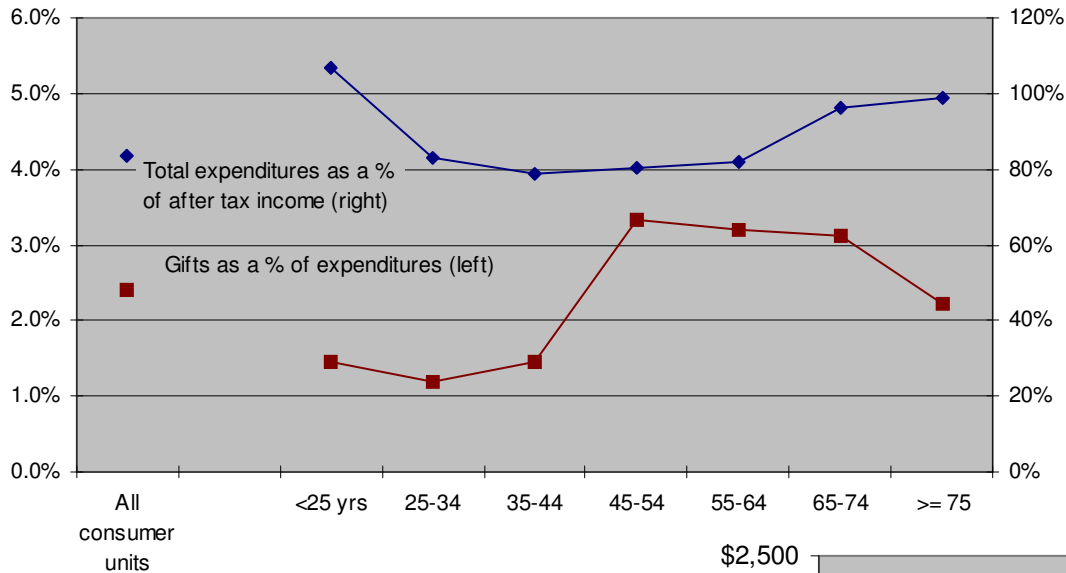
It is easy to see that since the recession started, a plateau has been reached in the amount of disposable income of the US consumer...

...over this same period the consumers tendency to spend is further reduced by their inclination to save a greater percentage of that disposable income.

Savings as a % of disposable income

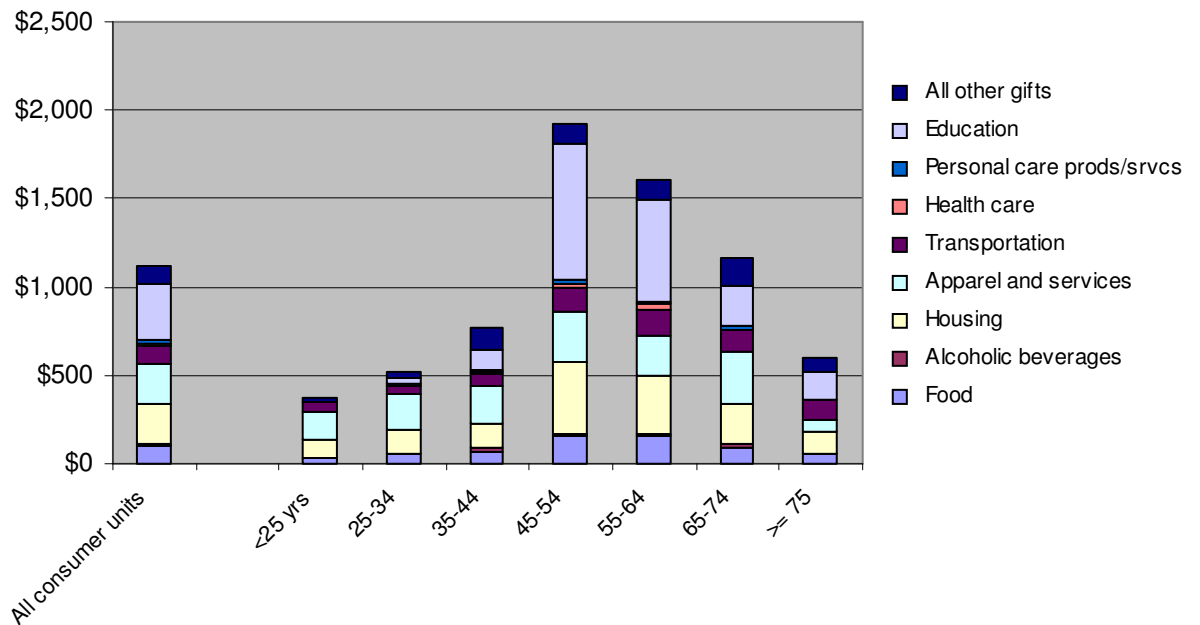


There are some significant differences in spending and saving habits for the various age bands



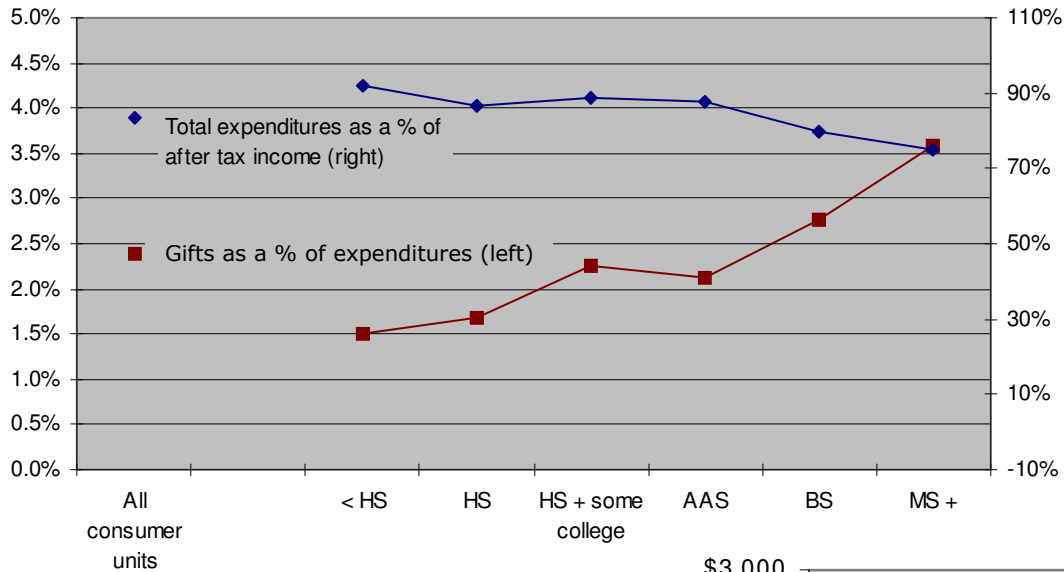
From the graph to the left, those consumers less than 25 years old are spending more than their income allows and those that are 45-75 are spending the most on gifts (as a percentage of total expenditures).

The bar graph to the right shows only purchases on gift items. The baby boomers at the time of this 2008 survey would have been 44-62 years old. It is easy to see they are the engine that drives gift purchases in the US in this graph.



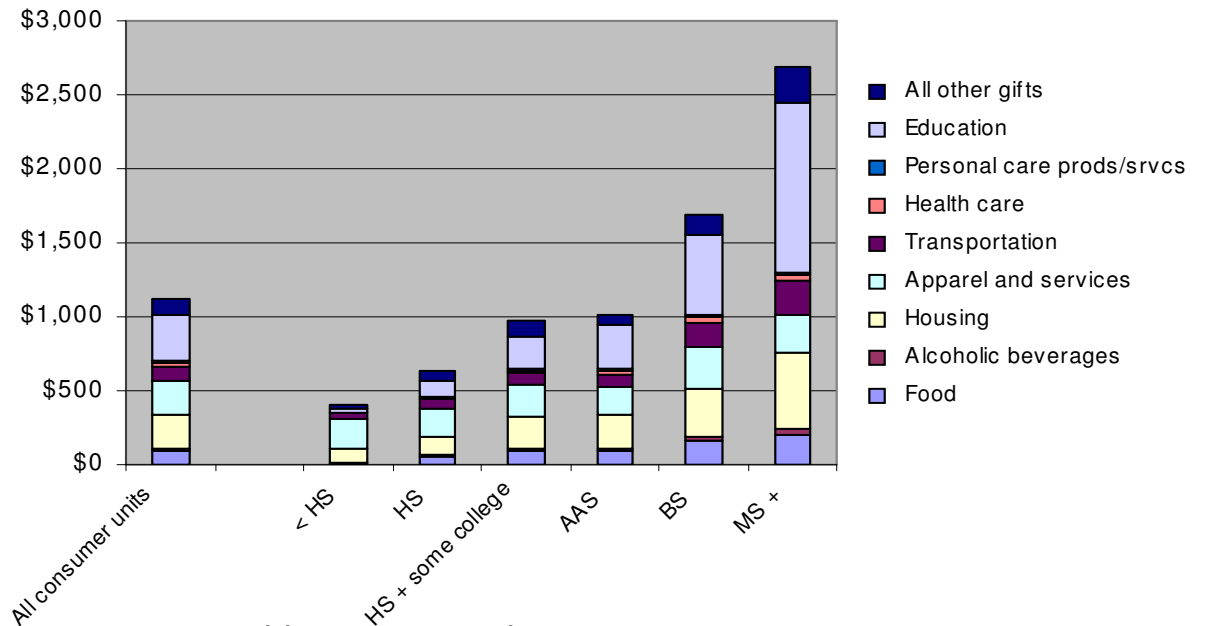
SOURCE: bls.gov, 2008 data

Those with greater levels of education are outspending (and out earning) by a large margin



From the graph to the left, as the level of education achieved increases, there is a much greater tendency to spend on gift items, while these consumers are - no surprise - spending a lower percentage of their total income.

From the graph to the right, as the level of education achieved increases, there is a much greater tendency to spend in almost all areas of gifts, but the education category shows proportionately the greatest increase.

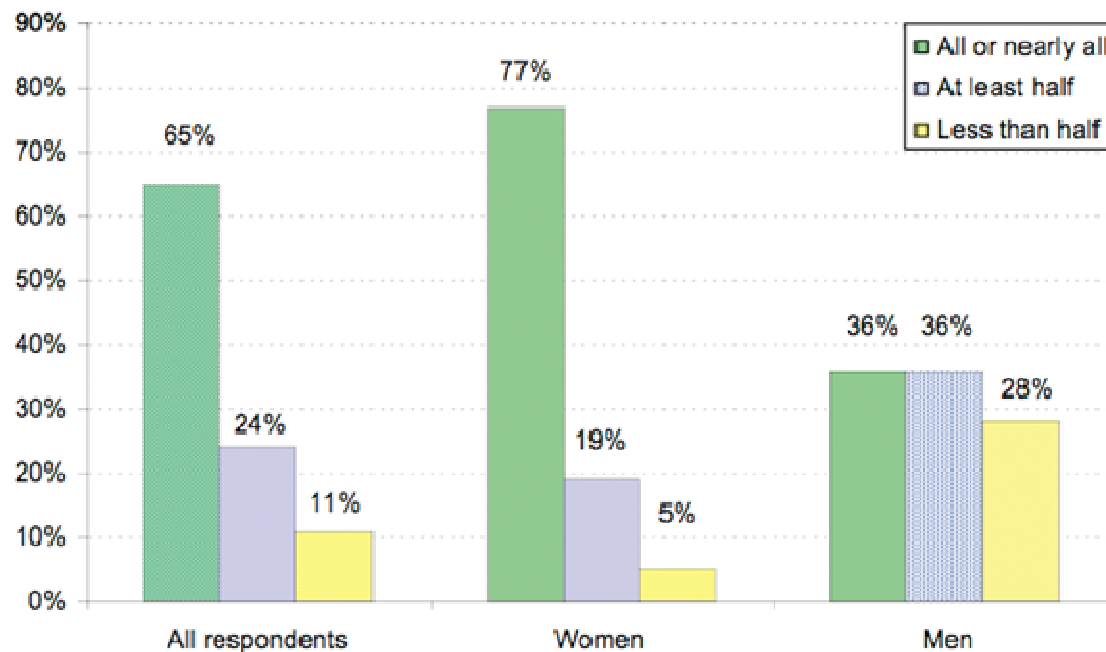


SOURCE: bls.gov, 2008 data

Targeting the primary shopper in the household is key



According to the data gathered from the Shopping Habits Report (done by the International Council of Shipping Centers), Men and women agree that women are doing the majority of shopping for household needs.



This survey which was completed in April of 2010 also found, relative to the recent difficult economic conditions, while women showed many positive changes, they continue to remain cautious and highly motivated by price savings and budgeting opportunities.

Timing of the advertising message for maximum impact



+ A great time for an advertising message would be to have it in the target consumer's mailbox on "payday":

1. SOCIAL SECURITY CHECKS - Baby boomers have been shown to be the biggest gift givers with the greatest potential to spend discretionary savings. A growing percentage of these boomers are beginning to receive social security checks. Since 1997, procedures have changed and an advertiser must now know the birth date of the target consumer to hope to time the advertising message with the social security check

If you retired and received benefits before 1997 the checks are usually sent on the third day of the month. If you retired and received benefits after 1997 the checks are sent on a schedule based on your birthday.

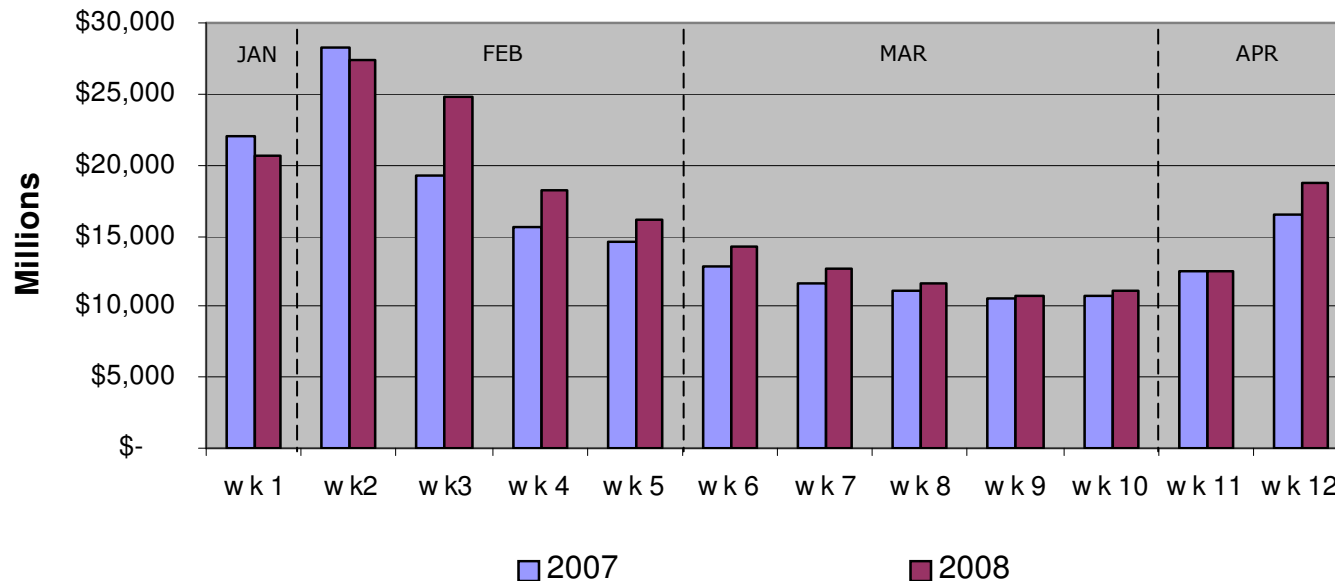
2. PAY CHECKS – Highly educated professionals with higher earning and spending potential tend to get paid monthly – at the end of the month. Those with variable salary would tend to get their prized bonus checks in the February / March time frame.

Timing of the advertising message for maximum impact (contd)



- 3. TAX RETURNS – For those who receive a tax refund, these checks are spread out over several weeks. IRS tracks refunds paid during “tax season” (late January to mid April) and the data from 2007 and 2008 (most recent available for the full tax season) is show below. There is a definite pattern that shows refund dollars flow to consumers bank accounts both early and late in the tax season.

Total TaxDollars Refunded



Conclusions



The conclusion of this Focus Topic is that there are certain key demographic slices that represents the “engine” of consumer spending, and there are optimal times to pose the advertising messages to maximize the advertising dollars.

- The key targets for advertising messages, where the messages have not been developed on an individual profile, should be more effective if directed towards these key groups. **Baby Boomers** and those with **Higher Education** are two examples explored here.
- The timing of those advertising messages is also very important. There are key events which occur during the calendar which can make an advertising campaign more effective since the consumer has a better view of their financial situation. Timing of **Social Security** checks, **Pay checks**, and **Tax Refund** checks were explored here.