



**BEYOND THE
TIPPING POINT**

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1. PREAMBLE

In recent years we have examined the Irish consumer from a number of perspectives:

- Demographic change and its impact on the average wealth of Irish consumers.¹
- Changes in the manner in which we dispose of our wealth.²
- Shifts in shopping behaviour patterns.³
- The impact of rapid change on the psychological disposition of the Irish consumer.⁴

This essay is intended as a companion piece for those earlier analyses. Our intent is to update some of the data presented in those earlier reports alongside some new evidence, in an attempt to provide an assessment of the contemporary Irish consumer.

Our main contention is that:-

- Ireland enjoyed unprecedented economic growth between 1985 and 2001.
- Some of the major factors contributing to those economic gains had a fairly substantial "bill" attaching to them.

- Throughout much of the time, economic advances were such that, the public focus was less on the costs involved; more on the benefits.
- In retrospect, April 2002 can be seen as a tipping point. Consumer confidence dipped very sharply at that time, after “September 11th” and coinciding with our entry into the Euro.
- The emphasis in public debate shifted very heavily towards “counting the costs”.
- The changes which had taken place in Irish society in the lead up to the tipping point were so marked (and so condensed) as to have produced a distinct culture shift.
- Many of the traditional Irish “values” that marketeers have come to depend upon, no longer hold true.
- There has been a quantum shift in the mental set and purchasing habits of consumers, which has been a tremendous benefit to certain market segments but not to all; indeed some markets have lost out as a result of these changes.

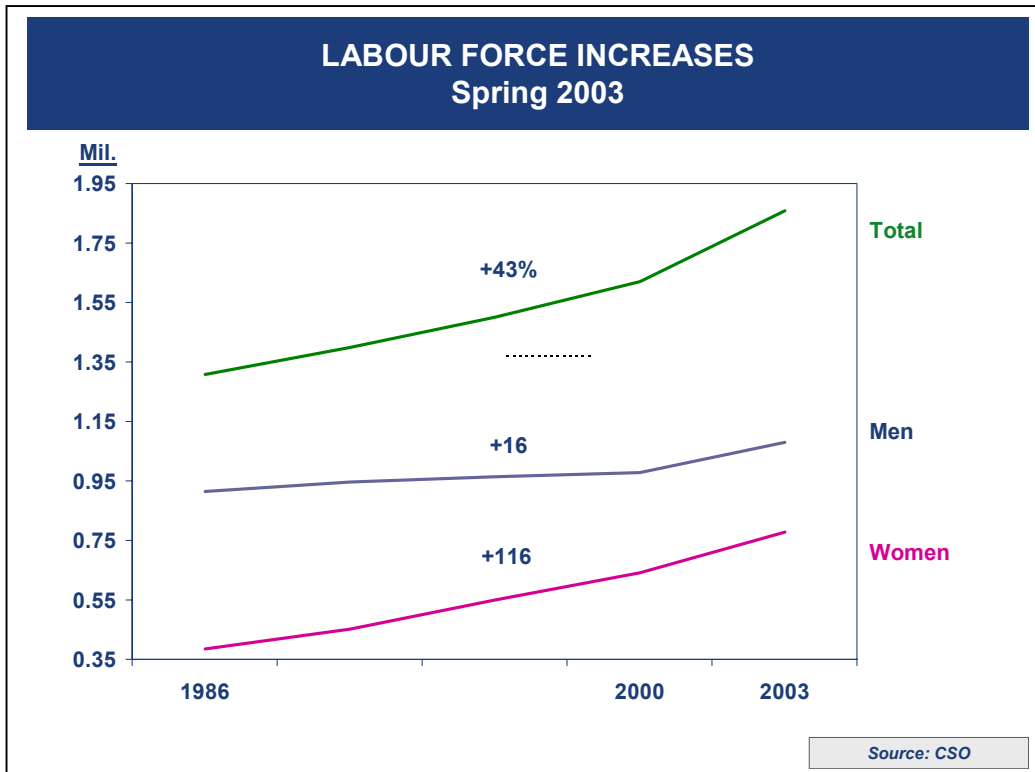
2. BEFORE THE TIPPING POINT

Anybody who doubts the scale of economic advance in Irish society between 1985 and 2001 should examine Appendix A of this document.

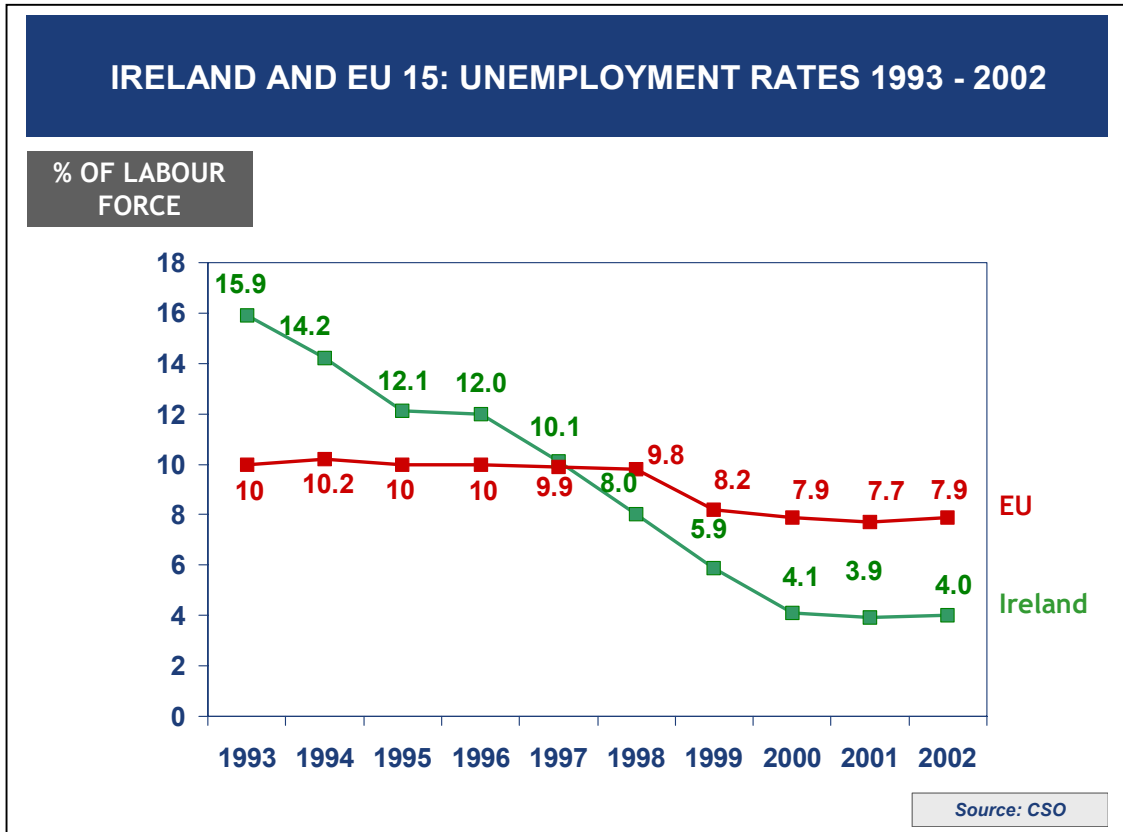
The charts presented there derive from the Joint National Readership Surveys conducted over the period. They tell an almost staggering story of economic advance.

We have examined the underlying reasons for change in an earlier report¹ but there are a number of key factors worth reiterating here:

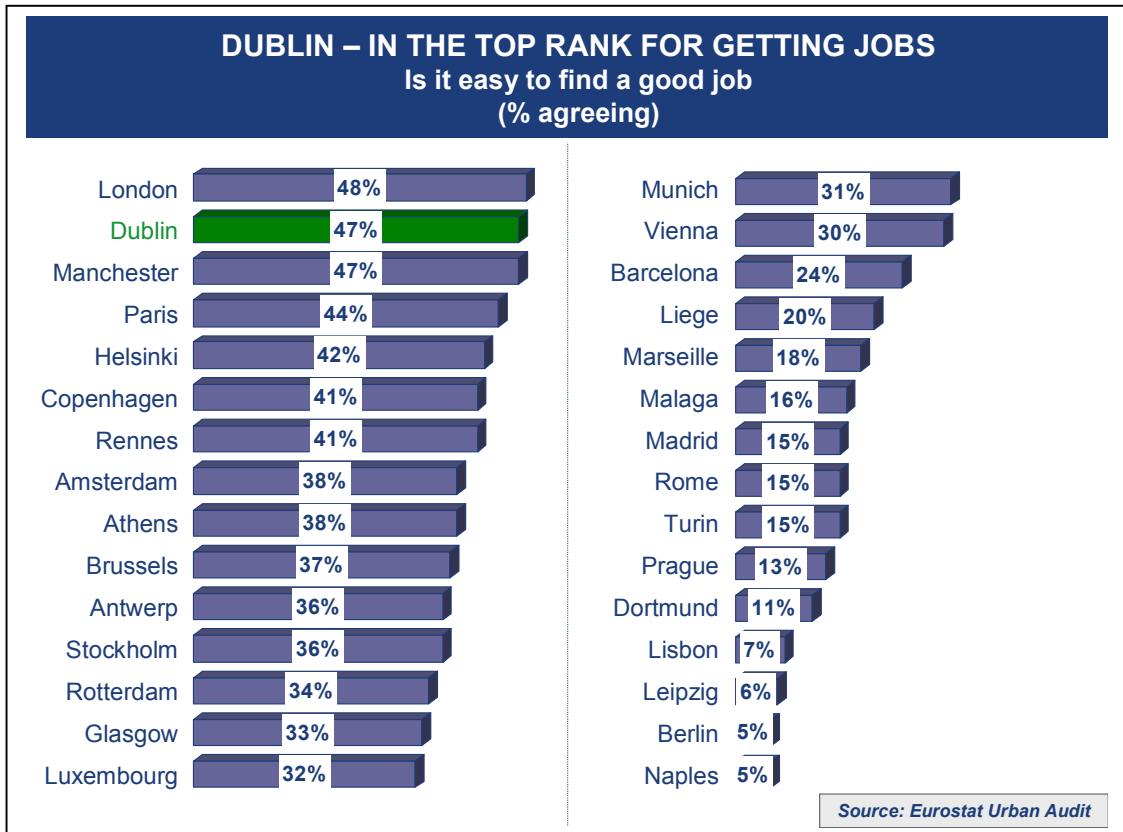
- Between 1986 and 2003 there was a 43% rise in the labour force.
- The number of men in the labour force increased by only 16% over that period.
- The number of women in the labour force more than doubled (Plus 116%).



- Within this dramatically increasing labour force, the unemployment rate was cut from 16% to 4%.

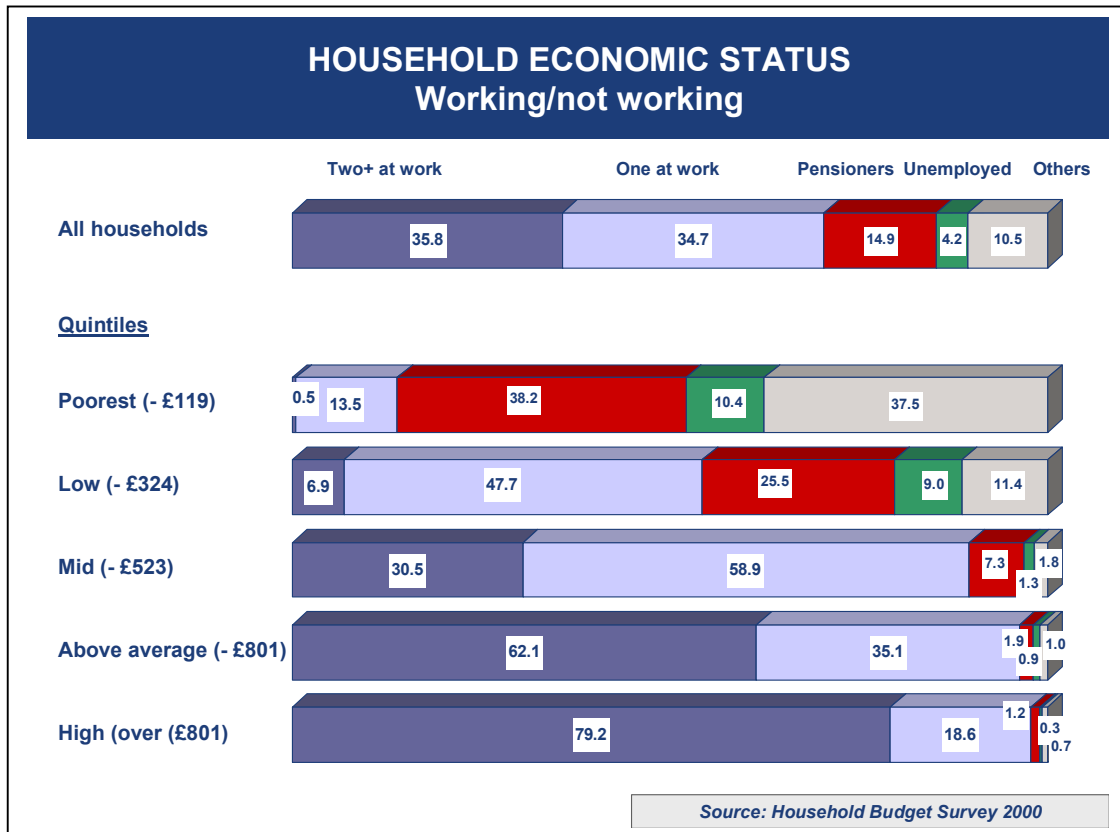


- Dublin developed a reputation as one of the easiest places in Europe in which to get a job, as is evident from the following extract from the Eurostat Urban Audit.⁵



- The average household size decreased significantly (from 3.6 to 3.0).
- While the number of people actually working went up by 55%.

The most recent Household Budget Survey (2000)⁶ provides clear evidence of the impact on household income of having a second, or even a third income earner within the household.



The bulk of our wealthiest consumers come from two income families. Most of those in the poorest segments don't even have one income earner.

One important consequence of this pattern of change is that there was a widening in the disparity between the better off and the less well off parts of society.

RICH MAN - POOR MAN
Disposable Income – Household Data

<u>Quintiles</u>	Household		
	94/5	1999/2000	% Var
	£	£	%
Lowest	80.50	110.52	+37%
Low/Middle	153.78	228.34	+48%
Middle	239.60	368.66	+54%
Middle/high	353.00	535.96	+52%
Highest	582.62	940.57	+61%
Total	281.92	434.40	+54%

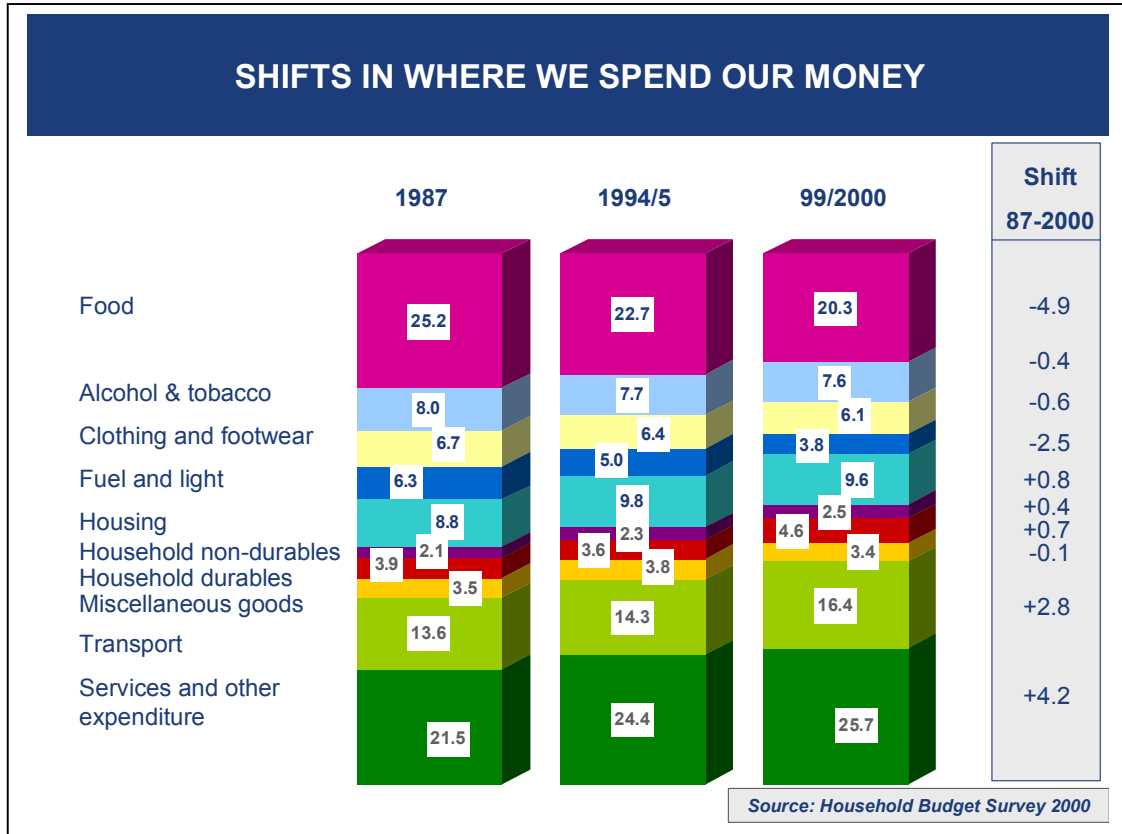
Source: Household Budget Survey 2000

In the five years running up to 2000, the average household income of the poorest one-fifth of households increased by a creditable 37%.

However in the wealthiest one fifth of households, the average disposable income during the same period rose by 61%.

Put another way, the top 20% of Irish households in 1995 had 7.2 times the disposable income of the bottom 20% of households. Five years later they have 8.5 times as much disposable income.

As we became "better off" we changed our spending patterns in much the same fashion as Maslow's theory predicts we should:



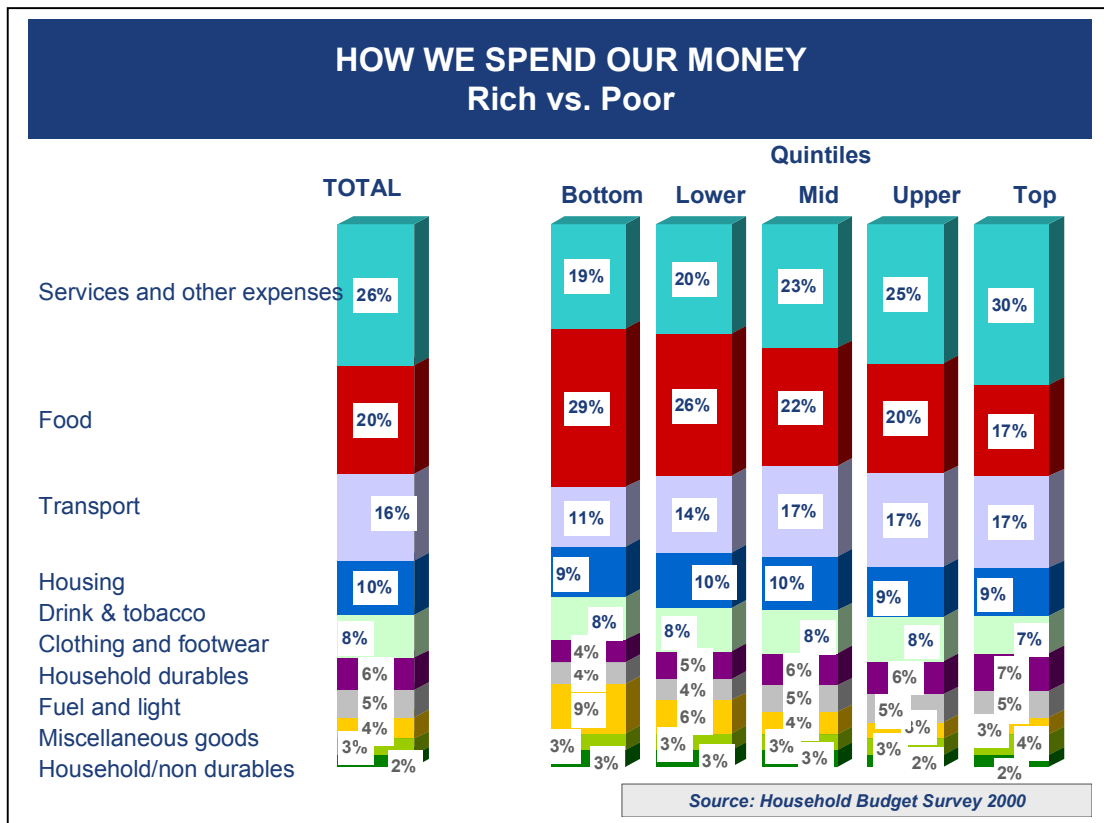
A diminishing share of our spending went on necessities: an increasing share on luxuries. Nevertheless the absolute amount being spent on food rose over the period as can be seen here.

THE BIG FOOD ITEMS			
	94/5	1999/2000	% Var
All food	£70.75	£92.36	+31%
	£	£	%
Food outside home	10.92	18.96	+74%
Meat	15.22	16.71	+10%
Milk and cream	6.68	6.97	+4%
Fresh vegetables	4.27	4.96	+16%
Soft drinks	3.35	4.72	+41%
Bread	3.73	4.11	+10%
Sweets & chocolates	2.62	3.98	+52%
Chip Shop/Take-Away purchases	1.87	3.20	+71%
Fresh fruit	2.24	2.87	+28%
Cheese & eggs	1.86	2.16	+16%
Cakes and breads	1.51	2.14	+42%
Combined spend	54.27	70.78	+30%

Source: Household Budget Survey 2000

Between 1995 and 2000 our spending on food items increased by 30%. Even within that, there was a marked difference between spending on food outside the home (+74%) and inside the home (+20%). By comparison, our spending on holidays, motorcars and other travel all more than doubled.

The broad mass of people benefited from the economic buoyancy but, inevitably, some more than others.



The poorer groups had to give over a higher percentage of their total income to food. The better off had more left over to spend on luxuries and services of various kinds.

These inequalities in access to “the good life” were just one example of a source of tension, building up as we moved towards the tipping point. Even some of the apparent beneficiaries found the strains of maintaining a dual income household were beginning to show. In some instances the dual income solution would have been seen at the outset as a short-term necessity. In reality, it was proving to be a more permanent shift in lifestyle. The dramatic increase in the number of people entering the workforce over a very short period of time, had an inevitable impact on travel arrangements. Commuting times became greatly extended.

Dual income families were presented with the harsh realities of the cost of baby minding services and this had a significant impact on the cost benefit equation¹². Other concerns were beginning to manifest themselves but they did not come into clearer focus until after the tipping point. We will discuss them in more detail later.

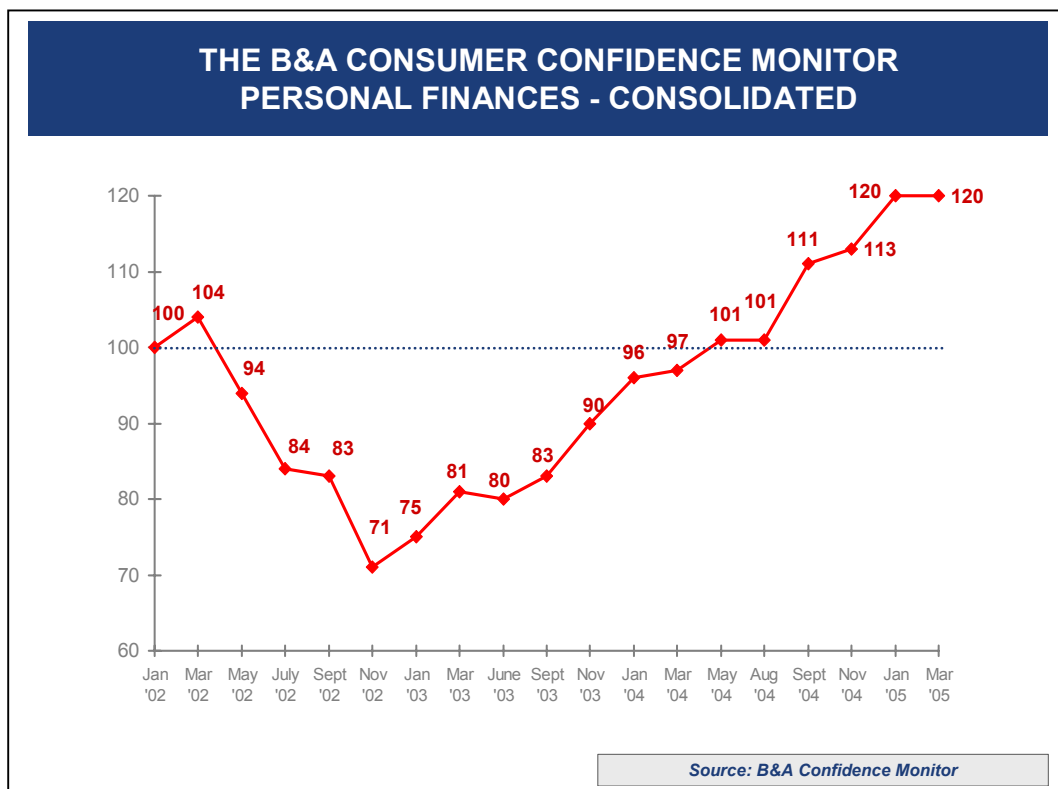
3. THE TIPPING POINT

We need to consider some key issues here:

- **What exactly was it that tipped?**
- **When did it happen?**
- **Why did it happen?**
- **What are likely to be the long-term consequences?**

The “thing” that tipped was, that delicate flower, consumer confidence. The tipping point occurred somewhere between March and May 2002.

The sharpness of the fall and the duration of the period in the doldrums, is evident from the following chart drawn from the Behaviour & Attitudes Confidence Monitor* ⁷



* The Index consolidates a number of measures: see references section

Clearly, there were many factors that may have contributed to this, but we will focus on two: one rather obvious, the other perhaps less so.

The obvious candidate was the terrorist attacks on New York in the preceding September. The less obvious candidate, and the one that coincided much more closely with the downturn, was Ireland's currency changeover to the Euro.

Although the changeover was a major success as a technical exercise, we contend that it caused quite significant emotional turmoil. In many projects we carried out around that time, we detected a sense that consumers had lost emotional "contact" with their currency. They lost any instinctive understanding of the value of money.

Consumers were convinced that manufacturers had used the opportunity (of the changeover) to increase their prices.

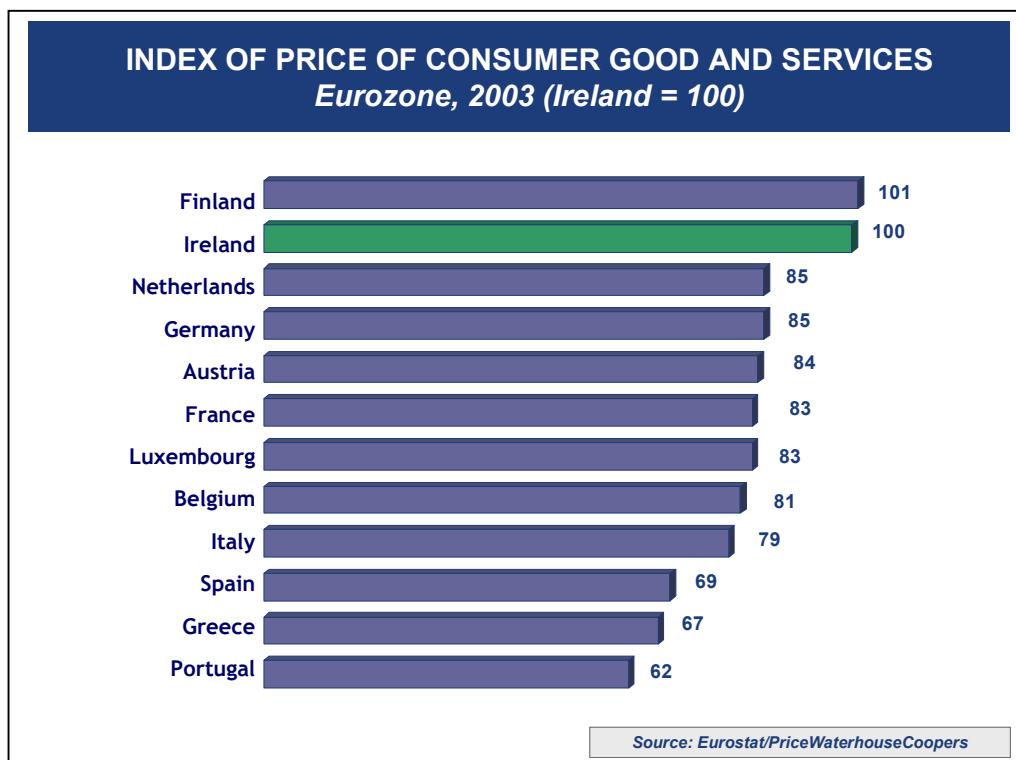
This was probably a common experience throughout the EU but there were a number of factors which made the Irish experience particularly problematic:-

- Firstly, there was the degree of overlap between the Irish and UK markets. Irish consumers continued to see a great mass of advertising for similar products in the Irish and UK markets. The UK options were priced in pounds sterling, which it was very easy to confuse with the old Irish pound, (because they had been linked in the past and continued to be viewed as "broadly similar"). Irish consumers were now presented with euro prices which very often seemed to be double the pound price equivalent (the sterling designation was often overlooked).

- Secondly, conversion to the euro made cross country price comparisons easier. Irish travel patterns are such that the most frequent comparative benchmarks tended to be between Ireland on the one hand and countries like Spain, Greece and Portugal on the other. What they saw shocked them to the core.

We can get some indicator of how the evidence began to build up from an examination of a study conducted by PriceWaterhouseCoopers in 2003 and reported on by Eurostat⁵.

This study took a common 'basket' of consumer items and priced them across 12 European countries. As can be seen from the following chart, Ireland did not come out of the comparisons very well:



The contrast is particularly stark when one bears in mind that the most likely comparisons, for Irish people, are between Ireland and the most popular sun holiday destinations for Irish holidaymakers.

Based on these data, Irish prices are likely to appear 50% higher than in the traditional holiday sun spots.

That is the average position. The position is perhaps even more negatively biased if we consider the types of items that people are likely to use as the basis for comparison.

The following chart makes it clear that for much of the recent past, Ireland has been at the top end of the price league in a wide range of areas.

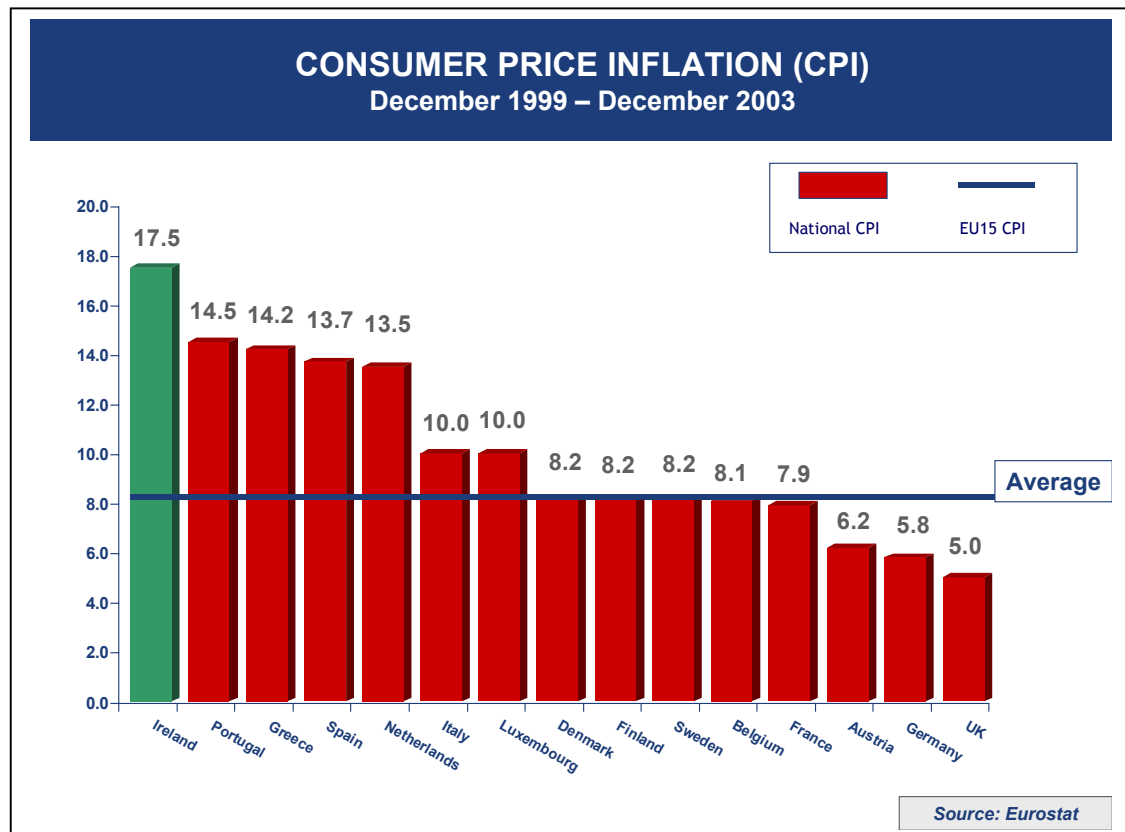
CONSUMER PRICES IN IRELAND					
Eurozone Perspective (1 = most expensive out of 15)					
	1999	2000	2001	2002	2003
All Items	5	2	2	2	2
Food and non-alcoholic beverages					
Food	5	4	2	2	1
Bread and cereals	6	5	5	4	4
Meat	8	8	7	7	7
Fish	12	11	6	6	8
Milk, cheese and eggs	1	1	1	1	1
Oils and fats	11	11	6	5	5
Fruits Vegetables, Potatoes	3	3	1	1	1
Other food	6	5	2	2	2
Non alcoholic beverages	4	2	1	1	1
Off licence alcohol and tobacco					
Alcoholic beverages	2	2	2	2	2
Tobacco	1	1	1	1	1
Clothing and footwear	12	11	11	11	12
Gross rents fuel and power	5	4	1	1	1
Rentals for housing	5	3	2	1	1
Electricity, gas and other fuels	6	7	8	8	8
Furnishings, equipment and maintenance	6	3	4	4	4
Health	6	7	6	5	5
Transport	2	2	2	2	2
Communications	6	6	9	6	6
Recreation and culture	6	4	2	2	2
Education	8	8	5	5	5
Restaurants and pubs	2	2	1	2	2
Miscellaneous goods and services	8	7	7	3	3

= Top 3

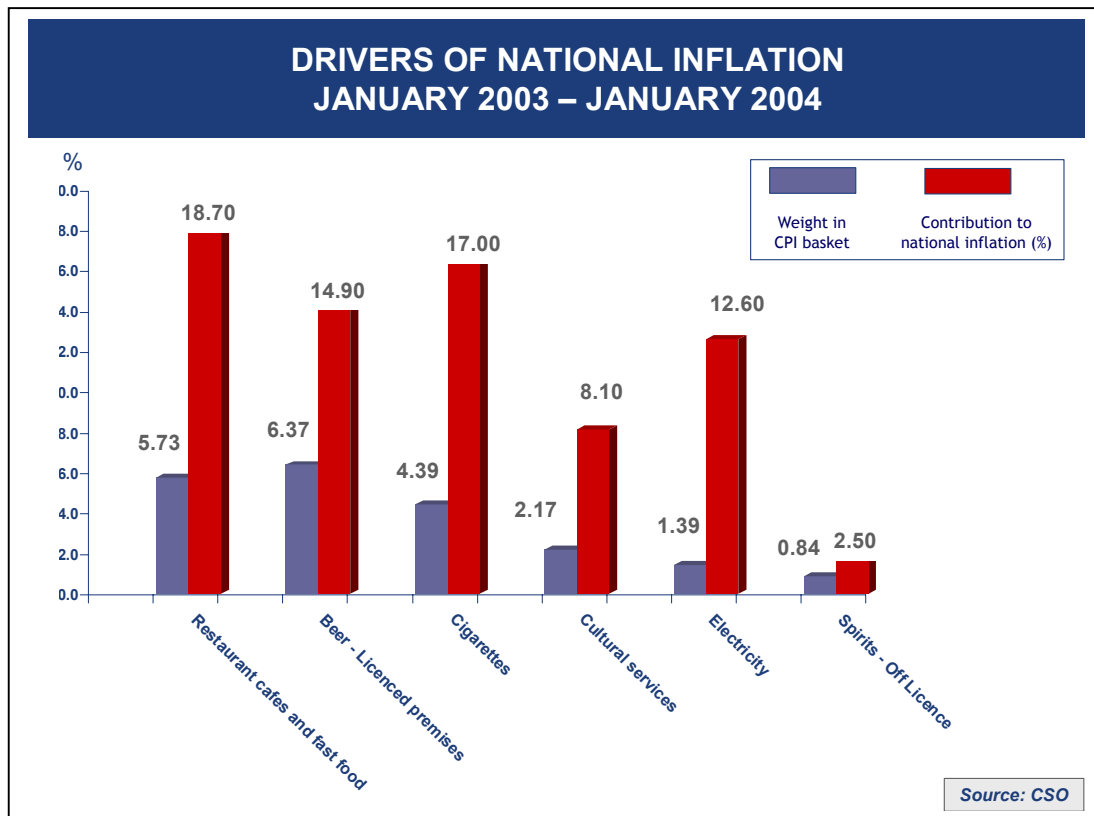
Source: Eurostat

Many of these are likely to be particularly evident “signposts” for holiday visitors – restaurant and pub prices, for example.

Not only were our prices higher than in other countries but our inflation rate was running ahead of other markets as well, as can be seen here:



If we delve below the surface to find out what items are particularly driving our high inflation rate, we find the following candidates:



The highest 'loading' items in driving our inflation rate have been:

- Restaurants, cafés and fast food
- Beer on licensed premises
- Cigarettes
- Cultural services
- Electricity
- Spirits in off-licences.

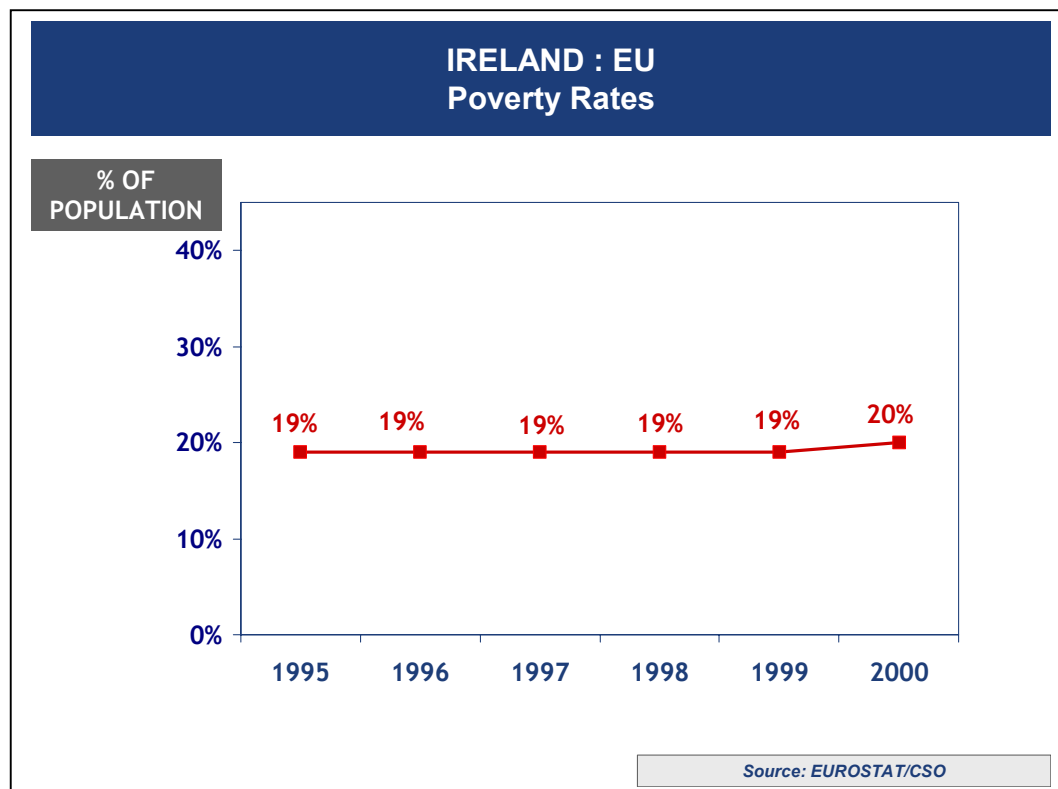
We will see evidence later that many of these areas have been particularly 'problematic'.

For the moment however the main point we are trying to make is that this pattern became part of the consumer discourse: not in this analytic way, but intuitively as is normally the way in formulating “The Wisdom of Crowds” ⁶.

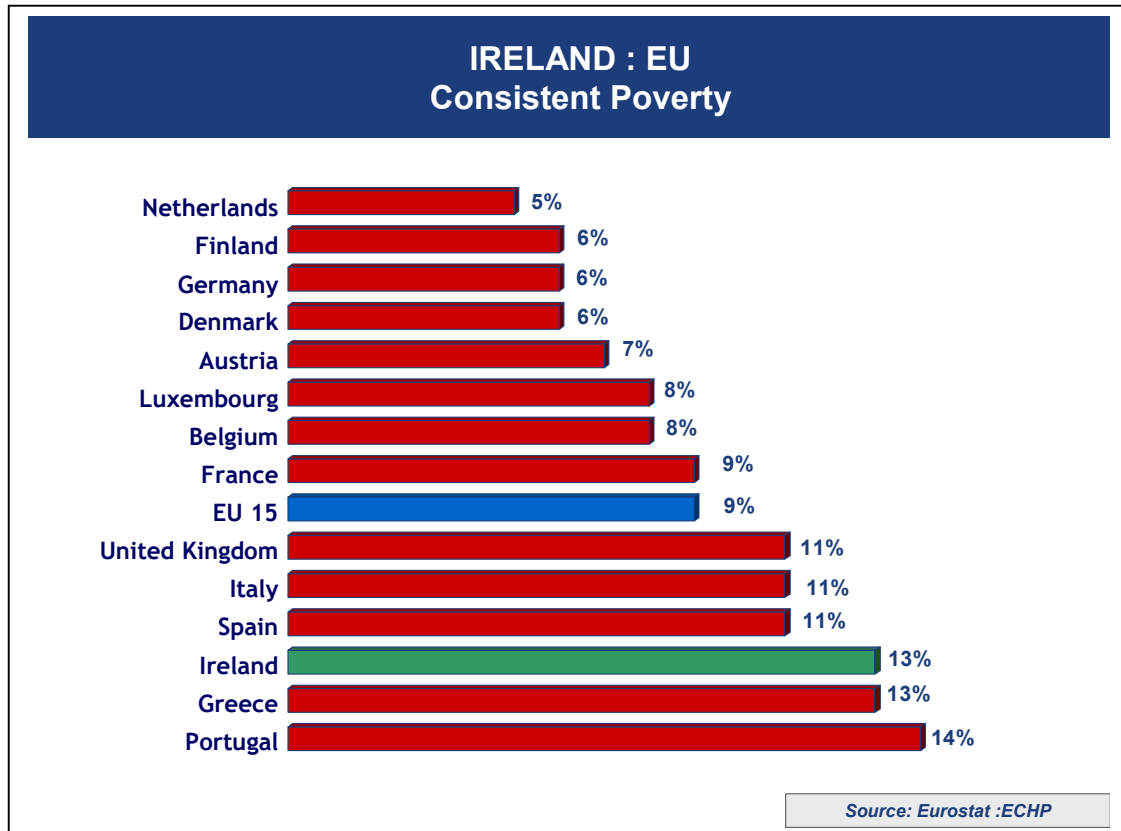
This is the genesis of a great deal of the public debate on what has been called “rip off Ireland”.

This undermined consumer confidence to a significant degree. We tended to become obsessed with how expensive items seemed to be in Ireland as compared to elsewhere. In making these comparisons, we tended to ignore the fact that we have one of the lowest income tax rates in the world (but this is perhaps a digression) ⁷.

The division between the haves and have nots, referred to earlier, was brought home to us by consistent CSO measurements of poverty rates in Ireland:



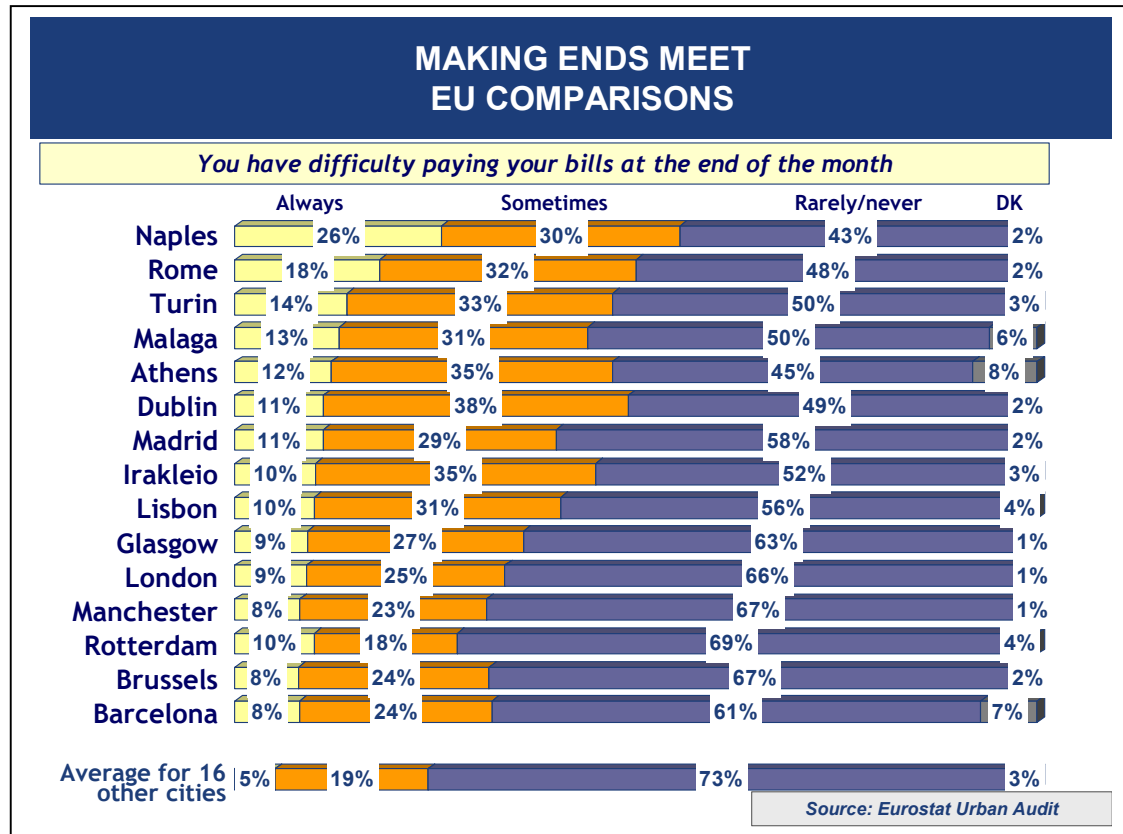
We were perhaps more shocked by Eurostat estimates of the proportion of our population who are in a state of consistent poverty: particularly when we compare this to other European economies.



We are clearly at the wrong end of the table on this particular index.

One might argue about the reliability of any one measure of this kind but there are other indicators pointing in the same direction.

The following chart is derived from the European Audit⁸ : a survey of approximately 300 people in each of the 32 major cities



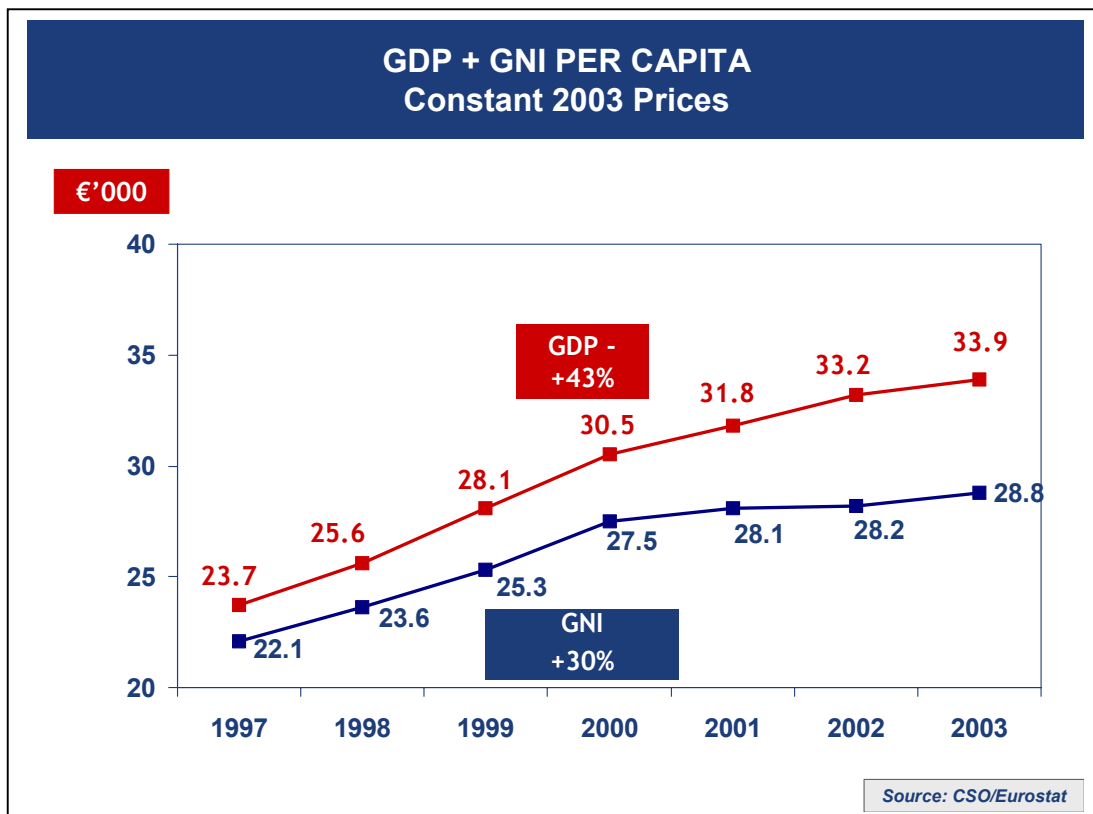
It can be seen that Dublin comes in at 6th out of the 32 countries in the proportion of our population who say they always have difficulty paying their bills at the end of the month. We rank third worst if we include those people who **sometimes** have such problems.

In this new questioning frame of mind, some people were inclined to re-examine the evidence of our economic advances.

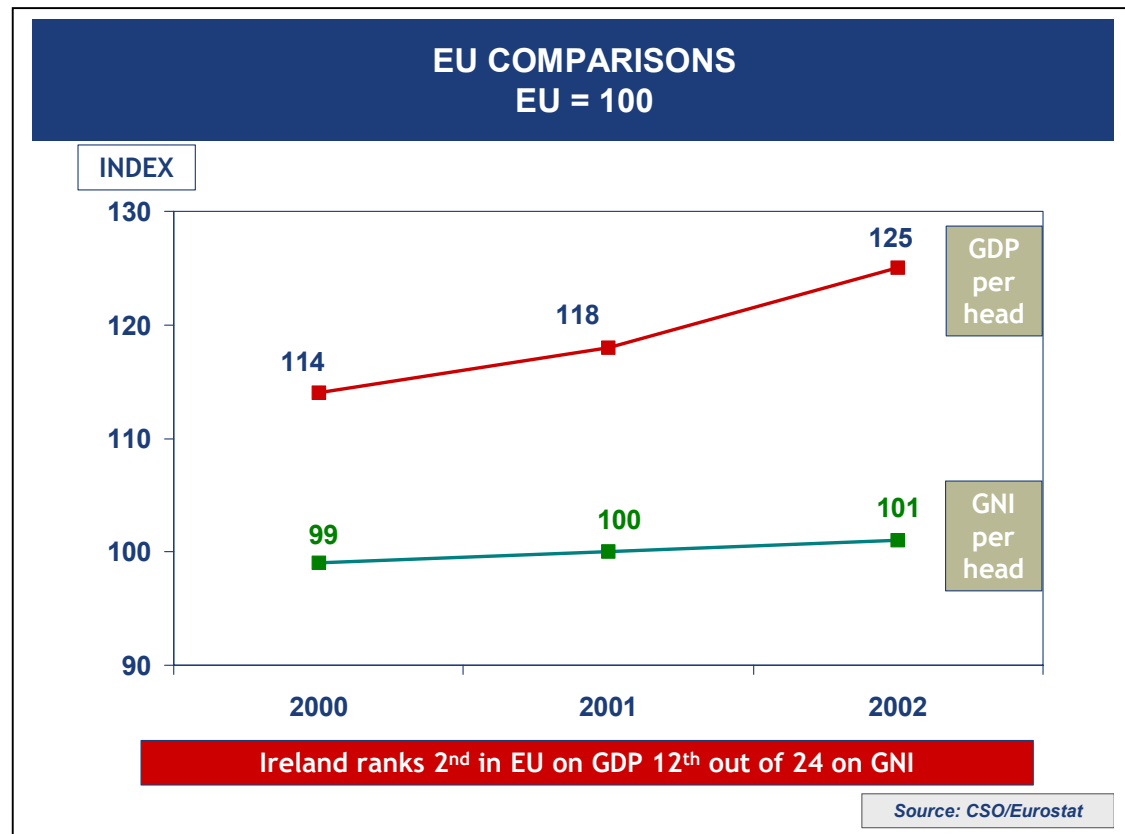
One key factor that has been focussed on in this reappraisal is related to the differences between gross **domestic** product or gross **national** income per head. Gross national income is probably a better reflection of what filters

down to the domestic market (the difference between the two being explained by repatriated profits to multi-national companies, by and large).

As it happens, the gap between the two is much more marked in Ireland than in any other European country, with the possible exception of Luxembourg. The Irish position is as follows:



The position is even more revealing if we index our GDP and GNI per head relative to European norms. They show the following pattern:



A great deal of the spectacular performance of the Irish economy is accounted for by repatriated profits. If we focus on the more realistic assessment of what ends up in consumer pockets (gross national income per head) we are **not** running ahead of the European norm: we are about average.

The net result of all these changes is that:-

- We discovered we were not quite as well off as we had thought.
- We had grown accustomed to the idea that it was possible "to have it all"
- We started to tailor our behaviour patterns accordingly.

4. HOW CONSUMERS REACTED

In this section of our review we examine some of the evidence on how consumers reacted to this new environment.

Our general contention is that Irish consumers:

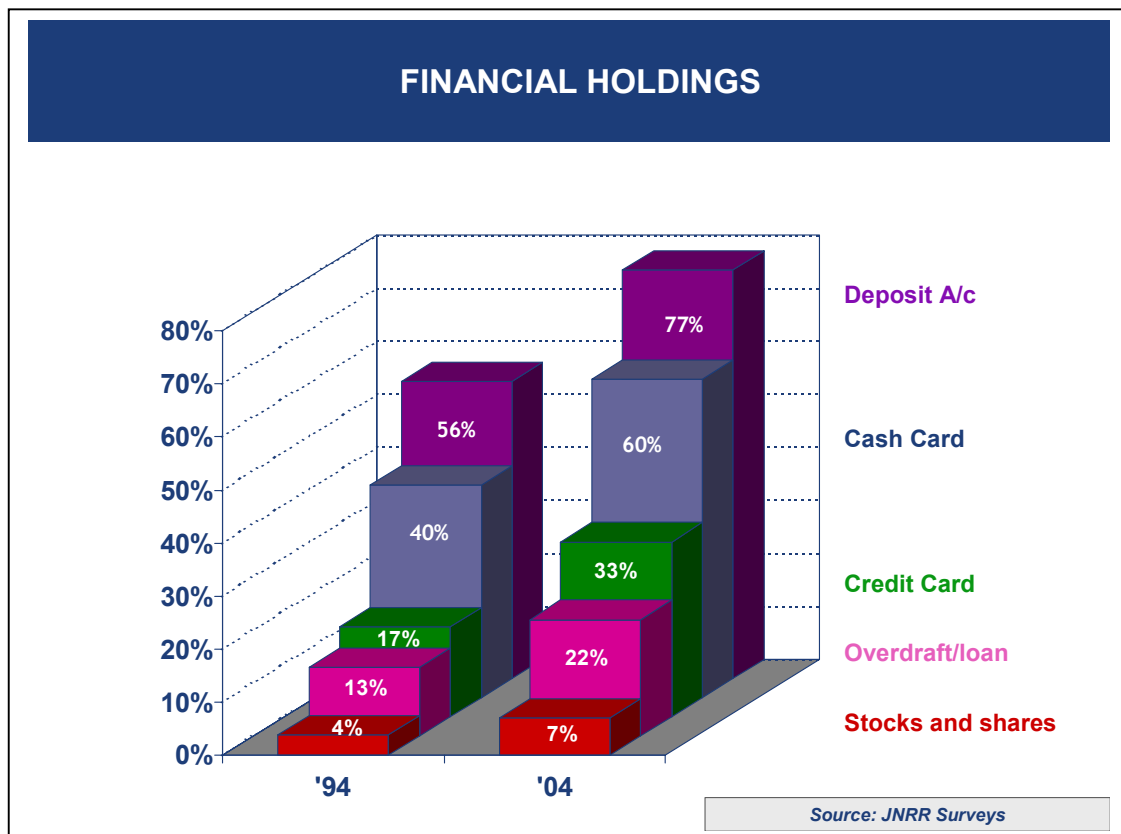
- Tried to hold on to their level of purchasing of what might be called “big ticket items” (property, motor cars etc.) while ...
- Economising in other areas of more commonplace, day-to-day expenditure (groceries, alcohol etc.).

In doing this we have focused on those areas where sufficient published data are available to illustrate the main changes. We will examine:

- Changes in our attitudes to savings and borrowings
- Changes in our purchase of big ticket items
- Changes in our purchasing of everyday items

4.1 Savings and Borrowings

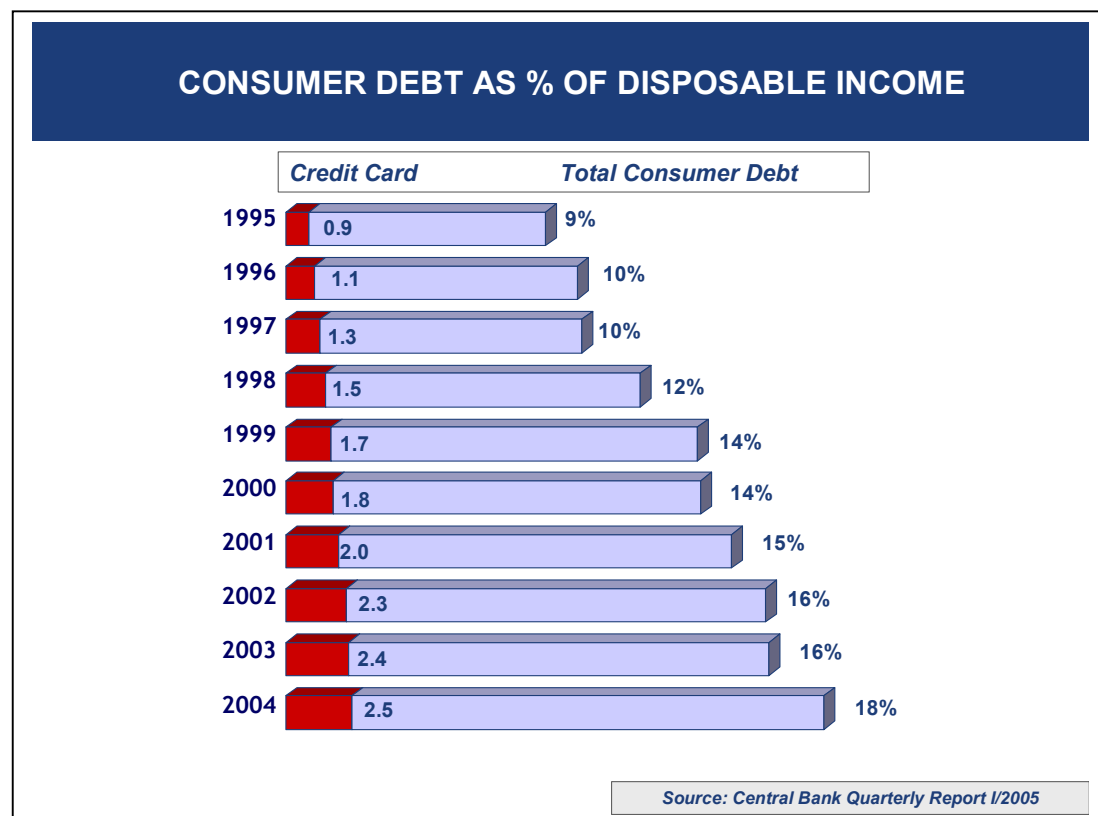
There is evidence from a number of sources that we have moved very rapidly towards a heavy reliance on credit cards. The increase in ownership of these cards has been pretty staggering, along with ownership of other financial products also.



Recent reports from the Central Bank have begun to sound warning bells about the extent of our possibly over-extending ourselves on our credit cards.⁹

That report points out that in September 2004, our total outstanding household debt amounted to €85 billion. This meant that, for the first time, our personal debt exceeded our total annual disposable income. The index of personal debt to disposable income was 113. In 1995 the equivalent index had been just 48.

The bulk of that personal debt is, of course, accounted for by lending for housing or investment purposes. However the balance is pure consumer credit and it has been growing rapidly as a share of our disposable income as can be seen here:



Total disposable income increased more than three-fold during that period. Despite that, the share of total disposable income accounted for by consumer debt, doubled.

Credit cards account for only a small, but a rapidly expanding share of this. The authors (John Kelly and Aisling Reilly) make the point that the distinctive characteristic of credit cards is that they make access to rotating credit particularly easy (a point we return to later).

Paradoxically, the introduction of the SSIA scheme between May 2001 and April 2002 (that Tipping Point again) reasserted our interest in savings.

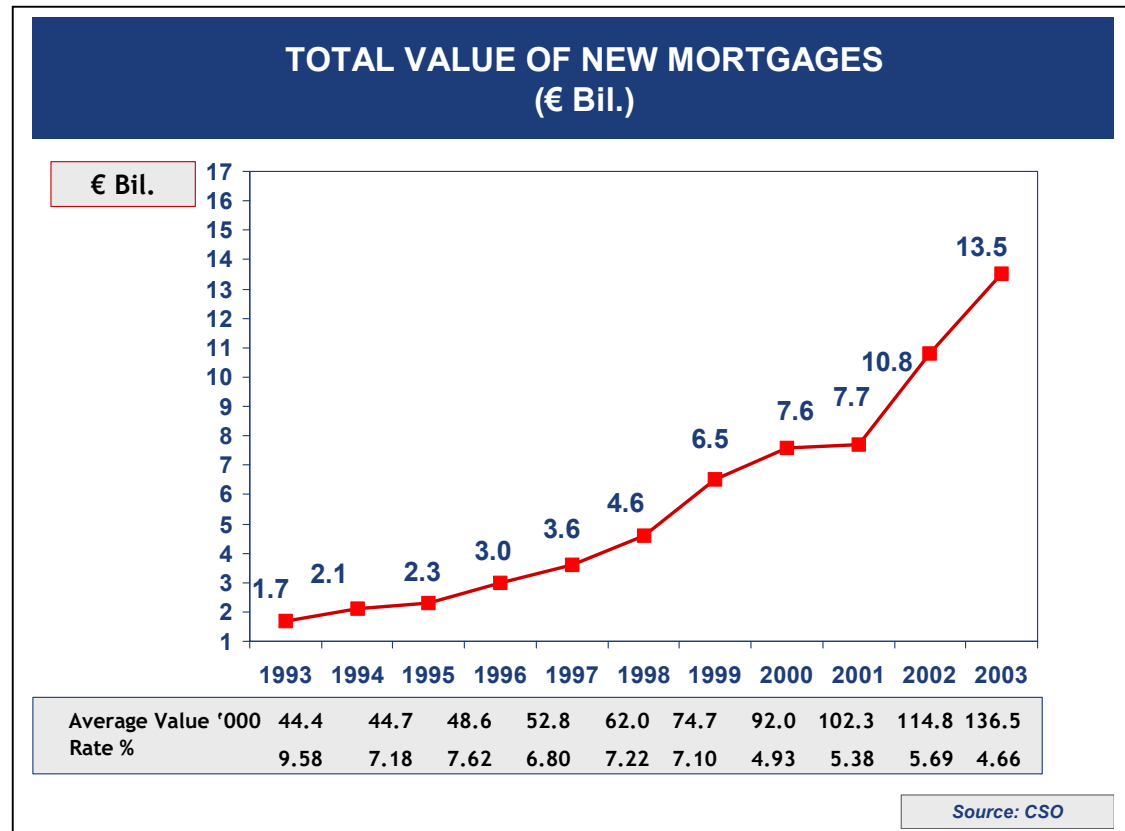
The best current estimates are that there are about €14 billion tied up in these SSIA schemes and they are due to mature in the period 2006/2007.

A number of studies have now been published¹⁰ which suggest that Irish people have grown fond of these little “nest eggs” and they are quite anxious to hold on to these funds or at least a large part of them (70%), in some form of savings after the SSIA maturation date.

In the old days we paid attention to warnings about never being “a borrower, nor a lender”. Now, as in so many areas, we are opting for both.

4.2 Big Ticket Items

No doubt for historic reasons, the Irish have had a long-term love affair with property acquisition. It shows no signs of abating:



Between 1993 and 2003 the total value of new mortgages in the market place moved from less than 2 billion to almost eight times that amount.

The average value of a mortgage cleared in 1993 was just under €45,000. By 2003 this had risen to almost €160,000.

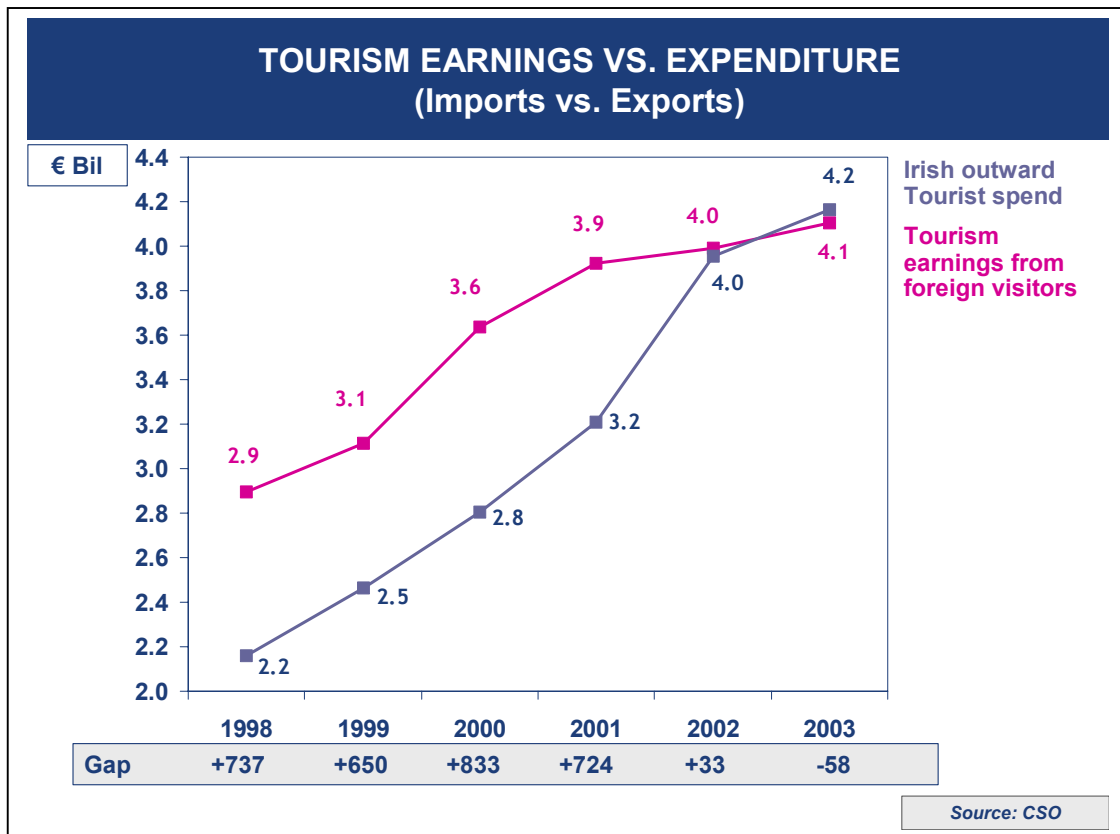
This type of growth would have been almost impossible to sustain if the average rate charge on a mortgage had not fallen from 9.6% to 3.7%.

The ESRI¹¹ recently warned us that a substantial proportion of the properties around the country are now vacant for most of the year : particularly in some of our beauty spots.

A substantial volume of new mortgages however are taken up by young people starting up new homes. The economic pressure on this group is enormous (not least in the area of paying for childminding services¹²) and in market after market we find these are the people who are most likely to succumb to the pressure to economise in other areas of expenditure (a point we revert to later).

There is the additional point that we are acquiring properties overseas in great numbers. Hard evidence on this is difficult to come by, but some recent reports have suggested that the Irish are now in the top 3 in the world in their ownership of properties overseas. Some of these properties are almost certainly holiday homes.

The tendency to buy holiday homes abroad, coupled with the availability of cheap air fares, has had a very significant impact on the tourism trade as is evident here:

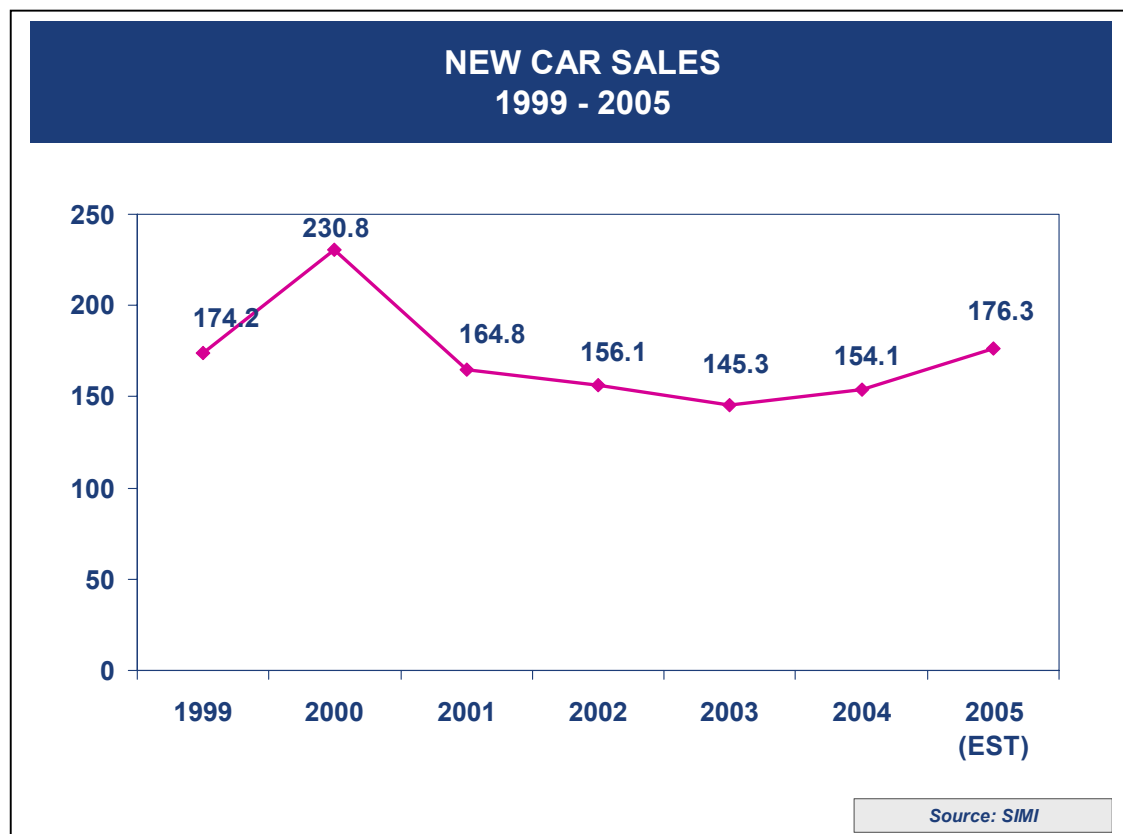


Not too long ago foreign visitors were spending substantially more in Ireland than we were spending abroad. Hard to believe that the balance should have shifted in just two years.

The reality is that the apartment in Spain or Portugal is the contemporary equivalent to the former mobile home in Wexford. Once it has been acquired, the owners (or their friends and relatives) are tempted to use it routinely, perhaps several times a year.

The impact on some highly seasonal and tourist related products will have been quite dramatic. (soft drinks, ice-creams etc.)

The other "big ticket" item which is continuing to do well is the motor car



While we have not maintained the peak sales achieved in the year 2000 (coinciding with The Government Scrappage Scheme which gave a considerable boost to sales), sales of motorcars continue to be healthy. The dip at the tipping point is evident, but the recovery seems to be well underway. Additionally our choice of makes and models seems to be moving upmarket. In 2000 the market share accounted for by Mercedes and BMW combined was 3.6%. Today that share has risen to 6.2%.

4.3 Low Ticket Items

In October 2002 we were prompted by a number of our FMCG clients to collect data on the progress of Aldi and Lidl in Ireland. The study was repeated a number of times and has been reported on separately³

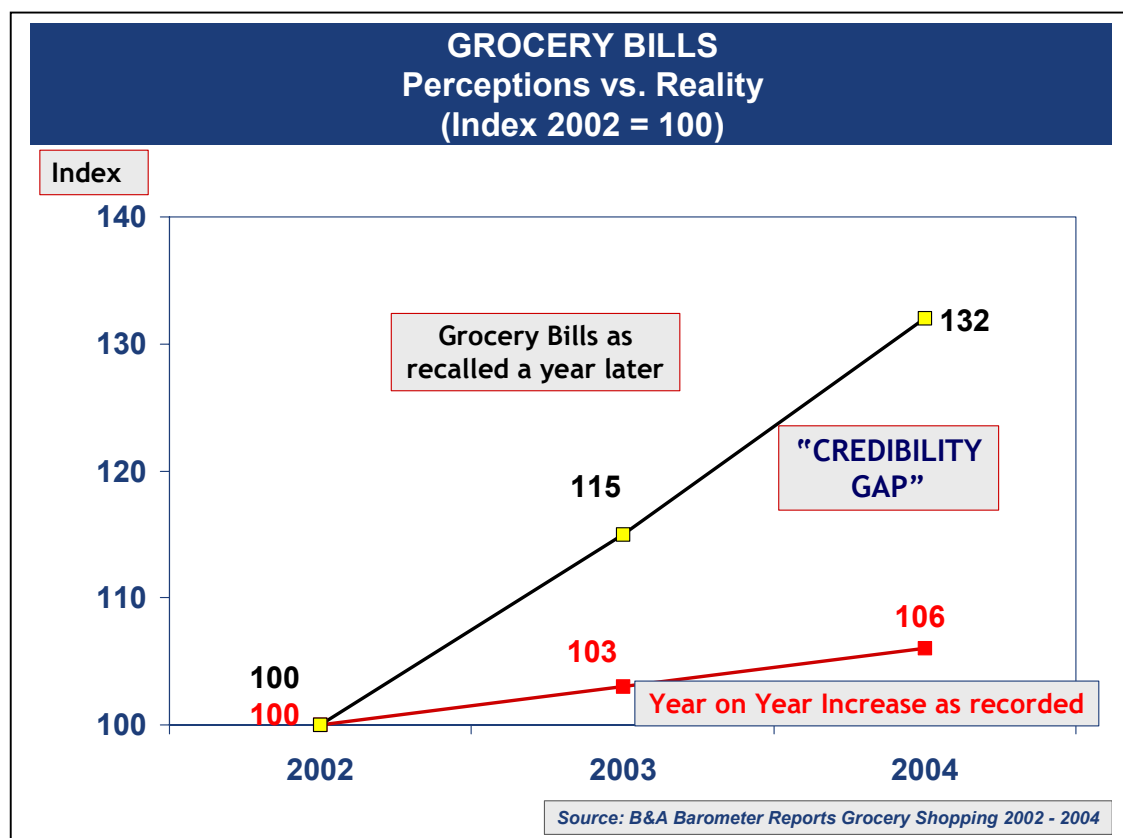
That research highlighted a number of factors:

- Firstly, and most clearly, Aldi and Lidl both carved out a healthy niche for themselves in the Irish market, against many people's expectations.
- In order to compete with this, the established Irish retailers made very determined efforts to establish their own "value for money" credentials.
- Retailers called on the major FMCG companies to be participants in this drive towards value for money.
- As a result, a very high proportion of consumer products are now sold on special offer as an ever-present reality.
- Above the line advertising budgets were cut with, one assumes, some significant impact on traditional efforts at brand building.
- Lately, the traditional retailers have managed to at least slow down the advances by Aldi and Lidl.

The consumer has almost certainly benefited from the resultant price war but, here is the rub. *Consumers don't seem to be conscious of the fact that they are getting a benefit in this way. They are looking for even cheaper prices in the grocery area. The concept of "rip off Ireland" has become indented in the public consciousness (see earlier section) and consumers are disinclined to believe any good news stories in this area.*

In our grocery monitor, when we ask people how much they spend each year on grocery items the amount creeps up, roughly in line with inflation.

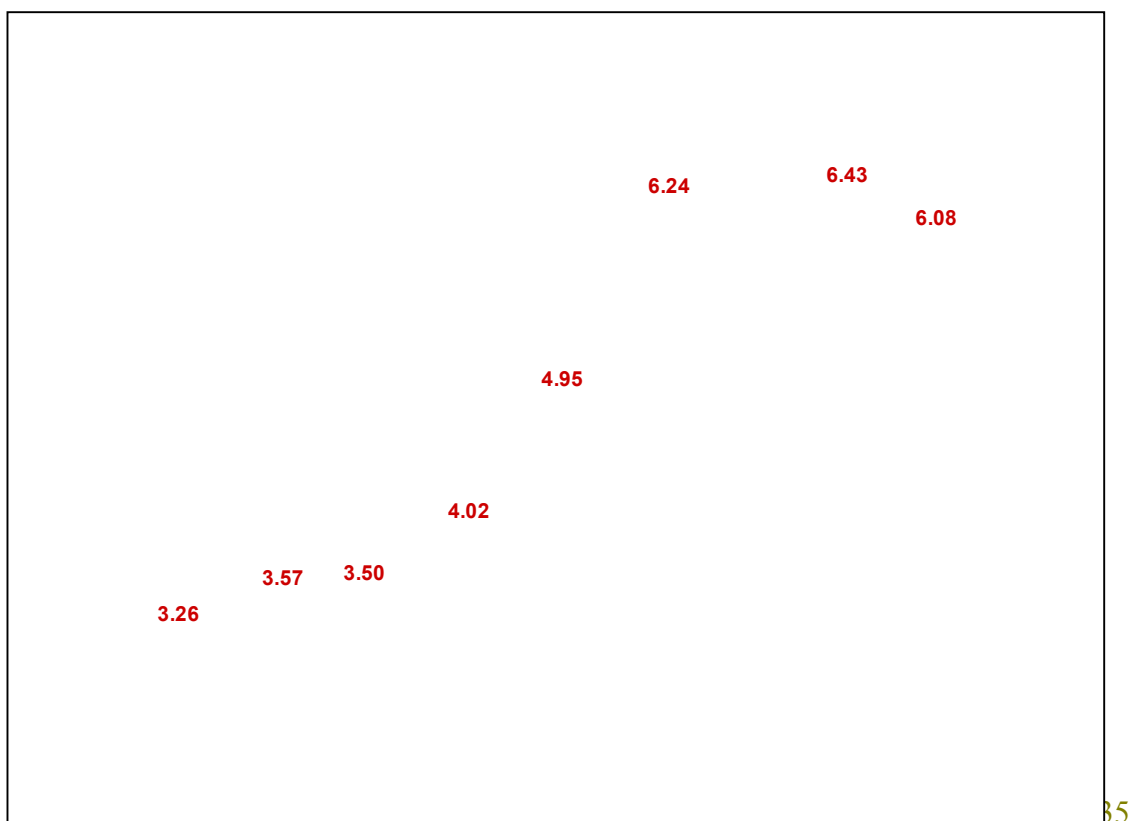
However, when we ask them to *estimate the increase in their spending this year as compared to last*, they convince themselves that the increase was substantially higher than the hard evidence would indicate. This is evident from the following chart:



Despite the fact that retailers are competing intensively on price, and brand owners are cutting back on their margins to facilitate this competitiveness, consumers in Ireland are disinclined to believe that they are benefiting from lower prices in the grocery field and they are looking for even more reductions.

It seems as though they are looking for savings in the area of small regular purchases in order to fund the "big ticket" purchases which they have become so used to.

We see further evidence of this pattern if we examine what has been happening in the alcoholic drinks sector. Personal expenditure on alcoholic beverages enjoyed spectacular growth between 1986 and 2001 as can be seen here

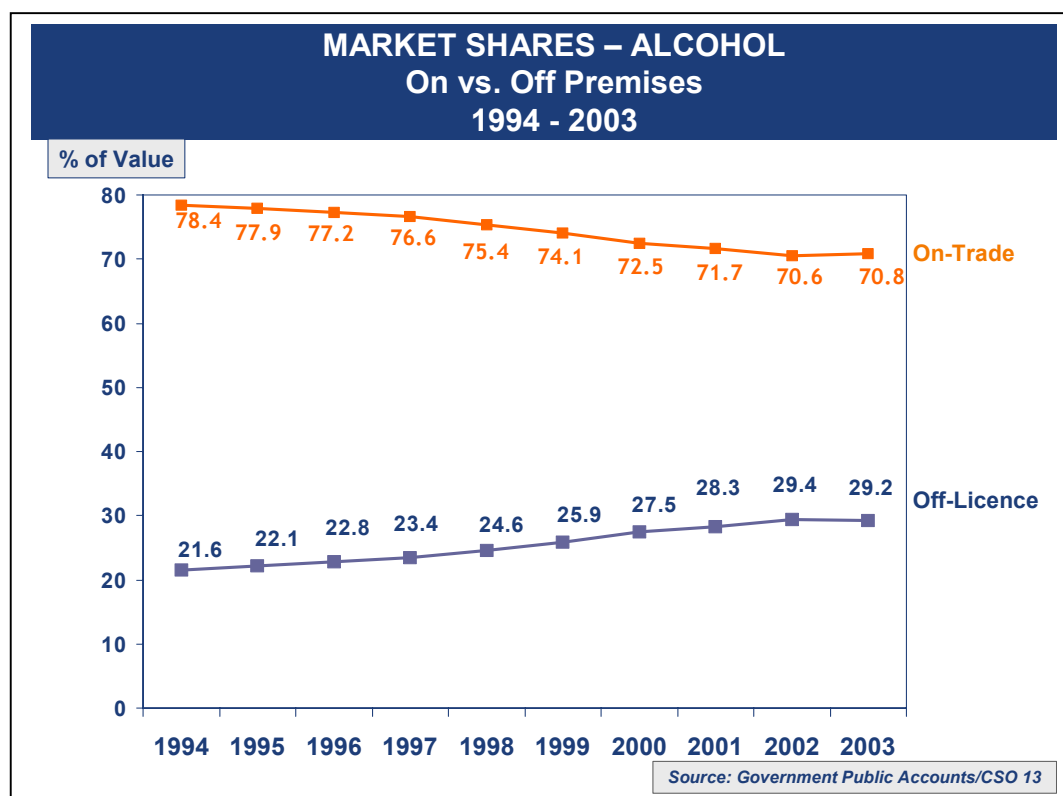


During that time, Ireland moved very rapidly up the league tables of consumption of alcohol per head. In 1986 we ranked in 26th place in developed countries on this index. By 2001 we have moved up to 3rd place.

Despite the apparent buoyant times, real growth slowed down in 2002 and then declined (by about 5%) in 2003.

Figures for 2004 will not become available until July of this year but the indicators from the main drinks companies are of a similar, further decline in 2004. If that is true, there will have been a decline of approximately 10% over a two-year period in personal expenditure on alcoholic beverages.

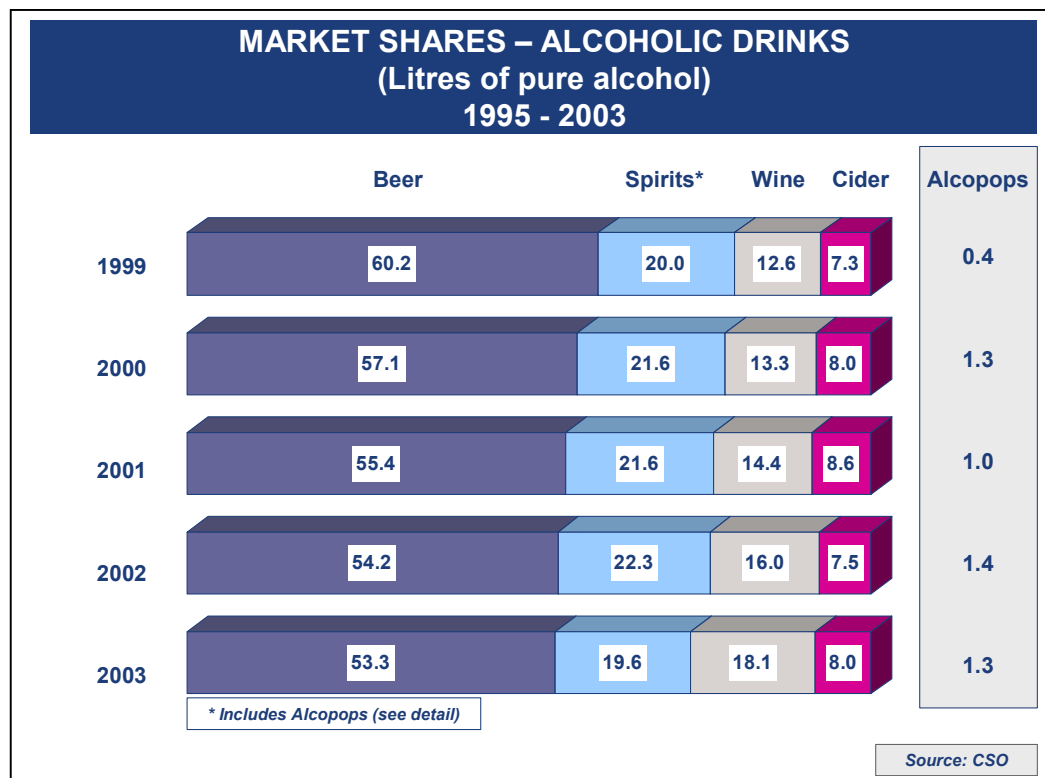
A significant part of that decline derives from people choosing cheaper drinking options. There has been a very significant swing away from pub drinking towards in-home consumption.



The reasons for the decline in the popularity of pubs are undoubtedly complex but at least part of the problem must be related to the changes in consumer perceptions of the value available for pub and in-home drinking.

Other evidence we have seen suggests that a large part of the problem arises among those people in the 'home-start' lifestage, who are experiencing particular economic problems, as we saw earlier.

Our tastes in terms of different types of drinks are also changing significantly as can be seen here.



Is it possible that the Irish man is falling out of love with the pub and his pint? There are some who would believe that if this is possible, then almost nothing is safeguarded against change.

5. REFLECTIVE PAUSE

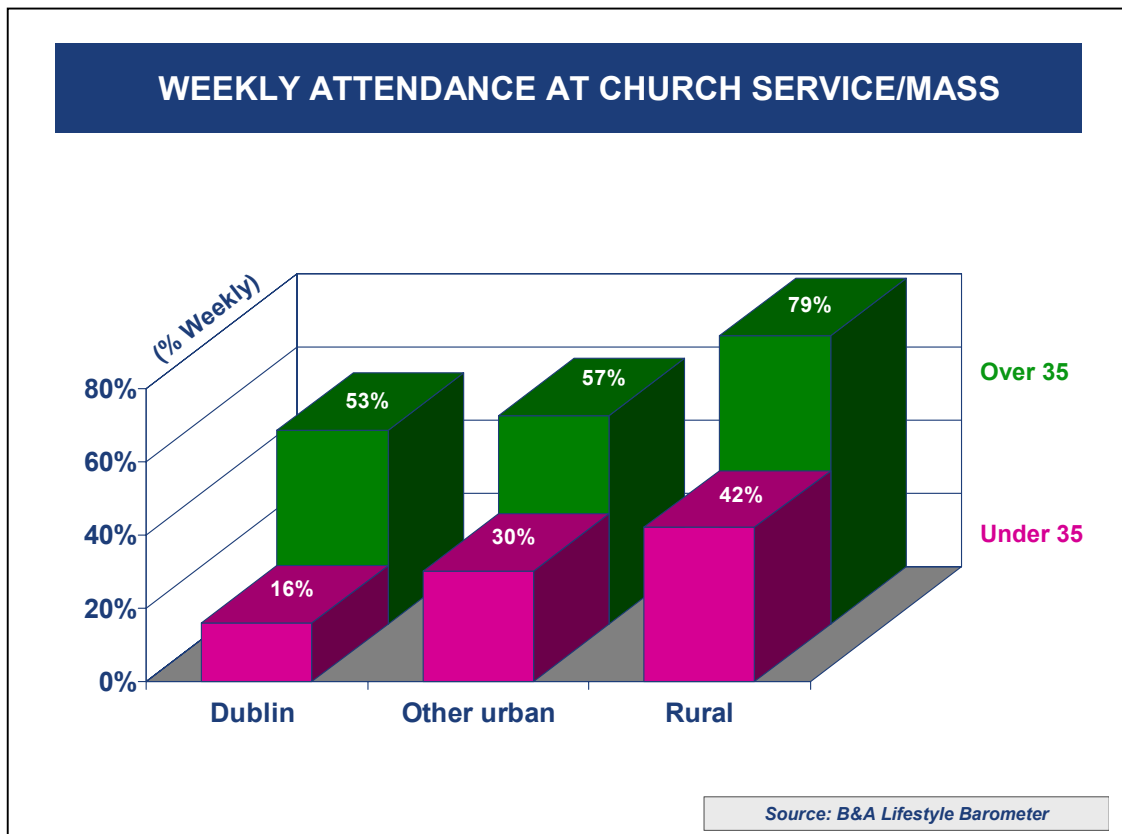
Before turning to a review of what may be in store for us in the future, it may be helpful to recap on some of the changes we have seen in this review.

We are not arguing that the sort of changes that have taken place in Ireland are unique. What is distinctive however, is that so much change has taken place in such a short period of time.

The result is that people who were born only ten or fifteen years apart have gone through radically different formative experiences. The original homogeneity of Irish culture, and of the Irish market place, have been fragmented.

Nowhere is this more clearly evident than in the area of religious observance. We are all aware that weekly Church attendance has been falling over the years.

It may come as something of a shock however to see how different the levels of Church attendance are in urban and rural areas, and among younger and older people separately.



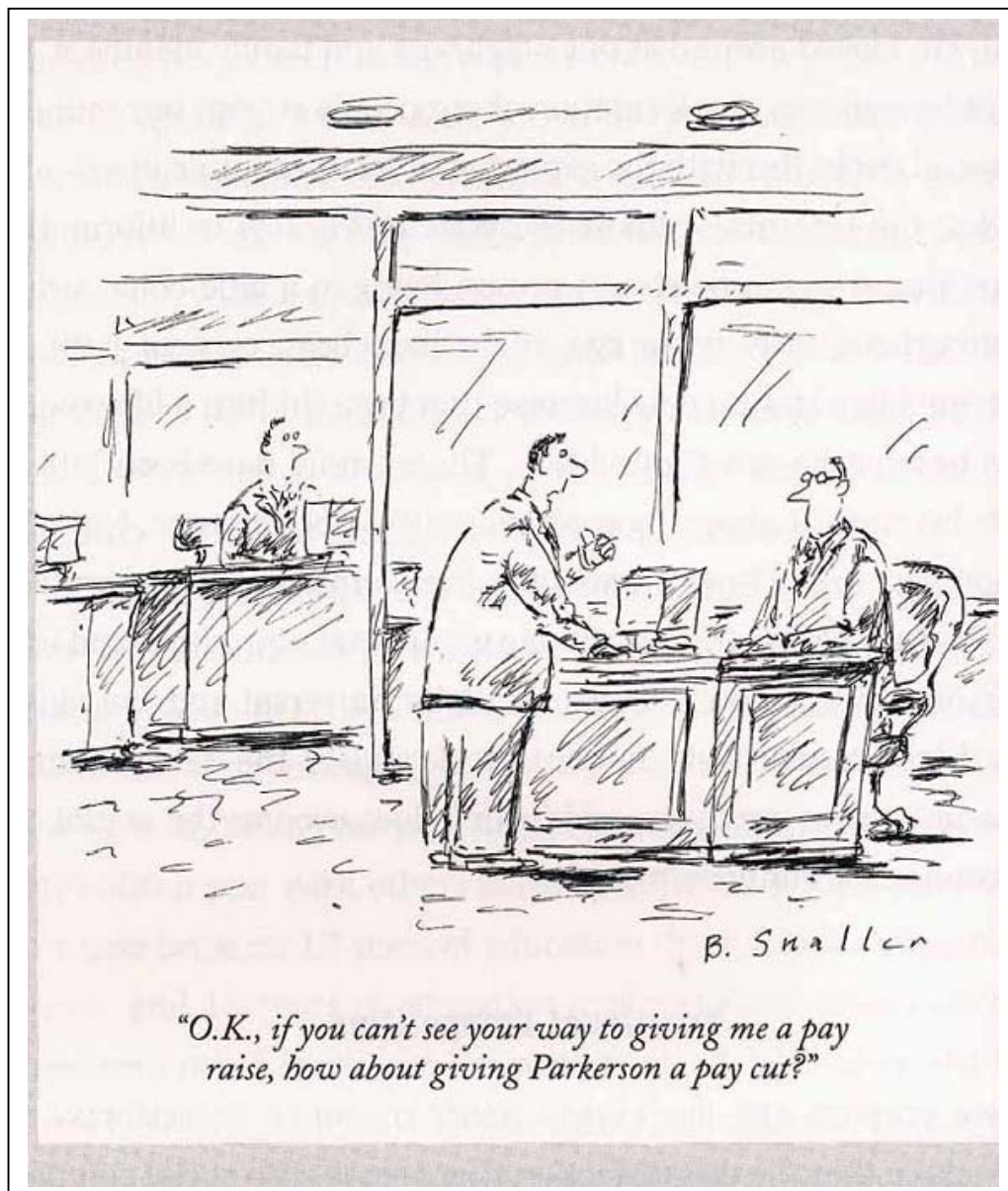
The diversity indicated here carries through to a great many other of our value and belief systems.

The significant economic advances between 1995 and 2001 have exposed us to pressures to which other, more advanced economies, have had more time to adjust.

In a recent book Alain de Botton¹⁴ argued that, as societies become more wealthy they tend to move the goalposts of their expectations. That has certainly happened in Ireland. As recently as 1987 an ESRI survey found that less than 6 in 10 Irish people considered a car to be an essential item while less than half thought central heating or a telephone essential. Fewer than 4 in 10 Irish people at that stage believed that a week's annual holiday away from home was essential. By 1997 almost 80% of the population considered

each of these items essential and one suspects that the figures would be even higher today.

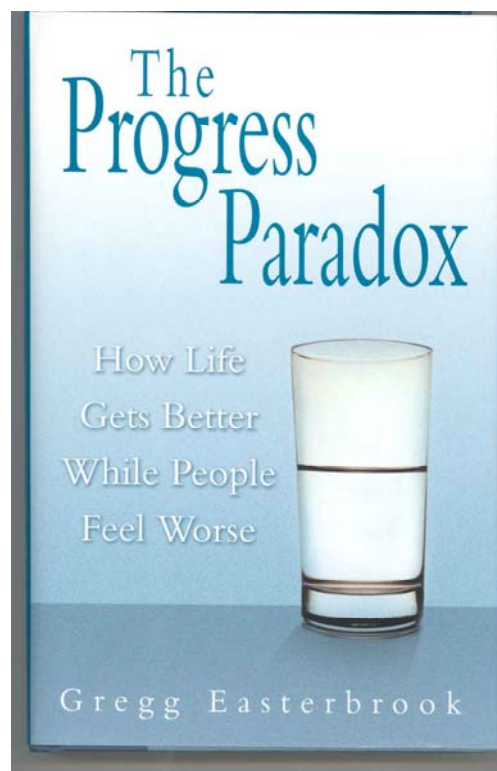
De Botton argues, quite persuasively I feel, that despite our increase in wealth we tend not to be any happier. The basis for this, he suggests, is that our self-esteem is a function of our success *relative to our expectations*. These expectations are formed not so much by distant role models as by our peers. This sense is very nicely captured in a cartoon that appeared in another book¹⁶



As we outlined earlier, not all groups in society benefited equally from the Celtic Tiger phenomenon. We encountered quite a lot of evidence in qualitative work during 2002 that the tipping point which occurred early in that year triggered a sort of communal nervousness. The fear was that there would be a downturn resulting in some people slipping down the scale of beneficiaries.

There have been a number of other general reviews of this kind published internationally which seemed to us to carry reverberations locally.

The cover of Gregg Easterbrook's recent book¹⁵ captures his overall message in a very succinct way.



I suspect that this is a sentiment that most of us would respond to with an affirmatory nod.

A similarly titled book (“The Paradox of Choice”¹⁶) by Barry Schwartz makes perhaps a more subtle point but one that seems to us to have important long term consequences.

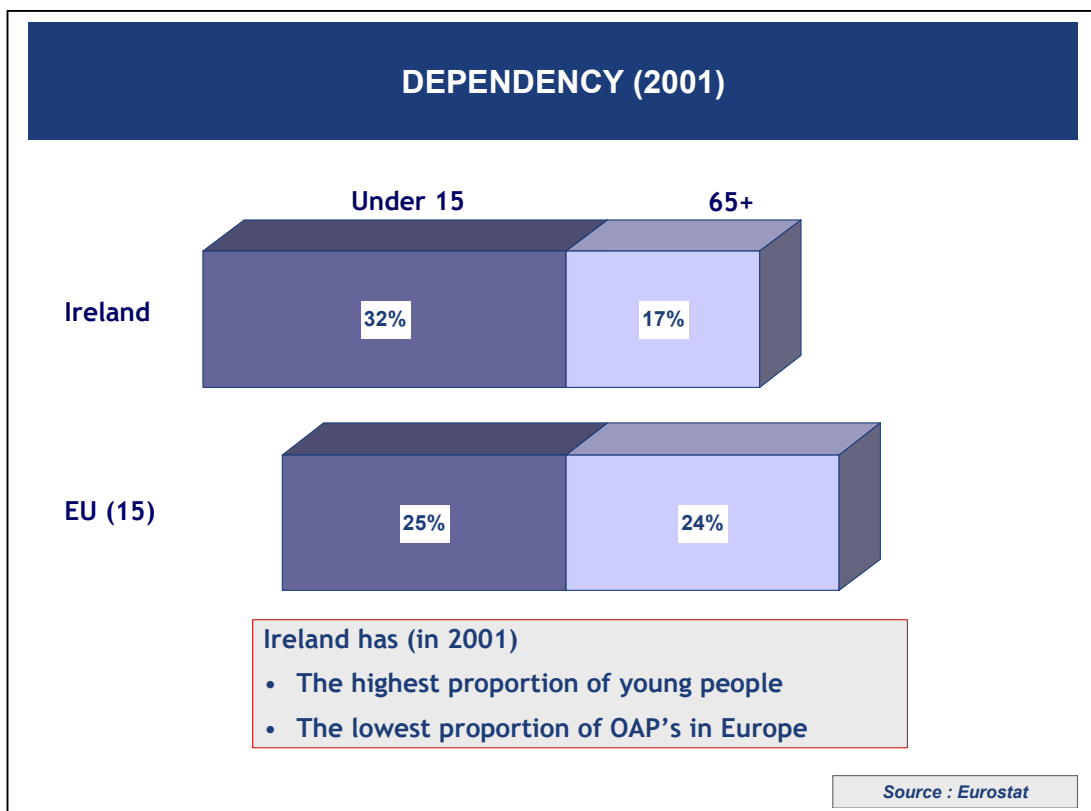
Schwartz presents a considerable body of evidence to suggest that consumers are becoming overloaded with choice in advanced economies. His most striking conclusion is that when we choose from a wider shopping list we end up *being less satisfied with our eventual choice*. It seems that we lose some of the certainty that we are making the right decision, and we worry that an alternative choice might have worked out better. The net effect is that, in psychological tests, consumers put a lesser monetary value on **all** of the products in an array of options, as that array is extended.

We may simply have to face up to the reality that consumers are going to become more and more demanding and more difficult to please.

6. LOOKING TO THE FUTURE

The general consensus among economists seems to be that the prospects for the economy as a whole for the next few years continue to look reasonably promising.

- A recent CSO report ¹⁷ predicted that the Irish population is set to grow from its current level of just over 4 million to more than 5 million by 2019. Lots of potential for growth in demand there.
- The structure of our population, compared to that of our European neighbours, is still relatively favourable



- Our Consumer Confidence Index (reviewed earlier) has resumed growth since the low point of November 2002.

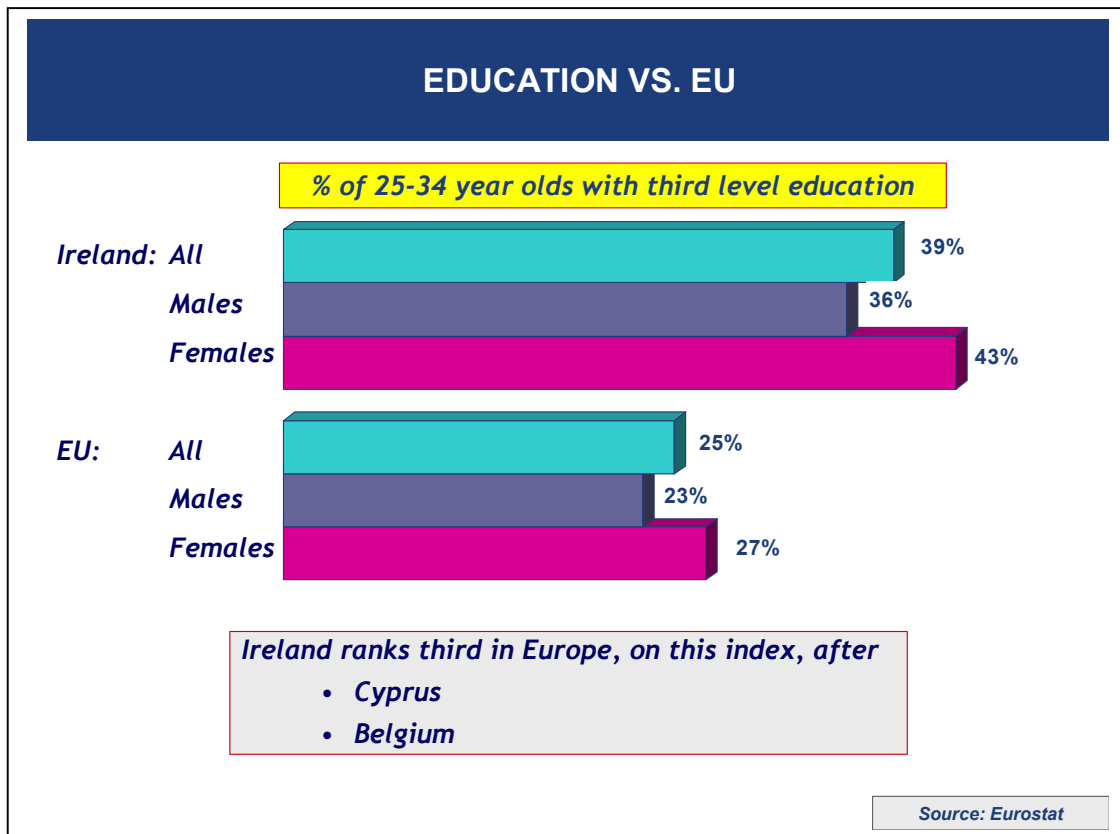
However, as this review demonstrates, general economic buoyancy is no guarantee that benefits will cascade down to all market segments equally. We suspect that “big ticket” items will continue to be a priority for Irish consumers for some time to come and this may put the squeeze on more low priced everyday purchases.

The disruption in advertising support for traditional brands is likely to have continuing consequences for traditional branded products.

More than anything else, the change in the consumer mindset will continue to exert an influence.

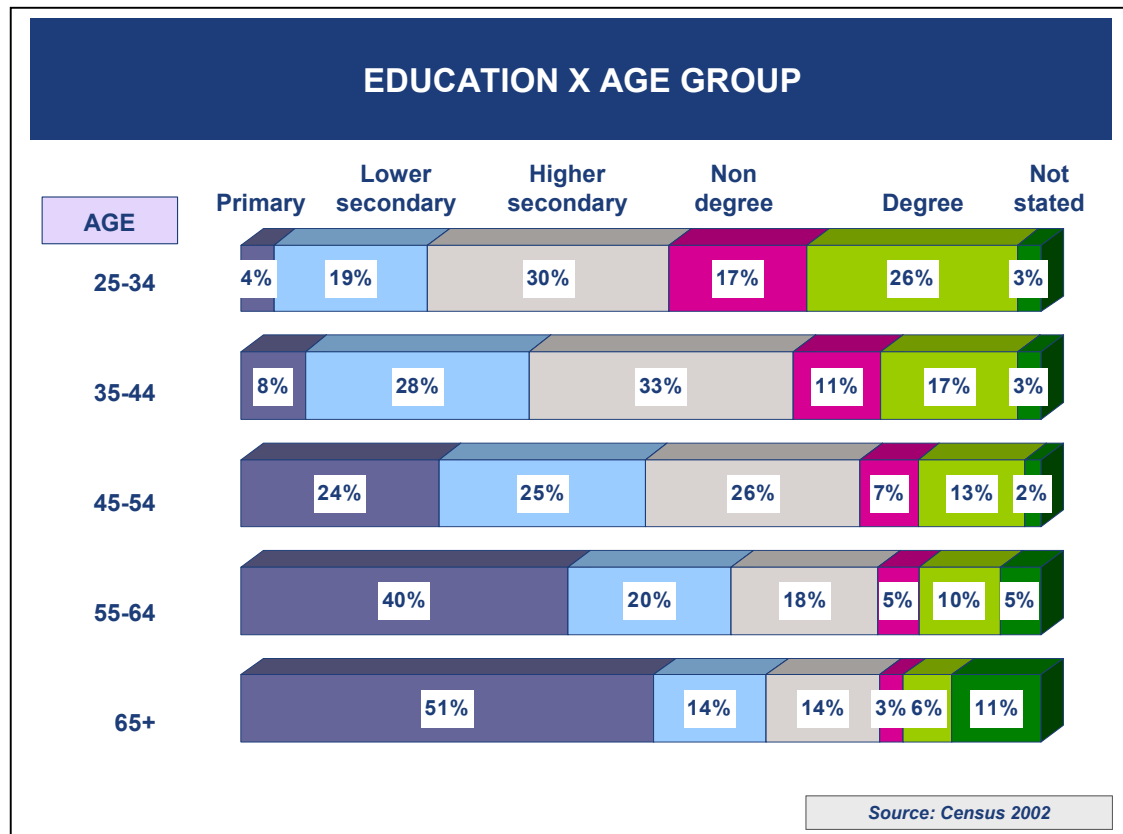
The Ryanair case history has had a deep-seated impact on Irish consumer perceptions of what is **feasible** in the service industry sector. Consumers are increasingly looking for equivalent value for money benefits in other service sectors: telecommunications, banking and insurance, as well as in the more everyday areas of food and drink.

By European standards, we have a higher proportion than average of young people going through third level education



In our experience, young people who have had this advantage tend to be much more demanding consumers than average.

This has important implications when looked at as a predictor of change. The following chart, drawn from the 2002 Census, shows how different younger people are from their older counterparts in their educational background



As older consumers die off, they will be replaced by younger people with a completely different educational background and a correspondingly different set of expectations.

In these circumstances we would expect some of the multinational tendencies described earlier (Status Anxiety, the Progress Paradox and the Paradox of Choice) to become increasingly important phenomena for Irish marketers in the years ahead.

There will certainly be an increase in the fragmentation of the Irish consumer market. The sort of increases predicted by PriceWaterHouse would, of themselves, dictate that this might be so.

One added degree of complexity is being introduced by the increasing number of immigrants in recent years.

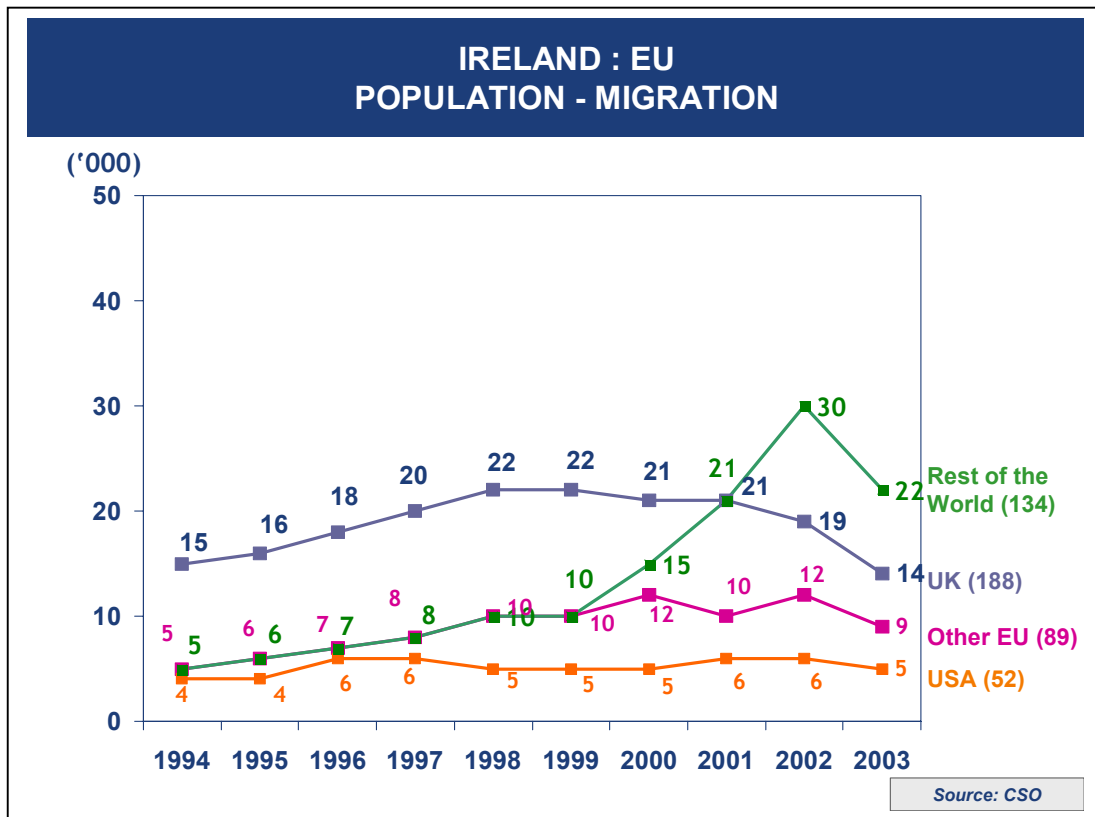
Foreign nationals will (or possibly do already) make up a significant sub-segment of consumers. They will have had a unique set of formative experiences and are very likely to have quite distinctive patterns in regard to grocery shopping, newspaper choices, drinking patterns, holiday arrangements and so on.

There is quite a degree of debate about the size of our immigrant people. The 2002 Census shows the following breakdown of population by country of birth.

CENSUS 2002 COUNTRY OF BIRTH	
Total population ('000)	3858
Of whom, born in ...	
The Republic of Ireland	3458
Northern Ireland	50
England/Scotland/Wales	199
Other European Union	33
Other European (non EU)	26
USA	22
Africa	27
Asia	28
Elsewhere	16

Source: Census 2002

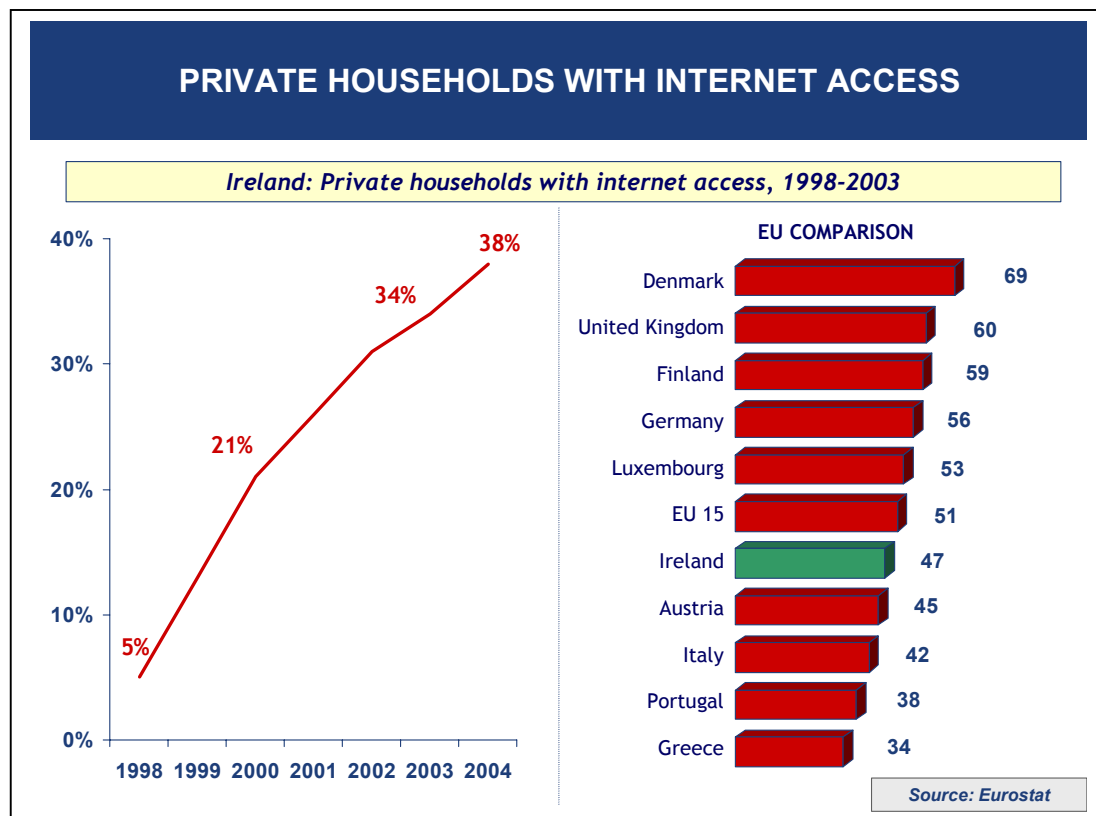
These numbers must be increasing in light of recent immigration trends:



It is difficult to reconcile the different sources, but immigrants must already constitute a sizeable segment of the population.

The latest CSO estimates suggest that we currently have a net inflow of 35,000 immigrant workers annually and this will need to rise to 45,000 for each of the next 12 years, to sustain economic growth.

So far, we have not seen the internet revolution which was predicted for consumer behaviour. Nevertheless, the numbers of people with access to the web continue to grow dramatically, even if we lag significantly behind some of our European counterparts in this respect



So far the impact of this growth has been relatively modest in most markets. However, we are seeing evidence of significant change in the areas of air travel, bookings, banking arrangements and tourism generally.

The impact is even more evident if we look at the evidence relating to foreign visitors coming to Ireland. The internet is becoming an increasingly important element for inward tourism, particularly from those markets where penetration of the Internet is well ahead of our current level.

So, Ireland seems set to change even further. We may think, or even wish, that the pace of change might slacken. The chances are probably slim. Let us use just one example: that of credit card usage.

We reviewed the growth in consumer credit earlier. The penetration and use of credit cards in Ireland is currently higher than the average throughout the Eurozone. However as can be seen from the table below, we are still running way behind our counterparts in the UK and, even more markedly in the United States.

CREDIT CARD PENETRATION AND USE			
	No. of credit cards per 1000 inhabitants	No. of transactions per inhabitant	Average value of transaction (€)
Eurozone average	411	8.3	81.2
Ireland	456	20.5	87.5
UK	1066	31.8	102.4
USA	4361	62.0	85.9

Source: Central Bank Quarterly Report I/2005

The debate on whether we follow a European or an Anglo-American model takes on a particular significance when we review these data. If we follow the Anglo-American pattern we are set for major change. For anyone who thinks it impossible that we might emulate the UK or the US in this regard, we leave you with one final thought.

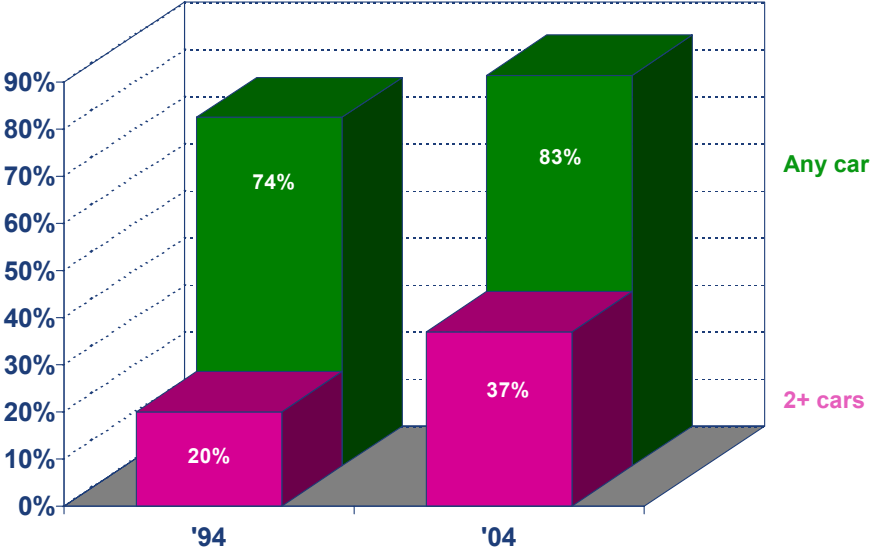
In her report on childcare (referred to earlier), Helen Russell of the ESRI estimated that in 2002 there were 60,000 Irish families paying for childcare services. The average amount paid weekly by these families was just under €100: say €5,000 per annum. The average payments in Dublin were about 20% above this and the amounts involved will undoubtedly have increased since that date. That is immaterial.

The fact is that the amount is a very substantial annual payout from post-tax income.

The main author of this piece bought his first home (admittedly in 1968) for less than €5,000!

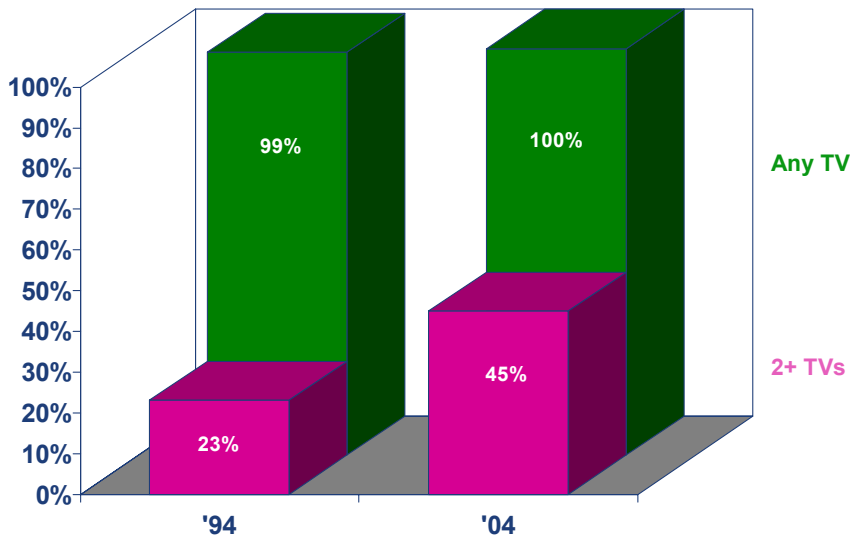
Appendix 'A'

CAR OWNERSHIP



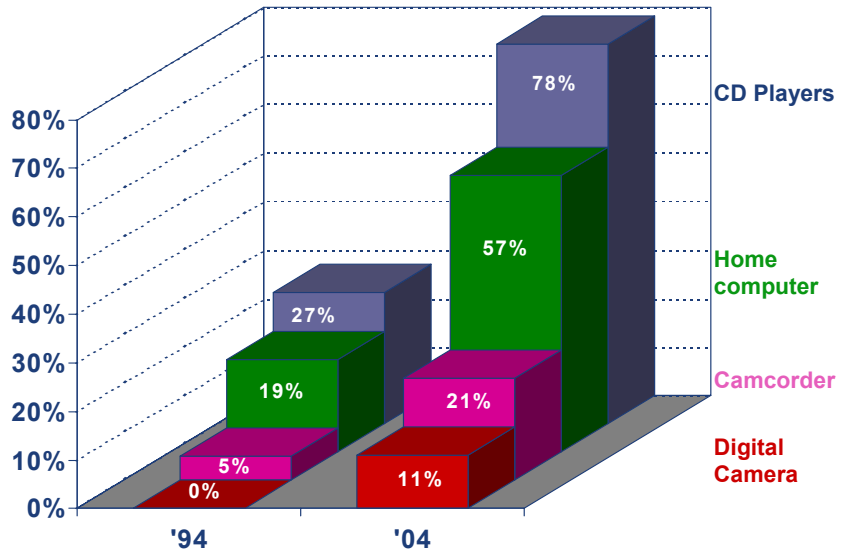
Source: JNRR Surveys

TELEVISION



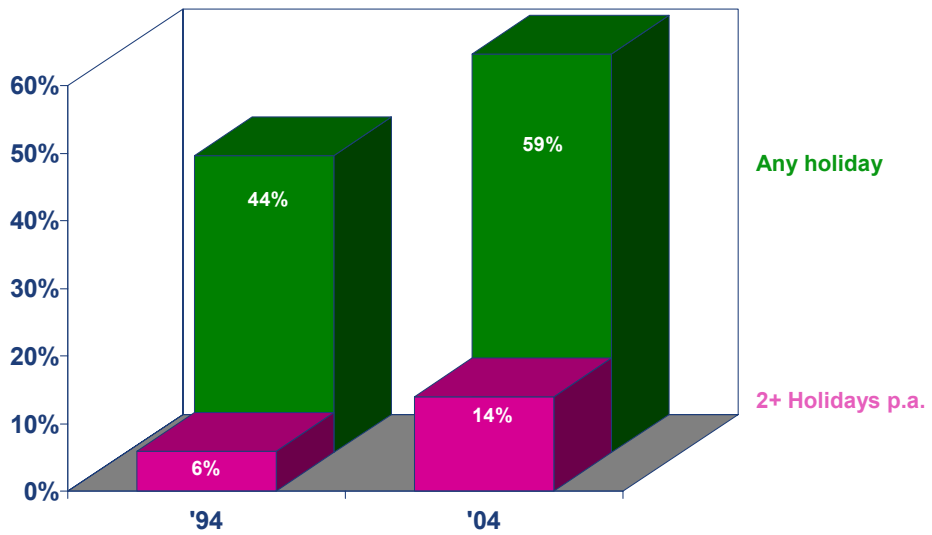
Source: JNRR Surveys

HOME ENTERTAINMENT



Source: JNRR Surveys

HOLIDAYS



Source: JNRR Surveys

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