



IMPACT OF SEPTEMBER 11, 2001 ON CONSUMER SPENDING: A LOOK AT HOLIDAY SPENDING

A Survey Conducted by the Service Management Program
University of Tennessee

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The recent events since September 11, 2001 have affected us all in different ways. Much has been reported in the media about consumer concerns with such issues as the economy, national security and the possibility of future attacks. The September 11 events not only had an impact on consumers but also the service industry. There is continued apprehension about where and when to shop. Mall traffic fell 6.8% in September and October. The travel and tourism industry experienced a huge downturn in business affecting airlines, hotel/motel operators, restaurant owners, travel agents, even taxi drivers. New data from the Travel Business Roundtable show positive signs that consumers are resuming travel and entertainment plans to some degree, but evidence indicates that the travel downturn will remain.

The challenge faced by the service industry is to consider the new reality of terrorism and how that will impact service offerings for consumers. What kinds of tactics will be implemented relative to security in retail, hotel, airport and restaurant environments, and how will they impact the objective of providing an enjoyable shopping, dining, and travel experience? In addition, product

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needs have changed. People want products to help “survive” any future terrorist attacks as well as an economic recession. It is expected that consumers will spend more on affordable necessities and less on luxury, frivolous goods during this holiday season. Another challenge faced by service providers is from a marketing perspective. Companies need to be tasteful and respectful of the nations’ grief, but still try to encourage sales.

There has been significant discussion about the impact of September 11 on holiday spending. The holiday season is a very important time to service providers as well as to the suppliers of services to these providers. For most retailers, the holiday season represents approximately 25% of the total sales. In anticipation of the decline in shopping, some retailers are re-evaluating and cutting back on their inventories. This will affect the product vendors through order cancellations and eventually markdown monies. Holiday party bookings, especially at fine dining establishments, are a major portion of the restaurant industry’s overall sales. It is anticipated that if holiday bookings are placed, people will be spending less and bypass luxury ingredients

and pricey beverages. Despite price-cutting efforts by retailers, hoteliers, restaurant owners, airlines, etc. during the holiday season, there is more that is needed to encourage consumer spending. These service providers will have to work to rebuild consumer confidence that was dwindling even prior to the events of September 11.

Little has been reported on the emotional state of consumers and how this emotional state will affect holiday activities and purchasing plans. The Service Management Program at the University of Tennessee has conducted a survey of Southeastern U.S. consumers to better understand the implications of recent events on the upcoming holiday season. This study assessed implications AND provides action plans for industry's use for this important business time.

The consumer survey developed by the retail and hospitality faculty contained six sections:

- Section 1. Differential Emotions Scale
- Section 2. Importance of holiday activities
- Section 3. Importance of factors related to visiting public places during the holidays
- Section 4. Likelihood of carrying out holiday-related activities
- Section 5. Demographic information
- Section 6. Open-ended questions.

The survey was mailed to a random sample of 2000 residents of the ten southeastern states of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. Two hundred forty-nine surveys were undeliverable. Two hundred sixty-seven useable surveys (15.2% return rate) were returned in time to be included in this report.

Tables of results are included at the end of this report. The survey instrument and in-depth analysis are available on request.

Demographic Profile

The age of the respondents ranged from under 20 to over 70. The majority of the ages (65.5%) were between 30 and 59 years (see Table 1). Females were the primary respondents (64.4%), and household size ranged from 1 to 13 persons, with 80% having numbers between 2 and 4.

Table 1. Demographic characteristics of respondents

<u>Characteristics</u>	<u>Percentage</u>	<u>Number</u>
GENDER		
Male	35.6	95
Female	64.4	172
AGE		
Under 20	1.5	4
20-29	8.6	23
30-39	17.6	47
40-49	26.6	71
50-59	21.3	57
60-69	15.7	42
70 and over	8.6	23
EDUCATION		
High school	24.3	65
Some college	27.7	74
2-year degree	12.4	33
4-year degree	22.5	60
Graduate degree	11.6	31
INCOME, dollars		
Less than 10,000	2.6	7
10,000-14,999	3.0	8
15,000-24,999	5.6	15
25,000-34,999	13.1	35
35,000-49,999	25.8	69
50,000-74,999	24.0	64
75,000-99,999	11.6	31
100,000-149,999	7.9	21
150,000-199,999	0.7	2
NUMBER IN HOUSEHOLD		
One	11.2	30
Two	43.4	116
Three	17.2	46
Four	19.5	52
Five	4.1	11
Six	0.4	1

Eight	0.4	1
Thirteen	0.4	1

Scale 1=not likely at all, 3=somewhat likely, 5=very likely.

Household income ranged from less than \$10,000 per year to over \$150,000 per year. Incomes of 74.5% of the respondents were between \$25,000 and \$99,999 per year. Additionally, 74.2% of the respondents completed schooling beyond high school with over one-third obtaining B.S. or graduate degrees. The demographic profile of this sample is consistent with the national profile of consumers.

I Want to Be Happy, But.....

The Differential Emotions Scale is a self-reported instrument designed for use in the assessment of an individual's experience of fundamental emotions or patterns of emotions (see Table 2). The frequency with which an emotion is experienced over time may be viewed as an emotional trait. Respondents were asked to indicate how frequently they had experienced a range of 30 feelings since September 11. The scale ranged from a value of 1=rarely or never to 5=very often.

Table 2. Emotional score of respondents

<u>Emotion</u>	<u>Male</u>	<u>Female</u>
Joy	3.34	3.41
Surprise	2.67	2.89*
Guilt	1.49	1.58
Interest	3.25	3.29
Contempt	2.17	1.84*
Despair	1.90	2.10*

* Significant difference at $p < 0.05$.
Scale 1=rarely or never, 2=hardly never, 3=sometimes, 4=often, 5=very often.

Respondents did not indicate having particularly strong emotions, and emotions were similar for both males and females. The strongest emotions indicated by this group were positive (joy, interest). However, based upon the scale, these emotions only were felt "sometimes". Negative feelings (guilt, contempt, and despair) on average were hardly ever experienced.

Based on the data, it appears that there are not extreme feelings negative or positive. Respondents do not appear very optimistic. However, consumers are not in the depths of despair, so there may be opportunities for providers of goods and services to positively influence the emotional state of their customers and build a stronger relationship with them.

Many of the respondents indicated that one of the positive business practices that has emerged since September 11 was that service people were more polite. "People are more considerate, taking that "extra" moment to be nicer, helpful. People smiling, sharing our sorrows with each other, especially waiting in lines in groceries, post offices, fast food establishments."

A Time for Families

Respondents were asked to indicate how important a selection of holiday activities will be for them this year (see Table 3). The scale ranged from a value of 1=not at all important to 5=very important. Factor analysis indicated five categories of activities with varied levels of importance.

Table 3. Importance of spending time on various activities

<u>Activity</u>	<u>Male</u>	<u>Female</u>
Socializing	2.66	3.00*
Shopping	3.15	3.38
Recreation	2.58	2.50
Time with family	4.12	4.36*

Traveling 3.12 3.14

Holiday atmosphere 2.88 3.26*

Ease of shopping 2.99 3.10

*Significant difference at p<0.05.
Scale 1=not at all important, 3=somewhat important, 5=very important.

* Significant difference at p<0.05.
Scale 1=not at all important, 3=somewhat important, 5=very important.

Family-oriented activities including eating out with family, visiting family locally, and attending religious services were the most important activities on the list (4.36 females/4.12 males). These activities were particularly important to women.

The category of factors rated most important (4.22 males/4.33 females) is traditionally associated with successful service providers. This category includes good customer service, informed service staff, convenient location, price of products, and product selection.

The importance of family was noted repeatedly in the open-ended questions. "We will treasure our time spent together more than ever before." "I will make more effort to make the holidays a peaceful time to enjoy the presence of family and appreciate simple meals and joys."

Safety and company reputation, which includes personal safety, visible security, patriotic promotions of the company and charitable contributions of the company, also were considered important, especially to women (3.31 males/3.91 females).

Shopping for gifts for family, friends, and self and traveling out of town to visit family, friends, or take a vacation were "somewhat important". Social activities including entertaining at home, attending parties in private homes and public places were less important, as were recreational activities.

Safety issues were raised in the open-ended questions. People appreciated the heightened and visible security. They were also willing to be patient if the security measures increased the time spent in lines, etc. The most positive practice cited was the patriotism in attitudes, gestures, and displays. In contrast, the most negative business practice cited was companies using patriotism to make money through overcharging for flags and other patriotic items.

Keep Up the Good Work, Plus...

Respondents were asked to indicate the importance of various factors when they visit public places and businesses (see Table 4). The scale ranged from 1=not at all important to 5=very important. Factor analysis indicated four categories of factors that will be of importance to consumers.

Females seem to value a holiday atmosphere more than males (2.88 men/3.26 women). Holiday music and decorations still contribute to holiday shopping.

Table 4. Factors that will be important during the holiday season

Factors	Male	Female
Safety & company reputation	3.31	3.91*
Service, product, price	4.22	4.33

Ease of shopping, which includes avoiding large crowds, being known at the establishment, and easy access, is somewhat important to both men and women.

All I want for Christmas Is.....

Respondents were asked to indicate the likelihood they will carry out a range of consumer activities during the holiday

season. The scale ranged from 1=not likely at all to 5=very likely (see Table 5).

Family, friends, and practicality emerged as important themes for purchase intentions this year.

The consumer activities that respondents rated as **most likely** to carry out included purchasing gifts for family, preparing meals at home, purchasing gifts in discount stores, eating in restaurants, and purchasing items that are made in America.

Table 5. Consumer activities likely to be carried out this holiday season

<u>Activity</u>	<u>Score</u>
Purchase gifts for family	4.76
Prepare meals at home	4.57
Purchase gifts in discount stores	4.48
Eat in restaurants	4.33
Purchase items that are made in America	4.31
Purchase practical gifts	4.08
Purchase gifts in department stores	3.93
Travel to visit family	3.89
Purchase gifts for friends	3.79
Donate to charitable organizations	3.63
Purchase delivery/take-out food	3.60
Purchase gifts in specialty stores	3.42
Travel to visit friends	3.06
Stay in hotels while traveling	3.05
Purchase gifts through catalogs	2.80
Purchase as a patriotic gesture	2.74
Spend specifically to help the economy	2.73
Travel on a vacation	2.62
Purchase gifts for co-workers	2.53
Purchase personalized gifts	2.49
Eat out with co-workers	2.43
Eat in expensive restaurants	2.39
Purchase expensive gifts	2.28
Purchase gifts on the Internet	2.03
Purchase gifts in luxury specialty stores	1.68
Purchase gifts through TV	(MISSING VALUE)

Scale 1=not likely at all, 3=somewhat likely, 5=very likely.

Consumer activities considered **likely** to be carried out included purchasing practical gifts, purchasing gifts in department stores,

traveling to visit family, purchasing gifts for friends, donating to charitable organizations, purchasing delivery/takeout food, and purchasing gifts in specialty stores.

Consumer activities considered only **somewhat likely** to be carried out focused on travel and patriotic purchasing. Items include travel to visit friends, stay in hotels while traveling, travel on a vacation, purchase as a patriotic gesture, spend specifically to help the economy, and purchase gifts through catalogs.

Consumer activities considered **least likely** to be carried out focused on coworkers and luxury. Items include gifts for coworkers, eat out with coworkers, eat in expensive restaurants, purchase expensive gifts, purchase gifts in luxury specialty stores, purchase gifts on the internet, and purchase gifts through TV.

Final Comments

We were so impressed by the respondents' willingness and desire to share their feelings. Many of them thanked us for asking for their opinions. The importance of family, faith, and patriotism was noted repeatedly in responses to survey questions. Companies now have a unique opportunity to strengthen their relationships with consumers. Those organizations that position themselves as members of the local community and as sensitive to their customers' needs can build customer loyalty.

EXECUTIVE SUMMARY

- Results from the analysis that centered on emotional feelings did not indicate that respondents had particularly strong emotions. They did not appear to be very optimistic, but are not in the depths of despair.

Action Point: Americans have been on an emotional roller coaster since September 11. Providing positive experiences to your customers this holiday season can build customer loyalty. Conversely, negative

customer experiences in your business can be particularly damaging.

- During the upcoming holiday season family-oriented activities by far will be the most important activity in which respondents will participate.

Action Point: The holiday season always has focused on family, but family will probably have more importance this year than in the past. What can your company do to encourage family activities within your environment? Offer family activities within your retail venue? Provide a complimentary holiday game or dessert for the children of families that eat in your restaurants?

- Shopping for gifts were valued as somewhat important by the respondents during this upcoming holiday season, but there were certain considerations that should be taken into account.

Action Point: Specifically, people are still going to shop, but this year they are considering more practical gifts and gifts that have more personal, thoughtful meaning to the gift receiver. Price will be important, and high-end items may be a more difficult sell this year.

- When visiting public places, respondents placed highest value on those factors traditionally associated with good service providers.

Action Point: Friendly, helpful service rated higher than safety, although safety rated second in importance, especially for females. An opportunity exists for companies to gain a competitive advantage based on how customers perceive the service provided.

- Patriotic promotions and charitable contributions were indicated as the most positive business practices that have come out of the September 11 events.

Action Point: People seem to be purchasing patriotic merchandise, only if they perceive that the company is not trying to capitalize

on it. The most negative business practice was associated with companies that were recognized as overcharging for patriotic merchandise. If offering patriotic merchandise, it should be tied with a donation to charity.

- When asked about the consumer activities included in their holiday plans, the following responses were given:

LIKELY TO:

- Purchase gifts for family
- Purchase gifts at discount stores
- Purchase gifts in department stores
- Purchase gifts in specialty stores
- Purchase “made in America” items
- Purchase delivery/take out foods
- Eat in restaurants

NOT LIKELY TO:

- Purchase expensive items
- Purchase gifts at luxury stores
- Purchase gifts through TV
- Purchase gifts on the internet
- Eat in expensive restaurants

Action Point: Respondents are looking for more practical, value-oriented purchases. Companies may wish to emphasize these features of their goods and services rather than those associated with extravagance and luxury.

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