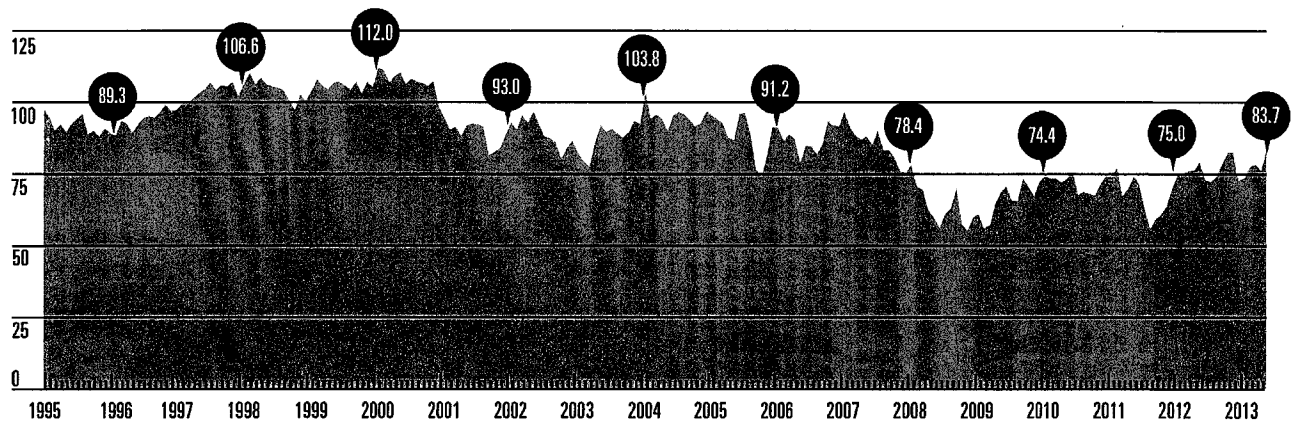


# Advertising Age®

## Marketers Remain Cautious Despite Consumer Sentiment Uptick

### Many Hold Spending in Check, Say Economic Indicator's Rosy Report Doesn't Match Their Metrics

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U.S. consumers are feeling pretty good right now -- as good as they have since the pre-recession days of July 2007, according to one recently released key measure. But many marketers are unconvinced that the so-called new normal is about to be replaced by the old ebullience.

The Thomson Reuters/University of Michigan Consumer Sentiment Index posted a nearly six-year high this month. Its increase since November 2011 is stronger than any since the early 1980s, when the U.S. emerged from back-to-back recessions.

History shows the index is not to be taken lightly. It accurately predicted the last five recoveries and last two recessions (lagging behind the prior three it didn't predict). Nor is it alone in flashing green. The Dow Jones Industrial Index recently reached a high. The unemployment rate, while still a steep 7.5%, has been steadily declining. And housing starts rebounded the past year, particularly in recession-ravaged California. All this comes despite a 2% hike in the payroll tax and federal budget cuts in recent months.

So why aren't marketers jumping for joy? Many have other metrics on their minds.

Asked how much stock he puts in the U.S. sentiment index, Unilever CEO Paul Polman said, "[none] at all," adding that the company looks at many other data, and that in many data sets "you can find what you look for."

Kimberly-Clark Corp. Chief Marketing Officer Clive Sirkin said his company places less emphasis on broad sentiment surveys and more on its own predictive models, which are based on real-time consumer tracking through social networks, communities and “transactional learning.”

He said the company is focused on “a more price-conscious consumer, which means driving cost out, innovating in a meaningful way and investing in brand building.”

A marketing executive at a major U.S. bank, who wasn't authorized to speak on behalf of the company, said that while the University of Michigan index is “one of the better reports out there,” the bank sees its own customer-spending and credit data as better indicators. And those aren't rosy right now.

“The people we're talking to are not talking like it's 2007,” the executive said. Today, people are less willing to take on debt and are saving more.

Broadly, consumer debt has climbed steadily since late 2010 and rose 6% in the past year to \$2.8 trillion. But much of that is from student loans. A TransUnion survey released last week found that in the first quarter, per-user credit-card debt was down 1.7% from the year-earlier period.

Higher consumer confidence hasn't translated broadly into higher client confidence at Interpublic Group of Cos.' digital and promotion agency Momentum Worldwide, where 70% of business is from projects rather than years-long retainers. That gives it a faster read on client intentions.

“We don't have the pullbacks that we had last year, but it's not 2007, either, where clients had money to spend and burn,” said CEO Chris Weil. “Clients aren't turning on the faucet like they were years ago.”

Even so, the improvement in consumer sentiment is real and is increasingly driven by the rise in the stock market, said New England Consulting Group CEO Gary Stibel. “It's a report that means something,” he said, adding that decision makers who own a lot of stock feel better when the market rises. Marketers who don't act on the sentiment shift may wind up with the same regrets as investors who didn't get into the stock market sooner.

Some marketers are a bit more publicly positive on consumer sentiment.

Craig Bierly, ad director at General Motors' Cadillac, said the carmaker tracks all major economic indicators. But he's noticed a change from a few years ago: Luxury shoppers are rewarding themselves with big-ticket items.

It's part of the "pent-up-demand" theory carmakers have long banked on -- the idea that buyers who've put off replacing cars because of the economy will eventually have to get back into the market. The theory even plays out in packaged goods, where Mr. Stibel said consumers have drawn down pantries and have no choice but to buy.

Andrew Gross, senior VP of marketing at mattress marketer Serta, said confidence may really be fueling a rise in household formation (defined as adult children leaving parents' households and singles leaving shared housing arrangements), which has been sluggish for six years.

"Those numbers are starting to rebound, and we expect that to continue," he said. "Part of that is the economy, but also people are not going to want to live with their parents forever."