

TNS Infratest Trendletter

An Information Service on Opinion Trends in Germany

Will the trend “avarice is cool” be over soon? Germans and Prices 2005

- Germans are still very price-conscious in 2005
- Quality is still priority
- 87 per cent lament over introduction of euro
- 92 per cent criticise overall loss of value of money

October, 2005

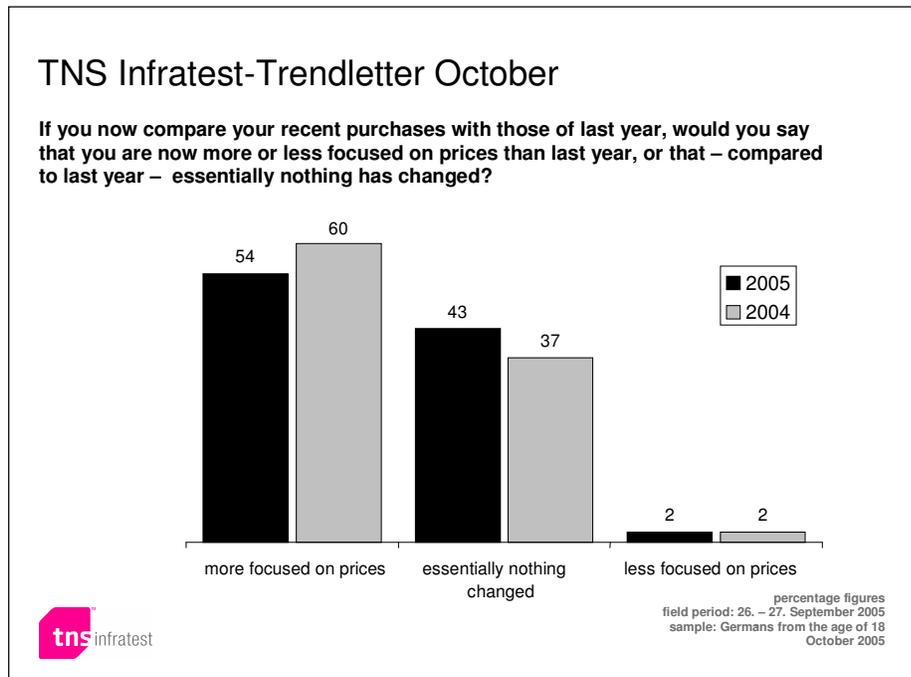
Contact:

Roberto Heinrich
Infratest dimap
Moosdorfstrasse 7-9
12435 Berlin
t 030/53322-153
e roberto.heinrich@infratest-dimap.de

Martin Kögel
TNS Infratest
Landsberger Strasse 338
80687 München
t 089/5600-1406
e martin.koegel@tns-infratest.com

Germans are 2005 still very price-conscious

More than one half of consumers in Germany (54 per cent) pay more attention to prices when shopping than one year ago. For 43 per cent, nothing has changed in this respect. Very few (2 per cent) say that they are less price-oriented. Thus, those consumers are still in the majority who describe themselves as being more price-conscious. However, their number is declining compared to 2004. One year ago, still 60 per cent indicated a grown price-consciousness.



The subjective impression to make more price-oriented purchase decisions remains especially frequent among low-income earners (64 per cent) and the unemployed (59 per cent). But it still applies that more price-consciousness is not only a question of economic status: 40 per cent of those with higher incomes say that they watch prices more closely.

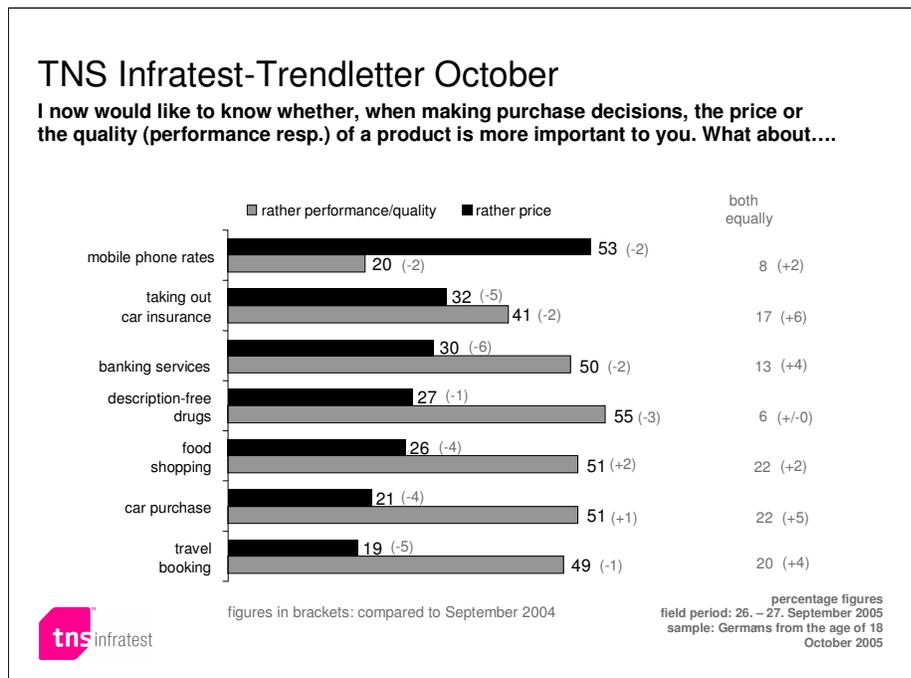
Quality is still priority

Despite their price-consciousness, Germans very rarely do not at all consider quality and performance. Only when it comes to mobile phone rates, price-related issues are most important. In contrast, with regard to all other product groups asked for, most Germans pay attention to questions of quality and performance – be it because performance is more important to them than price for their purchase decision or because they are looking for an at least reasonable overall price-performance ratio.

In case of non-descriptive drugs, Germans do almost not at all compromise on quality. For more than half of them (55 per cent), the assumed quality of a drug is of higher importance than its price. With regard to bank services (50 per cent), food

(51 per cent), car purchases (51 per cent) and travel booking (49 per cent), roughly one out of two say that they prefer good quality or range of services above price.

However, there are differences with regard to the various product categories. In case of drugs, financial services and food, there is a considerable percentage of consumers (26 to 30 per cent) who are very price-oriented. On the other hand, when it comes to car purchases and travel booking, only 20 per cent keep an eye on the price alone. In those cases, many consumers search for the optimum price-to-quality ratio: about 20 per cent of the people asked say spontaneously that both elements are equally important with respect to car purchases and travel booking. For just as many consumers, it is also important that quality *and* price are right when buying food. Compared to the previous year, the number of those has generally increased, who are not unilaterally focused on price or quality (performance resp.), but for whom both aspects are about equally significant for their purchase decisions.

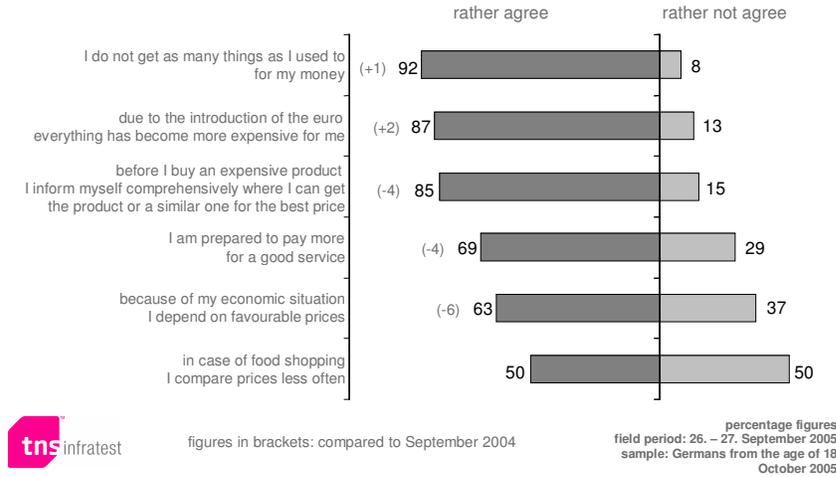


87 per cent of Germans lament about the introduction of the euro, 92 per cent about a general loss of value of money

The huge importance of prices for Germans has various reasons. Similar to the previous year, 87 per cent complain that since the introduction of the euro everything has become more expensive. 92 per cent criticise that – on a general basis – they get less for their money in return today than only a few years ago. 63 per cent – and thus less than 2004 – say that they have to restrict themselves due to their economic situation.

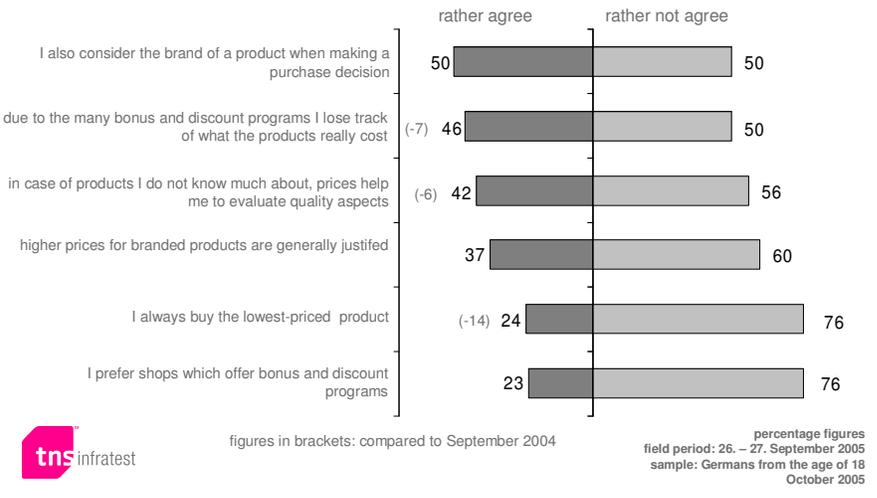
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There are different views with respect to the development in prices and prices in general. I will now read to you some statements in this context. Please tell me in each case if you fully agree, agree, less agree or do not agree at all.



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The grown importance of prices for buying decisions does not mean, however, that a majority of consumers principally prefer the product at the lowest price in each case. 69 per cent remain prepared to pay a higher price for a good service. The percentage figure of those who regularly search for the cheapest product is 24 per cent – that is even significantly lower than one year ago (38 per cent). Moreover, only one out of four Germans prefer shops which offer bonus and discount programs (23 per cent). However, German consumers seem to become slowly accustomed to such offers. Currently, only 46 per cent complain that they lose track of what products really cost due to those offers, last year this figure was still 53 per cent.

Even so Germans are currently less inclined to always buy the cheapest product, price comparisons remain an important aspect to them. When buying food, one half of Germans (50 per cent) compare prices. Before buying expensive products, as many as 85 per cent make extensive enquiries on prices.

This affects, last but not least, high-price branded products. It is true that these are desirable to one out of two (50 per cent), however, 60 per cent of Germans nevertheless think that their prices are not justified. One reason is probably that less and less Germans trust price as benchmark for quality. Whereas in 2004 still one half of Germans (48 per cent) stated that they used price as benchmark for quality in case of missing product information, this figure dropped to 42 per cent this year.

Background information

For the representative study TNS Infratest interviewed 1,000 Germans eligible to vote at the end of September 2005. The survey was carried out on the basis of computer-aided telephone interviews (CATI). The target persons were selected by representative random selection. The target households were selected by using random digit dialling, the households' target persons by using the Kish selection grid. This method ensures that the results of the study are representative for the whole population eligible to vote, plus/minus 1.4 to 3.1 percentage points. Where ever possible, results of former Infratest surveys were used to allow comparisons.