

TO: Distribution
FROM: Michael Marx
DATE: February 29, 2008

Background

This represents the latest monthly summary and analysis of the major indices of consumer confidence, both current and future.

Please feel free to share this information with your issuer and merchant clients.

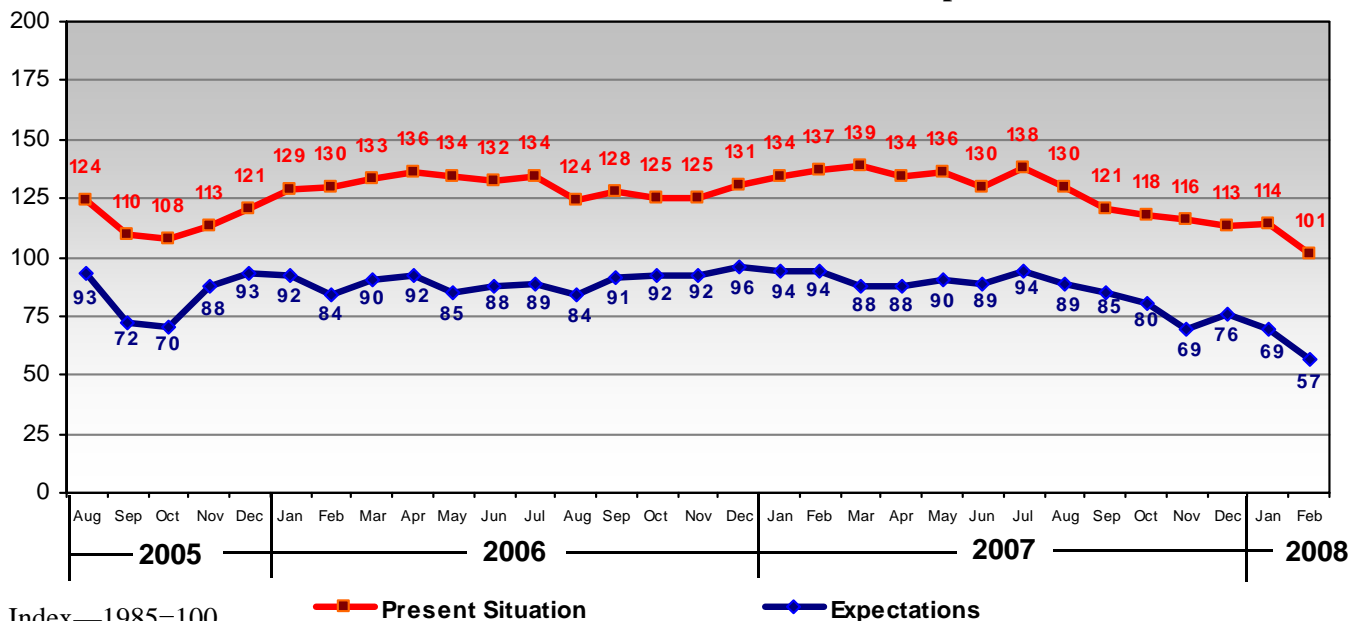
Summary

- Consumer confidence fell sharply to historic lows.
- Business confidence also declined substantially.
- Consumer purchase empowerment continues to increase as reliance on the internet for advertising and shopping guidance increases.

Findings

After a glimmer of positivity in the January results, consumer confidence plummeted in February. Present confidence fell 13 points while future expectations confidence fell 12 points. The result of these dramatic declines is that future consumer confidence is at its lowest level since 1993. No specific event triggered this decline in confidence as the sum of a series of gloomy reports on housing and the economy likely depressed consumers.

Consumer Confidence—Present Situation and Expectations

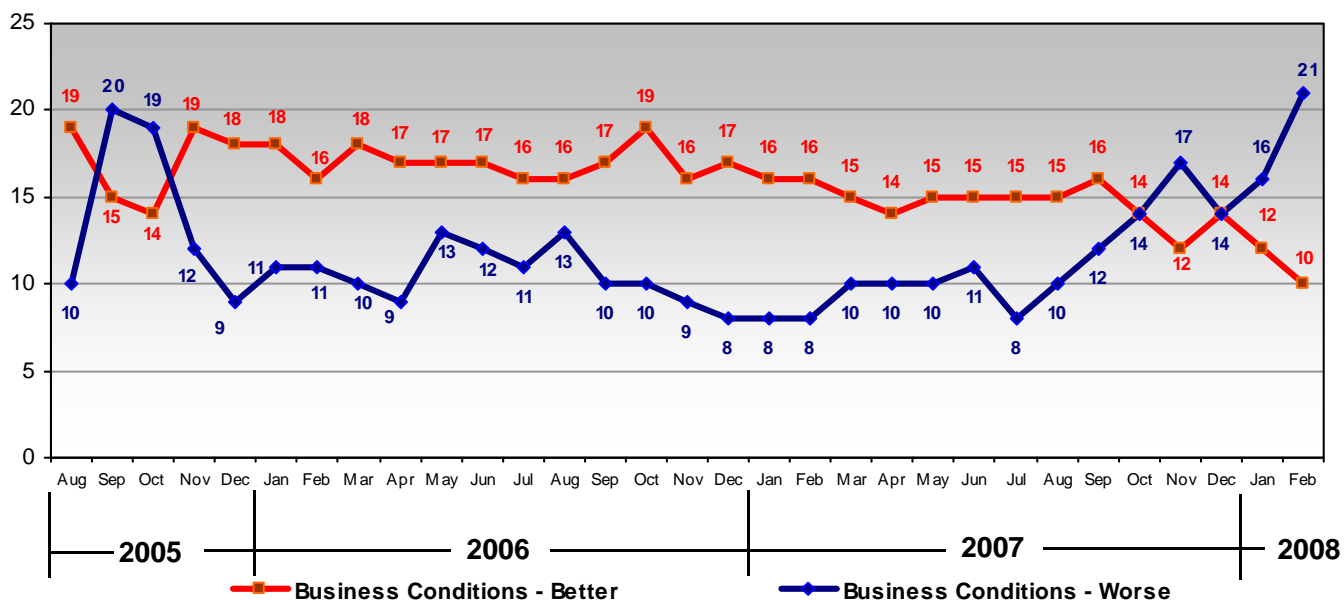


Index—1985=100

Source: Conference Board—Consumer Confidence Survey

The business conditions measure declined sharply in February and is at lows not seen this decade. Those who felt conditions would improve fell two points, and the percentage who felt conditions would worsen rose five points. This places the net position at -11 which is the lowest level in over ten years.

Business Conditions—Next Six Months



Source: Conference Board—Consumer Confidence Survey

Despite consumer uncertainty about their current financial situation brought on by today's weakening economy, marketers are faced with an additional challenge in the current environment. That challenge centers on the increased empowerment of the consumer in making shopping decisions for all the goods and services they buy.

In the past four years the percentage of consumers who “just go to the store and purchase” without using any pre-research tools to help them shop has declined:

2004—31%

2006—19%

2008—17%

Source: Vertis Consumer Focus[®] 2/08

Today, half of consumers research on the internet prior to shopping and over half research paper sources such as circulars or catalogs. Though the use of paper information sources is still prevalent, the major changes in consumer behavior in the past few years are the increased reliance on the internet for help with shopping decisions and a sharp decline in the use of paper sources, especially newspaper advertisements for assistance.

In 2004, twice as many consumers relied on advertising circulars compared to the internet as their first media used in purchase decisions—today the percentages are equal. In addition, the younger the consumer the less likely that consumer relies on paper media for advertising sales guidance.

When you are ready to make a purchase, which media do you turn to first to help you with your decision...?

	2004	2008
Advertising inserts or circulars	30%	26%
Internet	15%	26%
Advertisements on the page of a newspaper	18%	12%
TV	10%	10%
Direct Mail	3%	4%
Catalog	6%	4%
Magazines	4%	2%
Radio	1%	2%
E-Mail	1%	1%
Don't know	2%	2%
None	11%	12%

Source: Vertis Consumer Focus[®] 2/08