

355 of 1000 DOCUMENTS

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**TEENS, TOO, ARE TIGHTENING BUDGETS;  
Demo is cutting back on food and excursions, still spending on DVDs and music in recession****BYLINE:** NATALIE ZMUDA**LENGTH:** 906 words

In a recession, one group can usually be counted on to keep spending: teens. Their parents often pick up the tab for necessities, leaving them free to spend the income they earn from part-time jobs and birthday money from grandma on themselves. But in this downturn, a rather surprising phenomenon is emerging: tight-fisted teens.

According to research from Piper Jaffray, teens are becoming more attuned to the pinch on household budgets from the economy, which is having a "dramatic impact" on the \$125 billion the demographic spends each year. Teens generally have about \$5,000 a year burning a hole in their pockets, but they are spending about 14% less this spring than in spring '08.

A study from Euro RSCG Discovery found that 92% of females ages 13 to 21 said they are at least somewhat worried about the economy, while 87% of males are. Teens are now asking themselves, "Do I need that?" and "Can I wait to have that?" Those are questions that historically have been of little concern to an age group that spent money as fast as they made it.

A grim unemployment picture for those ages 16- to 19-years old is also hampering spending. Unemployment rates in that age group have been rising, hitting nearly 22% in March, the highest rate seen in more than a decade. The national average was 8.5% last month. "Teens, like their parents, are coming up against a tough job market. The standbys of restaurant and retail are trimming their ranks, not hiring," said Candace Corlett, president of WSL Strategic Retail, a consulting group. "It's going to be a tough summer for teens."

So what are they scrimping on? According to Piper Jaffray, they are cutting back on apparel, beauty and food, and excursions to movies, concerts and sporting events. Of course, there are limits: Teens are not willing to live without things such as music, DVDs, video games and video-game systems, and spending in those areas has been less affected.

Apple, Xbox and Electronic Arts can rest easy--as can Nike and Starbucks.

Though apparel has seen one of the most dramatic declines in spending, slumping 22% year over year, teen spending on accessories is flat, and outlays on shoes have increased 4%, according to Piper Jaffray. The beauty category has seen a 12% decrease year over year.

Ellen Davis, VP at the National Retail Federation, said the recession has coincided with a sea change in teens' spending habits. The latest gadgets have replaced trendy jeans and designer duds as must-haves. "Today's teens are so focused on communication that iPhones are becoming the new jean," she said.

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Teens have also been trimming expenditures on eating out, spending some 20% less compared with fall 2007. Nicole Miller Regan, senior research analyst at Piper Jaffray, said one of the most interesting findings of the survey is the increasing importance of value to the group. Chipotle and McDonald's are gaining market share, though Starbucks remains the teen favorite.

``Key influencers have always been taste and convenience, but now value is trumping that," she said. ``They're eating more at [quick-service restaurants] than they are at casual dining. It's all about value, value menus, dollar menus and a lower average ticket."

There are a few bright spots, however. As a percentage of teen spending, video games have increased to 8% from 7% last spring. The Piper Jaffray study also found that teen gamers are far from price-sensitive, with 54% of all purchases ringing in at \$50 or more. Music and DVDs also saw an increase to 11% of teens' budgets from 8% last spring, despite the rise of music and media downloading.

``Peer pressure is still peer pressure. When they're with their friends, they're not willing to cut back on things that give them a badge," said Zain Raj, CEO-Euro RSCG Discovery. ``And spending on things that allow them to connect with their peer set are not as affected."

But, increasingly, teens are tuning in their parents, as opposed to tuning them out. Experts say teens are taking cues from parents who, even if they haven't been directly affected by the recession, are at least stressed. Many parents are also bringing the recession to the dinner table. A survey from CoolSavings, a division of Q Interactive, found that 84% of heads of household are discussing saving and budgeting with kids. And 81% say kids are aware of the recession and the impact it is having on household budgets. Kids are even beginning to pitch in, using coupons for things such as movies, music, museums and theme park trips, the survey found.

That's in keeping with data WSL has cultivated showing teens are being more empathetic than apathetic. ``It's startling. At the risk of stereotyping, we did see teens as sort of self-absorbed," said Ms. Corlett. ``But teens are sensitive to what their parents are going through."

Today's teens are also more plugged in than their predecessors, a key differentiation from the recessions of the early 1980s, 1990s and, even, 2001. The rise of social networking has enabled teens to have hundreds of ``friends" through services such as Facebook and Bebo. And that has made this recession much more personal for them.

``Teens have hundreds of friends on Facebook, so they're hearing about someone's dad losing his job or someone who has to move because their parent's company is downsizing," said Ms. Davis. ``They're seeing the impact of the recession first-hand, even if it's someone they barely know."

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