Times & Trends

The New Path to Purchase:

An Escalation of Channel & Consumption Migration

AUGUST 2010

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Insight.
Innovation.
Impact.

Shoppers Continue to Dial Back Channel Surfing Strategies

SymphonyIRI's last two Times & Trends have focused on the growth and dynamics of store brands, especially the ebb and flow of store brand popularity before, during and since the recession.

Shoppers' channel strategies are another critical behavior that CPG marketers must thoroughly understand in order to develop optimal approaches for distribution, assortment, pricing, merchandising and promotion. Prior to the recession, shoppers as a whole were gradually increasing the number of stores at which they shopped, which reflected their personal financial health and confidence in the economy.

The spike of oil prices in 2008 and rapid fall into recession changed all that. Shoppers stunned by the rapid turn of events and $4 gasoline cut back the number of channels where they shopped, shifted to store brands and reallocated visits to lower-cost retailers.

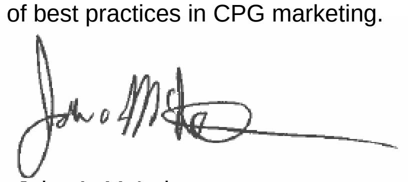
Though shoppers continue to visit multiple retail channels to complete their CPG shopping endeavors, they are continuing to consolidate the number of channels at which they shop. Since the second quarter of 2009, shoppers have consistently cut the number of channels they visit in every quarter except one. The slide is evidenced in the number of shoppers visiting 5-9 channels, which has dropped consistently since Q2 2009. The number of consumers shopping at 10+ channels remains roughly constant.

As noted in SymphonyIRI's store brands reports and its recently released Special Report: Back to School 2010 survey, the rosy corporate earnings picture is not rubbing off on consumers. In addition to cutting stores visited, outlets known for low prices are gaining ground. Supercenters and dollar stores enjoyed a 1.9 point and 0.5 point increase in penetration, respectively, during the Q2 2009 to Q2 2010 period. Convenience store penetration dropped 1.9 points during the same period.

Retail marketers have a tightrope to walk to remain successful in the coming months and years. While store brands strategies have been successful for many, they are not a panacea. Shoppers remain devoted to their national brands in many categories. SKU rationalization strategies, designed to boost margins, can sometimes backfire. Walmart, for example, attempted to remove lower margin products from their shelves earlier this year only to retreat as shoppers voted with their feet and started to shop elsewhere for their favorite products. Consumers' shopper strategies are becoming increasingly diverse as the recovery affects various demographic groups and geographies differently.

More than ever, successful retailers will keep a close watch on even subtle channel migration trends among shoppers and adjust their product, pricing, assortment and merchandising strategies in near real time.

The economy is improving, but slowly and unevenly. As this rebound continues, we welcome your observations, thoughts and examples of best practices in CPG marketing.



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Executive Summary: Turning Insights into Action

INSIGHT	ACTION
• Cross channel shopping has become a well-entrenched part of the CPG shopping experience; three-quarters of consumers shop in five or more channels to meet their CPG needs	• Conduct monthly analyses of channel share shifts across key departments versus key competitors, and key brands versus total category
• After escalating sharply at the height of the recession, trip behavior has slowed; average basket has also slipped, driven by changing trip mission trends and associated channel behavior	• Maximize the value of each store visit with assortment and merchandising strategies that align with high-priority trip types
• Channel behavior varies across CPG departments; the dollar channel is the only channel that posted share gains across departments during the past year	• Protect and grow share with market-level competitive strategies vis-à-vis dollar stores
• The drug and supercenter channels are performing well in health and beauty care, while grocers have demonstrated strength across several key meal-related categories and in general merchandise	• Stimulate growth in key categories and departments with value-oriented programs touting innovative and self-driven solutions targeted to the most pressing needs of key shopper and target groups
• Drug, club and dollar retailers continue to see share growth across their heaviest shoppers, while supercenters lost considerable share among this important consumer segment	• Conduct frequent and granular assessments across key shopper segments to ensure a clear understanding of trip mission trends and associated shopper attitudes and behaviors

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Introduction

Though the U.S. economy has shown some positive movement, many consumers remain entrenched in a daily struggle to make ends meet. The silver lining in this economic cloud is the outstanding resilience demonstrated by the American people.

Resilience can be seen across a wide range of daily rituals, from eating and health care, to home care and pet care. At the heart of these rituals is the consumer packaged goods (CPG) industry. Throughout the economic downturn, consumers have relied on packaged goods companies to help them meet their daily needs on extremely tight budgets.

To stretch their CPG dollars further, consumers adopted extremely conservative shopping behaviors, which resulted in a resurgence of channel switching behavior. During the height of the recession, supercenters, known for their everyday low prices, saw a significant uptick in trips and spending, resulting in higher share across many CPG departments.

Competing channels have fought back, adopting aggressive and targeted strategies for winning share of CPG spending. Drug and club channels, for instance, have won share of healthcare spending during the past year, while grocery has seen sizable share gains in general merchandise.

The battle for share of food and beverage spending remains very intense. Grocers have scored some sizable wins, but supercenters remain an important pawn in this game. Target will incorporate the P-Fresh format in 350 locations this year, significantly expanding its food offerings. Drug retailers, too, are also stepping up food- and beverage-related strategies.

Dollar stores continue a slow but steady march for CPG dollar share. While gains made by this channel are not huge, they are quite respectable and very consistent. As dollar store marketers continue to hone their strategies, these gains are subject to increase even as the economy improves.

In a transforming economy such as the one this country faces today, the study of consumer shopping behaviors is fascinating. The battle for share of spending is nothing short of intense.

The need for granular and frequent market research is high. Those CPG marketers who effectively leverage these analyses to develop and execute truly consumer-centric marketing strategies will hold a distinct advantage in the battle for share of wallet.

This report provides insights into recession-driven changes in consumer shopping patterns across departments, categories and consumer segments, and serves as a foundation for competitive and distribution strategy development as well as a baseline for ongoing tracking efforts.

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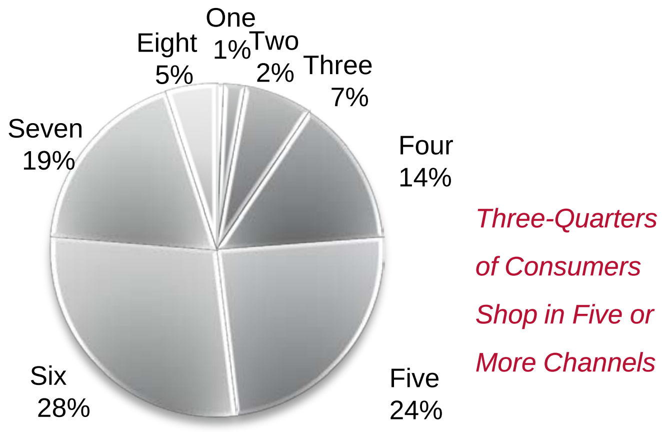
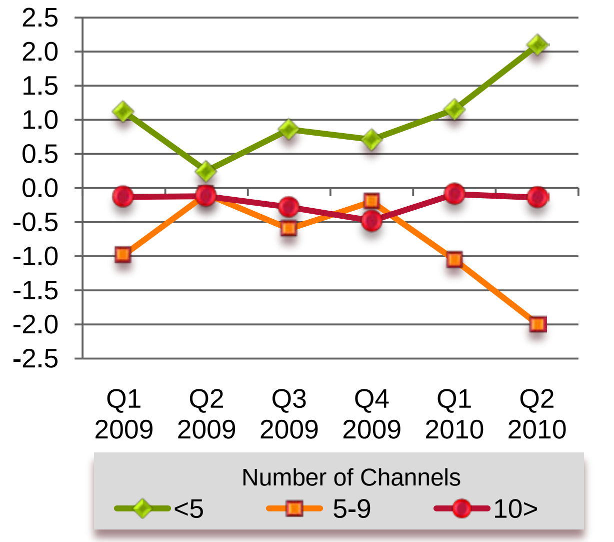
CPG Shopping Trends: Channels Shopped



Source: SymphonyIRI Consumer Network™, 52 weeks ending 6/27/2010



Source: SymphonyIRI Consumer Network™

# of CPG Channels Shopped
% of Consumers
2010

% of Consumers Shopping Multiple Channels
By # of CPG Channels Shopped
Quarterly Point Change versus Year Ago
2009-2010

Cross channel shopping has long been a strategy embraced by consumers looking to save money on everyday CPG needs. Today, as the recession eases, consumers continue to shop multiple CPG outlets in order to stretch their CPG dollars. In fact, three-quarters of consumers shop across five or more retail channels. While this is consistent with historical trends, the tides began to shift in recent months.

A small handful of CPG shoppers, about 3%, shop across ten or more retail channels to fulfill their CPG needs. This has remained largely unchanged since the beginning of 2009.

In contrast, the number of consumers shopping less than five retail channels fluctuated considerably throughout 2009, then escalated rather sharply since the beginning of 2010. Today 24% of consumers shop across less than five CPG channels to satisfy their CPG needs. This marks a noteworthy change versus 2008, when 22% of shoppers confined their CPG shopping to less than five retail channels.

Though the economy is slowly improving, consumers remain well-entrenched in conservative shopping behaviors, and price shopping plays a central role in money-saving strategies.

According to SymphonyIRI's recent Brand and Retailer Loyalty survey, 47% of consumers chose their most recent grocery retailer because that retailer offered low prices on needed items.

The battle for share of CPG wallet continues to intensify. Price plays a central role in the struggle, pushing CPG marketers to develop innovative new programs aimed at protecting and growing share. The remainder of this report provides insights into some of the programs being embraced today, and illustrates the results of CPG marketer efforts to win over conservative CPG shoppers.

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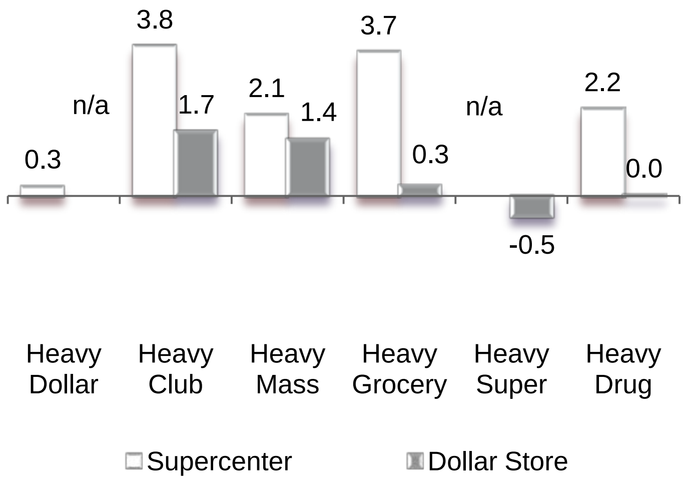
CPG Shopping Trends: Channel Penetration



Source: SymphonyIRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

Supercenter & Dollar Channel Penetration
Point Gains Among Heavy Channel Shoppers

Channel	2010 Penetration	Point Change vs 2009
Grocery	98.4%	(0.2)
Supercenter	69.5%	+1.9
Mass	71.6%	(2.3)
Club	50.0%	0.0
Drug	77.0%	(0.5)
Dollar	57.9%	+0.5
Convenience	29.2%	(1.9)

Source: SymphonyIRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

CPG Shopping Trends
% Households Buying by Channel

Supercenters continue to drive increased shopper penetration. Today, nearly 70% of shoppers make CPG purchases in supercenters, an increase of 1.9 points over the past year.

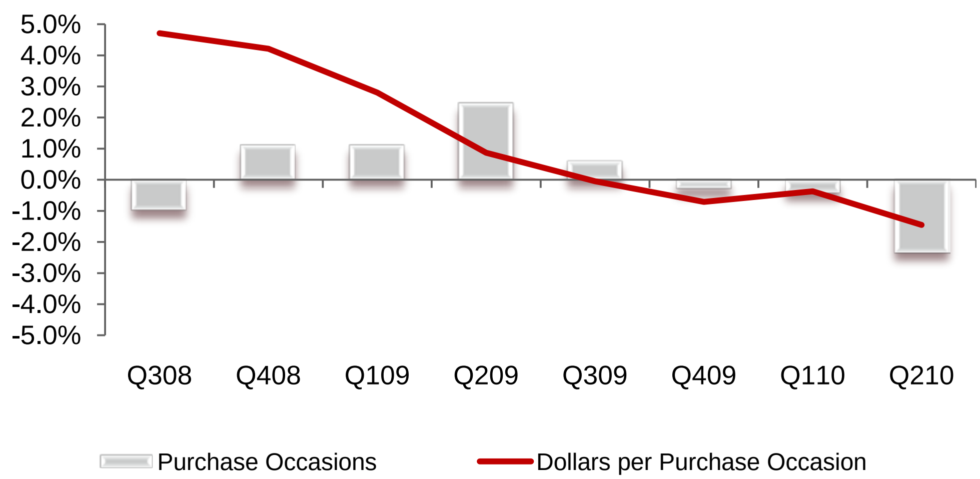
Supercenter shoppers are migrating over from a majority of competing CPG channels, most heavily from the club and grocery arena. Supercenters are also drawing shoppers from the drug channel, increasing penetration more than two points among the drug channel's "heavy shopper" segment.

Supercenters are reputed to offer everyday low prices. Among consumers looking to manage their CPG budgets closely, this type of strategy is generally very well received. And, the focus on low prices remains very strong. For instance, Target has adapted its merchandising strategy to a more value-focused strategy. This change is credited with helping to boost sales in recent quarters.

Dollar stores are also attracting shoppers that have historically shopped heavily in other channels. Dollar retailers drove penetration gains of more than one full point across heavy club and heavy mass merchandise shoppers with a variety of programs which are discussed throughout this report.

Conversely, convenience stores have seen penetration slide rather considerably over the past year, with penetration today standing at 29.2%. The channel is regarded highly as a quick and easy outlet for discretionary packaged goods purchases. But, with budgets stretched tight, consumers have reduced and/or eliminated many non-essential purchases. This has negatively impacted convenience store sales and traffic.

CPG Shopping Trends: Shopping Trips and Per Trip Spending



Source: IRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

Average Purchase Occasions per Household &
Average Dollars per Purchase Occasion
All Outlet % Change vs Prior Year

Trip behavior has fluctuated during the past two years, driven by a number of factors, including gas and packaged goods pricing.

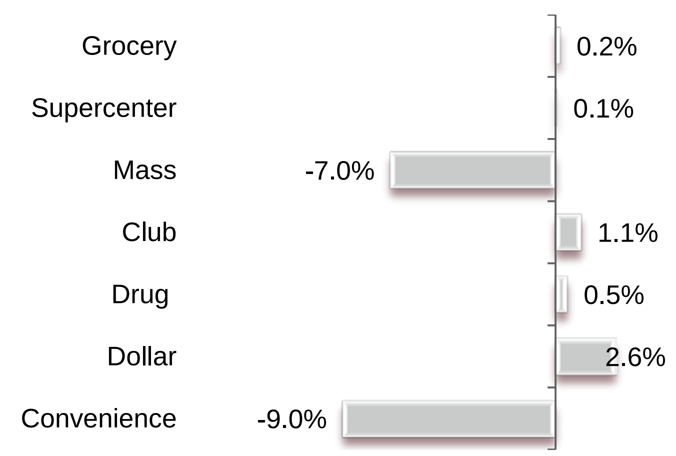
In the second and third quarters of 2008, gas prices jumped drastically resulting in a sharp drop in trip behavior. Consumers were purchasing more on each trip to minimize gas expenditures, and basket size grew accordingly.

In the final quarter of 2008, gas prices began to subside, and consumer trips picked up. In fact, by the third quarter of 2009, basket size growth became negative, reflective of consumers' smaller and more frequent shopping excursions.

Throughout the past year, trip frequency has been in slow decline. In the second quarter of this year, trips slipped 2% versus year ago, virtually negating the 2.5% spike seen in the second quarter 2009.

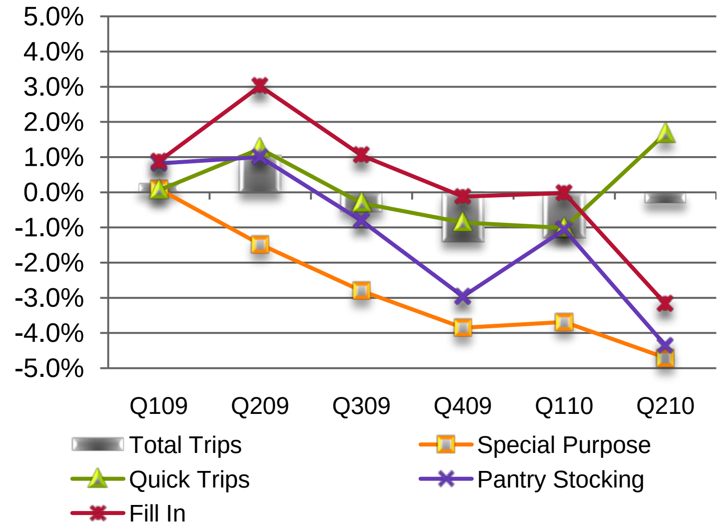
During the same period, average basket size also slipped nearly 1.5% versus year ago. Detailed on the pages that follow, this slide is attributable to changes in trip mission trends and associated channel behavior.

CPG Shopping Trends: Shopping Trips and Per Trip Spending



Source: SymphonyIRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

2010 Average Purchase Occasions per Household
% Change vs Prior Year



Source: SymphonyIRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

Retailer Trips by Trip Mission
% Change vs Prior Year

Across the grocery, supercenter and drug channels, trip behavior remained fairly steady during the past year. The club and dollar channels, on the other hand, experienced increased trip behavior during the same time period.

These statistics are consistent with those illustrated in SymphonyIRI's February issue of Times & Trends, which analyzed CPG industry performance throughout 2009. Detailed in that report, dollar stores in particular are being positively rewarded for efforts made to serve consumers' intense quest for low cost CPG solutions.

The convenience channel is one of few CPG channels to see sharp declines in number of trips made in this same time period. In the past year, convenience channel purchase occasions slid 9%.

Discussed earlier, the recession has negatively impacted channel performance.

The mass merchandise channel has also seen slides. This trend is largely attributable to a continued changeover of mass merchandise formats to supercenters.

Trip mission trends have shifted during the past year. For CPG marketers looking to serve key consumer segments, understanding trip mission trends is absolutely critical. Trip mission impacts not only channel and store selection, but also behaviors inside the store, such as purchase path and product bundles.

Special purpose trips, those that are not routine, but rather made for a specific event, have declined throughout the course of the recession as consumers reined in unnecessary CPG spending. Despite an improving economy, special purpose trips continued to fall in the second quarter of this year.

Meanwhile, fill-in trips jumped in the second quarter of 2009. Detailed in the January 2009 issue of Times & Trends, the drug channel benefitted most from this trend as consumers sought close to home outlets for their fill in CPG needs.

Quick trips, small "need it now" shopping excursions, only started to rebound in recent months as the economy began to settle. In the second quarter, quick trips increased nearly 2% versus year ago.

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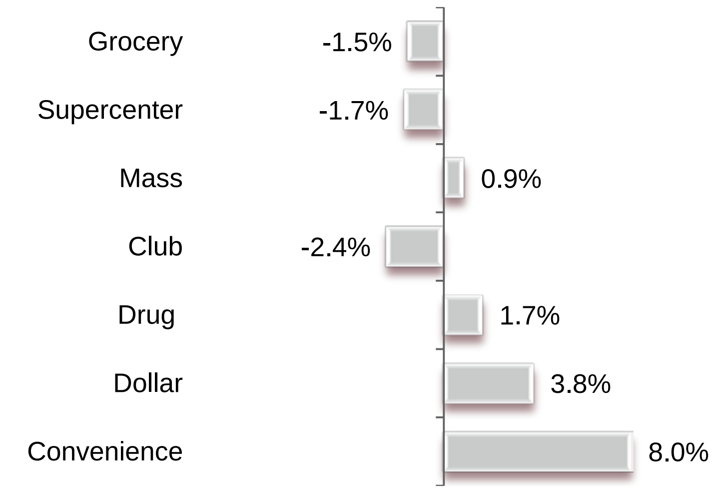
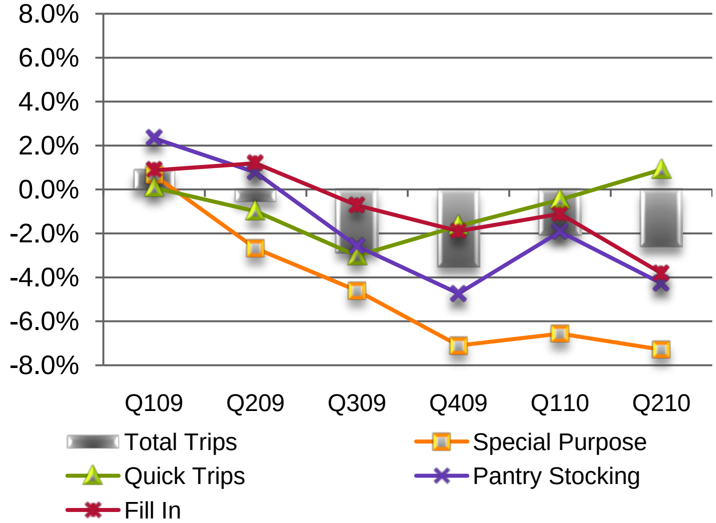
CPG Shopping Trends: Shopping Trips and Per Trip Spending



Source: SymphonyIRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

2010 Average CPG Dollar Sales per Purchase Occasion
% Change vs Prior Year



Source: SymphonyIRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

Basket Size by Trip Mission
% Change vs Prior Year

SymphonyIRI Group has reported extensively on conservative shopping behaviors that have been embraced by consumers across demographic segments during the course of the recession.

Pre-planning, trading down, and trading out have become commonplace strategies in today's CPG environment. As a result of these conservative behaviors, basket size has declined steadily since the middle of 2008.

For much of 2009, basket size slipped across trip missions. Declines in pantry-tocking baskets were particularly sharp, and, after a brief easing in the first quarter of 2010, pantry stocking baskets shrank again in the second quarter of the year.

Influenced at least partially by this trend, average basket ring in grocery, supercenter and club channels has declined during the course of the past year. It is very likely that aggressive pricing strategies and high levels of promotional activity also contributed to shrinking basket size.

In contrast, drug and dollar retailers have seen basket size grow during the past year. Again, shifting trip mission trends contribute to this growth, as each of these channels are heavily leveraged for fill in trips.

In addition, both channels have worked hard to protect and grow share during the past year. Programs, such as RiteAid's Wellness+ rewards, are resonating well with value conscious CPG shoppers, while dollar channel efforts to build assortment and merchandising prowess are attracting consumers across income segments.

CPG Shopping Trends: Channel Share Shifts

Channel	2010 Share	Point Change vs 2009
Grocery	49.4%	0.0
Supercenter	18.9%	(0.1)
Mass	5.9%	(0.3)
Club	9.4%	0.0
Drug	5.1%	+0.2
Dollar	1.7%	+0.1

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year
*Note; Convenience channel excluded as data not fully representative; share will not total to 100% as not all channels are highlighted

CPG Dollar Share by Channel*

The August 2009 issue of Times & Trends illustrated that the grocery channel had successfully turned around a multi-year share loss trend. In 2010, the channel was able to protect share effectively, but did not capture additional share gains.

After several years of strong share gains, the supercenter channel actually lost a very small amount of share in 2010. This loss is the result of slides that occurred across departments, an important change that will be explored in greater detail later in this report.

Despite the fact that drug channel penetration slipped in the past year, drug retailers did succeed in building trip frequency as well as per trip expenditures.

In addition to a heavy focus on health and beauty care options, several major drug retailers have announced plans to build their food presence. Walgreens, for instance, announced that fresh foods will be the focus of a major initiative in the coming months, and that convenience foods will be expanded as well. CVS and RiteAid each announced plans to increase focus on food and beverage, too.

In the past year, drug channel share of CPG sales has climbed slightly to 5.1%. The initiatives mentioned above seek to capitalize on consumers' desire for quick and convenient food and beverage solutions. With 77% penetration in the U.S. market, drug retailers are well positioned to capture a significant share of this important market.

Dollar stores have also posted slight share gains during the course of the past year. Detailed on the following page of this report, dollar stores have made significant changes to their assortment, which, along with difficult economic conditions, has helped to broaden appeal of the channel beyond just the lowest-income consumer segments.

The success seen across dollar and drug channels serves to validate the importance of understanding and reacting to key consumer trends. As the economy continues to fluctuate and consumers remain focused on finding value and convenience, the importance of monitoring and serving consumers' most pressing needs will continue to escalate.

Shopping Shifts by Department: Dollar Share

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar
Beauty/ Personal Care	+0.1	+0.9	(1.2)	+0.2	(0.5)	+0.2
Center Store	+0.1	+0.1	(0.3)	(0.1)	0.0	+0.1
Fresh/ Perishable	+0.2	0.0	+0.1	(0.2)	(0.2)	0.0
Frozen Foods	(0.4)	0.0	+0.3	0.0	+0.1	+0.1
General Merchandise	+0.7	(0.2)	(0.5)	0.0	(0.6)	+0.2
Healthcare	+0.1	+0.2	(1.2)	(0.3)	+1.5	+0.1

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Dollar Share Point Change by Department
2010 v 2009

Cross channel shopping trends continue to vary and fluctuate across CPG departments.

In contrast to patterns illustrated in the August 2009 issue of Times & Trends, when share gains cut across all CPG channels, the supercenter channel saw flat-to-negative share trends in the past year across five of the six CPG departments. This shift is indicative of the extent to which competing channels have upped the ante on their marketing game.

The prevalence of everyday low pricing strategies, for instance, is much higher today versus year ago. Dollar General, Kmart, and Safeway are just a few examples of retailers with new and/or improved EDLP strategies in place.

The dollar channel is slowly capturing share across a majority of CPG departments. This channel has benefitted from recessionary pressures and resulting conservative consumer behaviors. Large dollar store retailers, including Family Dollar and Dollar Tree, are working to capitalize on this opportunity, broadening assortment, building out store brand lines, and enhancing the shopping experience with cleaner stores and better merchandising.

Across other channels, shifts have been more focused. The grocery channel captured 0.7 share points in general merchandise, for example. Share gains cut across five of the largest general merchandise categories, a trend which is elaborated upon later in this report.

The drug channel experienced significant gains in beauty/personal care. This department is historically a strong one for drug retailers, and the channel holds about 18% share of total beauty/personal care sales.

During the past year or so, drug retailers have stepped up efforts to solidify their value image. Already successful loyalty programs, such as RiteAid's Wellness+ or CVS's ExtraCare, are being expanded and refined. Consumers are responding favorably to these actions.

To be explored later in this report, club stores experienced a sizable jump in share of healthcare dollars, bolstered largely by sale of vitamins.

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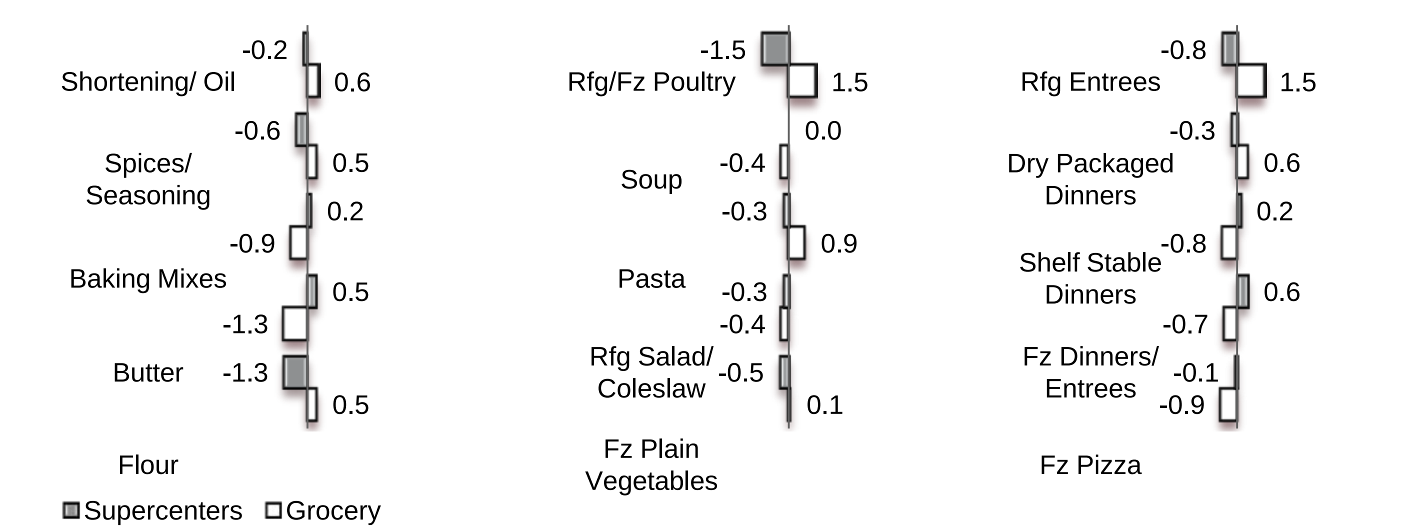
Shopping Shifts by Category: Meal Ingredients and Components



Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/28/2009 and same period prior year

Meal Ingredients:
Dollar Share Shift Point Change 2010 v 2009

Meal Components:
Dollar Share Shift Point Change 2010 v 2009

Convenience Meals:
Dollar Share Shift Point Change 2010 v 2009

According to SymphonyIRI's latest Economic Update Survey, 58% of consumers are eating out less often and 49% of consumers are cooking more meals from scratch and utilizing less convenience items to in order to reduce their meal-related CPG expenditures. Given these behaviors, it is no surprise that the battle for share of meal ingredients, meal components and convenience meals is quite fierce.

Across supercenter and grocery channels, retailers are ramping up their food-related strategies in hopes of capturing an increasing share of this important market segment.

For instance, Target has been heavily focused on building assortment and adding convenience in the areas of fresh produce, quick meal and fill-in grocery solutions to ensure that consumers can quickly and easily shop these areas of the store. The retailer's P-Fresh layout, which greatly expands food and beverage offerings, has been very well-received by consumers and is being rolled out in 350 stores this year.

Meanwhile, Supervalu, which has a reputation as a more premium-priced grocer, has been cutting its assortment to reduce costs and facilitate price cuts. The retailer is also expanding its limited assortment Sav-A-Lot franchise to bolster sales performance.

Food price inflation is down sharply versus just two years ago, when food at home rose 10.6% over a two year period. This year, food away from home and food at home prices are each predicted by the USDA's Economic Research Service to rise 1.5% to 2.5%. Despite this easing, the battle for share of packaged food spending will remain intense.

As more channels join the fight, including the newest comers from the drug store channel, a one-size-fits-all approach to marketing will become increasingly ineffective. CPG marketers must embrace local level, consumer-centric market research and strategy tactics. Those that do so will be rewarded with share of spending and increased loyalty that will long outlast today's recession-driven frugality and conservatism.

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Shopping Shifts by Category: Healthcare

	Grocery	Drug	Supercenter	Club
Cold/Allergy/Sinus Tablets	+0.2	+0.7	+0.1	+0.1
First Aid Accessories	(0.1)	+2.4	(1.1)	+0.3
First Aid Treatment	+0.1	+1.1	(0.4)	(0.4)
Gastrointestinal Liquid	(0.8)	+3.2	(2.0)	+1.7
Gastrointestinal Tablets	(0.4)	+1.8	+0.2	+0.5
Home Health Care/Kits	(0.6)	+1.3	+0.7	+0.3
Internal Analgesics	+0.8	(1.0)	(0.1)	+0.8
Nasal Products	(0.8)	(1.5)	+0.1	(0.1)
Vitamins	(0.6)	(0.7)	+0.1	+3.1
Weight Cntrl/Nutr Liq/Pwd	+2.3	+0.4	(1.7)	+1.3

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Key Healthcare Categories: Dollar Share Point Change
2010 v 2009

The drug channel has long been a destination channel for healthcare CPG needs. Today the channel holds just over 25% share of total healthcare sales dollars, and positive momentum is evidenced across many of the largest healthcare categories.

The channel, for instance, posted rather sizable share gains in first aid accessories and gastrointestinal liquids, two categories which experienced positive unit sales growth over the past year despite a difficult economy and conservative shopping patterns.

On the other hand, the drug channel lost 1.5 share points in the nasal products category. This category is another important category vis-à-vis consumers' at-home, self driven healthcare rituals. The dollar channel captured 2.4 share points in the nasal care category, another testament to the channel's efforts to broaden reach and appeal through enhanced assortment planning.

The grocery channel is also working to solidify its position in the healthcare arena. Supervalu, for instance, recently kicked off February Heart Health Month with the "Value Your Heart" program. The program is part of the retailer's efforts to help empower customers to take control of their own health and well-being with products, programs and information on healthy living.

The grocery channel posted share gains in several key healthcare categories, including sizable share gains in the weight control/nutrition liquids/powders category.

Mentioned earlier in this report, the club channel captured more than three share points in the vitamins category and has positive traction across a majority of top healthcare categories. The healthcare department is an important one for club retailers, and the channel currently holds nearly 14% share of total CPG sales. As efforts to build this momentum continue, competing channels must remain vigilant, and work to protect and grow share in this important CPG department.

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Shopping Shifts by Category: Beauty & Personal Care

	Grocery	Drug	Supercenter	Club
Blades	(0.7)	+1.6	+0.7	(0.7)
Deodorant	+0.7	+0.1	(0.5)	0.1
Diapers	(0.8)	+2.1	(1.3)	(0.8)
Hair Conditioner	+0.6	+0.1	+1.1	(0.6)
Sanitary Napkins/Tampons	(0.9)	+1.6	+0.2	+0.2
Shampoo	+0.9	(0.4)	+0.9	(0.5)
Skin Care	+1.1	(2.3)	+0.4	(0.6)
Soap	(0.7)	+4.2	(0.4)	(0.3)
Toothbrush/Dental Acc.	+1.3	+2.5	0.7	(3.4)
Toothpaste	(0.1)	(0.4)	+0.2	+1.0

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Key Beauty/Personal Care Categories: Dollar Share Point Change
2010 v 2009

Consumers have adopted a range of self-reliant beauty and personal care behaviors during the course of the recession. SymphonyIRI's latest Economic Update Survey, for instance, reveals that 50% of consumers are going to the salon/spa less often, and 34% of consumers are using more at-home beauty treatments.

Consumers are conducting these at-home treatments in a very conservative fashion. They are working to make products last longer and sharing products with other household members. The net result of these actions has been a 2.4% slide in unit sales of beauty and personal care products in the past year.

Nonetheless the battle for share of beauty and personal care categories is quite intense. Across a majority of the largest beauty and personal care categories, though, the drug store channel is focused and performing quite well.

CVS, for instance, has been aggressively promoting a wide range of beauty and personal care products in the past couple of months. The retailer partnered with several manufactures to bring to market new ExtraCare offers, including Johnson & Johnson. Consumers receive $10 in Extra Bucks with the purchase of $30 in RoC products and $20 worth of Aveeno or two select Neutrogena products. Through partnership with Energizer Holdings, consumers receive $20 in ExtraCare bucks for the purchase of select Schick or Playtex products[1].

Similarly, Walgreens partnered with P&G in support of the Gillette Fusion ProGlide launch, promoting Register Rewards for the purchase of select ProGlide products, with a comprehensive in-store merchandising program[2].

Though the economy is brightening, consumers remain entrenched in conservative behaviors. As CPG marketers work to drive purchase activity in this difficult environment, innovative merchandising and promotional programs will continue to play an important role in channel and retailer selection.

[1] In-Store Marketer, CVS/pharmacy Field Report, August 6, 2010; [2] In-Store Marketer, Walgreens Field Report, July 16, 2010

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Shopping Shifts by Category: Household Care

	Grocery	Supercenter	Club	Dollar
Toilet Tissue	+0.3	+0.2	0.0	+0.2
Laundry Detergent	+1.4	(0.6)	(0.6)	+0.1
Paper Towels	+0.7	+0.4	(0.6)	+0.2
Food & Trash Bags	+2.2	(0.9)	(0.8)	+0.4
Household Cleaners	+0.4	(0.2)	(0.4)	+0.6

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Key Household Care Categories: Dollar Share Point Change
2010 v 2009

Detailed earlier in this report, the grocery channel captured 0.7 share points in the general merchandise department during the past year. Those gains cut across all of the largest general merchandise categories.

Several of these categories are stock-up categories, categories which generally respond quite well to merchandising support. Detailed in the January issue of Times & Trends, for instance, the paper towels and toilet tissue categories each sold about one-half of their volume with merchandising support over the past year, and lift in those categories was 211% and 199%, respectively.

Collaborative promotional programs are an example of how grocery retailers are driving purchase across these categories. For instance, Meijer recently teamed up with P&G to offer consumers receipt rewards redeemable for $3 to $5 off future purchases with a $15 or $25 purchase of Bounty or Charmin products[1].

Grocers' stepped up focus on their store brand lines is also benefitting share of key household care categories. For instance, store brands captured 2.6 share points in the food and trash bag category over the past year, and 1.9 share points in laundry detergent. In each of these categories, grocery share increased considerably in the past year.

The dollar channel saw slow but steady growth across the top household care categories. This growth demonstrates the positive impact of efforts, described earlier in this report, to drive trial and repeat purchase behavior across consumer segments.

[1] In-Store Marketer, Meijer Field Report, July 1, 2010

Shopping Shifts by Consumer Segment: Share Shifts

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar
Under $35K	(0.1)	+0.2	(0.4)	(0.2)	+0.3	+0.2
$35-$60K	(0.1)	+0.1	(0.4)	0.1	0.0	+0.1
$60-$100K	(0.1)	+0.3	(0.2)	0.0	0.0	+0.1
Over $100K	+0.4	(0.2)	(0.3)	(0.4)	(0.3)	+0.1
Hispanic	(0.4)	+0.3	(0.6)	+0.6	(0.6)	+0.1
Households with Children	+0.3	+0.3	(0.4)	(0.5)	(0.1)	+0.2
Boomers	(0.1)	+0.2	(0.4)	(0.2)	(0.3)	+0.2

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Dollar Share Point Change by Consumer Segment
2010 v 2009

Channel behavior across key consumer segments did not shift drastically in the past year. Rather, small changes occurred, with nuances seen across CPG channels.

For instance, the wealthiest shoppers, households earning more than $100,000, turned to the grocery and dollar channels at the expense of most other CPG channels.

Meanwhile, households with children slid away from the largest formats, supercenters, mass merchandisers and club, in favor of grocery, drug and dollar store formats.

Hispanic shoppers dedicated more of their CPG dollars to the drug and supercenter channels, the same channels which experienced the strongest growth in beauty and personal care sales. This important consumer segment is reputed to spend more heavily in this department, suggesting a link between the two trends.

CPG behavior can and does shift frequently across and within consumer segments. To market effectively, CPG marketers must stay on top of, or even ahead of, these shifts.

As the economy continues its slow march back from the long and deep recession, these shifts will continue to occur at a fairly rapid pace. Those marketers who can anticipate or quickly react to changes in drivers of purchase behavior will be rewarded with hard-won share of the CPG wallet.

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Shopping Shifts by Consumer Segment: Share Shifts

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar
Heavy Grocery	(0.1)	+0.3	(0.5)	+0.5	(0.2)	+0.1
Heavy Drug	(0.2)	+0.5	(0.3)	(0.2)	+0.1	+0.1
Heavy Mass	(0.7)	+0.3	(0.1)	+0.6	(0.3)	+0.1
Heavy Supercenter	+0.7	0.0	0.0	(1.3)	+0.5	+0.1
Heavy Club	(0.7)	+0.1	(0.4)	+0.6	+0.2	+0.1
Heavy Dollar	+0.5	+0.1	(0.6)	(0.6)	0.0	+0.5

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Dollar Share Point Change by Heavy Shopper Segment
2010 v 2009

Despite difficult economic conditions, drug, club and dollar retailers are successfully holding on to their most important shoppers- the heavy shoppers within their channel. Drug and dollar retailers are actually seeing fairly strong share growth across this important consumer segment.

Detailed earlier in this report, dollar stores are actively redesigning their stores to provide shoppers with better assortment, higher quality products, and a simpler shopping experience. Clearly, this plan has proven effective this year.

As the economy improves, the channel must closely monitor changing consumer attitudes and behaviors to enable on-the-fly modifications to these strategies that will ensure continued high levels of relevance among target consumer groups.

Demonstrated by Walgreens' Consumer-Centric Retail (CCR) program, the drug channel is also finding success in continuous improvement efforts. In-store design and signage changes, along with selectively reduced assortment, have been well-received by shoppers.

Other drug retailers are also fine-tuning marketing strategies, finding success in deeper and broader store brand lines, increased food and beverage assortment, and stepped up promotional activity.

Grocery, mass merchandise and supercenters have seen share erosion across their heaviest shoppers. The loss is sharpest within the supercenter channel.

For all of these retailers, this type of share loss is critical. To turn these tides, retailers must identify categories that are experiencing the loss and work with manufacturers to develop and execute targeted turn around strategies. Share gains/losses incurred today are likely to last well beyond this current economic downturn.

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Trends to Watch: Online Shopping

According to a recent study released by the United States Federal Communications Commission (FCC), Internet household penetration in the United States has been in the upper 70% range throughout the past five years[1].

In fact, SymphonyIRI's recent Economic Update Survey indicates that the Internet has become a near staple in the day-to-day lives of many Americans. From work-based tasks and daily current events, to research and shopping, Americans are increasingly connected to the online realm. According to SymphonyIRI's study, 90% of Americans currently use the Internet on a daily basis.

For many industries, including the CGP industry, the implications of this statistic are profound. The Internet has become a widely accepted tool for research, shopping and purchasing.

Detailed in the October 2009 issue of Times & Trends, 44% of consumers are leveraging the Internet to locate coupons[2]. And, according to a recent study published by Coupons.com, the growth rate of digital coupons in 2009 outpaced the historic growth rate of traditional coupons by a margin of ten to one.

But, Internet usage goes well beyond simple coupon-related activities. The SymphonyIRI Economic Update Survey found that 42% of consumers are using social network sites, such as Facebook and Twitter, several times weekly. CPG marketers simply must capitalize on the opportunities brought about by these types of behaviors.

Many CPG marketers are quickly escalating Internet-based marketing activities. For instance, Kroger, which has offered digital coupons for several years, has stepped up its online coupon program with the launch of The Digital Coupon Center. This coupon center enables consumers to access more than 100 national and store brand coupons in a single repository which is located right on the Kroger site.

Walgreens is communicating with shoppers via mobile phone. The retailer offers a mobile application (available for iPhone, Blackberry and Android) that will notify consumers when their prescription is ready. The application also provides mobile access to coupon savings.

The depth and breadth of Internet-based marketing activities are broadening on a seemingly daily basis. CPG marketers must stay vigilant and constantly explore new means of reaching and resonating core and target shopper segments.

[1] The New York Times, February 22, 2010; [2] SymphonyIRI 2009 Consumer Dynamics Survey

Conclusions: CPG Manufacturers

Manufacturers seeking to capture new growth opportunities and minimize risks associated with channel and consumption migration trends should consider the following action items:

- Identify new growth opportunities and risks through ongoing category and brand channel migration tracking
  - Benchmark channel share shifts among your brands versus total category and key competitors to identify existing and emerging distribution opportunities
  - Conduct monthly analyses of share shifts across core and target consumer segments
  - Track shifts in trip mix by channel and account
- Align distribution, marketing and merchandising strategies with channel migration patterns
  - Reassess and realign distribution strategies to capitalize on emerging changes in consumer shopping patterns across channels
  - Closely monitor distribution and merchandising strategies to ensure consistent alignment with trip mix by channel/account
  - Collaborate with key retailer partners in the development and execution of marketing and merchandising plans to capture share from competing channels
- Protect and grow share among top shoppers
  - Partner with key retailer accounts to offer programs that reward top shoppers and build category sales
  - Work to secure optimal shelf space and placement by demonstrating category/brand value in basket building

Conclusions: CPG Retailers

Retailers seeking to capture new growth opportunities and minimize risks associated with channel and consumption migration trends should consider the following action items:

- Identify new growth opportunities and risks through ongoing channel migration tracking
  - Benchmark cross-channel share shifts among your stores versus total channel and key competitors to identify competitive opportunities and threats
  - Conduct monthly analyses of channel share shifts across your brands versus total category and key competitors
  - Monitor share shifts at the market level and across key shopper segments
- Align competitive, marketing and merchandising strategies with channel migration patterns
  - Reassess and realign merchandising and assortment strategies to capitalize on emerging changes in consumer shopping patterns across channels
  - Closely monitor marketing and merchandising strategies to ensure consistent alignment with primary/targeted trip missions
  - Implement cross-channel competitive strategies, versioning at the market level
- Protect and grow share among top shoppers
  - Align marketing, promotion and assortment strategies with trip missions at the market/store level
  - Partner with manufacturers in the development of targeted marketing and merchandising programs

Resources

To gain insight into opportunities and risks related to channel and consumption migration trends, contact your SymphonyIRI client service representative regarding custom analyses leveraging the following resources:

SymphonyIRI MarketInsight™	Proprietary model-based sales tracking service providing superior coverage of channels, including Walmart, for which point-of-sale data are not available. Reflects sales across SymphonyIRI InfoScan® Reviews CPG categories.
SymphonyIRI Consumer Network™	Nationally representative panel of households tracking purchases with handheld barcode scanners; extensive demographic profiles enable in-depth analysis of purchase behavior across standard or custom-defined consumer segments across channels.
SymphonyIRI Shopper Insights Advantage™	Shopper Insights Advantage™ Powered by SymphonyIRI Liquid Data™ is SymphonyIRI's transformational tool for creating actionable consumer and shopper insights. It combines superior content with the speed, power, and flexibility that you need to identify ways to grow by attracting shoppers, driving trips, and increasing basket value.

FOR MORE INFORMATION

Please contact Susan Viamari at Susan.Viamari@SymphonyIRI.com with questions or comments about this report.

About SymphonyIRI Group
SymphonyIRI Group, formerly named Information Resources, Inc. ("IRI"), is the global leader in innovative solutions and services for driving revenue and profit growth in CPG, retail and healthcare companies. SymphonyIRI offers two families of solutions: Core IRI solutions for market measurement and Symphony Advantage solutions for enabling new growth opportunities in marketing, sales, shopper marketing and category management. SymphonyIRI solutions uniquely combine content, analytics and technology to deliver maximum impact. SymphonyIRI helps companies create, plan and execute forward-looking, shopper-centric strategies across every level of the organization. For more information, visit www.SymphonyIRI.com.

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