Times & Trends

Store Brands

More Than Just a Safe Harbor in Turbulent Times

JUNE 2010

SymphonyIRI Group

Insight.
Innovation.
Impact.

Hype and Hope in Today's Store Brand Strategies

Perhaps the only topic written more about recently than the Gulf oil spill and the iPad is the growth of store brands. It's well known that store brand unit share CPG spending hovers in the low 20 percent range and dollar share in the high-teen range. Retailers have creatively and aggressively increased assortments and improved ingredients and packaging. The recession encouraged many shoppers to try store brands for the first time, and a significant number of these shoppers continue to purchase store brands even as the economy improves.

Manufacturers have not sat idly by. Innovative marketers have identified and exploited product and price gaps, added new creativity to merchandising and promotion strategies, and the most aggressive are exploring new distribution approaches that disintermediate the retailer entirely.

Store brand success is far from industry wide and is definitely not assured. Store brand share of beauty and personal care sales, for example, is rather low despite the fact that retailers discount their private brand offerings as much as 60 percent versus national brands. Price is a strong driver of store brand purchase behavior.

The success of store brands is also shaped by the retailer's comprehensive assortment strategy. Some retailers have attempted to improve their own bottom line by eliminating some relatively low margin national brand products from the shelf, only to learn that shoppers have shifted purchase of those products (and sometimes others, too) to other retailers out of loyalty to the now unavailable products. Cutting out low-margin products ended up affecting sales of high-margin and store brands as well. This cautionary tale is a reminder of how important it is to understand the manufacturers' and retailers' value proposition in the eyes of the shopper.

Retailers must carefully weigh the pricing and promotion strategies they undertake to support their store brands. Over-discounting to generate share uplift may result in retailers leaving money on the table, or communicate the message that discounting is necessary because the product is inferior. Removing national brands from the shelf may result in increasing store brand purchases as a percent of total purchases, but may also result in losing the shopper to competitive retailers. Bundling store brands with national brands may backfire, especially in categories that tend to breed intense brand loyalty, by reminding the shopper of why they favor the national brand in the first place.

The savviest retailers today continue to develop and nurture store brands whilst adopting increasingly sophisticated assortment and store layout strategies. They are competing successfully by leveraging the massive quantities of data available and coaxing out highly nuanced and detailed insights generated by powerful analytical solutions. Concurrently, they are collaborating with manufacturers, who are armed with their own detailed insights generated by advanced analytics, as part of a "rising tide raises all boats" strategy.

Sophisticated manufacturers will continue to find gaps in retailers' store brand offerings, leverage the formidable advantages national brands retain, such as consistency and experience, and will also strive to work with retailers to "raise all boats."

As our industry continues to grow and evolve, as always, we look forward to your thoughts and comments.

SymphonyIRI Marketing

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Executive Summary: Turning Insights Into Action- CPG Manufacturers

Insight	Action
In contrast to strong share gains posted in 2009, store brand share performance has been relatively flat over the past year; store brands account 18.3% of CPG dollar sales and 23.1% of unit sales	Manufacturers should re-examine promotional strategies to ensure that programs are integrated and complementary, and that messaging focuses heavily on affordability and unique product attributes
Store brand share growth is strongest in dollar and convenience store channels, driven primarily by increasing breadth and depth of store brand assortment	Consider partnering with retailers to provide multi-tiered, national and store brand solutions with a clear value proposition across broad consumer segments
Store brand share performance varies quite markedly across, and even within, CPG departments; share growth has moderated, even turned negative, across some key CPG categories over the past several months	Invest to understand shifting consumer attitudes and behaviors across key categories/brands and drivers of those behaviors; use that knowledge as the foundation for pricing and promotional strategies
Despite the fact that store brand price fluctuations have been more drastic versus national brands over the course of this current economic downturn, store brands have consistently provided consumers considerable savings over nationally branded products	Monitor price point, price sensitivities and price gaps on a frequent basis to ensure that pricing strategies remain in line with corporate and partner goals, as well as with the needs of key consumer segments
Store brand penetration has reached nearly 100%, yet plenty of upward potential remains to be had in driving current buyers to buy more within existing categories and expand purchase behavior into new categories	Protect and grow share across key categories/brands with solutions-based merchandising programs and/or value-oriented programs such as buy-one-get-one or multi-packs

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Executive Summary: Turning Insights Into Action- CPG Retailers

Insight	Action
In contrast to strong share gains posted in 2009, store brand share performance has been relatively flat over the past year; store brands account 18.3% of CPG dollar sales and 23.1% of unit sales	Retailers should support store brand initiatives with integrated and complementary promotional and merchandising programs which raise awareness among prospects seeking low-cost in-category alternatives
Store brand share growth is strongest in dollar and convenience store channels, driven primarily by increasing breadth and depth of store brand assortment	Continue to invest in building store brand portfolios; examine innovation best practices across departments/categories to identify promising store brand innovation opportunities
Store brand share performance varies quite markedly across, and even within, CPG departments; share growth has moderated, even turned negative, across some key CPG categories over the past several months	Invest to understand shifting consumer attitudes and behaviors across key departments and categories as well as drivers of those behaviors; use that knowledge as the foundation for pricing and promotional strategies
Despite the fact that store brand price fluctuations have been more drastic versus national brands over the course of this current economic downturn, store brands have consistently provided consumers considerable savings over nationally branded products	Monitor price point, price sensitivities and price gaps at the market and store level on a frequent basis to ensure that pricing strategies remain in line with corporate and partner goals, as well as with the needs of key consumer segments
Store brand penetration has reached nearly 100%, yet plenty of upward potential remains to be had in driving current buyers to buy more within existing categories and expand purchase behavior into new categories	Consider multi-tiered product development efforts to drive appeal across a broad segment of the stores' key consumer segments

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Introduction

In years gone by, store brands were known as “generic products.” With black and white labels and basic ingredients, these products were anything but fancy. They were available across a limited number of “commodity” CPG categories, and they were available in a very limited assortment. But, they did meet consumers’ need for low-cost alternatives to brand name CPG products.

How times have changed. Today, retailers rely on store brands for their margin, to bring differentiation for consumers, and for the simple fact that they can control these products much more easily than national brands. Across a wide and growing number of retailers, store brands are even seeing promotional support.

Consumers still rely on store brands for savings. Today’s store brands, though, are anything but “generic.” Assortment has grown exponentially, ingredients and packaging have been greatly improved, and store brands are looked upon by many as offering equal, or even superior, quality versus name brand CPG products. Today, store brands are available across a wide number of CPG categories, existing well beyond the realm of commodity products.

As has been the case in past recessionary periods, the country’s latest economic downturn served to reinforce store brands’ position within the CPG industry. The integral role that store brands have played in consumers’ money-saving strategies has been well-documented by SymphonyIRI.

But, the recession has prompted change across national brand manufacturers as well. These CPG players have upped their marketing game. From new products to pricing, national brand CPG marketers are rethinking their strategies in an effort to protect and grow share of their own product lines.

National brand manufacturers have made progress. Store brand share gains have slowed, in some instances turning negative. Penetration has slipped across many of the top 100 CPG categories. But, the battle rages on.

Moving forward, store brands are to be viewed as nothing less than a true brand. Competing on price alone is not an effective solution, for retailers will win this game every time.

Success going forward hinges on real marketing prowess. The need to understand and deliver against the most pressing needs of consumers is high. Those who do so effectively will be rewarded with share of wallet and, perhaps, true shopper loyalty.

This report explores current and emerging store brand trends as well as influencing factors that are helping to define the CPG industry of tomorrow. Retailers and manufacturers with a clear understanding of these trends will forge relationships with consumers that will transcend the economic downturn and fortify their position in the CPG world of tomorrow.

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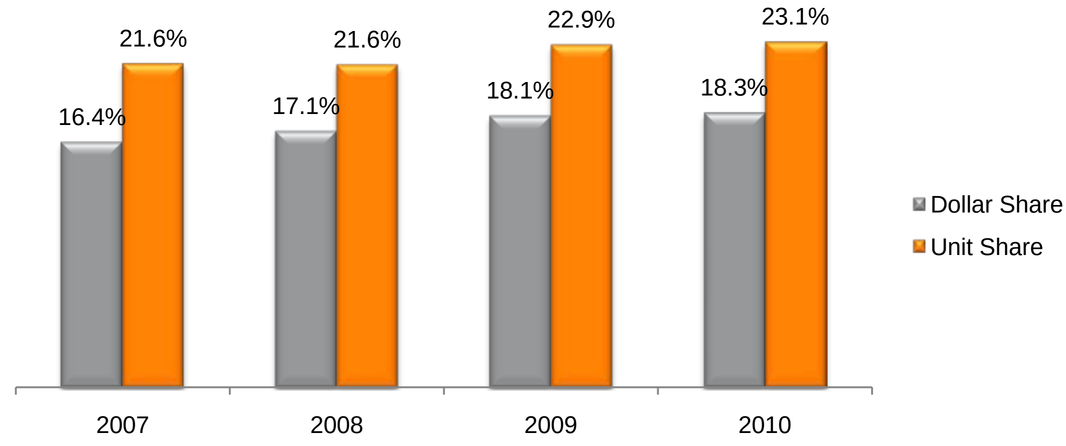
Share Trends



Source: SymphonyIRI MarketInsight™; 52 weeks ending 4/18/2010 versus same period prior year

Store Brand Share of CPG Spending: All Outlet

Much has been written about store brand packaged goods over the past several years. No doubt, store brand products have been playing several important roles during this timeframe.

For many consumers, store brands are playing a central role in money-saving strategies. To be explored later in this report, store brands offer considerable savings over regularly-priced national brand products. For the more than 25% of consumers struggling to afford weekly groceries, these savings have been like a lifeline in stormy seas.

For retailers, these products offer an opportunity to differentiate themselves from competitors, while simultaneously enjoying a larger margin versus nationally branded products. Logically then, retailers have been, and will continue to be, heavily focused on growing the depth and breadth of their store brand offerings.

For example, Safeway is working to build an organizational framework that will allow them to completely manage their store brands in house. Meanwhile, Safeway plans to accelerate the growth of their store brands with improved distribution, pricing optimization and improved shelf placement[1].

Efforts such as these have been quite successful at building store brand positioning. Today, store brands hold 18.3% share of CPG dollar sales, representing 23.1% of units sold.

These shares represent a 1.9 point and 1.5 point increase versus 2007, respectively, but are nearly flat versus year ago. This marks a rather noteworthy change, as store brand share jumped considerably between 2008 and 2009.

With history as an indicator, it is likely that store brand share gains made during this latest economic downturn will not be lost completely. Nonetheless, name-brand CPG manufacturers have turned up the heat on private brands. Tactics vary, but the goal is the same: to protect and build share.

Results to date vary across and even within departments. The pages that follow provide a more granular look at store brand share shifts.

[1] Store Brands Decisions, May 11, 2010

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Share Trends: Channel Share

Store brands are well-entrenched and growing across a majority of retail channels. Share is highest within the grocery channel. Within the channel, unit share is actually flat in 2010 versus year ago, while dollar share is down slightly.

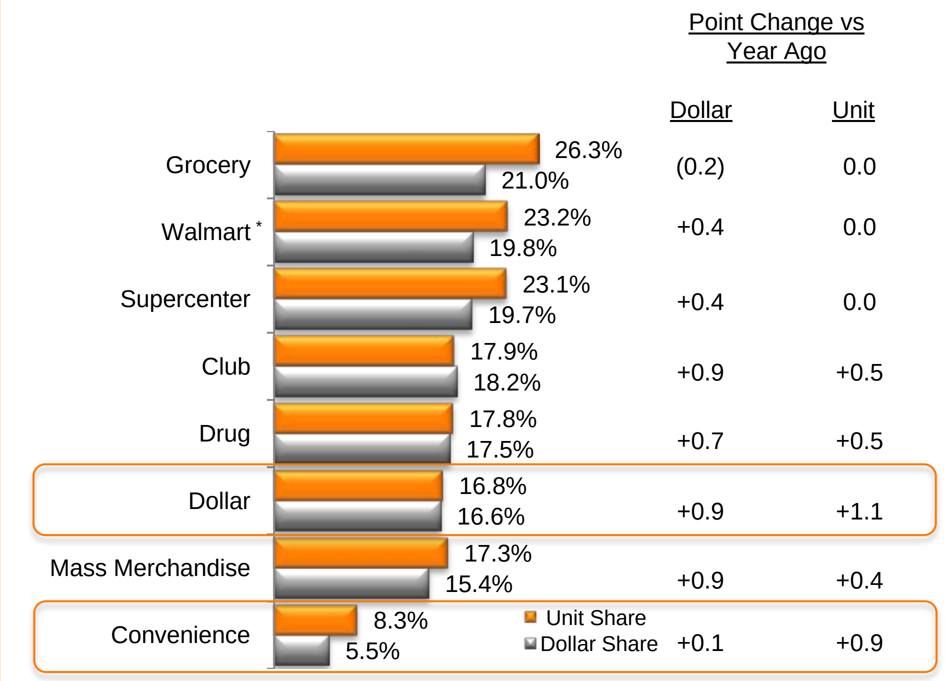
Store brand share growth is strongest in the dollar store and convenience channels. In each of these channels, store brand assortment is quickly broadening, opening the door to more purchase opportunities.

Dollar General, for example, has expanded its store brand lines considerably. Today, store brands lines hold an estimated 1,300 SKUs, bringing penetration to 21% of consumables[1].

The convenience store march to grow store brand share continues to be led by 7-Eleven. The chain ended 2009 with more than 250 store brand offerings and has plans to top 300 by the end of this year. Line expansion plans include the launch of Game Day, which marks the retailer's second attempt at a private beer line.

Even while unit share of private label is flat across supercenter and grocery channels, focus on store brand growth remains quite high.

Promotional activity around store brands is escalating. For example, Lowes Foods is offering digital coupons which can be downloaded to loyalty cards from their Website; more than 100 of these offers are for store brand products. Meanwhile, Fresh & Easy has chosen to let consumers do their promoting: shoppers can vote for their favorite products online, and the most favored products are then, in turn, identified via shelf tags and a "Customer Favorites" logo on the packaging[2].



*Total Walmart, Including Neighborhood Markets
Source: SymphonyIRI Consumer Network™; 52 weeks ending 4/18/2010 and same period prior year

Store Brand Share of Spending

By Channel

Other efforts to escalate store brand profiles have included SKU rationalization. As always, though, it is a delicate balance. Over the past year or so, several major retailer, including CVS, Walmart and Costco, have announced SKU rationalization efforts, touted as a way to make the shopping experience simpler. Each of these retailers, and others, have cut major brand names from the ranks of their assortment. Some of the results of these cut-backs were not as anticipated: customers were not pleased. Both Walmart and Costco have since began restocking some of the previously cut national brands.

As discussed in the January issue of Times & Trends, to drive store brands to the next level, retailers must convert readily available in-depth customer knowledge and store and circular layout control into powerful store brand marketing campaigns.

[1] Supermarket News, April 5, 2010; [2]Supermarket News January 25, 2010

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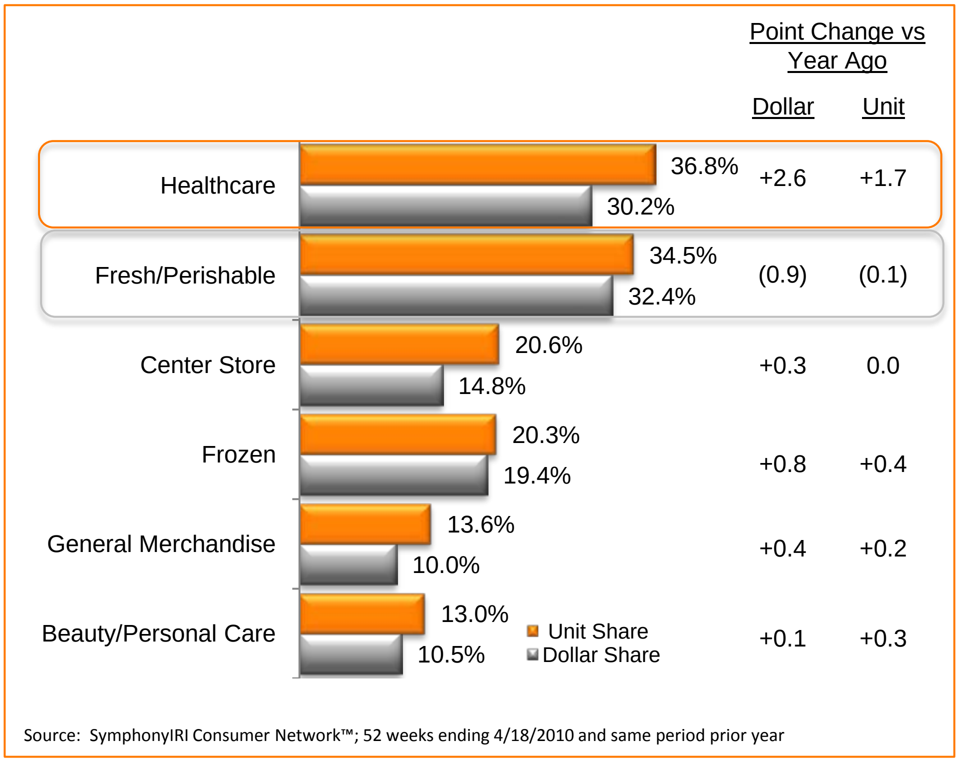
Share Trends: Department Share



Store Brand Share of Department Spending

All Outlet

Store brands share gains cut across a majority of departments. The exception is the fresh/perishable department, where unit share slipped slightly.

But, even within the fresh/perishable department, private label performance is mixed. For instance, store brands gained significant share (4.9 points) in the refrigerated salad/coleslaw category. In this category, gains have been driven by broadening distribution expansion, with Kroger a key retailer in this effort.

On the other hand, store brand share fell across several dairy categories, including milk, yogurt and processed cheese. As prices have slid across branded and private dairy categories, such as milk, over the past several months, branded products have reaped larger sales lift versus store brands, driving national brand share of sales upward.

Over the past year, store brands have made considerable share strides in the healthcare department. Gains cut across eight of the top 10 healthcare categories, but were particularly strong in vitamins, cold/allergy/sinus tablets, internal analgesics and gastrointestinal liquids.

Store brands account for about one-third of healthcare sales today, reflecting growth of just under two unit share points, and slightly less than three dollar share points.

CPG marketers have significant opportunity to deliver against consumers' healthcare needs today. According to SymphonyIRI's recent Economic Update Survey, nearly one-third of consumers are going to the doctor less in order to save money. A vast majority of these consumers (85%) will continue this practice even after the economy improves.

Consumers are treating at home for simple ailments, and store brands are playing an important role in home-based healthcare rituals. According to SymphonyIRI's recent Brand and Retailer Loyalty Survey, more than 80% of consumers feel that store brand products are equal to or better than national brands when it comes to quality and packaging. Additionally, 95% feel that store brands provide a better value than national brands.

For store brand marketers, continued growth is contingent upon a strong ability to continue to understand and market against consumers' most pressing needs. Those needs vary across and within markets, driving a need for frequent and granular consumer and market assessments.

For national brand marketers, the need to recognize store brands as a brand, and compete accordingly is absolutely crucial.

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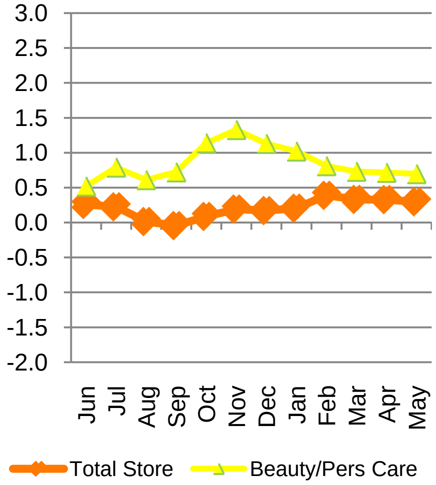
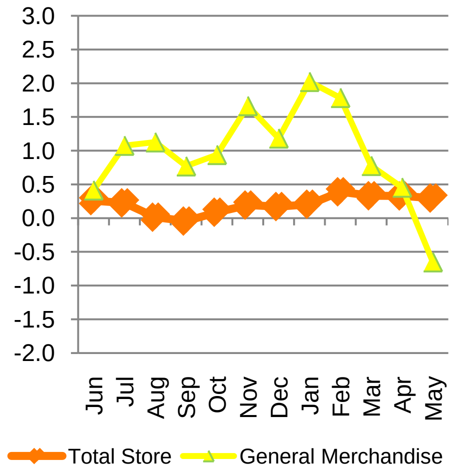
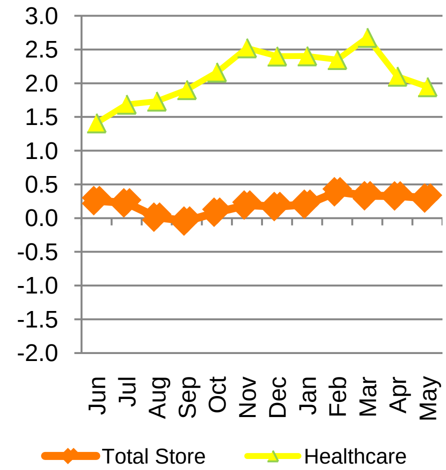
Share Trends: Department Share



Beauty/Personal Care



General Merchandise



Healthcare

Source: SymphonyIRI MarketInsight™; 52 weeks ending 4/18/2010 versus same period prior year

Store Brand Share of CPG Spending: By Department

Point Change Versus Year Ago

All Outlet

A more granular look at store brand share performance shows that, in a majority of departments, trends have been shifting over the past several months.

For instance, in beauty/personal care, store brand share gains began to slow at the end of 2009. While rate of gains remains above total store average, share trends do indicate a definite slowing in momentum.

After climbing for several months, store brand share of sales in the general merchandise department decelerated then turned negative in recent months.

Once again, share performance was mixed across general merchandise categories. For example, store brands posted gains of more than two share points over the past year in kitchen storage, and just over one-half share point in children's art supplies and pest control.

Meanwhile, share fell 2.5 share points in light bulbs and 1.1 points in motor oil. Clearly, these categories are quite different in nature. Accordingly, consumers will approach purchases in these categories from very different perspectives.

Within the healthcare department, trends vary at the category level. For instance, store brand share of sales slipped over the past year in home healthcare kits and weight control/ nutritional liquids/powders, while share point gains exceeded three points in other categories, including vitamins, internal analgesics and gastrointestinal liquids.

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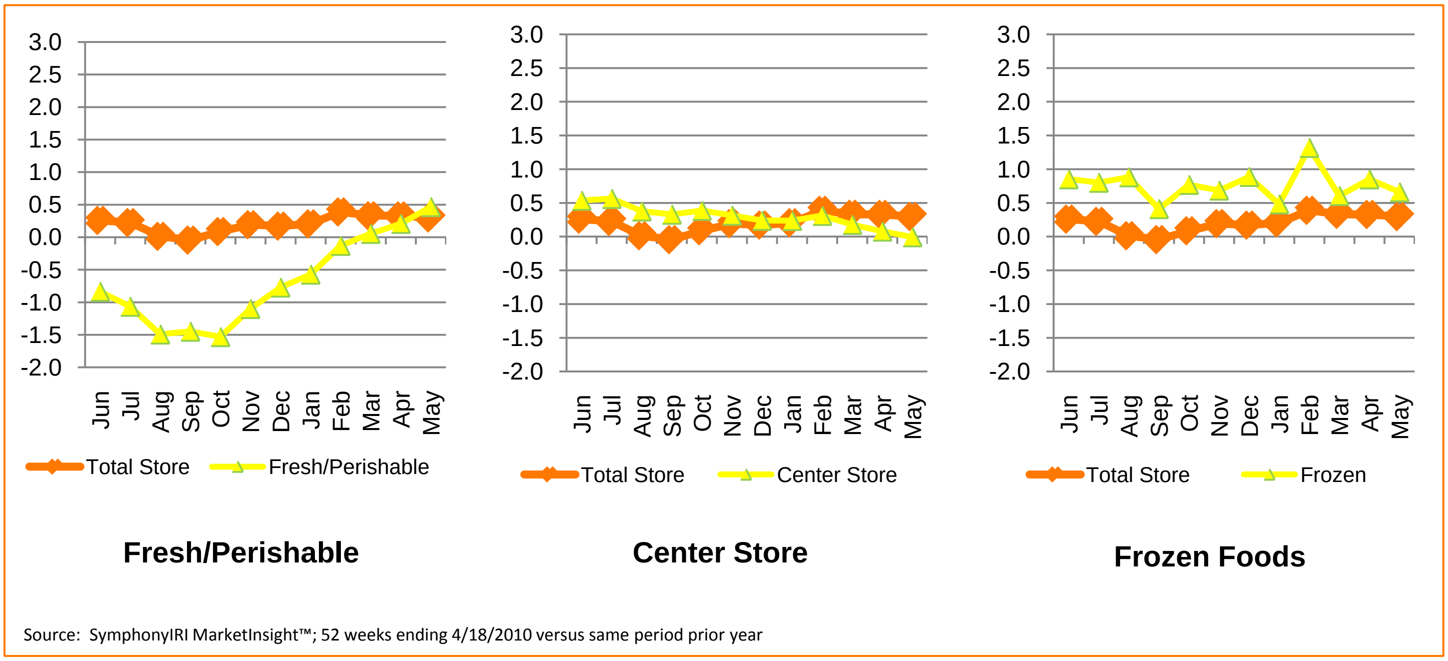
Share Trends: Department Share



Store Brand Share of CPG Spending: By Department
Point Change Versus Year Ago
All Outlet

After sliding throughout the summer and into early fall, store brands began to gain traction in the fresh/perishable entering the last two months of the year. Detailed earlier in this report, a change in distribution and pricing strategies contributed to this shift in trends.

Store brand performance has been more consistent within center store and frozen foods, though both departments have seen a slowing in share gains over the past several months.

The page that follows provides a quarterly look at store brand trends across the top 10 CPG categories (based on dollar sales) over the course of the economic downturn.

This analysis illustrates that store brand share trends can and do vary quite drastically at the category level. Though share gains have slowed in most of these categories, shifts have varied in timing and in magnitude.

Ongoing fluctuation across and within CPG departments underscores the fact that frequent and granular consumer and market assessments are warranted in order to ensure that strategies are properly aligned with the current attitudes and behaviors of key consumer and target groups.

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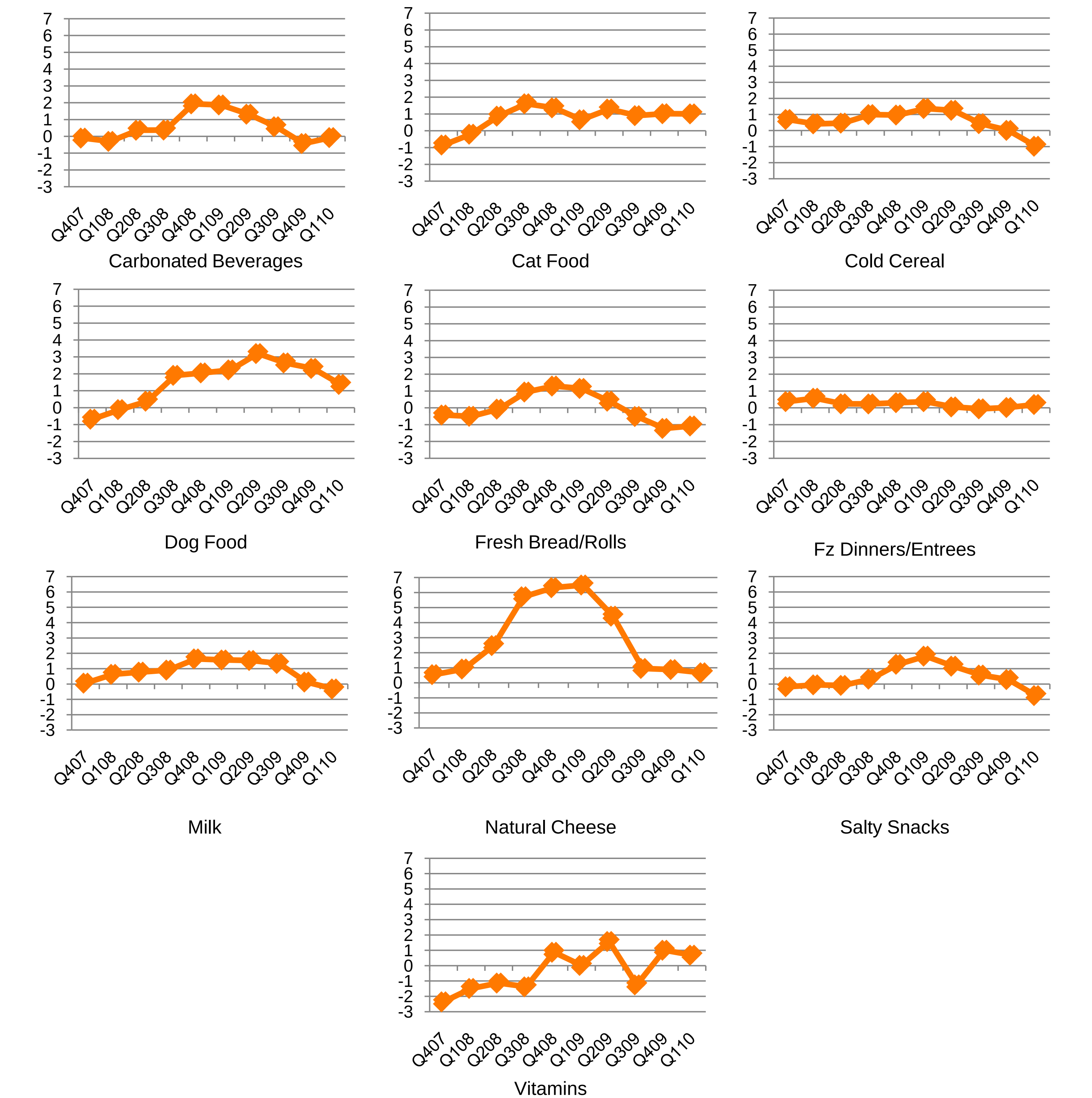
Share Trends: Category Share



Source: SymphonyIRI MarketInsight™; 52 weeks ending 4/18/2010 versus same period prior year

Store Brand Share of CPG Spending: Top 10 CPG Categories

Point Change Versus Year Ago

All Outlet

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Store Brand Price Discount by Department

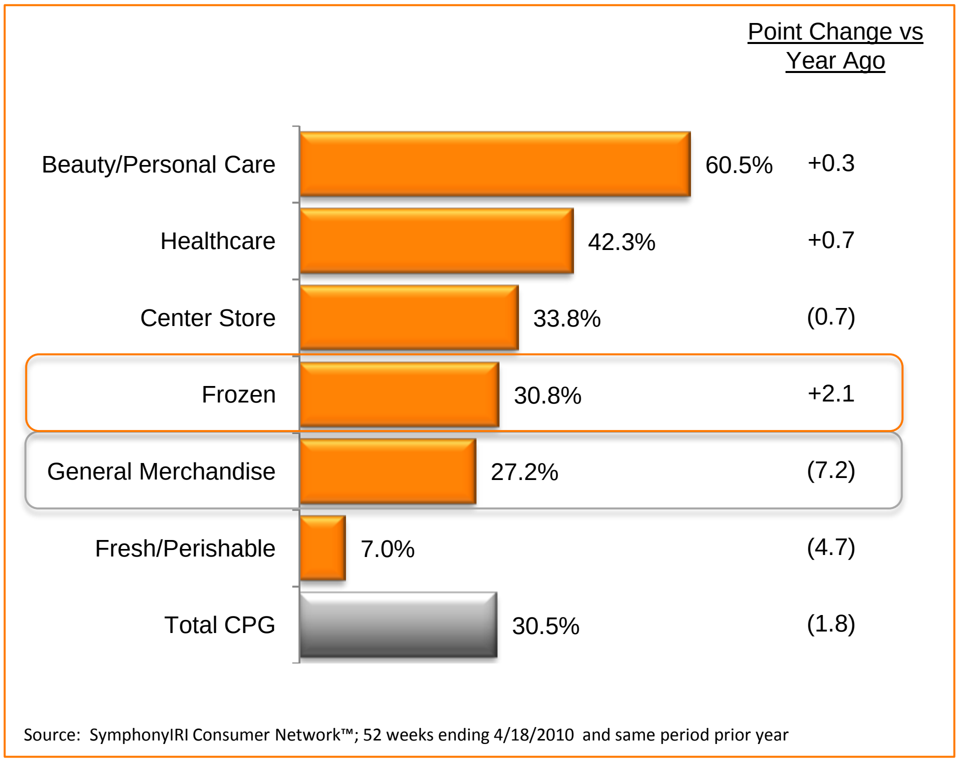
As detailed in the January issue of Times & Trends, which provides a detailed analysis of store brand and total CPG prices over a multi-year period, CPG prices have fluctuated rather significantly over the past couple of years. Across store brands, price swings have been even more pronounced versus the industry as a whole.

Still, on average, store brands offer consumers a savings of 30.5% versus nationally branded CPG products. Savings vary rather drastically across CPG departments, ranging from 7% in the fresh/perishable department to nearly 61% in beauty/personal care.

As prices have vacillated over the past couple of years, so has the average price gap between store and nationally branded CPG products. Though price gap swings have been nowhere near as drastic as actual CPG price swings, they are notable nonetheless.

In frozen foods, for example, store brands offer consumers an average savings of 30.8%. This marks an increased savings versus year ago of just over two points.

Beyond industry wide price trends, store brand price gap in the frozen foods aisle has been impacted by innovation. Over the past year, much innovation has occurred at the premium end of the frozen food spectrum, driving the department's average price in a northward direction.



Store Brand Average Price Discount by Department
All Outlet

Examples of this high-end innovation include, SymphonyIRI New Product Pacesetters products Birds Eye Steamfresh Meals and Bertolli Oven Bake Meals. These products are positioned as high-quality quick-and-easy mealtime solutions that command a premium over more basic frozen meal options.

On the other hand, store brand's average price gap in the general merchandise department slipped seven points versus year ago. This department has struggled over the course of the recession as consumers trimmed non-essential spending in an effort to reign in CPG budgets.

Today, national brand marketers within general merchandise and across retail stores are rethinking pricing strategies in an effort to drive purchase behavior. For example, average price per volume within the kitchen storage category is down 1% versus year ago. In private label kitchen storage, prices have increased 8%. Likewise, the light bulb category is seeing price per volume down 1.3% versus year ago, while private label price per volume is up 12.1%.

Meanwhile, retailers are turning to store brands to improve margin performance. Combined, these moves are impacting store versus national brand price gap.

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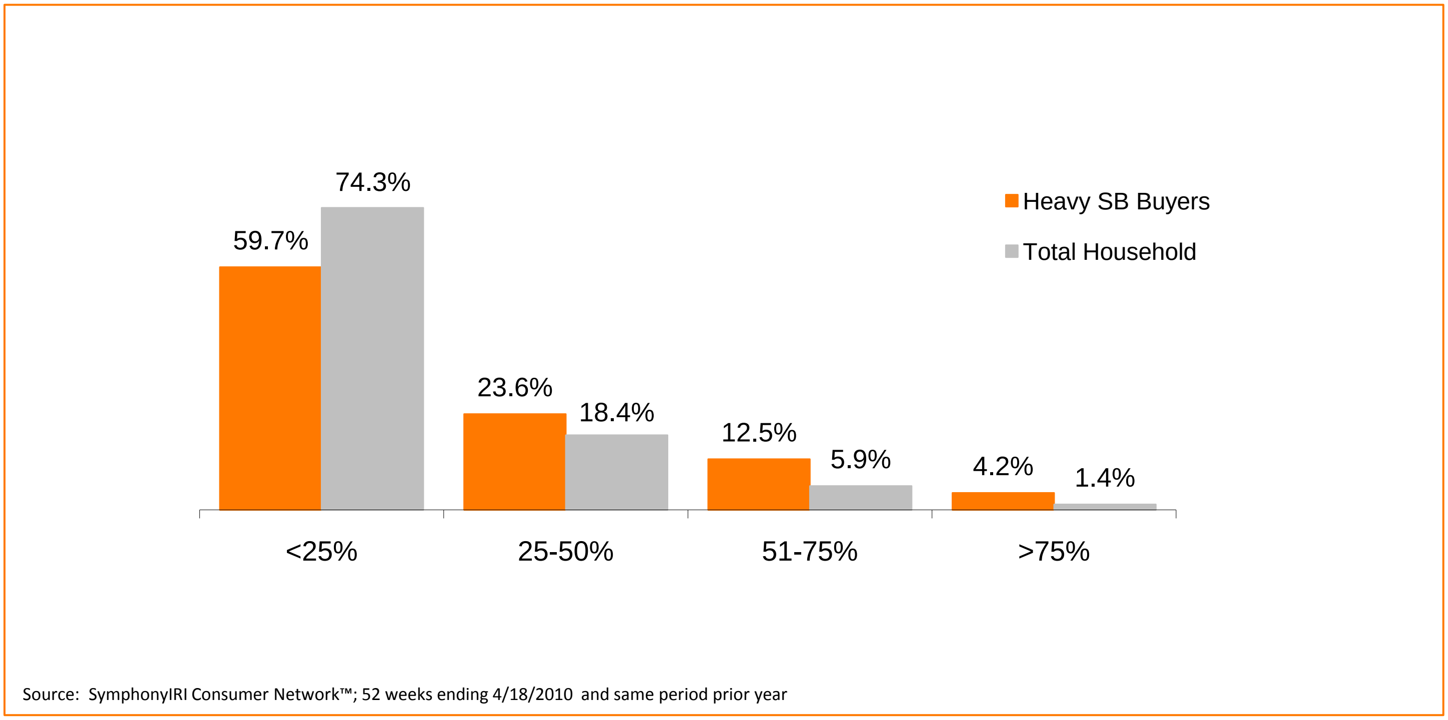
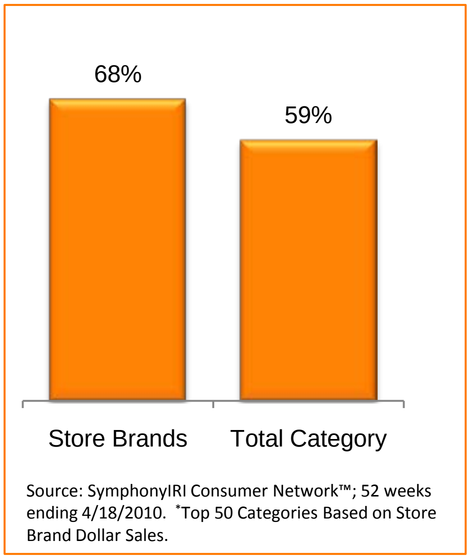
Category Level Concentration



% of CPG Categories by Store Brand Penetration
Among Category Buyers



Top 50 Categories* Dollar Sales
as % Total CPG
Store Brands vs Total Category

Though store brands are well entrenched in today's CPG world, there is still plenty of potential for growth.

Store brand sales are concentrated across a very finite range of CPG categories. The top 50 categories account for more than two-thirds of store brand sales, versus 59% across CPG as a whole. Even among heavy store brand buyers, penetration is below 25% across 60% of CPG categories.

Store brand growth will not be driven purely by recruiting more buyers. Rather, the secret to growth is to get current buyers to buy more: buy more categories and more within existing categories.

Retailers and store brand manufacturers are working to make this happen. The breadth and depth of store brand offerings are growing quickly.

For example, Walgreens plans to add a range of food and beverage products to the ranks of its store brand line-up: salads, wines, ready-to-bake pizzas and sandwiches are all expected to hit the shelves soon.

And as part of its store brand restructuring efforts, Rite Aid is launching six new private label brands, including beauty care, food/consumables, household goods, baby care and a value line[1].

[1] Store Brands Decisions, January 19, 2010 & April 27, 2010

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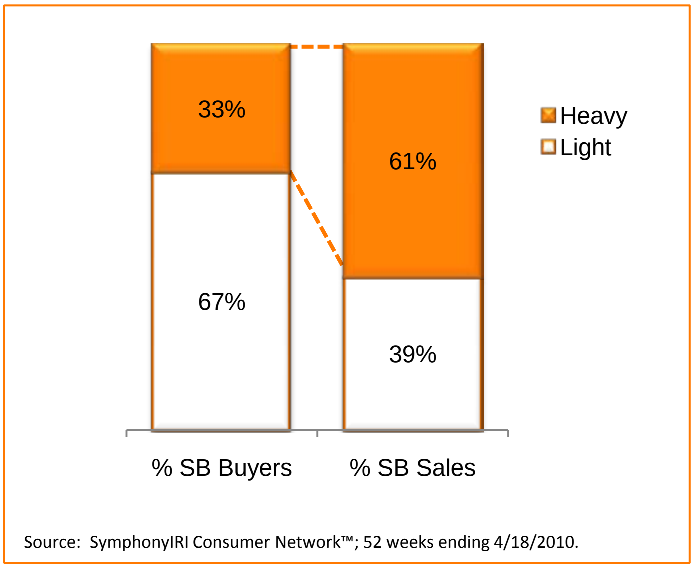
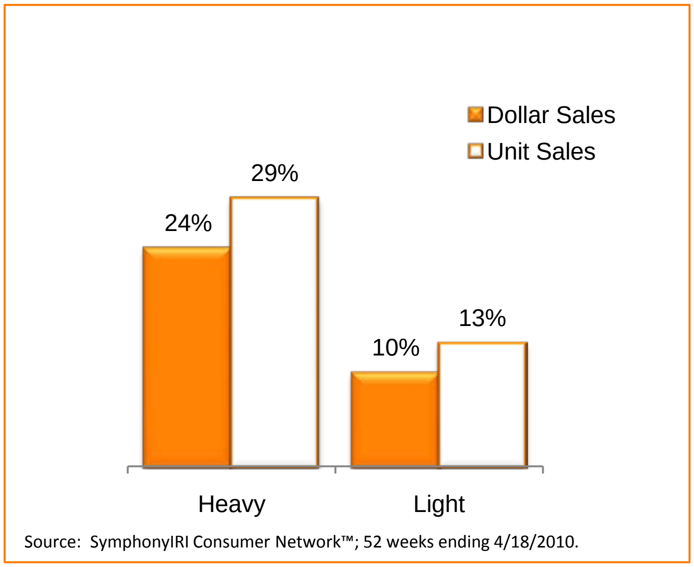
Store Brand Purchase Segments



Total CPG All Outlet Store Brand
Sales Contribution of Heavy vs Light Buyers



Store Brand Share by Purchase Segment

Store brands have found a home at nearly every table and in nearly every cleaning and medicine cabinet in America. Store brand penetration stands at 100%. Still, significant upward potential remains.

Only one-third of purchasers are considered heavy purchasers of store brand goods. These shoppers represent 61% of store brand sales.

Among these shoppers, store brands represent less than one-third of total CPG spending, and about one-quarter of units sold. This is certainly subject to change.

In fact, SymphonyIRI's recent FMI Economic Update Survey reveals that 54% of consumers are purchasing more store brand products today than the have in the past. And, more than three-quarters of these consumers plan to continue to do so even after the economy improves.

Several of the examples discussed in this report underscore the degree to which retailers and store brand manufacturers are working to enhance the price positioning and relevance of their store brand offerings.

But, national brand manufacturers are fighting back. For example, Procter & Gamble and Kimberly-Clark have recently indicated that they will be investing more heavily on new product innovation. In a break from days gone by, when manufacturers were "innovating up" in attempt to drive larger margins and higher price tags, today's manufacturers are innovating at both ends of the spectrum in attempt to regain traction with heavily value-focused shoppers while still serving higher-end consumers.

Manufacturers are stepping up promotional efforts as well. P&G for example, has slashed prices across many of the categories in which it competes. Clorox has increased trade spending, while others, such as ConAgra, Kellogg and General Mills have increased measured advertising spending considerably in recent quarters.

[1] Media Week, January 4, 2010

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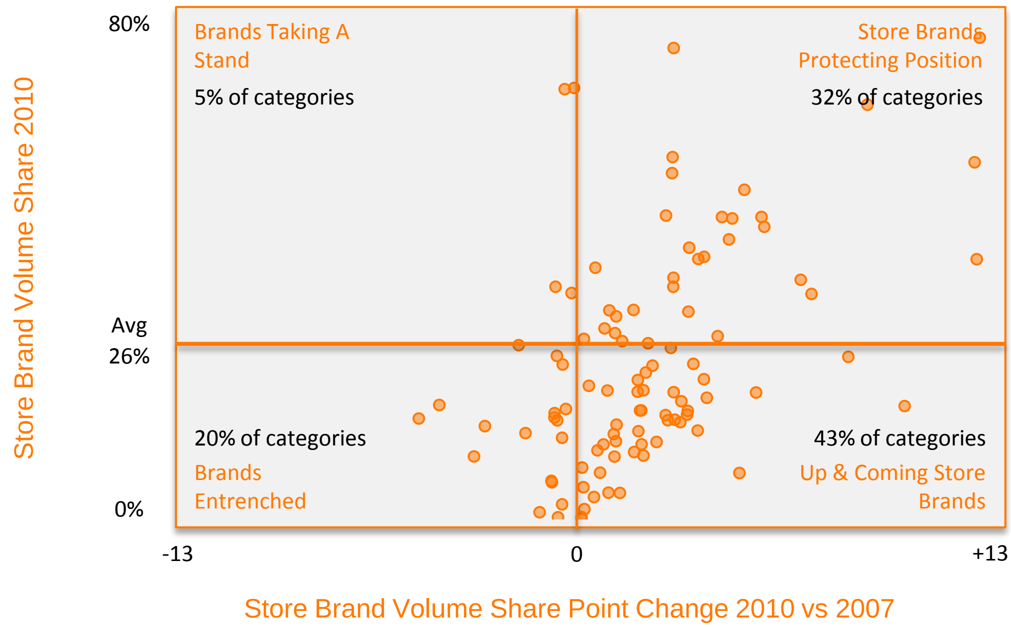
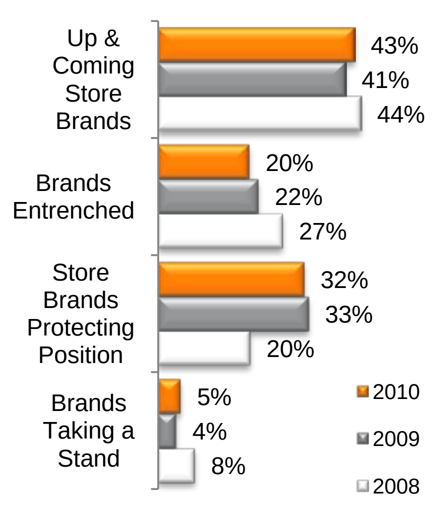
Category Opportunity



Source: IRI Consumer Network™; 52 weeks ending 4/18/2010 and same period prior years; Top 100 Categories based on dollar Sales

Top 100 CPG Categories

All Outlet 2010 Store Brand Share & Point Change 2010 vs 2007



CPG Category Distribution

by Store Brand Development Quadrant

2008-2010

The appeal of store brands is undoubtedly strong. Over each of the past two years, store brands have protected or grown share in three-quarters of the top 100 CPG categories.

In the remaining 25 categories, brand-name products are standing strong. But, this is a marked decline from just two-years ago, where nationally branded products were maintaining or gaining share in 35% of top CPG categories.

But, brand manufacturers are fighting back, and store brand performance does vary markedly at the department and category level. Detailed earlier in this report, share shifts are occurring in both directions today.

The pages that follow provide a more in-depth look at each of the quadrants illustrated in the matrix on this page.

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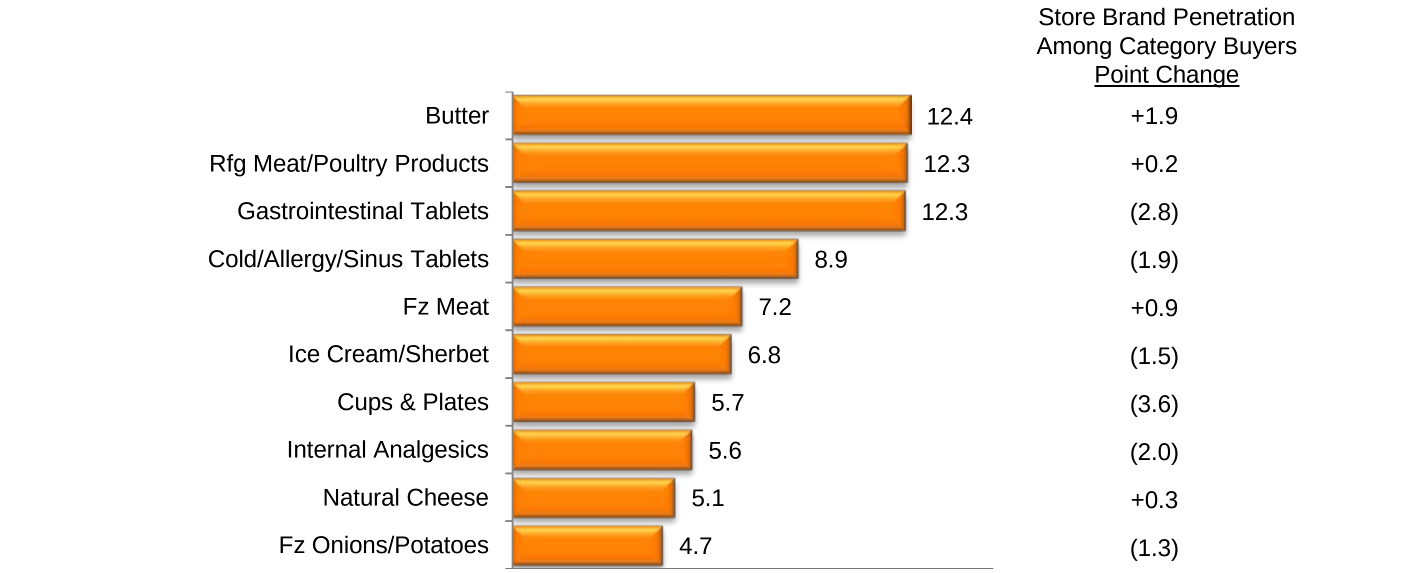
Category Opportunity: Store Brands Protecting Position



Source: SymphonyIRI, MarketInsight™ 52 weeks ended March 21, 2010 and same period prior year

Top Categories with Above Average and Increasing Store Brand Share

2010 vs 2007: All Outlet Store Brand Volume Share Point Change

Across 32 of the top 100 CPG categories, store brands hold above average and increasing share of volume sales. Within these categories, store brands are said to be protecting position.

These categories cut across a number of departments, but a vast majority of them play heavily in consumers' recession-driven more, self-sufficient way of life.

For instance, categories such as butter and refrigerated meat/poultry products cater to at-home, from-scratch cooking rituals. Meanwhile, categories such as gastrointestinal tablets and internal analgesics are essential to self-administered health care efforts.

Interestingly, in contrast to trends illustrated in the September 2009 issue of Times & Trends, store brand penetration across buyers of these categories is no longer surging upward. In fact, in six of the top 10 "protecting position" categories, penetration has actually slipped versus 2007.

According to SymphonyIRI's FMI Economic Update survey, 46% of consumers are giving up their favorite brands to save money. Some of these consumers are trading off to other national brands, while others are switching to store brands.

But, as detailed earlier in this report, store brand share has slipped across some key CPG categories over the past few months. Whether this is the beginning of a larger trend or not is not yet fully understood.

What is certain is that both retailers and national brand manufacturers must leverage shopper-centric approach to marketing in order to bring to market compelling products which are founded on sound consumer understanding, and then support those products with targeted, integrated and relevant promotional campaigns.

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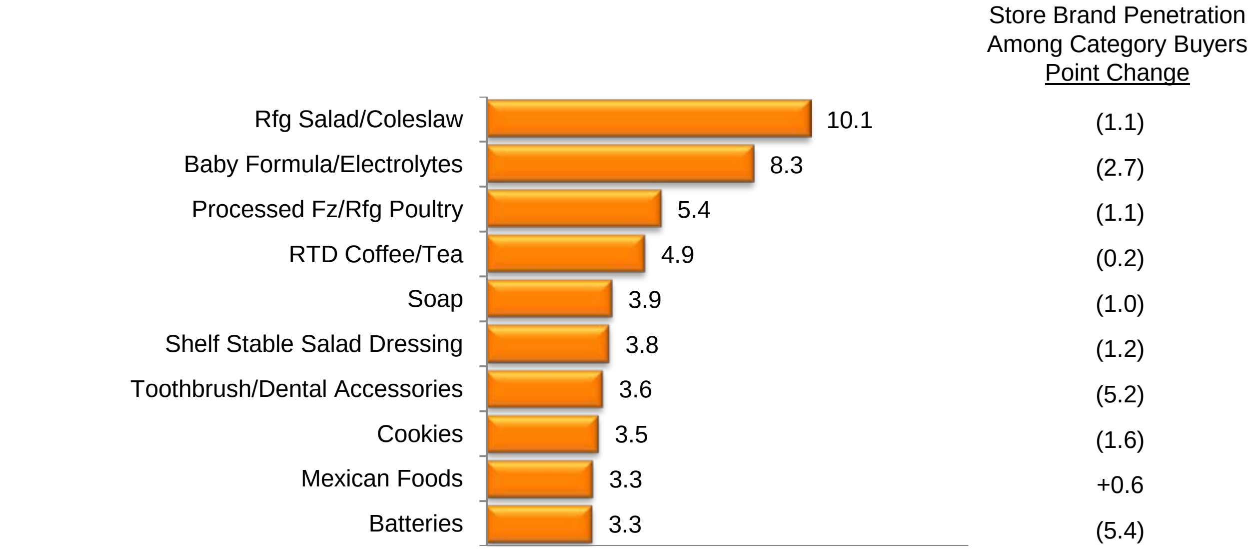
Category Opportunity: Up & Coming Store Brands



Source: SymphonyIRI, MarketInsight™ 52 weeks ended March 21, 2010 and same period prior year

Top Categories with Below Average and Increasing Store Brand Share

2010 vs 2007: All Outlet Store Brand Volume Share Point Change

Store brands are "up & coming" across 43 of the top 100 categories. In these categories, store brand share of volume sales is below average, but on the rise.

The largest share gains were made in refrigerated salad/coleslaw. Mentioned earlier in this report, several retailers have broadened distribution of store brand product in this category. Share impact has been significant.

Share gains cut across a wide range of meal ingredient and component categories, once again underscoring the important role store brands are playing in helping consumers maintain manageable CPG budgets.

As was the case across protecting share categories, though, penetration is down across a majority of these "up and coming" categories. This shift is likely influenced by manufacturers' stepped-up focus on price and promotion strategies. Nonetheless, retailers are also shifting into high gear.

Over the past year, the CPG industry has seen a new focus on store brand marketing. Retailers are building their store brand portfolios, beefing up promotional support behind these portfolios, and even featuring their own brands more heavily in all forms of promotions.

For instance, CVS recently ran a promotion in which consumers received double rewards (Extra Bucks) for purchasing store brand health, household, beauty and personal care products[1].

Grocers are also strengthening private label efforts. One area of focus has been high-demand meal ingredient and component categories. Giant Food has expanded it's line of Nature's Promise products, enhanced packaging on other lines, and is now offering consumers in some stores blind taste tests which allows them compare the store's own label products to national brands with no financial investment.

[1] Drug Review, April 26, 2010

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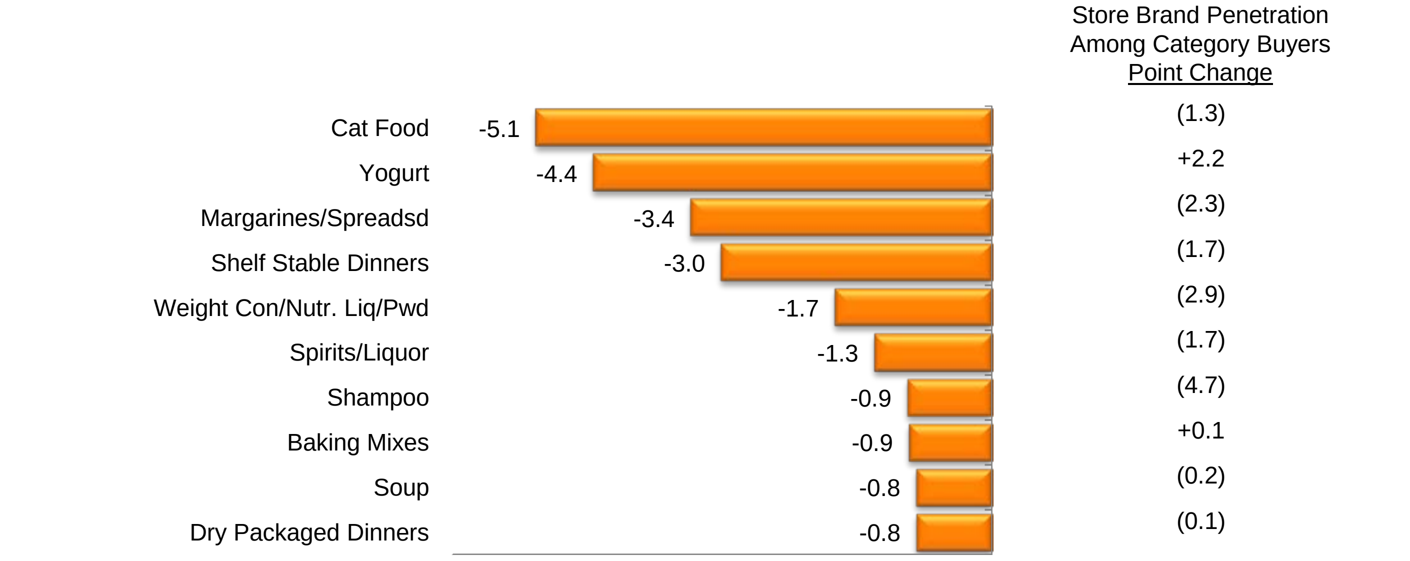
Category Opportunity: Brands Entrenched



Source: SymphonyIRI, MarketInsight™ 52 weeks ended March 21, 2010 and same period prior year

Top Categories with <u>Below Average</u> and <u>Declining</u> Store Brands Share

2010 vs 2007: All Outlet Store Brand Volume Share Point Change

National brands are fully entrenched across 20 of the top 100 CPG categories. Within these categories, nationally branded products hold solid and growing share of volume sales.

It is a long-held belief that innovation and differentiation are key deterrents of store brand growth. Across some "brand entrenched" categories, innovation is quite strong and is being very well received by consumers.

For instance, the cat food category boasts five different SymphonyIRI New Product Pacesetter brands for 2009, most of which tout unique features aimed at boosting cats' health and enjoyment. Nestle S.A. found success with three new cat food lines: Purina Cat Chow Healthful Life dry cat food, Friskies Selects and Friskies Party Mix. Del Monte's Meow Mix Wholesome Goodness and P&G's Iams Healthy Naturals also hit it big.

Brand name soup manufacturers are bringing differentiation to a commodity-like category with healthy-in-a-hurry products, such as Campbell's V8 ready-to-eat soup and the Select Harvest line.

New ingredients are bringing name brand manufacturers opportunity to come to market with new "salon quality" ideas and win customer share. Shampoo brands, such as Pantene's Pro V Hydra Gloss and L'Oreal Vive Pro Glossy Volume, are catering to consumers self-reliant beauty rituals and winning share by bringing to market new and unique beauty formulas.

But, the battle for share is not over. Store brand manufacturers are intently focused on delivering new and truly innovative products in the hopes of building and strengthening consumer relationships.

Retailers, including but not limited to 7-Eleven, are intently focused on leveraging store brands as an opportunity to create new and unique products that are available only in that retail venue. As "me too" innovation increasingly becomes new and unique innovation, the bar on store brands will rise to the next level.

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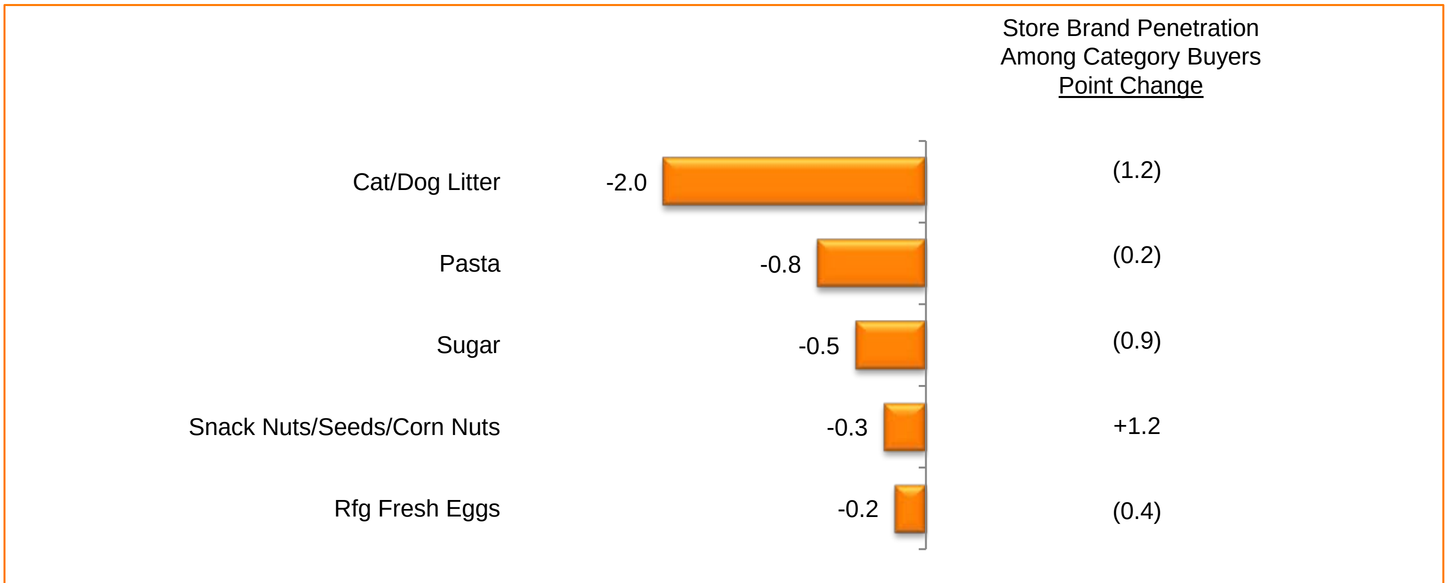
Category Opportunity: Brands Taking a Stand



Source: SymphonyIRI, MarketInsight™ 52 weeks ended March 21, 2010 and same period prior year

Top Categories with Above Average and Declining Store Brand Share

2010 vs 2007: All Outlet Store Brand Volume Share Point Change

Brands are taking a stand in 5% of top CPG categories. These categories represent huge wins for brand name manufacturers, and several play key roles in consumers' at-home and from-home meal rituals.

Two of these categories, refrigerated fresh eggs and pasta, are also generally considered to be commodity categories, which are generally known to be areas of great strength for store brand manufacturers.

Better-for-you innovation has helped the pasta category gain a more steady footing over the past several years. Products such as Barilla pasta, which tout key wellness-related attributes including "whole grain" or "omega-3" are being very well received by consumers who are heavily focused on quick, nutritious and inexpensive meal solutions.

Additionally, as key meal ingredient/ component categories, eggs and pasta have seen a much heavier merchandising focus over the past year, and lift has been rather significant. According to SymphonyIRI's FMI Economic Update survey, more than half of consumers are stocking on items when they are on sale in order to save money.

National brand manufacturers will continue to leverage innovation and promotional activity as a tool in managing store brand performance. To maximize a return on this marketing investment, it is critical that these efforts are founded on a 360-degree perspective of key consumer and target markets.

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Conclusions: CPG Manufacturers

Manufacturers seeking to develop effective store brand mitigation strategies should consider the following action items:

- Continually identify and assess brand-specific opportunities and risks with respect to store brands
  - Invest to identify optimal price gaps versus store brands
  - Protect and grow share across categories demonstrating growing store brand presence through value-oriented promotions, such as BOGO and multi-unit programs
  - Explore partnerships with key retailers to create co-branded products and multi-tiered solutions that appeal to a broad consumer base
- Continually refine competitive strategies vis-à-vis store brands
  - Re-evaluate pricing strategies to ensure alignment against needs of key consumer segments
  - Invest in product and packaging innovation across key categories and brands
  - Leverage highly-targeted and affordability-oriented marketing campaigns, including feature ads and in-store efforts, across categories with highest store brands threat
- Measure and monitor actual versus planned impact of store brand related initiatives
  - Test market product, pricing and promotion changes prior to and immediately after roll out
  - Track and benchmark store-level shifts relative to store brands among key retail partners

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Conclusions: CPG Retailers

Retailers seeking to grow store brand share should consider the following action items:

- Continually identify and assess store brand opportunities and threats
  - Invest to understand core needs across key consumer segments, and align new product innovation strategies accordingly
  - Tailor store brand offerings at the market level
  - Support store brand lines with consumer-centric and highly integrated marketing campaigns, including in-store display and feature ad support
- Continually refine store brand development strategies
  - Evaluate feasibility of multi-tier offerings across key categories/product lines, either alone, or in partnership with brand manufacturer partners
  - Continually re-evaluate pricing strategies at the market and store level to assure alignment with store goals and to maximize value proposition among key consumer segments
  - Analyze product development best practices across departments and categories to identify low-cost innovation opportunities
- Measure and monitor actual versus planned impact of store brand-related initiatives
  - Test market product, pricing and promotion changes prior to and immediately following roll out
  - Track and benchmark store-level store brand share shifts relative to national brands

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Resources

To gain insight into opportunities across specific categories, consumer segments, channels or retailers, contact your SymphonyIRI client service representative regarding custom analyses leveraging the following resources:

SymphonyIRI Consumer Network™	Consumer Network is a consumer panel that provides a clear picture of consumer behavior so that sales and marketing professionals can continually adjust strategies to focus on the consumer dynamics that drive brand and category performance.
SymphonyIRI AttitudeLink™	SymphonyIRI AttitudeLink is a service that empowers marketers to conduct attitudinal surveys among the SymphonyIRI Consumer Network panel. AttitudeLink provides a direct link between longitudinal purchasing behavior and the consumer needs and attitudes underlying that behavior, something not available from general market surveys.
SymphonyIRI Total Store Advantage™	Total Store Advantage™ Powered by SymphonyIRI Liquid Data™ is the largest fully integrated application of all edibles and non-edibles in the CPG industry organized into multiple business views across Department and Aisles, and across product and demographic segments.
SymphonyIRI Advantage on Demand™	Advantage On Demand™ Powered by SymphonyIRI Liquid Data™ delivers speed to new insights with on-demand, best practice reporting, leveraging unique capabilities across the SILD Advantage solutions not available anywhere else to answer your top business questions.

SymphonyIRI's **The 2010 Private Label Report:**

Emerging Trends & Key Success Factors In Private Label

Now Available… SymphonyIRI's Consulting & Innovation team has just released a new private label thought leadership report that uncovers emerging private label strategies and tactics of best in class retailers. This report is a forward-looking, thought-provoking analysis that provides a multi-faceted review of how effectively private label is serving U.S. shoppers during the current economic recovery. The report analyzes the factors that are driving private label performance today, the opportunities that still exist for retailers and how branded manufactures can more effectively compete against private label in a transformational economy.

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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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