Times & Trends

Channel Migration*:*
A Quest for Affordability

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SymphonyIRI Group

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Channel Migration: A Quest for Affordability

Shopper Shifts Continue to Reshape Retail

Are we in a recovery or not? If you review corporate earnings reports, there's a lot of good news. If you look at the unemployment rate or read about new first time unemployment claims, a gloomier picture emerges.

In CPG and retail, a similarly complex picture exists. As we highlighted in our February Times & Trends report, which summarized industry performance for 2010, the CPG industry is beginning to show signs of traction in some channels, departments and categories, while others are still struggling to find solid footing. Still today, shoppers continue to refine their shopping strategies as they work to balance their tight budgets amidst high gas and grocery prices.

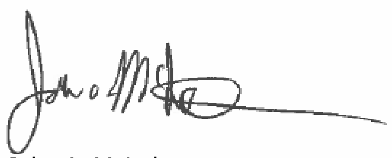
During the beginning of the economic downturn, shoppers flocked to value retailers, particularly supercenters and mass merchandisers, demonstrating a willingness to drive the extra distance in a desperate effort to save money. Today, grocery, drug, dollar and club stores are enjoying increased shopper visits, at the expense of supercenter and mass stores. Share trends reflect these shifts in shopper behavior.

Channel shifting will continue, and channels will continue to blur. The blurring is the result of consumer changes, and also of changing CPG manufacturer and retailer strategies. New products, new marketing programs, new store formats. New is what keeps CPG interesting, and also what makes the job of CPG marketers so difficult.

In this issue of Times & Trends, we explore new and evolving CPG strategies with an eye to channel migration. When thinking about channel migration trends, CPG and retail leaders must consider changes in the channels themselves and how those changes will impact shoppers. For instance, will shoppers continue to drive to value formats that tend to be located in more out-of-the-way locations when "big box" retailers open smaller format stores (e.g, Target opening CityTarget) closer to downtowns?

Decision makers have an increasing number of sophisticated tools to unravel these questions based on more accurate and detailed views of the shopper. In addition to traditional shopper surveys, powerful analytics can identify even subtle trends, and new shopper marketing solutions integrate data from multiple sources to answer questions, such as, "who are my most valuable customers, and what are their most pressing needs and wants?"

As shoppers continue to react to changing prices and economic conditions, SymphonyIRI will report on the latest trends and look forward to your comments and ideas.



John A. McIndoe
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Executive Summary: Turning Insights into Action

INSIGHT	ACTION
Despite exceptionally high gas prices, three-quarters of shoppers visit five or more retail channels to fulfill their CPG needs	Frequent and granular assessments across key and target consumer groups, including trips, trip types and channel shifts is critical
Trip mission and associated channel selection patterns are shifting as consumers step-up efforts in their quest for affordable CPG solutions	Encourage trip frequency and spending with assortment, merchandising and promotional programs that offer turn-key solutions aligned against high-priority trip types
Channel lines are blurring at the department level as competition for share of food and beverage spending intensifies, and as retailers across channels work to protect and grow share of health and beauty spending	Benchmark and continually measure the impacts of pricing and promotional strategies against intended versus actual consumer purchase behaviors and impact across key business indicators
Supercenters have lost share across a number of key departments and consumer segments, but supercenter marketers are shifting gears in an effort to turn the tides while simultaneously entering new formats and markets	Closely monitor supercenter strategies vis-à-vis new market entry to enable rapid refinement/realignment of own strategies to reflect evolving competitive landscape and to protect and grow share across key consumer segments
Retailers across a majority of channels are growing share across their heaviest shoppers; the drug channel is also capturing share of spending from the heaviest shoppers across all competing channels	Ensure that your value proposition is firmly founded on the needs and wants of key consumer segments; prominently reflect the value proposition in marketing programs and across marketing platforms

Introduction

In 2007, SymphonyIRI Times & Trends reported a moderation of channel migration trends. Not long after that, the country's economy took a turn for the worse, and entered what is known today as The Great Recession–the longest and deepest recession since The Great Depression.

Not surprisingly, The Great Recession had a profound impact on a wide range of consumer behaviors. Home-centered, self-reliant behaviors became pervasive, and cross-channel shopping once again escalated.

Early in the economic downturn, supercenters enjoyed an influx of shoppers as consumers searched for everyday low prices across a wide array of packaged goods. Competing channels found themselves scrambling to stem the losses and turn the tide. Since that time, much has changed.

The Great Recession officially ended, and the economy has made some strides toward stabilizing. Some consumers are feeling a modicum of relief to tightly strained budgets. Gas prices fell, then rose again. Despite some leveling off, the average retail price of gas remains significantly higher versus this time last year. And, perhaps most importantly in terms of looking at channel migration trends, retailers across CPG have upped their marketing game.

Retailers across CPG channels re-evaluated their pricing strategies, and many enacted everyday low price (EDLP) strategies. Other retailers also adjusted their pricing, adopting more aggressive, value-positioned pricing strategies.

Private label programs are much stronger today versus a couple of years ago, and focus on making them ever-stronger remains high.

Assortment strategies are being re-evaluated and redesigned. Dollar stores have deeper and broader assortments, including a wider selection of nationally branded CPG products. Major retailers from across a number of CPG channels have abandoned SKU rationalization policies after experiencing a backlash from consumers that took their entire basket elsewhere when their favorite brands were eliminated.

Retail formats are evolving as retailers attempt to work "outside the box" to address the evolving needs of existing shoppers and while driving penetration into new consumer and market segments.

Digital CPG is gaining traction. Consumers today leverage the Internet and other new media for a wide range of CPG shopping-related behaviors.

In the CPG industry, channel lines have definitely blurred during the past couple of years. As strategies, formats and technologies evolve, and as CPG prices continue to rise, this blurring is expected to continue.

This edition of Times & Trends examines CPG manufacturer and retailer opportunities and risks in a new era of CPG, and explores what the future holds as new formats and new media evolve and gain traction across a rapidly changing consumer marketplace.

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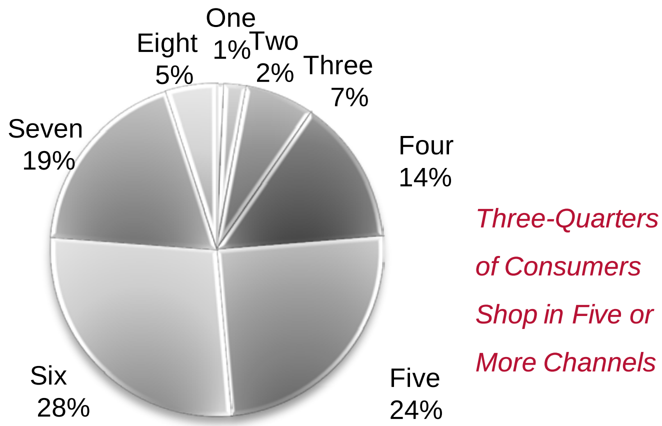
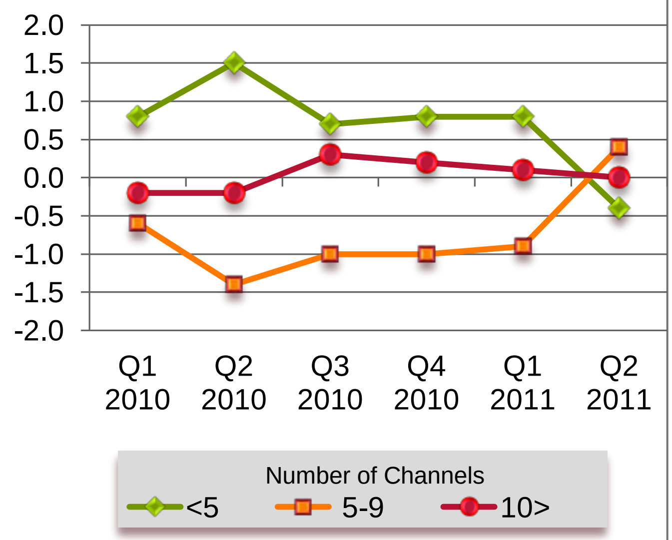
CPG Shopping Trends: Channels Shopped



Source: SymphonyIRI Consumer Network™, 52 weeks ending 6/5/2011

# of CPG Channels Shopped
% of Consumers
2011



Source: SymphonyIRI Consumer Network™

% of Consumers Shopping Multiple Channels
By # of CPG Channels Shopped
Quarterly Point Change versus Year Ago
2010-2011

Despite gas prices that are more than 30% higher versus last year, cross channel shopping is alive and well in the CPG industry. Today, three-quarters of consumers shop across five or more channels to meet their on-going CPG needs.

During the course of 2011, in fact, the number of consumers shopping five or more channels increased, while the number of consumers shopping in less than five channels dropped sharply.

Consumers' cross channel quest for affordability clearly underscores the mindset of today's CPG shopper, a mindset in which consumers are living with less and making purchases deliberately and cautiously.

Consumers' attitudes and behaviors today differ rather significantly from days gone by, when many Americans lived "outside their means" and lived on credit to do so. Today's attitudes and behaviors were shaped by prolonged economic downturn, and by the longest and deepest recession to hit this country since the Great Depression. Today, a full year after the recession has passed, aftershocks are pervasive.

Detailed in SymphonyIRI's May/June Times & Trends Special Report, "The Ripple Effect: High Gas Prices Bring Pain Beyond the Pump," key economic indicators, including unemployment and inflation, remain less than favorable, and consumers are firmly entrenched in savings mode.

Today, one in five shoppers is finding it difficult to afford necessary groceries. Consumers are on a quest for an affordable solution to this problem. Detailed on the pages that follow, consumers' quest for affordability is having a significant impact on CPG channel trends.

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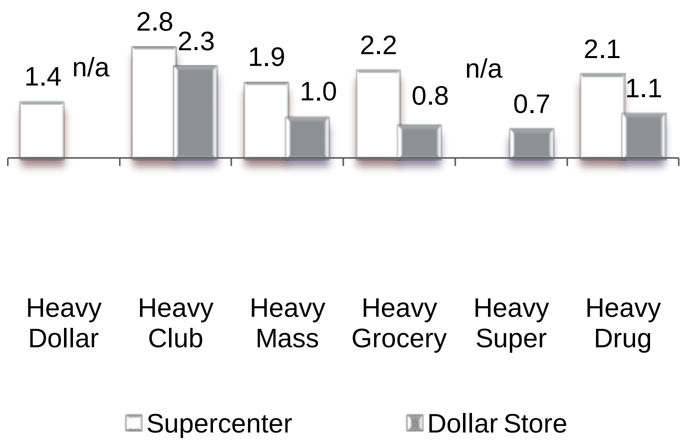
CPG Shopping Trends: Channel Penetration



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Supercenter & Dollar Channel Penetration
Point Gains Among Heavy Channel Shoppers

Channel	2011 Penetration	Point Change vs 2010
Grocery	98.7%	+0.1
Supercenter	72.9%	+1.5
Mass	76.4%	(1.4)
Club	52.5%	+0.9
Drug	78.8%	(0.3)
Dollar	63.7%	+0.3
Convenience	34.6%	+0.1

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

CPG Shopping Trends
% Households Buying by Channel

Nearly three out of four consumers shop the supercenter channel, and penetration is climbing rather quickly. During the past year, in fact, supercenters captured increased penetration across a broad range of shoppers, including the heaviest shoppers from across competing channels.

Supercenter penetration gains occur at a time when gas prices are quite high and many consumers are foregoing their favorite retailers in order to reduce gas expenditures. This is a very interesting trend, as supercenters are generally located on the outskirts of town, hence requiring more time and gas to travel there. It speaks volumes about the heightened sensitivity consumers feel toward CPG prices today, particularly since CPG prices appear to be on an upward trajectory.

And, it is a trend that must be watched carefully. If penetration is increasing despite "out of the way" locations, what will happen as supercenter banners, such as Target and Walmart, focus their expansion efforts on smaller formats and more urban-based locations?

In the coming two years, Target plans to open several CityTarget stores. These stores will be half the size of the typical Target and will be located in existing downtown buildings. Similarly, Walmart and Meijer are also opening smaller format outlets closer to and within urban environments.

These smaller formats address opportunities in a variety of environments, including "food deserts." The undertaking is quite complex. So, in addition to finding the right location, for instance, the retailer must also contend with the challenge of offering "the right" assortment in a much smaller space versus their "norm." It is a challenge that is new to supercenters, but other smaller-format retailers, such as dollar stores, are already adept at working in this smaller environment. And, dollar store efforts to win within the urban CPG landscape are also in full swing, with a number of dollar store banners, including Dollar General and Family Dollar, engaged in their own aggressive expansion initiatives[1].

Club retailers also enjoyed increased penetration during the past year. Today, just over half of U.S. consumers shop the club channel, an increase of nearly one full point versus the prior year. This is no small feat given shifting trip mission trends, which will be explored throughout this report.

1 Source: RetailTraffic, May 17, 2011

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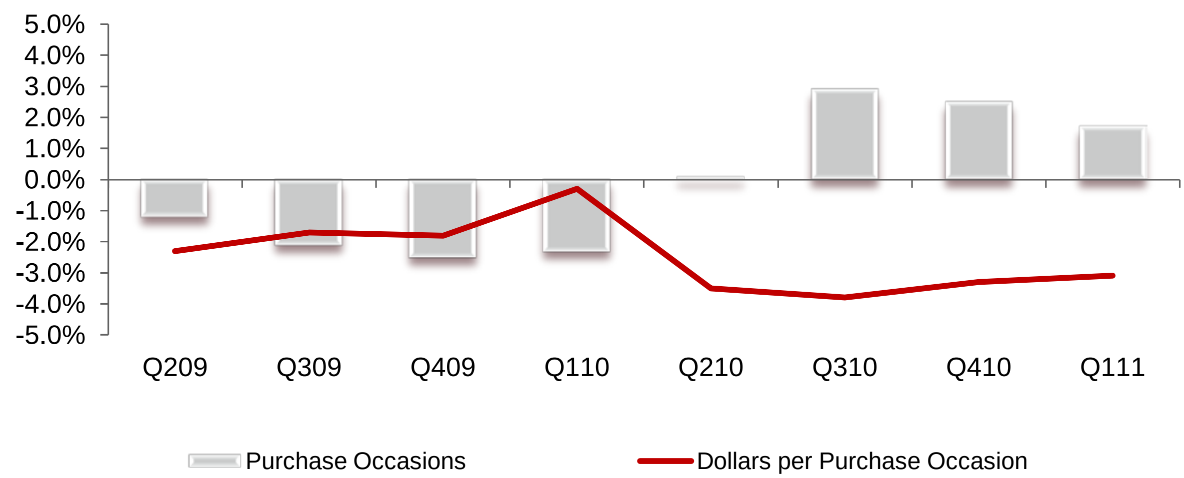
CPG Shopping Trends: Shopping Trips and Per Trip Spending



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

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

After gaining traction in late 2009 and into the next year, trip frequency growth began to slow late in 2010. This trend shift coincides with the country's most recent gas price escalation, the impacts of which were detailed in SymphonyIRI's May/June 2011 Times & Trends Special Report, "The Ripple Effect: High Gas Prices Bring Pain Beyond the Pump."

The impacts have been significant. Detailed in this report, 42% of consumers have reduced or eliminated trips to some of their favorite stores to moderate gas expenditures and 55% of consumers are making fewer, larger trips to save on gas.

This streamlined approach to shopping, however, is not driving basket growth. Between the first and second quarter of 2010, spending per trip slowed sharply. In the three quarters since, spending remained well below spending of year ago.

These trends underscore the conservative nature of the CPG marketplace today, and CPG marketer efforts to remain competitive.

Detailed in the January edition of Times & Trends, promotional activity has been quite high. Two-thirds of categories across grocery, drug and mass channels (excluding Walmart) saw merchandising support increase in the past year.

And, according to SymphonyIRI's MarketPulse survey from Q2 2011, three in five consumers have cut back on "non-essential" purchases, and more than one in three are streamlining purchases, such as beauty/personal care products, over-the-counter medications and household cleaners by opting for broad-use products that meet multiple needs rather than more targeted solutions.

It's an environment that will persist in the foreseeable future. Gas accounts for 14% of a middle income family's household budget. While gas prices have eased somewhat, they remain more than 30% higher versus last year at this time[1]. This significant cost increase comes on top of already strained budgets, and at a time when many consumers fear that their personal financial situation will get worse before it gets better.

[1] Source: GasBuddy.com, USA TODAY, April 25, 2011; [2]AAA Daily Fuel Gauge Report, July 12, 2011; SymphonyIRI Analysis

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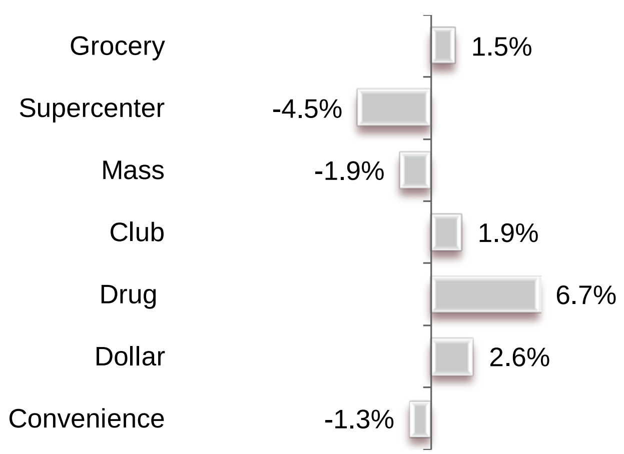
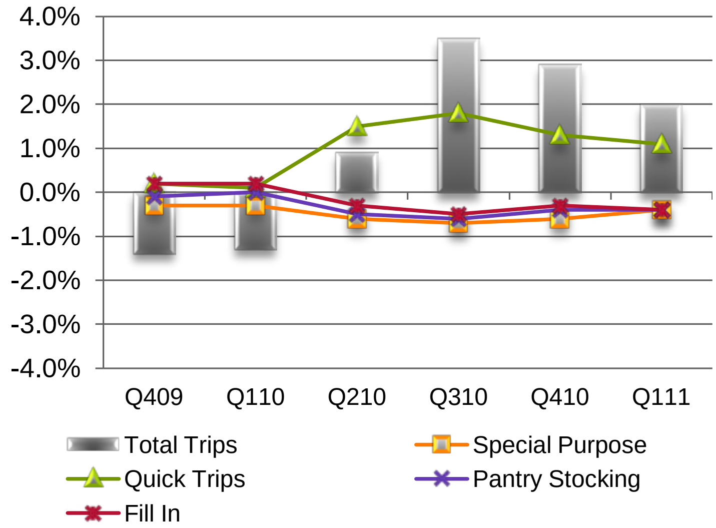
CPG Shopping Trends: Shopping Trips and Per Trip Spending



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

2011 Average Purchase Occasions per Household
% Change vs Prior Year

Retailer Trips by Trip Mission
% Change vs Prior Year

Across CPG channels, purchase frequency increased 2% during the past year. Grocery, dollar and club channel trends closely mirror industry average. Across other channels, though, trends vary rather significantly.

Frequency within the drug channel accelerated sharply in the past year, increasing 6.7%. This growth is being driven by a number of factors, including shifting trip mission trends.

Quick trips, small "need it now" excursions with average basket size of less than $40, have become more common as consumers look to minimize large one-time outlays of cash.

With a broad assortment of health and wellness solutions, and a growing assortment of food and beverage offerings, close-to-home drug stores are a logical destination for shoppers looking to quickly pick up needed items with only minimal gas and time investment.

Dollar stores are also benefitting from their generally convenient locales. During the past several years, dollar store assortment has expanded, and today's assortment is broader, with a larger representation of national brand "basics." Efforts to attract more consumers more often are paying off. Dollar channel frequency increased 2.6% during the past year.

Supercenters saw frequency slide rather sharply during the past year. In part, these negative trends off-set very strong frequency gains made early in the economic downturn.

Shifting trip missions are influencing negative supercenter frequency trends. Pantry stocking trips have become less prevalent in the past couple of years, as consumers seek to establish smooth and consistent budgets.

Additionally, discussed earlier, high gas prices have consumers buying closer to the point of consumption to save money. If smaller format "supercenters" gain traction, though, the impacts of both of these negative influencers of trip frequency will change.

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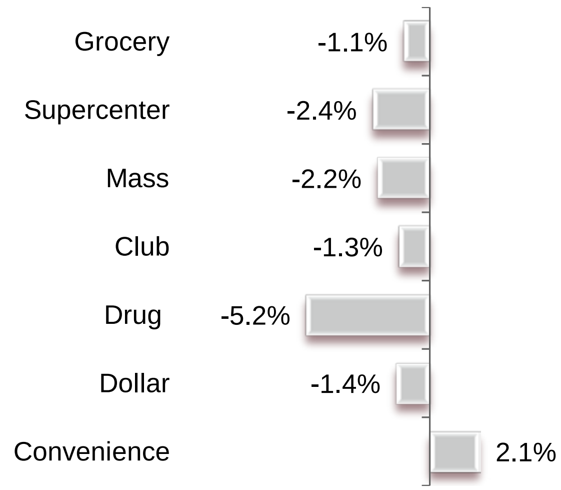
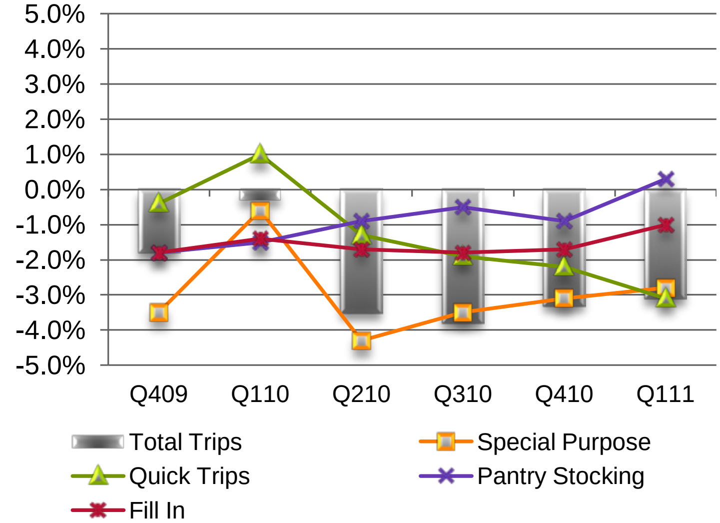
CPG Shopping Trends: Shopping Trips and Per Trip Spending



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

2011 Average CPG Dollar Sales per Purchase Occasion
% Change vs Prior Year

Basket Size by Trip Mission
% Change vs Prior Year

Largely the result of a highly promotional CPG marketplace and extremely conservative consumer behaviors, per trip spending fell across a majority of CPG channels and at the all outlet level during the past year.

All outlet dollars per trip fell 2.4% this year versus the same period the prior year. Spending declines cut across a majority of CPG channels, with dollar, club and grocery fairing slightly better than industry average.

Strategies successfully being embraced by these retailers, including private label expansion, promotional support and rewiring of assortment, are highlighted regularly in Times & Trends, and will be explored throughout this report.

Basket size has fallen across trip missions during the past year. Interestingly, the most consistent performance vis-à-vis basket size occurred in the pantry-stocking mission.

Pantry-stocking is the single largest trip mission, dollar-wise, made as consumers prepare for the upcoming week. Mentioned earlier in this report, consumers are stocking their pantries less frequently today versus pre-recession times. But, consumers have been in belt-tightening mode for quite some time now. So, the pantry-stocking basket has been relatively lean for several quarters. As such, average pantry-stocking basket size has fallen very little during the past year, and actually saw positive growth in the first quarter of 2011.

Across the other three trip missions, basket size fell victim to consumers' cost-cutting efforts. Declines were sharpest in special purpose missions, those in which shoppers are buying for a specific purpose, such as a family cookout or a birthday celebration.

SymphonyIRI's "Special Report: Holiday Shopping 2010," offered early insights into trends around celebrating practicality, uncovering a wide range of behaviors, from traditional strategies, such as coupon clipping, to technology-enabled strategies, such as surfing the Internet to find the lowest prices on needed items, that allow consumers to celebrate the spirit of the occasion without deviating from stringent budgetary constraints. Illustrated here, these behaviors clearly carried well beyond the winter holiday season.

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CPG Shopping Trends: Channel Share Shifts

Channel	2011 Share	Point Change vs 2010
Grocery	48.8%	(0.1)
Supercenter/Mass	24.0%	(0.8)
Drug	5.8%	+0.7
Dollar	1.7%	0.0
Club	9.8%	+0.1

Source: SymphonyIRI Consumer Network™, 52 weeks ending 8/7/2011
*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*

On the heels of several years of share loss, the grocery channel slid very slightly in 2011. This ongoing slide underscores the degree to which battle for share of grocery spending is heating up.

In the past couple of years, in a marketplace characterized by exceptionally conservative consumer attitudes and behaviors, grocers have worked hard to hone their value perception.

With today's rather high levels of food price inflation, this is a difficult task. Grocery retailers operate on razor thin margins. They have already absorbed price inflation that took hold earlier in the downturn.

Today, many grocers are passing food inflation through to the shopper. Some are doing so with success. Safeway, for instance, announced same store sales growth in their April earnings release, noting that inflation is being passed along to consumers, but that ongoing steps are simultaneously being taken to remain competitive.

Drug share of CPG dollar sales is currently 5.8%, much lower versus other channels, but on the rise. Traditionally, the drug channel's strength has been in serving consumers' health and beauty related CPG needs.

Today, though, drug channel focus on food and beverages is rather strong. The timing on these efforts has been quite good.

The drug channel has benefitted from high gas prices, with 13% of consumers indicating they are shopping more at drug stores due to their generally close-to-home locations[1]. To be detailed later in this report, the drug channel is capturing share of spending from heavy shoppers across competing retail channels.

In today's highly competitive and conservative CPG environment, continuous improvement efforts are essential across CPG channels. CPG marketers are working hard to make such improvements. The pages that follow provide insights into an array of strategies being embraced by retailers across CPG channels.

1 Source: SymphonyIRI MarketPulse survey, Q2 2011

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Shopping Shifts by Department: Dollar Share

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar
Beverages	(0.6)	+0.5	0.0	(0.8)	+0.3	+0.2
Frozen	+0.5	+0.1	+0.4	(0.9)	0.0	0.0
General Food	(0.4)	+0.4	+0.2	(0.5)	+0.2	0.0
Refrigerated	(0.2)	0.0	+0.3	(0.6)	+0.4	0.0
Beauty	+0.2	+2.6	(1.0)	(0.8)	(0.5)	(0.3)
General Merchandise	(0.1)	+0.3	(0.5)	(0.6)	+0.5	+0.2
Health	0.0	+3.0	(0.9)	(1.1)	(1.0)	0.0
Home Care	(0.1)	+1.3	(0.6)	(0.3)	(0.8)	+0.3

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Dollar Share Point Change by Department
2011 v 2010

Across CPG departments, channel lines are blurring. Today, drug stores are more focused on food and beverages, and grocers are more focused on health and beauty care. It's a trend that transcends channels, and it's having an impact on consumer purchase behavior.

In general, drug retailers are performing well across CPG departments. The drug channel, in fact, captured increased share in seven of the eight departments analyzed.

Drug share growth has been particularly strong in the healthcare and beauty care departments. The pages that follow provide additional perspective on performance across top department categories, and on the strategies drug retailers are employing to protect and grow share.

Grocery share gains also cut across multiple departments, reflective of efforts around honing value perceptions. Additionally, grocers continue to focus on protecting and growing share across health and beauty care departments. For example, Safeway's Dominick's recently ran a "Parents Know Best" promotion, which highlighted special savings across a range of baby related products for loyalty card members[1]. And, in 2010, H-E-B looked to make shopping for men's hygiene products easier by expanding their "Men's Zone[2]."

Meanwhile, non-grocery channels, including club, mass and dollar, are showing signs of traction across a range of food and beverage-related categories. Retailers across these channels are building out food and beverage offerings, and they are providing promotional support to new and existing offerings. For instance, BJ's has broadened assortment of perishables, and Dollar General recently teamed up with Frito-Lay for a Country Music Awards Festival sweepstakes. Illustrated here, consumers are receptive to these efforts.

[1] Source: In-Store Marketing Institute Web site; [2] SIC

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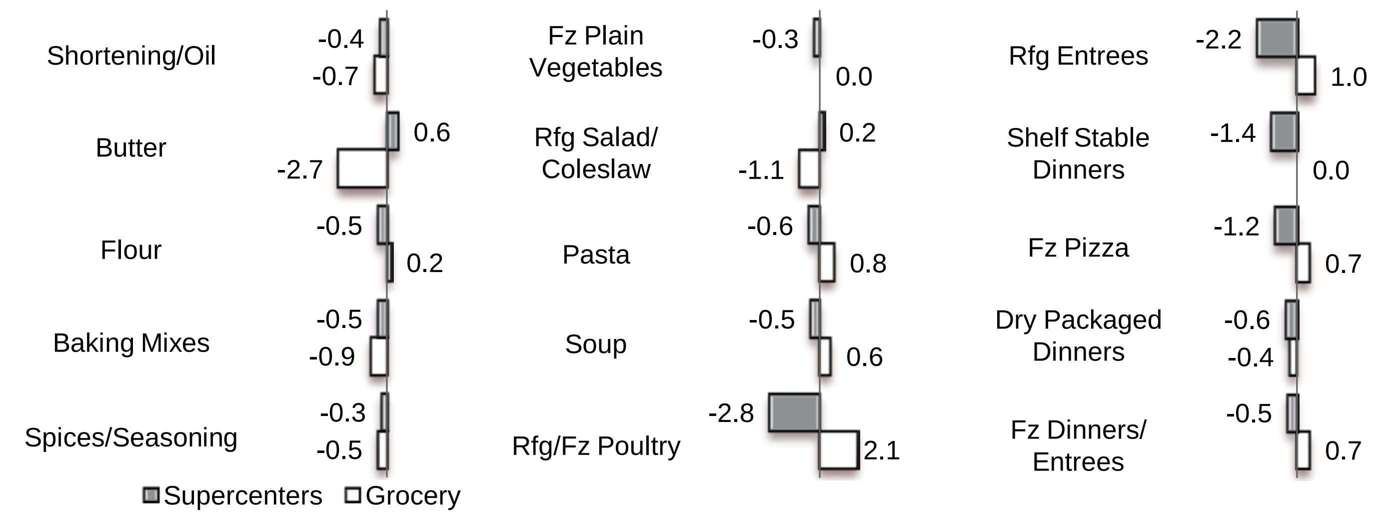
Shopping Shifts by Category: Meal Ingredients and Components



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Meal Ingredients:
Dollar Share Shift Point Change 2011 v 2010

Meal Components:
Dollar Share Shift Point Change 2011 v 2010

Convenience Meals:
Dollar Share Shift Point Change 2011 v 2010

At-home and from-home food rituals continue to play in important role in consumers' money saving strategies. According to SymphonyIRI's MarketPulse survey, 55% of consumers eat out less frequently today than they did before the economic downturn began.

This shift in food and beverage-related rituals has opened the door to significant opportunity for CPG retailers. Grocers and supercenters, which combined account for a lion's share of food and beverage sales, have been locked in a fierce battle for share of food and beverage spending during the past several years.

In the past year, supercenters have gained share across two key meal ingredient categories, while grocers lost share. On the other hand, convenience meals have been a strong suit for grocers during the same timeframe, largely at the expense of supercenters.

SymphonyIRI has reported heavily on the quickly-intensifying battle for share of food and beverage spending. While grocery and supercenter channels will continue to hold a majority share of these categories in the foreseeable future, other channels have stepped up focus in the past couple of years.

Detailed earlier in this report, for instance, the drug channel has captured increased share in the general foods and beverages departments, and club stores have performed well in beverages and refrigerated.

These channels and dollar stores are all broadening assortment and increasing support across key food and beverage categories. In the coming weeks and months, these efforts will continue.

In the end, the winner in the battle for share will be the retailer that offers not the broadest selection, but the *best* selection of food and beverages. And, the retailer with the best selection will be the retailer that bases assortment strategies on an intimate knowledge of the quickly changing needs and wants of key consumer segments.

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Shopping Shifts by Category: Healthcare

	Grocery	Drug	Supercenter	Club
First Aid Accessories	(1.4)	+3.7	(1.2)	(0.4)
First Aid Treatment	(0.1)	(0.1)	+1.1	(0.6)
Cold/Allergy/Sinus Tablets	(0.8)	+2.6	(1.3)	(0.5)
Gastrointestinal Liquids	(1.2)	+2.4	+0.2	(0.4)
Gastrointestinal Tablets	+0.3	+2.0	(0.7)	(0.8)
Internal Analgesics	(0.6)	+3.5	(1.2)	(0.5)
Nasal Products	+0.4	+2.8	(1.4)	+0.1
Vitamins	+0.1	+2.0	(1.0)	0.0
Weight Cntrl/Nutrition Liq/Pwd	+0.3	+1.4	(0.1)	(1.0)
Home Health Care Kits	(1.1)	+2.2	(0.3)	+0.2

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Key Healthcare Categories: Dollar Share Point Change
2011 v 2010

Retailers have also stepped up efforts to win share of healthcare spending in the past couple of years, partly due to recession-driven changes to consumer rituals.

More than one in three consumers is looking to reduce medical expenses by self-treating at home for simple ailments when possible[1]. As a result, the healthcare department has not felt the full brunt of cutbacks seen in other areas of the retail marketplace.

But, consumers are on a quest to fulfill their CPG healthcare needs in the most cost-efficient manner possible. Retailers are keen to this focus, and have stepped up promotional support across the healthcare department.

Reported in the January 2011 edition of Times & Trends, 22% of grocery channel healthcare volume is sold with promotional support. This support is paying off. In the past year, grocers gained dollar share across four of the 10 largest healthcare categories.

In the drug channel, where 31% of volume in the past year has sold with promotional support, share position is also strong. Drug share of dollar sales increased in nine of the largest 10 healthcare categories.

Supercenter and club channels did not perform as well as grocery and drug; mass merchandisers also saw broad-based share declines.

Certainly, some of these losses are due to the aforementioned strong levels of promotional support demonstrated by grocery and drug retailers. Trip mission changes also contributed to these trend changes.

For the foreseeable future, though, consumers will continue to seek cost-effective solutions to everyday healthcare dilemmas. Across channels, CPG marketers must continue to serve their niche consumer, but also be on the lookout for opportunities to reach outside the box to connect with ever-changing consumers in new and exciting ways.

[1] Source: SymphonyIRI MarketPulse survey, Q2 2011

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Shopping Shifts by Category: Beauty & Personal Care

	Grocery	Drug	Supercenter	Club
Blades	+0.1	+1.2	(0.6)	0.0
Deodorant	+0.9	+3.7	(1.6)	(0.6)
Diapers	+0.8	+3.8	(2.0)	(2.6)
Hair Conditioner	0.0	+2.6	(1.5)	+0.1
Sanitary Napkins/Tampons	+0.7	+1.5	(1.8)	(0.1)
Shampoo	(0.6)	+2.6	(1.8)	+0.1
Skin Care	+0.1	+2.4	+0.5	(0.7)
Soap	(0.2)	+3.2	(0.9)	(1.2)
Toothbrush/Dental Acc.	+1.0	+5.8	0.0	(6.5)
Toothpaste	0.0	+5.7	(1.7)	(1.9)

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Key Beauty/Personal Care Categories: Dollar Share Point Change
2011 v 2010

Do-it-yourself behaviors are quite prevalent in the beauty and personal care arena today. To save money, nearly one in two consumers has reduced visits to the salon/beauty parlor, instead opting to carry out their own beauty treatments in the comfort of their own homes[1]. Innovation is reinforcing this trend, for many of the new beauty and personal care products entering the marketplace today are bringing professional quality results at a fraction of the cost.

Like the healthcare department, grocery and drug retailers are heavily supporting beauty/personal care with an array of promotional programs, including temporary price cuts, and feature and/or display support. Private label offerings are being enhanced and expanded, and innovative promotional programs are being deployed.

For instance, Kroger recently launched a new Web site to support its Comforts line of baby-related products[2]. The site aims to provide busy moms with a quick and easy platform to find information and exchange ideas.

Discussed later in this report, the Internet has come to play an important role in simplifying the shopping process while simultaneously providing consumers new ways to save money. Programs such as these are finding great success in connecting with time and budget constrained consumers.

As a result of all of these efforts, grocery and drug retailers have captured share in a vast majority of top beauty and personal care products. Many of these gains came at the expense of club, a channel that is feeling the effects of reduced stock-up behavior as consumers aim to reduce significant one-time financial outlays.

[1] Source: SymphonyIRI MarketPulse survey, Q2 2011; 2 StoreBrandsDecisions.com, July 14, 2011

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Shopping Shifts by Category: Household Care

	Grocery	Super	Club	Dollar
Toilet Tissue	(1.1)	(0.7)	0.9	+0.1
Laundry Detergent	(0.4)	(0.8)	(0.9)	+0.2
Paper Towels	(1.0)	(0.3)	(0.2)	+0.3
Food & Trash Bags	(1.7)	(0.2)	+1.7	(0.3)
Household Cleaners	(0.9)	+0.9	(1.0)	+0.5

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Key Household Care Categories: Dollar Share Point Change
2011 v 2010

The club channel lost nearly one full point of home care dollar sales in the past year. Nonetheless, the channel made solid gains in two of the five largest categories within the home care department. Toilet tissue gains came at the expense of the grocery and supercenter channels, while food and trash bag gains came largely from grocery.

The home care department is certainly struggling against conservative consumer behaviors. More than 50% of shoppers are looking to make household cleaning products last longer[1]. Additionally, consumers are turning to non-traditional home and laundry care products, such as vinegar or baking soda, in attempt to save money and/or be more eco-friendly.

Retailers and manufacturers are working collaboratively to drive purchase behavior and to protect and grow share in key categories. For instance, Costco and Clorox teamed up for a recent mailer that offered members savings-off on an array of Clorox brands. Inside advertising touted environmentally friendly benefits of select Clorox products. The mailer was supported with heavy in-store support in the form of Clorox-filled pallets[2].

Private label growth is also driving share changes across household care categories. No doubt, private label has played an integral role in helping consumers save money during the past couple of years. Today, 36% of consumers are seeking out store brands in an effort to reduce their overall CPG budget[3].

While dollar retailers, for instance, are working to expand their selection of nationally branded products, private label still holds a solid and growing presence across some departments and categories in the dollar store channel. In the past year, private label share of dollar store household cleaners climbed 2 full points. Meanwhile, at the all outlet level, private label share of household cleaners increased only 0.3 points.

[1] Source: SymphonyIRI MarketPulse survey, Q2 2011; [2] In-Store Marketing Institute, March 18, 2011; [3] SymphonyIRI MarketPulse survey, Q2 2011

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Shopping Shifts by Consumer Segment: Share Shifts

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar	Convenience
Under $35K	+0.1	0.0	(0.3)	(1.0)	+0.4	0.0	0.0
$35-$70K	+0.5	+0.1	(0.4)	(1.1)	+0.4	+0.1	(0.2)
$70-$100K	+0.7	0.0	(0.5)	(0.8)	+0.1	0.0	0.0
Over $100K	(0.2)	0.0	(0.3)	+0.1	+0.2	0.0	+0.1
Hispanic	(1.0)	+0.2	(0.1)	(0.7)	+0.1	0.0	+0.1
Households with Children	+0.7	+0.1	(0.4)	(1.1)	+0.4	(0.1)	0.0
Boomers	+0.1	0.0	(0.4)	(0.6)	+0.2	+0.1	0.0

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Dollar Share Point Change by Consumer Segment
2011 v 2010

In some instances, channel shifts across consumer segments were quite strong during the past year.

Drug retailers, for example, captured share of dollar sales across Hispanic shoppers during this time period. The Hispanic market is an important one for drug retailers. In addition to the fact that Hispanics represent more than 16% of the U.S. population, this consumer segment is very focused on beauty and personal care, an area of CPG for which drug stores tend to be a destination location.

As such, drug retailers have developed programs specifically designed to foster share growth across this valuable consumer base. For instance, CVS recently sponsored a program called "A Su Salud," (To Your Health) in a number of cities across the U.S., including Miami, Dallas and Los Angeles. The program sought to target health issues that are prevalent among the Hispanic population and was deemed successful. As such, the program has been continued, and now has components that target African American consumers in other major U.S. cities[1].

The club channel captured nearly one-half share point across households earning less than $35K during the past year. Though trip frequency increased only slightly among this segment, club operators were able to drive penetration and per trip spending gains despite a conservative marketplace.

Club retailers are working hard to hone their value image. In addition to couponing programs, such as the Costco program mentioned earlier in this report, club retailers are heavily focused on expanding their private label offerings. And, detailed in the February edition of Times & Trends, these efforts are paying off. Despite the fact that all outlet private label dollar share growth was quite low (+0.2 points), private label share of club dollar sales increased much more sharply, 1.5 points in a one-year period.

[1] Source: Drug Store News, June 27, 2011

Shopping Shifts by Consumer Segment: Share Shifts

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar
Heavy Grocery	+0.5	+0.3	(0.1)	(0.3)	(0.3)	0.0
Heavy Drug	(0.4)	+0.9	(0.1)	(0.5)	(0.2)	+0.1
Heavy Mass	(0.1)	+0.4	+0.2	(0.3)	0.0	0.0
Heavy Supercenter	+0.8	+0.5	+0.1	(1.3)	+0.1	+0.1
Heavy Club	(0.3)	+0.1	(0.1)	+0.3	+0.3	0.0
Heavy Dollar	+0.2	+0.5	0.0	(0.5)	(0.1)	+0.1

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Dollar Share Point Change by Heavy Shopper Segment
2011 v 2010

Despite heavy deal-seeking behavior, a majority of CPG channels are successfully building share across their most important consumer–the heaviest shoppers within their channel. A notable exception to this success is the supercenter channel, which lost 1.3 share points across their heavy shopper segment during the past year.

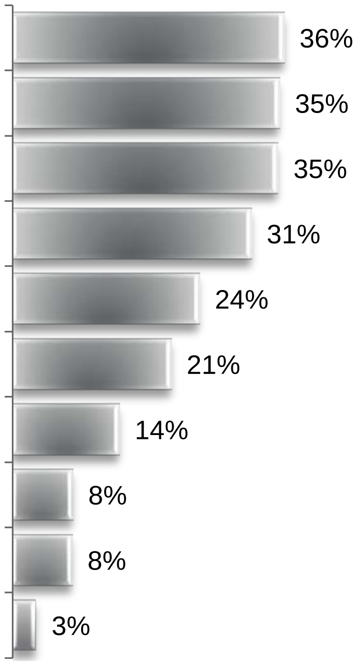
Declines in supercenter are being driven by a number of factors. Some of these factors, including high gas prices and declines in pantry stocking trip missions, were discussed earlier in this report.

Another important influencer of this trend is SKU rationalization practices embraced by a number of supercenter retailers, including Walmart, in the 2009-10 timeframe During that period across several major retailers, assortment was trimmed in the name of simplifying the shopping experience. The unexpected result, though, was that many consumers shifted entire baskets of purchases from the assortment-trimming retailer to other banners, or other channels, that carried more of their preferred brands.

In more recent months, retailers across channels have been re-evaluating their SKU-cutting strategies, and assortment has been selectively broadened.

Grocery and drug retailers are seeing share among their heavy shopper segments increase rather notably. Discussed throughout this report, high levels of promotional activity and shifting trip mission trends are key drivers of grocery and drug channel share growth.

Trends to Watch: Online Shopping



Source: SymphonyIRI MarketPulse, June 2011

Digital Media Usage
% of Shoppers- Top 2 Box Responses

SymphonyIRI's recent Point of View report, "Digital Dimension," provides a detailed perspective on the diverse ways in which consumers are embracing the Internet to simplify their CPG shopping experience while saving money along the way.

Not surprisingly, the pace at which consumers across demographic segments are turning to the Internet varies rather significantly. But, adoption at any level for the purposes of planning and deal-seeking is a critical development, and one that should be encouraged and monitored by everyone in the CPG industry.

Several sizable CPG players are already heavily invested in online CPG arena. For instance, illustrated in the Digital Dimension report, P&G is building buzz with a sizable community of online moms who send P&G brand messages through their own social networks.

On the retailer side, Walgreens drug stores recently announced the acceleration of its online strategy with the purchase of drugstore.com. The purchase gives Walgreens access to drugstore.com's more than 3 million online customers and is intended to complement existing multi-channel initiatives[1].

Indeed, the practice of purchasing CPG goods online appears to be heating up quickly. According to SymphonyIRI's April/May Omnibus survey, 29% of consumers made at least one CPG purchase online in the past 12 months[2]. comScore's State of the U.S. Online Retail Economy, published in the first quarter of 2011, reports that online purchases of CPG products currently represents 1.2% of total CPG sales across grocery, drug, mass and convenience channels. But, adoption is growing quickly, and is up 10% in a one-year period.

[1] Source: MMR, April 18, 2011; [2] SymphonyIRI April/May Omnibus Survey, an online survey across a national random sample of 46,696 panelists.

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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
  - Closely monitor the evolving competitive set at the channel and retailer level to understand channel share shifts across key categories and brands, including competitor brands, as well as existing and emerging product distribution strategies
  - Invest to understand core consumer segments while closely monitoring high-potential targets and their evolving channel and brand selection processes
  - Track shifts in trip mix by channel and account
- Align distribution, marketing and merchandising strategies with channel migration patterns
  - Isolate your most important consumers and ensure distribution strategies cater to their preferred trip types, channel preferences and store locations
  - Cross reference your key consumers with retailer segments to find common ground for co-marketing with retail partners
  - Develop comprehensive (old and new media) merchandising and promotional strategies that begin to impact the shopper in the home, and then carry consistent messaging into the retail environment
  - Be on the lookout for technological advances within and outside the CPG environment that provide new and innovative means of informing and engaging key consumer segments
- Protect and grow share among top shoppers
  - Drive satisfaction, trip and basket size with specially-targeted promotional programs that entice and reward top shopper segments
  - 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 category and brand channel migration tracking
  - Closely monitor the evolving competitive set at the market level to understand share shifts across key categories and brands, including competitor's' pivate label brands, as well as existing and emerging product assortment strategies
  - Invest to understand core consumer segments while closely monitoring high-potential targets and their evolving channel, banner and brand selection processes
  - Track shifts in trip mix at the market level and across key shopper segments
- Align distribution, marketing and merchandising strategies with channel migration patterns
  - Isolate your most important shoppers and ensure assortment and merchandise strategies cater to their preferred trip missions and store locations
  - Cross reference your key shoppers against key consumer segments across key manufacturer partners to find common ground for co-marketing programs
  - Develop comprehensive (old and new media) merchandising and promotional strategies that begin to impact the shopper in the home, and then carry consistent messaging into the retail environment
  - Be on the lookout for technological advances within and outside the CPG environment that provide new and innovative means of informing and engaging key consumer segments
- Protect and grow share among top shoppers
  - Drive satisfaction, trip and basket size with specially-targeted promotional programs that entice and reward top shopper segments
  - Maintain a deep understanding of emerging shopping patters and competitive threats among key shopper and target segments

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™	This proprietary model-based sales tracking service provides superior coverage of channels, including Walmart, for which point-of-sale data are not available and reflects sales across SymphonyIRI InfoScan® Reviews CPG categories.
SymphonyIRI Consumer Network™	SymphonyIRI's nationally representative panel of households tracking purchases with handheld barcode scanners delivers extensive demographic profiles to 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.

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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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