

Pulse Report: Channel blurring

In a fiercely competitive environment, retailers can win market share by better addressing shoppers' and consumers' evolving needs.

Faced with budget constraints and higher food and fuel prices, many shoppers are trimming basket size to save



Mark Parise, president of IRI

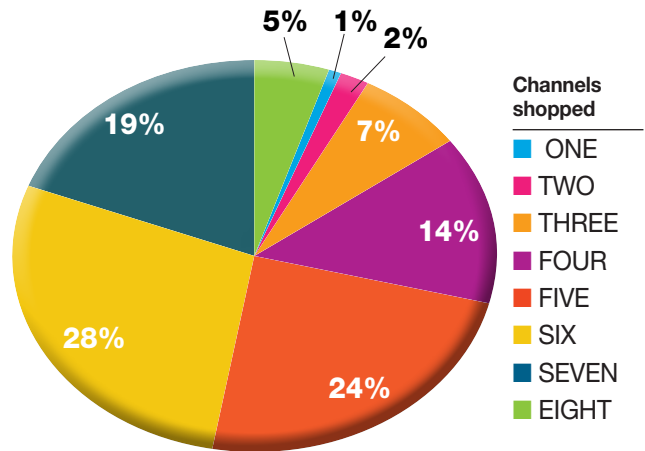
money while making more frequent trips to nearby drug, dollar and grocery stores, according to new analysis from SymphonyIRI Group. In turn, drug and dollar retailers have boosted their food and beverage offerings, while many grocers are rounding out their personal care product lines.

"This increased channel blurring is the result of a highly competitive CPG marketplace," says Mark Parise, president of IRI, a business unit of SymphonyIRI. "CPG marketers understand that consumers are seeking low-cost solutions to everyday needs, and they are acting to capitalize on that opportunity."

In their quest for value, consumers increasingly are willing to shop at a variety of channels to find the products they want at prices they can afford. With 55 percent of consumers eating out less often than prior to the recession, grocery retailers have stepped up their merchandising of convenient prepared foods while updating store formats to attract more consumers. Across channels, two-thirds of CPG categories have enjoyed increased merchandising support during the past year.

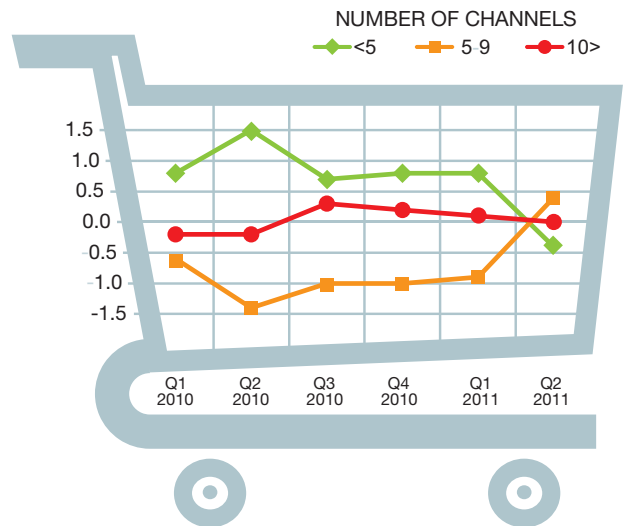
At the same time, supercenters are enhancing their product assortments after attempts to scale back the number of SKUs resulted in some customers shopping elsewhere. "Winning in CPG today is about getting the right products to the right place at the right time," says Parise. "In other words, retailers must understand and deliver against the needs of key shoppers. A broad assortment, one-size-fits-all approach is simply not effective."

NUMBER OF CHANNELS SHOPPED Percent of Consumers 2011



SOURCE: SymphonyIRI Consumer Network™, 52 weeks ended 6/5/11

PERCENT OF CONSUMERS SHOPPING MULTIPLE CHANNELS BY NUMBER OF CHANNELS SHOPPED Quarterly Point Change vs. Year Ago, 2010-2011



SOURCE: SymphonyIRI Consumer Network™

PERCENT OF HOUSEHOLDS BUYING BY CHANNEL

Channel	Penetration	Pt. Chg v 2010
Grocery	98.7%	+0.1
Supercenter	72.9%	+1.5
Mass Merchandise	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 ended 6/5/2011

Bright spot: Expanding healthcare merchandise



With more than one-third of consumers striving to reduce medical expenses through self-treatment, retailers are placing a strong merchandising emphasis on healthcare treatments and accessories. Drug retailers benefited the most from the trend with their share of dollar sales climbing in nine of 10 healthcare categories, while grocery retailers also added health-related products and gained dollar share in seven categories, SymphonyIRI Group reports.

KEY HEALTHCARE CATEGORIES: DOLLAR SHARE POINT CHANGE 2011 VS. 2010

	Grocery	Drug	Supercenter	Club
First Aid Accessories	(0.1)	+2.2	(0.8)	(0.5)
First Aid Treatment	0.0	+0.9	+0.1	(0.6)
Cold/Allergy/Sinus Tablets	(0.1)	+1.8	(1.1)	(0.6)
Gastrointestinal Liquids	+0.4	+1.9	(0.9)	(0.2)
Gastrointestinal Tablets	+0.7	+1.4	(0.6)	(0.9)
Internal Analgesics	+0.1	+2.3	(0.8)	(0.7)
Nasal Products	+0.9	+1.4	(0.6)	(0.1)
Vitamins	+0.6	+1.1	(0.7)	(0.2)
Weight Control/Nutrition Liquid/Powder	+1.5	+0.2	(0.2)	(1.1)
Home Health Care Kits	+0.1	(1.1)	+1.3	+0.2

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

Blurred merchandise assortments

Retailer efforts to cater to consumers' evolving needs are resulting in a blurring of merchandise assortments across channels. Drug and dollar stores are adding food and beverage items, while grocers and supercenters are elevating the profile of drug and personal care offerings with stepped-up merchandising support and broader private label assortments.

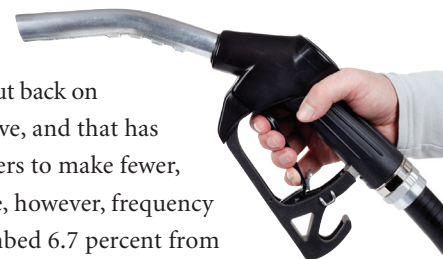
TOP SHOPPING SHIFTS

Department	Channel	Dollar Share Point Change by Department, 2011 vs. 2010
Frozen	Grocery	+ 0.7
Beauty	Drug	+1.0
Health	Drug	+1.5

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

High gas prices impact shopping trip frequency

Gas prices that are 30 percent higher than a year ago have many consumers striving to cut back on the number of miles they drive, and that has spurred 55 percent of shoppers to make fewer, larger trips. At the same time, however, frequency within the drug channel climbed 6.7 percent from a year ago as shoppers stopped more often at close-to-home stores for need-it-now purchases.



76%
Consumers who shop in
5 or more CPG channels

TIP: Identify *opportunities* by tracking share shifts across categories and brands.

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