



Consumer Expectations

Is CPG Serving to Satisfy?

Times & Trends

October 2010


Symphony **IRI** Group

Insight.
Innovation.
Impact.

Executive Summary

INSIGHT

- ❑ Though the United States has officially emerged from The Great Recession, consumers remain fully rooted in conservative shopping behaviors
- ❑ Consumer attitudes and expectations can and do vary markedly across departments, categories and consumer segments
- ❑ CPG marketers have significant opportunity to improve consumer perceptions around price and value

ACTION

- ❑ Improve affordability with region and market-specific pricing and merchandising strategies developed against high priority consumer segments
- ❑ Leverage a granular understanding of consumer attitudes and behaviors to develop highly-targeted innovation and marketing strategies against high-potential categories and segments
- ❑ Develop a value proposition firmly founded on the needs and wants of key consumer segments; prominently reflect the value proposition in marketing programs and across marketing platforms

Executive Summary

INSIGHT

- ❑ Almost universally, consumers look to CPG retailers to offer a fast and efficient retail experience; this experience is being hampered by perceptions of less-than-ideal product assortment and difficult to navigate store aisles
- ❑ While consumers are largely satisfied with the degree to which product packaging conveys product attributes, CPG marketers have an opportunity to improve brand image vis-à-vis quality and trustworthiness

ACTION

- ❑ Simplify the shopping experience with solutions-based assortment planning and merchandising strategies that are developed around behaviors of high priority consumer segments
- ❑ Invest to understand how key consumers perceive your category/brand, and leverage that knowledge as a basis for aligning the image with corporate goals and/or strengthening that image in the mind of the consumer

The Great Recession has officially ended, but the economy remains unstable.

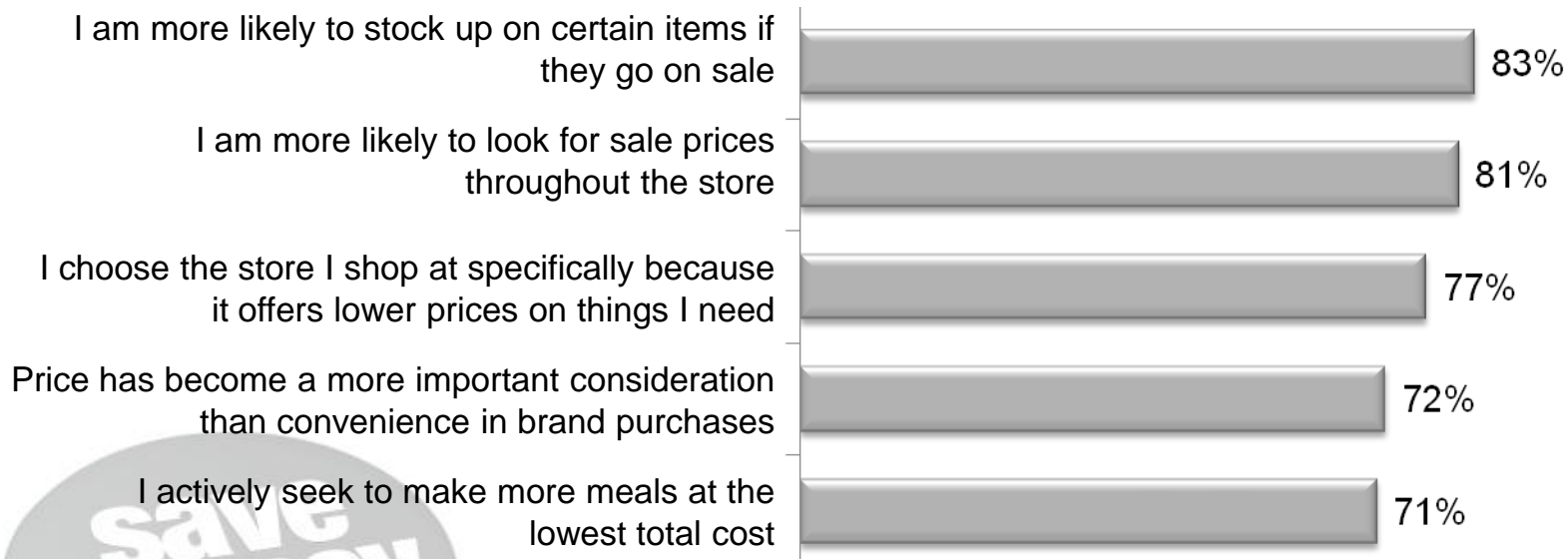
Economic Measure	2008	2009	2010	2011
GDP (% chg)	2.2%	(1.7%)	3.4%	3.9%
Unemployment (% SA)	5.8	9.3	9.7	9.9
Consumer Price Inflation (% Chg)	3.8%	(0.3%)	1.6%	1.6%
Retail Sales (% Chg)	(1.0%)	(6.3%)	5.7%	5.0%
Residential Permits, Total (Mil)	3.6	2.3	2.4	3.5

Source: Moody's Economy



Key Economic Measures

Consumers are demonstrating a variety of conservative shopping behaviors.



Source: SymphonyIRI 2010 Customer Expectation & Satisfaction Survey

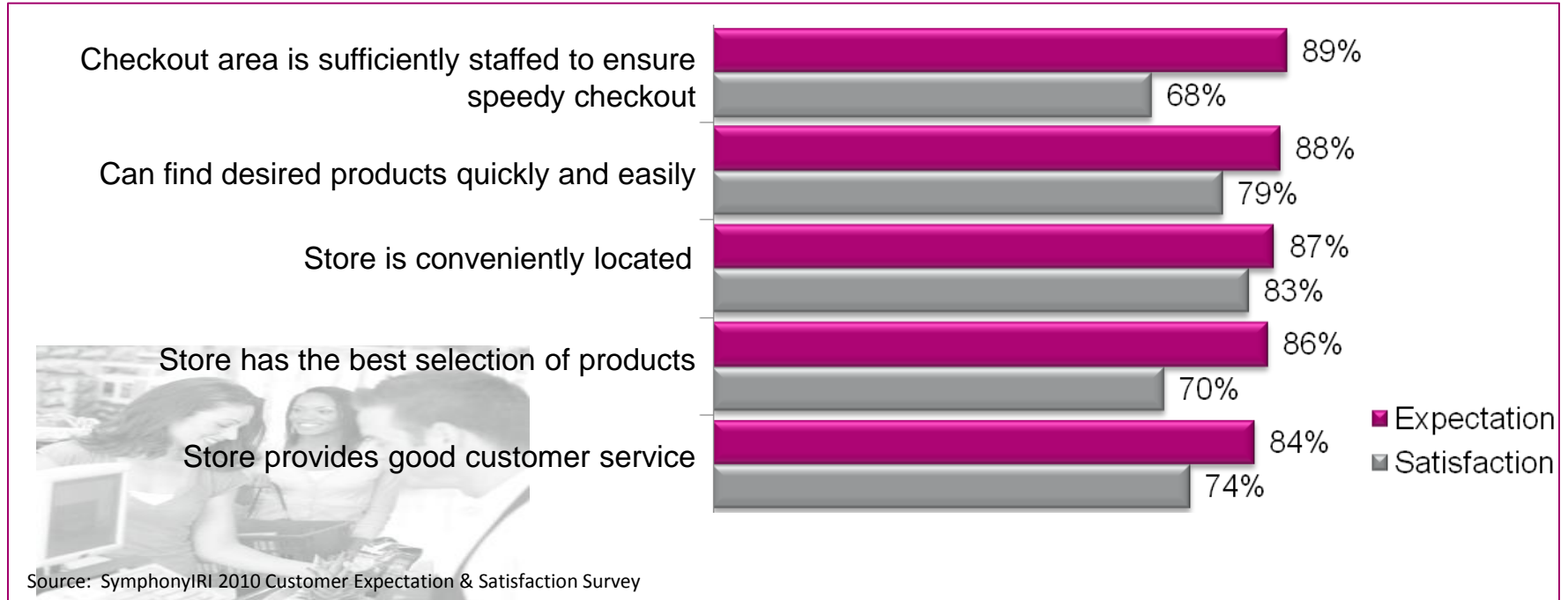
Changes in Shopping Behavior over the Past 6 Months as % of Shoppers

Consumers are largely satisfied with sale prevalence and the quality of loyalty/ discount programs, but a disparity is evident vis-à-vis the prevalence of everyday low prices (EDLP) and store coupons.



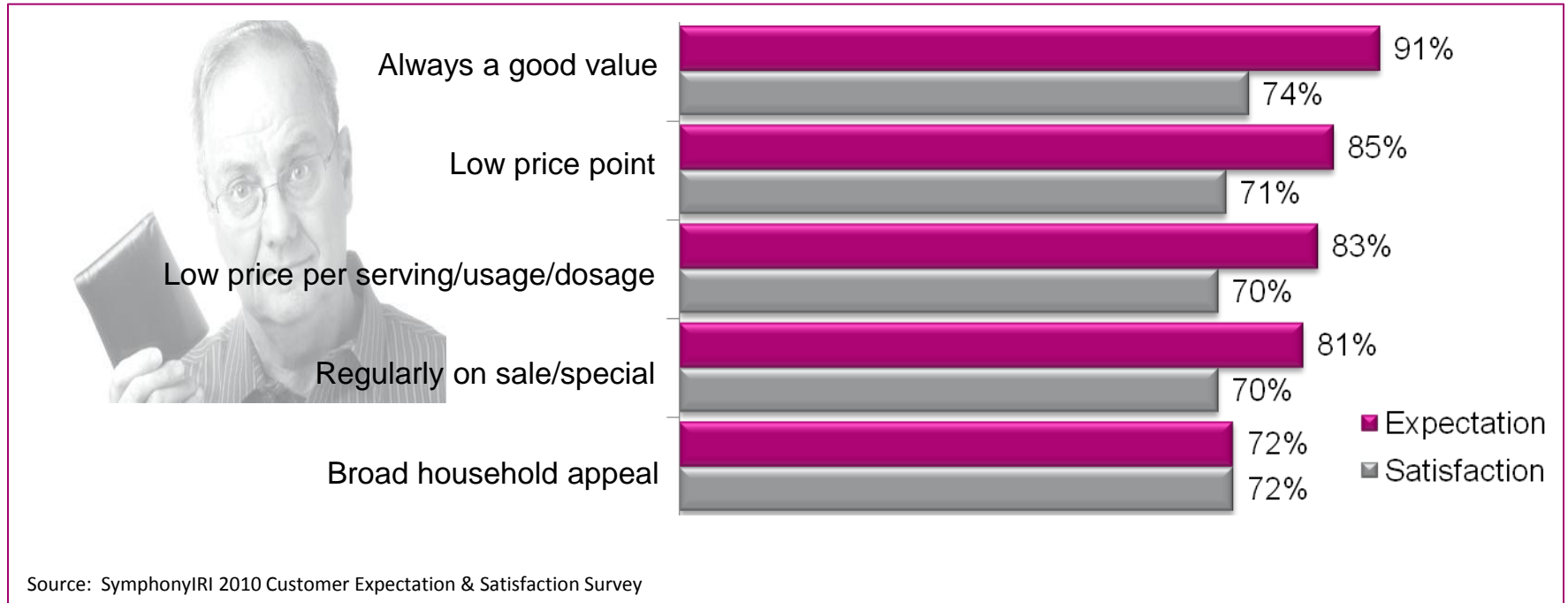
Store Selection Criteria: Savings
as % of Shoppers

CPG marketers have the opportunity to build shopper satisfaction and loyalty by stepping up performance across key convenience considerations.



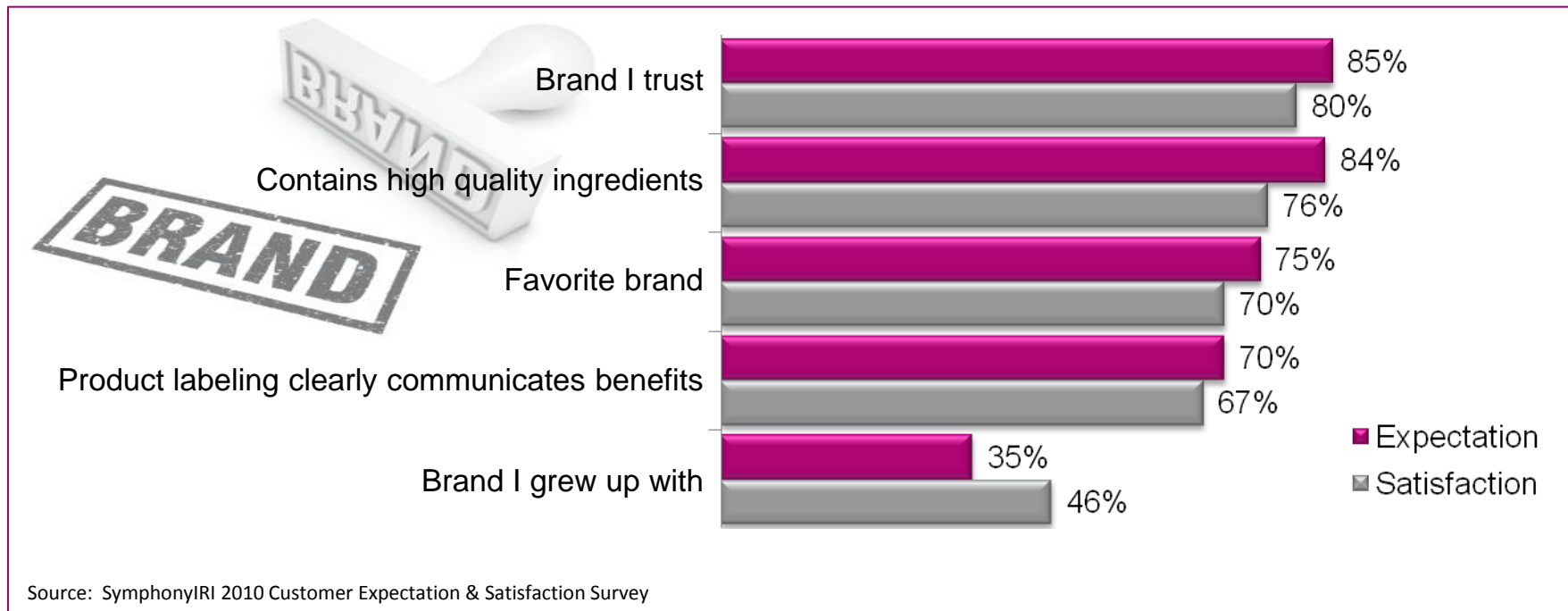
Store Selection Criteria: Convenience
as % of Shoppers

CPG marketers have the opportunity to win share of wallet and build loyalty by understanding and addressing the gap between existing and desired price/value performance.



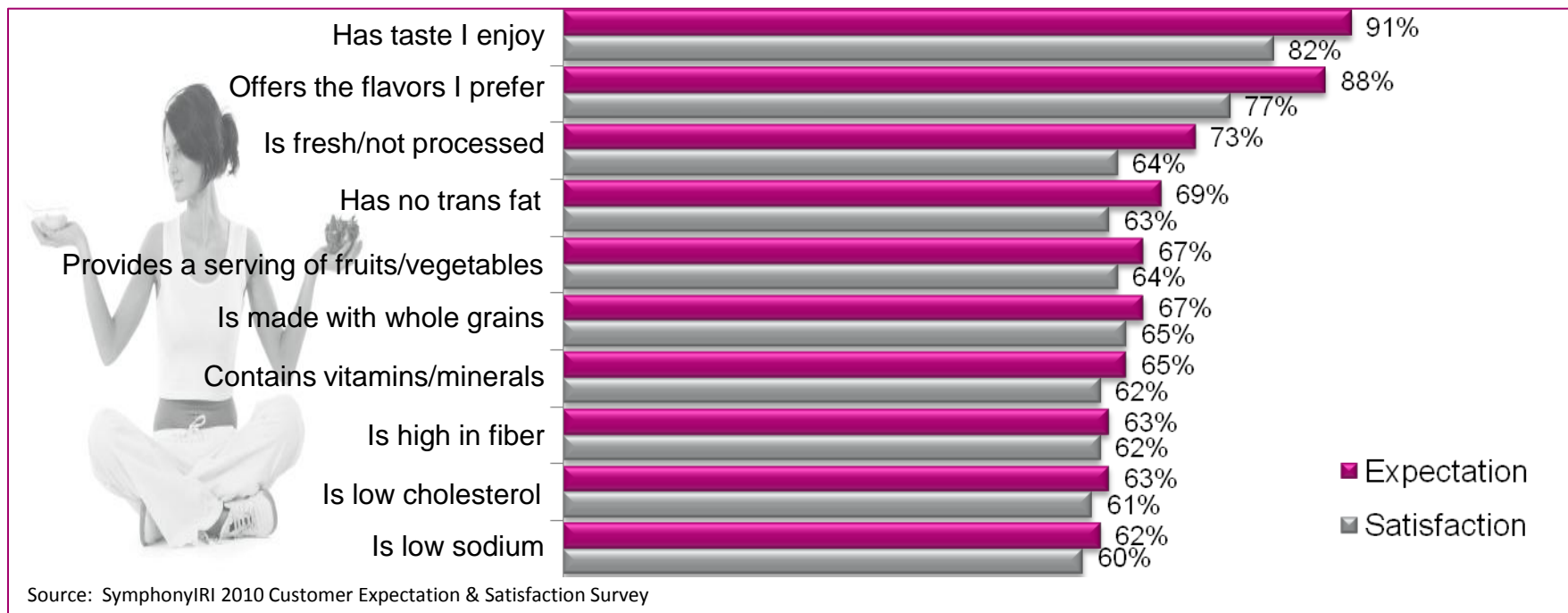
Product Selection Criteria: Savings as % of Shoppers

A disparity exists between the level of quality and trust consumers would like to have in CPG products and their satisfaction in these areas.



Product Selection Criteria: Quality/Trust
as % of Shoppers

Though CPG manufacturers are rising to meet expectations across key wellness measures, plenty of upside potential remains.



Product Selection Criteria: Food & Beverage Wellness-Related Attributes as % of Shoppers

Conclusions: Manufacturers

Identify new growth opportunities and risks through ongoing category and brand channel migration tracking

- Constantly track economic changes and related impact on consumer attitudes, behaviors and category/brand performance
- Continually monitor innovation across CPG departments/ categories to identify new product development opportunities that fit the needs/ wants across core and target consumer segments
- Collaborate with key retailer partners to understand how their most important shoppers are consistent with your key consumers/targets, and leverage that knowledge as the foundation in all marketing strategies to maximize growth potential

Align distribution, marketing and merchandising strategies with channel migration patterns

- Develop a comprehensive consumer communication campaign across traditional and new media that clearly and consistently communicates your category's/brand's benefits and unique value proposition
- Establish an on-package system for identifying key product attributes, such as low-sodium, better-for-you, added nutrients, etc; educate consumers about the importance of those attributes on package, and across media platforms

Protect and grow share among top shoppers

- Secure brand placement in multi-product, solutions-based displays, and work with retailer partners to develop effective product adjacencies which are reflective of the attitudes/behaviors of key shopper segments
- Create store signage that clearly communicates product benefits
- Constantly measure and monitor in-store initiatives against desired shopper impact; implement mid-cycle adjustments as warranted

Conclusions: Retailers

Identify new growth opportunities and risks through ongoing channel migration tracking

- Constantly track economic changes and related impact on consumer attitudes, behaviors and category/brand performance
- Continually refine assortment to reflect new product introductions that fit needs and wants across core and target shopper segments
- Collaborate with key manufacturer partners to understand how their most important consumers are consistent with your key shoppers/targets, and leverage that knowledge as the foundation in all marketing strategies to maximize growth potential

Align competitive, marketing and merchandising strategies with channel migration patterns

- Develop a comprehensive consumer communication plan across traditional and new media that builds awareness of the availability of hard-to-find items and those categories/brands with strong demand across key shopper segments
- Collaborate with key manufacturer products to develop educational campaigns around important consumer issues, such as healthy living, diabetes management, etc.

Protect and grow share among top shoppers

- Create multi-product, solutions-based displays, and work with manufacturer partners to develop effective product adjacencies which are reflective of the attitudes/behaviors of key shopper segments
- Create store signage that clearly communicates product benefits
- Constantly measure and monitor in-store initiatives against desired shopper impact; implement mid-cycle adjustments as warranted