[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries

May 2009

The Value/Premium Dichotomy:
Growth at Both Ends of the Spectrum

IRI

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Breakthrough Results.

The Premium Brand Surprise

It's far from a surprise that shoppers of all demographics have flocked to value brands as a strategy to save money in the current recession. What is a surprise is that many are also increasing their purchases of premium brands. Value brands are growing rapidly in terms of dollars, while mid-tier brands lag. Premium brands are also picking up steam.

On a unit sales basis, value brands grew more than two percent in 2009 over 2008, while premium brand sales shrank just over one percent and mid-tier brands shrank nearly three percent. What's happening here?

Several shopper trends have converged to create this dichotomy. The most obvious is the move to trade down. Shoppers have moved away from their traditional brands to value brands, both retailers' private brands as well as economy brands from national brand manufacturers.

But shoppers are also focused on premium brands, through what IRI has dubbed "sophisticated splurging." Shoppers are holding on to the premium brands they crave, but purchasing them at value stores. Premium brand purchases have grown the most at dollar stores, supercenters and Walmart, while shrinking at grocery, drug, mass merchandise and club stores.

In addition, retailers have dramatically increased the sophistication of their private brand strategies. Many now offer high end private brands that offer a premium experience at a lower cost versus premium national brands.

Shoppers' concerns about health and wellness are also driving the spike in premium brand sales. For example, while bottled water unit sales decreased three percent over the last year, premium bottled water unit sales jumped 11 percent, driven by innovations such as Glaceau's Vitamin water. Similarly, yogurt sales were essentially flat over the last year, while premium yogurt sales grew 34 percent.

One would think that "doing well" shoppers; i.e., single member households earning more than $35,000 annually and two or more member households earning more than $55,000 would be driving premium brand growth. In fact, the opposite is true. Those "living comfortably" increased premium brand spending by 2.4 percent and those "getting by" raised spending by 2.1 percent. Meanwhile, spending among the "doing well" segment actually dropped 1.4 percent.

Shoppers have swapped dining out for maintaining at least a few indulgences. And, they haven't lost their sweet tooth. Of the top 10 items where brand preference beats out price as the most important decision influence, chocolate candy is number one, and cookies and ice cream/sherbet also make the list.

These findings remind us that shoppers often act in unpredictable ways, and that the results of one action (dining out less) often has repercussions in other CPG segments. It underscores the need for CPG manufacturers and retailers to build and maintain a highly-detailed understanding of shopper attitudes and behaviors.

As shoppers continue to surprise us with their strategies for coping in today's challenging environment, I invite your comments and observations.

Thom Blischok
President, Consulting & Innovation

EXECUTIVE SUMMARY: TURNING INSIGHTS INTO ACTION

INSIGHT	ACTION
» Consumers are adeptly charting a course through an intense economic storm, with value tier CPG products playing a critical role in meeting the need for low-cost solutions to daily living and key premium tier products answering the call for affordable indulgence	» Drive growth across key categories through region and store-specific, highly-targeted merchandising strategies which maximize relevance and response for high-priority categories and segments
» Despite a recessionary economy, 16% of shoppers are splurging on premium products on a regular basis- but they are willing to travel to get the best deal; as everyday low price providers, supercenters are experiencing exceptional growth at the premium end of the CPG product spectrum	» Improve affordability across key indulgence categories (eg. offer reduced thresholds for quantity discounts, reduced package sizes) and boldly highlight these money saving opportunities across marketing programs
» Price increases at the value end of the CPG product spectrum were, on average, one percentage point lower versus premium tier products over the past year, contributing to strong unit sales growth at the value end of the spectrum	» Regularly re-examine pricing strategies through consumers' new "lens of affordability" ensuring alignment with corporate and partner goals, as well as the goals of key consumer segments
» Manufacturers have done a remarkable job at establishing strong brand equity across a range of key CPG categories, including chocolate candy and shampoo; across these categories, a majority of consumers indicate that brand is a more important consideration than price when making a product selection	» Based on detailed market-level assessment of key target and consumer segments, develop best-in-class branding strategies centered around providing "the ultimate" customer experience; integrate the brand strategy throughout the organization, from product development to marketing to human resources
» Across several key CPG categories, such as coffee and beverage alcohol, premium tier products are driving growth despite recessionary economic conditions as consumers take solace in home-based dining and entertainment and seek to indulge without "breaking the bank"	» Invest to understand changing consumer rituals around in-home dining and entertainment; integrate relevant messaging across all marketing vehicles and promotional materials

INTRODUCTION

> *Changing consumer rituals have revealed growth opportunities at the value and premium ends of the CPG product spectrum.*

Change. This one word has defined the CPG industry for more than a year now. Change is omnipresent: consumer rituals, attitudes, and shopping behaviors have changed more drastically and quickly over the past year than any time in recent history.

Of course, the driver of these changes is the country's economic climate. Recessionary conditions have left consumers seeking new ways to save money.

For example, trading down has become pervasive. In some instances consumers are trading from premium or mid-tier national brands to middle or value-tier national brands. And private store brands, generally lower in cost versus nationally branded products, have clearly gained a seat at tables across the country. Undoubtedly, value brands have played a key role in helping consumers maintain very tight fiscal budgets.

As part of lifestyle changes made by consumers across income segments, the home has once again become *the* central hub for daily living. To save money, consumers are dining at home, entertaining at home, preventing and treating ailments at home, and conducting beauty treatments at home with increased frequency.

This shift has created pockets of opportunity for CPG marketers. For instance, premium beverage alcohols have seen increased volume across consumers hosting or attending in-home gatherings. And premium-level private label convenience meals and meal components have been well-received by consumers seeking quick and easy mealtime solutions.

Adverse economic conditions are expected to linger throughout 2009 and into 2010. But, the CPG industry is well-equipped to survive, or even thrive, despite the downturn.

This report explores the power of value and premium CPG products to drive growth at both ends of the spectrum in recessionary economic conditions.

MARKET OVERVIEW
GROWTH TRENDS

[Over the past year, unit and dollar sales performance across value brands has outpaced industry average by a wide margin.]

Over the past year, the CPG industry has grown just over 5% in terms of dollar sales. But, unit sales have actually declined over this same period, falling just over one half of one percentage point at the all outlet level.

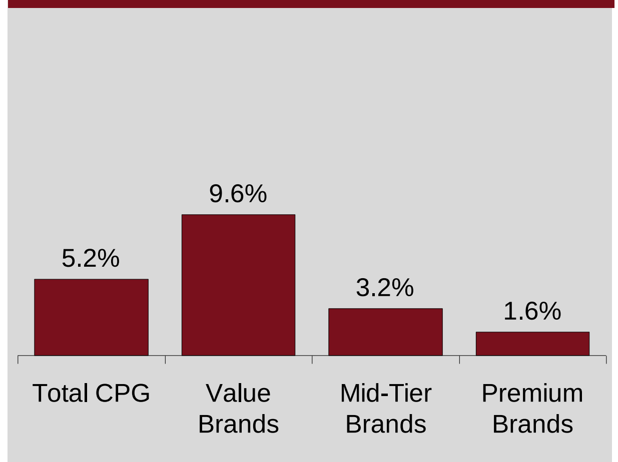
Unit sales declines are reflective of consumers' downturn shopping rituals. Over the course of the recession, consumers have made significant changes to how they eat, where they shop and how they live. Some of these changes are temporary, but others will be long-lasting.

Trading down has become a regular occurrence among shoppers in a recessionary economy. Shoppers are saving money by buying less expensive national brands and, increasingly, private store brand products. As a result, performance across value brands has outpaced industry average by a wide margin.

Growth at the premium end of the product spectrum has been tempered by consumers' belt-tightening behavior. Across premium brands, unit sales dipped 1.3% at the all outlet level- more than the industry as a whole, but less than mid-tier CPG offerings.

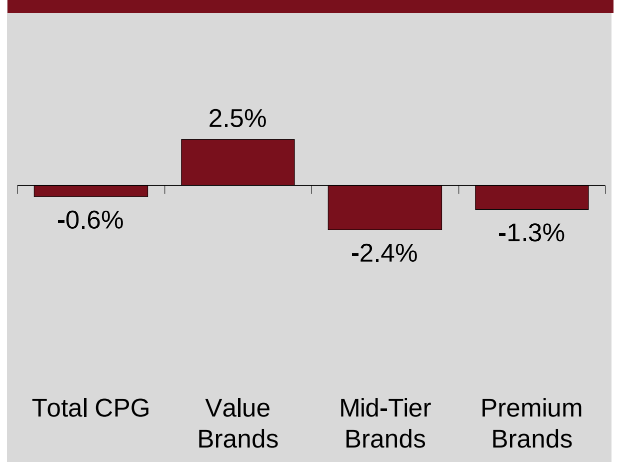
But, premium products are gaining momentum. National and private brand products are playing more heavily at the premium end of the spectrum as organics, plant-based ingredients and sustainable offerings enjoy higher demand. In the foreseeable future, this trend is expected to continue.

Segment Growth 2009 v 2008
Dollars Sales (All Outlet)



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

Segment Growth 2009 v 2008
Unit Sales (All Outlet)



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

MARKET OVERVIEW
KEY GROWTH CATEGORIES

[Consumers' use of food and beverages as a key wellness tool and recession-driven price increases are drivers of growth among premium and value tier CPG offerings.]

Consumers' increased attention to wellness is a key driver of growth at the premium end of the CPG product spectrum.

In the bottled water category, for example, unit sales declined about 3% over the past year. But, premium bottled water units grew by 11% over the same time period, driven by products such as Glaceau's Vitamin water and other fortified waters.

Likewise, the yogurt category experienced flat unit sales over the past year. Premium products, on the other hand, climbed 34%, driven by products such as IRI New Product Pacesetter Promise® SuperShots® and other health-focused product offerings.

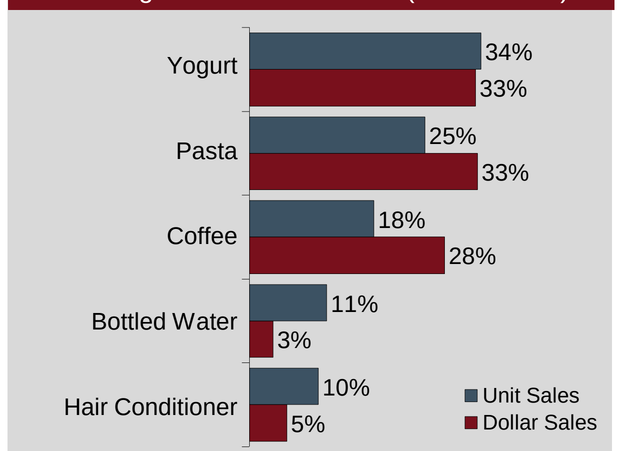
Price increases have been headlines news over the course of the recession. Not surprisingly, price increases have played a major role in driving growth at the value end of the CPG spectrum.

For example, at the height of the recession, eggs, natural cheese, and pasta experienced prices increases of 24%, 16%, and 20%, respectively[1].

During a period of high levels of at-home meal preparation activity, these are staple goods. For shoppers in crisis, they provided a perfect opportunity to trade down in order to save money.

While prices have moderated, they remain above historical norms. Particularly among commodity-like high price increase categories, value tier products will continue to see strong growth.

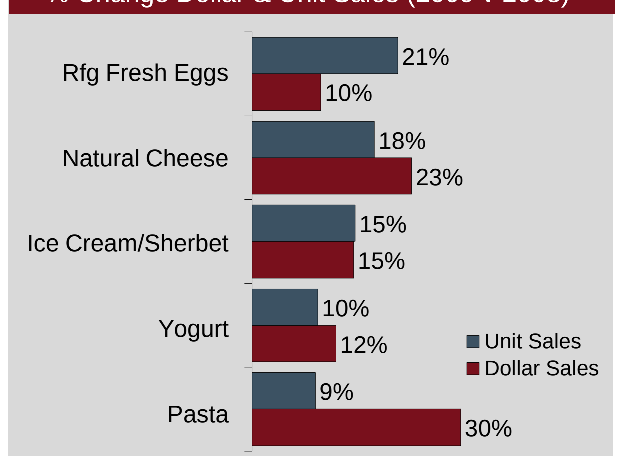
Categories Where Premium Tier Growth is Strongest*
% Change Dollar & Unit Sales (2009 v 2008)



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

Note: based on unit sales change

Categories Where Value Tier Growth is Strongest*
% Change Dollar & Unit Sales (2009 v 2008)



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

Note: based on unit sales change

[1] IRI, Competing in a Transforming Economy

MARKET OVERVIEW
SHOPPING PATTERNS

> [***Spending on value tier products is outpacing total CPG growth across most retail channels.***]

Value brands are playing a key role in helping consumers manage their CPG budgets. Across a majority of channels, spending on value products is growing at a stronger rate versus total CPG products.

Much value tier growth is generated by store brand products. IRI's *Dissecting the Downturn Generation* report reveals that 44% of shoppers are specifically seeking out and purchasing store brands as part of their money saving strategy. Retailers are capitalizing on this trend, leveraging their private label lines to reinforce the notion of value today.

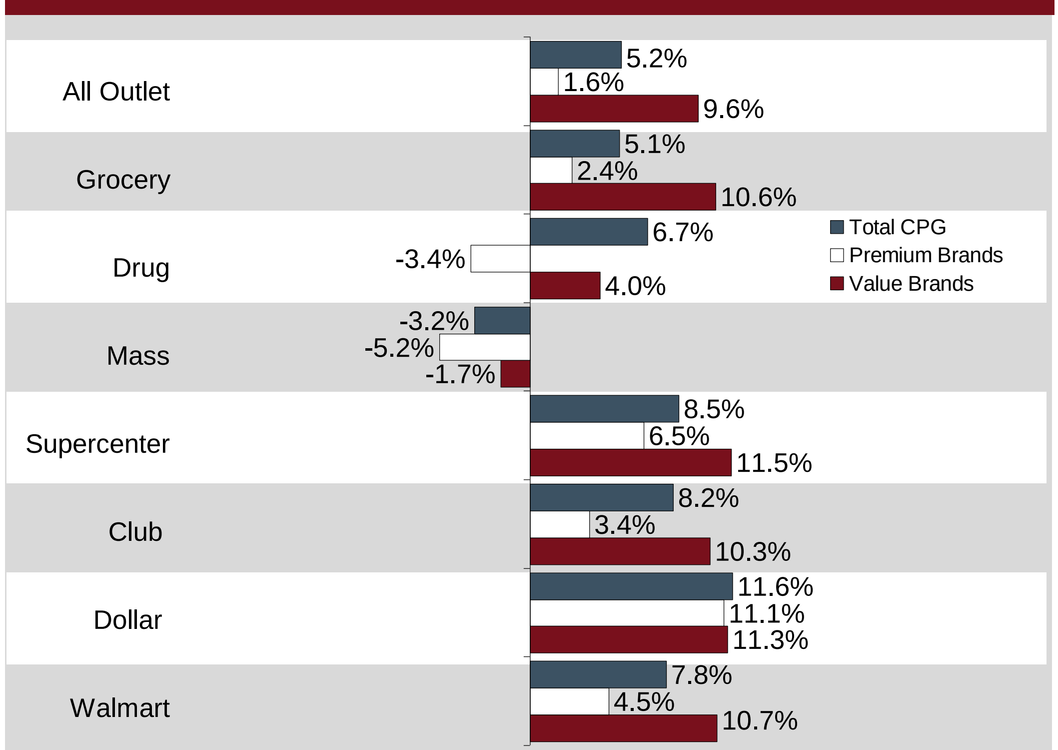
Whole Foods market, for example, has reformulated its 365 Everyday Value™ line of beauty care products to meet the company's Premium Body Care Standards, and is emphasizing that there is no price increase associated with these enhancements.

Kroger currently attributes 27% of its grocery revenues to its corporate brands, with its no frills "Value" brand leading the way on growth[1].

And, Walmart has an array of private label lines. Several lines, such as ReliOn medical test kits and Ever Active batteries are not even promoted as private label. Many are simply viewed as value brands.

Affordability is critical in today's economy. Channel migration is fierce; consumers are clearly willing to shop multiple channels in order to get the best deal.

Segment Growth By Channel
% Change Dollar Sales
2009 v 2008



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

[1] Associated Press, March, 2009

MARKET OVERVIEW
SHOPPING PATTERNS

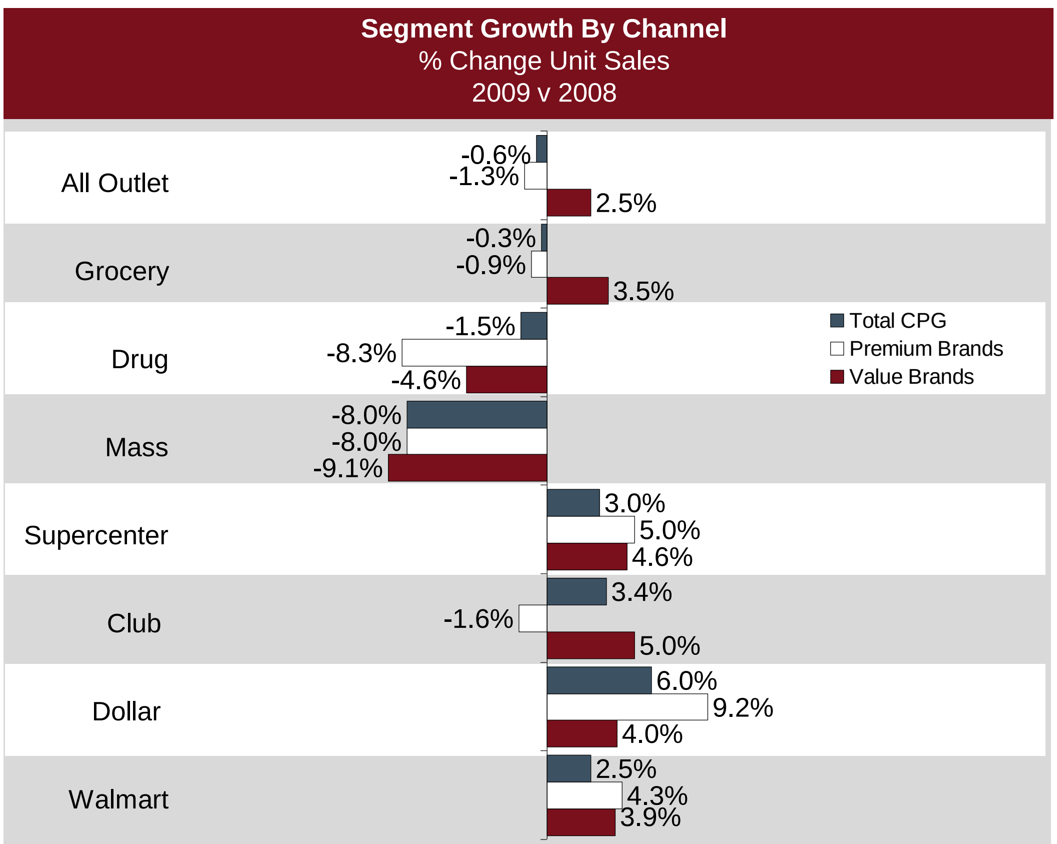
[Despite a recessionary economy, 16% of shoppers are splurging on premium and gourmet products on a regular basis.]

Despite a recessionary economy, consumers still have an appetite for premium tier CPG offerings. IRI's recent *Dissecting The Downturn Generation* white paper reveals that 16% of shoppers are splurging on premium and gourmet products on a regular basis. But, consumers will search for the best price on their indulgence.

As a result, value channels have demonstrated exceptional growth at the premium end of the spectrum, benefitting from an everyday low price reputation.

The proliferation of premium products is not limited to national brands. Retailers across channels are capitalizing on growth at the premium end of the spectrum trend with the introduction of a wide array of high end private label products, seeking to go beyond replicating national brands in an effort to maximize differentiation.

In response to changing consumer dining rituals, many of today's premium private label product introductions are aimed at brining the restaurant experience into the home. For example, Supervalu has introduced Culinary Circle, a line of 150 chilled and frozen foods priced 20-25% below casual restaurant food and 10-15% lower than other premium national brands. And Target has introduced Archer Farms high-end shelf-stable microwaveable meals, which are available in a variety of ethnic flavors, and sell for $2.49 per box.



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

MARKET OVERVIEW
DRIVERS OF GROWTH

[On average, premium tier products experienced higher price increases versus their value tier counterparts over the past year.]

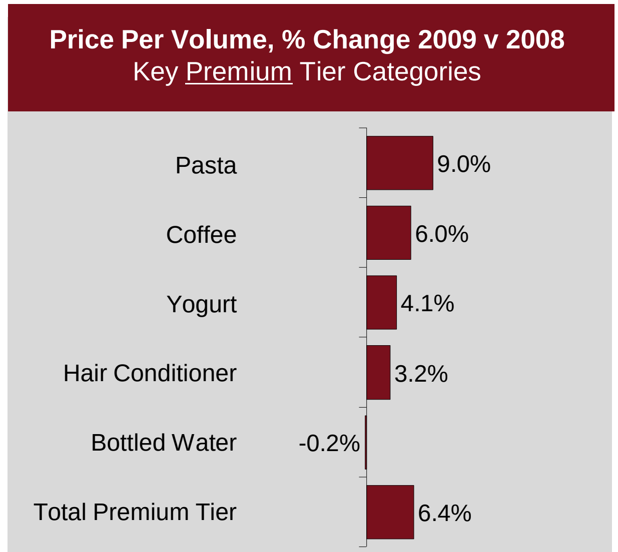
Across value products, the rate of price increases escalated over the past year to 5.2%, up from 4.4% the previous year. But, increases remain below the rate of premium tier brands, which climbed 6.4% over the same one-year time period.

At both ends of the spectrum, pasta price increases have outpaced industry average. As detailed earlier, pasta is one of the key CPG staples that has historically experienced significant price hikes during recessionary periods. So, it is logical that lower-cost pasta options have been gaining traction. Growth in premium pastas is being driven by healthier options such as whole wheat or enriched blends.

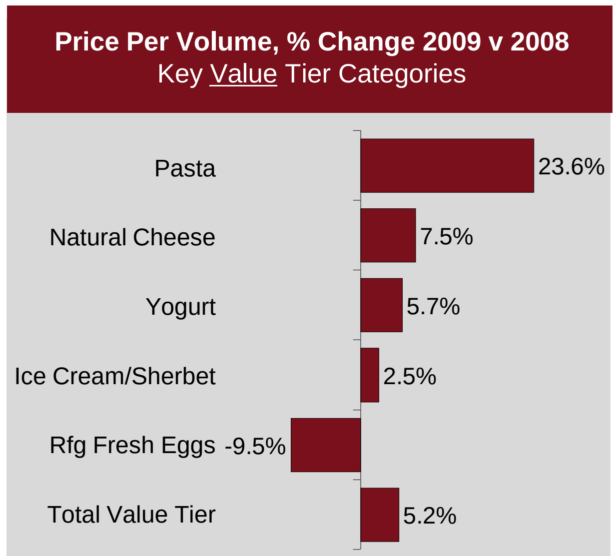
Across the remaining premium tier products which have seen particularly strong growth, price increases have been below the premium segment average of 6.4%. The growth of premium private label offerings is certainly playing a major role in this trend.

At the value end, refrigerated fresh eggs actually experienced price declines of nearly 10%. This is a stark contrast to premium egg brands, where prices have climbed 10% over the same period.

Consumers are seeing through a new "lens of affordability." This lens will likely play a defining role in consumer shopping behavior throughout the remainder of the recession and, likely, beyond. Prices will remain top-of-mind, and IRI predicts that price increases will occur on a spot basis and on occasion.



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

But, barring a repeat of this year's severe economic tremors, manufacturers and retailers are likely to refrain from instituting significant price increases over the next three to four years[1].

[1] IRI, Dissecting the Downturn Generation

CONSUMER TRENDS
DEMOGRAPHIC INFLUENCES

[***Throughout the recession, living comfortably and getting by shoppers have increased share of CPG dollars dedicated to premium tier CPG offerings.***]

As CPG spending habits vary across income segments, so does spending on premium and value tier product offerings.

Not surprisingly, doing well shoppers spend significantly more on premium tier products versus their less wealthy counterparts. But, living comfortably and getting by shoppers have increased share of CPG dollars dedicated to premium offerings over the past two years despite a recessionary economy.

This trend likely has several key drivers. First of all, consumers have drastically reduced dine-out and professional beauty care expenditures. But, the need for indulgence and pampering remains. So, where possible, consumers are purchasing gourmet and salon quality products in order to achieve the feeling of indulgence without breaking the budget.

And, as the popularity of natural, organic and ethnic ingredients proliferate, retailers are increasingly building these attributes into their private label offerings, bringing premium level products within reach for budget-strapped consumers.

Premium level products are playing an important role in delivering small indulgences during difficult economic times. CPG marketers with a clear understanding of where and how these products fit consumers' needs and wants can effectively capitalize on this growth opportunity.

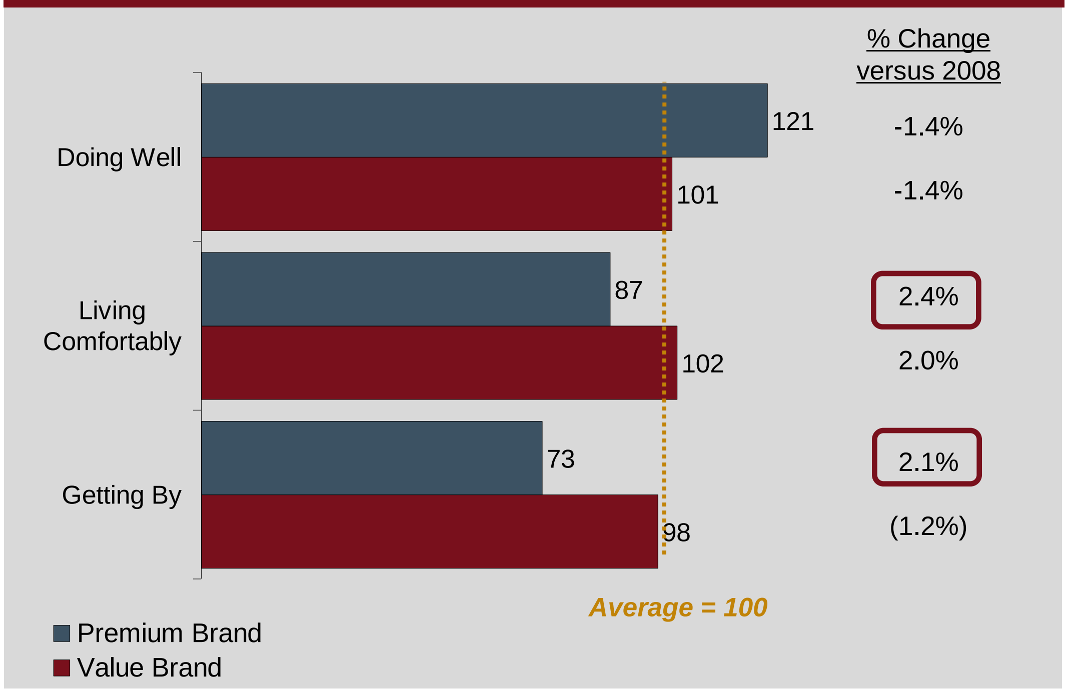
Income Segment Definitions

Getting By
- One member households, income up to $19.9K
- Two or more member households, income up to $34.9K

Living Comfortably
- One member households, income $20K - $34.9K
- Two or more member households, income $35K - $54.9K

Doing Well
- One member households, income $35K+
- Two or more member households, income $55K+

Index of Segment Spending 2009 & % Change 2009 vs 2008
Dollar Sales per Thousand Households



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

CONSUMER TRENDS
DEMOGRAPHIC INFLUENCES

*[**Premium tier growth is being boosted by consumer rituals centered around at-home living.**]*

In a recessionary economy, consumers are increasingly seeking comfort and indulgence in their homes. Growth of premium tier CPG offerings is clearly seeing a positive impact from this shift.

Categories experiencing the strongest growth of premium offerings among getting by consumers show that these shoppers have clearly elevated at-home living as a key survival strategy. But, the need for indulgence remains strong more than a year into this recession.

Rather than visiting the coffee shop, for example, consumers are choosing to splurge on higher end coffee in the home, boding well for products such as Dunkin' Donuts Coffee, one of the top new product launches for 2008.

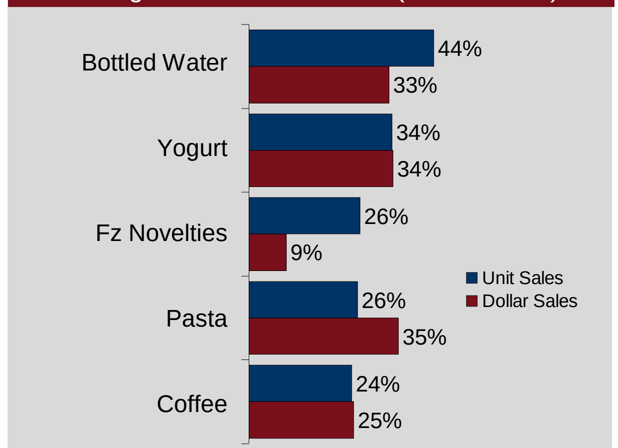
And though consumers are not dining out as frequently, the success of innovative products such as Edy's Loaded and MolliCoolz Frozen Novelties demonstrate that consumers still want to enjoy life's little indulgences.

The chart at the bottom of this page reflects categories experiencing the strongest growth of premium offerings among doing well shoppers.

Certainly, the presence of premium tier products in the shopping basket is much more established among doing well shoppers versus their less wealthy counterparts. As such, the rate of premium product growth among the doing well segment are lower versus less wealthy consumer segments.

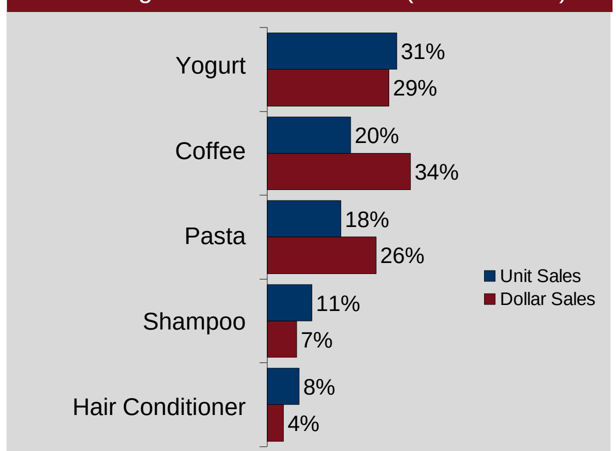
Among this consumer segment we see evidence of indulgence as well. Shampoo and conditioner reflect a movement from in- spa treatments to at-home, self-care options.

Categories Where Premium Tier Growth is Strongest* Among <u>Getting By</u> Consumers
% Change Dollar & Unit Sales (2009 v 2008)



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

Categories Where Premium Tier Growth is Strongest* Among <u>Doing Well</u> Consumers
% Change Dollar & Unit Sales (2009 v 2008)



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

With the recession expected to continue for all of this year and into next, these types of home-based comfort and indulgent products are well-positioned to serve consumers across income brackets.

[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries

CONSUMER TRENDS

DEMOGRAPHIC INFLUENCES

[With consumers firmly entrenched in savings mode, value tier products will continue to see healthy growth in the foreseeable future.]

Value tier products are playing a critical role in helping consumers of all income segments navigate a transforming economy. Categories seeing particularly strong growth among value tier products are fairly consistent across income segments.

As detailed earlier in our report, key staple items such as eggs, cheese and pasta saw major price increases last year, and prices remain elevated today.

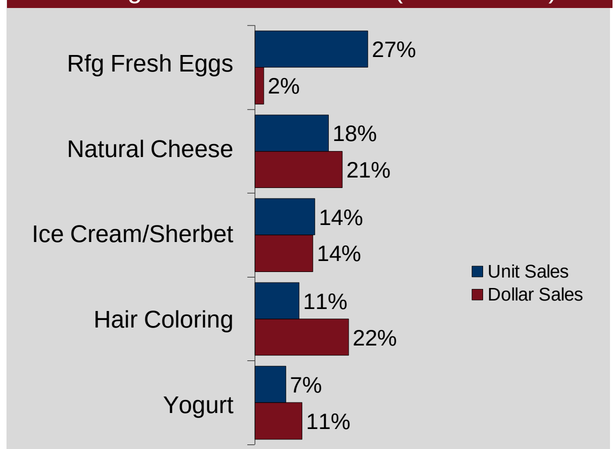
These three categories are generally viewed as commodity categories, meaning consumers do not see significant levels of differentiation across the market. It is logical, therefore, that trading down behavior in these areas is particularly prevalent.

IRI's recent *Premium & Value Brand* survey, conducted in March of this year, reveals that for more than half of consumers, price trumps brand preference when shopping for eggs, cheese and pasta. Between one-third and one-half of consumers shop price first within yogurt and ice cream categories.

The study also indicates that one-third to one-half of U.S. consumers feel that there is a good selection of low-cost eggs, yogurt, ice cream/sherbet, cheese, and pasta products available in stores today.

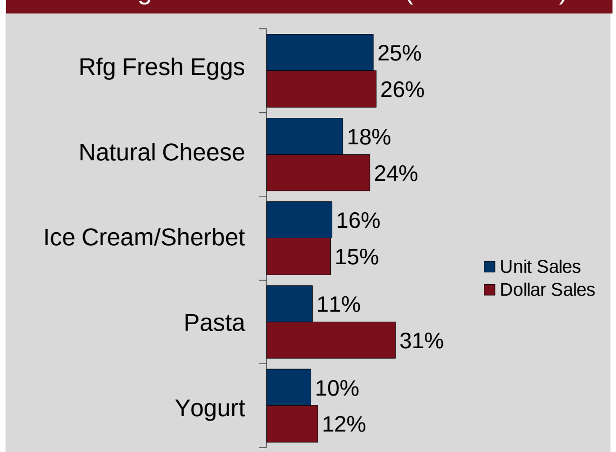
Across CPG categories, trading down has become a key survival strategy. With consumers firmly entrenched in savings mode, value tier products will continue to see healthy growth in the foreseeable future.

Categories Where Value Tier Growth is Strongest* Among Getting By Consumers
% Change Dollar & Unit Sales (2009 v 2008)



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

Categories Where Value Tier Growth is Strongest* Among Doing Well Consumers
% Change Dollar & Unit Sales (2009 v 2008)



Source: IRI Consumer Network™ 52 weeks ending 3/29/2009 and same period prior year.

CONSUMER TRENDS
ATTITUDINAL INFLUENCES

[Innovation has played a key role in reinforcing brand equity across a range of key CPG categories.]

The chart at the bottom of this page reflects ten key categories in which brand preference most frequently trumps price. Within these categories, manufacturers have done a remarkable job of establishing strong brand equity.

In several of these categories, innovation has been rather high over the past year, strengthening the brand equation.

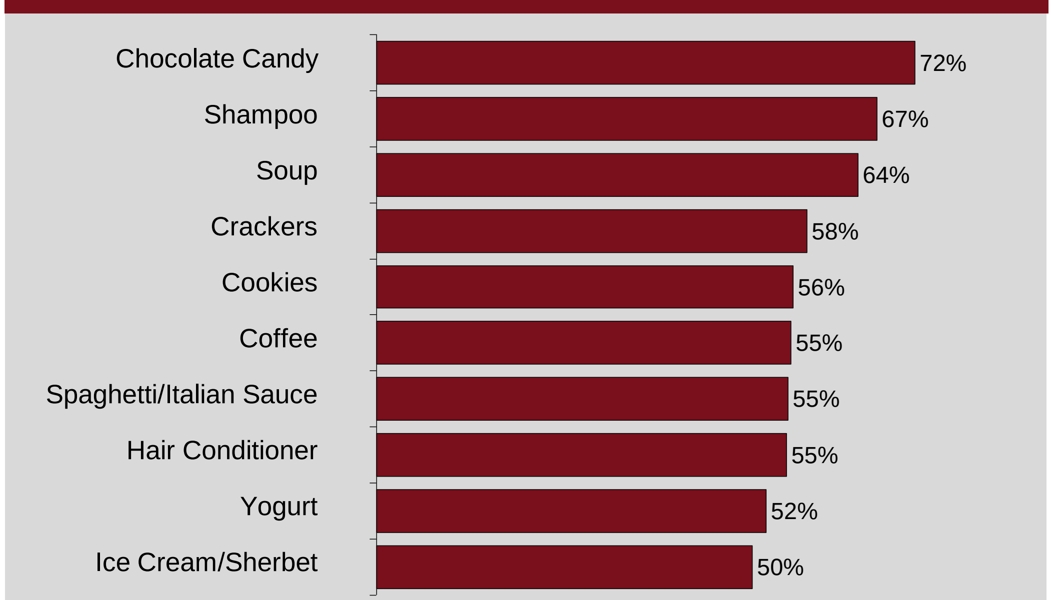
For example, within crackers, much of the growth comes from within all other crackers segment of the market. Sunshine Cheez It Stix and Sunshine Cheeze It Duoz (both of which are IRI New Product Pacesetter products) brought added indulgence and excitement to the crackers category.

Yogurt manufacturers are also effectively reinforcing their brands through innovation. Umbrella brand Yoplait is feeding the healthy and fun segments of the market simultaneously with Pacesetter products such as Yoplait Yo Plus and Yoplait Go Gurt Fizzix, respectively.

Nearly three-quarters of consumers indicate that brand preference trumps price when making a chocolate purchase. Premium, dark and small chocolate segments are propelling growth within this slow-growth arena, but growth of premium tier offerings in traditional CPG channels has not been as strong as expected[1].

Within these categories, CPG manufacturers have a significant opportunity to establish strong and lasting relationships with consumers. Messaging must align with corporate and partner strategy, as well as with the needs and wants of key consumer targets.

Top Categories Where Brand Preference Most Frequently Trumps Price
% Consumers That Typically Purchase Their Preferred Brand



Source: IRI AttitudeLink™ Premium & Value Brands Survey, March, 2009

[1] *Mintel, Chocolate and Seasonal Chocolate Confectionary, July 2008*

CONSUMER TRENDS
ATTITUDINAL INFLUENCES

[Consumers will continue to shop through a new "lens of affordability" long after the recession has passed.]

Despite significant CPG price hikes over the past year and a half, a significant percentage of consumers do not consider price per serving/usage when making purchases. In fact, among the twenty-five categories analyzed for this report, 40% of consumers indicate that price per serving/usage is not a consideration in any category.

This fact speaks volumes to the notion that value goes well beyond price.

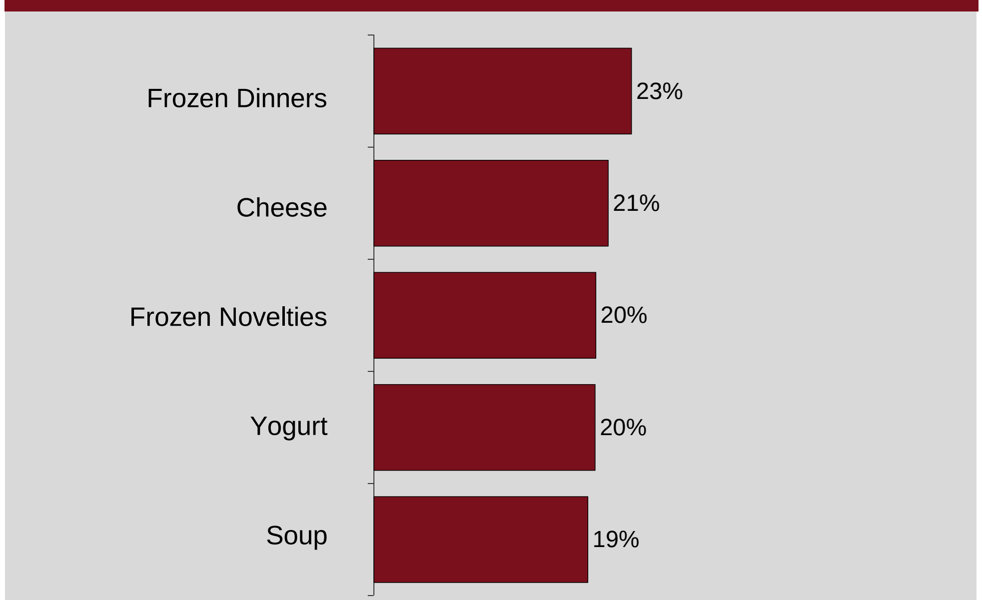
Even within key convenience meals, meal ingredient and meal component categories, a majority of consumers do not include price per serving as part of their shopper consideration set.

IRI's recent *The New Lens of Affordability* examines this phenomenon more closely. The research behind that report reveals that, in fact, consumers define affordability much more broadly than previously thought.

For example, 81% of shoppers are seeking products with broad family usage or appeal. Packaging that facilitates stretching usage are rated highly by 87% of shoppers. The list goes on.

As CPG marketers it is critical to understand and deliver against the new lens of affordability. Many of these new mindsets are likely to remain long after the recession has passed.

Categories Where Price Per Usage/Serving Is A Purchase Consideration
As % Consumers



Source: IRI AttitudeLink™ Premium & Value Brands Survey, March, 2009

CATEGORY OPPORTUNITY
INDULGENCE CATEGORIES

[Consumers' willingness to pay a premium for a treat remains strong despite difficult economic conditions.]

For more than a year, consumers have been forced to tighten their belts and allocate spending carefully. But consumers have demonstrated that they are not willing to give up all indulgences.

More than half of consumers are willing to pay a premium in order to get a chocolate treat. According to Just Food's November 2008 *Global Market Review of Premium Chocolate Forecasts to 2011*, global premium chocolate sales have increased 18% over the past year, driven by organics, fair trade, and capitalization on the health benefits associated with dark chocolates (eg. high antioxidants).

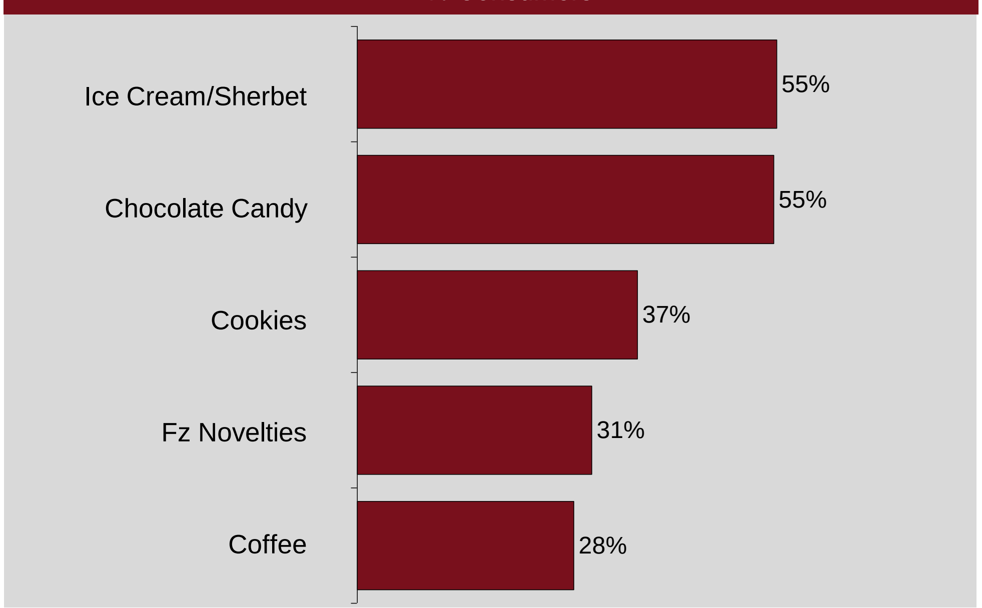
Hershey Bliss (an *IRI New Product Rising Star*) and Nestle Heaven are both recently- launched products specifically targeting the premium segment of the chocolate market.

Premium products are also being credited with driving growth of the coffee market. Shown below, 28% of consumers show a willingness to pay a premium for a coffee treat.

While the coffee market is dominated by value and mid-tier segments, these segments are flat-to-declining, and growth is coming from the premium end of the spectrum[1].

U.S. consumers are a resilient bunch. For CPG marketers, this is good news. Armed with granular insights into the mindsets of key target markets, opportunity remains to drive growth throughout the recession and beyond.

Key Categories In Which Consumers Are Most Likely to Pay A Premium For a Treat
% Consumers



Source: IRI AttitudeLink™ Premium & Value Brands Survey, March, 2009

[1] *Research and Markets; "Hot Beverages Market Assessment 2009"*

CATEGORY OPPORTUNITY
BEER/WINE/SPIRITS

[*BWS products that complement in-home meal solutions, and special in-home occasions will be embraced as home-based dining and entertaining remains a chief money-saving strategy.*]

It is no secret that the home has become a “go to” place for consumers seeking comfort over the course of the recession. The shift has brought about opportunity for CPG marketers.

IRI’s recent *Understanding the Beer, Wine & Spirits Shopper in Today’s Economy* Thought Leadership *study*, published in April of 2009, explains that, for beverage alcohol marketers, this opportunity is particularly significant.

At-home behavior goes beyond basic dinners or health and beauty care. In fact, it has become the new place for entertainment. Rather than going out for dinner or meeting friends at local bars, today finds consumers having more home-based social gatherings.

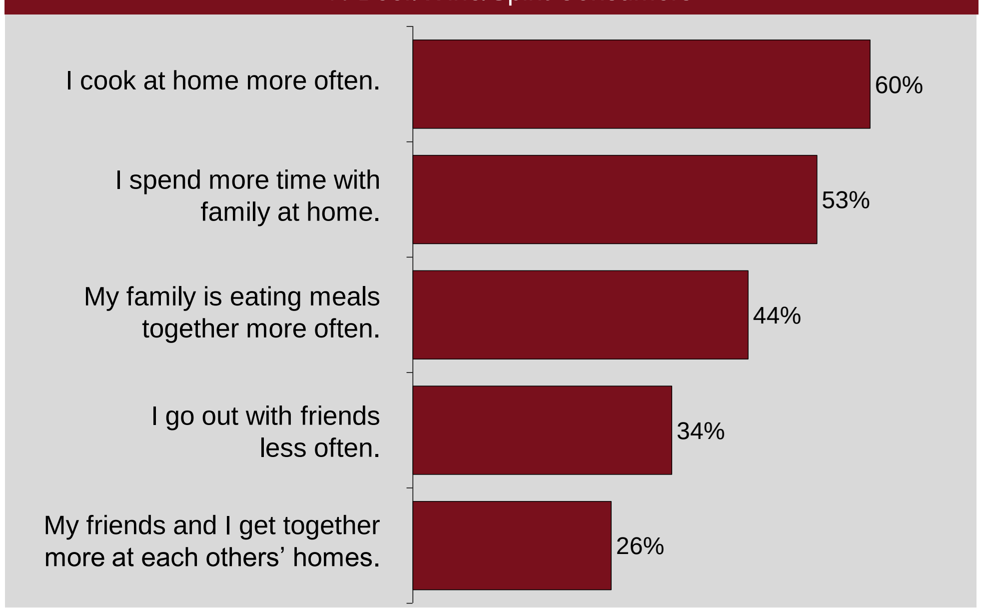
At the macro level across beer, wine and spirits, volume and dollars are up. And, as detailed in this new IRI Thought Leadership report, Americans are willing to spend more on beverage alcohol that is being purchased for consumption by gathering friends.

This finding is reinforced in a recent Mintel report, *Premium Brand Alcohol* (March 2008), which finds that premium cordials, liquors and distilled spirits are driving growth of each of their respective segments and flavored vodkas and rums are bolstering their market segments.

“I have friends that have unique tastes. This is not a compromise area. I wouldn’t consider a less expensive brand for them. I get the brands I know that they like.”

IRI BWS Focus Groups, March 2009

Over the last year, what changes did you make in your lifestyle due to the economic situation?
% Beer/Wine/Spirit Consumers



Source: IRI Thought Leadership Report: Understanding the Beer, Wine & Spirits Shopper in Today’s Economy, April, 2009

CONCLUSIONS
CPG MANUFACTURERS

Manufacturers seeking to drive growth at the value and premium end of the CPG product spectrum should consider the following action items:

- » Identify new growth opportunities through shopper insights
  - Continually monitor economic, demographic and social shifts in order to anticipate and rapidly react to emerging consumer trends
  - Track share shifts at the market level, and across key income segments on a monthly basis
  - Assess purchase dynamics across key categories and brands to determine resulting pricing, promotion and distribution implications
- » Align strategies with shifting shopping patterns
  - Invest in product, merchandising and packaging innovation across key categories and brands
  - Work with key retail partners to identify and optimize product assortment at the market level
  - Redefine pricing strategies to ensure relevance and impact vis-à-vis the new “lens of affordability” (eg. lower thresholds on quantity discounts, smaller pack-sizes with lower price points)
- » Continually measure and monitor program impacts
  - Track share shifts at the market level before and after changes in advertising, pricing and promotion
  - Monitor brand contribution in retailer partner’s achievement of plan goals, as well as category and brand share

CONCLUSIONS
CPG RETAILERS

Retailers seeking to drive growth at the value and premium end of the CPG product spectrum should consider the following action items:

- Identify new growth opportunities through shopper insights
  - Continually monitor economic, demographic and social shifts in order to anticipate and rapidly react to emerging consumer trends
  - Track share shifts at the store level, and across key target consumers on a monthly basis
  - Assess purchase dynamics across key product categories to determine resulting pricing, promotion and merchandising implications
- Align strategies with shifting shopping patterns
  - Work with manufacturers to identify optimal assortment at the store level
  - Drive incremental purchases with cross-merchandising and cross-marketing programs, creating tie-ins and solutions-based programs, where appropriate
  - Redefine pricing strategies to ensure relevance and impact vis-à-vis the new “lens of affordability” (eg. lower thresholds on quantity discounts, smaller pack-sizes with lower price points)
- Continually measure and monitor program impacts
  - Continually monitor actual versus projected sales growth in aggregate, across consumer segments and trip missions
  - Track share shifts at the store level before and after changes in advertising, pricing and promotion

RESOURCES

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

IRI Consumer Network™	Nationally representative panel of households tracking purchases with hand-held barcode scanners; extensive demographic profiles enable in-depth analysis of purchase behavior across standard or custom-defined consumer segments across channels.
IRI AttitudeLink™	IRI's custom survey capability that can be executed via email, telephone or Internet; the ability to link attitudes with actual purchase behavior enables clients to track sales across custom attitudinal segments.

Understanding the Beer, Wine and Spirits Shopper in Today's Economy

Newly released Thought Leadership insights from IRI's Consulting & Innovation Team…As consumers react to the recession there are changes in shopper behavior across the board. Channel shopping is shifting, rituals are changing, and private label is growing. The challenges of the alcohol beverage industry present their own unique questions. Are shoppers trading down and buying less to save money, or trading up and increasing consumption at home in lieu of cutbacks to on-site consumption? Will purchases be reduced or eliminated, or do consumers consider alcohol an 'affordable indulgence' they are willing to splurge on? What will be the new preferred store for alcohol purchases – the one with the cheapest price, best co-promotions, or the most accessible location that doesn't require a long, gas-guzzling drive? In this study we examine the effects of the economy on the beer, wine and spirits consumer.

For more information, contact Anne Carlson at
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>>> MORE INFORMATION

Please contact Susan Viamari at susan.viamari@infores.com with questions or comments about this report.

About IRI

IRI is the world's leading provider of consumer, shopper, and retail market intelligence and insights supporting 95 percent of the FORTUNE Global 500 consumer packaged goods (CPG), retail and healthcare companies. Only IRI offers the unique combination of integrated market information, automated and predictive analytics, innovative enabling technologies, and domain expertise. With IRI, leading retailers and manufacturers are able to quickly discover breakthrough insights driving smarter decisions and actions across the enterprise for breakthrough results. Companies around the world depend on IRI for improved productivity, stronger brands, and dramatic revenue growth. For more information, visit http://us.infores.com

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