



Pantry Stocking in a Down Economy

IRI Times & Trends: December 2008



Highlights



INSIGHT

- » Difficult and unstable economic conditions prompt consumers to reevaluate old shopping habits and brand loyalties, resulting in an escalating evolution of attitudes and behaviors across trip missions, including stock-up missions
- » Retailers across channels have broadened product assortment in order to effectively serve multiple trip missions; most channels now have a significant stake in two or more trip missions
- » A significant average basket ring has consumers across demographic and psychographic breaks making changes to their pantry stocking missions; motivators of change are varied across these boundaries

ACTION

- » Step up frequency and granularity of consumer and market assessment in order to anticipate and proactively address changes in trip mission rituals
- » Assess the risk versus reward equation associated with establishing a product assortment specialized against the pantry stock-up (or other single) trip mission
- » Highly targeted marketing strategies are critical to address region- and market-level drivers of consumer attitudes and purchase behavior

Highlights



INSIGHT

- » Supercenters, led by Wal-Mart, are capturing sizable share of pantry stock-up efforts across categories that have met with particularly high price increases over the past year
- » Despite a decline in CPG units and total CPG trips, stock-up basket rings, driven by CPG price increases, have increased over the course of the recession; discretionary purchases are likely to slide as consumers focus on limiting expenses wherever possible

ACTION

- » Reevaluate pack sizes and pricing tactics; drive basket rings through temporary price reductions and BOGO/multi-pack promotions; heavily promote affordability across promotional programs, including advertisements, in-store marketing programs and merchandising
- » Cross-promotion and cross-merchandising, with targeted messaging and a focus on affordability and value, will drive purchases of discretionary items among key consumer segments

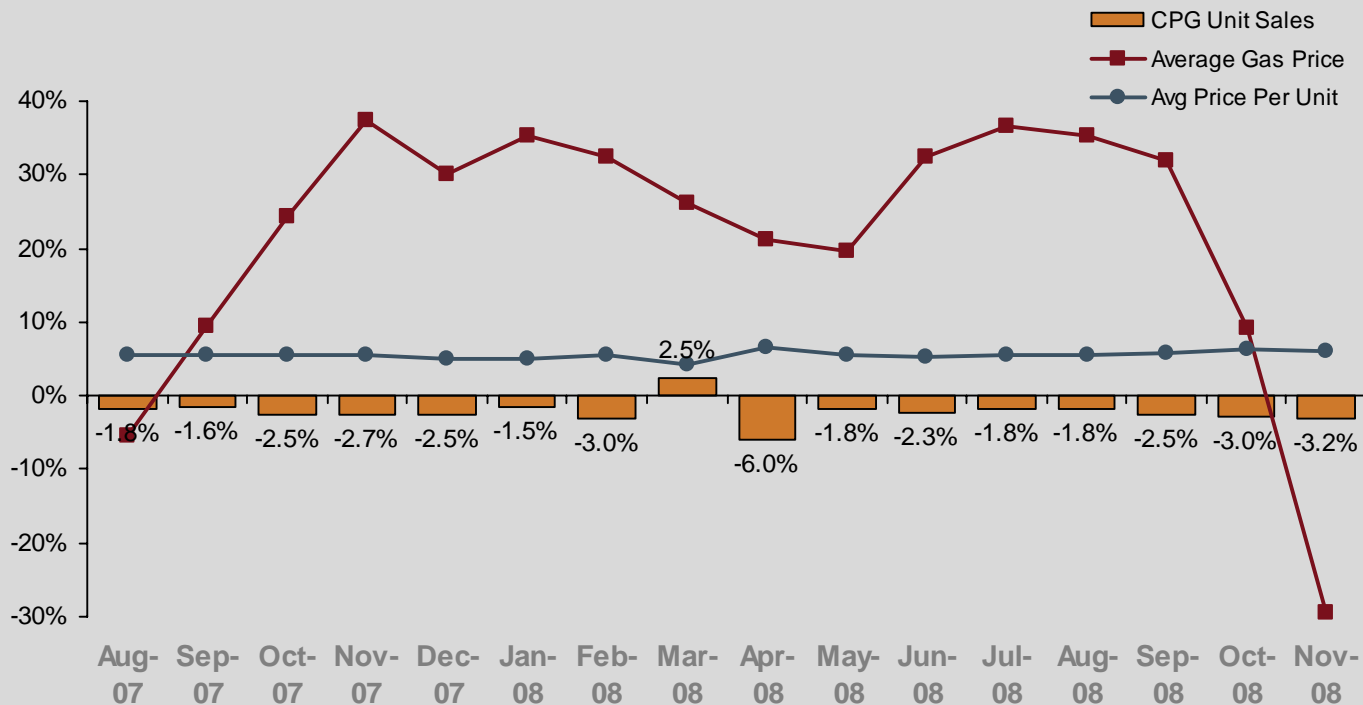


Overview



Rising prices on food, gas and energy have had a negative impact on CPG unit sales; even amid falling gas prices, unit sales continue to slide.

**Total CPG Unit Sales, Average Price Per Unit & Average Regular Gas Price
% Change vs. Prior Year by Month**



Source: IRI Transforming Economy 3.0: IRI Economic Purchase Behavior Database™, IRI InfoScan® Reviews, U.S. Dept of Energy

Overview



Pantry stock-up shopping missions represent 14% of all trips and 42% of CPG dollar sales.



Trip Type	# Items	All Outlet Average \$ Spent	Mindset	% of All Outlet Trips	% of All Outlet CPG \$
Quick Trip	1-5	<\$40	Need it now, have to make a trip	54%	21%
Special Purpose	2-10	\$20-\$50	Buying for a specific event (not routine)	17%	17%
Fill In	5-15	\$30-\$80	Routine fill-in on heavy use categories	15%	20%
Pantry Stocking	15+	\$50+	Prepare for the coming week	14%	42%

Source: IRI Trip Typology™; IRI Consumer Network, 13 weeks ended 9/7/2008

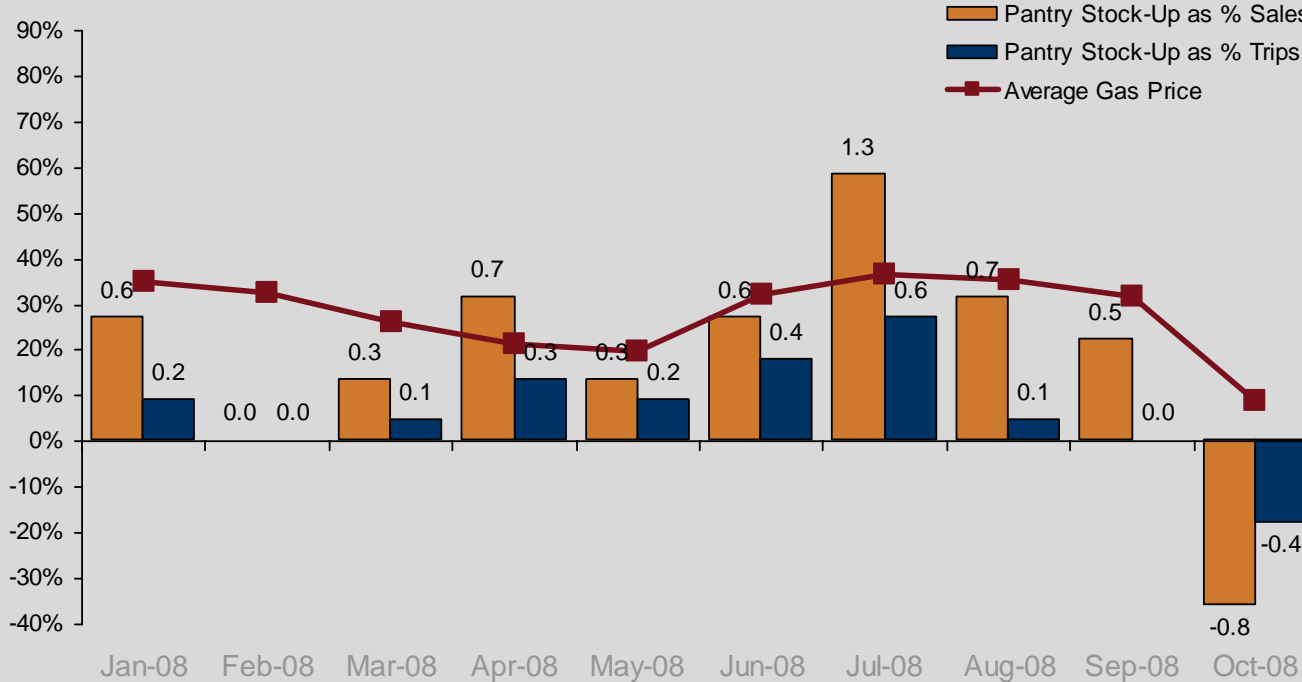


Shopping Patterns



Gas price trends have provided nearly predictive insights into pantry stock-up trip behavior.

Pantry Stock Up Missions as % Total CPG Sales & Trips Point Change and Average Gas Price % Change vs. Prior Year by Month

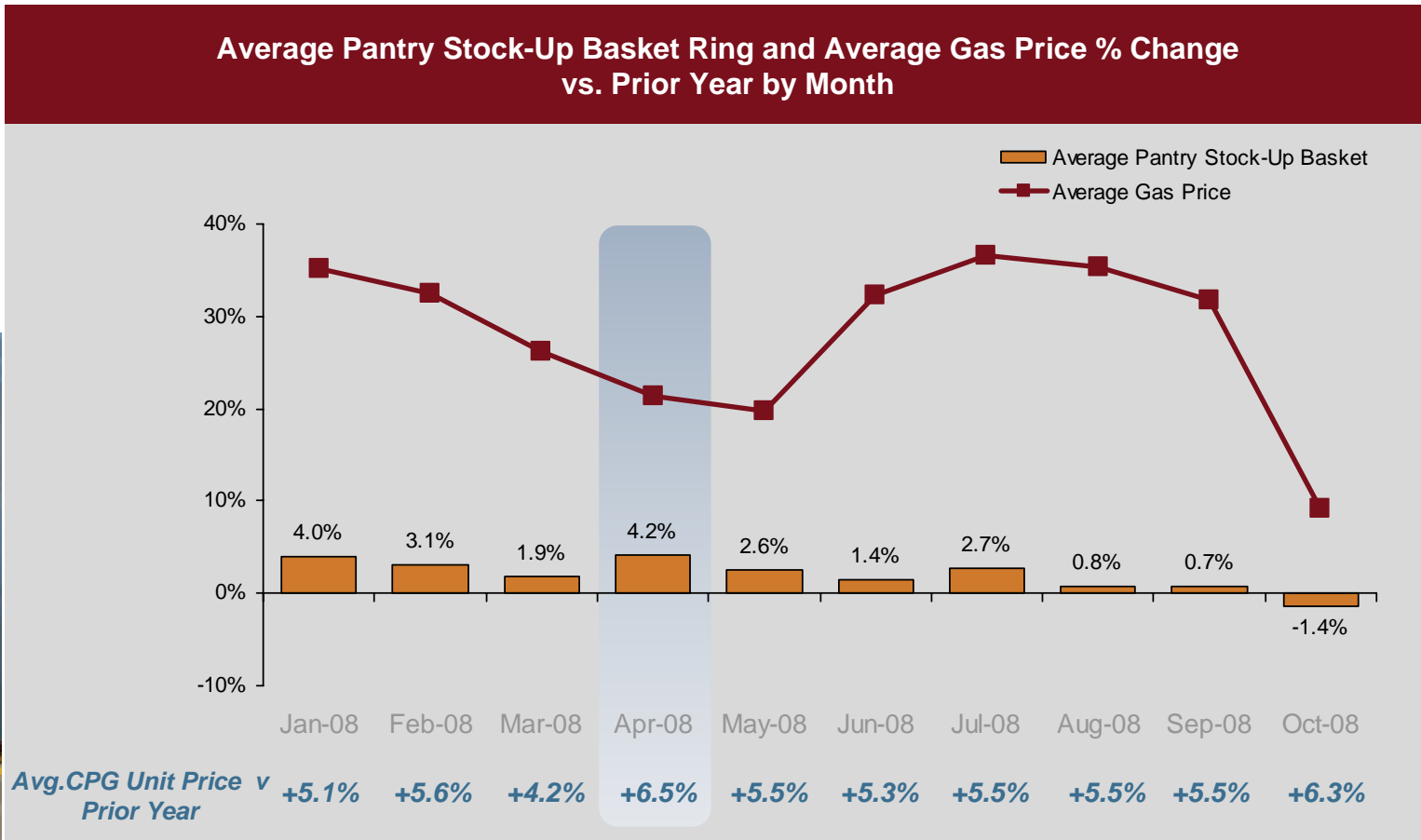


Source: IRI Trip Typology™, IRI Consumer Network™, U.S. Department of Energy

Shopping Patterns



Pantry stock-up basket rings show a strong correlation to gas price fluctuations.



Source: IRI Trip Typology™, IRI Consumer Network™, U.S. Department of Energy



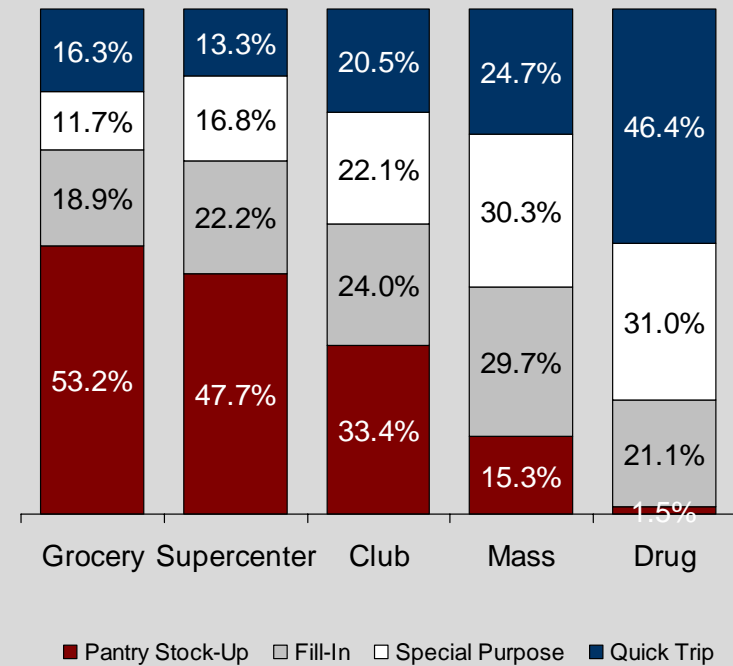
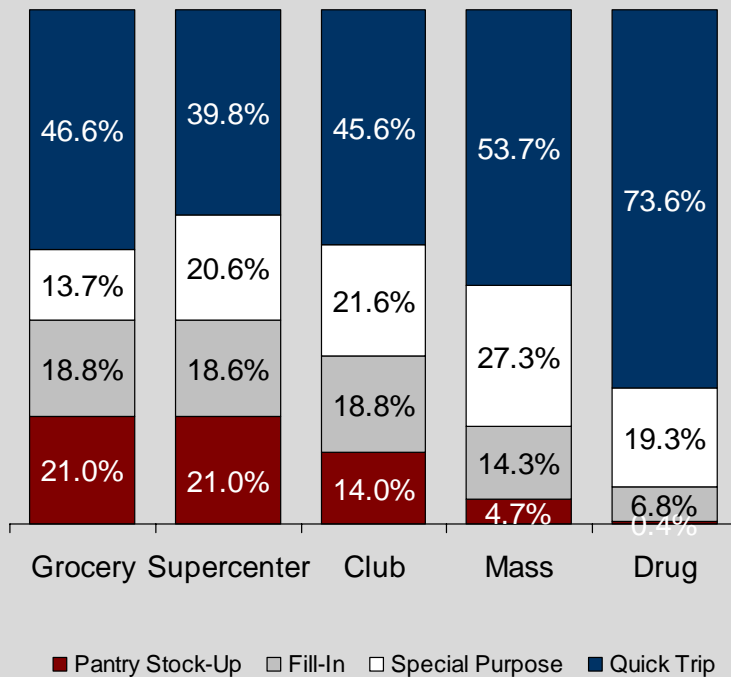
Channel Selection



CPG trip mission has a significant impact on channel selection; pantry stock-up missions represent a sizable share grocery and supercenter channel trips/sales.

**Trip Mission as % Trips
By Channel- 2008**

**Trip Mission as % Channel \$ Sales
By Channel- 2008**



Source: IRI Consumer Network™; 13 weeks ending 11/2/2008



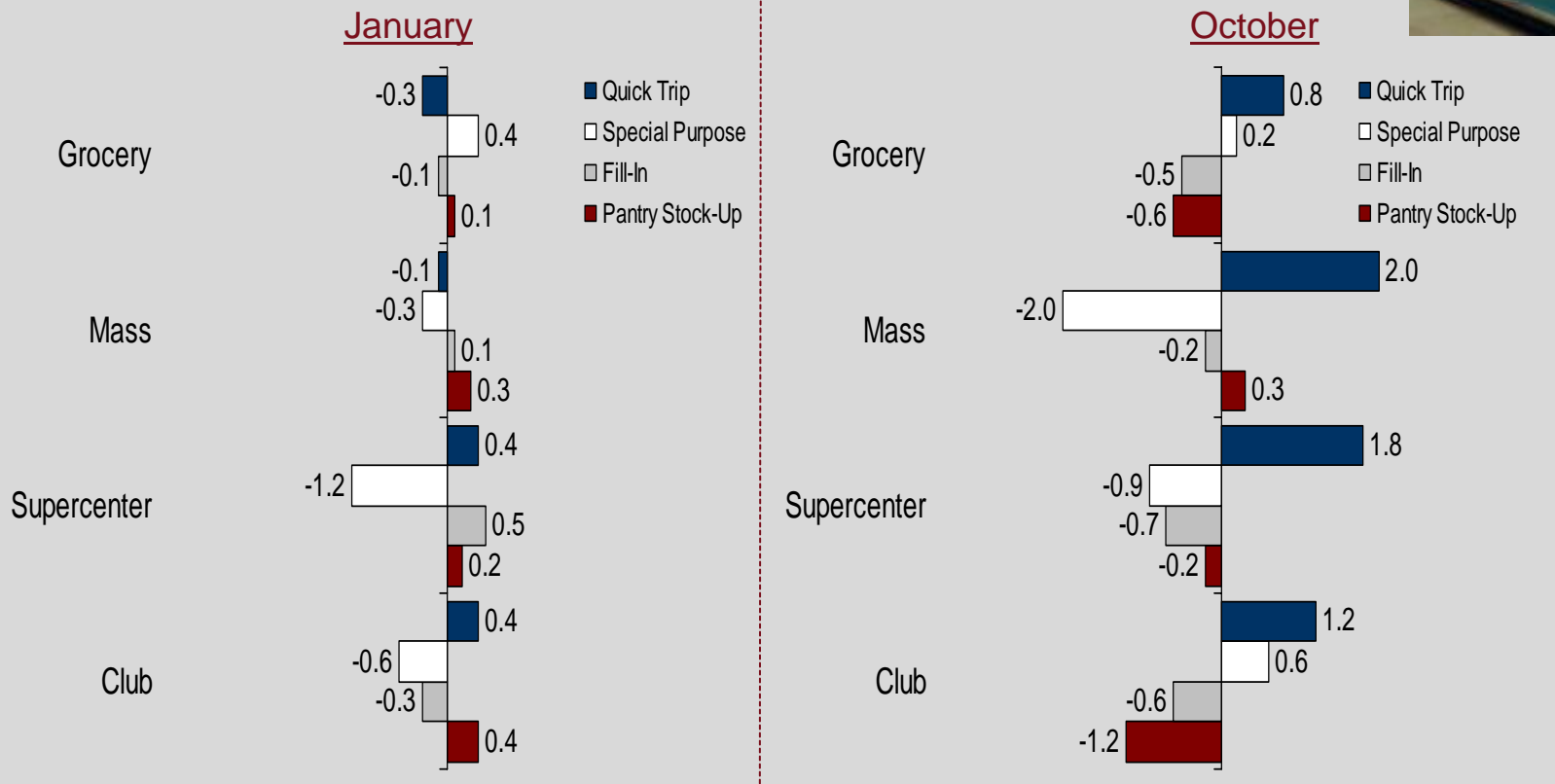
Channel Share Shifts



At the channel level, CPG trip mix has remained fairly steady over the course of the past ten months.



**Trip Mission as % Trips
Point Change versus Year Ago- by Channel**



Source: IRI Consumer Network™; 13 weeks ending 2/3/2008 & 11/2/2008

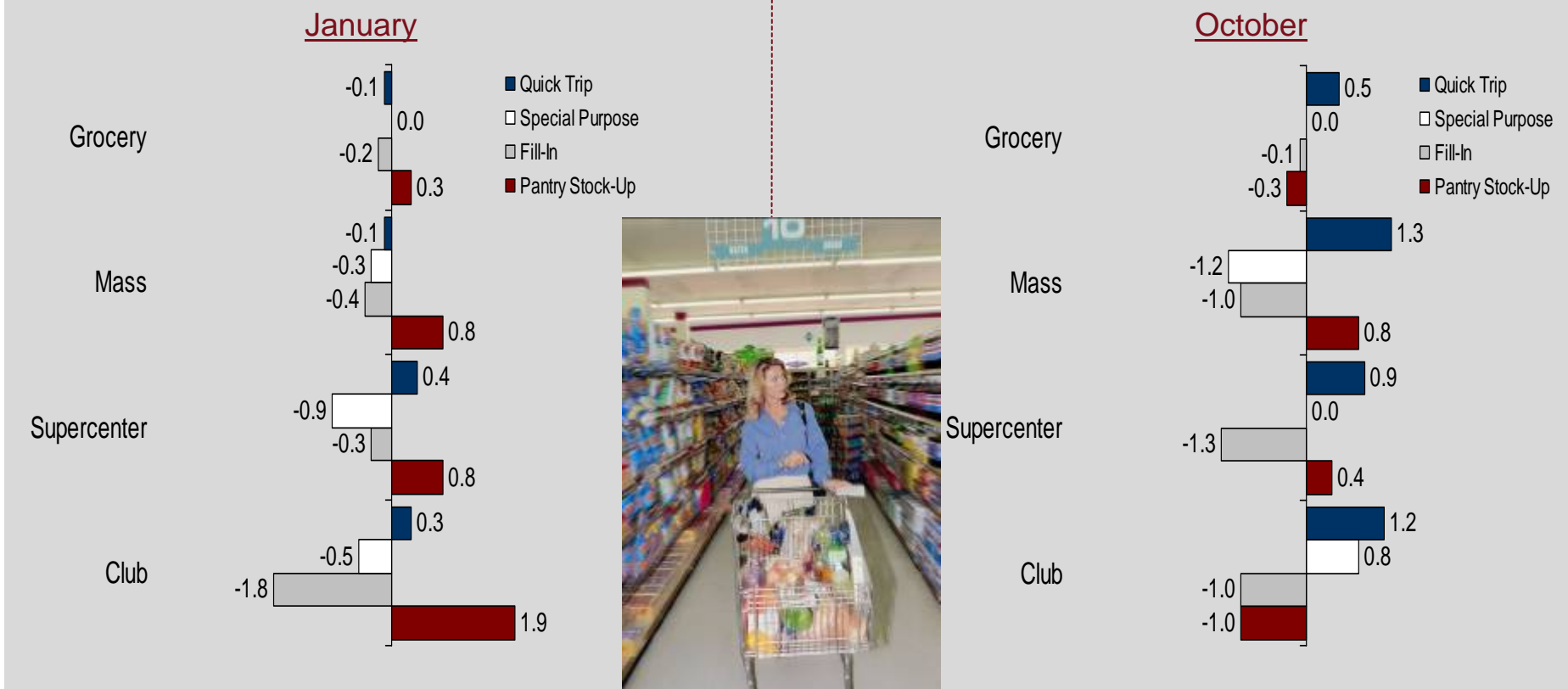


Channel Share Shifts



As trips decreased, pantry stock-up share of sales grew; share diminished across grocery and club channels as trips picked up in early fall of 2008.

Trip Mission as % \$ Sales
Point Change versus Year Ago- by Channel



Source: IRI Consumer Network™; 13 weeks ending 2/3/2008 & 11/2/2008

Purchase Behavior



Pantry stock-up strategies are varied, and are changing in the face of the country's economic recession.

Consumer Pantry Stock-Up Strategies Focus Group Highlights

- ✓ I shop the sales and buy in bulk
- ✓ I am buying things when I need them rather than stocking up in advance
- ✓ We buy what we need, then if we have extra money we buy what is on sale
- ✓ I really stock up on canned goods when they are on sale, because I know they won't spoil
- ✓ I used to spend about \$200 on a single monthly stock-up trip, now I am breaking the trip up over several weeks and visits



Source: IRI Competing in a Transforming Economy Focus Groups, November 2008

Purchase Behavior



Economy-driven changes to pantry stocking rituals vary across income segments.



Pantry Stock-Up Missions as % \$ Sales
Point Change versus Year Ago- by Channel & Income Segment

	Grocery	Drug	Mass	Supercenter	Club
Total Panel	-0.3	-0.3	0.8	0.4	-1.0
Getting By	0.4	-0.1	1.3	-0.2	-0.9
Living Comfortably	-0.9	-0.3	1.9	2.0	-1.9
Doing Well	-0.4	-0.5	0.1	0.0	-0.7

Source: IRI Consumer Network™; 13 weeks ending 11/2/2008 & same period prior year

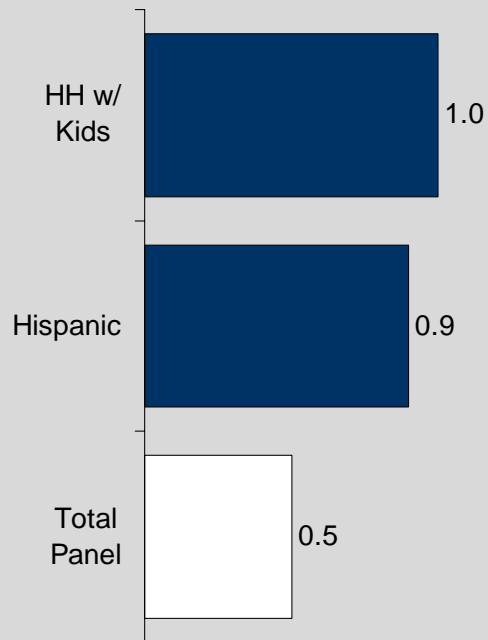


Purchase Behavior



Pantry stock-up share of spending experienced above-average growth among Hispanic consumers and households with children.

**Pantry Stock-Up Missions as % \$ Sales
Point Change versus Year Ago- by Channel &
Consumer Segment**

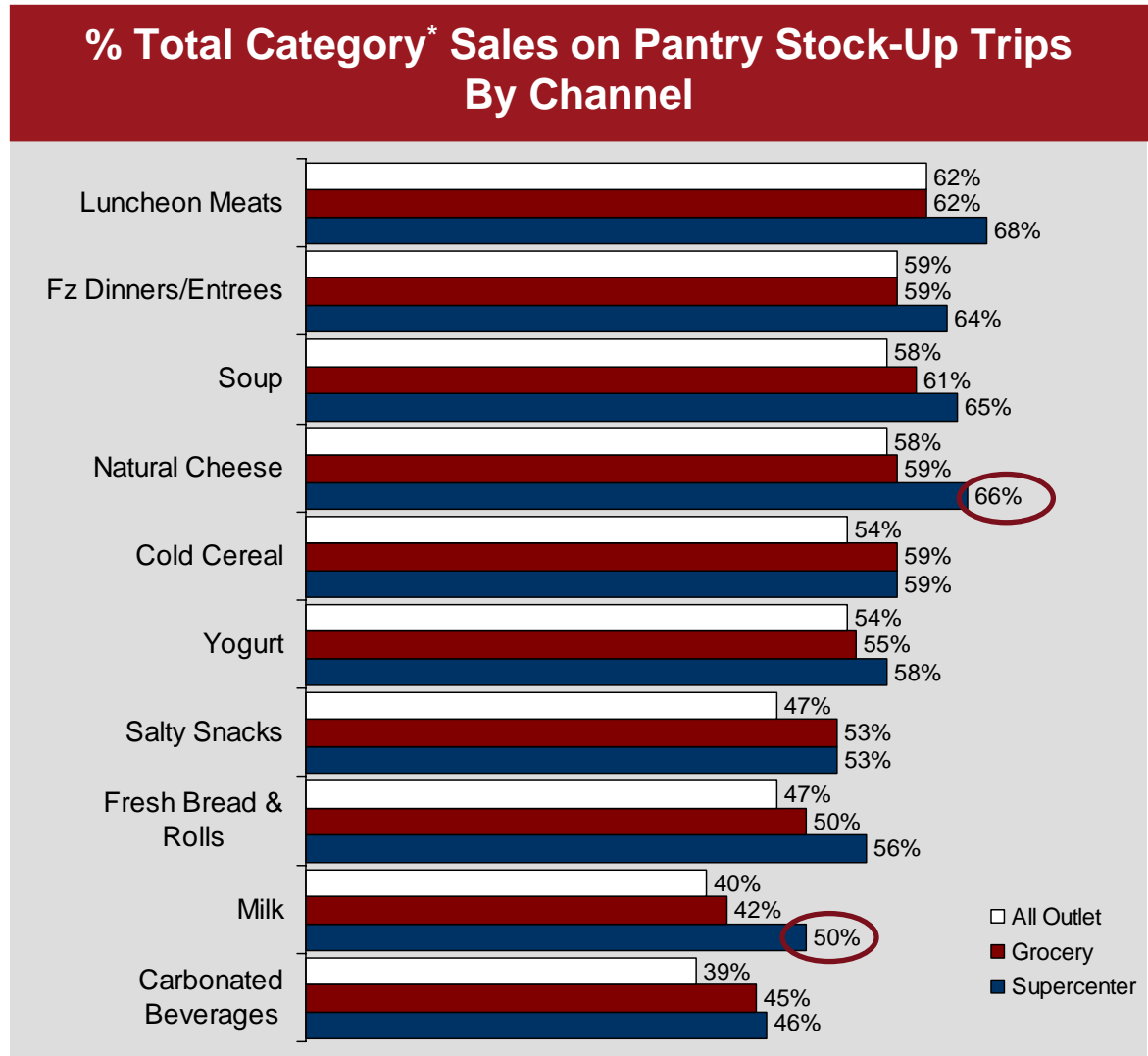


Source: IRI Liquid Data Powered By Shopper Insights Explorer™, 52 weeks ended 6/29/2008 and same period prior year

Category Opportunity



Everyday low price strategies are ringing loud and clear to consumers in a recessionary economy.



Source: IRI Consumer Network™; 52 weeks ending 11/2/2008

* Among top pantry stock-up categories, based on all outlet pantry stock up dollar sales.



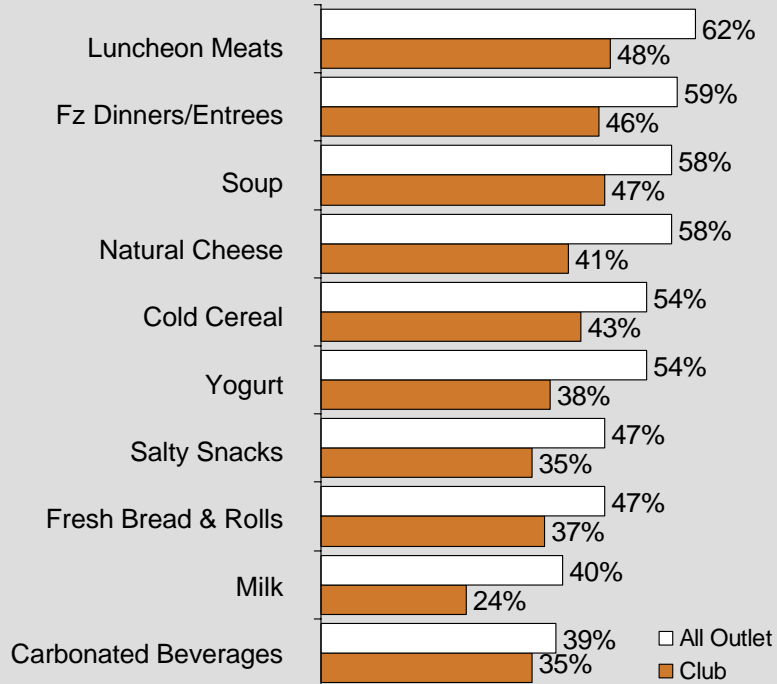
Category Opportunity



Among top all outlet pantry stock-up categories, pantry stocking makes up a significant, yet lower than average, share of channel sales.



**% Category* Sales on Pantry Stock-Up Trips
All Outlet Top Pantry Stock-Up Categories
All Outlet & Club Channel**



Source: IRI Consumer Network™; 52 weeks ending 11/2/2008

* Based on all outlet pantry stock up dollar sales.



Category Opportunity



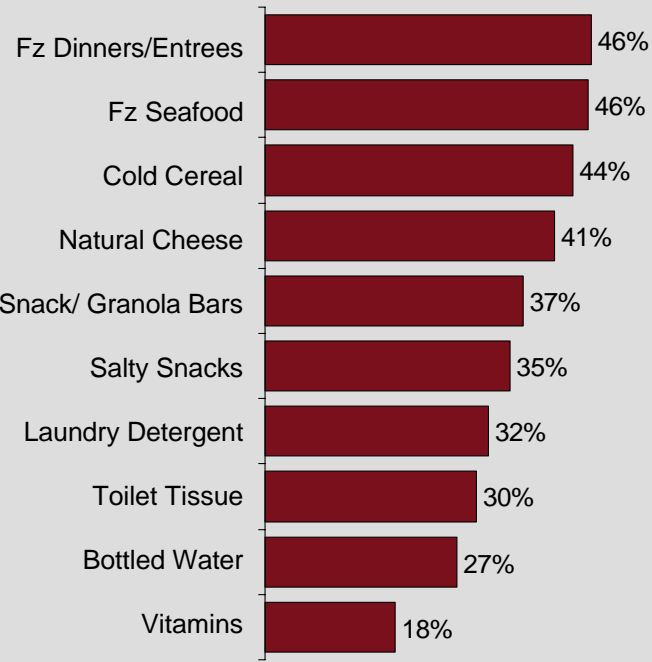
Pantry stocking missions in the club channel tend to heavily involve categories with a long shelf life or relatively high price point.

Top Club Channel Pantry Stock-Up Categories* % Total Category Sales Within Club Channel

Club Channel Pantry Stock-Up In A Down Economy Focus Group Highlights

- ✓ You can go there once and don't have to go there again for another month
- ✓ Clubs have cheaper per item pricing
- ✓ Good quality produce, frozen foods, seafood and other products

Source: IRI Competing in a Transforming Economy Focus Groups, November 2008



Source: IRI Consumer Network™; 52 weeks ending 11/2/2008
* Based on club pantry stock-up dollar sales.



Manufacturer Action Items



Step up frequency and granularity of consumer and market assessments

- Analyze share shifts on a monthly basis to identify emerging opportunities, given the rapid pace of change over the past year
- Identify share shifts at the region and market level, and across demographic and psychographic segments
- Assess purchase dynamics for your categories and brands to determine resulting pricing, promotion and assortment implications

Align strategies with shifting shopping patterns

- Collaborate with key retail partners to understand retailers' trip mission strategy and ensure assortment reflects dominant purchase patterns
- Work with key retail partners to create cross-merchandising and cross-promotion programs featuring products which are complementary to targeted trip types

Measure and monitor plan success

- Monitor brand contribution in retail partners' attainment of plan goals, including trip mix and basket growth, as well as category and brand share



Retailer Action Items



Step up frequency and granularity of consumer and market assessments

- Analyze share shifts on a monthly basis to identify emerging opportunities, given the rapid pace of change over the past year
- Identify share shifts at store level, and across demographic and psychographic segments
- Assess purchase dynamics across key product categories to determine resulting pricing, promotion and merchandising implications

Align strategies with shifting shopping patterns

- Clearly communicate trip mission strategy to key manufacturer partners and ensure assortment reflects dominant purchase patterns
- Work with partners to create cross-merchandising/promotion programs featuring products which are complementary to targeted trip types
- Leverage pricing strategies (EDLP, BOGO, etc) which encourage stock-up purchase behavior

Measure and monitor plan success

- Track share shifts across trip mission types at the store level at multiple points throughout the year and before/after major changes in advertising, pricing or promotion

