

Times & Trends

A Snapshot of Trends Shaping
the CPG and Retail Industries



August/September 2008

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CPG Merchandising Trends 2008: Shifting Merchandising Practices in a Transforming Economy



The Reinvention of Merchandising

As consumers continue to keep their wallets closed, CPG manufacturers and retailers have reinvigorated merchandising strategies to boost volume and revenues. Yet too often, merchandising equates to price reductions. Industry leaders must consider new, innovative approaches involving updated positioning and product mixes, solution-based merchandising and similar strategies that generate enhanced shopper loyalty while concurrently reducing the reliance on lowering prices.

New approaches are especially important as consumers reduce the number of store trips, which in turn is decreasing the opportunities manufacturers and retailers have to reach them. Innovators realize that the store is more than a step in the distribution chain from manufacturer to shopper. It is a stage upon which manufacturers and retailers can define products, tell stories and create unique experiences.

If a promotion fails to fit with the rest of the product story, the consumer becomes confused and most likely turns elsewhere. This is why price-only promotions are often less effective than hoped. Simply lowering prices often doesn't fit with a product's complete value proposition. In fact, as this month's Times & Trends reports, just one percent of product categories that utilized price reductions as the sole merchandising tactic earned a sales lift of 100 percent or more. Contrast this with 86 percent of product categories that enjoyed a lift of 100 percent or more with a feature and display combined strategy – a merchandising tactic that allows the manufacturer and retailer to define the product, tell a story and create an experience.

Innovative manufacturers and retailers understand the value of personalizing the shopping experience. It is no mistake that many manufacturers and retailers employ the ultimate entertainment medium – television – in their plans to more aggressively merchandise. Wal-Mart's SmartTV IPTV network includes highly-targeted messages based on sophisticated high-value shopper identification, store cluster, trip mission and related strategies.

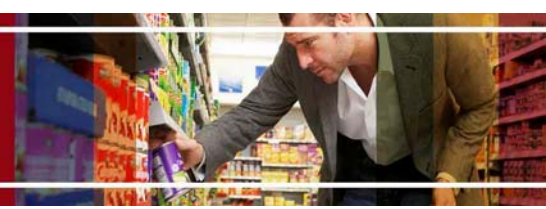
New strategies in merchandising focus on telling stories, as well as on changing the stories that are told. Dannon, for example, has created promotion strategies based not on the specific Dannon brand, but on the benefit to the shopper.

To a degree never before seen, today's story includes a plotline about sustainability. How was the product created? Were the farmers behind the product fairly compensated? Can the soil in which ingredients were grown support future crops? Hand-in-hand is new thinking about packaging. While the amount of packaging will decrease, innovation in packaging will grow, contain new messages and methods for communicating that message.

As in any transformation, innovators will rise to the top and take advantage of new opportunities. IRI will continue to highlight these innovations and we look forward to continuing the dialog.



Thom Blischok
President, Consulting & Innovation



EXECUTIVE SUMMARY: TURNING INSIGHTS INTO ACTION

INSIGHT

- » A transforming economy has reinvigorated merchandising efforts, but the primary tactic increased is price reduction

- » The retail landscape is marked by intense competition for limited merchandising space as clean store policies persist; marketers are under significant pressures to maximize return on merchandising investment

- » Prominent consumer trends, such as diminished trip frequency, a return to from-scratch cooking and increased reliance on self-care are key motivators of merchandising activity; economic pressures are impacting consumer trends quite differently across markets

- » Merchandising has played a significant role in establishing drug retailers as a destination outlet for healthcare products and a key player within beauty care; but, grocers are fighting back

- » Private label merchandising activity is generally lower versus nationally branded products

ACTION

- » Explore opportunities to reduce reliance on price reductions through focus on an affordable product mix and positioning and solutions merchandising

- » Broaden merchandising solution consideration sets to include newer, more innovative options; aggressively test pre-launch and track consumer response to enable mid-program modifications or builds

- » Develop region and store-specific, highly-targeted merchandising strategies to maximize relevance and response for high-priority categories and segments

- » Across these product segments, retailers must identify the most critical categories/brands for their high-potential consumer segments; solutions-based merchandising with a clear value proposition is critical to winning shopper loyalty

- » Retailers have a unique opportunity to drive private label trial/adoption as consumers turn to substitutions to save money; re-assess private label merchandising strategies to identify categories most relevant to key consumer segments



INTRODUCTION

In-store merchandising is evolving rapidly in the face of a transforming economy, shifting consumer shopping patterns, and innovative technologies.

“The potential of the store to create impressions and build brand equity is tremendous.”

Grocery Manufacturers Association

In-store merchandising has reached a defining moment. As the entire country struggles against unprecedented economic pressures, consumer shopping habits are shifting drastically. The time to reach the consumer is now, and the CPG industry is poised to play.

Several years ago, CPG marketers realized that creating an enhanced shopper experience is an effective consumer draw. Brighter lights, new product assortments, and wider, uncluttered aisles are just a few examples of these efforts. For consumers, it meant easier-to-navigate aisles. For CPG marketers, it meant escalating competition for diminishing display space.

Then came the latest economic struggle. Consumer confidence has taken a major hit: gas, energy and food prices have all risen dramatically. Belts have been tightened to the breaking point. Value is now, more than ever before, at the forefront of the consumer decision-making process. While an affordable product mix is paramount to the value equation, merchandising is also a critical lever.

Retailers and manufacturers have a unique opportunity to leverage merchandising to present affordable meal solutions to consumers, for example, with advertising and displays featuring high-response meal ingredients and components.

Further, targeted merchandising by market will become increasingly important. IRI's *Competing in a Transforming Economy* report revealed significant differences in economic hardship by market. Retailers and manufacturers should explore instituting market-level merchandising strategies to account for these differences.

Fortunately, merchandising innovation is making available new, more targetable merchandising options. And the tools necessary to track and understand these tools are readily available.

This report provides insight into current and emerging trends that will arm retailers and manufacturers with a solid foundation on which they can develop powerful merchandising strategies to compete successfully in a transforming economy and beyond.



A transforming economy has reinvigorated merchandising efforts, but the face of merchandising has fundamentally changed.

MERCHANDISING ACTIVITY TOTAL CPG

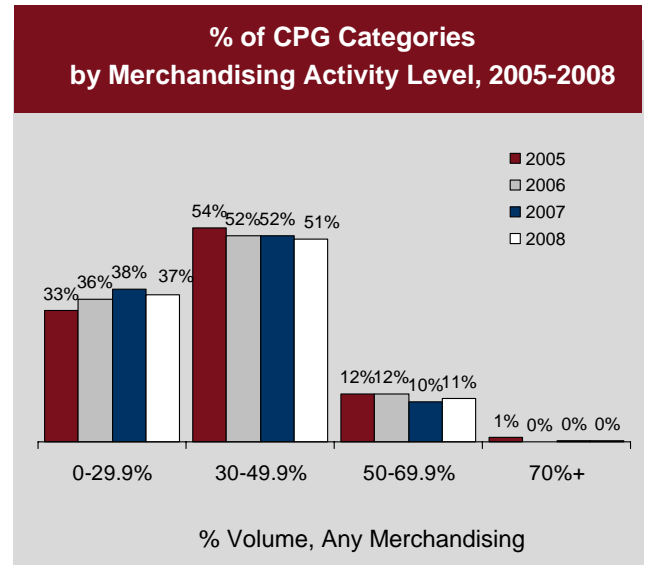
As the transforming economy continues to reshape consumer shopping habits, retailer efforts to enhance the shopping experience are more focused and driven than ever. One year ago these efforts appeared to be bringing a gradual decline in traditional merchandising activity (defined as displays, feature ads, feature and display combined and price reduction only). This year brings to light a whole new picture.

As illustrated in the top chart, the proportion of CPG categories in which less than 30% of volume is supported by merchandising increased steadily between 2005 and 2007. During the past year, the tides may have begun to shift and the decline in CPG volume with merchandising support has leveled off.

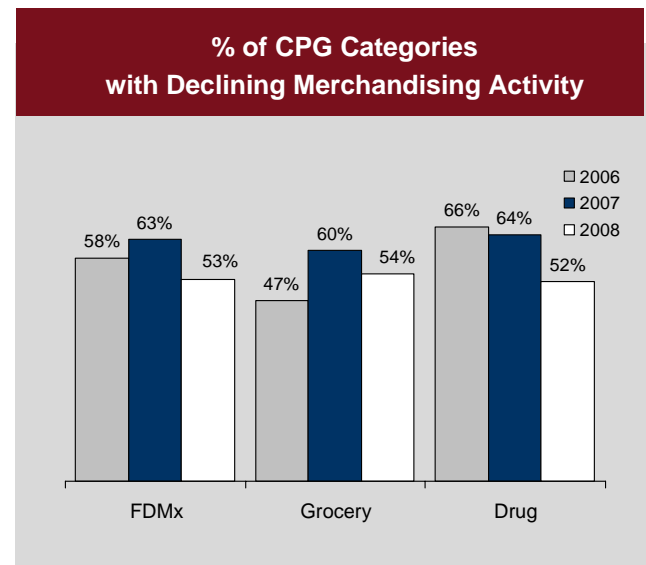
This turn-around transcends CPG categories. Reflected in the bottom chart, across channels, the number of CPG categories with declining merchandising activity fell sharply in 2008 to 53%, from 63% in 2007. Merchandising is here to stay, but it is beginning to take on a new personality.

As merchandising is re-born, the key to success is balance: too little merchandising is opportunity lost, while too much leads to clutter and a high probability that shoppers will completely tune out the noise.

Total merchandising levels may be less than in days gone



Source: IRI Consumer Network™; 52 weeks ending 6/15/2008 and same period prior years



Source: IRI Consumer Network™; 52 weeks ending 6/15/2008 and same period prior years

by, but going forward it is quality of merchandising and targeting, not quantity, that will define the most effective players.

“The store is more than a distribution point. It is a marketing medium that allows for various touch points of communication or messaging.”

Mel Korn,
President & CEO Collaborative
Marketing Worldwide (as
stated on brandchannel.com)

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After moderating slightly in 2007, the decline in presence of traditional grocery displays has accelerated.

MERCHANDISING ACTIVITY CHANNEL- GROCERY

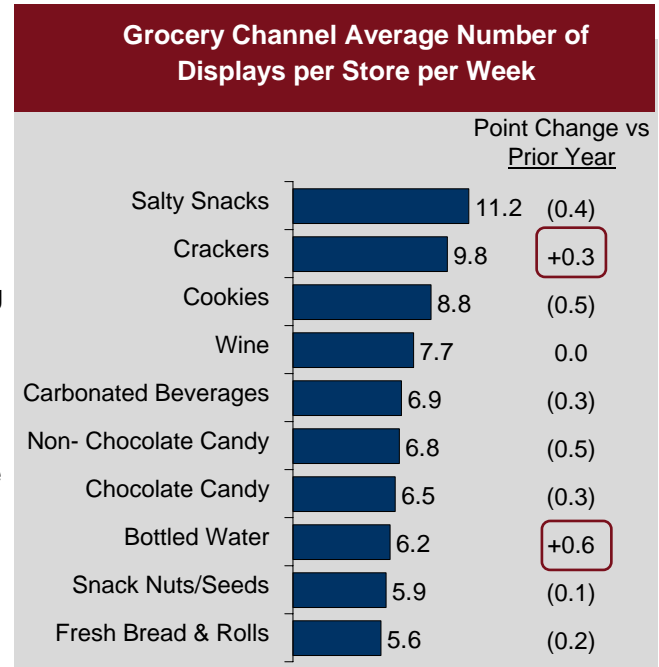
While the decline in grocery channel displays moderated in 2007, a look at display count this year, shown in the bottom chart on this page, reveals a return to a more accelerated decline.

The chart to the right underscores this trend, with eight prime display categories showing flat or declining display activity over the past year. Bottled water and crackers are exceptions.

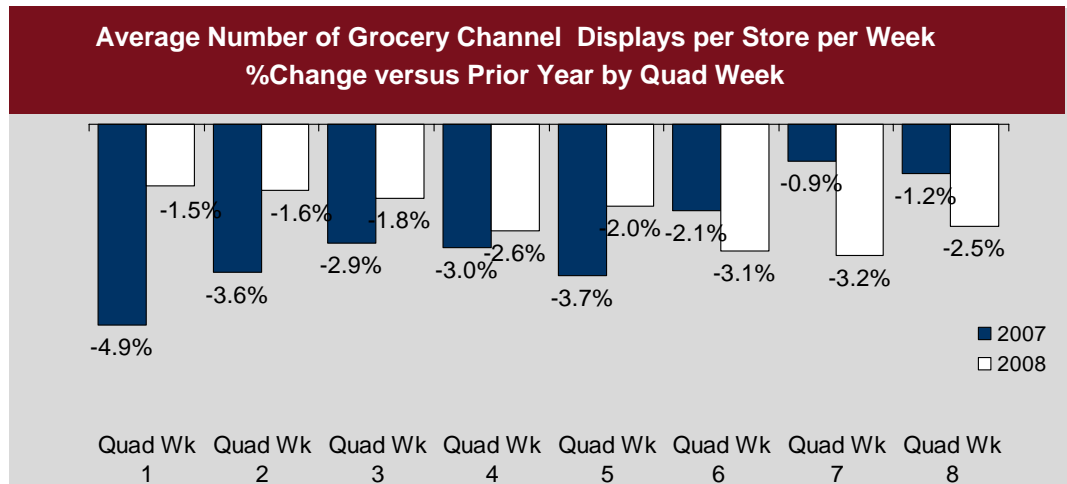
The decline in traditional in-store displays is actually indicative of the evolution, not the demise, of in-store marketing.

Displays are here to stay. Innovation is driving the industry: in-store TV, RFID-based electronic shelf-talkers, digital screens. Technology is bringing in-store marketing to a whole new level.

In the meantime, traditional displays are critical. Innovation and relevance will win share of limited display space.



Source: IRI In-Store Solutions Group Perimeter View YTD Through 8/10/08



Source: IRI In-Store Solutions Group Perimeter View YTD Through 8/10/08

Note: IRI In-Store Solutions Group Perimeter View measures UPCs displayed in the following eight areas:

- Lobby
- Front End Cap
- Back End Cap
- All Other End Cap
- Perimeter
- In Aisle
- Seasonal/Promotional Aisle
- Shipper



[To compete in a transforming economy, marketers are relying heavily on price to drive purchase.]

MERCHANDISING ACTIVITY TOTAL CPG

So, why is display activity down but merchandising activity up? To compete in a transforming economy manufacturers and retailers are relying heavily on pricing actions to drive purchase behavior.

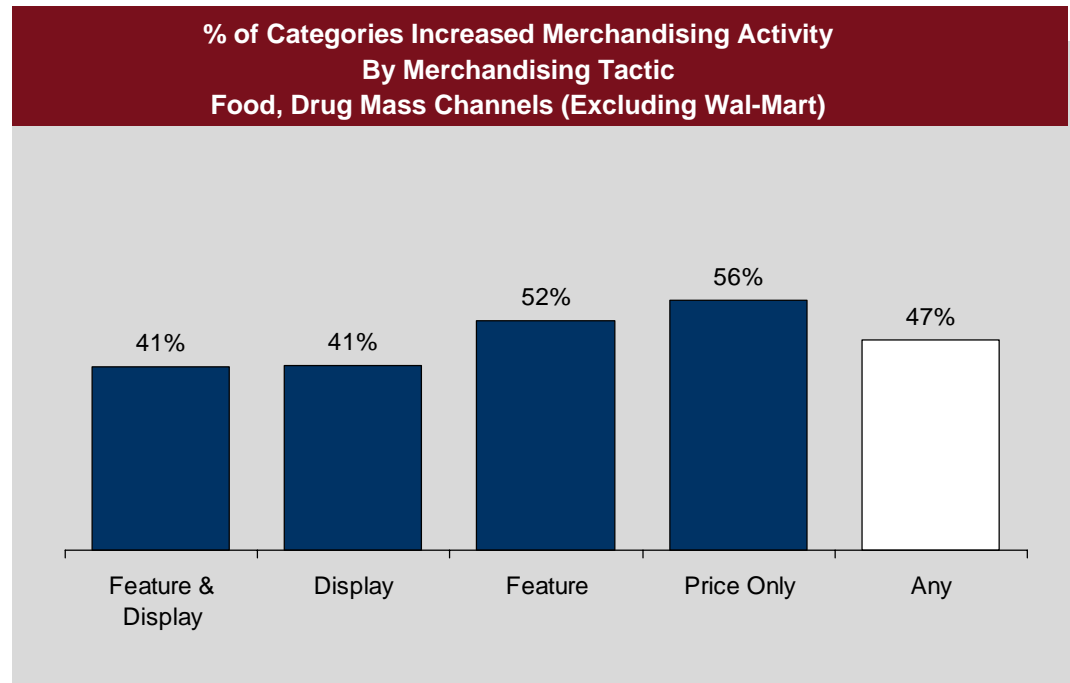
The chart below illustrates this shift in focus. Though many manufacturers have leveraged price cuts to maintain volume, other strategies will provide more substantial and long-lasting results.

Amidst mounting financial pressures, consumers seek value with more ferocity than ever before. Low price does not necessarily equal value.

Affordability messaging that offers convenience will resonate clearly as

consumers turn to at-home cooking in order to save money. Focus on solutions, for example, which offer healthy meals but eliminate the need to invest large amounts of time and effort. For example, feed a family of four for \$10 every night of the week.

As detailed thoroughly in IRI's recent *Competing in a Transforming Economy* study, financial hardships vary dramatically by market. As marketers reexamine their merchandising strategies, it is an opportunistic time to create targeted, market-level promotions. Because some areas have been harder hit than others, promotional budgets should be re-allocated to markets where the need is most critical.



Source: IRI Consumer Network™; 52 weeks ending 8/10/2008 versus same period prior year



Clear communication of a solid value proposition is critical to retailers' basket-building efforts.

MERCHANDISING ACTIVITY CATEGORY- MOST ACTIVE

Merchandising is playing a critical role in communicating with consumers inside the store. In fact, the below chart demonstrates that six of the most highly merchandised categories show flat to positive merchandising activity growth over the past year.

Many of these highly merchandised categories are well-suited for stock-up and discretionary purchases, and are thus prime basket-building opportunities. These categories will play a key role in reshaping merchandising as we know it.

Marketers are well-advised to focus on merchandising that is in alignment with consumer goals rather than as simply a means of selling more product. Revisit collaboration efforts to ensure maximum alignment with strategies to build the category within the target consumer base. Now, more than ever, consumers are looking for value, not just low prices.

The manufacturers and retailers with the best value proposition will win big as consumers struggle against intense financial pressures but still yearn for convenience and well-being.

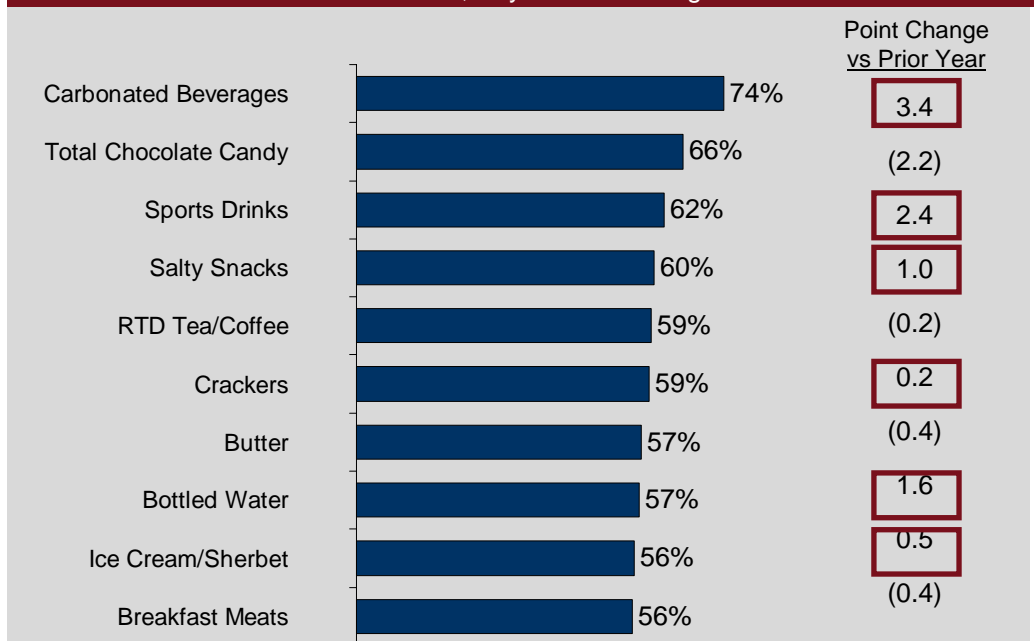
“Retailers have stepped up their need to drive market basket, so finding suppliers to bring together ... hits the hot button for them.”

Keith Levy,
Vice President of Brand Management, Anheuser-Busch
(as stated in Shopper Marketing, September 2008)

Top 10 Categories by Merchandising Activity Level

Food, Drug, Mass Channels (Excluding Wal-Mart)

% Volume, Any Merchandising



Source: IRI Consumer Network™; 52 weeks ending 8/10/2008; Among top 100 Categories

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MERCHANDISING ACTIVITY CATEGORY- TRENDS

Pervasive consumer trends are key motivators of merchandising strategy.

Overall category trends such as the rising prevalence of self-care, intense cross-channel competition for health and beauty care products, increased back-to-basics cooking activity, and heightened consumer awareness/sensitivity to trans-fats, provide almost predictive insight to changes in merchandising activity.

As illustrated in the chart at the bottom of the page, seven of the ten categories with the most sizeable merchandising activity gains were health and beauty care categories. With the push to self-care and the battle for share of consumers' health and beauty care dollars not expected to let up in the near future, merchandising within

these categories will likely remain high.

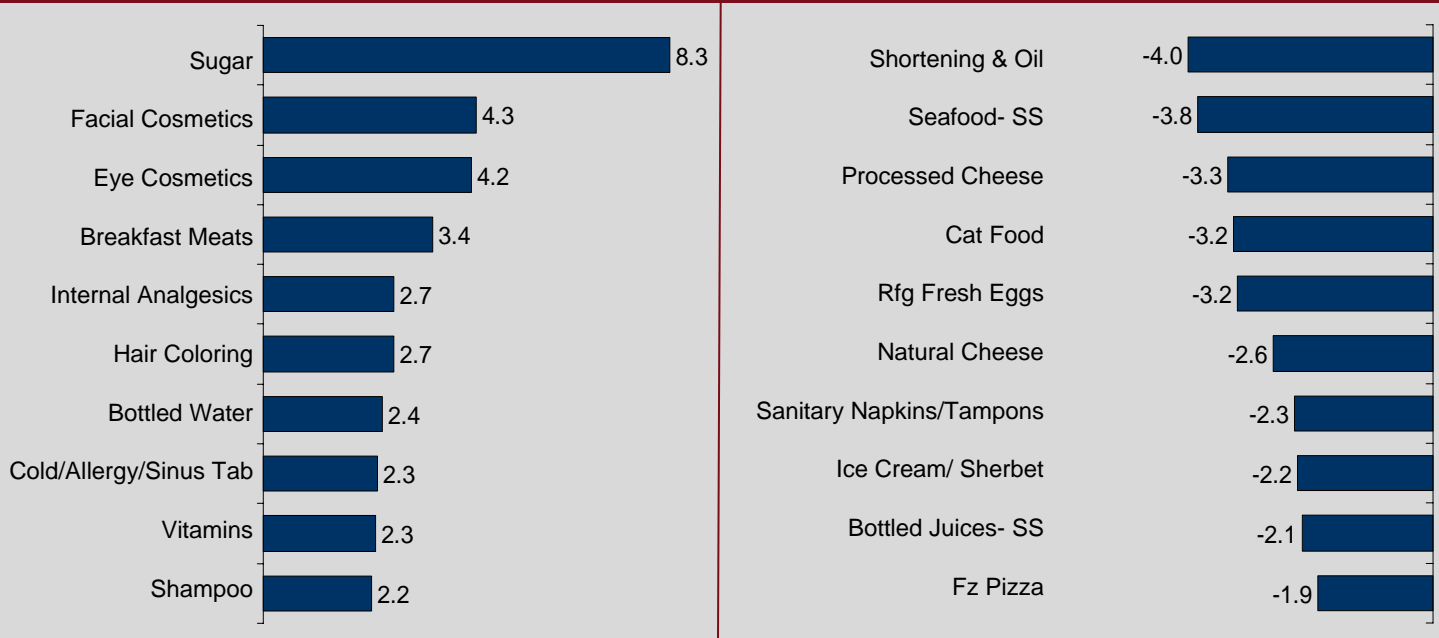
Strong merchandising activity growth from sugar and breakfast meats categories, meanwhile, is indicative of retailer and manufacturer efforts to capture share of key ingredient and meal component categories as consumers turn to at-home from-scratch cooking in an effort to ease financial pressures.

Notoriously difficult to effectively display, refrigerated and frozen categories dominate the list of categories with decreased activity levels. Look for reinvigorated growth as technology enables new, more space-friendly merchandising tactics.

CPG Categories with the Largest Increases/Decreases in Merchandising Activity Level

Food, Drug, Mass Channels (Excluding Wal-Mart)

% Volume, Any Merchandising: Point Change vs Prior Year



Source: IRI Consumer Network™; 52 weeks ending 8/10/2008; Among top 100 Categories



Strategic merchandising has enabled drug to capture a favorable position in HBC, but grocers are fighting back.

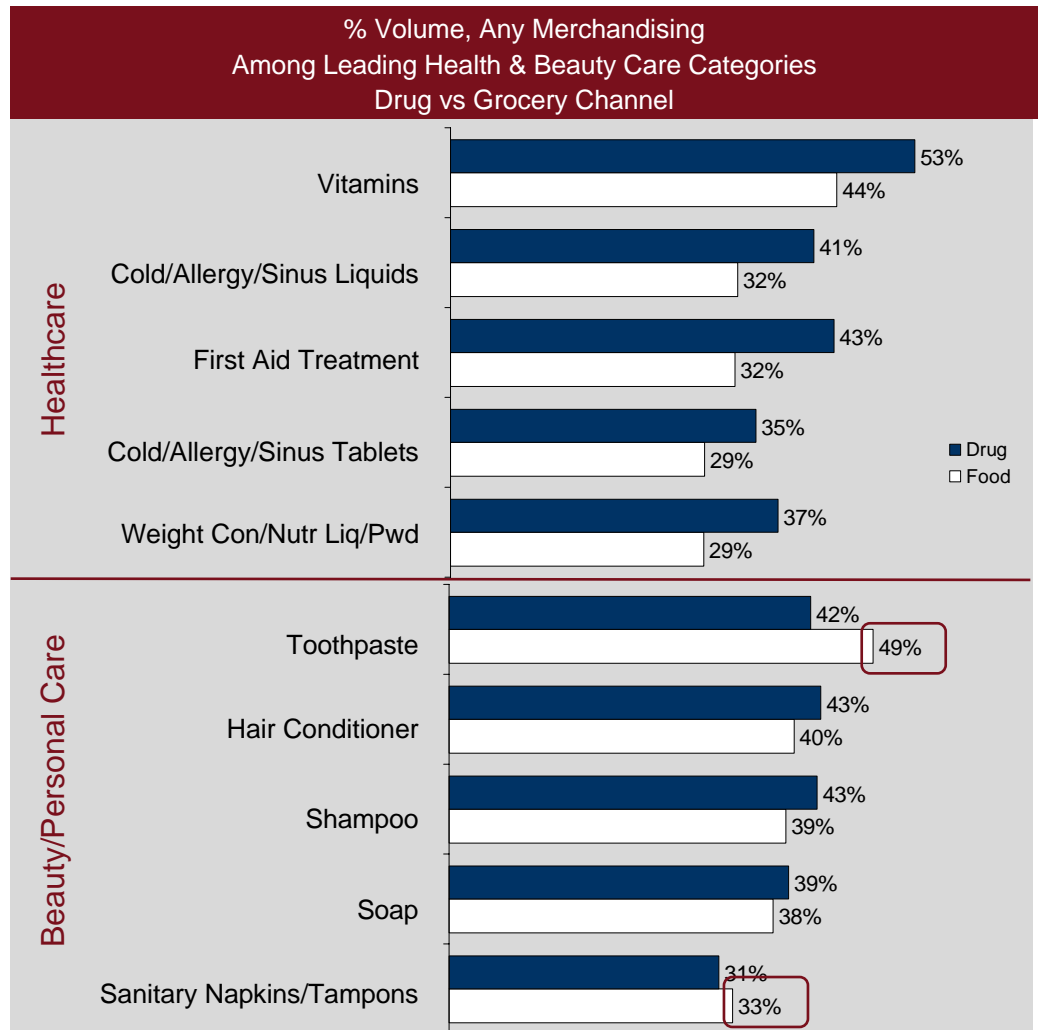
MERCHANDISING ACTIVITY CATEGORY- HBC

Health and beauty care products continue to play a major role in the battle for share of consumer spending. Drug stores have successfully established themselves as a destination for health care products, and are well-positioned in beauty care. But, grocers are not giving up.

Drug and grocery retailers show high levels of merchandising activity across key healthcare categories, but drug merchandised volume is notably higher versus grocery in all of the top five categories.

In contrast, grocers have significantly bolstered merchandising efforts in top beauty/personal care products. Over the past year, grocery has stepped-up merchandising in key beauty/personal care categories, and is actually outpacing drug in two of the top five categories.

Strategies must address overall trends such as self-care in healthcare products, and skin care and organics in beauty. But, locally focused, highly targeted merchandising is critical.



Source: IRI Consumer Network™; 52 weeks ending 8/10/2008



Grocery retailers must reduce reliance on price only strategies, and turn to affordable meal solutions that target key consumer segments on a market level.

MERCHANDISING ACTIVITY MEAL INGREDIENTS AND COMPONENTS

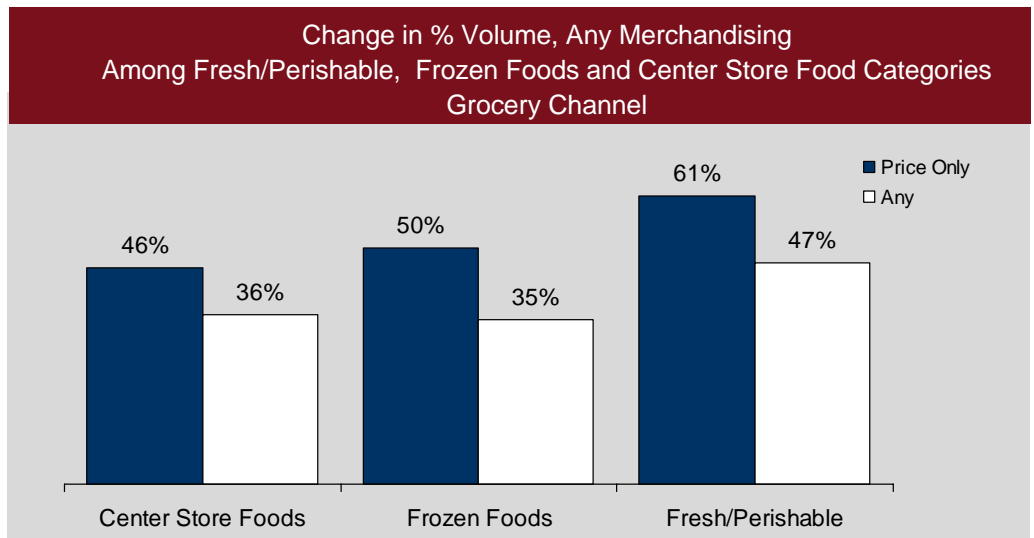
As highlighted in IRI's *Competing in a Transforming Economy*, skyrocketing gas prices and intense financial pressures have prompted a resurgence of from-scratch meal preparation. This has increased demand for meal ingredients and components.

The chart below indicates that grocery retailers are valiantly trying to answer consumers' need for these items. Merchandising is up across many meal ingredient and component categories. But, significant opportunity remains.

Among center store food items, only 36% of categories show increased volume with some type of merchandising versus year ago. Nearly half of the categories show increased use of price reduction only strategies.

Though more difficult to merchandise via display, price reduction only tactics increased even more sharply in frozen and fresh/perishable departments.

IRI's July Times & Trends, which provides a detailed look at changing channel shopping behavior, reveals that grocers have lost significant share in fresh/perishable, frozen foods and center store. To protect and grow share in these critical areas, grocers must identify the critical categories and brands for their consumers by market and offer affordable solutions which are prominently featured in advertisement and displays.



Source: IRI Consumer Network™; 52 weeks ending 8/10/2008 versus same period prior year

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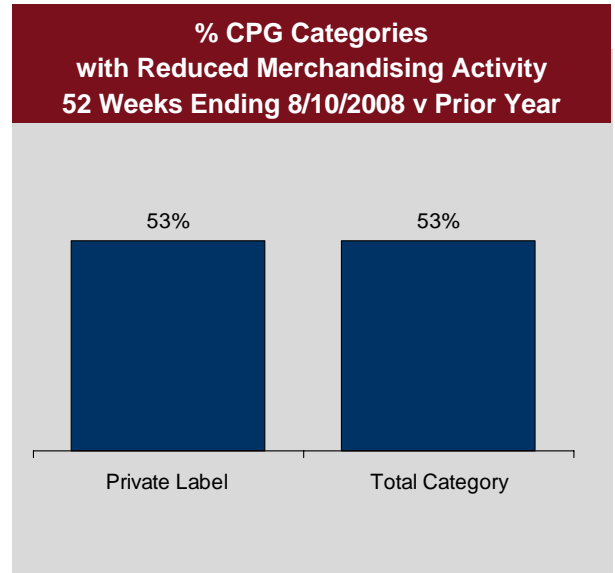


Private label merchandising activity is generally lower versus nationally branded categories.

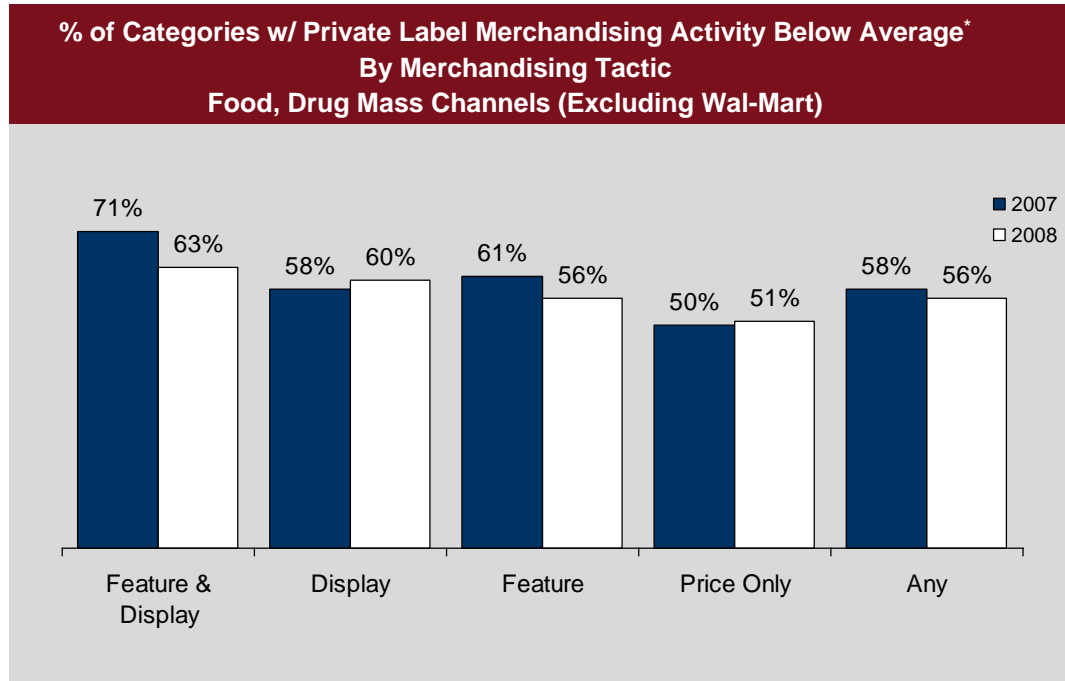
MERCHANDISING ACTIVITY CATEGORY- PRIVATE LABEL

Though private label remains at the forefront of retailers' differentiation strategies, private label goods are not enjoying elevated merchandising activity. In fact, merchandising activity declined in 53% of private label categories: exactly the same as declines among branded products.

Below average merchandising activity cuts across all tactics. The chart below, however, does illustrate increased private label merchandising activity versus total category for feature & display and feature-only merchandising.



Source: IRI Consumer Network™; 52 weeks ending 8/10/2008



Source: IRI Consumer Network™; 52 weeks ending 8/10/2008

*Note: Based on % volume, any merchandising for total category versus private label



Consumer response to merchandising efforts has eroded slightly overall, but the pace of erosion has slowed across channels.

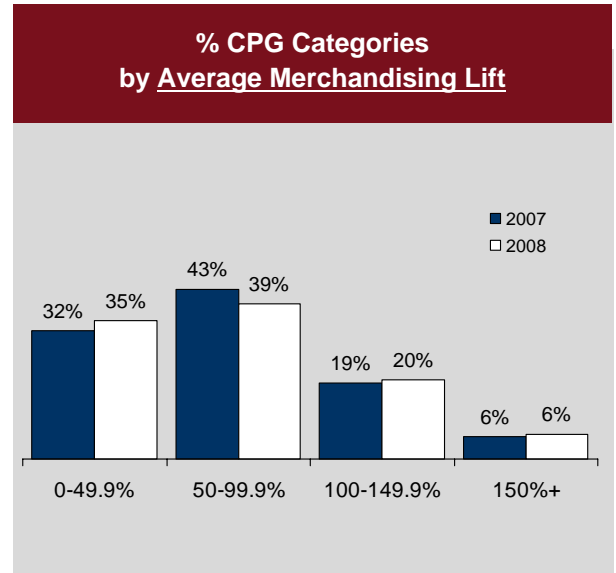
MERCHANDISING EFFECTIVENESS TOTAL CPG TRENDS

Merchandising continues to play a critical role in driving volume at retail. As illustrated in the top chart, nearly two-thirds of CPG categories receive lift of 50% or more from traditional merchandising programs. Lift does show some deterioration, however, as consumers face mounting financial pressures. With prices expected to remain high for at least the next 12 months, the time to act is now.

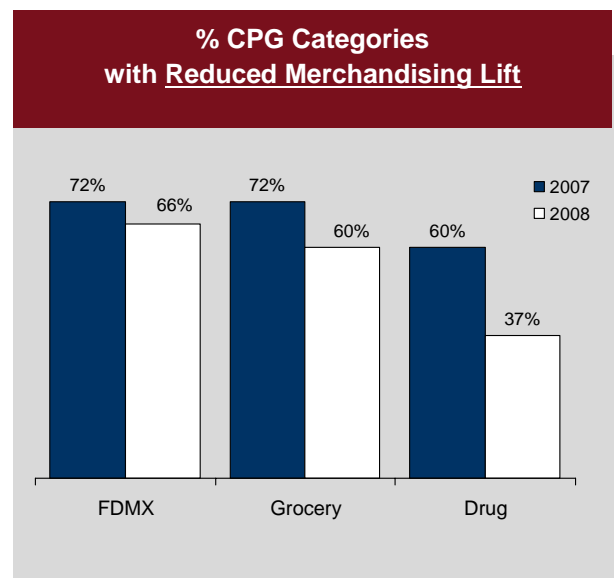
The lower chart illustrates that lift changes vary significantly across channels, and that drug retailers have been somewhat buffered from declines, likely because consumers are turning to self care as a means of saving on healthcare costs and using drug stores more frequently for fill-in trips.

For grocers, the pressure is on. Grocery is particularly susceptible to erosion as consumers turn increasingly to value channels for pantry stocking needs. But, grocers are well-positioned to compete in a world where consumers seek convenient and affordable meal solutions.

Manufacturer-retailer-partner collaboration is more critical now than ever. Integration of economic, regional and demographic variables into merchandising strategies is paramount. The rewards of addressing needs at the local consumer level will be significant, and long-lasting.



Source: IRI Consumer Network™; 52 weeks ending 8/10/2008 and same period prior year



Source: IRI Consumer Network™; 52 weeks ending 6/15/2008 and same period prior year

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In-store merchandising has become more strategic in nature as marketers seek to impact the consumer decision-making process in the final moments.

MERCHANDISING EFFECTIVENESS LEADING CATEGORIES

Last year six of the top 10 categories with highest merchandising lift had decreased merchandising activity versus prior year. In today's transforming economy, the picture is strikingly different. Only three of the top 10 show decreased merchandising activity, while six of the 10 experienced significant increases. And for good reason.

Consumers respond very well to merchandising within these particular categories. For retailers and manufacturers, the opportunity is significant. Many of the categories with highest merchandising lift are

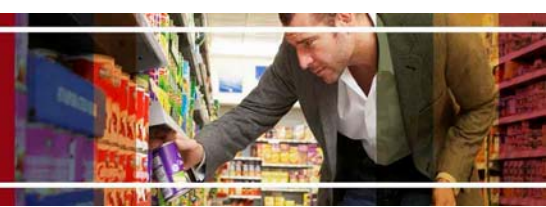
stock-up items. They are prime basket-building opportunities.

High gas prices have driven trips down and per trip spending up. Rising CPG prices have elevated the need for value. The efficacy of merchandising programs within these categories creates a win-win situation for CPG marketers and consumers. As "clean floor" pressures build, marketers are wise to weigh risk versus return before cutting merchandising in these high-potential categories.

Top 10 CPG Categories by Merchandising Lift
Food, Drug, Mass (Excluding Wal-Mart)
% Volume Increase, Any Merchandising

	<u>% Volume Increase w/ Merch Support</u>	<u>% Volume w/ Merch</u>	<u>Change in % Volume w/ Merch</u>
Paper Towels	226%	53%	(8.8)
Toilet Tissue	218%	50%	(8.3)
Breakfast Meats	198%	55%	+10.9
Seafood-SS	197%	39%	+1.2
Laundry Detergent	173%	51%	+0.8
Total Chocolate Candy	169%	66%	(7.8)
Frankfurters	168%	53%	+4.7
Butter	163%	57%	+7.2
Coffee	160%	49%	+1.2
Facial Tissue	159%	46%	+22.1

Source: IRI Consumer Network™; 52 weeks ending 8/10/2008



MERCHANDISING TACTICS PREVALENCE & EFFECTIVENESS

The most powerful in-store merchandising tactic remains much under-leveraged.

With consumers redefining their shopping habits in order to survive in turbulent times, the opportunity to grow (or lose) share is more remarkable than ever. Financially weary consumers are going to shop where the value is.

And consumers aren't the only ones struggling against the economy. Marketers are facing tighter budgets, too. The importance of maximizing return on investment on marketing initiatives cannot be overstated.

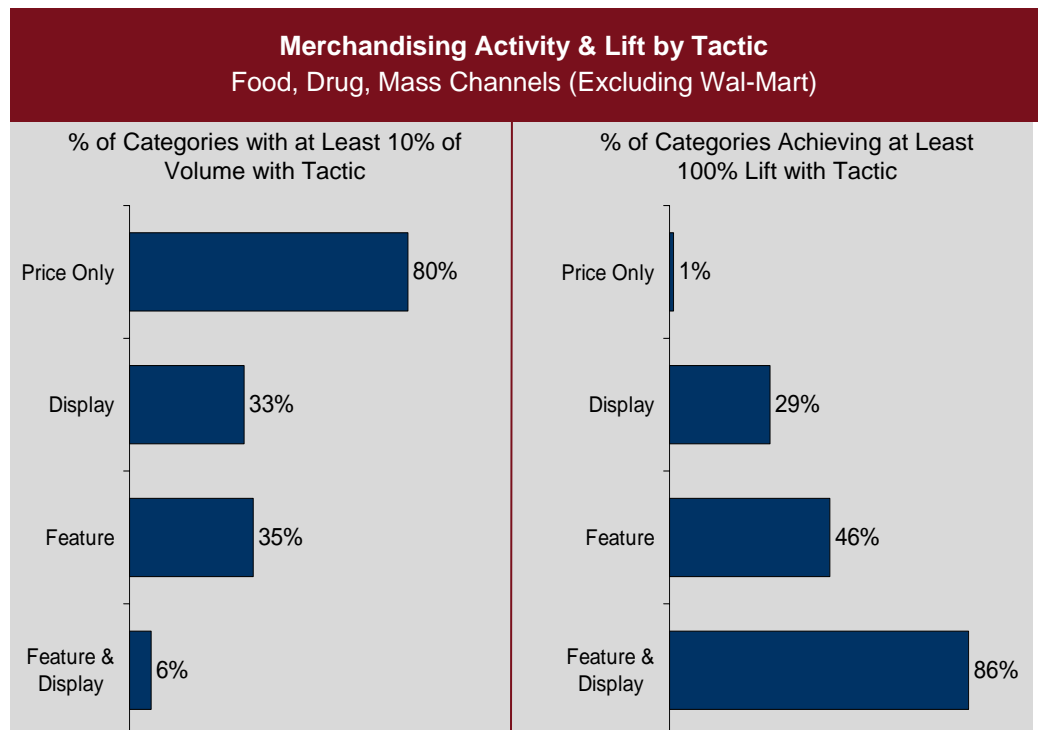
Manufacturers have long realized the value of displays supported by feature advertisements. As depicted below, average lift for this type of marketing is a whopping 86%. Versus other tactics, the incremental ROI is huge. Nonetheless,

only 6% of displays ads currently receive feature ad support.

Conversely, price only promotions are far more prevalent despite the fact that only 1% of categories earn 100% lift or greater.

Separately, display and feature ads fall in between the extremes, with respect to both prevalence and impact.

As clean-floor policies hold firm, and as retailers rethink their image-based strategies, products offering the most creative, innovative, and consumer-centric message will prevail, while broad-based initiatives with the sole purpose of selling more product will fall by the wayside.



Source: IRI Consumer Network™; 52 weeks ending 8/10/2008

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MERCHANDISING TACTICS TOP CATEGORIES- EFFECTIVENESS

High-response categories play a key role in driving traffic and building basket size.

Key stock-up categories, including toilet tissue, paper towels, and shelf-stable seafood, tend to respond quite favorably to merchandising across tactics.

Categories such as these, which are typically high-use categories with a long shelf-life, present significant opportunity for retailers and manufacturers.

Analysis of response to feature ads speaks volumes to the ability of this type of product to drive store traffic. Each of the top five responding categories achieved lift of well over 200%.

And, response to display activity validates these products as drivers of more sizable basket rings. Though not quite as

robust as feature lift, the sales boost is significant.

Price only merchandising shows strength in products that are notoriously difficult to display, such as refrigerated or frozen foods, and in impulse purchases such as chocolate candy. Though lift tends to be much smaller with price reduction only strategies, these categories remain good basket building opportunities.

Categories Achieving the Highest Lift by Merchandising Tactic

<u>Feature & Display</u>		<u>Display</u>		<u>Feature</u>		<u>Price Only</u>	
SS Seafood	1,231%	Toilet Tissue	238%	SS Seafood	328%	Chocolate Candy	113%
Paper Towels	728%	Chocolate Candy	194%	Breakfast Meats	278%	Breakfast Meats	105%
Breakfast Meats	719%	Paper Towels	191%	Toilet Tissue	264%	Frankfurters	99%
Toilet Tissue	699%	SS Seafood	177%	Paper Towels	255%	IQF Fz Poultry	89%
Facial Tissue	687%	Canned/Bottled Fruit	176%	Coffee	250%	Fz Seafood	87%

Source: IRI Consumer Network™; 52 weeks ending 8/10/2008; Among top 100 categories



TRENDS TO WATCH

Several key trends will play a formative role in shaping the new world of in-store merchandising :

Hi-Technology Is Rapidly Gaining Traction

Retailers and manufactures are looking to speak to consumers on a personal level. Technology is quickly making this more possible. For example, Wal-Mart recently unveiled the Wal-Mart Smart TV Network. The first IPTV (Internet protocol television) to hit retail stores, this system is designed to bring targeted messages to consumers based on the store's location, the shopper's location within the store, the time of day, and/or the day of week¹.

Proctor & Gamble is also breaking ground. In Germany, P&G recently leveraged radio frequency identification tags (RFID) to enable an eye-level digital screen to display a customized message. For example, if a consumer pulls a bottle of shampoo off the shelf, the screen would display suggested conditioners and/or styling products to complement the selection².

Examples go on. Stores around the country are experimenting with digital screens in check out aisles and/or in store aisles. As the technologies are refined, digital merchandising is expected to escalate.

Consumer Segmentation Will Get A Boost From Technology

The transforming economy has made consumer divides more noticeable and more relevant than ever before. Technology is giving retailers and manufacturers the ability to identify these differences and serve them effectively. Wal-Mart's Smart TV Network and P&G's RFID-driven screens are just a few examples of broad based campaigns that take on local- even individual- variations to serve consumer-specific needs.

Kimberly-Clark is testing another technology that will address consumer differences at an incredibly granular level. With virtual reality, the manufacturer is partnering with Safeway to test store layouts, point-of-purchase displays, and concepts to understand the impact slight modifications make on shopping attitudes and behaviors³. As technology develops, these types of analyses will be even more advanced.

1. PR Newswire, September 3, 2008
2. Wall Street Journal, August 21, 2008
3. CPGMatters.com, May, 2008



TRENDS TO WATCH

Education Will Play A Vital Role in Shopper Relations

As consumer trends change, so does consumers' need for information. Manufacturers and retailers have begun to capitalize on the need for information, and have begun incorporating an educational component into merchandising strategies. For example, Dannon's "shelf obsession" team has begun merchandising product by benefit rather than by brand. This includes cross-merchandising items such as fruit and granola to create complete solutions¹.

The need to educate shoppers goes beyond sharing of nutritional information. Non-food products such as health and wellness categories, beauty products, household cleaners and more will benefit from implementation of educational programs. These programs foster good relations, and often serve as cross merchandising opportunities.

Sustainability Moves From "The Exception" to "The Norm"

Sustainability- meeting the needs of today without compromising the ability of future generations to meet their own needs- is at the forefront of CPG research and development today. From concentrated cleaning formulas to bagged cereals, sustainability has become "the norm" in today's CPG world.

Sustainability and clean floor policies combined are bringing change to in-store merchandising. Increasingly, manufacturers are turning to packaging as a means of informing and motivating consumer decisions. But the packaging itself is evolving rapidly. The Packaging Machinery Manufacturers Institute (PMMI) recently released its Packaging Intelligence Brief on Packaging Trends. According to this report, we will see a sharp movement toward source reduction (ie. less packaging), ranging from lightweighting containers and closures, elimination of secondary packaging, and replacement of rigid packaging with flexible packaging². At the same time, though, the messages on the packaging will become far more complex: they will engage the consumer with more innovative designs, inform the consumer with creative messaging, and they will reduce supply chain inefficiencies with proper coding and tracking information.

1. Shopper Marketing
2. Food & Beverage Packaging, September 1, 2008



CONCLUSIONS CPG MANUFACTURERS

Manufacturers seeking to maximize opportunity within the new, emerging retail environment should consider the following action items:

- » Continually identify and assess new opportunities and risks
 - Evaluate merchandising activity and lift across your brands versus total category and competitors across key retail partners to identify gaps
 - Identify trip- and mission-based opportunities to build trial and/or repeat purchase through cross merchandising of relevant parallel categories/brands
 - Test new in-store marketing vehicles/tactics across key retail partners

- » Develop retailer-specific merchandising strategies with key accounts
 - Align merchandising initiatives with key retailer partner goals/objectives (eg. focus on self care, at-home cooking, trip missions, etc)
 - Conduct consumer segmentation analyses at the region or individual store level to ensure strategies are aligned with consumer base
 - Build multi-category promotions that deliver solutions to consumers

- » Continually measure and monitor merchandising executions
 - Test-market major merchandising initiatives prior to roll-out
 - Track and benchmark store-level merchandising performance and retail execution among key retail partners
 - Continually monitor consumer response to merchandising initiative and implement changes, as needed



CONCLUSIONS CPG RETAILERS

Retailers seeking to maximize opportunity within the new, emerging retail environment should consider the following action items:

- » Continually identify and assess new opportunities and risks
 - Continually evaluate response to merchandising initiatives vis-à-vis store sales, share of sales and consumer satisfaction, particularly across high-response categories (eg. paper towels, shelf-stable seafood, etc)
 - Identify trip- and mission-based opportunities to build trial and/or repeat purchase through cross merchandising of relevant parallel categories/brands
 - Test new in-store marketing vehicles/tactics to assess consumer response versus traditional techniques

- » Develop partnerships with manufacturers to will facilitate development of merchandising strategies tailored to the needs of your stores' key consumer segments
 - Identify partnership opportunities based on stores' total growth strategies
 - Develop strategies that simplify and enhance the consumer shopping experience
 - Build multi-category promotions that deliver solutions to consumers
 - Design cross-merchandising programs that make parallel products easier to locate/access
 - Develop educational programs that tie with national and local trends (eg. national: healthy eating, local: Hispanic skin care/beauty care tips)

- » Continually measure and monitor merchandising executions
 - Track and benchmark store-level merchandising performance to identify best practices and assist under-performing stores



RESOURCES

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

IRI Shopper Insights™

IRI Shopper Insights™ solution segments and analyzes stores, shoppers, trip types, and products to uniquely define target markets; this solution integrates IRI panelist demographics with Personix segmentation and panelist purchase behavior

IRI In-Store Solution Suite™ (ISG)

IRI's ISG service conducts in-store audits, measuring perimeter merchandising, display, shelf, and front-end store conditions across all classes of trade; the service provides insights into shelf conditions, presence and locations of displays, etc. for own and competitive brands and categories.

IRI Controlled Store Testing™

IRI Controlled Store Testing™ accurately quantifies the effectiveness of an in-store marketing program and identifies opportunities to improve the program with far less cost and risk than a national rollout.

IRI *Competing in a Transforming Economy 2.0*

This just-released, ground-breaking study reveals fundamental changes in where consumers shop, what they buy, and even how they eat in response to shifting economic conditions. The study presents specific recommendations for retailers and manufacturers to successfully compete within this environment and includes a monthly tracking service to empower industry participants to get ahead of emerging trends.

For More Information, contact your client service representative or Kurt Orr at kurt.orr@infores.com

[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries



>>> 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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