



The New Path to Purchase:

An Escalation of Channel & Consumption Migration

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SymphonyIRIGroup

Insight.
Innovation.
Impact.

Executive Summary

INSIGHT

- ❑ Cross channel shopping has become a well-entrenched part of the CPG shopping experience; three-quarters of consumers shop in five or more channels to meet their CPG needs
- ❑ After escalating sharply at the height of the recession, trip behavior has slowed; average basket has also slipped, driven by changing trip mission trends and associated channel behavior
- ❑ Channel behavior varies across CPG departments; the dollar channel is the only channel that posted share gains across departments during the past year

ACTION

- ❑ Conduct monthly analyses of channel share shifts across key departments versus key competitors, and key brands versus total category
- ❑ Maximize the value of each store visit with assortment and merchandising strategies that align with high-priority trip types
- ❑ Protect and grow share with market-level competitive strategies vis-à-vis dollar stores

Executive Summary

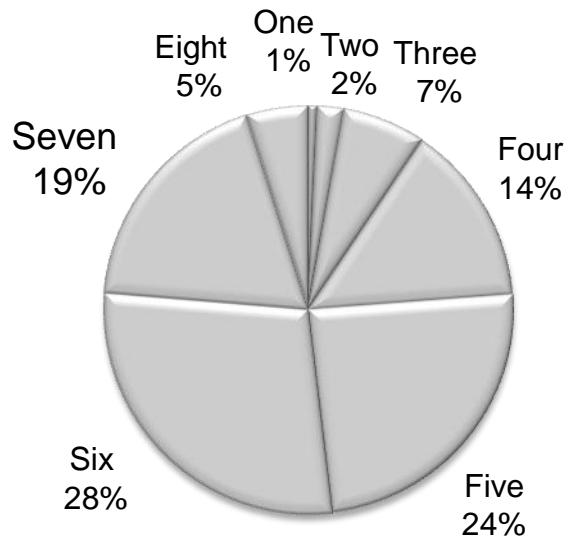
INSIGHT

- ❑ The drug and supercenter channels are performing well in health and beauty care, while grocers have demonstrated strength across several key meal-related categories and in general merchandise
- ❑ Drug, club and dollar retailers continue to see share growth across their heaviest shoppers, while supercenters lost considerable share among this important consumer segment

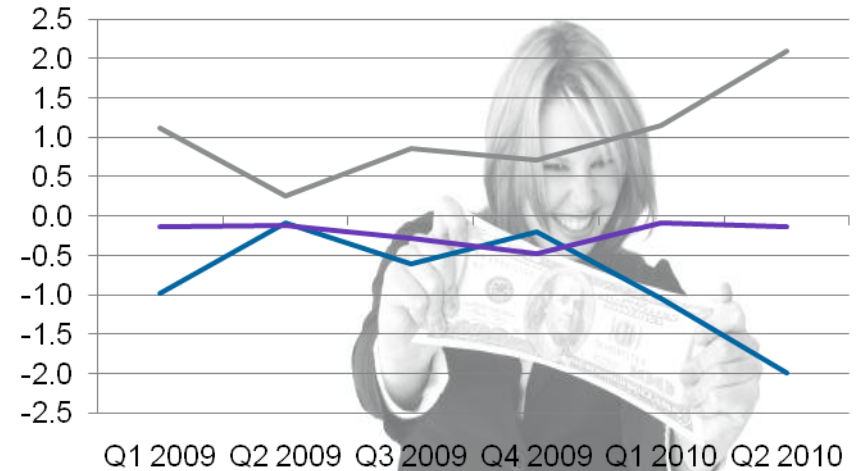
ACTION

- ❑ Stimulate growth in key categories and departments with value-oriented programs touting innovative and self-driven solutions targeted to the most pressing needs of key shopper and target groups
- ❑ Conduct frequent and granular assessments across key shopper segments to ensure a clear understanding of trip mission trends and associated shopper attitudes and behaviors

Consumers continue to shop multiple CPG outlets in order to stretch their CPG dollars, but consolidation is occurring.



Three-Quarters of Consumers Shop in Five or More Channels



Number of Channels

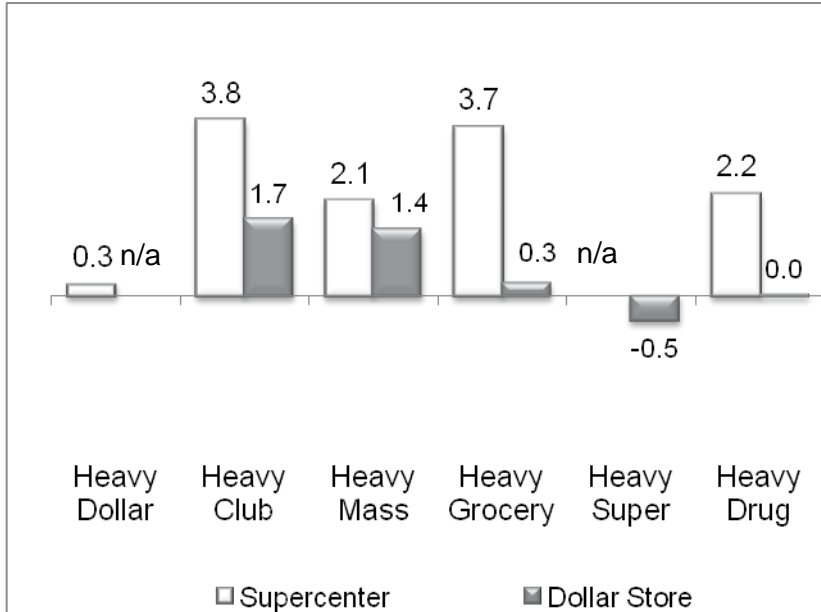
Source: SymphonyIRI Consumer Network™, 52 weeks ending 6/27/2010

Source: SymphonyIRI Consumer Network™

of CPG Channels Shopped
% of Consumers
2010

% of Consumers Shopping Multiple Channels
By # of CPG Channels Shopped
Quarterly Point Change versus Year Ago
2009-2010

Supercenters and dollar stores are effectively winning over key shoppers from competing CPG channels.



Source: SymphonyIRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

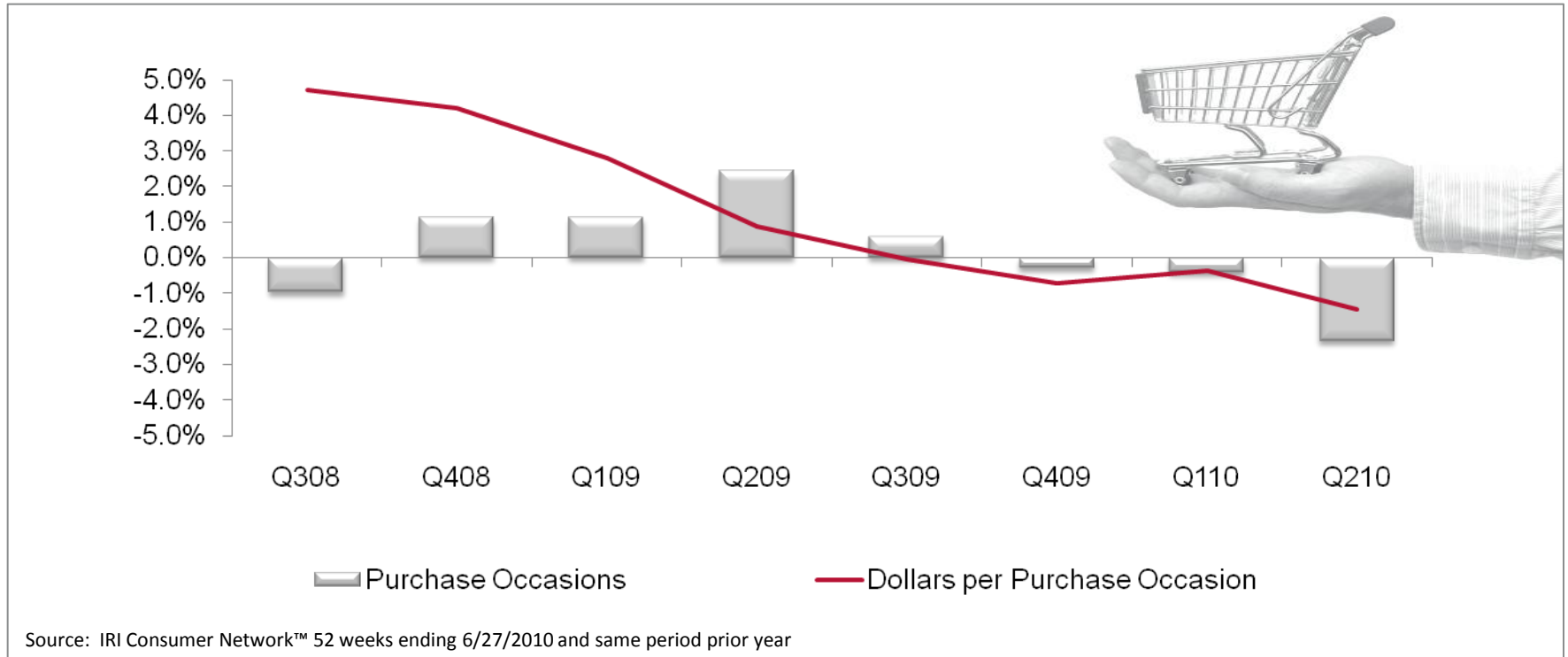
Supercenter & Dollar Channel Penetration Point Gains Among Heavy Channel Shoppers

Channel	2010 Penetration	Point Change vs 2009
Grocery	98.4%	(0.2)
Supercenter	69.5%	+1.9
Mass	71.6%	(2.3)
Club	50.0%	0.0
Drug	77.0%	(0.5)
Dollar	57.9%	+0.5
Convenience	29.2%	(1.9)

Source: SymphonyIRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

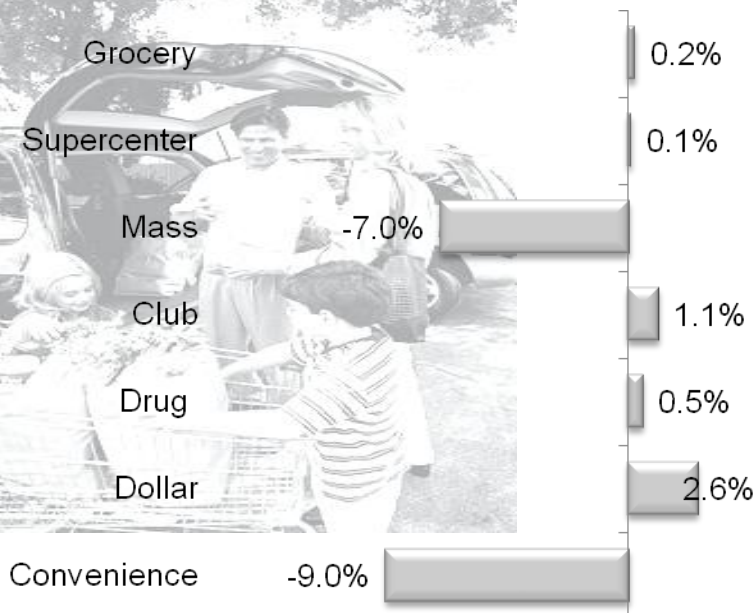
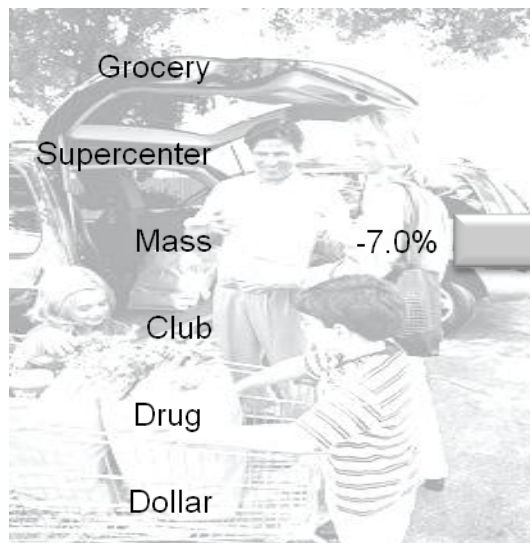
CPG Shopping Trends % Households Buying by Channel

Trip frequency has been in a slow decline throughout the past year, and average basket size is also slipping.

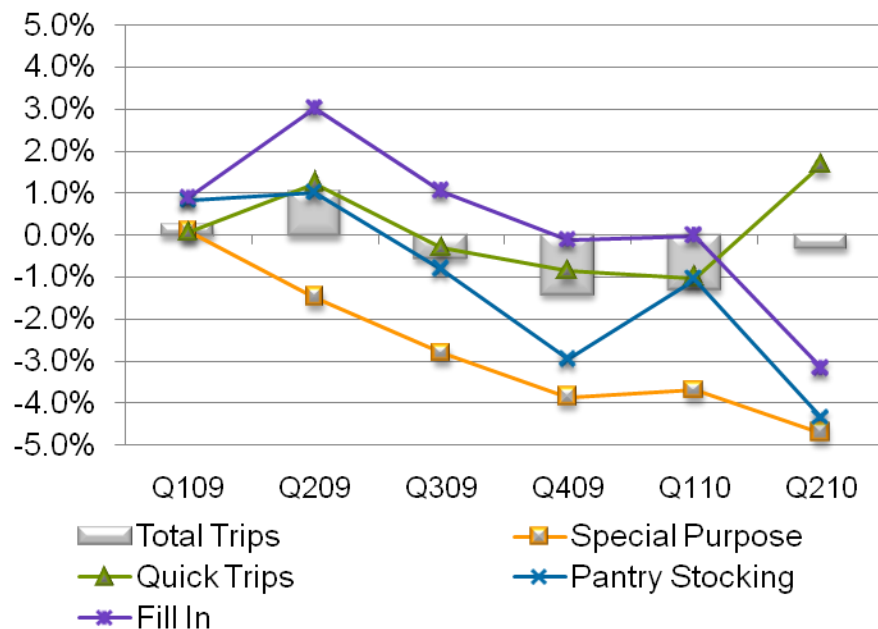


Average Purchase Occasions per Household & Average Dollars per Purchase Occasion
All Outlet % Change vs Prior Year

Drug and club stores have seen trip frequency pick up during the past year; quick trip behavior has escalated in the past year, while trips across other missions have declined.



Source: SymphonyIRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

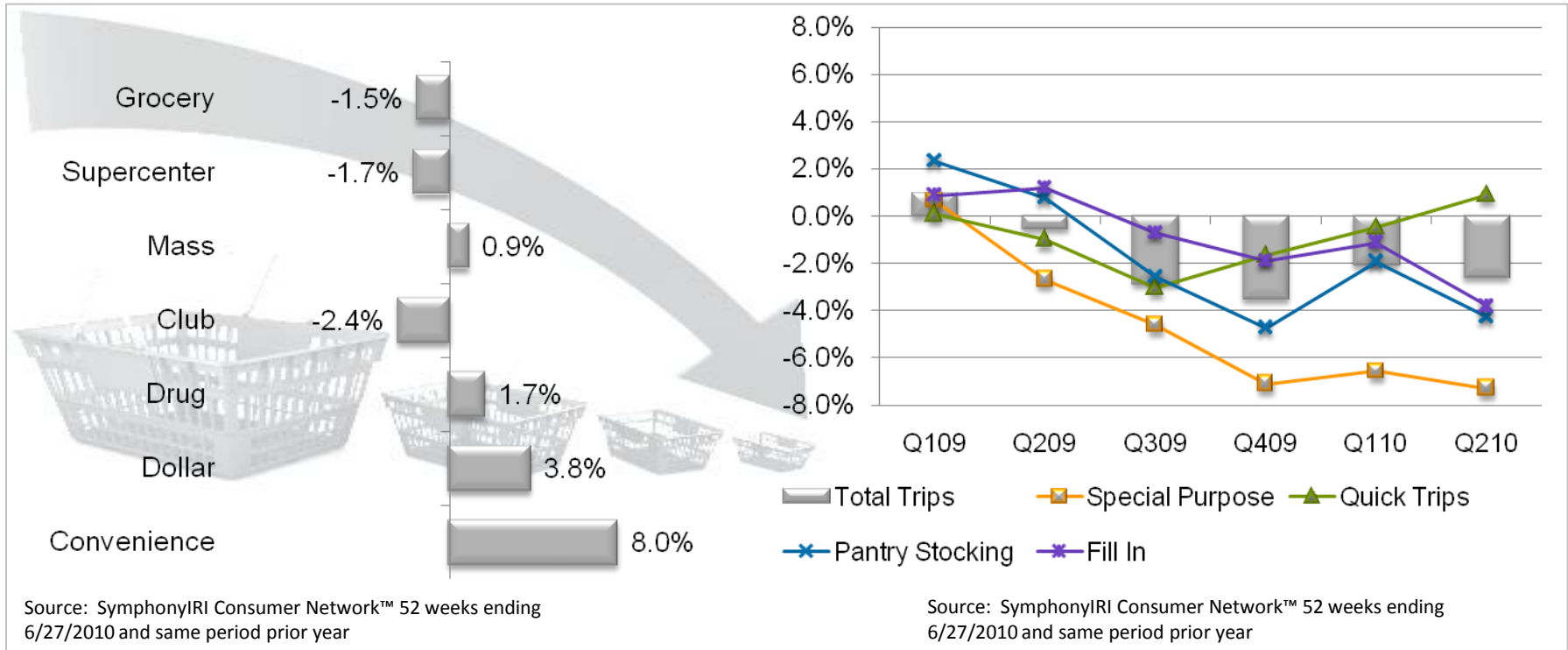


Source: SymphonyIRI Consumer Network™ 52 weeks ending 6/27/2010 and same period prior year

2010 Average Purchase Occasions per Household % Change vs Prior Year

Retailer Trips by Trip Mission % Change vs Prior Year

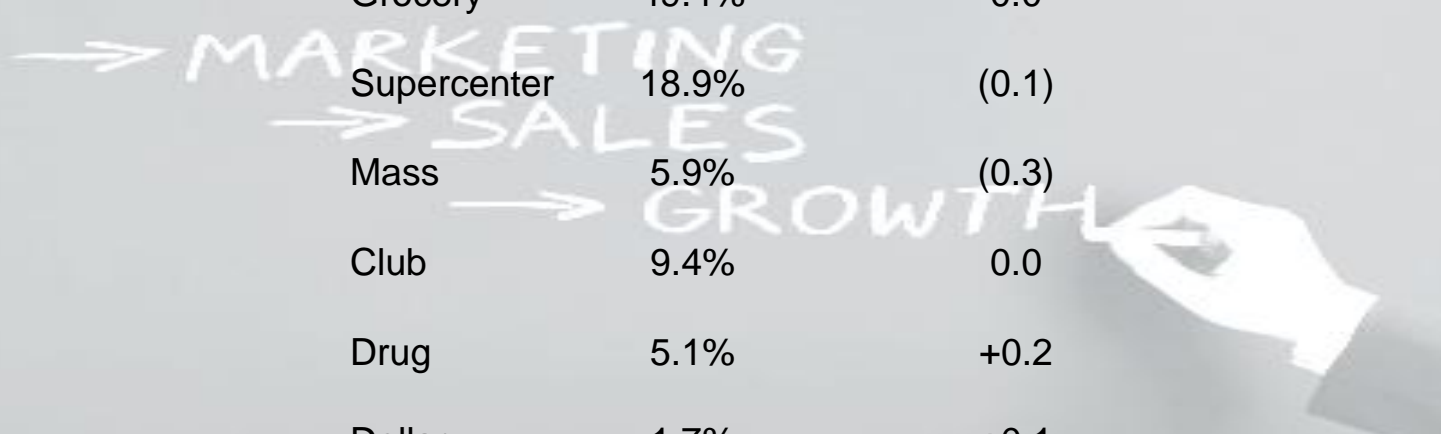
Average basket size in grocery, supercenter and club channels has declined during the course of the past year.



2010 Average CPG Dollar Sales per Purchase Occasion
% Change vs Prior Year

Basket Size by Trip Mission
% Change vs Prior Year

In the past year, drug channel share of CPG sales climbed slightly to 5.1%.



<u>Channel</u>	<u>2010 Share</u>	<u>Point Change vs 2009</u>
Grocery	49.4%	0.0
Supercenter	18.9%	(0.1)
Mass	5.9%	(0.3)
Club	9.4%	0.0
Drug	5.1%	+0.2
Dollar	1.7%	+0.1

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

*Note: Convenience channel excluded as data not fully representative; share will not total to 100% as not all channels are highlighted

CPG Dollar Share by Channel*

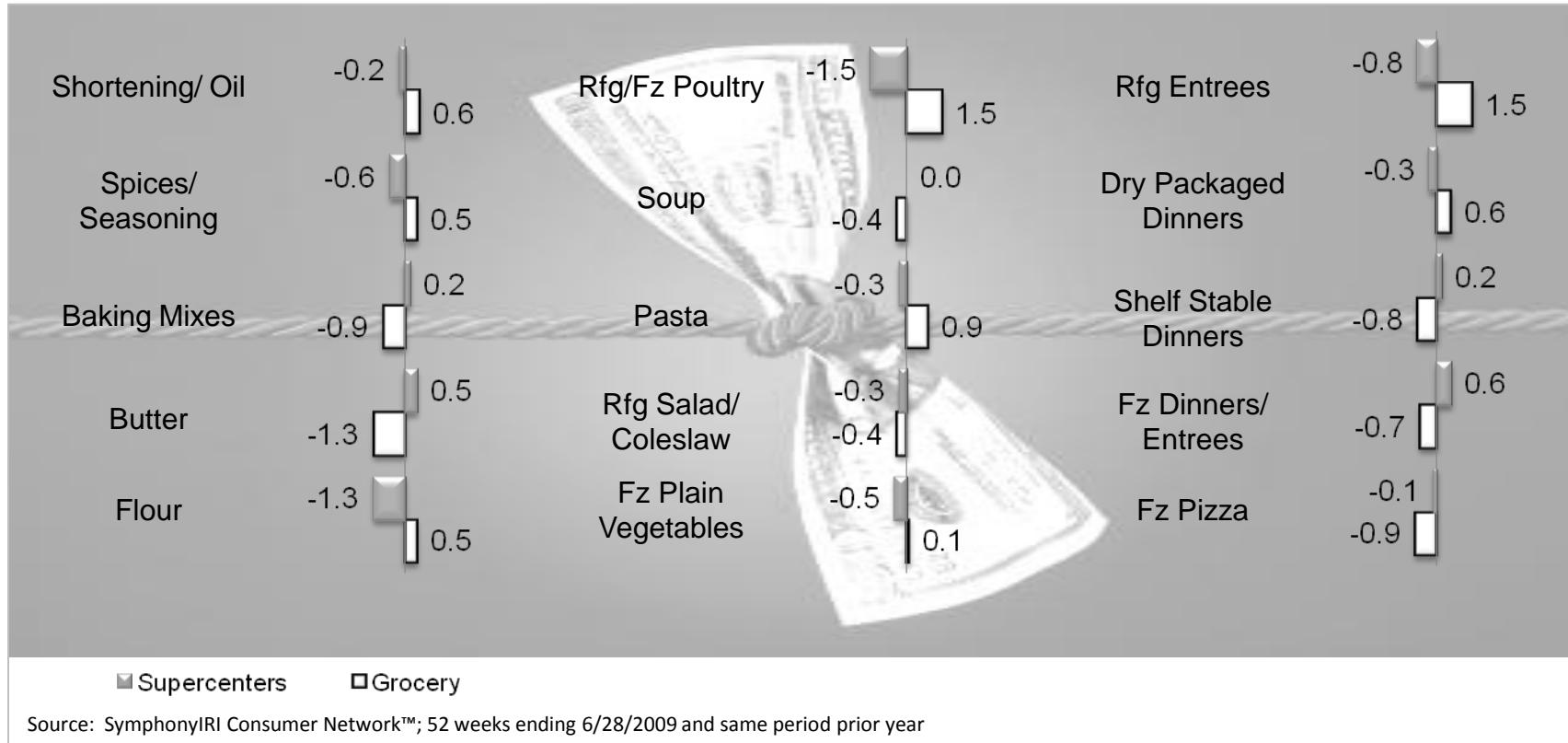
The supercenter channel saw flat-to-negative share trends in the past year across most CPG departments.

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar
Beauty/ Personal Care	+0.1	+0.9	(1.2)	+0.2	(0.5)	+0.2
Center Store	+0.1	+0.1	(0.3)	(0.1)	0.0	+0.1
Fresh/ Perishable	+0.2	0.0	+0.1	(0.2)	(0.2)	0.0
Frozen Foods	(0.4)	0.0	+0.3	0.0	+0.1	+0.1
General Merchandise	+0.7	(0.2)	(0.5)	0.0	(0.6)	+0.2
Healthcare	+0.1	+0.2	(1.2)	(0.3)	+1.5	+0.1

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Dollar Share Point Change by Department 2010 v 2009

Grocery and supercenter retailers remain entrenched in a fierce battle for share of meal-related spending.



Meal Ingredients:
Dollar Share Shift Point
Change 2010 v 2009

Meal Components:
Dollar Share Shift Point
Change 2010 v 2009

Convenience Meals:
Dollar Share Shift Point
Change 2010 v 2009

The drug channel continues to demonstrate positive momentum across key healthcare categories, but competing retailers have scored some key share wins.

	Grocery	Drug	Supercenter	Club
Cold/Allergy/Sinus Tablets	+0.2	+0.7	+0.1	+0.1
First Aid Accessories	(0.1)	+2.4	(1.1)	+0.3
First Aid Treatment	+0.1	+1.1	(0.4)	(0.4)
Gastrointestinal Liquid	(0.8)	+3.2	(2.0)	+1.7
Gastrointestinal Tablets	(0.4)	+1.8	+0.2	+0.5
Home Health Care/Kits	(0.6)	+1.3	+0.7	+0.3
Internal Analgesics	+0.8	(1.0)	(0.1)	+0.8
Nasal Products	(0.8)	(1.5)	+0.1	(0.1)
Vitamins	(0.6)	(0.7)	+0.1	+3.1
Weight Cntrl/Nutr Liq/Pwd	+2.3	+0.4	(1.7)	+1.3

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

**Key Healthcare Categories: Dollar Share
Point Change
2010 v 2009**

The battle for share of beauty and personal care spending is intensifying as CPG marketers race to arm consumer with the tools they need to minimize beauty and personal care cost without sacrificing results.

	Grocery	Drug	Supercenter	Club
Blades	(0.7)	+1.6	+0.7	(0.7)
Deodorant	+0.7	+0.1	(0.5)	0.1
Diapers	(0.8)	+2.1	(1.3)	(0.8)
Hair Conditioner	+0.6	+0.1	+1.1	(0.6)
Sanitary Napkins/Tampons	(0.9)	+1.6	+0.2	+0.2
Shampoo	+0.9	(0.4)	+0.9	(0.5)
Skin Care	+1.1	(2.3)	+0.4	(0.6)
Soap	(0.7)	+4.2	(0.4)	(0.3)
Toothbrush/Dental Acc.	+1.3	+2.5	0.7	(3.4)
Toothpaste	(0.1)	(0.4)	+0.2	+1.0

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Key Beauty/Personal Care Categories: Dollar Share Point Change
2010 v 2009

Grocers have captured increased share within the general merchandise department, driven in part by share gains across key household care categories.

	Grocery	Supercenter	Club	Dollar
Toilet Tissue	+0.3	+0.2	0.0	+0.2
Laundry Detergent	+1.4	(0.6)	(0.6)	+0.1
Paper Towels	+0.7	+0.4	(0.6)	+0.2
Food & Trash Bags	+2.2	(0.9)	(0.8)	+0.4
Household Cleaners	+0.4	(0.2)	(0.4)	+0.6

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Key Household Care Categories: Dollar Share Point Change
2010 v 2009

Channel behavior across key consumer segments did not change drastically in the past year; rather, it was marked by important nuances evidenced across CPG channels.

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar
Under \$35K	(0.1)	+0.2	(0.4)	(0.2)	+0.3	+0.2
\$35-\$60K	(0.1)	+0.1	(0.4)	0.1	0.0	+0.1
\$60-\$100K	(0.1)	+0.3	(0.2)	0.0	0.0	+0.1
Over \$100K	+0.4	(0.2)	(0.3)	(0.4)	(0.3)	+0.1
Hispanic	(0.4)	+0.3	(0.6)	+0.6	(0.6)	+0.1
Households with Children	+0.3	+0.3	(0.4)	(0.5)	(0.1)	+0.2
Boomers	(0.1)	+0.2	(0.4)	(0.2)	(0.3)	+0.2

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Dollar Share Point Change by Consumer Segment 2010 v 2009

Drug, club and dollar retailers are successfully holding on to their most important shoppers; drug and dollar retailers are seeing fairly strong growth across this important consumer segment.

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar
Heavy Grocery	(0.1)	+0.3	(0.5)	+0.5	(0.2)	+0.1
Heavy Drug	(0.2)	+0.5	(0.3)	(0.2)	+0.1	+0.1
Heavy Mass	(0.7)	+0.3	(0.1)	+0.6	(0.3)	+0.1
Heavy Supercenter	+0.7	0.0	0.0	(1.3)	+0.5	+0.1
Heavy Club	(0.7)	+0.1	(0.4)	+0.6	+0.2	+0.1
Heavy Dollar	+0.5	+0.1	(0.6)	(0.6)	0.0	+0.5

Source: SymphonyIRI Consumer Network™; 52 weeks ending 6/27/2010 and same period prior year

Dollar Share Point Change by Heavy Shopper Segment 2010 v 2009

Conclusions: Manufacturers

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

- Benchmark channel share shifts among your brands versus total category and key competitors to identify existing and emerging distribution opportunities
- Conduct monthly analyses of share shifts across core and target consumer segments
- Track shifts in trip mix by channel and account

Align distribution, marketing and merchandising strategies with channel migration patterns

- Re-assess and re-align distribution strategies to capitalize on emerging changes in consumer shopping patterns across channels
- Closely monitor distribution and merchandising strategies to ensure consistent alignment with trip mix by channel/account
- Collaborate with key retailer partners in the development and execution of marketing and merchandising plans to capture share from competing channels

Protect and grow share among top shoppers

- Partner with key retailer accounts to offer programs that reward top shoppers and build category sales
- Work to secure optimal shelf space and placement by demonstrating category/brand value in basket building

Conclusions: Retailers

Identify new growth opportunities and risks through ongoing channel migration tracking

- Benchmark cross-channel share shifts among your stores versus total channel and key competitors to identify competitive opportunities and threats
- Conduct monthly analyses of channel share shifts across your brands versus total category and key competitors
- Monitor share shifts at the market level and across key shopper segments

Align competitive, marketing and merchandising strategies with channel migration patterns

- Re-assess and re-align merchandising and assortment strategies to capitalize on emerging changes in consumer shopping patterns across channels
- Closely monitor marketing and merchandising strategies to ensure consistent alignment with primary/targeted trip missions
- Implement cross-channel competitive strategies, versioning at the market level

Protect and grow share among top shoppers

- Align marketing, promotion and assortment strategies with trip missions at the market/store level
- Partner with manufacturers in the development of targeted marketing and merchandising programs