The CPG Basket:

Fostering Growth in a Time of Conservation

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Insight.
Innovation.
Impact.

Times & Trends

December 2011

Executive Summary

INSIGHT

- Quick trips captured an increased share of CPG spending during the past three years, largely at the expense of pantry stock-up missions; pantry stock-up missions have shown some signs of gaining traction during the past year
- Escalating food and fuel prices and intense budgetary pressures are key drivers of CPG trip mission trends
- Inflationary CPG trends are the key drivers of increases in average basket size across quick trip, pantry stock-up and fill-in missions

ACTION

- Assess the risk versus reward equation associated with establishing a product assortment specialized against the quick trip, pantry stock-up, or other single trip mission
- Step up frequency and granularity of consumer and market assessment in order to anticipate and proactively address changes in trip mission rituals
- Understand price elasticity of demand across your key categories/brands and frequently re-evaluate everyday and promotional pricing strategies to ensure alignment against the needs of key and target shoppers

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Executive Summary

INSIGHT

- Drug and dollar channels dominate fill-in missions, while grocery, super and club see the heaviest activity from pantry stock-up missions

- Consumers on the lookout for opportunities to reduce overall CPG spending are embracing a variety of strategies, including the elimination of “non-essentials” and a reduction in overall variety of products purchased

ACTION

- Continually evaluate trip mission, distribution and assortment strategies against changing market dynamics and consumer behaviors; consider risk versus reward of implementing region and/or market-level strategies

- Cross-promotion and cross-merchandising, with targeted messaging and a focus on affordability and value, will drive purchase of discretionary items among key consumer segments

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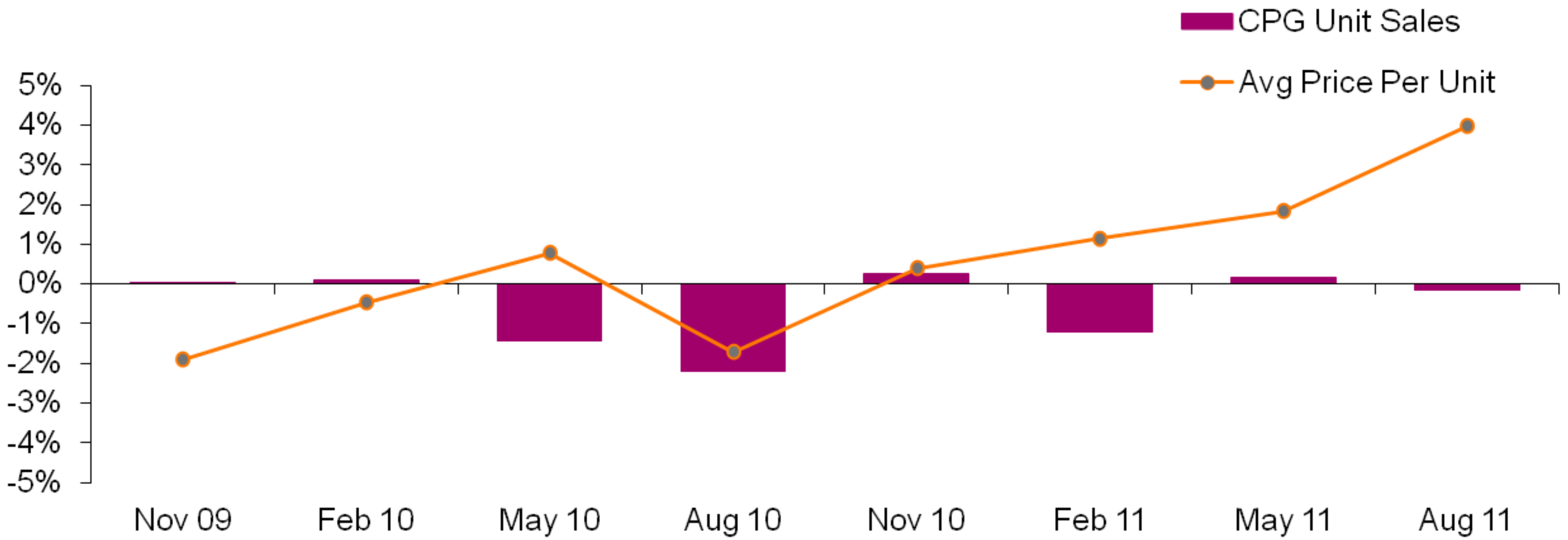
CPG unit sales were flat to negative throughout much of 2010 and into 2011, but appear to have stabilized during the past six months despite escalating gas and CPG prices.

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



Avg Gas Price % Chg vs YA	22.6%	36.7%	24.8%	4.2%	7.6%	20.9%	37.0%	32.8%

Source: SymphonyIRI Consumer Network™ 13 Weeks Ended 8/21/2011 and preceding 13 Week periods; Energy Information Administration

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Trip mix has shifted during the course of the economic downturn, but pantry stock-up and quick trips together still account for about two-thirds of CPG trips and 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	56%	24%
Special Purpose	2-10	$20-$50	Buying for a specific event (not routine)	16%	18%
Fill In	5-15	$30-$80	Routine fill-in for heavy use categories	14%	19%
Pantry Stocking	15+	$50+	Prepare for the coming week	13%	39%

Source: SymphonyIRI Trip Typology, SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011

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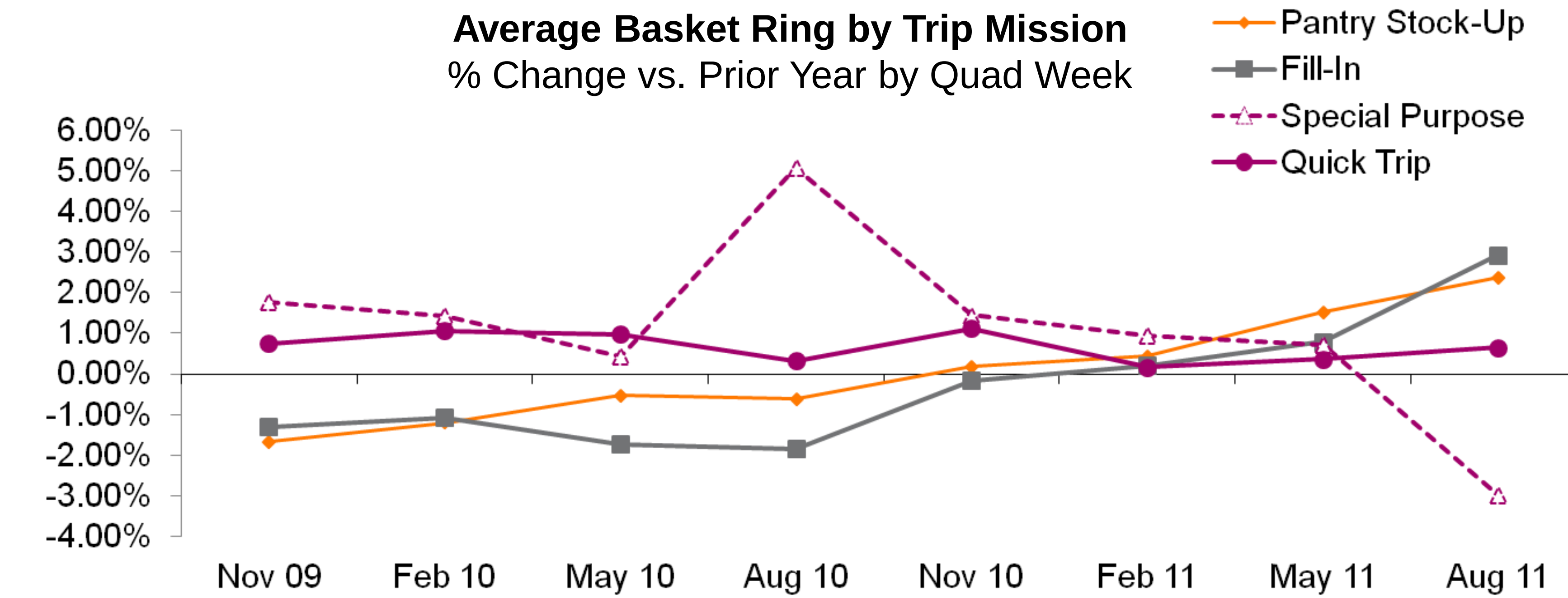
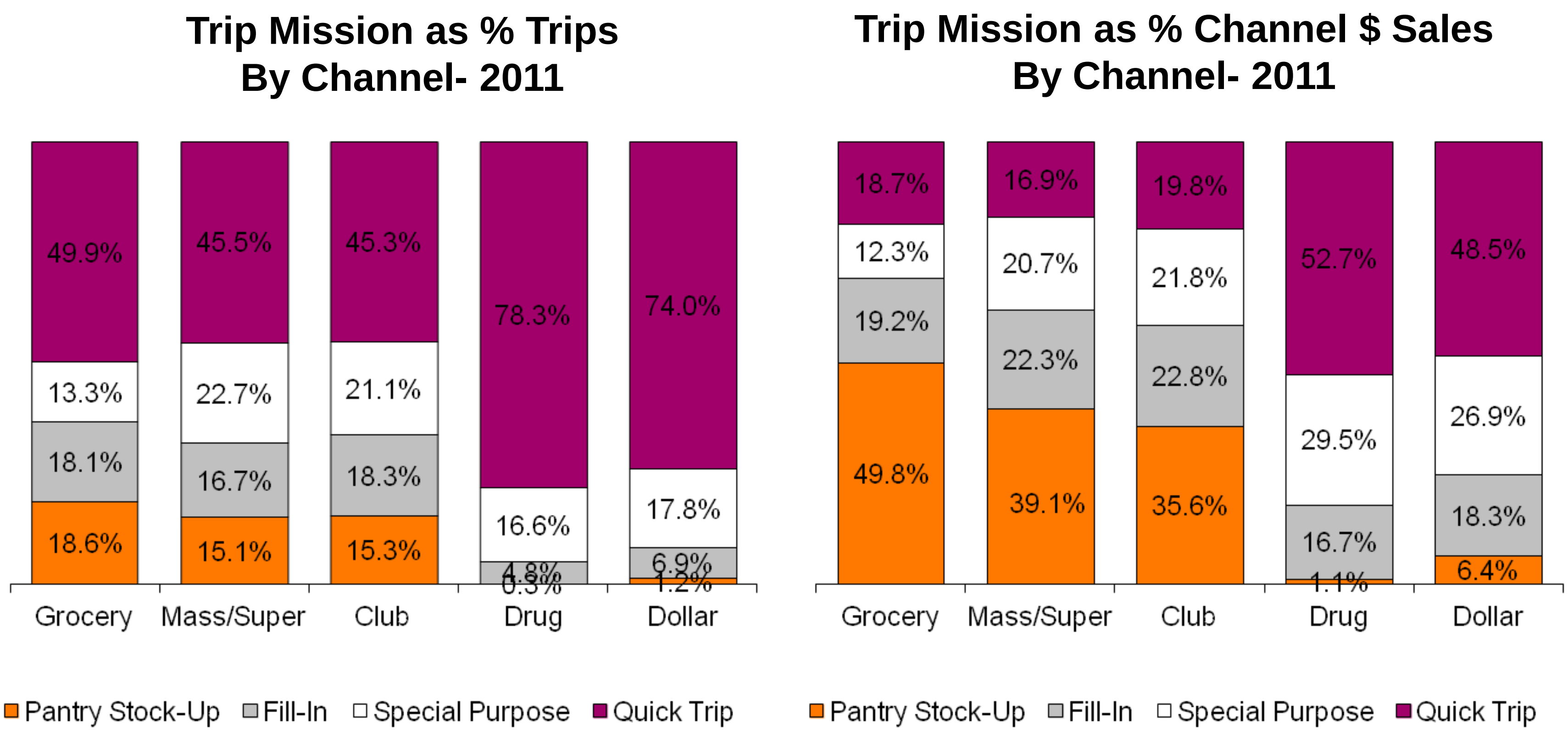
Increases in average basket size, evidenced most predominantly across pantry stock-up and fill-in trips, are reflective of inflationary CPG pricing trends.



	Nov 09	Feb 10	May 10	Aug 10	Nov 10	Feb 11	May 11	Aug 11
Avg. Price per Unit % Chg vs YA	(1.9%)	(0.5%)	+0.8%	(1.7%)	+0.4%	+1.1%	+1.8%	+4.0%
Unit Sales % Chg vs YA	0.0%	+0.1%	(1.4%)	(2.2%)	+0.3%	(1.2%)	+0.1%	(0.2%)

Source: SymphonyIRI Consumer Network™ 13 Weeks Ended 8/21/2011 and preceding 13 Week periods

Drug and dollar channels dominate fill in missions, while grocery, super and club see the heaviest activity from pantry stock-up missions.



Source: SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011; U.S. Department of Energy

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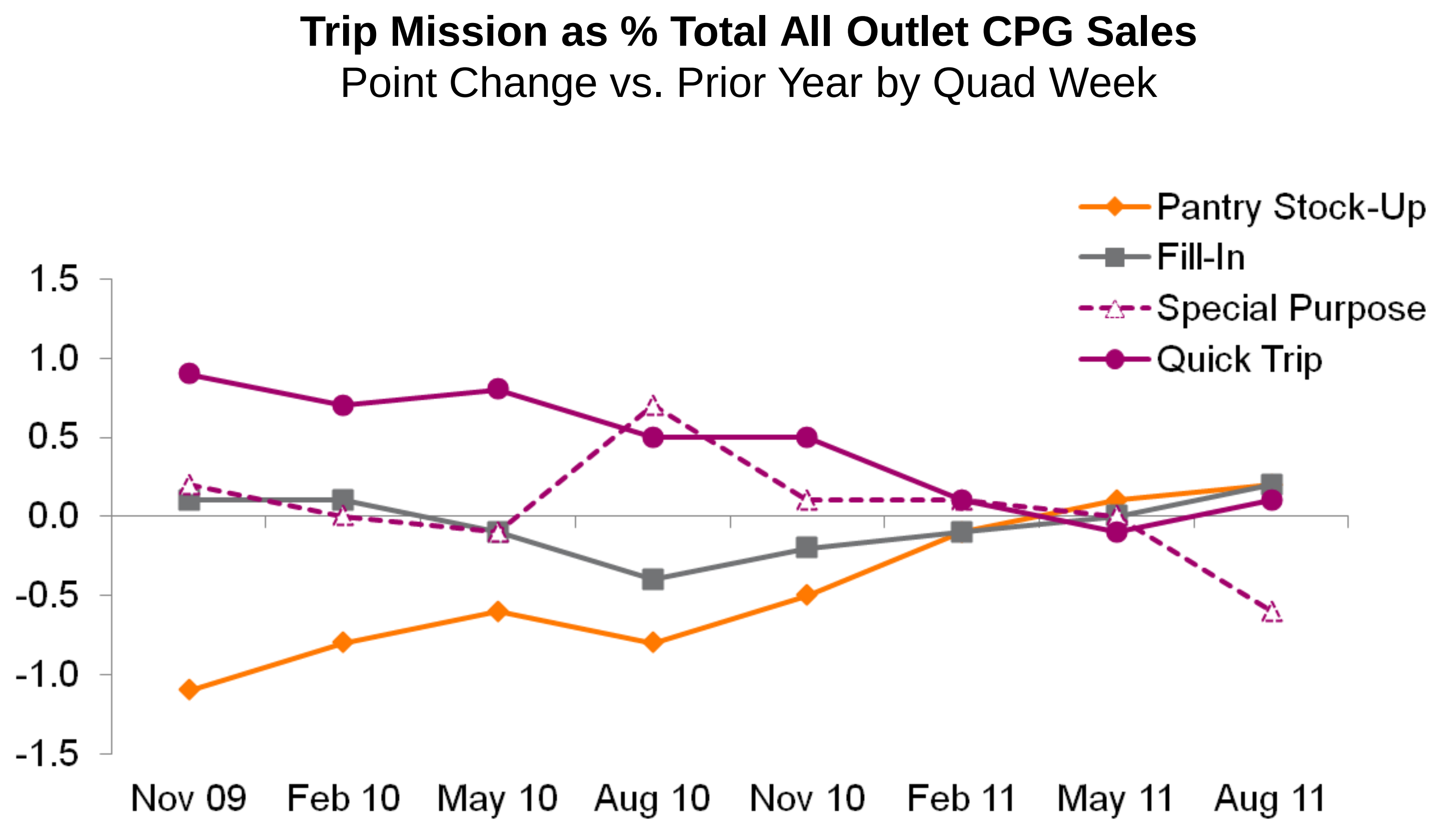
Pantry stock-up and quick trip missions have displayed an inverse relationship vis-à-vis share of CPG sales during the past two years.



Source: SymphonyIRI Consumer Network™ 13 Weeks Ended 8/21/2011 and preceding 13 Week periods

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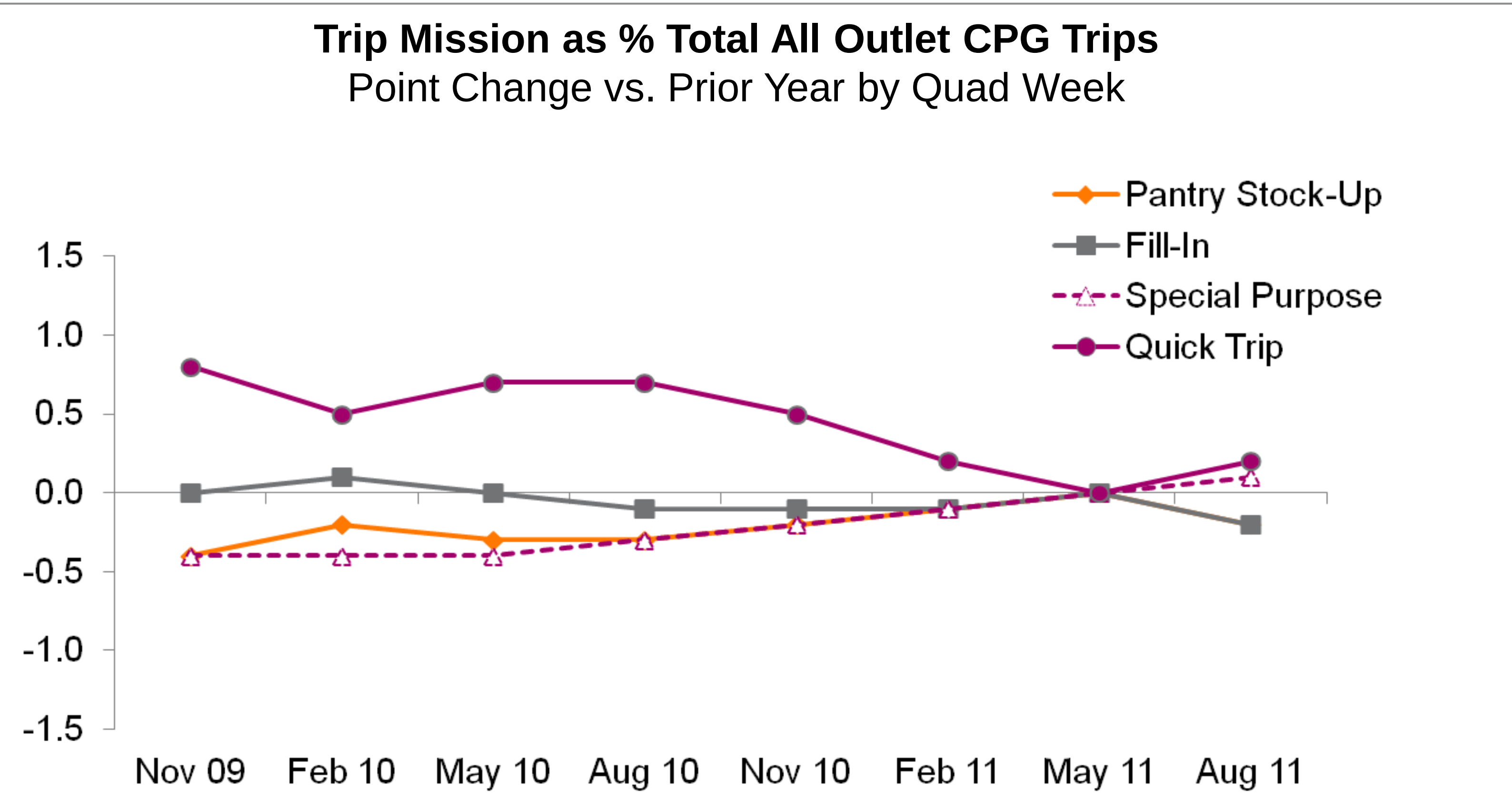
Quick trip share of visits was climbing at the end of 2009, but share growth slowed in 2010 and into 2011 as other trip missions began to gain some momentum.



Source: SymphonyIRI Consumer Network™ 13 Weeks Ended 8/21/2011 and preceding 13 Week periods

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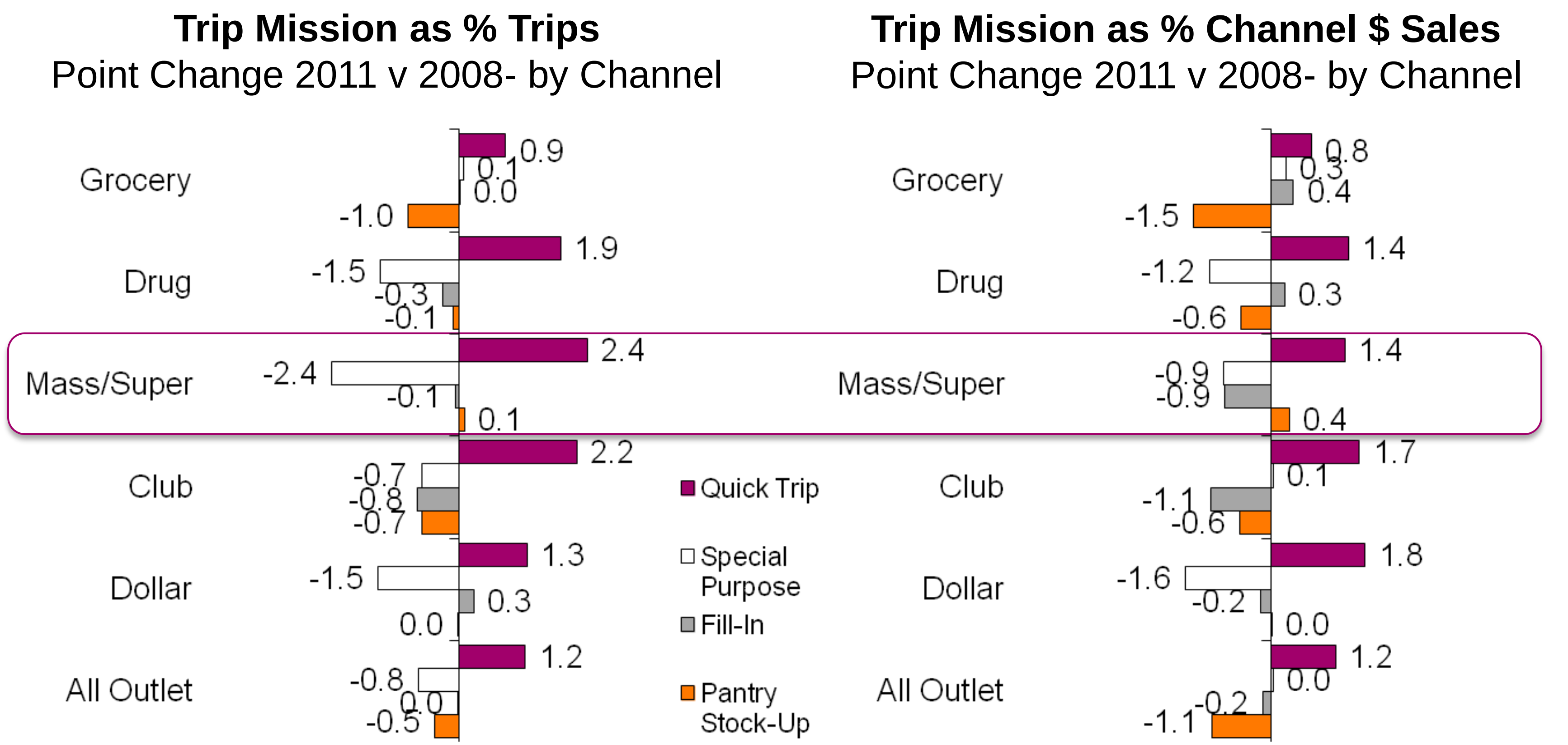
Though traction has eased in recent quarters, quick trip share of total trips and CPG spending increased across all measured CPG channels between 2008 and 2011; in some instances, gains are rather substantial.



Source: SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011 versus same period 2008

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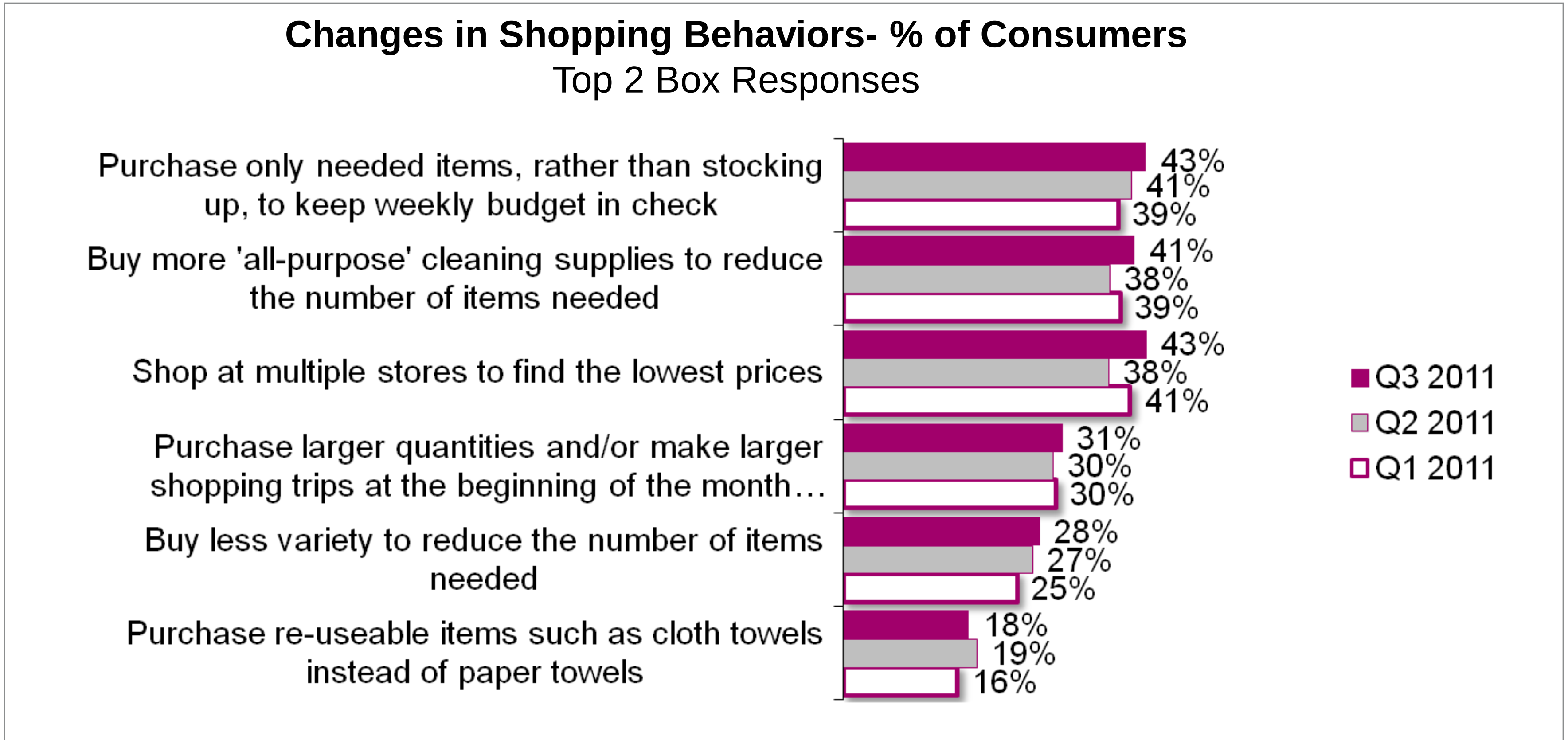
Consumers are embracing a variety of shopping strategies aimed at streamlining CPG purchases and keeping weekly grocery budgets in check.



Source: SymphonyIRI MarketPulse Survey January 2011, June 2011 & September 2011

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Quick trip missions are capturing share of spending across a majority of channels and income segments, but growth is strongest across middle and upper income brackets.

Pantry Stock-Up and Quick Trip Missions as % $ Sales
Point Change 2011 versus 2008- by Channel & Income Segment

	Grocery		Drug		Mass/Super		Club		Dollar	
	Pantry Stock-Up	Quick Trip	Pantry Stock-Up	Quick Trip	Pantry Stock-Up	Quick Trip	Pantry Stock-Up	Quick Trip	Pantry Stock-Up	Quick Trip
Total Panel	(1.5)	+0.8	(0.6)	+1.5	+0.4	+1.4	(0.6)	+1.7	0.0	+1.8
Getting By	(0.5)	+0.1	(0.3)	+0.9	+2.0	+0.5	+3.0	(0.4)	(0.1)	+0.9
Living Comfortably	(1.9)	+0.9	(0.6)	+2.8	(0.6)	+2.0	(1.7)	+2.3	+0.5	+1.3
Doing Well	(1.7)	+0.9	(0.7)	+1.4	(0.1)	+1.6	(1.0)	+1.9	0.0	+3.3

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 - $59.9K

Doing Well
- One member households, income $35K+
- Two or more member households, income $60K+

Source: SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011 versus same period 2008

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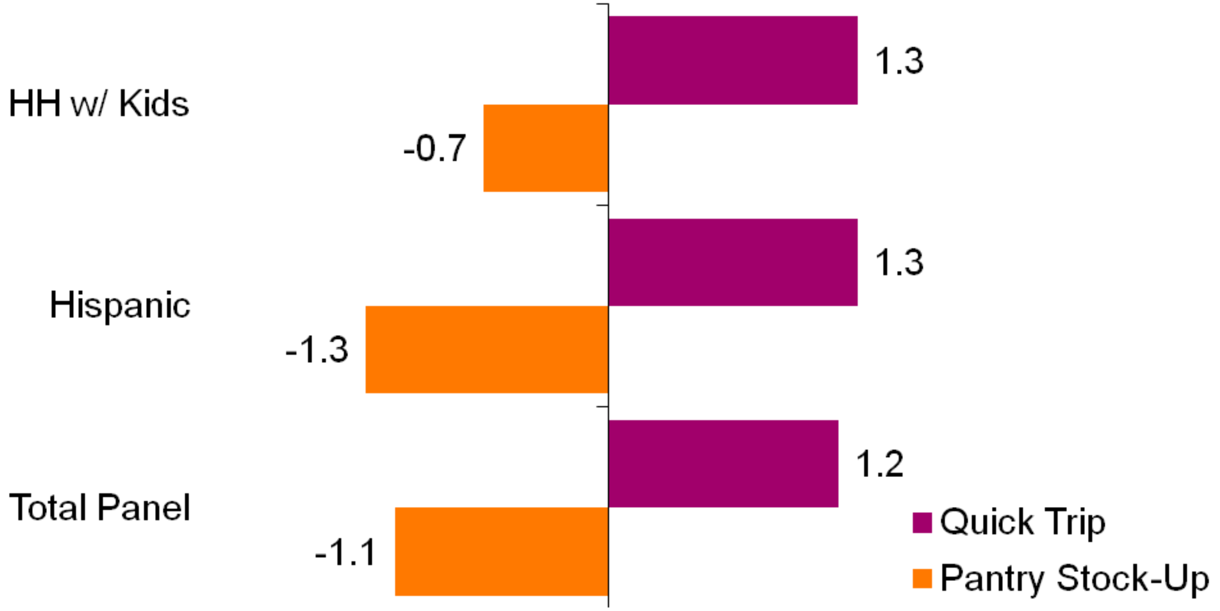
Quick trip share of spending has increased across Hispanic households and households with children, largely at the expense of pantry stock-up share, during the past three years.

Pantry Stock-Up & Quick Trip Missions as % $ Sales

Point Change 2011 versus 2008- All Outlet by Consumer Segment



Source: SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011 versus same period 2008

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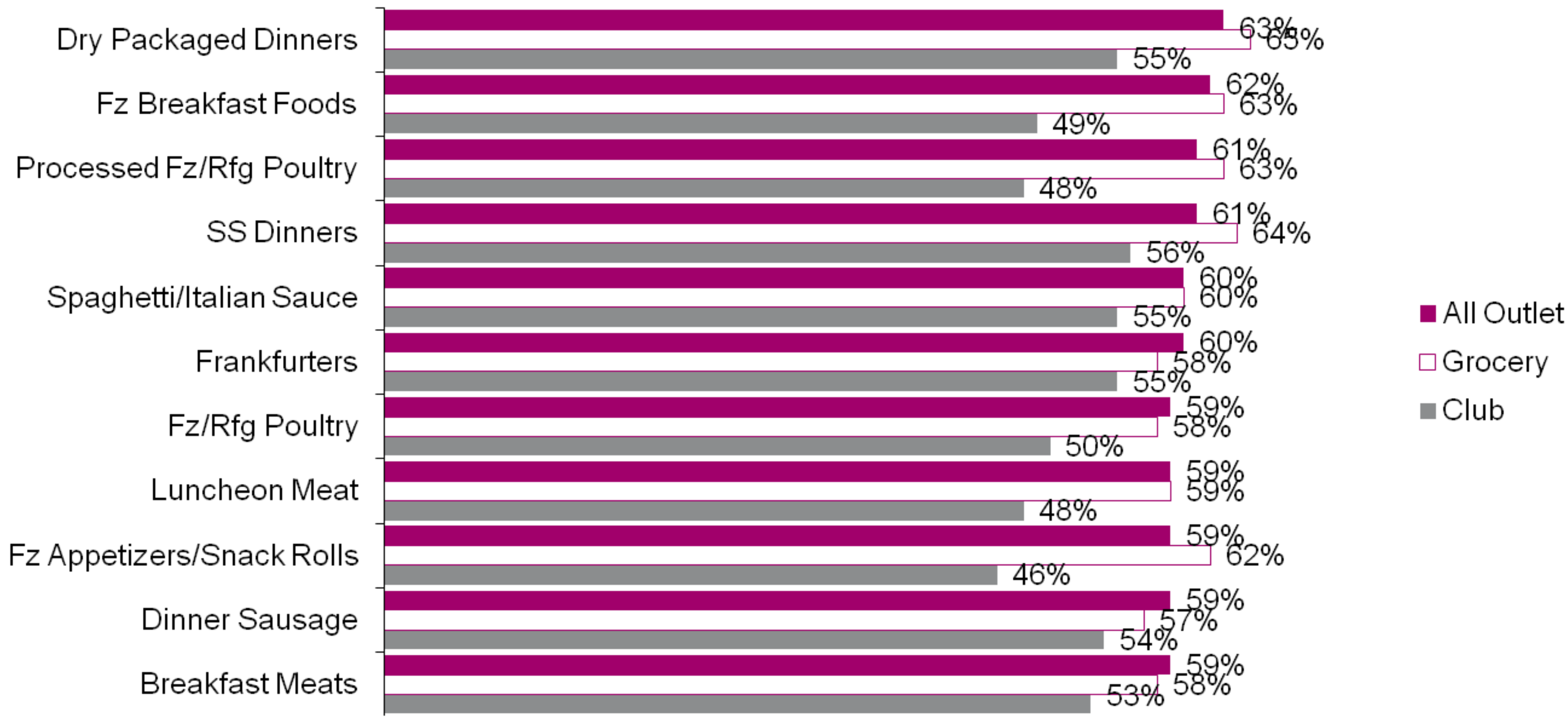
As the primary pantry stock-up channel, it is not surprising to see that pantry stock-up share of dollar sales in grocery is higher than all outlet average in a majority of these categories.

Categories with Highest Share of Sales Made During Pantry Stock-up Trips

Among the 50 Largest Pantry Stock-up Categories*

By Channel



* Based on all outlet pantry stock-up dollar sales.
Source: SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011 versus same period 2008

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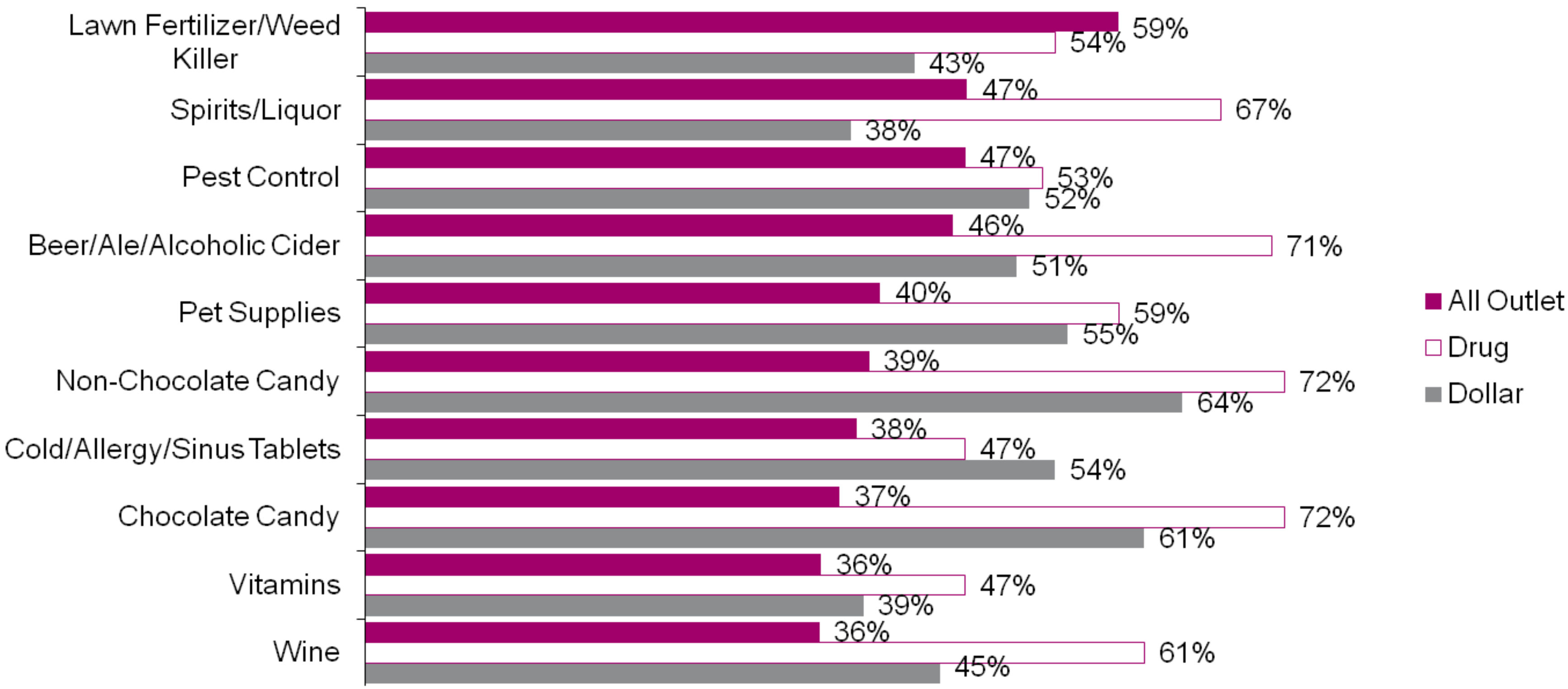
Drug and dollar stores are strong performers vis-à-vis share of quick trip spending across key mission categories, but battle for share is intense and may increase as other channels step up their focus on competing in the close-to-home marketplace.

Categories with Highest Share of Sales Made During Quick Trips

Among the 50 Largest Quick Trip Categories*

By Channel



* Based on all outlet quick trip dollar sales.

Source: SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011 versus same period 2008

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Conclusions: Manufacturers

- **Trip Management :** Segment consumers by trip type and determine optimal channel targeting by trip and channel using analytical tools to stem leakage and gain opportunities at the store level.
- **Conduct Opportunity Analysis at the Store Level:** Leverage POS store level data to best understand missed sales opportunities at a store level and determine the right mix of SKU's for that store and channel.
- **Packaging**: Refocus packaging by channel and trip type. Continue to focus of growing club sizes for replenishment as well as special pack sizes and single serve sizing for quick trips and convenience. Test for new package effectiveness prior to launch.
- **Channel Growth**: Develop greater understanding of Dollar and Drug consumer and re-focus on achieving greater penetration in these growing channels with value-based product offerings at a lower price points to improve penetration of these channels.
- **Assortments**: Understand which shelf sets optimize performance by channel for your category and brand. Test and analyze at store level with frequency to determine optimal usage of shelf space.
- **Pricing**: Work with retailers to manage pricing optimally by channel. Specific actions could include managing price gaps with private label, optimal price gap thresholds between competitive brands, timing and extent of promotions.

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Conclusions: Retailers

- **Trip Management :** Segment consumers at the market or store level to understand prevailing trip type strategies to determine how to attract and retain key and target shopper segments.
- **Conduct Opportunity Analysis at the Store Level:** Examine shelf set by store and by consumer segment and tailor assortment accordingly.
- **Channel Growth**: Develop greater understanding of key product categories within your channel versus competing channels based upon key and target trip missions.
- **Assortments**: Understand which shelf sets optimize performance by channel. Test and analyze at store level with frequency to determine optimal usage of shelf space.
- **Pricing**: Manage price gap of private label offerings versus nationally-branded competitors. Work with manufacturers to optimize price gap thresholds between competitive national brands, as well as timing and extent of promotions.

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