



CPG Year in Review:

Out of Turmoil Rises Opportunity

Times & Trends
February 2011


SymphonyIRIGroup

Insight.
Innovation.
Impact.

Executive Summary

INSIGHT

- ❑ Though the economy remains difficult and consumers are quite guarded in their attitudes and behaviors vis-à-vis grocery shopping, the CPG industry showed signs of rebound in 2010, with gains coming across a range of channels, departments and categories
- ❑ The drug channel demonstrated strong performance across a majority of CPG departments in 2010; while noteworthy gains were achieved in food and beverage related departments, the beauty and personal care department did not fare as well
- ❑ Several CPG categories experienced healthy growth in 2010, driven largely by new product introductions

ACTION

- ❑ Leverage frequent and granular shopper insight and market analyses to uncover economic shifts at the most granular level, as well as the associated impact of these shifts on consumer attitudes and behaviors
- ❑ Re-assess channel and retailer-level share shifts to ensure assortment, inventory levels and distribution strategies are reflective of current and evolving trends
- ❑ Look across all CPG departments and categories for new technologies, ingredients, and concepts, and continually assess feasibility of integrating these features into key products and/or brands

Executive Summary

INSIGHT

- ❑ Private label performance in 2010 was mixed, with overall share sliding 0.5 unit share points for the year; channel, department and category-level performance varied rather significantly during this timeframe
- ❑ In 2011, CPG marketers will find opportunity to grow in serving consumers' conservative rituals and in partnering with consumers on their quest to achieve and maintain a heightened state of health and wellness

ACTION

- ❑ Continually monitor private label performance across key channels, retailers, and categories to identify opportunities to protect and grow share across your own national or private label categories, products, and brands
- ❑ Invest to understand the needs and wants of key and target shoppers at the individual household and store level; use this intimate knowledge as the foundation for all new product development and go-to-market strategies

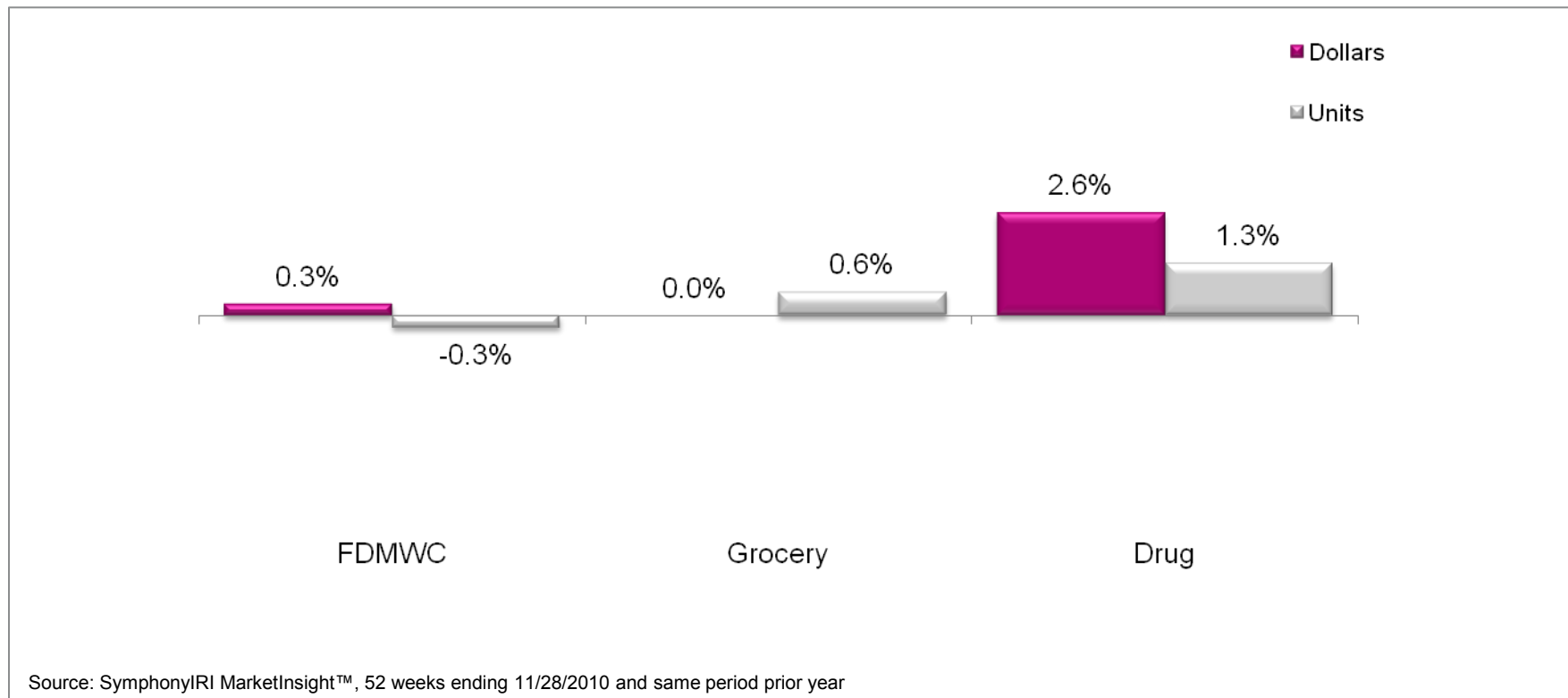
Several key factors indicate that the economy has improved during the past year, but difficult conditions will persist throughout 2011.

Economic Measure	2008	2009	2010	2011p
GDP (% chg)	2.2%	-1.7%	3.8%	4.7%
Unemployment (% , SA)	5.8	9.3	9.6	9.5
Consumer Price Inflation (% Chg)	3.8%	-0.3%	1.6%	1.5%
Retail Sales (% Chg)	-1.0%	-6.3%	6.5%	6.4%
Residential Permits, Total (Mil)	3.6	2.3	2.4	3.7

Source: Moody's Economy January 2011

Economic Snapshot
2008-2011p

At a high level, the CPG industry posted a rather flat year in 2010, and some channels are showing signs of increased traction.



CPG Industry Sales, % Change versus Year Ago
Grocery, Drug, Mass & Convenience (including Walmart) and By Channel
2010 vs 2009

Grocery share of spending remained unchanged between 2009 and 2010, but competition for share of food and beverage spending is quickly intensifying.

	Channel Share	Share Point Change	
	<u>2010</u>	<u>2010 v 2009</u>	<u>2008 v 2007</u>
Grocery	49.4%	+0.0	(0.5)
Drug	11.0%	+1.1	+0.3
Mass Merchandise	5.8%	(0.2)	(0.6)
Supercenter	18.6%	(0.2)	+0.7
Club	9.4%	0.0	+0.4
Dollar	1.7%	+0.1	+0.1
Convenience	1.3%	0.0	(0.1)
Walmart**	20.0%	(0.6)	+0.3

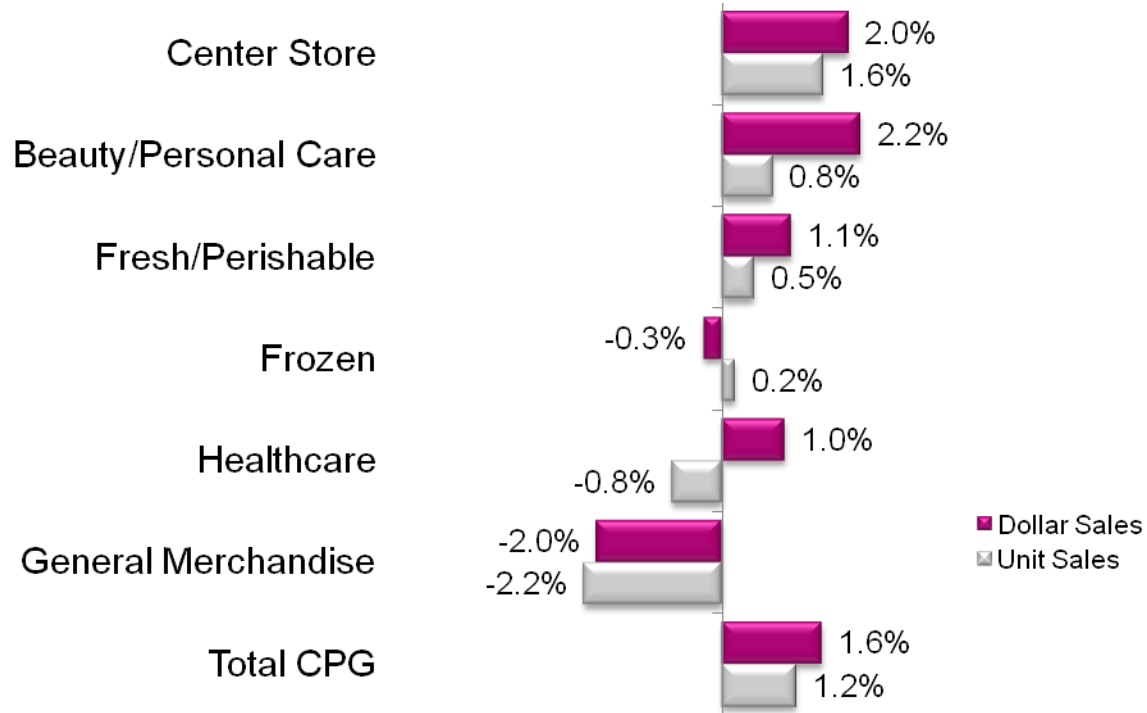
Source: SymphonyIRI Consumer Network™, 52 weeks ended 12/19/2010 and same period prior year

* Across SymphonyIRI InfoScan® Reviews Categories ** Walmart, including Neighborhood Markets

Note: Share will not total to 100% due to inclusion of Walmart within Mass and Supercenter channels in addition to separate breakout

All Outlet CPG* Dollar Share Shifts

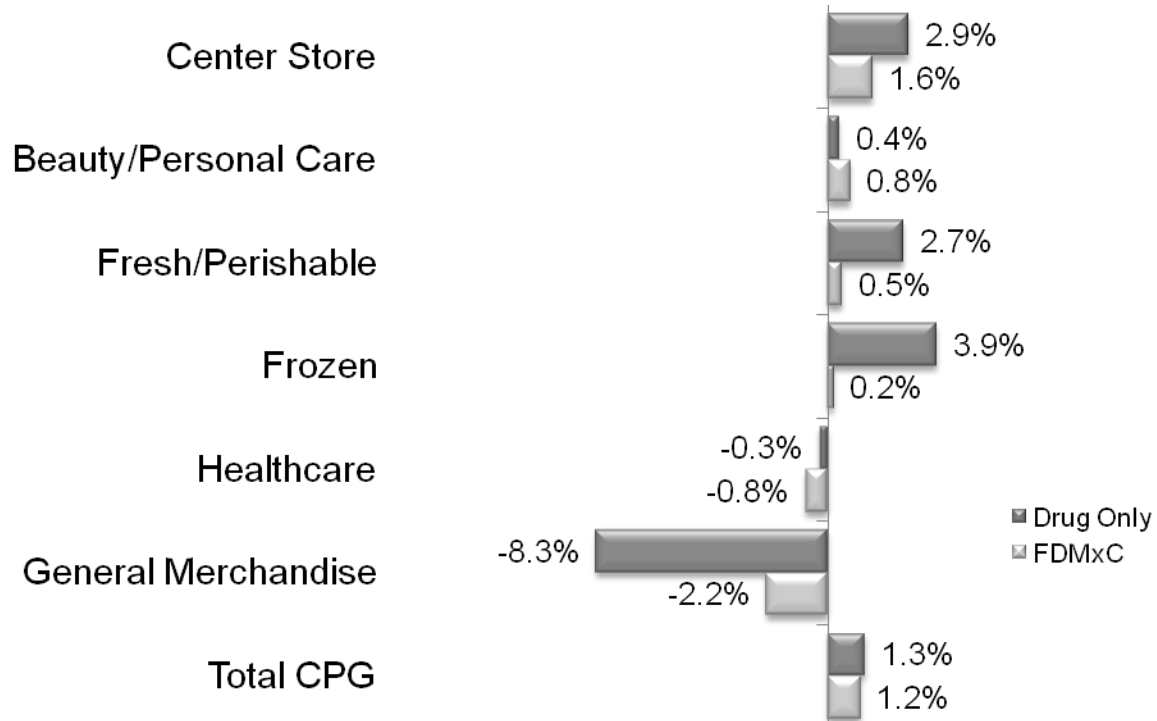
Home-based food rituals and self-reliant health and beauty care supported growth across several CPG departments.



Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year

Department Level Dollar & Unit Sales
 % Change versus Year Ago
 Grocery, Drug, Mass & Convenience (excluding Walmart)
 2010 vs 2009

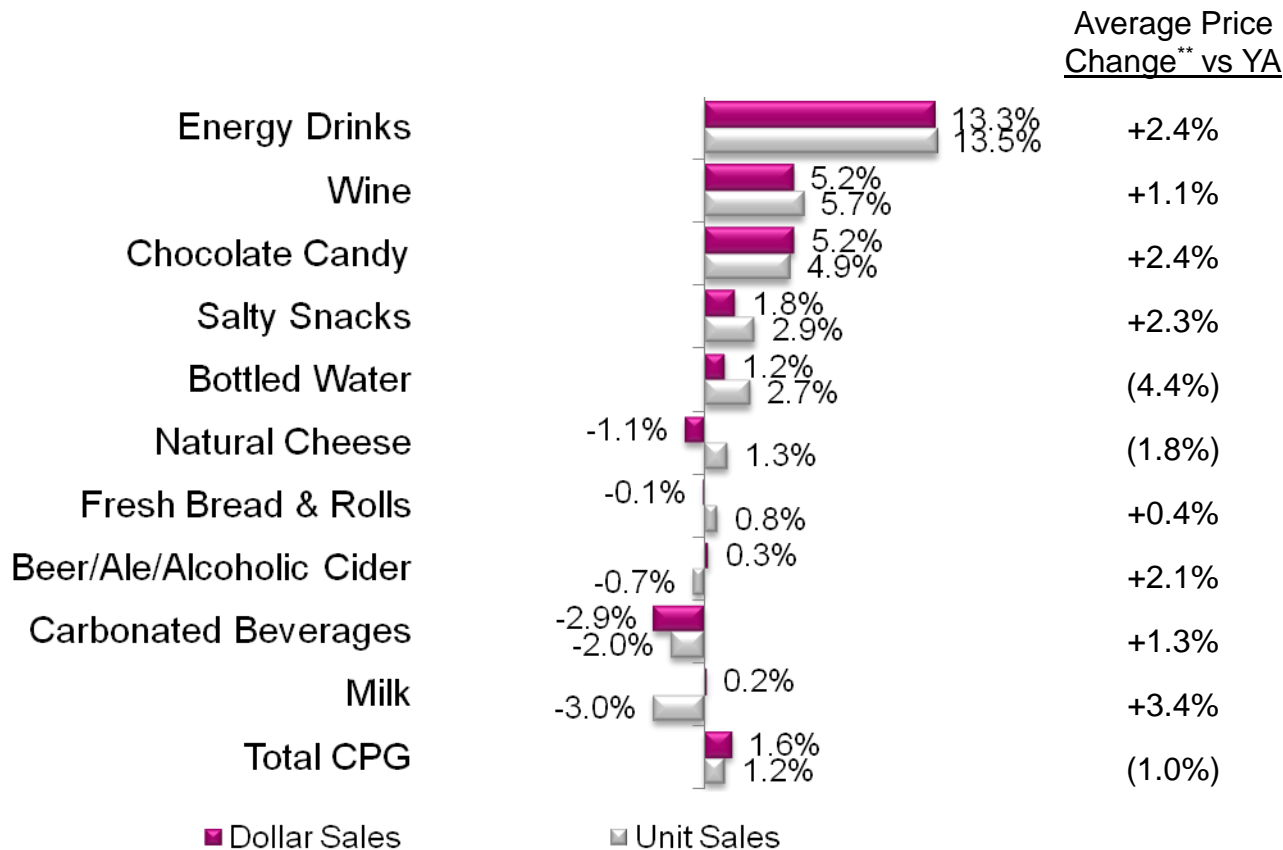
Drug channel strength was evidenced across a majority of CPG categories.



Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year

Department Level Unit Sales
 % Change versus Year Ago
 Grocery, Drug, Mass & Convenience (excluding Walmart) vs Drug Channel
 2010 vs 2009

Five of the ten largest CPG categories saw unit sales increase on par or more quickly versus industry average.

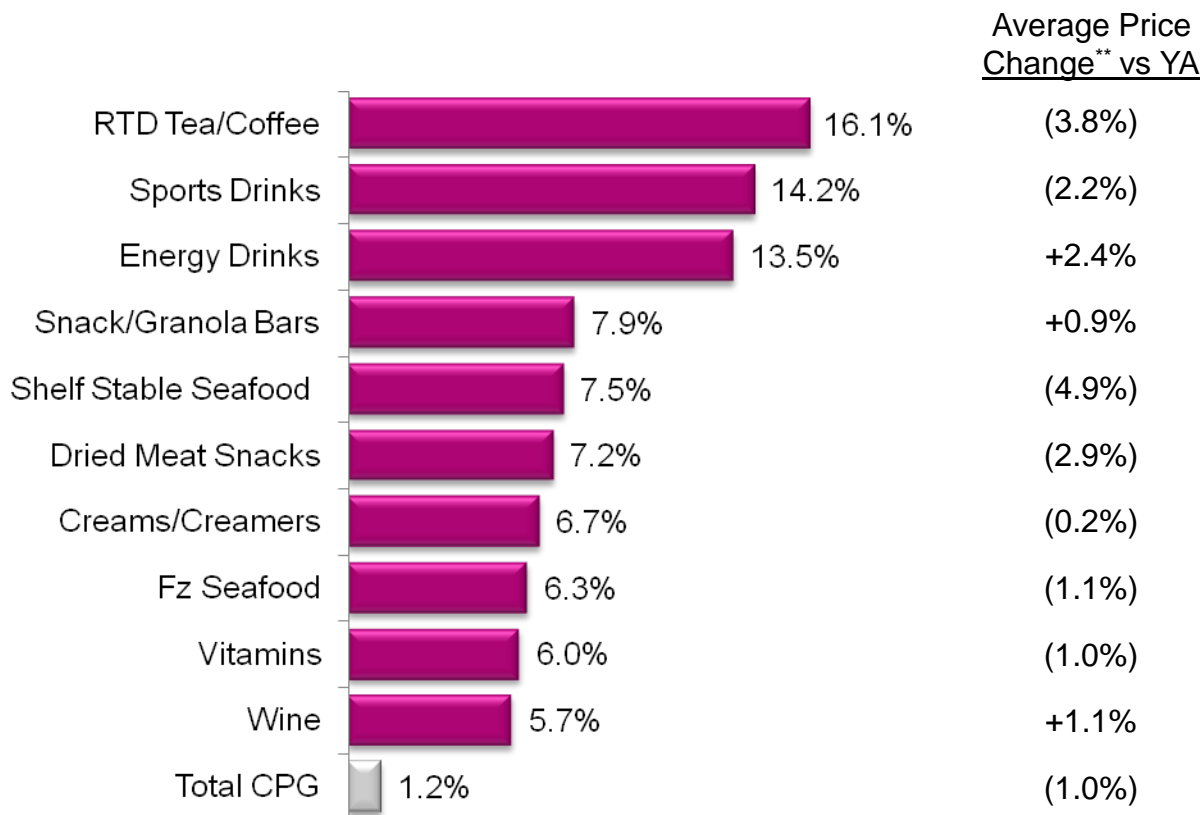


Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year

*Among top 100 SymphonyIRI categories based on dollar sales, excludes cigarettes. **Average price change based on price per volume analysis.

Top 10 Categories* Dollar & Unit Sales
 % Change versus Year Ago
 Grocery, Drug, Mass & Convenience (excluding Walmart)
 2010 vs 2009

Virtually all of 2010's fastest-growing categories are illustrative of consumers' stepped-up at-home and from-home eating rituals; the vitamins category also performed quite well.

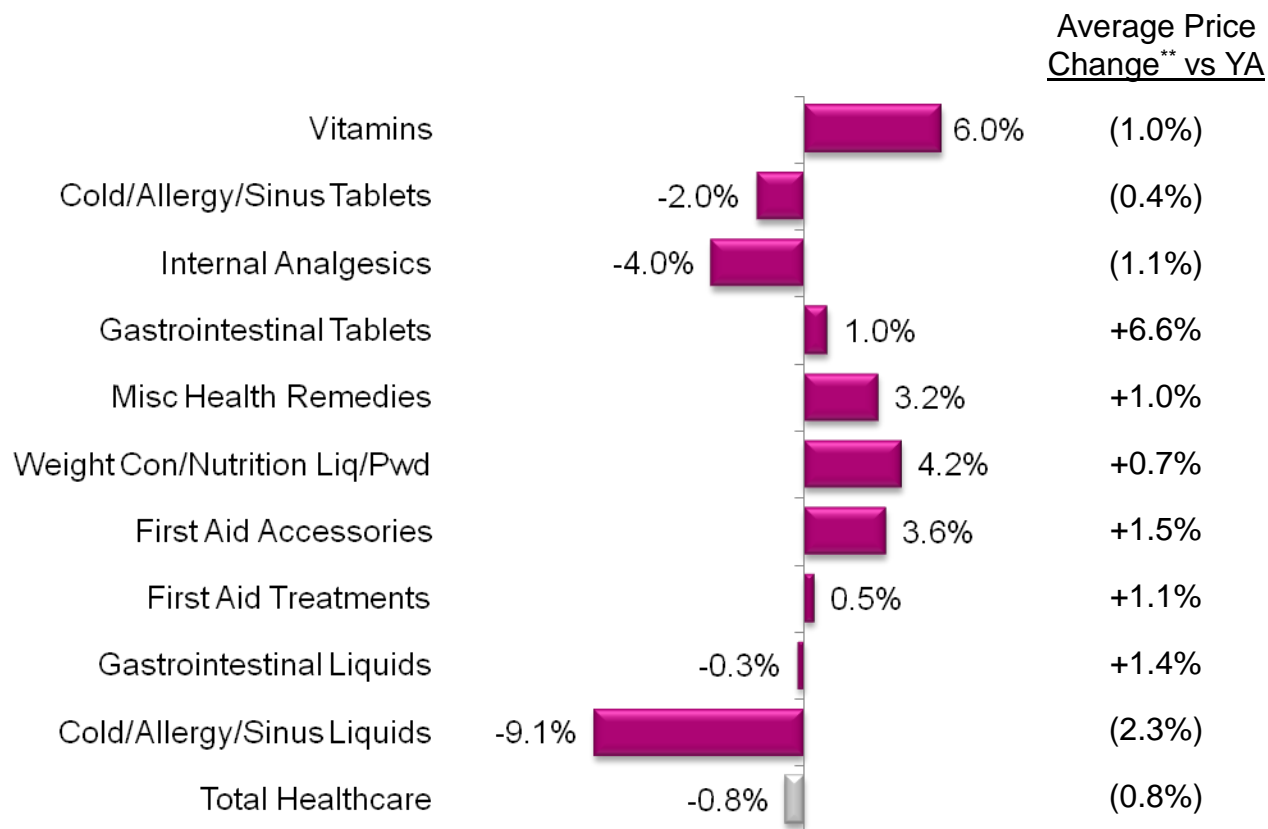


Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year

*Among top 100 SymphonyIRI categories based on dollar sales, excludes cigarettes. **Average price change based on price per volume analysis.

Top 10 Growth* Categories Unit Sales
 % Change versus Year Ago
 Grocery, Drug, Mass & Convenience (excluding Walmart)
 2010 vs 2009

Performance across the ten largest healthcare categories was mixed for the year, with six categories posting unit sales gains and only three categories seeing larger-than-average declines.

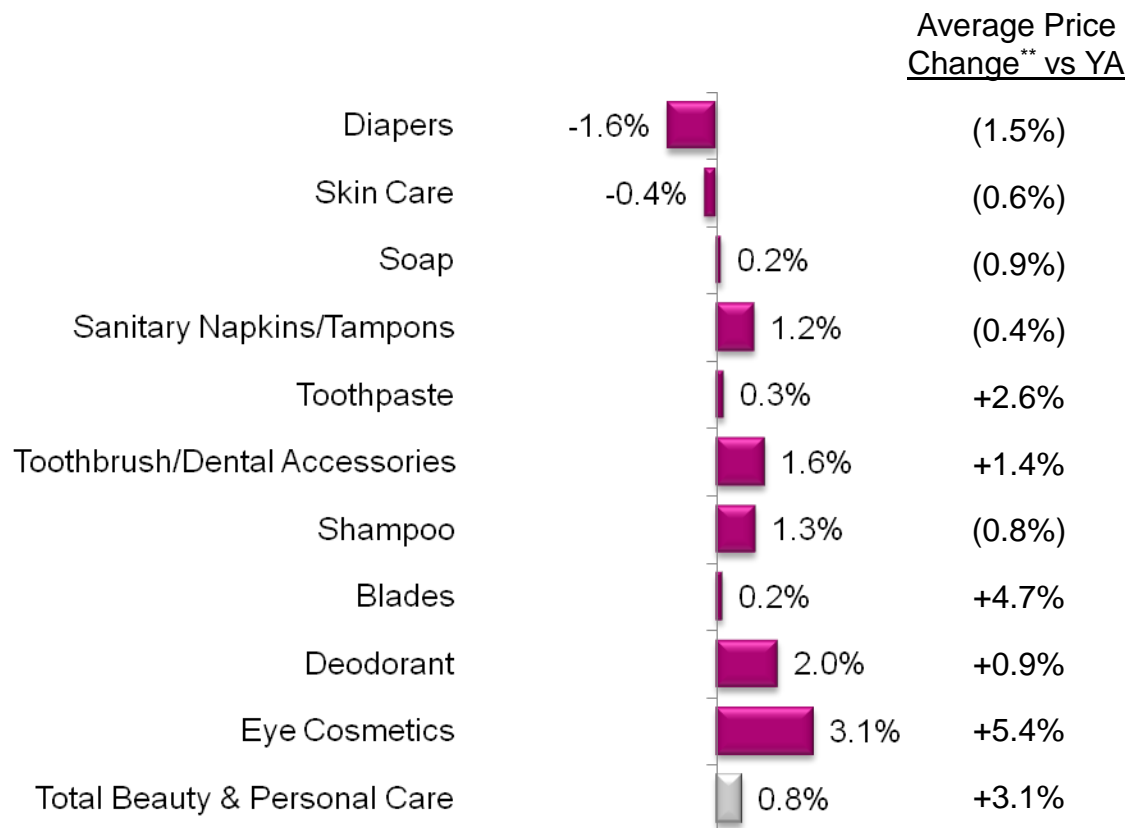


Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year

*Among top 100 SymphonyIRI categories based on dollar sales, excludes cigarettes. **Average price change based on price per volume analysis.

Top 10* Healthcare Categories
 Unit Sales % Change versus Year Ago
 Grocery, Drug, Mass & Convenience (excluding Walmart)
 2010 vs 2009

Across some key categories, beauty and personal care marketers are successfully enticing consumers to trade “up” to more expensive solutions.



Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year

*Among top 100 SymphonyIRI categories based on dollar sales, excludes cigarettes. **Average price change based on price per volume analysis.

Top 10* Beauty/Personal Care Categories

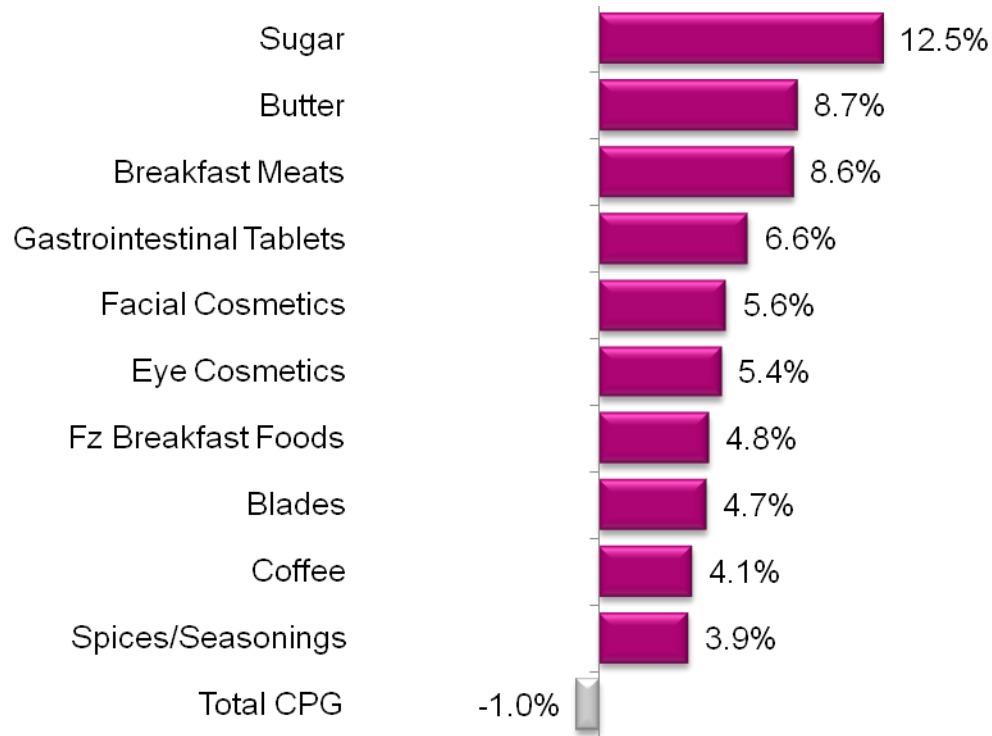
Unit Sales % Change versus Year Ago

Grocery, Drug, Mass & Convenience (excluding Walmart)

2010 vs 2009

SymphonyIRI Group

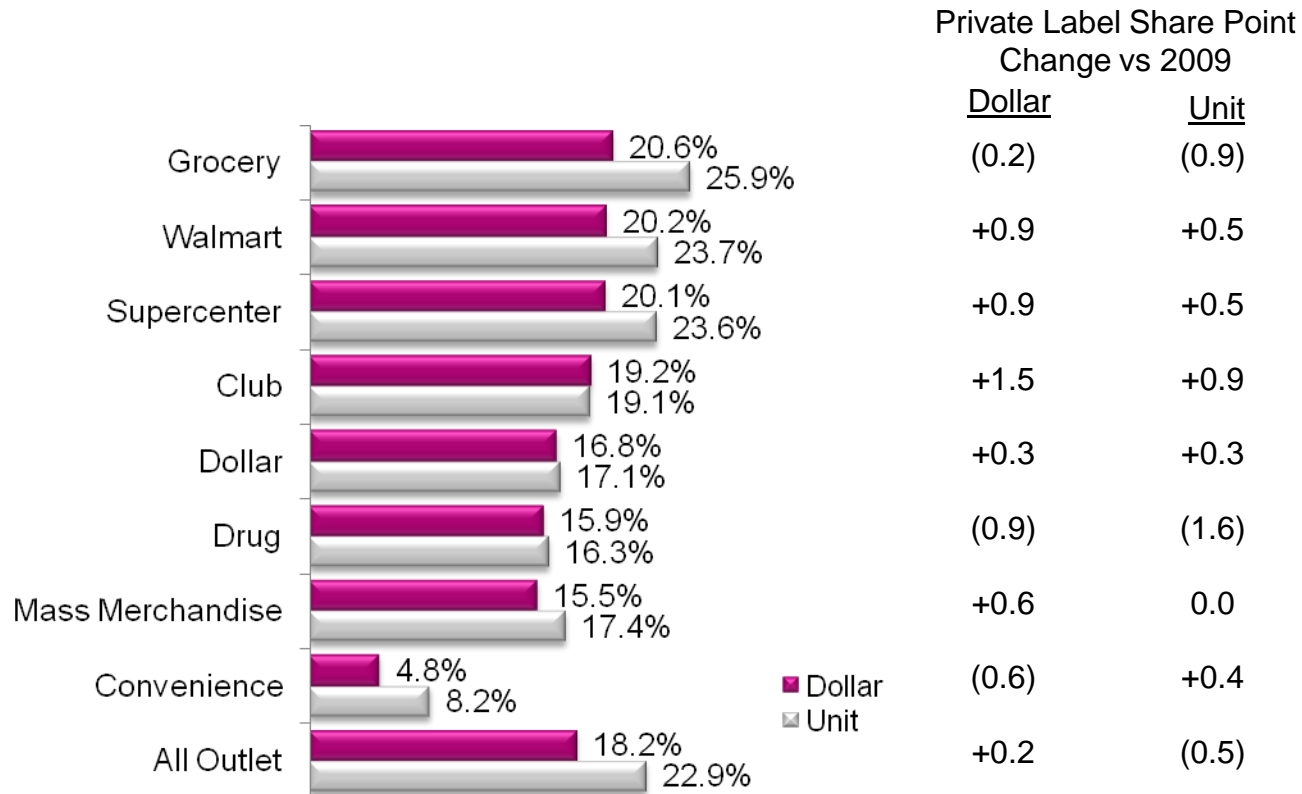
Several factors, including rising cost across some commodities and innovation, drive prices higher across some CPG categories.



Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year
* Among top 100 SymphonyIRI Reviews categories, based on price per volume analysis.

Categories with the Largest Price Increases*
Grocery, Drug, Mass & Convenience (Excluding Walmart)
2010 vs 2009

Grocery and drug channel private label share gains slipped in terms of both dollar and unit sales during the past year.

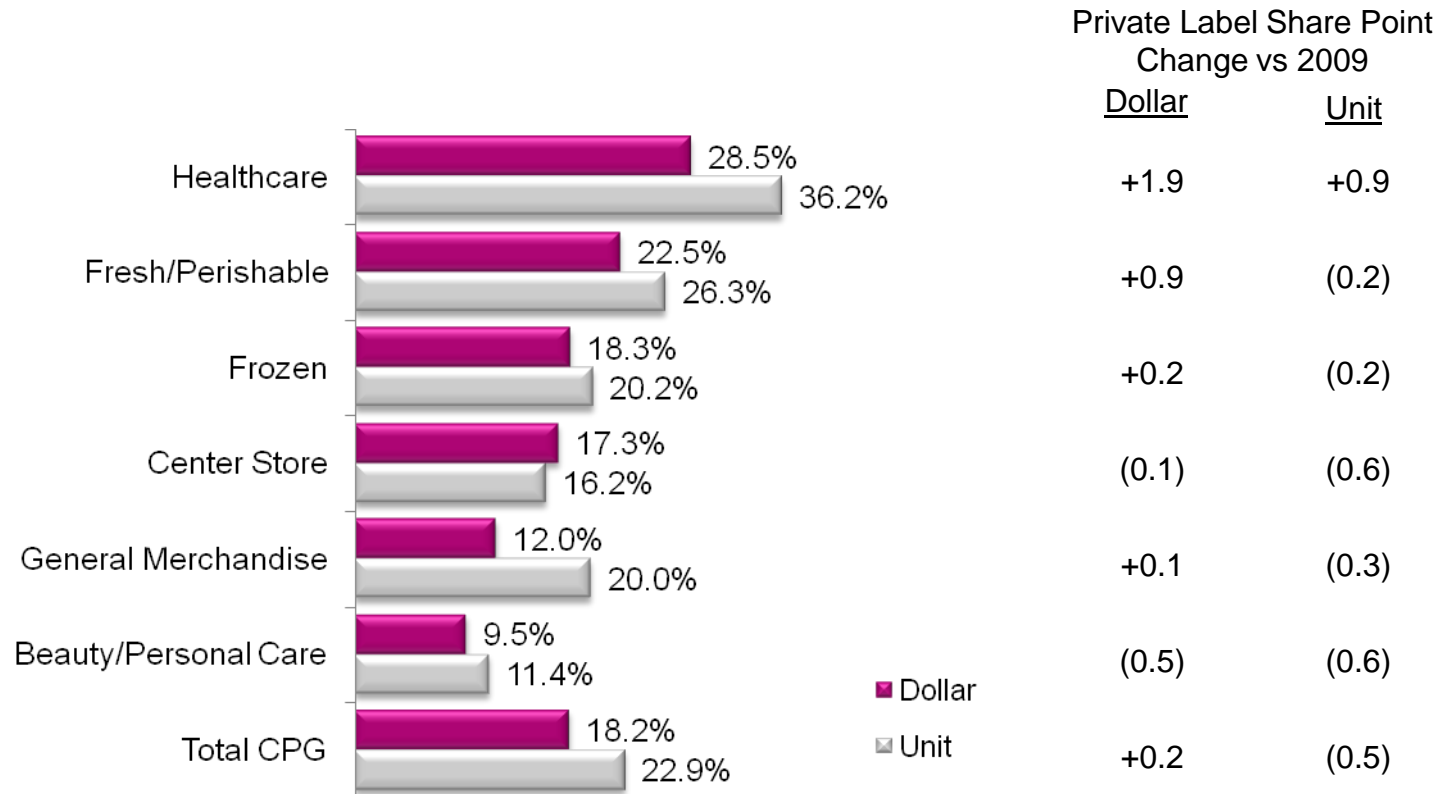


Source: SymphonyIRI Consumer Network™, 52 weeks ending 12/19/2010 and same period prior year

* Across SymphonyIRI InfoScan® Reviews Categories **Walmart, including Neighborhood Markets

2010 CPG* Private Label Share by Channel

In 2011, private label gained sizable share in healthcare, but suffered losses across other CPG departments.

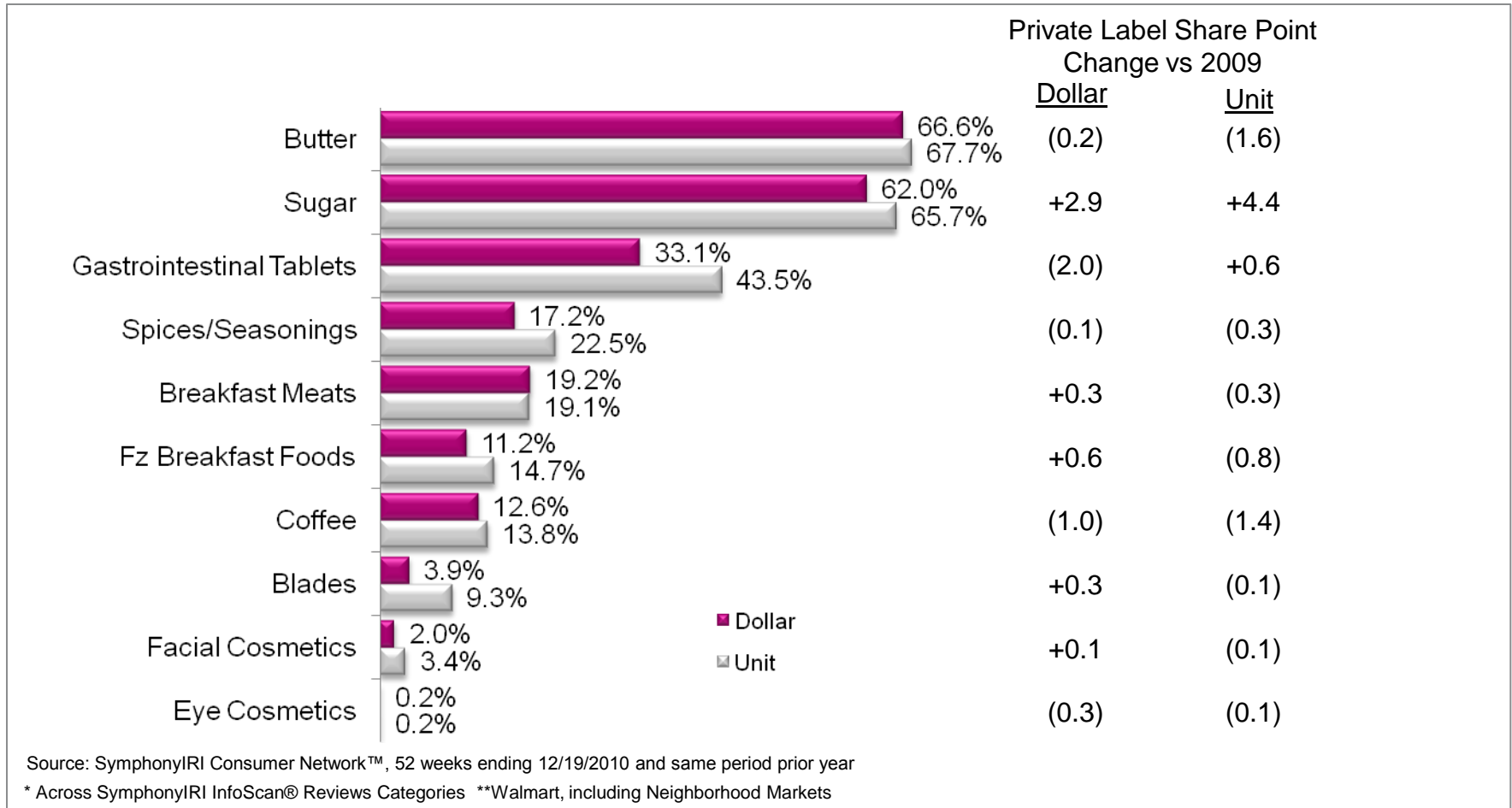


Source: SymphonyIRI Consumer Network™, 52 weeks ending 12/19/2010 and same period prior year

* Across SymphonyIRI InfoScan® Reviews Categories **Walmart, including Neighborhood Markets

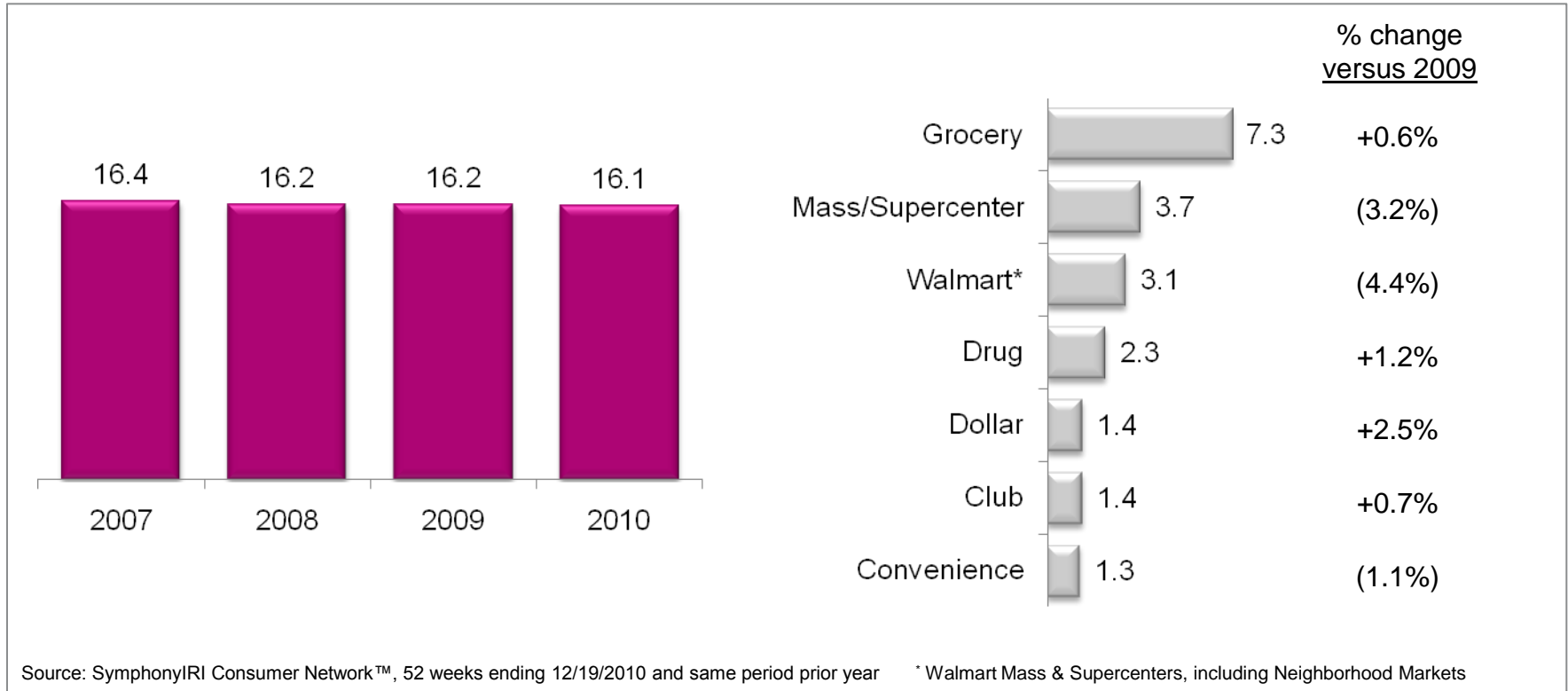
2010 CPG* Private Label Share by Department All Outlet

Private label performance across high price increase categories was mixed but largely negative in 2011.



2011 CPG* Private Label Share Among High Price Increase Categories All Outlet

While overall trip behavior has changed only little during the past several years, noteworthy shifts are occurring at the channel level.



All Outlet Average Trips per Shopper per Month

2010 Average Trips per Shopper per Month By Channel

Several key trends will impact the CPG marketplace in 2011 and beyond; conservatism is one of these trends.

	2010	2011
I eat out less often	65%	60%
I try to make personal care products last longer	63%	52%
I try to make cleaning products last longer	60%	50%
I cook from scratch or with fewer convenience foods to save money	55%	48%
I try to make beauty/cosmetic products last longer	48%	38%
I am going to the doctor less and self-treating more to save money	37%	33%

Source: SymphonyIRI Economic Update Survey, January 2011 v December 2009; Top 2 Box Responses

Household Ritual Changes % of Shoppers

Conclusions: Manufacturers

Identify opportunities and risks

- ❑ Continually monitor economic shifts at the most granular level, and the associated impact of these shifts on consumer attitudes and behaviors
- ❑ Closely track the evolving competitive set at the channel and retailer level to ensure appropriate alignment of distribution strategies
- ❑ Invest to understand private label share shifts across key departments/categories,
- ❑ Keep abreast of technological advances within and outside the CPG environment; be on the lookout for new and innovative means of informing and engaging key consumer segments

Evaluate pricing strategies

- ❑ Continually re-evaluate pricing and merchandising initiatives to ensure alignment with partner goals/objectives as well as needs of key target consumers
- ❑ Partner with key retailers to develop innovative programs around categories/brands that have experienced or will experience significant price increases
- ❑ Invest to understand the optimal price gap between private label and name brand offerings

Enhance new product development initiatives

- ❑ Align innovation strategies with evolving product usage and affordability needs
- ❑ Explore potential new product opportunities stemming from emerging consumer trends explored throughout this report

Conclusions: Retailers

Identify opportunities and risks

- ❑ Continually monitor economic shifts at the most granular level, and the associated impact of these shifts on consumer attitudes and behaviors
- ❑ Closely track the evolving competitive set at the channel and retailer level to ensure appropriate product mix and inventory management strategies are maintained
- ❑ Explore opportunities to extend private label share within and across departments
- ❑ Keep abreast of technological advances within and outside the CPG environment; be on the lookout for new and innovative means of informing and engaging key consumer segments

Evaluate pricing strategies

- ❑ Invest to understand price elasticity of demand across categories and brands that are associated with key and target trip types and leverage that knowledge to develop and refine everyday and promotional pricing strategies
- ❑ Partner with key manufacturers to develop innovative programs around categories/brands that have experienced or will experience significant price increases
- ❑ Invest to understand the optimal price gap between private label and name brand offerings

Explore opportunities to enhance product assortment

- ❑ Align assortment strategies with evolving product usage and affordability needs
- ❑ Explore potential merchandising and assortment strategies stemming from emerging consumer trends explored throughout this report