



Channel Migration:

A Quest for Affordability

Times & Trends
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SymphonyIRIGroup

Insight.
Innovation.
Impact.

Executive Summary

INSIGHT

- ❑ Despite exceptionally high gas prices, three-quarters of shoppers visit five or more retail channels to fulfill their CPG needs
- ❑ Trip mission and associated channel selection patterns are shifting as consumers step-up efforts in their quest for affordable CPG solutions
- ❑ Channel lines are blurring at the department level as competition for share of food and beverage spending intensifies, and as retailers across channels work to protect and grow share of health and beauty spending

ACTION

- ❑ Frequent and granular assessments across key and target consumer groups, including trips, trip types and channel shifts is critical
- ❑ Encourage trip frequency and spending with assortment, merchandising and promotional programs that offer turn-key solutions aligned against high-priority trip types
- ❑ Benchmark and continually measure the impacts of pricing and promotional strategies against intended versus actual consumer purchase behaviors and impact across key business indicators

Executive Summary

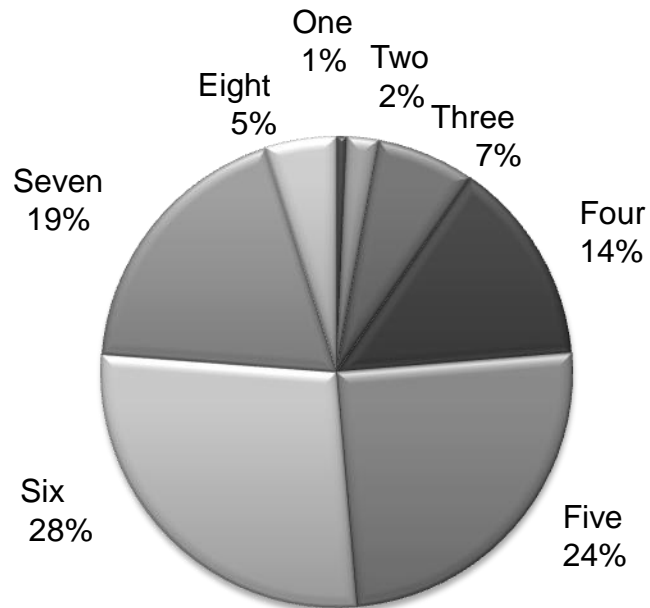
INSIGHT

- ❑ Supercenters have lost share across a number of key departments and consumer segments, but supercenter marketers are shifting gears in an effort to turn the tides while simultaneously entering new formats and markets
- ❑ Retailers across a majority of channels are growing share across their heaviest shoppers; the drug channel is also capturing share of spending from the heaviest shoppers across all competing channels

ACTION

- ❑ Closely monitor supercenter strategies vis-à-vis new market entry to enable rapid refinement/realignment of own strategies to reflect evolving competitive landscape and to protect and grow share across key consumer segments
- ❑ Ensure that your value proposition is firmly founded on the needs and wants of key consumer segments; prominently reflect the value proposition in marketing programs and across marketing platforms

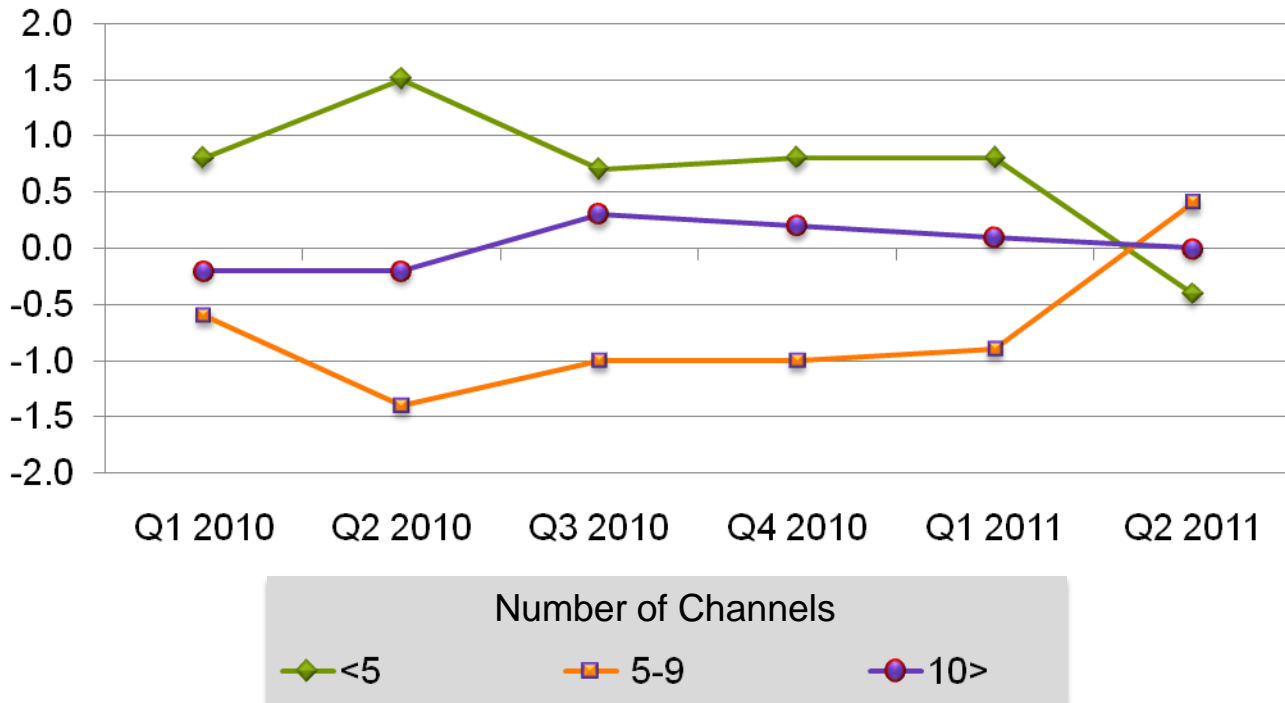
Three-quarters of consumers shop in five or more channels.



Source: SymphonyIRI Consumer Network™, 52 weeks ending 6/5/2011

of CPG Channels Shopped
% of Consumers
2011

During the course of 2011, the number of consumers shopping five or more channels increased, while the number of consumers shopping in less than five channels dropped sharply.



Source: SymphonyIRI Consumer Network™

% of Consumers Shopping Multiple Channels
 By # of CPG Channels Shopped
 Quarterly Point Change versus Year Ago
 2010-2011

Supercenters have captured increased penetration across a broad range of shoppers, including the heaviest shoppers from across competing channels.



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Supercenter & Dollar Channel Penetration
Point Gains Among Heavy Channel Shoppers

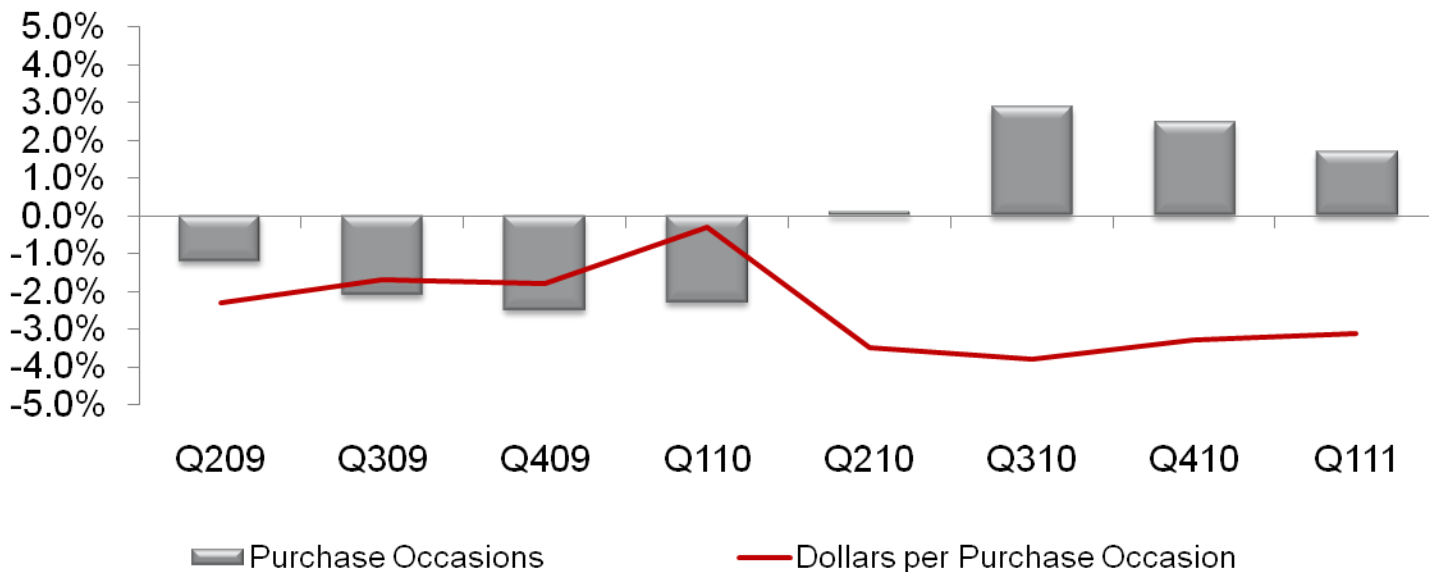
Penetration is increasing across a majority of CPG channels, underscoring the degree to which consumers are looking broadly for the best CPG value.

<u>Channel</u>	<u>2011 Penetration</u>	<u>Point Change vs 2010</u>
Grocery	98.7%	+0.1
Supercenter	72.9%	+1.5
Mass	76.4%	(1.4)
Club	52.5%	+0.9
Drug	78.8%	(0.3)
Dollar	63.7%	+0.3
Convenience	34.6%	+0.1

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

CPG Shopping Trends
% Households Buying by Channel

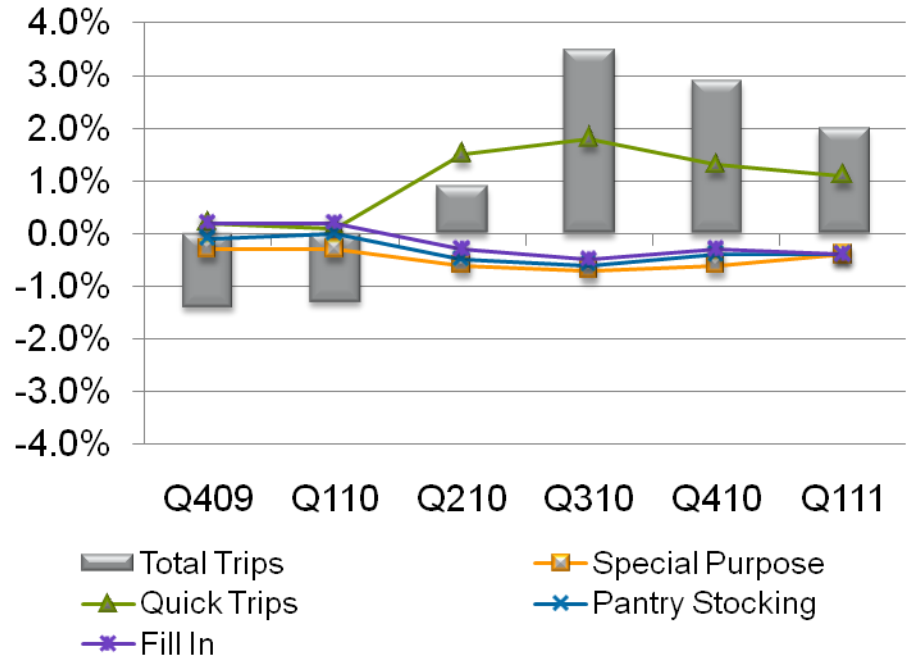
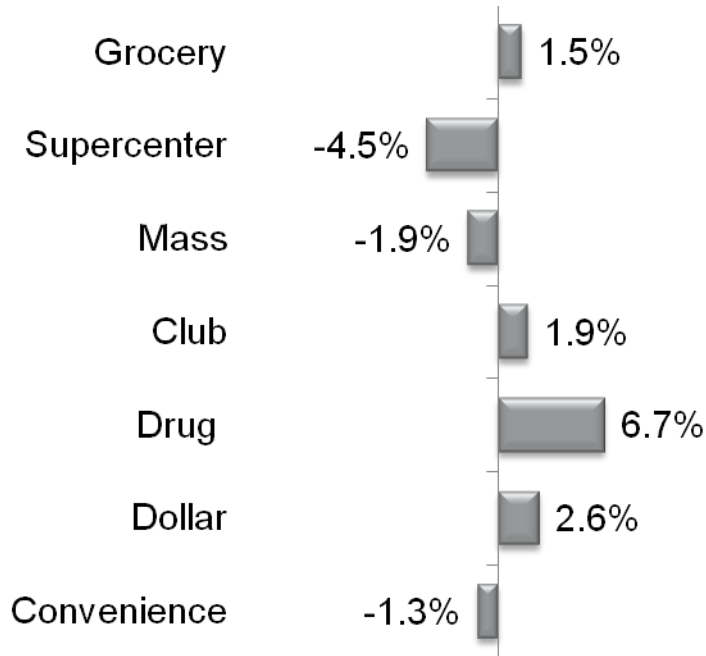
Trip frequency patterns turned positive in mid-2010, only to be driven back downward by escalating gas prices in 2011.



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

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

Changing trip mission patterns are influencing channel frequency trends, with drug, dollar, club and grocery seeing increased frequency in the past year.



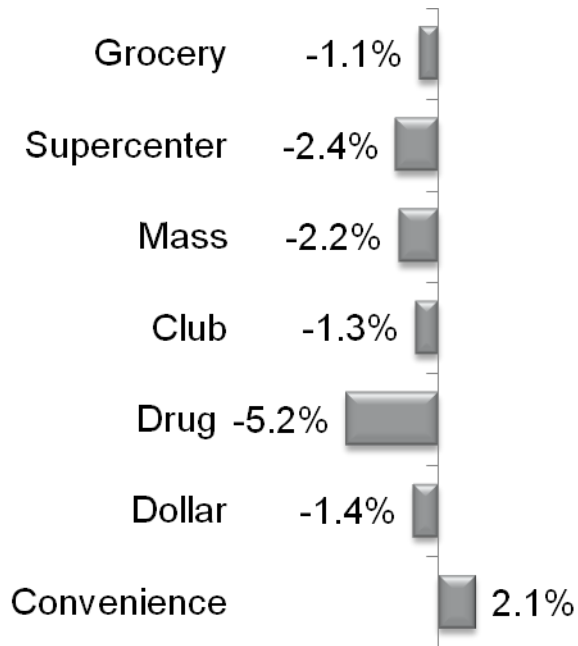
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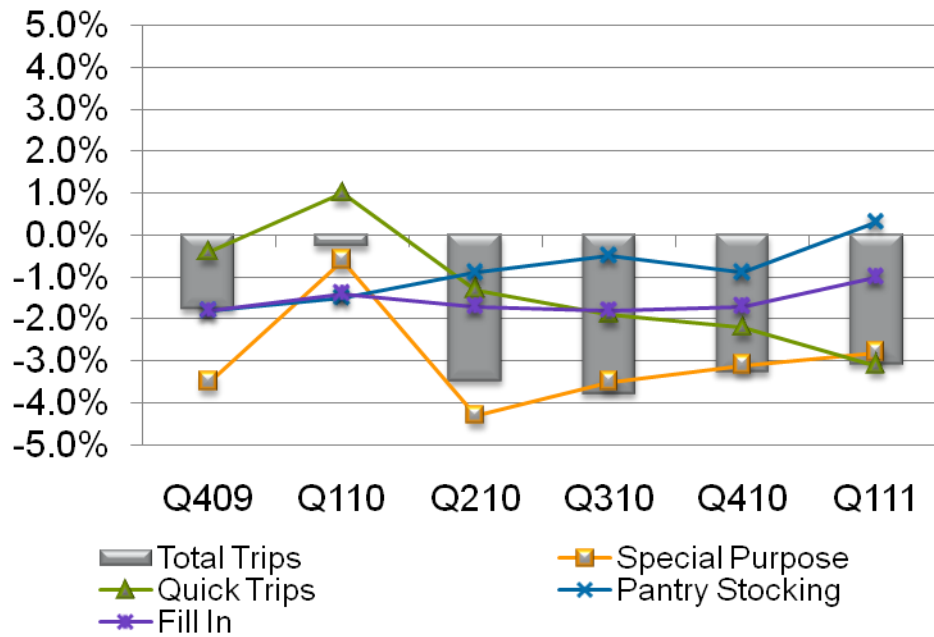
2011 Average Purchase Occasions per Household
% Change vs Prior Year

Retailer Trips by Trip Mission
% Change vs Prior Year

Basket size is occurring across a majority of trip missions and CPG channels.



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

2011 Average CPG Dollar Sales per Purchase Occasion
% Change vs Prior Year

Basket Size by Trip Mission
% Change vs Prior Year

Coming on the heels of several years of share loss, the grocery channel posted a one-half point share gain in 2011.

<u>Channel</u>	<u>2011 Share</u>	<u>Point Change vs 2010</u>
Grocery	47.3%	+0.5
Supercenter	18.3%	(0.5)
Mass	5.8%	(0.1)
Club	9.7%	0.1
Drug	7.4%	+0.2
Dollar	1.7%	0.0

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

*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*

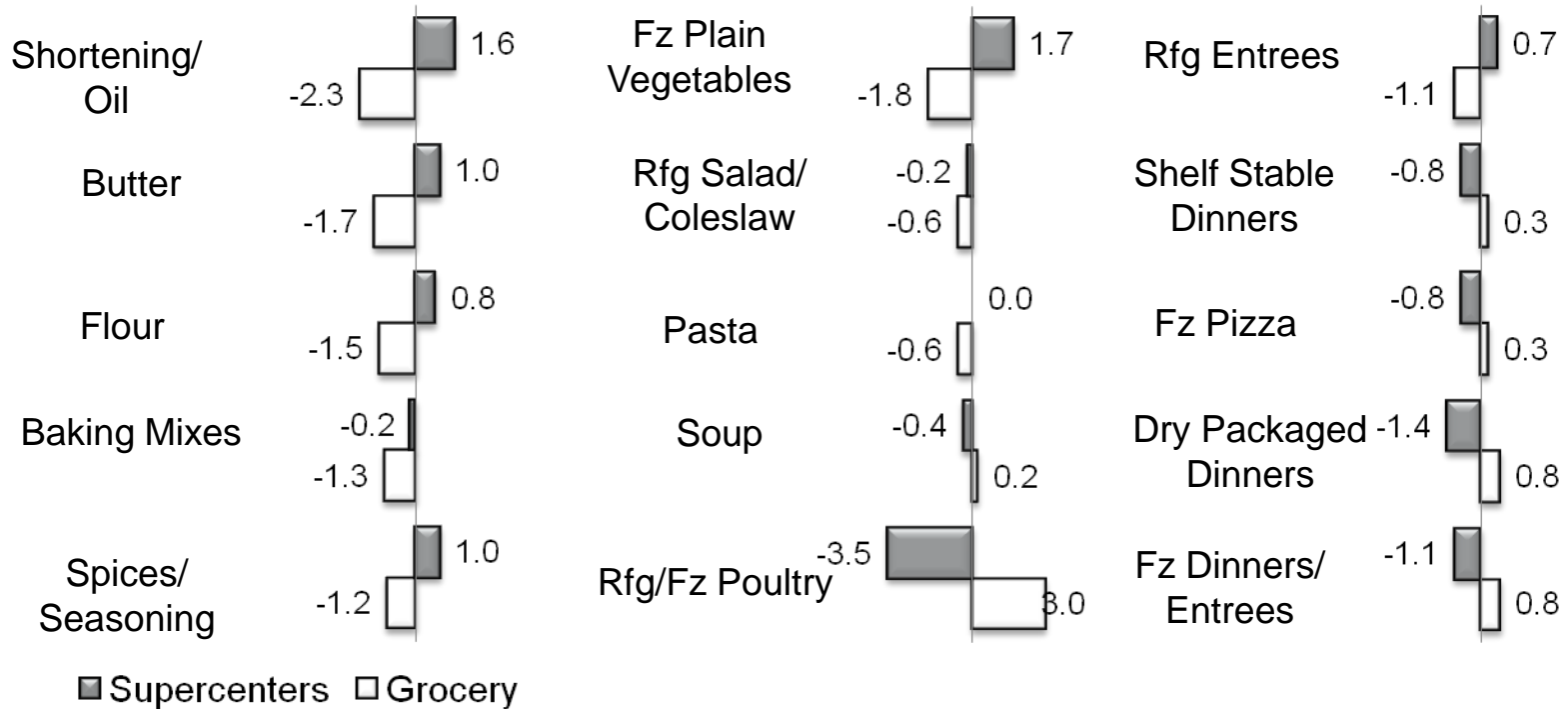
Across CPG departments, channel lines are blurring with grocery and drug channels performing well, and supercenters feeling a pinch.

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar
Beverages	+0.4	+0.1	(0.1)	(1.3)	+0.4	+0.2
Frozen	+0.7	+0.1	+0.3	(1.1)	0.0	0.0
General Food	(0.3)	+0.1	+0.2	(0.2)	+0.2	0.0
Refrigerated	(0.3)	0.0	+0.3	(0.5)	+0.4	0.0
Beauty	+0.4	+1.0	(0.3)	+0.3	(0.6)	(0.3)
General Merchandise	+0.3	(0.1)	(0.5)	(0.5)	+0.5	+0.2
Health	+0.5	+1.5	(0.4)	(0.2)	(1.2)	(0.1)
Home Care	+0.4	+0.1	(0.3)	+0.3	(0.9)	+0.2

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Dollar Share Point Change by Department 2011 v 2010

In the past year, supercenters have gained share across several key meal ingredient categories, while convenience meals have been a strong suit for grocers during the same timeframe.



Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Meal Ingredients:
Dollar Share Shift Point
Change 2011 v 2010

Meal Components:
Dollar Share Shift Point
Change 2011 v 2010

Convenience Meals:
Dollar Share Shift Point
Change 2011 v 2010

Grocery and drug retailers captured share across a majority of top healthcare categories, at the expense of supercenters and club stores.

	Grocery	Drug	Supercenter	Club
First Aid Accessories	(0.1)	+2.2	(0.8)	(0.5)
First Aid Treatment	0.0	+0.9	+0.1	(0.6)
Cold/Allergy/Sinus Tablets	(0.1)	+1.8	(1.1)	(0.6)
Gastrointestinal Liquids	+0.4	+1.9	(0.9)	(0.2)
Gastrointestinal Tablets	+0.7	+1.4	(0.6)	(0.9)
Internal Analgesics	+0.1	+2.3	(0.8)	(0.7)
Nasal Products	+0.9	+1.4	(0.6)	(0.1)
Vitamins	+0.6	+1.1	(0.7)	(0.2)
Weight Cntrl/Nutrition Liq/Pwd	+1.5	+0.2	(0.2)	(1.1)
Home Health Care Kits	+0.1	(1.1)	+1.3	+0.2

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Key Healthcare Categories: Dollar Share Point Change
2011 v 2010

Competition for share of beauty and personal care spending has intensified as retailers look to capitalize on opportunities arising from self-reliant care trends.

	Grocery	Drug	Supercenter	Club
Blades	(0.2)	+0.6	+0.2	(0.3)
Deodorant	+0.4	+0.9	+0.9	(0.9)
Diapers	+0.7	+0.8	+0.2	(3.2)
Hair Conditioner	+0.7	+0.9	(0.9)	+0.1
Sanitary Napkins/Tampons	+0.5	+1.2	(1.3)	(0.2)
Shampoo	+0.8	+1.1	(1.8)	+0.1
Skin Care	+0.5	+1.0	+1.2	(0.9)
Soap	+0.6	+0.6	+0.6	(1.4)
Toothbrush/Dental Acc.	+1.9	+2.9	+1.5	(6.7)
Toothpaste	+0.7	+1.3	+1.1	(2.2)

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Key Beauty/Personal Care Categories: Dollar Share Point Change
2011 v 2010

Channel share shifts across key household care categories were rather substantial during the past year.

	Grocery	Super	Club	Dollar
Toilet Tissue	+0.4	(0.8)	0.0	+0.3
Laundry Detergent	+0.3	(1.5)	+1.1	+0.1
Paper Towels	(1.3)	(0.2)	+1.7	(0.3)
Food & Trash Bags	+0.4	0.0	(1.0)	+0.2
Household Cleaners	(0.3)	+1.1	(1.0)	+0.4

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Key Household Care Categories: Dollar Share Point Change
2011 v 2010

In some instances, channel shifts across consumer segments were quite strong during the past year.

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar	Convenience
Under \$35K	+0.1	0.0	(0.3)	(1.0)	+0.4	0.0	0.0
\$35-\$70K	+0.5	+0.1	(0.4)	(1.1)	+0.4	+0.1	(0.2)
\$70-\$100K	+0.7	0.0	(0.5)	(0.8)	+0.1	0.0	0.0
Over \$100K	(0.2)	0.0	(0.3)	+0.1	+0.2	0.0	+0.1
Hispanic	(1.0)	+0.2	(0.1)	(0.7)	+0.1	0.0	+0.1
Households with Children	+0.7	+0.1	(0.4)	(1.1)	+0.4	(0.1)	0.0
Boomers	+0.1	0.0	(0.4)	(0.6)	+0.2	+0.1	0.0

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Dollar Share Point Change by Consumer Segment 2011 v 2010

A majority of CPG channels are successfully building share across their most important consumer– the heaviest shoppers within their channel.

	Grocery	Drug	Mass Merchandise	Supercenter	Club	Dollar
Heavy Grocery	+0.5	+0.3	(0.1)	(0.3)	(0.3)	0.0
Heavy Drug	(0.4)	+0.9	(0.1)	(0.5)	(0.2)	+0.1
Heavy Mass	(0.1)	+0.4	+0.2	(0.3)	0.0	0.0
Heavy Supercenter	+0.8	+0.5	+0.1	(1.3)	+0.1	+0.1
Heavy Club	(0.3)	+0.1	(0.1)	+0.3	+0.3	0.0
Heavy Dollar	+0.2	+0.5	0.0	(0.5)	(0.1)	+0.1

Source: SymphonyIRI Consumer Network™ Shopper Insights Advantage™ (SIA), 52 weeks ending 6/5/2011

Dollar Share Point Change by Heavy Shopper Segment
2011 v 2010

Consumers are embracing the Internet to simplify their CPG shopping experience while saving money along the way.



Source: SymphonyIRI MarketPulse, June 2011

Digital Media Usage % of Shoppers- Top 2 Box Responses

Conclusions: Manufacturers

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

- ❑ Closely monitor the evolving competitive set at the channel and retailer level to understand channel share shifts across key categories and brands, including competitor brands, as well as existing and emerging product distribution strategies
- ❑ Invest to understand core consumer segments while closely monitoring high-potential targets and their evolving channel and brand selection processes
- ❑ Track shifts in trip mix by channel and account

Align distribution, marketing and merchandising strategies with channel migration patterns

- ❑ Isolate your most important consumers and ensure distribution strategies cater to their preferred trip types, channel preferences and store locations
- ❑ Cross reference your key consumers with retailer segments to find common ground for co-marketing with retail partners
- ❑ Be on the lookout for technological advances within and outside the CPG environment that provide new and innovative means of informing and engaging key consumer segments

Protect and grow share among top shoppers

- ❑ Drive satisfaction, trip and basket size with specially-targeted promotional programs that entice and reward top shopper segments
- ❑ 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 category and brand channel migration tracking

- ❑ Closely monitor the evolving competitive set at the market level to understand share shifts across key categories and brands, including competitors' private label brands, as well as existing and emerging product assortment strategies
- ❑ Invest to understand core consumer segments while closely monitoring high-potential targets and their evolving channel, banner and brand selection processes
- ❑ Track shifts in trip mix at the market level and across key shopper segments

Align distribution, marketing and merchandising strategies with channel migration patterns

- ❑ Isolate your most important shoppers and ensure assortment and merchandise strategies cater to their preferred trip missions and store locations
- ❑ Cross reference your key shoppers against key consumer segments across key manufacturer partners to find common ground for co-marketing programs
- ❑ Be on the lookout for technological advances within and outside the CPG environment that provide new and innovative means of informing and engaging key consumer segments

Protect and grow share among top shoppers

- ❑ Drive satisfaction, trip and basket size with specially-targeted promotional programs that entice and reward top shopper segments
- ❑ Maintain a deep understanding of emerging shopping patterns and competitive threats among key shopper and target segments