Center Store:

At Center Stage for Future CPG Success

SymphonyIRI Group

Insight.
Innovation.
Impact.

Times & Trends

November 2010

Executive Summary

INSIGHT

- On the whole, center store experienced slow growth in the past year, but growth trends vary at the channel and department level
- Top-growing center store categories are reflective of key consumer rituals, specifically at-home and from-home eating trends and self-reliant health and wellness
- Pricing trends in center store have fluctuated rather sharply during the past couple of years, driven by several factors, but notably by high levels of promotional activity

ACTION

- Closely monitor trip mission trends at the market and store level, and ensure consistent alignment of distribution, assortment and merchandising strategies against high-priority trip types
- Drive demand across key categories/brands with innovative programs that reflect an intimate understanding of the needs and wants of key consumer and target groups
- Re-evaluate pricing strategies to ensure that everyday pricing is value-oriented and in alignment with your corporate goals and the goals of key partners/consumers

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Executive Summary

INSIGHT

- Promotional activity is quite high in the center store, and nearly three-quarters of categories experienced stepped-up promotional support during the past year
- Private label is prominent and growing across the center store, with particularly strong growth occurring in non-edible center store departments

ACTION

- Test and closely monitor all promotional programs throughout development and execution to understand expected versus actual impact on sales, share and profitability; be open to mid-course adjustment, as warranted
- Collaborate with retailers and private label manufacturers to develop multi-tiered and/or complementary CPG solutions that are closely targeted against high-priority and key consumer segments

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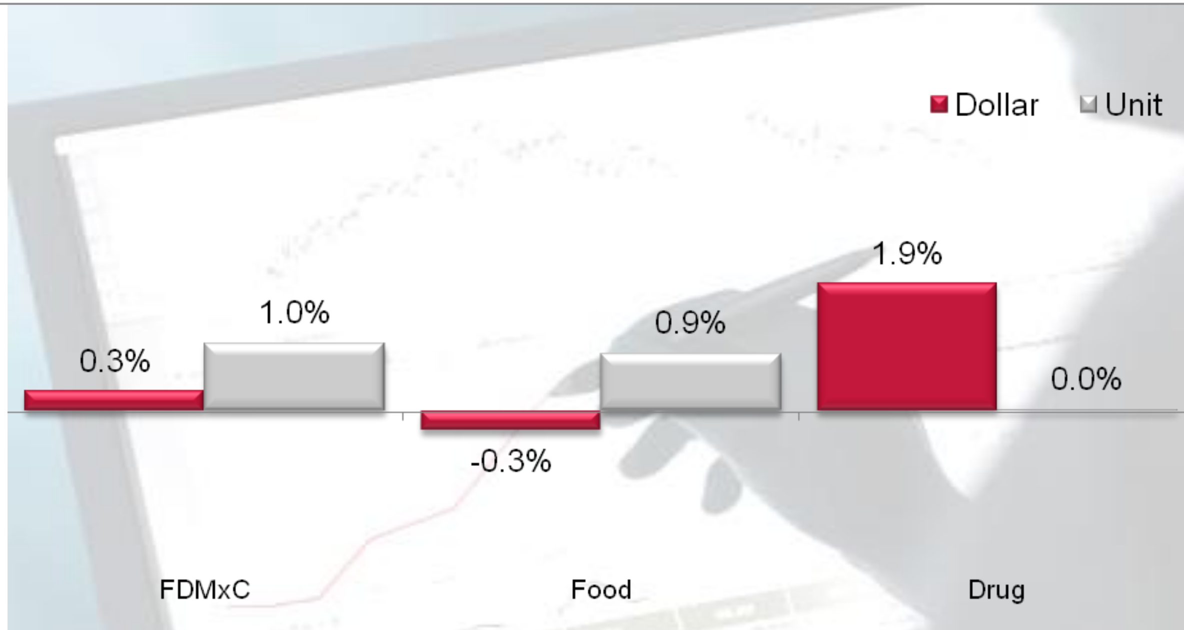
Despite an uptick in unit sales during the past year, high levels of promotional activity resulted in largely flat dollar sales trends.



Source: SymphonyIRI Market Advantage™; 52 weeks ending 8/8/2010 and same period prior year

CPG Industry Sales, % Change versus Year Ago
FDMxC and By Channel
2010 v 2009

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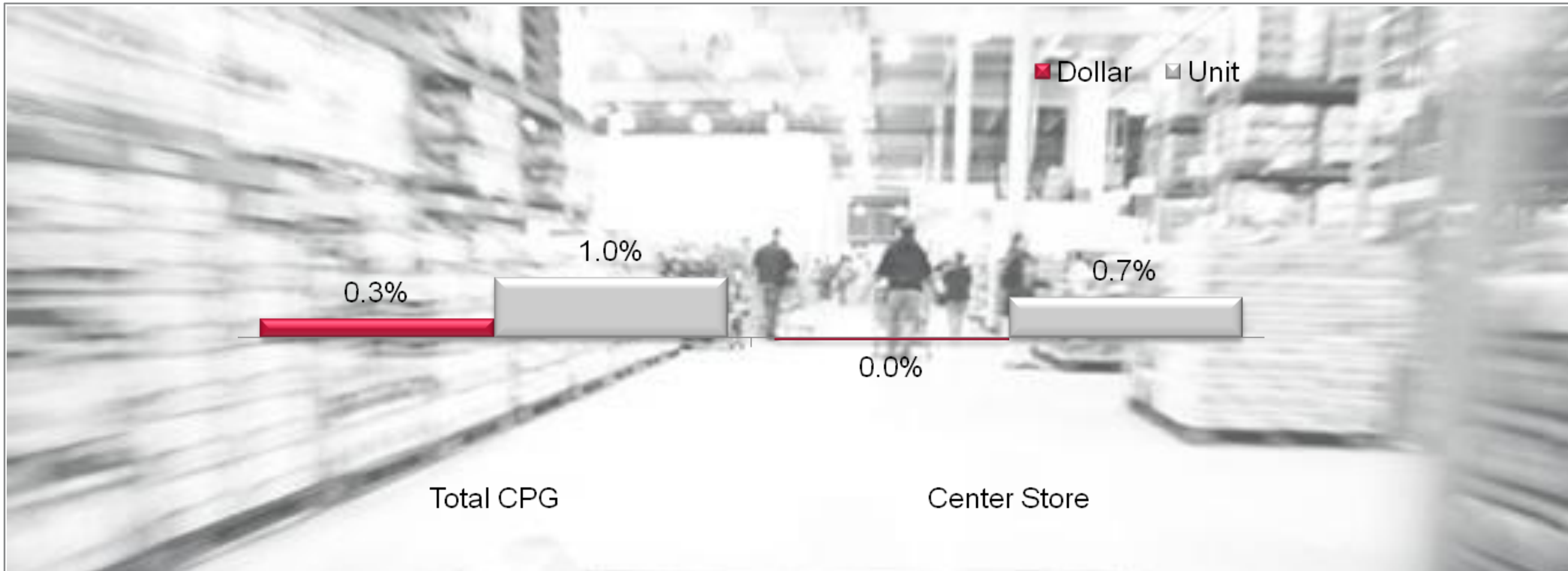
Over the course of the past year, center store growth has been flat, lagging the industry average rate of 0.3% by only a slight margin.



Source: SymphonyIRI Market Advantage™; 52 weeks ending 8/8/2010 and same period prior year, and calendar year 2006-2008

Center Store Sales, % Change versus Year Ago
FDMx
2010

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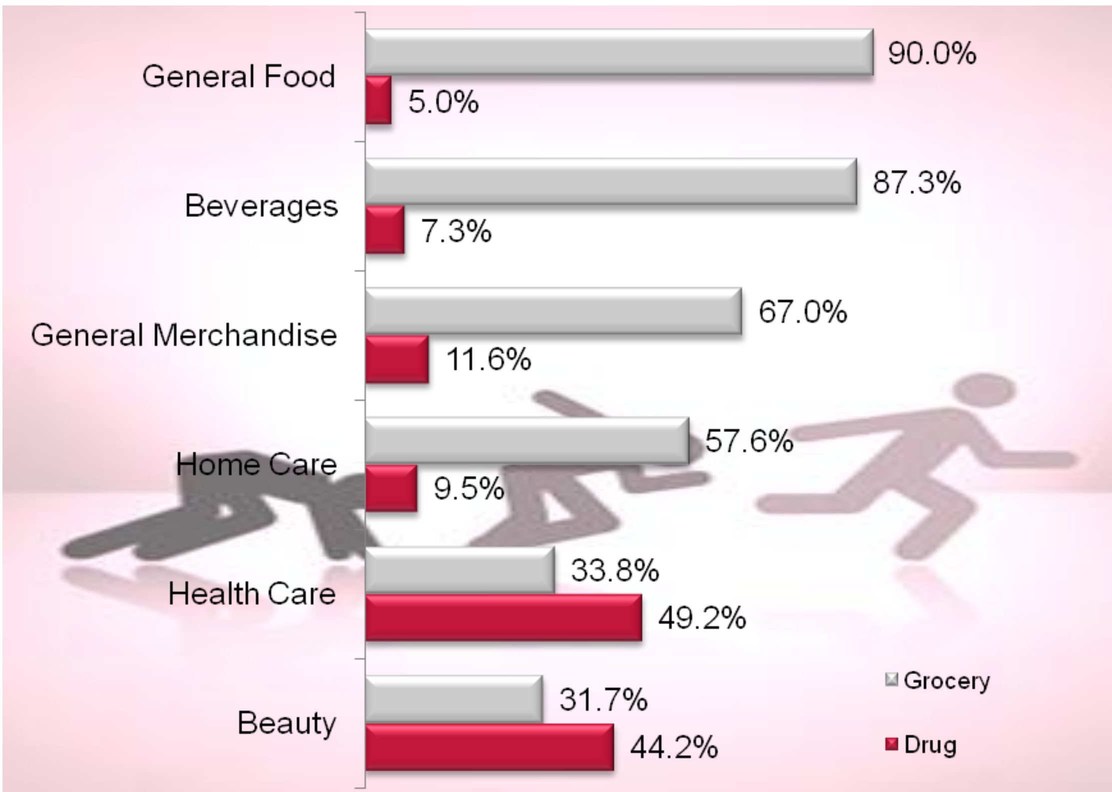
An intensifying level of competition for center store categories is likely to drive channel share shifts in the foreseeable future.

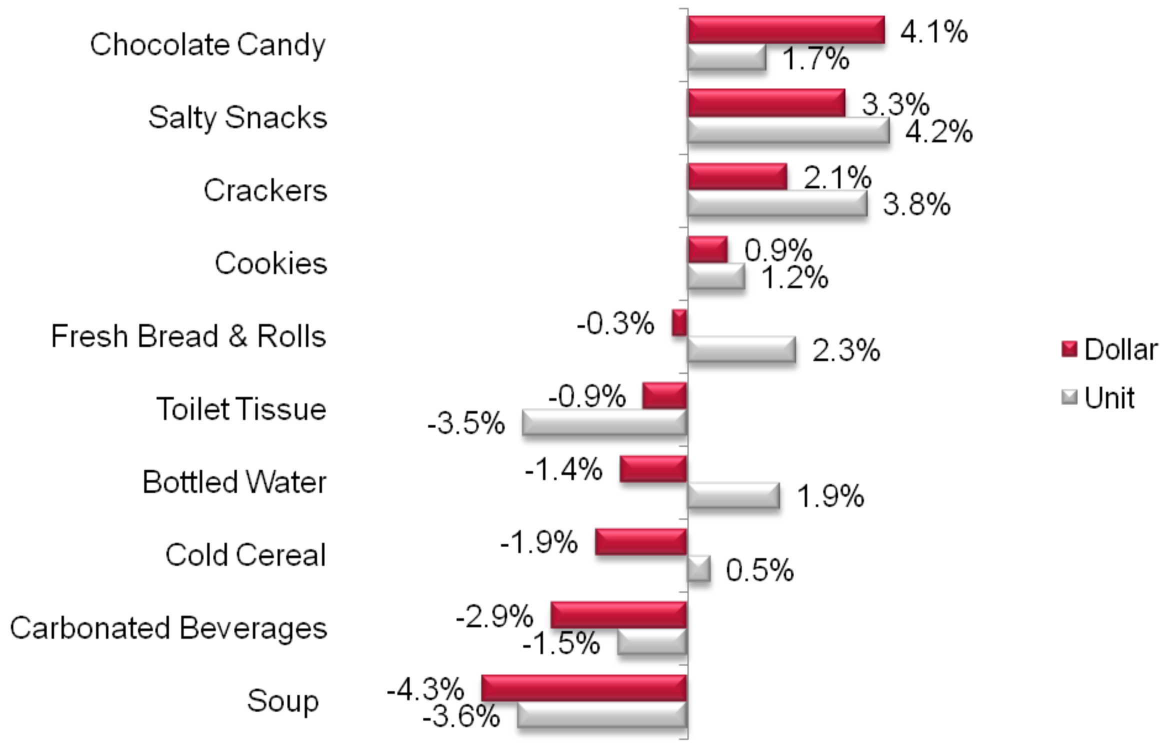


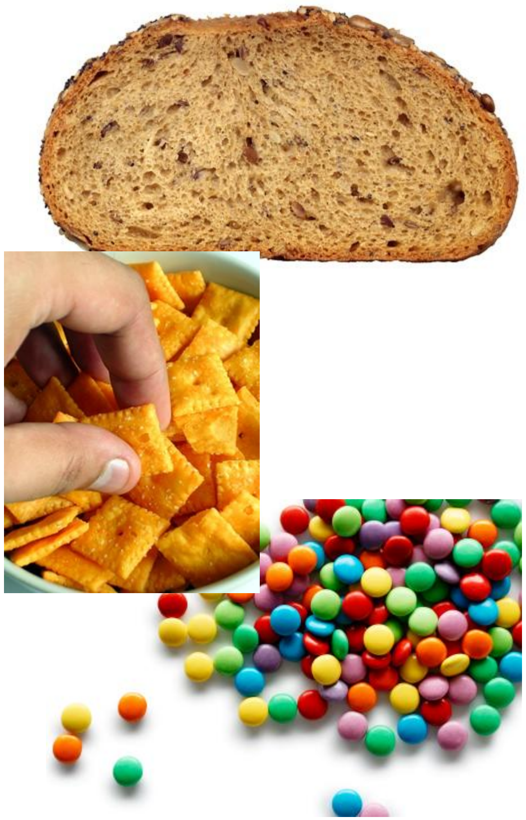
	Grocery Point Change v Year Ago	Drug Point Change v Year Ago
General Food	(0.3)	0.0
Beverages	(0.3)	+0.2
General Merchandise	+0.3	(0.7)
Home Care	(0.1)	(0.2)
Health Care	(0.4)	(0.1)
Beauty	(0.2)	(0.6)

Source: SymphonyIRI Market Advantage™; 52 weeks ending 8/8/2010 and same period prior year, and calendar year 2006-2008

Center Store Departments: Share of Dollar Sales
By Channel, FDMx
2010

Performance across the ten largest center store categories during the past year has been mixed.

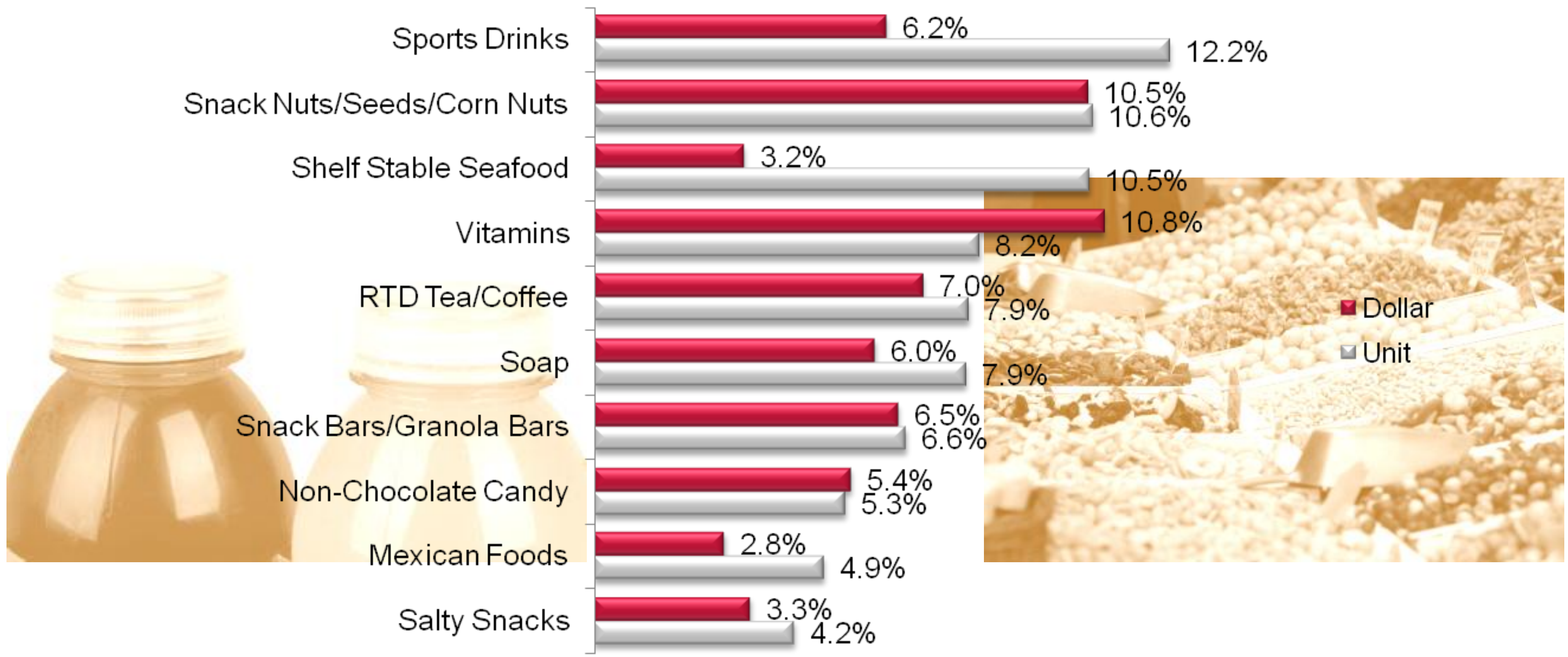




*Note: Top 10 center store categories ranked by dollar sales FDMx
Source: SymphonyIRI Market Advantage™; 52 weeks ending 8/8/2010 and same period prior year

Top 10 Center Store Categories- Growth versus Year Ago
FDMx
2010 v 2009

The ranks of center store's fastest growing categories are illustrative of key consumer rituals: self-driven health and wellness and home-based eating.



*Note: Among top 50 center store categories, as ranked by dollar sales FDMx
Source: SymphonyIRI Market Advantage™; 52 weeks ending 8/8/2010 and same period prior year

Center Store: Top Growth Categories
FDMx, Unit Sales Growth
2010 v 2009

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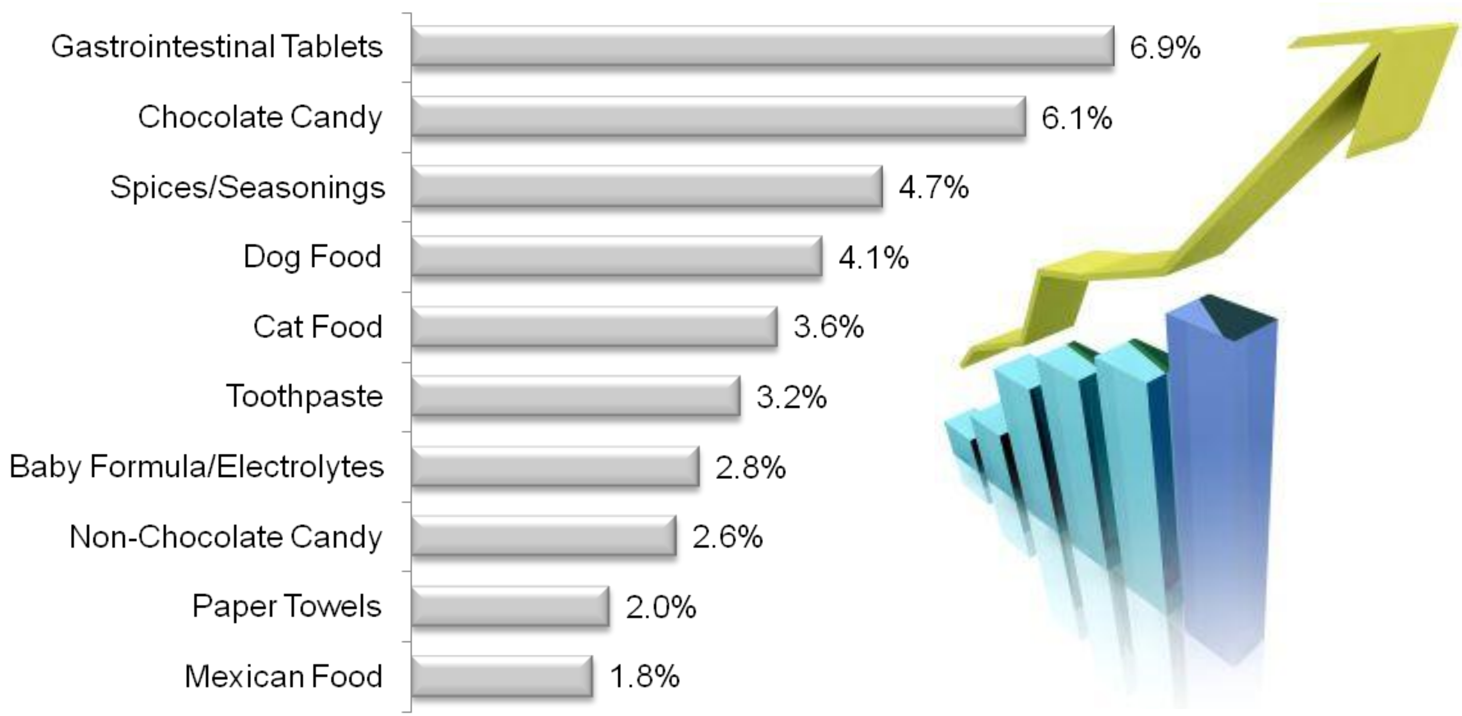
On average, center store price per volume slid during the past year, but some categories experienced sizable volume price increases.



*Note: Among top 50 center store categories, as ranked by dollar sales FDMx
Source: SymphonyIRI Market Advantage™; 52 weeks ending 8/8/2010 and same period prior year

Center Store Categories* with the Biggest Price Increase
Based on Average Price Per Volume, FDMx
2010 v 2009

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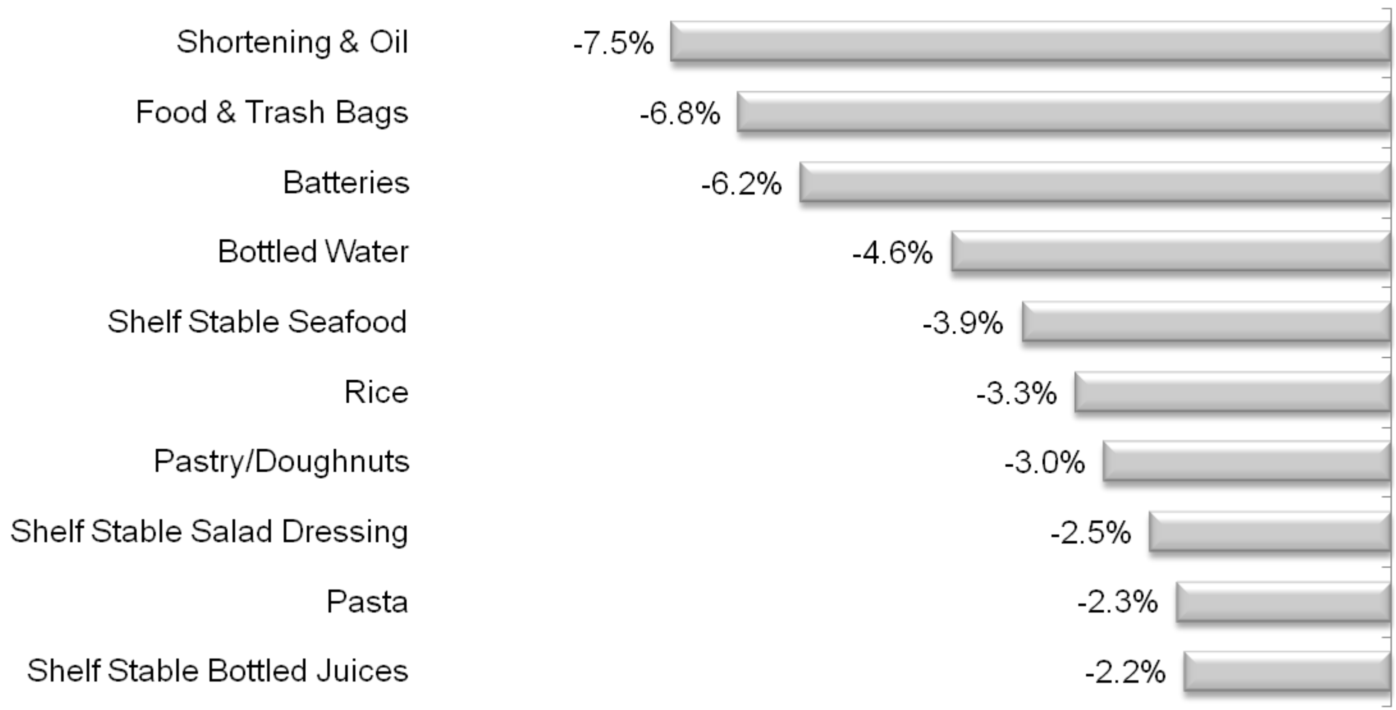
Private label in-roads and heavy promotional activity drove average prices down substantially across some center store categories.



*Note: Among top 50 center store categories, as ranked by dollar sales FDMx
Source: SymphonyIRI Market Advantage™; 52 weeks ending 8/8/2010 and same period prior year

Center Store Categories* with the Biggest Price Decrease
Based on Average Price Per Volume, FDMx
2010 v 2009

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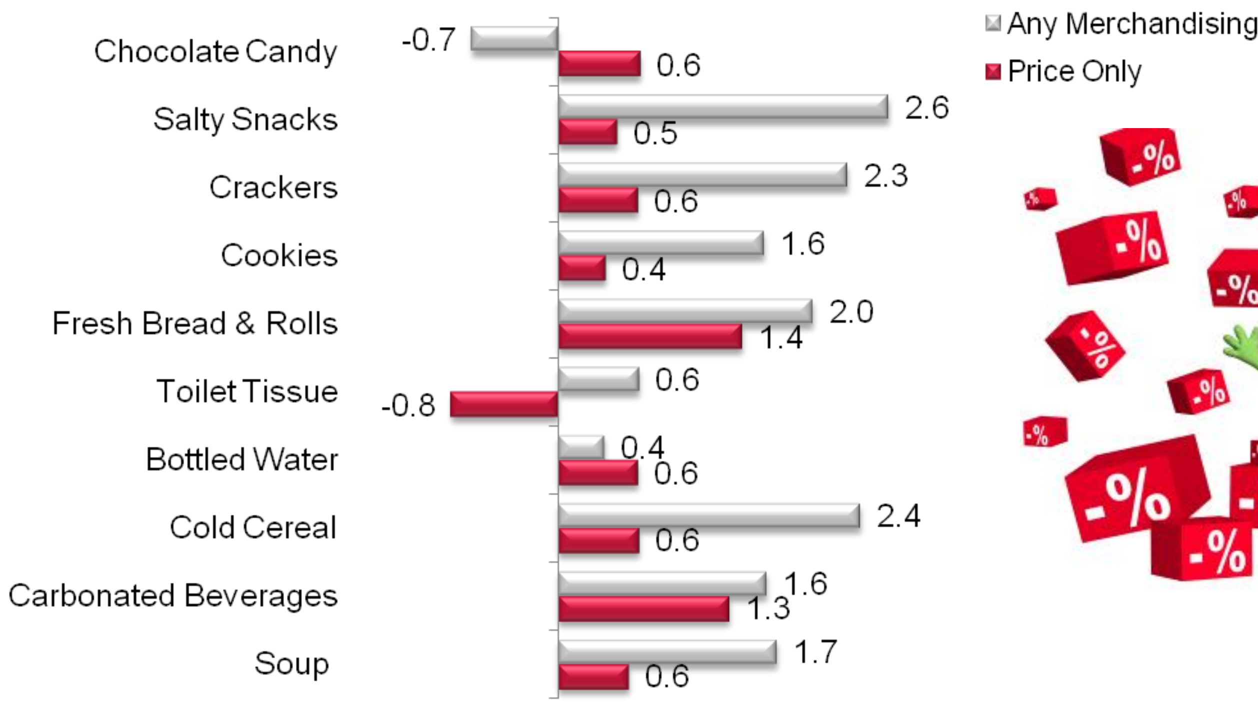
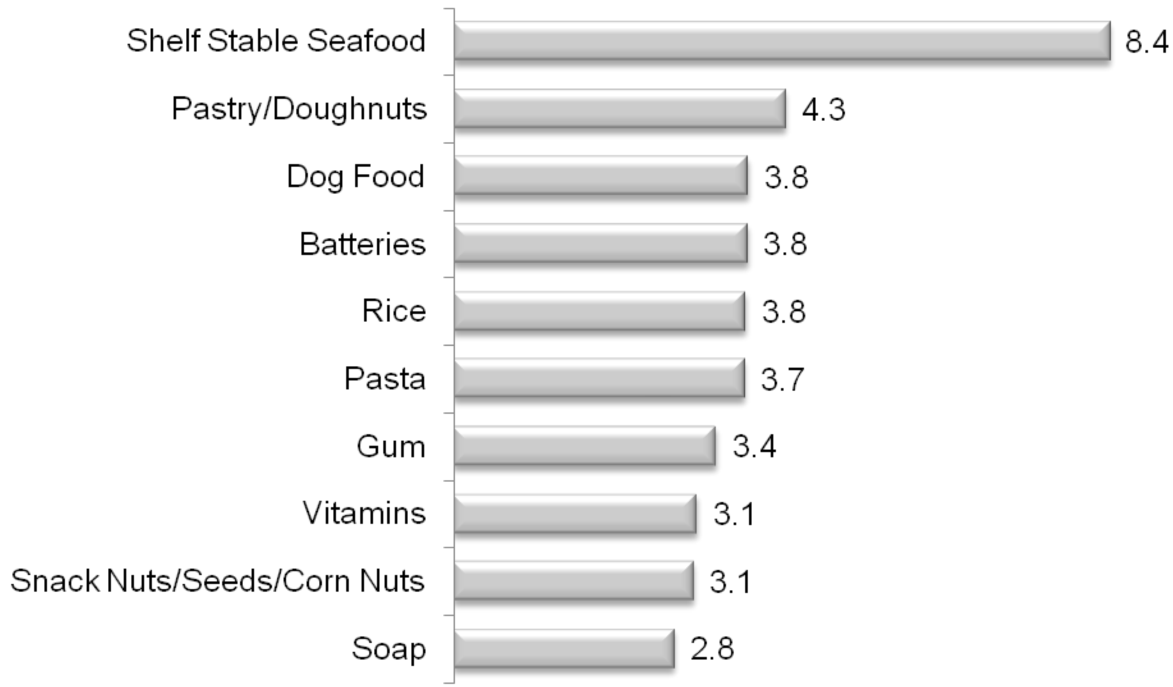
Nearly all of the top 10 center store categories saw an increase in merchandising support during the past year.



*Note: Top 10 center store categories ranked by dollar sales FDMx
Source: SymphonyIRI Market Advantage™; 52 weeks ending 8/8/2010 and same period prior year

Top 10 Center Store Categories: Change in Promotional Activity
Point Change in % Volume with Merchandising Support, FDMx
2010 v 2009

Merchandising support is up significantly across a wide range of center store categories.



*Note: Among top 50 center store categories, as ranked by dollar sales FDMx

Source: SymphonyIRI Market Advantage™; 52 weeks ending 8/8/2010 and same period prior year

Center Store Categories* with the Biggest Increase in Merchandising Activity Level

Point Change in % Volume with Merchandising Support, FDMx

2010 v 2009

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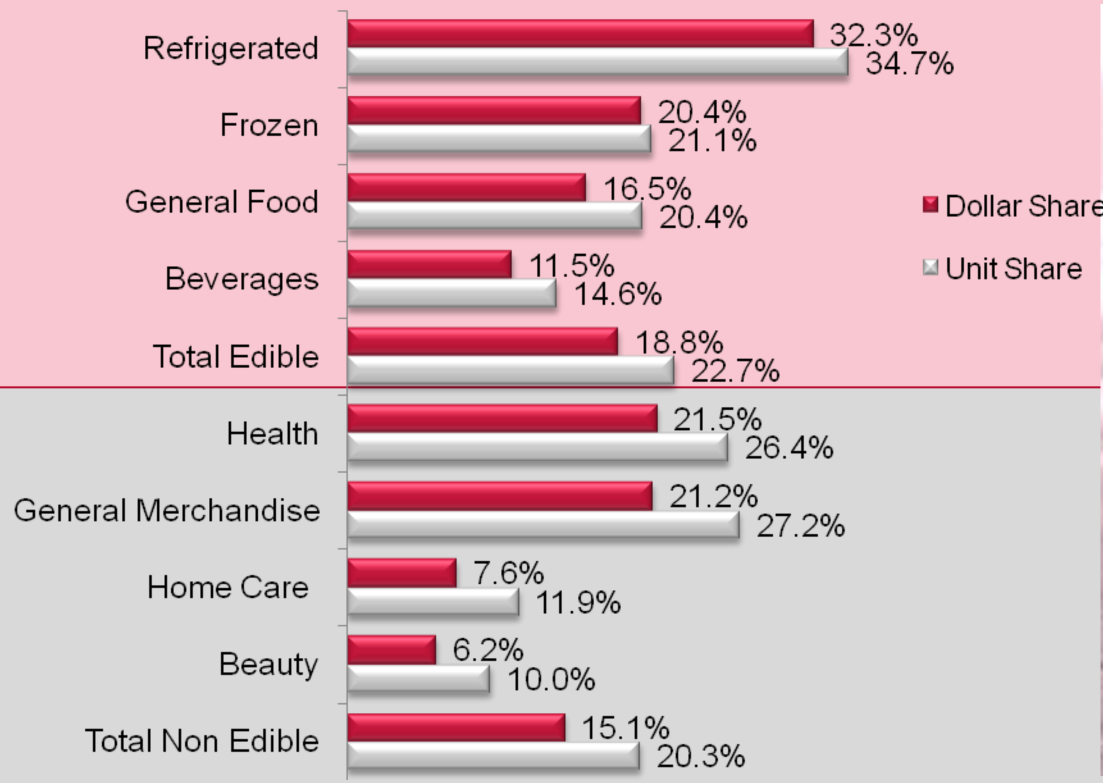
Private label is prominent and growing across the center store, with particularly strong growth occurring in some non-edible center store departments.



Point Change v Year Ago

	Dollar	Unit
Refrigerated	(0.2)	(0.1)
Frozen	+0.6	+0.1
General Food	+0.3	+0.1
Beverages	+0.2	+0.2
Total Edible	+0.1	+0.1
Health	+1.7	+1.4
General Merchandise	+0.5	+0.5
Home Care	+0.3	+0.1
Beauty	+0.8	+1.0
Total Non Edible	+0.7	+0.7

Source: SymphonyIRI Market Advantage™; 52 weeks ending 8/8/2010 and same period prior year, and calendar year 2006-2008

Private Label Share of Sales, by Department

FDMx

2010

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Conclusions: Manufacturers

Continually assess new growth opportunities and threats

- Analyze share shifts on a monthly basis to identify emerging opportunities
- Closely monitor private label trends by category and by consumer segment
- Understand trip mix for your categories and brands, as well as alignment with trip strategies of key retailer partners
- Assess potential share impact prior to and immediately following changes to pricing strategy
- Monitor innovation across the packaged goods arena in search of new technologies and ideas that may be suitable for application in key categories/brands

Explore feasibility of collaborative marketing and merchandising plans

- Work to secure optimal shelf space and placement by demonstrating category/brand value in basket building
- Merchandize and co-promote products with high purchase incidence in targeted trip types; include complementary products in these efforts
- Manufacturers of products impacted by at-home rituals (food, health and beauty care, household care) should explore partnership with key retailer partners to design multi-category, affordable solutions

Closely measure and monitor strategy execution

- Measure actual and projected sales growth in the aggregate, across consumer segments and by store following new product, pricing and merchandising strategy introduction before and frequently following roll-out

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Conclusions: Retailers

Continually assess new growth opportunities and threats

- Analyze share shifts on a monthly basis to identify emerging opportunities
- Closely monitor private label trends by category and by consumer segment
- Identify current and desired trip mix for your stores; ensure assortment, promotions and adjacencies are in alignment with current and desired trip missions
- Ensure adequate shelf space and optimal assortment across high-growth center store categories

Explore feasibility of building collaborative marketing and merchandising plans with key manufacturer partners

- Ensure that assortment and store layout are reflective of purchase patterns associated with key trip missions
- Merchandize and co-promote products with high purchase incidence in targeted trip types; include complementary products in these efforts
- Present multi-category, affordable solutions across categories/departments impacted by at-home rituals (food, health and beauty care, household care)

Closely measure and monitor strategy execution

- Measure actual and projected center store category contribution to total store sales and profits across consumer segments at the store level
- Carefully test pricing, promotion and merchandising changes prior to and immediately following program roll-out

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