Special Report

The Downturn Shopper: Buckled in for a Wild and Crazy Ride

SymphonyIRIGroup

Insight.
Innovation.
Impact.

Times & Trends

October/November 2011

Executive Summary

INSIGHT	ACTION
❑ A difficult and diversified economic landscape is serving to further splinter an already-complex consumer landscape	❑ Create deeper insights into shopper behavior by integrating a full spectrum of shopper intelligence into all analyses; leverage these integrated findings as the foundation for all marketing tasks
❑ Simplification, conservation and self-reliance are three key themes of downturn shopper strategies	❑ Build sales and share with products and programs based upon a micro-level understanding of the most pressing needs of key shoppers and targets, making ‘living well with less’ an attainable goal
❑ Three-quarters of shoppers expect that their personal finances will remain stagnant or deteriorate in the coming year, spurring ongoing caution and, for some, another round of belt-tightening in an already frugal environment	❑ Strengthen targeting and relevance by supplementing “tried and true” consumer and market assessment processes with more targeted strategies that provide a 360-degree perspective of shopper behavior where shopper knowledge is applied at the individual household and store level

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Executive Summary

INSIGHT

- Intensifying financial pressures have made cost a huge concern for shoppers today, compelling some to re-think their consideration set when making brand decisions
- Online deals and coupons have become a new quiver in the arsenal of consumers looking to notch their savings up to the next level

ACTION

- Frequently re-examine pricing strategies to ensure that the value offered by your categories and brands consistently delivers against the budgetary needs of key shoppers and targets
- Continue to build out marketing programs, ensuring that online and other new media components reach target consumers early and often with messages that complement in-store efforts to communicate value

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The U.S. economy is in a tenuous and rapidly evolving state, and unemployment and inflation are expected to continue to hamper stability and growth prospects well into 2012.

Economic Snapshot
2008-2011p

Economic Measure	2008	2009	2010	2011
GDP (% chg)	1.9%	-2.5%	4.2%	3.7%
Unemployment (%, SA)	5.8	9.3	9.6	9.0
Consumer Price Inflation (% Chg)	3.8%	-0.3%	1.6%	3.0%
Retail Sales (% Chg)	-1.2%	-7.0%	6.4%	7.6%
Residential Permits, Total (Mil)	3.6	2.3	2.4	2.4

Source: Moody's Economy October 2011.

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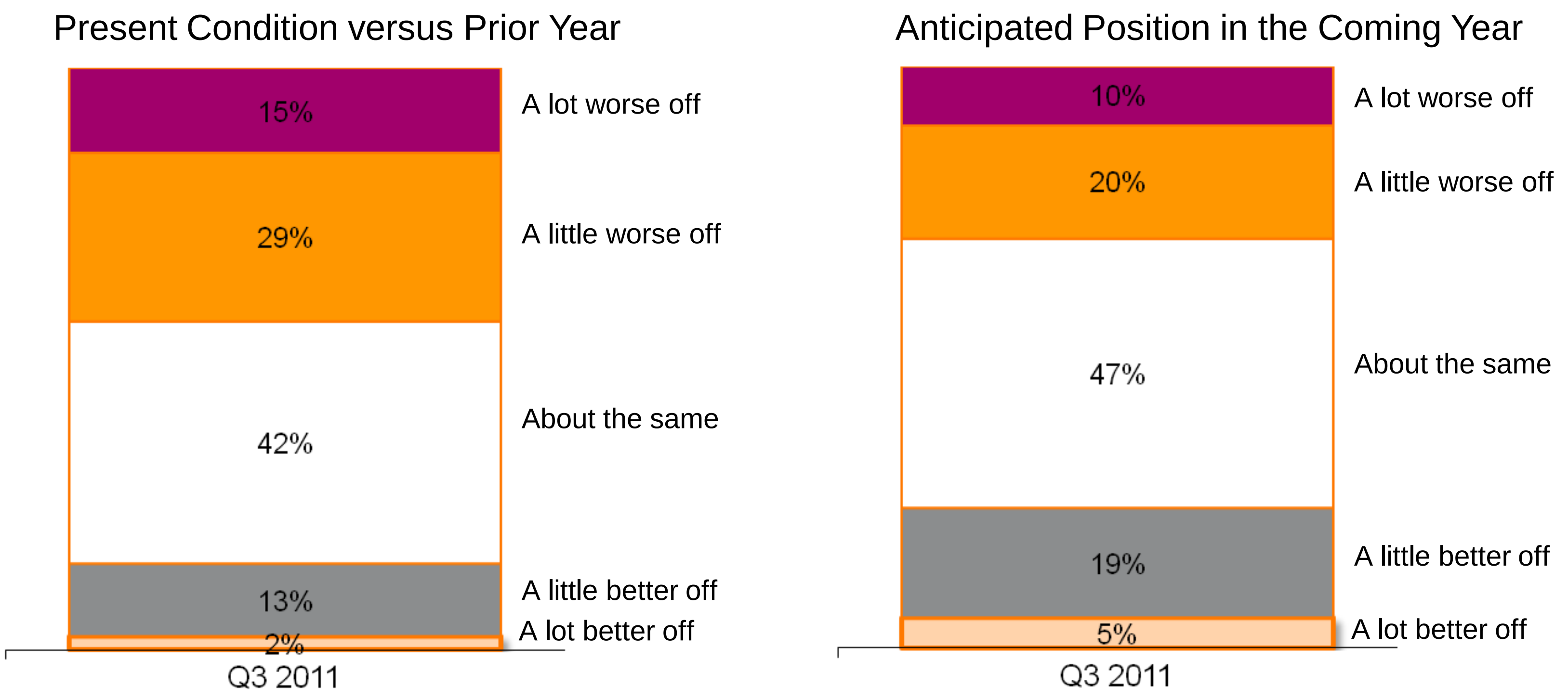
Nearly half of consumers feel that their financial position has deteriorated during the past year, and a strong majority feel that their finances will be stagnant or deteriorating during the next year.

Personal Financial Condition
% of Shoppers



Source: SymphonyIRI MarketPulse Survey, Q32011.

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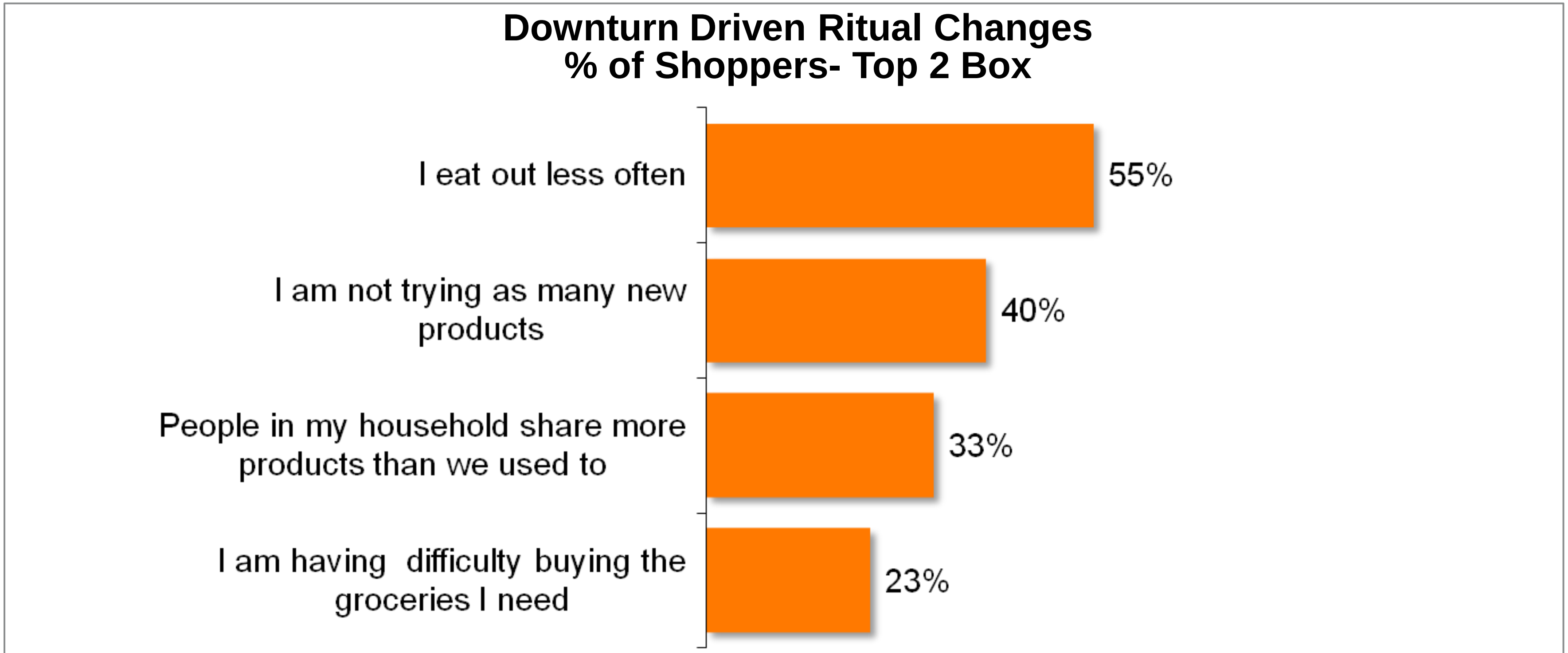
A prolonged "down" economy has many consumers adjusting their food and beverage rituals in an effort to make ends meet; still, nearly one-quarter of consumers are having difficulty affording weekly groceries.



Source: SymphonyIRI MarketPulse Survey, Q32011.

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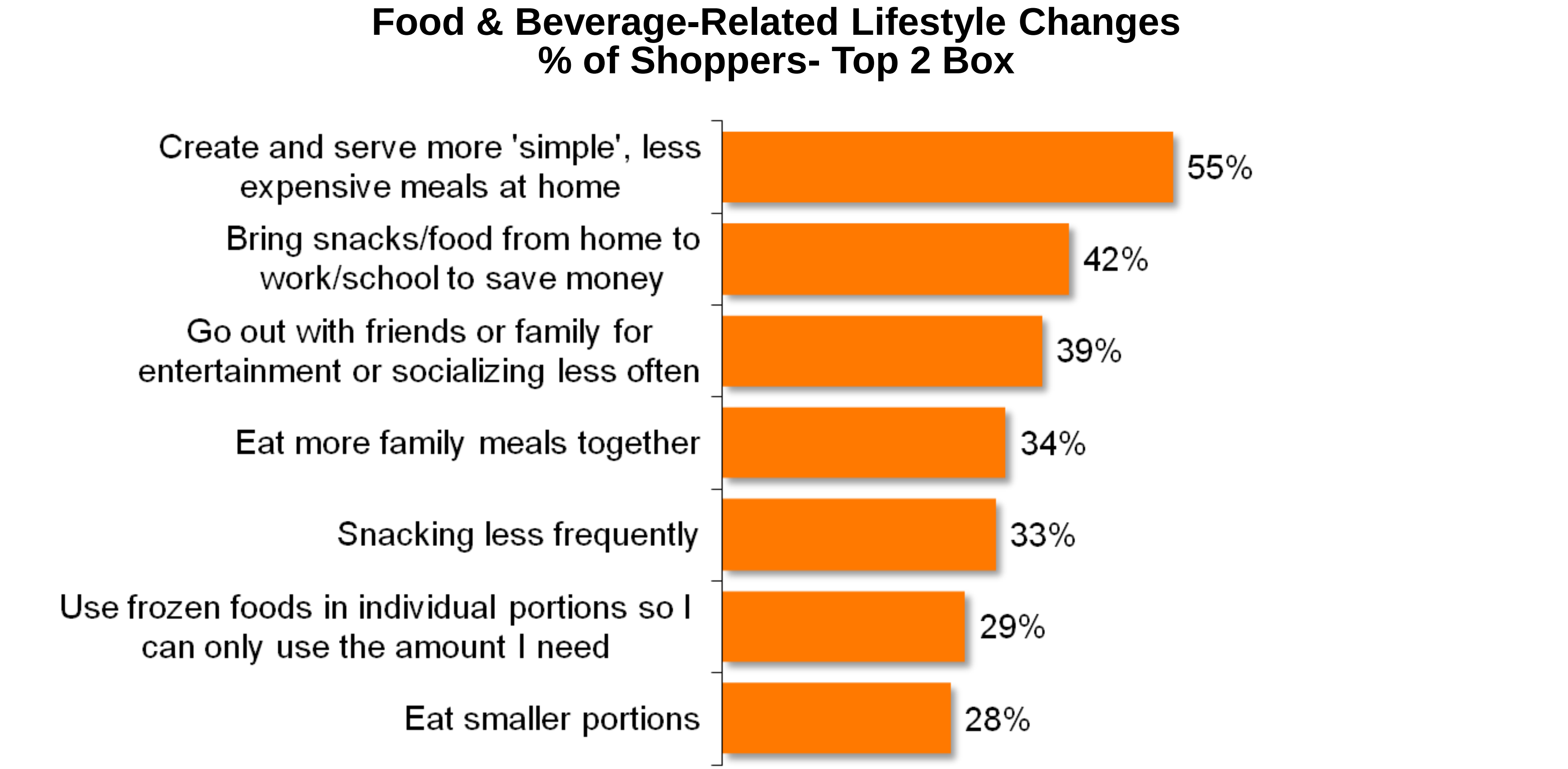
Themes of “simplification” and “conservation” have evolved around food and beverage-related rituals during the course of the economic downturn.



Source: SymphonyIRI MarketPulse Survey, Q32011.

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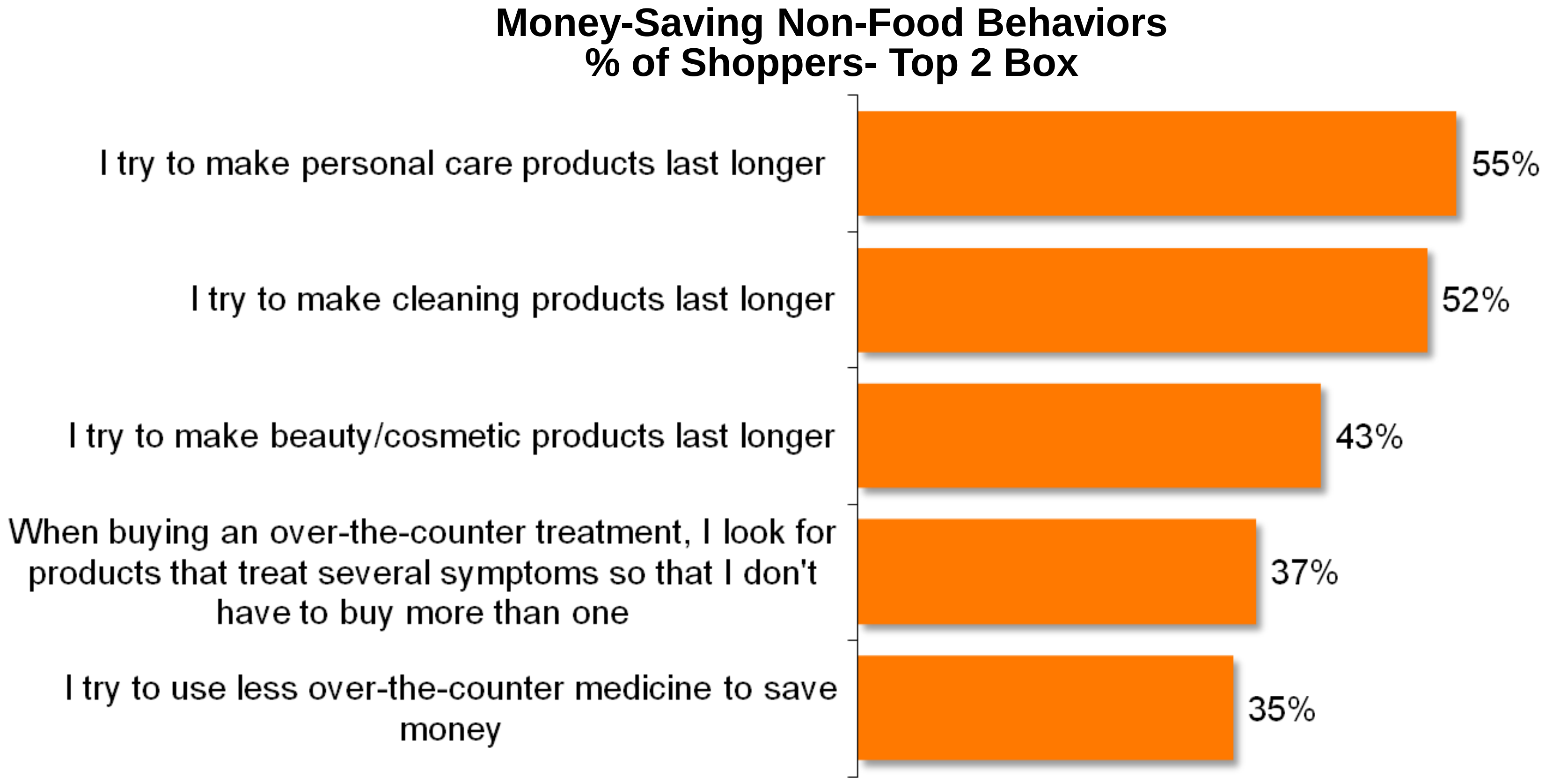
Consumers have embraced a “self-service” attitude in an effort to save money on health and beauty care.

Source: SymphonyIRI MarketPulse Survey, Q32011.

Consumers are approaching beauty, personal and home care rituals with an eye toward conservation.



Source: SymphonyIRI MarketPulse Survey, Q32011.

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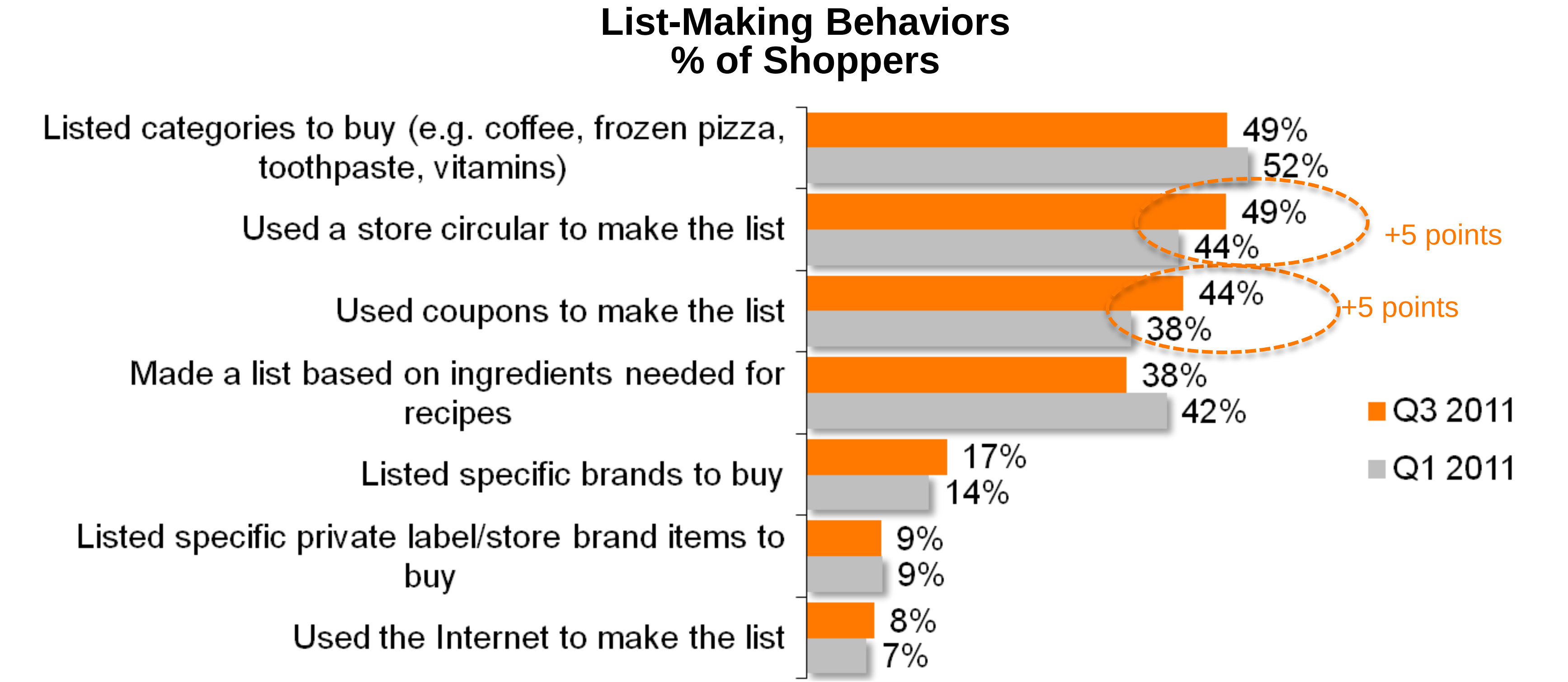
List-making behavior is quite prevalent, and consumers are making their lists based heavily on availability of money-saving opportunities.



Source: SymphonyIRI MarketPulse Survey, Q32011 v Q12011.

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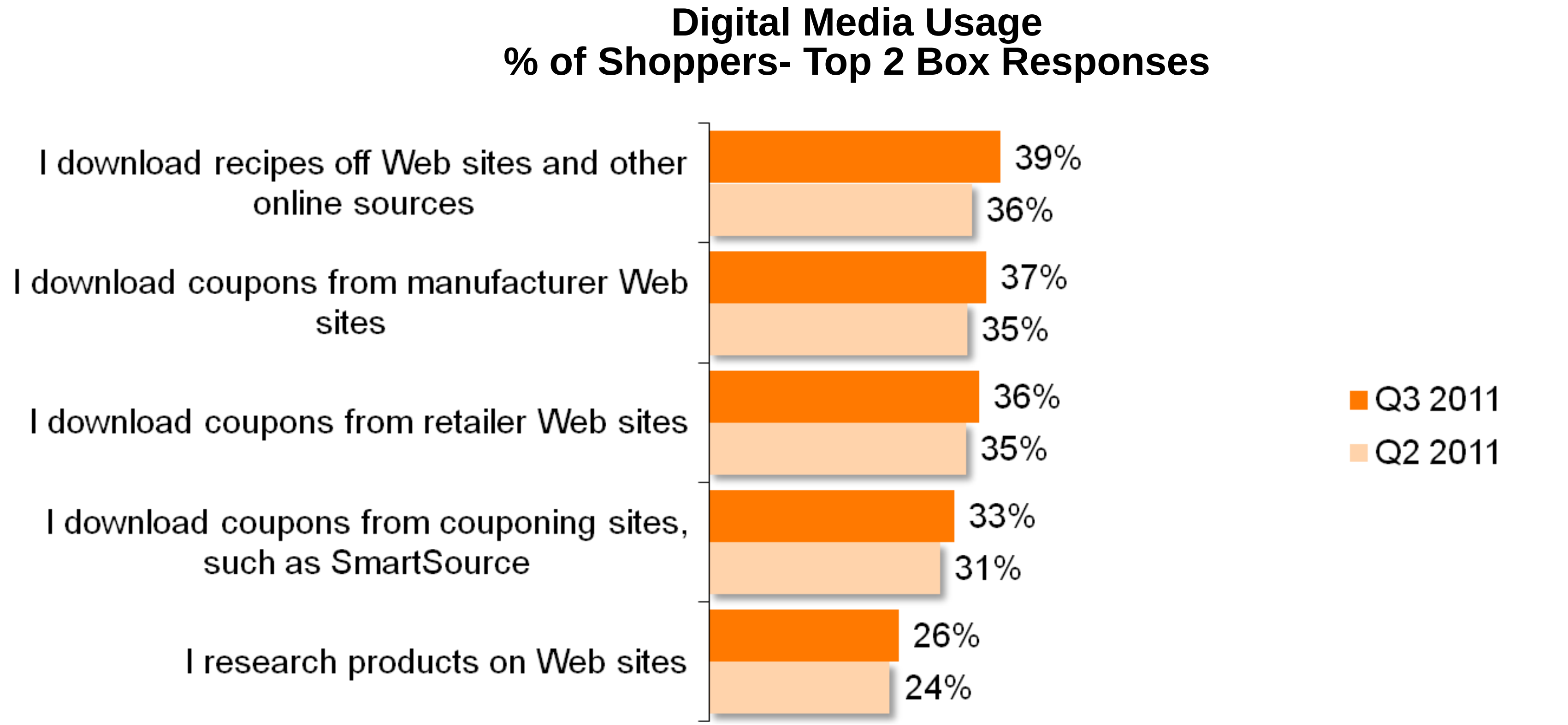
The Internet is rapidly becoming an integral component of consumers' money-saving strategies.



Note: Q22011 was first fielding of this series of questions.

Source: SymphonyIRI MarketPulse Survey, Q32011 v Q2 2011

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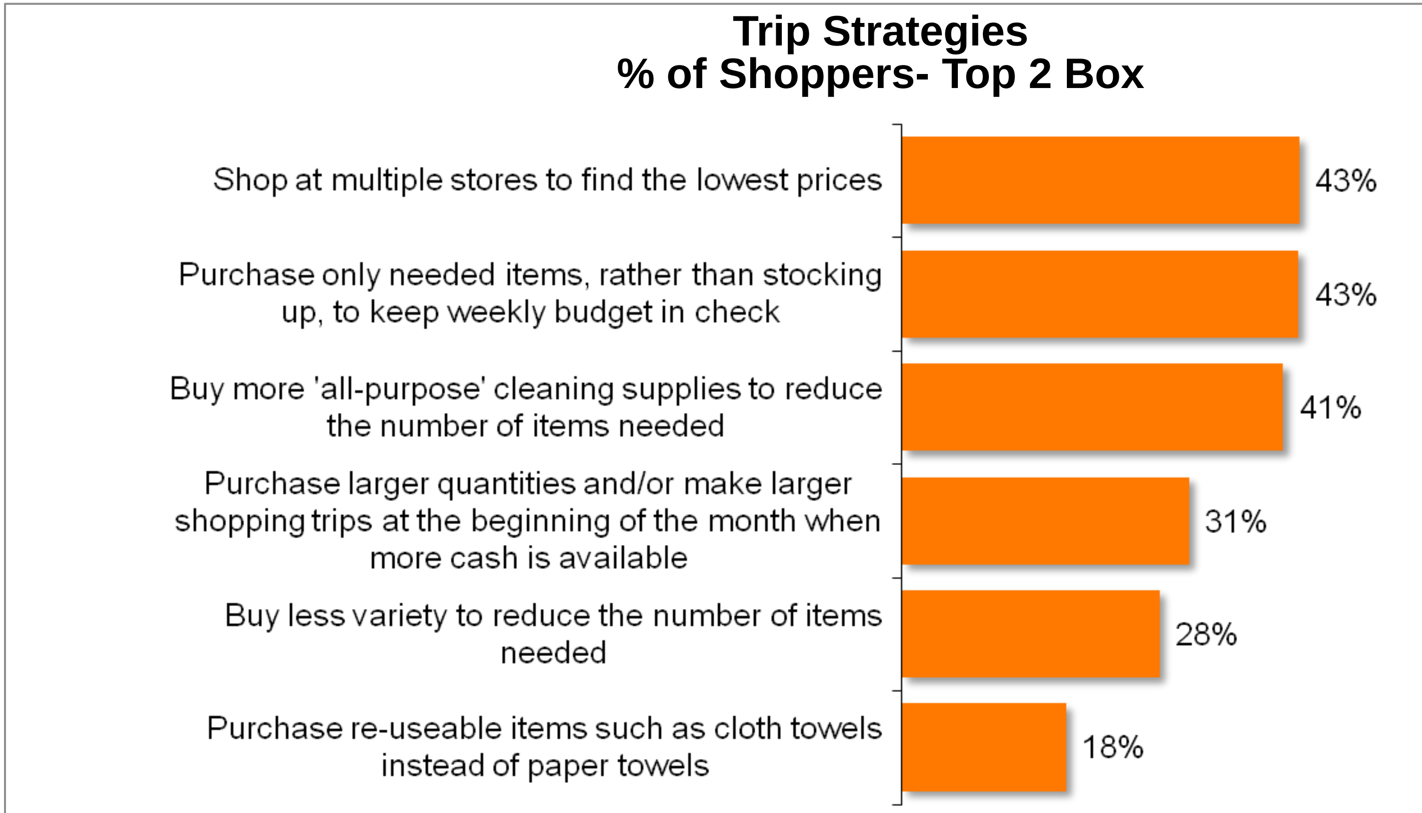
Consumers are taking a more measured approach to shopping these days, with timing, assortment and quantity carefully balanced against personal cash flow patterns.



Source: SymphonyIRI MarketPulse Survey, Q32011

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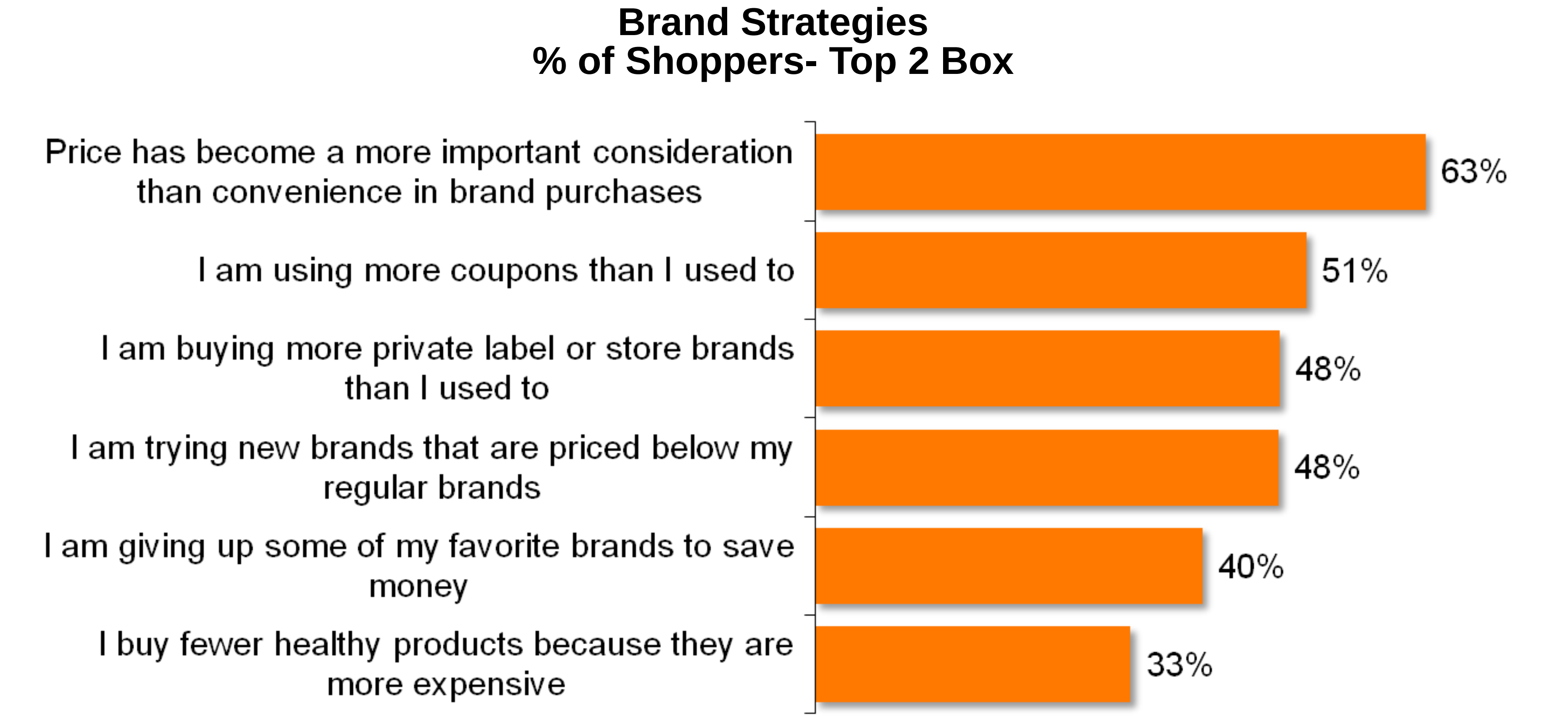
Cost is a huge issue for consumers working on shoestring budgets and is compelling consumers to "open their minds" to products/brands not previously in the consideration set.



Source: SymphonyIRI MarketPulse Survey, Q32011

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More than 33,000 consumers from SymphonyIRI's Consumer Network™ have been classified into one of six segments in a proprietary economic shopper segmentation, providing in-depth insights into consumer behaviors across all tracked categories and brands.

Economic Segments Discovered in the Study

Source: SymphonyIRI EconoLink 2011.

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Consumer sentiment around prospects for the coming year vary drastically across consumer segments; these sentiments will have a profound impact on CPG attitudes and behaviors in the foreseeable future.

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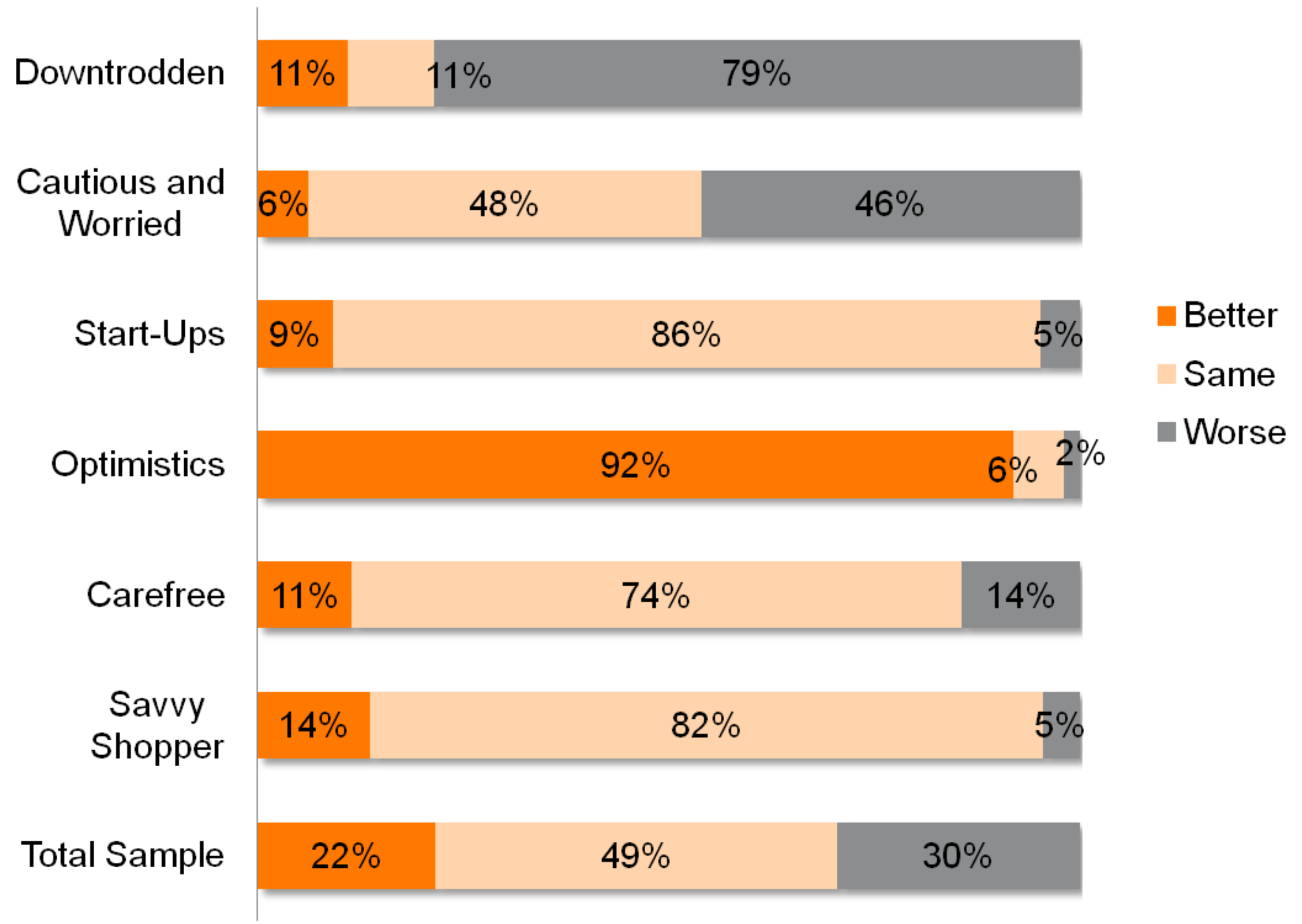
% of Shoppers



Source: SymphonyIRI EconoLink 2011.

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Conclusions: Manufacturers

Product Marketing

- Collaborate with key retailer partners to facilitate shoppers' planning process; consider messaging and tools, such as coupons and innovative money-saving offers, that will improve the odds of "getting on the list"
- Ensure media mix embraces new media along with traditional media in a manner that begins to impact the shopper in the home; reinforce message throughout the shopping experience
- Messages around value are critical; tailor and target messages at a micro—even individual—level to ensure maximum relevance and impact

Shopper Marketing

- Collaborate with key retailer partners to ensure that assortment reflects dominant/desired purchase patterns of shoppers and target groups
- Partner with key retailers in the development of loyalty program offers targeted against the needs/wants of key shopper segments

In-Store Marketing

- Tie in-store efforts with externally-targeted promotional campaigns to reinforce/solidify purchase decisions made prior to entering the retail environment
- Work with key retailer partners to develop in-store programs, such as kiosks or displays, to demonstrate for shoppers how to "get the biggest return" on product investment, such as recipes/meal ideas, or beauty/personal care packages
- Constantly measure and monitor in-store initiatives against desired shopper impact; implement mid-cycle adjustments as warranted

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Conclusions: Retailers

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