[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries

October 2009

Zero-Moment of Truth: Redefining the Consumer Decision-Making Process

IRI

Breakthrough Insights. Breakthrough Results.

Mastering Nuances the Key to Meeting Shoppers' Changing Needs

Underneath all the news coverage highlighting the dichotomy between a range of economic indicators that point to a recovering economy and the persistently increasing unemployment rate are many subtle behaviors from shoppers that combine to form significant trends. Several of these behaviors evolve around how shoppers learn about, plan for and execute their CPG shopping trips.

Perhaps the most salient of these trends is represented by where consumers make their CPG shopping decisions. As late as 2007, 60 percent of shoppers made their decisions at home and 40 percent in the store. In July of this year, however, 83 percent of shoppers stated they are making their purchase decisions at home, an astounding 23 point increase.

In related fashion, 64 percent of shoppers now make a list prior to visiting the store. And while there is a stereotype that it is aging boomers who make lists, clip coupons and practice the most draconian money saving strategies, it is, in fact, Millennials (shoppers under the age of 30) who behaviorally represent the most frugal shopper. In four of seven money-saving activities listed by IRI in its recent research into shopper behavior, Millennials were most heavily represented.

Much of this at home research and coupon-clipping occurs from store flyers; Internet coupons totaled just one percent of total coupons printed in 2008. However, that statistic belies the importance of the Internet in several ways. First, that one percent represents an 80 percent increase over a single year period. In addition, 44 percent of shoppers indicate they are looking online to find coupons. Finally, among those who receive permission-based email from a CPG company, an enormous 91 percent have downloaded or printed a coupon based on that email.

The message for both CPG companies and retailers is clear. The Internet will only gain in importance as the dominant information source for shoppers. Today's Millennials are likely to continue the recession-era shopping habits they have learned today long after the recession ends.

In-store shopper behaviors have also changed over the course of the past several years. Recent IRI research indicates that 54 percent of shoppers notice promotions in the shelf area of the store, a significant seven point increase since 2004. However, the same report also reveals that the time shoppers spend in front of the shelf has dipped from 49 to 43 seconds over the same period of time. The message to CPG companies and retailers – be succinct!

IRI's October report delves into a wide range of subtle, but interconnected trends. Understanding in detail these trends and developing strategies that demonstrate this understanding will help CPG marketers maximize the effect of price, promotion and merchandising strategies on shopper behaviors. We appreciate the opportunity to brief you on our latest research and are eager to hear your comments and observations.

Thom Blischok
President, Shopper Marketing& Innovation

EXECUTIVE SUMMARY: TURNING INSIGHTS INTO ACTION

INSIGHT	ACTION
» A prolonged period of recessionary economic conditions has led to marked changes in the consumer decision-making process; today's CPG consumers are marked by more deliberate and discerning shopping patterns	» Conduct detailed assessments across key shopper segments; leverage the knowledge from these efforts to develop price and promotion strategies which align with goals of key shopper groups, as well as with corporate objectives
» In stark contrast to patterns seen just two years ago, today 83% of shoppers are making CPG purchase decisions before entering the retail store; though the economy shows signs of brightening, consumers remain steadfastly entrenched in pre-planned shopping behaviors	» Rewire marketing and merchandising strategies to begin impacting the consumer in the home, and carry messaging through to the store with complementary, value-oriented programs
» Though two-thirds of shoppers now rely on a list for CPG shopping, list-making strategies vary drastically across consumer segments	» Extend communication efforts across a combination of traditional and new media alternatives to ensure reach across a broad segment of CPG shoppers
» Trip mission remains a key driver of channel selection, but product selection and convenience play a key role in determining shoppers' ultimate retail outlet of choice	» Assess risk and rewards of aligning assortment against specialized shopping trips; adjust product assortment/adjacencies, as well as promotional and advertising support against trip mission(s) of choice
» Price remains a key driver of brand decisions; consumers' quest for "best overall value" has elevated the role coupons and loyalty programs are playing in the consumer decision-making process	» Investigate opportunities for retailer/ manufacturer collaboration to develop best-in-class loyalty program benefits and unique coupon offerings

INTRODUCTION

[The packaged goods game will be won by CPG marketers with an intimate understanding of consumers rewired by recessionary economic conditions.]

The study of the consumer mindset has always been intriguing. In today's economy, the opportunity to study the consumer is truly fascinating.

Due to first tenuous, then recessionary, economic conditions, the consumer has been forced to evolve. For CPG, this evolution has been marked by obstacles and opportunities.

Many changes observed over the past year have centered around cost-cutting. Away-from-home dining shifted to at-home dining. Consumers seek easy-to-prepare meal solutions, though, because convenience is still king.

Self-care has emerged as a key money-saving strategy. Home-based beauty rituals, such as facials and hair coloring, have increased, and salon visits have declined.

Consumers are making a concerted effort to save on healthcare expenditures by treating simple ailments at home. And, nutrition has become a cornerstone of consumers' wellness strategies.

From a shopping perspective, much has changed. Channel migration has increased in response to high levels of deal-seeking behavior. Consumers are trading down and, sometimes, trading out in order to save money. Private label is an integral part of the consumers' money-saving efforts.

And, importantly, the nexus of the consumer decision-making process has shifted. Today, more than three-quarters of consumers are making CPG decisions before even reaching the retail environment.

No doubt, consumer packaged goods is a whole new ballgame today. It's a game centered on the consumer. It begins and ends with the consumer mindset. CPG marketers with an intimate understanding of how the consumer is wired and a deft ability to market to the new consumer will win the game in the long run.

This issue of Times & Trends provides insight into the mind of the new CPG shopper.

DECISION MAKING PROCESS
OVERVIEW

[The consumer decision-making process ranges from simple to complex, and is influenced by a number of factors.]

The consumer decision making process can be very complex. It begins with the recognition of a need. For CPG, this may be as simple as realizing the milk is gone, or that it is time for a restocking trip.

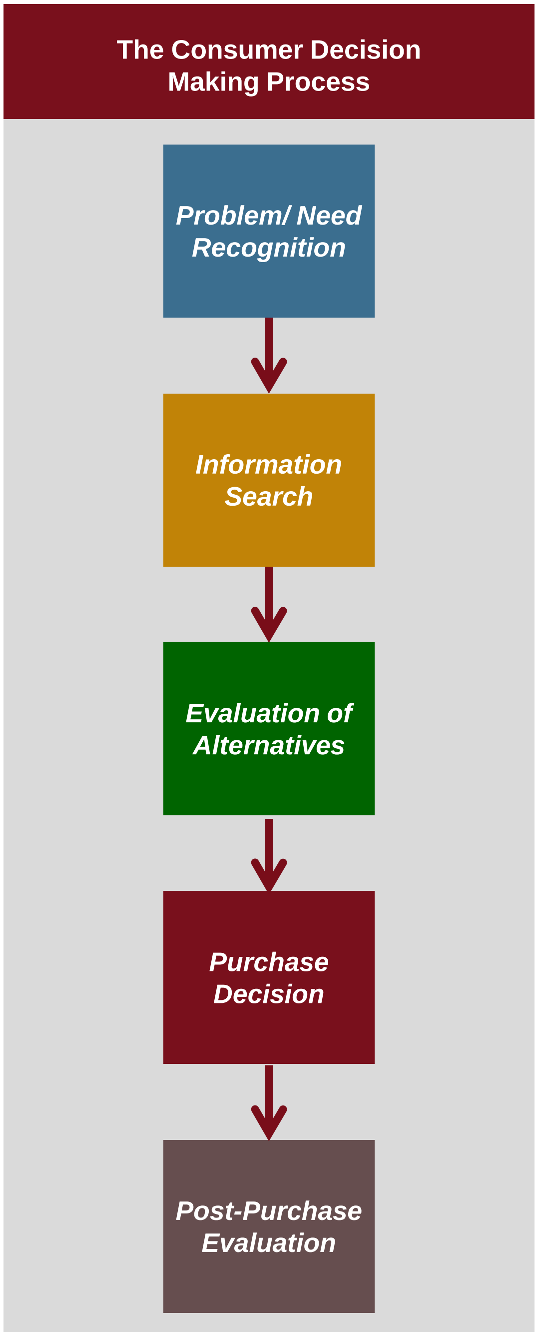
Then begins the information search. The consumer may review circulars, clip coupons, discuss options with family and friends, etc.

In evaluating alternatives, the consumer is looking to satisfy the needs, and, perhaps, derive additional benefits simultaneously (great taste, better-for-you attributes, etc).

The purchase decision, relative to CPG, includes decisions regarding which category to purchase, which brands/types/sizes, and which outlet or outlets to shop.

Because consumer packaged goods are relatively simple and frequent purchases, the post-purchase evaluation process is generally very simple: how did the product compare to expectations? What is the general value perception?

The pages that follow provide a more detailed look at various aspects of the consumer decision-making process.



Source: Adopted from Kotler (1997), Schiffman and Kanuk (1997), and Solomon (1996); Babson College Web site

DECISION MAKING PROCESS
OVERVIEW

[CPG marketers have the opportunity to affect the consumer decision-making process at three stages along the route from home to store.]

The consumer is much more than a potential "purchaser of a product "or "shopper in a store". In fact, the consumer is a shopper, a buyer, and an end user. These roles are heavily interrelated, and together they provide great insight into the mind of the consumer.

By understanding and delivering against the three roles of the consumer, CPG marketers have the opportunity to affect the consumer decision-making process at three stages along the route from home to store.

Product Marketing

Pre-planned shopping has been embraced widely by consumers as a money-saving strategy. Category decisions, and sometimes brand decisions, are increasingly being made before the shopper reaches the retail outlet.

Customer Marketing

Store choice is heavily influenced by trip mission. For example, grocery and supercenters dominate pantry stocking missions, while drug stores are most heavily shopped for quick trips. Retailers have historically focused on building share across trip missions. More recently, calls for a simpler shopping experience have brought opportunity to build share through specialized focus on one or two trip missions.

In-Store Marketing

Though decision-making has shifted into the home, in-store marketing remains critical. It is at the shelf , after all, that actual product selection will occur. At this point, the competition between brands may heighten, and winning (and losing) arguments are made. In-store efforts must reinforce external messaging.

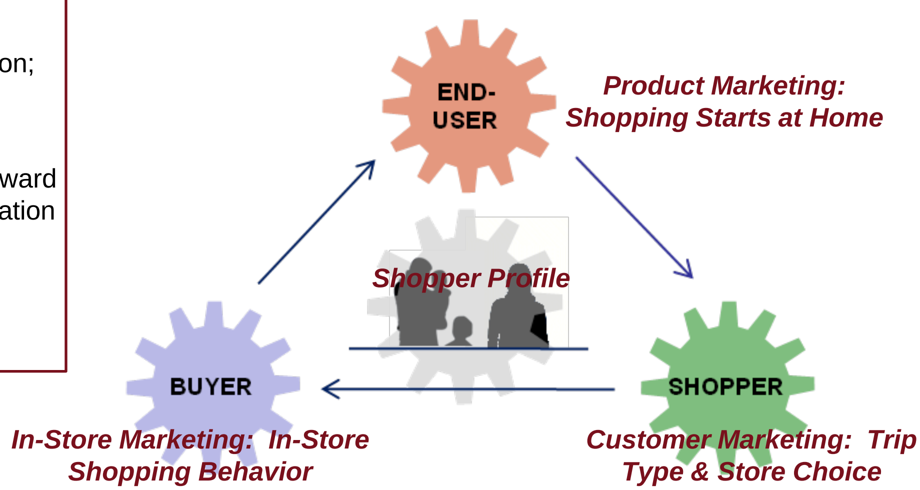
Shopper Profile

Effective marketing centers around an accurate and intimate knowledge of key consumer groups. Today's marketplace is rapidly changing, increasing the need for frequent and granular assessments of key consumer groups.

Definitions

Shopper:	Shopping habits; store selection; trip mission
Buyer:	Purchase behavior process; perceptions & expectations toward store and shelf space organization
User:	Perception, definition, segmentation of the category; usage habits

The Three Roles of the Consumer



Source: IRI Shopper Insights 2009, Shopper Behavior Trends

PRODUCT MARKETING
AT-HOME DECISION MAKING

[Pre-planned shopping has become a hallmark of shoppers looking to maximize return on their CPG investment.]

Consumers have been struggling against adverse economic conditions for nearly two years. Daily rituals have changed drastically during this period; at-home living has become a chief survival strategy.

Shopping strategies have also changed. Consumers today approach shopping in a much more deliberate manner. They are carefully planning what they buy, where they buy, and when they buy.

Over the past several years, pre-planned shopping has become rather commonplace. Today, an astounding 83% of consumers are making their CPG purchase decisions in the home.

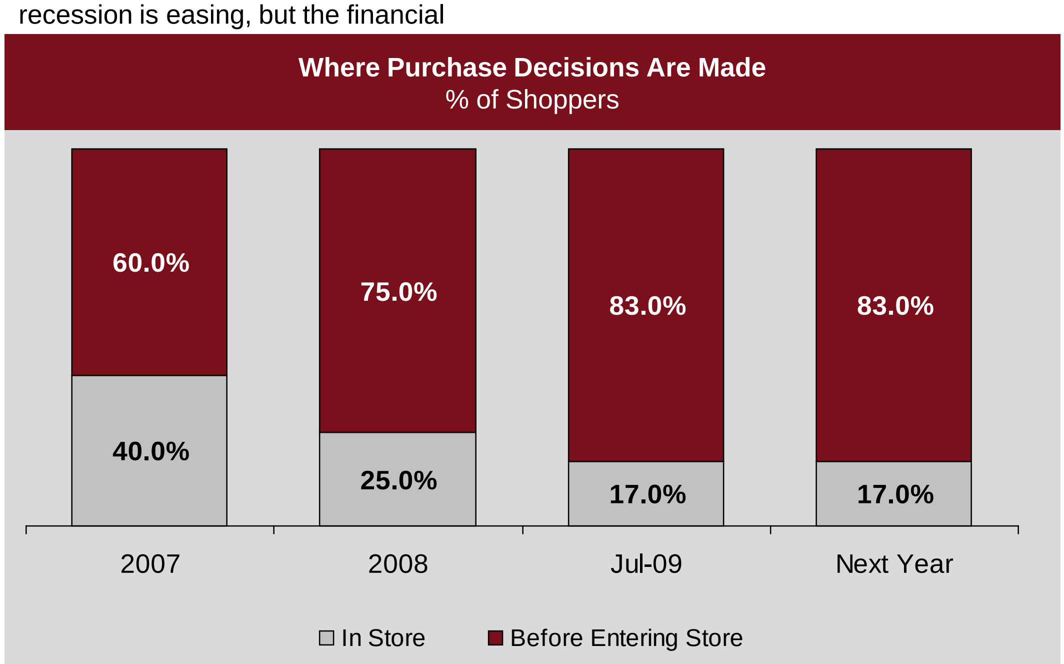
This is a sharp change from just two years ago, when just 60% of consumers made their decisions before getting to the store.

Recent signs indicate that the recession is easing, but the financial waters far from smooth. And consumers are not yet ready to loosen their financial belts.

In fact, based on extensive and continuous IRI research into the transforming economy and associated changes in shopper behavior, IRI forecasts that today's shoppers will adopt many of the practices Depression- era shoppers implemented both to weather the recession as well as to keep a close eye on spending long after the recession ends. IRI has dubbed these shoppers the "Downturn Generation."

Findings from IRI's Longitudinal Economic Study Series validate these findings. In the next year, 83% of consumers anticipate that shopping decisions will be made before they reach the store.

Marketing and merchandising strategies must be rewired to compete in the new world of shopper decision making.



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

PRODUCT MARKETING
LIST-MAKING

[64% of shoppers work from a pre-made list; store flyers and coupons are key list-making tools.]

List-making has become an integral part of planning for a shopping excursion. Today, nearly two-thirds of shoppers (64%) rely on a list when doing their CPG shopping[1].

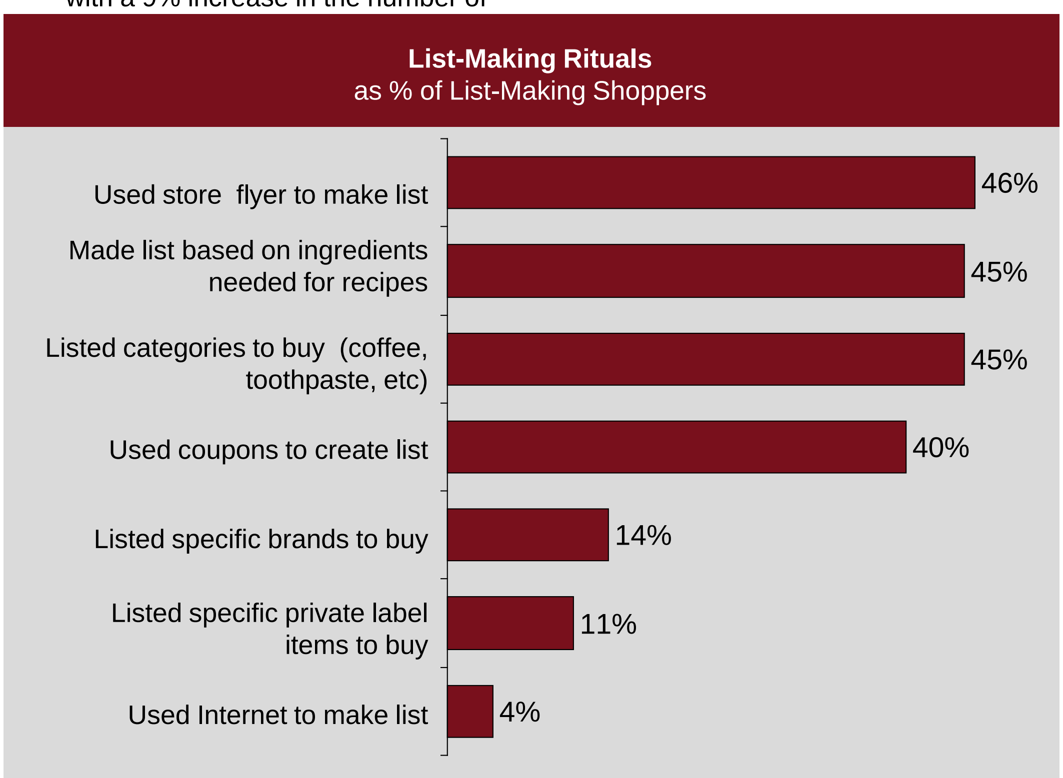
Though tools used to make a list vary, nearly half of list-makers refer to store flyers during the process, and 40% of list-makers align their list with available coupons.

Not surprisingly, consumer response to coupon offerings has soared over the course of the recession. In fact, coupon redemption increased 10% in the fourth quarter of 2008, versus the same period prior year, the first jump in redemption rates since the early 1990s[2].

The positive trend continues into 2009, with a 9% increase in the number of coupons redeemed in January of this year versus year ago[3].

According to Valassis, 90% of coupons are delivered via free-standing insert (FSI), but magazines, handouts and the Internet have all posted positive share gains. Though still the smallest distribution media (accounting for less than 1% of coupons printed in 2008), the Internet grew more than 80% in one year[4].

As the year progresses, these coupon vehicles are expected to continue to build momentum. Measured by TNS Media Intelligence, Internet display and FSIs were the only media to experience spending growth in the first half of 2009; both were bolstered primarily by larger budget allocations among CPG marketers.



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=816 shoppers

[1] *IRI Longitudinal Economic Study Series; Attitude Link*
[2] *Inmar Press Release, March, 2009*
[3] *sic*
[4] *Lab Business Week, March 2009*

PRODUCT MARKETING
LIST-MAKING

[List-making strategies vary across consumer segments.]

Though list-making is widely practiced today, how consumers go about making those lists does vary across consumer segments.

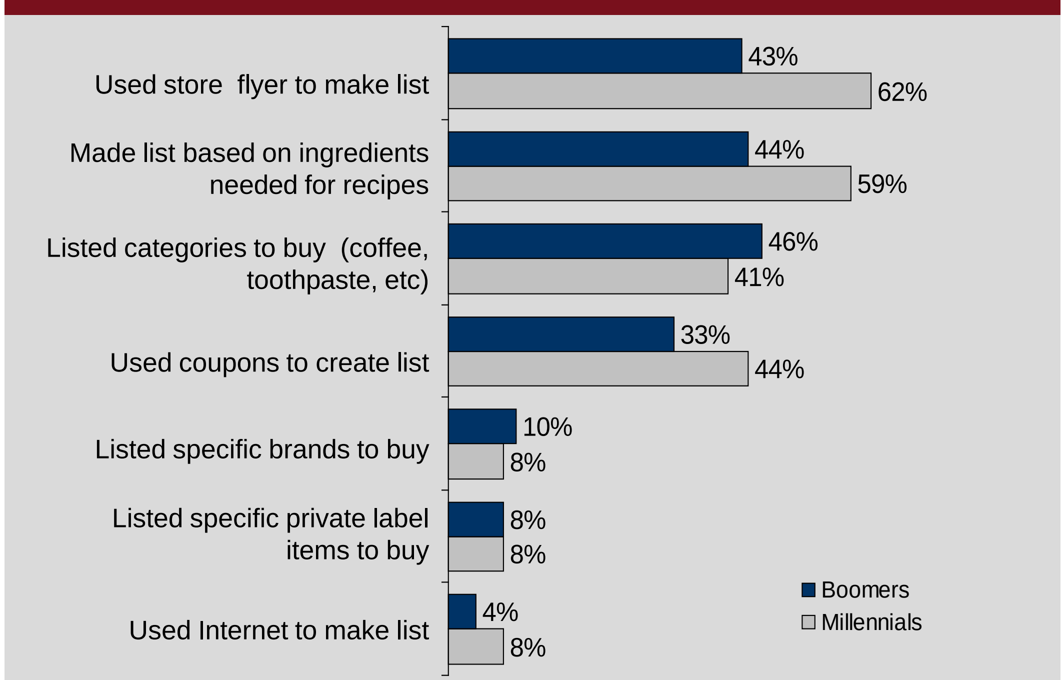
For example, Millennials, defined as adults under the age of 30, are a subset of the Downturn Generation previously mentioned in this report. It is logical that this frugal group is significantly more likely than other groups to leverage store flyers and coupons when creating their shopping lists in order to maximize savings.

This consumer segment "came of age" in the midst of adverse economic conditions. They have been "conditioned" by a recessionary environment to plan ahead to save money.

Illustrated below, this group is more likely than others to create a needs-based shopping list (e.g. items specifically for a recipe) and to leverage "new age" tools such as the Internet to identify money-saving opportunities.

While only 8 % of Millennials use the Internet as a list-making tool today, that number is likely to skyrocket in response to stepped-up efforts by CPG marketers to reach consumers in the home.

List-Making Rituals Across Key Consumer Segments
as % of List-Making Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=816 shoppers

PRODUCT MARKETING
LIST-MAKING

[The adoption of shopping strategies formed around a combined need for savings and convenience has opened the door for collaboration-driven CPG solutions.]

A basic goal of food and beverage shopping is universal for most: to facilitate the preparation of tasty meals . Beyond this goal, however, consumer expectations and aspirations for food and beverage shopping trips are varied.

Over the past several years, consumers' awareness of the relationship between nutritious food and general wellness has escalated significantly. Today, nearly three-quarters of shoppers seek healthful meals when executing food and beverage shopping trips. We will explore the important role that nutrition plays in at-home healthcare later in this report.

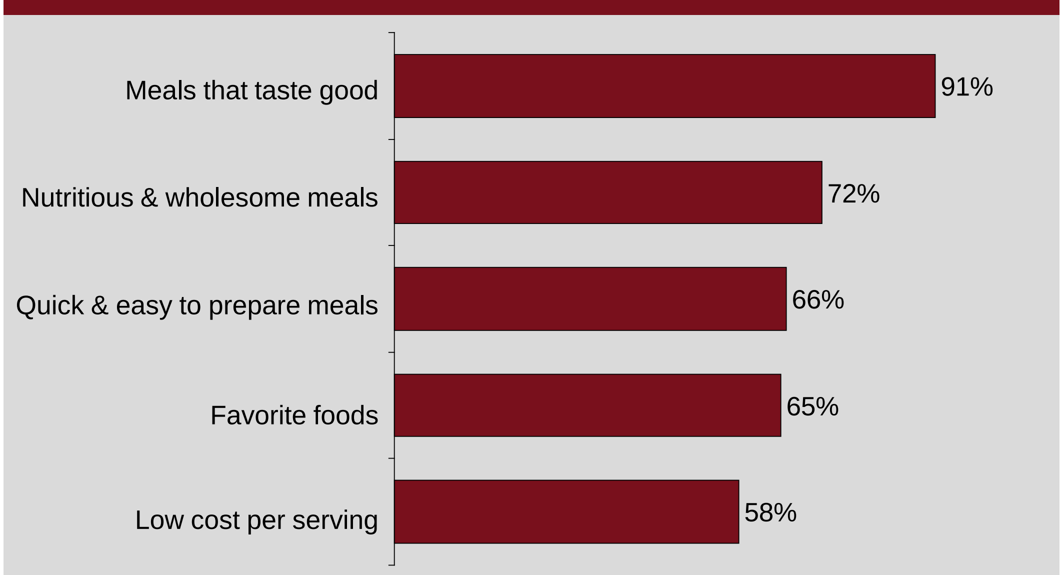
A longstanding motivator of food and beverage preference is convenience. Convenience has been at the forefront of CPG innovation for many years. At a time where at-home meal preparation activity is high, it is no surprise that two-thirds of shoppers seek quick and easy meal solutions.

In the midst of continuing economic difficulty, 58% of shoppers rate low cost per serving as an important consideration when planning food and beverage shopping trips.

But, in fact, consumers are looking for *affordable solutions*. IRI's "New Lens of Affordability," published earlier this year, reveals that consumers' view of what is affordable is broad. While price is important to 81% of shoppers, satisfaction and "the ability to stretch usage" are each more critical to consumers' sense of affordability.

Today's economic conditions, along with consumers' fiscally-savvy shopping rituals, provide a prime opportunity for successful collaboration. CPG marketers that partner to bring quick and easy meal solutions to budget-conscious-yet-time-constrained shoppers will be rewarded with loyalty today and after the recession has passed.

Factors Important When Planning Food & Beverage Shopping Trips
as % of Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

PRODUCT MARKETING
TRENDS TO WATCH

[Well-integrated e-mail communications programs will be a defining characteristic of powerful CPG brands in the new world of consumer marketing.]

According to WorldStats , three-quarters of Americans are now online.   Penetration has increased 60 points since 1995, and migration to online living remains strong.

With home-based decision-making on the rise, it is so surprise that the Internet is being embraced as a money-saving tool.

According to IRI's 2009 Consumer Dynamics study, 44% of consumers are now leveraging the Internet to find coupons.   But Internet usage goes beyond simple coupon searches

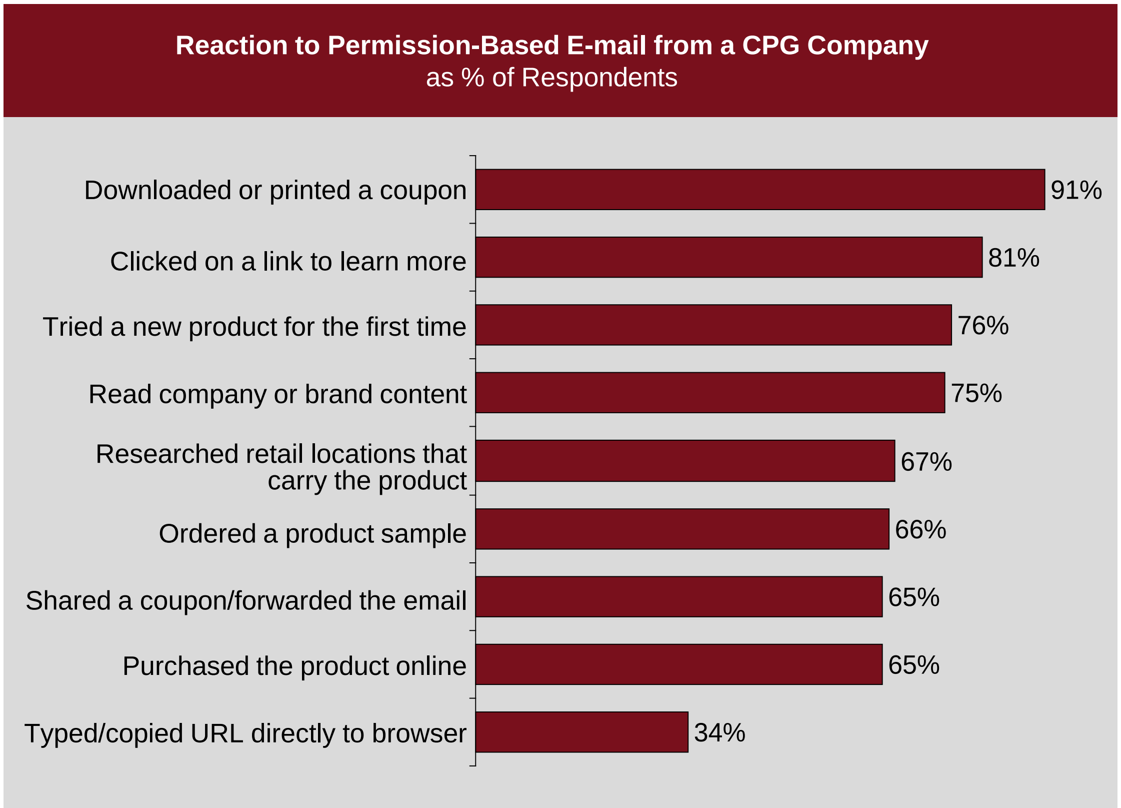
A recent Epsilon survey found that 62% of respondents indicate that permission-based email they receive from packaged goods companies has a direct impact on offline activities such as making purchases or forming shopping habits.

Shown below, consumers are using these emails for a range of decision-related activities. Ninety-one percent of respondents have downloaded/ printed coupons from permission-based emails, and 76% have been persuaded to try a new product for the first time.

The positive impact of permission-based e-mailing is broad, very powerfully impacting consumers' shopping decisions and behaviors in the home and in the store.

"The research shows that the benefits of e-mail marketing campaigns for consumer packaged goods companies extend far beyond the Internet and into stores and homes."

Kevin Mabley, SVP
Epsilon Strategic Svcs.



Source: Epsilon Nationwide Survey, featured on progressivegrocer.com, March 31, 2009

CUSTOMER MARKETING
CHANNEL SELECTION PROCESS

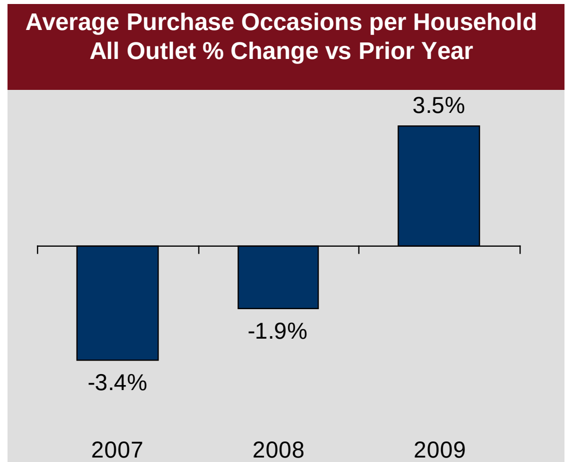
[Trip mission is a key driver of channel selection.]

As detailed in the August issue of Times & Trends and illustrated in the chart on the top right-hand side of this page, falling gas prices and moderated but still higher-than-”normal” CPG prices have driven trip behavior over the past year. In 2009, average purchase occasions per household climbed 3.5% versus prior year.

IRI’s recent “Shopper Behavior Trends 2009” report reveals that 78% of shoppers are now visiting a CPG retail outlet at least once a week. This is up sharply from 69% in 2004.

Much CPG trip growth is stemming from quick trips, which generally consist of one to five items (less than $40) and are characterized by a sense of immediate need. Quick trips now account for 58% of CPG trips and 25% of total spending.

Conversely, pantry stock up trips, which carry an average $50 expenditure and focus on preparing for the coming week, have lost share during the course of 2009.



Source: IRI Consumer Network™; 52 weeks ending 6/28/2009 and same period prior years

Trip mission is a key driver of channel selection. As noted earlier in this report, for example, shoppers most frequently patronize drug stores for quick trips, but visit grocery and supercenter channels for stock up trips.

But channel selection and the ultimate retail store of choice go beyond trip mission.

Trip Strategies
Total CPG Share Pt Change vs. Prior Year

Total Panel	Dollar Share			Trip Share		
	Q1	Q2	Q2 Share	Q1	Q2	Q2 Share
Pantry Stock Up	-1.7	-3.2	38%	-1.2	-2.0	13%
Fill-In	-1.0	-1.5	19%	-1.0	-1.5	14%
Special Purpose	-0.3	0.0	18%	-1.5	-2.0	15%
Quick Trips	2.9	4.7	25%	3.7	5.4	58%

Source: IRI Economic Shopping Behavior Longitudinal Database™; IRI Consumer Network™

CUSTOMER MARKETING
STORE SELECTION PROCESS

> *[The ability to understand and deliver against shoppers' most critical store selection criteria is essential.]*

With shopping frequency up sharply, CPG marketers are enjoying more opportunity to connect with shoppers through innovative in-store promotional campaigns. But, both in-store and in the home, the ability to understand and deliver against shoppers' most critical store selection criteria is essential.

As discussed earlier in our report, convenience is an essential element of CPG shopping. This is true in selecting products, but also in selecting shopping venue.

With trip frequency on the rise, it is no surprise that consumers rate "convenient location" as an important store selection criteria.

But, convenience goes beyond store location. Three-quarters of shoppers look for the ability to get in and out of the store quickly, and a full 50% of shoppers seek one-stop shopping.

In the past five years, the number of distinct UPCs in the home pantry has dropped from 393 to 361, a 9% decline[1]. IRI predicts that pantry size continues to shrink as consumers seek simpler CPG experiences.

CPG marketers beware: product selection is a key store selection criteria. Effective assortment planning is absolutely critical. Now, more than ever, assortment planning must begin with an intimate understanding of the needs of key shopper segments.

Though CPG prices have moderated from highs seen in 2008, they remain above normal. Consumers are quite price sensitive today, and are actively shopping for ways to save. More than three-quarters of shoppers consider every day prices when selecting a retail store. Communicating price-value messages remains an important goal of in-store and traditional marketing efforts.

Store Selection: Key Shopper Considerations
as % of Shoppers

Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

[1] *IRI Consumer Network*

IN-STORE MARKETING
BRAND OPPORTUNITY

[CPG marketers are effectively using coupons to provide shoppers with price relief in the face of persistently high manufacturer list prices.]

It is a well-documented fact that value-seeking behavior has intensified over the course of the recession. IRI's recent shopping trends report, Shopper Insights 2009, notes value-seeking has resulted in increased brand-switching behavior over the past five years.

Though shoppers consider a range of factors when making brand decisions, price remains a key decision driver. Price is even more important among the Millennials consumer segment versus the population as a whole and versus other key shopper groups.

Discussed earlier in this report, coupons serve as an important CPG list-making tool. Today, coupons are also an important motivator of brand decisions, with about half of shoppers considering coupon availability when making packaged goods selections.

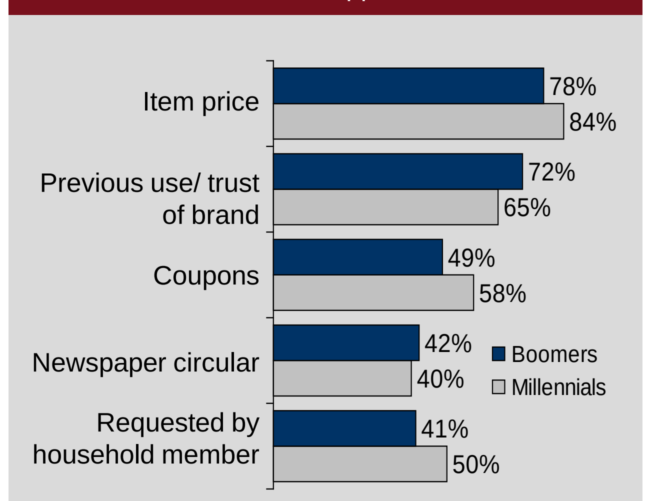
CPG marketers recognize the power of coupons to drive shopper purchase behavior, and have increased focus accordingly. During 2008, 281 billion coupons were distributed. Grocery and HBC manufacturers alike have upped coupon distribution. Average cents-off savings has increased, and expiration dates have been extended[1].

CPG prices have moderated, but remain well above historic norm. Hesitant to drop list prices, CPG marketers seek innovative ways to entice purchase behavior. Coupons are answering this need, and are enthusiastically being embraced by shoppers looking to save on everyday CPG needs.

Important Factors When Making Brand Decisions
% of Shoppers

Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

Important Factors When Making Brand Decisions- Across Consumer Segments
% of Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

[1] *Valassis, as reported in Lab Business Week, March 2009*

IN-STORE MARKETING
BRAND OPPORTUNITY

[Loyalty programs offer an effective means of tracking shopper behavior, and also play a key role in the in-store decision making process.]

Though an increasing number of shopping decisions are being made before shoppers reach the store, shoppers do remain attentive to in-store marketing efforts.

IRI's Shopper Insights 2009 report finds that 54% of shoppers notice promotions in the shelf area of the store, a seven point increase in awareness since 2004. The study also found that shoppers are spending less time, on average, in front of the shelf (time dropped from 49 seconds to 43 seconds during the 2004-2008 time period). This trend underscores the importance of succinct in-store efforts, and reinforces the notion of complementary promotional efforts.

For example, one-third of shoppers consider store flyers when making brand decisions. Once again, the frugal Millennials segment is more likely to be impacted by flyers. As detailed earlier in this report, advertiser spending on FSIs is up, largely due to increases made by CPG marketers.

Loyalty programs have also gained traction over the course of the recession. Across consumer segments, slightly more than one-third of shoppers indicate that loyalty discounts impact in-store brand decisions.

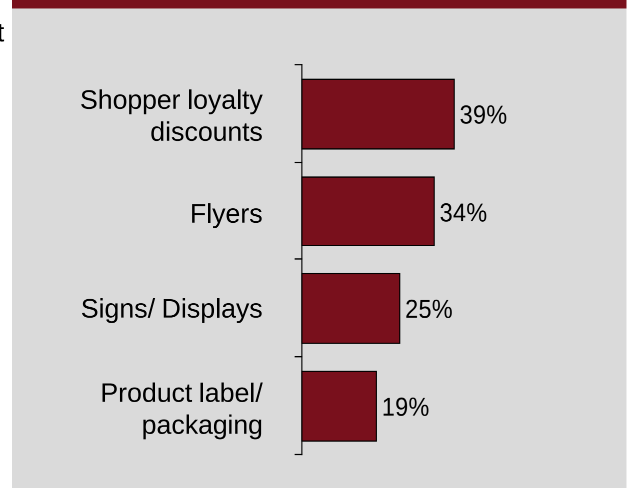
Colloquy, a loyalty marketing research and education company, identifies drug stores as strong performers in the area of loyalty marketing. Membership in drug channel rewards programs reached 73.9 million members in 2008.

One example of a successful loyalty marketing program is Walgreens' Prescription Savings Club. Members receive discounts on brand-name and generic prescription drugs, and 10% discount on private label purchases. More than one million shoppers are members, and growth remains a focus[1].

"In this economy, people aren't just looking for low-cost alternatives; they're searching for the best overall value. We're offering patients a way to stretch their dollars without sacrificing safety, service, or convenience."

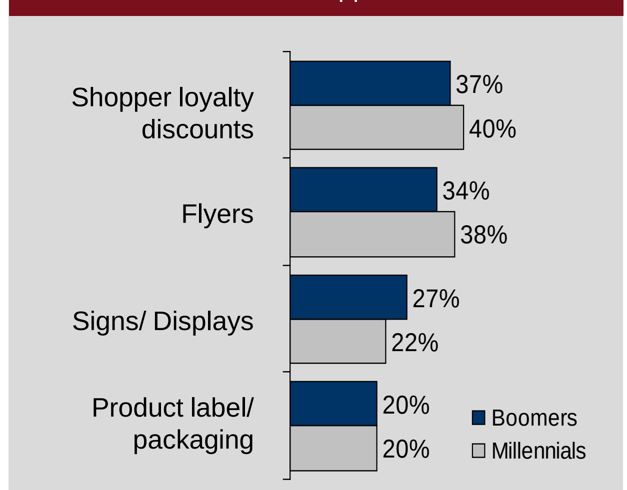
Kermit Crawford, SVP
Pharmacy Services,
Walgreens

In-Store Factors Important When Making Brand Decisions
% of Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

In-Store Factors Important When Making Brand Decisions- Across Consumer Segments
% of Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

[1] *Drug Topics, August 10, 2009*

IN-STORE MARKETING
DEPARTMENT OPPORTUNITY: HEALTHCARE

[***Marketing programs centered around wellness and empowerment will resonate well with shoppers looking to self-reliance as a money- saving strategy.***]

Across income segments, consumer are going to the doctor less and treating at home more in order to save money. This is particularly prevalent among households with kids. Among these households, 22% of those earning $55K or more and 43% of those earning less than $55K have increased self-treatment behavior over the course of the recession[1].

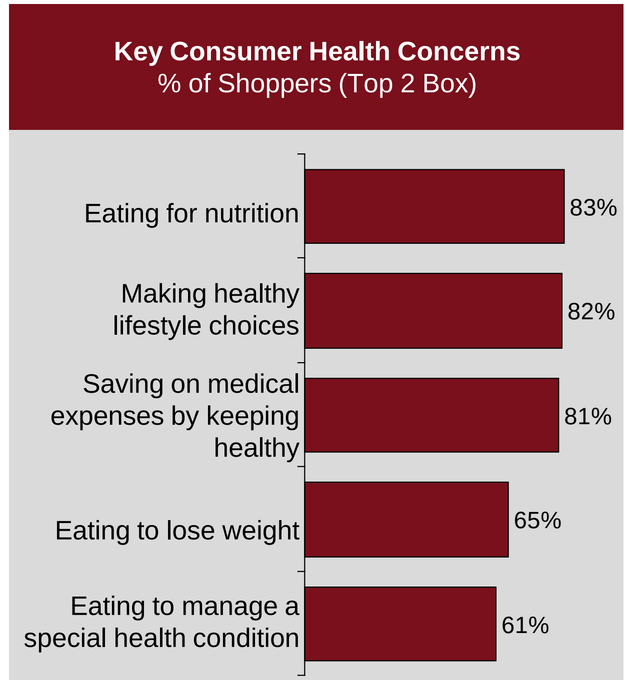
As Ben Franklin once said, “an ounce of prevention is worth a pound of cure.” In today’s difficult economic times, consumers have taken this lesson to heart.

Many consumers have placed nutrition at the forefront of their wellness strategies. In fact, 83% of consumers are eating for nutrition, and two-thirds of consumers eat to manage special conditions (including weight-related issues).

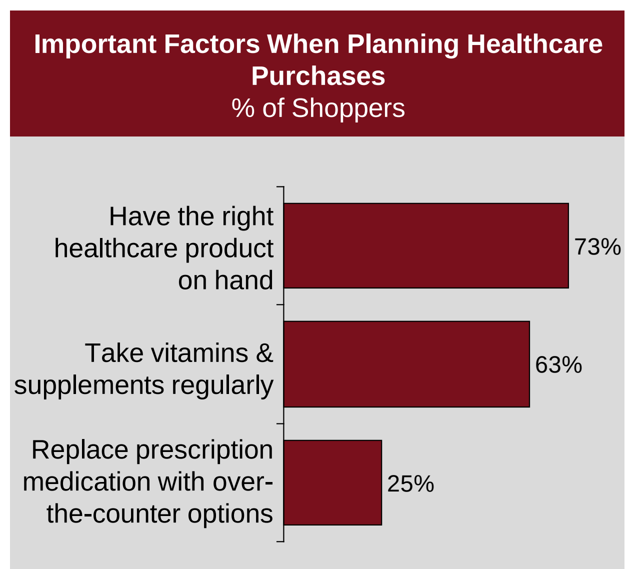
Despite increased focus on prevention, the need for healthcare products remains. Three-quarters of shoppers (73%) plan healthcare purchases in order to ensure they have the right product on hand when it becomes necessary.

But, the drive to reduce expenses remains strong. Despite wide-spread retailer-based initiatives around reducing the out-of-pocket cost of prescription drugs, 25% of consumers seek to replace prescription drugs with over-the-counter options.

CPG marketers that capitalize on the opportunity to empower shoppers with innovative health-related marketing initiatives will be rewarded loyalty and share of health-related CPG spending.



Source: IRI Economic Trend Database™, IRI AttitudeLink™ Survey of 850 Consumers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

[1] IRI Economic Trend Database™, IRI AttitudeLink™ Survey of 850 Consumers

IN-STORE MARKETING
DEPARTMENT OPPORTUNITY: BEAUTY/PERSONAL CARE

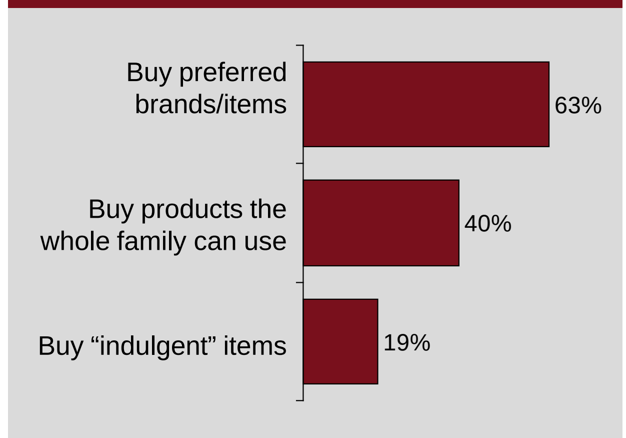
[The time is ripe for creative marketing programs that improve and underscore the affordability of beauty-related indulgence categories within the retail environment.]

Shoppers have also changed beauty care routines in an effort to save money. Nearly half of consumers have reduced spa trips, and one-third have adopted at-home treatments to save money. Money-saving behaviors are slightly elevated across Hispanic shopper groups.

Still, two-thirds of shoppers continue to purchase their favorite products and brands, and 19% are purchasing indulgent items. This majority reinforces the notion that, while shoppers can and will sacrifice to save money, the need for comfort and indulgence remains. Shoppers are simply seeking "affordable indulgences."

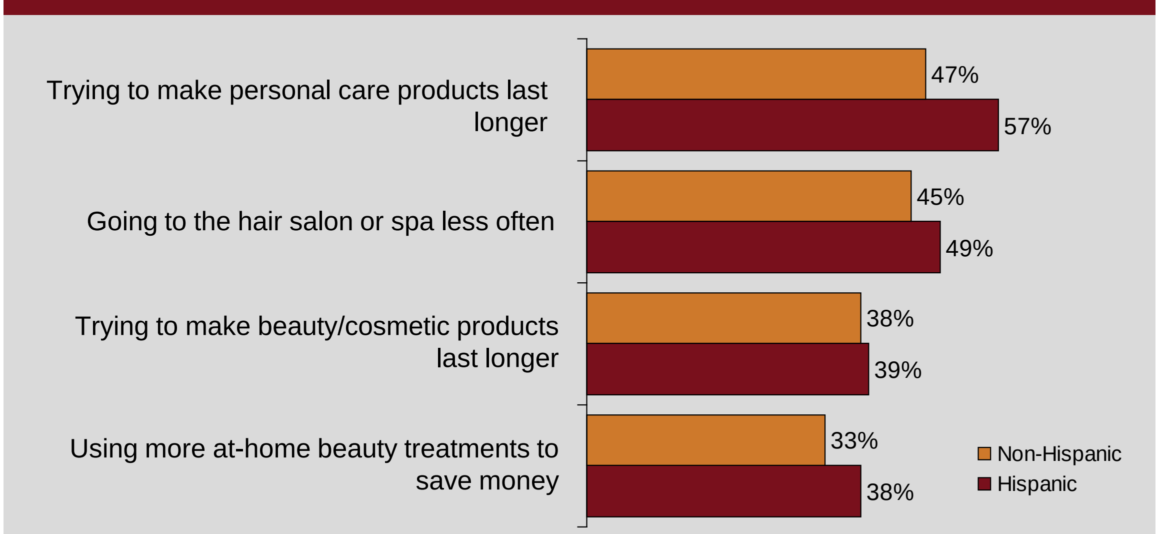
The time is ripe for creative marketing programs that improve and underscore affordability across key indulgence categories within the retail environment. Innovative programs may lower the threshold for quantity discounts on beauty care products, or offer reduced package sizes of indulgent sweet treats. "Outside the box" marketing programs centered on affordable indulgence will be well-received by shoppers looking to live well on restricted means.

Important Factors When Planning Beauty/Personal Care Purchases
% of Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

Changes Made to Cope with Economic Downturn
% of Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n=1,000+ shoppers

CONCLUSIONS
CPG MANUFACTURERS

Manufacturers seeking to understand and deliver against the new consumer mindset should consider the following action items:

» Product Marketing

- Broaden communication efforts to include rapidly evolving, home-based technologies such as e-mail/Internet; tie messaging with that presented via traditional media outlets
- Collaborate with key retailer partners to facilitate consumers' list-making efforts with innovative programs combining convenience and savings (e.g. buy one, get one, discounts on combined meal ingredients/components, etc)

» Customer Marketing

- Collaborate with key retail partners to understand retailers' trip mission strategy and ensure assortment reflects dominant purchase patterns
- Work with key retail partners to create cross-merchandising and cross-promotional programs which feature products which are complementary to targeted trip types

» In-Store Marketing

- Collaborate with retailer partners to ensure assortment aligns with dominant purchase behaviors (eg. broad assortment for categories with multi-unit purchases on pantry stocking trips)
- Work with retailer partners to determine most effective product location; location within the store and product adjacencies should reflect dominant trip types, as well as targeted trip types, where relevant (eg. front-of-store displays for quick trip items)
- Closely tie in-store efforts with externally-targeted promotional campaigns to reinforce/solidify purchase decisions made prior to entering the retail environment

CONCLUSIONS
CPG RETAILERS

Retailers seeking to understand and deliver against the new consumer mindset should consider the following action items:

» Product Marketing

- Broaden communication efforts to include rapidly evolving, home-based technologies such as e-mail/Internet; tie messaging with that presented via traditional media outlets
- Collaborate with key manufacturer partners to facilitate consumers' list-making efforts with innovative programs combining convenience and savings (e.g. buy one, get one, discounts on combined meal ingredients/components, etc)

» Customer Marketing

- Clearly communicate trip mission strategy to key manufacturer partners and ensure assortment reflects dominant purchase patterns
- Work with manufacturer partners to create cross-merchandising and cross-promotional programs which feature products which are complementary to targeted trip types

» In-Store Marketing

- Align assortment with dominant purchase behaviors (eg. broad assortment for categories with multi-unit purchases on pantry stocking trips)
- Location within the store and product adjacencies should reflect dominant trip types, as well as targeted trip types, where relevant (eg. front-of-store displays for quick trip items)
- Closely tie in-store efforts with externally-targeted promotional campaigns to reinforce/solidify purchase decisions made prior to entering the retail environment

RESOURCES

To gain insight into opportunities across specific categories, consumer segments, channels or retailers, contact your IRI client service representative regarding custom analyses leveraging the following resources:

IRI Shopper Insights Advantage™

Shopper Insights Advantage™ Powered by IRI Liquid Data™ is IRI's transformational tool for creating actionable consumer and shopper insights. It combines superior content with the speed, power, and flexibility that you need to identify ways to grow by attracting shoppers, driving trips, and increasing basket value.

IRI Consumer Network™

Nationally representative panel of households tracking purchases with hand-held barcode scanners; extensive demographic profiles enable in-depth analysis of purchase behavior across standard or custom-defined consumer segments across channels.

>>> MORE INFORMATION

Please contact Susan Viamari at susan.viamari@infores.com with questions or comments about this report.

About IRI

IRI is the world's leading provider of consumer, shopper, and retail market intelligence and insights supporting 95 percent of the FORTUNE Global 500 consumer packaged goods (CPG), retail and healthcare companies. Only IRI offers the unique combination of integrated market information, automated and predictive analytics, innovative enabling technologies, and domain expertise. With IRI, leading retailers and manufacturers are able to quickly discover breakthrough insights driving smarter decisions and actions across the enterprise for breakthrough results. Companies around the world depend on IRI for improved productivity, stronger brands, and dramatic revenue growth. For more information, visit http://us.infores.com

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