



Times & Trends

Private Label:

Brand Positioning in the New World Order

SEPTEMBER 2011

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Symphony **IRI** Group

Insight.
Innovation.
Impact.

A New Look at Private Label

Shhhh! Grab the box with the funny logo and put it at the bottom of the basket so no one will know we're buying a private label cereal. Our friends will think one of us lost our jobs.

It wasn't long ago that many shoppers felt this way about private label. Today, private label is in just about every U.S. household. For a while, many manufacturers and retailers viewed private label as a juggernaut that couldn't be stopped, but the truth is much more subtle.

In recent months and years, many retailers have innovated very successfully to create private label offerings with different pricing strategies to attract shoppers of varying income levels, invested in developing products for categories heretofore dominated by national brands, and introduced private label products for hundreds of staple products to ensure a private label offering for many basic needs.

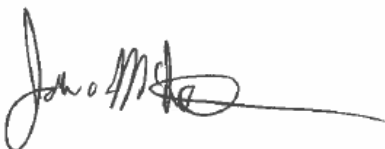
Yet, savvy manufacturers haven't sat on their hands. They have developed new products with added ingredients and/or features to create new levels of differentiation, become more aggressive with pricing, and generated new merchandising and promotion strategies.

Both manufacturers and retailers know private label products are not a panacea, but they have been delivering solid quality at substantial savings—important always, but particularly critical for many consumers in a down economy. Private label products remain, on average, 29 percent lower priced than national brands. Remove that price advantage, however, and dollar and unit share could plummet. In fact, this shrinking price gap very likely contributed to some of the private label share losses experienced during the past year. Going forward, private label products are subject to the same commodity price increase pressures as national brands. Establishing and maintaining effective pricing and promotion strategies should be on the top of the list of every CPG marketer in the marketplace today.

Private label growth varies significantly by department and category. Innovation has been a key factor in share gains posted by retailers and national brand manufacturers alike. It has been an instrumental tool in enticing trial, and in encouraging shoppers to “buy more to get more,” even in during tight financial times. Going forward, innovation will continue to play a critical role in brand growth strategies.

As with all successful product and retail strategies, the key is tying every activity to continuously evolving shopper needs as defined by thorough research and analytics. Just as manufacturers and retailers are offering new products and solutions on a daily basis, there is an ongoing stream of new data and analytics offerings that help decision makers identify discrete, high-value shopper segments and successfully predict future wants and needs.

We at SymphonyIRI look forward to providing these solutions and helping CPG and retail decision makers navigate through today's challenging economic environment.



John A. McIndoe

Senior Vice President, Marketing

SymphonyIRI Group



Executive Summary: Turning Insights Into Action - CPG Manufacturers

Insight

- ❑ Currently at 22.9%, private label share of CPG unit sales dipped during the past year, the first decline since the beginning of the economic downturn; traction is lessening across most CPG departments
- ❑ Private label price hikes have been sharper versus national average, placing downward pressure on the average price discount offered by private label purchases and impacting dollar and unit share trends
- ❑ Private label share of sales is highest within the grocery channel, while mass/super and club channels are experiencing the largest share growth
- ❑ While nearly everyone buys private label products, penetration is in the single digit range across more than 40% of CPG categories
- ❑ Despite an “industry average” dip in private label share, the fact that private label share is increasing in nearly three-quarters of the top 100 CPG categories underscores the complexity of private label trends at the department and category level

Action

- ❑ Brand manufacturers must continue to invest to understand shifting consumer attitudes and behaviors across key categories/brands and drivers of those behaviors; they must use that knowledge as the foundation for all marketing strategies
- ❑ Understand the price relationship between your brands and private label, and use this to inform retailers of category pricing insights and to drive your own price strategy
- ❑ Embrace innovation as a key private label mitigation strategy, wrapping in new attributes that offer unique benefits targeted against the needs of key shoppers/targets
- ❑ Understand the private label threat within your specific categories, and develop and clearly communicate a value proposition for your brands that mitigate that threat
- ❑ Invest to understand private label trends across key departments/categories, and explore opportunities to partner, where appropriate, with retailers to bring consumers multi-tiered CPG solutions

Executive Summary: Turning Insights Into Action - CPG Retailers

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- ❑ Retailers must continue to invest to understand shifting consumer attitudes and behaviors across key categories/brands and drivers of those behaviors; they must use that knowledge as the foundation for all marketing strategies
- ❑ Partner with key manufacturers to understand the price relationship between their brands and private label, and use this knowledge to inform category pricing insights
- ❑ Continue to invest to build your private label portfolio, targeting innovation to the market level, where possible, to maximize relevance and differentiation
- ❑ Understand the scope of private label penetration within your own stores, and develop strategies to broaden penetration by enticing consumers to try private label products in new categories
- ❑ Invest to understand private label trends across key departments/categories, and explore opportunities to partner, where appropriate, with national brand manufacturers to bring consumers multi-tiered CPG solutions

Introduction

This isn't your grandmother's private label. In fact, that today's private label products meet consumers' need for lower-cost alternatives to brand name CPG products is just about the only thing that 21st Century private label CPG has left in common with private label of the past.

Private label products are viewed as differentiators. They are no longer simply "me too" products that offer "the same thing for less money." More and more, they bring something new to the market.

Private label products are strategic weapons. Increasingly, they are tools that separate a retailer from its competitors, hopefully in a way that helps to build loyalty and purchase behavior.

And, in addition to bringing something unique to a retailer, they offer better margins, thereby supporting bottom line growth—a critical role to be played in an industry that has forever been marked by thin margins and today is feeling margins seemingly choked out of existence.

For consumers, private label offers money-saving opportunities. As discussed later in this report, private label products cost an average 29% less versus national brand alternatives.

Private label also offers value. New products, new attributes, new sizes... private label products are opening doors to attributes which have historically been out of the reach of many consumers by bringing them into an affordable price range.

And still, private label can be—should be—even more. Correctly orchestrated, private label architecture can give retailers significant leverage with suppliers. It can help them attain sizable discounts for scale, which can be passed along to the consumer and/or used to strengthen profit margin.

It can also help to increase customer loyalty. In partnership with key national brand manufacturers, for instance, retailers can design multi-tiered programs across key departments and/or categories to ensure that assortment remains in lock-step with the needs of key shoppers across multiple consumer segments. They can support those programs with joint promotional and/or merchandising campaigns that underscore value as a "return on investment" operation.

And, it can help retailers to develop product assortments to address niche-market needs—once again building and broadening customer loyalty.

Much opportunity remains for private label marketers and national brand marketers alike. But, success will be achieved by those who are thinking outside the box.

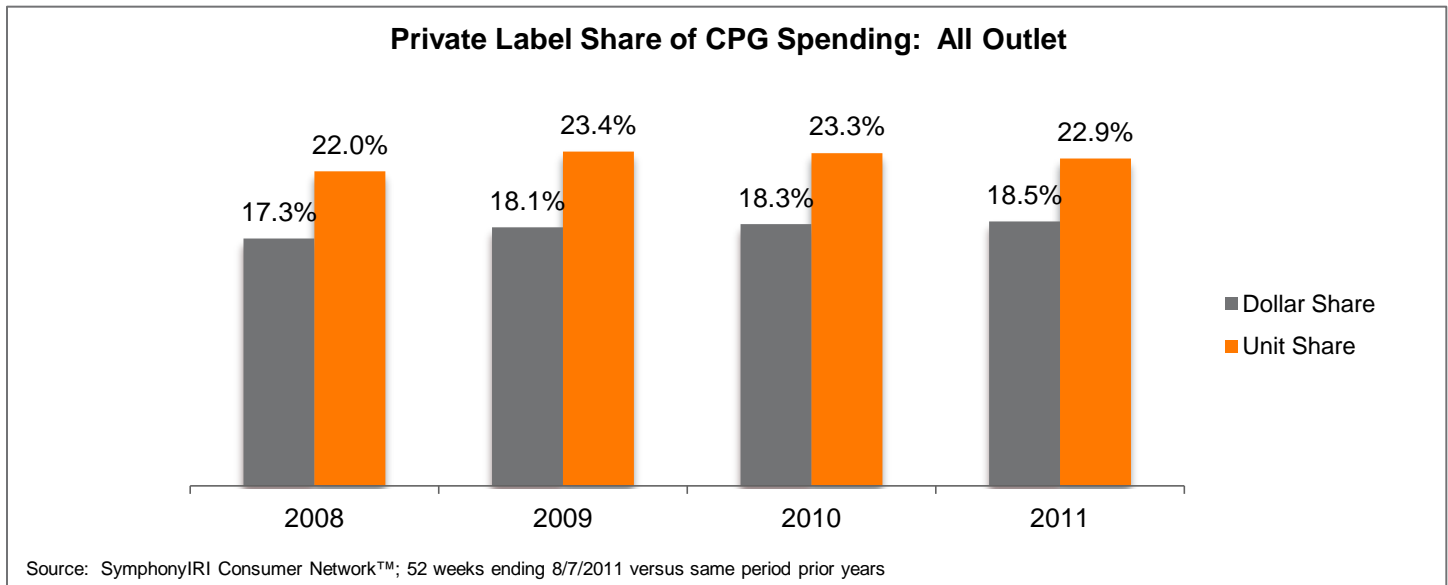
To bring private label to the next level, private label marketers must explore opportunities to expand private label, to make it reach broader and deeper into the CPG marketplace, and to reinforce the equity of the store banner.

Meanwhile, national brand marketers must continue to identify and capitalize on opportunities to raise their own value proposition—to bring shoppers new and better benefits, to simplify lives and to alleviate financial strain.

For marketers of national and private label brands, all of these efforts must center on the shopper. Those that effectively identify and deliver against critical shopper needs will win share of wallet and shopper loyalty.

This report explores current and emerging trends around private label, as well as national brand efforts to protect and grow their position in the CPG marketplace.

Share Trends



Private label share of dollar sales continues a slow march upward, while unit share dipped slightly during the past year.

Private label accounts for nearly 23% of CPG unit sales across retail channels today. This is an increase of almost one point versus 2008 share, but a slight decline versus share in 2010.

SymphonyIRI has closely monitored private label trends during the past several years, documenting inroads made across channels, departments and categories as consumers embraced private label as a means of reining in CPG spending.

Indeed, still today, private label is playing an important role in consumers' money saving strategies. According to SymphonyIRI's MarketPulse survey, 48% of consumers are buying more private label today than they have in the past.¹

Retailers are heavily focused on capitalizing on opportunities around private label. This report will provide numerous examples of efforts to build out private label assortment, to bring added efficiencies to the private label supply chain, and to elevate the profile and reputation of their private label programs.

Concurrently, national brand manufacturers are keenly focused on protecting and growing share in their own categories and brands. As illustrated by this year's private label share declines, national brand manufacturer efforts to increase their value profile have been met with some level of success.

Private label does command a sizable share of consumers' CPG spending, and these products certainly do have momentum. But, that momentum is not demonstrated equally across channels, retailers, departments and/or brands. The pages that follow provide a more granular look at private label share trends across channels, departments and brands.

¹ SymphonyIRI MarketPulse survey, Q3 2011

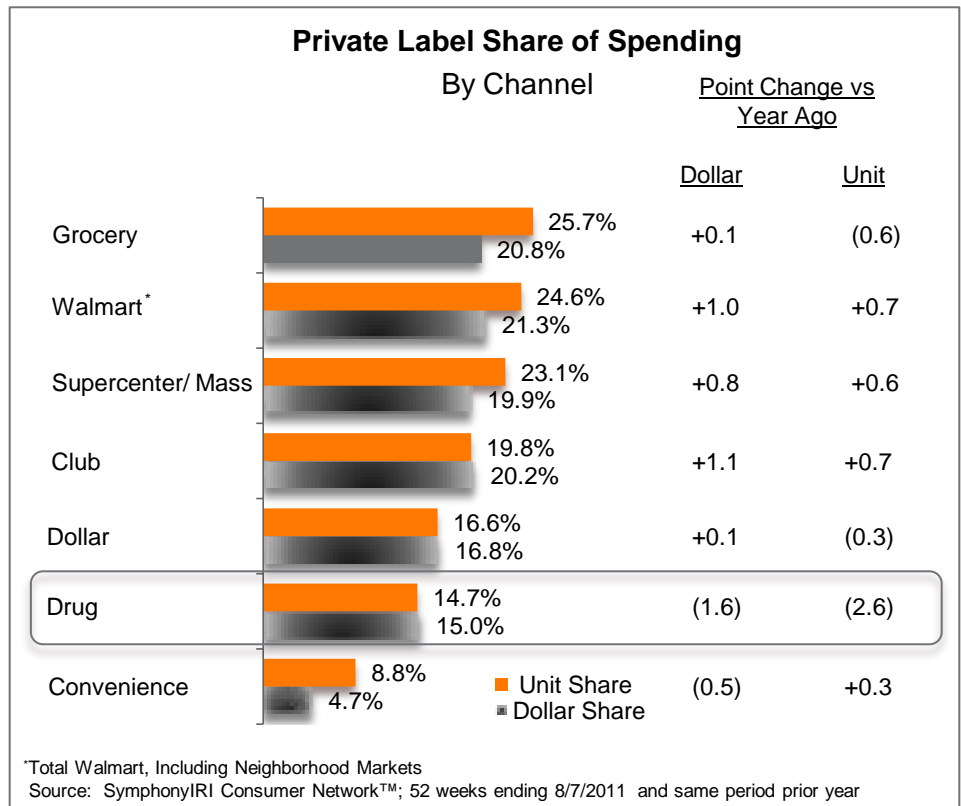
Share Trends: Channel Share

While retailers across channels are working to strengthen their private label programs, performance at the channel level varies rather markedly. Today, private label share is largest within the grocery channel, but, within the grocery channel, private label share of sales slid 0.6 points during the past year.

Still, grocers are working hard to continue to strengthen and grow their private label programs and to maximize the return on investment on these efforts.

One example of a major private label launch during the past year is the My Essentials launch by Delhaize. This product line encompasses more than 500 staple items which will be sold through the Hannaford, Food Lion, Harvey's, Bloom and Sweetbay banners¹. The line seeks to compete with offerings in Walmart, Target and Aldi—each of which contribute to the strong private label momentum witnessed in the mass/supercenter channel.

Safeway has also recently made major investments in and changes to its private label program. In Safeway, private label share of sales is currently 19%, below that of competitors, such as Kroger, where private label share is closer to one-third of unit sales. Safeway is striving to grow share by one point each of the next three years to become more on par with share levels seen under other grocery banners².



Private label performance is mixed across CPG channels, with club and mass/super channels seeing the strongest share growth.

To that end, Safeway is cutting several of its private label brands, in their place rolling out a larger brand, dubbed Essential Everyday. The hope is that, with more scale, the size of the brand will bring leverage with suppliers, providing opportunity to lower costs and thus become more competitive on price.

Within the drug channel, private label share of sales fell during the past year. Some of these declines occurred in health-related categories, and others stemmed from beauty.

While these are not the only departments realizing private label share losses, declines in this area are quite noteworthy, as these are generally stronghold departments for drug retailers. Certainly, drug retailers have no plans to let these losses go unchecked. Drug retailer strategies to fortify private label position in these departments and others are discussed throughout this report.

¹ Supermarket News, March 9, 2011; ²Wall Street Journal, May 3, 2011

Share Trends: Department Share

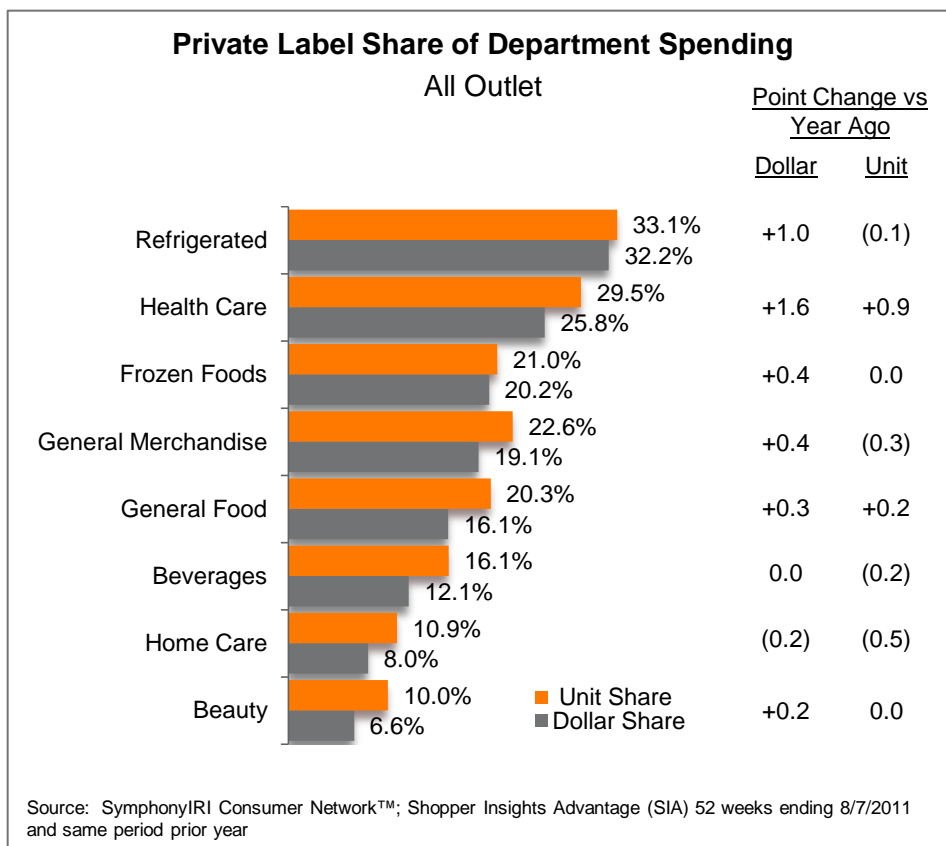
Private label unit sales declines are occurring across most CPG departments. The home care department, however, is seeing both unit and dollar share slide.

It is the home care department, too, that is seeing the most significant shifts in private label share. During the past year, unit sales fell one half point, while dollar share slid 0.2 share points. While these declines are not major, they do underscore the change in the tides of private label. In this department, which has been hard hit by conservative purchase behaviors in the form of scaling back and trading down, some national brand manufacturers are stemming losses, while others are turning the tides completely.

The home care department has been very promotion-focused during the past year. In some of the categories where national brands have turned around private label share growth trends, it is these promotional efforts that are contributing to share gains.

For instance, the cleaning tools/mops/brooms category has seen share of volume sold with merchandising support increase more than one full point during the past year.

Another tool national brand manufacturers are using to attract and retain buyers is coupon offers. According to SymphonyIRI's recent MarketPulse survey,



Private label traction has lessened across the store, with the greatest share declines seen in the home care department.

55% of consumers consider available coupons when making brand decisions¹. Manufacturers are seeking to capitalize on this opportunity.

One example of leveraging coupons to underscore a value message is Henkel. The manufacturer recently ran a co-equity free standing insert (FSI) with Family Dollar that sought to underscore the value of choosing Purex. The FSI prominently featured a value message, "Our Value

Sizes are a Big Deal!" and offered buyers dollars off "value sized" packages of Purex². As discussed in SymphonyIRI's August 2011 issue of Times & Trends, value is not solely based upon price. Marketers must strike an appropriate balance in messaging, including but not limited to pricing, to ensure that brand equity is maintained and reinforced in a highly cost-conscious CPG marketplace.

¹ SymphonyIRI MarketPulse Survey, Q3 2011; ²Path to Purchase Institute Web Site

Share Trends: Department Share

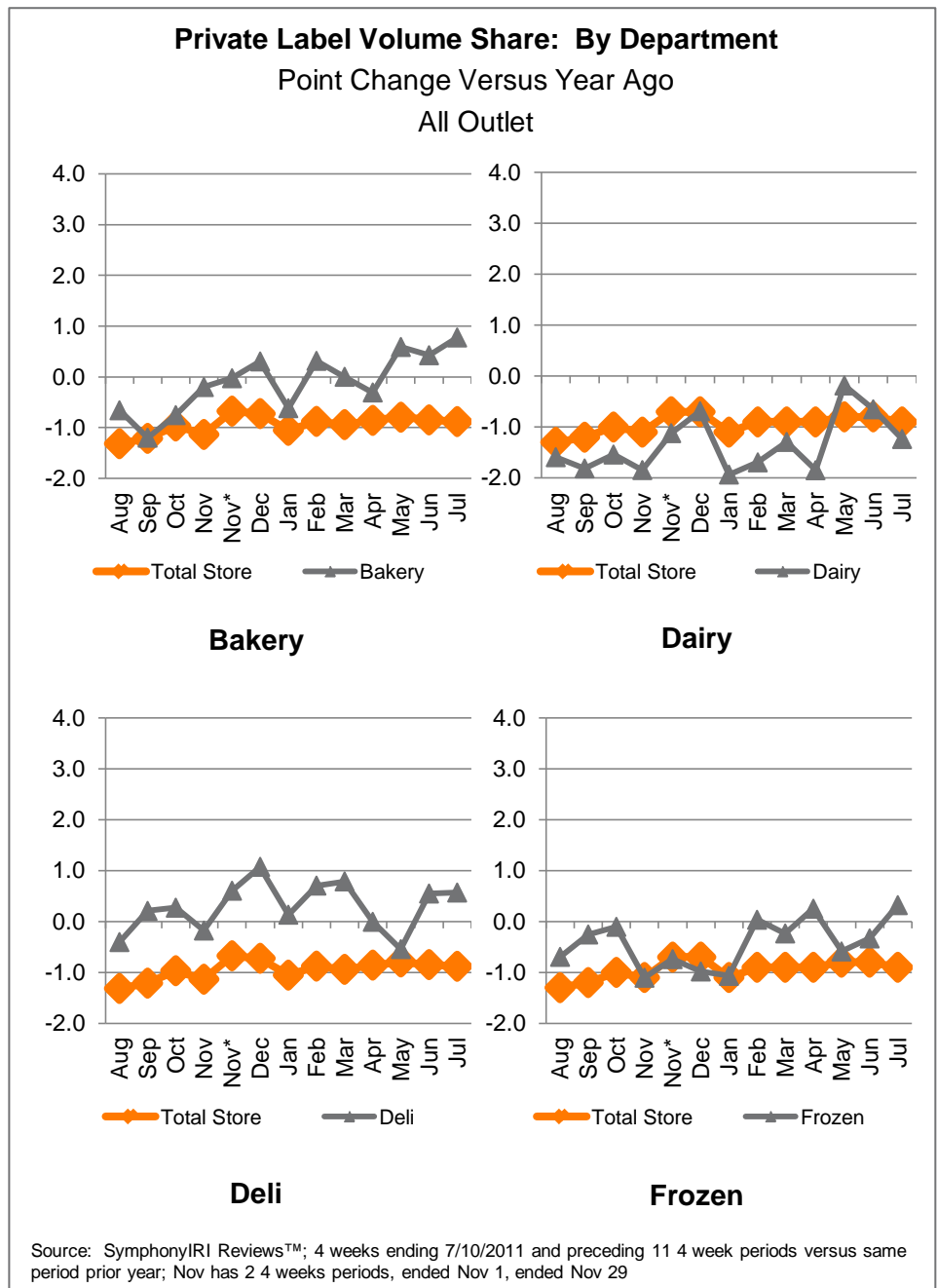
SymphonyIRI's recent Private Label 2011 report clearly illustrates the fact that consumer perceptions around quality and value of private label food and beverage solutions is quite favorable.

It is critical to understand, though, that perceptions around quality of private label vary across categories and across consumer segments. For instance, HispanicLink, a new study published by SymphonyIRI and Synovate, examines 15 CPG categories, and finds that in some categories, Hispanics, particularly acculturated Hispanics, view private label as much better versus national brands, while in others, the difference is smaller or non-existent.

In general, though, favorable perceptions are helping to sustain and strengthen private label performance across most edibles departments. Across most of these departments, private label traction has actually been stronger versus national average fairly consistently during the past year.

The exception has been dairy. In dairy, private label lost share more quickly versus the industry as a whole in nine of the 13 quad-weeks analyzed.

While private label maintained traction in some categories during the past year, such as creams/creamers and butter, other categories saw private label gains stop or reverse. Private label share of milk sales, for instance, is flat today versus year ago



Private label share trends across edibles departments have been largely in negative territory during the past year, with the exception of deli, where private label demonstrated positive momentum throughout much of the year.

despite a gradual easing of major price cuts enacted earlier in the downturn. And, in the egg category, national brands have

successfully captured nearly two share points from private label during the past year.



Share Trends: Department Share

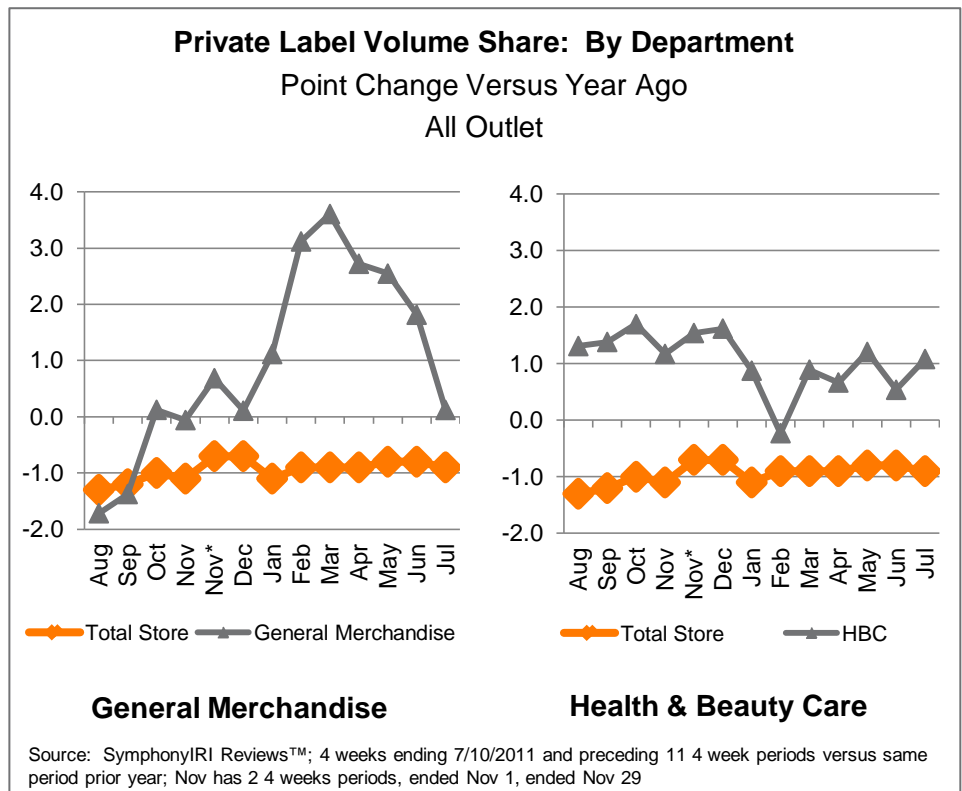
Trends in the non-foods segment of the CPG industry have been heavily marked by conservative consumer rituals during the course of the economic downturn. This past year, these influences remained prevalent.

On the positive side, consumers are embracing at-home, self-reliant behaviors in an effort to save money. For instance, 36% of consumers are self-treating for simple ailments to reduce medical expenses. And, 35% are conducting more at-home beauty treatments. These behaviors are positively influencing demand.

On the other hand, consumers are making purchases very selectively: 33% of consumers are sharing more beauty/personal care products, and 35% have reduced usage of OTC medications.

These conservative behaviors are also having a positive impact on private label trends within health and beauty departments. In fact, 48% of consumers are purchasing private label solutions more frequently in order to save money on the products they do purchase.

As a result of these factors, private label traction within non-food segments is stronger versus the industry as a whole. Still, performance varies at the category level, sometimes quite markedly. And, in some areas, national brand marketers are making sizable share gains.



Across non-edibles, private label share growth is strong, and that traction is evidenced at the department level. Private label share growth has been particularly strong within the general merchandise department during the past year.

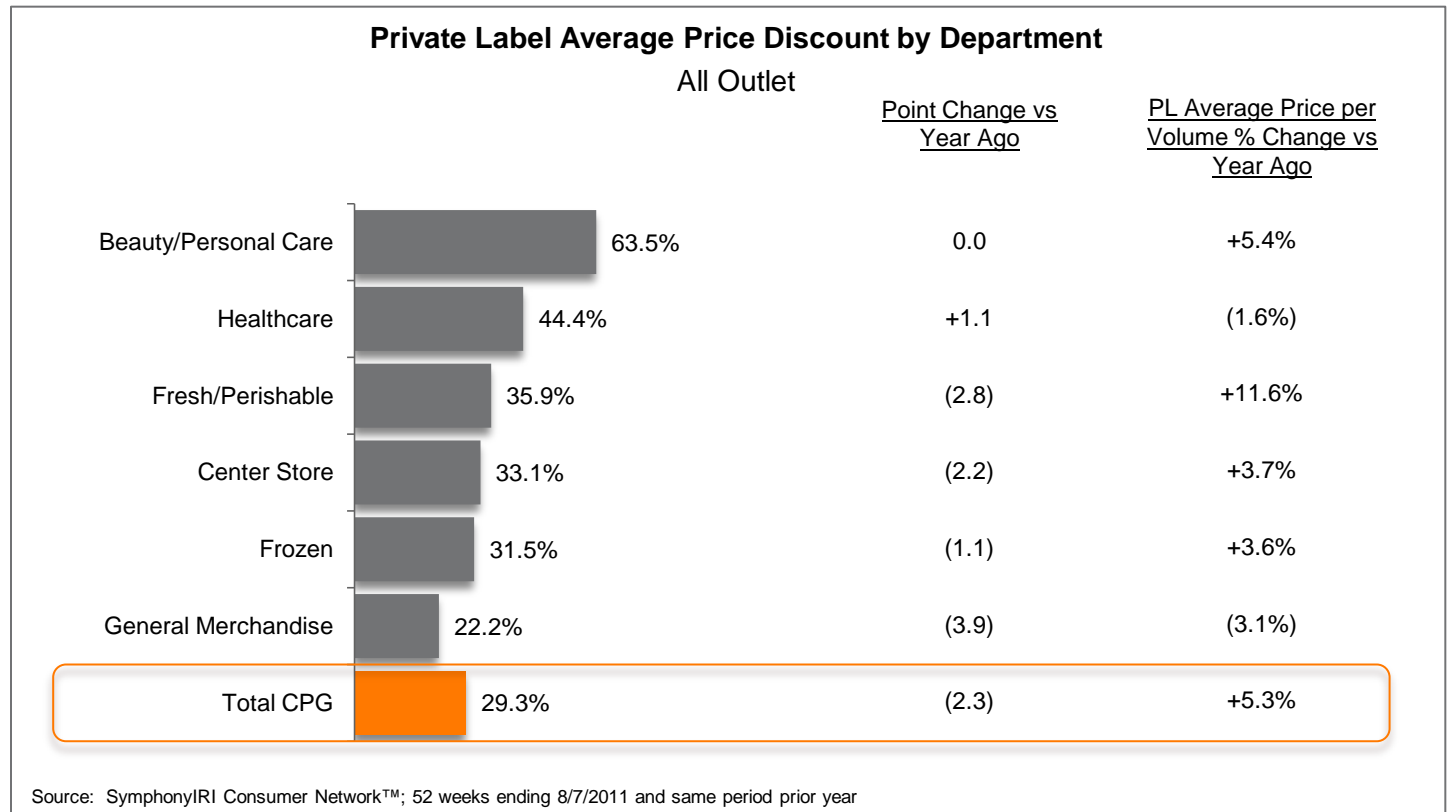
For instance, private label share of volume sales in the diaper category has been flat during the past year. Discussed in the August 2011 edition of Times & Trends, strong brand loyalty, supported by innovation and compelling marketing programs are helping to sustain national brand share.

Conversely, private label made sizable share gains in other beauty care categories, including skin care and hair accessories.

Likewise, in the healthcare department, private label gained eight share points in the cold/allergy/sinus tablets category and nearly five points in internal analgesics. Meanwhile, national brands gained traction in other categories, including weight control/nutrition liquids/powders.

Similar trends are happening in general merchandise, where private label share growth spiked, then eased during the past year. In dog food and light bulbs, national brand manufacturers gained noteworthy ground, while private label won share in food and trash bags, and toilet tissue.

Private Label Price Discount by Department



While private label continues to offer considerable savings versus nationally branded products, the gap is shrinking across most CPG departments.

During the past year, private label prices were an average 29% lower versus their nationally branded counterpart. While the average price gap varies at the department and category level, across the store, private label savings are rather noteworthy, particularly at a time when 23% of consumers are having difficulty affording their groceries¹.

However, across a majority of CPG departments, private label prices—and national brand prices—are on the rise. On average, private label price per volume increased 5.3% during the past year,

versus a total industry average of 1.9%. In some areas, such as the fresh/perishable department, prices are rising much more sharply, at 11.6% and 8.4%, respectively. On average, private label price increases are much sharper versus hikes seen in national brand solutions. In a majority of departments, this discrepancy is a key driver of a diminishing price gap.

For instance, in fresh/perishable, private label currently offers consumers nearly 36% savings, on average, over nationally branded alternatives. However, today's

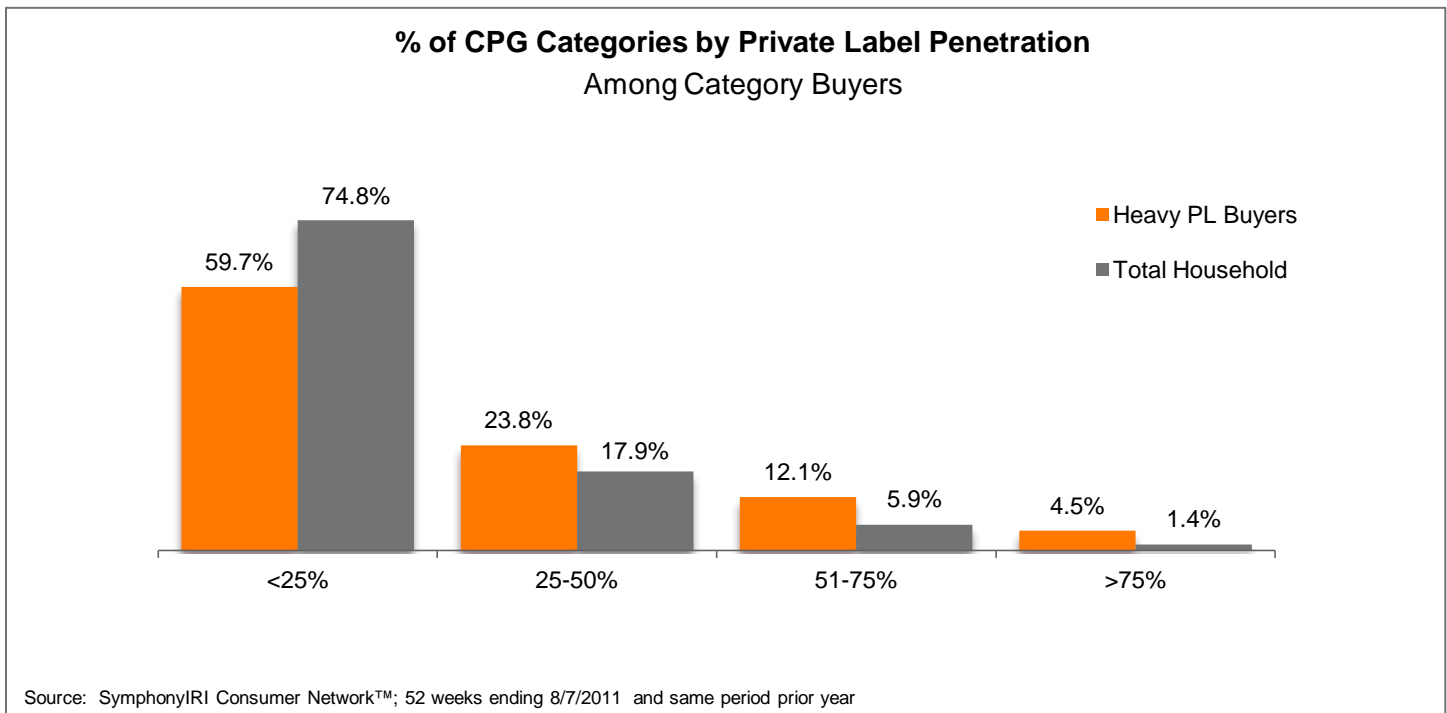
price gap is 2.8 points less versus the same period year ago.

The exception to this trend is the beauty and healthcare departments, where average discount offered by private label is the same or better today than it was one year ago.

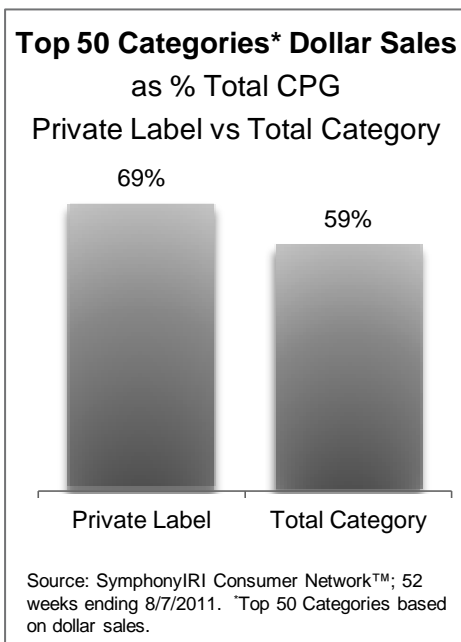
Prices are expected to continue to rise. For national brand and private label marketers alike, striking an effective balance of price versus value is absolutely critical.

¹ SymphonyIRI MarketPulse Survey, Q3 2011

Category Level Concentration



Penetration is significantly higher across heavy buyers of private label versus the general population, yet plenty of upward potential remains.



Private label sales are more heavily concentrated versus industry average.

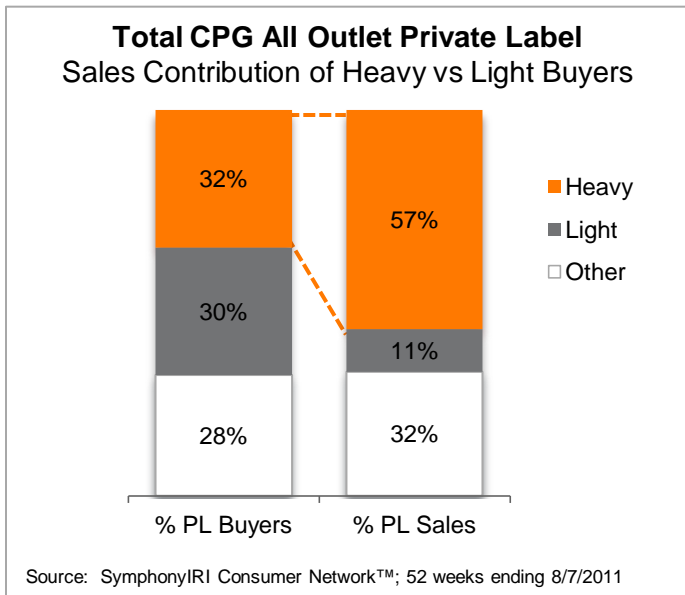
According to SymphonyIRI’s MarketPulse survey, 36% of consumers today seek out private label solutions in an effort to reduce their CPG budgets. The fact is that nearly everyone buys private label in at least one category during the course of the year.

But, private label sales are generally quite concentrated. The top 50 CPG categories currently account for just over two-thirds of private label sales. Much of this fact is due simply to penetration—penetration in some CPG categories, such as milk or cheese, is much higher versus others, including diapers and cat food. In fact, at the all outlet level, penetration is in the single digit range across more than 40% of CPG categories.

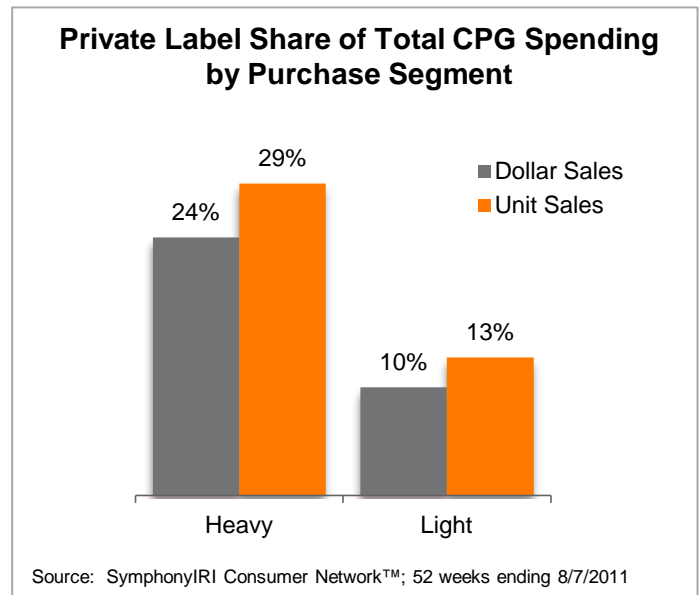
Certainly, some shoppers buy private label much more broadly and deeply versus others. Among these shoppers, of course, penetration is higher across many CPG categories.

Some of these shoppers are considered heavy private label buyers. They represent the top one-third of CPG spenders. But, detailed on the following page, even among these heavy shoppers, significant private label growth opportunity remains.

Private Label Purchase Segments



The top one-third of private label buyers account for well over half of private label sales.



Among heavy private label buyers, more than a quarter of the CPG budget is spent on private label items.

Heavy private label shoppers account for 57% of total private label spending. Still, among these entrenched private label buyers, private label accounts for only about one-quarter of total CPG dollars spent and 29% of units purchased. Private label share of total spending has increased, up from 22% of dollars and 28% of units in 2008. But, this group represents 44% and 45% of total CPG spending, respectively. In other words, for private label marketers, significant upward opportunity remains.

At this stage of the game, however, growing private label is really not about getting more people to buy private label. After all, nearly everyone already does buy at least some private label CPG solutions.

Rather, the bulk of the opportunity lies in getting people to buy *more* private label—buy private label in new and/or different categories, and buy more in categories where they are already making some private label purchases.

Private label manufacturers and retailers have their sights set on just that: getting people to buy more private label. And, they are doing so by offering broader and deeper private label lines, and by increasing promotional support.

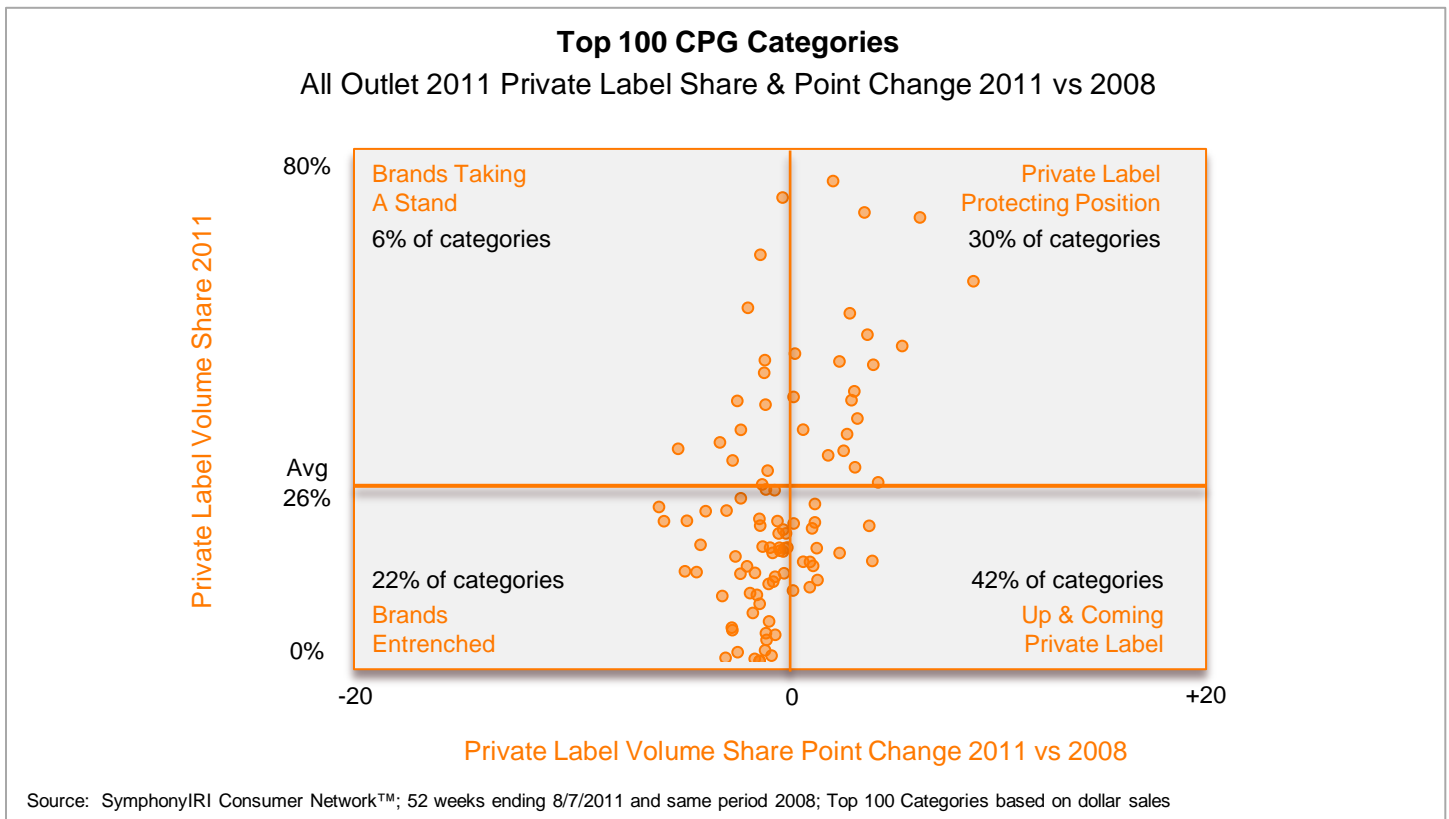
For instance, CVS recently launched Just the Basics. This no frills line of nearly 100 private label items across key categories, including food and beverage, household, baby, and beauty and personal care, seeks to bring shoppers everyday essentials at a low price point¹.

In grocery, Kroger recently took a page from the national brand marketing playbook, launching comfortsforbaby.com, a Web site that supports its Comforts line of baby products. The site acts as a forum where moms can exchange information and product reviews and find digital coupons. Additionally, the site is being supported by Facebook and Twitter efforts².

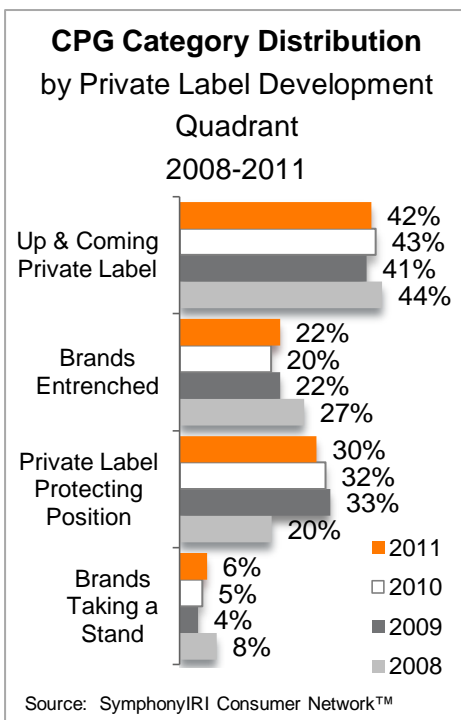
The intensity of the game continues to rise, as private and national brand marketers vie for share of consumer spending. For retailers, the stakes are particularly high, as private label offers not only differentiation in a competitive marketplace, but also a more substantial margin versus national brand alternatives.

¹ Company Press Release, February 23, 2011; ² Store Brands Decisions, July 14, 2011

Category Opportunity



While national brands appear to be regaining some traction, private label is still winning share in 72 of the top 100 CPG categories.



Despite the fact that, at a macro level, private label unit share fell slightly during the past year, private label is still winning share in nearly three-quarters of the top 100 CPG categories.

Retailers, such as Walgreens and Kroger, are viewing private label as playing a key role in their strategic growth processes. These retailers and others are embracing strategies that are reminiscent of practices widely embraced in the European marketplace.

National brand marketers, meanwhile, are very much focused on protecting and growing share within their own categories

and brands. Evidenced in the chart on the left hand side of this page, brands are looking for new ways to take a stand, ensuring that their entrenched position is not disturbed.

The pages that follow provide a more in-depth analysis at trends occurring in each of the private label development quadrants, and the retailer and manufacturer strategies driving these trends.

Category Opportunity: Private Label Protecting Position

Top Categories with Above Average and Increasing Private Label Share

2011 vs 2008: All Outlet Private Label Volume Share Point Change

		Private Label Penetration Among Category Buyers <u>Point Change</u>
Rfg Salad/Coleslaw	20.5	+23.6
Gastrointestinal Tablets	10.3	+5.1
Cold/Allergy/Sinus Tablets	7.7	+3.8
Internal Analgesics	6.8	+4.5
Pastry/Doughnuts	5.7	+5.3
Vegetables	5.5	+1.6
Natural Cheese	5.2	+3.3
Sugar	5.0	+2.5
Fz Meat	4.7	+2.7
SS Meat & Refrigerated Ham	4.6	+2.9

Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period 2008; Top 100 Categories based on dollar sales

Across categories where private label share is already above average, penetration is climbing rather notably.

Private label has an above average and growing presence in 30 of the top 100 CPG categories. In these categories, private label is said to be protecting position.

Protecting position categories cut across a number of CPG departments, and hail heavily from the food, beverage and healthcare aisles.

Discussed earlier in this report, and frequently reported by SymphonyIRI during the past several years, home-centered food, beverage and healthcare rituals play key roles in consumers' money-saving strategies. As such, it is logical that retailers and private label manufacturers are focusing some of their private label development efforts on providing more solutions in these areas in an attempt to capture some of these dollars.

For example, Wakefern's ShopRite now has a blog site, dubbed "Pot Luck." To populate the site, ShopRite sends its panel of bloggers a box of food products, asks them to create recipes using these products and comment on their experiences. The goal is to familiarize consumers with ShopRite's "hundreds" of private label offerings, and encourage them to try these products in their own homes.

It is a solid plan. Penetration has been a strong driver of private label share gains during the past several years. Between 2008 and 2011, penetration increased in 47% of CPG categories. Illustrated here, penetration increased in the 10 categories where private label share is above average and rising the most sharply.

The most sizable private label share increase came in the refrigerated salad/coleslaw category. In this category, share jumped more than 20 points during the past three years.

Discussed in the August 2011 edition of Times & Trends, much of this share increase can be attributed to a major surge in private label loyalty within this category. Still, national brand loyalty within the category is high, at more than 50%. National brand manufacturers in this category must work to protect and grow that loyalty, leveraging innovation and consumer-centric and value-oriented pricing and promotion strategies to do so.

Category Opportunity: Up & Coming Private Label

Top Categories with Below Average and Increasing Private Label Share

2011 vs 2008: All Outlet Private Label Volume Share Point Change

		Private Label Penetration Among Category Buyers Point Change
RTD Coffee/Tea	7.9	+3.1
Pet Supplies	5.4	+2.5
Baby Formula/Electrolytes	5.3	(0.7)
Salty Snacks	3.8	+6.1
Fz Pizza	2.8	+3.4
Mexican Foods	2.7	+4.9
Cookies	2.7	+2.5
Salad Dressing- SS	2.7	+2.3
Dish Detergent	2.6	+2.2
Breakfast Meats	2.5	+3.4

Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period 2008; Top 100 Categories based on dollar sales

Penetration gains are contributing heavily to increased traction among categories where private label share has been historically lower versus industry average.

Penetration is also on the increase among the categories where private label share is currently below average, but on the rise. Forty-two of the top 100 CPG categories fall into this “up and coming” private label development quadrant.

In this quadrant, the largest private label share jump is evidenced in the ready-to-drink coffee and tea category. Here, private label share is still rather low, at less than 10%, but it is increasing rather quickly.

The most sizable jump in penetration within this quadrant is seen in the salty snacks category. Here, private label share is also on the low side, at about 16%, but share increased rather sharply during the past few years.

This multi-year trend is to be closely watched. While gains of just over six points during the past three years are noteworthy, SymphonyIRI's 2011 State of the Snack Industry research indicates that two-thirds of snack consumers are actually looking to purchase their preferred brands, rather than trading off to other brands or private label solutions.

Particularly during these difficult economic times, though, value is absolutely essential. Additionally, snack consumers are clearly communicating that they are tired of having to work hard to find value. In a rather sizable shift during the latest two-year period, more than one in four snack consumers is looking to buy their favorite snack brands at a reasonable

regular price rather than having to “sale shop” to find their brands on special promotion.

The lesson being communicated in the snacking sector is one that should be clearly heard throughout the grocery store: consumers are looking to CPG marketers to help them live well by providing CPG solutions that offer a solid value every day, not just when on promotion.

The message is one that applies to brand name and store brand marketers alike. Effective pricing strategies are essential, and those strategies must be frequently re-examined in light of the ongoing evolution of market and consumer trends.

SymphonyIRI Group

Category Opportunity: Brands Entrenched

Top Categories with Below Average and Declining Private Label Share

2011 vs 2008: All Outlet Private Label Volume Share Point Change

		Private Label Penetration Among Category Buyers <u>Point Change</u>
Cat/Dog Litter	-4.8	(1.7)
Diapers	-4.6	(3.0)
Cat Food	-3.6	(2.7)
Eye/Contact Lens Care	-3.5	(1.8)
SS Dinners	-3.0	(2.9)
Yogurt	-2.8	(0.6)
Rfg Dough/ Biscuit Dough	-2.6	+0.1
Margarine/Spreads/Butter Blends	-1.8	(1.7)
Spirits/Liquor	-1.6	(0.3)
Baking Needs	-1.6	+0.6

Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period 2008; Top 100 Categories based on dollar sales

Across a handful of categories where national brands are well-entrenched, private label penetration has declined despite the prolonged economic downturn.

In 22% of the top 100 CPG categories, national brands are entrenched. In these categories, private label share is below the industry average of 26% and is on the decline.

In many of these categories, the number of people making any private label purchases is on the decline as well. Among the 10 “brands entrenched” categories seeing the sharpest private label share declines, only two categories, baking needs and biscuit dough, are seeing private label penetration increasing, and those increases are rather small.

Several “brands entrenched” categories, including cat/dog litter, diapers, and shelf stable dinners, were highlighted in the August 2011 edition of Times & Trends, showcased as categories where brand loyalty is on the increase. These categories, and others, are successfully leveraging innovation to thwart private label advances and to protect and grow brand loyalty.

Frozen dinner entrees also saw brand loyalty increase during the past few years. Once again, innovation is giving momentum to the category.

ConAgra’s Marie Callender’s Fresh Flavor Steamers is an example of a technology that is being embraced in a way that will closely align with important consumer needs—in this case, needs around at-home, easy-to-prepare dinner solutions that help consumers save money on eating out without sacrificing convenience.

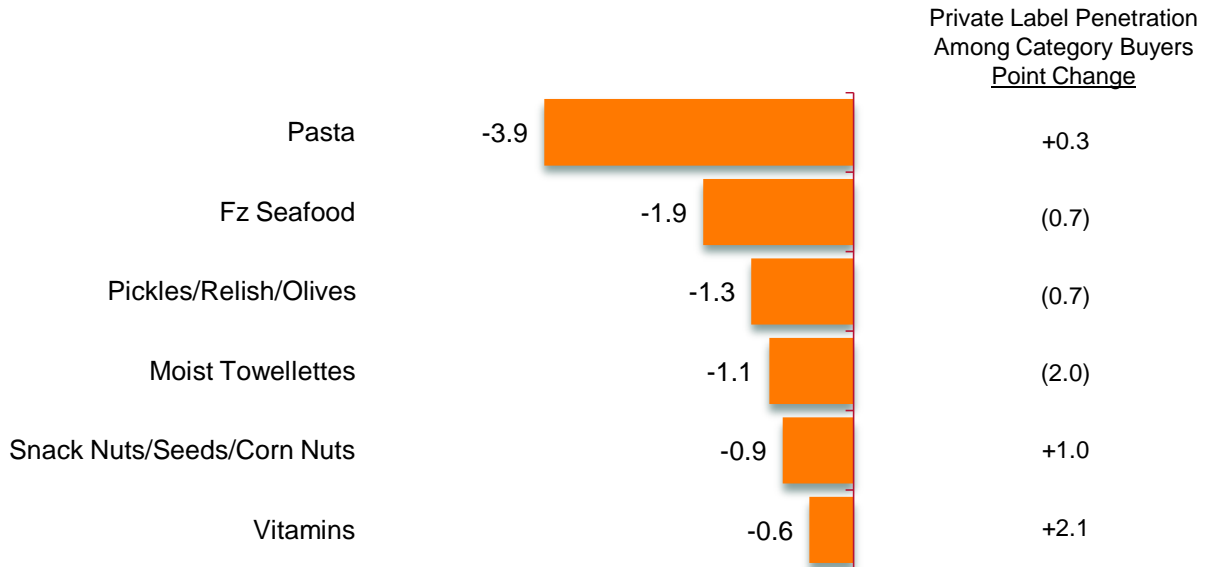
This line uses steam cooking for fresh-tasting meals in five minutes or less, and features recipes “from around the globe that have (broad) consumer appeal¹.”

¹ Jenn Freeman, brand director, ConAgra Foods- Company Press Release, August 10, 2010

Category Opportunity: Brands Taking a Stand

Top Categories with Above Average and Declining Private Label Share

2011 vs 2008: All Outlet Private Label Volume Share Point Change



Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period 2008; Top 100 Categories based on dollar Sales

Penetration has declined across several categories where private label share is above average, but on the decline. Private label share of vitamins has slipped despite a noteworthy increase in penetration.

In six of the top 100 CPG categories, private label share is currently above average, but national brands are taking a stand. These categories span several CPG departments, including edibles, home care and health care.

The category with the largest decline in private label share is the pasta category—a category that is widely viewed as a “commodity category” and thus generally a strong suit for private label marketers.

In recent years, though, innovation has brought some level of differentiation to the pasta category. Whole grains and added nutrients, such as protein or omega-3, are

catering well to consumers’ nutrition goals and enticing consumers to spend more to get more from their pasta purchases.

Another factor influencing private label share trends is promotional activity. For instance, in the pasta and vitamins categories, share of volume sold with merchandising support has increased 2.7 and 3.8 points, respectively.

These are certainly noteworthy gains. And, the fact that national brands within these categories are winning share from private label is also good news for national brand marketers.

But, it is important to understand that promotions must be tactical in nature, supporting the goals of the brand as well as key retailer partners. Promotion should not be viewed or leveraged as a strategy to build brand loyalty. As discussed in the August 2011 edition of Times & Trends, excessive promotion, and promotion that is overly price-oriented, will actually serve to erode brand loyalty in the long run, and result in buyers defecting to another national brand, or, perhaps, to a private label alternative.

Conclusions: CPG Manufacturers

Manufacturers seeking to develop effective private label mitigation strategies should consider the following action items:

- Continually identify and assess brand-specific opportunities and risks with respect to private label
 - Carefully monitor price gaps between your own brands and private label alternatives to ensure that optimal price gap is maintained
 - Understand private label performance across your categories; leverage value-oriented pricing and promotion programs to protect and grow share
 - Explore partnerships with key retailers to create co-branded products and multi-tiered solutions that appeal to a broad consumer base

- Continually refine competitive strategies vis-à-vis private label
 - Maintain a solid understanding of price/value perceptions across key consumer segments, and ensure everyday pricing is in lock-step with consumer needs
 - Invest in innovation that will bring differentiation to the marketplace, and entice consumers to “buy more to get more” despite a difficult economic environment
 - Leverage highly-targeted and affordability-oriented marketing campaigns, including feature ads and in-store efforts, across categories with the highest store brands threat

- Measure and monitor actual versus planned impact of brand related initiatives
 - Carefully test new product concepts before embarking on development plans; frequently solicit consumer feedback throughout the development process
 - Use market-level models to determine expected results of pricing and promotional efforts; frequently measure actual versus expected results upon and following rollout
 - Track and benchmark store-level shifts relative to private label among key retail partners

Conclusions: CPG Retailers

Retailers seeking to grow private label share should consider the following action items:

- Continually identify and assess private label opportunities and threats
 - Carefully monitor price gaps between your private label offerings and national brand alternatives to ensure that optimal price gap is maintained
 - Tailor private label offerings at the market level
 - Support private label lines with consumer-centric and highly integrated marketing campaigns, including in-store display and feature ad support

- Continually refine private label development strategies
 - Maintain a solid understanding of price/value perceptions across key consumer segments, and use this knowledge to inform everyday and promotional pricing strategies
 - Invest in innovation that will bring differentiation to the marketplace
 - Evaluate feasibility of multi-tier offerings across key categories/product lines, either alone, or in partnership with brand manufacturer partners

- Measure and monitor actual versus planned impact of private label-related initiatives
 - Test market product, pricing and promotion changes prior to and immediately following roll out
 - Track and benchmark store-level private brand share shifts relative to national brands

Customer Success Story: Defending Shelf Space and Creating Winning Scenarios for Manufacturers and Retailers

The Challenge

Strong growth of private label products in major over-the-counter (OTC) categories have led many retailers to delist branded SKUs in favor of private label SKUs.

A leading OTC brand was under attack in its category at a large, national drugstore chain. Even though the brand-name OTC drug's annual sales were over six times that of the private label products, the brand-name drug team wanted to protect its products against private label growth.

SymphonyIRI's client, an OTC pharmaceutical manufacturer, sought to explore if discontinuation of the private label option at the drugstore chain would affect sales of the brand name drug.

The SymphonyIRI Approach

SymphonyIRI Group recommended an Attribute Drivers™ modeling solution and the use of the Assortment Simulation tool to address its client's objectives.

The Attribute Drivers solution allows for the estimation of consumer choice in the category and thereby the ability to quantify the value that actual buyers place on brand name/equity, product features and attributes, and everyday pricing. This approach also makes it simple to identify a direct link between product attributes and actual product sales.

The Assortment Simulation tool then uses the Attribute Drivers model to simulate SKU rationalization at the retail level. It



delivers assortment recommendations based on add/delete scenarios, and provides an holistic category sales impact analysis.

The Results

SymphonyIRI's analysis showed that eliminating 10 private label SKUs from the retailer's set would minimally impact dollar and unit sales of the category.

The retailer would lose 3.5 percent of total private label brand dollar sales, whereas the brand name annual sales would increase by 7.6 percent. The remaining private label brand sales would transfer to other branded and private label products.

Based on results from this analysis, the manufacturer decided to further expand on the opportunity to review the current assortment with the drugstore chain. The manufacturer recommended delisting some of the underperforming private label offerings and created a revised assortment which would be more profitable for both parties.

Client Benefits

The result was a winning scenario both in terms of driving higher sales and margins for the OTC pharmaceutical manufacturer and the drugstore chain.

The SymphonyIRI Assortment Simulation tool not only helped the manufacturer proactively maintain and defend their retail shelf space, but also set the stage for future joint partnerships with retailers.

The brand name's win at the drugstore chain to successfully eliminate the private label SKUs will also result in an outstanding return on their investment.

More importantly, the Assortment Simulation tool provided the manufacturer with essential insights to bring to life various SKU scenarios and view category and brand volume impact in just minutes, enabling fast decision making and the ability to quickly bring products to market.

Resources

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

SymphonyIRI Consumer Network™

Consumer Network is a consumer panel that provides a clear picture of consumer behavior so that sales and marketing professionals can continually adjust strategies to focus on the consumer dynamics that drive brand and category performance.

SymphonyIRI AttitudeLink™

SymphonyIRI AttitudeLink is a service that empowers marketers to conduct attitudinal surveys among the SymphonyIRI Consumer Network panel. AttitudeLink provides a direct link between longitudinal purchasing behavior and the consumer needs and attitudes underlying that behavior, something not available from general market surveys.

SymphonyIRI Total Store Advantage™

Total Store Advantage™ Powered by SymphonyIRI Liquid Data™ is the largest fully integrated application of all edibles and non-edibles in the CPG industry organized into multiple business views across departments, aisles, products and demographic segments.

SymphonyIRI Advantage on Demand™

Advantage On Demand™ Powered by SymphonyIRI Liquid Data™ delivers speed to new insights with on-demand, best practice reporting, leveraging unique capabilities across Advantage portfolio solutions to answer your top business questions.

HispanicLink:

Providing a Deep Understanding of the U.S. Hispanic Shopper

Now Available... A set of two reports which empowers you to compare the purchasing, shopping habits, and attitudes of Unacculturated and Less Acculturated Hispanics to those of More Acculturated Hispanic households, as well as to the non-Hispanic population. The solution compares the shopping preferences and motivational drivers of behavior to capitalize on the nation's fastest growing consumer segment!

For the first time, SymphonyIRI is teaming up with Synovate to provide a truly representative sample of Hispanics. Synovate brings their expertise in understanding Hispanic consumers, including more than 30 years of Diversity quantitative and qualitative consumer research and their unique acculturation model to segment Hispanics.

For more information, contact Staci Covkin at

Staci.Covkin@SymphonyIRI.com

FOR MORE INFORMATION

Please contact Susan Viamari at Susan.Viamari@SymphonyIRI.com with questions or comments about this report.

About SymphonyIRI Group

SymphonyIRI Group, formerly named Information Resources, Inc. ("IRI"), is the global leader in innovative solutions and services for driving revenue and profit growth in CPG, retail and healthcare companies. SymphonyIRI offers two families of solutions: Core IRI solutions for market measurement and Symphony Advantage solutions for enabling new growth opportunities in marketing, sales, shopper marketing and category management.

SymphonyIRI solutions uniquely combine content, analytics and technology to deliver maximum impact. SymphonyIRI helps companies create, plan and execute forward-looking, shopper-centric strategies across every level of the organization. For more information, visit www.SymphonyIRI.com.

Corporate Headquarters:
150 North Clinton Street
Chicago, IL 60661
Telephone: +1 312 726 1221
www.SymphonyIRI.com

