[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries

August 2009

Channel Migration: The Blurring of Shopper Loyalty

IRI

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Shoppers Regain Rationality – But Price Still Rules

As today's recession plays out through the U.S. economy, consumers continue to adjust shopping strategies and rituals based on their financial circumstances, confidence in the future, prices, promotions and a new perception of value. Included in this evolution is an ongoing shift of not just what they buy, but where they shop.

The loyalty equation for retailers has changed dramatically in the last 18 months. Before the current downturn, shoppers selected retailers based on a blend of convenience, merchandising, promotions and affordability. These factors remain part of shoppers' consideration set, but, today shopper loyalty has become a much more complex subject.

While clearly price has emerged as a critical part of the equation, a shopper's new definition of value is more nuanced. For example, in IRI's recent Times & Trends research, "The Value/Premium Dichotomy," shoppers reported significant increases in purchases of premium as well as value-tier products. In some instances, the purchase of premium-tier products is the result of trading down- from dining out to high-end at-home dining, for example. In other instances, premium-tier products are a treat: a splurge. Certainly, people are still splurging; they are just splurging in a more controlled way.

In the face of significant and rapid behavior changes such as these, it is mandatory for manufacturers and retailers alike to have a highly-detailed understanding of who their most valuable shoppers are and, within each micro-segment of key shoppers, what preferences, concerns and perceptions of value prevail.

Influences on decision making have dramatically increased in number and immediacy. The newspaper circular of yesterday has met with new media such as online coupons and promotions, and is largely drown-out by nearly instantaneous feedback from Facebook, Twitter, blogs and other online sources. And while most savvy retailers have a presence on these sites, the influence of blogger mavens, for example, remains extremely powerful. For retailers, this translates to the need to have a highly refined and clear value proposition that is aggressively communicated and reinforced in both traditional and new media.

When the mortgage and financial markets weakened, and energy and food prices spiked, shoppers flocked to supercenters, focused on securing the lowest prices on everyday CPG solutions. Over the last few months, as energy and food prices have declined and the economy has begun to show glimmers of hope, shoppers have calmed down are, once again, reassessing their shopping attitudes, behaviors and strategies. The pendulum is showing signs of swinging the other way, if you will.

Grocery, drug, dollar and other channel managers have quickly adjusted their strategies to win back shoppers, and for many, these strategies have been successful. Freed up by lower gas prices, three-quarters of today's consumers shop at five or more channels.

The importance of winning with shoppers in an environment marked by rapid changes in purchase attitudes and behaviors is underscored by another trend – consumers are making more frequent visits, but rate of basket growth has moderated. Still, some channels have seen particularly strong growth in per trip expenditures. The average dollar sale per purchase at dollar stores, for example, has grown five percent in the last year. Channels that don't react quickly to changing consumer attitudes and needs stand to lose significant business.

Shoppers Regain Rationality – But Price Still Rules

Despite a more rational assessment of their needs and a return to visiting a wide range of channels, shoppers still view their purchases largely through price. CPG marketers realize the importance of this perspective, and are reacting quickly. For example, several grocery retailers have adjusted their pricing strategy to focus on an everyday low price format. Because increases in hiring typically trail recovery after a recession, IRI forecasts that long after the current recession ends, price will continue to be a principal driver in shoppers' decision making process.

As the government's stimulus package impacts the economy, the recession wanes and people regain confidence, new trends will continue to emerge. IRI will continue to monitor this transforming economy, and its impact on consumers, closely. I look forward to sharing our ongoing research results and insights with you. And as always, please share your insights, thoughts and observations to enrich our dialogue.

Thom Blischok
President, Consulting & Innovation

EXECUTIVE SUMMARY: TURNING INSIGHTS INTO ACTION

INSIGHT	ACTION
» As the recession drags on, consumer shopping habits continue to evolve; shopping across multiple channels has become a hallmark of consumers seeking the best value for everyday CPG needs	» Frequent and granular assessments across key consumer groups, including trips, trip types and channel shifts is critical
» To maintain more consistent CPG budgets, consumers are moving to more frequent shopping excursions with more consistent basket rings; however, a majority of purchase decisions are made before entering the store	» Capitalize on stepped-up trip behavior with knowledge-based and innovative in-store programs; address at-home decision-making behavior by supporting in-store initiatives with feature ad programs
» Supercenters are winning share of spending across CPG departments and key demographic segments, albeit at a slower pace versus last year; however, other channels have turned up the heat and are once again making in-roads across select categories, departments and demographic segments	» Reassess pricing strategies across categories/brands to ensure programs meet corporate and partner goals as well as goals of key shopper and target groups
» The grocery channel continues to struggle across fresh/perishable, frozen and center store, including high-demand meal ingredient and meal component categories	» Build baskets during pantry-stocking and fill-in trip missions with solutions-based programs heavily focused on key meal ingredient and meal component categories; leverage cross merchandising and multi-unit promotions to drive purchase behavior
» Health & beauty and household care categories are increasingly at the center of channel share battles; grocery, supercenter and drug channels are each displaying strength across key health & beauty categories, while household care channel shifts vary by category	» Retailers need to stake a claim on self-care/household care categories that are of most importance to their core consumers; manufacturers who can demonstrate value in driving store traffic and basket size will have a unique opportunity to partner with retailers in self –care/household care growth strategies

INTRODUCTION

> [***Retailers across channels have stepped up efforts to serve U.S. consumers in need of affordable CPG solutions, elevatingthe battle for share of CPG spending to a whole new level.***]

U.S. consumers have been battling adverse economic conditions for well over 18 months now. The country has faced sky-rocketing gas prices, high levels of unemployment, unprecedented increases in CPG prices and an array of other financial stressors.

To cope, consumers have been forced to make significant changes to everyday behaviors. No doubt, today's consumers are more self-reliant and more in-tune with how and where money is spent.

Recent reports indicate that the recession is easing, but consumers remain firmly entrenched in savings mode.

In last year's Channel Migration issue of *Times & Trends* we highlighted sizable share gains by supercenters across departments and income segments resulting from consumer efforts to stretch their CPG dollars. Supercenters continue to play a major role in providing consumers with affordable CPG solutions.

Over the past year, however, competing retail channels have turned up the heat. With specialized programs -such as new everyday low price programs (eg. Safeway) to expanding prescription drug programs (eg. Walmart)- retailers are racing to deliver against consumers' rapidly changing needs and shopping behaviors.

Consumers are meeting retailer efforts with enthusiasm and share battles are intensifying.

The end result is a more complex battleground. Retailers are embracing specialized and targeted marketing and merchandising strategies in an effort to win shoppers.

In the end, the winners will be those who deliver consistently and effectively against consumers most pressing needs. This is certainly the time for frequent and granular consumer and market assessments, and consumer-centric marketing strategies.

This report provides insights into recession-driven changes in consumer shopping patterns across departments, categories and consumer segments, and serves as a foundation for competitive and distribution strategy development as well as a baseline for ongoing tracking efforts.

CPG SHOPPING TRENDS
CHANNELS SHOPPED

In the struggle to maximize cost savings and find the selection of products they want within their budgets, consumers continue to visit multiple channels to meet their CPG needs.

Consistent with multi-year trends, three-quarters of consumers visit five or more channels to complete their CPG shopping, and roughly half visit at least five for food and beverage purchases.

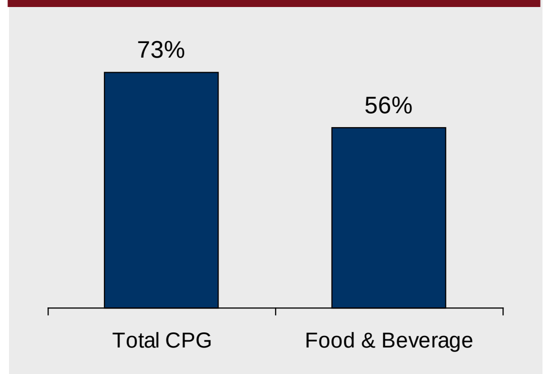
When gas prices rose, consumer concern with proximity of retail channels increased. But, prices at the pump are down significantly from last year, and consumers are once again willing to make more or longer journeys to maximize their CPG expenditures.

[Consumers visit five or more channels to meet their CPG needs, and are willing to travel a greater distance to stretch their CPG dollars.]

Today, 59 percent of shoppers shop at multiple stores in search of the lowest prices; 42 percent of those shoppers will continue to pursue this strategy in the future.

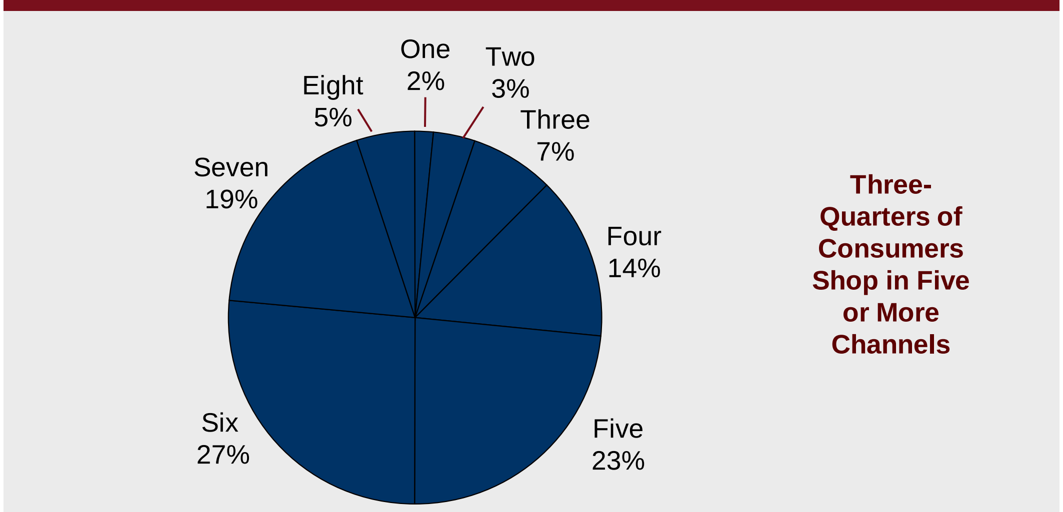
~IRI "*Dissecting the Downturn Generation*"

% of Consumers Shopping in Five or More Channels To Meet Needs



Source: IRI Consumer Network™ 52 weeks ending 6/28/2009

# of CPG Channels Shopped: % of Consumers



Source: IRI Consumer Network, 52 weeks ending 6/28/2009

CPG SHOPPING TRENDS
CHANNEL PENETRATION

[Supercenters and dollar stores are effectively growing their customer base, and attracting key shoppers from competing CPG channels.]

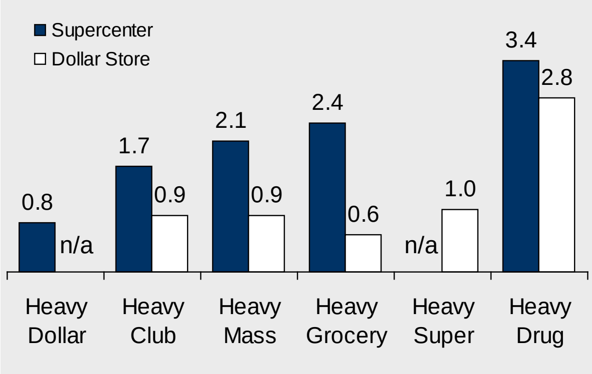
Channel migration patterns reinforce the notion that the need for value remains strong, and consumers are willing to shop across CPG channels to attain that value.

The supercenter channel is at the winning end of this equation, with channel penetration gains outpacing competing channels by a wide margin.

Dollar stores are turning up the heat, though. The channel successfully captured nearly one and a half penetration points over the past year.

As illustrated in the chart to the right, both supercenters and dollars stores are effectively attracting heavy shoppers from across CPG channels. Heavy drug channel shoppers are clearly contributing to penetration gains by the two channels, likely due to consumers' increased focus on self-care and the related quest for affordable preventative and treatment solutions.

Supercenter & Dollar Channel Penetration Point Gains Among Heavy Channel Shoppers



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

% Households Buying by Channel

Channel	2009 Penetration	Point Change vs 2008
Grocery	99.1%	+0.1
Supercenter	65.9%	+1.8
Mass	79.9%	(1.3)
Club	49.1%	+0.7
Drug	76.4%	+0.7
Dollar	53.8%	+1.4
Convenience	27.2%	0.0

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

CPG SHOPPING TRENDS
SHOPPING TRIPS

> ***[Increasing trip frequency is offering CPG marketers more opportunities to connect with shoppers through innovative in-store promotional campaigns.]***

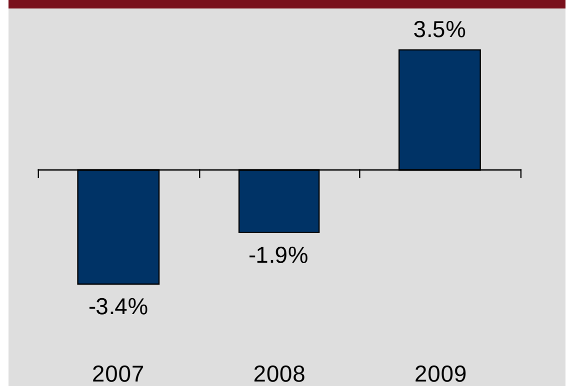
After several years in decline, trip behavior has grown 3.5% over the past year. Several trends are driving this growth.

First, at this time last year gas prices were exceptionally high, so consumers were logically limiting driving distances in order to save on gas expenditures.

Secondly, though CPG prices have moderated over the past several months, they do remain above historic norms. Not surprisingly, many consumers are choosing to make more frequent, but smaller, trips in order to maintain a stable budget.

Trip behavior is up across a majority of channels. Translation: more opportunity to communicate with shoppers via innovative in-store programs.

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



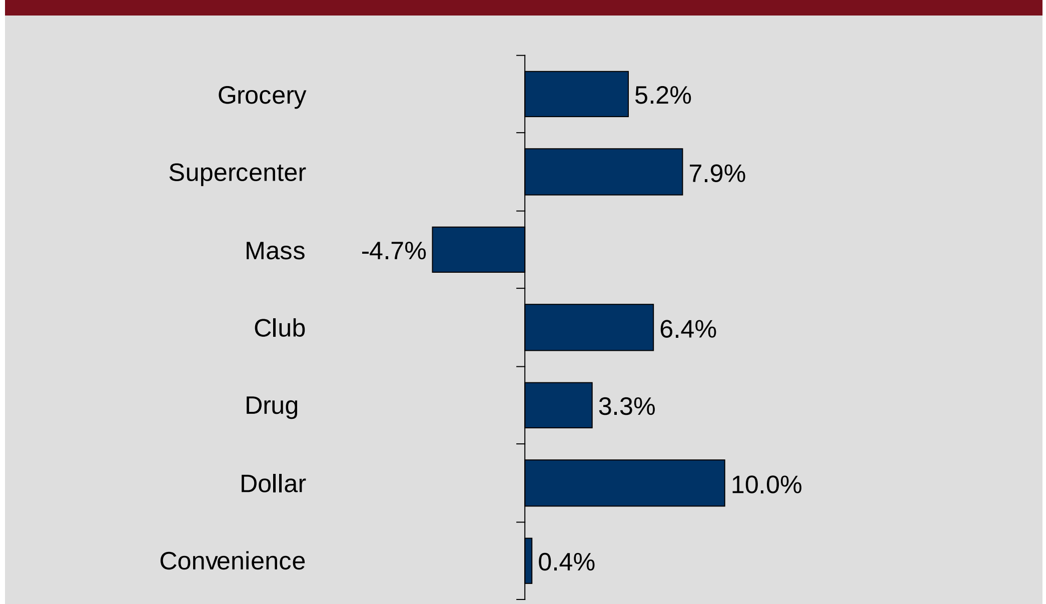
Source: IRI Consumer Network™; 52 weeks ending 6/28/2009 and same period prior years

However, plan-ahead shopping has also become a common money-saving strategy. Supporting in-store efforts with feature ads and other traditional media support is absolutely critical.

Shoppers predict that 76% of their 2009 purchase decisions will be made before they get to the store.

~IRI "*Consumer Dynamics*" Survey, December, 2008

2009 Average Purchase Occasions per Household
% Change vs Prior Year



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

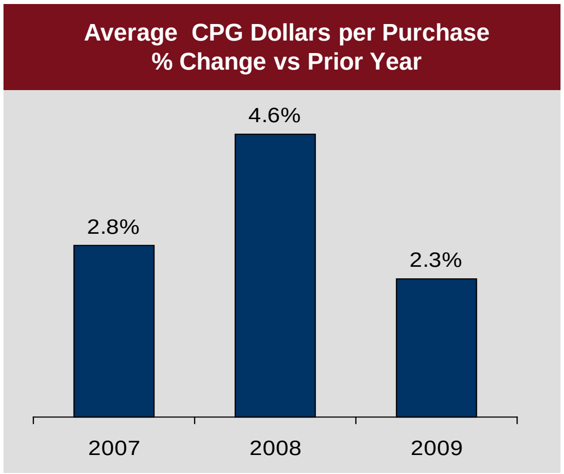
CPG SHOPPING TRENDS
SPENDING PER TRIP

[Retailers and manufacturers employing consumer-centric marketing strategies will effectively build basket size and loyalty across key shopper groups.]

With trip frequency again making positive strides, average per-trip expenditures have moderated slightly. Though down from last year, when CPG prices were especially high, average basket size is growing at a reasonable rate. Opportunity to grow basket size remains, but is dependent upon to the ability to tie marketing strategies to key shopper needs.

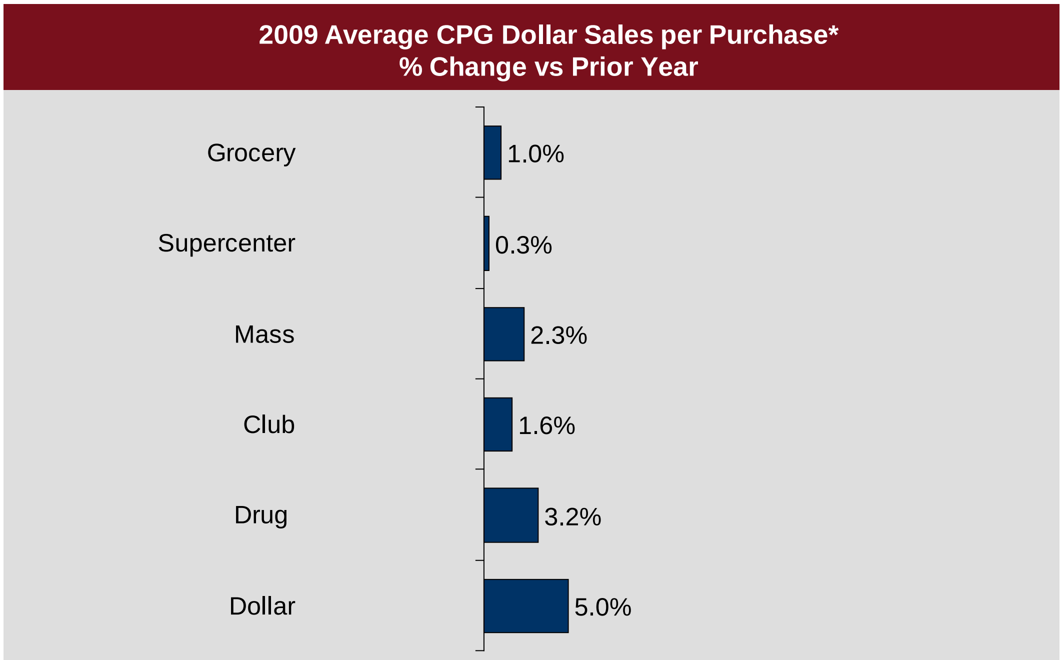
For example, dollar store basket size has increased 5% versus last year. A majority of that growth is coming from center store categories such as spaghetti sauce, rice and salad dressing, highly reflective of increased at-home meal preparation activity.

Likewise, drug channel gains stem from self-care behaviors. Key growth categories for the channel include sleep remedies, cold/allergy/sinus liquids and skin care products.



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

With trip frequency growing, retailers and manufacturers with consumer-centric price, promotion and assortment strategies will effectively build basket size across key shopper groups.



Source: IRI Consumer Network™; 52 weeks ending 6/15/2008 and same period prior year

*Note: Convenience channel excluded as data are not fully representative.

CPG SHOPPING TRENDS
CHANNEL SHARE SHIFTS

[***While macro-level trends do not reveal major channel-level dollar share shifts, micro-level analysis gives insight into important spending shifts.***]

Last year's July issue of *Times & Trends* detailed impressive share gains made by supercenters in the face of a difficult economy and soaring CPG prices. Though economic conditions remain fragile, CPG prices have moderated and consumers have had time to settle into their new CPG routines.

As such, dramatic shifts seen last year do not exist this year. Nonetheless, significant trends are emerging.

For example, the grocery channel has turned around a multi-year share loss trend. Over the past year, the channel secured a slight share increase.

Supercenters, club stores and dollar stores also posted small gains in share of CPG dollars. A majority of gains made come at the expense of the mass merchandise channel. Consumer preference for one-stop shopping and the on-going conversion of traditional mass stores the supercenter format are driving this trend.

Despite the fact that high-level trends do not reveal major shifts in CPG spending patterns, a more micro-level analysis, detailed in subsequent sections of this report, reveals that important shifts are occurring. For example, supercenters continue effectively pursue meal-related categories, and drug retailers are dominating health and beauty care.

Across CPG channels and categories, the need for a deep understanding of industry and consumer trends is at a fever pitch. In a transforming economy, national-level strategies must be supplemented with local market strategies which reflect unique regional and local trends defining a rapidly evolving consumer marketplace.

CPG Dollar Share by Channel*

Channel	2009 Share	Point Change vs 2008
Grocery	55.5%	+0.2
Supercenter	15.1%	+0.3
Mass	7.4%	(0.6)
Club	8.4%	+0.2
Drug	5.6%	0.0
Dollar	1.6%	+0.1

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

*Note; Convenience channel excluded as data not fully representative; share will not total to 100% as not all channels are highlighted.

SHOPPING SHIFTS BY DEPARTMENT
DOLLAR SHARE

[*While supercenters continue to gain share across departments, other channels are also demonstrating gains in select departments.*]

With a reputation as a provider of low-cost CPG solutions, supercenters are well positioned to compete in a recessionary economy.

Though the pace of share gains has moderated versus last year, the channel continues to post share gains across CPG departments.

Nonetheless, other channels are also seeing strong share gains across select CPG departments. For example, the drug channel continues to make strides in healthcare and beauty/personal care departments, outperforming all channels, and even outpacing gains made by supercenters.

These areas have long been a stronghold for drug retailers, a trend which the channel would like to continue. Loyalty programs, such as the CVS ExtraCare program, have been stepped up, merchandising continues to be strong within the channel, and private label lines are being expanded.

Grocers have also gained share in healthcare, capturing share from both mass and club channels. In addition, grocers performed particularly well in the general merchandise department, with a greater than one point share gain stemming from gains across key general merchandise categories, including kitchen storage, light bulbs and batteries.

Increasing dollar share in key categories such as these also benefitted the dollar store channel, which, on the whole, posted a nearly one-half point share gain in general merchandise.

Dollar Share Point Change by Department
2009 v 2008

	Grocery	Drug	Mass	Supercenter	Club	Dollar
Beauty/Personal Care	(0.2)	+1.2	(1.5)	+0.5	+0.1	+0.2
Center Store	+0.1	0.0	(0.6)	+0.4	+0.3	+0.2
Frozen	(0.2)	0.0	+0.1	+0.3	0.0	0.0
Fresh/Perishable	(0.3)	(0.1)	0.0	+0.3	+0.3	0.0
General Merchandise	+1.2	+0.1	(1.4)	+0.6	(0.7)	+0.4
Healthcare	+0.4	+0.8	(1.0)	+0.2	(0.3)	+0.1

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

SHOPPING SHIFTS BY CATEGORY
MEAL INGREDIENTS AND COMPONENTS

> *Supercenters are capturing share across a range of meal-related categories, but grocers are turning up the heat.*

As noted in the July issue of *Time & Trends*, meal away-from-home prices are expected to continue an upward march, increasing 3.5%-4.5% in 2009[1]. Due to these increases and other financial strains, meal rituals are expected to be heavily focused on at-home, self-prepared options in the foreseeable future.

For retailers of food and beverages, the opportunity is significant. The battle between grocers and supercenters, key providers of these types of CPG solutions, is on.

Target is in the process of adding fresh food and produce offerings across many traditional Target locations (SuperTargets have long had groceries, but traditional format stores have not).

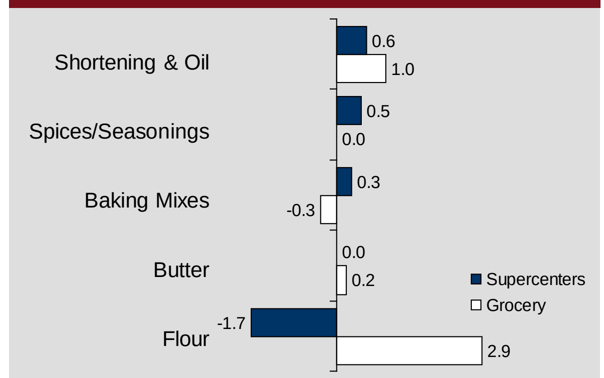
As noted in the April issue of *Times & Trends*, Walmart attributes strong FY09 performance, in part, to stellar sales across U.S. grocery categories. In fact, the retailer has post sizable share gains across a cross-section of food and beverage categories over the course of the year.

Results of efforts such as these have been positive. Clearly, supercenters are gaining share across a range of meal ingredient, meal component and convenience meal categories.

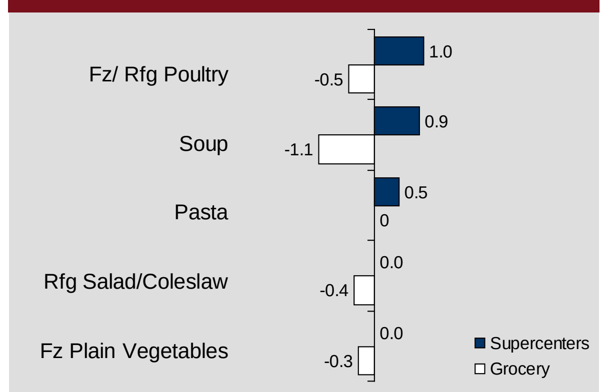
Grocers are also fighting for share. Some grocers, including, but not limited to, Stop & Shop and Wegmans have adjusted strategy to promote a more everyday-low-price format. And, a number of grocers have slashed prices on key staple items (and more).

The battle for share of meal-related categories will remain fierce throughout the course of the recession. The need for research-based and consumer-centric pricing strategies is high, and winners of the game will be rewarded with share of spending and long-standing shopper loyalty.

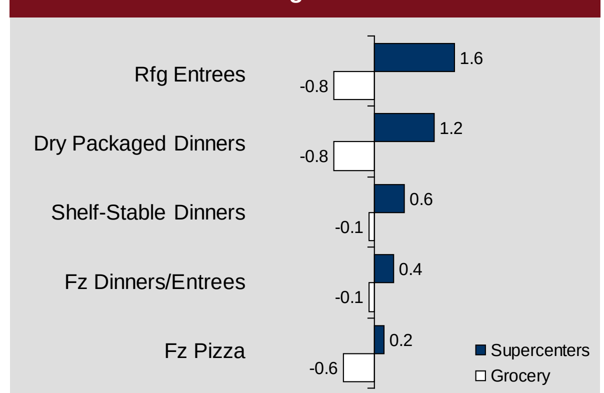
Meal Ingredients: Dollar Share Shift Point Change 2009 v 2008



Meal Components: Dollar Share Shift Point Change 2009 v 2008



Convenience Meals: Dollar Share Shift Point Change 2009 v 2008



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

[1]Source: The Food Institute Report, March 2, 2009.

SHOPPING SHIFTS BY CATEGORY
HEALTHCARE

[The battle for share of healthcare dollars has intensified and expanded in an environment of high levels of self-care and deal-seeking activity.]

Healthcare has long been a battleground between grocers and drug retailers. In a recessionary economy, with self-care playing a key role in consumers' money-saving strategies, this battle has intensified, and expanded to include new channels.

Analysis of key healthcare categories reveals that supercenter and club channels are now fully engaged in the battle for consumer healthcare dollars.

For example, grocery has ceded share of cold/allergy/sinus tablet sales while the drug and supercenter channels gained. Supercenters lost share in gastrointestinal liquids while grocery and club channels gained.

Importantly, grocers and supercenters each gained share in the vitamin category– one of the few healthcare categories to post positive unit sales growth in 2008.

Consumers are demonstrating a willingness to purchase healthcare products from a range of suppliers. The key to capturing share: the ability to offer affordable healthcare solutions.

It's an opportunistic time for CPG markets looking for fruitful collaborative relationships. Partners with the ability to develop a granular understanding of key consumer segments will be able to provide highly targeted and effective product and promotional campaigns which will be well-received by consumers looking to leverage CPG as a means of saving health care dollars.

Key Healthcare Categories: Dollar Share Point Change 2009 v 2008

	Grocery	Drug	Supercenter	Club
Cold/Allergy/Sinus Tablets	(0.9)	+1.1	+0.7	0.0
First Aid Accessories	+0.3	+2.2	+0.5	(1.7)
First Aid Treatment	+0.8	+2.0	(0.7)	(0.4)
Gastrointestinal Liquid	+0.5	0.0	(0.5)	+0.7
Gastrointestinal Tablets	+1.7	(0.9)	+0.8	(1.3)
Home Health Care/Kits	+3.0	(0.8)	(1.4)	(0.9)
Internal Analgesics	+0.3	(0.1)	+0.1	+0.8
Nasal Products	(2.9)	+2.6	(0.8)	+0.9
Vitamins	+0.6	(0.5)	+0.9	(0.3)
Weight Cntrl/Nutr Liq/Pwd	(0.5)	+2.2	+0.1	(0.4)

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

SHOPPING SHIFTS BY CATEGORY
BEAUTY & PERSONAL CARE

[Drug retailers' relentless pursuit of beauty and personal care share continues to raise the bar on shopper expectations.]

The beauty and personal care arena is also seeing an intensifying struggle for share of sales. The drug channel is a destination location for beauty and personal care needs, and this year's share shifts were boosted by consumers' shift to close-to-home shopping during high gas prices.

Drug retailers' pursuit of share continues to raise the bar on beauty and personal care performance. For example, CVS is in the midst of rolling out its Beauty 360 concept an up-scale beauty boutique embedded into CVS retail outlets. By year end, the retailer plans to have 30 outlets up and running.

At the manufacturer level, product lines such as Tresemme hair care and L'Oreal skin care are doing exceptionally well in an environment where consumers seek low cost but effective beauty care options. These lines are key drivers of growth for drug channel beauty sales.

The club channel is struggling to maintain share of beauty and personal care spending in a recessionary economy. Certainly, consumers have been forced to make difficult choices vis-à-vis CPG spending.

Trading down and trading out has become commonplace. With club-size packaging comes larger purchase prices. To maintain more stringent budgets, many consumers have chosen to make more frequent, but smaller purchases, giving competing channels a distinct advantage over club.

Key Beauty/Personal Care Categories: Dollar Share Point Change 2009 v 2008

	Grocery	Drug	Supercenter	Club
Blades	+0.8	+0.4	+0.9	(1.3)
Deodorant	(0.4)	+0.9	+0.8	(0.3)
Diapers	(2.3)	+1.6	0.0	+1.5
Hair Conditioner	(0.6)	+0.6	+0.4	(0.1)
Sanitary Napkins/Tampons	+0.5	+1.9	+0.1	(1.0)
Shampoo	(0.1)	+1.7	+0.3	(0.5)
Skin Care	(1.0)	+4.3	(1.2)	(0.8)
Soap	+1.1	(0.2)	+1.1	(0.6)
Toothbrush/Dental Acc.	(0.6)	(1.7)	+1.6	+2.4
Toothpaste	(0.7)	+0.8	+0.6	+0.4

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

SHOPPING SHIFTS BY CATEGORY
HOUSEHOLD CARE

[As consumers dial back on "non-essential" spending, household care is an emerging area of increased competitive focus.]

A snapshot of spending behavior across key household care categories reinforces the notion that consumers will travel across channels in order to get the most "bang for the buck."

Grocery, supercenter, club and dollar stores have each gained share of spending across several key household care categories, largely at the expense of mass merchandisers.

Channel share shifts vary at the category level, marked by trip type and simply the nature of the category in question.

The club channel has captured significant share across toilet tissue, laundry detergent and paper towels. These are key stock-up categories, well-suited for bulk purchases that save money over the longer term.

In addition, store brands at several of the retailers within the club channel are quite well-regarded. And, private label toilet paper, for example, is often half the price of the national brand.

Club stores are wisely capitalizing on consumers' drive for value with smart merchandising across key categories such as these. The rewards have been sweet.

Key Household Care Categories: Dollar Share Point Change 2009 v 2008

	Grocery	Supercenter	Club	Dollar
Toilet Tissue	(0.5)	+0.7	+1.5	(0.1)
Laundry Detergent	+0.3	+0.1	+1.5	+0.2
Paper Towels	+0.4	+0.5	+1.0	+0.1
Food & Trash Bags	+1.0	+0.4	(0.4)	+0.2
Household Cleaners	+0.3	+1.0	+0.3	+0.5

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

SHOPPING SHIFTS BY CONSUMER SEGMENT
SHARE SHIFTS

[Habits emerging during the economic downturn will remain long after the recession ends.]

As IRI highlighted in early reports from its *Competing in a Transforming Economy* series, the grocery channel lost share of sales to channels perceived as “less expensive” (i.e. supercenters) early in the recession. The grocery channel has been working to reinvent its image over the course of the past year, though. New strategies such as everyday low price, as mentioned earlier in our report, the channel has successfully stopped and reversed share losses across consumer segments, particularly lower income and Hispanic consumer segments.

Supercenters and dollar stores are performing well across demographic segments, with share flat or increasing across most key groups.

With sizable gains across most top beauty/personal care categories, it is no surprise that drug retailers are seeing increased share of sales across Hispanic consumers- a group well-known for heavy purchase activity across beauty/personal care departments.

And, the club channel is making strides across households with children and wealthier shoppers. Large package sizes bring higher basket rings. Need and means, respectively, are driving gains in this channel.

Indications are that habits emerging during the economic downturn will remain long after the recession ends. CPG marketers are well-advised to view the country’s adverse economic conditions as an opportunity for continuous improvement.

Re-examine corporate strategies in the light of key consumer groups’ evolving needs, wants and behaviors to ensure the two are aligned. Strategies “for the sake of selling product” will not be effective in the long term; consumer-centric strategies will win in the end.

Income Segment Definitions

Getting By
- One member households, income up to $19.9K
- Two or more member households, income up to $34.9K

Living Comfortably
- One member households, income $20K - $34.9K
- Two or more member households, income $35K - $54.9K

Doing Well
- One member households, income $35K+
- Two or more member households, income $55K+

Dollar Share Point Change by Consumer Segment
2009 v 2008

Income Segments	Grocery	Drug	Mass	Supercenter	Club	Dollar
Getting By	+0.6	(0.1)	(0.8)	+0.4	0.0	+0.3
Living Comfortably	+0.1	0.0	(0.5)	+0.4	0.2	+0.2
Doing Well	+0.1	+0.1	(0.6)	+0.3	0.3	0.0
Boomers	+0.1	(0.1)	(0.5)	+0.6	0.0	+0.1
Hispanics	+0.6	+0.8	(0.8)	+0.0	0.1	+0.1
Households w/ Kids	+0.1	+0.2	(0.7)	+0.2	0.5	+0.2

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

SHOPPING SHIFTS BY CONSUMER SEGMENT
SHARE SHIFTS

[Retailers are successfully growing share among top channel shoppers.]

Amidst all of the changes in consumer shopping behavior, grocery, club and dollar store retailers are holding onto and even growing share among top channel shoppers. Grocers' loyal shoppers, in particular, appear very content to stay within the channel.

But, across some channels (including supercenters and dollar stores), some heavy shopper dollars are also going to other channels.

For example, heavy dollar store shoppers have stepped up spending in the grocery channel. Heavy club shoppers are allocating an increased share of spending to supercenters.

These dollars represent opportunity lost for dollar and club retailers.

The largest supercenter gains were sourced from heavy shoppers of drug store and club channels. These competing retailers need to identify categories with the largest shifts among heavy shoppers and work with manufacturers to develop a targeted plan for category to stem and/or reverse category losses.

The value of gaining a deep understanding of evolving top shopper needs and catering to those needs to protect and grow share and loyalty is significant in today's economy. Share gains/losses incurred today are likely to transcend the current recession.

Dollar Share Point Change by Heavy Shopper Segment
2009 v 2008

	Grocery	Drug	Mass	Supercenter	Club	Dollar
Heavy Grocery	+1.5	(0.1)	(0.8)	0.0	(0.3)	+0.1
Heavy Drug	(0.2)	(0.1)	(0.5)	+1.0	0.0	+0.1
Heavy Mass	(0.2)	+0.4	(0.9)	+0.2	+0.3	+0.2
Heavy Supercenter	(0.3)	+0.3	(0.3)	0.0	+0.4	+0.2
Heavy Club	(1.0)	(0.1)	(0.4)	+0.6	+0.8	+0.1
Heavy Dollar	+0.5	+0.2	(0.6)	+0.3	(0.1)	+0.4

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

TRENDS TO WATCH
ONLINE SHOPPING

[The Internet and social media will play an escalating role in the CPG product and channel selection for the foreseeable future.]

There is no doubt that the economy has had a major impact on consumer shopping behaviors. As economic conditions continue to evolve, will consumer shopping habits will morph as well.

But, there is another factor exerting significant influence on U.S. shoppers today. This influencer is very different from, and likely partly in response to, economic forces. This influencer is the Internet.

According to Internet World Stats, three-quarters of Americans are now online. Since 1995, penetration is up 60 points, and growth rates remain strong.

Americans use the internet for many different purposes. Of course, online purchase activity is on the rise. But, in a recessionary economy, deal-seeking has also become a poplar online pastime.

For example, IRI's recent *"Dissecting the Downturn Generation"* report reveals that just over 44% of shoppers currently use the Internet to find coupons. Even with signs of the recession easing, 55% of online coupon seekers plan to continue this behavior in the future.

The Web is also an invaluable research tool, and is highly leveraged by consumers entrenched in self-care mode.

IRI's report goes on to explain that 52% of U.S. consumers are actively using the Internet to obtain basic healthcare information, including simple diagnosing and treatment options.

The importance of behaviors such as these cannot be overstated. The Internet has brought immediacy to shopping research efforts, and serves as a central repository for comments from other shoppers. At a time when an increasing share of purchase decisions are made in the home, the power of the Internet is massive.

Online and social media are rapidly escalating in importance and influence, to the detriment of traditional media sources. CPG marketers must work to understand and embrace new media. These tools are viral, bringing information and influence to the fingertips of many, many consumers in a matter of seconds.

CONCLUSIONS
CPG MANUFACTURERS

Manufacturers seeking to capture new growth opportunities and minimize risks associated with channel migration trends should consider the following action items:

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

- Conduct monthly analyses of channel share shifts across your brands versus total category and key competitors
- Track shifts across core and target consumer segments
- Track shifts in trip mix by channel and account

» Align distribution, marketing and merchandising strategies with channel migration patterns

- Realign distribution strategies to capitalize on shifting consumer shopping patterns across channels
- Tie distribution and merchandising strategies to trip mix by channel/account
- Partner with key accounts in the development of targeted marketing and merchandising plans designed to capture share from competing channels

» Protect and grow share among top shoppers

- Demonstrate the value of your categories and brands in driving top retail shopper satisfaction, trips and basket size
- Participate in key account marketing and promotions that reward top shoppers and build category sales

CONCLUSIONS
CPG RETAILERS

Retailers seeking to capture new growth opportunities and minimize risks associated with channel migration trends should consider the following action items:

» Identify new growth opportunities and risks through ongoing channel migration tracking

- Conduct monthly analyses of channel share shifts across your brands versus total category and key competitors
- Track shifts at the market level
- Track shifts across key shopper and target segments
- Track shifts in trip mix by channel and competitor

» Align competitive, marketing and merchandising strategies with channel migration patterns

- Implement cross-channel competitive strategies, versioning at the market level
- Reassess marketing and merchandising strategies through a lens of changing shopper rituals; ensure programs are reflective of key categories/segments (ie. meal ingredients and components, self-care)
- Invest to build a dominant position in high-priority trip types among core and target consumers

» Protect and grow share among top shoppers

- Maintain a deep understanding of emerging shopping patterns and competitive threats among key shopper and target segments
- Align marketing, promotion and assortment strategies with trip missions at the market/store level
- Partner with manufacturers in the development of targeted marketing and merchandising programs

RESOURCES

To gain insight into opportunities and risks related to channel migration trends, contact your IRI client service representative regarding custom analyses leveraging the following resources:

IRI MarketInsight™

Proprietary model-based sales tracking service providing superior coverage of channels, including Wal-Mart, for which point-of-sale data are not available. Reflects sales across IRI InfoScan® Reviews CPG categories.

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.

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.

>>> 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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