



Times & Trends

The CPG Basket:

Fostering Growth in a Time of Conservation

DECEMBER 2011

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Symphony IRI Group

Insight.
Innovation.
Impact.

Reading Between the Lines of Shopper Intentions

The face of the American shopper has changed significantly during the past few years and most in the industry know the “one-size-fits-all” approach to marketing is no longer applicable. We’ve found via the new SymphonyIRI EconoLink™ segmentation that the American shopper has many faces, from the “Downtrodden” shopper, who is highly pessimistic about their financial situation, to the “Optimistic” shopper who, feels their financial situation is better than it was a year ago and, of course, the shopper many have come to be familiar with, the “Savvy” shopper, who believes their financial situation hasn’t changed much during the past year and enjoys seeking deals.



There is much to be said about these varying degrees of shopper attitudes. Regardless of consumer segmentation “buckets,” one thing is clear: overall, today’s shoppers are holding tight to their purse strings. The National Retail Federation just reported that Americans said they spent \$7.4 billion more between Thursday and Sunday of Thanksgiving weekend 2011, compared with the same period in 2010. Still, it’s important to note the deliberate spending patterns shoppers set leading into this holiday spending spree.

Bluntly speaking, a surge in spending doesn’t necessarily indicate looser wallets for the future. In fact, this spring towards the “black” may indicate a more challenging future for CPG marketers who will have to wean shoppers off the bargain basement prices and back to more realistic everyday pricing.

Gone are the days when shoppers simply stroll the aisles of CPG retail stores making casual, spontaneous purchases. “Quick trip missions” are more prevalent across a majority of channels and income segments than they were just a few years ago, reflective of consumers’ “point of consumption” purchase habits. And, when shoppers do stock their pantries, it is a pre-meditated shopping trip with lists in hand.

“Non-essential” spending has been placed by the wayside in favor of controlled spending, but as seen with the recent “Black Friday, Small Business Saturday and Cyber Monday” spending spike, today’s shoppers can be nudged to spend. Value is the carrot for today’s shoppers. And, with a rocky road to recovery spreading into the horizon, value will remain at the core of consumers’ shopping strategies in the months to come. Strategies aimed at achieving maximum value will evolve as the economy morphs. Retailers and manufacturers who can be flexible and nimble in light of these shifting strategies are those who can best succeed in winning not only consumer loyalty, but also share of the basket.

As the year draws to a close we’ll continue to keep an eye on the evolving shopper landscape and provide insights to help navigate to what will hopefully be a successful 2012.

Wishing you all the happiest of holidays and a prosperous New Year!

A handwritten signature in black ink, appearing to read 'John A. McIndoe', with a long horizontal flourish extending to the right.

John A. McIndoe
Senior Vice President, Marketing
SymphonyIRI Group

Executive Summary: Turning Insights Into Action

INSIGHT

- ❑ Quick trips captured an increased share of CPG spending during the past three years, largely at the expense of pantry stock-up missions; pantry stock-up missions have shown some signs of gaining traction during the past year
- ❑ Escalating food and fuel prices and intense budgetary pressures are key drivers of CPG trip mission trends
- ❑ Inflationary CPG trends are the key drivers of increases in average basket size across quick trip, pantry stock-up and fill-in missions
- ❑ Drug and dollar channels dominate fill-in missions, while grocery, super and club see the heaviest activity from pantry stock-up missions
- ❑ Consumers on the lookout for opportunities to reduce overall CPG spending are embracing a variety of strategies, including the elimination of “non-essentials” and a reduction in overall variety of products purchased

ACTION

- ❑ Assess the risk versus reward equation associated with establishing a product assortment specialized against the quick trip, pantry stock-up, or other single trip mission
- ❑ Step up frequency and granularity of consumer and market assessment in order to anticipate and proactively address changes in trip mission rituals
- ❑ Understand price elasticity of demand across your key categories/brands and frequently re-evaluate everyday and promotional pricing strategies to ensure alignment against the needs of key and target shoppers
- ❑ Continually evaluate trip mission, distribution and assortment strategies against changing market dynamics and consumer behaviors; consider risk versus reward of implementing region and/or market-level strategies
- ❑ Cross-promotion and cross-merchandising, with targeted messaging and a focus on affordability and value, will drive purchase of discretionary items among key consumer segments

Introduction

It is a time of conservation.

Consumers are, rightfully, very discerning about the money they spend today. They are carefully choosing what they will buy, when they will buy it, and where they will buy it. They are choosing to eliminate and/or postpone some purchases in the name of keeping their budgets manageable.

During the past few years, so much has changed. The country has weathered The Great Recession and many months of adverse economic conditions. For many, getting by has meant embracing frugal and well-thought-out purchase strategies.

In a sense, today's consumer has a new mindset. Understanding that mindset at the time the consumer is planning and making her CPG purchases is absolutely critical, for it is during this purchase process that the consumer goes on a mission. And, on this mission, the consumer becomes the shopper.

CPG marketers have not stood idly by and watched the metamorphosis that has occurred during the course of the downturn. They have employed many and varied strategies to enhance their value propositions and to attract and retain shoppers.

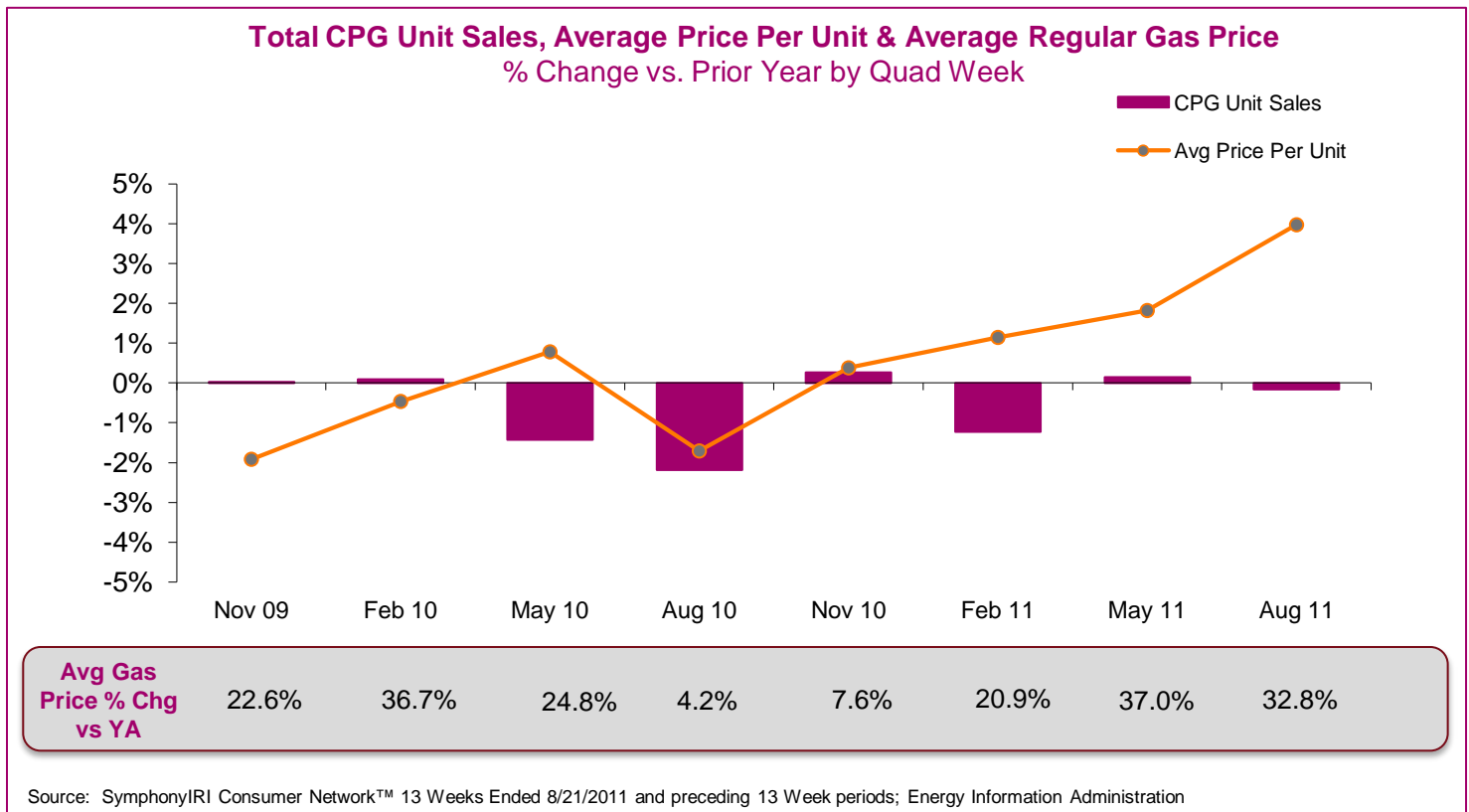
In the coming months, it is expected that the economy will remain weak and unstable, and consumers will remain firmly entrenched in efforts to stretch their budgets to the maximum. CPG marketers must stay on top of their game, too, and they must continue to build and fortify relationships with consumers—relationships that will not only help to build the bottom line today, but also serve to put their companies in a favorable position to compete even long after the economy has recovered.

The economy, the consumer and the CPG marketplace continue to change at a rapid pace. CPG marketers, too, must change in order to remain relevant and top of mind.

This report provides insight into evolving economic conditions and consumer response to those conditions vis-à-vis the consumer mindset during the four predominant CPG trip missions.

An intimate understanding of current and emerging trends within these trip missions will enable manufacturers and retailers to develop and execute strategies that align with overall corporate goals while simultaneously addressing the complex and changing needs of U.S. shoppers in a turbulent economic environment.

Trip Missions: Overview



CPG unit sales were flat to negative throughout much of 2010 and into 2011, but appear to have stabilized during the past six months despite escalating gas and CPG prices.

SymphonyIRI's October/November Times & Trends Special Report, "The Downturn Shopper: Buckled in for a Wild and Crazy Ride," provides detailed insights into the conservative attitudes and purchase behaviors that characterize today's CPG marketplace. Indeed, conservatism is clearly illustrated by unit sales trends throughout the past two years.

Gas prices and CPG prices have contributed heavily to CPG purchase patterns throughout this time period. While gas prices have subsided somewhat,

for instance, they remain 20- 30% higher today versus last year.

Also during the past year, CPG prices have been on a northward march. The trend is expected to continue. U.S. Department of Agriculture is currently placing the all-food Consumer Price Index at 3.5%-4.5% for 2011. In 2012, the rate is expected to moderate only slightly, to 2.5-3.5%¹.

Not surprisingly, escalating food and fuel prices and increased budgetary pressures

are having a significant impact on the way consumers approach their grocery-related tasks. The pages that follow provide a detailed assessment of trip mission changes that are occurring as consumers evolve to withstand ongoing financial pressures.



Trip Missions: Overview

Trip Type	# Items	All Outlet Average \$ Spent	Mindset	% of All Outlet Trips	% of All Outlet CPG \$
Quick Trip	1-5	<\$40	Need it now, have to make a trip	56%	24%
Special Purpose	2-10	\$20-\$50	Buying for a specific event (not routine)	16%	18%
Fill-In	5-15	\$30-\$80	Routine fill-in an heavy use categories	14%	19%
Pantry Stock-up	15+	\$50+	Prepare for the coming week	13%	39%

Source: SymphonyIRI Trip Typology, SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011

Trip mix has shifted during the course of the economic downturn, but pantry stock-up and quick trips together still account for about two-thirds of CPG trips and dollar sales.

Ongoing economic instability and tight personal budgets have weighed heavy on the minds of shoppers for well over two years now. Consumers have been working very hard to fulfill their ongoing grocery needs on an increasingly tight budget, and they are relying on CPG marketers to help make that possible.

To compete successfully, CPG marketers must answer the call for low-cost, high-value solutions to consumers' grocery needs, and they must communicate their efforts in a targeted and highly relevant manner. To do so, they must possess an intimate understanding of the consumer mindset at the time the consumer is planning and making her CPG purchases. It is during this purchase process that the consumer goes on a mission. And, on this mission, the consumer becomes the shopper.

It has long been a daunting task to stay in lock step with the shopper mindset. After all, that mindset is a moving target.

Mindsets change based, for example, on purchase needs and time considerations.

These factors, including purchase needs and time considerations, will dictate the type of trip, or trip mission. Trip mission permeates every aspect of the shopping trip, from beginning to end.

Channel and store selection are based heavily on trip mission. In-store behaviors, such as determination of products that will be bundled together, quantity of product purchased and paths through the store, are also defined by trip mission.

To isolate primary trip missions, SymphonyIRI created the SymphonyIRI

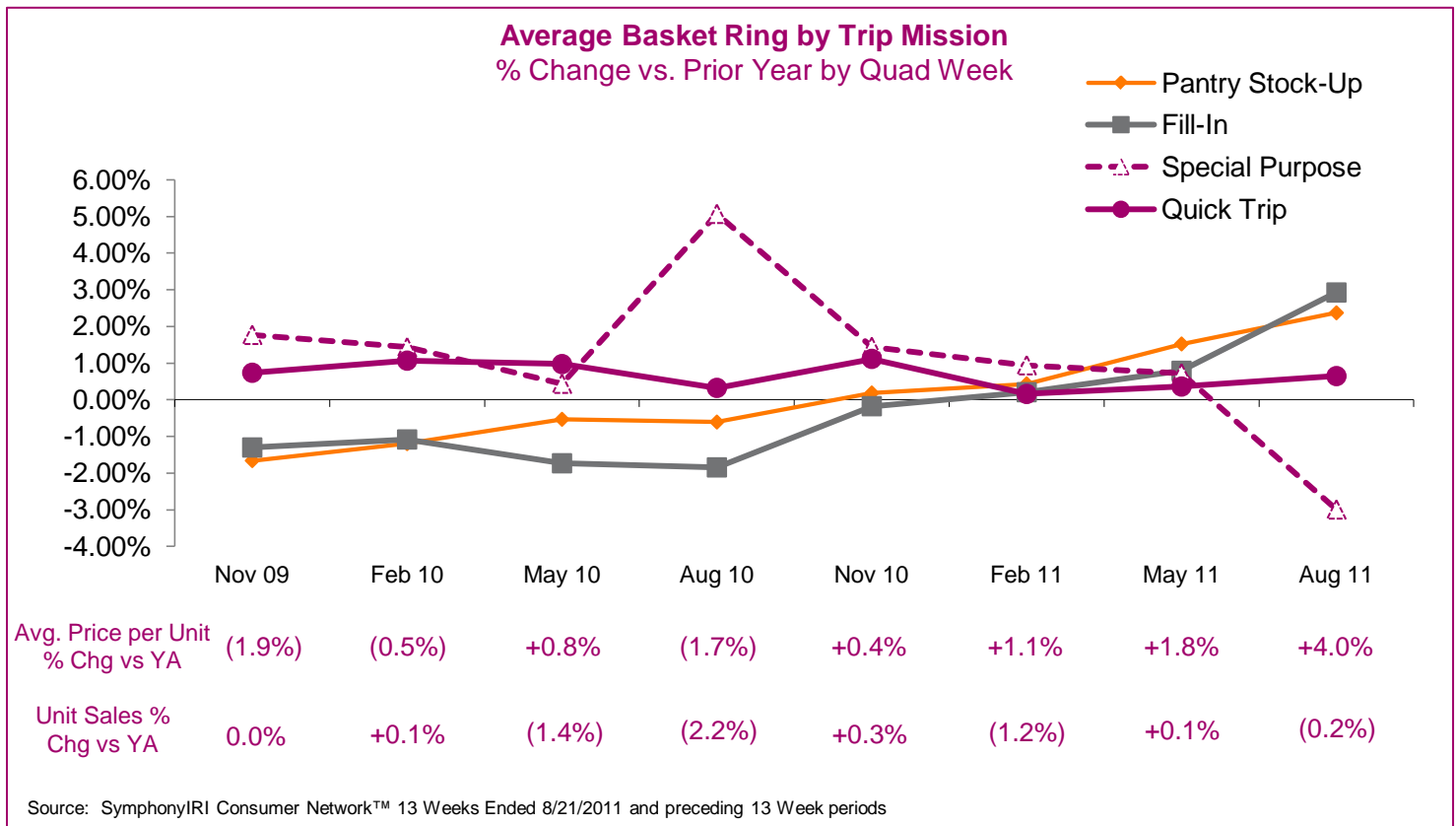
Trip Typology™ platform, an analysis of over eight million shopping trips which identified 31 distinct trip types, and rolled them up into the four primary trip missions, summarized on this page.

Understanding trip missions among key consumer segments will enable retailers to optimize product mix and store layout. It will also empower retailers to create powerful cross-promotion and merchandising campaigns to reinforce or realign primary trip mix.

Manufacturers with a concrete understanding of trip mix across key brands can leverage that information to enhance promotional campaigns within and across key retail partners and to effectively grow share among primary trip types.

The CPG Basket: Fostering Growth in a Time of Conservation

Trip Missions: Shopping Patterns



Increases in average basket size, evidenced most predominantly across pantry stock-up and fill-in trips, are reflective of inflationary CPG pricing trends.

In addition to changes that are occurring in trip mix, average basket ring—across and within trip missions—has been a moving target during the course of the past two years. Basket ring is being influenced by changing consumer rituals as well as vacillating pricing trends.

Quick trip and special purpose basket size grew only slightly, while pantry stock-up and fill-in baskets declined, in the last quarter of 2009. These declines continued through the first half of 2010, and then flattened late in the year.

In the first few months of 2011, average per trip spending began to climb across all trip missions, except special purpose. These increases coincided with an escalating pace of inflation.

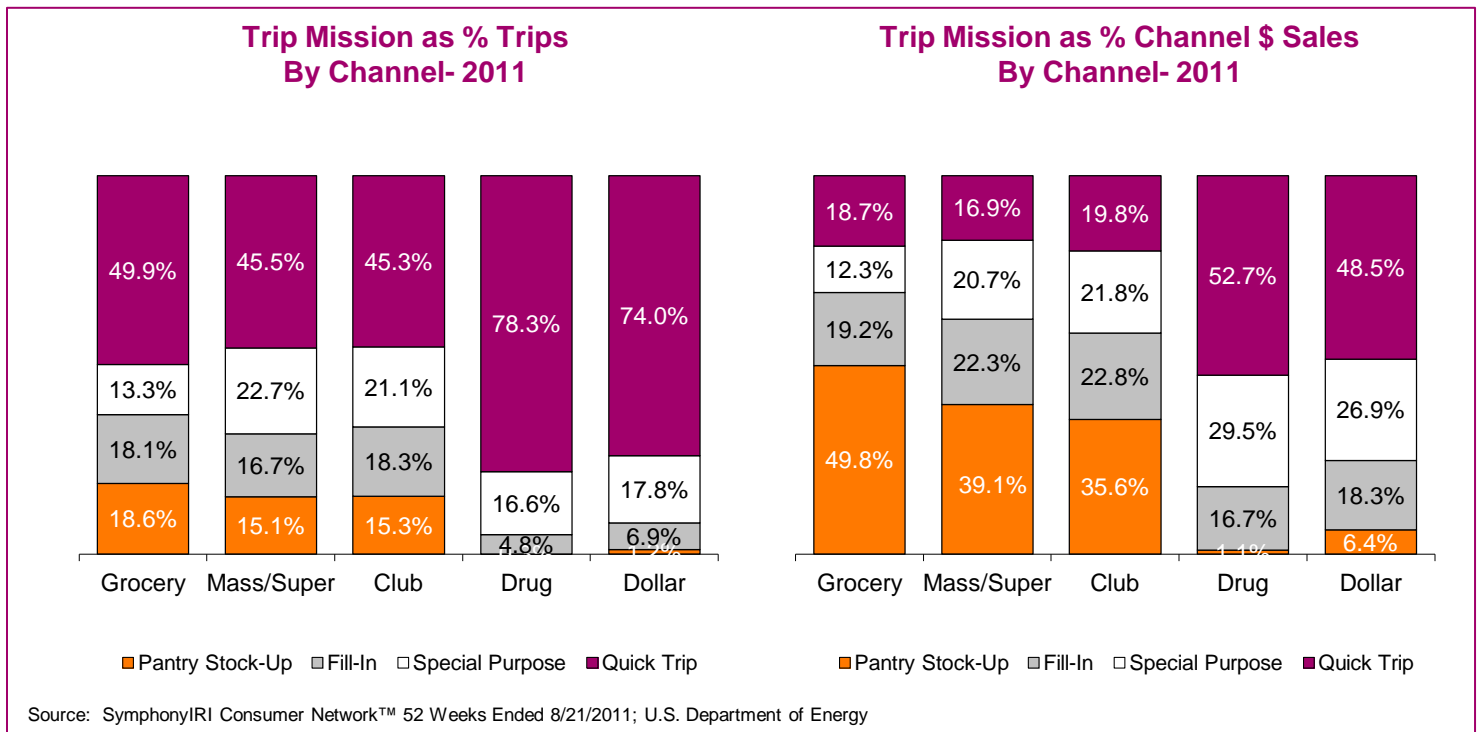
Baskets within these missions have been growing at an increasing rate throughout much of 2011, yet, the rate of increase remains below the level of inflation.

Basket growth that lags inflationary trends is reflective of extremely conservative shopping behaviors. Heavily documented

by SymphonyIRI throughout 2011, consumers are going to great lengths to keep their CPG budgets manageable these days. Budgetary rituals abound, and they are prevalent across demographic segments.

For CPG marketers, the difficulty is that no “one size fits all” budgetary ritual exists. Rather, strategies vary by channel, category, brand, and market. Indeed, strategies often vary at the individual household level.

Trip Missions: Channel Selection



Drug and dollar channels dominate fill-in missions, while grocery, super and club see the heaviest activity from pantry stock-up missions.

Within grocery, mass/supercenter and club channels, the predominant trip mission is the pantry stock-up mission. This mission accounts for one-half of sales in grocery, and one-third of sales in each the mass/supercenter and club channels. In all of these channels, pantry stock-ups account for 15%-20% of trips.

To be explored later in this report, pantry stock-up missions took a hit during the course of the economic downturn. In place of the broad pantry stock-up effort, consumers relied more heavily on quick trips and, to a lesser degree, fill-in trips.

And, during these missions, consumers are eliminating purchases deemed “non-

essential” and they are changing the timing of purchases to accommodate cash flow. Today’s consumers are focused more on needs versus wants and they are buying closer to the point of consumption.

Quick trips are a strength of the drug and dollar channels. Within these channels, it is these “need it now” purchases that drive a majority of dollar sales and trips.

So, purchase and consumption habits are shifting in a way that is favorable to these retailers. Their “nearby” locales make it convenient to swing by for a few quick items without a significant time or gas outlay.

Simultaneously, retailers in both of these channels are shifting their models to capture an increasing share of consumer spending.

For instance, Dollar General has been focused on updating the assortment and layout of Dollar General Market, a hybrid grocery/dollar store format that contains a limited perishables section along with a value-focused grocery selection¹.

Meanwhile, several major drug chains, including CVS and Walgreens, are adjusting their store formats with a particular focus on bringing in more consumables, particularly in urban areas of the country².

The CPG Basket: Fostering Growth in a Time of Conservation

Trip Missions: Share Shifts

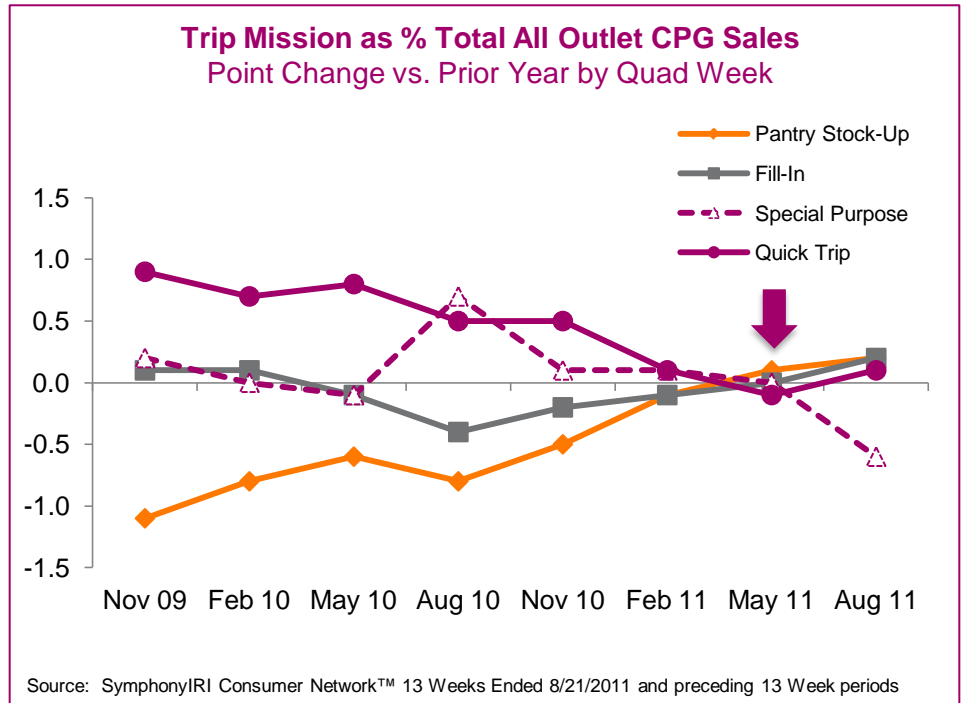
Trip mission mix has shifted rather significantly during the past two years. At the end of 2009, pantry stock-up share of trips and dollar sales was falling rather sharply at the all outlet level. Meanwhile, quick trips were quickly gaining ground.

Since that time, changes have become more subtle, with pantry stock-up declines slowing, and quick trip gains doing the same. In May of 2011, trends flattened out and, in August of this year, both pantry stock-up and quick trips showed low-level dollar share gains versus year ago. Share of trips fell very slightly for both pantry stock-up and quick trip missions during the same quarter.

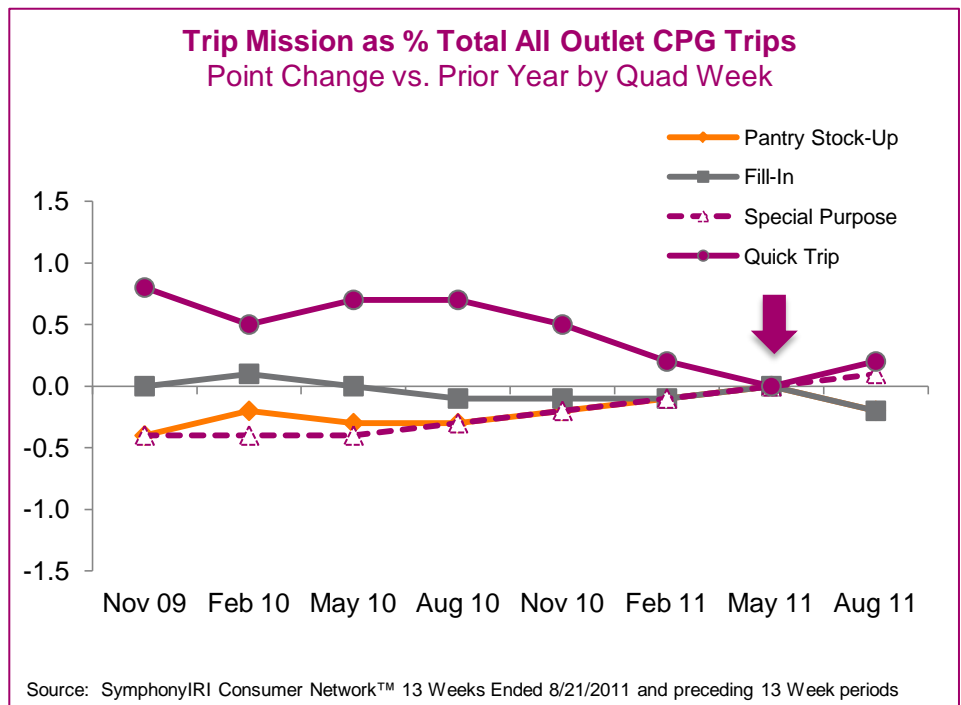
Net, the shifts that have occurred during the past two years pushed quick trip share of CPG spending up two points, and share of trips up one point. A snapshot of mission 2011 share of trips and spending is presented earlier in this report.

Historically, retailers across CPG channels sought to build appeal to consumers across trip missions. But, as shopper calls for simplification of the shopping experience intensified, some retailers shifted their strategy, seeking to capitalize on opportunity to build share through a specialized focus on one or two missions.

Economy-driven changes in consumer shopping rituals are also influencing trip mix within and across channels. Channel-level trip mix changes are explored in more detail on the pages that follow.

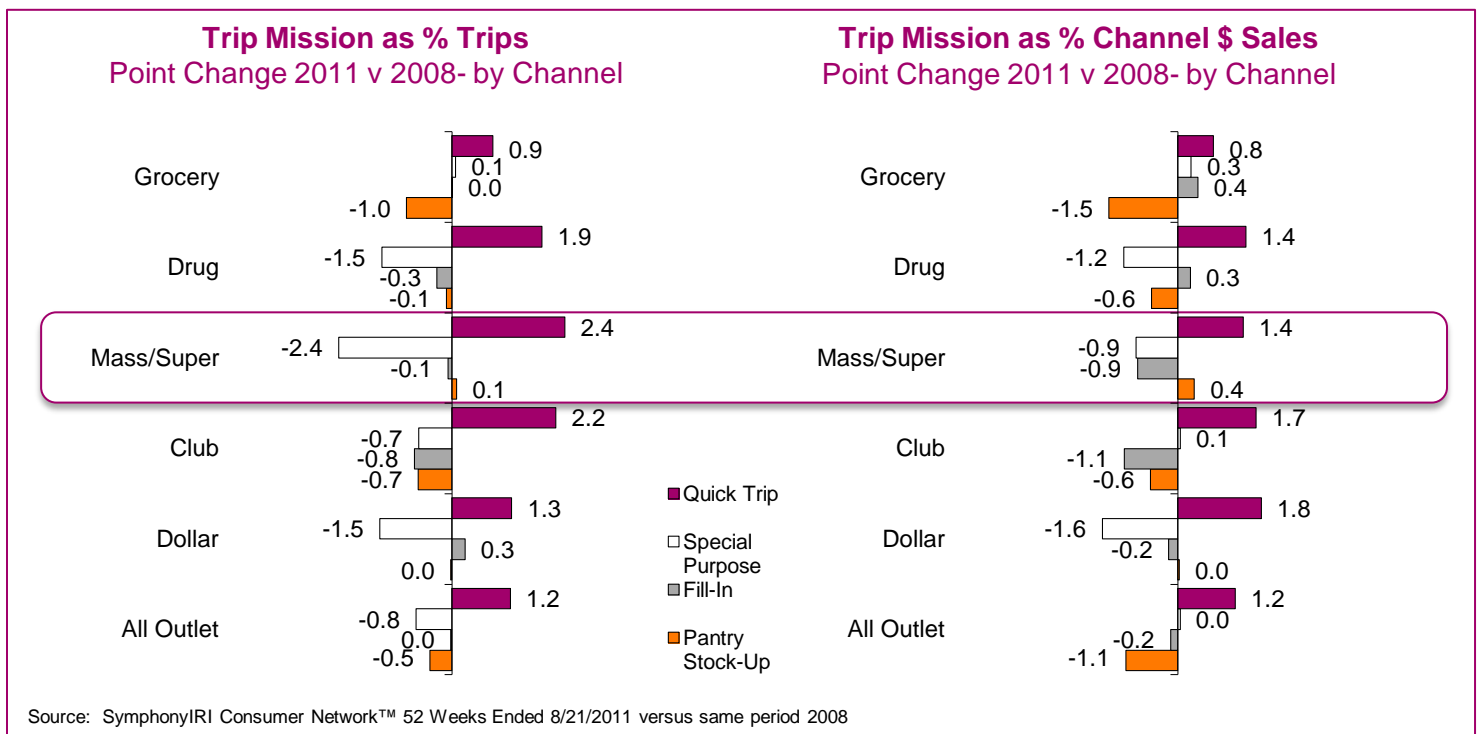


Pantry stock-up and quick trip missions have displayed an inverse relationship vis-à-vis share of CPG sales during the past two years.



Quick trip share of visits was climbing at the end of 2009, but share growth slowed in 2010 and into 2011 as other trip missions began to gain some momentum.

Trip Missions: Channel Share Shifts



Though traction has eased in recent quarters, quick trip share of total trips and CPG spending increased across all measured CPG channels between 2008 and 2011; in some instances, gains are rather substantial.

Pantry stock-up declines are occurring across a majority of CPG channels. Discussed throughout this report, tight budgets are driving consumers to carefully consider what they buy, when they buy it and where they buy it.

Pantry stock-up declines are sharper in the grocery channel versus competing retail channels. Between 2008 and 2011, pantry stock-up share of grocery trips and dollar sales fell one point and 1.5 points, respectively.

Quick trips were the most notable benefactor of pantry stock-up declines within grocery, capturing nearly one point in share of channel trips and dollar sales during the three year period.

Quick trip gains are also evidenced across other measured CPG channels. In club and drug channels and measured by mission as a percentage of total trips made, quick trip gains counter negative shifts from across missions. Analysis of trip mission as a percentage of sales dollars show that both quick and fill-in trips are capturing increased share of drug channel spending at the expense of pantry stock-up and special purpose missions.

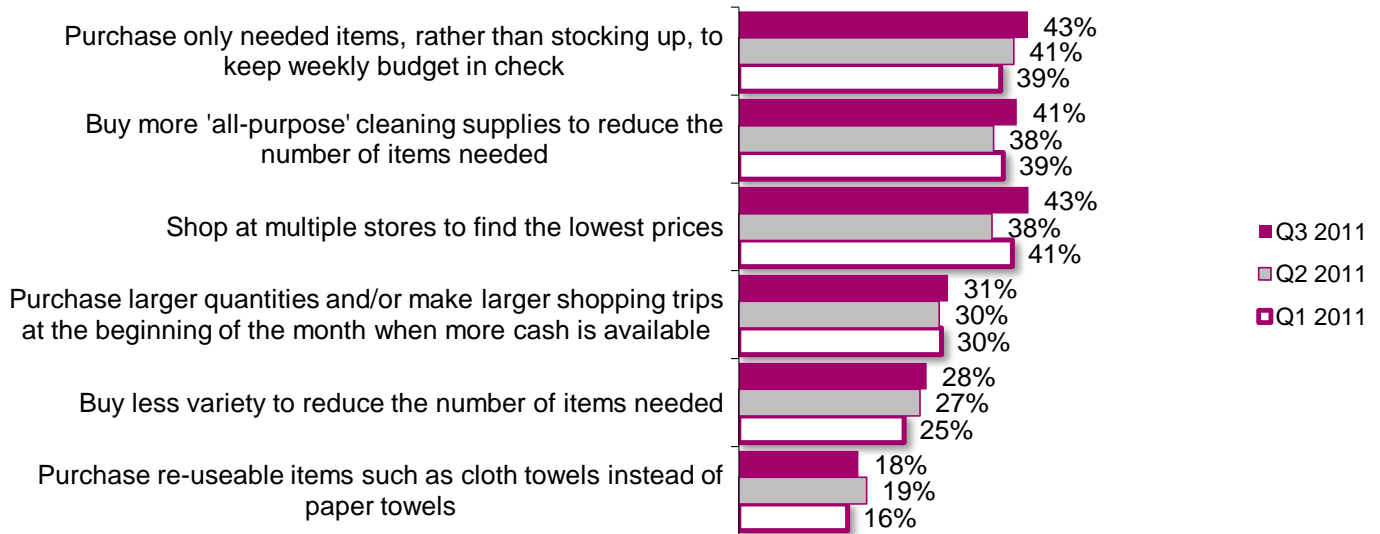
The only channel to experience growth in both pantry stock-up and quick trip missions is the mass/supercenter channel. Illustrated earlier in this report, these two missions account for a combined total of about 60% of channel trips and more than half of channel dollar sales.

During the past couple of years, retailers within these channels have been continually honing their marketing strategies in an effort to remain in lock-step with consumers' changing shopping patterns. Some strategies, such as those employed earlier in the recession, when assortments within mass merchandise and supercenter stores were scaled back in an effort to simplify the shopping process, met with unfavorable results and were abandoned. Other strategies, including ongoing efforts around the introduction of smaller format stores, opening of stores in more urban environments, and a broadening focus on food and beverage offerings are bringing more solid results, evidenced in trends illustrated here.



Trip Missions: Purchase Behavior

Changes in Shopping Behaviors- % of Consumers
Top 2 Box Responses



Source: SymphonyIRI MarketPulse Survey January 2011, June 2011 & September 2011

Consumers are embracing a variety of shopping strategies aimed at streamlining CPG purchases and keeping weekly grocery budgets in check.

After multiple years of economic instability and uncertainty, the litany of techniques for reducing CPG spending appears to be limited only by the imagination. Discussed in the aforementioned Downturn Shopper report, personal circumstances and the impacts of the economy on those circumstances are quite diversified, as are consumers' responses to those many and varied forces.

Many strategies, though, center on lightening the CPG basket. For instance, two-thirds of shoppers have reduced or eliminated "non-essential" purchases from their basket.

Consumers are also on the lookout for opportunities to reduce spending by reducing product variety. Overall, more

than one in four shoppers is purchasing less variety today.

Sometimes less variety is achieved by purchasing products that meet multiple needs. Broad-use products are becoming more popular across several CPG aisles. Specifically, 41% of shoppers are purchasing more "all-purpose" cleaning supplies, and 37% are seeking out over-the-counter (OTC) medications that treat several symptoms with a single medication.

Purchase timing is also being re-evaluated. Today, 43% of consumers are making purchases on an "as needed" basis rather than stocking their pantries in preparation for future needs.

In the coming months, expectations are for difficult and unsteady economic conditions to persist. It is no surprise, then, that a strong majority of consumers that are embracing conservative patterns today are telling SymphonyIRI through the MarketPulse survey that they intend to hold strong to their money-saving strategies in the foreseeable future.

For CPG marketers, the message is clear: be a partner in helping consumers live well while spending less. Those that partner will win share and loyalty, both of which will long outlast the economic conditions that brought the new, more conservative, shopper to center stage.



The CPG Basket: Fostering Growth in a Time of Conservation

Trip Missions: Purchase Behavior

Pantry Stock-Up and Quick Trip Missions as % \$ Sales
Point Change 2011 versus 2008- by Channel & Income Segment

	Grocery		Drug		Mass/Super		Club		Dollar	
	Pantry Stock-Up	Quick Trip	Pantry Stock-Up	Quick Trip	Pantry Stock-Up	Quick Trip	Pantry Stock-Up	Quick Trip	Pantry Stock-Up	Quick Trip
Total Panel	(1.5)	+0.8	(0.6)	+1.5	+0.4	+1.4	(0.6)	+1.7	0.0	+1.8
Getting By	(0.5)	+0.1	(0.3)	+0.9	+2.0	+0.5	+3.0	(0.4)	(0.1)	+0.9
Living Comfortably	(1.9)	+0.9	(0.6)	+2.8	(0.6)	+2.0	(1.7)	+2.3	+0.5	+1.3
Doing Well	(1.7)	+0.9	(0.7)	+1.4	(0.1)	+1.6	(1.0)	+1.9	0.0	+3.3

Source: SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011 versus same period 2008

Quick trip missions are capturing share of spending across a majority of channels and income segments, but growth is strongest across middle and upper income brackets.

Quick trip missions are capturing an increased share of CPG spending across a majority of channels and income segments. The club channel is the only measured channel seeing quick trip share of sales slide, and those declines are occurring specifically across the lowest-earning households.

Indeed, quick trip growth among “getting by” shoppers lags growth seen across wealthier consumer segments in all measured CPG channels.

Not surprisingly, SymphonyIRI’s MarketPulse survey shows that lower-earning households are much more focused versus their higher-earning counterparts on reducing unnecessary purchases. Keeping “extras” to a minimum

during quick trips, which account for nearly half of total CPG trips, is a good way to cut overall “non-essential” spending.

Discussed earlier in this report, the dollar channel is seeing strong growth of quick trip missions. This growth is occurring across income segments, but is strongest across middle and upper earning households.

Dollar stores have placed considerable effort in recent months and years on broadening their appeal among middle and upper income shoppers. Stores have been remodeled, aisles widened and assortment built out. Family Dollar, for instance, expanded its assortment of food by 20% in fiscal 2011, and health and beauty grew by 25% during the same time period¹.

These strategies, coupled with geographic strategies aimed at providing convenience and a strong reputation for value, make dollar stores well positioned to compete in a highly conservative marketplace.

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 - \$59.9K

Doing Well

- One member households, income \$35K+
- Two or more member households, income \$60K+

The CPG Basket: Fostering Growth in a Time of Conservation

Trip Missions: Purchase Behavior

During the course of the past three years, pantry stock-up share of spending declined just over one point at the all outlet level, while quick trip share of spending rose in similar fashion. The previous page detailed this dynamic across channels and income segments.

Pantry stock-up missions have given way to quick trip missions across other consumer segments, as well, though the nature and scope of the shifts vary across different populations.

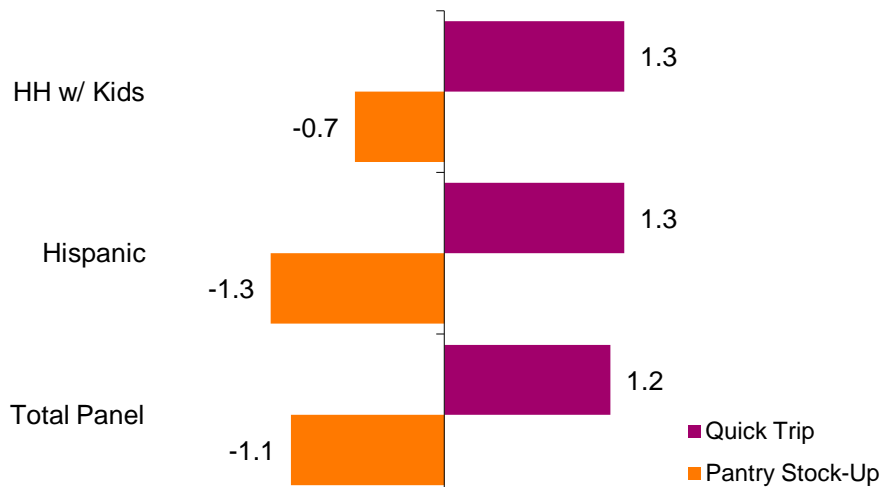
For instance, pantry stock-up share of total CPG spending declined 1.3 points during the past three years across the Hispanic marketplace. Meanwhile, quick trips picked up an identical share during the same time period.

Pantry stock-up declines across the Hispanic consumer segment are particularly noteworthy because Hispanic shoppers are very much “stock-up” shoppers.

According to SymphonyIRI’s HispanicLink study, Hispanic shoppers generally make four fewer total CPG shopping trips per year versus non-Hispanics. To compensate for fewer trips, Hispanics, spend more when shopping, driven primarily by larger family size.

On average and across channels, they spend 7% more versus the general population. HispanicLink goes on to

Pantry Stock-Up & Quick Trip Missions as % \$ Sales Point Change 2011 versus 2008- All Outlet by Consumer Segment



Source: SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011 versus same period 2008

Quick trip share of spending has increased across Hispanic households and households with children, largely at the expense of pantry stock-up share, during the past three years.

detail that all outlet spending declines by *non-Hispanic* shoppers outpace declines by Hispanic shoppers during the past year.

Quick trips have also gained share of spending among households with children during the past three years. Among these households, these gains are the result of negative share shifts across pantry stock-up, fill-in and special purpose trip missions. The largest decline stems from the pantry stock-up mission, where share of spending fell 0.7 points during the past three years.

Dynamics can vary drastically across any of the literally hundreds of consumer

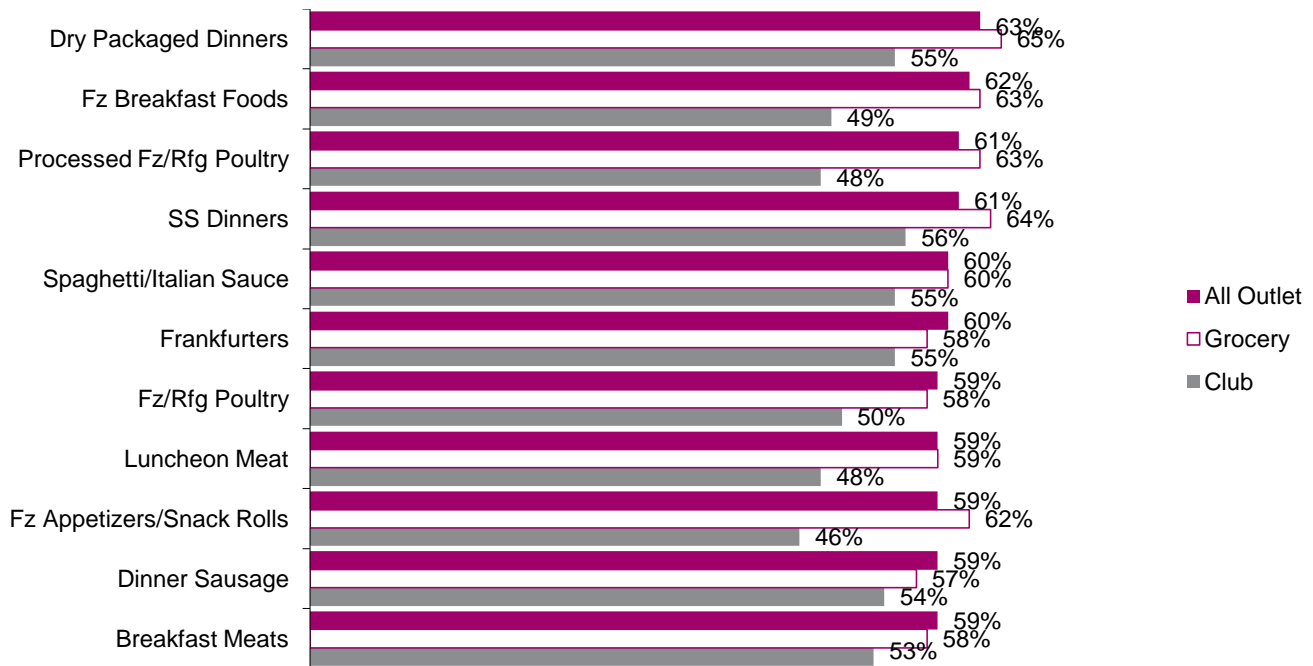
micro-segments that exist in the CPG marketplace today. And, with each day, these micro-segments grow and change.

Analyses presented earlier in this report indicate that pantry stock-up trip activity may be showing signs of gaining traction anew. This traction is likely occurring across a number of demographic, psychographic, life stage and lifestyle segments, as well.

It is critical that CPG marketers continue to closely monitor shifts across their core and target shoppers to ensure that strategies evolve to stay relevant and persuasive.

Trip Missions: Category Opportunity

Categories with Highest Share of Sales Made During Pantry Stock-up Trips
Among the 50 Largest Pantry Stock-Up Categories*
By Channel



* Based on all outlet pantry stock-up dollar sales.

Source: SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011 versus same period 2008

As the primary pantry stock-up channel, it is not surprising to see that pantry stock-up share of dollar sales in grocery is higher than all outlet average in a majority of these categories.

The chart on this page illustrates the top pantry stock-up categories based on all outlet dollar sales. It also provides a summary of how those categories fare in other key stock-up channels: grocery and club.

As the primary pantry stock-up category, it is not surprising to see that pantry stock-up share of dollar sales in grocery is higher than all outlet average in a majority of these categories.

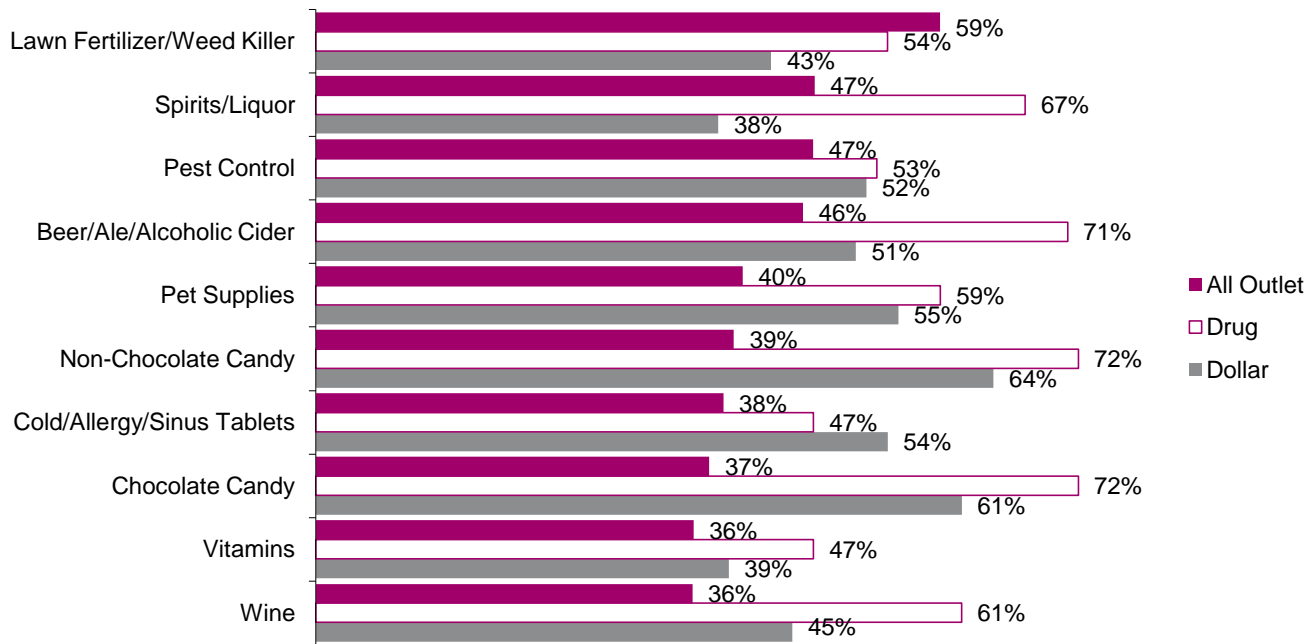
But, indicative of consumers' cross-channel shopping patterns, grocery does not dominate in all of these categories. For instance, the club channel is also a significant pantry stock-up channel. Indeed, 36% of channel dollar sales stem from pantry stock-up missions.

While the channel holds a respectable position across the key stock-up categories, plenty of upward potential remains. Channel retailers are focused on capitalizing on this opportunity.

Just recently, BJ's teamed up with Unilever to put together FSI featuring free bananas with the purchase of Skippy Peanut Butter. The value message on the peanut butter and bananas was prominent, but even more prominent was messaging positioning BJ's as a cheaper alternative to grocery stores, with a free trial membership and the reminder that "it's the perfect time to try BJ's savings."

Trip Missions: Category Opportunity

Categories with Highest Share of Sales Made During Quick Trips
Among the 50 Largest Quick Trip Categories*
By Channel



* Based on all outlet quick trip dollar sales.

Source: SymphonyIRI Consumer Network™ 52 Weeks Ended 8/21/2011 versus same period 2008

Drug and dollar stores are strong performers vis-à-vis share of quick trip spending across key mission categories, but battle for share is intense and may increase as other channels step up their focus on competing in the close-to-home marketplace.

The chart on this page illustrates the top quick trip categories based upon all outlet quick trip dollar sales. While quick trips account for at least half of all trips across measured CPG channels, it is the drug and dollar channel that dominate quick trip missions.

Within these channels, quick trips account for about three-quarters of trips and half of dollar sales. As such, it is logical that these channels hold a favorable position across a majority of key quick trip mission categories.

The geographic convenience of drug and dollar stores is a key driver of quick trip success within these channels. After all, these stores are generally centrally located, making “I need it right now” trips quicker and easier—and lower in cost vis-à-vis high gas prices—versus other channels, such as mass merchandise and club channels, which tend to be on the outskirts of town.

In fact, two out of three shoppers indicate that they are shopping closer to home to save on gas due to high gas prices¹. In this regard, drug and dollar stores are well-positioned to compete.

Consumers are also intently focused on stretching their CPG dollars. Today, four in 10 consumers are shopping across multiple channels and outlets in pursuit of the lowest prices on the items they need to purchase².

In the coming months, as mass merchandisers continue to focus on opening outlets more locally, and mass and other channels continue to hone their value strategies, the battle for share of quick trip spending—indeed spending across trip missions—will remain intense.



Conclusions: CPG Manufacturers

Manufacturers seeking to maximize opportunity within the new, emerging retail environment should consider the following action items:

- ❖ **Trip Management** : Segment consumers by trip type and determine optimal channel targeting by trip and channel using analytical tools to stem leakage and gain opportunities at the store level.
- ❖ **Conduct Opportunity Analysis at the Store Level**: Leverage POS store level data to best understand missed sales opportunities at a store level and determine the right mix of SKU's for that store and channel.
- ❖ **Packaging**: Refocus packaging by channel and trip type. Continue to focus of growing club sizes for replenishment as well as special pack sizes and single serve sizing for quick trips and convenience. Test for new package effectiveness prior to launch.
- ❖ **Channel Growth**: Develop greater understanding of Dollar and Drug consumer and re-focus on achieving greater penetration in these growing channels with value-based product offerings at a lower price points to improve penetration of these channels.
- ❖ **Assortments**: Understand which shelf sets optimize performance by channel for your category and brand. Test and analyze at store level with frequency to determine optimal usage of shelf space.
- ❖ **Pricing**: Work with retailers to manage pricing optimally by channel. Specific actions could include managing price gaps with private label, optimal price gap thresholds between competitive brands, timing and extent of promotions.

Conclusions: CPG Retailers

Retailers seeking to maximize opportunity within the new, emerging retail environment should consider the following action items:

- ❖ **Trip Management** : Segment consumers at the market or store level to understand prevailing trip type strategies to determine how to attract and retain key and target shopper segments.
- ❖ **Conduct Opportunity Analysis at the Store Level:** Examine shelf set by store and by consumer segment and tailor assortment accordingly.
- ❖ **Channel Growth:** Develop greater understanding of key product categories within your channel versus competing channels based upon key and target trip missions.
- ❖ **Assortments:** Understand which shelf sets optimize performance by channel. Test and analyze at store level with frequency to determine optimal usage of shelf space.
- ❖ **Pricing:** Manage price gap of private label offerings versus nationally-branded competitors. Work with manufacturers to optimize price gap thresholds between competitive national brands, as well as timing and extent of promotions.

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 AttitudeLink™

AttitudeLink™ solutions provide a direct link between longitudinal purchasing behavior and consumers' underlying needs, attitudes and product usage.

SymphonyIRI ShopperSights™

ShopperSights™ is a new consumer and shopper targeting and segmentation solution delivering actionable insights at the individual household and store level. ShopperSights™ provides marketers with very powerful and innovative shopper segmentation and targeting solutions for unrivaled optimization of promotion, media and retail specific marketing and sales programs.

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 Shopper Insights Advantage™

Shopper Insights Advantage™ Powered by SymphonyIRI Liquid Data™ is SymphonyIRI'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.

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

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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.

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The logo for SymphonyIRI Group features a red curved line above the text. "Symphony" is in a dark grey serif font, "IRI" is in a bold red sans-serif font, and "Group" is in a dark grey sans-serif font.

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