



Times & Trends

Merchandising Trends:

Driving Consumption through Shopper Marketing

JANUARY 2012

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

Symphony IRI Group

Insight.
Innovation.
Impact.

A Toast to Successful Strategies in the New Year

It's the start to another new year. Generally, this is a time for looking ahead, reflecting on the past and adjusting strategies and rituals, where necessary, to enjoy a successful future. It's a time for hope. It's a time for new opportunities.

We enter 2012 with distinct highs and lows, as we've become accustomed over the past few years in this rollercoaster economy. Black Friday sales pointed to a "ho-ho-ho" holiday season for retail. And, while the NRF predicted in mid-December a 3.8 percent increase in holiday sales from 2010 (up from its previous 2.8 percent estimate), an early look at December holiday sales figures may paint a more "ho-hum" end to this critical season due, in part, to higher prices.

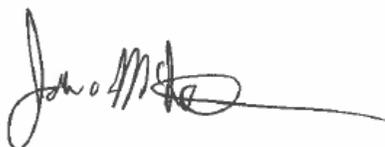
Today, we move on from making our holiday gift lists and checking them twice, to making a new kind list – a list of resolutions for an uncertain 2012.

There is great hope that 2012 will be a better year. After a series of lows, aren't we bound for some highs? Isn't it time for a bounce back? If there's anything we've learned from the Great Recession, it's to be agile and nimble. We have also learned that a full economic recovery won't be all that easy.

While New Year's resolutions typically have a shelf life of 30 to 60 days, there are strategies which make it easier to realize these resolutions by year's end. These strategies also apply to our industry as we put on our thinking caps and plan for what will hopefully be a successful year. These include:

- Set realistic marketing goals: Choosing a concrete, achievable goal also provides the opportunity to plan exactly how you are going to achieve that goal during the course of the year.
- Prioritize your business resolutions: Highlight your most important goals and focus your energies on them rather than spreading yourself too thin among a number of different objectives.
- Avoid repeating past failures: It will be important to assess which strategies were the most effective and which were the least effective. What has prevented you from reaching your goal in past years? By changing your approach, there's a higher chance of experiencing real results this year.

Armed with learnings from 2011, I hope that your 2012 business resolutions are well-defined, prioritized and reflective of past successes and failures. Whatever your business priorities are, a well-supported plan for execution will equip your team to achieve these goals and spur on a successful year.



John A. McIndoe
Senior Vice President, Marketing
SymphonyIRI Group



Executive Summary: Turning Insights Into Action

Insight

- ❑ Merchandising activity increased sharply in 2009, and has been growing at a decelerating rate since then; price-only tactics are experiencing the sharpest, most consistent acceleration
- ❑ Merchandising in support of key consumer rituals, such as home-based eating, is strong and driving noteworthy sales lift
- ❑ Merchandising activity growth is strongest in the drug channel, particularly across health and beauty related categories
- ❑ Merchandising lift has increased across a majority of CPG categories and channels
- ❑ Merchandising support of private label products has increased slightly, but remains lower than average across a majority of tactics and CPG categories

Action

- ❑ CPG marketers must test the impact of all merchandising strategies across traffic, sales and share to ensure that selected tactic(s) align with corporate and partner goals
- ❑ Marketers must monitor and intimately understand key consumer trends across target shopper groups, and use that knowledge to build consumer-centric merchandising programs to capitalize on engagement opportunities
- ❑ Retailers seeking to compete for share of health and beauty categories should consider ramping up their merchandising efforts and/or explore opportunities to compete through other means, such as differentiated product offerings
- ❑ Closely monitor expected versus actual lift and adjust strategies, as warranted, to stay on target to meet sales and share goals
- ❑ Retailers must continue to develop and execute consumer-centric merchandising programs in support of their own brands; national brand marketers must clearly communicate their brands' unique value proposition across marketing platforms

Introduction

Before The Great Recession began, clean-floor policies played a prominent role in retailer efforts to enhance the shopping experience. The result was broader aisles, brighter lighting, and less promotional displays “cluttering” the aisles. When the downturn came, then evolved into a full-blown recession, retailers began to rethink their clean-floor policies and ratcheted up merchandising efforts in the name of emphasizing their value proposition.

In today’s world of ongoing economic trouble and conservative purchase behaviors, it is the value proposition that is playing a central role in the enhanced shopping experience. Merchandising is acting as a platform for communicating that value to the consumer.

Indeed, merchandising is a fantastic tool for educating and informing shoppers. Today’s shoppers are very open to both as they plan and execute their shopping missions. After all, they are looking to CPG marketers to help them live well while staying within their budgets.

To keep budgets in check, a majority of consumers have adopted a pre-planned approach to grocery shopping. They are scrutinizing grocery circulars, free-standing inserts and coupons to find opportunities to save money on needed products.

They are also alert for in-store opportunities to save: loyalty card offerings, temporary price reductions, special displays, etc.

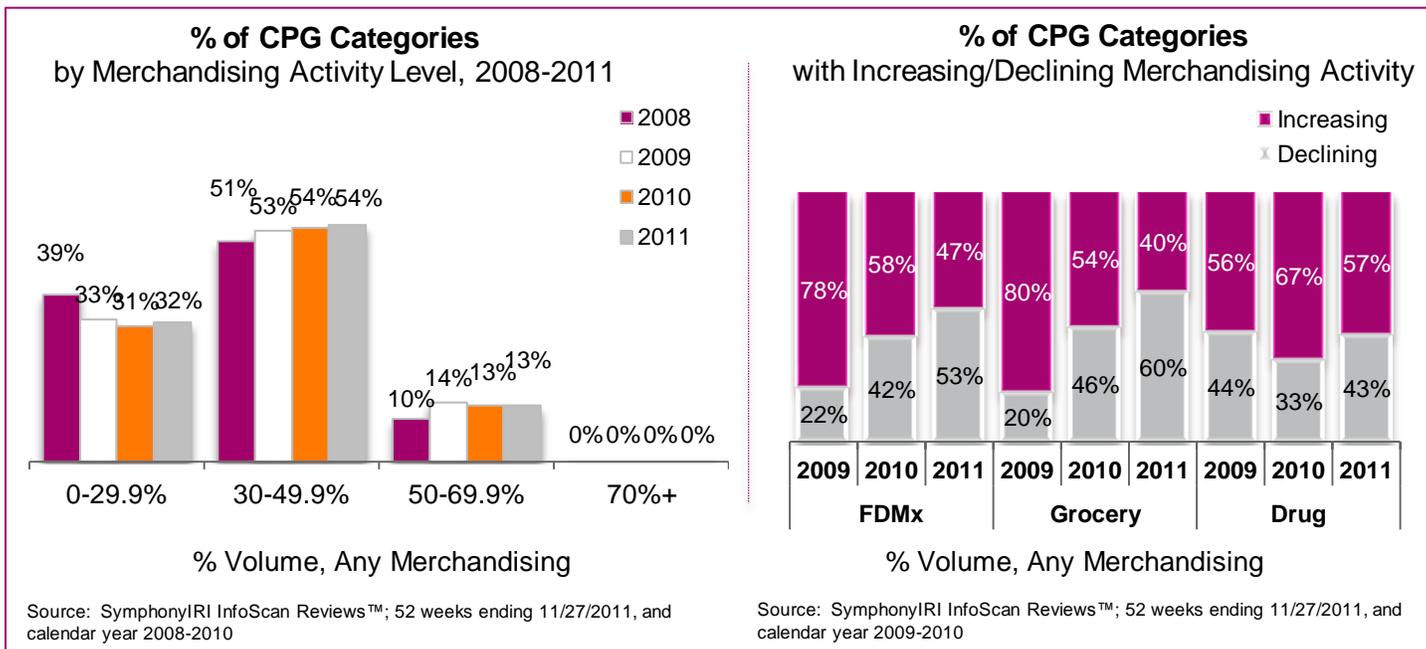
Consumers’ focus on maximizing the return on their CPG investment provides opportunity for CPG marketers. Effective merchandising will go a long way to helping marketers capitalize on that opportunity.

Establishing and maintaining effective merchandising programs, however, is a daunting task. The economy is changing quickly, as are consumer behaviors. And, merchandising technology is changing, too.

One thing is for sure: To address the constant evolution of the economy and consumers, as well as technological advances, successful marketing programs of the future will be flexible and dynamic, measured and monitored from a variety of viewpoints to enable real-time adjustments that will keep them in synch with the changing CPG marketplace.

This issue of Times & Trends explores current and emerging merchandising trends that CPG marketers have embraced during the past few years in an effort to satisfy consumers’ rapidly changing definition of value.

Merchandising Activity: Total CPG



Merchandising support is increasing in 47% of categories across CPG channels; drug channel merchandising activity is outpacing the grocery channel and, on average, the CPG industry as a whole.

After several years of decline, merchandising, defined as displays, feature ads, feature and display combined and price reduction only, was thrust back into the spotlight by The Great Recession and the economic turmoil that marked the months before and after the official recessionary period.

Also escalated by a prolonged economic downturn, coupled with retailers' focus on elevating their value image in an effort to protect and grow share, is the prevalence of everyday low price programs. These programs are not part of this analysis, but their increased prevalence is likely a driver of the merchandising trends discussed herein.

In 2009, merchandising support increased across 78% of CPG categories. For the

year, the grocery channel stood out vis-à-vis merchandising activity, as retailers within the channel worked to attract and retain consumers that were increasingly shopping across channels in attempt to secure the best deals on needed CPG goods.

In 2010, the merchandising momentum slowed somewhat, yet more than half of CPG categories continued to see merchandising support rise. For the year, grocery channel merchandising activity closely mirrored industry average, while the drug channel outpaced both the industry and the grocery channel by a sizable margin.

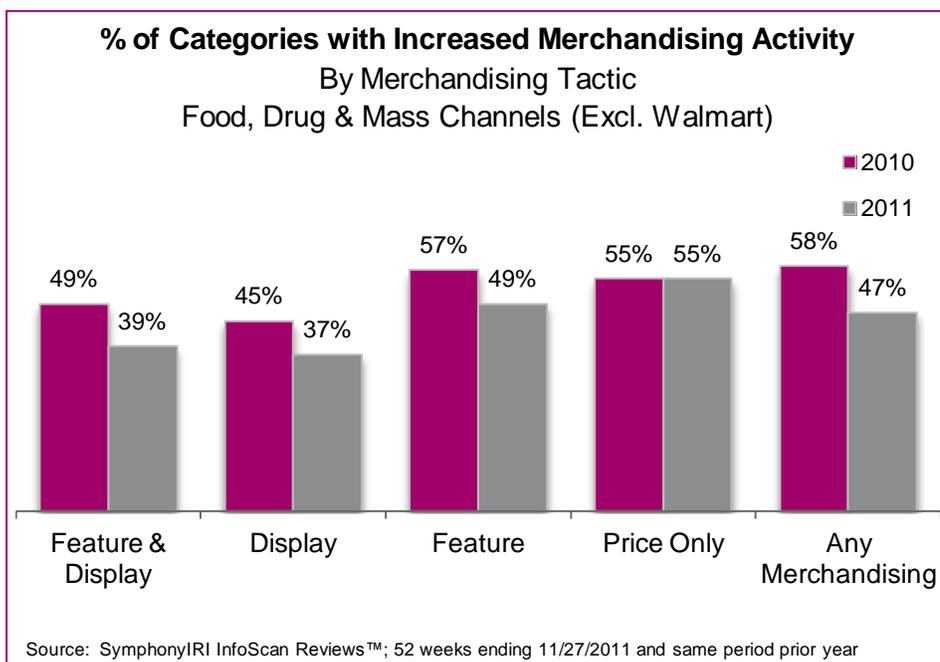
During the past year, a diminishing escalation in merchandising support continued. In 2011, though, grocery

channel merchandising activity slowed more quickly versus industry average, while the 57% of categories within the drug channel continued to see merchandising support increase.

In 2011, the drug channel has benefitted from higher-than-average gas prices, and from trip mission shifts that include more frequent quick trip excursions.

To capitalize on these opportunities, drug channel merchandising activity is increasing across a number of departments, including core competency areas, such as health and beauty. This trend will be explored in more detail throughout this report.

Merchandising Activity: Total CPG



Merchandising support declined across a majority of measured tactics while, consistent with 2010, price-only actions became more prevalent across 55% of CPG categories.

In 2011, 47% of CPG categories enjoyed increased support. While this is a slight decline versus 2010, when 58% enjoyed increased merchandising support, trends continue to indicate a highly promotional CPG environment—an environment that seeks to drive purchase behavior despite a difficult economic climate.

And, to be explored throughout this report, merchandising activity is supporting a wide range of economy-driven rituals, including home-based eating, as well as self-reliant and home based health and beauty care. Detailed in SymphonyIRI's MarketPulse™ survey series, these rituals are very much engrained in today's society, and a vast majority of consumers plan to continue to follow them even after the economy regains solid footing.

Another powerful trend marking CPG-related behavior these days is the pre-planning of shopping excursions. Today, three-quarters of consumers are making CPG decisions before entering the retail environment and an equal number enter the store with a shopping list in hand.

Despite the high number of consumers following these practices, feature and feature/display combined support have each shown decelerating growth trends during the past year. This is an important change, and one to be monitored closely.

Certainly, consumers use a wide variety of tools to make their shopping lists today to ensure that they are capitalizing on money-saving opportunities whenever possible.

For instance, 42% of consumers use coupons to make their shopping lists today, and 8% use the Internet to do so.

But, 50% of consumers use the store circular to make their lists, and this number has grown rather notably throughout the past year. Marketers shifting dollars and focus away from this area should do so with caution. Rather, marketing strategies should be multi-pronged, reaching the consumer across multiple platforms with harmonious messaging.

Marketers can and should constantly evaluate all of their marketing strategies to ensure that they capitalize on the newest and most powerful tools in the marketplace at any given time, that they complement each other well, and that they are in synch with consumer needs and wants as well as corporate and partner goals.

The only measured merchandising tactic that did not experience a moderation is price-only actions. In 2010 and 2011, 55% of CPG categories saw increased price-only support. These categories cut across departments, and they very much played into economy-driven ritual changes. Trends relating to price reduction only tactics will be discussed further throughout this report.

Merchandising Activity: Most Active Categories

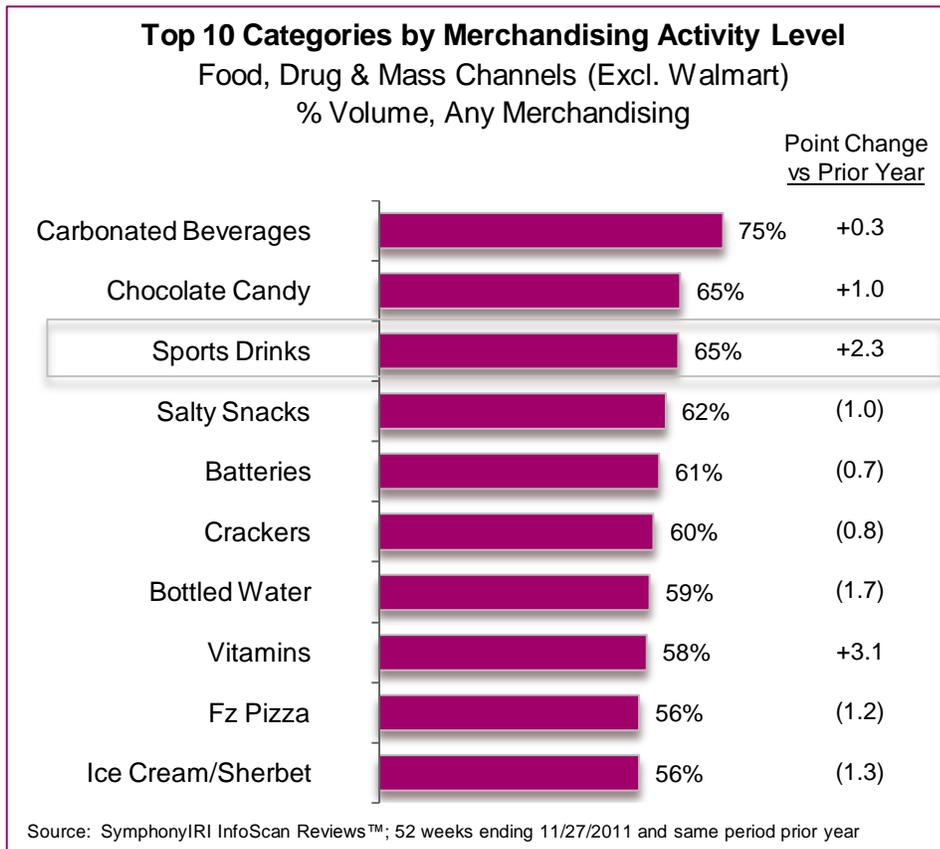
Retailers' item management practices are many and varied in today's CPG world. Still, the average CPG store carries close to 40,000 SKUs, and the average supercenter carries well over 100,000¹. Displays and promotions shift rapidly, and new products are hitting the shelves on a daily basis.

Meanwhile, consumers' pantries are shrinking, based on the number of unique items in the household, and the trend toward smaller footprint retail outlets appears to be escalating.

Net, the CPG marketplace is quite complex today. For consumers, the environment can be downright overwhelming, having an adverse impact on the decision-making process.

The complexity of the decision-making process is visible in the ranks of the most heavily-merchandised CPG categories. For instance, since 2008, 12 new sports drink brand launches have achieved greater than \$7.5 million in year-one sales, qualifying those brands for SymphonyIRI New Product Pacesetter status.

As a result of high levels of innovation, today there are more than 650 sports drink UPCs available on retailer shelves. Certainly, the available assortment varies across channels and even across and within retailer banners. This is a great deal of information for consumers to process.



CPG marketers are placing considerable merchandising support against categories which cater to home-based food rituals.

An added hurdle that sports drinks marketers must face is that 61% of today's consumers are trimming back on "non-essentials."² As sports drinks are considered a discretionary category, the danger of stagnant sales is quite real for the sports drinks category.

Merchandising has been a tool embraced by marketers looking to overcome both of these obstacles. The sports drink category sells two-thirds of its volume with merchandising support. This marks an increase of more than two points since one year ago.

Results of these efforts have been quite favorable. Despite difficult market conditions, volume sales of sports drinks have increased more than 7% during the past year, and average lift from merchandising support is well over 100% and on the rise.

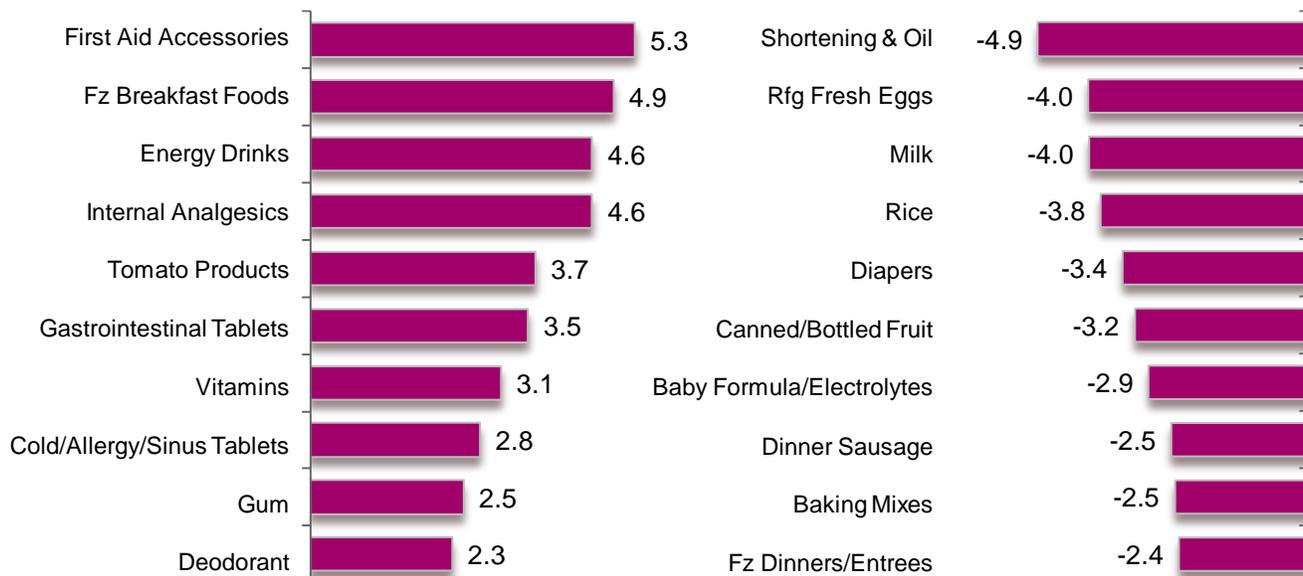
Marketers are also placing considerable support behind categories that cater to home-based food and health-care related rituals. With this support, marketers are looking to underscore their value proposition, protecting and growing sales across these sought-after categories.

Merchandising Activity: Category Trends

CPG Categories with the Largest Increases/Decreases in Merchandising Activity Level

Food, Drug & Mass Channels (Excl. Walmart)

% Volume, Any Merchandising: Point Change vs Prior Year



Note: Among 100 largest CPG categories, based upon FDMx dollar sales.
Source: SymphonyIRI InfoScan Reviews™; 52 weeks ending 11/27/2011

Increases in feature-only support are driving overall volume sold with merchandising support up across a range of edible and healthcare-related categories; meanwhile, overall declines stem heavily from reductions in both price-only and feature-only support.

Increases in merchandising activity are evidenced across CPG categories, but, among categories seeing the largest boost in merchandising support, healthcare categories are well-represented.

The scope of the increases illustrated among many of these categories underscores the intensity of the ongoing battle for share of healthcare spending that is occurring across CPG channels.

It is no surprise that the channel providing the largest increase in merchandising support across healthcare categories is the drug channel, where 78% of categories saw merchandising support increase

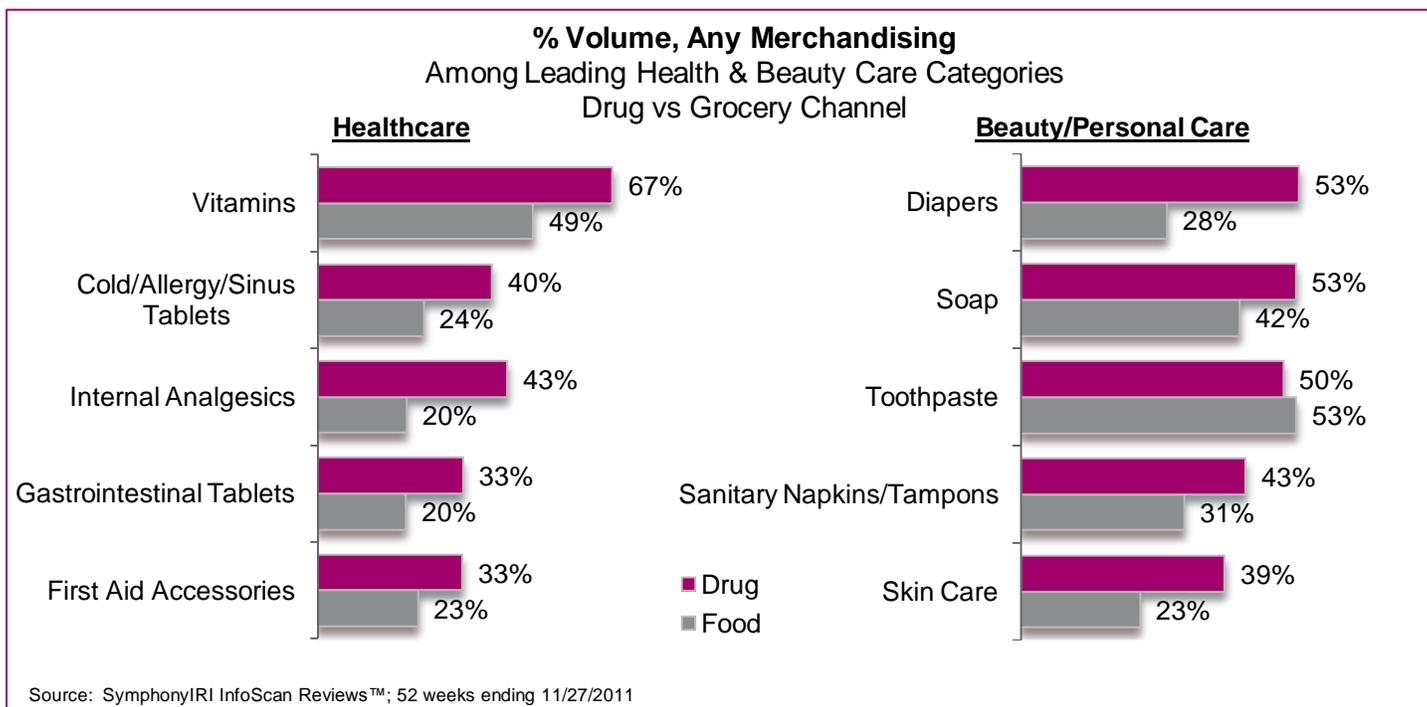
during the past year. In the drug channel, for instance, internal analgesic volume sold with merchandising support grew more than 10 points in the past year, and gastrointestinal tablet volume sold with merchandising support climbed 8.7 points. Within grocery, support of these two categories slid.

Across most of the categories seeing the largest increase in merchandising support, stepped up feature only support accounts for a substantial portion of the increase, particularly across the healthcare-related categories. For instance, vitamin volume sold with feature only support increased

2.8 points during the past year, and gastrointestinal tablets increased 2.6 points. Feature support is also growing across non-healthcare categories. Volume sold with feature only support increased 1.1 points in tomato products and 1.2 points in deodorant, for instance.

Discussed earlier in this report, it is critical today that CPG marketers begin to impact shopper decisions well before the shopper enters the retail environment. This need will not change any time soon, as consumers indicate that heavily pre-planned shopping is here to stay, at least in the foreseeable future.

Merchandising Activity: Category Trends - Health & Beauty



Across most top health and beauty categories, drug channel merchandising support is higher versus the grocery channel.

The drug channel has long been a destination channel for healthcare purchases and, with 39% of consumers practicing more self-care in an effort to trim medical expenses, now is an ideal time for drug retailers to reinforce that reputation and capitalize on opportunities to drive sales and share across healthcare categories¹.

Drug channel retailers are focused on doing just that. Today, an average of 34% of healthcare volume sold within the drug channel receives merchandising support. In some categories, such as vitamins, support is much higher.

Within the grocery channel, a lower yet still-respectable share of volume across

top healthcare categories is also sold with merchandising support, but support is not growing as quickly. Within the grocery channel, merchandising activity is on the rise across 30% of healthcare categories. Support declined in three of the top five healthcare categories.

The drug channel also provides solid merchandising support across the beauty department. Here again, drug retailers are increasing support more quickly versus the grocery channel. Within drug, merchandising activity is up across 87% of beauty categories, with a heavy focus on price-only actions, which increased in 95% of categories.

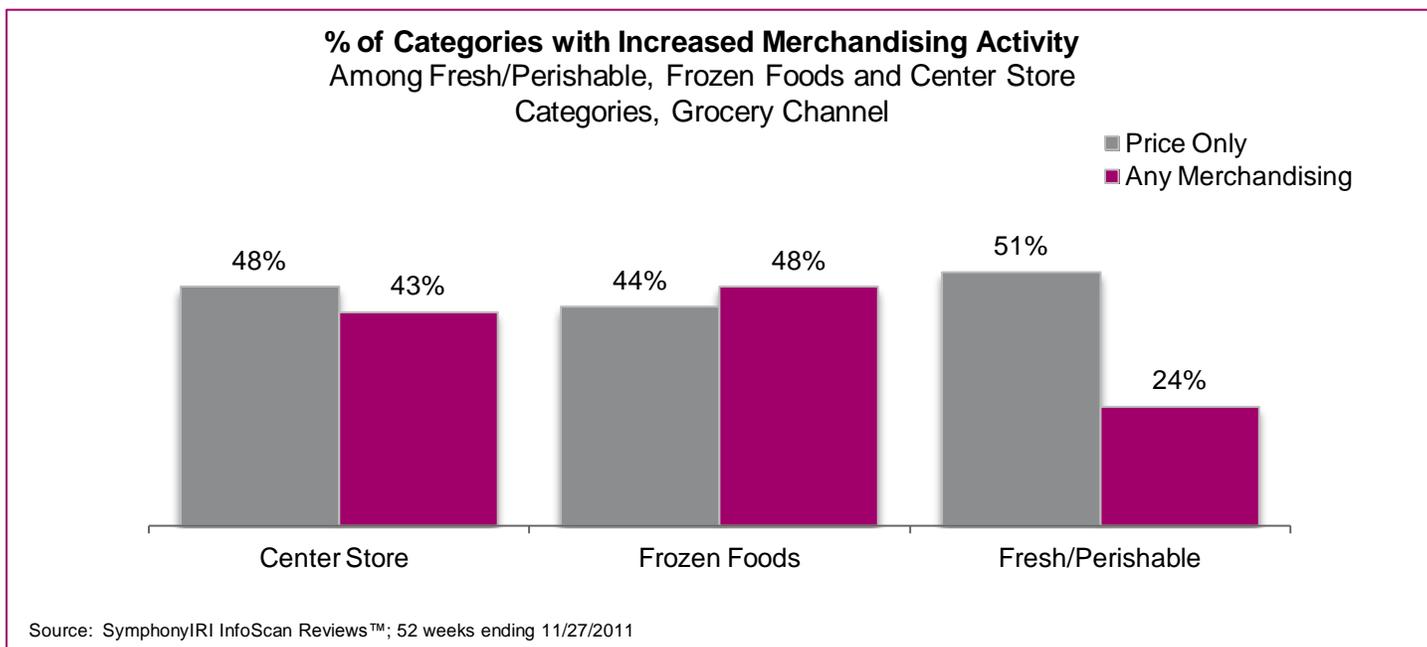
In contrast, 64% of beauty categories

experienced increased merchandising support within the grocery channel, and price-only actions became more prevalent in 67% of categories.

Economic conditions are having a mixed impact on health and beauty department growth trends. While consumers are turning to at-home and self-driven care solutions in an effort to save money, they are also selecting and using products in a very practical manner—with an eye toward living conservatively and maximizing return on their investment. To resonate with shoppers, marketing strategies must be geared toward these goals, and targeted against nuances that exist across categories and consumer segments.



Merchandising Activity: Category Trends - Meal Ingredients and Components



Price-reduction tactics are heavily leveraged across the center store, frozen foods and fresh/perishables departments as marketers seek to drive purchase behavior across categories supporting home-based dining rituals.

In contrast to the beauty and healthcare departments, where merchandising support is flat and increasing, respectively, merchandising activity has slowed across the center store, fresh/perishable and frozen foods departments during the past year.

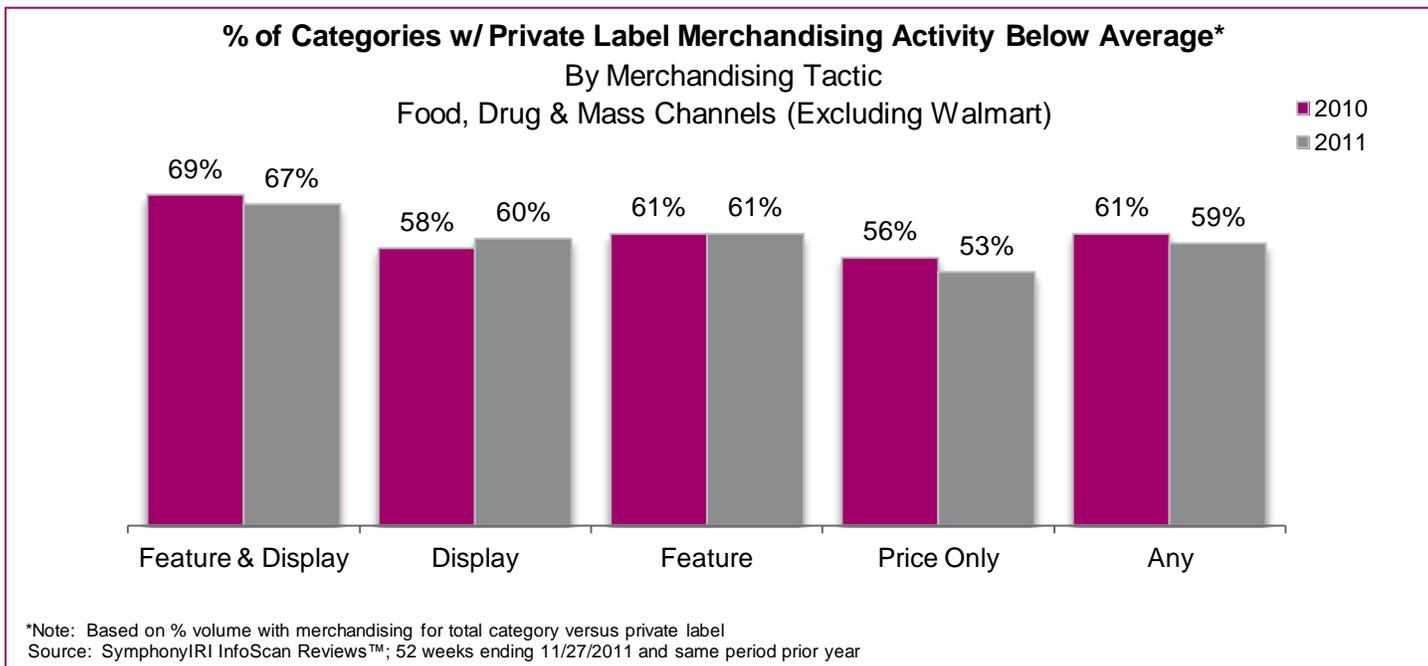
Some of the reductions in merchandising support have been rather substantial. For instance, as illustrated earlier in this report, the shortening and oil category saw volume sold with merchandising support slide nearly five points during the past year, while refrigerated fresh eggs and milk each saw declines of four points. Declines in the frozen foods department were not quite as sharp, but still noteworthy. The

largest decline among frozen foods categories came in frozen dinners/entrees, where volume sold with merchandising support fell 2.4 points in 2011.

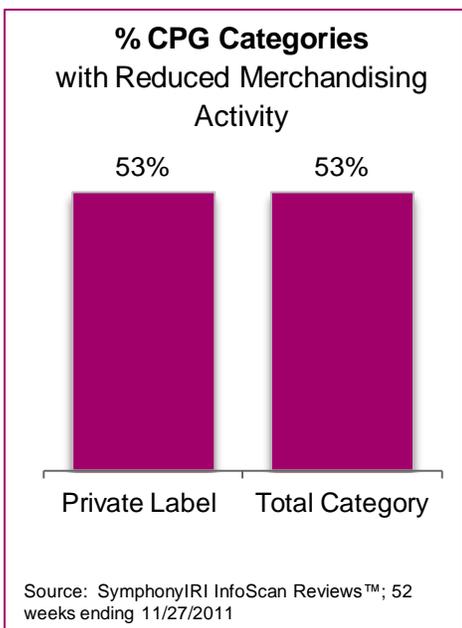
Despite overall merchandising declines in each of these departments, price-only actions continue to grow at a rather strong pace. In fact, price-only actions escalated rather sharply in the fresh/perishable department. During the past year, 51% of fresh/perishable volume was sold on price reductions, versus 30% in 2010. In center store and frozen foods, price reduction-only growth moderated, but continues to increase across close to half of categories.

In today's highly competitive and conservative CPG arena, the allure of price-cutting tactics is very strong. However, to compete effectively, marketers need to help shoppers meet goals around value and conservatism while simultaneously supporting and building the equity of their brands. For instance, price-only actions may provide a short term boost in sales, but they are likely not going to support bottom line growth or long-term brand loyalty. Price reduction-only actions are discussed in more detail later in this report.

Merchandising Activity: Category Trends - Private Label



Merchandising support of private label remains below that of national brands across most tactics, but the gap is closing quickly.



Private label lines are demonstrating merchandising activity de-escalation reflective of "industry average" trends.

Private label has served as a strategic weapon of sorts during the course of the economic downturn, providing consumers with lower-priced alternatives to everyday CPG needs, while simultaneously offering retailers and private label manufacturers opportunity to maintain and/or build their margins despite intense market pressures.

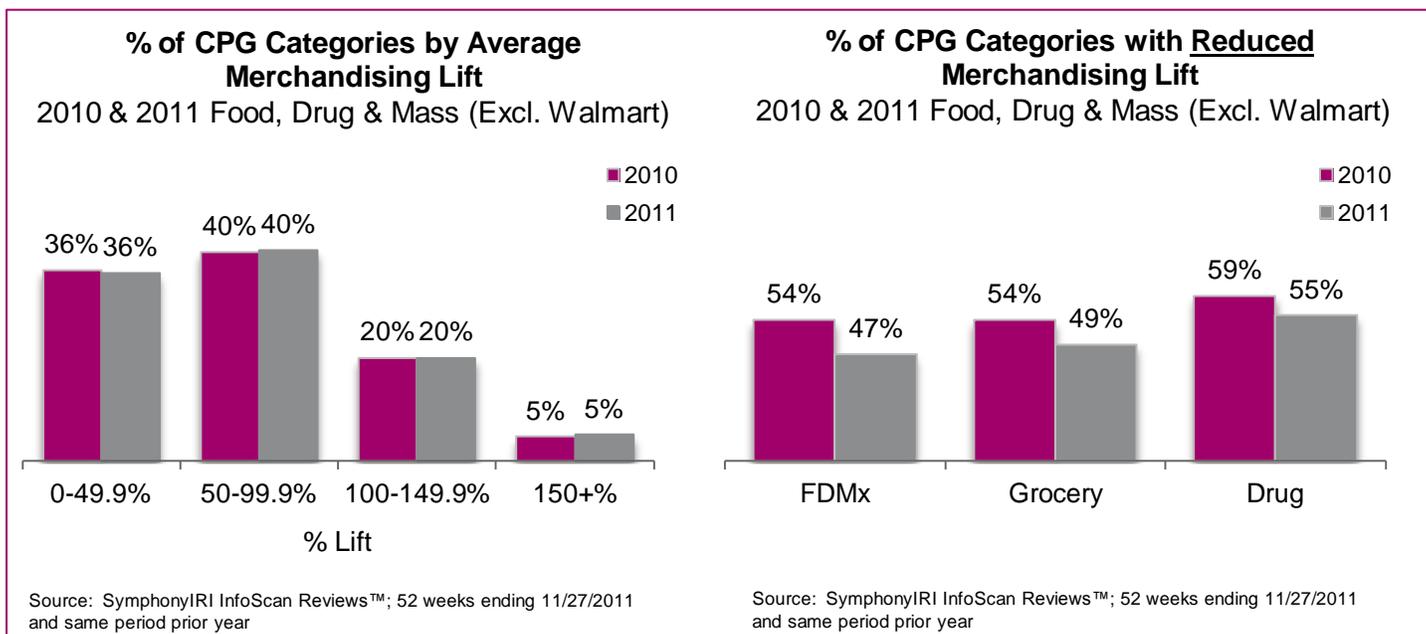
Indeed, private label marketers have done a superb job of building their private label portfolios in recent years, and consumers have taken notice. According to SymphonyIRI's MarketPulse survey, 50% of consumers purchase more private label products today than they did prior to the start of the economic downturn.

Still, opportunity remains. To capitalize on that opportunity, private label marketers must continue to elevate the profile of their private label lines across promotional platforms.

Today, 59% of private label categories receive below average merchandising support. This marks slight progress versus 2010, when 61% of categories were merchandised with less frequency versus the category average.

National brand marketers, too, must remain vigilant and continue to enhance the prevalence and precision of their marketing efforts to protect and grow share across their products and brands.

Merchandising Effectiveness: Total CPG



Though lift from merchandising efforts has improved across a majority of categories, the overall distribution of lift has changed very little during the past year.

Across grocery, drug and mass channels, 53% of categories experienced increased lift from merchandising activities during the past year. This is a notable improvement from 2010, when 46% of categories saw lift increase.

Merchandising performance within the grocery channel is in line with average industry trends, while the share of categories seeing lift within the drug channel lags industry average by eight points. But, mentioned earlier in this report, drug channel merchandising focus is on the rise, so lift may accelerate in the coming year.

On the whole, a prolonged down economy and a highly promotional CPG arena have

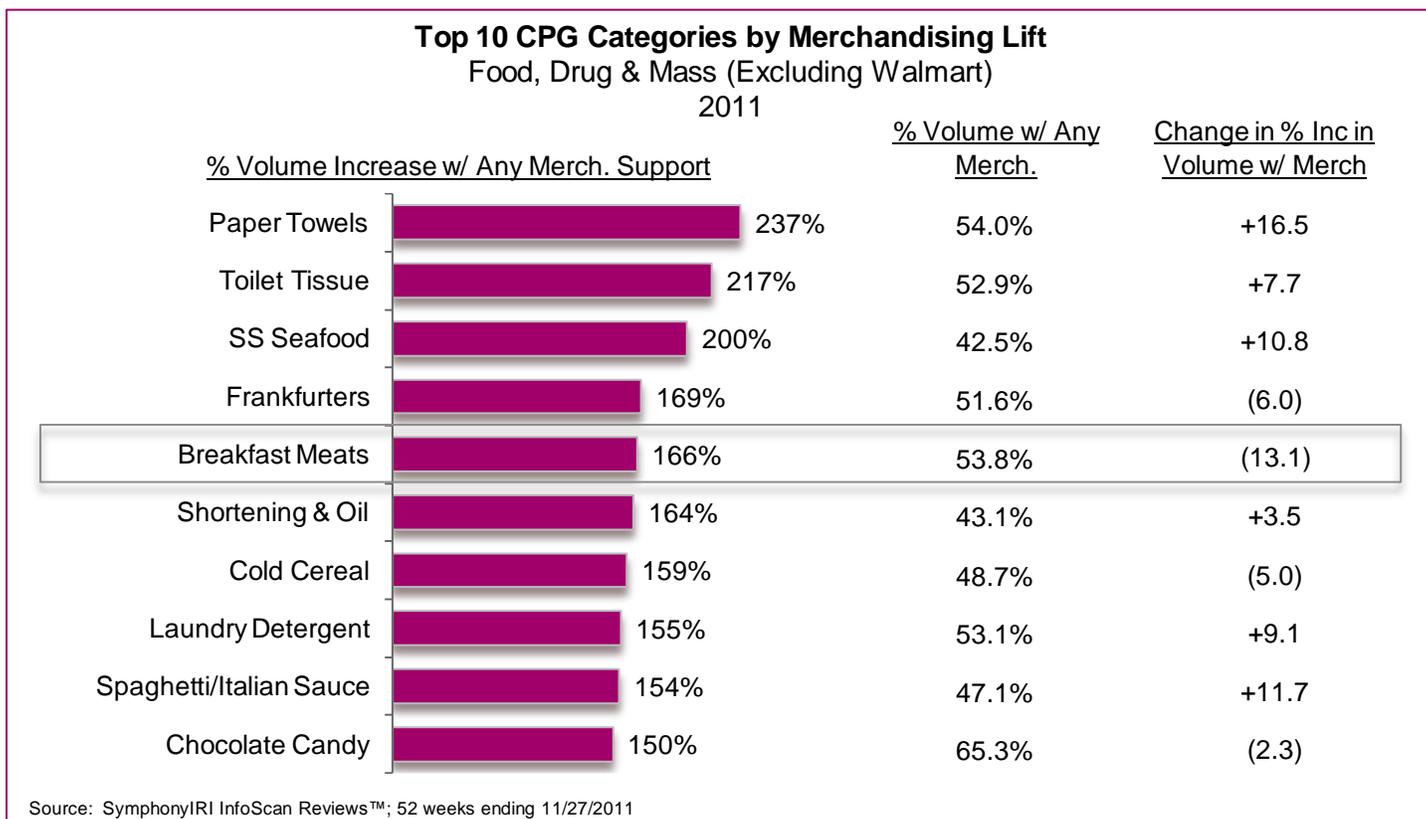
done very little to boost average merchandising lift during the past several years. In 2011, categories receiving merchandising support experienced average lift of 87%, essentially identical to the lift achieved the prior year. This is a slight improvement versus 2009, in the depths of The Great Recession, when average lift was 85%, and it is consistent with 2008 pre-recession lift, which was 87%.

Many factors impact lift, including price on deal, ease of storage, frequency of use and nature of the product. As a result, some categories receive lift well above industry average, while others come in

well below. The ranks of the highest-lift categories will be explored later in this report.

As the economic downturn marches on and as the competitive CPG landscape heats up, it will become increasingly critical to find new ways to protect and build lift from merchandising efforts. Success will hinge on the ability to develop programs that begin and end with the consumer. It is those programs that will hit at the heart of consumers' most important quest— the quest for value.

Merchandising Effectiveness: Leading Categories



Categories receiving the highest lift from merchandising support are generally well-suited for stock-up; many high-lift categories also support consumers' home-based dining rituals.

Categories receiving the highest lift from merchandising activity during the past year cut across several CPG departments, but they are all well-suited for stock up activity, and they all sell a significant share of their volume with merchandising support.

Stocking up during sales has been a key money-saving strategy for consumers during the course of the economic downturn. According to SymphonyIRI's MarketPulse survey, 53% of consumers stock up when products are on sale, an increase of three points during the course of 2011.

The fact that merchandising lift fell across

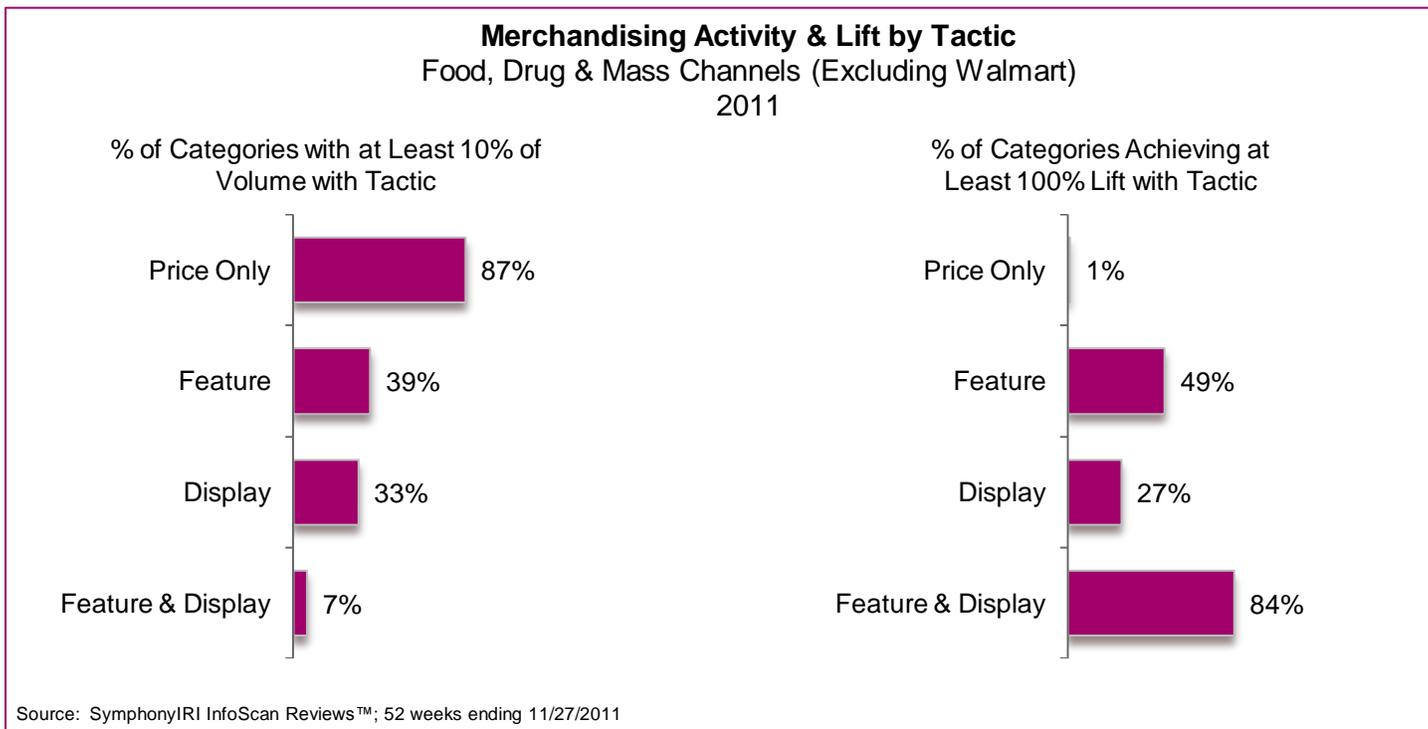
four of the 10 categories illustrated on this page tells a different story, though. During the past year, consumers were less motivated by promotional efforts in these categories than they had been the prior year.

In fact, across frankfurters, cereal and chocolate candy, lift fell across all tactics except price-reduction only. In contrast, in 2011, price-only tactics brought increased lift across 71 of the top 100 CPG categories (including the three aforementioned categories), underscoring the intensity with which consumers are seeking low-price solutions to everyday CPG needs.

Still, while generating lift with price-only actions may provide short-term relief from ongoing economy-driven struggles, this is not an effective long-term solution.

SymphonyIRI's August 2011 edition of Times & Trends, which examined brand loyalty trends during the past three years, illustrated that true brand loyalty—loyalty that drives purchase behavior even in tough times—is built by bringing to market products that offer value—value as defined by a brand's most important buyers and prospects.

Merchandising Tactics: Prevalence & Effectiveness



Support that begins to impact the shopper in the home, such as feature and feature/display tactics, is having a powerful impact on consumer purchase behavior.

Today 63% of consumers look at store circulars before heading to the grocery store. Indeed, store circulars have become an integral part of a grocery shopping process that is increasingly marked by deliberate and strategically planned preparation processes.

It is no surprise, then, that 49% of categories achieved lift of 100% or more from feature-only merchandising efforts during 2011. When backed by display activity, a whopping 84% of categories achieved lift of 100% or greater during the same time period.

Still, only 39% of categories sold greater than 10% of volume sales with feature-only

merchandising support. Less than 10% of categories achieved greater than 10% of volume sales with combined feature/display support.

In the coming year, preplanned shopping behavior will remain pervasive. Consumers will continue to use store circulars to plan their shopping trips and to make brand decisions. Newer media are also reaching into the home and beyond to inform such decisions. Digital shopper marketing trends to watch will be discussed in more detail on the pages that follow.

Meanwhile, 87% of categories achieved greater than 10% of volume sales with price reduction-only tactics despite the

fact that lift of over 100% occurred in only a handful of instances. Certainly, price will remain in the headlines and top-of-mind for consumers in the coming year, as inflation is expected to tick upward and the economy and personal finances remain less than ideal.

Price-related strategies must be honed with surgical precision in the future of CPG. Pricing strategies must be consumer-centric, enticing consumers to buy, while still allowing achievement of corporate and partner goals.

Merchandising Tactics: Top Categories - Effectiveness

Categories Achieving the Highest Lift by Merchandising Tactic

<u>Feature & Display</u>		<u>Feature Only</u>		<u>Display Only</u>		<u>Price Only</u>	
<u>Category</u>	<u>% Lift</u>	<u>Category</u>	<u>% Lift</u>	<u>Category</u>	<u>% Lift</u>	<u>Category</u>	<u>% Lift</u>
SS Seafood	1,149%	SS Seafood	345%	Toilet Tissue	208%	Frankfurters	106%
Paper Towels	746%	Paper Towels	277%	SS Seafood	193%	Chocolate Candy	100%
Shortening & Oil	703%	Shortening & Oil	266%	Chocolate Candy	176%	Breakfast Meats	97%
Toothpaste	658%	Toilet Tissue	251%	Paper Towels	175%	Shortening & Oil	89%
Toilet Tissue	628%	Breakfast Meats	239%	Cold Cereal	166%	Paper Towels	88%

Note: Among 100 largest CPG categories, based upon FDMx dollar sales.
Source: SymphonyIRI InfoScan Reviews™; 52 weeks ending 11/27/2011

The ranks of the categories seeing the highest lift across merchandising tactics are well-represented by categories that cater to recession-driven behaviors, such as home-based dining.

Mentioned earlier in this report, 53% of consumers stock up on select items when they go on sale. Sale stock-up behavior has roots well before the start of the economic downturn, and, as illustrated by the lift achieved across merchandising tactics, it is alive and well today—at least across some CPG categories.

Many of the categories achieving the biggest lift today are categories that cater to economy-driven money-saving behaviors. For instance, 47% of consumers are doing more from-scratch cooking today than they were before the downturn began, and 55% are eating out less frequently¹.

It is logical, then, that categories such as shelf-stable seafood, shortening and oil, and breakfast meats are seeing a sizable jump in volume sales across several merchandising tactics.

As noted earlier in this report, though, support that begins to impact the shopper before she enters the retail environment is quite powerful these days. And, impacting the shopper before she enters the store and then carrying that message over into the retail environment is even more powerful. Shelf stable seafood and paper towels, for instance, achieved lift of 345% and 277%, respectively, with feature only support. Meanwhile, when that support was reinforced with display tactics, lift jumped to 1,149% and 746%, respectively.

The coming year will continue to be marked by frugal and well-planned shopping strategies. Additionally, consumers will hold fast to self-reliant behaviors as they work to manage their expenses tightly. CPG marketers must keep abreast of these behaviors, understanding nuances that exist all the way down to the individual shopper level.

To be discussed on the following page, technology will bring deeper insights into the consumer mindset. Marketers, though, are tasked with turning those insights into deep consumer knowledge, and leveraging that knowledge in a way that will drive purchase behavior and ongoing shopper loyalty.

Trends to Watch

Several trends will continue to heavily influence the future of in-store marketing, but there is little doubt that 2012 will be the year that many CPG marketers fully integrate digital marketing into their ongoing marketing efforts.

Shopper Marketing

Shopper marketing has enjoyed growing acceptance during the past several years, and momentum continues to build. Shopper marketing is based upon the premise that the most effective marketing programs begin with an individual-level 360-degree view of the shopper.

Tomorrow's most successful marketing plans will keep pace with change that is occurring on a seemingly minute-by-minute basis. To do so, they must also be flexible and dynamic. But, equally as important, they must be accurate, reflecting an intimate and micro-level understanding of key and target shoppers.

It is a time of opportunity for CPG marketers. Detailed in SymphonyIRI's December 2011 edition of Times & Trends, trip behavior has picked up, as more quick trip missions are occurring and stock-up missions have become less numerous. This shift gives marketers more opportunity to engage the shopper in the store. As such, this is an ideal time to raise the bar on in-store initiatives—with highly targeted shelf sets and finely-tuned pricing strategies that reflect optimal price-gap thresholds.

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¹Source: AdWeek, October 18, 2011



New technologies are being rapidly adopted, giving marketers the power to influence the shopper in the home, in the store, and everywhere in between.

Technology

Technology will be a major influencer of shopper marketing in the coming months and years. It will impact the shopper in the home, in the store, and everywhere in between.

Technology is also informing CPG marketers. From mobile apps to social networks, CPG marketers are learning more about what consumers want and what will influence shoppers to buy.

Adoption is occurring across a wide range of technology platforms, and the future calls for more of the same. For instance, Shopkick, a mobile app, recently entered

Into a partnership with Giant Eagle whereby user accounts are tied to Giant Eagle loyalty cards, giving Shopkick data on what users actually purchase. That means participating brands, which currently include P&G, Kraft and Unilever, can offer rewards not just for scanning products, but for buying them too¹.

Technological advances will continue to mold the future of CPG marketing. They will continue to provide marketers the opportunity to engage and inform shoppers. Savvy marketers will stay abreast of advances, and continually seek opportunity to use those advances to bring their marketing game to the next level.

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Conclusions: CPG Manufacturers

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

- Identify new growth opportunities and threats
 - Understand price elasticity of demand across key categories/brands and leverage that knowledge to develop and refine everyday and promotional pricing strategies
 - Evaluate merchandising activity and lift across your brands versus total category and competitors across key retail partners to identify gaps
 - Carefully monitor changing consumer dynamics to identify opportunities to build trial and/or repeat purchase through cross-merchandising of relevant parallel categories/brands
 - Collaborate with key retailer partners to identify and test new marketing vehicles/tactics within and outside the store environment, and across traditional and new media

- Work with key accounts to develop strategies that address market and store level shopping patterns and needs
 - Continually re-evaluate pricing and merchandising initiatives to ensure they reinforce your brand equity, and clearly communicate your value proposition to key consumer targets
 - Work with key retailer partners to develop, at the market and/or store level, targeted strategies for your brands that help to contribute to overall category sales growth

- Continually measure and monitor pricing and merchandising execution and impact
 - Monitor store-level merchandising performance and retail execution among key retail partners and adjust mid-path, as warranted
 - Carefully test all pricing and merchandising initiatives at a micro level prior to roll out and then closely monitor impact of roll out

Conclusions: CPG Retailers

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

- Identify new growth opportunities and threats
 - Investigate the cost and the risk/reward associated with various pricing strategies (e.g., everyday low price versus promotional) to determine which model(s) best suit the needs of corporate and store goals
 - Closely track channel trends and the impact of competitor merchandising efforts on those trends to determine whether/when to adjust your own merchandising-related efforts
 - Carefully monitor changing consumer dynamics to identify opportunities to build share and loyalty by cross-merchandising of relevant parallel categories/products
 - Stay abreast of new marketing vehicles/tactics, and analyze consumer response to these new tools versus traditional techniques

- Work with key manufacturer partners to develop strategies that address market and store level shopping patterns and needs
 - Build cross-merchandising/cross-promotional programs that make parallel products easier to locate/access
 - At the market and/or store level, identify brands that drive overall category sales growth and work with manufacturer partners to develop targeted strategies around those opportunities

- Continually measure and monitor pricing and merchandising execution and impact
 - Monitor merchandising programs at the store level for planned versus actual performance and adjust mid-path, as warranted
 - Carefully test all pricing and merchandising initiatives at a micro level prior to roll out and then closely monitor impact of roll out

Success Story: Sales Shine with Social Marketing

The Challenge

When one of the world's leading consumer packaged goods companies re-launched its flagship hair care line, it had an essential message to convey: that with these latest formulations, women could repair their hair from the inside out for fantastic-looking results. The brand team knew this was a passionate topic for women, and many are eager to try, and share, products that help them look their best.

Personal recommendations are a main purchase driver for health and beauty products. And, with women willing to share their preferred brands, the brand recognized that social marketing accelerates purchase impact at launch. The brand team included a BzzAgent campaign as part of its integrated media plan and tasked the program with driving consideration and sales.

The program followed a turnkey process designed to catalyze recommendations:

- Engaged 10,000 women from BzzAgent's consumer network of influential brand advocates
- Selected targeted consumers—18+ with a household income of over \$80,000
- Provided an exclusive product experience—a full-size bottle of conditioner and pass-along samples—to spark trial
- Guided activities to get out the word via in-person conversations and dialog in social media



As sales were the key success criteria, the client needed a proven analytics model to measure results. BzzAgent and SymphonyIRI collaborated to measure the sales impact attributable to the campaign.

The SymphonyIRI Approach

SymphonyIRI conducted a Matched Market Analysis to isolate the campaign impact relative to other media. In collaboration with BzzAgent and the client team, SymphonyIRI selected analysis and control markets. The analysis markets included BzzCampaign participants and the brand's other national media, while the control markets did not include a BzzAgent presence. By comparing analysis versus control and adjusting for efforts of non-test variables, SymphonyIRI could determine the relative sales impact of the program.

The Results

The campaign generated a reach of more than 900,000 people via in-person and online conversations. And, these recommendations were influential in informing consumer purchase decisions. SymphonyIRI Group determined the

BzzCampaign was highly effective at driving sales. When analyzed during a 13-week period, the analysis markets saw a volume sales lift of 17%.

Client Benefits

The brand used the results from the Matched Market Analysis to prove the value of its investment in social marketing and that peer recommendations effectively increased sales.

Additionally, the brand understands the strength of the medium relative to its other marketing tactics and has a clearer view into how to build and execute a media plan to maximize sales results.

About BzzAgent

BzzAgent, a dunhumby company, is a social marketing leader that accelerates word of mouth to drive sales. Powered by a network of over 800,000 people, BzzAgent creates measurable business results for marketers. BzzAgent has been at the vanguard of word of mouth marketing since 2001, running more than 1,500 programs for global companies including Unilever, Wrigley, L'Oreal, and Michelin. Learn more: about.bzzagent.com

Resources

To gain insight into opportunities that exist to leverage unique and actionable content about consumers and shoppers, and analytical solutions and platforms that drive more effective and efficient shopper marketing, contact your SymphonyIRI client service representative regarding custom analyses leveraging the following resources:

SymphonyIRI Shopper Marketing Suite™

SymphonyIRI's Shopper Marketing Suite is a holistic solution that combines advanced, proprietary, and proven modeling techniques with practical business applications that allow you to define and implement your shopper strategies.

SymphonyIRI Price & Trade Advantage

Price & Trade Advantage gives insight on price sensitivities, gaps, thresholds, competitive implications, and sales volume decomposition to maximize sales and create the most effective pricing and trade plans at retail.

SymphonyIRI Shopper Insights Advantage™

Shopper Insights Advantage™ Powered by SymphonyIRI Liquid Data™ is SymphonyIRI's transformational tool for creating actionable consumer and shopper insights.

SymphonyIRI AttitudeLink™

SymphonyIRI AttitudeLink™ is a service that empowers marketers to conduct attitudinal surveys among the SymphonyIRI Consumer Network panel to provide a direct link between longitudinal purchase behavior and consumer attitudes/needs underlying that behavior.

SymphonyIRI New Media Solutions

New Media Solutions provides manufacturers and retailers the ability to target digital media more effectively and efficiently, and quantify the effects of online advertising.

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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