



Times & Trends

Center Store: *Driving Growth from the Inside Out*

DECEMBER 2012

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Symphony **IRI** Group

Insight.
Innovation.
Impact.

Center Store Returns to Front and Center

It wasn't long ago that manufacturers and retailers alike sought to boost shopper interest with formats and special programs around the store perimeter. Indeed, during that timeframe, marketers relegated center store to a second-tier priority, because it was viewed as providing little chance to differentiate. Today, with advanced analytics giving marketers the ability to target shoppers at a much more granular level, differentiation is not only possible, but also a huge opportunity.

While new innovation around the perimeter of stores is always welcome, those who forget that center store accounts for approximately two-thirds of CPG dollar sales do so at their peril.

Today, decision makers have placed a new emphasis on promoting center store categories, which for the purposes of this report include beauty care, beverages, general food, general merchandise, health care and home care products.

During the past year, CPG industry performance showed some signs of stabilizing. Industry average dollar sales grew at a 3.4 percent rate, while convenience store sales in particular grew at a rosy 3.9 percent pace. However, unit sales continued to slide, with stronger than average declines occurring in food and drug channels. These declines are reflective of an ongoing wariness of many shoppers to open their wallets despite a rash of good news, such as the Dec. 7 report that U.S. unemployment dipped from 7.9 to 7.7 percent, the lowest rate in several years.

The key to "getting it right" at center store is the same as with any other section: gain deep insights into who your high-value shoppers are and encourage collaboration among all partners in the CPG and retail value chain to create exciting, innovative offers that meet these shoppers' needs. CPG marketers need to become more effective solution providers for consumers, whether it be cleaning, healthcare, baby care, mealtime solutions, or any other center store-related need.

We are now deep into the holiday season. NRF's forecast of 4.1 percent growth in holiday sales this year over last is a full percentage point lower than each of the prior two years, and the lowest since 2009. While shoppers feel better about rising housing prices and a strengthening stock market, they remain wary of the "fiscal cliff" and rising prices for a wide range of goods, including food. These sentiments around holiday purchases are a window into the minds of shoppers that translate to their views about CPG products. Getting it right in the center store is as important as ever, because this area of the store has the power to bring differentiation, loyalty and margin.

As we all get ready to pause for the holidays, on behalf of the entire team at SymphonyIRI, I would like to wish you the best for the holidays and a healthy and prosperous 2013.



Steven S. Ramsey

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Executive Summary: Turning Insights into Action

INSIGHT

- Center store, which captures about two-thirds of CPG dollar sales and 70% of unit sales, has outperformed industry average during the past two years
- Grocers are losing considerable share across general food and beverage departments and drug retailers are struggling in health and beauty aisles, evidence of stepped up competition for share of center store spending
- Price increases made by CPGs in an effort to offset commodity cost increases are having a negative impact on center store unit sales trends
- Promotional activity in center store increased earlier in the downturn as CPGs sought to offset high prices, but recent trends show a de-escalation of merchandising support across 58% of center store categories, including six of the largest 10 categories
- Several center store departments, including general merchandise and non-edibles, are seeing space allocation declines, but the edibles department has seen linear footage grow by 1.3% during the past two years

ACTION

- Support center store with marketing programs targeted at the market or store level to closely align with trip missions of high-priority shoppers
- Expand understanding of a broader competitive environment, taking into consideration competitors from inside and outside the CPG arena (e.g., quick service restaurants, health food stores, etc.), and adjust strategies to build relevance within this broader market
- Pricing strategies must be viewed through the lens of a broader competitive set and ongoing financial hardships to ensure that they are consistently and effectively meeting the needs of key target groups, as well as corporate and partner goals
- Boost sales lift with highly targeted, platform-based solutions and merchandising programs that are closely tailored around the needs of the store's key shopper base
- Store layouts must be developed at the market level, with collaboration between retailers and manufacturer partners, to effectively mitigate risks and capitalize on opportunities in the new, broader competitive environment

Introduction

For a period of time, the center store was a bit of a white elephant within the grocery industry. Competition was heating up, and retailers were working to bring differentiation to their stores. So, perimeter departments—meat, produce, fresh bakery, etc.—received a great deal of time and attention, and the center store was left to fend for itself.

But, today, the center store has rebounded in importance and prominence, playing an integral role in serving the needs of consumer packaged goods (CPG) shoppers, being the catalyst for trip missions, supporting shopper loyalty and driving revenues. The center store has truly become the heartbeat of the store.

The “center store” is home to six key CPG departments—beauty care, beverages, general food, general merchandise, health care and home care. Together, these departments capture about two-thirds of CPG dollar sales, and 70% of unit sales.

Discussed frequently in Times & Trends, the battle for share of spending across many center store categories has

intensified during the past couple of years. Drug and dollar channel retailers, for instance, are carrying more center store food and beverage items. And, within grocery, merchandising support has increased across one-third and two-thirds of health and beauty department categories, respectively.

These trends underscore the focus that CPG marketers are putting to accommodate pervasive consumer rituals, such as home-based eating and self-reliant health and beauty care, in an effort to win shopper spending and, ultimately, loyalty.

As competition for share of center store continues to intensify, differentiation will be the key to ongoing success. This is difficult in the center store, but it's not impossible.

In the end, the winners in the battle for share of spending and loyalty in the center store will be those that provide superior products—a better, more relevant selection in the center store. This means products that are tightly targeted against the needs of a retailers' shopper base. This will not only prevent customers from defecting to

another retail banner, but it will also lure them into the center store and encourage them to buy products there versus competing perimeter department solutions.

This edition of Times & Trends explores center store sales and share trends, as well as strategies CPG marketers are leveraging in an effort to drive share and revenues from the inside out.

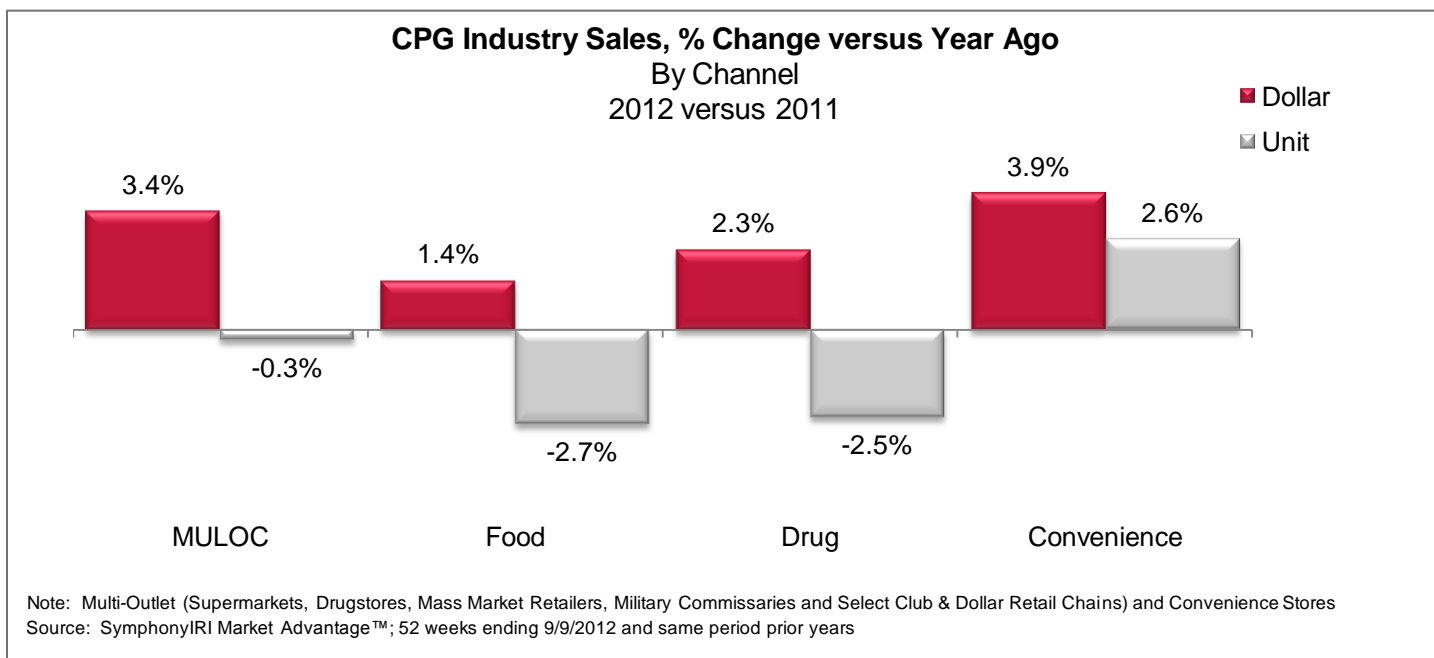
Editorial Note

For the purposes of this report, **Center Store** is defined as including the following CPG departments:

- Beauty Care
- Beverages
- General Food
- General Merchandise
- Health Care
- Home Care

See appendix for detailed aisle listing.

Performance Overview: CPG Industry



CPG industry dollar sales climbed 3.4% in 2012, with convenience store growth outpacing the industry average, and growth across all channels being driven heavily by inflationary pricing trends.

High level industry trends reflect a conservative CPG marketplace.

During the past year, CPG unit sales continued to slide at the multi-outlet level, driven heavily by an economic recovery that has been slow to take hold and consumers that remain solidly entrenched in money-saving mode.

Unit sales within food and drug channels fell more sharply versus industry average, reflective of a highly competitive retail environment that has brought consumers much more choice in where they will shop to meet their grocery needs.

For instance, illustrated in SymphonyIRI's August edition of Times & Trends, some competing channels, including dollar stores and supercenters, are successfully winning

over the heaviest shoppers of grocery and drug stores.

The convenience channel enjoyed unit sales growth during the past year, far outpacing multi-channel outlet trends and those witnessed in the grocery and drug channels.

Strong convenience channel performance is being supported by a number of factors, including a growing population of convenience store outlets and assortments that are well-suited to address consumers' quest for quick and easy on-the-go meal, snack and beverage options.

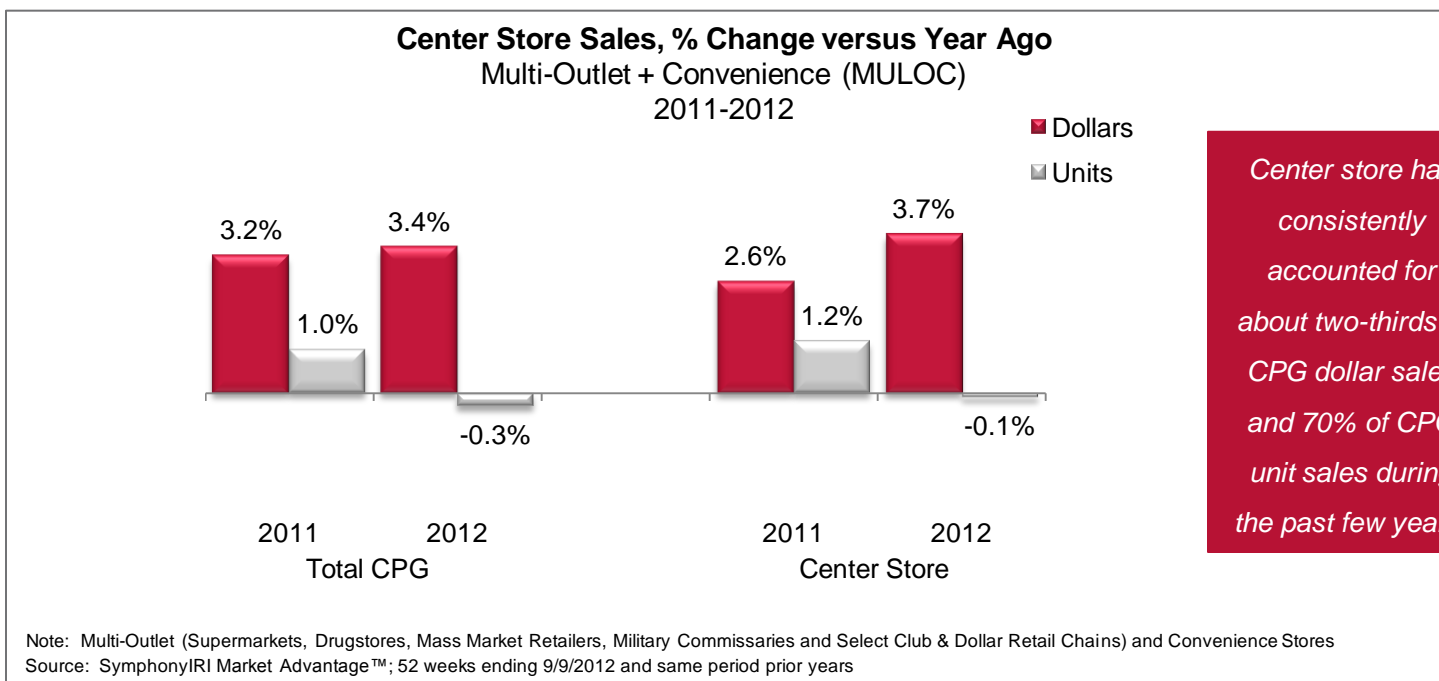
But, across measured channels, dollar sales growth has outpaced unit sales trends. The reason is simple: prices are on the rise. At a time when nearly one-in-four

consumers is having difficulty making ends meet, this is a difficult hurdle to overcome¹.

Effectively navigating this barrier is key for convenience store operators, who already struggle against an image of high prices, and it's key for competing channels, as they are fully entrenched in a battle for share of grocery spending.

In recent years, the center store has taken a bit of a back seat to perimeter departments, such as fresh/perishable, meats and dairy, in retailers' battle to differentiate themselves from competitors and, ultimately, win shoppers. But, illustrated on the pages that follow, the center store holds a lot of potential for CPG marketers that get it right.

Performance Overview: Center Store



Center store has consistently accounted for about two-thirds of CPG dollar sales and 70% of CPG unit sales during the past few years.

Note: Multi-Outlet (Supermarkets, Drugstores, Mass Market Retailers, Military Commissaries and Select Club & Dollar Retail Chains) and Convenience Stores
 Source: SymphonyIRI Market Advantage™; 52 weeks ending 9/9/2012 and same period prior years

During the past two years, the center store as a whole performed slightly better versus industry average.

The center store is comprised of six major CPG departments: beauty care, beverages, general food, general merchandise, health care and home care. Combined, these departments account for about two-thirds of total store dollar sales.

During the past two years at the multi-outlet level, the center store performed slightly better versus industry average. But, in 2012, center store unit sales trends were slightly negative, a contrast to the 1.2% increase achieved in 2011.

As is often the case, sales trends vary rather drastically at the channel level. For instance, center store unit sales within the convenience store increased 4.3% in 2012, while units within grocery and drug channels slid 3.0% and 3.6%, respectively.

Certainly, reflection on the magnitude of the increases posted by convenience store operators needs to take into account the fact that these growth figures are based on smaller bases versus drug and grocery channels. But, illustrated on the following page of this report, convenience store gains are cutting across a majority of center store aisles and coming largely at the expense of grocery and drug channel competitors.

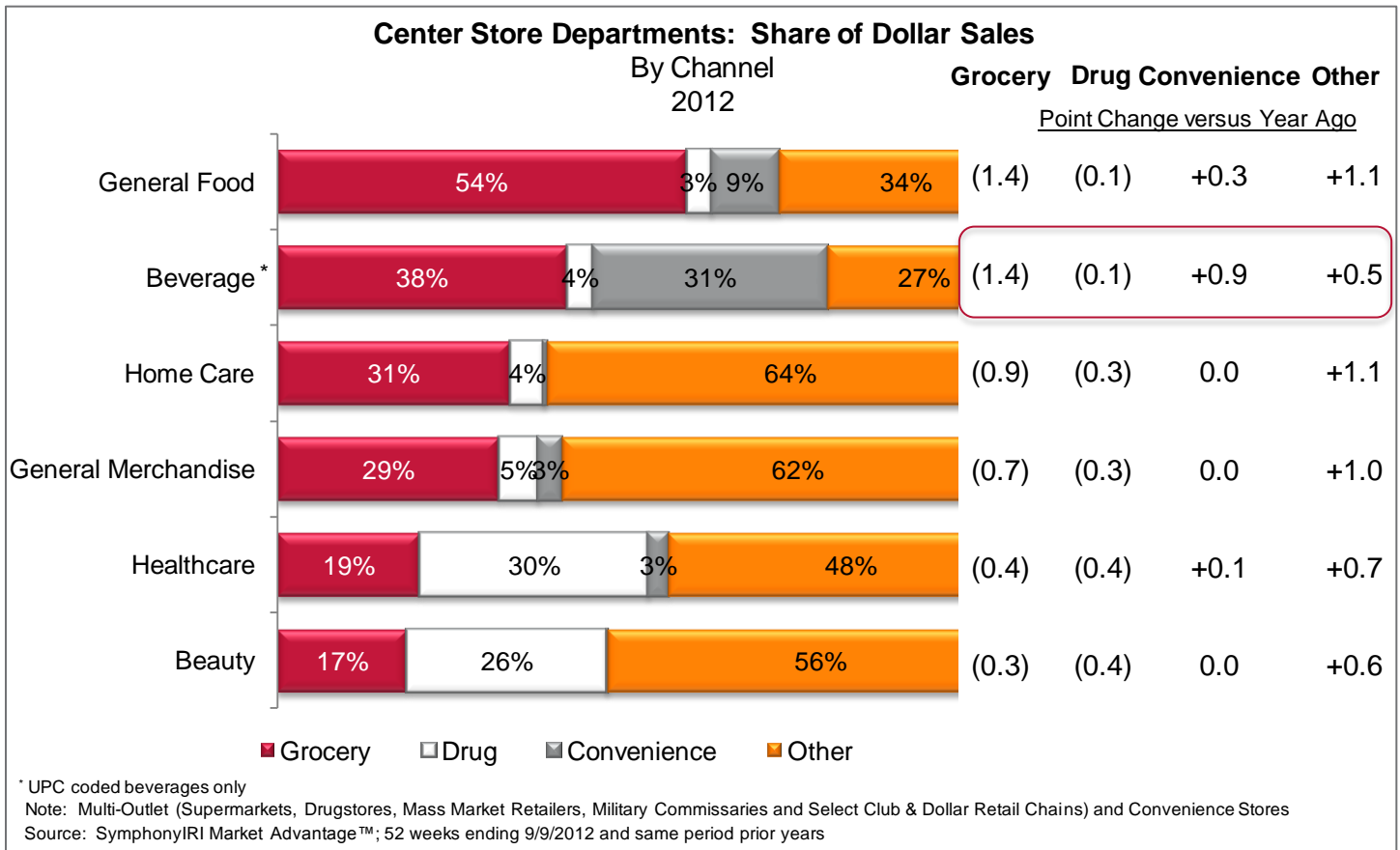
Mentioned earlier in this report, convenience channel growth during the past year has been bolstered by a number of influences. Store count has increased by more than 1% for each of the past two years, with the National Convenience Store Association putting 2012 store count at more than 148,000¹.

Consumers are looking for quick in-and-out trips and fast and easy CPG solutions. Convenience stores are fitting the bill.

Meanwhile, the grocery channel is struggling against increased competition for traditional grocery items, including many of those found in the center store, which are carried by an increasing number of channels and retail banners.

The following page of this report provides a department-level perspective on dollar share trends across the grocery, drug and convenience store channels.

Channel Share Shifts



Grocery and drug channel retailers win the majority of sales dollars across most center store categories, but share is on the decline.

Grocers and convenience stores hold a combined 69% share of beverage sales. During the past year, convenience store share has climbed nearly one percentage point, at the expense of grocery operators.

Grocers hold the lion's share, 54%, of general food sales but share declined sharply during the past year, underscoring the competitive nature of today's food retail environment.

products¹, and Walmart's ongoing "Walmart Challenge" price comparison campaign, which encourages shoppers to bring their grocery receipt into their local Walmart and "See for Yourself."²

While grocery share losses occurred across a majority of beverage categories, a loss of 1.5 share points in coffee was particularly noteworthy, since that category was a strong performer during this time period (unit sales increased nearly 5% at the multi-outlet level). For the year, convenience store share of coffee sales remained flat at 14%.

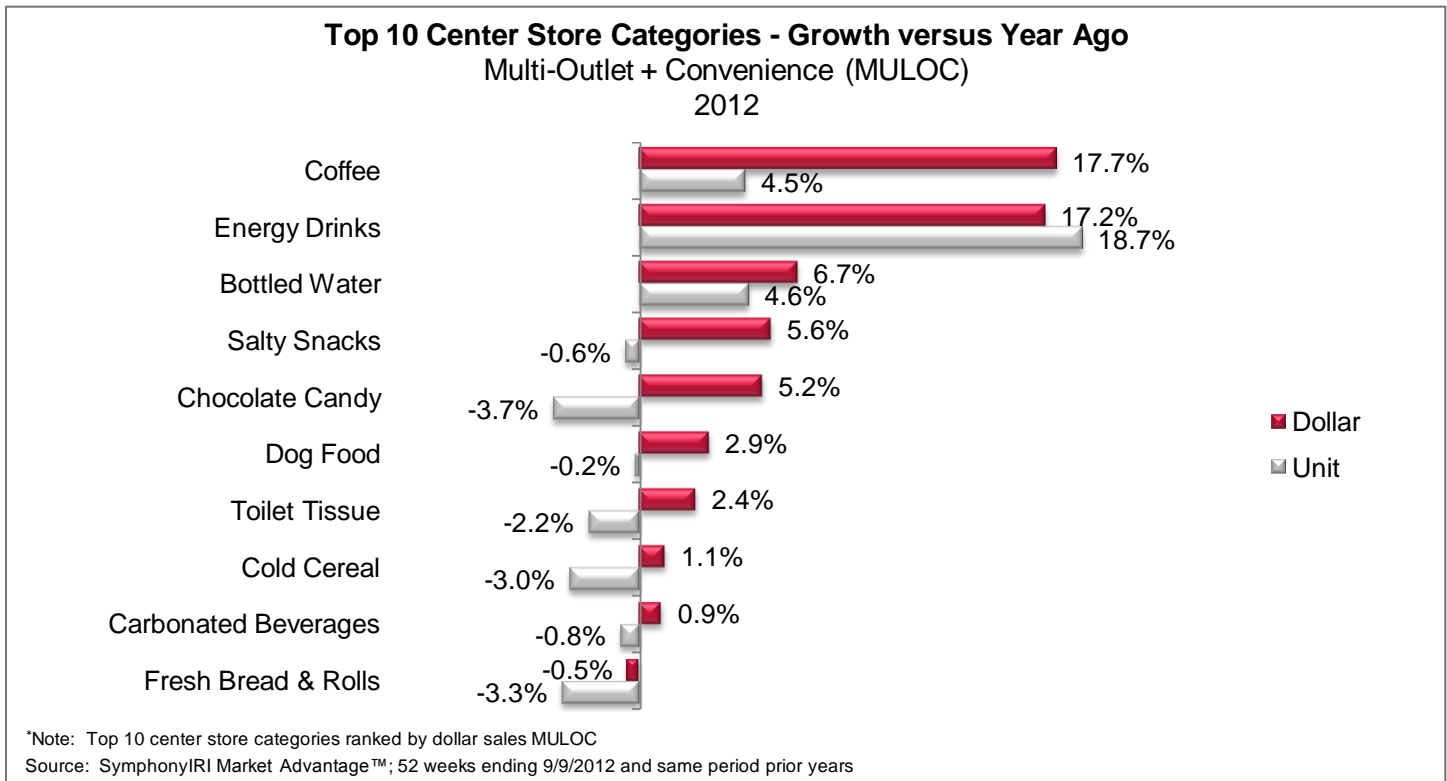
Convenience store marketers won some dollar share in this area, but other channels, such as mass merchandisers and club retailers, are very much part of the ongoing competition.

The drug channel also saw center store share of sales decline, though not as sharply as grocery. In drug, the sharpest losses come in the health and beauty aisles. In these aisles, strong wins, like a 0.3 share point gain in skin care, were offset by losses in other large categories, such as a 0.8 share point loss in soap.

For instance, BJ's recently teamed with Kellogg to run a "Great Savings" FSI, which boasted that members can "save over \$500 on groceries a year" on select



Growth Trends



Performance across the largest center store categories has been mixed during the past year.

Unit sales climbed across only three of the 10 largest center store categories during the past year: coffee, energy drinks and bottled water. Across the remaining seven categories, units declined.

Trends in this area clearly underscore the fact that, though the economy is slowly marching toward firmer ground, consumers are firmly entrenched in a conservative mode and will likely remain there until household finances are on more stable ground.

According to SymphonyIRI's MarketPulse survey, 59% of consumers have cut back on items deemed "unessential." In fact,

16% of shoppers are actually not walking down certain aisles because they want to avoid the temptation of additional, unplanned purchases.

In addition to struggling against conservative consumer behaviors, center store marketers are contending with the fact that it is perimeter departments that are the "low hanging fruit" when it comes to differentiation. Retailers are leveraging a variety of approaches to capitalize on opportunities in this area.

For instance, Sam's Club has identified frozen foods as one of its fastest growing areas and has supported that growth with

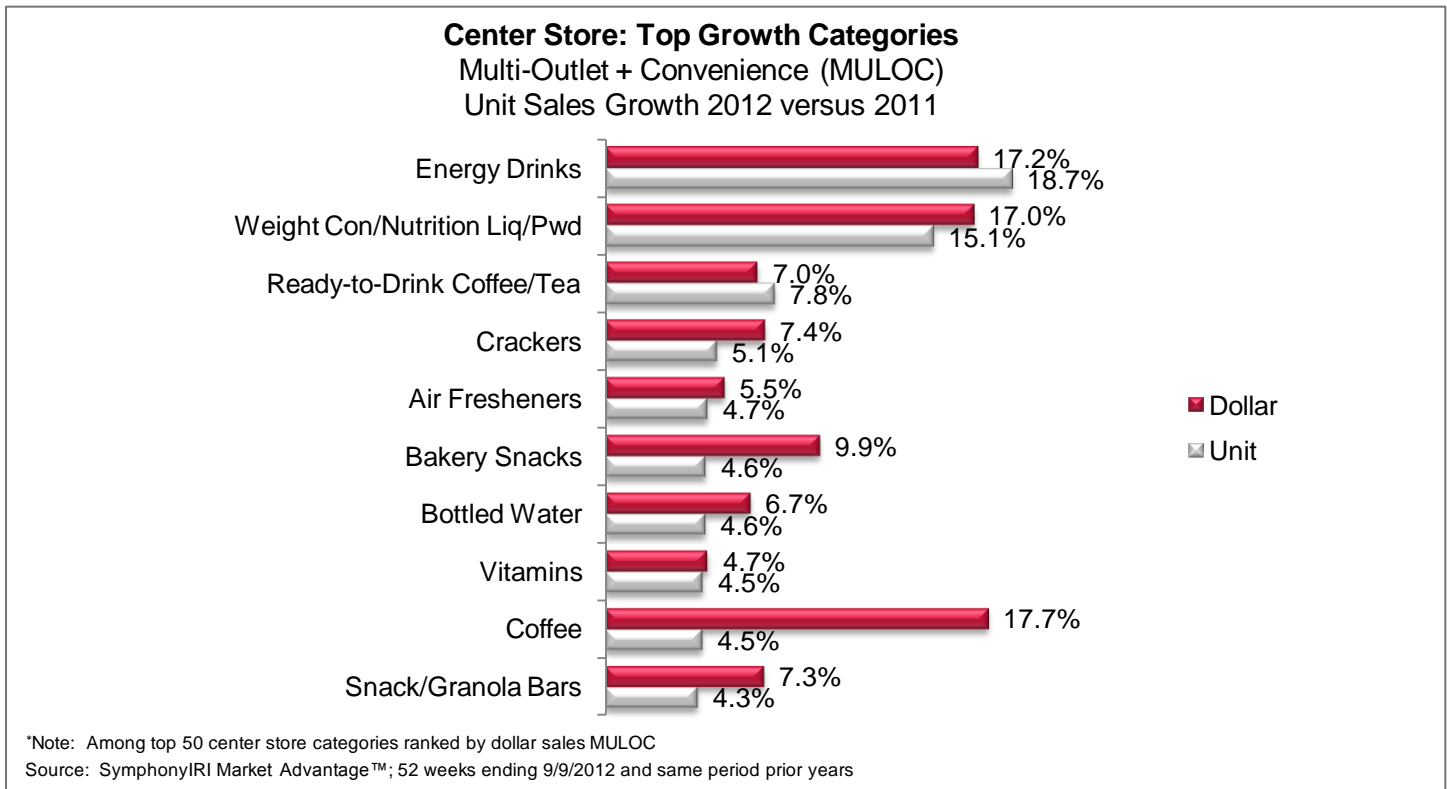
additional freezer space. This is allowing the retailer to address members' desire for food options with more robust nutritional benefits versus those offered through traditional canned food options¹.

Similarly, Delhaize America's Sweetbay recently ran a "SweepSteaks" supporting efforts to elevate the profile of its meat department. This multi-media campaign offered money-saving coupons, recipe ideas and an opportunity to win gift cards.²

Detailed later in this report, this perimeter focus is resulting in decreased merchandising activity across many sizable center store categories.



Growth Trends



Strong growth is evidenced across a variety of center store categories, and three of the ten highest-growth categories are also the largest sales-generating CPG products across the multi-outlet geography.

Nearly one half of the 50 largest center store categories posted above-average unit sales growth during the past year.

Three of those categories—energy drinks, coffee and bottled water—are among the largest sales-generating CPG products across the multi-outlet geography.

A vast majority of the top-growth center store categories are seeing increased activity because they support pervasive consumer attitudes. For instance, according to SymphonyIRI’s 2012 Consumer Snacking Survey, 54% of snackers indicate that when they select snacks they feel that the ability to eat that snack on-the-run or in the car is a key driver in their decision.

Snack/granola bars, crackers and many bakery snacks nicely address that key snacking concern.

Successful innovation is also paving the road to growth for many of these center store categories. Eight of the 10 categories in the ranks of the fastest-growing center store categories benefitted from new brand launches powerful enough to achieve the ranks of SymphonyIRI New Product Pacesetter. These products achieved success by addressing consumers’ needs for exciting food and beverage solutions, sensory stimulation, health and wellness and convenience.

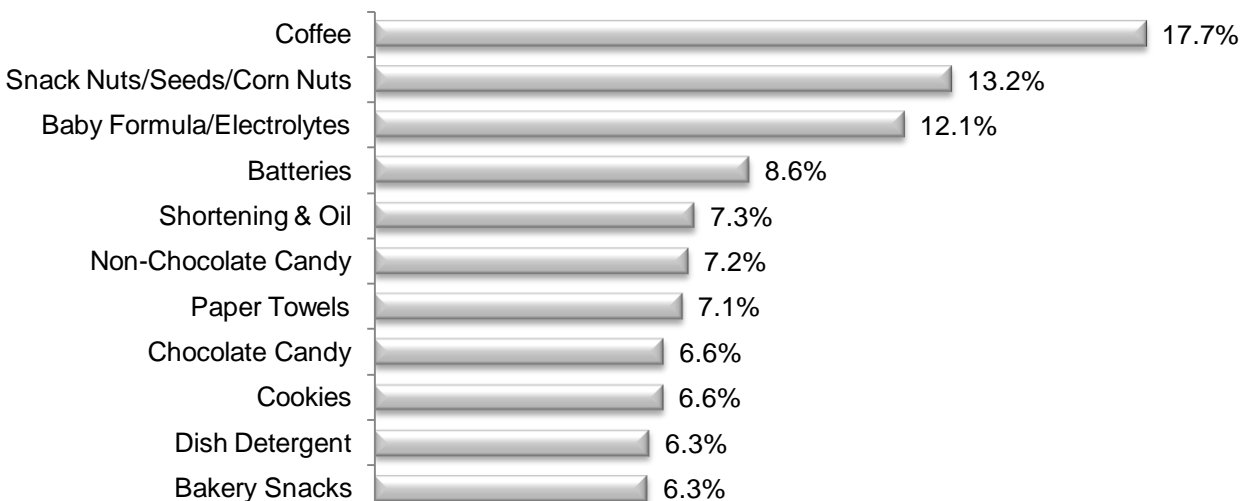
For instance, Febreze Set & Refresh is a decorative air freshener that eliminates odors while releasing a fresh scent for up to 30 days, without the need for batteries or an electrical outlet.

And, in the weight control/nutrition category, Abbott Nutrition found success targeting both ends of the age spectrum with PediaSure SideKicks and Ensure with Revigor. These nutritional drinks provide vitamins and minerals that are targeted against key age-specific nutritional concerns.



Pricing Trends

Center Store Categories* with the Biggest Price Increase
Based on Average Price per Volume, Multi-Outlet + Convenience (MULOC)
2012 versus 2011



*Note: Among top 50 center store categories ranked by dollar sales MULOC

Source: SymphonyIRI Market Advantage™; 52 weeks ending 9/9/2012 and same period prior years

Price increases cut a wide swath across center store aisles, with several categories experiencing double-digit jumps.

Prices have been headline news throughout the course of the economic downturn. Costs skyrocketed, then subsided. Prices increased sharply, and promotional activity escalated. When it comes to price, the CPG industry has really been on a rollercoaster ride.

The U.S. Department of Agriculture predicts that the food at home price index will come in at 2.5%-3.5% for 2012—down quite a bit from 4.8% in 2011, but still significant.¹ Indeed, 83% of center store categories saw average price per volume increase. And, the ranks of the center store categories seeing the highest average price per volume increase illustrate that many categories saw prices increase at a rate well above average.

At the top of the list is the coffee category, which saw average price per volume increase 17.7% for the year. Illustrated later in this report, this price increase comes despite a significant boost in merchandising support, particularly price-related actions.

One of the factors driving price increases is the increasing prevalence of one cup brewer coffees, which have seen share of net sales increase from 5% to 20% during the past year, at the expense of ground coffee.

Commodity prices are also playing a driving role in this trend. In early 2011, coffee hit a 14-year high². While commodity costs have subsided, the lag in

the purchase cycle means that those savings are not yet being fully passed along the supply chain, through retailers and down to consumers.

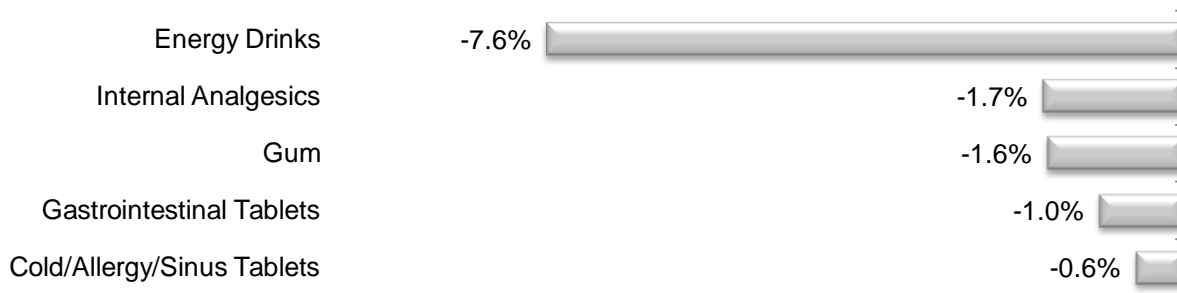
Other categories, including shortening and oil and bakery snacks, are also being impacted by higher than average inflation. Here again, increases in cost of inputs is playing an important role in driving inflation, and this will continue in the future.

In 2013, the price index is expected to increase once again. For the year, the USDA is estimating a 3.0%-4.0% increase.³ But, some categories, particularly those that are impacted by the country's recent drought, can expect to see much sharper price escalations.

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Pricing Trends

Center Store Categories* with the Biggest Price Decrease Based on Average Price per Volume, Multi-Outlet + Convenience (MULOC) 2012 versus 2011



*Note: Among top 50 center store categories ranked by dollar sales MULOC

Source: SymphonyIRI Market Advantage™; 52 weeks ending 9/9/2012 and same period prior years

Only five of the 50 largest center store categories experienced declines in average price per volume during the past year.

Average price per volume decreased in 17% of measured center store categories, including five of the 50 largest categories at the center of the store.

The largest decline occurred in the energy drinks category, where price per volume slipped 7.6% for the year.

One of the drivers of falling prices in this category is the expanding distribution of energy drinks. While energy drinks still have a solid outlet in convenience stores, channels that generally cater to more value-conscious shoppers, such as mass merchandise and dollar channels, are playing more heavily in energy drinks, and price points in these channels are generally lower versus convenience stores.

Another driver of declining average price in energy drinks is new product introductions.

A key recent product introduction in this category is Rockstar Recovery, which achieved 2011 SymphonyIRI New Product Pacesetter status and was a top 10 brand introduction in the convenience store channel.

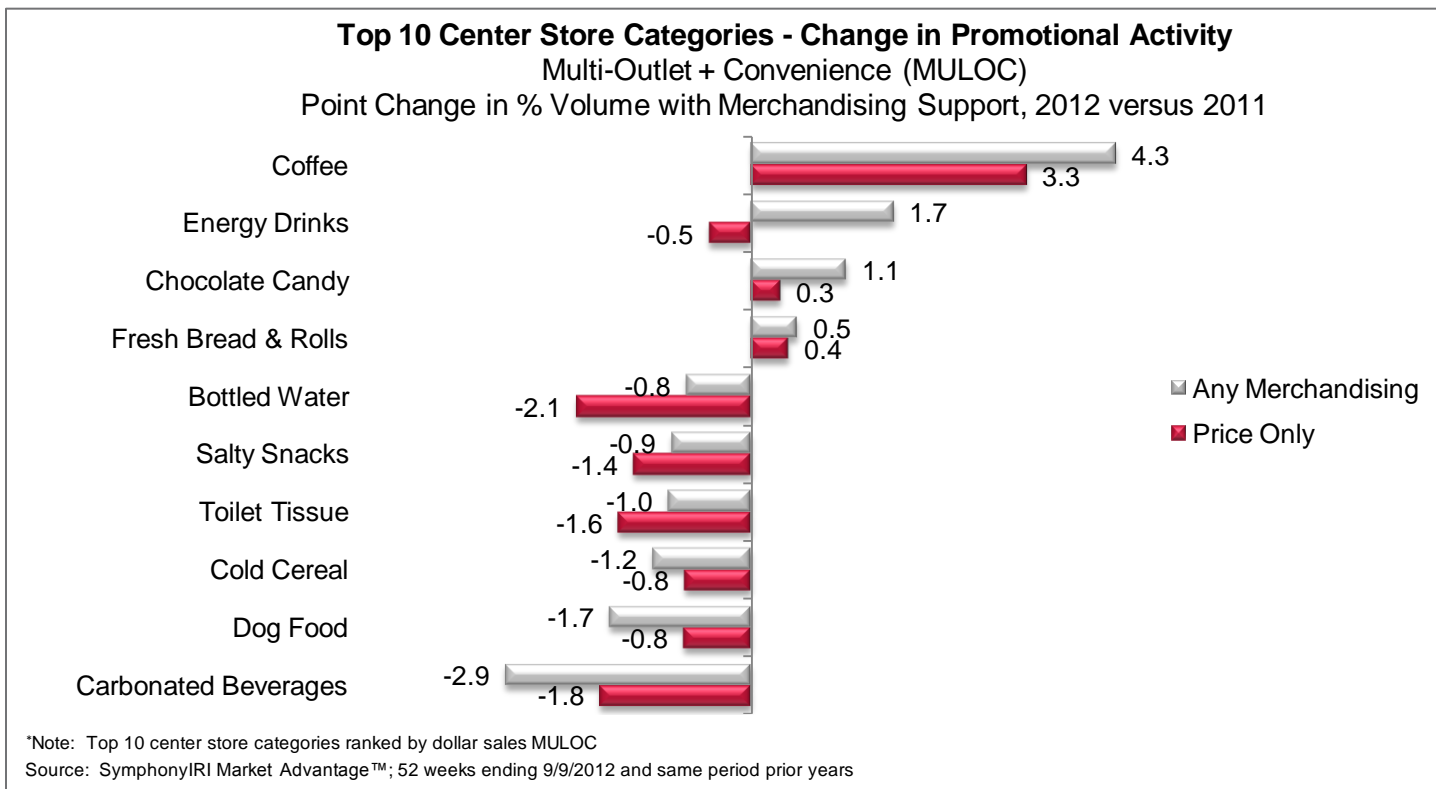
In addition to being a strong year-one brand, this product is part of a trend toward larger packages of energy drinks, which generally offer a lower price per ounce versus their smaller sized competitors.

Another key driver of average price declines has been inroads paved by private label solutions. For instance, private label gained more than seven share points in internal analgesics and more than five points in gastrointestinal products during the past year.

Mentioned in the November 2012 edition of Times & Trends, private label often offers considerable savings versus national brand solutions, particularly in the area of healthcare. Logically, as private label share in these categories increases, category average price per volume declines.

In gum, merchandising played a key role in pushing average price in a lower direction. The gum category sells about one-quarter of its volume buoyed by merchandising support. During the past year, merchandising support intensified, with overall volume sold with support increasing more than one-half of a point and price-only actions increasing 1.3 points.

Promotion Trends



During the past year, merchandising support declined in 58% of center store categories, including six of the largest 10 categories.

Detailed in the January 2012 edition of SymphonyIRI's Times & Trends, merchandising support declined in 58% of center store categories during the past year. In some categories, including shampoo, crackers and shelf stable vegetables, declines were quite sharp. Some of these declines are reflective of CPG marketers' efforts to step away from the highly promotional atmosphere that marked CPG during the depths of The Great Recession.

Among the 10 largest center store categories, the sharpest decline in merchandising support came in carbonated beverages, where share of volume sold with support slipped nearly three points.

Declines in this area are attributable to a number of factors, including an increased presence of private label carbonated beverages during the past several years. Typically, these store brand options do not generally get the same level of merchandising support as their brand name counterparts. Additionally, some sizable retail banners do not merchandise the carbonated beverages category as heavily as others. This, too, is reflected in the declines mentioned above.

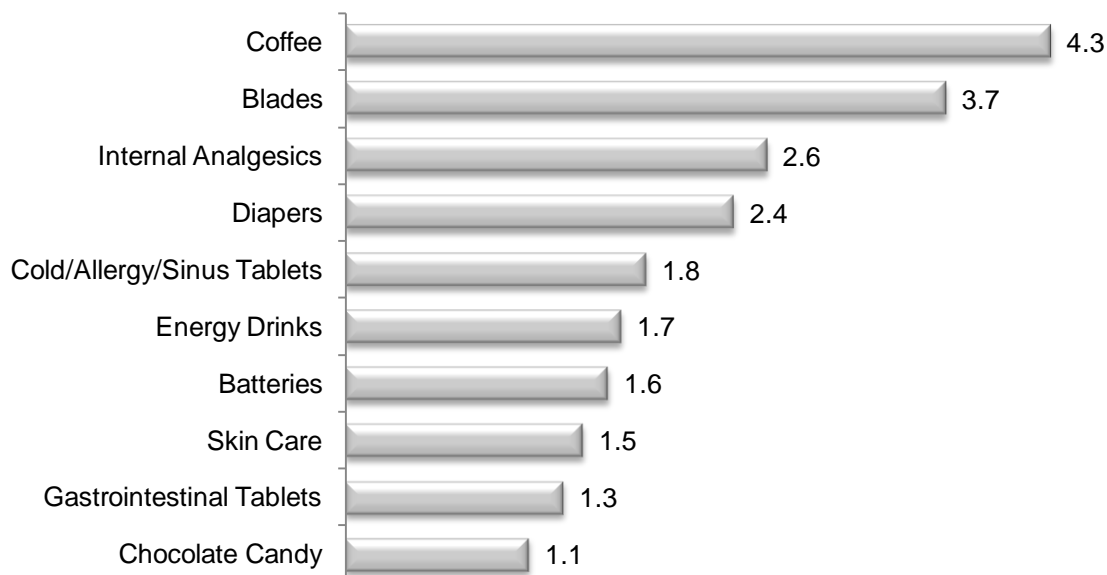
In three of the 10 largest center store categories, merchandising support increased. Some of this merchandising,

such as increases in chocolate candy (discussed later), supported new product launches, while other support was deployed to off-set aforementioned price increases.

In coffee, merchandising support increased more than four points for the year. This is a stark change versus 2011, when support declined more than six points. Mentioned earlier in this report, the coffee category has seen substantial price increases during the past couple of years. Clearly, coffee marketers are looking to balance these increases with enticing promotions to help maintain demand.

Promotion Trends

Center Store Categories* with the Biggest Increase in Merchandising Activity Level
Point Change in % Volume with Merchandising Support, Multi-Outlet + Convenience (MULOC)
2012 versus 2011



*Note: Among top 50 center store categories ranked by dollar sales MULOC
Source: SymphonyIRI Market Advantage™; 52 weeks ending 9/9/2012 and same period prior years

Merchandising support increased across 42% of center store categories during the past year, with sizable increases posted across a variety of center store categories.

In 42% of center store categories, share of volume sold with merchandising support increased. These increases cut across a variety of center store categories, reinforcing the fact that center store marketers know they stand to reap great rewards from capturing the attention and spending of today's shoppers.

The early days of the economic downturn and much of The Great Recession were marked by a pantry de-loading trend. Consumers were under a great deal of financial stress. Stocking up for future needs was not possible for many, so they were purchasing on an as-needed basis.

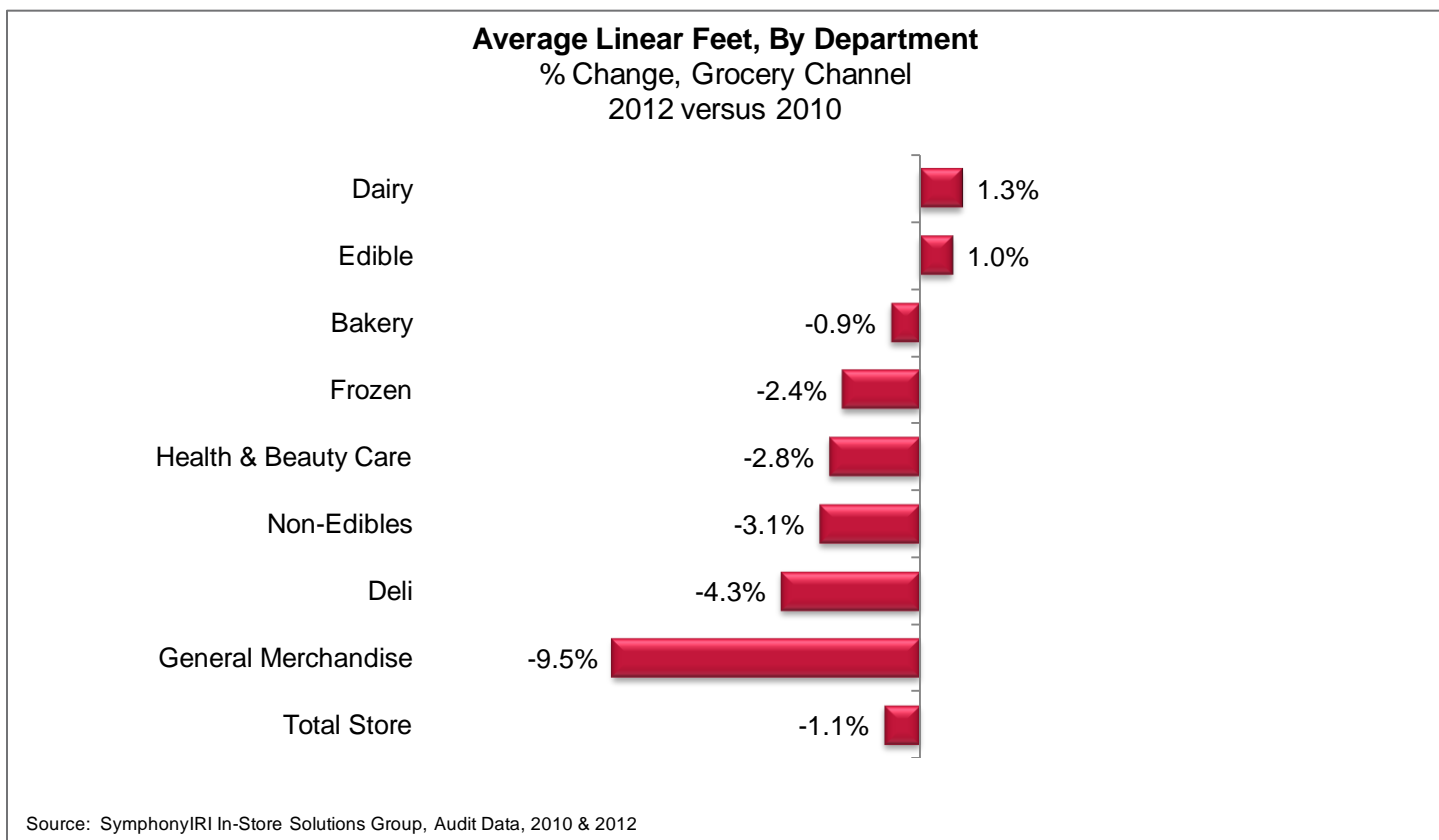
Now, with the recession in the past and the economy slowly picking up steam, pantry stocking has begun to escalate. Detailed in the August edition of Times & Trends, the average pantry stocking basket ended 2011 and began 2012 on a positive growth trajectory.

Certainly, center store plays an important role in pantry stocking, and retailers are working to win their fair share of spending in this area. But, consumers are still quite cautious, and many are making channel, retailer and brand selections based on price and/or value. Evidenced in the increases noted herein, marketers are

leveraging merchandising to convey their price/value messages.

They are also using merchandising to add pomp and circumstance to their new product launches. In chocolate candy, for instance, merchandising support trends continued a multi-year northward march. This trend is attributable to the highly promotional nature of the category, which is being catalyzed by the lengthening of seasonal periods in the retail environment and a robust innovation pipeline. Today, about 50% of chocolate candy volume is supported with some sort of merchandising activity.

Space Allocation Trends



While overall scannable linear footage is on the decline and some departments are seeing particularly strong declines in space allocation, edibles and dairy are enjoying increased space in the grocery channel.

According to the Food Marketing Institute (FMI) the median size of a supermarket has been in a fairly steady decline during the past several years, falling from more than 48,000 square feet in 2005, to about 46,000 square feet in 2010¹. While these data are the latest presently available through FMI, SymphonyIRI Audit Data indicates that this downsizing trend has continued.

Between 2010 and 2012, average linear footage allocated to scannable CPG items declined 1.1%. In addition to the aforementioned store sizing trends, this figure is being influenced by an increasing

prevalence of non-scannable premium space, such as banks and coffee shops within the grocery environment.

As illustrated in the chart at the top of this page, space allocation trends vary quite drastically across CPG departments. Certain center store departments, such as general merchandise and non-edibles (which includes many home and baby care categories), have seen space allocation drop considerably.

Meanwhile, the edibles department, which includes a variety of center store categories, such as bottled water, shelf

stable dinners, and gum, is seeing linear footage increase. Space allocation also increased in dairy.

Shifts in this area underscore an important battleground in the center store marketplace—the battle for shelf space. Retailers are keenly aware that space is at a premium, and that using that space wisely—i.e., in a way that best meets the needs of their core shoppers—is the key to on-going success in the quest for share and loyalty.

Conclusions: CPG Manufacturers

Manufacturers seeking to protect and grow share across center store should explore the following action items:

- Continually assess new growth opportunities and threats
 - Analyze share shifts (both inside and outside the CPG marketplace) on a monthly basis to identify and understand emerging opportunities and risks
 - Deepen traditional marketing efforts with segmentations that provide a 360-degree view of the shopper at a granular level
 - Understand trip mix for your categories and brands, as well as alignment with trip strategies of key retailer partners
 - Monitor innovation inside and outside the packaged goods arena for new technologies and ideas that may be suitable for application in key categories/brands
- Explore feasibility of collaborative marketing and merchandising plans
 - Work to secure optimal shelf space and placement by demonstrating category/brand value in basket building
 - Partner with key retailers to create effective product groupings and platform-based solutions that will meet the needs of the core shopper base in each market/store
 - Merchandize and co-promote products with high purchase incidence in targeted trip types; include complementary products in these efforts
- Closely measure and monitor strategy execution
 - Measure actual and projected sales growth in the aggregate, across consumer segments and by store following new product, pricing and merchandising strategy introduction before and frequently following roll-out

Conclusions: CPG Retailers

Retailers seeking to protect and grow share across center store should explore the following action items:

- Continually assess new growth opportunities and threats
 - Analyze share shifts (both inside and outside the CPG marketplace) on a monthly basis to identify and understand emerging opportunities and risks
 - Create a memorable total shopper experience by clustering stores based on core shopper characteristics, then design assortment, store layout, pricing structures and promotional programs that will align with the characteristics of each market's shopper base
 - Identify current and desired trip mix for your stores; ensure assortment, promotions and adjacencies are in alignment with current and desired trip missions

- Explore feasibility of building collaborative marketing and merchandising plans with key manufacturer partners
 - Ensure that assortment and store layout are reflective of purchase patterns associated with key trip missions
 - Partner with key manufacturers to create effective product groupings and platform-based solutions that will meet the needs of the core shopper base in each market/store
 - Merchandize and co-promote products with high purchase incidence in targeted trip types; include complementary products in these efforts

- Closely measure and monitor strategy execution
 - Measure actual and projected center store category contribution to total store sales and profits across consumer segments at the store level
 - Carefully test pricing, promotion and merchandising changes prior to and immediately following program roll-out

Center Store: Driving Growth from the Inside Out

Success Story: Baking Products Leader Doubles Distribution at Walmart

The Challenge

A leading manufacturer of baking ingredients was included in a select group of Walmart suppliers invited to provide insight into the current state of baking aisle categories and contribute to recommendations for the upcoming three to five year strategic plans.

The challenge was to provide Walmart with a complete analysis of the scratch baking aisle consumer segment, concentrating on areas of shopper focus including:

- Purchase drivers and dynamics
- Key retailer preference drivers
- Barriers to entry within aisle
- In-store insights and conversion tactics
- Aisle adjacency opportunities
- Unmet gaps around category seasonality and merchandising opportunities

The SymphonyIRI Approach

SymphonyIRI's Customer Advantage solution is a custom, Walmart-focused shopper insights portal. The manufacturer utilized this solution to provide valuable analysis through Walmart's operational lens, which consists of product hierarchies, geographies, shopper segments and trip types. Customer Advantage also allowed the manufacturer to leverage SymphonyIRI's Consumer Network™ panel of 100,000 households, showing what Walmart shoppers actually buy.

The manufacturer sought to uncover insights about shopper switching behavior,

including changes between brands and outlets across regions.

Customer Advantage provided insights that examined the state of the Walmart baking aisle and identified purchase behavior trends to provide tactical and strategic recommendations.

The Results

Walmart accepted the recommendations that were derived from Customer Advantage insights and allowed for broader distribution by the manufacturer. The incremental distribution led to dramatic results. After implementing many of the recommendations, the manufacturer's average weekly ACV nearly doubled from 46% to 88% for some of the manufacturer's key items in a 21-week period versus one year ago.

Through the Customer Advantage platform, the manufacturer identified opportunities to convert more shoppers across all baking aisle categories at Walmart. Specifically, for one dessert mix sub-category, the manufacturer analyzed outlet switching by region to find volume loss both to competitive channels and consumption changes among existing Walmart shoppers.

Manufacturer analysts translated these key conversion findings into actionable recommendations and presented detailed near-, medium- and long-term optimization plans for the baking aisle to Walmart. The plan improved total aisle

The manufacturer's average weekly ACV nearly doubled from 46% to 88% in a 21-week period versus one year ago.

relevance and capitalized on unconverted shoppers to increase market share in a highly visible portion of the store. Strategies successfully addressed optimizing aisle and modular flow for important categories and combating competitive volume loss by bringing unconverted shoppers back to the baking aisle.

The Benefits

Customer Advantage gave the manufacturer a competitive edge. Since implementing its new plans and seeing initial success, the manufacturer's baking mixes have gained greater product distribution and better shelf placement at Walmart.

Using Customer Advantage, the manufacturer assisted Walmart in the development of its 2013 baking aisle strategy and contributed to a SWOT analysis designed to uncover new areas of competitive focus. Most importantly, Customer Advantage improved the manufacturer's relationship with Walmart and opened the door for improved joint business planning and collaboration in the future.

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Appendix: Center Store Aisles

The following SymphonyIRI Market Advantage™ aisles are included in *Center Store*:

<p>Beauty Care</p> <ul style="list-style-type: none"> • Cosmetics • Fragrance • Grooming Supplies • Hair Care • Personal Cleansing • Shaving • Skin Care 	<p>General Food (cont'd)</p> <ul style="list-style-type: none"> • Condiments & Sauces • Cookies & Crackers • Ethnic • Meals • Snacks • Shelf Stable Fruit • Shelf Stable Vegetables 	<p>Home Care</p> <ul style="list-style-type: none"> • Air Fresheners • Household Cleaning • Laundry
<p>Beverages</p> <ul style="list-style-type: none"> • Carbonated Soft Drinks • Coffee & Tea • Drink Mixes • Juices • Non-Fruit Drinks • Sports/Energy Drinks • Water 	<p>General Merchandise</p> <ul style="list-style-type: none"> • Automotive • Barbecue • Disposable Tableware • Electronics/Photography • Foils, Wraps & Bags • Hosiery • Household Plastics/Storage • Miscellaneous General Merch. 	<p>Health Care</p> <ul style="list-style-type: none"> • Baby Care • Family Planning • Feminine Products • First Aid • Health Remedies • Mouth Care • Nutrition/Weight Loss • Other Health Care Products
<p>General Food</p> <ul style="list-style-type: none"> • Baby Food • Bakery • Baking • Breakfast • Candy 	<ul style="list-style-type: none"> • Office/School Supplies • Paper Products • Pest Control • Pet Care • Water Treatment 	

Resources

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

SymphonyIRI Market Advantage™

Powered by SymphonyIRI Liquid Data, Market Advantage enables better, faster decisions with a broader level of marketplace insight than ever before by delivering all edible and non-edible categories in multiple business views, ranging from total store, departments and aisles, to eating occasions, corporate portfolio and brand franchise—all drillable to the individual UPC level, as well as the ability to customize category definitions and detailed product segmentations.

SymphonyIRI Customer Advantage™

Customer Advantage is a strategic partnership between SymphonyIRI and Walmart that provides next-generation shopper insights and a collaborative planning platform between Walmart and its manufacturers. This dedicated retail portal delivers Walmart-focused shopper insights using Walmart's own operational lens, including Walmart-defined shopping trips, food shopper segments, product hierarchies and geographies.

SymphonyIRI In-Store Solutions Group

SymphonyIRI's In-Store Solutions Group offers audit-based services that deliver detailed distribution, placement, facing, space allocation and display performance information to help you understand the key in-store drivers of your product's performance.

SymphonyIRI Consumer Network™

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

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

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

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