Times & Trends

CPG 2010 Year in Review:
Out of Turmoil Rises Opportunity

FEBRUARY 2011

SymphonyIRI Group

Insight.
Innovation.
Impact.

Do You Hear What I Hear?

Listen for a moment. Do you hear that? The bustling in the streets. The clickity clanking of grocery carts. Do you see it? The packed mall parking lots. The long lines in grocery stores. More new cars paraded on freeways. Could it be, dare we say it, the sights and sounds of an economic recovery? Some have begun to breathe a sigh of relief with news of "The Great Recession" officially ending in mid-2010, but is it premature?

In 2009, consumers deserted shopping malls and car dealerships in droves to spend wisely and save. While this conservative spending mindset has stuck with many consumers, others increased spending at least somewhat during 2010. Certainly, several key measures indicate that the economy has improved. The Bureau of Economic Analysis recently estimated that real gross domestic product increased at an annual rate of 3.2 percent in the fourth quarter of 2010, a reflection of positive contributions from personal consumption expenditures (PCE), exports, and nonresidential fixed investment. Additionally, the Consumer Confidence Index jumped to 60.6 in January 2011, the highest level since May 2010, albeit still below a healthy reading (an overall reading above 90 indicates the economy is solid, and 100 or above indicates strong growth).

Furthering these insights, this month's Times & Trends explores economic, channel, department and category performance during the past year. It outlines that under the banner of fiscal responsibility, conservative shopping behaviors that initially emerged in response to the economic downturn are expected to prevail throughout 2011 and perhaps, beyond.

As the country slowly emerges from The Great Recession a key trend is developing: competition for share of consumer spending is intensifying and as a result, these days, one decade's Goliath can easily become another's helpless giant. More than ever it's critical for CPG marketers to heighten their understanding of the nuances behind today's trends, and then communicate with shoppers on a very intimate level by complementing traditional online and print marketing strategies with new communication mediums, such as social media and smartphones/mobile devices. In doing so, savvy marketers will achieve new heights in dollar and unit share uplift, while fortifying relationships with an ever-increasing number of shoppers.

To effectively compete in an unpredictable economy, CPG and retail companies should consider the following action items:

- Identify discrete shopper microsegments
- Identify opportunities and risks of serving each
- Evaluate pricing, promotion and merchandising strategies
- Explore opportunities to enhance product assortment
- Create new strategies for collaboration throughout the entire value chain

There is light at the end of the tunnel and SymphonyIRI agrees that the economy is on its way to a new big "R" – recovery. Utilizing key analyses from SymphonyIRI, CPG marketers can quickly gain insight into opportunities across specific categories, consumer segments, channels or retailers.

As with all trends, reasonable people can read and analyze the same numbers in different ways. As always, we invite your opinions, thoughts and insights.

John A. McIndoe
Senior Vice President, Marketing
SymphonyIRI Group

Executive Summary: Turning Insights Into Action

INSIGHT	ACTION
Though the economy remains difficult and consumers are quite guarded in their attitudes and behaviors vis-à-vis grocery shopping, the CPG industry showed signs of rebound in 2010, with gains coming across a range of channels, departments and categories	Leverage frequent and granular shopper insight and market analyses to uncover economic shifts at the most granular level, as well as the associated impact of these shifts on consumer attitudes and behaviors
The drug channel demonstrated strong performance across a majority of CPG departments in 2010; while noteworthy gains were achieved in food and beverage related departments, the beauty and personal care department did not fare as well	Re-assess channel and retailer-level share shifts to ensure assortment, inventory levels and distribution strategies are reflective of current and evolving trends
Several CPG categories experienced healthy growth in 2010, driven largely by new product introductions	Look across all CPG departments and categories for new technologies, ingredients, and concepts, and continually assess feasibility of integrating these features into key products and/or brands
Private label performance in 2010 was mixed, with overall share sliding 0.5 unit share points for the year; channel, department and category-level performance varied rather significantly during this timeframe	Continually monitor private label performance across key channels, retailers, and categories to identify opportunities to protect and grow share across your own national or private label categories, products, and brands
In 2011, CPG marketers will find opportunity to grow in serving consumers' conservative rituals and in partnering with consumers on their quest to achieve and maintain a heightened state of health and wellness	Invest to understand the needs and wants of key and target shoppers at the individual household and store level; use this intimate knowledge as the foundation for all new product development and go-to-market strategies

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Introduction

For nearly two years, U.S. consumers have grappled with a wide range of financial woes. The stock and credit markets have been in weak and volatile conditions. Food and energy prices skyrocketed and then ebbed. Unemployment increased sharply, and consumer savings plummeted.

The packaged goods industry felt significant effects from the country's recessionary conditions. Detailed in SymphonyIRI's 2009 CPG Year in Review, the industry contended with higher-than-average price increases for much of 2009; prices didn't subside until well into the second half of the year. Sales trends for the year were in negative territory.

Consumers were intently focused on saving money through at-home, from-scratch meal preparation and self-administered health and beauty care, and categories catering to these important rituals were among the strongest performing in 2009.

Private label share gains cut across nearly all CPG departments as consumers sought out lesser-costing alternatives to everyday CPG needs.

Price and promotion strategies became more prevalent and aggressive as CPG marketers vied for share of limited consumer dollars.

Many of these conditions persisted well into 2010. But, 2010 marks the year that the United States officially emerged from The Great Recession, the longest and deepest recession to hit this country since The Great Depression. And, certainly, the economy has shown signs of improvement.

In 2010, the CPG industry also demonstrated signs of improvement. On average and across CPG channels, unit sales declines slowed markedly, virtually flattening. Some channels, departments and categories saw sales trends turn positive for the first time in over five quarters.

Throughout the year, CPG marketers proactively sought to influence consumer purchase behavior. Competition for share of food and beverage spending heated up as drug and supercenter channels upped their investment to successfully compete in these categories. National brand manufacturers embraced a range of strategies to protect and grow share versus private label competition and each other.

As 2011 unfolds, the CPG industry will continue to serve a very conservative consumer base. Inflating prices will add a layer of complexity to the already difficult task of balancing the value proposition versus margin and share goals.

Still, it is a time of opportunity for CPG marketers. Consumers are relying heavily on the CPG industry to satisfy a wide range of daily needs, from food and beverage needs to health and home care needs.

To capitalize on these opportunities, CPG marketers must act with a clear and *precise* understanding of the changing attitudes, needs and behaviors of their most important shopper and target segments.

This issue of Times & Trends explores economic, channel, department and category performance throughout the past year. The report is intended to help CPG marketers understand market opportunities and risks by benchmarking performance versus the industry, and act on this knowledge with confidence and agility.

Savvy CPG marketers will leverage this information as the foundation for bringing their understanding of key consumers to a new, more precise level. That is precision made possible through shopper marketing.

The time for this shopper-centric approach to CPG marketing is now. While initial investment is more substantial, the return on this investment will be significant. Marketers taking this analysis driven, technology-enabled approach will emerge from the post-recession environment with not only increased sales and share of spending, but also stronger customer loyalty and long-term improvements to overall business health.

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Economic Overview: 2010 Performance/ 2011 Projections

Economic Measure	2008	2009	2010	2011p
GDP (% chg)	2.2%	-1.7%	3.8%	4.7%
Unemployment (%, SA)	5.8	9.3	9.6	9.5
Consumer Price Inflation (% Chg)	3.8%	-0.3%	1.6%	1.5%
Retail Sales (% Chg)	-1.0%	-6.3%	6.5%	6.4%
Residential Permits, Total (Mil)	3.6	2.3	2.4	3.7

Source: Moody's Economy January 2011

Economic Snapshot
2008-2011

The Great Recession officially ended in July of 2010. Certainly, several key measures indicate that the economy has improved.

For instance, gross domestic product, which shrank 1.7% in 2009, rebounded quite nicely in 2010, reaching 3.8%. Retail sales, which also plummeted in 2009, staged a comeback in 2010 as well.

But, all indicators are not favorable. The unemployment rate continued to climb in 2010, inflation rebounded, and residential building permits remained largely stagnant.

Equally as important, though, is consumer sentiment. Indeed, 38% of consumers feel that their economic situation has deteriorated during the past year[1].

As a result of economic and personal financial conditions, the packaged goods industry struggled against extremely conservative consumer behaviors in 2010.

Consumers reduced and/or eliminated non-essential purchases. They approached CPG shopping in a very deliberate and measured manner.

By Moody's estimates, the economy will slowly improve in 2011. GDP is expected to see accelerated growth, building permits are expected to rise, and unemployment is projected to ease ever so slightly.

Consumer expectations are less optimistic, with 40% of consumers predicting that the economy will fail to improve in the next six months. On a more personal level, 33% of consumers feel that their own financial situation will get worse in 2011.

For the packaged goods industry, indications are for 2011 to be a challenging year. The U.S. Department of Agriculture (USDA) estimates that food-at-home prices will increase 2.0%-3.0% in 2011, a rate which outpaces the average index of consumer prices. Some food and beverage segments are expected to see higher levels of inflation.

Consumers will remain quite conservative, and they will hold onto many of the behaviors they adopted in the early stages of the recession.

Competition for share of grocery spending will intensify as CPG retailers continue to evolve their assortment, pricing and promotion strategies.

[1] SymphonyIRI, Economic Update Survey January, 2011

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Industry Performance: Total CPG Growth Trends

More than one-quarter of consumers are having difficulty affording their weekly groceries, and detailed earlier in this report, consumer sentiment regarding the current and immediate future state of the economy is mixed[1].

As a result, conservative shopping behaviors that initially emerged in response to the economic downturn remain quite pervasive. They are expected to prevail throughout 2011 and, perhaps, beyond.

Given the difficulties of the past couple of years, the CPG industry is performing at a respectable rate. At a high level, the CPG industry posted a rather flat year in 2010, with unit sales slipping slightly, -0.3%, and dollar sales inching up by the same amount.

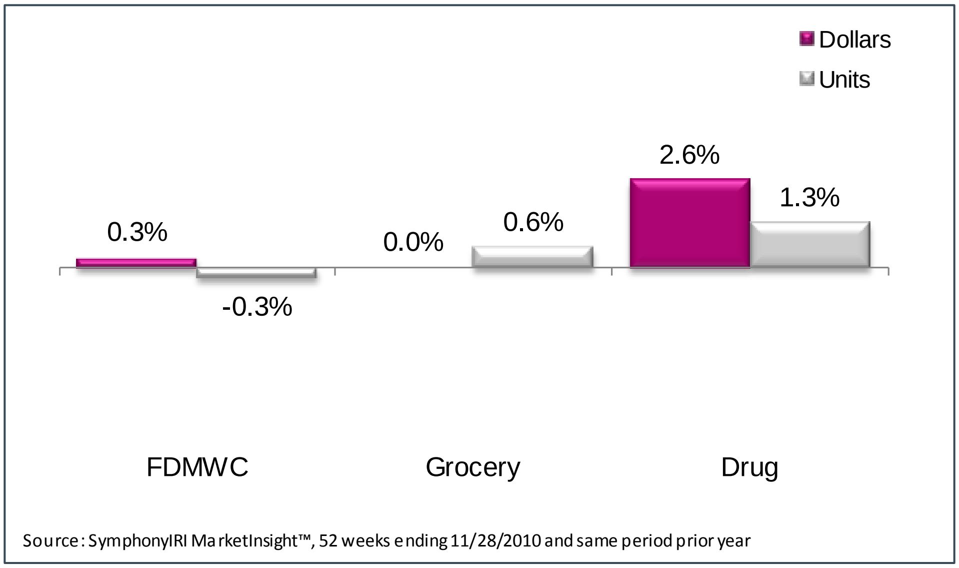
A look at performance across some CPG channels shows sales beginning to demonstrate signs of positive growth. The grocery channel, for instance, saw positive traction for the year, with unit growth of 0.6% over prior year.

The strongest performance is seen in the drug channel, where unit sales climbed 1.3%. Early in the recession, drug stores saw increased traffic from shoppers shifting focus to quick and fill-in trip missions rather than larger pantry-stocking missions.

Detailed in SymphonyIRI's August issue of Times & Trends, trip growth within the drug channel continues to outpace competing channels.

Meanwhile, drug channel marketers are upping their game. Food, beverage and private label offerings are being expanded. Merchandising and promotional support is strong and growing.

The pages that follow illustrate these strategies and other strategies being employed by CPG marketers across retail channels, as well as the impact that these strategies are having on growth and share trends. Preferred tactics are varied, but one thing is for sure: competition for share of consumer spending is intensifying.



CPG Industry Sales, % Change versus Year Ago
Grocery, Drug, Mass & Convenience (including Walmart) and By Channel
2010 vs 2009

[1] SymphonyIRI, Economic Update Survey January, 2011

Industry Performance: Channel Share Shifts

Grocers still hold the lion's share of overall CPG spending. More than 98% of households shop in the grocery channel, and the channel holds just under 50% share of total CPG spending.

Grocery share of CPG spending remained unchanged between 2009 and 2010. This flat year-over-year trend marked the end of a multi-year share slide.

But grocers must continue to hone their marketing skills. Competition for share of grocery spending is intensifying rapidly.

Share growth was strong in the drug channel during the past year. The channel touts penetration of 77% and currently holds 6% share of CPG spending.

The drug channel has long been heralded as a destination location for the purchase of health and beauty care products, but, in more recent months, the channel has greatly increased focus on expanding food and beverage offerings.

For instance, Walgreens recently announced that it will expand food and beverage offerings in all of its stores. Some stores, particularly stores in areas classified as "food deserts" will see the addition of up to 500 food and beverage items.

Similarly, CVS/Pharmacy is also working to expand food offerings. Last year, the retailer redesigned 200 of its urban

	Channel Share 2010	Share Point Change 2010 v 2009	Share Point Change 2008 v 2007
Grocery	49.4%	+0.0	(0.5)
Drug	5.5%	+0.6	+0.3
Mass Merchandise	5.8%	(0.2)	(0.6)
Supercenter	18.6%	(0.2)	+0.7
Club	9.4%	0.0	+0.4
Dollar	1.7%	+0.1	+0.1
Convenience	1.3%	0.0	(0.1)
Walmart**	20.0%	(0.6)	+0.3

Source: SymphonyIRI Consumer Network™, 52 weeks ended 12/19/2010 and same period prior year
* Across SymphonyIRI InfoScan® Reviews Categories ** Walmart, including Neighborhood Markets
Note: Share will not total to 100% due to inclusion of Walmart within Mass and Supercenter channels in addition to separate breakout

All Outlet CPG* Dollar Share Shifts

locations to allow for a larger assortment of food and beverage offerings. The renovations continue, and expectations are for more than 1,000 of its 7,100 locations to receive a similar makeover when all is said and done.

The dollar channel is also stepping up efforts to win share of food and beverage spending. Detailed in SymphonyIRI's August 2010 issue of Times & Trends, several major dollar store retailers are broadening food and beverage assortments in an effort to capitalize on consumers' increased home-based eating behaviors.

Efforts by dollar retailers have been well received, and the channel share of CPG spending inched up during the past year.

Home-based eating rituals are expected to remain strong throughout 2011 due to an unsettled economic environment, the return of inflationary pricing trends and lingering conservativism.

As competition for share of spending intensifies, CPG marketers must heighten their understanding of the nuances behind the trends, then communicate with shoppers on a very intimate level. Those marketers best able to address consumers' most pressing wants and needs will win share of spending today and fortify relationships that will outlast the economic downturn.

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Category & Department Growth Trends: Department Level Growth Trends

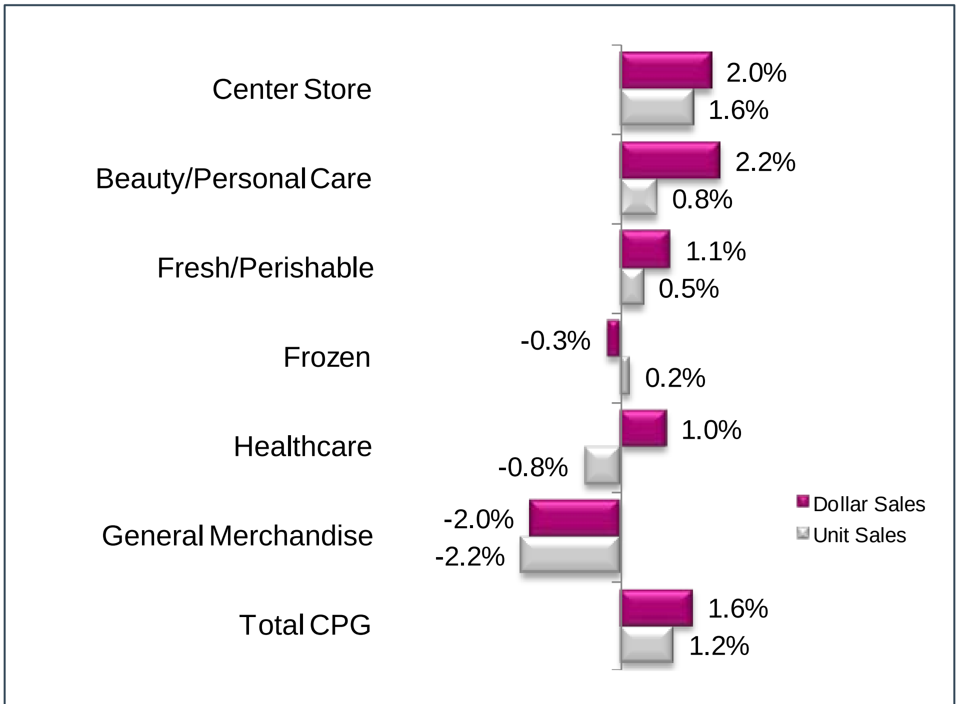
CPG growth is being influenced by a number of factors. Positive influencers include key consumer rituals, such as home-based eating and drinking and self-reliant health and beauty care.

Above-average growth across center store categories illustrates the power of these rituals. This department is home to several of the fastest growing categories of the year, including ready-to-drink coffee/tea, energy drinks and sports drinks. Top growing CPG categories are explored in greater detail on the pages that follow.

Growth is also evidenced across meal-related categories in the fresh/perishable and frozen foods departments. Frozen prepared vegetables and refrigerated lunches are among the strongest-growing categories in those departments.

Similarly, consumer focus on bringing small treats into the home in order to save while indulging is driving growth across categories such as cheesecake and frozen novelties.

While average beauty and personal care department unit sales growth lagged industry average by a small amount, dollar sales grew more quickly than the industry as a whole and versus other CPG departments. Dollar sales growth is being driven largely by increases in average price per volume across several key beauty and personal care categories,



Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year

Department Level Dollar & Unit Sales
% Change versus Year Ago
Grocery, Drug, Mass & Convenience (excluding Walmart)
2010 vs 2009

including blades, and eye and facial cosmetics. Influencers of beauty and personal care price increases will be discussed later in this report.

Unit sales growth within the beauty and personal care department was driven by categories that deliver against self-reliant care trends. Among the fastest growing categories, for instance, are nail and eye cosmetics, suntan products, and hair coloring.

The most prevalent negative influencer of CPG growth, of course, is the economy and associated attitudes and behaviors.

High levels of promotional activity, which seek to mediate those negative influencers, are excerpting a downward pressure on dollar sales trends. Margin is also feeling the strain.

Discussed in the January 2011 issue of Times & Trends, CPG marketers must rewire not just promotional strategies, but also everyday pricing strategies in an effort to wean consumers off of their current fixation on “sale shopping.”

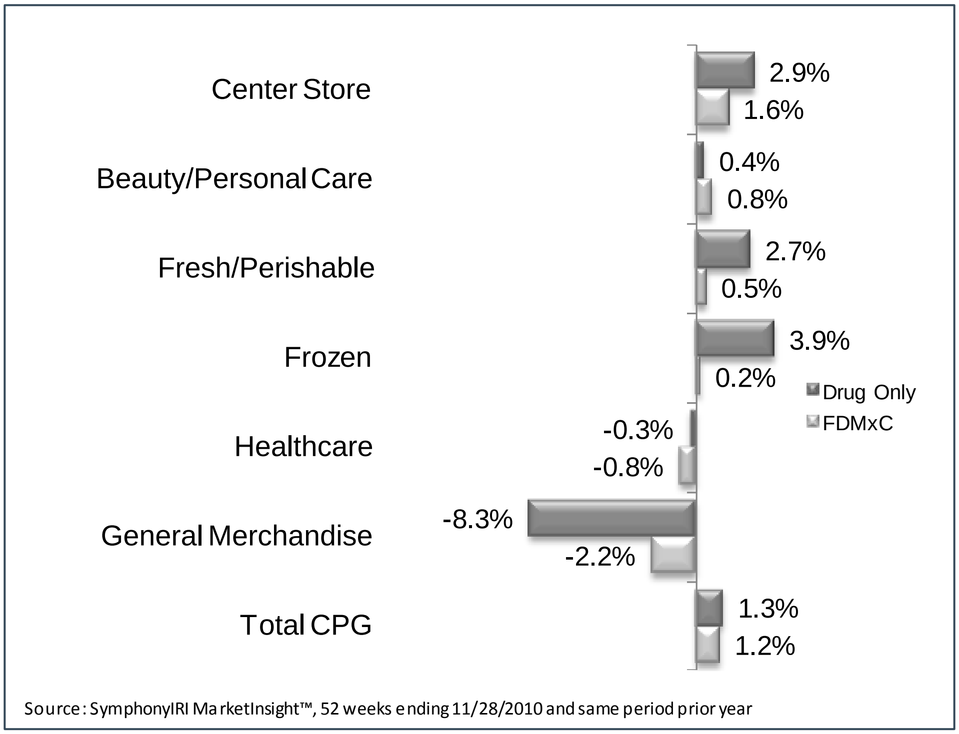
Category & Department Growth Trends: Drug Channel Growth Trends

Mentioned earlier in this report, drug channel growth outpaced industry average during the course of the past year. Strength was evidenced across a majority of CPG departments.

Whereas food categories are doing great at drug, the channel lagged industry average in two departments: beauty and personal care, and general merchandise. Beauty and personal care is a long-standing strong-hold for the drug channel, making underperformance in this area noteworthy.

Within the channel, beauty and personal care unit sales grew 0.4% during the past year. But, eye and facial cosmetics, two important beauty and personal care categories, saw drug channel unit sales slide during the period. Meanwhile, these categories grew across some competing CPG channels.

The general merchandise department has been struggling against declining unit sales during the past several months as consumers prioritize purchases, reducing and eliminating purchases that are not absolutely essential in an effort to reduce CPG spending. Categories such as batteries and writing instruments have seen drug store unit sales slide much more sharply versus declines in competing channels.



Department Level Unit Sales
% Change versus Year Ago
Grocery, Drug, Mass & Convenience (excluding Walmart) vs Drug Channel
2010 vs 2009

Across food-related departments, drug channel performance was strong. Mentioned earlier in this report, much of this success is attributable to intensified retailer efforts around expanding and aggressively pricing and promoting food and beverage offerings. These efforts are well-timed, as consumers are allocating spending carefully in order to reduce overall spending and substantial one-time outlays. Trips and spending trends will be discussed in greater detail on the pages that follow.

But, competition in the food and beverage arena is intensifying. Drug is not the only channel looking to expand their strength in this area. Target, for instance, has invested heavily in the past year into expanding their grocery presence. The retailer presently offers groceries in about one-quarter of outlets, and plans are for many of these stores to expand their offerings in the future. Additionally, plans call for an additional 400 stores to offer grocery items by the end of this year[1].

[1] New York Times, January 16, 2011

Category & Department Growth Trends: Top Ten Category Growth

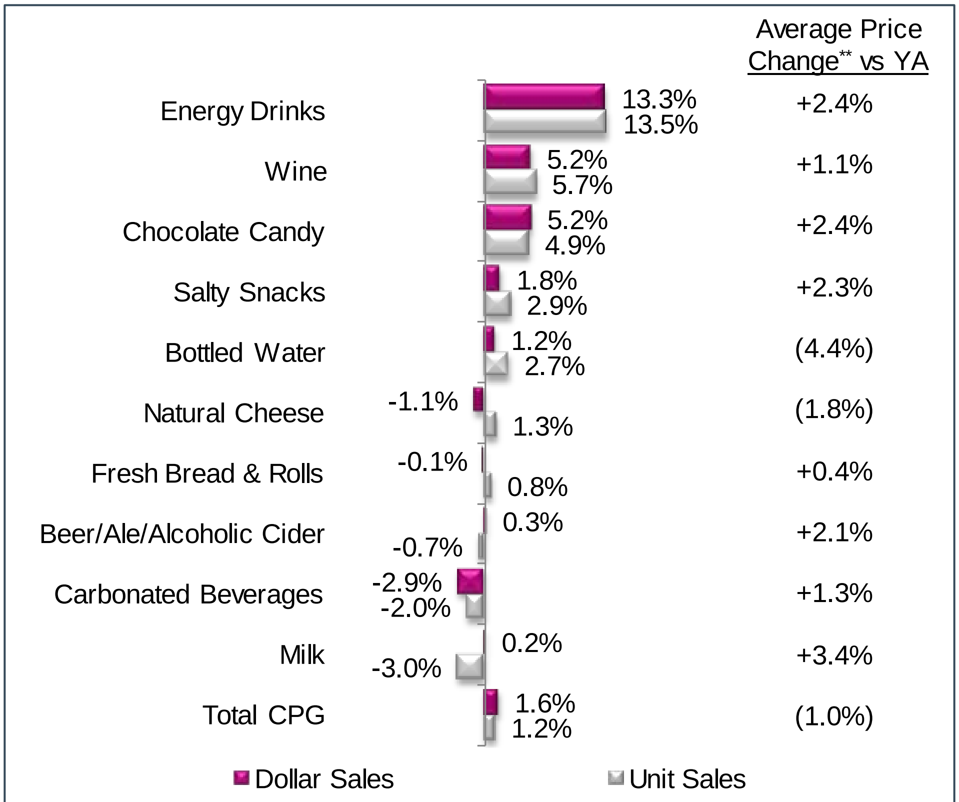
Performance across the ten largest CPG categories was mixed but largely positive during the past year. Five of the largest ten categories saw unit sales increase on par or more quickly versus industry average.

Growth was particularly strong in the energy drinks category. This category posted exceptional growth during the past year, receiving a significant boost from energy shot sales in the convenience channel. In fact, Venom Energy Drinks, launched at the end of 2008, achieved SymphonyIRI New Product Pacesetter status in 2009. And, SymphonyIRI New Product Pacesetters within the convenience channel included several energy drink brands, with Rockstar Roasted leading the way.

Milk category unit sales slid 3% in 2010, continuing a multi-year contraction. But, dollar sales inched back into positive territory, bolstered by a 3.4% increase in average price per volume for the category.

This escalation of milk prices followed a major moderation in promotional activity and pricing strategies that had been widely embraced in the 2008/09 time period in early efforts to turn the multi-year negative trends around.

Bottled water experienced a reversal in multi-year negative growth trends.



Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year

*Among top 100 SymphonyIRI categories based on dollar sales, excludes cigarettes. **Average price change based on price per volume analysis.

Top 10 Categories* Dollar & Unit Sales
% Change versus Year Ago
Grocery, Drug, Mass & Convenience (excluding Walmart)
2010 vs 2009

In 2010, the bottled water category climbed at an above-average rate, with unit sales up 2.7% for the year. Dollar sales grew 1.2% for the period, despite an decrease in average price per volume of 4.4%.

Chocolate candy and salty snacks each saw unit sales climb at above-average rates in 2010 despite rather significant price increases.

These categories definitely benefitted from consumers' home-based eating rituals, and from high levels of promotional support. These trends and others will be explored in greater detail in SymphonyIRI's soon-to-be-released annual State of the Snack Industry report.

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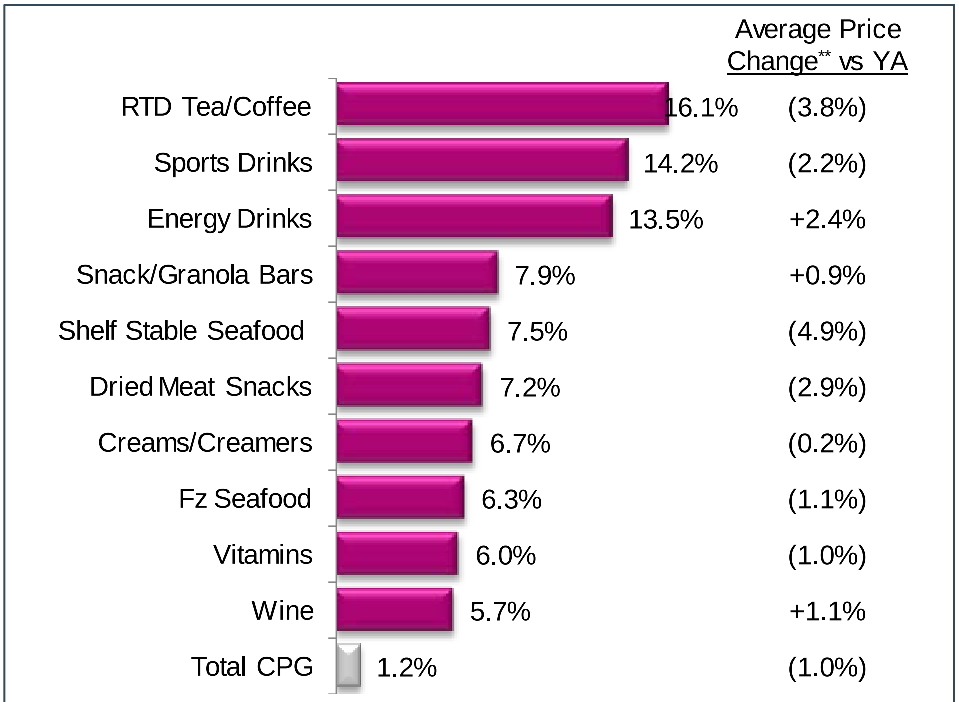
Category & Department Growth Trends: High Growth Categories

Virtually all of 2010's fastest-growing categories are illustrative of consumers' stepped-up at-home and from-home eating rituals. A notable exception to this is the vitamins category, which experienced unit sales growth of 5.7% for the year, well above the industry average of 1.2%.

The vitamins category has been a bit of a standout throughout much of the economic downturn. Certainly, this category plays a vital role in helping consumers achieve health and wellness goals. And, during the past several years, maintaining a state of wellness has been a central means of saving money for many consumers.

Additionally, during the past several years, the vitamins category has seen a great deal of innovation. Sundown Naturals, for instance, was one of the top-selling new non-food products of 2009. Targeted products, such as Centrum Men's and One-A-Day Menopause, have also served to drive category growth.

The three most rapidly growing categories are beverage categories. Each of these categories, ready-to-drink coffee/tea, sports drinks and energy drinks, saw unit sales outpace industry average and most other CPG categories by a wide margin. For energy drinks and ready-to-drink coffee/tea, growth within the convenience channel was particularly strong. Sports drinks also did well in the channel, with unit



Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year
*Among top 100 SymphonyIRI categories based on dollar sales, excludes cigarettes. **Average price change based on price per volume analysis.

Top 10 Growth* Categories Unit Sales
% Change versus Year Ago
Grocery, Drug, Mass & Convenience (excluding Walmart)
2010 vs 2009

sales increasing 11%. But, growth in convenience stores was below that seen in grocery, where unit sales climbed nearly 20%. On average, sports drink unit sales climbed just over 14% for the year.

Seafood, both shelf stable and frozen, outpaced industry average in 2010, too. An important meal component, seafood is benefitting from at-home eating trends as well as consumers' stepped up focus on eating more nutritiously.

Additionally, these categories were heavily promoted in 2010, with each getting close to half of sales volume with some type of merchandising support. In fact, merchandising support, particularly feature support, increased in both categories during 2010 as marketers sought to reach consumers in the home with important value messages.

Category & Department Growth Trends: Drivers of Growth- Healthcare

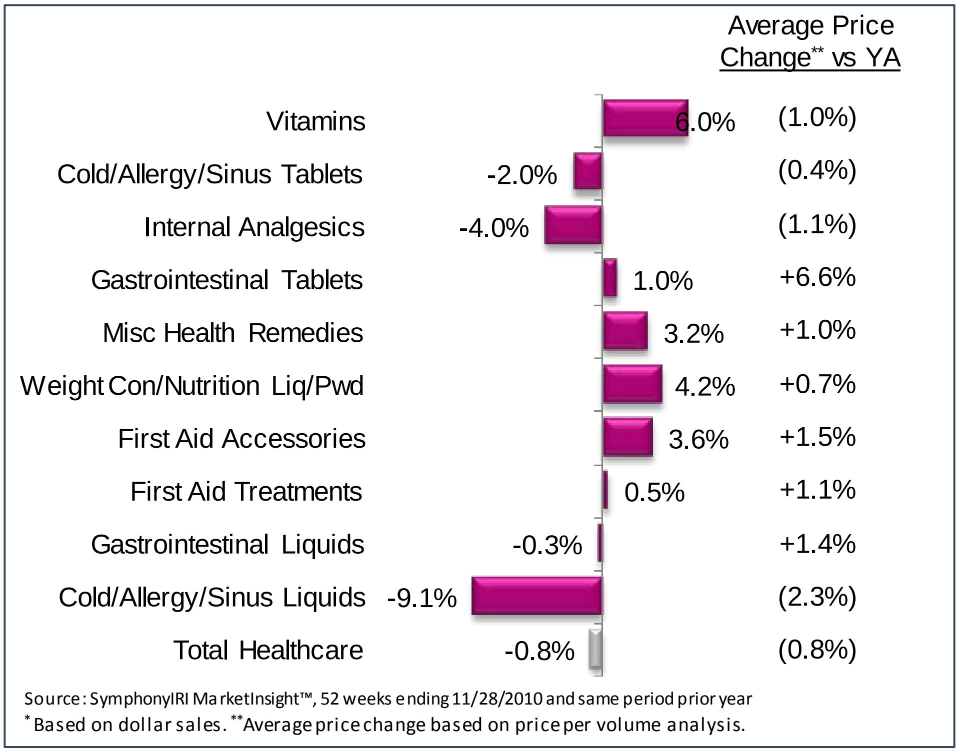
Detailed in SymphonyIRI's 2010 State of the Industry report, published in the fall of 2010, the over-the-counter (OTC) medication industry is facing a range of conservative purchase behaviors that are excerpting downward pressure on sales.

Cited in that report, 50% of consumers are purchasing OTC medications only when they are specifically needed rather than preemptively stocking the medicine cabinet. Twenty percent of consumers are trying to make medications last longer, and 13% are seeking more broad-use medications rather than purchasing multiple more targeted products.

The net impact of behaviors such as these was a 0.8% slide in unit sales of healthcare products in 2010. Performance across the 10 largest healthcare categories was mixed for the year, with six categories posting unit sales gains and only three categories seeing larger-than-average declines.

Vitamins was clearly a top performer for reasons discussed earlier in this report. Other above-average performers include weight control/nutritional liquids and powders, first aid accessories and miscellaneous health remedies (which includes a variety of products, such as wart removers, cold sore medications, and hemorrhoid treatments).

Detailed in the OTC State of the Industry report, 37% of consumers are going to the doctor less frequently and self-treating more in order to save money. Each of these categories clearly caters to needs of consumers more widely embracing self-care efforts.



Top 10* Healthcare Categories
Unit Sales % Change versus Year Ago
Grocery, Drug, Mass & Convenience (excluding Walmart)
2010 vs 2009

CPG marketers are aware of opportunity related to self-care. As illustrated in the January 2011 edition of Times & Trends, merchandising support across healthcare products is fairly high. In drug stores, vitamins, for instance, sell nearly two-thirds of volume with merchandising support. In the grocery channel, support is a bit lower, at 47% of volume. While support is significant in both channels, differences in degree of support serve to underscore strategy differences between the two channels. For drug retailers, these high levels of merchandising support seek to leverage vitamins as a trip driver. For grocers, in contrast, this support is a basket-building move.

CPG marketers must continue to build momentum in the area of self-care. Consumers look to CPG companies for guidance. From packaging to promotion, the opportunity to educate and activate shoppers is ripe.

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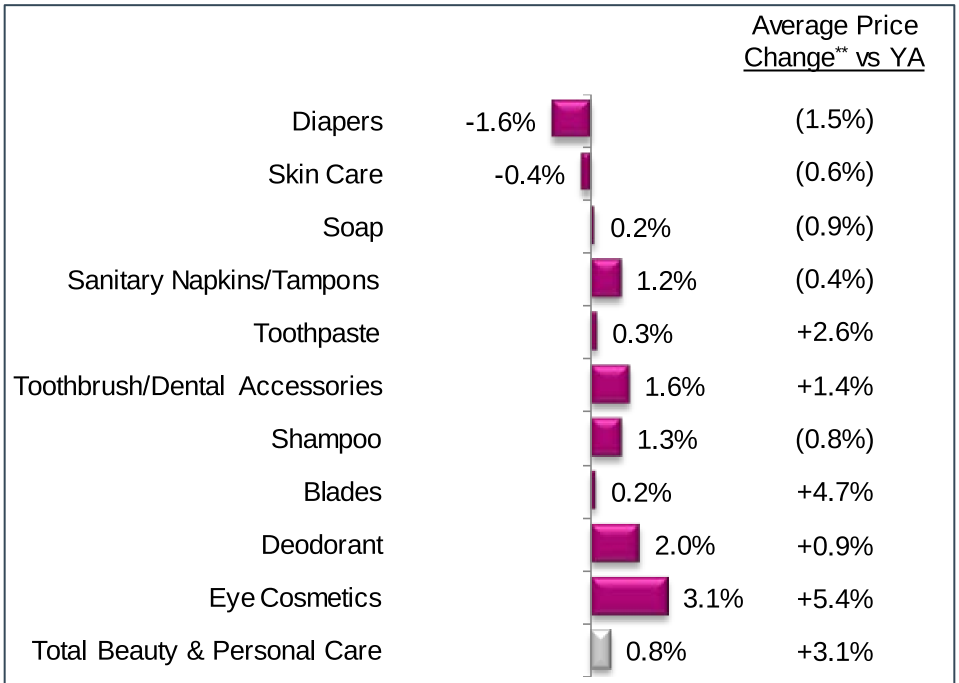
Category & Department Growth Trends: Drivers of Growth- Beauty & Personal Care

In 2010, beauty and personal care turned to creative products and programs that deliver against several key industry trends and bring excitement to the categories in an effort to drive growth in the market. These efforts are seeing some success, as beauty marketers are successfully enticing consumers to trade "up" to more expensive beauty solutions.

New products are playing a key role in addressing the changing needs and wants of today's beauty and personal care shopper. Some products, such as L'Oreal Paris Healthy Look hair color, is offering consumers multiple benefits in a single, do-it-yourself, hair coloring product. Others, such as Sally Hansen's Complete Salon Manicure, are designed to quickly and easily bring professional quality results without the professional price tag.



Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year
*Top 10 Categories based on dollar sales. **Average price change based on price per volume analysis.

Top 10* Beauty/Personal Care Categories
Unit Sales % Change versus Year Ago
Grocery, Drug, Mass & Convenience (excluding Walmart)
2010 vs 2009

Promotional support is another important driver of beauty and personal care product growth. On average, merchandising support increased across the beauty and personal care department. Seven of the top 10 beauty and personal care categories saw merchandising activity increase during this time period.

The largest jump in merchandising activity occurred in the eye cosmetic category, where percent of volume sold with merchandising support increased 3.6 points in 2010. Feature only and price reduction only tactics experienced the biggest jumps during this time, with each category seeing a 1.7 point increase in percent of volume sold with the tactic.

Despite declines in overall category performance, some segments of the skin care category were strong in 2010. For instance, facial anti-aging , facial cleansers and acne treatments each experienced gains in both dollar and unit sales trends. Other segments, such as body anti-aging treatments and facial moisturizers, declined.

In 2011 and beyond, beauty and personal care marketers will continue to operate in a very conservative environment. To succeed despite the challenges, marketers of beauty and personal care products must continue to closely monitor key trends, such as self-care and home-based "professional" treatments, and work to incorporate this knowledge into product development and marketing strategies that will entice incremental purchases and grow category sales.

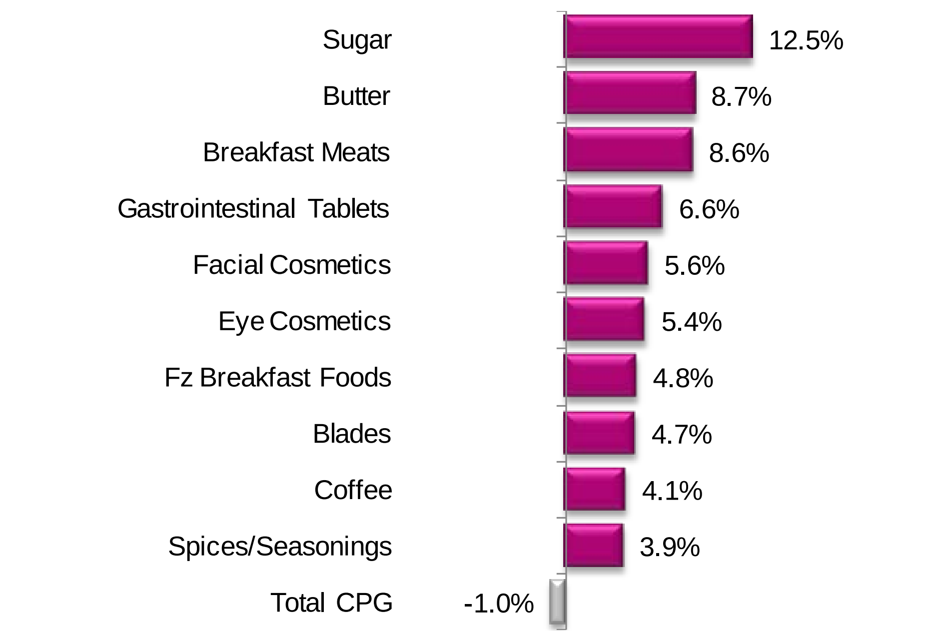
Category & Department Growth Trends: Pricing- High Increase Categories

Illustrated earlier in this report, 2010 marked the return of inflationary trends. On average, food prices increased 0.5% to 1.5% for the year, but some segments saw above-average increases. For instance, pork increased 5.0%-6.0% and, sugar and sweets increased 2.0%-3.0%[1].

As a result of these upward price pressures and other factors, some CPG categories saw rather substantial price increases in 2010. The sugar category was at the top of the high price-increase categories for the year, with average price per volume increases of 12.5%.

Innovation drove price increases in some categories in 2010. Some of these products commanded higher price points, driving average price per volume for the category in a northward direction. Eye and facial cosmetics are among categories that are currently seeing high levels of innovation in premium tier products, such as Maybelline's Eye Studio line and Revlon's PhotoReady Foundation.

Still, on average, packaged goods prices slid in 2010, down an average 1.0% versus the same period in 2009. Many of the price cuts seen in 2010 were the result of high levels of promotional activity, a phenomenon discussed in detail in SymphonyIRI's January 2011 edition of Times & Trends.



Source: SymphonyIRI MarketInsight™, 52 weeks ending 11/28/2010 and same period prior year
* Among top 100 SymphonyIRI Reviews categories, based on price per volume analysis.

Categories with the Largest Price Increases*
Grocery, Drug, Mass & Convenience (Excluding Walmart)
2010 vs 2009

Pricing trends are likely to shift in 2011. Agriculture (USDA) , food-at-home prices are expected to climb 2.0% to 3.0% in 2011, up considerably from the 0.5% to 1.5% rate seen during 2010. Rates predicted for 2011 are in line with historical averages[2].

But, certain sectors, including fish/seafood and dairy products are predicted to face a more rapid escalation in pricing during 2011, with estimates of 3.5% to 4.5% and 4.5% to 5.5%, respectively[3].

With many consumers still struggling to make ends meet on a day-to day basis, the impact of even "normal" levels of inflation will be difficult for many to absorb.

CPG marketers must proceed with caution. Pricing strategies must be well thought out, and reflective of a keen understanding of the price elasticity of demand associated with the category (or categories) in question.

[1] The Food Institute; U.S. Dept. of Agriculture. [2] sic. [3] sic

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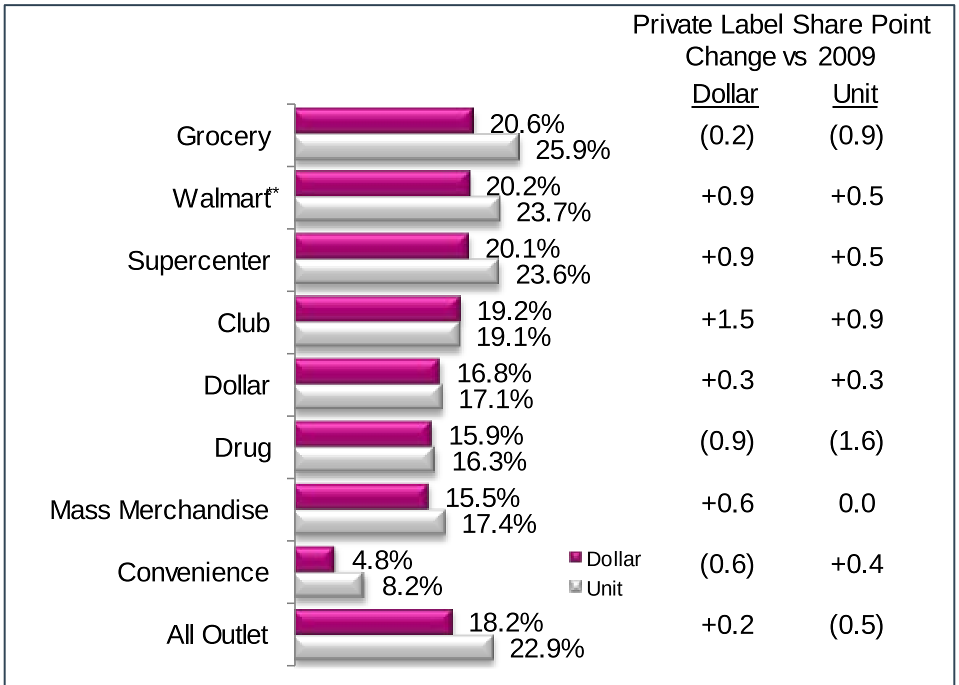
Category & Department Growth Trends: Private Label Share Trends

SymphonyIRI has reported heavily on the important role private label has played in providing lower-cost CPG solutions to consumers during the course of the economic downturn. Indeed, early in the recession, private label made significant share gains across a number of CPG channels, departments and categories.

Today private label accounts for nearly 23% of unit sales and just over 18% of dollar sales across CPG outlets. Share is highest in the grocery channel.

During 2010, private label share trends began to change rather notably. Across some categories, national brand CPG products began to slow or reverse store brand share inroads.



Source: SymphonyIRI Consumer Network™, 52 weeks ended 12/19/2010 and same period prior year
* Across SymphonyIRI InfoScan® Reviews Categories **Walmart, including Neighborhood Markets

2010 CPG* Private Label Share by Channel

Changes were notable at the channel level. Grocery channel private label share gains slipped in terms of both dollar and unit sales. The same occurred in the drug channel. This shift is likely due to several forces, including the re-evaluation and, in some instances, the reversal of strategies embraced earlier in the recession whereby several major retailers reduced national brand assortment in an effort to simplify the shopping experience.

Private label share growth was strongest in the club channel in 2010, driven, in part, by Costco's continued focus on growing private label penetration within its banner.

Private label share also continued to grow in supercenters and in dollar store outlets, as well as within Walmart. These channels, too, continue to focus on expanding private label assortment, though some retailers have reigned in SKU rationalization initiatives which initially sought to reduce assortment of national brands in favor of offering private label more visibility and shelf space.

In the coming year, consumers' focus on private label as a viable option when looking to lower CPG spending will remain strong. According to SymphonyIRI's January 2011 Economic Update, 50% of consumers are buying more store brands these days as a result of economic conditions and many will continue to do so even as conditions continue to improve.

But, national brand focus on mitigating and reversing private label share growth is also strong. In the coming months, the battle for share will be won by those CPG marketers most effectively balancing the need for value against other key shopper desires. This battle will rage on even after the economy makes a full recovery.

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Category & Department Growth Trends: Private Label Share Trends

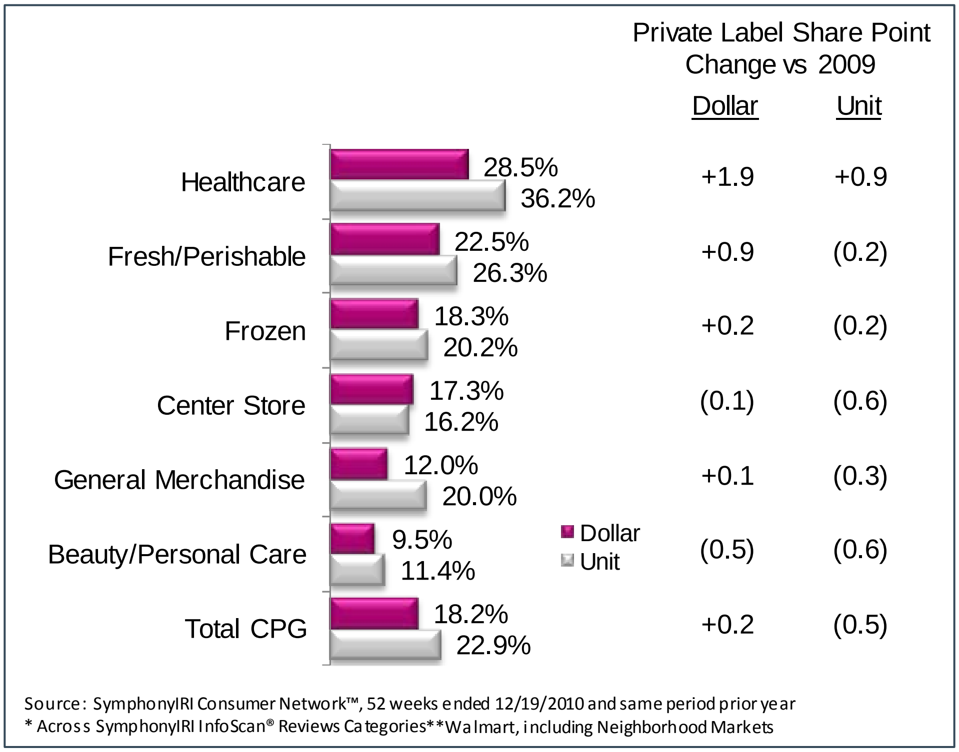
The June 2010 edition of Times & Trends detailed strong private label gains within the healthcare department. Within this department, private label savings over national brand alternatives averages more than 40%. In a difficult economy and in a time when consumers are looking to self-treat for simple ailments in an effort to save money, this type of savings can add up quickly.

Across the remaining CPG departments, though, private label share of unit sales was in negative territory for 2010.

The most dramatic slides occurred within beauty and personal care and center store. In each of these departments, unit sales slid 0.6 points. Certainly, share trends vary at the category level. For instance, private label share of diaper sales climbed 1.3 points during the year. Share of kitchen storage sales climbed even more sharply, surpassing five points for the year.

On the whole, private label share of CPG unit sales slid 0.5 points in 2010. Much of this shift in private label trends is attributable to efforts by national brand manufacturers to protect and grow share across their own key categories and brands.

Mentioned elsewhere in this report, merchandising activity is up across CPG channels and departments. Price-cutting actions are quite prevalent, as well.



2010 CPG* Private Label Share by Department
All Outlet

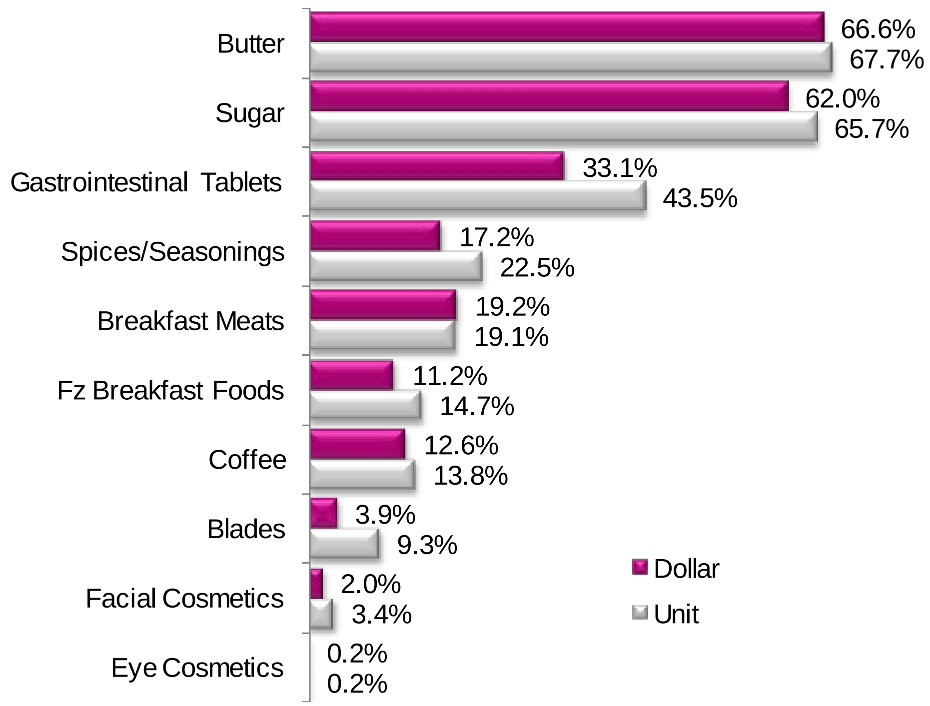
Innovation continues to be an effective means of mitigating private label in-roads. Some manufacturers, including Procter &Gamble, are looking to attract and retain buyers by offering a broader range of national brand CPG solutions. Other value-oriented strategies are also being embraced. For instance, Pantene completely changed its brand architecture to better reflect an understanding of need states and how consumer shop the category.

Promising up-end innovation is also essential. The drive to bring new and effective ingredients/products into the market remains strong despite a difficult economy. SymphonyIRI's upcoming New Product Pacesetters report will highlight the year's most successful innovation, some of which falls into this premium-tier "bucket."

Retailers must understand how the economy is impacting the attitudes and purchase behaviors of their most valuable shoppers and prospects, and be sure that assortment and pricing are in line with those shopper goals.

National brand manufacturers must continue their focus on bringing to market a full range of CPG solutions, from value to premium tier, whether it be alone or in collaboration with complementary retailers or manufacturers.

Category & Department Growth Trends: Private Label Share Trends



Private Label Share Point Change vs 2009

	Dollar	Unit
Butter	(0.2)	(1.6)
Sugar	+2.9	+4.4
Gastrointestinal Tablets	(2.0)	+0.6
Spices/Seasonings	(0.1)	(0.3)
Breakfast Meats	+0.3	(0.3)
Fz Breakfast Foods	+0.6	(0.8)
Coffee	(1.0)	(1.4)
Blades	+0.3	(0.1)
Facial Cosmetics	+0.1	(0.1)
Eye Cosmetics	(0.3)	(0.1)

Source: SymphonyIRI Consumer Network™, 52 weeks ending 12/19/2010 and same period prior year
* Among top 100 SymphonyIRI Reviews categories, based on price per volume analysis.

2011 CPG* Private Label Share
Among High Price Increase Categories
All Outlet

Private label performance across categories that experienced the highest price increases in 2010 is mixed. In a majority of cases, though, share did slide.

The largest slide was in the coffee category, where private label unit share is just under 14%, and down 1.4 points versus the prior year. The coffee category benefited from substantial increases in feature support in 2010, both alone and in combination with display activity. With consumers making more deliberate CPG selections and choosing to enjoy small indulgences, such as coffee at home or from home, the use of feature support in this category is logical. It gives coffee marketers an opportunity to connect with consumers early in the purchase process and, when display is also used, to remind shoppers of the value of the coffee offering inside the retail environment.

Other high price increase categories, including frozen breakfast foods, and breakfast meats benefitted from the same types of merchandising support.

SymphonyIRI's January 2011 Economic Update survey indicates that preplanning activity will remain high in the foreseeable future. In this environment, and with inflation poised to escalate in 2011, CPG marketers must continue to leverage marketing tools that begin to impact the shopper well before she reaches the retail environment. Certainly, reinforcing the early message with in-store support often reinforces that early influence.

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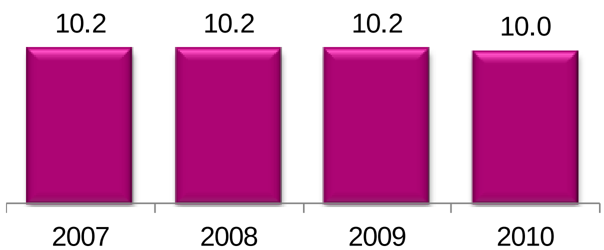
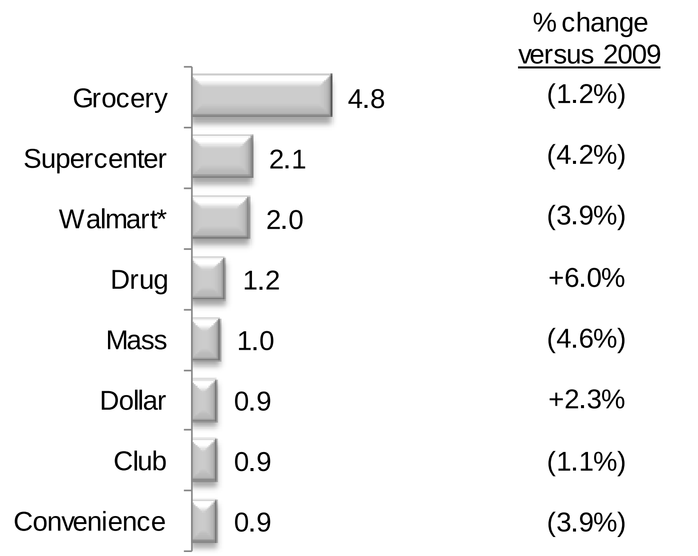
Shopping Behavior: Shopping Patterns





Source: SymphonyIRI Consumer Network™, 52 weeks ending 12/26/2010 and same period prior years * Walmart Mass & Supercenters, including Neighborhood Markets

All Outlet Average Trips per Shopper per Month

2010 Average Trips per Shopper per Month
By Channel

On the whole and across all CPG channels combined, trip behavior has changed very little during the past several years. But, as reported in SymphonyIRI's August 2010 edition of Times & Trends, very important shifts are, in fact, occurring.

Notably, stock-up trips have been in a general downward trend since the beginning of 2009. Meanwhile, quick trip trends have been more positive (though all trip behavior did slow earlier in the recession at the height of gas prices).

As a result of changing trip dynamics, channel-level trip trends are shifting. The grocery channel continues to see the most trips, an average of just under five trips per month, and trips slid an average 1.2% in 2010.

During the same time period, drug channel average trips per month increased 6.0%, outpacing the other channels studied for this report. Increasing quick trip trends are certainly contributing heavily to this trend. On average, consumers shop the drug channel just over one time per month.

Discussed throughout this report, drug retailers are working hard to increase offerings of food and beverage solutions. These efforts may well drive trip frequency in a northward direction in the coming year.

Meanwhile, trips to dollar stores also increased in 2010. Though dollar store penetration is much lower versus drug, at 57%, shoppers frequent the channel about once per month, and average trips per month increased more than 2% in 2010.

Dollar retailers, too, are making significant efforts to expand their offerings and, thus, their appeal to consumers. As illustrated in SymphonyIRI's August 2010 issue of Times & Trends, these efforts are being met with success across CPG departments.

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2011 Outlook

The following trends will heavily influence the CPG marketplace in 2011 and beyond.

Conservative Behaviors Prevail

Though "The Great Recession" has officially ended, many U.S. consumers will continue to embrace money-saving strategies initially adopted earlier in the recession.

Home-based eating rituals will remain pervasive in the coming year. Self-reliant health and beauty care will also continue to be quite common. And, many consumers will consciously work to make their products last longer, stretching time between purchases in order to save money over the long term.

	2010	2011
I eat out less often	65%	60%
I try to make personal care products last longer	63%	52%
I try to make cleaning products last longer	60%	50%
I cook from scratch or with fewer convenience foods to save money	55%	48%
I try to make beauty/cosmetic products last longer	48%	38%
I am going to the doctor less and self-treating more to save money	37%	33%

Source: SymphonyIRI Economic Update Survey, January 2011 v December 2009; Top 2 Box Responses

Household Ritual Changes
% of Shoppers

Wellness Underlies Purchase Decisions

Detailed in SymphonyIRI's State of the Over-the-Counter Medication Industry report, published in the fall of 2010, today's CPG consumer understands that many factors influence health, and food and beverage are central to overall wellness strategies. In the food and beverage sector, consumers are looking to CPG marketers to provide solutions that help them achieve their goals of overall wellness, vitality, and longevity.

The non-foods sector of CPG is also being heavily influenced by wellness and longevity goals. Consumers want to feel good, but they want to look good, too. As a result, nutraceuticals and products that provide anti-aging benefits or other similar attributes are faring well and expected to be a key driver of growth for this sector in the coming months and years.

Technology Informs on a New Level

Technology is evolving at an amazing rate, and consumer adoption appears to be keeping pace. Between 2008 and 2010, for example, sales of smartphones in the United States grew 82%[1].

Discussed in the January 2011 edition of Times & Trends, marketers are embracing a variety of technology-based tools in an effort to connect with consumers on a new level.

In the months and years ahead, these technologies will continue to evolve, and adoption will grow. This is certainly a significant opportunity for CPG marketers, as the ability to understand shoppers at a more granular level will allow for more intimate marketing, from product development to pricing and promotional strategies.

[1]Mintel, "Mintel Predicts 2011 Consumer Trends"

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Conclusions: CPG Manufacturers

To effectively compete in a difficult economy, CPG manufacturers should consider the following action items:

- Identify opportunities and risks
  - Continually monitor economic shifts at the most granular level, as well as the associated impact of these shifts on consumer attitudes and behaviors
  - Closely track the evolving competitive set at the channel and retailer level to ensure appropriate alignment of distribution strategies
  - Invest to understand private label share shifts across key departments/categories, particularly across low-differentiation areas and those with sizable price increases
  - Keep abreast of technological advances within and outside the CPG environment; be on the lookout for new and innovative means of informing and engaging key consumer segments

- Evaluate pricing strategies
  - Continually re-evaluate pricing and merchandising initiatives to ensure alignment with partner goals/objectives as well as needs of key target consumers
  - Partner with key retailers to develop innovative programs around categories/brands that have experienced or will experience significant price increases
  - Invest to understand the optimal price gap between private label and name brand offerings

- Enhance new product development initiatives
  - Align innovation strategies with evolving product usage and affordability needs
  - Explore potential new product opportunities stemming from emerging consumer trends explored throughout this report

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Conclusions: CPG Retailers

To effectively compete in a difficult economy, CPG retailers should consider the following action items:

- Identify opportunities and risks
  - Continually monitor economic shifts at the most granular level, as well as the associated impact of these shifts on consumer attitudes and behaviors
  - Closely track the evolving competitive set at the channel and retailer level to ensure appropriate product mix and inventory management strategies are maintained
  - Explore opportunities to extend private label share within and across departments, particularly across low-differentiation categories and those with sizable price increases
  - Keep abreast of technological advances within and outside the CPG environment; be on the lookout for new and innovative means of informing and engaging key consumer segments

- Evaluate pricing strategies
  - Invest to understand price elasticity of demand across categories and brands that are associated with key and target trip types and leverage that knowledge to develop and refine everyday and promotional pricing strategies
  - Partner with key manufacturers to develop innovative programs around categories/brands that have experienced or will experience significant price increases
  - Invest to understand the optimal price gap between private label and name brand offerings

- Explore opportunities to enhance product assortment
  - Align assortment strategies with evolving product usage and affordability needs
  - Explore potential merchandising and assortment strategies stemming from emerging consumer trends explored throughout this report

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 InfoScan Reviews	InfoScan Reviews is a syndicated retail tracking service that enables manufacturers, retailers, brokers and financial analysts to acquire industry insights used to make better business decisions.
SymphonyIRI Consumer Network	Consumer Network is a consumer panel that provides a clear picture of behavior so that sales and marketing professionals can continually adjust strategies to focus on the dynamics that drive brand and category performance.
SymphonyIRI AllScan Convenience Store Tracking	AllScan Convenience Store Tracking is a scanner based point-of-sale tracking service that delivers highly accurate data and unmatched business insights to help manufacturers and retailers improve category management effectiveness and retail execution across the entire convenience channel. It is the only c-store business reporting service that provide visibility into all categories with weekly granularity.
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 ShopperSights™	ShopperSights™ provides marketers with the most powerful and innovative shopper segmentation and targeting solution for unprecedented optimization of promotion, media, distribution, and retail-specific marketing and sales programs.

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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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