



The 2009 Holiday Consumer: *Optimism on a Budget*



September 15, 2009



EXECUTIVE SUMMARY



Summary Observations – Holiday Shopping 2009

Current Shopping Behaviors Last



The Economy Continues To Struggle

Shoppers will continue to save and be very conservative as the unemployment figures continue to have a “dark cloud” effect on purchasing – 2009 could be as bad as 2008

Expect On-line Retailing To Be Very Successful

New free shipping options, lots of deals and rebates, and improved credit cards protections/guarantees – will make a dent in “bricks and mortar”

Christmas/Holidays 2009 Is One Of Traditions – Both Old And New

The economic cost to the family has been and continues to be sobering – expect a family Christmas/holiday season where everything gets “personal”

This Season Will Be “Green” – In Decorations And Gifts

Low power lighting, recycled trees (real and artificial), recyclable packaging, smaller outdoor displays, much less waste in many households

Electronics Are In And Will Be As Popular As Ever

Phones/iPods, under \$100 Blu-Ray, HDTVs, and other assorted electronic gadgets will be a “gift of choice” in many families – but almost all purchased on early deals – expect big plays on “Black Friday”

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Shoppers Remain Conservative Displayed By “Affordable Gift Giving”

This holiday season will be one of where shoppers “open up their wallets” a little and gift giving will be “highly functional”

Do Not Expect a “Blockbuster” Epic Holiday Movie In 2009

Best case is something in 3D – this will mean retailers will need to create powerful themes for this season to win the “minds and dollars of shoppers – critically important

Shoppers Will Celebrate Holiday Meals With Increased Family Focus

Holiday meal ingredients and components will be in fashion – merchandise to the “new flavors of the holidays”

Smartphone's and The Internet Come Together In a Powerful Way

Beginning of the next generation of new phones/games – Wii is out – expect easier twittering, Googling and secure credit card transactions; will also stream video and have small built-in projectors allowing one to watch captured video from the internet on a surface larger than a phone screen.

Church And Religion Play An Important Role As Families “Return To Values”

Churches could see a surprising increase in church attendance beginning with the holiday season. Economic “personal humbling experiences” and “inconsistent global news about everything” will most likely create a “sanctuary driven” spiritual resurgence

Three Critical Shopper Segments to Understand and Target as *You Race Into 2010*



Boomers

“I’m concerned about retirement but still need to find ways to enjoy life and family.”



Millennials

“I’ll be a cautious shopper the rest of my life due to this economic downturn.”



Hispanics

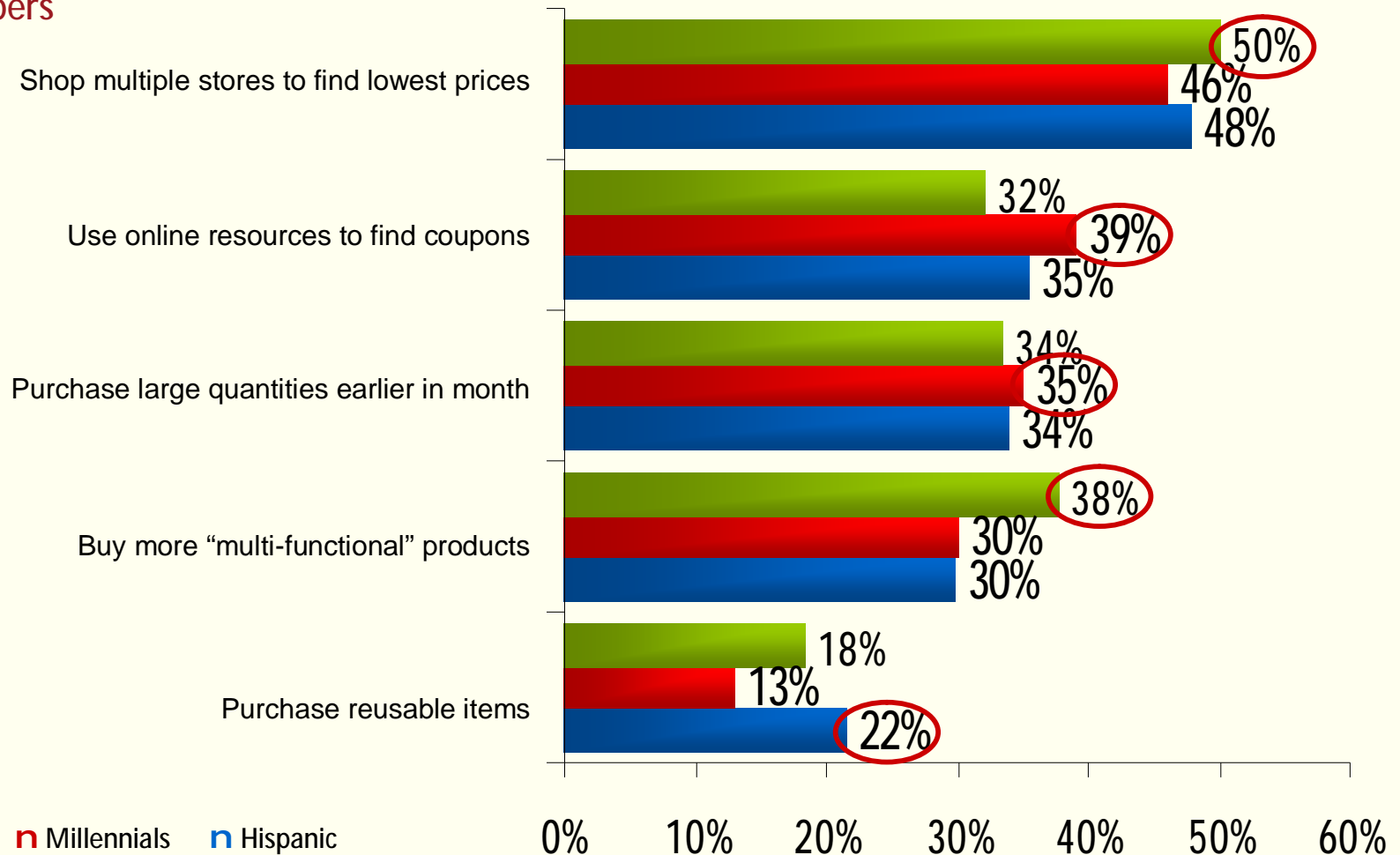
“I’m concerned about my family and finding healthy products we like at the right price.”

Conservative Shopping Is a Short and Long Term Shopping Survival Tactic Being Used by All Segments



Shopping Behaviors Adopted to Cope with the Current Economic Situation

% of Shoppers



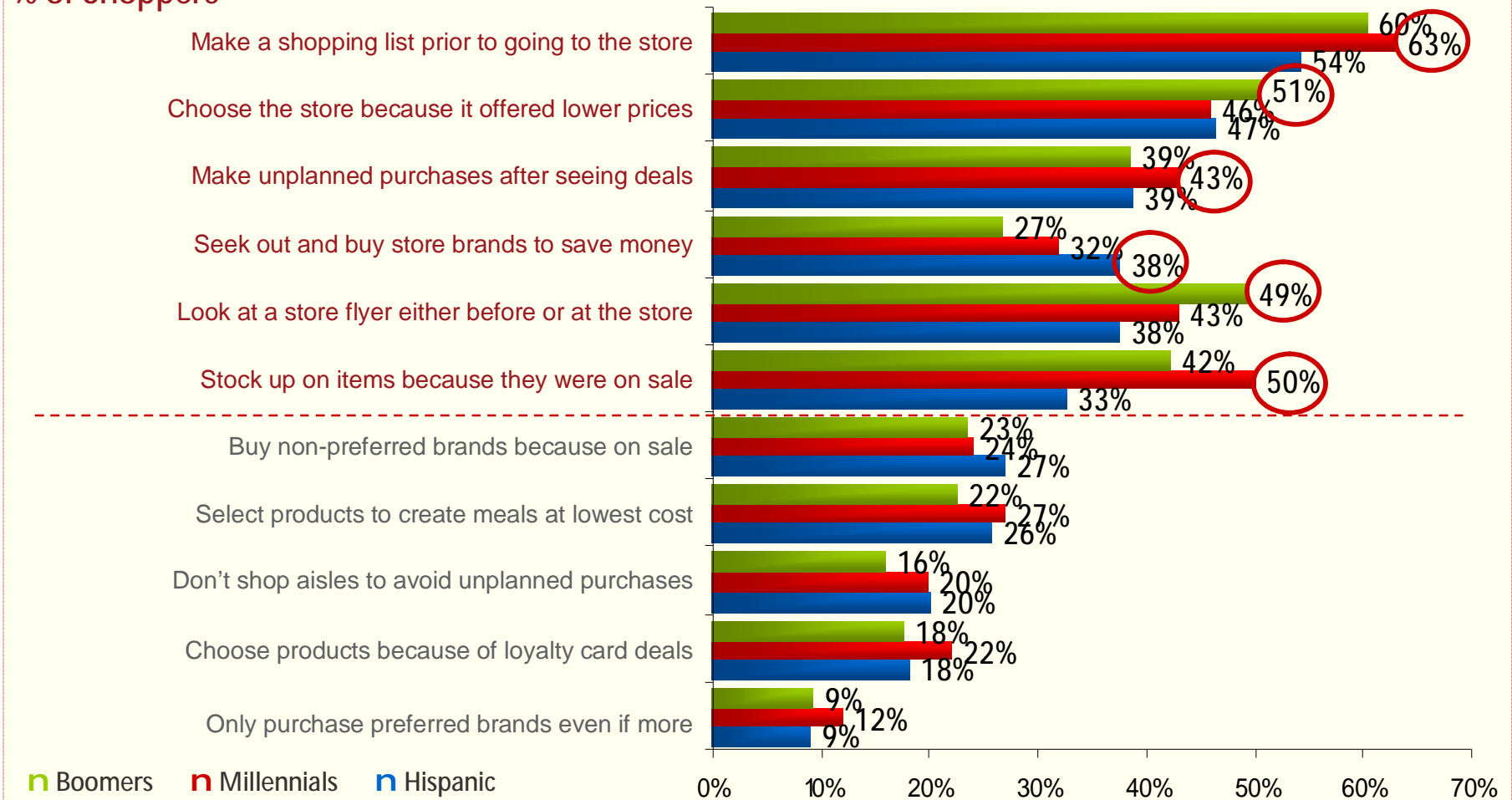
Source: Longitudinal Economic Study Series, IRI AttitudeLink, n= 1000+ Shoppers, July 2009



Shopping Behavior Driven by the “Lens of Affordability” – Varies across Segments



Behaviors during Recent Shopping Trips % of Shoppers



Source: Longitudinal Economic Study Series, IRI AttitudeLink, n= 1000+ Shoppers, July 2009



What Should Our Key Take-Aways Be



Retailing is undergoing the most significant transformation since the early 1970's when explosive format growth drove the industry – TODAY – it is all about the shopper

» **Shopper Behaviors**

- Continued Decision Making In The Home
- Deals Are In And Will Continue To Be So For The Future
- The Decision Impact Of Social Media Is Exploding
- Private Brands Are The First Choice To “Stretch Each Dollar”

» **Retailer Impacts**

- Relevant Assortment Design Becomes Critical in 2009
- Rewiring Marketing Vehicles Drives Increased Shopper Attention
- The Role Of The Internet Becomes Very Significant

» **Manufacturer Impacts**

- Products Need To Advance In “Value And Functionality” Positioning
- 2010 Will Be The Year Of “Price Architecture” Innovation
- Shopper Thinking At The Trip “DNA” Level Is One Large Key To Success

Topics For Today



Executive Summary



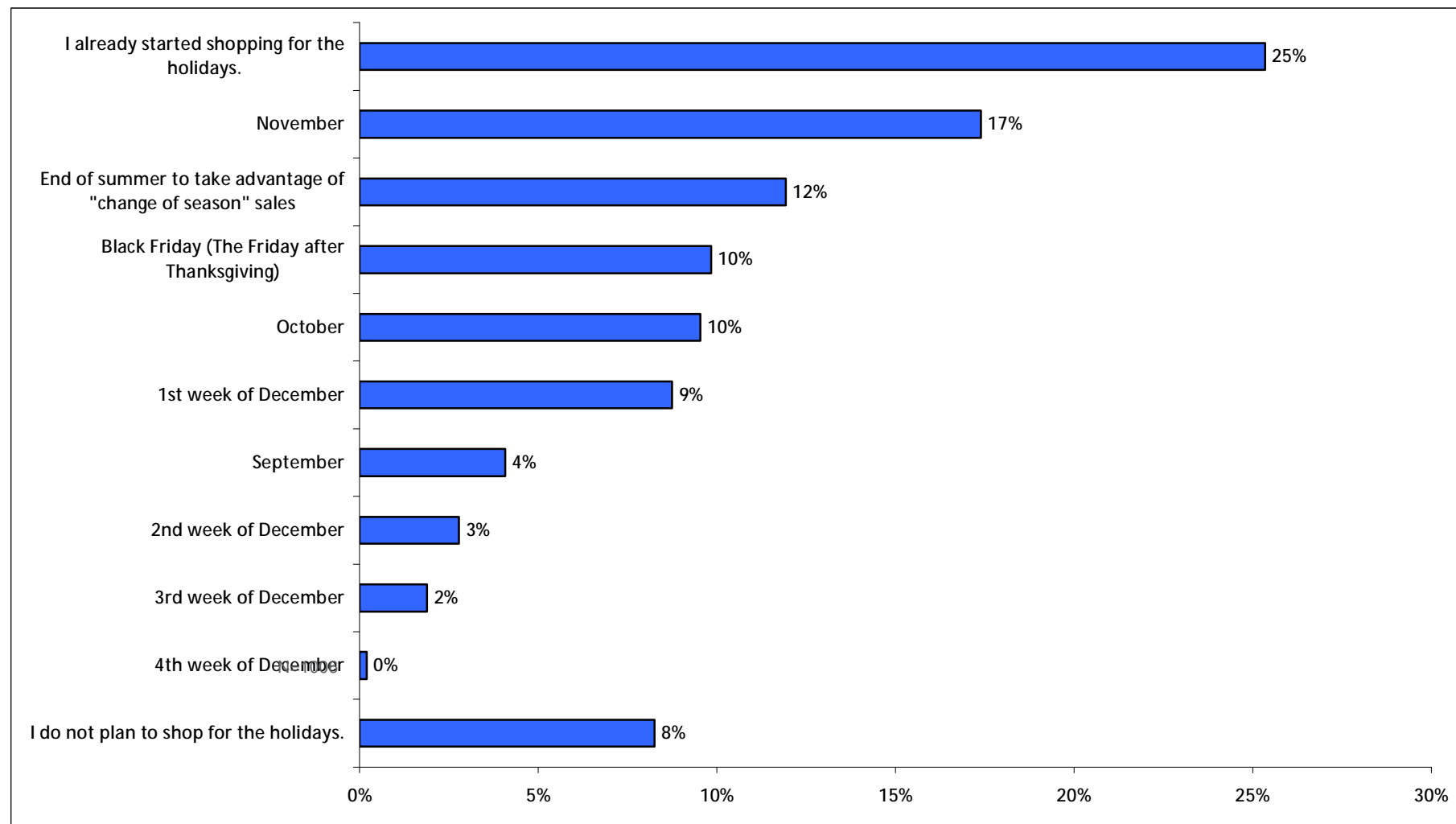
Holiday Gifts, Meals & Spirits
Findings and Recommendations

Strategies to Compete
Findings and Recommendations

Nearly Half of All Shoppers Will Have Started Shopping By November 1st



When Do You Shop for the Holidays % of Holiday Shoppers



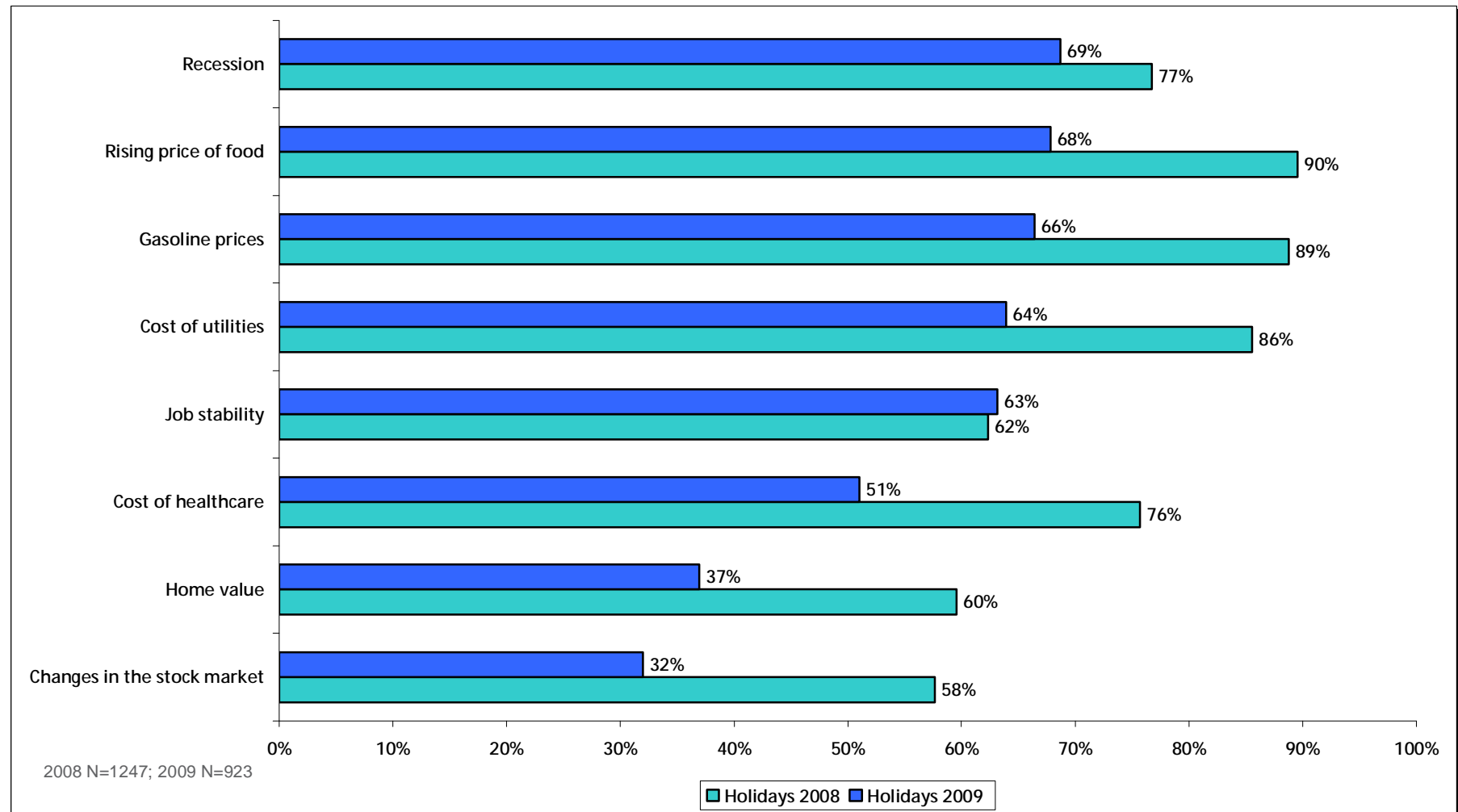
Sources: IRI Holiday 2009 Forecast, Survey of 1,036 Consumers, Fielded August 2009



With the Unemployment Rate Expected to Exceed 10%, Shoppers Remain Cautious



What Influences Do the Following Factors Have on Holiday Shopping % of Holiday Shoppers

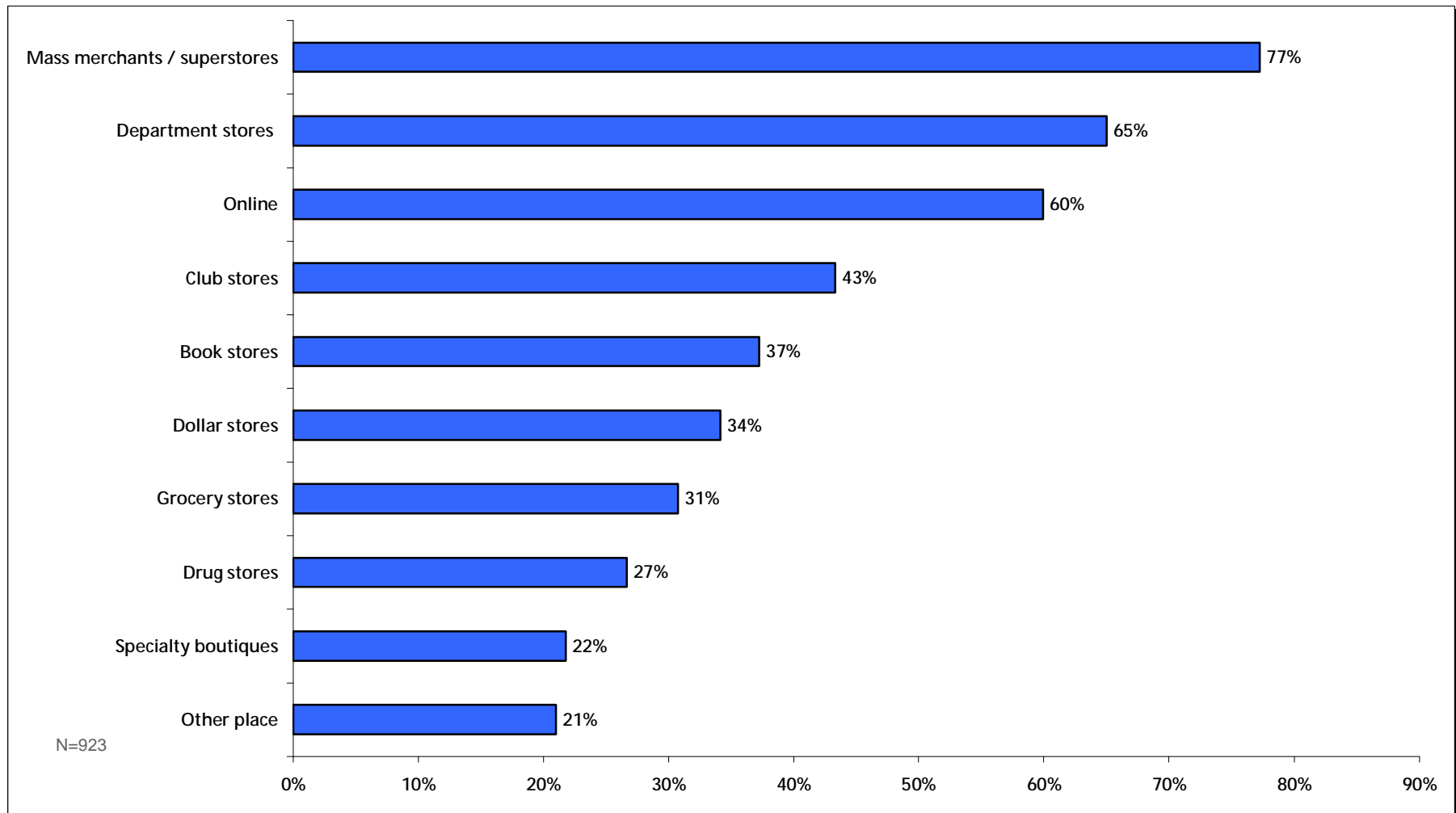


Sources: IRI Holiday 2009 Forecast, Survey of 1,036 Consumers, Fielded August 2009

Destinations Seen as Offering Discounts Top the List for Places to Shop for Gifts



Where Will You Shop For Holiday Gifts? % of Holiday Shoppers



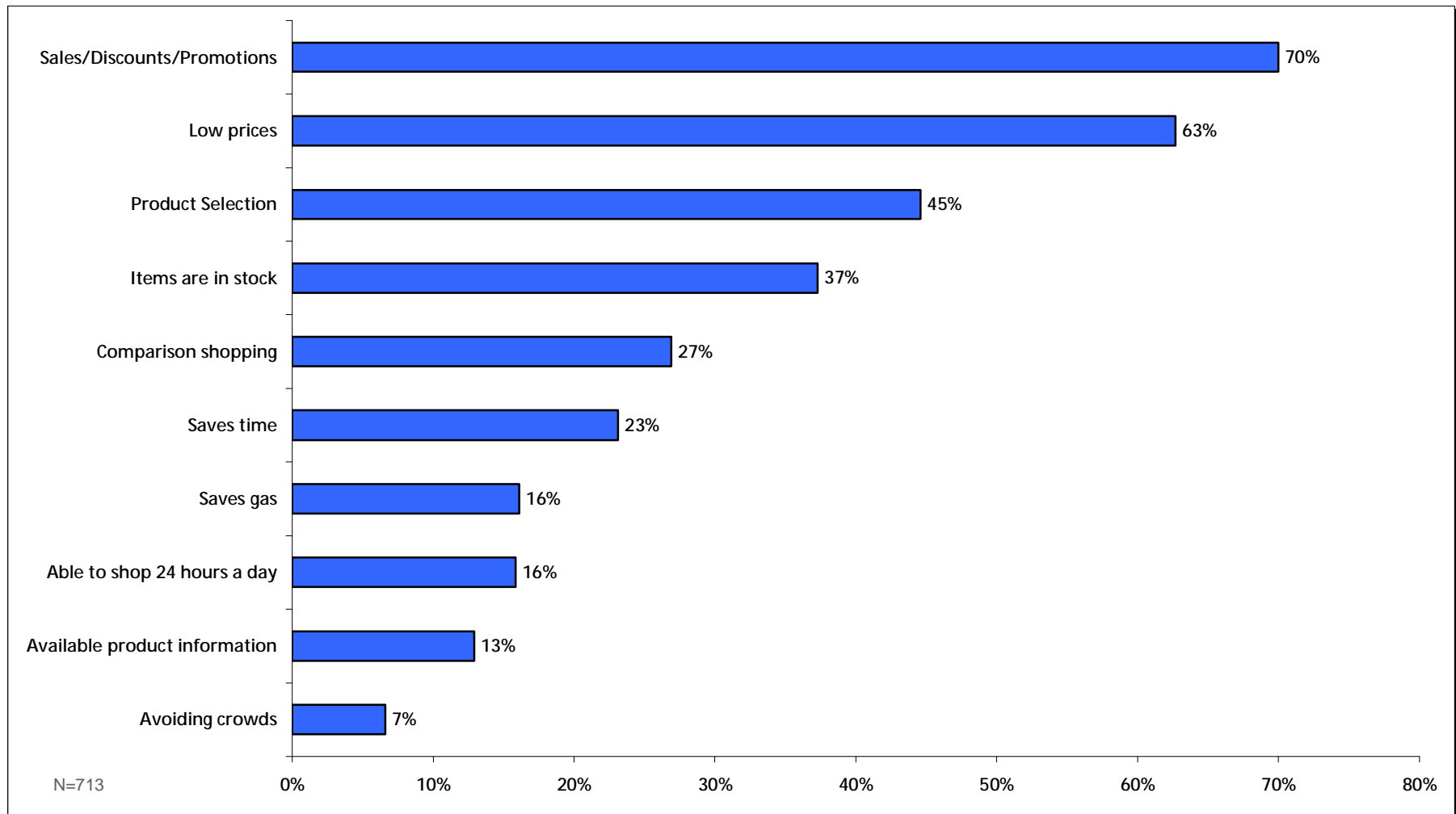
Sources: IRI Holiday 2009 Forecast, Survey of 1,036 Consumers, Fielded August 2009



Gifts: Mass Merchant/Superstore One-stop Shopping for Deals, Steals, Selections



Why Gift Shop at a Mass Merchant/Superstore? % of Mass Merchant/Superstore Holiday Gift Shoppers



Sources: IRI Holiday 2009 Forecast, Survey of 1,036 Consumers, Fielded August 2009

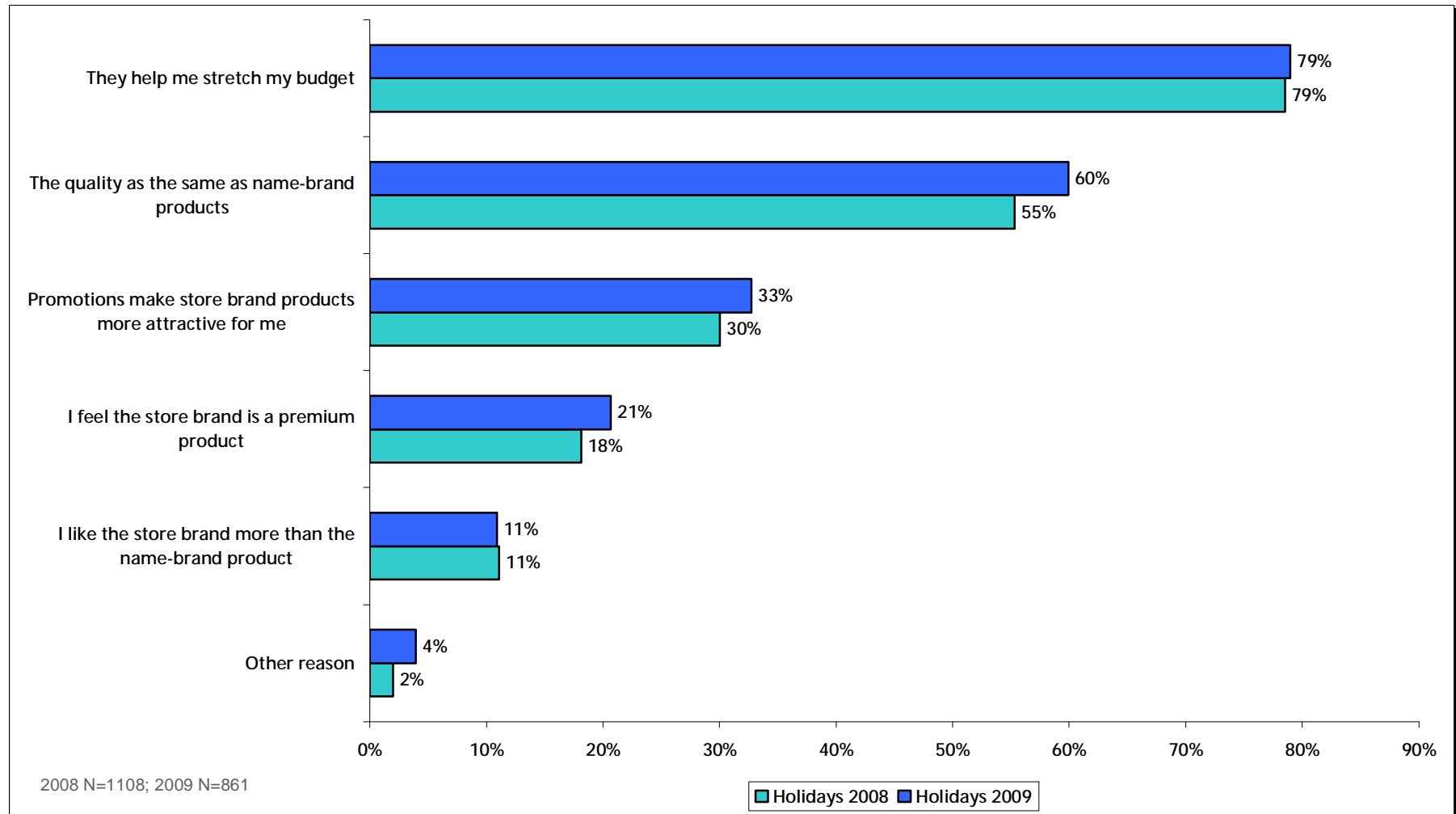


More Shoppers Feel Private Label Is of the Same Quality as Branded Alternatives



Why Use Store Brands?

% of Holiday Shoppers Planning to Use Store Brands



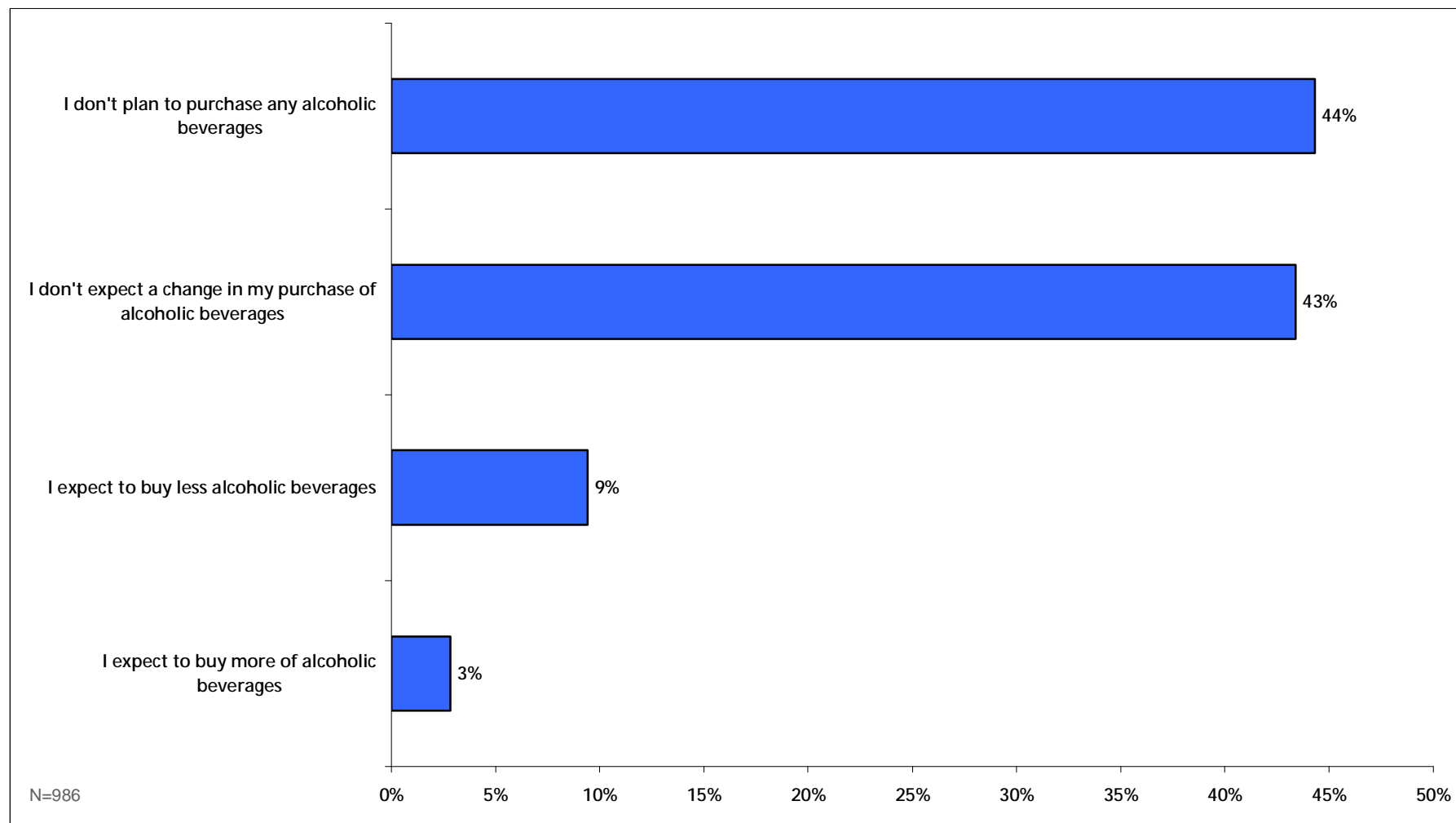
Sources: IRI Holiday 2009 Forecast, Survey of 1,036 Consumers, Fielded August 2009



5 Out of 10 Holiday Shoppers Plan to Purchase Beer, Wine, or Spirit This Holiday Season



Changes in BWS Purchases vs. Last Year % of Holiday Shoppers



Sources: IRI Holiday 2009 Forecast, Survey of 1,036 Consumers, Fielded August 2009



Recommendation for Becoming a Holiday Celebration Destination



Insights

- » Shopping gets “real personal” – think merchandising innovation
- » As with gift shopping, food and beverage budgets remain tight.
- » With many shoppers sharing meals with friends and family, there is demand for portable potluck friendly solutions.
- » Low price on holiday meal essentials will drive shopper to stores this holiday season
- » Private label is here to stay



Recommendations

- » Clear handle on shopping decision drivers based on survey findings
- » Ensure assortments tuned to what shoppers want to buy
- » Make holiday shopping very simple
- » Deploy deal strategies that last throughout the holiday season – not just a point in time
- » Understand and align with changing shopper rituals