

Times & Trends

A Snapshot of Trends Shaping
the CPG and Retail Industries



December 2008

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Pantry Stocking In a Down Economy



The State of Stock-Ups

Shoppers are continuously adjusting their attitudes and behaviors as the U.S. economy sinks into an increasingly deep recession. As I've written in previous letters, these changes in shopper habits are having a profound effect on CPG manufacturers and retailers alike. In particular, shoppers are revisiting the largest trip mission they make: the pantry stock-up.

The pantry stocking trip, more broadly a household stocking trip, is a shopping excursion characterized by the presence of a wide variety of items (food or non-food) in the shopping basket, resulting in a high basket ring. Stock-ups represent just 14 percent of shoppers' trips, but an enormous 42 percent of CPG expenditures. The impact of the stock-up mission varies by type of retailer, accounting for 53 percent of grocery sales down to just 1.5 percent of drug store sales. Manufacturers and retailers ignore trends in stock-ups at their peril.

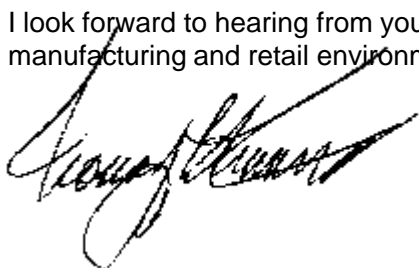
Consumers initially increased purchases during stock-ups in line with rising gas prices, and, since gas prices began falling, average pantry stock-up basket size has diminished. IRI anticipates this dip in stock-up rings to be a temporary trend due to several factors. Gas prices should climb again as oil producers cut back production and demand increases in response to an improving U.S. economy in late 2009 or 2010. Finally, as market forces take hold and recognize anew that new oil sources are increasingly rare and more difficult to exploit, energy prices will face renewed upward pressure.

Supercenters are effectively capitalizing on the recession to capture pantry stock-up market share from grocery, club and drug channels. Led by Wal-Mart, supercenters' "everyday low prices" strategy is quite well-received by today's value-conscious shoppers.

Among different income levels, pantry stock-ups at mass merchandisers continue to increase as well. It is not a surprise that shoppers IRI classifies as "Getting By" (2+ member household with an annual income of \$34,900 or less), and those "Living Comfortably" (2+ member household with an annual income of \$35,000 - \$55,900) are flocking to mass merchandisers to stock up. More revealing are "Doing Well" shoppers (2+ member household with an annual income of \$55,000+). These shoppers are shifting their pantry stocking dollars away from every other channel and increasing their spends at mass merchandisers, reflecting increased price sensitivity, even among this group. Of course there is also regionality and seasonality to stock-up trends that retailers must consider.

The evolution of pantry stock-up trip missions brings me back to a few critical points that all CPG marketers must consider. While all of us can make predictions, those based on a deep understanding of shopper attitudes and behaviors will most likely be accurate. This ongoing analysis should take into account the literally hundreds of shopper micro-segments that exist today, and even the ongoing shift in the composition of these micro-segments. While today's economic transformation makes understanding and planning for shopper behaviors exceedingly difficult, for those management teams able to gain an intimate understanding of the consumer mindset and act on it effectively, abundant opportunities exist.

I look forward to hearing from you as we continue to witness, anticipate and react to the changing U.S. CPG manufacturing and retail environment.



Thom Blischok
President, Consulting & Innovation



EXECUTIVE SUMMARY: TURNING INSIGHTS INTO ACTION

INSIGHT

- » Difficult and unstable economic conditions have driven consumers to reevaluate old shopping habits and brand loyalties, resulting in an escalating evolution of attitudes and behaviors across trip missions, including stock-up missions
- » Retailers across channels have broadened product assortment in order to effectively serve multiple trip missions; most channels now have a significant stake in two or more trip missions
- » A significant average basket ring has consumers across demographic and psychographic breaks making changes to their pantry stocking missions; motivators of change are varied across these boundaries
- » Supercenters, led by Wal-Mart, are capturing sizable share of pantry stock-up efforts across categories that have met with particularly high price increases over the past year
- » Despite a decline in CPG units and total CPG trips, stock-up basket rings, driven by CPG price increases, have increased over the course of the recession; discretionary purchases are likely to slide as consumers focus on limiting expenses wherever possible

ACTION

- » Step up frequency and granularity of consumer and market assessment in order to anticipate and proactively address changes in trip mission rituals
- » Assess the risk versus reward equation associated with establishing a product assortment specialized against the pantry stock-up (or other single) trip mission
- » Highly targeted marketing strategies are critical to address region- and market-level drivers of consumer attitudes and purchase behavior
- » Reevaluate pack sizes and pricing tactics; drive basket rings through temporary price reductions and BOGO/multi-pack promotions; heavily promote affordability across promotional programs, including advertisements, in-store marketing programs and merchandising
- » Cross-promotion and cross-merchandising, with targeted messaging and a focus on affordability and value, will drive purchase of discretionary purchases among key consumer segments



INTRODUCTION

Recessionary economic conditions have had a significant impact on consumer pantry stock-up missions.

At the end of November, the U.S. government officially recognized the country's recessionary status. Most of us were not surprised by the announcement.

For more than a year, the United States has struggled to quell a financial storm. Debt has skyrocketed, personal wealth has plummeted, workforce reductions are frequently in the news headlines, gas prices spiked and then fell sharply, and food and energy prices remain well above historic levels.

Tremors from this economic earthquake have had far reaching implications for consumers and industry alike. Packaged goods manufacturers and retailers are struggling to absorb significant increases in commodity, fuel and energy costs. Some consumers have moved from belt-tightening to belt-notching in an effort to make ends meet. Other households, those who are not in a true financial crisis or eminent risk of job loss, have realized that a sharp downturn in the value of their retirement investments means they need to change their spending habits today in order to enjoy a comfortable retirement tomorrow.

Not surprisingly, CPG shopping rituals have changed in response to the economy's weak and uncertain status.

For CPG marketers, these changes have made the already difficult task of staying abreast of consumer attitudes and behaviors even more difficult- and *critical*.

Relationships that are built and/or fortified now will likely last beyond the current recession. This industry absolutely must fight to anticipate and serve the needs of U.S. shoppers in crisis.

This report provides insight into the consumer mindset during the single largest CPG shopping mission: pantry stock-up. An intimate understanding of current and emerging trends within this trip mission will enable manufacturers and retailers to develop and execute strategies that align with overall corporate goals while simultaneously addressing the complex and changing needs of U.S. shoppers in a recessionary environment.

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Rising prices on food, gas and energy prices have had a negative impact on CPG unit sales; even amid falling gas prices, unit sales continue to slide.

TRIP MISSIONS OVERVIEW

The complexity of understanding consumer shopping patterns and behavior increased exponentially with the country's present recessionary status.

IRI's *Competing in a Transforming Economy* series has closely monitored the country's economic spiral. Since early in 2007, debt has skyrocketed, savings have dwindled, personal wealth has taken a staggering blow, and food, gas and energy prices have soared. Gas prices moderated, but food and energy prices remain high. We are truly living on an economic rollercoaster today, and consumer shopping habits have been shaken to the core.

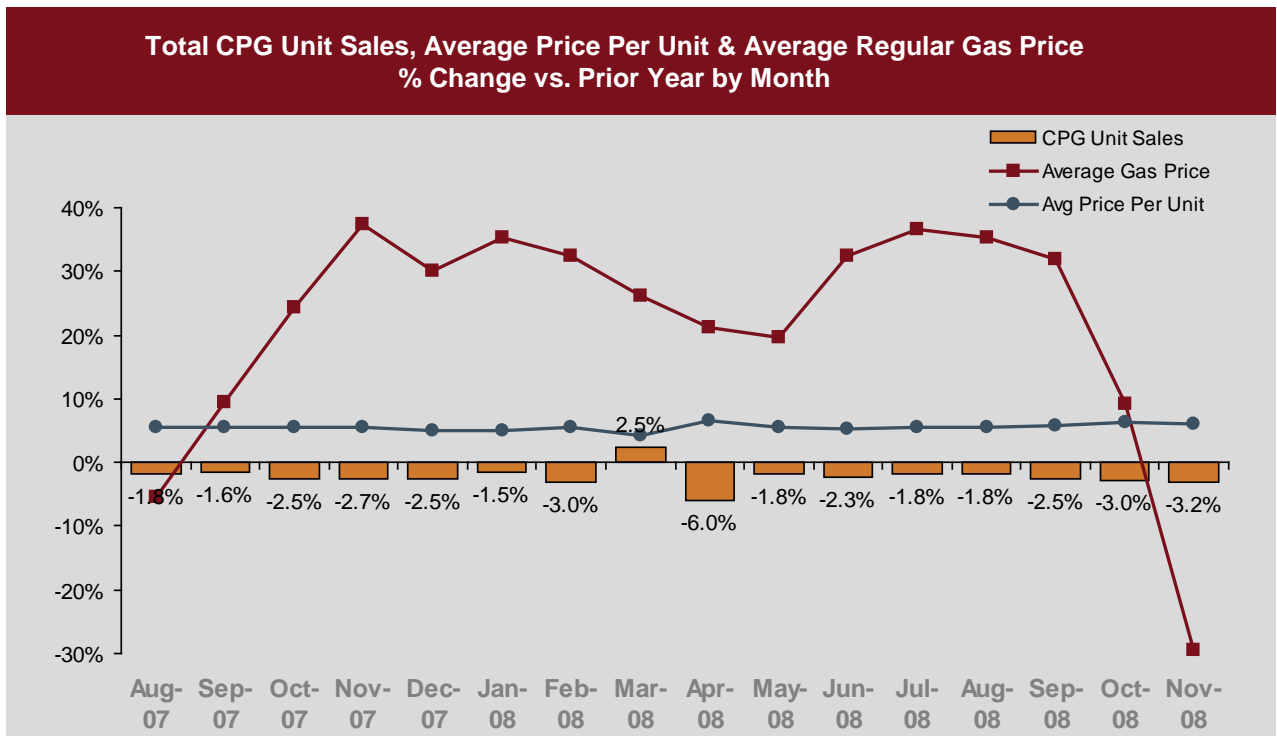
The chart below illustrates the impact gas prices have had on CPG prices and unit sales.

Gas prices began to surge in August of 2007. Since then, gas prices have been quite volatile, and consistently much higher

versus historical performance. In September of 2008, gas prices began to tumble, and predictions call for a continued slide over the next several months.

Over the same time period CPG prices rose an average 9% in the United States, though regional variations are significant. And, CPG unit sales have slipped almost continually since the turmoil began.

More than ever, consumers want to shop at stores where they believe they will get most of the items they want for the lowest total dollar outlay, trading off the cost of one-stop shopping and some product substitutions against the cost of gas used while driving to multiple stores to get the lowest price on each item or their most preferred items. For CPG marketers looking to protect and grow share in a volatile market, the pressure is on.



Source: IRI *Transforming Economy 3.0*: IRI Economic Purchase Behavior Database™, IRI InfoScan® Reviews, U.S. Dept of Energy

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[Pantry stock-up shopping missions represent 14% of all trips and 42% of CPG dollar sales.]

TRIP MISSIONS OVERVIEW

Consumers are faced with uncertainty around nearly every corner today. In this unstable financial environment, it is critical that CPG marketers clearly communicate value messages and reassure consumers that they are making the best CPG purchase decisions. To effectively communicate with shoppers, CPG marketers must have a firm understanding of the shopper mindset at time of purchase. The task is not easy.

Simply stated, a shopper is a consumer on a mission. But, mindset is a moving target. Mindsets change based, for example, on purchase needs and time considerations. As mindsets change, so does the shopper.

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

Channel and store selection are based heavily on trip mission. We will explore this phase of the shopping trip later in this report. We will see, for example, that grocery and supercenters dominate pantry stocking missions, while drug stores are most heavily shopped for quick trips.

The power of trip missions carries over into the store, where shopping and purchase behavior- such as product bundles typically purchased together, quantity of product purchased and paths through the store- are largely defined by trip mission.

To isolate primary trip missions, IRI created the IRI Trip Typology™ platform, an analysis of over eight million shopping trips which identified 31 distinct trip types, and rolled them up into the four primary trip missions which are summarized in the chart below.

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

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

Trip Type	# Items	All Outlet Average \$ Spent	Mindset	% of All Outlet Trips	% of All Outlet CPG \$
Quick Trip	1-5	<\$40	Need it now, have to make a trip	54%	21%
Special Purpose	2-10	\$20-\$50	Buying for a specific event (not routine)	17%	17%
Fill In	5-15	\$30-\$80	Routine fill-in an heavy use categories	15%	20%
Pantry Stocking	15+	\$50+	Prepare for the coming week	14%	42%

Source: IRI Trip Typology™; IRI Consumer Network, 13 weeks ended 9/7/2008

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Gas price trends have provided nearly predictive insights into pantry stock-up trip behavior.

TRIP MISSIONS SHOPPING PATTERNS

At the macro-level, gas prices have provided nearly predictive insights into pantry stock-up behavior, particularly with respect to pantry stock-up trip trends. When gas prices surged, consumers reduced travel- trips- to save gas. Stocking the household remained important, and stock-up share climbed in response.

As illustrated in the chart at the bottom of this page, over the past ten months, pantry stock-up missions as a percent of total CPG shopping trips have consistently risen and fallen with average gas price. In July, when gas prices peaked, so did pantry stock-up trips. Likewise, when gas prices fell sharply this October, pantry stock-up trips plunged.

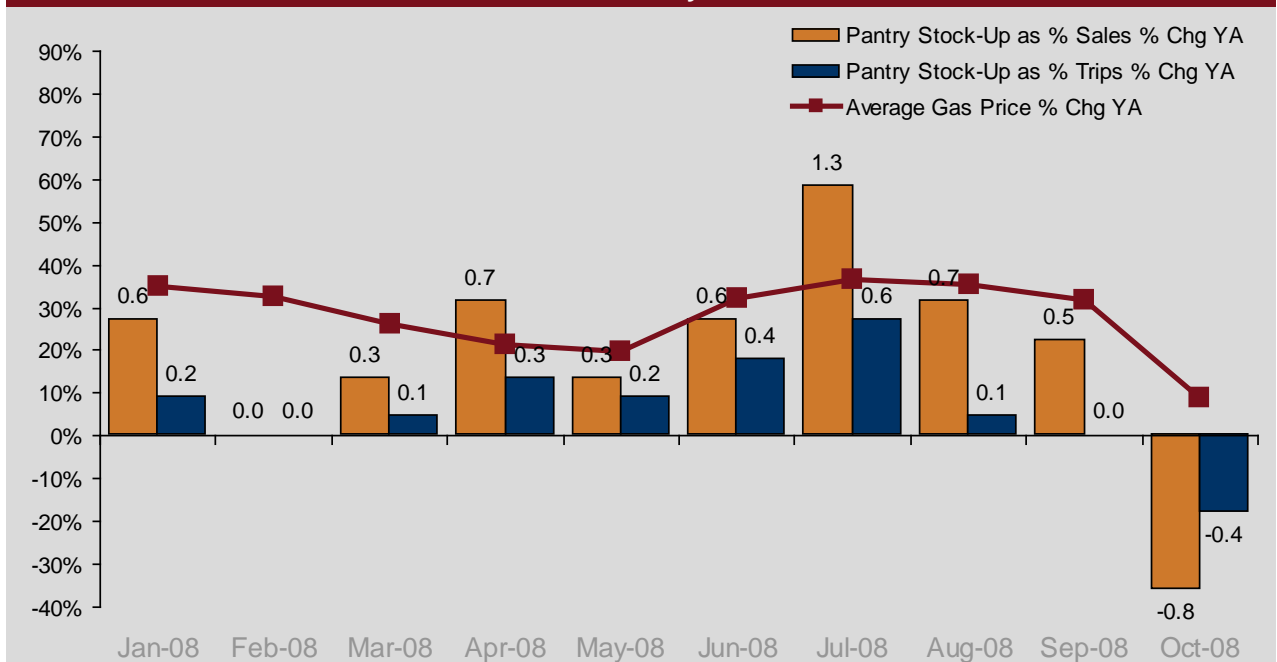
Though not to the same degree, pantry stock-up sales as a percent of total CPG

sales was also heavily influenced by gas prices this year. The peak and valley of July and October are consistent, and pantry stock-up missions across the remaining months show a strong parallel to gas price changes.

But, as illustrated through focus group insights, which are summarized later in this report, a macro-level analysis does not provide sufficient insight to identify specific windows of opportunity to grow pantry stock-up dollars and share.

Throughout this report, we will examine pantry stock-up behavior across channels and consumer segments, and we will take a deeper look at the pantry stocking basket, to understand changes and resultant opportunities at the category level.

Pantry Stock Up Missions as % Total All Outlet CPG Sales & CPG Trips Point Change and Average Gas Price % Change vs. Prior Year by Month



Source: IRI Trip Typology™, IRI Consumer Network™, U.S. Department of Energy

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Pantry stock-up basket rings show a strong correlation to gas price fluctuations.

TRIP MISSIONS SHOPPING PATTERNS

As illustrated below, stock-up per trip expenditures have fluctuated over the past ten months. For the most part, average basket rings have risen as gas price increases climbed, then fallen as gas price increases subsided.

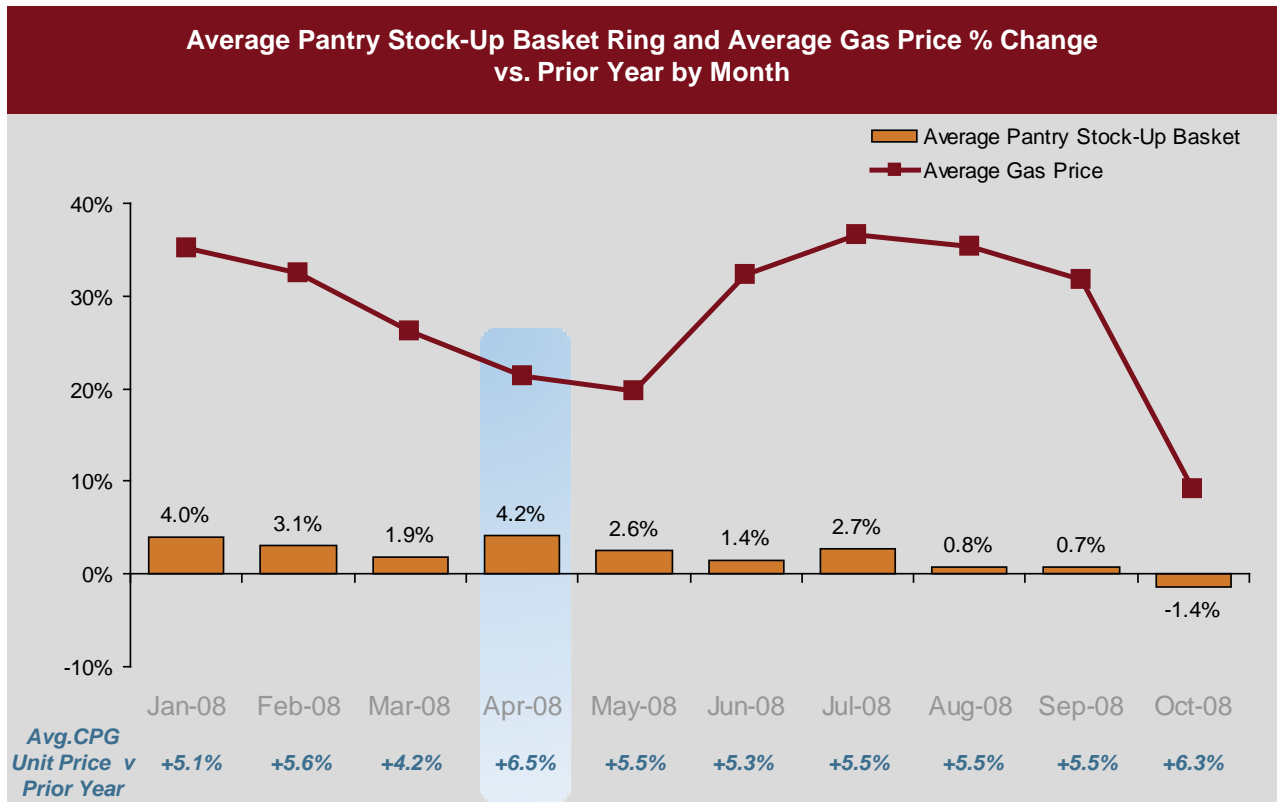
In April of this year, the average stock-up basket ring climbed in the face of a drop in the rate of gas price increases. This bump is likely a combination of several factors. First, though the rate at which gas prices were climbing was smaller than it had been over the previous couple of months, the increases remained significant, at 21.3%, and consumer focus on gas conservation remained high.

Secondly, in April of this year, average CPG unit prices climbed 6.5% versus the same period prior year. While CPG prices had

been elevated for several months, this increase was about a point higher versus the months leading up to April. Consumers were paying more to buy the same goods.

Consumers are not making up for "lost" smaller trips by purchasing more on stock-up trips. So, as consumers work to reduce expenditures, products bought on smaller trip types where discretionary spending tends to be more prevalent (e.g. fill-in missions) are likely to suffer.

This is an example of the added layer of complexity our industry is dealing with in a recessionary economy. Today, consumer and market analyses must be even more granular and frequent than ever. Change is ubiquitous and rapid, and consumer attitudes and behaviors are keeping pace.



Source: IRI Trip Typology™, IRI Consumer Network™, U.S. Department of Energy



CPG trip mission has a significant impact on channel selection; pantry stock-up missions represent a sizable share grocery and supercenter channel trips/sales.

TRIP MISSIONS CHANNEL SELECTION

As detailed in IRI's July 2008 issue of *Times & Trends*, channel migration activity has accelerated in a down economy. Despite high levels of migration activity, the charts on this page illustrate that multiple trip missions are strongly represented across key CPG channels.

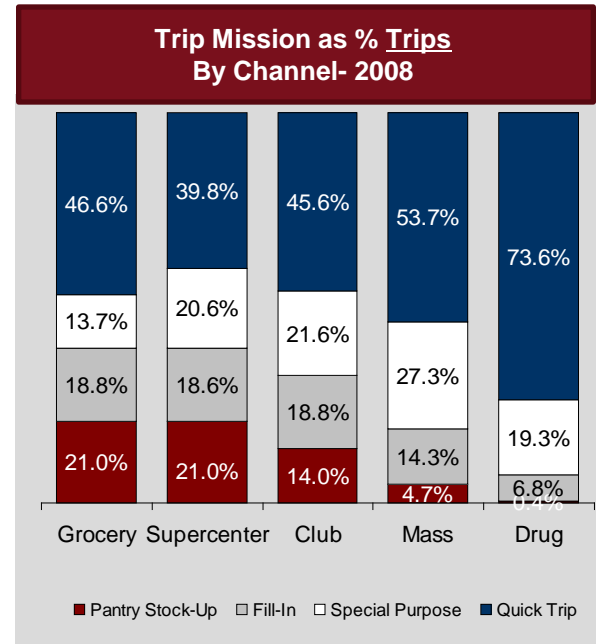
Nonetheless, grocery and supercenter dominate the pantry stock-up mission, with a combined 88% of pantry stocking CPG dollar sales. Within these channels, pantry stock-up missions represent 21% of trips and close to half of channel sales.

The club channel accounts for six percent of stock-up mission CPG dollar sales. For club, stock-ups represent 14% of CPG trips and one-third of sales.

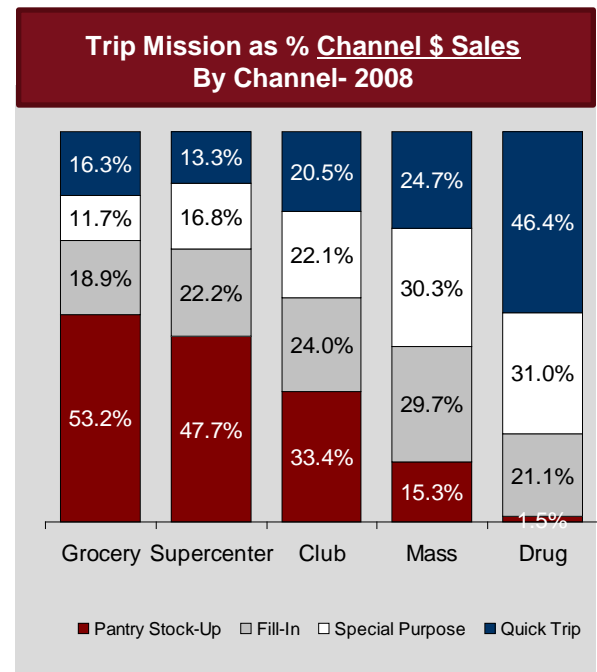
Retailers across channels have long sought to build appeal to shoppers across trip missions. Efforts to date have been successful, as illustrated by current share figures, and some retailers may have opportunity to grow share further with this broad-based approach.

But, consumers' call for a simplified shopping experience brings opportunity to build share through a specialized focus on one or two shopping missions.

On the pages that follow, we will delve more deeply into the largest single-ring mission: pantry stock-up. Through analysis of pantry stock-up shopping rituals, we will build a better understanding how to tailor product assortment, merchandising and promotional programs that appeal to shoppers on a pantry stock-up mission.



Source: IRI Consumer Network™; 13 weeks ending 11/2/2008



Source: IRI Consumer Network™; 13 weeks ending 11/2/2008

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At the channel level, CPG trip mix has remained fairly steady over the course of the past ten months.

TRIP MISSIONS CHANNEL SHARE SHIFTS

With a sharp increase in gas prices in 2008, consumers were struggling to absorb huge increases in their average gasoline bill. To minimize shock at the pump, carpooling, walking and bike riding increased, and driving was reduced as much as possible. In the wake of these major changes, total CPG trips fell nearly four points versus year ago in January of 2008.

Dine-out behavior has also fallen sharply during the current recession. A recent Mintel survey indicates that 54% of Americans are reducing dine-out expenditures, and 70% of those people are reducing cost by minimizing dine-out occasions¹. Logically, at-home cooking increased in response. For CPG marketers, opportunity was revealed.

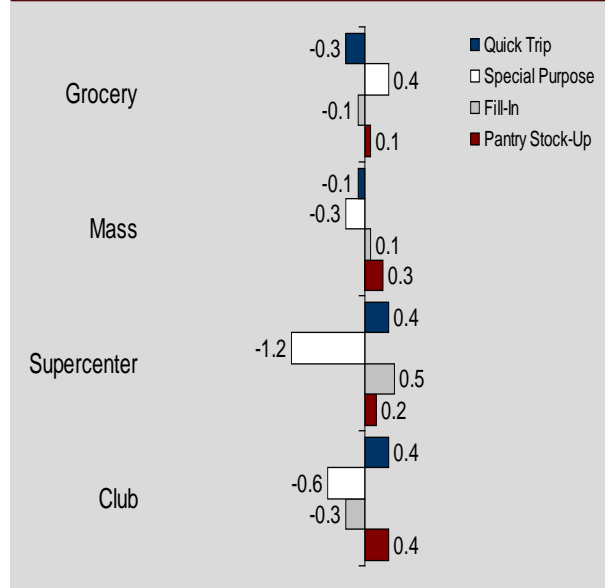
As illustrated earlier, pantry stock-up missions increased as gas prices rose. Shown to the right and at the top of the page, no single channel showed a marked increase in share of trips during this up-tick in stock-up missions.

However, as consumers searched for value with renewed zeal, and supercenters, mass merchandisers and clubs, reputed to have everyday low prices, did post gains which outpaced the industry average of 0.2 share points.

As gas prices began to moderate in late summer/early fall, CPG trip behavior accelerated rapidly. In October of 2008, total CPG trips increased 6.7% versus year ago. As illustrated to the right, quick trips show positive trends as consumers returned to somewhat more historical shopping patterns.

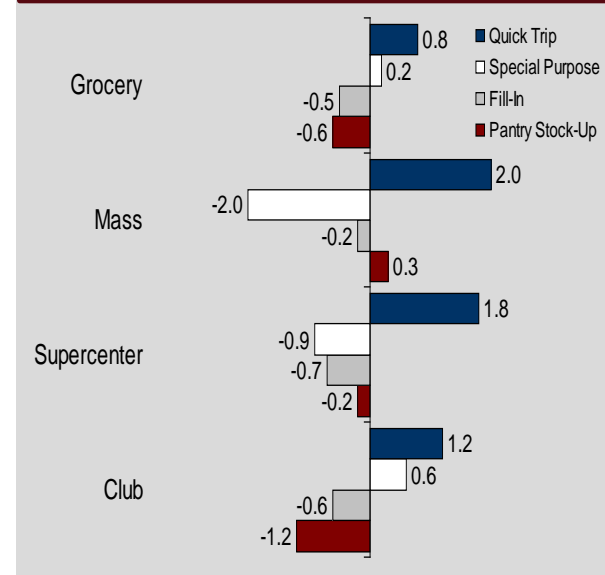
¹ Mintel, January 2008

JANUARY 2008: Trip Mission as % Trips Point Change versus Year Ago- by Channel



Source: IRI Consumer Network™; 13 weeks ending 2/3/2008 & same period prior year

OCTOBER 2008: Trip Mission as % Trips Point Change versus Year Ago- by Channel



Source: IRI Consumer Network™; 13 weeks ending 11/2/2008 & same period prior year



As trips decreased, pantry stock-up share of sales grew; share diminished across grocery and club channels as trips picked up in early fall of 2008.

TRIP MISSIONS CHANNEL SHARE SHIFTS

As high gas prices drove trips down and decreased dine-out activity drove at-home cooking up, pantry stock-up missions began to garner an increasing share of CPG dollar sales. As illustrated in the top chart to the right, these increases occurred nearly across channels, and at the expense of other CPG trip missions.

Growth in stock-up share of CPG sales was strongest in club, supercenter and mass channels. In club, stock-up share growth came largely at the expense of the fill-in mission. In supercenters, stock-up share climbed and special purpose share fell. Within mass, all trip missions slid while stock-up climbed.

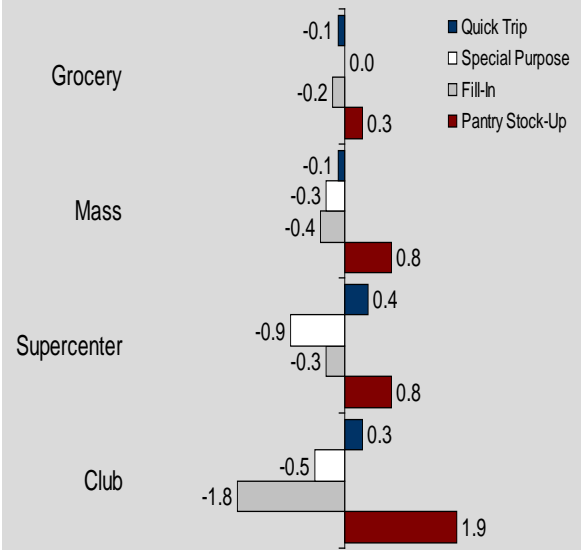
With budgets still very tight, at-home cooking continues to thrive even though gas prices have dropped significantly.

However, as illustrated on the bottom right chart of this page, pantry stock-up growth has slowed, particularly in the grocery and club channels. In club, where growth grew nearly two points versus year ago as of January 2008, growth fell a full point in October versus year ago. Across channels, falling gas prices have fueled quick trip share growth.

To protect and grow share pantry stock-up share, it is critical that retailers understand the core behavior drivers among key consumer segments.

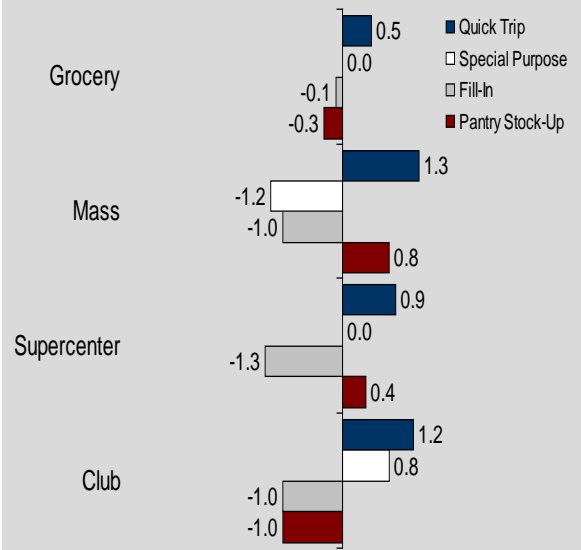
Across and within markets, these drivers will be determined by a number of demographic and psychographic variables. We will examine some of those determining factors later in this report.

JANUARY 2008: Trip Mission as % \$ Sales Point Change versus Year Ago- by Channel



Source: IRI Consumer Network™; 13 weeks ending 2/3/2008 & same period prior year

OCTOBER 2008: Trip Mission as % \$ Sales Point Change versus Year Ago- by Channel



Source: IRI Consumer Network™; 13 weeks ending 11/2/2008 & same period prior year

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Pantry stock-up strategies are varied, and are changing in the face of the country's latest economic recession.

TRIP MISSIONS PURCHASE BEHAVIOR

Quick trips represent more than half of total CPG shopping trips. Quick trips generally result from a specific and immediate need, costs less than \$40.

Because of the small basket size, quick trips represent only 21% of total CPG spending despite accounting for 54% of all trips.

At the other end of the spectrum is pantry stock-up trips, in which a wide variety of products are purchased, leading to a sizable basket ring. Though these missions represent only 14% of trips, pantry stocking missions pack a huge punch, totaling 42% of CPG expenditures.

In between quick trips and pantry stock-up lie special purpose and fill-in trips. Shoppers on these missions are looking to re-stock on high-use

items or planning for a specific event, with an average basket ring of less than \$80.

In a transforming economy, many consumer shopping rituals have changed. Pantry stock-up missions, which represent the largest share of CPG expenditures, are no exception.

As illustrated below, though, change has not been uniform. Pantry stock-up shoppers are a diverse group, with broad range of consideration sets and resultant shopping strategies.

To develop and execute effective strategies in tumultuous times, CPG marketers must have a firm grasp of their key consumer segments, and on the ever-changing factors which motivate and mitigate shopper choices.

Consumer Pantry Stock-Up Strategies Focus Group Highlights

- ✓ I shop the sales and buy in bulk
- ✓ I am buying things when I need them rather than stocking up in advance
- ✓ We buy what we need, then if we have extra money we buy what is on sale
- ✓ I really stock up on canned goods when they are on sale, because I know they won't spoil
- ✓ I used to spend about \$200 on a single monthly stock-up trip, now I am breaking the trip up over several weeks and visits

Source: IRI Competing in a Transforming Economy Focus Groups, November 2008

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Economy-driven changes to pantry stocking rituals vary across income segments.

TRIP MISSIONS PURCHASE BEHAVIOR

As illustrated in the chart at the bottom of this page, changes to the pantry stocking trip mission vary across income segments.

On the whole, pantry stock-up share of total grocery and club sales slipped in October versus year ago. Shifts are similar among doing well consumers, but the other two income segments show marked differences.

Getting by consumers continue to rely heavily on the grocery and mass channels for pantry stock-up missions. In fact, pantry stock-up share of grocery sales climbed nearly one-half share point in October versus year ago, and mass share is up more than one share point. Generally local in nature, consumers are capitalizing on sale prices at grocery stores' convenient, close-to-home outlets, while mass merchandisers are a bit further away, but have a strong reputation for everyday low prices.

Pantry stock-up share of channel sales continues to climb in the mass and supercenter outlets among the population as a whole, but is growing even more quickly among living comfortably consumers. In contrast, in club, pantry stocking share is dropping more rapidly among living comfortably consumers.

Among living comfortably consumers, pantry stock-up share of sales in grocery is falling more sharply versus other consumer segments and the population.

Club stores missions often come with sizable basket rings. Grocers have sales, but are generally seen as having higher everyday prices on CPG items.

With budgets squeezed, living comfortably consumers are turning to mass and supercenters to save money on stock-ups, and often buy in "smaller" bulk, to enable greater variety and more manageable basket rings.

Income Segment Definitions

Getting By

- One member households, income up to \$19.9K
- Two or more member households, income up to \$34.9K

Living Comfortably

- One member households, income \$20K - \$34.9K
- Two or more member households, income \$35K - \$54.9K

Doing Well

- One member households, income \$35K+
- Two or more member households, income \$55K+

Pantry Stock-Up Missions as % \$ Sales
Point Change versus Year Ago- by Channel & Income Segment

	Grocery	Drug	Mass	Supercenter	Club
Total Panel	-0.3	-0.3	0.8	0.4	-1.0
Getting By	0.4	-0.1	1.3	-0.2	-0.9
Living Comfortably	-0.9	-0.3	1.9	2.0	-1.9
Doing Well	-0.4	-0.5	0.1	0.0	-0.7

Source: IRI Consumer Network™; 13 weeks ending 11/2/2008 & same period prior year



Pantry stock-up share of spending experienced above-average growth among Hispanic consumers and households with children.

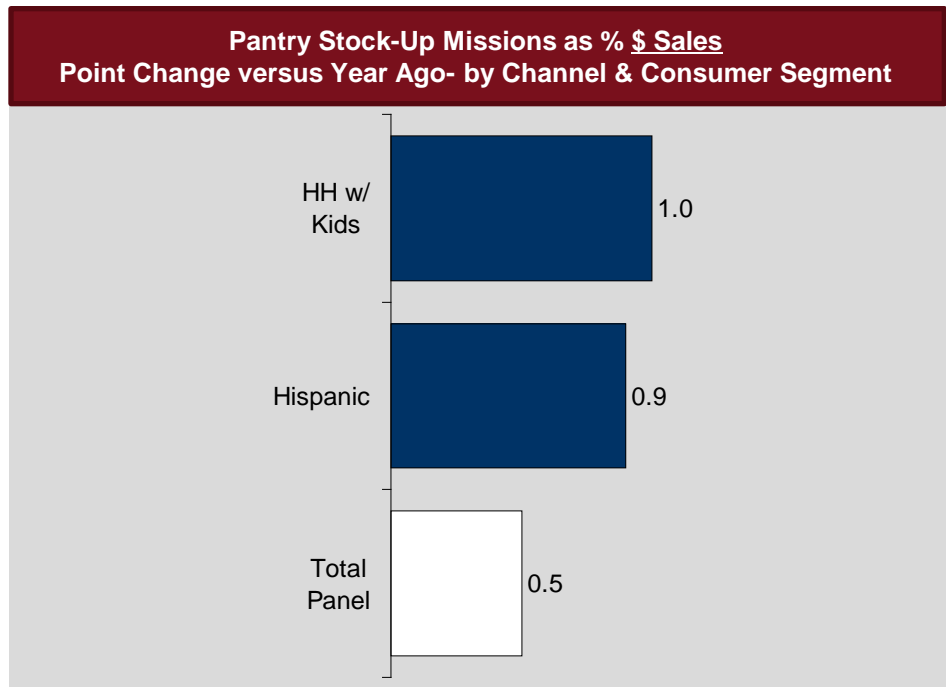
TRIP MISSIONS PURCHASE BEHAVIOR

The chart below illustrates the important role psychographics play in determining pantry-stocking behavior. Over the past year, a greater share of CPG purchasing has been done during pantry stock-up missions.

For the population as a whole, pantry stocking share of sales grew about one-half share point. However, growth among Hispanic shoppers and households with children far outpaced overall pantry-stocking growth. Stocking within these important shopper segments grew 0.9 and 1.0 share points, respectively.

Today, literally hundreds of micro-segments exist. With each day, these micro-segments change and grow. And the speed of change is rapid.

For CPG marketers looking to serve these consumer segments, the importance of targeted analyses and strategies cannot be overstated. The CPG marketers who best serve their target consumer segments in a recessionary economy will win the loyalty of those consumer segments long after the recession has passed.



Source: IRI Liquid Data Powered By Shopper Insights Explorer™, 52 weeks ended 6/29/2008 and same period prior year



Everyday low price strategies are ringing loud and clear to consumers in a recessionary economy.

TRIP MISSIONS CATEGORY OPPORTUNITY

The chart below illustrates the top pantry stock-up categories based on all outlet dollar sales. As the two primary pantry stock-up channels, it is not surprising to see that pantry stock-up share of sales dollars in grocery and supercenters is higher than the all outlet average in each of these categories.

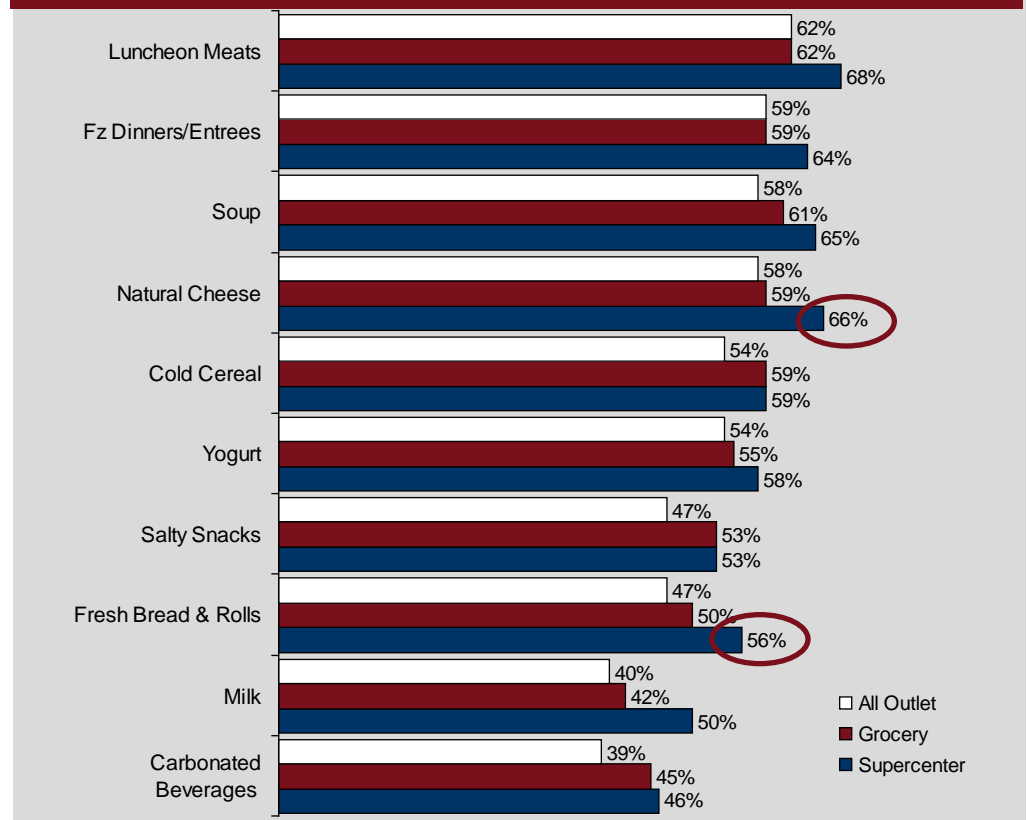
But, supercenters boast a favorable stock-up position versus grocery in several key categories.

As reported in IRI's recent *Shoppers in Crisis* report, 2008 prices for natural cheese and milk are each about 10% higher versus year ago. While it is

not uncommon for prices on these staple items to increase during a recession, these increases are markedly higher versus the recession of 2001¹.

For each of these categories, pantry stocking missions account for 50% or more of the channel's category sales, which is notably higher versus the all outlet average. Wal-Mart is leading the way for supercenters. The retailer currently accounts for 20% of retail milk and cheese sales², and its 'everyday low prices' strategy is ringing loud and clear to consumers in a recessionary environment.

**% Total Category* Sales on Pantry Stock-Up Trips
By Channel**



"The biggest influence in dairy is the growing force of Wal-Mart and its 'everyday low prices'. That low-price strategy is beginning to be mimicked by other retailers."

Jerry Dryer, editor- Dairy & Food Market Analyst

¹ IRI, *Competing in a Transforming Economy: Shoppers in Crisis*
² AgWeb.com

Source: IRI Consumer Network™; 52 weeks ending 11/2/2008
* Among top pantry stock-up categories, based on all outlet pantry stock up dollar sales.



Pantry stocking missions in the club channel tend to heavily involve categories with a long shelf life or relatively high price point.

TRIP MISSIONS CATEGORY OPPORTUNITY

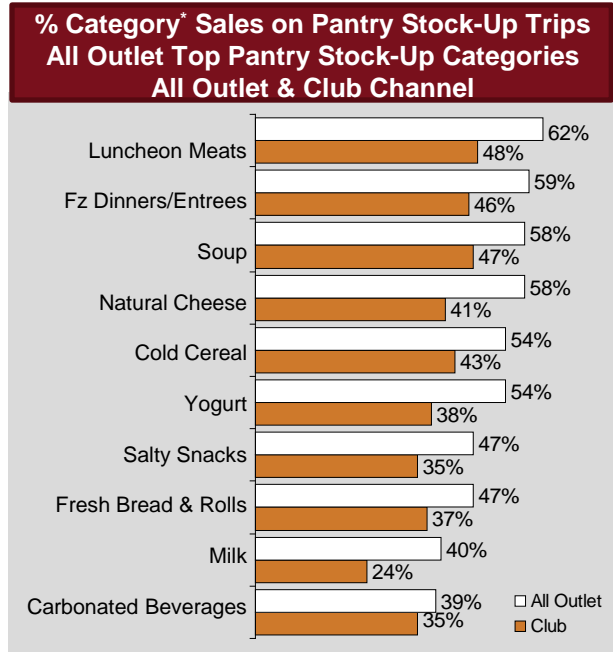
One-third of club channel sales are garnered from pantry stocking missions. The chart on the top right-hand side of this page illustrates the percent of category sales from stock-up missions within the club channel versus the all outlet average for the top pantry stocking categories identified on the previous page. Among these categories, pantry stocking makes up a significant, yet lower than average, share of channel sales.

The chart at the bottom of this page illustrates top pantry stocking categories within the club channel, based on the club channel's pantry stock-up dollar sales. Only four of the top ten stock-up categories within club are all outlet top stock-up categories. Stock-up shoppers within the club channel are seeking something different.

Many of club's other top stock-up categories are shelf-stable (e.g. granola bars, bottled water), enabling advance purchase and stock-up, or high ticket items (e.g. laundry detergent, frozen seafood) for which consumers actively seek lower prices and/or deals.

Pantry stock-up missions within the club channel are approached quite differently across consumer groups. While some consumers are vehemently opposed to the typically significant one-time outlay, others are willing and able to spend more up front to save in the long run.

Motivating and mitigating drivers of these differences vary by region, market and consumer segment. Retailers, whether club retailers or not, that are able to identify and effectively market to these differences will win big with club channel shoppers.

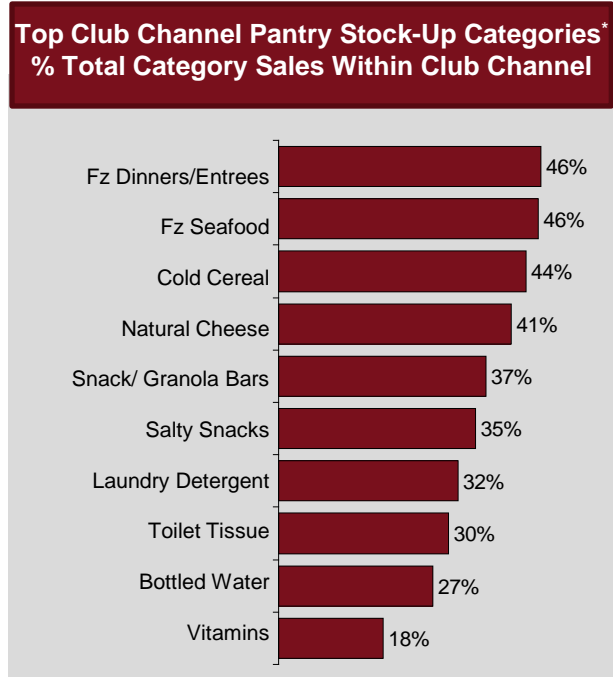


Source: IRI Consumer Network™; 52 weeks ending 11/2/2008
*Based on all outlet pantry stock up dollar sales.

Club Channel Pantry Stock-Up In A Down Economy Focus Group Highlights

- ✓ You can go there once and don't have to go there again for another month
- ✓ Clubs have cheaper per item pricing
- ✓ Good quality produce, frozen foods, seafood and other products

Source: IRI Competing in a Transforming Economy Focus Groups, November 2008



Source: IRI Consumer Network™; 52 weeks ending 11/2/2008
*Based on club channel pantry stock-up dollar sales.



CONCLUSIONS CPG MANUFACTURERS

To effectively grow share of the pantry stock-up trip mission, CPG manufacturers should consider the following action items:

- » Step up frequency and granularity of consumer and market assessments
 - Analyze share shifts on a monthly basis to identify emerging opportunities, given the rapid change of pace over the past year
 - Identify share shifts at the region and market level, and across demographic and psychographic segments
 - Assess purchase dynamics for your categories and brands to determine resulting pricing, promotion and assortment implications

- » Align strategies with shifting shopping patterns
 - Collaborate with key retail partners to understand retailers' trip mission strategy and ensure assortment reflects dominant purchase patterns
 - Work with key retail partners to create cross-merchandising and cross-promotional programs which feature products which are complementary to targeted trip types

- » Measure and monitor plan success
 - Monitor brand contribution in retail partners' attainment of plan goals, including trip mix and basket growth, as well as category and brand share



CONCLUSIONS CPG RETAILERS

To effectively grow share of the pantry stock-up trip mission, CPG retailers should consider the following action items:

- » Step up frequency and granularity of consumer and market assessments
 - Analyze share shifts on a monthly basis to identify emerging opportunities, given the rapid change of pace over the past year
 - Identify share shifts at store level, and across demographic and psychographic segments
 - Assess purchase dynamics across key product categories to determine resulting pricing, promotion and merchandising implications

- » Align strategies with shifting shopping patterns
 - Clearly communicate trip mission strategy to key manufacturer partners and ensure assortment reflects dominant purchase patterns
 - Work with manufacturer partners to create cross-merchandising and cross-promotional programs which feature products which are complementary to targeted trip types
 - Leverage pricing strategies (EDLP, BOGO, etc) which encourage stock-up purchase behavior; clearly communicate affordability messaging across marketing vehicles

- » Measure and monitor plan success
 - Track share shifts across trip mission types at the store level at multiple points throughout the year and before/after major changes in advertising, pricing or promotion



RESOURCES

To gain insight into opportunities across specific categories, consumer segments, channels or retailers, contact your IRI client service representative regarding custom analyses leveraging the following resources:

IRI Trip Typology™

Trip Typology is an analysis that divides CPG shopping trips into four broad missions and further into 31 trip types, based on total trip expenditure, number of items purchased, and the product categories purchased. The mix of Trip Types can be analyzed by geography, outlet, retailer, specific product purchased, date of purchase, or consumer segment.

IRI Consumer Network™

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

IRI Shopper Insights Explorer™

Shopper Insights Explorer is a web-based application that provides the greatest flexibility to slice-and-dice a comprehensive shopper insights (HH Panel) data cube from multiple angles (by retailer, shopper segment, trip type, product, and time period), with guided workflows that enable novice analysts to quickly answer standard business questions while also enabling expert analysts to mine the data in new ways.

[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries



>>> MORE INFORMATION

Please contact Susan Viamari at susan.viamari@infores.com with questions or comments about this report.

About IRI

IRI is the world's leading provider of consumer, shopper, and retail market intelligence and insights supporting 95 percent of the FORTUNE Global 500 consumer packaged goods (CPG), retail and healthcare companies. Only IRI offers the unique combination of integrated market information, automated and predictive analytics, innovative enabling technologies, and domain expertise. With IRI, leading retailers and manufacturers are able to quickly discover breakthrough insights driving smarter decisions and actions across the enterprise for breakthrough results. Companies around the world depend on IRI for improved productivity, stronger brands, and dramatic revenue growth. For more information, visit <http://us.infores.com>

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