



Times & Trends

# Merchandising Trends:

## *Supporting the Value Proposition*

JANUARY 2013

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SymphonyIRI Group

Insight.  
Innovation.  
Impact.

**Merchandising Trends:** Supporting the Value Proposition

## New Opportunities for Innovation in Merchandising

One of the more exciting developments during the past few years has been the emergence and evolution of mobile marketing. Combining GPS capabilities with mountains of information available down to the specific household level, it's increasingly easy to, for example, text a shopper that his favorite snack food is on sale, based on his location and past purchasing patterns.

The dichotomy of how to reach shoppers in the home when they are researching products and making lists while also influencing them at the store when they make a final decision has become even more complex—how to handle marketing to shoppers when they're on the way to the store.

Innovative marketers have exciting new opportunities to create campaigns that reach shoppers in the home, on the way to and in the store; combined with the near limitless opportunities of integrating online and offline initiatives. But, to take advantage of these opportunities, marketers must take some risks.

This month's *Times & Trends* points to the fact that many marketers are not taking these risks. Price-only merchandising remains a dominant trend, yet lift from price-only merchandising is generally much lower versus lift achieved by other tactics.

Is decreased lift due solely to a lack of innovation by marketers? Is the continued growth of online marketing and now mobile marketing shaping shoppers' plans before they enter the store and rendering merchandising less relevant? Why are 49 percent of shoppers buying more private label today (still largely a price-based decision), while price-only merchandising is having a decreasing impact?

To secure answers to these and other questions, marketers must continuously analyze shoppers' reactions to every facet of new campaigns—those in the home, on the way to and in the store, as well as online, offline and integrated campaigns. And, this analysis must be ongoing as market conditions constantly change.

To help answer these questions more comprehensively, I'd like to personally invite you to attend this year's 2013 SymphonyIRI Summit: Activate Your Growth Engine. We will hold Summit April 15-17 at the Wynn Las Vegas. Among the many exciting speakers will be Nate Silver, founder of FiveThirtyEight.com; John Mackey, CEO of Whole Foods; and Jim Lecinski, managing director of Google. New content, new speakers, new formats! The only constant is our focus on accelerating the growth of your organization. For more information, click [here](#).

As you implement your merchandizing strategies for this year, I hope you will share your successes, observations and questions. And, I look forward to seeing you at Summit!



John A. McIndoe

Senior Vice President, Marketing  
SymphonyIRI Group



**Merchandising Trends:** Supporting the Value Proposition**Executive Summary: Turning Insights Into Action**

<u>Insight</u>	<u>Action</u>
<ul style="list-style-type: none"><li>□ After subsiding briefly in 2011, merchandising activity picked up across a majority of CPG channels in 2012</li></ul>	<ul style="list-style-type: none"><li>□ Invest to understand evolving media options and how key consumers and target shoppers interact with/respond to various media mixes</li></ul>
<ul style="list-style-type: none"><li>□ On average, merchandising activity within the drug channel decelerated for the second consecutive year, yet support across key health and beauty care categories intensified more quickly in drug versus the grocery channel</li></ul>	<ul style="list-style-type: none"><li>□ Across channels, maintain a 360-degree understanding of trip drivers and in-store conversion and use that information to develop solutions-based programs that address high-level consumer needs</li></ul>
<ul style="list-style-type: none"><li>□ Despite the fact that lift from price-only merchandising is generally much lower versus lift achieved by other tactics, reliance on this tactic increased across more than half of CPG categories in 2012</li></ul>	<ul style="list-style-type: none"><li>□ Establish carefully targeted, long-term strategies around everyday value and use promotional programs on a more limited, tactical basis to capitalize on short-term opportunities</li></ul>
<ul style="list-style-type: none"><li>□ Average merchandising lift fell sharply in 2012—a trend that is consistent across a majority of categories and measured channels</li></ul>	<ul style="list-style-type: none"><li>□ Simulate various what-if scenarios by mixing and matching a variety of different pricing and promotion conditions to understand the impact of changing promotions on key business indicators</li></ul>
<ul style="list-style-type: none"><li>□ Media usage and new media adoption trends vary rather significantly across CPG categories</li></ul>	<ul style="list-style-type: none"><li>□ Leverage advanced analytics to understand how media usage patterns differ across CPG categories</li></ul>

**Merchandising Trends:** Supporting the Value Proposition

## Introduction

Simply put, consumers view grocery shopping differently today than they did just a decade ago. Several forces have driven this evolution, but two major forces stand out as particularly influential.

First, the past decade has brought with it a proliferation of digital media.

Smartphones, digital coupons, online retailers—the Internet has carved a wide path through the consumer packaged goods (CPG) industry. It has intensified competition and fragmented shoppers.

But, the Internet is not the only force notching up CPG competition and slivering the consumer marketplace: detailed frequently in *Times & Trends*, CPG retailers are helping to blur channel differences by adjusting store footprints and locales and competing more heavily across an array of categories and aisles.

Secondly, the United States is still grappling with the impacts from The Great Recession, the longest and deepest economic slide since The Great Depression. Indeed, according to SymphonyIRI's MarketPulse survey, even

a full four-and-one-half years after the official end of the recession, 22% of consumers are still having difficulty affording their weekly groceries. Not surprisingly, the intensity of financial pressures has had profound impacts on how consumers live and their grocery budgets.

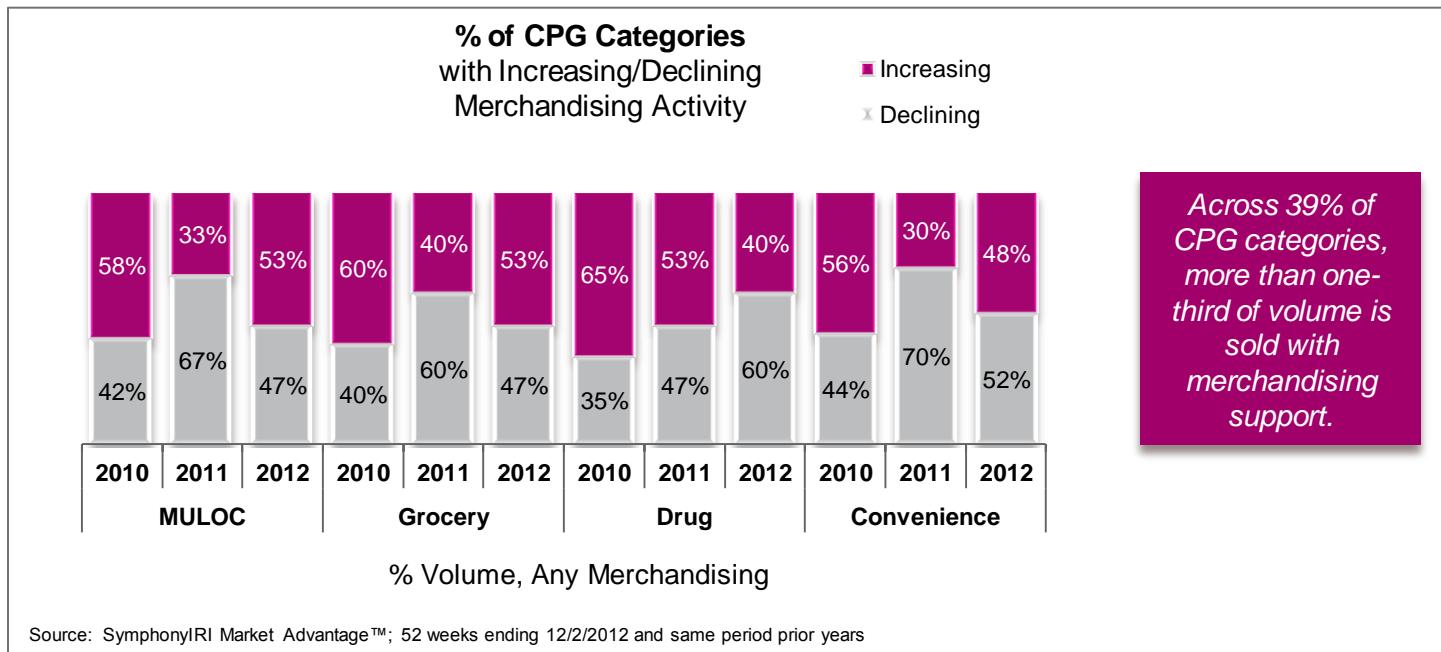
The result of these influencers is that the path to purchase has forever changed.

This is not to say that traditional methods of in-store merchandising have become obsolete. Certainly, this is not the case. Illustrated throughout this report, traditional tools, including feature only, display only, combined feature/display and price only tactics, still play an important role in educating and activating shoppers.

But, their impact is not quite as powerful as it had once been. Going forward, the manner in which these tools are leveraged must evolve to keep pace with changing times.

Those CPG marketers that embrace this opportunity to improve and grow will be met with ongoing success in the evolving CPG world. Those that fail to evolve will find it difficult—even impossible—to remain relevant and competitive.

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

**Merchandising Trends:** Supporting the Value Proposition**Merchandising Activity: Total CPG**

*The pace of merchandising activity has been mixed during the past year, with 53% of categories seeing increased support; within the drug channel, merchandising activity declined across 60% of categories.*

Merchandising has long played an important role in the CPG industry. It builds excitement, educates consumers and drives awareness. For these reasons and more, many categories rely heavily on merchandising activity to spur purchase behavior.

During the past couple of years, in fact, more than one-third of CPG categories sold considerable volume—30% to 50%—with merchandising support. And, in 2012, merchandising activity ticked back up after briefly subsiding in 2011.

Still, on the whole, the past year has actually been a year of mixed trends. On average, merchandising—defined as displays, feature ads, feature and display

combined and price reduction only—increased across just over half of CPG categories and declined in 47% of categories.

Trends in the grocery and convenience channels closely mirror the industry average, in line with historical performance.

The drug channel, however, has a different merchandising story to tell. Within drug, merchandising activity has been on a downward slide for a couple of years. In 2012, merchandising slid across 60% of drug channel categories.

Detailed later in this report, drug channel merchandising within the health and

beauty aisles is strong and growing. But, across other areas, two-thirds of categories saw support slide. Certainly, some instances of reduction are the result of shifts in strategy. But, with competition high across many CPG categories, retailers must proceed with caution. Some of these categories, including beer, wine and spirits, are rapidly growing categories that have seen sizable reductions in merchandising support within the channel.

The pages that follow provide a more detailed perspective on CPG merchandising trends.

**Merchandising Trends:** Supporting the Value Proposition**Merchandising Activity: Total CPG****% of Categories with Increased Merchandising Activity**By Merchandising Tactic  
Multi-Outlet + Convenience

Source: SymphonyIRI Market Advantage™; 52 weeks ending 12/2/2012 and same period prior year

*Growth in display only and price-only tactics has escalated, while combined feature/display activity has slowed.*

Merchandising support increased across 53% of CPG categories in 2012. This marks a fairly sizable escalation versus 2011, when 33% of categories enjoyed increased merchandising support, and it tells an important story of an industry looking to serve consumers that remain firmly entrenched in conservative mode more than three years after the official end of The Great Recession.

Detailed throughout this report, many CPG marketers are targeting their efforts around rituals that originally emanated from The Great Recession. They are also looking to address ongoing concerns, such as escalating commodity prices, that threaten to exacerbate the strain on the consumer wallet.

For instance, price-only merchandising support increased across 51% of categories in 2012. Some of this stepped-up support is meant to off-set particularly high price increases. Detailed in the December 2012 edition of *Times & Trends*, coffee hit a 14-year high in 2012, with average price per volume increasing nearly 18%.

This price increase came despite a 4.4-point increase in volume sold with merchandising support during the year, including an increase of 1.9 points in share of volume with price-only support. For the year, coffee sold nearly 40% of volume with merchandising support, including 14% of volume with price-only support.

Display-only activity also escalated during 2012, with increases occurring across 59% of categories. While a majority of these increases were small, at less than one point, a number of categories saw noteworthy increases in volume sold with display-only actions. For instance, 26% of air freshener volume sold in 2012 was sold with merchandising support, reflecting an increase of more than two points versus 2011 levels. Much of this increase was attributable to display-only support. For the year, air freshener unit sales increased 5.6%, despite a decrease in price-only support.

The only tactic to see a deceleration in activity in 2012 was combined feature and display, where 67% of categories saw volume sold with support decline. A majority of declines were quite small, at less than one point. But, examples of sizable categories that saw volume from this tactic slide by two or more points are shelf-stable seafood, where volume sold with combined feature and display support fell 2.5 points, and aseptic juices, where support fell 2.0 points. Neither of these categories have relied heavily on combined feature and display activity to move volume in recent years.

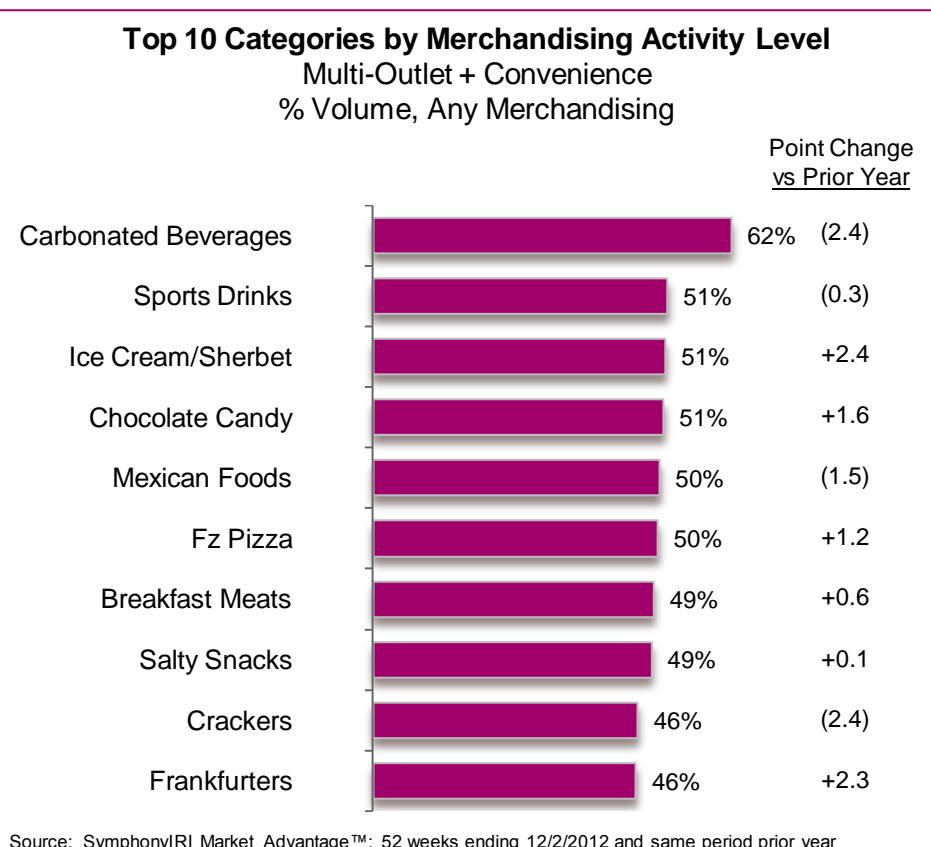
**Merchandising Trends:** Supporting the Value Proposition**Merchandising Activity: Most Active Categories**

Marketers are investing merchandising dollars in an effort to raise the profile of categories that cater to home-based eating and drinking rituals and underscore the value propositions they offer across these categories. All of the 10 most heavily merchandised categories across the multi-outlet plus convenience geography are food or beverage categories.

Across six of these 10 categories, merchandising support increased during the past year. This rate of increase is slightly higher than the industry average of 53%.

In the ice cream/sherbet category, share of volume sold with merchandising support increased 2.4 points in 2012. Ice cream/sherbet is an important frozen foods category, representing more than 13% of department sales.<sup>1</sup> And, with 43% of consumers buying treats like ice cream for at-home enjoyment, and even more often than before the economic downturn began, it's a logical category to pursue for growth.<sup>2</sup>

With consumers placing increased focus on preplanning their shopping trips, embracing promotional strategies that begin to impact the shopper before she enters the store is well-advised. Ice cream/sherbet marketers are on top of this opportunity, as evidenced by an increase in share of ice cream/sherbet volume sold with feature-only support of nearly one point during the past year.



*Merchandising support of categories that serve home-based food rituals is strong, though some categories have dialed back merchandising levels during the past year.*

This type of strategy is also being embraced by marketers in other high-activity level food and beverage categories, including breakfast meats and carbonated beverages, which saw share of volume sold with feature support increase 1.0 and 0.5 points, respectively.

The carbonated beverages category has historically relied heavily on merchandising to spur purchase behavior. In fact, today, 62% of volume is sold with some type of merchandising support. While high, this figure represents a decline versus 2010

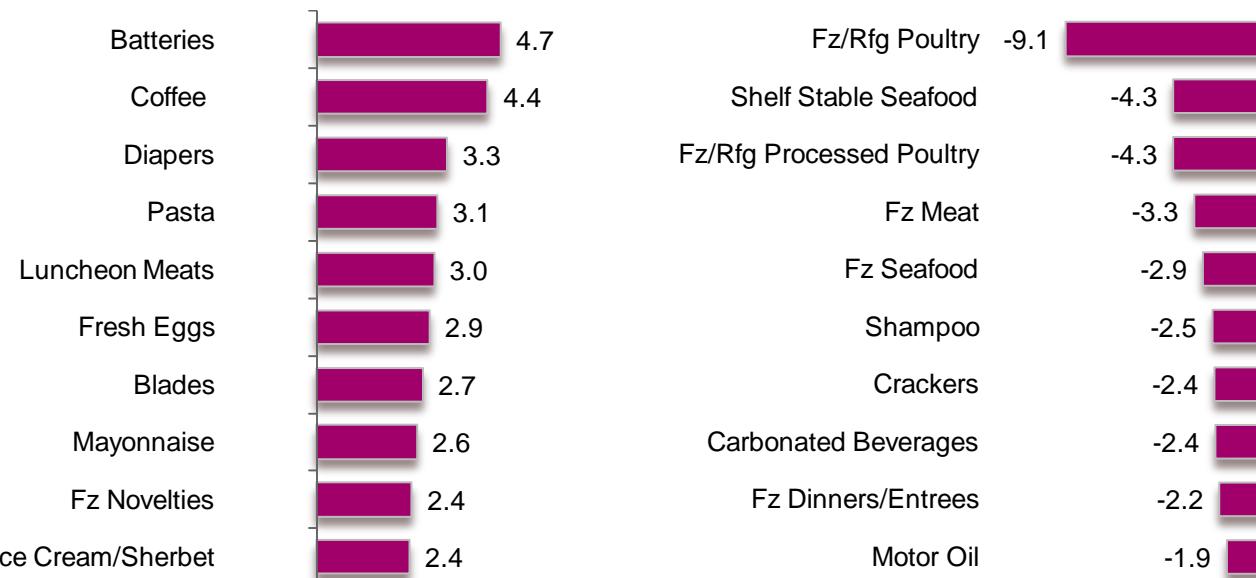
levels, when 66% of volume was sold with merchandising support. Carbonated beverage manufacturers are making cuts across a majority of measured tactics, with feature only being the sole tactic to see an increase during the past year.

Discussed in the December 2012 edition of *Times & Trends*, declines in this area are being influenced by a number of factors, including increased private label presence and retail-banner related merchandising strategies.

**Merchandising Trends:** Supporting the Value Proposition**Merchandising Activity: Category Trends****CPG Categories with the Largest Increases/Decreases in Merchandising Activity Level**

Multi-Outlet + Convenience

% Volume, Any Merchandising: Point Change versus Prior Year



Note: Among 100 largest CPG categories, based upon MULOC dollar sales.

Source: SymphonyIRI Market Advantage™; 52 weeks ending 12/2/2012 and same period prior year

*Changes to price-only actions are key drivers of merchandising trends across many CPG categories, with all of the categories that experienced the largest merchandising activity increases seeing price-only actions escalate and most of the categories where merchandising activity decreased most sharply seeing price-only actions decline.*

Mentioned earlier in this report, 53% of categories saw merchandising support increase during the past year. In several categories, share of volume sold with merchandising support increased rather substantially. These categories cut a wide swath across the retail store.

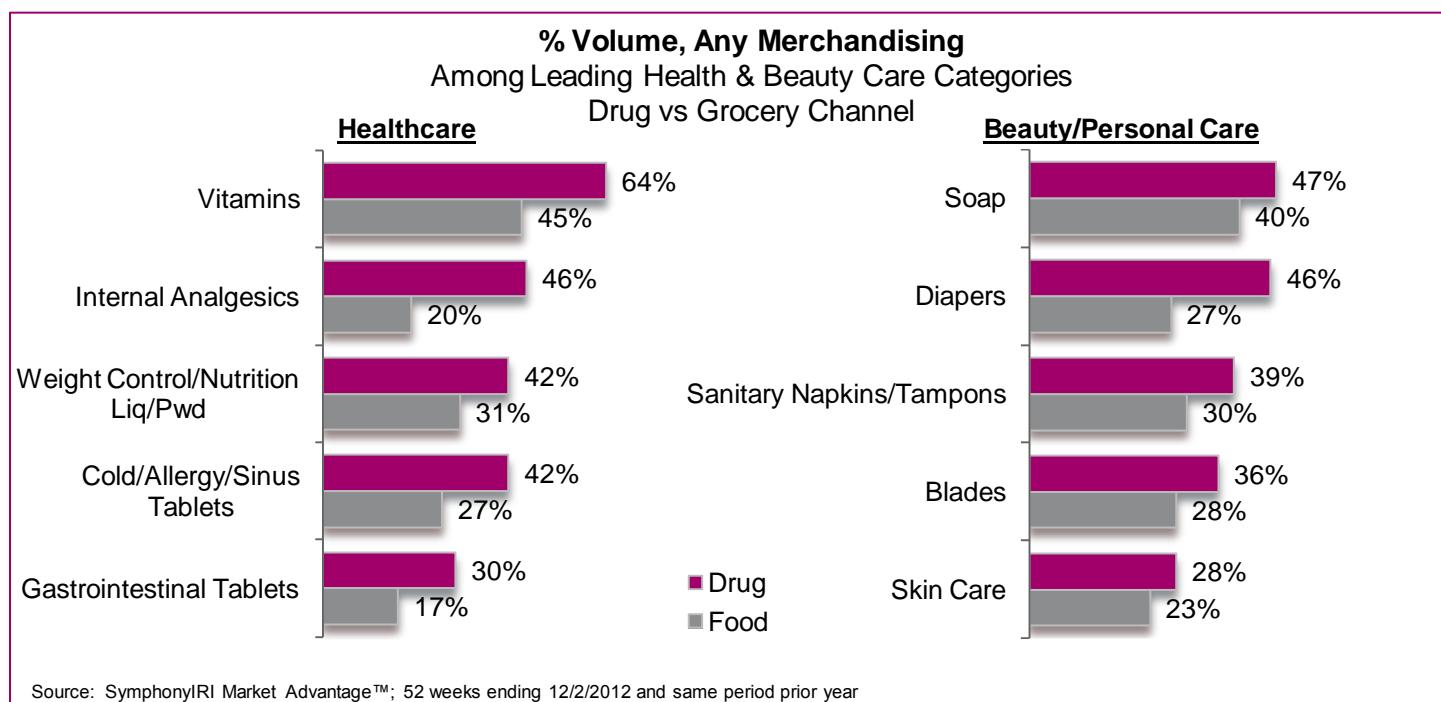
Across all of the 10 categories experiencing the largest increase in merchandising support, average price per volume has increased during the same time period. And, in each of these categories, increases in price-only actions are a key driver of overall increased rates of merchandising support. In some

instances, such as luncheon meats and fresh eggs, price only was the sole tactic to see an appreciable increase.

While in some categories, such as aforementioned eggs and luncheon meats, where price actions are most feasible due to the need for products to be refrigerated/frozen, marketers must beware of relying too heavily on price only actions. First of all, consumers have grown tired of pervasive temporary price-cut tactics, as evidenced by the fact that 66% of categories have seen lift from price-only actions decline during the past year. Secondly, excessive price cutting has a

negative impact on brand equity—after seeing a product on price cut frequently and/or for an extended period, the consumer will come to value the product based on that lower price and consider the “regular” price to be too high and, therefore, not a good value.

Many categories show evidence of marketers understanding and protecting against these pitfalls. Of the 10 categories where merchandising activity fell most sharply, for instance, share of volume sold with price-only support decreased in seven. Nearly all of those declines were greater than one percentage point.

**Merchandising Trends:** Supporting the Value Proposition**Merchandising Activity: Category Trends - Health & Beauty**

*Drug retailers are escalating merchandising support across key health and beauty care categories more quickly versus the grocery channel.*

Competition for share of spending across health and beauty care categories has escalated in recent years, as retailers look to serve consumers' self-reliant health and beauty care behaviors. This is a big opportunity. According to SymphonyIRI's MarketPulse Survey, 40% of consumers are self-treating for simple ailments and 34% are embracing more do-it-yourself beauty treatments in an effort to save money.

To tap into opportunities in these departments, retailers are using merchandising to emphasize their value proposition. For drug retailers, who have long been considered a destination for health and beauty purchases, efforts to protect and grow share are strong. Today, drug retailers sell an average 32%

of healthcare volume with merchandising support. This figure has increased four points during the past several years, with increases cutting across a majority of healthcare categories.

Some of those increases have been quite large. For instance, 64% of vitamin volume was sold with merchandising support during the past year, versus 53% in 2009. In internal analgesics, 46% of volume was sold with merchandising support in 2012, up from 33% in 2009.

Beauty categories, too, are enjoying increased merchandising support within the drug channel. Today, an average 38% of the drug channel's beauty sales are supported by merchandising, up from 34% in 2009.

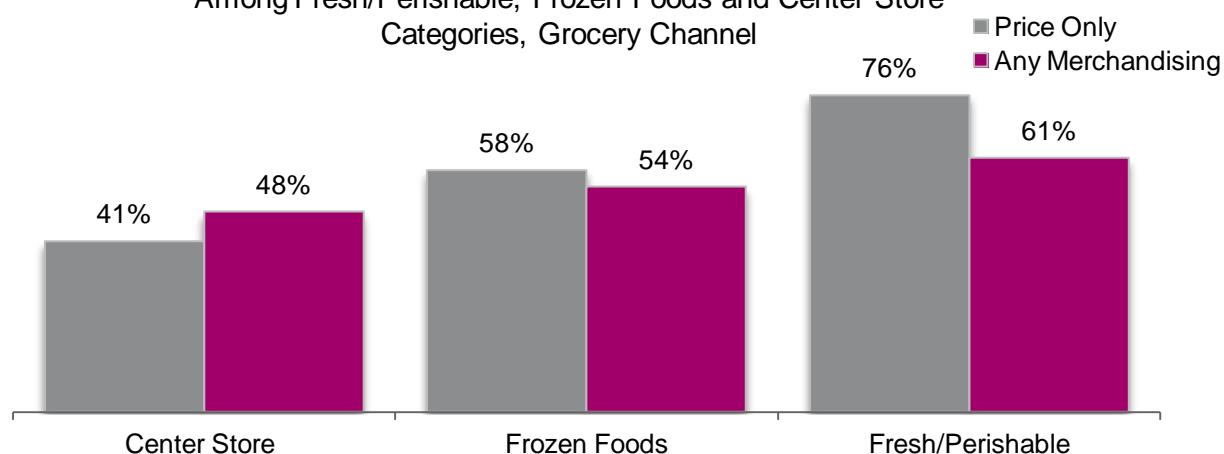
Clearly, opportunities across health and beauty aisles are ripe for grocery retailers, as well. Still, within grocery, focus on merchandising support is not quite as strong as it is in drug.

In grocery, 21% and 27% of health and beauty volume, respectively, is sold with merchandising support. And, while merchandising support has increased across 49% of beauty categories and 58% of healthcare categories during the past year, many of the largest categories in those departments, including diapers and internal analgesics, sell less volume with merchandising support today than they did in 2009.

**Merchandising Trends:** Supporting the Value Proposition**Merchandising Activity: Category Trends - Meal Ingredients and Components****% of Categories with Increased Merchandising Activity**

Among Fresh/Perishable, Frozen Foods and Center Store

Categories, Grocery Channel



Source: SymphonyIRI Market Advantage™; 52 weeks ending 12/2/2012 and same period prior year

*Merchandising activity is intensifying across many meal ingredient and meal component categories, particularly in frozen foods and fresh/perishable categories, where price-only actions are taking a lead role in marketer efforts to drive purchase behavior.*

According to SymphonyIRI's MarketPulse Survey, 52% of consumers are dining at home more frequently today than before the downturn began. And, when it comes to preparing for those home-based eating occasions, decisions are being made with an eye toward frugality and conservation.

Illustrated in the chart at the top of this page, marketers are using merchandising support to highlight the affordability, benefits and/or unique value proposition across a wide array of meal ingredient and meal component categories. In fact, during the past year, merchandising activity across many meal ingredient and component categories has increased, with increases in frozen foods and fresh/perishable departments outpacing industry average.

In frozen foods, 54% of categories experienced increased support in 2012. Ice cream and frozen novelties are among the department's most rapidly increasing categories with price-only actions, in particular, showing sizable increases. These categories, clearly, are targets of marketers' efforts to capture share of spending on at-home treats.

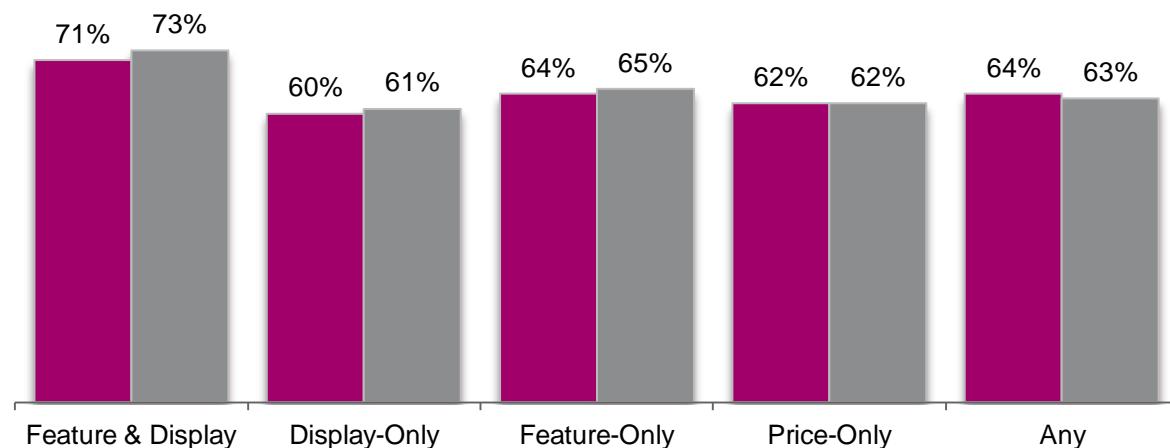
In the fresh/perishable department, nearly two-thirds of categories received increased merchandising support during the past year. In this area of the store, Price-only tactics were more heavily leveraged across three-quarters of categories. In luncheon meats, for instance, volume sold with price-only actions increased 4.5 points. This sizable category has seen unit sales decline during the past year, largely the result of a

conservative environment. Given the prevalence of home-based eating and the eye toward saving money, affordability just might be a ticket to increased purchase behavior.

Discussed in the December 2012 edition of *Times & Trends*, merchandising increases cut a wide swath across center store categories. Among the 50 largest center store categories, the largest jump in merchandising activity was seen in the coffee category, where share of volume sold with support increased more than four points and price-only actions increased nearly two points. These gains are due, at least in part, to efforts around off-setting significant price increases as well as to supporting new product launches.

**Merchandising Trends:** Supporting the Value Proposition**Merchandising Activity: Category Trends - Private Label****% of Categories w/ Private Label Merchandising Activity Below Average\***

By Merchandising Tactic  
Multi-Outlet + Convenience



\*Note: Based on % volume with merchandising for total category versus private label  
Source: SymphonyIRI Market Advantage™; 52 weeks ending 12/2/2012 and same period prior year

*In general, private brands receive less merchandising support versus their name-brand competitors.*

Nearly two-thirds of private label products receive less merchandising support than their name brand counterparts. This trend holds true across measured merchandising tactics.

Undoubtedly, private label marketers have done a phenomenal job of elevating the profile and reputation of their house brands. Private label penetration is essentially 100% and, according to SymphonyIRI's 2012 Brand & Retailer Survey, four out of five consumers view private label solutions as having equal to or better quality versus than their name brand counterparts.

Still, private label marketers are missing an opportunity when it comes to supporting their own brands with higher levels of

merchandising. For instance, today, three out of four consumers are making CPG purchase decisions before they enter the store. Yet, two-thirds of private label products receive lower-than-average feature-only support and three-quarters receive below average combined feature and display support. In addition, half of these products saw feature-only support increase and one-quarter saw combined feature and display support increase between 2009 and 2012. When it comes to these categories, private label marketers are missing the opportunity to proactively influence those decisions that are being made outside the store environment.

As a result of the economic downturn, 49% of shoppers are buying more private label today.<sup>1</sup> And, even though the economy

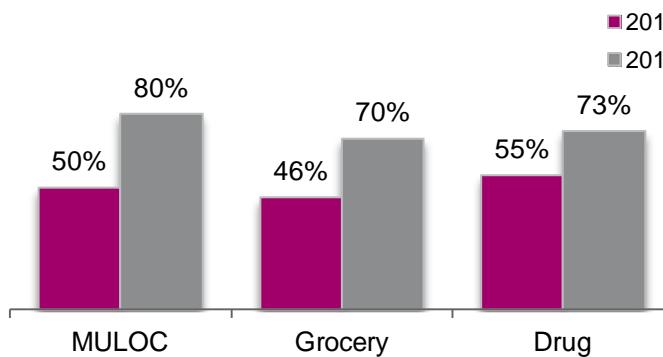
has improved somewhat, nine out of 10 of those shoppers will continue to buy more private label in the coming year.<sup>2</sup>

Additionally, nearly two-thirds of shoppers are making a shopping list before entering the retail store, and many of these list-makers are avoiding purchases that are not on their lists.<sup>3</sup> Together, these trends underscore the need for private label marketers to rethink their merchandising strategies.

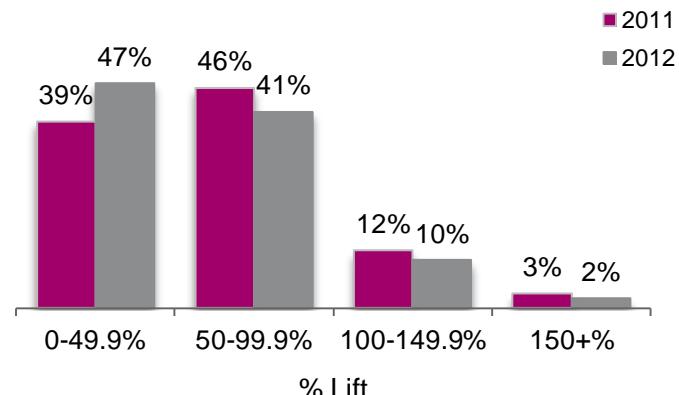
Name brand marketers, too, must embrace and act upon these critical shopper behaviors. The need to begin to impact shoppers outside the retail environment is high and trends indicate that this need will remain high in the foreseeable future.

**Merchandising Trends:** Supporting the Value Proposition**Merchandising Effectiveness: Total CPG****% of CPG Categories with Reduced Merchandising Lift**

2011 &amp; 2012 Multi-Outlet + Convenience

**% of CPG Categories by Average Merchandising Lift**

2011 &amp; 2012 Multi-Outlet + Convenience



Source: SymphonyIRI Market Advantage™; 52 weeks ending 12/2/2012 and same period prior year

Source: SymphonyIRI Market Advantage™; 52 weeks ending 12/2/2012 and same period prior year

*Lift from merchandising support has declined across a strong majority of categories and, today, nearly half of categories achieve lift of less than 50% from merchandising programs.*

Merchandising has many purposes. It is used to drive awareness of new products, communicate product benefits and differentiate a product from its competitors. Another obvious goal of merchandising is to spur consumers into action. Generally, the desired action is to make a purchase. Merchandising that accomplishes this goal is said to have achieved sales lift.

The magnitude of lift achieved with merchandising support varies across tactics and categories. But, on the whole and during the past couple of years, merchandising lift has changed rather drastically.

In 2012, average lift from merchandising support declined across 80% of categories within the multi-outlet plus convenience

geography. Similar to industry average, the grocery and drug channels have seen average lift fall across 70% and 73% of categories, respectively.

Lift is falling—sometimes rather significantly—across a wide array of CPG categories, including some of the most heavily merchandised categories, detailed earlier in this report.

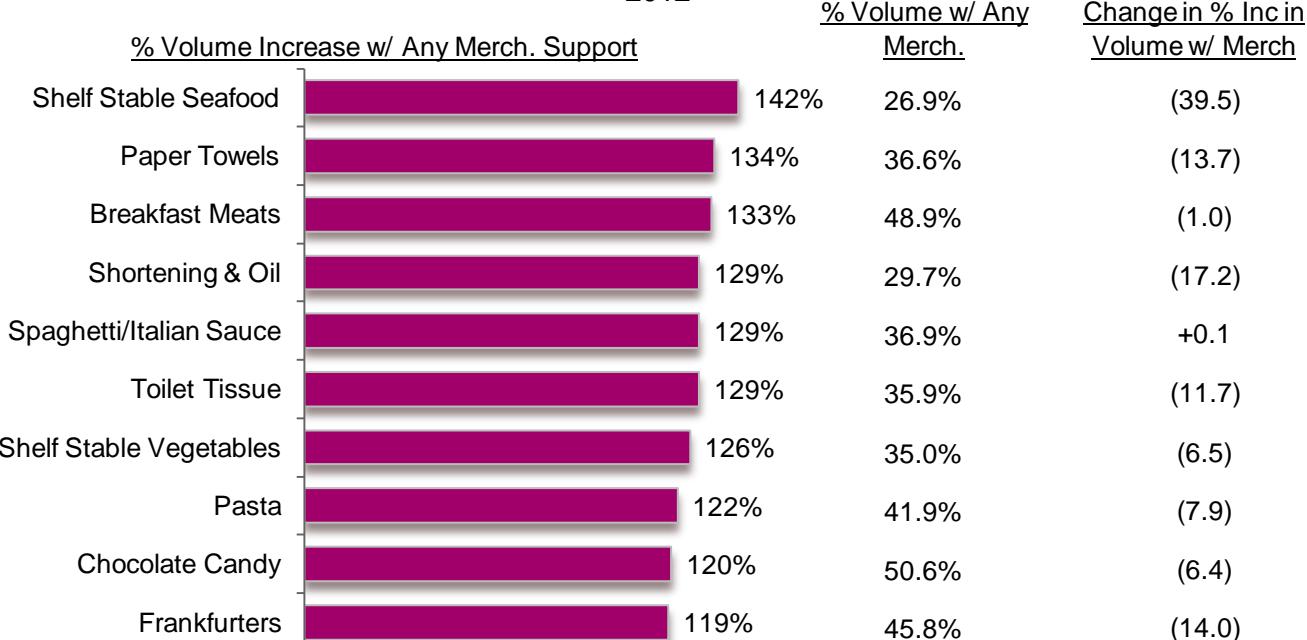
For instance, carbonated beverages, which sells more than 60% of volume with merchandising support, saw lift decline more than 14 points during the past year. And, Mexican foods, which sells half of its volume with merchandising support, saw lift slide more than five points during the same period.

Today, 47% of categories receive average lift of less than 50% from merchandising support. These categories cut a wide swath across CPG aisles and include such categories as milk, dog food and cold/allergy/sinus tablets. Illustrated on the following page of this report, even categories that receive the biggest bump from merchandising support have seen lift slide during the past year.

**Merchandising Trends:** Supporting the Value Proposition**Merchandising Effectiveness: Leading Categories****Top 10 CPG Categories by Merchandising Lift**

Multi-Outlet + Convenience

2012



Note: Among the top 100 CPG categories, based on dollar sales

Source: SymphonyIRI Market Advantage™; 52 weeks ending 12/2/2012

*Average lift from merchandising is well over 100% across a wide variety of food and “staple” categories, but merchandising impact has lessened across many categories.*

CPG marketers are receiving large sales boosts from merchandising support across a wide variety of food and key “staple” categories. But, mentioned earlier in this report, lift has declined across a vast majority of CPG categories.

One of the key drivers of this decline trends around pantry stocking. Many of the categories on the chart at the top of this page are “stock up” categories—consumers tend to view sales/promotions as a good opportunity to beef up or replenish their supply. But, according to SymphonyIRI’s MarketPulse survey, 40% of consumers are making purchases on an

“as needed” basis rather than stocking up in order to keep their weekly budget in check. This change in mindset has directly impacted lift achieved by some of these categories.

The broad-based declines that mark today’s CPG industry underscore the fact that “the old way” of doing things is simply not as impactful as it was in the past. Marketers need to continue to merchandise their products, but they must re-evaluate the strategies used to do so.

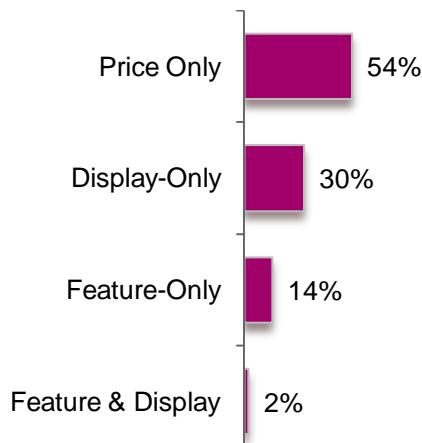
According to a recent Capgemini study, an estimated 90% of trade promotions have negative return on investment (ROI) when issues like cannibalization and execution costs are considered. But, this need not be the case. Today, analytic models and simulator software allow manufacturers and retailers to evaluate past events and simulate “what if” scenarios in a way that will help to identify optimal promotional mix at a category/brand and/or account level, and this can significantly reduce—even eliminate—negative ROI events.

**Merchandising Trends:** Supporting the Value Proposition**Merchandising Tactics: Prevalence & Effectiveness****Merchandising Activity & Lift by Tactic**

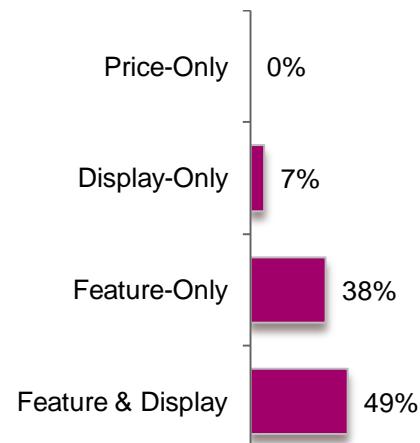
Multi-Outlet + Convenience

2012

% of Categories with at Least 10% of Volume with Tactic



% of Categories Achieving at Least 100% Lift with Tactic



Source: SymphonyIRI Market Advantage™; 52 weeks ending 12/2/2012

*Merchandising programs that begin to impact the shopper in the home are having a powerful impact on sales lift.*

According to SymphonyIRI's MarketPulse Survey, nearly three-quarters of consumers are making CPG purchase decisions before entering the retail environment. This type of pre-planning behavior is helping to support healthy lift by feature and combined feature/display tactics. In fact, during the past year, 38% of categories supported by feature only and 49% of categories supported by combined feature/display achieved triple digit sales lift as a result of these efforts.

Trends around pre-planning have been a hallmark of downturn-era shopping. And, feature and combined feature/display tactics have historically provided sizable sales increases. Still, only 14% and 2% of

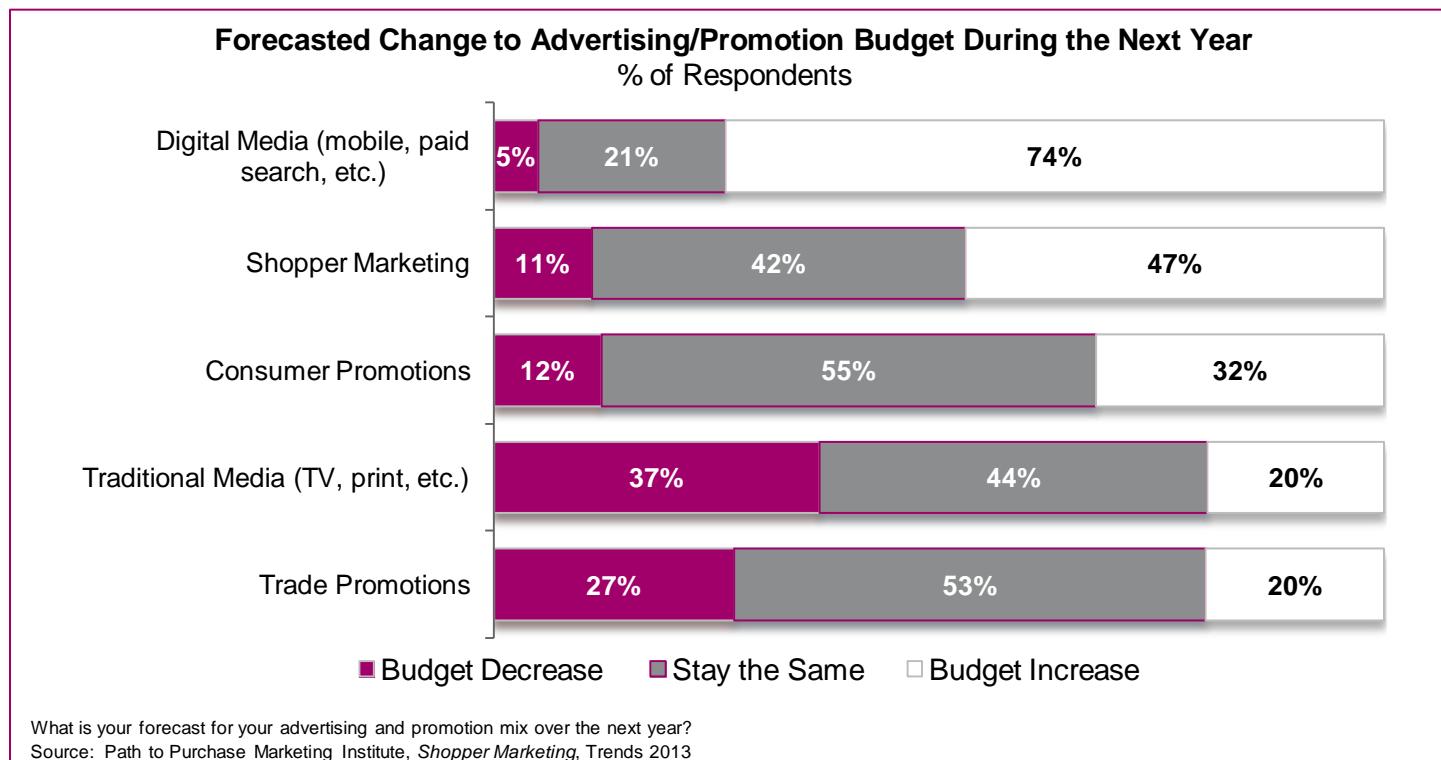
categories, respectively, sell a sizable share of volume with support of this nature. Simply put, these tactics are overlooked jewels in the satchels of CPG marketers throughout the industry.

During the past year, more than half of CPG categories relied on price only actions for more than 10% of sales volume. Among these categories, none achieved lift of 100% or more from price-only efforts.

While price is certainly an important consideration in the brand selection process—12% of consumers look for the lowest price item when making a purchase—a more important factor is value. According to SymphonyIRI's Brand

& Retailer Survey, when making brand decisions, 25% of consumers select products that give them the best value for the money.

CPG marketers have a broad and rapidly growing array of tools at their disposal today. These tools, and the analytic power that drives them, have the ability to optimize trade promotions and enable more granular executions. In the end, a highly targeted approach to trade promotion will drive revenue growth and build the bottom line.

**Merchandising Trends:** Supporting the Value Proposition**Trends to Watch**

*CPG marketers are adopting new strategies aimed at capitalizing on new technologies and building more targeted, impactful relationships with consumers.*

Evolving trends around in-store marketing are enabling CPG marketers to rewire their marketing strategies in a manner that allows messages to reach target shoppers early, often and with a high level of relevance.

### Shopper Marketing

Detailed in the May 2012 edition of *Times & Trends*, the shopper is in control of today's CPG marketplace. It is the job of the effective marketer to provide shoppers highly relevant products and support those products with personal and customized messages delivered through highly targeted, direct-to-shopper marketing

and in-store programs. To accomplish this feat, savvy companies are changing the way they do business, embracing new technologies and analytics in a way that allows them to identify individual shoppers, rather than markets or segments. With this intimate knowledge, marketers are working to satisfy consumers' quest for unique and memorable shopping experiences.

### Technology

According to The Path to Purchase Institute's Trends 2013 report, promotional budgets will undergo noteworthy shifts during the upcoming year.

Technology-driven programs deployed over digital media and previously mentioned shopper marketing programs will see increases, at the expense of more traditional television and trade promotion programs.

Technological advances continue to provide marketers new opportunities and manners of engaging and informing shoppers. Savvy marketers will stay abreast of advances, and continually seek the opportunity to embrace tools that reach and resonate with their core and target shoppers most effectively.

**Merchandising Trends:** Supporting the Value Proposition**Trends to Watch****Media Preferences: Heavy Media Users\* by Category**

Across Select CPG Categories

Index Category Buyer versus Average Shopper (Average = 100)

	Internal Analgesics	Blades	Paper Towels	Breakfast Meats	Shelf Stable Seafood
Internet	60	122	92	75	85
Magazines	81	112	103	91	99
Radio	81	101	90	95	85
Outdoor	85	132	114	108	101
TV	137	56	97	106	107
Newspaper	150	102	143	124	163

\*Note: Self-reported heavy users/readers/viewers, by medium.

Source: SymphonyIRI ShopperSights, January 2012

*Media consumption patterns can differ quite substantially across CPG categories.*

Marketers have a large and growing arsenal of potential merchandising tools from which to choose. And, as technology advances, media mix options are seemingly expanding exponentially.

Resonating with shoppers starts with reaching out via the most effective media. Illustrated by SymphonyIRI's ShopperSights platform, preferred media can sometimes vary significantly across CPG categories.

While above-average heavy newspaper readership spans many major categories, for instance, fewer categories show above-average heavy Internet usage.

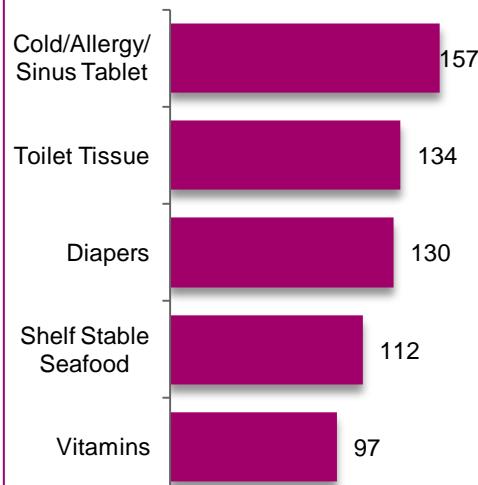
On average, one-in-five consumers consider themselves to be a heavy user of

the Internet. In contrast, 25% of razor blade consumers fall into this category. This group also over-indexes in consumption of outdoor media, while being much less likely than average to be heavy viewers of television. In contrast, among analgesics buyers, television and newspapers are leveraged much more frequently versus the Internet.

Illustrated on the right, similar behavioral differences exist with respect to the pursuit of coupons. Cold/allergy/sinus buyers, for instance, are much more likely than vitamin buyers to get their coupons via the Internet.

**Propensity to Receive Coupons via Internet or eMail**

Index Category Buyer versus Average Shopper (Average = 100)



Source: SymphonyIRI ShopperSights, January 2012

*Across categories, propensity to attain coupons via electronic media varies.*

**Merchandising Trends:** Supporting the Value Proposition**Conclusions: CPG Manufacturers**

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

- ❑ Identify new growth opportunities and threats
  - Establish a solid everyday pricing strategy for each of your categories/brands, and supplement with highly targeted, tactical temporary price reductions to capitalize on existing/emerging short-term opportunities
  - Evaluate merchandising activity and lift across your brands versus total category and competitors across key retail partners to identify gaps
  - Collaborate with key retailer partners to identify and test new marketing vehicles/tactics within and outside the store environment, and across traditional and new media
  
- ❑ Work with key accounts to develop strategies that address market and store-level shopping patterns and needs
  - Invest to understand how your categories/brands fit into your key/target shoppers' lifestyle and needs story and into the broader goals and objectives of key retail partners, then develop marketing programs that tie into those avenues
  - Continually re-evaluate pricing and merchandising initiatives to ensure they reinforce your brand equity, and clearly communicate your value proposition to key consumer targets
  - Frequently refresh promotions to remain in lock step with evolving economic and market conditions and stand out from competitors
  
- ❑ Continually measure and monitor pricing and merchandising execution and impact
  - Monitor store-level merchandising performance and retail execution among key retail partners and adjust mid-path, as warranted
  - Carefully test all pricing and merchandising initiatives at a micro level prior to roll out and then closely monitor impact of roll out

**Merchandising Trends:** Supporting the Value Proposition**Conclusions: CPG Retailers**

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

- ❑ Identify new growth opportunities and threats
  - Establish a solid everyday pricing strategy for each of your categories/brands, and supplement with highly targeted, tactical temporary price reductions to capitalize on existing/emerging short-term opportunities
  - Continually assess channel trends and the impact of competitor merchandising efforts on those trends to determine whether/when/how to adjust your own merchandising-related efforts
  - Build share and loyalty by cross-merchandising of relevant parallel categories/products
  - Stay abreast of new marketing vehicles/tactics, and analyze consumer response to these new tools versus traditional techniques
- ❑ Work with key manufacturer partners to develop strategies that address market and store-level shopping patterns and needs
  - Invest to gain a 360-degree understanding of trip drivers, in-store conversion, and how core shoppers shop for a particular category and to meet their high-level needs, then develop marketing programs that tie into those avenues
  - Build cross-merchandising/cross-promotional programs that make parallel products easier to locate/access
  - When a manufacturer partner proposes a truly innovative program that meets the needs of core shoppers, consider playing a role in helping to fund the initiative
- ❑ Continually measure and monitor pricing and merchandising execution and impact
  - Monitor merchandising programs at the store level for planned versus actual performance and adjust mid-path, as warranted
  - Use post-promotion analyses to evaluate the performance of past events, and use that knowledge to continually improve future initiatives

**Merchandising Trends:** Supporting the Value Proposition

## Success Story: Category Manager Wins with Sports Promotion!

### CHALLENGE

To promote its sponsorship of two regional racing events and drive sales of its products among sporting enthusiasts, the category manager at a leading energy drink brand approached a major American retailer to propose an in-store promotion in several markets where the racing events were taking place.

Decision makers at the retailer requested more details on how the profile of the racing enthusiast lined up with their buyer profile, so they could gauge the value of participating in this promotion.

To provide the retailer with detailed and insightful analysis, the energy drink category manager asked SymphonyIRI to provide information to secure placement of the in-store promotion. He then said that he needed that information in 24 hours!

### APPROACH

Initially, the energy drink manager intended to segment the retailer's shoppers by income to determine which stores were better suited to support the promotion. However, SymphonyIRI's analysis revealed there was not a correlation between income and preference to attend racing events.



The SymphonyIRI team utilized ShopperSights™, an innovative shopper segmentation and targeting solution, to build the racing fan profile. The team first built a national racing event consumer profile and, from that, developed nine distinct regional profiles of racing fans, each with a different income level and variant demographics.

SymphonyIRI then researched large markets in the target area near the racing events and looked at stores that over-indexed for racing enthusiasts and energy drink brand consumers. This approach validated that the promotion was in fact appealing to the retailer's shoppers at specific stores. SymphonyIRI targeted designated market areas (DMA) for specific retailer stores, allowing for lower-cost marketing and communications support for this hyper-local promotion.

### RESULTS

Retailer decision makers approved the energy drink category manager's proposal and agreed to place the promotion in targeted individual stores within its two divisions. The promotion was shipped to 80 highly targeted stores, about one third of the stores in two regions.

### BENEFITS

Within 24 hours of the request, SymphonyIRI provided valuable statistics and research to convince retailer decision makers to accept the promotion. As a result, the energy drink manufacturer and the retailer were able to agree to execute a highly targeted in-store campaign, which is expected to yield an estimated \$250,000 in incremental revenue for the manufacturer.

**Merchandising Trends:** Supporting the Value Proposition

## Resources

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

**SymphonyIRI Market Advantage™**

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

**SymphonyIRI Price & Trade Advantage™**

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

**SymphonyIRI ShopperSights™**

ShopperSights is a new consumer and shopper targeting and segmentation solution, delivering actionable insights at the individual household and store level.

**Merchandising Trends:** Supporting the Value Proposition**FOR MORE INFORMATION**

Please contact Susan Viamari at  
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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](http://www.SymphonyIRI.com).

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[www.SymphonyIRI.com](http://www.SymphonyIRI.com)The logo for SymphonyIRI Group features the company name in a bold, serif font. The word "Symphony" is in black, "IRI" is in red, and "Group" is in grey.

SymphonyIRI Group