IN-STORE MARKETING INSTITUTE
CORPORATE MEMBER

Shopper Resolutions 2009
What You Need to Know

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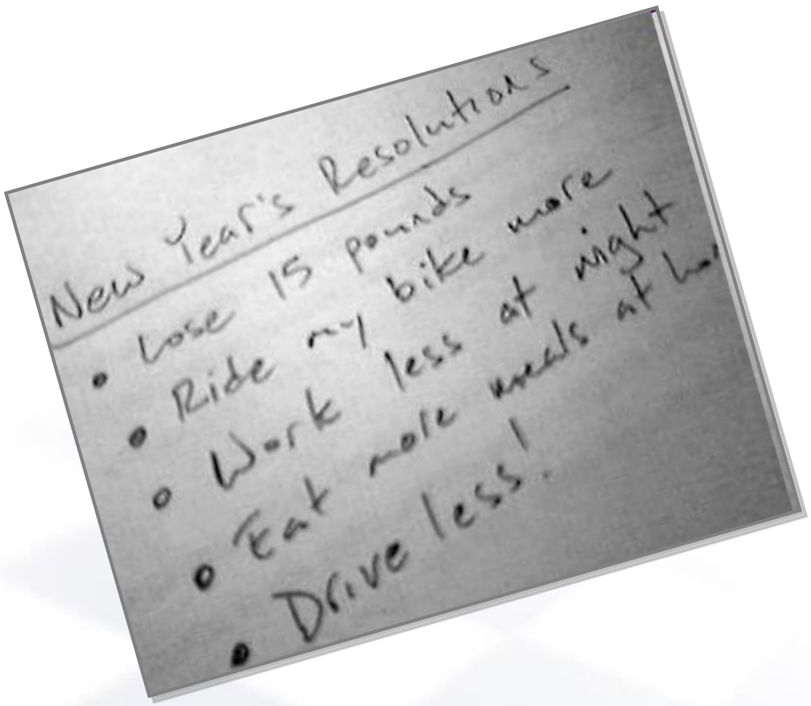
Today's Agenda

- Resolutions || Introduction
- The Environment || What are Shoppers Adapting To
- 2009 Outlook || Resolutions Shoppers Have Made
- The 'So What' || Implications of Resolutions for Marketers

Resolutions || Commitments to Change



- **Reform a habit or advance a new project / initiative**
- **Often a lifestyle change: one the 'doer' views as advantageous**
- **Underlying motivations drive resolutions**
  - Internal
  - External

Shopper Marketing Context || Challenges of 2009

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Like you, we hear many *big* questions:

- **With lower budgets, what creates the greatest impact? Where should I focus?**
- **Who is my most valuable shopper and how do I understand their changing needs?**
- **How do I stay close to knowing what my shopper values in these changing times?**
- **How can manufacturers & retailers work together to bring extraordinary shopper value?**

Shopper Resolutions 2009 ||
Listening to Shoppers is Key to Success

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I need a budget.

That store is too expensive.

Last time I got that great deal at *STORE X*!

I love one stop shopping.

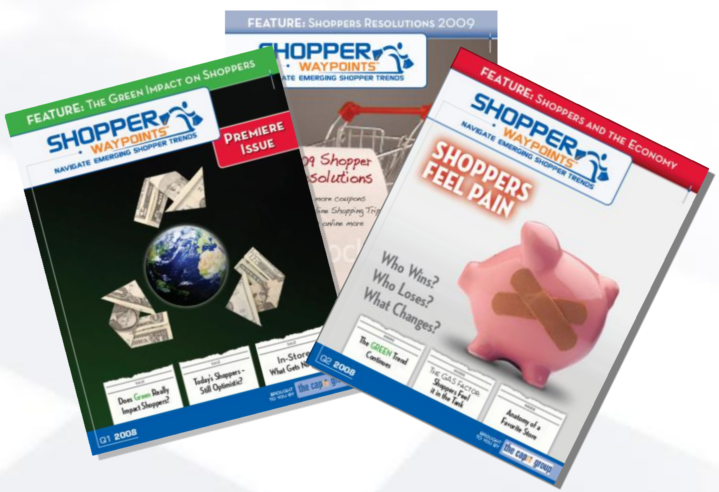
I'll just make this last.

Should I travel to my favorite store?

Motivations & behaviors differ greatly by category, channel, retailer … and shopper!

Sources of Information

- Caprē Group proprietary shopper research
- 3 waves of surveys in 2008
  - Feb … Jun … Dec
- Uncover emerging shopper trends



- 7 year old strategic marketing firm
- Specialty practice focus in shopper marketing

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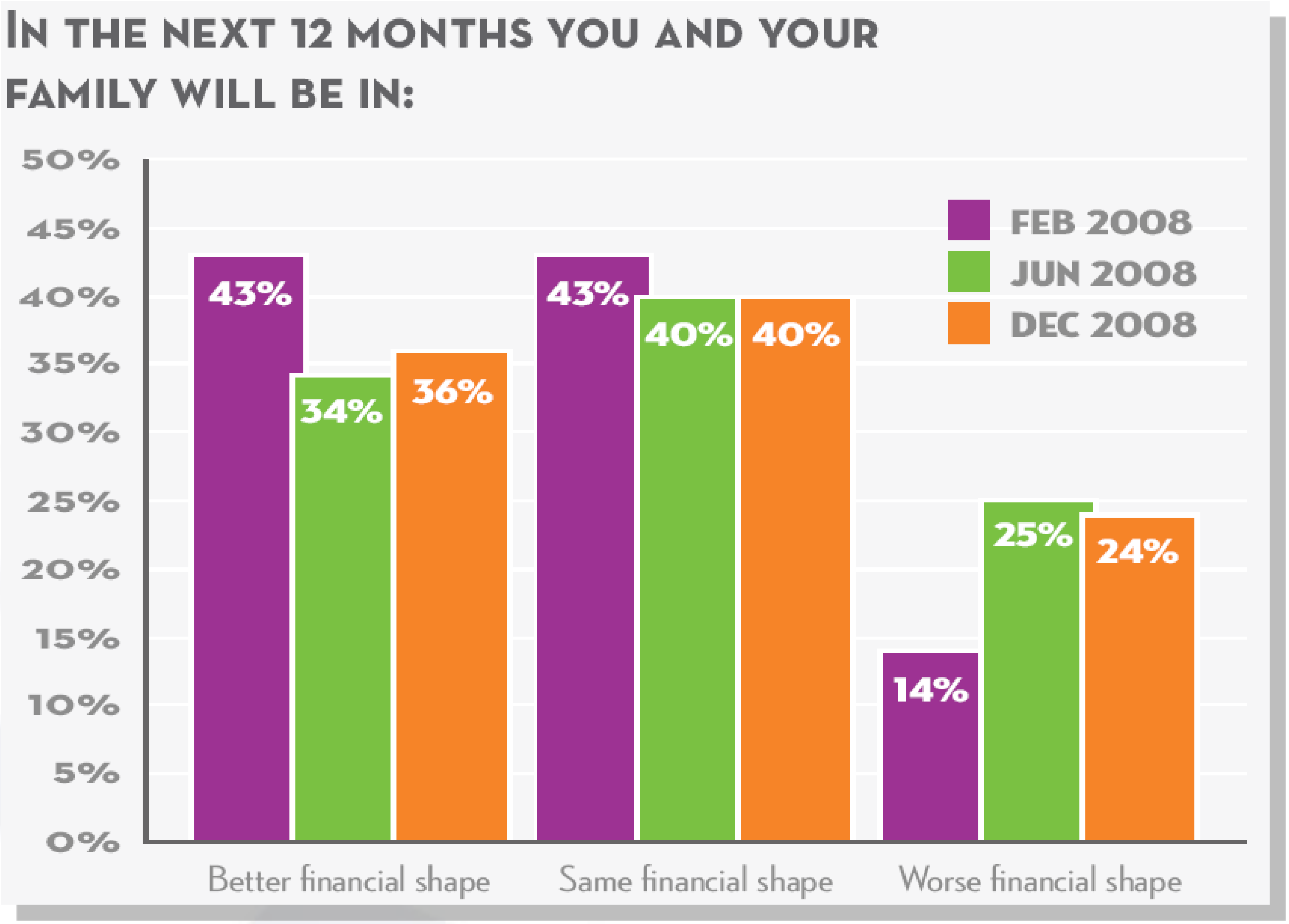
▪ The 'So What'	||	Implications of Resolutions for Marketers

Shoppers' Outlook || 2009

Surprisingly, despite the economy, shoppers future outlook remains fairly constant



Shoppers Cautiously Optimistic || More Conservative About Spending

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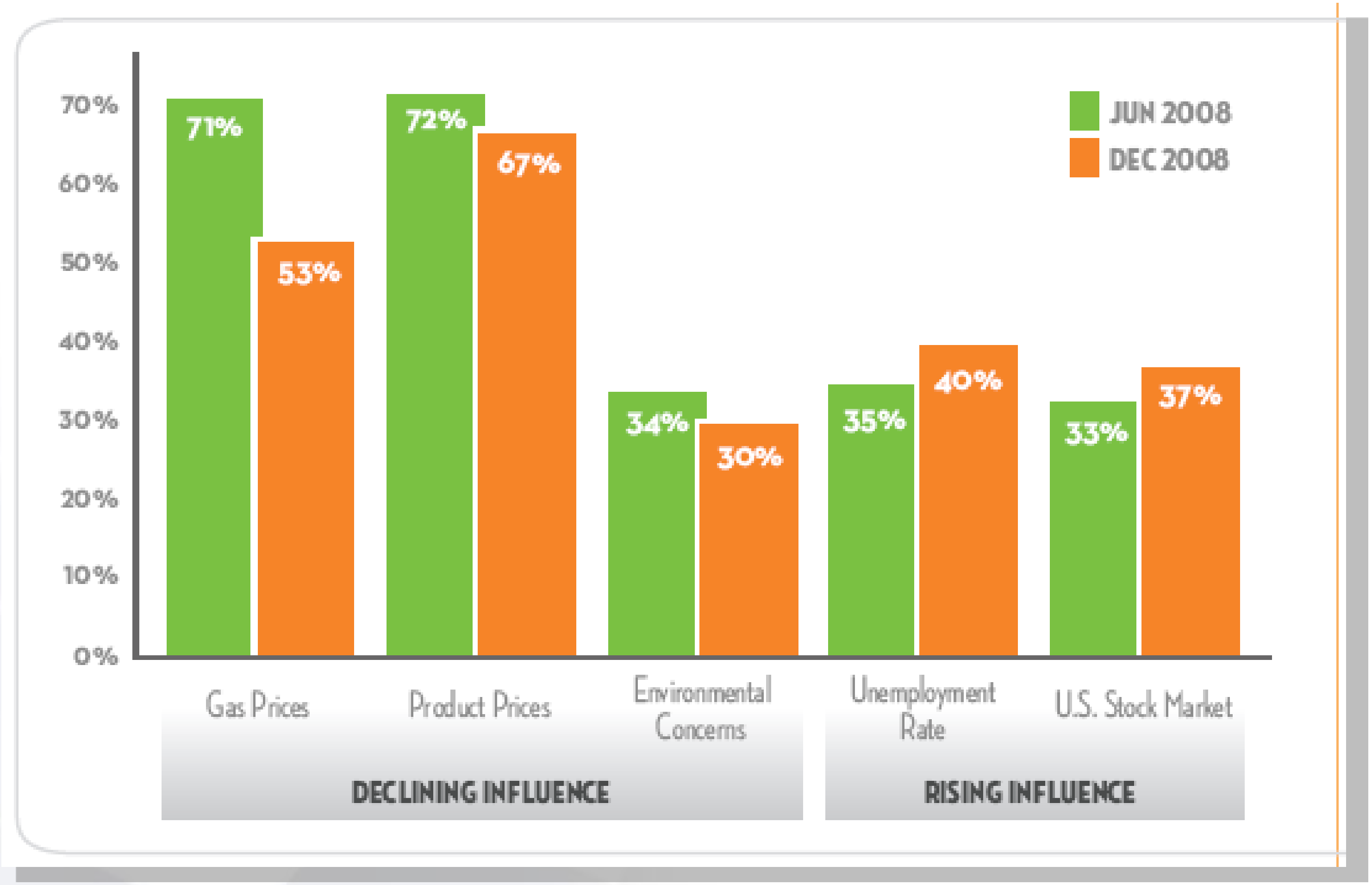
Saving tendencies grows …

Spending tendencies constant

	Feb 08	Jun 08	Dec 08
Save It	52%	59%	62%
Invest It	13%	13%	11%
Spend It	26%	20%	24%
Don't Know / Other	9%	8%	3%

Shopper Motivation Drivers || Showing a Shift

While declining, top shopper concerns are product and gas prices



The Retail Impact || Environment in Turmoil

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RETAIL SALES UNDER PRESSURE

- Dec 2008 Retail Sales fall 2.7% from prior month
- 9.8% slump vs. prior year

RETAILER CONTRACTION

- Store Closings: Circuit City, Linens & Things, Office Depot, Macys, …
- Tightening inventories, cost focus

EMPLOYMENT CUTS

- Retailers and manufacturers
- Home Depot, Macys, Pfizer, Sears, Kodak, Starbucks, Panasonic, ….

AT STORE PRESSURES

- Growth of private label
- More promotional activity (less profit)
- Retail price pressures for premium products

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- The Environment || What are Shoppers Adapting To
- 2009 Outlook || Resolutions Shoppers Have Made
- The 'So What' || Implications of Resolutions for Marketers
- Going Forward || Activities on the Horizon

Shoppers Say ||
They Are Spending Less

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Amount Spent on Shopping:
Last 3 Months vs. Year Ago 3 Months

	Feb 08	Jun 08	Dec 08
Spent less $	34%	38%	48%
Spent same	32%	28%	33%
Spent more $	34%	34%	18%

- Those spending less tend to be 30+ years old, more female and earning <$40K
- Even those who are optimistic about the future are spending less (48%)!

Shoppers Say || Spending Shifts Vary by Category

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GROCERY

	JUN 08	DEC 08
Spending More	34%	17%
Spending Less	20%	26%

HOUSEWARES

	JUN 08	DEC 08
Spending More	13%	7%
Spending Less	40%	45%

HEALTH & BEAUTY

	JUN 08	DEC 08
Spending More	16%	9%
Spending Less	26%	35%

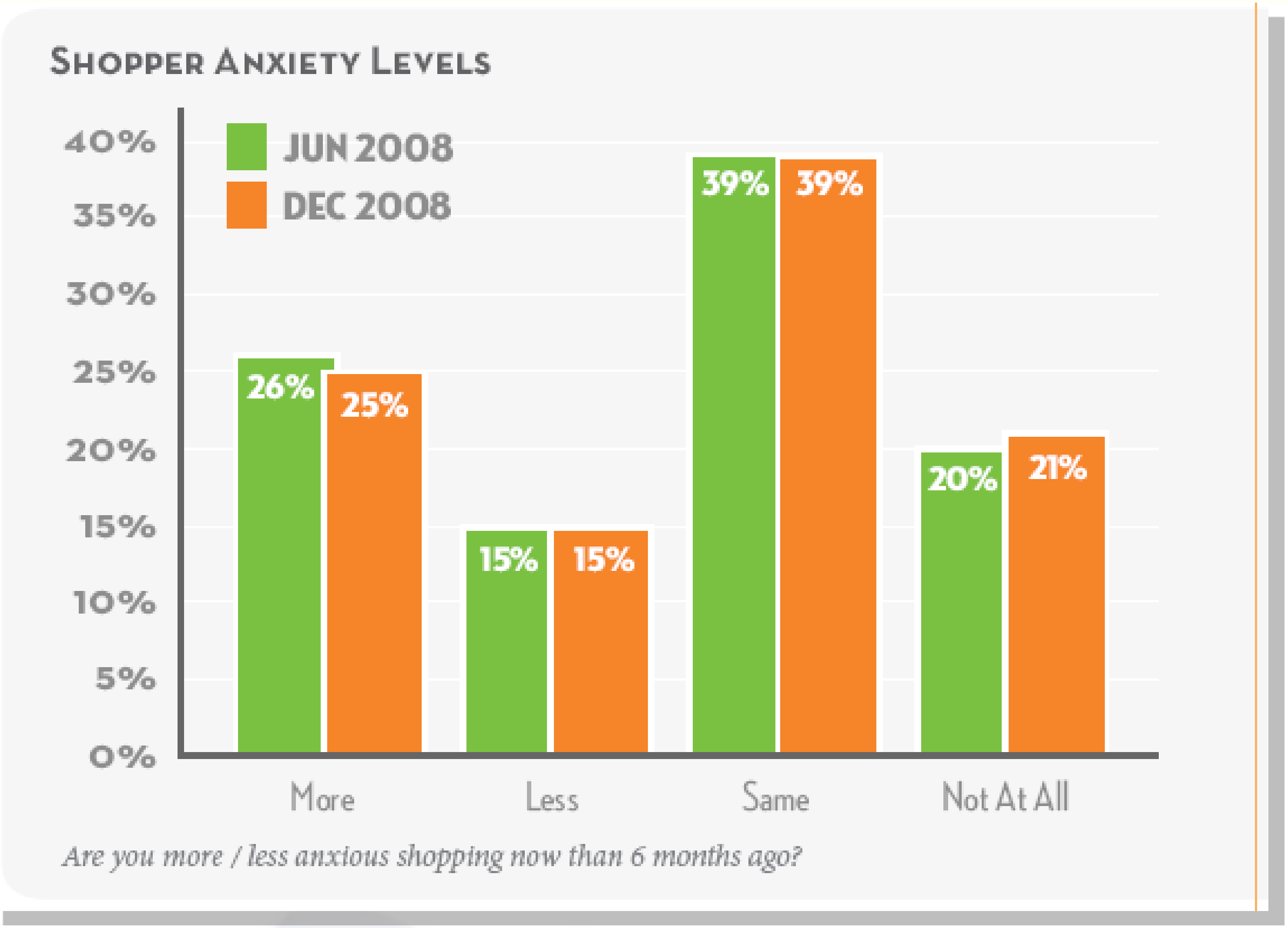
APPAREL

	JUN 08	DEC 08
Spending More	20%	14%
Spending Less	31%	38%

HOME ELECTRONICS

	JUN 08	DEC 08
Spending More	13%	11%
Spending Less	41%	44%

Shoppers Say || Even With All The Bad News, Anxiety Level is Unchanged



Resolutions || Shoppers Vow to Actively Manage Less Spending

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Top Things Shoppers Are Resolving To Do More Of

Grocery
Stick to Budget (37%)
Using coupons (35%)
Limit shopping to what I need (35%)
Stretch life of products (33%)
Looking at store ads (31%)

Approximately 1/3 of shoppers are increasing the use of these dollar saving tactics for grocery

- Circulars, ads and coupons become more important as shoppers are more focused on deals
- Optional and impulse items are at risk – need to find ways to stay visible and relevant
- Frequency may be impacted in some categories

Resolutions || Shoppers Vow to Actively Manage Less Spending

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Top Things Shoppers Are Resolving To Do More Of

Health and Beauty Care
Using coupons (34%)
Stick to Budget (33%)
Limit shopping to what I need (31%)
Looking at store ads (30%)
Stretch life of products (30%)

Similar patterns of cost saving behaviors are resolutions for Health & Beauty Care shoppers.

Resolutions || Shoppers Vow to Actively Manage Less Spending

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Top Things Shoppers Are Resolving To Do More Of

Home Electronics

- Limit shopping to what I need (32%)
- Stretch life of products (32%)
- Stick to Budget (32%)
- Looking a store ads (30%)
- Using coupons (29%)

Home Electronics shoppers are focusing more on basic needs

- Very consistent with category contraction insights – CDs / DVDs / Video Games and Electronics cited as 2 of the top 10 categories shoppers are restricting spending on.
- Frequency of purchase is a challenge: staying active and relevant on all paths to purchase will be critical

Resolutions || Shoppers Vow to Actively Manage Less Spending

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Top Things Shoppers Are Resolving To Do More Of

Housewares
Stretch life of products (33%)
Limit shopping to what I need (33%)
Stick to Budget (33%)
Looking at store ads (33%)
Using coupons (30%)

The Housewares category shoppers share similar 2009 resolutions …

Resolutions || Shoppers Vow to Actively Manage Less Spending

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Top Things Shoppers Are Resolving To Do More Of

Apparel

- Limit shopping to what I need (35%)
- Stick to Budget (33%)
- Stretch life of products (30%)
- Buying store brands (30%)
- Combine trips to save time and travel (30%)

… and Apparel shoppers are changing tactics, including trading down brands.

Resolutions || Shoppers Vow to Do More of These Things

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Across categories Shoppers resolve to be:

- More budget disciplined
- More focused on needs vs. wants
- More willing to keep products longer
- More active in money saving behaviors

Top Things Shoppers Are Resolving To Do More Of

Grocery	Health and Beauty Care	Home Electronics	Housewares	Apparel
Stick to Budget (37%)	Using coupons (34%)	Limit shopping to what I need (32%)	Stretch life of products (33%)	Limit shopping to what I need (35%)
Using coupons (35%)	Stick to Budget (33%)	Stretch life of products (32%)	Limit shopping to what I need (33%)	Stick to Budget (33%)
Limit shopping to what I need (35%)	Limit shopping to what I need (31%)	Stick to Budget (32%)	Stick to Budget (33%)	Stretch life of products (30%)
Stretch life of products (33%)	Looking at store ads (30%)	Looking a store ads (30%)	Looking at store ads (33%)	Buying store brands (30%)
Looking at store ads (31%)	Stretch life of products (30%)	Using coupons (29%)	Using coupons (30%)	Combine trips to save time and travel (30%)

Beyond 'More' Resolutions || Many Savings Behaviors Will Continue

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Greatest impact:

- Majority are trading down stores to save money
- Store brands continue momentum
- Same number of shoppers combining trips vs. shopping across stores for deals

Top things shoppers will do the *same* of

	Grocery	Health & Beauty Care	Home Elec-tronics	House-wares	Apparel
Buy in Bulk	*63%*	*60%*	*52%*	*57%*	*55%*
Making a List	*62%*	*63%*	*56%*	*58%*	*61%*
Shop Multiple Store to Get Deals	*62%*	*63%*	*59%*	*58%*	*62%*
Combine Trips	*59%*	*62%*	*59%*	*60%*	*61%*
Looking at Store Ads	*58%*	*56%*	*56%*	*54%*	*60%*
Trading Down Store to Save $	*58%*	*60%*	*56%*	*57%*	*59%*
Buying Store Brands	*58%*	*60%*	*57%*	*59%*	*59%*

Resolutions || Shoppers Vow to Do *Less* of These Things

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Big ticket items are being postponed

Retail response:
- lower retail prices
- deep promotional pricing
- value bundling

Store choice being impacted

- Danger for specialty retailers

Top Things Shoppers Are Resolving To Do Less Of

Grocery	Health and Beauty Care	Home Electronics	Housewares	Apparel
Buy big ticket items (35%)	Buy big ticket items (29%)	Buy big ticket items (30%)	Buy big ticket items (32%)	Buy big ticket items (25%)
Shop across mult. stores (13%)	Buy in bulk (13%)	Shop at electronics store (20%)	Shop home furnishing stores (18%)	Buy in bulk (12%)
Trade down stores (12%)	Shop online (12%)	Buy in bulk (14%)	Shop mult. stores to get deals (11%)	Shop mult. stores to get deals (11%)
Buy store brands (11%)	Shop across mult. stores to get deals (10%)	Trading down store (11%)	Shop online (10%)	Shop apparel stores (10%)

Shopper Attitudes ||
Key Shifts Noted As Well

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	JUN 08	DEC 08	
I love to tell people about things I discover	*65%*	*57%*	↓
I enjoy shopping at new stores	*56%*	*47%*	↓
I feel great when I find a bargain	*81%*	*75%*	↓
The environment in a store is important to me	*62%*	*55%*	↓
Brand name is more important than price	*25%*	*25%*	↔
I try to be as efficient as possible when I shop	*75%*	*74%*	↔

- The act of shopping is less fulfilling.
- Shoppers values / needs may be shifting.
- Opportunities to connect may be changing.

Shoppers Tell Retailers || Resolve to Do This to Help Me

Percent of Shoppers Asking Retailers to Help With Price

Grocery	54%
Health and Beauty Care	46%
Home Electronics	46%
Housewares	44%
Apparel	47%

QUESTION:

‘What should retailers resolve to do in 2009 for you?’

SHOPPERS ANSWER:

‘Better Prices!”

Smart Shopper Marketers || Already Adapting Tactics

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We see retailers & manufacturers trying many things at retail to connect

In Store Media

Loyalty Programs

Green Marketing

Shoppers Say || 'I Use Loyalty Programs'

- Participation varies widely by channel
- True loyalty (1 card only) is low
- Opportunities exist in non-traditional card channels

WHO HAS LOYALTY CARDS?

	Total % shoppers with loyalty cards	% of shoppers with only 1 loyalty card	% of shoppers with more than 3 loyalty cards
GROCERY	73%	37%	19%
HEALTH AND BEAUTY	50%	30%	7%
HOME ELECTRONICS	39%	25%	10%
HOUSEWARES	27%	14%	8%
APPAREL	35%	18%	11%

Resolutions ||
The Outlook for Loyalty Cards

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- Shoppers vow card changes in 2009
- The positive: Many are saying they will use more / sign up for more
- But …

Expected Usage Changes Of Loyalty Cards In 2009

	Sign up for new cards	Use current cards more	Discontinue using cards
Grocery	20%	34%	4%
Health and Beauty	22%	36%	6%
Home Electronics	17%	30%	11%
Housewares	26%	27%	14%
Apparel	25%	32%	14%

Loyalty Card Outlook || Challenges Ahead

- … the negative: Price (EDLP) still trumps all!

WHY SHOPPERS DON'T HAVE LOYALTY CARD

	Grocery	Health & Beauty	Home Electronics	Housewares	Apparel
Prefer EDLP	61%	52%	58%	53%	57%
Not enough benefits to be worth it	27%	35%	35%	39%	35%
Do not care to carry around	14%	15%	17%	13%	15%
Don't want to share personal info	19%	13%	13%	11%	12%

In Store Media Elements || Getting Noticed?

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What Shoppers Notice in Store

	Grocery	Health and Beauty Care	Home Electronics	Housewares	Apparel
End Aisle Display	40%	26%	22%	21%	20%
In-Store Coupon Machine	39%	13%	6%	6%	5%
On-Shelf Ad/Message	30%	25%	20%	16%	17%
In-Store TV	29%	15%	28%	13%	14%
In-Store Radio	27%	19%	17%	16%	17%
Floor Ads	23%	18%	18%	18%	15%
Shopping Cart Ads	22%	13%	10%	9%	9%
Digital Sign	10%	9%	20%	5%	7%
Didn't notice any	28%	42%	41%	48%	47%

- Is 2009 the year to focus on basics or explore the 'new'?

In Store Elements ||
Shoppers Issue a Challenge

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Shoppers ask us for more help!

How Helpful are In Store Marketing Elements

	Grocery	Health and Beauty Care	Home Electronics	Housewares	Apparel
Very helpful (top 2 box)	39%	43%	39%	42%	46%
Not helpful	19%	20%	23%	21%	17%

Resolutions || 'Green' Going Forward

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	Total % Shoppers		
	Feb '08	Jun '08	Dec '08
Think green positioning is important	43%	42%	38%
Green positioning impacts brands purchased	30%	22%	18%
Green positioning impacts retailers shopped	29%	22%	18%

- **Green is being overshadowed by economic concerns**

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So What?
The Shopper Marketer Mindset

It's a long haul – may get worse before getting better.

- Stay close to the shopper … now more than ever.
- Focus on price is a trap… with long term consequence.

Know the shopper – find ways to add value to connect your brand.

- Reach out to meet today's needs for value … loyalty will follow.
- Be smart with budgets … innovation is key.

Know your place in a recession environment & create strategy accordingly.

- Untouchables vs. vulnerables.
- Leverage tactics appropriate for your category / brand.

So What?
The Shopper Marketer Mindset

Targeting is more important.

- Not all shoppers respond to recession in the same way.
- Know who your core is, and cater to them.

Time to connect with shoppers' lives.

- Where you market before the store is changing.
- Entice shoppers in store by better connecting with their lives.

Uniting Against Shoppers Resolutions|| Increasing Shopper Collaboration

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Retailers

- 66% cite manufacturer collaboration leads to enhanced profitability
- Retailers getting increasingly sophisticated

Manufacturers

- 66% do not build programs around retailer segmentation consistently
- Integration of segments with retailers difficult but valuable

Source: 2008 PMA Study

2009 || Shopper Marketing
Segmentation Alignment Challenge

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InStoreMarketingSummit

Achieving Excellence: Accelerating Success in Shopper Marketing

April 1–3, 2009
Hyatt Lodge at McDonald's Hamburger University
Oak Brook, IL | www.instoresummit.com

3B| Segmentation Strategy — Whose to Use: Mine? Yours? or Ours?

As shopper marketing continues to evolve and become a more sophisticated marketing discipline, both manufacturers and retailers are creating more shopper segments for more refined target strategies and in-store executions. As an industry, we are fast approaching "segmentation overload," making manufacturer/retailer alignment challenging and sometimes costly. In this session, you'll:

- Gain insights into how segmentations are being employed for shopper marketing
- Explore and discuss industry "segmentation overload," and the implications for retailers and manufacturers
- Discuss ways the industry might enhance opportunities for better segmentation collaboration

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