2010 – Business as Unusual
Understanding the Shopper in The New Decade

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What a Difference a Year Makes…

2009 in Review

- H1N1
- Food Safety
- When Employment Will Stabilize
- Consumer Anxiety
- Recession Bottoming
- Real Estate Values

2010 Issues

- Health Care
- Double Dip Recession
- Deficit Spending
- Fear of Inflation
- Continuing Unemployment Levels
- Commodity Prices
- Taxes, Taxes, Taxes

Source: IRI Shopper Video, Focus Group Interviews, November 2009
Market 360° – The Consumer

✓ Permanently Altered Buying Habits
   Imminent danger of “downward mobility”

✓ Not Consuming as in the Past 25 Years
   Going on a shopping and consumption “diet”

✓ “Enlightenment” Is a New Shopping Lens
   Affordability, nutrition, and safety “insights”

✓ Purchase Behaviors Get “Personal”
   From “keeping up” to “extending life values”

Source: IRI Shopper Video, Focus Group and Shopper Interviews, March and April 2010
Market 360° – The Retailer

- **Innovation in “New Loyalty”**
  “Influence mining” via 360° shopper/consumer views

- **Equity Creation in and Via New Technology**
  Rewiring of marketing enabled by technology

- **Transformation of Shopper Segmentation**
  From “birth, life, and death” to usage patterns

- **Accelerating Distance Between “Winners and Losers”**
  Speedier death for the “unhealthiest”

*Source: IRI Shopper Video, Focus Group and Shopper Interviews, March and April 2010*
Market 360° – The Manufacturer

✓ **Realities Of Consolidation**
   Industry, competitor, new entrant, and retailer

✓ **Selectively Testing “Shopper Direct”**
   More personal and smaller – more opportunity

✓ **Redefining Supply Chains**
   Factory to shelf productivity improvements

✓ **“Economic Sea Change” Transformed Efficiencies**
   Forever altered organizational/operational structures

✓ **Emergence of a New Financial DNA**
   Microscopic evaluation of investments

*Source: IRI Shopper Video, Focus Group and Shopper Interviews, March and April 2010*
The “Great Recession” continues to be the “Great Equalizer”
See “Affordable Healthcare” as Critical to Stay Healthy
Defining Affordable Healthcare

- Low Up Front Cost
- Keeps Me Healthier Longer
- Improves Quality of Life

89% of Healthcare Shoppers
Shoppers Seek Substitution with OTC

38%

View OTC Medicines as a Money Saver
A New Level of Disease Prevention

Now Use Antibacterial Hand and Surface Cleaners Daily

41%
Where Shoppers Plan to Go for OTC Medication Over the Next 6 Months

53% Drug Stores

50% of Category Shoppers

Supercenters
Over the Next 6 Months Shoppers Are Planning to Go Private Label

- OTC Medicine: 45%
- Vitamins & Supplements: 41%

of Category Shoppers
Beauty Regimens Stabilize

92%

Choose Recognized Beauty Brands
Where Shoppers Plan to Go for Beauty and Personal Care Over the Next 6 Months

49% Supercenters

37% Drug Stores

of Category Shoppers
Defining Affordable Beauty

"Downbrand" to lower price brands and "channel surf" for the best deal

25%
“What’s Hot”

Reinventing HBC to HBW

Health

Beauty

Wellness

Source: FMI Economic Survey Dec 2009, IRI AttitudeLink, Shoppers n = 1340
Today’s Dialogue

1. Economic Trends 6 Month Outlook
2. Affordable Health Management
3. Future of Health and Wellness
4. Future of Beauty and Personal Care
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These Truths are Now Self Evident

“A new era of the consumer is upon us best described by fear, uncertainty, and doubt.”

1. “Breakdown” of traditional norms – community, social networks, beliefs

2. Increasing “personal” realization – self improvement to active participation in health

3. A growing desire to simplify, downsize, and “slow down” living
Economic Sobriety Established a “New Norm”

Source: US Bureau of Labor Statistics, University of Michigan Consumer Sentiment Index
Shopping Strategy Continues to be Developed in the Home

Where Shopping Decisions are Made
% of Wellness Shoppers

Now
- While Shopping in the Store: 15%
- Before Going to the Store: 85%

Next Year
- While Shopping in the Store: 18%
- Before Going to the Store: 82%

Source: Health and Wellness Survey, IRI AttitudeLink n = 1400
## Brand Purchase Dynamics Also Vary

### Shopping Strategies By Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Buy the Lowest Price</th>
<th>Try New Brands and Products</th>
<th>Only Purchase When There Is a Deal or Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTC Medicine</td>
<td>38%</td>
<td>8%</td>
<td>16%</td>
</tr>
<tr>
<td>Vitamins and Supplements</td>
<td>34%</td>
<td>7%</td>
<td>19%</td>
</tr>
<tr>
<td>Hair Care Products</td>
<td>31%</td>
<td>14%</td>
<td>22%</td>
</tr>
<tr>
<td>Skin Care Products</td>
<td>26%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Foot Care</td>
<td>26%</td>
<td>13%</td>
<td>22%</td>
</tr>
<tr>
<td>Eye Care</td>
<td>26%</td>
<td>7%</td>
<td>17%</td>
</tr>
<tr>
<td>Nail Care Products</td>
<td>32%</td>
<td>13%</td>
<td>27%</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>18%</td>
<td>16%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: IRI, Next 6 Months: OTC & Beauty Apr 2010, Shoppers n = 1000
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An Exploding New $300B+ Market Globally “Affordable Health and Wellness”

1. Looking Good, Feeling Good
2. Energy
3. Weight Management
4. Kids Nutrition
5. Fruit in ALL forms
6. Healthy Snacks
7. Nutritional Balance
8. Digestive Health
9. Feel the Benefit
10. Packaging Innovation
2/3 Healthcare Dollars Are Spent on Insurance

Average Breakdown of Monthly Spending
% of Average Reported Healthcare Dollars Spent

<table>
<thead>
<tr>
<th></th>
<th>Less than $55K</th>
<th>$55K &amp; Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>$210</td>
<td>$226</td>
</tr>
<tr>
<td>Doctor Visits</td>
<td>$24</td>
<td>$33</td>
</tr>
<tr>
<td>Rx</td>
<td>$64</td>
<td>$67</td>
</tr>
<tr>
<td>OTC</td>
<td>$17</td>
<td>$20</td>
</tr>
<tr>
<td>Total</td>
<td>$316</td>
<td>$346</td>
</tr>
</tbody>
</table>

Source: IRI Affordable Healthcare April 2010, Shoppers n =1000

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Nearly 2/3 of Parents Agree Childhood Obesity is a Public Health Issue

**Public or Private Matter**

<table>
<thead>
<tr>
<th>% of Parents</th>
</tr>
</thead>
<tbody>
<tr>
<td>38%</td>
</tr>
<tr>
<td>63%</td>
</tr>
</tbody>
</table>

- **38%**
  Childhood obesity is a private health issue that people need to deal with on their own.

- **63%**
  Childhood obesity is a public health issue that society needs to help solve.

Source: IRI Childhood Obesity Survey April 2010, Shoppers n =1000
Shoppers Will Be Going to Drug Stores and Superstores for Healthcare Products

Where do you plan to shop for healthcare products over the next 6 months?
% of Shoppers

- Drug Store: 53%
- Superstore: 50%
- Grocery store/Supermarket: 36%
- Mass Merchant: 30%
- Club Store: 18%
- Dollar Store: 14%
- Health Food/Nutrition Stores: 8%
- Convenience Store: 2%
- Hospital: 1%
- Clinic: 1%

Source: IRI Next 6 Months: OTC & Beauty Apr 2010, Shoppers n = 1000
Shoppers Will Increase the Number of Store Brands Healthcare Products over the Next 6 Months

Change to the Medicine Cabinet Over the Next 6 Months
% of Department Shoppers

- Number of store brands you keep on hand: Decreasing -8%, Increasing 15%
- Total number of healthcare items you keep on hand: Decreasing -7%, Increasing 10%
- Number of over-the-counter medicines you keep on hand: Decreasing -12%, Increasing 8%
- Number of prescription items you keep on hand: Decreasing -8%, Increasing 7%
- Number of national brands you keep on hand: Decreasing -19%, Increasing 7%

Source: IRI Next 6 Months: OTC & Beauty Apr 2010, Shoppers n = 1000
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Shoppers Will Be Seeking Beauty Solutions in Superstores

Where do you plan to shop for beauty products over the next 6 months?
% of Shoppers

- Superstore: 49%
- Drug Store: 37%
- Mass Merchant: 31%
- Grocery store/Supermarket: 26%
- Dollar Store: 15%
- Club Store: 10%
- Specialty Cosmetics Store: 10%
- Department Store: 9%
- Spa/Salon: 4%
- Health Food/Nutrition Stores: 3%
- Convenience Store: 2%
- Specialty Foods Store: 1%

Source: IRI Next 6 Months: OTC & Beauty Apr 2010, Shoppers n = 1000
Protection from Sun and Environmental Damage Will be the Hottest Beauty Ritual This Summer

**Beauty Ritual Changes Over the Next 6 Months**
% of Shoppers

- Protecting skin and hair from the sun: 51%
- Extending product use: 39%
- Select natural look products: 37%
- Less visits to salons: 37%
- At home beauty treatments: 32%
- Select products to improve appearance: 30%
- Household product sharing: 25%
- Home dental whitening treatments: 20%
- Follow hot trends for summer and fall: 9%

*Source: IRI Next 6 Months: OTC & Beauty Apr 2010, Shoppers n = 1000*
Transformed Times

New Focus on Continuous Shopper Innovation

- Lens of Affordability
- Zero Moment of Truth
- Situational “Sobriety”
- Lasting Conservatism
## Five Key Trends to Watch in 2010 – Globally

1. **A New and Lasting Shopper “Norm” is Here**

2. **Health and Wellness Becomes Center Stage**

3. **Innovation Returns to Vogue**

4. **Trade Spending Grows to Unprecedented Levels**

5. **Shoppers Redefine Loyalty Through Health and Wellness Initiatives**
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