

## CURRENT MARKET INSIGHTS THAT AFFECT YOUR BRANDS TODAY AND TOMORROW

With the downturn in the economy and the ever increasing unemployment rate, discretionary income is reduced if not depleted. However, based on our economic history, shoppers still buy during a recession or depression, just more prudently. Therefore, the need to offer better value and to communicate that value is heightened. This is the perfect time to strengthen relationships with shoppers thereby improving customer loyalty.

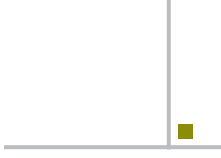


The key is to look at your marketing dollars as an investment not an expense. Consider Post and Kellogg's. Post had a decade head start and led the cereal category for years. That is, until the Great Depression hit. Kellogg's increased its ad spending while Post cut back. By the end of the Depression, Kellogg's achieved category dominance and still maintains it today—over 70 years later.

Simply said, when most companies were freezing spending and cutting R&D, companies that increased their investments within innovation and marketing increased their relationship with their shopper. When the Depression ended, those same companies leveraged their enhanced brand equity to continue expanding.

### CURRENT MARKETPLACE TRENDS'

- A recent uptick in Private Label unit sales suggest that budget-conscious consumers may be starting to shift away from some established brands in search of better deals. Private Label products account for more than \$81 billion in the United States, up 10.2% over the past year.
- In an effort to shift the growth of private label rivals, manufacturers are putting advertising dollars into coupons. In addition, coupon usage during a recession typically increases; 67% of shopper say they are more likely to use coupons during a recession.

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- During the third quarter of 2008, private label performance improved, which is a trend being led by lower-income shoppers. Lower-income shoppers are the fastest-growing income group and will generate \$84 Billion in incremental CPG spending over the next decade.

Gaining loyalty can be successful without hurting your brand equity. Strategize, offer better value and then communicate that offer to your shopper.

Jay Zemke  
Vice President, Strategic Development

<sup>1</sup> ICOM, 2008.

Nielsen, 2008

IRI, 2009.