

The 2013 American Pantry Study



How do consumers make choices in today's market?

Cautious. Frugal. Resourceful. This is the behavior reflected in the 2013 American Pantry Study, as we see the recessionary mindset continue for the third consecutive year.

In 2010, Deloitte embarked upon the inaugural American Pantry Study to understand the impact of the recession on shoppers. This research included the role of brands, shopper channel planning and brand trade-off strategies. In 2011 we looked deeper into consumer behaviors and attitudes to reveal the continued impact of the recession.

Before commencing our 2013 study, we reflected on the evolving industry dynamics and challenges that consumer product companies face. In speaking with consumer product executives across the food, beverage, and household goods industries, four challenges emerged.

First, the challenge of maintaining – or even growing – market share of national brands in the face of consumers who are more willing to trade down. Second, the challenge of managing profitability as consumers seem more price-sensitive, deal seeking, and open to shopping across channels to save. The third industry challenge was to develop a targeted portfolio of “good, better, best” brands and products targeted across a range of price points and corresponding consumer incomes. Likewise, consumer product companies have been revisiting the product categories they compete in based on the category dynamics and the strengths of their brands. The fourth challenge identified is more competition from store brands as their perceived quality improves.

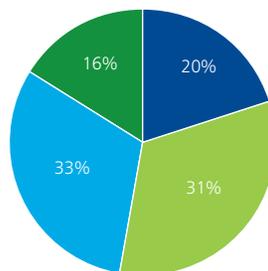
With this in mind, the 2013 report builds on the two previous studies, with a deep analysis of the reasons people buy, the risks they are managing and the ways the consumer has changed. This report also takes an in depth look at how to win in this fundamentally changed marketplace. In the following pages, we review the implications of this study and highlights of our findings:

- Frugal attitudes and behaviors have endured – The impact of the recession lingers and resourcefulness lives on
- Selective loyalty among “Must Have Brands” – Another year of declining “Must Have Brand” ratings

- Consumers find value in store brands – Store brands are entrenched in the pantry and are expanding into more product categories
- Cross-channel shopping – This remains the norm for food, beverage, and household goods
- Consumers are embracing technology – Millennials lead, but interest among Baby Boomers is rising
- Unmet demand for shopping online – Significant unmet demand for on-line purchase for in-store pickup, as well as, at-home delivery

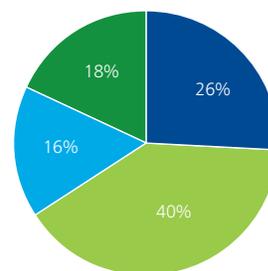
2013 American Pantry Study respondent demographics

Age of respondent



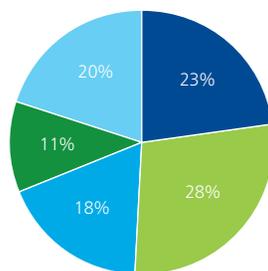
■ 21 to 29 ■ 45 to 59
■ 30 to 44 ■ 60 to 70

Household size



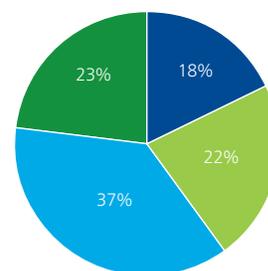
■ 1 ■ 3
■ 2 ■ 4+

Income



■ Under \$25,000
■ \$25,000 to \$49,000
■ \$50,000 to \$74,999
■ \$75,000 to \$99,999
■ \$100,000 or more

Region



■ Northeast
■ Midwest
■ South
■ West

Frugal attitudes and behaviors have endured

Taking a careful approach

	2012	2011	2010
I am looking closely at every spending category to see where we can save	80%	85%	84%
Even if the economy improves, I will remain cautious and keep my spending at its current level	94%	93%	93%
Even though I'm spending less on products now, it doesn't feel like I'm sacrificing much	72%	70%	65%

Note: Percentage of respondents agreeing with the statement

79% believe that the US economy is currently in a recession...and 78% believe the American economy has fundamentally changed. This is the new normal.

Looking for ways to save

	2012	2011
I have a good sense of when the products I want will be on sale	58%	62%
I plan my shopping trips around when I know products will be on sale	60%	66%
I have a set of brands in mind that I will consider and purchase whichever one is on deal	84%	83%



“I know everything goes on sale, so I just wait for it or switch stores for when the stuff I want is on sale”

– Consumer interviewee

Another year of declining “Must Have Brand” ratings



Consumers are limiting their loyalty to a narrower assortment of brands

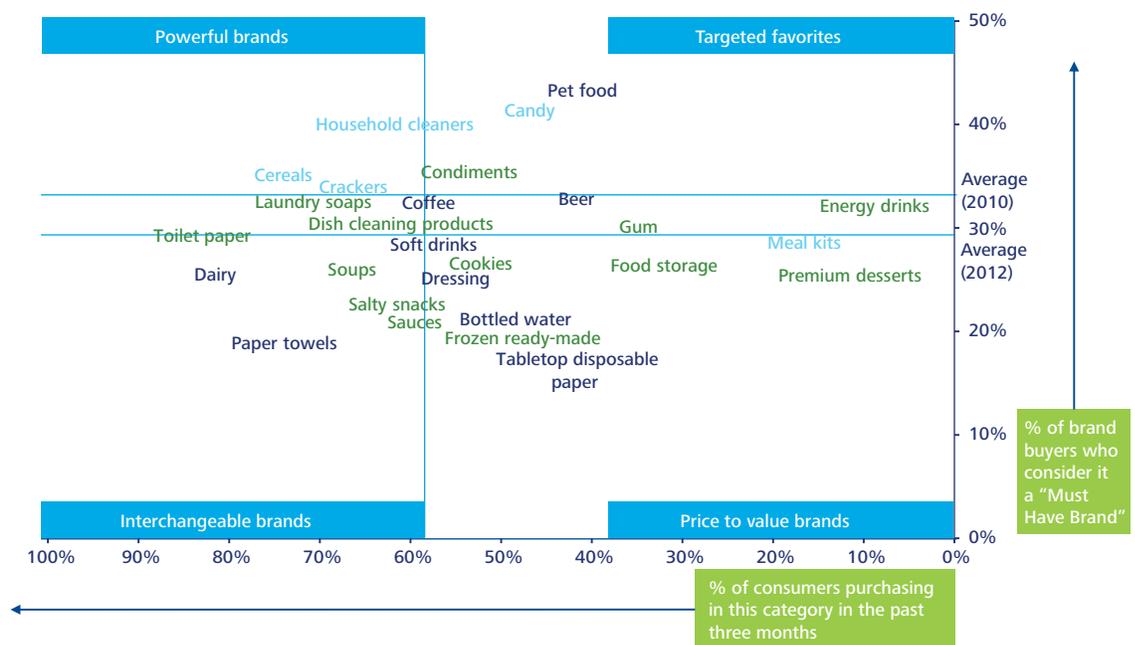
Most categories experienced an erosion in brand loyalty

“Must Have Brands” continue to erode

	2012	2011	2010
Average “Must Have Brand” ratings across all categories and brands	29%	31%	33%

Note: A “Must Have Brand” is a brand a shopper will buy whether it is on sale or not

What is happening in your category?



- Categories that lost 5 or more “Must Have” percentage points in the past two years
- Categories that lost 0 to 5 “Must Have” percentage points
- Categories that have higher “Must Have” scores

Brand loyalty dynamics vary by product category

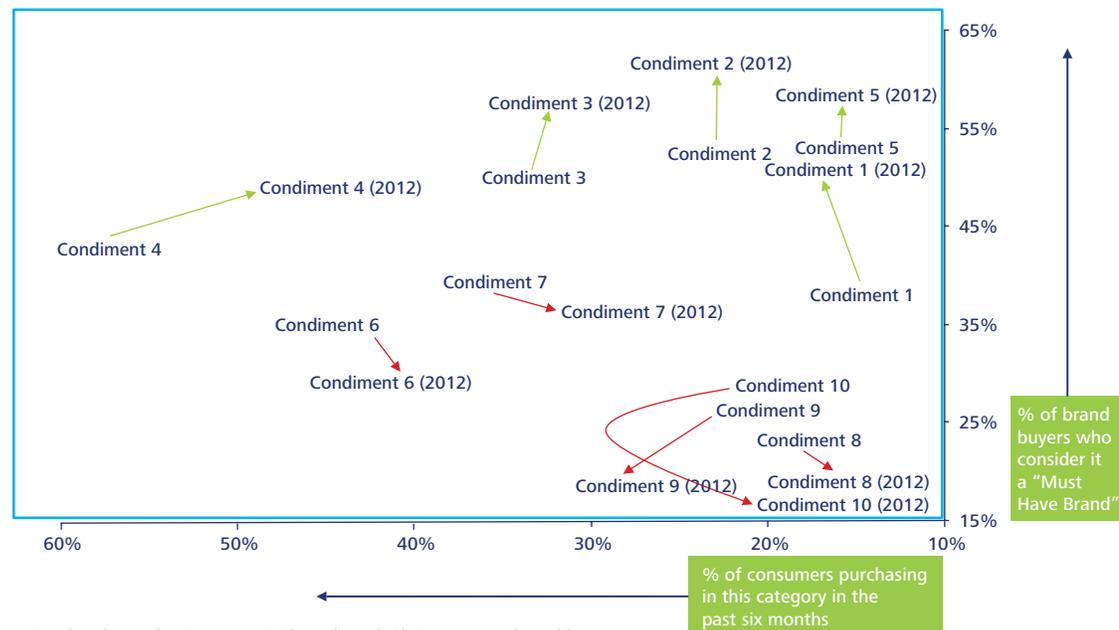
Four distinct brand loyalty archetypes

Bifurcation of brand loyalty	Most brands in category decline in loyalty	Most brands in category rise in loyalty	Lots of movement in a category with significant advertising investment
The top brands became stronger, the weak brands weaker.	A few outlier brands strengthen as the category "Must Have Brand" rating broadly declines.	A category on the rise.	Is advertising or other brand building investments moving the needle on loyalty?
<i>Why are the top brands able to build loyalty, while the bottom brands lack differentiation versus store brands?</i>	<i>Is this category commoditizing?</i>	<i>Is innovation investment resulting in improved taste or functional performance and moving the needle on loyalty?</i>	
Categories: Condiments Premium desserts	Categories: • Dressing • Cookies	Categories: • Household cleaners • Candy	Categories: • Soft drinks • Salty snacks

As illustrated below, the division of brands is clear

Bifurcation of brand loyalty

The top brands became stronger, the weak brands weaker.



Note: The above chart represents those brands that were purchased by 35+ consumers in the 2012 survey. The base year used for comparison is 2011

Where does your brand stand?

Consumers still find value in store brands

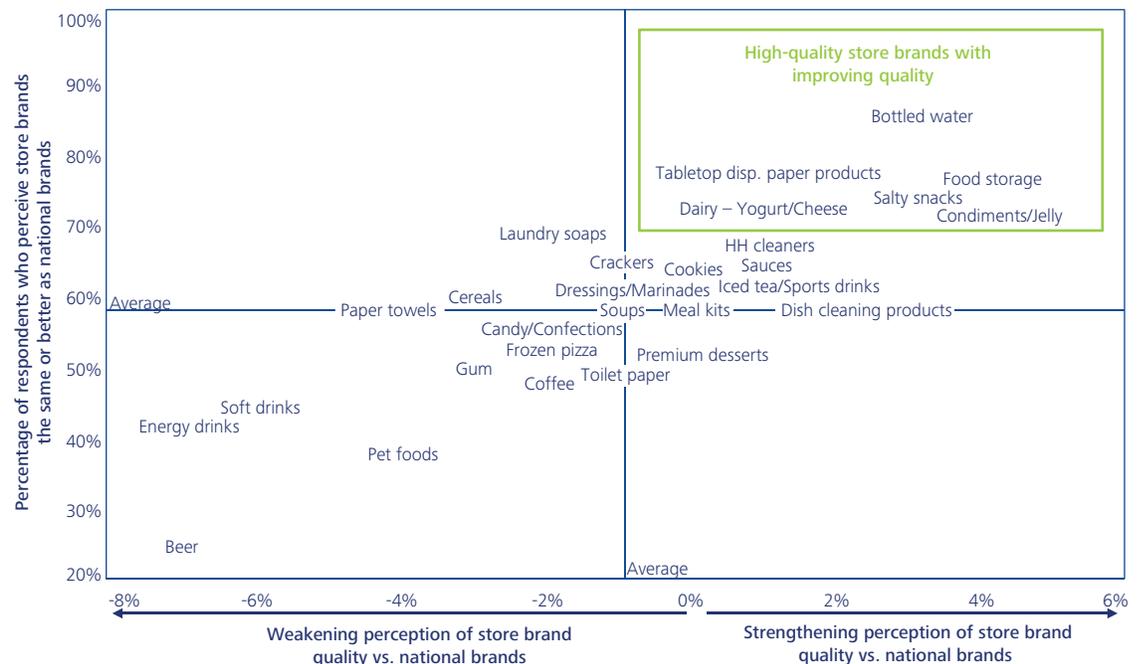
Store brands shed the feel of sacrifice

	2012	2011	2010
I am buying store brands in categories I never have purchased before	38%	32%	35%
I often feel that I am sacrificing when I purchase a store brand instead of a national brand	30%	35%	32%
It bothers me that I can't afford to always buy the brands I'd like to	49%	53%	49%
I intend to purchase more national brands instead of store brands as the economy improves	27%	35%	35%

“I am still experimenting with store brands in areas where I was previously locked into national brands”

– Consumer interviewee

Store brand quality is increasingly perceived to be the same or better than national brands in many product categories



Cross-channel shopping remains the norm

Consumers have a set of preferred channels for each product category

	Average (across 28 categories)	Highest (across 28 categories)	Lowest (across 28 categories)
Average number of channels shopped for each product category	2.5	3.3	2.0



Consumers are paying attention to pack size and continue to buy larger sizes to save



	2012	2011	2010
I am paying a lot more attention to the sizes of packages I buy now, because I don't want to waste food	82%	80%	80%
I am buying larger pack sizes to save money in the long run	33%	37%	34%

- Preferences for pack size vary by product category and channel
 - Club channel: Opportunity for larger pack size in household good product categories, and smaller pack size in some food categories
 - Grocery channel: Opportunity for larger pack size in household good product categories
- Larger households are more likely to prefer larger pack sizes

Consumers increasingly embrace technology to shop...



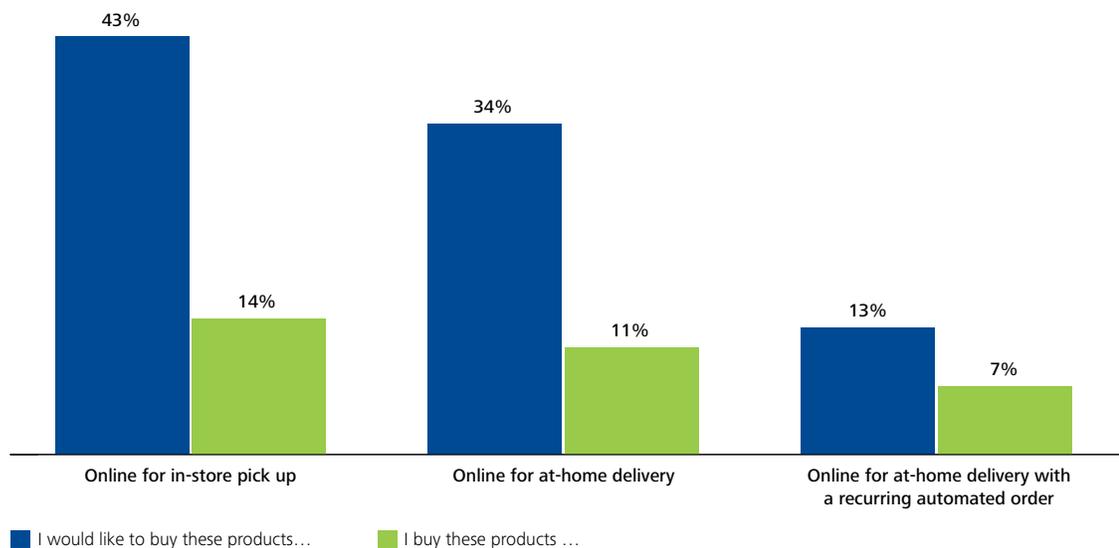
Millennials lead, but interest among Baby Boomers is rising

% Extremely or very interested	All consumer respondents	Age							
		21-29		30-44		45-59		60-70	
		2012	2011	2012	2011	2012	2011	2012	2011
Using coupons sent to your mobile phone that you can scan at check out	34% 25%	49	43	40	33	27	15	15	5
Using a smart phone to download coupons	30% 22%	42	38	36	30	24	13	14	4
Using scanner guns that you use to scan items you place in your cart and allow you to use self check-out	29% 28%	36	38	33	33	25	23	21	16
Using your mobile phone to scan items you place in your cart that allows you to use self check-out	28% 21%	37	36	33	27	23	14	16	7
Using a smart phone to identify sales	28% 21%	37	37	34	28	23	13	14	5
Using a smart phone to compare prices	27% 21%	36	38	34	28	22	13	15	5
Using your mobile phone as a credit/debit card to pay for your groceries	22% 17%	31	31	27	23	16	10	11	3
		Highest interest		Rapidly increasing interest					

■ 2012 ■ 2011

...while shopping online shows an unmet demand

Unmet demand exists across 28 food, beverage, and household goods categories



Product categories where consumers' desire and willingness to shop online vary by delivery mode

Shopping online for....

In-store pick up	<ul style="list-style-type: none"> • Frozen pizza/Frozen ready-made meals • Juice / sports drinks • Salty snacks • Soups • Candy <p>Significant unmet demand, primarily in food and beverage categories</p>
At-home delivery	<ul style="list-style-type: none"> • Laundry Soaps • Tabletop Disposable Paper • Toilet Paper • Beer • Condiments/Jelly <p>Unmet demand, primarily in household goods categories</p>
Delivery at-home with recurring order (automated)	<ul style="list-style-type: none"> • Pet foods • Bottled water • Toilet paper • Coffee • Soft drinks <p>Slight untapped demand</p>

Rethink your marketing strategy so consumers choose you



Brand building

- Which brands should I invest in?
- Which types of brand investments should provide the greatest ROI?
- Which brands are best positioned as niche products?
- Which competitor brands pose the most significant threat to my brands?



Channel strategy

- In which channels should I launch new products, and in what sequence?
- Which brands should I offer and emphasize in each channel?
- How should I manage differing promotions and pricing across channels?



Margin management

- For which brands can I increase margin, and in which channel?
- What would happen if I drastically reduced promotional activities for my brands?
- For which brands should I wean retailers off a discount calendar?



Pre-purchase planning & In-store experience

- What should be the mix of in-store POS promotions and pre-shopping marketing for each of my brands?
- For which brands and product categories should I focus my mobile and social media efforts on?



Revenue growth

- Which brands provide the greatest growth opportunity?
- How can I initiate trial or purchase among consumers intending to purchase another brand?
- How can I take share from store brands?

The American Pantry Study provides data that can help you answer these questions and more



In closing



The mission of this research is to help quantify consumer shopping behavior in ways that will enable companies to rethink their strategies on how to adapt to this changed consumer. In turn, this will provide insights for planning for increased market share and profitability while enhancing their ability to make the right product and channel choices. As the study has shown, the recession has had lasting affects on consumer attitudes, shopping strategies and brand perception. An in-depth look at the 28 product categories, brands, and consumer preferences detailed in this study will provide critical information for taking the right next steps.

For further details specific to your company and brands, please contact:

Pat Conroy
Vice Chairman
U.S. Consumer Products Leader
Deloitte LLP
+1 317 656 2400
pconroy@deloitte.com

Rich Nanda
Principal
Deloitte Consulting LLP
+1 312 486 2761
randa@deloitte.com

About the study



We conducted a large-scale online study in January 2013 with a total of 4,047 respondents. The gender mix represented was 58 percent women, 42 percent men. The sample reflects the demographic distribution of the United States. The 2013 American Pantry Study takes a deeper look into consumer behaviors and attitudes to reveal the continued impact of the recession on the consumer, shopping attitudes, shopping channels and buying practices. With data on 350+ brands in 28 categories the study reveals the functional, emotional, and situational requirements of “Must Have Brands” while defining the pitfalls that can lead to erosion.

Categories covered in the study:

Beer	Gum
Bottled water	Household cleaners
Candy	Laundry soaps
Cereals	Meal kits
Coffee	Non-carbonated non-alcoholic beverages
Condiments	Paper Towels
Cookies	Pet Food
Crackers	Premium desserts
Dairy	Salty snacks
Dish cleaning	Sauces
Dressing	Soft drinks
Energy drinks	Soups
Food storage	Tabletop disposable paper
Frozen ready-made	Toilet paper

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