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Recessionary Impact: Fewer Shopping Trips and Less Spending Per Trip

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SUMMARY: A consistent pattern of reduced shopping trips continues to be a major element of consumer's economic coping strategies. In the latest battle for share of wallet, those retailers who satisfy consumers through differentiation will gain more of less.

The recession continues its ravaging effect on retailers. According to Nielsen, the downward trend of consumers shopping less hit a new low in February 2010, reporting a 4% year-over-year decline in monthly all-outlet shopping trips. And while per trip shopping basket rings began to pick up during and after the holidays, February remained static with a 1% increase compared to last year. Retailers' focus on store brands and retail price cuts helped keep spending levels in check driving more value for shoppers.

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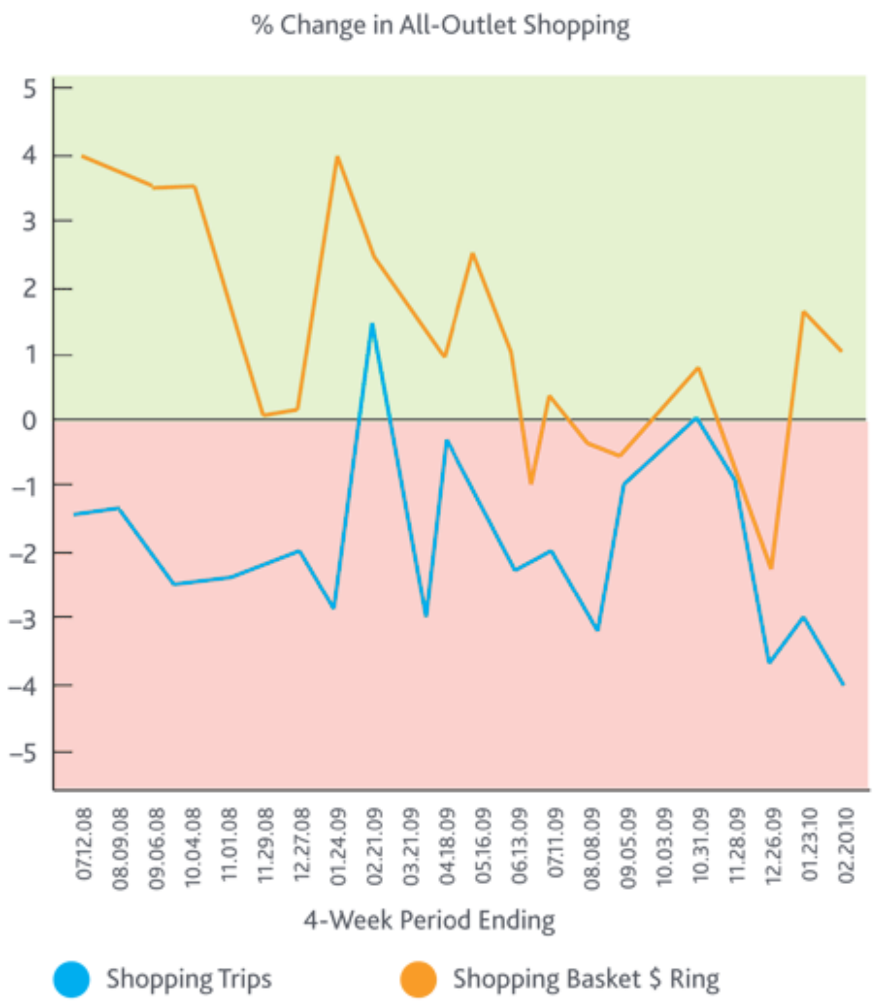
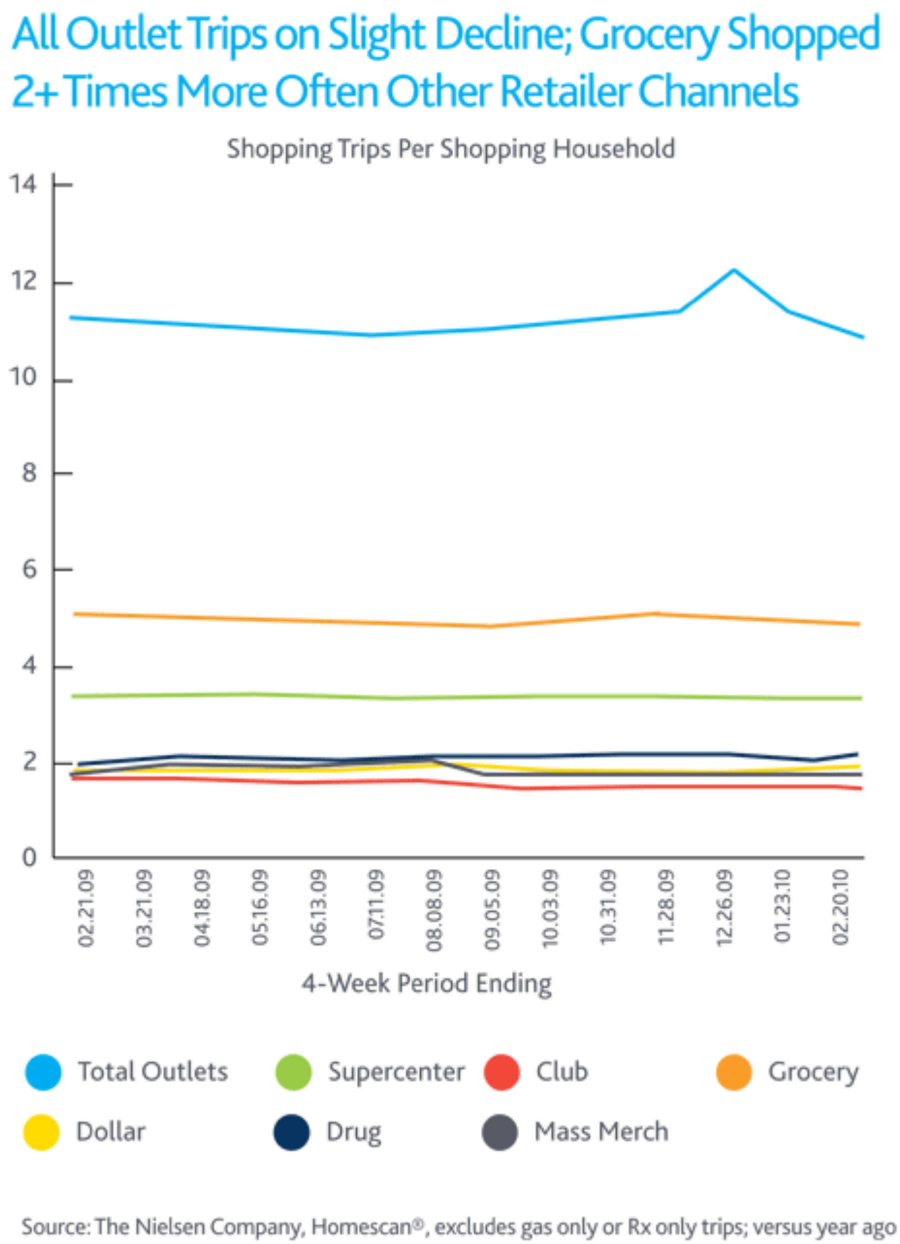


Source: The Nielsen Company, Homescan®, excludes gas only or Rx only trips; versus year ago [1]

A closer look at monthly shopping trips shows that trends have virtually flat-lined in total and across all major retail channels. Grocery stores have been shopped two plus times more often than competitive retail channels. Other Nielsen trends show that consumers are not shopping more stores looking for deals as consumers consistently shopped fewer retailers each period in 2009 than they did in 2008. It is a tough market and breathing life into a different retail environment will take new strategies that keep shoppers satisfied and spending while they are in the store.



[2]

Food Matters
As consumers are eating in more and out less, retailers are converting lost restaurant trips into grocery trips. And while grocery trips were up in the last eight of twelve periods ending February 2010, trips in the last four months are down. Value channels such as dollar stores, warehouse clubs and supercenters have fared the best showing growth in most periods in the last year and one-half. In fact, only supercenters and club stores had positive trip growth in each period in 2009. Both, however, declined slightly in 2010 as consumer confidence remained low and poor weather conditions plagued major population centers.

Continuing to take a hit are drug, convenience and regular mass merchandiser formats, although drug trips are showing signs of improvement as consumers stock up on meds to combat the effects of the cold and flu season.

Source: The Nielsen Company, Homescan®, excludes gas only or Rx only trips; versus year ago [3]

Shopping trips to discretionary retailers such as toy, electronic, department, liquor and home improvement stores continue to feel the economic pinch. Electronic, toy and department stores have been hit especially hard, with year-over-year shopping trip declines in the latest four-week period ending February 2010 of 33%, 18% and 7% respectively.

Do More With Less

With less store traffic, retailers need to capitalize on consumers' time in the store like never before. Three priorities should top the list for every retailer:

1. Satisfy loyal shoppers with savings linked to shopping frequency and spending levels.
2. Entice new shoppers with promotional offers such as a free reusable shopping bag or product.
3. Offer value and low prices, but more important, stake a claim to at least one or two points of differentiation to maintain a competitive advantage.

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