A Percussion of Conservatism as the New Year Bells Chime

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IRi Growth delivered.

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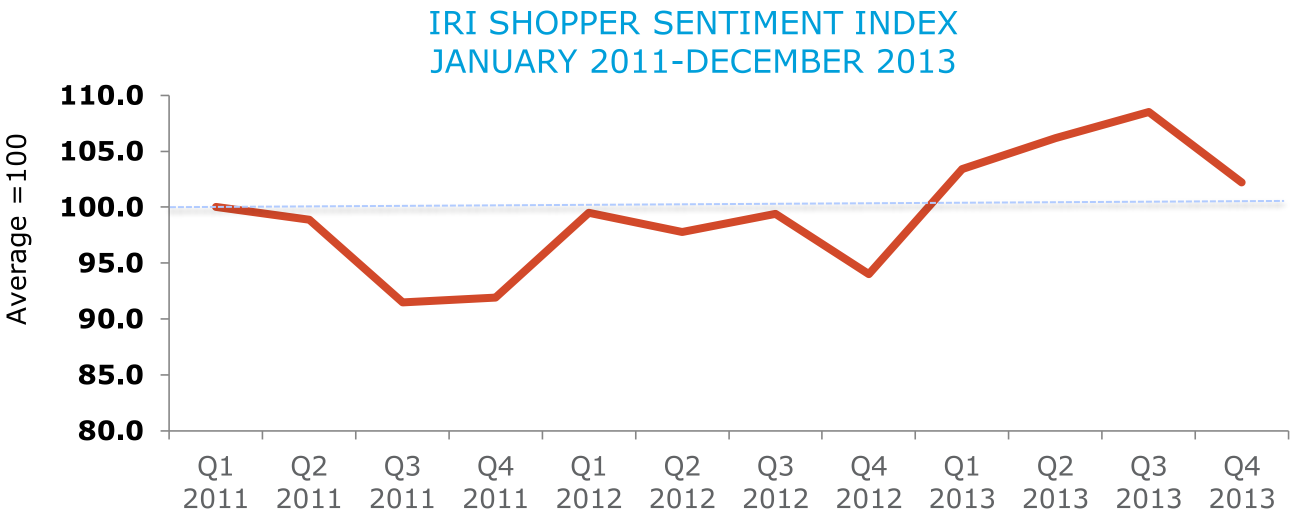

Source: IRI MarketPulse Survey Q4, 2013

IRI's Shopper Sentiment Index fell in Q4, from the peak in Q3.

Americans rang in the new year on January 1, but they did not ring in a sunnier outlook. In fact, IRI's Shopper Sentiment Index fell at the end of 2013 to 102.2, the lowest point for the year.

Among millennials, IRI's Shopper Sentiment Index fell a full 10 points, to 90, for the quarter

IRI's Shopper Sentiment Index provides deep insight into how the economy is impacting consumers and changing how they approach grocery shopping. The index provides perspective in terms of price sensitivity, brand loyalty and changes in spending required to maintain desired lifestyles. With a benchmark score of 100 based on Q1 2011 information, a Shopper Sentiment Index score of more than 100 reflects consumers who are less price driven, more loyal to favorite brands and better equipped to maintain their desired lifestyle without changes.

The decline in the index for the fourth quarter is an indication that while consumers are more comfortable today than they were at the start of 2011, they are nonetheless finding it difficult to maintain their desired lifestyle without making changes. As a result, they are becoming more price driven and less loyal to their favorite brands. Indeed, results of IRI's Q4 2013 MarketPulse survey clearly validate this notion and plot a path for consumer packaged goods (CPG) marketers looking to thrive in a challenging consumer marketplace.

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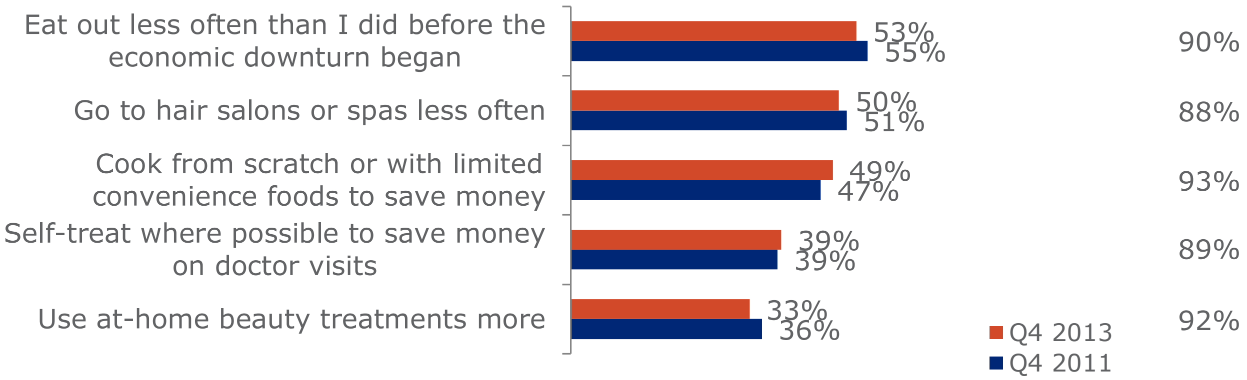
ECONOMY-DRIVEN ACTIONS
% OF SHOPPERS – TOP 2 BOX

% OF CONSUMERS WHO WILL CONTINUE BEHAVIOR THROUGHOUT 2014



Source: IRI MarketPulse Survey Q4, 2013

Home-based living will remain pervasive throughout 2014.

Home-Based Living Has Center Stage in 2014

As has been the case throughout the economic downturn, consumers will continue to rely heavily on themselves and other household members as the best tool for saving money. For instance, more than half of consumers have stepped up home-based eating behaviors since the downturn began. Nearly all of these consumers (90 percent) plan to continue turning to home-prepared cuisine in 2014. Similarly, one-third of consumers began using home-based, self-administered beauty and healthcare regimens as the economy spiraled downward, and nearly all of these consumers will continue such efforts throughout 2014.

Clearly, CPG marketers across aisles have the opportunity to play a significant role in these home-based strategies. To maximize this opportunity, marketers must have a keen understanding of how shoppers are learning about, purchasing and consuming CPG products. While some attitudes and behaviors will vary across categories, channels and shoppers, IRI's MarketPulse survey provides perspective into the pervasiveness of many critical factors.

First and foremost, since the start of the downturn, a majority of American consumers have begun spending their money more on what they *need*, rather than what they *want*.

90% of consumers are cutting back on non-essential items

Nearly all of these consumers will hold on to this more myopic approach to grocery shopping in 2014. And, when they make purchases, they will be doing so with a keen eye to saving money.

- 93 percent will consider price more heavily than convenience when making brand selections
- 91 percent will purchase more private label items than they have in the past
- 91 percent will try new brands priced below their regular brands to save money
- 89 percent will seek over-the-counter (OTC) medications that treat multiple symptoms

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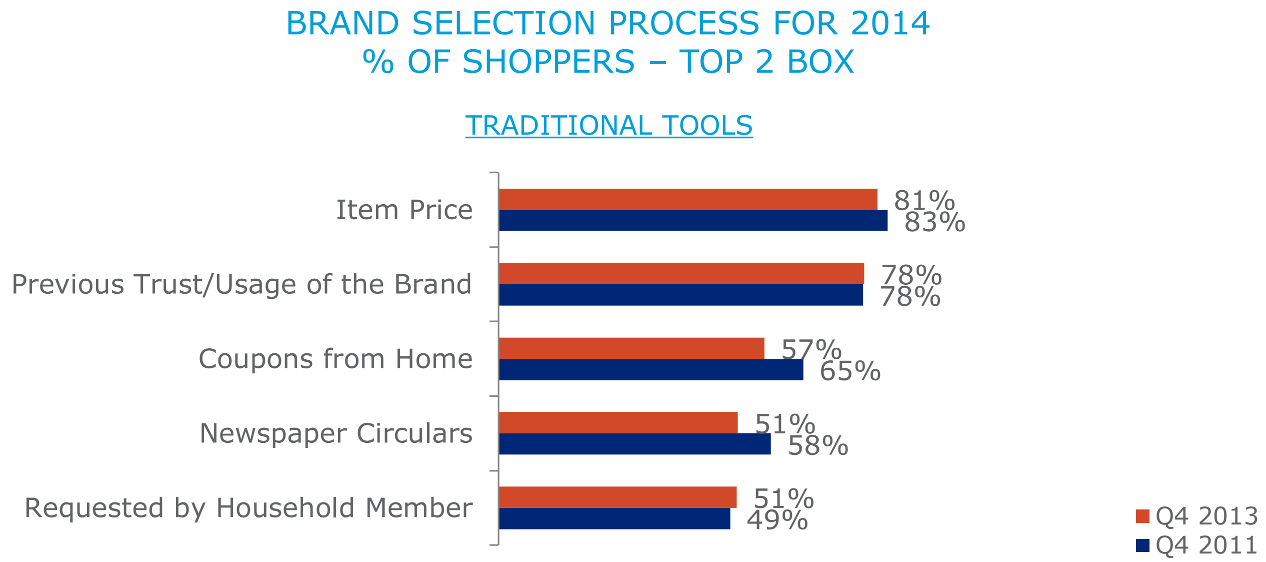

Source: IRI MarketPulse Survey Q4, 2013

Traditional tools remain important influencers of brand decisions.

Consumers Still Rely on Tried-and-True Money-Saving Tools

Consumers will also look to CPG marketers for additional savings opportunities. Traditional media, including coupons and store circulars, will continue to play a prominent role in the purchase process throughout 2014. More than half of consumers (57 percent) will be influenced by coupons from home as they make their brand selections, and 51 percent will be influenced by newspaper circulars. At 65 percent and 58 percent, respectively, in early 2011, this does mark a decline, reflective of a moderating of unusually high coupon redemption during The Great Recession. Still, usage is quite pervasive and not expected to fall significantly in the near future.

Meanwhile, mobile commerce is growing at a remarkable pace. According to comScore, year-over-year retail spending through mobile devices grew 26 percent in Q3 2013, versus 13 percent and 5 percent growth of e-commerce and traditional retail sales, respectively, during the same time period. In fact, time spent engaging retail brands via smartphone surpassed desktop engagement for the first time as of August of 2013.

The rise of technology and the growth of on-the-go deal hunting are having many significant impacts on the CPG universe, not the least of which is the influence of brand decisions right up to the moment of purchase. In 2014, 44 percent of shoppers expect to make most of their purchase decisions inside the retail store.

This is an increase of five points from just three years ago. So, what types of technologies are assisting consumers in their money-saving efforts?

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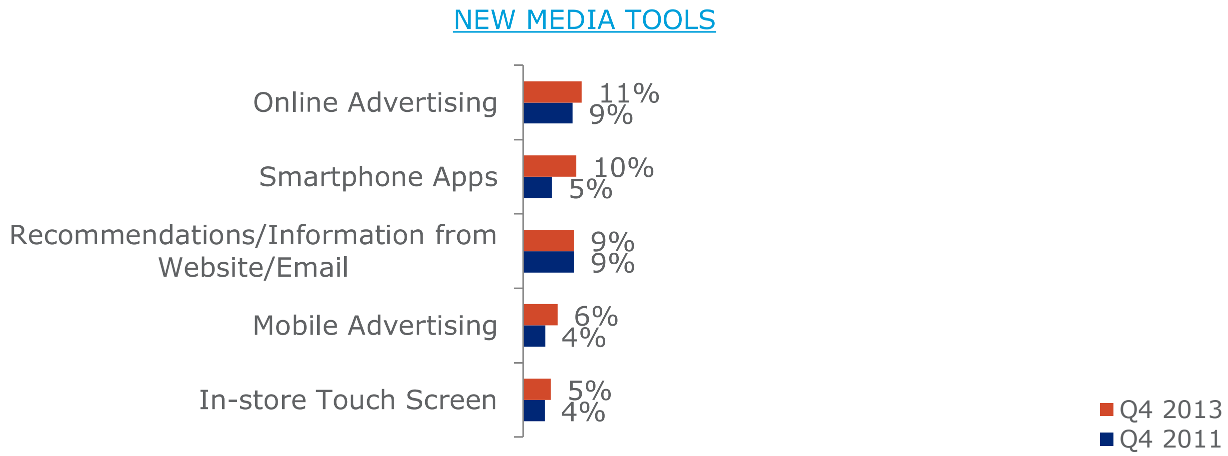
BRAND SELECTION PROCESS FOR 2014
% OF SHOPPERS – TOP 2 BOX



Source: IRI MarketPulse Survey Q4, 2013

Newer, technology-enabled marketing tools are quickly becoming an integral part of the brand selection process.

New Media is Moving into the Limelight

Ten percent of consumers expect that smartphone applications will influence their brand decisions in 2014—double the breadth of influence versus just a few years ago. Similarly, mobile advertising is going to be a brand choice influencer for 6 percent of consumers in 2014, versus 4 percent in 2011. While other technologies, such as in-store touch screen displays and online advertising, are not growing quite as quickly, the evolution of these tools, too, must still be understood. After all, advertising interest and responsiveness has proven to look very different not only across consumer groups, but also across CPG categories. For instance, Internet usership looks similar across salty snack, chocolate, gum and yogurt consumers, but usership by ice cream consumers is lower.

Keeping the Rhythm in 2014

The new year is unfolding as yet another year of belt tightening and deal seeking. CPG marketers must stand poised and ready to provide the value that has become the loudest drum in the economic orchestra.