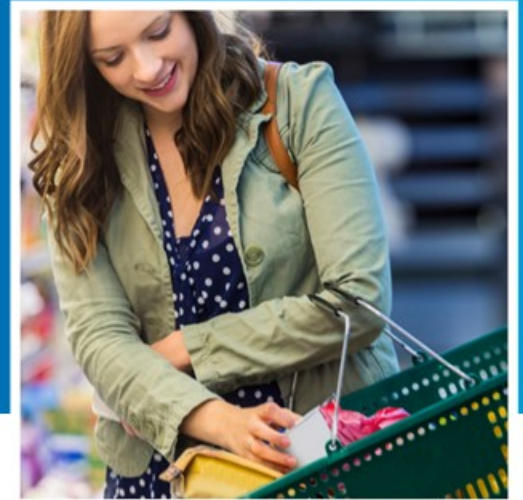

FLU FURY: IRI PINPOINTS HOW FLU IS IMPACTING U.S. MARKETS



February 2018



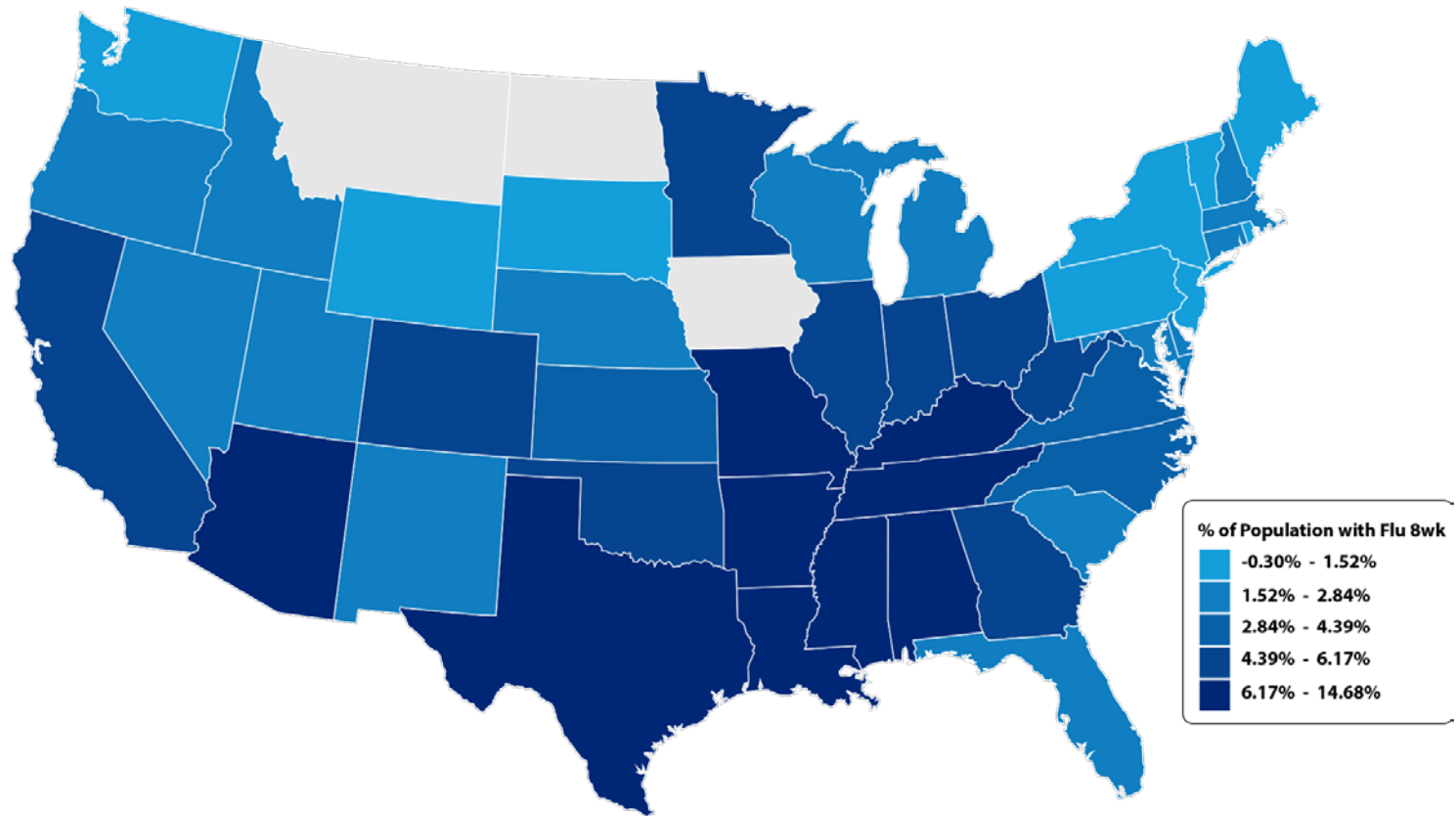
Headlines

- The flu is rapidly filtering through the United States.
- Impact is hard and fast, disrupting sales trends and making it difficult to keep shelves stocked appropriately.
- Out-of-stock situations could have a hugely negative impact on sales.
- Flu prevalence and correlated purchase behaviors vary at the market level.
- Ensuring inventory is in lockstep with rapidly emerging trends can prevent out-of-stock losses of 4 percent or more.

The United States is being hit hard by one of the most severe flu seasons in recent history.

Flu Heat Map
% of U.S. Population with Flu

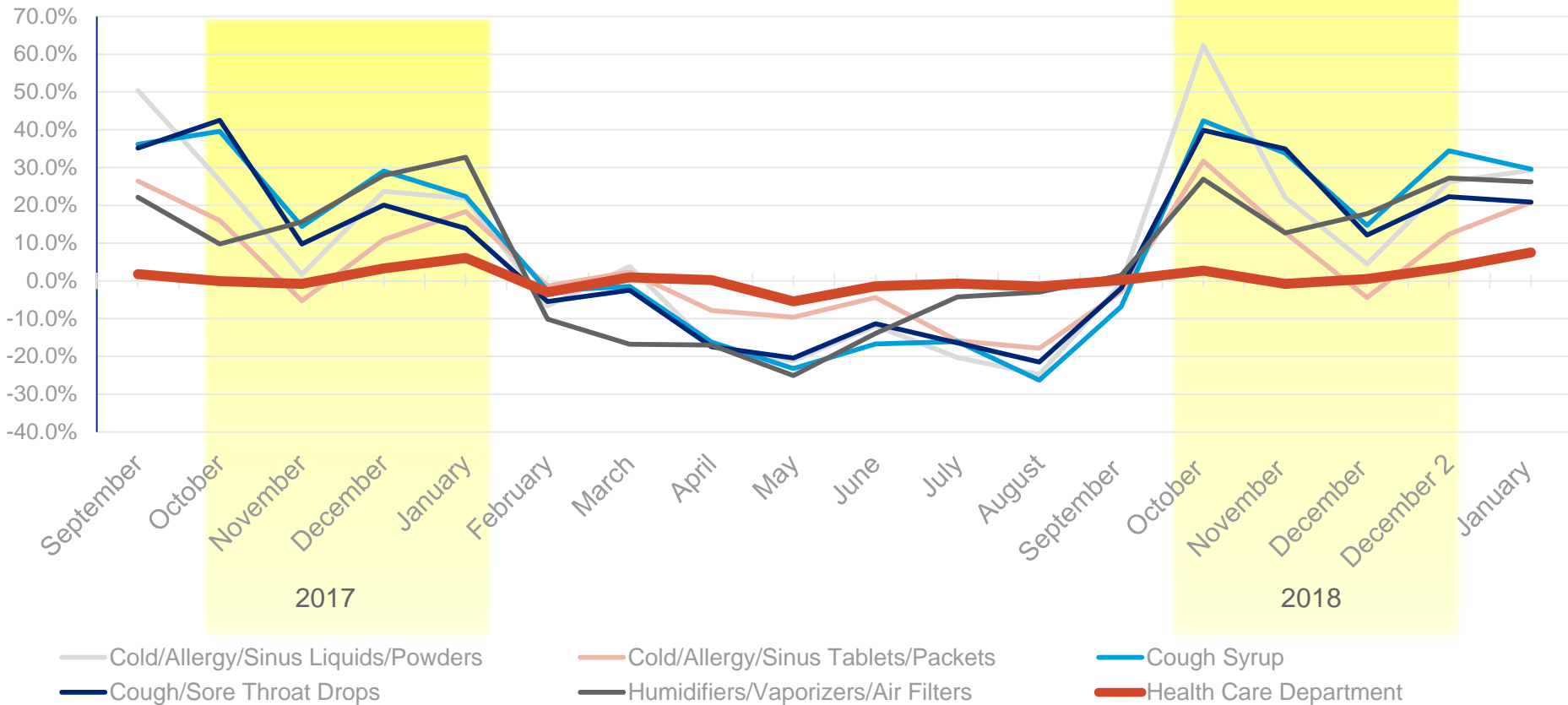
Total U.S.
5.5%



Source: IRI Illness Tracking™ 8 weeks ended 1/14/2018.

Year-over-year sales trends have been heavily influenced by the intensity of the season, making it difficult to anticipate appropriate inventory levels.

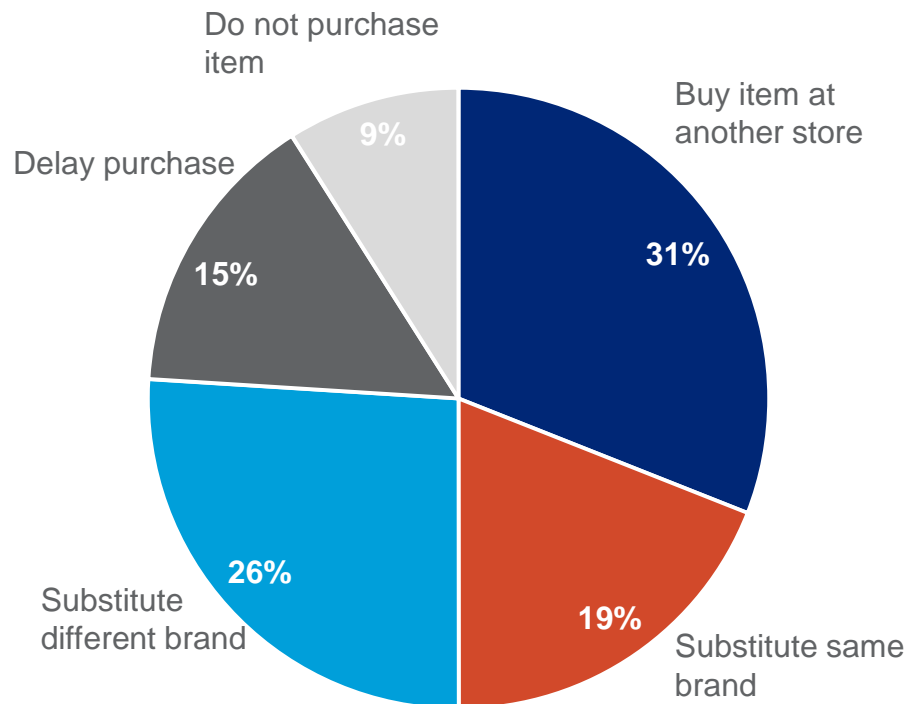
CPG Category Growth
% Growth vs. Prior Year



Source: IRI Illness Tracking™ 8 weeks ended 1/14/2018 and prior 17 periods.

Getting it right is critical because stock-outs have a major negative impact on sales.

Consumer Reaction to Out-of-Stock Situation (Total CPG)
% of U.S. Population



- **One-third** of consumers will **make the purchase at a different store**
- **Fewer than half** will make a **substitute** purchase



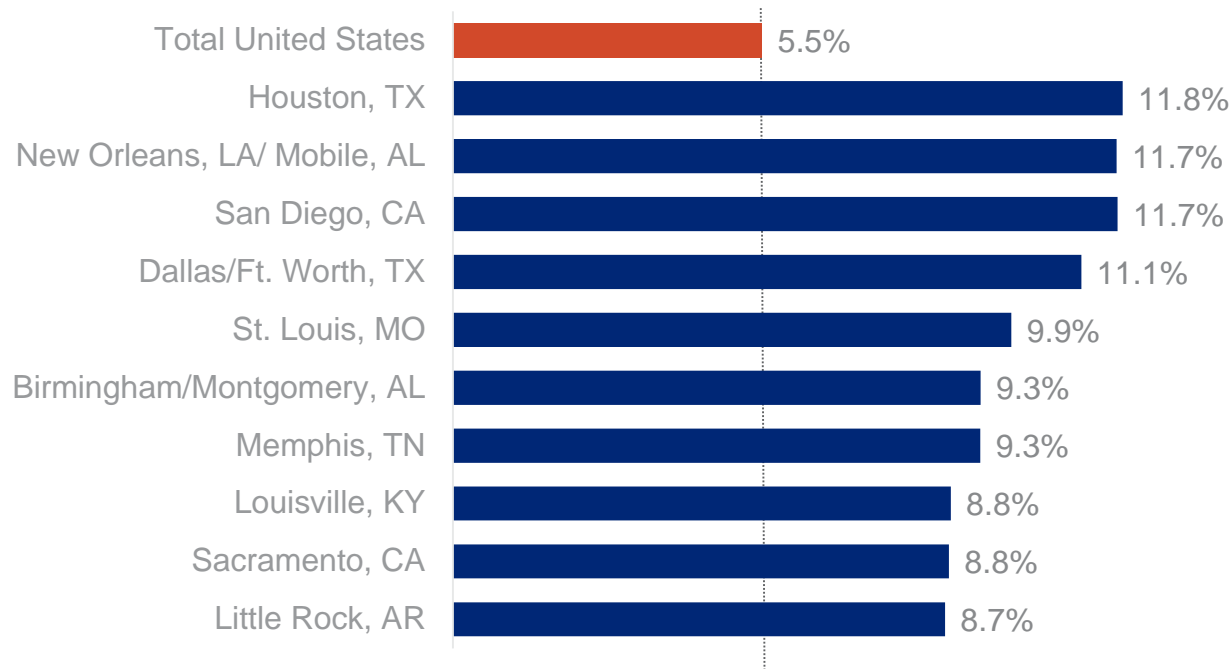
- **Sales losses of about 4%** for the typical retailer
- Translates to **\$40 million per year** for a billion-dollar retailer

Source: Harvard Business Review.

Though the flu is widespread, select areas of the country have been getting hit particularly hard in recent weeks.

Flu Prevalence

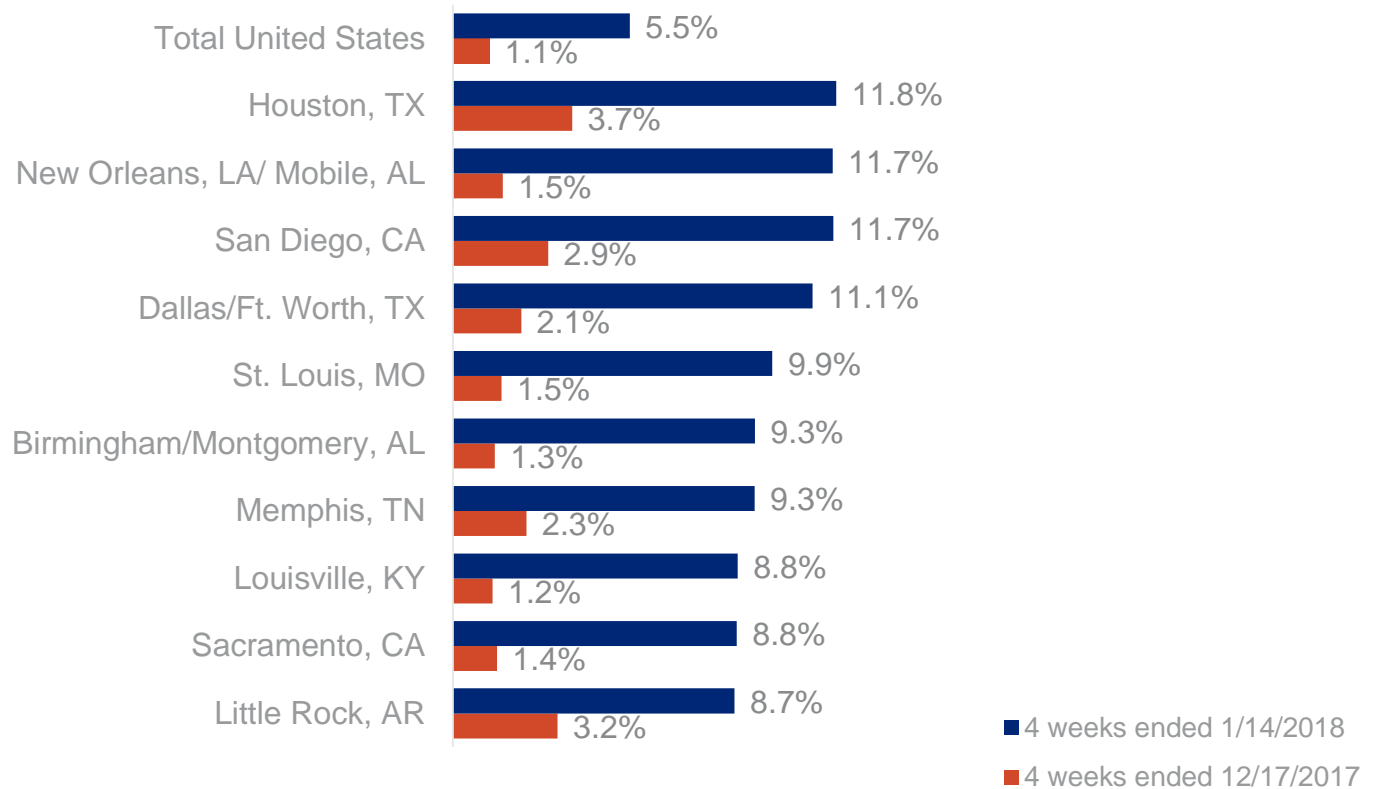
% of U.S. Population and By Market



Source: IRI Illness Tracking™ 4 weeks ended 1/14/2018.

In many of these markets, prevalence has escalated rapidly.

Share of Population Suffering Flu Total U.S. and by Market

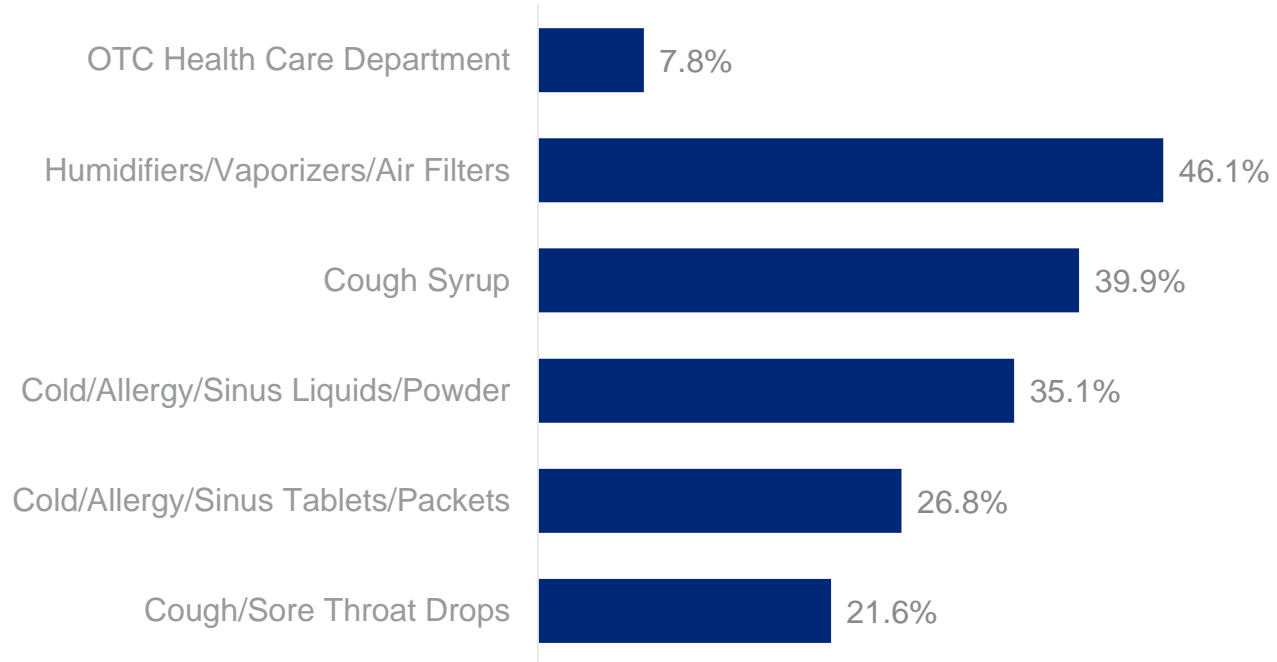


Source: IRI Illness Tracking™ 4 weeks ended 1/14/2018.

The spread of the virus is supporting strong growth across many of the OTC categories that treat and manage symptoms.

OTC Health Care Categories Showing Outsized Growth During Flu Escalation

Dollar Sales Growth vs. Prior 4 Weeks: Total U.S.



Source: IRI Illness Tracking™ 4 weeks ended 1/14/2018.

In markets where flu prevalence is particularly high, health care categories are seeing outsized growth; each market shows unique patterns.

OTC Health Care Categories Showing Outsized Growth During Flu Escalation

Dollar Sales Growth vs. Prior 4 Weeks: Total U.S.

		<u>Houston, TX</u>	<u>San Diego, CA</u>
		Growth Index to Total U.S. (Avg. = 100)	Growth Index to Total U.S. (Avg. = 100)
OTC Health Care Department	7.8%	131.7	181.8
Humidifiers/Vaporizers/Air Filters	46.1%	67.9	43.5
Cough Syrup	39.9%	115.8	249.0
Cold/Allergy/Sinus Liquids/Powder	35.1%	115.7	238.5
Cold/Allergy/Sinus Tablets/Packets	26.8%	123.9	230.8
Cough/Sore Throat Drops	21.6%	161.3	269.4

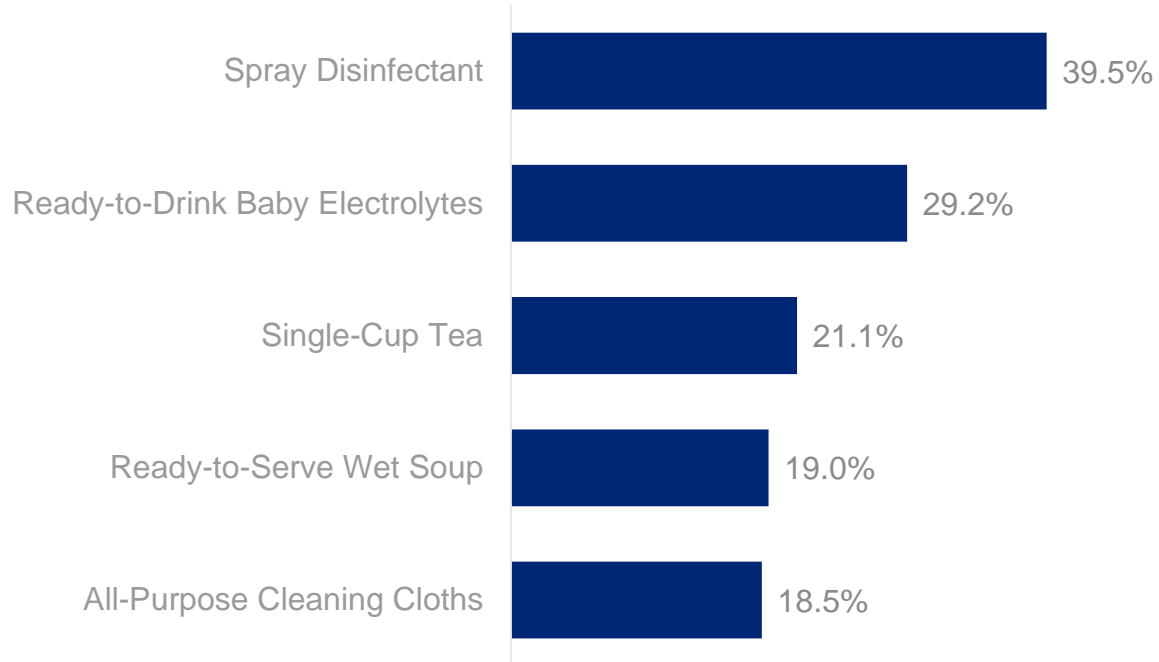
Source: IRI Illness Tracking™ 4 weeks ended 1/14/2018.



Many non-health care categories are also showing a strong correlation to flu escalation.

Non-Health Care Categories Showing Outsized Growth During Flu Escalation

Dollar Sales Growth vs. Prior 4 Weeks: Total U.S.



Source: IRI Illness Tracking™ 4 weeks ended 1/14/2018.

Here again, market-level trends can vary wildly.

Non-Health Care Categories Showing Outsized Growth During Flu Escalation

Dollar Sales Growth vs. Prior 4 Weeks: Total U.S.

		<u>Houston, TX</u>	<u>San Diego, CA</u>
		Growth Index to Total U.S. (Avg. = 100)	Growth Index to Total U.S. (Avg. = 100)
Spray Disinfectant	39.5%	111.0	188.1
Ready-to-Drink Baby Electrolytes	29.2%	49.2	152.0
Single-Cup Tea	21.1%	124.6	107.9
Ready-to-Serve Wet Soup	19.0%	127.3	99.4
All-Purpose Cleaning Cloths	18.5%	97.1	123.9

Market nuances are important!

Source: IRI Illness Tracking™ 4 weeks ended 1/14/2018.



To capitalize on higher demand, inventory management strategies must take into account swift and scattered movement of acute illnesses.

	<u>Market Size (\$ Billions)</u>	<u>Value of 1% Increase (\$ Millions)</u>	<u>Value of 4% Increase (\$ Millions)</u>
Health Care Department	\$65.65	\$656.6	\$2,626.3
Cold/Allergy/Sinus Tablets/Packets	\$4.71	\$47.1	\$188.3
Cold/Allergy/Sinus Liquids/Powders	\$1.27	\$12.7	\$50.8
Cough/Sore Throat Drops	\$0.73	\$7.4	\$29.4
Cough Syrup	\$0.54	\$5.4	\$21.8
Humidifiers/Vaporizers/Air Filters	\$0.30	\$3.1	\$12.2

Source: IRI Illness Tracking™ 4 weeks ended 1/14/2018.

QUESTIONS & MORE INFORMATION



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