PART 5 – BUILDING BRANDS DURING RECESSIONARY TIMES

June 3, 2020

Read Other Recession-Focused Reports:
Part 1 - How the Great Recession Reshaped the CPG Demand Curve
Part 2 - Maintaining Pricing Discipline in a Recession
Part 3 - How Big Brands Performed During the Great Recession
Part 4 – Recessionary Lessons to Apply to Private Label Today
Every recession varies in scope and duration, but with stay-at-home directives still in place, COVID-19 is upending the market in unique ways.

In past recessions, few large brands have enjoyed substantial growth, but now, large, iconic brands are acquiring both new and lapsed buyers. In this new recession, the challenge will be for these brands to maintain buyer loyalty.

In this report, we review examples of recessionary brand building and provide five key strategies to position your brand for growth.

**Optimize and Curate Portfolio**
- Evaluate brands by strength and category potential
- Segment the portfolio by growth opportunities and short- and long-term risk
- Simplify portfolio and work with retailer partners to bolster value through curation

**Hyper Segment the Shopper**
- Segment shoppers by degree of recessionary stress
- Invest in unmet segment needs
- Conduct price-pack architecture studies for willingness to pay for features
- Create value by consumer segment and channel; focus on planned purchases

**Empathize and Emote**
- Leverage targeted media to reach new buyers
- Invest in research to understand redefined consumer values, needs and motivations
- Demonstrate empathy in marketing messages; track amplification on social media

**Invest in Innovation**
- Reinvest trade dollars to support innovation
- Maintain commitment to innovation research, concept development and commercialization for post-recession
- Prioritize innovation platforms, allocating more money to bigger bets

**Seek Acquisitions**
- Understand demand domains that will be positively impacted by COVID-19
- Proactively identify insurgent brands with capital challenges
- Acquire brands that appeal to new consumer segments or are otherwise positively differentiated

**HOW CAN IRI HELP?**
- Social Intelligence Analytics & Brand Value Analysis
- Brand Optimization Engine, Verified Audience Activation, Brand Landscape, Custom & Syndication Segmentation, Targeting & Due Diligence
- The IRI COVID-19 Impacts
- The COVID-19 Dashboard
- IRI CPG Demand Index™
- IRI Inflation Tracker™
SECTION 1

Studying Best Practice Companies from the Great Recession

Brands that grew during the recession and rebounded strongly had a number of things in common. Most importantly, they used the recession as an opportunity to double down on advertising and innovation.

Brands That Bucked the Downward Trend
## Consumer-Driven Brands That Bucked the Great Recession Trend

What can we learn from the Recessionary winners?

### CPG Brand

<table>
<thead>
<tr>
<th>CPG Brand</th>
<th>Brand Value 2009 ($M)*</th>
<th>Value Sales Chg. 2008-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coca-Cola **</td>
<td>$67,625</td>
<td>+16%</td>
</tr>
<tr>
<td>Gillette **</td>
<td>$22,919</td>
<td>+6%</td>
</tr>
<tr>
<td>Budweiser **</td>
<td>$13,292</td>
<td>+23%</td>
</tr>
<tr>
<td>Colgate **</td>
<td>$12,396</td>
<td>+17%</td>
</tr>
<tr>
<td>Nivea **</td>
<td>$6,572</td>
<td>+24%</td>
</tr>
</tbody>
</table>

### Average Brand Value Change for the Top 100 Most Valuable Global Brands During This Period

**3.3%**


**Note:** * Brand Value defined by intangible corporate earnings, brand contribution to company intangible earnings, and the brand’s market valuation and potential **Brand Case Study to Follow.*
Winning Brands Invested in Emotive Marketing, Breakthrough Innovation and Opportunistic M&A Throughout the Turbulent Times

Examples from the Great Recession

**Coca-Cola**
- **Invested in Emotional Connectivity**
  
  Coca-Cola continued to invest in advertising and building goodwill with uplifting campaigns, such as the “Open Happiness” campaign, which helped grow volume 4-6% YOY from 2009-2012.

**Gillette**
- **Doubled Down on Innovation**
  
  After the acquisition of Gillette, P&G continued to invest in the brand with the Champions marketing campaign to increase trial, and gained 40% top-line sales from the Gillette Fusion line, including new innovation Fusion Phenom.

**Budweiser**
- **Invested in Flagship Brands**
  
  Anheuser Busch was acquired by InBev. The Budweiser brand family was considered to have ‘indefinite life’ and remained a flagship brand of the merged company, with 3% organic growth in NA sales during the Great Recession thanks to continued investment post acquisition.

**Colgate**
- **Continued to Invest in Ad Spend**
  
  Colgate grew its advertising spend 7% to $1,650M, an all-time record level, and reorganized / reprioritized product innovation, introducing new product lines such as Colgate Wisp.

**Nivea**
- **Hyper-Segmented Consumers**
  
  Nivea reorganized its skincare strategy in North America and grew 4% by hyper-focusing on the emerging male consumer with the Nivea for Men offering.
SECTION 2

Marketing Actions to Take Now to Balance Short-Term Challenges with Longer-Term Opportunities

Five key actions help CPG companies position themselves for rebounded growth post-recession
Five Key Steps Manufacturers Should Take Now to Accelerate Brand Building During These Recessional Times

**Optimize and Curate Portfolio**
- Segment brands on two dimensions: category attractiveness and brand strength, and evaluate recessionary risk exposure.
- Segment portfolio based on growth potential and risk exposure short- and longer-term.
- Simplify the brand portfolio and proactively work with retailers to help them curate their aisles and categories, removing brand extensions and niche brands that do not create incremental value.

**Hyper Segment and Understand the Shopper**
- Assess economic stress factors to re-segment consumers.
- Invest to understand emerging unmet needs of each Recessional-defined segment.
- Conduct Price Pack Architecture studies to understand consumer willingness to pay for features that can be de-engineered out of items.
- Create differentiated value propositions by consumer segment and channel.
- Shift purchase focus from discretionary to planned.

**Empathize and Emote**
- Leverage targeted media to reach new consumers who entered the category and/or brand franchise.
- Invest to understand how COVID-19 has redefined consumer values, needs and motivations.
- Focus on emotive messaging that demonstrates empathy and differentiates better than table stakes functional attributes.
- Track social media closely to ensure consumer amplification of marketing messaging.

**Invest in Innovation**
- Reinvest trade dollars to support innovation initiatives.
- Continue to invest in innovation research, concept development, and commercialization to be poised for growth post-recession and to understand the unique new needs and desires of consumers.
- Prioritize innovation platforms, allocating more money to the bigger bets.

**Opportunistically Seek Acquisitions**
- Understand demand domains that will be positively impacted by the COVID-19 recession.
- Proactively identify insurgent brands with capital challenges.
- Opportunistically acquire brands that appeal to new consumer segments or have differentiated reasons for being.
Now is the Time to Optimize Your Brand Portfolio and Understand the Role Each Brand Plays Within It

- Evaluate the portfolio on brand strength and category attractiveness.
- Assess brand and category recessionary risk exposure.
- Divest / manage for cash brands that show low growth and high risk. These brands will drain both management focus and trade and advertising dollars.
- Monitor channel shifting, specifically to e-commerce and assess impact short- and long-term on brick and mortar store layouts and aisle allocations.
- Imagine aisle and department reinvention. Whole departments (especially high-contact areas such as deli) will be reinvented. Position to drive these reinventions.
- Curate assortments. Now is a good time for manufacturers to curate their assortments to be in the strongest position for negotiation with retailer partners and to be part of aisle reinvention solutions.
Understanding and Anticipating Recessionary Risk on Both Categories and Brands is the Critical First Step in Preparing for Growth During a Recession

**Category Risk Factors to Assess**
- Percent of current consumers with high economic stress exposure
- Percent category sales comprised of discretionary vs. planned purchases
- Size of premium segment balanced with size of the value segment
- Percent share held by private label
- Category promotional dependency

**Brand Risk Factors to Assess**
- Brand share and concentration held by non-private label competitors
- Brand share of economically impacted segments (i.e., premium, value)
- Brand pricing power
- Brand distinct Reason for Being by channel
- Unique brand claims (functional, emotive, social impact)

Source: IRI Growth Consulting Analysis.
We are Already Seeing the Differential Impact of the COVID-19-Induced Recession on Brands and Categories

Illustrative Recessionary Risk Matrix

Recessionary Risk on the Category / Sub-Category
Based on historical growth trajectory in prior recessions, consumers’ economic stress factors, % sales discretionary spend, premium vs. value segment development, private label penetration, promo reliance, etc.

Recessionary Risk to the Brand (relative to rest of category)
Based on brand share and concentration of competition, brand share of economic segments (i.e. premium), pricing power, brand distinct reason for being, unique claims, etc.

Empirically Driven Recession Risk Assessment

Invest for Long-term Growth (share capture and R&D investment)

Aggressive Risk Mitigation Required

Focus on Profit Protection Strategies

Focus on Share Protection

Brand X – Food Product
Brand Y – Food Product
Brand X – Non-Food Product
Brand Y – Non-Food Product

Brand Dollar Sales Size

Source: IRI Growth Consulting Analysis.
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Category Attractiveness Should be Analyzed in the Context of its Broader Demand Space

<table>
<thead>
<tr>
<th>Fresh Cooking Ingredients (e.g., Meat, Cheese)</th>
<th>Non-Perishable Cooking Ingredients (e.g., Spices / Seasonings, Shelf Stable Veg.)</th>
<th>Premium At-Home Meals (e.g., Fz. Meals)</th>
<th>Breakfast Foods (e.g., Breakfast Meats, Fresh Eggs)</th>
<th>Comfort Foods (e.g., Salty Snacks)</th>
<th>Affordable Indulgences (e.g., Cookies, Ice Cream)</th>
<th>Alcoholic Beverages (e.g. Beer, Wine, Spirits)</th>
<th>Nurturing Dependents (e.g., Dog Food, Baby Formula)</th>
<th>Immune Boosting (e.g., Vitamins)</th>
<th>Household Functionality (e.g., Soap, Paper Towel)</th>
<th>Pro Quality Beauty (e.g., Hair Coloring)</th>
<th>Clean Living Space (e.g., Cleaning Spray)</th>
</tr>
</thead>
</table>

**Reason for Attractiveness**

- Premium segments for at-home indulgence e.g., Premium Frozen Meals, Cookies, etc.
- Lack of Private Label presence e.g., Professional-quality Beauty, etc.
- Unique COVID-19-Induced Dynamics – Efficacy Importance e.g., Household Cleaning Spray, Soap, etc.
- Immune-Boosting and Better for You Ingredients e.g., Vitamins, Fresh Cooking Ingredients, etc.

**Attractive Demand Spaces in Light of COVID-19-Induced Recession**

Source: Recessions Can Present Rare M&A Opportunities By Sri Rajan and David Harding, April 2009
Once Recessionary Risks are Understood, Assortments Should Be Curated in Anticipation of Retailer Aisle Reinvention

COVID-19 has significantly accelerated channel shifts in favor of e-commerce sales and impacted high-contact sections of the store. To support retailers as they reallocate space to accommodate changing shopping behavior, manufacturers should enter discussions with a tight assortment and an understanding of recessionary risk by category and brand.

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Weekly Items per Store Selling</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-COVID-19</td>
<td>During COVID-19</td>
</tr>
<tr>
<td>Baked Beans</td>
<td>29.6</td>
<td>25.9</td>
</tr>
<tr>
<td>Mexican Foods</td>
<td>91.2</td>
<td>78.6</td>
</tr>
<tr>
<td>Rfg. Pizza</td>
<td>21.9</td>
<td>18.7</td>
</tr>
<tr>
<td>Moist Towelettes</td>
<td>55.9</td>
<td>37.5</td>
</tr>
<tr>
<td>Facial Tissue</td>
<td>32</td>
<td>23.1</td>
</tr>
</tbody>
</table>

Sean Connolly, Conagra CEO
“We have pared back on some of our SKUs so that we can continue to serve the highest velocity SKUs.”

Miguel Patricio, Kraft Heinz CEO
“… what we are doing is actually reducing the number of SKUs that we are producing, so we can have better productivity in our lines.”

John Furner, Walmart U.S. CEO
Even before stay-at-home orders, the company focused on a “Simplification of the product line with a significant reduction in SKUs which it feels will cut down on decision fatigue for shoppers.”

Sources: Food Navigator, Yahoo Finance, Forbes. Data Source: IRI POS Data, 4 WE 4/26/20 / Note: Pre-COVID-19 defined as 8 WE 2/23/2020, During COVID-19 defined as 8 WE 4/19/2020
There are Lessons to be Learned From Brands that Justified 4th and 5th Positions After the Last Recession

4th and 5th Positions Can Be Defended if Brands Have Unique Reasons for Being

<table>
<thead>
<tr>
<th>Addressed Unique Need-State: reframe the existing category and own a specific occasion and/or need-state</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unique Product:</strong> create unique benefit claims, make your product fun, leverage a unique or sophisticated flavor, create innovative packaging or form</td>
</tr>
<tr>
<td><strong>Differentiated Reason for Being:</strong> differentiate on functional, emotive or social impact attributes that are highly important to category buyers</td>
</tr>
<tr>
<td><strong>Own / Influence a Retail Channel:</strong> create a unique shopper experience</td>
</tr>
<tr>
<td><strong>Develop Extreme Value Propositions:</strong> own a unique value proposition for either higher income consumers or lower income consumers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Illustrative Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honest Tea emphasized its <strong>organic ingredients, fair trade partnerships and sustainability research</strong> as differentiated elements of the brand</td>
</tr>
<tr>
<td>PopChips invested to make <strong>healthy eating fun</strong> with the sensory experience of the unique chip form</td>
</tr>
<tr>
<td>Eggland’s Best added multiple <strong>nutrition claims</strong> to its egg cartons in order to create brand premiumization in a commodity category</td>
</tr>
</tbody>
</table>

Source: IRI Growth Consulting Analysis.
Hyper-Segment and Focus on Delivering the Best Value-Added Products for Each Segment

- Leverage economic stress factors to segment consumers, while also investing to understand unique consumer needs during these unprecedented times.
- Conduct price pack architecture studies to better understand willingness to pay and which features / benefits are most important to each consumer segment.
- With the bifurcation of economic stress exposure, some consumers will be forced to purchase lower-priced products while others will be able to continue to indulge in premium products.
- Take a disciplined approach to pricing.
- Identify opportunities to create new products and packaging, while refining the value proposition specific to different channels.
- Invest to build brand equity.
Assess Evolving Consumer Needs Based on Changing Consumption Patterns and Behavioral Changes

Break out what really matters and how consumers make tradeoffs in the new normal

Find the subconscious link between consumer emotions and changing needs

Understand who is actually changing their behavior and the economic value to your brands
Consumer Segments have Unique Needs; Value Means More Than Low Price, Even to the Most Economically Challenged Consumers

*Investing to understand the needs of economically disadvantaged shoppers by channel is critical.*

Top-selling dollar SKU is a premium product. Even in the value channel, shoppers will pay more for odor control bags as those consumers tend to live in smaller dwellings.

<table>
<thead>
<tr>
<th>Top Trash Bag SKU by Channel</th>
<th>Grocery</th>
<th>Walmart</th>
<th>Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[Image]</td>
<td>[Image]</td>
<td>[Image]</td>
</tr>
<tr>
<td>Packaging includes Arm &amp; Hammer odor control claim</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand Price Index¹</td>
<td>168 / Premium</td>
<td>339 / Premium</td>
<td>125 / Premium</td>
</tr>
</tbody>
</table>

Leading Brands Create Different Offerings That Match the Economic Realities of Their Consumers, Including Brands with Stratified Consumer Bases

After the Great Recession, Vosges, a leading premium confectionary company, introduced a lower-priced brand, Wild Ophelia, to bring affordable personal indulgence to economically stressed consumer segments.

Mainstream Personal Indulgence Brand

Wild Ophelia

41% Cacao Milk Chocolate

Size: 2 oz.

Price / Unit: $1.95

Premium Personal Indulgence Brand

Vosges

Super Dark 72% Cacao

Size: 3 oz.

Price / Unit: $5.89

Source: IRI POS Data for Food Chanel (Grocery), Calendar Year 2019. IRI Growth Consulting Analysis.

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### Monster Dissected the Unique Needs of Specific Consumer Segments to Focus Innovation

**Creating a Targeted Innovation + Distribution Strategy for C-Store-Dependent Brand Leads to Sales Growth**

<table>
<thead>
<tr>
<th>Addressing Need States</th>
<th>Sales increases in both core products and these new innovations led to brand growth.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hybrid coffee / energy for morning occasions</td>
<td>Other Monster</td>
</tr>
<tr>
<td>Extra large can size for heavy users</td>
<td>Monster Energy Absolute Zero</td>
</tr>
<tr>
<td>0 Sugar, 0 Calories for diet-conscious consumers</td>
<td>Monster Mega Energy</td>
</tr>
<tr>
<td>Hybrid energy / iced tea for a refreshment beverage</td>
<td>Monster Energy Low Carb</td>
</tr>
<tr>
<td>Energy + protein for a post-workout occasion</td>
<td>Monster</td>
</tr>
</tbody>
</table>

Source: IRI Data for MULOC (Multi-outlet + Convenience) 2009-2013, IRI panel data © 2020 Information Resources Inc. (IRI). Confidential and Proprietary.
Best-Practice Marketers Create New Usage Occasions…

Nutella & Go Has Helped Drive Growth as Traditional Nutella Spread Sales Stagnate

Nutella & Go helped Nutella enter the snacking market, focused on convenience.

Nutella recently entered the cookie business with Nutella B-ready Nutella-filled cookies.

<table>
<thead>
<tr>
<th>Year</th>
<th>Nutella Cookies</th>
<th>Nutella &amp; Go</th>
<th>Nutella Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$200</td>
<td>$0</td>
<td>$81</td>
</tr>
<tr>
<td>2016</td>
<td>$200</td>
<td>$0</td>
<td>$78</td>
</tr>
<tr>
<td>2017</td>
<td>$190</td>
<td>$0</td>
<td>$76</td>
</tr>
<tr>
<td>2018</td>
<td>$188</td>
<td>$1</td>
<td>$84</td>
</tr>
<tr>
<td>2019</td>
<td>$197</td>
<td>$2</td>
<td>$93</td>
</tr>
</tbody>
</table>

Nutella Dollar Sales ($M), MULO+C

Wholly Guacamole Minis, Snack Cups are Great Single-Serve Options for Individual Usage Occasions

...and Anticipate How Usage Occasions Change Over a Brand’s Lifecycle

Wholly Guacamole Dollar Sales ($M), MULO+C

<table>
<thead>
<tr>
<th>Year</th>
<th>Single Serve Packages (≤6 oz individual sizes)</th>
<th>Other Sizes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$49</td>
<td>$43</td>
</tr>
<tr>
<td>2016</td>
<td>$52</td>
<td>$50</td>
</tr>
<tr>
<td>2017</td>
<td>$61</td>
<td>$62</td>
</tr>
<tr>
<td>2018</td>
<td>$68</td>
<td>$61</td>
</tr>
<tr>
<td>2019</td>
<td>$72</td>
<td>$60</td>
</tr>
</tbody>
</table>

Packaging Designed for Frequent Occasions Allows Brands to Become Planned Rather Than Discretionary Purchases, Which is Needed During a Recession

Average Ounces per Package:
- Resealable Bag: 18.5
- Other Packs: 14.7

Mars Chocolate Candy Dollar Sales ($M), MULO+C

<table>
<thead>
<tr>
<th>Year</th>
<th>Resealable Bags</th>
<th>Other Sizes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$3,435</td>
<td>$3,166</td>
</tr>
<tr>
<td>2016</td>
<td>$3,489</td>
<td>$3,226</td>
</tr>
<tr>
<td>2017</td>
<td>$3,544</td>
<td>$2,966</td>
</tr>
<tr>
<td>2018</td>
<td>$3,598</td>
<td>$2,831</td>
</tr>
<tr>
<td>2019</td>
<td>$3,649</td>
<td>$2,856</td>
</tr>
</tbody>
</table>

Note: Does not include seasonal, sugar free, or gift box candies. Source: IRI POS Data, CY 2015-2019, MULO+C. IRI Growth Consulting Analysis.
More Than Ever, Brands Need to Demonstrate Empathy and Create Emotional Connections

- Consumers are eager for uplifting, positive, feel-good advertising and stories during these uncertain times.
- Target consumers via traditional advertising or social media to reach the hearts of consumers and build goodwill that will pay dividends as the market recovers.
- Invest in social media tracking and consumer studies to determine which emotive attributes are correlated with your brand, including which attributes are unique to your brand.
- Utilize unique attributes that consumers care most about in updated messaging and advertising.
Marketers Should Utilize Behavioral Science to Understand Which Emotions Their Brands Trigger and Which Emotions They Can Uniquely “Own”

IRI Brand Value Analysis Framework
Highlighting Which Attributes a Brand “Owns”

Source: IRI Growth Consulting Analysis.
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Emotional Connections (EC) Demonstrate Empathy, Drive 52% More Value

The Value of Emotional Connection – As customers’ relationships with a brand deepen, they move along the pathway toward full emotional connection. Although they become more valuable at each step, there’s a dramatic increase at the final one: across a sample of nine categories, fully connected customers are 52% more valuable, on average, than those who are just highly satisfied.

Brands Need to Focus on Innovation and Double Down on R&D Investment

- Use extra trade dollars to **support innovation** and take advantage of less well-capitalized companies that are forced to hunker down during recessions.
- Continued backing of current innovations will help **propel these products forward** both during as well as post-recession.
- Continue to **invest in innovation research, concept development and commercialization** to be poised for growth post-recession.
- Identify **short-term innovation opportunities** to take advantage of categories that perform particularly well in recessions.
- **Double down on R&D and investment for “big bets”** in order to be in a position of strength as the recession subsides.
- With fewer companies investing in innovation, your “big bets” have a higher chance of paying off.

**Table: Bubly Dollar Sales ($M), MULO+C**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$0</td>
<td>$109</td>
<td>$250</td>
</tr>
</tbody>
</table>

Support New Product Launches Through Periods of Market Decline

Fairlife Dollar Sales 2014-2019

Fairlife Core Power, highlighting high protein content, and Fairlife Yup!, originally marketed toward children, grew 1.7% and 13.8%, respectively, in the second half of 2019.

Dollar Sales ($M)

2017-2018 growth was driven primarily by expansion of items, including new innovations.

Continued support for innovations in adjacent categories targeting unique usage occasions (children and workout) allowed for the brand to recover from a period of decline.

2019 dip in sales due to consumer sentiment challenges.

Successful Food & Beverage Innovations During a Recession Capitalize on New Occasions

In 2010, the at-home breakfast occasion became more relevant as consumers avoided more expensive away-from-home options.

Most Active Food New Product Pacesetters
Product Usage Group as % Total Food Pacesetter Dollars

<table>
<thead>
<tr>
<th>Product Usage Group</th>
<th>Average 2002-2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Foods</td>
<td>27%</td>
<td>10%</td>
</tr>
<tr>
<td>Meal Makers / Light Meals / Appetizers</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Salty Snacks</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>Meal Makers / Light Meals / Appetizers</td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>Dinner Solutions</td>
<td>9%</td>
<td>22%</td>
</tr>
<tr>
<td>Breakfast Solutions</td>
<td>23%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Chobani anticipated the at-home/on-the-go need and created a premium breakfast solution.

Prior to Chobani’s launch, Greek Yogurt was primarily sold at specialty retailers.

Year 1 Dollar Sales: $149.4MM (FDMx)
Year 1 Distribution: 58% (FDMx)

Strong distribution gains in the dairy aisle led to Chobani’s positioning as the 2nd largest IRI New Product Pacesetter of 2010.

In Health and Beauty, Successful Brands Anticipated the Growth of At-Home Indulgence

A large segment of personal care innovation in the 2000s involved “away-from-home / salon experience” positioning for at-home indulgence.

“Going Pro” vs. All Other Launches as % All Health, Beauty and Personal Care New Product Launches, 2001-2010

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Launches</td>
<td>82%</td>
</tr>
<tr>
<td>Going Pro Launches</td>
<td>18%</td>
</tr>
</tbody>
</table>

NOTE: “Going Pro” includes Rx-to-OTC medications and “pro” products across dermatology, salon products and dental categories.

Consumers were positive about the ability to have high quality products at an affordable price vs. salon / luxury items.

Olay ProX, highlighting professional dermatology design for at-home usage, was the 6th largest non-food IRI New Product Pacesetter of 2010.

“I was looking for a product that would be best for my age without paying a lot… my skin feels smooth and the products seems to be working… people say I look fifty, not sixty-four… seeing is believing and the price is right. My skin looks better than ever and I can actually afford to buy this product.”

“I would definitely recommend these products to my friends. I like the smooth feeling and the reduction of fine lines. The fine lines around my eyes and on the sides of my face have lessened and I expect with using it for another couple of weeks, they will show even less. I would recommend it to my friends that have the same skin issues.”


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Companies Need to Seek Opportunistic Acquisitions

• A recession, especially one as unpredicted and deep as the COVID-19 recession, provides opportunities for acquisitions.
• This recession could be a perfect opportunity for larger, well-secured companies to consider making acquisitions of the insurgent brands that have been nipping at their heels for years.
• Proactive targeting / early identification of potential acquisition targets is more important than ever.
• It’s critical to have a sharp focus on opportunities emerging by demand domain.
The M&A Environment is Very Different During COVID-19; Diligence Will be More Rigorous and Deal Lines Much Longer

Deal flow typically falls during recessions but deal returns increase. As insurgent brands run low on capital, this might be an opportune time for well-capitalized, recession-insulated companies to make strategic acquisitions.

BCG analysis of ~24,000 transactions between 1996 and 2006 showed that acquisitions completed during and right after the 2001 recession generated almost triple the excess returns of acquisitions made during the preceding boom years.*

BUT… the COVID-19 Deal Environment is Very Different…

- Volume of Deal Activity
- Additional Representations and Warranties from Seller
- Pressure on Deal Values
- Deal Timelines
- Available Debt Financing
- Intensity of Due Diligence

More Than Ever, Efficient Targeting is Critical

Source *Recessions Can Present Rare M&A Opportunities By Sri Rajan and David Harding. April 16, 2009

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Key Insights for Building Brands in a Recession

Growth strategy is often a game of opposites (e.g., invest or withdraw, advertise or cut budgets, double down on innovation or cut R&D, advertise or go silent), especially during a recession.

• While some marketers and executives will want to retreat and protect cash or drop prices, leading growth companies will take bold action and reinvest for growth.

• Understand recessionary risk and long-term growth potential and curate the portfolio accordingly.

• Don’t cut back on innovation or advertising in recession-proof categories/brands.

• Focus on building empathy and emotional connection with consumers.

• Seek opportunistic acquisitions.
SECTION 3

How IRI Can Help

IRI is well-positioned to help clients adjust their portfolio and brands by adopting a total value approach based on an understanding of what attributes are most important to consumers.
IRI Offers a Variety of Solutions and Services to Help Brands Best Manage Growth in a Downturn

**Social Intelligence Analytics & Brand Value Analysis**
- Provides feedback on what consumers are saying about your brand online
- Determines which functional and emotive attributes you “own” and which are “table stakes”
- Builds improved messaging campaigns and identifies opportunities for brand growth
- Grows both top and bottom line while also driving market share

**ACTION and IMPACT**
- >10% growth in sales
- Increases brand value
- Enables more effective media campaigns

**Brand Optimization Engine**
- Applies augmented decision making to prioritize growth opportunities based on size, demographics and execution difficulty
- Assesses source of volume and incrementality to brand or category
- Aids in choice of the right media spend, distribution and price to capture most switchers

**ACTION and IMPACT**
- Doubles the odds of new product success while cutting the cost of innovation dramatically
- Continually identifies and activates against growth opportunities

**Verified Audience Activation**
- Identifies and targets new brand buyers, existing brand buyers, and category buyers across all digital, social, and addressable TV channels
- Allows advertisers to refine targeting and messaging; reaching the right consumers at the right time with the right message

**ACTION and IMPACT**
- Acquires new brand buyers and grows loyalty among existing brand buyers
- Tailors messaging / targeting to drive greater response and loyalty
Continually Identify and Seize Growth Opportunities During Uncertain Times With IRI Brand Landscape, Survey & Segmentation Solutions and M&A Assistance

**Brand Landscape**
- Gives broad multi-category brand views with cross-category cultural attributes to identify and activate brand strategy initiatives
- Easily identifies competitive set, explores specific structure segments or walking attributes to assess business performance
- Updates dynamic structures with new products, most recent size and trend POS data plus demographic and panel measures monthly

**ACTION and IMPACT**
- Identifies macro changes to consumer demand as they happen
- Continually aligns brand portfolios against future shopper needs

**Custom & Syndicated Segmentation**
- By synchronizing behaviors with motivations, IRI creates differentiated segments that allow for effective target identification, messaging development, product innovation and media targeting
- Allows retailers and manufacturers to pinpoint those groups that offer the greatest potential, resulting in greater potential ROI

**ACTION and IMPACT**
- Increases profits by identifying consumers who drive category spending, trips and brand loyalty
- Identifies the right messaging, targeting and activation levers

**Targeting & Due Diligence**
- Recessionary risk scans measure both brand and category sensitivity to behavioral changes
- Identifies which brands to divest as well as potential targets for acquisitions
- Provides support on brand growth prospects to maximize offers or ensure optimal bids

**ACTION and IMPACT**
- Enables early identification of attractive acquisition candidates
- Provides more accurate and deeper understanding of forecasted trends
Insights and Strategic Guidance for Better Decisions

IRI’s Online Resources Include Real-Time Updates and Weekly Reports Which Track the Impact of the Virus on CPG and Retail

The IRI COVID-19 Impact
Includes COVID-19 impact analyses, dashboards and the latest thought leadership on supply chain, consumer behavior, channel shifts for the U.S. AND international markets

IRI CPG Economic Indicators Including the IRI CPG Demand Index™, IRI CPG Supply Index™ and IRI CPG Inflation Tracker™
Accessible through the insights portal to track the daily impact of COVID-19. This includes top selling and out-of-stock categories across the country and consumer sentiment on social media
The Latest COVID-19 Reports and Insights from IRI (click to see full report)

IRI COVID-19 IMPACT ASSESSMENT REPORTS
- Updates: CPG and Retail Impact of COVID-19
- Tracking the Dramatic Pivot of U.S. Consumer and Shopper Behavior
- Consumers Provide a Pessimistic View of Coming Months
- Then and Now: Consumer CPG Behavior During Economic Downturns

THE CHANGING SHAPE OF THE CPG DEMAND CURVE
- Part 1 - How the Great Recession Reshaped the CPG Demand Curve
- Part 2 - Maintaining Pricing Discipline During a Recession
- Part 3 - How Big Brands Performed During the Great Recession

LESSONS FROM THE GREAT RECESSION
- Part 4 - Recessionary Lessons to Apply to Private Label Today
- Part 5 - Building Brands During Recessionary Times

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The IRI CPG Demand Index™ provides a standard metric for tracking changes in spending on consumer packaged goods. It measures weekly changes in consumer purchases, by dollar sales, against the year-ago period across departments including fixed and random weight products, grocery aisles and retail formats. The IRI CPG Demand Index™ is available for eight U.S. regions and all U.S. states.
The IRI CPG Inflation Tracker™ provides the well-known price per unit metric for tracking changes in pricing of consumer packaged goods. It provides weekly changes in consumer prices, price per unit against the year-ago period across departments including fixed and random weight products, grocery aisles and retail formats. The IRI CPG Inflation Tracker™ is available for eight U.S. regions and all U.S. states.
The IRI CPG Supply Index™ provides a standard metric for tracking changes in product availability (i.e. in-stock rates) in stores for consumer packaged goods. It measures weekly changes in product availability against the baseline across departments and retail formats. The IRI CPG Supply Index™ is available for eight U.S. regions and all U.S. states.
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