

Private Label & National Brands:

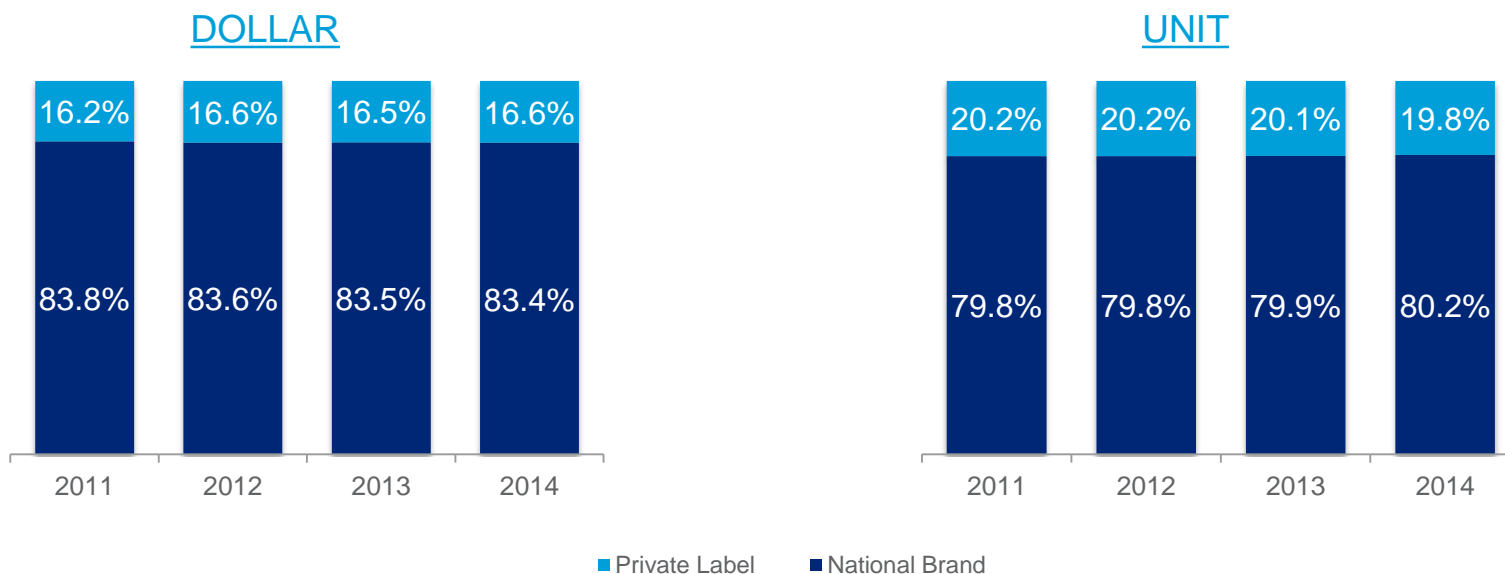
Dialing in on Core Shoppers

Headlines

- The economy is improving but consumers remain cautious.
- Driving growth in this environment is about making the shopper journey simple, convenient and affordable.
- In a \$725 billion packaged goods market, the value of even a fraction of a share point translates to a considerable gain—or loss—for private label and national brand marketers alike
- Successfully prompting growth without eroding margin or brand loyalty is critical, so CPG marketers must rely on three key strategies:
 - ✓ Increase penetration with products and programs that keep value and affordability in the crosshairs;
 - ✓ Fracture concentration with innovation that addresses key consumer trends and white-space opportunities;
 - ✓ Create and embrace a brand story centered around value, authenticity and affordability.

Private label/national brand dollar share trends have been flat during the past few years, while national brand unit share has ticked upward.

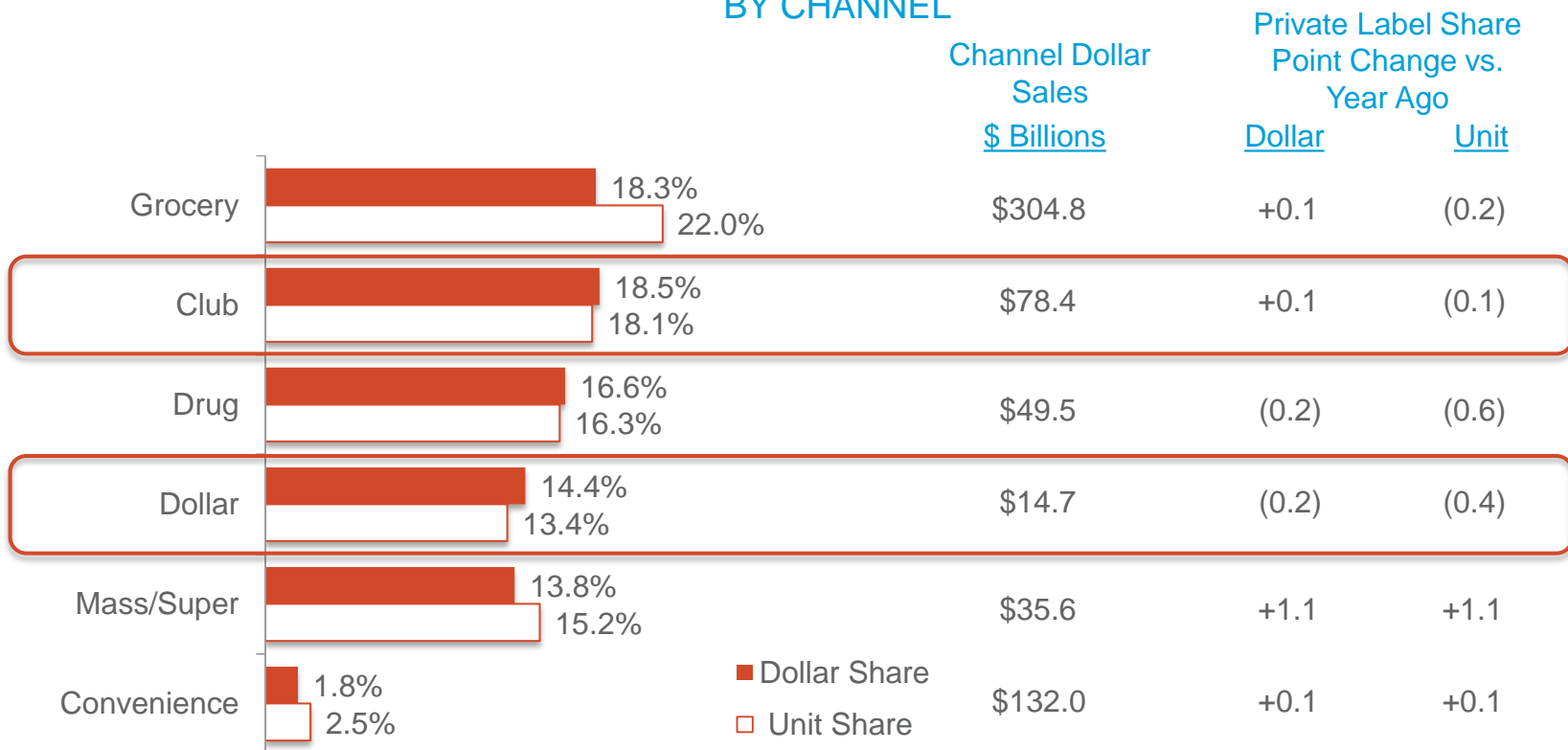
PRIVATE LABEL SHARE OF SPENDING: TOTAL U.S. ALL OUTLET



Source: IRI Consumer Network™; 52 weeks ending 9/7/2014 versus same period prior years

Share trends vary across CPG channels, with national brands showing momentum in drug and private label standing out in mass/super.

PRIVATE LABEL SHARE OF SPENDING BY CHANNEL



Note: Walmart not included in grocery or mass/super.

Source: Grocery, Club, Drug, Dollar & Mass/Super via IRI Consumer Network™; 52 weeks ending 9/7/2014 versus same period prior year; Convenience via IRI Market Advantage; 52 weeks ending 8/10/2014 and same period prior year

Department level share trends show an ongoing volley between national brands and private label. Private label share is generally growing in frozen foods, while national brands are strong in health and beauty.

PRIVATE LABEL SHARE BY DEPARTMENT
UNIT SHARE POINT CHANGE VS. YEAR AGO, BY CHANNEL

	All Outlet	Grocery	Drug	Mass/Super	Dollar	Club	Convenience
Total Store	(0.3)	+0.1	(0.2)	+1.1	(0.2)	+0.1	+0.1
Refrigerated	(0.5)	(0.6)	+2.8	+1.8	0.0	+0.1	+2.6
General Merchandise	(0.7)	(1.6)	+2.9	(0.5)	(1.5)	+0.9	(1.4)
Health	(0.2)	(0.2)	(0.1)	(0.1)	(0.9)	(2.9)	(0.3)
Frozen	+0.1	+0.3	+0.6	+5.3	+0.5	(0.7)	+0.7
General Food	(0.2)	(0.2)	(0.9)	+1.2	(0.1)	+0.3	+0.3
Beverages	(0.4)	(0.1)	+0.7	+1.8	(0.1)	+0.5	0.0
Home Care	+0.2	(0.3)	0.0	+1.4	(1.0)	+1.1	0.0
Beauty	(0.1)	(0.2)	(0.9)	(0.6)	(0.7)	(1.4)	(0.6)

Notes: Walmart not included in grocery or mass/super. Private label share of unit sales is less than 1 percent in measured channels across tobacco and liquor departments.

Source: Grocery, Club, Drug, Dollar & Mass/Super via IRI Consumer Network™; 52 weeks ending 9/7/2014 versus same period prior year; Convenience via IRI Market Advantage; 52 weeks ending 8/10/2014 and same period prior year

Private label share varies across CPG channels, illustrating how key areas of focus differ based on channel (or retailer) sweet spots and evolving strategies.

PRIVATE LABEL SHARE BY DEPARTMENT UNIT SHARE, BY CHANNEL

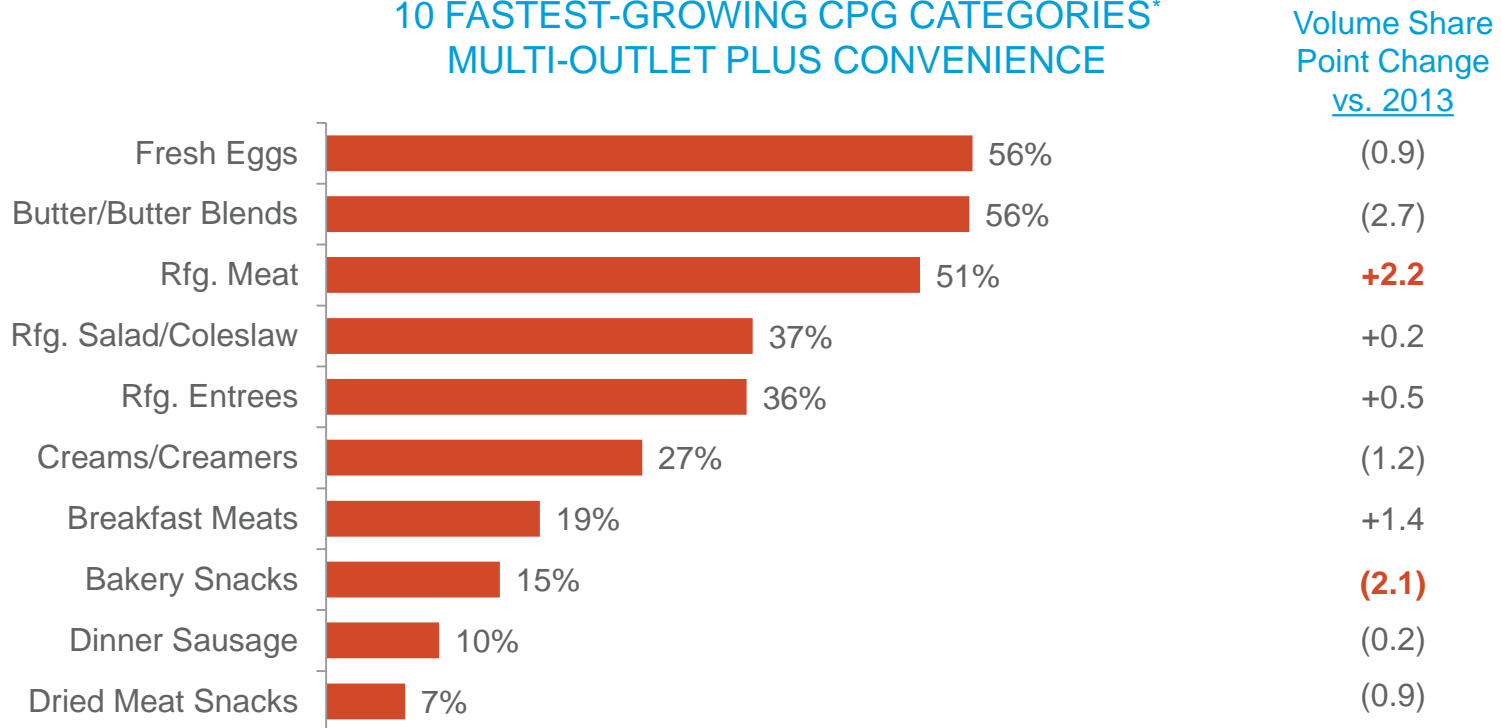
	All Outlet	Grocery	Drug	Mass/Super	Dollar	Club	Convenience
Total Store	19.8%	22.0%	16.3%	15.2%	13.4%	18.1%	2.5%
Refrigerated	31.1%	32.9%	16.9%	26.0%	10.7%	25.5%	21.6%
General Merchandise	21.5%	22.8%	37.1%	18.9%	26.6%	32.4%	7.3%
Health	25.3%	21.6%	31.2%	21.8%	25.2%	30.6%	4.2%
Frozen	20.5%	22.2%	27.1%	19.8%	2.5%	18.7%	7.0%
General Food	19.3%	13.3%	11.5%	14.0%	11.7%	13.6%	3.1%
Beverages	13.6%	21.2%	12.3%	11.4%	9.4%	16.8%	1.3%
Home Care	10.6%	10.2%	10.5%	10.6%	12.8%	13.4%	2.8%
Beauty	9.3%	8.2%	10.6%	10.3%	13.7%	9.2%	7.3%

Notes: Walmart not included in grocery or mass/super. Private label share of unit sales is less than 1 percent in measured channels across tobacco and liquor departments.

Source: Grocery, Club, Drug, Dollar & Mass/Super via IRI Consumer Network™; 52 weeks ending 9/7/2014 versus same period prior year; Convenience via IRI Market Advantage; 52 weeks ending 8/10/2014 and same period prior year

Share trends are fickle, with national and private brands each posting wins across the largest private label categories.

PRIVATE LABEL VOLUME SHARE
& POINT CHANGE 2014 VS. 2013
10 FASTEST-GROWING CPG CATEGORIES*
MULTI-OUTLET PLUS CONVENIENCE



*Note: among the top 100 categories, based on multi-outlet + convenience dollar sales growth.

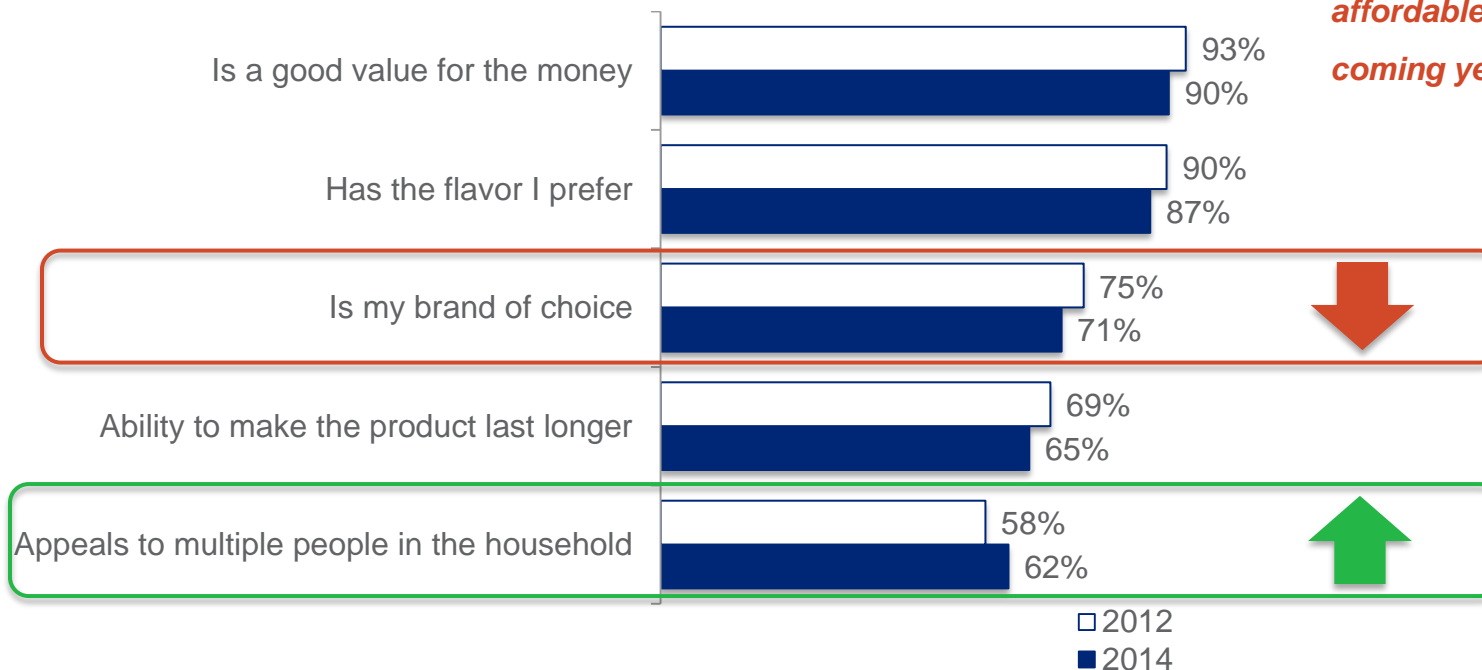
Source: IRI MarketAdvantage™ 52 weeks ended 8/10/2014 versus same period 2013

Invest to keep pace with evolving definitions of affordability.

46%

of consumers will fill more of their basket with affordable brands in the coming year

FACTORS DEFINING AFFORDABLE BRANDS % OF CONSUMERS, TOP 2 BOX



Source: IRI Brand & Retailer Loyalty Survey 2014 & 2012

Focus on protecting and deepening penetration in channels and banners most frequented by key and target shoppers.

PRIVATE LABEL PENETRATION
BY CHANNEL—2014

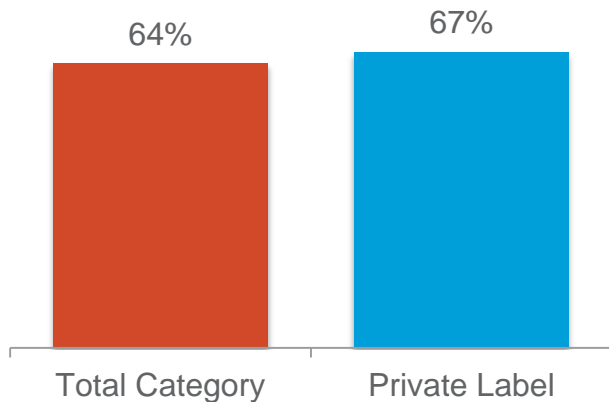
		<u>Pt. Chg 2014 v 2013</u>
Grocery	97.6%	0.0
Drug	66.9%	(2.1)
Mass/Super	51.2%	(2.1)
Club	49.3%	+1.3
Dollar	37.4%	(0.3)

Note: Walmart not included in grocery or mass/super.

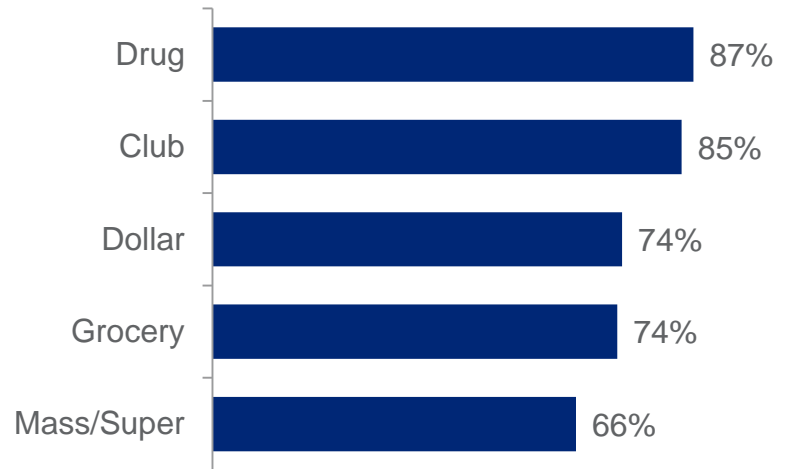
Source: IRI Consumer Network™; 52 weeks ending 9/7/2014 versus same period prior years

Private label sales are more heavily concentrated versus the industry average; some channels capture more than 80 percent of private label sales from fewer than 50 categories.

PRIVATE LABEL CONCENTRATION
TOP 50 CATEGORIES DOLLAR SALES
AS % TOTAL SPENDING
PRIVATE LABEL & NATIONAL BRAND



PRIVATE LABEL CONCENTRATION
TOP 50 CATEGORIES AS % TOTAL SPENDING
AMONG HEAVY PRIVATE LABEL BUYERS



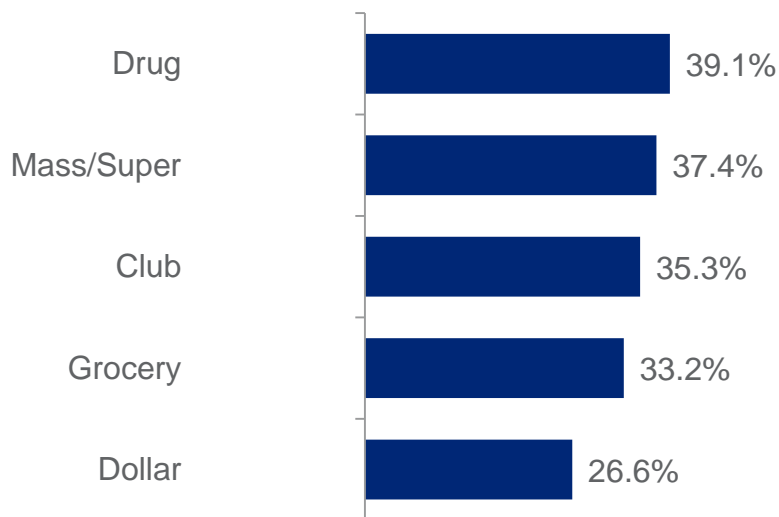
Note: Walmart IS included in mass/super. Heavy private label buyers are the top one-third, based on private label spending.

Source: IRI Market Advantage™; 52 weeks ending 8/10/2014

Source: IRI Consumer Network™; 52 weeks ending 9/7/2014 versus same period prior year

Private label/national brand dollar share trends have been flat during the past few years, while national brand unit share has ticked upward.

PRIVATE LABEL VOLUME SHARE BY CHANNEL
AMONG HEAVY PRIVATE LABEL BUYERS
2014



Heavy Buyer Channel
Dollar Sales

\$ Billions

Private Label Share
Point Change

vs. Year Ago

\$304.8	+1.0
\$78.4	(0.7)
\$49.5	(0.1)
\$14.7	(0.5)
\$35.6	\$+0.7

Note: Walmart IS included in mass/super. Heavy private label buyers are the top one-third, based on private label spending.

Source: IRI Consumer Network™; 52 weeks ending 9/7/2014 versus same period 2013

To spur demand, marketers must optimize assortment by catering to consumers' unique CPG preferences and behaviors across retail channels.

TOP FIVE CATEGORIES
BY CHANNEL—TOTAL U.S.
LISTED IN ALPHABETICAL ORDER

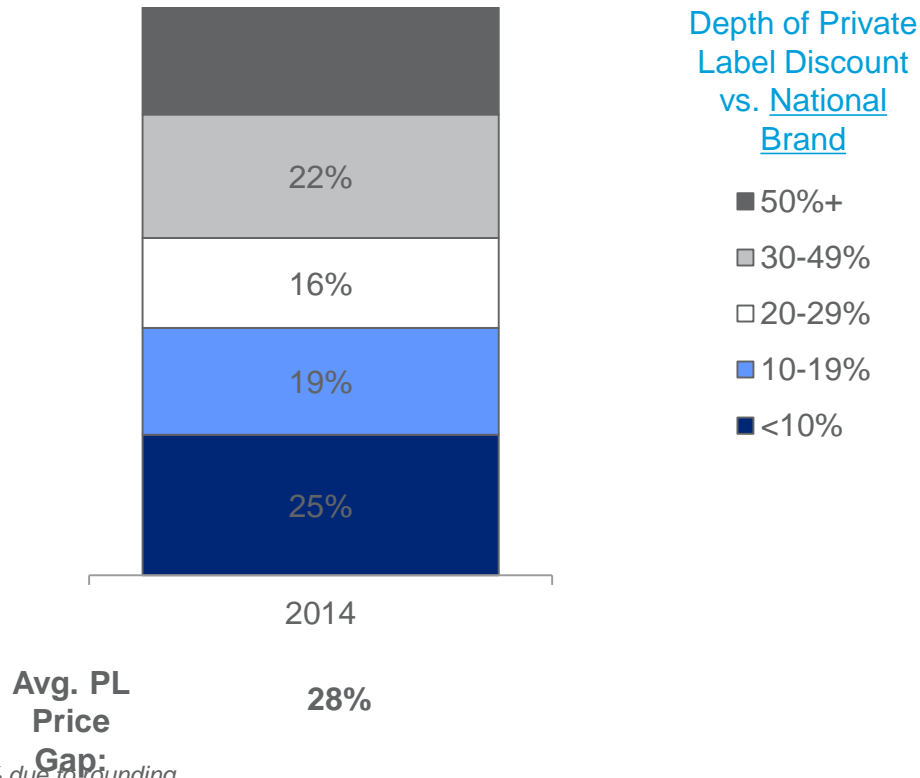
<p>GROCERY</p> <p>Fresh Bread & Rolls Fresh Eggs Milk Natural Cheese Shelf Stable Vegetables</p>	<p>CLUB</p> <p>Bottled Water Fresh Bread & Rolls Milk Natural Cheese Toilet Tissue</p>	<p>DOLLAR</p> <p>Cookies Cups & Plates Food & Trash Bags Non-Chocolate Candy Toilet Tissue</p>
<p>DRUG</p> <p>Bottled Water Internal Analgesics Non-Chocolate Candy Snack Nuts/Seeds/Corn Nuts Vitamins</p>	<p>MASS/SUPER</p> <p>Bottled Water Cups & Plates Fresh Eggs Milk Natural Cheese</p>	<p>CONVENIENCE</p> <p>Bottled Water Milk Pastry/Doughnuts Refrigerated Entrees Salty Snacks</p>

Note: Based on absolute private label unit sales; mass/super excludes Walmart

Source: Grocery, Club, Drug, Dollar & Mass/Super via IRI Consumer Network™; 52 weeks ending 11/2/2014 versus same period prior year; Convenience via IRI Market Advantage; 52 weeks ending 11/2/2014 and same period prior year

The average price gap between private label and national brand products stands at 28 percent; price gap trends are being driven by innovation, commodity pricing and promotional activity.

AVERAGE PRIVATE LABEL PRICE GAP VS. BRANDED
 % OF CATEGORIES AT DEPTH OF DISCOUNT
 TOTAL U.S.* - MULTI-OUTLET + CONVENIENCE

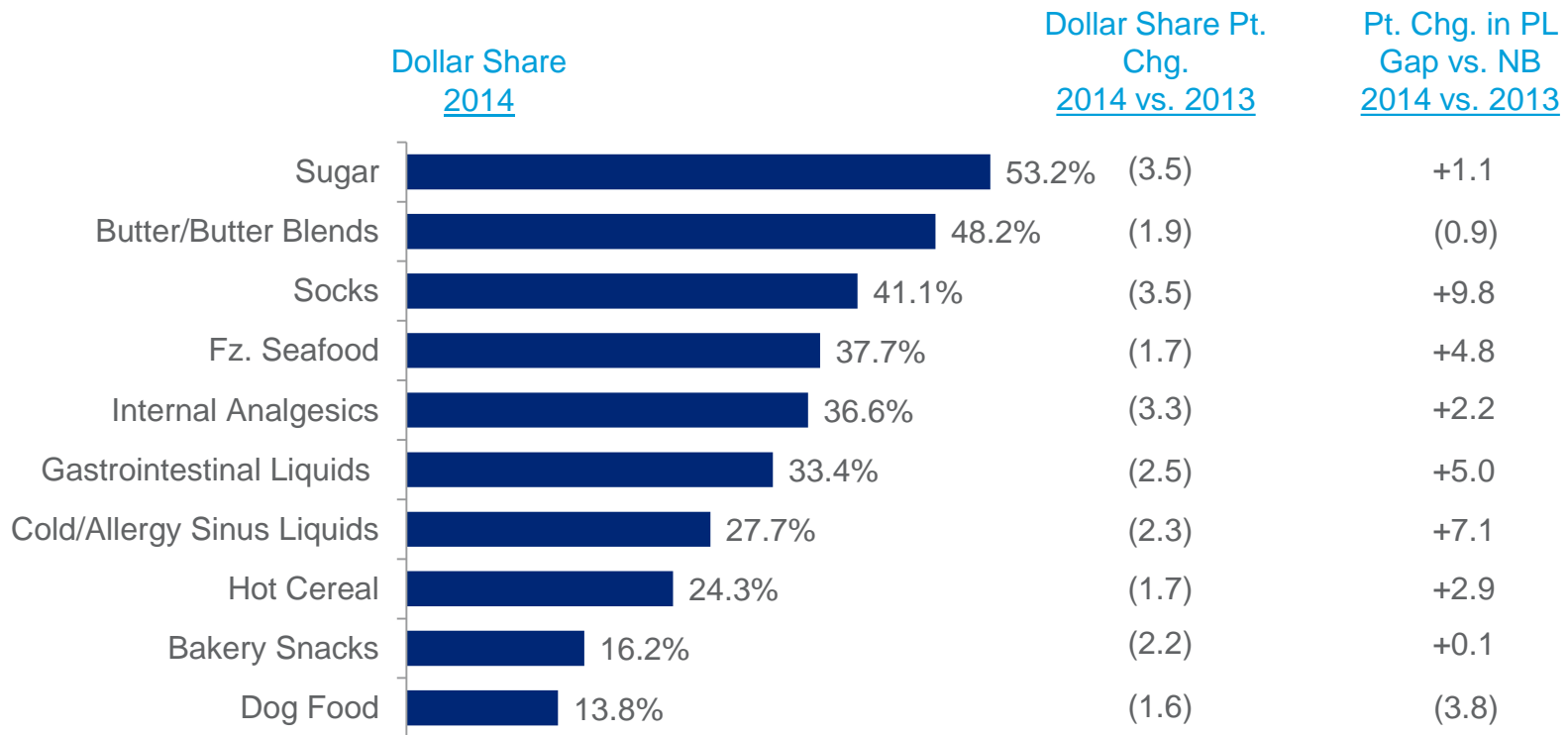


Note: Numbers may not add to 100% due to rounding

Source: IRI Market Advantage™; 52 weeks ending 8/10/2014; among the top 100 private label categories, based on private label dollar sales MULOC

Develop pricing strategies that underscore value and affordability to protect and grow share across key and target shoppers.

PRIVATE LABEL SHARE, SHARE CHANGE AND CHANGE IN AVERAGE PRIVATE LABEL PRICE GAP VS. BRANDED AMONG THE PRIVATE LABEL CATEGORIES WITH THE STEEPEST SHARE DROP TOTAL U.S.* - MULTI-OUTLET + CONVENIENCE

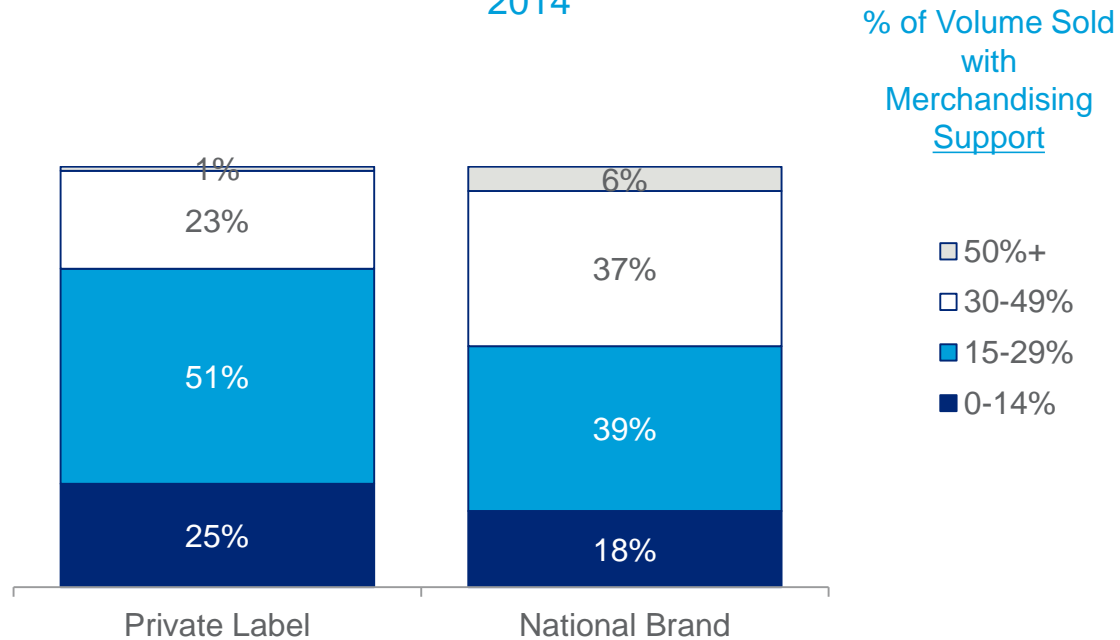


Note: Among the 100 largest private label categories, based on MULO private label dollar sales.

Source: IRI Market Advantage™; 52 weeks ending 8/10/2014 and same period prior year

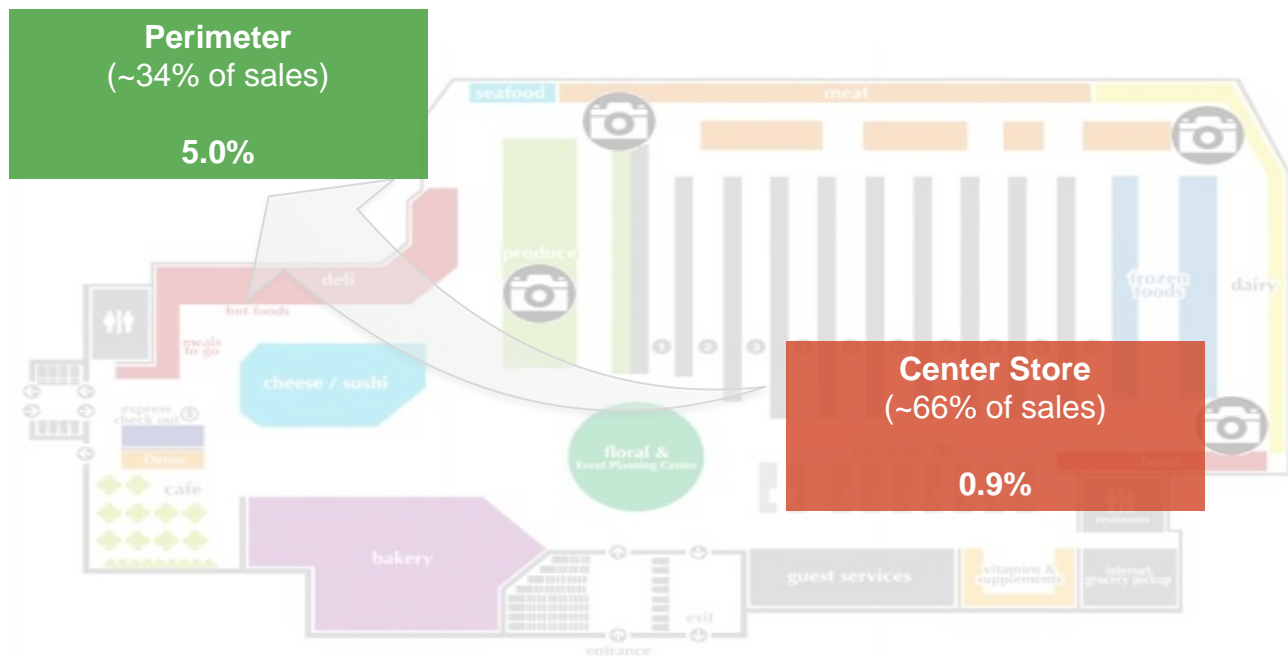
National brands consistently sell more volume with merchandising support versus private label CPG solutions.

PROMOTIONAL ACTIVITY PRIVATE LABEL & BRANDED 2014



Source: IRI Market Advantage™; 52 weeks ending 8/10/2014

Develop co-merchandising and co-promotion programs that tie with key growth areas within the store and/or categories that hold particular appeal across core shoppers.



TOP CENTER STORE GROWTH CATEGORIES
MULOC—TOTAL U.S.
LISTED IN ALPHABETICAL ORDER

FOOD & BEVERAGE

- Bottled Water
- Dried Meat Snacks
- Energy Drinks
- Salty Snacks
- Sports Drinks

NON-FOOD

- Cold/Allergy/Sinus Tablets
- Deodorant
- Food & Trash Bags
- Toilet Tissue
- Weight Control

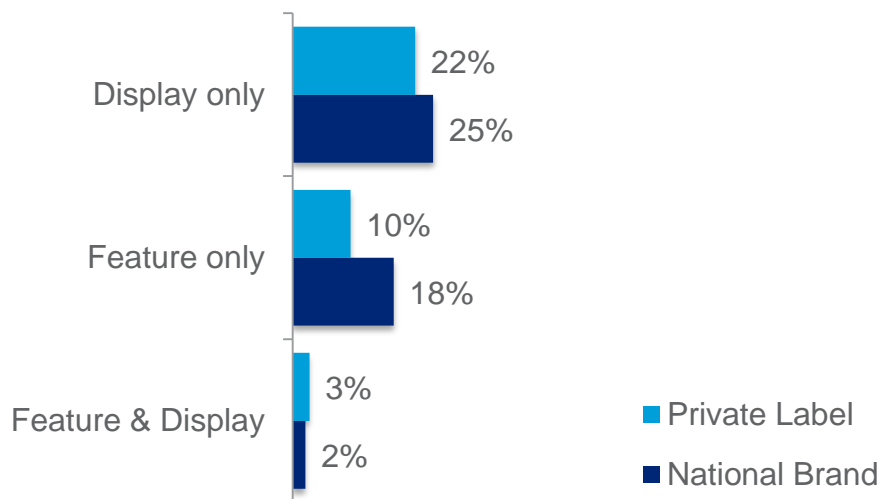
Source: IRI ILD and IRI Fresh Look Marketing POS data ending 4/20/14. MULO. IRI Consulting analysis.

Source: IRI Market Advantage™; 52 weeks ending 8/10/2014

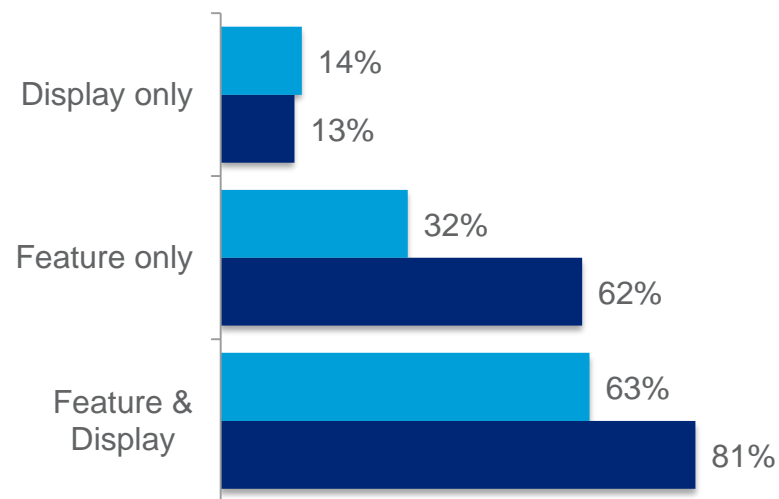
Deploy marketing programs carefully, leveraging the most powerful tactics available in a manner that will deliver the right message to the right shoppers at the right time.

MERCHANDISING ACTIVITY AND LIFT BY TACTIC
MULTI-OUTLET PLUS CONVENIENCE
2014

% OF CATEGORIES WITH AT LEAST 10% OF VOLUME WITH TACTIC



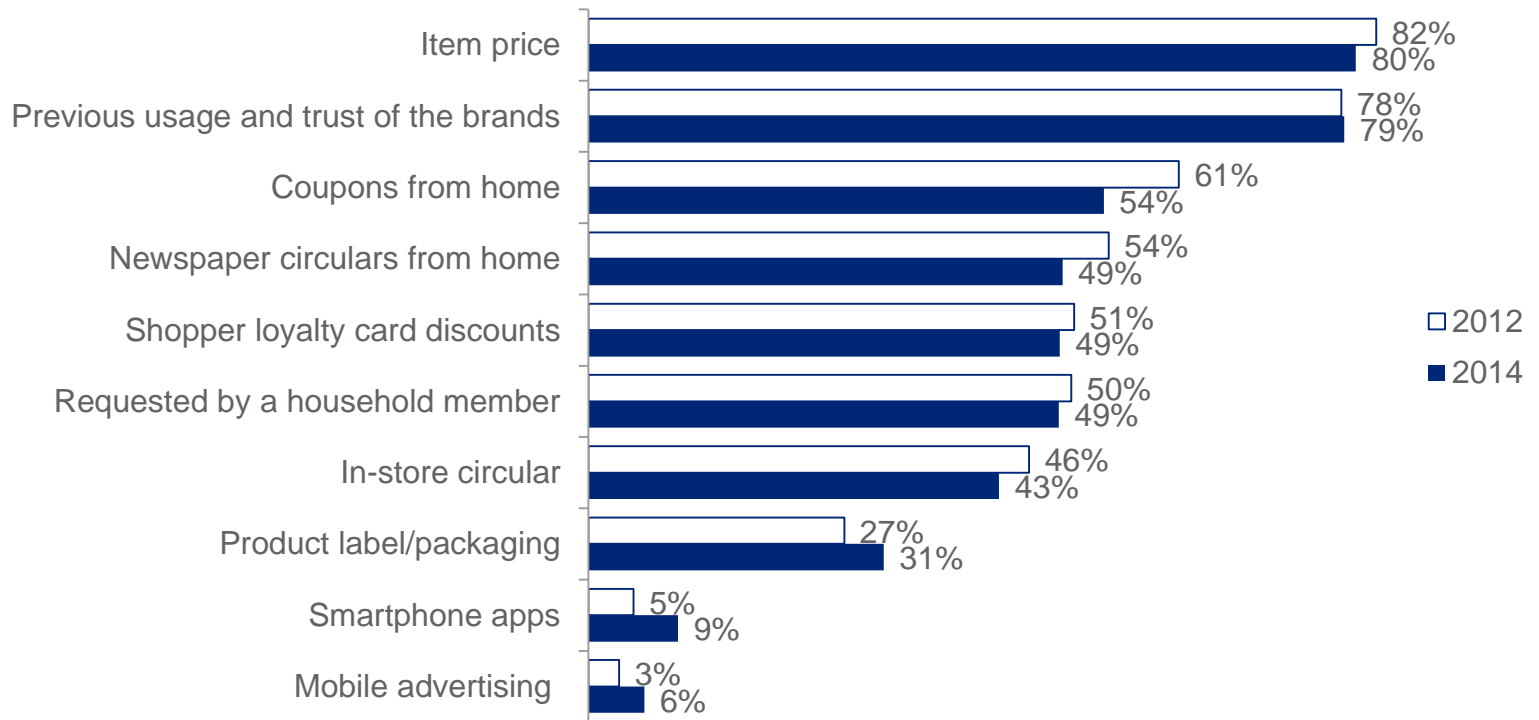
% OF CATEGORIES ACHIEVING AT LEAST 100% LIFT WITH TACTIC



Source: IRI Market Advantage™; 52 weeks ending 8/10/2014

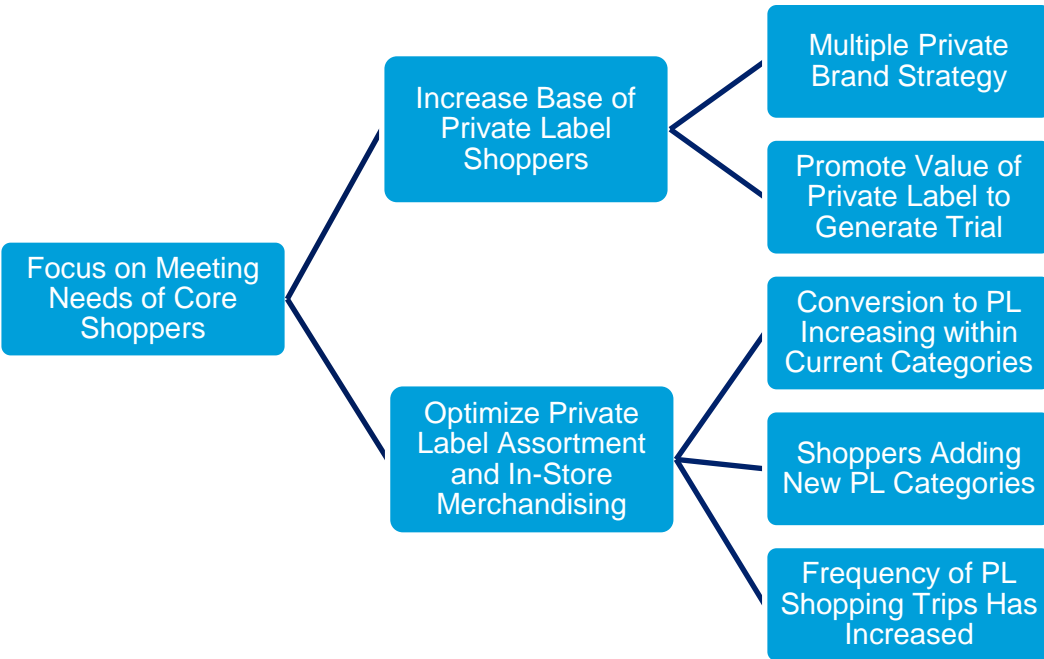
Embrace consumers' thirst for knowledge by communicating key product benefits—price, ingredients, etc.—across a broad and targeted array of marketing platforms.

INFLUENCERS OF BRAND DECISIONS IN THE COMING YEAR % OF CONSUMERS STRONGLY INFLUENCED/INFLUENCED BY FACTOR 2014

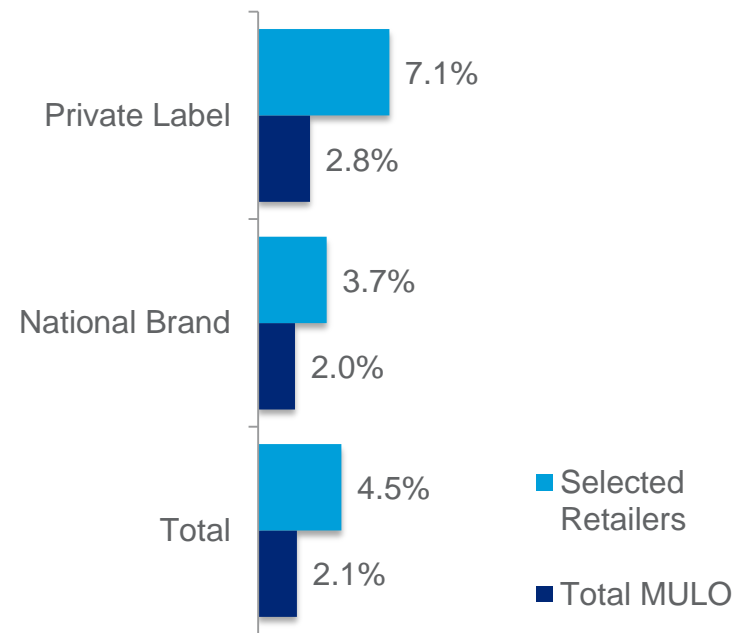


Source: IRI MarketPulse Survey, Q3 2014

ILLUSTRATION: Winning retailers demonstrate the ability to drive national and private brand growth simultaneously by focusing on core shoppers and flawlessly executing on the fundamentals.



TOTAL FOOD DOLLAR GROWTH



Note: All studied retailers are POS Releasable, with exception of three.

Source: IRI Market Advantage™; 52 weeks ending 5/25/14

Lessons from Europe

- Focus Where Return Is Most Promising
- Embrace Brand Ambassadors to Move the Needle
- Innovate to Differentiate

Framework to Win

- Increase penetration with highly targeted products and marketing programs that keep value and affordability in the crosshairs.
- Fracture concentration with innovation that addresses key consumer trends and white-space opportunities.
- Create and embrace a brand story centered around value, authenticity and affordability.