



Times & Trends

Millennial Shoppers:

Tapping into the Next Growth Segment

JUNE/JULY 2012

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Symphony **IRI** Group

Insight.
Innovation.
Impact.

Millennial Shoppers: Tapping into the Next Growth Segment

SymphonyIRI's New SymphonyIRI Shopper Sentiment Index™: Multiple Lenses Improve Vision into Shopper Behavior

Among the very interesting aspects of studying shopper behavior are the trends uncovered when we look at these behaviors through different research lenses. In this Times & Trends, SymphonyIRI reports on its Q2 Market Pulse™ findings, with a focus on The Millennial Generation, which we define as adults aged 18-34.

SymphonyIRI reports on millennial behaviors from several perspectives in this report. Our quarterly Market Pulse survey takes a snapshot of shoppers' behaviors and attitudes around the economy, and the impact of the economy on their CPG-related behaviors. SymphonyIRI's EconoLink segments shoppers based upon actual purchase attitudes and behaviors, with a particular focus on the economy. And, findings from SymphonyIRI's DigitalLink segmentation identifies different consumer groups that exist based on ownership of digital devices, attitudes about and usage of digital media, and how quickly media are being adopted.

With this report, SymphonyIRI announces a new research lens, the SymphonyIRI Shopper Sentiment Index™. The new index benchmarks consumer attitudes and behaviors against Q1 2011. The Index is designed to help CPG and retail marketers better understand consumer purchase behavior in terms of price sensitivity, brand loyalty and changes in spending needed to maintain desired lifestyles. The Shopper Sentiment Index reveals that millennials are significantly more cautious and frugal versus shoppers in the 35-54 age range and those over 55. Their sentiment turned distinctly negative at the end of 2011 and has declined throughout 2012.

Not surprisingly, this decline in sentiment has had a significant impact on millennials' daily rituals and associated CPG-related behaviors. For example, 33 percent of surveyed millennial consumers state they use at-home beauty treatments more to save money—a significant number. More revealing, though is that millennials are 46 percent more likely to embrace this approach to beauty care than the average shopper.

In many ways, CPG and retail decision makers should target millennial shoppers the way they have targeted large swathes of consumers during the last recession, with a definition of value weighted significantly, but not exclusively, toward price and convenience. In other ways, millennials are very different than the general consumer. A huge difference is millennials' views of and interaction with new media. For example, millennials are more than 200 times more likely than the average shopper to be influenced by smart phone apps when making brand decisions. Understanding the unique characteristics of The Millennial Generation, or any group of shoppers, is essential to building powerful and lasting relationships.

We are eager to hear your thoughts and opinions on the new Shopper Sentiment Index and its contribution to providing a better understanding of millennials' attitudes and behaviors, and in the future, other shopper segments as well.



John A. McIndoe
Senior Vice President, Marketing
SymphonyIRI Group



Executive Summary: Turning Insights Into Action

INSIGHT

- The Millennial Generation is quite unique from earlier generations; it is huge, and it will define the future of the CPG industry
- During the past 18 months, millennial shoppers have demonstrated more volatility and less fiscal confidence versus the average shopper; this is having a profound impact on daily rituals and associated CPG-related purchase attitudes and behaviors
- The drug channel earns above-average share of millennial spending; dollar channel share is low, but showing signs of traction
- While price is an important consideration for millennials when assessing a retailer, “the fun factor” is essential, as is the need for highly-relevant product assortments
- Digital media are particularly instrumental in the millennial shoppers’ CPG journey, as this group relies heavily on peers for assistance in making smart purchase decisions

ACTION

- Establish and grow loyalty among millennial shoppers with a value proposition firmly founded on these shoppers’ rituals, needs and wants; prominently reflect the value proposition in marketing programs and across marketing platforms
- Closely monitor evolving trends among millennial shoppers in order to anticipate and proactively address changes in product needs and shopping preferences
- Manufacturers should re-evaluate distribution strategies to ensure they hold a sufficient presence across strong and high-growth channels
- Make an emotional connection with millennial shoppers with innovative products, packaging and promotional programs that reflect this generation’s quest for living well for less
- Invest to establish an intimate understanding of millennial shoppers’ digital adoption curve; complement traditional marketing efforts with targeted initiatives deployed across high-traffic new media

Millennial Shoppers: Tapping into the Next Growth Segment

Introduction

The Millennial Generation is also known as Generation Y or The Echo Boom. Though there are some differing opinions around the exact age range defining The Millennial Generation, there is little question that the group is huge and quite unique.

Millennials do feel that they have made some forward financial progress in recent months. According to SymphonyIRI's MarketPulse research, 28% of millennials feel that their finances have improved during the past year. This compares favorably versus perceptions of the general population, among whom 18% indicate that they feel better about their finances today than they did one year ago.

But, millennials are entering their adult lives, starting their careers and families during and surrounding The Great Recession—the longest and deepest recession to hit this country since The Great Depression. This is impacting job prospects, wealth and their overall outlook on finances and life.

Many millennials are having difficulty making ends meet. However, they still intend to enjoy a life well lived, and they are demonstrating that they will be quite resourceful in achieving this goal.

They have turned to cooking to create experiences that they may have paid for in a restaurant in a different economic landscape. They are open to less expensive beauty products and feel that these products can work as well as costlier options¹. They have adopted a very self-reliant approach to healthcare and are generally trying to eat better to live healthier.

The Millennial Generation is unique from other generations in another way, as well. This is the first generation to be “always connected.” According to University of Michigan Social Research, 80 - 90% of millennials use social media, three out of four have created a profile on a social networking site, and 80% sleep with their cell phones next to them.

This generation is the future of the CPG industry. They are forming their day-to-day rituals and associated CPG-related attitudes and behaviors today, and these will likely last a lifetime. As their wealth grows, so will their potential to support CPG industry growth. In fact, Pew Research reports that millennial shoppers will generate growth of an estimated \$56 billion in CPG sales during the next decade.

But, to tap into the potential of this market, CPG companies must truly understand what drives loyalty for these shoppers. They must innovate based upon their most pressing needs and wants, and communicate with messages that “hit home” through media that help to define the generation.

This issue of Times & Trends explores key trends within the millennial shopper segment that warrant consideration in product development, packaging, marketing and marketing plans. Additionally, the report showcases innovative manufacturer and retailer initiatives that are moving the needle within this critical market segment.

Editorial Note: for the purposes of this report, millennial shoppers are defined as those shoppers currently between the ages of 18 and 34.

Segment Overview: Market Composition

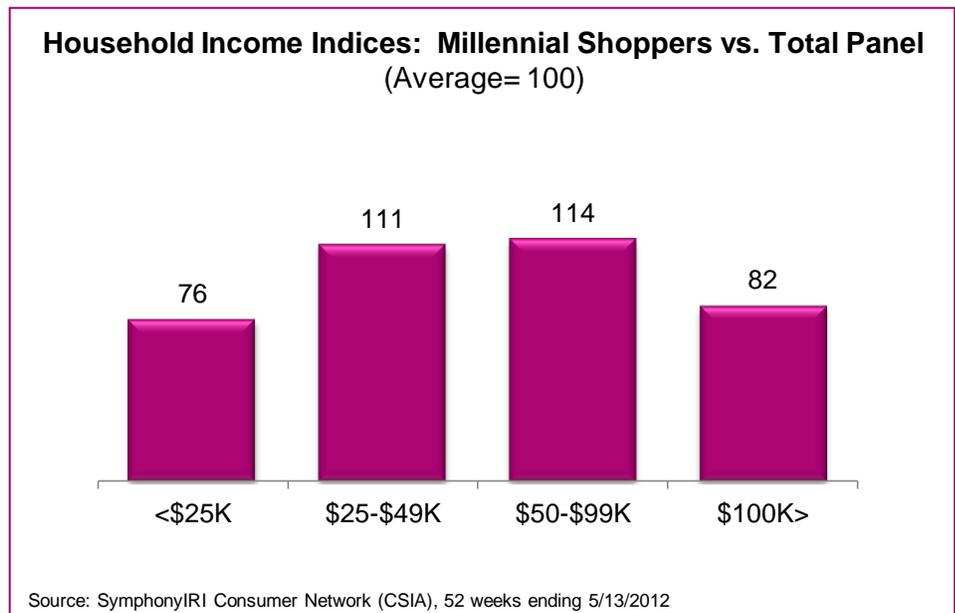
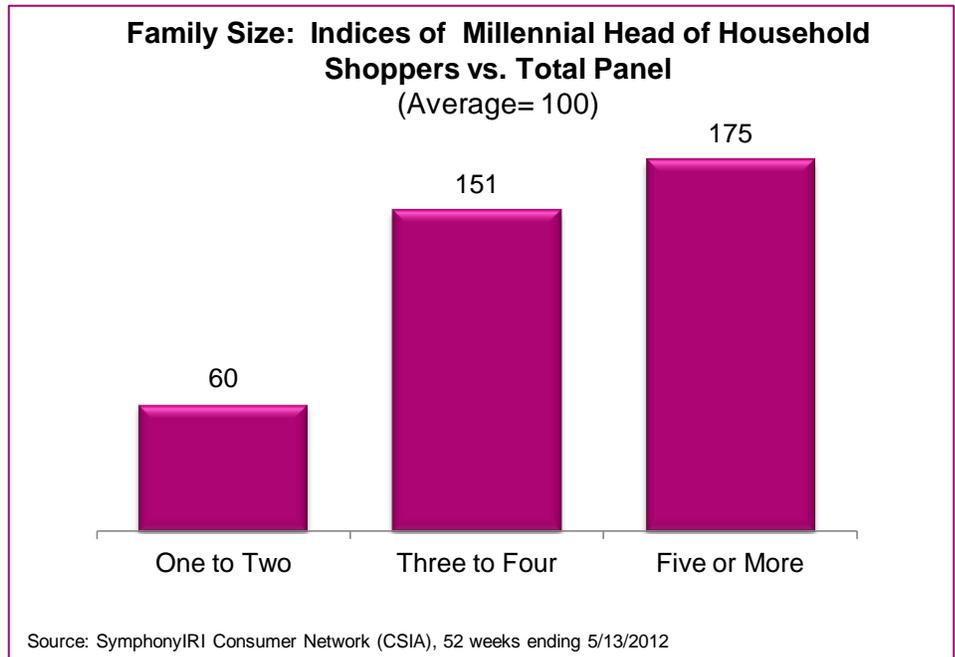
According to the U.S. Bureau of the Census, more than 50 million Americans are between the ages of 18 and 34. This generation is commonly known as The Millennial Generation—the Americans passing into adulthood at the start of the new Millennium.

As new adults, millennials are forming their own households. In fact, millennials are much more likely than the population as a whole to have a “full house.” They are 50% more likely to have a three or four person household, and 75% more likely to live in a household of five or more.

These households are not necessarily “traditional families,” however. They may be households where millennials live with their parents, with friends/roommates, or with their own children, with or without a spouse. Regardless, for measures detailed throughout this report, it is the millennials that are serving as primary shopper for the household.

Despite having larger-than-average households, millennials are only slightly more likely versus the general population to have a \$25-\$99,000 household income, and they are less likely to have entered the six-figure income ranges.

Given household composition, millennial income is really quite modest. In fact, 32% of millennial shoppers are having difficulty affording weekly groceries. This compares to 22% of the general population.

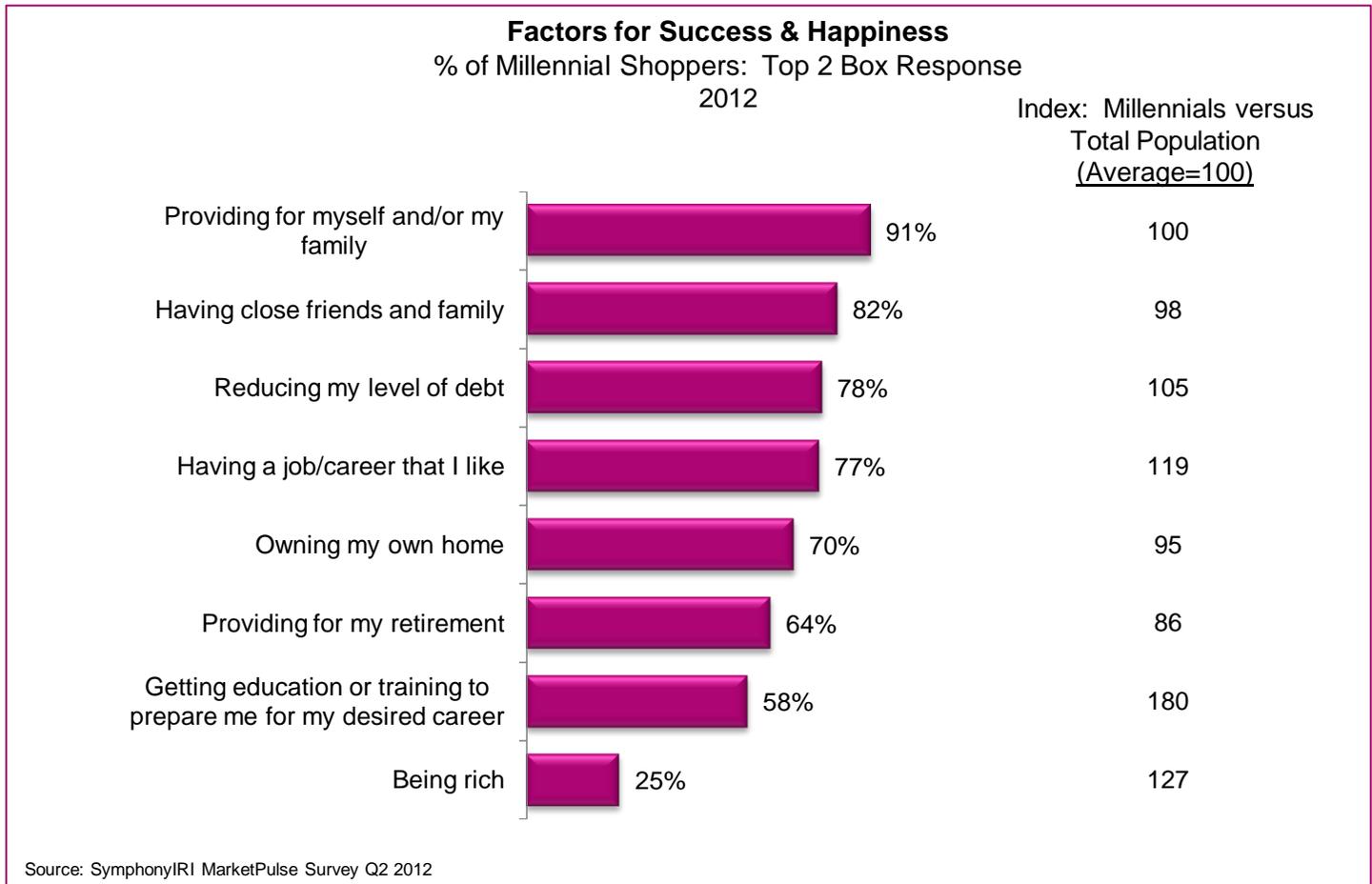


Millennial shoppers are much more likely versus the general population to hail from large households, yet their households skew to the middle and upper-middle income levels.

Detailed throughout this report, the struggle to make ends meet is having a profound impact on the way millennials are

approaching CPG shopping today. Other factors, such as the economy and employment status, are also critical.

Segment Overview: Mindset



As they begin their adult lives, the Millennial Generation is working hard to get on the right track despite ongoing economic difficulties.

A vast majority of the U.S. population feels that having the opportunity to provide for self and family is essential to having a happy and successful life. Millennials are no exception, with 91% rating the ability to provide for self and family as essential.

To that end, and given that millennials are just beginning to establish their own families and adult lives, it is no surprise that they are focused on getting on the right track in life. In fact, more than half of millennials indicate that it is very important to them to get the education necessary to

properly prepare for their desired career. This is slightly less than double versus the 32% of the general population that feels proper education and training are essential to their overall sense of success and happiness.

Attaining that “desired career,” though, has proven to be a very difficult task for this young generation. According to the Bureau of Labor Statistics, the unemployment rate among 18 to 34 year old Americans was 12% in 2011, a full three points higher versus the 9%

unemployment rate faced by the American public as a whole. Above and beyond unemployment is the challenge of underemployment which, as detailed in SymphonyIRI’s State of the Snack Industry report, has plagued a great many Americans during the past several years. Not surprisingly, exceptionally high levels of unemployment and underemployment are having a profound impact on household income and on overall sense of financial health and well-being.



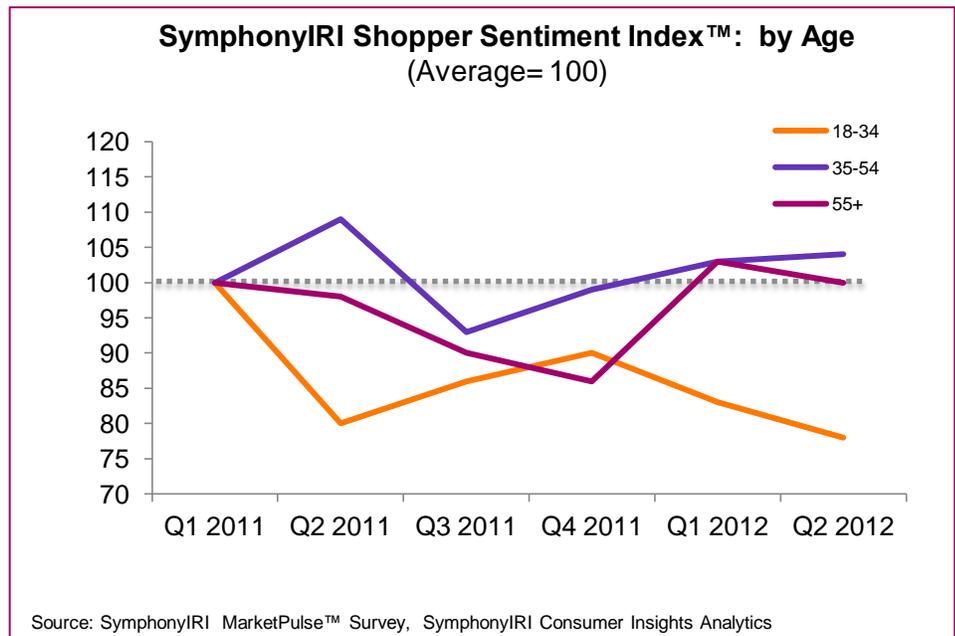
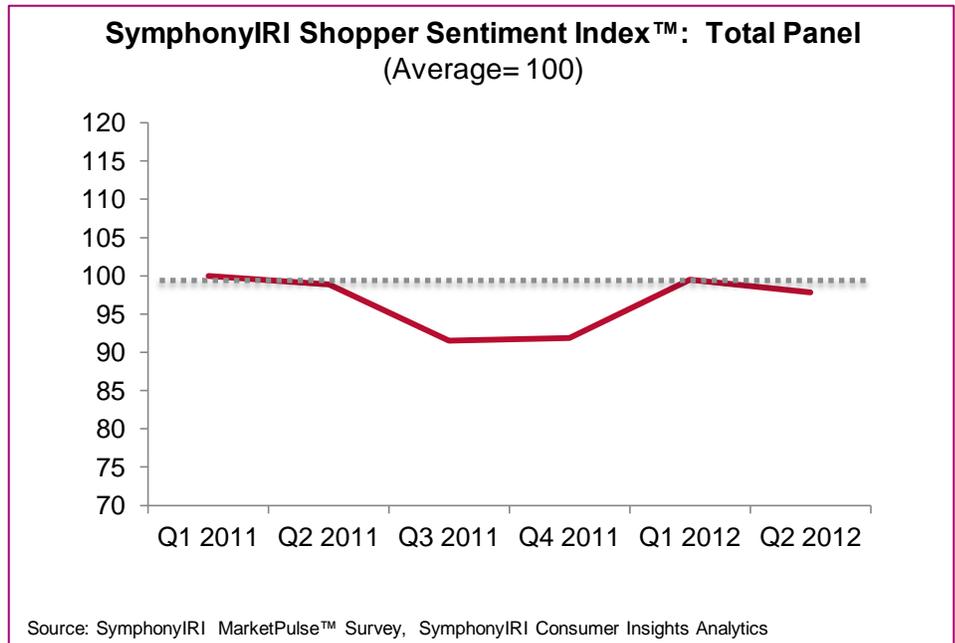
Segment Overview: Market Opportunity

To better understand consumer purchase behavior in terms of price sensitivity, brand loyalty and changes in spending needed to maintain desired lifestyles, SymphonyIRI's Consumer Insights group created the SymphonyIRI Shopper Sentiment Index™. A higher Shopper Sentiment Index means that consumers are less price driven, more loyal to favorite brands and that their power to make purchases that allow them to maintain their desired lifestyle has improved since early 2011.

The measure, benchmarked against Q1 2011 and indexed at 100, demonstrates that shopper sentiment declined in the second half of 2011, flattened in Q1 2012, and then dipped slightly in the second quarter.

To dig into the nuances behind these trends, the index was examined across several demographic considerations. Age-based analysis reveals that millennial shoppers have demonstrated a more negative and volatile sentiment versus other age cohorts during the past 18 months.

Simply put, the group feels less confident about their finances today as compared to a year ago. Price has escalated as a purchase consideration, the group is more likely to be giving up favorite brands to save money, and millennials generally feel that they have had to make more sacrifices than others in order to make ends meet.



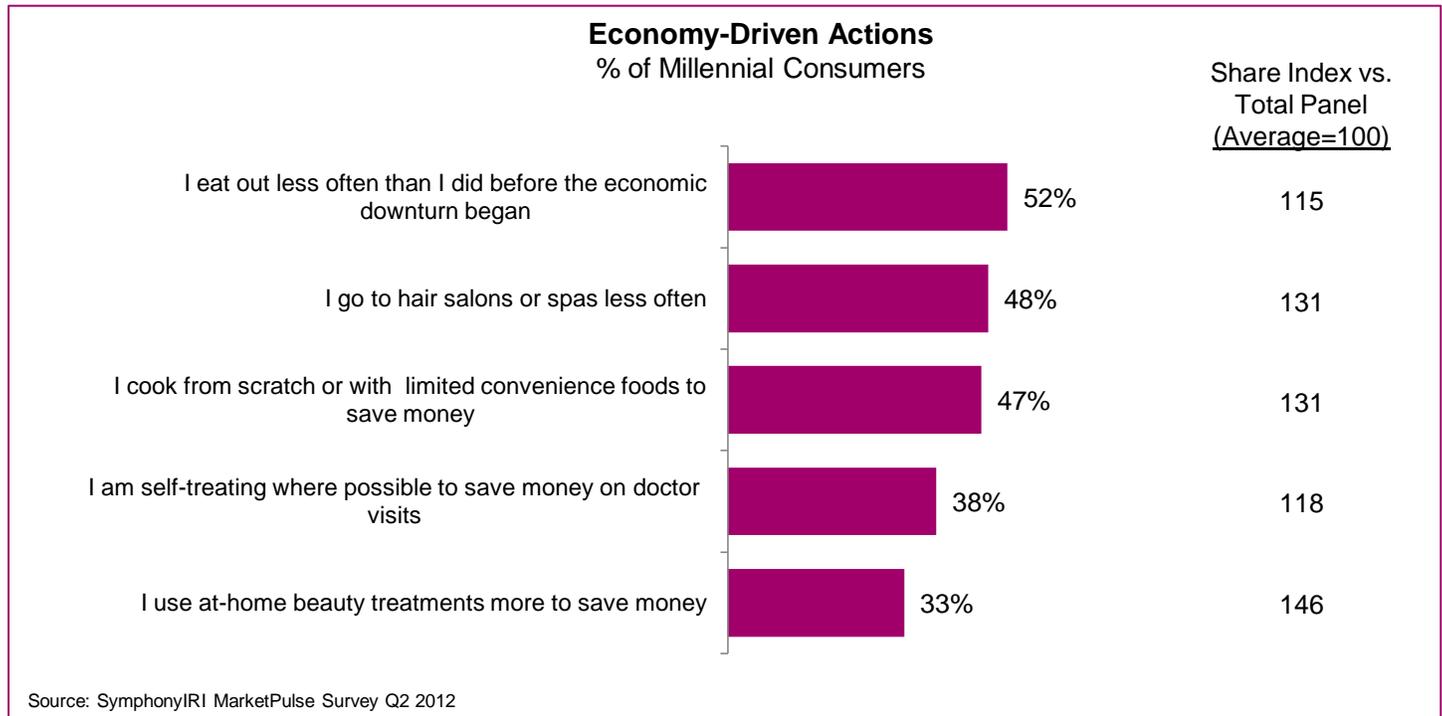
Shopper sentiment during the past 18 months has been mixed, with millennial shoppers demonstrating much more volatile and negative feelings versus other age cohorts during that time.

The concern and hesitation displayed by millennials during the past 18 months is evidenced across a wide range of

CPG-related attitudes and behaviors. The pages that follow will explore these factors in detail.



Shopping Patterns: Channel Share Shifts



As a result of challenges involved in establishing careers, households and families in the midst of prolonged economic turmoil, The Millennial Generation has adopted an exceptionally conservative approach to daily living.

Like other U.S. consumer segments, millennials have adopted a wide range of frugal behaviors during the past few years. But, because millennials are facing challenges establishing their own careers, households and families in the midst of prolonged economic discord, the fiscal prudence practiced by this segment is more intense versus that of the general population.

For instance, one in three millennials is taking a more self-driven approach to beauty care. In fact, the segment is nearly twice as likely as the population as a whole to embrace at-home beauty products in the spirit of effectively managing their budgets.

The group is eating at home and cooking from scratch more than other groups. And, they are taking a more self-reliant approach to healthcare. To be detailed later in this report, while tending to their daily needs, millennial shoppers are on the lookout for deals and value that will allow them to stretch their CPG budgets.

Retailers and marketers are catering to these rituals in an effort to drive purchase behavior. For instance, Walgreens recently took a digital approach to connecting with shoppers by hosting a beauty-themed contest and sweepstakes from L'Oreal USA's Maybelline and Garnier. To enter, consumers visited the

Walgreens' Swag Facebook page and submitted a headshot of themselves along with a name for their "look" and the Maybelline or Garnier product(s) they used to create the look¹.

Certainly, millennial shoppers' conservative approach to living cuts across a variety of day-to-day tasks, spelling opportunity for CPG marketers across a range of categories.

Shopping Patterns: Channel Share Shifts

CPG Dollar Share by Channel

Millennial Shoppers: 2012

	Channel Share <u>2012</u>	Share Index vs. <u>Total Panel</u>	Share Pt. <u>Change vs. YA</u>
Grocery	47.9%	100	0.0
Drug	6.5%	113	+1.1
Mass Merchandise	7.3%	128	+0.1
Supercenter	20.5%	111	(1.1)
Club	8.7%	85	(0.3)
Dollar	1.3%	70	+0.3
Convenience/ All Other	0.7%	59	0.0
Specialty Stores	5.5%	81	+0.2

Source: SymphonyIRI Consumer Network (CSIA), 52 weeks ending 5/13/2012

Mass merchandise and drug outlets earn above-average share of millennial shopper spending; dollar channel share is low, but demonstrating some upward momentum.

Though the grocery channel captures 47.9% share of millennial shopper CPG spending, this is essentially equal versus spending by the population as a whole. In contrast, supercenters, mass merchandisers and drug retailers earn above-average share of spending among this sizable consumer segment.

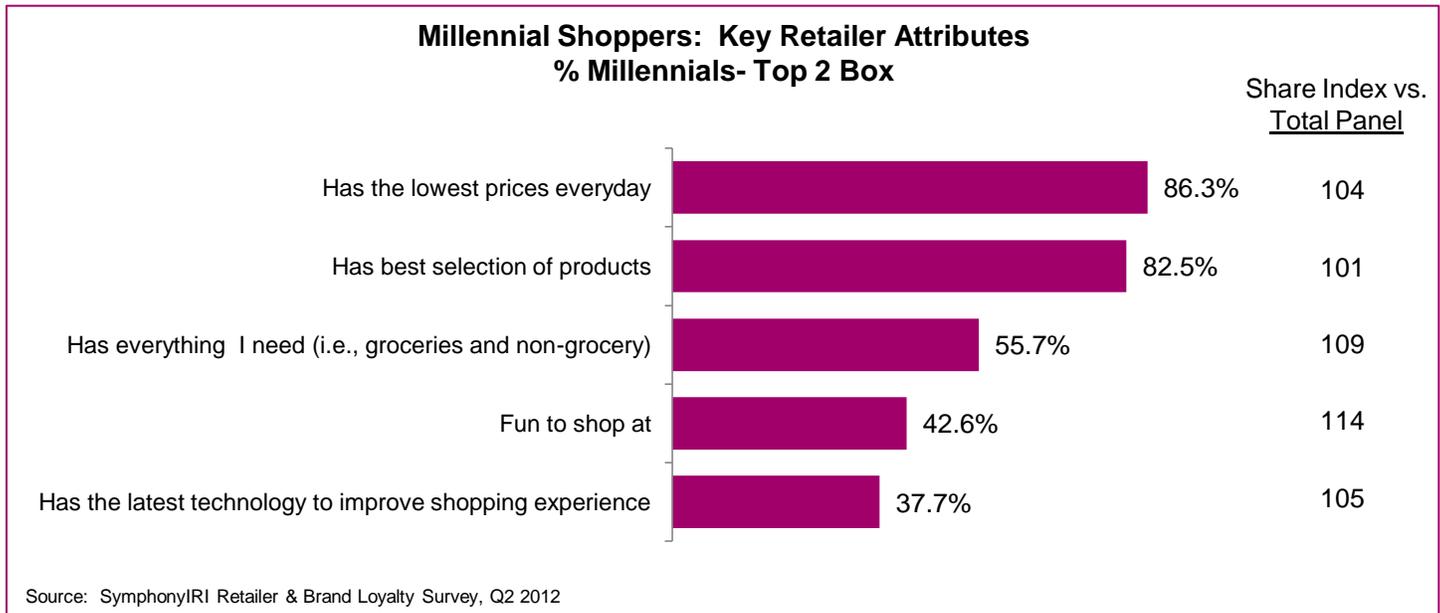
Spending by millennials within the drug channel is about 13% above average, and the channel is demonstrating traction, with share increasing slightly more than one percentage point during the past year. This traction is consistent with findings from SymphonyIRI's EconoLink segmentation, a latent class segmentation

based on shopping behavior and consumer attitudes—especially about the impact of economic conditions—that helps manufacturers and retailers understand and respond to the new demands of shoppers across the economic continuum.

Within this segmentation, it is Start-Ups, a group that skews heavily to younger shoppers, that shop the drug channel more heavily versus other CPG channels. Start-Ups are also much more inclined to be heavy users of new media, and are twice as likely as average to be part of the Digitize Me! group within SymphonyIRI's DigitaLink segmentation, detailed in the May 2012 edition of Times & Trends.

Drug retailers are looking to capitalize on opportunity across tech-savvy young shoppers with a variety of programs. For instance, CVS/Pharmacy recently has updated its mobile application to let ExtraCare members digitally store their loyalty card in their smartphone¹. Another example of technically-advanced shopper communication is Rite Aid's "Alex the Informacist," a pilot program in San Diego that leverages QR codes to provide in-store access to answers to frequently asked questions and digital coupons that can be loaded directly onto Wellness+ loyalty cards².

Shopping Patterns: Store Selection Criteria



Convenience, selection and price are important among millennial shoppers, but the segment is more likely than other groups to choose retailers based upon “the fun factor.”

Millennials are looking for convenience and affordability when selecting a retail channel to shop. In fact, millennial shoppers consider both of these factors just a little bit more heavily versus the average shopper when evaluating their shopping experience.

That millennial shoppers are a bit more likely than the average shopper to make store decisions based upon which store is reputed to have the lowest everyday prices is not a surprise.

Detailed earlier in this report, The Millennial Generation is relatively new to the adult world and is working to balance daily expenses against a modest household income, all with a backdrop of depressed economic conditions. Logically, this has created a rather conservative next generation of CPG shoppers.

Programs aimed at building out private label offerings will appeal to this consumer segment as much as they are appealing to other groups. After all, these types of programs elevate the value profile of the retailer.

Supervalu is an example of a retailer that is actively beefing up its private label line. Between now and 2013, Supervalu will add more than 1,500 items to its Everyday Essentials line, bringing the line to a total of more than 2,700 products across over 100 highly-shopped categories¹.

More so than other factors, though, millennial shoppers are more likely than others to search out “fun” retail experiences. Millennials are truly expecting consumer-centric shopping experiences—an experience that is tailored to their wants and needs.

Retailers, such as Tesco and Kroger, are notching up the fun while plugging their private label offerings with new programs done in partnership with BzzAgent.

Through the use of customer-specific loyalty card data, BzzAgent is Recruiting Millennial Generation consumers to generate social media “conversations,” including Facebook posts, Tweets and blogs around specific private label offerings².

The goal is to create an emotional connection with this group—a proven method of driving purchase behavior among millennials. This type of connection will help to ensure an ongoing relationship with these up-and-coming shoppers as they pass through their adult lives.



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¹ Store Brands Decisions, June 19, 2012; ² Supermarket News, June 18, 2012

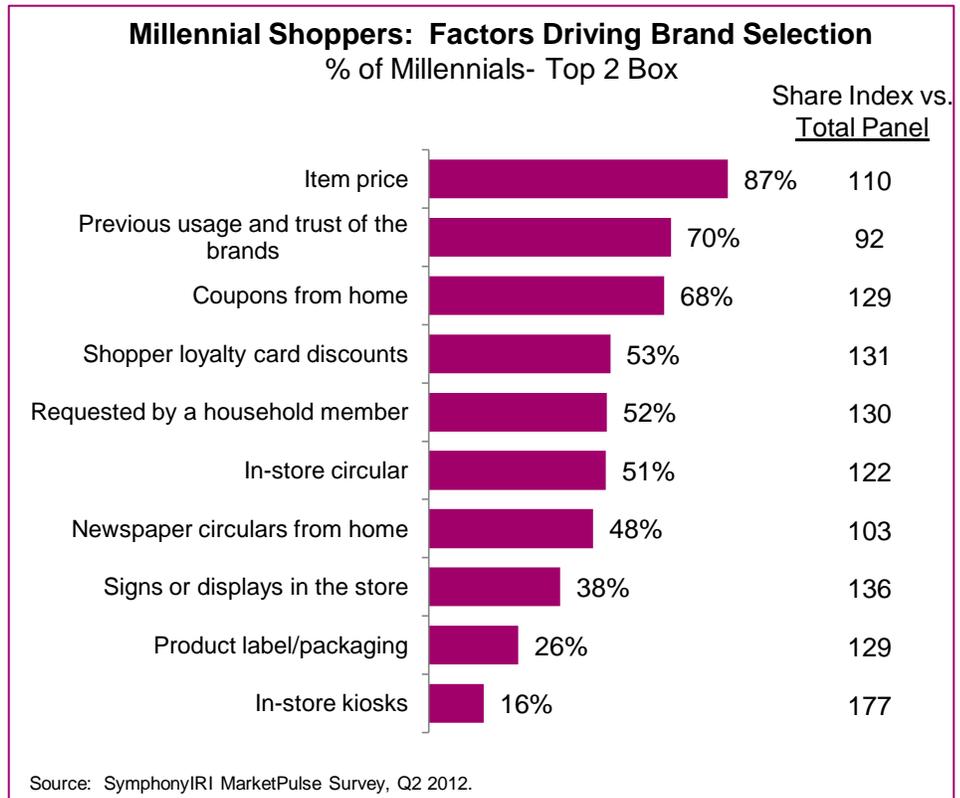
Shopping Patterns: Brand Selection Criteria

When making brand decisions, millennial shoppers, like other shoppers, consider a variety of factors. Price is a top consideration for millennials and the population as a whole and is only slightly more influential among the next generation of shoppers.

However, as avid deal-seekers, millennial shoppers are more heavily influenced by a range of money-saving opportunities versus the population as a whole. For instance, 38% of millennials are influenced by signs or displays in the store, compared to 28% of the general population. More than half of millennials are influenced by shopper loyalty discounts, versus 40% of the general population.

Evidenced in programs highlighted regularly in Times & Trends, retailers across channels have done a remarkable job elevating their value profile throughout the course of the economic downturn. Private label programs have expanded exponentially, everyday low price strategies have become pervasive, and media campaigns have clearly communicated short- and long-term promotional programs.

Mentioned earlier in this report, drug retailers are embracing a variety of tools aimed at capturing the attention of tech-savvy shoppers. Traditional coupons, too, have continued to gain momentum.



Millennial shoppers are avid deal-seekers that will look far and wide for opportunities to save money on CPG products.

Today, 68% of millennials indicate that coupons from home are influencing their brand decisions. This compares to 53% of the population as a whole being influenced by coupons today, up from 48% in the first quarter of 2011. This momentum is not new. In fact, according to NCH Marketing, product movement with coupons redeemed has increased 76% from 2007 levels.

Interestingly, millennial shoppers index quite highly in their propensity to be influenced by in-store kiosks. This clearly demonstrates their hesitation toward

spending on products that are not “tried and true.” SymphonyIRI’s MarketPulse Survey reveals that 40% of millennial shoppers are trying fewer new products today. But, millennials are 77% more likely to be influenced by in-store kiosks when making brand decisions versus the average shopper. In-store kiosks, after all, remove the element of the unknown—they give shoppers the opportunity to try a product without having to take a financial risk.

Millennial Shoppers: Tapping into the Next Growth Segment

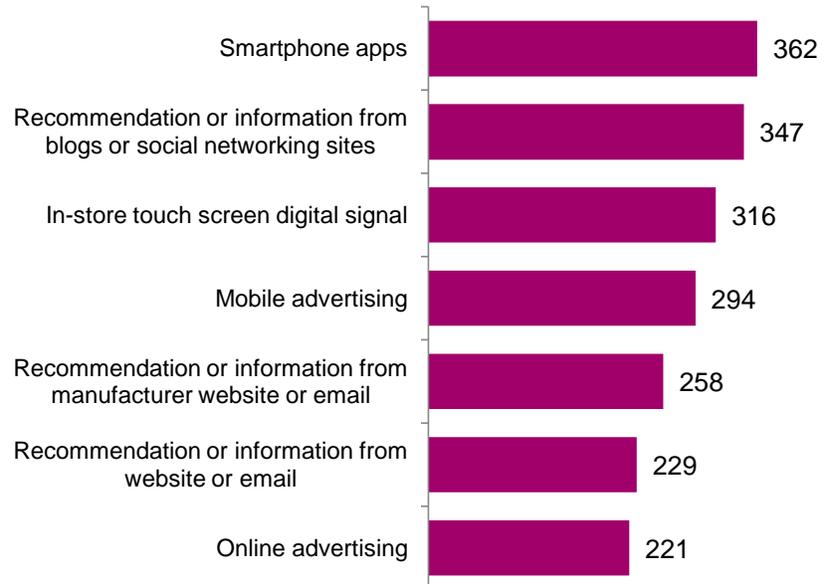
Shopping Patterns: Influence of New Media

According to a January 2012 study by BazaarVoice, “84% of millennials report that user generated content (UGC) on company websites has at least some influence on what they buy, compared to 70% of (baby boomers). In fact, there are many purchase decisions—big and small—that millennials won’t make without UGC.” In fact, they are not simply looking for feedback from their immediate social/family circle. Rather, they are looking for input from other shoppers in similar life-situations for assistance in making smart purchase decisions.

Certainly, the need for guidance is stronger across high-ticket items, such as consumer electronics or vehicles. Nonetheless, SymphonyIRI’s MarketPulse survey series clearly illustrates that millennial shoppers are turning to a range of new media for information and insight when making CPG brand decisions, as well. Indeed, the influence of new media on millennial shoppers is two- and three-times higher versus the average shopper.

For example, 15% of millennial shoppers leverage smartphone apps when making brand decisions, as compared to just 4% of the population as a whole. Manufacturers, such as Burt’s Bees, owned by The Clorox Company, are capitalizing on digital media and smartphone-related opportunities to broaden their reach. For instance, when

Millennial Shoppers: Influence of New Media on Brand Selection Index vs. Total Panel (Average= 100)



Source: SymphonyIRI MarketPulse Survey, Q2 2012.

When making brand selections, millennial shoppers are much more heavily influenced by new media versus the average shopper.

Burt’s Bees launched “gud,” a new personal care line for hair, hands and body, it leveraged a digital campaign on its own website, Facebook, Twitter, and YouTube, and supported those efforts with 2D quick response (QR) codes on packaging and instructions to, “Take a picture of this symbol with your smartphone and you’ll get a different gudee sent to you almost every time you try it.”¹

Undoubtedly, new media will continue to gain steam across all consumer segments. It is millennial shoppers, though, that are

acting as ambassadors to the cause. CPG marketers must continue to develop programs that feed the new media wave. While those programs can and should target consumers across multiple segments, millennial shoppers are already willing and active participants in the field of new media. And, efforts aimed at this group should have a long-lasting impact, for this is also the segment that is developing CPG strategies that will likely last a lifetime.

Millennial Shoppers: Tapping into the Next Growth Segment

Purchase Behavior: Food & Beverages- Health & Wellness

Millennial shoppers display a variety of health-related concerns, and these concerns undoubtedly impact grocery shopping behavior.

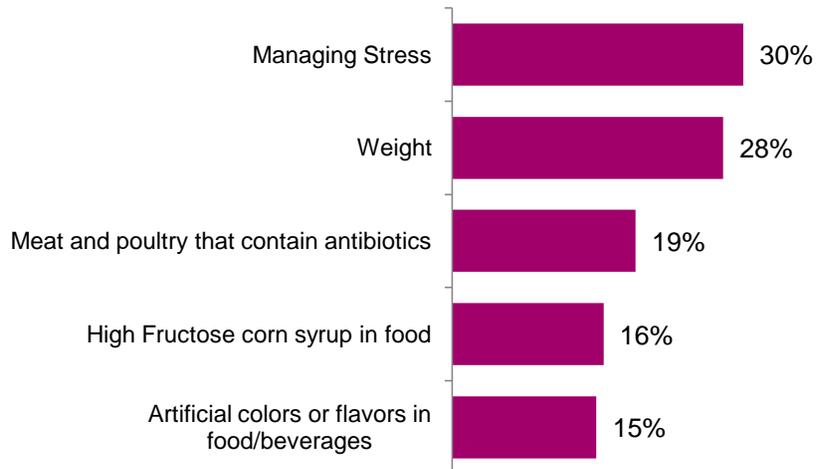
In a country where 34% of the population is overweight, and another 33% is obese¹, it is not surprising to see that 28% of millennials are concerned with their weight.

According to SymphonyIRI's 2012 Consumer Snacking Study, 84% of millennials are trying to eat healthier these days. The focus on healthier eating is only slightly less among millennials versus the population as a whole, where 87% of consumers are working to eat healthier.

Illustrated in the chart at the bottom of this page, efforts toward healthier living are evidenced across a range of consumer rituals, and these rituals will impact purchase and consumption behavior across a variety of CPG categories.

CPG marketers looking to build and strengthen relationships with millennial shoppers must intimately understand habits vis-à-vis healthy living across consumers and potential buyers of their categories and brands. With that knowledge as a base, they can then develop programs—both educational and marketing-related—that help to shape habits in a manner that promotes millennials' wellness-related goals while supporting business growth.

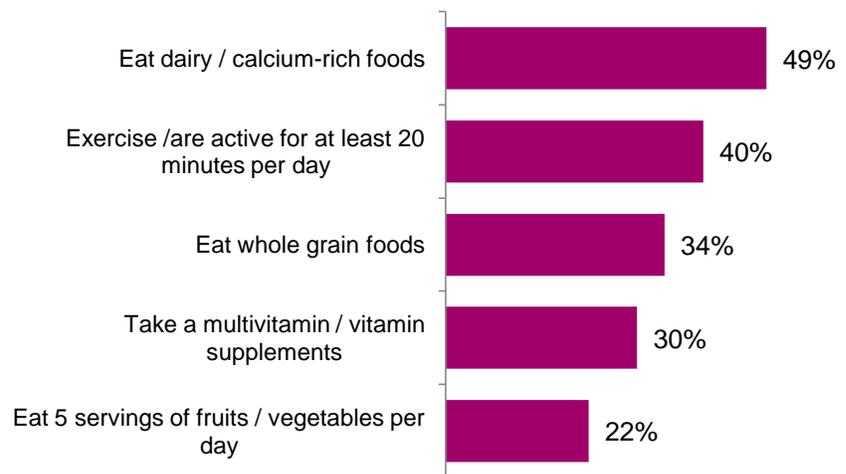
**% of Consumers "Very Concerned" with Health-Related Issues
Millennial Shoppers**



Source: SymphonyIRI MedProfiler XI

Millennial shoppers express a variety of health-related concerns, which will undoubtedly impact grocery shopping behavior.

**Weekly Habits Among Millennial Shoppers
% of 18-34 Year Old Consumers**



Source: SymphonyIRI MedProfiler XI

Efforts toward healthier living by millennials are evidenced across a range of rituals that will directly impact purchase and consumption of CPG products.

Millennial Shoppers: Tapping into the Next Growth Segment

Purchase Behavior: Food & Beverages

Detailed earlier in this report, 52% of millennials are eating out less often today than they were before the economic downturn began. In fact, millennials are 15% more likely than the average shopper to be following home-based eating and drinking rituals. Helping to make these dining endeavors easier and more enjoyable is key for CPG marketers looking to woo the Millennial Generation.

Analysis of top food and beverage categories reveals that the Millennial Generation dedicates higher-than-average spending across youth-friendly and ethnic/exotic food and beverages. Clearly, this generation is looking for dining excitement despite the fact that they are living on a rather strict budget.

SymphonyIRI's recent New Product Pacesetters analysis underscored huge success being felt by manufacturers bringing pizzazz into the home kitchen. Retailers, too, are actively pursuing this opportunity.

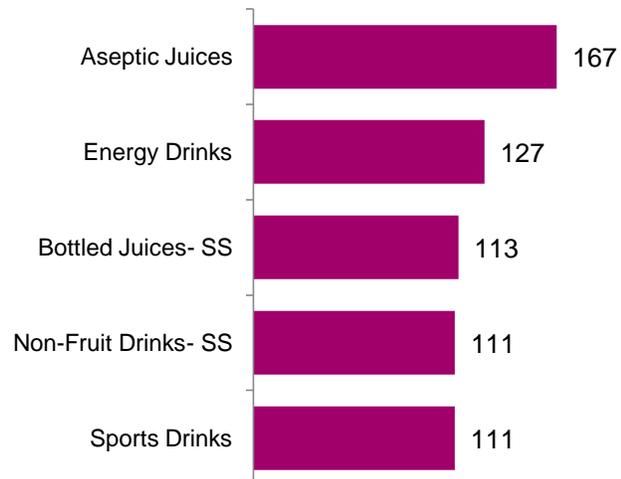
For instance, H-E-B's Primo Picks merchandising program, running in Houston and San Antonio markets, highlights a wide variety of specialty and unique offerings from across CPG aisles in the store, in the circular and on the H-E-B website¹.

Key Food Categories, Based on Dollars per 1,000 Households
Index: Millennial Shoppers vs. Total Panel
 (Average= 100)



Source: SymphonyIRI Consumer Network (CSIA), 52 weeks ending 5/13/2012; Note: Across top 100 frozen, general food and refrigerated department categories, excluding baby categories, based upon all outlet dollar sales

Key Beverage Categories, Based on Dollars per 1,000 Households
Index: Millennial Shoppers vs. Total Panel
 (Average= 100)



Source: SymphonyIRI Consumer Network (CSIA), 52 weeks ending 5/13/2012; Note: Across top 20 beverage and liquor department categories, based upon all outlet dollar sales

Marketers have significant opportunity to answer the call for exciting and child-friendly meal and drink solutions.

Millennial Shoppers: Tapping into the Next Growth Segment

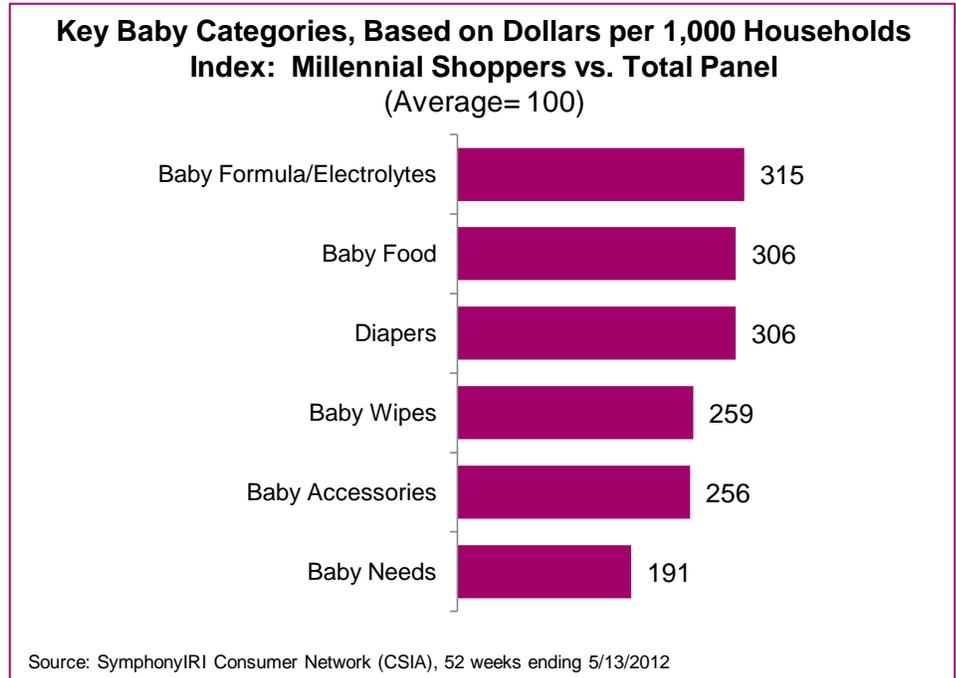
Purchase Behavior: Baby Care

Millennials are new adults that are just starting to build their own families. Mentioned earlier in this report, this market segment is much more likely than other segments to live in large and/or growing households. As such, it is not surprising to see that millennial spending on baby-related categories indexes quite high against spending by the average shopper.

And, of course, with the health concerns mentioned earlier in this report, it is logical that millennial shoppers are looking for new and innovative ways to get their babies on the road to healthy eating habits right from the start.

Clearly, this is market segment represents significant opportunity for manufacturers of baby-related products and the retailers that sell these products. To maximize the connection with these shoppers, CPG marketers must take targeted and innovative paths.

Sprout Foods, a niche baby food company, is in the process of rounding out its portfolio of organic baby foods. These foods come in resealable retort packaging specially designed to allow optimal freshness, quick and even cooking and a high-end look and feel. In addition to



Millennials are huge spenders on baby-related products.

expanding the line, Sprout Foods is gearing up to introduce a special display tray to make store presentation easier and more appealing¹.

To connect with tech-savvy parents, Similac offers a free Similac Baby Journal app. The app is aimed at helping bring more predictability to life by tracking feeding, sleeping, diapering and developmental trends.

Many of the consumers being targeted by manufacturers of baby-related products

and the retailers that sell those products are millennial shoppers. As such, it is even more critical for these marketers to understand what makes millennials "tick" when it comes to grocery shopping.

Millennial Shoppers: Tapping into the Next Growth Segment

Purchase Behavior: Beauty & Personal Care

Mentioned earlier in this report, difficult financial circumstances are driving millennial shoppers to embrace more conservative beauty and personal care rituals versus the average shopper. As a result of money-saving efforts, home-based, self-reliant beauty and personal care behaviors are much more prevalent among millennials versus the average shopper.

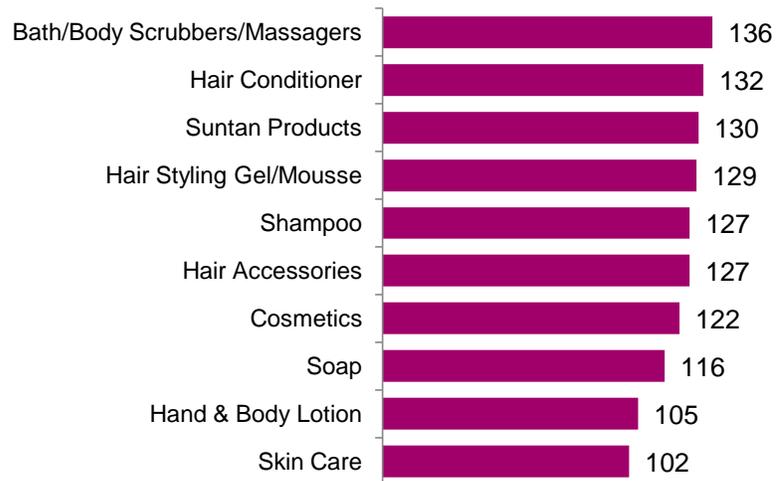
As witnessed in the food and beverage arena, consumers have trimmed back spending, but they do not want to sacrifice indulgence. Millennials, a group that generally feels they have had to sacrifice more than others during these difficult economic times, are clearly looking to pamper themselves.

Evidenced across a wide range of categories, millennial shoppers are big spenders on some beauty and personal care categories. For example, they spend more than the average shopper on hair care, sun care and cosmetics.

Beauty and personal care product manufacturers are embracing new technologies and new ingredients quite effectively, in ways that allow them to bring “affordable chic” into CPG retail channels.

In fact, detailed in the April 2012 edition of Times & Trends, products that bring

Key Beauty/Personal Care Categories, Based on Dollars per 1,000 Households; Index: Millennial Shoppers vs. Total Panel (Average= 100)



Source: SymphonyIRI Consumer Network (CSIA), 52 weeks ending 5/13/2012

Home-based beauty and care rituals are driving above-average spending by millennial shoppers across a range of categories.

indulgence and/or salon-quality results into the home are quite prevalent among the best-selling new beauty and personal care products of 2011. In 2012, this trend is expected to continue—SymphonyIRI New Product Pacesetter Rising Stars include Clairol Nice ‘N Easy Color Blend Foam and Olay Body Collections, for instance.

To win with millennial shoppers, CPG manufacturers and retailers must continue to emphasize the value to be had in high-quality beauty and personal care in the mass market.

Marketers are actively presenting money-saving offers, too, for these deal-seeking shoppers. For instance, CVS/Pharmacy and Procter & Gamble recently offered shoppers a free summer tote with a \$30 purchase of select P&G brands. Similarly, Meijer and Unilever worked together on a Winning Lineup promotion, offering consumers \$5 off a \$15 purchase of select Unilever brands.

Conclusions: CPG Manufacturers

Manufacturers seeking to grow sales and loyalty within The Millennial Generation should consider the following action items:

- **Market Assessment**
 - Identify category purchase indices and penetration levels for own and competing brands across millennial sub-segments to determine market potential
 - Within high-potential categories, conduct primary research to assess brand perceptions and the most important attributes in product selection
 - Determine category shopping patterns, including preferred channels and retailers and trip mission mix to optimize distribution and merchandising strategies
 - Explore market potential for new products or varieties within existing lines targeting the millennials market segment

- **Market Development**
 - Develop targeted advertising, marketing, merchandising and distribution strategies for each high-potential segment
 - Explore cross-category marketing and merchandising with fresh foods and other high-index categories and brands
 - Partner with key retailers in the development of loyalty program offers targeted against the needs/wants of key shopper segments
 - Collaborate with key retailer partners to understand how their most important shoppers are consistent with your key consumers/targets, and leverage that knowledge as the foundation in all marketing strategies to maximize growth potential

- **Market Measurement**
 - Track growth by market and by store
 - Constantly measure and monitor in-store initiatives against desired shopper impact; implement mid-cycle adjustments as warranted

Conclusions: CPG Retailers

Retailers seeking to grow sales and loyalty within The Millennial Generation should consider the following action items:

- Market Assessment
 - Identify stores with a high mix of millennial consumers within the trading area
 - Assess competitive retail set by market
 - Conduct primary research to determine preferences in product mix and media

- Market Development
 - Collaborate with key manufacturer partners to understand how their most important consumers are consistent with your key shoppers/targets, and leverage that knowledge as the foundation in all marketing strategies to maximize growth potential
 - Place heavy emphasis on fresh foods and home-cooked meal ingredients and components
 - Partner with key manufacturers in the development of loyalty program offers targeted against the needs/wants of key shopper segments
 - Leverage heavily-purchased categories, such as baby care, to drive store traffic and loyalty among millennial shoppers; ensure that these categories are predominantly featured in displays and advertising and offer preferred brands

- Market Measurement
 - Track growth by market and by store
 - Constantly measure and monitor in-store initiatives against desired shopper impact; implement mid-cycle adjustments as warranted

Millennial Shoppers: Tapping into the Next Growth Segment

Success Story: Lifting In-Store Sales with Advanced Online Targeted Promotions

The Challenge

A number of premium CPG brands sought the ability to quantify the impact of targeted online advertisements on their in-store sales. Specifically brands were seeking a way to drive new offline sales and increase loyalty among existing customers.

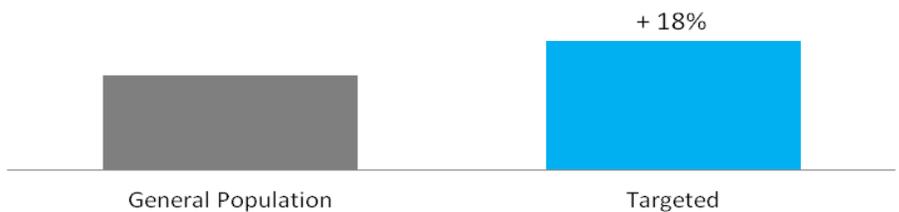
The Approach

SymphonyIRI worked with Legolas Media, which has developed an innovative online premium advertising marketplace through which advertisers can purchase upfront audience inventory across premium publishers. The two companies provided a solution for brand marketers to forecast and continuously evaluate the effectiveness of online advertising messaging, targeting strategies, and spend based on actual offline purchase behavior.

After Legolas helped brand managers plan, purchase and place their online campaigns, SymphonyIRI utilized its extensive Consumer Network™ of more than 86,000 consumers to measure actual spend per household and value per sale for each.

To evaluate the success of each campaign, SymphonyIRI and Legolas exposed both a targeted population (consumers selected based on demographic, hyper-local, psychographic and purchase data) and a non-targeted control group (general population) to online messaging.

Overall campaign % change in dollars spent per household (Y/Y)



The population exposed to online messaging spent 18 percent more year over year than the general population.

The SymphonyIRI and Legolas team then compared purchase behavior to the same period in the previous year. SymphonyIRI tapped its Consumer Network to track sales lift for the duration of each promotion.

The Results

For each brand, sales were significantly stronger among targeted shoppers. Data showed that the targeted population exposed to online messaging spent 18 percent more year over year than the general population.

Defining a target segment based on past offline purchase behavior also proved successful. On average, established brand buyers spent 48 percent more than the general population compared to the previous year. Campaigns also saw impressive conversion rates, as competitive buyers increased spend on these brands 23 percent above the control group.

The Benefits

These top CPG brands not only saw considerable sales boosts, but were able to trace success back to specific promotional activities. SymphonyIRI purchase data measured sales resulting from the campaign, allowing marketers to make mid-way adjustments and guide future content and publishing decisions. Tying SymphonyIRI's Consumer Network to online campaigns yielded a new level of confidence for CPG advertisers. Sales data validated strategies behind consumer targeting and placement which led to increased ad spend ROI.

Legolas Media

Legolas Media has created an innovative marketplace that combines premium branding efforts with audience targeting technology. Enabling direct and premium audience buying in an upfront and transparent manner, the marketplace drives results by reducing waste and providing creative freedom at scale.

More info at: Legolas-Media.com

Resources

To gain insight into opportunities across specific categories, consumer segments, channels or retailers, contact your SymphonyIRI client service representative regarding custom analyses leveraging the following resources:

SymphonyIRI Consumer Network

Consumer Network is a consumer panel that provides a clear picture of consumer behavior so that sales and marketing professionals can continually adjust strategies to focus on the consumer dynamics that drive brand and category performance.

SymphonyIRI Consumer & Shopper Insights Advantage (CSIA)

CSIA is a powerful tool that provides key consumer and shopper insights faster than ever before, fueling iterative analysis on the fly. Levering SIG's revolutionary Liquid Data Platform, CSIA serves up trial & repeat, product switching, basket-level co-purchase, category leakage, and other key consumer analyses you need to effectively manage your product portfolio.

SymphonyIRI MedProfiler XI

SymphonyIRI MedProfiler Survey is an annually fielded questionnaire that helps retailers and manufacturers who require more effective health and wellness related marketing campaigns to identify brand growth opportunities. MedProfiler Health and Wellness Survey covers a wide variety of individual issues including health opinions, health concerns, medical conditions, diet types, allergies and lifestyles.

SymphonyIRI's EconoLink Segmentation

Now available...EconoLink is a latent class segmentation based on actual shopping behavior and consumer attitudes – especially about the impact of economic conditions – that helps manufacturers and retailers understand and respond to the new demands of shoppers across the economic continuum. Many manufacturers and retailers struggle with one-off, project-based tactical approaches, and fail to gain a cohesive strategy around how to optimize opportunities with the “new” shoppers that have emerged since the economic downturn. EconoLink provides a method of identifying key shopper segments and tracking their behavior over time.

For more information, please contact

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FOR MORE INFORMATION

Please contact Susan Viamari at Susan.Viamari@SymphonyIRI.com with questions or comments about this report.

About SymphonyIRI Group

SymphonyIRI Group, formerly named Information Resources, Inc. ("IRI"), is the global leader in innovative solutions and services for driving revenue and profit growth in CPG, retail and healthcare companies. SymphonyIRI offers two families of solutions: Core IRI solutions for market measurement and Symphony Advantage solutions for enabling new growth opportunities in marketing, sales, shopper marketing and category management.

SymphonyIRI solutions uniquely combine content, analytics and technology to deliver maximum impact. SymphonyIRI helps companies create, plan and execute forward-looking, shopper-centric strategies across every level of the organization. For more information, visit www.SymphonyIRI.com.

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