



How America Eats:

Capturing Growth with Food on the Run

SEPTEMBER 2013



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Executive Summary: The Battle for Share of Stomach

The battle for share of stomach has reached a fever pitch, and associated new growth opportunities for CPG marketers are not limited to the confines of the retail store. It is time to rethink the competitive landscape, viewing ALL eating and drinking occasions as an opportunity to serve consumers and, at the same time, drive revenue growth.

Serving today's consumer will require providing solutions that cater to on-the-go eating behaviors. After all, one-in-five consumers eats on the run, grabbing something to eat or drink when the opportunity arises. These "opportunistic eaters," 66 million strong, are the focus of this report.

Opportunistic eaters hail from across demographic groups. There are some striking differences between these opportunistic eaters and others, and these differences pose both opportunity and challenges for CPG marketers. This group puts convenience before nutritional value—they eat what they want when they want to eat it. Compared to planners, described in greater detail on the pages that follow, opportunists prefer promotions and deals, a preference which is drawing business to the dollar and other value channels.

Opportunistic eaters spent more than \$90 billion across IRI's multi-channel outlet during the past year, essentially flat versus the prior year and on par with industry average. But, CPG marketers that serve opportunistic eaters well stand to reap disproportionate growth in the years to come. To gain insights on the way opportunistic eaters shop for, purchase and consume packaged goods and opportunities to maximize growth potential, IRI commissioned a comprehensive survey of more than 3,000 consumers. The findings of this survey reveal opportunities CPG marketers can tap to achieve differential growth.

The blurring of eating occasions is opening new growth opportunities for CPG marketers to communicate with and serve American shoppers. Our analysis confirms that, while consumers and media may tell a story of efforts to eat healthier and exercise more, opportunists are choosing taste, indulgence and convenience over nutrition. These behaviors have spurred relatively strong growth across categories that serve these needs and wants.

CPG marketers can increase the size of the prize and their share of the winnings by embracing several strategies: Evolve portfolio/marketing strategies to win shoppers from competing CPG channels/banners/manufacturers; foster new growth opportunities by broadening marketing messages and platforms to connect with consumers across all eating and drinking occasions; cultivate relationships/build loyalty across promising consumer segments.

Blurring of Eating Occasions Equals New CPG Opportunities

For many, the age-old image of a family seated around a dining room table enjoying a home-cooked meal is falling by the wayside. Sit-down dinners are often away from the table, maybe even on the run, for this perpetual motion segment of society.

Because consumers are eating on the run, they often find themselves turning to “fast food,” whether it is hot food that comes from a quick service restaurant (QSR) or a foodservice outlet, or handheld/portable “ready to eat/drink” or cold option that originates on retail shelves and are purchased for quick and easy consumption.

Additionally, consumers are no longer viewing food and beverages as “snacks” or “meals” as they once did. Traditional “snacks,” such as yogurt, cheese sticks and toaster cakes are regularly consumed as meals. Soup, hamburgers and pizza are likewise eaten as snacks.

The country, indeed, is in the midst of an eating revolution.

Shifts in what, where, when, how and why consumers are eating and drinking have served to blur the lines of traditional packaged goods, restaurants and food service industries, drastically changing the competitive landscape for all marketers competing for “share of stomach.”

Successfully competing in this new competitive environment will require marketers to take a step back to analyze and understand consumer eating behaviors from a 360-degree angle.

Discovering Eating Styles: Daily Eating Habits

Americans generally follow one of four eating styles. The most prevalent, representing 38% of the population, is the “traditional” routine of three “square” meals interspersed with several snacks (SEE EXHIBIT 1). Another 14% of the population eats three square meals without snacking during a typical day.

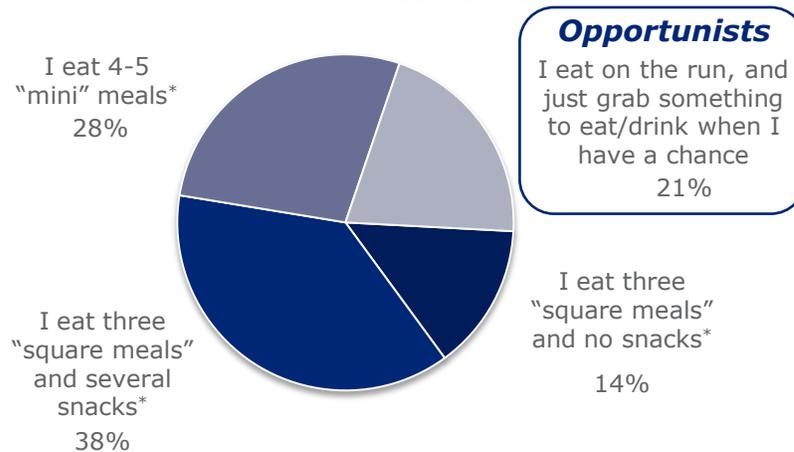
Illustrated in several recent IRI thought leadership studies, including *2013 State of the Snack Industry* and *2012 New Product Pacesetters*, eating patterns are shifting. As we continue to learn more about these evolutions, we see evidence that these shifts are being driven by a strong prevalence of on-the-go eating as well as the practice of breaking the daily diet into four or five “mini-meals.”

More than one-in-four consumers today eat four or five mini-meals during a given day. Three-quarters of these “grazers” are females, and they cut across all income segments. They come from a wide range of household sizes, and they are most likely to be Caucasian.

Exhibit 1

Just over one-in-five Americans takes an on-the-go approach to eating, grabbing food/drink when the opportunity presents itself.

APPROACH TO DAILY EATING



*Note: These groups combine to comprise "planners" for purposes of this research; numbers may not add to 100% due to rounding.

Source: IRI, Consumer Eating Behavior survey, May 2013

Almost as many consumers, 21%, are on-the-run eaters, referred to as "opportunists" throughout this report. Opportunists tend to grab food and drink as they move through their day and when the opportunity arises, with little consideration as to whether they are eating a snack or a meal.

On the low end, opportunists are a \$90 billion market for CPG marketers. And, the size and value of this population is likely to increase as the baby boomer

segment ages and even more younger, on-the-go Americans enter adulthood. Reverberations of this shift will be felt throughout the CPG industry for years to come.

The good news is that there is plenty of opportunity for CPG marketers to grow the market and capture/increase share.

Tapping into those opportunities will require market researchers to be well tuned into the goals,

beliefs and behaviors of their target markets.

The remainder of this report will provide insights and ideas vis-à-vis Americans that embrace the opportunist approach to eating. Throughout our analysis, we will compare opportunists to "planners," a compilation of the other three groups represented in the chart at the top of this page.

Discovering Eating Styles: The Opportunist Eater

Opportunists hail from diverse backgrounds, cutting across age, income and household brackets. Two-thirds of opportunists are female, and 92% of opportunists are of non-Hispanic ethnic origin

(SEE EXHIBIT 2). Opportunists are from all income levels. Relative to planners, those that tend not to eat on the run, opportunists skew slightly to the lower end of the income spectrum.

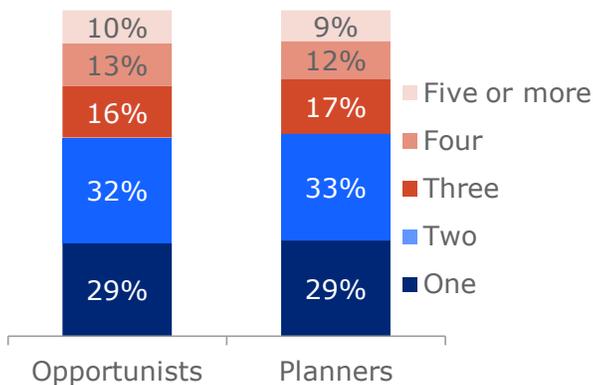
Not surprisingly, nearly two-thirds

of opportunists come from single member or two member households. Many are living a bachelor/bachelorette life, or the life of a dual-income-no-kid (DINK) family, where life is a bit less scheduled. Just under half of these eaters are under the age of 45.

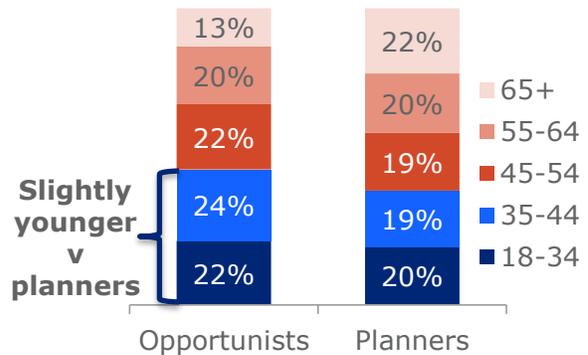
Exhibit 2

Opportunists hail from diverse backgrounds, cutting across age and income brackets; yet, the vast majority are non-Hispanics with a bias to one- or two-person households.

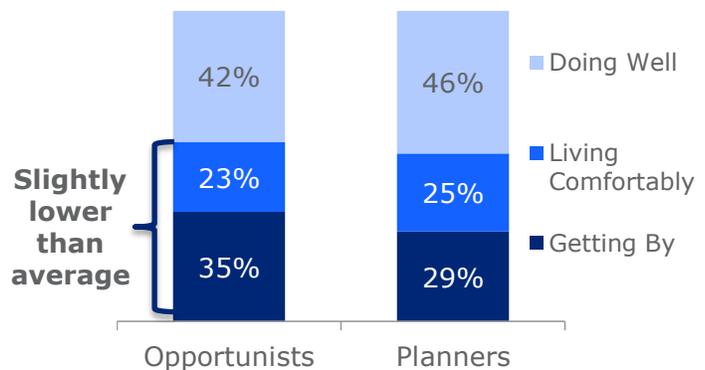
HOUSEHOLD SIZE



AGE



AFFLUENCE



92% of opportunists are *non-Hispanic*

Note: numbers may not add to 100% due to rounding. Source: IRI, Consumer Eating Behavior survey, May 2013

Exhibit 3

Discovering Eating Styles:
Opportunist Attitudes to Nutrition

IRI’s MedProfiler demonstrates how intently Americans are focused on disease prevention and/or disease state management. The latest commissioning of the MedProfiler survey reveals a focus on two commonly problematic systems, the digestive system and the cardiac system. About two-thirds of MedProfiler respondents express concern over each of these systems.

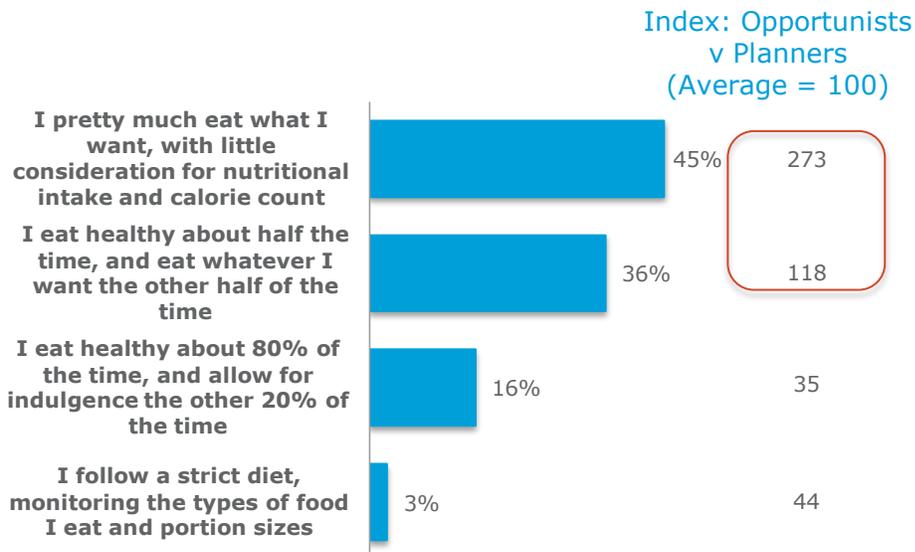
Whether or not consumers are dealing with a specific health issue, getting and/or staying healthy is a top motivator for healthy eating. This is the case among on-the-go eaters and planner eaters alike.

Taking a “no-holds-barred” approach to healthy eating is difficult, but a small portion of the population (6%) do just that. Among opportunists, this approach to eating is even less common, at 3% of the population.

Among opportunists and planners alike, though, most consumers follow a “moderation is key” approach toward healthy eating. Still, planners are much more

On-the-go eaters are less hard-core nutrition focused versus their planner counterparts, but efforts at some level of nutrition-based eating are still fairly widespread.

ATTITUDES TOWARDS EATING
% OF OPPORTUNISTS



Source: IRI, Consumer Eating Behavior survey, May 2013

inclined than their on-the-go counterparts to factor healthy eating into their daily regimen.

For opportunist eaters, this approach generally takes one of two forms (SEE EXHIBIT 3). Thirty-six percent split their healthy and indulgent behaviors equally, eating healthy half the time and eating more freely the rest of the time.

A smaller population (16%) is more aggressive, eating healthy 80% of the time and indulging the other 20% of the time.

For CPG marketers looking to serve consumers across all eating styles and attitudes, the key to success is understanding each finite segment at a very intimate level.

64% of consumers are concerned with **digestive health**

61% of consumers are concerned with **heart problems**

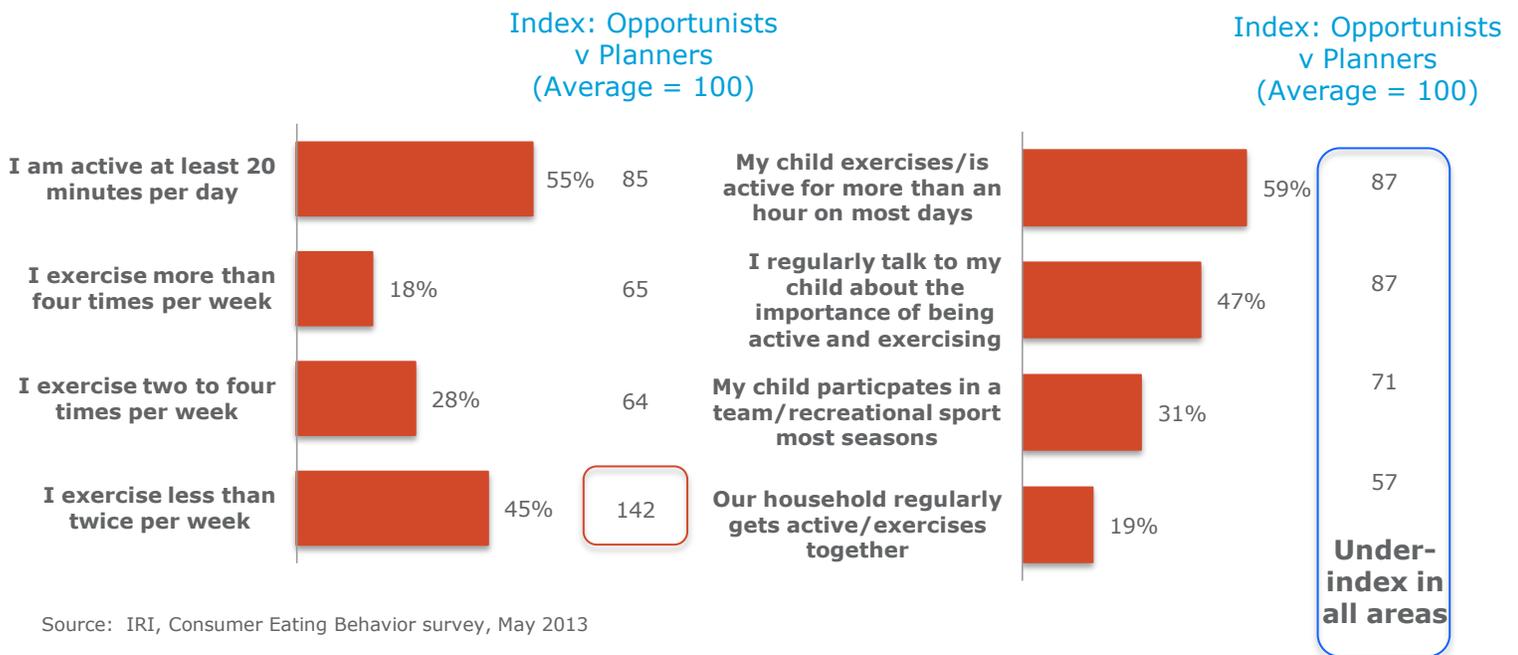
Source: IRI, MedProfiler XII

Exhibit 4

Most opportunists exercise regularly and teach their children about the importance of exercise, but they under-index versus planners in both of these areas.

EXERCISE HABITS AMONG ADULTS
% OF OPPORTUNISTS - TOP 2 BOX

FAMILY/CHILD EXERCISE HABITS
% OF OPPORTUNISTS' FAMILIES - TOP 2 BOX



Source: IRI, Consumer Eating Behavior survey, May 2013

Discovering Eating Styles: Opportunist Attitudes to Exercise

Nearly half of Americans, 43%, consider exercise to be an important part of life. For these people, exercise is a stress reducer, helps manage overall wellness, and enables them to feel better about themselves.

Opportunists take a more laid back approach to exercising versus the planner segment of the population. Among opportunists, nearly half (45%)

exercise less than two times weekly, and exercise is an important part of life for only about one in four (SEE EXHIBIT 4).

Opportunists' casual approach to exercise is also evidenced in their attitudes toward their children's exercise habits. While more than half of opportunists with children under the age of 18 (59%) ensure that their child is active for more than an hour on most days and 47% regularly preach

the importance of exercise, their propensity to do these things significantly under-indexes versus the planner segment of the population.

The remainder of this report explores opportunities to grow share of opportunist eater spending by addressing how the group's demographic, lifestyle and attitudinal characteristics impact food and beverage shopping, buying and consumption behavior.

Step Up Efforts to Compete within the CPG Realm

Capturing the Opportunity: Balance the Value Equation

IRI’s Shopper Sentiment Index brings great news to CPG marketers in the most recent quarter. The index illustrates that consumer sentiment has rebounded nicely throughout 2013, to 106—the highest level since the inception of the index in Q1 2011. Consumers are less price sensitive and feel that they do not need to implement quite as many changes to their purchase behavior in order to make ends meet.

More granular analysis of the index, however, reveals that millennial shoppers (aged 18-34) are struggling more than other shoppers amidst a challenging economic environment. In Q2 2013, 29% of millennials indicated that they were having difficulty affording their typical grocery purchases, versus 21% of the population as a whole. Illustrated earlier in this report, one-quarter of opportunist eaters are millennials.

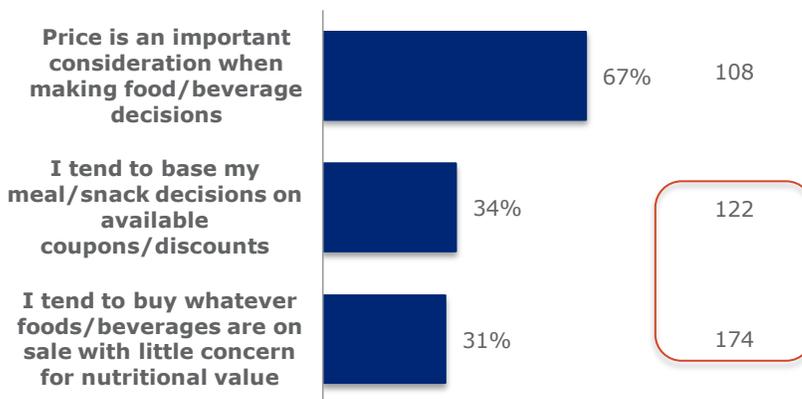
Marketers beware: the need for a prominent and powerful value proposition is particularly great when serving millennial shoppers.

Exhibit 5

Resonate with opportunist eaters with highly targeted and value-oriented marketing programs and messages.

IMPORTANCE OF PRICE/VALUE ON FOOD/BEVERAGE DECISIONS % OF OPPORTUNISTS – TOP 2 BOXES

Index: Opportunists v Planners
(Average = 100)



Source: IRI, Consumer Eating Behavior survey, May 2013

A critical understanding in serving millennials or any other consumer group is that value is not necessarily synonymous with lowest price. Price is one consideration in assessing the value proposition, but value means something different for each consumer.

While price is a significant consideration for a vast majority of U.S. consumers, opportunists and planners alike, it is a more weighty variable in the value equation among opportunist eaters (SEE EXHIBIT 5).

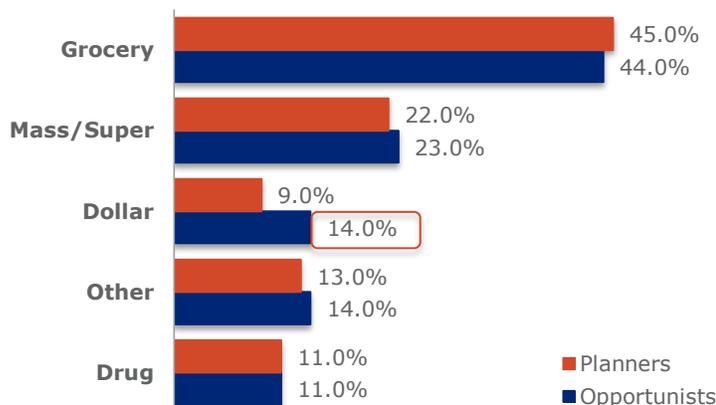
For example, 31% of opportunists tend to buy whatever food/beverage is on sale with little concern for nutritional value. This compares to 18% of planners. Likewise, available coupons/discounts is a key influencer of meal/snack decisions for one-third of opportunists, versus about one-quarter of planners.

The pages that follow provide additional insights into key variables in the value equation among opportunist eaters.

Exhibit 6

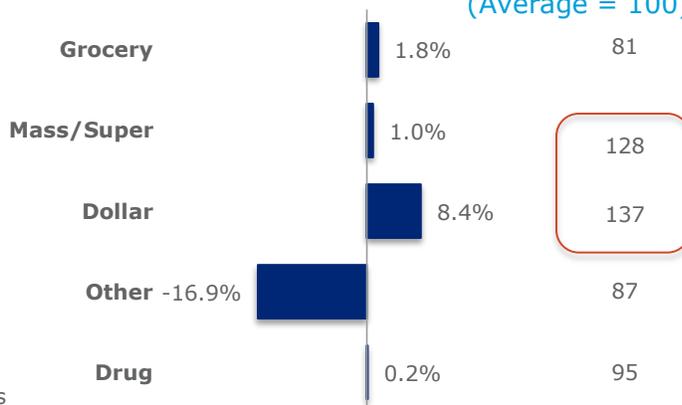
Though grocers capture the lion's share of opportunist trips, this group spends a disproportionate and growing share of their CPG dollars in dollar and mass/super channels.

CHANNEL SHARE OF TRIPS
OPPORTUNISTS AND PLANNERS: 2013



BUY RATE: DOLLAR SALES PER 1,000 HOUSEHOLDS

% CHANGE 2013 v 2011
Buy Rate Index:
Opportunists v Planners
(Average = 100)



Note: Grocery does not include Walmart, mass/super does include Walmart. Other includes specialty and online retail. Will not add to 100%, since all outlets are not represented.

Source: IRI, Consumer Network™

Source: IRI, Consumer Network™

Capturing the Opportunity:
Balance the Value Equation

Nearly everyone, 98% of the U.S. population, has shopped the grocery channel during the past year. As a result, this channel accounts for the largest share—about 45%—of CPG spending.

Not surprisingly, different consumer groups choose and shop the various CPG channels differently. For instance, opportunists allocate a lower-than-average share of their CPG spending to the grocery

channel, giving the channel about 44% share of total dollars. While the share of spending is only slightly less (about 1 share point) this difference translated to close to \$1 billion dollars in 2012.

During the past two years, buy rate within the grocery channel has increased nearly 2%. But, competing channels, particularly the value channels, receive a higher-than-average share of opportunist eater spending and those channels, too, are experiencing positive momentum (SEE EXHIBIT 7).

As a result of overt steps taken by dollar retailers toward winning share of food and beverage from grocers and other competing channels during the past couple of years, namely expansion of food and beverage assortments and a strong value proposition, the dollar channel has seen buy rate grow quickly during the past couple of years.

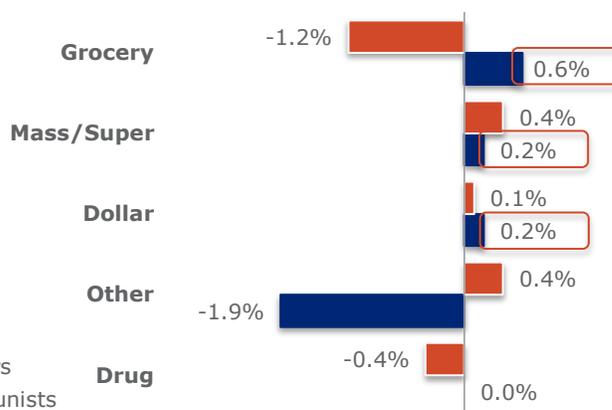
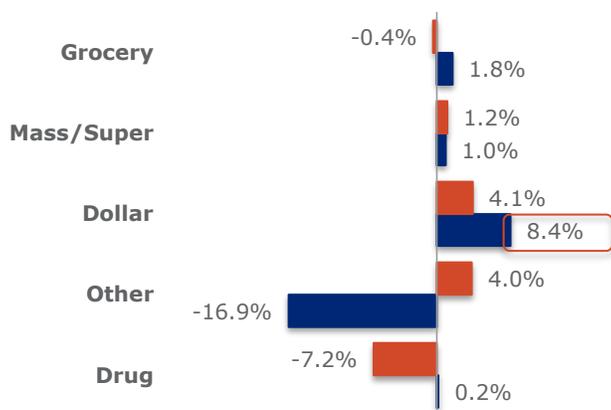
According to IRI's Q1 2013 MarketPulse survey, 51% of consumers selected the store at which they most recently shopped based on the lowest

Exhibit 7

Deploy programs and messaging around value and convenience to capture share of spending among opportunist eaters.

DOLLAR SALES GROWTH BY CHANNEL OPPORTUNISTS AND PLANNERS: 2013 v 2011

POINT CHANGE IN DOLLAR SHARE BY CHANNEL % CHANGE 2013 v 2011



Note: Grocery does not include Walmart, mass/super does include Walmart. Other includes specialty and online retail. Will not add to 100%, since all outlets are not represented.

Source: IRI, Consumer Network™

Source: IRI, Consumer Network™

price on needed items. This figure was higher among younger shoppers (e.g., 55% of 18-24 year-old consumers).

Among opportunist eaters, nearly half of whom are under the age of 45, having a strong value proposition is particularly important.

The dollar channel’s focus on providing value and convenience

remains strong, as demonstrated by Family Dollar’s positioning as a “neighborhood convenience discount store,” similar to Dollar General’s “small-box discount retailer”^{1,2}. Meanwhile, other channels are fighting back. For instance, Kroger’s “Refresh” program includes price reductions across many high-turn products as well as stepped up staffing at store registers to keep lines

short³. Walmart also has escalated its Neighborhood Market.

Retailers must continue to innovate programs such as these as they heighten their focus on value to protect and grow share of CPG that the \$90 billion opportunist eaters spend on packaged goods each year.

Sources: ¹Chain Drug Review, April 22, 2013; ² Orlando Sentinel April 14, 2013; ³Supermarket News, July 31, 2013

Cast a Broader Net to Engage Consumers Across ALL Eating & Drinking Occasions

In addition to competing for a larger share of food and beverage spending within the CPG realm, CPG marketers must cast a broader net and engage consumers across *all* eating and drinking occasions—not just home-based occasions, but also away-from-home occasions.

Restaurants account for about 47% of total food and beverage spending in the United States, estimated to total about \$660 billion in 2013, and the industry is growing at a healthy clip¹. According to the National Restaurant Association, restaurant industry dollar sales have grown at a compound annual growth rate of more than 4.5% since 2000. In contrast, during the past several years, the CPG industry has grown at a compound annual rate of less than 1%. Clearly, bolstering CPG sales by winning share of stomach, and wallets, from the restaurant industry is an opportunity.

The timing for implementing strategy in this area is good. According to IRI's MarketPulse

survey, 50% of consumers are eating at home and/or taking food from home more frequently today than they were before the downturn began.

Capturing these consumers, even if only for a fraction of occasions, could constitute a sizable revenue boost for CPG marketers. For instance, winning just one-half-of-one-percent share would translate to well over \$1 billion for the CPG industry.

Indeed, competition for share of stomach is escalating, and the lines between the CPG industry and the quick-service restaurant (QSR) industry are blurring. QSRs, such as McDonald's and Dunkin Donuts, are looking to win over occasions with a wide range of new products and forms, from yogurt parfaits to wraps and beyond. Likewise, CPG marketers must compete to win shoppers from QSRs.

Because, by definition, opportunist eaters tend to eat on the run, they are an ideal target for CPG marketers looking to win share of stomach from restaurants, particularly QSRs. The pages that follow provide additional insights that will facilitate efforts to tap into this growth opportunity.

Winning just one-half-of-one-percent share of restaurant spending would translate to well over \$1 billion for the CPG industry.

Source: ¹National Restaurant Association 2013 Restaurant Industry Pocket Handbook

Capture the Opportunity by Cranking Up On-the-Go Options

Given that this country has more two-income and single-parent households than ever before, it is no surprise that we have become a more time-starved nation. This trend, in turn, is feeding the blurring of eating occasions mentioned earlier in this report as well as trends around on-the-run eating. IRI’s 2013 Consumer Snacking Survey revealed that 24% of consumers frequently eat snacks instead of meals because they are on the go. The study also demonstrated that foods that provide satiation, such as protein, are seeing a boost from trends in this area. Snack nuts, for instance, have seen dollar sales increase more than 36% since 2009, driven mostly by convenience sizes.

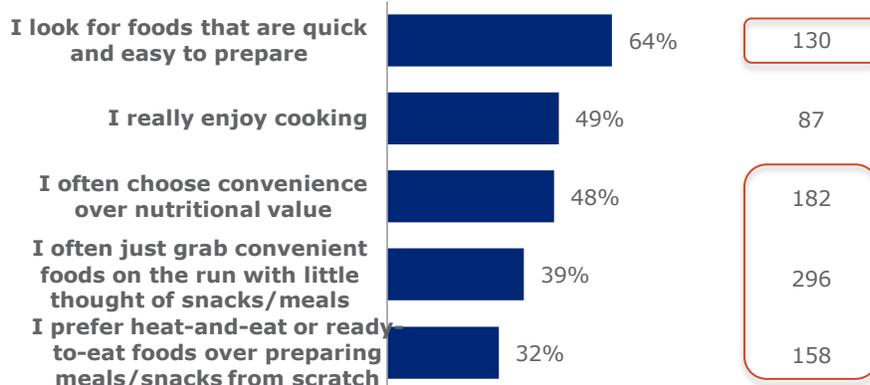
By definition, opportunists are on-the-run eaters. In fact, 39% of consumers that practice this style of eating often grab convenient foods with little thought as to whether those foods are playing the role of a snack or a meal (SEE EXHIBIT 8). They do this with nearly triple the frequency of their planner counterparts.

Exhibit 8

Convenience is a huge consideration in the food and beverage selection process of on-the-run eaters.

IMPORTANCE OF CONVENIENCE IN FOOD/BEVERAGE DECISIONS
 % OF OPPORTUNISTS – TOP 2 BOXES

Index: Opportunists v Planners
 (Average = 100)



Source: IRI, Consumer Eating Behavior survey, May 2013

This is not to say that opportunists do not enjoy cooking. On the contrary, though they under-index in this area versus planners, nearly half (49%) tell us that they do like to cook. But, opportunists consider convenience very heavily when evaluating their food and beverage options. Two-thirds of opportunists look for foods that are quick and easy to prepare, and one-third prefer heat-and-eat or ready-to-eat foods rather than preparing options from scratch. During the past year, ready-to-serve solutions experienced sales growth north of 15%.

Analysis of a variety of convenience-oriented products illustrates that these preferences have led opportunist eaters to purchase convenience-oriented CPG products at a stronger clip than their planner counterparts (SEE EXHIBIT 9). For instance, opportunists spent 60% more on frozen appetizers and snack rolls and luncheon meats versus planners during the past year.

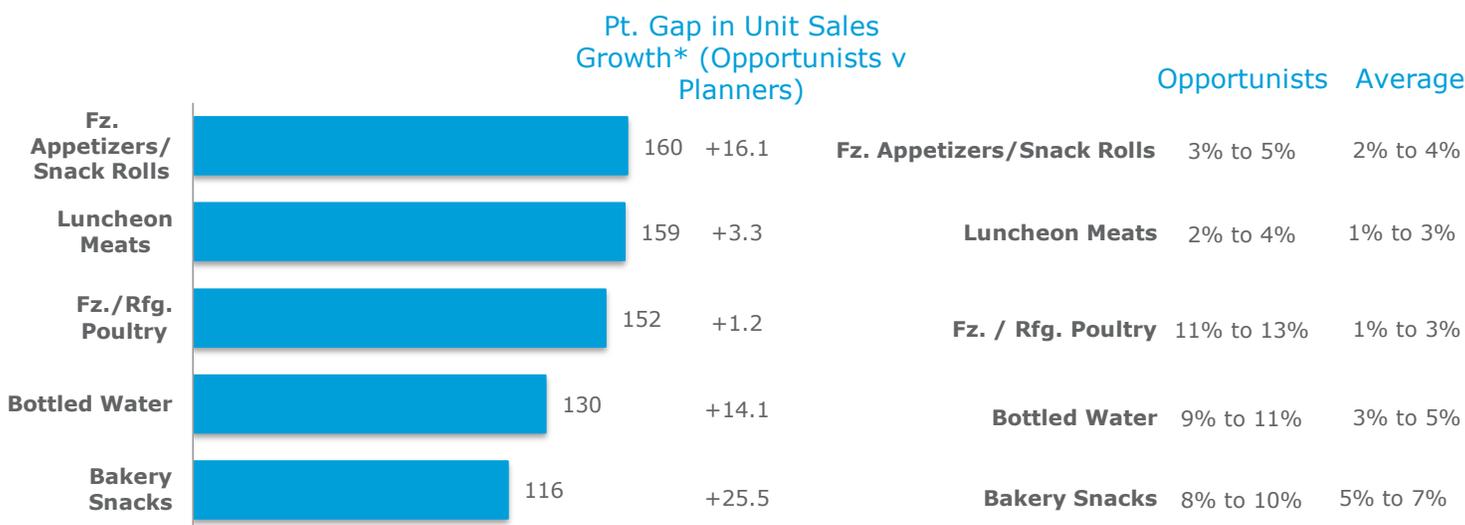
And, illustrated once again in exhibit 9, opportunist unit sales growth of convenience products is outpacing that of planners.

Exhibit 9

Explore new product forms, packaging and technology that will bring enhanced convenience and/or portability across your product portfolio.

BUY RATE: CONVENIENCE CATEGORIES INDEX – OPPORTUNISTS VERSUS PLANNERS: 2013 (AVERAGE = 100)

PROJECTED ANNUAL GROWTH: SELECT CONVENIENCE CATEGORIES DOLLAR SALES 2013-2015(P)



Note: Buy rate based on volume sales per 1,000 households. *% Growth in unit sales, 2013 v 2012
 Source: IRI, Consumer Network™

As a result, dollar sales growth across these categories has been stronger versus industry average. Frozen appetizers and snack rolls, for instance, have been growing at a compound annual growth rate of about 2% during the past few years. During the past year, this category grew more than 5% among opportunist eaters.

In 2013 through 2015, frozen appetizers and snack rolls, as well as a variety of other convenience-oriented CPG

categories, are expected to continue to demonstrate higher-than-average growth among opportunist eaters versus the market as a whole, with frozen appetizers and snack rolls coming in at 2% to 4% annually during this timeframe.

Capturing even a small share of this opportunity would add appreciably to the bottom line, and innovative CPGs are working hard to make that happen.

Detailed in our April 2013 New Product Pacesetter’ report, CPG marketers introduced more than 1,900 new products in 2012. Among the best of these launches, nearly one-quarter (23%) delivered enhanced convenience, which will increase appeal among the opportunist eaters. On average, these brands each earned more than \$43 million in revenue in their first year, as measured across IRI’s multi-outlet geography.

Exhibit 10

Opportunists tend to be a bit less focused on healthy eating versus their planner counterparts; serving wants for indulgence will provide a bigger payoff.

Capture the Opportunity by Providing Wellness/Pumping Up Indulgence

Some opportunist eaters approach eating with a careful eye to health and wellness. But, in general, the focus on healthy eating is not quite as strong among opportunist eaters as it is among planners. Forty-six percent of opportunists are actively trying to improve their eating habits, versus 67% of the planner population (SEE EXHIBIT 10).

Still, there is opportunity to be had in providing opportunists with healthier eating and drinking alternatives. Delivering healthier-for-you options to opportunist eaters, though, means keeping an eye on taste while tackling the wellness. More than half of opportunist eaters (57%) will choose taste over nutrition, over-indexing versus planners by a wide margin.

Once again, powerful IRI New Product Pacesetter brands underscore the value of getting it right.

The top-selling new food brand launch of 2012 was Dannon Oikos, which brought in more

Source: IRI, Consumer Eating Behavior survey, May 2013

than \$283 million across the multi-outlet geography by delivering a creamy-thick, protein-rich solution to on-the-go (or stationary!) eating needs. One way to win with wellness is to understand the nuances that exist within healthier-focused consumer groups and extrapolate those learnings into other groups that have an interest in healthier eating.

IRI recently conducted a study in partnership with SPINS and found that natural households, those

that purchase at least one natural product in a 52-week period and represent the top 20% of natural CPG product share of requirements, eat take-from-home breakfast more than 25 times per year, versus 15 times for a non-natural household. Likewise, they eat take-from-home lunch 68 times yearly (50 times for non-natural households).

Still, an even bigger opportunity lies in serving opportunists'

IMPORTANCE OF WELLNESS IN FOOD/BEVERAGE DECISIONS
% OF OPPORTUNISTS – TOP 2 BOXES

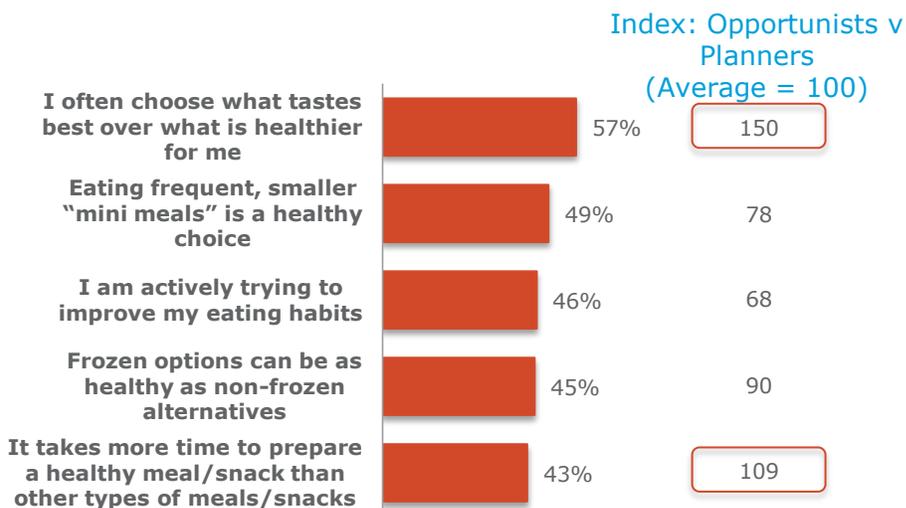


Exhibit 11

Constantly be on the lookout across and even outside of the CPG arena for innovative ways of providing convenient indulgence.

BUY RATE: INDULGENT CATEGORIES INDEX – OPPORTUNISTS VERSUS PLANNERS: 2013 (AVERAGE = 100)

PROJECTED ANNUAL GROWTH: SELECT INDULGENT CATEGORIES DOLLAR SALES 2013-2015(P)



Note: Buy rate based on volume sales per 1,000 households. *% Growth in unit sales, 2013 v 2012
Source: IRI, Consumer Network™

propensities toward indulgent CPG solutions.

Opportunists invest disproportionately on a wide range of indulgent CPG solutions. Illustrated earlier in this report, for instance, opportunists spend 60% more than planners on frozen appetizers and snack rolls and 16% more on bakery snacks. They are also spending more heavily on indulgent beverages, such as carbonated beverages

and energy drinks, and on chocolate and non-chocolate confections (SEE EXHIBIT 11).

Across a majority of these categories, dollar sales growth is outpacing industry average. For instance, the chocolate candy category grew at a compound annual has grown at a rate of during the past several years. Meanwhile, sales of chocolate candy among opportunist eaters grew nearly 16% during the past year. Strong growth is being

supported, at least in part, by innovation. For example, six of the Pacesetter confections, including Reese’s Minis and Brookside Chocolate, were launched in 2012, making portable treats even more indulgent!

In the coming years, the chocolate candy segment will grow an estimated 4% to 6% annually. Among opportunist eaters, category growth is expected to be in the 9% to 11% range.

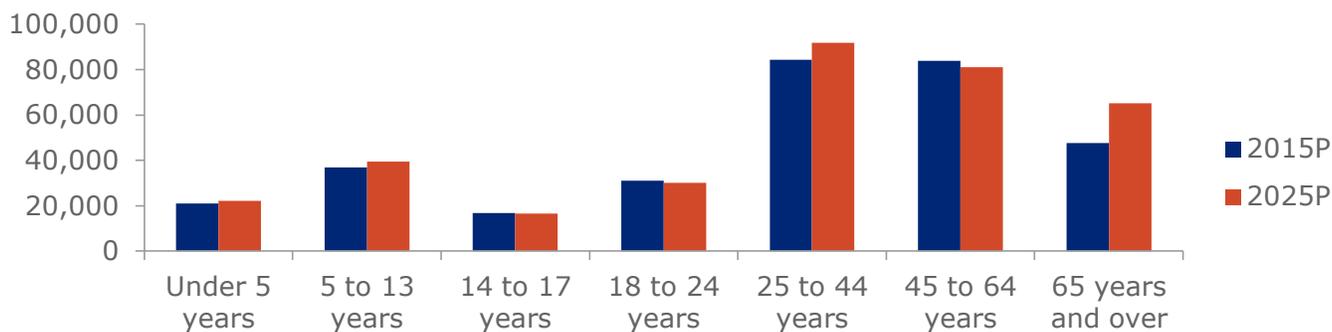
¹Source: Path to Purchase Marketing Institute

Cultivate Relationships with High-Priority Consumer Segments

Exhibit 12

Invest to understand the evolution of U.S. demographics to get ahead of emerging growth opportunities.

U.S. POPULATION BY AGE 2015P AND 2025P



Source: U.S. Bureau of the Census

Cultivating Relationships with High-Priority Consumer Segments

By 2025, nearly half of today’s opportunist eaters will be between the ages of 30 and 56. On average, they will be more financially stable and they will have different household dynamics than they do today—marriage, divorce, young children, children that have come of age and moved out. Undoubtedly, they will be at a different life stage versus where they stand today.

The ethnic composition of opportunist eaters may also be poised for change. Mentioned earlier in this report, a vast majority of opportunist eaters are of non-Hispanic origin today. But, Pew Hispanic Center research demonstrates how quickly the Hispanic population is growing. Indeed, by 2050, PEW expects that 30% of the U.S. population will be Hispanic. This is quite likely to boost the Hispanic representation within the opportunist eater cohort.

Marketers must invest to deepen their knowledge of household

dynamics within key and target consumer groups to effectively serve today’s shoppers while simultaneously monitoring the evolution of these dynamics to begin to build a foundation for serving the world of tomorrow.

17% of 2011 U.S. population of **Hispanic origin**

30% projected % of 2050 U.S. population of **Hispanic origin**

Source: PEW Hispanic Center

Framework to Win

CPG marketers will spark new growth by broadening their views of the competitive landscape to include all marketers who serve America's eating and drinking needs across all dayparts, and protecting and growing share across the country's sizable population of opportunist eaters.

Market Analytics: Invest in market analytics that enable a rigorous evaluation of market potential across upcoming population waves. Cultivate relationships/build loyalty across promising consumer segments.

- Broaden targeting initiatives to include consumer segments that are adjacent to and/or similar to your key shoppers of today
- Invest to understand the household dynamics of key consumers in intimate detail as a starting point in learning more about the upcoming generation of shoppers
- Communicate existing and potential role for products in your existing portfolio across current consumers as well as adjacent/similar segments

Product Performance: Uncover opportunities to enhance your CPG portfolio/marketing strategies in ways that will retain current shoppers and win over new ones from competing CPG channels/banners/manufacturers with granular analyses of product performance and "what-if" scenarios.

- Break into new departments and categories with outside the box innovation (e.g. cereal manufacturer entering crackers and/or snack/granola bar categories)
- Re-examine your distribution strategy to ensure adequate assortment and quantities are consistently available in the channels/banners/store locations most heavily shopped by key consumers
- Cross-merchandise/cross-market with categories/brands that have similar shopping basket profiles

Predictive Modeling: Leverage predictive modeling to estimate the value of new growth opportunities that stem from converting QSR shoppers/occasions to the CPG marketplace.

- Closely monitor innovation in QSR and related industries to understand what is hitting the mark with consumers
- Invest to understand existing and emerging QSR trends, where they overlap CPG trends, and where differences in trends offer opportunity for growth
- Investigate opportunities to step outside the traditional CPG box, such as partnerships with QSRs that share a similar consumer profile

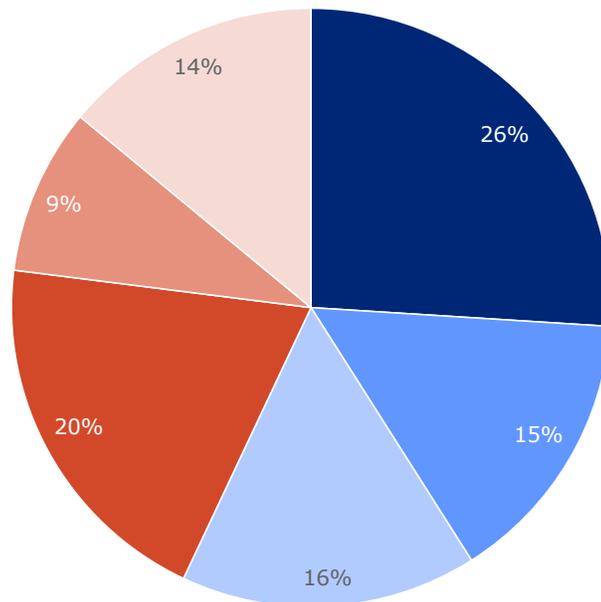
Appendix: Digging Deeper into How America Eats

Americans display a wide variety of attitudes toward health, wellness, eating and exercise. These forces, coupled with a long-standing difficult economy, converge to influence the way consumers shop for and consume packaged goods.

IRI's just-released segmentation, NutriLink, breaks U.S. consumers into six distinct groups, illustrated to the right. The fast frugals share several characteristics with the opportunist shoppers detailed in this report. But, only 51% of opportunists are fast frugals. The rest are distributed across the remaining segments, most heavily carefree coasters and convenient & contents.

This segmentation will assist marketers as they develop new product, promotion, merchandising, pricing and store layout strategies designed to cater to key audiences. And, with this information appended to IRI's Consumer Network panel, it provides an opportunity to benchmark current performance as well as monitor progress over time.

SEGMENT DISTRIBUTION



- Fast Frugal
- Healthy Chic
- Wise & Healthy
- Sensible SuperMom
- Carefree Coaster
- Convenient & Content

For more information on NutriLink, contact Carl Edstrom at Carl.Edstrom@IRIworldwide.com.

Appendix: NutriLink

Segment Name	Habits and Attitudes	Selection Criteria
Fast Frugal	<p>Eating Habits & Attitudes</p> <ul style="list-style-type: none"> Eats on the run Chooses taste over health and convenience over nutrition <p>Impact of Economy</p> <ul style="list-style-type: none"> Selects products to create more meals at lower total cost <p>Attitude Towards Exercise</p> <ul style="list-style-type: none"> Do not like exercising 	<p>Snack Selection Criteria</p> <ul style="list-style-type: none"> Satisfies appetite/is filling Easy to eat on the go <p>Meals Selection Criteria</p> <ul style="list-style-type: none"> Satisfies appetite/is filling Easy to eat on the go <p>Demographic Snapshot</p> <ul style="list-style-type: none"> Median age: 45 Median income: \$36K
Healthy Chic	<p>Eating Habits & Attitudes</p> <ul style="list-style-type: none"> Likely to follow strict diet/eat healthy at least 80% of the time Prefer "fresh" food; minimizes processed food <p>Impact of Economy</p> <ul style="list-style-type: none"> Economic situation has not had any effect on their consumption/purchase patterns or attitudes towards food products <p>Attitude Towards Exercise</p> <ul style="list-style-type: none"> Key to managing health/feeling better 	<p>Snack Selection Criteria</p> <ul style="list-style-type: none"> Low calorie/fat/sugar/sodium; high in protein Is natural or organic <p>Meals Selection Criteria</p> <ul style="list-style-type: none"> Fresh/not processed Has fruit/vegetable servings <p>Demographic Snapshot</p> <ul style="list-style-type: none"> Median age: 44 Median income: \$76K
Wise & Healthy	<p>Eating Habits & Attitudes</p> <ul style="list-style-type: none"> Believes in eating healthy food at least 80% of the time Focuses on fiber in diet; watches portion size <p>Impact of Economy</p> <ul style="list-style-type: none"> Do not feel need to make food last longer or switch to products that are on sale/low priced <p>Attitude Towards Exercise</p> <ul style="list-style-type: none"> Schedules exercise 2-4 times a week 	<p>Snack Selection Criteria</p> <ul style="list-style-type: none"> High in fiber Health benefits beyond nutrition <p>Meals Selection Criteria</p> <ul style="list-style-type: none"> Fruit/vegetable servings Fresh/not processed <p>Demographic Snapshot</p> <ul style="list-style-type: none"> Median age: 68 Median income: \$49K
Sensible SuperMom	<p>Eating Habits & Attitudes</p> <ul style="list-style-type: none"> Price is important when making decisions Eats three square meals and several snacks during the day <p>Impact of Economy</p> <ul style="list-style-type: none"> Eats more family meals; brings food to school/work more often <p>Attitude Towards Exercise</p> <ul style="list-style-type: none"> Talk to children about importance of exercise 	<p>Snack Selection Criteria</p> <ul style="list-style-type: none"> Low price point Fresh, not processed; has fruit/vegetable servings <p>Meals Selection Criteria</p> <ul style="list-style-type: none"> Address health/wellness goals Appeals to many in the household <p>Demographic Snapshot</p> <ul style="list-style-type: none"> Median age: 42 Median income: \$46K
Carefree Coaster	<p>Eating Habits & Attitudes</p> <ul style="list-style-type: none"> Eats without consideration for nutritional intake/calorie count Little/no interest in any food related activities <p>Impact of Economy</p> <ul style="list-style-type: none"> Little or no concern about economy <p>Attitude Towards Exercise</p> <ul style="list-style-type: none"> 1/3 do not like exercising; rest not concerned about exercising 	<p>Snack Selection Criteria</p> <ul style="list-style-type: none"> Do not have any specific selection considerations <p>Meals Selection Criteria</p> <ul style="list-style-type: none"> Do not have any specific selection considerations <p>Demographic Snapshot</p> <ul style="list-style-type: none"> Median age: 50 Median income: \$38K
Convenient & Content	<p>Eating Habits & Attitudes</p> <ul style="list-style-type: none"> Prefers ready-to-eat foods over preparing meals Often eats from fast food/dine out restaurants and takeout <p>Impact of Economy</p> <ul style="list-style-type: none"> No impact on food related behaviors <p>Attitude Towards Exercise</p> <ul style="list-style-type: none"> No time to exercise; likely to exercise less than twice per week 	<p>Snack Selection Criteria</p> <ul style="list-style-type: none"> Satisfies appetite/is filling Brand of choice Easy to eat on the go <p>Meals Selection Criteria</p> <ul style="list-style-type: none"> Satisfies appetite/is filling Easy to eat on the go <p>Demographic Snapshot</p> <ul style="list-style-type: none"> Median age: 54 Median income: \$65K

Resources

FOR MORE INFORMATION

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

If you enjoyed this report, you may be interested in the following IRI products and services, which provide customizable insights into important trends that are impacting the way consumers plan for, purchase and consume packaged goods:

IRI MedProfiler XII™

The MedProfiler syndicated survey profiles individuals along the following dimensions: ailments, health opinions and concerns, lifestyle, diet, insurance coverage, alcohol consumption, and components of body mass index (BMI). Our clients use information from MedProfiler to segment panelists and integrate these profiles with purchase and usage behaviors to enhance brand positioning, create healthier line extensions, quantify market size among targeted ailment groups, and execute consumer-based category management studies.

IRI Consumer Network™

This nationally representative panel of households tracking purchases with hand-held barcode scanners delivers extensive demographic profiles to enable in-depth analysis of purchase behavior across standard or custom-defined consumer segments across channels.

NutriLink™

NutriLink™ is a latent class segmentation based on actual shopping behavior and consumer attitudes that details how Americans eat, including food, beverage, snack and meal habits, related exercise, health and wellness views, and economic impact on eating habits.

IRI/SPINS Partnership

This partnership integrates SPINS' unique natural/organic food segmentation and industry expertise with IRI's Consumer Network™ household panel to provide perspective into how natural/organic consumers think, shop and buy, as well as insights to understand and anticipate their needs.

About IRI. IRI is a leader in delivering powerful market and shopper information, predictive analysis and the foresight that leads to action. We go beyond the data to ignite extraordinary growth for our clients in the CPG, retail and over-the-counter healthcare industries by pinpointing what matters and illuminating how it can impact their businesses across sales and marketing. Move your business forward at IRIworldwide.com

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