IRI Thought Leadership

The Evolving Landscape Of E-Commerce

August 2020

The Data From Today's Presentation Comes From IRI's Omnichannel Solution

The Consumer Products Industry Leading Omnichannel Reporting Solution

IRI Uniquely Combines;

- **In-store Point of Sales Data**
- **On-line Point of Sales Data**
- **On-line Shopper Data**

Retailers – Report Over +250 Different Retailers And Fulfillment Types including;

In-store, Ship, Delivery and

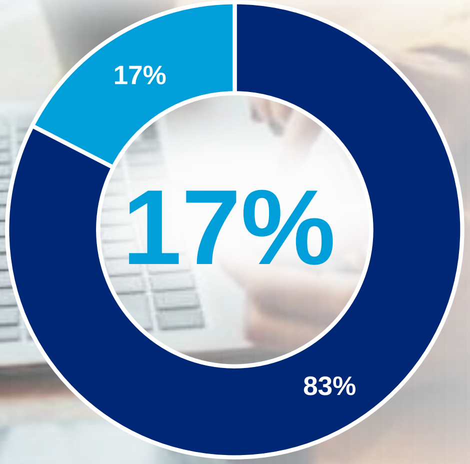
Click & Collect

Categories – Track and Report Data on Over 205 **Consumer Products Categories**

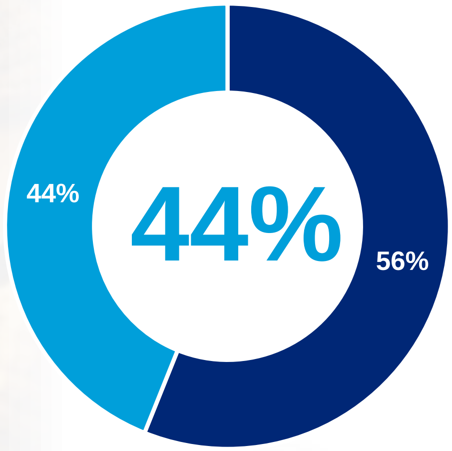
E-Commerce Now Accounts For 17% Of Total Omnichannel CPG Sales, But 44% Of The Market Growth

Total Store

Share of Market Sales



Share of Market Growth

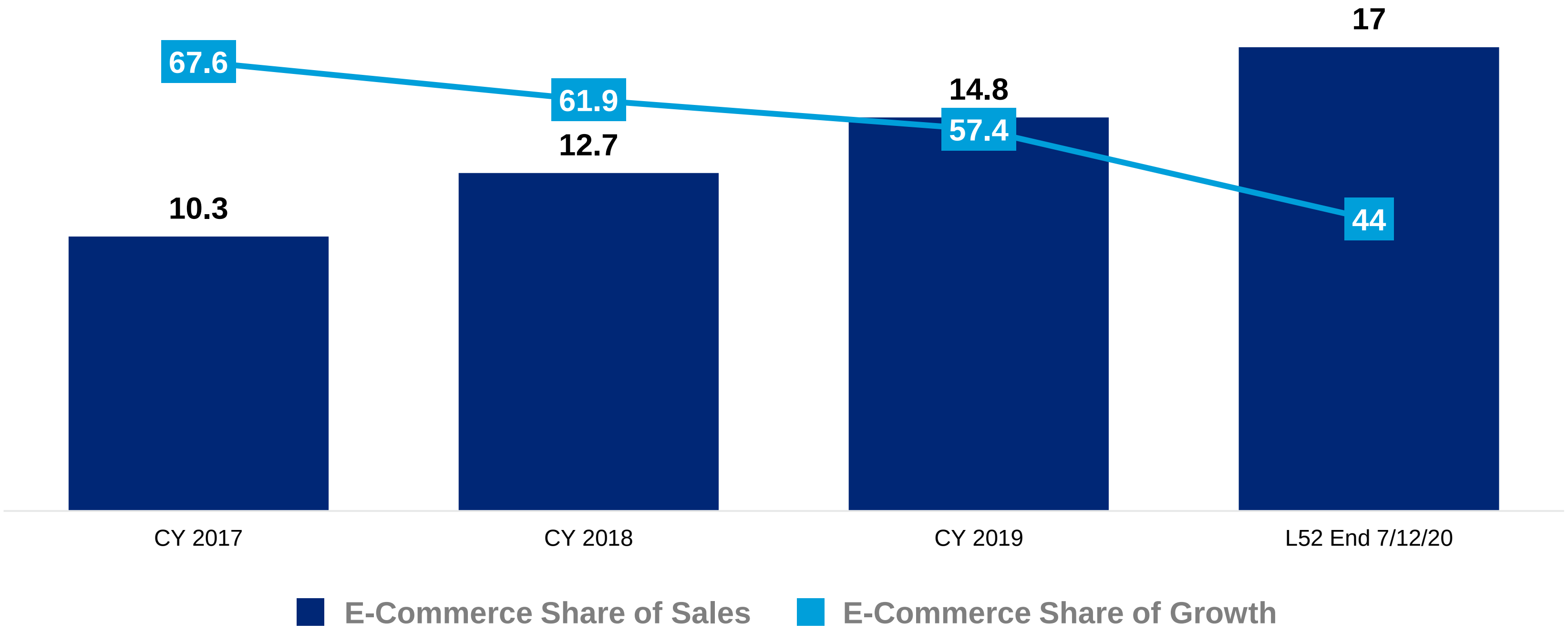


MULO eCommerce

Source: IRI eMarket Insights, Omni-Channel is Total US – Multi Outlet + Total eCommerce, Contribution to Sales, 52 Weeks Ending 7/12/20

E-Commerce Has Consistently Been Gaining Share Of Omnichannel Year Over Year And Continues To Drive A Disproportionate Amount Of Growth

E-Commerce Share of Omnichannel Sales and Growth



Source: IRI eMarket Insights, Omni-Channel is Total US – Multi Outlet + Total eCommerce, Contribution to Sales, 52 Weeks Ending 7/12/20

E-Commerce, Grocery and Dollar Channel Sales Growth Have Particularly Accelerated Since Peak COVID-19 Stockpiling in Mid-March

Dollar Sales Trends in Measured Channels

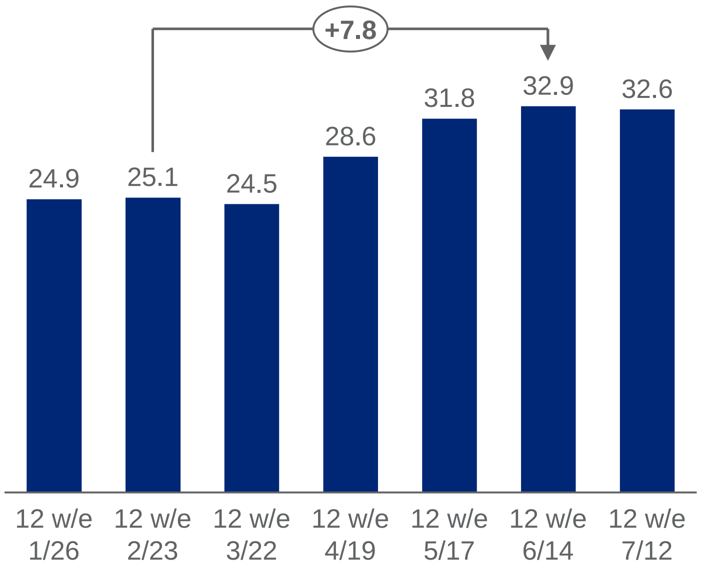
Channel	CY 2019 Sales ($B)	Dollar Sales % Change vs. YA			
		CY 2019	January & February	March	April - Present
Grocery	$320.5	1.7%	1.0%	51.4%	22.8%
Mass	$230.3	3.8%	3.2%	28.9%	8.1%
Convenience	$161.1	3.3%	2.9%	0.0%	3.6%
Drug	$47.8	-0.5%	-0.2%	23.1%	-3.4%
Club	$41.8	-1.4%	-0.6%	41.4%	12.5%
Dollar	$19.8	12.6%	8.3%	64.7%	24.5%
E-Commerce	$99.4	22.4%	30.8%	61.8%	82.9%

Source: IRI POS, Panel, and eMarket Insights data ending 7/12/20.

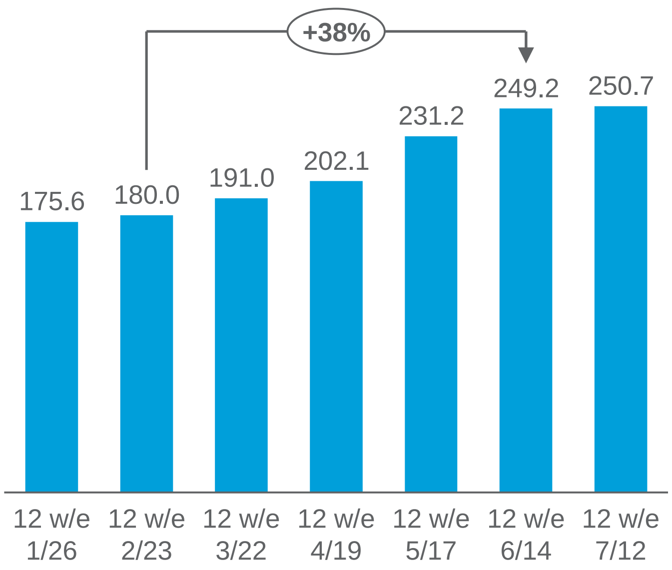
Households Shifting to E-Commerce for CPG Peaked in May / June

E-Commerce Penetration and Buy Rate Before and During COVID-19

E-Commerce % Households Buying



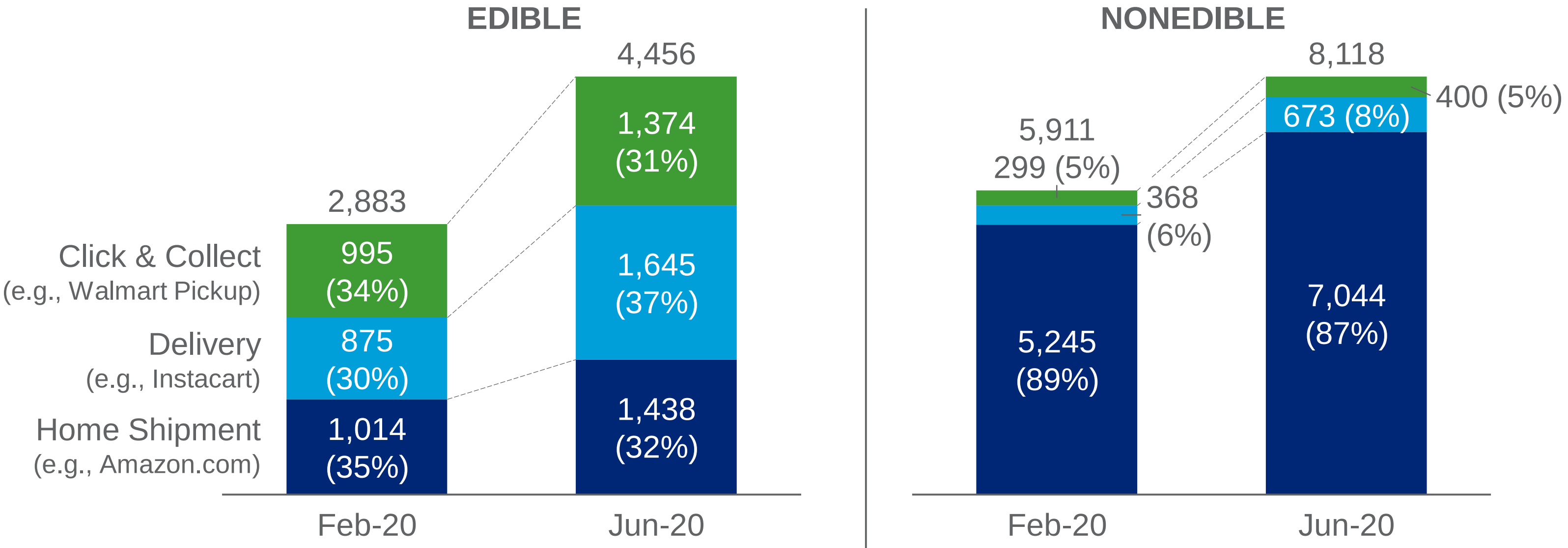
E-Commerce Dollars per Household



Source: IRI National Consumer Panel, data ending 7/12/20.

In the Short-Term, Expandable Crowd-Sourcing Model Instacart is Driving Edible, While Shipment Remains Majority of Nonedible

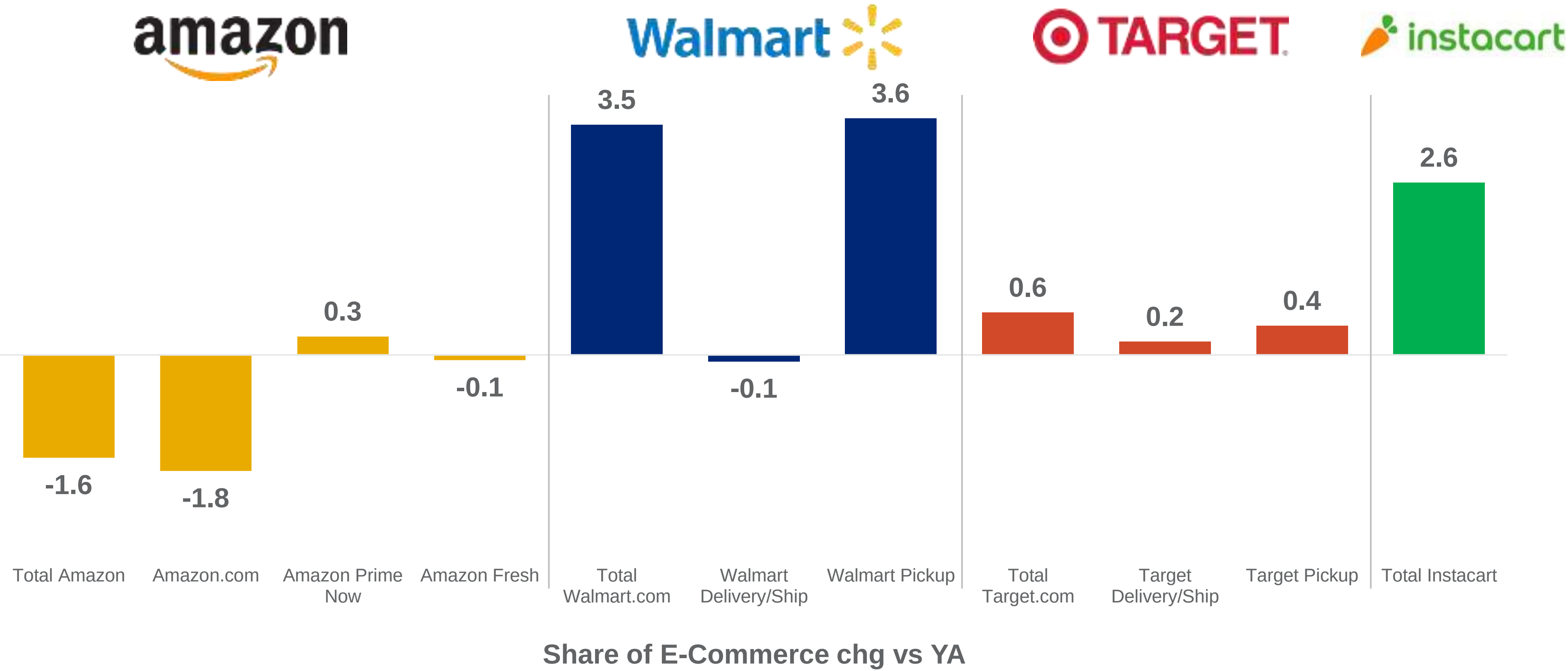
E-Commerce $M by Modality Type Pre- and During COVID-19



TOP GAINERS	instacart	Walmart.com	amazon.com	amazon.com	Walmart.com	instacart
% of sales pre-COVID-19	*12%*	*23%*	*28%*	*58%*	*6%*	*1%*
% of Feb.-June growth	*34%*	*19%*	*18%*	*59%*	*5%*	*5%*

Source: IRI eMarket Insights, data ending 6/14/20. Based on retailers where modality can be determined or assumed to majority classification. IRI Consulting analysis.

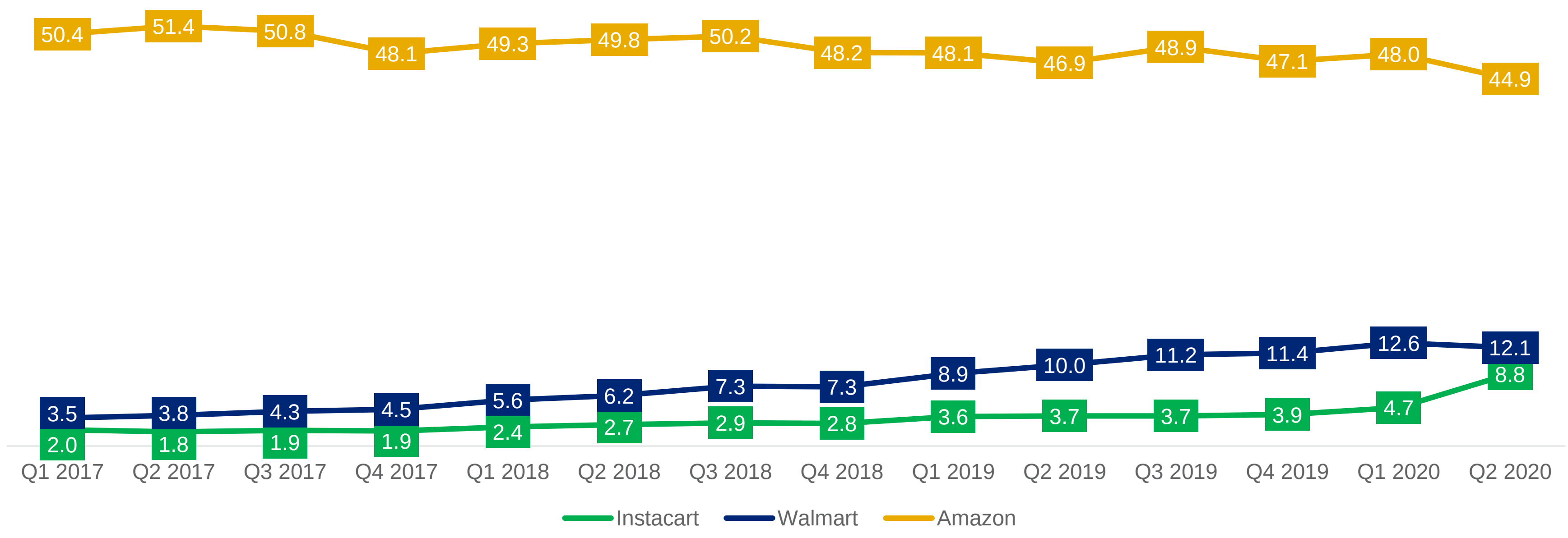
Within CPG Categories - Walmart, Instacart And Target Are Gaining Share Of E-Commerce At The Expense Of Amazon



Source: IRI eMarket Insights, Total Store is the 205 releasable eMarket Insights categories, 52 Weeks Ending 7/12/20

Amazon Is The Top Online Retailer, But Instacart And Walmart Are Quickly Gaining Share

Share of Total eCommerce Sales

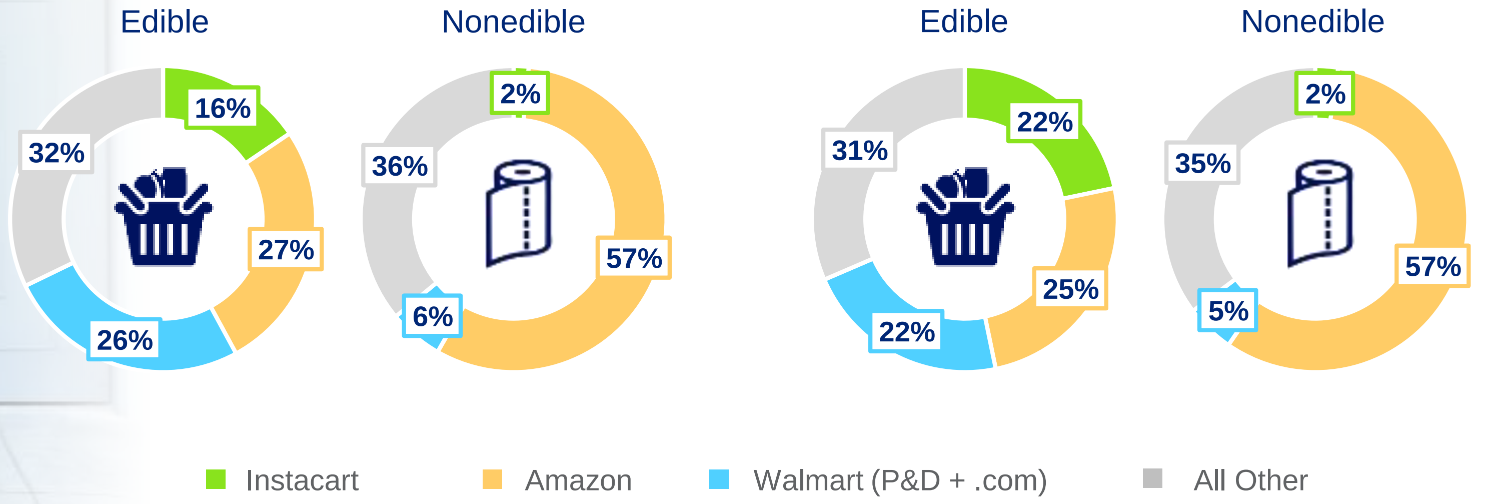


Source: IRI eMarket Insights and Market Advantage, Sales are an aggregate of category leaders

Amazon dominates Consumables but Instacart is a major competitor in Food
Instacart is now 22% of online Food sales During COVID Peek, Vs. +16% in L52

Share of e-Commerce – L52 Weeks

Share of e-Commerce – COVID 13 Weeks



Source: IRI eMarket Insights, Food + Consumables = Total Store eMI Product Universe, Does Not Include Random Weight Fresh, LEFT = 13 Weks Ending 08-02-2020

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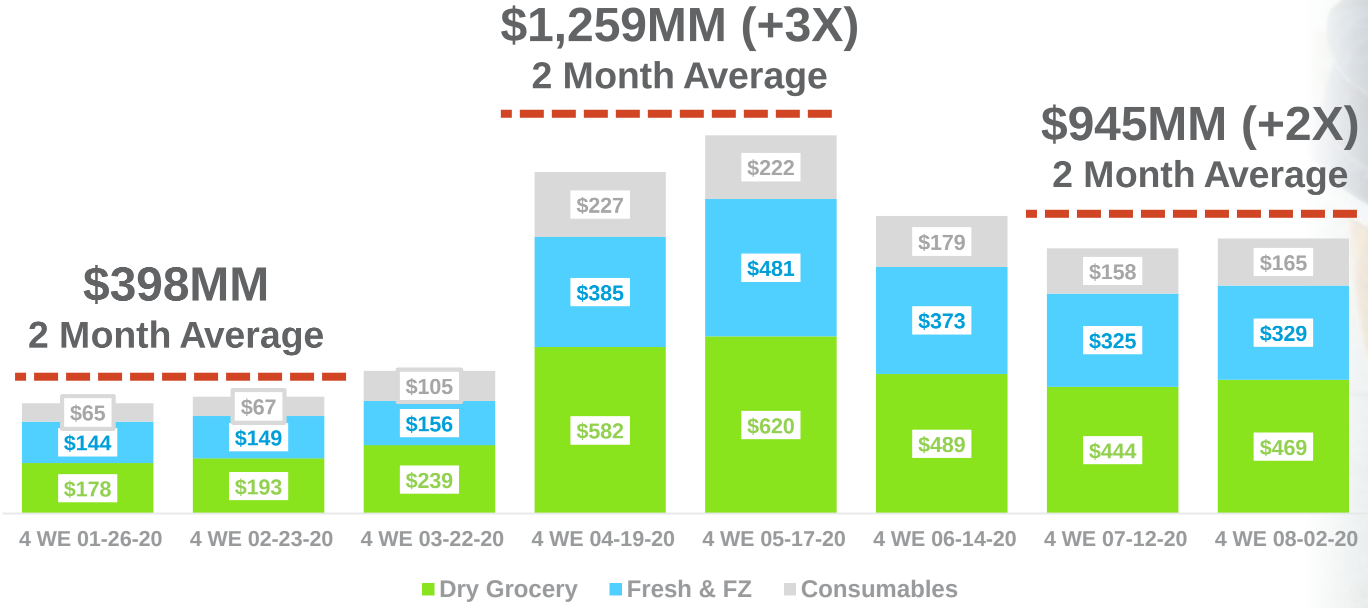
Instacart saw a strong sales spike that has been sustained since April
Dry Grocery, Fresh & FZ, & Consumables are all up significantly since April

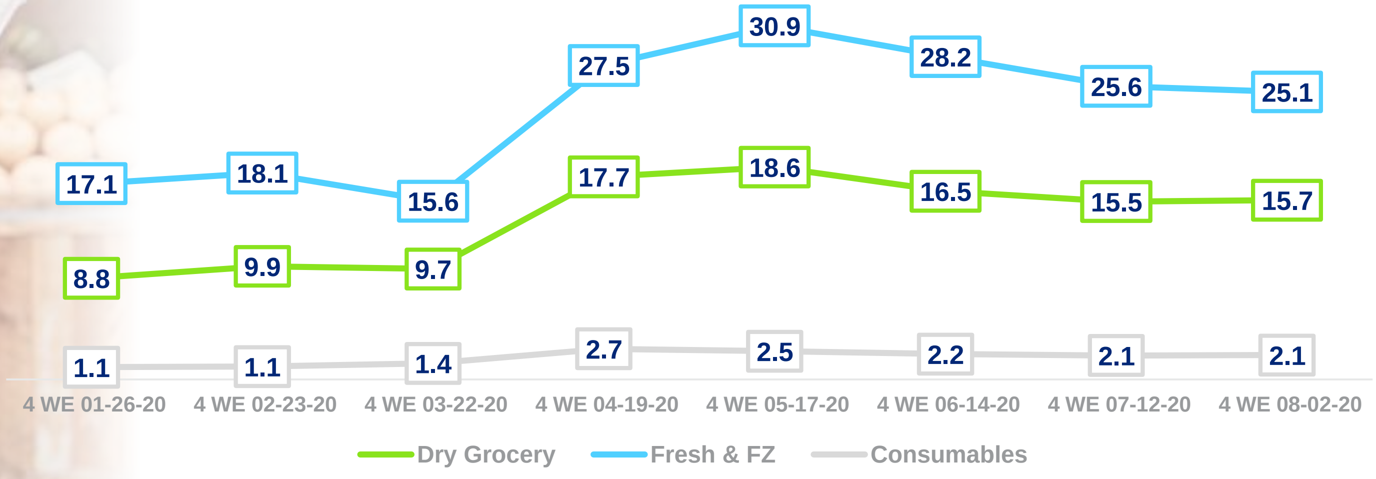
Instacart Food + Consumables Sales by Quad Week ($MM)



Source: IRI eMarket Insights, Food + Consumables = Total Store eMI Product Universe, Does Not Include Random Weight Fresh

Instacart has also seen increase in online share across Food & Consumables
Instacart is now ~16% of online Dry Grocery 25% of Fresh & FZ

Instacart Share of e-Commerce Sales by Quad Week

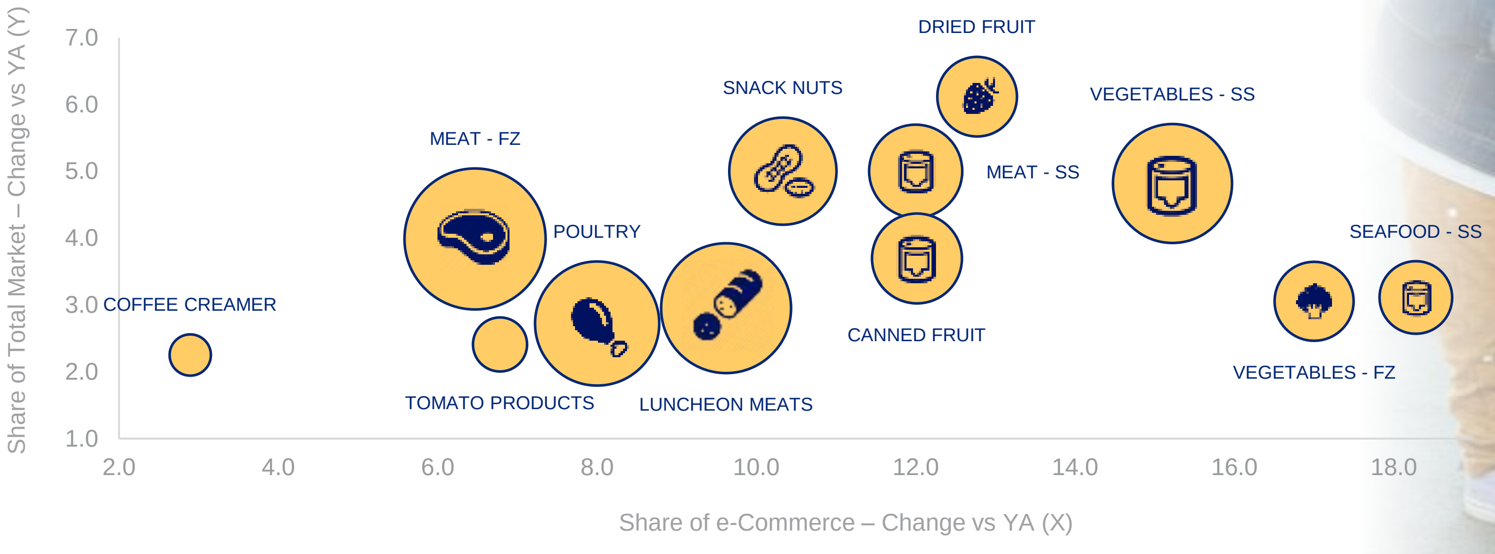


Source: IRI eMarket Insights, Food + Consumables = Total Store eMI Product Universe, Does Not Include Random Weight Fresh

Instacart is gaining share of E-Commerce & Total Market across top categories → Meat, Vegetables, Fruit, & Nuts

Instacart – Share of e-Commerce vs. Share of Total Market* (Change vs YA)

COVID 13 WE 06-28-2020 – Top Categories by Instacart MKT Share



Source: IRI eMarket Insights, Food + Consumables = Total Store eMI Product Universe, Does Not Include Random Weight Fresh, Share of Total Market = Multi-Outlet + e-Commerce, Double Counts Removed in OG

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Recap

The Rapid Rise of E-Commerce

- Driven by concerns over in-store safety, American shoppers during the COVID-19 pandemic shifted **~2.5% of edible and ~7.0% of nonedible CPG spend to grocery e-commerce.**

- They built it, now shoppers are coming. After substantial investments, **Amazon, Walmart, Target, Kroger, Ahold Delhaize, Albertsons & Instacart** have captured increased demand.

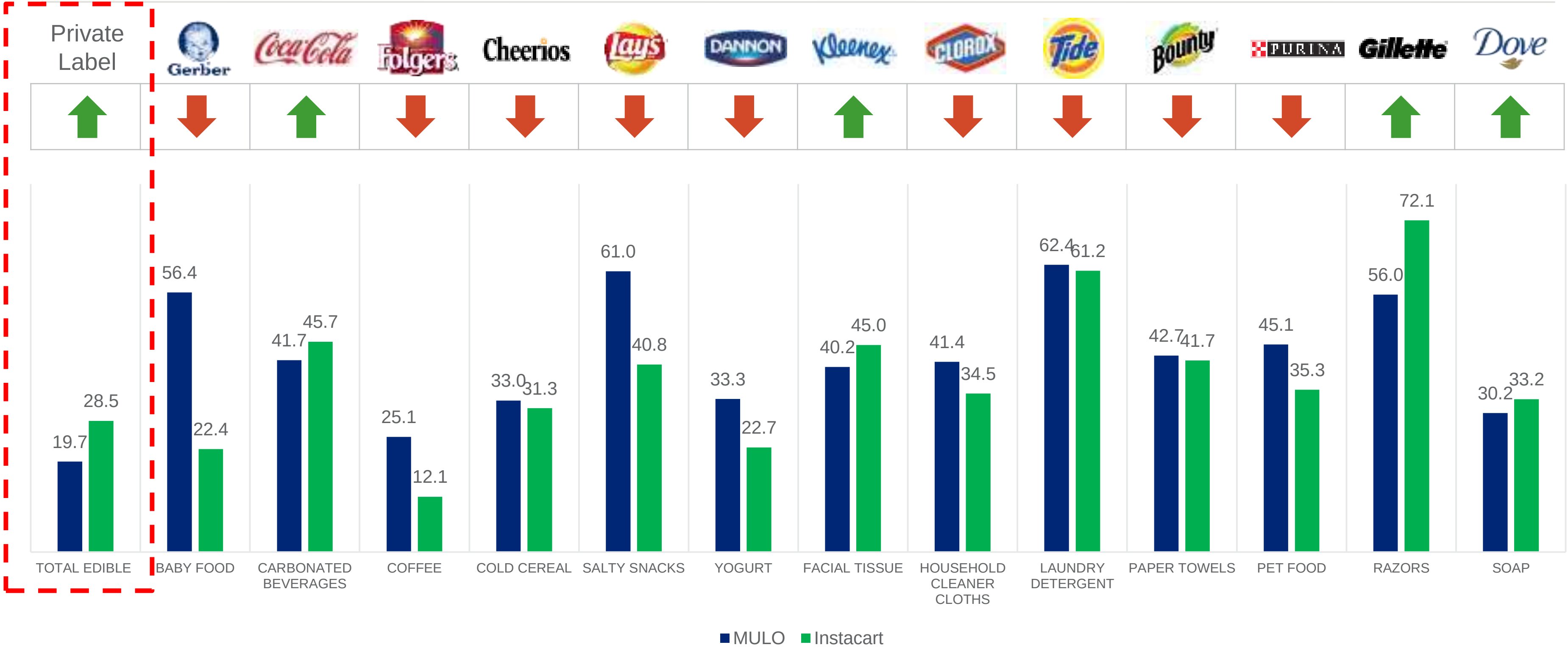
Looking Ahead

- **Conversion to E-Commerce will continue** to rise into 2021 and beyond as infrastructure investments catch up with heightened demand amid the new normal.

- The rapid change in the omnichannel environment will require manufacturers and retailers to quickly assess changes in purchasing behavior across in-store and online and **adapt distribution, assortment, marketing, pricing, promotion and logistics** accordingly.

Things To Think About

B&M Category Leaders Are Still Following
B&M Category Leaders Are **Down 7 Share Points** (on Average)



Source: IRI eMarket Insights and Market Advantage, Latest 52 Weeks Ending 8/9/2020

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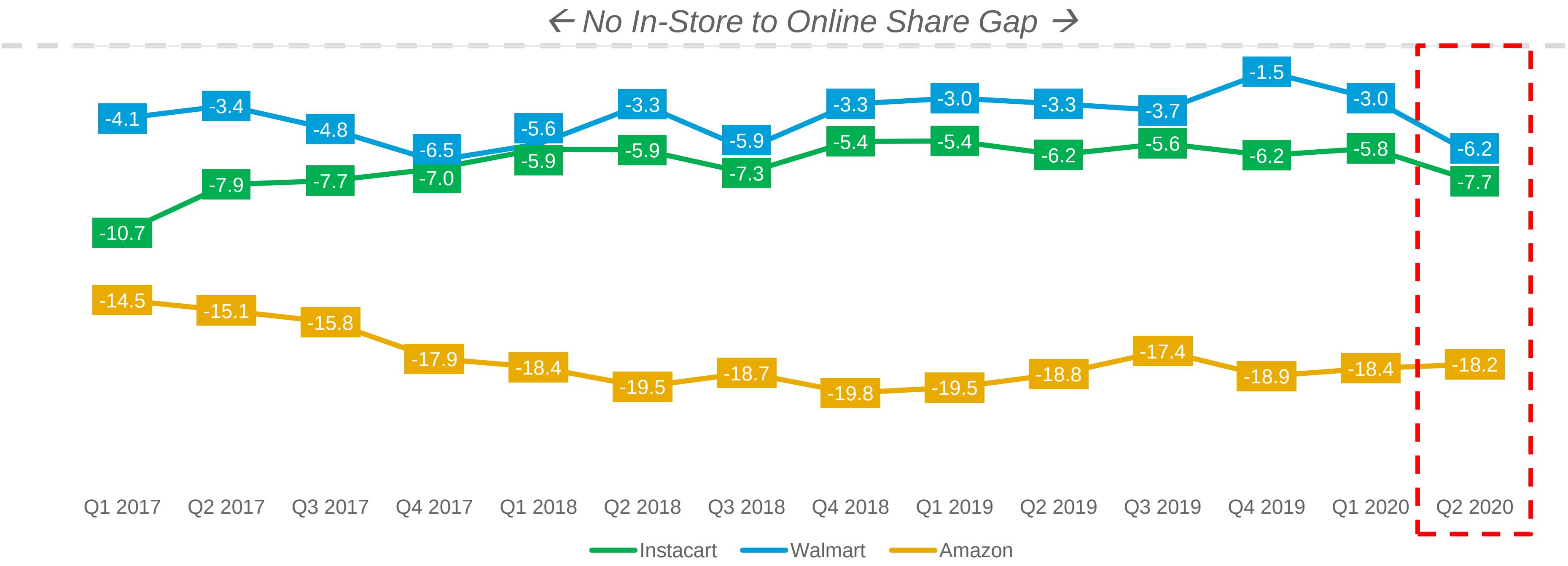
Category Leaders Have The Most To Risk As Shoppers Migrate To On-line

In-Store Share Deltas, Aggregate of Category Leaders



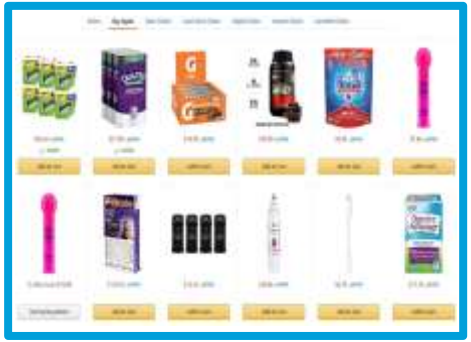
Source: IRI eMarket Insights and Market Advantage, Sales are an aggregate of category leaders

Technology is **Decreasing Moments of Purchase** Events & Accelerating the Changes to the **Omni-Channel Shopper**

Subscription

Many retailers offer discounts for subscription services

Buy It Again



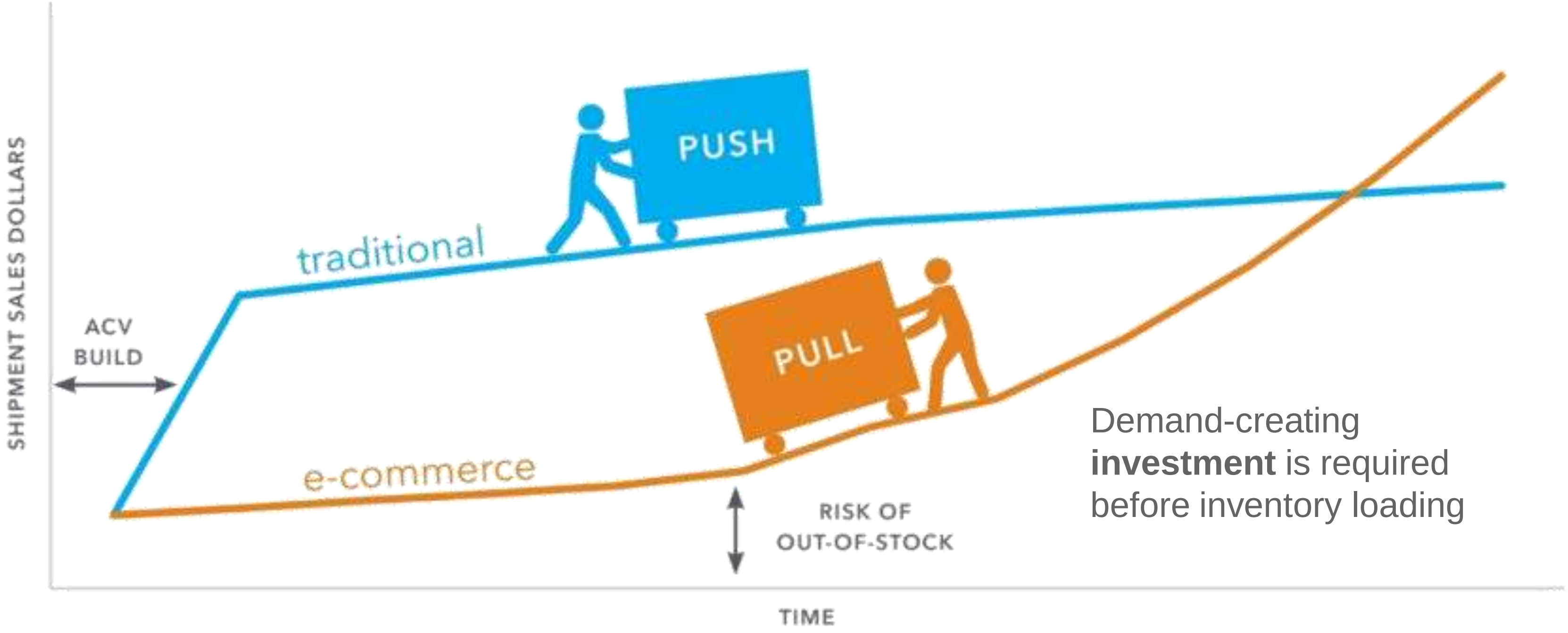
Convenience because it minimizes mundane steps, reduces time to place the order, increasing customer satisfaction

Voice Ordering

Voice commands are an instant hit due to simplicity and convenience

Brands Need To Work Harder In E-Commerce
Brands Need To Create Demand By Connecting With Shoppers

Brick & Mortar Push Strategy vs. e-Commerce Pull Strategy



Demand-creating **investment** is required before inventory loading

Source: IRI Analysis

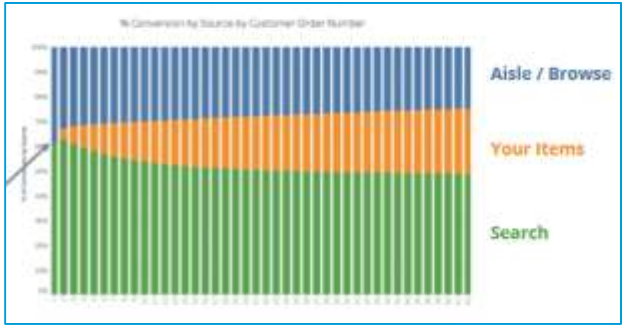
Brands Don’t Have Time To Wait
Brands Need To Act Today For Performance

+2 strategy means investing now for what your expect your business will be in 2 years

Test and measure different tactics across platforms. What works in one doesn’t necessarily work everywhere

1 “Always On” At Key Retailers By Focusing on Paid Search

50%+ of purchases originated with Search.

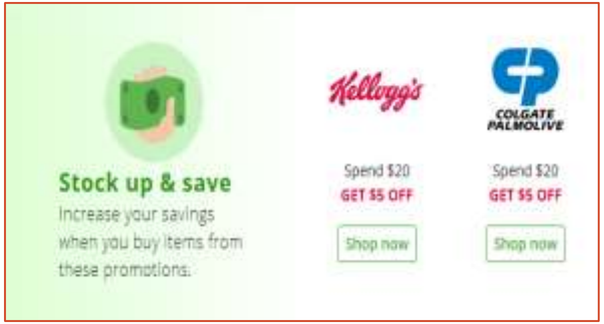


2 Shopping Is Decreasing, You Need To Win Today

Consumers don’t Reshop, they Rebuy. By customer’s 10th order, 25% of purchases from “Your Item” list.

3 Promote Your Portfolio, Build Baskets

Cross promote your Brands across the Omni-Channel. Use insights driven mega events across on-line & in-store to Build Baskets.



CPG Brand Leaders Need To Be **Always On**
Brands Need To Reintroduce Their Brands To Shoppers in New Setting (i.e. On-line)

On-line is about Search and Awareness in order to retain your shoppers;

- Search – Shoppers Need To Find you **FIRST**
  - Instacart claims that by purchase #10, +25% of all purchases come from “previously ordered” items
  - Build your product and brand presence on the platform
  - Focus on Discoverability, key words in your content
  - Invest in search (Featured Products)
  - Stay in-stock

- Awareness & Funnel driver
  - Use Delivery promotions to build baskets of your brands (“Get $X off when you Buy $x of Your or Partner Brands)
  - Use Coupons and Department Banners to build awareness of your brands on Instacart

Thank You!

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