Promotion Industry Trends: A Year in Review

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Senior Director, Marketing and Insights
AGENDA

- Intro/Bios/About
- Methodology
- Topline Findings
- Economic Conditions
- Promotion Landscape
- Digital Trends
- So What Now What?
INMAR DATA provides unique perspective on promotions
DELIVERING DATA DRIVEN INSIGHTS

- SHOPTTHER Behavior Data
- CONSUMER Promotion Data
- SHOPPER Basket Data
- TRADE Promotion Data

Holistic Promotion View Enabling Unique **INSIGHTS & ANALYSES**
METHODOLOGY

- Percent change compares activity throughout the full year of 2015 with activity from the full year of 2014.
- Distribution and redemption data consolidated from the Inmar coupon database.
- Industry distribution and redemption statistics extrapolated using Inmar and Kantar Media data.
- Analysis conducted to develop key insights.
- Data cross-checked with major coupon distributors and third-party vendors.
- Shopper data based on Inmar’s annual online surveys conducted January with ~1,000 respondent
TIPS FOR UNDERSTANDING TRENDS DATA

- **Manufacturer Offers**: Promotions funded by manufacturers and distributed to consumers
- **Store Offers**: Promotions funded by retailers and distributed to consumers
- **Trade Promotions**: Promotions funded by manufacturers and distributed by retailers
- **Loyalty Programs**: Programs that links a consumer to a unique ID and enable the retailer to provide savings to the consumer through Load-to-Card promotions and other savings vehicles
- **Discovery Context**: The way in which a consumer discovers a promotion
  
  *which should not be confused with*

- **Distribution Method**: The media vehicle a manufacturer uses to distribute a promotion to consumers
TOPLINE
FINDINGS
KEY FINDING: Coupon Distribution (in billions)

Source: 2016 Inmar Coupon Trends
KEY FINDING: Coupon Distribution (in billions)

2011: 312  
2012: 314  
2013: 329  
2014: 322  
2015: 321  

-0.1%  

Source: 2016 Inmar Coupon Trends
KEY FINDING: Coupon Redemption (in billions)

- 2014: 2.8 billion
- 2015: 2.5 billion

Change: -13.0%

Source: 2016 Inmar Coupon Trends
REDEMPTION IN RECENT YEARS (in billions)

2005: 3.0
2006: 2.6
2007: 2.6
2008: 2.6
2009: 3.3
2010: 3.3
2011: 3.5
2012: 2.9
2013: 2.9
2014: 2.8
2015: 2.5

Source: 2016 Inmar Coupon Trends
ECONOMIC & INDUSTRY FACTORS
37% of all shoppers say they wish the store that they normally shopped for groceries allowed them to order online and pick up their purchase at the store.

Among those who have ordered products online, 31% have ordered groceries online reporting that, on average, they do 28% of their grocery shopping online.

Source: 2016 Inmar Shopper Behavior Study
<table>
<thead>
<tr>
<th>32%</th>
<th>Percent of eCommerce sales generated by Grocery</th>
</tr>
</thead>
<tbody>
<tr>
<td>44 Units/Basket</td>
<td>Online orders are large and consistent (over $140 on average)</td>
</tr>
<tr>
<td>4x-5x</td>
<td>Larger than Brick &amp; Mortar orders</td>
</tr>
<tr>
<td>90%</td>
<td>Percent of orders that are stock-up orders vs. less than 15% for Brick &amp; Mortar</td>
</tr>
</tbody>
</table>

Source: Willard Bishop 2015 eCommerce Superstudy™
Misery Index down from 2014, but remained steady in 2015

Misery Index = Unemployment Rate + Inflation

Source: U.S. Bureau of Labor Statistics; CPI non-seasonally adjusted, unempl. rate seasonally adjusted
REDEMPTION VS. UNEMPLOYMENT

Gas Prices FELL DRAMATICALLY in 2015…
Putting Money in Consumers’ Pockets

Weekly U.S. All Grades Conventional Retail Gasoline Prices (Dollars per Gallon)

Source: US Energy Information Administration
CONSUMERS WANT THEIR FOOD AS NATURAL AS POSSIBLE...
Back to Natural: The War On Packaged Food

TODAY, FRESH AND REAL BEAT PACKAGED AND LOW-CAL...

77% TRYING TO EAT HEALTHIER THAN IN THE PAST

19% CURRENTLY ON A DIET

Source: http://fortune.com/2015/05/21/the-war-on-big-food/
2015 COUPON DISTRIBUTION

FREE-STANDING INSERT 89.1%

Source: 2016 Inmar Coupon Trends
2015 COUPON REDEMPTION

FREE-STANDING INSERT 38.4%

- Instant Redeemable/Cross Ruff: 20.9%
- Electronic Checkout: 7.9%
- Dual Electronic and Paper: 5.1%
- Shelf Pad: 5.0%
- Direct Mail: 4.3%
- Handout: 3.5%
- Internet: 3.2%
- Electronic Discount: 2.5%
- Other: 9.3%

Source: 2016 Inmar Coupon Trends
AVERAGE NUMBER OF METHODS REGULARLY USED

Source: 2016 Inmar Shopper Behavior Study
# TOP 5 PLACES WHERE SHOPPERS REGULARLY DISCOVER COUPONS

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Location Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>43%</td>
<td>Inserts from the Sunday newspaper</td>
</tr>
<tr>
<td>42%</td>
<td>Found in store circular</td>
</tr>
<tr>
<td>37%</td>
<td>Loaded onto my retail store loyalty card/associated with my account number</td>
</tr>
<tr>
<td>36%</td>
<td>Peeled off product package in the store</td>
</tr>
<tr>
<td>31%</td>
<td>Found on a coupon website</td>
</tr>
</tbody>
</table>

Source: 2016 Inmar Shopper Behavior Study
DISTRIBUTION
Food & Non-Food Offers

2014
Food: 37.7%
Non-Food: 62.3%

2015
Food: 37.1%
Non-Food: 62.9%

Source: 2016 Inmar Coupon Trends
REDEMPTION
Food & Non-Food Offers

2014
Non-Food: 35.9%
Food: 64.1%

2015
Non-Food: 37.5%
Food: 62.5%

Source: 2016 Inmar Coupon Trends
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Average Face Value Distributed</strong></td>
<td>$1.68</td>
<td>$1.72</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(DOWN 2.3%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average Purchase Requirement Distributed</strong></td>
<td>1.45</td>
<td>1.43</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(UP 1.2%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average Redemption Period Distributed</strong></td>
<td>2.0</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(DOWN 4.3%)</td>
<td></td>
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</tr>
</tbody>
</table>

Source: 2016 Inmar Coupon Trends
## PROMOTION DESIGN IMPACTS REDEMPTION

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Face Value Distributed</strong></td>
<td>$1.68</td>
<td>$1.72</td>
<td>$1.56</td>
<td>$1.56</td>
<td>$1.58</td>
</tr>
<tr>
<td></td>
<td>(DOWN 2.3%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average Purchase Requirement Distributed</strong></td>
<td>1.45</td>
<td>1.43</td>
<td>1.47</td>
<td>1.55</td>
<td>1.50</td>
</tr>
<tr>
<td></td>
<td>(UP 1.2%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average Redemption Period Distributed</strong></td>
<td>2.0</td>
<td>2.1</td>
<td>2.2</td>
<td>2.3</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td>(DOWN 4.3%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: 2016 Inmar Coupon Trends
## RESULTS SIMILAR BETWEEN FOOD & NON-FOOD OFFERS

<table>
<thead>
<tr>
<th></th>
<th>AVERAGE FACE VALUE DISTRIBUTED</th>
<th>AVERAGE PURCHASE REQUIREMENT DISTRIBUTED</th>
<th>AVERAGE REDEMPTION PERIOD DISTRIBUTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOOD</td>
<td>$1.11</td>
<td>1.50 units</td>
<td>2.3 months</td>
</tr>
<tr>
<td></td>
<td>-4.1%</td>
<td>+1.2%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>NON-FOOD</td>
<td>$2.02</td>
<td>1.41 units</td>
<td>1.8 months</td>
</tr>
<tr>
<td></td>
<td>-2.1%</td>
<td>+1.3%</td>
<td>-5.8%</td>
</tr>
</tbody>
</table>

Source: 2016 Inmar Coupon Trends
2015 LOWER VALUES, MORE UNITS, MORE TIME

Average Face Value Distributed

- Free-Standing Insert (FSI): $1.68
- Instant Redeemable (IR): $1.20
- Electronic Checkout (EC): $1.42
- Shelf Pad (SP): $1.24
- Internet Print-At-Home (NET): $1.76
- Electronic Discount Opt-In/Load 2 Card (EDO): $1.33
- Handout (HO): $2.10

Average Purchase Requirement Distributed (units)

- FSI: 1.44
- IR: 1.56
- EC: 2.43
- SP: 1.53
- NET: 1.39
- EDO: 1.50
- HO: 1.26

Average Redemption Period Distributed (months)

- FSI: 1.8
- IR: 7.9
- EC: 4.8
- SP: 6.0
- NET: 7.6
- EDO: 2.5
- HO: 4.9

Source: 2016 Inmar Coupon Trends
DOING MORE WITH LESS
EFFICIENCY WITH THE FSI

186 BILLION PAGES DISTRIBUTED
(-8.1% from 2014)

2.0 COUPONS PER PAGE
(1.8 in 2014)

Source: Marx / Kantar Media
CONSUMER RESPONSE VARIES SIGNIFICANTLY BY METHOD

Average Redemption Rate: 2015

<table>
<thead>
<tr>
<th>Method</th>
<th>Redemption Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSI</td>
<td>0.39%</td>
</tr>
<tr>
<td>IR</td>
<td>18.01%</td>
</tr>
<tr>
<td>EC</td>
<td>6.52%</td>
</tr>
<tr>
<td>SP</td>
<td>10.58%</td>
</tr>
<tr>
<td>NET</td>
<td>8.00%</td>
</tr>
<tr>
<td>EDO</td>
<td>5.34%</td>
</tr>
<tr>
<td>HO</td>
<td>3.43%</td>
</tr>
</tbody>
</table>

Source: 2016 Inmar Coupon Trends
BARRIERS TO SHOPPERS’ COUPON USAGE

- **50%** of shoppers say they usually won’t use a coupon if they have to buy multiple items.
- **62%** of shoppers say their coupons often expire before they have a chance to use them.
- **47%** of shoppers say there are too many rules/exclusions for using coupons.

Source: 2016 Inmar Shopper Behavior Study
# Coupon Users Report Increasing Hassle to Save

<table>
<thead>
<tr>
<th>Statement</th>
<th>2013</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>“IT TAKES <strong>TOO MUCH TIME</strong> TO FIND COUPONS.”</td>
<td>30%</td>
<td>42%</td>
</tr>
<tr>
<td>“I CAN’T FIND COUPONS FOR PRODUCTS I WANT TO BUY.”</td>
<td>53%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Source: 2013 - 2016 Inmar Shopper Behavior Study
Time is major barrier to couponing for shoppers, especially Hispanic shoppers

53% HISPANICS

42% NON-HISPANICS

“It takes too much time to find coupons.”

Source: 2016 Inmar Shopper Behavior Study
92% of shoppers used a coupon in the last 3 months of 2015.

Compared to 2014, shoppers reported coupon usage in 2015:

- Increased: 31%
- Stayed the same: 59%
- Decreased: 10%

Source: 2016 Inmar Shopper Behavior Study
## Why Coupon Use Increased for Some Shoppers

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>62%</td>
<td>I have found more coupons for products that I want to buy.</td>
</tr>
<tr>
<td>54%</td>
<td>I have seen more coupons online.</td>
</tr>
<tr>
<td>43%</td>
<td>My financial situation changed.</td>
</tr>
<tr>
<td>42%</td>
<td>I have seen more coupons in retail store ads/circulars.</td>
</tr>
<tr>
<td>42%</td>
<td>My store made coupons available on my loyalty card.</td>
</tr>
<tr>
<td>41%</td>
<td>It has been easier to find coupon and store promotion (i.e., store sales) information all in one place (i.e., coupon blog sites).</td>
</tr>
<tr>
<td>23%</td>
<td>I have heard about coupons from friends/family.</td>
</tr>
</tbody>
</table>

Source: 2016 Inmar Shopper Behavior Study
ALIGN STRATEGY
WITH SHOPPER ATTITUDES

64% Would switch brands if they have a coupon making another brand cheaper

55% Use coupons to try new products

35% Want stores to send them recipes with their coupons they send

Source: 2016 Inmar Shopper Behavior Study
DIGITAL TRENDS
SMARTPHONE USERS INCREASING

SMARTPHONE USERS:

<table>
<thead>
<tr>
<th>Year</th>
<th>Then</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>64%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>66%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>66%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>80%</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2013 - 2016 Inmar Shopper Behavior Study
SHOPPERS ARE LOOKING FOR MORE INTEGRATED DIGITAL SOLUTIONS

“I WISH ALL COUPONS WERE DIGITAL.”

2013 2016
37% 46%

“I WANT COUPONS SENT TO MY MOBILE PHONE FOR PRODUCTS THAT I NORMALLY BUY.”

2013 2016
53% 62%

Source: 2013 - 2016 Inmar Shopper Behavior Study
### Millennials Want a Purely Digital Promotion Experience

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Desire for Digital Coupons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennials (18-36)</td>
<td>59%</td>
</tr>
<tr>
<td>Non-Millennials (37+)</td>
<td>37%</td>
</tr>
</tbody>
</table>

“I wish all coupons were digital.”

Source: 2016 Inmar Shopper Behavior Study
HISPANIC SHOPPERS ARE LOOKING FOR MOBILE TECHNOLOGY- INTEGRATED COUPONS

57% HISPANICS

48% NON-HISPANICS

“I want my coupons sent to my mobile phone.”

Source: 2016 Inmar Shopper Behavior Study
<table>
<thead>
<tr>
<th>NET (Print at Home) Fast Facts</th>
</tr>
</thead>
<tbody>
<tr>
<td>STILL SMALL SHARE OF DISTRIBUTION: <strong>0.3%</strong></td>
</tr>
<tr>
<td>DECLINING SHARE OF REDEMPTION: <strong>3.2%</strong></td>
</tr>
<tr>
<td>RICH FACE VALUES: <strong>$1.76</strong></td>
</tr>
<tr>
<td>WIDE RANGE OF REDEMPTION RATES</td>
</tr>
<tr>
<td>OVERALL AVERAGE: <strong>8.0%</strong></td>
</tr>
<tr>
<td>“MIDDLE HALF” SPANS: <strong>1.74% - 29.35%</strong></td>
</tr>
</tbody>
</table>

Source: 2016 Inmar Coupon Trends
EDO (Load to Card) Fast Facts

- Share of Distribution: 0.3%
- Growing Share of Redemption: 2.5%
- Typical Face Values: $1.33
- Average Redemption Rates
  - Overall Average: 5.34%
  - “Middle Half” Spans: 1.04% - 7.68%

Source: 2016 Inmar Coupon Trends
DEP (Dual Electronic and Paper) Fast Facts

LARGE SHARE OF DISTRIBUTION: 2.3%

LARGE SHARE OF REDEMPTION: 5.1% 2014: 3.5%

AVERAGE FACE VALUE: $1.54

AVERAGE REDEMPTION RATES

OVERALL AVERAGE: 2.32%

“MIDDLE HALF” SPANS: 1.61% -12.11%
SO WHAT/
NOW WHAT
THE EMERGING SHIFT

• Budgets Shrinking
• Shopper Preferences Changing
• Economic Conditions Improving
### Q1 Fast Facts (Q1 2015 vs. Q1 2016)

<table>
<thead>
<tr>
<th>Category</th>
<th>Q1 2016</th>
<th>Q1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISTRIBUTION: Down</td>
<td>14.5%</td>
<td></td>
</tr>
<tr>
<td>REDEMPTION: Down</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>ELECTRONIC DISCOUNT RED SHARE</td>
<td>3.0%</td>
<td>2.7%</td>
</tr>
<tr>
<td>INTERNET PRINT AT HOME RED SHARE</td>
<td>3.8%</td>
<td>3.1%</td>
</tr>
<tr>
<td>FSI RED SHARE</td>
<td>36.5%</td>
<td>41.6%</td>
</tr>
<tr>
<td>AVERAGE FACE VALUE</td>
<td>$1.54 (-10.9%)</td>
<td></td>
</tr>
<tr>
<td>AVERAGE PURCHASE REQUIREMENT</td>
<td>1.48 (8.2%)</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2016 Inmar Coupon Trends
On demand reporting, research and education for CPG brands and retailers

**INDUSTRY TRENDS:** Reports focused on key trends data and analysis from the promotion industry

**SHOPPER RESEARCH:** Studies and findings analyzing shopper behavior and the path to purchase

**EDUCATION:** Fundamental information about the promotion industry and best practices
THANK YOU! QUESTIONS?

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HOW DID WE DO?

CLICK THE SURVEY BUTTON FOUND ON THE SESSION PAGE.