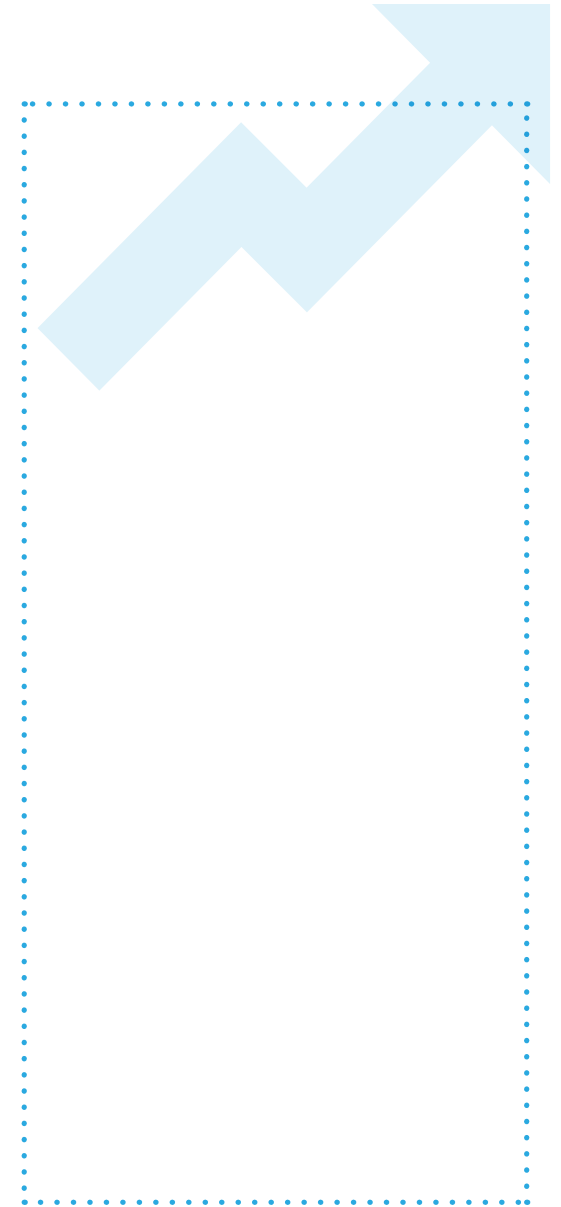




WHAT YOU WILL FIND...

NCSolutions (NCS) commissioned a consumer sentiment survey to uncover how inflation is affecting Americans. We asked questions to find out if their buying habits have changed and how they feel about their favorite consumer packaged goods (CPG) brands. Also, using our purchase insights, we calculated the increase in prices for CPG categories and published them in this guide.

- > **WHAT DID WE LEARN?** Americans are worried about inflation, and their shopping budgets are extremely stretched. They are having to make difficult decisions about the things they buy and seeking products they feel offer value and can feed their families for several meals. In many cases, brand loyalty is overlooked as consumers manage tighter budgets.
- > **HOW CAN YOU USE THIS GUIDE?** Use the guide as inspiration for how to grow your business in a challenging market. Along with the consumer insights, we have provided helpful tips and links to research about how advertising works that are relevant today.



WE LEARNED THAT CONSUMERS



STRESS-FLATION

WE ASKED AMERICANS...

HOW THEY ARE FEELING ABOUT INFLATION

45%

FEEL THEY CAN'T AFFORD THEIR LIFESTYLE

68%

FEEL THEIR CURRENT FINANCIAL SITUATION CAN NOT BEAR ANYMORE FOOD PRICE INCREASES



66%

ARE MORE MINDFUL OF HOW THEY SPEND THEIR MONEY

30%

ARE POSTPONING EXPENSES

HOW INFLATION IS IMPACTING THEIR LIVES

40%

OF AMERICANS ARE EATING OUT LESS OFTEN

81%

FIND THE FOOD THEY BUY EACH WEEK TO BE MORE EXPENSIVE



65%

SAY THAT THEIR INCOME HAS NOT INCREASED AS FAST AS THE COST OF FOOD, BEVERAGE AND PERSONAL CARE PRODUCTS

53%

SAY FOOD STAPLES ARE MUCH MORE EXPENSIVE THAN ONE YEAR AGO

85%

58%

57%

47%

AMERICANS ARE CONCERNED ABOUT:

- INFLATION
- COST OF LIVING (believe it will be more expensive in the coming year)
- THE COUNTRY'S FINANCIAL SITUATION
- THEIR FAMILY'S FINANCIAL SITUATION



HOW DID WE GET HERE?

INFLATION AT A 40-YEAR HIGH

The last time inflation was this high, *Fast Times at Ridgemont High* and *E.T.* were ruling the box office. How did we get here?



Since the beginning of the pandemic in March 2020 we have been on a fairly consistent inflationary upswing. According to the U.S. Department of Labor, inflation across *all types of goods* is 9.1% (June 2022). We calculated specific CPG products tracked to see how they stack up. We discovered that products deemed more essential – like CPG – have inflated on average 12.8%.

HOW DOES 2022 COMPARE?

Inflation Pacing Year-Over-Year

Another way to look at inflation is to compare the trajectory of price increases across calendar years.

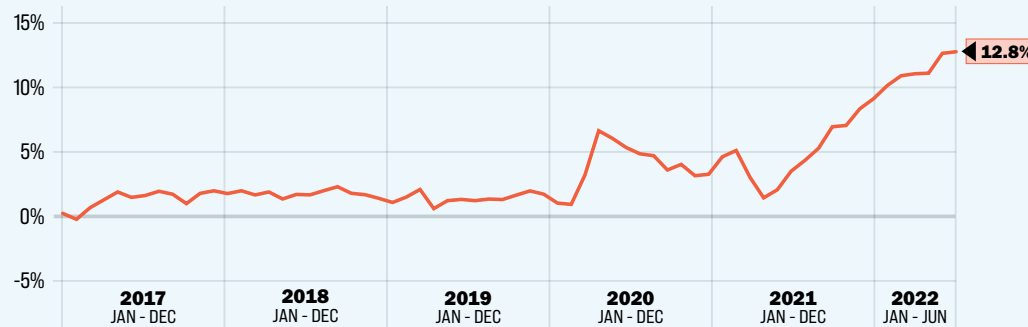
2022 is pacing similar to last year but at a slightly accelerated rate. If the trend continues, this year will even be more inflationary than 2021.

Consumers are not optimistic – we learned in our consumer sentiment survey that 58% think the cost of living will be much more expensive in the year, and 71% feel that the U.S. economy is in decline.

But not all consumer products are affected equally – let's take a look on the next page at which products are inflating the most.

Percent Inflation Change Year-Over-Year

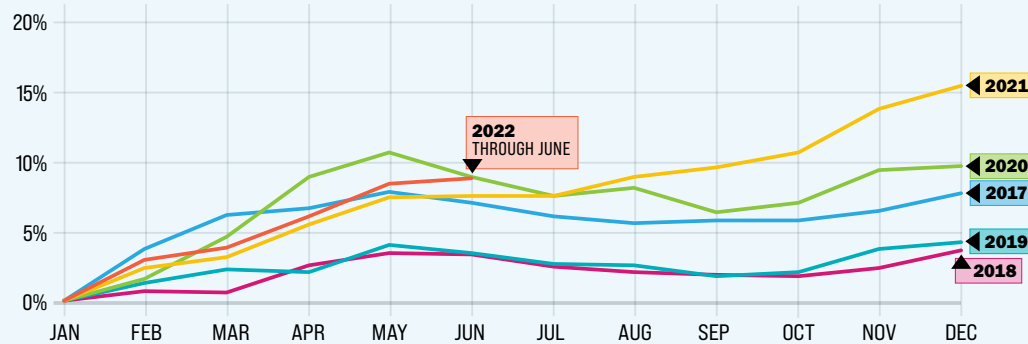
12.8% Average Inflation Rate in 2022



AVERAGE CPG INFLATION RATE IS 12.8% YEAR OVER YEAR

Six-Year Inflation Trend

Yearly Inflation Increase



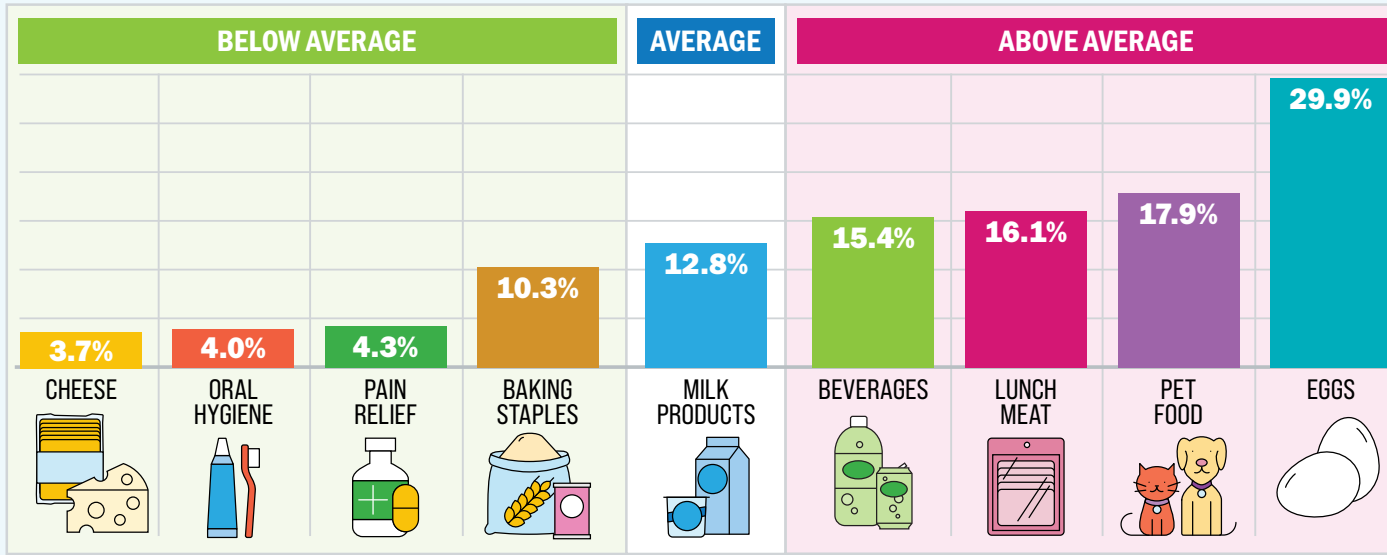


OH MY CPGoodness!

A LOOK AT INFLATION INCREASES BY CATEGORY

Category Highs and Lows

JUNE 2021 vs. JUNE 2022: Inflation Increases by Category



ADVERTISING IS ALWAYS VITAL

NCS has been studying how advertising influences consumer behavior for more than a decade, and our research has consistently and conclusively shown that advertising, on the most fundamental level, works. If the targeting is precise and the creative is compelling, then advertising is empirically proven to influence how consumers perceive and purchase different brands.

It's understandable to consider reducing advertising spending during times of economic uncertainty. But the data shows advertising isn't a discretionary expense. According to Nielsen, for every quarter a brand doesn't advertise on TV, its long-term sales decrease by 2%. If you manage a brand whose budget has been cut and is not advertising right now, plan for the day that budget is secured, so you are ready to hit the ground running to minimize your time out of market.

Advertising is vital to the short- and long-term health of your business — both in "normal" times and especially in times of crises (pandemic, inflation, recession).

“Consumers have more pressure on their spending. Why should they choose your brand? Families will pay more for the upcoming fall and winter CPG holidays and milestones. As an advertiser in this environment, it is key to be in front of your buyers, reminding them why they love your brand.”



ALAN MILES
CEO
NCSolutions



REALITY AND REACTIONS

FEELING THE PINCH, BUYERS HAVE CHANGED THEIR SHOPPING PATTERNS

Reality

LOCATIONS WHERE CONSUMERS SAY THEY SEE LARGEST PRICE INCREASES



Prices are Increasing Everywhere	62%
Grocery/Supermarket	55%
Restaurant Food	35%
Big Box Stores	33%
Convenience Stores	26%
Drug Stores	22%
Club Stores	18%

Reactions

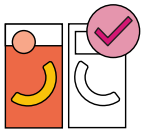
HOW CONSUMERS ARE CHANGING THEIR SHOPPING HABITS BECAUSE OF INFLATION



- Buying Fewer Non-essential Items for my Household
- Purchasing Less Expensive Food/Beverages Than I Usually Buy
- Buying Only The Essentials
- Buying Extra When I Find Food Items on Sale
- Seeking Out Coupons and Sales at the Grocery Store
- Shopping Based on Price for My Groceries

Are Your Loyal Customers at Risk?

CONSUMERS WERE ASKED WHAT IF THEIR PREFERRED BRAND BECAME TOO EXPENSIVE (Multi-select)



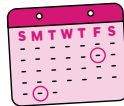
BUY LESS EXPENSIVE ALTERNATIVES
60%



GO WITHOUT MY PREFERRED BRANDS
46%



SEEK OUT SALES & PROMOTIONS TO HELP AFFORD MY PREFERRED BRANDS
43%



BUY MY FAVORITE BRANDS LESS OFTEN
37%



CUT BACK MY SPENDING IN OTHER AREAS TO MAKE SURE I CAN AFFORD MY PREFERRED BRAND
23%



MAKE NO CHANGES AND PAY THE INCREASED PRICES
6%

HEY MARKETERS

In a time when 60% of consumers are buying less expensive alternatives, it's essential to keep your brand top of mind — and make sure you are getting the most out of your advertising budget.

Instead of buying impressions based on broad age and demographic groups, try using a more precise approach. Target ads to the households that both meet your acquisition/retention goals, respond to your ad message and are more likely to actually buy. You will not need to buy as many impressions and will show your ads only to likely buyers. It is a win-win; it saves your budget, and consumers prefer to see ads for products they buy.

Another way to stretch that budget is to use in-flight purchase insights to gauge the campaign's sales impact and optimize the tactics that work to drive incremental sales. If a tactic does not generate a return on ad spend, it can be identified and eliminated while the campaign is still running.

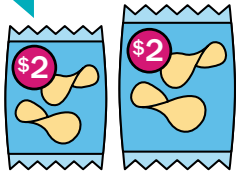
Use post-campaign sales lift reports to identify which audiences, creative tactics, media partners and frequency were most efficient at creating a return on ad spend. Utilize these insights as a road map to plan future campaigns.



CONSUMERS ARE ON TO YOU

BUYERS NEED TO FEEL VALUED – SHOW THEM SOME LOVE

61%
SAY THAT PACKAGING IS SMALLER BUT STILL COSTS THE SAME



36%
SAY THERE ARE FEWER BRANDS AVAILABLE



40%
SAY THERE IS LESS VARIETY OF PRODUCTS AVAILABLE



Buyer Priorities

WHEN SHOPPING FOR GROCERIES, WHICH PRODUCTS ARE MOST IMPORTANT TO CONSUMERS?

#1

Affordable and provide a clear value for my money

#2

Food products that feed my family for several meals

#3

Food products that I know my family enjoys eating

#4

Items that are on sale where I shop

#5

Items that provide balanced nutritional value

#6

The brands we buy each week are the brands we are loyal to

HEY, MARKETERS

Consumers place high consideration on the value brands offer. Make sure your messaging is empathetic with their feelings and offers a clear distinction from the competition.

Not always easy, but tried and proven advice: get the right message in front of the right person at the right time to drive incremental sales.

An innovation to help is bidstream optimization. This application enables marketers to run more efficient campaigns and maximize the return on your campaign budgets by leveraging recent purchase insights.



HOW BRANDS CAN STAY THE COURSE

NCS RECOMMENDATIONS FOR ADVERTISING IN AN INFLATIONARY ENVIRONMENT

1

DON'T STOP ADVERTISING

If your goal is growth, you have to stay the course — advertising works when done correctly.

2

WHEN BUDGETS ARE LIMITED, USE YOUR MONEY WISELY

Double down on the tactics you know drive incremental sales.

3

TAKE CARE OF YOUR LOYAL BUYERS

Remind them why they love your brand. Remember, they might sample and convert to a rival.

4

TARGET YOUR PREVIOUS BUYERS

Achieve increased incremental sales and a higher long-term payoff with existing customers.

5

OPTIMIZE IN THE BIDSTREAM

Make sure your ads are seen by the right people at the right time and maximize the return on your ad budget.

6

BE EMPATHETIC

Adjust your creativity and messaging to appeal to the value-conscious consumer.

Dig Into How Advertising Works

CHECK OUT OUR LIBRARY OF RESEARCH STUDIES ON THE SCIENCE OF ADVERTISING.



ANSWER QUESTIONS LIKE:

- Is all frequency created equal?
- What drives current and future brand growth?
- What is the science to building a brand?
- And more...



Staying the course for a CPG brand means advertising your product to grow and maintain market share. Previous NCSolutions research has proven, empirically and emphatically, that compelling, well-targeted advertising is a pathway to increase both brand equity and sales in both the short- and long-term.



LESLIE WOOD
Chief Research Officer
NCSolutions

ABOUT NCS

NCS has been helping CPG brands, publishers and retailers improve advertising effectiveness for over a decade. With a mission to improve advertising effectiveness for all media, the NCS team has pioneered new ways to target, optimize, measure and enable sales-based outcomes. We're changing how CPG brands, publishers and TV networks view the possibilities of advertising.

Continuous innovation is the key to driving growth for our customers, propelling NCS forward.



Visit us at www.ncsolutions.com to learn more.



ABOUT THE CONSUMER SURVEY DATA

The online survey of 2,141 respondents was fielded from June 17- 20, 2022. Responses presented in this survey were weighted by location, education, income and other demographics to be representative of the overall population.

ABOUT THE NCS PURCHASE DATA

NCS provides purchase insights to brands to help them optimize, measure, and enable sales-based outcomes. NCS's representative and balanced consumer CPG purchase data set consists of the industry's preeminent and comprehensive sources. It is inclusive of actual purchase data (transaction information) from big-box retailers, supermarkets, drug stores, convenience stores and other retail channels at which American households buy CPG products spanning 340+ grocery categories.

NCS calculated price increase percentages by aggregating UPCs for major CPG categories based on spending in the average American grocery baskets.