ADVANTAGE OUTLOOK

Manufacturer & Retailer Outlook

Q4 2024

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Content

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ADVANTAGE OUTLOOK

Holiday & 2025 Predictions

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HOLIDAY EXPECTATIONS

While half of manufacturers expect their business to grow this holiday season, retailers are even more optimistic about their holiday growth – BUT – both aren't as confident in a happy holiday season for the CPG industry

MANUFACTURERS

*"What are your unit volume expectations for the **2024 holiday season** for _____ compared to LY?"*

Holiday 2023 was **-2.7%** vs YAG

	CPG Industry	Your Business		
	TOTAL		Food	Non-Food
5% or higher growth	**2%**	**7%**	9%	0%
3-4% growth	**7%**	**15%**	18%	12%
1-2% growth	**29%**	**29%**	29%	29%
Same as last year	**27%**	**22%**	21%	29%
1-2% decline	**20%**	**16%**	15%	24%
3-4% decline	**15%**	**7%**	6%	6%
5% or more decline	**0%**	**4%**	3%	0%
			(Base 34)	(Base 17)

RETAILERS

*"What are your unit volume expectations for the **2024 holiday season** for _____ compared to LY?"*

	CPG Industry	Your Business
5% or higher growth	**0%**	**4%**
3-4% growth	**11%**	**17%**
1-2% growth	**39%**	**50%**
Same as last year	**32%**	**15%**
1-2% decline	**14%**	**11%**
3-4% decline	**5%**	**2%**
5% or more decline	**0%**	**0%**

Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 55) and Retailer Outlook Study October 2024 (Base 46); Dataset: NielsenIQ Panel on Demand Homescan | US HS - NDH Synd UPC Full View - 444 5yr | US - Advantage Solutions (Synd) | Food Channel | YTD w/e 09/07/24 vs YA | OND w/e 12/30/23 vs OND w/e 12/31/22

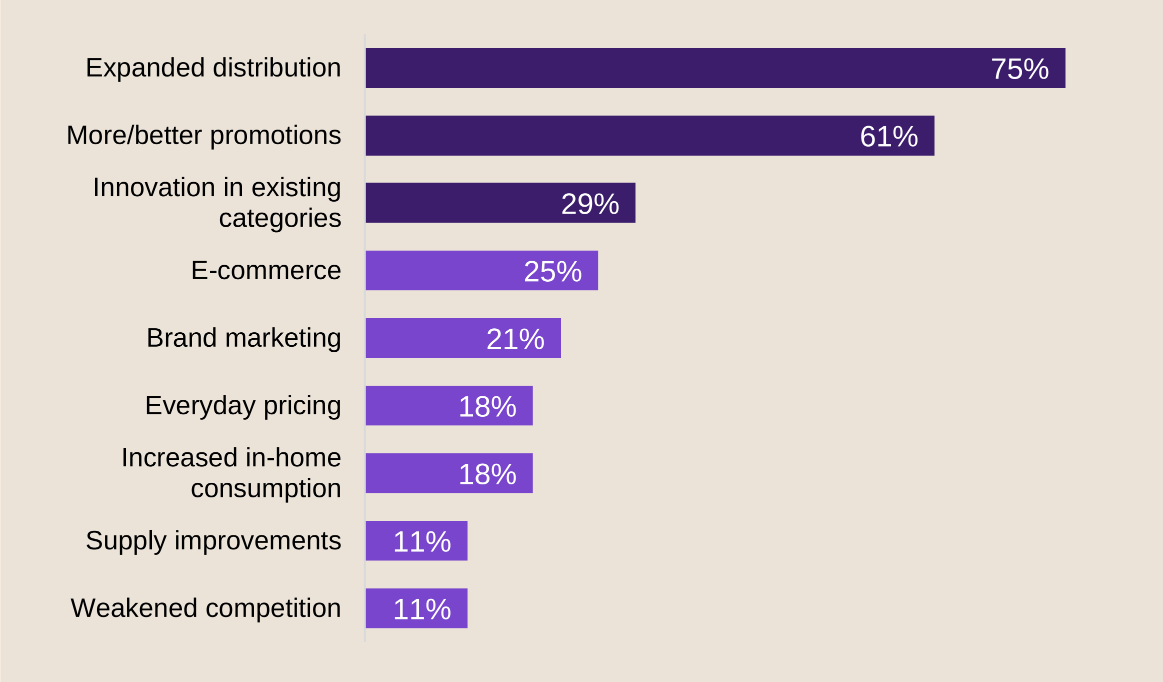
*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

HOLIDAY VOLUME DRIVERS

We can expect more promotions this holiday season with both manufacturers and retailers relying on this alongside manufacturers also relying on expanded distribution

MANUFACTURERS

*“What are the top 3 reasons you think **2024 holiday season** unit volume will increase for <u>your business</u>?”*



RETAILERS

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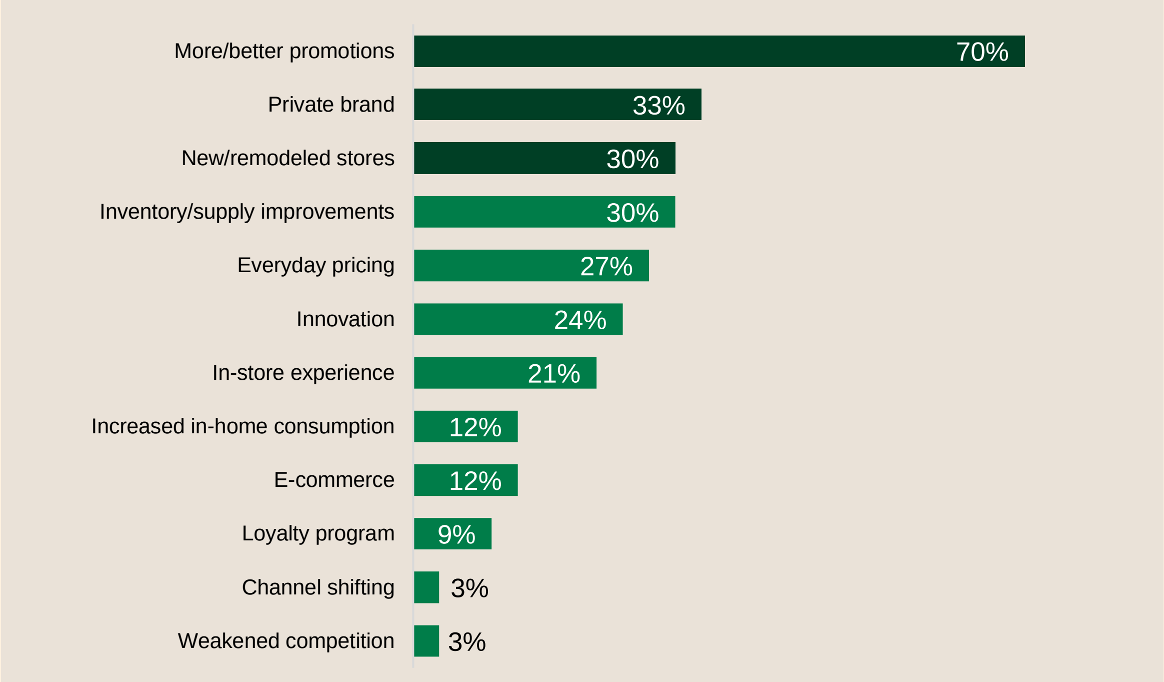


Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 28) and Retailer Outlook Study October 2024 (Base 33)

*Results may not = 100% due to rounding, multi-select, or “other”/”N/A” responses

2025 EXPECTATIONS

An overwhelming majority of retailers and manufacturers have high expectations for their growth in 2025 . . . But not so much for the CPG industry

MANUFACTURERS

*"What are your unit volume expectations for **2025** for _____ compared to LY?"*

YTD growth is trending **-0.1%**

	CPG Industry	Your Business		
		TOTAL	Food	Non-Food
5% or higher growth	**2%**	**11%**	14%	0%
3-4% growth	**17%**	**29%**	23%	35%
1-2% growth	**43%**	**39%**	43%	35%
Same as last year	**22%**	**7%**	3%	18%
1-2% decline	**9%**	**11%**	11%	12%
3-4% decline	**7%**	**4%**	6%	0%
5% or more decline	**0%**	**0%**	0%	0%
			(Base 35)	(Base 17)

RETAILERS

*"What are your unit volume expectations for **2025** for _____ compared to LY?"*

	CPG Industry	Your Business
5% or higher growth	**0%**	**2%**
3-4% growth	**17%**	**17%**
1-2% growth	**45%**	**67%**
Same as last year	**29%**	**4%**
1-2% decline	**7%**	**7%**
3-4% decline	**2%**	**2%**
5% or more decline	**0%**	**0%**

Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 55) and Retailer Outlook Study October 2024 (Base 46); Dataset: NielsenIQ Panel on Demand Homescan | US HS - NDH Synd UPC Full View - 444 5yr | US - Advantage Solutions (Synd) | Food Channel | YTD w/e 09/07/24 vs YA | OND w/e 12/30/23 vs OND w/e 12/31/22

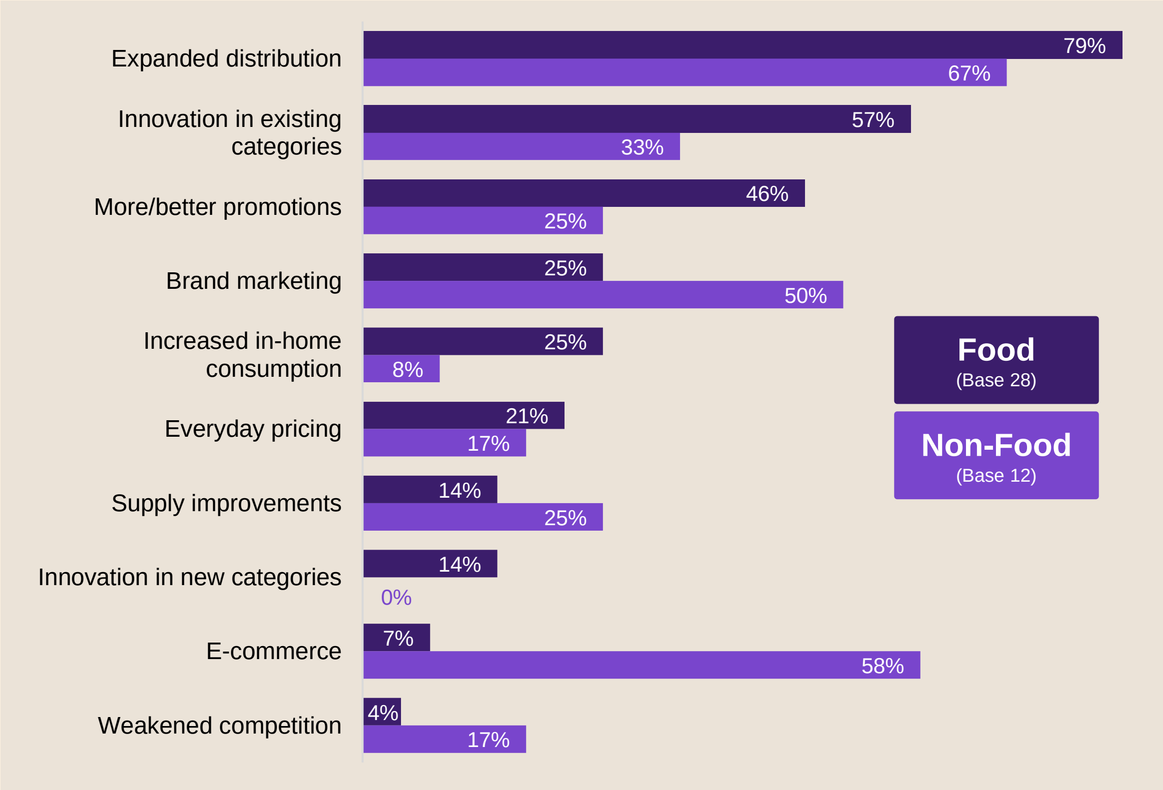
*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

2025 VOLUME DRIVERS

Manufacturers will drive 2025 growth with expanded distribution with food manufacturers leaning also on innovation and promotions and non-food leaning on e-commerce and brand marketing; retailers will drive growth with promotions and private brand

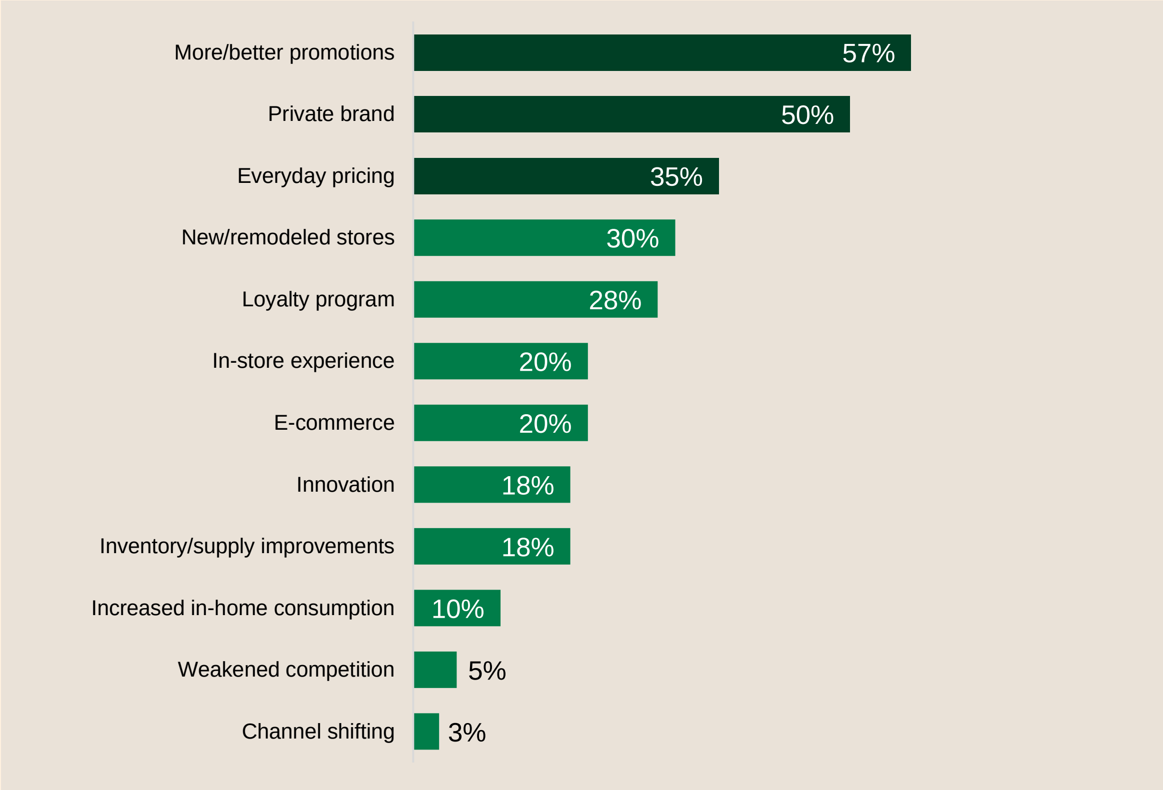
MANUFACTURERS

*"What are the top 3 reasons you think **2025** unit volume will increase for <u>your business</u>?"*



RETAILERS

*"What are the top 3 reasons you think **2025** unit volume will increase for <u>your business</u>?"*



Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 44) and Retailer Outlook Study October 2024 (Base 40)

*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

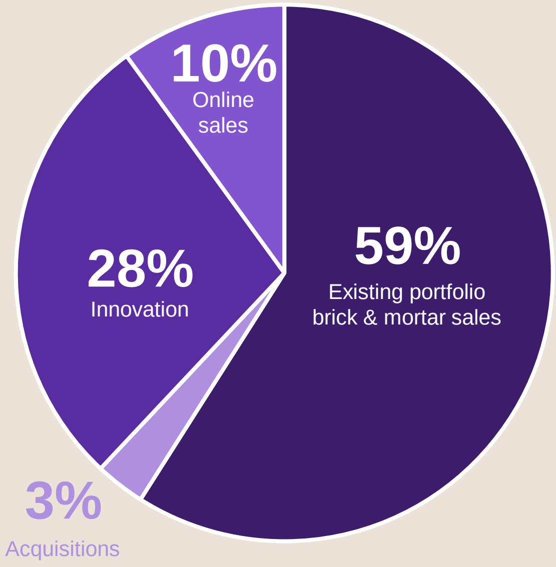
GROWTH DRIVERS

Beyond existing product in-store sales, manufacturers are relying more heavily on innovation for growth compared to retailers; non-food manufacturers have heavy reliance on online sales

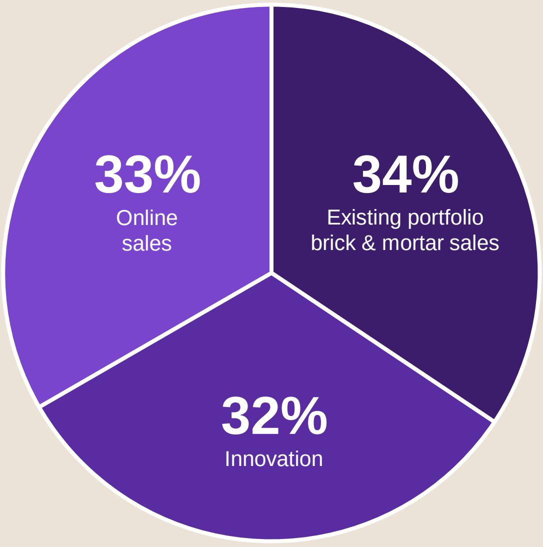
MANUFACTURERS

*"Where will your **2025** growth come from?"*

Food (Base 28)

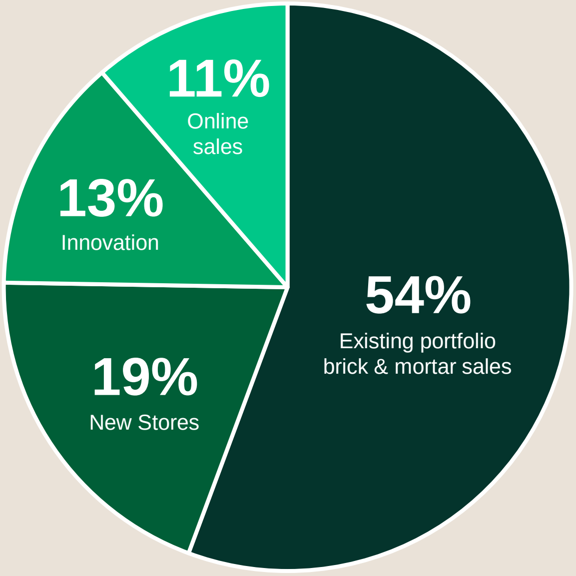


Non-Food (Base 12)



RETAILERS

*"Where will your **2025** growth come from?"*



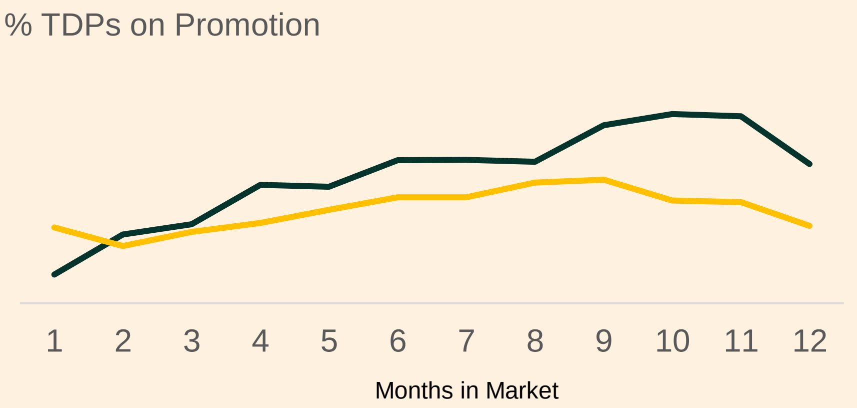
Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 43) and Retailer Outlook Study October 2024 (Base 38)

*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

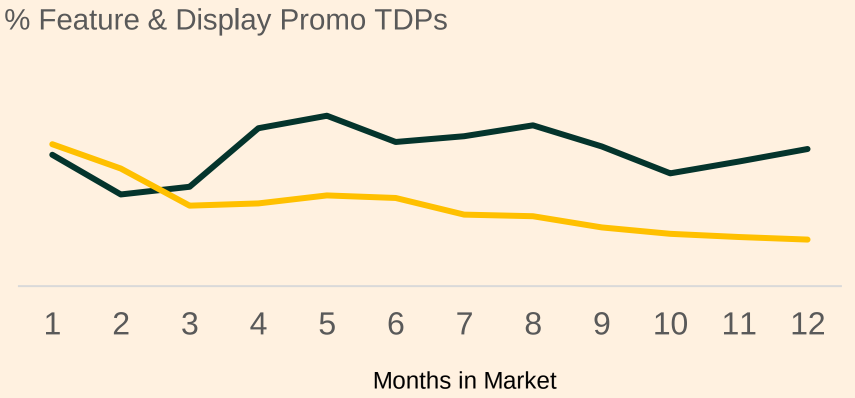
Innovation

INNOVATION PROMOTIONAL DIFFERENCES

1 Secure shelf space, then accelerate and maintain promotional activity starting in the second month.



2 Maintain Feature & Display activity in key retailers



Source: NIQ RMS | Total US xAOC | Innovations launched in Q1 2023 and average 20% distribution in first year | Top 25% Innovations determined using Units/Store year 1 velocity

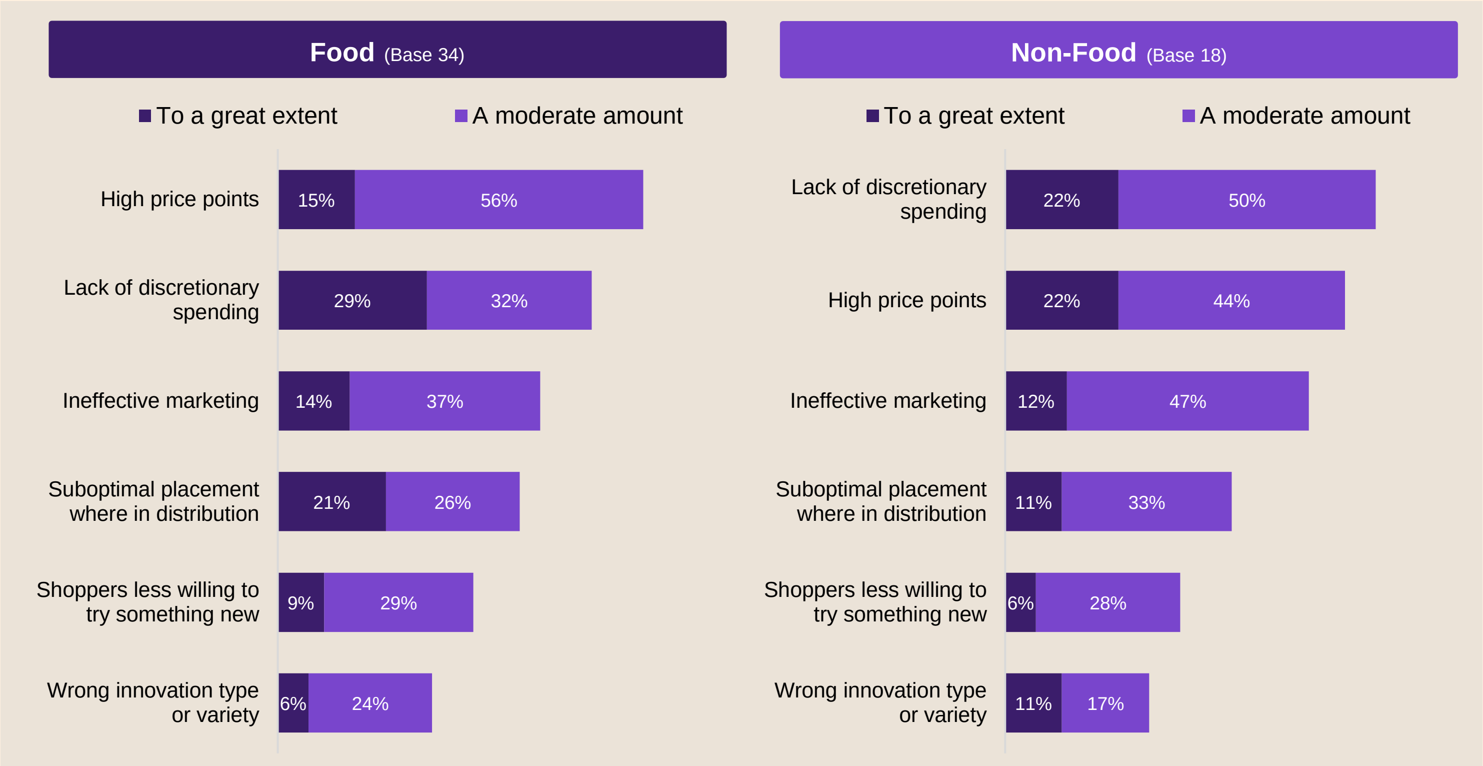
Advantage Solutions | NIQ

IMPACTS ON INNOVATION

Manufacturers and retailers agree lack of discretionary spending and high price points impact innovation success

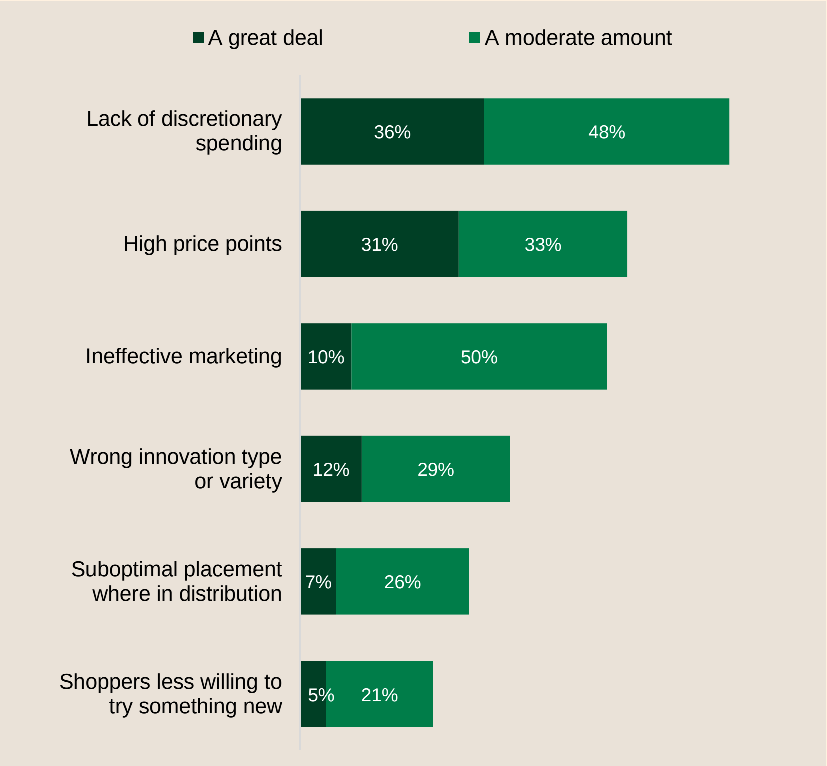
MANUFACTURERS

“To what extent are any of the following affecting the success of your innovation?”



RETAILERS

“To what extent are any of the following affecting the success of your innovation?”



Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 53) and Retailer Outlook Study October 2024 (Base 42)

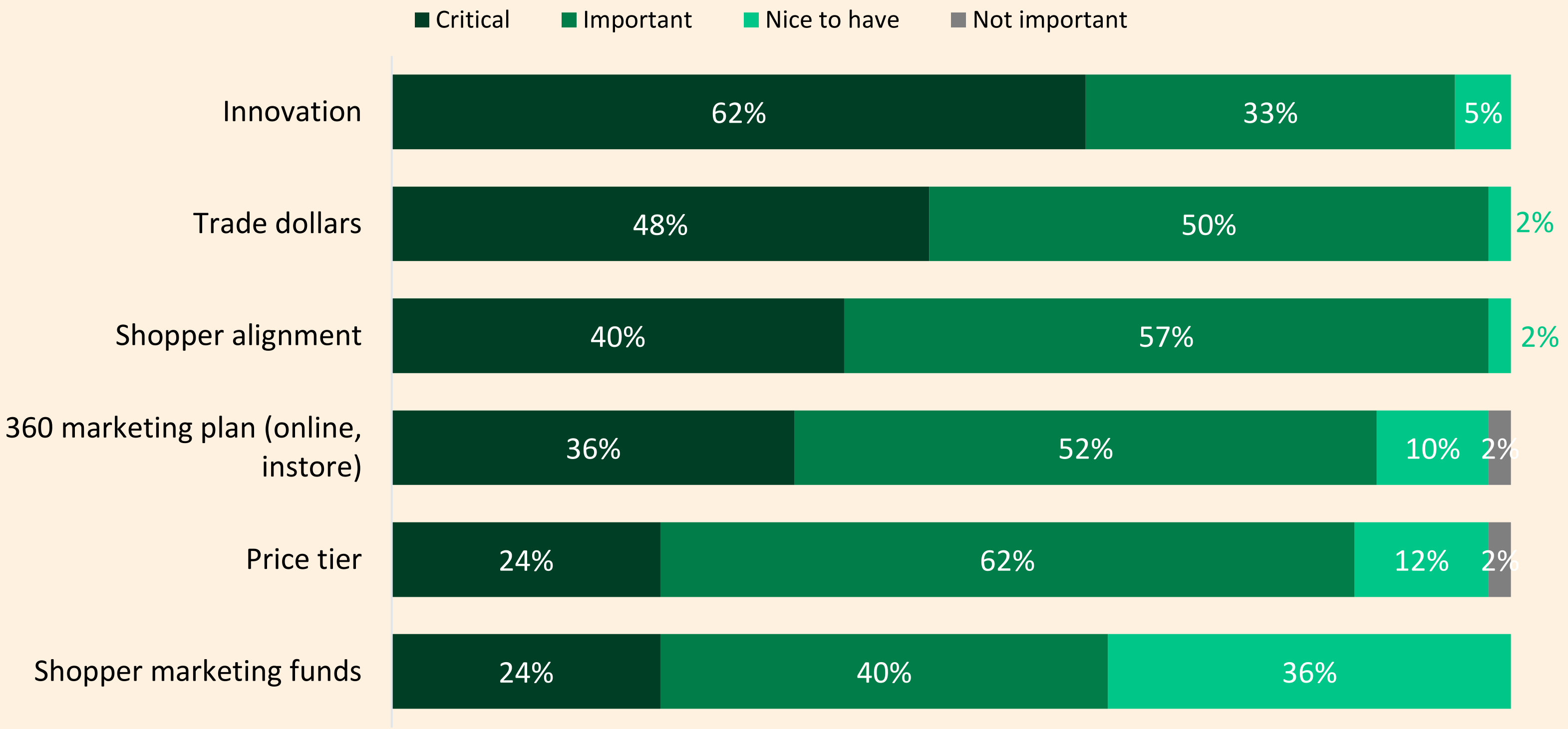
*Results may not = 100% due to rounding, multi-select, or “other”/”N/A” responses

ASSORTMENT CONSIDERATIONS

Innovation ranks #1 in retailer's consideration set for assortment decisions, and 95% of retailers will make off cycle updates if there is a strong driver

RETAILERS

"Relative to planogram/assortment decisions, how important are the following?"



"As innovation comes in over the next 12 months, how likely are you to add additional planogram updates?"

I regularly update the planogram for seasonal items & innovation **25%**

I will add an off-cycle planogram if there is a strong driver **70%**

I will not make any off-cycle planogram updates for new items **5%**

Promotions & Pricing

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PANTRY LOADING

44% of manufacturers are not concerned with pantry loading, but 45% of consumers say they have more product on hand than normal prompted by good prices/sales

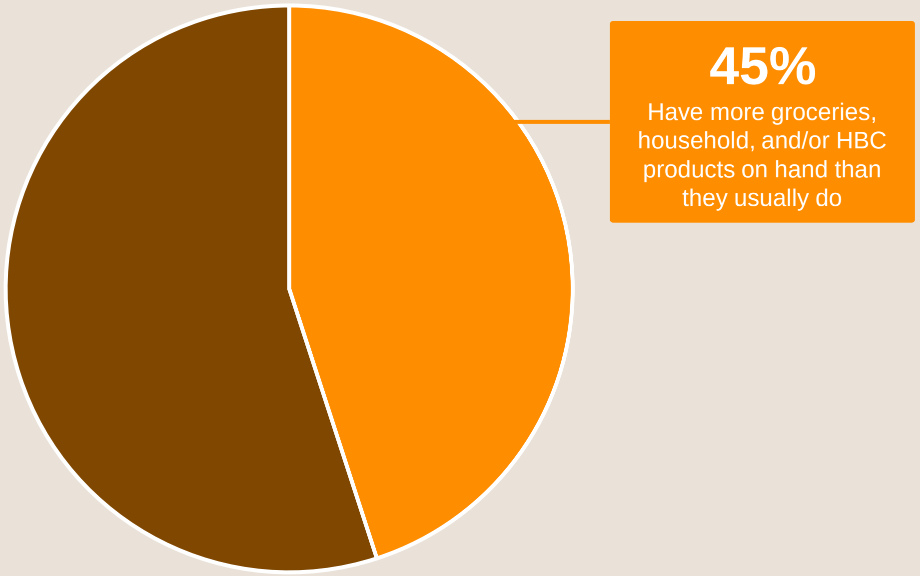
MANUFACTURERS

"What is your top strategy to drive product use (consumption)?"

- Not a concern **44%**
- Market multiple uses **35%**
- Limit the buy quantity **4%**
- Does not apply **11%**

SHOPPERS

"Comparing how much you usually keep on hand, how much of the following do you have available at home now?"



"You indicated that you have more groceries/HH products/HBC products than usual on hand at home. Why? Please select all that apply."

Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 55)
2024 SMART Pricing Study (Base 1,440; 646)

*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

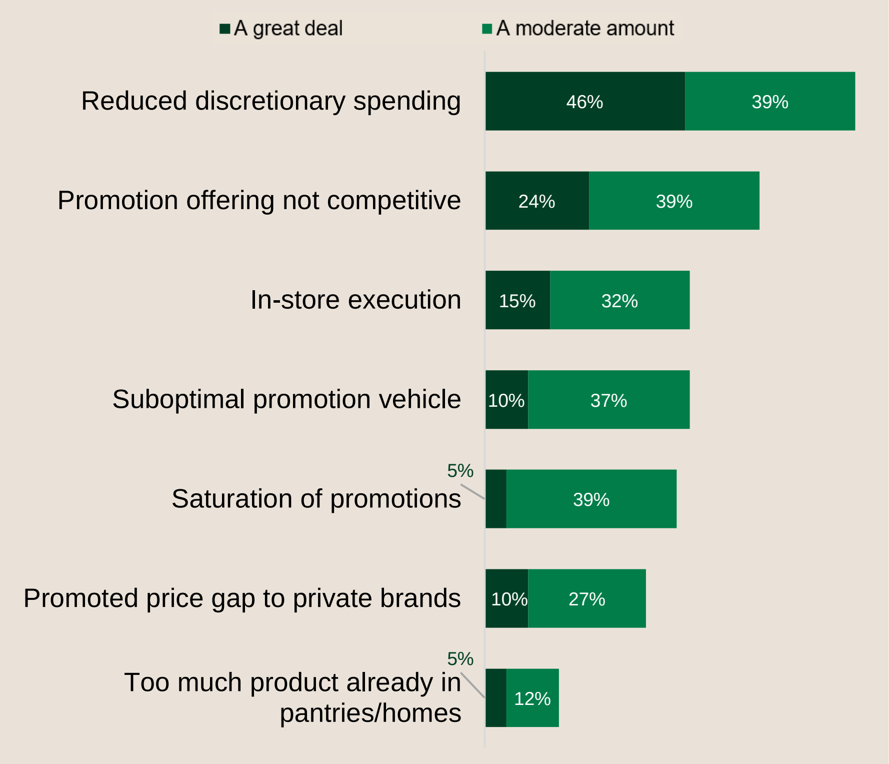
PROMOTION EFFECTIVENESS

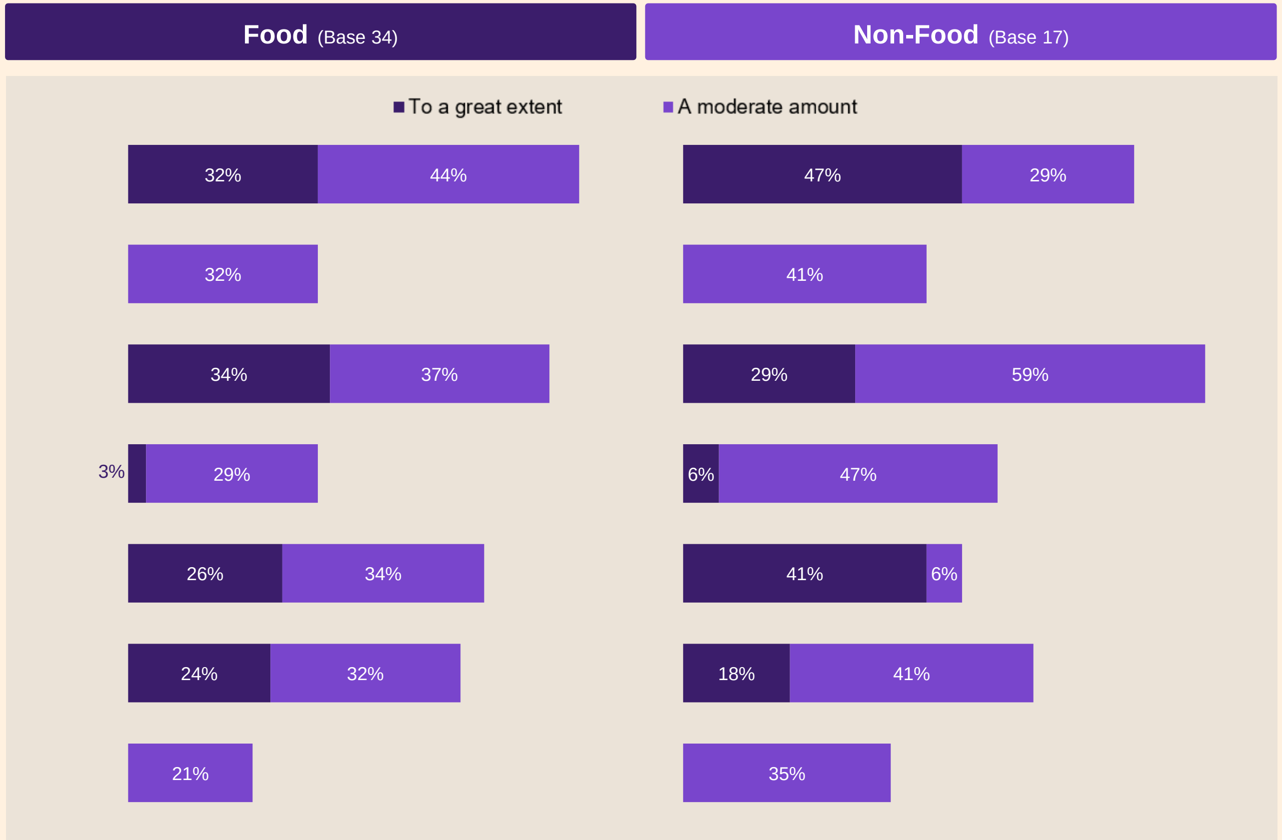
Manufacturers and retailers agree reduced discretionary spending could impact promotion effectiveness; manufacturers also think in-store execution is an impact while retailers think promotion competitiveness impacts effectiveness

RETAILERS

MANUFACTURERS

"To what extent do any of the following have you concerned about optimal promotion effectiveness over the next 6 months?"





Promotion efficiency has improved **+5.5%** for national brands and **+11.1%** for private brands

Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 54) and Retailer Outlook Study October 2024 (Base 41); Dataset: NielsenIQ Panel on Demand Homescan| US HS - NDH Synd UPC Full View - 444 5yr | US - Advantage Solutions (Synd) | Rolling 26 w/e 09/07/24 vs Rolling 26 w/e 09/09/23

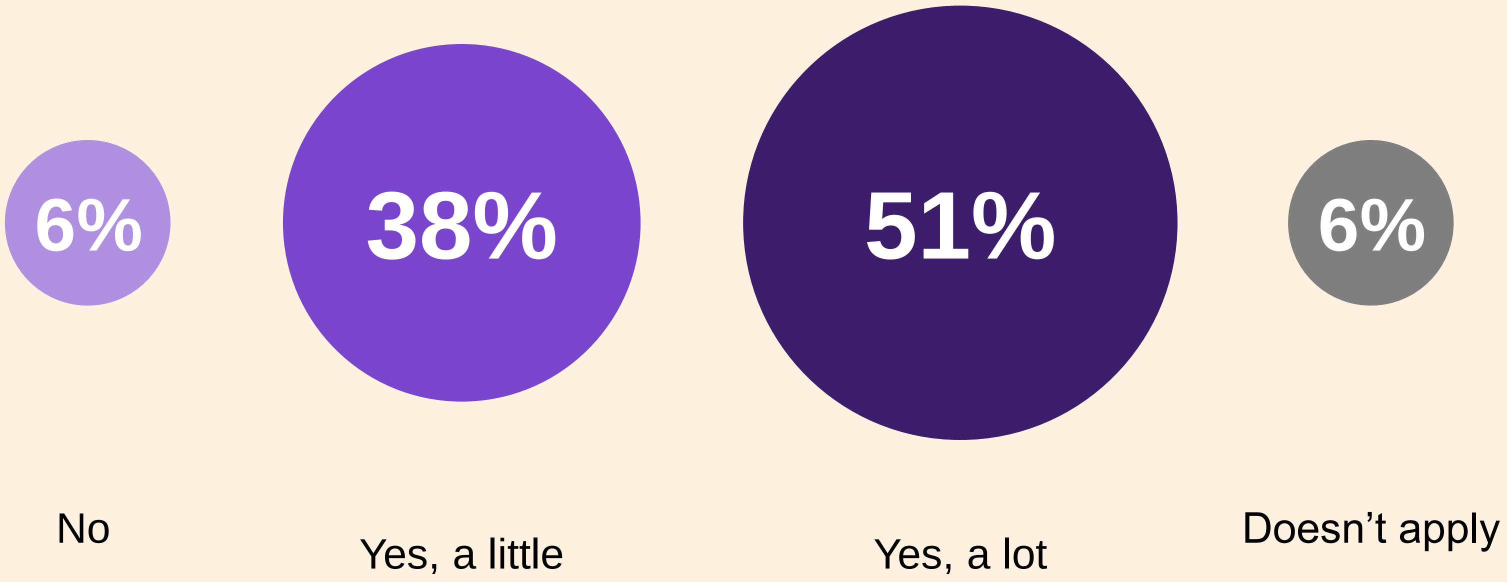
*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

SECURING DISPLAYS

Over half of manufacturers say it's much more difficult to secure a display now versus last year

MANUFACTURERS

"Is it more difficult to secure a display now versus 12 months ago?"



Any Display TDP
(L6 Months vs YA)

Total Store	- 4.1%
National Brand	- 4.5%
Private Brand	- 1.4%

Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 53); Dataset: NielsenIQ Panel on Demand Homescan| US HS - NDH Synd UPC Full View - 444 5yr | US - Advantage Solutions (Synd) | Rolling 26 w/e 09/07/24 vs Rolling 26 w/e 09/09/23

*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

PROMOTION STRATEGIES

While manufacturers will focus more on depth of discount and frequency when it comes to promotion strategy, 91% of retailers will focus on depth of discount

MANUFACTURERS

"How will you prioritize the following promotion strategies over the next 6 months?" (ranked 1 through 4)

	1	2	3	4
Depth of discount	**40%**	28%	12%	21%
Frequency	**35%**	35%	21%	9%
Tied to marketing message	**14%**	21%	35%	30%
Alternative (not TPR/display/ feature) promotion formats	**12%**	16%	33%	40%

RETAILERS

"How will you prioritize the following promotion strategies over the next 6 months ?" (ranked 1 through 4)

	1	2	3	4
Value of the discount	**91%**	9%	0%	0%
Frequency	**6%**	56%	32%	6%
Alternative (not TPR/display/ feature) promotion formats	**3%**	21%	15%	62%
Tied to marketing message	**0%**	15%	53%	32%

Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 43) and Retailer Outlook Study October 2024 (Base 34)

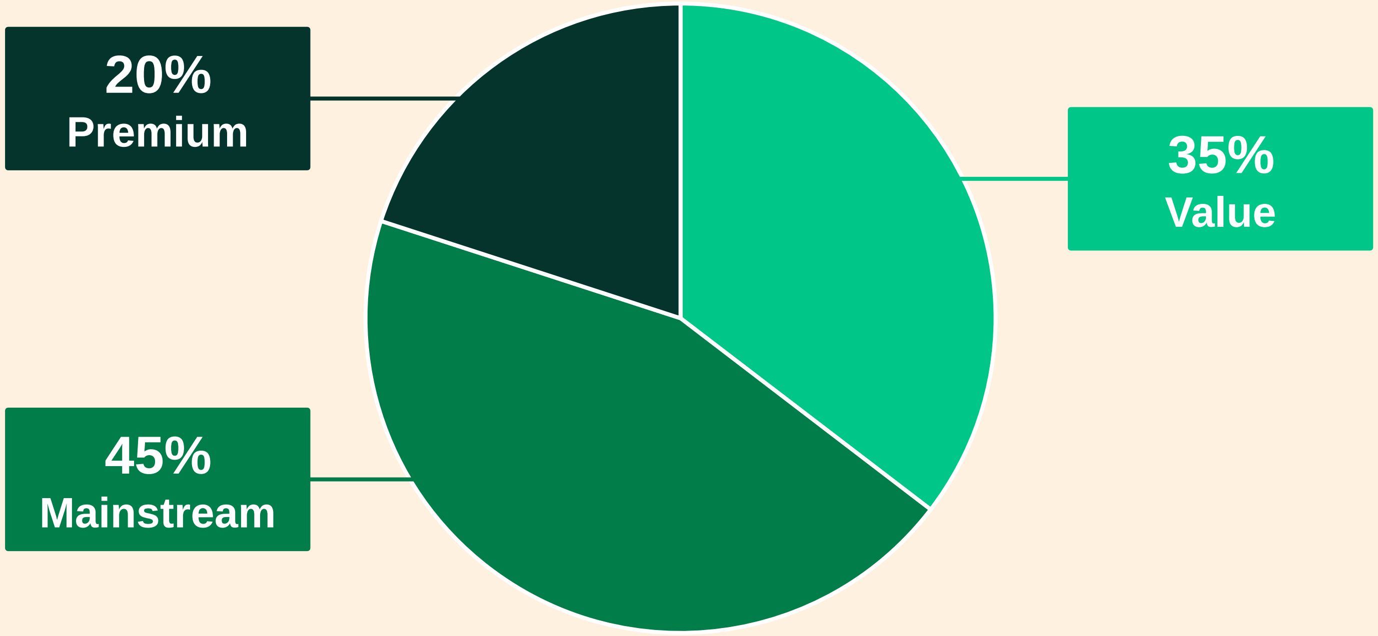
*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

DESIRED PRICE TIERS

Retailers are seeking value and mainstream price points over premium

RETAILERS

“In general, what price balance are you seeking across your portfolio over the next 12 months?”



MANUFACTURERS

Most new products will target the mainstream and premium price tiers, but will lack the value-priced innovation retailers would like to see.

“Over the next 12 months, what price tiers will most of your innovation target?”

Mainstream	57%
Premium	39%
Value	4%

Source: Advantage Sales Retailer Outlook Study October 2024 (Base 35); Advantage Sales Manufacturer Outlook Study July 2024 (Base 54)

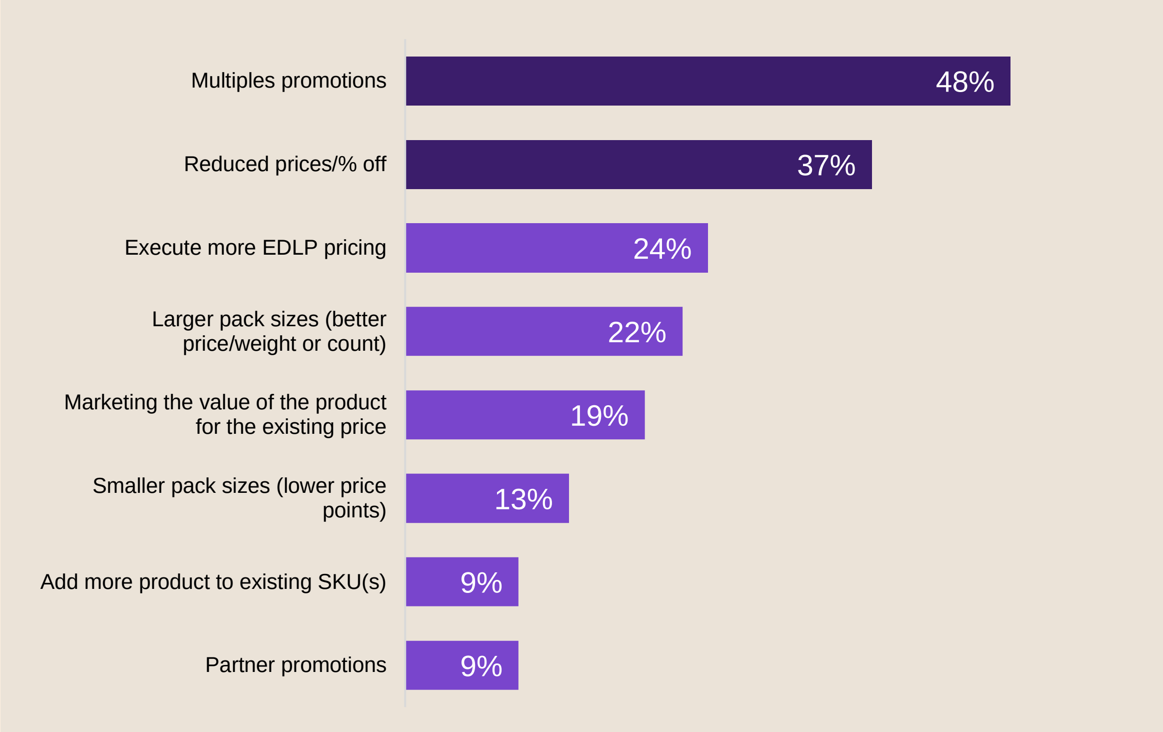
*Results may not = 100% due to rounding, multi-select, or “other”/”N/A” responses

VALUE STRATEGIES

Manufacturers and retailers will use different levers to offer enticing pricing to consumers: manufacturers will focus on multiples and reduced prices while retailers will focus on private brand and loyalty program deals

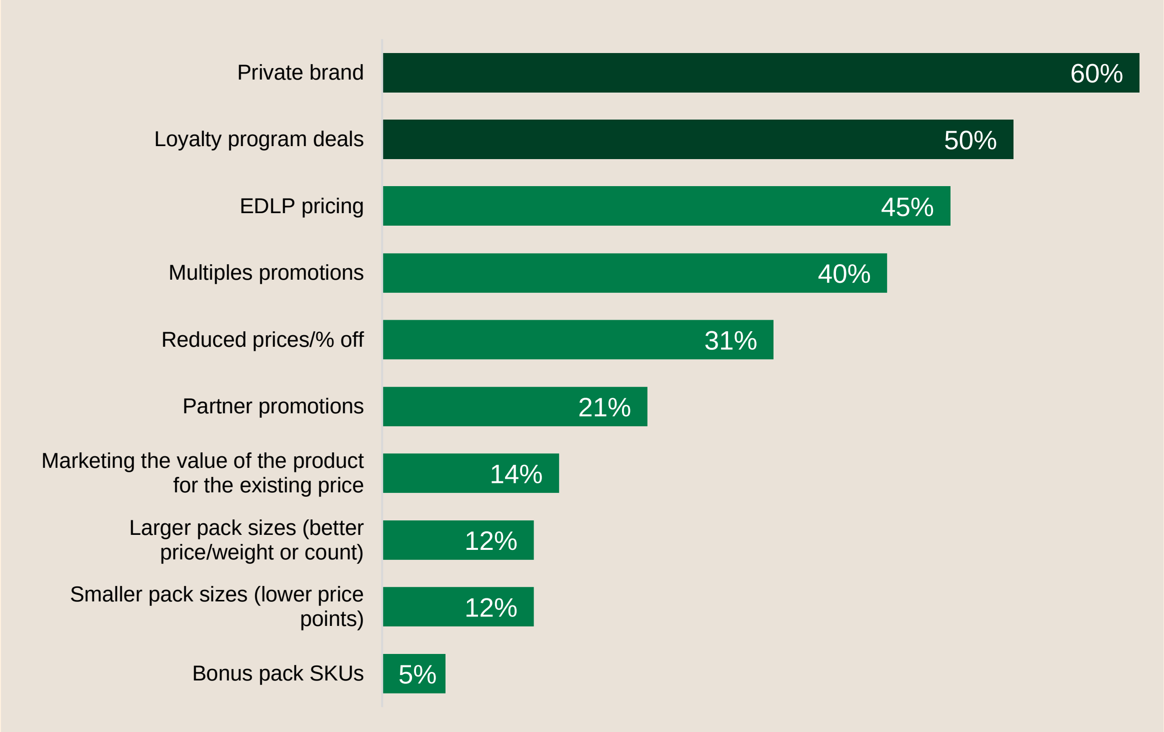
MANUFACTURERS

"What are your top 2 strategies to offer enticing pricing to your shoppers over the next 6 months?"



RETAILERS

"What are your top 2 strategies to offer enticing pricing to your shoppers over the next 6 months?"



Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 54) and Retailer Outlook Study October 2024 (Base 42)

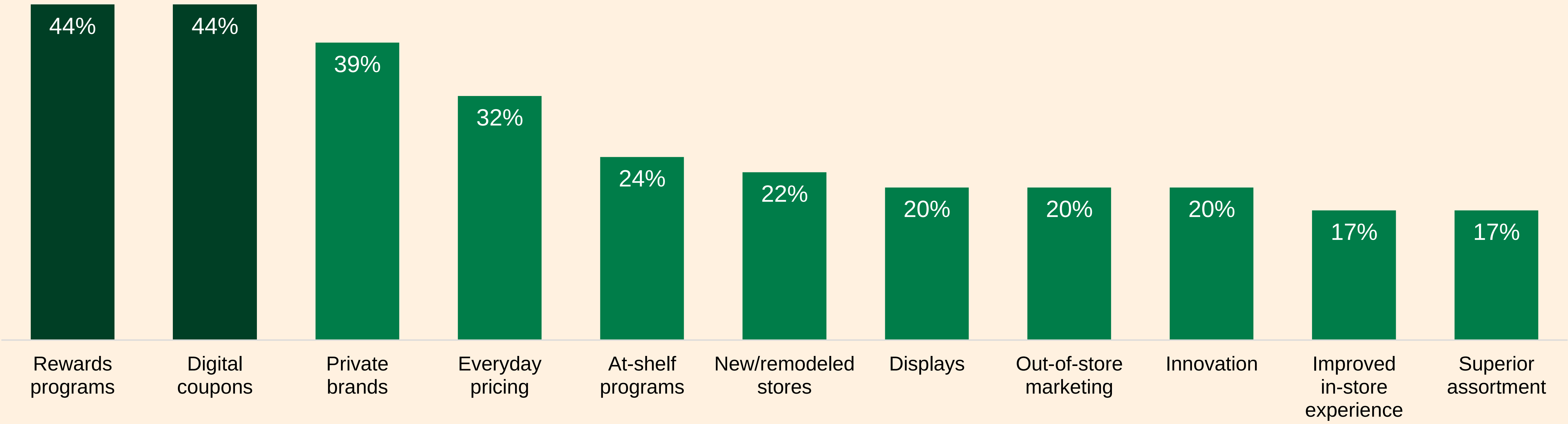
*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

TRIP DRIVING STRATEGIES

Retailers see digital coupons and loyalty programs as their top trip driving strategies

RETAILERS

"What are your top 3 strategies to drive trips over the next 6 months?"

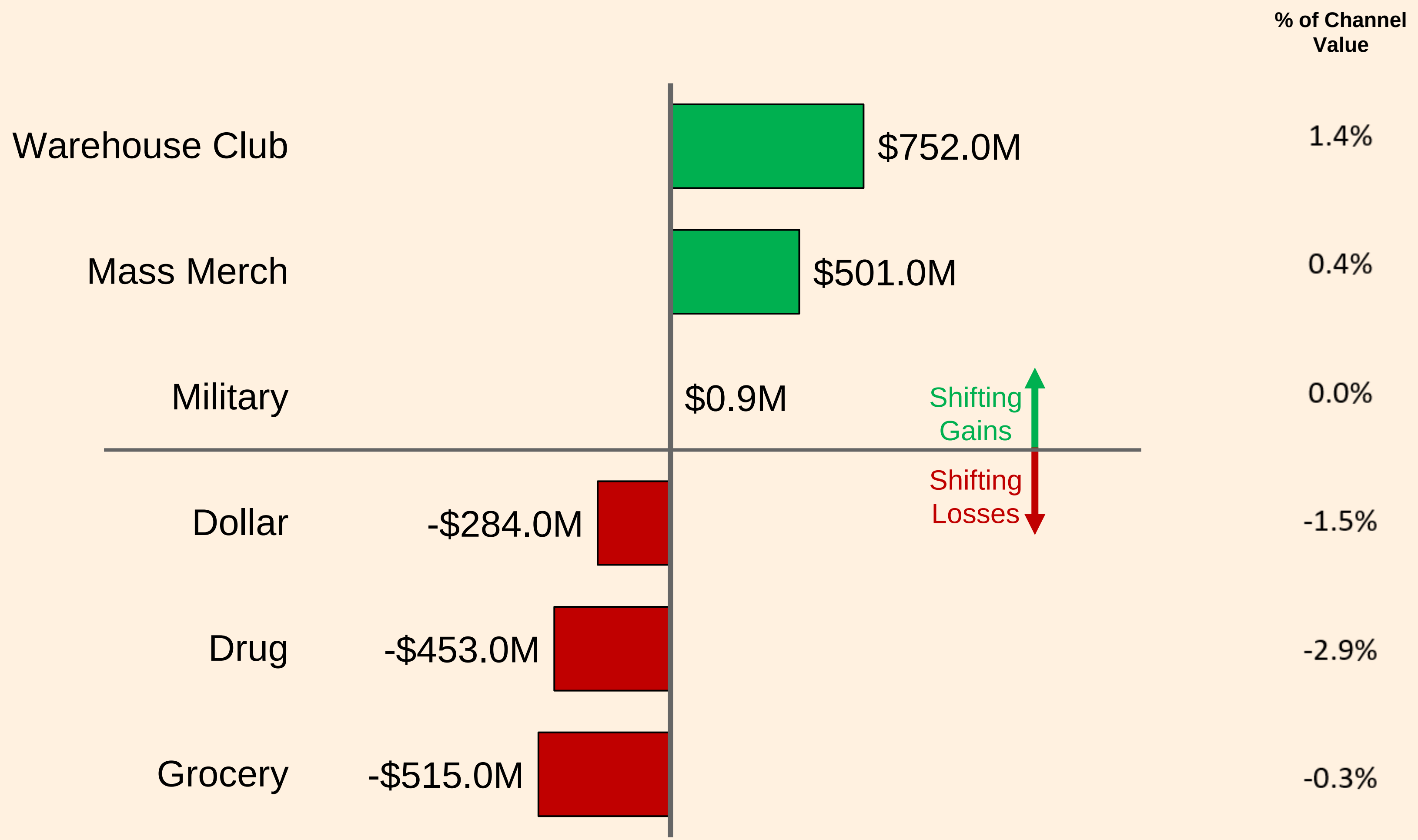


 Source: Advantage Sales Retailer Outlook Study October 2024 (Base 41)

*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

DOLLAR SHIFTING AMONGST CHANNELS

Shoppers are shifting spending to larger format retailers



Dataset: NielsenIQ Panel on Demand Homescan| US HS - NDH Synd UPC Full View - 444 5yr | US - Advantage Solutions (Synd) | Rolling 24 w/e 09/07/24

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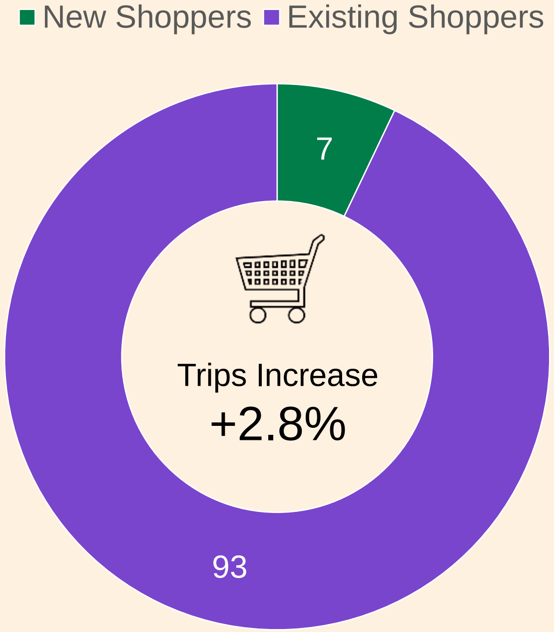
RETAILER TRIP WINNERS vs LOSERS

Retailers gaining trips are getting most of their new trips from existing shoppers and selling more national brands on promotions with features and deeper discounts

Contribution to Trip Growth



	Gaining Food Retailers	Losing Food Retailers
Total Units Sold % Chg vs YA	**0.4%**	**-3.2%**
National Brand Units Sold % Chg vs YA	**0.2%**	**-3.4%**
Private Label Units Sold % Chg vs YA	**0.8%**	**-2.4%**

Retailers gaining trips are…	Gaining Food Retailers	Losing Food Retailers	Retailer Strategies
Selling more branded items on promotion Any Promo Unit Share	85.1% (+1.0pts)	83.5% (+0.9pts)	*Selling more branded items on promotion*
Promoting more branded items in features (CYA) Any Feat Unit Share	89.2% (+0.6%)	88.6% (+0.6%)	*Increasing the exposure of branded items promotions and offering deeper discounts in features to attract customers*
Offer deeper discounts on Featured Branded items (CYA) Any Feat Unit Price % Disc	24.7% (-1.5%)	23.6% (-0.4%)	

Dataset: NielsenIQ Retail Measurement | US Advantage Solutions (Synd) | Daymon - Entire Dataset | Units of TOTAL STORE, NATIONAL BRAND, PRIVATE BRAND in Grocery Winners and Grocery Losers during Rolling 52 w/e 09/07/24

PRICE CHANGES

Less than half of manufacturers are holding price; we can expect more price increases from food manufacturers and more price decreases from non-food manufacturers

MANUFACTURERS

“What are your price decrease/increase plans over the next 6 months?”

Total Manufacturers	
Increasing all/major items	4%
Increasing a select few items	26%
Not taking any pricing actions	48%
Decreasing a select few items	20%
Decreasing all/major items	2%

Food (Base 35)	
Increasing all/major items	6%
Increasing a select few items	29%
Not taking any pricing actions	46%
Decreasing a select few items	17%
Decreasing all/major items	3%

Non-Food (Base 18)	
Increasing all/major items	0%
Increasing a select few items	22%
Not taking any pricing actions	50%
Decreasing a select few items	28%
Decreasing all/major items	0%

 Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 54)

*Results may not = 100% due to rounding, multi-select, or “other”/”N/A” responses

Assortment

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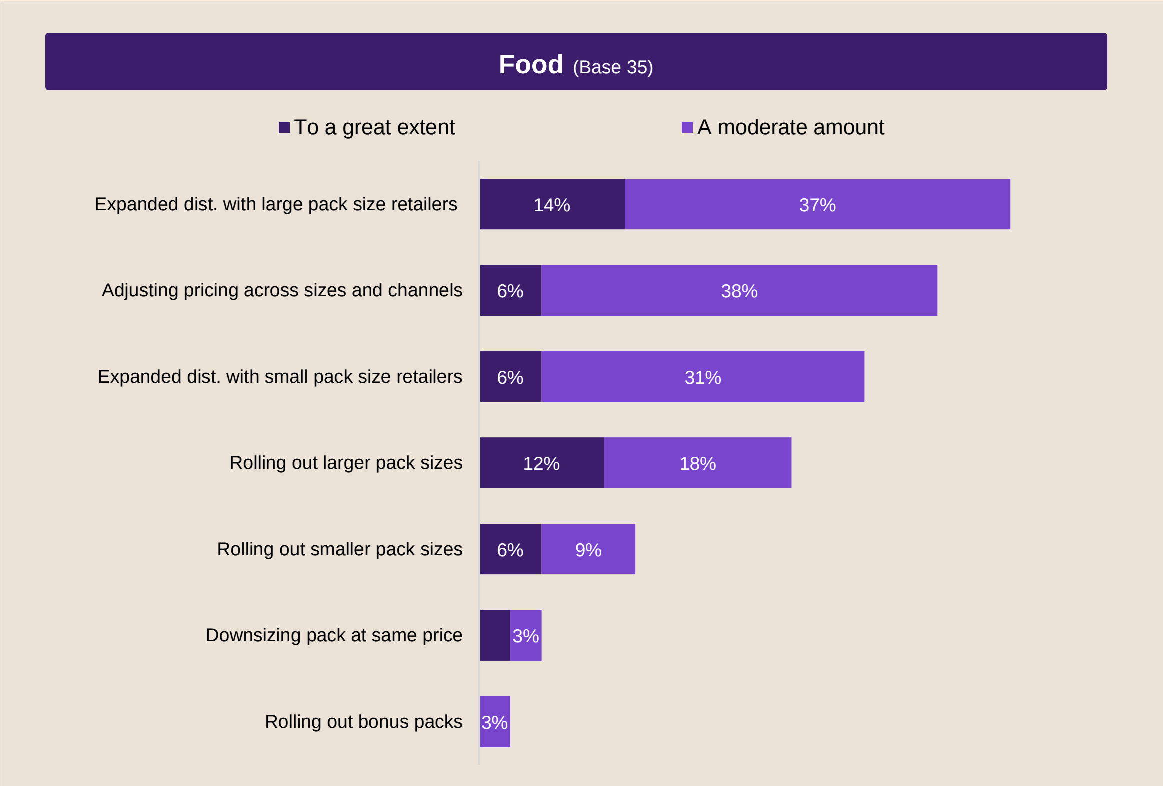
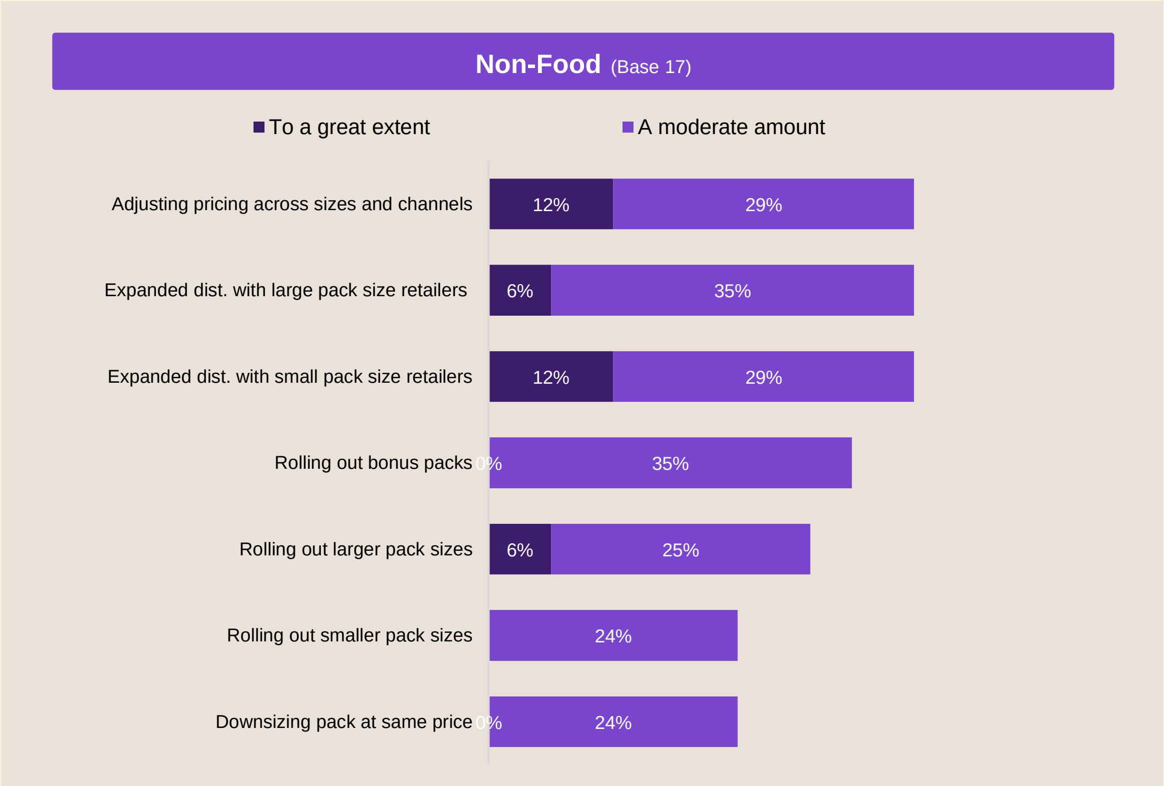
PRICE PACK ARCHITECTURE

Shrinkflation is out; focus on large and small pack size retailers is in as well as adjusting pricing across channels

MANUFACTURERS

“How will you be approaching price pack architecture over the next 12 months?”





*Results may not = 100% due to rounding, multi-select, or “other”/”N/A” responses

RETAILER INVENTORY LEVELS

While most retailers have changed their unit inventory levels since 2019, more say they have raised their levels versus lowered; going forward, 42% of those who have raised their levels will increase more and 50% of those who have lowered their levels will decrease more

RETAILERS

"What is your current unit inventory level compared to 2019?"

6%+ higher	**12%**
1-5% higher	**33%**
Same	**21%**
1-5% lower	**29%**
6-15% lower	**5%**
16%+ lower	**0%**

"How will you be changing your current unit inventory levels over the next 12 months?"

	Retailers w/**Higher** Inventory vs 2019	Retailers w/**Lower** Inventory vs 2019
Increasing a lot more	**0%**	**0%**
Increasing a little more	**42%**	**7%**
Not changing	**32%**	**43%**
Decreasing a little more	**21%**	**50%**
Decreasing a lot more	**5%**	**0%**
	Base: 19	Base: 14

SEASONAL ITEMS

Over half of retailers will increase seasonal items in the next year, mostly because they drive traffic and baskets; Most retailers markdown or rotate seasonal items as they transition

RETAILERS

“Over the next 12 months, how will you change seasonal items in your categories?”

Will increase for both off shelf display and in line	24%
Will increase but only if they can flow through as everyday items on the shelf	5%
Will increase but only in off shelf displays	24%
Will not change	44%
Will reduce	2%

“How do you view seasonal or limited time edition items?”

They drive traffic and provide incremental purchases	64%
They create a treasure hunt environment in my store	36%
They are too difficult to manage and do not add enough value	0%

“How do you manage transitions with seasonal items?”

Marking down seasonal items at the end of the season	44%
Dedicating space on shelf for rotating items	5%
Both markdowns and rotating items on shelf	46%
We do not manage seasonal transitions	5%

*Results may not = 100% due to rounding, multi-select, or “other”/”N/A” responses

Other

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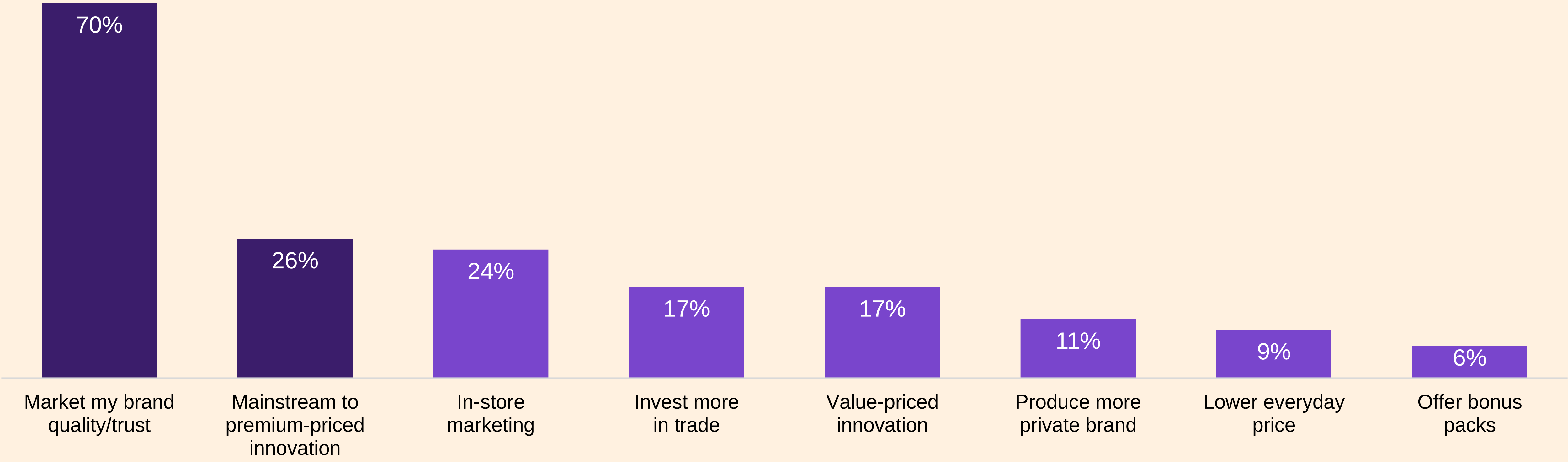
COMPETING ALONGSIDE PRIVATE BRAND

When it comes to competing alongside private brand, manufacturers will heavily rely on marketing the value of their brands

MANUFACTURERS

"As private brands continue to grow and be seen as an established brand, what are your top 2 strategies going forward to drive your brand's growth?"



*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

CONSUMER INSIGHTS

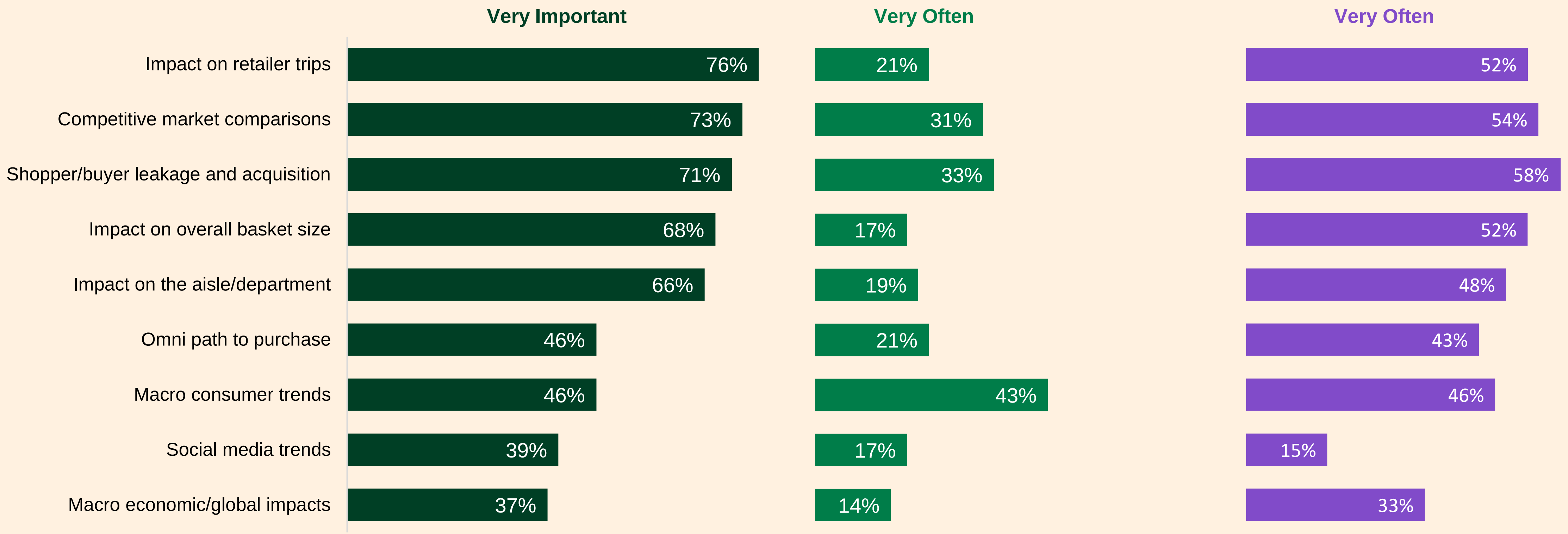
While retailers say consumer insights outside of their brand/category are very important – especially impact on trips and competitive market comparisons, manufacturers and retailers don't see eye-to-eye on what's being brought to the table

RETAILERS

"How important are shopper/consumer insights that transcend the brand/category?"; "How often are manufacturers bringing you shopper/ consumer insights that transcend the brand/category?"

MANUFACTURERS

"How often are you bringing shopper/consumer insights that transcend the brand/category to your customers?"



Source: Advantage Sales Manufacturer Outlook Study October 2024 (Base 52) and Retailer Outlook Study October 2024 (Base 42)

*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

SOCIAL MEDIA

While most manufacturers have allocated funds for social media, only 37% are well prepared to quickly respond to emerging trends

MANUFACTURERS

“To what extent is your company allocating funds to capitalize on social trends?”

We have been doing this for a while	54%
We are just starting to earmark funds for this	26%
This is not in our consideration set today	15%
Don't know	6%

“To what extent is your company able to quickly respond to emerging social trends (both digitally and in-store)?”

Well prepared	37%
A little prepared	52%
Not prepared	9%
Don't know	2%

*Results may not = 100% due to rounding, multi-select, or “other”/”N/A” responses

SG&A EFFICIENCIES

Implementing SG&A efficiencies is a top priority for over one third of manufacturers driven by EBITDA targets and reinvestments in other areas

MANUFACTURERS

"Over the next 12 months, to what extent is your company seeking or implementing SG&A efficiencies?"

37%

Top
company priority

50%

Focus
but not a top priority

13%

Not
a focus or priority

"What is the top driver of your company's focus on SG&A efficiencies?"

EBITDA targets	39%
Reinvestments in other focus areas	33%
Increased costs	24%

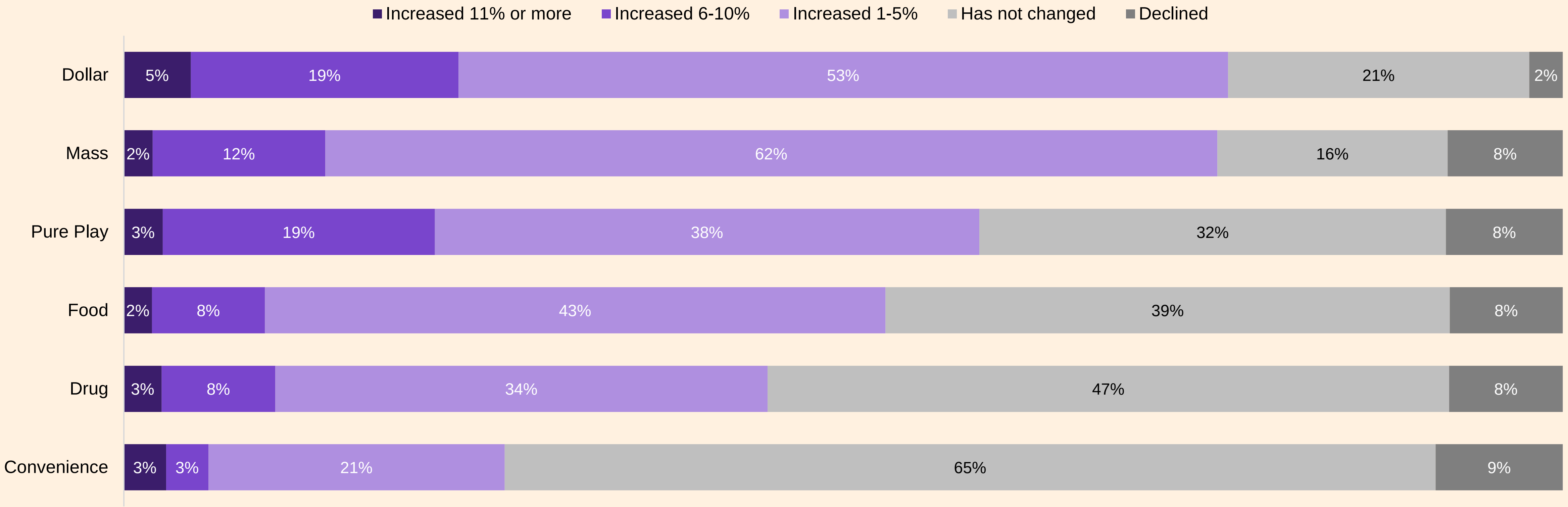
*Results may not = 100% due to rounding, multi-select, or "other"/"N/A" responses

COST TO SERVE

Six in 10 manufacturers have seen increased cost to serve in mass, dollar and pure play channels, with the majority of the increases in the 1-5% range

MANUFACTURERS

"How has your cost to serve changed by channel over the last year?"



Thank you

To learn more about the 2024 Advantage Solutions Q4 Manufacturer and Retailer Outlook report contact:

For more information about NIQ and their insights contact:

Nico Cattaneo
SVP Operations & Analytics
Advantage Solutions
Nico.Cattaneo@youradv.com

Yemi Owolewa
Customer Success Leader, NA
Nielsen IQ
Yemi.owolewa@nielseniq.com