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UNIVERSITY



BRINGING RESULTS FOR OVER 50 YEARS.

A large, light purple, stylized letter 'U' serves as a background for the entire page. It is composed of two main parts: a large, rounded 'U' shape on the left and a series of three parallel diagonal lines on the right, all in the same light purple color.

HERE WE ARE.





Francisco De Jesús

President & CEO

Universal, established in 1962, is a global leader in designing and manufacturing customized semi-permanent and permanent merchandising solutions. We are committed to the success of our clients and to the industry overall. We believe that it is essential and beneficial to provide thought leadership to the industry. Therefore, Universal proudly sponsors this special edition of the *Shopper Marketing Trends*

Report in collaboration with the Path to Purchase Institute.

Our clients represent the top global consumer and industrial brands. Given our proven ability to deliver consistent results, our clients trust our highly creative and motivated team to develop customized merchandising solutions that meet their mission-critical objectives: increase brand awareness, attract shoppers' attention, and stimulate purchases. These innovative and executable solutions drive our clients' strategic goals, while delivering winning results at retail and improving supply chain efficiencies.

With more than 50 years of industry experience, Universal has been recognized in the industry for its design expertise, talented and experienced professionals, and the longevity of customer relationships.

On behalf to the Universal team, I hope you find this year's Trends Report to be a valuable tool as you embark on executing your 2015 strategy. The report contains many topics that are of interest to our team, such as working with retailers and shopper segments.

Francisco De Jesús

President & CEO



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What's OUTSIDE the Box?





Peter Breen
Managing Director –
Special Content

Shopper marketing now commands 15% of the overall marketing budget, according to results from *Shopper Marketing's* annual "Trends Report." That number is up a full percentage point from last year's survey and more than 5 points from our 2012 report. It seems pretty clear that shopper marketing is growing in importance.

However, please remember that this number represents an industry average, which means that some companies are allocating less than 15% and some are allocating more. So the significance resides more in the trend than the data.

The Institute's editors have always tried to stay levelheaded about data from the annual Trends Report. We understand that, even when you're asking people to provide facts, an unquantifiable amount of estimation, conjecture, idealism, prejudice and even factual uncertainty is liable to color some results.

Nonetheless, time and healthy respondent totals can give you a pretty good view of where the marketplace is heading.

Here are some other tidbits that caught my attention within this year's results:

- It probably takes two? Better than 60% of respondents say they've verified that shopper marketing programs drive increased support from, and stronger relationships with, retailers. This is interesting because the need for collaboration seems to be viewed by many as an optional component of shopper marketing – in fact, only about 20% of shopper programs are "true" joint efforts, according to other data from this year's survey.
- Thinking bigger. At least a few marketers (about one in five, technically) have quantified the impact that shopper marketing has on brand equity. It's one of the key aspects of the discipline that distinguishes it from consumer or trade promotion. So bully to all those making it an objective.
- Still whistling past the graveyard? While about half of the respondents identify Walmart's private-label strategy as a threat, few CPGs seem to be concerned about store brands having much of an impact on their own sales. OK, folks, if you say so ...
- The sky's the limit. I'm happy to see that "drone delivery" is rated as the futuristic concept least likely to have an impact on shopper marketing. I've already been worrying that a Tide-toting drone will orchestrate my ultimate demise.

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p2pi.org

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TRENDS 2015

In October 2014, Shopper Marketing magazine and the Path to Purchase Institute surveyed hundreds of CPG marketing executives for our annual Trends report. The questions were developed by the Institute's editors, and among the topics we cover are survey mainstays such as budgets and collaboration, while we also take our deepest dives yet into technology, e-commerce and mobile payment. Additionally, we continue down a popular path from recent years by having respondents answer questions about and rate specific retailers.

MOBILE PAYMENT & SHOPPER MARKETING

By Dawn Klingensmith

When the Google Wallet mobile payment app went public in September 2011, its debut was met with the sound of crickets, according to an industry insider. So, too, was the announcement in the spring of 2014 that Starbucks may license its highly successful mobile payment app to other retailers.

By contrast, the release of Apple Pay, Apple's mobile wallet initiative, "was greeted with a lot of media hoopla" including predictions that it will "change commerce forever," wrote the Path to Purchase Institute's Bill Schober in his October editorial.

Does that mean mobile payment has finally come into its own? We posed the question to six shopper marketing professionals who know as much as anyone about the state of

Our Virtual Roundtable



Cezar Kolodziej,
president,
Iris Mobile



Bryan Leach,
founder and
CEO, Ibotta



Terry Logan,
group director,
digital, The
Integer Group

walletless payment. The short answer: not yet.

While Google Wallet remains quietly in the background, the two contenders for dominance are Apple Pay and CurrentC, a pilot-stage system developed by the Merchant Customer Exchange (MCX) made up of retail giants including Walmart and Target. Whereas Apple Pay links to users' credit cards, CurrentC takes payment directly from their bank accounts. This frees retailers from paying credit card processing fees but raises concerns for shoppers.

"Consumers want to know, 'What's in it for me?' before they'll switch over from credit cards," explains Terry Logan, group director, digital, at The Integer Group, a shopper marketing agency headquartered in Lakewood, Colorado. "Since MCX doesn't link to credit cards, consumers are left wondering, 'My cash back, my points, my miles – does it all get lost? With a credit card, the retailer pays the fees and I get the points. With MCX, the retailer avoids the fees, but do those savings get passed on to me?'"

PayPal, Square, wireless carrier-backed Softcard (formerly Isis) and Level Up are the other principal players in these early stages of mobile payment. To prevail or even stay in the game, players will have to incentivize shoppers to replace a simple credit-card swipe with some other payment method that is not likely

to save them any time. This is where shopper marketing enters the picture, with offers, coupon tie-ins and promotions somehow built around the actual transaction.

What that might look like is anyone's guess. It's not even safe to say that the smartphone will serve as the mobile wallet of the future, according to the experts who took part in our virtual roundtable. It does seem certain that mobile payment will eventually gain widespread adoption, but not before it solves an actual problem and provides additional payoffs.

Do consumers want mobile payment?

PATRICK MOORHEAD: I can walk my mom through all the advantages and how it's intended to work, and then she'll pull out her wallet and credit card and say, "This is easier." And she's right! Mobile payment still feels like a solution looking for a problem.

JOE ROGNESS: Consumers don't necessarily want mobile payment, but they want value. So how do we add value to drive adoption? At what point will consumers change their purchase behavior to receive value? A 50-cent savings probably isn't enough for me to change how I buy stuff, but if I get 50 dollars off a high-value item, maybe I'll go through the steps to try a new method of payment.



Patrick Moorhead,
former VP,
mobile brand
development,
Catalina



Bryon Morrison,
president,
digital, The
Marketing Arm



Joe Rogness,
co-founder,
Jingit

What would make consumers come around?

MOORHEAD: Payment is not the end game; for consumers, it doesn't matter. It's everything you can wrap around payment to make my life easier, make my shopping trip faster and save me money that's going to drive adoption. People aren't going to use it because it's easier. It's not. People will use it in exchange for value.

BRYON MORRISON: We've been myopic in our view of mobile payment as the literal transaction. Mobile technology can provide real solutions, making the entire shopping experience better and making payments a nonissue – something that just kind of fades in the background. Say you open an app, scan products as

card, I'm going to use my credit card. For mobile payment to work, everything must be integrated and converged into, ideally, one world-wide solution so I can use the same technology to pay at any location.

MORRISON: There's a whole host of other barriers that are just realities of using a device, like battery life. We've all had our phones die and it's no big deal, but if I need to get out of a situation by paying for something with my phone, battery life becomes a real concern. Little things like that make us cling to our wallets a little longer.

What about privacy and security?

TERRY LOGAN: With all these retailers collecting all these data points – that could be scary. You go grocery shopping; you stop at Walgreens to pick up a prescription; you go to the doctor and pay your co-pay. That's a lot of information. They can see those transactional pieces all the way through. They'll say they don't

capture it, but at the end of the day, it's there to be had.

ROGNESS: As a consumer, I've heard about so many security breaches, so if I'm going to adopt mobile payment, how is that more or less secure than using a credit card? The consumer doesn't know this new landscape.

How do retailers fit into the equation?

MOORHEAD: To Apple, at least, retailers represent a hurdle. Various retailers have come out and said they won't accept Apple Pay on their

“Until there's massive consumer adoption – [consumer product marketers] don't care. Until there's massive retail adoption – don't care. And until someone figures out a way for brands to play in the mobile wallet space – don't care.”

Patrick Moorhead, former VP at Catalina

you shop, total it up, pay with your device and you're done. Shoppers consistently complain about standing in line, so if you eliminate that, you solve a real problem.

What are the other barriers to adoption?

MORRISON: The one that everyone brings up is ubiquity. Mobile payment needs to be everywhere or consumers won't use it.

CEZAR KOLODZIEJ: If I go to 10 different stores and only half of them accept my specific mobile payment but all of them take my credit

mobile payment network and have gone as far as disabling their NCF.

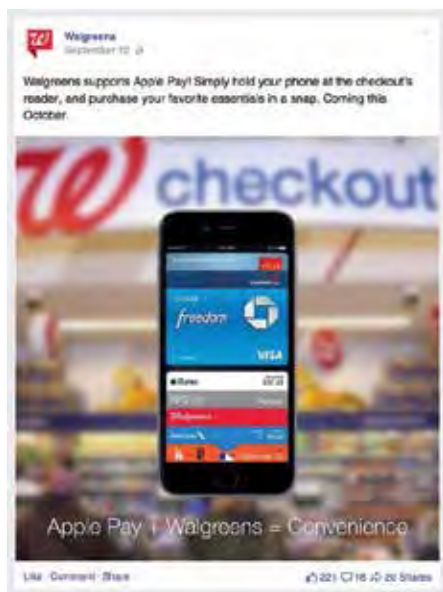
BRYAN LEACH: What Apple Pay is doing is, more or less, just housing a credit card. So it's the same Visa or MasterCard that retailers have always dealt with; it's just being held in a different format than the magnetic strip of a credit card. If it's costing retailers the same, what's their incentive?

ROGNESS: Merchants want to avoid those interchange fees, and that's why they started MCX. Let's be honest.

LOGAN: But the participating merchants – those are all big retailers that I might go to once a week or once a month. That's not going to change my behavior. Until I can use the same mobile payment at my gas station and coffee shop and clothing boutique, we won't see widespread adoption. Until it's everywhere, my mindset is to use a credit card because most stores accept it.

LEACH: Retail-specific currencies may be where all this is headed. The future of mobile payment to me means housing different retail currencies on a mobile device as loyalty rewards – \$10 for REI, \$5 for Starbucks, \$15 for Target. That, I think, is where mobile payment will go and where it actually becomes relevant to the shopper marketing world.

What role will mobile payment play in shopper marketing?



LEACH: With retail-specific currencies, consumers watch ads and learn about products, and once they buy a featured product they get digital currency for a specific retailer. If I'm a brand marketer, I want to be able to go to a retail partner like Target and say, "Look, we not only drove awareness and sales of Pampers, but we rewarded shoppers with a currency that will drive them back to Target."

Mobile payment per se is not going to do that.

MOORHEAD: It comes back to that value-added experience. The experience provided around the transaction is where opportunities for CPG brands exist. You can do all kinds of things with mobile technology that you can't do with a credit card like loyalty programs and promotions and personalized product offerings.

MORRISON: If Apple or Google took a step back from payments and became a de facto for building shopping lists, we'd have a rich environment for product marketers because at that stage they could start to influence what's on the list. That's where I see shopper marketing and mobile payment coming together (in an app). The ability to market in the app after someone makes a purchase makes it possible to influence the next shopping trip.

Do consumer product marketers care about mobile payment?

ROGNESS: I think capturing a large portion of their national media budget is the key to widespread adoption. It doesn't make sense

for the merchant to offer merchant-level discounts through a mobile payment platform – the math doesn't add up. But the manufacturers of the products they sell have billions of advertising dollars and a lot to gain.

MOORHEAD: I think marketers need to be in touch with what's going on, but they don't really have anything to care about until the principal parties solve their various issues. Until there's massive consumer adoption – don't care. Until there's massive retail adoption – don't care. And until someone figures out a way for brands to play in the mobile wallet space – don't care.

“I wouldn't count out Google Wallet. With all the advertising Google garners, they could really start to connect the dots and create an ecosystem from national brand to shopper.”

Joe Rogness, co-founder, Jingit

Has it come down to Apple Pay vs. MCX?

ROGNESS: They're the only two getting talked about right now. What's fascinating is the omission of the third party, which is Google Wallet. True, since its launch there've been crickets around adoption, but I wouldn't count those guys out. I think they're going to let the space evolve a little bit and then reemerge. With all the advertising Google garners, they could really start to connect the dots and create an ecosystem from national brand to shopper.

MOORHEAD: Google Wallet is still a player because of the amazing scale of Android. It's available on pretty much any NFC-enabled

Android phone that's come out in the last three years, so there's already massive infrastructure around Google Wallet. And let's not forget the ancillary payment market, which is Square, PayPal and Level Up. Those aren't to be trifled with.

MORRISON: But in terms of working out the experience with the terminals in stores, Apple, Google and MCX are driving that.

How will widespread adoption of mobile payment affect purchasing behavior?

KOLODZIEJ: If this is the way we make all our purchases, it could provide reports on our spending trends and make us smarter, more efficient shoppers.

LOGAN: I have three kids, so there are always eight containers of something in the refrigerator. The utility of the tool, regardless of the technology, should prevent redundant purchases and waste, but my spending might actually increase if it also shows me different benefit features.

What will mobile payment ultimately look like?

MORRISON: It may be difficult to standardize mobile payment. Technology changes all the time, and while we're focusing on how this might work on our mobile phones, in reality we may see wearables – watches, rings, bracelets – outpace the smartphone.

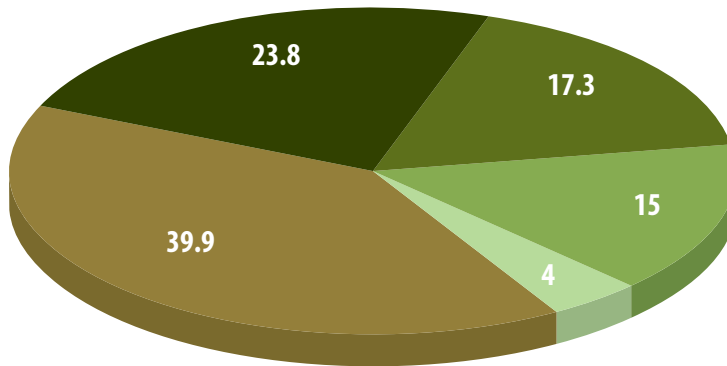
LOGAN: The phone is a clunky way of doing it compared to wearables with biometric sensors for security.

SM

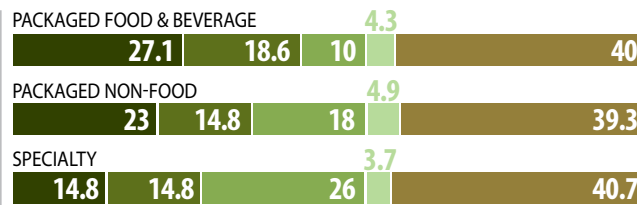
What is the primary barrier to adoption of mobile payment systems?

Security/privacy concerns
Lack of retail support
Lack of interest/added value
Competing systems
Don't know

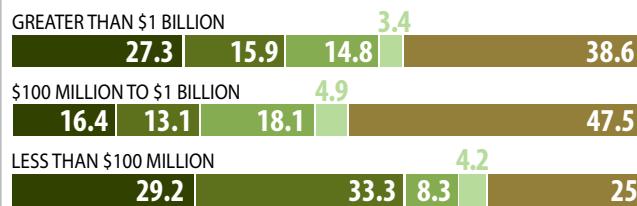
All Respondents



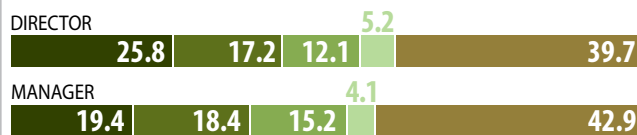
By Primary Products/Services of Respondent's Company*



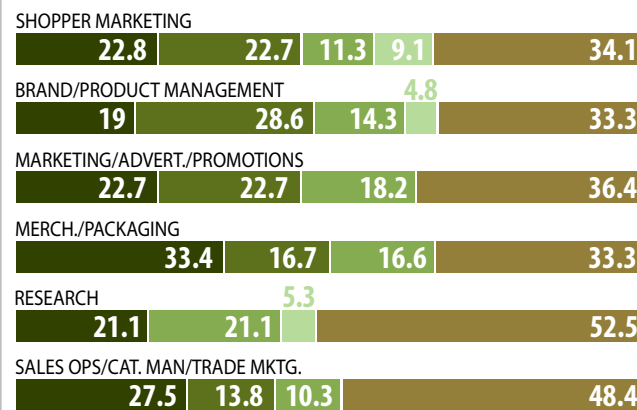
By Annual Sales of Respondent's Company



By Respondent's Job Title



By Respondent's Job Functions/ Areas of Responsibility



0% 20% 40% 60% 80% 100%

* Food & Beverage category includes packaged food, beverages, candy, beer, wine and liquor. Packaged Non-Food includes household items, pet food, personal care, cosmetics and OTC drugs. Specialty includes consumer electronics, sporting goods, appliances, hardware, auto, apparel, footwear and office supplies.

What effect will mobile payment have on your brand/job?

(sampling of responses)

None

Little to no effect

None for the short term

A lot in the future

Hard to determine

Impact the channel that the consumer wishes to shop

Great for insights and potentially trial

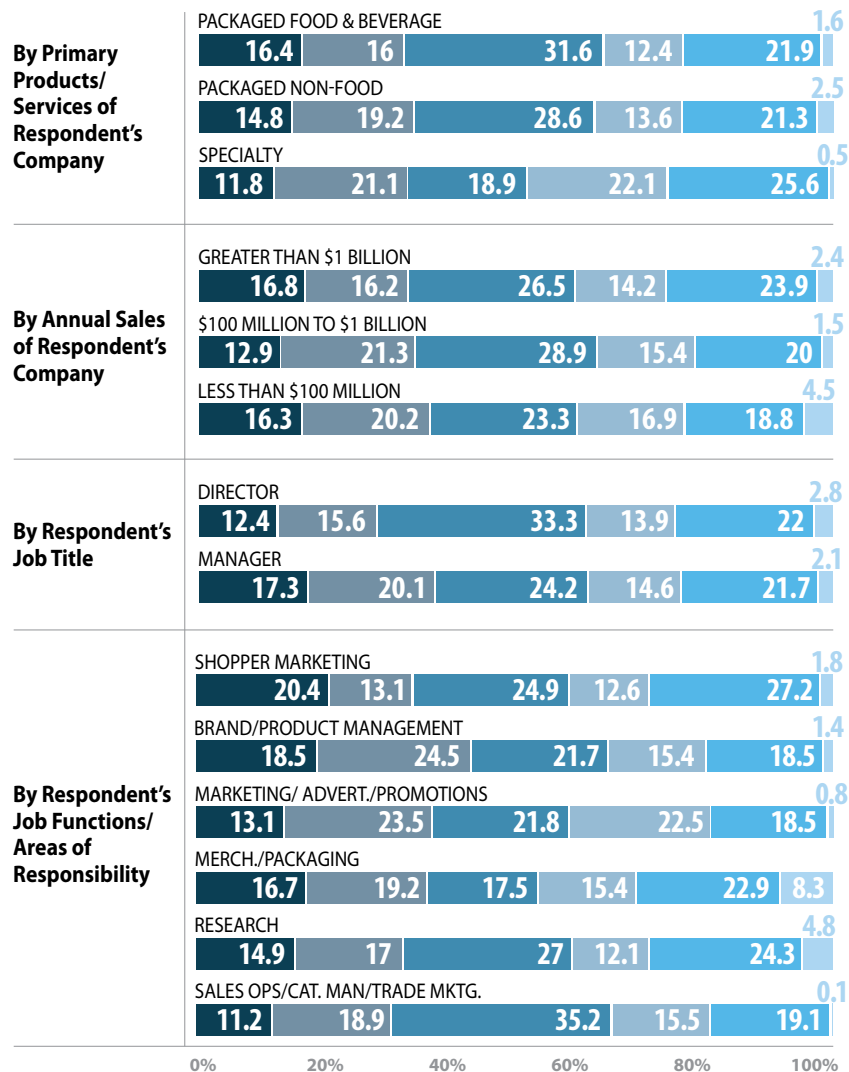
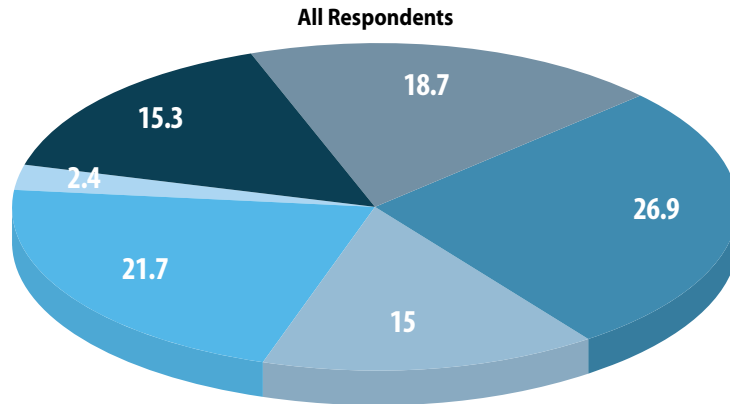
Impact how, when and where we target

Improved customer targeting

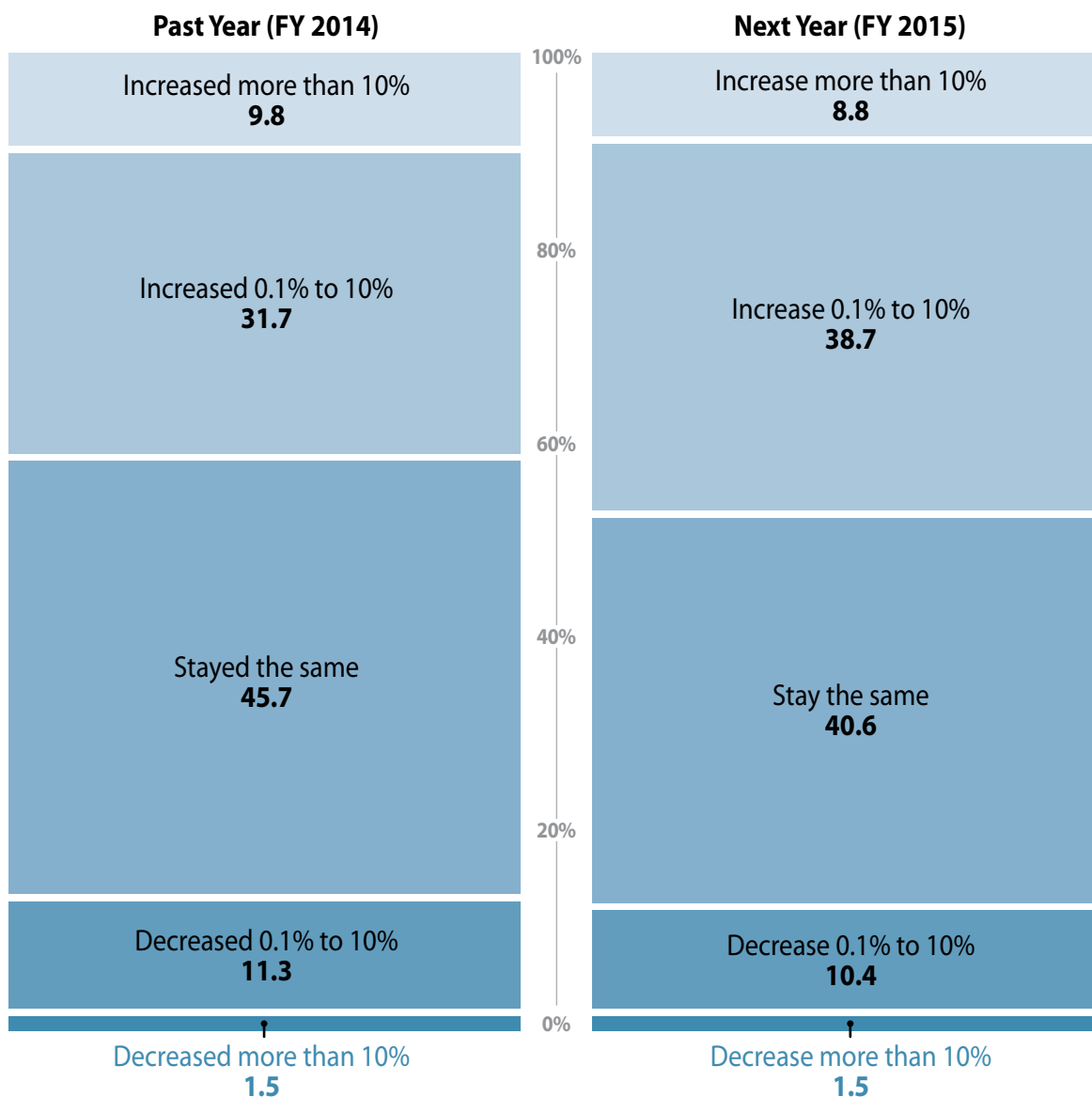
Expand opportunities to cross-promote

Add value in ways that we have not yet identified

What percentage of your **total marketing budget** will be devoted to the following disciplines in the next year?



How has your **path to purchase marketing budget** changed? How will it change next year?



Base: Consumer product marketers. N = 261. Source: Path to Purchase Institute/Shopper Marketing

LOOKING BACK

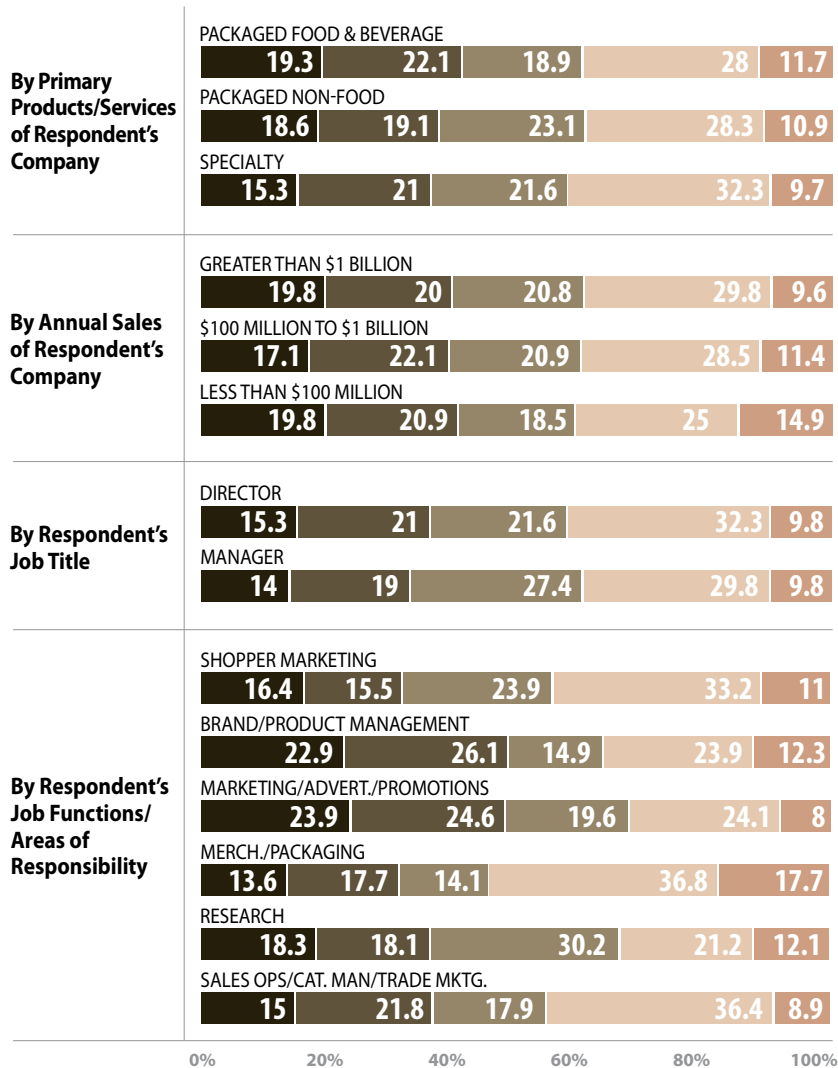
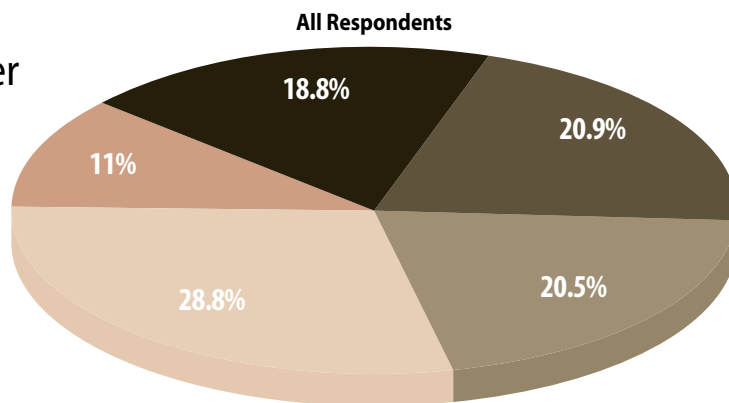
	FY 2013*	FY 2012*	FY 2011*
Increased >10%	13%	15.4%	10.8%
Increased 0.1% to 10%	35.4%	29%	42.8%
Stayed the same	40.4%	46.9%	31.5%
Decreased 0.1% to 10%	7.6%	6.2%	11%
Decreased >10%	3.6%	2.5%	3.9%

*From our 2014, 2013 and 2012 Trends surveys, respectively

WORKING WITH RETAILERS

What percentage of your shopper marketing programs are retailer-driven, brand-driven or truly collaborative?

- Completely driven by retailer objectives
- Mostly driven by retailer objectives
- A true collaboration
- Mostly driven by our own objectives
- Completely driven by our own objectives



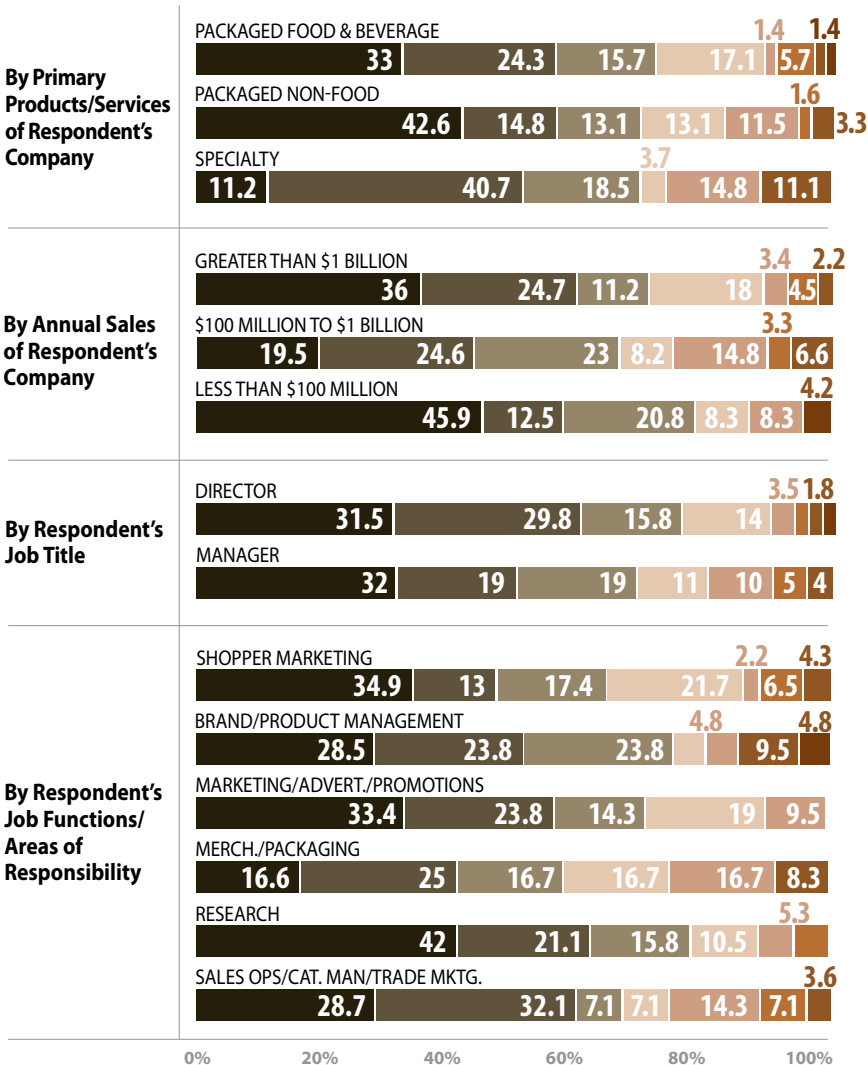
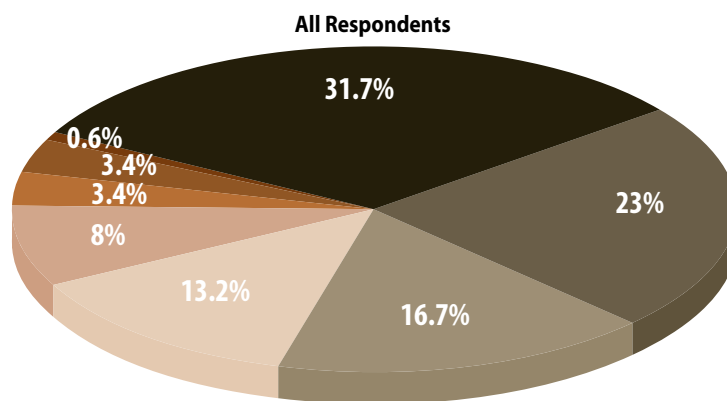
LOOKING BACK TRENDS 2010

Generally, our in-store marketing activity is ... (choose one)

Completely driven by retailer objectives	6.8%
Mostly driven by retailer objectives	26.7%
A 50/50 collaboration	41.8%
Mostly driven by our own objectives	28.8%
Completely driven by our own objectives	3.1%

In working with retailers, which asset/initiative typically matters most for gaining approval for your programs?

- An activation plan based on strong shopper insights
- An iconic brand with strong equity among shoppers
- Custom packaging, displays, promotions, etc.
- Solutions-focused content (e.g., "Easy Meals," "Brighter Smiles," etc.)
- A strong supporting media plan
- Pairing up with a non-competing national brand
- Behind-the-scenes collaboration (e.g., aisle resets, category redesigns, etc.)
- Pairing up with a non-competing private label product

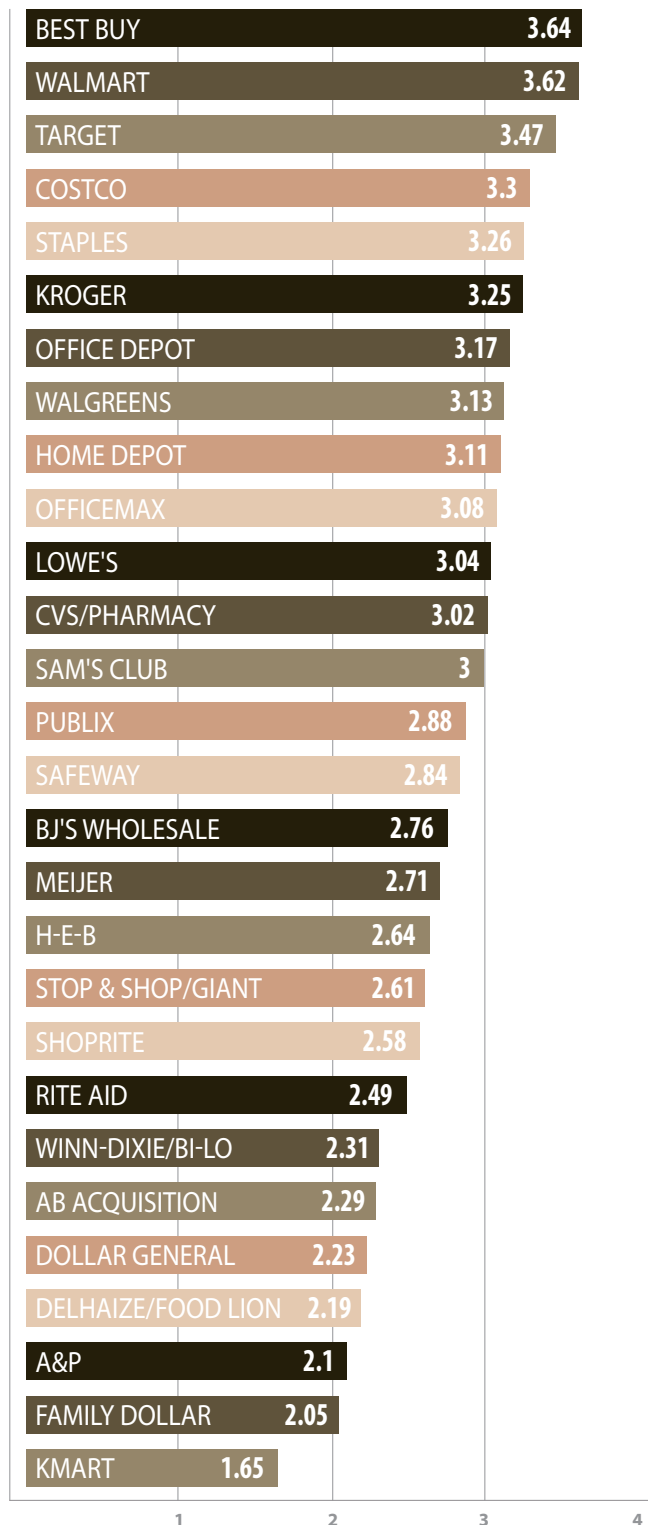


WORKING WITH RETAILERS

How successful have the following retailers been in developing an **effective omnichannel marketing strategy**?

Average scores

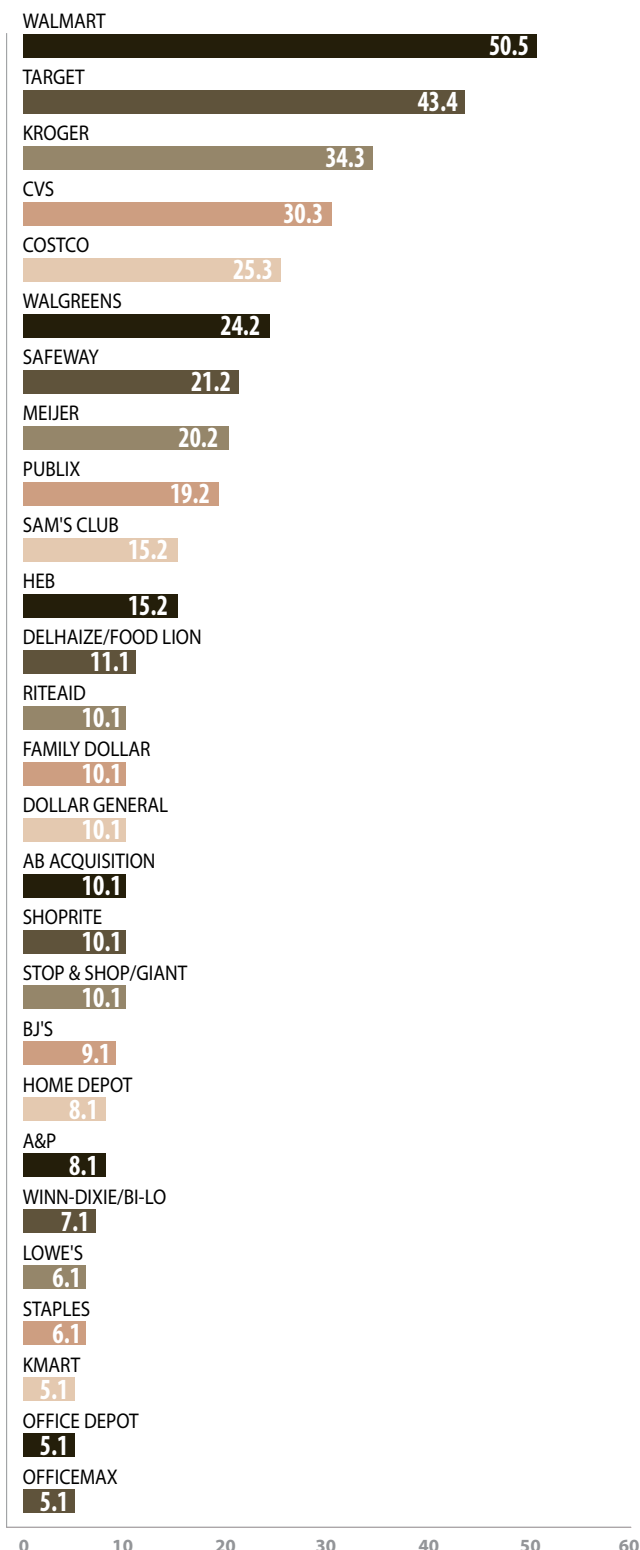
1 = "Lagging behind" 3 = "Making progress" 5 = "Leading the pack"



N= 127 to 66, depending on retailer.

Which retailers have a **private-label strategy** that is threatening sales of your brands?

Percent indicating retailer has threatening strategy



For any retailer that you work with regularly, how many months in advance does it plan its **seasonal events?**

For any retailer that you work with regularly, typically how many months in advance of execution do you need to present a **collaborative marketing proposal?**

Average months in advance

TARGET	9.4
WALMART	9.27
MEIJER	7.36
KMART	6.61

WALGREENS	9.62
CVS/PHARMACY	8.95
RITE AID	8.07

HOME DEPOT	7.58
LOWE'S	7.3

SAM'S CLUB	9
COSTCO	8.31
BJ'S WHOLESALE	6.86

PUBLIX	8.31
KROGER	8.3
WINN-DIXIE/BI-LO	8
SAFEWAY	7
H-E-B	6.71
STOP & SHOP/GIANT	7.28
SHOPRITE	6.95
A&P	6.8
DELHAIZE/FOOD LION	6.7
AB ACQUISITION	6.45

OFFICE DEPOT	6.5
OFFICEMAX	6.22
STAPLES	6.18

DOLLAR GENERAL	7.5
FAMILY DOLLAR	7.32

BEST BUY	7
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TARGET	9.21
WALMART	8.7
MEIJER	7.6
KMART	6.85

WALGREENS	8.59
CVS/PHARMACY	8.53
RITE AID	8.44

HOME DEPOT	6.8
LOWE'S	6.3

COSTCO	8.48
BJ'S WHOLESALE	8.13
SAM'S CLUB	7.78

KROGER	8.08
STOP & SHOP/GIANT	8.07
SHOPRITE	8
WINN-DIXIE/BI-LO	7.31
A&P	7.3
PUBLIX	7.21
SAFEWAY	7.2
DELHAIZE/FOOD LION	6.81
H-E-B	6.09
AB ACQUISITION	6.07

OFFICE DEPOT	5.56
OFFICEMAX	5.5
STAPLES	5.5

DOLLAR GENERAL	8.09
FAMILY DOLLAR	7.57

BEST BUY	4.22
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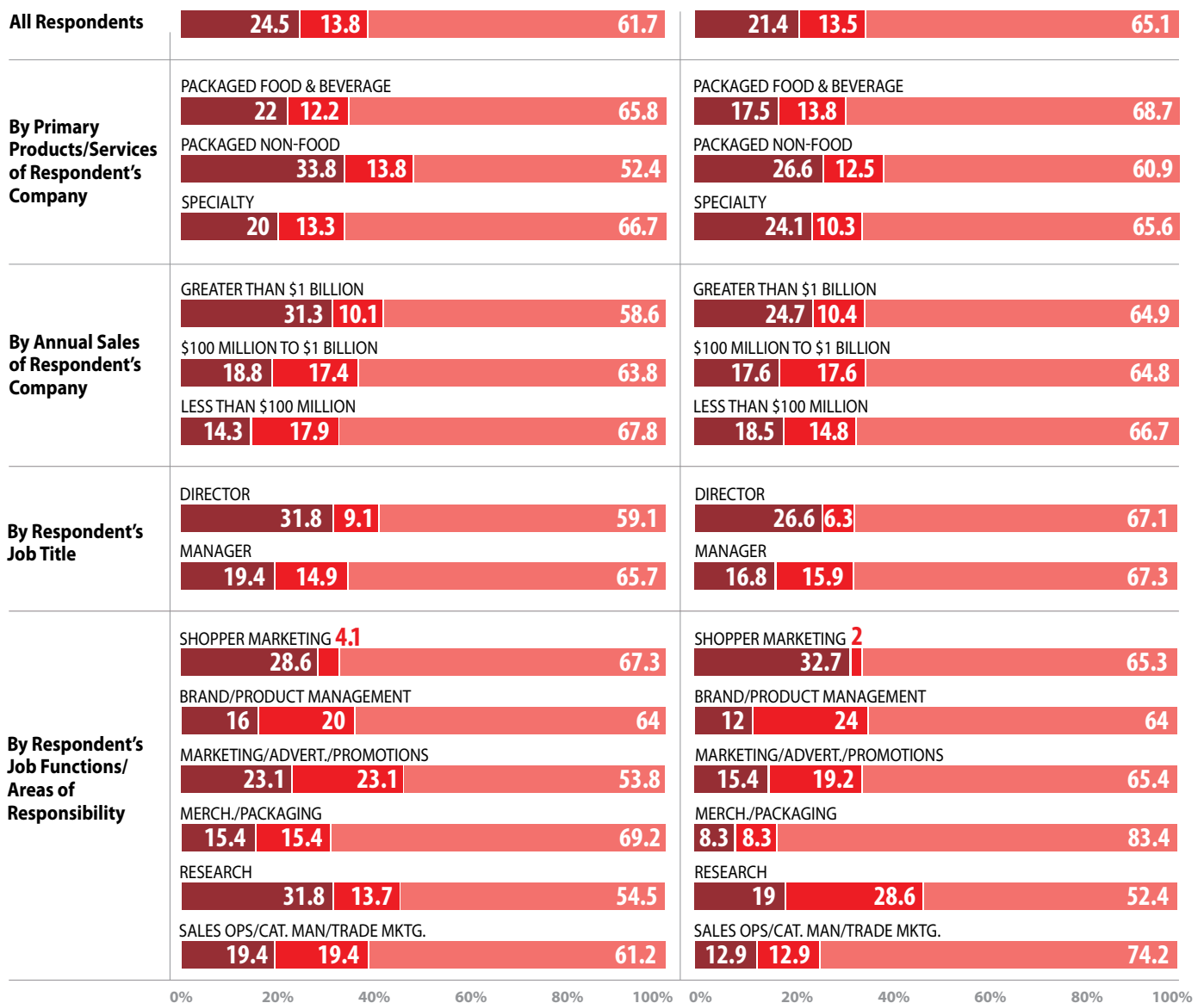
N= 127 to 66, depending on retailer.

SHOPPER MARKETING IMPACT

In terms of top-line growth, what impact has shopper marketing activity had on your brands?

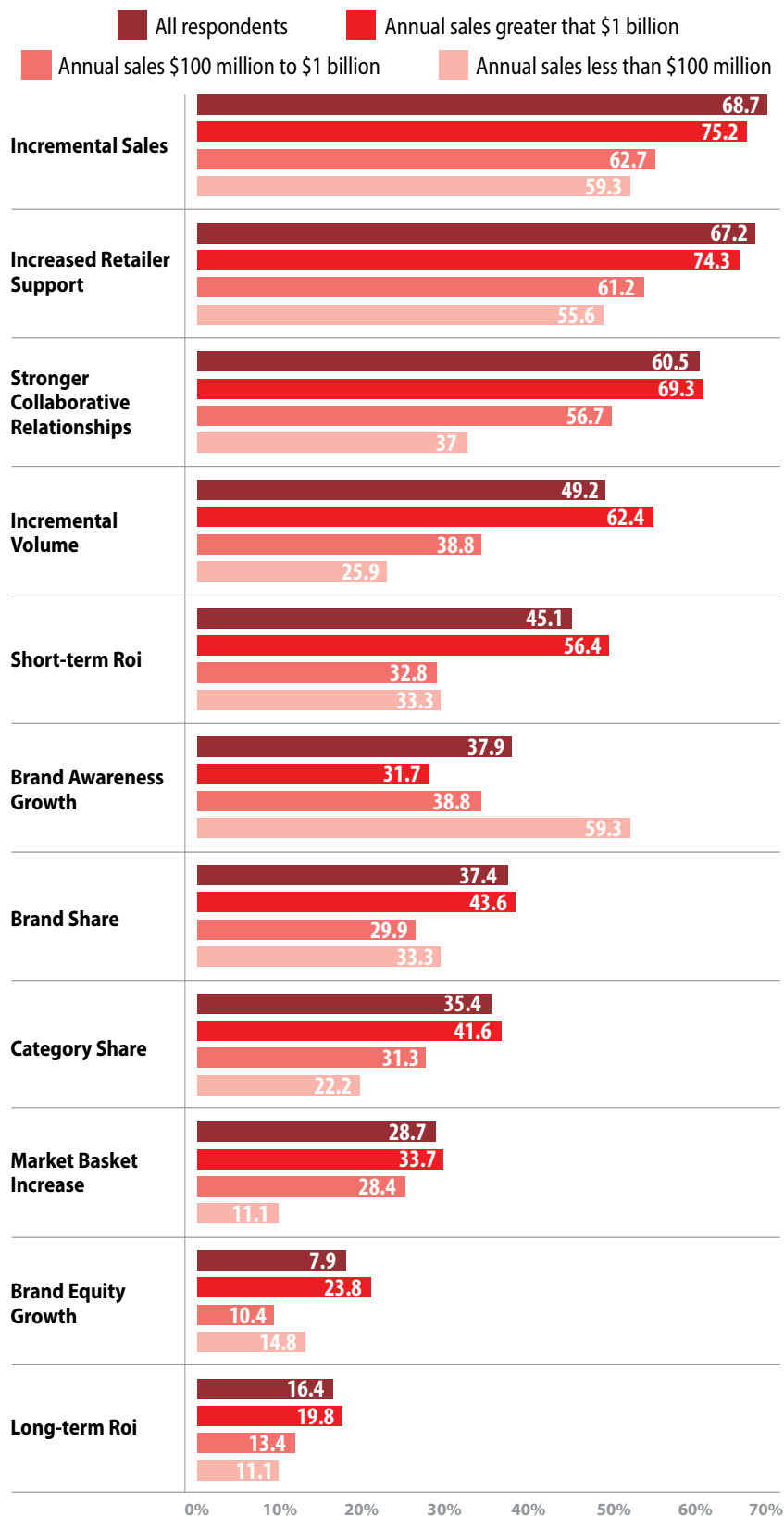
In terms of top-line growth, what impact has *collaborative* shopper marketing activity had on your brands?

■ Incremental sales growth ■ No significant growth ■ We still have not adequately measured the impact



Which of the following benefits of shopper marketing programs have you verified at your company?

Compared with traditional trade, account-specific or consumer promotion



SURVEY METHODOLOGY

In mid-October 2014, several thousand U.S.-based CPG marketing executives were emailed a questionnaire to be completed online. The names were drawn randomly from *Shopper Marketing* magazine subscription and Path to Purchase Institute membership lists, with an emphasis on those with director, manager or senior executive titles.

From those emailings, 266 CPG marketing executives submitted full or partially completed surveys, with 166 filling out the questionnaire completely. Each respondent was entered into a drawing for a grand-prize Apple iPad mini. The data was compiled and cross-tabulated by Irwin Broh & Associates, Des Plaines, Illinois.

FOR ALL CHARTS

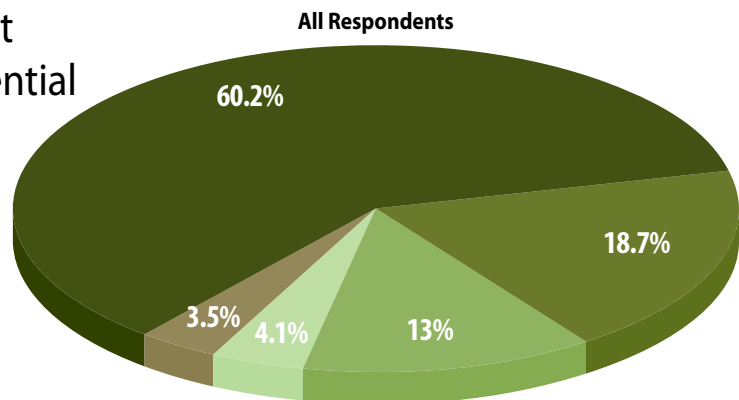
Respondents: Consumer product marketing executives. Please source all charts to: the Path to Purchase Institute/*Shopper Marketing* magazine.

SPECIAL NOTES

- The Food & Beverage category includes packaged food, beverages, candy, beer, wine and liquor.
- The Packaged Non-Food category includes household items, pet food, personal care, cosmetics and OTC drugs.
- The Specialty category includes consumer electronics, sporting goods, appliances, hardware, auto, apparel, footwear and office supplies.

Which e-commerce fulfillment method has the greatest potential to impact future CPG sales?

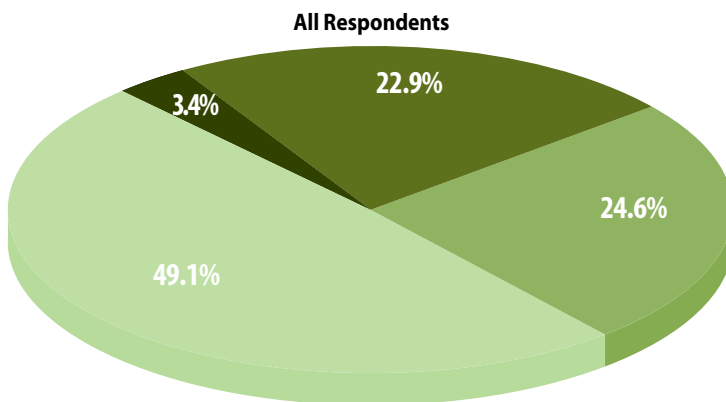
- Same-day home delivery
- Automatic replenishment
- At-store pickup of online orders
- Offsite pickup of online orders
- Mail-based (multiple-day) home delivery



Base: Consumer product marketers. N= 190. Source: Path to Purchase Institute/Shopper Marketing

When do you plan to make beacons/geo-fencing/micro-location a part of your shopper marketing strategy?

- Already using regularly
- Already testing
- Plan to explore soon
- Not a priority at the moment

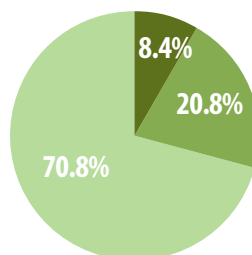
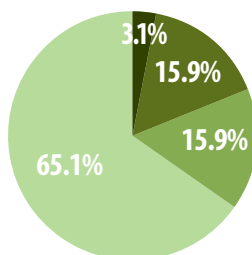
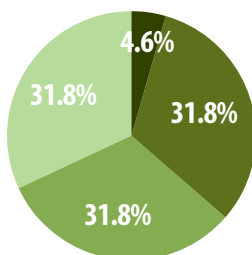


Rank the following on their potential future impact on shopper marketing:

Average Rank

- 1 THE INTERNET OF THINGS
- 2 BEACONS
- 3 MOBILE PAYMENT
- 4 AUGMENTED REALITY
- 5 DRONE DELIVERY

By Annual Sales of Respondent's Company

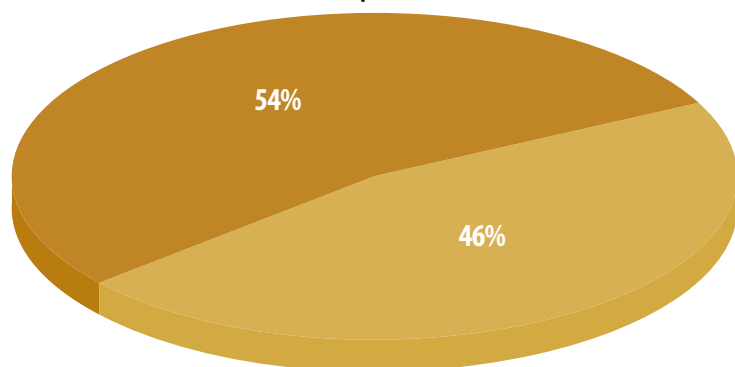


SHOPPER SEGMENTS

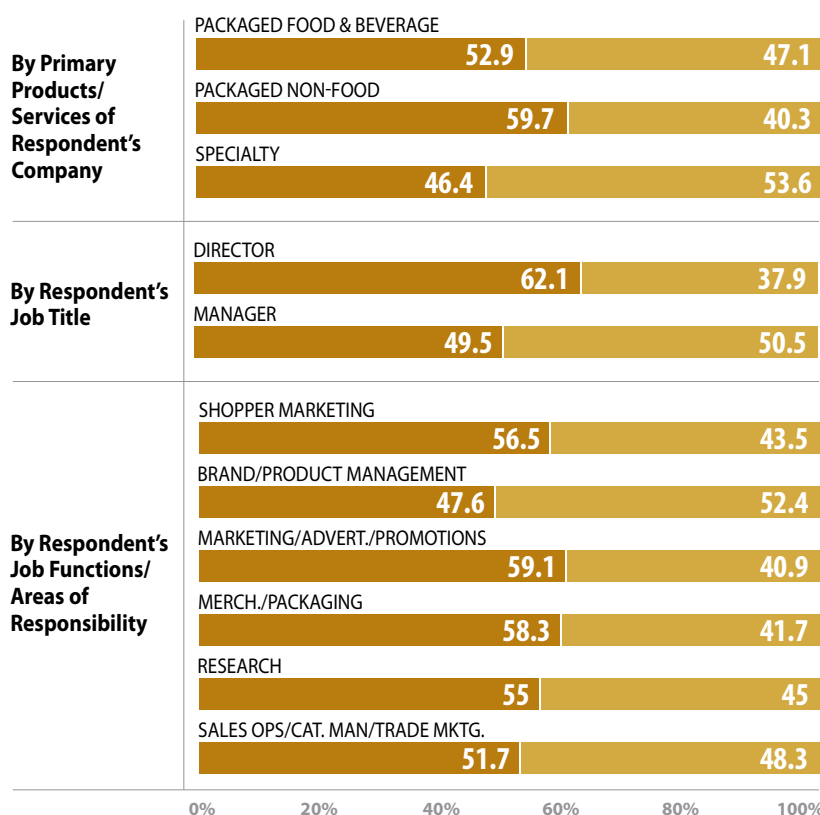
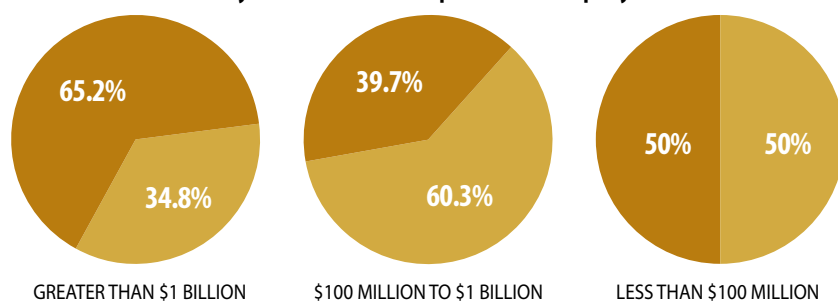
Are you devoting part of your budget to target the value/low-income shopper?

Yes No

All Respondents



By Annual Sales of Respondent's Company



How are you targeting low-income shoppers?

(sampling of responses)

Developing programs for specific store clusters

Coupons

Highly targeted digital tactics as well as traditional media

Developed a fighter brand

With products that are nearly loss leaders in order to introduce consumers to our brand

Discounts paired with solutions

Value messaging

Good pricing and right-size packaging

Optimal selection in value sizes

Low price

High-index SNAP markets and stores

Timing communication to align to SNAP payments

Economic empathy programs that provide significant discounts

Prioritizing the retailers that they frequent

Walmart-targeted communications

Dollar store programs

What's OUTSIDE the Box for YOU?



UNIVERSAL

