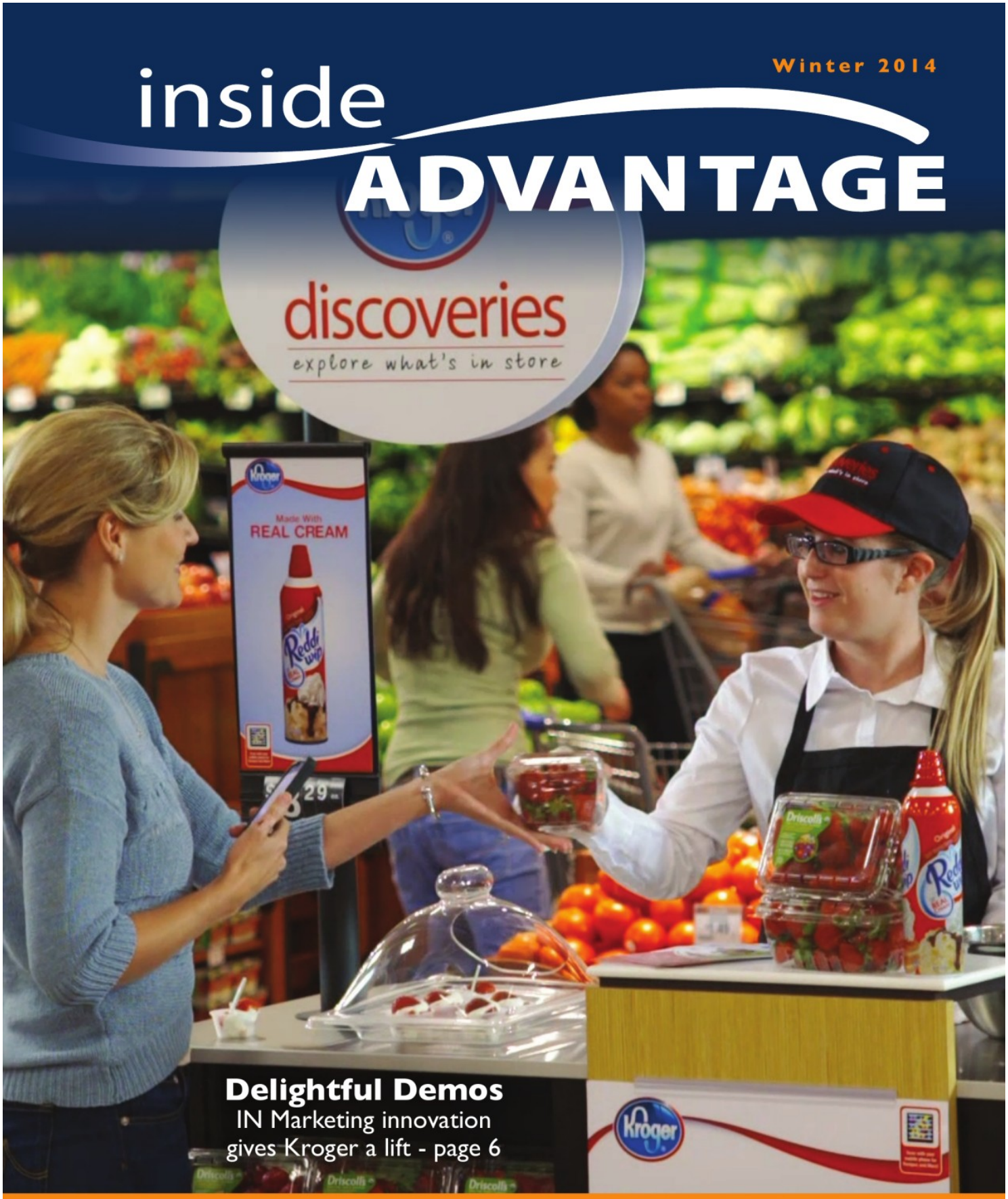
Winter 2014

inside ADVANTAGE



Delightful Demos

IN Marketing innovation gives Kroger a lift - page 6

Also In This Issue Interview with CFO, Brian Stevens Going Digital Leadership in HBC Driving Results Through Learning

welcome

Our Drive to Innovate

Happy New Year and welcome to the latest issue of **Inside Advantage**. The turn of the New Year is a time to both reflect on the past and look towards the future of our company and our industry. The theme of these years continues to be rapid change, with a constant demand for innovative and sustainable solutions. As you read these pages you'll see how our proactive approach helped us better service our clients and customers in 2013 and how there will be more to come in 2014.

> "The theme of these years continues to be rapid change, with a constant demand for innovative and sustainable solutions."

In 2013 we continued to expand ASM's service portfolio through acquisitions and organic growth, adding value for clients with programs such as the Kroger in-store sampling solutions, featured as our cover story (see page 6, IN Marketing Launches Kroger Delightful Discoveries). In addition, IN Marketing acquired AMP, a digital agency that leverages business intelligence and in-depth consumer data to provide a full suite of digital services including digitally interactive and strategic mobile marketing (see page 9, ASM and IN Marketing Go Digital).

As we look forward into 2014 ASM is prepared to address the continued industry changes. Brian Stevens, ASM's Chief Financial Officer, provides insights with his predictions for the year ahead and weighs in on the changing CPG landscape and adjusting to the "new normal" in the industry (see page 10, Brian Stevens). And with anticipated changes in healthcare, ASM is partnering with leading retail pharmacies by offering pharmacy marketing programs and providing engaging patient materials at healthcare providers (see page 4, Industry Leadership in Health and Beauty Care).

I have often said that the greatest predictor of the future is the past, and with our rich heritage of growing businesses and developing innovative solutions we have a distinct advantage to continue helping our clients succeed in the marketplace. I am excited to see ASM develop as a cutting edge agency by using the experiences of the past and insights for the future to tackle tough challenges, provide best-in-class services, and celebrate victories in the year to come.

Winning Together,

Tanya Domier

Tanya

inside ADVANTAGE

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SMARTeam™ Solution Gets Product on Shelves

SMARTeam™ Market Research specializes in solving retail issues using a vast assemblage of resources. When secondary market research doesn't meet a client's needs, ASM's SMARTeam™ offers custom market research services including studies to determine consumer insights, loyalty and satisfaction, product placement, packaging development, concept testing, Consumer Decision Trees (CDT), merchandising, and price optimization. With its certified market research specialists leveraging their consumer packaged goods (CPG) expertise, SMARTeam™ provides compelling, actionable insights and data that facilitate the strongest retail stories with clear, custom solutions to any business challenge.

While companies commit significant dollars to research and development, the key to any product's success is getting shelf space. This was the case with Jean Pierre Cosmetics, a skin care line consisting of make-up remover products. Jean Pierre Cosmetics knew its certified organic facial towelettes offered customers a high-quality product, but the company needed a compelling selling story that consumers preferred this type of product over synthetic or non-certified natural towelettes.

Since Jean Pierre's project required measuring consumer attitude, SMARTeam™ developed a custom market research study that identified shopping behavior, purchase drivers, and effective merchandising techniques specific for natural and organic facial towelettes. By contracting with an online third-party panel of more than 250 respondents who had used facial towelettes, the team was able to measure consumers' attitudes, behaviors, and purchase preferences around the natural and organic attributes.

Once the data was gathered and analyzed, the team produced a compelling report that Jean Pierre could use to sell its product to retailers. The final report tracked which factors impacted purchasing decisions but most importantly, it validated that Jean Pierre's product was preferred among consumers. Using this data, Jean Pierre was better able to market its product to both retailers and consumers.

Did it work?

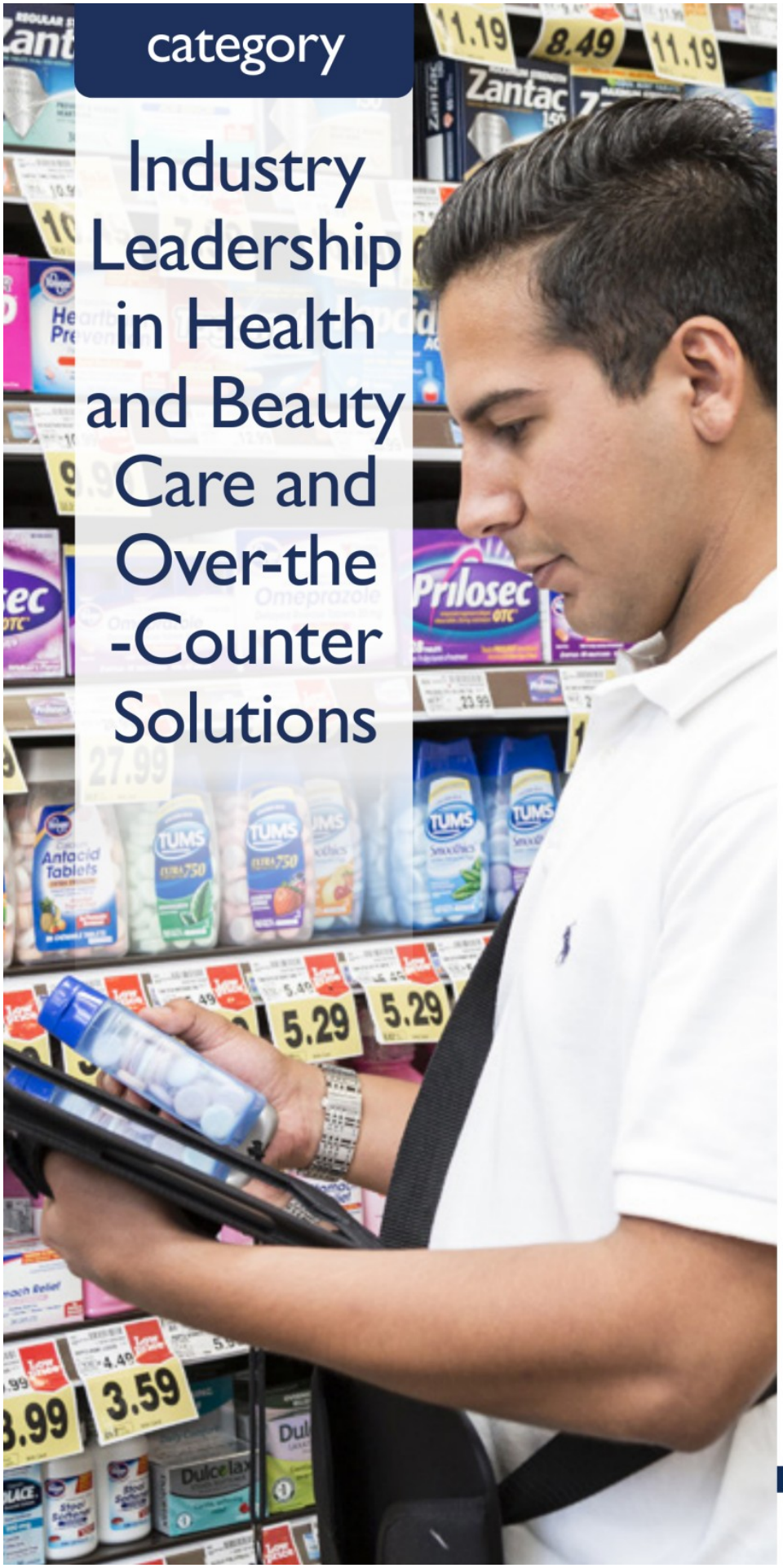
"Absolutely," said Chad O'Brien, Vice President of Sales for Jean Pierre Cosmetics. "It gave credibility from what we thought consumer preferences were to knowing what consumer preferences were. It is making a difference."

The study helped Jean Pierre show retailers that these products offered an alternative in the category, differentiating its certified organic towelette as an attractive consumer option. More importantly, the results provided market research that solved the company's problem—getting its product on the shelves.

To learn more about SMARTeam™ service offerings contact Nick Sabala, National Director SMARTeam™, at nick.sabala@thesmarteam.com.

category

Industry Leadership in Health and Beauty Care and Over-the-Counter Solutions



The Health and Beauty Care (HBC) and Over the Counter (OTC) categories are becoming increasingly important as health care reforms change the way patients seek out information and interact with providers. With health care expenditures expected to rise 7.4% by December 2014, retailers and manufacturers alike must be prepared to capture and retain this increased spend through an innovative approach to retail. ASM provides a full scope of specialized HBC and OTC services, including a dedicated sales team committed to driving HBC category sales, the Advantage Consumer Healthcare group that provides complete Rx to OTC go-to-market solutions, and innovative retailer Health and Wellness marketing initiatives.

ASM maintains a commanding presence in HBC with the industry's broadest and deepest HBC/General Merchandise client portfolio. Over 30% of ASM's total portfolio is dedicated to HBC, covering 53 HBC categories, 314 HBC brands, and over $20 billion in HBC sales. To manage this client base, ASM deploys a fully integrated vertical HBC/General Merchandise team within each market; a structure unique to the industry. This dedicated model allows ASM to cultivate HBC expertise from senior management to administration, with sales teams that are committed exclusively to Health and Beauty, Household, and General Merchandise categories.

In addition to this HBC-focused sales force, ASM launched the Advantage Consumer Healthcare Group, which provides specialization in OTC healthcare brands and clients. Advantage CH combines the know-how of major OTC healthcare companies with the capabilities of ASM's best-in-class services, offering full-service sales, marketing, and supply chain solutions from strategic planning to tactical execution. Leveraging the size and scale of ASM, Advantage Consumer Healthcare has the critical mass needed to reach every class of trade, with close top-to-bottom relationships at key retailers and pharmacists in the OTC healthcare space.

Led by Greg Bradley and Clark Brown, both industry veterans with extensive health-

Retail Value Creation

In today's challenging business climate, manufacturers are under constant pressure to scrutinize and rationalize each investment in the business. Retail coverage is a significant part of a manufacturer's overall service investment because it offers a very high return on investment. According to a McKinsey and Co. industry study, investments in continuity retail coverage provided the highest return per dollar invested, compared to other tactical levers including trade spending, TV, and print.

While retail coverage provides this high ROI, it can sometimes be difficult to quantify because of the many variables that affect performance in store, including marketing and advertising efforts and competitive activity. Using a strong understanding of the retail landscape and a wealth of retailer scan and reporting data, ASM is able to identify the value for each retail activity and quantify the return on investment.

To better understand and increase return on investment for continuity retail coverage, ASM has developed customized coverage tests, scorecards, and ROI models that provide more precise measurements in specific categories and classes of trade and determine retail value. ASM delineates test and control stores to determine which specific retail activities add the greatest value. *(continued on page 11)*

care manufacturer experience, Advantage CH fills an unmet need for a complete sales solution in the OTC space. "Recent healthcare reforms mean that more decision making is happening at the retailer level," says Bradley. "We quickly realized that there was a growing need for OTC health care-specific expertise across the spectrum of sales, marketing and supply chain capabilities." One such example is Advantage CH's full execution of the 2012 Oraquick Rx to OTC switch, which included services from go-to-market planning and category analysis, to headquarter selling and supply chain logistics. Advantage CH continues to drive the development of other OTC healthcare categories such as lip care, smoking control, and weight control.

ASM is also partnering with leading retail pharmacies to overhaul services and offer innovative products as retailers look for ways to engage patients in the early stages of diagnosis and treatment. IN Marketing has developed various platforms including targeted new patient acquisition and engaging pharmacy marketing programs. To acquire new patients and consumers for in-store pharmacies, IN Marketing has developed highly informative customized publications with medical content as well as coupons to encourage prescription fulfillment and additional purchases at the participating retailer. IN deploys teams of skilled sales representatives that visit with targeted physicians to sell in these materials to healthcare providers.

IN Marketing also offers pharmacy marketing programs which deploy highly trained and educated in-store brand ambassadors who form a one-to-one point of engagement with customers in the aisle. These brand ambassadors provide detailed information on the features, services, and products offered by the retailer's pharmacy. Other programs include custom signage, collateral, and in-store media to build pharmacy awareness among shoppers.

ASM applies decades of Health and Beauty and Over-the-Counter expertise to provide category insights and innovative solutions in these critical categories. Coupled with ASM's dedicated sales force, retailers and manufacturers can execute a full sales and marketing strategy for in-store pharmacies and Health and Beauty Care brands.

IN Marketing Launches Kroger Delightful Discoveries

IN Marketing's Experiential division is constantly reinventing the in-store experience to enhance consumer engagement and provide retailers with new ways to engage and entice their shoppers. The latest innovation from IN Marketing is the Kroger Delightful Discoveries platform, Kroger's in-store sampling solution.

For retailers today, in-store sampling programs are an important way to increase shopper experience scores as well as basket size. According to ShopperScape, since 2008 the percentage of immediate consumption shoppers has remained steady, but the number of trips they make has increased from 2.2 trips per week to 2.8: an increase of 27%. Strategic in-store events such as sampling programs create a "need" state that drives the desire for additional consumption. Kroger wanted to launch such a sampling program by partnering with an agency that could support its Customer First strategy. IN developed a winning solution to drive shopping trips and purchases with engagement designed specifically to build and support the Kroger brand. In May 2013, the Delightful Discoveries platform came to life. With powerful performance and enterprise-wide excitement, Discoveries is set to surpass historical annual event counts in just eight months.

Delightful Discoveries can be found in nearly 1,800 stores across 16 Kroger divisions. The shopper engagement design builds the Kroger brand by providing compelling events supported with Kroger-branded carts, custom collateral, and specially trained talent that delight customers and inspire additional purchases.

With the success of the initial Discoveries platform, Kroger and IN Marketing have developed additional pilot programs which are planned based on factors such as consumer preferences, seasonality, and brand awareness. The Discoveries' Focus on Fresh pilot was created so Kroger could showcase easy meal solutions using Kroger corporate-branded products. This summer, the program highlighted pork

tenderloin to coincide with the key outdoor cooking months. In just the first weekend, Kroger saw a 959% lift in daily average sales of pork tenderloin. Discoveries will continue to execute Focus on Fresh on a weekly basis in 44 locations through the end of the year with plans to roll out to additional stores in 2014.

All Discoveries events are strategically planned and scheduled based on Kroger's sales plan, weekly ads, and new item introductions. To support CPG brands this holiday season, the Discoveries team is partnering with premium chocolate brands including Ghirardelli, Ferrero, and Lindt to bring the "Wonderland of Chocolate" program to 12 Kroger stores in the Cincinnati division. During this event, the Discoveries sampling cart will be set up alongside an elaborate chocolate display of holiday gifts. Strategic in-store cart placement and cross-promotional opportunities will drive additional purchases and promote a Kroger experience while supporting CPG brands.

The initial success of Discoveries has prompted additional events, including grand openings across the divisions, lobby events in Kroger's general office, and adult beverage sampling in a number of Cincinnati Kroger stores. For more information on Delightful Discoveries, please email the Discoveries team at discoveries@inmarketingservices.com.

Taking Advantage: The Way Forward in Convenience Stores

Over the past decade the convenience store landscape has shifted dramatically. The channel has moved from a chain-dominated environment where big oil companies owned most stores to a larger and more fragmented group of retailers. Today, over 63% of the nation's 150,000 convenience stores operate independently, giving rise to significant change in the retailers' focus. Gone are the days when convenience retailers saw inside sales as a means to simply subsidize gasoline profits. Today, these retailers are feeling competitive pressure from grocery outlets that sell gasoline, drug chains moving to 24-hour free-standing stores, and mass merchandisers building more neighborhood markets. These changes have forced convenience retailers to rethink their go-to-market strategy, and ASM's dedicated convenience channel team is helping shift the focus towards providing consumers with increased food offerings and meal solutions to drive more traffic to their locations.

The convenience store channel business model is driven by a focus on high impulse, immediate consumption categories. However, unit sales have declined 22 percent between 2008-2012 in the top 50 convenience categories, including cigarettes, bottled water, and carbonated beverages, making it even more important for the channel to provide consumers with new options. To achieve sustainable channel growth retailers are focusing on categories like health and energy bars, e-cigarettes, and foodservice. ASM delivers a strong portfolio of these high-growth categories with the broadest account coverage of any agency in the industry and representation of six of the top ten convenience dollar sales categories. ASM also maintains a commanding presence at industry trade events like National Association of Convenience Stores (NACS), providing clients with exclusive visibility to showcase their brands and new products.

Servicing the changing convenience landscape requires deep CPG category knowledge and robust channel-specific sales strategies. Because many convenience store chains and distributors span multiple geographies, it is important for manufacturers and their ASM partners to maintain a single point of contact approach with retailers to ensure consistency of merchandising strategies. To execute against these strategies, ASM has built a vertical convenience team that is geographically structured to manage headquarter selling functions at over 380 convenience chains and 260 wholesale distributors. Because the convenience channel is a limited SKU environment and space is a primary concern, the team collaborates closely with ASM's category management team to build category templates specifically skewed towards the convenience channel.

As the team continues to grow, ASM is partnering with other internal divisions to provide clients with complete solutions across multiple channels including telesales, syndicated small format retail, and adult beverage. With deep channel knowledge, strategic customer alignment, and unbeatable talent ASM's convenience store team offers clients unparalleled customer access and go-to-market strategies.

To learn more about ASM's convenience team and the services provided, please contact Bobby Scruggs, Channel Director (bobby.scruggs@asmnet.com).

Driving Results through Learning

In an industry that demands high-level sales skills and deep product and market knowledge, ASM's Learning and Organizational Development (L&OD) department delivers the gold standard of training for ASM associates as well as clients and customers.

The group provides a suite of out-of-the-box professional learning tools and engaging educational materials that empower ASM associates and ultimately reflect improved performance in the marketplace. By working closely with clients to develop custom training programs that fit their individual requirements, the L&OD team provides robust learning options including online training, written documentation, formal classroom, and virtual/distance learning solutions.

The customizable training materials are essential for providing ASM associates with an actionable and comprehensive toolbox of skills that they can apply towards achieving client objectives. For the Kroger Discoveries in-store sampling national program, the L&OD team developed a comprehensive learning solution delivered to over 5,000 ASM associates. The training emphasizes expertise in key soft skills such as effective communication and selling, as well as Kroger's "Customer First" strategy to increase consumer engagement and purchases. With consumer interaction as the focus of the program, ASM's associate training program provides a critical element in the platform's overall success.

ASM invests in innovative technologies to support learning solutions, including the online Learning Management System (LMS). This online hub provides ASM associates, as well as client and customers' associates, with a single convenient location to access training, sign up for webinars, and connect with other associates for a truly social learning experience. The LMS portal has proven highly effective; ASM now offers training materials for 2,000 employees from various industry retailers who use the site for manufacturer-specific news, updates, and training. By providing insights and training to increase brand awareness, ASM is able to help manufacturers bridge the gap between themselves and the retailer associates that support their key brands.

The ASM Learning & Organizational Development team strategically aligns with internal and external partners to provide best-in-class customized learning solutions including learning opportunities, engagement activities, performance management, and talent development. For more information about the customizable learning solutions available through ASM's Learning and Organizational Development department, please contact development@asmnet.com.

ASM and IN Marketing Go Digital with AMP Agency

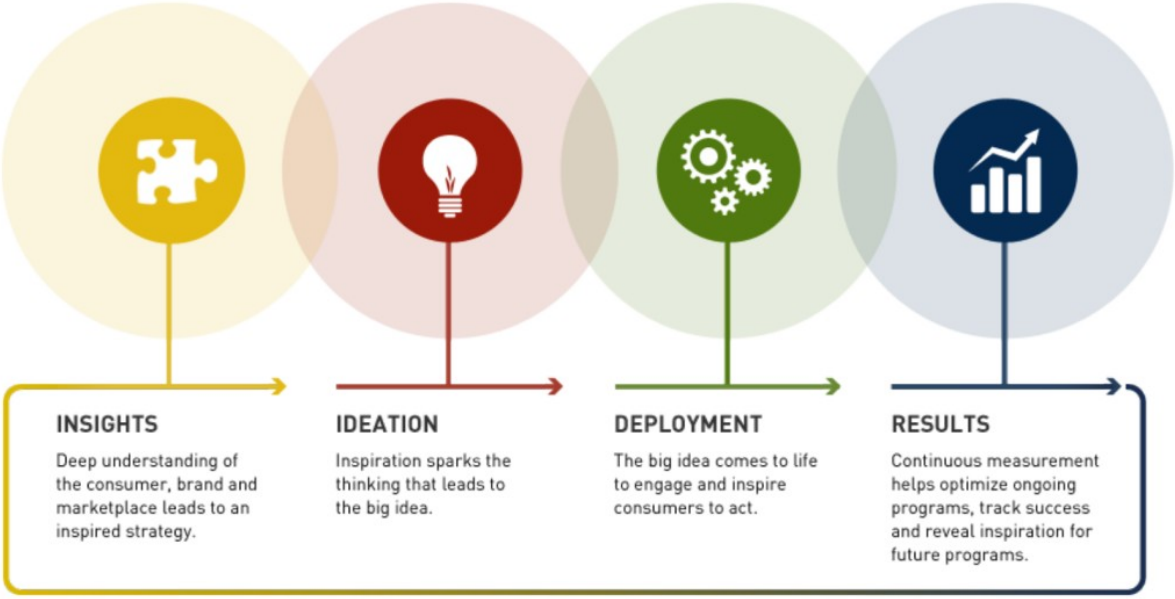
Since launching in 2000, IN Marketing has evolved from a pure-play shopper marketing agency to a diversified platform for brands to connect with consumers along their path to purchase within the country's premier retail environments. With a key part of the shopper's retail experience now extending beyond the four walls of the store and into their daily lives through phones, tablets, and computers, it is widely understood that a best-in-class digital competency is no longer optional for creating a fully integrated campaign – it is essential. In order to offer clients the depth and breadth of digital capabilities they require, IN recently acquired one of the leaders in the space: AMP Agency.

AMP, headquartered in Boston with offices in New York City and San Francisco, was founded by and continues to be led by Gary Colen. Gary, together with his team of 90 digital marketing experts, provides clients with strategic thought leadership as well as tactical know-how and seamless execution of programs across the spectrum of digital services. This includes performance media, technology and e-commerce solutions, creative, social, and data analytics across desktop, tablet, and mobile. Moreover, because the company has its roots in experiential marketing, AMP has the first-hand knowledge and experience to bridge their services with those of IN Marketing to create powerful, well-integrated campaigns and activations for clients.

"We evaluated many leading agencies in the space over an extended period," shared Jill Griffin, President – Marketing. "It was clear that AMP has the skills to not only build upon our existing solutions but lead us to new ones leveraging their knowledge of the space."

AMP's capabilities have attracted leading CPG companies such as Pretzel Crisps, Ansell Health, and Hasbro. As a proud recipient of Reggie Awards, OMMA Awards, W3 Awards, and PROMO Awards, the agency and the quality of its work has been widely recognized and honored by the industry's "who's who."

Gary will continue to lead AMP and report to Jill Griffin, President – Marketing. ASM is excited to welcome AMP to the ASM and IN Marketing family!



Brian Stevens

Adjusting to the New Normal

Brian Stevens is ASM's Chief Financial Officer, with global oversight of the Finance and Accounting department. Stevens joined ASM in March 2008 and has nearly 20 years of experience in various executive finance and accounting roles. He currently serves on the board of directors of Advantage Waypoint, LLC and Advantage Consumer Healthcare, LLC. For this issue of Inside Advantage, Brian sits down with us to weigh in on ASM's latest acquisitions, the changing CPG landscape, and adjusting to the "new normal" in the industry.

What groups do you oversee at ASM? My team includes around 450 associates who work in financial reporting, budgeting, treasury, payroll, tax, mergers and acquisitions, talent acquisition, workforce management and customer service.

How does your team support execution on ASM's Growth Strategy? My team supports ASM's Growth Strategy in three primary ways: acquisitions, cost control and financial analytics for the various business teams. We average around nine strategic acquisitions per year by targeting new channels and categories that are tangential to our current business. By doing this we create a platform that leverages our current teams and services to gain broader representation across the industry and continuously provide clients with new opportunities for business growth.

The build-out of our national Fresh/Perishable platform has been critical to our expansion in 2013. By acquiring key regional players with extensive industry knowledge, we are creating an unbeatable national platform that combines a deep understanding of each region's business with the strength and scale of ASM's national business intelligence and retail resources. On the marketing side of the house, we recently acquired AMP and Eventus. AMP, a digital marketing agency, enhances IN Marketing's capabilities by providing a suite of digital services including digital interactive and strategic mobile marketing. Eventus is a shopper marketing and experiential marketing agency with expertise in serving the rapidly expanding multi-cultural demographic. By investing in great leadership teams and strong platforms such as these, we are optimistic as to where we can take these businesses together.

With the sluggish return of the economy and the rising prices of food and gas, how do you see consumer behavior changing over the next 5 years? This is a great question, as it identifies the types of cost control challenges we strive to address and the rigorous financial analyses we need to perform – once again, both from the perspective of supporting ASM's Growth Strategy. Although the recession officially ended in 2009, the consumer mindset has fundamentally changed. IRI's Q2 2013 MarketPulse™ survey indicated that even though consumers have a more positive outlook on the economy, they are still spending less and searching for the greatest value on the items they purchase most. The same study gave a startling statistic that a 50 cent increase in gas will cause over 50% of consumers to switch spending to a different store. These changes reflect the "new normal" of consumer behavior, and it is absolutely critical for both retailers and manufacturers to accept these changes and respond by developing creative value propositions to capture this conservative spend. The finance team and I have a responsibility to partner with the business teams to devise and implement similar adjustments as needed for ASM.

How do you anticipate this will affect the grocery industry and other retail channels? As I mentioned, the money-saving strategies implemented by consumers during the recession have stuck as long-term habits, so I anticipate that we will see all sectors of the industry adjusting to this change. As consumers shift channels or squeeze their dollars to go further, retailers must differentiate their shopping experience in order to grow, balancing in-store investment against what matters most to their targeted shoppers. For manufacturers, the key lies in driving brand presence across a range of channels to maximize exposure and developing a holistic marketing approach to engage with consumers along, and beyond, the path to purchase.

Manufacturers and retailers should look to their SMA partners to help them maximize their presence in-store and keep up with the smarter consumer and her smarter spend. At ASM, the acquisitions led by the Finance and Accounting team have allowed us to expand ASM's footprint across the store and across channels, and we are excited to be able to provide clients and customers with more innovative services and strategic solutions.

> "By acquiring key regional players with extensive industry knowledge, we are creating an unbeatable national platform"

Retail Value Creation

(continued from page 5)

Using a combination of retailer scan data, syndicated data, and retail reporting data, ASM tracks coverage, service frequency, velocity changes on individual SKU corrections, and display impact. A recent ASM client retail analysis measured the sales lift associated with continuity coverage (test) versus no coverage (control) in the grocery and mass trade classes.

The analysis found that the retail coverage created lifts of 4% and 8% in the grocery and mass channels, respectively. Another analysis applied a specific and client-proprietary dollar value to each retail action to calculate value creation, allowing full visibility to the impact of each individual retail activity.

In cases where retailer data is available, such as Walmart, ASM uses a combination of actual movement rates, retailer items prices, and value creation reports like the one above to determine an exact return on investment for a client. The ROI analysis, along with the retail value creation, is provided for clients through the Advantage Reporting Technology Services (ARTS) customized dashboards views.

By separating and individually quantifying the value of each retail activity, ASM not only confirms the ROI from retail services, but also provides manufacturers with information about which specific retail activities provide the highest ROI, allowing manufacturers to adjust their go-to-market retail strategy to maximize results. As manufacturers rightly continue to let ROI guide their investment decisions, ASM remains committed to quantitatively demonstrating how its innovative retail solutions are the most sound, value-generating spends in CPG sales and marketing today.

Source: Teichner, Warren. "Testing in Client Environment." Winning at Retail. McKinsey and Company.

Creating Greater Efficiencies through Project BDM

Caleb Bahr is an ACE graduate and a Business Development Specialist, a new role created as a result of Project BDM. Project BDM was designed to create greater efficiencies in markets and provide a career path for our newest ACE graduates. In his new role on ASM's Walmart team, Caleb has used computer programming skills developed during the ACE program to add value for clients and customers.

I joined the ACE program in July 2012, and coming from a background in Mathematics, I had no idea what I was getting myself into with the CPG industry. After the ACE program I was placed on the Walmart team in Bentonville, AR as a Business Development Specialist. That was when I found my passion for accuracy and automation- an analytic mindset of looking for faster, more efficient ways to accomplish tasks. Using Visual Basic, a program I learned during the ACE program, I was able to start writing small computer programs. This improvisational programming allowed me to write flexible code that created automated reports and saved administrative time for myself and the Walmart team.

My work with improvisational programming began to really take off when my manager and I started collaborating to use my programs for our clients. One program we built for Sargento made customized Walmart progress reports that were mailed to each merchandiser to use in store. We spent just two hours designing the report and a program to accompany it, and in less than eight hours we were able to generate, print, and mail about 4,000 unique reports! Since then, improvisational programming like this has found a home on our team and has given us the flexibility required to take on the individual needs of our clients by handling large data sets with speed and accuracy.

Most recently, I wrote a program that pulls merchandiser pictures and comments from our database to create ready-to-use retail success PowerPoint presentations for clients. With the rollout nearly complete, we anticipate that this program will save our team nearly 20 hours a week making national reports, allowing more time to be devoted in store, servicing our clients' products and developing even better ways to drive sales.

I am excited to continue developing my improvisational programming skills and applying them to my work as a BDS on the Walmart team. Maybe these small programs are the next thing in analyzing big data, and I look forward to developing additional practical innovations that provide our clients with more efficient and higher levels of service.

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SALES AND MARKETING