

# TOTAL CONSUMER REPORT

VOLUME 2

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# WELCOME

Change is upon us. From new consumers entering the market to new service models disrupting the norms of how and why we buy... the fast-moving consumer goods (FMCG) landscape is dynamic to say the least. And it's with these dynamics in mind that we've been giving significant thought to the ways we can deliver on the evolving needs of our clients and the market.

Here are some key thoughts:

- We've adopted "open" as our core value, and we're evolving with this business philosophy in mind through new methodologies, partnerships and technologies.
- We all need to be open to change—open to new ideas and open to new ways of measuring the industry.
- There is no singular means for success in FMCG, and there's no longer one source, one voice or one solution that will inform the path to success.

Understanding that success along the path forward requires collaboration and partnership is why we hold openness to our core. It's also the critical ingredient in our Connected Partner program, which is an open ecosystem for companies servicing the FMCG industries. By opening up data pipelines, partner companies and Nielsen clients can find each other and collaborate in an open data ecosystem; removing the most common and burdensome barriers to connecting applications and data sets at scale.

We're invested in openness, and through this, we will continue to guide and uncover the knowledge you need to win amid change. As the industry evolves, so does the way we view, measure and understand it. Follow us on our evolution to total consumer measurement.

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# OVERVIEW

Growth was tough to come by at the start of the year, but topline sales did increase during the second quarter. Overall, dollar sales for the year are up 1.4%, with online growth driving the majority of the uptick (0.1% brick and mortar vs 21.1% online). Despite the meager growth, the future looks promising, as Americans are feeling very positive about their general situations: Consumer confidence remains strong at an index of 118, maintaining optimistic levels well above the global average of 104.

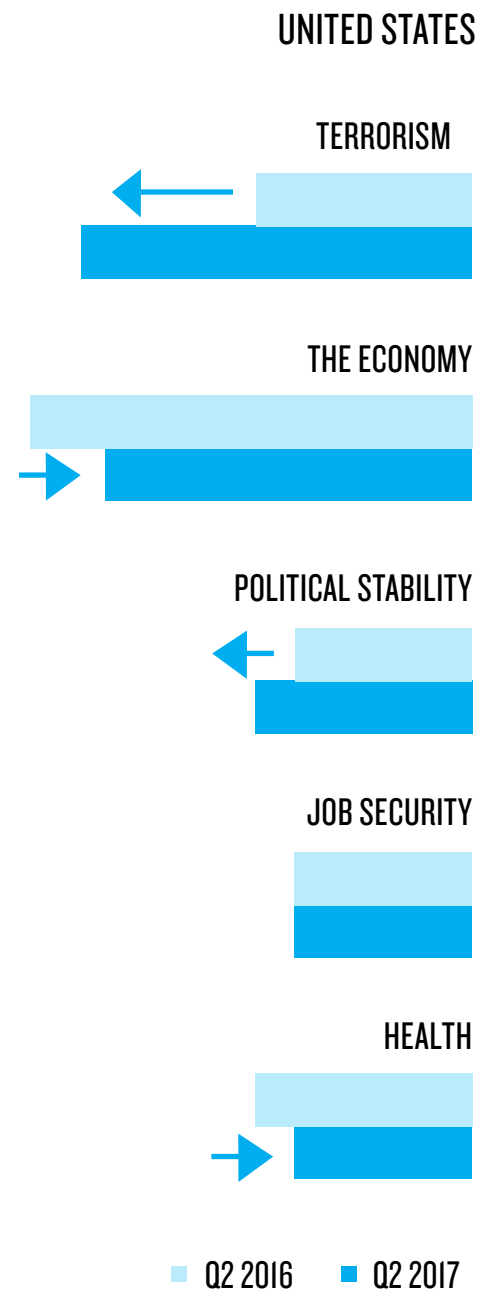
More specifically, 65% of consumers said they had confidence in the U.S. job markets, while recessionary sentiment improved dramatically. In fact, 63% expressed the belief that the country was out of recession (up 13 percentage points). And while 37% said they believe the country is still in recession, more than one-third of those people believe that their recessionary feelings will subside in the year ahead. Overall, the economy isn't many consumers' top concern. In aggregate, just 28% list the economy as their biggest or second-biggest concern, down eight percentage points from the end of 2016.

Terrorism is now the top concern among Americans, rising for the third consecutive quarter and escalating to a new high midway through the year. As of the second quarter, 30% of U.S. respondents cited terrorism as their biggest or second-biggest concern.

Strong consumer sentiment is good news for manufacturers and retailers, as optimism is typically complemented by a willingness to spend. Compared with the end of 2016, consumers reported an increased intent to spend on out-of-home entertainment (up six percentage points) and on home improvement (up three percentage points).

Consumers aren't throwing caution to the wind, however, as they also reported an increased appetite to save and pay off debts (each up four percentage points, respectively). Notably, only 16% of U.S. consumers reported not having any discretionary funds to spend.

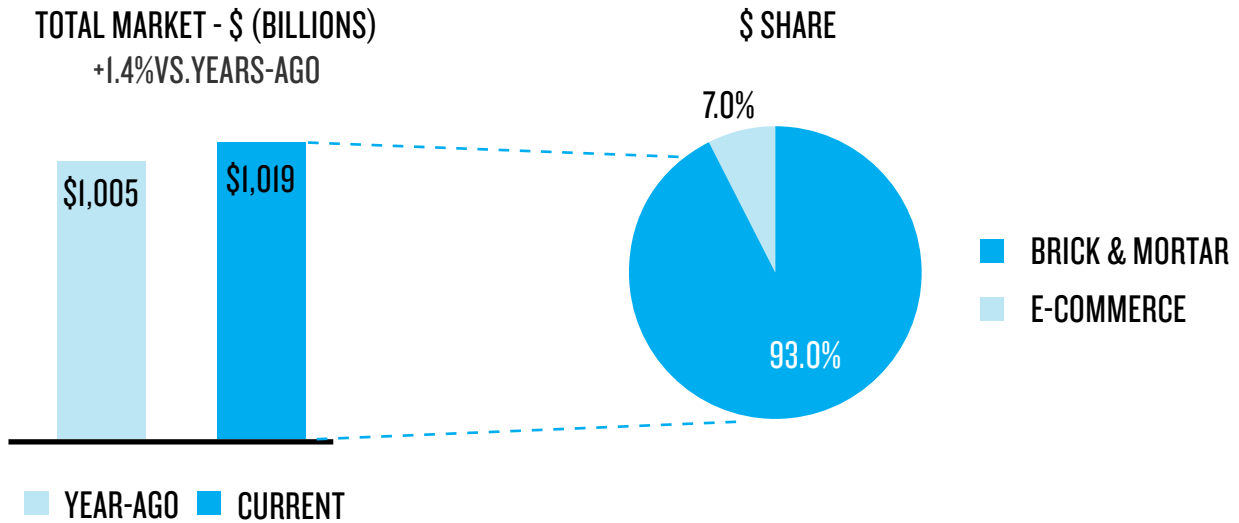
## TOP CONCERNS Q2 2017



Source: Nielsen Consumer Confidence Survey, Q2 2017

# DOLLAR SALES GROWTH ACROSS CHANNELS

Online channels drove 90% of FMCG growth in the last year

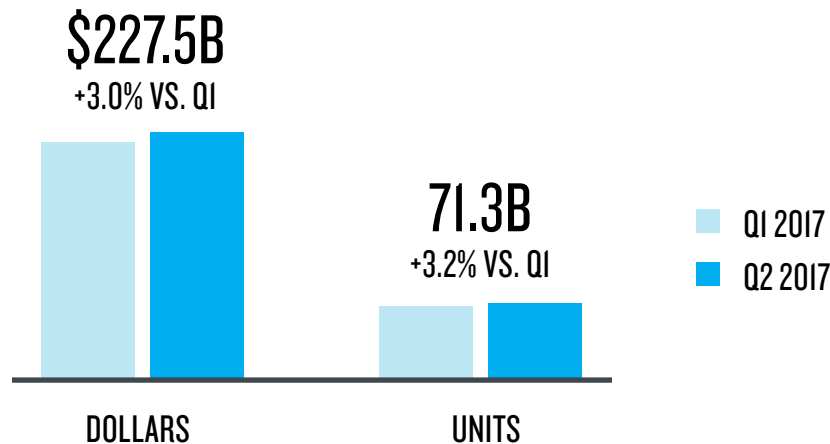


Channel	2016	2017	Dollar Share	\$ % Growth
<b>BRICK &amp; MORTAR</b> Includes measurement and Nielsen estimates of grocery including Whole Foods, Trader Joe's, Aldi, drug, mass merchandisers, convenience, select dollar stores, select warehouse clubs, including Costco, and military commissaries (DeCA)	\$945.7B	\$947.0B	93%	+0.1
<b>E-COMMERCE</b> Including ~1MM e-commerce FMCG consumers and cooperating ePOS retailers	\$59.2B	\$71.7B	7%	+21.1

Source: 1. Nielsen Answers and FreshFacts, Total U.S., 52 weeks ended July 1 2017 vs. year-ago including Nielsen analytics and estimates 2. Nielsen Total Store Report, E-commerce measurement, 52 weeks ended July 1 2017 vs. year-ago.

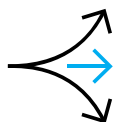
# TOTAL STORE

## QUARTERLY TREND



Source: Nielsen Answers and Nielsen FreshFacts, Total U.S., 13 weeks ended July 1 2017 vs. previous period, UPC-coded + Random-weight (\*) See Endnotes

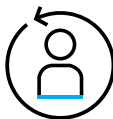
The first three months of the year were tough for the FMCG market. Growth was scarce for many categories, and sales at U.S. brick-and-mortar stores were almost \$3 billion lower compared to the end of 2016. Price deflation, contractions in certain areas within the center of the store and a late Easter holiday (it often falls in the first quarter) were leading causes of the drop in the first quarter, causing an unsettled sense of worry for many manufacturers and retailers to panic. But after a few more months of performance, we see that the market is starting to bounce back.



FMCG dollars are **fragmenting** across a wider number of emerging channels. E-commerce will be key to growth.



Growth no longer restricted to perimeter vs. center store. Trends are spreading across the **total store**.



Nielsen is investing in new and innovative ways to capture more of **total consumer** behavior and spend.

Following a tough first three months of 2017, dollar sales increased \$6.7 billion (3%), unit sales grew \$2.2 billion (3.2%) and deflationary pressures dissipated in the second quarter. Despite the inklings of a rebound, we can see that from an annual trend perspective that we're not out of the woods yet. For example, sales among center store edibles (grocery, dairy, frozen foods) are nearly 1% off from last year, with dairy products largely responsible for the dip.

Unlike other departments, the dairy realm has not escaped deflationary pressures. And as a result, average dairy prices are still falling, with nearly 2% in total contraction since mid-year of 2016. Conversely, grocery and frozen food prices have climbed by 1.3% and 1.5%, respectively.

## FMCG DEPARTMENT PERFORMANCE

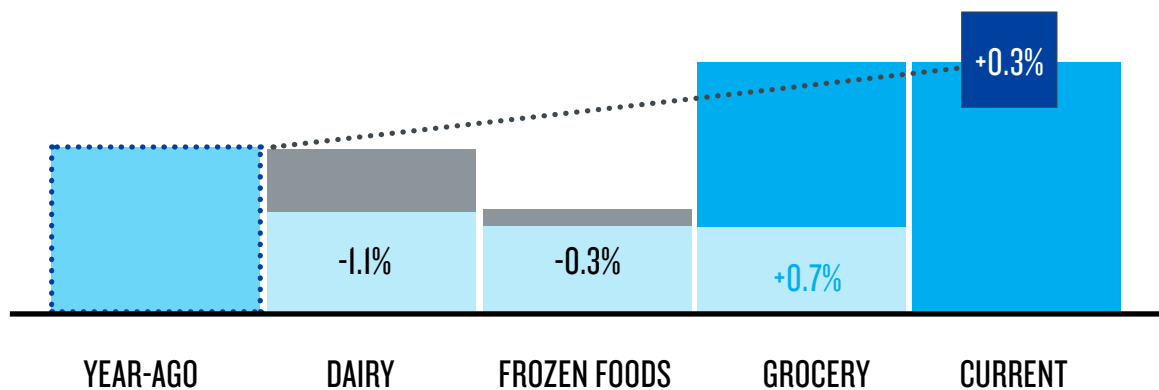
	\$ Vol (Billions)	\$ % Growth	Unit Vol (Billions)	Unit % Growth
<b>CENTER STORE EDIBLES</b>	<b>372.8</b>	<b>-0.9</b>	<b>154.2</b>	<b>-1.5</b>
GROCERY	251.9	0.0	112.9	-1.2
DAIRY	68.2	-4.4	26.3	-2.7
FROZEN FOODS	52.7	-0.3	15.1	-1.8
<b>FRESH PERISHABLES*</b>	<b>146.5</b>	<b>0.6</b>	<b>58.6</b>	<b>1.3</b>
MEAT*	54.1	-1.2	16.5	1.6
PRODUCE*	48.9	1.7	32.2	1.1
BAKERY*	11.6	1.3	4.0	1.6
DELI*	25.1	2.0	4.9	2.0
SEAFOOD*	6.9	1.0	1.0	-2.2
<b>HOME &amp; PERSONAL CARE (HPC)</b>	<b>161.2</b>	<b>0.7</b>	<b>31.9</b>	<b>-1.0</b>
HEALTH CARE	43.8	2.6	6.6	0.6
BEAUTY CARE	16.4	-1.3	3.1	-3.1
PERSONAL CARE	42.9	-0.1	8.7	-0.8
HOUSEHOLD CARE	58.1	0.5	13.6	-1.4
<b>NON GROCERY</b>	<b>138.2</b>	<b>0.4</b>	<b>26.0</b>	<b>-0.8</b>
GENERAL MERCHANDISE	44.7	-1.5	7.2	-1.8
PET CARE	20.4	1.2	5.6	-1.5
TOBACCO + ALTERNATIVES	73.2	1.4	13.2	0.1

Source: Nielsen Answers and Nielsen FreshFacts, Total U.S., 52 weeks ended July 1 2017 vs. year-ago, UPC-coded + Random-weight (\*) See Endnotes

# SOURCING THE QUARTERLY BOOST TO CENTER STORE GROCERY

Comparing to Q2 of 2016, this quarter, Center of store edibles see growth

## CENTER STORE EDIBLES +0.3%



Source: Nielsen Answers, Total U.S., 13 weeks ended July 1 2017 vs. year-ago, UPC-coded.

In aggregate, second-quarter of 2017 grocery sales were \$455 million higher than they were a year ago. This increase was enough to drive a modest uptick in sales across total center store edibles (up 0.3% compared with 2016 figures), despite continued declines in dairy and frozen foods. This incremental gain might not seem like much to brag about, but it marks the first time that this set of departments has seen net growth since mid-2016.

Between first and second quarter of 2017, a more recent time span, grocery items posted 2.4% dollar sales and 2.2% unit growth. A common theme emerged among the top growth drivers of grocery this quarter. During the summer months, beverages thrived. But as consumers continue to opt for healthier options, sports drinks, water, tea and coffee have been the big gainers. Isotonic beverages are becoming a break-out hit, generating \$1.8 billion in sales in the most recent quarter alone—leading sales growth in the beverage realm by posting 47% dollar growth on a quarter-over-quarter basis.





## GROWTH TRENDS IN THE GROCERY DEPARTMENT

Beverages thrived this summer, with isotonic beverages leading the way

What's HOT			What's NOT		
CATEGORY	\$ % GROWTH	UNIT % GROWTH	CATEGORY	\$ % GROWTH	UNIT % GROWTH
ISOTONIC BEVERAGE	46.9	54.9	SHELF STABLE LIQUID SOUP	-38.5	-42.9
PREPARED BEANS	45.2	39.2	SAUCE, GRAVY AND SEASONING MIXES	-28.3	-26.9
MUSTARD	29.8	29.7	SHELF STABLE DRY SOUP AND CHILI MIX	-27.4	-25.3
LIQUID TEA	26.6	32.0	TOMATO PASTE AND SAUCE	-26.4	-23.9
WATER	21.1	20.6	HONEY	-20.4	-21.1
LIQUID COFFEE	20.6	20.0	HOT CEREAL	-20.3	-22.1
MAYONNAISE	20.4	22.3	SHELF STABLE VEGETABLES	-17.7	-20.3
POWDERED INSTANT DRINKS	20.1	17.4	PACKAGED AND BAGGED TEA	-13.8	-13.2
PICKLE AND RELISH	18.7	24.5	BREADING AND STUFFING	-12.3	-13.9
NEW AGE BEVERAGE	15.5	16.9	PASTA SAUCE	-12.0	-12.2

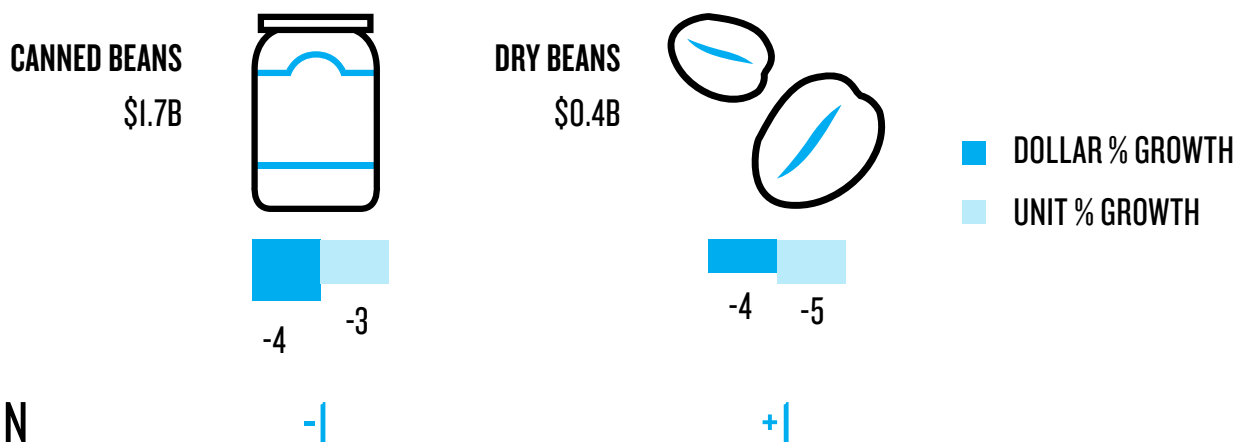
Source: Nielsen Answers, Total U.S., 13 weeks ended July 1 2017 vs. previous period, UPC-coded

# TRENDS SPREAD ACROSS THE STORE

## LEGUMES STRUGGLE TO FIND GROWTH

In addition to drinking healthier beverages, consumers are increasingly making healthier food choices as well. And in certain cases, food categories are finding growth in combination with other categories rather than on their own.

For example, both canned and dry beans have struggled to maintain sales levels from last year. Consumers, however, haven't snubbed the legume, as sales of products with beans as ingredients are growing at a rate of 3.4% year-over-year. And when you consider that beans are found in more than 90 categories, manufacturers and retailers have just as many opportunities to boost sales.



## INFLATION

Source: Nielsen Answers, Total U.S., 52 weeks ended July 29 2017 vs. year-ago, UPC-coded, See Endnotes

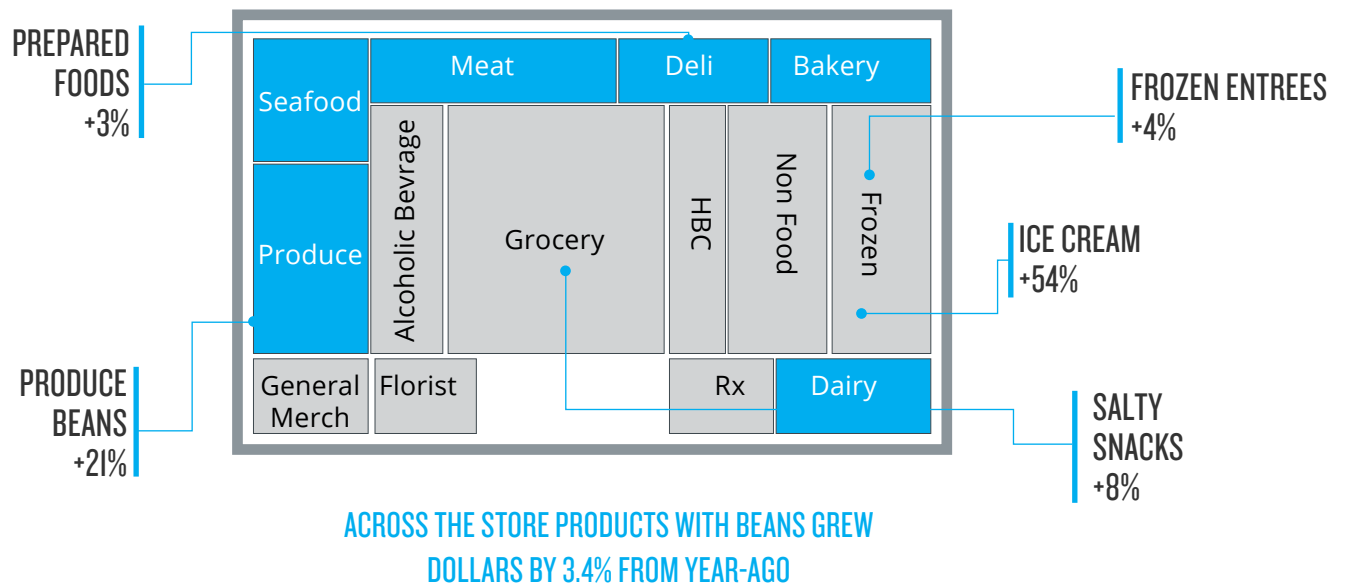
To highlight the upside potential of beans as an ingredient across the store, the floorplan diagram below illustrates the vast diversity of categories that can benefit from consumers' demand for legumes.

# COOL BEANS - TOTAL STORE TREND

Beans, As An Ingredient, Drive Food Sales Across The Store

## CATEGORIES WITH BEAN INGREDIENTS: DOLLAR GROWTH VS YA

**90** different consumable categories have Beans across the store



Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ended February 25 2017

Beans are also benefitting from consumer desires for “cleaner” products—those that are free from artificial ingredients, hormones and antibiotics. Notably, over half of the dollar share in the bean category during the latest year can be attributed to clean label offerings. Clean products have also sparked a 2.4% gain in share in the bean category over the past two years. But the “clean label” impact can be seen across the entire store, as clean products have driven a 1.2% growth in dollar share in aggregate over the past two years<sup>1</sup>.

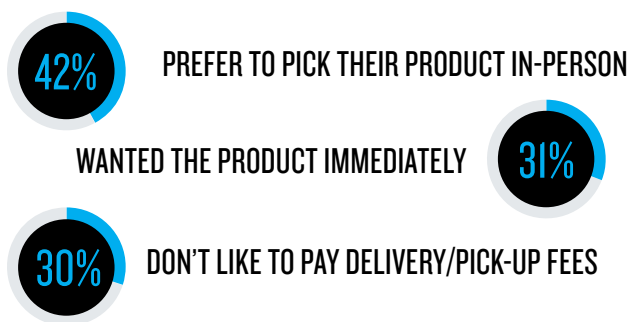
This is one example of a product that manufacturers and retailers have leveraged in new ways to compensate for gaps in conventional sales. It also highlights the importance of properly marketing product attributes and ingredients to effectively drive sales.

<sup>1</sup>Source: Nielsen Clean Label Report, 52 weeks ended July 8, 2017, See Endnotes

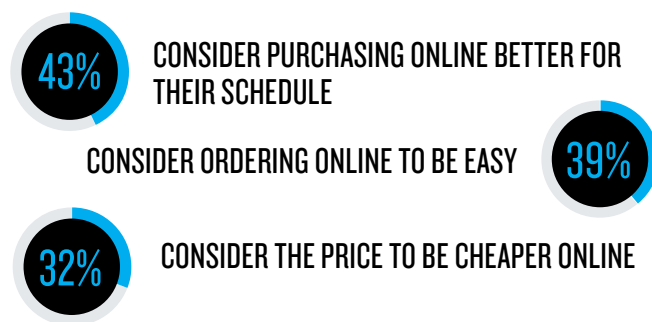
# E-COMMERCE

## BARRIERS AND BENEFITS TO PURCHASING ONLINE (% RESPONDENTS)

### TOP 3 BARRIERS



### TOP 3 BENEFITS



Source: Nielsen, *Category Shopping Fundamentals*, 2017

There's no denying the impact that e-commerce is having on overall FMCG sales. While e-commerce has driven 7% of all U.S. FMCG sales this year, it's driven nearly all the growth. What's more, consumers are growing in familiarity and comfort with online outlets, as consideration of trips to non-physical stores is up 50% from 2015<sup>2</sup>. Sales growth from brick and mortar channels is flat at 0.1%. The upside here is that the majority of traffic still lies within the stores. That means manufacturers and retailers simply need to capitalize on the opportunity that's already there—whether that be through engaging in-store displays, competitive pricing, special promotions, etc.

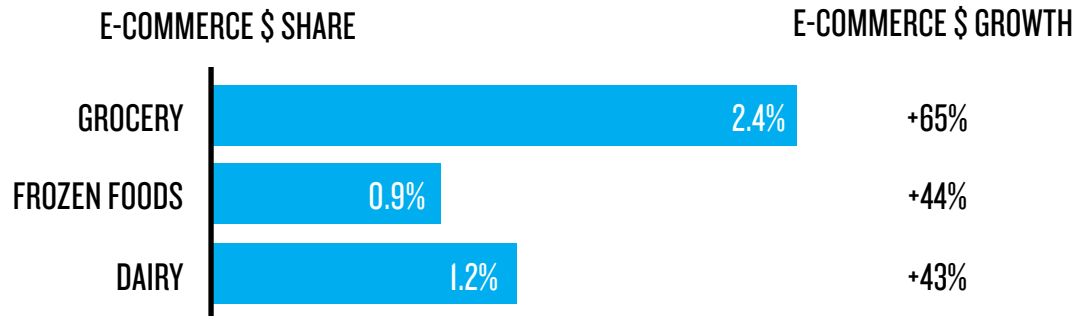
With so much talk about the growth of online sales and market fragmentation, it's important to understand the behavioral motivations for shopping—and not shopping—online. This is particularly relevant for grocery items, some of which are less likely to land in consumers' online baskets.

For example, preferring to pick in person, immediacy and avoidance of fees are a few of the prominent barriers when it comes to shopping online. For many, however, the appeal of online convenience and price savings is fueling online growth — even in the grocery, frozen foods and dairy sections. Though dollar share is small (2.4% for grocery items, 0.9% for frozen foods and 1.2% for dairy), these center store edibles have seen impressive growth in online channels.

<sup>2</sup>Source: Nielsen, *Category Shopping Fundamentals*, 2017

# E-COMMERCE - DEPARTMENT INSIGHTS

Center Store Edibles are seeing outsized growth from e-commerce



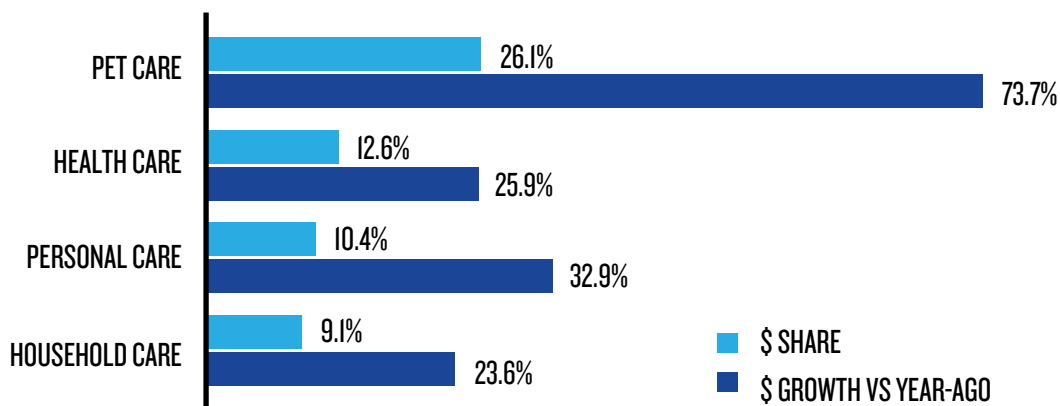
Source: Nielsen Total Store Report, E-commerce measurement, 52 weeks ended July 1 2017 vs. year-ago.

## E-COMMERCE THRIVES WITH NON FOOD

In looking across FMCG, e-commerce is having a much larger impact on overall sales in non-food categories. Across total shopping trips, 14% of Americans say they consider buying online, which is up from 9% in 2015. Additionally, 33% more households are influenced by digital before they visit a physical store for non-food items than in 2015<sup>3</sup>.

Online sales growth across non-food categories isn't homogenous, however, as pet care is clearly leading the pack.

## SELECT ONLINE GROWTH STORIES



Source: Nielsen Total Store Report, E-commerce measurement, 52 weeks ended July 1 2017 vs. year-ago.

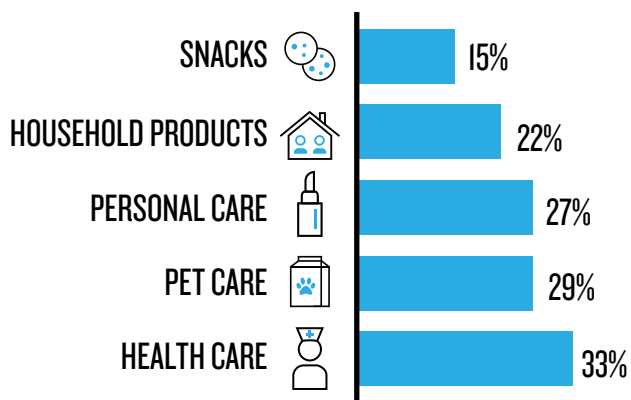
<sup>3</sup>Source: Nielsen, Category Shopping Fundamentals, 2017

Given the overall e-commerce trends in these categories, complemented by certain barriers to online food shopping, it's not surprising that non-food categories are top of mind when it comes to buying online.

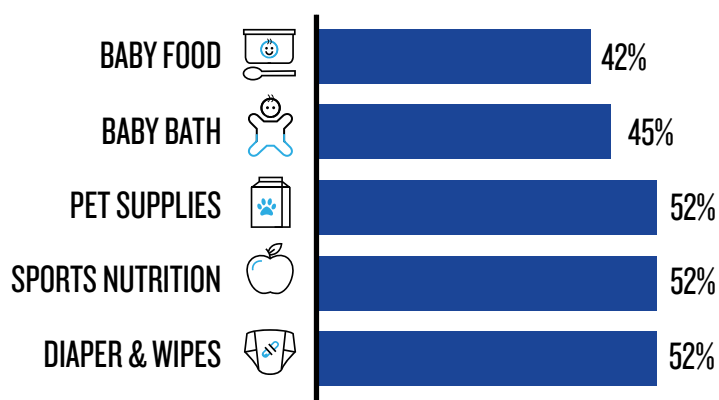
## ONLINE PURCHASE CONSIDERATION

Top Departments and Categories by % Shoppers

### TOP DEPARTMENTS



### TOP CATEGORIES



Source: Nielsen, *Category Shopping Fundamentals*, 2017

## PARENTS PURCHASING ONLINE

While pets and snacks are top departments when it comes to online shopping, baby products command the top spots at the category level. In fact, three of the top five categories considered for online purchase pertain to baby care. This is largely because price and convenience are top motivators when it comes to e-commerce.

So who's shopping online? While e-commerce has something for everyone, younger consumers, women and people with families are leading the online shopping charge. Specifically, 22% of Millennials say they would consider shopping online for FMCG products, and 5% say they actually prefer shopping online than going to a physical store. Across gender lines, 15% of women say they would consider shopping online, four percentage points ahead of men (11%). The divide was much narrower in 2015, at 9% women and 8% men.

# RETAIL

As channels continue to fragment and the FMCG landscape becomes more dynamic, the composition of households are changing, too. Individuals are driving their own agendas, purchase decisions and preferences, and that means manufacturers and retailers need to analyze purchasing with more granularity. That's where trip-level purchase metrics can help, as they allow users to analyze shopping trips at the individual shopper level. A necessary and invaluable form of measurement, trip analytics enables us to inform you on purchase behavior in robust fashion.

At a macro level, value grocery and online continue to drive shopping occasions, leading growth in trips per shopper. That said, however, at the individual shopper level, consumers are making 1% fewer trips than they were a year ago. This is primarily because of decreased traffic to pet and drug stores. In looking at e-commerce trends for these two areas, it's likely that consumers are covering this gap—and possibly more—by making their purchases online.

## TRIP ANALYTICS BY CHANNEL

Consumer trips are down, particularly in the Pet and Drug store channels

	Total Channels	Online	Drug Stores	Dollar Stores	Warehouse Club	Pet Stores	Mass Merch & Supers	Value Grocery	Conventional Grocery	Premiere Fresh Grocery
TRIPS/SHOPPER	165	5	20	29	14	7	36	18	59	14
TRIPS/SHOPPER % CHANGE	-1.0	7.2	-2.3	0.2	-0.6	-3.4	0.6	1.6	-1.8	-0.4
\$ SPEND/TRIP	31	41	19	13	67	35	41	26	33	22
\$ SPEND/TRIP % CHANGE	-0.5	-5.3	1.6	-0.4	-2.6	-2.5	-0.9	-0.5	-0.1	2.7

Source: Nielsen Homescan, Trip Projected Data, Total U.S., 52 weeks ended July 1 2017 vs. year-ago, UPC-coded

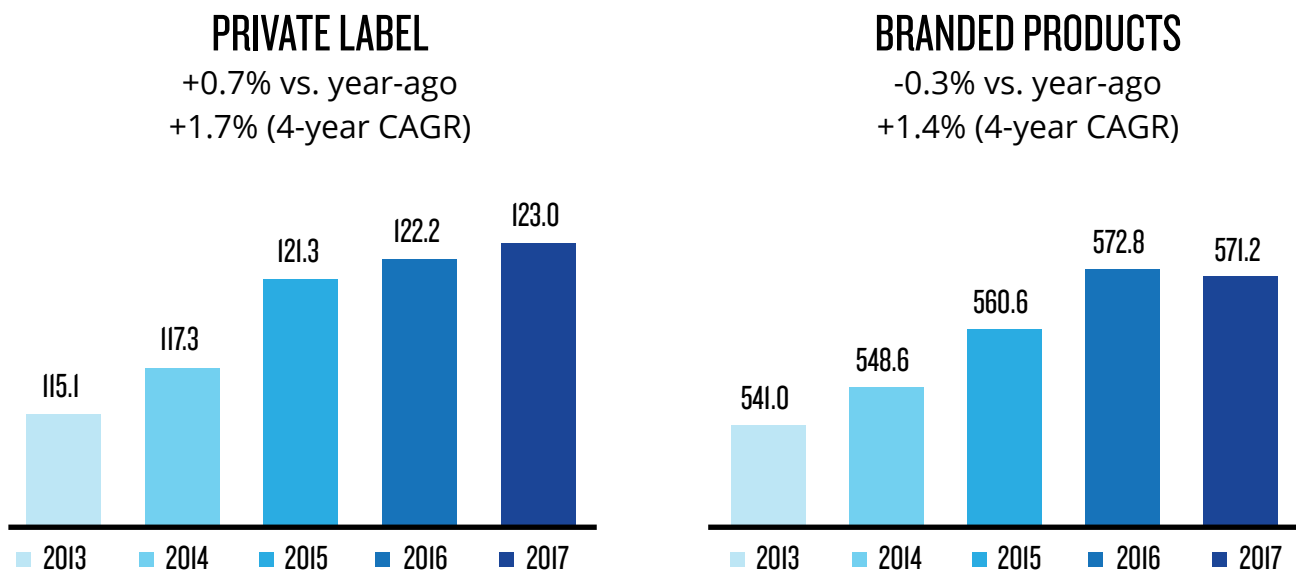
# PRIVATE LABEL PERFORMANCE

## Store brands outpace branded products in both short- and long-term growth

In addition to being open to new shopping channels, consumers are paying more attention to how they spend their money, particularly when it comes to store branded products. While consumers will always be interested in getting the best price for the products they buy, the perceived quality gap between branded and private-label products is fading. Notably, just under 74% of Americans say they believe store brand products are a good alternative to name brands<sup>4</sup>.

And we can see this sentiment come through in the sales data from the past few years. Private-label products have posted a compounded annual growth rate of 1.7% over the past four years, ahead of the 1.4% posted by branded products. The difference is even greater over the past year: private-label gained 0.7% in sales, while branded products decreased 0.3%.

## TRENDED DOLLAR SALES (BILLIONS)



**PRIVATE LABEL**  
 +0.7% vs. year-ago  
 +1.7% (4-year CAGR)

**BRANDED PRODUCTS**  
 -0.3% vs. year-ago  
 +1.4% (4-year CAGR)

CAGR - Compounded Annual Growth Rate

Source: Nielsen Answers, Total U.S. excluding convenience stores, latest 52-week period ended July 29 2017, UPC-coded

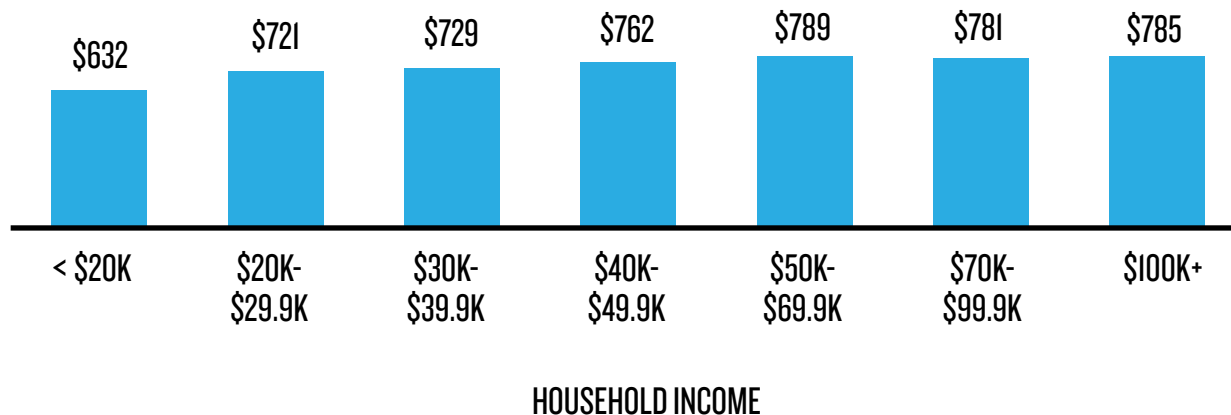
<sup>4</sup>Source: Nielsen Homescan survey of 50,751 respondents, surveyed between January and February 2017, reported by National Consumer Panel



## STORE BRAND STATE OF MIND

Despite the strength of the private-label market, usage varies across consumer groups. Surprisingly, however, purchasing trends contradict the common perception that lower-income households are most likely to gravitate toward store brands. In fact, only 10.8% of U.S. consumers in households that earn more than \$100,000 per year believe that private-label brands are “really meant for people who are on tight budgets and can’t afford the best brands.” Comparatively, almost 21% of consumers in the under \$20,000 per year bracket agree with this statement.

## STORE BRANDS \$ BUYING RATE



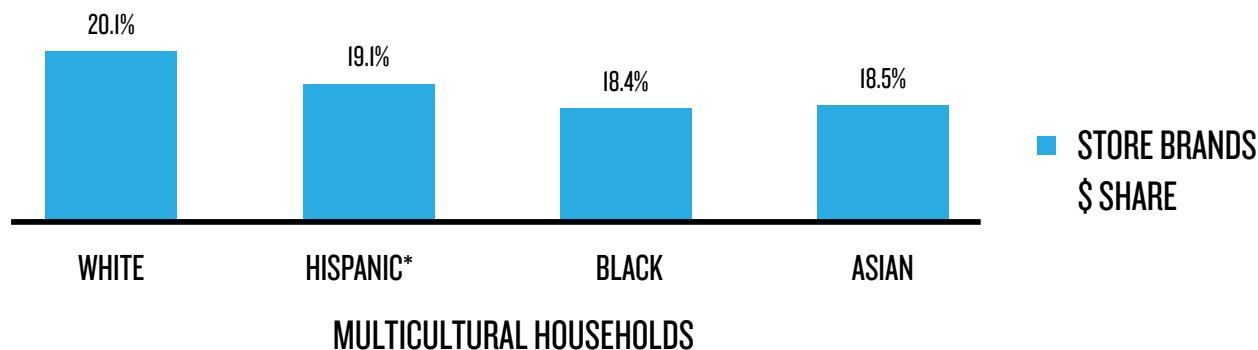
Source: Nielsen Homescan, Total U.S., 52 weeks ended December 31 2016, UPC-coded

Familiarity and comfort with store brands also varies by ethnicity. Compared with the overall U.S. population, for example, African-Americans, Asian-Americans and Hispanics are more likely to avoid store brands (24%, 82% and 25% more, respectively) simply because they’re not familiar with them. These groups are also more likely to believe private-label products are “for people on tight budgets and can’t afford the best brands” (African-Americans: 24% more than the average population; Asian-Americans: 45% more; and Hispanics: 6%)<sup>5</sup>.

<sup>5</sup>Source: Nielsen Homescan survey of 50,751 respondents, surveyed between January and February 2017, reported by National Consumer Panel

## STORE BRANDS STRUGGLE WITH ETHNIC COHORTS

White space opportunity in growing awareness and familiarity



Source: Nielsen Homescan, Total U.S., 52 weeks ended December 31 2016, UPC-coded

In aggregate, almost half of Americans (47.97%) say they would “buy more store brands if more products were available.” This sentiment speaks to a significant demand for private-label products<sup>6</sup>. However, the data pertaining to ethnic preferences highlights an opportunity to educate certain consumer groups about the quality and availability of store brands. At the same time, this data highlights key cohorts of consumers that are comfortable and loyal to the branded products they know and love.

## EXPANSION OF UPC FRESH PERISHABLES

### HOW PACKAGED PRODUCTS MAY BE IMPACTING THE FRESH FOOD LANDSCAPE

Traditionally, we’ve held relatively separate views of the center of store and the perimeter. Each is typically characterized in its own world of either packaged or fresh food offerings. But the tides may be turning. Shifting importance of UPC-coded perishable foods may be blurring the lines we’ve conventionally drawn between areas of the store.

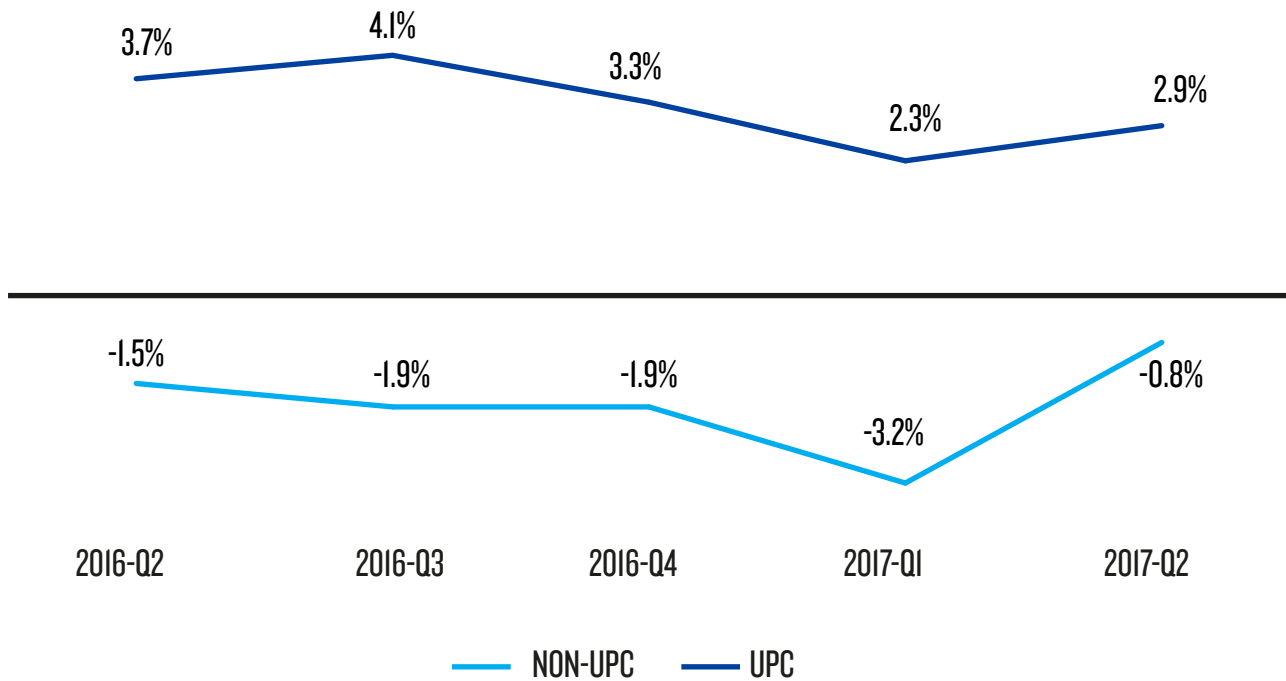
Over the last few quarters, UPC-coded fresh foods have consistently outperformed random-weight and other Non-UPC perishables. Compared to figures from 2016, this quarter saw UPC-coded perishables climb by nearly 3% in dollar sales, while Non-UPC fresh foods were down 1%<sup>7</sup>. Pre-packaged and branded fresh food are making headway, and there are some key attributes driving growth in UPC perishables

<sup>6</sup>Source: Nielsen Homescan survey of 50,751 respondents, surveyed between January and February 2017, reported by National Consumer Panel

<sup>7</sup>Source: Nielsen FreshFacts, Total U.S., 13 weeks ended July 1 2017 vs. year-ago, UPC-coded + Random-weight (\*) See Endnotes

# FRESH FOODS BY UPC TYPE

Dollar growth of UPC perishables consistently outpaces random weight



Source: Nielsen FreshFacts, Total U.S., 13 weekly periods vs. year-ago, UPC-coded + Random-weight (\*) See Endnotes

Half of all dollar gains from UPC perishable items occurred with those containing transparency claims. While Non-UPC items continue to command the majority (60%) of transparency sales, UPC perishables have claimed an additional 2% in dollar share in the latest year<sup>8</sup>. UPC fresh foods are a growing sector of today's retail environment. Bolstered by a focus on clean and sustainable practices, these products are penetrating the perimeter with a flurry of fresh perspectives.

<sup>8</sup>Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ended July 29 2017

# HEALTH & WELLNESS

## WHAT'S DRIVING WELLNESS CONSIDERATIONS

More and more we're realizing that whether intended or not, we're all in the health and wellness business. As trends proliferate both food and non-food world's, ignoring consumers' needs and demands in this space can be a pivotal mistake. Awareness of ingredient trends and desirable or undesirable attributes is the key to unlocking growth potential and to expanding in times where growth may be hard to come by.

Some pertinent drivers affecting the landscape this quarter, include:

- Seasonality
- Transparency
- Sustainability

## TOP WELLNESS CLAIMS - Q2 2017

Summer regimes may drive carb-conscious consumers to calorie and grain free claims

LATEST 52 WEEKS VS. YEAR-AGO			Q2 2017 VS. Q1 2017		
Fastest growing Health & Wellness Claims by Dollar Growth					
H&W CLAIM	DOLLARS	\$% GROWTH	H&W CLAIM	DOLLARS	\$% GROWTH
GRAIN FREE	629M	40.8	MINERAL PRESENCE	930M	29.2
CRUELTY FREE	802M	37.1	NON FOOD ALLERGY	1.10B	19.9
GRASS FED	592M	30.4	100 CALORIE	281M	19.1
CORN FREE	1.29B	22.6	LOW CALORIE	5.27B	15.8
STEVIA	2.07B	21.3	GRAIN FREE	185M	13.7

Source: Nielsen Answers, Total U.S., periods ended July 1 2017, UPC-coded

The long days of summer appear to have spiked short-term impacts for many of the health and wellness claims seeing dollar growth this quarter. Many of the claims driving sales this season have related to calorie control. It appears consumers may be swayed by products touting indulgence in a controlled (calorie-transparent) way. But awareness of calorie content isn't the only factor being scrutinized this quarter. Mineral presence tops our list of health and wellness claims that saw the most substantial sales growth.

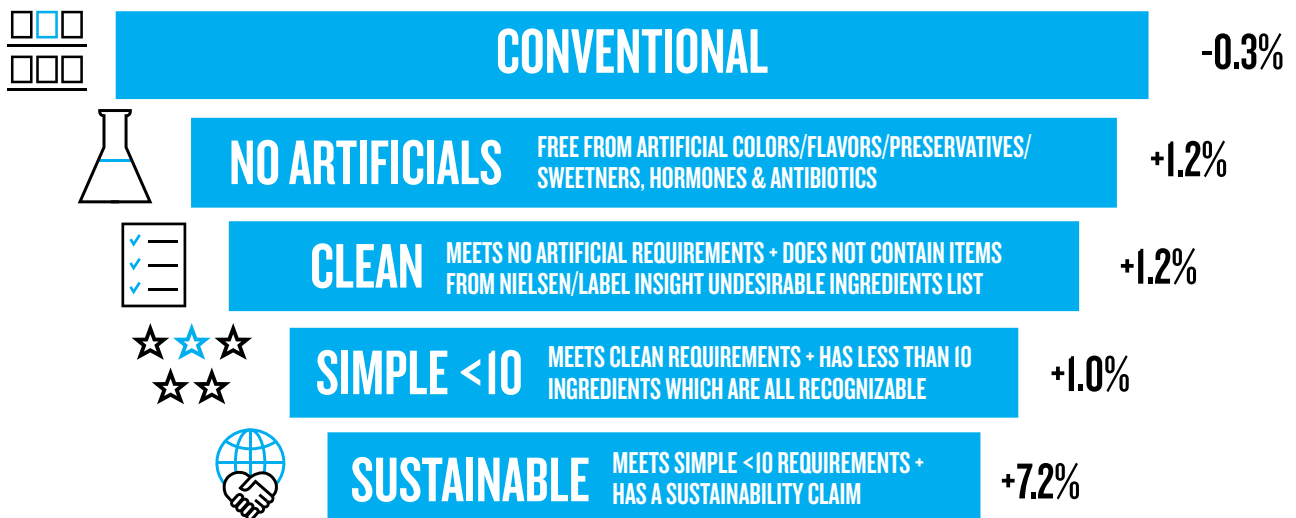
On an annual horizon, we continue to see consumers' interest in livestock treatment run strong. Cruelty free and grass fed products grew 37% and 30% respectively in the latest year. In fact, products with claims around 'animal welfare' are growing at 3.9% compared to a year-ago<sup>9</sup>. Grain Free products have performed well on both annual and quarterly trajectories.

Ethical transparency is clearly reaching new heights. In addition to the knowledge of how livestock is treated and raised, knowing what ingredients are in one's products is becoming increasingly more important. More than ever before, consumers are showing interest in understanding what ingredients are undesirable or to be avoided in the products they choose. For consumers of today, transparency reigns supreme.

## TRANSPARENCY DRIVES PERFORMANCE

# CLEAN LABEL SALES GROWTH BY LEVELS OF TRANSPARENCY

Highest standards of clean label products are performing the best



Source: Nielsen Clean Label Report, 2017, See Endnotes

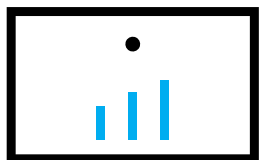
<sup>9</sup>Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ended January 28 2017

Gone are the days where fine print and generic labelling on product packaging can get by, unnoticed. At a department level, fresh or perishable foods hold the largest share of transparency-related sales (40%), but grocery items have seen impressive growth and hold closely behind at 39% share of all transparency claim sales<sup>10</sup>.

The winning brands of today are those that cater to astute consumers who desire manufacturer’s openness and commitment to sustainability. The results speak for themselves. Sales of products that are coded as “conventional” are down 0.3%, while sales of products that are free from artificial ingredients, “clean” products, and “sustainable” (simple and sustainable) products are growing at rates between 1-7%<sup>11</sup>.

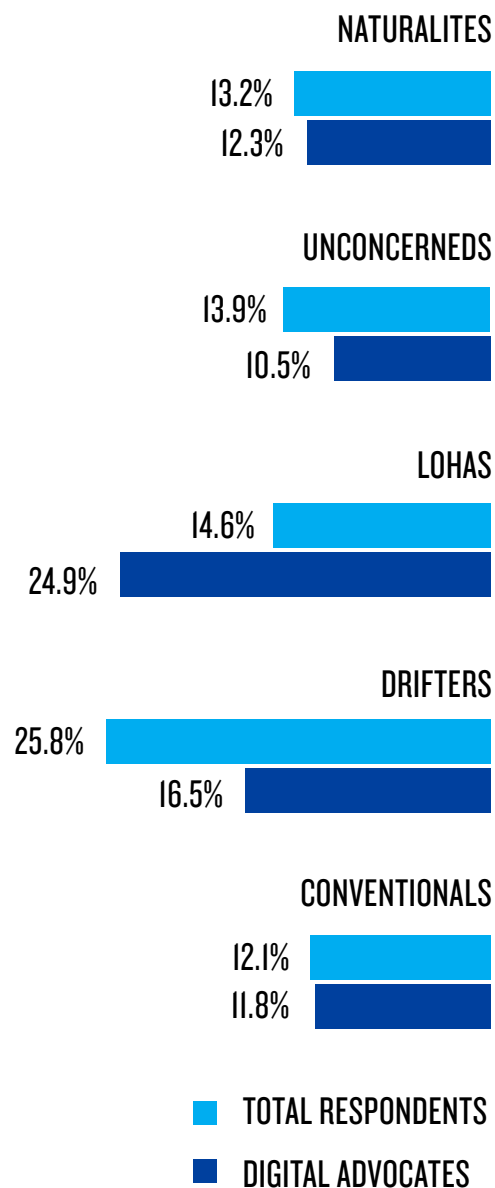
## DIGITAL SHOPPERS ACROSS LOHAS SEGMENTATION

Opportunities cannot be overlooked in times where growth has been elusive. Without the sought after assortment that shoppers demand, sales for clean label products could be shifting out of physical stores and into e-commerce. Therefore, careful assortment planning, considering standards of sustainability, should be a pertinent factor for retailers. According to the June 2017 Nielsen Digital Shoppers survey, the most health focused households are also the most likely to be engaging with online shopping. Shoppers identified as LOHAS (Lifestyle of Health & Sustainability) represent 14.6% of the U.S. population; however, they represent 24.9% of all Digital Advocates. Consumers who hold these values core to their lifestyles are armed to find the assortment they are after, even if that means taking to online means. However, stores that offer the right mix of clean label products can benefit from immediacy and fulfill shoppers’ needs instantaneously. As we know, immediacy and the inconvenience of pick-up or delivery are barriers that continue to challenge the online retail space.



## HOUSEHOLD PENETRATION BY KEY SEGMENT

Health focused households over-index online



<sup>10</sup>Source: Nielsen Answers, FreshFacts and Nielsen Product Insider, powered by Label Insight, 52 weeks ended July 29 2017, UPC-coded + Random-weight (\*) See Endnotes, transparent items not mutually exclusive

<sup>11</sup>Source: Nielsen Clean Label Report, 2017, See Endnotes

\*LOHAS - Lifestyle of Health and Sustainability  
Source: Nielsen Clean Label Report, 2017

# MULTICULTURAL

Purchase occasions are inevitable. Consumers are in constant demand for goods and services, but the nature of the need, warrants a certain “type” of trip... whether that be a “Quick In and Out” errand, a moderately sized purchase to “Fill-In” a particular set of needs, or a full-cart “Stock-Up” trip designed to replenish a large variety of needs. Interestingly, our tendencies to gravitate towards certain trip behaviors varies by ethnic cohort.

African-American consumers lead other cohorts in grab-and-go shopping behavior as nearly half (48%) of their trips are Quick In and Out occasions. These habits transcend into their dining behavior out of home as African-Americans are twice as likely to go shopping to get a quick meal or drink fix. Because of this, retailers and manufacturers alike would be wise to keep this cohort in mind when enticing impulse purchases by the check-out, on display or in aisle end-caps.

Digital and interpersonal influencers are more likely to resonate with Hispanic or Asian-American consumers, while African-Americans value brand identity:

## Digitally Engaged:

When compared to the average American, Hispanic consumers are twice as likely to use a mobile application to influence their shopping, while Asian-Americans are 80% more likely to be influenced by digital research.

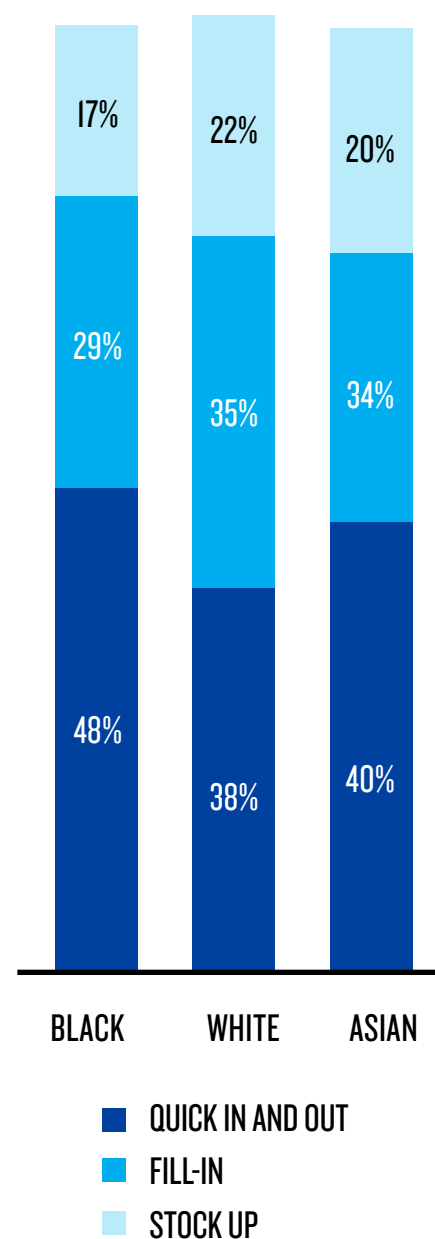
## Persuaded by People:

Looking at how other people can influence their behavior, Asian-Americans are twice as likely to purchase products based on recommendations (compared to the population average). They are also more likely to make purchases as a treat or gift for someone else. Hispanics, on the other hand, are twice as likely to consider purchasing from direct sellers of merchandise. Perhaps it's the trust they feel from a seller who uses their own network to personally vouch for and sell products like beauty care items.

## Brand Loyal:

Though African-American consumers display increased tendencies for quick and immediate purchase behavior, their level of engagement with brands doesn't seem to be any less. In fact, African American consumers are twice as likely than the population average to prioritize brand purchases based upon those they identify with.

## TRIP TYPE BY ETHNIC COHORT



Source: Nielsen, *Category Shopping Fundamentals*, 2017

# ENDNOTES

Except where otherwise denoted:

Total U.S. retail measurement includes: grocery, drug, mass merchandisers, convenience, select dollar stores, select warehouse clubs, and military commissaries (DeCA).

Where denoted by asterisk (\*), data reflects UPC + random-weight retailer-assigned PLU (price look-up code) and system 2 sales volume.

“Dry Beans” includes the sum of the subcategories: Dry Beans, Dry Peas and Lentils. “Canned Beans” includes the sum of the subcategories: Shelf Stable Beans and Shelf Stable Vegetable Peas.

“Clean Label” products do not include ingredients such as BHT (Butylated Hydroxytoluene), Potassium Benzoate, High Fructose Corn Syrup, Monosodium Glutamate (MSG), Sodium Nitrate, Partially Hydrogenated Oils, Potassium Bromate, Yellow 5, etc. “Conventional” products include one or more of those ingredients.



## ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen's Watch segment provides media and advertising clients with Nielsen Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries, covering more than 90% of the world's population. For more information, visit [www.nielsen.com](http://www.nielsen.com).

