



VOLUME 3

TOTAL CONSUMER REPORT

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WELCOME

While we've escaped the worst of the slowdown from early 2017, that doesn't mean we can lose momentum in the pursuit of growth in today's flat market conditions.

The U.S. fast-moving consumer goods (FMCG) industry is no less competitive, nor is it likely that future growth will be arrived at with ease. That said, the search for white space opportunity and the fight for share of consumers' wallets is still within reach. It's just a matter of careful guidance in selecting the moves to prime optimal success. That's what we and our Connected Partners hope to support as you head into the new year and beyond.

You see, growth is achievable, it's just harder to find than it may have been in past. Traditional categorical barriers across the industry are fading. With the rise of healthful ingredients strategically placed in consumables, or the use of superfoods in natural ailment remedies, so collides the worlds of health and packaged foods.

The expanded competitive sets across center of store and fresh foods are another example. From agave nectar to kefir, or the expanse of alternative grains like cauliflower rice ... it begs the question: What defines something as produce or a source of grain product for consumers? Which foods now act as medicines? Considering the health and wellness implications, are we *all* in the health business? The comparisons are seemingly endless and the boundary lines fewer and far between.

I hope you'll continue to join us on our journey to total consumer measurement. We're excited to share our latest perspectives on navigating the fluid landscape of today to help guide your next steps forward.



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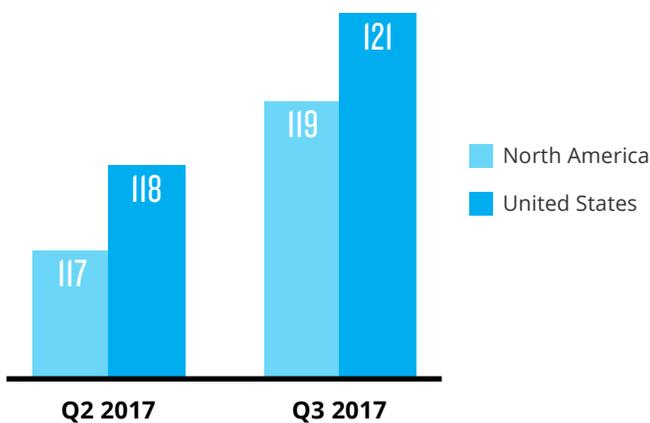
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OVERVIEW

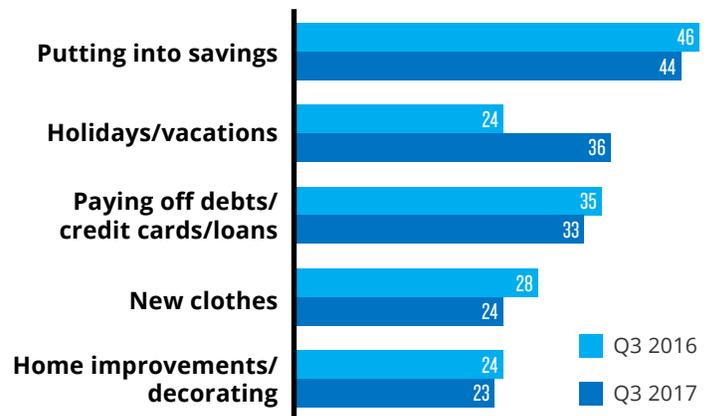
The third quarter of 2017 saw yet another uptick in optimism. Well above the global average of 105, U.S. consumer confidence climbed an additional three points from last quarter, reaching new heights with an index score of 121. The overall confidence score is backed by a number of factors, including optimism about the job market. For instance, the majority (64%) of Americans are feeling positively about their job prospects over the next year, up 14% from the third quarter of 2016. Additionally, 72% of Americans feel good about the state of their personal finances for the next 12 months.

The top two issues of concern across the nation remain the same: The state of the economy (28% of respondents, down three points from the third quarter of 2016) and the threat of terrorism (21% of respondents, unchanged) claim the top spots. However, the scores for health and the threat of war have risen by three and 10 percentage points, respectively, becoming top-of-mind among the fastest rising concerns, versus last year's sentiment figures (Q3 2016).

NIELSEN CONSUMER CONFIDENCE INDEX



TOP AREAS FOR SPENDING SPARE MONEY



Source: Nielsen Consumer Confidence Survey, Q3 2017

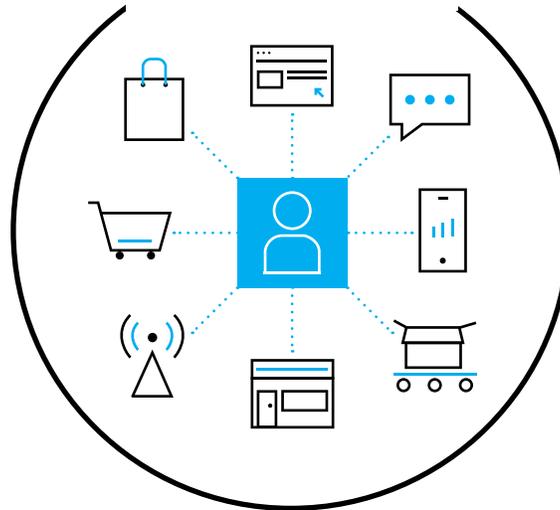
Americans are feeling positive as we head into the final stretch of the year, so it's perhaps not surprising that many have taken that confidence directly to stores to start their holiday shopping early. This year, 26% of surveyed U.S. consumers began their holiday shopping as early as September—more early shoppers than we've seen over the past five years.¹ As we begin to reflect—and in many cases celebrate—another year passed, the intent to spend on vacations and holiday excursions has also increased. After covering one's living expenses, 36% of Americans would spend their spare cash on a getaway, up 12% from a year ago.

¹ Nielsen Homescan online survey of 25,241 respondents, surveyed in Sept. 2017

TOTAL STORE



OMNICHANNEL



REQUIRES:



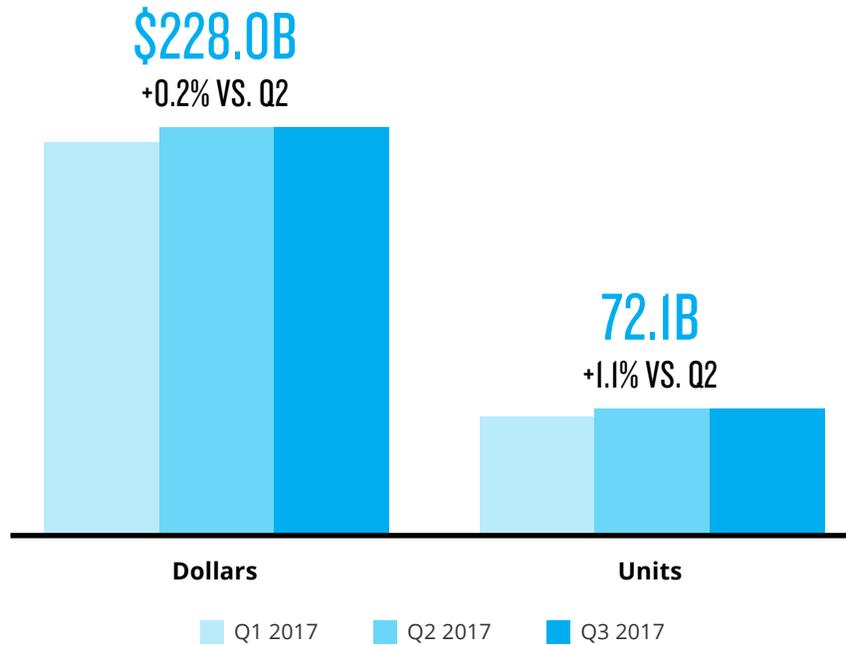
Seamless retail capabilities



Cost-effective infrastructure

It's imperative that we challenge ourselves to re-imagine the notions we hold about the "store." While sales growth in the third quarter was moderate at +0.2%, that uptick represents just over \$500 million in dollar sales. This is proof that we've weathered many of the storms from early 2017, but it's also a warning sign that the in-store environment is competitive, and the tactics that have allowed the market to return to a breakeven state won't be sufficient to generate sustainable growth.

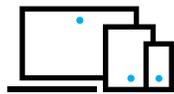
QUARTERLY TREND - BRICK & MORTAR



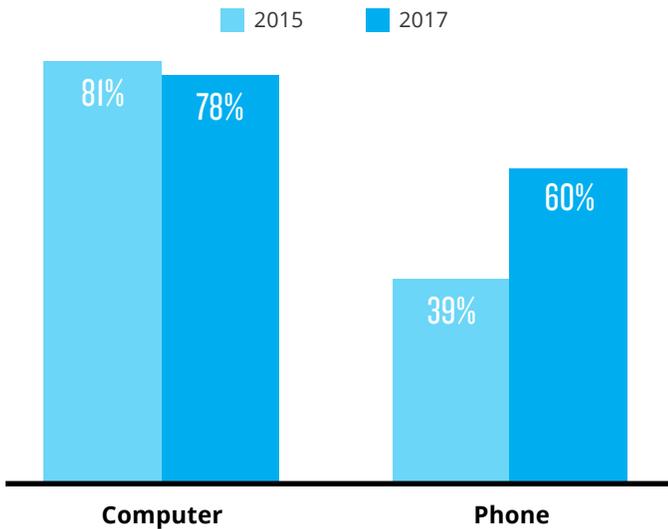
Source: Nielsen Retail Measurement Services, Core syndicated hierarchy, and Nielsen FreshFacts, Total U.S., 13 weeks ended Sept. 30 2017 vs. previous period, UPC-coded + Random-weight (*) See Endnotes

In today’s fragmented environment, the brick-and-mortar experience is a blend of physical items, tangible attributes and decisions that are influenced, learned and brought to life through digital technologies. The store experience needs to be amenable to new consumer preferences and habits of shopping and discovery in order to convert shopper opportunities. On Cyber Monday, a pivotal online shopping opportunity, 60% of surveyed respondents said they planned to use their phone to shop, up 21% from 2015, while shopping via computers dropped 3%.² The digital shelf is now in consumers’ pockets, giving shoppers a chance to buy wherever, whenever. But this digital interaction can also drive engagement back to one’s local store. More on that a little later.

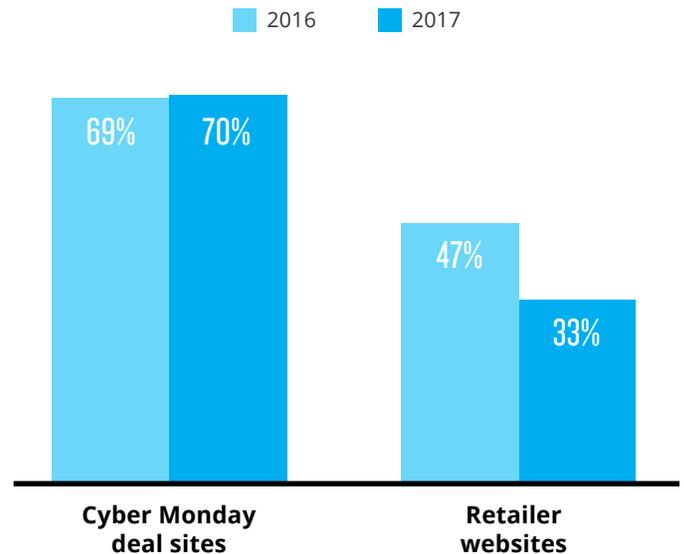
² Nielsen online survey of 1,179 respondents, surveyed in Oct. 2017



% WHO PLAN TO USE DEVICE FOR CYBER MONDAY SHOPPING



% WHO WILL USE SOURCE TO GET CYBER MONDAY SALES INFORMATION



Source: Nielsen online survey of 1,179 respondents, surveyed in Oct. 2017

Consumers desire and demand local, personal, convenience and ease in their shopping ... so retailers should consider remodeling their store formats—both online and offline—to meet those needs. This year, just 33% of consumers who were seeking Cyber Monday sales information used a retailer’s website. Conversely, 70% planned to use “Cyber Monday” deal sites for their shopping intel.³ This leaves retailers and related manufacturers with much room to grow in enticing consumer traffic in store via online real estate. Be mindful to who is entering your stores and what they’ve now become accustomed to seeing and thinking across platforms as they browse and ultimately purchase.

³ Nielsen online survey of 1,179 respondents, surveyed in Oct. 2017

FMCG DEPARTMENT PERFORMANCE - BRICK & MORTAR

	\$ Vol (Billions)	\$ % Growth	Unit Vol (Billions)	Unit % Growth
CENTER STORE EDIBLES	373.2	-0.6	153.7	-1.7
Grocery	252.6	0.1	112.6	-1.4
Dairy	68.1	-3.2	26.1	-3.0
Frozen foods	52.5	-0.1	15.0	-1.9
FRESH PERISHABLES*	146.6	1.0	58.3	0.6
Meat*	54.2	0.2	16.4	0.8
Produce*	49.0	1.6	32.0	0.5
Deli*	25.0	1.4	4.9	0.7
Bakery*	11.6	1.2	3.9	1.4
Seafood*	6.9	0.8	1.0	-3.4
HOME & PERSONAL CARE (HPC)	161.4	0.3	31.9	-1.2
Household care	58.2	0.1	13.5	-1.7
Health care	44.0	2.4	6.6	0.5
Personal care	42.9	-0.6	8.6	-1.1
Beauty care	16.3	-2.0	3.1	-3.5
NON GROCERY	138.8	0.3	25.9	-1.0
Tobacco + alternatives	73.7	1.7	13.2	0.1
General merchandise	44.6	-2.2	7.1	-2.4
Pet care	20.5	1.0	5.6	-1.8

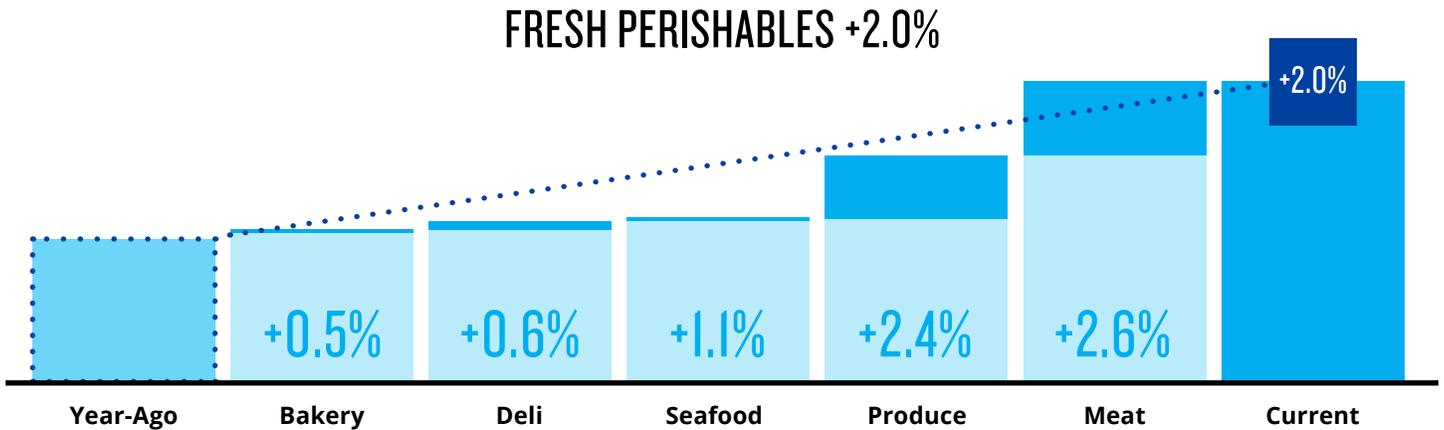
Source: Nielsen Retail Measurement Services, Core syndicated hierarchy, and Nielsen FreshFacts, Total U.S., 52 weeks ended Sept. 30, 2017 vs. year-ago, UPC-coded + Random-weight (*) See Endnotes

Sales across much of the store remain flat, but sales across the fresh and perishable foods are experiencing positive performance. In the latest year, fresh departments have grown by nearly \$1.5 billion, an influx representing 1% in overall sales. Fresh offerings remain heavily associated with the immediate and tangible when it comes to store experience. Online sales of fresh offerings have yet to breakthrough, as just 12% of shoppers report having purchased these products online.⁴ Being drivers of growth and triggers to in-store traffic, fresh food performance and potential influence on other in-store purchases should be on the radar of all retailers trying to capitalize on white space opportunities.

⁴ Nielsen, Digital Shopping Fundamentals, 2017

FRESH GAINS IN THE LATEST QUARTER

Understanding the drivers of growth in the perimeter



Source: Nielsen FreshFacts, Total U.S., 13 weeks ended Sept. 30, 2017 vs. year-ago, UPC-coded + Random-weight (*) See Endnotes

While performance across the fresh area was strong in the third quarter of 2017, the meat department posted the most growth. Escaping consecutive quarters of deflationary price pressures, this quarter marks a break in trend, as average department prices for meat grew 3% compared to third-quarter 2016.⁵ Produce was the next highest growth driver in the fresh foods space, seeing a \$295 million boost in quarterly sales, which represents 2.4% in growth. As healthful intentions among consumers show no sign of slowing, the emergence of innovative produce offerings are driving category performance. From the arrival of snack-sized miniature produce for on-the-go consumers, to the transformation of produce into alternative grains or noodles, produce is transcending traditional store borders in its uses.

⁵ Nielsen FreshFacts, Total U.S., 13 weeks ended Sept. 30, 2017, UPC-coded + Random-weight (*) See Endnotes

GROWTH TRENDS IN FRESH & PERISHABLE FOODS

Ready prepared meal items drive growth in the fresh perimeter

WHAT'S HOT			WHAT'S NOT		
Category	\$ % Growth	Vol. % Growth	Category	\$ % Growth	Vol. % Growth
Sushi	15.3	15.4	Pizza	-7.5	-4.7
Avocados	13.8	-7.5	Pre-sliced deli meat	-7.2	-13.7
Cherries	12.2	23.6	Crustaceans	-7.2	-15.4
Meat - packaged meals	8.1	7.1	Melons	-5.5	-7.9
Value-added vegetables	7.4	4.9	Pork	-4.6	-2.8
Muffins	6.7	6.6	Onions	-4.2	0.2
Packaged salad	5.8	6.7	Tomatoes	-2.7	0.0
Specialty fruits (ex: guava, persimmon, star fruit)	5.5	0.6	Stone Fruit	-2.4	-10.5
Bacon	5.2	1.1	Breads	-2.2	-2.9
Herbs, spices and seasonings	4.9	3.9	Grapes	-2.2	1.2

Source: Nielsen FreshFacts, Total U.S., 52 weeks ended Sept. 30, 2017 vs. year-ago, Annual Sales > \$500 million, UPC-coded + Random-weight (*) See Endnotes

In analyzing both the fastest-growing and sharpest-declining categories across fresh foods, we see some interesting juxtapositions emerge. From the perspective of meats, we see contrast in items that are closer and further from the point of consumption. For example, sales of meats that are easily consumed as part of packaged meals are on the rise, as is bacon, another fairly quick meat option to prepare. Pork and crustaceans, on the other hand, which have struggled in the latest year, require more time to cook and consume. We see another point of contrast in the perceived healthful benefits of the various prepared food options. Notably, those that consumers perceive as the most fresh and offer the most health benefits have seen growth: sushi and packaged salad are good examples. Comparatively, pizza and pre-sliced deli meat, the convenient but less-healthful of prepared foods, have struggled.

TRENDS SPREAD ACROSS THE STORE

Capitalizing on Cauliflower

Over the last few quarters, UPC-coded fresh foods have consistently outperformed random-weight and other non-UPC perishables.⁶ This growth of UPC-coded perishable foods—many of which are branded similarly to what we might expect to see in packaged goods—is blurring the lines we’ve conventionally drawn between areas of the store. And even further, it may change the way we view performance of certain categories, as well as the opportunities for growth across the store.

Take cauliflower for instance. At a total category level, dollars have contracted. But when we look closer, we see that the non-UPC performance is affecting top line sales. While performance is challenged in fresh/random weight cauliflower sales, there is opportunity abound in recognizing key growth areas where packaged varieties can drive sustainable impacts. Produce used as alternatives for grains is a perfect example. Sales of vegetable-based rices, noodles, crumbles and the like posted sales of \$47 million this year. Sales of cauliflower variants in particular, such as cauliflower rice, have doubled over the past year, reaching over \$17 million. Squash, zucchini and sweet potatoes are also driving growth as alternatives to carbs.⁷

 CAULIFLOWER	Dollar % Growth	Volume % Growth
CAULIFLOWER	-1.2	+1.5
Non-UPC	-7.2	-6.4
UPC	+2.5	+7.2

Source: Nielsen FreshFacts, Total U.S., 52 weeks ended Sept. 30, 2017 vs. year-ago, UPC-coded + Random-weight (*) See Endnotes

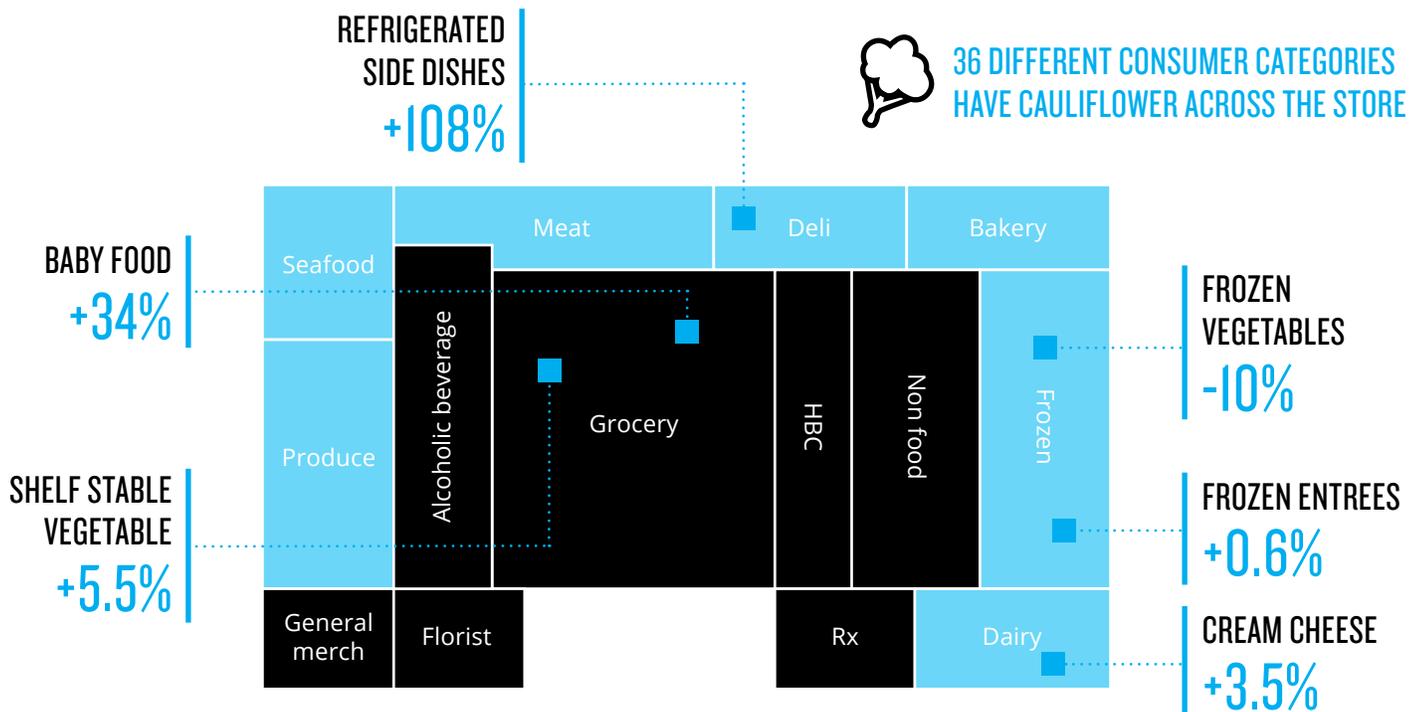
⁶ Nielsen, Total Consumer Report, Volume 2

⁷ Nielsen FreshFacts, Total U.S., 52 weeks ended Sept. 30, 2017, UPC-coded +Random-weight (*) See Endnotes

DESPITE SOME DECLINES, IT ISN'T ALL MELAN-"CAULI"

Cauliflower shines as an ingredient in select categories

CATEGORIES WITH CAULIFLOWER INGREDIENTS: DOLLAR GROWTH VS YAGO

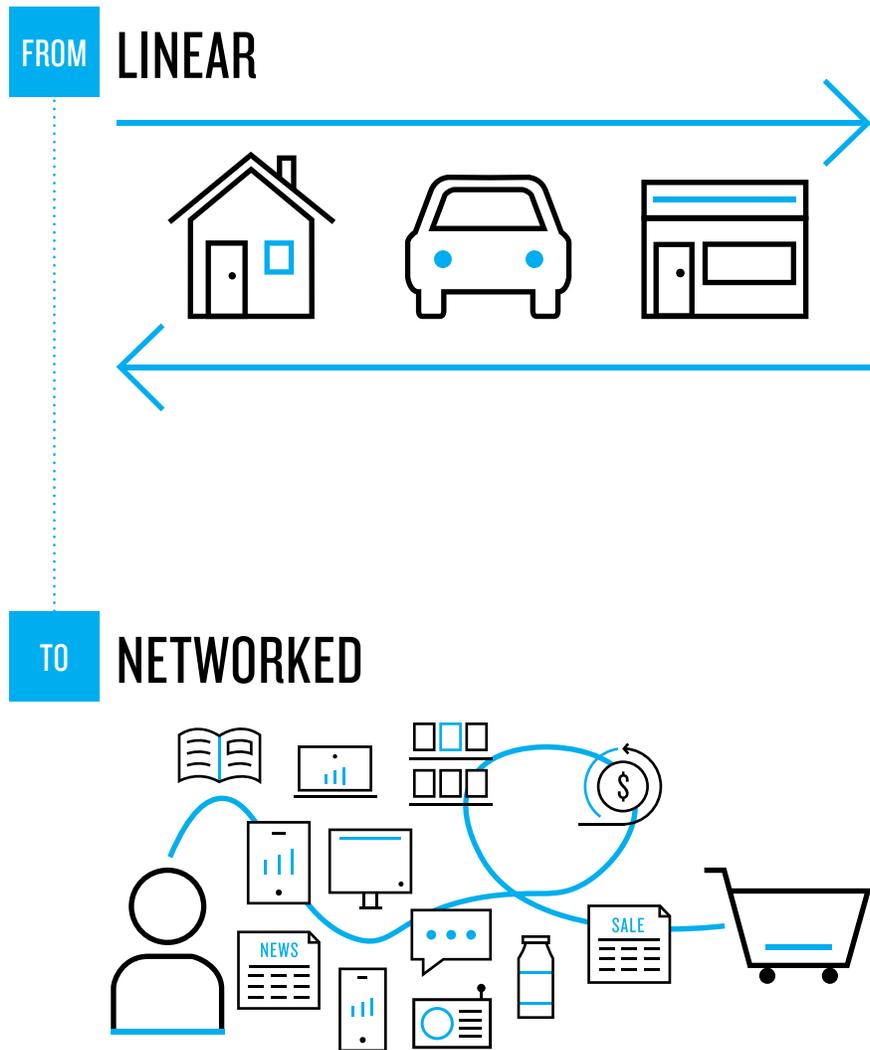


Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ended March 25, 2017

With the promise and demand for cauliflower as a rice alternative, it begs the question as to what other opportunities exist for cauliflower as an ingredient. While the possibilities may seem endless, it's important to be aware of the areas of the store that are seeing the most impact in this space, notably, refrigerated side dishes and baby food. The upside from capitalizing on new market offerings can be huge. In today's flat market, investing in planned and research-driven innovation can drive pivotal returns.

RETAIL

While there's still a fierce battle amongst retailers trying to win trips, the *traditional* shopping trip is a thing of the past. In order to win—both today and in the long term—retailers need to engage shoppers along today's path to purchase—one that is no longer linear or straightforward. Today, consumers are constantly connected. Collaboration is a prolific theme that intertwines channels and technologies that we're not used to seeing used in concert together. Retailers and manufacturers need to understand consumer's modern path with clear insight and science-minded action.



TRIP ANALYTICS BY CHANNEL

Declines in grocery traffic extend the drop in overall consumer trips

	Trips/Shopper	Trips/Shopper % Change	\$ Spend/Trip	\$ Spend/Trip % Change
TOTAL CHANNELS	165	-1.3	31	-0.2
Online	6	8.2	40	-5.1
Drug stores	20	-2.0	20	1.3
Dollar stores	30	0.2	13	0.1
Warehouse club	14	-1.6	66	-2.1
Pet stores	7	-3.7	35	-3.6
Mass merch & supers	37	0.9	41	-1.0
Value grocery	18	0.2	26	0.5
Conventional grocery	59	-2.5	33	0.5
Premiere fresh grocery	14	-2.3	22	2.4

Source: Nielsen Homescan, Trip Projected Data, Total U.S., 52 weeks ended Sept. 30, 2017 vs. year-ago, UPC-coded

Consumer trips within grocery channels have contracted, while trips via online channels have increased quite substantially, at +8%. It's common to view the online and offline worlds separately, and often in competing ways. But in order to survive in today's market, it's imperative to think of the two working inter-dependently. Grocery stores, and retail stores in general, are still integral to today's path to purchase. There's simply been a change in how they're integrated with consumer behavior and decision making.

"Showrooming" is a term used to describe consumers' interaction with a physical store to examine products before they buy them online. This phenomenon will be key to retailer sustainability. Nearly 75% of grocery shoppers have used a physical store to "showroom" before purchasing online. The store is still pivotal to the shopper experience, and there's opportunity to convert showroomers or drive online purchases through one's own online retail platforms. As the number of shopping trips declines, the cost of missed conversion opportunities rises. Becoming well versed in digital shopping fundamentals and optimizing price and promotional factors can unlock the hidden potential in a matrixed retail landscape. Now is the time to nail the basics.

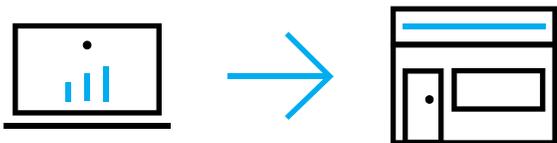
But, it's also imperative that you think about what's next for the digitally-enabled in-store experience. Not too far from now, it's likely that shoppers will be able to hear from the farmer that grew the organic produce in front of them, via an augmented reality experience. How would you tell *your* story with that technology in shoppers' hands?



THIS ISN'T THE END FOR GROCERY STORES

Online and in-store shopping behavior go hand in hand

% RESPONDENTS, WHILE GROCERY SHOPPING, WHO HAVE:

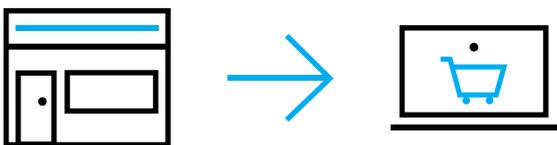


WEBROOMING

Research products online, but then buy them in a store.

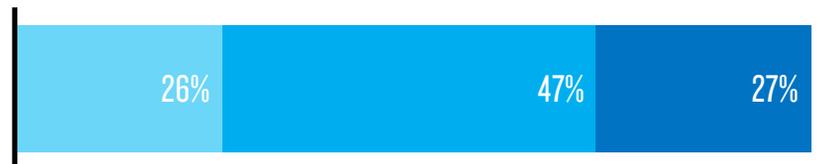


■ Never ■ Once in awhile ■ Regularly



SHOWROOMING

Visit a physical store in order to examine a product before buying it online.

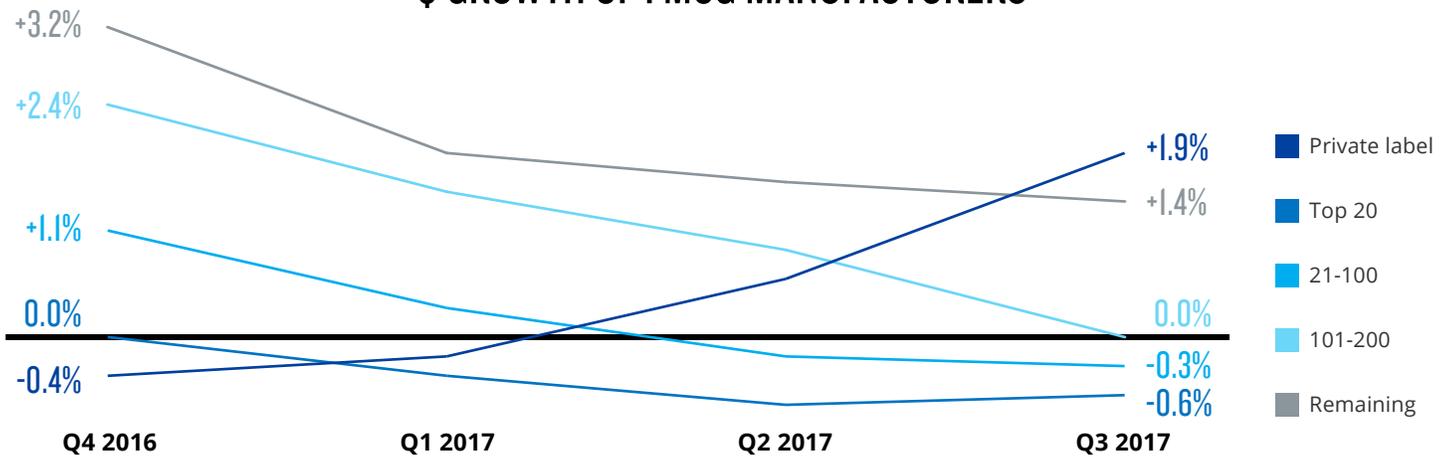


Source: Food Marketing Institute (FMI) Survey of 1,979 respondents, conducted as part of the Nielsen & FMI Digitally Engaged Food Shopper Study, 2017

PRIVATE LABEL PERFORMANCE

Private label growth trajectory rises beyond all branded tiers

\$ GROWTH OF FMCG MANUFACTURERS



Source: Nielsen Retail Measurement Services, Core syndicated hierarchy, Total U.S., 52-week periods vs. year-ago, latest period to Sept. 30, 2017, UPC-coded

Over the last year, we've seen a performance reversal among private-label and manufacturer-branded products. While manufacturers of all sizes saw flat or positive performance in the fourth quarter of 2016, store-branded products took the lead a year later, growing at 2%.

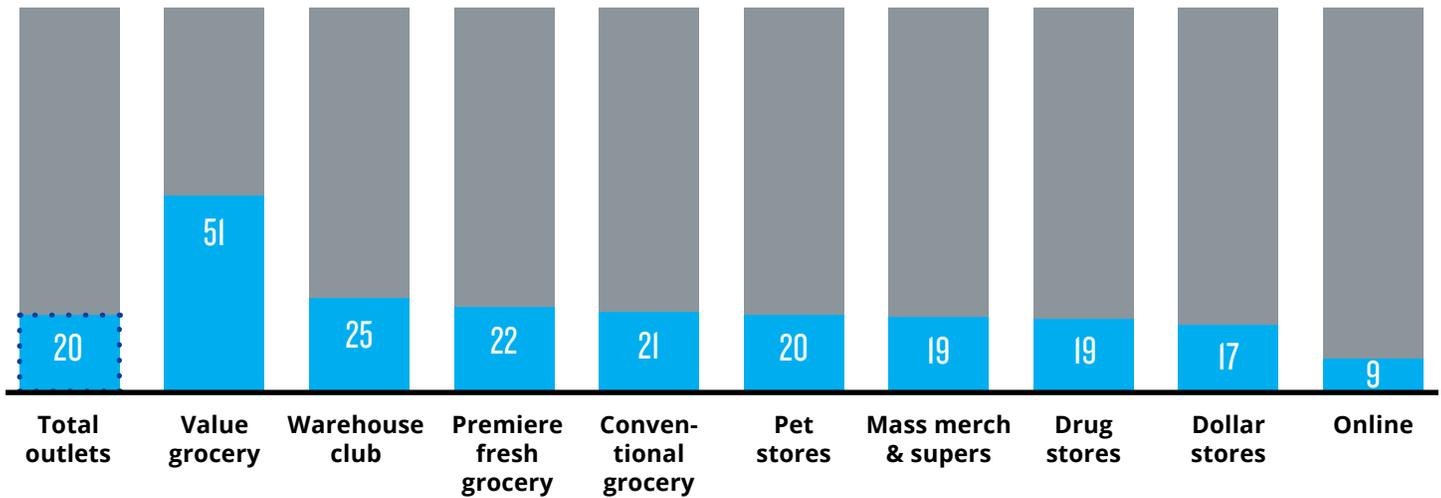
The discount grocery channel continues to invest in private-branded products. With over half of dollar volume sourced by retailer-branded items, manufacturers seeking entrance into this channel need to vocalize the premium- or value-added differentiators of their offering. Or, like many manufacturers, consider working with retailers on their private label offerings.

PRIVATE LABEL CHANNEL PERFORMANCE

Discount grocers hold private brands close to their strategy

\$ SHARE BY CHANNEL

Private label Branded



PRIVATE LABEL \$% GROWTH

+2% +7% +7% +4% -2% -3% +8% -2% -5% +7%

Source: Nielsen Homescan, Trip Projected Data, Total U.S., 52 weeks ended Sept. 30, 2017 vs. year-ago, UPC-coded

HEALTH & WELLNESS

WHAT'S DRIVING WELLNESS CONSIDERATIONS

As we've seen across the grocery retail landscape in the last several years, consumer appetites for transparency in the foods they consume have continued to rise, and that trend is heightened during the holiday season. Whether that involves shopping to meet specialty diet constraints, choosing to purchase meats with animal welfare claims or manifests in the form of purchasing superfoods, these trends show a promising period for retailers, especially during the holiday season.

SOME PERTINENT DRIVERS AFFECTING THE LANDSCAPE THIS QUARTER, INCLUDE:

- 
 Grain-free products

- 
 Transparency

- 
 Alternative sweeteners



TOP WELLNESS CLAIMS - Q3 2017

Grain-free products continue to win on both annual and quarterly horizons

FASTEST GROWING HEALTH & WELLNESS CLAIMS BY DOLLAR GROWTH

LATEST 52 WEEKS VS. YEAR-AGO			Q3 2017 VS. Q2 2017		
H&W Claim	Dollars	\$ % Growth	H&W Claim	Dollars	\$ % Growth
Grain free	706M	45.5	Grain free	211M	13.4
Cruelty free	864M	33.2	Calorie claim	328M	8.9
Grass fed	638M	28.5	Free range	102M	8.7
Corn free	1.36B	22.1	Mineral presence	1.00B	7.5
Stevia	2.18B	20.8	Oil presence	392M	5.6

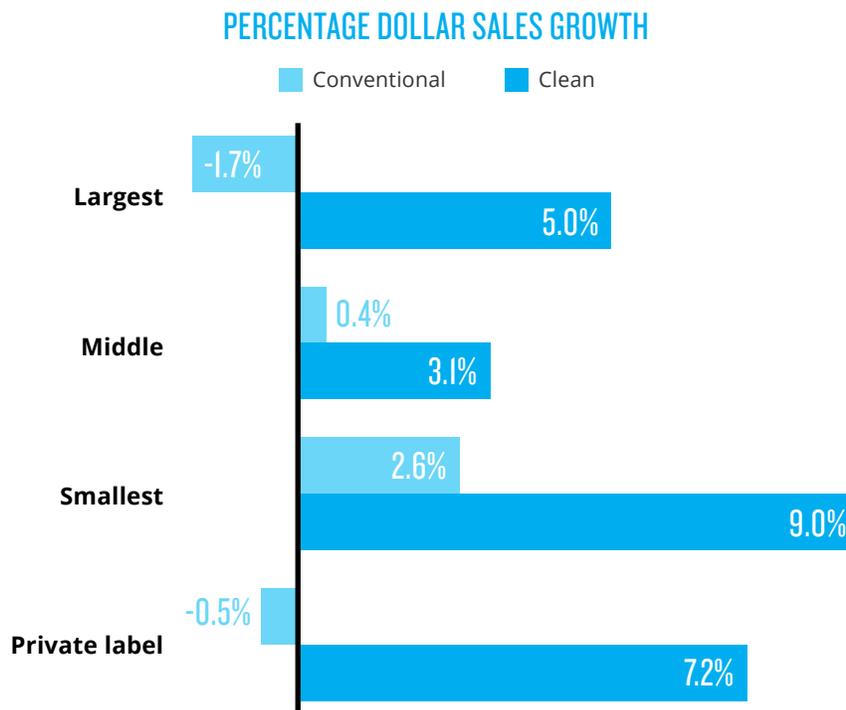
Source: Nielsen Retail Measurement Services, Core syndicated hierarchy, Total U.S., periods ended Sept. 30, 2017, UPC-coded

During both the last year and latest quarter, products with grain-free package claims have led in dollar growth. Much if not all of this growth is concentrated in pet food. Consumers are keen on purchasing products with simpler ingredients, naturally or responsibly sourced components, and to avoid those that have been overly processed or include unwanted ingredients, even for their canine and feline companions. With heightened education and awareness, transparency is critical to driving purchase decisions across a wider range of categories.

CLEAN LABEL SALES GROWTH BY MANUFACTURER TIER

As we noted previously, manufacturer-branded products have struggled to keep pace with private-labels from a sales growth perspective. Additionally, the data shows that manufacturers will need to differentiate their offerings, particularly among store-brand-centric channels like value grocery. Clean label products present a huge opportunity for developing value-added innovations. While the largest of brands have struggled to find growth with conventional products, a world of new opportunities exists for manufacturers of all sizes by catering to consumers' desire for clean and sustainable goods.

SMALL MANUFACTURERS ARE CAPITALIZING ON THE CLEAN LABEL OPPORTUNITY



Source: Nielsen, Clean Label Report, 2017, See Endnotes

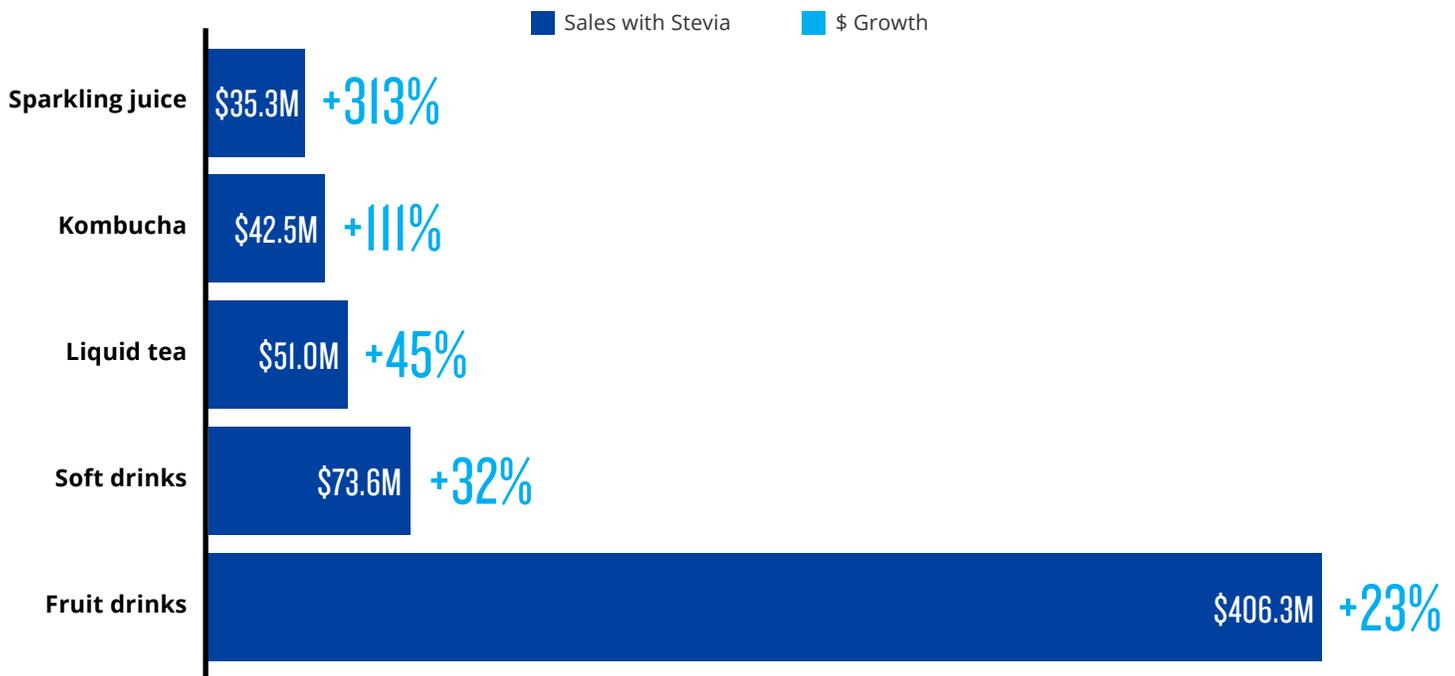
SWEET TREND: WINNING WITH STEVIA

Beverages with Stevia are seeing strong performance

Stevia has consistently ranked among the top growing health and wellness claims this year. Across all categories touting the alternative sweetener on product packaging, Stevia claims have driven nearly \$2.2 billion in sales. It is also a sweetener commonly integrated within the beverage space, and has done well to drive tremendous performance there. In fact, sales of beverages with Stevia claims have grown nearly 21% in the latest year. The impact on an individual category basis has been even more staggering. Kombucha, while wildly successful on its own (+43% in dollars vs. year-ago), has seen a huge spike from the allure of Stevia. Sales of Kombucha, where Stevia was claimed to be included, reached over \$42 million—an increase of more than 100% from sales a year ago.

BEVERAGES WITH STEVIA

+20.5%



Source: Nielsen Retail Measurement Services, Core Rewrite syndicated hierarchy, Total U.S., 52 weeks ended Nov. 4, 2017, UPC-coded

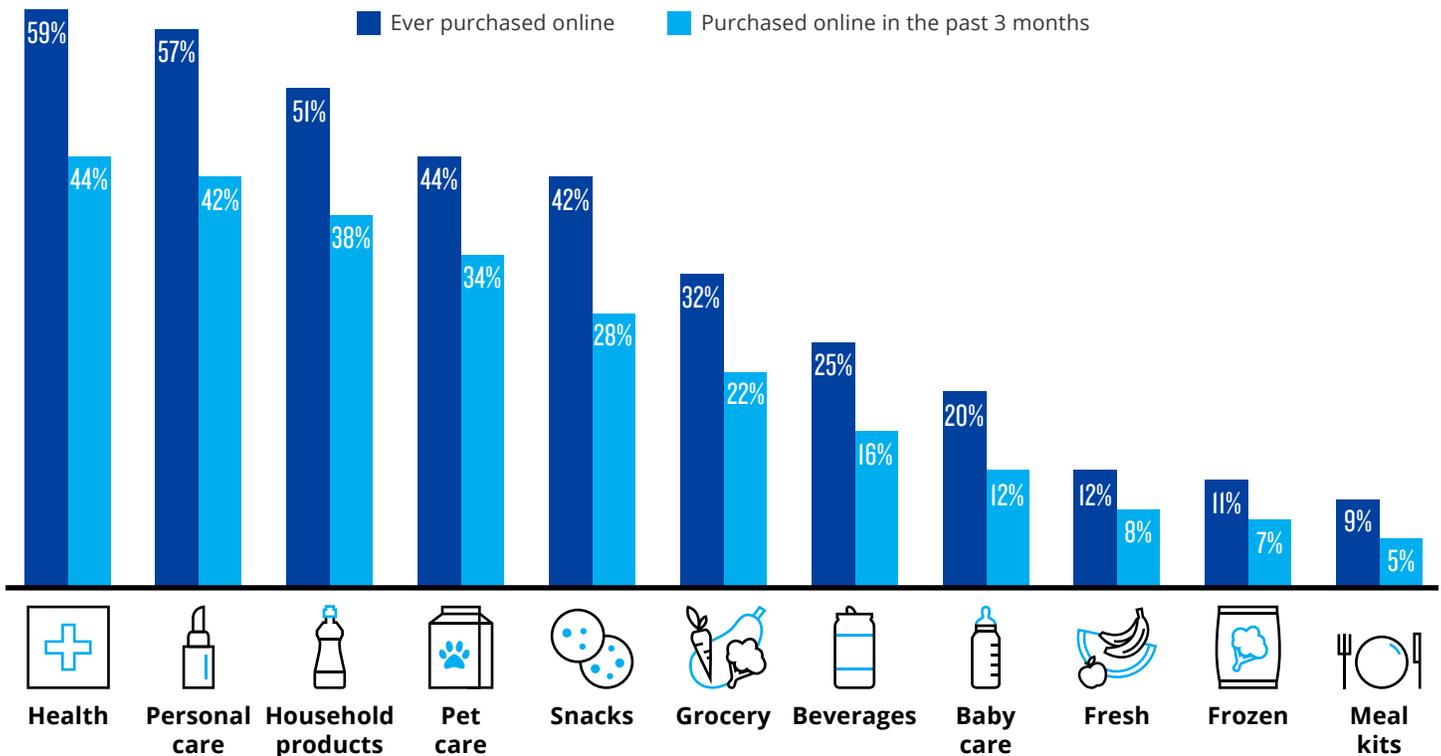
E-COMMERCE

E-commerce is upon us, and further, it's driving the lion's share of growth in the FMCG market.⁸ While it's important to note the differences between online and offline metrics, it's even more imperative to remember that the key will not be in bricks versus clicks or one channel versus another. Instead, success in the future will depend on the seamless integration of retail infrastructure with the technologies in consumer hands to enable shopping and pre-shopping research across both worlds.

Understanding the role that digital plays in shopping habits begins with uncovering the rate to which product categories have been shopped online to-date.

FMCG DEPARTMENTS PURCHASED ONLINE

WHAT TYPES OF PRODUCTS ARE SHOPPERS BUYING ONLINE TODAY?



Source: Nielsen, Digital Shopping Fundamentals, 2017

⁸ Nielsen, Total Consumer Report, Volume 2

While many departments, like health and personal care, have quite the presence online, many food-related areas of the store have yet to make their mark in the online world. To help shoppers along, you'll need to also understand how they want to shop, and online shopping behaviors often look quite distinct from what you'd expect to see in store. In fact, the average number of departments purchased per shopper inside a store is still nearly double that of the departments purchased online.⁹

In terms of online order fulfillment, delivery to one's home is by far the most popular of options. Eighty-seven percent of orders are completed via home delivery, while 8% are fulfilled via in-store pick up, and 4% by curbside pick-up. Nonfood categories are among the top purchased online; however, when it comes to curbside pick-up, there is huge opportunity with food, particularly with fresh and perishable items. Fresh categories have the highest consideration of curbside pick-up fulfillment (50% would consider it, and 35% even prefer this type of fulfillment for fresh).¹⁰

Though there is promise across both food and nonfood domains with regard to online shopping, the need for seamless integration with retailers is further underlined. As part of the Digitally-Engaged Food Shopper analysis we completed with FMI, we found that over one-third of surveyed retailers (36%) do not provide online purchasing, and 33% are not equipped to support online purchases (via click and collect, store delivery or home delivery).¹¹ This leaves much possibility. It also highlights how much progress still lies ahead in the evolution to a true omnichannel environment for all.

TOP ONLINE CATEGORIES PURCHASED BY FULFILLMENT

DELIVERY	IN-STORE PICK-UP	CURBSIDE PICK-UP
Vitamins	Toilet paper	Chips etc.
Pet treats	Vitamins etc.	Fresh fruit/veg
Toilet paper	Laundry care	Canned foods
Pet supplies	Paper towels	Milk/creamer
Cosmetics	Cleaners	Packaged breads etc.

Source: Nielsen, Digital Shopping Fundamentals, 2017

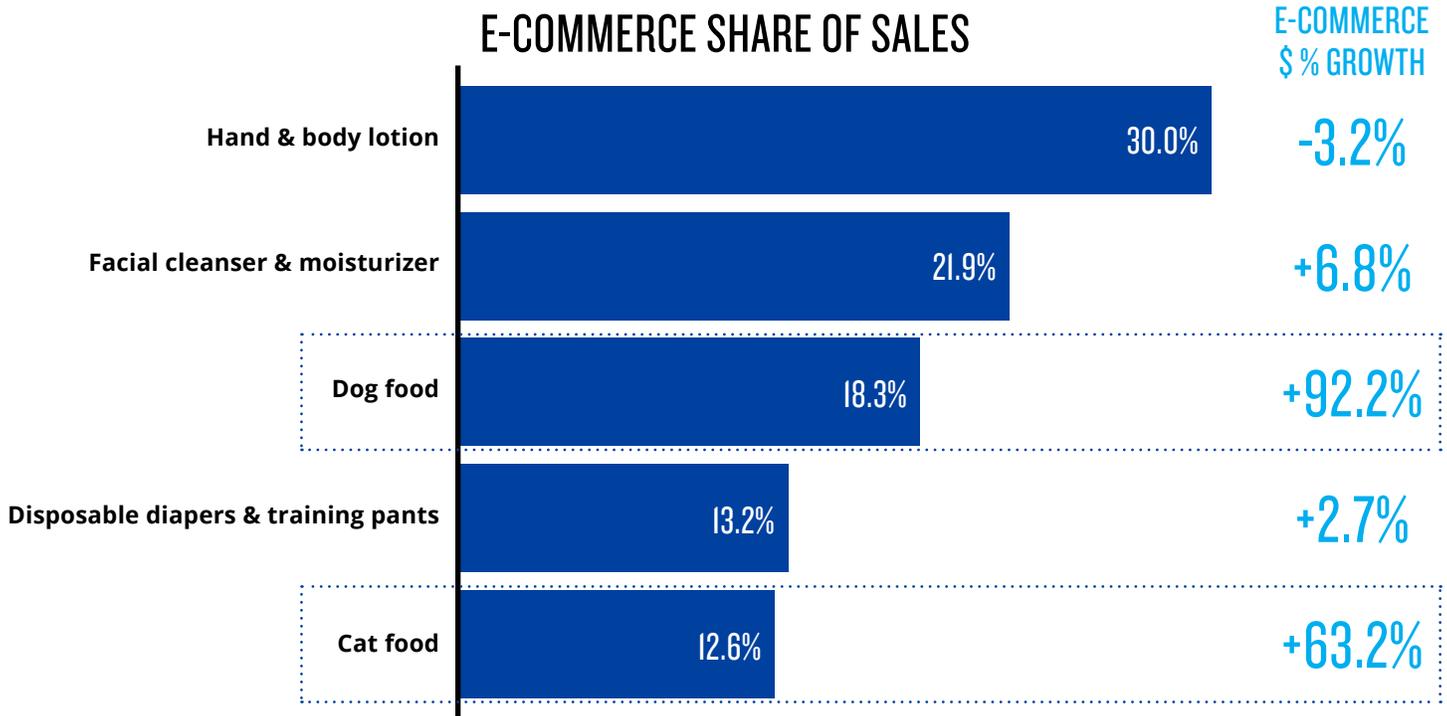
⁹ Nielsen, Digital Shopping Fundamentals, 2017

¹⁰ Nielsen, Digital Shopping Fundamentals, 2017

¹¹ FMI survey of 64 retailers, 2017

E-COMMERCE - DEPARTMENT INSIGHTS

Pet Care categories have largest and fastest-growing presence online



Source: Nielsen E-commerce measurement, Total US, Latest 52 weeks ended Aug. 12, 2017

At a category level, pet care strongholds like dog and cat food have seen outsized growth via e-commerce. Valued at nearly \$28 billion dollars across both e-commerce and mainstream brick-and-mortar channels, pet care has seen overall sales growth of +25%, with e-commerce driving the vast majority of growth, outperforming in-store rates this year.

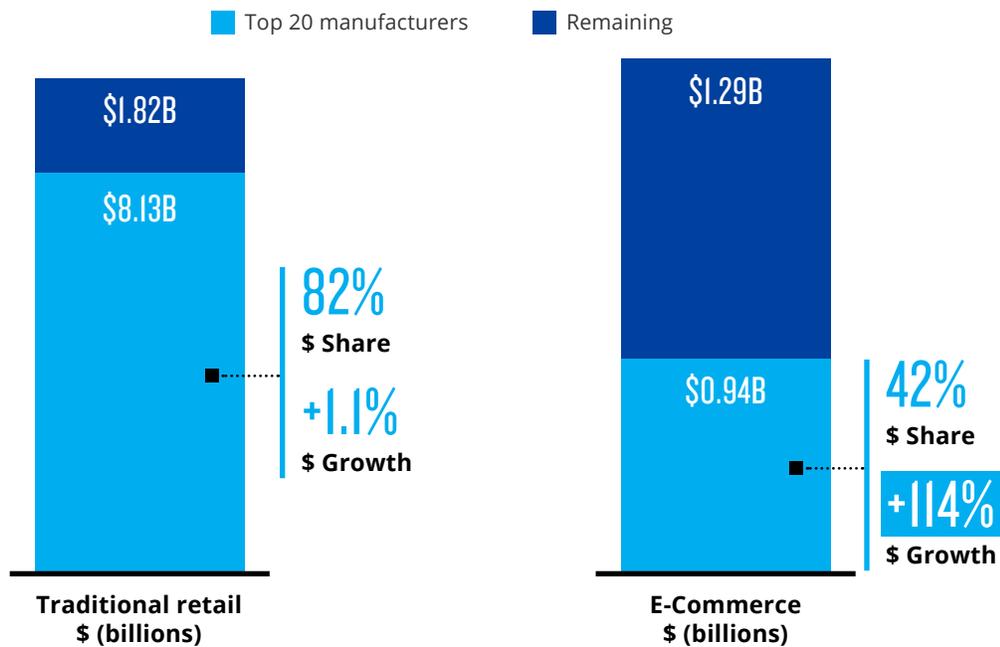
Looking at dog food alone, e-commerce adds an additional \$2.2 billion to the \$10 billion dollar valuation of the category in stores and is driving dollar growth of 92.2%, notably above the in-store dollar growth at 1%. What's more, at a manufacturer level, the addition of e-commerce to the traditional landscape broadens opportunities for both small and large brands. You see, the online space is choc full of smaller niche brands, giving length (and virtual real estate) to an even longer tail of brands than we're used to seeing in traditional retail.

ONLINE OPPORTUNITY FOR LARGE BRANDS

Top dog food manufacturers from B&M see outsized growth online

TOP 20 MANUFACTURERS

DOG FOOD

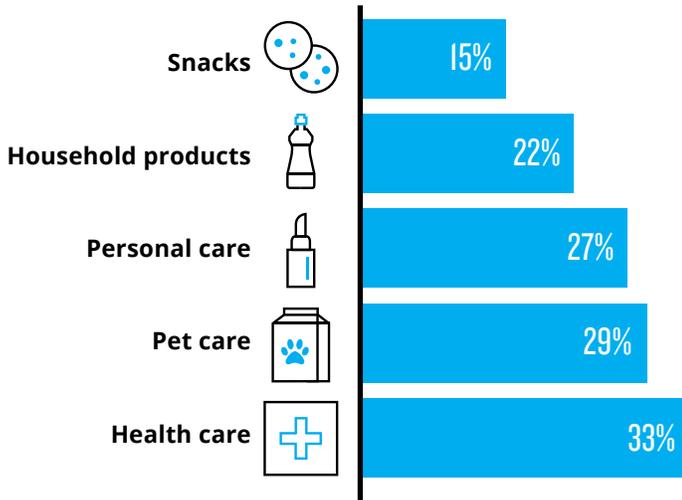


Source: Nielsen Retail Measurement Services, Core syndicated hierarchy, and Nielsen E-commerce measurement, Total U.S., 52 weeks ended Aug. 12, 2017

And the upside for big players? Currently, the top 20 manufacturers in traditional retail comprise 82% share of dog food and are seeing sales growth of 1%. Those same 20 manufacturers are seeing an impressive 114% sales growth online. While their online share is half the size of their share in traditional channels (42% compared to 82% in brick-and-mortar) due to the many additional competitors in the online space, there is also ample room to grow. One thing to keep in mind, however, is that growth online shouldn't come at the cost of growth in-store. Unfortunately, the reality is that, for many companies, finding growth online comes at the sacrifice of performance in stores. For the top 20 brick-and-mortar dog food manufacturers we've analyzed, only 11 have been able to drive growth in sales across both e-commerce and in-store channels this year.

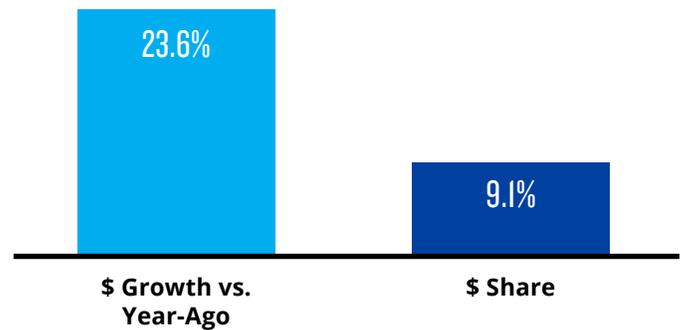
TOP DEPARTMENTS

ONLINE PURCHASE CONSIDERATION BY % SHOPPERS




E-COMMERCE PERFORMANCE

HOUSEHOLD PRODUCTS

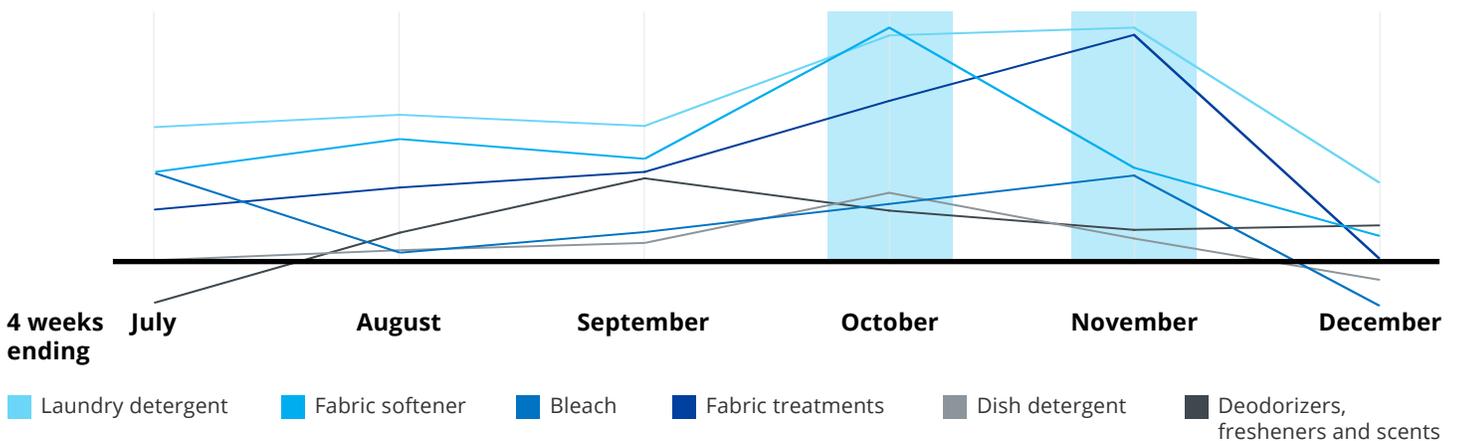


Source: Nielsen Category Shopping Fundamentals, 2017, and Nielsen Total Store Report, E-commerce measurement, Total U.S., 52 weeks ended July 1, 2017

Household care is another prominent source for e-commerce growth. Among the top departments for online purchase consideration, household care has seen nearly 24% growth in e-commerce sales this year. In analyzing key household care categories, a trend in year-end cleaning emerges. During the months between September and November, online shoppers bought more household care products like fabric softener, laundry detergent and bleach. In fact, during 2016, the top online sales month for bleach occurred in the four weeks ended Oct. 8, 2016, while the top for online fabric softener sales occurred in the four weeks ended Nov. 5, 2016. Looking to reach more consumers shopping for household products? Perhaps the months of September and October are your next big opportunity.

2016 TREND: SEASONALITY IN YEAR-END CLEANING

E-COMMERCE \$ % GROWTH VS. YEAR-AGO



Source: Nielsen E-commerce measurement, Total U.S., four-weekly periods ended Aug. 13, 2016 through to Dec. 31, 2016

TOP 10 SUBSCRIPTION CATEGORIES

WHAT FMCG CATEGORIES HAVE THE HIGHEST RATE OF SUBSCRIPTION ORDERS?

■ Non-food ■ Food



Source: Nielsen, Digital Shopping Fundamentals, 2017

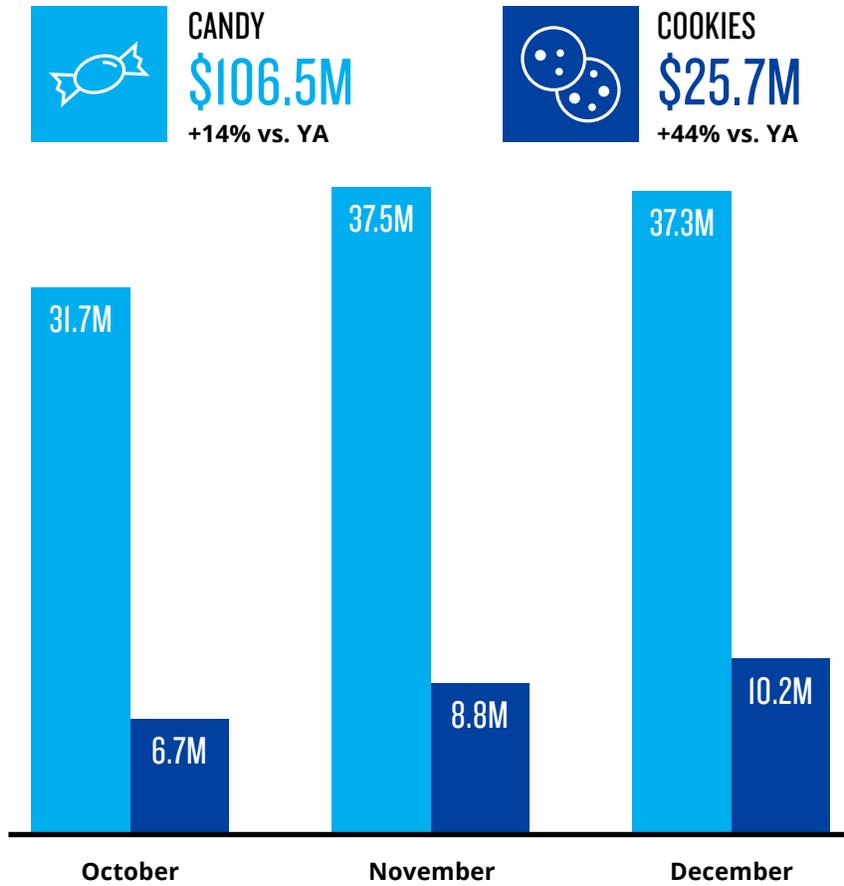
Subscription services are garnering much attention, especially as consumers become inundated with data, information and marketing messages. Given the hundreds of decisions we're forced to make every day as a result of this data overload, many consumers are using subscriptions as a means to automate and streamline their lives. These services provide the convenience of regular product stock-ups, with the time savings of routinizing purchase decisions among trusted products. Today, 20% of online orders are part of a subscription service.¹² While many of the most popular subscription-ordered categories are non-food related, meal kits and chips are two food categories that have begun to penetrate the online subscription space. In fact, snacks, in general are gaining support through e-commerce sales. With the holidays in mind, the below summarizes some of the headways snack-related categories like candy and cookies have had via e-commerce over the holiday period of 2016. While online fulfillment models have a long way to go to replicate the immediacy of buying a treat in-store, e-commerce is enabling shoppers to automate the replenishment of these items.

¹² Nielsen, Digital Shopping Fundamentals, 2017

SWEET GAINS ONLINE

In the 12 weeks ending Dec. 31, 2016...

E-COMMERCE SALES (MILLIONS)



Source: Nielsen E-commerce measurement, Total U.S., 12 weeks ended Dec. 31, 2016

MULTICULTURAL

As fast as channels are fragmenting and categorical barriers are blurring, the mix of ethnic and sociodemographic cohorts in the U.S. is growing and evolving. Diversity is not a trend anymore, it's a reality. And so, tailoring product offerings to the unique preferences of demographic groups is essential for success.

Our previous look into examples of holiday snacks seeing growth online points to opportunities to maximize snack segments to the preferences of key consumer cohorts. Asian-American consumers, for example, have a distinct likelihood to purchase better-for-you snacking options like health bars or meat snacks. Meanwhile, black and Hispanic consumers over-index in spending on a number of similar categories. Both groups favor the assortment present in snack variety packs and are likely to purchase confectionary gift packages and indulge in purchasing pork rinds. White consumers show a likely affinity toward sugar-conscious dietetic candies and chocolates in addition to snack staples like potato sticks, corn chips and pretzels.



DOLLAR INDEX ON SNACKING CATEGORIES BY MULTICULTURAL COHORT

Asian-American households are more likely than the average consumer to purchase better-for-you snack options

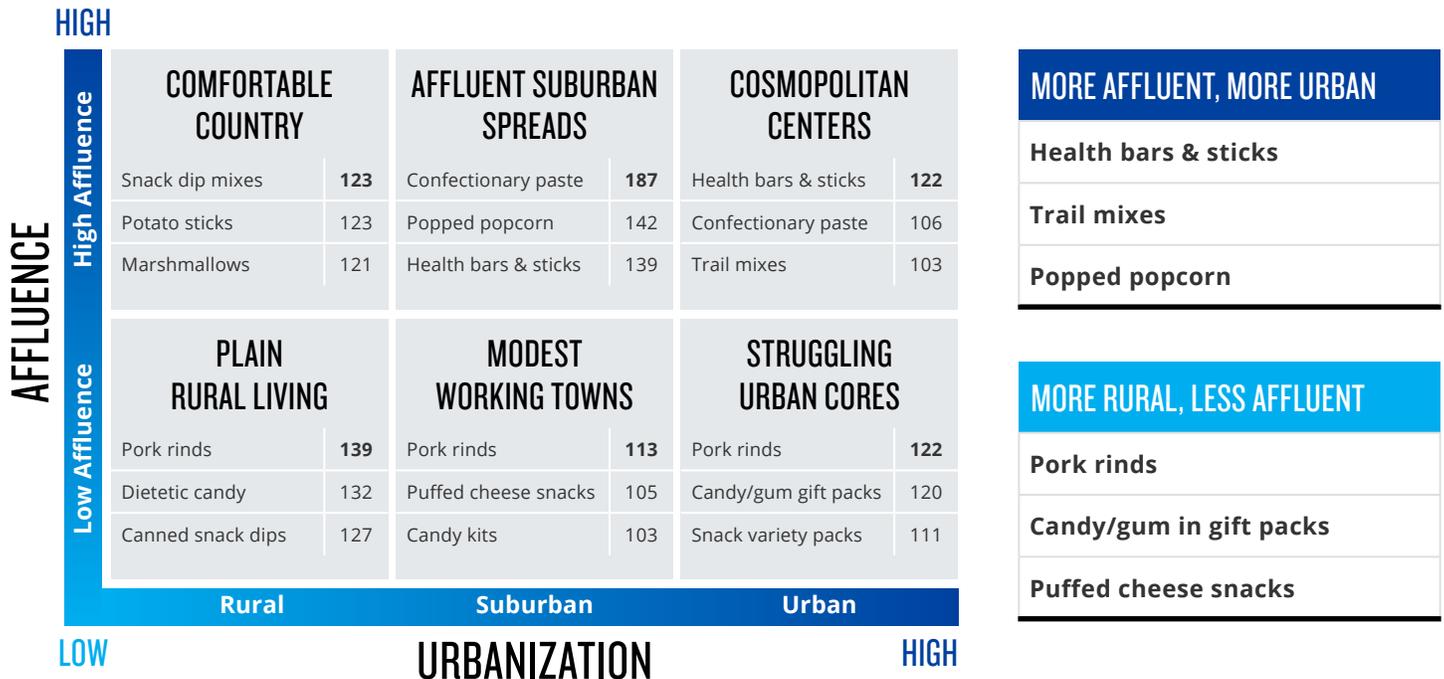
SNACK PREFERENCE BY RACE

High Opportunity Categories	\$ Index
WHITE	
Dietetic chocolate	117
Pretzels	115
Dietetic candy	115
Potato sticks	114
Corn chips	110
BLACK	
Pork rinds	233
Snack variety packs	147
Candy/gum gift package	136
Popcorn	118
Caramel corn	117
HISPANIC	
Confectionary paste	226
Candy/gum gift package	224
Snack variety packs	144
Lollipops	129
Pork rinds	129
ASIAN	
Meat snacks	123
Miniature candy	109
Popcorn	104
Health bars & sticks	102
Chocolate	99

Source: Nielsen Spectra, Consumer Profiles, Data Version: Oct. 2017

URBANIZATION AND AFFLUENCE

Snacking categories most likely to be purchased by consumers within each Lifestyle



Source: Nielsen Spectra, Consumer Profiles, Data Version: Oct. 2017

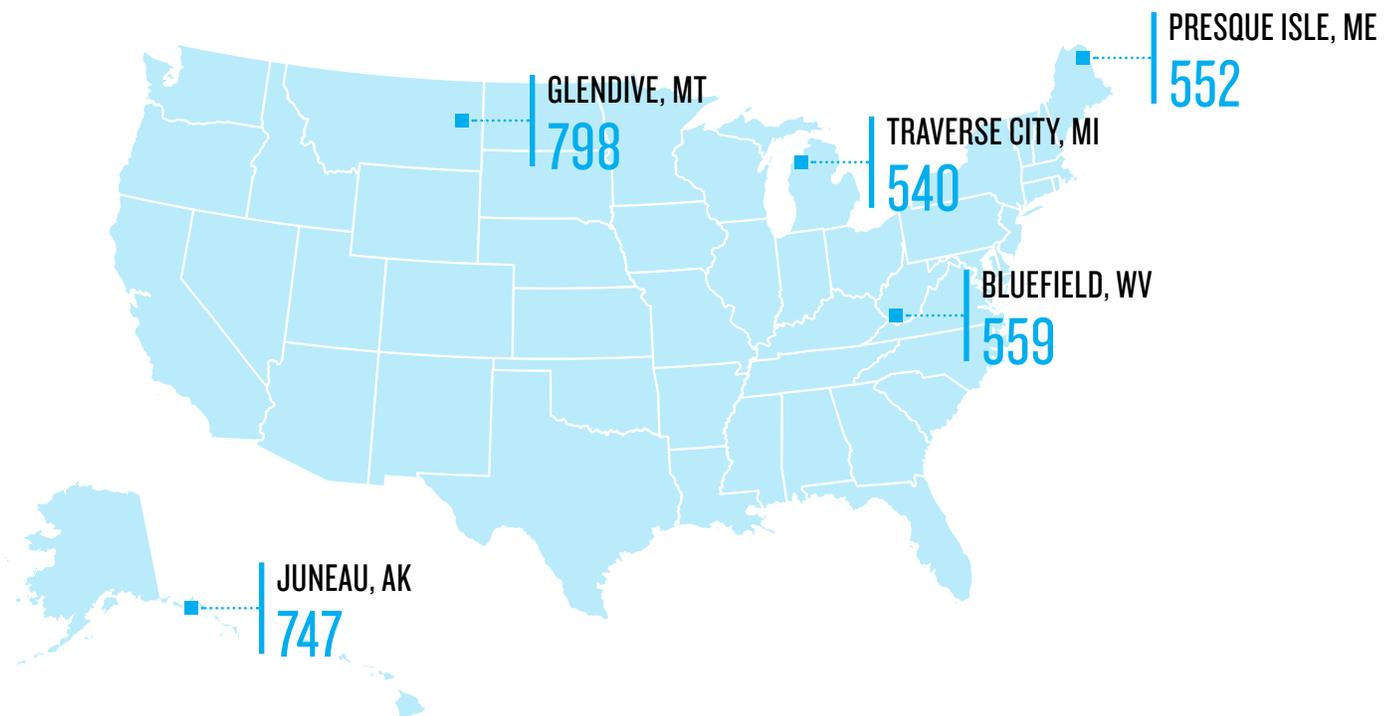
From the stance of sociodemographic understanding, there are specific groupings of snack genres that emerge among snacking categories when analyzed by the affluence and level of urbanization of consumers' dwellings. As might be expected, affluence seems to be a dividing factor in the impact of health and wellness on snacking preferences. Consumers living in the most affluent and urban neighborhoods are most likely to purchase snacks like health bars, trail mix and popcorn. Conversely, pork rinds are the highest-indexing snack among households of lower affluence.

While the impacts of income and standard of living may seem predictive, knowing these snacking preferences can enable the creation of regional groupings for strategic targeting. After recognizing the high opportunity snacking segments of rural consumers, a target audience can be isolated for analysis across geographies of choice. Through the process of matching available markets to the demographics of the selected target audience, high opportunity market areas can be located on the ground for strategic engagement.

Imagine you're trying to find new opportunities to grow snack dips, or, snack mixes. They have each experienced sales declines in the past year (-2% in dollars for snack dips and -1% for snack mixes) and both are purchased by rural households more than expected levels.¹³ The example below highlights the top markets for rural snacking consumers. The five Nielsen DMAs (designated market areas) on the map are the rural communities with the highest concentration of households matching the criteria of our target audience, in this case, rural households who purchase snacks. This presents a framework that, when fit to your sector-specific criteria, can highlight key geographies, accounts or even stores that are of highest opportunity to your business.

TOP MARKET AREAS - SNACKS & RURAL CONSUMERS

Juneau and Glendive among top two high opportunity areas for target audience



Source: Nielsen Spectra, Target Ranking including DMA codes, Data Version: Oct. 2017

¹³ Nielsen Retail Measurement Services, Core syndicated hierarchy, Total U.S., 52-weeks ended Sept. 30, 2017, UPC-coded

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.

“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.



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