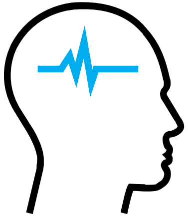
WHAT MAKES THE CONSUMER TICK

CONNECTING AND UNDERSTANDING THE SAVVY SHOPPER

CARMAN ALLISON
VP, CONSUMER INSIGHTS

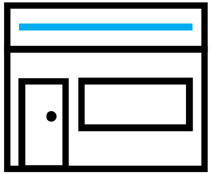
TRENDS DEFINING A NEW MARKETPLACE



IMPROVING CONSUMER CONFIDENCE

SPENDING POWER ON THE RISE

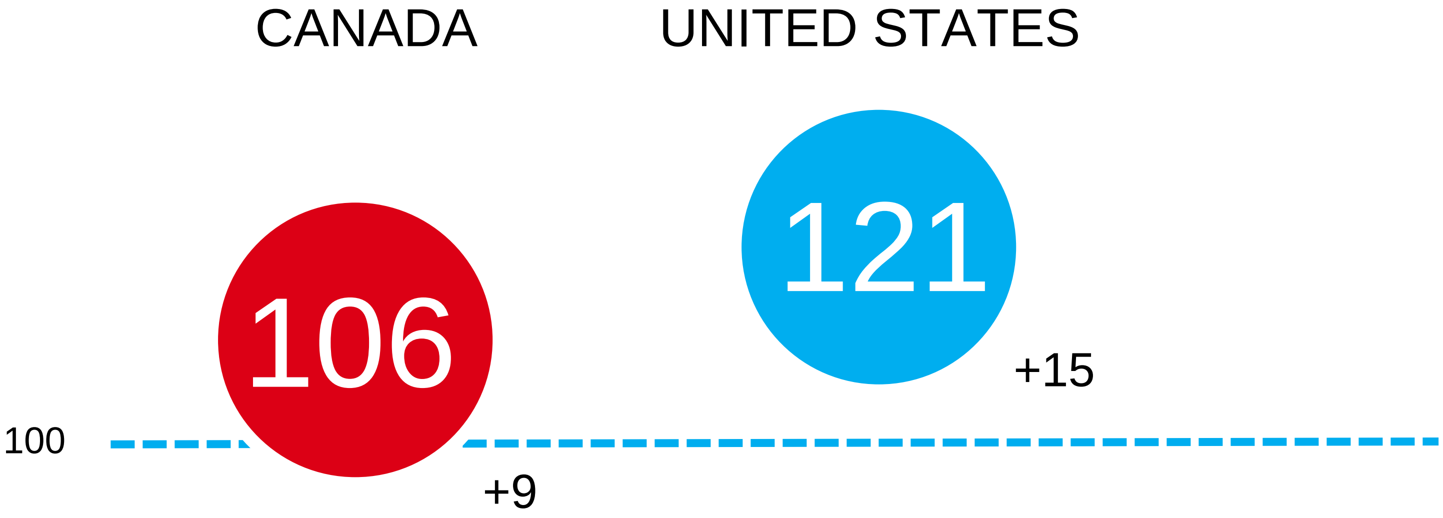
FMCG SALES GROWTH SLOWING



DISTRUPTION IN RETAIL CONTINUES

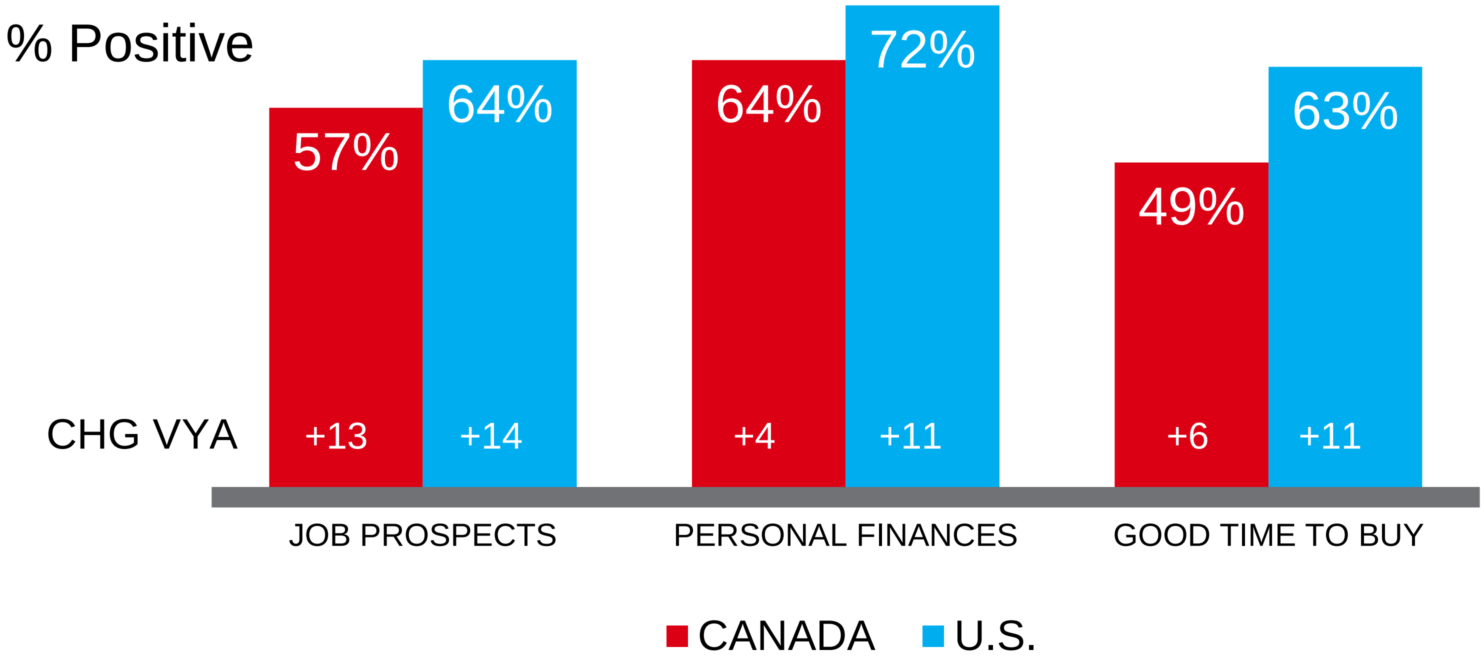
CONSUMER CONFIDENCE RISING

CONSUMER
CONFIDENCE
INDEX



• Source: Nielsen Global Online Consumer Confidence Surveys – Q3 2017- Chg VYA

CONSUMER OPTIMISM INCREASES



Source: Nielsen Global Online Consumer Confidence and Opinion Survey - Q3 2017 - % Agree: Good and Excellent

TOP 5 CONCERNS AMONG CANADIANS

2016		2017	
29%	Economy	24%	Food Prices ↑
22%	Food Prices	20%	Economy ↓
22%	Rising Utilities	19%	Debt
18%	Jobs	19%	Health ↑
18%	Debt	17%	Rising Utilities ↓

Source: Nielsen Global Omnibus Consumer Confidence Survey Q3 2017 – Canada – Top 2 Combined

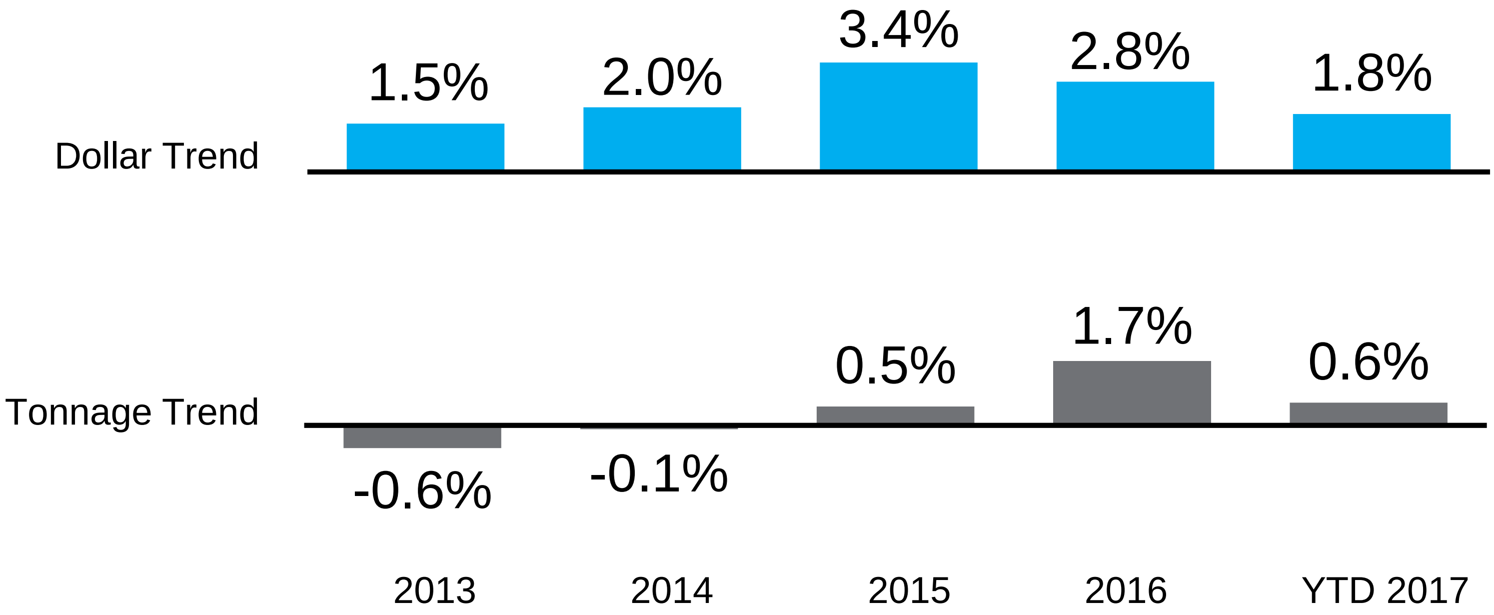
CANADIANS ARE FEELING MORE OPTIMISTIC ABOUT THEIR SPENDING POWER

		2016	2017
$$$	FREE SPENDERS	8.9%	10.7%
$$	LIVING COMFORTABLY	60.0%	60.9%
$	SHOPPING BASICS	31.3%	28.4%

Source: Nielsen Panel Views Survey Canada

Despite economic and consumer sentiment improvements, FMCG sales growth is slowing

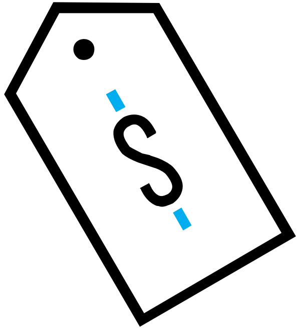
FMCG RETAIL GROWTH SLOWING IN 2017



Source: Nielsen MarketTrack, Canada National All Channels – 52 weeks Year End - Total Tracked Sales (UPC Only) YTD 36 weeks to September 16, 2017

LOWER REGULAR PRICES ARE CHANGING THE GROWTH MIX

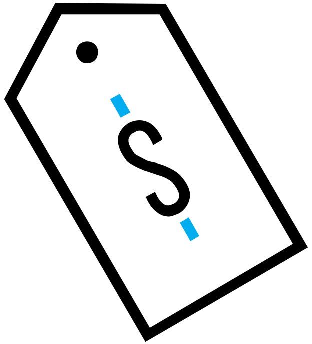
Price Change



Price Change	$ % Chg	Tonn % Chg
REGULAR PRICES -0.2%	+3.2%	+3.4%
PROMOTED PRICES +2.7%	-0.9%	-3.6%

Source: Nielsen MarketTrack – Grocery+Drug+Mass, Total Tracked Sales excluding Fresh – 52 weeks to September 16, 2017

MAKING SENSE OF JUST 3 CENTS



For each 1% increase in retail prices, translates to a potential increase of $768 million in sales

Growth opportunities need to be more strategic since consumers are not consuming more to offset lower prices

Source: Nielsen MarketTrack National G+D+MM, Total Regular Prices Sales excluding Fresh Random Weight – 52 weeks to September 16, 2017 – 1% Change in Retail Price Per Unit X Total Sales Units

FUTURE HEADWINDS FOR PRICING

Current Environment	Retailer Impact
Labour Cost Increasing	Layoffs
	Store Closures
Value Retailer & Online Growth	Declining Promo Effectiveness
Low Inflation	Price Wars

Future pricing strategies need to be more strategic to increase margin and focus on profitability

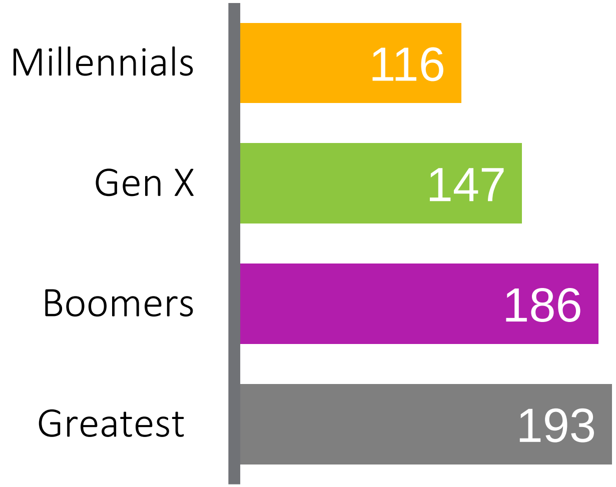
DESPITE LOWER PRICES, TRAFFIC STILL IN DECLINE

TOTL FMCG TRIPS

2,263.9 Million

-2%

ANNUAL SHOPPING TRIPS PER HOUSEHOLD

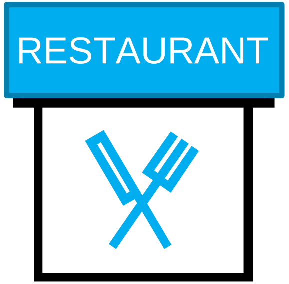


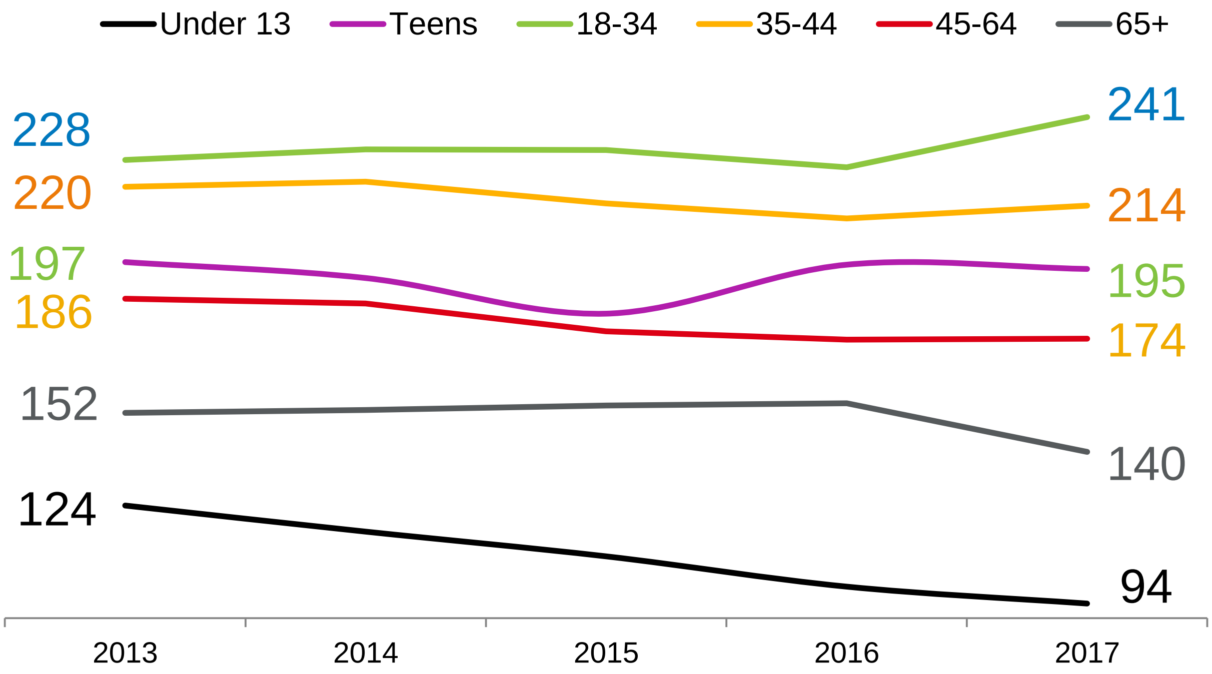
Nielsen Homescan Cross Outlet Facts: 52 weeks to September 30, 2017, Trips

HH National All Channels 52 weeks ending April 19, 2016

MILLENNIALS MAKE THE LEAST TRIPS TO THE STORE BUT FREQUENT RESTAURANTS THE MOST

Annual Restaurant Trips Per Capita

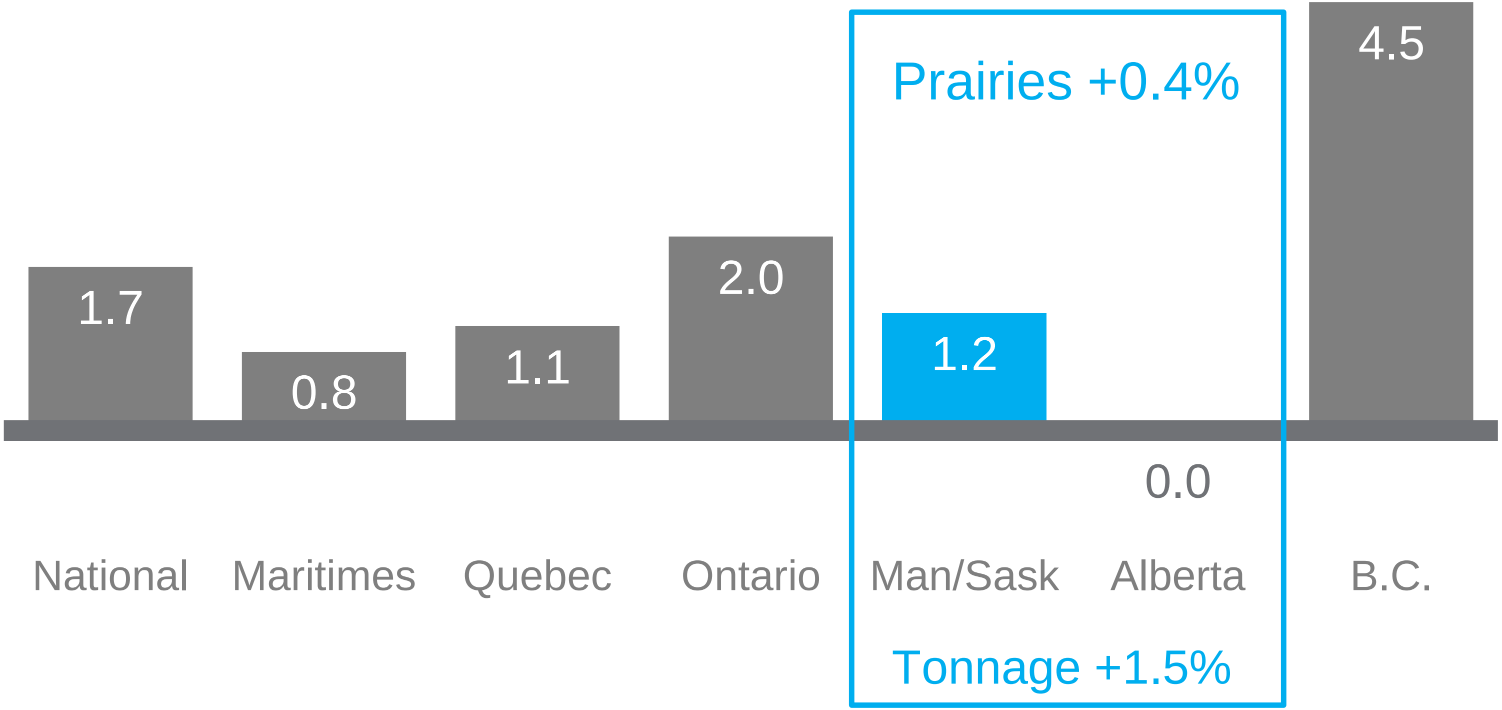




Source: the NPD Group Eating Patterns in Canada Report 2017

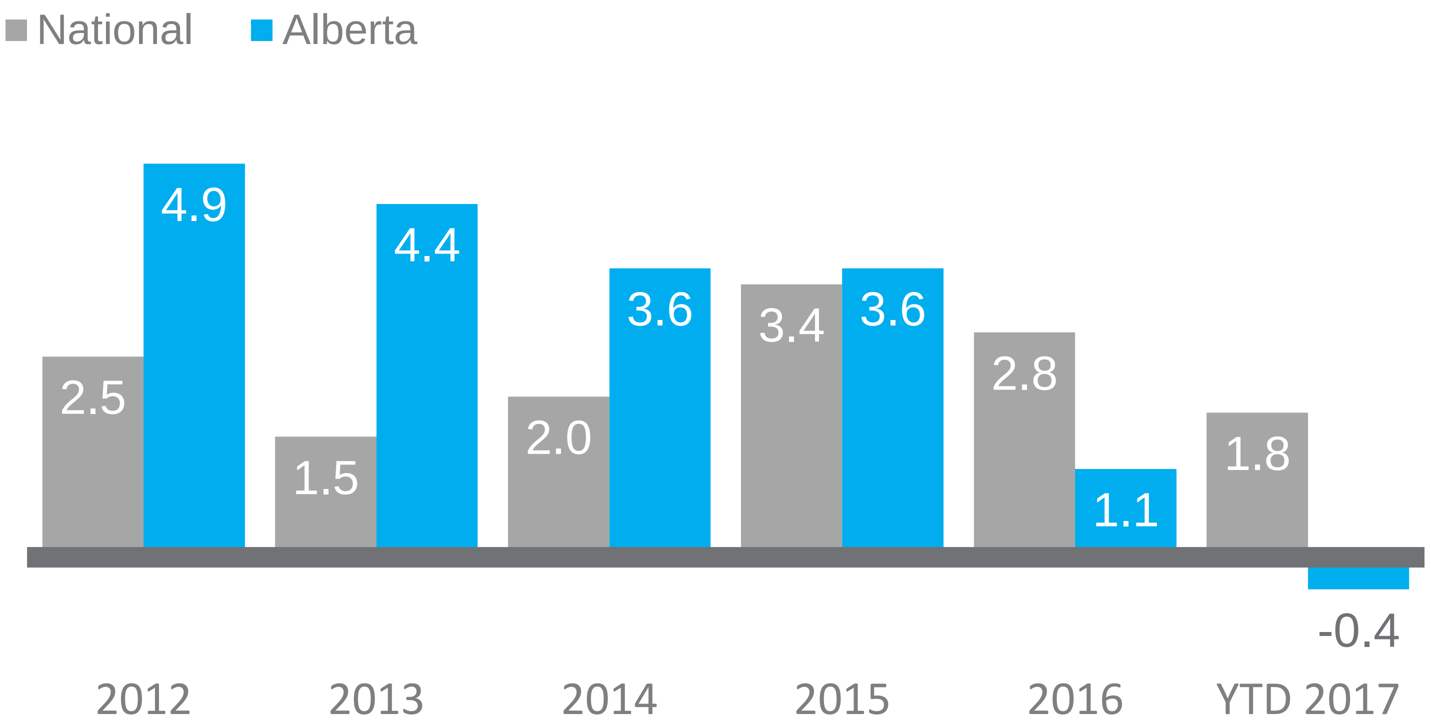
PRAIRIES LAGGING THE REST OF CANADA

52 week Regional CPG Performance = $ % Chg



Source: Nielsen MarketTrack, National All Channels – 52 weeks Ending September 16, 2017 - Total Tracked Sales including Fresh Random Weight

ALBERTA NO LONGER LEADS REGIONAL GROWTH



Source: Nielsen MarketTrack, National All Channels – Annual Years, YTD 36 weeks Ending September 16, 2017 - Total Tracked Sales excluding Fresh Random Weight

TRENDS IMPACTING PATH TO PURCHASE

CONNECT

REACH

ENGAGE

CONNECT

Online and Digital is creating new and exciting touch points along the shopper journey

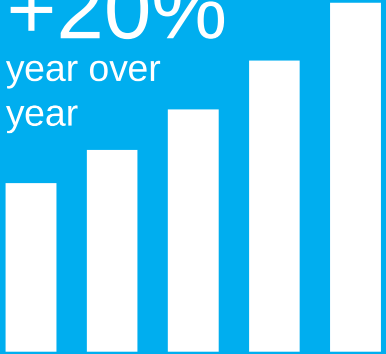
THE DIGITAL FUTURE IS HERE AND NOW

Online shopping for CPG is forecasted to almost **triple** by 2020

2.1% ▶ 5.3%

CPG online sales are projected to grow

+20% year over year



7:1

Margin by which retail e-commerce sales growth will outpace brick & mortar sales growth by 2020

Source: Nielsen, Cross Outlet Facts, 52 weeks ending September 30, 2017 – E-Commerce Share

CLICKS VS BRICKS: ONLINE TRIPS ARE UP WHILE VISITS TO PHYSICAL STORES ARE IN DECLINE

TOTL FMCG TRIPS

2,263.9 Million

-2%

VS.

BRICKS & MORTAR

2,233.2 Million

-2%

E-COMMERCE

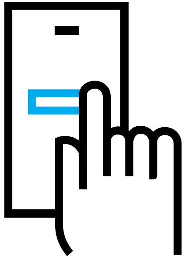
30.7 Million

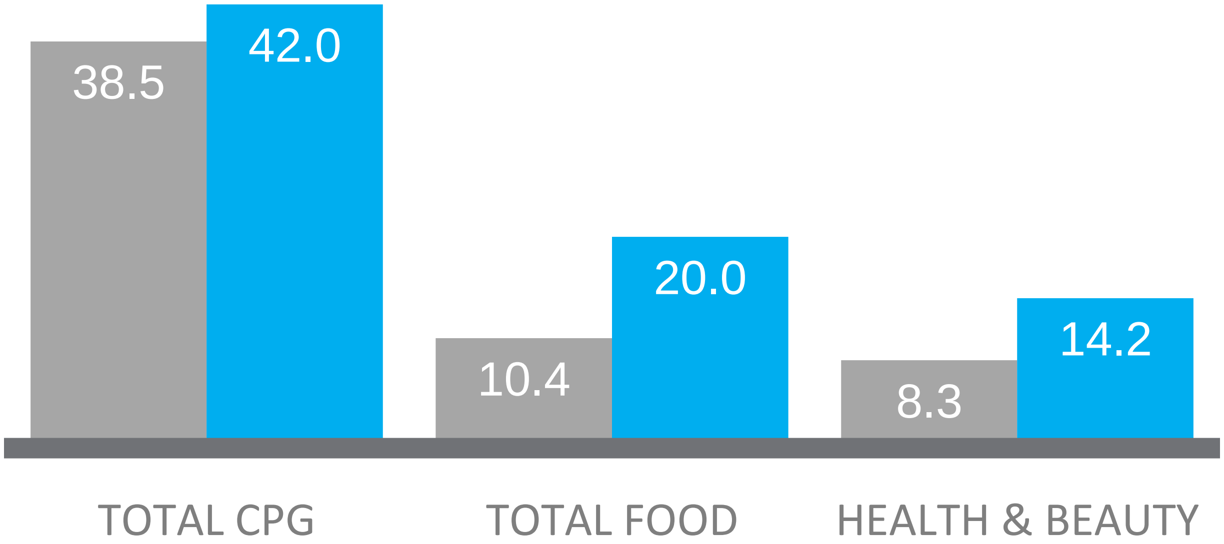
+22%

Source: Nielsen Homescan Channel Watch 52 weeks ending September 30, 2017

ECOMMERCE PENETRATION GROWING AS MORE CONSUMERS SHIFT THEIR SPENDING ONLINE

% of Canadians Shopping Online

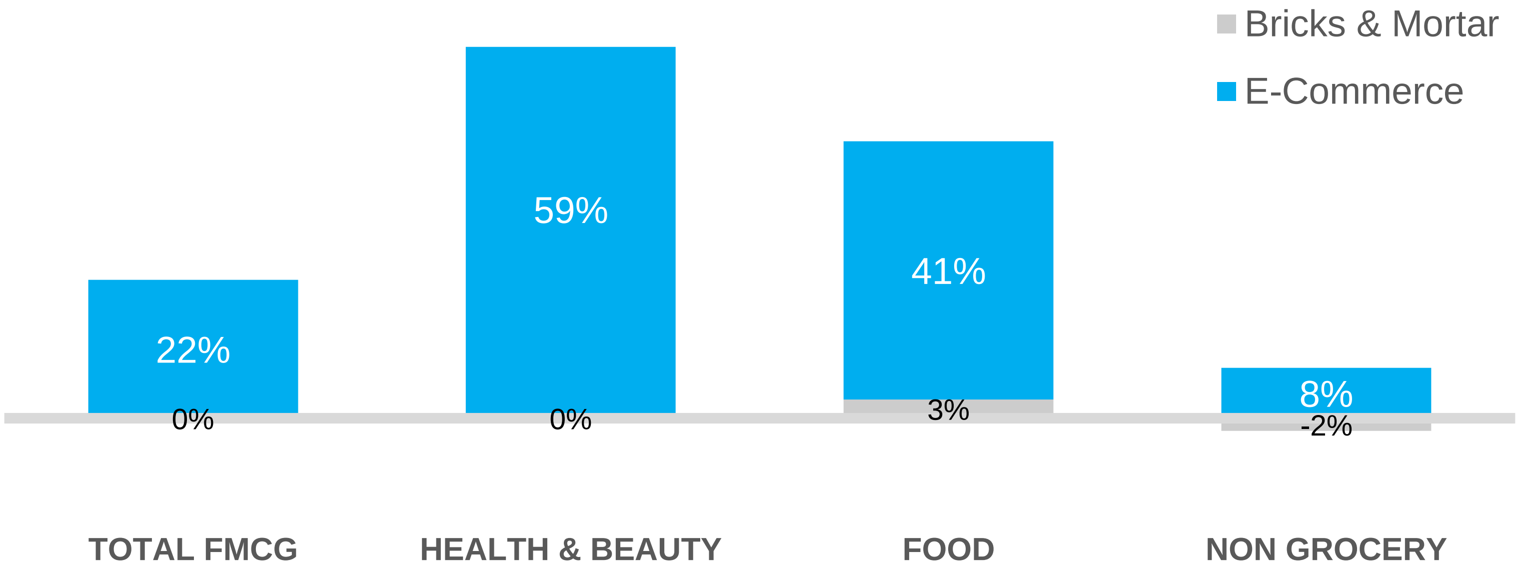




Source: Nielsen, Cross Outlet Facts, 52 weeks ending September 30, 2017 – E-Commerce Penetration

BRICKS AND MORTOR GROWTH STATIC WHILE E-COMMERCE GAINING MOMENTUM

DOLLAR SALES GROWTH VS. YAGO



Source: Nielsen, Cross Outlet Facts, 52 weeks ending September 30, 2017

BARRIERS TO ONLINE GROCERY SHOPPING

IN-PERSON EXPERIENCE	QUALITY AND FRESHNESS	FULFILLMENT AND DELIVERY	EASE OF SITE USAGE
75%	63%	48%	48%
Prefer to examine the products before purchasing	Concerned over freshness and expiration dates	Concerned deliveries happen when not at home	Browsing to find products too time consuming

% who agree

Source: Nielsen Global Connected Commerce Survey, Q3 2015 - Canada

THERE IS NO SINGLE ONLINE GROCERY SHOPPER

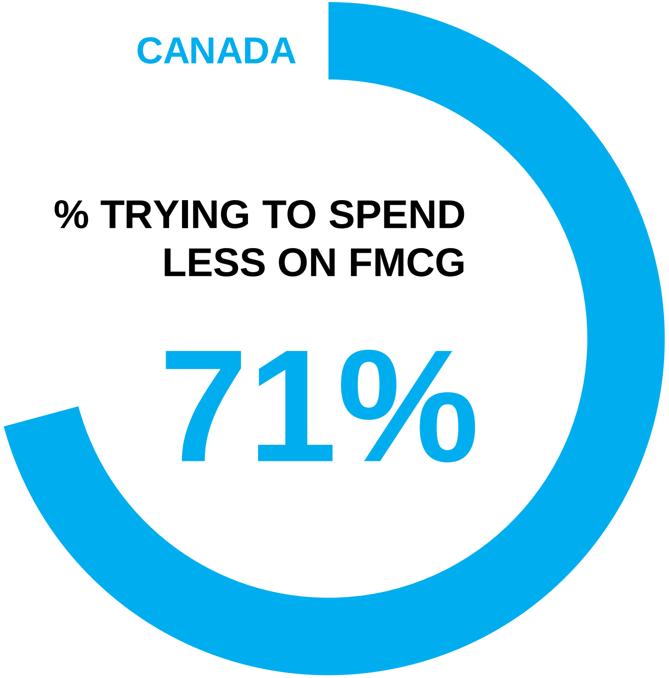
DIGITAL DODGERS		INDIFFERENT & IMPULSIVE		DIGITAL DEAL DIGGERS		CLICKING CONNOISSEURS
Technology Averse	Digital Reluctants	Grab & Go	Non-Planners	Tech Savvy Value Seekers	Researcher	Digital Advocates
LOW TRUST LOW TECH SAVVY		LOW VALUE SEEKING LOW SHOPPING ENJOYMENT		RESEARCH DRIVEN TECH SAVVY		ENJOY SHOPPING ONLINE
38%		22%		30%		10%

Source: Nielsen PanelViews, Digital Shopping survey, 2016

REACH

More consumers are shifting their purchase destinations to non-traditional retailers

CONSUMER SAVING STRATEGIES ARE SHAPING RETAIL FORMAT TRENDS



TOP SAVING STRATEGIES

80% Stock-up

68% Buy on Sale

57% Coupons

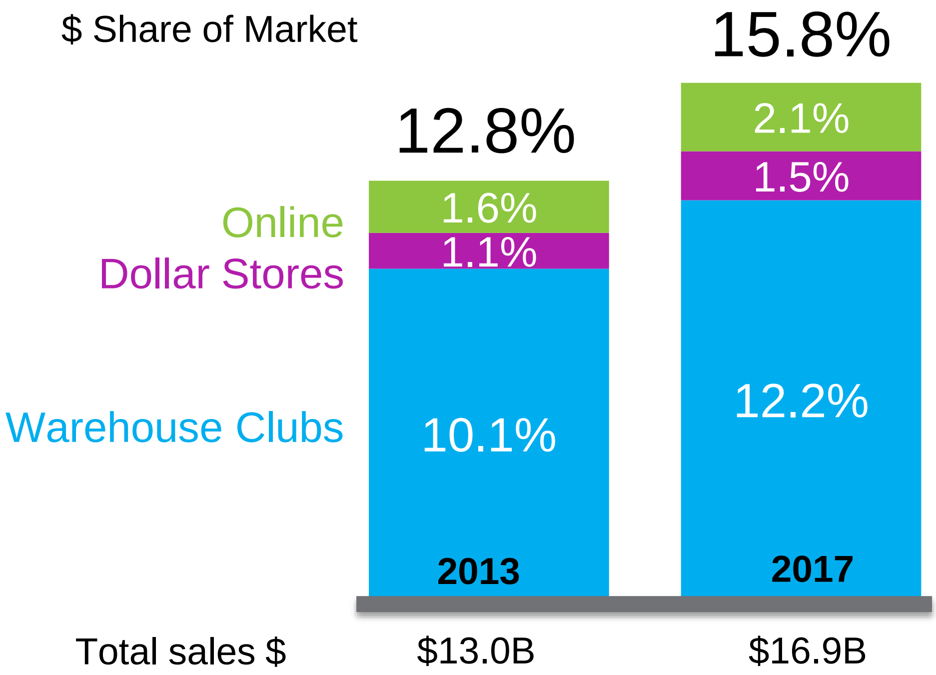
55% Switch Stores

52% Store Brands

50% Large Sizes

Source: Homescan Panel View Survey 2017

OVER THE PAST 5 YEARS, $3.8 BILLION HAS SHIFTED TO ONLINE, DOLLAR STORE AND WAREHOUSE CLUBS



THE OPPORTUNITY

+$3.8 Billion Increase

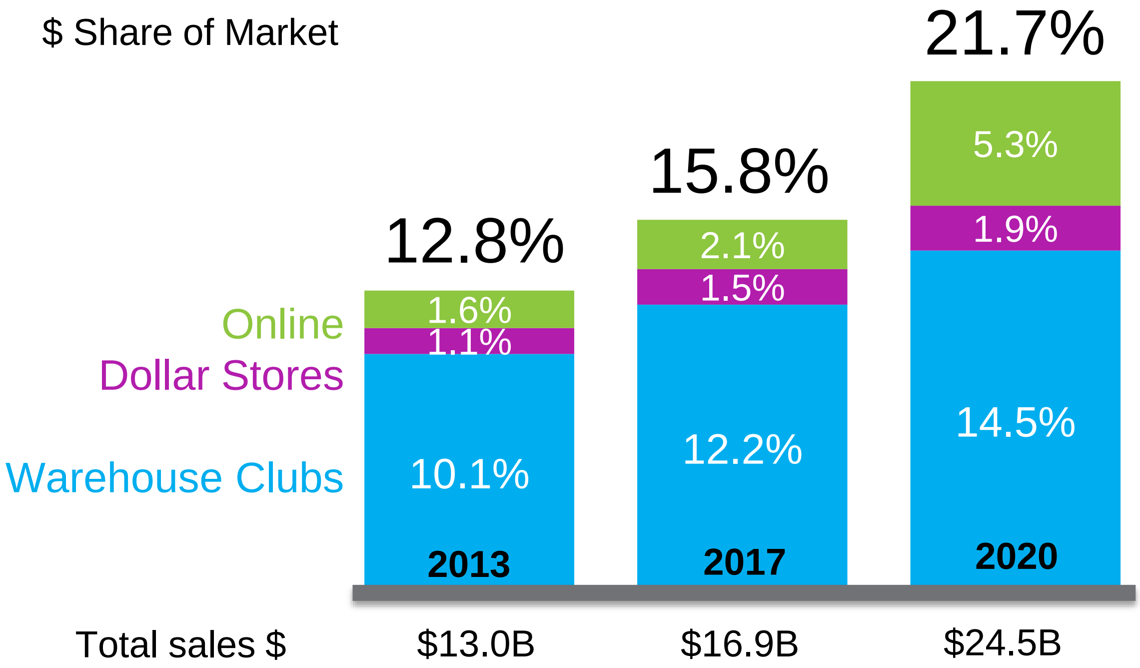
+30% $ growth since 2013

251 million trips in 2017

+16% trip increase since 2013

Source: Nielsen, Cross Outlet Facts, 52 weeks ending September 30, 2017 – VAPs adjusted

THE DISRUPTION IN RETAIL WILL CONTINUE



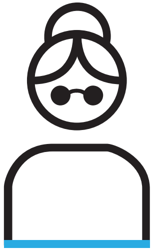
With potentially an additional $7.6 Billion by 2020

Source: Nielsen, Cross Outlet Facts, 52 weeks ending September 30, 2017 – VAPs adjusted

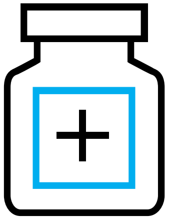
ENGAGE

Health and Wellness is influencing and changing purchase decisions

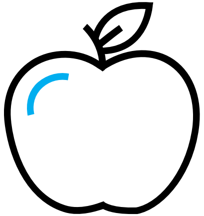
FACTORS HEIGHTENING FOCUS ON CLEAN EATING



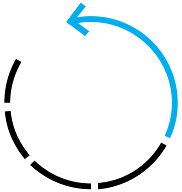
CANADA GRAYING



CHRONICALLY AILING



FOOD AS MEDICINE



EVOLVING HEALTH & WELLNESS

CONSUMERS ARE PUTTING THEIR MONEY WHERE THEIR MOUTH IS

54% OF CANADIANS SAY THEY'RE WILLING TO PAY MORE FOR FOODS AND DRINKS THAT **DON'T** CONTAIN UNDESIRABLE INGREDIENTS.

DRIVEN BY:

47% **Enlighten Eating**
% who follow a specific diet which limits specific foods and ingredients

28% **Sensitive Stomachs**
% of households with a food allergy or intolerance

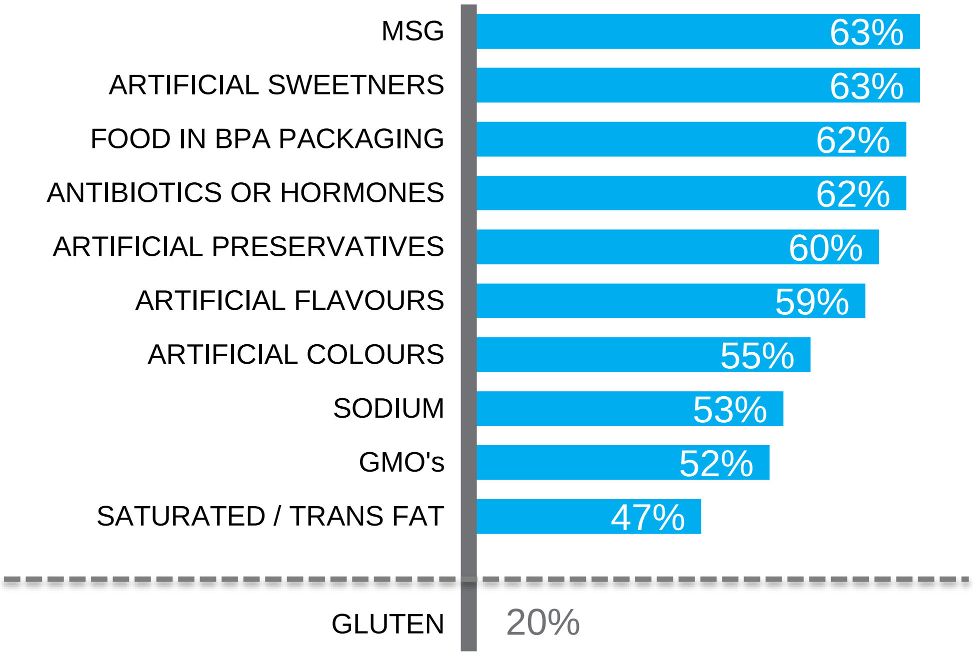
- **7% Gluten Free**

Source: Nielsen Global Health and Ingredient Sentiment Survey Q1 2016 – Canadian respondents

LESS IS MORE WHEN IT COMES TO INGREDIENTS

DIETARY DIVERSITY:
THE INGREDIENTS WE AVOID

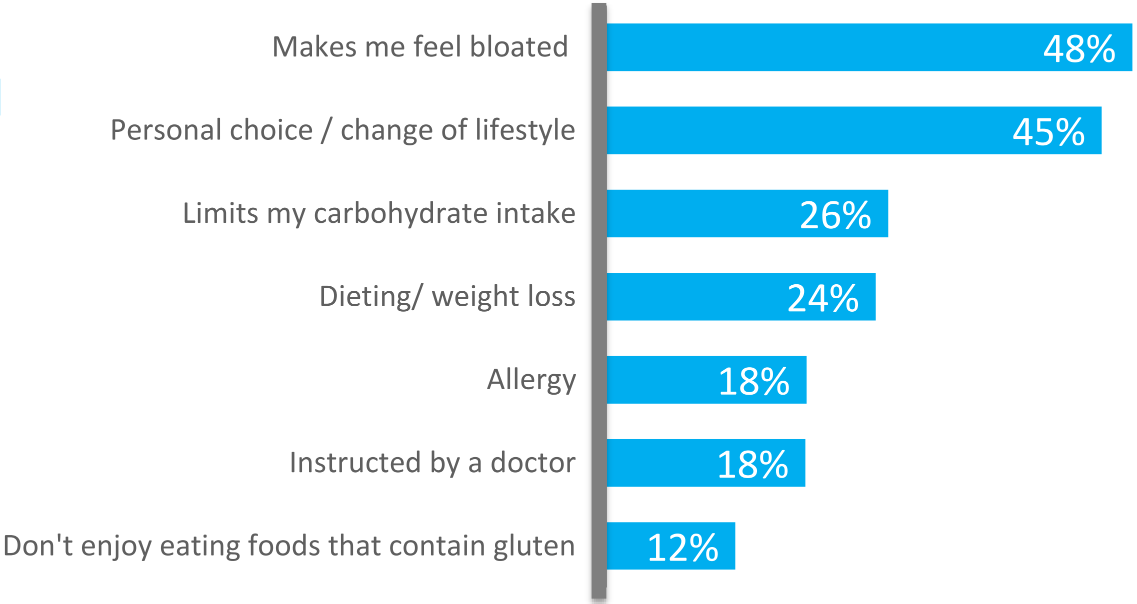
PERCENTAGE WHO SAY THEY TRY TO AVOID SPECIFIED INGREDIENT OR ATTRIBUTE



Source: Nielsen Global Health and Ingredient Sentiment Survey Q1 2016 – Canadian respondents

SENSITIVITY AND LIFESTYLE CHOICE ARE THE PRIMARY REASONS FOR AVOIDING GLUTEN

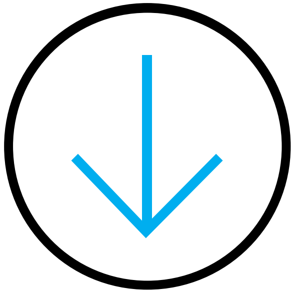
Reasons Why Consumers Have Been Reducing Intake of Gluten

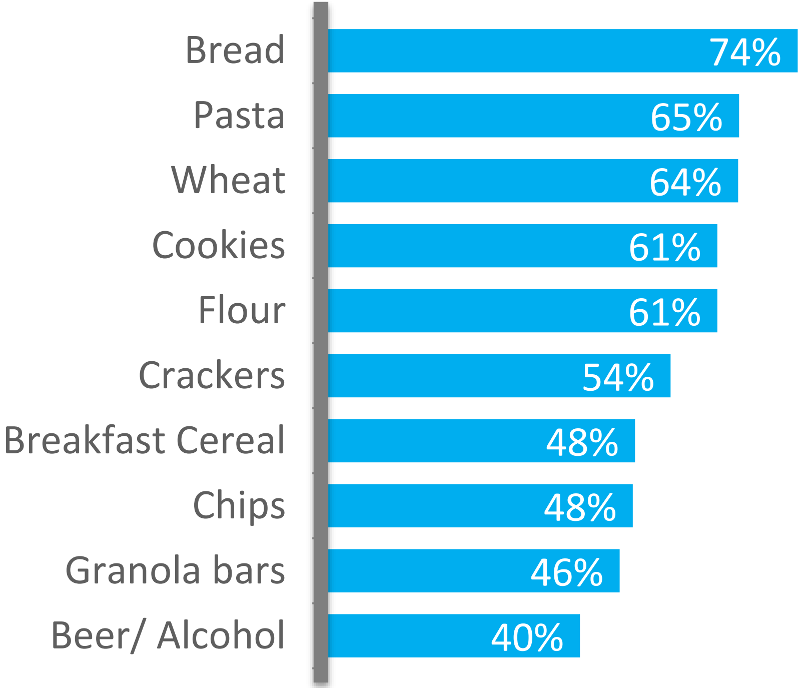


Source: Nielsen PanelViews Health & Wellness Survey 2016 – Q9 *Multiple Mentions

WHICH CATEGORIES ARE ON THE CONSUMER'S GLUTEN FREE HIT LIST?

% REDUCING CONSUMPTION





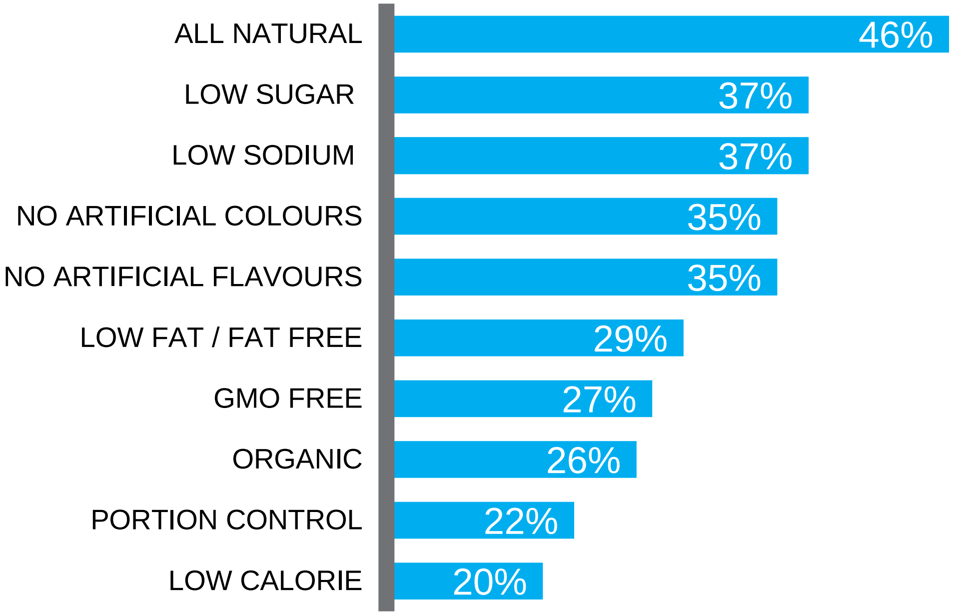
Source: Nielsen PanelViews Health & Wellness Survey 2016 – Q11 and Q12 *multiple mentions.

BACK TO BASICS IS BACK IN DEMAND

MORE PLEASE!

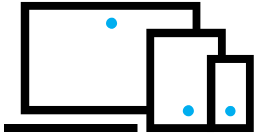
FOOD PRODUCTS WE WANT MORE OF

PERCENTAGE WHO SAY THEY WISH THERE WERE MORE OF THESE FOOD PRODUCTS ON THE STORE SHELVES



Source: Nielsen Global Health and Ingredient Sentiment Survey Q1 2016 – Canadian respondents

OPPORTUNITIES ALONG THE PATH TO PURCHASE



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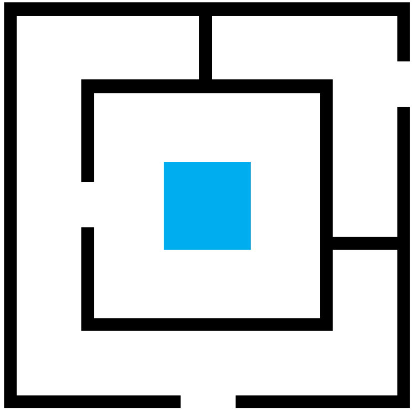

How are you adapting to the changing path to purchase?

Thank you

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Carman.Allison@Nielsen.com

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